

Appendix 4D

Half yearly results

Name of entity

Kina Securities Limited

ARBN

606168594

Half year ('current period')

30 June 2015

Results for announcement to the market—

| | | | | K'000 |
|---|------|------------------|----|--------------------------|
| Operating Income | Down | 12.1% | to | 26,380 |
| Profit (loss) from ordinary operations after tax* | Down | 46.1% | to | 4,548 |
| Profit (loss) attributable to members* | Down | 46.1% | to | 4,548 |
| Dividends (distributions) | | Amount per share | | Franked amount per share |
| Final Dividend – 2014 | | 500t | | 0t |
| Interim Dividend – 2015 | | 0t | | 0t |

| | |
|--|--|
| ⁺ Record date for determining entitlements to the dividend, Refer Page 3 to 5 for commentary | <div style="border: 1px solid black; padding: 5px; width: 150px; margin: 0 auto;"> _____ 2015 </div> |
| | |

* The current half year profit is inclusive of the one off cost of K1.068m incurred to date at 30 June 2015 in relation to the pending acquisition of Maybank Papua New Guinea (MPNG).

This report is to be read in conjunction with the attached Condensed Interim Financial Statements for the half year ended 30 June 2015.

Commentary

Kina Securities Limited (KSL) has reported a net profit after tax of K4.55 million for the six months to 30 June 2015.

The result has exceeded internal expectations and leaves Kina well positioned to achieve the profit forecasts outlined in the prospectus recently issued for the successful 30 July 2015 dual listing of KSL on the Australian Securities Exchange and the Port Moresby Stock Exchange.

The results do not include any contribution from the Maybank Papua New Guinea (MPNG) business, as its acquisition by KSL was not completed at the end of the period. The acquisition remains on schedule for completion on 30 September 2015.

Before tax and costs associated with the MPNG acquisition, the profit was K8.0 million for the six months to 30 June 2015, compared with K12.34 million in the prior corresponding period to June 2014.

Highlights for the half year included:

- Solid growth in loans and deposits.
- Increases in value of Funds under Management to K5.3 billion.
- Record Funds under Administration of K4.8 billion and a record 159,061 members.
- The announced acquisition of the MPNG business.

Finance

Loans to customers at the end of the June half 2015 totalled K216 million, with strong growth seen in business lending, commercial property loans and home mortgages, while reductions were experienced in asset finance, personal lending and in the Esiloan segment, which provides short term loans of up to K20,000 to personal consumers.

While loan balances increased, net interest income for the six months to June 2015 reduced 8.5% to K16.7 million, due to a narrowing of net interest margins to 8.03%. Margins were reduced by an increase in interest expense from unusually low levels in the prior corresponding half, when a large deposit redemption had reduced interest expenses.

Loan fee income eased from K1.7 million to K1.5 million, largely due to lower sales of the Esiloan product, which constitutes the largest number of individual loans in the portfolio and generates the bulk of fee income.

Overall asset quality remains sound, with bad debt expense of K1.78 million in the half year. Total provisions increased from K7.4 million to K8.0 million, broadly in line with growth in the loan book.

Capital adequacy remains exceptionally strong, with Tier One capital at 31% of Risk Weighted Assets (RWA), compared with the regulatory minimum of 8%, and Total Capital at 34% of RWA, compared with the regulatory minimum of 12%.

Funds Management

The Funds Management Division achieved strong growth in the half year to June 2015, with Funds under Management rising to record levels, revenues exceeding internal expectations and expenses below budget.

Funds under Management totalled K5.3 billion, with growth driven by increased investment portfolio valuations and new client fund inflows.

The Papua New Guinea (PNG) superannuation industry was affected by changes in regulations during 2014, which required major super funds to insource various functions such as real estate portfolio analysis and certain investment research. Consequently, the product and service mix provided by Kina changed as of 1 July 2014, leading to a reduction in management fee income in the second half of 2014. Revenues from stockbroking operations also were lower due to slower economic conditions, reduced foreign exchange commissions and slower share market activity in PNG.

Pre-tax profit for the division therefore reduced to K1.85 million in the first half of 2015.

Funds Administration

Funds Administration recorded a pre-tax profit of K850,000 for the half year to June 2015, up from K815,000 in the prior corresponding half year.

Funds under administration increased to a record K4.8 billion at June 30, 2015, and the number of member accounts under administration increased to a record 159,061.

Revenues increased 6.3% to K3.7 million, in line with the rise in member numbers, and costs were kept relatively stable.

