

22 July 2024

## ASX/PNGX | Announcement

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Sydney NSW 2000  
Australia

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Office 2, Level 1, Douglas Street  
Port Moresby 121  
Papua New Guinea

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### BY ELECTRONIC LODGEMENT

#### Investor Presentation Notice

Please find attached the presentation to be given by Mr. Greg Pawson at Kina Securities Ltd, to investors and shareholders at the MST Financial Emerging Financials Webinar on Wednesday 24 July 2024 at 11am AEST.

To join the presentation, please [click the webinar link here](#)

For further information:

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**Kina Securities Limited**

## Presentation to clients of MST Financial

24 July 2024

# Kina Bank's Vision.

To be the most dynamic, progressive and accessible financial services company in the Pan Pacific.

"PNG's leading digital bank."



# Kina Bank – Overview.

- Kina Securities Limited (Kina Bank) was established in 1985 and is now Papua New Guinea's second largest bank and financial services company.
- Kina Bank offers customers end-to-end financial solutions – from savings accounts to business loans, investments to mortgages, financial advice and investment management.
- 50% of revenues come from lending and 50% from non-banking services.
- Kina Bank is listed on the Australian Securities Exchange (ASX:KSL) and the Port Moresby Stock Exchange (PNGX:KSL)



# Key milestone.

## Key dates

**1986**

Kina begins operations as Kina Finance Limited

**2004**

Kina Funds Management launched. Kina Asset Management Limited launched. Kina becomes founder of PNG Credit Bureau

**2013**

Kina Wealth Management established

**2018**

Rebrand to Kina Bank. Divestment of founding shareholder Fushan Investment

**2020**

- Divested Esiloan portfolio to MiBank
- Kina becomes digital service provider to MiBank
- Simplified corporate structure
- Strengthened capital base with a non-renounceable equity offer

**1998**

Launch of Kina Finance and Kina Investment Superannuation Services

**2012**

Kina Ventures Limited registered

**2015**

Acquisition of Maybank PNG to become PNG's fourth largest bank. Lists on ASX and PNGX

**2019**

Kina acquires 15% stake in Microfinance Bank Limited (MiBank). Kina completes acquisition of ANZ PNG's retail, commercial and SME business to become PNG's second largest bank. ADB welcomed as major shareholder

# 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



InfrastructurePartner  
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

InfrastructurePartner  
API enabled

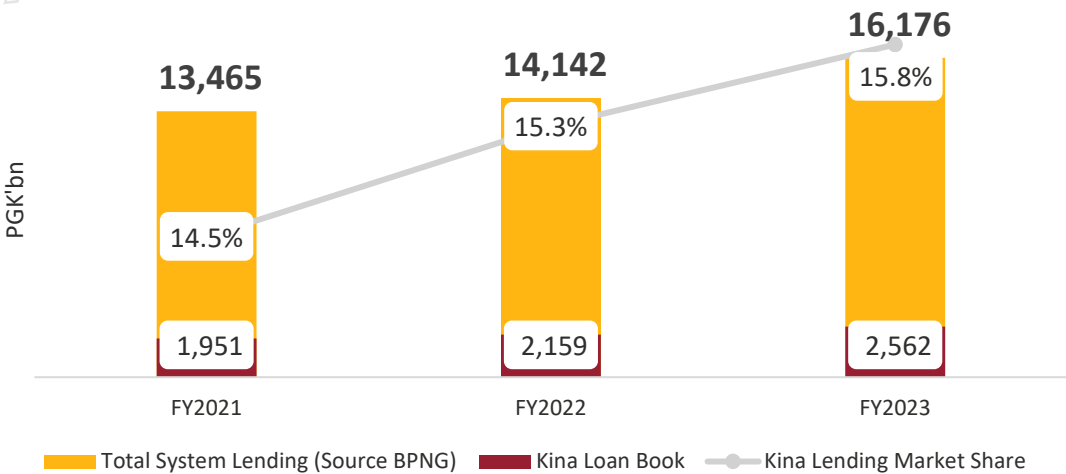
### Convene a marketplace of assets, capabilities and services (B2B, B2C)

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

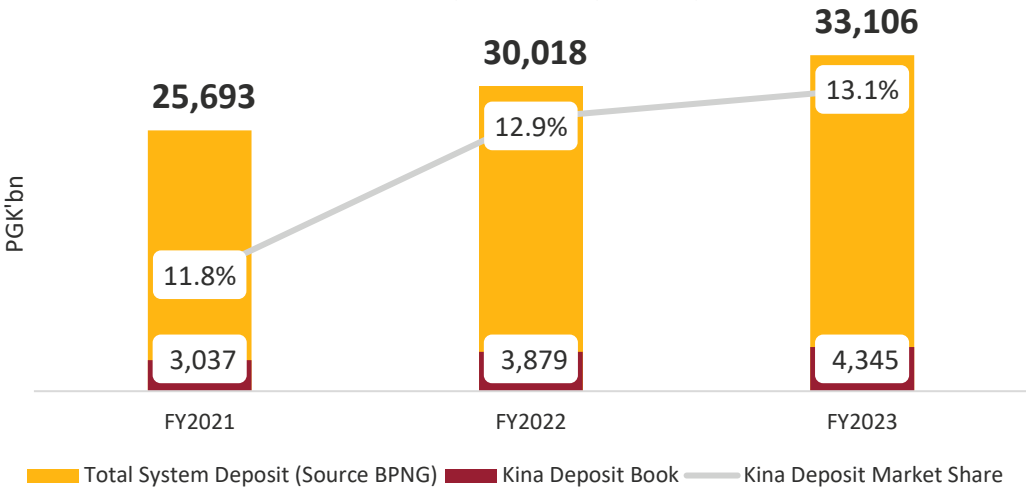
# Market share gains and strong customer growth.

