



Kina Securities Limited

Full Year Results – 31 December 2018

March 2019

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Financial Results

- Revenue PGK 162m, **up 45% from 2017**

- Net Interest Income **grew by 21%**

- NPAT PGK 48.1, **up 109% on 2017**

- Return on Equity **up from 8.9% to 18.3%**

- Earnings per Share **up 109% to PGK 29.3 Toea**

- Final Dividend **AUD 5.5c per share or PGK 13.4 Toea**

Cost Management

- **Reduction in cost to income** ratio from 58% to 54% achieved largely through higher revenue growth and strong cost containment in H218.

- **Tight management of discretionary expenses**

- **Capex and Integration Capex budget tightly controlled** and Board risk appetite for no more than 10% of total costs in amortization

- Forecast stable, **working through potential synergies with ANZ**

- **Productivity** – front to back office ratio moving to 70/30 as opposed to 40/60 today

Business Growth

- FX income restored and **grew 373% to PGK 34.2m**

- Customer numbers **up by 25% to 20,625**

- Deposits **grew by 29% to PGK 1.31b**

- Loans and Advances to customers **grew by 20% to PGK 851.7m**

- Funds under Management **grew by PGK 600m to PGK 7.5b**

- Funds under Administration **grew to PGK 11.7b**

Risk Management

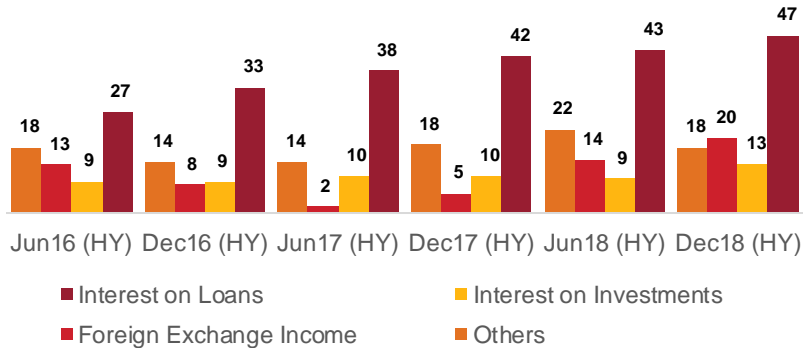
- Capital adequacy maintained **at 28.9%**
- Sound loan book – **compliant with IFRS9** – total provision **2.1% of GLA**
- Arrears 2.2% & Loan Impairment expense **0.58% of GLA**
- Strategic partnership proposed for **provision of Microfinance**
- NIM (annualized) **7.6%**
- **New lending Kina Bank Facility Rate (KBFR)** to enable quick response to competitive actions and market liquidity

Strategic Milestones

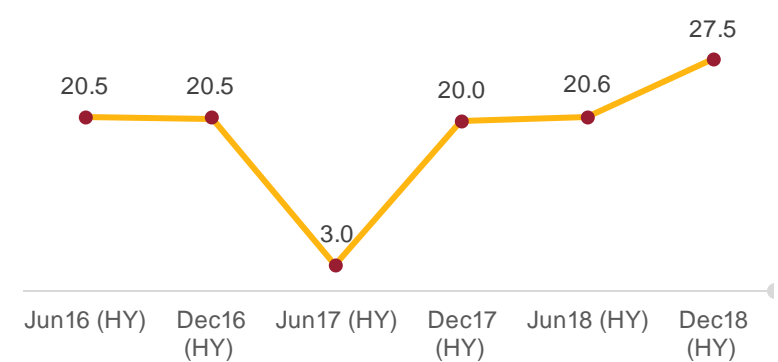
- Announced transformational acquisition of **ANZ PNG's retail, SME and Commercial businesses**
- **Successfully onboarding** of NASFUND funds administration – total members 750,000
- **Resolution** of escrow shareholding – FU Shan Investments (Hong Kong) Ltd ceased to be a substantial shareholder (34.94%) in June 2018
- **Strengthened** correspondent banking arrangements
- **Significant** ICT digital enhancements and capability build
- Won the **Most Innovation Financial Services Company Award** for 2018 by PNG Institute of Company Directors

Strong Growth

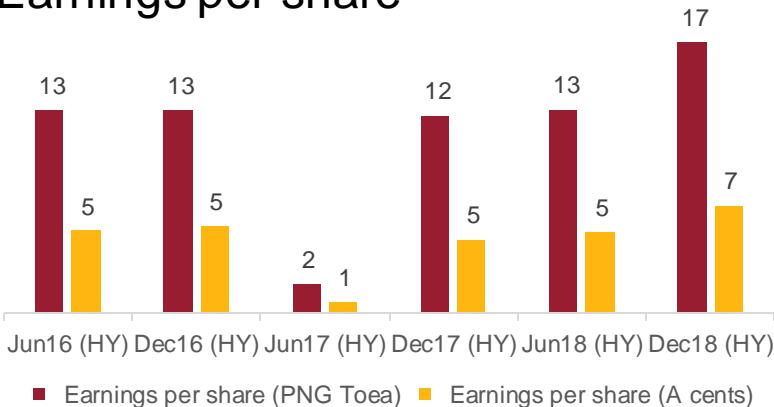
Revenue (PGK'm)



