

# 2014

ANNUAL REPORT

BANK OF SOUTH PACIFIC LIMITED



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# Our Vision

To be the leading financial services provider  
in our chosen markets helping customers,  
staff, shareholders and communities prosper.

## Key features of BSP Strategy

- ▶ A focus on sales and services
- ▶ Operation excellence
- ▶ High performing teams
- ▶ Profitable growth



# Our Values

## INTEGRITY

We are honest, committed, trustworthy and reliable in our dealings with our customers and each other.

## QUALITY

We are committed to excellence whilst striving for continuous improvement in products and services.

## PROFESSIONALISM

We commit ourselves to continual self development to achieve standards of excellence in our performance.

## PEOPLE

We respect and value our people and our customers.

## LEADERSHIP

We inspire, we change, and we live our values, and lead by example.

## TEAMWORK

We work with, and for, each other; we progress together.

## COMMUNITY

We respect, value and support the communities in which we operate.

# DAULO BRANCH

Monday - Friday  
8.45am - 12.00pm  
1.00pm - 3.00pm

is unattended during these hours, please contact BSP Rural Head Office on 7323 9334.

Chairman, Kostas Constantinou, OBE shares a light moment with staff at BSP Daulo Branch, Eastern Highlands.



## CHAIRMAN'S REPORT



**KOSTAS CONSTANTINOU, OBE**  
CHAIRMAN

The Bank South Pacific Group has achieved outstanding results in 2014, notwithstanding the continuing impact of the completion of the LNG project construction work on economic growth, and the reduced income from foreign exchange activity, through a combination of cost control measures and profitable balance sheet growth.

The Group reported a consolidated operating profit before tax of K718.8million for the 2014 financial year, an 18.4% increase on the consolidated 2013 operating profit before tax, with Group after tax profits of K507.3 million. Total assets at the end of 2014 were K15.877 billion, up by approximately K0.116 billion from K15.761 billion in 2013.

The bank's achievements have continued to dominate the group performance with pre-tax profits growing 21.8% to K722.5 million (2013: K592.9 million) and after tax profits of K512.9 million (2013: K424.7 million). Total assets of the bank at the end of 2014 are just over K15.415 billion.

The group customer loan and receivables portfolio has grown K1.511 billion to K6.8 billion. In PNG, lending market share has increased from 47% to 52% over the financial year. Customer deposits at the end of 2014 were K12.7 billion, up K507.4 million from the prior year deposits, with deposit market share in PNG steady at 55%. In Fiji, the bank branch has increased its lending market share to 26% and in the Solomon Islands, BSP bank's share of loans is 28%. BSP's banking operations maintain a combined market share across PNG, Fiji and the Solomon Islands, of about 40% in loans, and nearly 50% in deposits. BSP Life Limited retains its position as the leading life insurance provider in Fiji.

The Bank and Group capital base remains sound with total capital adequacy at 24% at the end of 2014 supporting continued growth in balance sheet assets. Total dividend payments of K309.1 million were distributed to shareholders during the year and just over K2.2 million of shares bought back in the year, under the share-buyback plan. Our capital adequacy ratio continues to exceed the minimum Bank of Papua New Guinea prudential requirement of 12.00%.

Group revenues have increased by 4% during the year, dominated by net interest income growth supported by loan growth in the bank's Corporate and Retail businesses. Fee income growth has come largely from increasing transactional volumes. There have been no fee increases during the year.

As indicated in our mid-year results release, foreign exchange earnings in PNG contracted in the second half of the year as foreign currency liquidity in the PNG market reduced.

Consequently earnings from these activities are significantly down from prior year levels by approximately K86.0 million. Notwithstanding these conditions, the bank has endeavoured to support customer foreign transaction activity by maintaining foreign currency liquidity results.

The bank's e-channels support and sales teams adopted strategies to focus on improving the productivity of our fleet, by maximising opportunities with high volume and high potential merchants, coordinating EFTPoS services through Agents and rural banking sub-branches, and improving operational support.

The ATM fleet performance has remained stable, with continued volume growth correlating with growth of the customer card base largely through financial inclusion initiatives throughout the branch, rural sub-branch, and agency networks. Transactional activity through the Mobile Banking channel has also continued to grow.

Continued growth of electronic banking facilities mainly through the network of EFTPoS agents and devices and increased mobile phone banking transactions, are compelling features of BSP's customer engagement activities.

In terms of expenses, assessments of the utility and carrying values of fixed assets have continued and the necessary impairment adjustments of K50.4 million brought to account during the year. Overall however, there has been a net reduction in group expenses of over K53 million from prior year levels reflecting controls exercised over administration costs, a reduction in core depreciation and amortisation charges towards more stable levels, and some rationalisation of occupancy costs. Staff costs have also reduced slightly through a combination of natural attrition and management level rationalisation.

Operationally, BSP Group experienced several changes during 2014. In PNG, there have been amended operating procedures accompanying the changed foreign exchange trading conditions. The introduction of the Kina Automated Transfer System (KATS), which has effectively automated the daily exchange of cheques, has also required changes to related branch procedures and supporting operations. The governance processes around anti money laundering, cheque and electronic frauds, have also required appropriate risk management responses.

In Fiji, BSP Life has started the implementation of its new insurance platform, and BSP Bank has commenced implementation of a new core banking platform. In the Solomon Islands, there has been continuing activity around the introduction and expansion of electronic banking services. BSP Capital also participated in an advisory capacity for InterOil in the sale of its downstream assets to Puma Energy, during 2014, a major corporate transaction in PNG's energy sector.

From a strategic leadership perspective, several developments in 2014 are notable. The Group launched its revised Vision, Mission, and Values Statements, and these are presented elsewhere in this annual report. The Vision Statement has been broadened to capture the Group's operations beyond banking, its aspirations beyond its home market, and beyond just a commercial relationship with its stakeholders.

The Value of "Community" has been added to BSP Group existing values of integrity, leadership, people, teamwork, quality, and professionalism. These values are being embedded in the organisation through another strategic initiative, the icare customer service program, which is designed to instil effective practices around responsiveness, accountability, and teamwork in providing customer service. In 2014, the Group also launched a revamped leadership development program providing a structured management training program for young leaders in BSP.

The business environment in the markets in which BSP Group operates, have experienced relatively moderate levels of activity in 2014. In PNG, completion of the Exxon Mobil PNG LNG project in mid 2014 led to a slowdown in economic activity, also against a backdrop of declining global commodity prices. Government development expenditure has centred around infrastructure projects to support investment activity, including projects related to the 2015 Pacific games. In Fiji, the 2014 national elections has supported renewed positive sentiment in terms of investments in key sectors, and tourism activity has also been positively impacted. In the Solomon Islands, the agriculture sector and timber have performed well in 2014, and international support for development efforts continues.

BSP continues to play a leading role in financial inclusion efforts in its Pacific markets, frequently in partnership with industry regulators. The expansion of electronic banking services is accompanied by banking education and financial literacy activities carried out by dedicated BSP personnel to customers typically newly introduced to banking services.

BSP has continued to engage with, and be a part of, the communities where it operates. In 2014 Community support projects have continued in PNG, Solomon Islands and Fiji, worth over 1 million Kina. Collaborations with local sports and charity organisations, community, non-government, and government organisations have continued as part of the Group's community engagement strategy, to bring simple and useful improvements to people's lives.

Sponsorship and promotional activities relating to the 2015 Pacific Games gathered pace in 2014. BSP also supported the 2014 PNG Games, now a major national sporting tournament from which PNG identifies its future sporting talent.

In 2015, an improving but fragile global economy will continue to pose challenges. Growth rates are expected to slow slightly in the emerging market economies of Asia, Africa, Eurasia and South-Latin America. In the traditional developed economies of Europe and North America the outlook is improving, but fundamentals are not robust, and they are forecast to remain subdued. PNG's growth prospects remain relatively strong with LNG exports becoming more prominent in 2015 and Fiji and the Solomon Islands continue to show promising signs of recovery and return to normalcy.

BSP expects that over the medium to long term, Pacific regional economic relationships and interactions will grow, and PNG will play a leading economic role in the region. BSP plans to be part of that growth, delivering valued, effective financial products and services to its markets, in an efficient and responsible manner. Reflecting the strategic importance of the South Pacific region to the BSP Group's business, in January 2015, BSP announced its agreement with Westpac Banking Corporation, for it to acquire the latter's banking operations in the Solomon Islands, Vanuatu, Tonga, Samoa, and the Cook Islands. The transaction is subject to regulatory approval, which is expected around mid 2015. This project will receive focus in 2015 aiming to achieve a smooth transition of the businesses from Westpac to BSP, by the end of the year.

As BSP Group's balance sheet grows, its strategic options are also broadened so that it can realistically consider further diversification of its Pacific business, and also develop a focus on business opportunities in growth regions adjacent to the Pacific. The 2014 results are extremely pleasing as the Group has managed to achieve some important operational and strategic milestones, which are set to provide longer term benefits in terms of efficient customer service, cultural change, and leadership succession. I commend management and staff on the achievements of 2014.

BSP is building a very capable team of people across the Pacific, who I am confident will continue to meet the challenges ahead, continuously improve services and products to a growing number of customers, and deliver competitive returns for shareholders, in 2015 and beyond.

The organisation is expanding in the region from a position of strength in its core markets of PNG, Fiji and the Solomon Islands. I look forward with all stakeholders, to Bank of South Pacific's success in the coming year.



KOSTAS CONSTANTINOU, OBE  
CHAIRMAN

Bank South Pacific Limited opened its doors in 1957 in Port Moresby as a branch of the National Bank of Australasia Limited. In 1995 a consortium of Papua New Guinea businesses acquired the bank creating the first and only PNG private sector owned bank.

Bank South Pacific purchased the State Owned - Papua New Guinea Banking Corporation (PNGBC - formerly CBA PNG) in 2002 creating the largest Bank in PNG. Other acquisitions followed: National Bank of Solomon Islands 2005, Habib Bank in Fiji in 2006, Colonial Group of Companies (Banking & Life Businesses) in Fiji in 2010.

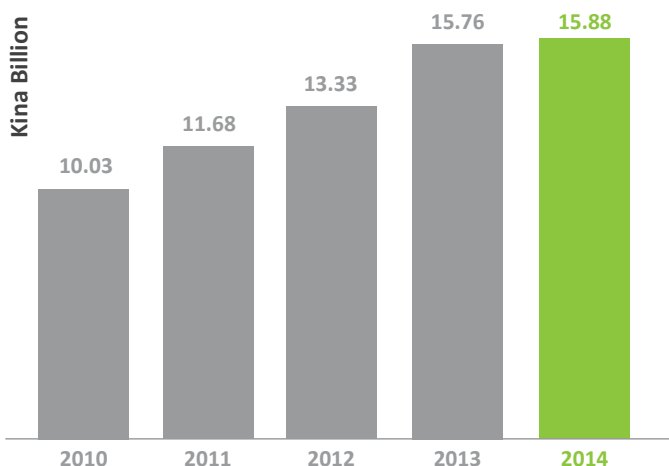
Bank South Pacific rebranded to become “BSP” in 2009. Our shareholders include major PNG Institutions – IPBC, Nasfund, Nambawan Super, Petroleum Resources Kutubu, Credit Corporation, MVIL, PNG Teachers Savings & Loan, Comrade Trustees, and the International Finance Corporate (IFC).

In 2012, BSP’s account opening process employing a tablet computer and instant card issuance, won the award for the world’s Best Bank Led Mobile Money Program at the 2012 Connected World Global Awards.

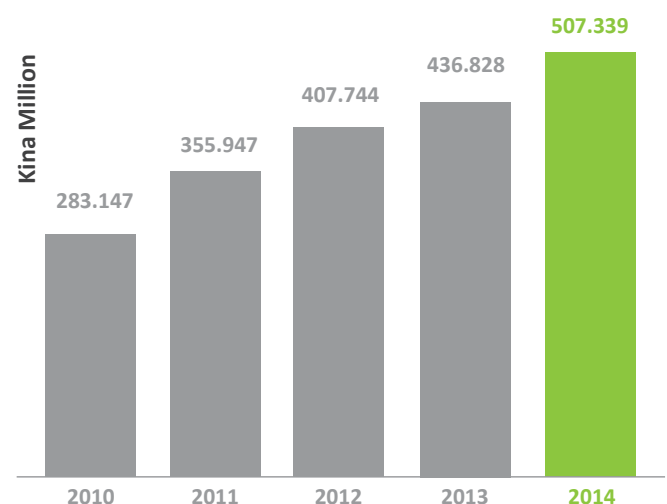
Bank South Pacific continues to be a dominant force in the market leading the way with innovation and technology.

In 2014, BSP Group achieved loan growth of 28%, and a 4% reduction in operating costs, supporting growth in annual profit to over K507 million. There were no increases in fees during the year, but fee income grew as the volume of customer transactions continued to increase, particularly through the electronic banking channels, which now represent more than 80% of total customer transactions.

**TOTAL ASSETS**



**NET PROFIT AFTER TAX**







Girl in Traditional attire welcoming the board of directors at Mt. Hagen branch.

# BOARD OF DIRECTORS



**KOSTAS CONSTANTINOU, OBE | Chairman | Director since April 2009. Appointed Chairman February 2011.**

Kostas Constantinou is a prominent business figure in Papua New Guinea, holding a number of high level public and private sector appointments. He is a Chairman of various companies, including Airways Hotel Limited & Airways Residences Limited, Lamana Hotel Limited, Lamana Development Limited, Hebou Constructions, Alotau International Hotel and Gazelle International Hotel. He is a Director of Heritage Park Hotel, Honiara, and Grand Pacific Hotel, Fiji. Kostas is a Director of listed company: Oil Search Limited. He is Chairman of 2015 Pacific Games Authority since 2011, Deputy President of Employers Federation of Papua New Guinea, Honorary Consul for Greece in Papua New Guinea and Trade Commissioner of Solomon Islands to Papua New Guinea.



**ROBIN FLEMING, MBA, MGMT | CEO | Director since June 2013.**

Robin Fleming was appointed CEO of Bank of South Pacific Limited in June 2013. Before his appointment as CEO, he had been Deputy CEO and Chief Risk Officer since 2009. Prior to that, Mr. Fleming held senior executive roles as Chief Risk Officer, General Manager Corporate & International, and Head of Risk Management with BSP. Prior to the merger of Bank of South Pacific Limited and PNGBC Limited, Robin held senior management roles with PNGBC. He has worked in PNG for over 30 years and holds a MBA and a Master of Management from Charles Sturt University.



**TOM FOX, OBE, BEc | Deputy Chairman, Non - Executive Director | Director since June 1993.**

Thomas Fox holds a Bachelor of Economics degree from the University of Papua New Guinea. He commenced his career with the Reserve Bank of Australia, and gained experience in senior management roles within semi-government institutions, and private sector companies, including serving as the Managing Director of the Investment Corporation of Papua New Guinea for eight years. His other current directorships include, BSP Capital Limited, Teyo No. 1 Limited and Akura Limited. Mr. Fox is also a trustee for the Institute of National Affairs, and a foundation member and Fellow of the PNG Institute of Directors.



**GEREA AOPI, CBE, MBA | Non - Executive Director | Director since April 2002.**

Gerea Aopi has achieved several tertiary degrees in Papua New Guinea, and a Masters of Business Administration from the University of Queensland. Mr. Aopi has substantial public service and business experience in Papua New Guinea, including Secretary of Finance & Planning and Managing Director of Telikom PNG Limited. He presently holds the position of Executive General Manager, External & Government Affairs and Sustainability at Oil Search Limited. He was previously the Chairman of Telikom PNG Limited and Independent Public Business Corporation (IPBC). Mr. Aopi is a Director of Oil Search Limited, Steamships Trading Company Limited and is involved in a number of other private sector and charitable organisations in Papua New Guinea.



**Dr. ILA TEMU, PhD, MEc | Non - Executive Director | Director since June 2003.**

Dr. Ila Temu was appointed to his current role as Country Manager Barrick PNG in June 2011. Prior to this, he held senior executive roles in Placer Dome Niugini both overseas and in PNG. He has also held senior positions in a number of other public organisations including Senior Lecturer in Economics at UPNG, Director of the National Research Institute and Managing Director of Mineral Resources Development Company (MRDC). Dr Temu held director and membership roles in Dome Resources, Kina Finance Ltd, PNG Chamber of Mines and Petroleum, IPBC, PNG Employers Federation and was Chairman of PNG Ports Corporation Ltd for 5 years. He is currently a Director of National Petroleum Company of PNG Ltd, Kina Petroleum Ltd and a member of the Governing body of the Divine Word University. Dr Temu holds a Bachelor of Economics (Hons) from the University of Papua New Guinea, a Masters in Agricultural Development Economics from the Australian National University, Canberra, Australia and a Ph.D in Agricultural Economics from the University of California, Davis, USA.



**SIR NAGORA BOGAN, KBE, LLB | Non - Executive Director | Director since June 2003.**

Sir Nagora Bogan graduated with a Bachelor of Law from the University of Papua New Guinea in 1978. In 1992, Sir Nagora was appointed Commissioner General of the PNG Internal Revenue Commission. In 1996, he was appointed as PNG's Ambassador to the United States with accreditation as Ambassador to Mexico and High Commissioner to Canada. In 2002, Sir Nagora became a private business entrepreneur. He is Chairman and CEO of In Touch Media Limited, a multimedia/record label company and Director on several private company boards. Sir Nagora received his knighthood during 1997 in recognition of his distinguished public service.



**AUGUSTINE MANO, BEcon, MSc. | Non - Executive Director | Director since August 2014.**

Augustine Mano is an economist and has been the Managing Director of the Mineral Resource Development Corporation (MRDC) for the last 6 years. MRDC is the entity responsible for managing landowner investments and during the last 6 years Mr. Mano has led the organisation in undertaking some major investments such as the PNG LNG project and property development and hospitality within PNG, Fiji and Samoa. Mr. Mano has extensive skills and experience in the mining and petroleum sector. He is also involved with construction, transportation and Insurance industry. He holds a Master of Science Petroleum Economics from the Dundee University, Scotland and Bachelor degrees in Economics and Environmental Science from the University of PNG. Mr. Mano currently holds Chairman and Directorship in a number of entities, including MRDC and its subsidiaries companies, Hevilift Group, Insurance Pacific and Pearl Resort, Airline PNG, GFS and Handy Group.



**FREDA TALAO, LLM | Non - Executive Director | Director since April 2012.**

Freda Talao holds a Law Degree from University of Papua New Guinea, a Masters Degree from Bond University, Queensland and is currently undertaking Doctoral Studies at TC Beirne School of Law, University of Queensland. Freda has extensive work experience in the government, private, NGO and development sectors in PNG. Ms Talao has previously been on several Boards, including the Mama Graun Conservation Trust Fund, Liklik Dinau Trust Fund, Individual and Community Advocacy Forum (ICRAF), Civil Aviation Authority (CAA), National Airports Corporation Board (NAC) and Airport City Development Limited (ACDL). She is also currently a member of the External Stakeholders Advisory Panel (ESAP) to the Morobe Mining Joint Venture (MMJV) which owns the Hidden Valley Gold Mine in Morobe Province and Australian Institute of Company Directors.



**GEOFFREY J. ROBB, BA, MBA, OAM | Non - Executive Director | Director since April 2012.**

Geoffrey Robb is a highly qualified and experienced banker having occupied several senior Executive positions including Head of Resource Finance at Bank of America, and Global Head of Acquisition Finance and Head of Complex and Strategic Transactions with ANZ Banking Group. As Head of Bank of America in Melbourne, he led resource financings with BHP, CRA, Elders Resources, Bougainville Copper, Ok Tedi and Porgera. He holds MBAs from the International Management Institute Geneva and Macquarie University. Mr. Robb has travelled extensively in emerging markets and has received the Medal of the Order of Australia for his services to mountaineering and charity. He is Chairman of the Board Audit, Risk and Compliance Committee and is also on the Board of BSP Capital Ltd.



**ERNEST BRIAN GANGLOFF, CPA, GAICD | Non - Executive Director | Director since November 2013**

Ernest Gangloff Ernie is an Accountant and registered with CPA PNG and the Accountants' Registration Board. Ernie has extensive experience in the areas of risk management, internal audit and corporate governance. Ernie has over 30 years professional experience with over 15 years in Senior Management positions. Ernie retired as Partner with Deloitte in May 2013 and established Gangloff Consulting in June 2013. He is also a director of Gangloff Consulting Ltd, Laurabada Investments Ltd and New Britain Palm Oil Ltd. Ernie is a Council Member of the Institute of National Affairs and the Vice President of the Business Council of PNG and member of Australian Institute of Company Directors.



# CEO's REPORT



**ROBIN FLEMING**  
CHIEF EXECUTIVE OFFICER

I am pleased to announce to our shareholders that Bank South Pacific has recorded another outstanding profit outcome for 2014, of K507.3m being an increase of 16.1% on 2013. This result was achieved despite a number of adverse events and income shocks throughout the year.

As has been indicated in our Chairman's report to the shareholders, the Papua New Guinea economy experienced another year of positive economic growth with GDP estimated at 8.4%. This represents 14 years of GDP increases. At 8.4% GDP growth was higher than anticipated in the 2014 budget, with the higher than expected outcome being in large part due to the earlier than planned commissioning of the PNG LNG plant, with consequent higher number of LNG shipments in 2014.

Economic growth by sector was varied in 2014 which in part reflected the dependence on the PNG LNG project that moved into its production phase in mid 2014. The Retail sector experienced a downturn as consumer consumption tapered off consequent to a contraction in workforce numbers associated with PNG LNG. Conversely the construction sector reported growth as government funded counter cyclical spending on infrastructure increased. Roads, Ports and 2015 Pacific Games facilities were the main areas where government spending was concentrated.

One consequence of the completion of the US\$20 bil PNG LNG project was a reduction in foreign exchange inflows, which was not counter balanced by reduced import and capital related outflows. This terms of trade imbalance contributed to a weakened Kina, with the Kina depreciating against the US\$.

Around 4th June 2014 the Bank of Papua New Guinea took measures to align the trading band of commercial banks in the foreign exchange markets to that of the official interbank market as the commercial banks were trading the Kina up to 700 bps away from the official interbank rate, with the trading rate of the Kina effectively being determined by a small number of exporters. This move acted to moderate the depreciation of the Kina, however foreign exchange liquidity proved somewhat problematic at times, with importers having to wait a number of business days to have their orders settled.

In conjunction with this alignment of foreign exchange trading to the official interbank rate, authorised foreign exchange dealers were also restricted to a maximum margin of 75 basis points either side of the official interbank rate.

This had a material effect on the foreign exchange income for all authorised foreign exchange dealers.

BSP reported foreign exchange income of K184.5m for the first 6 months of 2014 and K83m for the second 6 months of 2014. The contraction in income for the second 6 months was a result of the margin restrictions and reduced market turnover in the second half of 2014.

BSP had already initiated a cost review in mid 2013 which positioned the bank well to deal with this reduction in income, and additional cost savings measures were initiated in mid 2014 to further improve BSP's operating efficiency.

Non operational extraordinary expenses were incurred as part of a full review of the fixed assets and software/intangibles that was undertaken during the year. This involved write off of certain assets and software/intangibles which were part of the prior years transformation related capital expenditure program.

As this coincided with the triennial property revaluation exercise, recently completed or purchased properties were also subject to write downs on revaluation. The prospect of further write downs associated with the as yet uncomplete Gordons Data and Security Centre and the Waigani Head Office, does remain and a provision has been taken up to allow for this possibility.

Notwithstanding these particular income and expense shocks, the 2014 result was most pleasing. Growth in our lending assets, generated increased interest on loans and advances. Our Corporate team delivered a significant proportion of this growth via a mix of growth within our client base and some milestone transactions for our specialised lending team.

Retail maintained sound growth in its personal loan portfolio and also placed renewed emphasis on lending to the housing sector. There were also increased activity in BSP's electronic and channels through a combination of increases in customers and more effective coaching of our clients in the use of less costly and quicker electronic banking options.

BSP is particularly proud of the number of new customers introduced to the bank in 2014. In Papua New Guinea 230,000 accounts were opened of which 80,000 were new Sumatin (youth) accounts and 20,000 were new Kids accounts. Fiji opened 30,000 new accounts and Solomon Islands 15,000 new accounts.

New BSP Rural sub branches were opened in Ialibu and Kerevat taking the total number of BSP Rural sub branches to 42. The sub branch network is supplemented and supported by a large network of agents and cash agents.

Our new Commercial Centre at Lae was completed after a 24 month construction period at a total cost of K52m. The Lae Commercial Centre includes a BSP Premium branch with a BSP First facility area for our Corporate team and some staff accommodation. As indicated earlier a property market correction has seen a partial write down of K5m on this property, which should be clawed back over time.

During 2014 BSP also successfully launched our wholly owned asset finance subsidiary BSP Finance in Papua New Guinea and Fiji. This was the culmination of a great deal of effort by senior management within BSP and they are to be congratulated for their work in bringing BSP Finance to fruition. Whilst BSP has always offered asset finance products to our customers generally this sales approach has been part of an overall Corporate relationship package.

At times our service delivery has not been to our clients satisfaction, with there being business leakage to our asset finance competitors. BSP Finance will adopt a far more responsive approach to the market, and also look to maximise the opportunities that exist across the BSP network.

There was a great deal of activity internally associated with review of our vision of being the financial services provider of choice in our chosen markets, and our values of professionalism, quality, integrity, people, teamwork, community, by way of workshops across the bank and the relaunch of icare. The vision and values review involved internal surveys and workshops across the bank and recognised the need for our values to be owned and lived by all our staff. Our icare program complements and facilitates the embedding of our values into the culture of Bank South Pacific. This is a multi year program and the success of icare will in large part be measured by the improvement in our service to our customers consistently across all market segments and at all our branches and electronic channels.

The development needs of our future leaders took a higher priority in 2014. Our leadership development program was initiated in 2014 with an initial cohort of 15 senior, developing and emerging leaders. The program involves in house training, internal secondments, overseas secondments, post graduate courses and management training.

In coming years the numbers of staff chosen to participate in the program will increase to over 50. This is a significant investment, in terms of both time and money, to develop and groom our staff for the future leadership opportunities that will continue to arise for all our staff across the Pacific.

Special mention must also be made of the secondment program for staff in our leadership development program facilitated with Bank of Philippine Islands. Three staff participated in a 12 week secondment with Bank of Philippine Islands in the last quarter of 2014. This was made possible with the assistance of IFC, and of course the President and senior management of Bank of Philippine Islands, to whom we pass on our gratitude. It is planned to send 9 more staff to Bank of Philippine Islands in 2015.

Our Fiji operations reported a much improved profit outcome in 2014, with our BSP bank profit more than doubling to F\$20.5m and our BSP Life profit of F\$9.5m consistent with that achieved in 2013. The team in Fiji has put a significant amount of effort into building the business, and a portfolio of well regarded and reputable clients, in Fiji since acquisition from Commonwealth Bank in 2009 and this work is now being reflected in returns on equity that meet the boards required targets.

Solomon Islands continues to perform consistently and the profit in 2014 of S\$33.7m was only marginally below that achieved in 2013. Additional Mobile Banking capabilities which included our tablet account opening functionality was introduced in early 2014. Growth in usage of these electronic banking channels, and accompanying new customer acquisition was sound and there will be renewed effort in this area in 2015.

The coming year will present further challenges as we experience the full year impact of reduced foreign exchange income. Our planning for 2015 recognises that with income contributions from foreign exchange contracting more focus is placed on other income streams and increasing sales opportunities across all customer segments and all markets.

In summary our increased profit of K507.3m was achieved due to the contribution of all of the staff at Bank South Pacific, in each one of our Strategic Business Units and across all countries. I thank each of them for the efforts in 2014 and look forward to the continuation of their support and commitment to reaching our targets and objectives for 2015.



**ROBIN FLEMING**  
Chief Executive Officer

Location is not an issue: When we say, we take banking to the most remote areas, we walk the talk. BSP branchless banking officer James Niu, at Isumo in the Western Province.



# 2014 STRATEGIC BUSINESS UNIT REVIEW

The daily execution of the bank's business operations is the responsibility of the Strategic Business Units (SBUs), Retail Banking, Corporate, Treasury, Paramount, Group Risk Management, Human Resources, Operations & Information Technology and Finance & Planning.

Highlights of each SBU performance in 2014 include:

## RETAIL BANKING

Greater access to service and accounts, and investment in the training of staff and the banking education of customers, were themes of Retail Banking in 2014.

Additional branches and agencies were established during the year to provide the Bank's 1.4 million customers with greater access to banking services. By December 2014, the Branch network (full service and rural branches) consisted of operations at 84 locations spread across Papua New Guinea including some of the most remote parts of the country.

The BSP Agent network increased by 42 and by December we had 268 operating around PNG, providing customers with additional access points to make over-the-counter deposits or withdrawals and to complete other basic banking services.

The BSP EFTPoS merchant network increased by over 600 merchants during 2014 and customers can now complete electronic payment for goods and services at over 9,729 EFTPoS merchant locations around PNG. In most locations they can also obtain "cash-out" with their purchases. A large number of the EFTPoS merchants are indigenous SME business operators located in rural communities and the provision of EFTPoS payment facilities provide these operators with secure and guaranteed payment of the goods and services they sell, as well as considerably reducing the transport costs of cardholders who no longer need to incur the high cost of travelling to a major centre to complete their shopping.

Our Mobile Banking channel was enhanced in 2014 with the launch of a Mobile App and customer usage of the mobile banking channel continues to grow at double digit rates. Improved customer service and assisting our customers better understand the financial products and services available to them, were a catalyst for BSP investing considerable effort into staff training of our front line staff and in banking education aimed at our customers and the employees or stakeholders of our customers.

Through our Banking Education Unit, BSP provided Banking Education training to over 45,000 Papua New Guineans (half of them women), in an effort to provide them with a basic understanding of how banking products work and the choices available to them. Basic personal budgeting was also included in the Banking Education program. This is a significant investment in developing the human capital of Papua New Guinea as well as our current and future customer base. BSP also entered into a partnership with the Centre of Excellence in Financial Inclusion, a project headed by the Bank of PNG to improve financial inclusion and financial literacy. Our participation will assist Papua New Guinea meet its Maya Declaration commitment to provide banking services to an additional 1 million people who were previously unbanked or under-banked.

BSP continues to place great importance on the development of the indigenous SME business sector and the Bank is recognised as the leading provider of financial services to this sector. BSP has established a pathway for small businesses to develop a "financial footprint" and access credit by actively engaging these SME's in the payment system rather than the cash economy.

BSP Customers now have a much greater choice of transaction products that are designed to meet their particular needs and budget. They have savings products that can truly assist them accumulate funds to meet their financial goals, and they have a variety of consumer and business loan options. During 2014, with the support of the National Government, BSP launched the First Home Ownership Scheme. Customers meeting the criteria are able to access a Housing Loan at very low interest rates and over a term of 40 years. This together with the choices available in transaction and saving products, provide average Papua New Guineans with the opportunity to accumulate personal wealth that can eventually be passed on to their children. Choice is also key to customer access to service. Almost 90% of all retail customer transactions are now completed via electronic channels and this reflects the fact that BSP Customers can access their bank accounts and banking services, 24 hours a day, 7 days a week from anywhere in Papua New Guinea.

## CORPORATE

Corporate continues its clear and unequivocal commitment to the BSP vision, as a team, to help our Customers, People and Communities prosper through our "whole of bank" program. Corporate's strategy to achieve this vision is to continually listen to our stakeholders and build a customer-service culture second-to-none in Papua New Guinea and across the South Pacific.

This year Corporate made progress in financial performance and in achieving our long term strategy. The major drivers of this performance were improved cross-sell of non-lending solutions and a significant uplift in lending market share. The business performance was further strengthened through a disciplined focus on expenses, with direct costs reducing by 7%.

Net interest income was stable with an increase of +2.3% compared to the prior year, driven by slower economic activity and continued competition. Other income reduced by 30% subsequent to foreign exchange income declining significantly in the second half of the year.

In 2014, Corporate significantly increased Kina lending with completion of a number of major transactions in the last quarter. Lending growth of 33% was an outstanding achievement. The growth in Kina lending and market share was driven through execution of our strategic imperative on specialised lending and infrastructure. A dedicated team was established and selected transactions prioritised and completed by BSP direct and in partnership with international financial institutions.





Team BSP and the BSP Piggy at the Financial Inclusion Expo 2014, Kokopo East New Britain Province.

A below expectation outcome for the business performance for 2014 has been the take-up of our trade finance solutions launched in late 2013. Our dedicated trade team continues to proactively promote our world class trade solutions to grow this business.

Deposits remained stable and in line with prior periods. BSP's USD lending for local and international customers softened during the year with partial repayment of USD facilities by strategic customers.

Customer satisfaction and "icare" remains the cornerstone of Corporate Banking's strategy and vision and we continue to proactively action required changes to improve our customer-service culture. The corporate team remains focused on the Bank's "icare" program, which involves putting customers at the top of our priorities – establishing a "customer first – icare" culture.

During 2014 we completed our second customer satisfaction survey, through an independent market research firm, who surveyed 440 of our customers (in 2013, 400 customers were surveyed). The overall survey results were below expectations showing only a marginal improvement in customer satisfaction. Significant further work is underway to achieve desired customer-service outcomes. The Corporate team is committed to this program and each relationship team has developed concise action plans to address customers service issues.

Corporate and our internal business partners are listening to all customers feedback and are committed to improving our "whole of bank" customer service standards. The next Corporate Customers Satisfaction survey will be undertaken mid-2015. We continue to focus on prudent credit risks and maintain a strong partnership with the Group Risk Management team. Together we proactively monitor and control the quality of the loan.

Our partnership with BSP Capital Limited continues to strengthen and a number of customer transactions were completed during the year. The relationship management teams continue to support BSP Capital through ongoing joint calling programs.

BSP's "whole of bank" solution incorporating dedicated relationship management, extensive product suite, electronic solutions, and access to the largest retail branch networks means BSP is the leading business partner in PNG and across the South Pacific.

We continue to strive for excellence in customer service and across all aspects of our business including reputation, asset quality, profitability, customer satisfaction, innovation, governance and community engagement.

## TREASURY

The BSP Group operates across PNG, Fiji and Solomon Islands and have different jurisdictions and characteristics but with each having their own discrete foreign exchange regulations and operating in illiquid financial markets.

The role of BSP Treasury remains to:

- foster relationships with clients to provide Financial Markets services; and
- act as "Banker" to the bank managing market risks, funding, liquidity, capital and capital planning in line with prudential requirements, ALCO directives and delegated Board authorities.

PNG Treasury foreign exchange earnings were in line with budgetary considerations for the year, however will decrease in 2015 due to a continuing increase in the export/ import imbalance as import and outward capital remittance demand is three times greater than currency inflows.

