Greg Pawson: Thank you and good afternoon, everyone. I'll lead into the conversation firstly and then hand over to our Group CFO Chetan Chopra. So, another exciting milestone for our organisation and one that is very nicely aligned to our existing 2025 strategic plan, providing an even stronger platform for growth in the future. It's also, I think, one of the brighter opportunities in the context of COVID-19 and the pandemic, firstly, because we have managed to navigate this with strong resilience and little impact to the underlying performance of the Business over 2020 and secondly, the Westpac Pacific businesses, I think, may have been out of reach for us under normal market conditions, or at least a few years away anyway.

So, we've been able to negotiate an acquisition that is financially viable, more so achievable and very beneficial to all stakeholders and a transaction that ultimately provides us with more scale and a bigger presence in PNG and of course geographical coverage extending into Fiji which we don't have today.

As I said, I'll touch on a few key points around the strategic intent and then ask our CFO Chetan Chopra to just touch on the financial aspects of this acquisition. Kina's vision is about becoming a world class diversified investment bank proudly domiciled in PNG. As we know, an emerging nation that has had its challenges, however, presents some considerable opportunities in the context of COVID-19 and the pandemic, firstly, because we've been able to demonstrate good, consistent, organic growth since the Maybank acquisition in 2015, we successfully completed an integration of the acquisition of ANZ PNG's retail, SME and commercial businesses in 2019 and we're now well positioned to take the next step to strengthen our position in our home market and at the same time extend our reach in operations offshore.

Geographical diversification at this point in our journey we think is a good thing and it also gives us considerable optionality for the way we develop and structure our operations and technology in the future for the bigger organisation. This is a key driver for the forward growth end efficiency of the organisation going forward as well.

It's worth pointing out some differences between the ANZ acquisition in 2019 and Westpac. So, this acquisition is in essence turn-key in that we will assume management from the date of completion and there is no complex customer migration or transitional services arrangements required given we're buying the businesses as going concerns, inclusive of the infrastructure. That's the key difference to the ANZ transaction. We didn't buy the infrastructure, we needed to migrate their customers onto our platform. Westpac runs the Pacific more or less autonomously, so the separation process for them is relatively easy as well and I think also another nice to have benefit rarely seen in the context of M&A transactions is that many of our senior bankers today at Kina are actually ex-Westpac Pacific, including myself. That gives us some advantage in terms of enabling a relatively seamless employee and customer experience in both markets.
As you would know, we recently strengthened our capital base which gives us more capacity to engage and do business with the corporate sector in both markets and most importantly the whole of banking relationships rather than just a debt relationship. While we haven't commented specifically at this stage on synergies, there will be synergies and leveraging these together with growth as the markets rebound post-pandemic will bring our cost to income within the realms of global best practice earlier than we would have achieved, I think, through a continued single market, organic growth strategy.

Being a larger group also means that we will be able to bring forward some planned key innovation projects from a CapEx perspective and a more disruptive fee-free banking proposition which we're currently doing a fair bit of work on. It'll enable us to take our strategic partnership with Nationwide Microfinance Bank here in PNG to new heights, by building a far more compelling and effective financial inclusion program that will structurally benefit both markets, not just PNG but Fiji as well. It's frightening to consider that still today 70% of this country, PNG does not have access to banking or financial services, so there's a role, we think, we're better positioned to play in that respect through this acquisition.

Finally, just so everyone is clear, the acquisition is subject to regulatory approvals from the two central banks: Bank of Papua New Guinea and the Reserve Bank of Fiji and the respective jurisdictional ICCCs. We're working through these submissions and our view is that there is a great story here in promoting a stronger, publicly listed regional bank supported by the strength, presence and expertise of the Asian Development Bank, who as many of you would know are our second largest shareholder and a significant donor to both countries.

We intend to maintain the fourth commercial banking licence here in PNG, so not lessening competition, and will use this to elevate, as I said, a specific focus on financial inclusion and at the same time leverage a significantly enhanced national branch footprint, ATM and POS fleet and instore agency network. In fact, our coverage will be larger than BSP post this acquisition, the biggest bank in PNG today.

In Fiji - for some further context - we'll become the third largest bank, one of two PNG domiciled banks in that market, and we'll plan to move quickly to stabilise and position the Fiji business for growth as global markets improve and the planes start flying again. Importantly, Fiji by virtue of its geographical presence is actually on the Southern Cross Cable which gives us a big opportunity to draw efficiencies and scale out our digital program. There is also some great talent in terms of people resources in that market which we will have access to.

With that, I'll now hand over to Chetan, our Group CFO, and he'll touch on the financing of the acquisition and some of the key metrics that I'm sure will be of interest to you all. Chetan, over to you.

