



Kina Securities Limited

Half Year Results – 30 June 2018

Important notice and disclaimer

You must read this notice before reading or making any use of this document or any information contained in this document. By accepting this document, you agree to the following terms and conditions, including any modifications to them.

Confidentiality: This Presentation and the information contained in this Presentation are provided to the recipient (the "**Recipient**") on a confidential basis for the sole purpose of discussions between the Recipient and representatives of the Kina Group. This Presentation may not be disclosed to any third party or used for any other purpose without the express written permission of the Kina Group.

Disclaimer of liability: All information contained in this Presentation has been compiled by the Kina Group from sources believed by it to be accurate and reliable. The information in this Presentation was prepared as of its date, and remains subject to change without notice. The Recipient acknowledges that to the maximum extent permitted by law: (1) any and all liability in respect of the information contained in this Presentation is expressly excluded, including any liability arising from fault or negligence on the part of any person, for any direct, indirect, consequential or contingent loss or damage suffered by any person arising from the use of the information or otherwise arising in connection with it; (2) no responsibility is accepted by the Kina Group for this Presentation, any of the information, any omission from this document or any action taken by the Recipient or any other person on the basis of the information; and (3) the Kina Group is not liable to compensate or reimburse the Recipient for any liabilities, costs or expenses incurred in reviewing, investigating or analysing this document or taking any other action in relation to the Kina Group or any prospective transaction.

Not an invitation, advertisement or offer of securities: This Presentation is not, and should not be considered as, an invitation, advice or recommendation to apply for securities and does not contain any application form for securities. This Presentation does not constitute an advertisement for an offer to sell or the solicitation of an offer to buy securities. This Presentation is not a disclosure document (as defined in the Australian Corporations Act) or a prospectus (as defined in the Papua New Guinea Securities Act). The provision of this Presentation is not a representation to you or any other person that an offer of securities will be made. Any offer of securities or prospective transaction would be undertaken solely on the basis of a prospectus or other disclosure document prepared in accordance with the applicable securities laws and regulations.

Not financial product advice: The information contained in this Presentation is not, and should not be considered as, financial product advice, investment advice, legal advice, tax advice or other advice. The information does not take into account any Recipient's individual objectives, taxation position, financial situation or needs. Before acting on the information in this Presentation, Recipients should consider the appropriateness of it having regard to their particular circumstances and, if appropriate, seek professional advice, including tax advice.

No representations or warranties: None of the information set out in this Presentation or otherwise provided to a Recipient in connection with this Presentation has been independently verified. Accordingly, the Kina Group makes no representation or warranty, express or implied, as to the accuracy, timeliness, completeness, merchantability, or fitness for any particular purpose of any such information. In respect of all information provided, the Recipient will rely entirely upon its own assessment, independent analysis and advice in relation to the business, assets and financial position and affairs of Kina Securities Limited.

Forecasts: This Presentation may contain various plans, costs projections, estimates, forecasts and other forward looking statements ("**Forecasts**") which involve subjective judgments. Past performance is not a guarantee of future performance or future returns and a loss of original capital may occur. Fluctuations in exchange rates could have an adverse effect on the value or price of, or income derived from, certain investments. No representation, warranty or guarantee, whether express or implied, is made or given by the Kina Group as to the accuracy, completeness, likelihood of achievement or reasonableness of any Forecast.

Conflicts: The Kina Group, its Directors, officers, employees or agents may own shares in Kina Securities Limited. By accepting this Presentation, you acknowledge and agree that none of the Kina Group, its Directors, officers, employees or agents are responsible to you in a fiduciary capacity nor is your access to the Presentation or the information evidence of any fiduciary relationship between you, another Recipient or the Kina Group, its Directors, officers, employees or agents individually or at all.