Personal use only

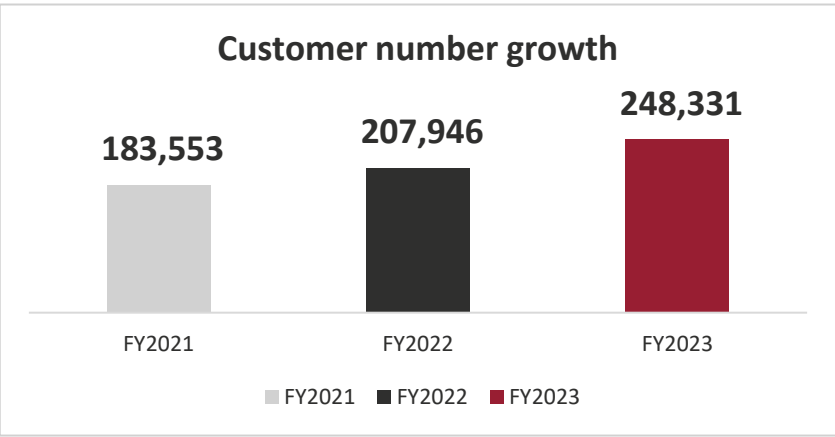
Market share percentage - lending



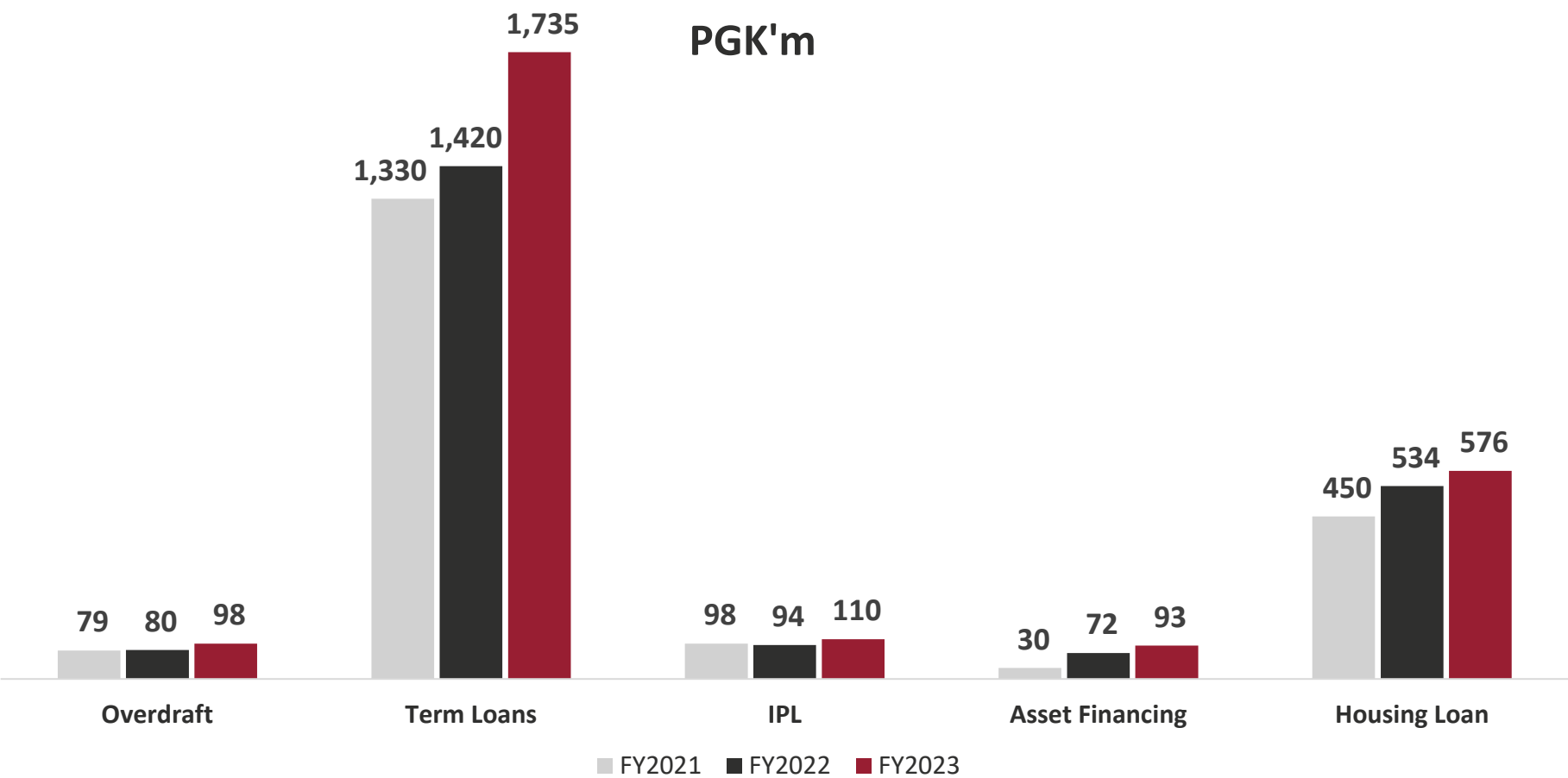
Market share percentage - deposits



Customer number growth



# Loan portfolio growth of 19% in 2023.



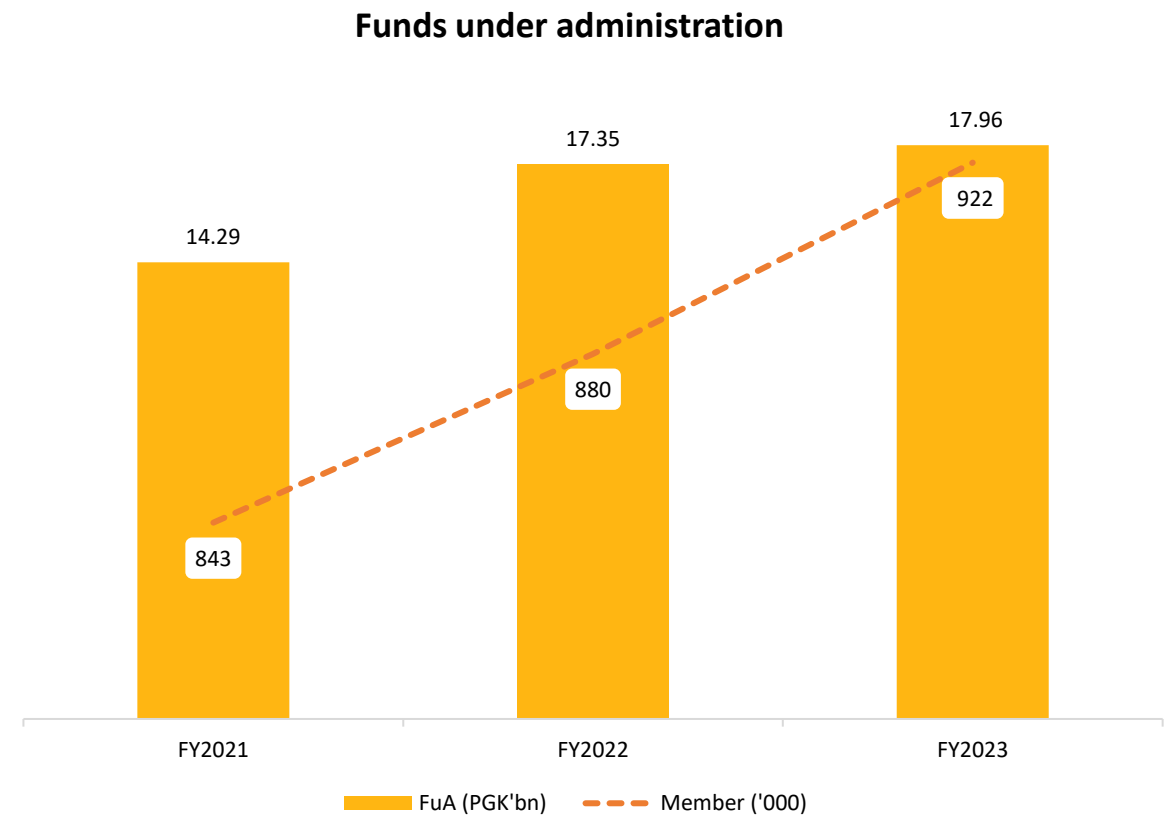
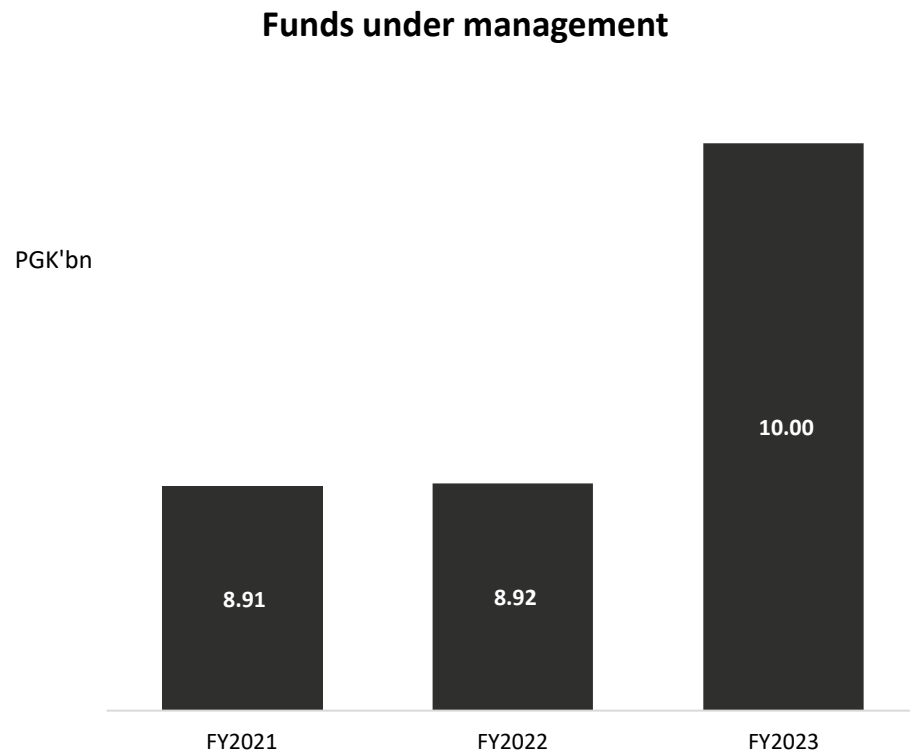


# Kina Bank – non lending operations.

- Kina Bank offers customers end-to-end financial solutions from savings accounts to business loans, investments to mortgages, financial advice to investment management.
- It is also the largest wealth management business in PNG, with more than PGK10 billion funds under management.
- As the country's largest fund administrator, it administers accounts on behalf of more than 922,000 beneficiaries whose funds total almost PGK18 billion.
- Kina Bank is also the leading stockbroking company in PNG.



# Kina Wealth.



# 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)	175.5	148.4	18%	↑
Underlying NPAT(PGK m)	105.0	106.1	(1%)	↓
