



# Kina Securities Limited **2016 Half Year Results**

Incorporating the requirements of **Appendix 4D**



# ASX Appendix 4D

For the Half Year 30 June 2016

## Results for announcement to the market

Comparisons of current half year to 30 June 2016 are with the half year to 30 June 2015

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<b>Report for the half year ended 30 June 2016</b>		
<b>Revenue from ordinary activities (PGK Millions)</b>	<b>61.7</b>	<b>Up 133.9%</b>
<hr/>		
<b>Profit/(loss) from ordinary activities after tax attributable to equity holders (PGK Millions)</b>	<b>20.5</b>	<b>Up 350.7%</b>
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<b>Net profit/(loss) for the period attributable to equity holders (PGK Millions)</b>	<b>20.5</b>	<b>Up 350.7%</b>
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<b>Dividends (distributions) Interim dividend - unfranked (Aus cents per share)</b>	<b>4.09</b>	

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Record date for determining entitlements to the dividend – 5 September 2016

The above results reflect the contribution of the acquired banking business of Maybank PNG which now are reported in the consolidated results.

The comparative figures as at 30 June 2015 reflect the operating results of Kina Securities Limited prior to the acquisition of the Maybank PNG business which was completed in September 2015.

The figures as reported in respective tables of this report, for the half year ended 30 June 2016 and the comparative period 30 June 2015 are unaudited numbers. Comparative figures for the half year ended 31 December 2015 are audited numbers.

This report should be read in conjunction with the Interim Consolidated Financial Statements for the half year ended 30 June 2016 attached in Section 2.

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

## Directors

The directors present this report together with the consolidated financial report for the half-year ended 30 June 2016.

Directors:

The directors of the company during or since the end of the half-year are:

Sir Rabbie Namaliu, Chairman

Syd Yates, CEO and Director

Wayne Golding

Jim Yap

David Foster

Isikeli Taureka

Appointed - 18 May 2016

Chetan Chopra, Company Secretary

Appointed – 21 June 2016

Peter Ng Choong Joo

Ceased -18 May 2016

Don Manoa

Ceased -18 May 2016

Hilary Wong

Ceased -18 May 2016

Kong Wong, Company secretary

Ceased -21 June 2016

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# 1. Results Overview

## Kina Securities Records Strong Profit Growth. Dividends Increased.

### Results Highlights

	30 Jun 2016	31 Dec 2015	30 Jun 2015
Net profit after tax (PGK m)	20.5	0.5	4.5
Net interest margin	9.4%	10.7%	11.2%
Impairment expense (PGK m)	2.5	1.1	1.8
Cost to income ratio	48.3%	59%*	61.3%
Capital adequacy (T1+T2)	31%	33%	38%
Net Loans (PGK m)	437	374	209
Return on Equity (Annualised)	16.2%	13.8%**	8.8%
Dividend (AUD cents per share)	4.09 cents	3.4 cents***	

\* ratio calculated excluding IPO related and acquisition costs

\*\* NPAT includes IPO related and acquisition costs on the average equity balance

\*\*\*dividends for 31 December 2015 were pro rata for 4 months

### Operating performance and earnings

Kina Securities Limited (KSL) has reported a Net Profit of PGK20.5 million for the six months to 30 June 2016, its first full six month reporting period since the completion of the acquisition of the Maybank PNG business in September 2015.

Directors have declared an interim dividend of AUD\$ 0.0409 per share, following the dividend of AUD\$0.034 per share paid for the full year to December 2015.

The financial result compares with a profit of PGK 4.5 million in the corresponding six months to June 2015, and PGK 408,000 in the half year to December 2015. The step change in earnings reflects the benefits of the PGK349 million Maybank acquisition, which was completed in September 2015 and effectively doubled the size of the Kina Securities business.

Profits in the immediately preceding December 2015 half year were affected by costs amounting to PGK 12.0 million associated with the Maybank acquisition and the completion of the highly successful public float of the company in July, 2015.

The result confirms the benefits of the Maybank acquisition are steadily being realised for shareholders. The merger created a new financial services business in PNG and positioned the company to take a leading role in the development of the emerging PNG financial services industry.