Group Outlook

The acquisition of MPNG to be a part of Kina Group is set for completion on 30 September 2015, creating a new, dynamic financial services company in PNG.

Kina Group will be PNG's fourth largest bank, with more than 11,000 clients and seven branches. It will be the largest wealth management business in PNG, and one of the largest fund administrators in the country.

The combination of Kina and MPNG will provide significant opportunities for growth through new product offerings and capacity to cross-sell additional products to the combined customer base. It also is expected to lead to reduced funding costs and operational cost savings.

While economic conditions in PNG have slowed over the past year, national growth rates are still expected to be healthy at around 10%. Notwithstanding the slower economy, the first half profit result for Kina Securities for the six months to June 2015 exceeded internal forecasts, leaving the company on track to achieve the forecasts outlined in the recent prospectus for the Kina initial public offering.

Shareholders will be provided with a further update following completion of the MPNG acquisition in the coming weeks.

Other notes to the consolidated financial statements

1. Ratios

| | Current period June 15 | Previous corresponding Period June 14 |
|---|---------------------------|--|
| Profit before tax / Operating Income | | |
| Consolidated profit (loss) from ordinary activities before tax as a percentage of revenue | 26.29%* | 41.11% |
| Profit after tax / equity interests | | |
| Consolidated net profit (loss) from ordinary activities after tax attributable to members as a percentage of equity (similarly attributable) at the end of the period | 4.38%* | 8.13% |

Earnings per share (EPS)

Calculation of the following in accordance with IAS33: Earnings per Share

| | | |
|---|-----------|-----------|
| (a) Basic EPS | 227.42t* | 421.67t |
| (b) Diluted EPS | 227.42t* | 421.67t |
| (c) Weighted average number of ordinary shares outstanding during the period used in the calculation of the Basic EPS | 2,000,000 | 2,000,000 |

NTA backing

| | | |
|---|--------|--------|
| Net tangible asset backing per ordinary share | K51.90 | K51.83 |
|---|--------|--------|

* These are inclusive of the one off costs of K1.068m incurred to date at 30 June 2015 in relation to the pending MPNG acquisition

2. Divisional Segments

The group operates in the following commercial areas:

| | Finance | Investment & Portfolio Management | Fund Administration | Corporate | Total |
|--|---------|---|------------------------|-----------|---------|
| | K'000 | K'000 | K'000 | K'000 | K'000 |
| 2015 | | | | | |
| External Revenue | 1,687 | 4,343 | 3,685 | - | 9,715 |
| Inter-Segmental Revenue | - | - | - | 977 | - |
| Interest Revenue | 21,174 | 80 | 2 | - | 21,256 |
| Interest Expense | (4,591) | - | - | - | (4,591) |
| Segment Results | 5,301 | 1,852 | 850 | - | 8,003 |
| Total Segment Result | 5,301 | 1,852 | 850 | - | 8,003 |
| MPNG Acquisition cost* | - | - | - | (1,068) | (1,068) |
| Income Tax Expense | (1,599) | (533) | (255) | - | (2,387) |
| Net Profit After Tax and Acquisition Cost | 3,702 | 1,319 | 595 | (1,068) | 4,548 |
| Segment Assets | 338,137 | 11,075 | 2,249 | 10,903 | 362,364 |
| Segment Liabilities | 252,252 | 61 | 733 | 5,517 | 258,563 |
| Net Assets | 85,885 | 11,014 | 1,516 | 5,386 | 103,801 |
| Capital Expenditure | - | - | - | 354 | 354 |
| Depreciation | - | - | - | 950 | 950 |

* One off costs incurred to date to 30 June 2015 in relation to the pending acquisition of MPNG.

| | Finance | Investment & Portfolio Management | Fund Administration | Corporate | Total |
|-------------------------|---------|---|------------------------|-----------|---------|
| | K'000 | K'000 | K'000 | K'000 | K'000 |
| 2014 | | | | | |
| External Revenue | 1,717 | 6,605 | 3,464 | - | 11,786 |
| Inter-Segmental Revenue | - | - | - | 1,437 | - |
| Interest Revenue | 20,541 | 139 | 5 | - | 20,776 |
| Interest Expense | (2,552) | - | - | - | (2,552) |
| Segment Results | 7,673 | 3,850 | 815 | - | 12,338 |
| Total Segment Result | 7,673 | 3,850 | 815 | - | 12,338 |
| Income Tax Expense | (2,562) | (1,099) | (244) | - | (3,905) |
| Group Profit | 5,111 | 2,751 | 571 | - | 8,433 |
| Segment Assets | 311,492 | 19,495 | 4,015 | 6,058 | 341,060 |
| Segment Liabilities | 235,565 | 712 | 916 | 4,615 | 241,808 |
| Net Assets | 75,927 | 18,783 | 3,099 | 1,443 | 99,252 |
| Capital Expenditure | - | - | - | 696 | 696 |
| Depreciation | - | - | - | 855 | 855 |

