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ASX/PNGX | Announcement

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BY ELECTRONIC LODGEMENT

2023 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) 2023 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/KSL23>

ENDS

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

CHAIRMAN'S ADDRESS

2022 has not been without its very particular challenges. Despite the attention on and interest generated by national elections, the economy posted overall growth of 4.6% in 2022 driven by the resources sector, in particular revenue from mining activities, which grew by 13.5%.

The company achieved 10% underlying net profit growth, to PGK 106.1 million (for 2021 it was PGK 96.2 million) supported by solid revenue growth in core banking products and digital services. Non-interest bearing products, largely through digital channel transactions, provided 50% of the bank's revenue, whilst we achieved continued growth in Funds Administration and Funds Management businesses.

The bank grew deposits by 28% and net loans by 10%, year-on-year, reflecting the bank's ongoing financial strength, while investing to improve customer experience. Over the last three years, I can confidently say we have made strong progress. Whilst supporting solid balance sheet growth, we have maintained sound levels of capital adequacy above 20% of risk weighted assets. Pleasingly, our ROE was 17.9%, restored to the level it was prior to the 2020 capital raising, demonstrating our ability to pursue our strategy and deliver quality returns.

The board declared a final dividend of PGK 16.1 toea (or AUD 6.5 cents), bringing the full year dividend for 2022 to PGK 26.4 toea (or AUD 10.6 cents). This demonstrates the Board's commitment to judiciously return earnings back to the owners of our business when growth is achieved, whilst retaining sufficient capital to fund strategic growth.

At the half way mark of our 2025 strategy, I am proud of what we've achieved so far given the global pandemic and difficult economic conditions over this time:

We are delivering marketing leading digital products and partnerships
Our team members are engaged and gender diversity is a benchmark with ASX listed companies.
We have achieved customer growth of over 20% over the past three years
Kina is the only well established challenger brand, and the most viable alternative to the dominant market leader in the PNG market

Looking ahead, our growth agenda, fuelled by expanding our digital capabilities, and enhancing the skills of our people, is designed to improve value for all our stakeholders, with the purpose of delivering prosperity to the communities in which we serve. Whilst I still harbour some optimism about the next two years for Kina, it cannot go unmentioned that we are confronted with some difficult challenges such as a high corporate income tax rate for PNG banks. At 45% this tax is ill-conceived, the highest in the region and somewhat discriminatory. Despite this and pleasingly, the PNG Treasury have agreed to an extended consultation period and are in discussions with the IMF regarding alternative fiscal budget strategies.

In PNG, strong economic growth of 4% is predicted with the confidence that major negotiation advancements in two key mining projects is likely to be achieved in 2023. This, coupled with progress of the Papua LNG project, is paving the way for more opportunities for economic activities. Kina's commercial lending hub expansion to five regional areas will provide these growing communities with a customer centric banking alternative. Your Board remains alert to Pan Pacific opportunities to re-balance the risk of concentration in the large PNG market with other regional markets.

The Board expresses its deep appreciation to all our staff at Kina for their professional diligence and commitment to create the most dynamic, forward thinking and accessible financial services company in the

Pan Pacific region. Much has been achieved over the last three years and we have the confidence that Greg and his capable team will continue to deliver value to all our stakeholders.

I thank my Board of Directors for their ongoing support and solid leadership. 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.

To our shareholders, I extend our appreciation for your confidence and trust in our company. Your steadfast support has enabled us to make investments in new technology, expand our market reach, and position ourselves for sustainable growth. We remain committed to delivering long-term value for our shareholders and the communities we serve.

We continue to work diligently to meet and exceed your expectations.

Finally, I have had the honour of serving as Chair of Kina for the past five years. In that time we have grown to PNG's second largest Bank employing over 600 people and have reached nearly 700,000 customers.

Kina is a business with strong potential for growth. The Board is confident that the 2025 strategy will support all of our stakeholders through the challenges and opportunities ahead of us.

MD & CEO'S ADDRESS

Kina steadily progressed through 2022, navigating a year that started with an eventful election period that affected business confidence for a period of time recovering in the second half.

Highlights of the steady strategic advance by Kina include continued strong 10% growth in fees and commissions, driven largely by digital revenues, which are up 88% year-on-year. This is an area that promises further growth opportunities for us. The bank achieved solid interest income growth of 8%, as business relationships continued to develop throughout the year, and lending volumes grew 11%, with increased impetus in the second half of the year. The funds administration and funds management businesses returned growth consistent with prior years.

Deposit volumes continue to increase in line with overall business growth, especially with digital products driving transaction accounts growth, and selected strategic relationships being formed in business banking.

Some of the notable activities in 2022 highlight the advance made on our strategic goals. We were able to execute on first-in-market digital products such as WhatsApp Banking, Xero feeds for our SME customers and our payment gateway platform. We were also able to provide an integrated POS solution for a major retailer. Our Private Bank, and Corporate advisory services were launched providing a much needed alternative in the market. We opened a new co-location branch with Mibank, highlighting the strength of our partnership with MiBank, helping to extend the bank's reach.

We have made some adjustments to our organisational structure to take full advantage of the opportunities we see in the market and that help us along our strategic path. We have started to build depth in our expertise in our lending and credit functions, and commenced the process of appointing some very skilled and experienced people into executive roles, to add to our capabilities in these strategically critical business areas in 2023.

In 2022, we implemented our Environmental, Social and Governance strategy. Our strategy has a Sustainable Communities pillar, and the inaugural Kina Sustainability Report outlines our aspirations to be a leader in sustainability throughout PNG, focusing on inclusion, transparency and protecting our environment. You can read our inaugural Sustainability Report on our website.

The outlook for Kina in 2023 looks positive. It will require up-to-date understanding of our markets, intelligent application of technology, and continuing our strong commitment to customer service. We have already intensified our resource focus on business banking and Agri-business, and are positioning ourselves for the anticipated wave of economic activity related to expected progress on a number of natural resource projects.

We gain much confidence from having proved our ability to deliver sustainable growth against a backdrop of economic uncertainty and challenging policy constraints. As always, we will carefully balance risks and rewards, costs and revenues through the growth cycle.

I would like to thank our Chairman and Board for their professional counsel, our staff for all their hard work, resilience and passion in helping our customers; and to our shareholders, thank you for the support and confidence in Kina. I'm certain we are moving in the right direction to fulfilling our vision of being the most dynamic, progressive and accessible financial services organisation in the Pan Pacific region.