Kina is now well established as PNG's fourth largest bank with lending assets growing to PGK437 million, up 17 percent from PGK374 million at December 2015 (34% annualised). The bank continues to benefit from access to a large pool of low cost deposits, which totalled PGK634 million, and significantly exceeded lending balances, with the surplus funds invested in interest bearing securities.

The bank recorded net interest income of PGK31.2 million in the half year to June 2016 compared to K16.7 million in the half year to June 2015. The bank also recorded a Net Interest Margin of 9.4% for the six months to June, maintaining the high levels of profitability recorded in prior periods. The strong margin performance compares with average net interest margins for the major banks in Australia of approximately 2%.

Non-interest income totalled PGK30.5 million for the half year, up from PGK9.7 million in the June half of 2015, with the increase primarily driven by higher foreign exchange income. The Wealth Management division recorded a contribution of PGK11.0 million, which compared with PGK8.1 million in the prior half year to June 2015.

Compared with the prior comparable June half, total operating income more than doubled to PGK61.7 million, reflecting the solid fundamentals of the banking business.

Overall asset quality remains sound. The loan impairment increased compared with the prior half year, reflecting more subdued general economic conditions in PNG, however, impairment expense remained relatively low at PGK2.5 million, equal to just 0.6 % of gross loans and advances. Gross non-performing loans totalled PGK6 million, equal to 1.4% of gross loans and advances.

Operating expenses for the six months totalled PGK29.8 million, which represented a cost to income ratio of 48.3%.

The underlying security of the business is exceptionally strong, with regulatory capital (T1+T2) at 31% of RWA, compared with regulatory required minimum of 12%. The Board elected to maintain this position in order to leverage growth opportunities, both organic and inorganic.

## Outlook

Kina continues to make solid progress in the development and consolidation of its business following the Maybank merger completed last year. Management has been strengthened across the organisation to continue to grow profitability over the remainder of the current year.

The medium term outlook for the PNG Economy remains positive in the 2016 Mid Year Economic & Fiscal Outlook (MYEFO). While GDP growth has been revised down to 2.2 percent, the market segments that are the focus of the Kina Securities business have so far remained reasonably resilient.

The Bank remains well placed to deliver the following targets for 2016:

- Net interest margin of 8-10%;
- Cost to income ratio of 45-50% due to ongoing effective cost management;
- Profitable and quality lending growth ;
- Continued growth of the low cost deposit base
- Maintain the Capital Adequacy plan to leverage growth opportunities

## 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 half 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 six months to June 2016 was a consolidated profit of PGK20.5 million. This included results from the combined operations of both Kina Securities Limited and its subsidiaries and the Maybank operations which have now been fully incorporated into the results.

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. As the half year to June 2016 was a complete period for the merged group, the results presented in this report for the six months to 30 June 2016 and prior six month periods to 30 June 2015 are statutory numbers, rather than pro-forma figures.

### 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 POMSx, 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 Profit results for Half Year 2016

### 1.2.1 Statutory Results

	30 Jun 2016 PGK000	31 Dec 2015 PGK000	30 Jun 2015 PGK000	% Change vs Jun 2015
<b>Continuing Operations</b>				
Interest income	35,325	31,042	21,256	66%
Interest expense	(4,087)	(4,847)	(4,591)	(11%)
Net interest income/(expense)	31,237	26,195	16,665	87%
Fee and commission income	15,476	8,157	9,396	65%
Fee and commission expense	(39)	(57)	(48)	(20%)
Net fee and commission income	15,438	8,100	9,347	65%
Foreign exchange income	12,937	7,754	-	-
Dividend income	74	106	82	(9%)
Net (losses)/gain from financial assets through profit and loss	500	(480)	(19)	2511%
Other operating income	1,513	1,611	305	396%
<b>Operating income before impairment losses and other operating expenses</b>	<b>61,700</b>	<b>43,286</b>	<b>26,380</b>	<b>134%</b>
Impairment losses	(2,531)	(1,178)	(1,784)	42%
Other operating expenses	(29,800)	(37,159)	(17,661)	69%
Profit before tax	29,368	4,949	6,935	323%
Income tax expense	(8,869)	(4,542)	(2,387)	272%
<b>Net profit for the half year attributable to the equity holder of the Company</b>	<b>20,499</b>	<b>407</b>	<b>4,548</b>	<b>351%</b>
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the half year attributable to the equity holder of the Company</b>	<b>20,499</b>	<b>407</b>	<b>4,548</b>	<b>351%</b>

The above information has been extracted from the interim consolidated financial statements of Kina Securities Limited for the Half Year Ended 30 June 2016 or calculated by reference to the 31 December 2015 annual financial statements and the 30 June 2015 half year financial statements.

