

BSP Group Investor Presentation 2011 Results

Annual General Meeting, May 2012

The Leading Bank in the South Pacific



Presentation overview

Contents

- Recent performance to 2011
- Vision & strategy
- 2011 performance & operations
- Economic outlook
- Market share
- Credit quality
- 2011 full year results
- Capital management & liquidity
- Funding
- Profitability & key ratios
- Comparison of key Ratios
- Dividends & shares
- Conclusions
- Qtr 1 2012 Results

Presenter

Ian B. Clyne, Group CEO
Ian B. Clyne, Group CEO
Ian B. Clyne, Group CEO
Robin Fleming, Deputy Group CEO/CRO
Robin Fleming, Deputy Group CEO/CRO
Robin Fleming, Deputy Group CEO/CRO
Johnson Kalo, Deputy Group CEO/CFO
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Johnson Kalo, Deputy Group CEO/CFO
Johnson Kalo, Deputy Group CEO/CFO
Ian B. Clyne, Group CEO
Johnson Kalo, Deputy Group CEO/CFO

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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:

	Loans	Deposits	Total Assets	Profit
PNG Bank	>50%	>50%	>K9.71 bil	K451.2 mil
Pacific Bank - 2011	~38%	~47%	>K 11.41 bil	K466.2 mil
Group 2011	~38%	~47%	>K11.68 bil	K475.0 mil

- 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”

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Recent Performance to 2011



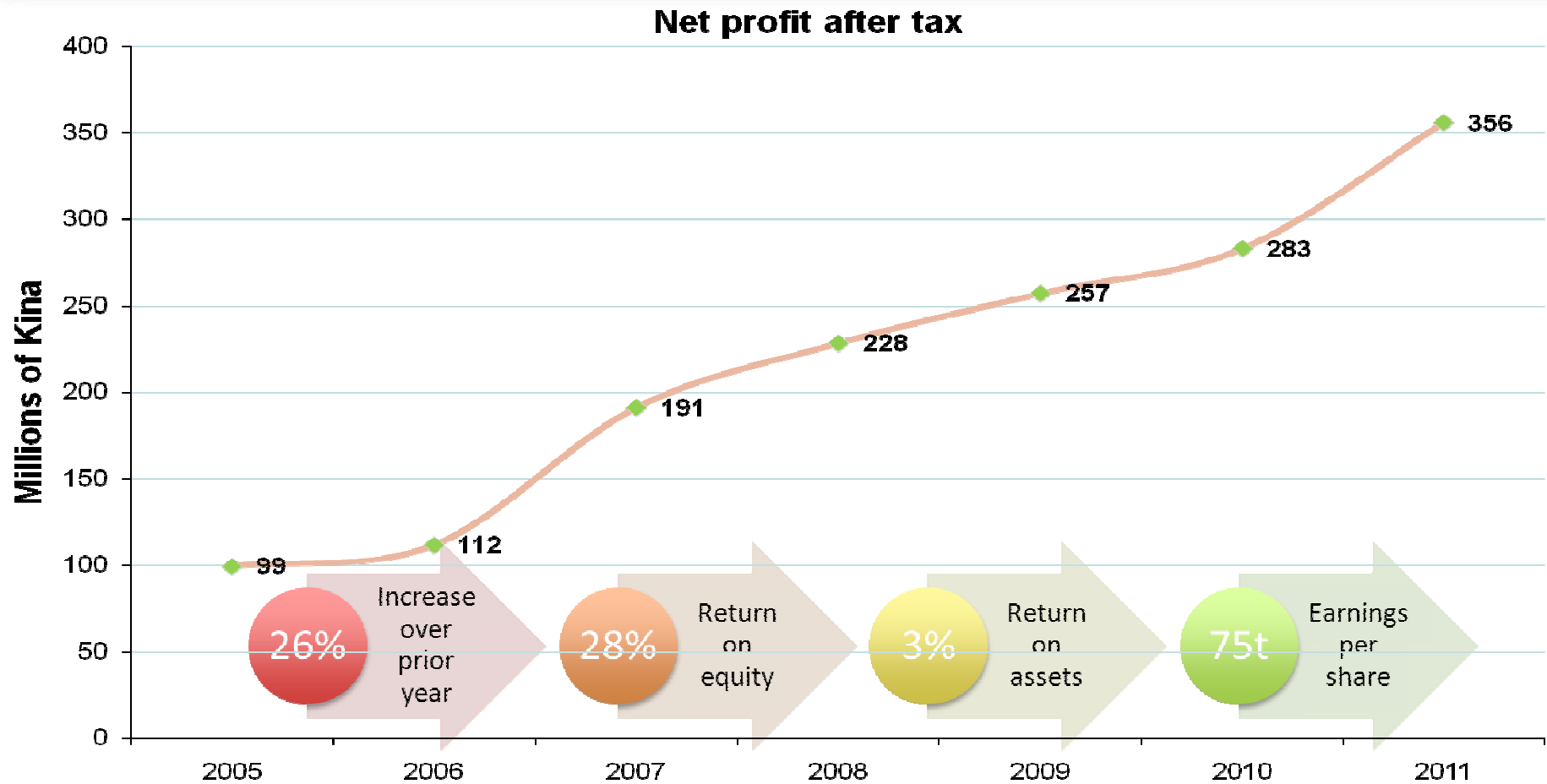
Group Profit Before Tax



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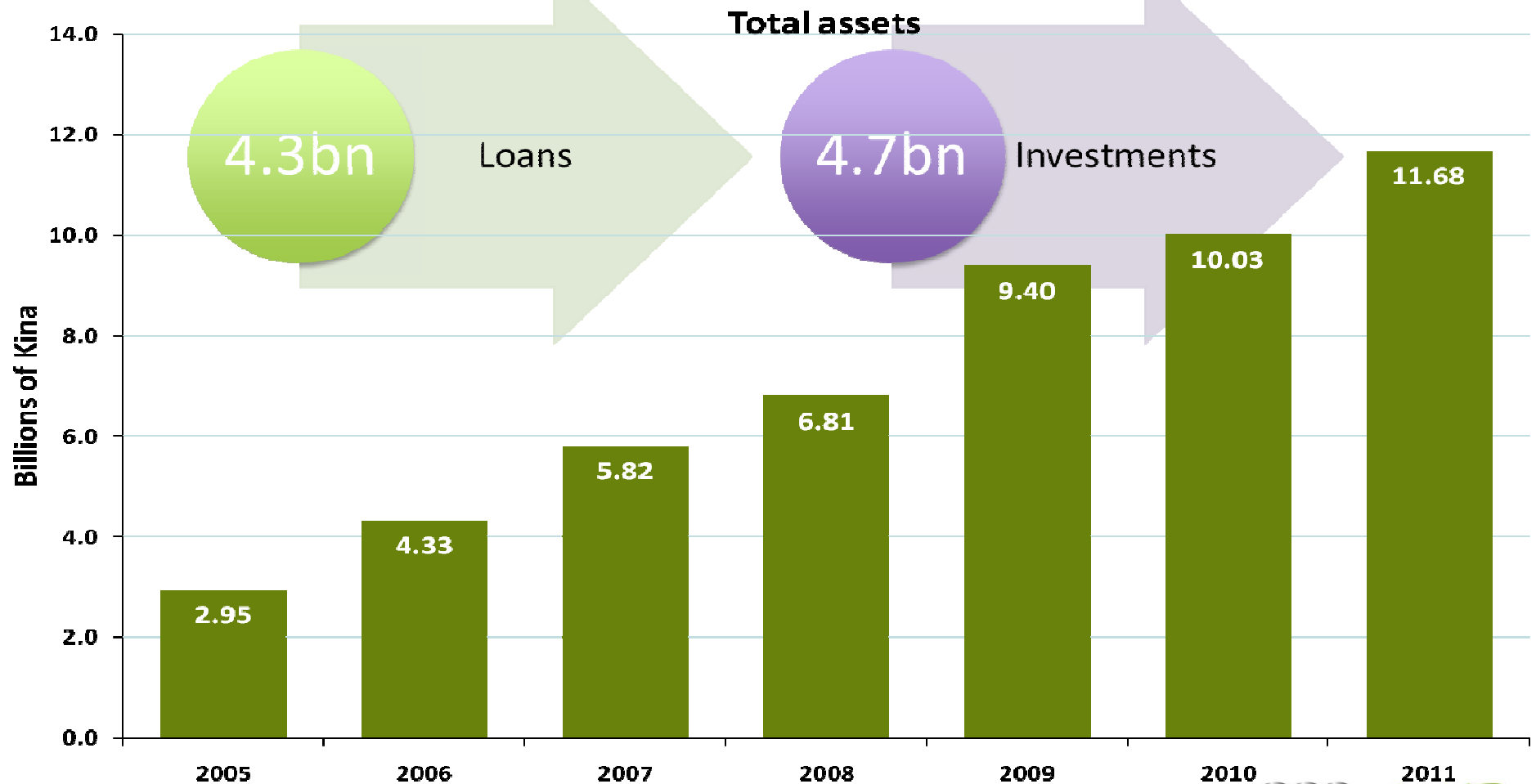
Recent Performance



