



**Kina Securities Limited**

Financial results for the half year  
ended 30 June 2024

29 August 2024

# Overview.

## Organic growth momentum

- Gross revenue up 17%
- Underlying NPAT up 7%
- Statutory NPAT down 9%, materially impacted by fraud loss provision of PGK13.5m (pre -tax) and PGK7.4m (post-tax)
- Deposit up 8%, Lending up 12% vs June 2023

## Diversified Revenue growth

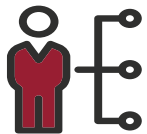
- Interest on loans up 16%
- Digital revenue up 35%
- FX revenue up 71%

## Shareholder returns

- Statutory RoE of 13.2%
- Underlying RoE of 15.6%
- Earning per Share 5.5 cents and Dividend per Share 4.0 cents



# Delivering our strategy.



## Growth & Prosperity

- Digital channels and partnerships growth of 35% year on year has benefited from operating model alignment with the Business Banking team, and additional focus on our e-commerce partnerships and independent products such as the Pei Beta bill payment platform.
- A significant uplift in foreign exchange revenues of 71% year on year growth was delivered through increased inflows from customers, the onboarding of major accounts, and continuing momentum from BPNG's prior re-alignment from foreign exchange interventions.
- Kina Funds Administration awarded a multi-year services partnership renewal for a major superannuation fund, showing confidence in Kina's continued technology development investments, and bolstering Kina's ability for future service innovations.



## Resilience

- Kina Technology continues to invest in and mature its Cybersecurity and Data Centre capability through the implementation of the Security Operations Centre and Data Centre uplift program of work.
- Application of updated provisioning models with more quantifiable techniques for loan impairment, as required by international financial reporting standards, thus providing better predictive capabilities to determine levels of impairment.



## Service Excellence

- Kina's investment into a new corporate internet banking platform remains on track for delivery prior to the end of 2024, which will provide a significantly enhanced experience and functionality for all business segments.
- A second Digital Hub was launched in Port Moresby, providing improved accessibility through a hybrid in person and digital banking, cashless model.
- Following Kina's support for WLTH's acquisition of Mortgage Mart in 2023 through a convertible note (now making WLTH Australia's leading non-bank digital lender), Kina has commenced a program to leverage WLTH's expertise and technology solutions to improve end to end lending customer experience.



## Dynamic People

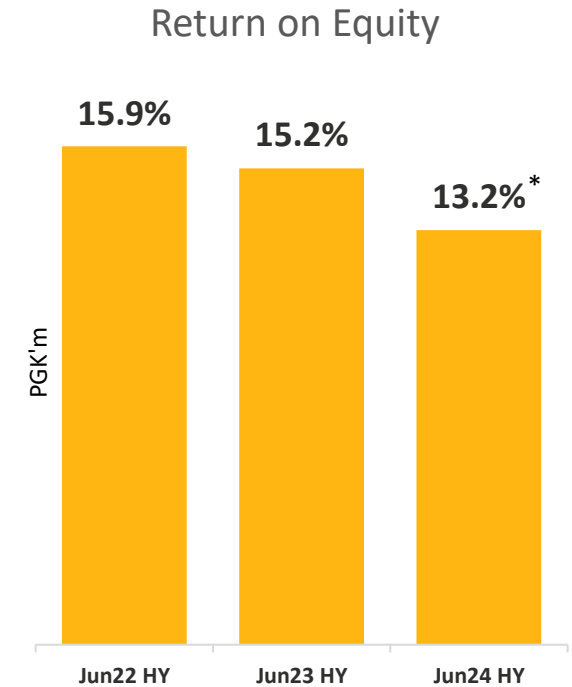
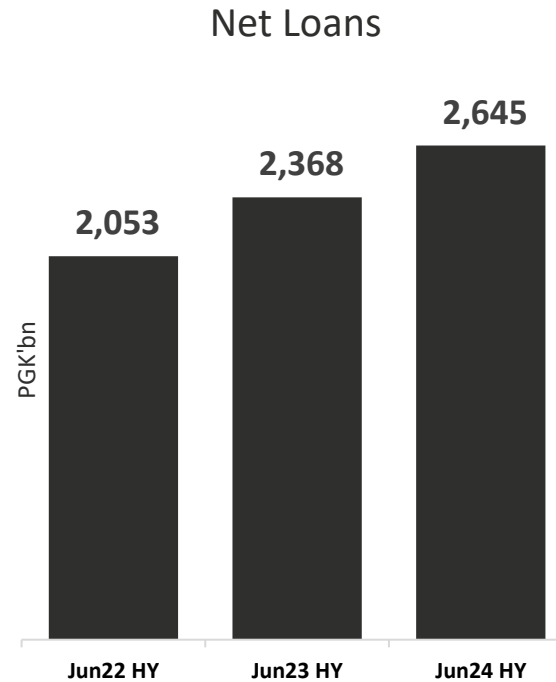
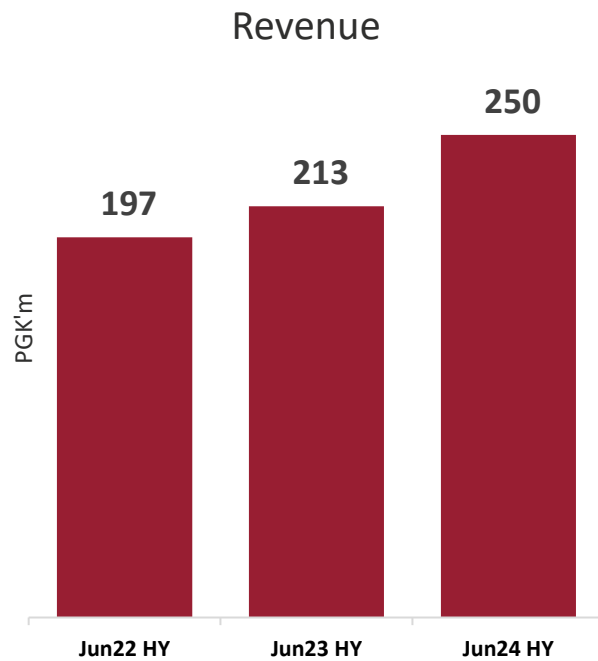
- The Bank continues to invest in developing a more robust employee value proposition, which includes ongoing training and capability development to continue its journey to being a dynamic and innovative company.
- Kina's Emerging Leaders Program was launched in early 2024, in partnership with the University of Tasmania, with the first cohort successfully completing the first semester within their 12-month program.



