

28 February 2022

ASX/PNGX | Announcement

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Papua New Guinea

BY ELECTRONIC LODGEMENT

FY2021 Results - Investor Presentation

Please find attached for release to the market, Kina Securities Limited's (ASX:KSL | PNGX:KSL) *FY2021 Results Investor Presentation*.

ENDS

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

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Kina Securities Limited

**Financial year results for the full year
ended December 2021**

February 2022

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Overview.

Organic growth momentum

Underlying NPAT up 27%

Lending up 21%, Deposits up 19%

Flat expense base

Underlying Cost to Income 58%

Diversified Revenue growth

FX revenue up 19%

Customer Acquisition

Net Customer growth 8%

Corporate Banking growth

Shareholder returns

Dividend payout ratio well supported by strong balance sheet despite Westpac transaction costs

Dividend payout ratio 80% of underlying NPAT



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Our Strategy.

Purpose

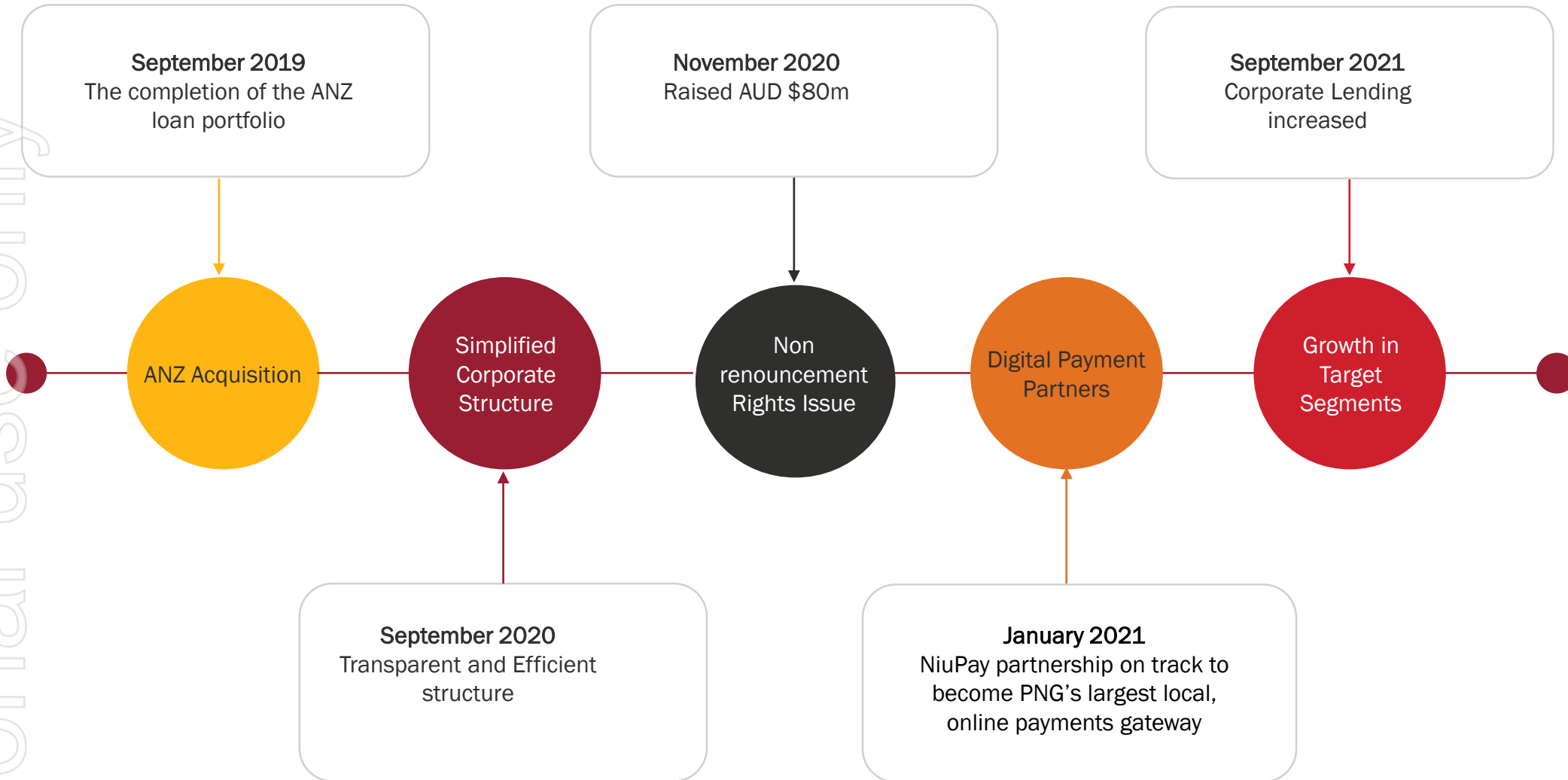
- To constantly improve the prosperity of the people, communities and markets that we serve

Vision

- The most dynamic, progressive and accessible financial services organisation in the Pan Pacific region, proudly domiciled in Papua New Guinea

Priorities

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

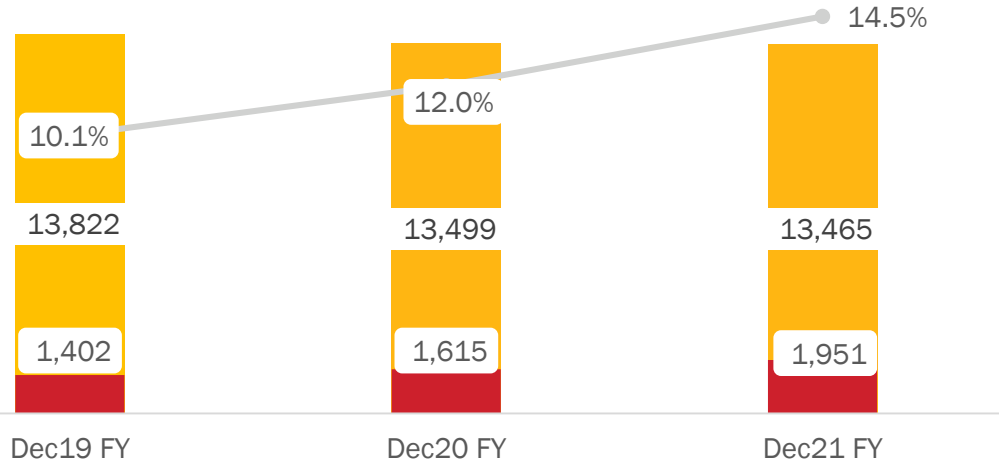


Non-financial Highlights.

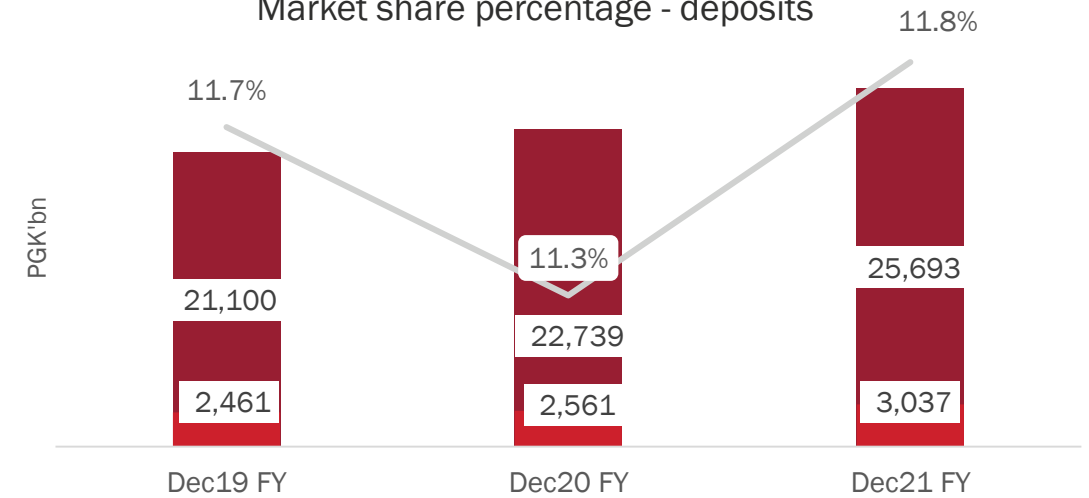
- Brand and marketing refresh include key leadership appointments. Implemented a new best in class website with capabilities for digital on-boarding and integration into full suite of digital marketing services
- e-KYC program of work on track. MVP delivered and at scale execution expected for 2022
- Digital channels and partnerships revenue growth increased by 65%. Uplift in point-of-sale merchant payments, scaling of online payments gateway via partnership with NiuPay, and e-commerce payments for SMEs
- An expanded suite of products and services for SMEs including transaction accounts, concessional rate loans, online banking enhancements, digital payment gateway services, and future digital partnerships such as Xero integration planned.
- MVP delivered for Banking & Superannuation single view, the first of several digital enhancements that will unlock the value of Funds Administration for the Group.
- Next phase culture program delivered including leadership training, integration of company values into performance management system and employee engagement uplift
- 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. MiBank now has 432,810 customers with 40% of these customers active.

