



Kina Securities Limited

Full Year Results 2022

27 February 2023

Overview.

Organic growth momentum

Statutory NPAT up 65%, Underlying NPAT up 10%

Deposits up 28%, Lending up 11%

Customer Acquisition

Net Customer growth 19% (+30,000)

Second largest Bank by total footings (Deposits and Loans)

Shareholder returns

Underlying ROE 17.9%, up 7%

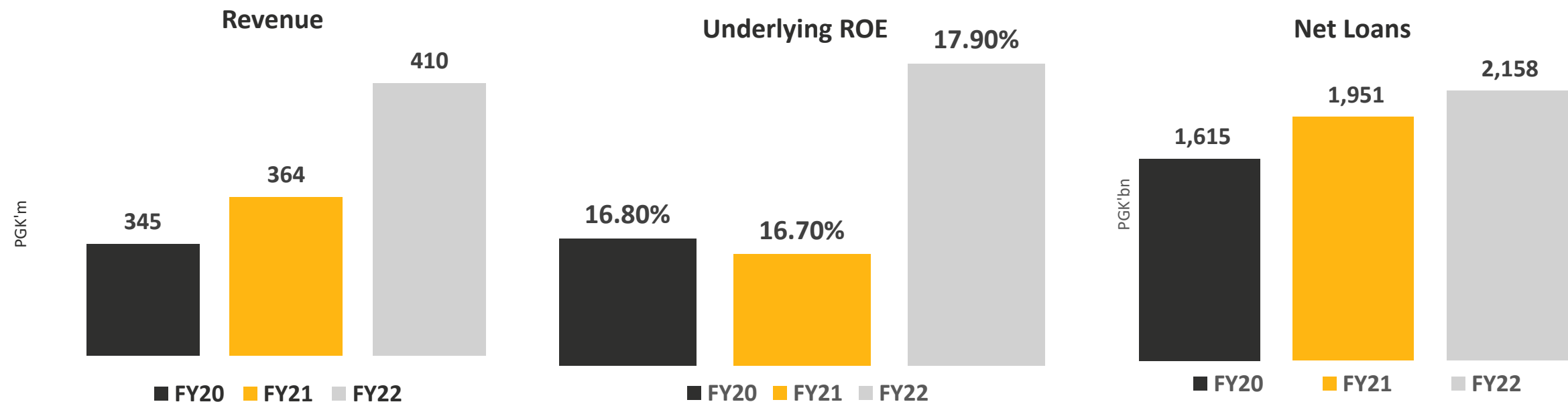
Earnings per share 10.6 cents (AUD) up 6%



Update on Corporate Tax.

- In December 2022, the PNG Government announced an increase in Corporate Income Tax on Commercial Banks from 30% to 45% for the 2023 fiscal year.
- The increase in rate is effective 1 January 2023.
- KSL's deferred taxes at December 2022 have been revalued at the new rate in line with IFRS resulting in a tax credit of K10.4m in 2022 statutory NPAT.
- FY2022 statutory NPAT of PGK 116.5m (including tax credit) and underlying NPAT of PGK 106.1m.
- Kina continues to engage with Government in respect of possible alternative tax treatments that will support economic growth in PNG.

Strong Revenue Growth



Our Strategy.

Fairness

Reflection

Honesty

Imagination

Togetherness

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.

Priorities

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

From a Bank to a Market Maker.



Delivering our strategy.



Growth & Prosperity

- New retail customer acquisition up 19% against PCP and new commercial customer acquisition up by 17% against PCP.
- Home loan growth up 19%, SME growth (25%)
- Further growing non-interest income revenue streams with Corporate Business Advisory Unit servicing mid-tier corporate clientele.
- Expansion of our commercial banking footprint to key provincial locations.



Resilience

- Reimagining Risk program of work launched with focus on renewed governance processes and a target risk maturity for 2025
- Alignment of organisational structures (three lines of defence) with material risk management and risk culture.
- New and improved risk modelling techniques to predict external factors on credit default and provisioning for loan losses
- Increased cyber and information security controls, techniques and external support.



Service Excellence

- Launched Kina WhatsApp banking, first in market for PNG to allow greater accessibility to financial services throughout the country.
- Launched Xero Bank Feed providing SME's online tools to manage their every-day transactions.
- The launch of in-branch Customer Satisfaction survey's with over 12,000 customers responded with an with Customer Satisfaction at 86%.



Dynamic People

- Leadership development program with 80 leaders and emerging talent.
- Launched internal financial literacy training program, 30 financial champions have been certified to deliver financial literacy programs to our customers.
- Expanded the Graduate Program to include candidates from disciplines of IT and Data.
- Implementation of domestic violence prevention training and supported the Walk for Women against Violence.



Sustainable Communities

- MiBank and Financial Inclusion Partnership performing well; Opened first co-branded branch in Alotau , Online transfers enabled between Kina and MiBank.
- ESG Strategy approved with Scope 1 and Scope 2 targets implemented.
- Community support programs include: Staff grant program, Strongim Komuniti Grant and conducted accessibility audit in branches,
- Environmental and Social Management System put into action with 60 accredited staff .

