

BSP Group 2013 Full Year Results Announcement



4th March 2014

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EXTERNAL & INTERNAL ENVIRONMENT



External:

PNG: GDP growth est. expansion of 5.5% for 2013

- PNG LNG 1 construction phase concludes, slower GDP growth
- Government: deficit budget, year of implementation;
- AML concerns, governance
- Low interest rates, liquidity growth, PGK depreciation
- Growing competition, FX and new banking licenses, financial inclusion
- Regulatory: financial inclusion, prudential standards updates commenced

Fiji: GDP growth est. at 2.8%

- Low interest rates, higher liquidity
- New market entrant

Solomon Islands: GDP growth est. at 2.5%

- Improving macro economic conditions
- New banking license issued

Internal:

Capital Expenditure transformation projects taper off

PNG:

- Cost control
- Fixed Assets and depreciation review
- Board strategy review
- Training initiative
- “Whole of bank” approach
- FX lending & funding growth

Fiji

- loan growth

Solomon Islands

- Electronic banking



STRATEGY UPDATE



- Vision-Values refresh, culture definition:
 - Service & sales: “Customer First”
- Productivity review, benefits realisation
- Cost control, capital management and planning
- Infrastructure and systems – BSP Fiji and BSP Life
- Growth opportunities:
 - Financial services diversification
 - Pacific expansion
 - Longer term growth plans



PROFIT AND LOSS



Profit (K'm)

	2013	2012	YoY Δ	5yr Δ
Income	1,526.7	1,285.3	241.4	801.0
Net Interest	740.9	681.6	59.3	266.9
Non Interest	785.9	603.8	182.1	534.1
Total Expenses	(932.0)	(751.2)	(180.8)	(584.2)
Depreciation	(175.8)	(83.8)	(92.1)	(121.7)
Operating Expenses	(662.7)	(596.5)	(66.2)	(381.7)
Impairment - Subsidiary	(15.0)	0.0	(15.0)	(17.3)
Loan Impairment	(78.6)	(71.0)	(7.6)	(63.6)
Profit Before Tax	594.7	534.1	60.6	216.5
Profit After Tax	436.8	407.7	29.1	179.7

Group Distribution of Profit (K'm)

	PNG	Fiji	S. I	%
Bank	404.4	11.7	8.6	97%
Subsidiaries				0%
BSP Capital	(2.4)			-1%
BSP Life		13.6		3%
Other	(0.0)	0.9		0%
%	92%	6%	2%	100%