Gaining market share – 2nd largest PNG Bank in lending

Market share percentage - lending

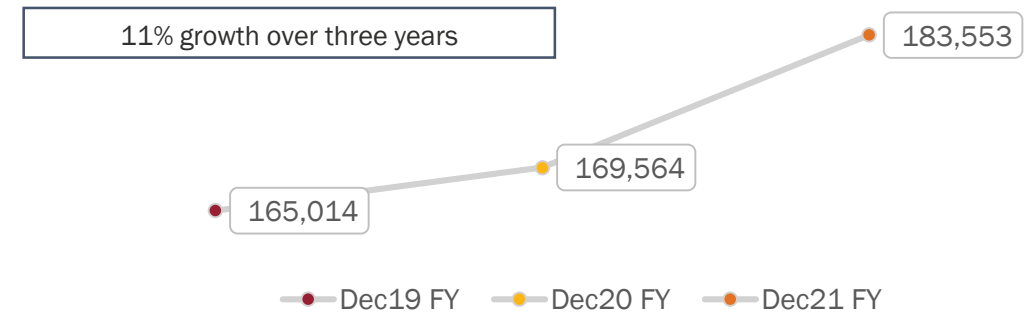


Market share percentage - deposits



PGK'bn
■ Total System Lending (Source BPNG) ■ Kina Loan Book —●— Kina Lending Market Share ■ Total System Deposit (Source BPNG) ■ Kina Deposit Book —●— Kina Deposit Market Share

Customer number growth



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Financial Results.



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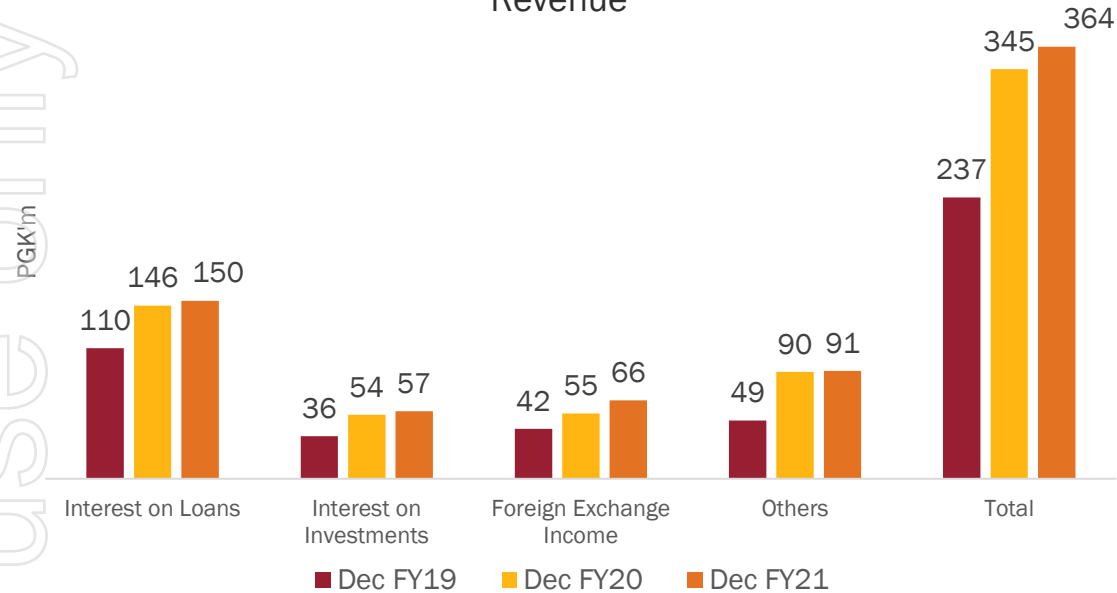
Financial Highlights.

	Full Year Ended		
	Dec-21	Dec-20	%
Underlying NPAT (PGK m)	96.0	76.0	27
Statutory NPAT (PGK m)	70.8	76.0	(7)
Revenue (PGK m)	334.4	314.8	6
Cost to Income ratio (%) underlying	58.1	58.1	0
Net interest margin	6.7	7.5	(11)
Net loans and advances (PGK m)	1,950.5	1,614.7	21
Ordinary Dividend (AUD cents)	10.0	10.0	0
Payout ratio (underlying NPAT)	80%	87%	(8)
Total Capital adequacy (%)	23.3	25.4	(8)

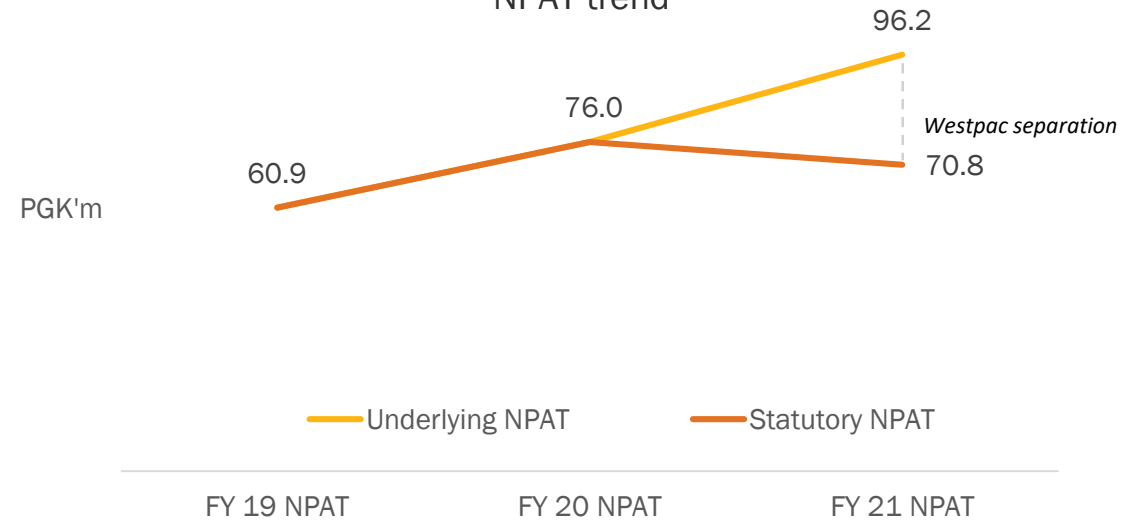
- Underlying NPAT increased by 27% to PGK 96.2m
- Statutory NPAT PGK 70.8m
- The Loan book grew by 21%
- FX revenue growth of 19%
- Reduction in impairment cost to PGK 6.5m
- Funds Administration business achieved NPAT growth of 22%

Strong underlying NPAT growth

Revenue



NPAT trend



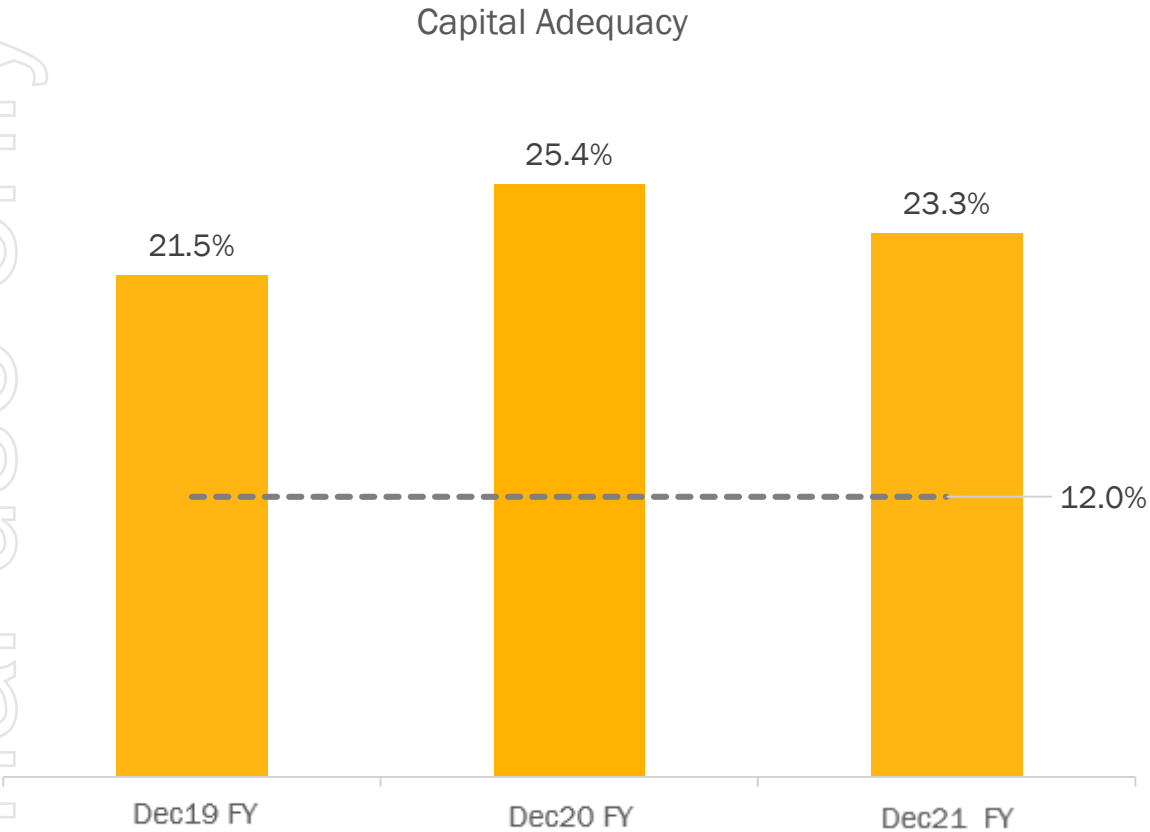
- Foreign Exchange (FX) revenue grew by 19% supported by inflows from new to business commodity exporters on-boarded during the year
- Net Fees and Commissions increased by 17% to PGK 89.3m due to the build out of the Kina's channel network

