



Kina Securities Limited

Full Year Results 2023

28 February 2024

Overview.

Organic growth momentum

NPBT up 18%

NPAT down 1% (*corporate tax rate up from 30% to 45%*)

Deposits up 12%, Lending up 19%

Customer Acquisition

Net Customer growth 19% (+40,000)

Market share growth, second largest Bank by total footings
(Deposits and Loans)

Shareholder returns

Underlying ROE 16.8%

Full year dividend per share of 10.0 cents (AUD)



Corporate Tax.

- In December 2022, the PNG Government announced an increase in Corporate Income Tax on Commercial Banks from 30% to 45% for the 2023 fiscal year.
- The increase in rate was effective as of 1 January 2023.
- KSL's deferred taxes at December 2022 were revalued at the new rate in line with IFRS resulting in a tax credit of K10.4m in 2022 statutory NPAT.
- FY2022 statutory NPAT of PGK 116.5m (including tax credit) and underlying NPAT of PGK 106.1m.
- FY2023 statutory and underlying NPAT of PGK 105.2m after incorporating the new tax rate of 45%.

Delivering our strategy.



Growth & Prosperity

- New retail customer acquisition up 20% against PCP and new commercial customer acquisition up by 9% against PCP.
- Loan book growth was extremely strong for the year at 19% growth, reflecting very strong drawdown performance and active pipeline management in business lending segments.
- Expansion of commercial banking footprint to key provincial locations.



Resilience

- Dedicated strategic program of works for "re-imagining" risk completed its first year of best-practice governance enhancements placing the organisation on track for its target risk maturity in 2025.
- The risk business unit was restructured to provide dedicated functional areas in Governance, Risk and Compliance to deliver a greater level of risk maturity.
- Focused Regulatory management provided additional pre-emptive and dedicated compliance programs to deliver enhanced oversight and risk governance as markets change and evolve.



Service Excellence

- Launched Pei Beta, PNG's first independent bill payments platform which customers of other banks can also use.
- Completion of Kina's first dedicated Business Banking Centre in Port Moresby to support SME and business banking growth.
- Commenced development of in-branch and off-site digital hubs for strategic locations in Port Moresby, with plans to expand into other key regional locations in 2024.



Dynamic People

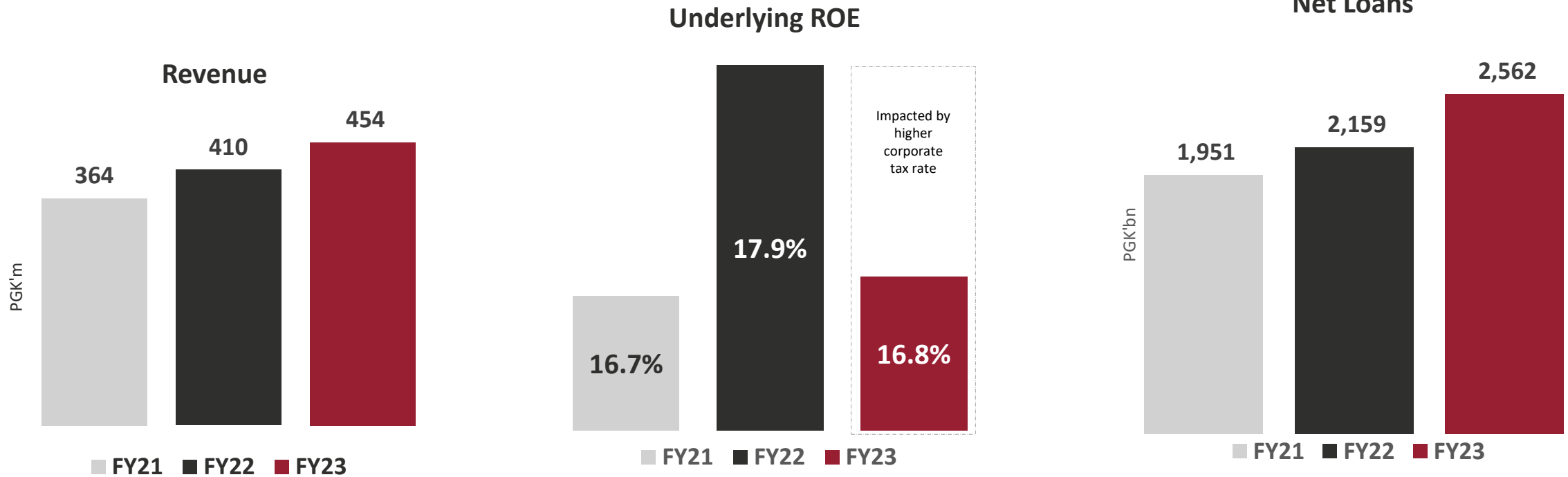
- Initiation of a talent development program.
- Launched a revised Leadership Capability Framework which defines the behaviors and capabilities necessary for staff professional development and achievement of organizational objectives.
- Expanded the Graduate Program to include candidates from additional disciplines relating to technology.



