

# Kina Securities Limited

## Financial year results for the full year ended December 2021

February 2022



# Overview.

## Organic growth momentum

Underlying NPAT up 27%

Lending up 21%, Deposits up 19%

## Flat expense base

Underlying Cost to Income 58%

## Diversified Revenue growth

FX revenue up 19%

## Customer Acquisition

Net Customer growth 8%

Corporate Banking growth

## Shareholder returns

Dividend payout ratio well supported by strong balance sheet despite Westpac transaction costs

Dividend payout ratio 80% of underlying NPAT



Together it's possible



# Our Strategy.

## Purpose

- To constantly improve the prosperity of the people, communities and markets that we serve

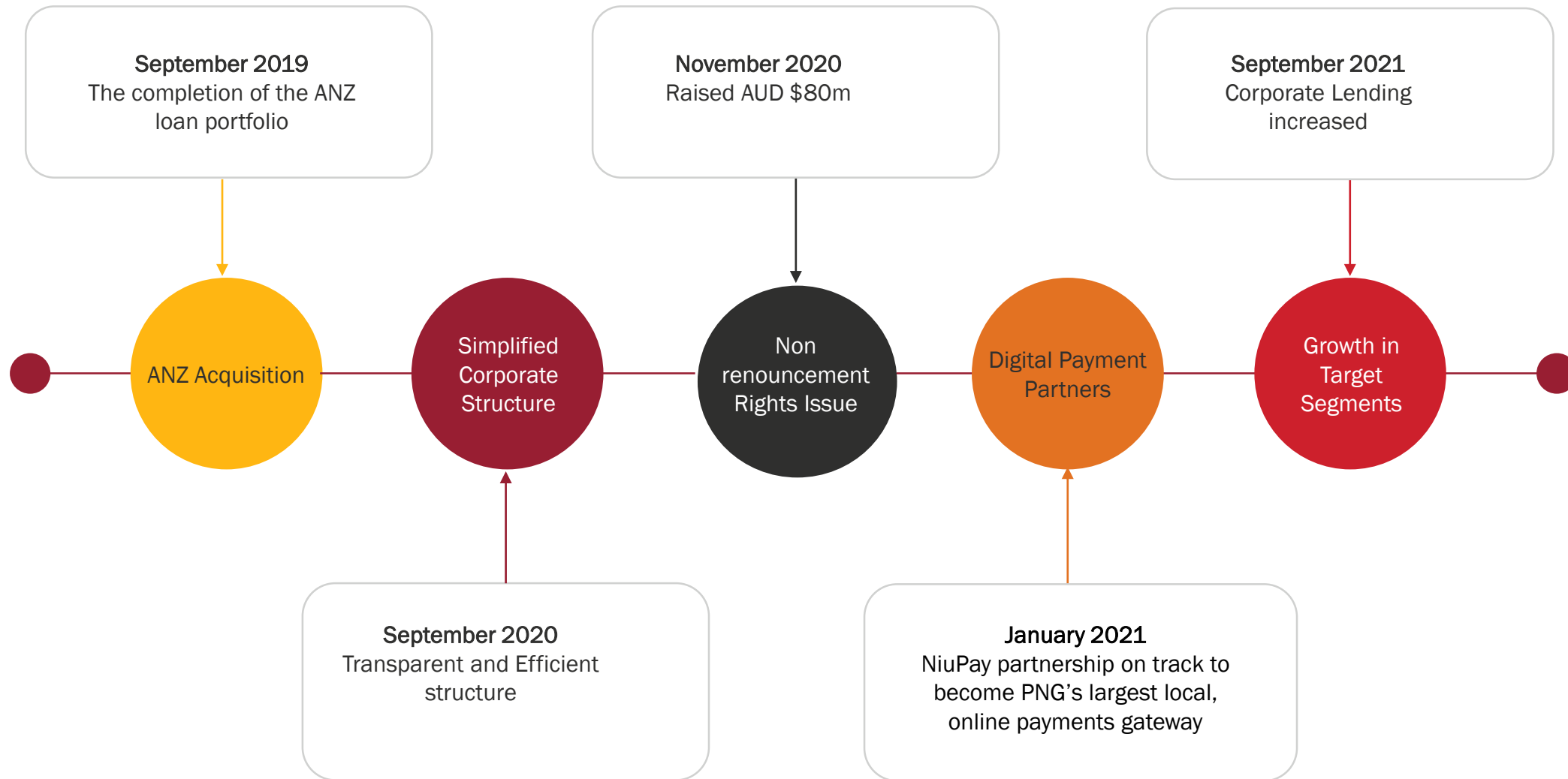
## Vision

- The most dynamic, progressive and accessible financial services organisation in the Pan Pacific region, proudly domiciled in Papua New Guinea

## Priorities

- Growth & prosperity
- Building resilience
- Service excellence
- Dynamic people
- Sustainable communities





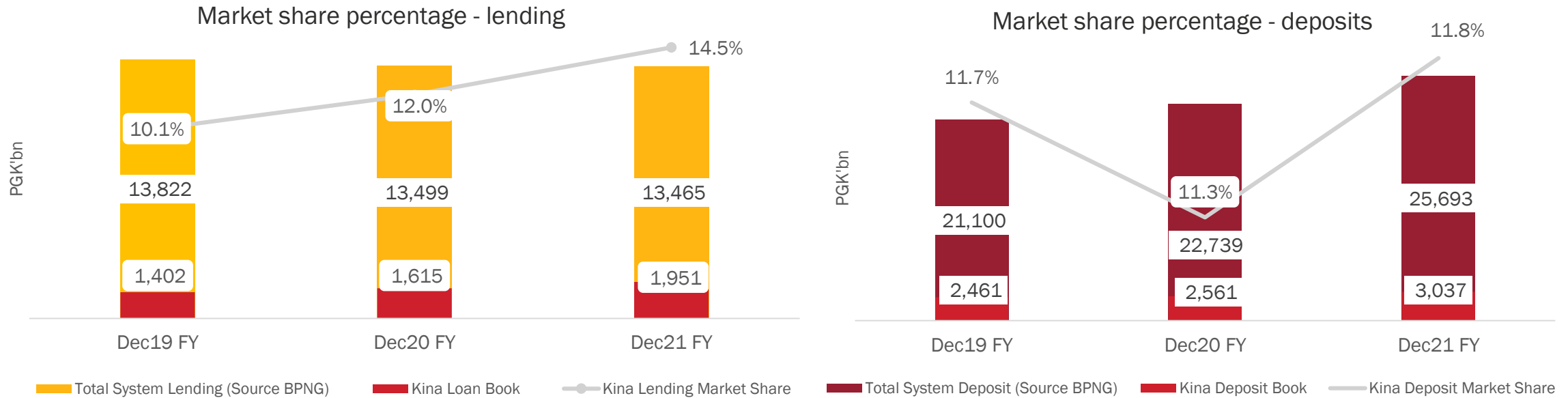


# Non-financial Highlights.

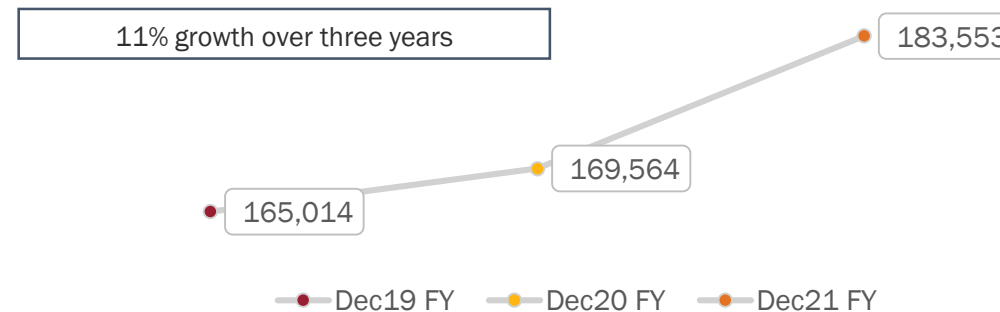
- Brand and marketing refresh include key leadership appointments. Implemented a new best in class website with capabilities for digital on-boarding and integration into full suite of digital marketing services
- e-KYC program of work on track. MVP delivered and at scale execution expected for 2022
- Digital channels and partnerships revenue growth increased by 65%. Uplift in point-of-sale merchant payments, scaling of online payments gateway via partnership with NiuPay, and e-commerce payments for SMEs
- An expanded suite of products and services for SMEs including transaction accounts, concessional rate loans, online banking enhancements, digital payment gateway services, and future digital partnerships such as Xero integration planned.
- MVP delivered for Banking & Superannuation single view, the first of several digital enhancements that will unlock the value of Funds Administration for the Group.
- Next phase culture program delivered including leadership training, integration of company values into performance management system and employee engagement uplift
- An improvement in Executive diversity, with women in 60% of first line management and level one senior managers roles.
- Financial inclusion through MiBank (microfinance partner) onboarding 66,829 new customers in 2021. MiBank now has 432,810 customers with 40% of these customers active.