### 1.2.2 Dividends

	Jun 2016	Dec 2015	Jun 2015
Earnings per share (PNG Toea)	12.5	0.3	5.2
Earnings per share (A cents)	5.1	0.14	2.32
Dividends per share (A cents)	4.09	3.4	



### 1.2.3 Lending

	Jun 2016 PGK million	Dec 2015 PGK million	Jun 2015 PGK million
Overdrafts	68.9	63.6	-
Term loans	147.1	79.5	57.4
Housing loans	100.1	93.6	60.6
Esi Loan	23.2	19.2	19.3
Others	97.9	118.2	71.8
<b>Total</b>	<b>437.1</b>	<b>374.1</b>	<b>209.1</b>

The lending book totalled PGK437.1 million at 30 June 2016, which was up 17% from PGK 374.1 million at 31 December, 2015, demonstrating a growth in lending performance over the six months, despite a slowing of the PNG economy. Annualised growth was 34%. The increase in lending reflects the business momentum created by the Maybank merger and listing of the Company, which generated increased awareness which translated into new business. This also reflected the contribution of new management.

Strongest growth was recorded in term loans, which increased by 85% to PGK147.1 million. The new management was able to win refinancing deals based on improved service and quick responsiveness. Housing loans also grew steadily, as did the Esi-loan payday lending segment.

Business lending now accounts for approximately 70% of the total loan book and grew at a rate of approximately 19% compared with the prior December half, despite tight lending criteria aimed at maintaining the high quality of the book.

### 1.2.4 Funding

	Jun 2016 PGK million	Dec 2015 PGK million	Jun 2015 PGK million
On Call	350	403	13
1 months	62	39	59
2 months	30	40	36
3 months	71	79	46
6 months	40	61	11
12 months	77	63	71
24 months	4	1	8
<b>Total</b>	<b>634</b>	<b>686</b>	<b>244</b>

At the end of June 2016 deposits totalled PGK634 m, which was 145% 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 overall total of deposits was lower than the balance at December 2015 reflecting a conservative approach in managing pricing discipline. Competitive pressures in the PNG banking market have resulted in downward pressure on margins and in total deposits held.

The average cost of funds for the period has reduced marginally to 1.2% due to a changed deposit profile with a larger proportion of funds being at call. Market factors are expected to impact this with increased competition for deposits. The larger proportion of deposits are currently at call.

Kina is continuing to restructure its deposit book to ensure that asset and liability matching is supported by a diverse deposit base and appropriate maturity profile. Kina continues to migrate the deposit book to a shorter duration and is changing the product mix to lower interest rate products, based on Kina's status as a bank rather than a non-bank financial institution.

### 1.2.5 Net interest Income and net interest margin

	30 Jun 2016	31 Dec 2015	30 Jun 2015
Net interest income	PGK 31.2 million	PGK 26.3 million	PGK 16.7 million
Average interest earning assets	PGK668 million	PGK491 million	PGK299 million
Average yield on interest earning assets	10.60%	12.60%	14.20%
Average interest bearing liabilities	PGK659 million	PGK463 million	PGK259 million
Average yield on interest bearing liabilities	2.60%	2.10%	1.80%
Interest spread	8.00%	10.50%	12.40%
Net Interest margin	9.40%	10.7%	11.2.%

Net interest income totalled PGK31.2 million for the 6 months to June 2016 compared to PGK16.7 million in the same period last year.

Total Interest income of PGK35.3 million included PGK8.5 million derived from investment securities (principally PNG central bank and treasury bills) paying an average interest rate of 5%, as well as PGK26.8 million from loans and advances at an average interest rate of 14.6%, leaving the average yield on interest earning assets at 10.6%.

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 is being achieved progressively as securities roll off and are replaced.

Interest spread remained strong at 8%, while the margin, at 9.4%, remains well above comparable margins in the Australian market.