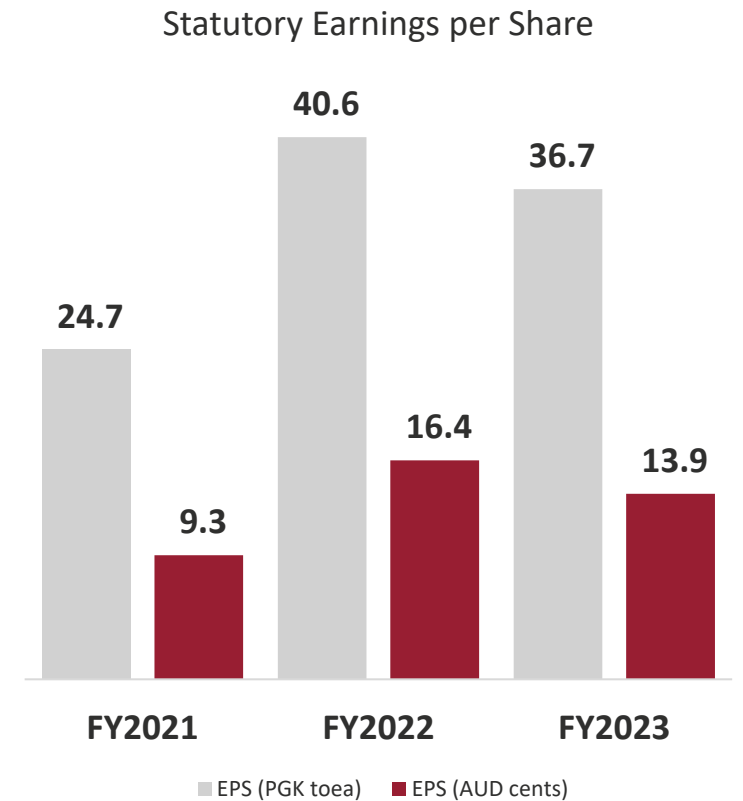
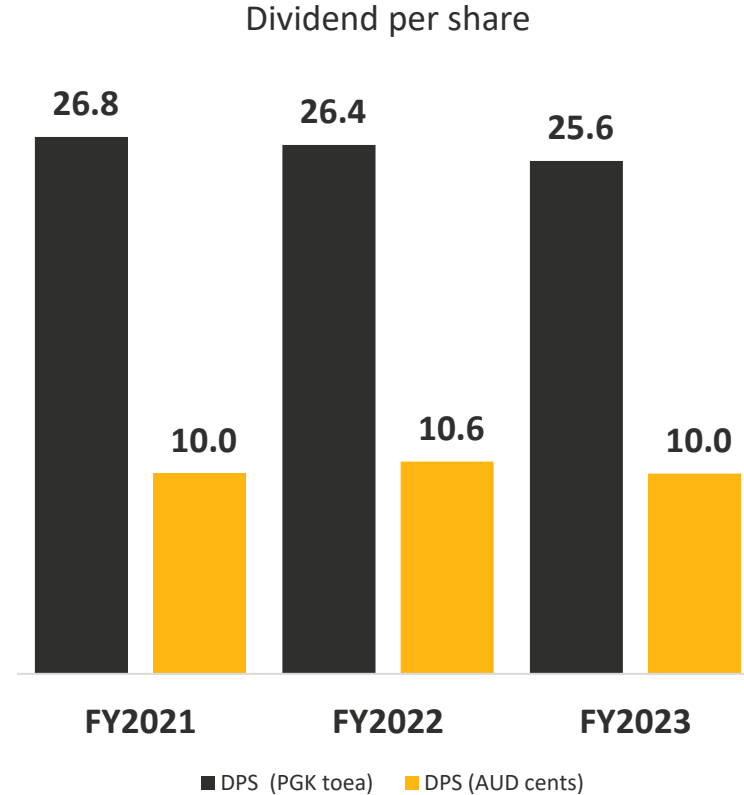
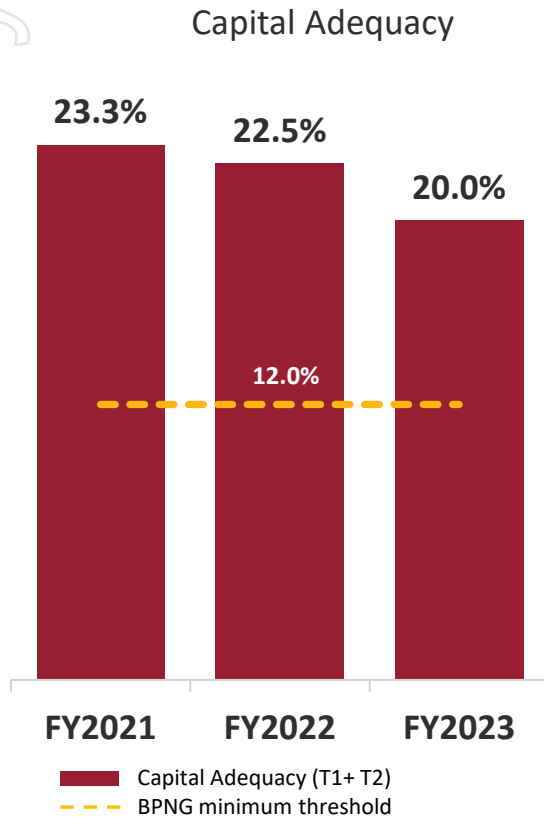
Sustainable Communities

- Publication of the bank's first Sustainability Report.
- Partnered with MiBank and Total to deliver financial services alongside Total's PNG wide solar generation roll out.
- Continued support for Link of Hope program which supports children and orphans impacted by HIV and AIDS.
- Introduced new visa debit cards made from recycled plastic.
- Partnered with Litehaus International digital classroom program supporting the construction of digital classrooms in remote PNG schools.

Solid loan growth.



Shareholder returns.



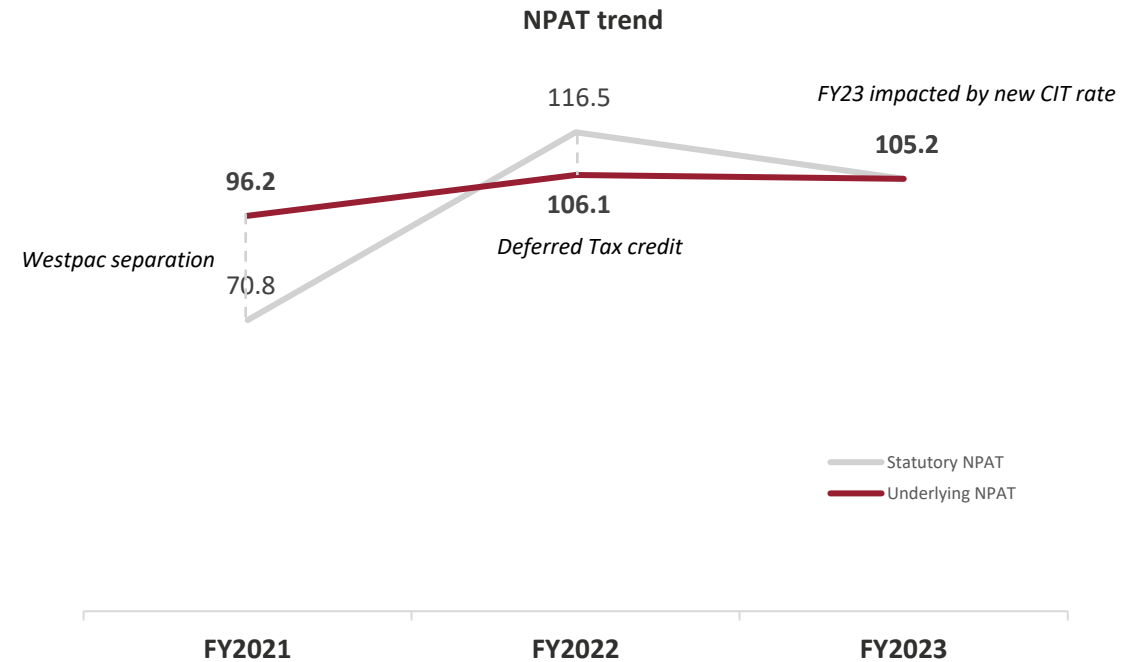
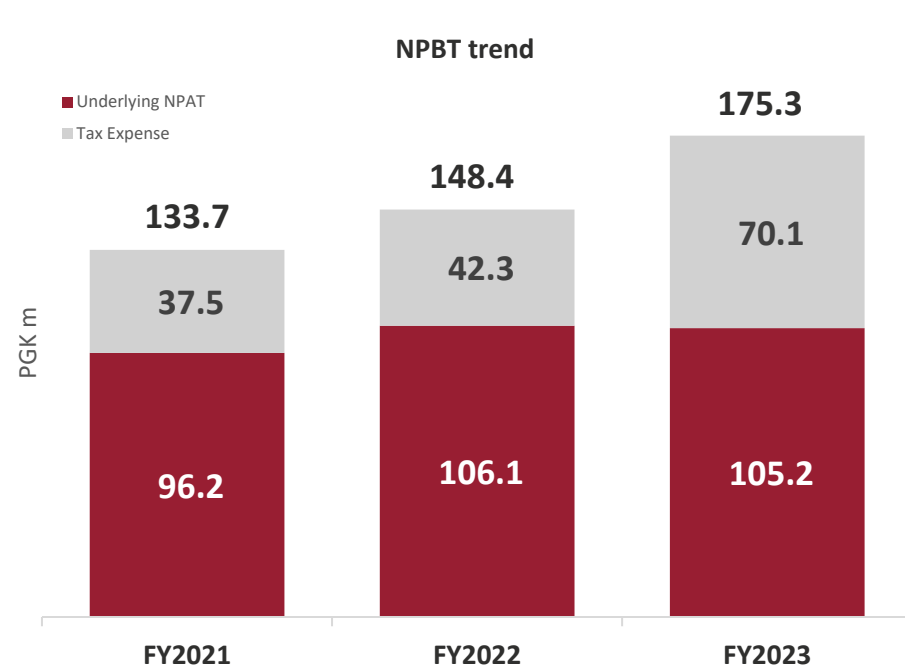
Financial Results.