Highlights

Statutory Profit of PGK20.6m

Interim dividend of PGK10.0 toea/AUD4.0 cents

Announced transformative acquisition of ANZ (PNG)'s retail, commercial and SME businesses
Transfer of all of ANZ PNG's **retail branches, ATMs and EFTPOS** terminals set to significantly increase Kina Bank's earnings and profitability to improve returns

Resolution of escrow shareholding when founding and major shareholder announced it had sold its entire stake in Kina Securities

FX Income restored to PGK14.0m

Strengthened USD correspondent banking relationship

Successfully completed the transition of NASFUND administration

Secured funds management contract with Comrade Trustee Services

Now administer accounts on behalf of more than 700,000 members

Maintained a **strong prudential position. Well capitalised**, exceeding Bank of PNG's capital adequacy requirements

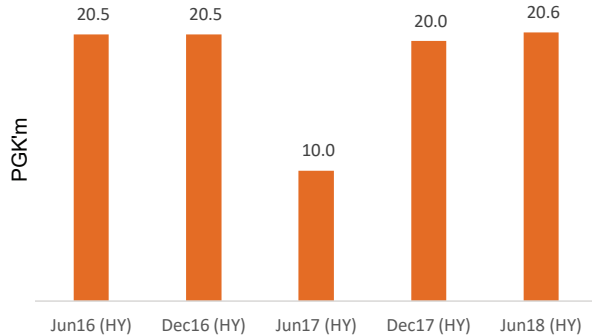
Significant achievements with risk management introducing advanced compliance procedures

Rebranding has been extremely successful with external market perception shifting towards seeing Kina Bank as a strong, local, safe and secure bank.

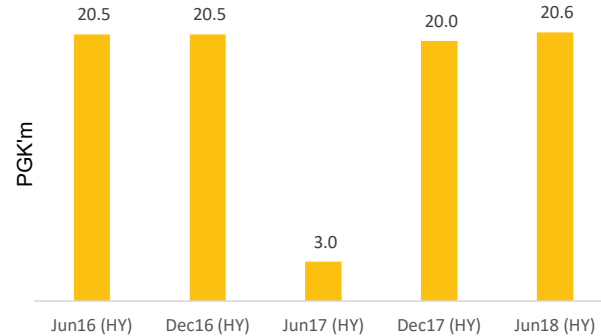
Continued significant technology upgrade

Solid underlying profit performance

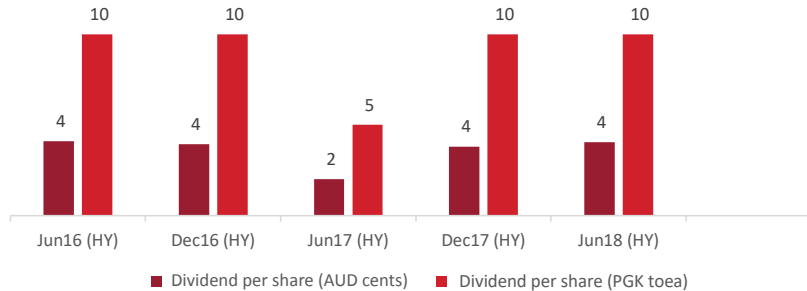
Underlying Profit (PGK'm)



