

Analyst Pack

2009 Results



Table of contents

| | |
|---|-----|
| Summary..... | 5 |
| Income statement..... | 7 |
| Balance sheet..... | 8 |
| Statement of changes in shareholder’s equity..... | 10 |
| Cash flow statement..... | 11 |
| Income tax..... | 13 |
| Key ratios and statistics | |
| ▪ Loans and deposits..... | 16 |
| ▪ Profitability ratios..... | 17 |
| ▪ Performance ratios..... | 18 |
| ▪ Capital and liquidity ratios..... | 19 |
| ▪ Shareholder summary..... | .21 |
| ▪ Asset quality..... | .23 |
| ▪ Economic sector risk concentrations..... | .24 |



Summary

- As at 31 December 2009, the BSP Group held total assets of K9.4 billion. The compounded annual growth rate of total assets in the Group has been 34% since 2005
- The group reported earnings were K257.7 million for the year ended 31 December 2009
- In October 2009 BSP agreed to buy National Bank of Fiji Limited, Colonial Fiji Limited and associated companies from Commonwealth Bank Australia; ownership changed hands on 1 December 2009. The price was a fraction over net assets
- The purchase is a key step in BSP's strategy to be the leading bank in the South Pacific
- National Bank of Fiji Limited trades as BSP Colonial National Bank (BSP CNB) and enjoys a market share of around 20% of the Fiji banking sector
- BSP CNB held more than K790 million and BSP Colonial Fiji Life (BSPCFL) over K516 million in total assets at 30 June 2009
- The acquisition of the Colonial businesses in Fiji added about K1.3 billion of assets to the Group
- BSP currently holds in excess of 50% of the market share of both deposits and loans in PNG and 30% of the market in the Solomon Islands



2009 results

Income Statement - for BSP Group for the Year Ended 31 December 2009



All amounts are expressed in K'000

| | 2009 | 2008 | 2007 | 2009 vs. 2008 % | 2008 vs. 2007 % |
|--|----------------|----------------|----------------|-----------------------|-----------------------|
| Income | | | | | |
| Interest income | 582,862 | 435,974 | 313,152 | 33.7 | 39.2 |
| Interest expense | (108,893) | (58,874) | (36,280) | 85.0 | 62.3 |
| Net interest income | 473,969 | 377,100 | 276,872 | 25.7 | 36.2 |
| Other income | | | | | |
| Lending fee income | 38,941 | 33,444 | 28,776 | 16.4 | 16.2 |
| Foreign exchange income | 104,338 | 127,074 | 116,235 | (17.9) | 9.3 |
| Non-lending fee income | 69,868 | 53,865 | 39,244 | 29.7 | 37.3 |
| Other income | 38,596 | 29,445 | 18,255 | 31.1 | 61.3 |
| Total other income | 251,743 | 243,828 | 202,510 | 3.2 | 20.4 |
| Income net of interest expense | 725,712 | 620,928 | 479,382 | 16.9 | 29.5 |
| Expenses | | | | | |
| Staff | (125,816) | (109,529) | (79,624) | 14.9 | 37.6 |
| Other operating expenses | (209,330) | (120,070) | (109,247) | 74.3 | 9.9 |
| Bad and doubtful debts (expense)/recovery | (15,020) | (11,353) | 4,345 | 32.3 | (361.3) |
| Operating profit/(loss) | 375,546 | 379,976 | 294,856 | (1.2) | 28.9 |
| Other losses | 2,597 | (51,178) | (11,285) | (105.1) | 353.5 |
| Profit before tax | 378,143 | 328,798 | 283,571 | 15.0 | 15.9 |
| Income tax expense | (121,025) | (100,464) | (92,499) | 20.5 | 8.6 |
| Operating profit after tax from ordinary activities | 257,118 | 228,334 | 191,072 | 12.6 | 19.5 |

Balance Sheet – BSP Group for the Year Ended 31 December 2009



All amounts are expressed in K'000

| | Dec 2009 | Dec 2008 | Dec 2007 | Dec 2009 vs. Dec 2008 % | Dec 2008 vs. Dec 2007 % |
|-------------------------------------|------------------|------------------|------------------|----------------------------------|----------------------------------|
| Assets | | | | | |
| Cash and balances with central bank | 996,393 | 434,627 | 440,761 | 129.3 | (1.4) |
| Treasury & central bank bills | 2,325,713 | 1,833,910 | 1,564,128 | 26.8 | 17.3 |
| Amounts due from other banks | 191,888 | 283,978 | 537,535 | (32.4) | (47.2) |
| Loans and advances to customers | 3,638,562 | 2,343,844 | 1,550,271 | 55.2 | 51.2 |
| Properties held for sale | 9,011 | - | 2,617 | N/A | N/A |
| Property, plant and equipment | 282,246 | 175,443 | 170,672 | 60.9 | 2.8 |
| Assets subject to operating lease | 86,024 | 94,568 | 91,397 | (9.0) | 3.5 |
| Investment securities | 1,512,569 | 1,529,146 | 1,355,211 | (1.1) | 12.8 |
| Investment in associates | 47,733 | 1,826 | 2121 | 2,514.1 | (13.9) |
| Goodwill | 21,333 | - | - | N/A | N/A |
| Investment properties | 70,990 | - | - | N/A | N/A |
| Deferred tax asset | 52,603 | 27,146 | 21,603 | 93.8 | 25.7 |
| Other assets | 162,756 | 83,380 | 83,233 | 95.2 | 0.2 |
| Total assets | 9,397,821 | 6,807,868 | 5,819,549 | 38.0 | 17.0 |