Financial Highlights.

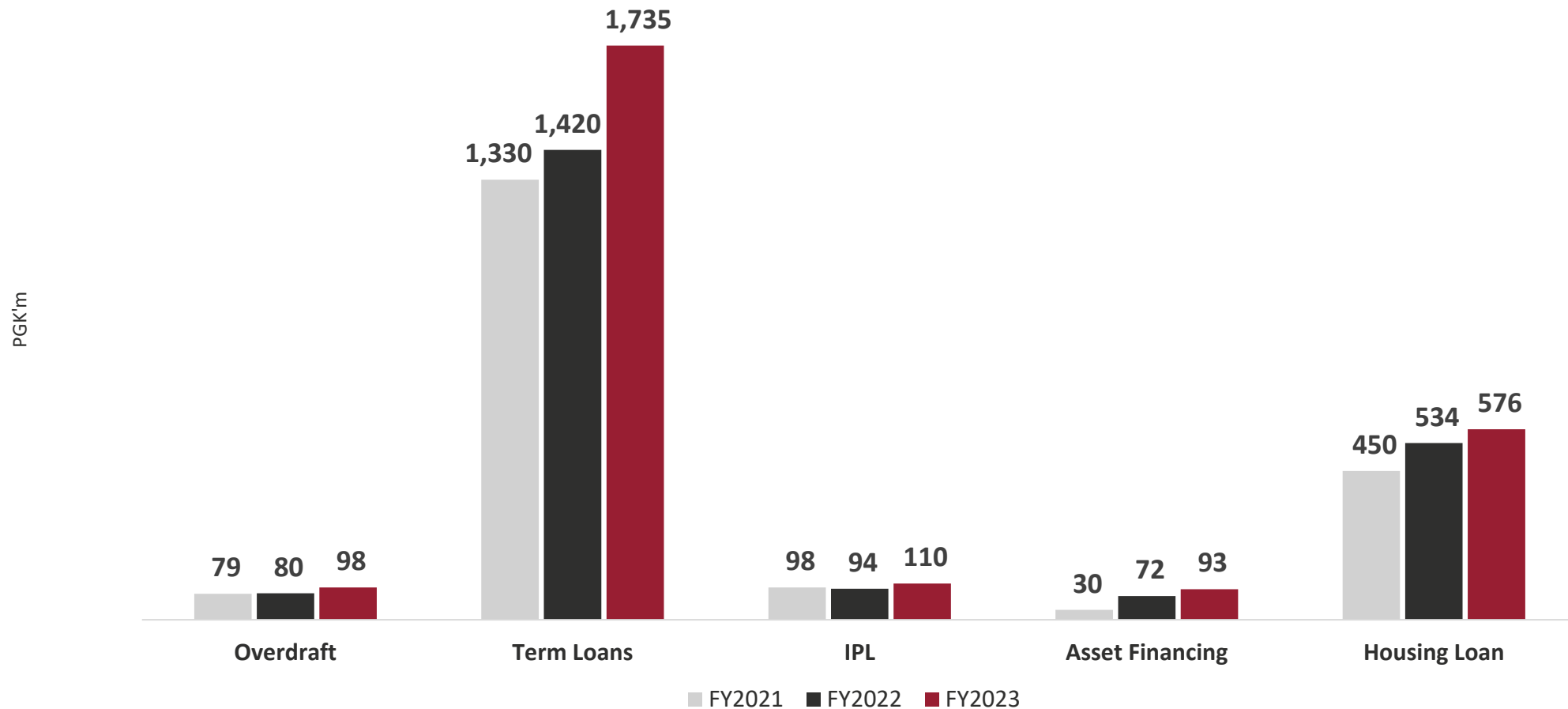
	FY23	FY22	Movement %	
Net Interest Income (PGK m)	203.3	181.2	12%	↑
Revenue (PGK m)	454.2	410.0	11%	↑
Net Profit before Tax (PGK m)	175.3	148.4	18%	↑
Underlying NPAT(PGK m)	105.2	106.1	(1%)	↓
Cost to income ratio (%)	54.2	58.2	7%	↓
Underlying ROE (%)	16.8	17.9	(6%)	↓
Ordinary Dividend (AUD cents)	10.0	10.6	(6%)	↓
Total Capital Ratio (T1 + T2) (%)	20.0	22.5	(11%)	↓

Underlying NPAT -1%.