- Organic growth and digital expansion resulted in an increase of 65% in digital revenue and channel fees
- Strong performance in non-interest income from fees and commissions and foreign exchange income, increased 18%

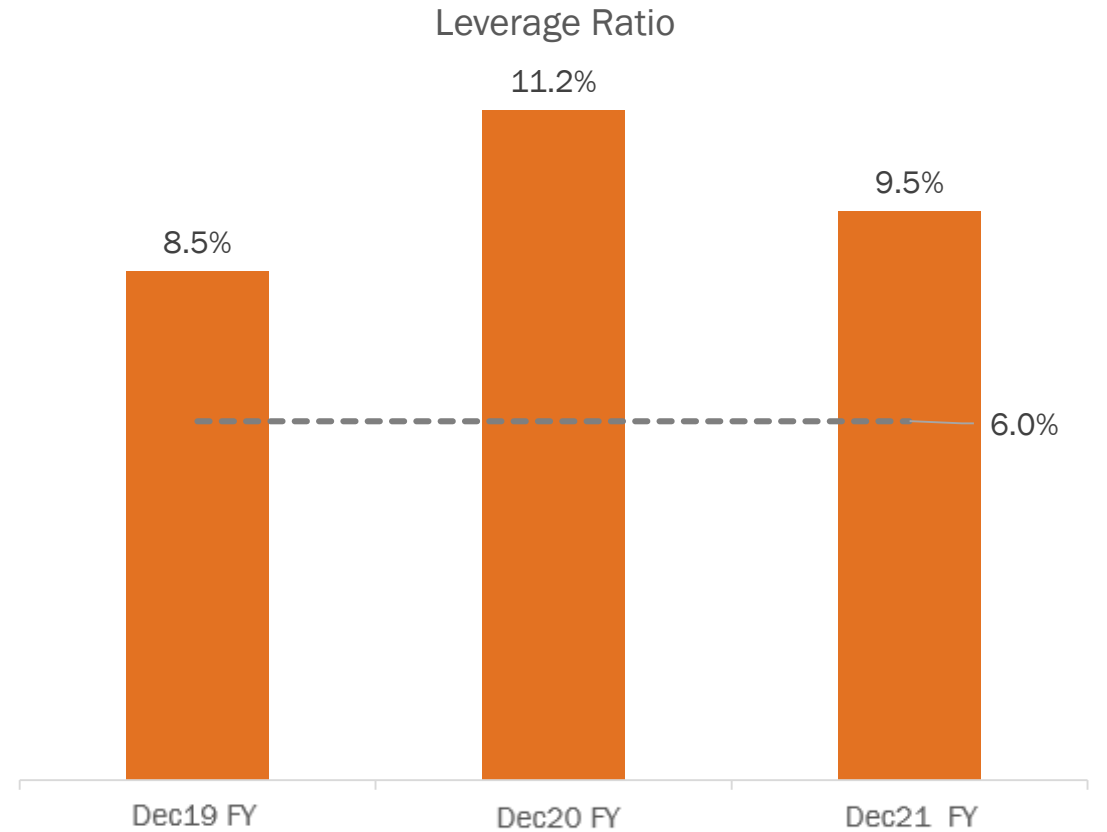
Capital Management



Capital Adequacy



Leverage Ratio



■ Capital Adequacy: T1 + T2 - - - BPNG minimum total risk based capital

■ Leverage Ratio - - - BPNG minimum leverage ratio

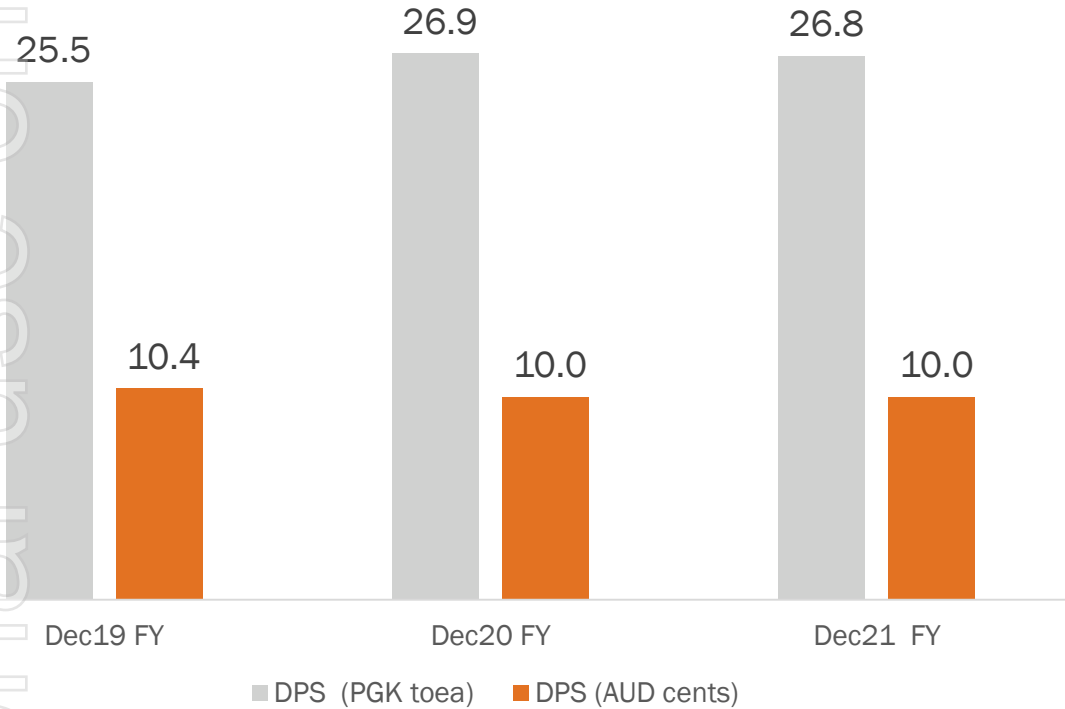
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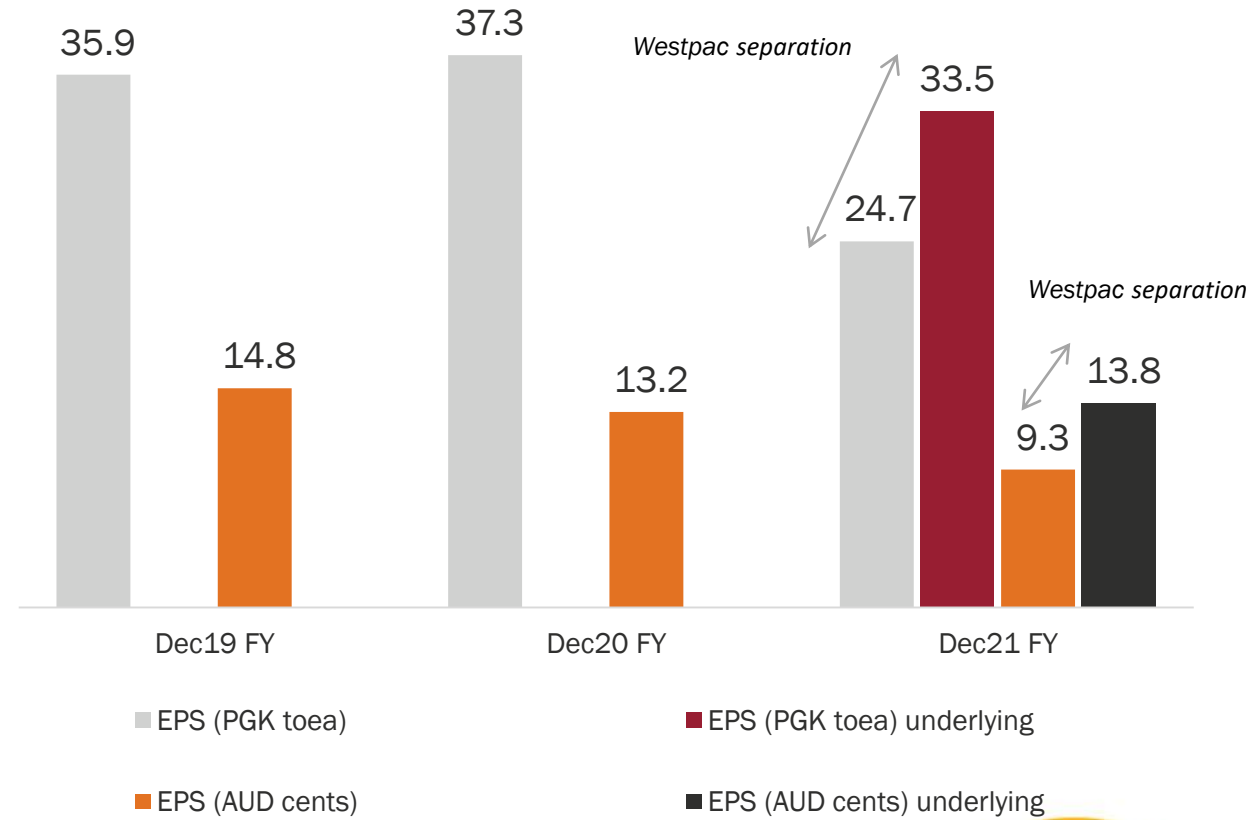
Shareholder Returns