Lower commodity prices and production has placed severe pressure on levels of available foreign currency liquidity and the official rate of exchange, especially since the end of May 2014.

The official rate of exchange remained unchanged for the first five months of 2014 at U.S 41.30 cents but depreciated progressively for the remainder of the year down to US 38.55 cents as import demand intensified. On the 4th June 2014, the Bank of Papua New Guinea introduced Administrative and Operational Guidelines for the Foreign Exchange Market which imposed a maximum spread of 150 points on seven currencies in which Papua New Guinea actively trade and re-aligned the interbank rate from around U.S 34.00 cents to U.S 41.30 cents overnight.

The Bank's market share increased to 31.22% from 30.69% year-on-year, a good effort considering market turnover fell 11.25% or K3.785 billion in 2014 to K29.854 billion from K33.639 billion from a year earlier. Solid gains were made in dealings with the mining & agricultural sectors which contributed to our modest increase of our market share.

Despite increasing levels of domestic liquidity within the banking system, the Bank was quite successful in investing surplus funds in government securities, despite the BPNG Cash Reserve Requirement increasing by 1% to 10% in 2014 which reduces the funds available for investment, with a consequent impact on earnings potential. Lower holding of domestic securities of around K800 million was primarily offset with growth of the lending book while returns remained fairly neutral due to higher yields on the longer-dated paper. The yield on the 28-day Central Bank bills was minimal from 1.84% p.a to 1.92% p.a year-on-year, while earning an additional 0.75%p.a on 63 & 91 days. The yields on Government issued Treasury bills spiked considerably in 2014 from 1.85% to 4.66% for 182 days and from 3.76% to 7.42% for 364 days. Yields on longer dated Government issued Inscribed Stock increased 2.5% across the board for all series with maturities between 2017 and 2031.

Operationally, PNG Treasury continues to mitigate risk in line with world's best practice and encourages the training & development of citizen staff. Staff attended the Australian Financial Markets Association Foreign Exchange Markets workshop in 2014 and are expected to complete the module and gain their accreditation by September 2015.

## PARAMOUNT

Paramount continued to experience high liquidity levels in 2014, impacted by the National Government's expenditure on transformation of all the sporting venues, facilities in the Nation's Capital including improvement of National Capital District roads. These expenditures were associated with the coming South Pacific Games in July 2015.

Paramount's liquidity stood at K5.4b for most part of 2014 until much later in the year when K279m was transferred from various Government Trust funds to Bank of PNG in support of the Government's Supplementary Budget, when the balance was reduced to K5.2b at the end of the year.

Paramount contributed to a satisfactory gross profit for 2014. Processes being continued to be monitored and improved to prevent fraudulent transactions.

Paramount continued to support the Government on fostering cordial relationships including participating in two Provincial and District Treasurers' conferences in Mt. Hagen and Kimbe.

We also had a session with most Cabinet Ministers and Governors at the National Parliament in regard to the functions and responsibilities of Financial Intelligence Unit and Proceeds of Crime acts, under the auspices of the Fraud Squad of the Police Constabulary.

Bank South Pacific assisted again this year with the distribution of Tuition Free Fees on behalf of the National Government and Education Department with over 90% of schools in the country. The Community affairs officer together with Retail staff continued to conduct training and awareness for rural communities and schools within the precincts of Resources Development areas around the Country.

## GROUP RISK MANAGEMENT

Risk management at BSP is independently overseen by various business units within the Group Risk Management strategic business unit. The specific business units include:

- Credit – is responsible for the overall credit quality of BSP's loan portfolio, implementing and reviewing credit and industry underwriting standards, monitoring sector concentration limits and portfolio management responsibilities;
- Operational Risk – has broad operational risk involvement across the network;
- Asset Management – manages the non-performing asset portfolio;
- Credit Inspection – provides an independent assessment of credit policy compliance;
- Audit – undertakes regular internal audits of processes and procedures to maintain compliance with regulations and BSP standards; and
- Legal Services – provide legal advice on specific transactions and cases to defend or litigate on behalf of the Bank.

Audit retains an independent and direct reporting line to the Board Audit Risk & Compliance Committee (BARCC). The Group Risk Management Unit structure was implemented to allow a clear oversight of all the three risk lines of defence including Audit as the third and last defence in the risk management framework.

During the year the Board of the Bank approved the Risk Appetite Statement (RAS) that reflects the level of aggregated Risk that BSP is willing to assume and manage in the pursuit of its business objectives. The RAS reflects BSP's business and risk strategies which are to be measured by internal risk-return benchmarks.



Banking Education Officer, Vani Vani assisting customer with more information on Products and Services.

## Credit

Credit risk is defined as the potential failure of a Borrower or Counter party to meet its contractual obligations. Within BSP credit risk is managed by developing and undertaking an ongoing review of a credit risk strategy that identifies our target market acceptance providing a platform to grow the business within defined parameters to build a quality loan portfolio across a broad range of sectors.

Senior BSP Management has the responsibility to implement credit risk strategy including developing policies and procedures for identifying, measuring, mitigating, monitoring, controlling and on a continuous basis reviewing the effectiveness of the credit risk strategy and inherent credit culture.

Lending growth across all sectors of the PNG economy was relatively stable following PNG LNG Project entering production phase. Diversification of the loan portfolio across key economic sectors continues to be closely monitored, providing a mitigant to the overall loan portfolio exposures, to ensure that no significant concentration risk develops that may impact the stability of the asset portfolio performance. The property market continues to be a sector that experienced a re-adjustment with supply outstripping demand leading to lower rental yields and capital growth. BSP continues to monitor the exposure to the property sector undertaking appropriate periodic stress testing of the property loan portfolio.

Overall performance of the loan portfolio remains sound with solid growth achieved in both the corporate and retail sectors. The Bank's market share has increased in a competitive market to circa 50%.

During the course of 2014, overall retail delinquency rates increased marginally reflecting the subdued economy. However, this remains under constant monitoring and within acceptable tolerance levels. The Retail portfolio experienced some delinquency volatility during 2014 (Fiji improved however PNG declined). The loan portfolio weighted average risk rating has been more objectively re-assessed albeit overall risk profile is considered to be sound.

Following the significant changes to the Retail loan application processing in 2013 with the implementation of the automated loan origination system for unsecured personal loans, this resulted in a more consistent origination process and improved turnaround times for approval and funding. In early 2015 it is proposed to expand the loan origination process to all retail loan products including secured personal loans, housing loans, small to medium business sector loans incorporating a credit scorecard that will provide a consistent loan decision and automated origination process providing improved turnaround times for our retail and small business customers.

Lending policies and procedures continue to be reviewed on an ongoing basis with further policy changes made in 2014. These changes are due to continuing changing market and product trends focussing on improving controls and reporting in order to move the Bank towards compliance with industry best practice for credit risk management standards.

The Staff Lending Policy was rewritten to incorporate major changes with Staff Concessional Personal Loans and Housing Loans. BSP continued to implement its social and environmental policies and processes which strive to be consistent with global market adopted practices. In February 2014, the Staff Lending Team was successfully transferred from HR Department to Credit Department to improve response times.

Training remained a key focus in 2014 and will again continue into 2015. The Moody's online training introduced in 2012 and completed for circa 90% of Credit / Corporate staff was continued in 2014. The online training was complimented with Moody's conducting formal classroom training sessions in Port Moresby. In addition, Credit Management conducted seventeen (17) "In - House Training Sessions" for one hour each on a weekly basis covering various topics for Credit and Corporate staff.

## Operational Risk

Operational risk is defined as the risk of direct or indirect impacts resulting from human factors, inadequate or failed internal processes and systems or external events. Operational risks are inherent in the Bank's business activities. The Bank has independent Operational Risk functions in PNG, Fiji (both the Bank and Life Insurance operations) and Solomon Islands.

The PNG Operational risk department has 20 positions. In addition, there are seven operational risk staff in Fiji and two in the Solomon Islands.

Some of the key highlights during 2014 have included:

- Reducing non lending related operational losses across BSP;
- Continual staff reinforcement on operational risks, anti-money laundering and fraud detection through risk awareness workshops across the Bank;
- Undertaking regular risk and control analysis and where required develop risk mitigation plans for key BSP processes;
- Identifying the Top Enterprise Wide Risks across the Bank, as well as, the supporting controls to ensure that the risks are effectively mitigated and regularly monitored; and
- Assisting Executives with analysis and regular reporting of operational risk issues.

## Asset Management

During 2014, the Bank felt the easing of the rental returns in the real estate market with a small number of property investment type loans migrating to non-accrual status. Whilst the rental returns have eased this has not reflected in the property prices as yet and the lower to medium end sectors continue to show strong interest particularly from home buyers.

Non-accrual loans volume remained static against the total loan portfolio representing less than 0.5% of the Bank's overall lending volumes. There is evidence of the market slowdown with the LNG project going from construction to production phase and the scaling back of work forces and business contracts.

This has resulted in a marginal increase in default consumer loans for 2014. Delinquencies are monitored and managed closely and together with a new automated collection system to be introduced in early 2015, the process between retail and Asset Management would be streamlined and that should lead to an improvement in delinquency and default rates.

A careful watch is being maintained on business/corporate loan segment and immediate remedial action being undertaken for any businesses/companies showing signs of stress.

Early warning signs and adverse account patterns are identified early with remedial plans in place for Watch List customers. Legal litigations remain unchanged with delays however the Bank will continue to pursue actions through the court system where necessary or viable.

## Credit Inspection

The primary role of the Credit Inspection Business Unit is to provide a professional, independent risk management function of the best practice standard, which assists members of senior management and the Board via the Board Audit Risk & Compliance Committee ('BARCC'), in the effective discharge of their responsibilities.

The Credit Inspection Business Unit provides BARCC with independent analysis, objective opinions and recommendations on the quality of credit risk assessment, credit approval, credit risk management, compliance, risk control and credit portfolio reporting concerning the activities reviewed.

The Credit Inspection Business Unit is responsible for the day to day execution of "on-site" inspections (and where applicable "off-site" inspections) of the credit risk portfolio within the Bank and related entities, in all jurisdictions. The main aim is to achieve an early detection of material shortcomings of credit risk.

In 2014, Credit Inspection completed 11 monthly reports for Retail Banking (Personal Lending) and 10 reports for Corporate Banking Relationship Portfolios including a country review for BSP Solomon Islands. For Corporate Banking, approximately 47% of the Corporate Relationship Portfolios were reviewed by Credit Inspection with a total of 19 Relationship Portfolios (in Commercial and Corporate Banking) in PNG.

## Audit

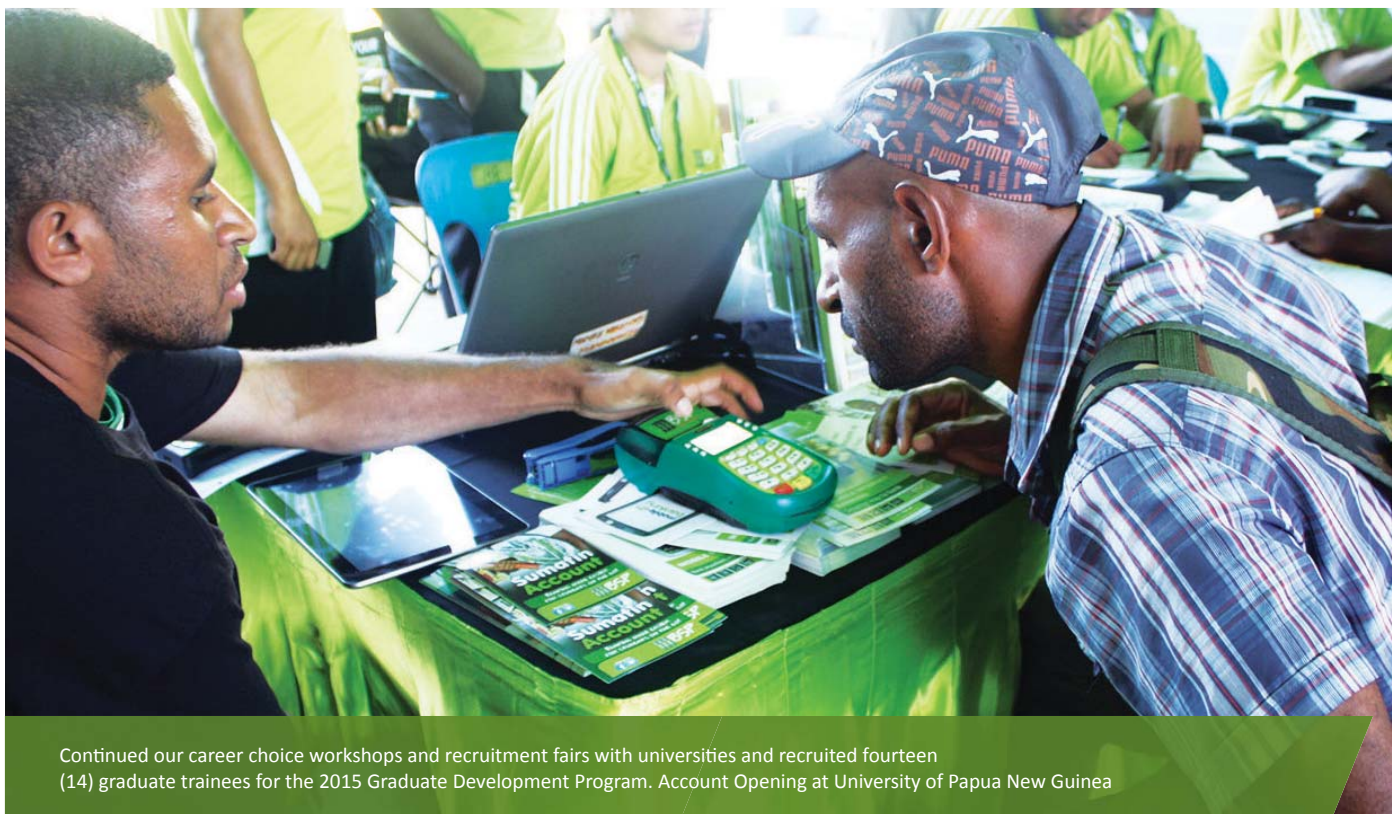
BSP has independent internal audit functions in PNG, Fiji (both the Bank and Life Insurance operations) and Solomon Islands with these various teams reporting, through the Head of Group Internal Audit, functionally to the Board Audit Risk & Compliance Committee (BARCC) and Chief Executive Officer in Port Moresby and administratively to the Chief Risk Officer.

The PNG internal audit unit includes four Regional Audit Officers and seven Branch Audit Officers positions (based in selected branches throughout PNG); in its complement of 30 positions.

There are eight audit staff based in Fiji and three in the Solomon Islands.

Major highlights during 2014 were internal audits of the Bank's Treasury, International Operations, Information Technology and Financial Accounting Units plus subsidiary company, BSP Capital Ltd.

One of the key focus areas during 2014 was also the continued strengthening of the Bank's IT Audit capabilities.



Continued our career choice workshops and recruitment fairs with universities and recruited fourteen (14) graduate trainees for the 2015 Graduate Development Program. Account Opening at University of Papua New Guinea

## Legal Services & Company Secretary

Legal Services provides an in-house legal counsel and advisory function for BSP. It is involved in internal legal advice on a range of matters, many of which are time critical, with prompt and accurate advice being vital. The head of legal is also responsible for legal advice to the Executive. All contracts, leases and agreements are reviewed by Legal prior to execution. Legal Services also manages litigation matters involving the Bank.

Company Secretary has responsibility for compliance with PomSoX reporting requirements, BPNG regulatory requirements, corporate compliance requirements, investor relations and also Board secretarial functions within the Bank.

## BSP FINANCE

In response to customer feedback via the periodic customer surveys, the BSP Board of Directors resolved to establish BSP's own asset finance company to provide further products and services in its chosen markets. The establishment of this entity will enable BSP to extend its financial and lending activities into broader sectors of the local economy throughout Papua New Guinea and the South Pacific region. The Finance company was officially launched on 8th October, 2014 by the Board Chairman, Kostas Constantinou during a Board meeting in Fiji.

In November 2014, BSP Finance opened its first Branch in Suva Fiji. This was subsequently followed by a December opening of its PNG office in Port Moresby. BSP is Papua New Guinea's leader in innovative banking and financial solutions and we will use our current brand to build the BSP Finance.

Brand – BSP is already well regarded in the Pacific market and we are keen to build on this position to assist all our clients achieve their financial objectives. BSP Finance offers competitive interest rates and fees and provides fast turn-around times to meet customer needs. It is well positioned to capitalise on its wider Group business including referrals from BSP's extensive branch network. The Finance company through flexible policies will provide a finance alternative to those businesses that don't meet the traditional lending guidelines and underwriting standards of commercial banks.

## HUMAN RESOURCES

The Human Resources SBU is a key strategic partner in the Bank supporting the operations of the Bank through its core HR Management functions.

In 2014, the HR SBU implemented the following key initiatives:

### Recruitment & Selection:

- Facilitated the hiring of staff for the new established companies BSP Finance in both PNG and Fiji, and across the whole organisation.
- Facilitated the identification of a number of senior citizen and non-citizen staff to replace outgoing contract workers.
- Continued our career choice workshops and recruitment fairs with universities and recruited fourteen (14) graduate trainees for the 2015 Graduate Development Program.

## Learning & Development:

As part of the Bank's career development and succession planning we facilitated these programs in the operating year. These were:

- Identified fifteen potential Leaders and developed individual learning and career growth plans. The potential leaders are categorised under – Senior Leaders, Developing Leaders and Emerging Leaders for development planning purposes.
- Seconded three staff out of the fifteen potential leaders to Bank of Philippine Islands (BPI) for a period of three months. This program will continue in 2015 and a total of nine staff of the Leadership Development Group will be seconded to BPI in 2015.
- Commenced the BSP Executive Committee (EXCO) Apprentice Scheme, and a total of eight staff out of the 2014 Leadership Development pool attended two EXCO meetings to familiarise themselves with the decision-making process at the Bank's Executive Level. As part of the Bank's initiative to improve service delivery and embed the service culture in the Bank, facilitated the "icare Customer First" training program, covering the entire workforce in PNG, SI and Fiji.

## Ongoing training initiatives for 2014 included:

- Facilitated Leadership development course for team leaders and middle management employees
- Conducted a variety of soft skills and technical skills, namely; Customer Services, Presentation Skills, Time Management, Communication Strategy and Microsoft Office Application training courses.
- Conducted Train-the-Trainer workshop for the Retail Branch Training officers and Rural Regional Managers to develop their course preparation and presentation skills.
- Continued to facilitate Moody's training in Credit Skills and Business finance for Credit and Corporate Banking employees.

## Remuneration Management/ Succession Planning

- In conjunction with a number of SBUs, namely Retail and Operations restructuring initiatives within the Bank, rehayed a number of key roles, revised job grades and aligned salary levels to allow career growth within the Business Units and attract and/or retain key employees.
- As part of the cost savings initiatives, revised the Critical employee listing in the Bank and increased the number of senior citizen managements participation in the staff vehicle lease benefit as an employee wealth creation proposition.
- As part of the Bank's employee wealth creation proposition, revised the National Staff Home Ownership Scheme policy to make it more affordable for the eligible employees to purchase their first home in the main urban centres. The key changes in the policy were; increased housing allowance and Bank subsidy, payable when the employee participates in the scheme. We will continue to market this product to Bank employees in 2015 to ensure more eligible employees participated in the scheme.

## HR Operations

As part of HR operational efficiency improvement drive, the following initiatives were implemented using the HCM system:

- Automated the distribution of Employee's Statement of Earnings and the IRC required Statement of Earning annual report via the HCM Self Service, which eliminates the paper base process.
- Distributed to key stakeholders a number of key Personal Employee Action reports on new hires, termination/resignation, promotion and salary changes using HCM Self Service.
- Automated the submission and approval of income types such as overtime and other allowances using HCM Self Service, which transmits directly to payroll, reducing payroll processing time by two (2) mandays and eliminates the risk of manual error at the payroll business unit.
- We will continue to automate a number of HR manual processes in 2015 to streamline the approval process and shorten the turnaround time on our internal customers' needs.

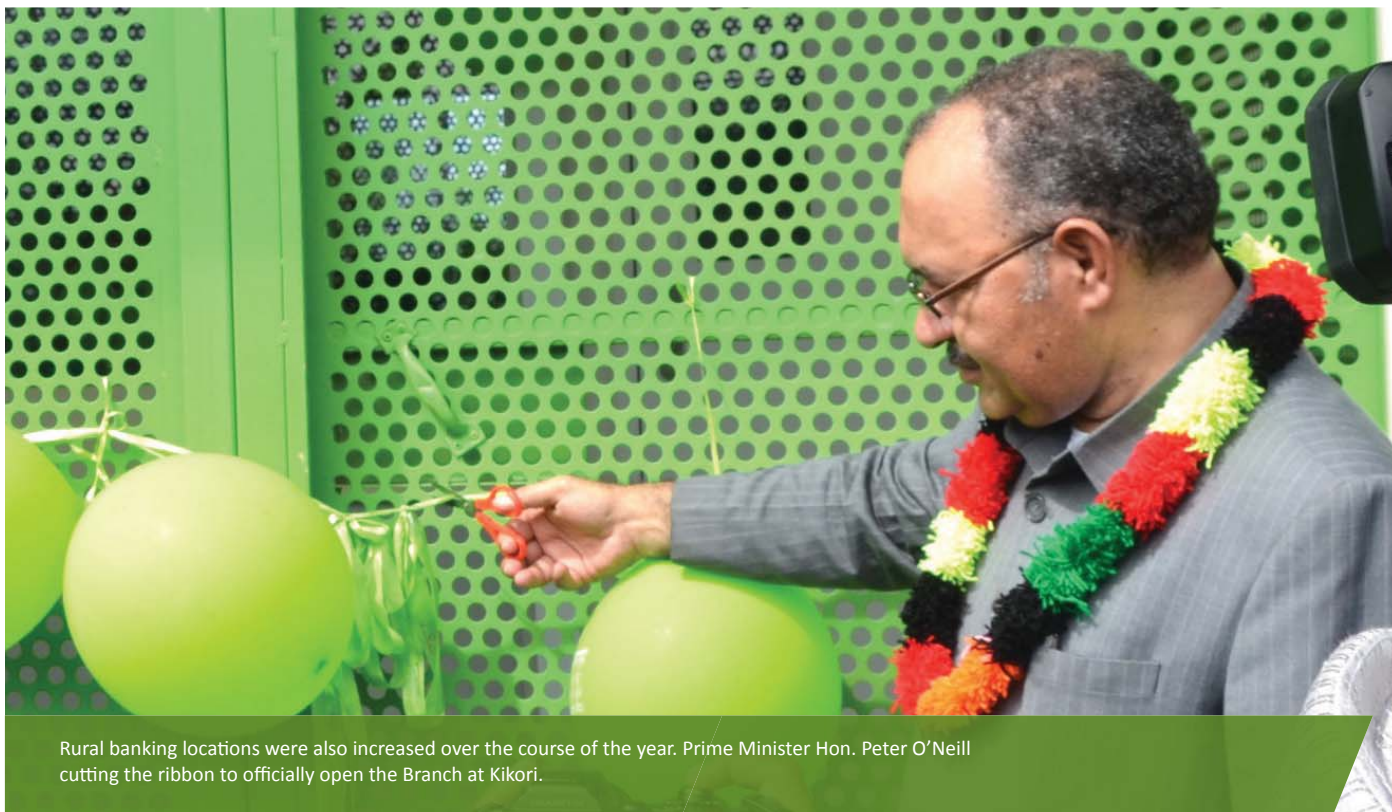
Total staff was 2,721 (BSP PNG) and 3,709 (BSP Group). Staff turnaround in 2014 was 12 percent compared to 10 percent in 2013. Total training mandays for 2014 was 11,131 equating to 4.0 mandays per employee.

## OPERATIONS & INFORMATION TECHNOLOGY

Given the role of the SBU as provider of technology, transactional and logistical support for the Bank, the past year experienced significant progress and/or implementation of numerous key projects providing increased business functionalities as well as increased efficiencies. In terms of the KATS (Kina Automated Transaction System) Project sponsored by the BPNG, whereas 2013 saw the implementation of RTGS (Real Time Gross Settlements) payments, 2014 evidenced the implementation of the cheque truncation phase whereby paper cheques are no longer exchanged by the banks. Instead digital cheque images are exchanged and settled throughout the day using the KATS system to which all banks are connected. This is significant because with the introduction of cheque truncation, PNG has surpassed numerous developed markets in terms of automation. By way of benefits to BSP, this has allowed for greater security in identification of frauds as well as improved efficiency and cost reductions by no longer needing cheques to be couriered and exchanged in various parts of the country, being able to centralise the cheque clearing function within Head Office and disbanding the Lae Operations Centre whose staff were transferred to the Retail network.

The Lendfast automated loan processing project was also paramount in terms of activity by the Project Management Office and the various business stakeholders. The year began with the implementation of Phase 1 which allowed for automated processing of personal unsecured lending from client application stage, credit bureau verification to eventual disbursement.

In the meanwhile significant work was ongoing to expand the utilisation of the system such that by December 2014 BSP was ready with the next phase being the automation of housing loans with a January 2015 launch date.



Rural banking locations were also increased over the course of the year. Prime Minister Hon. Peter O'Neill cutting the ribbon to officially open the Branch at Kikori.

Given the rapid proliferation of electronic fraud globally as well as within PNG, we implemented a card and merchant fraud management solution in August 2014. This enables real time monitoring of transactions and systemic filtering for referrals to fraud analysts in order to protect both the Bank and our electronic banking clients.

A further action taken to protect clients and provide additional security for their transactions was the introduction of Verified by Visa which enables clients to register for alerts by email or SMS for any card transactions.

This year also saw the introduction of the BSP Smart Phone App for Apple, Android and Windows Phone devices for which take up has been positive and growing in line with the decreasing cost of smart phones for the average Papua New Guinean.

The full suite of Mobile Banking products was also rolled out to our operation in the Solomon Islands. This covered branchless (tablet) banking, mobile banking and a new personal internet banking. As such good progress is being made for BSP revenue in top ups for both mobile phone providers as well as electricity payments.

In terms of technology “business as usual”, despite the challenging conditions PNG offers with power and communications infrastructure, BSP managed to meet or exceed stated service levels for systems availability in most cases. The major exception was in our new mobile banking channel where some challenges still exist with our third party vendor as well as our telecommunications service partner. In order to ensure that we are prepared for any potential disasters, we have successfully performed role swaps between data centre locations for our main systems such as core banking, electronic front end, treasury front end as well as SWIFT from our production facility to our back up facility.

This past year was also active from a building perspective. During the course of the year we completed our new multi-story facility in Lae dedicated mostly to corporate and commercial banking clients as well as BSP First. The location also has seven ATMs most of which are accessible by mass market clients 24/7. A full rework was also undertaken at Waigani Banking Centre branch to provide more room to clients as well as structure the physical area more in line with more direct customer contact facilitating sale and service. Customer feedback has been very positive.

Rural banking locations were also increased over the course of the year. New locations were opened in Gusap, Maprik, Kerema and Ialibu with further additions coming shortly in Higaturu and Kerevat.

## Major Plans for 2015

The first half of 2015 will be extremely active with the rollout of more key projects. These include the implementation of the final phase of KATS being the Credit Transfer system for small value amounts.

This will be implemented in quarter 1 alongside with Electronic Batch Payments which will allow clients to securely upload batch payments using Corporate Internet Banking for payrolls and invoices to be straight through processed through to BSP accounts and other banks through KATS without manual intervention.

The Lendfast automated lending platform will be further enhanced to enable the automated processing of SME and Savings Secured Lending to further improve the turn-around times for our personal and SME clients. Much work has also been undertaken and will soon come to fruition for our new Loan Collections System which will greatly increase the efficiency and speed with which past due loans will be actioned.

This will affect activities in both the loan Collections as well as Asset Management teams. This year will also see BSP introduce its new Ingenico EFTPoS terminals which will in due course accept chip enabled cards and be PCI DSS compliant as well. The rollout is expected to last throughout the year and into the early part of 2016 until the replacement of the entire fleet is completed.

From an efficiency perspective, we will introduce a new Fixed Asset Management system for maintaining and controlling the fixed assets of the Bank. The system will include a complete end to end workflow such that the assets can be tracked from Purchase Order stage to payment to final booking to the balance sheet including automated generation of account postings. This will enable much faster turnaround on processing of invoices as well as ensuring that all assets are fully accounted for and maintained on an automated basis.

There will also be other initiatives from Operations and IT in line with various efforts to improve efficiencies, tighten controls and meet the needs of the front line businesses. These will focus on centralising more branch back office activities into Head Office's TCS such that the branches have more time and resources for front facing activities.

The property activities will also be significant during 2015. The second quarter will most likely be the timing for BSP to move its Data Centre to its new location at the Gordons compound where a new state of the art facility is being completed with full redundancies for all the key services. Adjacent to the Data Centre will be a new Security facility from which tracking of all security related activities will be performed which will also include some limited housing to reduce external occupancy costs. The new head office located at Waigani is currently due for completion towards the end of 2015. This new facility will be used by most of the Head Office functions within Port Moresby and will house in excess of 900 staff. In addition to having redundancy of services for the large number of occupants, it will also house a secondary data centre and as such will include contingencies for telecommunications, power, cooling and fuel.

Given this large pending relocation of staff, BSP will have an excess of owned real estate which will be sold this year. This will include the old Head Office on Douglas St, the Boroko Banking Centre and a shareholding in Malagan being the owner of BSP Haus. Long term leases will be secured for the existing branches operating within these locations.

## FINANCE & PLANNING

Building on the previous year's work Finance and Planning's objectives for 2014 aimed to build on work started in previous years and this year's accomplishments for the year reflect that aim, but notably, work done in 2014 has also included new initiatives and directions taken during the year.

### Constant improvement over its basic deliverables

- Improved delivery on Customer Profitability Module.
- A better understanding of operational issues and processes and the links to financials. Improved control over the balance sheet and a more effective compliance/control function. A group wide reconciliations policy was rolled out, requiring centralised oversight to ensure proper reconciliation and sign-off.

- Better Analysis. Improved and greater understanding over Volume and Rate, Channel Performance, Customer Segments. Finance improved drill-down capabilities in systems (GL and core banking) to facilitate meaningful analysis.
- Improved reporting. Better KPIs linked to strategic objectives, more targeted KPIs and dashboards. Improved the efficiency with which reports are prepared. Keep on meeting deadlines. Deliver better information, with less work.
- Continuing to meet investor and regulatory reporting and compliance requirements.

## Transformation

- MARS – an expanded Analytics team partnered with Retail SBUs to deliver valuable big data analytics and a Whole-of-Bank view of the business. This has provided a better view of customer interaction with all parts of the bank. Provided more transparency to financials linking to operational or core systems.
- Cost Control - driving cost savings and benefits realisation initiatives for the Bank, collaboratively engaging with management and SBUs on cost reviews and revenue opportunities,
- Improved strategic planning for the bank. Improved strategic development during budget cycle with more insightful information and analyses, including the introduction of internal rent charges reflecting commercial conditions. In 2014 Strategic Planning was handled completely in-house,
- Establishing a capital modelling process and methodology. Facilitated the evaluation of capital decisions, including a financial scenario modelling tool

## People

- Continuing to invest in staff skill and knowledge through training and mentorship and scholarships and achieve demonstrable acquisition of new or additional professional expertise, with a corresponding reduction of reliance on external consulting resources.
- Recruiting at a higher level, retaining and promoting high performers within the team.
- Challenge ourselves to deliver a higher quality service, keep up professional development, set ourselves goals that extend us and benefit the business.

## New Initiatives

- In 2014 the payroll function was moved from Human Resources to Finance & Planning, providing better segregation of duties and cross-checks.
- Middle Office is now stable, with better control over Sierra
- Progress has been achieved on the strategic objectives of establishing a new asset finance company and moving into new markets.
- Leading an end-to-end Productivity and Process review, identifying opportunities for automation and the removal of duplicated or obsolete processes.
- Commenced work towards an integrated Ordering, Accounts Payable and Asset Management system, to be in place by mid-2015.
- Developed Key Performance Indicators for Group, Bank and SBU levels with an improved understanding of specific stakeholder requirements.



2014 was aimed at empowering the customer, ensure that customers know how to fully utilise the services offered through BSP.



# CORPORATE GOVERNANCE

BSP has adopted an approach to Corporate Governance that is underpinned by our Core Values of Integrity, Leadership, People, Professionalism, Quality, Teamwork and Community.

This approach is supported by a comprehensive framework of Corporate Governance principles and policies. The BSP Board has demonstrated its commitment to developing and maintaining a standard of corporate governance that seeks to match global practice.

The Board ensures that it complies with the requirements of BSP's home exchange, Port Moresby Stock Exchange ("POMSOX"). It also closely monitors developments in corporate governance principles and practice within Australia and has benchmarked itself against:

- ASX Corporate Governance Council 'Corporate Governance and Best Practice Recommendations'
- Australian Prudential Regulatory Authority Prudential Standard APS 510
- Standard Australia AS 8000-2003 Good Governance Principles

BSP is mindful of the advantages of demonstrating to investors that its corporate governance standards meet the requirements expected of companies listed in countries such as Australia. This Corporate Governance Statement therefore compares BSP's corporate governance practices to the ASX Corporate Governance Council and Best Practice Recommendations. BSP manages in excess of half the banking market in Papua New Guinea, and is predominantly owned by institutions and individuals in Papua New Guinea. The Board, management and staff of BSP are very much aware of their responsibilities to the people of Papua New Guinea. The set of Corporate Governance principles developed by BSP is intended to provide a framework that will help to ensure that BSP deals fairly and openly with all its stakeholders – shareholders, customers and staff alike.

BSP publishes its corporate governance practices on its website. This is available at [www.bsp.com.pg](http://www.bsp.com.pg) in the shareholders section.

## THE BOARD OF DIRECTORS

### Role and Responsibility of the Board

The roles and responsibilities of the Board are defined in the Board Charter. This document also details the matters reserved for the Board and matters that have been delegated to management. The Board, with the support of its committees, is responsible to the shareholders for the overall performance of the company including its strategic direction; establishing goals for management; and monitoring the achievement of those goals with a view to optimising company performance and increasing shareholder value.

- overall strategy of the company, including operating, financing, dividends, and risk management;
- appointing the Group Chief Executive Officer and setting an appropriate remuneration package;
- appointing General Managers and setting appropriate remuneration packages;

- appointing the Company Secretary and setting an appropriate remuneration package;
- endorsing appropriate policy settings for management;
- reviewing Board composition and performance;
- reviewing the performance of management;
- approving an annual strategic plan and an annual budget for the company and monitoring results on a regular basis;
- ensuring that appropriate risk management systems are in place, and are operating to protect the company's financial position and assets;
- ensuring that the company complies with the law and relevant regulations, and conforms with the highest standards of financial and ethical behaviour;
- acquisitions and disposals material to the business;
- establishing authority levels;
- Directors' remuneration via the Remuneration & Nomination Committee;
- selecting, with the assistance of the Audit, Risk and Compliance Committee, and recommending to shareholders, the appointment of external auditors;
- approving financial statements.

