BSP Group
Investor Presentation
2011 Results

Annual General Meeting, May 2012
## Presentation overview

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<td>Qtr 1 2012 Results</td>
<td>Johnson Kalo, Deputy Group CEO/CFO</td>
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Overview of BSP

High Level statistics

- Established, Port Moresby, 1957
- 41 branches in Papua New Guinea, 20 in Fiji, 8 in Solomon Islands, 1 in Niue
- Market share, end of 2010:
  - Shares publicly listed in PNG since August 2003. > 85% of shareholders are Papua New Guinean. Market Cap at end of 2010 K3.782 billion
  - S&P credit rating is B+ stable
    - Strong market position
    - Good capitalisation and profitability
    - Adequate asset quality
  
  "the bank’s size and brand recognition will continue to support our growth strategy"

<table>
<thead>
<tr>
<th></th>
<th>Loans</th>
<th>Deposits</th>
<th>Total Assets</th>
<th>Profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>PNG Bank</td>
<td>&gt;50%</td>
<td>&gt;50%</td>
<td>&gt;K9.71 bil</td>
<td>K451.2 mil</td>
</tr>
<tr>
<td>Pacific Bank - 2011</td>
<td>~38%</td>
<td>~47%</td>
<td>&gt;K11.41 bil</td>
<td>K466.2 mil</td>
</tr>
<tr>
<td>Group 2011</td>
<td>~38%</td>
<td>~47%</td>
<td>&gt;K11.68 bil</td>
<td>K475.0 mil</td>
</tr>
</tbody>
</table>

The Leading Bank in the South Pacific
Recent Performance to 2011
Recent Performance

Net profit after tax

Millions of Kina

2005 2006 2007 2008 2009 2010 2011

39 112 191 228 257 283 356

26% Increase over prior year
28% Return on equity
3% Return on assets
75t Earnings per share

The Leading Bank in the South Pacific
Recent Performance

The Leading Bank in the South Pacific

Total assets

Loans

Investments

Billions of Kina

2005: 2.95bn
2006: 4.33bn
2007: 5.82bn
2008: 6.81bn
2009: 9.40bn
2010: 10.03bn
2011: 11.68bn
Vision and Strategy

The vision
- To be the leading bank in the South Pacific
Strategy Map

1. Customer sales and service focused
2. Operational excellence
3. High performing team
4. Profitable growth

To be the leading bank in the South Pacific

The Leading Bank in the South Pacific
### 2010 INITIATIVES

<table>
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<tr>
<th>SBU</th>
<th>Description</th>
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<tbody>
<tr>
<td>WB</td>
<td>Product review</td>
</tr>
<tr>
<td>WB/RB</td>
<td>PNG LNG</td>
</tr>
<tr>
<td>WB</td>
<td>MasterCard (Paramount)</td>
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<tr>
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<td>BSP First</td>
</tr>
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<td>RB</td>
<td>BSP Rural agency network</td>
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<td>Branch redesign (Phase 1: planning)</td>
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<tbody>
<tr>
<td>WB</td>
<td>Branch service delivery model</td>
</tr>
<tr>
<td>WB</td>
<td>Customer Relationship Management system</td>
</tr>
<tr>
<td>WB</td>
<td>Product development</td>
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<tr>
<td>RB</td>
<td>Mobile money</td>
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<tr>
<td>RB</td>
<td>Documenting Retail bank channel strategies</td>
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<td>RB/WB</td>
<td>SME migration</td>
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<td>Visa multicurrency travel card</td>
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<tr>
<td>RB</td>
<td>BSP First product package</td>
</tr>
<tr>
<td>BCAP</td>
<td>Landowner engagement</td>
</tr>
<tr>
<td>BCAP</td>
<td>Develop financial instruments/products for market needs</td>
</tr>
<tr>
<td>BCAP</td>
<td>Branding + marketing</td>
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</tbody>
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**Customer sales and service focused**

To be the leading bank in PNG and the South Pacific

Operational excellence

High performing team

Profitable growth
### 2010 Initiatives

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<td>Photo Card system</td>
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<td>SME end-to-end tool (origination and collection)</td>
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<tr>
<td>OPS</td>
<td>BizeDocs (including new phases, eStatements)</td>
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<tr>
<td>OPS</td>
<td>ATM monitoring tool (Proview)</td>
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<tr>
<td>OPS</td>
<td>National Clearing House</td>
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<td>Operation centralisation building</td>
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<td>OPS</td>
<td>Collections system</td>
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<td>IT</td>
<td>AS/400 upgrade</td>
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<td>IT</td>
<td>Network upgrade</td>
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<td>IT</td>
<td>New data centres (Prod &amp; DR)</td>
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<td>IT</td>
<td>Postilion upgrade</td>
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<td>IT</td>
<td>Active directory 2008 implementation</td>
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<td>IT</td>
<td>IT security &amp; controls</td>
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<td>IT</td>
<td>IT governance (ITIL) - IT implementation phase 1</td>
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<td>Financial dashboards</td>
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<td>INFOR PM budget &amp; forecasting (phase 2)</td>
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<td>SUN GL v5 implementation</td>
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<td>FIN</td>
<td>Reconciliation solution</td>
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<tr>
<td>HR</td>
<td>HR system replacement</td>
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<tr>
<td>C&amp;R</td>
<td>Wholesale Process Modernisation</td>
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<tr>
<td>BCAP</td>
<td>OMS (Share Trading)</td>
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<tr>
<td>BCAP</td>
<td>RIMS (Middle office)</td>
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<td>BCAP</td>
<td>Investier (Funds Management)</td>
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<td>Branch audit program review</td>
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"To be the leading bank in PNG and the South Pacific"
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The Leading Bank in PNG and the South Pacific

