

1H22 Results.

Kina continues strong revenue momentum supported by growth in core business.

- Increase in NPAT by 15% to PGK 45.6m.
- Loan book growth of 5%, to PGK 2.05b.
- Net Interest Income increased by 8% to PGK 92.5m, compared to PGK 85.4m in the PCP.
- Foreign Exchange (FX) grew by 10%.
- Fees and Commissions increased by 34% against PCP due to the ongoing expansion of Kina's digital channel network.
- Cost to income increased 2% compared to PCP due to non-recurring expenditure in capability projects and initiatives targeted to drive sustained efficiency.
- Reduction in impairment cost compared to PCP of PGK 2m. The lower impairment in the current year is a reflection of continued application of robust loan and asset quality measures, supported by improved asset recovery and collection processes.
- Kina's Funds Administration business recorded NPAT of PGK 4.4m, with revenue growth of 12%.
- The Funds Management business grew by 5% in total funds under management (PGK 5m).

Kina Securities Limited (ASX:KSL | PNGX:KSL) (Kina) has announced today an NPAT of PGK 45.6, an increase of 15% compared to prior corresponding period (PCP). Kina's 1H22 results reflect strong revenue growth and ongoing progress against the key strategic priorities of the Group. Kina remains committed to delivering improved returns by growing market share organically, disciplined expense management and a prudent approach to maintaining a resilient balance sheet. Revenue growth was evident across both net interest and non-interest income. Net interest income grew by 8% against PCP due to solid lending performance in SME and home lending. In non-interest income, merchant facility fees and FX income contributed to the 34% increase against PCP.

The Board has declared an unfranked half year dividend for the H122 of AUD 4.1 cents per share/ PGK 10.3 toea per share. Kina's capital position remains strong with Total Capital adequacy of 22.0%, well above the regulatory target of 12%.

Kina's Managing Director and CEO, Greg Pawson said the result demonstrates top line growth momentum, execution of our digital initiatives and a solid start to lending for the half.

"Over the past 6 months we have continued to build out our organic growth strategy. Increasing market share in our targeted segments remains the focus for 2022 supported by a robust balance sheet that ensures profitable growth. Underpinning revenue momentum is a disciplined approach to deliver customer-led digital solutions. The Launch of our 'Single View' is a market first in PNG. Single view enable's customers to access their superannuation balances via Kina's online banking channel."

Operating performance

Banking - Lending growth of 5%

The lending portfolio delivered solid results across Home and Corporate Lending. Home lending grew by PGK 84.3m, representing 10% growth on the PCP with housing loans contributing 41% of loan book growth. Business lending experienced growth in Term and Asset Financing loans, Agriculture sector, with expectations for higher growth in the second half of the year. Deposits grew 12% over the past 6 months largely attributed to an increase in fixed term deposit resulting in a lengthening of the balance sheet duration. Net interest Margin reduced to 6.2% due to a lower yield in government securities, strong growth in corporate deposits supporting a strong lending pipeline and acquiring additional share of customer transactional banking including FX and deliberate strategy of participating in corporate lending.

Funds Administration - Revenue growth of 12%

Kina's Funds Administration business recorded NPAT of PGK 4.4m, with revenue growth of 12% compared to PCP generated from improved value add services to superannuation clients. The Funds Management business grew by 5% in total funds under management (PGK 5m), maintaining Kina's market share in this sector.

Operating expenses - Investment in building capability.

Over the past year Kina's ongoing cost management approach has seen staff costs have reduced to 39% of total costs compared to 42% in PCP. The increase of 11% of PGK 44m reflects an investment in capability building in emerging areas of risk, cyber security as well as delivery of an increased distribution footprint including additional business and corporate relationship advisors. As is normal in the first half of the year, operating expenses also included payments of bonuses and incentives to staff.

Delivering on 2025

Strategic plan - Driving our strategic pillars to deliver prosperity for our communities.

Kina is on track to deliver against its 2025 strategic plan. The plan will continue to drive organic growth in the core banking business and a leading edge digital customer experience, focused on organisational sustainability and corporate responsibility. Kina aims to continue its current trajectory of pursuing targeted market growth, customer service excellence, digital on-boarding and transactional processing, and strategic partnerships to extend our network coverage. These initiatives include:

- Home loan and SME growth in key target segments
- Digital onboarding through Electronic Know Your Customer (E-KYC)
- Enhancing data capabilities to proactively manage risk
- Building a workforce capability that reflects our strategic requirements.
- Embedding our ESG strategy through our Environment and Social Management Systems.

Mr Pawson said the growth agenda remains our key focus in the second half.

“Our aspirations to be the most sustainable leader in PNG will drive our agenda. Our regional branch expansion and appointment of addition business advisors will support our growth targets, efficiency initiatives will improve our expense base and creating a dynamic workforce with a digital mindset will set Kina up to deliver shareholder value.”

Investor briefing: The KSL investor briefing is scheduled for Monday, 29 August at 10:00am (AEST/Port Moresby) via the following link: <https://registrations.events/direct/ID60131>

For further information:

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