



Kina Securities Ltd
Annual General Meeting
2017

May 2017

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Kina achieves record earnings

Statutory profit of PGK41.0 million for the year to December, compared with PGK5 million in the prior year

Final dividend of PGK0.10 toea (AUD\$0.0395 cents) per share, full year dividend PGK0.20 toea (AUD\$0.0804 cents) per share

Loan growth of 62% from December 2015, taking total lending to **PGK606 million**

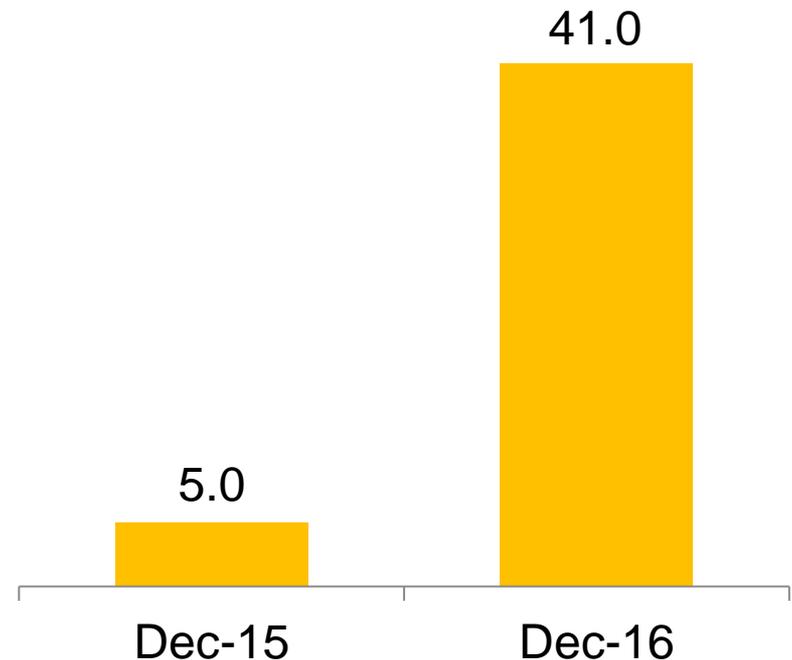
Net interest margin remains strong at **8.3%**

Cost to Income ratio reduced to **47.5%**

Credit quality remains sound. loan impairment expense of PGK2.8 million, equal to **0.5%** of gross loans and advances.

Capital adequacy ratio of 30%, compared with minimum requirement of **12%**

Statutory Profit After Tax
(PGK Mln)





Corporate
Highlights



Maybank integration

completed.



Lending

up 62% to **PGK606 million**, driven by **customer service, strong management and new product offerings.**

Deposits

up 40% to **PGK958 million**, due to **new products and enhanced customer service.**



Banking

New mobile products, improved systems and online services. Kina customers can access **all ATMs in PNG, and a vast network of EFTPOS terminals.**



Wealth Management

FUM increased **14% to PGK6.2 billion** and FUA by **16% to PGK5.6 billion.**



Major client win

Kina wins Nasfund client, adding **PGK4 billion FUA** and **growing Kina's client base to 700,000 clients.**

2017 Year to Date

- Loan growth **10%** as at April
- Lending Market Share increased from **2.8%** (April 2016) to **5.5%** (April 2017)
- Loan Impairment Expense remains low @ **0.15%** (improvement of 0.48% Dec17). Total Arrears **4.3%** (improvement from 5.8% Dec17)
- Launched new Housing Loan and Asset Finance Products

New Vision City Branch

- Opened New Concept Branch – May 2017
- Early customer response positive



2017 Year to Date

- Asia Development Bank
 - Signed Agreement for Trade Finance Program
- Banking Software Upgrade
 - Expected to be completed during last quarter
- Nasfund Mandate on track

Market Update

- FX
 - First half revenue impact of K10m as a result
 - Kina targeting a permanent and diverse USD correspondent banking partner
- NIM (Net Interest Margin)
 - NIM impacted by high interest expense and competitive loan pricing
 - NIM at lower end of target range in first half
- Expense
 - Cost to Income ratio currently in excess of 65% due to income shortfalls. Will reduce by year end to 50%

Outlook

- Competitive pricing for new lending
- Competition for low cost deposits continued from last year to first quarter 17
- As mentioned, FX income has been impacted by lack of on-boarding of USD correspondence banking partners
- The company continues to make investments for the future
- Most of these impacts on the business are short term in nature with medium term prospects remaining sound.



Priorities

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Kina remains focused on delivering its key operational priorities for 2017. These include:

- Establishing a diverse and permanent USD correspondent banking relationship
- Continued growth of the low-cost deposit base
- Leveraging our relationships with key superannuation funds to facilitate cross-selling opportunities.
- Delivering the Nasfund transition to Kina fund administration services.
- Completing the bank's technology transformation. This includes expanding our suite of personal and business banking products and services such as mobile applications and internet banking for retail and corporate customers.
- Profitable, quality lending growth