# Gaining market share – 2<sup>nd</sup> largest PNG Bank in lending



## Customer number growth





# Financial Results.



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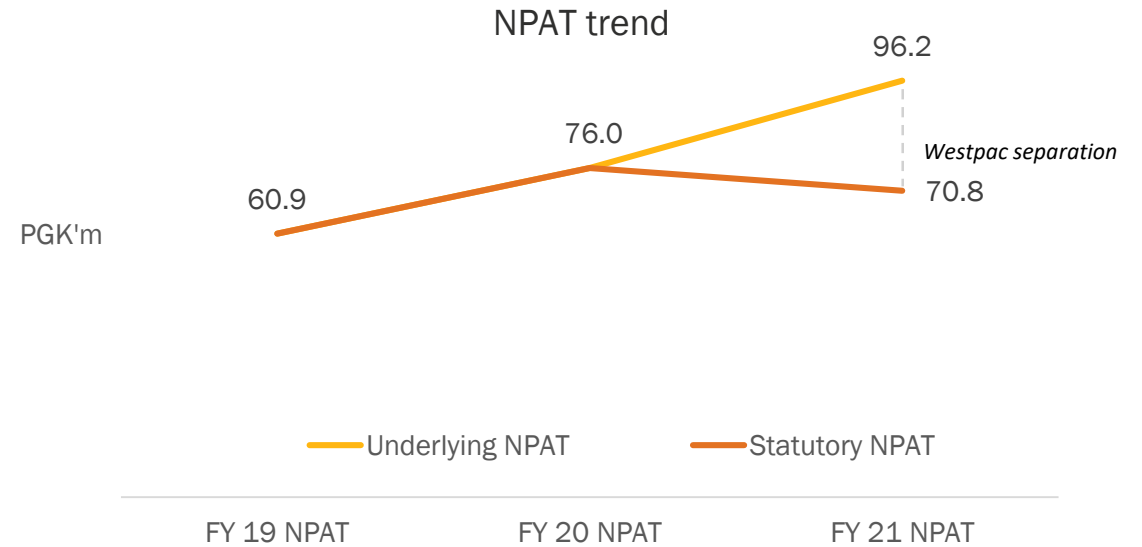
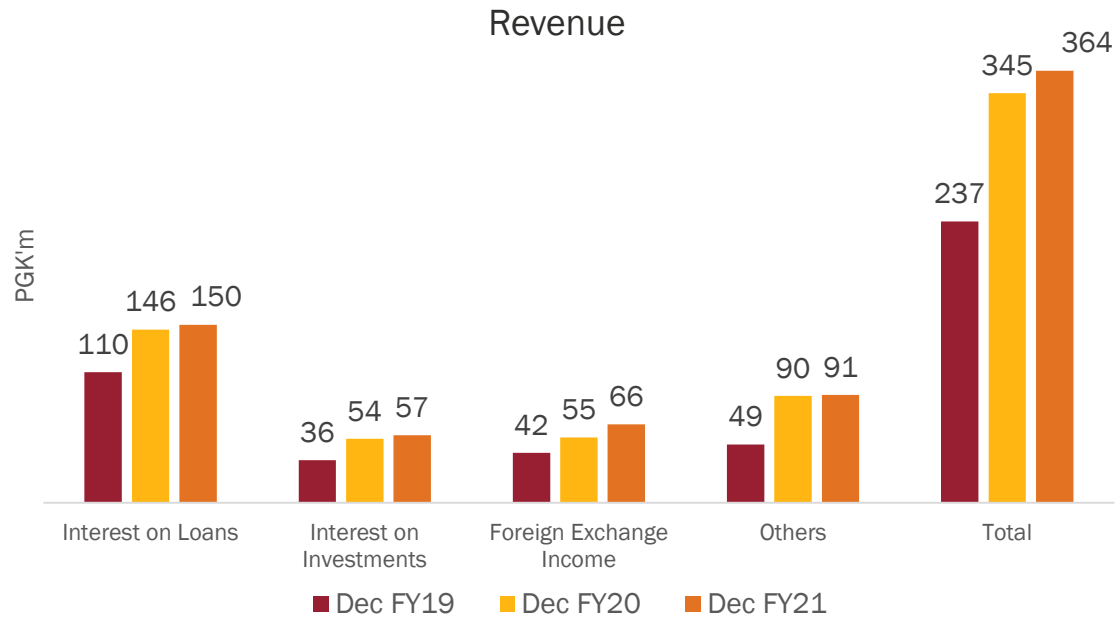
# Financial Highlights.

	Full Year Ended		
	Dec-21	Dec-20	%
Underlying NPAT (PGK m)	96.0	76.0	27
Statutory NPAT (PGK m)	70.8	76.0	(7)
Revenue (PGK m)	334.4	314.8	6
Cost to Income ratio (%) underlying	58.1	58.1	0
Net interest margin	6.7	7.5	(11)
Net loans and advances (PGK m)	1,950.5	1,614.7	21
Ordinary Dividend (AUD cents)	10.0	10.0	0
Payout ratio (underlying NPAT)	80%	87%	(8)
Total Capital adequacy (%)	23.3	25.4	(8)

- Underlying NPAT increased by 27% to PGK 96.2m
- Statutory NPAT PGK 70.8m
- The Loan book grew by 21%
- FX revenue growth of 19%
- Reduction in impairment cost to PGK 6.5m
- Funds Administration business achieved NPAT growth of 22%



# Strong underlying NPAT growth



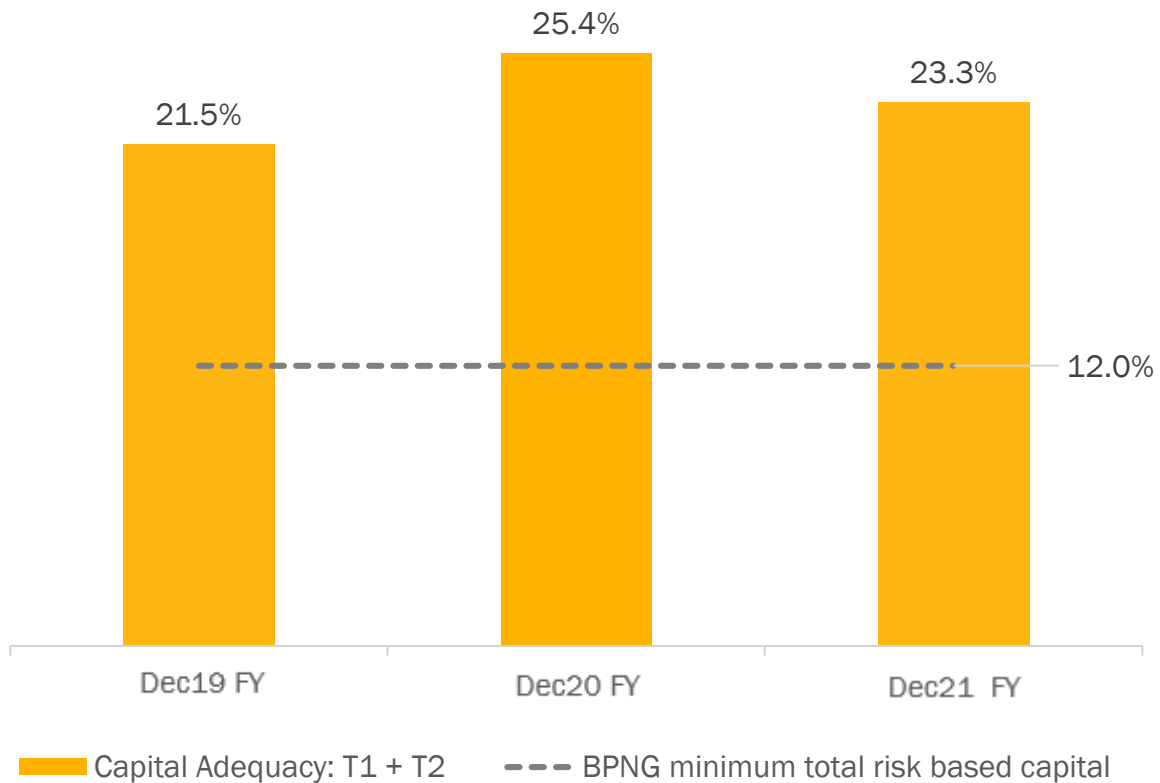
- Foreign Exchange (FX) revenue grew by 19% supported by inflows from new to business commodity exporters on-boarded during the year
- Net Fees and Commissions increased by 17% to PGK 89.3m due to the build out of the Kina's channel network

- Organic growth and digital expansion resulted in an increase of 65% in digital revenue and channel fees
- Strong performance in non-interest income from fees and commissions and foreign exchange income, increased 18%