## Sustainable Communities

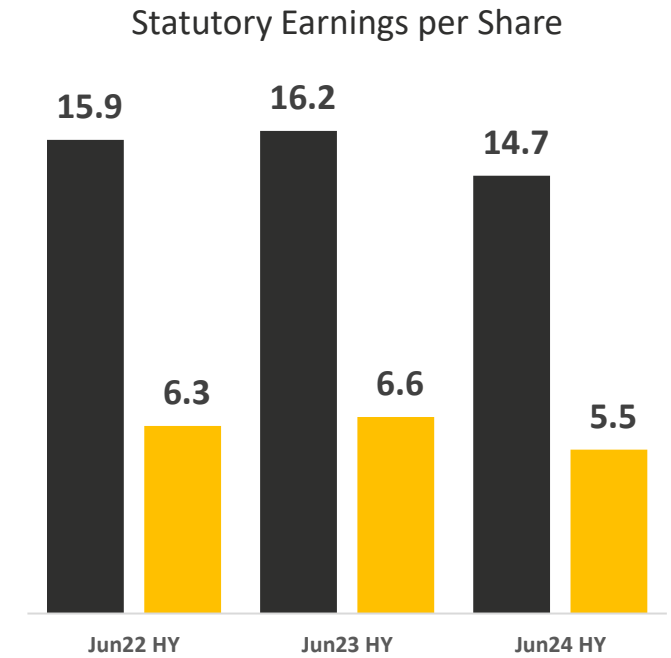
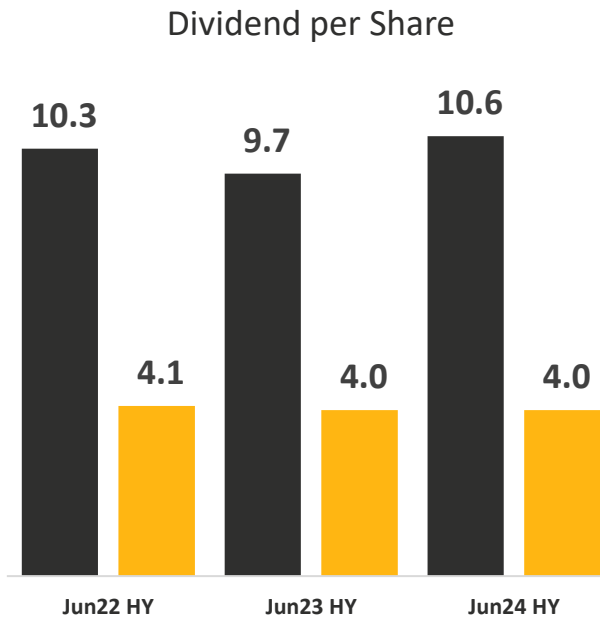
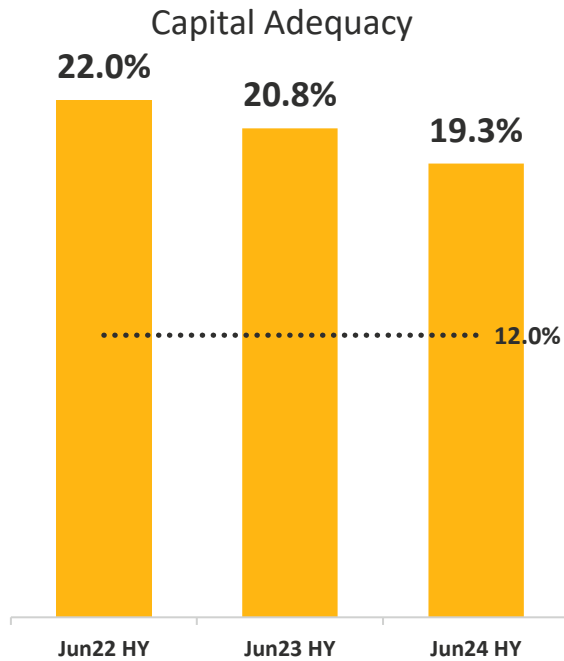
- Through the support of the Business Council of PNG, Kina hosted the Prime Minister's Back to Business Breakfast for the 8th year, with over 500 private sector guests, attended by dignitaries from the public sector and diplomatic corp.
- Kokoda Track Foundation partnership was formalised this year to support KTF's Archer Leadership Program (ALP) and the Motu Koita FODE Program.
- Partnership with Litehaus International saw several schools receive computers and laptops supported through Kina Bank's funding.
- The Strongim Komuniti Grant kicked off this year with the call for applications for the first two quarters of 2024. Screening of those applications is underway with successful applicants to receive grants before the end of the third quarter.

# Solid Revenue and Loan Growth in 1H.



\* Underlying ROE would have been 15.6%

# Shareholder Return.



■ Capital Adequacy: T1 + T2  
⋯⋯⋯ BPNG minimum total risk based capital

■ DPS (PGK toea) ■ DPS (AUD cents)

■ EPS (PGK toea) ■ EPS (AUD cents)

# Financial Results.

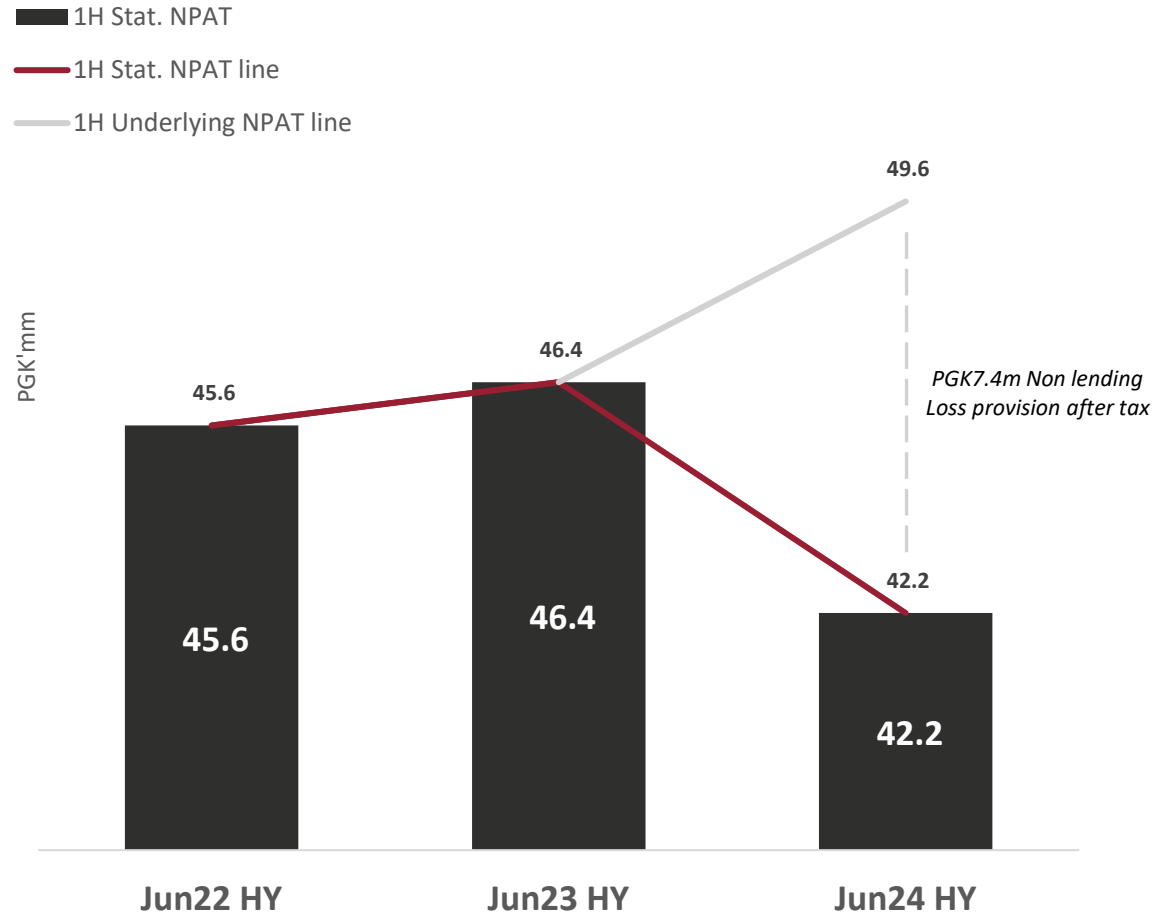


# Financial Highlights.

## 2024 Half Year Results

	Jun-24	Jun-23	Movement
Net Interest Income (PGK m)	111.6	98.1	14% ↑
Foreign Exchange Income (PGK m)	37.0	21.6	71% ↑
Underlying Cost to Income (%)	58.9	56.2	(270bps) ↓
Underlying Return on Equity (%)	15.6	15.2	40bps ↑
Ordinary Dividend (AUD cents)	4.0	4.0	-
Total Capital Ratio (T1 + T2) (%)	19.3	20.8	(150bps) ↓

