



OURBANK
OURVALUES
BSP Annual General Meeting 2015

Presentation to Shareholders

Robin Fleming - Group CEO

22 May 2015

Integrity Professionalism Leadership
Quality People Teamwork Community



VISION:

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

MISSION:

“To create value for our stakeholders by delivering innovative and cost-effective financial services”.



Our Core Values:

- Integrity
- Professionalism
- Leadership
- Quality
- People
- Teamwork
- Community

Strategic Focus - 2014



BSP continued with important steps in 2014:

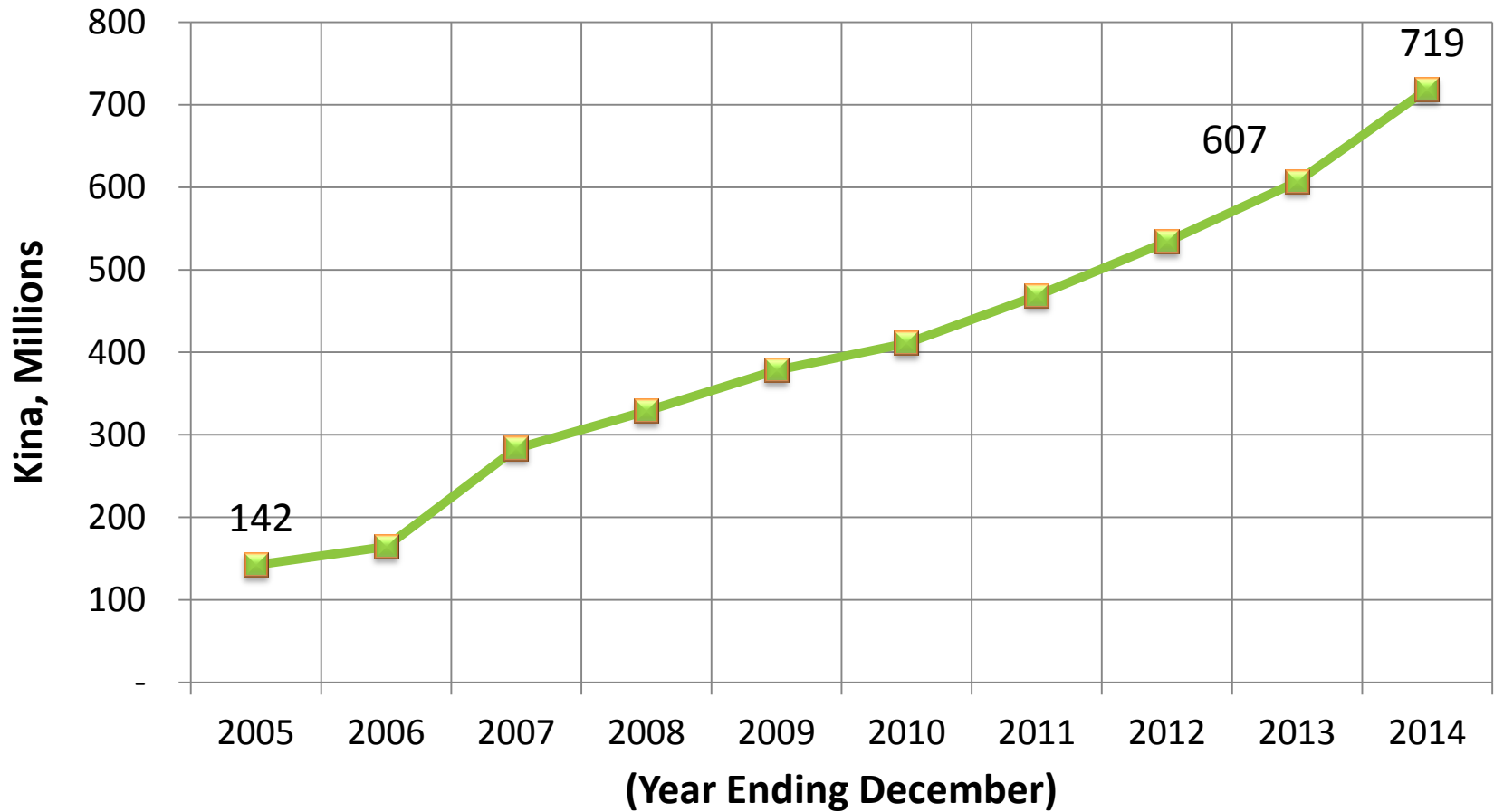
1. Increase and maximize income across all business channels;
2. Continue an ongoing disciplined approach to costs;
3. Develop new markets;
4. Invest in the development of our staff;
5. Improve our service culture;



Financial Performance 2014

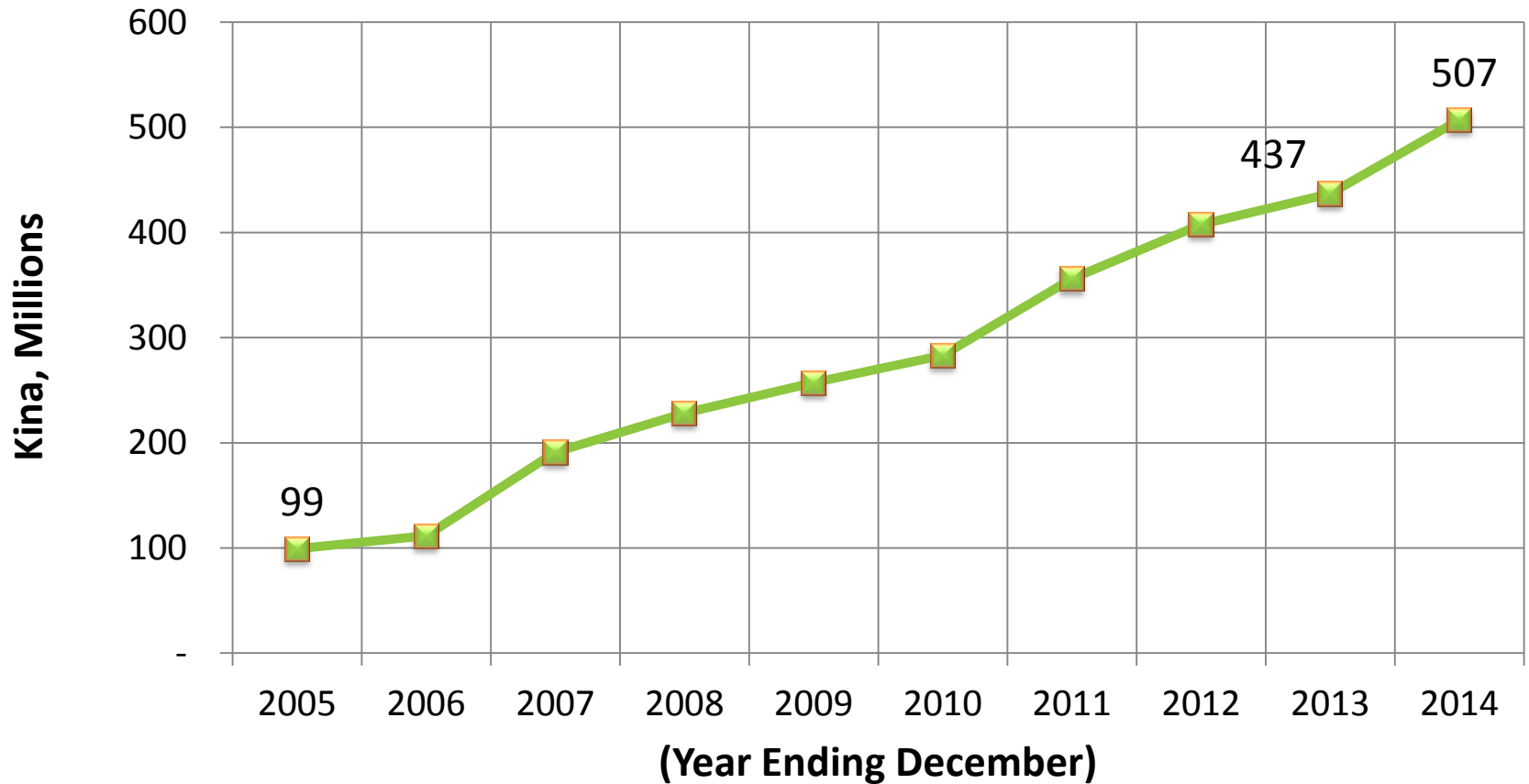
Group Profit Before Tax

(Kina' million)



Group Profit After Tax

(Kina' million)

