30 March 2022

ASX/PNGX | Announcement

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Sydney NSW 2000
Australia

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Unit 1B.02, Level 1, Stanley Esplanade
Down Town, Port Moresby 121
Papua New Guinea

BY ELECTRONIC LODGEMENT

Audited Consolidated Financial Statements
for the year ended 31 December 2021

Please see attached for release to the market, Kina Securities Limited's *Audited Consolidated Financial Statements for the year ended 31 December 2021.*

ENDS

For further information:

Samantha Miller
Executive General Manager Investor relations, Corporate Affairs and ESG
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This Announcement was authorised for release by Kina Securities Limited's Board of Directors.

CONSOLIDATED FINANCIAL STATEMENTS 2021

December 2021

Directors' report

The Directors of Kina Securities Limited and its Subsidiaries ("the Group", "Company", "Kina") submit herewith the annual financial report of the Company and its Subsidiaries for the year ended 31 December 2021.

Principal activities

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

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

Operating results and review of operations

The net profit attributable to equity holders for the year for the Group was K70.8 million compared with K76.0 million in 2020.

The profit includes the following items:

- Net interest income of K177.3 million, compared with K169.7 million in the prior year to 31 December 2020.
- Net fee and commission income of K89.3 million compared with K76.2 million in the prior year.
- Operating income before impairment losses and other operating income of K334.4 million, up from K314.8 million in the prior year.
- Expected credit losses on financial instruments at amortised cost of K6.5 million, compared with K22.0 million in the prior year.
- Other operating expenses of K194.1 million, compared with K182.9 million in the prior period.

Dividends

The Company paid a dividend of PGK 16.9 toea (AUD 6.0 cents) per share (K48.3m) in April 2021 in relation to the profit for the half year ended 31 December 2020. In September 2021, the Company also paid dividend of PGK 8.25 toea (AUD 3.0 cents) per share (K23.7m) in relation to the profit for the half year ended 30 June 2021.

After balance sheet date events

Subsequent to balance sheet date, the directors declared a final dividend of PGK 18.5 toea (AUD 7.0 cents) per share (K53.1m) on underlying NPAT declared for the second half of financial year 2021.

See also note 40 for other subsequent events.

Donations

During the year the Group made donations totalling K401,718 (2020: K258,491)

Auditor's fees

Fees paid to the auditor during the year for professional services are shown in note 37 to the accounts. The external auditor is Deloitte Touche Tohmatsu Ltd.

Remuneration report

Remuneration of employees

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

In PGK	**2021**	2020
1,530,001 - 1,540,000	**1***	-
1,450,001 - 1,460,000	**-**	1*
1,030,001 - 1,040,000	**2**	-
980,001 - 990,000	**-**	2
920,001 - 930,000	**-**	1
900,001 - 910,000	**1**	-
860,001 - 870,000	**-**	1
800,001 - 810,000	**1**	1
770,001 - 780,000	**1**	-
750,001 - 760,000	**1**	1
740,001 - 750,000	**1**	1
710,001 - 720,000	**1**	-
640,001 - 650,000	**1**	-
610,001 - 620,000	**-**	1
600,001 - 610,000	**1**	-
580,001 - 590,000	**2**	2
570,001 - 580,000	**1**	-
550,001 - 560,000	**1**	1
540,001 - 550,000	**-**	1
510,001 - 520,000	**2**	-
500,001 - 510,000	**1**	-
490,001 - 500,000	**1**	2
470,001 - 480,000	**1**	1
460,001 - 470,000	**-**	1
450,001 - 460,000	**1**	-
440,001 - 450,000	**1**	2
420,001 - 430,000	**1**	-
400,001 - 410,000	**-**	1
390,001 - 400,000	**1**	1
380,001 - 390,000	**1**	2
360,001 - 370,000	**-**	1
330,001 - 340,000	**2**	-
320,001 - 330,000	**2**	2
310,001 - 320,000	**1**	3
300,001 - 310,000	**1**	-
280,001 - 290,000	**1**	1
270,001 - 280,000	**1**	-
260,001 - 270,000	**-**	2

**Impact of foreign exchange conversion.*

Remuneration report

Remuneration of employees (continued)

In PGK	2021	2020
250,001 - 260,000	**2**	-
240,001 - 250,000	**-**	1
220,001 - 230,000	**3**	2
210,001 - 220,000	**1**	-
200,001 - 210,000	**1**	1
190,001 - 200,000	**4**	2
180,001 - 190,000	**7**	4
170,001 - 180,000	**5**	10
160,001 - 170,000	**8**	4
150,001 - 160,000	**9**	7
140,001 - 150,000	**6**	9
130,001 - 140,000	**11**	8
120,001 - 130,000	**6**	2
110,001 - 120,000	**16**	18
100,000 - 110,000	**21**	23

Remuneration report

Directors remuneration

Directors fees paid during the year was as follows:

	2021	2020
	K '000	K '000
Directors		
I. Taureka	**451**	362
K. Smith- Pomeroy	**360**	269
J. Thomason	**309**	236
P. Hutchinson	**278**	211
A. Carriline	**306**	227
I. Temu	**274**	-**
	1,978	1,305
Managing Director		
G. Pawson		
-Salaries	**1,533***	1,460*
-Other benefits including leave entitlements	**454**	454
	1,987	1,914
	3,965	3,219

**Impact of foreign exchange conversion.*
***Payment made in 2021*

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Signed at Port Moresby on behalf of the board on 30 March 2022.

Mr. Isikeli Taureka
Director

Mr. Greg Pawson
Director

Directors' declaration

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 consolidated financial statements and notes thereto are in accordance with the PNG Companies Act 1997, including compliance with International Financial Reporting Standards (IFRS) and giving a true and fair view of the financial position and performance of the Group as at and for the year ended 31 December 2021

Signed in accordance with a resolution of the directors.

On behalf of the Directors

Mr. Isikeli Taureka
Director
Port Moresby, 30 March 2022

Mr. Greg Pawson
Director
Port Moresby, 30 March 2022

Deloitte.

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Kina Securities Limited (the "Company") and its subsidiaries (the "Group") which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information and directors' declaration.

In our opinion, the accompanying consolidated financial statements, give a true and fair view of the Group's and the Company's financial position as at 31 December 2021 and of their financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act 1997 (*amended 2014*).

Basis for Opinion

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

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

Key Audit Matters

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

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Impairment of loans and advances As at 31 December 2021, the Group has recognised provisions amounting to K38.10m for impairment losses on loans and advances held at amortised cost in accordance with the Expected Credit Loss (ECL) model as disclosed in Note 3. Loans and advances subject to provisioning	Our audit procedures, in conjunction with our specialists, included, but were not limited to: **Control design and implementation:** We tested the design and implementation of controls over the impairment provision including: • The accuracy of data input into the system used for determining the past due status and approval of credit

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Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
using the ECL model include the residential lending portfolio, personal loan portfolio and loan commitments. Significant judgement was involved in determining the provision for credit impairment (including the timing of recognition and the amount of the provision). Key areas of the judgement include: • The application of the requirements to determine impairment under IFRS 9 Financial Instruments, which is reflected in the Company's and the Group's expected credit loss model; • Identification of exposures with a significant movement in credit quality to determine whether 12-month or lifetime expected credit loss should be recognised; and • Assumptions used in the expected credit loss model such as the financial condition of the counterparty, repayment capacity and forward-looking macroeconomic factors as disclosed in Note 3.	facilities; and • The ongoing monitoring and identification of loans displaying indicators of impairment and whether they are migrating on timely basis to appropriate default stages including generation of days past due reports. **Assessing impairment model adequacy:** We assessed the appropriateness of management's internally developed model in determining the impairment loss provision. Our procedures included, but were not limited to: • Assessing whether the impairment model adequately addresses the requirements of the relevant accounting standard • Assessing, on a sample basis, the individual exposures to determine if they are classified into appropriate default stages and aging categories for the purpose of determining the impairment loss provision • Assessing the reasonableness of the assumptions driving Probabilities of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD); and • Assessing the adequacy of management overlays to the modelled collective provision by recalculating the coverage provided by the collective impairment provision (including overlays) to the loan book, taking into account recent history, performance and de-risking of the relevant portfolios. We also assessed appropriateness of the disclosures in Note 3 to the consolidated financial statements.
Impairment of non-current assets As at 31 December 2021 the Group has recognised goodwill amounting to K92.7m, arising from the acquisitions of Maybank (PNG) Limited and Maybank Property (PNG) Limited as disclosed in Note 38. In accordance with IAS 36 *Impairment of Assets*, Cash Generating Units (CGUs) including goodwill must be tested for impairment at least annually. The impairment test requires significant judgement due to assumptions required in preparing a discounted cash flow model ('value in use'), including: • Identification of appropriate CGUs to which goodwill is allocated for the purpose of impairment testing	In conjunction with our valuation specialists, our procedures included, but were not limited to: • Evaluating the appropriateness of management's identification of the Group's CGUs and testing of design and implementation of key controls over the impairment assessment process, including the identification of indicators of impairment • Assessing the reasonableness of cash flow projections and growth rates against external economic and financial data, the Group's own historical performance and historical forecasting accuracy • Assessing the key assumptions and methodology used by management in the impairment model, in particular the weighted average cost of capital, the cost of debt and the terminal growth rate • Evaluating the value in use estimate determined by

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Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
• Future cash flows for the Cash Generating Unit ('CGU') • Discount rates; and • Terminal value growth rates.	management against the Company's market capitalisation; and • Testing the mathematical accuracy of the impairment model. We also assessed the appropriateness of the disclosures in Note 38 to the consolidated financial statements.
Information technology The Group's banking operations are heavily reliant on IT systems for processing large volumes of transactions as well as automated calculations supporting both internal and external financial reporting. These systems are vital to the ongoing operations of the business and to the integrity of the financial reporting process and as a result, the assessment of IT systems forms a key component of our audit.	Our procedures included, but were not limited to: • Obtaining understanding of the IT environment and identification of the key systems relevant to financial reporting • Testing the design and implementation of IT controls including but not limited to access administration, change management and segregation of duties; and • Responding to deficiencies identified by designing and performing additional procedures which included the identification and testing of compensating controls and varying the nature, timing and extent of the substantive procedures performed.

Other Information

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

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

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

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

Responsibilities of the Directors for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the Companies Act 1997 (amended 2014) and for such internal control as the directors determine is necessary to enable the preparation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

In accordance with section 200 of the Companies Act 1997 *(amended 2014)*, in our opinion:

- We obtained all information and explanations that were required; and
- Proper accounting records have been kept by the Group and the Company for the year ended 31 December 2021.

Our firm carries out other services for the Group and the Company in the areas of assurance, Information Technology (IT) and advisory in relation to risk management. The provision for these other services has not impaired our independence as auditors of the Group and the Company.

The engagement partners on the audit resulting in this independent auditor's report are Benjamin Lee and David Rodgers.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Benjamin Lee
Partner
Chartered Accountants
Registered under the Accountants Act 1996

Port Moresby, 30 March 2022

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

David Rodgers
Partner
Chartered Accountants
Registered Company Auditor in Australia

Brisbane, 30 March 2022

Statements of Comprehensive Income
For the year ended 31 December 2021

		Consolidated		Parent	
		2021	2020	**2021**	2020
		K '000	K '000	**K '000**	K '000
Interest income	**5**	**206,935**	199,687	**206,842**	89,176
Interest expense	**5**	**(29,623)**	(29,964)	**(29,533)**	(13,719)
Net interest income		**177,312**	169,723	**177,309**	75,457
Fee and commission income	**6**	**89,391**	76,352	**58,459**	20,960
Fee and commission expense	**6**	**(55)**	(134)	**(69)**	(122)
Net fee and commission income		**89,336**	76,218	**58,390**	20,838
Foreign exchange income		**65,632**	55,239	**66,316**	25,772
Dividend income	**7**	**562**	136	**50**	-
Net gains from financial assets at fair value through profit and loss	**15**	**817**	2,510	**467**	2,666
Other income	**8**	**703**	10,968	**4,117**	25,097
Operating income before impairment losses and other operating expenses		**334,362**	314,794	**306,649**	149,830
Expected credit losses on financial instruments at amortised cost	**3b**	**(6,519)**	(22,018)	**(6,665)**	(11,828)
Administrative and operating expenses	**9**	**(194,127)**	(182,870)	**(186,127)**	(83,309)
Other one-off expenses	**31**	**(27,700)**	-	**(27,700)**	-
Profit before tax		**106,016**	109,906	**86,157**	54,693
Income tax expense	**10**	**(35,206)**	(33,932)	**(29,634)**	(17,226)
Net profit for the year attributable to the equity holders of the Company		**70,810**	75,974	**56,523**	37,467
Other comprehensive income		**-**	-	**-**	-
Total comprehensive income for the year attributable to the equity holders of the Company		**70,810**	75,974	**56,523**	37,467

		2021	2020
Earnings per share – basic (toea)	**27 b**	**24.68**	37.25
Earnings per share – diluted (toea)	**27 b**	**24.39**	37.06

The notes on pages 16 to 80 are an integral part of these consolidated financial statements.

