



# BSP Group 2012 Qtr 3 Results

January 2013

Financial Results – Profit  
Financial Results – Balance Sheet  
Share Price Performance  
Market Share  
Customers, EFTPOS, ATMs, SMS, Branches  
Capital Adequacy, Funding, Credit Quality

# Content

# Profit

**35%** year on year growth

**56%** cost to income ratio

**49%** non interest income to total income

- Slowed loan volume growth, high CRR, and low rates on non-lending investments impacting on revenue. Non interest income is improving.
- Deposit volume growth slowing, reflected in loan and other financial assets trends.
- Costs up from last year due to increasing business improvement initiatives and the larger scale of the business. Debt provisions portend tighter portfolio standards as economies decelerate.

Qtr3 2012 Income & Expense (Km)	Qtr3-12	Qtr2-12	Qtr1-12	Qtr3-11
Profit after tax	97.98	105.96	98.05	72.42
PNG	90.79	102.06	93.58	
Overseas	7.20	3.90	4.47	
Revenue	341.32	334.73	314.21	251.23
PNG	281.91	276.63	255.62	
Overseas	59.43	58.10	58.59	
Bad & doubtful debts	14.96	19.36	10.54	9.56
PNG	14.30	17.53	9.89	
Overseas	0.66	1.83	0.65	
Expenses	192.63	180.99	164.54	125.94
PNG	137.15	133.14	109.55	
Overseas	55.47	47.85	54.99	
Cost to income	56%	54%	52%	50%
Bank non interest income to total income	49%	42%	42%	36%
Bank non interest income to total income	48%	45%	45%	36%
Cost to income	56%	54%	52%	50%
Overseas	22.41	11.82	21.68	
PNG	137.15	133.14	109.55	

# Balance Sheet

**10%** year on year loan growth

**27%** year on year investments growth

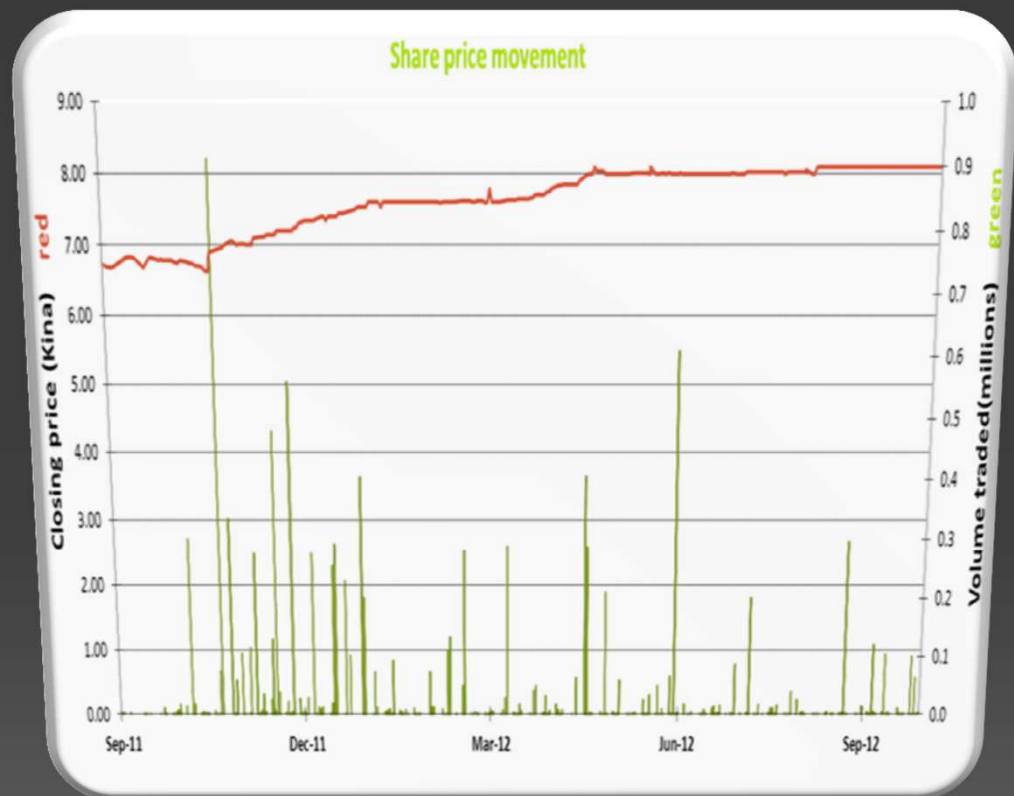
**16%** year on year deposits growth

- Loan volume growth slowed by peaking PNG project momentum, business cash reserves, and PNG election period. Other interest earning Investments affected by government debt management
- Growth in cash and other assets, through high volumes in payment cycles, and lack of alternative investment opportunities.
- Continued strong growth of total assets.
- Also includes increased investment in BSP's banking infrastructure