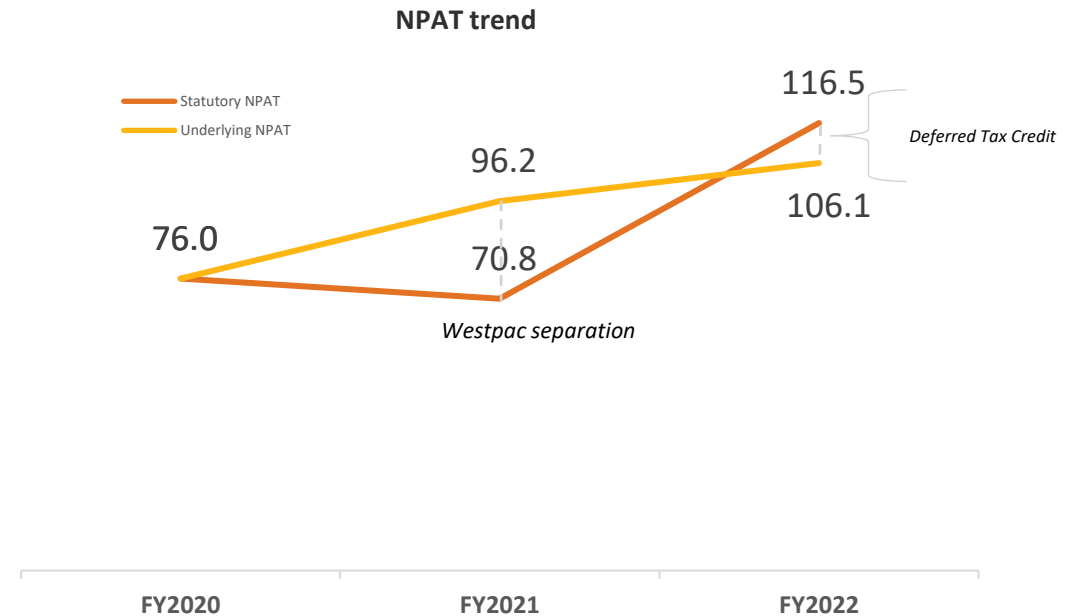
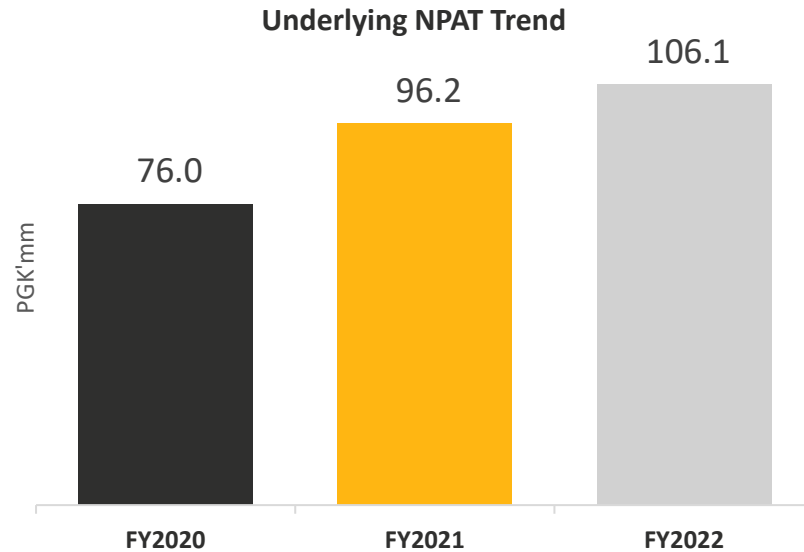
Financial Results.



Financial Highlights.

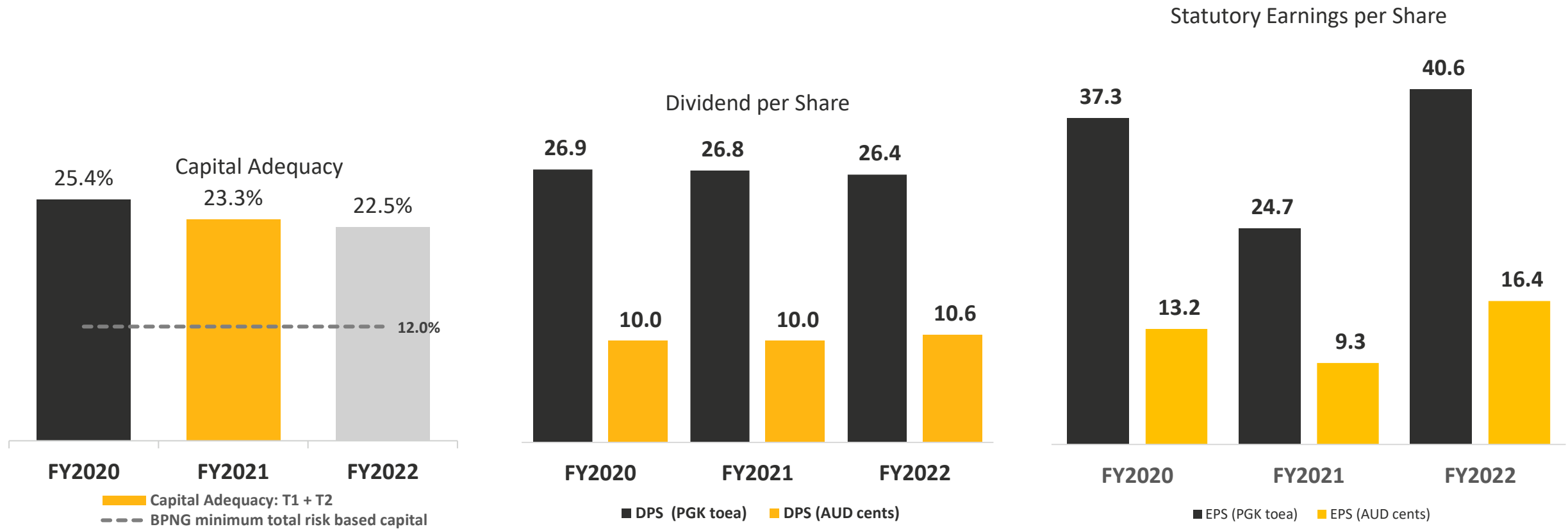
2022 Full Year Results			
	Dec-22	Dec-21	%
Underlying NPAT (PGK m)	106.1	96.2	10.3 
Revenue (PGK m)	410.0	364.0	9.6 
Cost to Income	58.2	58.1	0.2 
Return on Equity - Underlying	17.9	16.7	7.2 
Ordinary Dividend (AUD cents)	10.6	10.0	6.0 
Total Capital Ratio (T1 + T2)	22.5%	23.3%	3.4 

Solid NPAT growth.



