

Kina Securities Ltd 2017 Annual General Meeting
Level 6, PwC Haus, Habourcity, Port Moresby

CEO & Managing Directors Presentation

TUESDAY, 16 MAY 2017

Thank you Sir Rabbie and good morning all.

As you have heard from our Chairman, it has been a fairly eventful start to the new financial year for Kina.

Today, I will outline our key achievements during FY16 and so far during FY17 before providing some insights into our outlook and priorities for the remainder of the year and for the longer term.

Results FY16

First I would like to turn to our FY16 result to provide the highlights of the year.

Our lending book grew by 62%, to PGK605 million at the end of 2016.

The rapid growth was predominantly achieved in the business lending segment, with term loans increasing from PGK197 million to PGK416 million over the period. While there are signs of competitor activity leading to some reductions in lending rates, Kina's focus remains on delivering service rather than competing solely on price.

In Personal Banking, the EsiLoan consumer lending product showed strong growth during the year. EsiLoan was relaunched at the beginning of the year with increased marketing and promotional activities and enhanced access to the product.

We also worked with a number of corporate customers to increase penetration of the EsiLoan product.

At the 2016 year end, deposits totalled PGK958 million, which was an increase of 40% compared with the previous year.

During the year, Kina grew the number of term deposits accounts by 46%, while savings account numbers increased by 35% and cheque account numbers were up by 11%.

In addition, competitive rates were set on traditional products in response to market movements in rates, and a number of high-value corporate customers were acquired as a result of these marketing initiatives.

The Wealth Management business also achieved some exciting advancements during the year.

Wealth Management income totalled PGK18.5 million. This included income of PGK8.5 million from Funds Administration, PGK8.7 million

from Funds Management, and PGK1.3 million from share trading and other operations.

Funds under Management increased 14% over the year to PGK6.2 billion, due to growth in member contributions, as well as positive investment returns. Funds under Administration increased by 16% to PGK5.6 billion, and member numbers increased by 5.4% to 170,000 during the year.

FY17

I would now like to provide some detail on some of the key developments for Kina so far in FY17.

Loan growth

Loan growth continued increasing by 10% to April 2017. Loan quality also remains strong with loan impairment expense low at 0.15% and total arrears at 4.3%.

Kina has launched a new housing loan product which aims to leverage the relationships in the Wealth business. During the year to April 2017, Kina has issued 112 new housing loans at an average size of K200,000 per loan.

Through its new funds administration mandate with Nasfund, Kina is now able to leverage relationships with all three major PNG superannuation funds including Nasfund, Nambawan Super and Comrade Trustees Services. This provides exciting opportunities to offer targeted banking and wealth management products to a customer base in excess of 700,000 superannuation fund members.

The Company has also rebranded and relaunched its asset financing product, with 25 new facilities at an average of K146,000 per facility over the two months since its launch.

New Vision City branch

We continue to contribute to Bank of PNG's Financial Inclusion program by investing in facilities to increase the reach of banking services to PNG customers.

The Company opened its new branch at Vision City in Port Moresby last week. The branch will provide opportunities in both the home loans and personal loans businesses.

The early customer response to the new branch has been positive.

Funding Mix

Kina is constantly realigning its mix of low-cost deposits and term deposits to deliver a diverse and lower cost of funds.

The number of cheque and savings accounts total 6,890. A new Cash Management Account product was launched in April 2017.

NASFUND mandate on track for July 2017

The Kina Wealth Management business is on track to deliver the fund administration mandate for Nasfund which is expected to commence in July 2017.

This service will provide fund administration services to over 500,000 members and will provide significant opportunities to leverage banking services and products.

Banking software upgrade

In March 2017, Kina commenced upgrading its core banking software to enable new products and services for customers. The project is on track for the first phase of its implementation commencing in August 2017. This includes online and internet banking for both retail and business customers. The upgrade will further enhance and enable interbank connectivity. This will provide our customers with greater access to ATMs across the country and also to internet based banking services. Following the upgrade, we also expect growth in lower cost deposits with increased cheque and transaction accounts.

New banking partner

Kina has become the first bank in PNG and the third in the Pacific Islands to sign a Trade Finance Agreement with the Asian Development Bank (ADB) under the Trade Finance Program (TFP).

The ADB TFP has operated since 2004 across Asia.

The deal will assist Kina's local importing and exporting business customers by providing access to ADB's Trade Finance Program.

The agreement will enable customers to access a credit guarantee facility to support their international transactions.

Partnering with the ADB means Kina will be able to grow its trade finance operations and enhance the financial support we provide to local importing and exporting businesses, including small and medium-sized enterprises.

The program enables us to leverage the AAA international rating of ADB to add value to our client's international trading activity.

Importantly, in the current environment, this partnership demonstrates ADB's comfort with Kina's strong framework for managing the international transaction risks.

Foreign Exchange

I would like to provide some context to the challenges we have faced in relation to securing a correspondent banking partner.

Foreign exchange income is expected to be lower by K10m in the first half.

Engaging a new partner has been challenging as most major banks have curtailed their correspondent banking partner arrangements in developing countries in the past 18 months.

Recent banking research from global provider of payments and compliance solutions provider Accuity has revealed that between 2009 and 2016, correspondent banking relationships, where one financial institution provides services on behalf of another in a different location to facilitate cross-border payments, have reduced globally by 25%.

This has come about as regulators have imposed requirements for greater transparency, established higher liquidity thresholds for

banks, and increased penalties for institutions that violate anti-money laundering (AML) regulations since the 2008 financial crisis.

From Kina and PNG's perspective, the situation regarding correspondent banking partners relationships is a disappointing external development as Bank of PNG and Kina have gone to great lengths to demonstrate that our country's financial institutions are not high risk.

Outlook

- Competitive pricing for new lending
- Competition for low cost deposits continued from last year to first quarter 17
- As mentioned, FX income has been impacted by lack of on-boarding of USD correspondence banking partners
- The company continues to make investments for the future
- Most of these impacts on the business are short term in nature with medium term prospects remaining sound.

Priorities

Kina remains focused on delivering its key operational priorities for 2017. These include:

- Establishing a diverse and permanent correspondent banking relationship
- Continued growth of the low-cost deposit base
- Leveraging its relationships with key superannuation funds to facilitate cross-selling opportunities.
- Delivering the Nasfund transition to Kina fund administration services.
- Completing the bank's technology transformation. This includes expanding our suite of personal and business banking products and services such as mobile applications and internet banking for retail and corporate customers.
- Profitable, quality lending growth

Summary

I remain positive about the prospects for the future notwithstanding some of the short term challenges.

I would like to thank our Shareholders, Employees and customers for their support.

In closing, I would like to thank Sir Rabbie and Wayne Golding for their longstanding support to me and the company and wish them all the best for the future.