Qtr3 2012 Balance Sheet(Kbillion)	Qtr3-12	Qtr2-12	Qtr1-12	Qtr3-11
Loans & Advances	4.6	4.5	4.3	4.2
PNG	3.6	3.5	3.4	3.4
Overseas	1.0	1.0	0.9	0.8
Other Interest Earning Investments	5.2	5.2	4.9	4.1
PNG	4.9	4.9	4.7	3.9
Overseas	0.3	0.3	0.2	0.2
Customer Deposits	10.6	10.7	10.2	9.1
PNG	9.0	9.1	8.7	7.9
Overseas	1.6	1.6	1.5	1.2
Net Assets	1.4	1.4	1.4	1.1
PNG	1.3	1.2	1.2	1.0
Overseas	0.1	0.2	0.2	0.1
Total Assets	13.1	13.3	12.5	10.2
PNG	11.0	11.2	10.5	9.3
Overseas	2.1	2.1	1.9	0.9

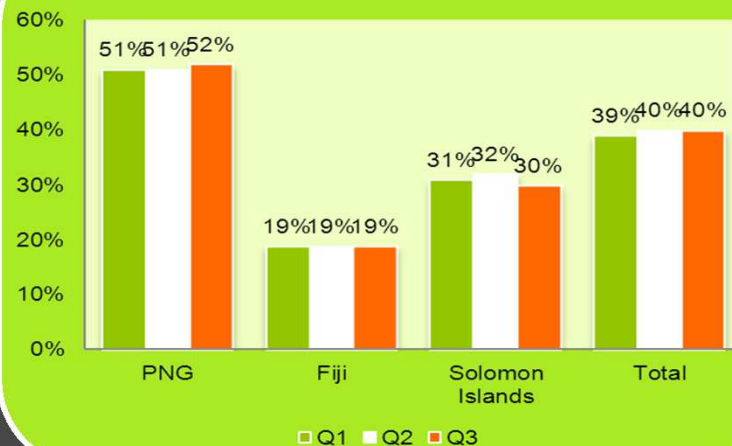
## K8.01 Share price

- Earning per share is up 14%, to 85.6 toea.
- The second of K40m buyback is in progress.



# Market Share

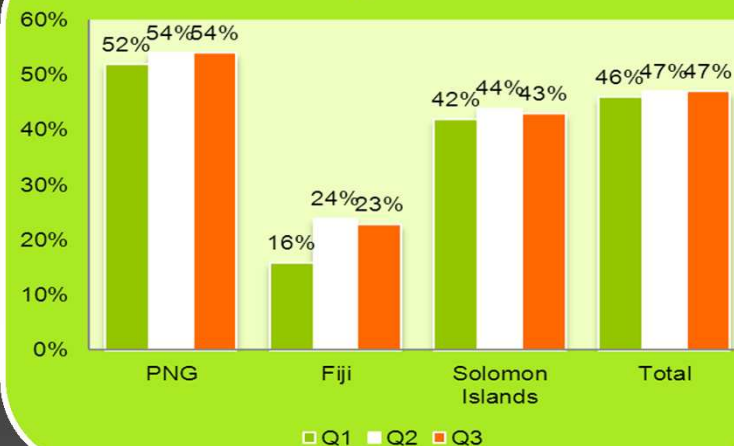
## Loans



PNG lending market share increased by 1%; holds 78% of group lending assets

- Fiji improved loan market share by 1%
- SI loans market share fell 2% to 30%

## Deposits



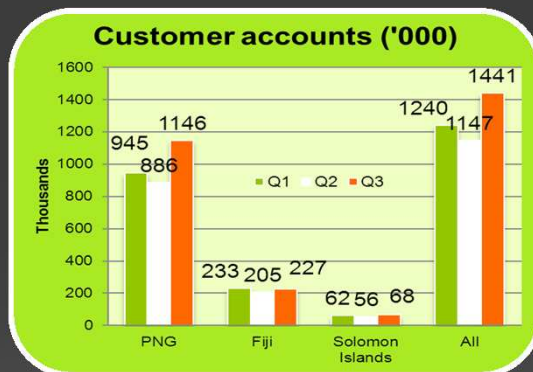
PNG deposits market share remains steady at 54%; 81% of deposits are in PNG

