



Kina Securities Limited **2015 Annual Results**

Incorporating the requirements of Appendix 4E



Results

ASX Appendix 4E Preliminary Final Report For the Year Ended 31 December 2015

Results for announcement to the market

Comparisons of current year are with the year to December 2014

	PGK MILLION	% CHANGE FROM 2014
Statutory Profit	7.6	(45)
Revenues from ordinary activities	72.3	26
Profit from ordinary activities after tax attributable to members	7.6	(45)
Final Dividend (cents per share)	3.4	
Record date for determining entitlements to dividend	March 3, 2016	

This report is to be read in conjunction with the attached Condensed Financial Statements for the year ended 31 December 2015.

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1. Results overview.

Kina records pro-forma net profit of PGK47.5 million for year to December 31. Exceeds prospectus forecasts

Results Highlights

	YEAR TO DEC 31	PROSPECTUS FORECAST	VARIANCE %
Pro-forma net profit (PGKm)	47.5	45.3	4.9
Pro-forma net interest margin	9.6%	10.6%	(9.4)
Bad debt expense (PGKm)	2.6	3.9	(33.3)
Cost to income ratio	45%	45%*	-
Capital adequacy (T1 +T2)	37%	28%	32.1
Dividend (cents per share)	3.4	3.2	6.3

* Cost to income ratio restated from original prospectus forecast of 50.1% by excluding impairment expense from operating costs

In its maiden profit result as a listed entity, PNG banking and wealth management company Kina Securities Ltd has exceeded the profit forecasts included in the prospectus lodged for its stock exchange listing in July, 2015.

The company achieved a pro-forma net profit of PGK47.5 million for the full year to 31 December, 2015, which was 4.9% higher than the prospectus forecast of PGK45.3 million.

Directors have declared a maiden dividend of AUD\$0.034 per share for the year, which again exceeds the prospectus forecast of AUD\$0.032 per share, and equates to an annualised dividend yield of 11.3%, unfranked, based on a share price of AUD\$0.90.

The result reflected the success of Kina's transformational PGK349 million acquisition of the Maybank PNG business in September 2015, which created a new financial services powerhouse and provided a solid platform for the merged group to pursue its ambitious growth targets in the rapidly maturing PNG market.

The strong profit result confirms that the benefits of the merger were beginning to be realised in the three months to December, with Kina becoming firmly established as PNG's fourth largest bank with lending assets of PGK374 million and deposits of more than PGK680 million. This large low cost funding base provides Kina with a solid platform to grow lending in its key target markets and drive greater penetration of its expanded customer base of 11,000 financial services consumers. Loan growth was below prospectus forecasts due to reduced activity in the lead up to the completion of the Maybank business, and during the initial integration period, however lending has accelerated into the current year.

The bank recorded a pro-forma net interest margin of 9.6% for the 12 months to December, which compares with average net interest margins for the major banks in Australia of approximately 2%. Pro-forma bad debt expense was just PGK2.6 million, equal to 0.7% of gross loans and advances, and gross non-performing loans totalled PGK2.7 million, equal to 0.7% of gross loans and advances.

The figures demonstrate the underlying strength and quality of the banking business, with the result also featuring foreign exchange commissions of PGK27.7 million and other non-interest income of PGK26.1 million, mainly comprised of banking fees and commissions as well as income from the Wealth Management business. Total operating income, at PGK125.2 million, was therefore slightly in excess of the prospectus forecast of PGK124.6 million.

Pro-forma operating expenses for the year totalled PGK55.8 million, in line with the prospectus forecasts of PGK55.5 million, leaving the cost to income ratio at a competitive 45%.

The underlying security of the business is exceptionally strong, with regulatory capital (T1+T2) at 37% of RWA (33% post final dividend), compared with required minimum 12%. Return on equity was healthy at 19%.

Outlook

Kina has commenced the current year strongly, with momentum increasing after the completion of the Maybank acquisition and as integration of operations and systems gathers pace.