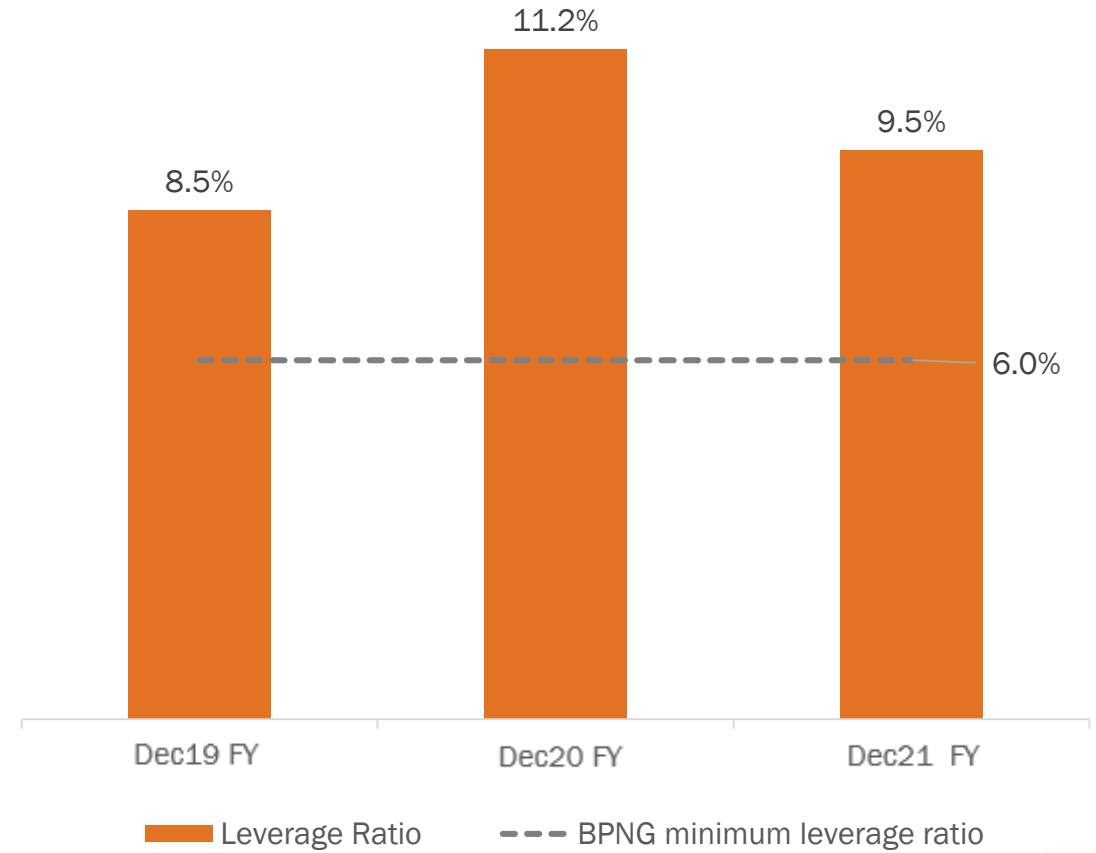


# Capital Management

Capital Adequacy



Leverage Ratio

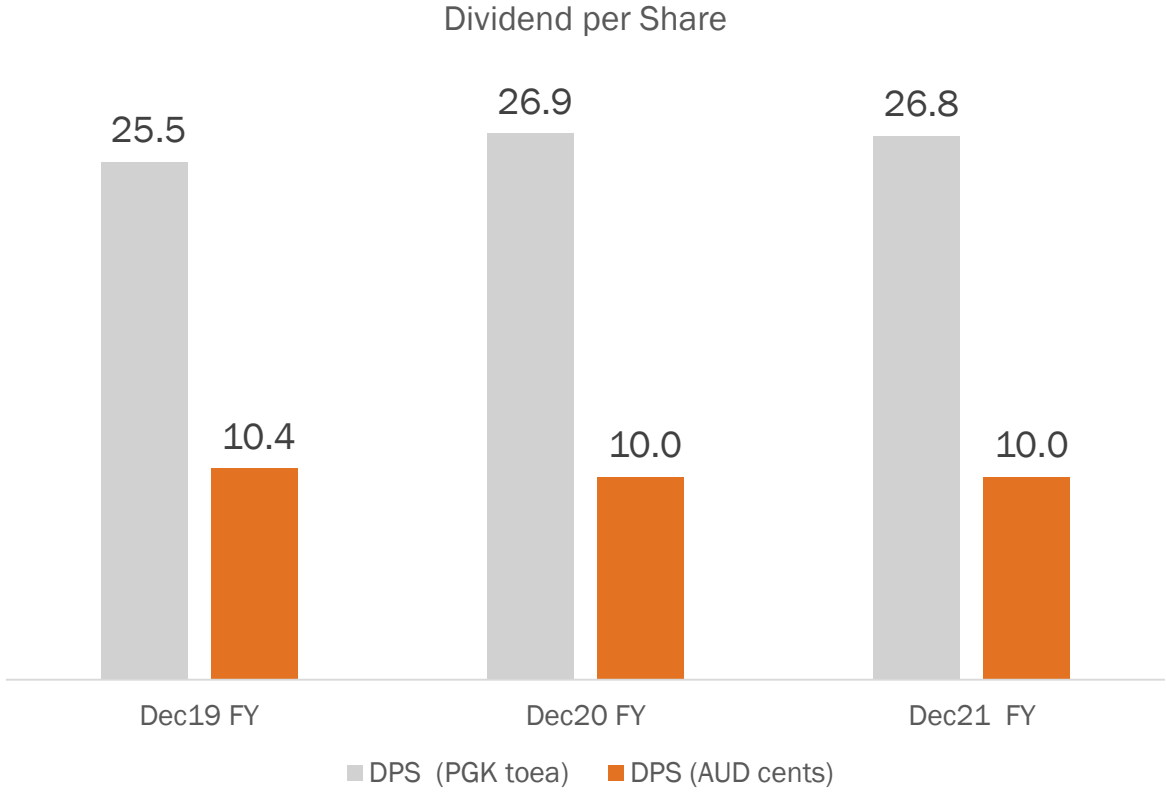




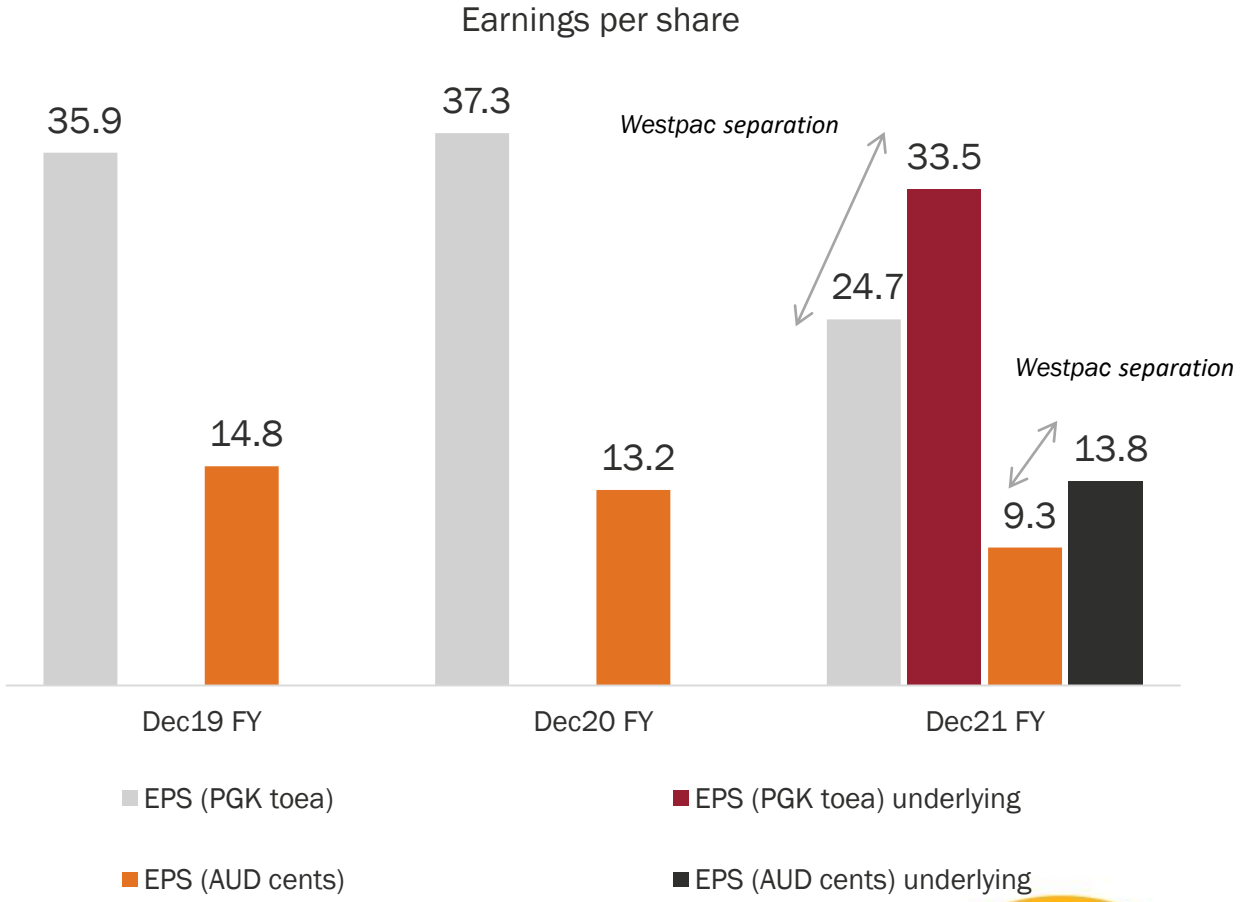
# Shareholder Returns



Dividend per Share

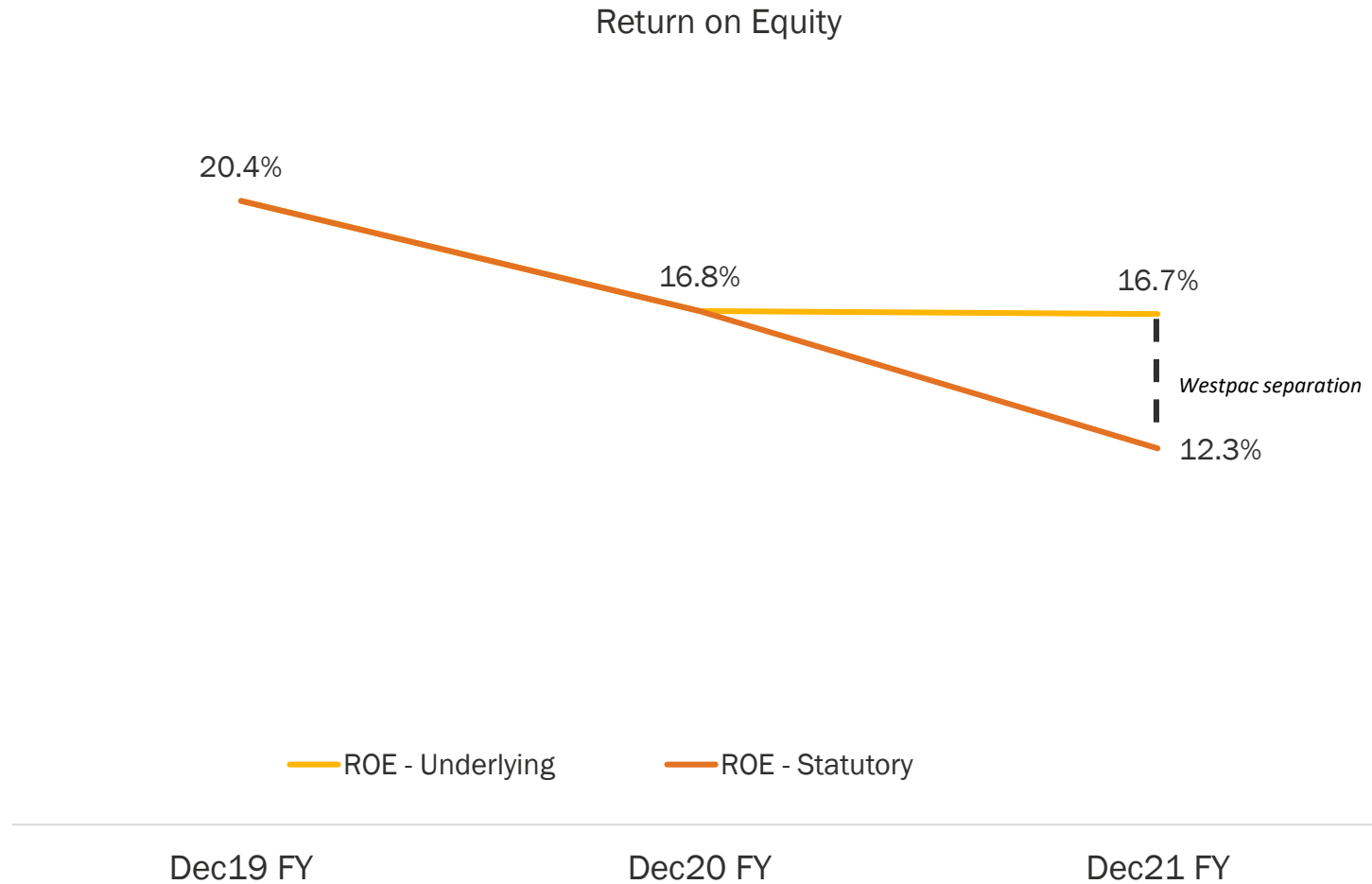


Earnings per share



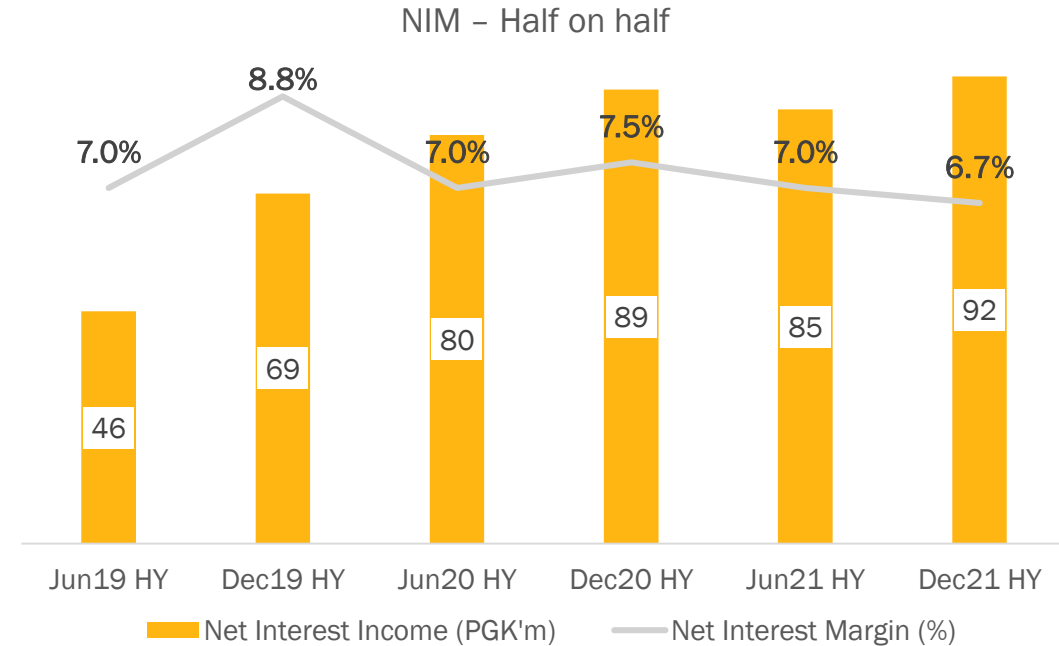
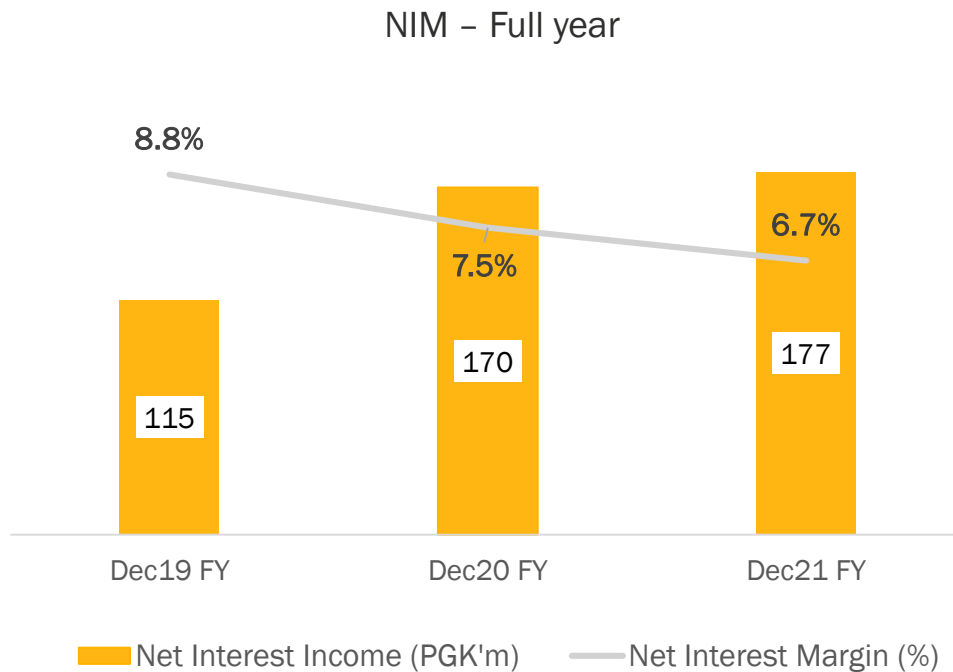