**KINA SECURITIES LIMITED AND ITS
SUBSIDIARIES**

**CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2015**

KINA SECURITIES LIMITED AND ITS SUBSIDIARIES
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FOR THE HALF YEAR ENDED 30 JUNE 2015

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KINA SECURITIES LIMITED AND ITS SUBSIDIARIES
DIRECTORS' REPORT
FOR THE HALF YEAR ENDED 30 JUNE 2015

The Directors of Kina Securities Limited and its Subsidiaries (the Group) submit herewith the financial report of the Group including the condensed financial statements for the half year ended 30 June 2015.

Principal Activities

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

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

Accounting Policies

Details of accounting policies are shown in note 1 (c) to the accounts. There have been no changes to policies adopted at 31 December 2014.

Country of Incorporation

The Company is incorporated in Papua New Guinea and has its principal place in Papua New Guinea.

Registered Office

Its registered office is Level 9, Deloitte Tower, Douglas Street, Port Moresby, National Capital District.

Directors and Secretary

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

| | |
|--|-----------|
| H. Wong | J. Yap |
| S. G. Yates (also Chief Executive Officer) | D. Manoa |
| R. Namaliu (Chairman) | P. Ng |
| W. Golding | D. Foster |
| K. Wong (Company Secretary) | |

Dividends

Dividends declared and paid during the half year amounted to Knil (2014:Knil).

Results

The operating profit attributable to equity holders for the half year for the Group was K4,548,422 (2014: K8,433,378).

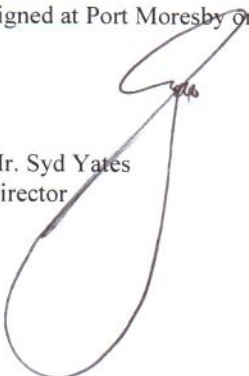
Solicitors

The Company's legal advisers during the year are as follows:

- | | |
|--|--|
| 1. Blake Dawson Waldron Level 4 Mogoru Moto Building Champion Parade PO Box 850 Port Moresby NCD | 2. Allens Arthur Robinson Level 5 Pacific Place Musgrave Street PO Box 1178 Port Moresby |
|--|--|

Signed at Port Moresby on behalf of the board on the 28 day of August 2015.

Mr. Syd Yates
Director



Mr. Wayne Golding
Director





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

Report on the condensed interim financial statements

We have reviewed the accompanying condensed interim financial statements, being a special purpose financial report, of Kina Securities Limited (the Company), which comprise the condensed statement of financial position as at 30 June 2015, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date and other selected explanatory notes for the Group. The Group comprises the Company and the entities it controlled at 30 June 2015 or from time to time during the half-year.

The condensed interim financial statements do not contain all the disclosures required of the full financial statements under generally accepted accounting practice in Papua New Guinea. Reading these condensed financial statements, therefore, is not a substitute for reading the annual financial statements of the Company.

Directors' responsibility for the condensed interim financial statements

The Directors of the Company are responsible for the preparation of these interim financial statements such that they present fairly the matters to which they relate in accordance with IAS 34 'Interim Financial Reporting' and for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the condensed interim financial statements based on our review. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2410 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' in order to state whether, on the basis of the procedures described, anything has come to our attention that makes us believe that the condensed interim financial statements do not present fairly the matters to which they relate. As the auditor of the Company, ISRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

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

Conclusion

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the condensed interim financial statements of Kina Securities Limited do not present fairly the Group's financial position as at 30 June 2015 and its financial performance and cash flows for the half-year ended on that date in accordance with IAS 34 'Interim Financial Reporting'.



Restriction on distribution or use

This report is made solely to the Directors of the Company, as a body. Our review work has been undertaken so that we might state to the Directors those matters which we are required to state to them in our review report and for no other purpose. We do not accept or assume responsibility to anyone other than the Directors of the Company, as a body, for our review work, for this report or for those conclusions we have formed.

PricewaterhouseCoopers

PricewaterhouseCoopers

A handwritten signature in blue ink, appearing to read 'Grant Burns', enclosed within a circular scribble.