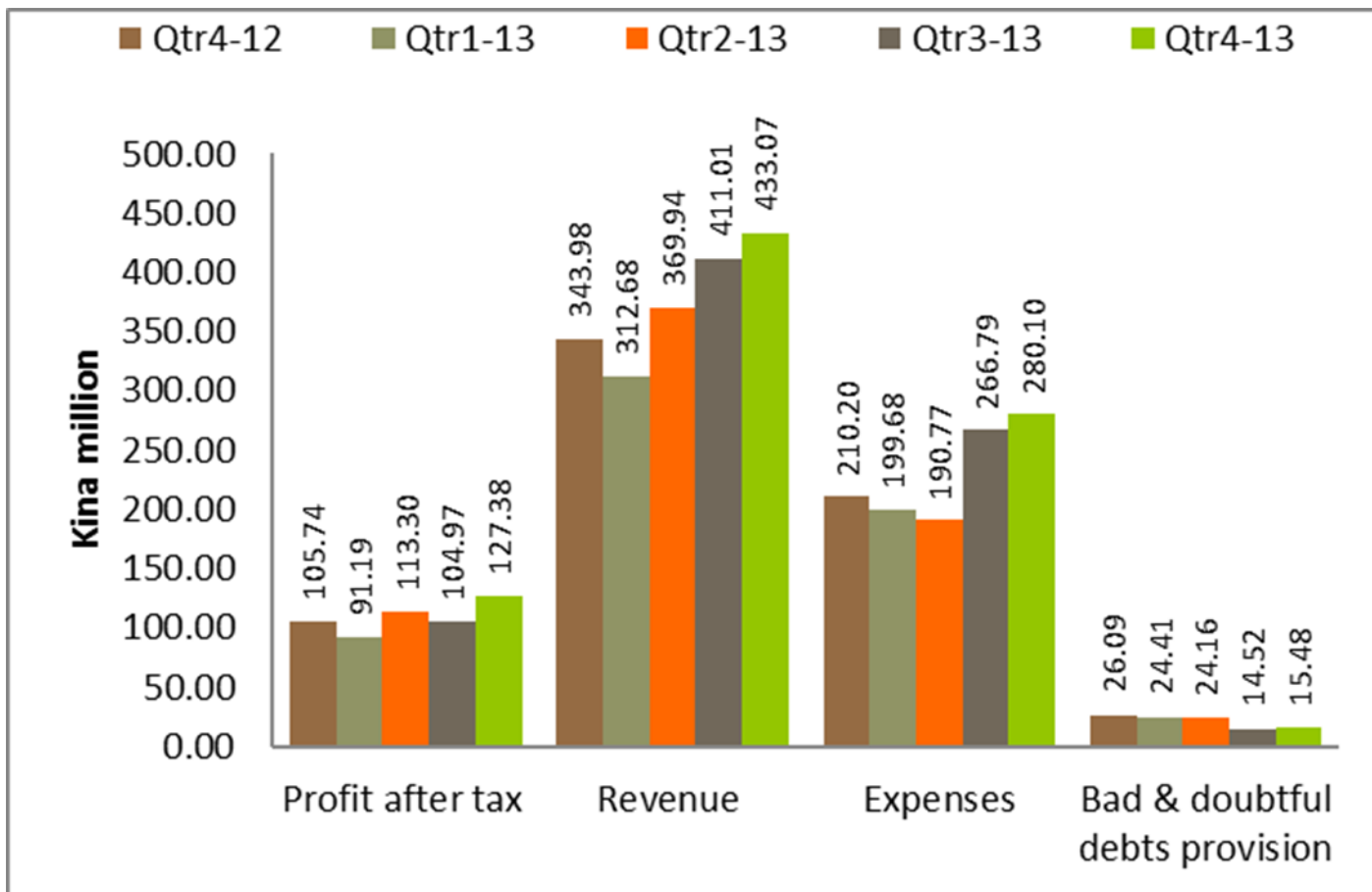


PROFIT AND LOSS



Trend: Q4/12 - Q4/13

- Increases in Net Interest Income but increasingly competitive
- Increases in non-lending income
- Higher cost base from Q3/13 directly resulting from depreciation and asset impairment charges



BALANCE SHEET



Assets & Liabilities (K'm)

	2013	2012	YoY Δ	5yr Δ
Assets	15,809	13,333	2,476	6,411
Loans	5,306	4,805	502	1,668
Investments	86	66	20	38
Other Assets	10,416	8,463	1,954	4,705
Liabilities	14,190	11,867	2,323	5,726
Deposits	12,201	10,861	1,340	4,707
Other	1,989	1,007	982	1,019
Equity	1,619	1,466	153	685

Group Distribution of Assets (K'm)

	PNG	Fiji	S. I	%
Bank	13,012	1,945	460	98%
Subsidiaries				0%
BSP Capital	21			0%
BSP Life		663		4%
Other	-292	-0		-2%
%	81%	16%	3%	100%

