



Kina Securities Limited | Full Year Results 2020
February 2021

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A close-up, low-angle shot of a woman with dark skin and hair, looking upwards with her right hand raised. She is wearing a light blue shirt and a large, round, dark earring. The background is dark and out of focus.

Financial Results

- NPAT up 25% on PCP to PGK 76.0m
- Revenue up 53% on PCP to PGK 314.8m
- Net interest income up 48% on PCP to PGK 169.7m
- Non-interest income up 59% on PCP to PGK145.1m
- Capital adequacy at 23.8%
- Return on equity 16.8%
- Cost to income at 58.1%
- Net interest margin 7.5%
- Earnings per share of AUD 11.7 cents or PGK 32.9 toea per share
- Full year dividend AUD 10.0 cents or PGK 26.9 toea per share

Grow with a **trusted** partner.

DESIGNER TABU WARUPI

SME KINA BANK CUSTOMER

Highlights

- Successfully transitioned the ANZ acquisition with zero customer attrition and grew customer numbers by 4,550 over 2020.
- Simplified the corporate structure and successfully conducted a Non-Renounceable Rights Issue as a 1:2 rights issue, strengthening capital adequacy and positioning the company for future growth.
- Renewed Funds Management and Administration service contracts protecting a growing revenue stream of > K30m pa.
- Introduced a flagship and unique new customer offering, Prime, that includes fee free Visa cards, the lowest fixed rate home loan in PNG history, and associated advisory services.
- Became the first commercial bank in the Pacific to implement VISA transaction controls online.
- Launched a market leading internet payment gateway that facilitates digital payments through multiple online channels for scheme and first Bank to accept non-scheme cards.





Highlights

- Partnered with local Fintech company to deliver e-commerce services to the public sector.
- Launched Xero bank feed API - another first for the Pacific and the first phase of a broader business advisory services capability.
- Doubled number of eftpos terminals with market leading performance and integrated functionality.
- Became the first commercial bank in PNG to design and test an eKYC solution for digital account opening, with full biometric and digital document ID.
- Announced the proposed acquisition of Westpac's Pacific businesses in PNG and Fiji to become a larger at scale regional bank.




Business Growth

- FX Income grew 32% on PCP to PGK 55.2m
- Total Deposits up 5% to PGK 2.6 bn
- Gross Loans and Advances (business lending growth 20%) up 16% to PGK 1.7 bn
- Funds Admin profit grew 9% to PGK 8.3m
- Digital channels revenue grew in first full year of operations to PGK 18.8m
- Grew loan market share to 12.0%
- Registered 4,550 new customers

Every **success** story
requires a partner.

CHEF JULZ HENAO
SME KINA BANK CUSTOMER



During the **tough times**, it's the people standing beside you who make the difference.

PRODUCER JELENA TAMATE
SME KINA BANK CUSTOMER

Economic Update

- IMF estimates that real GDP declined by 3.3% in 2020.
- Deferment of Papua LNG and P'nyang LNG before the Covid-19 outbreak put a dampener on investments in resource-adjacent sectors.
- Pandemic triggered unprecedented fiscal response:
 - Debt-to-GDP ceiling increased from 45% to 60%
 - Central bank lowered the overnight rate, the Kina Facility Rate (KFR) by 200 basis points to 3.0%
 - Central bank also intervened in FX market at a pace of US\$30-60 million per month, prioritising orders relating to healthcare and Covid-19 response.
- Government projects that debt levels as a percentage of GDP will increase from 48.9% in 2020 to 52.5% in 2023 in line with many economies as a result of the pandemic induced fiscal support.
- 2021 National Budget projects over K40 billion in Capital Expenditure from 2021 to 2025, averaging 7.9% of GDP per annum.
- Government has committed 38% for its 2021 Budget to Capital Expenditure, which is K7.5 billion or 8.3% of GDP.
- The Government has announced the signing of a Fiscal Stability Agreement (FSA) for the Papua LNG Project between the PNG Government and with French company Total and partners ExxonMobil and Oil Search.

Total Societal Impact

- **Promoted enterprise and financial inclusion**

Successfully completed first 'bank as a service' business innovation project to provide our financial inclusion partner, MiBank, with cards issuing, REPS interchange and POS. Through our partnership with MiBank over 130,000 Papua New Guinean customers opened bank accounts for the first time.

- **Helped to create the workforce of the future**

Partnered with the Kokoda Track Foundation to fund the build and operation of a FODE centre in Port Moresby, giving students a second chance at education. Over 150 students enrolled across grades 10, 11 and 12 and over 130 volunteer hours given by staff to support students with their studies.

- **Demonstrated thought leadership with SME**

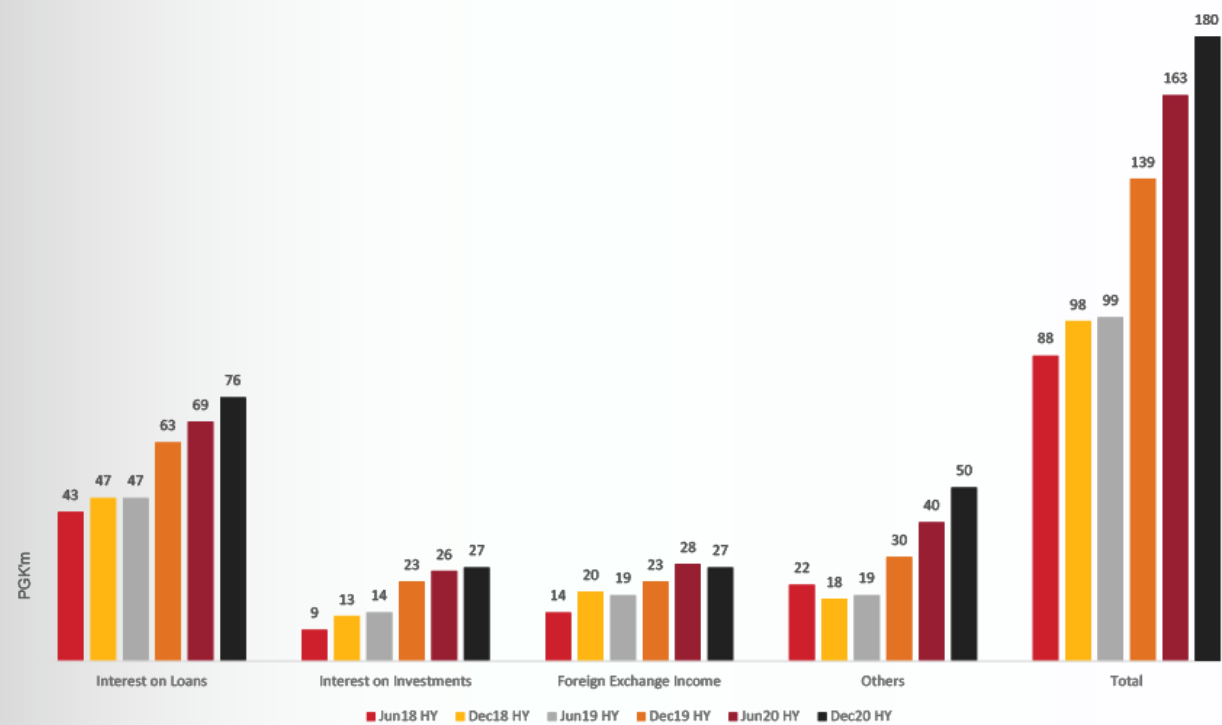
Delivered a series of thought leadership programs for the business community. Launched at the Prime Minister's Back to Business breakfast, the series was delivered throughout the year via the Emstret Space, SME Policy Workshops and Business Advantage webinars; at the KTF Archer Reignite Conference and International Women's Day community event hosted by Kina Bank.

