

23 May 2018

Kina Securities Limited CEO Speech for AGM – 23rd May 2018

Thanks Keli and good morning everyone.

It is a great pleasure for me to present my first Annual Report to our stakeholders as Kina's Chief Executive Officer and Managing Director.

I'd firstly like to introduce the Executive Management team most of whom are all present today. I will ask them to stand as I introduce them.

Chetan Chopra – Chief Finance Officer

Michael Van Dorssen – Chief Risk Officer

Wayne Beckley – Executive General Manager Shared Services

Saima Kalis Group - Manager People

Carolyn Ive Group - Manager Marketing and Communications

Nathan Wingti - Head of Treasury

Danny Robinson - Executive General Manager Banking

Deepak Gupta - Executive General Manager Wealth (Funds under Management)

Adam Fenech - General Manager Wealth (Funds under Administration and Investment Services)

Thank you Team.

2017 was a milestone year of significant investment for Kina. We launched new products and services for our customers and acquired the capabilities we needed for a sustainable future in PNG's fast moving and changing financial services sector.

As Keli mentioned, underpinning our growth ambitions for the future is a clear focus on technology and innovation.

Early in 2018, we evolved our vision, purpose and strategic priorities (which will guide our future direction), to ensure that we take advantage of new market opportunities as they arise. This refreshed and sharper approach is designed to deliver greater value to our banking and wealth management customers building a more agile but at the same time resilient and sustainable business.

During 2017 we overcame a key challenge when we reached agreement with a new USD correspondent banking partner which has restored foreign exchange levels. Pleasingly we are achieving results beyond our natural market share with an objective to obtain close to 10% of total flows by the end of this year. This has been a big focus for the business with most major exporters transacting FX also a great source of deposits and liquidity.

We grew our deposit book sensibly without impacting cost of funds or net interest margins. With the recent release of our revamped cash management products, our deposit flows have surpassed PGK 1.0b as the market acknowledges we are a strong, safe and secure Bank.

Good solid growth of 21% continued to prevail in our lending book closing at PGK 750 m in December, 2017 with the growing demand for home lending from PNG's emerging middle market, and a good diverse spread of lending to the SME and Commercial business segments. With disciplined credit risk management our asset quality remains the best in the sector.

New customer growth has also been above expectations leveraging our brand, new branch at Vision City, and digital technologies and service as key differentiators. The level of enquiry and demand has remained strong into 2018 and we are on track to have over 20,000 customers by the end of this calendar year. With a perceived lack of focus on the PNG retail and SME sectors by the Australian Banks, and the market dominance of BSP, we have a great opportunity for continued growth. Increasingly the market is seeing us as better alternative.

Having built a business that is now well established with governance and risk management policies and practices required of a dual jurisdictional listed company, our management team is very focused on growing our customer base and market share. Leveraging our no. 1 position in Funds Administration and Investment Management is a significant competitive advantage.

Growing our revenue base at above system, and continuing to look at ways to be more efficient and effective with our cost base and core operating model are our current priorities. We are forecasting a return of equity of around 15% for 2018, well up on 9% for 2017 and commensurate with our growth story.

As I mentioned we have refined our strategy to ensure we deliver greater value to our customers and the services they need.

In 2018, Kina's vision and purpose have evolved. Our redefined vision is to be the most dynamic, progressive and accessible financial services company in PNG. As a purpose driven organisation we are also focus on ensuring our customers and communities are empowered to have financial independence and security – a social and moral obligation for an emerging market like PNG.

As the only integrated financial services organisation in PNG our strategy is to compete on differentiation that is value for money, and through targeted and profitable market segments as we build out our growth aspirations.

We are well capitalised and positioned to make an acquisition and this is also a key component of our 5 year strategic plan.

We have identified five key strategic priorities which you will see summarised in our Annual Report.

Partnerships; Digital; Responsible; Brand and Knowledge – all carefully chosen and designed to ensure our ongoing sustainability and a great platform for growth.

Our aspirations are clearly underpinned by technology and innovation. We don't, and have no desire to be a traditional bricks and mortar bank with branches on every street corner. Neither do we desire to be a bank that is everything to everyone. We can overcome the challenges of PNG's geographic and demographic challenges by enabling our customers to connect anytime, anywhere and anyhow.

Kina's digital strategy is comprehensive and we have and will continue to invest in new products and services that will be distributed digitally. We have the comparative advantage of not being encumbered by legacy systems and processes and costs that are hampering others within our industry. Our banking and wealth platforms are among the best available.

The development and release of our market leading mobile banking applications and the launch of a superannuation app provides further evidence of our commitment to technology and innovation.

Kina has a unique position in the market as a proud, local, strong and safe Bank. We have raised our visibility and lifted our market profile with considerable success. By sponsoring key events such as the Prime Ministers Back to Business Breakfast earlier this year, the Petroleum & Energy Summit and the recent APNG Business Forum Brisbane, the level of enquiry and demand for our services has exceeded our expectations. However, we also keenly aware of our responsibility to the communities we serve in PNG.

As such we are in the process of finalising a Total Societal Impact Strategy will clearly define how we go about doing business and on what terms. It will also ensure we continue to meet Global environmental and social governance standards and will have a unique and innovative focus on growing the SME sector in PNG, a strategic partnership for expansion on financial inclusion in PNG with still over 70% of the country unbanked, and fostering youth employment and youth entrepreneurship.

Our people are amazing and the company has excelled employing highly motivated, educated and skilled individuals. They are excited about our future and the part they play. We launched a leading online learning, development and performance management system in December 2017 which is further engaging our people to be their best. We see 'Knowledge' as a key differentiator – hiring the best people and retaining them.

Outlook

PNG's real GDP growth has been projected to increase to 2.5% in 2018 by the World Bank and around 2.7 percent, as shown in the 2018 Budget by the Bank of PNG Governor, Loi Bakani.

PNG is a developing economy rich in mineral and natural resources minerals and renewable resources such as forestry, marine and agriculture. While still experiencing the impacts of the drop in global commodity prices as detailed in a recent World Bank Report, the report affirmed that there is a positive outlook as new resources projects get underway, and pleasingly the government is supporting policies designed to improve the growth of other sectors to lessen the reliance on the resource sector.

Despite these challenges, Kina is extremely well placed to achieve growth given its ability to leverage its unique position in the financial services sector. We have a clearly defined strategic plan focused on execution. We have a market leading position in Wealth Management and are the fourth largest Bank. A strategy based on technology, innovation and a highly engaged workforce gives us great confidence about Kina's ability to perform strongly and sustainably over the longer term.

Thank you.

End

For further information, please call:

Chetan Chopra
Company Secretary
+675 308 3800