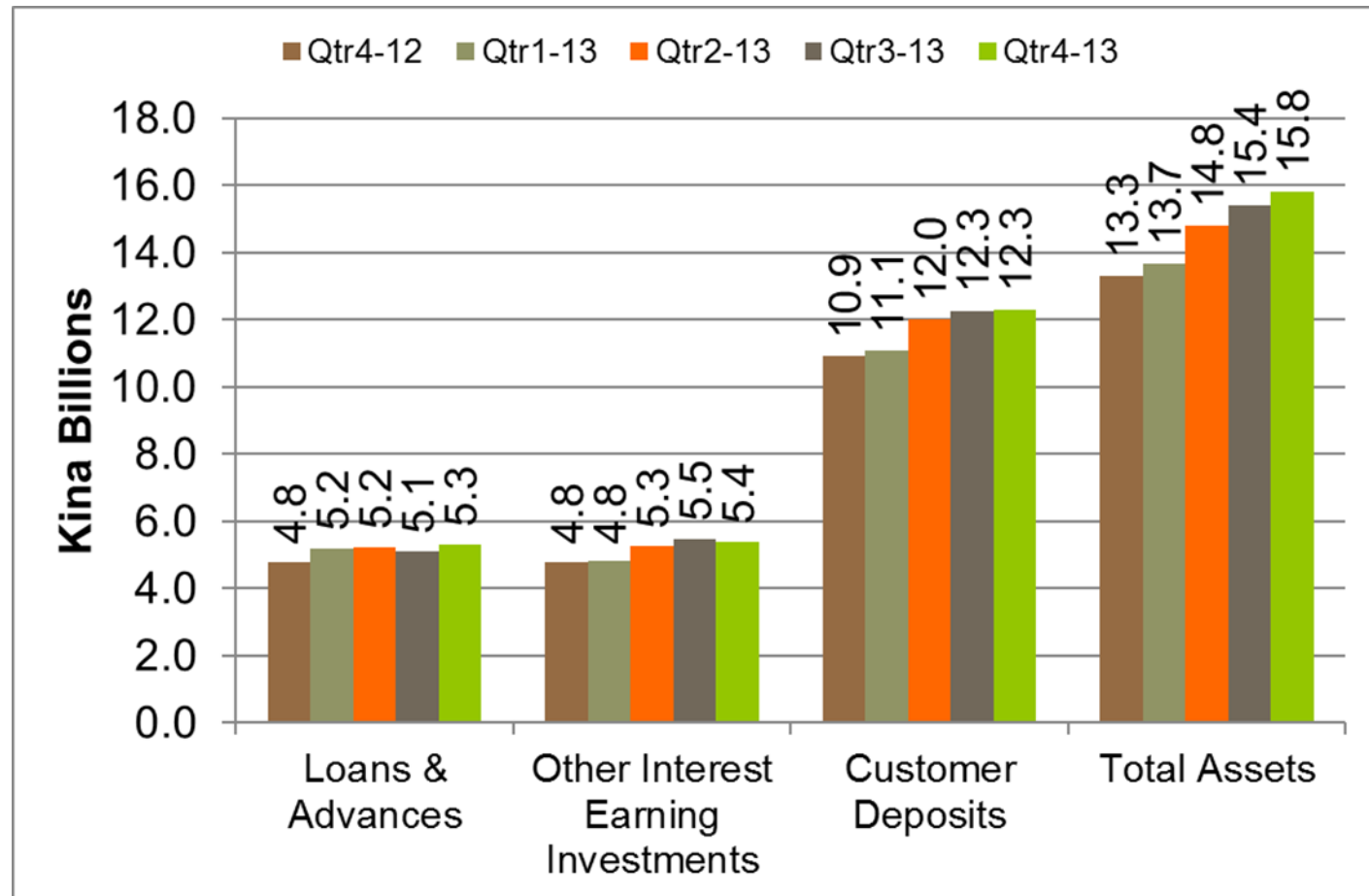


BALANCE SHEET



Trend: Q4/12 to Q4/13

- Below-market growth in loans in the face of greater competition in PNG corporate lending market
- Above market growth in deposit market underlines BSP dominance in Customer Deposits



SHARE PRICE



- Consolidated Earnings per share 93.1 toea
- Share price K7.98 as at 31 Dec 2013
- Interim Dividend pd. Oct'13 20 toea per share