Grant Burns

Partner

Registered under the Accountants Act 1996

Port Moresby
31 August 2015

KINA SECURITIES LIMITED AND ITS SUBSIDIARIES
DIRECTORS DECLARATION
FOR THE HALF YEAR ENDED 30 JUNE 2015

The directors declare that:

- in the directors' opinion, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable
- in the directors' opinion, the attached condensed interim financial statements and notes thereto give a true and fair view of the financial position and performance of the Group and comply with International Financial Reporting Standard IAS 34: Interim Financial Reporting, other generally accepted accounting practices in Papua New Guinea relating to half yearly financial reports.

Signed in accordance with a resolution of the directors.

On behalf of the Directors

Director
Port Moresby

Director
Port Moresby

on the 28 day of August 2015.

KINA SECURITIES LIMITED AND ITS SUBSIDIARIES
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 30 JUNE 2015

| | Notes | Consolidated Half year 30 June | |
|---|-------|-----------------------------------|-------------------|
| | | 2015 Unaudited | 2014 Unaudited |
| | | K | K |
| Interest income | 3 | 21,256,052 | 20,776,090 |
| Interest expense | | (4,591,082) | (2,551,938) |
| Net interest income | | 16,664,970 | 18,224,152 |
| Fee and commission income | 4 | 9,395,750 | 11,400,349 |
| Fee and commission expense | | (48,399) | (64,582) |
| Net fee and commission income | | 9,347,351 | 11,335,767 |
| Dividend income | | 81,882 | 43,038 |
| Net trading (expense)/income | | (19,164) | 182,592 |
| Net gains from financial assets through profit and loss | 7 | 2,875 | 128,024 |
| Other operating income | | 302,486 | 96,616 |
| Operating income | | 26,380,400 | 30,010,189 |
| Impairment losses on loans and advances to customers | 6 | (1,784,289) | (1,642,442) |
| Other operating expenses | 5 | (17,660,627) | (16,029,581) |
| Profit before tax | | 6,935,484 | 12,338,166 |
| Income tax expense | | (2,387,062) | (3,904,788) |
| Net profit for the period | | 4,548,422 | 8,433,378 |
| Other comprehensive income | | - | - |
| Total comprehensive income for the period | | 4,548,422 | 8,433,378 |

The notes on pages 9 to 18 are an integral part of these condensed interim financial statements.

KINA SECURITIES LIMITED AND ITS SUBSIDIARIES
CONDENSED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE HALF YEAR ENDED 30 JUNE 2015

| Consolidated | Attributable to the equity holders of the Group | | | |
|--|---|-----------------|--------------------|--------------------|
| | Share Capital | Capital Reserve | Retained Earnings | Total |
| | K | K | K | K |
| Balance as at 31 December 2013 | 2,000,000 | 49,050 | 93,175,851 | 95,224,901 |
| Profit for the period | - | - | 8,433,378 | 8,433,378 |
| Balance as at 30 June 2014(unaudited) | 2,000,000 | 49,050 | 101,609,229 | 103,658,279 |
| Profit for the period | - | - | 5,593,976 | 5,593,976 |
| Dividend Paid | - | - | (10,000,000) | (10,000,000) |
| Balance as at 31 December 2014(audited) | 2,000,000 | 49,050 | 97,203,205 | 99,252,255 |
| Profit for the period | - | - | 4,548,422 | 4,548,422 |
| Dividend Paid | - | - | - | - |
| Balance as at 30 June 2015 (unaudited) | 2,000,000 | 49,050 | 101,751,627 | 103,800,677 |

The notes on pages 9 to 18 are an integral part of these condensed interim financial statements.

KINA SECURITIES LIMITED AND ITS SUBSIDIARIES
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
As at 30 JUNE 2015

| | Notes | Consolidated | |
|--|-------|-----------------------------------|-------------------------------------|
| | | 30 June 2015 Unaudited K | 31 December 2014 Audited K |
| Assets | | | |
| Cash and due from other banks | 13 | 61,165,534 | 52,792,011 |
| Central bank bills | 13 | 33,145,744 | 39,364,105 |
| Loans and advances to customers | 6 | 209,126,404 | 202,191,521 |
| Financial assets at fair value through profit and loss | 7 | 4,550,148 | 4,695,223 |
| Investment securities held-to-maturity | 8 | 19,049,369 | 19,117,024 |
| Other assets | 9 | 25,377,126 | 12,404,438 |
| Deferred income tax assets | | 3,195,463 | 3,108,038 |
| Investment in associate company | | 396,000 | 396,000 |
| Property and equipment | | 6,357,782 | 6,991,861 |
| | | 362,363,570 | 341,060,221 |
| Liabilities | | | |
| Due to customers | 10 | 244,355,742 | 225,452,157 |
| Employee provisions | | 2,080,778 | 2,172,882 |
| Current income tax payable | | 499,056 | 521,298 |
| Deferred income tax liabilities | | 605,962 | 687,582 |
| Other liabilities | 11 | 11,021,355 | 12,974,047 |
| | | 258,562,893 | 241,807,966 |
| Net assets | | 103,800,677 | 99,252,255 |
| Shareholders' equity | | | |
| Issued and fully paid ordinary shares | 12 | 2,000,000 | 2,000,000 |
| Capital reserve | | 49,050 | 49,050 |
| Retained earnings | | 101,751,627 | 97,203,205 |
| | | 103,800,677 | 99,252,255 |