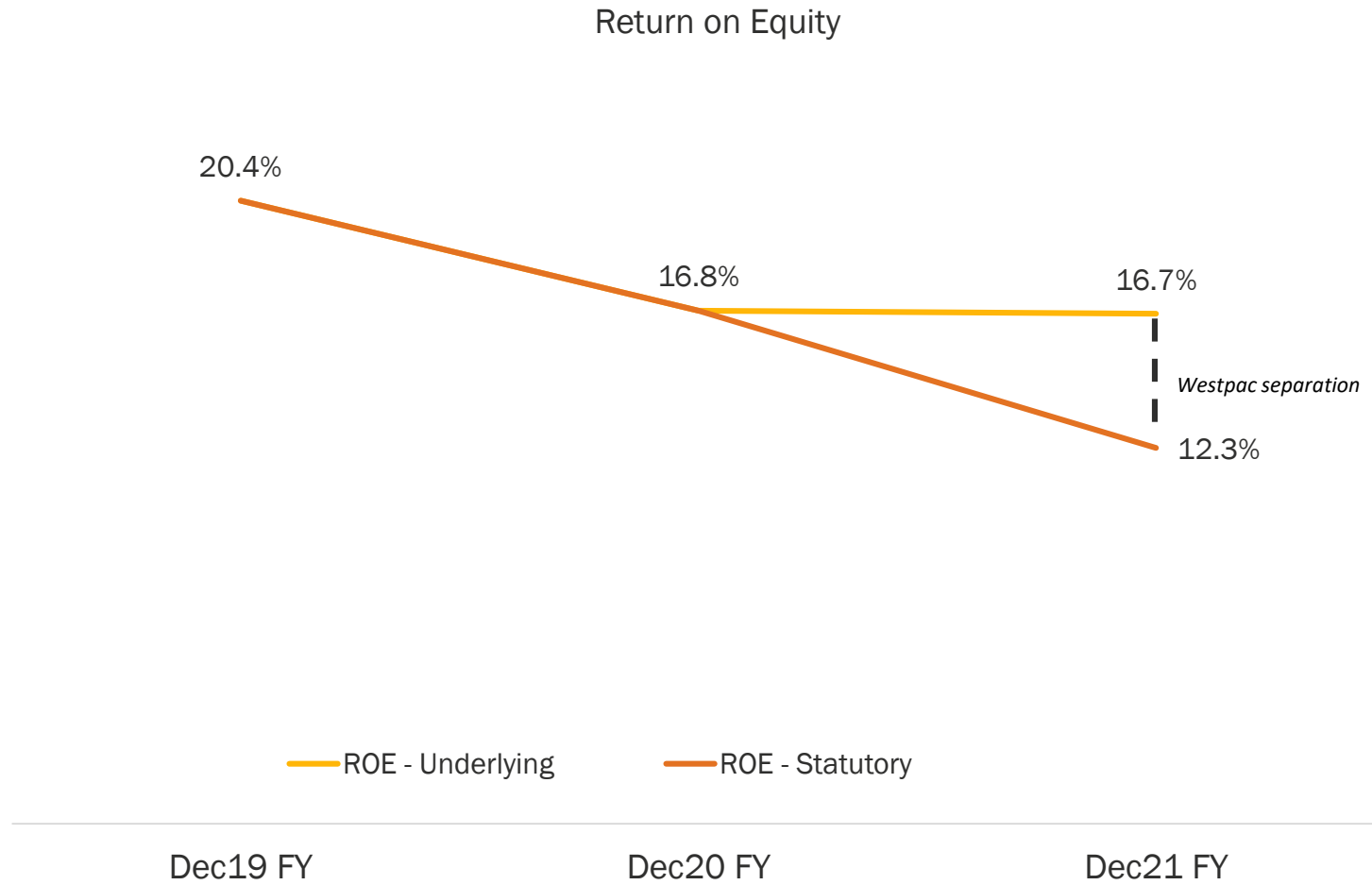
Dividend per Share



Earnings per share



Underlying ROE remains stable

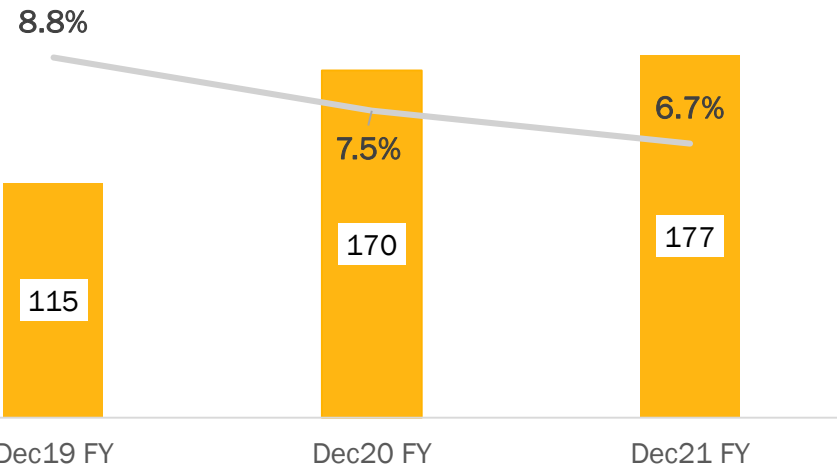


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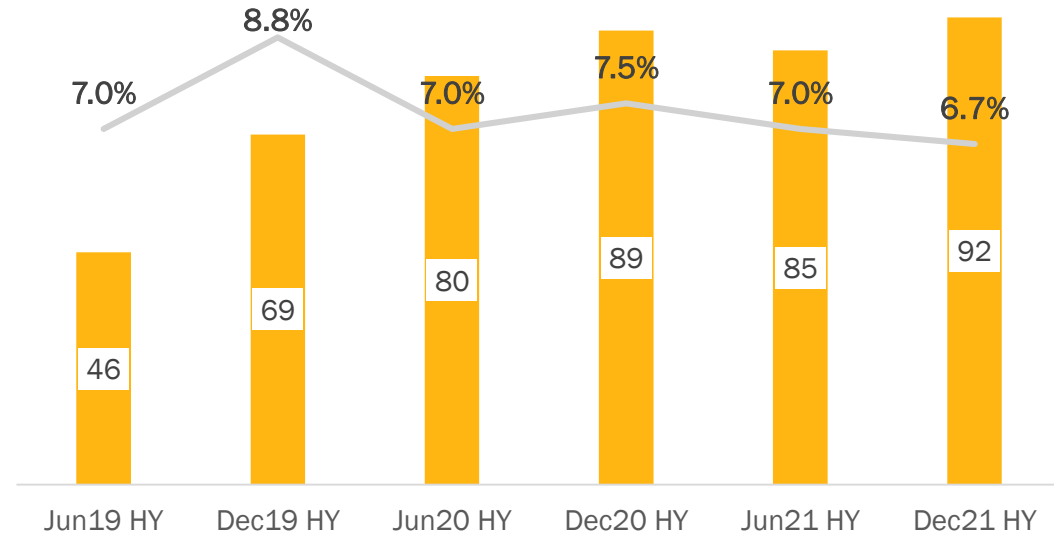