Balance Sheet - BSP Group for the Year Ended 31 December 2009



All amounts are expressed in
K'000

| | Dec 2009 | Dec 2008 | Dec 2007 | Dec 2009 vs. Dec 2008 % | Dec 2008 vs. Dec 2007 % |
|-------------------------------------|------------------|------------------|------------------|----------------------------------|----------------------------------|
| Liabilities | | | | | |
| Amounts due to other banks | 26,594 | 11,416 | 5,704 | 132.9 | 100.1 |
| Subordinated debt securities | 75,525 | – | – | N/A | N/A |
| Amounts due to customers | 7,493,779 | 5,782,020 | 5,055,917 | 29.6 | 14.4 |
| Other liabilities | 670,955 | 105,544 | 78,537 | 535.7 | 34.4 |
| Provision for income tax | 109,691 | 68,416 | 68,164 | 60.3 | 0.4 |
| Deferred tax liabilities | 31,881 | 17,094 | 16,238 | 86.5 | 5.3 |
| Other provisions | 55,299 | 79,124 | 23,289 | (30.1) | 239.7 |
| Total liabilities | 8,463,724 | 6,063,614 | 5,247,849 | 39.6 | 15.5 |
| Shareholders Equity | | | | | |
| Ordinary shares | 318,014 | 318,014 | 271,536 | 0.0 | 17.1 |
| Retained earnings | 553,912 | 394,367 | 264,855 | 40.5 | 48.9 |
| Other reserves | 62,171 | 31,873 | 35,309 | 95.1 | (9.7) |
| Total shareholder's equity | 934,097 | 744,254 | 571,700 | 25.5 | 30.2 |
| Total equity and liabilities | 9,397,821 | 6,807,868 | 5,819,549 | 38.0 | 17.0 |

Statement of Changes in Shareholder Equity – Group for the Year Ended 31 December 2009



All amounts are expressed in K'000

| | Share Capital | Reserves | Retained Earnings / (Accumulated Losses) | Total |
|-------------------------------------|----------------|---------------|---|----------------|
| Balance as at 1 January 2009 | 318,014 | 31,873 | 394,367 | 744,254 |
| Final dividend paid for 2008 | - | - | (100,305) | (100,305) |
| Deferred income 2009 (IFRS) | - | - | 2,732 | 2,732 |
| Net Profit | - | - | 257,118 | 257,118 |
| Other comprehensive income | - | 30,298 | - | 30,298 |
| Balance at 31 December 2009 | 318,014 | 62,171 | 553,912 | 934,097 |

Cash Flow Statement – BSP Group for the Year Ended 31 December 2009



All amounts are expressed in K'000

| | 2009 | 2008 | 2007 | 2009 vs. 2008 % | 2008 vs. 2007 % |
|---|------------------|------------------|------------------|-----------------------|-----------------------|
| Cash Flow From Operating Activities | | | | | |
| Interest received | 584,859 | 428,409 | 313,338 | 36.5 | 36.7 |
| Fees and other income | 249,399 | 244,319 | 203,142 | 2.1 | 20.3 |
| Interest paid | (116,142) | (52,645) | (34,541) | 120.6 | 52.4 |
| Amounts paid to suppliers and employees | (327,522) | (234,383) | (171,592) | 39.7 | 36.6 |
| Operating cash flow before changes in operating assets | 390,594 | 385,700 | 310,347 | 1.3 | 24.3 |
| Decrease/(increase) in loans | (535,954) | (783,161) | (382,674) | (31.6) | 104.7 |
| Decrease/(Increase) in bills receivable and other assets | 28,679 | 19,356 | 14,839 | 48.2 | 30.4 |
| (Decrease)/Increase in deposits | 920,295 | 728,423 | 1,282,300 | 26.3 | (43.2) |
| (Decrease)/increase in bills payable and other liabilities | (126,547) | 4,251 | 32,568 | (3076.9) | (86.9) |
| Net cash flow from operations before income tax | 677,067 | 354,569 | 1,257,380 | 91.0 | (71.8) |
| Income tax paid | (101,403) | (102,370) | (78,240) | (0.9) | 30.8 |
| Net cash flow from operating activities | 575,664 | 252,199 | 1,179,140 | 128.3 | (78.6) |
| Cash flow from investing activities | | | | | |
| Decrease/(increase) in Government securities | (281,094) | (443,717) | (542,610) | (36.7) | (18.2) |
| Expenditure on property plant and equipment | (32,747) | (28,124) | (42,835) | 16.4 | (34.3) |
| Proceeds from disposal of property plant and equipment | 2,472 | 7,552 | 1,946 | (67.3) | 288.1 |
| Movement in share trading activities | 3,575 | 2,985 | (4,756) | 19.8 | 162.8 |
| Additional funding in associate | (800) | (883) | - | (9.4) | N/A |
| Net cash flow on acquisition of subsidiary | 8,622 | - | - | N/A | N/A |
| Net cash flow from investing activities | (299,972) | (462,187) | (588,255) | (35.1) | (21.4) |
| Cash flow from financing activities | | | | | |
| Issue of share capital | - | 46,478 | 35,898 | (100.0) | 29.5 |
| Proceeds from subordinated debt securities | 75,525 | - | - | N/A | |
| Repayment of borrowings | - | 2,183 | 844 | (100.0) | 158.6 |
| Client Management Trust | (6,745) | 937 | 5,480 | (820.0) | (82.9) |
| Dividends paid | (100,305) | (99,509) | (71,219) | 0.8 | 39.7 |
| Net cash flow from financing activities | (31,525) | (49,911) | (28,997) | (36.8) | 72.1 |
| Net increase/(decrease) in cash and cash equivalents | 244,167 | (259,899) | 561,888 | (193.9) | (146.3) |
| Effect of exchange rate movements on cash and cash equivalents | (3,135) | (5,504) | 374 | (43.0) | (1571.7) |
| Cash and cash equivalents at the beginning of the year – subsidiary | 213,466 | - | - | N/A | 0.0 |
| Cash and cash equivalents at the beginning of the year | 707,189 | 972,592 | 410,330 | (27.3) | 137.0 |
| Cash and cash equivalents at the end of the year | 1,161,687 | 707,189 | 972,592 | 64.3 | (27.3) |