New business lending has accelerated in the current year, deposit volumes continue to rise, funding costs are being reduced as expected, and non-interest income is increasing steadily. While the PNG economy has experienced some slowing in activity due to reduced commodity prices, Kina's target markets of small business and retail consumers remain relatively resilient. Kina can continue to take advantage of its competitive position as a home-grown PNG business with a market share of approximately 4% and ample opportunity to grow.

The focus for the current year will be to extract the maximum benefits from the Maybank merger through seizing opportunities for sales to new and existing customers, increasing investment portfolio returns and reducing funding costs. Systems integration and technology enhancements are also being implemented to provide greater service and access to a broader customer base, and strengthened risk management systems are being introduced to maintain credit quality.

The Bank remains well placed to deliver steady growth in operating results in 2016, including:

- Net interest margin of 8-10%;
- Cost to income ratio of less than 45% due to ongoing effective cost management;
- Profitable and quality lending growth with strong momentum building in the period since the completion of the Maybank merger in September 2015;
- Continued growth of the low cost deposit base

1.1 Disclosure and context

Financial Reporting

Kina Securities completed an initial public offering and was listed on the ASX and Port Moresby Stock Exchange in July 2015. This is the first full year profit result to be produced by the company since that time, and the first since the completion of the Maybank PNG acquisition in September, 2015.

The statutory result for the 12 months to December 31, 2015, was a profit of PGK7.64 million, which included 12 months contribution from the continuing Kina operations and three months contribution from the Maybank operations. The statutory profit was after costs of approximately PGK12.0 million associated with the Maybank acquisition as well as the listing of Kina Securities.

In the preparation of the prospectus to support the public listing of the company, pro-forma profit results were generated to provide investors with a clearer picture of the merged business. The results for the period to December 31, 2015, have been set out in this document, calculated using methodologies and assumptions consistent with those used to generate the forecasts included in the prospectus. The pro-forma results are based on the statutory results for Kina and Maybank, with adjustments made to present the combined company as if the acquisition of Maybank had been completed at the start of the financial year, rather than at September 2015.

The adjustments include incremental corporate costs from operating as a publically listed entity, cost of funds normalisations, investment portfolio allocation normalisations and exclude one-off costs of the public listing and share offer as well as other significant items.

The pro-forma profit results provide the clearest indication of the ongoing performance of the business as a merged entity, enabling a ready and consistent comparison to the prospectus forecasts.

A reconciliation of the pro-forma results and the statutory results is set out in section 3.

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 or POMSIX, 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 (PNG currency) unless otherwise stated.

1.2 Pro-forma Profit Results for FY 2015

The table below sets out the pro-forma adjusted results for 2015 compared with the pro forma forecasts disclosed in the prospectus.

1.2.1 Pro-forma results compared to prospectus forecasts

DECEMBER YEAR END PGKM	KINA SECURITIES	PROSPECTUS FORECAST	VARIANCE (PGKM)	VARIANCE (%)
Interest income	77.3	82.1	(4.8)	(6)
Interest expense	(5.9)	(6.2)	0.3	5
Net interest income	71.4	75.9	(4.5)	(0.1)
Fee and commission income	23.7	25.3	(1.6)	(6)
Fee and commission expense	(0.1)	(0.1)	0.0	-
Net fee and commission income	23.6	25.2	(1.6)	(6)
Foreign exchange income	27.7	23.2	4.5	19
Other operating income	2.4	0.3	2.1	700
Operating income	125.2	124.6	0.6	-
Impairments losses on loan and advances to customers	(2.6)	(3.9)	1.3	(33)
Other operating expenses	(55.8)	(55.5)	(0.3)	(1)
Profit before tax	66.8	65.3	1.5	2
Income tax benefit / (expense)	(19.3)	(20.0)	0.7	4
Net profit for the year	47.5	45.3	2.2	5