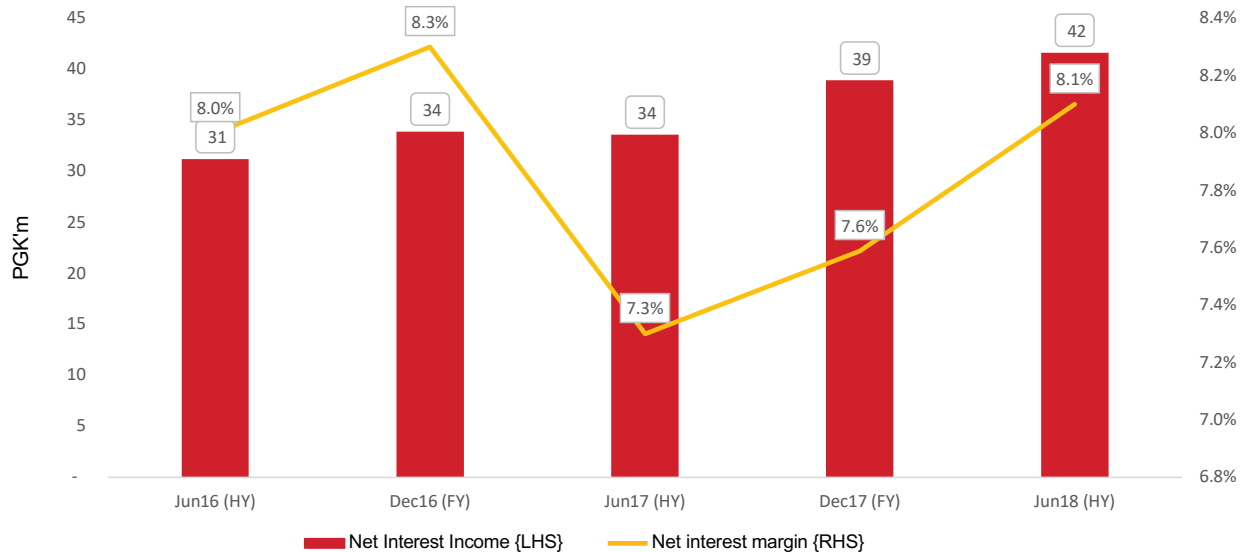
Statutory NPAT (PGK'm)



Dividend per share



Well managed margins

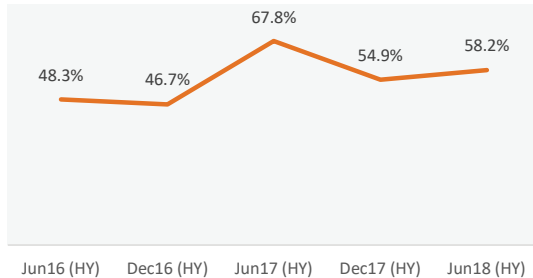


Focus on margin improvement

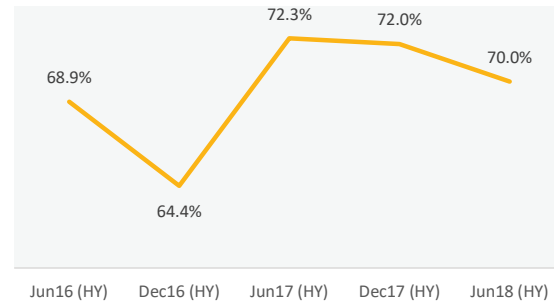
- Net interest margin (“NIM”) at 8.1%.
- Margin increase due to benefits of repricing deposits, coupled with growth in interest earning assets.
- Continued focus on rebalancing the deposit book from high cost to low cost deposits for the year to go.

Key financial ratios at a glance

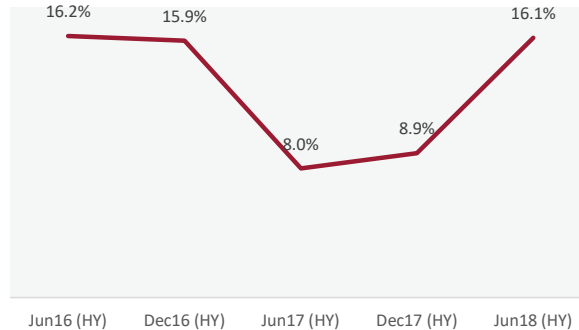
Cost to Income Ratio (excludes loan provisions and lease termination)