Net Interest Margin

NIM – Full year



NIM – Half on half

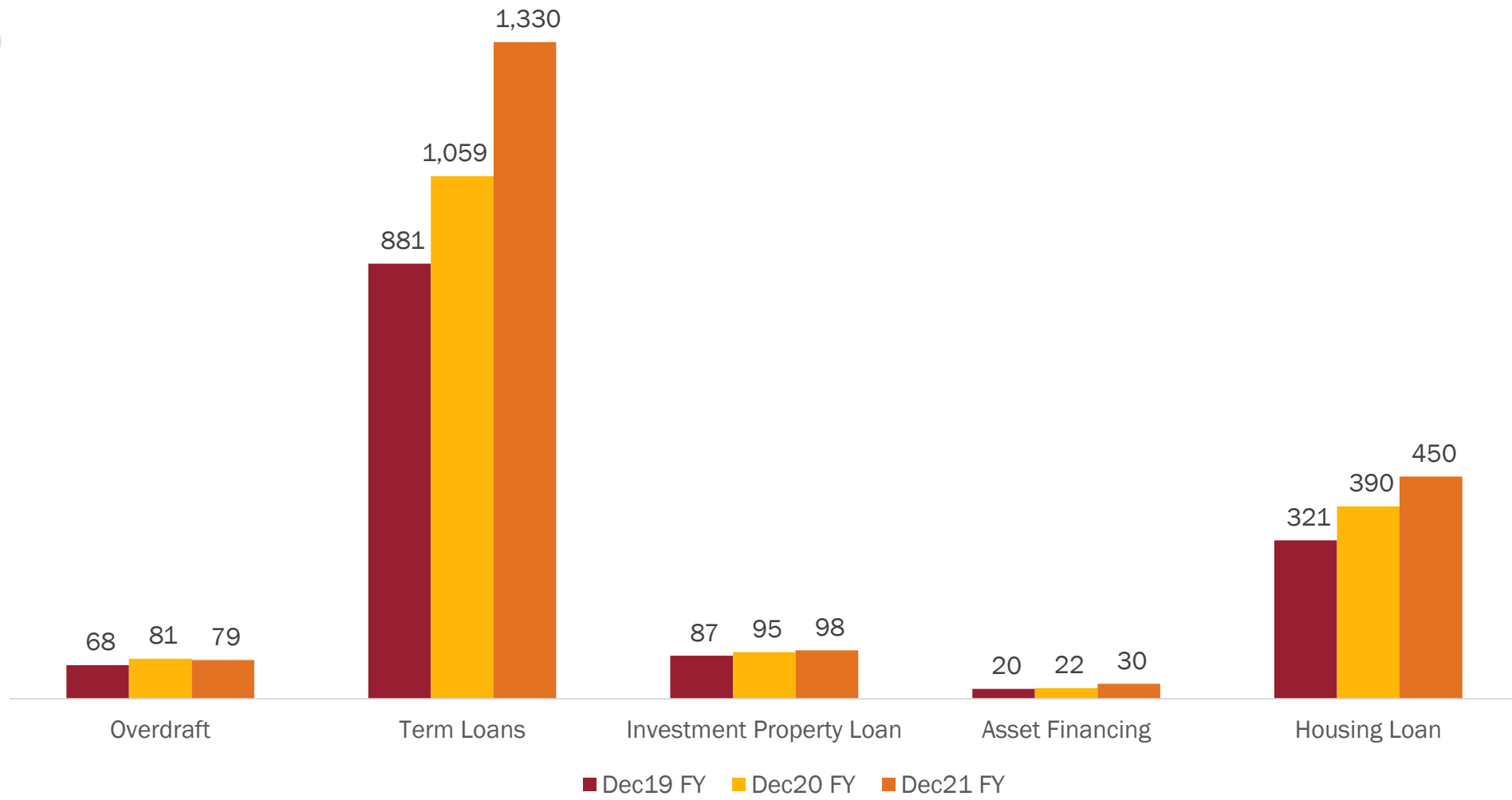


Net Interest Income (PGK'm) Net Interest Margin (%)

Net Interest Income (PGK'm) Net Interest Margin (%)

- 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.
- 69% of loan growth was recorded in the second half
- 24% growth in On Call deposits

Lending Portfolio



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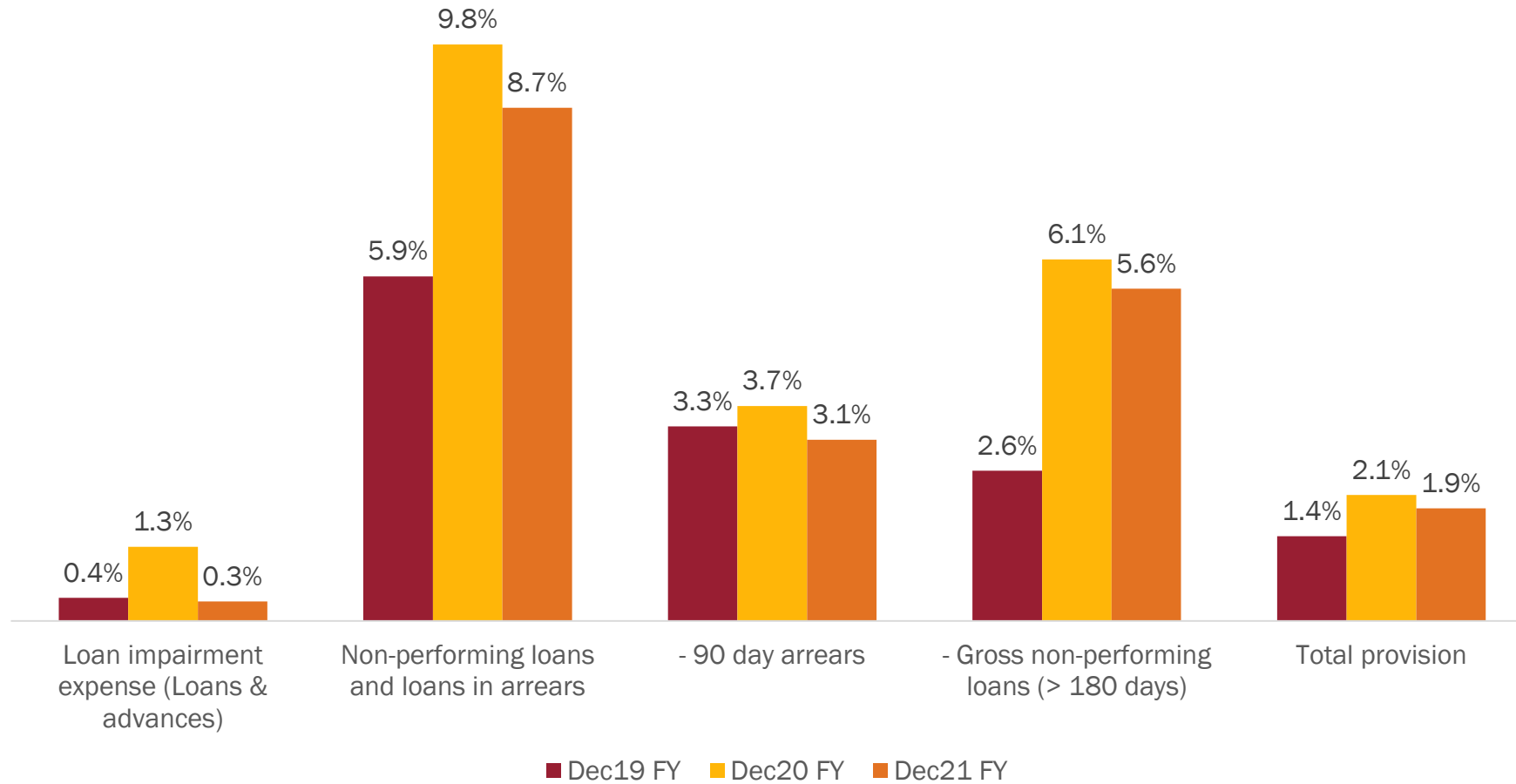