# Underlying ROE remains stable





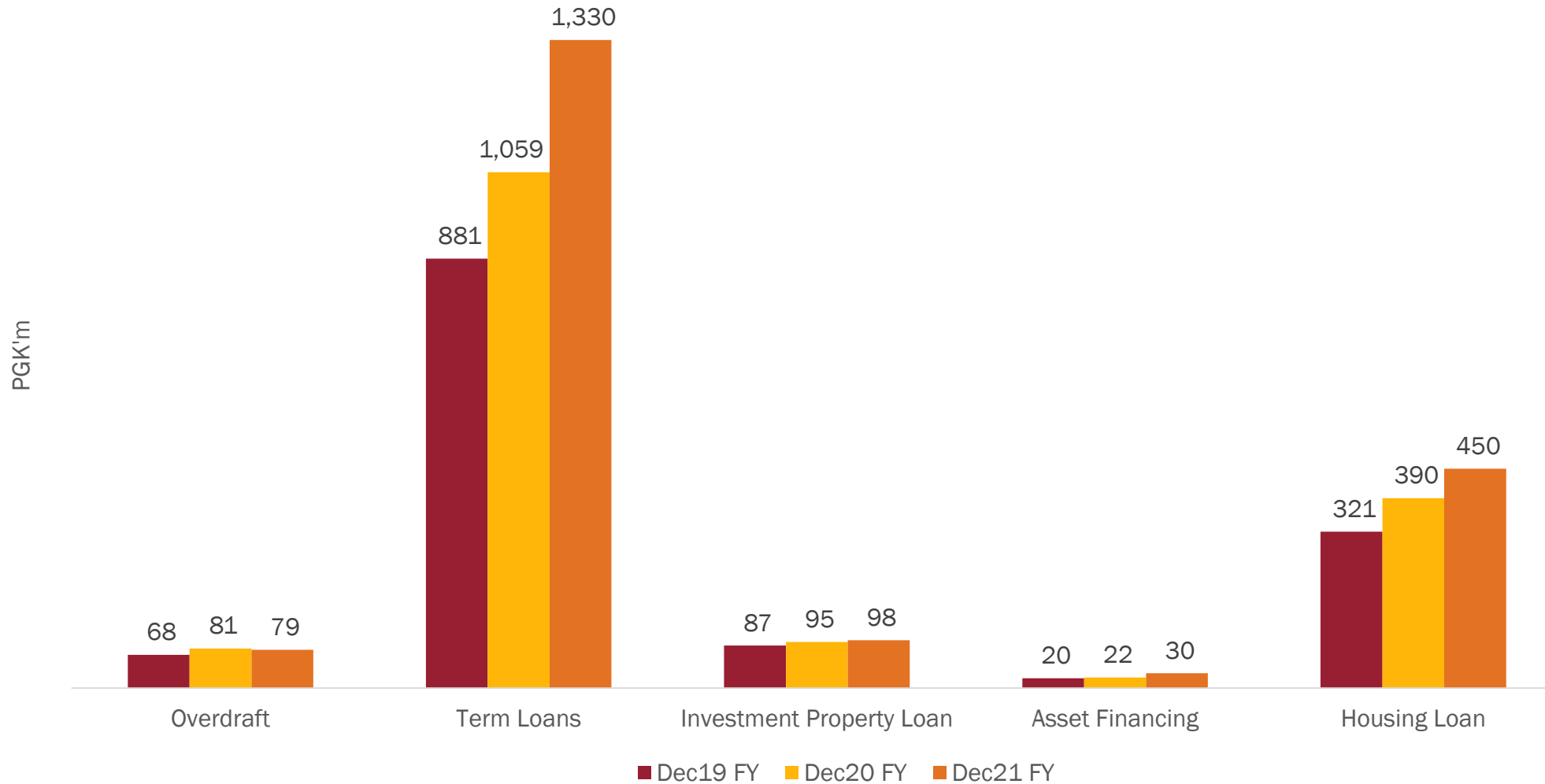
# Net Interest Margin



- NIM reflects a mix of increased lending to the corporate sector, strong deposit growth to maintain the loan to deposit ratio at less than 70% and our strategy to grow FX revenues with the resources sector.
- 69% of loan growth was recorded in the second half
- 24% growth in On Call deposits