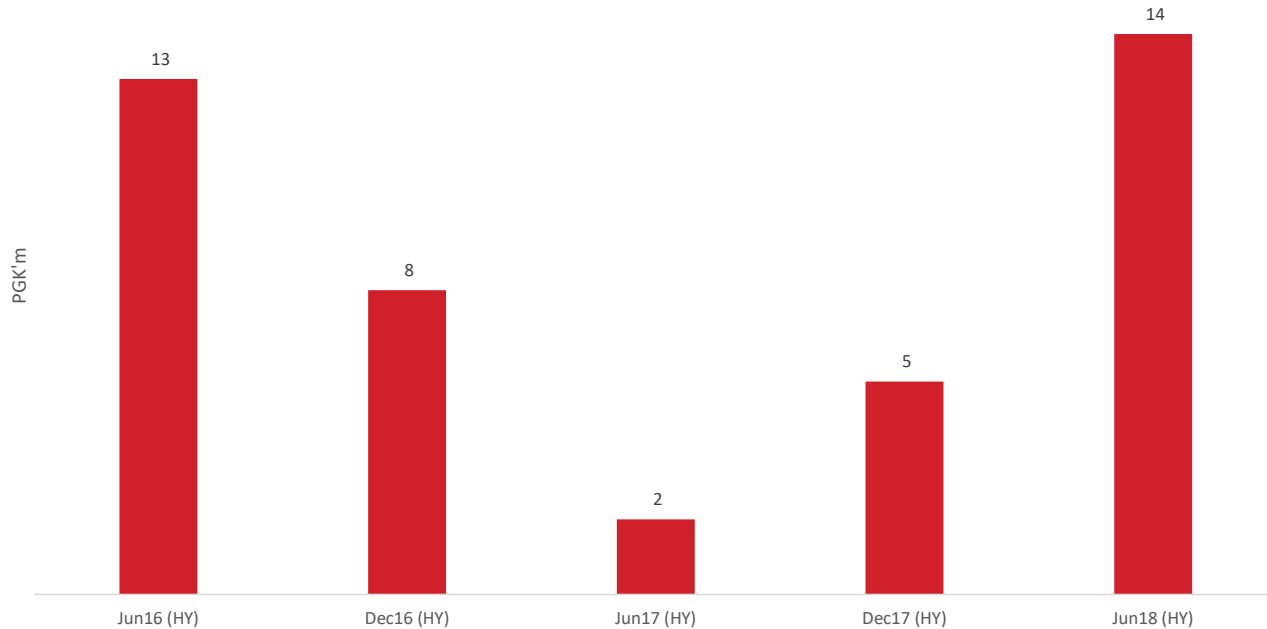
Loans to deposit ratio



Return on Equity



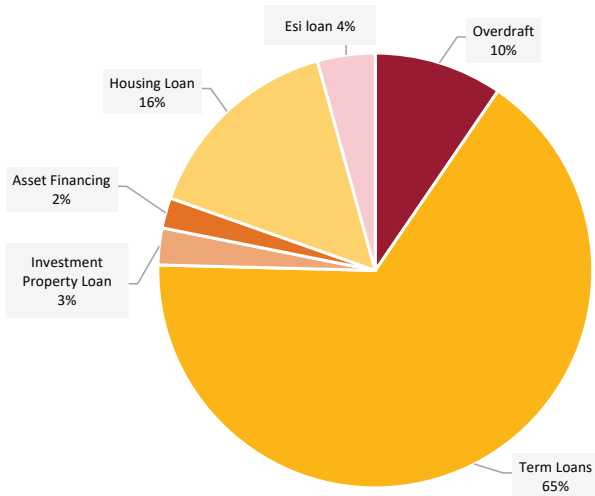
Foreign exchange revenue restored



The process involved in securing a US Dollar correspondent Bank has had significant impact on FX Income since 2H 2017 flowing through into 2018

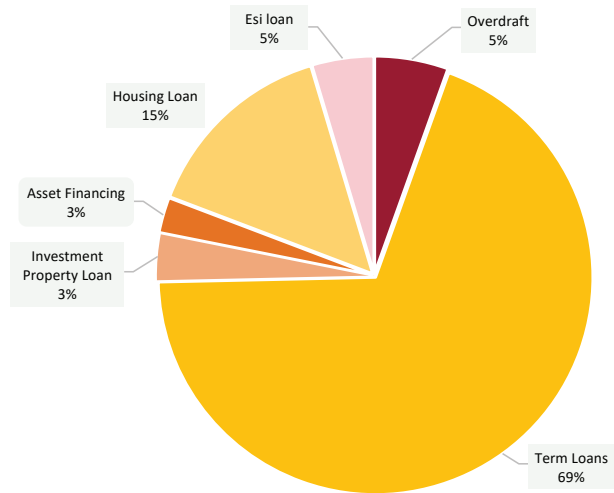
Driving loan book growth

Lending 2017



Total lending PGK746m (gross)