Chetan Chopra: Thanks Greg. Thanks, everyone. Thanks for dialling in today and listening to this acquisition rationale. Greg has briefly spoken about the key drivers of this acquisition and I think that also helps us understand how we have come to this purchase price and what is being delivered from this purchase price. Just to revisit those key drivers, I think we've got scale in assets was probably an initial driver, infrastructure and capability uplift, profit generating operations, that was a must that the business should provide us. There was a key requirement of restoration of the EPS and we do rely on the recent rights issue value to that to an extent and we were conscious of the fact that that needed to be brought back. This acquisition will help us restore that on a much faster basis.

On a geographical growth basis, it gives us expansion into a different territory. It brings some strong customer relationships because Westpac has been in this country for over 100 years, it's the oldest bank of PNG and those strong relationships are something that we will now inherit. The other key factor which Greg [related] to was the ability to deliver PNG government's objectives of financial inclusion and for the expansion of the financial understanding in the local [unclear] markets here and across Fiji.
So, keeping those in mind, we looked at how this business would develop. So, in the terms of the purchase price, what is worked out towards the purchase price calculated at about 0.79 of net book value of both the businesses across the Pacific. We worked on a net book value because that is the completion mechanism under the SP that we signed with Westpac. It's very similar to the SP agreement that we signed with ANZ in terms of delivery of an open-end net book value and net assets at the end of the completion period.

So, if you see here the announcement, we've got a table there which shows the outcomes of the acquisition when we combine ourselves as a Group. The leading one is obviously the customers and delivery of the financial inclusion and other objectives of the Bank of Papua New Guinea. The customers, we currently have 165,000 customers but within Westpac PNG and Westpac Fiji, there is another 670,000 customers coming too and as a Group, Kina will now have access to 851,000 customers. This has a significant impact through the transactional revenue that we will gain over the period of time, over the next few years, as we further consolidate this business.

Net loans currently we are at PGK1.42 billion and on a combined basis acquiring the net loans from Westpac and Fiji and PNG, both converted to Kina, we move up to PGK5.34 billion. This is a growth of nearly 275% and that is the reason we had to get ASX approval on this and clearance because of the fact that this is a change of scale. The deposit book goes from PGK2.52 billion to PGK8.3 billion which is again another 218% growth. Employees, currently we run this business with 700 employees, and we take on another 1200 employees - nearly 1000 employees - from Westpac which will take us to 1753, that's about an 150% increase in the number of employees. But considering the size of the business it is warranted and the reach that we will be providing now through 48 branches compared to 17 branches that we have, which is an increase of nearly 200% in the number of branches that we will have across the geography.

But there will be some rationalisation in that over a period of time because not all the branches need to be kept but that rationalisation we will understand over the next year or so. We have not built in any synergies of that rationalisation into the financial numbers on a conservative basis at this stage. We are going on an average basis, supposing we just acquire the business and run it rather than looking at any rationalisation from that at this point of time. So, clearly as we rationalise branches over a period of time we will get [great] savings but currently those are not included in the synergies that we have considered in the acquisition metrics.

In terms of ATMs, there's 176% growth. We add on another 130, 140 ATMs which takes us to nearly 220 ATMs across the geography again. The ATMs will remain obviously and if not penetrate further because we will obviously expand and strengthen that fleet across the entire geography of these two businesses. EFTPOS transactional revenue, Westpac obviously were a key competitor for us in this field. Now, acquiring that obviously gives us access to their EFTPOS terminals and their EFTPOS clients and the total pro forma Group numbers go up to about 8700.

So, overall, these metrics clearly confirm that we will be getting scale, we're increasing the operations and we will be increasing the size of the business. How does that convert to numbers and that we put in some of the pro forma financials. Just to let everybody be clear here, we took these numbers based on 30 June, those are the numbers that were audited by KPMG for Westpac, so we relied on those numbers and they felt that was appropriate to do so. Deloitte are our financial advisors and they've also helped with this review. It's more a review than an audit from their side.

So, on the net loans, we grow from PGK1.4 billion to PGK5.35 billion as I mentioned earlier and from deposits, we grow from PGK2.5 billion to PGK8.03 billion, so these are significant growths. Our last 12 months' profit for the Kina Group is roughly at about PGK67 million, Westpac PNG is at PGK58 million and Westpac Fiji is at PGK37 million. In that PGK58 we've normalised it further to account for certain costs that we know we are not going to get because Westpac PNG is charged for services by Westpac Australia, so that's the only bit of normalisation we've done because we are aware that about [PGK15 to PGK20 million] of those costs will not be incurred and hence in order to understand the increase in the EPS we've looked at that number which is normalised by that amount.
We must keep in mind that I think it is important to advise the investors that Westpac obviously has a very conservative provisioning policy and so obviously the impact of COVID has been very strongly provided for a the Group so [think] we will review those. We do not expect any abnormal movement either way because being a global organisation they obviously would have been very good in their provisioning and very conservative in their provisioning so they obviously relied on that and we do not expect any further outcomes or of impacts of COVID. So, we fully understand that whatever impacts are there have been fully included and are part of the results that were disclosed to us.