- Fiji deposits fell by 1%
- SI deposits share reduced by 1% to 43%

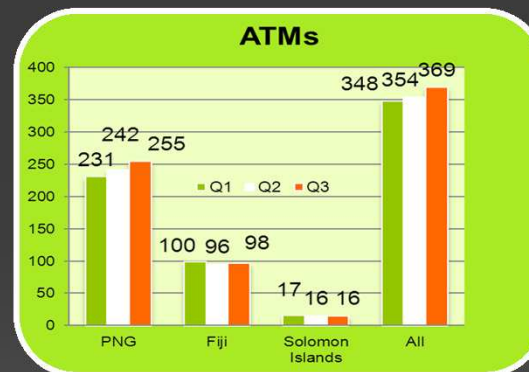


# Customers & Channels

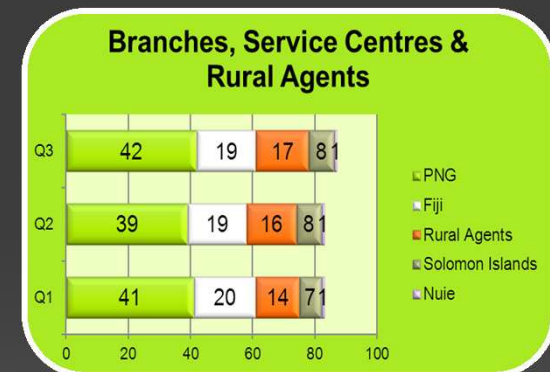
The implementation of BSP strategies is now delivering increases in selected channels. Growth in customer account numbers and transaction volume is significant



Total customer numbers continue to increase.



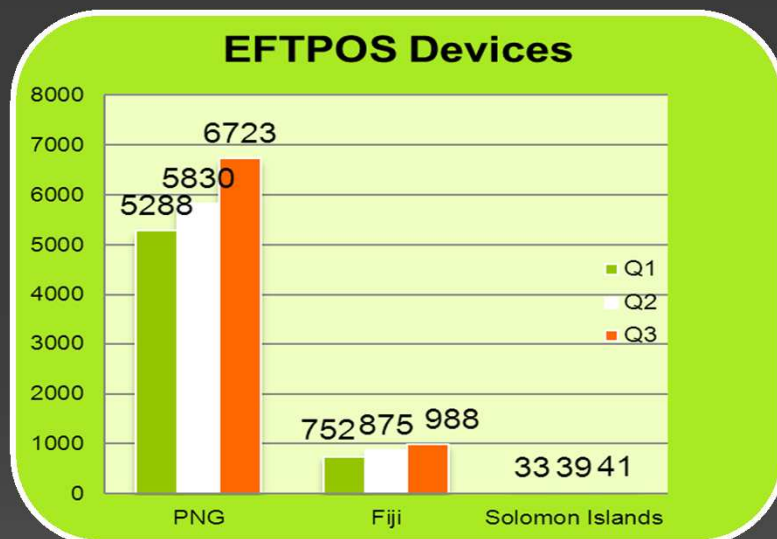
ATM numbers increasing in strategic locations