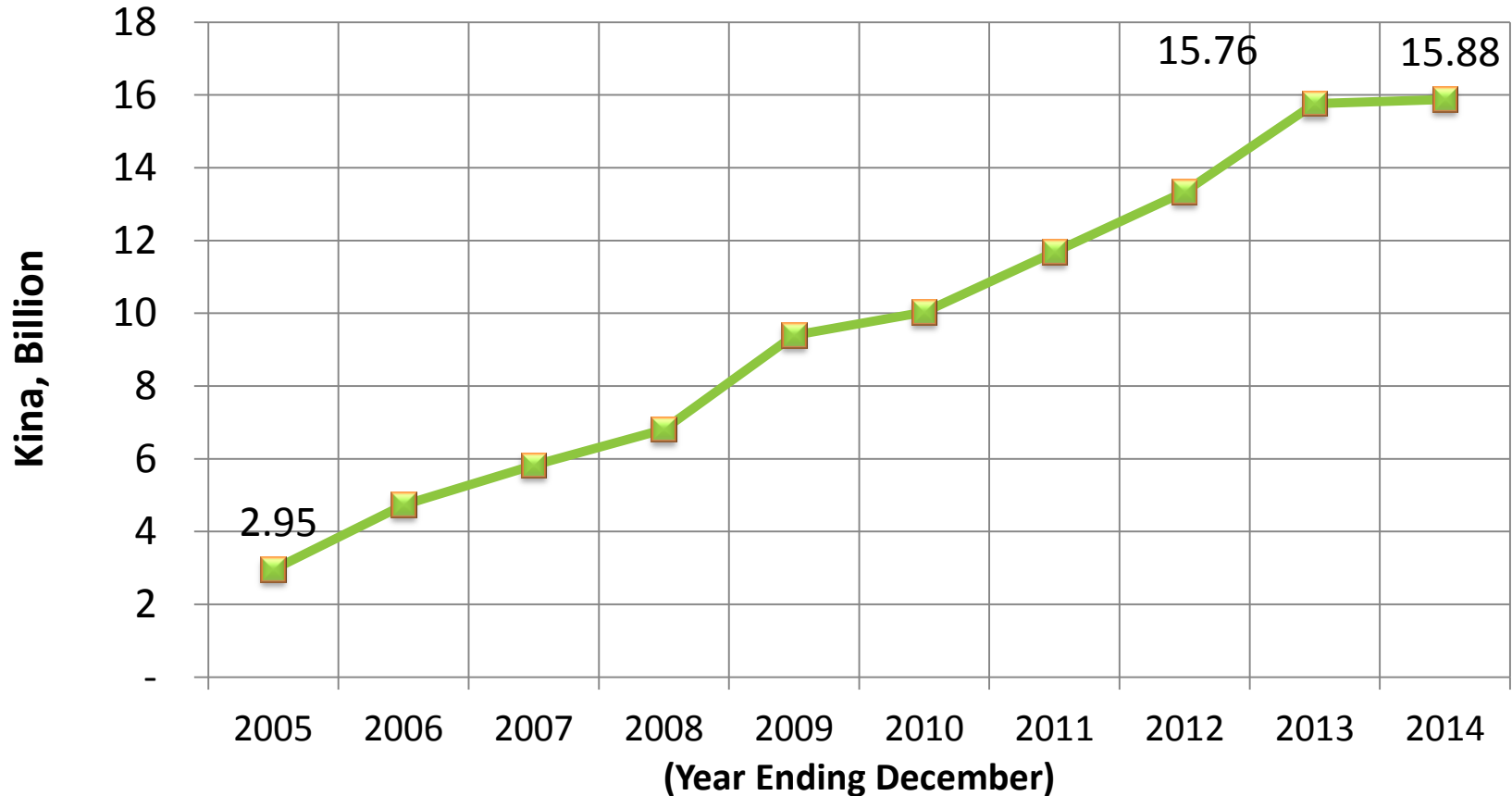


Group Profit & Loss Trends

(Millions of Kina)	2009	2010	2011	2012	2013	2014	CAGR, last 5 Years
Income							
Net Interest Income	474	544	597	682	741	853	12.5%
Foreign Exchange Income	104	139	193	224	353	267	20.7%
Fee and other Income	147	272	304	380	428	462	25.7%
Total Income	726	955	1,094	1,285	1,522	1,583	16.9%
Expenses							
Operating Expenses	(296)	(469)	(547)	(597)	(658)	(612)	15.6%
Depreciation and SW Amort'n	(39)	(54)	(53)	(84)	(176)	(127)	26.6%
Bad and doubtful debt	(15)	(21)	(25)	(71)	(79)	(77)	38.6%
Non-Lending Losses	2	(1)			(15)	(58)	
Profit before tax	378	411	468	534	595	709	13.4%
Tax expense	(121)	(128)	(119)	(138)	(170)	(212)	11.8%
Share of Profits from Assoc.			6	11	12	10	
Profit after tax	257	283	356	408	436.8	507.3	14.6%
EPS (toea)	56.3	59.1	75.9	86.9	93.1	108.3	14.0%
Dividends per share (toea)	22.0	53.7	47.3	55.0	58.0	66.0	24.6%

Group Total Assets

(Kina 'billion)



Group Balance Sheet Trends



(Millions of Kina)	2009	2010	2011	2012	2013	2014	CAGR, last 5 Years
Assets							
Cash & Short Term Deposits	1,188	1,344	1,501	2,134	3,476	2,988	20.2%
Loans & Advances	3,639	4,091	4,301	4,805	5,306	6,817	13.4%
Investments	3,886	3,857	4,724	4,861	5,571	4,663	3.7%
Fixed Assets and Intangibles	307	367	627	750	779	773	20.3%
Other Assets	381	354	510	787	629	636	10.8%
Total Assets	9,401	10,014	11,663	13,336	15,761	15,877	11.1%
Liabilities							
Customer Deposits	7,494	7,985	9,366	10,861	12,201	12,708	11.1%
Non-Lending Provisions	165	95	170	109	143	216	5.5%
Other Liabilities	805	813	801	898	1,798	1,152	7.4%
Total Liabilities	8,464	8,893	10,337	11,867	14,142	14,077	10.7%
Shareholder Equity	934	1,134	1,344	1,466	1,619	1,800	14.0%



Channel Performance 2010 to 2014

BSP continues to expand its service channels



BSP Group Channel Infrastructure

	Branches	BSP Rural	ATM's	EFTPOS	AGENTS/Rural Outlets
PNG	42	42	301	9,729	239
FIJI	18	-	112	1,999	41
SI	7	-	19	154	35