Income tax expense – BSP Group



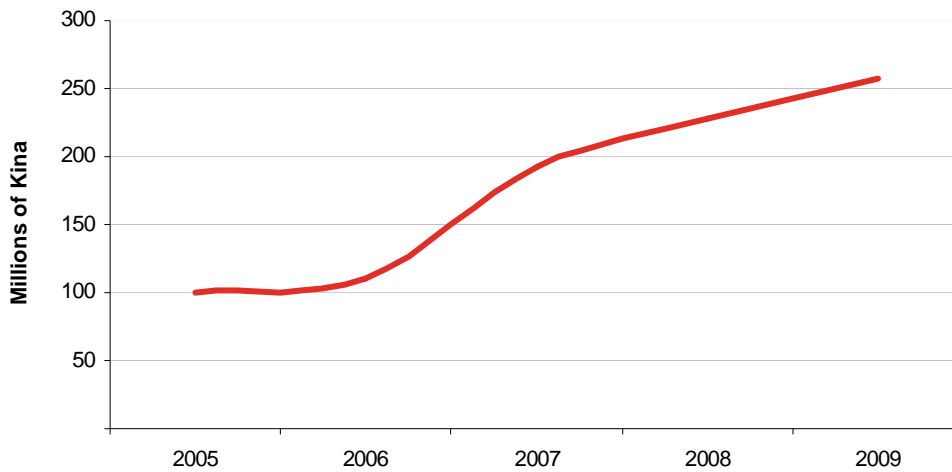
All amounts are expressed in K'000

| | 2009 | 2008 | 2007 | 2009 vs. 2008 % | 2008 vs. 2007 % |
|--|----------------|----------------|---------------|-----------------------|-----------------------|
| Current tax | 128,170 | 104,441 | 93,805 | 22.7 | 11.3 |
| Deferred tax | (13,463) | (4,998) | (4,031) | 169.4 | 24.0 |
| Current year | 114,707 | 99,443 | 89,774 | 15.4 | 10.8 |
| Prior year adjustments | 6,318 | 1,021 | 2,725 | 518.8 | (62.5) |
| Total | 121,025 | 100,464 | 92,499 | 20.5 | 8.61 |
| Tax calculated at 30% of profit before tax | 113,052 | 98,639 | 85,999 | 14.6 | 14.7 |
| Expense not deductible for tax | 2,050 | 1,283 | 3,968 | 59.8 | (67.7) |
| Deductible expenses not recognised for accounting purposes | (1,049) | (479) | (193) | 119 | 148.2 |
| Prior year under provision | 6,318 | 1,021 | 2,725 | 518.8 | (62.5) |
| Net tax impact from acquisition of subsidiary | 654 | - | - | N/A | N/A |
| Total | 121,025 | 100,464 | 92,499 | 20.5 | 8.6 |

