Kina Securities Limited

27 February 2026

ASX/PNGX – Announcement

BY ELECTRONIC LODGEMENT

Full Year Result 2025

NPAT +20% with diversified revenue growth and disciplined investment into organisational capabilities.

Financial Highlights

Statutory NPAT	Underlying NPAT	Revenue
K121m	**K126m**	**K546m**
+20%	+15%	+13%

Operating Costs	Return on Equity	Final DPS
K298m	**17.4%**	**19 toea**
+4%	+200bps	[6.5 cents] +25%

Operating Performance

- **Underlying NPAT** +15% to K126m driven by broad based revenue growth of 13%, moderate cost growth of 4%, and a 5% decline in the tax rate for banking operations.
- **Statutory NPAT** +20% to K121m including an additional tax expense of K5.5m reflecting a revaluation of Deferred Tax Asset due to the 5% reduction in tax rates from 40% to 35% in 2026.
- **Additional provisions** Both the Underlying and Statutory NPAT are after taking additional loan provisions of K19.7m, above the requirements of normal loan growth, to address a number of aged, non-performing loans.
- **Loan growth and interest income** Loan book growth of 13% to K3.3bn and strong returns on Government investments underpinned a 20% yoy increase in Net Interest Income to K268m, representing 49% of KSL's total revenues.

- **Non-Interest Income** +6% to K278m driven by 17% growth from foreign exchange, and 13% growth from digital channels; offset by reductions in non-operating income and valuation reductions from financial assets.
- **Operating Costs** +4% to K298m. Cost control enabled Kina Bank to increase its operating efficiency and resilience, lowering the cost to income to 55% from 59% in pcp.
- **Balance sheet strength** Capital adequacy of 17%, maintained within KSL's target range, providing capacity for growth and supporting risk weighted assets of K3.3b and total assets of K5.5b.
- **Final dividend** AUD 6.5 cents/PGK 19.3 toea, brings the full year dividend to AUD 11.0 cents/PGK 31.9 toea, representing a 22% increase in PGK dividend. This reflects a payout ratio of 77%, at the higher end of KSL's dividend policy, reflecting the material decline in the PGK / AUD rate.

CEO, Ivan Vidovich remarked: *"Our 2025 results reflect strong performance across the organisation. Revenue growth remained robust throughout the year, underpinned by disciplined execution across our diversified portfolio and a clear focus on delivering value for customers. We continued to achieve double-digit growth across our major revenue lines, including lending, foreign exchange and digital channels.*

Disciplined investment in core capabilities further enhanced organisational resilience. This included strengthening leadership, uplifting our AML and CTF capabilities, strengthening core technology resilience, commencing several digitisation programs, and maturing our credit environment - work that will continue into 2026 as we commence our new 5-year strategic plan. Importantly, these prudent investments were made while still delivering positive momentum in our cost-to-income performance.

Our strong balance sheet and improved earnings enabled us to deliver dividend growth for shareholders in 2025.

We enter the new financial year well-capitalised, with the portfolio strength, capability and reach to support our customers and participate in the growth of the broader economy."

Operating performance

Net Interest income

Net interest income for 2025 was +20% yoy at K268m. This represents 49% of total revenues.

The key drivers of the higher net interest income were net loan income +22% yoy, underpinned by 13% growth in the loan book and also a re-estimation of interest receivable on a number of loans in accordance with IFRS 9 requirements and a slight increase in the Net Interest Margin. Income on government investments was +44% yoy buoyed by a lift in interest rates.

Non-Interest Income

Fee and commission revenue, including digital channels was +9% at K176m, with merchant acquiring fees (including e-commerce) +19%, internet banking fees +32% and mobile banking fees +17%. Visa fees growth moderated to 6% and actions are being explored to re-establish double digit growth rates associated with a strategic partnership formed with Visa in 2025.

Foreign exchange revenue of K100m was +17% yoy. This solid growth reflects higher commodity prices, strong export volumes, and the maturing of the interbank FX market. As advised to the market at 1H25, we forecast the growth rates of 2024 and 1H25 to moderate, and as we began to rely less on central bank interventions in favor of participation in the maturing interbank market where margins are slightly compressed.

Wealth business revenue grew by 2% to K47.8m, driven by increased fees volume and FuM in corporate and retail investment management business, with generally stable revenues in the core Superannuation Funds Administration and Funds Management businesses.

Operating Expenses

Total operating cost for the 2025 year was PGK 298m, +4% yoy. The Cost to Income ratio declined to 55% from 59% in pcp, reflecting in part one off costs that impacted 1H2024, but also sensible budgetary controls, focused investment in uplifting capabilities and early work in operating efficiencies including digitisation.

Cost inflation was contained despite the depreciation of the PGK against USD and AUD (6% and 13% respectively) impacting the costs of technology, consultancy, and some salaries.

Administrative, staff and occupancy costs contributed 39%, 38% and 17% respectively to total operating costs for the year.

Key areas of investment include:

- Uplifting senior leadership capability; and specialist capability in areas including strategy, risk, technology, digital innovation, and data.
- Investments into technology and networks resilience.
- Investments into uplifting AML and CTF capabilities.
- Specialist consulting in areas including Risk, Credit and Strategy.

Some of these investments will continue into 2026 on a targeted basis.