KINA SECURITIES LIMITED

Statements of Financial Position
As at 31 December 2021

		Consolidated		Parent	
		2021	2020	**2021**	2020
		K '000	K '000	**K '000**	K '000
Assets					
Cash and due from banks	**12**	**408,334**	335,147	**366,302**	361,614
Central bank bills	**13**	**795,362**	647,874	**795,362**	647,874
Regulatory deposits	**14**	**212,874**	185,711	**212,874**	185,711
Financial assets at fair value through profit or loss	**15**	**11,652**	10,682	**6,771**	6,151
Loans and advances to customers	**16**	**1,950,447**	1,614,731	**1,944,273**	1,609,969
Investments in government inscribed stocks	**17**	**112,107**	114,519	**112,107**	114,519
Due from subsidiaries	**29**	**-**	-	**65,518**	1,387
Current income tax assets	**23**	**31**	83	**-**	-
Deferred tax assets	**11**	**16,988**	16,482	**16,474**	15,956
Investments in subsidiaries	**18**	**-**	-	**248**	248
Property, plant and equipment	**19**	**90,467**	86,274	**90,467**	86,274
Goodwill	**38**	**92,786**	92,786	**92,786**	92,786
Intangible assets	**20**	**48,663**	49,449	**48,364**	49,150
Other assets	**21**	**45,947**	145,813	**42,393**	145,204
		3,785,658	3,299,551	**3,793,939**	3,316,843
Liabilities					
Due to other banks		**4,701**	5,385	**4,701**	5,385
Due to customers	**22**	**3,036,921**	2,560,715	**3,079,454**	2,599,474
Current income tax liabilities	**23**	**11,697**	4,966	**11,493**	3,761
Due to subsidiaries	**29**	**-**	-	**9,612**	8,988
Employee provisions	**24**	**10,906**	11,538	**9,802**	10,593
Lease Liabilities	**25**	**48,851**	47,342	**48,851**	47,342
Other liabilities	**26**	**95,959**	92,571	**94,917**	91,493
		3,209,035	2,722,517	**3,258,830**	2,767,036
Net assets		**576,623**	577,034	**535,109**	549,807
Shareholders' equity					
Issued and fully paid ordinary shares	**27 a**	**394,693**	394,693	**394,693**	394,693
Share-based payment reserve	**27 c**	**3,587**	2,774	**3,587**	2,774
Retained earnings		**178,343**	179,567	**136,829**	152,340
Total equity		**576,623**	577,034	**535,109**	549,807

The notes on pages 16 to 80 are an integral part of these consolidated financial statements.

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

Mr. Isikeli Taureka
Director

Mr. Greg Pawson
Director

KINA SECURITIES LIMITED

Statements of Changes in Equity
For the year ended 31 December 2021

Consolidated	**Attributable to the equity holders of the Group**			
	Share Capital	**Share Based Payment Reserve**	**Retained Earnings**	**Total**
	K '000	**K '000**	**K '000**	**K '000**
Balance as at 31 December 2019	**176,970**	**2,063**	**148,243**	**327,276**
Profit for the year	-	-	75,974	75,974
Other comprehensive income	-	-	-	-
Additional shares issued	217,723	-	-	217,723
Employee share scheme – vested rights	-	(2,297)	-	(2,297)
Employee share scheme – value of employee services	-	3,008	-	3,008
Dividend paid	-	-	(44,650)	(44,650)
Balance as at 31 December 2020	**394,693**	**2,774**	**179,567**	**577,034**
Profit for the year	-	-	70,810	70,810
Other comprehensive income	-	-	-	-
Additional shares issued	-	-	-	-
Employee share scheme – vested rights	-	(3,476)	-	(3,476)
Employee share scheme – value of employee services	-	4,289	-	4,289
Dividend paid	-	-	(72,034)	(72,034)
Balance as at 31 December 2021	**394,693**	**3,587**	**178,343**	**576,623**

Parent	**Attributable to the equity holders of the Parent**			
	Share Capital	**Share Based Payment Reserve**	**Retained Earnings**	**Total**
	K '000	**K '000**	**K '000**	**K '000**
Balance as at 31 December 2019	**176,970**	**2,063**	**52,029**	**231,062**
Profit for the year	-	-	37,467	37,467
Additional shares issued	217,723	-	-	217,723
Other comprehensive income	-	-	-	-
Employee share scheme – vested rights	-	(2,297)	-	(2,297)
Employee share scheme – value of employee services	-	3,008	-	3,008
Amalgamation adjustment	-	-	107,494	107,494
Dividend paid	-	-	(44,650)	(44,650)
Balance as at 31 December 2020	**394,693**	**2,774**	**152,340**	**549,807**
Profit for the year	-	-	56,523	56,523
Additional shares issued	-	-	-	-
Other comprehensive income	-	-	-	-
Employee share scheme – vested rights	-	(3,476)	-	(3,476)
Employee share scheme – value of employee services	-	4,289	-	4,289
Dividend paid	-	-	(72,034)	(72,034)
Balance as at 31 December 2021	**394,693**	**3,587**	**136,829**	**535,109**

KINA SECURITIES LIMITED

Statements of Cash Flows
For the year ended 31 December 2021

		Consolidated		Parent	
		2021	2020	**2021**	2020
		K '000	K '000	**K '000**	K '000
Cash flows from operating activities					
Interest received		**206,779**	202,364	**206,686**	85,218
Interest paid		**(33,943)**	(27,376)	**(33,853)**	(3,704)
Foreign exchange gain		**65,632**	55,239	**66,316**	25,772
Dividend received		**562**	136	**50**	-
Fee and commission income received		**87,978**	78,271	**58,459**	20,960
Fee and commission expense paid		**(55)**	(134)	**(69)**	(123)
Net trading and other operating income		**1,415**	13,256	**2,588**	25,791
Recoveries on loans previously written-off		**1,750**	1,943	**1,750**	1,943
Support fees charged from subsidiaries		**-**	-	**1,890**	1,751
Cash payments to employees and suppliers		**(179,188)**	(169,183)	**(239,076)**	(32,784)
Income tax paid		**(28,918)**	(36,195)	**(22,419)**	(32,394)
Cash flows from operating profits before changes in operating assets and liabilities		**122,012**	118,321	**42,322**	92,430
Changes in operating assets and liabilities:					
- net (increase)/ decrease in regulatory deposits		**(27,163)**	64,002	**(27,163)**	(14,687)
- net increase in loans and advances to customers		**(336,052)**	(217,160)	**(336,053)**	(138,215)
- net decrease/ (increase) in other assets		**14,904**	(82,487)	**17,850**	(111,488)
- net increase in due to customers		**476,206**	99,748	**479,979**	51,011
- net (decrease)/ increase due to other banks		**(684)**	4,814	**(684)**	5,364
- net (decrease)/ increase in other liabilities		**(2,201)**	(60,110)	**(2,164)**	1,025
Net cash inflow/(outflow) generated from/(used in) operating activities	**28c**	**247,022**	(72,872)	**174,087**	(114,560)
Cash flows from investing activities					
Purchase of property, equipment and software		**(28,431)**	(22,924)	**(28,431)**	(22,924)
Proceeds from sale of property and equipment		**148**	264	**148**	264
Cash acquired on amalgamation		**-**	-	**-**	243,321
Net movement in investment securities		**(50,494)**	52,355	**(50,144)**	103,088
Other one-off expenses	**31**	**(8,407)**	-	**(8,407)**	-
Refund of deposit from Westpac	**32**	**84,567**	-	**84,567**	-
Net cash inflow/(outflow) generated from/(used in) investing activities		**(2,617)**	29,695	**(2,267)**	323,749
Cash flows from financing activities					
Dividend paid		**(72,034)**	(44,650)	**(72,034)**	(44,650)
Proceeds on issuance of shares		**-**	217,723	**-**	217,723
Net cash inflow/(outflow) generated from/(used) in financing activities		**(72,034)**	173,073	**(72,034)**	173,073
Net increase in cash and cash equivalents		**172,371**	129,896	**99,786**	382,262
Effect of exchange rate movements on cash and cash equivalents		**(4,184)**	549	**(98)**	515
Cash and cash equivalents at beginning of year		**400,147**	269,702	**426,614**	43,837
Cash and cash equivalents at end of year	**28a**	**568,334**	400,147	**526,302**	426,614

The notes on pages 16 to 80 are an integral part of these consolidated financial statements.

For the year ended 31 December 2021
Notes to the Financial Statements (From pages 16 – 80)

1. Summary of significant accounting policies

1.1 General information

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

Effective 9 July 2020, Kina Securities Limited amalgamated with Kina Bank Limited (KBL), Kina Ventures Limited (KVL) and Kina Properties Limited (KPL) and is now known as Kina Securities Limited.

1.2 Basis of preparation

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

The consolidated financial statements as at and for the year ended 31 December 2021 were authorized for issue by the Board of Directors on 30 March 2022.

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

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

New and revised Standards and amendments thereof effective for the current financial year, and which have been applied in the preparation of these financial statements, that are relevant to the Group include*:*

- Impact of the initial application of Interest Rate Benchmark Reform
- Impact of the initial application of COVID-19-Related Rent Concessions beyond 30 June 2021—Amendment to IFRS 16

Impact of the initial application of Interest Rate Benchmark Reform

The Group has adopted the Phase 2 amendments Interest Rate Benchmark Reform—Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. Adopting these amendments enables the Group to reflect the effects of transitioning from interbank offered rates (IBOR) to alternative benchmark interest rates (also referred to as 'risk free rates' or RFRs) without giving rise to accounting impacts that would not provide useful information to users of financial statements. The Group has not restated the prior period. Instead, the amendments have been applied retrospectively with any adjustments recognised in the appropriate components of equity as at 1 January 2021. The Group determined that there is no material impact.

Impact of the initial application of COVID-19-Related Rent Concessions beyond 30 June 2021—Amendment to IFRS 16

The Group has applied the amendment to IFRS 16 (as issued by the Board in May 2021) that extends practical expedient to apply to reduction in lease payments originally due on or before 30 June 2022. The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession applying IFRS 16 as if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:
- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change

1. Summary of significant accounting policies (continued)

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

- Any reduction in lease payments affects only payments originally due on or before 30 June 2022 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2022 and increased lease payments that extend beyond 30 June 2022)
- There is no substantive change to other terms and conditions of the lease

The Group determined that there is no material impact.

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

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

IFRS 17 (including the June 2020 amendments to IFRS 17)	*Insurance Contracts*
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*
Amendments to IFRS 3	*Reference to the Conceptual Framework*
Amendments to IAS 16	*Property, Plant and Equipment—Proceeds before Intended Use*
Amendments to IAS 37	*Onerous Contracts—Cost of Fulfilling a Contract*
Annual Improvements to IFRS Standards 2018-2020 Cycle	*Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture*
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to IAS 8	*Definition of Accounting Estimates*
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

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

1.5 Basis of consolidation

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

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

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. When the Group has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

1. Summary of significant accounting policies (continued)

1.5 Basis of consolidation (continued)

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

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

Profit or loss and each component of OCI (other comprehensive income) are attributed to the owners of the Group and to the non-controlling interests (NCI), if any. Total comprehensive income of the subsidiaries is attributed to the owners of the Group and to the NCI even if this results in the NCI having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation, with the exception of foreign currency gains and losses on intragroup monetary items denominated in a foreign currency of at least one of the parties.

1.6 Segment reporting

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

1.7 Foreign currency translation

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

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

1.8 Interest income and interest expense

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

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

1. Summary of significant accounting policies (continued)

1.8 Interest income and interest expense (continued)

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

The interest income/expense is calculated by applying the EIR to the gross carrying amount of non-credit impaired financial assets (i.e. at the amortised cost of the financial asset before adjusting for any expected credit loss allowance), or to the amortised cost of financial liabilities. For credit-impaired financial assets the interest income is calculated by applying the EIR to the amortised cost of the credit-impaired financial assets (i.e. the gross carrying amount less the allowance for expected credit losses (ECLs)). For financial assets originated or purchased credit-impaired (POCI) the EIR reflects the ECLs in determining the future cash flows expected to be received from the financial asset.

1.9 Fee and commission income

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

- *Investment and portfolio management* - The Group manages investments for a number of superannuation funds and corporate clients. These services are provided by the Group on monthly basis and therefore billed accordingly. Revenue is recognised as and when the bill is raised i.e. when performance obligation is satisfied.

- *Fund administration* - The Group earns a fee through administration of funds for its customers based on the fee rates agreed under the terms of the contract. The services are billed to customers on monthly basis at which point revenue is recognised, i.e. at the time when performance obligation is satisfied.

- *Share brokerage* - The Group generates share brokerage from trading services for customers on Port Moresby Stock Exchange (“PNGX”) and Australian Stock Exchange (“ASX”). Revenue is recognised upon settlement of the trade which is commensurate with when the performance obligation is satisfied.

- *Loan fee and bank commission* - The Group charges various loan fee and commissions to its customers during the tenure of the loan unrelated to establishment of the loan facility. Revenue is recognised when services promised under the contract are rendered and performance obligations are satisfied.

- *Digital banking fees* – The Group increases the services it provides through digital access solutions giving customers convenient ways to do transactions. The services include online banking, utility top ups, cashless transactions using payment platforms and card transactions.

1.10 Leases

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

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

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

1. Summary of significant accounting policies (continued)

1.10 Leases (continued)

- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:
  - the Group has the right to operate the asset; or
  - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

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

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

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

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

Lease payments included in the measurement of the lease liability comprise the following:

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

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

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

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

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

1. Summary of significant accounting policies (continued)

1.11 Taxation

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

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

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

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

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

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

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

1.12 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the following:

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by the Group;
- fair value of any asset or liability resulting from a contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. Acquisition-related costs are expensed as incurred.

1. Summary of significant accounting policies (continued)

1.12 Business combinations (continued)

The excess of the following is considered as goodwill:

- consideration transferred;
- amount of any non-controlling interest in the acquired entity; and
- acquisition date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired if those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently re-measured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquire is re-measured to fair value at the acquisition date. Any gains or losses arising from such re-measurement are recognised in profit or loss.

1.13 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less from date of acquisition that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

1.14 Financial instruments

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

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

Financial assets

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

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

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

1. Summary of significant accounting policies (continued)

1.14 Financial instruments (continued)

Specifically:

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

Debt instruments at amortised cost or at FVTOCI

The Group assesses the classification and measurement of a financial asset based on the contractual cash flow characteristics of the asset and the Group's business model for managing the asset. The Group classifies and measures at amortised cost or at FVTOCI, assets where contractual terms give rise to cash flows that are solely payments of principal and interest on the principal outstanding (SPPI).

For the purpose of SPPI test, principal is the fair value of the financial asset at initial recognition. That principal amount may change over the life of the financial asset (e.g. if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The SPPI assessment is made in the currency in which the financial asset is denominated.