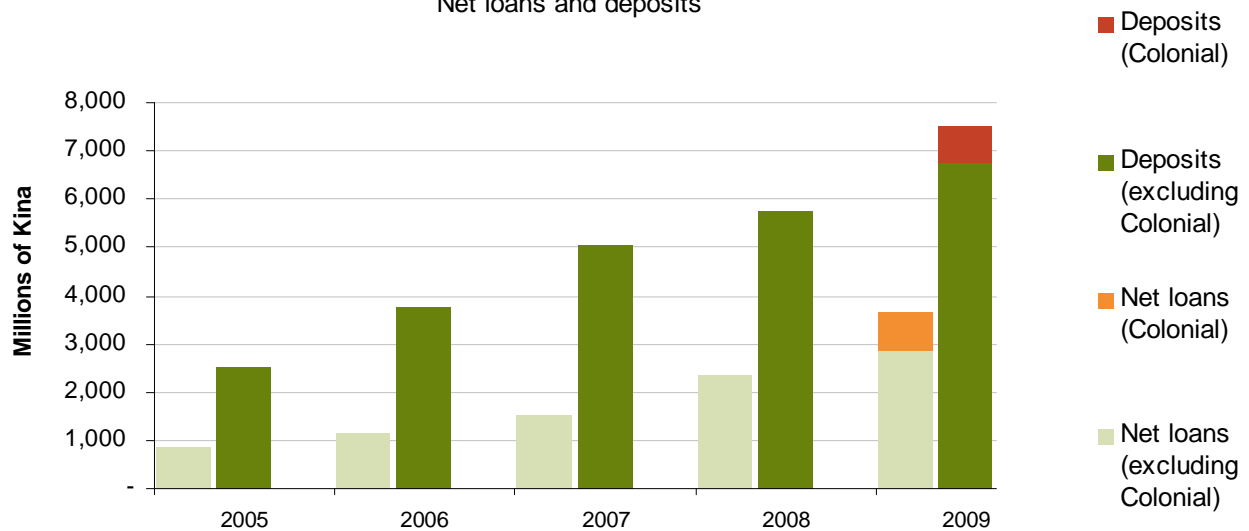


Key ratios and statistics

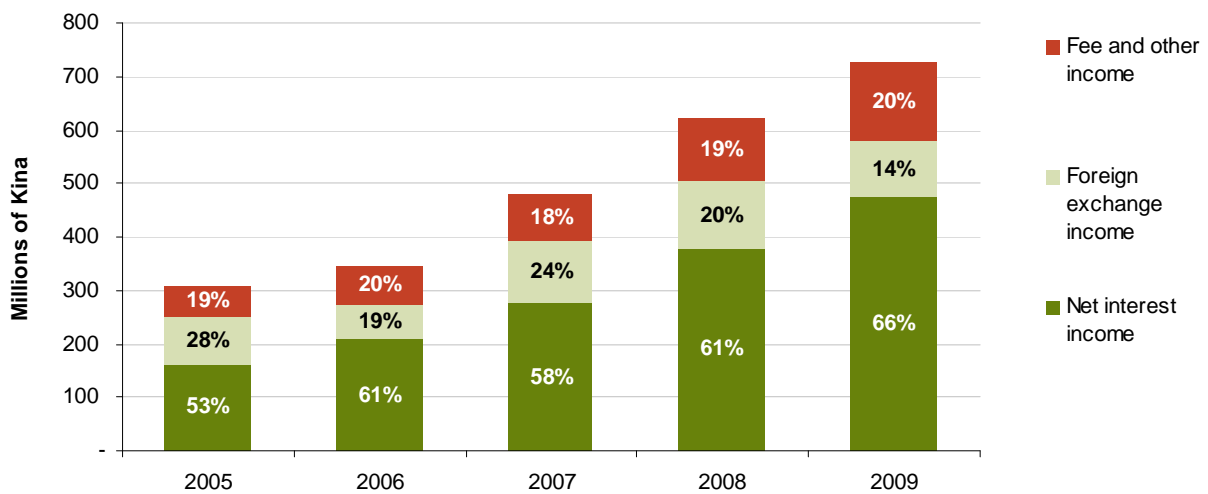
Net profit after tax



Net loans and deposits



Income split



Loans and deposits



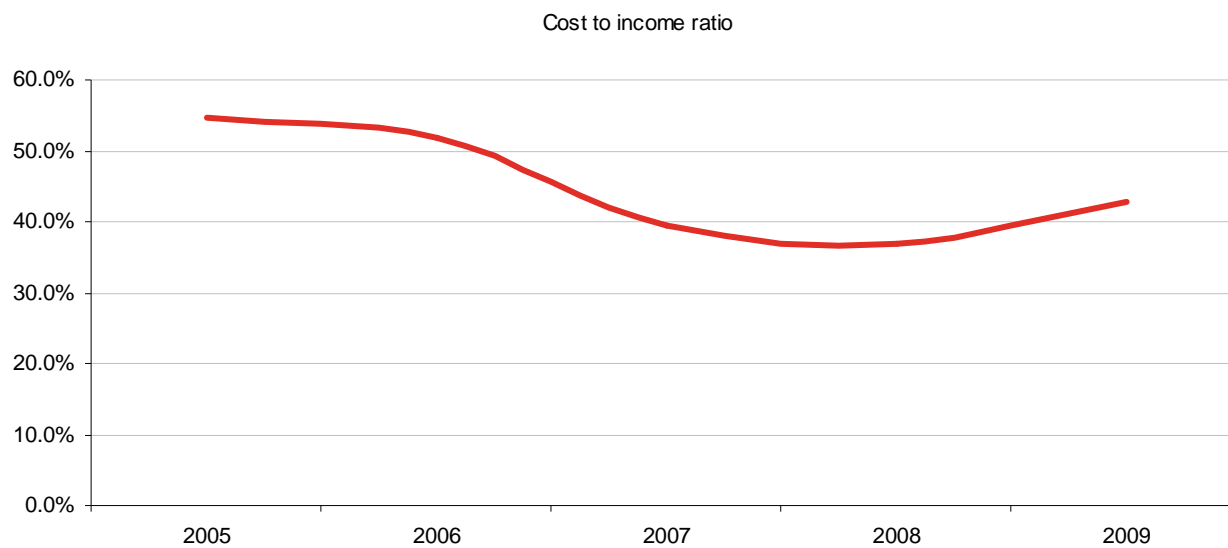
| | Unit | 2009 | 2008 | 2007 | 2006 | 2005 |
|---|-----------|-------------|-------------|-------------|-------------|-------------|
| Deposits | | | | | | |
| Deposits - excluding Colonial | K million | 6,760 | 5,782 | 5,056 | 3,774 | 2,543 |
| Deposits - Colonial | K million | 734 | | | | |
| BSP Group total deposits | K million | 7,494 | 5,782 | 5,056 | 3,774 | 2,543 |
| Deposit growth rate from previous year | % | 30.0 | 14.4 | 34.0 | 48.4 | |
| Deposit growth rate from previous year excluding Colonial | % | 17.0 | | | | |
| Net Loans and Advances | | | | | | |
| Net loans and advances - excluding Colonial | K million | 2,860 | 2,344 | 1,550 | 1,163 | 874 |
| Net loans and advances - Colonial | K million | 779 | | | | |
| BSP Group net loans and advances | K million | 3,639 | 2,344 | 1,550 | 1,163 | 874 |
| Net loans and advances growth rate | % | 55.2 | 51.2 | 33.3 | 33.2 | |
| Net loans and advances growth rate excluding Colonial | % | 22.0 | | | | |
| Loans to Deposits ratio | % | 48.6 | 40.5 | 30.7 | 30.8 | 34.4 |