- **e-PNG**

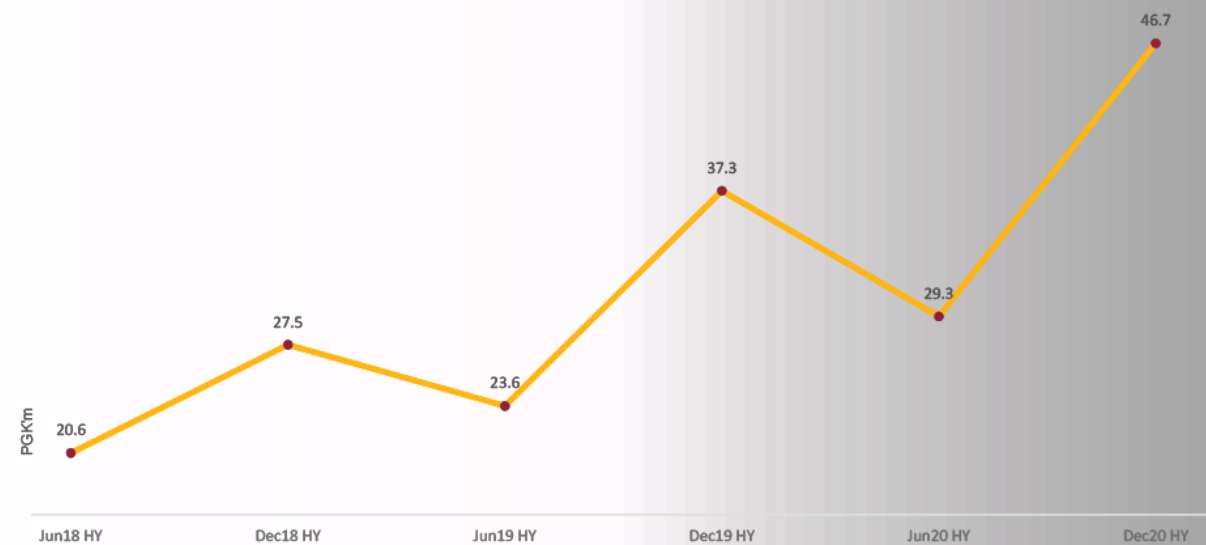
Sponsored the first female in PNG to be accredited Certified Information Security Manager. Supported the Women in Digital network through sponsorships and event management. Significant progress made to bring citizen-centred government services online with the Lands Department and Immigration and Citizenship Authority employing our internet payment gateway to service customers across PNG.

- Commenced development of Environmental Social Governance principles and framework to address the nature and extent of environmental and social risks to the business. To be completed in 2021.