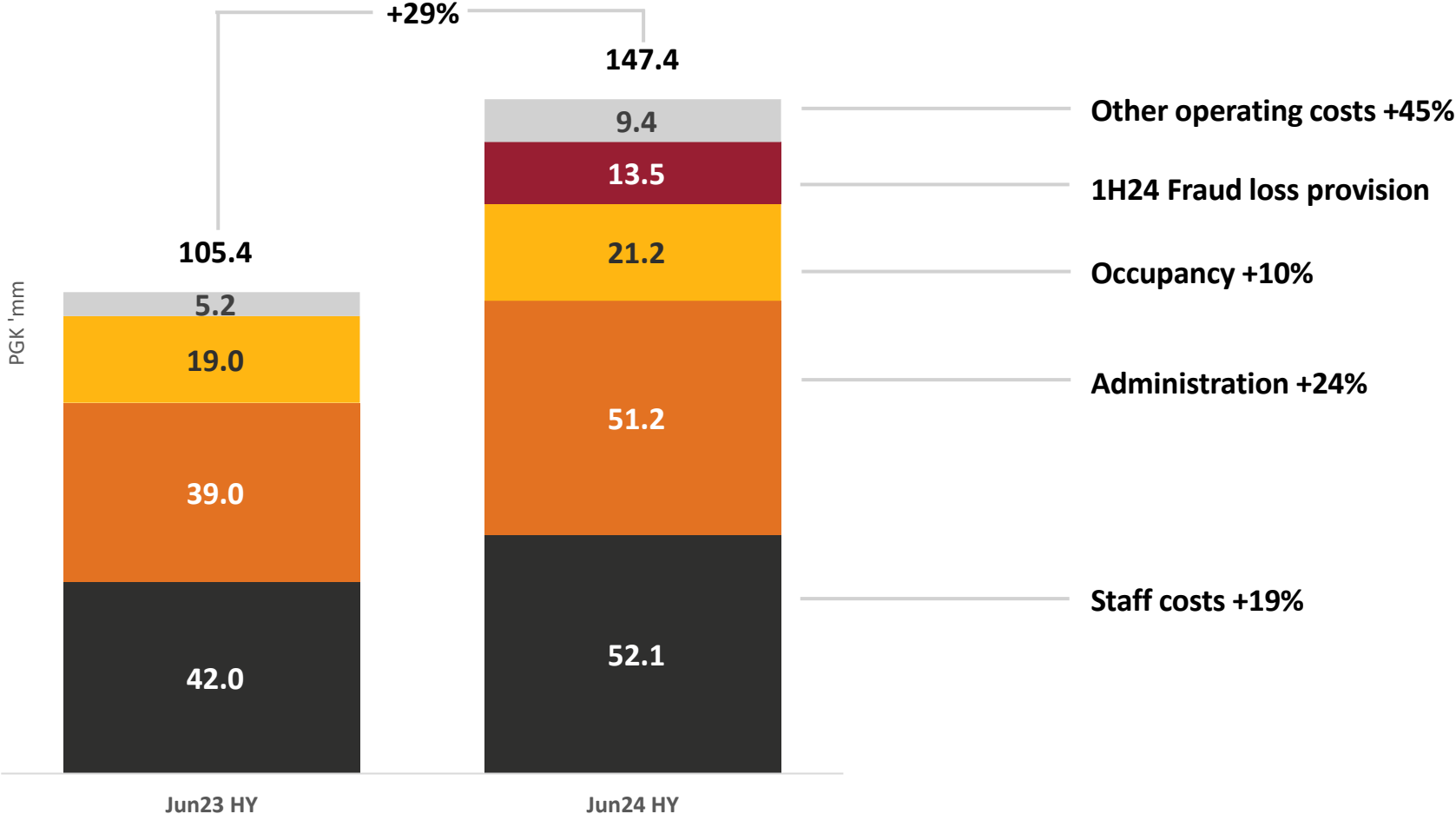
# 1H NPAT impacted by one-off expense.



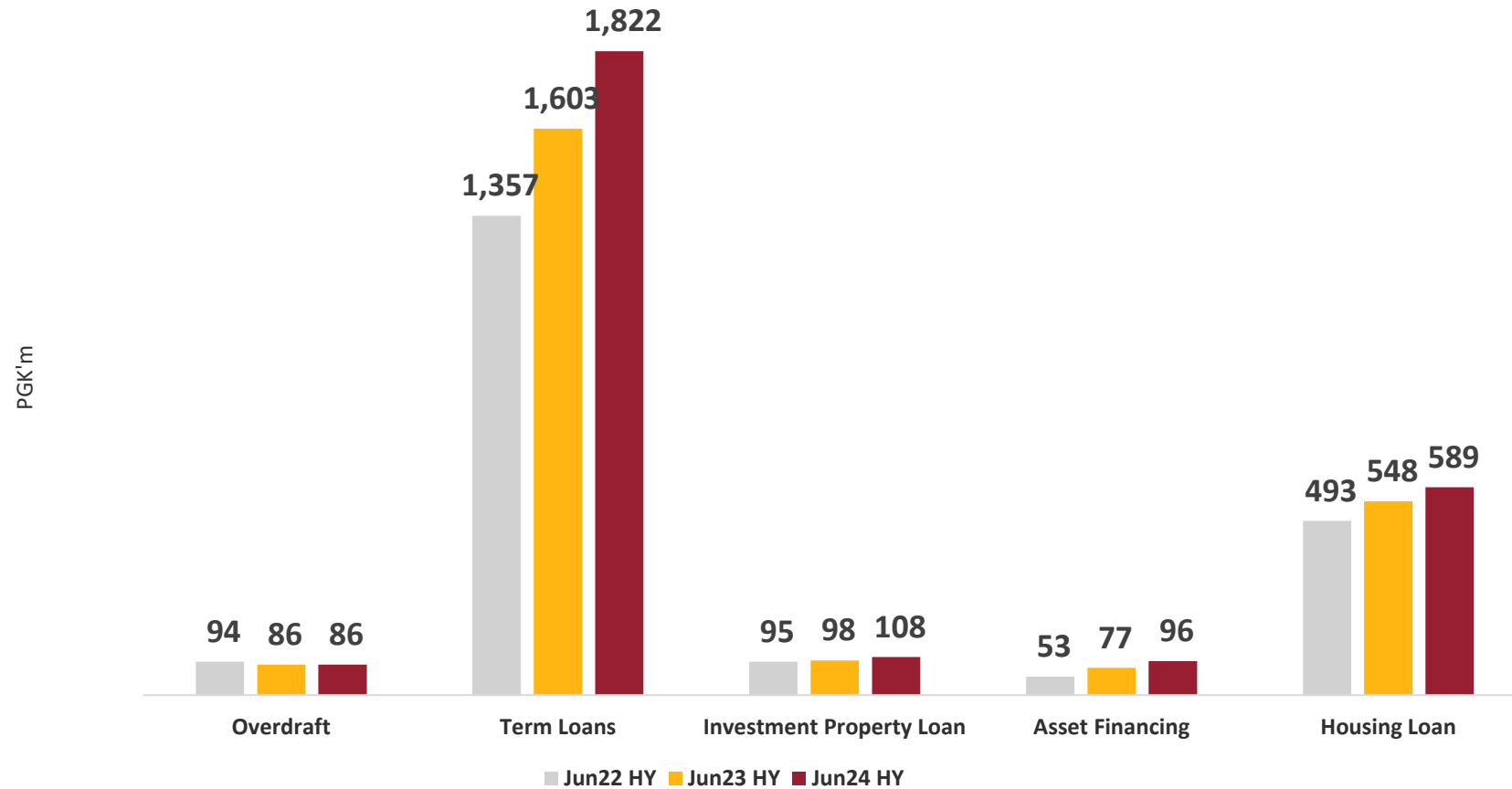
- Statutory NPAT declined by 9% YoY to PGK42.2m, impacted by non-lending loss provision of PGK7.4m after tax.
- Commercial loans and foreign exchange income driving core business performance.
- Digital channel continues to boost fees and commissions income.
- Less capital intensive lines of business contributing close to 50% of income.