Profitability ratios



| | Unit | 2009 | 2008 | 2007 | 2006 | 2005 |
|----------------------|------|------|------|------|------|------|
| Cost to income ratio | % | 42.9 | 37.0 | 39.4 | 51.9 | 54.7 |
| Net interest margin* | % | 7.7 | 7.4 | 6.9 | 7.1 | - |
| Net interest spread* | % | 7.8 | 7.5 | 7.0 | 7.2 | - |

*Net interest margin and net interest spread exclude Fiji Colonial

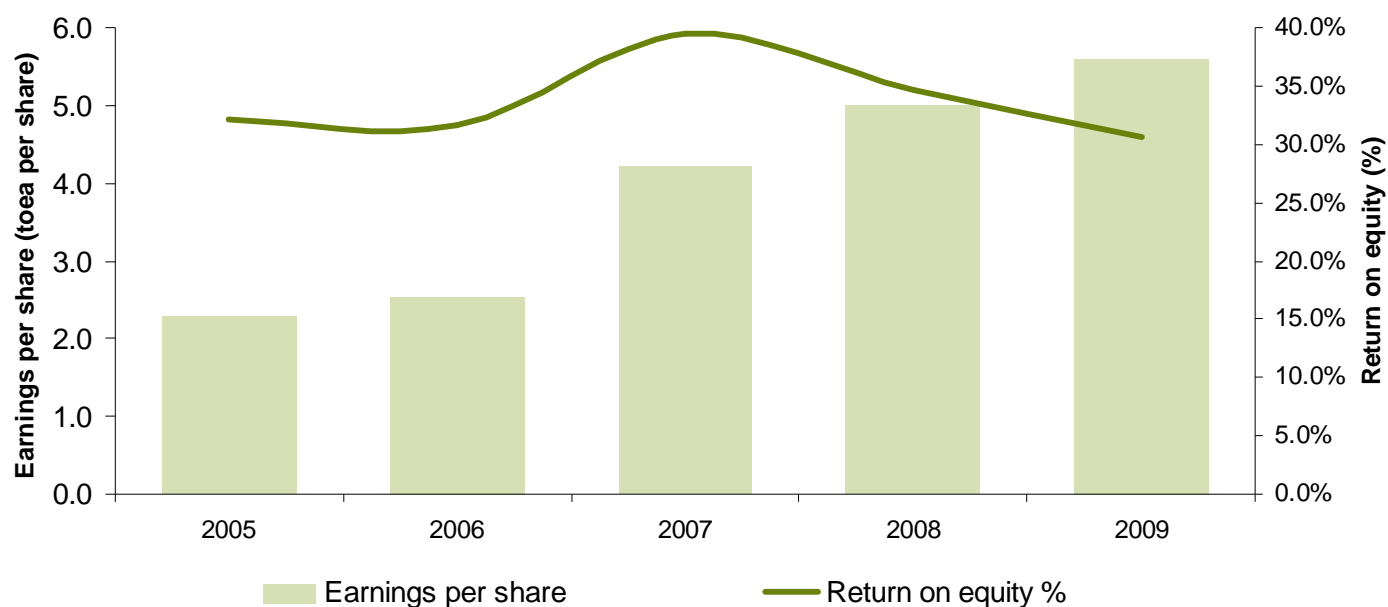


Performance ratios



| | Unit | 2009 | 2008 | 2007 | 2006 | 2005 |
|--|------|------|------|------|------|------|
| Earnings per share (basic and diluted) | toea | 5.6 | 5.0 | 4.2 | 2.5 | 2.3 |
| Return on shareholder's equity | % | 30.6 | 34.7 | 39.5 | 31.7 | 32.2 |
| Return on assets | % | 3.2 | 3.6 | 3.8 | 3.1 | 3.4 |