### 1.2.6 Non-interest Income

	30 Jun 2016	31 Dec 2015	30 Jun 2015
	PGK million	PGK million	PGK million
<b>Banking</b>			
Foreign exchange income	12.4	7.8	-
Other fee income	3.5	(1.7)	1.7
<b>Wealth Management</b>	11.0	9.0	8.1
<b>Other</b>	3.7	2.0	-
<b>Total</b>	30.6	17.1	9.8

Non-interest income for the half year to 30 June 2016 totalled PGK30.6 million, with the major contribution derived from high volumes of foreign exchange income following increased sales efforts in this segment.

Fee income from banking operations was flat at PGK3.5 million, with new initiatives to be implemented including a revised fee structure, to optimise non-interest income.

Wealth Management income totalled PGK11.0 million. This includes income of PGK6.1 million from Funds Administration and PGK4.9 million from Funds Management.

Funds Administration continued to show revenue growth compared with the prior year, driven by a 3% increase in member numbers to 166,000, and a 10% increase in funds under administration, to PGK 5.2 billion. The Funds Management business also performed well with Assets under Management rising to PGK 5.8 billion, however pricing pressures on contract renewal impacted immediate fee levels. Increased levels of services and transactions are expected to offset this impact in the longer term.

## 1.2.7 Operating Expenses

Total operating costs for the period were PGK29.8 million, which generates a cost to income ratio of 48.3%. Costs were substantially lower than the prior December half year, which was affected by PGK12.0 million of one-off expenses associated with the Maybank merger and the public listing of the company.

Underlying costs in the June 2016 half increased due to additional spending associated with an investment in the growth of the business. New skilled management was introduced in various areas to maximise growth opportunities and reduce risks, while spending increased on IT related costs.

## 1.2.8 Asset Quality and Loan Impairment

	30 Jun 2016		31 Dec 2016		30 Jun 2015	
	PGK Million	% of Gross Loans and Advances	PGK Million	% of Gross Loans and Advances	PGK Million	% of Gross Loans and Advances
Loan impairment expense	2.5	0.6%	0.8**	0.2%	1.8	0.8%
Total of non-performing and loans in arrears	24.1	5.4%	13.9	3.6%	17.1	7.8%
30 day arrears	10.2	2.3%	7.9	2.0%	6.7	3.1%
90 day arrears	7.9	1.8%	3.3	0.8%	6.4	2.9%
Gross non-performing loans	6	1.3%	2.7	0.7%	4	1.8%
Total provision*	13.6	3.0%	12.4	3.2%	8.2	3.8%

\*At 30 June 2016 this includes the fair value adjustment on acquisition of the Maybank PNG loans.

\*\*This amount represents the movement from Jun '15 –Dec'15.

Overall asset quality remains sound, with a loan impairment expense of PGK2.5 million for the six months to June 2016. This is equivalent to 0.6% of gross loans and advances and, while is down from 0.8% in the prior comparable June half. The low level of impairments also reflects the lending standards and sound quality of loans in the Kina book, with arrears generally in line with prior periods.

Kina continues to be prudent in its levels of provisions and maintains a higher level than required by regulatory requirements in view of the slowing in the PNG economy. Total provisions are equivalent to 3.2% of gross loans and advances, 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 given the low levels of losses being experienced.

### 1.2.9 Capital Adequacy

Capital ratios at the end of June 2016 remained compliant, with combined T1 and T2 capital equal to 31% of Risk-Weighted Assets, compared with the regulatory minimum of 12%. The Board has elected to maintain this position.

Kina exceeds the prevailing Bank of PNG prudential capital adequacy requirements and qualifies as 'well capitalised' at 30 June 2016. The Board has elected to maintain this position in order to leverage growth opportunities, both organic and inorganic.

Kina maintains its capital management policy 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.