The notes on pages 9 to 18 are an integral part of these condensed interim financial statements.

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

Mr. Syd Yates
Director

Mr. Wayne Golding
Director

on the 28 day of August 2015.

KINA SECURITIES LIMITED AND ITS SUBSIDIARIES
CONDENSED INTERIM STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 30 JUNE 2015

| | Notes | Half year ended 30 June | |
|---|-----------|-------------------------|------------------------|
| | | 2015 Unaudited K | 2014 Unaudited K |
| Cash flows from operating activities | | | |
| Interest received | | 21,237,073 | 20,952,308 |
| Interest paid | | (5,817,699) | (3,285,071) |
| Dividend received | | 81,882 | 43,038 |
| Fee and commission received | | 9,470,168 | 10,995,075 |
| Fee and commission paid | | (48,399) | (1,101,193) |
| Net trading and other operating income received | | 286,197 | 1,854,819 |
| Recoveries on loans previously written-off | | 1,137,320 | 1,104,840 |
| Cash payments to employees and suppliers | | (18,484,806) | (16,027,426) |
| Income tax paid | | (2,577,947) | (3,152,995) |
| Cash flows from operating profits before changes in operating assets and liabilities | | 5,283,789 | 11,383,395 |
| Changes in operating assets and liabilities: | | | |
| -net increase in loans and advances to customers | | (6,934,883) | (6,781,630) |
| -net increase in other assets | | (12,972,688) | (864,373) |
| -net increase/(decrease) in due to customers | | 18,903,585 | (27,175,118) |
| -net increase/(decrease) in other liabilities | | (1,952,692) | 1,264,780 |
| Net cash (outflow)/inflow from operating activities | | 2,327,111 | (22,172,946) |
| Cash flows from investing activities | | | |
| Purchase of property and equipment | | (353,899) | (696,628) |
| Proceeds from sale of property and equipment | | 34,000 | 31,000 |
| Purchase of available-for-sale financial assets | | (262,782) | - |
| Proceeds from sale of available-for-sale financial assets | | 410,732 | 10,794,991 |
| Net cash inflow/(outflow) from investing activities | | (171,949) | 10,129,363 |
| Cash flows from financing activities | | | |
| Repayment from debt securities | | - | 4,015,266 |
| Net cash inflow/(outflow) from financing activities | | - | 4,015,266 |
| Net (decrease)/increase in cash and cash equivalents | | 2,155,162 | (8,028,317) |
| Cash and cash equivalents at beginning of year | | 92,156,116 | 112,292,236 |
| Cash and cash equivalents at end of year | 13 | 94,311,278 | 104,263,919 |

The notes on pages 9 to 18 are an integral part of these condensed interim financial statements.

KINA SECURITIES LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2015

1. Significant accounting policies

a) Statement of compliance

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

These condensed interim financial statements have been reviewed, not audited.

b) Basis of presentation

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

c) Accounting policies and disclosures

The accounting policies and method of computation adopted are consistent with those adopted and disclosed in the Group’s annual financial report for the year ended 31 December 2014. These accounting policies are consistent with International Financial Reporting Standards.

2. Critical accounting estimates and judgments

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

In preparing these condensed interim financial statements, the significant judgements made by management in applying the group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2014.