Key Revenue Measures

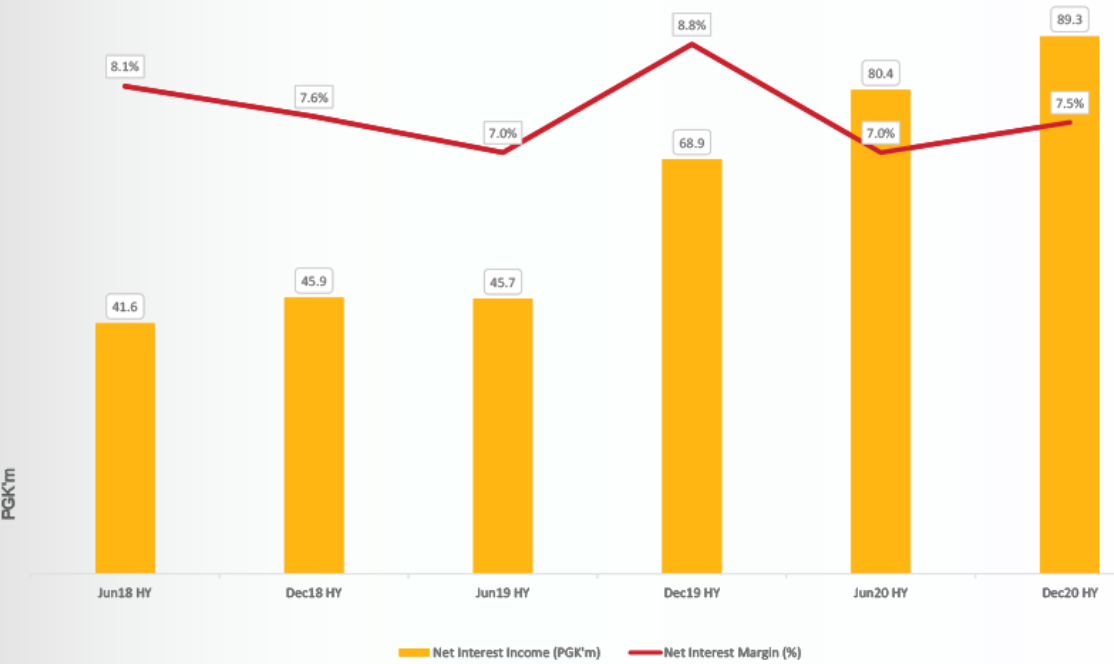


Revenue

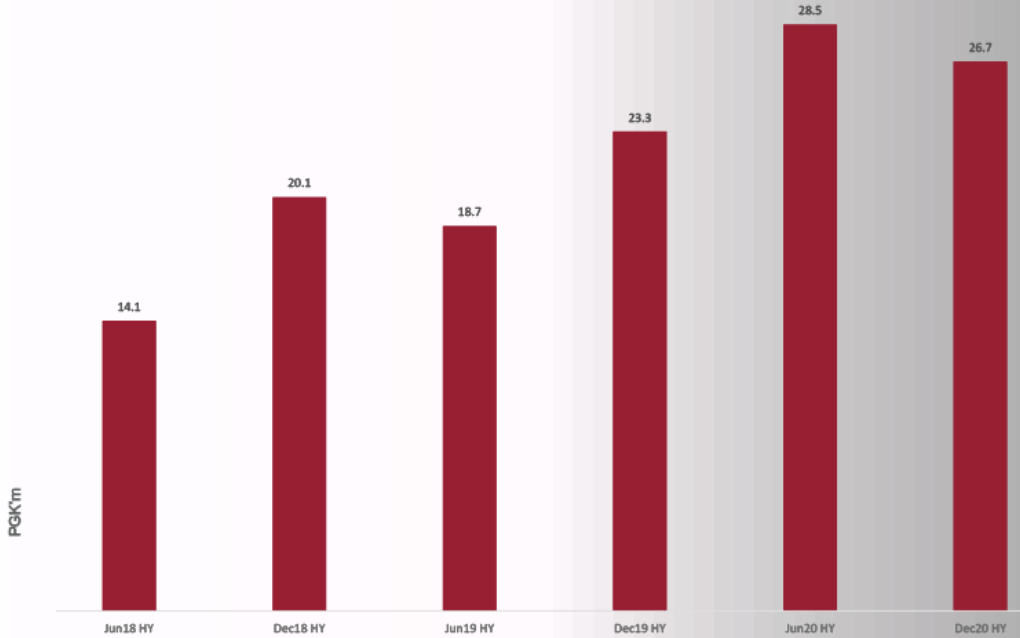


NPAT

Key Revenue Measures



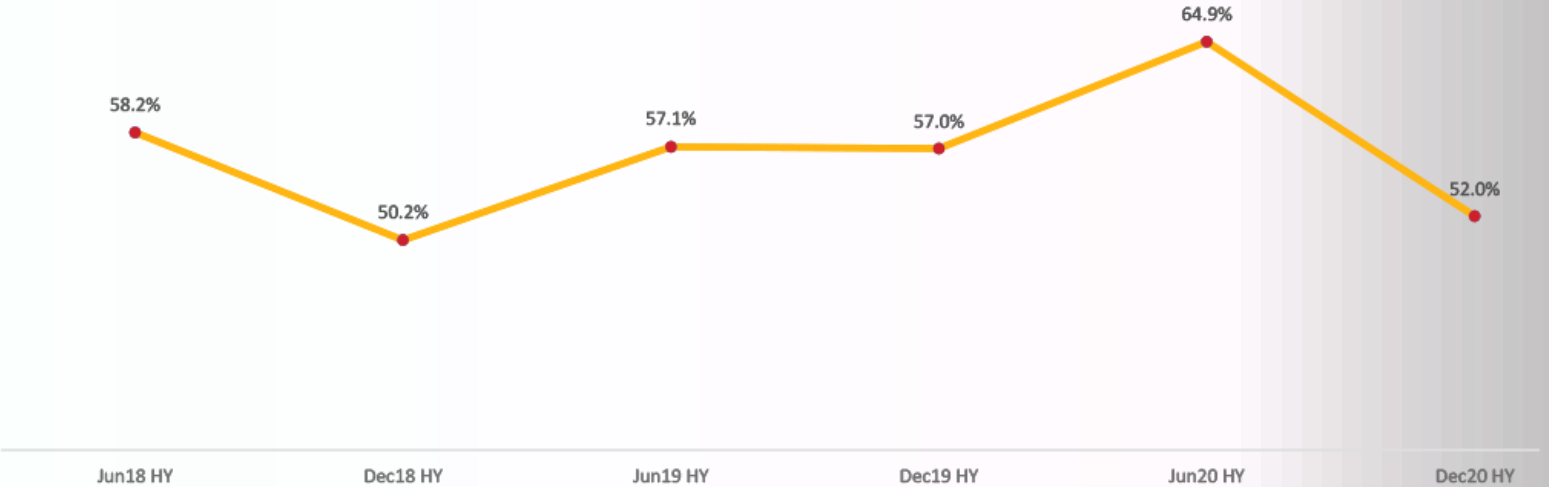
NIM



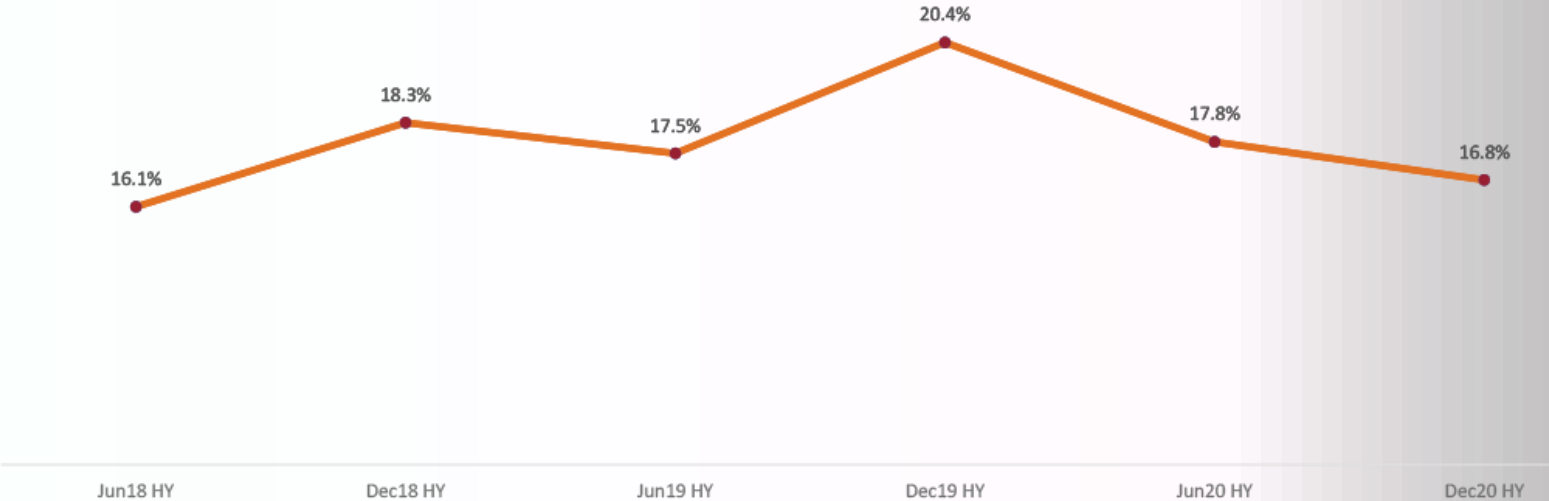
FX Income

Productivity