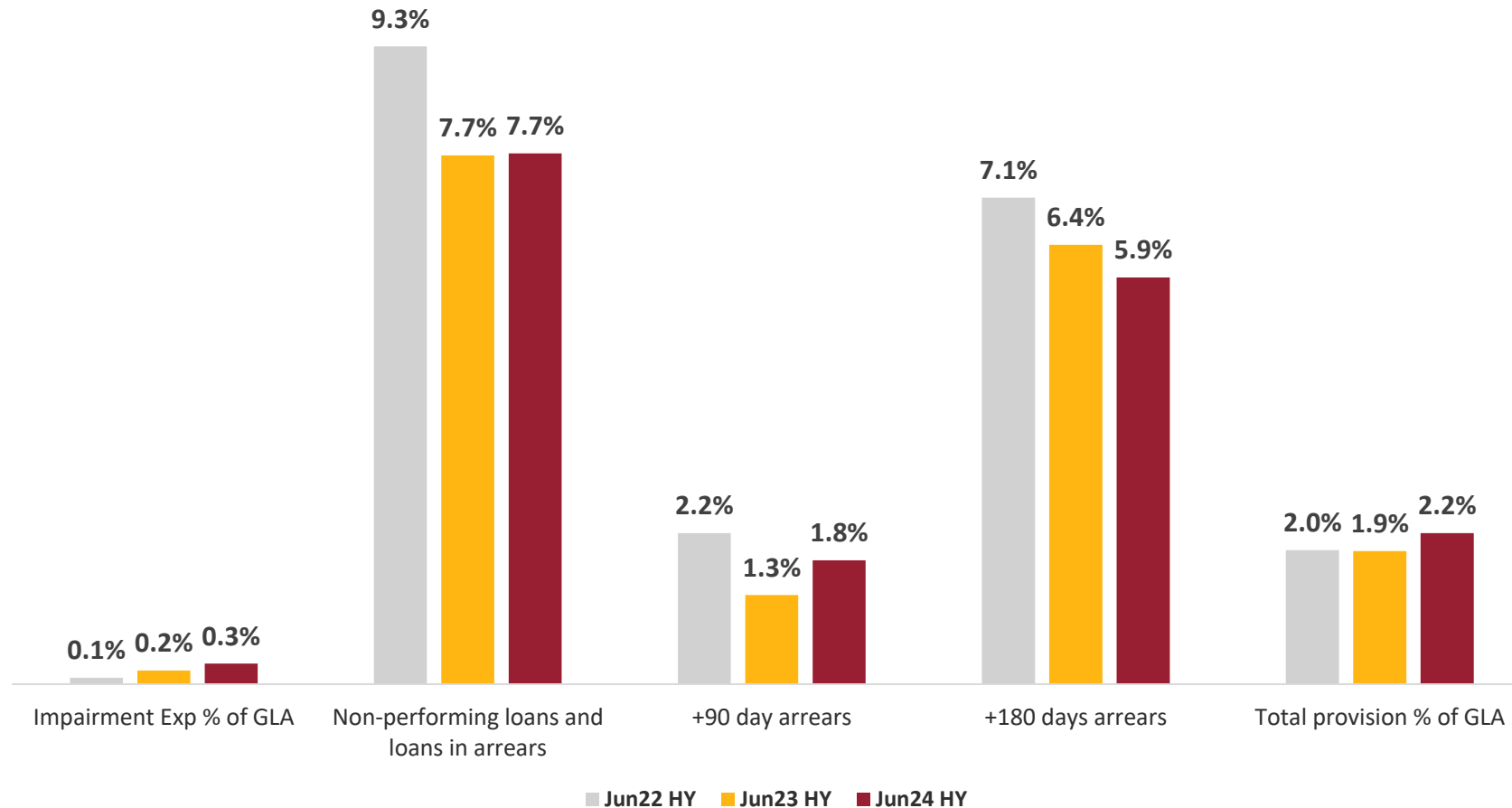
# Total operating expense.



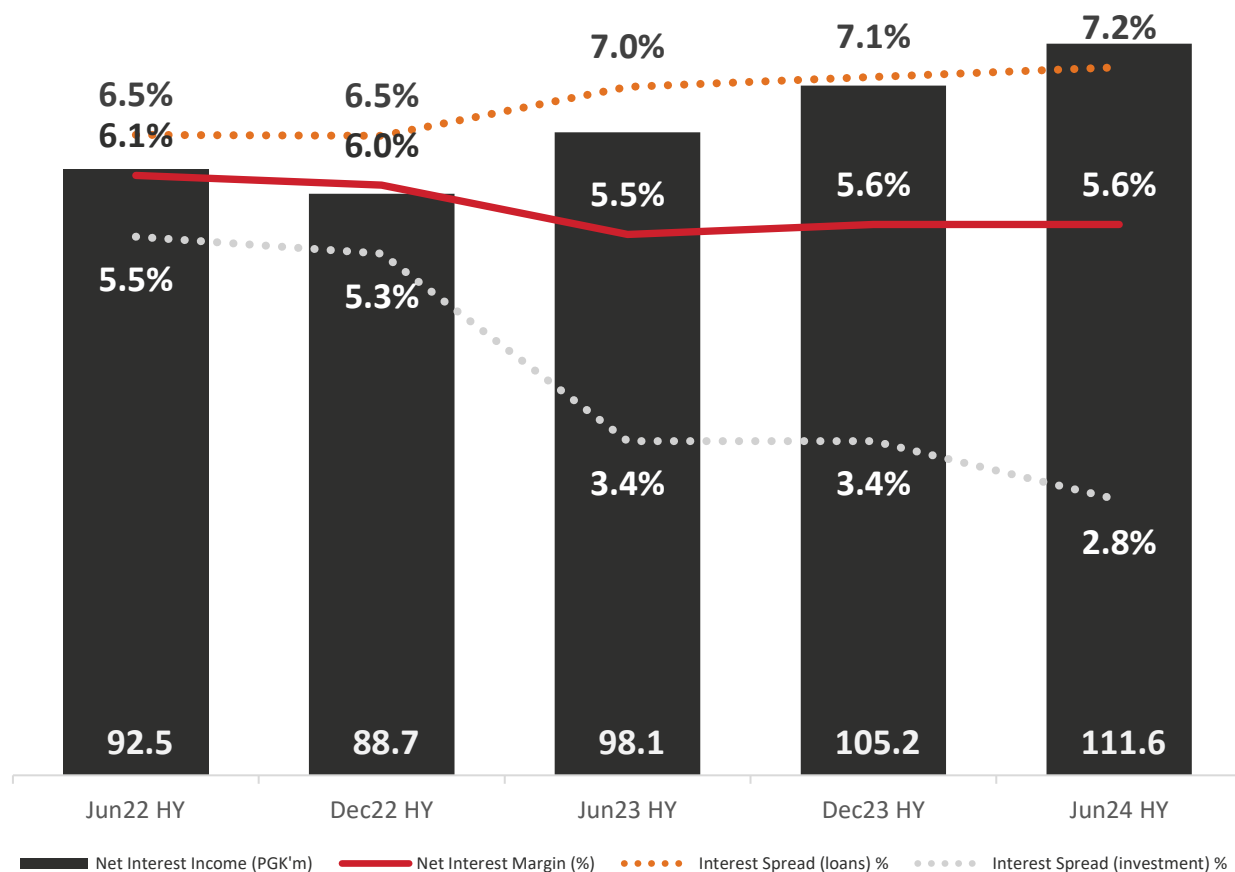
# Loan portfolio growth.