An assessment of business models for managing financial assets is fundamental to the classification of a financial asset. The Group determines the business models at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Group's business model does not depend on management's intentions for an individual instrument, therefore the business model assessment is performed at a higher level of aggregation rather than on an instrument-by-instrument basis.

At initial recognition of a financial asset, the Group determines whether newly recognised financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The Group reassess its business models each reporting period to determine whether the business models have changed since the preceding period.

Financial assets at FVTPL

Financial assets at FVTPL are:

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

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

Reclassification

If the business model under which the Group holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassifying the Group's financial assets. During the current financial year there was no change in the business model under which the Group holds financial assets and therefore no reclassifications were made. Changes in contractual cash flows are considered under the accounting policy on Modification and de-recognition of financial assets described below.

1. Summary of significant accounting policies (continued)

1.14 Financial instruments (continued)

Impairment

The Group measures and recognises loss allowances for ECLs on the following financial instruments that are not measured at FVTPL:

- loans and advances;
- investment in government inscribed stocks;
- other financial assets;
- loan commitments issued; and
- financial guarantee contracts issued.

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

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

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

Significant increase in credit risk

The Group monitors all financial assets, issued loan commitments and financial guarantee contracts that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

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

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

Definition of default

The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk (see note 3).

The Group considers the following as constituting an event of default:

- the borrower is past due more than a specified number of days depending upon the type of loan arrangement on any material credit obligation to the Group; or
- the borrower is unlikely to pay its credit obligations to the Group in full.

1. Summary of significant accounting policies (continued)

1.14 Financial instruments (continued)

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit impaired financial assets

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the recovery of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence of credit-impairment includes observable data about the following events:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- the disappearance of an active market for a security because of financial difficulties;
- the purchase of a financial asset at a deep discount that reflects the incurred credit losses; or
- the facility is overdue by more than specified number of days.

The Group assesses whether debt instruments that are financial assets measured at amortised cost are credit-impaired at each reporting date. To assess if sovereign and corporate debt instruments are credit impaired, the Group considers factors such as bond yields, credit ratings and the ability of the borrower to raise funding.

A loan is considered credit-impaired when a concession is granted to the borrower due to a deterioration in the borrower's financial condition, unless there is evidence that as a result of granting the concession the risk of not receiving the contractual cash flows has reduced significantly and there are no other indicators of impairment. For financial assets where concessions are contemplated but not granted the asset is deemed credit impaired when there is observable evidence of credit-impairment including meeting the definition of default.

Write-off

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

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- for financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- for loan commitments and financial guarantee contracts: as a provision; and
- where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Group presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision.

Financial liabilities

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

1. Summary of significant accounting policies (continued)

1.14 Financial instruments (continued)

that will or may be settled other than by the exchange of a fixed amount of cash (or another financial asset) for a fixed number of the Group's own equity instruments.

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

Other financial liabilities

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

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

Derecognition of financial liabilities

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

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

Financial guarantee contracts

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

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

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

1. Summary of significant accounting policies (continued)

1.14 Financial instruments (continued)

Financial guarantee contracts not designated at FVTPL are presented as provisions on the consolidated statement of financial position and the remeasurement is presented in other revenue.

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

1.15 Property, plant and equipment

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

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

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

1.16 Intangible assets and other non-financial assets

Goodwill

Goodwill is measured as described in note 38 Goodwill having an indefinite useful life is not amortized but it is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

Other non-financial assets

Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets cash-generating units (CGU).

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

Customer deposits relationship / intangible

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

1. Summary of significant accounting policies (continued)

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

impairment. Customer deposit relationship is also assessed for any indication of impairment at each reporting date and whenever there is an indicator that these maybe impaired.

Software

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

1.17 Provisions

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

1.18 Employee benefits

Short-term obligations

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

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

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

Share-based payments

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

Cash bonus

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

1. Summary of significant accounting policies (continued)

1.19 Share capital and other equity accounts

Share capital

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

Dividends

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

Reserves

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

1.20 Earnings per share

Basic earnings per share

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

Diluted earnings per share

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

1.21 Fiduciary activities

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

2. Critical accounting estimates and judgments

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

The areas involving significant estimates or judgments are:

- Significant increase in credit risk – note 3
- Estimated allowance for loans and advances to customers – note 16 and 3(b)
- Estimated goodwill impairment – note 38
- Estimated useful life of intangible asset – note 20

2. Critical accounting estimates and judgments (continued)

- Estimation of the fair value of performance right grants and the number of grants expected to vest – note 27(c).

3. Financial risk management

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

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

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

a) Market risk

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

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

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

(i) Foreign exchange risk

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

Exposure

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

K '000	USD	AUD	SGD	GBP	EUR	NZD	JPY	Others
31 December 2021								
Cash balance	264	303	71	32	193	630	206	77
Due from other banks	92,485	62,546	212	203	1,739	532	215	2,266
	92,749	**62,849**	**283**	**235**	**1,932**	**1,162**	**421**	**2,343**
31 December 2020								
Cash balance	288	492	95	42	199	660	233	86
Due from / (to) other banks	90,405	3,926	1,820	665	517	541	-	(265)
	90,693	4,418	1,915	707	716	1,201	233	(179)

There were no material liabilities denominated in foreign currency.

3. Financial risk management (continued)

a) Market risk (continued)

Sensitivity

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

	Impact on statement of comprehensive income in	
	K'000	K'000
	2021	2020
USD/PGK – exchange rate – increase 10% (2020:10%)	**(8,408)**	(8,219)
USD/PGK – exchange rate – decrease 10% (2020: 10%)	**10,276**	10,045

(ii) Interest rate risk

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

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

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

	Year ended 31 December 2021	
	Carrying amount	**Average Interest rate (% p.a.)**
Assets	**K '000**	
Cash and due from banks	**408,334**	**0.03%**
Central bank bills	**795,362**	**5.86%**
Loans and advances to customers	**1,950,447**	**8.40%**
Investments in government inscribed stocks	**112,107**	**11.48%**
Liability		
Due to customers	**3,036,921**	**0.91%**

	Year ended 31 December 2020	
	Carrying amount	Average Interest rate (% p.a.)
Assets	K '000	
Cash and due from banks	335,147	0.03%
Central bank bills	647,874	6.27%
Loans and advances to customers	1,614,731	9.45%
Investments in government inscribed stocks	114,519	12.11%
Liability		
Due to customers	2,560,715	1.03%

3. Financial risk management (continued)

a) Market risk (continued)

Sensitivity

Given the profile of assets and liabilities at 31 December 2021 and prevailing interest rates, a 100 basis points increase/decrease in market rates in relation to lending will result in a maximum possibility of K2,293,292 (2020: K1,407,752) decrease/increase in net interest income at a Group level.

(ii) Equity price risk

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

Sensitivity

The sensitivity analysis below has been determined based on the exposure to equity price risks at the end of the reporting period. If equity prices had been 5% higher/lower, net profit for the year ended 31 December 2021 and net assets as of balance date would have been affected by K582,621 (2020: K534,112). The Group's sensitivity to equity prices has changed relative to asset balance from the prior year.

	Impact on statement of comprehensive income in K '000	
	2021	2020
Equity prices – increase 5% (2020:5%)	**583**	534
Equity prices – decrease 5% (2020: 5%)	**(583)**	(534)

b) Credit risk

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

(i) Credit risk management

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

- Ensuring that the Group has appropriate credit risk practices, including an effective system of internal control, to consistently determine adequate allowances in accordance with the Group's stated policies and procedures, IFRS and relevant supervisory guidance.
- Identifying, assessing and measuring credit risk across the Group, from an individual instrument to a portfolio level.
- Creating credit policies to protect the Group against the identified risks including the requirements to obtain collateral from borrowers, to perform robust ongoing credit assessment of borrowers and to continually monitor exposures against internal risk limits.
- Limiting concentrations of exposure by type of asset, counterparties, industry, credit rating, geographic location etc.
- Establishing a robust control framework regarding the authorisation structure for the approval and renewal of credit facilities.
- Developing and maintaining the Group's risk grading to categorise exposures according to the degree of risk of default. Risk grades are subject to regular reviews.

3. Financial risk management (continued)

b) Credit risk (continued)

- Developing and maintaining the Group's processes for measuring ECL including monitoring of credit risk, incorporation of forward looking information and the method used to measure ECL.
- Ensuring that the Group has policies and procedures in place to appropriately maintain and validate models used to assess and measure ECL.
- Establishing a sound credit risk accounting assessment and measurement process that provides it with a strong basis for common systems, tools and data to assess credit risk and to account for ECL. Providing advice, guidance and specialist skills to business units to promote best practice throughout the Group in the management of credit risk.

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

(ii) Significant increase in credit risk

As explained in note 1 the Group monitors all financial assets that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

(iii) Incorporation of forward-looking information

The Group uses forward-looking information that is available without undue cost or effort in its assessment of significant increase of credit risk as well as in its measurement of ECL. The Group's credit risk management function uses external and internal information to generate a 'base case' scenario of future forecast of relevant economic variables along with a representative range of other possible forecast scenarios. The external information used includes economic data and forecasts published by governmental bodies and monetary authorities.

The Group applies probabilities to the forecast scenarios identified. The base case scenario is the single most-likely outcome and consists of information used by the Group for strategic planning and budgeting. The Group has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using a statistical analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

(iv) Measurement of ECL

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

PD is an estimate of the likelihood of default over a given time horizon. It is estimated as at a point in time. The calculation is based on rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These models are based on market data (where available), as well as internal data comprising both quantitative and qualitative factors.

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

EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities. The Group's modelling approach for EAD reflects expected changes in the balance outstanding over the lifetime of the loan exposure that are permitted by the current contractual terms, such as amortisation profiles, early repayment or overpayment, changes in utilisation of undrawn commitments and credit mitigation actions taken before default.

3. Financial risk management (continued)

b) Credit risk (continued)

(v) Groupings based on shared risks characteristics

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

(vi) Credit quality

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

Class of financial instrument	Financial statement line	Note
Cash and due from banks at amortised cost	Cash and due from banks	Note 12
Treasury and central bank bills at amortised cost	Central bank bills	Note 13
Regulatory deposits at amortised cost	Regulatory deposits	Note 14
Loans and advances to customers at amortised cost	Loans and advances to customers	Note 16
Investments in government inscribed stocks at amortised cost	Investments in government inscribed stocks	Note 17
Bank guarantees	Contingent liabilities	Note 33
Other financial assets	Other assets	Note 21

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

	Consolidated	
	31 December 2021	31 December 2020
Cash and due from banks at amortised cost	**K'000**	K'000
Concentration by sector		
Cash on hand	**115,451**	118,811
With central bank (exchange settlement account)	**123,895**	112,024
With other banks	**168,988**	104,312
Total	**408,334**	335,147
Concentration by region		
Papua New Guinea	**243,502**	237,539
Offshore*	**164,832**	97,608
Total	**408,334**	335,147

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

3. Financial risk management (continued)

b) Credit risk (continued)

	Parent	
	31 December 2021	31 December 2020
Cash and due from banks at amortised cost	**K'000**	K'000
Concentration by sector		
Cash on hand	**115,451**	118,811
With central bank (exchange settlement account)	**123,895**	112,024
With other banks	**126,956**	130,779
Total	**366,302**	361,614
Concentration by region		
Papua New Guinea	**273,241**	273,279
Offshore*	**93,061**	88,335
Total	**366,302**	361,614

	Consolidated	
	31 December 2021	31 December 2020
Treasury and central bank bills at amortised cost	**K'000**	K'000
Concentration by sector		
With central banks	**795,362**	647,874
Total	**795,362**	647,874
Concentration by region		
Papua New Guinea	**795,362**	647,874
Total	**795,362**	647,874

	Parent	
	31 December 2021	31 December 2020
Treasury and central bank bills at amortised cost	**K'000**	K'000
Concentration by sector		
With central banks	**795,362**	647,874
Total	**795,362**	647,874
Concentration by region		
Papua New Guinea	**795,362**	647,874
Total	**795,362**	647,874

3. Financial risk management (continued)

b) Credit risk (continued)

	Consolidated	
	31 December 2021	31 December 2020
Regulatory deposits at amortised cost	**K'000**	K'000
Concentration by sector		
With central banks	**212,874**	185,711
Total	**212,874**	185,711
Concentration by region		
Papua New Guinea	**212,874**	185,711
Total	**212,874**	185,711

	Parent	
	31 December 2021	31 December 2020
Regulatory deposits at amortised cost	**K'000**	K'000
Concentration by sector		
With central banks	**212,874**	185,711
Total	**212,874**	185,711
Concentration by region		
Papua New Guinea	**212,874**	185,711
Total	**212,874**	185,711

4. Financial risk management (continued)

b) Credit risk (continued)

	Consolidated	
	31 December 2021	31 December 2020
Loans and advances to customers at amortised cost	**K'000**	K'000
Concentration by sector		
Individuals:		
Mortgages	**547,260**	481,492
Unsecured lending	**30,158**	33,436
Corporate entities:		
Agriculture, Forestry & Fishing	**16,159**	13,763
Mining	**14,859**	14,528
Manufacturing	**15,937**	16,786
Electrical, Gas & Water	**7,272**	7,459
Building and Construction	**93,107**	105,606
Wholesale & Retail	**597,854**	379,893
Hotel & Restaurants	**93,877**	104,928
Transport & Storage	**10,218**	12,635
Financial Intermediation	**-**	14,329
Real Estate/Renting/Business Services	**336,717**	329,776
Equipment Hire	**27,900**	23,038
Other Business	**191,543**	109,838
Personal Banking	**5,685**	2,569
Total	**1,988,547**	1,650,076
Concentration by region		
Papua New Guinea	**1,988,547**	1,650,076
Total	**1,988,547**	1,650,076

3. Financial risk management (continued)

b) Credit risk (continued)