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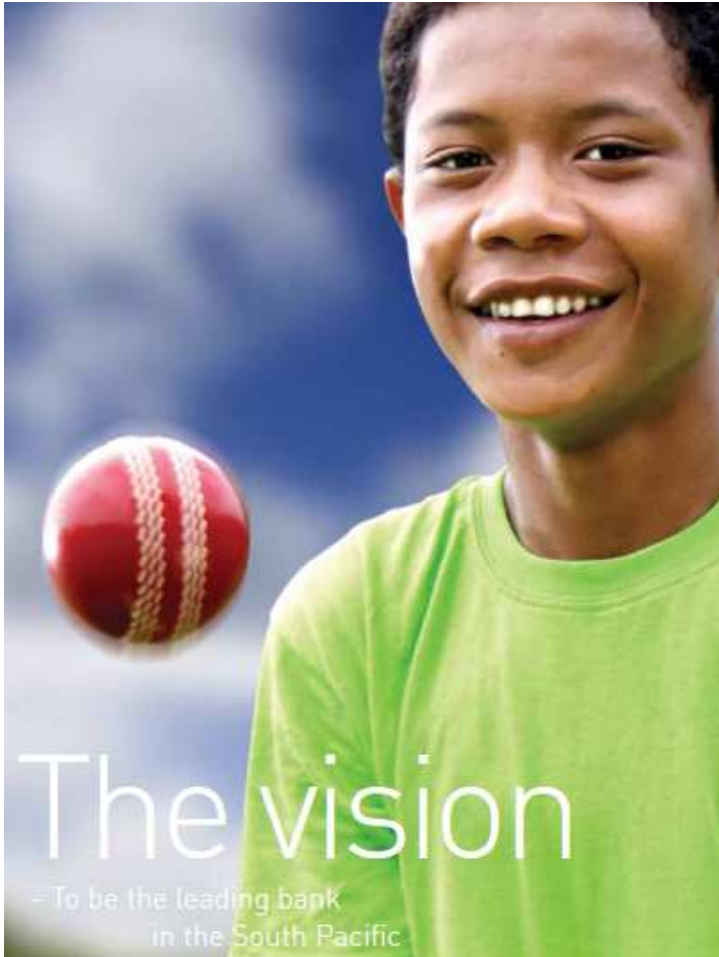


Recent Performance



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Vision and Strategy



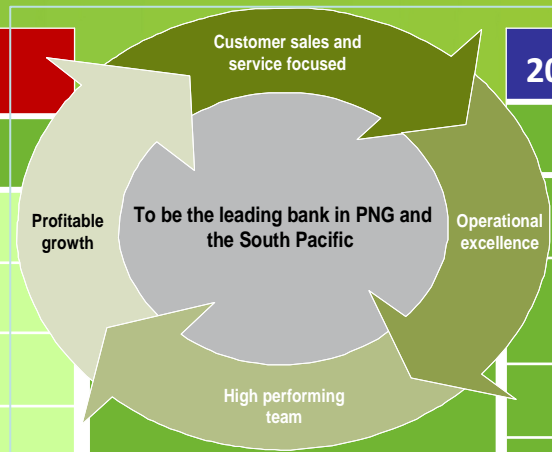
Strategy Map



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2010 INITIATIVES

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



**Customer
sales and
service
focused**

2011 INITIATIVES

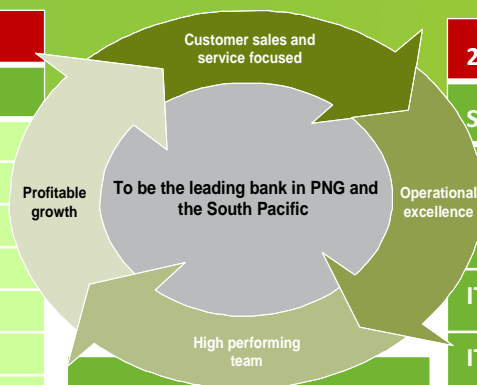
SBU	Description
WB	Branch service delivery model
WB	Customer Relationship Management system
WB	Product development
RB	Mobile money
RB	Documenting Retail bank channel strategies
RB/WB	SME migration
RB	e-channels: Bank-in-a-Box
RB	Open new branches
RB	New deposit products
RB	Visa multicurrency travel card
RB	BSP First product package
BCAP	Landowner engagement
BCAP	Develop financial instruments/products for market needs
BCAP	Branding + marketing

To be the Leading Bank in the South Pacific



2010 INITIATIVES

SBU	Description
WB	Treasury system
RB	Photo Card system
RB	Biometrics
RB	SME end-to-end tool (origination and collection)
OPS	SizeDocs (including new phases, eStatements)
OPS	ATM monitoring tool (Proview)
OPS	National Clearing House
OPS	ATM maintenance in-sourcing
OPS	Kundupe system enhancements / replacement
OPS	My BSP - SharePoint intranet rollout
OPS	Operation centralisation building
OPS	Collections system
IT	AS/400 upgrade
IT	Network upgrade
IT	New data centres (Prod & DR)
IT	Postilion upgrade
IT	Active directory 2008 implementation
IT	IT security & controls
IT	IT governance (ITIL) - IT implementation phase 1
FIN	Financial dashboards
FIN	INFOR PM budget & forecasting (phase 2)
FIN	Procurement review implementation
FIN	SUN GL v5 implementation
FIN	Reconciliation solution
HR	HR system replacement
C&R	Wholesale Process Modernisation
BCAP	OMS (Share Trading)
BCAP	RIMS (Middle office)
BCAP	Investier (Funds Management)