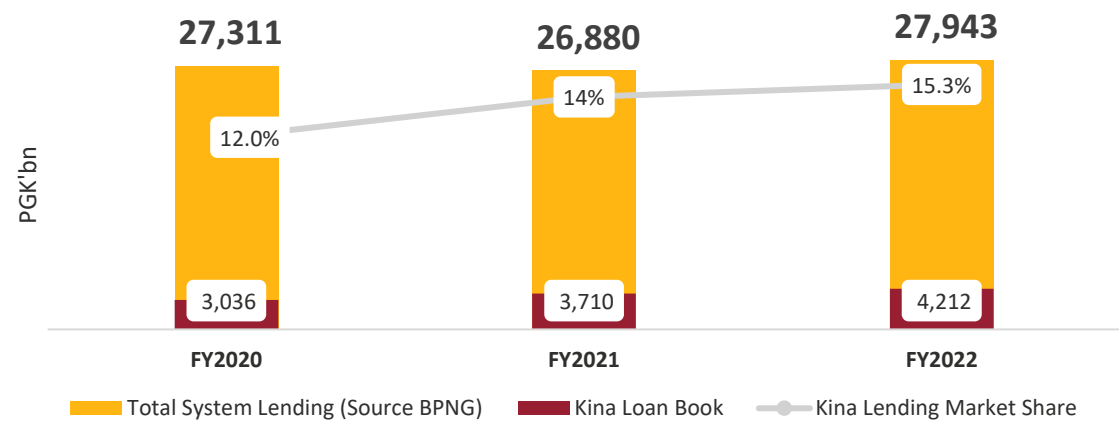
- Core business continues to perform in line with expectations
- Less Capital intensive lines of business contributing 50% to income.
- Operating expenses up 10% due to improvements in AML, cybersecurity and capability in ICT and Risk.
- The statutory NPAT of K116.5m includes the increase in corporate income tax rate reflected in deferred taxes.

Shareholder returns.

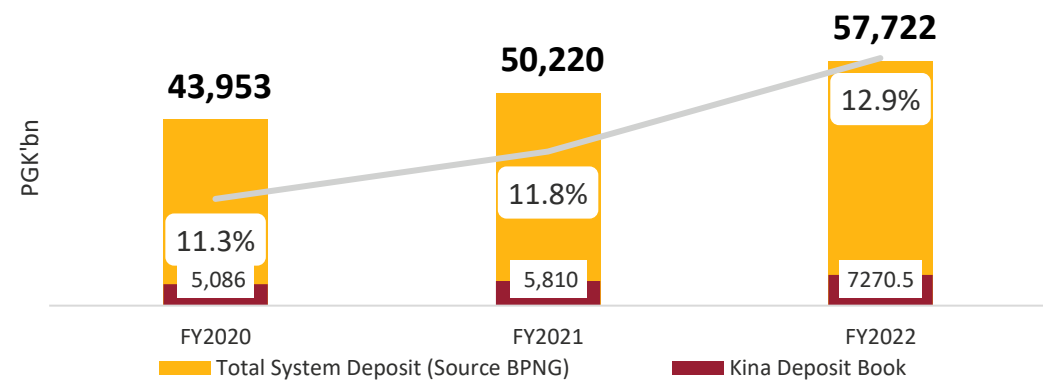


Market share gains and strong customer growth.