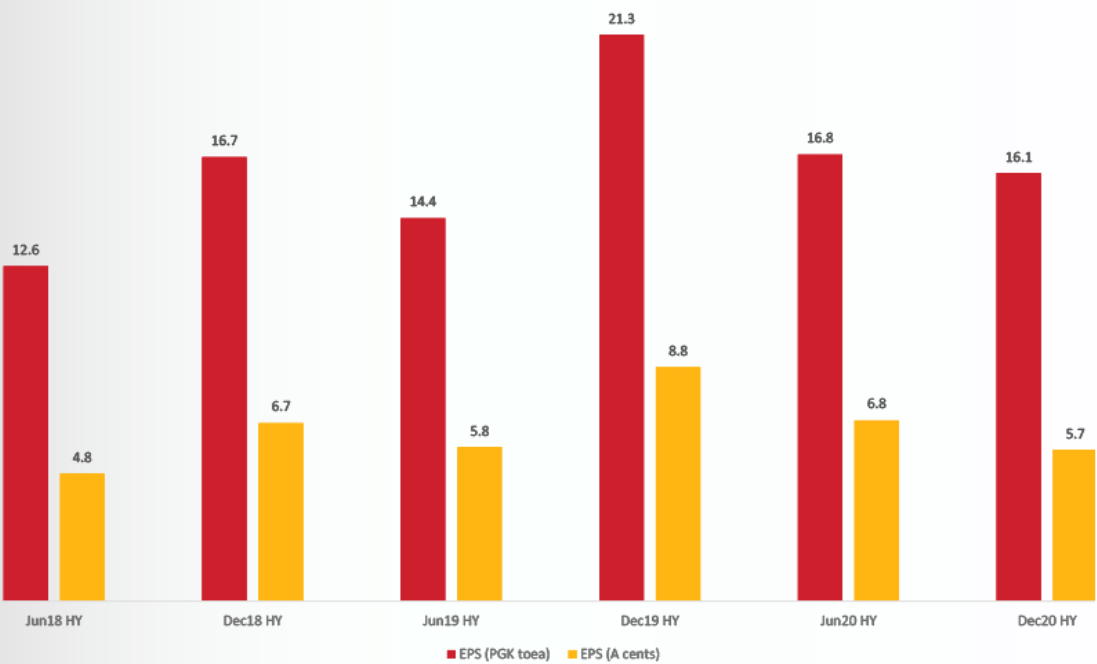
Cost to income ratio



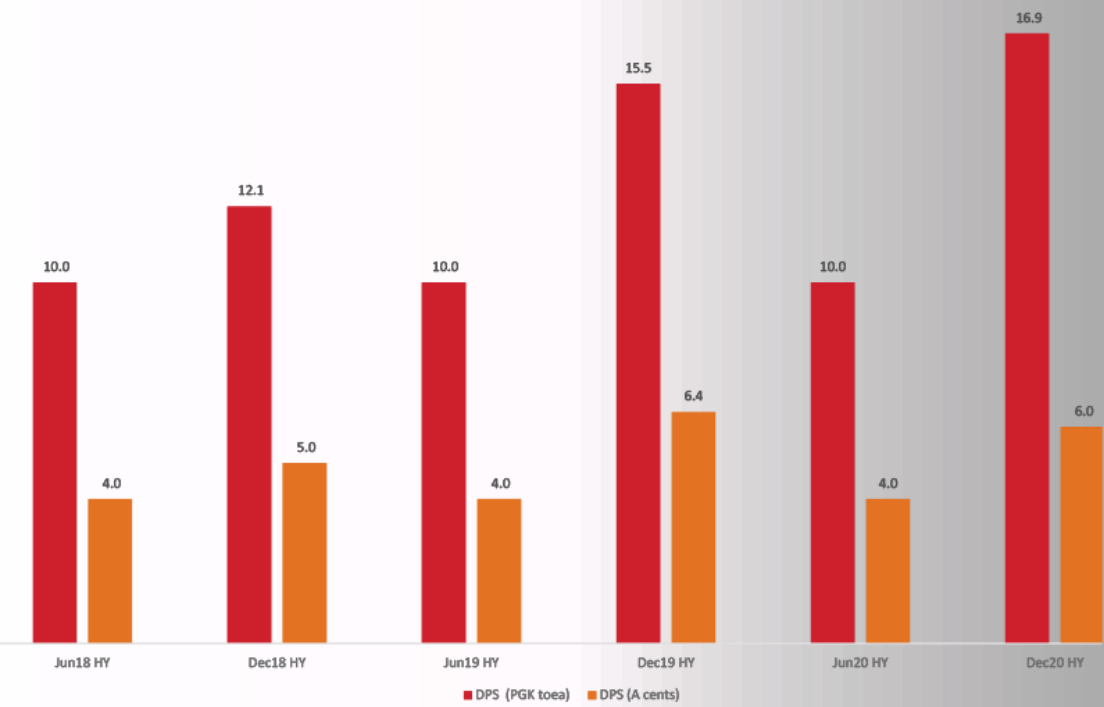
Return on equity



Shareholder Returns



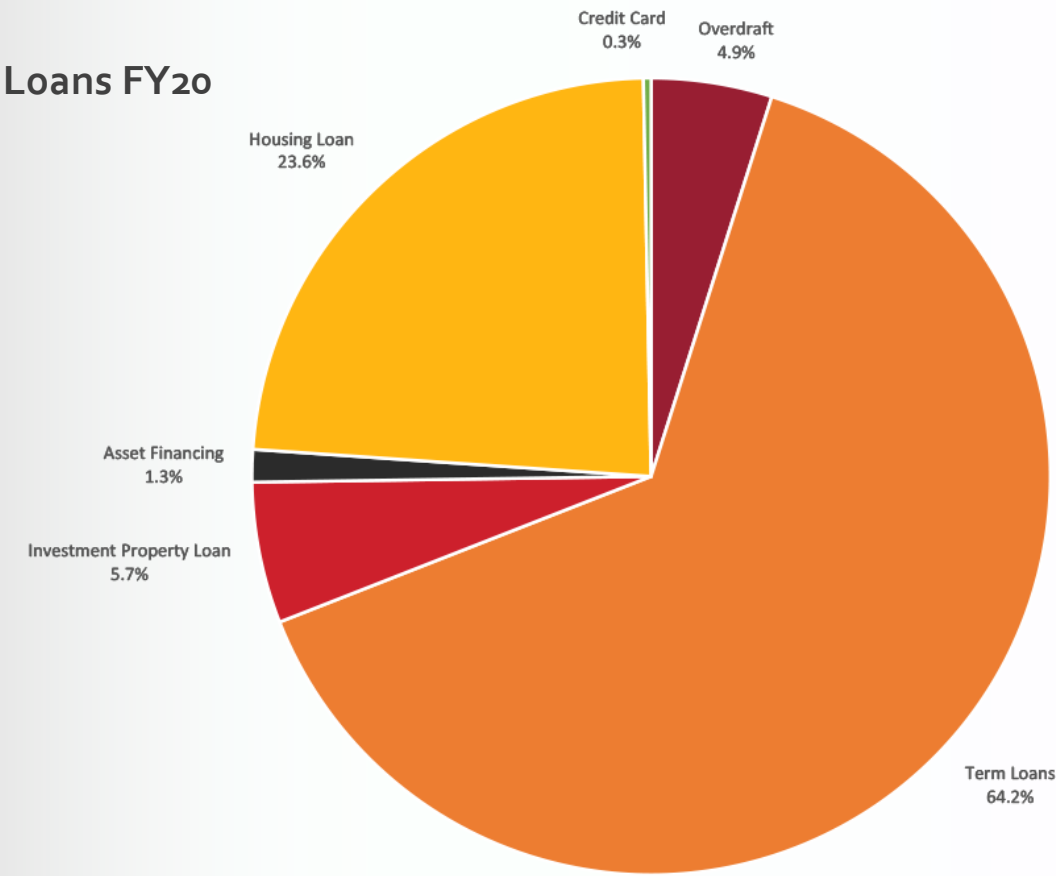
Earnings per share



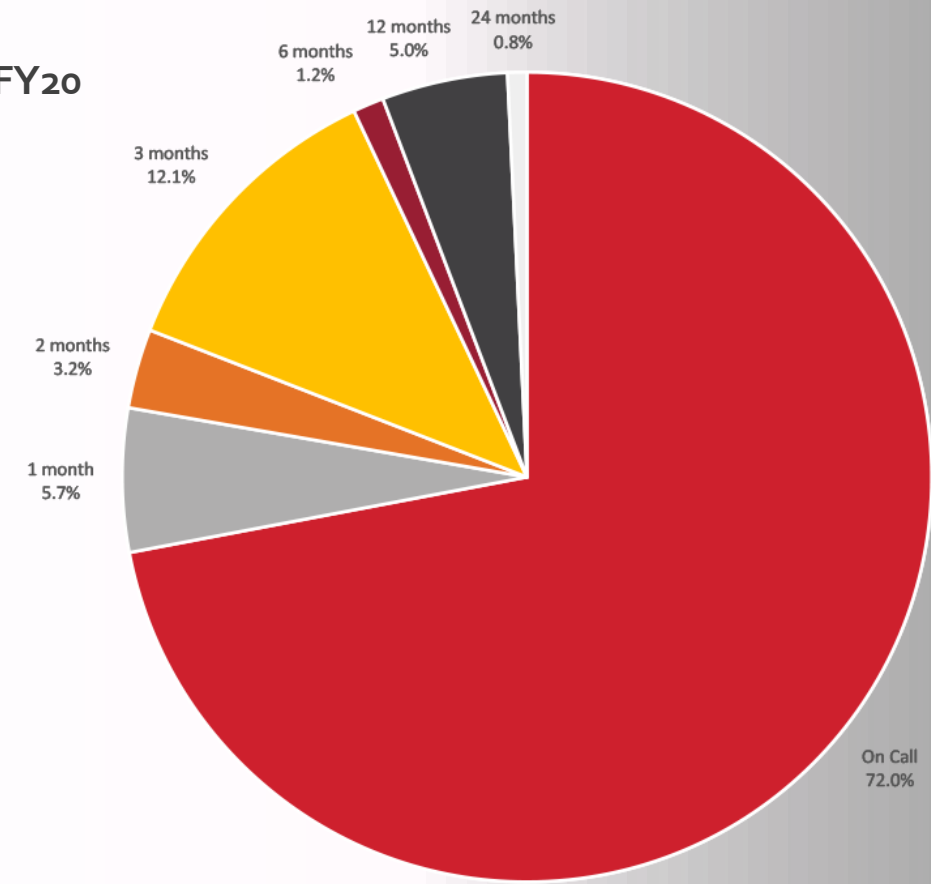
Dividends per share