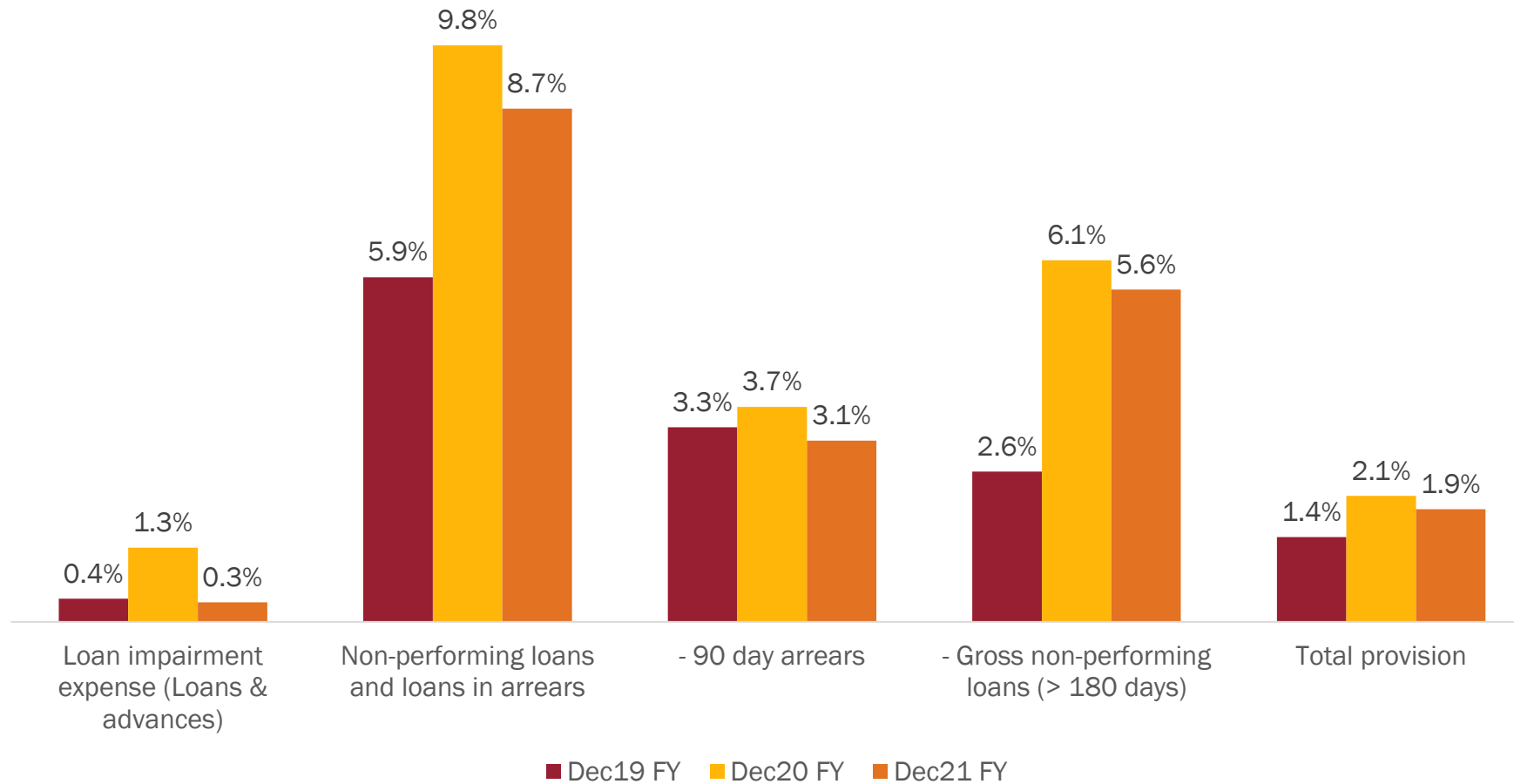
# Lending Portfolio





# Asset Quality

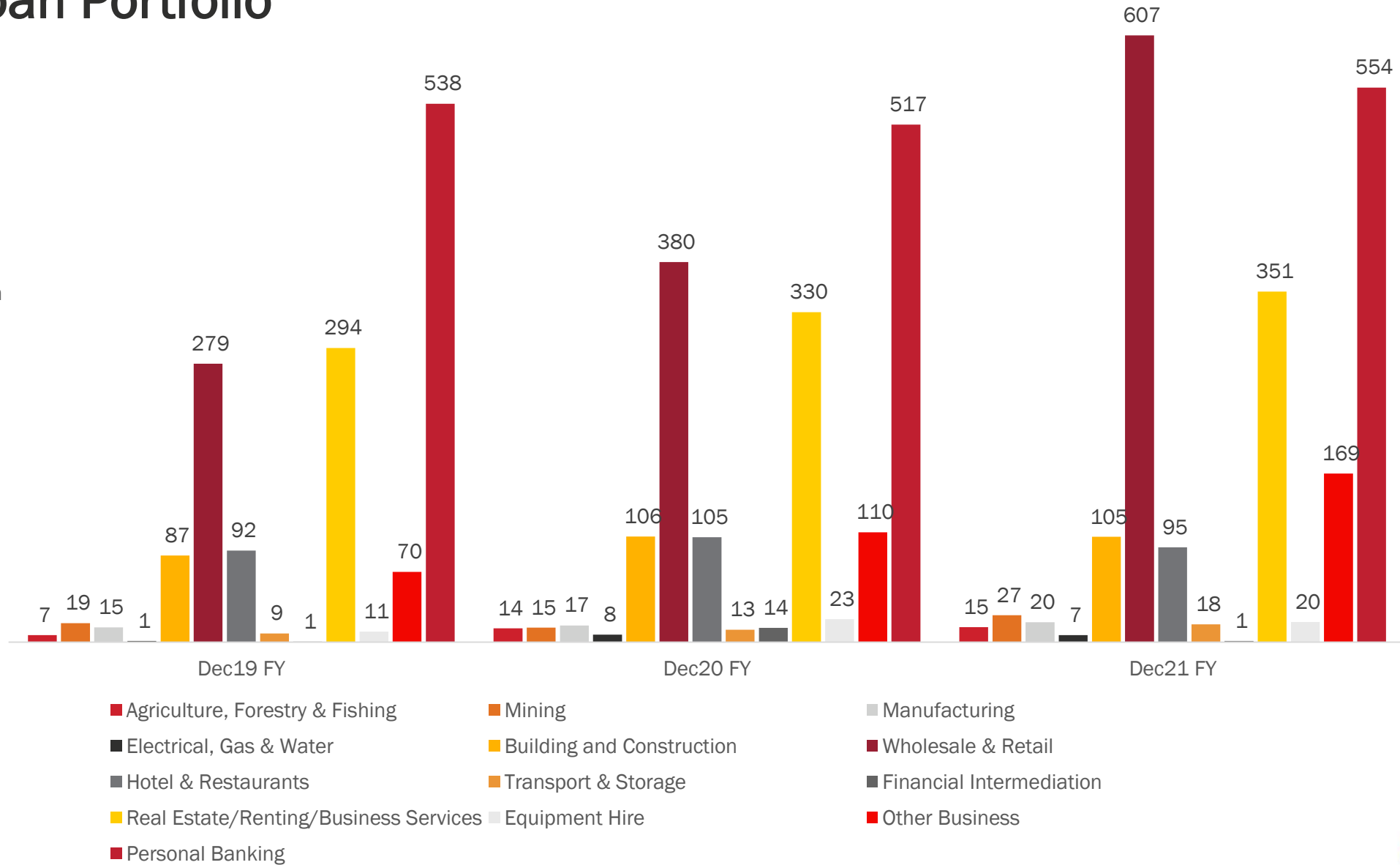
Gross Loans and Advances





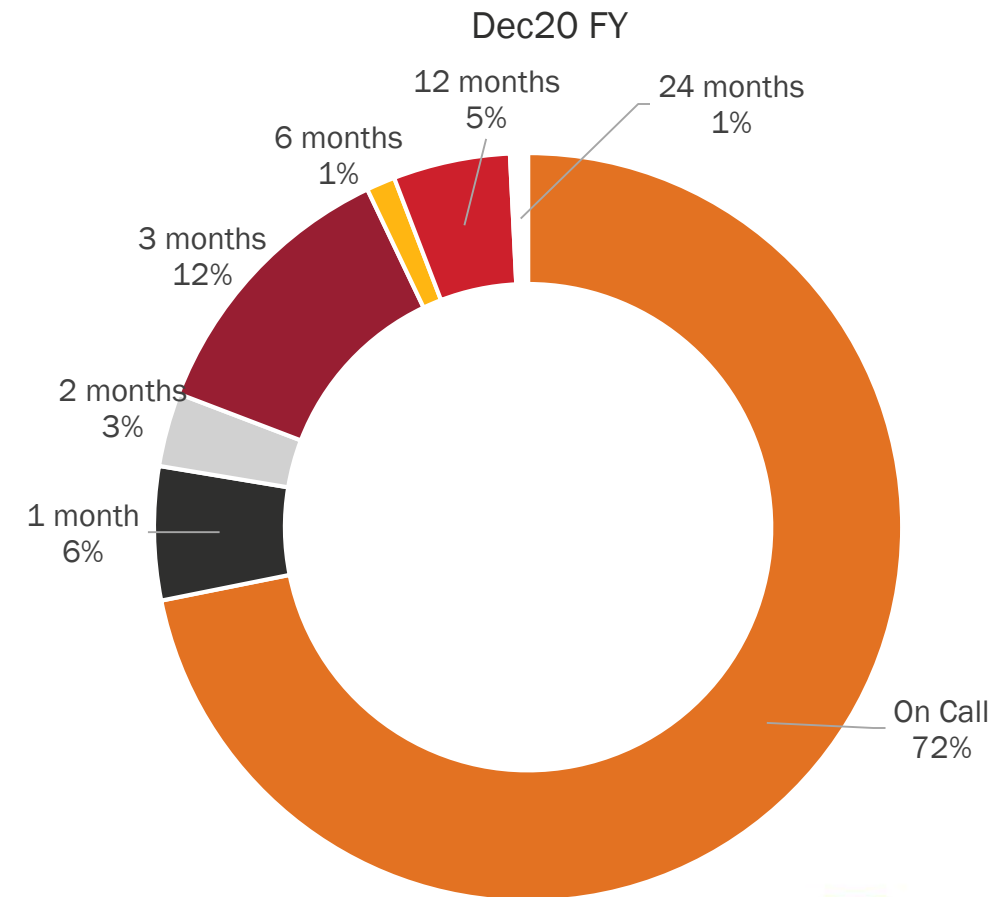
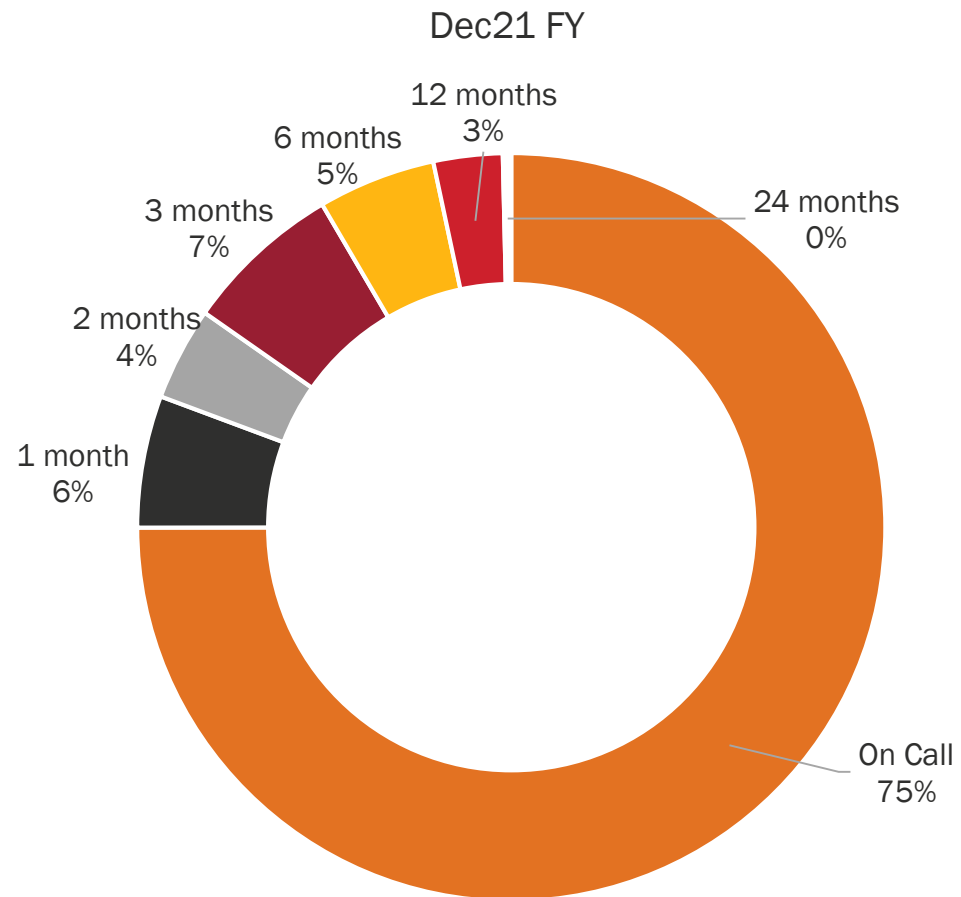
# Loan Portfolio