1.2.2 Key metrics

	FY DECEMBER 2015	PROSPECTUS FORECAST	VARIANCE (%)
Pro-forma earnings per share (PNG Toea)	29.0	27.6	5.1
Pro-forma earnings per share (A cents)	14.0	13.3	5.3
Dividends per share (A cents)	3.4	3.2	6.3

1.2.3 Lending

	DEC 2015	PROSPECTUS FORECAST	VARIANCE (%)
Overdrafts	63.6	66.9	(5)
Term loans	79.5	75.3	6
Housing loans	93.6	105.1	(11)
Festival loans	0.1	0.1	-
Esi Loan	19.2	32.5	(41)
Others	118.1	157.1	(25)
Total	374.1	437.0	(14)

The lending book totalled PGK374.1 million at December 31, 2015, which was up from PGK349 million at the end of September, when the merger with Maybank PNG was executed, but lower than prospectus forecasts. This was mainly due to reduced lending activity in Maybank during the lead up to the completion of the merger and during the initial integration period as the businesses and distribution networks were being restructured. Tighter lending policies aimed at maintaining credit quality also reduced lending in the EsiLoan segment.

Following the completion of the Maybank merger in September, lending activities have increased and the market response has been encouraging, with high levels of customer inquiries being converted into new lending. In addition, overdraft utilisation, which has been seasonally low in December and January, is expected to normalise over the coming months.

The average yield on loans and advances was 14.6%, compared with the prospectus forecast of 14.2%.

1.2.4 Funding

	FY15 YTD	FY15 PROSPECTUS	VARIANCE (%)
Size (PGK'm)			
On Call	400	445	(10)
1 month	39	74	(47)
2 month	40	37	8
3 month	79	37	114
6 month	61	74	(18)
12 month	63	74	(15)
24 month	1	-	-
Total	683	742	(8)

At the end of December, deposits totalled PGK683 million, which was 183% of the loan book (compared with an average of approximately 60-70% for Australian banks) and provides Kina with a major source of interest income on surplus funds invested. The average cost of funds was a low 0.89%, reflecting the large proportion of deposits at call, and slightly below the prospectus forecast of 0.9% due to initiatives targeting lower cost product sales. The overall total of deposits was lower than the prospectus forecast because volumes were allowed to reduce during the final three months as competitive pressures pushed up rates in some segments.

Kina is continuing the process of restructuring its deposit book following the Maybank merger, which provided the company with a Banking licence, leading to the opportunity to gradually reduce its cost of funds. This is being achieved by migrating the deposit book to a shorter duration and changing the product mix to lower interest rate products, based on Kina's status as a bank rather than a non-bank financial institution. This has involved the discontinuation of certain existing Kina deposit products and allowing them to roll off over time, replaced by new deposit products with the targeted profile.

1.2.5 Net interest income and net interest margin

	PRO-FORMA
Net interest income	PGK71.5 million
Average interest earning assets	PGK743 million
Average yield on interest earning assets	10.42%
Average interest bearing liabilities	PGK668 million
Average yield on interest bearing liabilities	0.89%*
Interest spread	9.53%
Net Interest margin	9.6%

*The calculation includes current account deposits liabilities, some of which are at 0% interest.

Pro-forma net interest income totalled PGK71.4 million for the 12 months to December, which was below the prospectus forecast of PGK75.9 million due to lower than expected average loan balances for the period.

Total Interest income of PGK77.3 million included PGK20 million derived largely from investment securities (principally PNG central bank and treasury bills) paying an average interest rate of 5%, as well as PGK57 million from loans and advances at an average interest rate of 14.6%, leaving the average yield on interest earning assets at a healthy 10.42%.

Kina is continuing to restructure its investment portfolio to achieve an optimal mix of liquidity and returns. This has involved lengthening the duration of investments. Maybank previously had held investments with a duration of 3-6 months, which dictated that the yields were relatively low. This phased reallocation of the investment portfolio will be achieved progressively over the next 12-18 months as securities roll off and are replaced.