Balance Sheet

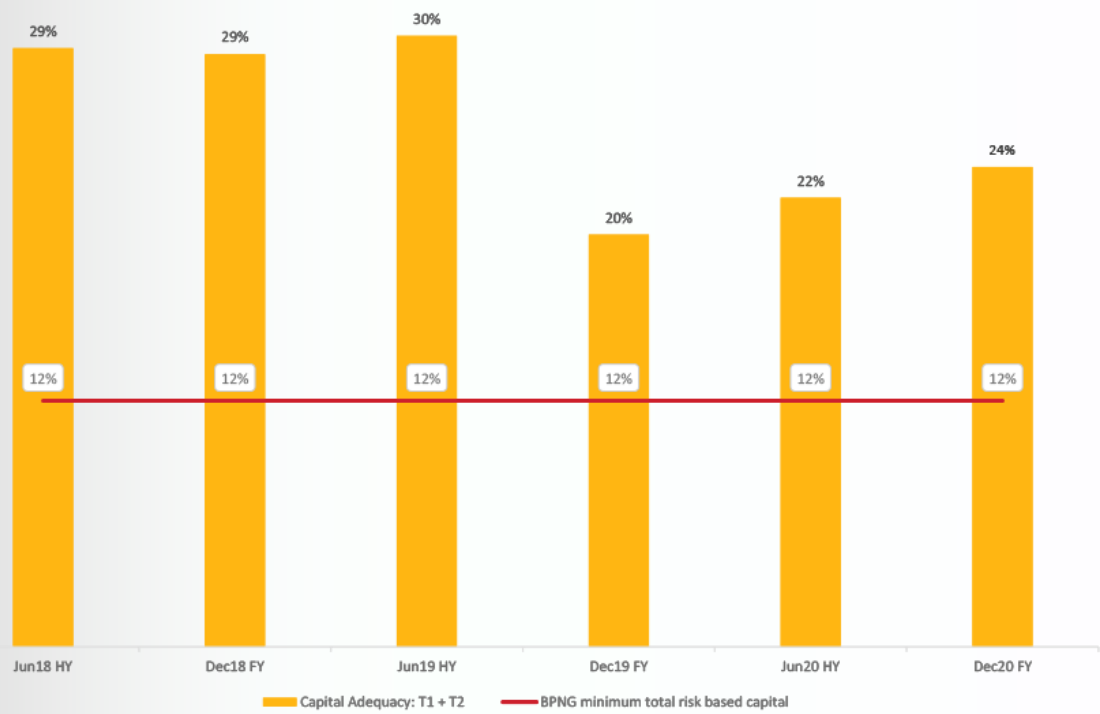
Loans FY20



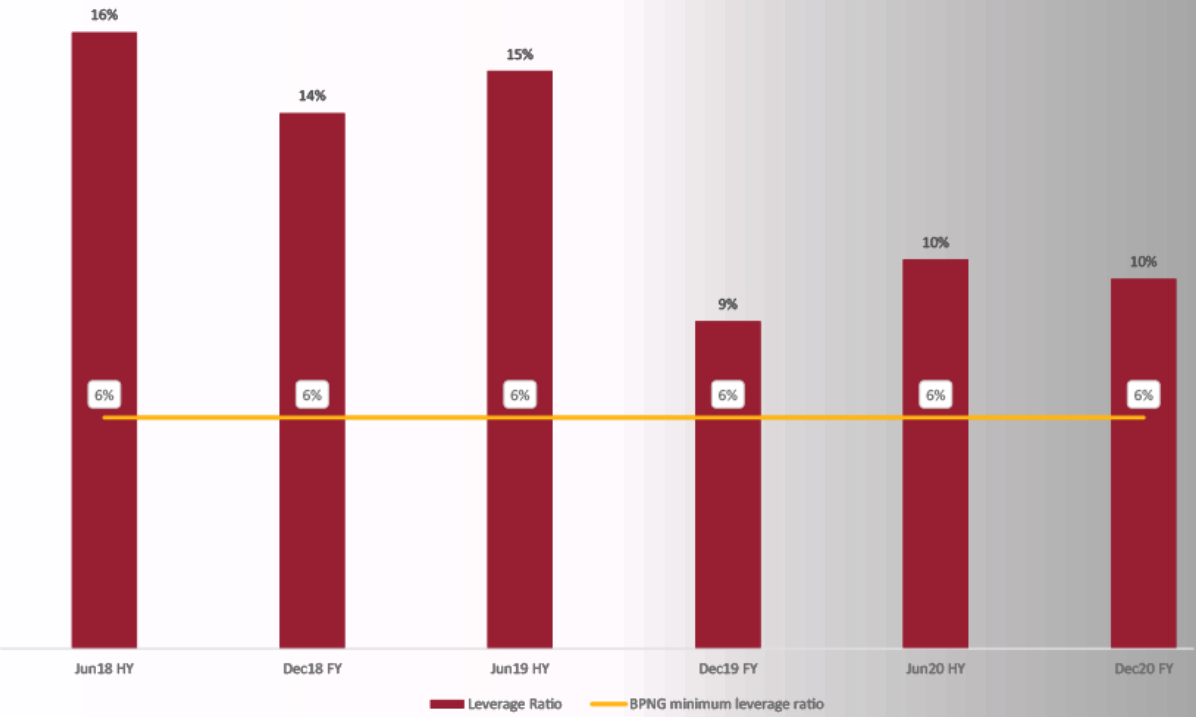
Deposits FY20



Capital Management

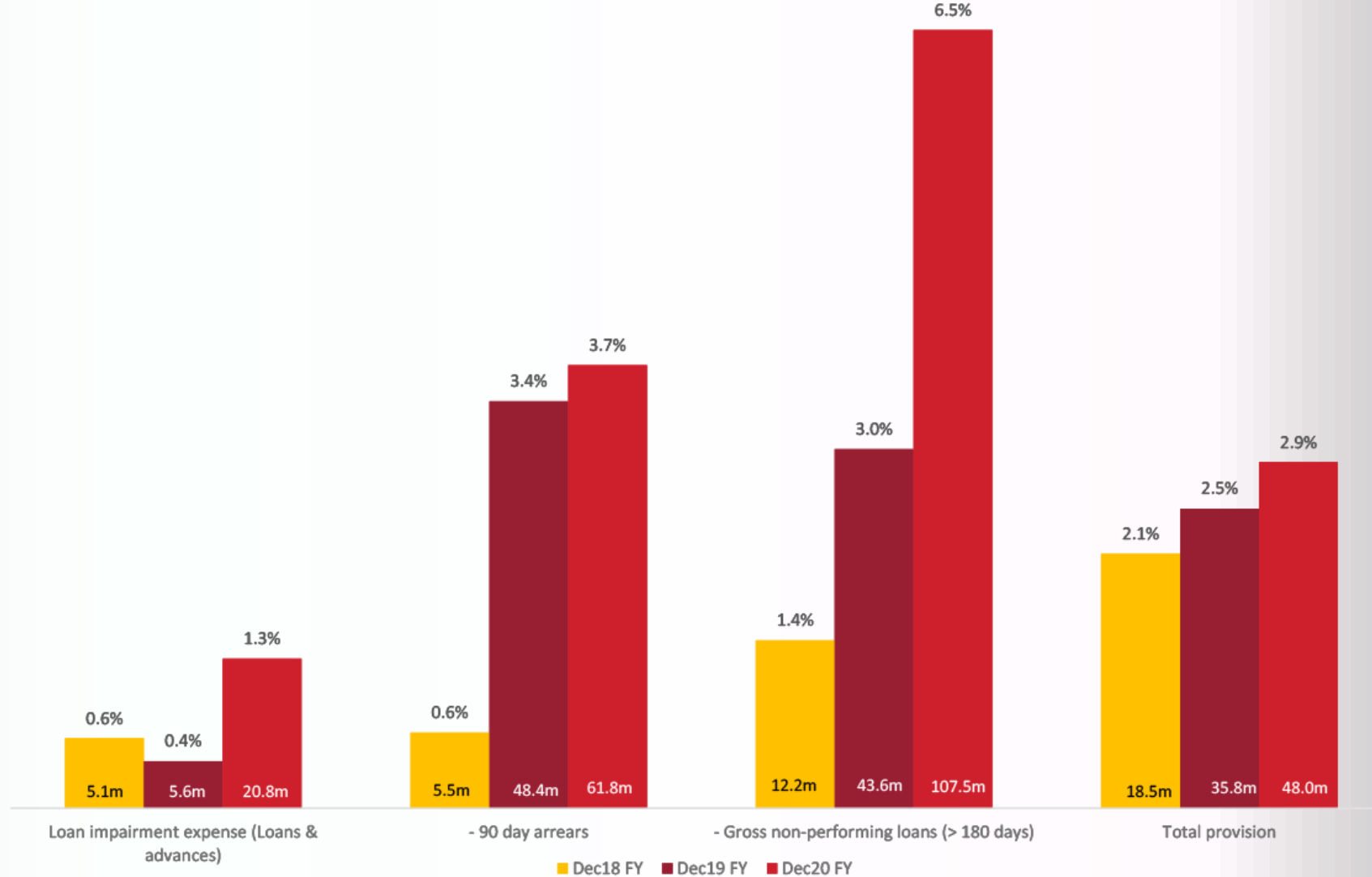


Capital Adequacy



Leverage Ratio

Asset Quality – Gross Loans and Advances