Asset Quality

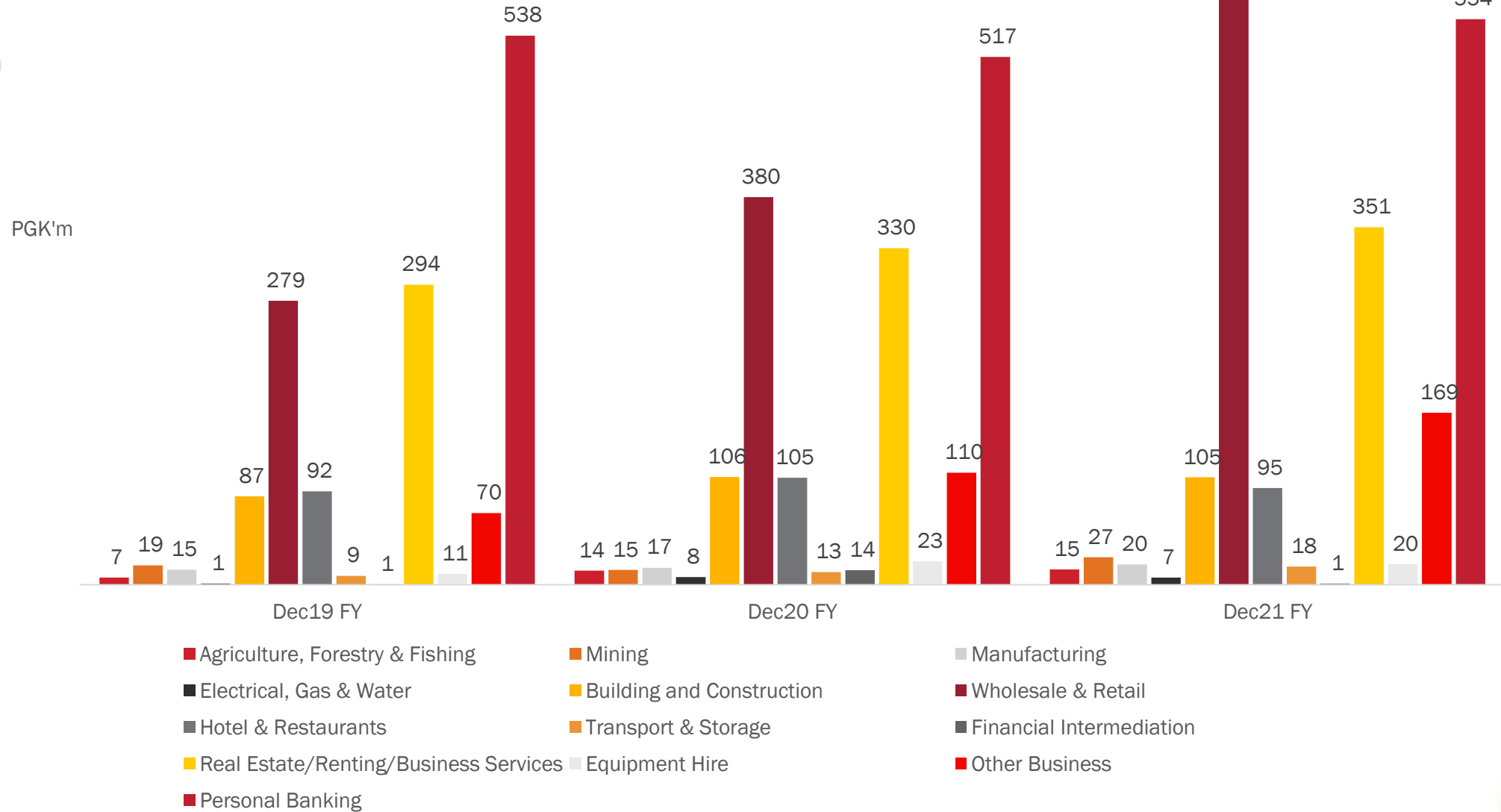
Gross Loans and Advances



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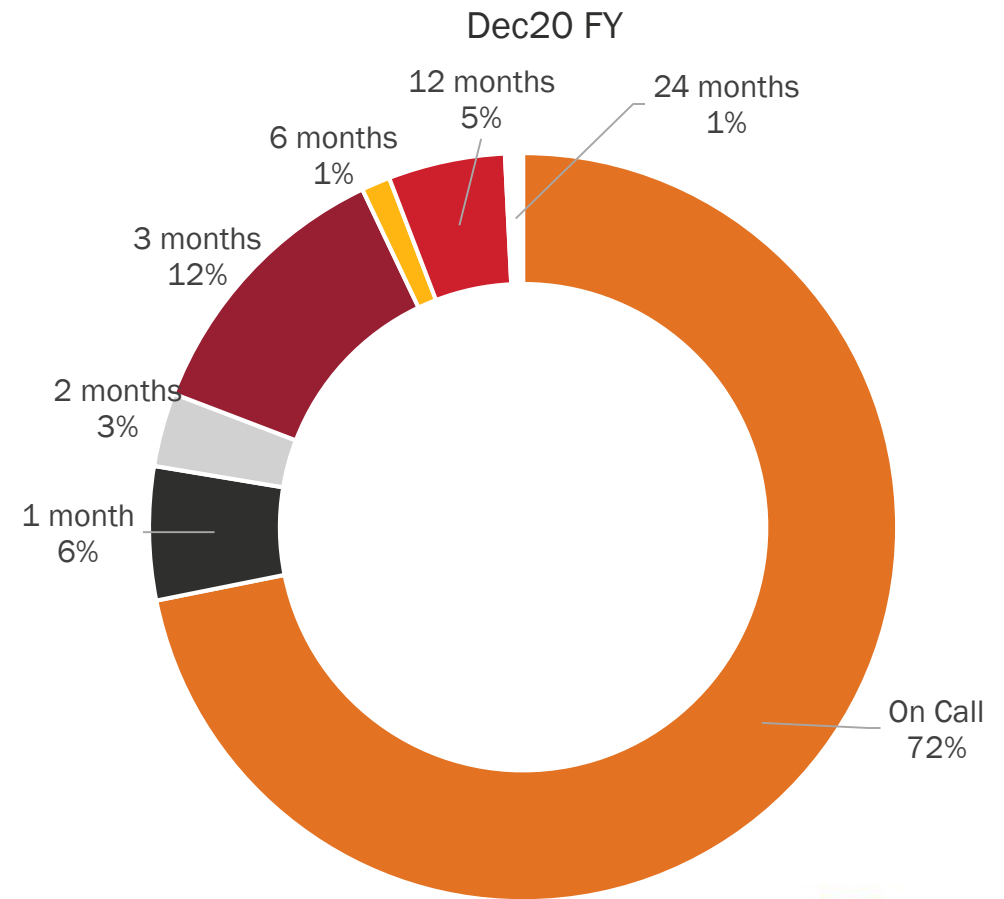
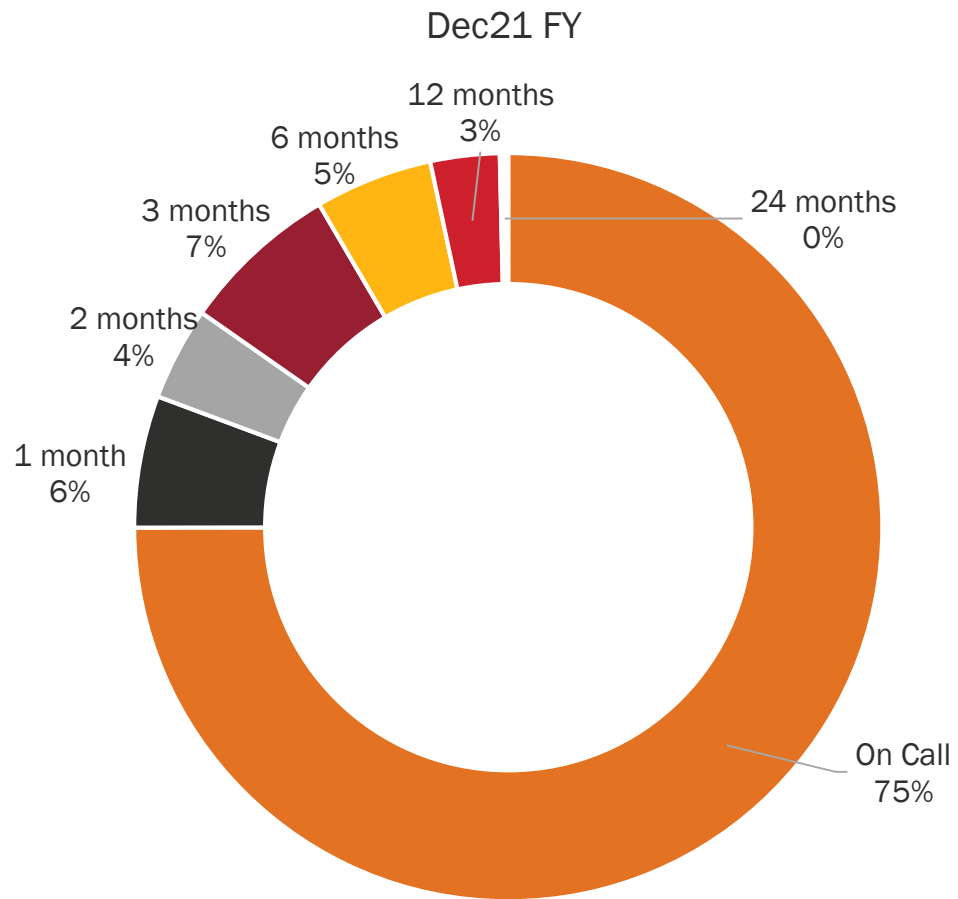
Loan Portfolio



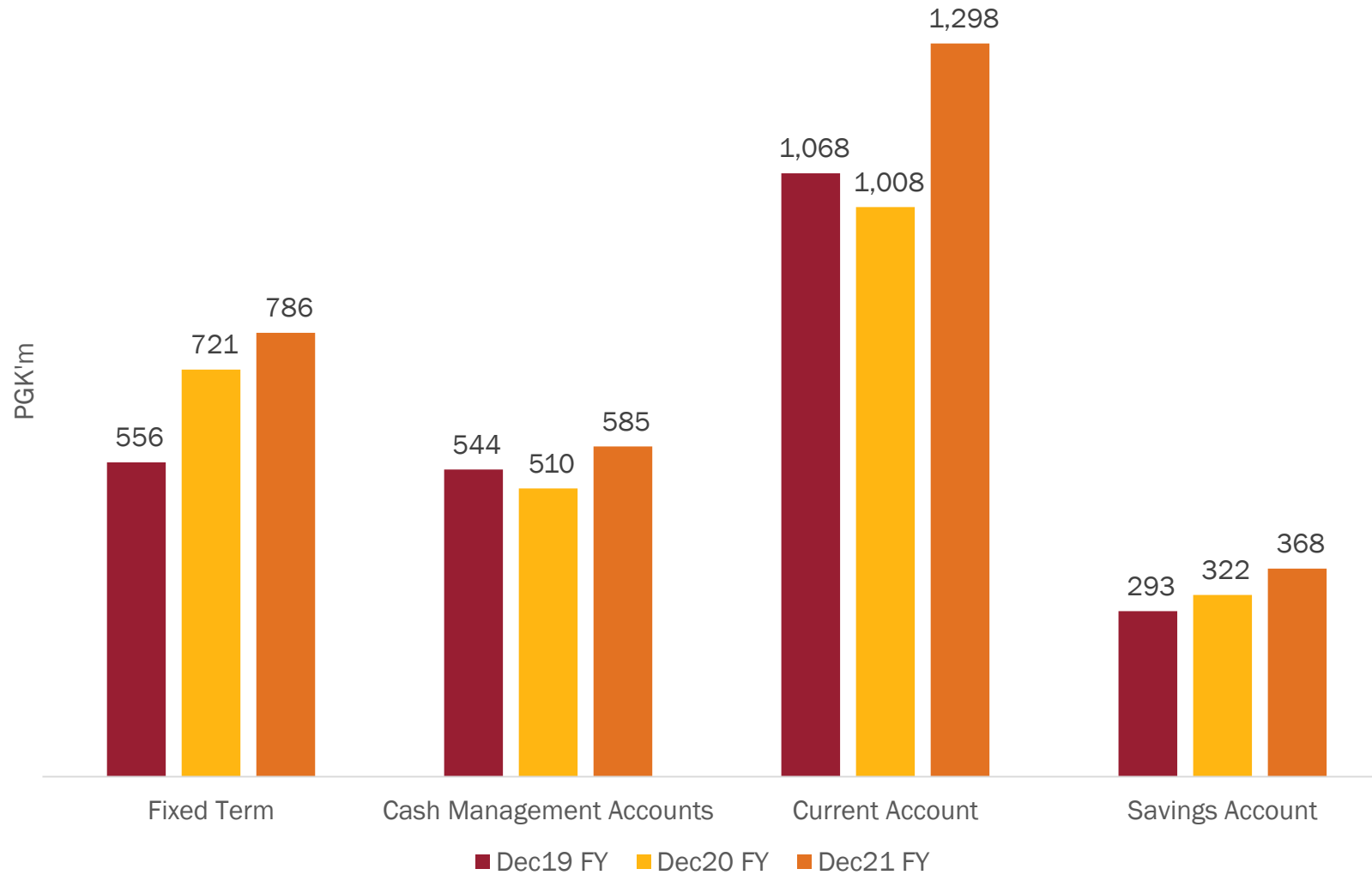
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Deposits Tenure