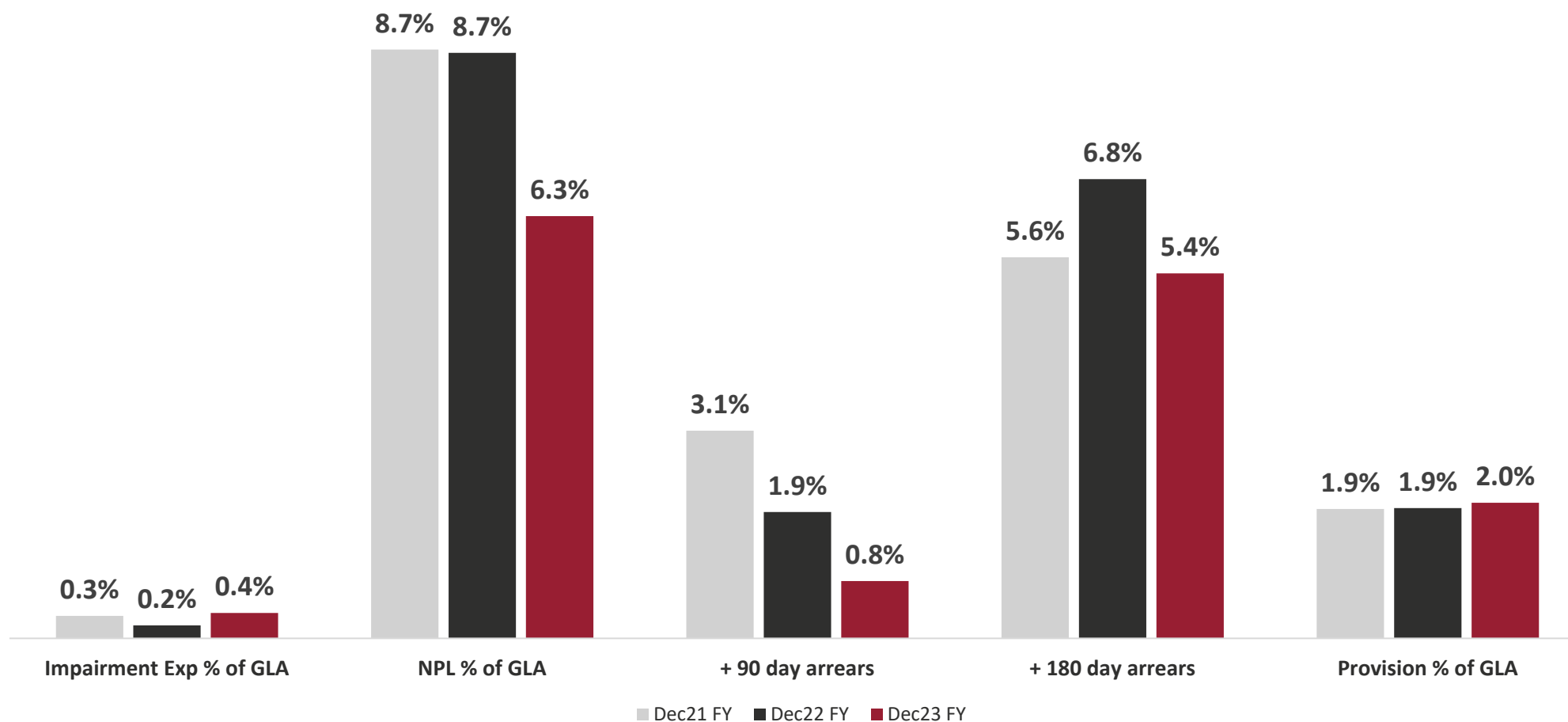


- Commercial loans and digital channel revenue boost core business performance.
- Non interest income businesses contributed 50% of total income.
- Effective cost management improved cost to income ratio from 58% to 54%
- NPBT increase by 18%, although increased tax rate absorbed K70.1m of PGK 175.3m in NPBT.

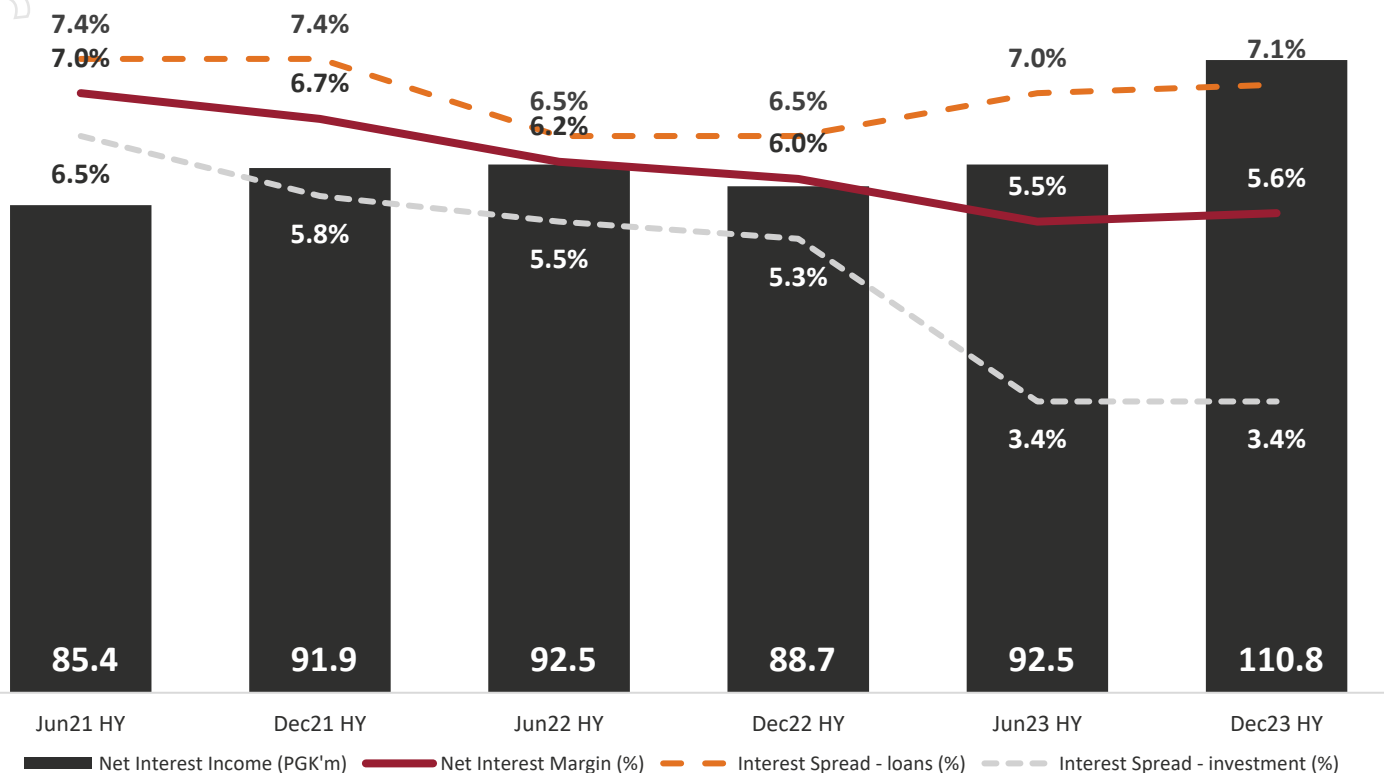
Loan portfolio growth of 19%.



Asset Quality.



Net Interest Margin.