Earnings Per Share and Return On Equity

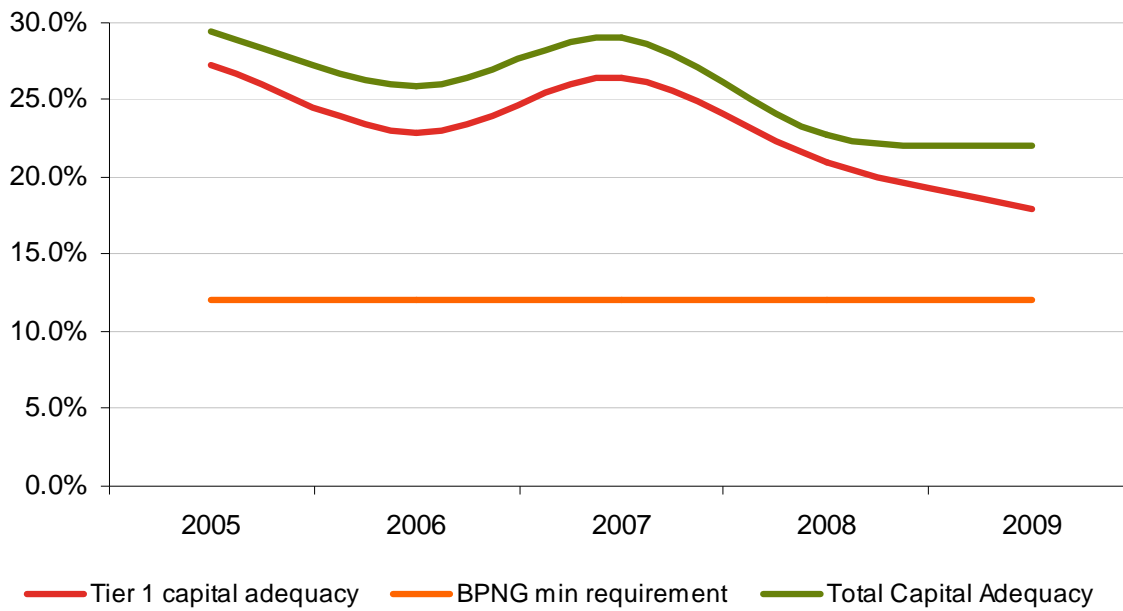


Capital and liquidity ratios



| | Unit | 2009 | 2008 | 2007 | 2006 | 2005 |
|--|-------|---------|---------|---------|---------|---------|
| Tier 1 capital before YTD profits | K'000 | 598,310 | 479,999 | 334,129 | 239,771 | 183,612 |
| Tier 1 capital after YTD profits | K'000 | 855,428 | 708,333 | 534,201 | 351,387 | 282,837 |
| Tier 1 capital adequacy ratio before YTD profits | % | 12.6 | 14.2 | 17 | 15.6 | 17.7 |
| Capital adequacy ratio | % | 22.1 | 22.8 | 29 | 25.9 | 29.4 |