A number of these responsibilities have been delegated by the Board to various committees. The committees and their responsibilities are detailed in Section 2, Board Committees.

The Board has delegated to management responsibility for:

- developing the annual operating and capital expenditure budgets for Board approval, and monitoring performance against these budgets;
- developing and implementing strategies within the framework approved by the Board, and providing the Board with recommendations on key strategic issues;
- appointing management below the level of General Manager and preparing and maintaining succession plans for these senior roles;
- developing and maintaining effective risk management policies and procedures;
- keeping the Board and the market fully informed of material developments.

### Membership, expertise, size and composition of the Board

The Corporate Governance Principles affirm that the majority of the Board should be independent. As is typical of small financial markets generally in Papua New Guinea, there are very considerable demands on the relatively small numbers of people with the skills and experience to fill the demanding role of Non-executive Director on the Boards of the Nation's larger corporate institutions.

In these circumstances it is inevitable that a number of the Non-Executive Directors of BSP will also have roles on the Boards, or in Senior Management, of institutions that may be significant shareholders in, or substantial customers of the Bank.



BSP Board of Directors

Directors of BSP are meticulous in handling situations where there could potentially be conflicts of interest, by declaring their interests in advance, and absenting themselves from any consideration of matters where a conflict might arise. The Bank's Corporate Governance Principles require Directors to disclose any new Directorships and equity interests at each Board meeting.

The maximum number of Directors, as prescribed by the Constitution approved by shareholders, is ten. At the date of this report there are ten Directors, with nine Non-executives designated as independent, plus the Group Chief Executive Officer. Under the Constitution, at each annual general meeting one-third of the company's Directors, in addition to any Director appointed during the year, excluding the Group Chief Executive Officer, must offer themselves for re-election by the shareholders.

Normally, Non-executive Directors are expected to serve a maximum of four three-year terms, dating from the AGM at which the newly elected Director is first confirmed by shareholders. This provision has effect from the date the Bank took its present form, following the merger of BSP with the Papua New Guinea Banking Corporation in April 2002. In certain instances it may be considered that a director may bring valuable expertise, independent judgement and an ability to act which may determine that it is in the best interests of the Company for a director to serve beyond a fixed term.

The Board has a broad range of skills, experience and expertise that enables it to meet its objectives. Details of the Directors' business backgrounds and experience are provided on pages 9 and 10. The Board accepts that it has a responsibility to shareholders to ensure that it maintains an appropriate mix of skills and experience (without gender bias) within its membership.

And consequently gives careful consideration to setting criteria for new appointments it may recommend to shareholders in accordance with the BSP Constitution. It has delegated the initial screening process involved to its Remuneration and Nomination Committee which, in accordance with its Charter, may seek independent advice on possible new candidates for Directorships. All Directors must be satisfied that the best candidate has been selected.

Nominees of the Board and/or shareholders must meet the 'fit and proper person' criteria established by the Bank of Papua New Guinea before they can take their place on the Board. The Board does not accept that any office bearer and/or employee of an institutional shareholder, by virtue only of his/her position within that organisation, have an automatic right to be appointed to the Board.

On joining the Board, new Directors will be provided with a comprehensive orientation programme.

## Role and selection of the Chairman

The Chairman is elected by the Directors every two years and holds the position for a maximum of three terms. His role includes:

- ensuring all new Board members are fully aware of their duties and responsibilities;
- providing effective leadership on the company's strategy;
- presenting the views of the Board to the public;
- ensuring the Board meets regularly throughout the year, and that minutes are taken and recorded accurately;
- setting the agenda of meetings and maintaining proper conduct during meetings;
- reviewing the performance of Non-executive Directors;

The Chairman is not permitted to occupy the role of Chief Executive Officer.

Kostas Constantinou, OBE, who sits on the Board as an independent Non-executive Director, is the current Chairman.

### Director independence and Conflict of Interest

Directors are determined to be independent if they are judged to be free from any material or other business relationship with the Bank that would compromise their independence.

Prior to appointment Directors designated are required to provide information to the Board for it to assess their independence.

In assessing the independence of Directors, the Board will consider a number of criteria including:

- the Director is not an executive of the bank;
- the Director is not a substantial shareholder of the bank or otherwise associated directly with a substantial shareholder of the bank;
- the Director has not within the last three years been a material consultant or a principal of a material professional adviser to the Bank or a group member, or an employee materially associated with a service provided;
- the Director is not a material supplier to, or customer of the Bank or other group member, or a material consultant to the Bank or other group member, or an employee materially associated with a material supplier or customer;
- the Director has no material contractual relationship with the Bank or other group member other than as a Director of the bank;
- the Director is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Bank.

This information is assessed by the Board to determine whether on balance the relationship could, or could reasonably be perceived to, materially interfere with the exercise of the Director's responsibilities. Materiality is assessed on a case-by-case basis.

As noted earlier, the Board is cognisant of the need to avoid conflicts of interest and it has in place policies and procedures for the reporting of any matter, which may give rise to a conflict between the interests of a Director and those of the Group. These arrangements are designed to ensure that the independence and integrity of the Board are maintained.

The Bank of Papua New Guinea sets prudential limits on loans to 'associated persons': Bank South Pacific fully complies with these requirements.

Financial Note 30, Related Party Transactions are summarised in page 75. Director's Information on page 93 provides details of the Director's Interests.

### Meetings of the Board and attendance

Scheduled meetings of the Board are held six times a year, and the Board meets on other occasions as necessary to deal with matters requiring attention. Meetings of Board Committees are scheduled regularly during the year. The Board has a policy of rotating its meetings between locations where the Group has a significant presence. On these occasions the Board also visits company operations and meets with local management and key customers.

The Chairman, in consultation with the Chief Executive Officer, determines meeting agendas. Meetings provide regular opportunities for the Board to assess BSP's management of financial, strategic and major risk areas. To help ensure that all Directors are able to contribute meaningfully, papers are provided to Board members one week in advance of the meeting. Broad ranging discussion on all agenda items is encouraged, with healthy debate seen as vital to the decision making process.

Financial Note 27, Directors' and Executive remuneration, on pages 71 - 73, provides attendance details of Directors at Board meetings during 2014.

### Review of Board Performance

The Remuneration and Nomination Committee reviews the processes by which the Board regularly assesses its own performance in meeting its responsibilities. It is intended to extend the assessment of the Board as a whole to include an assessment of the contribution of each individual Director. The Board is cognisant of the need to continually identify areas for improvement; to ensure that it meets the highest standards of corporate governance; and for the Board and each Director to make an appropriate contribution to the Group's objective of providing value to all its stakeholders. The performance review is conducted annually, and may involve assistance from external consultants.

### Board Access to Information and Advice

All Directors have unrestricted access to company records and information and receive regular detailed financial and operational reports to enable them to carry out their duties. The General Managers make regular presentations to the Board on their areas of responsibility. The Chairman and the other Non-executive Directors have the opportunity to meet with the Chief Executive Officer and the General Managers for further consultation, and to discuss issues associated with the fulfilment of their roles as Directors.

The Board recognises that in certain circumstances individual Directors may need to seek independent professional advice, at the expense of the company, on matters arising in the course of their duties. Any advice so received is made available to other Directors. Any Director seeking such advice is required to give prior notice to the Chairman of his or her intention to seek independent professional advice.



A Customer meets with PNG Games Ambassador Scott Prince. The PNG Games was held in November 2014.

## BOARD COMMITTEES

### Board Committees and Membership

The Board has established two committees whose functions and powers are governed by their respective charters. These committees are the Audit Risk and Compliance Committee, and the Remuneration and Nomination Committee. Membership of the committees and a record of attendance at committee meetings during the year is detailed in table below. Remuneration details are provided in Financial Note 27 on page 72.

Membership of Board Committees as at 31/12/2014:

	Board Audit Risk & Compliance Committee	Remuneration & Nomination Committee
Geoff Robb	6/6 Chair	
Sir Nagora Bogan	4/6	
Gerea Aopi	4/6	
Arthur Sam <sup>1</sup>	6/6	
Freda Talao <sup>2</sup>	5/6	
Kostas Constantinou	2/2*	
Tom Fox	2/2*	Chair 3/3
Ila Temu	2/2*	3/3
Lyle Procter	2/2*	3/3
Ernest Gangloff	6/6	
Augustine Mano	0/0	

<sup>1</sup> Arthur Sam is a non-executive, non-director, appointed by the board for board development purposes.

<sup>2</sup> Freda Talao attends as an observer director. \*Board members who attend the BARCC meeting to discuss the year end and half year accounts.

### Committee Charters

The Committee Charters are available in the shareholders information section of the BSP website [www.bsp.com.pg](http://www.bsp.com.pg).

### Committee Structure

Committee members are chosen for the skills, experience and other qualities they bring to the committee. At the next Board meeting following each committee meeting, the Board is given a report by the Chairman of the respective committee and minutes of the meeting are tabled.

The Audit Risk and Compliance Committee is comprised of three Non-executive Directors, a majority of whom should be independent, and who are duly appointed by the Board. The Chairman of the Audit Risk and Compliance Committee must be one of the independent Directors, other than the Chairman of the Board. Each member should be capable of making a valuable contribution to the committee and membership is reviewed annually by the BSP Board.

The Remuneration and Nomination Committee comprises three Non-executive Directors, the majority of whom should be independent, and who are duly appointed by the Board.

The Chairman of the Remuneration and Nomination Committee must be one of the independent Directors, other than the Chairman of the Board.

Each member should be capable of making a valuable contribution to the committee, and membership is reviewed annually by the BSP Board.

A review of the performance of committee members will form part of the Board's performance review.

### Board Audit Risk & Compliance Committee

The Audit Risk and Compliance Committee is delegated by the Board with responsibility for reviewing and monitoring the:

- integrity of the financial statements and the financial reporting and audit process;
- external auditor's qualifications, performance and independence;
- performance of the internal audit function of the bank;
- performance of the operational risk function of the bank;
- systems of internal control and management of all risks;
- systems for ensuring operational efficiency and cost control;
- systems for approval and monitoring of expenditure including capital expenditure;
- processes for monitoring compliance with laws and regulations (both in Papua New Guinea and overseas);
- implementation of Board decisions by management and making recommendations to the Board for the appointment of the external auditor;
- annual internal audit plan and its ongoing review.

In the course of fulfilling its mandate, the committee meets with both the internal and external auditors without management present.

### Annual Financial Statements

The Audit Risk and Compliance Committee reviews the annual financial statements to determine whether they are complete and consistent with the information known to committee members and to assess whether the financial statements reflect appropriate accounting principles. In particular it:

- pays attention to complex and/or unusual transactions;
- focuses on judgmental areas, for example those involving valuation of assets and liabilities; provisions; litigation reserves; and other commitments and contingencies;
- meets with management and the external auditors to review the financial statements and the results of the audit;
- reviews the other sections of the Annual Report before its release and considers whether the information is understandable and consistent with members' knowledge about the bank and its operations;
- satisfies itself as to the accuracy of the financial accounts, reconciles them with management accounts presented to the committee, and signs off on the financial accounts of the bank before they are submitted to the Board.

### External Audit

The Audit Risk and Compliance Committee is responsible for making recommendations to the Board on appointment and terms of engagement of BSP external auditors. The selection is made from appropriately qualified companies in accordance with Board policy.

The Board submits the name of the recommended appointee to shareholders for ratification. In line with the policy of the Bank of Papua New Guinea, the signing partner in the external audit firm must be rotated at least every three years.

The committee reviews annually the performance of the external auditors and makes recommendations to the Board regarding the continuation or otherwise of their appointment, consistent with the Bank of Papua New Guinea's Prudential Standard No. 7/2005 - External Auditors, while ensuring their independence is in line with Board policy.

There is a review of the external auditor's proposed audit scope and approach, to ensure there are no unjustified restrictions. Meetings are held separately with the external auditors to discuss any matters that the committee or the external auditors believe should be discussed privately. The external auditor attends meetings of the Audit Risk and Compliance Committee at which the external audit and half yearly review are agenda items.

The committee ensures that significant findings and recommendations made by the external auditors are received and discussed promptly, and that management responds to recommendations by the external auditors in a timely manner.

The duly appointed external audit firm may not be engaged by the Group to provide specialist consultancy services relating to financial, strategic and/or taxation matters.

The external auditor is invited to the Annual General Meeting of shareholders and is available to answer relevant questions from shareholders.

The Bank of Papua New Guinea Prudential Standards provide for a tri-partite meeting between BPNG, the external auditors, and the Bank, if required.

### Internal Audit

The Audit Risk and Compliance Committee approves, on the recommendation of management, the appointment of Head of Internal Audit. The committee meets regularly with Head of Internal Audit.

Reviews are undertaken of the scope of the work of the internal audit function to ensure no unjustified restrictions or limitations have been placed upon Audit and Risk Departments. The Audit Risk and Compliance Committee also reviews the qualifications of internal audit personnel and endorses the appointment, replacement, reassignment or dismissal of the internal auditors.

An independent review by an expert consultant is made regularly as to the effectiveness of the internal audit and risk function.

These reports are presented to the Audit Risk and Compliance Committee, and the Board.

The Audit Risk and Compliance Committee meets separately with the internal auditors to discuss any matters that the committee, or the internal auditors, believe should be discussed privately. The Internal Auditor has direct access to the Audit Risk and Compliance Committee and to the full Board. The committee ensures that significant findings and recommendations made by the internal auditors are received and discussed promptly, and that management responds to recommendations by the internal auditors on a timely basis.

Internal Audit meets with the external auditors half yearly, to review the scope and findings of internal audit's annual audit plan, and the extent of the external audit plan, having regard to internal audit's findings.

### Compliance

The Audit Risk and Compliance Committee reviews the effectiveness of the systems for monitoring compliance with all legal and regulatory obligations and the Constitution of BSP. It also reviews the results of management's investigation and follow-up (including disciplinary action) of any fraudulent acts, or non-compliance.

The committee obtains regular updates from management and the bank's legal officers regarding compliance matters, and satisfies itself that all regulatory compliance matters have been considered in the preparation of the financial statements.

Reviews of the findings of any examinations by regulatory agencies are undertaken and the Chairman of the Audit Risk and Compliance Committee has the right to approach a regulator directly in the event of a prudential issue arising.

### Risk Management

The committee's role in the bank's risk management processes are detailed in 3(b).

### Board Remuneration and Nomination Committee

The Remuneration and Nomination Committee has been established to assist the Board in fulfilling its oversight responsibilities in respect of Board and Senior Executive Management selection, appointment, review and remuneration.

The responsibilities of the Remuneration and Nomination Committee are:

- oversee the selection and appointment of a Chief Executive Officer and recommend an appropriate remuneration and benefits package to the full Board;
- determine and review appropriate remuneration and benefits of Directors for recommendation to the full Board, and subsequently to the shareholders;

- identify and maintain a clear succession plan for the Executive Management Team, ensuring an appropriate mix of skills and experience as well as appropriate remuneration and benefits packages are in place and reviewed regularly;
- ensure that the Board itself maintains an appropriate mix of skills and experience necessary to fulfil its responsibilities to shareholders while maintaining a world class Corporate Governance regime; receive and endorse positions/titles recommended by the Chief Executive Officer from time to time as applying to designated Senior Executive Management positions;
- review the procedures in place to ensure that all new Senior Executive appointees are adequately qualified and experienced, and that proper recruitment procedures are followed;
- review and make recommendations to the Board on the appointment and terms and conditions of employment to all Senior Executive Management positions;
- review and approve all termination arrangements for such Senior Executives;
- review transactions between the Group and any of the Directors or relevant Senior Executives;
- review and make recommendations to the Board on employee remuneration and benefits policies and practices generally;
- engage external consultants as and when deemed appropriate to benchmark remuneration packages for Executives and Senior Management;
- review Board performance, tenure, and succession planning.

The Board has in place a review process, led by the Chairman, that involves a peer review of performance based on a broad range of criteria. A performance review has been performed every year since 2010.

## RISK MANAGEMENT

### Approach to Risk Management

The Group's Risk Management activities are aligned to the achievement of the Group's Objectives, Goals and Strategy. The Board, in consultation with the Executive Committee, determines the Group's risk appetite and risk tolerance. These benchmarks are used in the risk identification, analysis and risk evaluation processes.

BSP distinguishes the following major risks:

**Credit Risk:** The potential for financial loss where a customer or counter party fails to meet their financial obligation to the Group.

**Market Risk:** The potential financial loss arising from the Group's activities in financial, including foreign exchange, markets. More detailed commentary on financial risk management is provided in the Notes to the Financial Accounts.

**Liquidity Risk:** The risk of failure to adequately meet cash demand in the short term.

**Interest Risk:** Risk to earnings from movement in interest rates.

**Operational Risk:** The risk of loss resulting from inadequate or failed internal processes, people, or from external events, including legal and compliance risk.



Staff at Port Moresby branch during the Independence day flag raising.

The Group's Asset & Liability Committee monitors market risk, interest risk, and liquidity risk, and the Credit Committee monitors credit risk. Operational risk is monitored by the Operational Risk Committee, including the maintenance of a risk register system that has been implemented across the Group. The Executive Committee and the Board overview the highest tier of risks within these risk registers.

The Group's risk management policy ensures that the Group has in place acceptable limits for the risks identified by the Group's employees. The risk management approach encompasses the following:

- defining the types of risks that will be addressed by each functional or policy area (i.e. credit risk, interest rate risk, liquidity risk, operational risk, etc.);
- ensuring that mechanisms for managing (identifying, measuring, and controlling) risk are implemented and maintained to provide for organisation-wide risk management;
- developing information systems to provide early warning, or immediate alert, of events or situations that may occur, or already exist, that could create one or more types of risk for the Group;
- creating and maintaining risk management tools, including those requested by the Board, such as policies, procedures, risk registers, controls and independent testing, personnel management and training, and planning;
- instituting and reviewing risk measurement techniques that Directors and management may use to establish the Group's risk tolerance, risk identification approaches, risk supervision or controls, and risk monitoring processes;
- developing processes for those areas that represent potential risks;

- establishing appropriate management reporting systems regarding these risks so individual managers are provided with a sufficient level of detail to adequately manage and control the Group's risk exposures.

### Risk Management Roles & Responsibilities

The Board accepts responsibility for ensuring it has a clear understanding of the types of risks inherent in the Group's activities. Therefore responsibility for overall risk management in BSP is vested with the Board. However every employee from Executive Management to the newest recruit has a responsibility and a part to play in the process.

There is a formal system of financial and operational delegations from the Board to the Chief Executive Officer, and from the Chief Executive Officer to the General Managers. These delegations reflect the Group's risk appetite, and are cascaded down to managers who have skills and experience to exercise them judiciously.

The Board defines the accountabilities (including delegated approval/control authorities/limits) and reporting/monitoring requirements for the risk management process. The severity of risks identified in the risk identification, analysis and evaluation processes, and noted in the Strategic Business Unit Risk Registers, is used to determine the approval/control authorities/limits. The Board reviews these risk limits annually along with an annual review of the Group's significant risks.

The Board has adopted guidelines, with the help of management analysis, covering the maximum loss exposure the Group is able and willing to assume. These guidelines are detailed in the Group's Risk Policy and Procedures Manual which has been externally reviewed and approved by the Board.



The Board has also delegated to the Audit Risk and Compliance Committee responsibility for overview of loss control and for overseeing the risk management function.

The Audit Risk and Compliance Committee is responsible for providing regular reports and recommendations to the Board on the risk management activities of the Group, especially relating to risk issues that are outside of the authority of the Group's Executive Committee to approve.

The Group's Executive Committee is responsible for deliberating on risk management issues which are outside of the delegated authorities/ limits of the Credit Committee, Asset and Liability Committee (ALCO) and General Managers, with escalation of these issues to the Audit Risk and Compliance Committee, and the Board itself, in case of need.

### Management Assurance

The Board is provided with regular reports about BSP's financial condition and its operating performance. Annually, the Chief Executive Officer and the Chief Financial Officer certify to the Board that:

- the financial records of the Group have been properly maintained and that they accurately record the true financial position of the Group;
- the financial statements and notes meet all appropriate accounting standards;
- there are sound systems of risk management and control that are operating effectively;

Additionally all General Managers provide bi-annual statements attesting that;

- they have assessed and documented the risks and internal control procedures in their Strategic Business Unit;
- they have identified any changes in business, operations and computer systems and the risks that may arise from those changes;
- the risk management and internal compliance and control systems are appropriate and operating efficiently and effectively;
- any weaknesses in the risk management and internal compliance and control systems have been identified and remedial action taken.

### ETHICAL BEHAVIOUR

BSP acknowledges the need for Directors and employees at all levels to observe the highest standards of ethical behaviour when undertaking BSP business. To this end, the Board has adopted:

- a Code of Conduct for both Directors and members of the Executive Management team of the Group and stipulated that each Director, and relevant employees, acknowledge in writing having read, understood and agreed to abide by the Code; and
- a Corporate Mission, Objectives, and Core Values Statement which establishes principles to guide all employees in the day to day performance of their individual functions within the Group.

To ensure the maintenance of high standards of corporate behaviour on an ongoing basis, the Board further stipulates that senior management periodically undertake an appropriate communication programme to reinforce both the Code and Core Values Statements. All Directors are encouraged to maintain membership of an appropriate Directors' Association to keep abreast of current trends in Directors' duties, responsibilities and corporate governance issues.

BSP is committed to a culture in which it is safe and acceptable for employees, customers and suppliers to raise concerns about poor or unacceptable practices, irregularities, corruption, fraud and misconduct.

The Group has adopted a whistle-blowing policy that is designed to support and encourage staff to report in good faith matters such as:

- unacceptable practices;
- irregularities or conduct which is an offence or a breach of laws of the countries in which BSP operates in (actions and decisions against the laws of relevant countries including non-compliance);
- corruption;
- fraud;
- misrepresentation of facts;
- decisions made and actions taken outside established BSP policies & procedures;
- sexual harassment;
- abuse of Delegated Authorities;
- misuse of Group assets;
- disclosures related to miscarriages of justice;
- health and safety risks, including risks to the public as well as other employees;
- damage to the environment;
- other unethical conduct;
- failure to comply with appropriate professional standards;
- abuse of power, or use of the Group's powers and authority for any unauthorised purpose or personal gain;
- breach of statutory codes of practice.

Directors and management of the Group are subject to Securities Act 1997 restrictions for buying, selling or subscribing for securities in the Group if they are in possession of inside information, i.e. information which is not generally available and, if it were generally available, a reasonable person would expect to have a material effect on the price or value of the securities of the Group.

Further, Directors and management may only trade in the securities of the Group, subject to the foregoing insider trading restrictions, during each of the eight weeks following the announcements of half yearly profit and yearly profit or the date of issue of a prospectus. Management should discuss proposed share trades with the Chief Executive Officer in advance, who in turn will keep the Chairman of the Board apprised of management activities. Directors should discuss proposed share trades with the Chairman in advance.

In addition Directors and management must not trade in any other entity if inside information on such entity comes to the attention of the Director or management by virtue of holding office as an Officer of the Group.



BSP is committed to a culture in which it is safe and acceptable for employees. Above: Branchless Banking team.

## MARKET DISCLOSURE

The Group's continuous disclosure regime is fundamental to the rights of shareholders to receive information concerning their securities. The most important aspect of the Group's shareholder communication policy is to comply with the continuous disclosure regime and to implement best practice disclosure policy.

Market announcements are posted to BSP's website immediately after release to the market. All market announcements made by the bank since its listing in August 2003 are currently available on the website. Where BSP provides financial results' briefings to analysts or media, these briefings are published on the website as soon as possible after the event. In any event, no material information which has not been previously released to the market is covered in such briefings. The material upon which the briefing is based (such as slides or presentations) is released to the market prior to the briefing.

The Group's insider trading rules are important adjuncts to the continuous disclosure regime in ensuring that shareholders are given fair access to material information regarding securities. BSP seeks to limit the opportunity for insider trading in its own securities through its continuous disclosure policies and the dealing rules applying to its employees and Directors.

## SHAREHOLDER COMMUNICATIONS

BSP's Code of Conduct requires its employees to act with high standards of honesty, integrity, fairness and equity in all aspects of their employment with BSP.

With this in mind, BSP commits to dealing fairly, transparently and openly with both current and prospective shareholders using available channels and technologies to communicate widely and promptly. BSP commits to facilitating participation in shareholder meetings, and dealing promptly with shareholder enquiries.

Our shareholder communication policy is built around compliance with disclosure obligations and aspiring to be at the forefront of best practice in disclosure. Our framework for communicating with shareholders is to concisely and accurately communicate:

- our strategy;
- how we implement that strategy; and
- the financial results consequent upon our strategy and its implementation.

The Group uses shareholder forums such as the Annual General Meeting, and group meetings with larger shareholders, within disclosure policies, to communicate financial performance and strategies.



Additional branches and agencies were established during the year to provide the Bank's 1.2 million customers with greater access to banking services.

## REMUNERATION

BSP remuneration policy for senior management is comprised of a fixed component and an at risk component that is a combination of short term rewards and long term incentives. The remuneration packages of General Managers and the Chief Executive Officer are approved by the Remuneration and Nomination Committee, and details are provided by the committee to the Board.

Fixed remuneration of senior management is reviewed at the time of contract renewal taking into account the nature of the role, the pay position relative to comparable market pay levels, and individual and business performance.

Non-executive Directors are remunerated on a fixed basis within an aggregate Directors' fee pool approved periodically by shareholders. The shareholders in 2012 approved an increase in the pool to K2.00 million. During 2014 K1.66 million of the pool was utilised (2013: K1.37 million).

A table of fees paid to Directors during 2014 is produced on page 71. Non-executive Directors are not paid any retirement or superannuation benefits, nor do they participate in any share option programmes.

# Historical Summary 2014

<i>Profit and Loss (K'000)</i>	2009	2010	2011	2012	2013	2014
Net interest income	473,969	544,002	597,479	681,554	740,857	852,886
Non interest income	251,743	410,973	584,867	671,870	781,217	729,844
Bad and doubtful debt (expense)/ recovery	(15,020)	(20,581)	(25,234)	(70,952)	(78,573)	(76,796)
Other operating expenses	(335,146)	(522,827)	(688,621)	(748,346)	(833,849)	(797,317)
Operating Profit	375,546	411,566	468,490	534,126	609,652	708,617
Impairment of non-current asset	2,597	-	-	-	(14,967)	-
Share of profits from associates	-	(762)	6,496	11,170	12,270	10,233
Profit before tax	378,143	410,804	474,986	545,296	606,955	718,850
Income tax (expense)	(121,025)	(127,657)	(119,039)	(137,552)	(170,127)	(211,511)
Profit/(loss) after tax	257,118	283,147	355,947	407,744	436,828	507,339
<b>Dividends (toea)</b>						
Dividends paid per share <sup>1</sup>	2.2	5.4	47.3	55.0	58.0	66.0
<b>Balance Sheet (K'000)</b>						
Net loans and advances	3,638,562	4,091,297	4,300,913	4,804,626	5,306,362	6,817,396
Total assets	9,397,821	10,027,290	11,681,293	13,333,102	15,761,420	15,876,906
Deposits	7,493,779	7,984,657	9,366,281	10,860,522	12,200,999	12,708,383
Capital	934,097	1,134,397	1,344,188	1,465,893	1,619,060	1,800,193
<b>Performance Ratios</b>						
Return on Assets	3.2%	2.9%	3.3%	3.3%	2.8%	3.2%
Return on Equity	30.6%	27.4%	28.7%	29.0%	28.3%	29.7%
Expense/Income	46.2%	54.7%	58.2%	55.3%	54.8%	50.4%
<b>Key Prudential Ratios</b>						
Capital adequacy	22.1%	23.6%	24.2%	22.3%	18.0%	24.0%
Liquid Asset Ratio	50.1%	43.0%	43.6%	38.9%	41.8%	34.3%
Leverage ratio	9.1%	10.5%	10.0%	9.0%	7.6%	9.0%
<b>Exchange rates (One (1) PNG Kina buys):</b>						
US Dollar	0.3700	0.3785	0.4665	0.4755	0.3905	0.3855
AUS Dollar	0.4127	0.3724	0.4591	0.4580	0.4369	0.4708

(Source - Bank of Papua New Guinea Quarterly Economic Bulletin)

<sup>1</sup> In 2010, BSP paid a full and final dividend for the 2009 year in July, and an interim dividend for 2010 year, in November. Dividends per share has been adjusted for 10/1 share consolidation in 2011. In 2011, BSP paid a full and final dividend for the 2010 year in June, and an interim dividend for 2011 year, in October. In 2012, BSP paid a final dividend for the 2011 year in June, and an interim dividend for 2012 year in October. In 2013, BSP paid a final dividend for the 2012 year in June, and an interim dividend for 2013 year in October. In 2014, BSP paid a final dividend for the 2013 year in June, and an interim dividend for 2014 year in October.

# Contributions by BSP to PNG

<i>All Amounts are expressed in K'000</i>	2010	2011	2012	2013	2014
Company income taxes paid to PNG Government	213,771	119,590	212,081	155,391	188,627
Other taxes paid to PNG Government (IWT,FCWT,BWT)	9,780	10,091	6,204	4,989	2,568
GST paid and not able to be recouped	14,438	10,703	12,836	14,082	11,024
Dividends Paid	247,959	223,526	258,975	271,686	309,141
Payments to PNG Based Suppliers/Creditors	153,200	240,402	489,754	440,331	314,699
Payments to PNG Training Institutions	2,908	2,133	8,076	6,076	3,787
Superannuation Payments	4,336	5,176	5,873	6,509	6,475
Salaries, bonuses and allowances paid	118,366	144,808	166,064	174,349	162,735
Commercial Rental Payments	15,038	13,094	12,621	12,637	16,159
Residential Rental Payments	2,745	10,396	33,445	36,219	28,294
Water	169	144	693	1,069	721
Power	5,067	5,544	8,771	10,517	8,539
Telecommunication	8,986	8,507	13,498	17,016	15,243
Donations and Sponsorships	317	3,879	4,192	9,267	9,358
<b>Total</b>	<b>797,080</b>	<b>797,993</b>	<b>1,233,083</b>	<b>1,160,138</b>	<b>1,077,370</b>

ATM's, EFTPoS, SMS Banking & Internet Banking continue to grow.  
Moala Islanders from Fiji proudly showing their new EasyCard.



## OVERSEAS BRANCHES & SUBSIDIARIES

## SUMMARY FINANCIAL INFORMATION

All amounts expressed in K'000

	Total Assets	Total Liabilities	Turnover	Net Profit After Tax
Solomon Islands	534,191	432,807	35,192	11,398
Fiji Branches	2,188,021	2,017,915	149,079	27,082
BSP Life	647,781	525,555	100,113	13,161
BSP Capital	24,383	17,322	8,540	(810)
BSP Convertible Note	20,469	16	2,161	2,125
BSP Finance (PNG)	5,480	660	0	(480)
BSP Finance (Fiji)	5,760	844	28	(327)

## FIJI BRANCH

### Economic Conditions

Following a buoyant 2013 when a GDP growth rate of 4.6% was achieved, 2014 is expected to continue that momentum with a forecast growth rate of 4.2%. This growth is expected to be broadly based with sugar, tourism and woodchips contributing. Consumption spending and investment indicators appear to be very strong.

Inflation remains low at 1.5%. This is partially due to the introduction of free school fees in 2014. As this anomaly flows through the system, inflation should move to around 3%. Foreign reserves remain comfortable at F\$1.8bn and 4.7 months import cover.

Monetary conditions remained accommodative with system liquidity hovering around F\$500m. Credit growth improved to 16%. This was led by an increase in consumption lending and also an increase in lending for investment purposes.

The successful completion of democratic elections in September should see a continuation of strong economic growth and investment. This will also be assisted by the re-engagement of many multilateral and bilateral aid and development partners.

### 2014 Achievements

Financial results for 2014 showed a net profit after tax of \$20.6m compared to the 2013 result of \$8.6m. This is an increase of just on 140%.

The Corporate area performed strongly with portfolio growth of 28% in a highly competitive marketplace. There was a pleasing growth in foreign exchange earnings as our initiatives to improve service delivery and the opening of 3 dedicated foreign exchange / trade centres in Suva, Nadi & Lautoka impacted results.

The Retail bank continued to perform strongly with substantial growth in personal loans, car loan and housing loans. Revenues from our electronic channels – ATM's, EFTPoS, SMS Banking & Internet Banking continue to grow and provide our clients with convenience and world class options for their banking. Additional loan provisioning was taken in 2014 to fully meet Group requirements.

Our F\$16m project to upgrade our core banking system to the latest version is progressing well. This will provide more efficient services for our clients and more flexible products. This upgrade is now expected to be fully completed in October, 2015.

In 2014 a project team with resources from Fiji & PNG successfully opened the first BSP Finance (Fiji) Limited office in our existing premises in Samabula. This exciting development will see the BSP Group being able to look after a far broader range of clients. As part of this development, the existing Samabula branch was refurbished and converted to a Sales & Business Centre.

### 2015 Initiatives and Challenges

Much of the bank's focus will be ensuring that our core banking upgrade is successful as this will transform how the bank operates and provides customer service. We will ensure that this does not compromise our ability to continue to provide great products and customer service as we build to being the best bank in Fiji.

## SOLOMON ISLANDS BRANCH

It gives me great pleasure to report that 2014 has been another successful year for BSP Solomon Islands and it is especially the case after some of the challenges the country has faced during the year.

Financial Results show a NPBT of SBD\$52.2m which is a 12% or SBD\$5.5m increase on 2013. Besides the additional income from a full year of Mobile Banking services there is no one other area that stands out and the overall result is a result of improved income and reduced expenditure in most areas. Income net of Interest Expense rose to SBD\$99m (+SBD\$4.5m) and Expenditure reduced to SBD\$46.8m (-SBD\$1m) to obtained the overall improved result.

2014 started as normal until early April when severe rains caused extensive flooding across the country but mainly on Guadal canal and in the capital Honiara. This caused severe damage to a number of businesses and loss of homes to many. I am pleased to say that BSP was the only Bank that opened each day of the flooding to enable our customers to access funds for emergency shelter and consumables. Special thanks go out to the dedicated BSP staff that were able to attend work on those days and were committed to helping our customers and the greater community. The damage caused by the flood and the resultant closure of Gold Ridge mine as a result of these floods had a significant effect on the economy of the Solomon Islands.