Profitable growth
Customer sales and service focused
Operational excellence
High performing team

To be the leading bank in PNG and the South Pacific
High performing team

The Leading Bank in the South Pacific
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<td>C&amp;R</td>
<td>Moody's upgrade</td>
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<tr>
<td>C&amp;R</td>
<td>Replacement credit scoring engine for Retail bank</td>
</tr>
</tbody>
</table>
BSP’s Journey

2009

- The Drivers of Change
- Areas for Improvement

Customer & Sales Focus
- Customer Segmentation, data and metrics
- Product and channel innovation
- Marketing and branding, customer literacy
- Process automation
- Cross selling

Modern Best Practice Operations
- Simplified, standardized processes; centralized operations
- Operational risk framework
- Business Continuity Planning
- Electronic Channel strategy
- MIS structure
- Internal communications

Investment in Performing People
- Centralized HR
- New HR System, automated HR processes
- “Back-to-Basics” training
- Creative talent management

Growth Based on Profitability
- Risk Pricing
- Total customer opportunity
- Non interest revenue, revenue diversification
- FX business growth
- Capital utilization
- Funding Diversification
- Automated operations

The Leading Bank in the South Pacific
## BSP’s Journey

### 2010

- **Major Change Programs**
- **“Transformation”**

### Customer & Sales Focus
- Product review
- PNG LNG
- MasterCard (Paramount)
- Internet banking
- BSP First
- BSP Rural agency network
- Branch redesign (Phase 1: planning)
- ATM deployments
- SME end-to-end tool (origination and collection)
- e-channels: Moto on EFTPOS
- Call centre solution
- e-channels: SMS upgrade mobile top-up enhancements
- e-channels: Telikom CDMA on SMS banking

### Modern Best Practice Operations
- Treasury system
- Photo Card system
- Biometrics
- SME end-to-end tool (origination and collection)
- BizeDocs (including new phases, eStatements)
- ATM monitoring tool (Proview)
- National Clearing House
- ATM maintenance outsourcing
- Kudupi system enhancements / replacement
- My BSP - SharePoint intranet rollout
- Operation centralisation building
- Collections system

### Investment in Performing People
- Deliver account opening training
- Deliver product knowledge training
- eTraining project
- Performance management
- Rewards management
- Recruitment – BSP First
- Recruitment – New branches
- Recruitment – BSP Rural

### Growth Based on Profitability
- Customer profitability model – Corporate
- Customer profitability model – Paramount
- Activity Based Model (product and branch profitability)
- Economic Capital Model
- Portfolio management

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**BSP’s Journey**

1. **2010**
2. **Major Change Programs**
3. **“Transformation”**

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BSP’s Journey

2011

- Major Change Programs
- “Customer Service”

Customer & Sales Focus
- Branch service delivery model
- Customer Relationship Management system
- Product development
- Mobile money
- Documenting Retail bank channel strategies
- SME migration
- e-channels: Bank-in-a-Box
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  - Establish compliance office
  - Personal loan charge-off
  - POMSOX restructuring

Investment in Performing People
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- Annual assessment of product and process knowledge
- Change management training (including sales culture)
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- Specialist IT training and assessment
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- Intercompany secondments
- Succession planning
- Employee satisfaction survey
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- Internal communication
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Growth Based on Profitability
- Cost allocation review
- Capital allocation - transfer pricing
- Moody’s upgrade
- Replacement credit scoring engine for Retail bank

The Leading Bank in the South Pacific
Modernization Program

- The “Modernization Program” is ongoing, and BSP’s “Vision” remains the same.

“Our improved financial performance reflects our achievements to date and vindicates the adoption of the program”

- An enormous amount of work has been carried out by each BSP business unit in 2011, but even more needs to be delivered in 2012, in terms of timely execution & delivery of projects, commitment & accountability.

- All Commercial Businesses need to continue to focus on New Business Generation in 2012.
• BSP’s Retail Business Strategy is now “Electronic TRANSACTION Focused”.

The Leading Bank in the South Pacific
Retail strategy: Mass market / BSP Rural

• BSP’s Retail has a “transaction focused” business model

• Kundu Card is the “Key” banking access method.