So, if it took those NPAT figures and the normalised NPAT figures, our position [inaudible] prior to the rights issue was about PGK0.38, Papua New Guinea toea, per share. With the rights issue obviously we valued it down, the numbers were close to about 0.25 or 0.26. On the pro forma consolidated Group, we should be back up to PGK0.43 [basically] and that percentage change is still within 10% to 15% of what would have been prior to the rights issue. So, all in all it provides us the further support to the acquisition.

The normalised return on equity obviously is a matter that probably will be note where, it' goes down to 9% from 22% but that's primarily a reflection of the lazy capital that was sitting in Westpac's book and one of the main reasons why Westpac were looking at this divestment and why they were getting out of it was because there was a lot of capital which Westpac themselves were able to [finally] take out of country.

So, this acquisition obviously assists them in reducing that risk and we do believe that over a period of time and once the - as you will see from the way the settlement has been structured, once the $60 million of capital gets further - excess capital gets - excess reserves get distributed, the return on equity will begin to improve and we expect that number to restore back in time.

In terms of the total capital ratio, there's a significant increase in that but again that will trend downwards once the equity again normalises over a period of time and we expect that to rationalise back to about 25% or 26%, which is the industry average and which is what is required to run a business in these geographies.

So, those are the financials of it and in terms of the purchase price. The way we structured the purchase price in this transaction there is obviously an upfront payment of about $315 million that we've got. We've already paid the $42 million deposit, so we have to pay the balance of $273 million on completion. As I mentioned earlier, on completion we will look at the net assets position going up and down and adjustment as per the SP will be made and any movement in that will be adjusted as a plus or a minus and then they have to refund or we'll have to pay more.

In terms of the $60 million of retained earnings in the PNG business being paid to Westpac, we agreed to pay those over six monthly instalments over an 18 month period, so three equal instalments of $20 million each and every six months and we believe we'll have enough operating surplus and well above this to cover that and the $45 million as we earn-out of the Fiji business, so with two annual instalments, and the hurdle rate there obviously we've looked at - because their revenues could have been impacted by COVID over the last year or last 18 months, we've considered that we'll average the revenue over a period of three years and if 100% of that is met then we pay out the $22.5 million each year period and over a period of time, pay out $45 million.

In terms of raising the capital to settle the $273 million, we've assumed that we will be able to raise that from debt and equity and we are pursuing tier two subordinated debt facilities and we'll also need to go for a placement of equity to recover the, let's say, 50% of the amount, that is what we've assumed in our calculations. If we are looking at 50% of the amount, we have understood that we need shareholder approval where we will actually under listing rules - go for an AGM and at the AGM, or an AGM that we will hold in the first quarter of next year, we will then restore the ability to acquire additional capital and then move with that [inaudible] funding.

So, over all we do not see any issues in raising that capital to be able to do it, but we will work with investors over the next six months [in order to] [unclear] position. So, essentially those are the key financial matters that we have talked
through, there's obviously a lot more detail in it, but happy to answer any questions and [unclear] take that as any questions might arise. Greg, I'll hand back to you or the operator if there's anything else.

Greg Pawson: Thanks Chetan. I think back to the operator for [questions].

Operator: Thank you. If you wish to ask a question, please press star one on your telephone and wait for your name to be announced. If you wish to cancel your request, please press star two. If you're on a speaker phone, please pick up the handset to ask your question. We will now pause momentarily to allow questioners to enter the queue.

Your first question comes from Richard Coles with Morgans. Please go ahead.

Richard Coles: (Morgans, Analyst) Sorry about that guys. Good day, congratulations on the deal. Just a quick question on you're not talking to synergy targets that I guess historically, Greg, is there any rules of thumb, like 10%, 15% you've had in prior experiences with banking acquisitions that you can maybe point us to of taking out what level of the cost base might be possible?

I guess just double checking, Chetan, so once you've paid out the retained earnings on the capital, we're expecting it to be around 25%, 26% going forward, just want to double clarify that point.

Greg Pawson: Sure. Thanks Richard. So, I'll just go first on the industry aspect and extracting some of the synergies. There's no rule of thumb figure. I think - we put some numbers into our early calculations there and they're largely associated with the fact that we won't - obviously - and PNG need the extent of the expatriate management team that they have, there's some pretty good savings as a result of that. Also, with respect to the group charges that Westpac Australia apply to both businesses, there will be some immediate savings on that front. There's not a great deal of separation, I think I mentioned earlier, required from Westpac Australia from a technology point of view.

