



Monday 20<sup>th</sup> September 2010

BSP Board Announcement

### **Decision by BSP to retain CFLL**

The Chairman of BSP Mr Noreo Beangke today announced that the Board of Directors of BSP has decided not to continue with the divestment of CFLL at this time. BSP has decided to continue the CFLL business under the BSP banner in Fiji, and is looking to further build the business across the Pacific.

Following the acquisition of the National Bank of Fiji (NBF) and Colonial Fiji Life Limited (CFLL) from CBA in 2009, BSP endorsed a strategy to focus on its core banking business in Fiji. Consequently, in early 2010, BSP initiated actions to divest its interests in CFLL, the largest life insurance business in Fiji. The approach was to seek a new owner for CFLL who would be able to provide the necessary expertise to continue to develop a viable specialist life insurance business. The divestment process involved requests for expressions of interest, due diligence, and final bids. That process has now concluded.

BSP has assessed the bids received and has determined that it would not be in the best interests of the policy holders of CFLL, or of BSP, to divest at this time, and has therefore decided to retain its interest in CFLL. Several factors emerged during the divestment process. There are difficulties selling a life insurance company in the Pacific at present, given the impact on the region of the pedestrian pace of the global economic recovery. The global insurance industry generally is taking a conservative view about business prospects in the less developed regions of the world: Asia in particular is seen as offering greater growth opportunities. Also, given that CFLL is a relatively large insurance business in the Pacific, other local Pacific general and life insurance businesses are also cautious about the size of the investment required.

In deciding not to accept bids received for CFLL, BSP has re-considered its strategy with regard to CFLL. To retain the CFLL life and health insurance business within the group, it is necessary to ensure that BSP can continue to provide it with high quality specialist management. Malakai Rutu Naiyaga, who has over 20 years experience in the industry, was recruited as CEO of CFLL earlier this year, and it is BSP's intention to continue to provide Malakai and the CFLL team with all the support

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necessary to develop and grow the business. BSP is supporting this team in the development of strategies for maximising the value of the group's continuing interest in CFLL's life and health insurance business in Fiji, and the wider Pacific. With BSP having demonstrated its capacity and commitment to invest in the Pacific, regulators in the respective countries where BSP operates have acknowledged the reasons for the change in BSP's strategy for CFLL, and are supportive of the steps being taken to directly promote the interests of policy holders.

Mr Beangke concluded that "BSP had acquired CFLL at the bottom of the investment cycle in Fiji and, having seen an improvement in the financial performance of the Fiji based Life Businesses since acquisition, is confident that the retention of ownership of CFLL will have a positive affect on BSP Fiji's overall financial performance. CFLL is a long established Life Insurance business with a significant market share in Fiji and many years of managerial experience. CFLL, under the leadership of Malakai, has more than sufficient internal expertise to continue to build a successful Life Insurance business. BSP's Board of Directors believes there are significant opportunities for the insurance business generally in Fiji and the wider Pacific, including PNG".

**Authorised by the Board of Bank of South Pacific Limited.**