<table>
<thead>
<tr>
<th>RETAIL CUSTOMER</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>PNG</td>
<td>600,000</td>
<td>800,000+</td>
<td>1,000,000+</td>
</tr>
<tr>
<td>FIJI</td>
<td>150,000</td>
<td>200,000+</td>
<td>250,000+</td>
</tr>
<tr>
<td>S.I</td>
<td>50,000</td>
<td>75,000+</td>
<td>85,000+</td>
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</tbody>
</table>

“1.4 million Retail Customers by Year end 2012”
Retail strategy: Client access/electronic banking

7 Days a Week, with many service points, it is cheaper for our customers & it is cheaper for BSP
Retail strategy: Client access/electronic banking

- BSP will continue to expand our Electronic Banking Service in 2012-2014

<table>
<thead>
<tr>
<th>Electronic Banking Service 2011</th>
<th>ATM’s</th>
<th>EFTPOS</th>
<th>BSP RURAL</th>
<th>CASH AGENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>PNG</td>
<td>224</td>
<td>4,800+</td>
<td>14</td>
<td>10</td>
</tr>
<tr>
<td>FIJI</td>
<td>100</td>
<td>600+</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>S.I</td>
<td>17</td>
<td>40+</td>
<td>-</td>
<td>-</td>
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The Leading Bank in the South Pacific
Retail & Branch strategy: Service improvement initiatives

- Separated Retail Banking & Branch Network into separate Business Units.
- Retail is Sales & Product Development Focused, GM Retail Frans Kootte.
- Branch Network is at present a manual service delivery channel (operational).
- Account Opening & Kundu Card Issuance Process, now “one touch”
- “Change Management” Training.
- Renewed Branch Computer Programs.
- Branch Re-cabling & server Management Program.
- Built New Container Branch concept.
- Motukea, Tari, Arawa, Harbour City, Lae Commercial Center.
- Developing NEW Branch Premium Service Model Initiative.
- Corporate / Paramount / BSP First - Premium Service Areas.
Branch Remodeling is a multi year strategy:

**Step 1:**
- Aggressive Implementation of Kundu Card/Electronic Channels Client Acquisition. “We need to educate retail customers to use “Electronic” Channels. They are more convenient & cheaper”.

**Step 2:**
- Meaningful Establishment of BSP Rural Network, & Cash Agency Network in Rural Trade Stores, increased roll out of ATM’s, Eftpos, SMS Banking.

“Move more clients from our Branches to our electronic channels”
Branch Remodeling is a multi year strategy:

Step 3:

- Simplify & Automate all major Branch Processes.

Step 4:

- Remodeling of our Branches to meet:
  - “Actual” business potential of Towns in which we operate.
  - Greater focus on branches servicing our Profitable Corporate, Paramount, SME, BSP First, Retail & SME Lending, New Customer acquisition “Premium Service Centers”.
Retail strategy: client acquisition focus

• Significant Increase in Retail competition from Telco’s (E Wallet launch).

• Significant increase in Retail competition from Savings & Loan Societies, Microfinance Banks, NDB, SuperFunds & others.

• Retail Banking is now “marginally” profitable based on our existing Branch Mass Market Manual Service Model. We need to continue to move our Mass Market Retail Customers out of our Branches & into our Electronic Channels (ATM’s, EFTPOS, SMS Banking).

• BSP is making significant investment in Electronic Channels which have helped reduce crowding in Branches. We need to continue this investment & roll out.
Retail strategy: client acquisition focus

• **2011 “Green Gold” Program** was aimed at Client education (using electronic channels) & motivating them to open bank accounts through the chance to win prizes. 135,000 New Customers were acquired.

• **Every 100,000 new customers = K7-8 Million increased gross revenue pa.**

• **With new ATM, EFTPOS, SMS “Payment & Top Up Services”** BSP can increase this to K10 Million per 100,000 new customers. (The same applies in Fiji & SI).
“Our Retail Service Modernization Strategy is a multiyear investment in processes, systems, people and premises”.
Business strategy: Corporate Banking

- Corporate Banking strategy focuses on: non interest income growth, new customer acquisition, improved product & service performance, and increased cross selling.
Corporate banking strategy: customer segmentation

Segmentation - Corporate

Branding

Strategic Clients

Large Corporate

Mid Corporate

Business

Wholesale / Retail

Top 10

Turnover > K150m

Turnover K25 to K150m

Turnover = K2m to K25m

Small Business Turnover < K2m

Cost Control Segment

High Value Segment

Core Customer Segment

Mix of existing and potential

Cost Control Segment

Branding
Business strategy: Corporate Banking

• Corporate Banking & Treasury are BSP’s biggest profit earners.

• Corporate Banking, Treasury & Paramount subsidize Retail Banking and make it possible for BSP to maintain & even expand our Retail Banking Network & BSP Rural throughout PNG.

• In BSP Fiji we only have a 10% market share in Corporate Banking, which must be increased to a 30% market share over the next 3-5 years.

• BSP Corporate Banking has changed from being Lending Driven Model, to Relationship & Cross Sell, non interest income driven model.

• Enormous New Business potential exists in PNG (Natural Resources) & Fiji.
Business strategy: Corporate Banking

• Despite positive results BSP Corporate Banking can still improve its performance.

• BSP has now modernize nearly all our Corporate Banking services, products, processes & people (training) across the Pacific.

• Non Interest Income **is improving** but remains below that of our competitors.

• Our Branch Service Model for Corporate Banking clients is now “more than” competitive in terms of the foreign banks, some of our services such as internet banking are superior.
Business strategy: Corporate Banking

- Co Location of CB in PNG, Treasury & Risk Management occurred in 2011 (New Harbor City Offices) and has had a very positive impact on productivity.
- General Manager Mr. Peter Beswick has re-engineered the team.
- Several new Relationship Managers
- New General Manager Treasury – Mr Mark Railston
- New Product Development completed in 2010 is fully implemented, phase 2 being upgrading of our Trade Finance capabilities is currently underway.
- Cross Selling of FX products jointly with Treasury Sales improved significantly 25% increase in treasury Income yoy.
- New Client Acquisition needs to be a major focus in 2012.