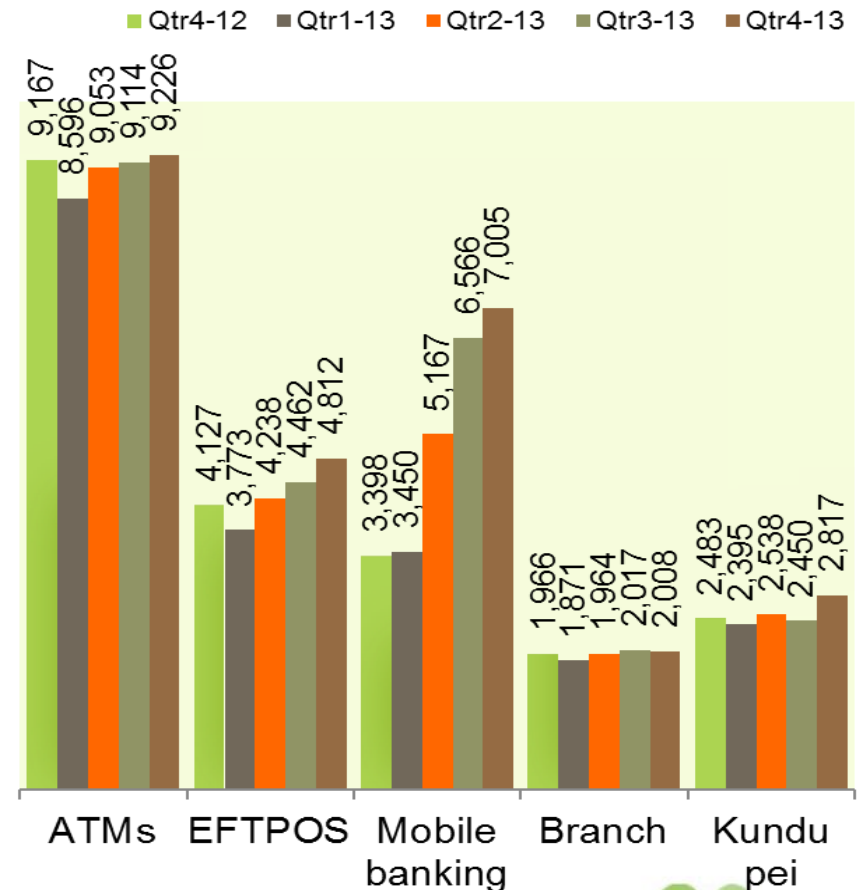


MARKET POSITION, BUSINESS VOLUME



Transactions ('000)

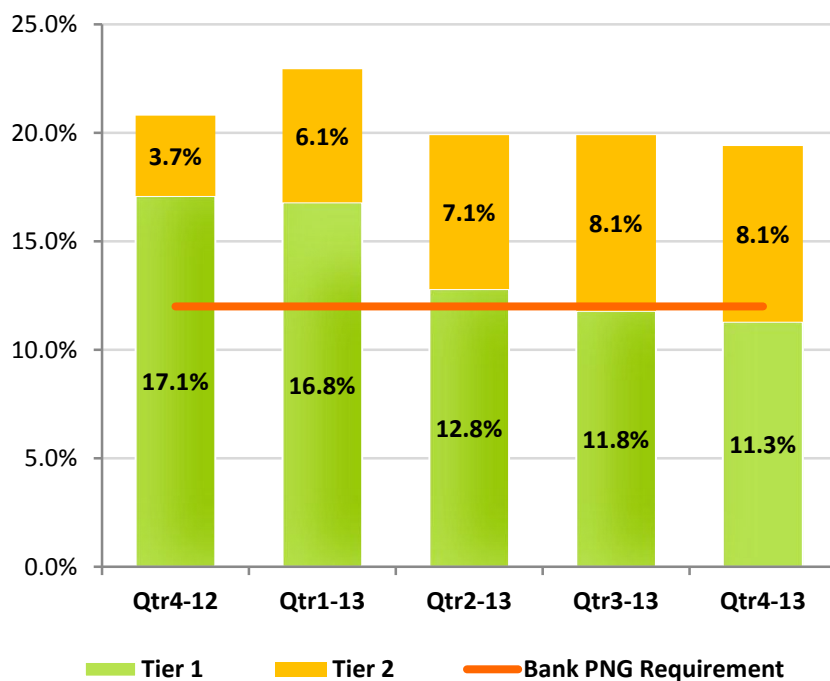
	PNG	Fiji	Sol. Is.	Total
Loans mkt share	46%	21%	29%	32%
Deposits mkt share	56%	24%	39%	40%
Customers ('000)	1,273	228	61	1,562
EFTPOS	11,702	1,759	106	13,567
ATMs	297	106	18	421
Branches	44	18	7	69
Rural	40	42	4	86