Cost to income ratio (%)	54.1	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%)	↓

# 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.
- Strategic partnership with MiBank enabling reach to over 700,000 Papua New Guineans.
- Launched Kina Private and Retail Wealth Segment.



## 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. Digibankr customer on-boarding platform. Upgrades to online, mobile, and corporate online platforms. Over 75% of customers transacting digitally.
- Completion of Kina's first prototype Business Centre in Port Moresby to support SME and business banking growth. Plans for regional expansion of this business model.
- 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.



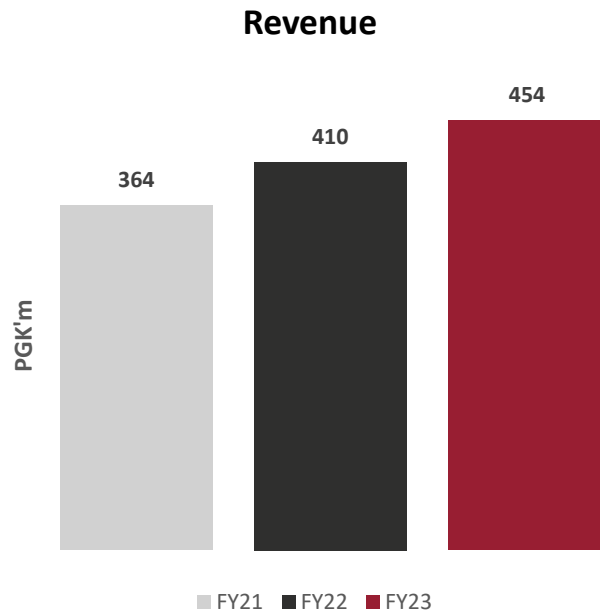
## Sustainable Communities

- 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 KTD Fode for education of teachers and Litehaus International digital classroom program supporting the construction of digital classrooms in remote PNG schools.