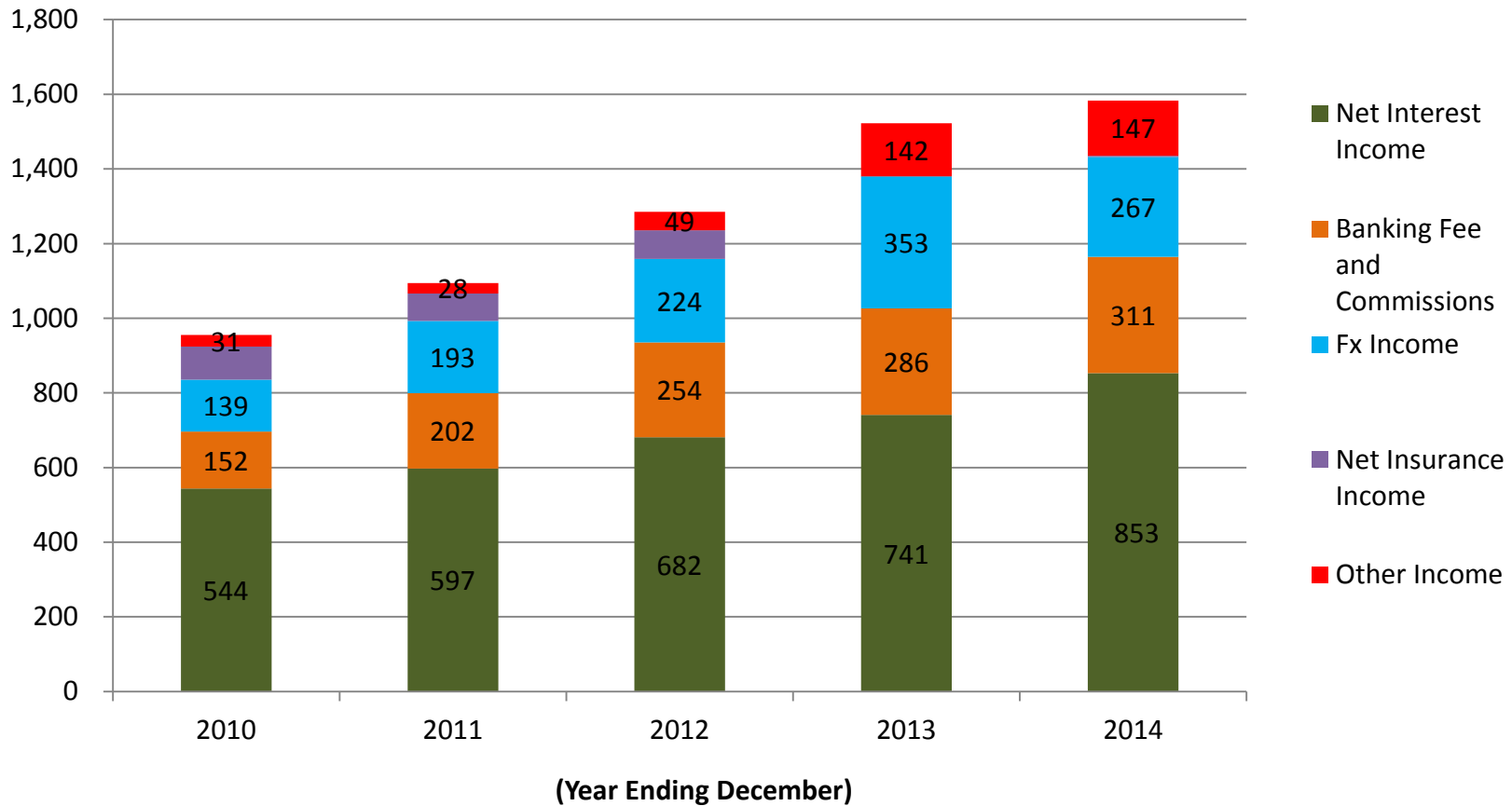
Retail Branch Profitability



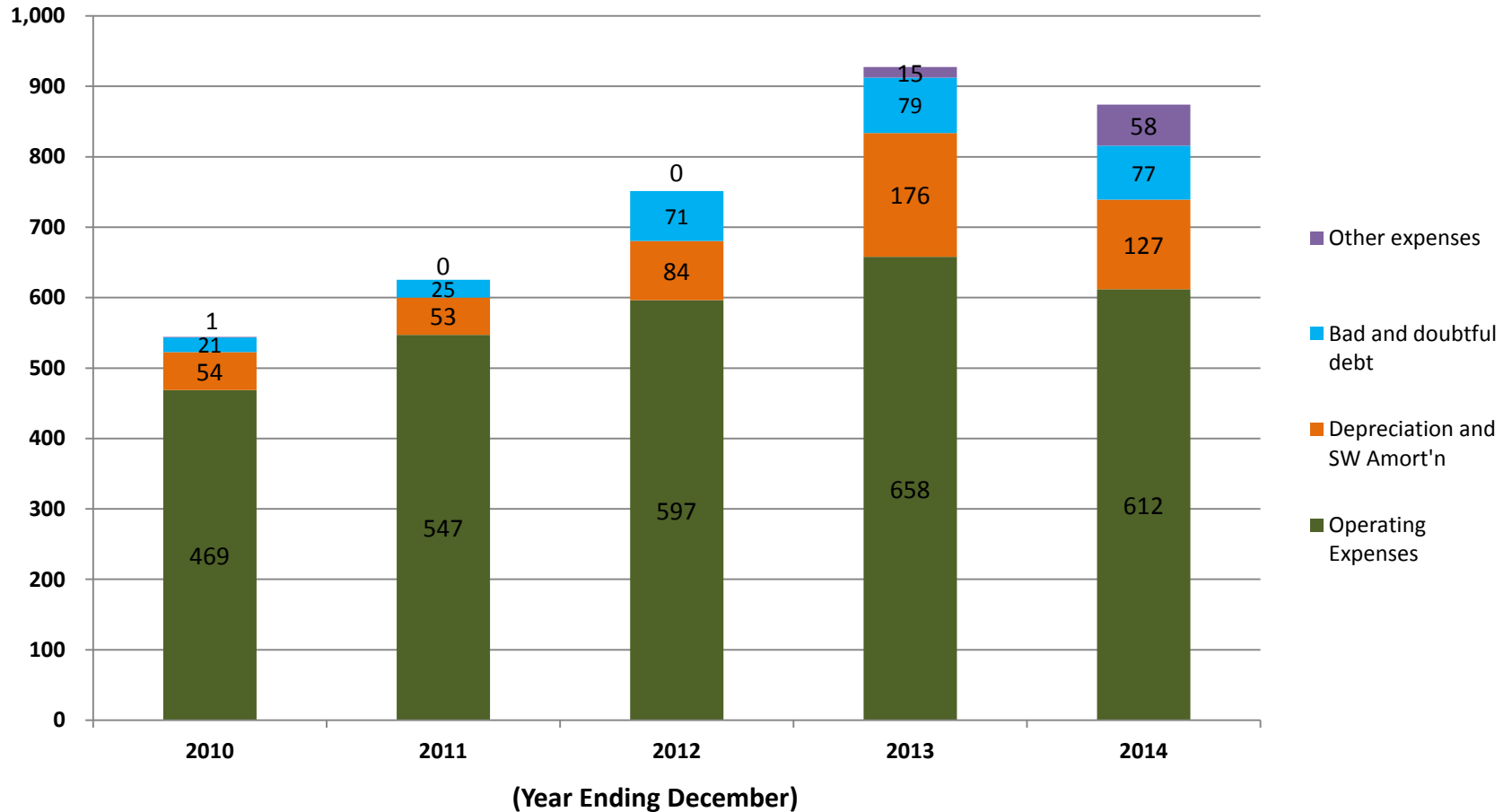
BSP Full Branches	#	Total Costs		2014 Profit / (Loss) (K'm)
		(in K'm)	%	
In Loss or less than K1m profit	25	140.9	38%	-6.3
More than K1m profit per annum	17	226.5	62%	99.0
	42	367.4	100%	92.7

BSP Rural	#	Total Costs		2014 Profit / (Loss) (K'm)
		(in K'm)	%	
In Loss or less than K1m profit	42	10.9		-4.9

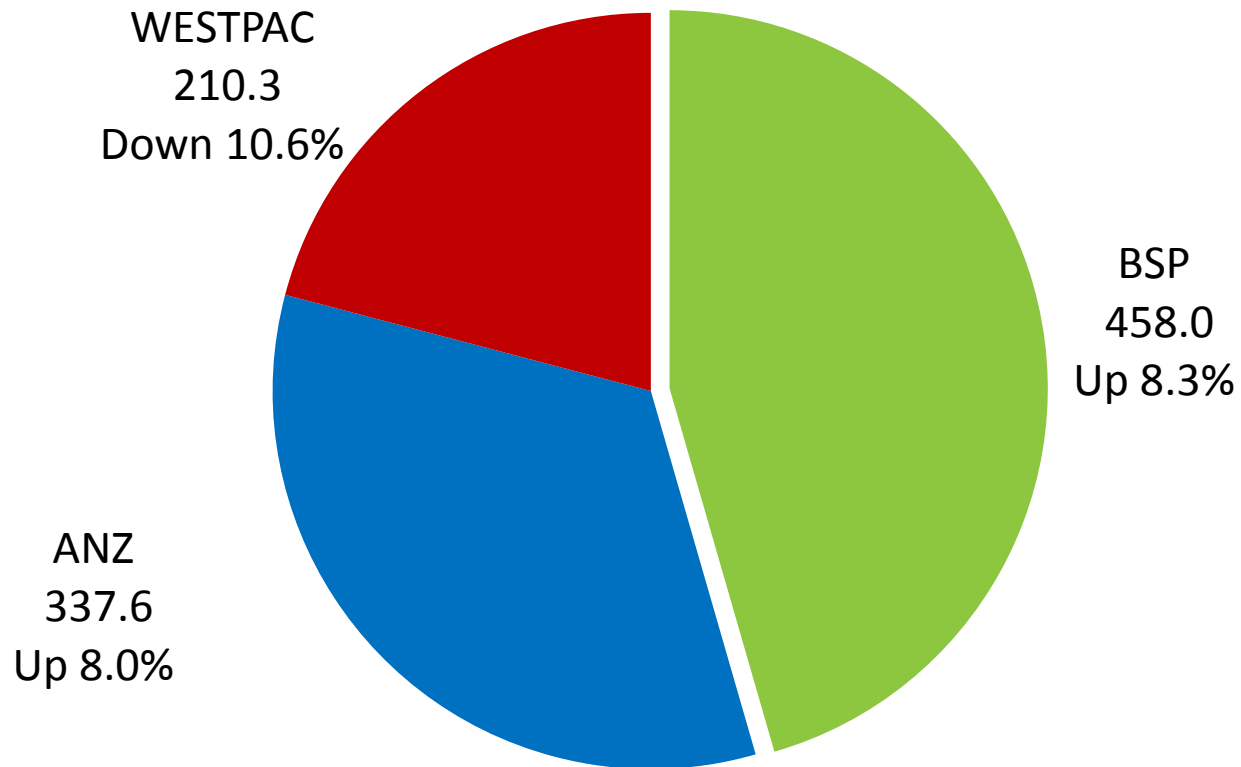
Group Income Growth 2010-2014 (K'million)