KINA SECURITIES LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2015

3. Interest income

| | <u>Consolidated</u> | |
|--|-------------------------|-------------------|
| | Half year ended 30 June | |
| | 2015 | 2014 |
| | Unaudited | Unaudited |
| | K | K |
| Cash and short-term funds | 1,306,814 | 926,655 |
| Investment securities held-to-maturity | 776,298 | 826,652 |
| Loans and advances to customers | 19,172,940 | 19,022,783 |
| Total interest income | 21,256,052 | 20,776,090 |

4. Fee and commission income

| | <u>Consolidated</u> | |
|--|-------------------------|-------------------|
| | Half year ended 30 June | |
| | 2015 | 2014 |
| | Unaudited | Unaudited |
| | K | K |
| Credit related fees and commission | 1,491,789 | 1,710,261 |
| Investment and portfolio management | 3,871,263 | 5,651,622 |
| Fund administration | 3,576,800 | 3,369,977 |
| Shares brokerage | 204,102 | 486,620 |
| Corporate services fee | 100,000 | - |
| Other fees | 151,796 | 181,869 |
| Total fee and commission income | 9,395,750 | 11,400,349 |

5. Other operating expenses

| | <u>Consolidated</u> | |
|---|-------------------------|-------------------|
| | Half year ended 30 June | |
| | 2015 | 2014 |
| | Unaudited | Unaudited |
| | K | K |
| Staff costs | 9,049,050 | 8,510,114 |
| Administrative expenses | 3,308,240 | 3,135,557 |
| Auditor's remuneration Assurance Services (Statutory Audit) | 144,958 | 131,507 |
| Depreciation | 949,533 | 855,471 |
| Software maintenance and support charges | 672,038 | 819,348 |
| Operating lease | 1,798,079 | 1,987,336 |
| Maybank PNG acquisition costs* | 1,067,523 | - |
| Other | 671,206 | 590,248 |
| Total other operating expenses | 17,660,627 | 16,029,581 |

*6 months one off costs incurred to date at 30 June 2015 in relation to the pending acquisition of Maybank Papua New Guinea (MPNG) (Note 19)

KINA SECURITIES LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2015

6. Loans and advances to customers

| | Consolidated | |
|---|---------------------------------------|---|
| | 30 June 2015 Unaudited | 31 December 2014 Audited |
| | K | K |
| Loan to individuals | 85,258,675 | 91,111,757 |
| Loan to corporate entities | 130,770,558 | 117,477,398 |
| | 216,029,233 | 208,589,155 |
| Fees receivable from corporate entities | 2,263,156 | 2,162,232 |
| Gross loans and advances | 218,292,389 | 210,751,387 |
| Less: Suspended interest | (960,361) | (997,572) |
| Allowances for losses: | | |
| -Individually assessed | (5,161,490) | (4,621,381) |
| -Collective allowance | (3,044,134) | (2,940,913) |
| Balance at end of period | 209,126,404 | 202,191,521 |

Movements in allowance for losses are as follows:

| | Consolidated | |
|--|---------------------------------------|---|
| | 30 June 2015 Unaudited | 31 December 2014 Audited |
| | K | K |
| <i>Individually assessed</i> | | |
| Balance at beginning of period | 4,621,381 | 3,726,272 |
| Impairment losses during the period | 1,607,833 | 4,392,138 |
| Loans written off during the period as uncollectible | (2,210,039) | (4,746,764) |
| Reversals | 4,995 | (1,318) |
| Transfer from collective allowance | - | (389,583) |
| Recoveries | 1,137,320 | 1,640,636 |
| Balance at end of period | 5,161,490 | 4,621,381 |
| <i>Collective allowance</i> | | |
| Balance at beginning of period | 2,940,913 | 3,068,501 |
| Impairment losses during the period | 176,456 | (1,893,667) |
| Loans written off during the period as uncollectible | (73,235) | (137,388) |
| Transfer to individually assessed | - | 389,583 |
| Recoveries | - | 1,513,884 |
| Balance at end of period | 3,044,134 | 2,940,913 |

Loans with variable rates are K191,028,641 (2014: K183,880,776) and fixed rates are K25,000,592 (2014: K24,708,378).

Total impairment (losses)/reversals during the period was (K1,784,289) (2014: K1,642,442).

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7. Financial assets at fair value through profit and loss

| | <u>Consolidated</u> | |
|-----------------------------------|------------------------------|--------------------------------|
| | 30 June 2015 Unaudited | 31 December 2014 Audited |
| | K | K |
| Equity securities - at fair value | | |
| -Listed | 4,488,561 | 4,633,636 |
| -Unlisted | 61,587 | 61,587 |
| Balance at end of period | 4,550,148 | 4,695,223 |

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

| | <u>Consolidated</u> | |
|---|------------------------------|--------------------------------|
| | 30 June 2015 Unaudited | 31 December 2014 Audited |
| | K | K |
| Balance at beginning of period | 4,695,223 | 15,649,770 |
| Gains/(losses) from changes in fair value | (6,475) | (470,323) |
| Additions | 262,782 | 1,071,900 |
| Disposal proceeds | (410,732) | (11,899,778) |
| Gains/(losses) on disposal | 9,350 | 343,654 |
| Balance at end of period | 4,550,148 | 4,695,223 |