## 2. Consolidated Financial Statements

### 2.1 Statement of Comprehensive Income – consolidated

	30 Jun 2016 PGK'000	31 Dec 2015 PGK'000	30 Jun 2015 PGK'000
<b>Continuing Operations</b>			
Interest income	35,325	31,042	21,256
Interest expense	(4,087)	(4,847)	(4,591)
Net interest income/(expense)	31,237	26,195	16,665
Fee and commission income	15,476	8,157	9,396
Fee and commission expense	(39)	(57)	(48)
Net fee and commission income	15,438	8,100	9,347
Foreign exchange income	12,937	7,754	-
Dividend income	74	106	82
Net (losses)/gain from financial assets through profit and loss	500	(480)	(19)
Other operating income	1,513	1,611	305
<b>Operating income before impairment losses and other operating expenses</b>	<b>61,700</b>	<b>43,286</b>	<b>26,380</b>
Impairment losses	(2,531)	(1,178)	(1,784)
Other operating expenses	(29,801)	(37,159)	(17,661)
Profit before tax	29,368	4,949	6,935
Income tax expense	(8,869)	(4,542)	(2,387)
<b>Net profit for the half year attributable to the equity holder of the Company</b>	<b>20,499</b>	<b>407</b>	<b>4,548</b>
Other comprehensive income	-	-	-
<b>Total comprehensive income for the half year attributable to the equity holder of the Company</b>	<b>20,499</b>	<b>407</b>	<b>4,548</b>

The above information has been extracted from the interim consolidated financial statements of Kina Securities Limited for the Half Year Ended 30 June 2016, and in the case of the half-year ended 31 December 2015, calculated from the difference between the audited 31 December 2015 annual financial statements and the interim consolidated financial statements for the half-year ended 30 June 2015.

## 2.2 Statement of Financial Position - consolidated

	30 Jun 2016 PGK'000	31 Dec 2015 PGK'000
<b>Assets</b>		
Cash and due from banks	95,606	131,251
Central bank bills	161,332	231,665
Regulatory deposits	57,188	45,491
Financial assets at fair value through profit or loss	4,555	4,055
Loans and advances to customers	437,197	374,059
Investments in government inscribed stocks	64,212	64,135
Deferred tax assets	5,844	5,547
Property, plant and equipment	20,488	20,895
Goodwill	90,353	90,353
Intangible assets	6,695	6,864
Other assets	21,208	14,734
<b>Total assets</b>	<b>964,678</b>	<b>989,049</b>
<b>Liabilities</b>		
Due to other banks	880	1,729
Due to customers	633,522	685,529
Current income tax liabilities	7,121	1,567
Deferred income tax liabilities	73	140
Employee provisions	4,128	5,408
Other liabilities	66,216	50,210
<b>Total Liabilities</b>	<b>711,940</b>	<b>744,583</b>
<b>Net assets</b>	<b>252,738</b>	<b>244,466</b>
Share capital and reserves		
Issued and fully paid ordinary shares	141,797	141,797
Capital reserve	49	49
Share-based payment reserve	891	461
Retained earnings	110,001	102,159
<b>Total capital and reserves</b>	<b>252,738</b>	<b>244,466</b>

The above information has been extracted from the interim consolidated financial statements of Kina Securities Limited for the Half Year Ended 30 June 2016

## 2.3 Statement of Changes in Equity – consolidated

	Share Capital	Capital Reserve	Share based payment Reserve	Retained Earnings	Total
	PGK'000	PGK'000	PGK'000	PGK'000	PGK'000
<b>Balance as at 31 December 2014</b>	2,000	49	-	97,203	99,252
Profit for the period	-	-	-	4,548	4,548
Other comprehensive income	-	-	-	-	-
<b>Balance as at 30 June 2015</b>	<b>2,000</b>	<b>49</b>	-	<b>101,752</b>	<b>103,801</b>
Profit for the period	-	-	-	407	407
Other comprehensive income	-	-	-	-	-
Additional shares issued through IPO offer - net of transaction costs	139,797	-	-	-	139,797
Employee share scheme	-	-	461	-	461
<b>Balance as at 31 December 2015</b>	<b>141,797</b>	<b>49</b>	<b>461</b>	<b>102,159</b>	<b>244,466</b>
Profit for the period	-	-	-	20,499	20,499
Other comprehensive income	-	-	-	-	-
Employee share scheme	-	-	430	-	430
Dividend paid	-	-	-	(12,657)	(12,657)
<b>Balance as at 30 June 2016</b>	<b>141,797</b>	<b>49</b>	<b>891</b>	<b>110,001</b>	<b>252,738</b>

The above information has been extracted from the interim consolidated financial statements of Kina Securities Limited for the Half Year Ended 30 June 2016

