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## ASX/PNGX | Announcement

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### Full-Year 2021 Results

Kina Securities Limited (Company No. 1-10989) (ARBN 606 168 594) (ASX:KSL|PNGX:KSL) (Kina or the Company) provides the following update on the Company's full year 2021 results, further to the guidance provided in the Company's Announcement dated 11 February 2022.

Kina has announced today an underlying NPAT of PGK 96.2m, an increase of 27%, with a statutory NPAT of PGK 70.8m. The statutory results were impacted by one-off costs associated with the termination of the Westpac acquisition.

The Board has declared an unfranked final dividend for the 2H21 of AUD 7.00 cents per share/ PGK 18.5 toea per share. The full year unfranked dividend is AUD 10.0 cents per share / PGK 26.8 toea per share. Kina's capital position remains strong with Total Capital adequacy of 23.3%, well above the regulatory target of 12%.

**Kina's CEO and Managing Director, Greg Pawson** said the results demonstrate our ability to grow organically, maintain costs and execute on strategic priorities.

"Throughout 2021, we have been focused on delivering strong growth in target segments, maintaining a disciplined approach to cost management and ensuring our communities remain safe in a pandemic. The implementation of our Corporate Banking strategy and response in developing digital solutions for our customers, has helped build a sustainable growth profile".

Kina achieved lending portfolio growth of 21% which resulted in Kina's market share increasing to 14.5%. The underlying cost to income ratio remained flat at 58%, demonstrating Kina's ability to deliver growth and maintain a strong cost discipline. This is a solid result given increased IT expenditure to support COVID related activities, a marketing refresh and continual investment in Digital capability.

### Performance

The key highlights are:

- Underlying NPAT increased by 27% to PGK 96.2m
- The Loan book delivered a 21% growth.
- Foreign Exchange (FX) revenue grew by 19%
- Net Fees and Commissions increased by 17% to PGK 89.3m
- The performance in non-interest income from fees and commissions and foreign exchange income contributed 18% to Kina's strong revenue growth
- Cost to income ratio (underlying) maintained at 58%
- Reduction in impairment cost to PGK 6.5m
- Kina's Funds Administration business achieved NPAT of PGK 10.1m, which reflects a 22% improvement.

## Delivering on 2025 Strategic plan

Strategic initiatives have progressed well. In FY21 the focus was on simplifying the business, building digital capability, creating a competitive Corporate bank and having a compelling home loan product and offer. Kina delivered:

- Digital capability across core banking which saw an uplift in Digital usage by 95%, year on year.
- Competitive deposit products such as fee free online banking helped deliver an 8% growth in Customer acquisition.
- Effective management of loan levels well within industry benchmarks.
- An expanded suite of products and services for SMEs including transaction accounts, concessional rate loans, online Banking enhancements, digital payments gateways and with future partnerships such as Xero integration planned.
- A refresh of the Brand and Marketing strategy including a new Website that will underpin customer acquisition in FY22.
- An improvement in Executive diversity, with women in 60% of first line management and level one senior managers roles.
- Financial inclusion through MiBank (microfinance partner) onboarding 66,829 new customers in 2021.

Throughout 2021, Kina focused on delivering growth in target segments to support sustainable revenue. One key area was Corporate Banking. A targeted approach to clients with secured lending and strong FX propositions resulted in the on-boarding of five new Large Corporate Clients, growing the portfolio by 26%. Adjacent products also benefited from this growth with FX revenues increasing by 19%.

## Banking

For the Banking division, strong growth in Lending was achieved with an increase of 21%. Total Loans and advances increased to PGK 1,950.5m. Kina improved market share in total loans and advances by 2% to 15%, ahead of Westpac and ANZ, positioning Kina as the second largest Bank by loans and advances in PNG. The Corporate portfolio performed well with an increase due to the on-boarding of key corporate customers.

The Bank has grown its deposit base by 19% with a 23% uplift in at call accounts. The improvement in On Call accounts is attributed to growth in net customers by 8%.

NIM reflects a mix of increased lending to the corporate sector, strong deposit growth to maintain the loan to deposit ratio at less than 70%, and our strategy to grow FX revenues with the resources sector. While interest earning assets saw a 20% increase over the prior year, 69% of this growth was recorded in the second half. We expect NIM to normalise in the first half of 2022, well within the target range of 6-8%. The impact on NIM is offset by a strong performance in non-interest income which includes FX revenues and channel fees. Overall, fee income increased to PGK 57mn, a 24% increase. The largest contributor was Merchant facilities fees achieving strong growth from the increased distribution of Point of Sale terminals.

## Funds Under Administration

Another positive year for Kina Funds Administration with NPAT of PGK 10.1m, a 22% improvement on the prior year. This is due to an increase in Funds under administration and growth in the membership base.

## Strategy and Outlook

Kina's purpose is to constantly improve the prosperity of the people, communities, and markets that we serve. We will do this by being the most dynamic, progressive, and accessible financial services organization in the Pan Pacific region - proudly domiciled in Papua New Guinea.

To deliver on our purpose our priorities in 2022 include:

- Digital partnership platforms which will include e-KYC onboarding, payment system and Digital Wallets,
- Deliver propositions to target segments, Prime (Home Loan), Private Bank (High Net Worth) and Prime Plus (Employee referral program),
- Develop and implement an ESG framework and renew Kina's commitment to our micro finance partner MiBank and;
- Selectively build the Brand into regional areas with the greatest growth opportunities.

The BPNG's outlook for economic growth is positive, with forecast GDP real growth of 5.4% driven by an increase in the mining sector. Commodities such as coffee and palm oil are forecast to grow, supporting Kina's Corporate proposition and target segments.

COVID-19 continues to present a systemic risk for PNG with low vaccination rates. In order to support our customers, communities and staff, we will drive to deliver a more accessible and inclusive financial services business. This will include the implementation of key digital programs to ensure our customers can bank anywhere, anytime.

Mr. Pawson said in 2021 our customer growth, Brand recognition and commitment to our communities has established the Group as a leading diversified financial services company in PNG.

"2021 was the start of our growth agenda. We have a strategic plan that sets out our opportunities to grow sustainable revenues and build on our digital capabilities and partnerships. Leveraging our assets and our people across financial services in the Pan pacific region, backs our vision to deliver value for all our stakeholders".

Investor Briefing: The KSL Investor briefing will be on Tuesday 1 March at 10am (AEDT)/9am (Port Moresby) via the following link - <https://s1.c-conf.com/diamondpass/10020151-wys6hr.html>

*For further information:*

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*This Announcement was authorised for release by Kina Securities Limited's Board of Directors.*