Operational excellence

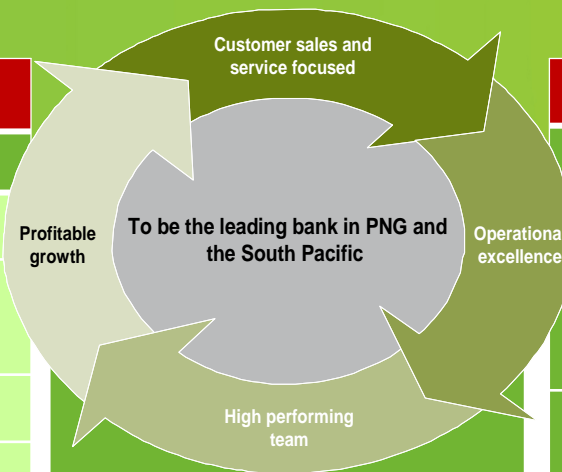
2011 INITIATIVES

SBU	Description
WB	RM support
B	Processes in branches
IT	Branch risk mitigation
IT	IT management facility (NOC)
IT	Project Resourcing
FIN	Investor relations strategy
FIN	Standardised financial performance reporting
C&R	Improved matters tracking record
C&R	Collateral sub-system implementation
C&R	Business Continuity Planning - PNG
C&R	Branch audit program review
C&R	IT audit program review
C&R	Admin audit program review
C&R	Establish compliance office
C&R	Personal loan charge-off
BCAP	POMSOX restructuring

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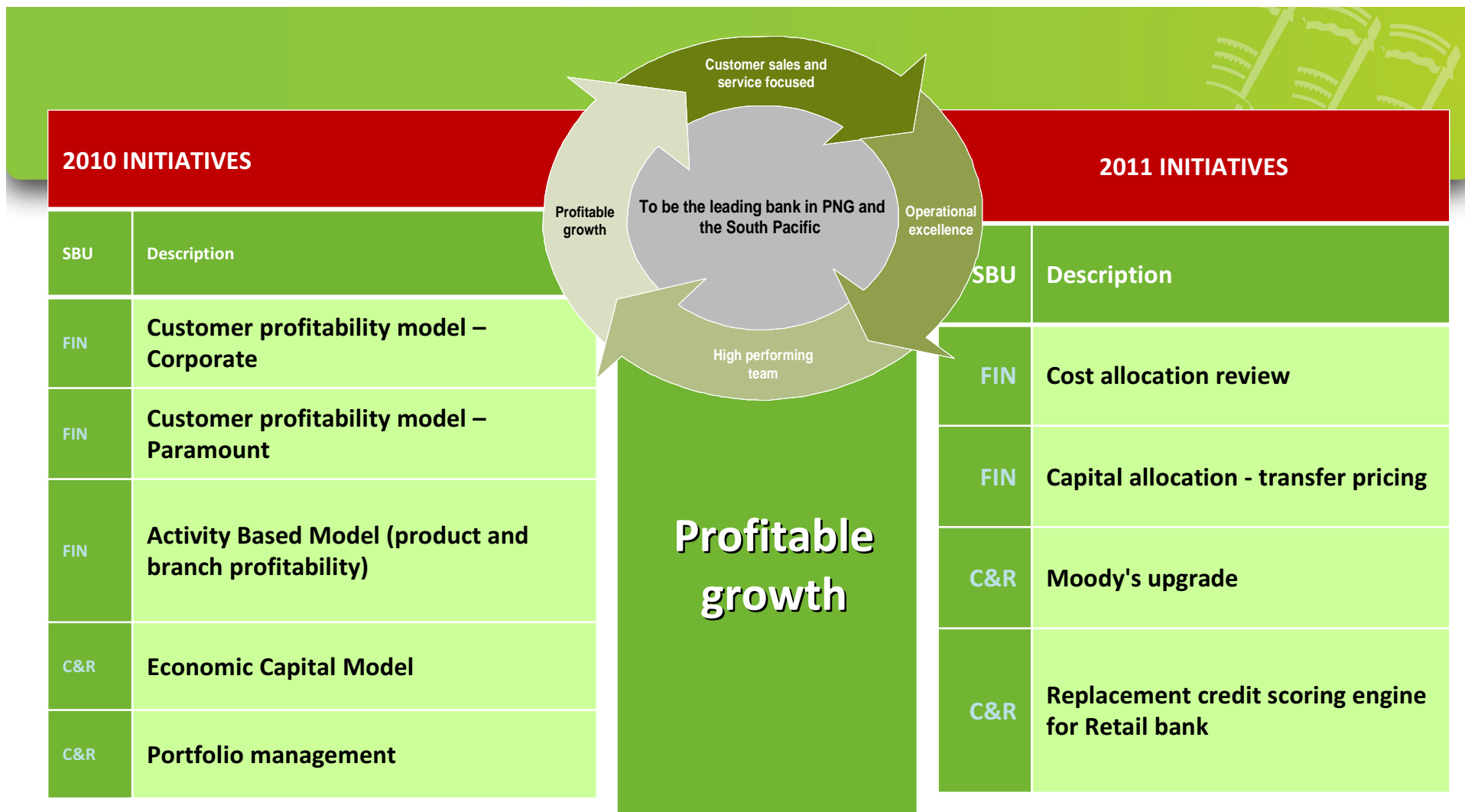
2010 INITIATIVES	
SBU	Description
HR	Deliver account opening training
HR	Deliver product knowledge training
HR	eTraining project
HR	Performance management
HR	Rewards management
HR	Recruitment – BSP First
HR	Recruitment – New branches
HR	Recruitment – BSP Rural



High performing team

2011 INITIATIVES	
SBU	Description
IT	Processes and procedures, training
HR	Annual assessment of product and process knowledge
HR	Change management training (including sales culture)
HR	BSP specialist training program (BSP Academy)
HR	Specialist IT training and assessment
HR	Secondments to overseas banks
HR	Intercompany secondments
HR	Succession planning
HR	Employee satisfaction survey
HR	University program
HR	Develop talent pool
HR	Internal communication
BCAP	NSL Investment Manager

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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

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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 in-sourcing
- Kundupe system enhancements / replacement
- My BSP - SharePoint intranet rollout
- Operation centralisation building
- Collections system

• AS/400 upgrade

• Network upgrade Bank in the South Pacific

• New data centres

(Prod & DR)

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



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
- Open new branches
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- Visa multicurrency travel card
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- Landowner engagement
- Develop financial instruments/products for market need
- Branding + marketing

Modern Best Practice Operations



- IT support
- Processes in branches
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- Project Resourcing
- Investor relations strategy
- Standardised financial performance reporting
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- Collateral sub-system implementation
- Business Continuity Planning - PNG
- Branch audit program review
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- Establish compliance office
- Personal loan charge-off
- POMSOX restructuring

Investment in Performing People



- Processes and procedures, training
- Annual assessment of product and process knowledge
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- BSP specialist training program (BSP Academy)
- Specialist IT training and assessment
- Secondments to overseas banks
- Intercompany secondments
- Succession planning
- Employee satisfaction survey
- University program
- Develop talent pool
- Internal communication
- NSL Investment Manager

Growth Based on Profitability



- Cost allocation review
- Capital allocation - transfer pricing
- Moody's upgrade
- Replacement credit scoring engine for Retail bank

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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”