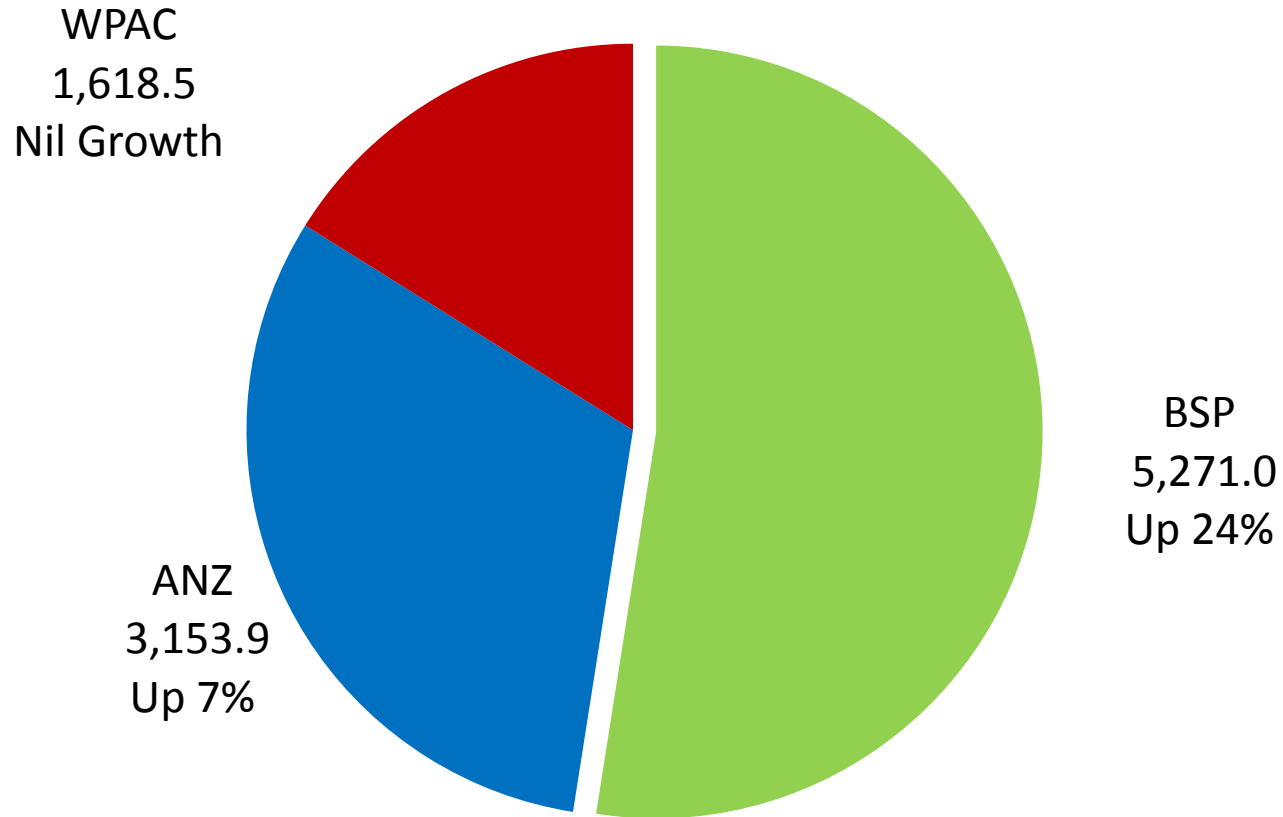
Group Expense 2010-2014 (K'million)



PNG: Profit After Tax (K'million)

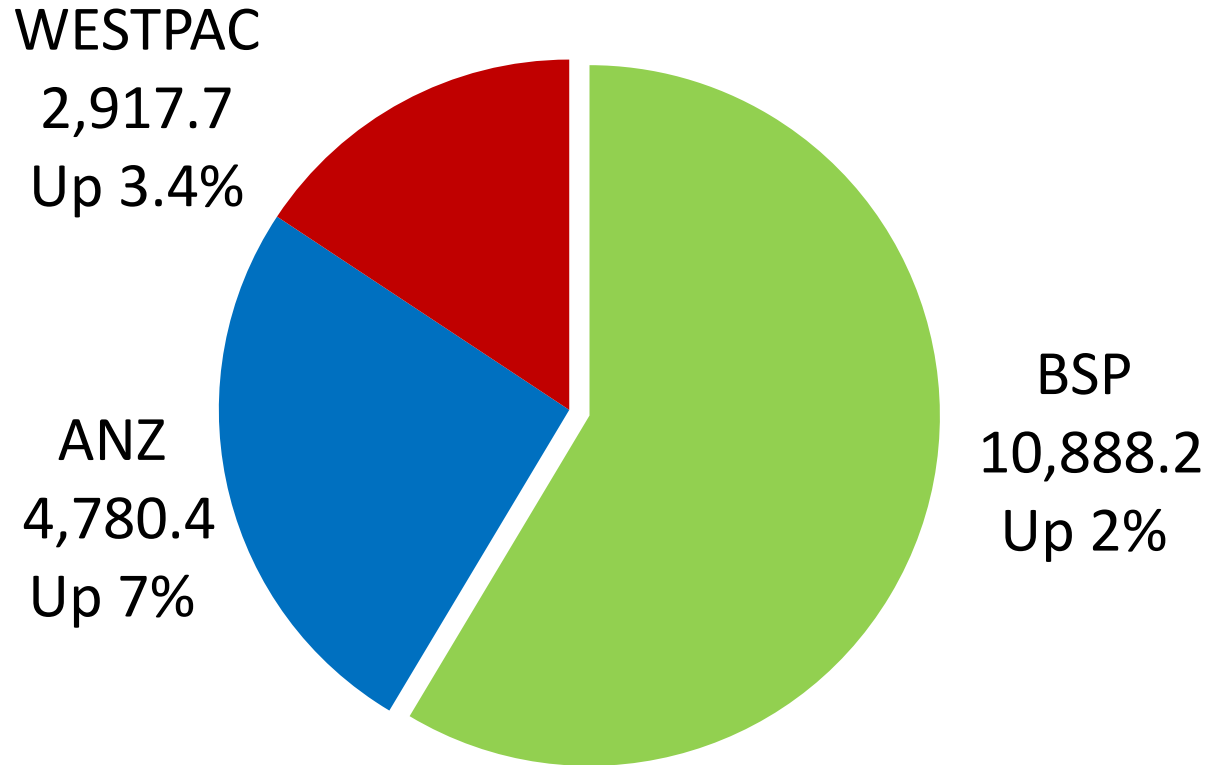


PNG – Loans (K' million)