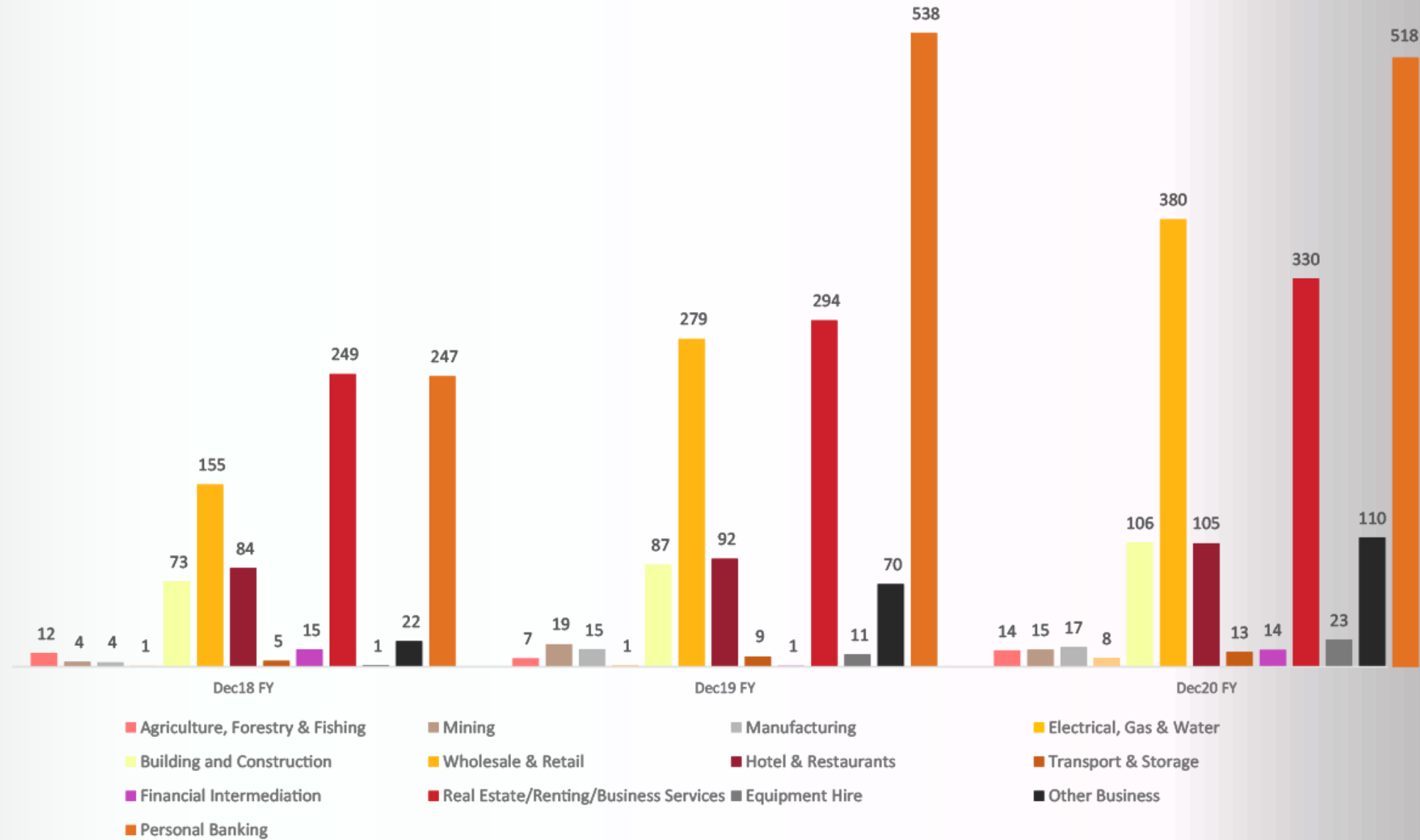


-Values above are in PGK millions.

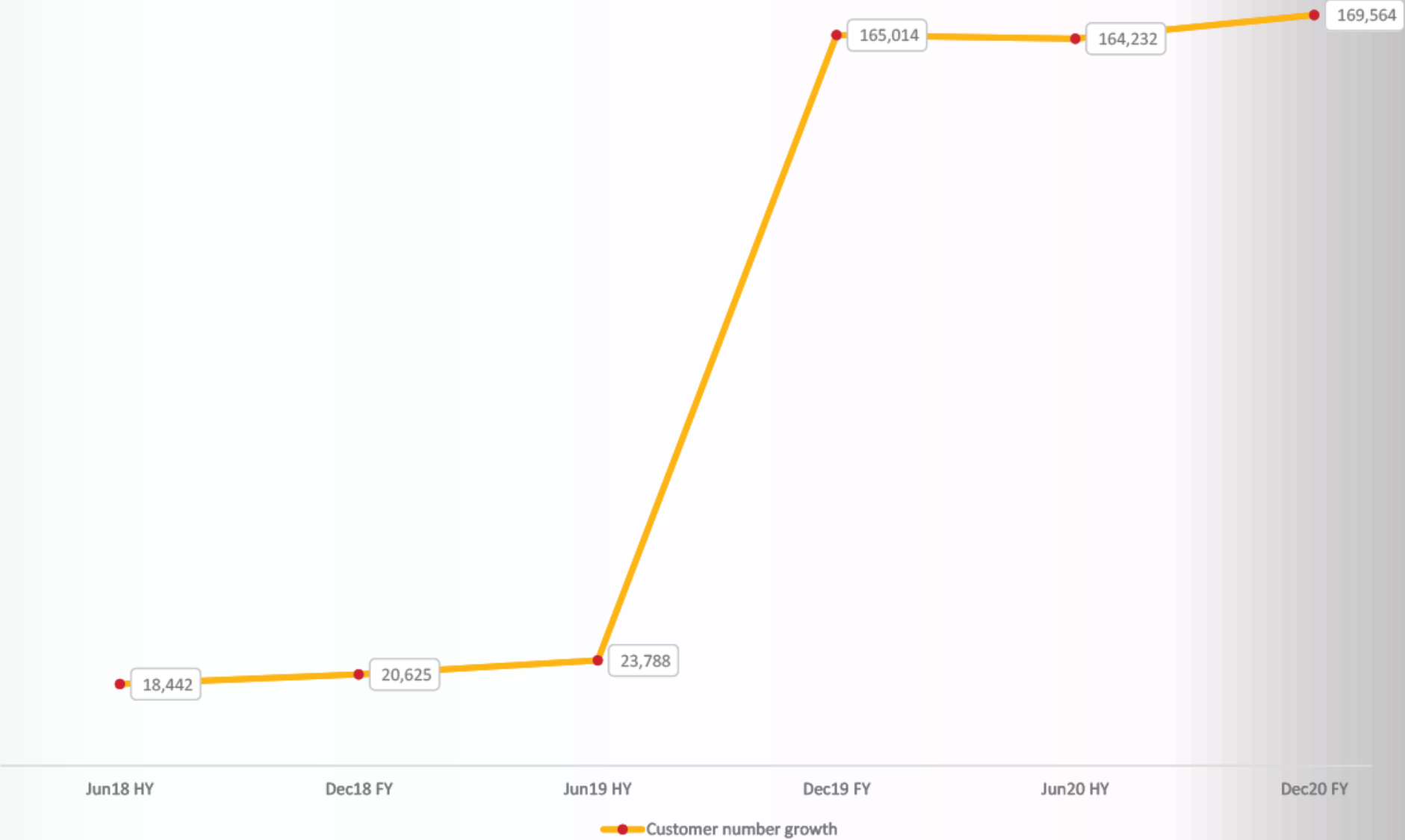
-The increase in Loan Impairment Expense is commensurate with the increase in Gross Loans from K1.42b to K1.65b in Dec 2020.