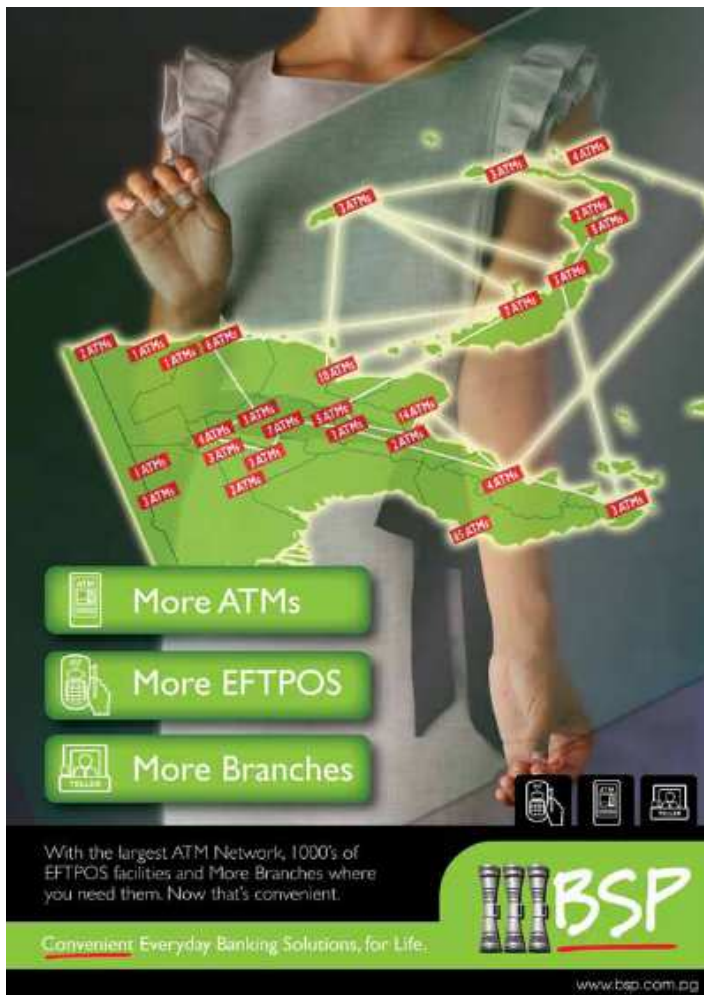
- An enormous amount of work has been carried out by each BSP business unit in 2011, but even more needs to be delivered in 2012, in terms of timely execution & delivery of projects, commitment & accountability.
- All Commercial Businesses need to continue to focus on New Business Generation in 2012.

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Business strategy: Retail Banking

- BSP's Retail Business Strategy is now "Electronic TRANSACTION Focused".



With the largest ATM Network, 1000's of EFTPOS facilities and More Branches where you need them. Now that's convenient.

Convenient Everyday Banking Solutions, for Life.

BSP
www.bsp.com.pg

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Retail banking strategy: customer segmentation

Segmentation - Retail

Branding

BSP First

Invitation
only

High Value
Segment

BSP First
Potential

Inflow account >K 30.000
Total assets >K 500.000

BSP Priority

Upscale

Youth &
Students

Core Customer
Segment

Inflow account >K 10.000
Total assets >K 20.000

BSP Kundu
BSP Rural

'Smart' Banking/Light Mass

Cost Control
Segment



Retail strategy: Mass market / BSP Rural

- BSP's Retail has a “transaction focused” business model
- Kundu Card is the “Key” banking access method.



Now YOU can bank at BSP Rural

RETAIL CUSTOMER			
	2010	2011	2012
PNG	600,000	800,000+	1,000,000+
FIJI	150,000	200,000+	250,000+
S.I	50,000	75,000+	85,000+

“1.4 million Retail Customers by Year end 2012”

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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



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Retail strategy: Client access/electronic banking

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

Electronic Banking Service 2011				
	ATM's	EFTPOS	BSP RURAL	CASH AGENT
PNG	224	4,800+	14	10
FIJI	100	600+	-	-
S.I	17	40+	-	-



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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).
- New GM Network Ged Allen commenced in April 2011.
- 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.

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Retail & Branch strategy: Branch service upgrade



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”

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Retail & Branch strategy: Branch service upgrade

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”.

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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).**

Branch strategy

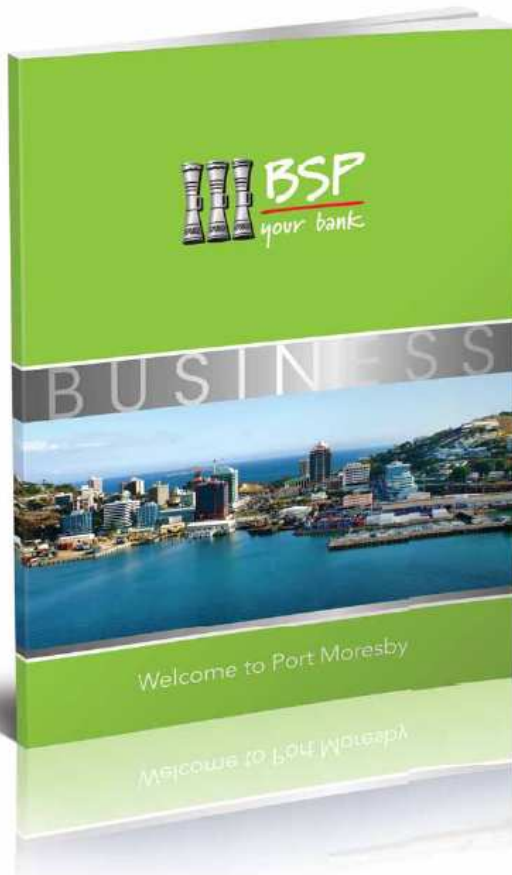
“Our Retail Service Modernization Strategy is a multi year investment in processes, systems, people and premises”.

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Business strategy: Corporate Banking

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



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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

High Value Segment

Mix of existing and potential

Core Customer
Segment

Cost Control
Segment



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.**

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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”

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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

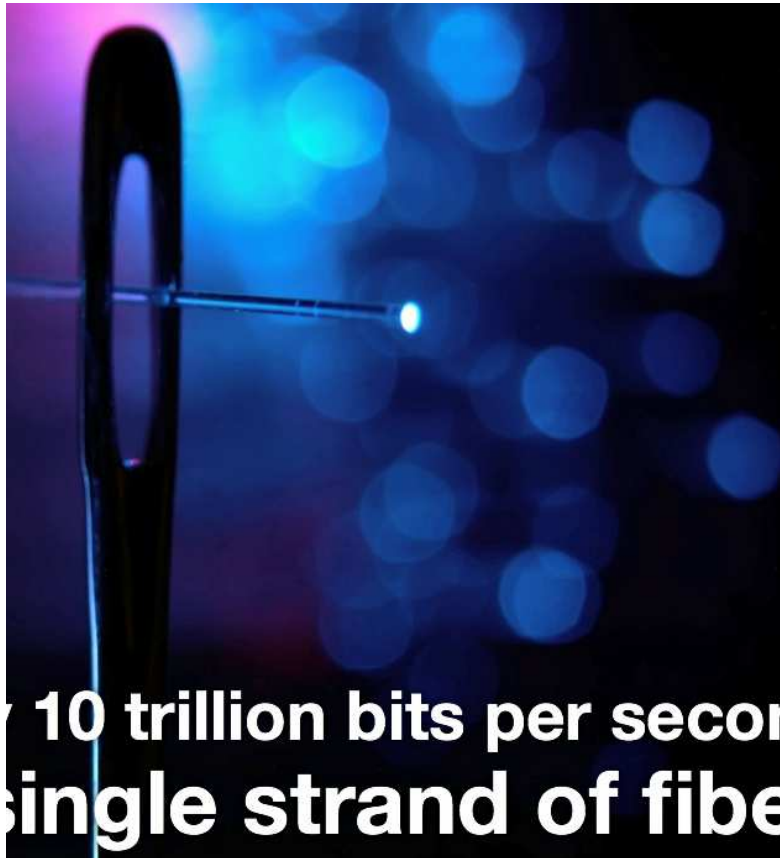
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Business strategy: Paramount Banking

- 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



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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.**

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Other support business strategies



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

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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.