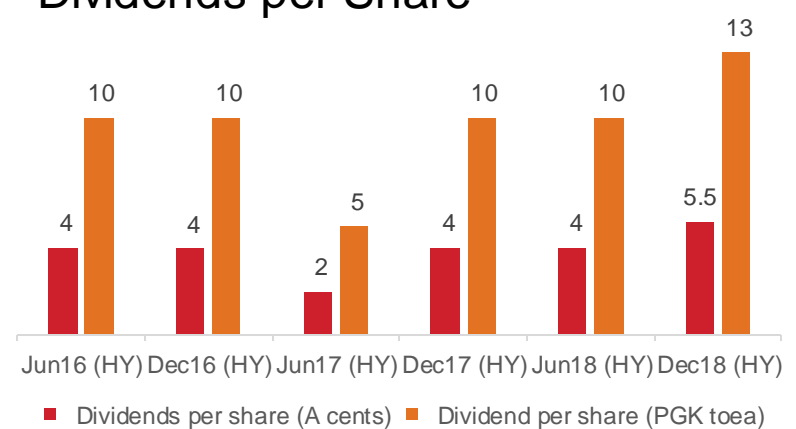
NPAT (PGK'm)



Earnings per share

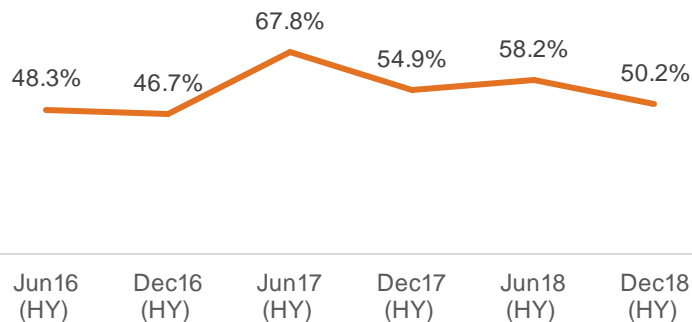


Dividends per Share

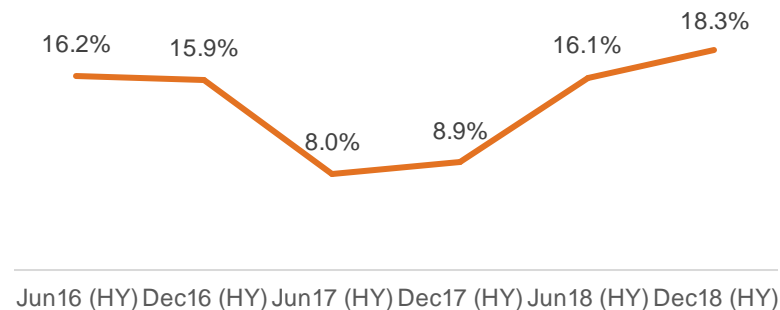


Improved Productivity

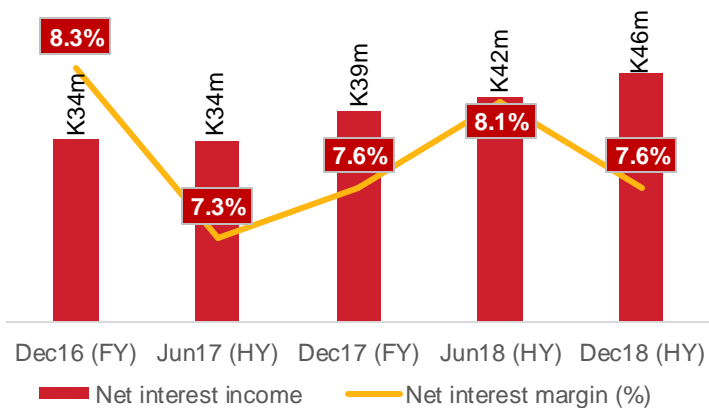
Cost to income



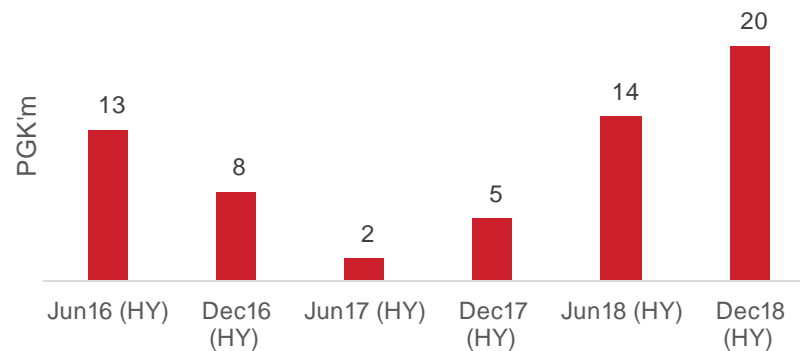
Return on equity



NIM