PGK'm



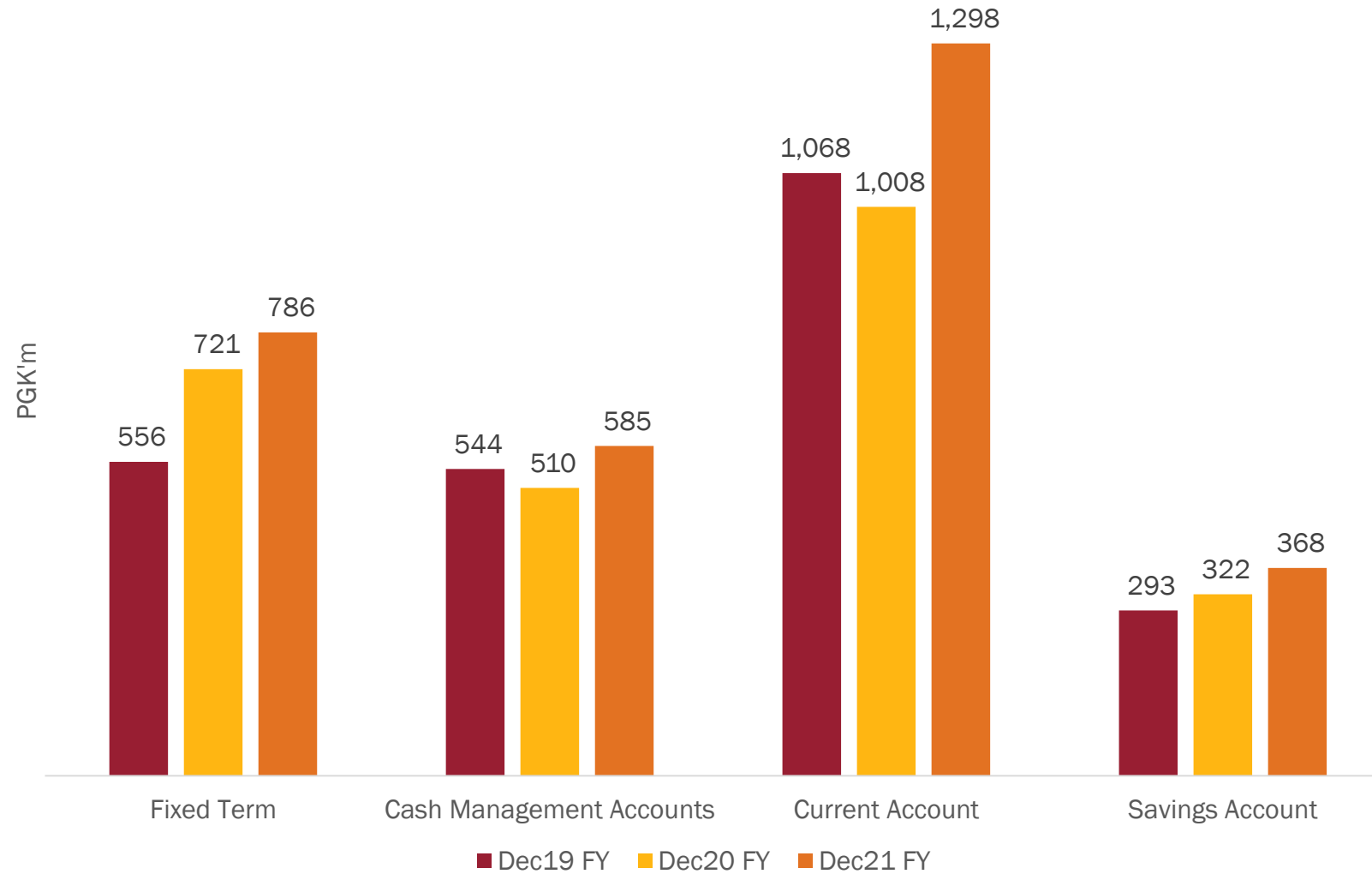


# Deposits Tenure





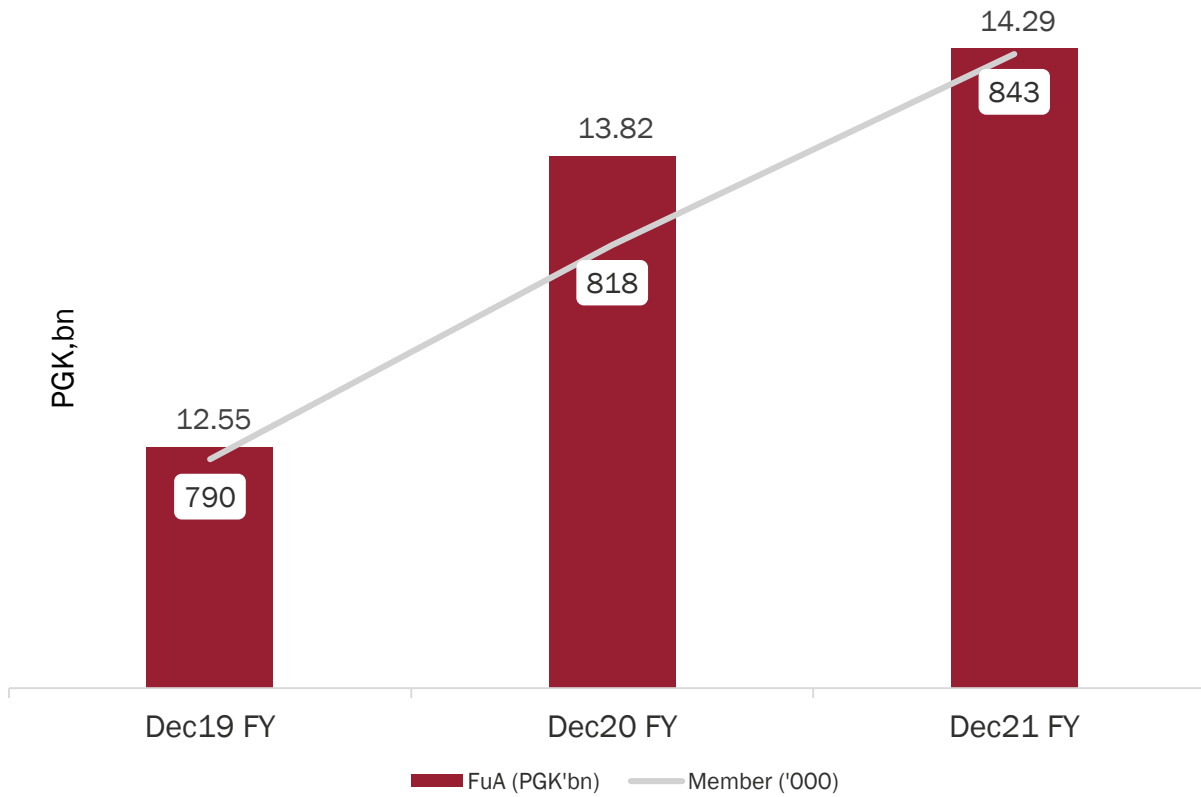
# Deposits Portfolio



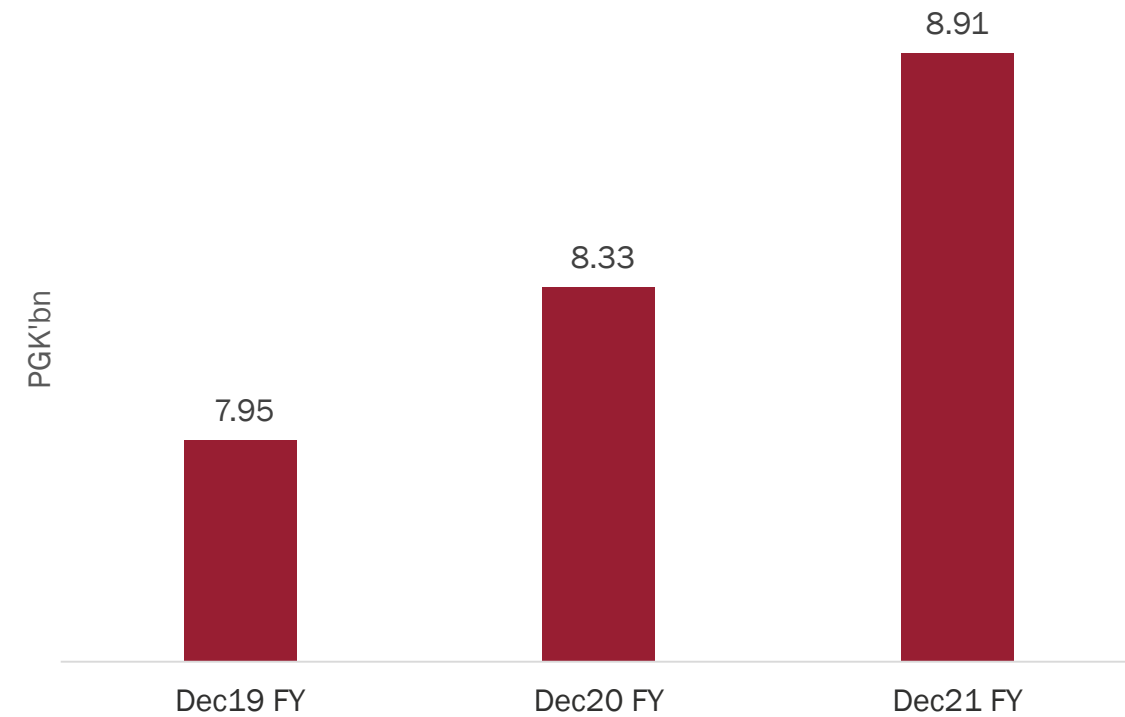


# Kina Wealth

Funds under administration



Funds under management





# Outlook.

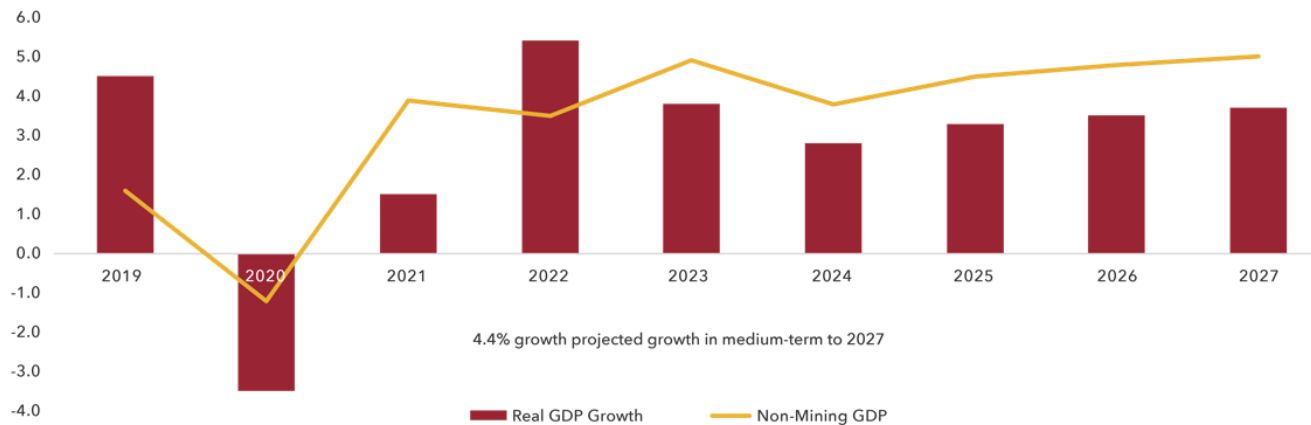


Together it's possible



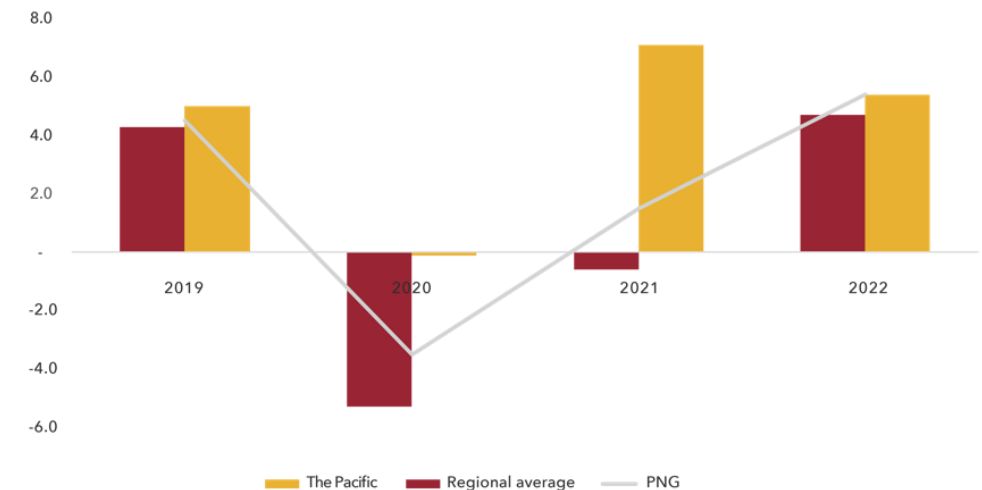
# PNG Economy.

5.4% Real Growth forecasted in 2022



Source: 2022 National Budget

PNG's growth prospects in line with regional recovery from COVID-19



Source: ADB. 2021. Asian Development Outlook 2021

- PNG economy on the road to **recovery** with forecasted **5.4% real growth** in 2022
- **Solid rebound** in 2021 post COVID-19 contraction in 2020
- Economy has performed solidly relative to peers in East Asia and the Pacific.



# Recovery expected to continue in 2022

- Recommencement of **Porgera Mine** with Barrick Gold
  - Est. US\$1.5b FDI to re-mobilise
- Final Investment Decision for **Wafi-Golpu** with Newcrest
  - Est. US\$3.5b construction phase, 5-7 years
- Total-led Papua LNG project
  - Negotiations on-going
- Strong **commodity export prices** forecast in 2022
  - Oil
  - Copper
  - Coffee
  - Palm Oil.