	Parent	
	31 December 2021	31 December 2020
Loans and advances to customers at amortised cost	**K'000**	K'000
Concentration by sector		
Individuals:		
Mortgages	**547,260**	481,492
Unsecured lending	**30,158**	33,436
Corporate entities:		
Agriculture, Forestry & Fishing	**16,159**	13,763
Mining	**14,859**	14,528
Manufacturing	**15,937**	16,786
Electrical, Gas & Water	**7,272**	7,459
Building and Construction	**93,107**	105,606
Wholesale & Retail	**597,854**	379,893
Hotel & Restaurants	**93,877**	104,928
Transport & Storage	**10,218**	12,635
Financial Intermediation	**-**	14,329
Real Estate/Renting/Business Services	**336,717**	329,776
Equipment Hire	**27,900**	23,038
Other Business	**185,016**	104,576
Personal Banking	**5,685**	2,569
Total	**1,982,019**	1,644,814
Concentration by region		
Papua New Guinea	**1,982,019**	1,644,814
Total	**1,982,019**	1,644,814

	Consolidated	
	31 December 2021	31 December 2020
Investments in government inscribed stocks at amortised cost	**K'000**	K'000
Concentration by sector		
Sovereign	**113,746**	116,193
Total	**113,746**	116,193
Concentration by region		
Papua New Guinea	**113,746**	116,193
Total	**113,746**	116,193

3. Financial risk management (continued)

b) Credit risk (continued)

	Parent	
	31 December 2021	31 December 2020
Investments in government inscribed stocks at amortised cost	**K'000**	K'000
Concentration by sector		
Sovereign	**113,746**	116,193
Total	**113,746**	116,193
Concentration by region		
Papua New Guinea	**113,746**	116,193
Total	**113,746**	116,193

	Consolidated	
	31 December 2021	31 December 2020
Bank guarantees	**K'000**	K'000
Concentration by sector		
Corporate entities:		
Agriculture, Forestry & Fishing	**18,199**	26,285
Mining	**-**	22,003
Wholesale & Retail	**13,210**	13,300
Building and Construction	**9,857**	20,106
Transport & Storage	**129**	4,510
Electrical, Gas & Water	**-**	1,470
Other Business	**5,433**	1,030
Total	**46,829**	88,704
Concentration by region		
Papua New Guinea	**46,829**	88,704
Total	**46,829**	88,704

3. Financial risk management (continued)

b) Credit risk (continued)

	Parent	
	31 December 2021	31 December 2020
Bank guarantees	**K'000**	K'000
Concentration by sector		
Corporate entities:		
Agriculture, Forestry & Fishing	**18,199**	26,285
Mining	**-**	22,003
Wholesale & Retail	**13,210**	13,300
Building and Construction	**9,857**	20,106
Transport & Storage	**129**	4,510
Electrical, Gas & Water	**-**	1,470
Other Business	**5,433**	1,030
Total	**46,829**	88,704
Concentration by region		
Papua New Guinea	**46,829**	88,704
Total	**46,829**	88,704

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

3. Financial risk management (continued)

b) Credit risk (continued)

An analysis of the Group's **credit risk exposure per class of financial asset and "stage"** without taking into account the effects of any collateral or other credit enhancements is provided in the following table. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

	Consolidated									
	31 December 2021					31 December 2020				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	POCI	Total	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	POCI	Total
	K'000	K'000	K'000	K'000	K'000	K'000	K'000	K'000	K'000	K'000
Cash and due from banks	408,334	-	-	-	408,334	335,147	-	-	-	335,147
Treasury and central bank bills	795,362	-	-	-	795,362	647,874	-	-	-	647,874
Regulatory deposits	212,874	-	-	-	212,874	185,711	-	-	-	185,711
Loans and advances	1,749,548	152,442	71,667	14,890	1,988,547	1,417,091	184,262	29,673	19,050	1,650,076
Investment in government inscribed stocks	113,746	-	-	-	113,746	116,193	-	-	-	116,193
Other financial assets	49,937	-	-	-	49,937	149,851	-	-	-	149,851
Bank guarantees	46,829	-	-	-	46,829	88,704	-	-	-	88,704
Total gross carrying amount	**3,376,630**	**152,442**	**71,667**	**14,890**	**3,615,629**	**2,940,571**	**184,262**	**29,673**	**19,050**	**3,173,556**
Loss allowance	(25,680)	(10,447)	(7,602)	-	(43,729)	(17,770)	(19,777)	(3,510)	-	(41,057)
Net carrying amount	**3,350,950**	**141,995**	**64,065**	**14,890**	**3,571,900**	**2,922,801**	**164,485**	**26,163**	**19,050**	**3,132,499**

3. Financial risk management (continued)

b) Credit risk (continued)

	Parent									
	31 December 2021					31 December 2020				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	POCI	Total	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	POCI	Total
	K'000	K'000	K'000	K'000	K'000	K'000	K'000	K'000	K'000	K'000
Cash and due from banks	366,302	-	-	-	366,302	361,614	-	-	-	361,614
Treasury and central bank bills	795,362	-	-	-	795,362	647,874	-	-	-	647,874
Regulatory deposits	212,874	-	-	-	212,874	185,711	-	-	-	185,711
Loans and advances	1,745,860	151,457	69,812	14,890	1,982,019	1,414,258	183,885	27,621	19,050	1,644,814
Investment in government inscribed stocks	113,746	-	-	-	113,746	116,193	-	-	-	116,193
Other financial assets	46,383	-	-	-	46,383	149,242	-	-	-	149,242
Bank guarantees	46,829	-	-	-	46,829	88,704	-	-	-	88,704
Total gross carrying amount	**3,327,356**	**151,457**	**69,812**	**14,890**	**3,563,515**	**2,963,596**	**183,885**	**27,621**	**19,050**	**3,194,152**
Loss allowance	(25,680)	(10,443)	(7,252)	-	(43,375)	(17,770)	(19,718)	(3,069)	-	(40,557)
Net carrying amount	**3,301,676**	**141,014**	**62,560**	**14,890**	**3,520,140**	**2,945,826**	**164,167**	**24,552**	**19,050**	**3,153,595**

3. Financial risk management (continued)

b) Credit risk (continued)

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

	Consolidated	
	31 December 2021	31 December 2020
Loss allowance by classes	**K'000**	K'000
Loans and advances to customers at amortised cost	**38,100**	35,345
Investments in government inscribed stocks at amortised cost	**1,639**	1,674
Other financial assets	**3,990**	4,038
Total	**43,729**	41,057

	Parent	
	31 December 2021	31 December 2020
Loss allowance by classes	**K'000**	K'000
Loans and advances to customers at amortised cost	**37,746**	34,845
Investments in government inscribed stocks at amortised cost	**1,639**	1,674
Other financial assets	**3,990**	4,038
Total	**43,375**	40,557

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

3. Financial risk management (continued)

b) Credit risk (continued)

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

	Consolidated										
	Balance at 01 January 2021	**Additional ECL recognised**	**Write-offs**	**Bad debt Recoveries**	**Balance at 31 December 2021**	**Balance at 01 January 2020**	**Additional ECL recognised**	**Write-offs**	**Bad debt Recoveries**	**Provision derecognized in respect of sales of loan book**	**Balance at 31 December 2020**
Loss allowance by classes	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**
Loans and advances to customers at amortised cost	35,345	6,555	(5,550)	1,750	38,100	20,525	20,832	(7,096)	1,943	(859)	35,345
Investments in government inscribed stocks at amortised cost	1,674	9	(44)	-	1,639	489	1,185	-	-	-	1,674
Other financial assets	4,038	-	(48)	-	3,990	4,038	-	-	-	-	4,038
Total	**41,057**	**6,564**	**(5,642)**	**1,750**	**43,729**	**25,052**	**22,017**	**(7,096)**	**1,943**	**(859)**	**41,057**

3. Financial risk management (continued)

b) Credit risk (continued)

	Parent											
	Balance at 01 January 2021	**Additional ECL recognised**	**Write-offs**	**Bad debt Recoveries**	**Balance at 31 December 2021**	**Balance at 01 January 2020**	**Amalgamation adjustment**	**Additional ECL recognised**	**Write-offs**	**Bad debt Recoveries**	**Provision derecognized in respect of sales of loan book**	**Balance at 31 December 2020**
Loss allowance by classes	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**
Loans and advances to customers at amortised cost	34,845	6,701	(5,550)	1,750	37,746	-	29,029	11,828	(7,096)	1,943	(859)	34,845
Investments in government inscribed stocks at amortised cost	1,674	9	(44)	-	1,639	-	1,674	-	-	-	-	1,674
Other financial assets	4,038	-	(48)	-	3,990	101	3,937	-	-	-	-	4,038
Total	**40,557**	**6,710**	**(5,642)**	**1,750**	**43,375**	**101**	**34,640**	**11,828**	**(7,096)**	**1,943**	**(859)**	**40,557**

3. Financial risk management (continued)

b) Credit risk (continued)

	Consolidated									
	31 December 2021					31 December 2020				
Loss allowance – Loans and advances to customers at amortised cost	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**POCI**	**Total**	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**POCI**	**Total**
	K'000	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**
Loss allowance as at 01 January	**12,058**	**19,777**	**3,510**	-	**35,345**	**12,102**	**6,698**	**1,725**	-	**20,525**
Changes in the loss allowance										
- Transfer to stage 1	637	(616)	(21)	-	-	84	(84)	-	-	-
- Transfer to stage 2	(3,436)	3,453	(17)	-	-	(811)	812	(1)	-	-
- Transfer to stage 3	(209)	(4,240)	4,449	-	-	(6)	(404)	410	-	-
- Write-offs	-	(4,703)	(766)	-	(5,469)	-	(4,406)	(747)	-	(5,153)
New financial assets originated or purchased	22,052	8,751	3,547	-	34,350	4,716	17,972	2,245	-	24,933
Financial assets that have been derecognised	(11,119)	(11,895)	(3,112)	-	(26,126)	(4,027)	(811)	(122)	-	(4,960)
Loss allowance as at 31 December	**19,983**	**10,527**	**7,590**	**-**	**38,100**	**12,058**	**19,777**	**3,510**	**-**	**35,345**

3. Financial risk management (continued)

b) Credit risk (continued)

	Parent									
	31 December 2021					31 December 2020				
Loss allowance – Loans and advances to customers at amortised cost	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**POCI**	**Total**	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**POCI**	**Total**
	K'000	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**
Loss allowance as at 01 January	**12,058**	**19,718**	**3,069**	**-**	**34,845**	**12,102**	**6,648**	**1,483**	**-**	**20,233**
Changes in the loss allowance										
- Transfer to stage 1	637	(616)	(21)	-	-	84	(84)	-	-	-
- Transfer to stage 2	(3,436)	3,453	(17)	-	-	(811)	812	(1)	-	-
- Transfer to stage 3	(209)	(4,224)	4,433	-	-	(6)	(404)	410	-	-
- Write-offs	-	(4,704)	(766)	-	(5,470)	-	(4,406)	(747)	-	(5,153)
New financial assets originated or purchased	22,054	8,751	3,451	-	34,256	4,716	17,963	2,046	-	24,725
Financial assets that have been derecognised	(11,119)	(11,853)	(2,913)	-	(25,885)	(4,027)	(811)	(122)	-	(4,960)
Loss allowance as at 31 December	**19,985**	**10,525**	**7,236**	**-**	**37,746**	**12,058**	**19,718**	**3,069**	**-**	**34,845**

3. Financial risk management (continued)

b) Credit risk (continued)

	Consolidated									
	31 December 2021					31 December 2020				
Loans and advances to customers at amortised cost	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**POCI**	**Total**	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**POCI**	**Total**
	K'000	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**
Gross carrying amount as at 01 January	**1,417,091**	**184,262**	**29,673**	**19,050**	**1,650,076**	**1,324,738**	**73,818**	**7,894**	**15,508**	**1,421,958**
Changes in the gross carrying amount										
- Transfer to stage 1	39,492	(39,106)	(386)	-	-	8,602	(8,363)	(239)	-	-
- Transfer to stage 2	(70,073)	70,901	(828)	-	-	(114,785)	115,628	(843)	-	-
- Transfer to stage 3	(6,279)	(34,912)	41,191	-	-	(5,728)	(12,964)	18,692	-	-
- Write-offs	-	(4,704)	(766)	-	(5,470)	-	(4,406)	(747)	-	(5,153)
New financial assets originated or purchased	646,922	22,163	5,009	912	675,006	536,918	36,610	5,357	6,718	585,603
Financial assets that have been derecognised	(277,604)	(46,163)	(2,226)	(5,072)	(331,065)	(332,654)	(16,061)	(441)	(3,176)	(352,332)
Gross carrying amount as at 31 December	**1,749,549**	**152,441**	**71,667**	**14,890**	**1,988,547**	**1,417,091**	**184,262**	**29,673**	**19,050**	**1,650,076**

3. Financial risk management (continued)

b) Credit risk (continued)

	Parent									
	31 December 2021					31 December 2020				
Loans and advances to customers at amortised cost	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**POCI**	**Total**	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**POCI**	**Total**
	K'000	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**
Gross carrying amount as at 01 January	**1,414,258**	**183,885**	**27,621**	**19,050**	**1,644,814**	**1,319,158**	**72,883**	**7,438**	**15,508**	**1,414,987**
Changes in the gross carrying amount										
- Transfer to stage 1	39,492	(39,106)	(386)	-	-	8,602	(8,363)	(239)	-	-
- Transfer to stage 2	(70,073)	70,901	(828)	-	-	(114,785)	115,628	(843)	-	-
- Transfer to stage 3	(6,204)	(34,756)	40,960	-	-	(5,573)	(12,767)	18,340	-	-
- Write-offs	-	(4,704)	(766)	-	(5,470)	-	(4,406)	(747)	-	(5,153)
New financial assets originated or purchased	643,231	21,181	4,464	912	669,788	534,092	36,234	4,777	6,718	581,821
Financial assets that have been derecognised	(274,846)	(45,942)	(1,253)	(5,072)	(327,113)	(327,236)	(15,324)	(1,105)	(3,176)	(346,841)
Gross carrying amount as at 31 December	**1,745,858**	**151,459**	**69,812**	**14,890**	**1,982,019**	**1,414,258**	**183,885**	**27,621**	**19,050**	**1,644,814**

3. Financial risk management (continued)

b) Credit risk (continued)

Investments in government inscribed stock

In relation to investment in government inscribed stocks which continue to be classified as Stage 1, there have been no significant movements in the carrying amount during the year except due to derecognition.