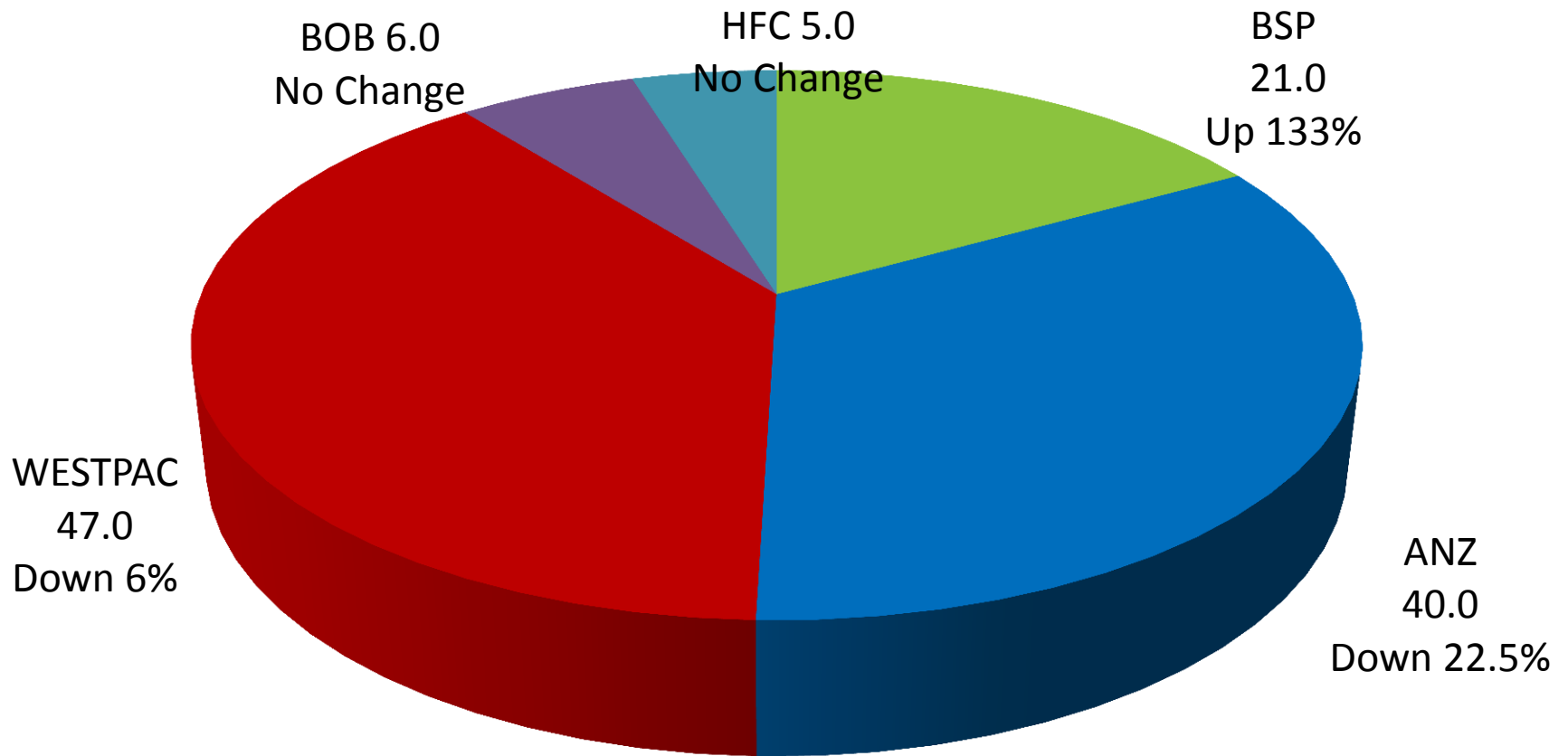


PNG - Deposits

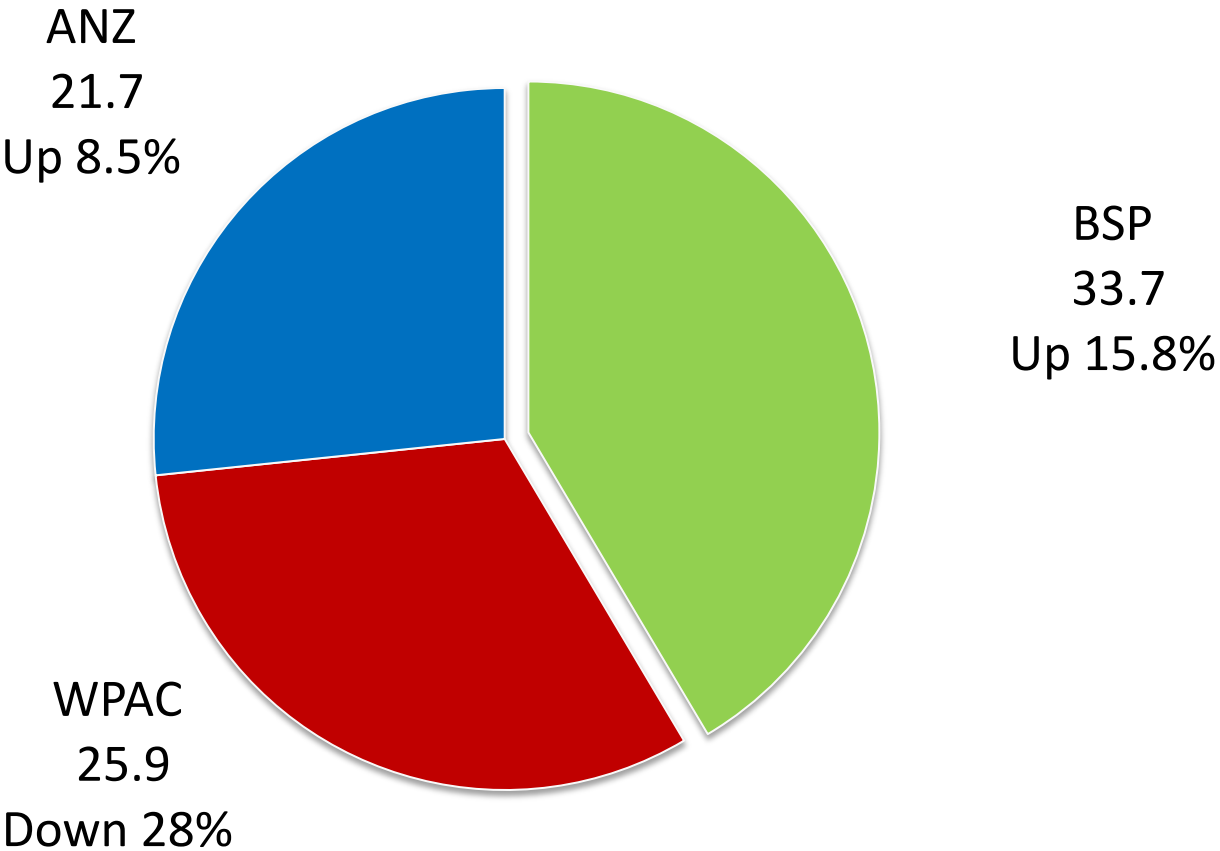
(K' million)



FIJI: Profit After Tax (FJD 'million)



Solomon Islands: Profit After Tax (SBD 'million)





BSP Strategy Settings 2015-2016

Strategic Focus 2015/16



Strategic Growth – Pursue growth initiatives with the objectives of:

1. diversifying Group income and assets;
2. creating growth options outside our core business;
3. accessing market segments outside the Pacific Region;
4. extending BSP's footprint in the Pacific beyond PNG, Solomon Islands and Fiji

Strategic Focus 2015/16



- **Westpac Acquisition:**

1. BSP entered into a sale agreement in January 2015 to acquire Westpac's operations in Solomon Islands, Vanuatu, Samoa, Tonga and Cook Islands for A\$125m.
2. Satisfies key strategic criteria which includes geographic and business line opportunities of economic size and merit.
3. Brings respected customers in the new countries, skilled employees and specialized processes and systems.
4. Positions BSP as a leading Pacific regional financial services business, maximizing future opportunities from PNG's long term trade and economic influence in the region.

Strategic Focus 2015/16



- **BSP Finance**

1. Asset Finance business determined to meet a specific customer finance need that can not be satisfied through traditional banking channels.
2. BSP Finance established to meet this need and leverage branch network to extend reach to large customer base.
3. BSP Finance opened its first branch in Suva (Fiji) in November 2014.
4. BSP Finance opened its PNG office in December 2014.
5. BSP Finance will follow BSP's regional expansion.

Strategic Focus 2015/16



- Continued emphasis on embedding our Vision, our Values and our Culture across the BSP network.
- Re-enforce linkage of BSP's values of integrity, professionalism, leadership, quality, people, teamwork, and community as intrinsic to embedding a true service and sales culture within BSP.

Strategic Focus 2015/16



- **Customer** – continuing to promote and practice **iCare** to embed our Vision and Values in the organization and instil effective practices around responsiveness, accountability, and teamwork towards customer service.
- **People** – Continuation of the Leadership Development Program introduced in 2014 which involves 15 emerging, developing and senior leaders, and product, process and personal development training across the network.

Strategic Focus 2015/16



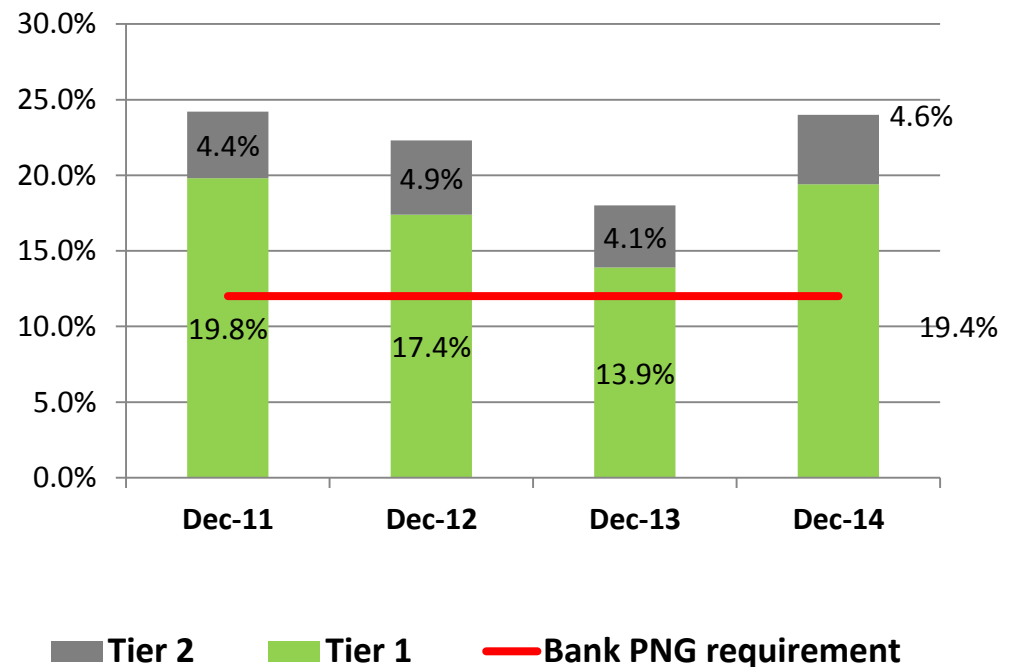
- **Financial** – Consolidation and Improvement of BSP’s regional market position.
- **Operational** – Maintaining and Improving operational excellence for both external and internal customers through technology and internal process and productivity improvement programs.

Capital Management

The Capital Base of the BSP Group exceeds regulatory standards for an adequately capitalised bank

- Capital Adequacy ratios improved in 2014 driven by improved profitability and a change in the risk weighting assigned to FC assets.

