

27 February 2019

KINA SECURITIES DELIVERS STRONG 2018 FULL YEAR RESULTS

Financial Highlights

- Statutory NPAT of PGK 48.1m, up 109% from pcp
- FX income restored to PGK 34.2m
- Net interest margin steady at 7.6%.
- Net interest income of PGK 87.6 m, up 21% from pcp
- Non-interest income of PGK 74.1m, up 90%
- Final dividend of AUD 5.0 cents per share / PGK 12.1 toea per share
- Capital adequacy maintained at 28.9%

Kina Securities Limited (ASX: KSL) has today reported a strong performance for the 12 months to 31 December 2018.

Kina achieved a statutory net profit after tax of PGK 48.1m for the December 2018 full year, up 109% on the previous corresponding period (pcp).

Directors declared a final dividend of AUD 5.0 cents per share / PGK 12.1 toea per share. This took the full year dividend to AUD 9.0 cents per share/PGK 22.1 toea per share, up AUD 3.0 cents per share/PGK 7.1 toea per share on the prior corresponding period.

The financial results were driven strongly by a full year of uninterrupted FX trading supported by a strong USD correspondent banking relationship. The financial result was further supported by higher income growth across the Group.

During the year, Kina announced a major acquisition of ANZ PNG's retail, commercial and SME businesses. Formal regulatory approval was provided by the Bank of PNG yesterday. The acquisition is expected to increase Kina's earnings and profitability, improve return for shareholders, enhance liquidity to support future lending growth and improve its national footprint, and is on track to complete by 30 September 2019.

Key features of the FY18 result included:

- Lending portfolio grew by 20% in 2018, well in excess of system growth which was forecast at 6%
- Deposit book grew by 29% with focus on acquiring low cost funds through the launch of an innovative digital cash management account. Growth in customer deposits was achieved with a reduction in interest expense as a percentage of portfolio.
- Customer numbers grew by 25% to 20,625 boosted by the launch of online account opening capability during 2H 2018
- Strengthened correspondent banking arrangements
- Successful rebranding to Kina Bank culminating in heightened market visibility and confidence

Page 1

evidenced through the attraction and growth of corporate deposits and commercial businesses.

Kina Chief Executive Officer Greg Pawson said: “The solid result delivered by Kina in 2018 demonstrates the success of the Group’s long-standing commitment to its customers and reflects the ongoing implementation of our digital strategy, the strength of our team and our focus on operational capacity building.

“Importantly, these positive results were achieved against a challenging economic backdrop due to the tight supply of foreign exchange and lower economic activity due to natural disasters.

“These results set a strong foundation for Kina’s vision to be the most dynamic, progressive and accessible financial services company in PNG.

“In the year ahead, we are particularly excited by the opportunity provided by the acquisition of ANZ PNG’s retail and SME/commercial banking businesses. This will improve Kina Bank’s market position and enable it to emerge as a leading participant in these sectors.”

Outlook

Looking ahead to 2019 there is a generally positive outlook for the growth of the PNG economy. The World Bank has forecast a growth rate of 5.1%, however Kina estimates more moderate growth at 3%. Foreign exchange flows and reserves are expected to continue to increase and a number of major new resource projects are expected to make positive progress towards final investment decisions. The generally positive outlook is not without risks, which mainly relate to a possible slow-down in growth in international markets. PNG’s status as a low-cost country for extractive industries may provide some insulation from these international factors.

Refer to ASX 4E for further details.

For further information contact:

Chetan Chopra

Chief Financial Officer and Company Secretary
Email: Chetan.Chopra@kina.com.pg