Interest spread remained strong at 9.53%, while the margin, at 9.6%, is lower than prospectus forecast of 10.6%, remains well above comparable margins in the Australian market.

This is as a result of the larger surplus capital and finding mix quantity and pricing.

1.2.6 Non interest income

	PRO-FORMA (PGKM)	PROSPECTUS (PGKM)	VARIANCE (%)
Banking			
Foreign exchange income	27.7	23.2	19
Other fee income	5.7	7.7	(26)
Wealth Management			
	17.6	17.6	-
Other			
	2.8	0.3	833
Total	53.8	48.8	10

Non-interest income for the year totalled \$53.8 million, with the major contribution derived from high volumes of foreign exchange income following increased sales efforts in this segment. Foreign exchange volumes in the year reached PGK1.29 billion, which was well above the prospectus forecast of PGK1.24 billion. Lending fee income was slightly below forecast due to lower lending level during acquisition period.

Wealth Management income was in line with prospectus forecasts at PGK17.6 million. Funds Administration continued to show solid revenue growth compared with the prior year, driven by a 4% increase in member numbers to 161,000, and a 10% increase in funds under administration, to PGK4.85 billion. This compares with the prospectus forecast of PGK4.58 billion. The Funds Management business also performed well above expectations, with Assets Under Management rising to PGK5.5 billion compared with the prospectus forecast of PGK5.13 billion.

1.2.7 Operating Expenses

	PRO-FORMA	PROSPECTUS	VARIANCE
Total Operating expenses (PGKm)	55.8	55.5	(0.3)
Cost to income ratio (%)	45	45*	-

*Restated excluding impairment losses from operating costs.

Total operating costs on a pro-forma basis were marginally above prospectus forecasts, excluding costs associated with the Maybank merger and the IPO and listings of Kina Securities. Approximately 50% of the cost base is related to staff expenses, with the bulk of remaining costs being general administrative expenses.

The cost to income ratio remains very competitive at 45%, which was at the low end of expense ratios experienced in the Australian banking sector and in line with the prospectus forecasts.

1.2.8 Asset Quality

	PRO-FORMA PGK MILLION	% OF GROSS LOANS AND ADVANCES
Loan impairment expense	2.6	0.7%
Total of non-performing and loans in arrears	13.9	3.6%
30 day arrears	7.9	2.0%
90 day arrears	3.3	0.8%
Gross non-performing loans	2.7	0.7%
Total provisions	12.4	3.2%

Overall asset quality remains very strong, with pro-forma loan impairment expense of just PGK2.6 million for the 12 months to December. This is equivalent to 0.7% of gross loans and advances and well below prospectus forecasts of PGK3.9 million, due partly to the lower than expected lending activity and adjustments to lending policies aimed at lifting credit quality.

Total provisions are equivalent to 3.2% of gross loans and advances of PGK386 million, which compares with the minimum statutory requirement of 1.77% including specific provisioning. Provisioning is being reviewed over the coming 12 months to ensure that total provisioning levels are appropriate for the low levels of losses being experienced.

1.2.9 Capital adequacy

Each Authorised Institution within the Kina Group is required to comply with prudential standards issued under the PNG BFI Act by BPNG, the official authority for the prudential supervision of banks and relevant financial institutions in PNG.

BPNG prudential standard *1/2003 Capital Adequacy* prescribes ranges of overall capital adequacy ratios and leverage capital ratios to measure whether a bank is under, adequately or well capitalised. Kina complies with and exceeds the prevailing prudential capital adequacy requirements and qualifies as 'well capitalised' on both a statutory basis and on a pro forma basis at 31 December 2015.

The minimum capital requirements applied are 8% for Tier 1 capital, 12% for Tier 1 plus Tier 2 capital and a 6% leverage ratio.