Capital Adequacy

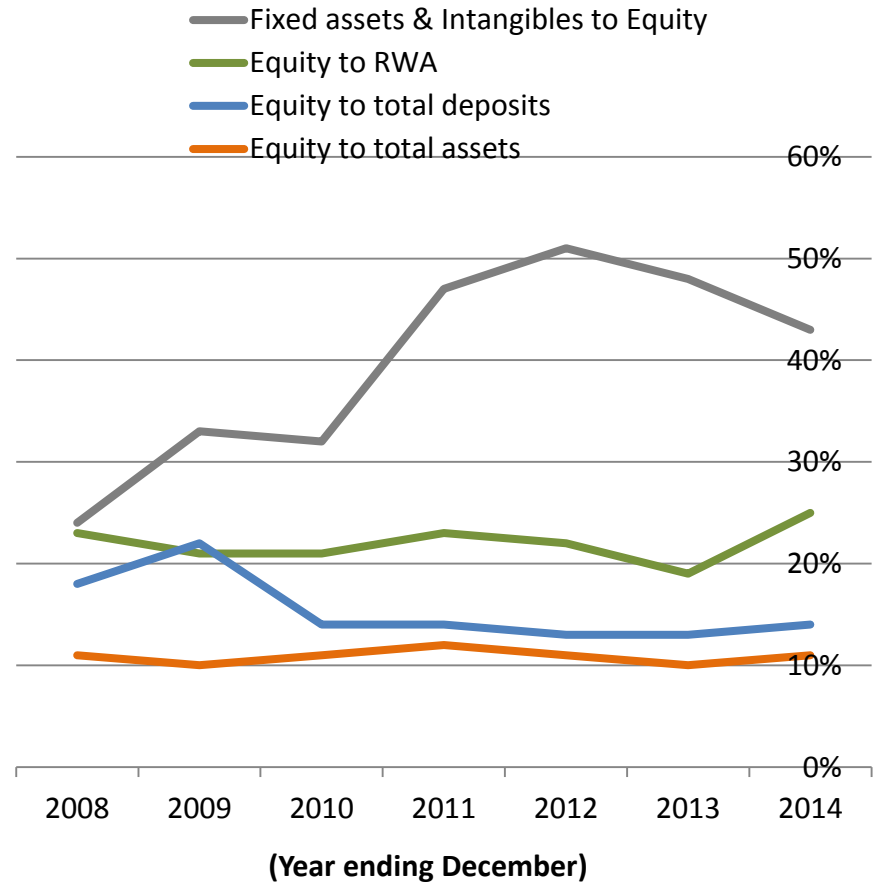


Capital Management



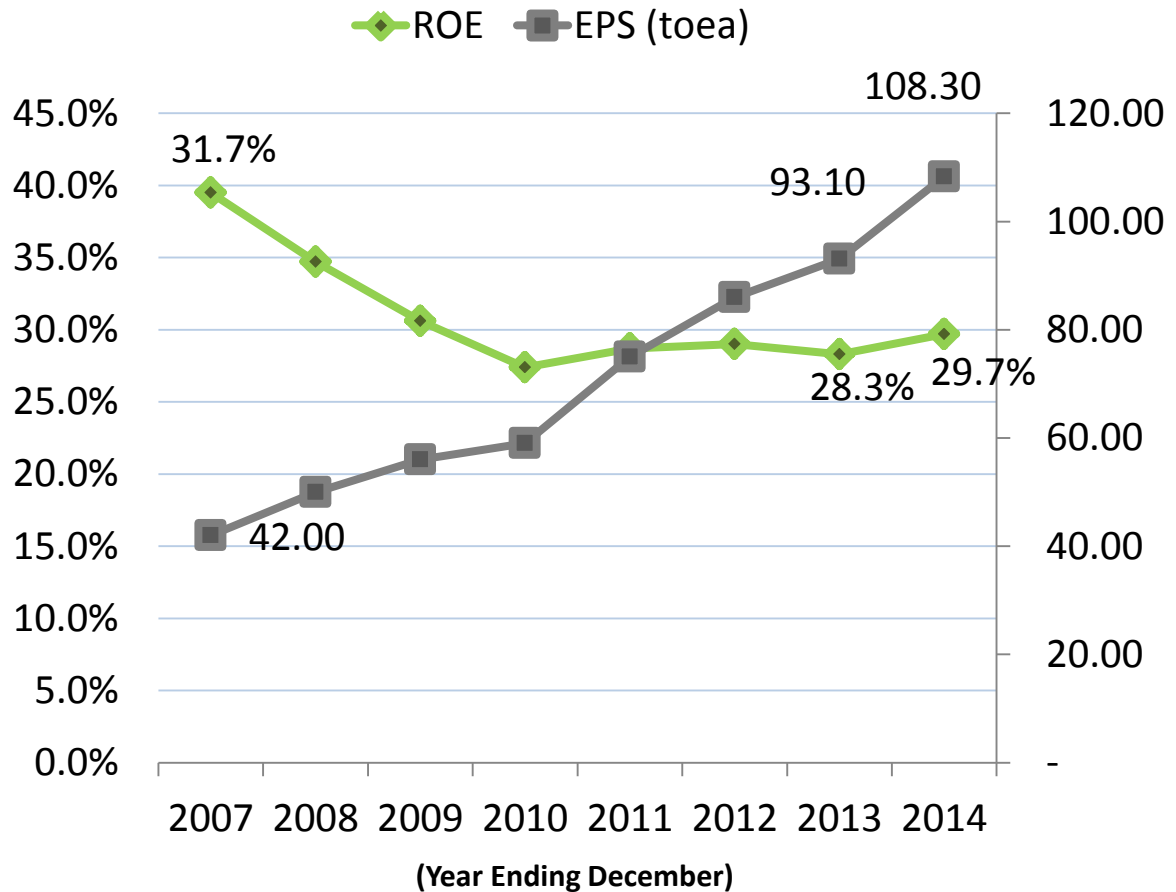
“Capital Management KPIs” are trending well

- BSP’s capital is mainly profits, paid up equity, and reserves
- Sound, stable capital position over the long term.

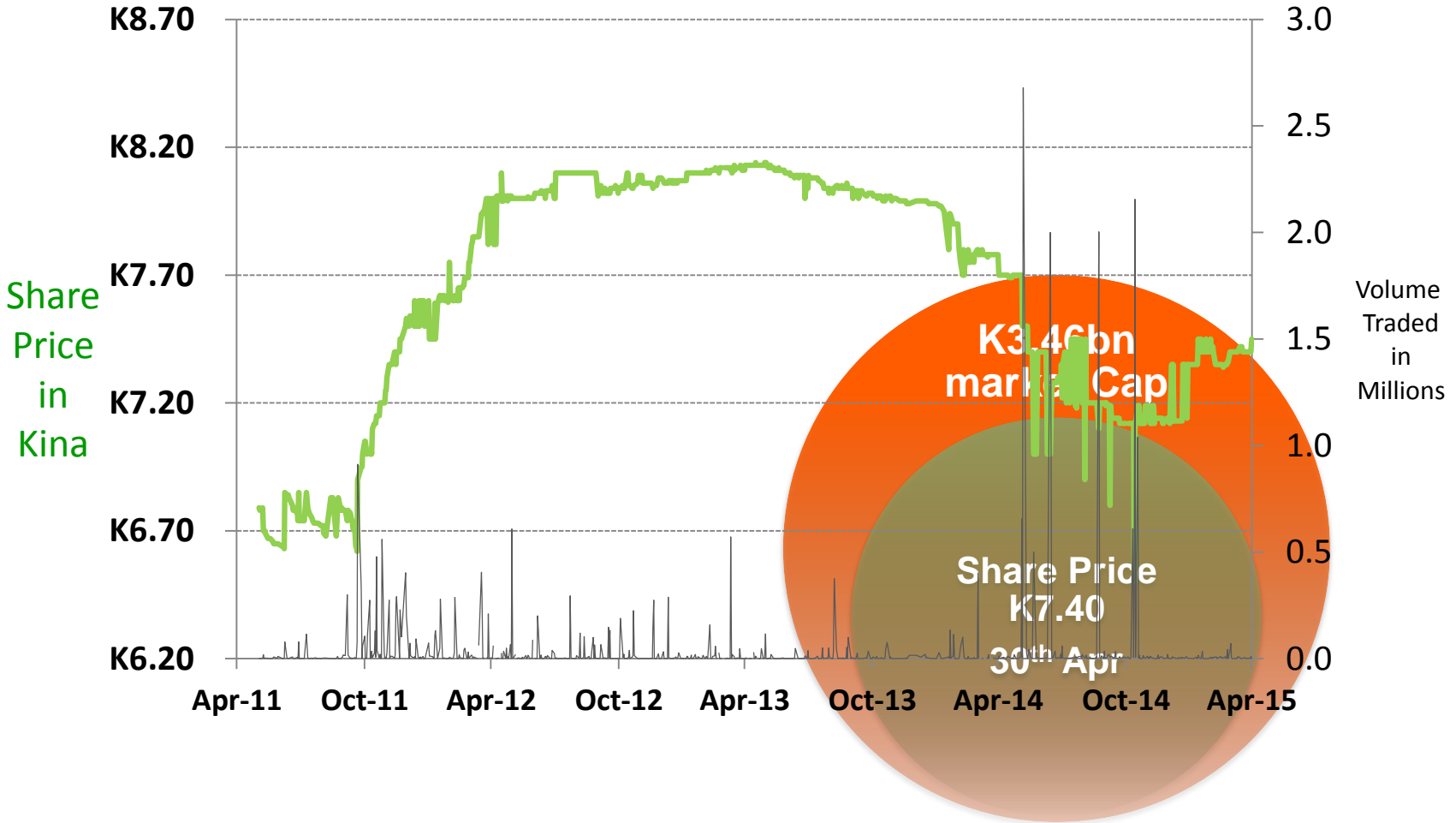


Return on Equity

- ROE is stable, very strong
- Earnings per share continues to increase:
 - 14% CAGR from 2007 to 2014.



