Kina Securities Limited

31 August 2026

ASX/PNGX – Announcement

BY ELECTRONIC LODGEMENT

Half Year Result, June 2026

KSL achieved 4% year-on-year NPAT growth despite headwinds, underscoring resilience and strong risk management.

Kina Bank increased NPAT in 1H 2026, while also:

- Strengthening its balance sheet through the issue of PNG's first listed corporate bond.
- Investing into capabilities and capacity while maintaining moderate cost growth and stable headcount.
- Maintaining a strong focus on risk management and portfolio optimisation, including the target reduction of selected lending exposures.
- Increasing the interim dividend by 13% year-on-year in PGK, stable in AUD at 4.5 cents.

External factors impacting the result included:

- As anticipated, macroeconomic headwinds from a weaker currency impacting costs, lower yields on government securities and increased competition in the foreign exchange market resulting in some pressure on margins.
- Revenue growth in KSL's payments acquiring business was temporarily constrained by interoperability issues affecting a major PNG bank's newly issued debit cards. This issue was external to KSL, with industry remediation expected to be completed by the end of 2H 2026.

Outlook:

- Our focus for 2H 2026 is on delivering organic growth opportunities, while continuing to proactively manage macro headwinds.
- We have entered the second half with positive momentum and expect earnings to increase during the remainder of 2026, supported by improved foreign exchange activity and loan growth.

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Financial Highlights

Statutory NPAT	EPS	Revenue
K59.7m	**20.3 toea**	**K254.8m**
+4%	+1%	+2%
Operating Costs	**CAR**	**Interim DPS**
K159.6m	**26.0%**	**14.2 toea**
+7%	+870bps	[4.5 cents] +13%

CEO, Ivan Vidovich remarked: *"Our first half 2026 results reflect a resilient performance despite the anticipated macroeconomic headwinds. Earnings were also affected by the debit card interoperability matter involving a major PNG bank, which altered the competive landscape in payments acquiring channels, reduced customer choice and constrained transaction-related revenue growth.*

The issuance of KSL's PGK235 million Tier 2 Bond, the first listed corporate bond in PNG, materially strengthened our capital position and balance sheet capacity and represents an important early milestone in the delivery of the 2030 strategy.

During the period, we successfully delivered a number of customer-focused initiatives, including the launch of our Pei Beta digital wallet and a new Corporate Online Banking platform, enhancing our digital capabilities and further strengthening our service offering for both retail and business customers.

We increased the dividend in PGK terms by 13%, while remaining flat in AUD terms, reflecting our confidence in the Group's outlook.

We entered the second half with positive momentum, and expect earnings to increase during the remainder of 2026."

Operating performance

- **NPAT** grew by 4% to K59.7m (K57.7m, 1H 2025) supported by 5% growth in net interest income. While the PGK depreciation against the USD and AUD increased operating expenses, this impact was offset by a reduction in the corporate tax rate to 35% from 40% in the corresponding period of 2025 for some qualifying banks in Papua New Guinea.

- **Interest income – 47% of total revenues**
  - Net interest income for 1H 2026 was +5% yoy at K119.3m, representing 47% of total revenues.

- The key drivers were interest income on loans +12% yoy, underpinned by 2% growth in the loan book (1H 2026 vs. 1H 2025) and a flat Net Interest Margin.
- Income on government investments was +2% yoy as yields commenced a decline, in line with our forecasts.

- **Non-Interest Income – 53% of total revenues**
  - Non-interest income for 1H 2026 was K135.5m, with a nominal decline of 2%, representing 53% of total revenues.
  - Fee and commission revenue, including digital channels was flat at K85.4m. Growth in KSL's extensive payment acquiring business (EFTPOS, e-Commerce, ATM) was delayed due to interoperability issues affecting a major PNG bank's newly issued debit cards. This issue was caused by external factors and is expected to be resolved prior to the end of 2H 2026 through the implementation of already identified upgrades to the national payments infrastructure and participating bank systems.
  - Foreign exchange revenue of PGK48.3m, down 5% from PGK50.9m in 1H 2025, which includes a one off Fx loss of K2.4m incurred on the FY2025 final dividend payment made in April 2026. As expected, increased interbank foreign exchange activity, reduced central bank liquidity support and growing market demand are driving higher volumes, largely offsetting the impact of margin compression.
  - Wealth business revenue grew 11% to PGK25.6 million, supported by continued growth in client assets, with Funds under Administration increasing 15% and Funds under Management reaching PGK14 billion.