“Greater focus on Cross Selling BSP Group Products & Services”
Business strategy: Paramount Banking

• As a key liquidity provider, Paramount’s strategic focus is on its service model to compete for government and landowner funds.
Business strategy: Paramount Banking

• Continues to be BSP PNG’s major liquidity provider.

• For that reason Paramount Banking is a Key business unit.

• 2011 deposits increased, however reinvestment rates remained low throughout the year.

• Relatively small Business Unit, Team was expanded in 2011.

• Increasing competition for Government Funds & Land Owner Funds.

• Increasing Legal Issues & Challenges related to Gov & Land Owner Funds.
Operations & IT strategies

• “Always on” Technology platforms & infrastructure
Operations & IT strategies

- Group Chief Operations Officer is Robert Loggia.
- Head of IT Neil Gamble, is having a positive impact on overall technology performance.
- ATM Network availability & service quality is improving, however further improvements still required.
- Project Management Office & Transformation Team are key to the success of BSP’s Vision, has improved commercial business unit commitment to own & drive projects.
- New Communications Infrastructure provide by Digicel has been rolled out around PNG, significant improving by a multiple of 10 times, our communication capacity.
Other support business strategies

- Reliable and efficient support for business
  - Risk, Legal and Compliance
  - Finance
  - Human Resources
  - Security
Other support business strategies

- **Risk Management**
  - New Deputy GM Credit Risk, Mr Frank Gamble
  - BSP continues to improve our overall Risk Management Framework.
  - Operational Risk identified various system & process weaknesses, however positive progress is evident in addressing these risks.
  - Internal/External Fraud remains a serious problem, however BSP’s capacity to identify individuals involved has significantly improved.

- **Audit/Legal**
  - PWC undertook a major audit improvement program in 2011.
  - Legal Challenges against BSP is a thriving & growing business.

- **Finance**
  - The implementation of the New General Ledger in Feb 2011 is a major accomplishment.
  - Progress is being made in Management Reporting.
Other support business strategies

- **Human Resources**
  - New HR System has been implemented.
  - Recruitment Processes are improving.
  - New Performance Bonus System for PNG has been implemented.
  - Significant Improvement in Training quality & Quantity.
  - Change Management Training is an important Focus.

- **Security**
  - BSP now has one of the most capable Security Operations in PNG.
  - Better Trained, Better Managed, Better Motivated.
  - Security Threats in PNG will increase in proportion to economic activity.
2011 Performance & Operations
Group Profit Before Tax

The Leading Bank in the South Pacific
Group Profit After Tax

Net profit after tax

Millions of Kina

- 2005: 99
- 2006: 112
- 2007: 191
- 2008: 228
- 2009: 267
- 2010: 283
- 2011: 356

- Increase over prior year: 26%
- Return on equity: 28%
- Return on assets: 3%
- Earnings per share: 75¢

The Leading Bank in the South Pacific
## Group Profit & Loss Trends

### PROFIT & LOSS TREND ANALYSIS

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>CAGR</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Income</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net interest income</td>
<td>162</td>
<td>210</td>
<td>277</td>
<td>377</td>
<td>474</td>
<td>544</td>
<td>597</td>
<td>21%</td>
</tr>
<tr>
<td>Foreign exchange income</td>
<td>87</td>
<td>65</td>
<td>116</td>
<td>127</td>
<td>104</td>
<td>139</td>
<td>193</td>
<td>12%</td>
</tr>
<tr>
<td>Fee and other income</td>
<td>57</td>
<td>70</td>
<td>86</td>
<td>117</td>
<td>147</td>
<td>272</td>
<td>392</td>
<td>32%</td>
</tr>
<tr>
<td>Total income</td>
<td>306</td>
<td>344</td>
<td>479</td>
<td>621</td>
<td>726</td>
<td>955</td>
<td>1,182</td>
<td>21%</td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating expenses</td>
<td>(167)</td>
<td>(179)</td>
<td>(189)</td>
<td>(230)</td>
<td>(335)</td>
<td>(523)</td>
<td>(682)</td>
<td>22%</td>
</tr>
<tr>
<td>Bad and doubtful debts</td>
<td>4</td>
<td>1</td>
<td>4</td>
<td>(11)</td>
<td>(15)</td>
<td>(21)</td>
<td>(25)</td>
<td>N/A</td>
</tr>
<tr>
<td>Other expenses</td>
<td>(0)</td>
<td>(2)</td>
<td>(11)</td>
<td>(51)</td>
<td>3</td>
<td>(1)</td>
<td>-</td>
<td>NM</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>142</td>
<td>164</td>
<td>284</td>
<td>329</td>
<td>378</td>
<td>411</td>
<td>475</td>
<td>19%</td>
</tr>
<tr>
<td>Tax expense</td>
<td>(43)</td>
<td>(53)</td>
<td>(92)</td>
<td>(100)</td>
<td>(121)</td>
<td>(128)</td>
<td>(119)</td>
<td>16%</td>
</tr>
<tr>
<td>Profit after tax</td>
<td>99</td>
<td>112</td>
<td>191</td>
<td>228</td>
<td>257</td>
<td>283</td>
<td>356</td>
<td>29%</td>
</tr>
<tr>
<td><strong>EPS (toea)</strong></td>
<td>23.0</td>
<td>25.0</td>
<td>42.0</td>
<td>50.0</td>
<td>56.0</td>
<td>59.0</td>
<td>74.4</td>
<td>65%</td>
</tr>
<tr>
<td>Dividends per share</td>
<td>1.1</td>
<td>1.4</td>
<td>1.6</td>
<td>2.2</td>
<td>2.2</td>
<td>4.0</td>
<td>7.6</td>
<td>32%</td>
</tr>
</tbody>
</table>
Group Deposits & Loans