-Increase in loans in arrears (+ 180 days) relates to a small number of residential and business loans well collateralised and relationship managed. Seasonal adjustment expected over 1Q 2021.

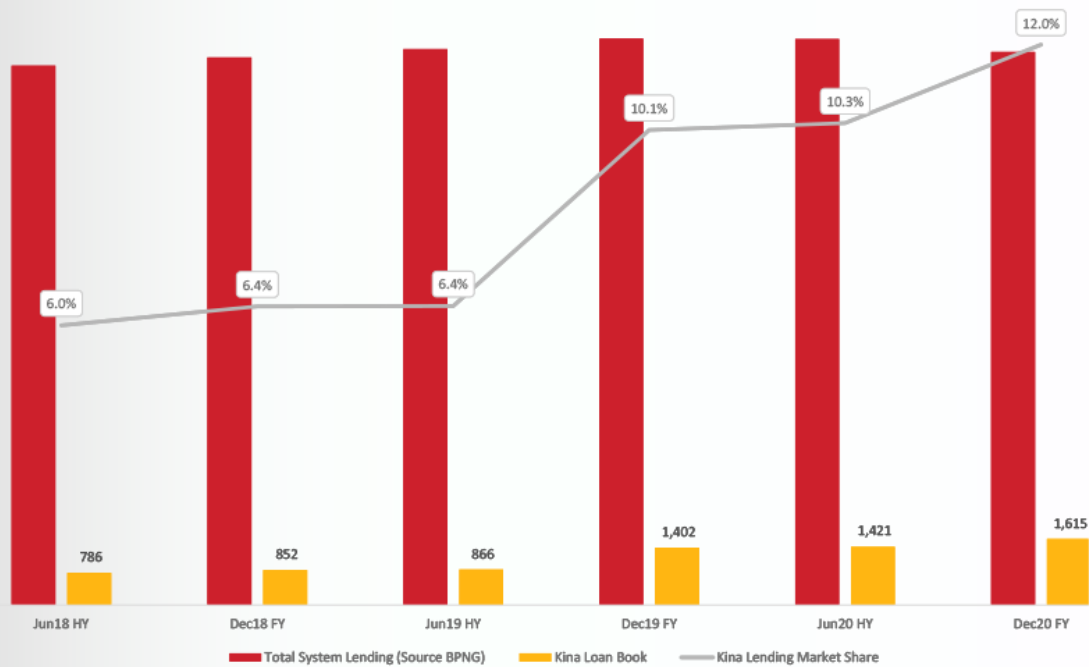
Portfolio



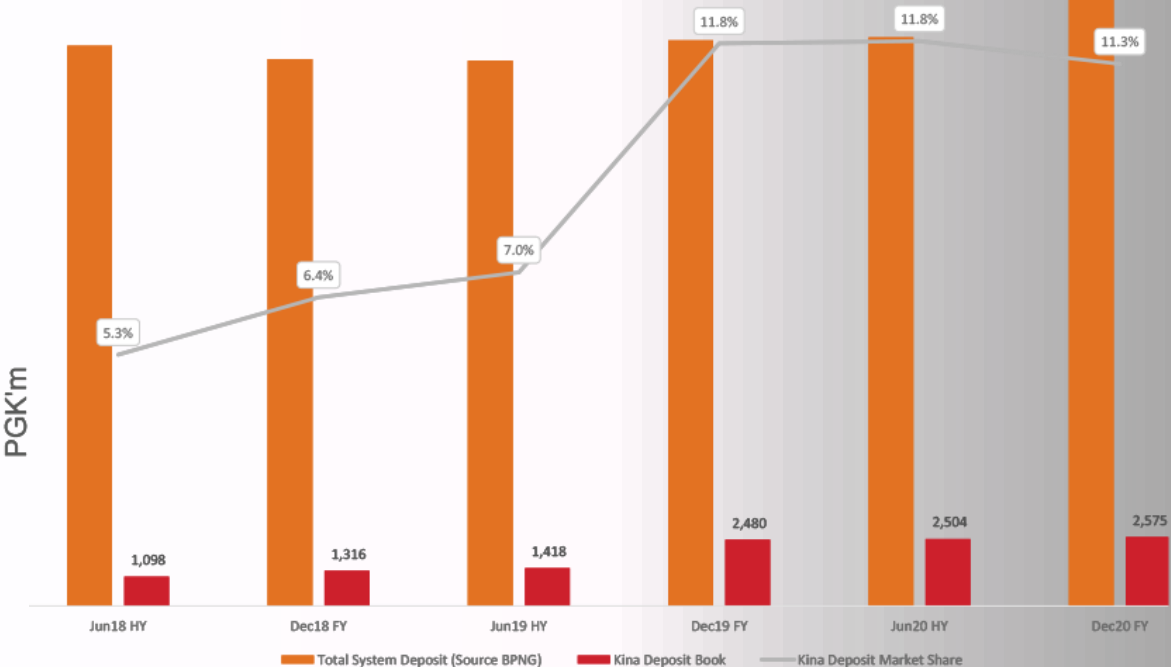
Customer Growth



Market Share Gains

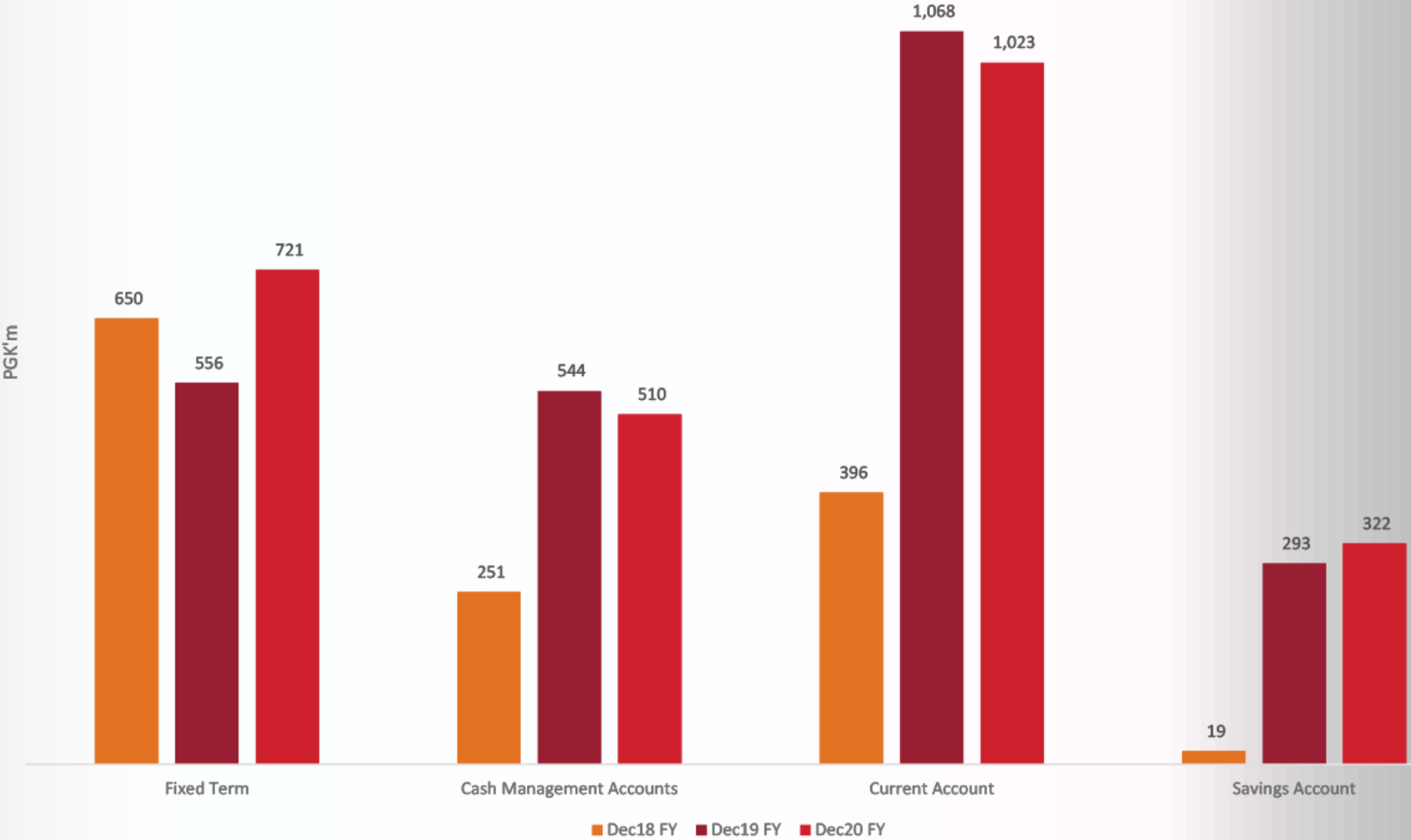