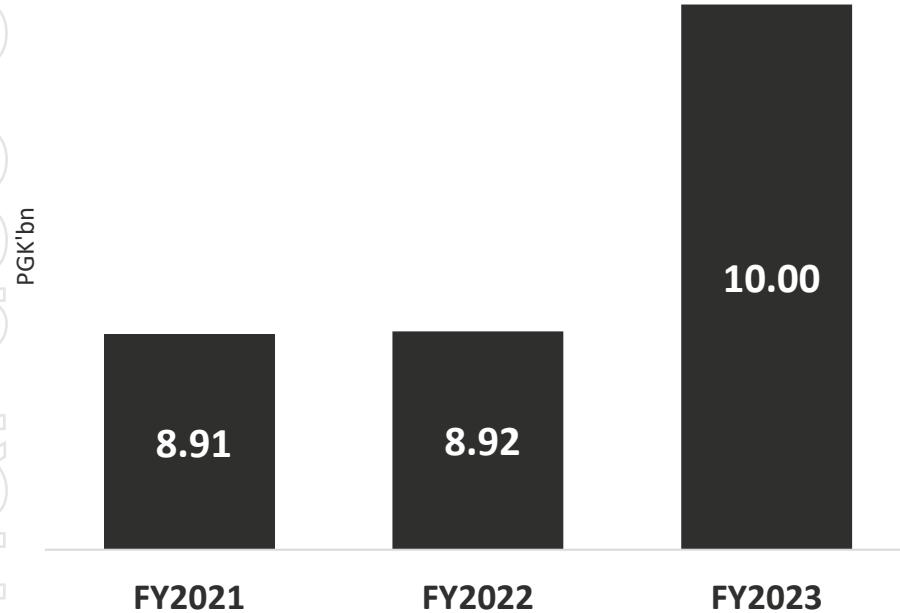


- NIM impacted by:

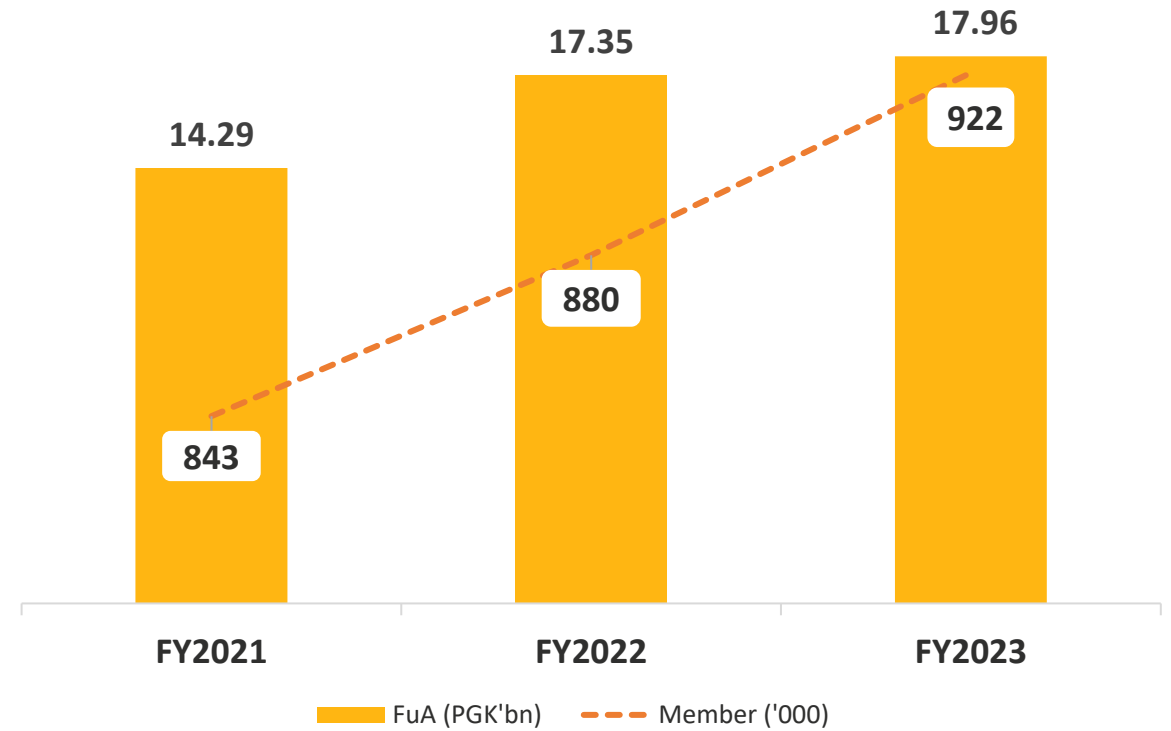
- Lower yields on central bank treasury bills.
- Strong growth in corporate wholesale deposits
- Solid growth in commercial lending

Kina Wealth.

Funds under management

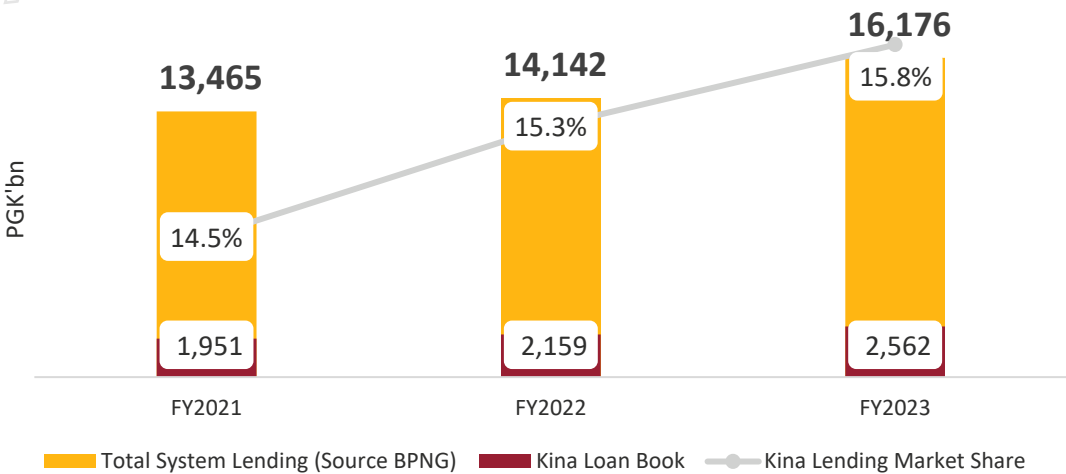


Funds under administration

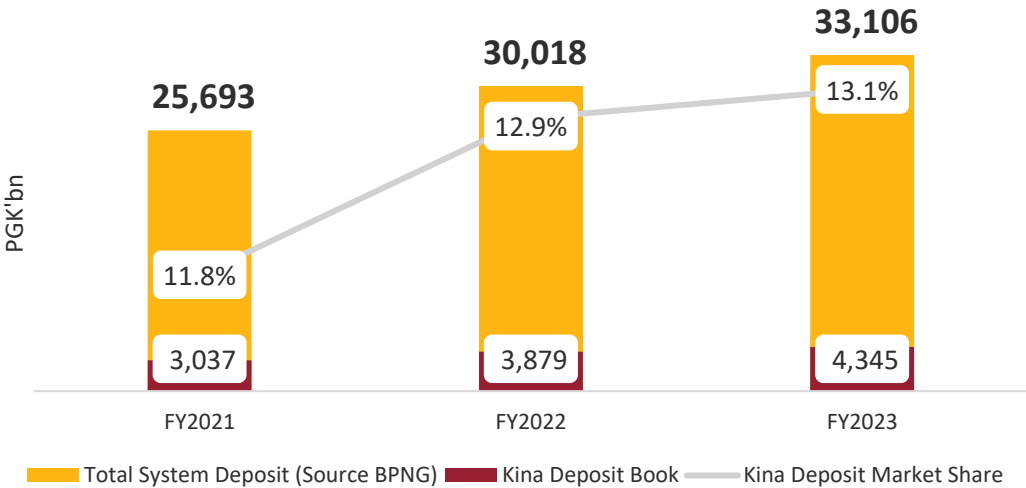


Market share gains and strong customer growth.