# Asset Quality.



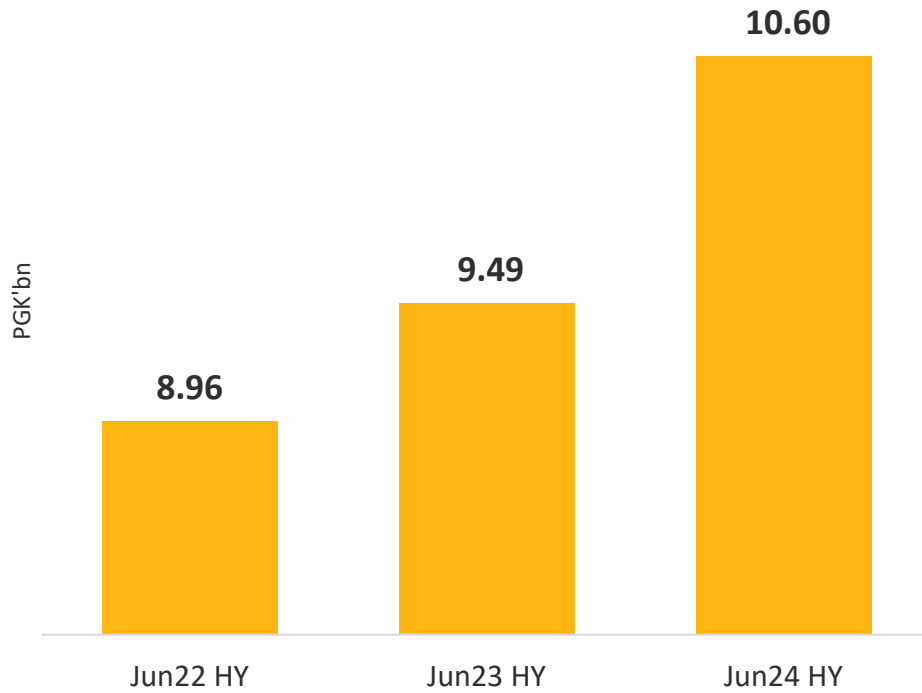
# Net Interest Margin.



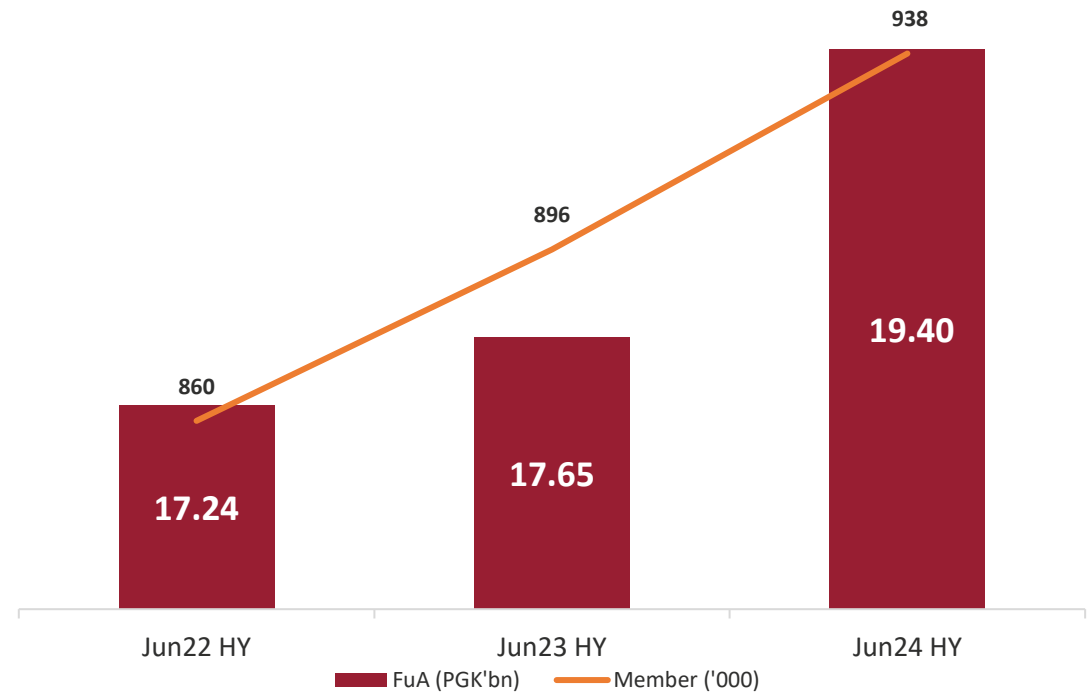
- NIM movement impacted by:
  - Solid growth in commercial lending continues to hold NIM at 5.6%
  - Lower yields on central bank and treasury bills.
  - Growth in corporate wholesale deposits with link to FX flow.