Market share percentage - lending

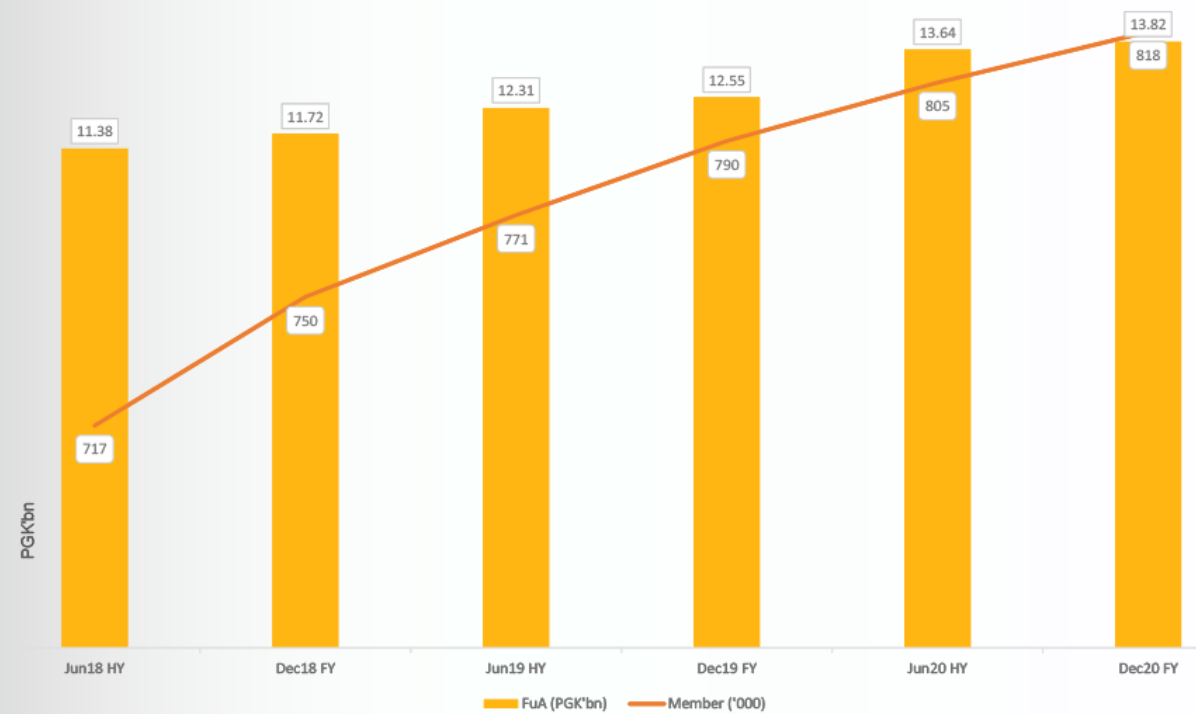


Market share percentage - deposits

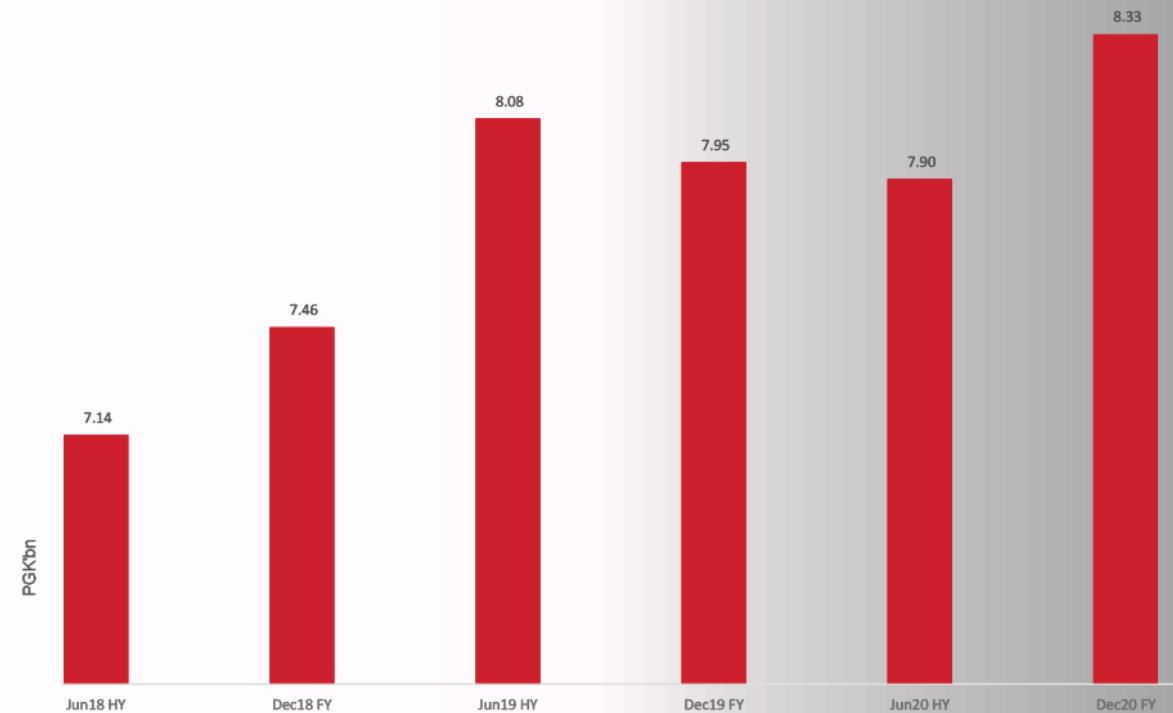
Balancing Deposits



Wealth Management



Funds under administration



Funds under management

together it's possible



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