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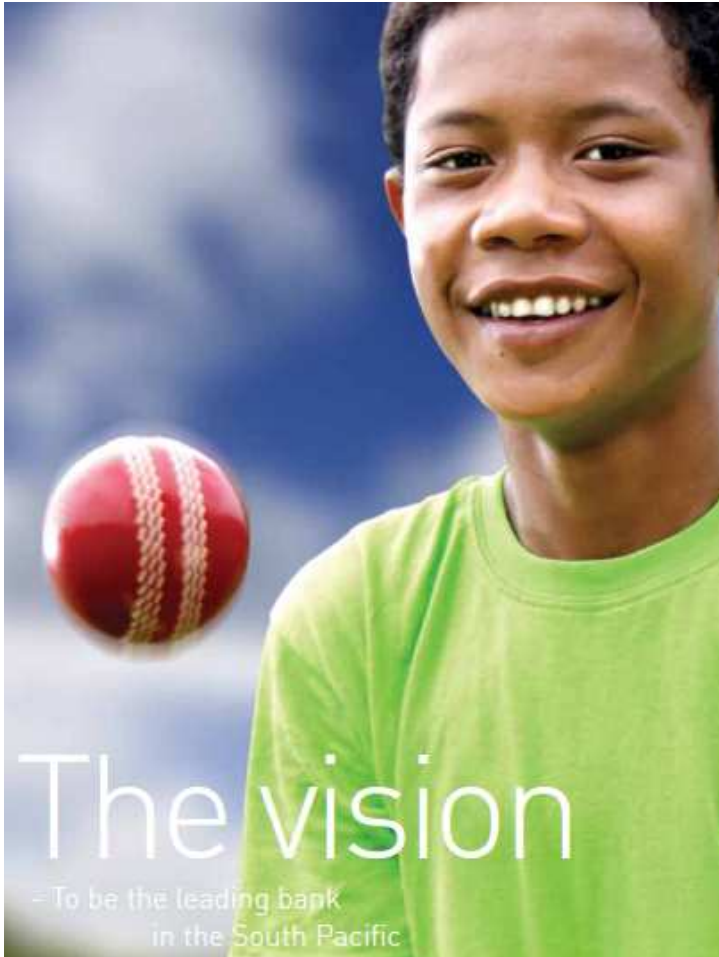
Other support business strategies