2014 saw the introduction of a 4th Financial Institution to the Solomon Islands however I am pleased to advise that this has had little impact on our performance and we have still been able to grow customer deposits by SBD\$45m and Lending by SBD\$54m As mentioned 2014 has seen a full year of the expanded Mobile

Banking Network and growth is evidenced by the following:

- 50% growth in EFTPoS Merchants
- 700% growth in Monthly transactions.
- Introduction of new products namely Wontok Moni and Electricity Top-Ups. The electricity Top-Ups are exclusively available to BSP customers.
- Increase in Branchless Banking Agencies from 6 to 31. As our Telecommunication providers expand their GPRS signals to provincial areas of the Solomon Islands this number will grow.



In 2014 a project team with resources from Fiji & PNG successfully opened the first BSP Finance (Fiji) Limited office in our existing premises in Samabula.

I am also pleased to advise the community involvement of the BSP staff. Each branch selected a local community project to assist this year and these projects varied from Water Storage and Sanitary assistance to local schools, and assistance to sporting communities.

This assistance was greatly appreciated by all that received it. Also pleasing this year was that BSP staff conducted their own fundraising and jointly assisted the Red Cross Handicapped School in Honiara with additional Water Storage and concrete paths.

2014 saw a number of staff changes and saw the appointment and promotion of 3 new Bank Managers.

As we move into 2015 our focus will be on developing our relationships with our Business customers, improving customer service to all and expanding and introducing our Mobile Banking services to as many customers as possible. I am sure it will be another exciting and successful year.

## BSP CAPITAL LIMITED

The results for 2014 were an improvement from prior year. Across all 3 of our major businesses (Share Broking, Funds Management and Corporate Advisory) we saw very strong and positive growth relative to 2013. This is especially pleasing given the difficult market conditions and in some cases the intensity of the competition throughout the year.

BSP Capital's reputation and that of its staff continues to grow, and we are increasingly asked to participate in more and more transactions in PNG and in the region.

Our ability to deliver as a stand-alone investment bank or as part of the wider BSP Group allows us to tailor solutions for all our customers.

## Share Broking

- We have retained our dominant market position locally and were selected by Oil Search to manage their Share Purchase Plan in 2013. Additionally we have dominated the volume of trade in the ongoing BSP Share Buy-Back scheme.
- Our total brokerage fees grew by 57% in 2014 compared to the previous year.
- The strategy to engage with more corporate customers has worked, where we managed very large lines of shares for both domestic and offshore investors at various times during the year. Of significance was that we managed transactions for institutions as far away as London and New York. It is our intention to grow this part of our business going forward.
- Price competition was at times fierce during the year and its expected to remain a feature for the year ahead.

## Funds Management

- Total (FUM) Funds Under Management grew by 63% during 2014 increasing from K 729 million at year end 2013 to K 1.19 billion as at end December 2014.
- The mix of FUM is broken down into Institutional (91% of FUM) and Retail customers (9% of FUM). Whilst the Institutional segment grew at a faster rate, it was very pleasing to see growth in both customer segments.
- The market continues to be very competitive, however our expertise, high end operating systems and robust customer communication means we can expect further growth during 2015.

## Corporate Advisory

- We had an outstanding year in 2014 where revenue was up by 370% on the previous year's results.
- Of significance during 2014 we were mandated to act as co-adviser to InterOil on the successful sale of their midstream and downstream assets in PNG to Puma Energy. This transaction was valued at US\$525.6 million and was completed on June 2014.



- The current business environment is positive for M&A and Advisory work. BSP Capital has a strong reputation and is well placed with a robust new business pipeline for the year ahead.

## BSP LIFE LIMITED

### Overview

The 2014 results in both financial and strategic actions that were undertaken were mixed but pleasing. Our strong financial performance recorded in 2013 in our Life business continued into 2014 with results exceeding targets. The Health business however experienced challenges and was affected by one-off high claims events. Significant developments were also noted in our key strategic initiatives.

2014 saw the implementation and on-going execution of major initiatives planned for the year including:

- The implementation of the Health functionalities of our new Core Insurance System in June 2014.
- The continued aggressive growth stance on both Life and Health New Business through Agency, Brokers and distribution through the Bank. The Easy Unsecured Personal Loan product launched through the Bank channel did well with inforce at \$0.8m with opportunities to grow this further.
- The focus on business quality and conservation efforts which saw strong growth in inforce and the achievement of an all-time high persistency rate.
- The commencement of the \$10m Denison/Duncan gated community accommodation project which is progressing well without any major setbacks, with works to be completed by July 2015.
- The restructuring of the regional business whereby all regional balances (statutory fund (SF) 2 policies) were transferred to Fiji funds as per the Regional Exit strategy approved by the board.
- The continued focus on investments subsidiaries' performances resulting in the marked improvement in their values.

We had a strong 10% growth in Health new business and a 5% growth in Life new business. The focus on conservation saw the Life inforce portfolio increasing by F\$3.4m. The 13th month persistency rate of 75% slightly improved over the year and was an all-time high achievement.

### Financial Performance

The Insurance Group NPAT for 2014 was F\$9.9m, F\$0.6m above budget. After adjustment for non-operating items NPAT is F\$11m, F\$1.7m above budget. The Life business NPAT was F\$10.6m against a budget of F\$9.1m while the Health business showed a loss of F\$678k against a budgeted profit of F\$265k. The high claims experience drove the Health business losses.

### Insurance Market

The Life insurance market continues to be dominated by endowment products. There are two major players. BSP Life market share on inforce annual premium basis (excluding single premiums) was at 58% at the end of 2013. The focus on our system change in 2014 meant that we had to properly prioritise our product initiatives as we push to lead in product innovation.

The health insurance market remains very competitive with four active competitors. BSP Health Term Life market share on premium income was 47% while the Medical market share was 34% in 2014; medical experiencing growth of 5% over 2012 while Term Life declined by 2% but still dominating the market.

### Strategic Initiatives

In 2015, BSP Life will continue to build on the strong results achieved in the recent years. Strategic Initiatives underway include:

- Implementation of our new core insurance systems for our Life business. The Core Systems Change exercise will result in significant changes to our core insurance business processes impacting on organisation structure and human resources. Efficiency gains are to be realised.
- Continuing to maintain the current aggressive growth stance on both Life and Health new business through product innovation and on-going channel development with focus on business quality and business retention to ensure that we protect our market leadership position.
- The roll out of various initiatives to improve the financial performance of our Health business.
- The low interest rate environment continues to negatively impact the investment return on a large chunk of our investment portfolio that is in fixed interest securities. We will continue to pursue growth assets opportunities while maximising returns from our existing major private equity investments.
- Continuing to improve our risk management practices and the development of skills and expertise within the Insurance business ensuring that appropriately skilled staff provide service in critical areas.
- Continuing to improve customer experience (retention and loyalty). Protect and improve BSP Life's brand position. Continually challenge and improve internal processes as to reduce business risk, improve service and reduce costs.
- Retaining, attracting and developing key employees. Aligning jobs to revenue generation, service or cost focus. Deliver fundamental insurance knowledge and skills, upgrade knowledge in sales and service and fostering a culture committed to teamwork and accountability.



### BSP LIFE MANAGEMENT TEAM

**Seated (L-R):** Munendra Naidu [Chief Financial Officer] Malakai Naiyaga [Managing Director] Glenis Yee [GM Legal]

**Standing (L-R):** Michael Nacola [GM Distribution & Sales] and Pramesh Sharma [GM Investments]



### BSP FIJI MANAGEMENT TEAM

**Seated (L - R):** Ashleigh Matheson [Chief Risk Officer] Alvina Ali [GM Legal] Kevin McCarthy [Country Manager] Cecil Browne GM Corporate & International.

**Standing (L - R):** Ravindra Singh [GM Retail Bank] Howard Politini [GM Human Resources] William Wakeham [Chief Operating Officer] Omid Saberi [Chief Information Officer] Rajesh Singh [Chief Financial Officer].



### BSP FINANCE - FIJI MANAGEMENT TEAM

**Standing (L - R):** Sudeshwar Ram [Senior Lending Officer] Rohit Naidu [Senior Lending Officer] Krishna Raju [General Manager] Animul Sheryn Khan [Legal Conveyancing Officer] Lalesh Kumar [Funds Manager/Accountant]



### BSP SOLOMON ISLANDS MANAGEMENT TEAM

**Seated (L - R):** Christopher Robertson [Head of Relationship Banking] Tupou Halofaki [Manager Retail Banking Services] David Anderson [Country Manager] Rose Murray [Manager Commercial Banking]

**Standing (L-R):** Dennis Suia [Risk & Compliance Officer] Genevieve Apusae [Financial Controller] Joan Ramo [Manager International Operations] Alphonse Taoti [Manager Electronic & Branchless Banking] Giddings Qiqo [Manager Operations & International Business] Lynnette Taoti [Manager Credit Administration] Winterford Maehau [Manager Information Services] Laurish Pio [Senior Audit Officer]

**Missing:** Janet Marau [Manager Retail Banking Operations]

The all new Lae Commercial Centre along Markham Road, Lae, Morobe Province.



# CONSOLIDATED FINANCIAL STATEMENTS

The Directors take pleasure in presenting the Financial Statements of the Bank of South Pacific Limited and its subsidiaries (Bank and the Group) for the year ended 31 December 2014. In order to comply with the provision of the Companies Act 1997, the Directors Report as follows:

## Principal activities

The principal activity of the Bank of South Pacific Limited (BSP) is the provision of commercial banking and finance services. The Group's activities also include stock broking and fund management and life business services throughout Papua New Guinea and the Pacific region. BSP is a Bank listed on the Port Moresby Stock Exchange (POMSoX), incorporated under the Companies Act of Papua New Guinea, and is an authorised Bank under the Banks and Financial Institutions Act of Papua New Guinea. The Bank and the Group are licensed to operate in the Solomon Islands and Fiji Islands. The registered office is at Douglas Street, Port Moresby.

## Review of operations

For the year ended 31 December 2014, Group's profit after tax was K507.339 million (2013: K436.828 million). The Bank's profit after tax was K512.892 million (2013: K424.762 million profit) and included a dividend income of K19.221 million received from BSP Life (Fiji) Limited during the year.

## Dividends

Dividend payment totaling K309.141 million was paid in 2014 (2013: K271.686 million). A detailed breakup of this is provided in Note 23.

## Directors and officers

The following were directors of the Bank of South Pacific Limited at 31 December 2014:

Mr. K Constantinou, OBE	Mr. R Fleming	Mr. G Robb, OAM	Mr. G Aopi, CBE
Mr. T E Fox, OBE	Ms. F Talao	Sir. N Bogan, KBE	Mr. A Mano
Dr. I Temu	Mr. E B Gangloff		

Details of directors' tenure and directors and executives' remuneration during the year are provided in Note 27 of the Notes to the Consolidated Financial Statements. The CEO Robin Fleming remains the only executive director.

The company secretary is Mary Johns.

## Independent Audit Report

The financial statements have been audited and should be read in conjunction with the independent audit report on page 87. Details of amounts paid to the auditors for audit and other services are shown in Note 41 of the Notes to the Consolidated Financial Statements.

## Donations & Sponsorships

Donations and sponsorship by the Group during the year amounted to K9,357,564 (2013: K9,267,141).

## Change in accounting policies

No changes in accounting policies significantly impacted the Group during the year.

For, and on behalf of, the Directors.

Dated and Signed in accordance with a resolution of the Directors in Port Moresby this 13<sup>th</sup> day of March 2015.



**Kostas Constantinou, OBE**  
Chairman



**Robin Fleming**  
Chief Executive Officer/Director

The Directors declare that:

- (a) in the Directors' opinion, there are reasonable grounds to believe that the Bank and the Group will be able to pay their debts as and when they become due and payable; and
- (b) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the PNG Companies Act 1997, including compliance with accounting standards and give a true and fair view of the financial position and performance of the Bank and the Group.

### Additional Statutory Information

The results of the Bank and the Group's operations during the financial year have, in the opinion of the Directors, not been materially affected by items of an abnormal nature, other than those disclosed in the financial statements.

In the opinion of the Directors, no circumstances have arisen that make adherence to the existing method of valuation of assets or liabilities of the Bank and the Group misleading or inappropriate.

At the date of this report the Directors are not aware of any circumstances that would render the values attributed to current assets in the financial statements misleading.

No contingent liability other than that disclosed in the notes to the attached financial statements has become enforceable, or is likely to become enforceable, within a period of twelve months from the date of this report, that will materially affect the Bank and the Group in its ability to meet obligations as and when they fall due.

Dated and signed in accordance with a resolution of the Directors at Port Moresby this 13<sup>th</sup> day of March 2015.



**Kostas Constantinou, OBE**  
Chairman



**Robin Fleming**  
Chief Executive Officer/Director

# STATEMENT OF COMPREHENSIVE INCOME

for the Year Ended 31 December 2014

<i>All amounts are expressed in K'000</i>	Note	Consolidated		Bank	
		2014	2013	2014	2013
Interest income	2	915,465	794,807	915,434	793,877
Interest expense	2	(62,579)	(53,950)	(63,640)	(53,474)
<b>Net interest income</b>		<b>852,886</b>	<b>740,857</b>	<b>851,794</b>	<b>740,403</b>
Fee and commission income	3	311,336	285,594	303,078	281,028
Other income	4	414,671	495,166	338,047	400,311
<b>Net banking operating income</b>		<b>1,578,893</b>	<b>1,521,617</b>	<b>1,492,919</b>	<b>1,421,742</b>
Net insurance premium income		92,703	84,323	-	-
Increase (decrease) in policy liabilities		(16,512)	(22,025)	-	-
Claims, surrender and maturities		(72,354)	(61,841)	-	-
<b>Net insurance operating income</b>		<b>3,837</b>	<b>457</b>	<b>-</b>	<b>-</b>
<b>Total net operating income before impairment and operating expenses</b>		<b>1,582,730</b>	<b>1,522,074</b>	<b>1,492,919</b>	<b>1,421,742</b>
Impairment expense	13	(76,796)	(78,573)	(76,796)	(78,573)
Impairment on subsidiary	8	-	(14,967)	-	(14,967)
Operating expenses	5	(797,317)	(833,849)	(693,671)	(735,326)
Share of profits from associates and jointly controlled entities	9	10,233	12,270	-	-
<b>Profit before income tax</b>		<b>718,850</b>	<b>606,955</b>	<b>722,452</b>	<b>592,876</b>
Income tax expense	6	(211,511)	(170,127)	(209,560)	(168,114)
<b>Net profit for the year</b>		<b>507,339</b>	<b>436,828</b>	<b>512,892</b>	<b>424,762</b>
<b>Other comprehensive income</b>					
<i>Items that may be subsequently reclassified to profit or loss</i>					
Translation of financial information of foreign operations to presentation currency	24	(24,354)	(4,133)	(18,082)	(6,741)
<i>Items that will not be reclassified to profit or loss:</i>					
Expiration of the unexercise share options		-	(4,526)	-	(4,526)
Recognition of deferred tax on asset revaluation reserve	24	(35,762)	-	(35,762)	-
Net movement in asset revaluation	24	44,330	-	44,330	-
<b>Other comprehensive income for the year, net of tax</b>		<b>(15,786)</b>	<b>(8,659)</b>	<b>(9,514)</b>	<b>(11,267)</b>
<b>Total comprehensive income for the year</b>		<b>491,553</b>	<b>428,169</b>	<b>503,378</b>	<b>413,495</b>
<b>Earnings per share - basic &amp; diluted (toea)</b>	<b>23</b>	<b>108.3</b>	<b>93.1</b>	<b>109.5</b>	<b>90.5</b>

The attached notes form an integral part of these financial statements.

# STATEMENT OF FINANCIAL POSITION

as at 31 December 2014

<i>All amounts are expressed in K'000</i>	Note	Consolidated		Bank	
		2014	2013	2014	2013
<b>ASSETS</b>					
Cash and balances with Central Bank	10	1,355,469	964,220	1,262,306	926,390
Treasury & Central Bank bills	11	2,183,237	3,283,432	2,183,237	3,283,432
Amounts due from other banks	12	380,653	1,445,199	380,653	1,445,199
Statutory deposits with Central Bank	25	1,251,582	1,066,580	1,251,582	1,066,580
Other financial assets	16	2,361,649	2,170,798	2,188,067	1,924,536
Loans, advances & other receivables from customers	13	6,817,396	5,306,362	6,748,546	5,244,188
Asset held for sale	14	65,052	-	65,052	-
Property, plant and equipment	14	662,313	623,360	629,682	589,623
Assets subject to operating lease	14	53,783	61,505	53,783	61,505
Investment in associates & joint ventures	9	118,389	116,821	38,520	43,690
Investment in subsidiaries	8	-	-	108,635	96,929
Intangibles	7	110,374	156,049	104,210	151,465
Investment properties	15	70,684	65,429	-	-
Deferred tax assets	6	111,677	87,002	115,552	88,453
Other assets	17	334,648	414,663	285,093	363,470
<b>Total assets</b>		<b>15,876,906</b>	<b>15,761,420</b>	<b>15,414,918</b>	<b>15,285,460</b>
<b>LIABILITIES</b>					
Amounts due to other banks	18	259,892	786,035	259,879	786,035
Customer Deposits	19	12,708,383	12,200,999	12,804,555	12,296,226
Subordinated debt securities	20	75,525	75,525	75,525	75,525
Other liabilities	21	816,947	936,369	318,073	435,124
Provision for income tax	6	63,022	33,395	62,738	33,222
Other provisions	22	152,944	110,037	147,800	105,016
<b>Total liabilities</b>		<b>14,076,713</b>	<b>14,142,360</b>	<b>13,668,570</b>	<b>13,731,148</b>
<b>SHAREHOLDERS EQUITY</b>					
Ordinary shares	23	379,297	381,498	379,297	381,498
Retained earnings	24	1,219,436	1,035,290	1,183,505	991,368
Other reserves	24	201,460	202,272	183,546	181,446
<b>Total shareholders' equity</b>		<b>1,800,193</b>	<b>1,619,060</b>	<b>1,746,348</b>	<b>1,554,312</b>
<b>Total equity and liabilities</b>		<b>15,876,906</b>	<b>15,761,420</b>	<b>15,414,918</b>	<b>15,285,460</b>

The attached notes form an integral part of these financial statements.



# STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

for the Year Ended 31 December 2014

Bank	Notes	Share capital	Reserves	Retained earnings	Total
<i>All amounts are expressed in K'000</i>					
Balance as at 1 January 2013		384,814	192,713	838,292	1,415,819
Net profit	23	-	-	424,762	424,762
Other comprehensive income	24	-	(11,267)	-	(11,267)
2012 final dividend paid	23	-	-	(178,001)	(178,001)
2013 interim dividend paid	23	-	-	(93,685)	(93,685)
Share buyback	23	(3,316)	-	-	(3,316)
<b>Balance at 31 December 2013</b>	<b>23&amp;24</b>	<b>381,498</b>	<b>181,446</b>	<b>991,368</b>	<b>1,554,312</b>
Net profit	23	-	-	512,892	512,892
2013 final dividend paid	23	-	-	(215,476)	(215,476)
2014 interim dividend paid	23	-	-	(93,665)	(93,665)
Share buyback	23	(2,201)	-	-	(2,201)
BSP Life Policy Reserve	24	-	24,055	(24,055)	-
Transfer from Asset Revaluation Reserve	24	-	(12,441)	12,441	-
Other comprehensive income	24	-	(9,514)	-	(9,514)
<b>Balance at 31 December 2014</b>		<b>379,297</b>	<b>183,546</b>	<b>1,183,505</b>	<b>1,746,348</b>

Group					
Balance as at 1 January 2013		384,814	210,931	870,148	1,465,893
Net profit	23	-	-	436,828	436,828
2013 final dividend paid	23	-	-	(178,001)	(178,001)
2014 interim dividend paid	23	-	-	(93,685)	(93,685)
Share buyback	23	(3,316)	-	-	(3,316)
Other comprehensive income	24	-	(8,659)	-	(8,659)
<b>Balance at 31 December 2013</b>	<b>23&amp;24</b>	<b>381,498</b>	<b>202,272</b>	<b>1,035,290</b>	<b>1,619,060</b>
Net profit	23	-	-	507,339	507,339
2013 final dividend paid	23	-	-	(215,476)	(215,476)
2014 interim dividend paid	23	-	-	(93,665)	(93,665)
Share buyback	23	(2,201)	-	-	(2,201)
BSP Life policy reserve	24	-	24,055	(24,055)	-
Prior year consolidation adjustment		-	3,360	(2,438)	922
Transfer from Asset Revaluation Reserve	24	-	(12,441)	12,441	-
Other Comprehensive income	24	-	(15,786)	-	(15,786)
<b>Balance at 31 December 2014</b>		<b>379,297</b>	<b>201,460</b>	<b>1,219,436</b>	<b>1,800,193</b>

The attached notes form an integral part of these financial statements.

## STATEMENT OF CASH FLOW

for the Year Ended 31 December 2014

	Notes	Consolidated		Banks	
		2014	2013	2014	2013
<i>All amounts are expressed in K'000</i>					
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>					
Interest received		911,236	793,338	911,236	792,272
Fees and other income		816,898	824,729	638,786	680,650
Interest paid		(61,185)	(64,232)	(61,844)	(63,615)
Amounts paid to suppliers and employees		(662,045)	(653,712)	(497,431)	(489,745)
<b>Operating cash flow before changes in operating assets</b>	<b>28</b>	<b>1,004,904</b>	<b>900,123</b>	<b>990,747</b>	<b>919,562</b>
Increase in loans, advances and other receivables from customers		(1,563,291)	(558,746)	(1,555,657)	(571,969)
(Increase) in statutory deposits with the Central Bank		(185,002)	(193,382)	(185,002)	(193,382)
Decrease in bills receivable and other assets		42,649	8,361	41,540	13,532
Increase in customer deposits		468,351	1,280,731	508,329	1,375,536
(Decrease)/increase in bills payable and other liabilities		(123,960)	189,106	(121,086)	147,016
<b>Net cash flow from operations before income tax</b>		<b>(356,349)</b>	<b>1,626,193</b>	<b>(321,129)</b>	<b>1,690,295</b>
Income taxes paid		(212,870)	(156,953)	(212,556)	(156,634)
<b>Net cash flow from operating activities</b>		<b>(569,219)</b>	<b>1,469,240</b>	<b>(533,685)</b>	<b>1,533,661</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>					
Decrease/(increase) in government securities		915,226	(599,553)	836,664	(615,794)
Expenditure on property, plant & equipment		(192,269)	(212,647)	(186,162)	(203,484)
Proceeds from disposal of property, plant & equipment		13,900	7,760	14,218	7,615
Proceeds from other investments		9,895	34,653	-	-
Additional funding of subsidiaries		-	-	(11,706)	-
<b>Net cash flow from investing activities</b>		<b>746,752</b>	<b>(769,787)</b>	<b>653,014</b>	<b>(811,663)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>					
Share-buyback	23	(2,201)	(3,316)	(2,201)	(3,316)
Dividends paid	23	(309,141)	(271,686)	(309,141)	(271,686)
<b>Net cash flow from financing activities</b>		<b>(311,342)</b>	<b>(275,002)</b>	<b>(311,342)</b>	<b>(275,002)</b>
<b>Net Increase/(decrease) in cash and cash equivalents</b>		<b>(133,809)</b>	<b>424,451</b>	<b>(192,013)</b>	<b>446,996</b>
Effect of exchange rate movements on cash and cash equivalents		(13,345)	10,746	(10,461)	10,746
Cash and cash equivalents at the beginning of the year		1,623,384	1,188,187	1,585,554	1,127,812
<b>Cash and Cash Equivalents at the end of the year</b>	<b>28</b>	<b>1,476,230</b>	<b>1,623,384</b>	<b>1,383,080</b>	<b>1,585,554</b>

The attached notes form an integral part of these financial statements.

for the Year Ended 31 December 2014

## 1. ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented unless otherwise stated. The assets and liabilities are presented in order of liquidity on the statement of financial position.

### A. Basis of Presentation & General Accounting Policies

The consolidated financial statements of the Bank of South Pacific Limited (the Bank) and the Group are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and interpretations of these standards issued by the International Financial Reporting Interpretations Committee.

They are prepared on the basis of the historical cost convention, as modified by the revaluation of certain non-current assets, financial instruments and liabilities.

Estimates and assumptions have been used to achieve conformity with generally accepted accounting principles in the preparation of these financial statements.

These assumptions and estimates affect balances of assets and liabilities, contingent liabilities and commitments at the end of the reporting period, and amounts of revenues and expenses during the reporting period. Whilst the estimates are based on management's best knowledge of current events and conditions, actual results may ultimately differ from those estimates.

The financial statements are presented in Papua New Guinea Kina, expressed in thousands of Kina, as permitted by Papua New Guinea Accounting Standards.

#### Standards, amendments and interpretations effective in the year ended 31 December 2014:

The below new amendment was applicable for the first time during the accounting period beginning 1 January 2014.

- Amendments to IAS 36 "Impairment of assets" (effective 1 January 2014) on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in IAS 36 by the issue of IFRS 13. The Group has no such impaired assets.

Other standards, amendments and interpretations which were released during the accounting period beginning 1 January 2014 are not relevant or material to the Group.

#### Standards and amendments issued but not yet effective for the year ended 31 December 2014 or not adopted early:

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

- IFRS 9, 'Financial Instruments' (effective 1 January 2018) addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mix measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income (OCI) and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investment in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value through OCI without recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. The Group is yet to assess IFRS 9's full impact.
- IFRS 15, Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The group is assessing the impact of IFRS 15.

### B. Consolidation

The consolidated financial statements incorporate the assets and liabilities of all controlled entities of the Bank and the Group as at 31 December 2014, and their results for the year then ended.

Controlled entities are those over which the Group has the power to govern financial and operating policies, generally accompanied by a shareholding that commands the majority of voting rights, and are commonly referred to as subsidiaries. Subsidiaries are accounted for at acquisition under the acquisition cost method of accounting, where:

- acquisition cost is measured at fair value of assets transferred, equity issued, liabilities assumed and any directly attributable costs of the transaction;
- identifiable net assets are recorded initially at acquisition, at their fair values;
- any excess of the acquisition cost over the relevant share of identifiable net assets acquired is treated as goodwill, and any deficiency is recognised directly in the statement of comprehensive income;
- All intercompany transactions and balances are eliminated.

## C. Investment in Associates and Joint Arrangements

### Investments in Associates

Associates are entities over which the Group has significant, but not controlling influence, generally accompanied by a shareholding conferring between 20 percent - 50 percent of voting rights.

In the consolidated financial statements, these investments are accounted for under the equity method, where:

- The investment is initially recognised at cost;
- The Group's share of profits or losses are recognised in the statement of comprehensive income.

### Interests In Joint Arrangements

The Group applies IFRS 11 to all joint ventures. Under IFRS 11 investments in joint arrangements are classified as either joint ventures or joint operations depending on the contractual rights and obligations of each investor.

Joint ventures are accounted for using the equity method in the consolidated financial statements. Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures

Interests in joint ventures classified as held for sale are accounted for under IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

## D. Revenue

### Interest income and expense

Interest income and expense are recognised in the statement of comprehensive income on an accrual basis using the effective yield method. The income arising from the various forms of installment credit has been determined using the effective interest method. Interest income includes coupons earned on inscribed stock, accrued discount and premium on Treasury and Central Bank bills.

### Short term insurance contracts

These contracts are the Term Life, Medical and Travel policies sold and underwritten by BSP Health Care (Fiji) Limited.

These contracts protect the Group's customers from the consequences of events such as death, medical emergency or loss on travel. Guaranteed benefits paid on occurrence of the specified insurance event are either fixed or linked to the extent of the economic loss suffered by the policyholder. There are no maturity or surrender benefits.

For all these contracts, premiums are recognised as revenue (earned premiums) proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the Statement of Financial Position date is reported as the unearned premium liability. Premiums are shown before deduction of commission.

Claims and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to contract holders or beneficiary. They include direct and indirect claims settlement costs and arise from events that have occurred up to the Statement of Financial Position date even if they have not yet been reported to the Group. The Group does not discount its liabilities for unpaid claims. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Group and statistical analyses for the claims incurred but not reported, and to estimate the expected ultimate cost of more complex claims that may be affected by external factors (such as court decisions).

### Long term insurance contracts

These contracts insure human life events (for example death, survival, disability or critical illness) over a long duration. Guaranteed benefits paid on occurrence of the specified insurance event are fixed or linked to the level of bonus declared on the policy. Most of the policies have maturity and surrender benefits. For all these contracts, premiums are recognised as revenue when they become payable by the contract holder. Premiums are shown before deduction of commission.

Approximately 90% of the above contracts in the Group's portfolio contain a Discretionary Participation Feature (DPF). This feature entitles the holder to receive, as a supplement to generated benefits, additional benefits in the form of reversionary bonuses.

for the Year Ended 31 December 2014

The liability for long term insurance contracts (principally Life Insurance) has been determined in accordance with LPS 1.04 Valuation of Policy Liabilities, issued by the Australian Prudential Regulation Authority.

The policy liability is calculated in a way that allows for the systematic release of planned profit margins as services are provided to policy owners and the revenues relating to those services are received (Margin on Services methodology). Services used to determine profit recognition include the cost of expected insurance claims and the allocation of future bonuses. The liability is generally determined as the present value of all future expected payments, expenses, taxes and profit margins reduced by the present value of all future expected premiums and take into consideration projected future bonuses. The liabilities are recalculated at each balance date using best estimate assumptions. These assumptions are revisited regularly and adjusted for actual experiences on claims, expense, mortality and investment returns. The policy liability also includes policy owner retained earnings.

Insurance policy liabilities are further detailed in Note 39.

## E. Fee and commission income

Fees and commissions are generally recognised on an accrual basis when the service has been provided. All other risk related fees that constitute cost recovery are taken to income when levied. Non-refundable front-end loan fees are capitalised and deferred over the expected term of the financial instrument.

## F. Borrowing expenses

Expenses associated with the borrowing of funds are charged to the statement of comprehensive income in the period in which they are incurred.

## G. Provision for loan impairment

Loans are originated by providing funds directly to the borrower and are recognised when cash is advanced to borrowers.

All loans, advances and other receivables from customers are subject to continuous management review. A specific provision for loan impairment is established if there is objective evidence that the Bank and the Group will not be able to collect all amounts due under the terms of loans. The amount of the provision approximates the difference between the carrying amount and the recoverable amount, which is the current best estimate of the present value of expected future cash flows arising from the asset. All bad debts are written off against the specific provision for loan impairment in the period in which they are classified as irrecoverable. Subsequent recoveries are credited to the provision for loan losses in the statement of comprehensive income.

General provisions for impairment are maintained to cover incurred losses unidentified at balance date in the overall portfolio of loans, advances and other receivables from customers.

The provisions are determined having regard to the level of risk weighted assets, economic conditions, the general risk profile of the credit portfolio, past loss experience and a range of other criteria. The amount necessary to bring the provisions to their assessed levels, after write-offs, is charged to the statement of comprehensive income.

## H. Goodwill

Goodwill represents the excess of the cost of any acquisition over the acquirer's interest in the fair value of the identifiable assets and liabilities acquired as at the exchange transaction. Goodwill is reported in the statement of financial position as an intangible asset.

In determining the estimated useful life of goodwill, management considers various factors including net selling price of the acquired business, existing market share, potential growth opportunities, and other factors inherent in the acquired business. This assessment is reviewed at each balance date, so that any indication of impairment with implications for the recoverability of goodwill can be tested, and adjustments to the carrying value of goodwill made if necessary.

## I. Computer systems development costs

Costs incurred to develop and enhance the Bank and the Group's computer systems are capitalised to the extent that benefits do not relate solely to revenue that has already been brought to account and will contribute to the future earning capacity of the economic entity.

These costs are amortised over the estimated economic life of four years using the straight-line method. Costs associated with maintaining computer software programs are recognised as an expense when incurred.

## J. Property, plant and equipment

Land and buildings are measured at fair value. Fair value is determined on the basis of regular independent valuation prepared by external valuation experts, based on discounted cash flows or capitalisation of net income (as appropriate). The fair values are recognised in the consolidated financial statements of the consolidated entity, and are reviewed at the end of each reporting period to ensure that the carrying value of land and buildings is not materially different from their fair values.

Any revaluation increase arising on the revaluation of land and buildings is credited to the asset revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense in profit or loss, in which case the increase is credited to the statement of comprehensive income to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of land and buildings is charged as an expense in statement of comprehensive income to the extent that it

exceeds the balance, if any, held in the asset revaluation reserve relating to a previous revaluation of that asset.

Building under constructions are referred to as work in progress and are accounted for at cost and subsequently reclassified to building (Premises) upon completion.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The estimated useful life, residual value and depreciation method is reviewed at the end of each annual reporting period.

The following basis and method of depreciation is used:

Class of asset	Method	Rate
Property (excluding land)	Straight line basis	2 - 3% p.a
Plant and equipment	Straight line basis	10 - 25% pa
Equipment under operating lease	Straight line basis	6 - 20% pa

Gains or losses on disposals (being the difference between the carrying value at the time of sale or disposal and the proceeds received) are taken into account in determining operating profit for the year. Where the carrying value of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Repairs and maintenance are taken into account in determining operating profit when the expenditure is incurred.

## K. Leases

### Bank is lessee

All leases entered into by the Bank and the Group are operating leases. Total payments made are charged to the statement of comprehensive income reflecting the pattern of benefits derived from the leased assets.

### Bank is lessor

Finance leases are included in Loans, Advances and other receivables from Customers and are accounted for under the finance method whereby income is taken to account over the life of the lease in proportion to the outstanding investment balance. Assets subject to operating leases are separately disclosed in the statement of financial position, according to the nature of the asset.

These assets are stated at cost or revalued amount less accumulated depreciation. The assets are depreciated on a straight line basis over the life of the operating lease.

Lease income is recognised on a straight line basis over the term of the lease.

## L. Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise notes and coins, and balances due to and from other banks with original maturities of less than three months.

## M. Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired.

Management determines the classification of its financial assets at initial recognition.

- Financial assets at fair value through profit or loss.**  
 Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current. The Group's financial assets at fair value through profit or loss comprise certain equity securities included under other financial assets in the statement of financial position.
- Loans and receivables**  
 Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the statement of financial position.
- Held to maturity investments**  
 Held to maturity investments includes non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has both the intention and ability to hold to maturity.

Management determines the classification of investment securities held to maturity at their initial recognition and reassesses the appropriateness of that classification at the end of each reporting period. Investment securities held to maturity are carried at amortised cost. The Group's held to maturity investments comprise Treasury and Central Bank bills and certain debt securities included under other financial assets in the statement of financial position.

### Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within 'Other banking income' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the group's right to receive payments is established.

### Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

### N. Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

### O. Employee benefits

A liability is required for benefits accruing to employees in respect of wages and salaries, annual leave, and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the consolidated entity in respect of services provided by employees up to reporting date.

