

ASX-POMSoX Announcement



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Kina Group completes Maybank acquisition

Recently listed PNG financial institution, Kina Securities Ltd (ASX:KSL, POMSox: KSL) has successfully completed the acquisition of PNG's fourth largest bank, Maybank PNG, creating a new, dynamic and diversified financial services provider for the nation.

Kina has acquired the business from Malayan Banking Berhad (**Maybank Group**), in accordance with the timetable outlined in the prospectus for Kina's A\$97 million initial public offering, completed in July 2015.

The acquisition will enhance Kina's established position as a leading funds management and financial services institution in PNG, providing Kina with a banking licence, a substantial lending and deposit business, access to new markets and significant operating synergies and cross-sell opportunities.

Having completed the acquisition, Kina operates:

- the fourth largest bank in PNG, with more than 11,000 clients, seven branches and an expanding electronic network;
- the largest wealth management business in PNG, with K5.3 billion in funds under management;
- one of the largest fund administrators in PNG, with more than 159,000 clients; and
- the leading stockbroking company in PNG.

The acquisition was completed for a purchase price of K353 million (A\$173 million). As part of the completion process, the original purchase price was adjusted by an additional K12 million (A\$5.9 million), with the variation due to changes in settlement arrangements, whereby Kina paid the purchase price to Maybank Group denominated partly in PNG kina and partly in US dollars. The vendor therefore will assume currency risk, and Kina has agreed to progressively exchange the PGK for USD at market rates over the next 12 months.

The adjustment to the terms of the acquisition will result in a slight increase in goodwill on the balance sheet of the merged entity, but will have no impact on earnings. Kina remains confident of achieving the forecasts set out in the prospectus, including the 2015 pro forma profit after tax of K45.3 million, and the anticipated dividend of K0.066 per share for the year ended 31 December 2015.

Kina Securities CEO Syd Yates said the successful completion was a great outcome for Kina.

"We are delighted to have concluded this transaction on schedule," he said.

"We can now commence our plans to grow the business, providing financial services to the growing PNG retail and small to medium sized business segments. We have enormous opportunities before us and will be working hard to ensure that we can play a part in building the financial services industry in PNG and playing a role in the growth and expansion of our national economy, for the benefit of our customers, our staff and our shareholders," he said.

Mr Yates said that a key benefit for Kina of a full banking licence would be the lower cost of wholesale funding.

"A banking licence provides Kina with much greater financial security and flexibility. We will have access to wholesale money at a lower cost and be able to pass those benefits on to our customers," he said.

"The acquisition allows Kina to enter into electronic banking, leveraging Maybank PNG's client base and the growing demand for electronic banking services.

"Maybank PNG's existing customers will benefit from this transaction as we have the resources and capabilities to take its banking operation to the next level, particularly through the introduction of new products and services via Kina's technology platform," he said.

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