- **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



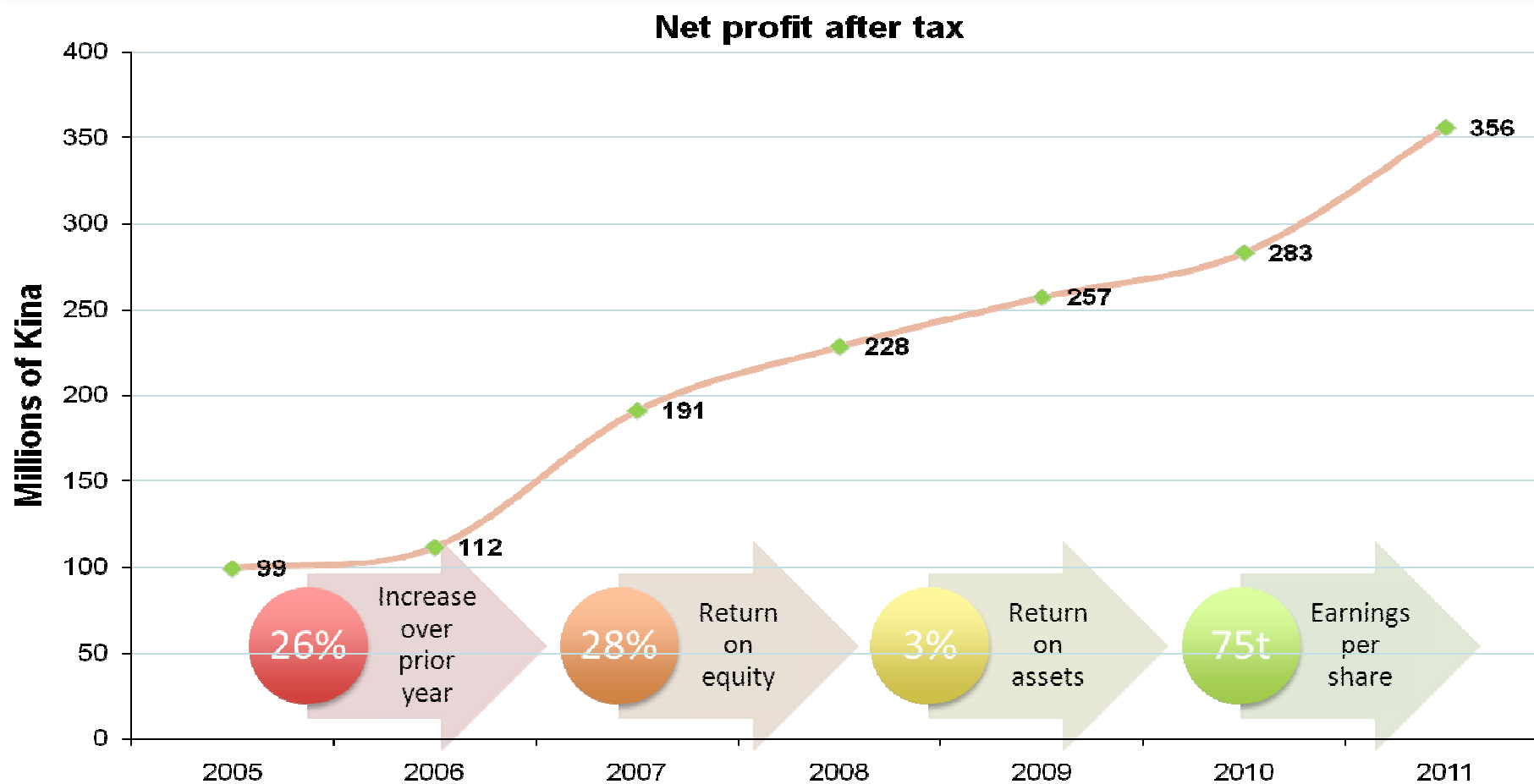
Group Profit Before Tax



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Group Profit After Tax



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Group Profit & Loss Trends

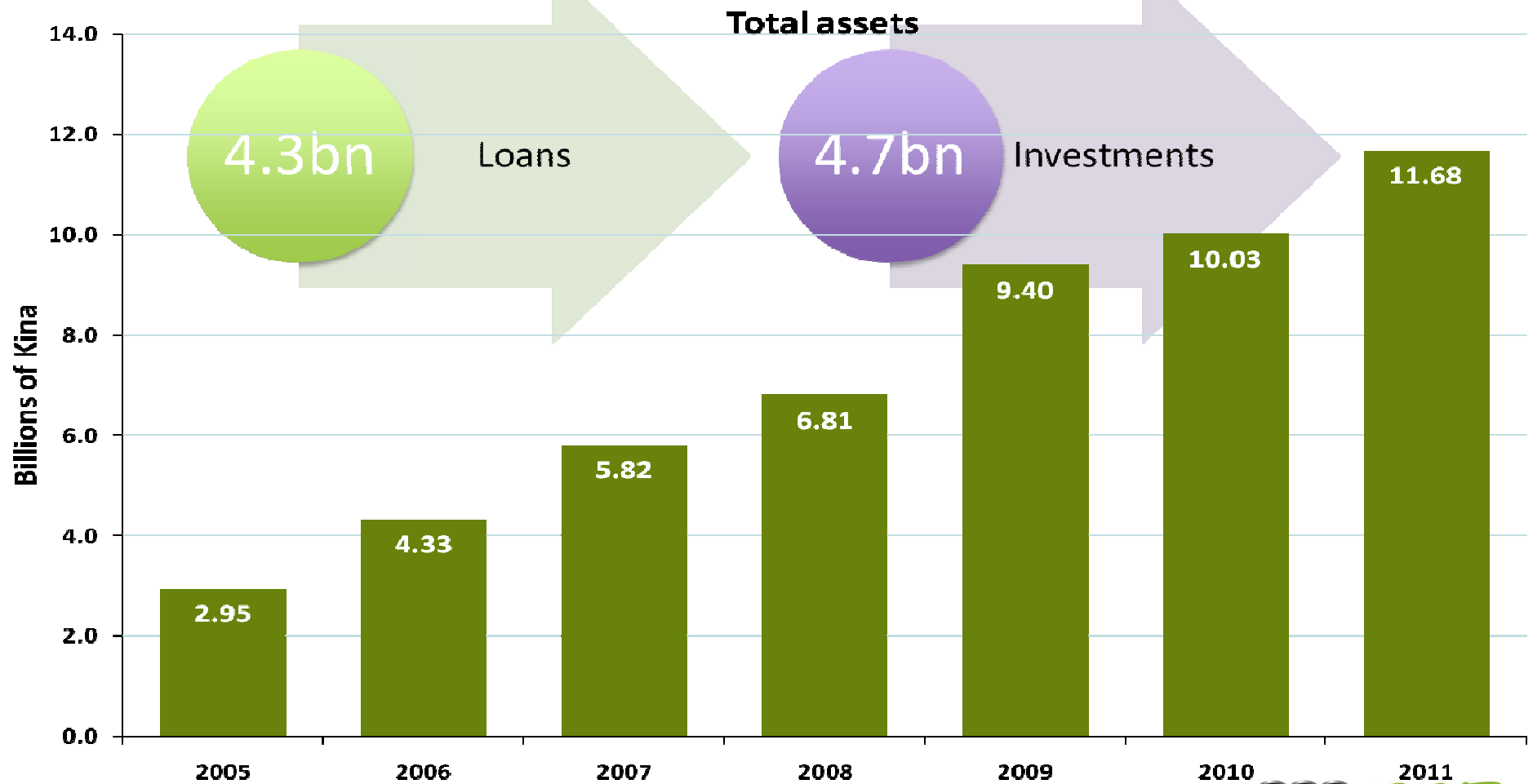
PROFIT & LOSS TREND ANALYSIS

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

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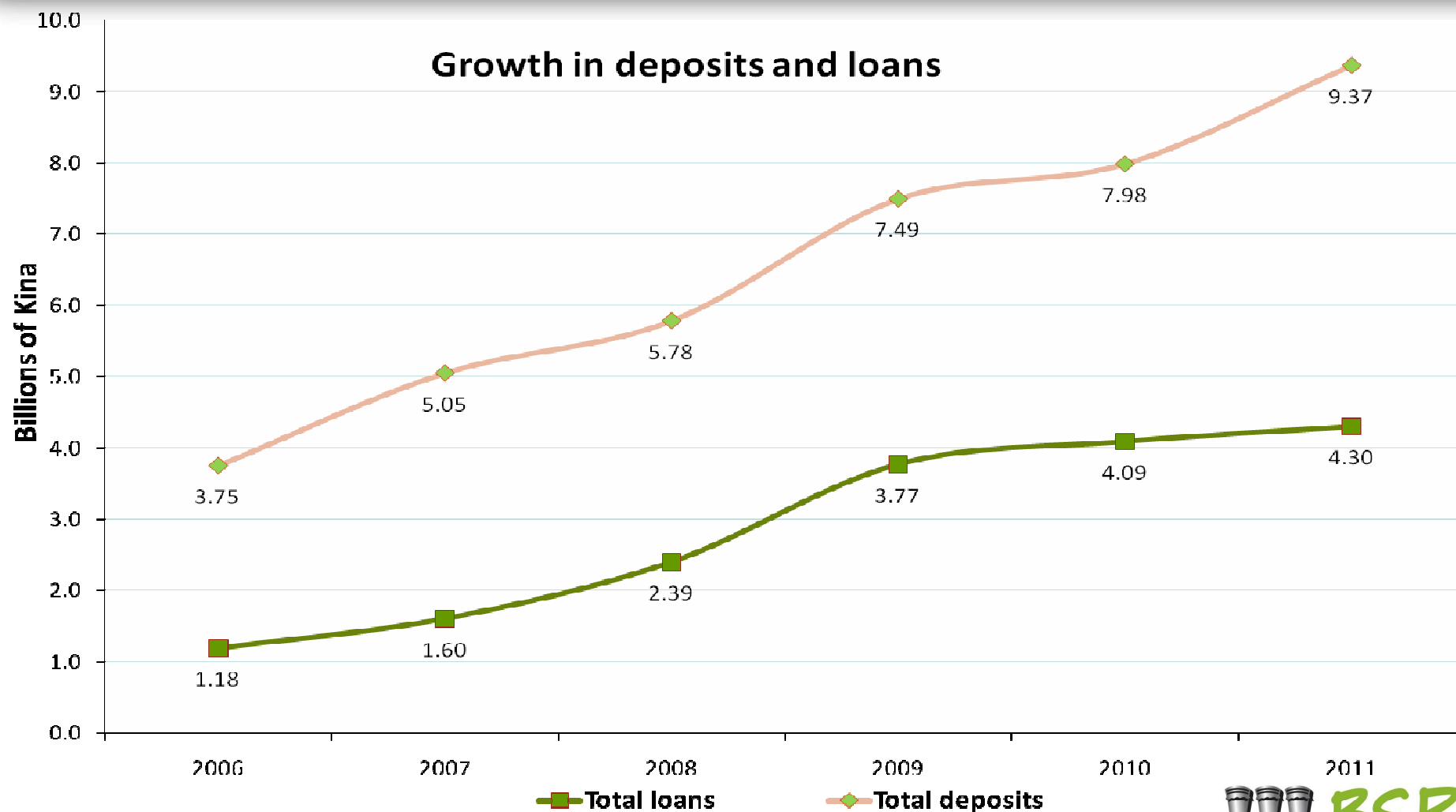
Group Total Assets