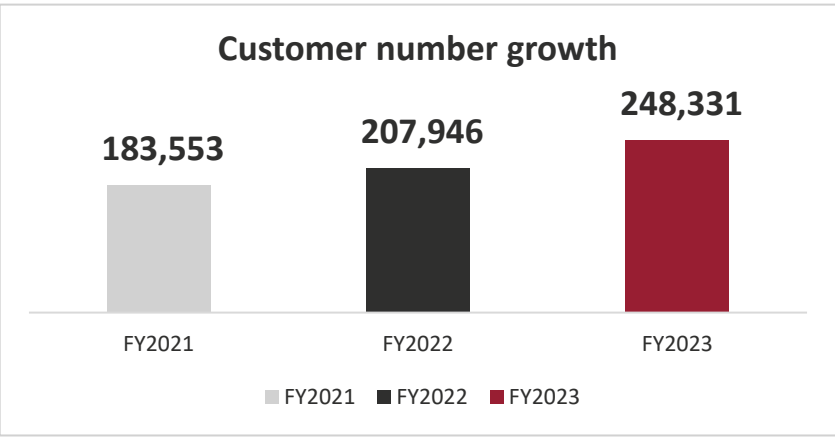
Market share percentage - lending



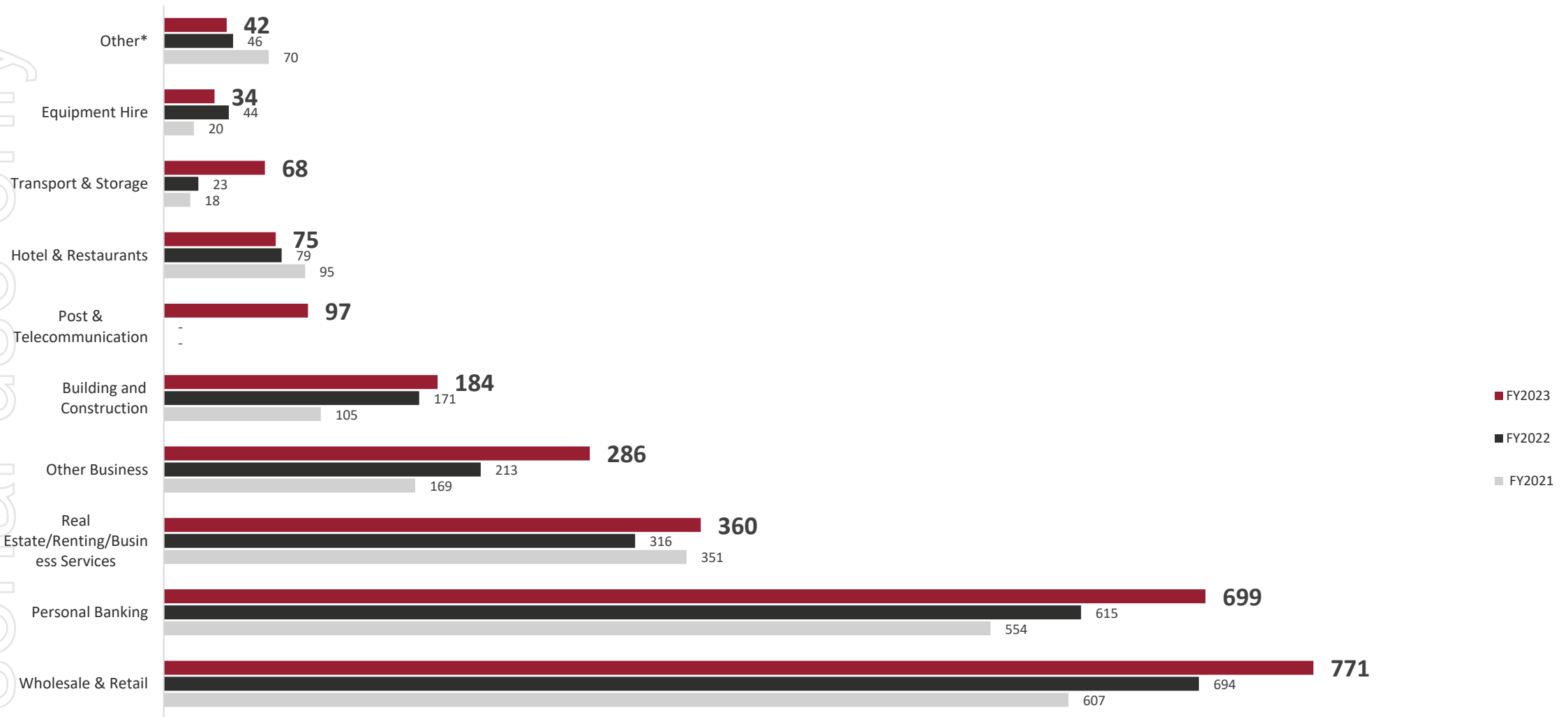
Market share percentage - deposits



Customer number growth



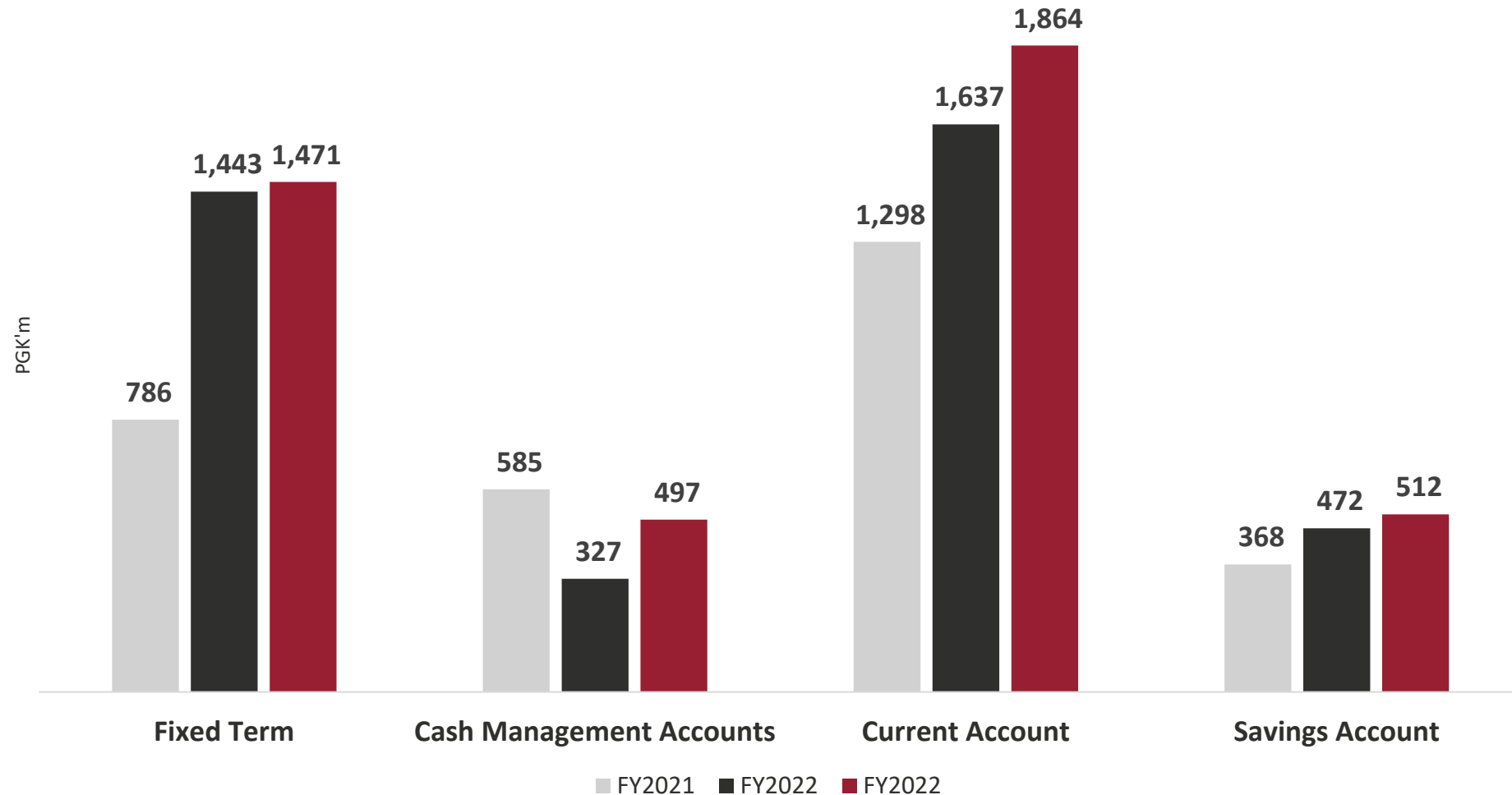
Loan portfolio by industry.



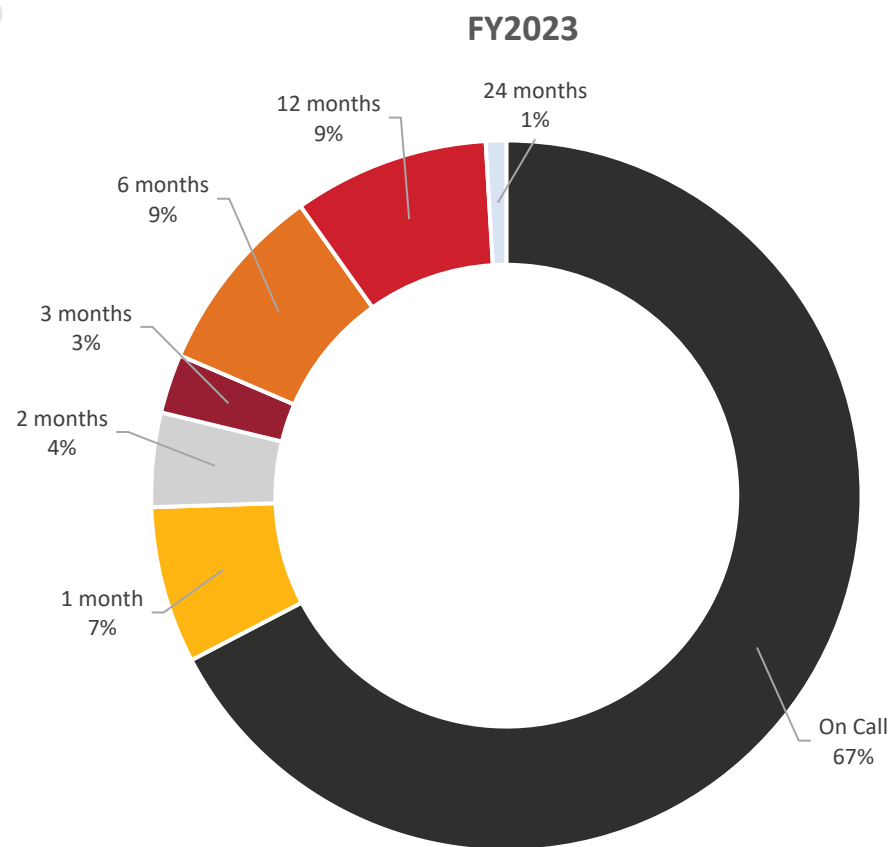
*Other: Agriculture, Fishing, Forestry, Mining, Manufacturing, Utilities, Financial Intermediation

PGK'm

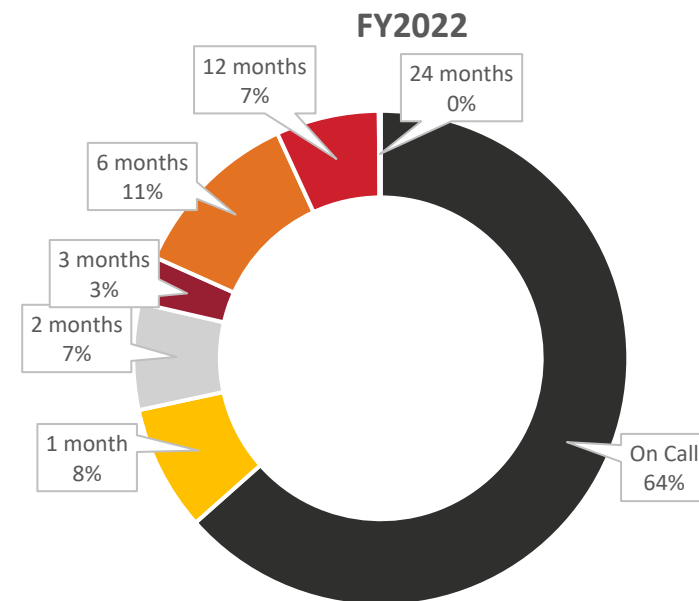
Deposit by products.



Deposit tenure.



- On Call
- 1 month
- 2 months
- 3 months
- 6 months
- 12 months
- 24 months



Our Strategy.

Fairness



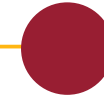
Inspire



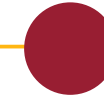
Responsive



Serve



Together



Purpose

To constantly improve the prosperity of the people, communities and markets that we serve.

Vision

The most dynamic, progressive and accessible financial services organisation in the Pan Pacific region.

Priorities

- Growth & prosperity
- Building resilience
- Service excellence
- Dynamic people
- Sustainable communities

From a Bank to a Market Maker.