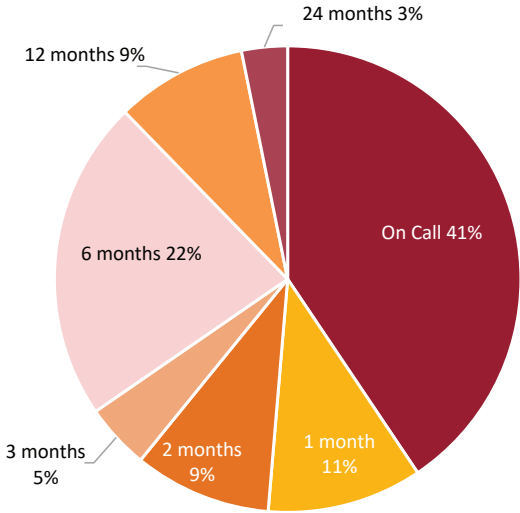
Lending 2018



Total lending PGK805m (gross)

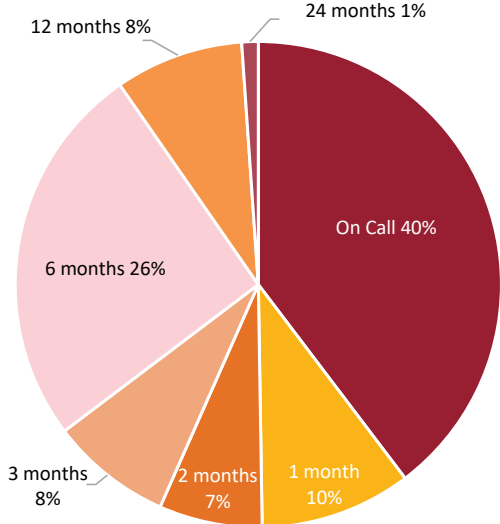
Continued deposit growth

Deposits 2017



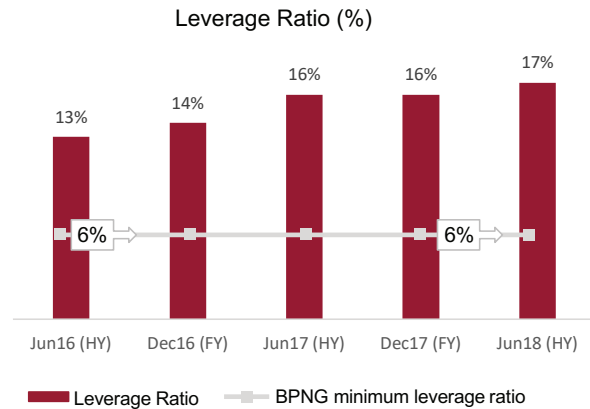
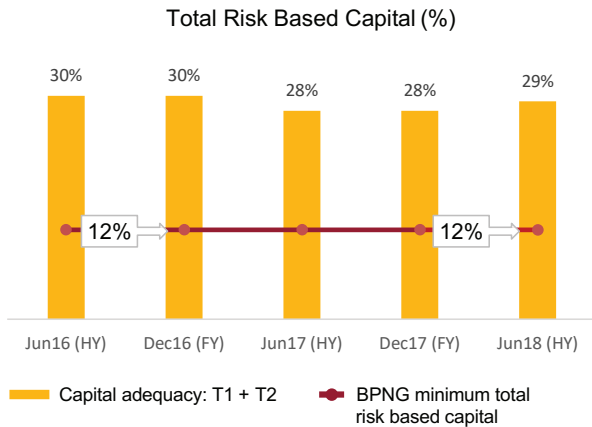
Total deposits PGK1.014b