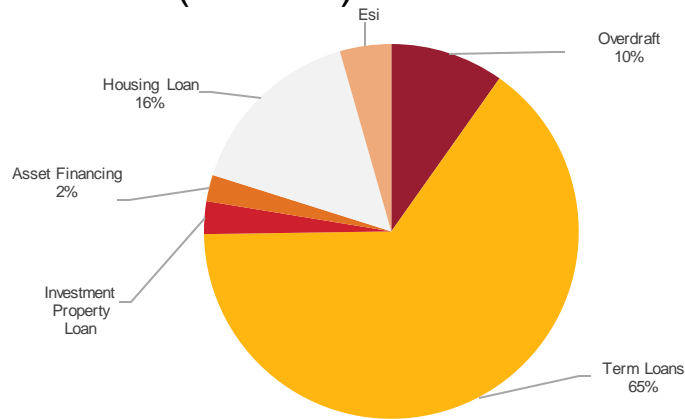


FX income

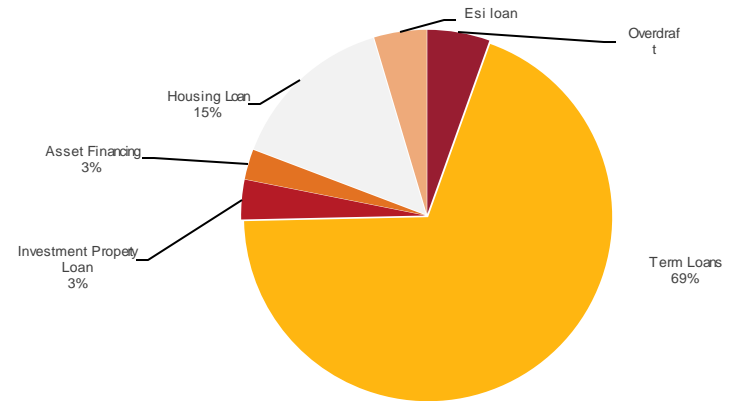


Balance sheet in good shape

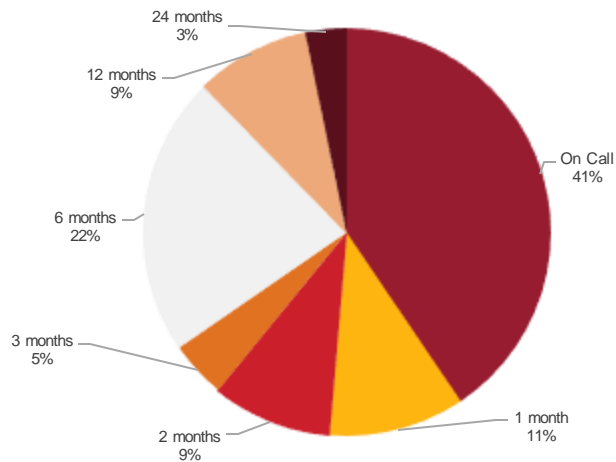
Loans 17 (K732m)



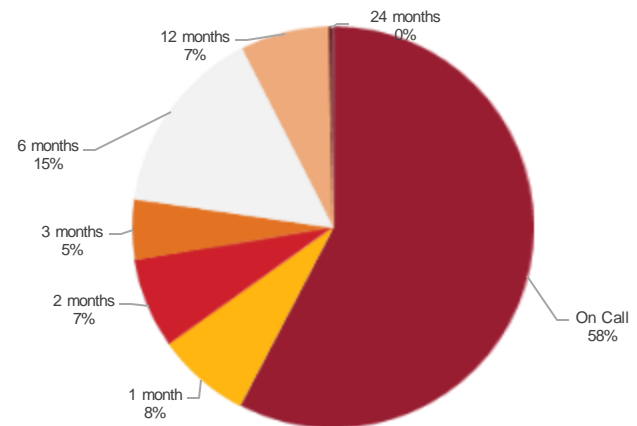
Loans 18 (K852m)



Deposits 17 (K1019m)

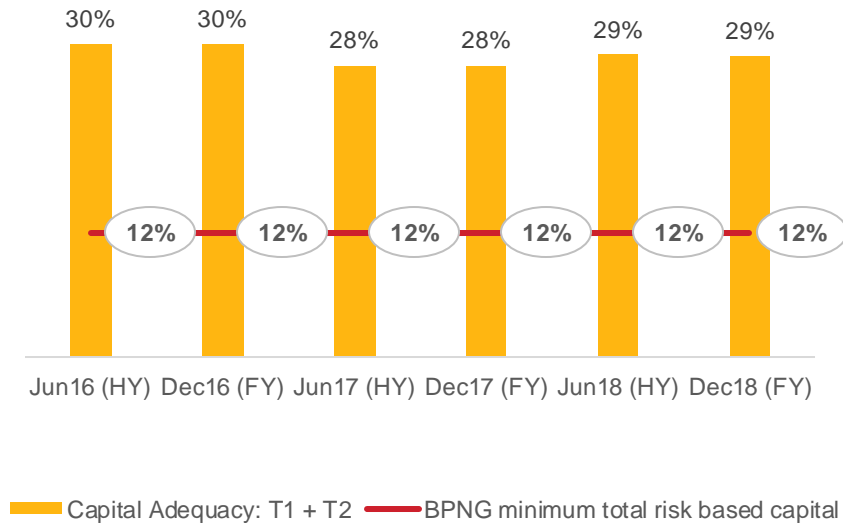


Deposits 18 (K1316m)