## 2.4 Statement of Cashflows - consolidated

	30 Jun 2016 PGK'000	31 Dec 2015 PGK'000	30 Jun 2015 PGK'000
<b>Cash flows from operating activities</b>			
Interest received	35,301	29,425	21,237
Interest paid	(5,041)	(5,222)	(5,818)
Dividend received	74	106	82
Fee, commission and other income received	24,858	11,741	9,470
Fee and commission expense paid	(39)	(58)	(48)
Net trading and other operating income received	1,971	5,694	286
Recoveries on loans previously written-off	434	1,103	1,137
Cash payments to employees and suppliers	(19,000)	(35,301)	(18,485)
Income tax paid	(3,658)	(6,025)	(2,578)
<b>Cash flows from operating profits before changes in operating assets and liabilities</b>	<b>34,900</b>	<b>1,463</b>	<b>5,284</b>
<b>Changes in operating assets and liabilities:</b>			
- net increase in regulatory deposits	(11,697)	(1,031)	-
- net increase in loans and advances to customers	(63,579)	(27,626)	(6,935)
- net increase in other assets	(5,705)	16,820	(12,973)
- net increase/(decrease) in due to customers	(48,646)	(86,618)	18,904
- net decrease in due to other banks	(850)	(519)	-
- net increase/(decrease) in other liabilities	3,800	8,775	(1,953)
<b>Net cash flows from operating activities</b>	<b>(91,777)</b>	<b>(80,983)</b>	<b>2,327</b>
<b>Cash flows from investing activities</b>			
Purchase of property, equipment and software	(1,839)	(4,806)	(354)
Proceeds from sale of property and equipment	43	15	34
Net cash acquired in business combination, net of consideration paid	-	82,666	-
Purchase of investment securities	(33,749)	38,901	(263)
Acquisition of shares		(113)	
Proceeds from sale of available-for-sale financial assets		(148)	411
<b>Net cash flows from investing activities</b>	<b>(35,546)</b>	<b>116,515</b>	<b>(172)</b>



<b>Cash flows from financing activities</b>			
Dividend payment	(12,657)	-	-
Proceeds for issuance of share capital, net of transaction costs	-	139,797	-
<b>Net cash flow from financing activities</b>	<b>(12,657)</b>	<b>139,797</b>	<b>-</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>			
	<b>(139,979)</b>	<b>175,329</b>	<b>2,155</b>
Effect of changes in the foreign exchange rates on cash and cash equivalents	334	-	-
Cash and cash equivalents at beginning of period	235,251	59,922	57,767
<b>Cash and cash equivalents</b>	<b>95,606</b>	<b>235,251</b>	<b>59,922</b>

The above information has been extracted from the interim consolidated financial statements of Kina Securities Limited for the Half Year Ended 30 June 2016, and in the case of the half-year ended 31 December 2015, calculated from the difference between the audited 31 December 2015 annual financial statements and the interim consolidated financial statements for the half-year ended 30 June 2015.

## 2.5 Basis of preparation

The condensed financial information has been extracted from the unaudited interim consolidated financial statements of Kina Securities Limited which have been prepared in accordance with IAS 34: Interim Financial Reporting.

The accounting policies, estimation methods and measurement basis used in the preparation of the interim consolidated financial statements for the half-year ended 30 June 2016 are consistent with those used in preparing the 31 December 2015 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

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:

	30 Jun 2016 PGK'000	31 Dec 2015 PGK'000	30 Jun 2015 PGK'000
Cash and due from other banks	95,606	131,251	59,922
Central bank bills	-	104,000	-
<b>Total cash at the end of the period</b>	<b>95,606</b>	<b>235,251</b>	<b>59,922</b>

## 2.8 Ratios

	30 Jun 2016	31 Dec 2015	30 Jun 2015
<b>Profit before tax / Operating Income</b>			
Consolidated profit from ordinary activities before tax as a percentage of revenue (For the half year period)	47.60%	20.02%	26.29%
<b>Profit after tax / equity interests</b>			
Consolidated net profit from ordinary activities after tax attributable to members as a percentage of equity (similarly attributable) - Annualised	16.2%	13.8%	8.8%

## 2.9 Earnings Per Share

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

	30 Jun 2016	31 Dec 2015	30 Jun 2015
Calculation of the following in accordance with IAS33			
(a) Basic EPS	12.5t	0.3t	5.2t
(b) Diluted EPS	12.5t	0.3t	5.2t
(c) Weighted average number of ordinary shares outstanding during the period used in the calculation of the Basic EPS	163,793,253	150,848,033	88,121,935

## 2.10 NTA Backing

	30 Jun 2016 PGK	31 Dec 2015 PGK	30 Jun 2015 PGK
Net tangible asset backing per ordinary share	0.95	0.92	51.90

The NTA as at 30 June 2015 reflected the lower number of share on issue.

