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ASX/PNGX | Announcement

ASX Markets Announcement Office
Exchange Centre
20 Bridge Street
Sydney NSW 2000
Australia

PNGX Markets
Harbourside West Building
Unit 1B.02, Level 1, Stanley Esplanade
Down Town, Port Moresby 121
Papua New Guinea

BY ELECTRONIC LODGEMENT

2024 AGM Chairman's Address and Managing Director & CEO's Address

Please see attached for release to the market, the Chairman's Address and Managing Director & CEO's Address, which will be presented to Kina Securities Limited's (ASX:KSL | PNGX:KSL) 2024 Annual General Meeting, which will be held today commencing at 10:00am (Port Moresby time | AEST) (AGM).

The AGM will be held virtually online only at <https://meetings.linkgroup.com/KSL24>

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For further information:

Johnson Kalo
CFO and Company Secretary
Email: Johnson.Kalo@kinabank.com.pg

This Announcement was authorised for release by Kina Securities Limited's Board of Directors.

CHAIRMAN'S ADDRESS

It gives me great pleasure to once again report to you the performance of Kina Securities Limited for 2023.

As you would all appreciate, we operate in a market that has its fair share of challenges that the Board and Management each year try to navigate. Challenges around law and order, security, unreliable public utility services such as power, foreign exchange, and fiscal and regulatory policy unpredictability are just some of the many challenges we continue to face here in PNG.

Nevertheless, we have time and again proven to work within those challenges to ensure our business continues to grow from strength to strength and ensuring maximum return for our shareholders.

In 2023, the Company's net profit before tax was PGK175.5 million, which represented an increase of almost 20%. This increase was particularly due to a 20% growth in our loan book, an increase in fees and commissions, and a 200 basis points decline in cost to income of 54.1%.

The Company's underlying net profit after tax was virtually unchanged at PGK105.0m mainly because the increased corporate tax rate from 30% to 45% consumed the increased net profit before tax.

Our foreign exchange (FX) volumes were lower than expected, at PGK51.3m. While this result was below prior year levels, there was a noticeable lift in the final quarter of the year, as Central Bank foreign currency interventions aligned more with KSL's bank customer demand flows.

Kina Investment and Superannuation Services recorded an increase of 50% in NPAT associated with an increase in total funds under administration to PGK18b and a 5% increase in total membership.

There was an exceptional contribution from the lending business, generating organic loan growth of almost 20% to make loan interest the highest value revenue portfolio (PGK194m) as well as the revenue item with the highest growth (PGK37.4m) from the prior year. The regional bankers and business advisors have made a positive impact. Amongst our clients are 2000 new business customers, 40 corporate and multinational accounts. Our loan recovery team also produced some significant wins during the year helping to give us our best loan provision statistics to date.

Our well established partnerships with Nambawan Super and National Superannuation Fund have continued successfully, and our funds under administration and funds under management are growing steadily, while our wealth management teams publish well-read bulletins and updates on the PNG economy.

Pleasingly, our ROE for the year was 16.8% and ahead of plan, despite the dampening effect of the first year of the higher income tax rate.

As you would be aware, the Board declared a final dividend of PGK15.9 toea or AUD 6.0 cents per share which brought the full year dividend to PGK25.6 toea or AUD 10.0 cents per share. This demonstrates the Board's commitment to ensure the owners of our business, our shareholders, receive strong returns when growth is achieved.

Ladies and gentlemen, KSL continues to deliver strong results and as we reach the halfway mark of our 2025 Strategic Plan, I must commend all our staff at Kina for their professional diligence, adaptability,

passion and for bringing to life Kina's vision of becoming the most dynamic, forward-thinking financial services company in the Pan Pacific region.

My Board is fully committed to ensure that as we approach the end of our first five-year strategy horizon, we are positioned to deliver on the next stage of our growth. We will give Greg and his Management the full support they require to undertake critical initiatives such as auditing all branch locations to ensure our service and product offerings are accessible and inclusive, revamping our key branches to provide a better experience for our customers, enhance technology infrastructure and digital capabilities, and expand our footprint beyond Papua New Guinea.

I am proud of what we have achieved so far given the difficult economic conditions and the Board will continue to build on the growth in our core banking activities and most importantly strengthen our digital partnership model so that we continue to diversify our financial services and revenues to ensure sustainable growth and returns.

The Board is committed to steering a prudent course for growth opportunities while safeguarding our strong balance sheet, underscoring the requirement that the growth agenda must be value accretive for all our stakeholders.