Deposits 2018



Total deposits PGK1.100b

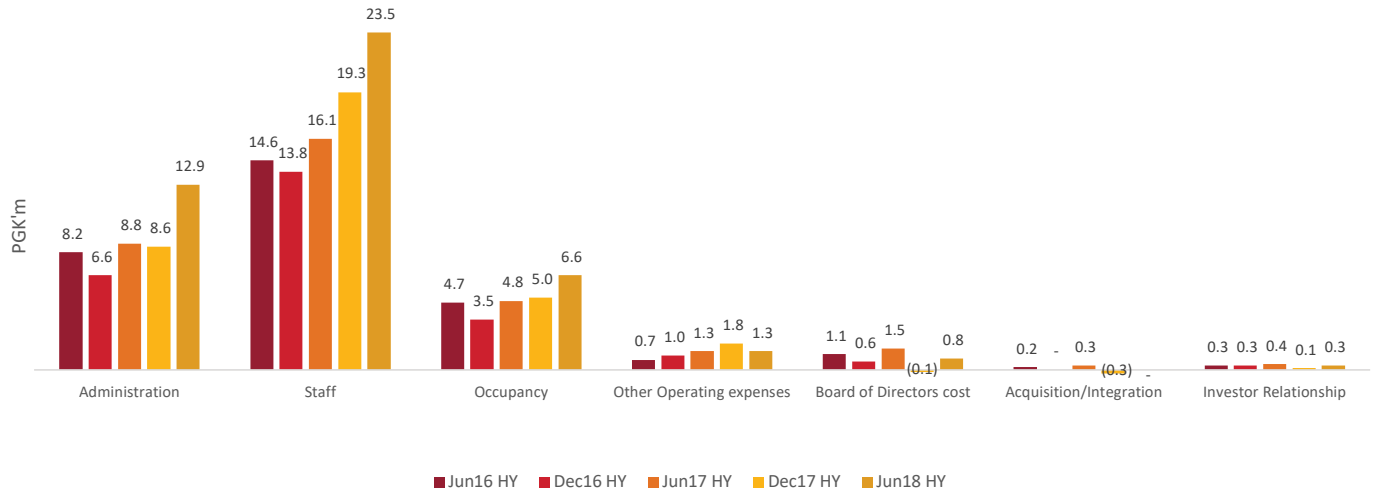
Strong balance sheet



Conservative balance sheet

- T1 and T2 capital ratio 29%, regulatory minimum 12%
- Leverage ratio 17%
- Coverage ratio stands at 116%