- **Operating Costs** +7% to PGK159.6 m, representing a modest rise despite the depreciation of the PGK against the USD and AUD, which impacts approximately 30% of the cost base, ongoing imported inflation pressures, and continued investment in core capabilities and strategic initiatives. Staff, administrative, and occupancy expenses represented 40%, 40%, and 16% of total operating costs, respectively.

- **Loan Book** declined 3% from December 2025 but increased 2% compared with June 2025. The first-half reduction reflects deliberate balance sheet optimisation and de-risking initiatives, including the targeted reduction of selected lending exposures. Excluding these strategic actions the underlying loan book would have grown 2% from December 2025 and 7% compared with H1 2025. KSL remains confident in the strength of its lending pipeline and is advancing opportunities to support sustainable loan growth in the second half of 2026.

- **Provisions and Non-Performing Loans.** Loan impairment provisions remained prudent, with provision coverage strengthening to 2.6% of gross loans at June 2026, compared to 2.1% at June 2025. Gross Non-Performing Loan (NPL) balances improved slightly from 31 December 2025, reflecting continued portfolio management and recovery efforts.
  Following the implementation of IFRS 9 methodologies for the treatment of suspended interest during the December 2025 reporting period, the Company's NPL reporting has been updated to include suspended interest balances associated with credit-impaired loans. On a comparable basis, this increases the reported NPL ratio at 31 December 2025 from 7.7% to 8.7%. Applying the same methodology at 30 June 2026 results in an NPL ratio of 8.9%.
  While gross NPL balances reduced slightly during the period, the NPL ratio increased marginally from 8.7% to 8.9%, primarily due to a 3% reduction in the overall loan book. Accordingly, the movement in the reported NPL ratio does not reflect a deterioration in the underlying credit quality of the portfolio.
- **Balance sheet strength and Tier 2 bond:**
  - Capital adequacy strengthened to 26.0%, up from 17.4% at 31 December 2025, driven by the issuance of KSL's PGK235 million Tier 2 Bond. The issuance enhanced KSL's capital position and lending capacity, supporting future growth opportunities and the execution the Group's 2030 strategy.
  - Total assets remained broadly stable at PGK5.4 billion. Lending assets decreased 3% to PGK3.1 billion (57% of total assets), as highlighted above, with the resulting capacity redeployed into government securities and cash holdings, further strengthening balance sheet liquidity and resilience.

- **Interim dividend** of AUD 4.5 cents/PGK 14.2 toea, representing a 13% increase in PGK dividend. This represents a payout ratio of 70%, within KSL's dividend policy range of 60-80%. While the significant depreciation of the PGK against the AUD has moderated growth in the AUD denominated dividend, the increase in the PGK dividend reflects KSL's strong balance sheet, capital position and confidence in future growth opportunities.

Tax rate

The corporate tax rate applicable to KSL has reduced from 40% in 2025 to 35% in 2026. Under Papua New Guinea's banking tax framework, the 35% rate applies to qualifying banks, including Kina.

2030 Strategy execution

2026 marks the first year of execution of KSL's 2030 Strategy, with delivery progressing in line with key strategic priorities.

During the period, KSL successfully issued and listed its PGK235 million 10-year subordinated bond on PNGX, the first listed corporate bond in Papua New Guinea. The bond was oversubscribed and attracted strong support from a diverse investor base, including institutional investors, businesses and sophisticated investors.

KSL also advanced its digital transformation agenda through the launch of the Pei Beta digital wallet, expanding access to financial services for underserved customer segments, and the introduction of a new Corporate Online Banking platform, enhancing digital banking capabilities for business customers.

The Group continued to invest in strategic capabilities across anti-money laundering, credit risk management and leadership, including the successful transition of the Chief Financial Officer role, while progressing the early phases of its broader digitisation program.

KSL remains focused on capturing growth opportunities within its target customer segments while continuing to assess inorganic growth opportunities that meet its strategic and financial objectives, including income diversification and long-term shareholder value creation.

2H 2026 Outlook

Commenting on the outlook for the second half of 2026, CEO Ivan Vidovich said: *"We entered the second half of 2026 with positive momentum and a clear focus on executing our 2030 Strategy. While the operating environment continues to present challenges, we are proactively managing these headwinds and remain committed to delivering proifitable, sustainable growth.*

Supported by a strengthened balance sheet, enhanced capital position and growing strategic capabilities, we remain confident in our outlook and our ability to deliver long-term value for our customers, shareholders and broader stakeholders."

Investor Briefing: The KSL Investor Briefing is scheduled for Monday, 31st August at 10:30am (Port Moresby and Sydney time), via **Webcast Link**

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