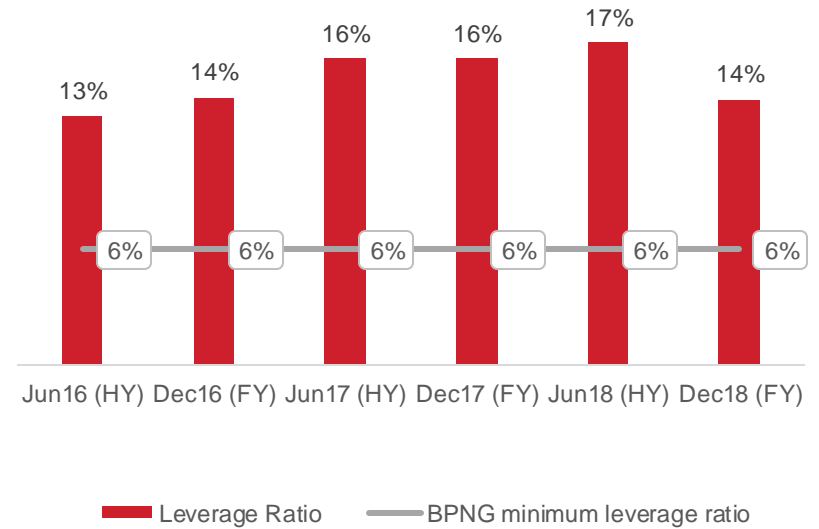


Capital management

Capital adequacy

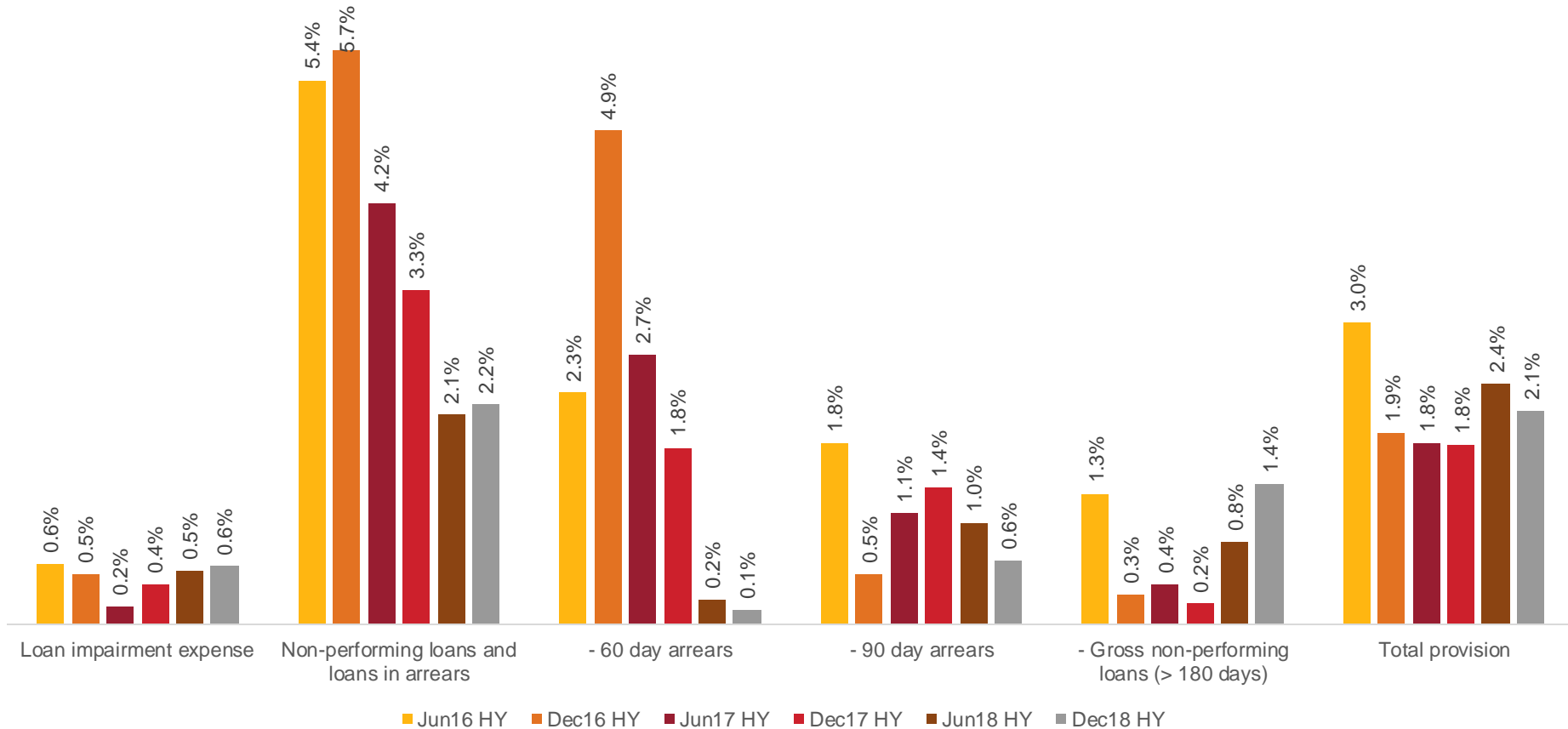


Leverage ratio