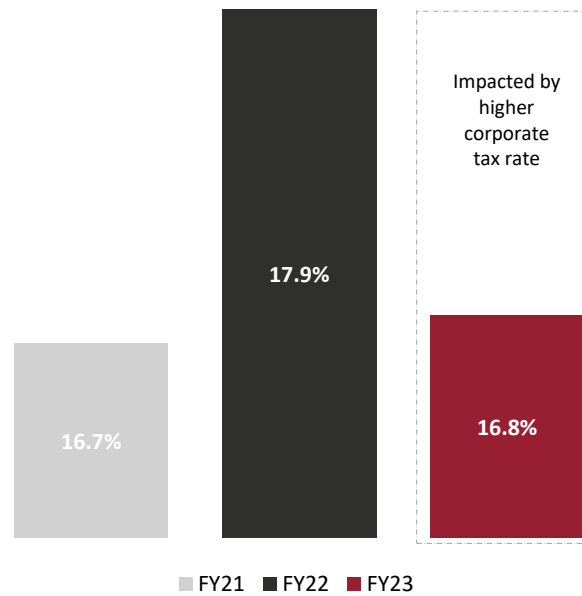
# Solid loan growth.

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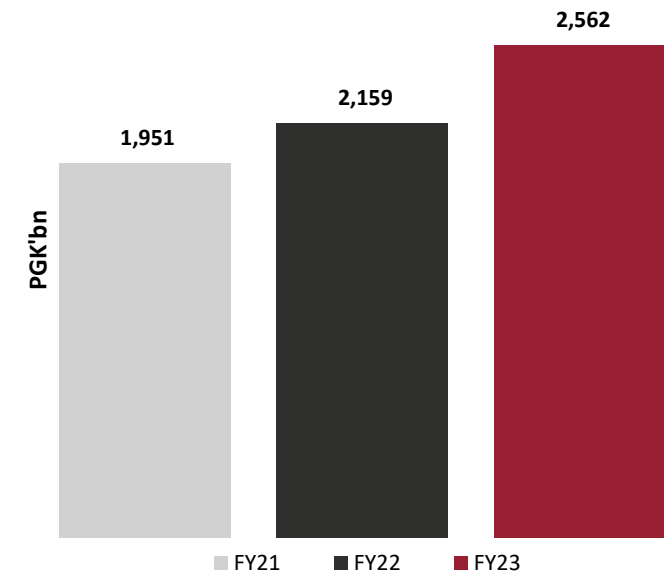
Revenue



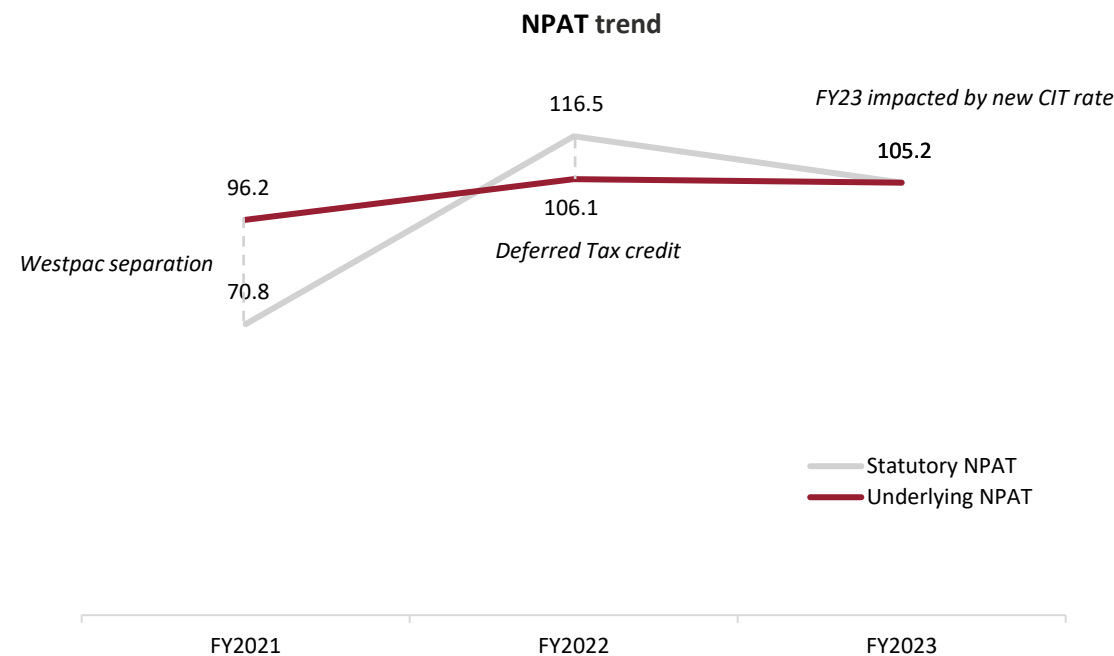
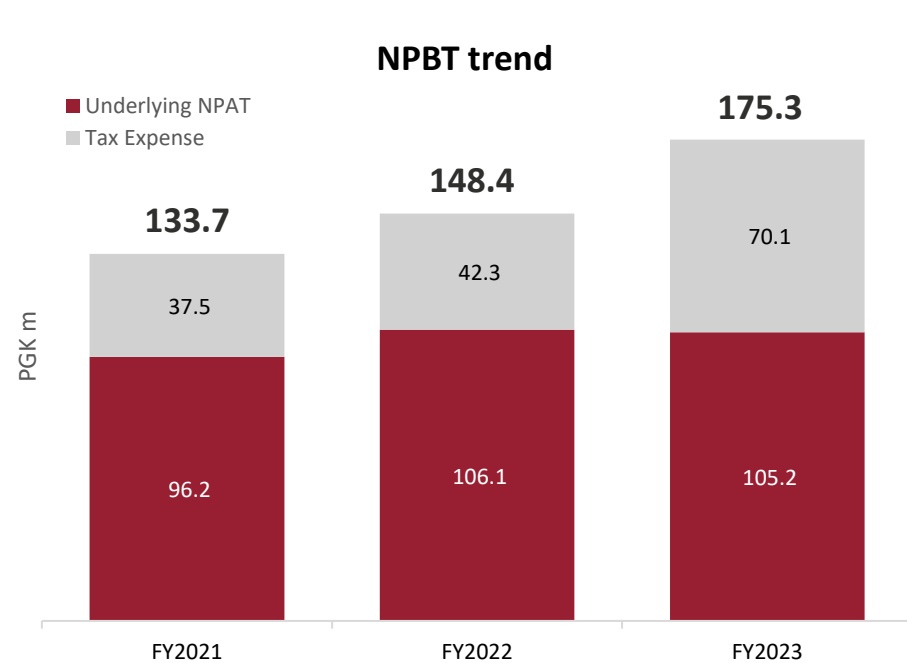
Underlying ROE