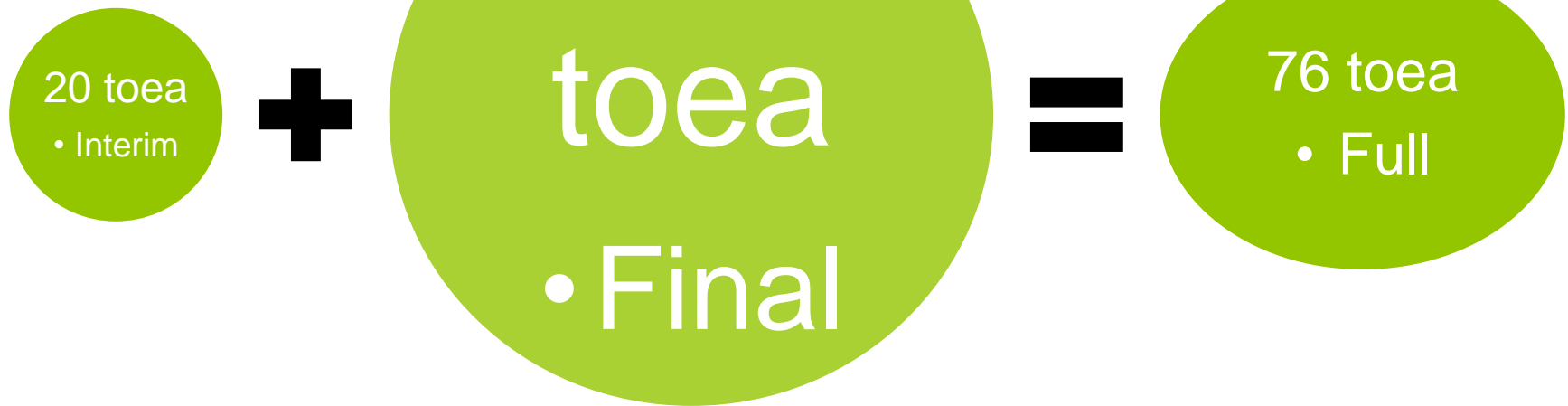
Share Price



Dividend



- increase with profit
- 10.3% yield
- Pay June 19





BSP Qtr.1/2015 Results Summary

Johnson Kalo, Group Deputy CEO / Group CFO

Annual General Meeting, May 2015

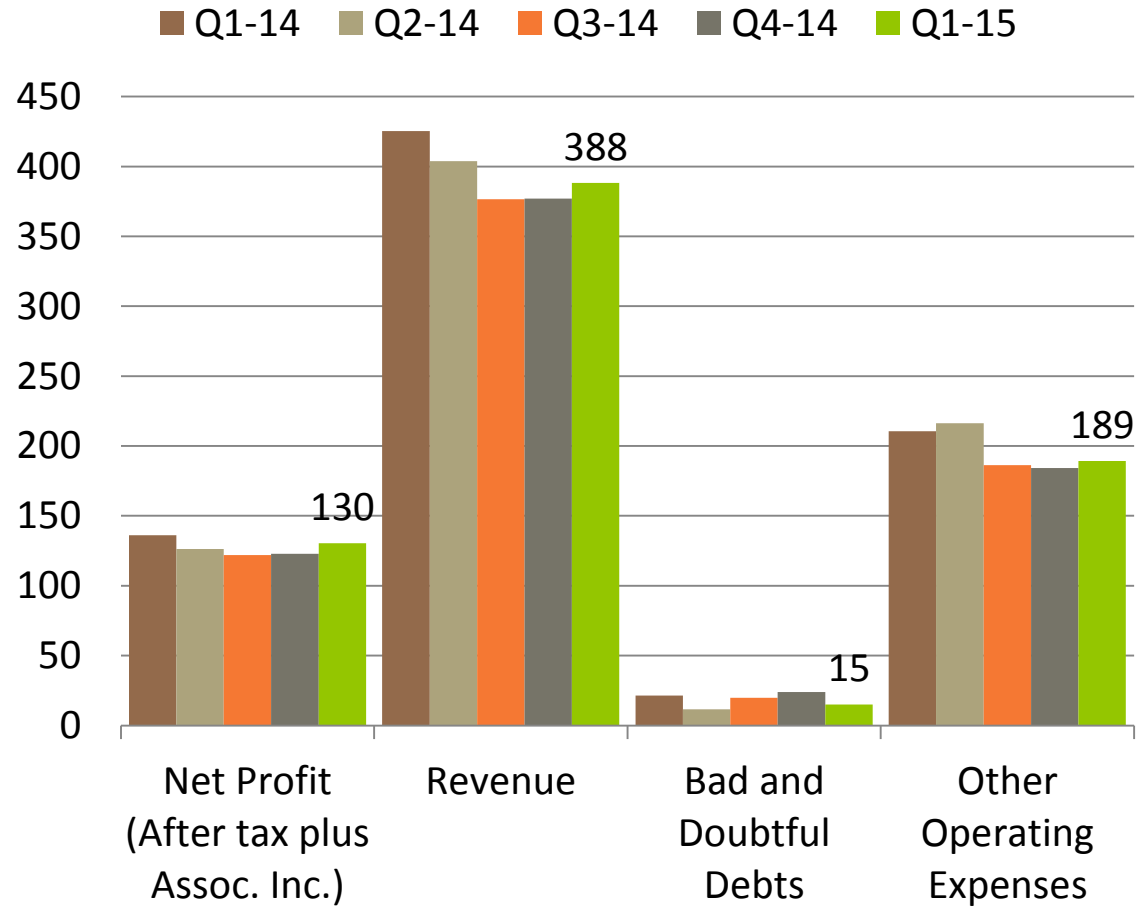
Profit & Loss

(Kina `million)



Qtr.1 2015 profit after tax of K130m is above Qtr.4 2014 by K7m.

- Q1/15 Revenue of K388m improves from the previous quarter driven by growth in lending volumes
- Bad and Doubtful debts decline reflects increased B&DD recoveries this quarter
- Other Operating Expenses increase slightly but are in line with expectation and reflect lower costs than Q1/14.

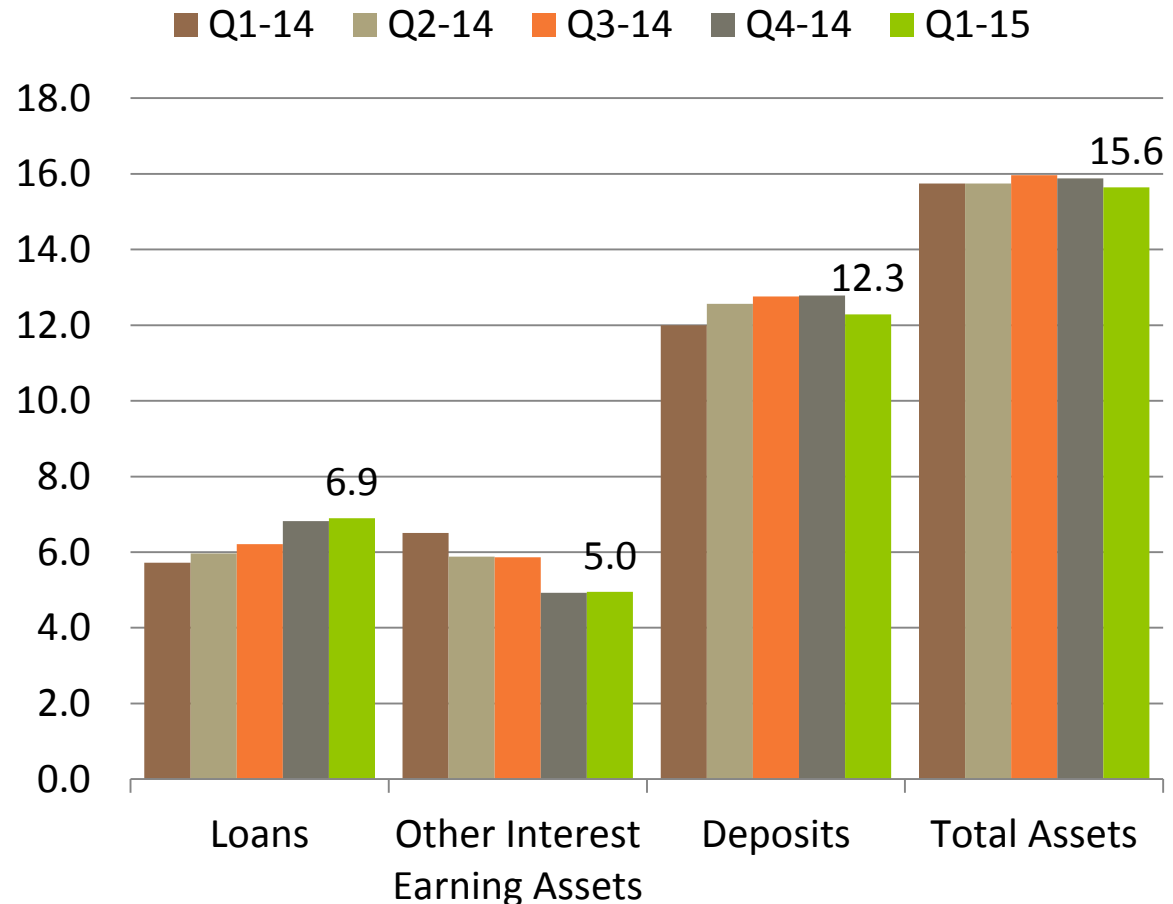


Balance Sheet

(Kina `billion)