As is normal, Kina's audited accounts will be released subsequent to this results announcement. Discussions are ongoing with the auditor regarding the capitalisation treatment of two projects in relation to AML/CTF capability uplift and Enterprise Resource Planning. These costs have already been incurred, and Kina's results currently reflect their capitalisation, with amortisation applied over a defined period. The auditor is assessing whether this expenditure has been appropriately capitalised or should instead be expensed in the current period. If it is determined that the costs should be expensed, the impact on net profit after tax could be up to K6.2m, offset in future years by a reduction in amortisation expense. In all scenarios, underlying performance of the business remains unchanged.

Loan Provision and Non-Performing Loans

Provisions have increased K39.0m over the year. K19.3m of this increase is attributable to organic growth in the loan book. In addition, as part of our IFRS9 maturity review, we recognised a one-off K19.7m increase in loan provisions to address a number of aged, non-performing loans. This review also resulted in a re-classification of interest income, as required under IFRS9, including a one-off non-material re-allocation of income from prior periods into the current reporting period.

The higher provisions occasioned by improved alignment to IFRS9 methodology, will be closely monitored and managed through ongoing effective remediation of aged, non-performing loans, as has been done in 2025.

As reported at 1H25, the quality of new lending remains strong, while active management of credit quality has seen a reduction in unsecured personal loan delinquency.

Non-performing loans have improved by 5% yoy from 8.1% to 7.7%, with reductions in both the <90 days and >180 days categories. Gross Loans and Advances Coverage (GLA) sits at a healthy 2.6%.

Tax rate

The tax rate has declined from 45% for 2024 to 40% for 2025 and will further reduce to 35% for 2026. This decline applies to bank pre-tax annual profits up to K300m, which is the relevant band for KSL. For bank profits above K300m, the tax rate declines at 1% per year from 2025, until it reaches 35%. The decline in the tax rate results in a reduction in net deferred tax assets, which results in a counterintuitive one-off, non-cash increase in tax expense for 2024, and also in 2025. This charge of K5.5m in 2025 is not related to underlying business profitability.

Loan Book

Loan book growth was broad based, across business and personal customers and products. This has been enabled by strong relationship-driven sales in the main business centres of Port Moresby and Lae, as well as in regional locations. Business lending recorded solid growth of 17%, supported by KSL's customer-centric model, stronger client engagement, and increased share-of-wallet across key segments. This continues to reinforce Kina's positioning as a trusted partner for business expansion and investment. Home lending grew 4%, underpinned by consistent sales momentum.

Balance sheet

Total assets grew 6% to K5.5b, underpinned by lending assets, +13% to K3.3b making up 59% of the total.

Capital adequacy at the end of 2025 was 17%, vs 18% at the end of 2024.

Kina's Capital Management Plan aims to maintain a strong, profitable risk profile with sufficient capacity to meet all financial commitments. Capital adequacy and liquidity are monitored against internal targets—set above Board-approved minimums—and reviewed monthly by the Asset and Liability Committee.

Strategic Outlook

Kina is set for a seamless transition as the 2025 strategy cycle concludes and the 2030 Strategy is activated. Since the acquisition of ANZ's retail, SME and commercial business in 2019, Kina has firmly established itself as PNG's Challenger Bank. Over this period, we have built and deployed a diversified portfolio of products, services and partnerships designed to meet evolving customer needs and compete effectively with established incumbents, the market-dominant player, and emerging new entrants.

In an increasingly competitive financial services environment, Kina continues to make disciplined, incremental investments in digital capabilities, while enabling new forms of innovation and market development. A notable milestone will be reached in 2026, when Kina plans to issue the first PNGX-listed corporate bond under the country's new capital-markets legislation. This initiative underscores our commitment to broadening domestic investment opportunities and sets an important benchmark for how PNG-based institutions can access long-term, local-currency funding to support national growth.

The anticipated increase of approximately K250 million in KSL's Tier 2 capital base from the Corporate Bond will further support growth over the medium term. The 2030 Strategy emphasises risk-aligned growth across our diversified portfolio, with a sharper focus on the customer segments that Kina is best positioned to serve. While the majority of earnings growth will continue to be generated from our core PNG business, we remain open to inorganic opportunities that enhance income diversification, scale and capability, and that deliver a meaningful uplift in shareholder returns.

Papua New Guinea Grey Listing

Papua New Guinea was added to the Financial Action Task Force Grey List on 13 February 2026, following FATF's confirmation of strategic deficiencies in the country's AML/CTF framework. This places PNG under increased monitoring as it works through the required reforms.

KSL continues to work closely with the regulator, government agencies, corporate and public-sector stakeholders, customers and correspondent banks as part of the national program to address FATF's findings and return PNG to normal classification.

Kina does not expect the Grey Listing to have any material financial impact on its operating performance, nor to impose any substantive constraints on the execution of its strategy.

2026 Outlook

CEO, Ivan Vidovich, stated" *In 2026, we anticipate another year of earnings growth, underpinned by revenue uplift across our diversified portfolio, a strengthening economy, and our continued efforts to grow market share in a targeted and risk-aligned manner. We also expect to make progress in becoming a more efficient organisation, in parallel to investing selectively into capabilities for longer term growth and resilience.*

These positive drivers will be partly offset by expected headwinds, including lower yields on government securities and a larger, more competitive FX market that may place pressure on margins as well as further depreciation of PGK vs AUD exchange rate. However, NPAT will receive a benefit from the scheduled reduction in the statutory corporate tax rate for banking operations, decreasing from 40% in 2025 to 35% in 2026."

Investor Briefing: The KSL Investor Briefing is scheduled for Friday, 27th February at 10:00am (Port Moresby time), 11:00am (Sydney time) via https://webcast.openbriefing.com/ksl-fyr-2025/

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