Market share percentage - Lending



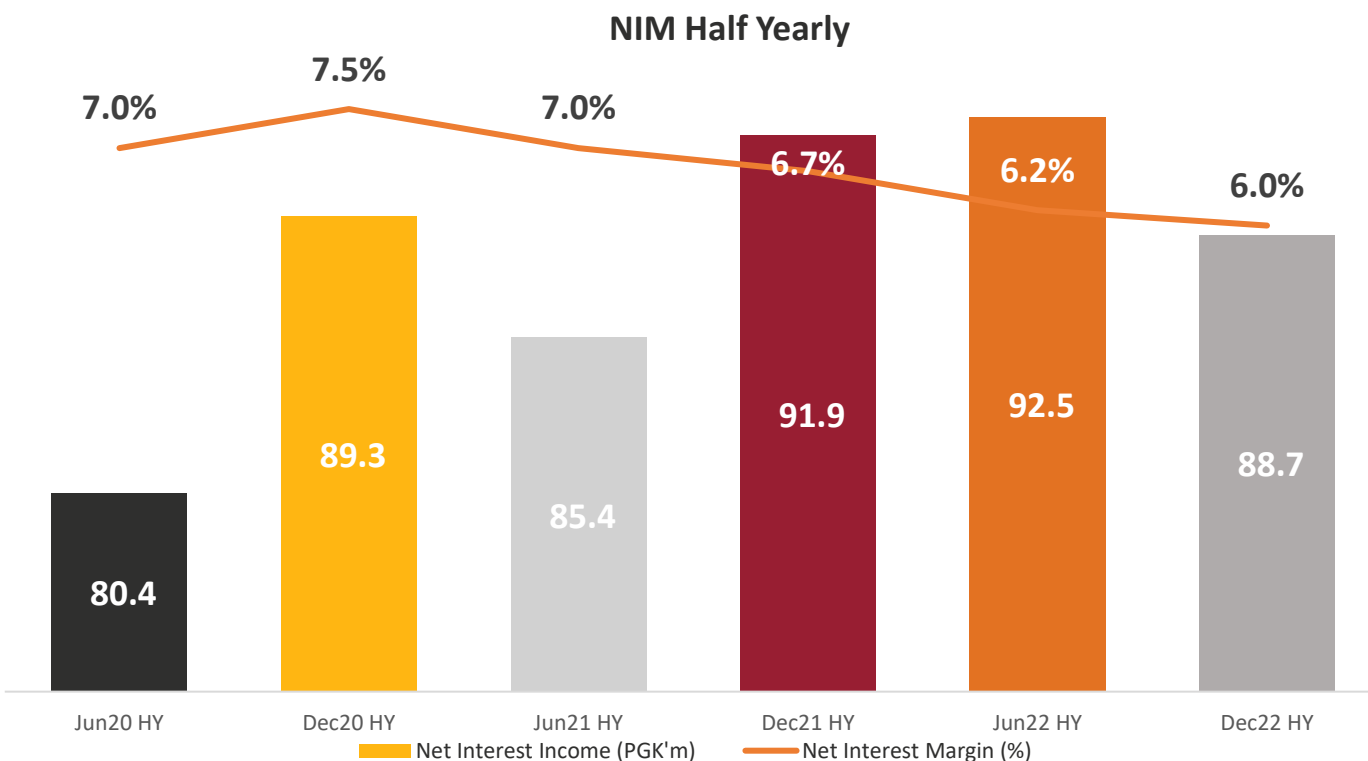
Market share percentage - Deposits



Customer number growth

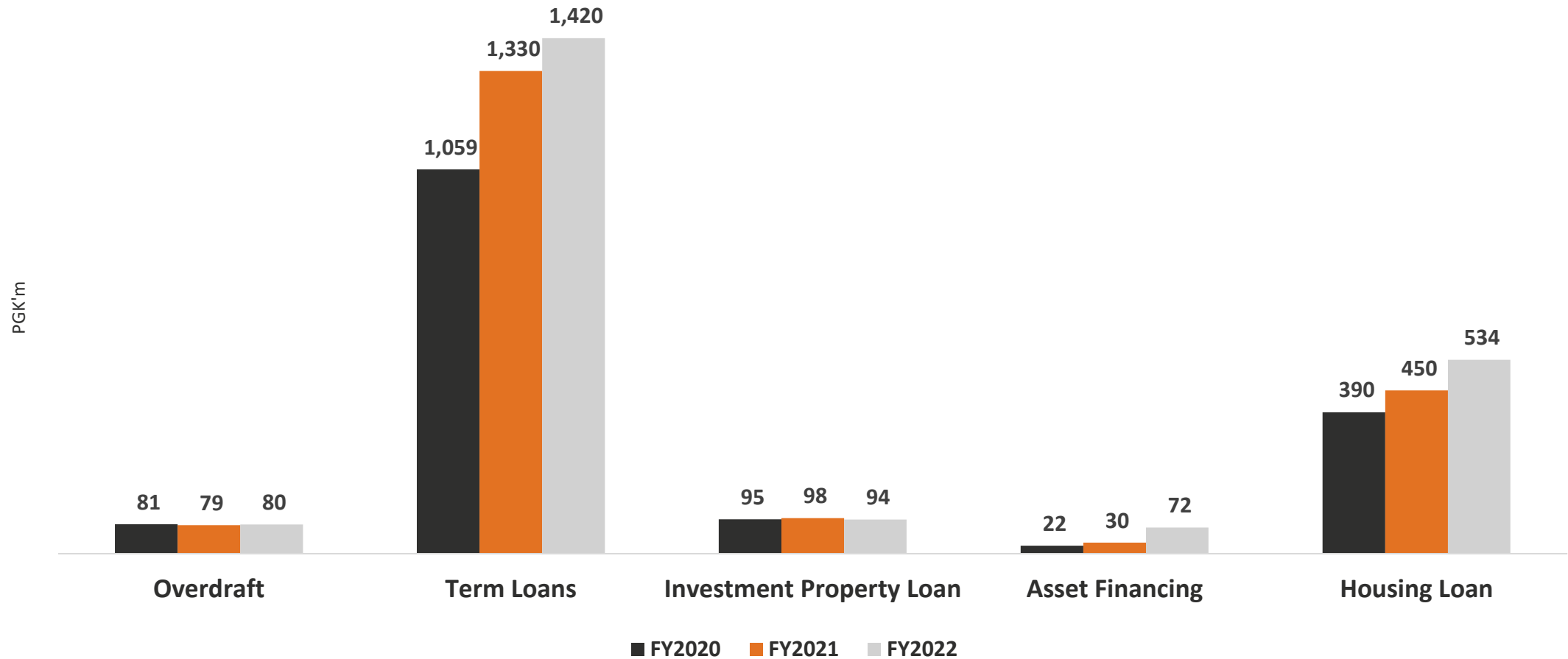


Net Interest Margin.



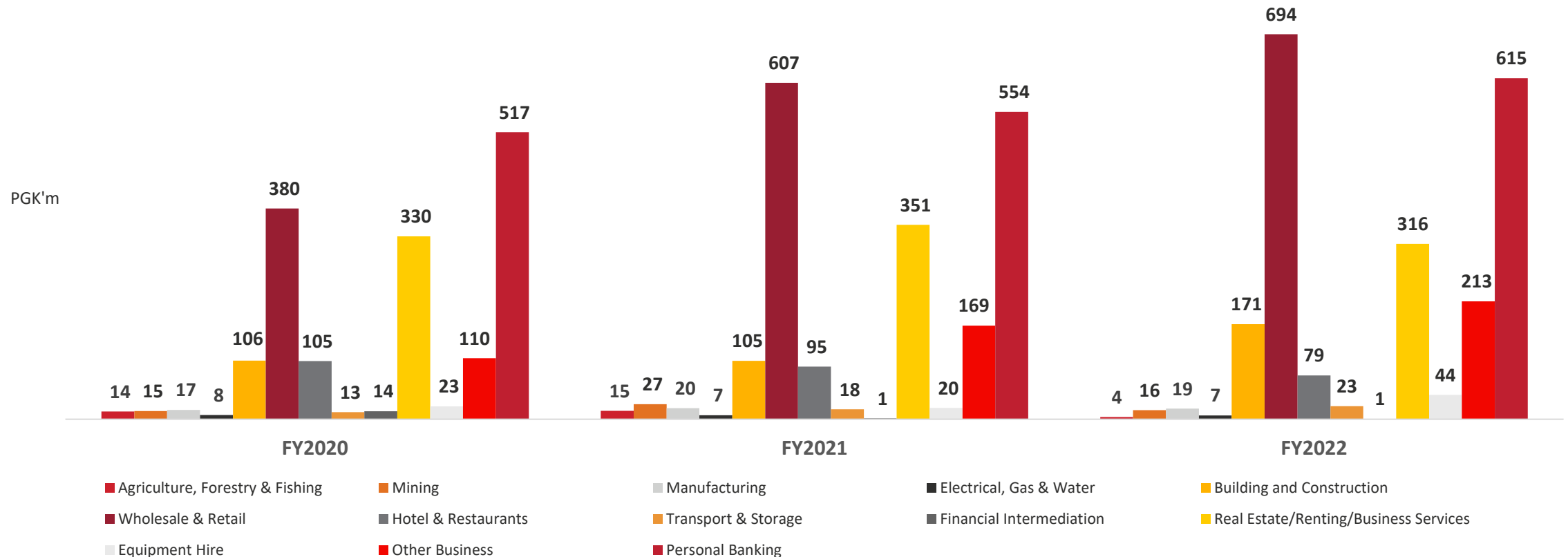
- NIM movements impacted by:
 - Lower yields on central bank treasury bills.
 - Strong growth in corporate wholesale deposits and link to FX flows
 - Deliberate participation in corporate lending, including syndicated transactions
- NIM is forecast to remain within guidance of 6-8%