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

	Consolidated			
	Year ended 2021		Year ended 2020	
	Gross carrying amount	**Loss allowance**	Gross carrying amount	Loss allowance
Loans and advances to customers	**K'000**	**K'000**	K'000	K'000
0-29 days	**1,727,938**	**17,082**	1,387,203	14,427
30-59 days	**54,961**	**5,127**	53,222	799
60-89 days	**32,132**	**2,288**	47,868	1,673
90-180 days	**61,225**	**4,861**	60,345	9,222
More than 181 days	**112,292**	**8,742**	101,438	9,224
Total	**1,988,547**	**38,100**	1,650,076	35,345

	Parent			
	Year ended 2021		Year ended 2020	
	Gross carrying amount	**Loss allowance**	Gross carrying amount	Loss allowance
Loans and advances to customers	**K'000**	**K'000**	K'000	K'000
0-29 days	**1,724,250**	**17,082**	1,384,515	14,427
30-59 days	**54,053**	**5,127**	53,153	799
60-89 days	**32,057**	**2,288**	47,834	1,673
90-180 days	**61,209**	**4,857**	59,968	9,163
More than 181 days	**110,449**	**8,392**	99,344	8,783
Total	**1,982,018**	**37,746**	1,644,814	34,845

3. Financial risk management (continued)

b) Credit risk (continued)

Collateral held as security and other credit enhancements

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

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

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

Mortgage lending

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

	Consolidated	
	Year ended 2021	Year ended 2020
	Gross carrying	Gross carrying
Mortgage lending	**amount**	Amount
LTDV ratio	**K‘000**	K‘000
Less than 50%	**67,153**	60,938
51-75%	**79,259**	68,368
75-90%	**47,391**	43,021
90-100%	**185,421**	174,952
More than 100%	**168,040**	133,892
Fully cash covered	**-**	253
Total	**547,264**	481,424

3. Financial risk management (continued)

b) Credit risk (continued)

	Parent	
	Year ended 2021	Year ended 2020
Mortgage lending	**Gross carrying amount**	Gross carrying Amount
LTDV ratio	**K'000**	K'000
Less than 50%	**67,153**	60,938
51-75%	**79,259**	68,368
75-90%	**47,391**	43,021
90-100%	**185,421**	174,952
More than 100%	**168,040**	133,892
Fully cash covered	**-**	253
Total	**547,264**	481,424

	Consolidated	
	Year ended 2021	Year ended 2020
Credit impaired – Mortgage lending	**Gross carrying amount**	Gross carrying amount
LTDV ratio	**K'000**	K'000
Less than 50%	**3,502**	2,427
51-75%	**7,161**	7,310
75-90%	**1,077**	2,362
90-100%	**3,182**	3,307
More than 100%	**9,314**	7,150
Total	**24,236**	22,556

	Parent	
	Year ended 2021	Year ended 2020
Credit impaired – Mortgage lending	**Gross carrying amount**	Gross carrying amount
LTDV ratio	**K'000**	K'000
Less than 50%	**3,502**	2,427
51-75%	**7,161**	7,310
75-90%	**1,077**	2,362
90-100%	**3,182**	3,307
More than 100%	**9,314**	7,150
Total	**24,236**	22,556

3. Financial risk management (continued)

b) Credit risk (continued)

Personal lending

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

	Consolidated	
	Year ended 2021	Year ended 2020
	K'000	K'000
Secured	**547,260**	481,492
Unsecured	**30,158**	33,436
Total	**577,418**	514,928

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

The collateral value is updated when the facility is classified as stage 3 or at least every 2 years. The Group monitors the collateral value on an ongoing basis and in event of any indicator which may result in significant decline will require the fresh valuation to be performed. As at 31 December 2021, the portfolio of secured personal lending is entirely secured by eligible collateral.

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

Corporate lending

The most relevant indicator of corporate customers' creditworthiness is an analysis of their financial performance and their liquidity, leverage, management effectiveness and growth ratios. In addition, the Group also requires collaterals and guarantees to secure the corporate loans. Similar to personal lending, collaterals are required to be valued by independent firm of valuers before the facility is approved. Approved facility limit is equal to or less than the assessed value of the collateral discounted by 10-50% to allow for sufficient buffer should there be any adverse movement in the value due to change in macroeconomic indicators. Collateral values are updated at least every 2 years if there are any changes to the loan facilities or if the facility is classified as stage 3 loan. The Group monitors the collateral value on an ongoing basis and in event of any indicator which may result in significant decline will require the fresh valuation to be performed. As at 31 December 2021, the portfolio of the corporate lending is fully collateralized by eligible collateral.

Investment securities

The Group holds investment in government inscribed stocks measured at amortised cost with a carrying amount of K112,107,469 (2020: K114,519,320) which are collateralized by sovereign guarantee.

Bank guarantee and documentary letters of credit

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

Credit risk disclosures in the financial statements of the parent

The credit risk disclosures included above relate only to the consolidated financial statements of the Group. Corresponding disclosures for the parent company have not been presented in these financial statements as the parent

3. Financial risk management (continued)

b) Credit risk (continued)

company does not have any material financial instruments other than intercompany lending amounting to K1m (31 December 2020: K1m). Details of the intercompany lending are disclosed in note 29 to the financial statements.

c) Liquidity risk

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

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

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

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

Maturities of financial assets and liabilities

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

3. Financial risk management (continued)

c) Liquidity risk (continued)

	Consolidated						
	Up to 1 month K'000	**1 to 3 months K'000**	**4 to 12 months K'000**	**1 to 5 years K'000**	**Over 5 years K'000**	**Total contract value K'000**	**Total carrying value K'000**
31 December 2021							
Cash and due from banks	408,334	-	-	-	-	408,334	408,334
Central bank bills	95,000	65,000	670,000	-	-	830,000	795,362
Regulatory deposits	212,874	-	-	-	-	212,874	212,874
Total financial assets	**716,209**	**65,000**	**670,000**	**-**	**-**	**1,451,209**	**1,416,570**
Due to other banks	4,701	-	-	-	-	4,701	4,701
Due to customers	2,451,325	335,136	250,131	11,725	-	3,048,317	3,036,921
Other liabilities	72,311	-	-	-	-	72,311	72,311
Total financial liabilities	**2,528,337**	**335,136**	**250,131**	**11,725**	**-**	**3,125,329**	**3,113,933**
Issued financial guarantee contracts	450	7,696	24,591	14,092	-	46,829	N/A
Issued loan commitments	160,667	7,252	704	-	-	168,623	N/A
Total	**161,117**	**14,948**	**25,295**	**14,092**	**-**	**215,452**	**N/A**
31 December 2020							
Cash and due from banks	335,147	-	-	-	-	335,147	335,147
Central bank bills	65,000	35,000	575,000	-	-	675,000	647,874
Regulatory deposits	185,711	-	-	-	-	185,711	185,711
Total financial assets	**585,858**	**35,000**	**575,000**	**-**	**-**	**1,195,858**	**1,168,732**
Due to other banks	5,385	-	-	-	-	5,385	5,385
Due to customers	2,026,766	286,671	282,025	20,189	-	2,615,651	2,560,715
Other liabilities	57,228	-	-	-	-	57,228	57,228
Total financial liabilities	**2,089,379**	**286,671**	**282,025**	**20,189**	**-**	**2,678,264**	**2,623,328**
Issued financial guarantee contracts	250	32,339	49,861	6,254	-	88,704	N/A
Issued loan commitments	177,528	27,396	-	-	-	204,924	N/A
Total	**177,778**	**59,735**	**49,861**	**6,254**	**-**	**293,628**	**N/A**

3. Financial risk management (continued)

c) Liquidity risk (continued)

	Parent						
	Up to 1 month	**1 to 3 months**	**4 to 12 months**	**1 to 5 years**	**Over 5 years**	**Total contract value**	**Total carrying value**
31 December 2021	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**
Cash and due from banks	366,302	-	-	-	-	366,302	366,302
Central bank bills	95,000	65,000	670,000	-	-	830,000	795,362
Regulatory deposits	212,874	-	-	-	-	212,874	212,874
Due from subsidiaries	65,518	-	-	-	-	65,518	65,518
Total financial assets	**739,695**	**65,000**	**670,000**	**-**	**-**	**1,474,695**	**1,440,057**
Due to other banks	4,701	-	-	-	-	4,701	4,701
Due to customers	2,493,857	335,136	250,131	11,725	-	3,090,849	3,079,454
Other liabilities	71,326	-	-	-	-	71,326	71,326
Due to subsidiaries	9,612	-	-	-	-	9,612	9,612
Total financial liabilities	**2,579,496**	**335,136**	**250,131**	**11,725**	**-**	**3,176,488**	**3,165,093**
31 December 2020							
Cash and due from banks	361,614	-	-	-	-	361,614	361,614
Central bank bills	65,000	35,000	575,000	-	-	675,000	647,874
Regulatory deposits	185,711	-	-	-	-	185,711	185,711
Due from subsidiaries	1,387	-	-	-	-	1,387	1,387
Total financial assets	**613,712**	**35,000**	**575,000**	**-**	**-**	**1,223,712**	**1,196,586**
Due to other banks	5,385	-	-	-	-	5,385	5,385
Due to customers	2,065,525	286,671	282,025	20,189	-	2,654,410	2,599,474
Other liabilities	56,197	-	-	-	-	56,197	56,197
Due to subsidiaries	8,988	-	-	-	-	8,988	8,988
Total financial liabilities	**2,136,095**	**286,671**	**282,025**	**20,189**	**-**	**2,724,980**	**2,670,044**

The liquidity gap in 'up to 1 month bucket' is due to assumption that current and saving deposits amounting to K1,667m (31 December 2020: K1,330m) included within 'due to customers' mature within one month since these are on demand and do not have any fixed or determinable maturity.

4. Capital adequacy

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

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

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

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

4. Capital adequacy (continued)

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

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

As at 31 December 2021, KSL's capital ratios were in compliance with the BPNG Minimum capital adequacy requirements as follows:

	2021	2020
	K '000	K '000
Risk weighted assets	**1,900,018**	1,670,142
Capital : tier 1	**340,265**	370,986
Capital : tier 2	**94,560**	58,344
Capital : tier 1 and tier 2	**434,825**	429,330
Capital adequacy ratios		
Tier 1 capital	**18.3%**	22.2%
Total capital ratio	**22.9%**	25.4%
Leverage capital ratio	**9.2%**	11.2%

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

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

5. Net interest income

	Consolidated		Parent	
	2021	2020	2021	2020
	K '000	K '000	K '000	K '000
Interest income				
Cash and short-term funds	**44,243**	44,937	**44,150**	17,259
Investment in government inscribed stocks	**13,013**	8,990	**13,013**	5,471
Loans and advances to customers	**149,679**	145,760	**149,679**	66,446
	206,935	199,687	**206,842**	89,176
Interest expense				
Banks and customers	**(29,623)**	(29,964)	**(29,533)**	(13,719)
	(29,623)	(29,964)	**(29,533)**	(13,719)
Net interest income	**177,312**	169,723	**177,309**	75,457

6. Net fee and commission income

	Consolidated		Parent	
	2021	2020	**2021**	2020
	K '000	K '000	**K '000**	K '000
Fees and commission income				
Investment and portfolio management	**9,628**	9,279	-	-
Fund administration	**21,161**	19,669	**-**	-
Shares brokerage	**1,667**	1,197	**1,199**	690
Loans fees and bank commissions	**21,950**	24,469	**21,950**	9,360
Digital banking fees	**23,550**	14,267	**23,550**	3,725
ATM and other transaction fees	**11,435**	7,471	**11,760**	7,185
	89,391	76,352	**58,459**	20,960
Fee and commission expenses	**(55)**	(134)	**(69)**	(122)
Net fee and commission income	**89,336**	76,218	**58,390**	20,838

7. Dividend income

	Consolidated		Parent	
	2021	2020	**2021**	2020
	K '000	K '000	**K '000**	K '000
Dividend income from investments				
Financial assets at fair value through profit or loss	**562**	**136**	**50**	**-**
	562	**136**	**50**	**-**

8. Other income

	Consolidated		Parent	
	2021	2020	**2021**	2020
	K '000	K '000	**K '000**	K '000
Profits from disposal of property and equipment	**105**	221	**105**	221
Realised gains/losses	**297**	4,004	**(70)**	952
Support fees from subsidiaries (note 29)	**-**	-	**1,890**	1,751
Office space recharge (note 29)	**-**	-	**1,529**	1,699
Management fees (note 29)	**-**	-	**378**	350
Gain on sale of Esiloan portfolio	**-**	3,025	**-**	3,025
Intercompany charges	**-**	-	**-**	16,536
Other	**301**	3,718	**285**	563
	703	10,968	**4,117**	25,097

9. Other operating expenses

	Consolidated		Parent	
	2021	2020	**2021**	2020
	K '000	K '000	**K '000**	K '000
Staff costs	**75,607**	75,186	**70,658**	35,067
Acquisition costs relating to business combination	**30**	-	**30**	-
Administrative expenses	**56,350**	48,900	**53,582**	19,006
Depreciation and amortization	**36,398**	35,065	**36,398**	18,653
Operating lease	**5,325**	3,353	**5,289**	511
Software maintenance and support charges	**4,910**	3,562	**4,831**	1,741
Auditor's remuneration (note 36)	**1,590**	1,248	**1,452**	1,144
Other	**13,918**	15,556	**13,885**	7,187
	194,127	182,870	**186,127**	83,309

Break-up of staff costs:

	Consolidated		Parent	
	2021	2020	**2021**	2020
	K '000	K '000	**K '000**	K '000
Salaries, wages and other benefits	**67,360**	68,233	**62,622**	29,990
Superannuation costs	**4,055**	3,944	**3,844**	1,879
Cost of employee share based incentive plan	**4,192**	3,009	**4,192**	3,198
Total staff costs	**75,607**	75,186	**70,658**	35,067

As at 31 December 2021, the Group had 685 (2020: 691) employees and 4 (2020: 2) consultants. The Parent had 633 (2020:626) employees and 4 (2020: 2) consultants.