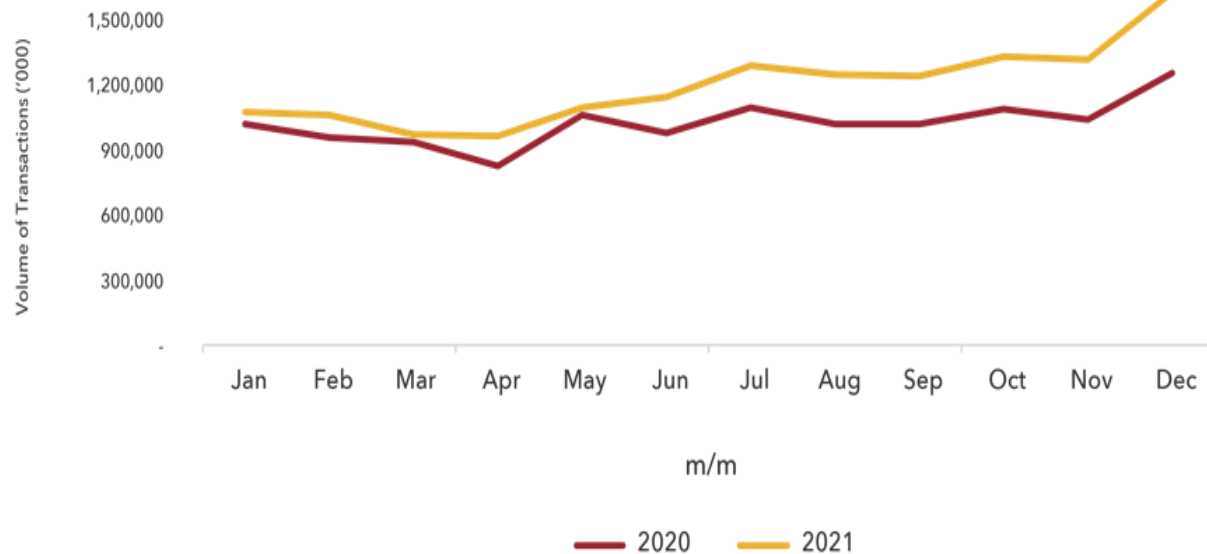
## Interest from Australian Companies

- Fortescue Future Industries
  - Hydropower and Geothermal projects
- Santos acquisition of Oil Search
  - Santos becomes largest project partner for Exxon-Mobil operated PNG LNG project
- Telstra acquisition of Digicel.



# 2022 Outlook

Bank Card Transactions between 2020 and 2021



Source: ADB, Bank of Papua New Guinea

## National Elections set to drive retail activity growth

- Bank Card usage rate up 17% from 2020 > 2021
- Jan '22 highest on record with 27% increase y/y.

## Risks

- Inflation forecast at 5.6%
- Global supply-chain bottlenecks
- Imported inflationary pressures
- Fixed Exchange Rate regime.



# Priorities.

Strategic initiatives for FY22

## **Growth & Prosperity**

Grow in defined segments Private Banking and SME.  
Monitor opportunities in Pan Pacific region

## **Building resilience**

A strong company, well capitalised, improving  
Risk Maturity

## **Service Excellence**

Digital transformations including API middle ware layer,  
payments platforms and e-KYC

## **Dynamic People**

Investment in Leadership and embedding values

## **Sustainable Communities**

Development and implementation of Kina's ESG program  
Grow MiBank (Microfinance partner) value chain



# Corporate Structure.



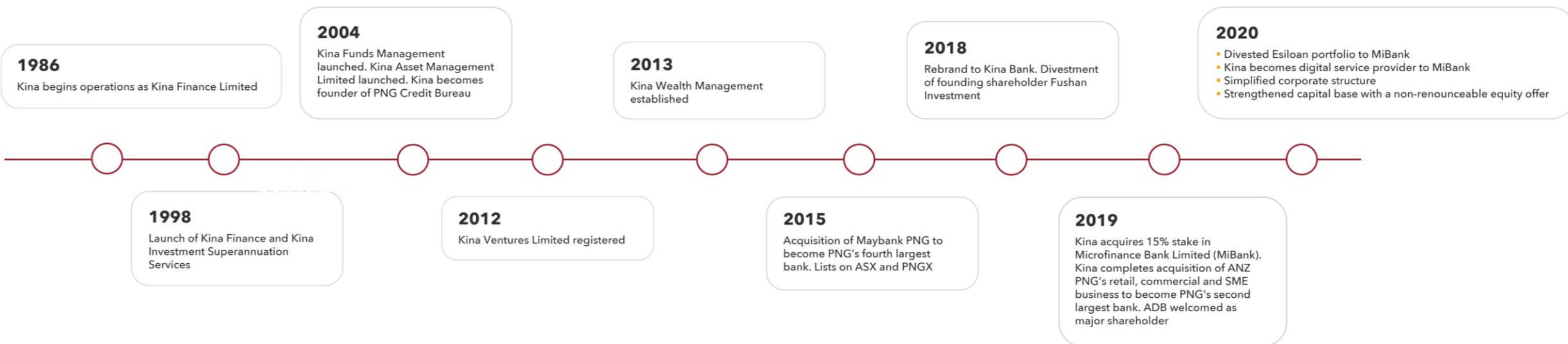


# About Kina Bank.



To be the most dynamic, progressive and accessible financial services company in Papua New Guinea.

## Key dates





# Key Statistics for 2021.

**183,553**  
Total customers

**46%**  
Active personal  
customers

**63%**  
Active business  
customers

**11%**  
Customer  
growth over  
3 years

**31%**  
Digitally enabled  
customers

**17**  
Number of  
branches

**15%**  
Market share  
lending

**12%**  
Market share  
deposits

**688**  
Number of staff



# Locations.





# Adopting a master brand strategy to target key market segments.

## Personal

- Savings accounts
- Transaction accounts
- Online banking
- Mobile banking
- Lending

Digitally Enabled  
Middle Class

## SME

- Transaction accounts
- Lending
- Digital banking
- EFTPOS
- IPG
- Xero Bank Feeds (Coming 2022)

SME

## Private Bank (To launch 2022)

- Advisor services
- Stockbroking
- Specialised banking products

High net worth individuals

## Corporate

- Treasury services
- Foreign currency notes
- Telegraphic transfers
- Kina wealth management

Corporate sector



## KISS/KFM

- Superannuation + Investment fund administration (KISS)
- Market + Investment Analysis (KFM)

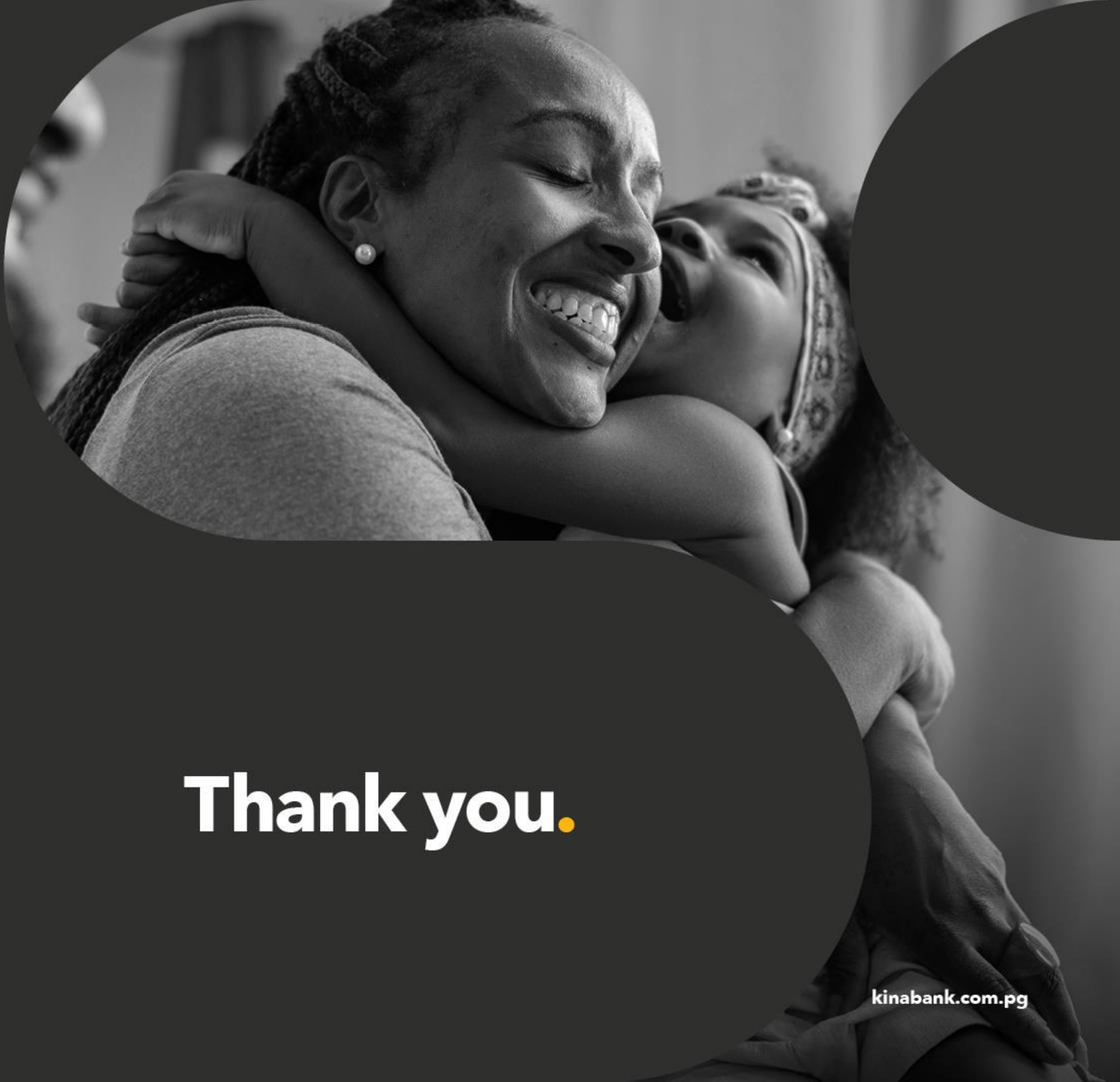
PNG Super Funds



# MiBank is the Group brand for Financial Inclusion.







**Thank you.**



**kinabank**

Together it's possible

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