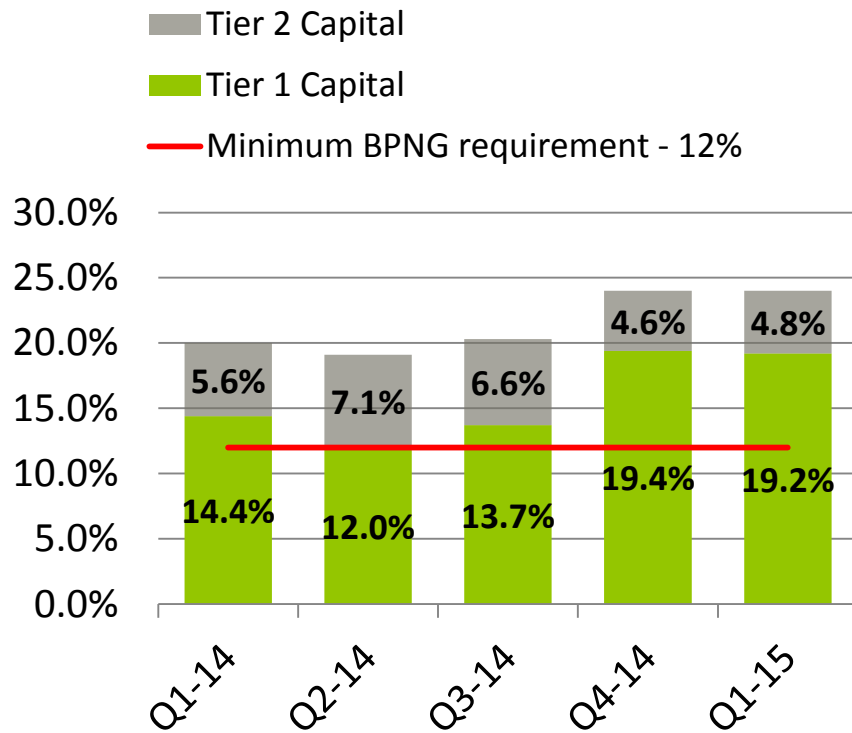
- Slight growth in loans reflects increase in PNG lending portfolio
- Other Interest Earning assets are stable
- Q1/15 decline in deposits is in line with seasonal movement
- Total Assets reflect movements in Q1 to lower Central Bank and Inter-bank balances



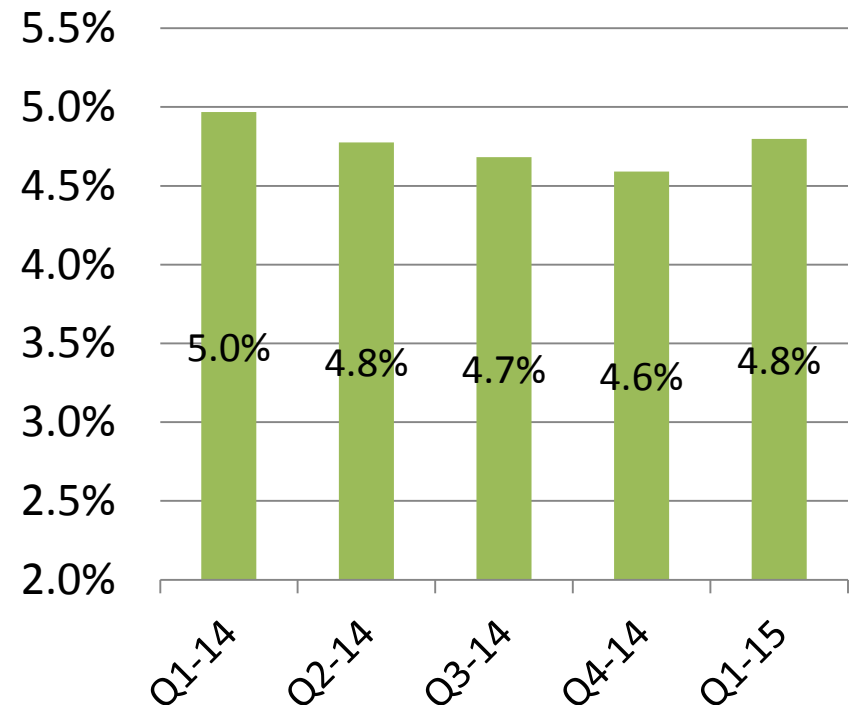
Financial Risk Management



Capital Adequacy



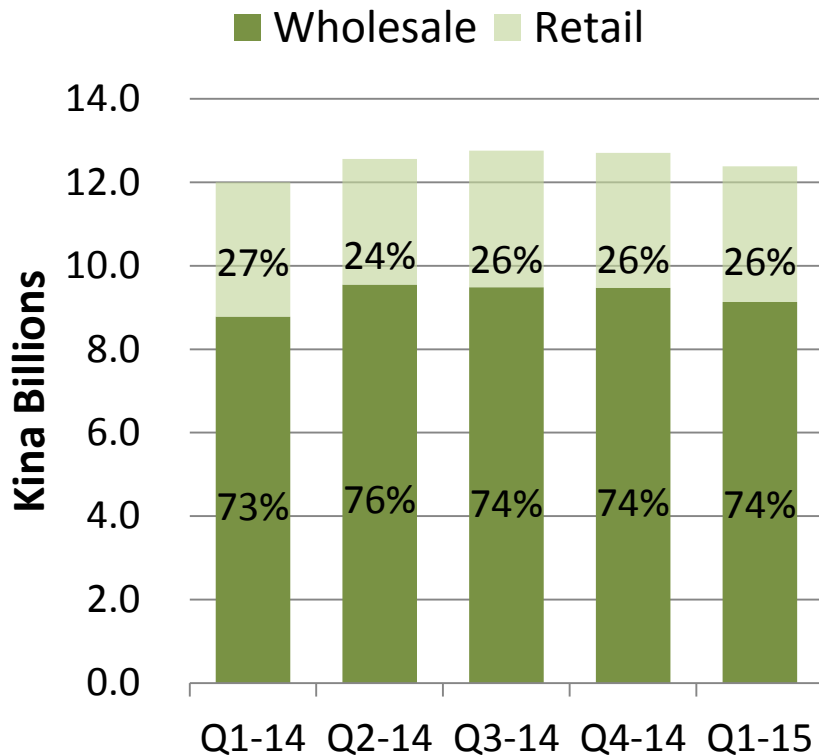
Provisions to Loans



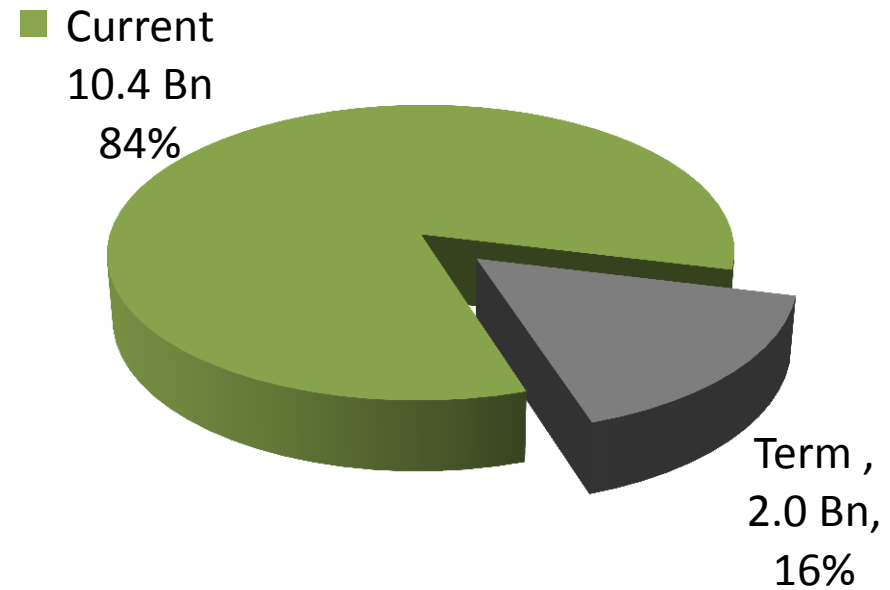
Funds



Deposit Mix (K 'billion)



Deposit Type (K 'billion)



Qtr.1-2015 Performance Summary



- Revenues
 - Q1/15 Revenue improves from the previous quarter driven by growth in lending volumes
- Balance Sheet
 - Stable lending market share in PNG
- Capital Adequacy
 - Q1 of 2015 at 25.5%, still well above BPNG requirement



Summary

Performance Summary 2014 ⁽¹⁾



“an outstanding profit outcome, despite a number of adverse events and shocks”

- NPBT of K718.9 Million, NPAT of K507.3 Million (up 16.1%)
- Net Income K1.58 Billion (up 4.0%)
 - Revenues from foreign exchange income reduced from K184.5m for the 1st half of 2014, to K83m for the 2nd half of 2014 following changes to the margins on foreign exchange.
- Loans and Advances grew K1.5 Billion (up 28.5%)to K6.8 Billion

Performance Summary 2014 ⁽²⁾



*“through a combination of cost control measures
and profitable balance sheet growth”*

- Group Operating Expenses show reductions of -4.3%
 - and operating expenses continue to be a focus in 2015.
- Capital Adequacy of 24% - well above BPNG requirement of 12%
 - Strong Capital & Liquidity position, with BSP projected to be compliant with BPNG prudential requirements even after acquisition of Westpac.



Thank You