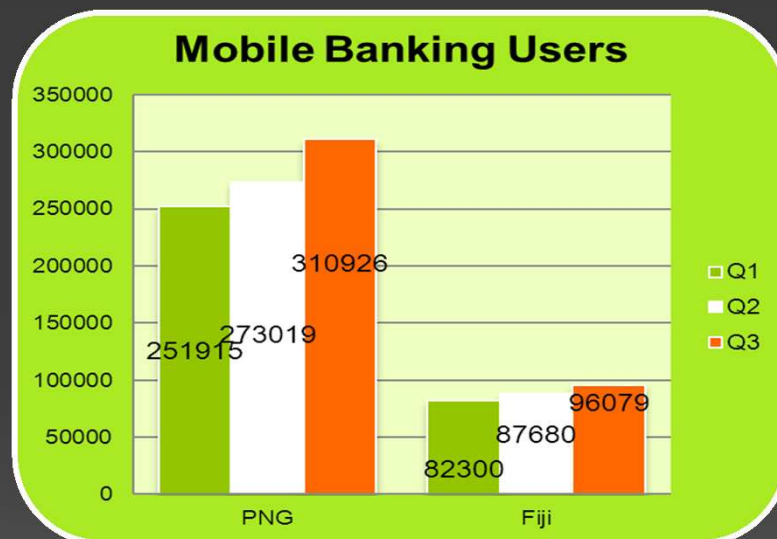
Rural Branches continue to grow

# Channels: EFTPOS and SMS

BSP is aggressively engaging the market in electronic banking channels



BSP clearly dominates in the EFTPOS channel; it also has the most merchants in the market



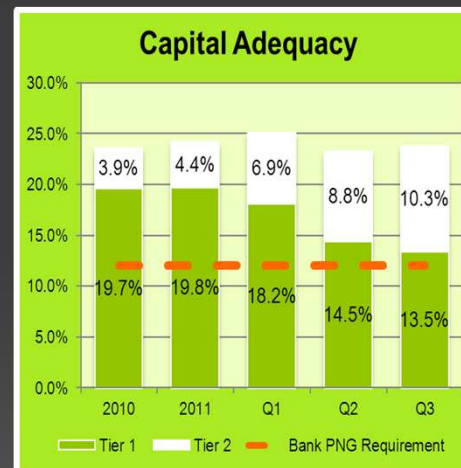
Mobile banking user numbers are growing through the year; USSD format was introduced in Q3



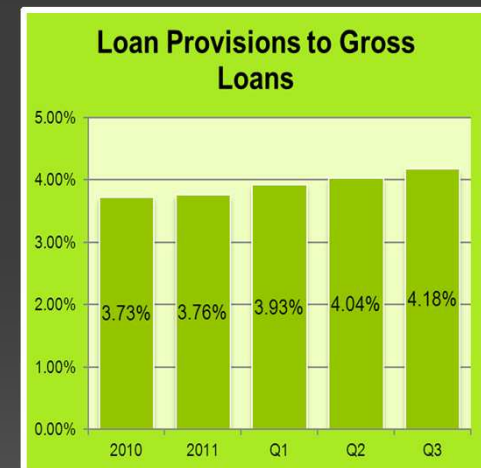
# Capital Adequacy and Credit Risk

- Total capital adequacy remains above the BPNG requirement of 12%; After audit, capital composition will be comparable to prior year;
- Provisions to gross loans has increased slightly as economic conditions start to soften

24% capital adequacy



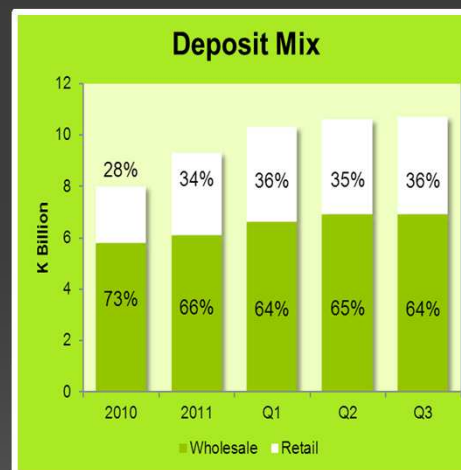
4.2% Provisions to loans



## Funding

- Wholesale funds dominate the funding base, but retail portion is growing steadily
- Of which, demand deposits make up a large proportion

### 64% wholesale funds



### 82% Demand deposits



## 2012 Qtr3 Performance Summary

- ➔ Business conditions moderated further in the third quarter, as some PNG LNG project construction activities started to reach completion; build up of surplus liquidity in businesses also continued
- ➔ Inflation management continues to be transmitted through a cash reserving policy, and interest rates on short term bank bills and deposits remain depressed
- ➔ Bank liquidity growth has continued, with limited opportunities to invest surplus funds; and re-investment rates persistently low;
- ➔ With growing liquidity, higher card transaction volumes are being observed across the bank's large network of EFTPOS, ATMs, rural agents, and branches
- ➔ Work on BSP systems platforms continues; including deployment of globally innovative technology in banking services in PNG, supporting operational and market transactional efficiency
- ➔ Financial benchmarks remain reasonable; group capital position is sound, annualized return on equity close to 30%, and cost to income at 56%.

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