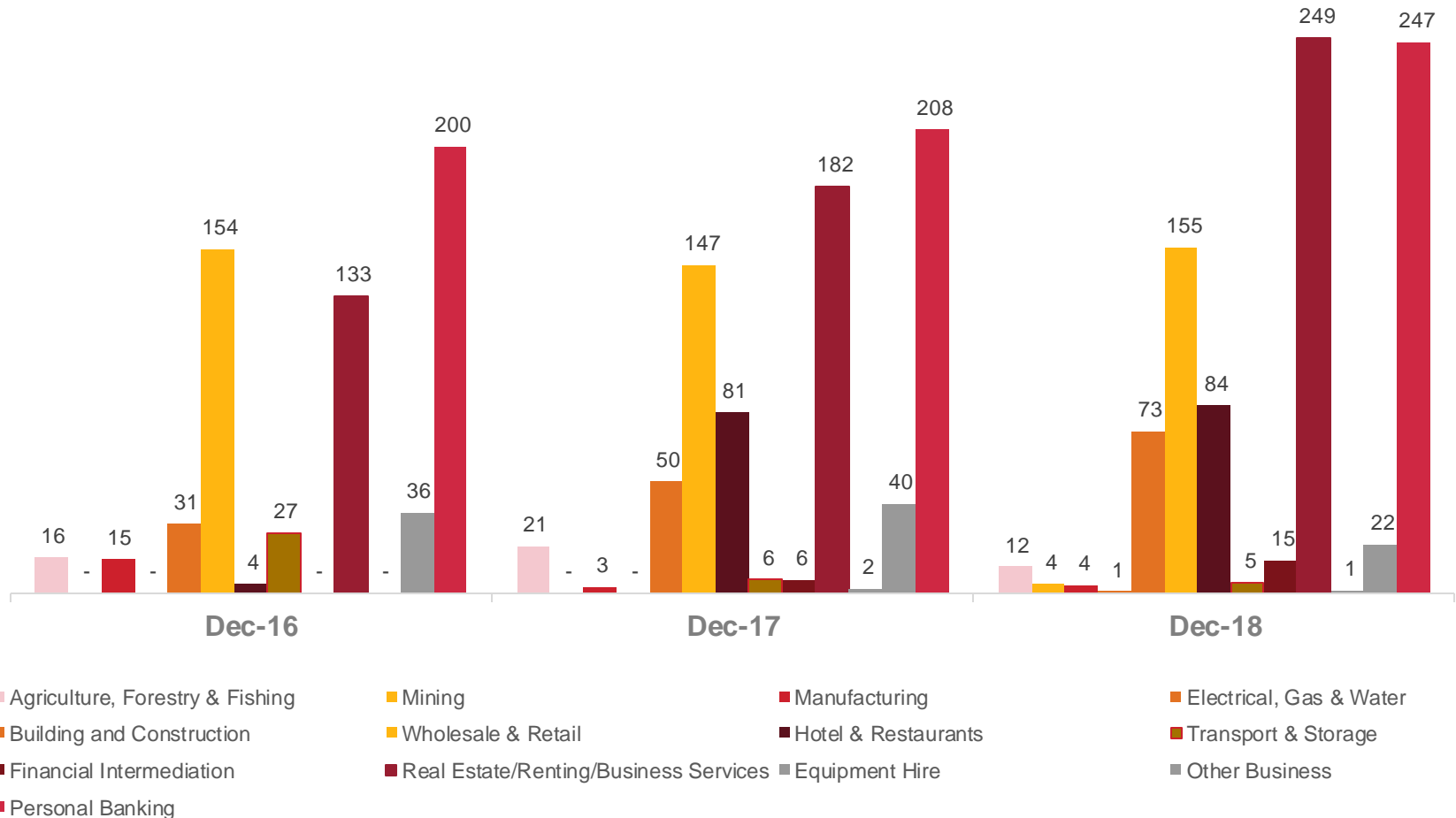


Asset quality maintained with growth

Structure of loan book

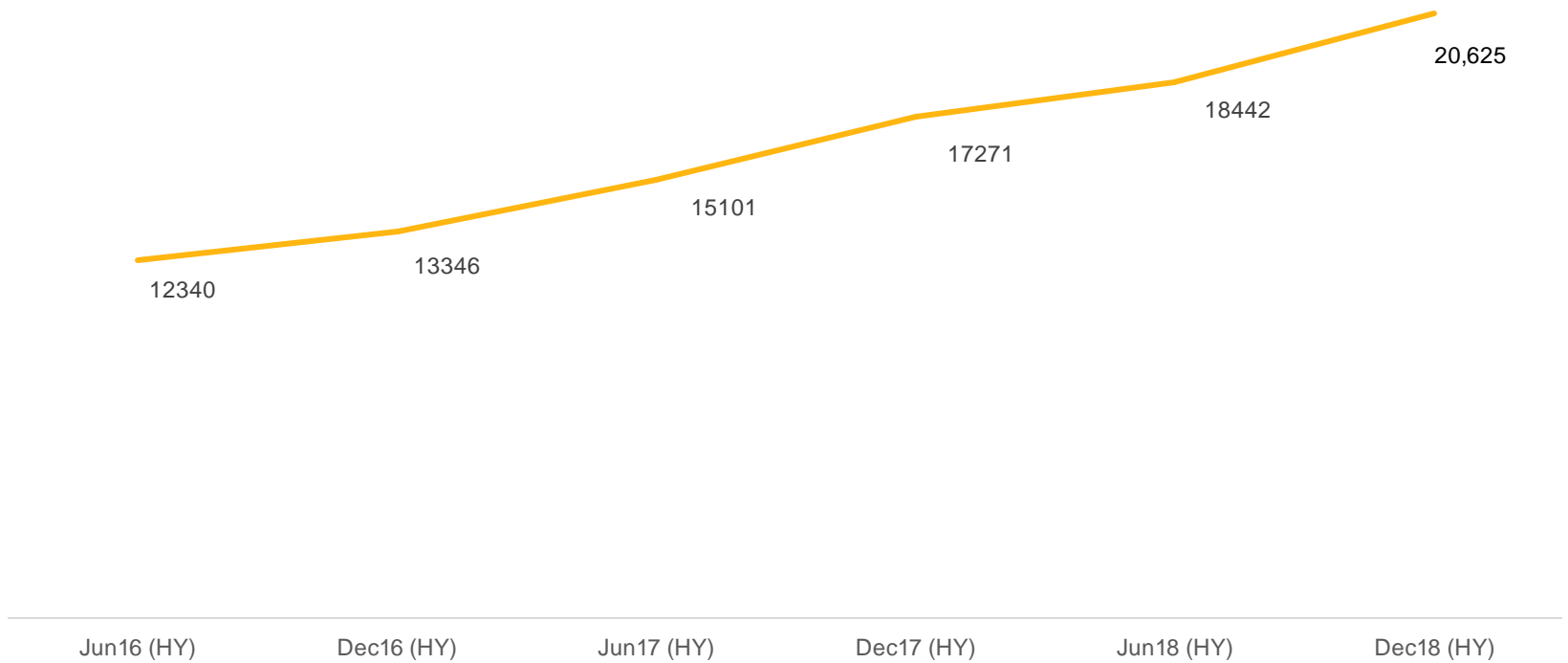


Concentration risk well managed