Ladies and gentlemen, our Board is strong. We have a high calibre of individuals, with a wealth of experience and in-depth knowledge capable of providing prudent and sound direction. Their excellent knowledge, diligence, and assistance in creating a strong, customer-focused organisation is paving the road for innovation and, in turn, improving the future of PNG. I thank them all for their unwavering support.

To our shareholders, I extend our deepest appreciation for your confidence and trust in our company. Your support has enabled us to make investments in new technology, expand our market reach, and position ourselves for sustainable growth. We will continue to work diligently to meet and exceed your expectations.

MD & CEO'S ADDRESS

As alluded to by the Chairman, we had a solid growth in 2023 as a result of strong revenue, notably in business lending, and also from digital revenues, which kept us on track to achieve the 2025 Strategic Plan.

Our regulatory capital closed the year at a risk aligned 20%, inside our target operating range and above the minimum requirement, supporting Kina's growth focus. This was also aided by our ability to execute a revenue diversification strategy, with close to 50% of income derived from non-interest products not requiring much capital support.

The business has also shown agility to adapt when necessary to deal with variability in conditions such as the foreign currency supply inconsistency, low yields on domestic securities, and changes to our corporate tax rate. Consultations with the PNG Government on the 15% increase in the corporate income tax from 30% to 45% which came into effect on 1 January 2023, are continuing. Our solid growth gives the right to continue to invest in the business and we have been cautious to ensure these investments are revenue accretive and at the same time maintaining a strong discipline managing our cost base. We take a balanced approach to our investment profile. Our aim is to diligently manage costs and adopt a measured

approach to risk management while maintaining our growth aspirations. We know achieving this balance will underpin our strategy and in turn, the value we create for our stakeholders.

Our market share improved by 4% in loans and 2% in deposits, associated with a 19% growth in customer growth. Keeping true to our mantra as the leading digital bank in PNG, our digital revenues have grown over 44% year on year and we are confident that this growth will continue in the coming years.

Our vision to be the most dynamic, progressive and accessible financial services organisation in PNG continued to be realised over 2023 with an important year for us in terms of new products and services that were released to the market. We launched our Pei Beta bill payments platform modelled on BPAY that allows customers of any bank to use, opened the first of several planned Kina Bank Business Centres, established Kina Private - a new customer segment deliberately targeting the retail wealth sector, we opened the first of several new look Digital Hubs in Port Moresby, and launched the 'Red Thunders', a mobile banking team that assists businesses and their employees to seamlessly on-board to Kina Bank.

2023 was also a record year for Kina in terms of customer growth and lending growth to the SME and Commercial sectors and while NCD was a major contributor to this growth, our regional branches also shone, testament to our investment in the ability of experienced and qualified business bankers in our regional provincial branches to make quick and effective decisions. This is a business model that we will also look to replicate across the country and in conjunction with our partnership strategy for new locations with MiBank.

Kina Bank also through its partnership with NiuPay and the Department of Lands and Physical Planning, launched an E-Lands Kiosk, an innovation that revolutionises land management services for the public sector in Papua New Guinea by integrating with Kina Bank's payment processing solutions. It is a product which we are very proud of as it facilitates efficient and accountable service delivery.

Perhaps the most exciting feature of 2023 though was the launch of DigiBankr, an online mobile app and website that allows new-to-Kina customers to on-board themselves anytime and anywhere. By using this app, the hassles of queueing or long waiting times can be avoided, and the customer can open and activate their own account. Through developments such as these, Kina is committed to bringing the best of international banking practices and technology to PNG.

Reflecting our growth and maturity as PNG's second largest retail bank, we moved to strengthen our executive management team appointing Roppe Uyassi as Chief Operating Officer, Philip Keller as our new Chief Risk Officer, Ann Steel as EGM People and Culture, and Aman Shandil as GM Technology.

We continue to be committed to increasing our reach within PNG and potentially outside of PNG. Our focus will be on continuing the development of our digital capability, driving growth in our core businesses of retail and business banking, and our market leading wealth management platforms - Kina Investment and Superannuation Services, and Kina Funds Management.

Our ambitious plans to expand Business Banking, further developing our ESG strategy with a specific focus on building our expertise in Green financing and Agri business, our continued investment in digitalising a number of our internal processes and create a customer obsessed workforce will all define our success in 2024.

While 2023 came with its fair share of challenges, thanks to the efforts of our Kina staff, the leadership shown by the management team, and the counsel and support of the Board, Kina has further strengthened its business through the many products, services and initiatives we have launched.

I am proud of our people especially who continue to go above and beyond to deliver some of PNG banking's 'firsts'. We remain PNG's leading digital bank by offering our customers simpler, accessible and convenient ways of banking.

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