The businesses are actually quite autonomous, but they are on a shared platform which was one of the reasons we were keen to acquire both in aggregate. I think moving forward - and Chetan touched on it - there's probably some - well, not probably - there are some areas in terms of duplication across the network that we will look closely at. We need to be a little bit sensitive to the regulatory process with respect to that in the early stages, so they're probably a little bit further out.

I think one of the biggest advantages, and I touched on it earlier, is around the infrastructure capability in Fiji. It is far superior to what we have here in PNG. There's an opportunity I think over time to centralise a lot of our operations and processes into Fiji to support the broader Group and we'd obviously expect some efficiency, improved productivity and good cost savings as a result of that as well. So, that's my response. Chetan, maybe you pick up the capital piece.

Richard Coles: (Morgans, Analyst) Greg, I might just ask you a question before, I might just…

Greg Pawson: Yes.

Richard Coles: (Morgans, Analyst) … finish that question Greg, but what about system rationalisations? You did mention Westpac was plug and play but do you expect any benefits from consolidation of systems? How will you run it from a systems perspective?

Greg Pawson: Yes. We do. Too early to say. We're quite familiar with Westpac's infrastructure and I think it's fair to say some elements of our current platform are superior, that was the main reason for not taking ANZ's technology as part of that particular deal. But it's something that we need to work through because obviously there's a lot of issues around vendors' compacity, fees, software, all of those things that we need to be thinking about carefully. We did, as you know,
have quite a significant CapEx expense in relation to building out our current platform and we think we're in a pretty
good space in terms of digital capability and probably a better space than the current Westpac platform affords.

But too soon to say at this point, Richard, but the short answer is, yes, over time we do see some opportunities there as well.

Chetan Chopra: Yes, Richard, so the second point was on where the capital adequacy ratios would amount to. Yes, we
do believe that it will settle down at 24%, 25% in the longer term and when I say longer term it's probably 18 months to
two years because we obviously will have that capital go out and obviously there will be retained earnings that is going
to come through, so that would be upward pressure back again. But 24% to 25%, that's the industry average that's
[what] we want to go at.

Richard Coles: (Morgans, Analyst) Thanks guys.

Operator: Your next question comes from Tim Evans with Morgans. Please go ahead.

Tim Evans: (Morgans, Analyst) Hi guys. I just wanted to ask a question on the return on equity. Chetan mentioned that
that will drift up as the capital ratio comes down, but you've also got to factor in a big equity raising in here. Can you just
give us some idea on what you think this business - where will return on equity get to over the medium term once the
equity has been raised and the capital has been paid out?

Chetan Chopra: I think the return on equity for that amount that we raise for the acquisition, we expect that to basically -
that's the level that we probably look at once we raise the additional capital to do this acquisition, we obviously need
further capital for it, that's going to take us to roughly about 9% to 10%. We [inaudible] $60 million, that's going to pull it
back up a little bit, that takes it to around 12%. We do expect that that level will be maintained for some time because
the costs obviously will need to be monitored to manage that and we expect that the return to equity will get to a 16% to
17% level which we think is going to be what market is out here.

Tim Evans: (Morgans, Analyst) Mm-hm. Okay, thank you.

Operator: Your next question comes from John Polinelli with Morgans. Please go ahead.

John Polinelli: (Morgans, Analyst) Afternoon, gents. Congratulations. Just a quick question about the customer profiles
in the Westpac business in Fiji and PNG. Have you had much of a chance to look at those yet and what they look like?
Is it much Aussie businesses, international customers, overlap with yourself et cetera?

Greg Pawson: Yes. So, we know the portfolios quite well obviously, probably more in the commercial and corporate
sectors, which is the attractiveness of Westpac PNG and in terms of the overall size of the portfolios we're about the
same. But Westpac have an edge in terms of SX earnings, they're about $55, $60 million ahead and most of that is from
the multinational resource companies. Now, we're getting a reasonable share from that, we think we've actually taken
about 10% to 15% away from Westpac this year and we've taken about $250 million off their loan book for customers
that have moved across to our current franchise.

There's no duplication, only at that very, very top end of the market, and we're not really a major player. That was one of
the reasons we wanted to complete the rights issues so that we could get our single borrower limit capacity up. It's fair
to say that that is certainly working in our favour. Fiji, as you would expect, is far more of a SME commercial portfolio,
very much a mid-market business. They don't have a great deal of exposure to the tourism sector, which is probably
playing in their favour right now, particularly to the large multinational tourism operators, they exited most of those
several years ago. So, it tends to be large trading businesses, manufacturing businesses, a number of big software
houses and supply chains to the tourism sector but not a great deal of direct exposure to hotels and accommodation, which is a good thing.

Operator: Thank you. Once again, if you wish to ask a question, please press star one on your telephone and wait for your name to be announced. We'll now pause a short moment to allow questioners to enter the queue.

There are no further questions at this time and that does conclude our conference for today. Thank you for participating, you may now disconnect.

End of Transcript