#### Post-employment benefits - defined contribution plans

A defined contribution plan is a pension plan under which the Bank and the Group pays fixed contributions into a separate fund, and there is no recourse to the Bank and the Group for employees if the fund has insufficient assets to pay employee benefits relating to service up to the balance sheet date.

The Bank and the Group pays contributions to publicly or privately administered superannuation plans on a mandatory, contractual or voluntary basis in respect of services rendered up to balance sheet date by all staff members other than non-citizen contract staff for whom there is no legal obligation to do so. The contributions are at the current rate of employees' gross salary. Once the contributions have been paid, the Bank and the Group have no further payment obligations for post-employment benefits from the date an employee ceases employment with the Bank and the Group.

### P. Income tax

#### Current Tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

#### Deferred tax

Deferred tax is accounted for using the balance sheet liability method. Temporary differences are differences between the tax base of an asset or liability and its carrying amount in the statement of financial position. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes. In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised.

However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities which affects neither taxable income nor accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Bank expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Bank intends to settle its current tax assets and liabilities on a net basis.

#### **Current and deferred tax for the period**

Current and deferred tax is recognised as an expense or income in the statement of comprehensive income, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity.

#### **Q. Foreign currency**

The consolidated financial statements of the Bank are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of these consolidated financial statements, the results and financial position of the Bank are expressed in Papua New Guinea kina, which is the Bank's functional and presentation currency.

In preparing the consolidated financial statements, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

#### **Foreign operations**

On consolidation, the assets and liabilities of the consolidated entity's overseas operations are translated at exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly. Exchange differences arising, if any, are recognised in the foreign currency translation reserve, and recognised in profit or loss on disposal of the foreign operation.

#### **R. Share capital**

##### **Share issue costs**

External costs directly attributable to the issue of new shares are deducted from equity net of any related income taxes.

##### **Dividends on ordinary shares**

Dividends on ordinary shares are recognised in equity in the period in which they are declared.

Dividends for the year, declared after the balance sheet date, are dealt with in the subsequent events note.

#### **S. Asset impairment**

At each reporting date, the Bank and the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Bank and the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Goodwill, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired. An impairment of goodwill is not subsequently reversed.

Recoverable amount is the higher of fair value less cost of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.



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## T. Non-current assets held for sale

Non-current assets (and disposal groups) classified as held for sale are measured, with certain exceptions, at the lower of carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for such a sale and the sale is highly probable.

The sale of the asset (or disposal group) must be expected to be completed within one year from the date of classification, except in the circumstances where sale is delayed by events or circumstances outside the Company's control and the Company remains committed to a sale.

## U. Fiji Class Shares

Fiji Class Shares issued by BSP Convertible Notes (Fiji) Limited, a subsidiary of the Bank incorporated in Fiji, are classified as equity of the subsidiary.

## V. Derivative financial instruments and acceptances

Forward foreign exchange contracts entered into for trading purposes are initially recognised at cost and subsequently re-measured at fair value based upon the forward rate. Gains and losses on such contracts are taken to the statement of comprehensive income.

Acceptances comprise undertakings by the Bank and the Group to pay bills of exchange drawn on customers. The Bank and the Group expects most acceptances to be settled simultaneously with the reimbursement from the customers. Customer acceptances are accounted for as off-balance sheet transactions and are disclosed as contingent liabilities and commitments.

The Bank and the Group does not actively enter into or trade in complex forms of derivative financial instruments such as currency and interest rate swaps and options.

## W. Segment reporting

Segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker.

## X. Earnings per share

Earnings per share is determined by dividing the profit or loss attributable to owners of the Bank by the weighted average number of participating shares outstanding during the reporting year.

## Y. Comparatives

Comparative figures have been adjusted to conform to changes in presentation in the current year.

## Z. Critical accounting estimates and judgments

The application of the Group's accounting policies requires the use of estimates and assumptions. If different assumptions or estimates were applied, the resulting values would change, impacting the net assets and income of the Group.

### Individually Assessed Provision

Provisions for impairment of financial assets are raised where there is objective evidence of impairment at an individual or collective basis, at an amount adequate to cover assessed credit related losses. Credit losses arise primarily from loans, but also from other credit instruments such as bank acceptances, contingent liabilities, guarantees and other financial instruments.

### Specific Provision

Individually assessed provisions are raised where there is objective evidence of impairment (where the Group does not expect to receive all of the cash flows contractually due). Individually assessed provisions are made against individual risk rated credit facilities other than retail personal loans. The provisions are established based primarily on estimates of the realisable (fair) value of collateral taken and are measured as the difference between a financial asset's carrying amount and the present value of the expected future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate. Short term balances are not discounted.

### Collective Assessed Provision

All other loans and receivables that do not have specifically assessed provision are assessed collectively for impairment (Collective Assessed Provision).

The collective assessed is maintained to reduce the carrying amount of portfolios of similar loans and receivables to their estimated recoverable amounts at the Balance Sheet date. The Group has established a risk grading system which groups loan accounts with similar risk characteristics. A periodic credit review is undertaken by management on a collective and individual basis to ascertain whether the risk grades are still appropriate in consideration of economic developments, industry specific and borrower specific circumstances. A provision rate applied for each risk grade segment which takes into account the frequency of default and loss given default rates for the particular segment. The risk grading and provision rates require a series of estimates and judgments. Changes in these estimates could have a direct impact on the level of provision determined. The amount required to bring the collective provision to the level assessed is recognised in the statement of comprehensive income.

Individually and collectively assessed provisions are detailed in Note 13.

## 2. NET INTEREST INCOME

<i>All amounts are expressed in K'000</i>	Consolidated		Banks	
	2014	2013	2014	2013
<b>Interest income</b>				
Cash and balances with Central Bank	10,867	8,184	10,867	8,184
Treasury bills	67,392	47,176	67,392	47,176
Central Bank Bills	18,544	27,850	18,544	27,850
Other financial assets - Inscribed Stock	189,229	140,195	189,229	140,195
Loans, advances & other receivables from customers	626,932	569,262	626,901	568,332
Other	2,501	2,140	2,501	2,140
	<b>915,465</b>	<b>794,807</b>	<b>915,434</b>	<b>793,877</b>
Less:				
<b>Interest expense</b>				
Customer deposits	39,420	32,054	40,481	31,578
Other banks	14,845	13,589	14,845	13,589
Subordinated debt securities	8,314	8,307	8,314	8,307
	<b>62,579</b>	<b>53,950</b>	<b>63,640</b>	<b>53,474</b>
	<b>852,886</b>	<b>740,857</b>	<b>851,794</b>	<b>740,403</b>

## 3. BANKING FEE AND COMMISSION INCOME

<i>All amounts are expressed in K'000</i>	Consolidated		Banks	
	2014	2013	2014	2013
<b>Fee and commission income</b>				
Product related	218,231	208,628	218,231	208,628
Trade and international related	14,675	13,467	14,675	13,467
Electronic banking related	59,195	46,770	59,195	46,770
Other	26,876	17,419	18,618	12,853
	<b>318,977</b>	<b>286,284</b>	<b>310,719</b>	<b>281,718</b>
Less:				
<b>Fee and commission expenses</b>				
Agencies	735	504	735	504
IFC fees	6,906	186	6,906	186
	<b>7,641</b>	<b>690</b>	<b>7,641</b>	<b>690</b>
	<b>311,336</b>	<b>285,594</b>	<b>303,078</b>	<b>281,028</b>

## 4. OTHER INCOME

<i>All amounts are expressed in K'000</i>	Consolidated		Banks	
	2014	2013	2014	2013
Foreign exchange related	267,497	353,463	267,497	353,463
Non-banking subsidiary income	95,846	94,855	-	-
Other	51,328	46,848	70,550	46,848
	<b>414,671</b>	<b>495,166</b>	<b>338,047</b>	<b>400,311</b>

Foreign exchange related income includes gains and losses from spot and forward contracts and translated foreign currency assets.

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## 5. OTHER OPERATING EXPENSES

<i>All amounts are expressed in K'000</i>	Consolidated		Banks	
	2014	2013	2014	2013
Administration	170,384	194,455	102,433	129,474
Auditors remuneration	1,919	2,707	1,568	2,110
Computing	46,407	39,521	46,403	39,521
Depreciation	80,731	90,817	76,707	86,723
Amortisation of computer development	46,116	85,018	46,116	85,018
Non-executive Directors costs	1,772	1,434	1,445	1,224
Non-lending losses	25,891	16,942	25,056	16,942
Fixed Asset Impairment Expenses	50,397	-	50,397	-
Premises and equipment	69,872	79,150	65,829	70,730
	<b>493,489</b>	<b>510,044</b>	<b>415,954</b>	<b>431,742</b>
<b>Staff costs</b>				
Defined contribution plans	10,262	10,643	10,262	9,512
Statutory benefit contributions	8,658	10,908	7,577	10,908
Wages and salaries	224,760	227,150	202,691	210,461
Other	60,148	75,104	57,187	72,703
	<b>303,828</b>	<b>323,805</b>	<b>277,717</b>	<b>303,584</b>
	<b>797,317</b>	<b>833,849</b>	<b>693,671</b>	<b>735,326</b>

## 6. INCOME TAX

<i>All amounts are expressed in K'000</i>	Consolidated		Banks	
	2014	2013	2014	2013
<b>Income tax expense</b>				
Current tax	247,754	181,261	244,991	180,959
Deferred tax	(40,082)	(12,599)	(40,092)	(12,341)
Current year	207,672	168,662	204,899	168,618
Income tax under/(over) provided in previous years	3,839	1,465	4,661	(504)
	<b>211,511</b>	<b>170,127</b>	<b>209,560</b>	<b>168,114</b>
Tax calculated at 30% of profit before tax (2013:30%)	197,003	178,406	196,656	177,863
Tax calculated at 20% of profit before tax - subsidiary	2,988	3,246	-	-
Expenses not deductible for tax	6,314	(13,520)	8,243	(9,245)
Impact of change in tax rate – Fiji subsidiary	-	530	-	-
Tax loss not recognised	1,347	-	-	-
Income tax under/(over) provided in previous years	3,859	1,465	4,661	(504)
	<b>211,511</b>	<b>170,127</b>	<b>209,560</b>	<b>168,114</b>
<b>Provision for income tax</b>				
At 1 January	(33,395)	(13,112)	(33,222)	(13,022)
Income tax provision	(247,754)	(181,261)	(244,991)	(180,959)
Previous years over/(under) provided	5,257	4,125	2,919	4,125
Foreign tax paid	12,130	7,617	11,816	7,398
Tax payments made	200,740	149,236	200,740	149,236
<b>At 31 December</b>	<b>(63,022)</b>	<b>(33,395)</b>	<b>(62,738)</b>	<b>(33,222)</b>

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## 6. INCOME TAX (continued)

<i>All amounts are expressed in K'000</i>	Consolidated		Banks	
	2014	2013	2014	2013
<b>Deferred taxes</b>				
Specific allowance for losses on loans, advances & other receivables from customers	11,173	11,704	11,173	11,704
General allowance for losses on loans, advances & other receivables from customers	86,953	71,033	86,953	71,033
Employee related provisions	19,350	18,708	19,267	18,453
Prepaid expenses	(1,253)	(1,285)	(1,253)	(1,285)
Other provisions	22,711	17,085	26,191	16,527
Fixed Assets	(44,469)	(29,234)	(43,991)	(27,033)
Unrealised foreign exchange gains	(908)	(10,444)	(908)	(10,381)
Accruals	18,120	9,435	18,120	9,435
	<b>111,677</b>	<b>87,002</b>	<b>115,552</b>	<b>88,453</b>
<b>Represented by:</b>				
Deferred tax asset	161,926	134,372	161,703	127,151
Deferred tax liability	(50,249)	(47,370)	(46,151)	(38,698)
<b>At 31 December</b>	<b>111,677</b>	<b>87,002</b>	<b>115,552</b>	<b>88,453</b>

### *Movement in deferred tax is reconciled as follows:*

<i>All amounts are expressed in K'000</i>	Opening balance	Current period P&L Movements	Adjustment brought forward	Revaluation & net addition	Closing Balance
<b>Consolidated - 2014</b>					
Gross deferred tax liabilities	(47,370)	7,555	613	(11,048)	(50,249)
Gross deferred tax assets	134,372	32,527	(4,973)	-	161,926
	<b>87,002</b>	<b>40,082</b>	<b>(4,360)</b>	<b>(11,048)</b>	<b>111,677</b>

<b>Consolidated - 2013</b>					
Gross deferred tax liabilities	(34,560)	(11,412)	(1,398)	-	(47,370)
Gross deferred tax assets	111,141	24,011	(780)	-	134,372
	<b>76,581</b>	<b>12,599</b>	<b>(2,178)</b>	<b>-</b>	<b>87,002</b>

<b>Bank - 2014</b>					
Gross deferred tax liabilities	(38,698)	7,556	(3,961)	(11,048)	(46,151)
Gross deferred tax assets	127,151	32,536	2,016	-	161,703
	<b>88,453</b>	<b>40,092</b>	<b>(1,945)</b>	<b>(11,048)</b>	<b>115,552</b>

<b>Bank - 2013</b>					
Gross deferred tax liabilities	(28,358)	(11,467)	1,127	-	(38,698)
Gross deferred tax assets	110,401	23,808	(7,058)	-	127,151
	<b>82,043</b>	<b>12,341</b>	<b>(5,931)</b>	<b>-</b>	<b>88,453</b>

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## 7. INTANGIBLE ASSET

<i>All amounts are expressed in K'000</i>	Consolidated		Banks	
	2014	2013	2014	2013
<b>7(a) Goodwill</b>				
<b>Gross carrying amount</b>	<b>22,851</b>	<b>22,851</b>	<b>18,267</b>	<b>18,267</b>
<b>7(b) Computer development costs</b>				
At 1 January	133,198	3,126	133,198	3,126
Additions	18,788	208,147	18,788	208,147
Disposals	(18,347)	6,943	(19,927)	6,943
Amortisation expense	(46,116)	(85,018)	(46,116)	(85,018)
<b>At 31 December</b>	<b>87,523</b>	<b>133,198</b>	<b>85,943</b>	<b>133,198</b>
<b>Total Intangible assets</b>	<b>110,374</b>	<b>156,049</b>	<b>104,210</b>	<b>151,465</b>

## 8. INVESTMENTS IN SUBSIDIARIES

<i>All amounts are expressed in K'000</i>		Principal activity	Place of Incorporation and operation ownership	Balance of Investment	
Name of Subsidiary				2014	2013
BSP Capital Limited	Share brokerage/Fund Management/Capital Raising	PNG 100%	8,959	8,959	
BSP Life Limited	Life Insurance	Fiji 100%	87,653	87,653	
BSP Convertible Notes Limited	Capital Raising	Fiji 100%	317	317	
BSP Finance (Fiji) Limited	Credit Institution	Fiji 100%	6,406	-	
BSP Finance (PNG) Limited	Credit Institution	PNG 100%	5,300	-	
<b>At 31 December</b>			<b>108,635</b>	<b>96,929</b>	

### Provision of impairment of the investment in BSP Capital Limited

In 2013, the directors determined that the investment in BSP Capital Limited had been materially impaired as the carrying amount of the investment was greater than its net book value. As of the reporting date, the investment amount is written down to its net book value.

<i>All amounts are expressed in K'000</i>	2014	2013
Opening Balance	8,959	19,407
Net Movement	-	4,519
Provision for Impairment	-	(14,967)
<b>Closing Balance</b>	<b>8,959</b>	<b>8,959</b>

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## 9. INVESTMENTS IN ASSOCIATES & JOINT VENTURES

Entity	Joint Venture/ Associate	Principal activity	Place of incorporation and operation	Proportion of ownership and voting power held	
				2014	2013
Suva Central Limited	Joint Venture	Property rental	Fiji	50%*	50%*
Richmond Limited	Joint Venture	Hotel operation	Fiji	61.3%** , 50%***	61.3%** , 50%***
Williams and Gosling	Associate	Freight forwarding	Fiji	27.7%*	27.7%*
Carpark Limited	Joint Venture	Property	PNG	33.33%	33.33%
Malagan Limited	Joint Venture	Property	PNG	33.33%	33.33%

The investments above are accounted for using the equity method in the consolidated financial statements except for Carpark Limited and Malagan Limited which are accounted for at cost less impairment.

All amounts are expressed in K'000	Consolidated		Banks	
	2014	2013	2014	2013
<b>Associates</b>				
Investment in associate - equity	72,900	53,166	-	-
Movement	(3,415)	7,464	-	-
Share of profit/(loss) for the year	10,233	12,270	-	-
<b>Net investment in associate</b>	<b>79,718</b>	<b>72,900</b>	-	-
<b>Summarised financial information of associate:</b>				
Total assets	180,637	173,293	-	-
Total liabilities	(34,705)	(38,418)	-	-
<b>Net assets</b>	<b>145,932</b>	<b>134,875</b>	-	-
<b>Net profit/(loss)</b>	<b>17,085</b>	<b>22,316</b>	-	-
<b>Share of associate's profit/(loss)</b>	<b>10,233</b>	<b>12,270</b>	-	-
<b>Joint Ventures &amp; Associates</b>				
Share of associate's net assets - equity	79,718	72,900	-	-
Shares held in jointly owned entity – at costs less impairment	38,671	43,921	38,520	43,690
<b>Total investments in associates and joint ventures</b>	<b>118,389</b>	<b>116,821</b>	<b>38,520</b>	<b>43,690</b>

## 10. CASH AND BALANCES WITH CENTRAL BANK

All amounts are expressed in K'000	Consolidated		Banks	
	2014	2013	2014	2013
Notes, coins and cash at bank	479,818	391,639	386,655	353,809
Balances with Central Bank other than statutory deposit	875,651	572,581	875,651	572,581
<b>Total cash and balances with Central Bank</b>	<b>1,355,469</b>	<b>964,220</b>	<b>1,262,306</b>	<b>926,390</b>

for the Year Ended 31 December 2014

## 11. TREASURY AND CENTRAL BANK BILLS

<i>All amounts are expressed in K'000</i>	Consolidated		Banks	
	2014	2013	2014	2013
Treasury and Central Bank bills – face value	2,210,743	3,309,115	2,210,743	3,309,115
Premium/(discount) for interest receivable	(27,506)	(25,683)	(27,506)	(25,683)
<b>At 31 December</b>	<b>2,183,237</b>	<b>3,283,432</b>	<b>2,183,237</b>	<b>3,283,432</b>

Treasury and Central Bank bills are debt securities issued by the Central Bank. These bills are classified as assets held for trading and carried at fair value.

## 12. AMOUNTS DUE FROM OTHER BANKS

Items in the course of collection	85,803	128,524	85,803	128,524
Placements with other banks	294,850	1,316,675	294,850	1,316,675
<b>At 31 December</b>	<b>380,653</b>	<b>1,445,199</b>	<b>380,653</b>	<b>1,445,199</b>

## 13. LOANS, ADVANCES & OTHER RECEIVABLES FROM CUSTOMERS

Overdrafts	1,423,127	1,203,238	1,423,127	1,203,237
Lease financing	273,194	261,271	273,194	261,271
Term loans	4,251,579	2,951,144	4,221,984	2,931,168
Mortgages	1,157,855	1,124,777	1,157,328	1,124,300
Policy loans	39,678	43,013	-	-
<b>Gross loans, advances &amp; other receivables from customers net of reserved interest</b>	<b>7,145,433</b>	<b>5,583,443</b>	<b>7,075,633</b>	<b>5,519,976</b>
Less allowance for losses on loans, advances and other receivables from customers	(328,037)	(277,081)	(327,087)	(275,788)
	<b>6,817,396</b>	<b>5,306,362</b>	<b>6,748,546</b>	<b>5,244,188</b>

The spread of the loans are detailed in the maturity analysis table on Note 34. The loans are well-diversified across various sectors and region and are further analysed on Note 33.

### Lease financing

The Group and the bank provide finance leases to a broad range of clients to support financing needs in acquiring movable assets such as motor vehicles and plant and equipment. Finance lease receivables are included within loans, advances and other receivables from customers and are analysed as follows:

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**13. LOANS, ADVANCES & OTHER RECEIVABLES FROM CUSTOMERS** (continued)

<i>All amounts are expressed in K'000</i>	Consolidated		Banks	
	2014	2013	2014	2013
Gross investment in finance lease receivable				
Not later than 1 year	20,523	28,268	20,523	28,268
Later than 1 year and not later than 5 years	282,168	266,429	282,168	266,429
	<b>302,691</b>	<b>294,697</b>	<b>302,691</b>	<b>294,697</b>
Unearned future finance income				
Not later than 1 year	(14,291)	(11,895)	(14,291)	(11,895)
Later than 1 year and not later than 5 years	(15,206)	(21,531)	(15,206)	(21,531)
	<b>(29,497)</b>	<b>(33,426)</b>	<b>(29,497)</b>	<b>(33,426)</b>
<b>Present value of minimum lease payment receivable</b>	<b>273,194</b>	<b>261,271</b>	<b>273,194</b>	<b>261,271</b>
Present value of minimum lease payment receivable is analysed as follows:				
Not later than 1 year	20,523	16,373	20,523	16,373
Later than 1 year and not later than 5 years	252,671	244,898	252,671	244,898
	<b>273,194</b>	<b>261,271</b>	<b>273,194</b>	<b>261,271</b>
<b>Provision for impairment</b>				
Movement in allowance for losses on loans, advances and other receivables from customers:				
Balance at 1 January	277,081	220,553	275,788	214,721
Net new and increase provisioning	62,096	69,320	62,096	69,320
Loans written off against provisions / (Write back of provisions no longer required)	(11,140)	(12,792)	(10,797)	(8,253)
<b>Balance at 31 December</b>	<b>328,037</b>	<b>277,081</b>	<b>327,087</b>	<b>275,788</b>
Provision for impairment is represented by:				
Collective provision	290,200	237,400	289,845	236,776
Individually assessed or specific provision	37,837	39,681	37,242	39,012
<b>Balance at 31 December</b>	<b>328,037</b>	<b>277,081</b>	<b>327,087</b>	<b>275,788</b>
<b>Loan impairment expense</b>				
Net collective provision funding	(50,812)	(57,449)	(50,812)	(57,449)
Net new and increase individually assessed provisioning	(11,284)	(11,871)	(11,284)	(11,871)
<b>Total new and increase provisioning</b>	<b>(62,096)</b>	<b>(69,320)</b>	<b>(62,096)</b>	<b>(69,320)</b>
Recoveries during the year	33,204	26,239	33,204	26,239
Net write back/(write off)	(47,904)	(35,492)	(47,904)	(35,492)
	<b>(76,796)</b>	<b>(78,573)</b>	<b>(76,796)</b>	<b>(78,573)</b>



for the Year Ended 31 December 2014

## 14. PROPERTY, PLANT & EQUIPMENT

<i>All amounts are expressed in K'000</i>	Consolidated		Banks	
	2014	2013	2014	2013
<b>Carrying value</b>				
Capital Work in Progress	180,694	117,253	176,719	113,744
Premises	546,600	490,704	522,769	465,966
Accumulated depreciation	(92,923)	(105,509)	(85,812)	(97,875)
	<b>453,677</b>	<b>385,195</b>	<b>436,957</b>	<b>368,091</b>
Equipment	256,832	471,108	221,749	436,168
Accumulated depreciation	(163,838)	(350,196)	(140,691)	(328,380)
	<b>92,994</b>	<b>120,912</b>	<b>81,058</b>	<b>107,788</b>
<b>At 31 December</b>	<b>727,365</b>	<b>623,360</b>	<b>694,734</b>	<b>589,623</b>
<b>Reconciliation of carry value of property, plant and equipment is set out below:</b>				
<b>Capital Work in Progress</b>				
At 1 January	117,253	325,821	113,744	324,982
Additions	172,826	171,170	169,297	167,006
Transfers	(109,385)	(379,738)	(106,322)	(378,244)
<b>At 31 December</b>	<b>180,694</b>	<b>117,253</b>	<b>176,719</b>	<b>113,744</b>
<b>Premises</b>				
At 1 January	385,195	330,720	368,091	316,703
Additions	90,108	90,489	89,860	86,745
Disposals	(35,573)	(7,877)	(35,573)	(7,877)
Revaluation gains/(losses)	36,829	-	36,829	-
Depreciation expense	(22,882)	(28,137)	(22,250)	(27,480)
<b>At 31 December</b>	<b>453,677</b>	<b>385,195</b>	<b>436,957</b>	<b>368,091</b>
<b>Equipment</b>				
At 1 January	120,912	87,751	107,788	76,594
Additions	29,192	88,909	26,097	83,360
Disposals	(6,983)	(789)	(6,092)	(644)
Depreciation expense	(50,127)	(54,959)	(46,735)	(51,522)
<b>At 31 December</b>	<b>92,994</b>	<b>120,912</b>	<b>81,058</b>	<b>107,788</b>

As at end of 31 December 2014, there were three properties held for sale. The carrying amount at the time of transfer was K65.052m. No impairment losses have been recognised from these assets.

**14. PROPERTY, PLANT & EQUIPMENT** (continued)

<i>All amounts are expressed in K'000</i>	Consolidated		Banks	
	2014	2013	2014	2013
<b>Assets subject to operating lease</b>				
<b>Carrying value</b>				
Aircraft	123,326	123,326	123,326	123,326
Accumulated depreciation	(69,543)	(61,821)	(69,543)	(61,821)
<b>At 31 December</b>	<b>53,783</b>	<b>61,505</b>	<b>53,783</b>	<b>61,505</b>
<b>Reconciliation of carry value of aircraft is set out below:</b>				
<b>Aircraft</b>				
At 1 January	61,505	69,226	61,505	69,226
Depreciation	(7,722)	(7,721)	(7,722)	(7,721)
<b>At 31 December</b>	<b>53,783</b>	<b>61,505</b>	<b>53,783</b>	<b>61,505</b>
<b>Future minimum lease payments</b>				
Not later than 1 year	10,104	10,104	10,104	10,104
Later than 1 year and not later than 5 years	15,323	25,427	15,323	25,427
	<b>25,427</b>	<b>35,531</b>	<b>25,427</b>	<b>35,531</b>

The carrying amount of land and buildings and aircraft had they been recognised under the cost model are as follows:

Freehold land	24,301	14,932	24,301	11,832
Buildings	108,844	100,864	108,844	86,240
Aircraft	53,783	61,508	53,783	61,508
<b>At 31 December</b>	<b>186,928</b>	<b>177,304</b>	<b>186,928</b>	<b>159,580</b>

**Freehold land and buildings carried at fair value**

An independent valuation of the Bank's land and buildings was performed by Countrywide Realty Limited and The Professional Valuers of PNG Limited to determine the fair value of the land and buildings. The valuation, which conforms to International Valuation Standards, was determined by reference to capitalisation of the notional income stream approach on the Market Value basis. The recent valuation was dated 31 December 2014.

**Assets subject to operating lease - aircraft**

An independent valuation of the Bank's aircrafts was performed by Charles Taylor Aviation to determine the current realistic fair value for each of the aircraft. The valuation, which conforms to International Valuation Standards, takes into consideration the current global market variations for the specific types of aircrafts. The effective date of the valuation is 31 May 2012.

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## 15. INVESTMENT PROPERTIES

<i>All amounts are expressed in K'000</i>	Consolidated		Banks	
	2014	2013	2014	2013
Opening net book value	65,429	56,755	-	-
Net movement	1,803	8,251	-	-
Gain / (loss) on revaluation	3,452	423	-	-
<b>At 31 December</b>	<b>70,684</b>	<b>65,429</b>	<b>-</b>	<b>-</b>

## 16. OTHER FINANCIAL ASSETS

### Securities – held to-maturity:

Inscribed stock – issued by Central Bank	2,297,935	2,121,654	2,188,067	1,924,536
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### Financial assets carried at fair value through profit and loss:

Equity securities	63,714	49,144	-	-
<b>At 31 December</b>	<b>2,361,649</b>	<b>2,170,798</b>	<b>2,188,067</b>	<b>1,924,536</b>

## 17. OTHER ASSETS

Items in transit and other assets	208,069	282,534	187,035	272,728
Accrued income	78,311	75,882	78,311	75,882
Intercompany account	-	-	6,478	494
Outstanding premiums	21,447	26,050	-	-
Inventory	6,830	7,861	-	-
Prepayments	12,224	13,943	12,224	13,943
Accounts receivable	7,767	8,393	1,045	423
<b>At 31 December</b>	<b>334,648</b>	<b>414,663</b>	<b>285,093</b>	<b>363,470</b>

## 18. AMOUNTS DUE TO OTHER BANKS

Vostro account balances	201,192	358,633	201,179	358,633
Other borrowing	58,700	427,402	58,700	427,402
<b>At 31 December</b>	<b>259,892</b>	<b>786,035</b>	<b>259,879</b>	<b>786,035</b>

## 19. CUSTOMER DEPOSITS

On demand and short term deposits	10,725,060	10,232,667	10,765,038	10,326,962
Term deposits	1,983,323	1,968,332	2,039,517	1,969,264
<b>At 31 December</b>	<b>12,708,383</b>	<b>12,200,999</b>	<b>12,804,555</b>	<b>12,296,226</b>

The majority of the amounts are due to be settled within twelve months of the balance sheet date as shown in the maturity analysis table on note 34. The deposits are well-diversed across industries and region.

## 20. SUBORDINATED DEBT SECURITIES

At 31 December, there is K75.525 million of debt securities outstanding, expected to be settled more than 12 months after the balance sheet date. The notes were issued during 2009, with a maturity date in 2019, and interest is payable semi-annually at 11% per annum. They are valued at amortised cost. There have been no defaults of interest or other breaches with respect to these debt securities since issue.

## 21. OTHER LIABILITIES

<i>All amounts are expressed in K'000</i>	Consolidated		Banks	
	2014	2013	2014	2013
Creditors and accruals	94,804	76,584	66,925	63,812
Items in transit and all other liabilities	236,248	362,875	251,148	371,312
Policy liabilities	473,753	481,087	-	-
Premiums received in advance	293	3,985	-	-
Outstanding claims	10,534	10,398	-	-
Claims incurred but not reported (IBNR)	1,315	1,440	-	-
<b>At 31 December</b>	<b>816,947</b>	<b>936,369</b>	<b>318,073</b>	<b>435,124</b>

## 22. OTHER PROVISIONS

Staff related	67,665	62,191	62,547	57,170
Provision for non-lending loss	41,691	30,947	41,666	30,947
Provisions – other	43,588	16,899	43,587	16,899
<b>At 31 December</b>	<b>152,944</b>	<b>110,037</b>	<b>147,800</b>	<b>105,016</b>
<b>Staff related provisions:</b>				
At 1 January	62,191	57,069	57,170	52,287
Provisions charge	13,967	23,705	13,870	21,655
Payouts	(8,493)	(18,583)	(8,493)	(16,772)
<b>At 31 December</b>	<b>67,665</b>	<b>62,191</b>	<b>62,547</b>	<b>57,170</b>

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## 23. ORDINARY SHARES

<i>Number of shares in '000s, Book value in K'000</i>	<b>Number of shares</b>	<b>Book value</b>
<b>At 31 December 2012/1 January 2013</b>	<b>469,201</b>	<b>384,814</b>
Share buyback	(777)	(3,316)
<b>At 31 December 2013 / 1 January 2014</b>	<b>468,424</b>	<b>381,498</b>
Share buyback	(292)	(2,201)
<b>At 31 December</b>	<b>468,132</b>	<b>379,297</b>

In May 2014, the Directors agreed to introduce a share-buyback scheme of up to K15 million. The share-buyback commenced in July 2014.

	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
<b>Earnings per ordinary share</b>				
Net profit attributable to shareholders (K'000)	507,339	436,828	512,892	424,762
Weighted average number of ordinary shares in use ('000)	468,278	469,136	468,278	469,136
<b>Basic and diluted earnings /(loss) per share (expressed in toea)</b>	<b>108.3</b>	<b>93.1</b>	<b>109.5</b>	<b>90.5</b>

Basic earnings per ordinary share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year. Bank of South Pacific Limited has no dilutive potential ordinary shares. Consequently, basic earnings per ordinary share equals diluted earnings per share.

### Dividend paid on ordinary shares

Interim ordinary dividend (2014: 20 toea; 2013:20 toea)	93,665	93,685	93,665	93,685
Final ordinary dividend (2013: 46 toea; 2012: 38 toea)	215,476	178,001	215,476	178,001
	<b>309,141</b>	<b>271,686</b>	<b>309,141</b>	<b>271,686</b>

## 24. RESERVES & RETAINED EARNINGS

<i>All amounts are expressed in K'000</i>	Consolidated		Banks	
	2014	2013	2014	2013
<b>Retained earnings</b>				
At 1 January	1,035,290	870,148	991,368	838,292
Net profit for the year	507,339	436,828	512,892	424,762
Dividend paid	(309,141)	(271,686)	(309,141)	(271,686)
Disposal of assets – Asset revaluation	12,441	-	12,441	-
Prior year consolidation adjustment	(2,438)	-	-	-
BSP Life policy reserve	(24,055)	-	(24,055)	-
<b>At 31 December</b>	<b>1,219,436</b>	<b>1,035,290</b>	<b>1,183,505</b>	<b>991,368</b>
<b>Reserves comprise</b>				
Revaluation reserve	166,230	170,103	166,230	170,103
Capital reserve	635	635	635	635
Equity component of Fiji Class Shares	21,578	18,218	-	-
General reserve	26,930	2,875	26,930	2,875
Exchange reserve	(13,913)	10,441	(10,249)	7,833
<b>At 31 December</b>	<b>201,460</b>	<b>202,272</b>	<b>183,546</b>	<b>181,446</b>
<b>Movement in reserves for the year:</b>				
<b>Revaluation reserve</b>				
At 1 January	170,103	170,103	170,103	170,103
Asset revaluation increment	44,330	-	44,330	-
Transfer assets revaluation reserve to retained earnings	(12,441)	-	(12,441)	-
Deferred tax on asset revaluation – prior year	(23,051)	-	(23,051)	-
Deferred tax on asset revaluation – current year	(12,711)	-	(12,711)	-
<b>At 31 December</b>	<b>166,230</b>	<b>170,103</b>	<b>166,230</b>	<b>170,103</b>
<b>Capital reserve</b>				
At 1 January	635	635	635	635
<b>At 31 December</b>	<b>635</b>	<b>635</b>	<b>635</b>	<b>635</b>
<b>General reserve</b>				
At 1 January	2,875	2,875	2,875	2,875
BSP Life policy reserve	24,055	-	24,055	-
<b>At 31 December</b>	<b>26,930</b>	<b>2,875</b>	<b>26,930</b>	<b>2,875</b>

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## 24. RESERVES & RETAINED EARNINGS (continued)

<i>All amounts are expressed in K'000</i>	Consolidated		Banks	
	2014	2013	2014	2013
<b>Exchange reserve</b>				
At 1 January	10,441	14,574	7,833	14,574
Movement during the year	(24,354)	(4,133)	(18,082)	(6,741)
<b>At 31 December</b>	<b>(13,913)</b>	<b>10,441</b>	<b>(10,249)</b>	<b>7,833</b>

### Equity component of convertible notes

On 20 April 2010, the Group issued 3,064,967 Fiji Dollars (FJD) denominated mandatory convertible notes through its wholly owned subsidiary BSP Convertible Notes Limited (BSP CN) at an issue price of FJD5.25 (K7.30) per note.