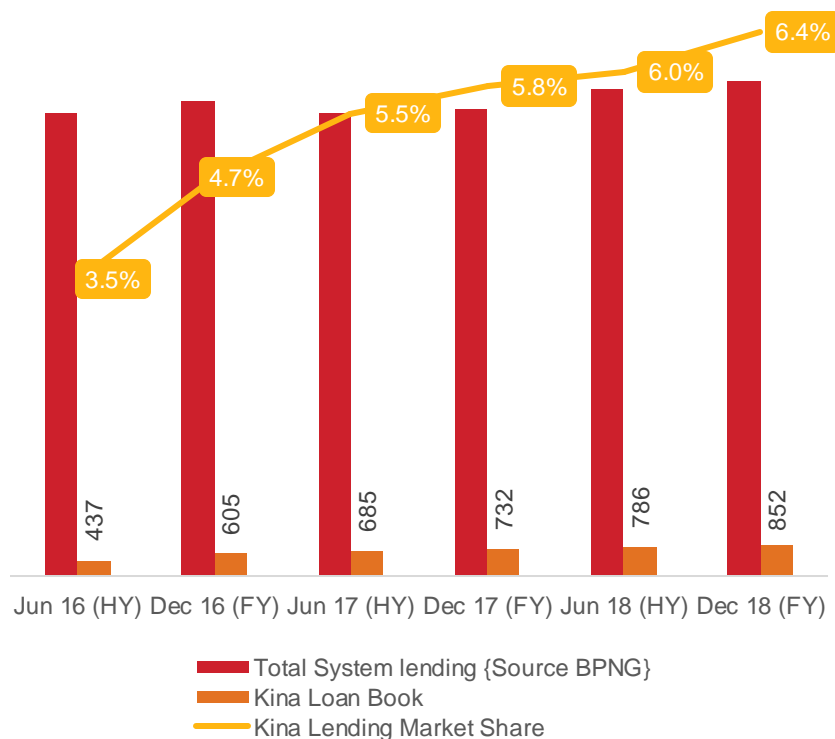
New growth with digital strategy

Customer Number Growth

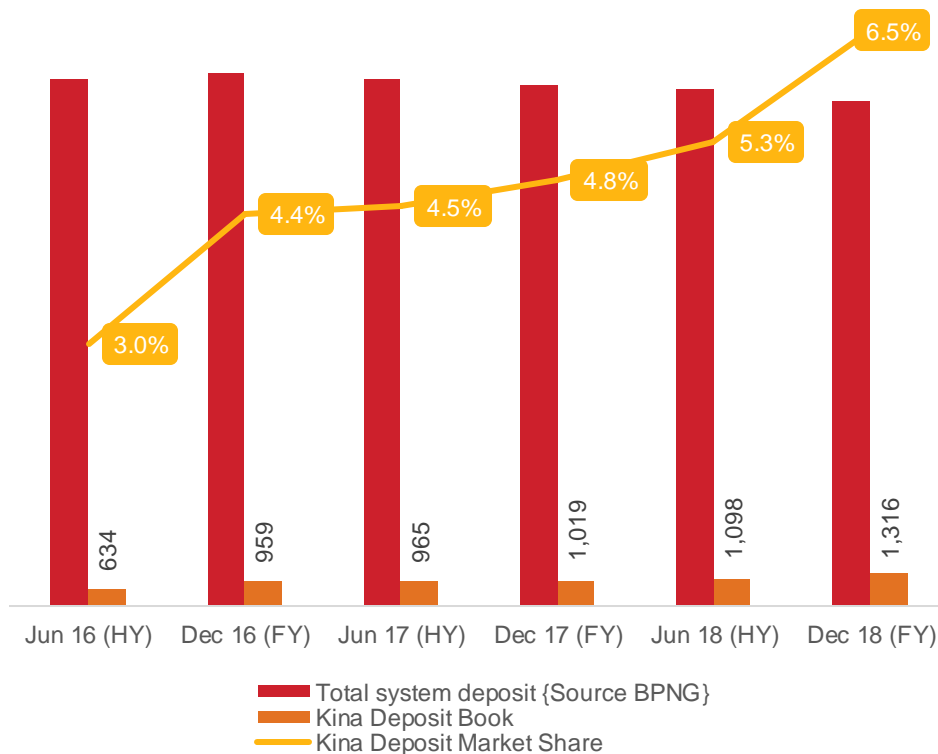