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Group Deposits & Loans



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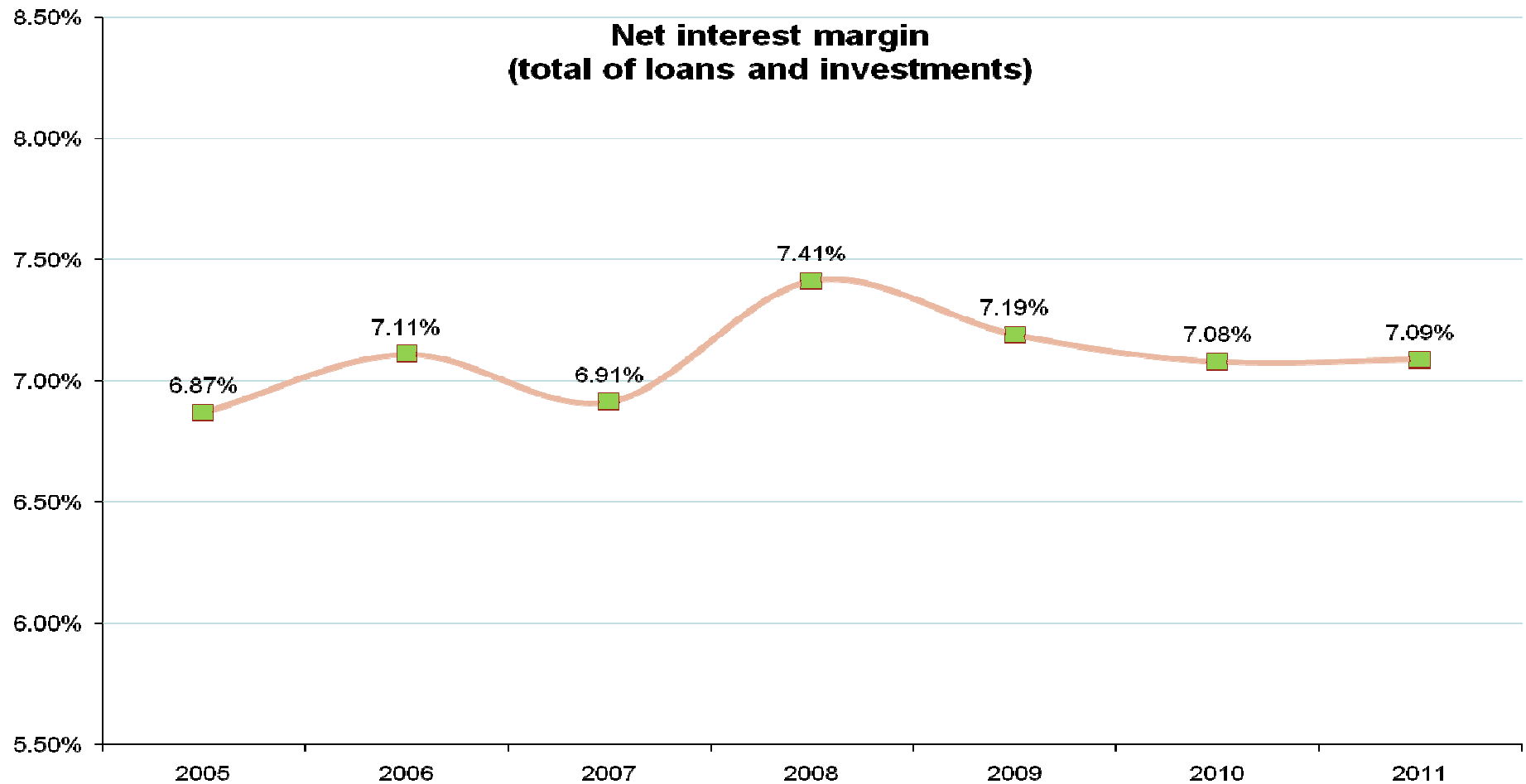
Group Balance Sheet Trends

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

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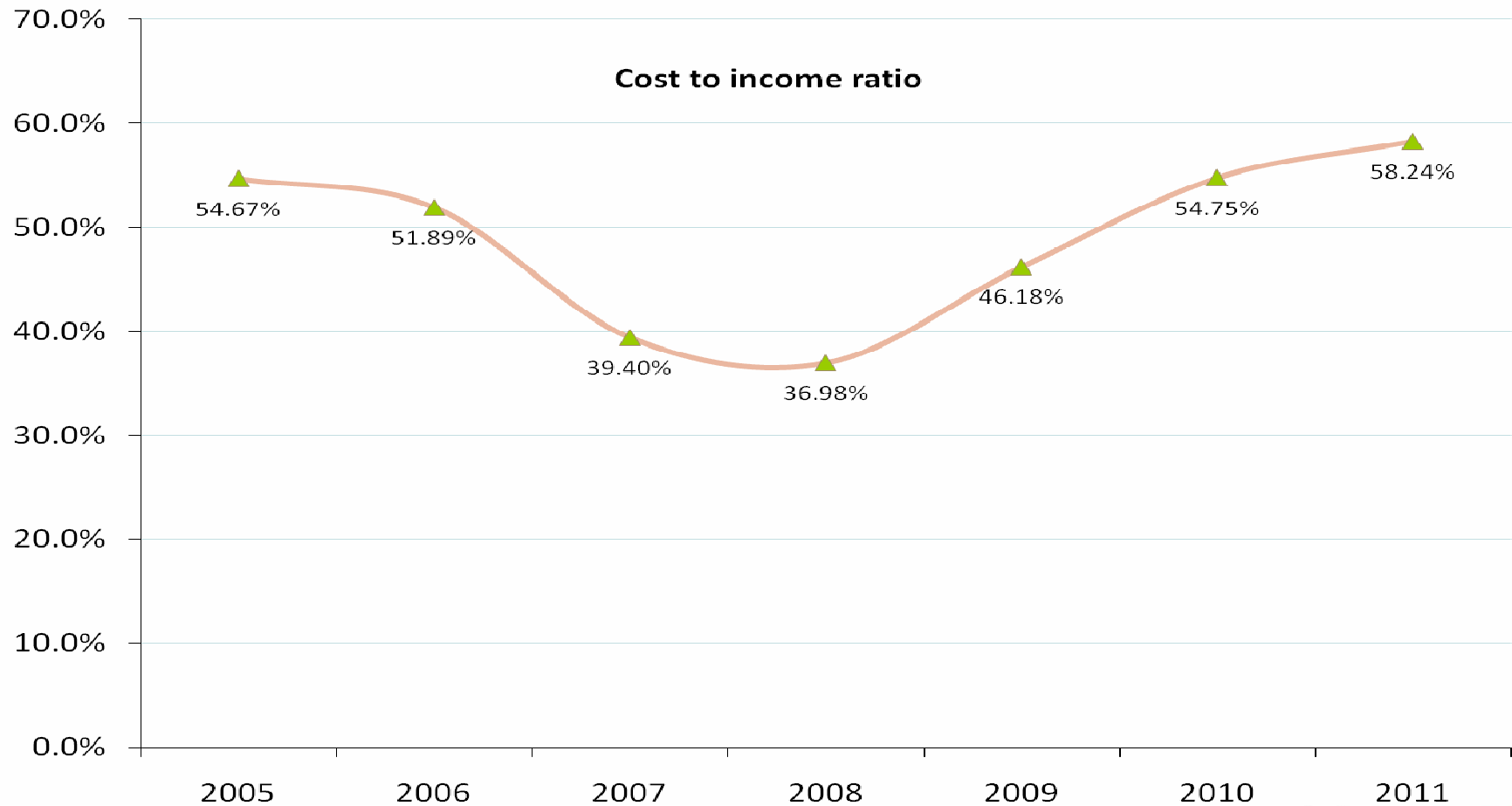
Group Net Interest Margin