Loan portfolio growth.



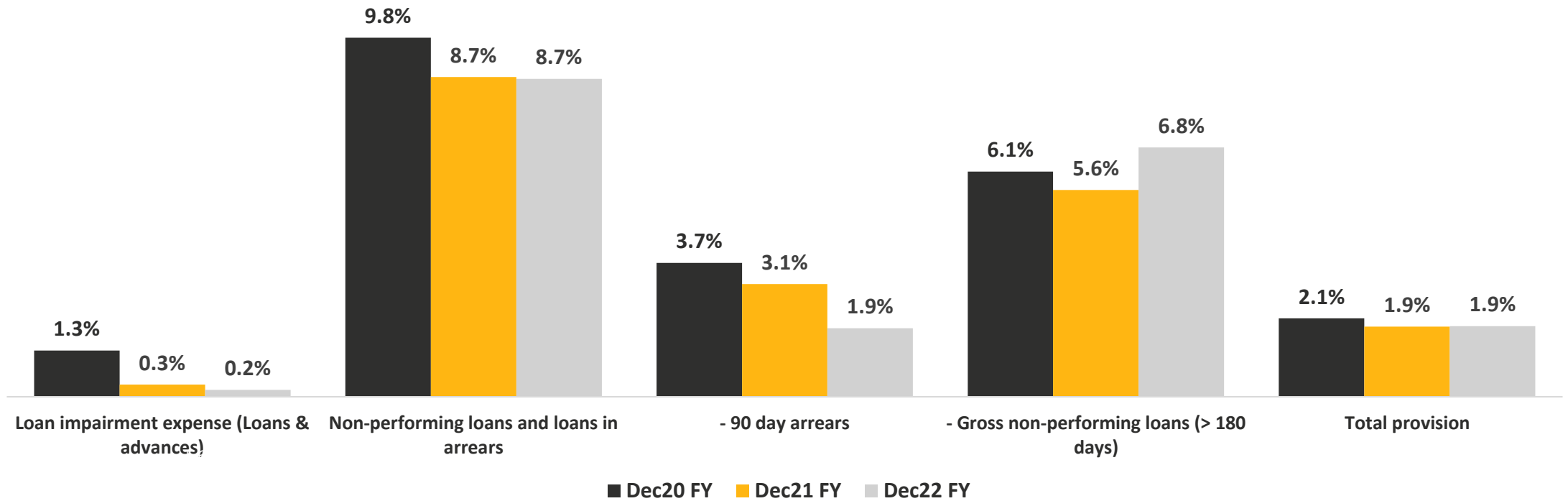
Loan portfolio by industry.

