

27 August 2021

Kina Securities Limited continues growth momentum

The Board of Kina Securities Limited (**ASX:KSL | PNGX:KSL**) (**Kina** or the **Company**) is pleased to report continued solid growth for the half-year to 30 June 2021.

Financial Highlights

- NPAT up 36% to PGK 39.8m against the prior corresponding period (PCP)
- FX grew 3% on PCP
- Net interest income up 6% to PGK 85.4m on PCP
- Non-interest income up 2% on PCP to PGK 70.3m
- Revenue up 4% to PGK 155.7m on PCP
- Interim dividend of AUD 3.00 cents per share or PGK 8.25 toea per share.
- Capital adequacy at 23.3%

Kina achieved an unaudited statutory net profit after tax of PGK 39.8m for the half-year ended 30 June 2021 (**1H2021**). This represents growth of 36% compared to the prior corresponding period. The Board has declared an unfranked interim dividend of AUD 3.00 cents per share or PGK 8.25 toea per share. This compares with an interim dividend per share of AUD 4.0 cents per share of PGK 10.0 toea per share for the prior corresponding period.

The result was achieved through Kina's delivery on its commitment to increase transactional volumes via its digital platforms, which contributed to the overall uplift in fees and commissions income by 10% compared with the PCP.

In 1H2021, Kina continued to reshape the customer experience through its focus on in-branch performance and its digital concierge service. This delivered streamlined digital account opening and enhanced customer self-service through free in-branch internet banking. Merchant relationship management also continued to be a key focus with targeted marketing of key products and services.

Continued stable foreign exchange (**FX**) trading income, an increase in the loan book, investment in high yielding government securities, and lower cost of funds contributed positively to the overall performance of the business.

Kina continued to reduce the cost of operations following the ANZ PNG acquisition. This resulted in a cost to income ratio of 60.9% compared to the PCP of 64.9%. A positive result amidst the Covid-19 pandemic and the associated costs incurred to ensure customer and staff health and safety.

Key features of the 1H2021 result

- Increase in NPAT by 36% to PGK 39.8m against the PCP.
- Net Interest Income increased by 6% to PGK 85.4m compared to PGK 80.4m in the PCP, achieved through growth in the existing loan book, investment in high yielding government instruments and lower interest expense (against total deposits) compared to the PCP.
- FX grew by 3% supported by inflows from new to business commodity exporters on-boarded in the first half. Overall performance was however subdued by covid-19 constraints.
- Fees and Commissions increased by 10% against the PCP to PGK 40.4m primarily through continued development of our channel network. The organic growth and digital expansion resulted in an increment of 66% in digital and channel fees against the PCP.

- Cost to income ratio reduced to 60.9% compared with 64.9% in the PCP. This was an outcome of prudent cost control measures.
- Reduction in impairment cost against the PCP to K4.4m, reflecting the continued application of robust loan and asset quality measures.
- Kina's Funds Administration business saw NPAT grow to PGK 4.5m up 27% compared to PCP with an increase in FUA and customer numbers.
- Funds Management also saw an increase in NPAT at PGK 2.3m, representing over 50% growth against the PCP, backed by an increased asset management base.

On track with our 2021 strategic initiatives to drive growth and business outcomes

- Continued to reshape the customer experience with digital upgrades and enhancements to mobile and online retail banking. This achieved a 20% uplift in customers using internet banking and 43% uplift in customers taking up mobile banking.
- Commenced delivery of a significant suite of upgrades to corporate online banking covering both user experience and transactional functionality.
- Ongoing expansion of our market leading eftpos fleet to meet significant demand.
- Developed and commenced rollout of a comprehensive banking packaged for SMEs, including transaction services, lending, digital banking, and digital partnerships.
- Imminent launch of new digital products and services including Pei Beta, an independent online payments platform; and X-Change, a forex payments platform.
- Continued growth from our internet payment gateway plug-ins for business, and through our strategic partnership with Niupay, Kina will soon be the largest local provider of internet payment gateway services in PNG.
- Developed a new service model that takes business advisory services to regional locations, supporting the SME and commercial segments.

Managing Director and Chief Executive Officer, Greg Pawson said: "The results demonstrate that our strategy of transformation is successful and driving the business in a strong direction. Kina has continued growth momentum for the first half of our financial year 2021, reflecting five consecutive half years (PCP) of improved performance. The growth in NPAT was driven by an increase in transactional volumes, continued cost discipline and growth in the existing loan book. This was supported by our sharpened focus on re-shaping the customer experience and the continued delivery of innovative products and services."

Authorised for lodgement by order the Board of Directors.

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