Market share gains

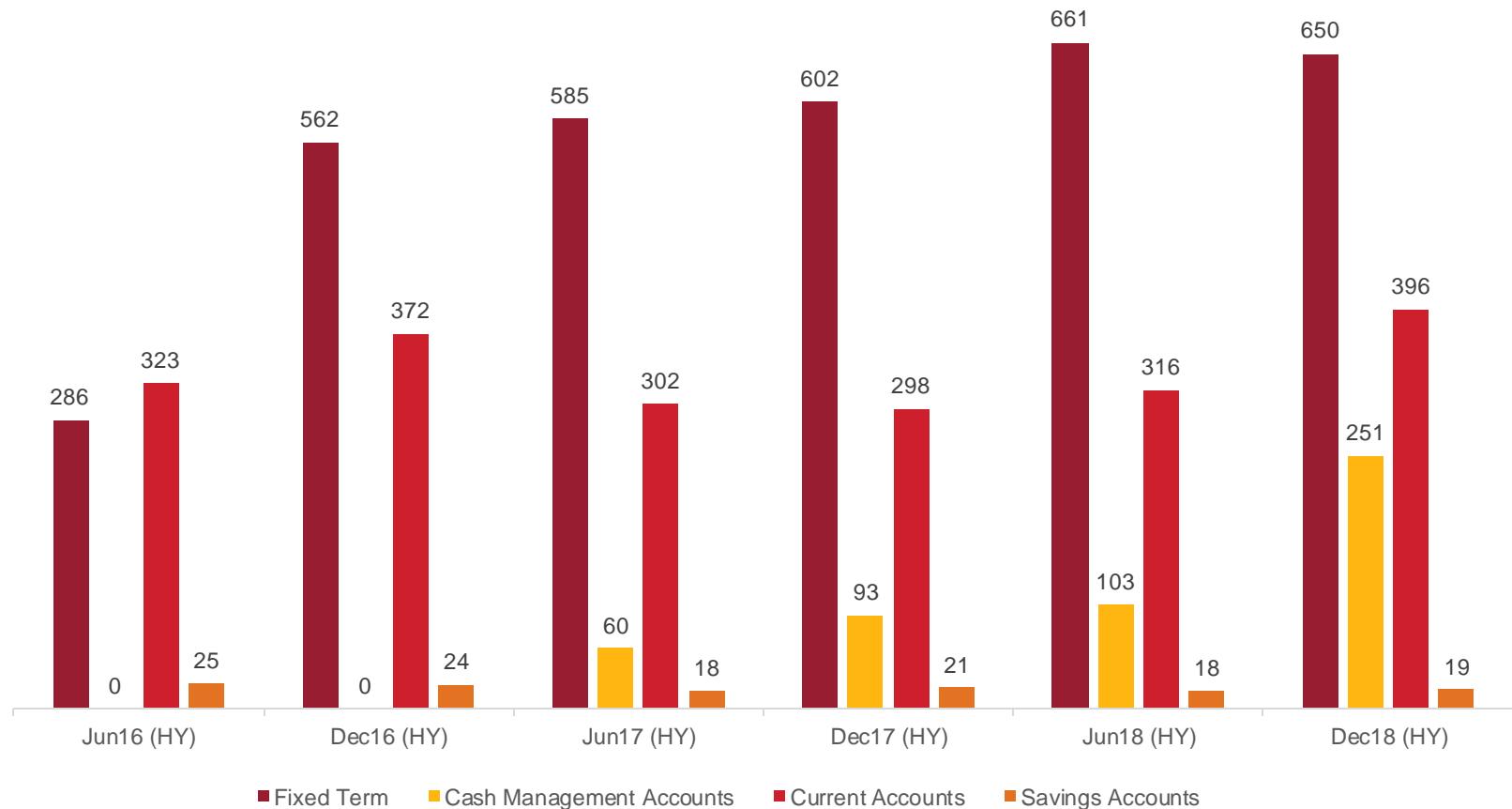
Market share percentage
– Lending (PGK'm)



Market share percentage
– Deposits (PGK'm)