Growth in deposits and loans

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Loans</th>
<th>Total Deposits</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>1.18</td>
<td>3.75</td>
</tr>
<tr>
<td>2007</td>
<td>1.60</td>
<td>5.05</td>
</tr>
<tr>
<td>2008</td>
<td>2.39</td>
<td>5.78</td>
</tr>
<tr>
<td>2009</td>
<td>3.77</td>
<td>7.49</td>
</tr>
<tr>
<td>2010</td>
<td>4.09</td>
<td>7.98</td>
</tr>
<tr>
<td>2011</td>
<td>4.30</td>
<td>9.37</td>
</tr>
</tbody>
</table>

The Leading Bank in the South Pacific

BSP
your Bank
### Group Balance Sheet Trends

<table>
<thead>
<tr>
<th>BALANCE SHEET TRENDS</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>CAGR</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and short term deposits</td>
<td>429</td>
<td>501</td>
<td>1,025</td>
<td>788</td>
<td>1,188</td>
<td>1,344</td>
<td>1,501</td>
<td>20%</td>
</tr>
<tr>
<td>Loans and advances</td>
<td>879</td>
<td>1,167</td>
<td>1,551</td>
<td>2,352</td>
<td>3,639</td>
<td>4,091</td>
<td>4,301</td>
<td>25%</td>
</tr>
<tr>
<td>Investment</td>
<td>1,483</td>
<td>2,394</td>
<td>2,954</td>
<td>3,397</td>
<td>3,838</td>
<td>3,803</td>
<td>4,669</td>
<td>18%</td>
</tr>
<tr>
<td>Fixed assets + other assets</td>
<td>148</td>
<td>269</td>
<td>287</td>
<td>297</td>
<td>733</td>
<td>789</td>
<td>1,210</td>
<td>35%</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>2,939</td>
<td>4,331</td>
<td>5,818</td>
<td>6,833</td>
<td>9,398</td>
<td>10,027</td>
<td>11,681</td>
<td>22%</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customer deposits</td>
<td>2,536</td>
<td>3,776</td>
<td>5,057</td>
<td>5,786</td>
<td>7,596</td>
<td>8,084</td>
<td>9,520</td>
<td>21%</td>
</tr>
<tr>
<td>Provisions</td>
<td>46</td>
<td>88</td>
<td>104</td>
<td>164</td>
<td>197</td>
<td>125</td>
<td>189</td>
<td>22%</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>52</td>
<td>73</td>
<td>85</td>
<td>135</td>
<td>671</td>
<td>684</td>
<td>629</td>
<td>43%</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>2,634</td>
<td>3,937</td>
<td>5,245</td>
<td>6,085</td>
<td>8,464</td>
<td>8,893</td>
<td>10,337</td>
<td>22%</td>
</tr>
<tr>
<td>Shareholders equity</td>
<td>305</td>
<td>394</td>
<td>572</td>
<td>748</td>
<td>934</td>
<td>1,134</td>
<td>1,344</td>
<td>24%</td>
</tr>
</tbody>
</table>
Group Cost to Income Ratio

Cost to income ratio

2005: 54.67%
2006: 51.89%
2007: 39.40%
2008: 36.98%
2009: 46.18%
2010: 54.75%
2011: 58.24%

The Leading Bank in the South Pacific
• The cost to income ratio is within the 50-60% range of the Australian regional banks
• It is equal to or better than small Asian regional banks, and similar banks in Africa and the Caribbean.
• The cost to income ratio could be lower:
  – By 5-6% if rates on non-lending investments had remained at 2009 levels to support comparative revenue growth
  – By 1% in recent time if the CRR had not increased from 3% to 6% and removed interest earning potential
• The cost to income ratio would be higher if initiatives to achieve increased non interest income were not implemented
• Expenditure over the last two years, is to address improvement needs that have accumulated over time and could not be dealt with in prior years because of capital constraints.
Group Non-Interest Income

Non-interest income to total income

The Leading Bank in the South Pacific
• Non Lending Loss Trends 2009 - 2011
BSP PNG Operating Non Lending Loss Trend (2009 to 2012)

- 2009: K18.0 mln
- 2010: K3.0 mln
- 2011: K4.9 mln
- 2012 YTD: K0.3 mln
Majority of the losses were incurred in Network (71%) and Operations (17%).
Branches and ATMs

69 branches

- New branches were added in PNG at Vision City, Porgera and Motukea
- There are also 10 Rural Branches in PNG, and 36 in Fiji
- There are 10 cash agents in PNG and 7 agents in the Solomon Islands

341 ATMs

- The ATM roll out is continually reviewed
- Top ups now includes Easi-Pay in PNG
- Deposit ATMs are part of the future strategy
Customers

- Significant increase in PNG numbers through Green Gold
- A major clean up of old and dormant accounts in Fiji in Dec
- Steady growth in Solomon Islands

The Leading Bank in the South Pacific
PNG ATM Growth 2009 to 2012

The Leading Bank in the South Pacific
PNG Eftpos Growth 2009 to 2012

The Leading Bank in the South Pacific
PNG Mobile Banking Growth 2009 to 2012

SMS Banking

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Internet Banking Growth 2009 to 2012

The Leading Bank in the South Pacific
Branch Transactions - Stable 2009 to 2012

The Leading Bank in the South Pacific
• **“Green Gold”** added 134,000 New Account in a 5 month period

• “Largest” New Customer Acquisition Initiative ever in the history of PNGBC/BSP

• PNG: 1 Million target by 2012

• GROUP: 1.4 Million Target by 2012
“Transformation” of our processes, systems, procedures, training will continue.