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

8. Investment securities held-to-maturity

| | <u>Consolidated</u> | |
|--------------------------|------------------------------|--------------------------------|
| | 30 June 2015 Unaudited | 31 December 2014 Audited |
| | K | K |
| Principal | 18,000,000 | 18,000,000 |
| Unamortized premium | 1,049,369 | 1,117,024 |
| Balance at end of period | 19,049,369 | 19,117,024 |

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The movement in investment securities held-to-maturity is as follows:

| | <u>Consolidated</u> | |
|---------------------------------|------------------------------|--------------------------------|
| | 30 June 2015 Unaudited | 31 December 2014 Audited |
| | K | K |
| Balance at beginning of period | 19,117,024 | 23,286,810 |
| (Disposal)/Addition | - | (4,015,266) |
| Amortized premium | (67,655) | (154,520) |
| Balance at end of period | 19,049,369 | 19,117,024 |

9. Other assets

| | <u>Consolidated</u> | |
|--|------------------------------|--------------------------------|
| | 30 June 2015 Unaudited | 31 December 2014 Audited |
| | K | K |
| Prepayments | 1,994,639 | 898,966 |
| MPNG acquisition signing deposit (Note 19) | 15,976,163 | 5,700,000 |
| IPO related deferred costs (Note 19) | 2,276,843 | 531,610 |
| Bonds | 512,017 | 442,991 |
| Accrued interest | | |
| -central bank bills | 852,931 | 823,146 |
| -due from other banks | 144,226 | 76,329 |
| -investment securities held-to-maturity | 544,627 | 555,675 |
| Other debtors | 2,462,022 | 2,946,855 |
| Other assets | 677,427 | 522,432 |
| | 25,440,895 | 12,498,004 |
| Less specific allowance for losses | (63,769) | (93,566) |
| | 25,377,126 | 12,404,438 |

10. Due to customers

| | | |
|---------------------------------|--------------------|--------------------|
| Corporate customers | | |
| -Current/settlement accounts | 12,650,145 | 11,803,786 |
| -Term deposits | 191,233,976 | 168,654,973 |
| Retail customers | | |
| -Current/settlement accounts | 530,781 | 498,041 |
| -Term deposits | 39,940,840 | 44,495,357 |
| Balance at end of period | 244,355,742 | 225,452,157 |

11. Other liabilities

| | | |
|------------------|-------------------|-------------------|
| Creditors | 1,321,131 | 880,597 |
| Accrued interest | 2,254,592 | 3,307,395 |
| Accruals | 7,198,561 | 5,281,133 |
| Other | 247,071 | 3,504,922 |
| | 11,021,355 | 12,974,047 |

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12. Issued and fully paid ordinary shares

The issued capital of Kina Securities Limited ("KSL") comprises of 2,000,000 ordinary shares. Following is a summary of principal shareholders as at 30 June 2015 and their respective percentage holdings:

| | Shareholdings | |
|-----------------------------|---------------|------------------|
| | 30 June 2015 | 31 December 2014 |
| | % | % |
| Wayne Kenneth Golding | 5.5 | 5.5 |
| Columbus Investment Limited | 5.0 | 5.0 |
| Fu Shan Investment Limited | 89.5 | 89.5 |
| | 100.0 | 100.0 |

13. Cash and cash equivalents

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

| | Consolidated | |
|--|-------------------|-------------------|
| | 30 June 2015 | 31 December 2014 |
| | Unaudited | Audited |
| | K | K |
| Cash in hand | 4,600 | 4,600 |
| Placement with other banks | 27,628,436 | 18,046,983 |
| Loans and advances to other banks | 33,532,498 | 34,740,428 |
| Cash and due from other banks | 61,165,534 | 52,792,011 |
| Central bank bills | 33,145,744 | 39,364,105 |
| Total cash and cash equivalents | 94,311,278 | 92,156,116 |

14. Related party transactions

The Group is controlled by Kina Securities Limited ('KSL') (incorporated in Papua New Guinea), which owns 100% of the ordinary shares of its subsidiaries. The ultimate controlling shareholder is Fu Shan Investment Limited (incorporated in Hong Kong). There were no related party transactions between the ultimate controlling shareholder and KSL during the half year.

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.

