

ASX/PNGX announcement



25 February 2021

Kina Securities Limited delivers planned acquisition gains and maintains growth

The Board of Kina Securities Limited (**ASX:KSL | PNGX:KSL**) (**KSL, Kina, Kina Group, the Bank, the Business or the Company**) is pleased to report continued strong growth for the 12 months to 31 December 2020.

Financial Highlights

- Statutory Net Profit After Tax (**NPAT**) of PGK 76.0m up 25% on pcg
- Foreign Exchange (**FX**) income up 32% to PGK 55.2m
- Net interest income up 48% to PGK 169.7m
- Non-interest income up by 59% to PGK 145.1m
- Revenue up 53% to PGK 314.8m
- Full year dividend AUD 10.0 cents per share or PGK 26.9 toea per share
- Capital adequacy up 18% to 23.8%

Kina achieved an unaudited statutory Net Profit After Tax of PGK 76.0m for the full year ended 31 December 2020. This represents an uplift of 25% compared to the prior corresponding period.

Directors declared an unfranked final dividend for the second half of FY2020 of AUD 6.0 cents per share / PGK 16.9 toea per share. This takes the full year FY2020 unfranked dividend per share to AUD 10.0 cents / PGK 26.9 toea compared to an unfranked dividend per share of AUD 10.4 cents / PGK 25.5 toea for the prior corresponding full year.

Kina delivered planned business growth across all of its existing businesses, particularly achieving the integration benefits critical to the ANZ PNG Acquisition. The strong financial results were driven by a full year of operations of the ANZ PNG business; solid growth in the organic business across loans; significant growth in digital channels revenue; and gains from a series of strategic initiatives delivered throughout the year. In addition, the acquisition of low-cost deposits has seen interest expense lower than the prior year, with excess funds prudentially invested in high yielding government securities.

Key features of FY20 result include:

- Increase in NPAT by 25% to PGK 76.0m against corresponding prior period.
- Net Interest Income increased by 48% to PGK 169.7m compared to the prior corresponding period. This was achieved through growth in the existing loan book, incorporation of the ANZ loans and deposit portfolio and business acquisition, and lower interest expense (against total deposits) compared to the prior year. Overall gross loan book growth was up 16% against the corresponding prior period.

- Foreign Exchange (FX) growth increased by 32% to PGK 55.2m compared to FY19. This was underpinned by an increase in overall market share, including gaining new customers and USD remittance sources from the export sector.
- Fees and Commissions increased by 60% against the prior corresponding period to PGK 76.2m primarily by development and build out of channel network.
- Total revenue increased 53% to K314.8m against the prior corresponding period as a result of positive performance in key revenue lines as noted above, further strengthened by other income performance realised from strategic initiatives.
- End of year Capital Adequacy increased by 18% against 31 December 2019 to 23.8%. This was a planned outcome of the strategic non-renounceable rights issue completed in November 2020.
- Kina's Funds Administration business continued to record growth in revenue. Profit increased to PGK8.3m representing 9% growth against the prior corresponding period. This is consistent with revenues arising from increased funds under administration and growth in member numbers compared to the prior year.

Significant progress has been made on a series of strategic initiatives that have successfully delivered growth for the business:

- Announced the proposed acquisition of Westpac's Pacific businesses in PNG and Fiji which is expected to complete by 30 September 2021 to become a larger scale regional bank. The acquisition is subject to regulatory approvals by the Bank of Papua New Guinea and the ICCC (Competition regulator).
- Simplified the corporate structure and successfully conducted a 1:2 Non-Renounceable Rights Issue (ANREO) ensuring strong capital adequacy for the Bank. This will position the company for further growth while creating capacity to take advantage of acquisition and growth opportunities that may arise.
- Delivered the planned revenues from new channel income of PGK 18.8m from new channels successfully launched during the year.
- Introduced a flagship new customer offering, Prime, that includes fee free Visa cards, the lowest fixed rate home loan in PNG history, and a dedicated relationship advisor for expert customer advice for all business customers.
- Invested significantly in cards fraud risk and compliance systems and processes, resulting in a 95% reduction in fraud losses. New capabilities include a fraud monitoring module, 3D Secure, SMS email and WhatsApp alerts.
- Became the first commercial bank in the Pacific to implement VISA transaction controls online, giving customers greater choice on how their cards are used, further reducing the risk of fraud.
- Launched a market leading internet payment gateway that facilitates digital payments through multiple online channels for scheme cards and local bank cards issued by Kina Bank. The gateway enables payment partnerships direct to merchants or via intermediated e-commerce providers.

- Signed a digital partnership with a local fintech company to deliver e-government services. The Department of Lands and the Immigration and Citizenship Authority were onboarded in Q4. The partnership is a significant step forward in Kina's ambition to drive digitally enabled government services.
- Launched Xero bankfeed API - another first for a bank in the Pacific. It enables business customers to integrate their banking transaction data directly with the Xero platform, and opens up additional commercial partnership opportunities.
- In addition to doubling the number of merchant POS terminals in market, implemented a fully integrated solution between Pronto terminals and Kina POS machines, with best in-market performance and superior reliability.
- Became the first commercial bank in PNG to design and test an eKYC solution for digital account opening, with full biometric and digital document identification. The Bank is working with the regulator to enable a scalable in-market solution.

Managing Director and Chief Executive Officer Greg Pawson said: "We have delivered planned business growth across all of our existing businesses this year, despite the challenges presented by Covid-19. We also achieved the integration benefits critical to the ANZ PNG acquisition. In parallel, we completed a number of strategic initiatives that were market firsts; we launched a suite of new digital products and services; and we achieved significant growth in revenue from our existing digital channels. Our disciplined approach has delivered compelling growth for the year."

Authorised for lodgement by order the Board of Directors.

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