Tier 1 Capital and Total Capital Adequacy

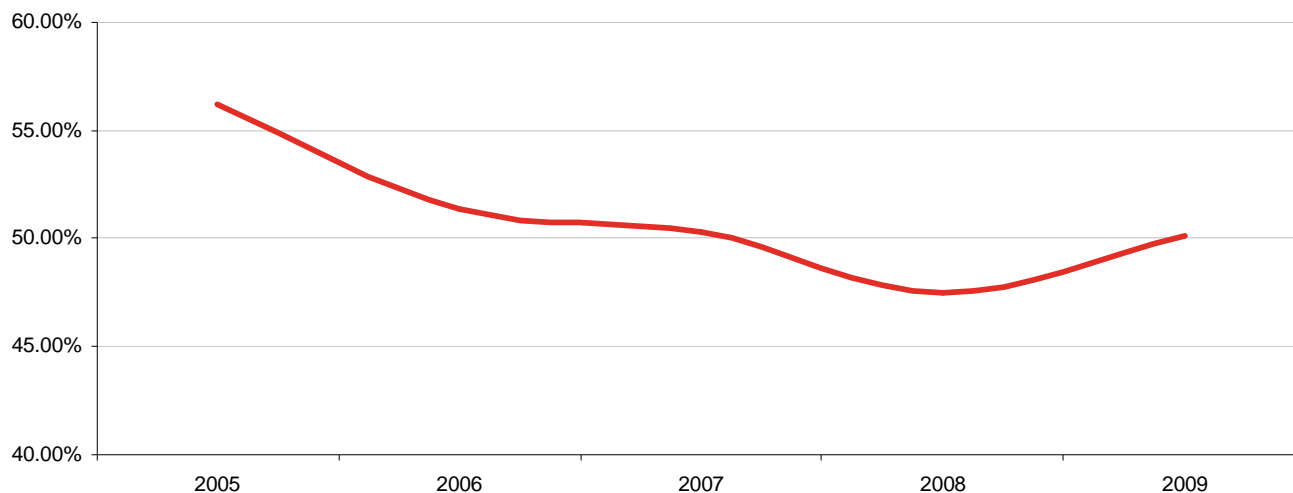


Capital and liquidity ratios

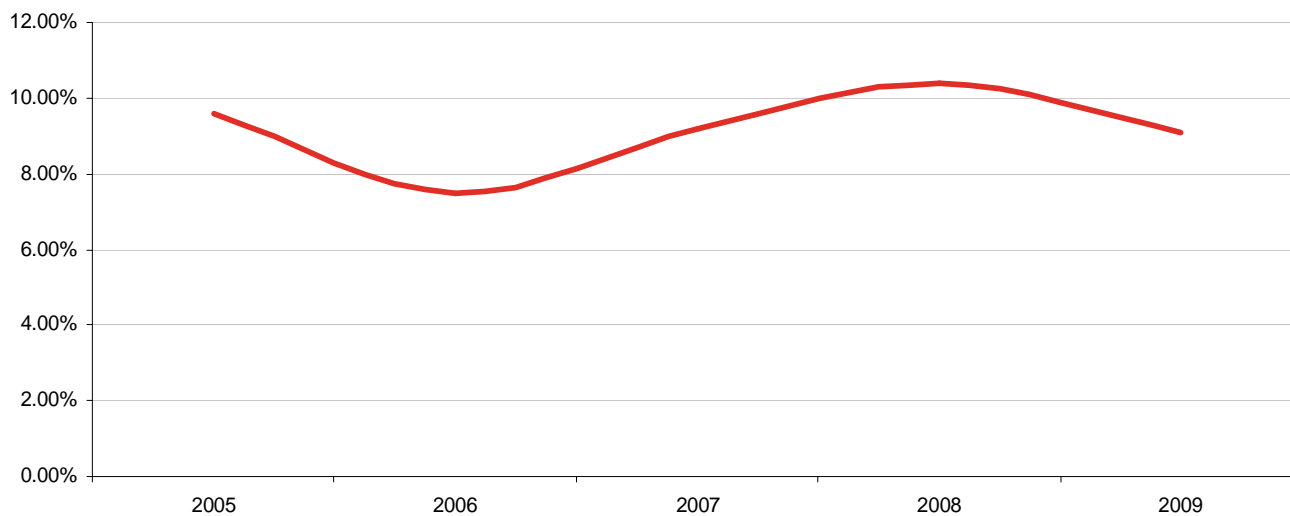


| | Unit | 2009 | 2008 | 2007 | 2006 | 2005 |
|----------------------|------|------|------|------|------|------|
| Liquid asset ratio | % | 50.1 | 47.5 | 50.3 | 51.4 | 56.2 |
| Leverage ratio | % | 9.1 | 10.4 | 9.2 | 7.5 | 9.6 |
| Debt to assets ratio | % | 90.1 | 89.1 | 90.2 | 90.9 | 89.6 |

Liquid asset ratio



Leverage ratio



Shareholder summary



| | Unit | 2009 | 2008 | 2007 | 2006 | 2005 |
|--|---------|------|------|------|------|------|
| Dividend per ordinary share | toea | 2.2 | 2.2 | 1.6 | 1.4 | 1.0 |
| Dividend payout ratio | % | 39.3 | 44.0 | 37.8 | 55.1 | 43.9 |
| Number of shares at end of period (adjusted) | billion | 4.56 | 4.56 | 4.52 | 4.39 | 4.36 |
| Share price at end of period | Kina | 0.85 | 0.98 | 0.73 | 0.4 | 0.32 |