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

REGULATORY CAPITAL RATIOS	FY15 YTD	FY15 PROSPECTUS
December year end PGK'M		
RWA	507	420
Capital: T1	150	108
Capital: T2	40	10
Capital: T1 + T2	190	118
Capital adequacy Ratio: T1	29%	26%
Capital adequacy: T2	8%	2%
Capital adequacy: T1 + T2	37%	28%
Leverage Ratio	13%	11%

Capital ratios at the end of December were very strong, with combined T1 and T2 capital equal to 37% of Risk-Weighted Assets, compared with the regulatory minimum of 12%. Capital ratio reduces to 33% post 2015 final dividend, and leverage ratio reduces to 11%. Capital ratios are higher than forecast because capital that was expected to be utilised in the acquisition of Maybank was not ultimately required. In addition, growth in Risk Weighted Assets was slower than expected, requiring less capital. The Board has elected to maintain this strong and concentrate position for the year and whilst integration is completed. An update on the group strategy and capital management plan will be announced at the half year update.

2. Consolidated financial statements

2.1 Statement of comprehensive income - consolidated

	YEAR EDNDED 31 DECEMBER 2015	YEAR ENDED 31 DECEMBER 2014
Continuing operations	PGK000	PGK000
Interest income	48,842	43,317
Interest expense	(9,438)	(7,100)
Net interest income	39,404	36,217
Fee and commission income	21,008	20,602
Fee and commission expense	(106)	(125)
Net fee and commission income	20,902	20,477
Foreign exchange income	7,754	-
Dividend income	189	351
Net losses from financial assets through profit and loss	(841)	(127)
Other operating income	4,939	336
-	-	-
Operating income before impairment losses and other operating expenses	72,347	57,254
-	-	-
Impairment losses on loans and advances to customers	(2,962)	(2,498)
Other operating expenses	(54,821)	(34,413)
-	-	-
Profit before tax	14,564	20,343
-	-	-
Income tax expense	(6,928)	(6,316)
-	-	-
Net profit for the year attributable to the equity holder of the Company	7,636	14,027
Other comprehensive income	-	-
Total comprehensive income for the year attributable to the equity holder of the Company	7,636	14,027

The above information has been extracted from the audited financial statements of Kina Securities Limited for the year ended 31 December 2015

2.2 Statement of financial position - consolidated

	AS AT 31 DEC 2015	AS AT 31 DEC 2014
	PGK'000	PGK'000
Assets		
Cash and due from banks	131,251	52,792
Central bank bills	231,665	39,364
Regulatory deposits	45,491	-
Financial assets at fair value through profit and loss	4,056	4,695
Loans and advances to customers	374,059	202,191
Investment securities held-to-maturity	63,066	19,117
Deferred income tax asset	5,495	3,108
Property and equipment	24,168	6,992
Goodwill and intangible asset	96,625	-
Other assets	15,801	12,801
	991,677	341,060
Total assets		
Liabilities		
Due to other banks	1,730	-
Due to customers	682,169	225,452
Current income tax liabilities	1,567	521
Deferred income tax liabilities	88	688
Employee provisions	5,408	2,173
Other liabilities	53,569	12,974
	744,531	241,808
Total liabilities		
Net assets	247,146	99,252
Share Capital and reserves		
Issued and fully paid ordinary shares	141,798	2,000
Capital reserve	49	49
Share-based payment reserve	460	-
Retained earnings/(losses)	104,839	97,203
	247,146	99,252
Total capital and reserves		

The above information has been extracted from the audited financial statements of Kina Securities Limited for the year ended 31 December 2015

2.3 Statement of changes in equity - consolidated

	Share Capital PGK'000	Capital Reserve PGK'000	Share based payment Reserve PGK'000	Retained Earnings PGK'000	Total PGK'000
Balance as at 31 December 2013	2,000	49	-	93,176	95,225
Profit for the year	-	-	-	14,027	14,027
Other comprehensive income	-	-	-	-	-
Dividend paid	-	-	-	(10,000)	(10,000)
Balance as at 31 December 2014	2,000	49	-	97,203	99,252
Profit for the year	-	-	-	7,636	7,636
Other comprehensive income	-	-	-	-	-
Additional shares issued through IPO offer	139,798	-	-	-	139,798
Share-based payment reserve	-	-	460	-	460
Dividend paid	-	-	-	-	-
Balance as at 31 December 2015	141,798	49	460	104,839	247,146