# Kina Wealth.

Funds under Management

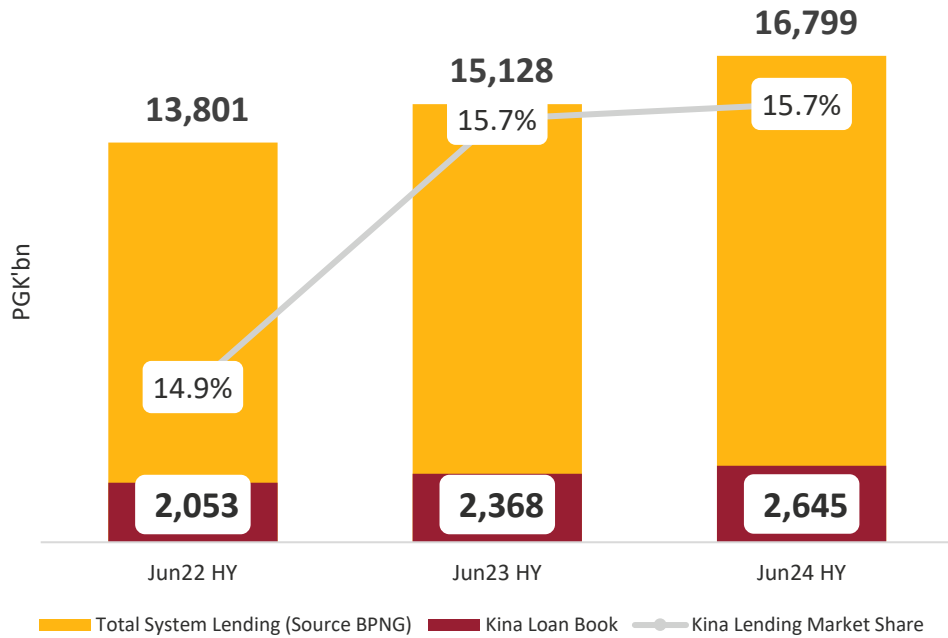


Funds under Administration

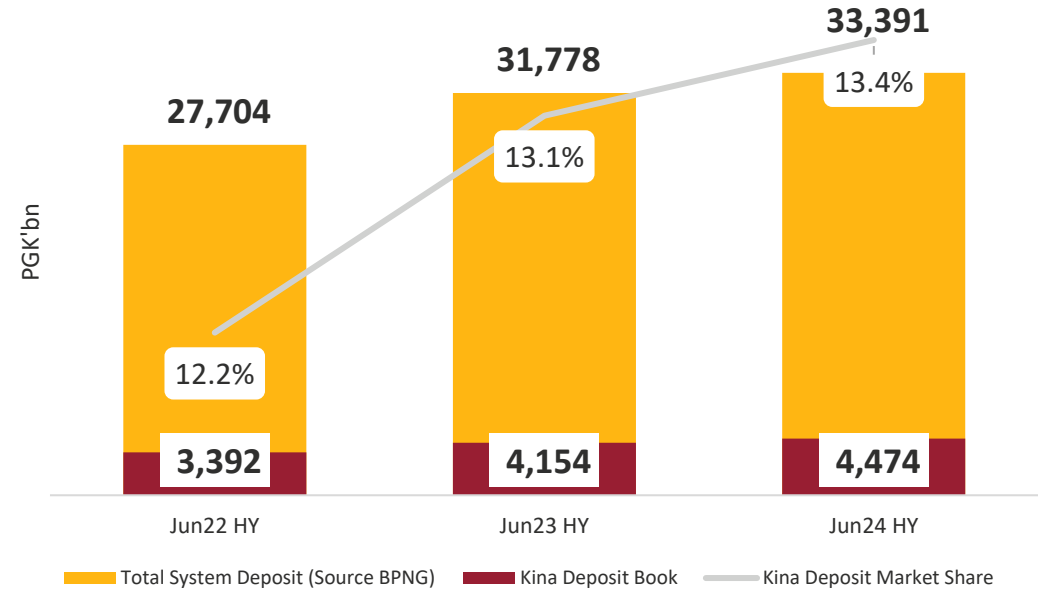


# Market Share.

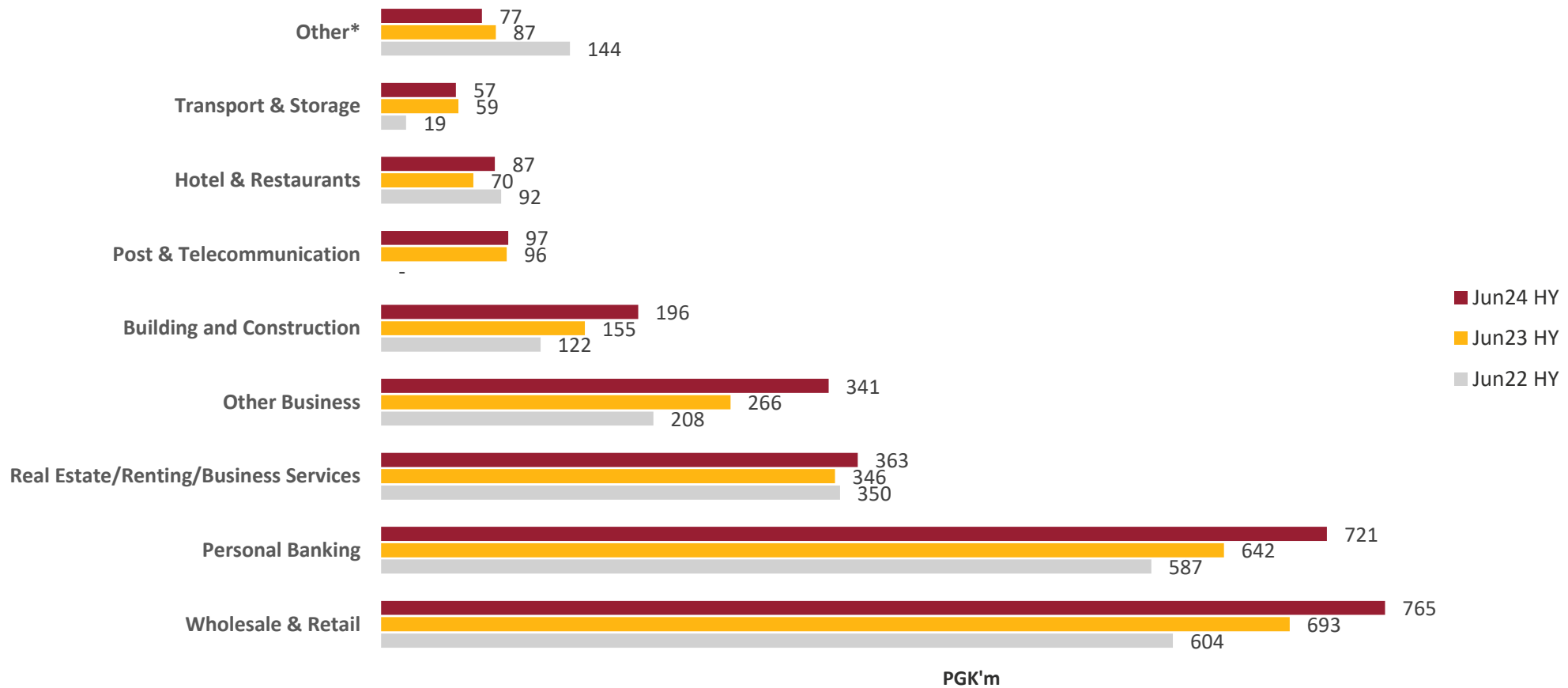
Market share percentage - Lending



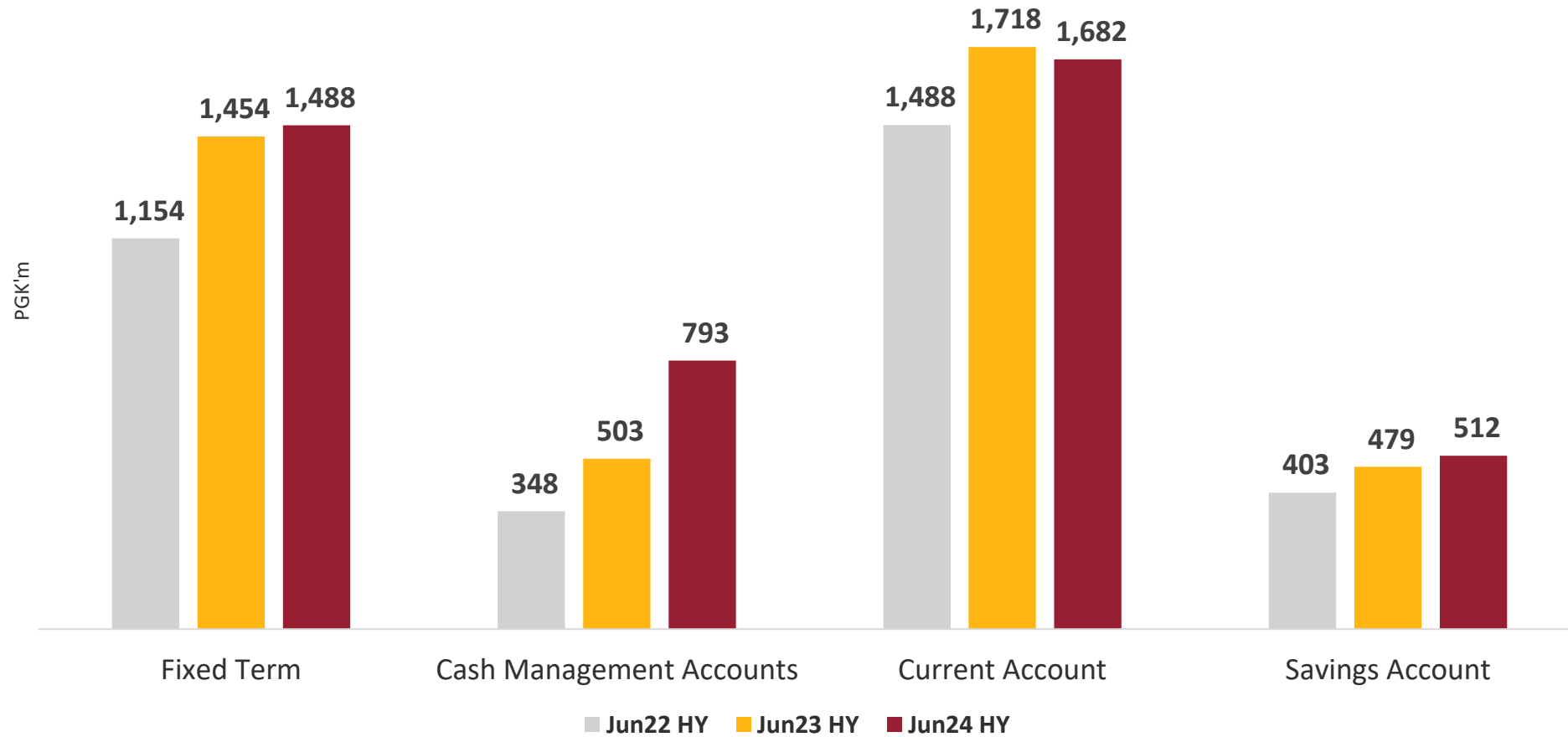
Market share percentage - Deposits



# Loan portfolio by industry.

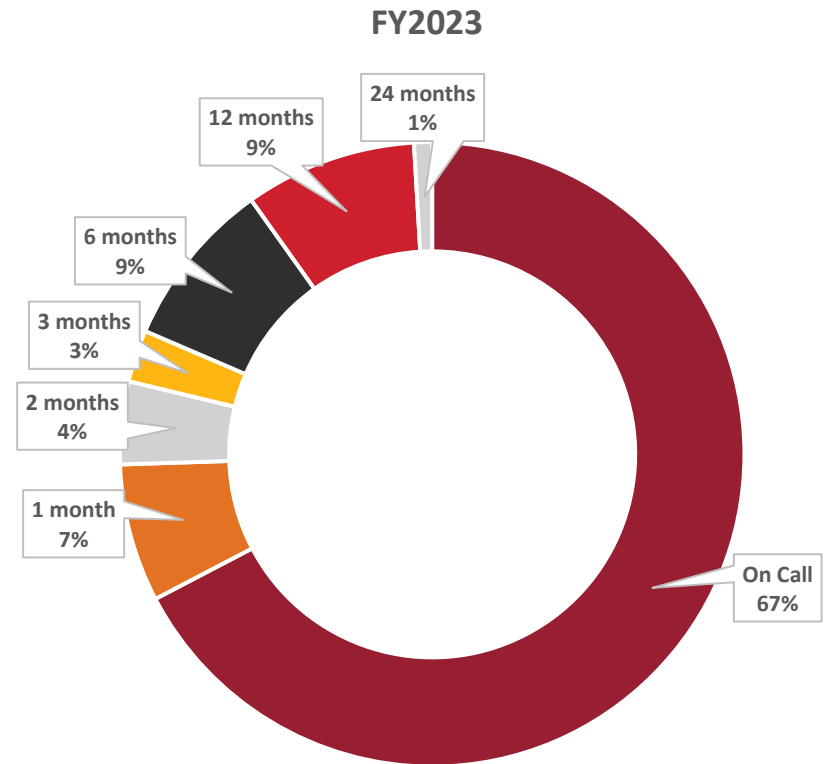
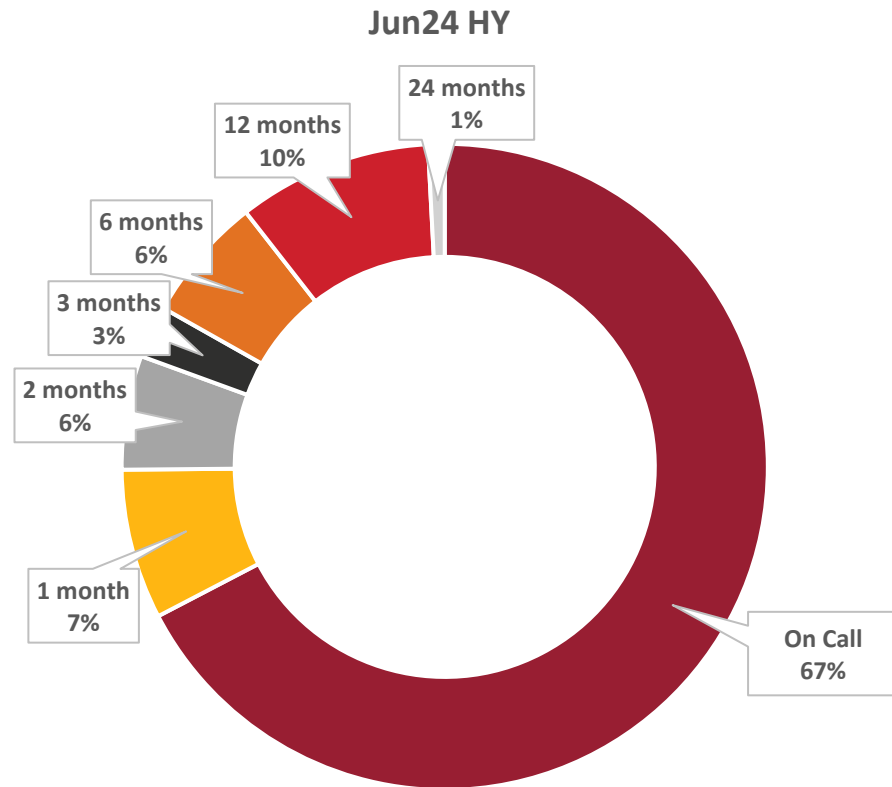


# Deposit by products.





# Deposits tenure.



## Vision.

Our Vision is to be the most dynamic, progressive and accessible financial services organisation in the Pan Pacific region.

## Purpose.

Our defining purpose is to constantly improve the prosperity of the people, communities, and markets that we serve.

## Our Strategy.

Prosperity for our communities is Kina's DNA. Serving our communities, supporting the growth of Papua New Guinea and continually developing innovative customer-led solutions is at the core of our organisation.

## Priorities.



GROWTH & PROSPERITY



BUILDING RESILIENCE



SERVICE EXCELLENCE



DYNAMIC PEOPLE



SUSTAINABLE COMMUNITIES

## Our Values.

# F. I. R. S. T.



**Fairness.**

Guides equity and justice, ensuring opportunities for all to thrive.



**Inspire.**

Sparks creativity, fuels perseverance, drives change and touches hearts.



**Responsive.**

Fosters trust and satisfaction by addressing peoples' needs promptly and effectively.



**Serve.**

Embodies empathy, compassion, kindness and enriching our customers' lives.



**Together.**

Is a team who entrust each other.

