

11 August 2017

## KINA SECURITIES ANNOUNCES PROFIT UPDATE

Kina Securities Limited (KSL) today announced that it expects to report an underlying profit of PGK10.0 m and a Statutory NPAT of PGK3.0m for the June 2017 half year. On a statutory basis, the Group's result reflected a one-off lease termination payment expense of PGK7.0 m net of tax. The Board has followed the required treatment under accounting standards in recognising the lease termination expense at this time.

The underlying profit result is consistent with KSL's earning guidance provided on 16 May 2017. The drop in earnings has been largely attributed to lower income from foreign currency trading as a result of the withdrawal of Kina's correspondent banking partner. The financial result compares with a profit of PGK20.5 m in the corresponding six months to June 2016 (H1 2016) and PGK20.5 m in the half year to December 2016 (H2 2016).

The Board has decided to pay an interim dividend based on the underlying profit for the first half year 2017.

The one-off profit adjustment related to an agreement for the Group to relocate to a new building, Kina Haus. The arrangement was entered into prior to Kina's plans to list on the ASX. The Board took the decision to terminate the arrangement and for the Group to remain in its present location, as a relocation no longer aligned with its future business direction or represented the best value for the company.

Kina is presently in discussions with its landlord regarding the renewal of its current lease with a view to negotiating terms which will recover the termination expense over the term of the new lease and also deliver a better outcome on an NPV basis.

Kina recently announced it has established a new USD correspondent banking arrangement with leading ASEAN bank, CIMB Bank.

Kina Managing Director Syd Yates said Kina's core domestic banking business continued to grow strongly.

"We delivered on a number of key projects during the first half. Following the first half, we also reached agreement to establish a new USD correspondent banking arrangement with leading ASEAN bank, CIMB Bank and the Nasfund Funds under Administration transaction went live. The performance of these arrangements should generate revenues in the second half and provide confidence in Kina's ability to deliver on its strategies in the future," Mr Yates said.

### Key highlights

- Delivered a new USD correspondent banking arrangement with leading ASEAN bank, CIMB Bank to support foreign currency trading
- Successfully delivered the Nasfund FUA transaction which went live on 1 August 2017 and will generate revenues in the second half of 2017
- Achieved approximately 13% growth in the loan portfolio since December 2016
- Continued sound overall asset quality with a loan impairment expense of PGK0.3 million for the half year, equivalent to 0.01% of gross loans and advances
- Net Interest Margin remains within guidance (7-9%)
- Other non-interest income has benefitted from strong growth in the fund administration business
- The first bank in PNG to partner with ADB's Trade Financing Program (TFP) and the third bank in the Pacific Islands to join the program. This is a significant milestone for Kina and its customers

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- Optimised funding mix by realigning balance of customer deposits between low-cost deposits and term deposits
- Opened a new state-of-the-art branch at Vision City in Port Moresby
- Continued investment in the future, including planned technology upgrades of the core banking system.

The results outlined above are preliminary and subject to finalisation of the accounts which will be released later on 23 August 2017.

**SYD YATES, OBE**

**Chief Executive Officer & Managing Director**

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