## 2.11 Control gained over entities having material effect

### Acquisition of the Maybank Group operations

On 30 September 2015, Kina Group, through Kina Ventures Limited (a 100% owned subsidiary of Kina Securities Limited) acquired all of the shares in Maybank (PNG) Limited and Maybank Property (PNG) Limited. The Total Purchase Consideration paid was PGK 348.9 m. Information in respect of this was provided in the Appendix 4E and annual financial statements as at 31 December 2015.

## 2.12 Dividends

Directors have declared an interim dividend of AUD \$ 0.0409 per share following the dividend of AUD \$ 0.034 per share for the year to December 2015.

## 2.13 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.

## 2.14 Issued Shares

The total number of shares at 30 June 2016 and 31 December 2015 was 163,793,253.

	Total Number Ordinary shares	Number Quoted Ordinary shares	Issue Price per Security (toea)	Amount Paid up Per Security (toea)
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### Changes during the year ended

#### 31 December 2015

Opening Balance of number of shares	2,000,000	2,000,000		
Share split	86,121,935	86,121,935		
Increase through issue of shares	75,671,318	75,671,318	208	208

The company issued shares and raised equity with its listing on the ASX and Port Moresby stock exchanges in July 2015. There were no changes during the period to 30 June 2016

## 2.15 Segment Reporting

	Banking & Finance PGK'000	Wealth Management PGK'000	Corporate PGK'000	Total PGK'000
<b>30 June 2016</b>				
Total Income	46,988	10,963	3,749	<b>61,700</b>
Total Expenses	(17,083)	(4,482)	(10,767)	<b>(32,332)</b>
Income Tax Expense	(6,271)	(1,313)	(1,285)	<b>(8,869)</b>
Group Net Profit After Tax	23,634	5,168	(8,303)	<b>20,499</b>
Segment Assets	814,191	10,674	139,813	<b>964,678</b>
Segment Liabilities	702,200	3,132	6,604	<b>711,940</b>
Net Assets	111,990	7,542	133,205	<b>252,738</b>
Capital Expenditure	1,646		186	<b>1,832</b>
Depreciation	956		963	<b>1,919</b>

	Banking & Finance PGK'000	Wealth Management PGK'000	Corporate PGK'000	Total PGK'000
<b>30 June 2015</b>				
Total Revenue	18,095	8,260	26	<b>26,381</b>
Total Expenses	(8,710)	(3,392)	(7,344)	<b>(19,446)</b>
Income Tax Expense	(1,599)	(656)	(132)	<b>(2,387)</b>
Group Net Profit After Tax	7,786	4,212	(7,450)	<b>4,548</b>
Segment Assets	338,137	13,324	10,903	<b>362,364</b>
Segment Liabilities	252,252	794	5,517	<b>258,563</b>
Net Assets	85,885	12,530	5,386	<b>103,801</b>
Capital Expenditure	-	-	354	<b>354</b>
Depreciation	-	-	950	<b>950</b>

## 2.16 Comparison of Half Year Profits

	30 Jun 2016 PGK'000	30 Jun 2015 PGK'000
Consolidated profit from continuing operations after tax attributable to members reported for the first half year	20,499	4,548
Consolidated profit from continuing operations after tax attributable to members reported for the second half year	-	407

## 2.17 Contingent Liabilities

The company is a party to a number of litigations. The interim consolidated 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 material loss to the Group.

The Group guarantees the performance of customers by issuing stand-by letters of credit and guarantees to third parties. At 30 June 2016 these totalled PGK39 million (31 December 2015: PGK34 million).

### 3. 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 reviewed**

**The accounts have not yet been audited or reviewed**

5. **The entity has a formally constituted audit committee.**