Net Loans

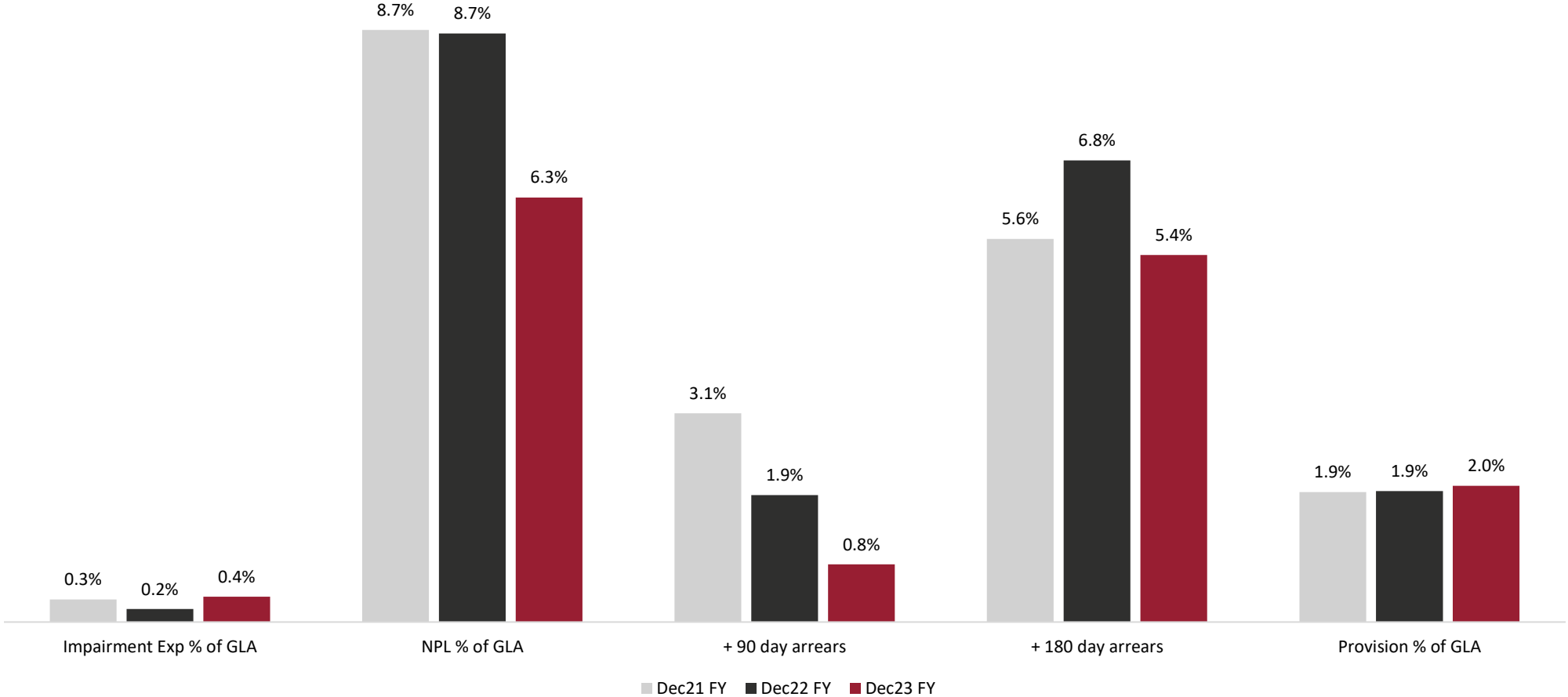


# Underlying NPAT.

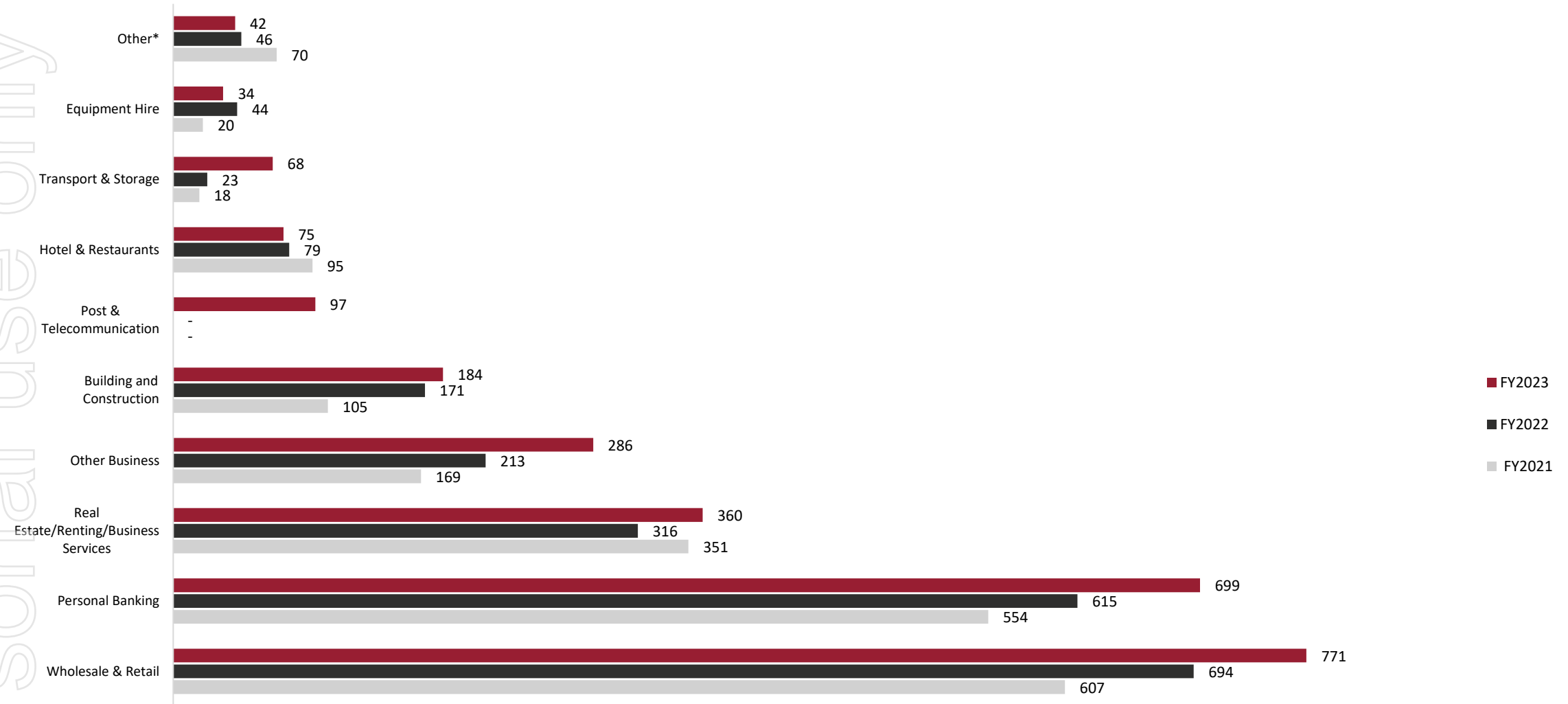


- Commercial loans and digital channel revenue boost core business performance.
- Non interest income businesses contributed 50% of total income.
- Effective cost management improved cost to income ratio from 58% to 54%
