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ASX/PNGX – Announcement

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BY ELECTRONIC LODGEMENT

1H24 Results - Kina achieves solid growth in commercial loans and foreign exchange income.

- 21% increase in revenue compared to PCP.
- NPAT declined by 9% to PGK 42.2m, materially impacted by fraud loss provision of PGK 13.5m (pre-tax) and PGK 7.4m (post-tax) giving an underlying NPAT of PGK 49.6m (7% increase compared to PCP).
- Loan book growth of 12% to PGK 2.6b from Jun'23.
- Net Interest Income increased by 14% to PGK 111.6m, compared to PGK 98.1m in the PCP.
- Net fees and Commissions increased by 15% against PCP underpinned by the expansion of the Bank's digital channel.
- Half year dividend maintained at AUD 4.0 cents per share unfranked, PGK 10.6 toea (PGK 9.7 toea in the PCP).
- Cost to income increased from 56.2% to 64.8% compared to PCP. This increase was mainly due to the impact of the fraud loss provision, previously disclosed to market. Without the fraud loss provision, the cost to Income ratio was 58.9%.
- Kina's Funds Administration business recorded NPAT of PGK 4.9m, with revenue growth of 5% compared to PCP generated from improved value add services to superannuation clients.
- The Funds Management business grew by 14% in total funds under management (PGK 10.6b), maintaining Kina's market share in the sector.

Kina Securities Limited (ASX:KSL | PNGX:KSL) (Kina) has announced today a Net Profit after Tax of PGK 42.2m versus PCP at PGK 46.4m. The after-tax impact of the fraud loss provision was PGK 7.4m, giving an "underlying" NPAT of PGK 49.6m for the half year to 30 June 2024, a 7% increase compared to the PCP.

Kina's 1H24 results reflect continued revenue growth in commercial loans and foreign exchange income driving core business performance. Digital channel continues to generate increased fees and commission income.

The Board has declared an unfranked half year dividend for the 1H24 of AUD 4.0 cents per share/ PGK 10.6 toea per share, compared to AUD 4.0 cents per share / PGK 9.7 toea in the PCP.



Kina's CEO and Managing Director, Greg Pawson said the result demonstrates continued strong growth in digital channels and partnerships, with key drivers of growth coming from an increase in banking fees and commissions, coupled with a strong growth in lending.

"The NPAT for the first six months of this year reflects Kina's continued investment in digitisation, customer experience and business efficiencies while prudently maintaining expenditure."

Operating performance

Lending – *Net loan growth of 12%.*

Overall lending was up 12% on June 2023 volumes to PGK2.6bn. The growth of PGK279m has been achieved in Term Loans, Asset Financing and Home Loan portfolios driven by stronger business lending in the Commercial and regional areas along with Home Loan volume growth. The regional service model has gained momentum in the provinces along with the digital services being a product of choice. Wholesale and retail sector lending continues to be the largest industry concentration comprising 28.3% of the total loan book. Over the past six months, lending growth has benefited from an increased exposure to building and construction (increased by 7%) and personal banking (increased by 22%) which represents 26.7% of the total portfolio.

Deposits – *Deposit growth of 8%.*

Deposits grew by 8%, to PGK 4.5b. The growth in total funds is largely driven by Cash Management Accounts with total growth of PGK 290m, off-set by a decline in low-cost transaction accounts (Cheque and Savings Accounts) by PGK 4m. There was a marginal volume increase of 2% in Fixed Term deposits. Total customer acquisition was up 9% with an increase in customer onboarding and internet banking.

Funds Administration - *NPAT growth of 5%.*

Kina's Funds Administration business which continues to provide trusted administration services for superannuation recorded a NPAT of PGK 4.9m, with revenue growth of 5% compared to PCP generated from improved value add services to superannuation clients. The Funds Management business grew by 14% in total funds under management (PGK 10.6b), maintaining Kina's market share in the sector.

Operating expenses – *Internal controls tightened.*

Operating expenses were PGK 147.4m, a substantial 40% increase to PCP. As previously mentioned, KSL suffered a fraud loss which has now been quantified and provisioned at PGK 13.5m and was disclosed to the market separately. Without the fraud provision, operating expenses were PGK 133.9m, a 27% increase on PCP. Administrative expense increased by 31% attributed to Kina's continued investment in enhanced cybersecurity, and security costs in light of the January 2024 civil unrest as well as increased costs in card expenses to support an increased volume of activity in visa card transactions. Staff expenses increased by 24% as a result of planned investment in training and recruitment of skilled talent to ensure we are able to attract and retain the best people in the market. In respect of Administration and Staff costs, inflation, related to the gradual decline in the currency against the USD, has also contributed to higher base currency costs compared to prior periods. Depreciation expenses increased by 12% as the bank progressively invested into new products and partnerships that deliver on the 2025 strategic plan.

Delivering on 2025

Strategic plan – *Driving our strategic pillars to deliver prosperity for our communities.*

Kina continues to drive value from innovation in digital products and platforms, while progressively investing into new products and partnerships that deliver on our 2025 strategic plan, keeping Kina at the forefront of the evolution of PNG's financial services market. Some key initiatives to complement the strategic plan include:

- Kina's investment into a new corporate internet banking platform remains on track for delivery prior to the end of 2024, which will provide a significantly enhanced experience and functionality for all business segments.
- A second Digital Hub was launched in Port Moresby, providing improved accessibility through a hybrid in person and digital banking, cashless model.
- Following Kina's support for WLTH's acquisition of Mortgage Mart in 2023 through a convertible note (now making WLTH Australia's leading non-bank digital lender), Kina has commenced a program to leverage WLTH's expertise and technology solutions to improve end to end lending customer experience.
- Kokoda Track Foundation partnership was formalised this year to support KTF's Archer Leadership Program (ALP) and the Motu Koita FODE Program.
- Partnership with Litehaus International saw several schools receive computers and laptops supported through Kina Bank's funding.

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

"Looking ahead, Kina traditionally experiences strong growth in the second half of the year, and we see this pattern continuing in 2024 through realising benefits from investments and costs incurred in the first half, a strong business development pipeline, and with prudent risk management practices."

Investor Briefing: The KSL Investor Briefing is scheduled for Friday 30th August at 1:00pm (Port Moresby) via the following link [KSL 1H2024 Investor Call](#)

For further information:

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