The above information has been extracted from the audited financial statements of Kina Securities Limited for the year ended 31 December 2015

2.4 Statement of cash flows - consolidated

	YEAR ENDED 31 DECEMBER 2015 PGK'000	YEAR ENDED 31 DECEMBER 2014 PGK'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest receipts	50,662	42,926
Interest payments	(11,040)	(6,505)
Foreign exchange income	7,754	-
Dividend receipts	189	351
Fee and commission receipts	21,211	22,500
Fee and commission payment	(106)	(2,327)
Other income	5,980	2,568
Recoveries and loan previously written off	2,240	3,154
Cash payment to employees and suppliers	(53,787)	(31,482)
Income tax paid	(8,603)	(7,239)
Cash flows from operating profits before changes in operating assets and liabilities	14,500	23,946
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Regulatory deposits	(1,031)	-
Loans and advances to customers	(34,561)	(14,040)
Other assets	3,847	(1,704)
Increase (decrease) in:		
Due to customers	(67,714)	(26,289)
Due to other banks	(519)	-
Other liabilities	6,822	2,744
Net cash (outflow) from operating activities	(78,656)	(15,343)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property & equipment	(5,160)	(9,513)
Disposal proceeds of property & equipment	49	47
Acquisition of subsidiaries	(348,667)	-
Cash acquired with subsidiaries	607,333	
Net movement in investment securities	(44,086)	-
Acquisition of shares of stock	(114)	(1,072)
Proceeds from sale of redemption of securities	263	11,900
Net cash inflow/(outflow) from/(used) in investing activities	209,618	1,362
CASH FLOWS FINANCING ACTIVITIES		
Proceeds from the issuance of share capital, net of transaction costs	139,798	-
Repayments from debt securities	-	4,015
Dividend payments	-	(10,000)

	YEAR ENDED 31 DECEMBER 2015 PGK'000	YEAR ENDED 31 DECEMBER 2014 PGK'000
Dividend adjustment	-	(170)
Net cash inflow/(outflow) from financing activities	139,798	(6,155)
NET (DECREASE) IN CASH	270,760	(20,136)
Cash at the beginning of the year	92,156	112,292
CASH AND CASH EQUIVALENT AT END OF YEAR	362,916	92,156

The above information has been extracted from the audited financial statements of Kina Securities Limited for the year ended 31 December 2015

2.5 Basis of preparation

The condensed financial information has been extracted from the audited financial statements of Kina Securities Limited which have been prepared in accordance with the PNG Companies Act 1997 and comply with International Financial Reporting Standards and other generally accepted accounting practises in PNG.

The accounting policies, estimation methods and measurement basis used in the preparation of the financial statements for the year ended 31 December 2015 are the same as those used in preparing the 31 December 2014 financial statements.

2.6 Non-cash financing and investing activities

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

2.7 Reconciliation of cash and cash equivalent

Reconciliation of cash at the end of the period (as shown in the consolidated statements of cash flows) to the related items in the accounts as follows:

	AS AT 31 DECEMBER 2015 PGK'000	AS AT 31 DECEMBER 2014 PERIOD PGK'000
Cash and due from other banks	131,251	52,792
Central bank bills	231,665	39,364
Total cash at the end of period	362,916	92,156

2.8 Ratios

	YEAR ENDED 31 DECEMBER 2015 PGK'000	YEAR ENDED 31 DECEMBER 2014 PGK'000
Profit before tax / revenue	20.02%*	35.53%
Consolidated profit (loss) from continuing activities before tax as a percentage of revenue		
Profit after tax / equity interests	3.09%*	14.13%
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		

2.9 Earnings per share (EPS)

Details of basic and diluted EPS reported separately in accordance with *IAS33 Earnings Per Share* are as follows.