However our “main focus” from 2012 & beyond will be on “significantly” improving our Customer Service Quality.

BSP Needs “more” new customers

Need to sell more “Products & Services”

Must continue to “grow” our Income, FX & Fees

Our new projects “must deliver” efficiency gains & “real” cost reductions.
We must serve our existing customers **Better.**

"**More Efficiently, more Effectively & more Friendly**"

BSP “without doubt” is the Leading Bank in PNG & the South Pacific.

More Branches, More Agencies, More ATM’s & EFTPOS.

More Staff in our branches than our competition.

Economic Outlook
The global recovery is continuing. It remains two-speed though, with the world economy projected to grow by ~4% and the emerging market economies by ~7%.

### Global Economic Outlook

<table>
<thead>
<tr>
<th>Agency</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>IMF</td>
<td>4.4%</td>
<td>4.5%</td>
</tr>
<tr>
<td>OECD</td>
<td>2.3%</td>
<td>2.8%</td>
</tr>
<tr>
<td>Economist Intelligence Unit</td>
<td>4.3%</td>
<td>4.2%</td>
</tr>
<tr>
<td>The World Bank</td>
<td>3.3%</td>
<td>3.6%</td>
</tr>
</tbody>
</table>
• Growth projections currently in the 3%-5% range; *LNG long term impacts are not factored in to these forecasts.*

• Short-medium term inflation forecasts are in the 5-8% range.

---

**PNG GDP**

- **GDP real**
- **World Bank**
- **Bank of PNG**
- **IMF**
- **EIU**

ACIL Tasman estimates that the PNG LNG project will:
- Deliver real GDP growth of 98.6% (short run impact – 0 to 5 years)
- Deliver real GDP growth of 99.1% (long run impact – 5 to 10 years)
Market Share
In the biggest market:

- BSP is holding its position in loans and deposits
- There is scope to gain more competitive FX market share
### Pacific Market Share

<table>
<thead>
<tr>
<th>Country</th>
<th>Loans</th>
<th>Deposits</th>
</tr>
</thead>
<tbody>
<tr>
<td>PNG</td>
<td>52%</td>
<td>54%</td>
</tr>
<tr>
<td>Fiji</td>
<td>18%</td>
<td>16%</td>
</tr>
<tr>
<td>Solomon Islands</td>
<td>35%</td>
<td>30%</td>
</tr>
</tbody>
</table>

- Across its Pacific markets, the overall market share is approximately 38% in loans and 47% in deposits.
Credit Quality
Credit Quality

- Total 3.91% remains relatively stable
- Fiji effect has been largely addressed
- Trend reflects loan portfolio trend and evolving risk profile in a growth region

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Lending is dominated by Wholesale or Corporate
Remains diversified across sectors
A slight shift in 2011, from private households to Commerce & other businesses and transport & communication
2011 Full Year Results
2011 Highlights

**Dominant Market share maintained**
- >50% in deposits & Lending in PNG; Steady in Fiji 18%, and Solomon Isl. 27%

**K1.2 billion Revenue performance**
- 45% Transaction and 45% FX fee growth achieved from increased volumes and market pricing

**Strong Growth: Customers and Transactions**
- 130,000 + new customers from Green Gold campaign
- Continued ATM and EFTPOS fleet expansion
- Rural banking channels

**29% Return on Equity**
- Strong capital generation and capital adequacy position
- 75% payout ratio

**58% Cost to income ratio**
- 3.5% increase to 58.2%, expected to stabilize in low 50% range over next few years
- Still comparable with Peers

**Community engagement**
- 70 Projects
- K1.2 million
- K129.6 million in taxes
- K240.4 million to PNG suppliers

The Leading Bank in the South Pacific
# Overview of 2011 Results

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>Growth 2011 vs. 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit after tax</td>
<td>K 283.1m</td>
<td>K 355.9m</td>
<td>25.7%</td>
</tr>
<tr>
<td>Revenue</td>
<td>K 954.9m</td>
<td>K 1,182.3m</td>
<td>23.8%</td>
</tr>
<tr>
<td>Expenses</td>
<td>K 522.8m</td>
<td>K 688.6m</td>
<td>31.7%</td>
</tr>
<tr>
<td>Bad and doubtful debt expense</td>
<td>K 20.6m</td>
<td>K 25.2m</td>
<td>22.6%</td>
</tr>
<tr>
<td>Earnings per Share</td>
<td>59.0 toea</td>
<td>75.1 toea</td>
<td>27.3%</td>
</tr>
<tr>
<td>Customer deposits</td>
<td>K7.984bn</td>
<td>K9.366bn</td>
<td>17.3%</td>
</tr>
<tr>
<td>Net loans and advances</td>
<td>K 4.091bn</td>
<td>K 4.300bn</td>
<td>5.1%</td>
</tr>
</tbody>
</table>