Loan Portfolio

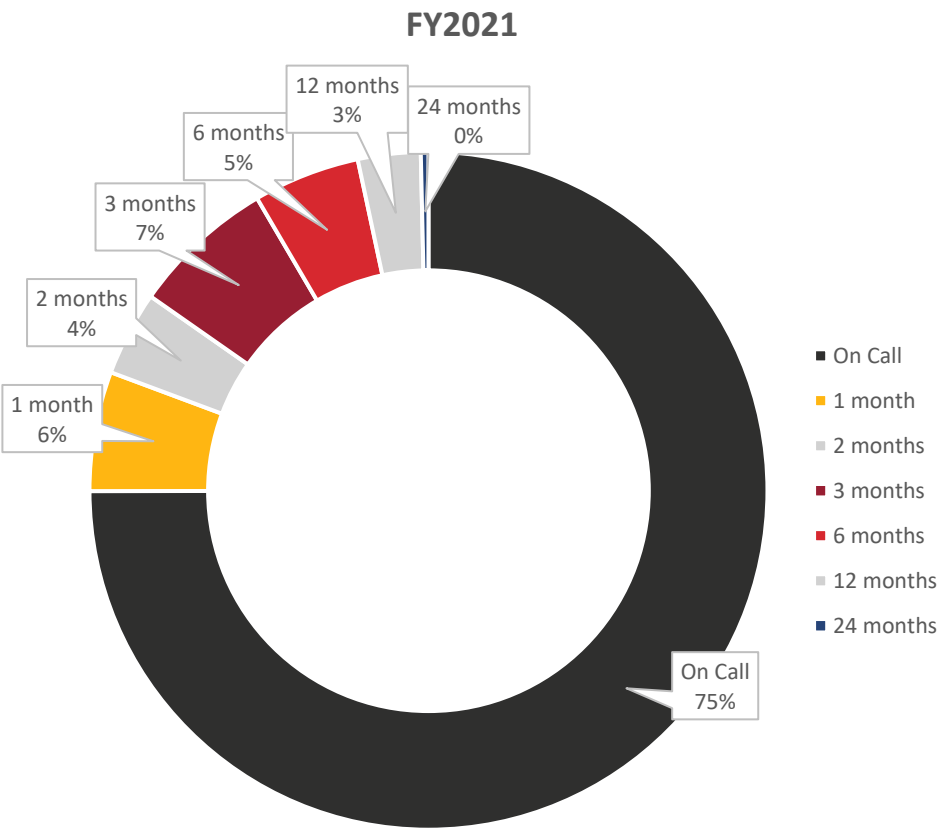
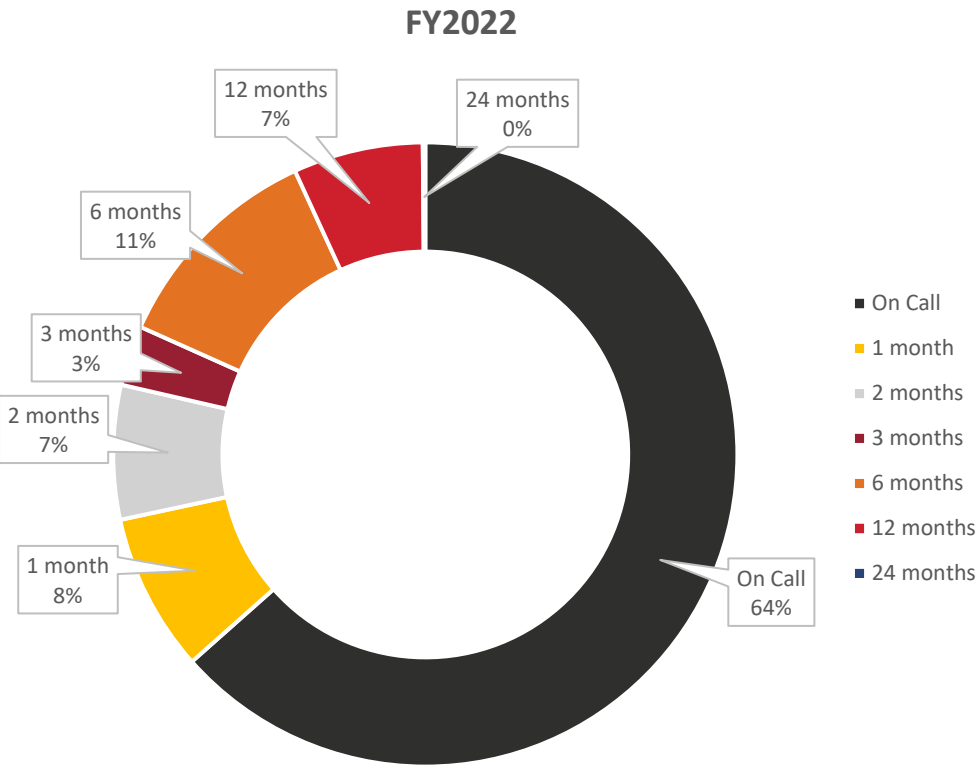


Asset Quality.

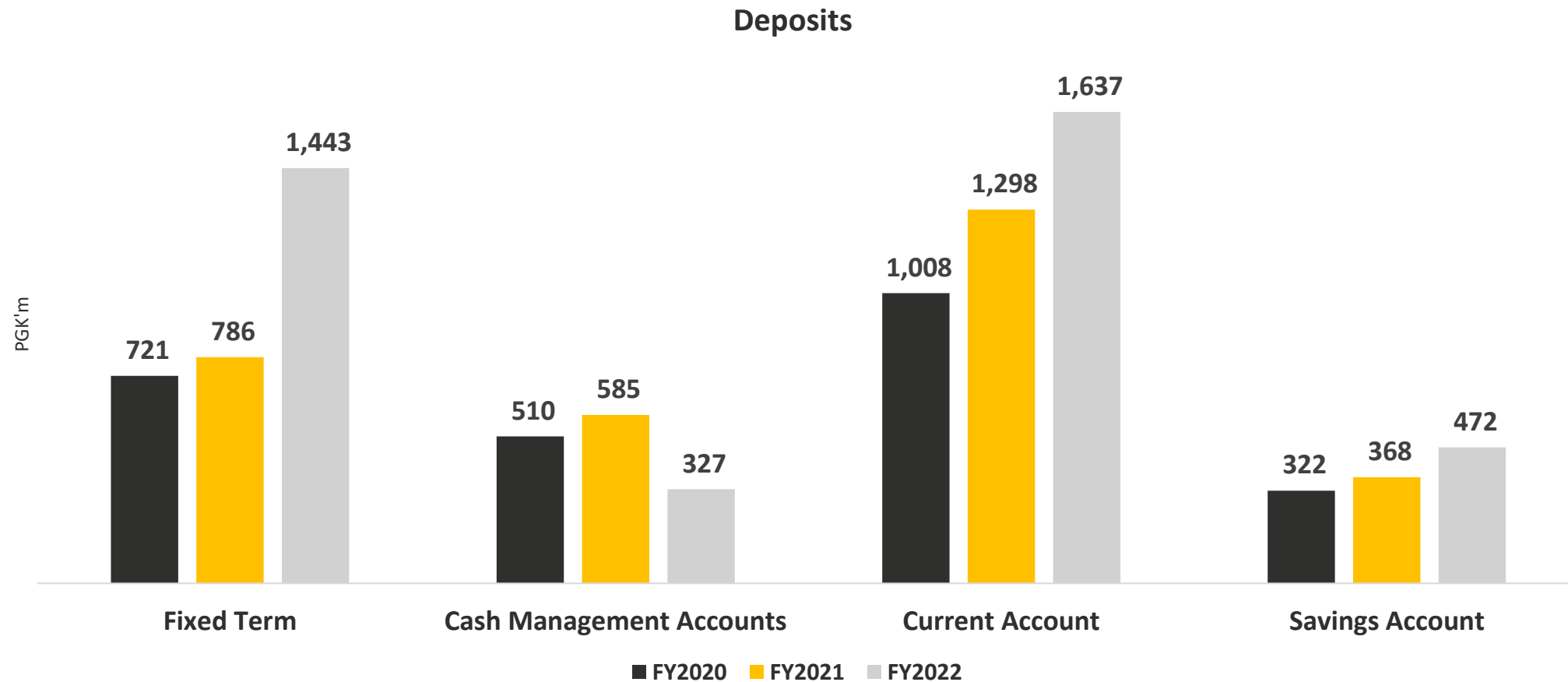
Asset Quality - Gross Loans & Advances



Deposit tenure.