10. Income taxes

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

	Consolidated		Parent	
	2021	2020	**2021**	2020
	K'000	K'000	**K'000**	K'000
Profit before tax	**106,016**	109,906	**86,157**	54,693
Prima facie tax at 30% (2020: 30%)	**31,805**	32,972	**25,847**	16,408
Tax effect of:				
Permanent differences	**5,569**	(2,834)	**5,935**	(1,929)
Prior year adjustment	**(2,168)**	3,794	**(2,148)**	2,747
Income tax expense	**35,206**	33,932	**29,634**	17,226
Represented by:				
Current tax	**35,712**	39,923	**30,153**	23,243
Deferred taxes	**(506)**	(5,991)	**(519)**	(6,017)
Income tax expense	**35,206**	33,932	**29,634**	17,226

11. Deferred taxes

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

	Consolidated		Parent	
	2021	2020	**2021**	2020
	K'000	K'000	**K'000**	K'000
Allowance for losses	**16,167**	16,158	**16,060**	15,978
Employee benefit provision	**3,272**	3,526	**2,941**	3,179
Lease liability	**14,655**	14,202	**14,655**	14,202
	34,094	33,886	**33,656**	33,359
Depreciation and amortisation	**(16,500)**	(17,388)	**(16,500)**	(17,388)
Others	**(606)**	(16)	**(682)**	(15)
	(17,106)	(17,404)	**(17,182)**	(17,403)
Net deferred tax asset	**16,988**	16,482	**16,474**	15,956

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

	Consolidated		Parent	
	2021	**2020**	**2021**	2020
	K'000	K'000	**K'000**	K'000
Balance at beginning of year	**16,482**	10,491	**15,956**	3,226
Statement of comprehensive income credit/(charge)	**506**	5,991	**518**	12,730
Balance at end of year	**16,988**	16,482	**16,474**	15,956
Represented by:				
Deferred tax assets (note 11(a))	**34,094**	33,886	**33,656**	33,359
Deferred tax liabilities (note 11(a))	**(17,106)**	(17,404)	**(17,182)**	(17,403)
	16,988	16,482	**16,474**	15,596

12. Cash and due from banks

	Consolidated		Parent	
	2021	2020	**2021**	2020
	K '000	K '000	**K '000**	K '000
Cash on hand	**115,451**	118,811	**115,451**	118,811
Exchange settlement accounts	**123,895**	112,024	**123,895**	112,024
Due from other banks	**168,988**	104,312	**126,956**	130,779
	408,334	335,147	**366,302**	361,614

13. Central bank bills

	Consolidated		Parent	
	2021	2020	**2021**	2020
	K '000	K '000	**K '000**	K '000
Central bank and treasury bills				
Less than 90 days	**160,000**	65,000	**160,000**	65,000
Over 90 days	**670,000**	610,000	**670,000**	610,000
Unearned discount	**(34,638)**	(27,126)	**(34,638)**	(27,126)
	795,362	647,874	**795,362**	647,874

Central bank bills are debt securities issued by the Bank of Papua New Guinea (BPNG). Central bank bills amounting to K160m (2020: K65m) with a maturity term of one to three months from the date of purchase are classified as cash and cash equivalents (note 28). Central bank bills are measured at amortized cost.

14. Regulatory deposits

Regulatory deposit of the Group as at 31 December 2021 amounted to K212,874,480 (2020: K185,711,050). This represents mandatory balance required to be maintained in a non-interest bearing account with the Central Bank - Bank of Papua New Guinea. Regulatory deposits are measured at amortized cost. Regulatory deposit of the parent as at 31 December 2021 amounted to K 212,874,480 (2020: K185,711,050).

15. Financial assets at fair value through profit or loss

	Consolidated		Parent	
	2021	2020	**2021**	2020
	K '000	K '000	**K '000**	K '000
Equity securities				
- Listed	**5,036**	4,680	**183**	177
- Unlisted	**6,616**	6,002	**6,588**	5,974
	11,652	10,682	**6,771**	6,151

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

	Consolidated		Parent	
	2021	2020	**2021**	2020
	K '000	K '000	**K '000**	K '000
Balance at beginning of year	**10,682**	7,635	**6,151**	339
Gains from changes in fair value	**817**	2,510	**467**	2,666
Additions	**153**	537	**153**	3,146
Balance at end of year	**11,652**	10,682	**6,771**	6,151

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

16. Loans and advances to customers

	Consolidated		Parent	
	2021	2020	**2021**	2020
	K '000	K '000	**K '000**	K '000
Loans to individuals	**577,417**	514,928	**577,417**	514,928
Loans to corporate entities	**1,411,130**	1,135,148	**1,404,602**	1,129,886
Gross loans and advances to customers	**1,988,547**	1,650,076	**1,982,019**	1,644,814
Expected credit losses	**(38,100)**	(35,345)	**(37,746)**	(34,845)
	1,950,447	1,614,731	**1,944,273**	1,609,969

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

	Consolidated		Parent	
	2021	2020	**2021**	2020
	K '000	K '000	**K '000**	K '000
Overdrafts	**78,489**	83,611	**78,489**	83,611
Property mortgage	**547,260**	481,424	**547,260**	481,424
Asset financing	**30,293**	17,653	**30,293**	17,653
Insurance premium funding	**-**	1,949	**-**	1,949
Business and other loans	**1,332,503**	1,065,439	**1,325,977**	1,060,177
	1,988,547	1,650,076	**1,982,019**	1,644,814

16. Loans and advances to customers (continued)

Movements in expected credit losses are as follows:

	Consolidated		Parent	
	2021	2020	**2021**	2020
	K '000	K '000	**K '000**	K '000
Balance at beginning of year	**35,345**	20,525	**34,845**	-
Provision derecognised in respect of sales of loan book*	**-**	(859)	**-**	(859)
Impairment losses during the year	**6,555**	20,833	**6,701**	11,828
Loans written off	**(5,550)**	(7,096)	**(5,550)**	(7,096)
Bad debt recoveries	**1,750**	1,943	**1,750**	1,943
Amalgamation adjustment	**-**	-	**-**	29,029
Balance at end of year	**38,100**	35,345	**37,746**	34,845

In prior year, the Group divested Esiloan portfolio to Nationwide Microbank Limited (MiBank) for an amount of K34.2m. The transaction was in line with the strategic partnership announced between Kina and Mibank in August 2019 to provide greater financial inclusion and provision of micro-finance to customers. The gain on sale of Esiloan portfolio amounted to K3.0m recognised under other income.

17. Investments in government inscribed stocks

	Consolidated		Parent	
	2021	2020	**2021**	2020
	K '000	K '000	**K '000**	K '000
Government inscribed stocks principal balance	**115,000**	118,000	**115,000**	118,000
Unamortised premium	**170**	301	**170**	301
Unamortised discount	**(4,048)**	(4,777)	**(4,048)**	(4,777)
Accrued interest	**2,624**	2,669	**2,624**	2,669
Gross investments in government inscribed stocks	**113,746**	116,193	**113,746**	116,193
Expected credit losses	**(1,639)**	(1,674)	**(1,639)**	(1,674)
	112,107	114,519	**112,107**	114,519

The movement in investments in government inscribed stocks is as follows:

	Consolidated		Parent	
	2021	2020	**2021**	2020
	K '000	K '000	**K '000**	K '000
Balance at beginning of year	**114,519**	34,003	**114,519**	-
Additions / (maturities)	**(3,000)**	85,000	**(3,000)**	85,000
Amortized discount/(premium)	**598**	(4,906)	**598**	(4,906)
Accrued interest	**(45)**	1,607	**(45)**	1,607
Write back / (addition) of expected credit losses	**35**	(1,185)	**35**	(1,185)
Amalgamation adjustment	**-**	-	**-**	34,003
	112,107	114,519	**112,107**	114,519

Investments in government inscribed stocks are measured at amortized cost. Included within the balance is an amount of K nil (31 December 2020: K nil) which has been pledged with a third party against repurchase agreement transaction.

18. Investments in subsidiaries

	Shareholdings*			
	2021	2020	**2021**	2020
	%	%	**Amount (K)**	**Amount (K)**
Kina Funds Management Limited (KFM)	**100**	100	**2**	2
Kina Investment and Superannuation Services Limited (KISS)	**100**	100	**2**	2
Kina Wealth Management Limited (KWML)	**100**	100	**2**	2
Kina Nominees Limited (KNL)**	**100**	100	**500,002**	500,002
Kina Securities (Fiji) PTE Limited	**100**	-	**197**	-
Total Investment at cost			**500,205**	500,008
Provision for impairment			**(251,677)**	(251,677)
Balance as at 31 December			**248,528**	248,331

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

** Impairment loss on investment in subsidiary amounted to nil for the year ended 31 December 2021 (2020: nil).

19. Property, plant and equipment

Consolidated	Furniture & Fittings	Building improvements	Motor Vehicles	Office Equipment	Land & Building	Work in Progress	Right-of-use assets	Total
	K'000	K'000	K'000	K'000	K'000	K'000	K'000	K'000
Cost								
Balance 31 December 2019	**4,810**	**17,685**	**5,785**	**37,979**	**2,129**	**-**	**62,799**	**131,187**
Additions	-	893	1,168	5,055	-	1,074	1,976	10,166
Disposals	-	-	(1,326)	-	-	-	(1,272)	(2,598)
Balance 31 December 2020	**4,810**	**18,578**	**5,627**	**43,034**	**2,129**	**1,074**	**63,503**	**138,755**
Additions	-	4,214	164	8,158	-	1,229	12,060	25,825
Transfer in (out)	-	-	-	72	-	(72)	-	-
Disposals	-	-	(951)	-	-	-	(4,056)	(5,007)
Balance 31 December 2021	**4,810**	**22,792**	**4,840**	**51,264**	**2,129**	**2,231**	**71,507**	**159,573**
Accumulated depreciation								
Balance 31 December 2019	**(1,402)**	**(3,398)**	**(3,714)**	**(15,897)**	**-**	**-**	**(9,854)**	**(34,265)**
Charge during the year	(1,087)	(2,314)	(1,083)	(4,821)	-	-	(11,228)	(20,533)
Disposals	-	-	1,283	-	-	-	1,034	2,317
Balance 31 December 2020	**(2,489)**	**(5,712)**	**(3,514)**	**(20,718)**	**-**	**-**	**(20,048)**	**(52,481)**
Charge during the year	(667)	(2,300)	(1,159)	(5,262)	-	-	(11,187)	(20,575)
Disposals	-	-	908	-	-	-	3,042	3,950
Balance 31 December 2021	**(3,156)**	**(8,012)**	**(3,765)**	**(25,980)**	**-**	**-**	**(28,193)**	**(69,106)**
Book value								
Balance 31 December 2021	**1,654**	**14,780**	**1,075**	**25,284**	**2,129**	**2,231**	**43,314**	**90,467**
Balance 31 December 2020	2,321	12,866	2,114	22,316	2,129	1,074	44,454	86,274

19. Property, plant and equipment (continued)

Parent	Furniture & Fittings	Building improvements	Motor Vehicles	Office Equipment	Land & Building	Work in Progress	Right-of-use assets	Total
	K'000	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**
Cost								
Balance 31 December 2019	**688**	**3,671**	**3,654**	**11,909**	**2,129**	**-**	**14,108**	**36,159**
Amalgamation adjustment	4,122	14,014	2,131	26,070	-	-	48,691	95,028
Additions	-	893	1,168	5,055	-	1,074	1,976	10,166
Disposals	-	-	(1,326)	-	-	-	(1,272)	(2,598)
Balance 31 December 2020	**4,810**	**18,578**	**5,627**	**43,034**	**2,129**	**1,074**	**63,503**	**138,755**
Additions	-	4,214	164	8,158	-	1,229	12,060	25,825
Transfer in (out)	-	-	-	72	-	(72)	-	-
Disposals	-	-	(951)	-	-	-	(4,056)	(5,007)
Balance 31 December 2021	**4,810**	**22,792**	**4,840**	**51,264**	**2,129**	**2,231**	**71,507**	**159,573**
Balance 31 December 2019	**(566)**	**(753)**	**(2,310)**	**(10,490)**	**-**	**-**	**(5,396)**	**(19,515)**
Amalgamation adjustment	(1,480)	(3,815)	(1,642)	(7,914)	-	-	(9,240)	(24,091)
Charge during the year	(443)	(1,144)	(844)	(2,314)	-	-	(6,447)	(11,192)
Disposals	-	-	1,283	-	-	-	1,034	2,317
Balance 31 December 2020	**(2,489)**	**(5,712)**	**(3,513)**	**(20,718)**	**-**	**-**	**(20,049)**	**(52,481)**
Charge during the year	(667)	(2,300)	(1,159)	(5,262)	-	-	(11,559)	(20,947)
Disposals	-	-	908	-	-	-	3,414	4,322
Balance 31 December 2021	**(3,156)**	**(8,012)**	**(3,765)**	**(25,980)**	**-**	**-**	**(28,194)**	**(69,106)**
Book value								
Balance 31 December 2021	**1,654**	**14,780**	**1,076**	**25,284**	**2,129**	**2,231**	**43,313**	**90,467**
Balance 31 December 2020	2,321	12,866	2,114	22,316	2,129	1,074	43,454	86,274