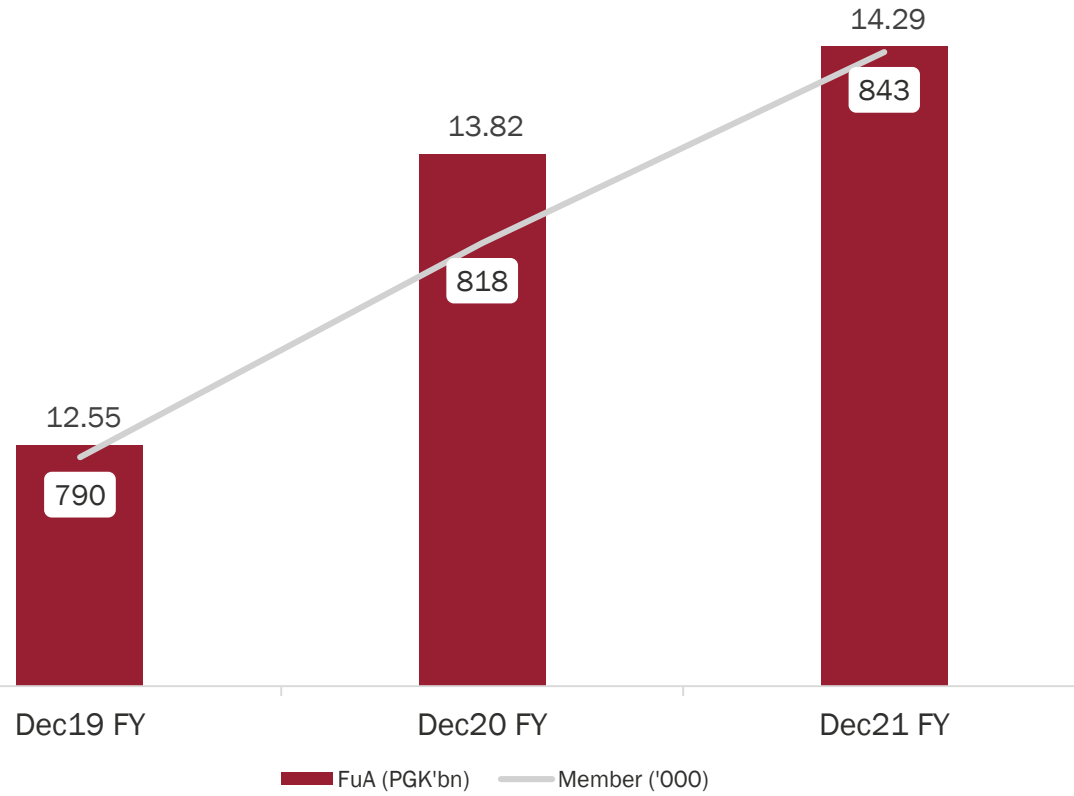
Deposits Portfolio



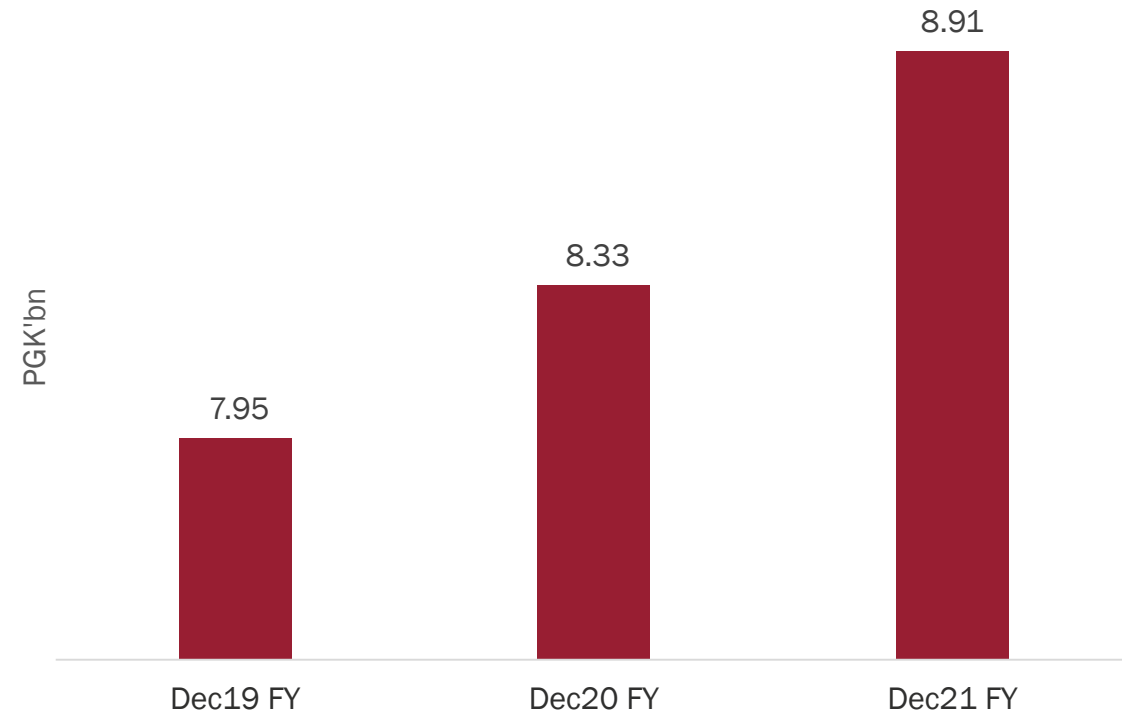
Kina Wealth



Funds under administration



Funds under management



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Outlook.



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PNG Economy.

5.4% Real Growth forecasted in 2022



Source: 2022 National Budget

PNG's growth prospects in line with regional recovery from COVID-19



Source: ADB. 2021. Asian Development Outlook 2021

- PNG economy on the road to **recovery** with forecasted **5.4% real growth** in 2022
- **Solid rebound** in 2021 post COVID-19 contraction in 2020
- Economy has performed solidly relative to peers in East Asia and the Pacific.

Recovery expected to continue in 2022

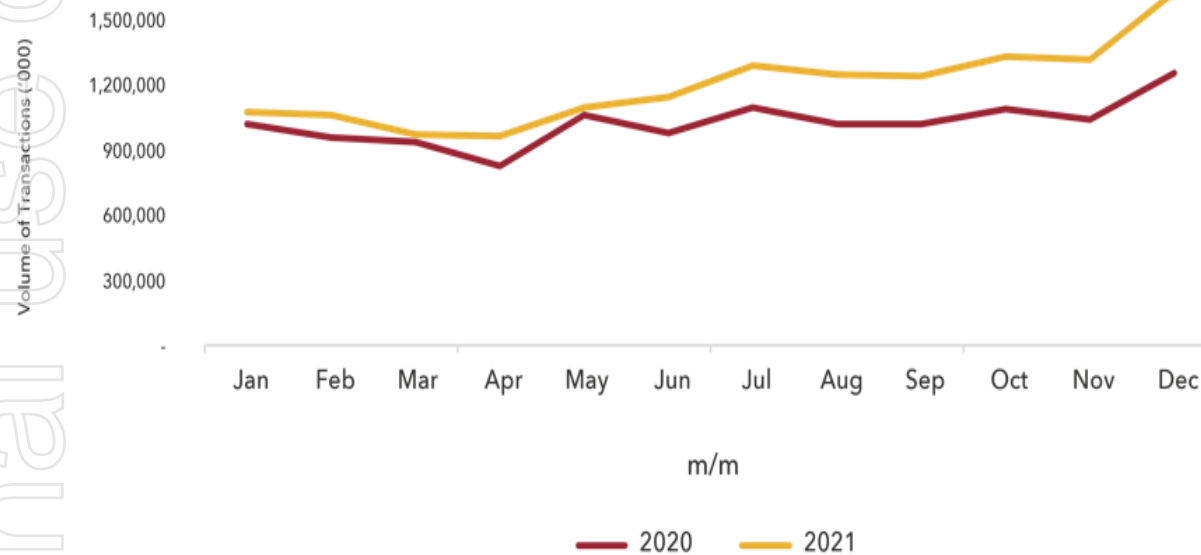
- Recommencement of **Porgera Mine** with Barrick Gold
 - Est. US\$1.5b FDI to re-mobilise
- Final Investment Decision for **Wafi-Golpu** with Newcrest
 - Est. US\$3.5b construction phase, 5-7 years
- Total-led Papua LNG project
 - Negotiations on-going
- Strong **commodity export prices** forecast in 2022
 - Oil
 - Copper
 - Coffee
 - Palm Oil.