The notes mandatorily converted to Fiji Class Shares on 20 April 2013 based on a conversion ratio of 1.1. Key rights of Fiji Class Shareholders are as follows:

- (i) The right to receive dividend equal to the amount of dividend to be paid on BSP Ordinary Share.
- (ii) The same voting rights as a BSP Ordinary Share and effected through a special voting share held by the Chairman of BSP.
- (iii) The Fiji Class Share may be exchanged on a one for one basis into BSP Ordinary Shares at a subsequent date and at the option of BSP on the occurrence of certain prescribed events.

## 25. CONTINGENT LIABILITIES & COMMITMENTS

### Off balance sheet financial instruments

Guarantees and indemnities issued	293,853	556,166	292,489	545,058
Standby letters of credit	24,797	47,692	24,797	47,692
Commitments to extend credit	1,009,943	860,453	1,008,952	695,233
Trade letters of credit	20,091	47,691	20,091	25,619
<b>At 31 December</b>	<b>1,348,684</b>	<b>1,512,002</b>	<b>1,346,329</b>	<b>1,313,602</b>

### Legal Proceedings

A number of legal proceedings against the Bank and the Group were outstanding as at 31 December 2014. Based on information available at 31 December 2014, the Bank and the Group estimates a contingent liability of K37.4 million (2013: K74.780 million) in respect of these proceedings.

### Statutory deposits with the Central Bank

Cash reserve requirement - 10% of all amounts due to customers (2013: 9%)	1,251,582	1,066,580	1,251,582	1,066,580
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### Commitments for capital expenditure

Amounts with firm commitments, and not reflected in the accounts	74,105	154,344	65,315	154,344
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### Operating lease commitments

Not later than 1 year	14,537	40,079	14,323	40,079
Later than 1 year and not later than 5 years	21,348	37,556	20,718	37,556
Later than 5 years	-	-	-	-
	<b>35,885</b>	<b>77,635</b>	<b>35,041</b>	<b>77,635</b>

## 26. FIDUCIARY ACTIVITIES

The Group especially through BSP Capital Limited conducts investment fund management, stock broking and other fiduciary activities as responsible entity, trustee, custodian or manager for investment funds and trusts, including superannuation. These funds are not consolidated as the Group does not have direct or indirect control. Where the funds incurs liabilities in respect of these activities, and the primary obligation is incurred in an agency capacity, for the fund or clients rather than its own account, a right of indemnity exists against the assets of the applicable fund or trust. As these assets are sufficient to cover the liabilities and it is therefore not probable that the Group will be required to settle the liabilities, the investments in the assets and liabilities of these activities are not included in the consolidated financial statements.

## 27. DIRECTORS & EXECUTIVE REMUNERATION

### Directors remuneration

Directors of the company received remuneration including benefits during the 2014 as detailed below;

<i>All amounts in Kina</i>						<b>Total remuneration</b>	
Name of Director	Meetings attended / total held	Appointed/ (Resigned)	Base emolument	Bonus shares	2014	2013	
K. Constantinou, OBE	7/7	-	277,759	-	277,759	222,539	
T. E. Fox, OBE	7/7	-	243,492	-	243,492	213,542	
Dr. I. Temu	7/7	-	123,904	-	123,904	112,014	
C. C. Procter	2/2	(24/05/14)	144,011	-	144,011	217,388	
Sir N. Bogan	5/7	-	127,083	-	127,083	104,967	
R. Fleming*	7/7	-	-	-	-	-	
G. Aopi, CBE	6/7	-	126,934	-	126,934	115,456	
G. Robb, OAM	6/7	-	363,283	-	363,283	280,613	
F. Talao	7/7	-	115,121	-	115,121	104,875	
E. B Gangloff	6/7	-	116,771	-	116,771	-	
A. Mano	2/2	29/08/14	26,250	-	26,250	-	
			<b>1,664,608</b>		<b>1,664,608</b>	<b>1,371,394</b>	

Directors Sir Nagora Bogan and Gereia Aopi retired by rotation in accordance with Clause 15.3 of the Company's Constitution and being eligible, offered themselves for re-election by the shareholders on 24th May 2014 Annual General Meeting. Carlisle Procter resigned as a Director of the BSP Board on 24rd May 2014. Augustine Mano joined the board on 29 August 2014 and will offer himself for election by the shareholders at the Annual Meeting in May 2015.

Non-executive Board Members of the Board – Constantinou, Fox and Robb received an allowance of K60,000 as Board of Directors of BSP Capital Ltd which forms part of the Group. Carlisle Procter resigned as Director of the Board of BSP Capital Ltd and received this Directors fee of K45,000 per annum.

\* Managing Director / Chief Executive Officer receives no fees for his services as Director during the year. Other members of BSP executive management who serve as directors of subsidiaries of BSP Group, receive no fees for their services as Director.



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## 27. DIRECTORS & EXECUTIVE REMUNERATION (continued)

### Executive remuneration

The number of employees or former employees whose income from the Bank was equal to or greater than K100,000 during the year, are classified in income bands of K10,000 as follows:

Remuneration K'000	2014 No.	2013 No.	Remuneration K'000	2014 No.	2013 No.	Remuneration K'000	2014 No.	2013 No.
100 – 110	35	34	410 - 410	2	4	740 - 750	-	1
110 – 120	25	16	410 - 420	2	-	750 – 760	3	2
120 - 130	22	21	420 - 430	1	2	760 – 770	-	2
130 - 140	25	21	430 – 440	1	2	770 – 780	1	1
140 - 150	16	24	440 – 450	2	-	780 – 790	8	1
150 - 160	8	11	450 – 460	1	2	800 -810	-	1
160 – 170	9	10	460 – 470	1	-	820 – 830	-	1
170 – 180	7	13	480 – 490	-	-	830 – 840	2	1
180 – 190	2	8	490 – 500	-	1	850 – 860	3	1
190 – 200	2	9	500 – 510	1	1	880 – 890	-	1
200 – 210	4	1	510 – 520	-	3	890 – 900	1	1
210 – 220	3	7	520 – 530	-	2	910 – 920	-	1
220 – 230	4	4	530 – 540	-	2	950 - 960	1	-
230 – 240	7	4	540 – 550	1	3	960 - 970	-	1
240 – 250	8	9	560 – 570	1	2	980 - 990	-	2
250 – 260	5	7	570 - 580	1	4	1090 - 1100	-	1
260 – 270	2	6	590 - 600	2	3	1100 – 1100	1	1
270 – 280	5	4	600 – 610	2	5	1170 - 1180	1	-
280 – 290	8	3	610 - 620	2	2	1190 -1200	1	-
290 – 300	3	-	620 – 630	4	1	1230 -1240	1	-
300 - 310	2	3	630 – 640	2	2	1260 – 1270	-	1
310 – 320	5	4	640 – 650	2	0	1270 - 1280	1	-
320 – 330	3	1	650 – 660	1	3	1630 - 1640	1	-
330 – 340	1	2	660 – 670	1	-	1660 - 1670	-	1
340 – 350	1	2	680 - 690	3	1	1730 - 1740	-	1
350 – 360	2	2	690 - 700	2	3	1790 – 1800	-	1
360 – 370	5	3	700 - 710	-	1	1840 - 1850	1	-
370 – 380	1	2	710 - 720	1	1	2430 – 2440	-	1
380 - 390	-	2	720 - 730	-	-	3560 - 3570	1	-
390 - 400	5	3	730 - 740	3	1	6800 - 6810	-	1
<b>Total</b>							<b>291</b>	<b>312</b>

2013 executive remuneration includes exercised options.

## 27. DIRECTORS & EXECUTIVE REMUNERATION (continued)

The specified executives during the year were:

Robin Fleming	Robert Loggia	Haroon Ali	Richard Borysiewicz
Johnson Kalo	Peter Beswick	Paul Thornton	Edward Ruha
Aho Baliki	Giau Duruba	Mark Railston	

### Specified executives' remuneration in aggregate (K'000)

Year	Salary	Primary Bonus	Non-monetary	Super	Post-employment Prescribed benefits	Other	Equity options	Other Benefits	Total
2014	11,302	3,128	207	193	-	-	-	710	15,540
2013	13,143	4,251	201	191	-	-	1,339	755	19,880

## 28. RECONCILIATION OF OPERATING CASH FLOW

<i>All amounts are expressed in K'000</i>	Consolidated		Banks	
	2014	2013	2014	2013
<b>Reconciliation of operating profit/(loss) after tax to operating cash flow before changes in operating assets</b>				
Operating profit/(loss) after tax	507,339	436,828	512,892	424,762
Add: Tax Expense	211,511	170,127	209,560	168,114
<b>Operating profit before income tax</b>	<b>718,850</b>	<b>606,955</b>	<b>722,452</b>	<b>592,876</b>
<b>Major non cash amounts</b>				
Depreciation	80,731	90,817	76,707	86,723
Amortisation of deferred acquisition and computer development costs	46,116	85,018	46,116	85,018
Net (profit)/loss on sale of fixed assets	1,210	906	1,210	906
Movement in forex income accrual	(13,344)	10,746	(10,461)	10,746
Movement in provision for doubtful debts	112,076	104,812	112,076	104,812
Movement in payroll provisions	2,821	5,778	2,821	5,778
Net effect of other accruals	56,444	(4,909)	39,826	32,703
<b>Operating cash flow before changes in operating assets</b>	<b>1,004,904</b>	<b>900,123</b>	<b>990,747</b>	<b>919,562</b>
<b>Cash and cash equivalents</b>				
For the purposes of the cash flow statement, cash and cash equivalents comprise the following balances with less than 90 days maturity.				
Cash and balances with Central Bank (note 10)	1,355,469	964,220	1,262,306	926,390
Amounts due from other banks (note 12)	380,653	1,445,199	380,653	1,445,199
Amounts due to other banks (note 18)	(259,892)	(786,035)	(259,879)	(786,035)
<b>At 31 December</b>	<b>1,476,230</b>	<b>1,623,384</b>	<b>1,383,080</b>	<b>1,585,554</b>

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## 29. SEGMENT INFORMATION

Bank of South Pacific Limited and Group comprises two segments, these being the provision of banking services and products, stock broking and insurance services. For management purposes, segment information determination is based on the risks involved with the provision of core banking services and products and the Bank and Group's management reporting system. The main business lines for management purposes are core banking segments of retail bank, wholesale bank which includes corporate and paramount strategic business units, insurance operations in Fiji, and BSP Capital's stock broking and fund management activities. The Bank of South Pacific Limited and Group's business segments operates in Papua New Guinea, Fiji and Solomon Islands. Inter segment adjustments reflects elimination entries in respect of inter segment income and expense allocations included funds transfer pricing.

<i>All amounts are in K'000</i>	Retail	Wholesale	Fiji Bank	Insurance	BSP Capital	Others	Adjust Inter Segments	Total
<b>Analysis by segments</b>								
<b>Year ended 31 December 2014</b>								
Interest income	163,719	444,520	78,313	461	-	16,947	148,926	852,886
Other income	283,465	237,850	68,902	98,975	8,540	18,377	13,735	729,844
<b>Total operating income</b>	<b>447,184</b>	<b>682,370</b>	<b>147,215</b>	<b>99,436</b>	<b>8,540</b>	<b>35,324</b>	<b>162,661</b>	<b>1,582,730</b>
Operating expenses	(381,876)	(61,729)	(91,566)	(94,525)	(9,697)	(16,983)	(140,941)	(797,317)
Impairment expenses	(20,986)	5,685	(24,053)	-	-	(363)	(37,079)	(76,796)
Share of profits from associates and jointly controlled entities	-	-	-	10,233	-	-	-	10,233
<b>Profit before income tax</b>	<b>44,322</b>	<b>626,326</b>	<b>31,596</b>	<b>15,144</b>	<b>(1,157)</b>	<b>17,978</b>	<b>(15,359)</b>	<b>718,850</b>
Income tax	(11,461)	(184,796)	(6,503)	(1,775)	347	(7,323)	-	(211,511)
<b>Net profit after income tax</b>	<b>32,861</b>	<b>441,530</b>	<b>25,093</b>	<b>13,369</b>	<b>(810)</b>	<b>10,655</b>	<b>(15,359)</b>	<b>507,339</b>
<b>Year ended 31 December 2013</b>								
Interest income	157,410	433,472	61,576	-	-	14,557	73,842	740,857
Other income	298,309	236,434	50,140	176,100	3,687	16,547	-	781,217
<b>Total operating income</b>	<b>455,719</b>	<b>669,906</b>	<b>111,716</b>	<b>176,100</b>	<b>3,687</b>	<b>31,104</b>	<b>73,842</b>	<b>1,522,074</b>
Operating expenses	(253,289)	(256,639)	(83,622)	(172,475)	(6,921)	(16,504)	(44,399)	(833,849)
Impairment expenses	(25,747)	(39,234)	(13,205)	-	-	(387)	(14,967)	(93,540)
Share of profits from associates and jointly controlled entities	-	-	-	12,270	-	-	-	12,270
<b>Profit before income tax</b>	<b>176,683</b>	<b>374,033</b>	<b>14,889</b>	<b>15,895</b>	<b>(3,234)</b>	<b>14,213</b>	<b>14,476</b>	<b>606,955</b>
Income tax	(5,337)	(154,371)	(3,180)	(2,659)	1,009	(5,589)	-	(170,127)
<b>Net profit after income tax</b>	<b>171,346</b>	<b>219,662</b>	<b>11,709</b>	<b>13,236</b>	<b>(2,225)</b>	<b>8,624</b>	<b>14,476</b>	<b>436,828</b>

### 30. RELATED PARTY TRANSACTIONS

Related parties are considered to be enterprises or individuals with whom the Bank and the Group is especially related because either they or the Bank are in a position to significantly influence the outcome of transactions entered into with the Bank and the Group, by virtue of being able to control, dominate or participate in a fiduciary capacity, in decision-making functions or processes. The Bank and the Group conducted transactions with the following classes of related parties during the year:

- Directors and/or parties in which the director has significant influence
- Key management personnel and other staff and/or parties in which the individual officer has significant influence

A number of banking transactions are entered into with these related parties in the normal course of business, and include loans, deposits, property rentals, share transfers and foreign currency transactions. These transactions are carried out on commercial terms and market rates. For the year ended 31 December 2014, balances and transactions of accounts for Directors, including companies in which directorships were held by BSP directors, were as follows:

<i>All amounts are in K'000</i>	2014	2013
<b>Customer Deposits</b>		
Opening balances	192,446	139,557
Net movement	164,884	52,889
<b>Closing balance</b>	<b>357,330</b>	<b>192,446</b>
Interest paid	2,350	4,022
<b>Loans, advances &amp; other receivables from customer</b>		
Opening balances	384,320	172,725
Loans issued	227,856	339,602
Interest	39,889	40,128
Charges	11,521	11,590
Loan repayments	(281,551)	(179,725)
<b>Closing balance</b>	<b>382,035</b>	<b>384,320</b>

Incentive-based transactions are provided for staff. Such transactions include marginal discounts on rates, and specific fee concessions. These incentives are mainly percentage-based on market rates and fees, and as such, staff accounts are always subject to underlying market trends in interest rates and fees. As at 31 December 2014, staff account balances were as follows:

<i>All amounts are expressed in K'000</i>	2014	2013
Housing loans	14,653	18,111
Other loans	26,592	16,442
	<b>41,245</b>	<b>34,553</b>
Cheque accounts	9,452	8,083
Foreign currency accounts	487	237
Savings accounts	5,517	9,991
	<b>15,456</b>	<b>18,311</b>

### 31. BANK OPERATIONS, RISKS & STRATEGIES IN USING FINANCIAL INSTRUMENTS

All business operations must deal with a variety of operational and financial risks. The business activities of a bank expose it to very critical and specific risks, which are principally related to the Bank and the Group's primary financial intermediary role in the financial markets, including the use of financial instruments including derivatives. These market risks (risk of an adverse event in the financial markets that may result in loss of earnings) include liquidity risk, foreign exchange risk, interest rate risk and credit risk.

The Bank and the Group accepts deposits from customers at both fixed and floating rates and for various periods and seeks to earn above average interest margins by investing these funds in high quality assets. These margins are achieved and increased by consolidating short-term funds and lending for longer periods at higher rates whilst maintaining sufficient liquidity to meet all claims that might fall due.

The Bank and the Group also seeks to optimise its interest margins by obtaining above average returns, net of provisions, through lending to commercial and retail borrowers with a range of credit standing. In addition to directly advancing funds to borrowers, the Bank and the Group also enters into guarantees and other commitments such as letters of credit, performance bonds, and other bonds.

The Bank and the Group also enters into transactions denominated in foreign currencies. This activity generally requires the Bank and the Group to take foreign currency positions in order to exploit short term movements in the foreign currency market. The Board places limits on the size of these positions. The Bank and the Group also has a policy of using offsetting commitments for foreign exchange contracts, effectively minimising the risk of loss due to adverse movements in foreign currencies.

Risk in the Bank and the Group is managed through a system of delegated limits. These limits set the maximum level of risk that can be assumed by each operational unit and the Bank and the Group as a whole. The limits are delegated from the Board of Directors to executive management and hence to the respective operational managers.

The risk management framework establishes roles, responsibilities and accountabilities of the Asset and Liability Committee, the Credit Committee, the Operational Risk Committee and the Executive Committee, the specific management committees charged with the responsibility for ensuring the Bank and the Group has appropriate systems, policies and procedures to measure, monitor and report on risk management. The framework also includes policies and procedures which detail formal feedback processes to these management committees, to the Audit, Risk and Compliance Committee of the Board, and ultimately to the Board of Directors.

### 32. CAPITAL ADEQUACY

The Bank and the Group is required to comply with various prudential standards issued by the Bank of Papua New Guinea (BPNG), the official authority for the prudential supervision of banks and similar financial institutions in Papua New Guinea. Additionally, subsidiaries and branches in Fiji and Solomon Islands are required to adhere to prudential standards issued by the Reserve Bank of Fiji (RBF) and the Central Bank of Solomon Islands (CBSI) respectively. One of the most critical prudential standards is the capital adequacy requirement.

All banks are required to maintain at least the minimum acceptable measure of capital to risk-weighted assets to absorb potential losses. The BPNG follows the prudential guidelines set by the Bank of International Settlements under the terms of the Basel Accord. The BPNG revised prudential standard 1/2003, Capital Adequacy, prescribes ranges of overall capital ratios to measure whether a bank is under, adequately, or well capitalised, and also applies the leverage capital ratio. The Bank and the Group complies with the prevailing prudential requirements for total capital and leverage capital. As at 31 December 2014, the Bank and the Group's total capital adequacy ratio and leverage capital ratio satisfied the capital adequacy criteria for a 'well-capitalised' bank. The minimum capital adequacy requirements set out under the standard are: Tier 1 capital ratio 8%, total risk base capital ratio 12% and the leverage ratio 6%.

### 32. CAPITAL ADEQUACY (continued)

The measure of capital used for the purposes of prudential supervision is referred to as base capital. Total base capital varies from the balance of capital shown on the statement of financial position and is made up of tier 1 capital (core) and tier 2 capital (supplementary). Tier 1 capital is obtained by deducting from equity capital and audited retained earnings (or losses), intangible assets including deferred tax assets. Tier 2 capital cannot exceed the amount of tier 1 capital, and can include subordinated loan capital, specified asset revaluation reserves, un-audited profits (or losses) and a small percentage of general loan loss provisions. The leverage capital ratio is calculated as Tier 1 capital divided by total assets on the balance sheet.

Risk weighted assets are derived from on-balance sheet and off-balance sheet assets. On balance sheet assets are weighted for credit risk by applying weightings (0, 20, 50 and 100 per cent) according to risk classification criteria set by the BPNG. Off-balance sheet exposures are risk weighted in the same way after converting them to on-balance sheet credit equivalents using BPNG specified credit conversion factors.

The Bank and the Group's capital adequacy level is as follows:

	Balance sheet/National amount		Risk weighted amount	
	2014	2013	2014	2013
<i>All amounts are expressed in K'000</i>				
<b>Balance sheet assets (net of provisions)</b>				
Currency	2,607,051	2,030,800	-	-
Loans, advances & other receivables from customers	6,817,396	5,306,362	5,787,333	5,009,265
Investments and short term securities	4,544,886	5,454,230	-	-
All other assets	1,907,573	2,970,028	1,301,840	2,778,531
Off balance sheet items	1,348,684	1,512,002	194,548	714,414
<b>Total</b>	<b>17,225,590</b>	<b>17,273,422</b>	<b>7,283,721</b>	<b>8,502,210</b>

Audited Capital Ratios	Capital (K'000)		Capital Adequacy Ratio (%)	
	2014	2013	2014	2013
<i>All amounts are expressed in K'000</i>				
a) Tier 1 capital	1,412,838	1,181,187	19.4%	13.9%
Tier 1 + Tier 2 capital	1,746,292	1,533,093	24.0%	18.0%
b) Leverage Capital Ratio			9.0%	7.6%

### 33. CREDIT RISK & ASSET QUALITY

The Bank incurs risk with regards to loans, advances and other receivables from customers and other monies or investments held with financial institutions. Credit risk is the likelihood of future financial loss resulting from the failure of clients or counter-parties to meet contractual obligations to the Bank and the Group as they fall due.

Credit risk is managed by analysing the risk spread across various sectors of the economy and by ensuring risk is diversely spread by personal and commercial customer. Individual exposures are measured using repayment performance, reviews and statistical techniques. Comprehensive credit standards and approval limits have been formulated and approved by the Credit Committee. The Credit Committee (which reports to the Board through the Executive and Chief Executive Officer) is responsible for the development and implementation of credit policy and loan portfolio review methodology. The Credit Committee is the final arbiter of risk management and loan risk concentration.

As indicated in Accounting Policy G – Loans and provision for loan impairment, the Bank and the Group has in place processes that identify, assess and control credit risk in relation to the loan portfolio, to assist in determining the appropriateness of provisions for loan impairment. These processes also enable assessments to be made of other classes of assets that may carry an element of credit risk. The Bank and the Group assigns quality indicators to its credit exposures to determine the asset quality profile.

Large credit exposures are also monitored as part of credit risk management. These are classified as the largest 25 individual accounts or groups of related counter-parties. As at 31 December 2014, the 25 largest exposures totaled K4.1 billion, accounting for over 60% of the Bank and 60% of the Group's total loan portfolio (2013: K3.2 billion, accounting for over 56% and 56% respectively). The Bank of Papua New Guinea has maintained a revised prudential standard for asset quality since October 2003. The revised standard specifies more detailed criteria for the classification of loans into various grades of default risk and corresponding loss provision levels as a consequence of those grading's.

An analysis by credit quality of loans outstanding at 31 December 2014 is as follows:

2014	Overdrafts	Term loans	Mortgages	Lease financing	Policy loans	Total
<i>Neither past due nor impaired</i>	1,334,964	3,933,033	1,041,853	251,252	39,678	6,600,780
<b>Past due but not impaired</b>						
- Less than 30 days	78,388	258,160	65,483	12,307	-	414,339
- 30 to 90 days	2,933	40,309	26,615	9,165	-	79,022
- 91 to 360 days	1,138	2,541	7,082	143	-	10,904
- More than 360 days	177	191	-	-	-	368
	82,636	301,201	99,180	21,616	-	504,632
<b>Individually impaired loans</b>						
- Less than 30 days	1,551	4,052	2,083	-	-	7,686
- 30 to 90 days	4	3,379	1,603	-	-	4,986
- 91 to 360 days	103	5,321	3,667	-	-	9,091
- More than 360 days	3,869	4,593	9,469	327	-	18,258
	5,527	17,345	16,822	327	-	40,021
<b>Total gross loans, advances &amp; other receivables from customers</b>	<b>1,423,127</b>	<b>4,251,579</b>	<b>1,157,855</b>	<b>273,194</b>	<b>39,678</b>	<b>7,145,433</b>
Less impairment provisions						328,037
<b>Net Loans &amp; Advances</b>						<b>6,817,396</b>

### 33. CREDIT RISK & ASSET QUALITY (continued)

#### Credit related commitments

These instruments are used to ensure that funds are available to a customer as required. The Bank and the Group deals principally in the credit related commitments set out below.

Guarantees and standby letters of credit, which represent irrevocable assurances that the Bank and the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same risk as loans.

Documentary and trade letters of credit are written undertakings by the Bank and the Group on behalf of a customer, authorising a third party to draw drafts on the Bank and the Group for specified amounts under specified terms and conditions. They are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a conventional loan.

Commitments to extend credit represent undrawn portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. Whilst the potential exposure to loss equates to the total undrawn commitments, the likely amount of loss is less than the total commitment since the commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank and the Group monitors the term to maturity of these commitments because longer term commitments generally carry a greater degree of credit risk than shorter term commitments.

#### Economic sector risk concentrations

Economic sector risk concentrations within the customer loan portfolio are as follows:

<i>All amounts are expressed in K'000</i>				
<i>As at 31 December</i>	<b>2014</b>	<b>%</b>	<b>2013</b>	<b>%</b>
Commerce, finance and other business	2,593,609	38	2,391,072	45
Private households	948,957	14	695,782	13
Government and public authorities	1,191,449	17	444,670	9
Agriculture	322,532	5	267,367	5
Transport and communication	709,099	10	583,853	11
Manufacturing	404,925	6	394,268	7
Construction	646,825	10	529,350	10
<b>Net loan portfolio balance</b>	<b>6,817,396</b>	<b>100</b>	<b>5,306,362</b>	<b>100</b>

### 34. LIQUIDITY RISK

Liquidity risk is the risk of being unable to meet financial obligations as they fall due. The Board, through the Asset and Liability Committee, sets liquidity policy to ensure that the Bank and the Group has sufficient funds available to meet all its known and potential obligations.

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of banking activities. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

#### Short-term mismatch of asset and liability maturity at 31 December 2014

The maturity profile of material Assets and Liabilities as at 31 December 2014 is shown in the following schedule. The mismatching of maturity of assets and liabilities indicates an apparent negative net "current" asset position. However, as stated in the preceding paragraph, mismatched positions are established and managed to achieve profit opportunities that arise from them, particularly in a normal yield curve environment. Accordingly, this mismatched maturity position is considered manageable by the Bank and the Group, and does not impair the ability of the Bank and the Group to meet its financial obligations as they fall due. The Directors are also of the view that the Bank and the Group is able to meet its financial obligations as they fall due for the following additional reasons:



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### 34. LIQUIDITY RISK (continued)

- The Bank and the Group complies with the Minimum Liquid Asset Ratio (“MLAR”) and Cash Reserve Requirement (“CRR”) set by the regulatory authority, the Bank of Papua New Guinea (“BPNG”). The MLAR is the minimum ratio of liquid assets to total customer deposits considered by the regulator as sufficient to support exceptional liquidation by depositors, of their funds. The requirement to hold a minimum of 25% of the value of total customer deposits in the form of prescribed liquid assets was reduced to zero by the BPNG in September 2010. As at 31 December 2014, the Bank and the Group’s Liquid Asset Ratio was approximately 34.34% (2013: 41.78%).
- The CRR specifies that a bank must hold an amount equal to 10% of its total customer deposits in the form of cash in an account maintained at the BPNG. The Bank and the Group complies with this daily requirement on an ongoing basis. The balance of the CRR account is shown in Note 10, Cash and Balances with Central Bank, and Note 28, Cash & Cash Equivalents.

#### Maturity of assets and liabilities

*All amounts are expressed in K’000*

As at 31 December 2014	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
<b>Assets</b>						
Cash and balances with Central Bank	2,607,051	-	-	-	-	2,607,051
Treasury & Central Bank bills	985,499	370,203	821,872	5,663	-	2,183,237
Amounts due from other banks	277,441	103,212	-	-	-	380,653
Loans, advances & other receivables from customers	1,819,303	90,167	483,075	2,138,966	2,285,885	6,817,396
Other financial assets	63,714	4,914	303,476	1,004,061	985,484	2,361,649
<b>Total assets</b>	<b>5,753,008</b>	<b>568,496</b>	<b>1,608,423</b>	<b>3,148,690</b>	<b>3,271,369</b>	<b>14,349,986</b>
<b>Liabilities</b>						
Amounts due to other banks	259,892	-	-	-	-	259,892
Customer Deposits	11,629,385	247,242	709,421	122,125	210	12,708,383
Other liabilities	816,947	-	-	-	75,525	892,472
Other provisions	153,419	62,547	-	-	-	215,966
<b>Total liabilities</b>	<b>12,859,643</b>	<b>309,789</b>	<b>709,421</b>	<b>122,125</b>	<b>75,735</b>	<b>14,076,713</b>
<b>Net liquidity gap</b>	<b>(7,106,635)</b>	<b>258,707</b>	<b>899,002</b>	<b>3,026,565</b>	<b>3,195,634</b>	<b>273,273</b>

As at 31 December 2013	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Total assets	5,117,802	1,508,495	2,436,420	2,352,809	2,821,065	14,236,591
Total liabilities	12,325,268	457,718	364,169	81,441	913,764	14,142,360
<b>Net liquidity gap</b>	<b>(7,207,466)</b>	<b>1,050,777</b>	<b>2,072,251</b>	<b>2,271,368</b>	<b>1,907,301</b>	<b>94,231</b>

### 35. OPERATIONAL RISK

Operational risk is the potential exposure to unexpected financial or non-financial losses arising from the way in which the Bank and the Group conducts its business. Examples of operational risks include employee errors, systems failures, fire, floods, or similar losses to physical assets, fraud, or criminal activity. Operational risk is managed through formal policies, documented procedures, business practices and compliance monitoring.

An operational risk management function is responsible for the maintenance of these policies, procedures practices and monitoring the organisation's compliance with them. The Operational Risk Committee coordinates the management process across the organisation.

An independent internal audit function also conducts regular reviews to monitor compliance with approved BPNG standards and examines the general standard of control.

The Operational Risk Committee and the internal audit function mandatorily report to the Board Audit, Risk and Compliance Committee.

### 36. FOREIGN EXCHANGE RISK

Foreign exchange risk is the risk to earnings caused by a change in foreign exchange rates on open currency positions. The objective of foreign exchange risk management within the Bank and the Group is to minimise the impact on earnings of any such movement.

The Bank and the Group accepts foreign currency denominated transactions and therefore has exposure to movements in foreign currency. The Bank and the Group has a policy to offset these transactions to minimise daily exposure. As foreign exchange contracts generally consist of offsetting commitments, they involve only limited foreign exchange risk to the Bank and the Group and material loss is not envisaged.

#### Currency concentration of assets, liabilities, and off-balance sheet items.

*All amounts are expressed in K'000*

As at 31 December 2014	USD	AUD	EURO	PGK	Other	Total
<b>Assets</b>						
Cash and balances with Central Bank	3,059	1,879	139	1,769,100	832,874	2,607,051
Treasury & Central Bank bills	-	-	-	2,029,796	153,441	2,183,237
Amounts due from other banks	49,310	244,642	3,000	62,150	21,551	380,653
Loans, advances & other receivables from customers	129,265	7,221	-	5,134,346	1,546,564	6,817,396
Other financial assets	20,810	20,514	-	2,188,067	132,258	2,361,649
Other assets	-	-	-	1,372,842	154,078	1,526,920
<b>Total assets</b>	<b>202,444</b>	<b>274,256</b>	<b>3,139</b>	<b>12,556,301</b>	<b>2,840,766</b>	<b>15,876,906</b>
<b>Liabilities</b>						
Amounts due to other banks	(39,699)	(3,633)	-	(330)	(216,230)	(259,892)
Customers Deposit	(242,075)	(248,936)	-	(10,288,315)	(1,929,057)	(12,708,383)
Other liabilities	-	-	-	(580,712)	(527,726)	(1,108,438)
<b>Total liabilities</b>	<b>(281,774)</b>	<b>(252,569)</b>	<b>-</b>	<b>(10,869,357)</b>	<b>(2,673,013)</b>	<b>(14,076,713)</b>
<b>Net on-balance sheet position</b>	<b>(79,330)</b>	<b>21,687</b>	<b>3,139</b>	<b>1,686,944</b>	<b>167,753</b>	<b>1,800,193</b>
<b>Off-balance sheet net notional position</b>	<b>9,977</b>	<b>860</b>	<b>(2,954)</b>	<b>-</b>	<b>(8,619)</b>	<b>(736)</b>
<b>Credit commitments</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,346,329</b>	<b>-</b>	<b>1,346,329</b>

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### 36. FOREIGN EXCHANGE RISK (continued)

*All amounts are expressed in K'000*

31 December 2013	USD	AUD	EURO	PGK	Other	Total
Total Assets	915,759	351,206	20,616	11,490,633	2,983,206	15,761,420
Total Liabilities	(736,230)	(289,279)	(13)	(10,373,653)	(2,743,185)	(14,142,360)
<b>Net on-balance sheet position</b>	<b>179,529</b>	<b>61,927</b>	<b>20,603</b>	<b>1,116,980</b>	<b>240,021</b>	<b>1,619,060</b>
<b>Off-balance sheet net notional position</b>	<b>(283,238)</b>	<b>(59,576)</b>	<b>(20,535)</b>	<b>938,667</b>	<b>187,067</b>	<b>762,385</b>
<b>Credit commitments</b>	-	-	-	<b>1,512,002</b>	-	<b>1,512,002</b>

The following table presents sensitivities of profit or loss and equity to possible changes in exchange rates applied at the end of the reporting period, relative to the functional currency of the respective Group entities, with all other variables held constant:

*All amounts are expressed in K'000*

	At 31 December 2014		At 31 December 2013	
	Impact on profit or loss	Impact on equity	Impact on profit or loss	Impact on equity
USD strengthening by 1% (2013 – 1%)	903	903	1,127	1,057
USD dollar weakening by 1% (2013 – 1%)	(885)	(885)	(1,104)	(1,104)
AUD strengthening by 1% (2013 – 1%)	(25)	(25)	(32)	(32)
AUD dollar weakening by 1% (2013 – 1%)	24	24	31	31

### 37. INTEREST RATE RISK

Interest rate risk in the balance sheet arises from the potential for a change in interest rate to have an adverse effect on the revenue earnings in the current reporting period and future years. As interest rates and yield curves change over time the Bank and the Group may be exposed to a loss in earnings due to the effects of interest rates on the structure of the balance sheet. Sensitivity to interest rates arises from mismatches in the re-pricing dates, cash flows and other characteristics of the assets and their corresponding liability funding. These mismatches are actively managed as part of the overall interest rate risk management process governed by the Assets and Liabilities Committee (ALCO), which meets regularly to review the effects of fluctuations in the prevailing levels of market interest rates on the financial position and cash flows of the Bank and the Group. The objective of interest rate risk control is to minimise these fluctuations in value and net interest income over time, providing secure and stable sustainable net interest earnings in the long term. The table below illustrates the interest sensitivity of assets and liabilities at the balance date.