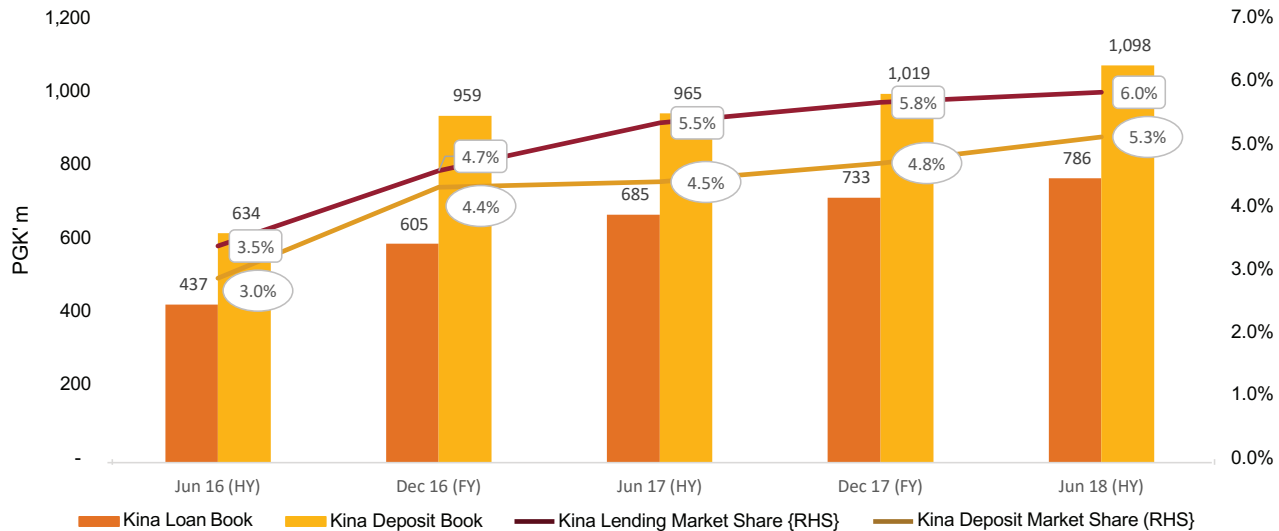
Focus on costs



Cost higher on growth initiatives

- Total operating costs up 37%
- Underlying costs increase mainly due to staff and administration costs associated with planned business growth in 2018. (Intergration, technology upgrades)

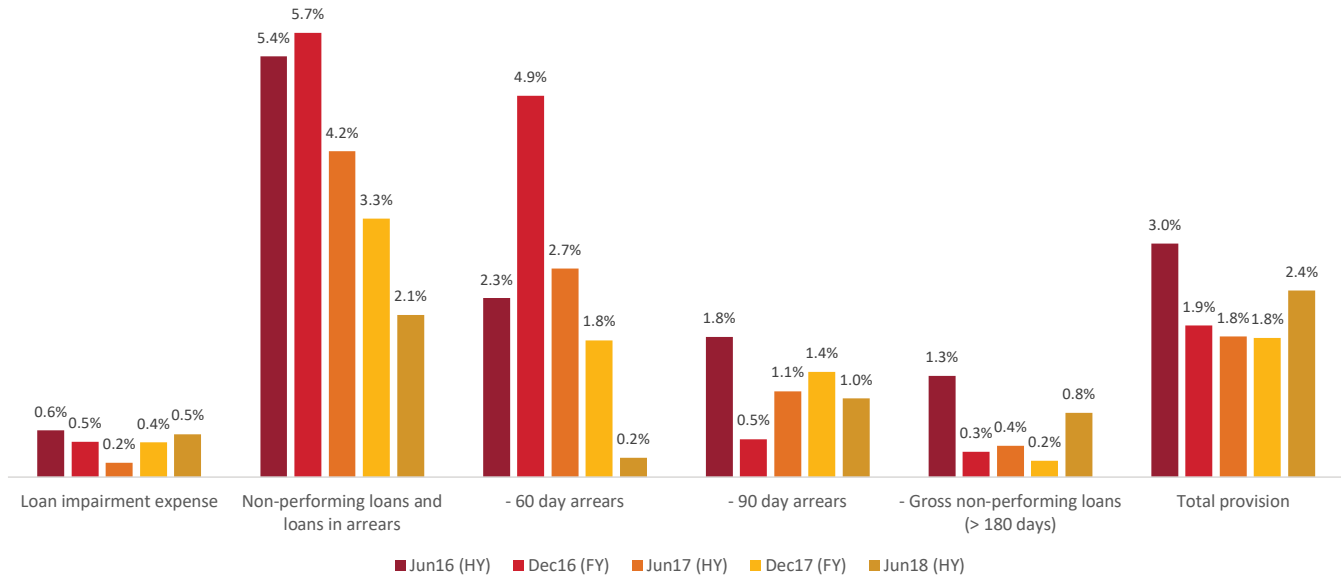
Balancing growth and returns



Disciplined growth

- Deposit growth of 8% in 1H 2018
- Management focused on moving from high to low-cost deposits to reduce cost of funds

Sound credit quality – low impairments



Low impairments and conservative provisioning

- Loan impairment expense of PGK4.3m for 2018 (0.5% GLA)
- Total provisions 2.4% GLA (Impact of IFRS 9 implementation).