Interest from Australian Companies

- Fortescue Future Industries
 - Hydropower and Geothermal projects
- Santos acquisition of Oil Search
 - Santos becomes largest project partner for Exxon-Mobil operated PNG LNG project
- Telstra acquisition of Digicel.

2022 Outlook

Bank Card Transactions between 2020 and 2021



Source: ADB, Bank of Papua New Guinea

National Elections set to drive retail activity growth

- Bank Card usage rate up 17% from 2020 > 2021
- Jan '22 highest on record with 27% increase y/y.

Risks

- Inflation forecast at 5.6%
- Global supply-chain bottlenecks
- Imported inflationary pressures
- Fixed Exchange Rate regime.

Priorities.

Strategic initiatives for FY22



Growth & Prosperity

Grow in defined segments Private Banking and SME.
Monitor opportunities in Pan Pacific region

Building resilience

A strong company, well capitalised, improving
Risk Maturity

Service Excellence

Digital transformations including API middle ware layer,
payments platforms and e-KYC

Dynamic People

Investment in Leadership and embedding values

Sustainable Communities

Development and implementation of Kina's ESG program
Grow MiBank (Microfinance partner) value chain

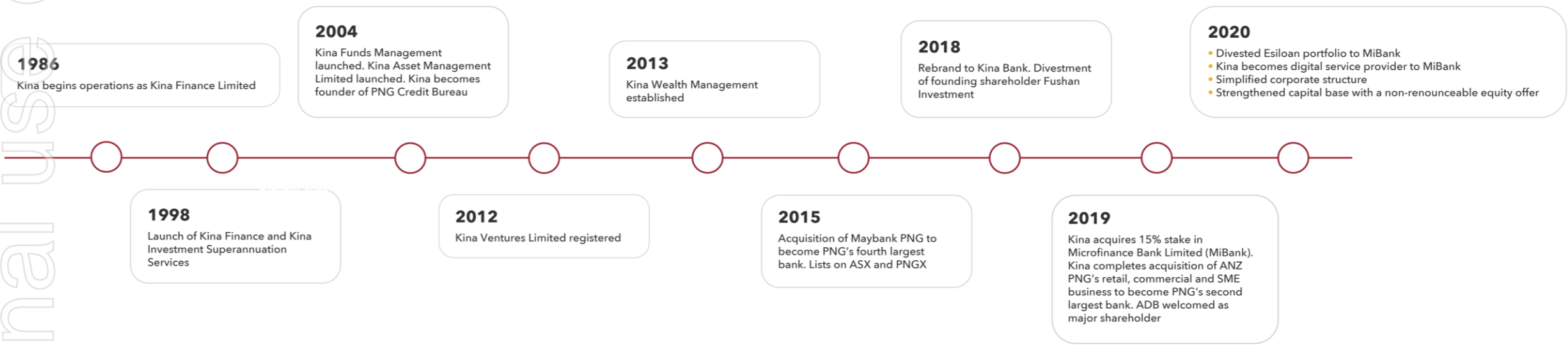
Corporate Structure.



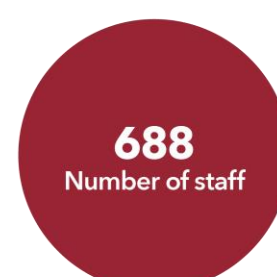
About Kina Bank.

To be the most dynamic, progressive and accessible financial services company in Papua New Guinea.

Key dates



Key Statistics for 2021.



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Locations.



Adopting a master brand strategy to target key market segments.

Personal

- Savings accounts
- Transaction accounts
- Online banking
- Mobile banking
- Lending

Digitally Enabled
Middle Class

SME

- Transaction accounts
- Lending
- Digital banking
- EFTPOS
- IPG
- Xero Bank Feeds (Coming 2022)

SME

Private Bank (To launch 2022)

- Advisor services
- Stockbroking
- Specialised banking products

High net worth individuals

Corporate

- Treasury services
- Foreign currency notes
- Telegraphic transfers
- Kina wealth management

Corporate sector



KISS/KFM

- Superannuation + Investment fund administration (KISS)
- Market + Investment Analysis (KFM)

PNG Super Funds

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MiBank is the Group brand for Financial Inclusion.



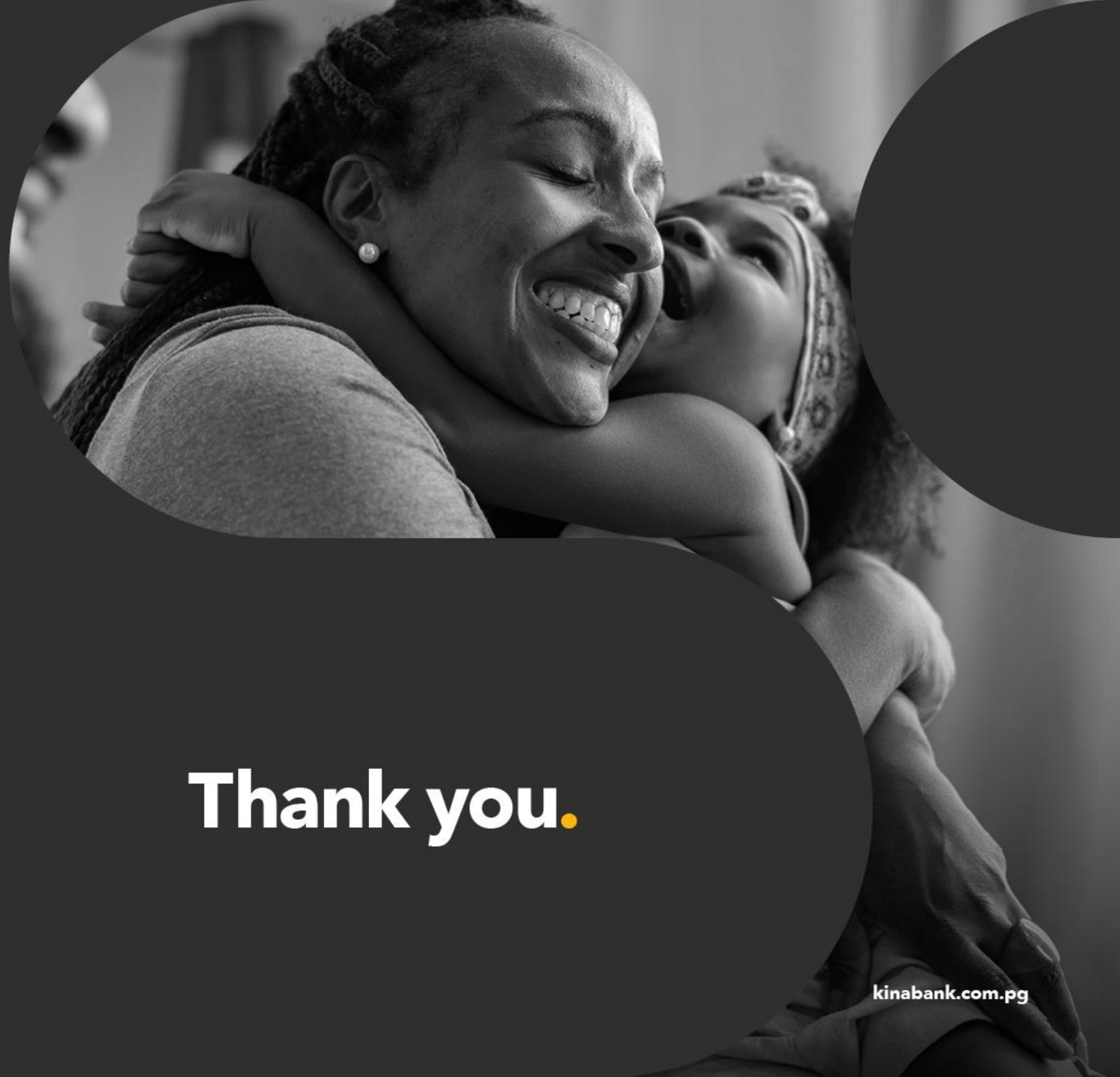
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Thank you.

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