Given the profile of assets and liabilities as at 31 December 2014 and prevailing rates of interest, a 1% increase in markets rates will result in a K20.0 million increase in net interest income, whilst a 1% decrease in rates will result in a K36.6 million decrease in net interest income.

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### 37. INTEREST RATE RISK (continued)

Interest sensitivity of assets, liabilities and off balance sheet items – re-pricing analysis

*All amounts are expressed in K'000*

As at 31 December 2014	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing
<b>Assets</b>						
Cash & Central Bank assets	-	-	-	-	-	1,355,469
Treasury & Central Bank bills	985,499	370,203	821,872	5,663	-	-
Amounts due from other banks	320,993	29,365	30,295	-	-	-
Statutory deposits - Central Bank	-	-	-	-	-	1,251,582
Loans, advances & other receivables from customers	6,020,067	138,167	338,406	317,912	-	2,844
Investments	-	-	323,213	1,126,131	1,030,694	-
Other assets	1,684	1,684	7,578	12,139	-	1,385,446
<b>Total assets</b>	<b>7,328,243</b>	<b>539,419</b>	<b>1,521,364</b>	<b>1,461,845</b>	<b>1,030,694</b>	<b>3,995,341</b>
<b>Liabilities</b>						
Amounts due to other banks	259,892	-	-	-	-	-
Customers deposits	6,988,751	490,623	751,546	127,461	210	4,349,792
Other liabilities	-	-	-	-	75,525	816,947
Other provisions	-	-	-	-	-	215,966
<b>Total liabilities</b>	<b>7,248,643</b>	<b>490,623</b>	<b>751,546</b>	<b>127,461</b>	<b>75,735</b>	<b>5,382,705</b>
<b>Interest sensitivity gap</b>	<b>79,600</b>	<b>48,796</b>	<b>769,818</b>	<b>1,334,384</b>	<b>954,959</b>	<b>(1,387,364)</b>

Interest sensitivity of assets, liabilities and off balance sheet items – re-pricing analysis

*All amounts are expressed in K'000*
**As at 31 December 2013**

<b>Assets</b>						
Cash and Central Bank assets	-	-	-	-	-	964,220
Treasury & Central Bank Bills	2,453,175	822,622	7,635	-	-	-
Amounts due from other banks	1,350,590	94,609	-	-	-	-
Statutory deposits – Central Bank	-	-	-	-	-	1,066,580
Loans, advances & other receivables from customers	4,595,300	248,375	376,046	81,548	301	4,792
Investments	41,713	61,648	450,145	518,833	1,215,280	-
Other assets	5,894	5,052	20,207	5,363	-	1,371,492
<b>Total assets</b>	<b>8,446,672</b>	<b>1,232,306</b>	<b>854,033</b>	<b>605,744</b>	<b>1,215,581</b>	<b>3,407,084</b>
<b>Liabilities</b>						
Amounts due to other banks	786,035	-	-	-	-	-
Customers deposits	6,674,541	294,855	158,042	16,396	26	5,057,139
Other liabilities	-	-	-	-	75,525	936,369
Other Provisions	-	-	-	-	-	143,432
<b>Total liabilities</b>	<b>7,460,576</b>	<b>294,855</b>	<b>158,042</b>	<b>16,396</b>	<b>75,551</b>	<b>6,136,940</b>
<b>Interest sensitivity gap</b>	<b>986,096</b>	<b>937,451</b>	<b>695,991</b>	<b>589,348</b>	<b>1,140,030</b>	<b>(2,729,856)</b>

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### 38. FAIR VALUES OF FINANCIAL ASSETS & LIABILITIES

There is no material difference between the fair value and carrying value of the financial assets and liabilities of Bank of South Pacific Limited and the Group. The fair value hierarchy of the financial assets carried at fair value through the profit and loss:

<i>All amounts are expressed in K'000</i>				
2014	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Equity securities	-	62,430	1,284	63,714
<b>Non-financial assets</b>				
Asset held for sale	-	-	65,052	65,052
Property, plant & equipment	-	-	662,313	662,313
<b>Total</b>	<b>-</b>	<b>62,430</b>	<b>728,649</b>	<b>791,079</b>
<b>Financial liabilities</b>				
<b>Policy liabilities</b>	<b>-</b>	<b>-</b>	<b>473,753</b>	<b>473,753</b>
<b>2013</b>				
<b>Financial assets</b>				
Equity securities	-	47,811	1,333	49,144
<b>Non-financial assets</b>				
Property, plant & equipment	-	-	623,360	623,360
<b>Total</b>	<b>-</b>	<b>47,811</b>	<b>624,693</b>	<b>672,504</b>
<b>Financial liabilities</b>				
<b>Policy liabilities</b>	<b>-</b>	<b>-</b>	<b>481,087</b>	<b>481,087</b>

There were no changes in valuation technique for Level 3 requiring fair value measurements during the year ended 31 December 2014 (2013 – none). Property, plant and equipment and assets held for sale represents commercial land and buildings that the Group based on valuations provided by independent valuers. Disposal cost for properties classified as held for sale is not expected to be material.

In the normal course of trading, the Bank and the Group enters into forward exchange contracts. The Bank and the Group does not actively enter into or trade in, complex forms of derivative financial instruments such as currency and interest rate swaps and options. Exposures in foreign currencies arise where the Bank and the Group transacts in foreign currencies. This price risk is minimised by entering into counterbalancing positions for material exposures as they arise. Forward and spot foreign exchange contracts are used.

Forward exchange contracts outstanding at 31 December 2014 stated at the face value of the respective contracts are:

<i>All amounts are expressed in K'000</i>							
As at 31 December 2014		USD	AUD	EURO	GBP	Other	Total
<b>Selling</b>	FCY	(42,143)	-	(971)	(2,450)	-	-
	Kina	110,701	-	4,058	3,830	-	118,589
<b>Buying</b>	FCY	41,773	-	-	1,000	-	-
	Kina	(108,795)	-	-	(4,057)	-	(112,852)
<b>As at 31 December 2013</b>							
<b>Selling</b>	FCY	(121,041)	(30,538)	(44)	(1,550)	(262,287)	-
	Kina	318,482	71,112	160	2,636	9,853	402,243
<b>Buying</b>	FCY	10,100	-	-	-	926	-
	Kina	(23,246)	-	-	-	(4,063)	(27,309)

## 39. POLICY LIABILITIES

Key assumptions used in determining this liability are as follows:

### Discount Rates

For contracts in Statutory Fund 1 which have a DPF, the discount rate used is linked to the assets which back those contracts. For 31st December 2014 this was 4.84% per annum (31st December 2013: 4.21% per annum), based on current 10 year government bond yields and expected earnings from the investment portfolio. For contracts without DPF and Accident Business, a rate of 3.95% per annum was used at 31st December 2014 (31st December 2013: 3.46% per annum). These rates were based on the 10 year government bond rate as published by the Reserve Bank of Fiji.

### Investment and Maintenance Expenses

Future maintenance and investment expenses are based on the budgeted expenses. Future inflation has been assumed to be 3.5% per annum (31st December 2013: 3.5% per annum) for determining future expenses.

### Taxation

The rates of taxation enacted or substantially enacted at the date of the valuation (i.e. 20%) are assumed to continue into the future.

### Mortality and Morbidity

Projected future rates of mortality for insured lives are based on the Fiji Mortality Statistics table FJ90-94 Male. These are then adjusted for the Group's own experience. The mortality rates used was 70% of the FJ90-94 Male table for participating business in Statutory Fund 1.

### Rates of Discontinuance

Best estimate assumptions for the incidence of withdrawal and discontinuance vary by product and duration and are based on the Group's experience which is reviewed regularly. Rates used for the long term insurance contracts are as follows:

	2014	2013
Whole of Life and Endowment Insurance	15%	15%
Term Insurance	18%	18%
Accident Insurance	14%	14%

### Basis of Calculation of Surrender Values

Surrender values are based on the provisions specified in the policy contracts. There have been no changes to surrender bases during the period (or the prior periods) which have materially affected the valuation result.

### Discretionary Participating Business

For most participating business, bonus rates are set such that, over long periods, the returns to contract holders are commensurate with the investment returns achieved on the pool of assets which provide security for the contract, together with other sources of profit arising from this business. Profits from these policies are split between contract holders and shareholders in accordance with the policy conditions which allow for shareholders to share in allocations at a maximum rate of 20%. For business written between 1995 and 1998 the shareholder receives 11% of profits.

In applying the contract holders' share of profits to provide bonuses, consideration is given to equity between generations of policyholders and equity between the various classes and sizes of contracts in force. Assumed future bonus rates included in the liability for the long term insurance contracts were set such that the present value of the liabilities equates to the present value of assets supporting the business together with assumed future investment returns, allowing for the shareholder's right to participate in distributions.

### Reinsurance

Contracts entered into by the Group with Reinsurers under which the Group is compensated for losses on one or more contracts issued by the Group, are classified as reinsurance contracts.

As the reinsurance agreements provide for indemnification by the Reinsurers against loss or liability, reinsurance income and expenses are recognised separately in profit or loss when they become due and payable in accordance with the reinsurance agreements.

for the Year Ended 31 December 2014

### 39. POLICY LIABILITIES (continued)

Reinsurance recoveries are recognised as claim recoveries under profit or loss. This is netted off against the claim expenses. Reinsurance premiums are recognised as Reinsurance Expenses.

<i>All amounts are expressed in K'000</i>	2014	2013
<b>Policy Liabilities</b>		
Opening balance	481,087	399,627
Release provisions to claims & operating expenses	(1,394)	-
Release provision to fund advance premium	(5)	-
Release provision to fund negative Regional Shareholder to Retained Earnings	(80)	-
Increase / (decrease) in policy liabilities	(5,855)	81,460
<b>Total policy liabilities</b>	<b>473,753</b>	<b>481,087</b>

### 40. EVENTS OCCURRING AFTER BALANCE SHEET DATE

On 29th January 2015, the Bank announced that it had entered into an agreement to acquire the banking operations of Westpac Banking Corporation (Westpac) in Samoa, Cook Islands, Solomon Islands, Vanuatu and Tonga for AUD125 million (approximately K258 million).

Completion of the sale is anticipated by mid-2015 and is subject to obtaining necessary statutory, regulatory and third party approvals. Prior to completion, Westpac will continue to own and manage banking operations in these countries and will continue to meet its customers' daily banking needs.

### 41. REMUNERATION OF AUDITORS

<i>All amounts are expressed in K'000</i>	Consolidated		Banks	
	2014	2013	2014	2013
Financial statement audits	1,919	2,707	1,568	2,110
Other services	936	4,413	929	4,413
	<b>2,855</b>	<b>7,120</b>	<b>2,497</b>	<b>6,523</b>

The external auditor PricewaterhouseCoopers is also engaged in providing other services to the Bank and Group as required and as permitted by prudential standards. The provision of other services included taxation and general training. Deloitte Touche Tohmatsu was the external auditor for the prior year.



## **Independent Auditor's Report**

to the shareholders of Bank of South Pacific Limited

### **Report on the financial statements**

We have audited the accompanying financial statements of Bank of South Pacific Limited (the Company), which comprise the statements of financial position as at 31 December 2014, the statements of comprehensive income, statements of changes in shareholders' equity and statements of cash flows for the year then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information for both the Company and the Group. The Group comprises the Company and the entities it controlled at 31 December 2014 or from time to time during the financial year.

### **Directors' responsibility for the financial statements**

The Directors are responsible for the preparation of these financial statements such that they give a true and fair view in accordance with generally accepted accounting practice in Papua New Guinea and the Companies Act 1997 and for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. These standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal controls relevant to the Company and the Group's preparation of financial statements that give a true and fair view of the matters to which they relate, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the accompanying financial statements:

1. comply with International Financial Reporting Standards and other generally accepted accounting practice in Papua New Guinea; and
2. give a true and fair view of the financial position of the Company and the Group as at 31 December 2014, and their financial performance and cash flows for the year then ended.

### **Report on other legal and regulatory requirements**

The Companies Act 1997 requires that in carrying out our audit we consider and report on the following matters. We confirm in relation to our audit of the financial statements for the year ended 31 December 2014:

1. we have obtained all the information and explanations that we have required;
2. in our opinion, proper accounting records have been kept by the Company as far as appears from an examination of those records; and
3. we have no relationship with, or interests in, the Company or any of its subsidiaries other than in our capacities as auditor, taxation advisor and provider of advisory services. These services have not impaired our independence as auditor of the Group.

### **Restriction on distribution or use**

This report is made solely to the Group's shareholders, as a body, in accordance with the Companies Act 1997. Our audit work has been undertaken so that we might state to the Company's shareholders those matters which we are required to state to them in an auditor's report and for no other purpose. We do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.



**PricewaterhouseCoopers**



**Jonathan Seeto**

Registered under the Accountants Act 1996  
Partner, Chartered Accountants

Port Moresby, 13<sup>th</sup> March 2015.

PricewaterhouseCoopers, 6th Floor, Credit House, Cuthbertson Street.  
PO Box 484, Port Moresby, Papua New Guinea.  
Tel: (+675) 321 1500 Fax: (+675) 321 1428, www.pwc.com/pg



BSP's Mobile Banking Channel was enhanced in 2014 with the launch of a Mobile Application and customer usage of the Mobile Banking.

A photograph of a man and a woman looking at a smartphone together. The man is on the left, wearing a white shirt, and the woman is on the right, wearing a white shirt with a green pattern. They are both smiling and looking down at the phone. The background is slightly blurred, showing some colorful patterns.

# SHAREHOLDER INFORMATION

The following is a summary of pertinent issues relating to a shareholding in the Group. The Constitution of BSP may be inspected during normal business hours at the Registered Office.

## RIGHTS ATTACHING TO ORDINARY SHARES

The rights attaching to shares are set out in Bank of South Pacific Limited's Constitution and in certain circumstances, are regulated by the Companies Act 1997, the POMSoX Listing Rules and general law. There is only one class of share. All shares have equal rights. Other rights attached to ordinary shares include:

### General Meeting and Notices

Each member is entitled to receive notice of, and to attend and vote at, general meetings of BSP and to receive all notices, accounts and other documents required to be sent to members under BSP's constitution, the Companies Act or the Listing Rules.

### Voting rights

At a general meeting of shareholders, every holder of fully paid ordinary shares present in person or by an attorney, representative or proxy has one vote on a show of hands (unless a member has appointed two proxies) and one vote per share on a poll.

A person who holds a share which is not fully paid is entitled, on a poll, to a fraction of a vote equal to the proportion which the amount paid bears to the total issue price of the share.

Where there are two or more joint holders of a share and more than one of them is present at a meeting and tenders a vote in respect of the share, the Company will count only the vote cast by the member whose name appears first in BSP's register of members.

### Issues of further shares

The Directors may, on behalf of BSP, issue, grant options over, or otherwise dispose of unissued shares to any person on the terms, with the rights, and at the times that the Directors decide. However, the Directors must act in accordance with the restrictions imposed by BSP's constitution, the POMSoX Listing Rules, the Companies Act and any rights for the time being attached to the shares in any special class of those shares.

### Variation of rights

Unless otherwise provided by BSP's constitution or by the terms of issue of a class of shares, the rights attached to the shares in any class of shares may be varied or cancelled only with the written consent of the holders of at least three-quarters of the issued shares of that class, or by special resolution passed at a separate meeting of the holders of the issued shares of the affected class.

### Transfer of shares

Subject to BSP's constitution, the Companies Act and the POMSoX Listing Rules, ordinary shares are freely transferable.

The shares may be transferred by a proper transfer effected in accordance with the POMSoX Business Rules, by any other method of transferring or dealing with shares introduced by POMSoX and as otherwise permitted by the Companies Act or by a written instrument of transfer in any usual form or in any other form approved by either the Directors or POMSoX that is permitted by the Companies Act.

The Directors may decline to register a transfer of shares (other than a proper transfer in accordance with the POMSoX Business Rules) where permitted to do so under the POMSoX Listing Rules or the transfer would be in contravention of the law. If the Directors decline to register a transfer, BSP must give notice in accordance with the Companies Act and the POMSoX Listing rules, give the party lodging the transfer written notice of the refusal and the reason for refusal. The Directors must decline to register a transfer of shares when required by law, by the POMSoX Listing Rules or by the POMSoX Business Rules.

### Partly paid shares

The Directors may, subject to compliance with BSP's constitution, the Companies Act and the POMSoX Listing Rules, issue partly paid shares upon which there are outstanding amounts payable. These shares will have limited rights to vote and to receive dividends.

### Dividends

The Directors may from time to time determine dividends to be distributed to members according to their rights and interests. The Directors may fix the time for distribution and the methods of distribution. Subject to the terms of issue of shares, each share in a class of shares in respect of which a dividend has been declared will share in the dividend equally. Each share carries the right to participate in the dividend in the same proportion that the amount for the time being paid on the share (excluding any amount paid in advance of calls) bears to the total issue price of the share.

Dividend payouts over the last six years are disclosed in the schedule of Historical Financial Performance elsewhere in this Annual Report.

### Liquidation

Subject to the terms of issue of shares, upon liquidation assets will be distributed such that the amount distributed to a shareholder in respect of each share is equal. If there are insufficient assets to repay the paid-up capital, the amount distributed is to be proportional to the amount paid-up.



BSP partners with Port Moresby Nature Park.

## Directors

BSP's constitution states that the minimum number of directors is three and the maximum is ten.

## Appointment of directors

Directors are elected by the shareholders in general meeting for a term of three years. At each general meeting, one third of the number of directors (or if that number is not a whole number, the next lowest whole number) retire by rotation. The Board has the power to fill casual vacancies on the Board, but a director so appointed must retire at the next annual meeting.

## Powers of the Board

Except as otherwise required by the Companies Act, any other law, the POMSoX Listing Rules or BSP's constitution, the Directors have power to manage the business of BSP and may exercise every right, power or capacity of BSP to the exclusion of the members.

## Share buy backs

Subject to the provisions of the Companies Act and the POMSoX Listing Rules, BSP may buy back shares in itself on terms and at times determined by the Directors.

## Officers' indemnities

BSP, to the extent permitted by law, indemnifies every officer of BSP (and may indemnify any auditor of BSP) against any liability incurred by the person, in the relevant capacity, to another person unless the liability arises out of conduct involving lack of good faith.

BSP may also make a payment in relation to legal costs incurred by these persons in defending an action for a liability, or resisting or responding to actions taken by a government agency or a liquidator.

## Twenty largest registered fully paid ordinary shareholders

At the 31 December 2014, the twenty largest registered fully paid shareholders of the Company were:

	Share Held	%
<b>1 Independent Public Business Corporation</b>	84,311,597	18.01
2 Nambawan Super Limited	57,590,761	12.30
3 Petroleum Resources Kutubu Limited	46,153,840	9.86
4 National Superannuation Fund	45,318,417	9.68
5 Credit Corporation (PNG) Limited	36,296,982	7.76
6 Motor Vehicles Insurance Limited	31,243,736	6.67
7 PNG Sustainable Development Program Limited	29,202,767	6.24
8 IFC Capitalisation (Equity) Fund LP	22,796,644	4.87
9 International Finance Corporation	22,796,644	4.87
10 Teachers Savings and Loans Society Limited	15,317,366	3.27
11 Comrade Trustee Services Limited	14,456,052	3.09
12 Lamin Trust Fund	3,518,132	0.75
13 Capital Nominees Limited	3,104,989	0.66
14 Credit Corporation (PNG) Ltd (CC Finance Ltd)	3,000,000	0.64
15 Mineral Resources OK Tedi No. 2 Limited	2,890,000	0.62
16 Solomon Islands National Provident Fund Board	2,500,001	0.53
17 Nominees Niugini Limited	2,369,495	0.51
18 Catholic Diocese of Kundiawa	2,165,688	0.46
19 Southern Highlands Provincial Government	2,000,000	0.43
20 Mineral Resources Star Mountains Ltd	1,975,799	0.42
Other shareholders	39,123,495	8.36
	<b>468,132,405</b>	<b>100.00</b>

## Distribution of Shareholding

At the 31 December 2014, the Company had 6,387 shareholders. The distribution of shareholdings is as follows:

Range (number)	Number of Shareholders	Number of Shares
1-1,000	5,375	1,364,855
1,001 - 5,000	665	1,367,104
5,001 - 10,000	100	703,610
10,001 - 100,000	163	5,868,010
100,001 and above	84	458,828,826
	<b>6,387</b>	<b>468,132,405</b>

## Employee Share Scheme

BSP resolved on 27 May 2004 that a maximum of 1% of the total number of shares held in BSP may be allocated to employees each year at discretion of the Board.

## Interest in shares in the Bank

Directors hold the following shares in the Bank:

Director	Shares Held	%
T. E. Fox	44,744	0.00
Gerea Aopi	10,000	0.00
R Fleming	93,000	0.00

## Registered Office

Bank of South Pacific Limited  
PO Box 78,  
PORT MORESBY  
National Capital District  
PAPUA NEW GUINEA  
Telephone: +675 322 9700

## Share Registry

PNG Registries Limited  
PO Box 1265,  
PORT MORESBY  
National Capital District  
PAPUA NEW GUINEA  
Telephone: +675 321 6377

## Website

[www.bsp.com.pg](http://www.bsp.com.pg)

## Home Exchange for BSP Shares

Port Moresby Stock Exchange Ltd (POMSOX)  
PO Box 1531  
PORT MORESBY  
National Capital District  
PAPUA NEW GUINEA  
Telephone: +675 320 1980

## Home Exchange for BSP Convertible Notes

South Pacific Stock Exchange  
GPO Box 11689  
SUVA  
FIJI  
Telephone: +679 330 4130

# Directors' Information

Name	Nature of Interest	
K. Constantinou, OBE	<b>Director</b>	Bank of South Pacific Ltd <sup>1</sup> , BSP Capital Ltd <sup>1</sup> , Airways Hotel & Apartment Ltd, Lamana Hotel Ltd, Lamana Development Ltd, Hebou Constructions Ltd, Heritage Park Hotel Ltd, Gazelle International Hotel Ltd, Oil Search Ltd, Alotau International Hotel Ltd, Kimbe Bay Hotel Ltd, Grand Pacific Hotel Ltd, City Centre Development Ltd, Coastwatchers Court Ltd, Waigani Assets Ltd, Southern Seas Investments Ltd, Texas Chicken South Pacific Ltd, BSP Finance Ltd, BSP Finance (PNG) Ltd.
	<b>Shareholder</b>	Airways Hotel & Apartment Ltd, Lamana Hotel Ltd, Laman Development Ltd, Texas Chicken South Pacific Ltd.
	<b>Member</b>	Australian Institute of Company Directors, PNG Institute of Directors, Pacific Games Authority <sup>1,6</sup> , Anglicare Foundation <sup>1</sup> .
T. E. Fox, OBE, BEC	<b>Director</b>	Bank of South Pacific Ltd <sup>2</sup> , BSP Capital Ltd, Teyo No. 1 Ltd <sup>5</sup> , Akura Ltd, BSP Life (Fiji) Ltd, BSP Finance (Fiji) Ltd, Future Farms Ltd, Feel Good Investments Ltd.
	<b>Shareholder</b>	Bank of South Pacific Ltd, Teyo No. 1 Ltd, FeelGood Investment Ltd and Akura Ltd.
	<b>Trustee/Member</b>	Institute of National Affairs <sup>8</sup> , PNG Institute of Directors.
R. Fleming, MBA, MMGT	<b>Director</b>	Bank of South Pacific Ltd <sup>9</sup> , BSP Capital Ltd, BSP Convertible Notes Ltd, BSP Rural Ltd, BSP Life (Fiji) Ltd, BSP Capital Ltd, BSP Capital Securities Ltd, Capital Nominees Ltd, BSP Nominees Ltd, Malagan Ltd, Carpark Ltd, BSP Finance Ltd, BSP Finance (PNG) Ltd, BSP Finance (Fiji) Ltd, BSP Services (Fiji) Ltd, BSP Health Care (Fiji) Ltd, Credit & Data Bureau Ltd
	<b>Shareholder</b>	Bank of South Pacific Ltd.
	<b>Trustee/Member</b>	Australian Institute of Company Directors, PNG Institute of Directors, Anglicare Foundation.
G. Aopi, CBE, MBA	<b>Director</b>	Bank of South Pacific Ltd, Oil Search Ltd <sup>7</sup> , Steamships Trading Co Ltd, POMSoX Ltd, Marsh Ltd, Hiram Ltd, Wahinemo Ltd, FM Morobe Ltd, CDI Foundation.
	<b>Shareholder</b>	Bank of South Pacific Ltd, Oil Search Ltd <sup>7</sup> , Hiram Ltd, Wahinemo Ltd, Newcrest Ltd, Highlands Pacific Ltd, Melanesian Trustees (ICPNG), Kumul Asset Management.
	<b>Member/Trustee</b>	Institute of National Affairs, Business Council of PNG, PNG Chamber of Mines & Petroleum, Oil Search Health Foundation, PNG Cancer Foundation <sup>1</sup> .
Dr. I. Temu, PhD, MEc	<b>Director</b>	Bank of South Pacific Ltd, Telemu Ltd, Kina Petroleum Ltd, National Petroleum Company Ltd, Savi-Tec Ltd.
	<b>Shareholder</b>	Telstra Ltd, Nautilus Minerals Niugini Ltd.
	<b>Employee</b>	Barrick Gold Ltd.
	<b>Member</b>	Divine Word University.
C. C. Procter, MEc, FFin (Resigned 24 May 2014)	<b>Director</b>	Bank of South Pacific Ltd, BSP Capital Ltd, Sun Hung Kai Ltd, Allied Overseas Ltd, Eurogold Ltd, Tanami Gold NL.
	<b>Member</b>	Australian Institute of Company Directors.

## DIRECTORS' INFORMATION

Name	Nature of Interest	
Sir N. Bogan, KBE, LLB	<b>Director</b>	Bank of South Pacific Ltd, In Touch Media Ltd <sup>1</sup> , Coprez Communications Ltd <sup>1</sup> , Coprez Holdings Ltd, Mapai Transport Ltd, Ahi Holdings Ltd.
	<b>Shareholder</b>	In Touch Media Ltd, Coprez Holdings Ltd.
	<b>Member</b>	Chancellor University of Technology, PNG Tax Review Committee <sup>1</sup>
G. Robb, BA, MBA, OAM	<b>Director</b>	Bank of South Pacific Ltd, BSP Capital Ltd.
	<b>Member</b>	Australian Institute of Company Directors.
F. Talao, LLM	<b>Director</b>	Bank of South Pacific Ltd, BSP Finance Ltd, BSP Finance (PNG) Ltd.
	<b>Member</b>	External Stakeholders Advisory Panel to Morobe Mining Joint Venture, Australian Institute of Company Directors.
E. B. Gangloff, CPA, GAICD	<b>Director</b>	Bank of South Pacific Ltd, Gangloff Consulting Ltd, Laurabada Investments Ltd, Borneo Pharmaceuticals Ltd, New Britain Palm Oil Ltd, Dubara Holdings Ltd, Sir Theophilus Constantinou Foundation. BSP Finance (Fiji) Ltd.
	<b>Member</b>	PNG Institute of Directors, Certified Practicing Accountants of Papua New Guinea, Business Council of PNG, Institute of National Affairs, Australian Institute of Company Directors.
A. Mano, BEcon, MSc. (Appointed 29 August 2014)	<b>Director</b>	Bank of South Pacific Ltd, Mineral Resources Development Company Limited <sup>3</sup> , Pearl Resort (Fiji) Ltd <sup>1</sup> , Speedy Hero Limited <sup>1</sup> , Insurance Pacific Limited <sup>1</sup> , Civpac Ltd <sup>1</sup> , Handy Group Ltd <sup>1</sup> , SMA Investments Ltd <sup>1</sup> Hevi Lift Group Limited, Airlines PNG Ltd, Leisure Holidays Ltd, Gobe Freight Ltd, Mineral Resource Ok Tedi Ltd, Mineral Resources Star Mountain Ltd, Petroleum Resources Kutubu Ltd, Petroleum Resources Moran Ltd, Petroleum Resources Gobe Ltd, Mineral Petroleum Resources Madang Ltd, Mineral Resources Ramu Ltd, Gas Resources Hides Ltd, Gas Resources Hides 4 Ltd, Gas Resource Angore Ltd, Gas Resource Juha Ltd.
	<b>Shareholder</b>	SMA Investments Limited. INSPAC Limited.
	<b>Member</b>	Mendi Muruks Rugby League Committee, Patron SHP Cultural Show Society, Chamber of Mines & Petroleum.

<sup>1</sup>Chairman, <sup>2</sup>Deputy Chairman, <sup>3</sup>Managing Director, <sup>4</sup>Executive Director, <sup>5</sup>General Manager, <sup>6</sup>Councillor

<sup>7</sup>Company is shareholder of Bank of South Pacific Limited, or shareholder of company that is shareholder

<sup>8</sup>Company has commercial banking facilities with Bank of South Pacific Limited, <sup>9</sup>Chief Executive Officer



# MANAGEMENT TEAMS & DIRECTORIES





## BSP SENIOR MANAGEMENT

### Standing (L-R):

Haroon Ali [Chief Risk Officer]  
Paul Thornton [GM Retail Banking]  
Edward Ruha [Chief Financial Officer - PNG]  
Giau Duruba [GM Human Resources]  
Peter Beswick [GM Corporate Banking]  
Richard Borysiewicz [GM BSP Capital]

### Seated (L-R):

Aho Baliki, OBE [GM Paramount]  
Robert Loggia [Chief Operating Officer]  
Robin Fleming [Chief Executive Officer]  
Johnson Kalo [DCEO/Chief Financial Officer]



## BSP FINANCE (PNG)

### Standing (L-R):

Stephen Taera [Senior Lending Officer (POM)]  
Jodi Herbert [Country Manager]  
George Willie [Manager Finance & Operations]  
Barbara Tolaget [Manager Lending Support]



## BSP CAPITAL

### Seated (L-R):

Gerlie Tana [Senior Systems Administrator]  
Yokin Kipie [Head of Operations]  
Theresa Kalivakoyo [Business Controller]

### Standing (L-R):

Gheno Minia [Head of Equities]  
Richard Borysiewicz [General Manager]  
Willie Konga [Manager Funds Management]  
Igo Douna [Manager IT]



