

Media Release

Monday, 18 May 2015



Kina Group to become PNG's fourth-largest bank

Papua New Guinea's (PNG) largest non-bank financial institution, Kina Group, announced today it has reached an agreement with Malayan Banking Berhad (Maybank Group) to acquire its 100%-owned, PNG operating subsidiary, Maybank (PNG) Limited (Maybank PNG).

The acquisition of Maybank PNG will see Kina Group become PNG's fourth-largest bank with a lowered cost of wholesale funding, creating a strengthened competitive position and future growth opportunities for the company.

Maybank PNG was established in 1994 as a subsidiary of the largest Malaysian banking and financial services business, Maybank Group. It offers a range of products including loans, overdrafts, trade financing, foreign exchange, banker guarantees, current accounts, savings and fixed deposit accounts.

Kina Group will pay approximately K319 million, plus the difference in the value of the net assets of Maybank PNG at the completion of the proposed acquisition, compared to 31 December 2014.

The transaction is being undertaken in consultation with the Central Bank of PNG and is expected to be completed in July 2015.

Cornerstone investors that have agreed to provide funding in connection with the transaction include PNG superannuation funds Comrade Trustee Services Limited, Nambawan Super Limited and National Superannuation Fund Limited.

Kina Group is presently considering options to fund future growth, including a possible stock exchange listing.

Strong synergies

Kina Group Chief Executive Officer, Mr Syd Yates, said the acquisition would give both Maybank PNG and Kina Group customers access to a broader range of banking and financial services products from under the one roof.

"Kina Group already services the financial and investment needs of our 8,000 lending clients, 3,000 stockbroking clients and 150,000 fund administration clients, as well as acting as a licensed investment manager with approximately K4.7 billion in funds under management (FUM). The acquisition of Maybank PNG's local banking business is an excellent fit as we continue to grow and invest in PNG," he said.

Mr Yates said Maybank PNG's business provided a natural fit to Kina, enabling it to extend its reach in PNG's financial sector market with an established and profitable company that had all necessary licences and an established client base.

"Our organisations already have much in common and the acquisition further reinforces our commitment to provide the PNG community with an alternative to the big banks and offers our combined customers access to a wider range of products and services," Mr Yates said.



Attractive acquisition with growth opportunities

Mr Yates said Maybank PNG was an attractive banking business with a solid capital and liquidity position.

"We have watched Maybank PNG's progress in PNG with great interest, as it developed from primarily servicing the cross-border needs of Malaysian clients in the South Pacific region, through to its expansion to offering services fitting the needs of the entire PNG community," Mr Yates said.

"Maybank PNG was identified as an attractive acquisition for Kina due to its established infrastructure, conservative capital structure, and client base which offers exposure to PNG's growing middle class, small-to-medium enterprise sector and high net-worth individuals.

"We intend to invest the appropriate resources in the newly acquired business, enabling us to unlock its full potential and create new opportunities for the customers of both businesses.

"Kina Group intends to extend its physical presence in PNG, through expanding its branch network following the acquisition.

"Providing greater access to financial services to residents in isolated areas will be critical in tapping into this growth opportunity."

Customer benefits

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

"A banking licence is really the missing part of the puzzle for Kina Group. We will have access to wholesale money at a lower cost and be able to pass those benefits on to our customers. This will allow us to bring more competition to the marketplace, which is great news for all PNG consumers," 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.

PNG's strong economic growth and vibrant banking and financial services sector

Mr Yates said banking and financial services were a particularly attractive part of PNG's burgeoning economy, with GDP showing a compound annual growth rate of more than 13% between 2008 and 2014.

"Similarly, the PNG banking and finance market has grown strongly over the past decade with total assets increasing from c.K5.0b (US\$1.9b) at the end of 2004 to c.K34.0b (US\$13.0b), as at December 2012. This growth has been largely driven by the banking and superannuation sub-sectors, representing about 77% and 22% of total assets respectively," he said.

"We see the strong growth trend continuing for banking and financial services, particularly given the sector's exposure to multinational corporates, the growth in small to medium enterprises, and the country's growing middle class," he said.



Smooth transition to new ownership

Mr Yates said Kina Group looked forward to working with the Maybank Group team to ensure a smooth transition to new ownership.

Kina Group will provide comparable offers of employment to Maybank PNG staff to ensure continuity of customer service. Maybank PNG staff will retain all their current benefits, with the addition of benefits offered to Kina Group employees, including housing loans on favourable interest rates.

“The combined group will comprise 260 staff, and we are excited by the opportunities to provide further job opportunities to PNG citizens as we continue to invest in the growth of the newly formed group,” Mr Yates said.

“The message to customers of both businesses is that the transition will be smooth and seamless,” he said.

“As we move through the steps in the acquisition process we will continue to keep our customers informed about any changes and what that means for them.”

The Maybank PNG brand will be phased out in the transition to the Kina brand.

ENDS

Media enquiries, please contact:

Syd Yates OBE

Chief Executive Officer, Kina Group

Telephone: PNG +675 308 3810

Mobile: PNG +675 7200 5050
Aust. +61 412 590 582

Bruce Ruddy

Rowland

Telephone: Aust. +61 7 3229 4499

About Kina Group

Kina Group's growth since 1985 has reflected the growth in PNG's financial services sector, expanding from a small funds administrator and stockbroker into a diversified financial services group. The group has K4.7b (US\$1.8b) in FUM, in addition to being a finance company and mortgage lender. It is also a co-founder and shareholder in PNG's stock exchange, the POMSoX.

The group has more than K354.2m (US\$135.8m) in assets, operating income of K57.2m (US\$21.9m) and more than 200 staff, as of 31 December 2014. It is also a fund manager for superannuation fund Nambawan Super, which has seen its FUM grow from K720.0m (US\$276.1m) to K4.2b (US\$1.6b) since 2003, as at 31 Dec 2014.

In 2008, Kina established Kina Asset Management Limited, PNG's only listed investment company, which includes an investment portfolio of K48.0m (US\$18.4m), as at 31 December 2014. The group is also the holder of four financial services licences in PNG and a registered trustee under the Securities Act in PNG.