

27 February 2020

Kina Securities delivers strong organic growth during transformative acquisition

Kina Securities Limited (**ASX:KSL**) (**Kina** or the **Company**) reports a strong performance for the 12 months to 31 December 2019.

Financial Highlights

- Statutory NPAT of PGK 60.9 million up 27% on 2018
- FX Income up 23% to PGK 42 million
- Net interest margin 8.8%
- Net interest income grew by 31% to PGK 114.6 million
- Non-interest income of PGK 91 million up 23%
- Final dividend of AUD 6.4 cents per share or PGK 15.5 toea
- Capital adequacy at 21%

Kina achieved an unaudited statutory net profit after tax of PGK 60.9 million for the year ended 31 December 2019, a 27% uplift on the previous corresponding period.

Directors declared an unfranked final dividend of AUD 6.4 cents per share / PGK 15.5 toea per share. This took the full year dividend per share to AUD 10.4 cents / PGK 25.5 toea, compared to dividend per share of AUD 9.0 cents / PGK 22.1 toea for the prior corresponding full year.

The strong financial results were largely driven by an uplift in interest income earnings, weighted favourably towards 2H 2019. The result was boosted by solid growth in the existing loan book of 26% and the addition of the acquired ANZ loan book in the second half of the year. Non-interest income showed a strong performance with another year of uninterrupted foreign exchange trading. Fees and commissions also grew and contributed to the positive result.

During the year, Kina completed the acquisition of ANZ PNG's Retail, Commercial and SME business; announced a strategic partnership with Nationwide Microbank Limited through a 15% stake; and finalised the placement of shares to the triple-A credit rated Asian Development Bank, who invested US\$10 million to become the Company's second largest shareholder.

Key features of the result

Kina maintained growth across all of its organic businesses during the transformative year.

- Net interest income increased by 31% to K114.6 million compared to the corresponding prior year. The organic loan book grew by 26%. With the acquisition of the ANZ PNG loan book, overall loan growth was 65%

- Foreign Exchange (FX) growth increased by 23% to PGK 42 million underpinned by an increase in overall market share
- The Deposit book grew by 89% compared to full year 2018. 9% of this growth was attributed to the organic business. No significant adverse impact was noted in interest expense
- There was no customer loss during the ANZ PNG acquisition and organic customer growth was up 17%
- Kina Funds Management achieved revenue of PGK 11.2 million for the full year, commensurate with a lift in total funds under management of PGK 480 million to PGK 8 billion by 31 December 2019
- Kina Funds Administration also recorded growth in profit by 25% on the back of increased funds under administration and growth in member numbers compared to the prior year

Kina's Chief Executive Officer Greg Pawson said: "Our focus to maintain growth across the organic business - while also delivering the complex and transformative acquisition of ANZ PNG's Retail, Commercial and SME business - has delivered a solid result".

"We implemented a new business model to prepare for the acquisition, with a sharper concentration on key customer segments for growth including personal and business banking, online and e-commerce transactional services, investment management, corporate cash and foreign exchange".

"We also finalised our 2025 Strategic Plan – Building the bank of the future - setting a five-year pathway to becoming PNG's leading digital bank. Our new Transformation Function is responsible for the oversight and delivery of the strategic goals and initiatives. Significantly, these results were achieved in a challenging economic environment that continues to see the tight supply of foreign exchange and low economic activity."

Outlook

2020 is expected to be another subdued year for the PNG economy with key indicators pointing towards low levels of activity. The deferred P'Nyang gas agreement will delay the development of Papua LNG for what could be a significant period. The government is looking to reign in expenditure in the public service to reduce the fiscal deficit whilst building on foundational work in areas such as infrastructure spending and value added processing to build the manufacturing base of the country. Foreign exchange shortages will continue to be an impediment to business. Domestic interest rates remain high and are expected to continue.

Refer to Kina's Appendix 4E lodge today for further details.

Authorised for lodgement by the Board of Directors.

ASX/PNGX announcement



For further information:

*Greg Pawson
Chief Executive Officer and Managing Director
Email: greg.pawson@kinabank.com.pg*

*Chetan Chopra
Chief Financial Officer and Company Secretary
Email: Chetan.chopra@kinabank.com.pg*

together it's possible

Level 9, Kina Bank Haus
Douglas Street, PO Box 1141
Port Moresby NCD 121
Papua New Guinea

Telephone +675 308 3800
Email Kina@kinabank.com.pg
Swift KINIPGPG
www.kinabank.com.pg