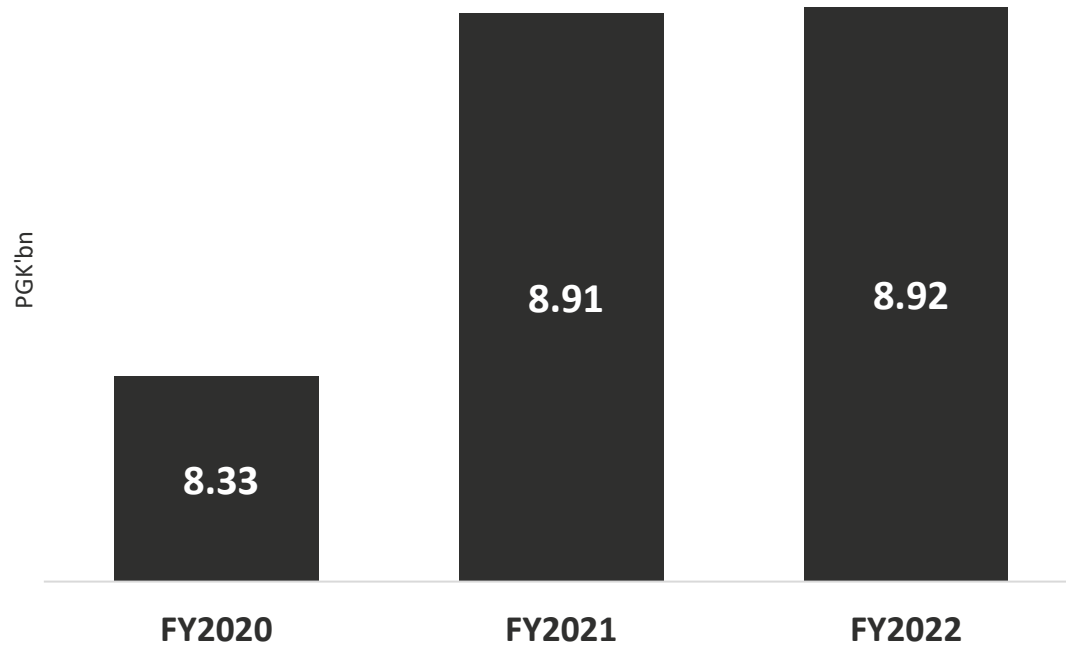


Deposit by products.

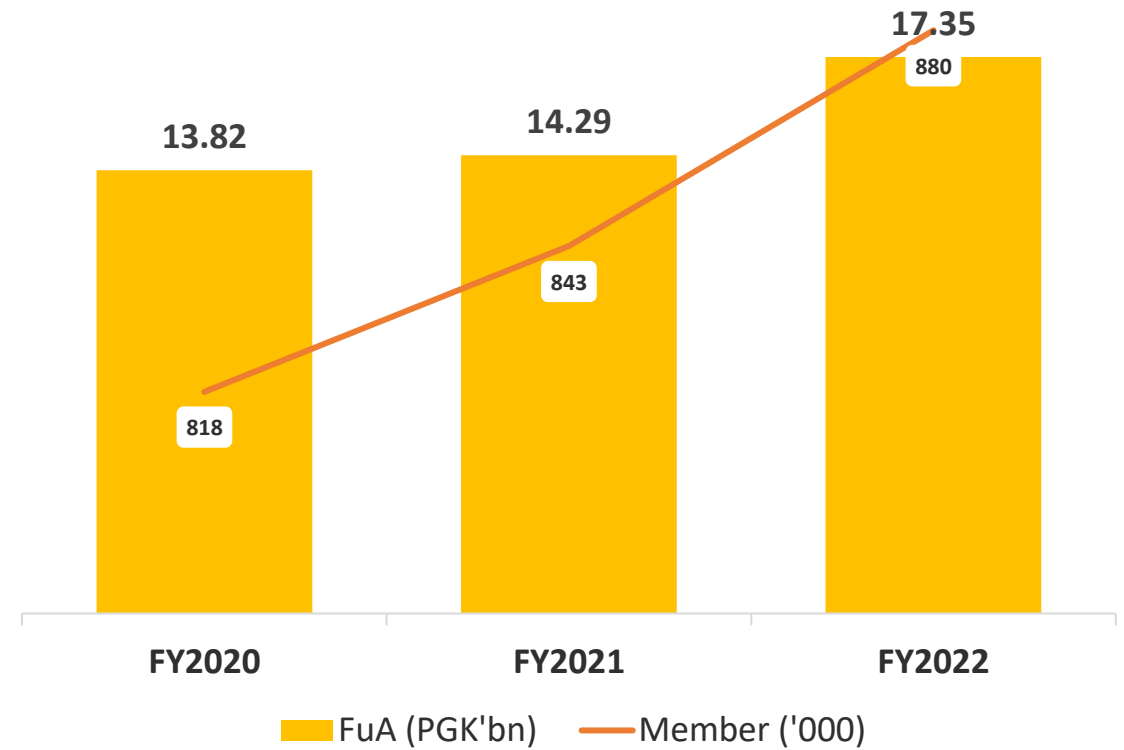


Kina Wealth.