	YEAR ENDED 31 DECEMBER 2015 TOEA	YEAR ENDED 31 DECEMBER 2014 TOEA
Basic EPS	6.4	16.0
Diluted EPS	6.4	16.0

During the 2015 year, the Company issued 75.7m additional shares.

The EPS, calculated based on the year end number of shares will be PGK0.047 (2014: PGK7.01).

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

2.10 NTA backing

NTA BACKING	YEAR ENDED 31 DECEMBER 2015	YEAR ENDED 31 DECEMBER 2014
Net tangible asset backing per ordinary share	PGK0.92	PGK49.63

During the 2015 year, the Company issued 75.7m additional shares.

2.11 Control gained over entities having material effect

Acquisition of Maybank (PNG) Ltd.

On 30 September 2015, Kina Group, through Kina Ventures Limited (a 100% owned subsidiary of Kina Securities) acquired all of the shares in Maybank (PNG) Limited and Maybank Property (PNG) Limited. Details are as follows:

i) Purchase consideration

Details of the consideration transferred are:

PURCHASE CONSIDERATION	PGK '000
Cash paid	348,667
Contingent consideration	-
Total purchase consideration	348,667

Total purchase consideration is split as follows:

PURCHASE CONSIDERATION	PGK '000
Purchase price of Maybank (PNG) Limited	339,667
Purchase price of Mayban Property (PNG) Limited	9,000
Total purchase consideration	348,667

i) Fair value of assets acquired and liabilities assumed

The determined fair values of the assets and liabilities of Maybank and Mayban Property as at the date of acquisition are as follows:

	MAYBANK	MAYBANK PROPERTY
	PGK '000	PGK '000
Purchase consideration	339,667	9,000
Cash and cash equivalents	297,051	2,147
Loans and advances to customers (net)	142,697	-
Investment securities	307,415	-
Regulatory deposit	44,460	-
Deferred tax assets - net	3,008	98
Other assets	139,119	8
Investment property	-	9,646
Intangible asset	3,780	-
Property, plant and equipment - net	4,537	-
Due to customers	(654,931)	-
Due to other banks	(2,249)	-
Provision for income taxes	(2,907)	-
Other liabilities	(35,347)	(189)
Total fair value of nets assets acquired	246,633	11,709
Goodwill/(bargain purchase)	93,034	(2,709)

i) Goodwill/ (bargain purchase)

The goodwill is attributable to Maybank (PNG) Limited's strong position and profitability and synergies expected to arise after the Company's acquisition of the new subsidiary. None of the goodwill is expected to be deductible for tax purposes. The bargain purchase arising from the acquisition of Mayban Property (PNG) Limited is recognised in the income statement.

ii) Intangible asset

Intangible asset represents the core deposit relationship that enables the group to have access to low cost of funds. This intangible is amortised over a period of 5 years.

iii) Acquisition-related costs

Acquisition-related costs of PGK7,489,850 is included in other expenses in profit or loss in the reporting period ended 31 December 2015.

iv) Contribution to results

The consolidated profit after income tax includes the results of acquired operations from 1 October 2015. The profit after income tax of the acquired entities since Kina Group took control was PGK6,805,000. The profit after income tax of the acquired entities for the year ended 31 December 2015 was PGK27,222,000 (2014: PGK38,689,000)

There was no loss of controls during the year that has a material effect.

2.12 Dividends

The company did not provide for or pay a dividend during the year ended 31 December 2015.

Subsequent to balance date the directors declared a dividend of 3.4 cents per share (total AUD\$5.57m). The PGK value of dividend will be determined on the recording date upon fixing of exchange rate between AUD\$/PGK. The total dividend for 2014 was K10m (AUD\$4.5m).

