

30 August 2023

ASX/PNGX - Announcement

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BY ELECTRONIC LODGEMENT

1H23 Results - Kina achieves strong loan growth and pre-tax profit growth from core business.

- Increase in NPBT by 19% to PGK 77.7m and NPAT by 2% to PGK 46.4m.
- Loan book growth of 10%, to PGK 2.4b.
- Net Interest Income increased by 6% to PGK 98.1m.
- Foreign Exchange (FX) declined by 33%.
- Fees and Commissions increased by 19%, driven by digital channels and digital partnerships growth of 53% over the PCP.
- Cost to income declined to 56% from 62% in PCP, as more control has been exercised over costs.
- Kina's Funds Administration business recorded revenues of PGK 5.9m, with growth of 5% over PCP.
- The Funds Management business grew by 6% in total funds under management to PGK9.5b.

Kina Securities Limited (ASX:KSL | PNGX:KSL) (Kina) has announced today a Net Profit After Tax (NPAT) of PGK 46.4m, a 2% increase on PCP (PGK 45.6m), whilst Net Profit Before Tax grew 19% to K77.7m (PCP, PGK 65.6m), clearly demonstrating resilience in the face of a material increase in the corporate income tax rate to 45% (PCP, 30%).

Kina's 1H23 results reflect continued revenue growth despite structural market challenges around the supply of foreign currency and a decline in rates on Treasury Bills and Government Securities.

The business continues to advance key strategic priorities of the Group with regards to Digital Products and Partnerships and Business, Corporate and Private Banking capabilities and access points. Kina's commitment to deliver improved returns through organic growth in PNG, discipline over expenses and prudent balance sheet management has not changed. This is supplemented by an appetite for exploring opportunities in other Pacific markets. Strong net interest revenue growth was achieved despite lower rates on non-lending investments, and non-interest income also increased 3% over PCP, notwithstanding lower foreign exchange revenues caused by foreign exchange supply constraints. Net interest income grew by 6% against PCP due to solid lending performance in SME and especially business



lending. In non-interest income, merchant facility fees and digital transaction income grew by 19% against PCP.

The Board has declared an unfranked half year dividend for the H123 of AUD 4.0 cents per share/ PGK 9.7 toea per share. Kina's capital position remains strong with a Total Capital adequacy of 20.8%, well above the regulatory target of 12%.

Kina's CEO and Managing Director, Greg Pawson said the result demonstrates continuing execution of our digital initiatives, tightened discipline on costs, and a strong start to lending for the year.

"The NPAT outcome for the first six months of this year reflects Kina's continued strong focus on growing revenue while prudently maintaining expenditure. The business has had to respond to some trying market conditions by continuing to strengthen our organic growth strategies in lending and digital channels. Kina is progressing well through its bank-to-market-maker roadmap, increasing market share in our targeted segments while building a robust balance sheet that ensures profitable growth. Underpinning revenue momentum is a disciplined approach to deliver customer-led digital solutions. The full market launch of Pei Beta, PNG's first independent bill payments platform that customers of any bank can use is a notable example of disrupting the market as the challenger brand, delivering real value to customers, and activating the innovation mindset of our workforce."

Operating performance

Banking - Net loan growth of 10%

The lending portfolio delivered solid results across Personal and Business Lending. Business lending grew by PGK177.7m from December 2022, an increase of 11.6% over the first half of 2023, and 10% growth on the PCP with growth from Term and Asset Financing loans in the Retail/Wholesale and Agriculture sector. We expect continued growth in the second half of the year. Deposits grew 7% over the past 6 months largely attributed to an increase in Cash Management Accounts. Net interest Margin reduced to 5.5% due to lower yields on treasury bills and government securities. The interest spread between loans and deposits is at 7.0% (6.5% in PCP), whereas the spread for Treasury bills and long-term government securities has reduced to 3.4% (from 5.5% PCP). During the period, the cost of deposits has been managed, whilst lending rates have been increased marginally.

Funds Administration - NPAT growth of 34%

Kina's Funds Administration business, which continues to provide trusted administration services for superannuation posted an NPAT of PGK 5.9m (PGK 4.4m in PCP), with revenue growth of 3% compared to PCP. The Funds Management business grew by 6% in total funds under management (PGK 9.5b), maintaining Kina's market share in this sector.

Operating expenses - disciplined cost management.

Over the past year Kina's ongoing cost management approach has seen a 6% reduction in total costs (excluding loan provisioning) to K105.4m. Staff costs decreased by 4% to PGK

42.2m (PGK 44.0m in PCP) and occupancy costs decreased to PGK 19.0m (PGK 24.9m in PCP). The business has been selective in its expenditure, continuing to enhance capability in some core functions such as risk, lending, and digital channel business, including related enabling technical resources.

Delivering on 2025

Strategic plan - Driving our strategic pillars to deliver prosperity for our communities. Kina remains on track to deliver against its 2025 Strategic Plan. Execution of the plan will continue to drive a market leading digital customer experience and digital product portfolio, and organic growth in the core banking business, focused on organisational sustainability and corporate responsibility. Kina aims to continue its current trajectory of pursuing targeted market growth, customer service excellence, digital on-boarding and transactional processing, and strategic partnerships to extend the portfolio and market reach. These initiatives include:

- Organic growth in the core business including retail, SME, foreign exchange and lending.
- Leverage the value of the Group to grow the key segments of Private Banking and Wealth Management.
- Continuing to Go Digital, achieving scale in channels, partnerships and adjacencies.
- Completing the Risk Re-imagined journey.
- Underpinning growth, competitive advantage, and culture through a renewed company-wide approach to Customer First.
- Embedding our ESG strategy through provision of banking services to underserved segments including SMEs, Agriculture and regional Papua New Guinea.

Mr Pawson said the growth agenda remains our key focus in the second half.

“Our aspiration to be the most sustainable leader in PNG will continue to drive our agenda. Lending growth will be driven by our first half investments into leadership, customer experience, and business advisors in regional locations. Our growth targets for the Group will be delivered on an increasingly efficient expense base, and through our dynamic workforce and digital capabilities Kina remains positioned to deliver shareholder value.”

Investor Briefing: The KSL Investor Briefing is scheduled for Wednesday 30th at 10.00am (Port Moresby) via the following link <https://s1.c-conf.com/diamondpass/10033111-hg8a23.html>

For further information:

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