The Leading Bank in the South Pacific
Continuing strong growth trend, featuring strong non interest income
High historical long term growth rate
16% Increase from last year

Growth

Profit Before Tax

The Leading Bank in the South Pacific
• Liquidity growth conditions prevail in Pacific markets.
• Pressure on rates
• But credit growth slower
• Challenge is to find assets with good returns at acceptable risk.
• 17% Increase from last year to K11.7 billion
• 21% long term growth
Liquidity growth conditions prevail in Pacific markets.
- credit growth slower
- 17.5% Increase in deposits, lower for loans
- 21% long term growth rate for deposits; 25% for loans
Capital Management and Liquidity
The Group has sufficient capital
Sufficient to support additional asset growth
Can support capital investments for profit generation
Can absorb a significant one-off risk/loss contingency

The Leading Bank in the South Pacific
Funding
Funding is dominated by Wholesale, but a shift towards Retail savings is starting.

The portfolio duration is short.
Profitability and Key Ratios
The Leading Bank in the South Pacific

**Key Prudential Requirements Exceeded**
- Capital Adequacy and leverage positions are well above regulatory minimums

**Key Prudential Ratios**

- **Liquid Asset Ratio**: 43.6%
  - Minimum requirement: 0%
- **Capital Adequacy Ratio**: 24.2%
  - Minimum requirement: 12%
- **Leverage Ratio**: 10.0%
  - Minimum requirement: 6%
Earnings per share & return on equity

- Very high long run average ROE still maintained (30%)
- Consistent growth in earnings per share; 27% change from 2010, to 75 toea in 2011
Cost to Income Ratio

- Globally within peer range
- Transformation costs impact of 2-3% will reduce over next few years
- 5-6% impact of reduced interest rates on investments since 2009
- Fiji restructure & operations: has a 80-90% cost to income ratio
- PNG CRR increases have also removed revenue potential

The Leading Bank in the South Pacific
Non Interest Income

- Strategic shift to make income streams more resilient
- Driven by
  - automated or electronic transactions
  - growth in customer base & transaction volumes
- FX income market share still needs to be improved

The Leading Bank in the South Pacific
Net Interest Margin

- Margin has declined from 2008.
- Lower interest rates on investments
- Competitive pricing on loans
- Conservative approach to sectoral risks

The Leading Bank in the South Pacific
Comparison of Key Ratios
Comparative Performance

- Well ahead on ROE
- Capital Adequacy position is conservative

- Net interest margins differential is premium for risk
- Cost to income ratio is within range

The Leading Bank in the South Pacific
Dividend and Shares
Share price performance

The Leading Bank in the South Pacific

Fair value

K7.53
31 Dec 2011

K8.02
The share price reflects fair value of the company at the present time
Share price Performance

- Increased 652%
- Historically
  - Min 1.00 (2004)
  - Max 14.00 (2008)
  - Ave K6.22

- max K7.90
- min K6.62
- year end K7.53
  - recovered 71%
- introduced at K6.65
  - 13% increase to year end
  - Today K8.00

The Leading Bank in the South Pacific
Dividends

Interim 16 toea per Share
Final 35 toea per Share
Full 51 toea per Share

75% Payout
6.7% Yield
13% Increase
June Payable

The Leading Bank in the South Pacific
Conclusion
2011 was an extremely successful year:
Conclusion

- 2011 was an extremely successful year:
  - Before Tax Profits of K475 mln
  - Net Income exceeds K1 Billion
  - Balance Sheet now exceeds K11 Billion
  - Continued positive Loan & Deposit Growth
  - Very strong Capital & Liquidity position
  - Significant expansion of our Electronic Banking Platform (ATM’, Eftpos, SMS Banking, Internet). Largest Networks in PNG & Fiji
  - All of BSP’s key performance indicators remain sound
  - Semi annual dividend payments to shareholders
  - Share buy back scheme ensured some share price stability in this largely illiquid market

- IFC’s acquisition of 10% equity in BSP has been extremely positive:
  - Enhanced the international reputation of BSP
  - in excess of US$2.5 mln in technical support.
• **BSP Rural** a rural agency banking network using Electronic Banking Solutions is currently 14 with 20 new BSP Rural Agencies by July 31st.

• Piloted “State of Art” Electronic Banking Technologies in late 2011 which will revolutionize Retail & Rural Banking in PNG & the Pacific.

• Green Gold acquired 135,000 new Retail Customers in a 5 month period. The “Largest” Retail Customer acquisition ever in PNG.

• Corporate Banking & Treasury Sales continue to significantly improve customer service quality & cross sell.

• BSP is the only Financial Institution in PNG truly committed to taking “cost effective” banking services to Rural Communities.
Conclusion

• BSP’s “Social & Community” Projects have achieved major milestones:
  – “Go Green" Environmental Initiative (international recognition).
  – BSP School Kriket won “ 2011 ICC Global School Cricket Award” (95 countries. 116,000 children)
  – 70 local community projects carried out in PNG, SI & Fiji.