Share Price and Market Capitalisation

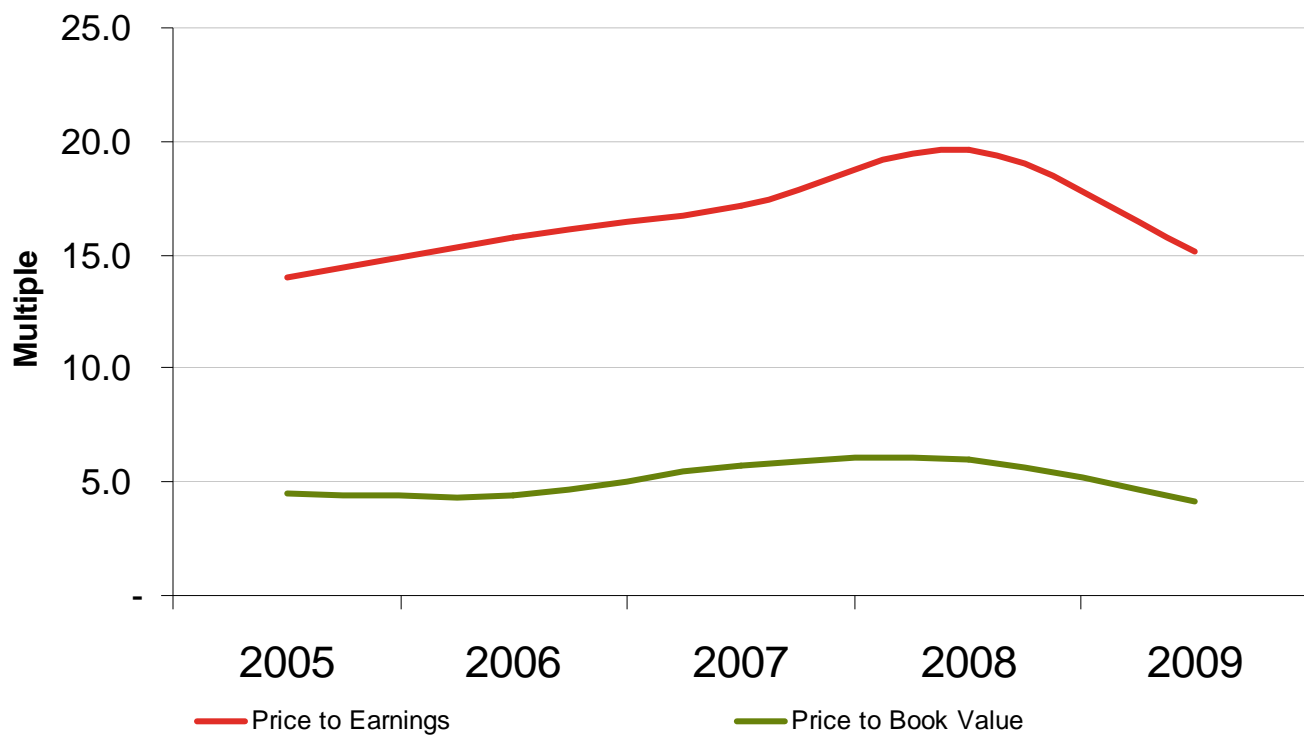


Shareholder summary



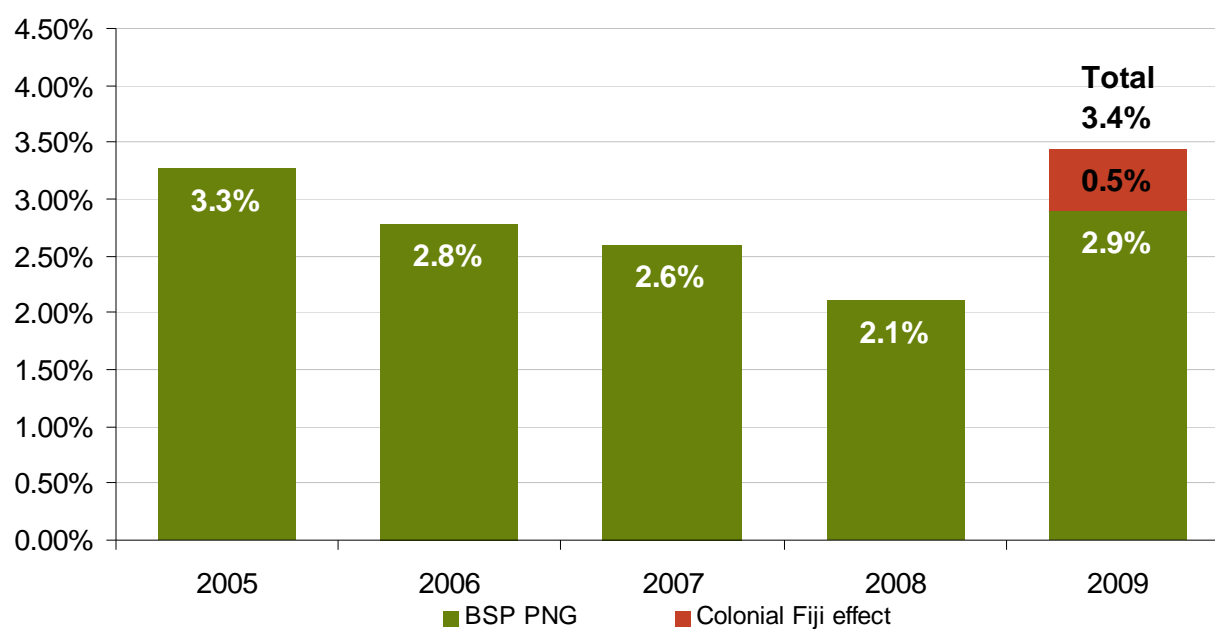
| | Unit | 2009 | 2008 | 2007 | 2006 | 2005 |
|---------------------|----------|------|------|------|------|------|
| Price to Earnings | Multiple | 15.2 | 19.6 | 17.2 | 15.8 | 14.0 |
| Price to Book Value | Multiple | 4.1 | 6.0 | 5.7 | 4.4 | 4.5 |

Price to Earning and Price to Book Value



| | Unit | 2009 | 2008 | 2007 | 2006 | 2005 |
|-----------------------------------|------------------|--------|--------|------|------|------|
| Provisions for impairment | Millions of Kina | 129.8 | 50.5 | 41,2 | 33,2 | 29.5 |
| Loan provisions to gross loans | % | 3.4 | 2.1 | 2.6 | 2.8 | 3.3 |
| Net bad debts (expense)/recovered | Millions of Kina | (15.0) | (11.4) | 4.3 | 1.3 | 4.0 |

Loan provisions to gross loans



Economic sector risk concentration



All amounts are expressed in K'000

| | 2009 | % | 2008 | % |
|--------------------------------------|------------------|------------|------------------|------------|
| Commerce, finance and other business | 1,855,439 | 51 | 1,166,424 | 49 |
| Private households | 463,963 | 13 | 409,463 | 17 |
| Government and Public Authorities | 8,214 | 0.2 | 5,795 | 1 |
| Agriculture | 260,051 | 7 | 256,940 | 11 |
| Transport and communication | 276,230 | 8 | 123,546 | 6 |
| Manufacturing | 397,624 | 11 | 174,607 | 7 |
| Construction | 377,041 | 10 | 207,069 | 9 |
| Net loan portfolio balance | 3,638,562 | 100 | 2,343,844 | 100 |

Economic Sector Risk Concentrations