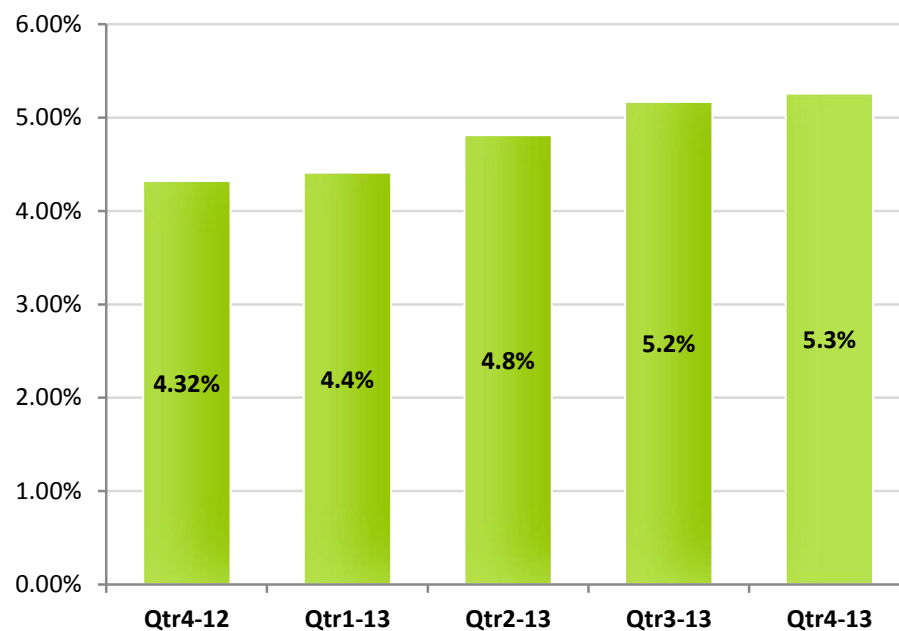
RISK



Capital Adequacy



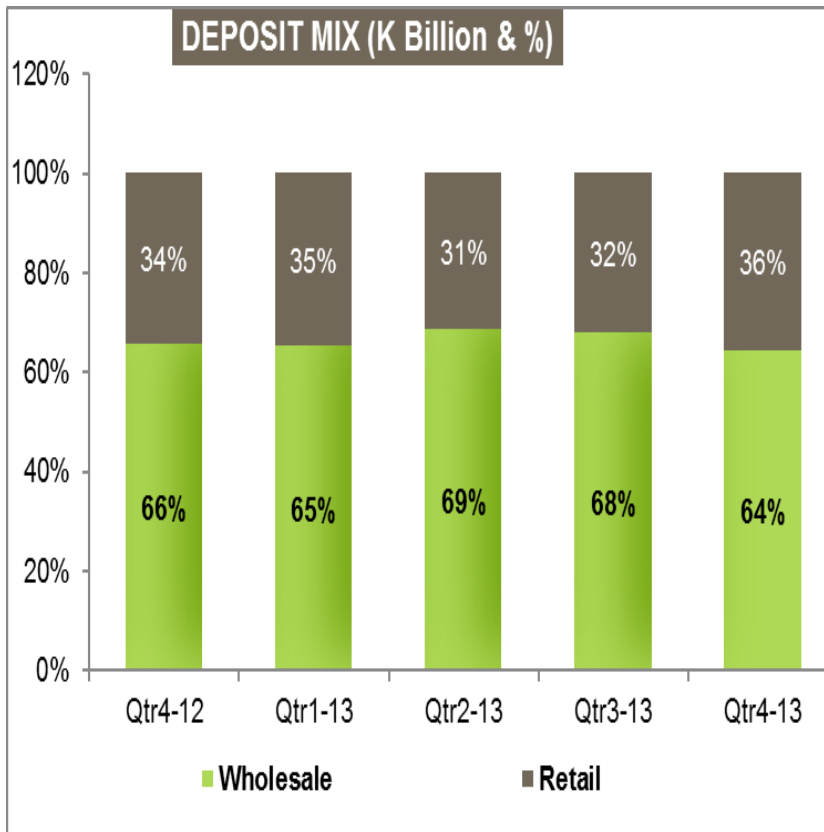
Provisions to Loans



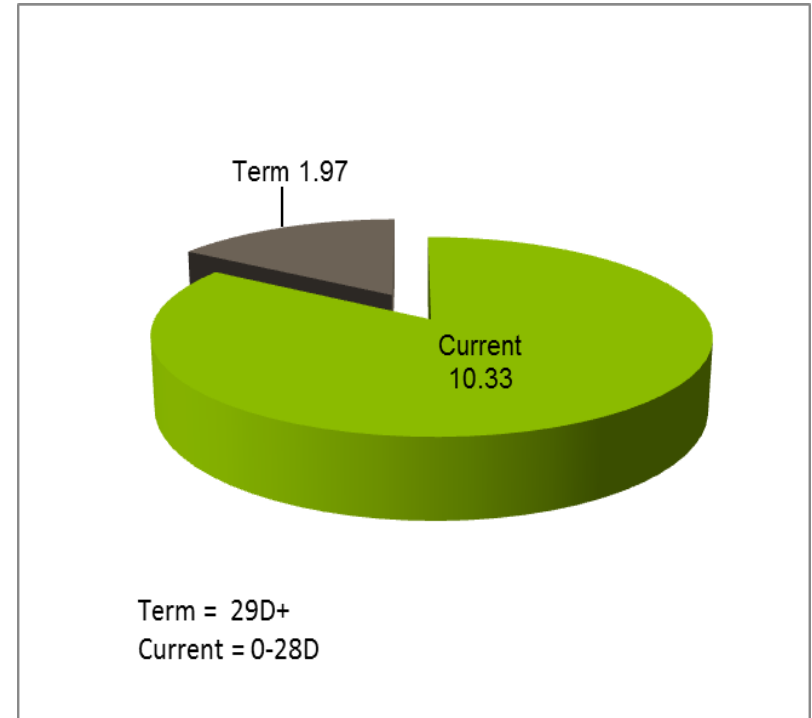
RISK



Deposit Mix (K Billion & %)



Deposit Type (K Billion)



2013 PERFORMANCE SUMMARY



- Growth in PNG from non-lending income
- Business conditions characterised by increasing competition
 - Competition on corporate lending exerting downward pressure on lending rates
 - Expanding presence in non-lending distribution channels (ATM, EFTPOS, Mobile Banking)
- Increasing card, and mobile, transaction volumes across the bank's large network of EFTPOS, ATMs, rural agents, and branches
- Work on BSP systems and channels continues; Automated cheque processing, Loan origination engine, mobile banking, tablet instant account & agency model
- Increased cost the result of capitalisation of major transformation projects
- Financial benchmarks remain sound