An enormous amount of work has been carried out by each BSP business unit in 2011. **However this is a multi year modernization program**
“BSP’s Vision is to be the Leading Bank in the South Pacific, we are achieving our vision, but there is still much work to do!”

Thank You
BSP Group
Investor Presentation
2012 Qtr 1 Results

Annual General Meeting, May 2012
### Financial Results

<table>
<thead>
<tr>
<th>Qtr 1 2012 Income &amp; Expense</th>
<th>ACTUAL</th>
<th>LAST YR</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Profit after tax</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PNG</td>
<td>K98.01m</td>
<td>K93.64m</td>
</tr>
<tr>
<td>Overseas</td>
<td>K4.37m</td>
<td>K75.84m</td>
</tr>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PNG</td>
<td>K331.86m</td>
<td>K259.05m</td>
</tr>
<tr>
<td>Overseas</td>
<td>K259.99m</td>
<td>K71.87m</td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PNG</td>
<td>K192.62m</td>
<td>K150.71m</td>
</tr>
<tr>
<td>Overseas</td>
<td>K125.91m</td>
<td>K66.71m</td>
</tr>
<tr>
<td><strong>Non Interest Income to total income</strong></td>
<td>50%</td>
<td>45%</td>
</tr>
</tbody>
</table>

- Slowed loan volume growth and low rates on non-lending investments impacting on revenue. CRR increases in PNG also affecting earnings opportunities. Non interest income is improving.
- Deposit volume growth continues unabated, boosting non-lending investment volumes.
- Costs remain high due to business modernization initiatives and the scale of the business, but are being managed to plan. PNG Cost to Income is < 50%.

The Leading Bank in the South Pacific
### Financial Results

#### Qtr 1 2012 Balance Sheet

<table>
<thead>
<tr>
<th>Category</th>
<th>Actual</th>
<th>Last Yr</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Loans &amp; Advances</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PNG</td>
<td>K4.4b</td>
<td>K4.1b</td>
</tr>
<tr>
<td>Overseas</td>
<td>K3.4b</td>
<td>K4.1b</td>
</tr>
<tr>
<td><strong>Overseas</strong></td>
<td>K1.0b</td>
<td>K4.1b</td>
</tr>
<tr>
<td><strong>Other Interest Earning Investments</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PNG</td>
<td>K4.9b</td>
<td>K4.0b</td>
</tr>
<tr>
<td>Overseas</td>
<td>K4.7b</td>
<td>K4.0b</td>
</tr>
<tr>
<td><strong>Overseas</strong></td>
<td>K0.2b</td>
<td>K4.0b</td>
</tr>
<tr>
<td><strong>Customer Deposits</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PNG</td>
<td>K10.2b</td>
<td>K8.6b</td>
</tr>
<tr>
<td>Overseas</td>
<td>K8.7b</td>
<td>K8.6b</td>
</tr>
<tr>
<td><strong>Overseas</strong></td>
<td>K1.5b</td>
<td>K8.6b</td>
</tr>
<tr>
<td><strong>Net Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PNG</td>
<td>K1.4b</td>
<td>K1.2b</td>
</tr>
<tr>
<td>Overseas</td>
<td>K1.2b</td>
<td>K1.2b</td>
</tr>
<tr>
<td><strong>Overseas</strong></td>
<td>K0.2b</td>
<td>K1.2b</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PNG</td>
<td>K13.0b</td>
<td>K10.9b</td>
</tr>
<tr>
<td>Overseas</td>
<td>K10.5b</td>
<td>K10.9b</td>
</tr>
<tr>
<td><strong>Overseas</strong></td>
<td>K2.5b</td>
<td>K10.9b</td>
</tr>
</tbody>
</table>

- Loan volume growth slowed by peaking PNG project momentum and business cash reserves.
- Growth in cash and other assets, through high volumes in payment cycles.
- Continued strong growth of total assets.
- Some impact from investment in BSP’s banking infrastructure.
The Leading Bank in the South Pacific

- Wholesale continues to dominate at 78%.
- Retail has increased to 24% of total funding.
- Demand deposit increase by 0.93% to K8.4b (82%).
- Term deposits increase to K1.8b (18%)

- Capital adequacy remains above the BPNG requirement of 12%.
- Credit quality remains stable with 3.95% provisions to loans ratio
The share price is a fair reflection of the value of the company.

The second K40m buyback is in progress.
### Market Share

<table>
<thead>
<tr>
<th>Region</th>
<th>Loans</th>
<th>Deposits</th>
</tr>
</thead>
<tbody>
<tr>
<td>PNG</td>
<td>51%</td>
<td>53%</td>
</tr>
<tr>
<td>Fiji</td>
<td>19%</td>
<td>24%</td>
</tr>
<tr>
<td>Solomon Islands</td>
<td>31%</td>
<td>45%</td>
</tr>
<tr>
<td>Total</td>
<td>39%</td>
<td>46%</td>
</tr>
</tbody>
</table>

- PNG deposit growth increased by 1.23%. PNG has 99% of total group deposits.
- PNG lending growth reduced by 0.81%. PNG 82% of total group lending.
- Fiji improved deposit growth by 9%, while lending remained stable.
- SI improved deposit growth by 3% and lending growth by 1%.
The implementation of BSP strategies are now delivering increases in selected channels.

- Eftpos, ATMs and SMS channels have grown significantly from last year.
- Total customer numbers continue to increase.