- NPBT increase by 18%, although increased tax rate absorbed K70.1m of PGK 175.3m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

# Asset Quality.



# Loan portfolio by industry.

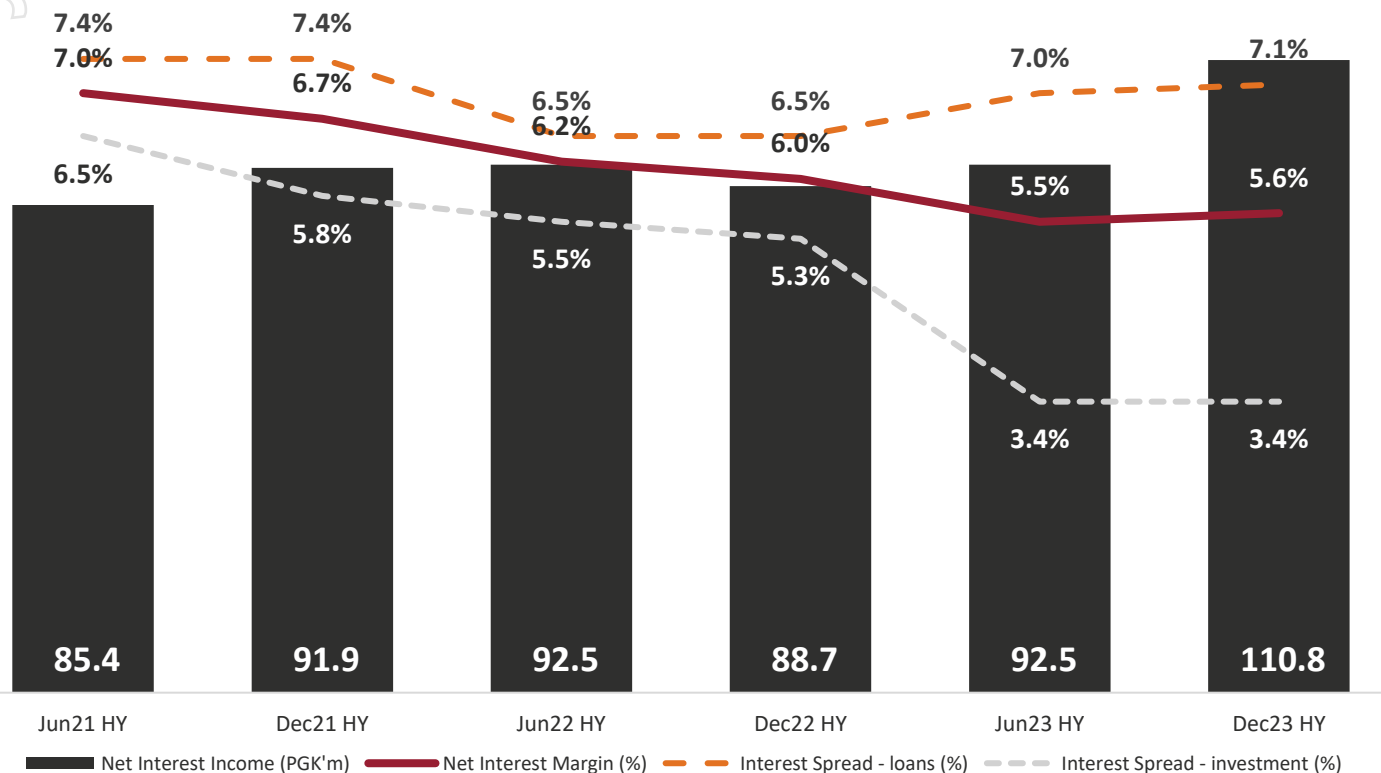


\*Other: Agriculture, Fishing, Forestry, Mining, Manufacturing, Utilities, Financial Intermediation