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

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15. Investments under trust

The Group acts as trustee that result in the holding or placing of assets on behalf of superannuation funds and individuals. As the relationship is legally supported, these assets are not assets of the Group and, therefore, are not included in its balance sheet. The Group is also engaged in investing client monies. A corresponding liability in respect of these monies is also excluded from the balance sheet. Investments under trust at balance sheet date are:

| | Consolidated | |
|-----------------------|---------------------|--------------------|
| | 30 June | 31 December |
| | 2015 | 2014 |
| | Unaudited | Audited |
| | K | K |
| Due from other banks | - | - |
| Shares clients funds | 5,321,539 | 3,076,681 |
| Investment securities | | |
| -Listed | - | - |
| -Unlisted | - | - |
| | 5,321,539 | 3,076,681 |

16. Contingent liabilities

There is one ongoing litigation against the Group for which full provision have been made in the financial statement. Other litigations related to the Group debt recovery action. There are no other significant action or claim against the Group.

17. Commitments for expenditure

Commitments under contracts for capital expenditure at balance sheet dated to the extent to which provision has not been made in the financial statements amount to Nil.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
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18. Segment information

The group operates in the following commercial areas:

| | Finance | Investment & Portfolio Management | Fund Administration | Corporate | Total |
|--|----------------|---|------------------------|----------------|----------------|
| | K'000 | K'000 | K'000 | K'000 | K'000 |
| 2015 | | | | | |
| External Revenue | 1,687 | 4,343 | 3,685 | - | 9,715 |
| Inter-Segmental Revenue | - | - | - | 977 | - |
| Interest Revenue | 21,174 | 80 | 2 | - | 21,256 |
| Interest Expense | (4,591) | - | - | - | (4,591) |
| Segment Results | 5,301 | 1,852 | 850 | - | 8,003 |
| Total Segment Result | 5,301 | 1,852 | 850 | - | 8,003 |
| Maybank PNG Acquisition cost* | - | - | - | (1,068) | (1,068) |
| Income Tax Expense | (1,599) | (533) | (255) | - | (2,387) |
| Net Profit After Tax and Acquisition Cost | 3,702 | 1,319 | 595 | (1,068) | 4,548 |
| Segment Assets | 338,137 | 11,075 | 2,249 | 10,903 | 362,364 |
| Segment Liabilities | 252,252 | 61 | 733 | 5,517 | 258,563 |
| Net Assets | 85,885 | 11,014 | 1,516 | 5,386 | 103,801 |
| Capital Expenditure | - | - | - | 354 | 354 |
| Depreciation | - | - | - | 950 | 950 |

* One off costs incurred in relation to the pending acquisition of MPNG (Note 19)

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| | Finance | Investment & Portfolio Management | Fund Administration | Corporate | Total |
|-----------------------------|----------------|---|------------------------|--------------|----------------|
| | K'000 | K'000 | K'000 | K'000 | K'000 |
| 2014 | | | | | |
| External Revenue | 1,717 | 6,605 | 3,464 | - | 11,786 |
| Inter-Segmental Revenue | - | - | - | 1,437 | - |
| Interest Revenue | 20,541 | 139 | 5 | - | 20,776 |
| Interest Expense | (2,552) | - | - | - | (2,552) |
| Segment Results | 7,673 | 3,850 | 815 | - | 12,338 |
| Total Segment Result | 7,673 | 3,850 | 815 | - | 12,338 |
| Income Tax Expense | (2,562) | (1,099) | (244) | - | (3,905) |
| Group Profit | 5,111 | 2,751 | 571 | - | 8,433 |
| Segment Assets | 311,492 | 19,495 | 4,015 | 6,058 | 341,060 |
| Segment Liabilities | 235,565 | 712 | 916 | 4,615 | 241,808 |
| Net Assets | 75,927 | 18,783 | 3,099 | 1,443 | 99,252 |
| Capital Expenditure | - | - | - | 696 | 696 |
| Depreciation | - | - | - | 855 | 855 |

KINA SECURITIES LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2015

19. Events after the balance sheet date

In May 2015, Kina Securities Limited ('KSL'), formally announced the acquisition of MPNG Limited through one of its subsidiaries Kina Ventures Limited. The completion of this acquisition is expected to occur by 30th September 2015.

Following the announcement of the above acquisition, KSL launched an Initial Public Offering (IPO) ahead of the planned dual listing on Australian Securities Exchange (ASX) and Port Moresby Stock Exchange (POMSoX) to raise approximately K202 million (A\$97 million). The company was subsequently listed on ASX and POMSoX on 30 July 2015.

As at 30 June 2015, there was no impact of the above mentioned transactions to the reported figures and as such no adjustment is required. Deposits in relation to the acquisition and costs accumulated in relation to the IPO are included in 'other assets'.