2020-21

Your trusted bank

- + Traditional banking
- + Digital banking



Retail



Commercial



Corporate



SME



Superannuation Partners



Banking Partners

Sell, service, grow, digitise

- Grow banking market share
- Digitise core business
- Digital customer solutions
- Test and learn partnerships and innovative business models

2022-24

Your trusted financial services partner

- + Traditional banking
- + Digital banking
- + Investment Banking Bank Services
- + Partnership Platform



Ecosystem Services



Corporate



Commercial



Superannuation Partners



Banking Partners



Infrastructure Partner
API enabled



Digital Partners

Partnering to create and capture value (B2B, B2C)

- Maturing technology and infrastructure
- Maturing partnerships capability
- Targeted acquisitions
- Selectively scale new business models

2025

Your trusted partner in the Pan Pacific Region

- + Pan Pacific diversified investment bank



Markets



Kina Bank Modules and Partners



Digital Partners

Infrastructure Partner
API enabled

Convene a marketplace of assets, capabilities and services (B2B, B2C)

- Geographical reach; digital-only bank
- Bank as a service - B2B
- Customer and partnership marketplace
- Diversified investment bank

Looking ahead in 2024.



Growth & Prosperity

- Growth in lending market share through strong organic growth across retail, SME and business lines.
- Growth in digital channel by driving scale in payments platforms and partnerships.
- Restoring growth in foreign exchange income.
- Growth in Private Banking and Wealth Management businesses.
- Explore inorganic growth opportunities across the Pan Pacific Region



Resilience

- Completion of the Risk Reimagined journey including AML monitoring, enterprise risk, fraud mitigation and next phase IFRS9 provisions modelling.
- Managing the risk of disruption through the Strategic Intelligence capability, including focus on AI and Digital Assets.



Service Excellence

- Leverage the 2023 launch of FIRST (Fairness, Inspire, Responsive, Serve, Together) values, through extending the FIRST Champions network and values programs.
- Enhance retail onboarding experience through promotion and scale of eKYC platform and realigned operating model within Business Banking.



Dynamic People

- Consistently leverage existing programs to drive performance and culture uplift.
- Launch new intranet platform
- Launch of Emerging Talent Program.
- Workforce transformation to align workforce capabilities to the banks vision and values.



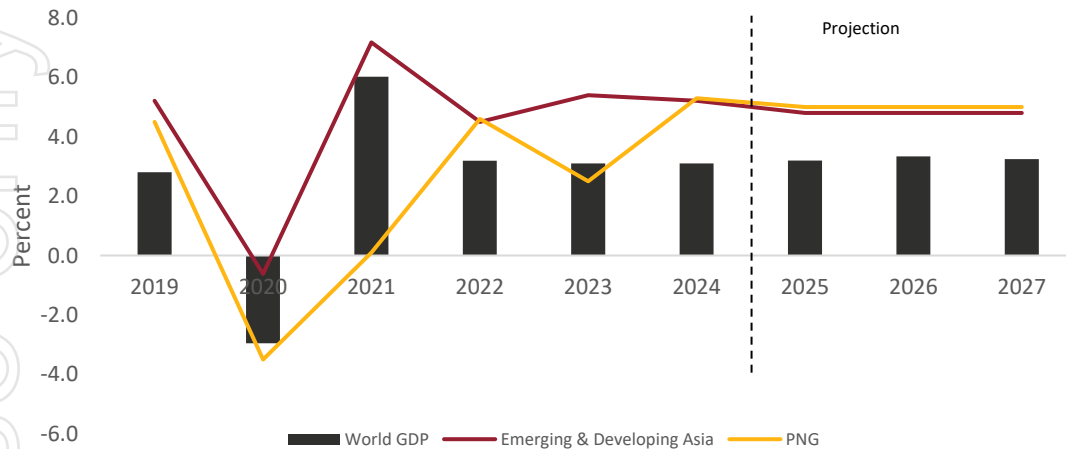
Sustainable Communities

- Product Portfolio alignment with Green loans and Agri.
- Provision of banking services for underserved segments and geographies in PNG.
- Review partnerships, with focus on right product and service for the right customers.

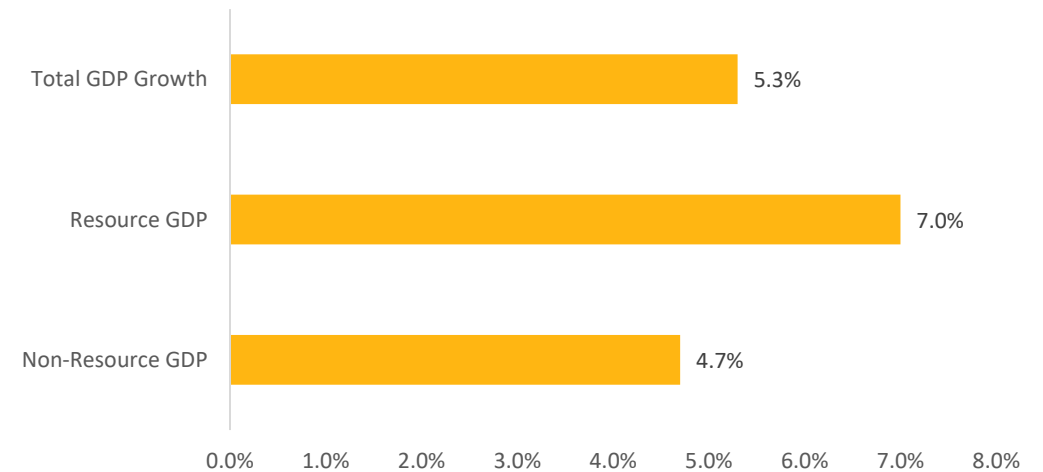
Economic Outlook.



Economy.



2024 Growth Forecasts



Global Outlook

- The IMF has projected steady global growth at 3.1% for this year, consolidating at 3.2% in 2025. While relatively good news, this is still below global growth rate levels that averaged almost 4.0% in years preceding 2020.
- Underlying structural risks to growth remain persistent across developed economies, including productivity inefficiencies due to capital and labor re-allocation across the globe post-COVID. Emerging economies to perform slightly better due to strong commodity prices.
- Further growth risk will be fiscal consolidation to manage aftermath of debt-fueled growth over the past 3 years: balancing sovereign debt-service obligations with current demand.
- Inflation is projected at 6% in 2024 (2022: 5%). Despite global monetary policy tightening to target rising costs, geo-political tensions, elevated energy costs and supply-chain route disruptions still placing upward pressure on general price levels.

Domestic Outlook

- PNG's GDP in 2024 is set to grow by 5%. 'Resources sector' GDP will grow by +7% due to Porgera's resumption and higher production outputs from Ok Tedi.
- The 'Non-resource' sectors is also set to benefit with service sector industries such as transportation, accommodation and food services set to grow.
- Agriculture commodities are also on a growth trajectory due to stronger-than-expected global prices for cocoa and palm oil, which should feed through to small-holder farmers in rural communities. The Agriculture, Forestry and Fishery (AFF) sector is estimated to grow by 2.2% for 2024.
- Domestic cost pressures look set to continue with projected headline inflation at 5% in 2024, driven by the exchange rate depreciation and Government spending.
- In the medium term, the continued uncertainty for major resource projects in the pipeline (Papua LNG, P'nyang, Pasca and Wafi) will continue to weigh on macroeconomic variables, including the convertibility of the current exchange.