PGK'm

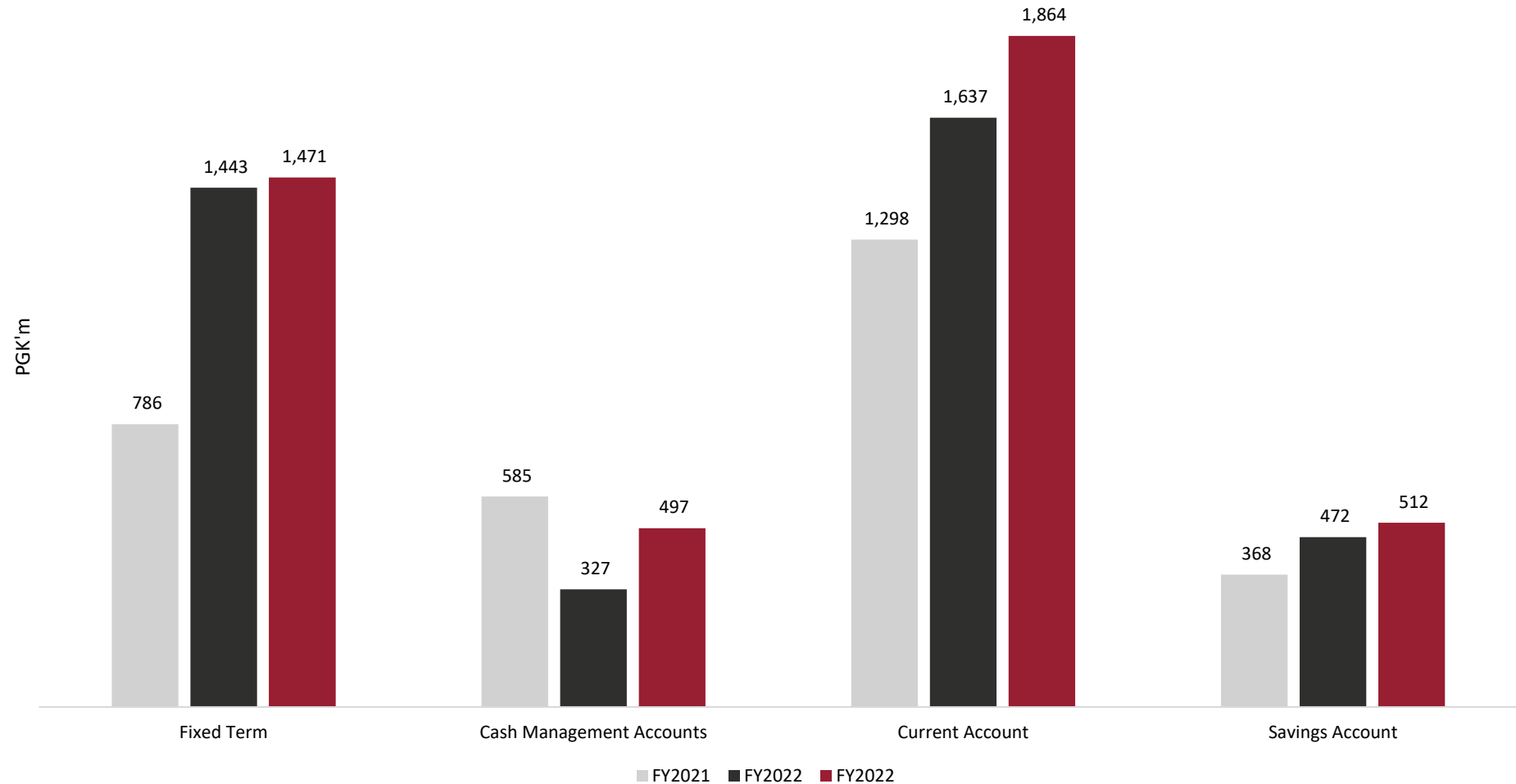


# Net Interest Margin.



- Net Interest Margin impacted by:
  - Lower yields on central bank treasury bills.
  - Strong growth in corporate wholesale deposits
  - Solid growth in commercial lending

# Deposit by products.



# 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.
- Restored 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.

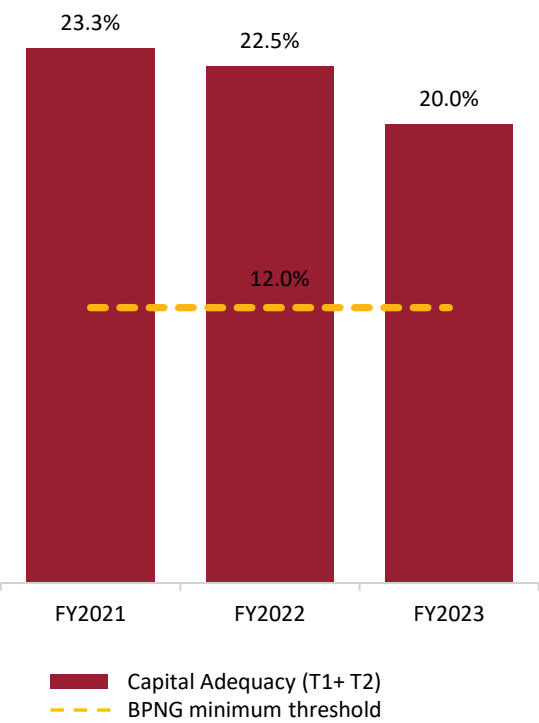


## Sustainable Communities

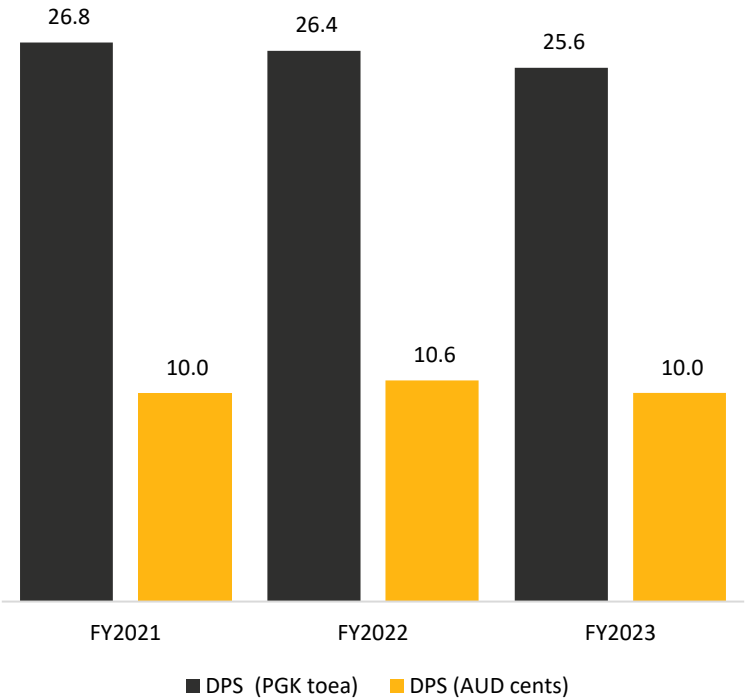
- Product Portfolio alignment with SME, Green loans and Agri.
- Provision of banking services for underserved segments and geographies in PNG.
- Review partnerships, with focus on right product and service for the right customers.