Divisional performance highlights

Banking

- Continued strong growth in new customers
- Strong loan portfolio growth and increased market share
- Reduced cost of funds by 23%
- Non-interest income grew by 130%
- Net interest income of PGK41.6m up 24%
- FX income restored to PGK14.0m



Divisional performance highlights

Wealth Management

- **Wealth Management** business is performing to expectations

- **Realised growth** in Funds Administration by over 100%

- **Continued strong** relationships with key superannuation funds

- **Successfully** onboarded major funds management accounts

- **Now administer accounts** on behalf of more than 700,000 members

Economy

- The overall economic performance of PNG remains resilient despite tighter private sector lending and lower employment growth compared with recent years
- The Asian Development Bank forecast possible growth in the PNG economy to run at 2.8% due to one-off activity relating to the Asia-Pacific Economic Cooperation leaders' summit
- Additionally, rising US Treasury yields and the expectation of further rate hikes has resulted in the depreciation of the AUD as a result of cross-currency movements, translating further to a more favorable PGK relative to the AUD.



Delivering on 2018 strategic priorities

Vision

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

Purpose

Our people, customers and communities are empowered to have financial independence and security.

Our Priorities

Partnership

'Life long customer relationships. Strong valued strategic partnerships'

Digital

'Clarity in offering that surpasses anything in the market today, best user interface, operational excellence'

Responsible

'Strong addition to the communities we serve. Positively contributing to a growing and vibrant community'

Brand

'Local pride in the Kina Bank brand. Recognised as a viable, secure and differentiated financial services organisation'

Knowledge

'Recognised as having the best people in the financial services sector'

Partnerships | together it's possible

Now administering over 700,000 superannuation clients for the two largest provident funds in PNG and developing a differentiated value proposition to attract members as new customers.

Working with one of PNG's leading microfinance banks to expand their existing financial inclusion program to assist with achieving The Bank of PNG's objective to bank two million unbanked by 2020.

An integration program is well established for the acquisition of ANZ PNG's retail, SME and Commercial business.

Implementing a brand new e-Switching capability with OPEN WAY in order to service Scheme Card issuing and Acquiring; Eftpos services; managing an expanded ATM fleet; and USSD mobile banking services.

Established and implemented an enhanced CYBER Security management system.

Digital | connect anytime, anywhere, anyhow

Upgrades of core banking infrastructure continue to enhance our digital offer and better functional set with latest additions including online account on-boarding and loan application.

Treasury module implementation project completed. SWIFT target hardening well progressed and incorporates new international operations partition.

Completed the insourcing of all web and social media management.

Significant improvements made to the core infrastructure platform supporting the Funds Administration business following the successful migration of NASFUND.

Responsible | Value the communities we live in and build a better future

Finalising our Total Societal Impact (TSI) Strategy which will incorporate the Environmental Social and Governance Global Framework. The TSI is concentrated on Financial Inclusion; Fostering Entrepreneurship and Innovation through the development of a SME Capital Fund; and a program working with NGO's to prepare youth for the workforce.

Enhanced key sponsorships evaluation, governance and business performance. Major sporting sponsorships undertaken during 1st half of 2018 were the PNG Golf Pro-Am and PNG AFL.

Brand Ambassador PNG Tennis pro Abigail Tere-Apisah supported the development of PNG Tennis.

Brand | local and strong

Rebranding of Kina to Kina Bank has been successfully completed with a very positive shift in market perception supported by a robust and comprehensive public relations, media and marketing plan. The success of this has been evidenced by higher new customer growth.

Proactive direct management and communication to ANZ PNG's retail, SME and Commercial customers with co-location of bankers to optimize customer retention.

Key corporate event sponsorships have included Prime Minister's Back to Business Event, the PNG Petroleum and Energy Summit, and the APNG Business Forum held in Brisbane earlier this year.

Naming rights secured to The Tower Building in Downtown Port Moresby which will be renamed Kina Bank Haus.

Knowledge | empowered and capable people

Finalised People and Culture Plan with the objective of hiring and retaining the best talent. The key themes are culture and leadership development; strategic workforce planning; talent management; capacity building; and governance.

Online Performance Management, Accreditation and Learning Development Platform now fully implemented and operational.