AGNES ANDREW  
BSP First - Gordons



AGNES MARK  
Lae Top Town



ALBERT BURUA  
Area Manager NGI



ALBERT SERI  
Wewak



ALESANA AIHI  
Premium - Waterfront



ALEX KUNA  
Harbour City



ALEX WAFIMBI  
Aitape



ANTONIA DRU  
BSP Premium - Gordons



BEN UMBA  
Alotau



BEVILON HOMUO  
Rabaul



BILLY VEVELOGA  
Mendi



DAMARIS TORAN  
Premium - Vision City



DENNIS LAMUS  
Area Manager  
Momase



DIANNE SAWALA  
BSP First - Vision City



EILEEN GOVIRO  
Popondetta



EMILY BASIL  
BSP First - Port Moresby



GABRIEL AK GREG  
Tari



IVY DAVID  
Daru



JENNY JOEL  
Motukea



JEFFREY SINGER  
Waigani Banking  
Centre



JOE MAKINTA  
Bulolo



JOHN BASANU  
Madang



JOSEPH WAS  
Premium - LCC



JOSEPHINE KOMURU  
Lae Market



JULIE WARREN  
Buka



KALAT TIRIMAN  
Lihir



KAREN GEORGE  
Vanimo



LAMA OREA  
BSP First - Harbour City



LIVIKONIMO KOKI  
Goroka



MADELINE LEKA  
Kavieng



MARCO HARMEN  
Kainantu



MARK KAMJUA  
Port Moresby



MARY KOI  
Biella



MARY DALE KUNDI  
Mt Hagen



MATHIAS MANAWO  
Waigani Drive



MAUREEN WANU  
Boroko

## PNG BRANCH MANAGEMENT



MECK KAUM  
Moro



NUNI KULU  
Area Manager  
Southern



RUBY ARABELLA PATU  
Arawa



PETER TIKOT  
Kimbe



QUILLIAN NONGI  
Lorengau



RITA SINGUT  
Kundiawa



ROBINSON PANAKO  
Kokopo



RUBEN ELIJAH  
Area Manager  
Highlands



SIBONA KEMA  
Vision City



STANERD WAI  
Area Manager NCD



SUYA YOPAHAFO  
Porgera



THERESA PILAMP  
Wabag



THOMAS TEMBIL  
Kiunga



TONY WANINGU  
Tabubil

## PAPUA NEW GUINEA

**AITAPE** 276 8659  
Branch Manager Alex Wafimbi

**ALOTAU** 641 1284  
Branch Manager Ben Umba

**ARAWA** 276 9244  
Branch Manager Rubu A. Patu

**BIALLA** 983 1095  
Branch Manager Mary Koi

**BOROKO** 303 4320  
Branch Manager Maureen Wanu  
**Premium Centre** 303 4354  
Sheila John

**BSP Harbour City** 305 6189  
Branch Manager Alex Kuna  
**Premium Centre** 305 6189  
Bau Kiso

**BSP FIRST, Harbour City** 305 6503  
Branch Manager Lama Orea

**BUKA** 973 9042  
Branch Manager Julie Warren  
**Premium Centre** 973 9087

**BULOLO** 474 5217  
Branch Manager Joe Makinta

**GORDONS PREMIUM CENTRE** 302 5202  
Branch Manager Antonia Dru  
**BSP FIRST** 302 5245  
Branch Manager Agnes Andrew

**DARU** 7301 0461  
Branch Manager Ivy David

**GOROKA** 532 1633  
Branch Manager Livikonimo Koki

**KAINANTU** 537 1065  
Branch Manager Marco Hamen

**KAVIENG** 984 2066  
Branch Manager Madeleine Leka  
**Premium Centre** 984 2100

**KIMBE** 983 5166  
Branch Manager Peter Tikot

**KIUNGA** 649 1073  
Branch Manager Thomas Tembil

**KOKOPO** 982 9088  
Branch Manager Robinson Panako  
**Premium Centre** 982 9068  
Jennifer Tiolam

**KUNDIAWA** 535 1025  
Branch Manager Rita Singut

**LAE TOP TOWN** 473 9801  
Branch Manager Agnes Mark

**LAE COMMERCIAL** 478 4922  
Branch Manager Joseph Was  
**Premium Centre** 478 4923

**BSP First** 478 4929/478 4930  
Wendy Poka  
Mona Teloti

**LAE MARKET** 473 9606  
Branch Manager Josephine Komoru

**LIHIR** 986 4052  
Branch Manager Kalat Tiriman

**LORENGAU** 970 9050  
Branch Manager Quillan Nongi

**MADANG** 422 2477  
Branch Manager John Basanu  
**Premium Centre** 422 2621  
Christine Mes

**MENDI** 549 1070  
Branch Manager Billy Veveloga

**MORO** 276 1566  
Branch Manager Meck Kaum

**MOTUKEA** 321 7699  
Branch Manager Jenny Joel

**MOUNT HAGEN** 542 1877  
Branch Manager Mary Kundi  
**Premium Centre** Ruth Kagl

**POPONDETTA** 629 7171  
Branch Manager Eileen Goviro

**POGERA** 547 6900  
Branch Manager Suya Yopahafo

**PORT MORESBY** 305 7132  
Branch Manager Mark Kamjua  
**Premium Centre** 305 7943  
Lina Popal

**BSP FIRST** 305 7731  
Branch Manager Emily Basil

**RABAUL** 982 1788  
Branch Manager Bevilon Homuo

**TABUBIL** 649 9179  
Branch Manager Tony Waningu

**TARI** 276 1650  
Branch Manager Gabriel Ak

**VANIMO** 457 1209  
Branch Manager Karen George

**VISION CITY** 300 9101  
Branch Manager Sibona Kema  
**Premium Centre** 300 9103

**BSP First** Damaris Toran  
300 9109  
Dianne Sawala

**WABAG** 547 1176  
Branch Manager Theresa Pilamp

**WAIGANI BANKING CENTRE** 300 9600  
Branch Manager Jeffery Singer

**Premium Centre** 300 9645  
Lorraine Siaoa

**WAIGANI DRIVE** 302 5301  
Branch Manager Mathias Manowo

**WATERFRONT PLACE** 305 6408  
Branch Manager Alesana Aihi

**WEWAK** 456 2344  
Branch Manager Albert Seri

## SUB-BRANCHES

**AIYURA** 7230 8313  
Cribia Albert

**BANZ** 7100 9078  
Kessy Elly Sammy

**BUIN** 7100 7855  
Melchior Tania

**CHUAVE** 7197 6001  
Koiye Kupa

**DAULO** 7100 6763  
Delilah Gahale

**GEMBOGL** 7313 4177  
William Koima

**HENGANOFI** 7100 7859  
Amos James

**HIGATURU** 7031 2627  
Stephanie Orovo

**HOSKINS** 7031 2627  
Ruddy Samson

**IALIBU** 7197 6004  
Mathew Garu

**KABWUM** 7346 1426  
Rachael Watu

**KAMTAI** 7243 4695  
Robert Kom

**KEREMA** 7091 2298  
Aisi Aua

**KEREVAT** 7190 8231  
Kilala Kindau

**KEROWAGI** 7100 9077  
Leah Taia

## BRANCH DIRECTORY

**KIKORI** 7163 0597  
Leah Kimave

**KINIM** 7100 7861  
Malapun Bannick

**KOMO** 7362 0760  
Lobe Arawi

**KONOS** 7197 6006  
Maureen Nick

**KUPIANO** 7288 4140  
Andrew Baine Jnr

**LABA** 7197 6008  
Auda Morea

**LAKURUMAU** 7197 6005  
Roselyn Unini

**LOSUIA** 7031 2617  
Lorna Solomon

**LUFA** 7100 6761  
Vida Kemati

**MAPRIK** 7168 7815  
Christian Tatu

**MINJ** 7100 9076  
Pauline Kapal

**MUTZING** 7100 2488  
Frank Godfrey

**NAMATANAI** 7197 6007  
Mathew Tabakas

**NAVO** 7090 4274  
Hannah Brunim

**NINGERUM** 7031 8497  
Mathew Tware

**OKAPA** 7374 5623  
Mele Aron

**PADIPADI** 7090 4463  
Rita Noel

**PALMALMAL** 7323 9181  
Freda Nablup

**PANGIA** 7197 6003  
Philemon Kambu

**TAMBUL** 7100 7863  
Margaret Paul

**TELEFOMIN** 7255 8421  
Donna Yarkin

**WAKUNAI** 7100 7856  
Melvin Kusa

**WALIUM** 7106 8357  
Brenda Iigusam

**WAPENAMANDA** 7100 7862  
Grace Reto

**YANGORU** 7127 0000  
Michael Paul Java

**YONKI** 7185 5768  
Usick Asino

**ZENAG** 7318 5855  
Nicko Morris

### FIJI

**Country Head** (679) 331 4400  
Kevin McCarthy

**BA** (679) 662 7335  
Branch Manager Anupa Kumar

**DAMODAR** (679) 321 4311  
Branch Manager Manjila Goundar

**LABASA** (679) 881 1360  
Branch Manager Eka Seduadua

**LAUTOKA** (679) 666 2466  
Branch Manager Josefa Tuitubou

**NADI** (679) 662 7310  
Branch Manager Davendran Pillay

**NAMAKA** (679) 662 7320  
Branch Manager Madhur Lata Kumar

**NAUSORI** (679) 3478499  
Branch Manager Shailendra Roy

**PACIFIC HARBOUR** (679) 345 2030  
Officer in Charge Jennifer Morris

**PACIFIC HOUSE** (679) 321 4580  
Manager Shalit Kumar

**RAKIRAKI** (679) 662 7341  
Officer in Charge RonicaPrakash

**SAMABULA** (679) 338 7999  
Branch Manager Anand Nair

**SAVUSAVU** (679) 885 0221  
Officer in Charge Vineeta Prasad

**SIGATOKA** (679) 662 7332  
Branch Manager Reginald Kumar

**SUVA – CENTRAL** (679) 321 4455  
Branch Manager Mereani Peters

**TAVEUNI** (679) 888 0433  
Branch Manager Marica Mara

**TAVUA** (679) 662 7338  
Officer in Charge Sanjeev Sumer

**THOMSON ST** (679) 321 4671  
Branch Manager Mohammed Arif

**VALELEVU** (679) 334 2333  
Officer in Charge Ilaitia Waqa

(679) 3234232  
**BSP FIRST SUVA** Aminiasi Naidike  
Premium Centre SUVA Senimili Boginivalu

(679) 6705101  
**BSP FIRST NADI** Meri Quminakelo  
Premium Centre NADI

(679) 6660180  
**BSP FIRST LAUTOKA** Lice Toga  
Premium Centre LAUTOKA

### SOLOMON ISLANDS

(677) 21874  
**Country Head** David Anderson

(677) 40484  
**AUKI** Gordon Ifuimae  
Branch Manager

(677) 23620  
**COMMERCIAL BANKING** Rose Murray  
Branch Manager

(677) 60539  
**GIZO** Clotilda Londeka  
Branch Manager

(677) 21814  
**HONIARA** Joy Vave  
Branch Manager

(677) 62177  
**MUNDA** Veronica Analau  
Branch Manager

(677) 61222  
**NORO** Tewia Laore  
Branch Manager

(677) 21874  
**POINT CRUZ** Rose Funa  
Branch Manager

(677) 39403  
**RANADI** Tricia Tura  
Branch Manager



**PAPUA NEW GUINEA**

42 Branches  
 13 Premium Service Centres  
 42 Sub Branches  
 239 Agents  
 301 ATMs  
 9,729 EFTPoS

**FIJI**

18 Branches  
 6 Priority Centres  
 3 FX Bureau's  
 112 ATMs  
 1,999 EFTPoS

**SOLOMON ISLANDS**

7 Branches  
 7 Agencies  
 35 Branchless Banking Agents  
 19 ATMs  
 154 EFTPoS

BSP supports the School Kriket Annually - Grow with Sports.  
Students trying out a game of kriket.



# CORPORATE SOCIAL RESPONSIBILITIES



Project handover by our Head of Security George Loverock in Biella, West New Britain Province.

At BSP, we believe it's important to give back. We are proud to support and strengthen the communities where we live and work.

As a leading banking and financial services provider, we have a presence in communities large and small nationwide and share a commitment to helping these communities thrive.

Thousands of conversations happen each year with our customers, their communities and BSP men and women, to determine the area of greatest need for a community - whether its in Sports, Education, Environment/Community or Health.

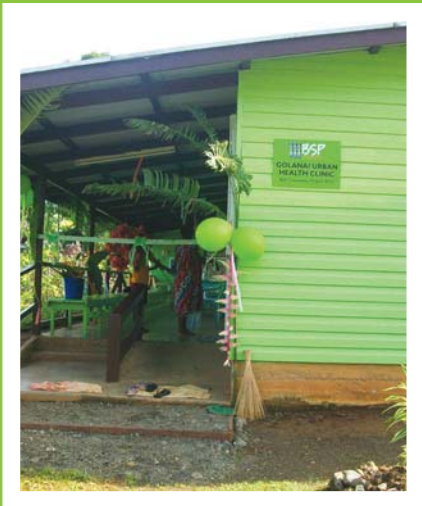
Once the need has been identified, BSP formulates an action plan - a plan to implement positive change and make a real difference to the lives of men, women and children throughout the South Pacific region.

At BSP, we are much more than a bank, beyond banking, beyond our products and services, beyond our branches, we are a real part of your community.

QUICK FACTS ABOUT OUR COMMUNITY PROJECTS

- 198 ❖ The number of individual projects in PNG from 2009 – 2013. 32 Community Projects in 2009, 35 in 2010, 36 in 2011, 29 in 2012, 33 in 2013 and 33 in 2014.
- 4.4 ❖ Amount in Kina (Million) BSP has invested in communities in PNG from 2009 – 2014. The bank fully funds these projects.
- 33 ❖ The number of individual significant projects delivered by our branches throughout Papua New Guinea in 2014. Four (4) of these projects were undertaken by Head Office Departments and 29 by branches.
- 100 ❖ BSP is 100% committed to the people of PNG and the Pacific. We go Beyond Banking and contribute significantly back into the communities we operate. We give back in more ways than one.

OUR COMMUNITY PROJECTS TYPICALLY INCLUDE



REFURBISHING HOSPITAL WARDS & CLINICS



RENOVATING LIBRARIES & CLASSROOMS



DONATING BLOOD & BRINGING HEALTHCARE TO COMMUNITIES



# COMMUNITY PROJECTS BY OUR BRANCHES IN 2014...

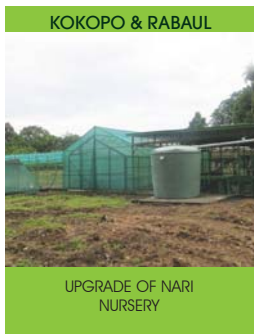
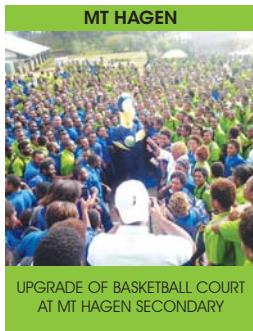
AITAPE	Upgrade of the NALU College basketball and volleyball courts.
ALOTAU	New volleyball court and sporting items Alotau, Koeabule & Goilanai Primary School.
ARAWA	Renovation of town Basketball court & new town soccer field grandstand.
BIALLA	New basketball court at Bialla Primary School.
BOROKO	Upgrade of multi court & construction of grandstand at St Peters Primary School.
BUKA	Refurbishment of basketball court and construction of grandstand at Hutjena.
BULOLO	Refurbishment of basketball & volleyball court at Sambio Primary School.
DARU	Upgrade of the town basketball court.
GORDONS	Construction of basketball court at Jubilee Catholic Secondary School.
GOROKA	Renovation of grandstand at Goroka rugby league field at Lopi.
KAINANTU	New town basketball & volleyball court in Kainantu.
KAVIENG	Renovation of basketball court at Carteret Community School.
KIMBE	Renovation of basketball court & grandstand at Hoskins Secondary School.
KIUNGA	Renovation of basketball court & construction of benches at Kiunga Vocational.
KOKOPO/RABAU	Renovation of the National Agriculture & Research Institute nursery.
KUNDIAWA	Reconstruction of the volleyball & basketball court at Kundiawa Lutheran Day High School.
LAE BRANCHES	Construction of kids playground at Lae Botanical Gardens (National Forest Service).
LIHIR	Renovation of basketball court at Lihir Secondary School.
LORENGAU	Construction of volleyball court for Ward 7 community.
MADANG	Renovation of basketball court, and new volleyball posts at Jomba Primary School.
MENDI	Renovation of basketball court at Mendi School of Nursing.
MT HAGEN	Upgrade of basketball court at Mt Hagen Secondary.
POPONDETTA	Construction of a new basketball court at Popondetta Primary School.
PORGERA	Renovation of the Paiam basketball court.
PORT MORESBY	Renovation of 3x basketball court at De La Salle Secondary School.
TABUBIL	Construction of benches for the basketball court at Wangbin village.
TARI	Construction of a new basketball court at Kuluanda Primary School.
VANIMO	Upgrading of Vanimo Primary School basketball court.
WABAG	Renovation of multi purpose court at Enga Nursing College.
WEWAK	Sport equipment donations to Bishop Leo Sec, St Mary's Primary, Kreer Primary Schools.



INSTALLING WATER TANKS IN  
SCHOOLS & COMMUNITIES



OR SIMPLY, LENDING A HELPING HAND  
WHERE WE CAN!



“ All our people make a personal commitment to this programme, devoting their own time during weekends, backed by all the resources of BSP. We are proud of our contributions to the communities.  
- BSP CEO Robin Fleming

**MORE QUICK FACTS**

2009: The year in which BSP commenced Community Projects. All branches in PNG delivered a project each after consultation with the community.  
2014: Since 2009, only branches undertook community projects. In 2014, for the first time head office Strategic Business Units were allocated a budget and conducted community projects.  
SPORTS FOCUS: BSP is the Official Sponsor of the Pacific Games, as such most community projects in 2014 are sports focused. Our usual project focus is on Health, Education, Environment/Community and Sports.



**WORK IN PROGRESS**



**BEFORE**



HAVING FUN AND BEING ACTIVE...

**BSP LAE BRANCHES COMBINED PROJECT:** Children enjoying the new playground at the Botanical Gardens, which was constructed by our three (3) branches in Lae. Our Lae teams have contributed significantly to the community. Since 2009, they have been focused on health related projects. Together they have renovated the only Radiotherapy Centre in PNG located at the Angau Memorial Hospital, they have renovated hospital cancer wards and also some of the major referral clinics in Lae.

## HEAD OFFICE PROJECTS

In 2014, Head Office Departments were given funding by the bank to deliver community projects. Prior to this, only branches were involved.

The four (4) community projects delivered by our head office teams are:

- **BSP First:** Refurbishment of the Basketball and Volleyball Courts at Murray Barracks.
- **Finance & Corporate:** Renovation of Vabukori Health Clinic & Community Hall.
- **HR & Group Risk Management:** Upgrade of the Apex Park at Boroko.
- **Operations:** Renovation of Meri Seif Haus at Kaugere.



BSP Operations team during the handover of the renovated Meri Seif Haus at Kaugere.



This new facility will assist youth in surrounding communities to use their time in meaningful activities, rather than resorting to illegal activities, especially the production and consumption of home-brew, which has been a worrying trend - a local community leader, speaking at the handover of the new town basketball & volleyball court in Kainantu.



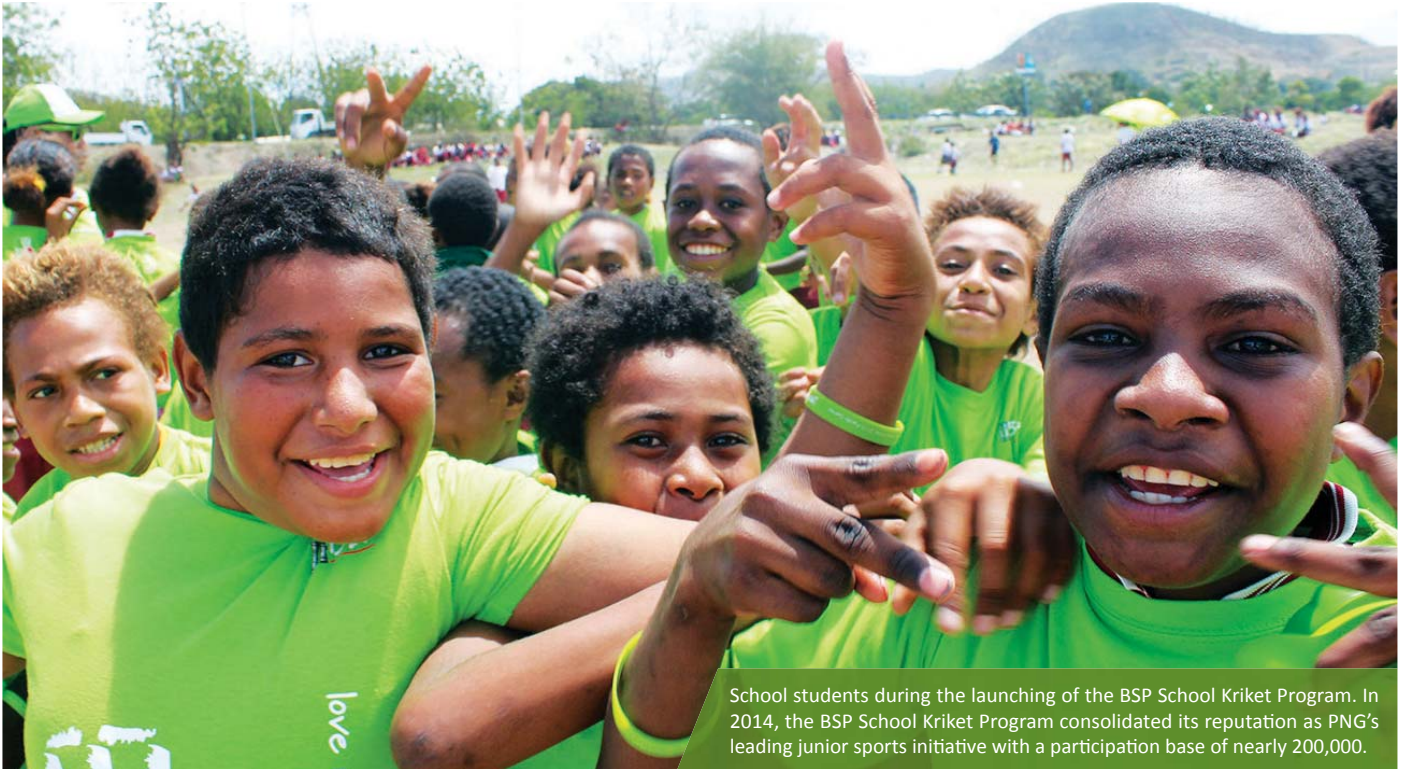
## THIS IS WHAT WE DO!

Our staff donate hundreds of hours of their own time to ensure our community projects are delivered, BSP only supports with funds and logistics.

**Left:** BSP First team, led by General Manager Paul Thornton handing over the new basketball and volleyball courts and balls to the PNGDF personnel at Murray Barracks.

**Below:** Finance & Corporate team handing over the Vabukori Health Clinic & Community Hall, which has a new coat of paint and fresh, clean look.





School students during the launching of the BSP School Kriket Program. In 2014, the BSP School Kriket Program consolidated its reputation as PNG's leading junior sports initiative with a participation base of nearly 200,000.

Because we know that healthy lifestyles are achieved through sports and healthy choices, BSP supports activities and sports codes that are focused on helping kids lead healthy and active lifestyles. With a focus on children and youth programmes, BSP has invested significantly in children's sporting partnerships.

**BSP SCHOOL KRIKET:** Dubbed the most successful in the Asia Pacific Region, BSP School Kriket 2014 got off to a flying start with Cricket PNG conducting lessons with budding young cricketers during the launch at the Hohola Demonstration School in Port Moresby. In 2014, the BSP School Kriket program has been altered to meet the needs of the children by introducing the BSP School Kriket Blast.

The success of BSP School Kriket has earned it a hat trick as the Best Junior Development Program with the International Cricket Council's (ICC) East Asia Pacific Award for three years running. From the regional award, the program has also gone on to bag the ICC Global Award of Best Junior Participation initiative for 2010, 2011, and was on the short list for 2012.

BSP's relationship with Cricket PNG began in 2010, when BSP took on the sponsorship of K750, 000 for

three years. This initial three year partnership ended in 2012, and BSP renewed it for another three years, from 2013 – 2015, at K268,750 per annum.

**SWIMMING:** The Papua New Guinea Swimming Inc received from Bank South Pacific K80, 000 as part of the bank's annual sponsorship towards developing the country's next generation of swimming champions. This will be done through the BSP National Aquatic Excellence Program.

The program which includes Kundu Silver & Kundu Gold, Intermediate and Target Squad Programs, aims to give young swimmers the opportunity to progress further in competitive swimming. BSP has contributed to their productive swimming program in place in educating volunteers to become coaches, administrators and technical officials who later grow to nurture and train athletes.

**JUNIOR GOLF:** The Papua New Guinea Golf Association (PNGGA) received K200,000 towards developing the country's next generation of golfing champions. Through this BSP Junior Development Program, talented young golfers nationwide will be given the opportunity to progress from amateur to professional level, to ensure a high competitive

environment is maintained.

Through this funding last year, young golfers were given the opportunity to improve their level of play. This initiative will promote a clean and healthy playground, and also encourage the juniors take ownership within their sporting code plus helping Golf to prepare for the 2015 Pacific Games where golf is aiming to win gold.

**BRAND AMBASSADORS:** BSP's brand ambassadors add value to our sports initiatives. Ryan Pini, MBE Superfish and Toea Wisil, Pacific Sprint Queen. Both represent dedication and commitment to sport and country and are a valued strategic partner in promoting healthy, active lifestyles among children and youth.

**THESE AND A WHOLE LOT MORE.....** We are proud that the number of children we have encouraged to lead active lifestyles since we started supporting sports programmes in 2009 has risen to more than 800,000 children throughout the South Pacific region. BSP's association with a huge range of sports includes cricket, tennis, the Paralympics, football, game fishing, sailing, canoeing, PGA and youth golf.

“ Without BSP's support all this is simply not possible. I want to thank BSP for the continued support. We are very proud to have BSP as our partner in this program and together we can be proud of our achievement - Gayan Loku, Cricket PNG Game Development Manager





The 9000+ Athletes and officials gather at the Sir Ignatius Kilage Stadium for the opening ceremony of the BSP PNG GAMES 2014.

BSP is privileged to support nation building events such as the PNG Games held in November 2014 and the Port Moresby 2015, XV Pacific Games to be staged in July 2015. BSP is one of the foremost Papua New Guinean and Pacific brands, recognised for a dynamic and innovative culture that still remains true to its Melanesian heritage. With the largest branch, rural and electronic banking networks in PNG, BSP has in the past five years transformed itself into a world-class emerging market bank that strives to implement international best practice in every facet of its business. The PNG Games is also focused on transformation. With improved ground organisation, transport, and facilities, the HOC was committed to taking PNG's largest sporting event to a new level in 2014. It is with immense pleasure that BSP joined the 6th PNG Games as Naming Rights Sponsor and that the bank's commitment and goal is for the successful completion of these Games.

The PNG Games are an exciting and uniquely PNG Sporting and Cultural event. We are proud of our PNG heritage, and we are proud of our sporting, community and environmental achievements. Our home is in PNG, and we see no limitations to the potential of our people, of our country, or of our Region.

BSP Brand Ambassador, Toea Wisil, who was also the 6th PNG Games Ambassador, is a fine example of how these Games can identify local talent who have potential to become world class athletes. We supported the PNG Games because we saw the potential all 9,000+ athletes had.

Phil Franklin, Chairman of the Host Organising Committee, said: "The partnership between the PNG Games and BSP is significant for the development of sport in this country. The PNG Games provides athletes with a pathway to a higher standard of competition."



## LET'S GO FOR GOLD, PORT MORESBY 2015

BSP is truly proud to be the Official Sponsor of the Port Moresby 2015, XV Pacific Games.

Through this sponsorship, BSP is also contributing to nation building, and the bank's commitment and goal is for the successful completion of these Games. The Pacific Games are an exciting and uniquely Melanesian/Polynesian Sporting and Cultural event. We are proud of our PNG heritage, and we are proud of our sporting, community and environmental achievements. Our home is in PNG and the Pacific, and we see no limitations to the potential of our people, of our country, or of our Region.

Our commitment to the Port Moresby 2015 XV Pacific Games is not only direct financial support but the bank will commit much more, our staff, our brand, branches and outreach throughout PNG and the Pacific to promote the games in a positive and inclusive way.



Tura the Pacific Games Official Mascot has been busy travelling nationwide in 2014. BSP has been supportive of his travels to promote the Games.

“Securing PNG's leading bank as the Naming Rights Sponsor is fitting. The impact of the PNG Games will certainly be greater thanks to the partnership with BSP. - PNG Games CEO, Materua Tamarua.”





BSP CEO Robin Fleming has a casual moment with students at the BbP library in Lorengau as BbP co-founder Anne-Sophie Hermann looks on.

BSP supports many worthy causes and organisations that are truly making a huge difference in the lives of people in the communities we operate. We invest in things that matter.

Among many organisations, in 2014, BSP was proud to partner with Buk bilong Pikinini (BbP) in opening this new library for the children of Manus Province. This library is the third BbP library that BSP is funding. The other two are in Lae, Morobe Province, and Goroka, Eastern Highlands. To date, these libraries have already reached over 5000 children.

Buk bilong Pikinini has embarked on a noble plan to establish libraries and learning centres regionally to promote and encourage the passion to read.

BSP is privileged to partner with BbP to promote education among children and ultimately play an important part in improving access to education in PNG, because like BbP our focus is on the children and youth of our country. The bank's decision to support this worthy cause is simple - to help improve literacy rates in PNG, by developing a culture of reading from early age, and the opportunity to partner with BbP is a strategic move.

Our children are our future and we must give them hope, education, health and other opportunity where we can. This partnership is a long term commitment by BSP to ensure that our children develop the necessary skill of reading as part of their development as the future leaders of PNG. We are helping BbP to achieve its Mission "Foster the love of books through reading and learning, raise children's aspiration and increase literacy rates in PNG".

The BSP - BbP Partnership:

- Partnership commenced in 2013
- BSP will sponsor seven (7) libraries.
- 1000s of children have been reached.

Many organisations/charities rely on corporate sponsorships so they can help strengthen communities around PNG. BSP's support is either through funding, in kind or just our people lending a hand: Here are some organisations we supported in 2014.



#### CHARITIES/ORGANISATIONS

- Buk Bilong Pikinini
- Operation Open Heart
- Theophilus Foundation
- Anglicare
- Susu Mamas Ball
- City Mission
- Salvation Army
- Port Moresby Cancer Society
- Soroptomist International
- Katim na Halivim Medical Project
- Business & Professional Women

#### CONFERENCES

- PNG Business Advantage
- Certified Practicing Accountants
- BPNG Financial Inclusion Expo
- Institute of Internal Auditors
- PNG Australia Business Council
- Australia & PNG Mining Resource Expo
- PNG Human Resource Institute

#### CULTURAL FESTIVALS

- Kenu & Kundu Festival
- Goroka Show
- Morobe Agricultural Show
- Sepik Crocodile Festival
- Wawagira & Mask Festival
- Bulolo Show
- Rabaul Frangipani Festival



Although this may seem like an impossible task, BbP believes we can make this happen one library at a time, with BSP's, the communities, and everyone's support - BbP co-founder Anne-Sophie Hermann



These kids at the Carr Memorial School in Port Moresby now know the value of keeping the environment clean, green and healthy, for future generations.

LITTERING is a great concern and BSP has taken it upon itself to teach children the value of keeping the environment clean, green and healthy through our Annual Go Green School Clean-up Day and other similar activities.

BSP has an on-going Go Green calendar, which includes supporting schools and community groups in clean-up activities and also hosting a World Environment Day Expo.

The BSP Annual Go Green School clean-up held in October, started at 9:00 with school students taking the lead, joined by BSP staff, picking up rubbish and cleaning up their communities. BSP supported this activity with gloves and bags, including merchandise.

The Go Green message for 2014 is simple; it's "Our Green City" and it should encourage all our young generation to care about our environment and keep our cities, towns and neighborhood clean. It promotes a healthy environment.

It is important that children and adults are reminded to be responsible and to keep our community clean. We will continue to promote the Go Green message to encourage communities, children to respect and keep our streets free of rubbish.



School students clean up the community surrounding their school. These children have learnt the importance of keeping their environment clean and green.

**QUICK FACTS**

**2014:** The 5th consecutive year in which BSP has wholly funded and led a nationwide clean-up involving thousands of school students and communities across Papua New Guinea, Solomon Islands and Fiji.

**RECYCLE:** 100s of tonnes of waste paper have been recycled by BSP in 2014.

**AMBASSADORS:** BSP has Go Green Ambassadors in all our branches.





BSP branch team at Munda handing over the water tank to the Dunde Community High School.



In 2014, the BSP team in the Solomon Islands delivered seven (7) Community Projects, including our major Annual Schools Go Green Clean Up which was fully funded and supported by the bank.

The Annual Go Green Clean Up is a major event which attracts thousands of students and concerned members of the community to unite and make a difference. In 2014, BSP partnered with the Honiara City Council, SIBC, Solomon Star Limited, Island Sun, Youth@Work, Pathfinder Club, Bahai Youth, 13 registered Schools in Honiara, four community schools adopted by BSP's provincial branches at Auki, Gizo, Munda and Noro and selected sportsmen and women to deliver this worthy initiative.

Thousands of students, youths and our staff and their families across the Solomons participated over two days. 200 odd students and staff of St Nicholas Secondary School witnessed the launch by David Anderson, our Solomon Island Country Manager. BSP provided merchandise, garbage bags and gloves. The reward for everyone was a cleaner community and students are now more responsible in caring for the environment.

For our Community Projects we assisted with sanitation and water storage at schools and the painting of netball and basketball courts to assist local sporting clubs.

Not only do we support local sporting clubs, we support organisations and events that contribute positively to the community, such as the Australian High Commission Fun Run, which we actively supported. BSP is proud to contribute to such initiatives that have a significant impact on the community.

Helping Solomon Islands  
**grow!**

The Annual Go Green Clean Up attracts thousands of students and concerned members of the community to unite and clean up the streets.



SOLOMON ISLANDS COMMUNITY PROJECTS IN 2014

- AUKI BRANCH New toilet pans/cisterns for Auki Community High School.
- GIZO BRANCH Gizo's Netball Court which is run by the Western Province Netball Association.
- HONIARA BRANCH Painting of Solomon Islands National University's basketball court.
- MUNDA BRANCH Installation of water tank at Dunde Community High School.
- NORO BRANCH Painting of Soltuna's netball court.
- POINT CRUZ BRANCH Water tank project at Coronation School, China Town.
- RENADI BRANCH Installation of 3000ltrs of water tank at Don Bosco Tech Institute.







As Official Sponsor of the Port Moresby 2015 Pacific Games BSP is a proud supporter of swimming in Fiji. BSP Short Course Age Group Nationals.



Our Fiji team are passionate about "giving back" to the communities and supporting causes that matter, whether it is through a community project, donations or simply volunteering for a worthy cause.

In 2014, BSP Fiji branches delivered nine (9) community based projects.

The branches and their projects included: Savusavu: Savusavu Health Walk and Beautification.

Sigatoka: Renovation of the Ratu Filise Gym, Namatakula Village.

Damodar City: Renovation at the National Table Tennis Centre.

Nausori: Construction of a playground at Colo-i-Suva park. Partnership with landowners and Forestry Department.

Lautoka and Ba: New multi purpose court, benches and walkway at Tavarau Primary School.

Rakiraki: Upgrade Rakiraki Tennis Court to a multi-purpose court.

Pacific House: Renovation of Charman All Races Club Gym

Tavua: Upgrade to abolition block at Garvey Sports Park

Thomson Street: New multi-purpose court and repair a classroom block at Waiqanake District School.

Apart from community projects by branches, Team Fiji also supports other worthy causes.

One such support included fundraising for children living with cancer, where our team in Fiji raised . Our team raised \$10,660 over two days for the annual Walk on Walk Strong fundraising.

## Helping Fiji grow!

### SPONSORSHIPS

#### BSP Short Course Age Group Nationals

Fiji Swimming Association hosted the Short Course Age Group Nationals in October, which had 250 swimmers attend.

BSP gave \$5,000 and provided marquees, tents, t-shirts and merchandise. This sponsorship extends into other 2015 major swimming competitions. As Official Sponsor of the Port Moresby 2015 Pacific Games BSP is a proud supporter of swimming in Fiji.

Results were promising for Team Fiji after club participants managed to set 42 national swimming records set and an additional 25 Open Swimming records. Swimming fanatics, families and supporters were treated to great performances from swimmers who were as young as 7 years old at the 25 metre Damodar City Aquatic Centre. The event was a selection platform to choose an elite squad to represent Fiji.

#### BSP donates to Rotary Pacific

##### Water Projects

We contributed \$5,000 to help improve Fiji's national water sanitation and hygiene situation. The donation was made to Rotary Pacific Water to assist funding action plans for the delivery of water for life projects in Fiji's rural communities.

Some Sponsorships & Organisations supported by BSP in Fiji include:

- Institute of Internal Auditors Annual Conference
- 2014 PM Exporter of the Year Awards
- 2014 FASANOC Hall of FAME
- Fiji Principals Association Conference
- Partnership with Fiji Primary Schools Netball
- Fiji Oral Health Workers Association
- Pacific Islands Surgeons Association
- Fiji Correctional Services Sports Day

### DONATIONS

#### BSP donates \$10,660 for WOVs Kids 2014 campaign

A BSP staff initiative to raise funds for cancer awareness led to a \$10,660 donation to WOVs Kids. Staff voted to either save or shave a specially selected colleague and to back that vote with a cash donation. In the fundraiser that lasted 16 hours or 2 working days, staff managed to raise \$5,330 which was matched dollar for dollar by the bank.

#### BSP supports WOVs Kids 2014 walk

BSP supported the above 2 week campaign which involved a mammoth 462 kilometer walk around Viti Levu to raise awareness and also collect donations for WOVs Kids Fiji. The WOVs Kids committee in Fiji supports the Tae Kumi Foundation which raises funds for the care of child cancer patients.

Some Donations & Events supported by BSP in Fiji include:

- Sigatoka Town Day
- Ra School for Special Education Sports Day
- Accor's Race to Survive charity
- Hilton Special School's fundraising
- Land Transport Authority for the "Driving Safe and Secure Fiji" program
- Rotary Pacific Water for Life Foundation





Official Sponsor  
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