20. Intangible assets

Consolidated	Software	Customer deposit relationship / intangible	Work in Progress	Total
Cost	K'000	K'000	K'000	K'000
Balance 31 December 2019	**37,521**	**22,468**	**1,502**	**61,491**
Additions	5,058	-	9,676	14,734
Transfer in (out)	206	-	(206)	-
Balance 31 December 2020	**42,785**	**22,468**	**10,972**	**76,225**
Additions	1,154	-	13,512	14,666
Transfer in (out)	15,136	-	(15,136)	-
Balance 31 December 2021	**59,075**	**22,468**	**9,348**	**90,891**
Accumulated depreciation				
Balance 31 December 2019	**(7,360)**	**(4,884)**	-	**(12,244)**
Charge during the year	(7,711)	(6,821)	-	(14,532)
Balance 31 December 2020	**(15,071)**	**(11,705)**	-	**(26,776)**
Charge during the year	(9,223)	(6,229)	-	(15,452)
Balance 31 December 2021	**(24,294)**	**(17,934)**	-	**(42,228)**
Book value				
Balance 31 December 2021	**34,781**	**4,534**	**9,348**	**48,663**
Balance 31 December 2020	27,714	10,763	10,972	49,449

Parent	Software	Customer deposit relationship	Work in Progress	Total
Cost				
Balance 31 December 2019	**8,353**	**-**	**1,056**	**9,409**
Amalgamation adjustment	29,168	22,468	446	52,082
Additions	5,058	-	9,377	14,435
Transfer in (out)	206	-	(206)	-
Balance 31 December 2020	**42,785**	**22,468**	**10,673**	**75,926**
Additions	1,154	-	13,512	14,666
Transfer in (out)	15,136	-	(15,136)	-
Balance 31 December 2021	**59,075**	22,468	**9,049**	**90,592**
Accumulated depreciation				
Balance 31 December 2019	**(2,877)**	**-**	-	**(2,877)**
Amalgamation adjustment	(7,959)	(8,479)	-	(16,438)
Charge during the year	(4,235)	(3,226)	-	(7,461)
Disposals	-	-	-	-
Balance 31 December 2020	**(15,071)**	**(11,705)**	-	**(26,776)**
Charge during the year	**(9,223)**	**(6,229)**	-	**(15,452)**
Disposals	-	-	-	-
Balance 31 December 2021	**(24,294)**	**(17,934)**	**-**	**(42,228)**
Book value				
Balance 31 December 2021	**34,781**	**4,534**	**9,049**	**48,364**
Balance 31 December 2020	27,714	10,763	10,673	49,150

20. Intangible assets (continued)

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

The intangible assets were estimated to have a useful life of five years and three years respectively based on the license term of software and expected length of customer deposit relationship and core deposit intangible. Customer deposit relationship and core deposit intangible has a remaining useful life of one year respectively.

21. Other assets

	Consolidated		**Parent**	
	2021	2020	**2021**	2020
	K '000	K '000	**K '000**	K '000
Prepayments	**5,684**	1,550	**5,673**	1,512
Security deposits and bonds	**5,545**	5,435	**5,497**	5,387
Other debtors	**38,708**	142,866	**35,213**	142,343
	49,937	149,851	**46,383**	149,242
Less: Expected credit losses	**(3,990)**	(4,038)	**(3,990)**	(4,038)
	45,947	145,813	**42,393**	145,204

Movement of expected credit loss on other assets is as follows:				
Balances at beginning of year	**4,038**	4,038	**4,038**	**101**
Amalgamation adjustment	**-**	-	**-**	3,937
Write-off	**(48)**	-	**(48)**	-
Balance at end of year	**(3,990)**	4,038	**(3,990)**	4,038

22. Due to customers

	Consolidated		**Parent**	
	2021	2020	**2021**	2020
	K '000	K '000	**K '000**	K '000
Corporate customers	**2,356,300**	1,925,006	**2,398,833**	1,963,765
Retail customers	**680,621**	635,709	**680,621**	635,709
	3,036,921	2,560,715	**3,079,454**	2,599,474

23. Current income tax (assets) liabilities

	Consolidated		**Parent**	
	2021	2020	**2021**	2020
	K '000	K '000	**K '000**	K '000
Balance at beginning of year	**4,883**	3,696	**3,761**	(317)
Paid during the year	**(28,918)**	(36,195)	**(22,419)**	(32,394)
Current provision	**37,862**	39,923	**32,300**	23,243
Amalgamation adjustment	**-**	-	**-**	13,448
Prior year under provision	**(2,160)**	(2,541)	**(2,148)**	(219)
Balance at end of year	**11,666**	4,883	**11,494**	3,761

Net current income tax (assets) liabilities is represented by:				
Current income tax asset	**(31)**	(83)	**-**	**-**
Current income tax liability	**11,697**	4,966	**11,494**	3,761
	11,666	4,883	**11,494**	3,761

24. Employee provisions

Consolidated	2021			
	Opening balance K'000	**Additions K'000**	**Payments K'000**	**Closing balance K'000**
Provision for Annual Leave	4,698	2,351	(2,743)	4,306
Provision for Long Service Leave	2,093	511	(353)	2,251
Provision for Salaries	37	48,539	(48,576)	-
Provision for Bonus	4,709	7,110	(7,470)	4,349
Total	**11,538**	**58,511**	**(59,142)**	**10,906**

Parent	2021			
	Opening balance K'000	**Additions K'000**	**Payments K'000**	**Closing balance K'000**
Provision for Annual Leave	4,366	2,165	(2,587)	3,944
Provision for Long Service Leave	1,719	533	(350)	1,902
Provision for Salaries	37	44,807	(44,844)	-
Provision for Bonus	4,470	6,644	(7,158)	3,956
Total	**10,593**	**54,149**	**(54,940)**	**9,802**

2021

Represented by:	**Consolidated**	**Parent**
Short term provisions	8,655	7,900
Long term provisions	2,251	1,902
Total employee provision	**10,906**	**9,802**

Consolidated	2020			
	Opening balance K'000	**Additions** K'000	**Payments** K'000	**Closing balance** K'000
Provision for Annual Leave	3,156	3,706	(2,164)	4,698
Provision for Long Service Leave	2,065	619	(590)	2,094
Provision for Salaries	67	49,508	(49,537)	38
Provision for Bonus	3,780	5,116	(4,188)	4,708
Total	9,068	58,949	(56,479)	11,538

Parent	2020			
	Opening balance K'000	**Additions** K'000	**Payments** K'000	**Closing balance** K'000
Provision for Annual Leave	1,607	3,387	(628)	4,366
Provision for Long Service Leave	635	503	580	1,718
Provision for Salaries	71	45,599	(45,633)	37
Provision for Bonus	2,107	4,955	(2,590)	4,472
Total	4,420	54,444	(48,271)	10,593

2020

Represented by:	**Consolidated**	**Parent**
Short term provisions	9,445	3,785
Long term provisions	2,093	6,808
Total employee provision	11,538	10,593

25. Lease Liabilities

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

Consolidated	**31 December 2021 K'000**	31 December 2020 K'000
Maturity analysis – contractual undiscounted cash flows		
Less than one year	**14,365**	11,724
One to five years	**34,327**	31,434
More than five years	**10,430**	16,161
Total undiscounted lease liabilities at 31 December	**59,122**	59,319
Lease liabilities included in statement of financial position at 31 December		
Current	**14,408**	11,834
Non-current	**34,442**	35,508
	48,851	47,342
Amounts recognised in statement of comprehensive income		
Interest on lease liabilities	**3,752**	3,841
Expense relating to short-term leases	**7,061**	6,552
	10,813	10,393
Amounts recognised in statement of cash flows		
Total cash outflow for leases	**20,130**	19,986

Total cashflows for leases is recorded under Cash payments to employees and suppliers in the statement of cash flows

Parent	**31 December 2021 K'000**	31 December 2020 K'000
Maturity analysis – contractual undiscounted cash flows		
Less than one year	**14,365**	11,724
One to five years	**34,327**	31,434
More than five years	**10,430**	16,161
Total undiscounted lease liabilities at 31 December	**59,122**	59,319
Lease liabilities included in statement of financial position at 31 December		
Current	**14,408**	11,834
Non-current	**34,442**	35,508
	48,851	47,342
Amounts recognised in statement of comprehensive income		
Interest on lease liabilities	**3,752**	3,841
Expense relating to short-term leases	**7,061**	6,552
	10,813	10,393
Amounts recognised in statement of cash flows		
Total cash outflow for leases	**20,130**	19,986

Total cashflows for leases is recorded under Cash payments to employees and suppliers in the statement of cash flows

26. Other liabilities

	Consolidated		Parent	
	2021	2020	**2021**	2020
	K'000	K'000	**K'000**	K'000
Accruals	**13,971**	14,497	**13,877**	13,894
Unclaimed money and stale cheques	**13,380**	9,028	**13,380**	9,028
Bank cheques	**7,943**	20,044	**7,943**	20,044
Accounts payable	**2,324**	6,271	**2,267**	6,223
Unearned commission income	**1,309**	1,676	**1,309**	1,676
Lease incentive payable	**4,083**	4,783	**4,083**	4,783
Advance payments	**31,528**	22,902	**31,528**	22,902
Other liabilities	**21,421**	13,370	**20,530**	12,943
Balance at end of year	**95,959**	92,571	**94,917**	91,493

27. Issued and paid ordinary shares

a. Movement

The Company does not have authorized capital and ordinary shares have no par value. The table below provides movement in share capital.

	Number of shares	Share capital
	K'000	**K'000**
Balance as at 31 December 2019	**174,745**	**176,970**
Share issued during the year	112,191	217,723
Balance as at 31 December 2020	**286,936**	**394,693**
Share issued during the year	-	-
Balance as at 31 December 2021	**286,936**	**394,693**

In September 2020, the group conducted a Non-Renounceable Rights Issue (ANREO) to further strengthen the capital base and regulatory ratios. Based on this, a total of 112,190,731 additional shares were issued resulting in an increase in share capital of PGK217.7m.

b. Earnings per share

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

	Consolidated	
	2021	2020
Net profit attributable to shareholders – K'000	**70,813**	75,974
Weighted average number of ordinary shares basic earnings	**286,936**	203,941
Weighted average number of ordinary shares diluted earnings	**290,339**	205,024
Basic earnings per share (in toea)	**24.68**	37.25
Diluted earnings per share (in toea)	**24.39**	37.06

c. Share-based payment reserve

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

27. Issued and paid ordinary shares (continued)

Short term incentive plan (STI Plan)

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

The following STI plan arrangements were in place during the year ended 31 December 2021

Date of grant	1 April 2021	1 April 2020
Number of share rights granted	871,109	403,180
Market value at grant date	AUD 717,185	AUD 576,547
Vesting date	1 April 2023	1 April 2022
Vesting conditions	Continued service	Continued service

Long term incentive plan (LTI plan)

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

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

The following LTI plan arrangements were in place during the year ended 31 December 2021'

Date of grant	1 April 2021	1 April 2020	1 April 2019
Number of share rights granted	1,399,664	617,987	1,069,800
Market value at grant date	AUD 1,152,341	AUD 883,722	AUD 970,523
Fair value at grant date	AUD 811,805	AUD 349,163	AUD 543,493
Vesting date	1 April 2024	1 April 2023	1 April 2022
Vesting conditions	Continued service 50% target TSR 50% target EPS growth	Continued service 50% target TSR 50% target EPS growth	Continued service 50% target TSR 50% target EPS growth

The estimated fair value of share rights issued on 1 April 2021 under the LTI plan was AUD 0.58, compared to the grant date market value per share of AUD 0.8233. Fair value is generally estimated using a Monte Carlo simulation model taking into account the share price at grant date, the vesting period, share price volatility, risk-free interest rate and market performance conditions.

Retention incentive

The retention plan is a once off award of performance rights to assist in the retention of key eligible participants. No retention rights were granted during the year.

Movement in outstanding share rights

	Consolidated	
	2021	2020
	Number	Number
Outstanding rights at beginning of year	**3,661,485**	3,586,169
New rights granted	**2,270,773**	1,021,167
Rights vested and shares issued/purchased	**(1,767,278)**	(945,851)
Rights forfeited or lapsed	**-**	-
Outstanding rights at end of year	**4,164,980**	3,661,485

27. Issued and paid ordinary shares (continued)

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

	Consolidated	
	2021	2020
	K'000	K'000
Brought forward from previous year	**2,774**	2,063
Expense arising from share incentive plans	**4,192**	3,008
Rights vested	**(3,379)**	(2,297)
Rights forfeited or lapsed	**-**	-
Total	**3,587**	2,774

28. Statements of cash flows

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

	Consolidated		Parent	
	2021	2020	**2021**	2020
	K'000	K'000	**K'000**	K'000
Cash and due from banks (note 12)	**408,334**	335,147	**366,302**	361,614
Central bank bills (note 13)	**160,000**	65,000	**160,000**	65,000
	568,334	400,147	**526,302**	426,614

b) Movement in investment securities is as follows:

	Consolidated		
	2021	2020	**Movement**
	K'000	K'000	**K'000**
Central bank bills (note 13)	**635,362**	582,874	**52,488**
Central bank bills & other eligible bills (less than 3 months)	**160,000**	65,000	**95,000**
Government inscribed stocks (note 17)	**112,107**	114,519	**(2,412)**
Financial assets at FVTPL	**11,652**	10,682	**970**
	919,121	773,075	**146,046**

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

	Consolidated		Parent	
	2021	2020	**2021**	2020
	K'000	K'000	**K'000**	K'000
Net profit after tax	**70,810**	75,974	**56,523**	37,467
Profit from disposal of property and equipment	**(105)**	(221)	**(105)**	(221)
Depreciation and amortization (note 19 and 20)	**36,398**	35,065	**36,398**	18,653
(Premium)/discount amortization (note 17)	**598**	(4,906)	**598**	(4,906)
Share-based payment expense	**813**	711	**813**	711
Net (losses)/gains from changes in fair values of financial assets (note 15)	**(817)**	2,510	**(467)**	2,666
Increase in income tax payable	**6,783**	1,186	**7,733**	4,077
Decrease in deferred income tax (note 11b)	**(506)**	(5,991)	**(519)**	(12,730)
Other one-off expenses (note 31)	**8,407**	-	**8,407**	-
Foreign translation loss/(gain) on Nostro bank account	**4,184**	-	**98**	-
Changes in net assets and liabilities:				
Increase in assets:	**(347,913)**	(226,709)	**(407,413)**	(233,347)
Increase in liabilities:	**468,370**	49,509	**472,021**	73,070
Net cash inflow/(outflow) from operating activities	**247,022**	(72,872)	**174,087**	(114,560)

29. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. The Group is controlled by Kina Securities Limited ("KSL") incorporated in Papua New Guinea, which owns 100% of the ordinary shares of its subsidiaries, unless otherwise stated.