# From a Bank to a Market Maker.

## 2020-21

Your trusted bank

- + Traditional banking
- + Digital banking



Superannuation Partners



Banking Partners

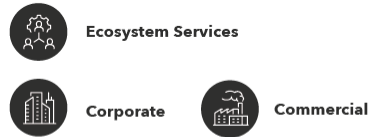
### Sell, service, grow, digitise

- Grow banking market share
- Digitise core business
- Digital customer solutions
- Test and learn partnerships and innovative business models

## 2022-24

Your trusted financial services partner

- + Traditional banking
- + Digital banking
- + Investment Banking Bank Services
- + Partnership Platform



Superannuation Partners



Banking Partners



Digital Partners

### Partnering to create and capture value (B2B, B2C)

- Maturing technology and infrastructure
- Maturing partnerships capability
- Targeted acquisitions
- Selectively scale new business models

## 2025

Your trusted partner in the Pan Pacific Region

- + Pan Pacific diversified investment bank



Markets



Kina Bank Modules and Partners



Digital Partners

Infrastructure Partner  
API enabled

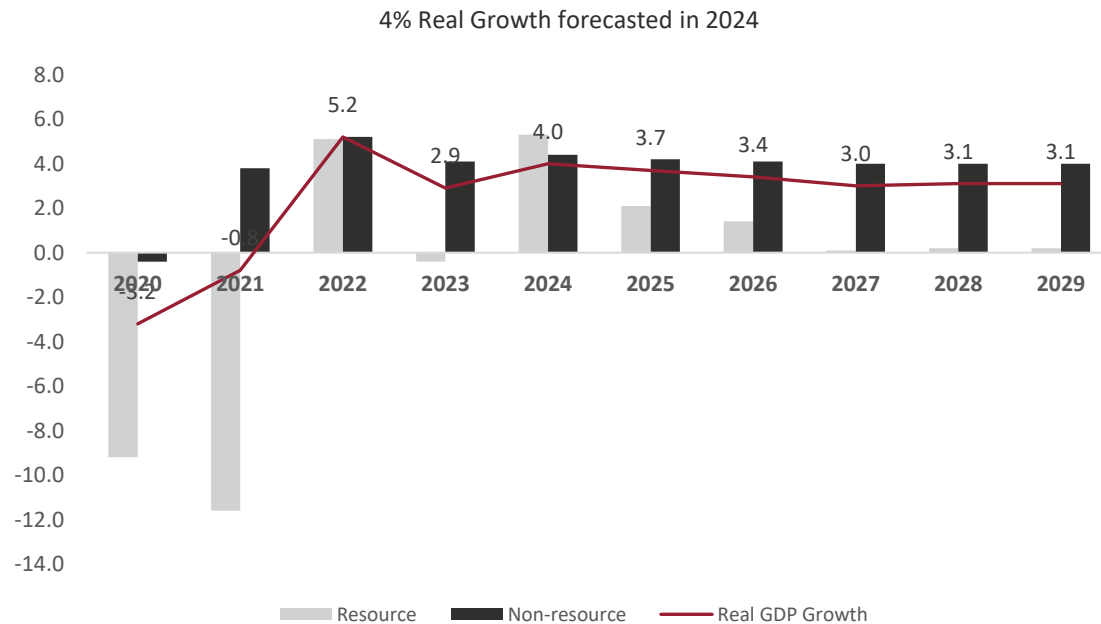
### Convene a marketplace of assets, capabilities and services (B2B, B2C)

- Geographical reach; digital-only bank
- Bank as a service - B2B
- Customer and partnership marketplace
- Diversified investment bank

# Economic Outlook.



# PNG Economy.



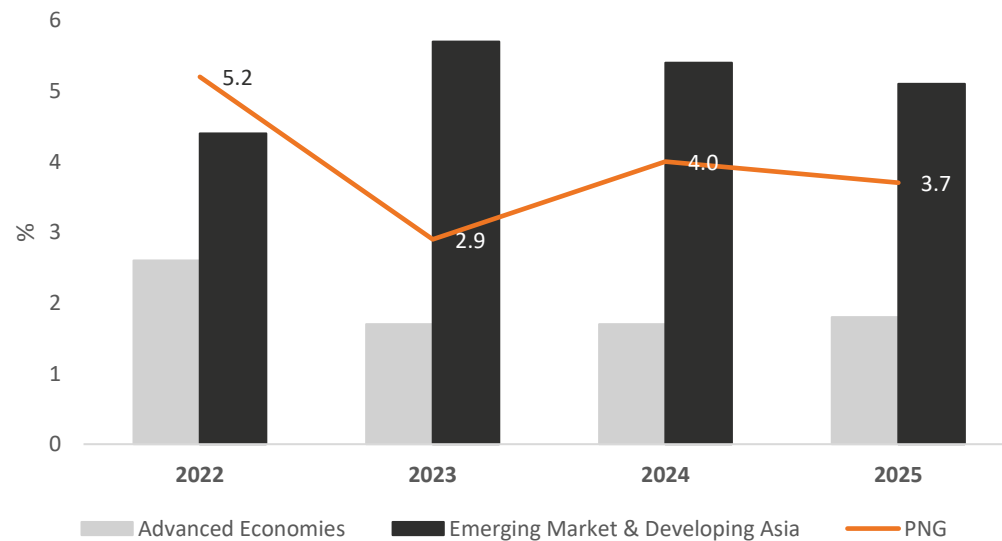
Source: IMF, KFM calculations, 2024

## Domestic Outlook

- **Real GDP growth for 2024 is projected at 4.6% by the IMF in 2024.** This will be driven by the resources sector with the full resumption of Porgera Gold Mine operations. The spin-off benefits of Porgera is expected to support 'non-resources' growth', with service sector industries such as transportation, logistics and retail benefitting.
- **The adjustment of the overvalued exchange rate to move towards currency convertibility is easing waiting times for import orders.** The re-alignment to market fundamentals has seen the PGK/USD rate already fall by 3.5% in 2024, and we expect this movement to continue to year's end. US dollar strength against other major currencies, including the Australian dollar has meant a relatively minimal impact in terms of nominal depreciation on the PGK/AUD cross-rate.
- **Headline inflation is estimated to be around 5% in 2024,** with the major driver being the fiscal stimulus effects feeding into the domestic economy. Forecasts for headline inflation in the medium-term is expected to normalise around 4.5% to 5%, as overall growth moderates to around 3.5% in the medium-term.
- **Continued uncertainty on the timing of the major resource projects (Papua LNG and P'nyang and Wafi-Golpu) continues to weigh on the medium-term outlook.** Recent announcements from project participants now plan for a Final Investment Decision (FID) on the Papua LNG project in Q4/2025 or Q1/2026. This would be the first of the major projects currently under negotiations to enter construction phase. The modest growth projections will remain, unless negotiations progress to the FID milestone.

# PNG Economy.

Regional growth remains solid



Source: ADB, KFM calculations, 2024

## Regional Outlook

- **Overall global growth is expected to remain stable at 3.2% in 2024, and 3.3% in 2025,** with upward revisions to commodity prices, including a rise in non-fuel prices by 5% this year.
- **Energy commodity prices are expected to fall by about 4.6% in 2024,** reflecting elevated oil prices from deep cuts by OPEC+ and reduced, but still present, price pressure from the Middle East conflict.
- **Forecast growth in emerging market and developing economies is revised upward;** powered by stronger activity in Asia, particularly China and India. For China, the growth forecast is revised upward to 5% in 2024, primarily on account of a rebound in private consumption and strong exports.