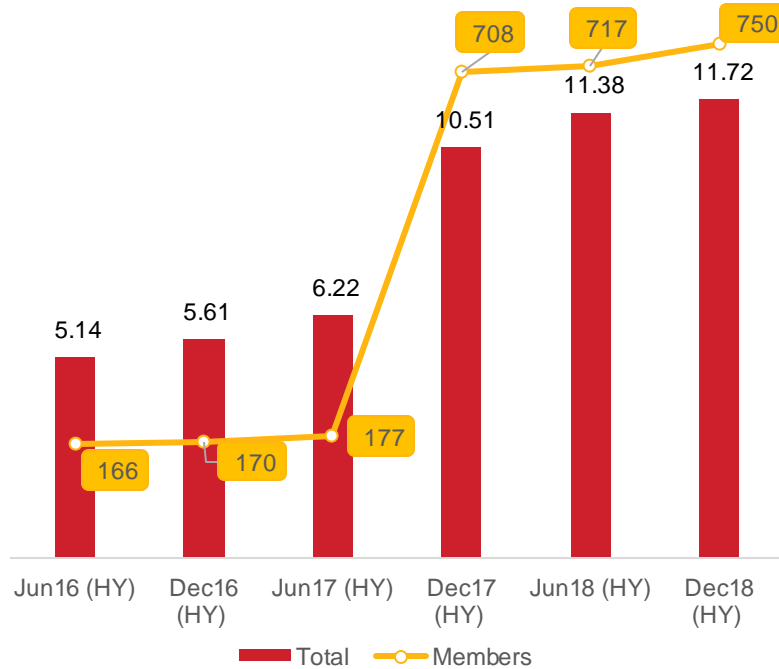
Rebalancing deposits to low cost funds (PGK'm)



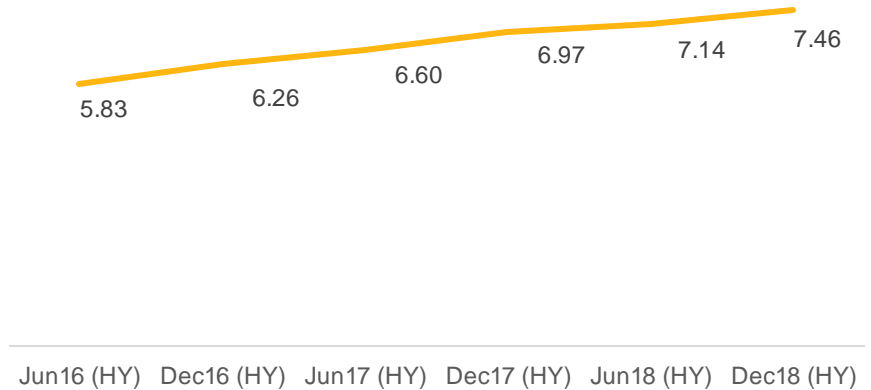
Wealth management – stable performance

Funds under Administration (PGK'b)

Member numbers in '000s



Funds under Management (PGK'b)



PNG Update - Economy

- **Challenging** year due to the tight supply of foreign exchange and lower economic activity – FX markets will normalise

- Successful issue of PNG's first sovereign bond **raising US\$500million**

- Exchange rate forecast will be **flat and stable**

- Stable Growth in 2019 – World Bank forecast at 5% – Kina estimates 3%

- Key large resource projects progressing – PNG LNG, Papua LNG, Wafi Golpu, Coral Sea submarine cable – projects estimated at **USD 20b investment**

- **Strong and stable government** since 2017 delivering a clear, focused public agenda

PNG Update – APEC 2018

- **Successful event** had a positive impact

- **Several billion dollar partnerships** announced including:
 - Trilateral partnership between Australia, USA and Japan for infrastructure development across the Indo-Pacific region
 - US\$1.7bn partnership between Australia, USA, Japan and New Zealand to bring power to 70% of the population by 2030
 - Signed an MOU with Total for Papua LNG project, estimated to cost \$13bn
 - PNG-USA-Australia joint agreement on development of the Manus Island naval base



2019 Priorities: a transformational year ahead

- Overall ANZ Integration Program is progressing well and **on target for 30 Sep 2019**
- **Formal Regulatory approval** from BPNG now to hand
- **Significant internal digital transformation** automating systems and processes
- **Implementation of new payments switch** completed Feb, 2019. POS and ATM network UAT commenced
- **Key Priorities** are Technology Build; Operations build out; and Change Management
- IFC and ADB providing **specialist technical and project assistance**
- **Announced partnerships** with Visa and China Union Pay accelerating ambition to accept all domestic and international cards
- Objective to achieve a **seamless staff and customer experience**



Continue to build momentum against organic growth plan

- **New personal banking division** – focus on new customer growth and conversion to lead bank
- **Targeting home lending** for high growth in 2019
- **Forecasting above 20% growth** for business lending
- **Expanding** Treasury, FX and Corporate Cash team
- **Innovation for FUM and FUA** – potential capital markets, and development/growth of mass affluent customer segment
- More advisory based business model for **Business Banking as partners aligned** to wealth – cross sell into full banking customer
- **New pricing methodology** being deployed to protect NIM
- **Commencing early transition** of some ANZ PNG functions pre-settlement.