A number of banking transactions are entered into with related parties in the normal course of business. These include loans, deposits and foreign currency transactions. These transactions were carried out on normal commercial terms and at normal market rates. The volumes of related party transactions, outstanding balances at 31 December 2021, and related expenses and income for the year ended are as follows:

a) Directors and management transactions

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

A listing of the members of the Board of Directors is shown in the Annual Report. In 2021, the total remuneration of the Directors was K3,965,065 (2020: K3,219,047).

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

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

	No of KMP	Salary	Bonus	Super	Equity Options	Other benefits	Total
2021	11*	8,305	3,707	-	813	2,083	14,908
2020	10	7,650	2,093	-	711	2,084	12,538

** 2 resigned as of 12 November 2021, 1 position replaced as of 22 November 2021*

b) Subsidiary transactions and balances

The Company maintains an intercompany account with subsidiary undertakings, which are interest bearing at the rate of KSL cost of funds plus 12.50 (2020: 12.50) basis points, unsecured and with no fixed term of repayment. Details as follows:

	Transactions				**Balance outstanding**			
					Due from		**Due to**	
	Income 2021	**Expenses 2021**	Income 2020	Expenses 2020	**2021**	2020	**2021**	2020
	K '000	**K '000**	K '000	K '000	**K '000**	K '000	**K '000**	K '000
KFM	**784**	**-**	860	-	**62,349**	1,323	**-**	-
KISS	**3,254**	**150**	2,869	170	**-**	-	**(9,612)**	(8,880)
KWM	**-**	**-**	-	-	**224**	-	**-**	(108)
KNL	**-**	**-**	-	-	**64**	64	**-**	-
KSL Fiji	**-**	**-**	-	-	**-**	-	**-**	-
	4,038	**150**	3,729	170	**62,637**	1,387	**(9,612)**	(8,988)

30. Investments under trust

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

	Consolidated		**Parent**	
	2021	2020	**2021**	2020
	K'000	K'000	**K'000**	K'000
Clients funds held for shares trading	**4,200**	2,202	**4,200**	2,138
	4,200	2,202	**4,200**	2,138

31. Other one-off expenses

In September 2021, the PNG Independent Consumer and Competition Commission (ICCC) did not approve the acquisition of the Pacific business from Westpac. In accordance with the requirements of IFRS, the Group has expensed relevant associated costs to the Statement of Comprehensive Income. A total of PGK 27.7m, comprising costs incurred directly by Kina (PGK 8.4m) and the costs incurred by Westpac (PGK 19.3m), has been charged to the Statement of Comprehensive Income.

32. Refund of deposit from Westpac

As part of the supposed purchase price, the Group made an advance payment of PGK 111m (AUD 42m) to Westpac in 2020 and it refunded PGK 84.6m (AUD 32m) to Kina and retained PGK 26.4m (AUD 10m) as a cost reimbursement.

33. Segment reporting

The segment information provided to the Chief Executive Officer for the reportable segments for the year ended 31 December 2021 is as follows:

	Banking & Finance	Wealth Management	Total
	PGK'000	**PGK'000**	**PGK'000**
Interest income	206,932	3	206,935
Interest expense	(29,623)	-	(29,623)
Foreign exchange income	66,316	(683)	65,633
Fee and commission income	58,389	30,946	89,335
Other revenue	837	1,246	2,083
Total external income	**302,851**	**31,512**	**334,363**
Other operating expenses	(177,428)	(8,002)	(185,430)
Provision for impairment	(6,665)	146	(6,519)
Depreciation and amortisation	(36,398)	-	(36,398)
Total external expenses	**(220,491)**	**(7,856)**	**(228,347)**
Profit before inter-segment revenue and expenses	**82,360**	**23,656**	**106,016**
Inter-segment income	3,797	-	3,797
Inter-segment expense	-	(3,797)	(3,797)
Profit before tax	**86,157**	**19,859**	**106,016**
Income tax expense	(29,634)	(5,572)	(35,206)
Profit after tax	**56,523**	**14,287**	**70,810**
Total assets	**3,706,504**	**79,154**	**3,785,658**
Total assets include:			
Additions to non-current assets	**(28,431)**	**-**	**(28,431)**
Total liabilities	**(3,206,686)**	**(2,349)**	**(3,209,035)**

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

33. Segment reporting (continued)

The segment information provided to the Chief Executive Officer for the reportable segments for the year ended 31 December 2020 is as follows:

	Banking & Finance	Wealth Management	Total
	PGK'000	**PGK'000**	**PGK'000**
Interest income	199,581	106	199,687
Interest expense	(29,964)	-	(29,964)
Foreign exchange income	55,196	43	55,239
Fee and commission income	46,489	29,729	76,218
Other revenue	10,566	3,048	13,614
Total external income	**281,868**	**32,926**	**314,794**
Other operating expenses	(138,450)	(9,355)	(147,805)
Provision for impairment	(21,811)	(207)	(22,018)
Depreciation and amortisation	(35,065)	-	(35,065)
Total external expenses	**(195,326)**	**(9,562)**	**(204,888)**
Profit before inter-segment revenue and expenses	**86,542**	**23,364**	**109,906**
Inter-segment income	15,392	-	15,392
Inter-segment expenses	(11,800)	(3,592)	(15,392)
Profit before tax	**90,134**	**19,772**	**109,906**
Income tax expense	(28,807)	(5,125)	(33,932)
Profit after tax	**61,327**	**14,647**	**75,974**
Total assets	**3,285,349**	**14,202**	**3,299,551**
Total assets include:			
Additions to non-current assets	**(22,924)**	**-**	**(22,924)**
Total liabilities	**(2,719,289)**	**(3,228)**	**(2,722,517)**

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

34. Contingent liabilities

Litigations and claims
Contingent liabilities exist in respect of actual and potential claims and proceedings that have not been determined. An assessment of the Group's likely loss has been made on a case by case basis for the purposes of the financial statements and specific provisions are made where appropriate. As at 31 December 2021, the Group is a party to some litigation before the courts, however, management does not believe these will result in any material loss to the Group. There was no litigation matter of a material nature that is not already provided for in the financial statements.

Other contingent liabilities
The Bank guarantees the performance of customers by issuing bank guarantees to third parties. The risk involved is essentially the same as the credit risk involved in extending loan facilities to customers, therefore these transactions are subject to the same credit origination, portfolio maintenance and collateral requirements applied to customers applying for loans. As the facilities may expire without being drawn upon, the notional amount does not necessarily reflect future cash requirements. The credit risk of these facilities may be less than the notional amount but as it cannot be accurately determined, the credit risk has been taken as the contract notional amount.

34. Contingent liabilities (continued)

Consolidated	2021	2020
	K'000	K'000
Bank guarantee	**46,829**	88,704
	46,829	88,704

35. Commitments

Capital commitments
There was a total of K3,822,580 relating to commitments under contracts for capital expenditure at balance sheet date (31 December 2020: K4,927,290).

Loan commitments
There was a total of K168,623k relating loan commitment at balance sheet date (31 December 2020: K204,924k).

36. Fair value of financial assets and liabilities

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

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

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

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

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

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

Financial instruments measured at fair value
The following tables present the Group's and the parent's assets and liabilities that are measured at fair value at 31 December 2021.

	Consolidated			
	Level 1	**Level 2**	**Level 3**	**Total**
	K'000	K'000	K'000	K'000
Investment securities measured at FVTPL				
- Investment in shares – Listed	5,036	-	-	5,036
- Investment in shares – Unlisted	-	-	6,616	6,616
Total assets	**5,036**	**-**	**6,616**	**11,652**

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

	Parent			
	Level 1 K'000	**Level 2** K'000	**Level 3** K'000	**Total** K'000
Investment securities measured at FVTPL				
- Investment in shares – Listed	183	-	-	183
- Investment in shares – Unlisted	-	-	6,588	6,588
Total assets	**183**	**-**	**6,588**	**6,771**

The following tables present the Group's and the parent's assets and liabilities that are measured at fair value at 31 December 2020.

	Consolidated			
Assets	**Level 1** K'000	**Level 2** K'000	**Level 3** K'000	**Total** K'000
Investment securities measured at FVTPL				
- Investment in shares – Listed	4,680	-	-	4,680
- Investment in shares – Unlisted	-	-	6,002	6,002
Total assets	4,680	-	6,002	10,682

	Parent			
Assets	**Level 1** K'000	**Level 2** K'000	**Level 3** K'000	**Total** K'000
Investment securities measured at FVTPL				
- Investment in shares – Listed	177	-	-	177
- Investment in shares – Unlisted	-	-	5,974	5,974
Total assets	177	-	5,974	6,151

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

The group holds investment in unlisted securities amounting to K6,616,782 (31 December 2020: K6,002,718) in level 3 category for which carrying amount is considered as reasonable approximation of fair value. As such no reconciliation of level 3 financial instruments has been presented in these financial statements.

The parent holds investment in unlisted securities amounting to K6,588,495 (31 December 2020: 5,974,431) in level 3 category for which carrying amount is considered as reasonable approximation of fair value. As such no reconciliation of level 3 financial instruments has been presented in these financial statements.

Financial instruments not measured at fair value

For the financial instruments not measured at fair value as at 31 December 2021 and 2020, there is no material difference between the fair value and carrying value of the Group's and the Parent's financial assets and liabilities.

37. Auditors' remuneration

Consolidated entity	**2021** **K'000**	2020 K'000
Audit and audit related	**1,590**	909
Other services	**-**	339
	1,590	1,248

37. Auditors' remuneration (continued)

Parent	**2021 K'000**	2020 K'000
Audit and audit related	**1,452**	819
Other services	**-**	325
	1,452	1,144

38. Goodwill

On September 2015, the Group, through Kina Ventures Limited, a 100% owned subsidiary of Kina Securities Limited, acquired all of the shares in Maybank (PNG) Limited and Maybank Property (PNG). Maybank (PNG) and Maybank Property (PNG) are the PNG subsidiaries of Malaysia's largest bank. The acquisition strengthened Kina Bank's investment in PNG as it is an excellent fit for its expansion program.

The goodwill arising on this acquisition was recorded at K92,786,000. The goodwill was attributable to Maybank (PNG) Limited's strong position and synergies expected to arise after the Group's acquisition of the new subsidiary. None of the goodwill is expected to be deductible for tax purposes.

Goodwill was tested for impairment as at 31 December 2021 and no impairment loss arose on this assessment. The goodwill is allocated and tested at the KSL level. The recoverable amount has been determined using both the fair value and value in use at each reporting date. Value in use refers to expected future cash flows over the next five years on a discounted cash flow basis. The fair value is determined based on the multiples of future maintainable earnings.

The calculations of value in use includes cash flow projections covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rate of 3.0% (31 December 2020: 3.0%). The estimated cash flows are discounted using a discount rate of 4.4% (31 December 2020: 4.7%). The fair value calculation includes future maintainable earnings of K116.6m (31 December 2020: K128.5m) and earnings multiple of 8 times. There is no reasonably possible change in these key assumptions on which the CGU's recoverable amount is based would cause its carrying amount to exceed its recoverable amount.

39. Group reorganisation

During the prior year, the Group reorganised its legal structure so that the subsidiaries Kina Bank Limited, Kina Ventures Limited and Kina Properties Limited (amalgamating subsidiaries) were amalgamated into Kina Securities Limited (KSL). The amalgamation was affected at the carrying amount of net assets of the amalgamating subsidiaries immediately before the effective date of amalgamation. The difference between the pre-amalgamation carrying amount of the net assets and the investment in the amalgamating subsidiaries was recognised as 'capital reserves' in separate financial statements of KSL. Further, the separate financial statement of KSL includes results of the amalgamating subsidiaries from the effective date of amalgamation. The amalgamation does not have any impact on the consolidated financial statements.

40. Events after the statements of financial reporting date

Declaration of dividend
Subsequent to the financial reporting date, the directors declared a final dividend of PGK 18.5 toea (AUD 7.0 cents) per share (K53.1m).

Impact of coronavirus (COVID-19)
The spread of Novel Coronavirus (COVID-19) continues to impact businesses globally given the duration of the pandemic, severity of the economic downturn and the speed of economic recovery. In accordance with IAS 10 'Events after the Reporting Period'. the Group considered whether events after the reporting period confirmed conditions existing before the reporting date. Consideration was given to the macro-economic impact of lockdowns, closure of international borders and the government support measures. The Group did not identify any subsequent events arising from the COVID-19 related developments, which would require adjustment to the amounts or disclosures in the financial statements. Further, no other material non-adjusting subsequent events relating to COVID-19 were identified requiring disclosure in the financial statements. Given the evolving nature of the current

40. Events after the statements of financial reporting date (continued)

situation, the Group will continue to regularly review the forward-looking assumptions and forecast economic scenarios.

There has been no other transactions or events of a material and unusual nature between the end of the reporting period and the date of the report likely, in the opinion of the Directors of the Group, to affect significantly the operations of the Group, the results of those operations, or state of affairs of the Group in future years.