# Shareholder returns.

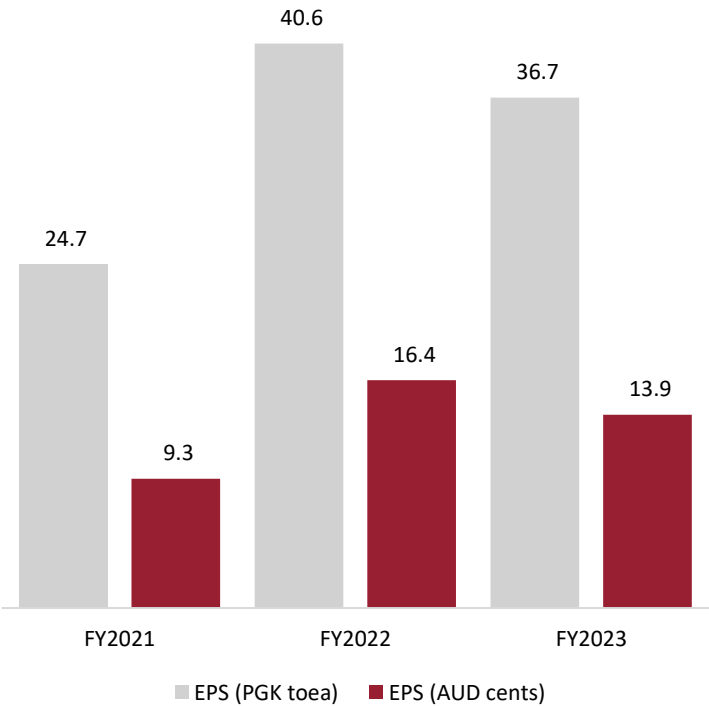
Capital Adequacy



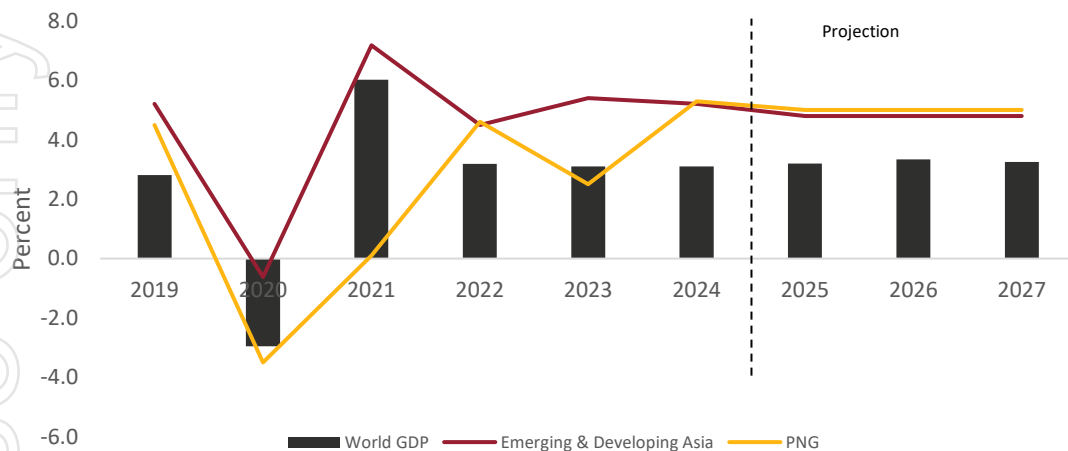
Dividend per share



Statutory Earnings per Share



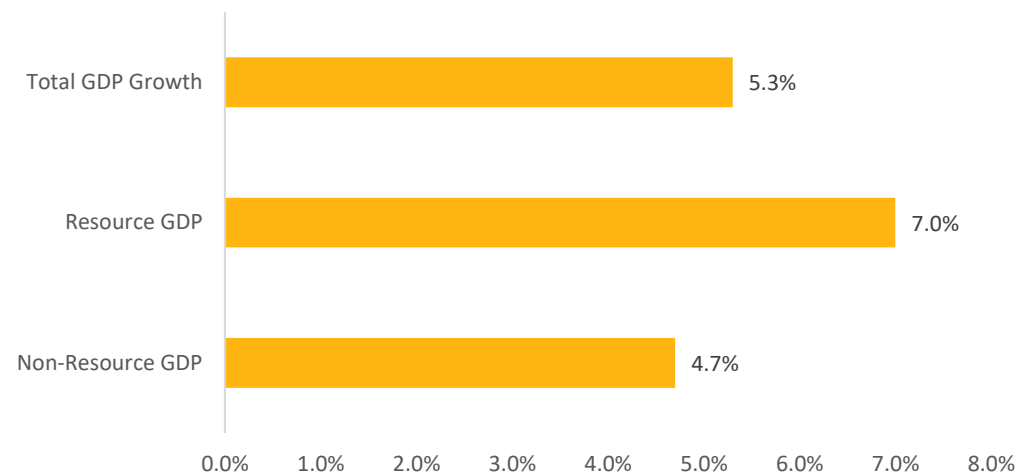
# Economic outlook.



## 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.

## 2024 Growth Forecasts



## 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.

# 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.
- KPMG commissioned to prepare submission on behalf of the PNG Banker's Association to PNG Treasury for a repeal of the corporate tax rate.

# Guidance.

- For the **Half year ending 30 June 2024**, Kina Bank expects to report NPAT in the range of PGK41.2m to PGK42.9m.
- For the **Full year ending 31 December 2024**, Kina Bank expects to report NPAT in the range of PGK109.5m to PGK111.2m.
- This guidance takes into account the customer fraud incident announced to the market on 18 June 2024. The pre-tax impact from this, assuming no recoveries, is expected to be a loss of PGK12m – PGK15m. On a post tax basis, this translates to PGK6.6m – PGK 8.3m.



**Thank you**