Funds under management



Funds under administration

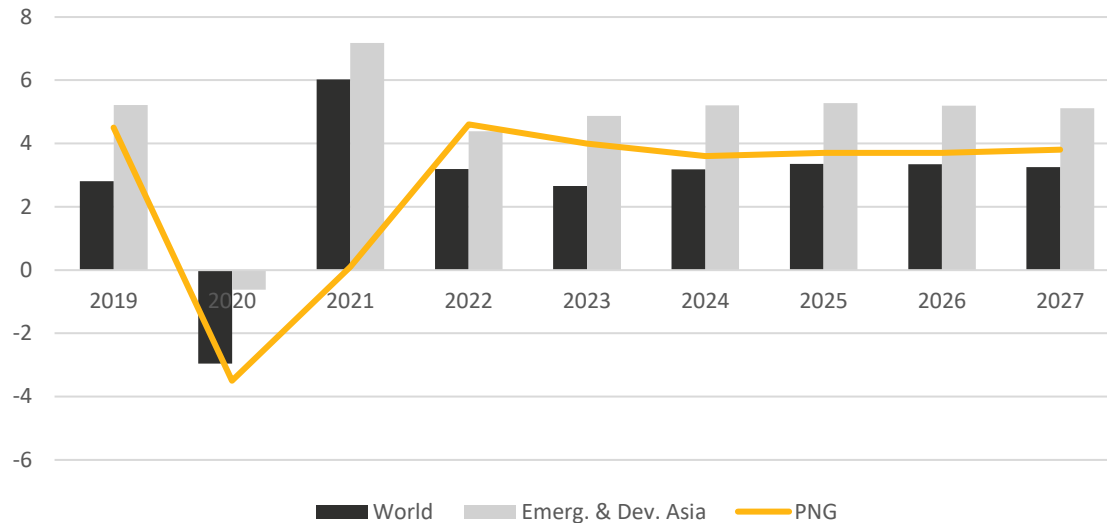


Economic Outlook.

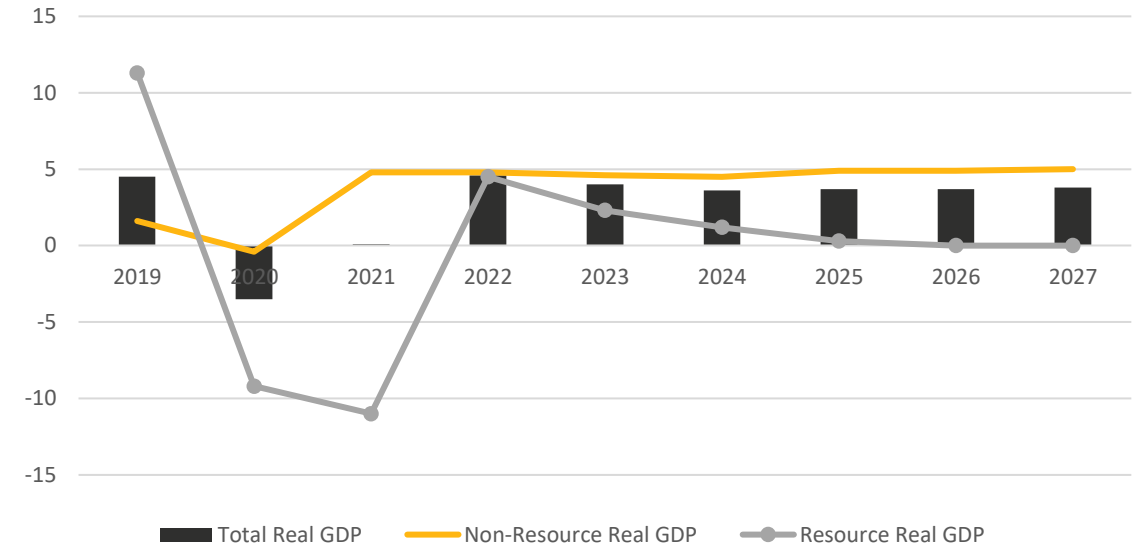


PNG Economy.

PNG's Growth prospect compared to Global & Regional Growth



4.0% Real Growth forecasted in 2023



2022 in review

- Economic contraction in 2020 (-3.5%) and a slight rebound in 2021 (1.5%), the economy grew by 4.6% in 2022.
- Resource sector driven growth, income from mining activities, which grew by 13.5%
- In the non-resources sector, solid growth of 4.5%
- Inflation was the greatest impact on PNG businesses and households at 6.6%.

Forecast for 2023

- Official estimates point to the economy growing by 4%.
- Expectations remain positive for the five major resource projects forecasting 2023 commencement with approximately USD\$30 billion
- The non-resource sector growth is forecast at 4.6%,
- inflation is projected to ease at 5.7%,

Looking ahead in 2023.



Growth & Prosperity

- Business banking expansion with 10 additional Business advisory
- Commercial lending hubs in regional areas
- Home loan, personal loans growth expected to remain at 2022 levels
- Growth in Private Bank as Kina across Banking and Wealth Management
- Bank as a service for smaller financial institutions



Resilience

- Reimagining Risk program uplift program to include Risk appetites across the business and IFRS9 provisions modelling
- Implement Product Strategy that aligns to the customer program of work and reduces inefficiencies



Service Excellence

- Launch of eKYC, another PNG first to superannuation customers helping to build greater accessibility to financial services.
- Continued roll out of best in class merchant facilities and visa card issues
- Driving customer centricity with launching of Business customer surveys



Dynamic People

- Senior leadership structures will continue to be adjusted to align with our growth strategies.
- Workforce transformation to migrate experience to customer facing roles to help build greater service and customer excellence.
- Improved recognition program to enhance engagement across regional areas.



Sustainable Communities

- Create and implement Agribusiness strategy that aligns to the Kina's risk appetite and sustainability goals.
- Financial inclusion enhancement with further co-located branches with MiBank and support Mibank's growth through Kina scalable platforms.