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

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

2.14 Issued shares

ORDINARY SHARES	TOTAL NUMBER	NUMBER QUOTED	ISSUE PRICE PER SECURITY (TOEA)	AMOUNT PAID UP PER SECURITY (TOEA)
Changes during current period				
a. Increase through issues	75,671,318	75,671,318	208	208
b. Decrease through returns of capital, buybacks, redemptions				

The company issues shares and raised equity with its listing on the stock exchange in July 2015. The total number of shares at year end was 163,793,252.

2.15 Segment reporting (Statutory basis)

The group operates in the following commercial areas:

	BANKING & FINANCE	WEALTH MANAGEMENT	CORPORATE	TOTAL
	PGK'000	PGK'000	PGK'000	PGK'000
2015				
Total Revenue	50,691	17,875	3,781	72,347
Segment Results	19,536	2,398	(7,370)	14,564
Income Tax Expense	(5,905)	(1,023)	-	(6,928)
Group Profit	13,631	1,375	(7,370)	7,636
Segment Assets	819,950	27,303	144,476	991,729
Segment Liabilities	732,473	2,776	9,334	744,583
Net Assets	87,477	24,527	135,142	247,146
Capital Expenditure	4,152	-	1,007	5,159
Depreciation	381	-	1,902	2,283

	BANKING & FINANCE	WEALTH MANAGEMENT	CORPORATE	TOTAL
	PGK'000	PGK'000	PGK'000	PGK'000
2014				
Total Revenue	38,939	16,260	2,055	57,254
Segment Results	13,254	7,089	-	20,343
Income Tax Expense	(4,245)	(2,071)	-	(-6,316)
				0
Group Profit	9,009	5,018	-	14,027
				0
Segment Assets	311,493	12,009	17,558	341,060
Segment Liabilities	235,566	1,919	4,323	241,808
Net Assets	75,927	10,090	13,235	99,252
Capital Expenditure	-	-	2,759	2,759
Depreciation	-	-	1,071	1,071

2.16 Comparison of half year profits

	YEAR ENDED 31 DECEMBER 2015	YEAR ENDED 31 DECEMBER 2014
Consolidated profit from continuing operations after tax attributable to members reported for the first half year	4,548	8,433
Consolidated profit from continuing operations after tax attributable to members reported for the second half year	3,088	5,594

2.17 Contingent liabilities

The company is a party to a number of litigations. The financial statements include provision for any losses where there is reasonable expectation that the litigations will result in a loss to the company. Other ongoing litigations are not expected to result in a loss to the company and therefore a provision has not been made.

There are no other contingent liabilities.

3. Reconciliation of pro-forma with statutory results

The statutory result is reconciled to the pro forma FY 2015 result as follows:

DESCRIPTION	PGK MILLION
Statutory profit before tax	14.5
Add/(Less): Pro forma adjustments	
Capital Raising & Acquisition costs	12.0
Maybank 9 months results up to 30 September 2015	29.7
Interest income normalisation using prospectus investment securities portfolio mix	6.3
Interest expense normalisation of cost of funds using prospectus deposit portfolio mix	4.3
FX commission normalise using last three month's rate	3.2
Dividend and gain from financial asset normalise to zero	(2.9)
Normalisation of operating expenses and Others	(0.3)
Pro forma net profit before tax	66.8
Statutory taxation	(6.9)
Taxation on pro forma adjustments	(12.4)
Pro forma net profit after tax	47.5

4. Compliance statement

1. This report has been prepared in accordance with AASB Standards, other AASB authoritative pronouncements and Urgent Issues Group Consensus Views or other standards acceptable to ASX and to POMSoX.

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.



The accounts are in the process of being audited or subject to review.



The accounts have not yet been audited or reviewed.

5. The entity has a formally constituted audit committee.



Sign here:

Director



Director

Print name:

Syd Yates

Print name:

Sir Rabbie Namaliu,
GL CSM KCMG

Date:

25 February 2016

Date:

25 February 2016