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Group Cost to Income Ratio



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Group Cost to Income Ratio

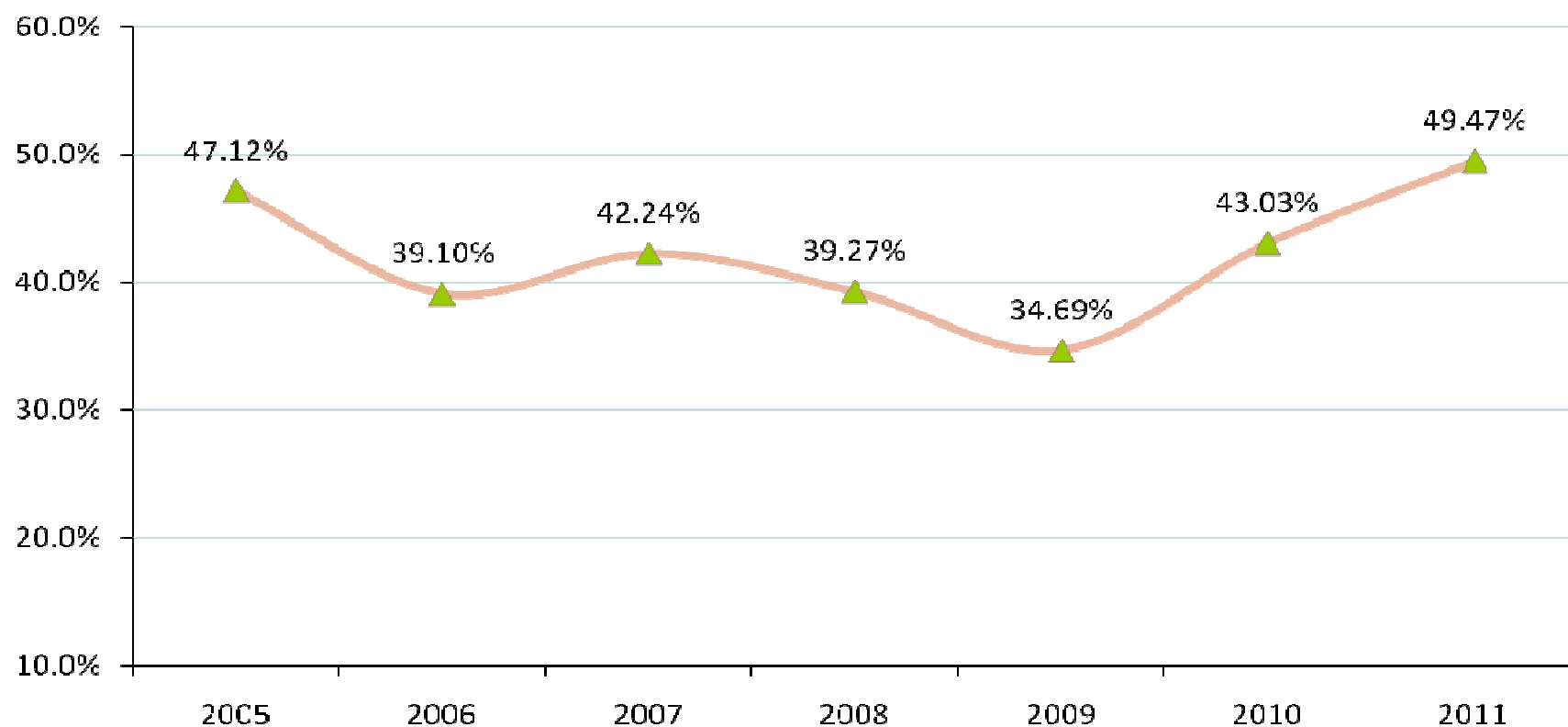
- The cost to income ratio is within the 50-60% range of the Australian regional banks
- It is equal to or better than small Asian regional banks, and similar banks in Africa and the Caribbean.
- The cost to income ratio could be lower:
 - By 5-6% if rates on non-lending investments had remained at 2009 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.

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Group Non-Interest Income

Non-interest income to total income



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BSP PNG Operating Non Lending Losses

- Non Lending Loss
Trends 2009 - 2011

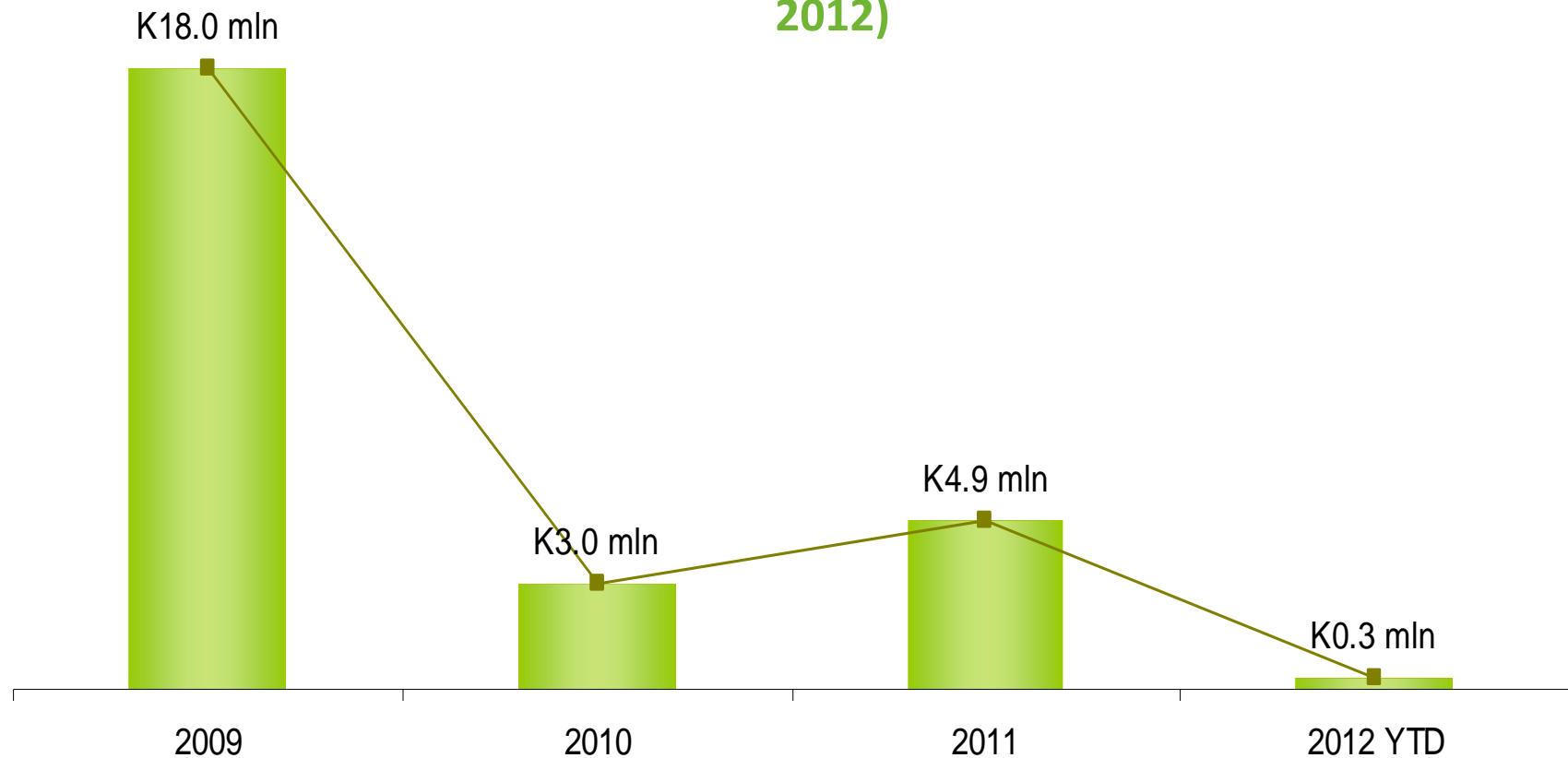
Nadi Floods, Fiji, Mar 2012

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BSP PNG Operating Non Lending Losses

BSP PNG Operating Non Lending Loss Trend (2009 to 2012)



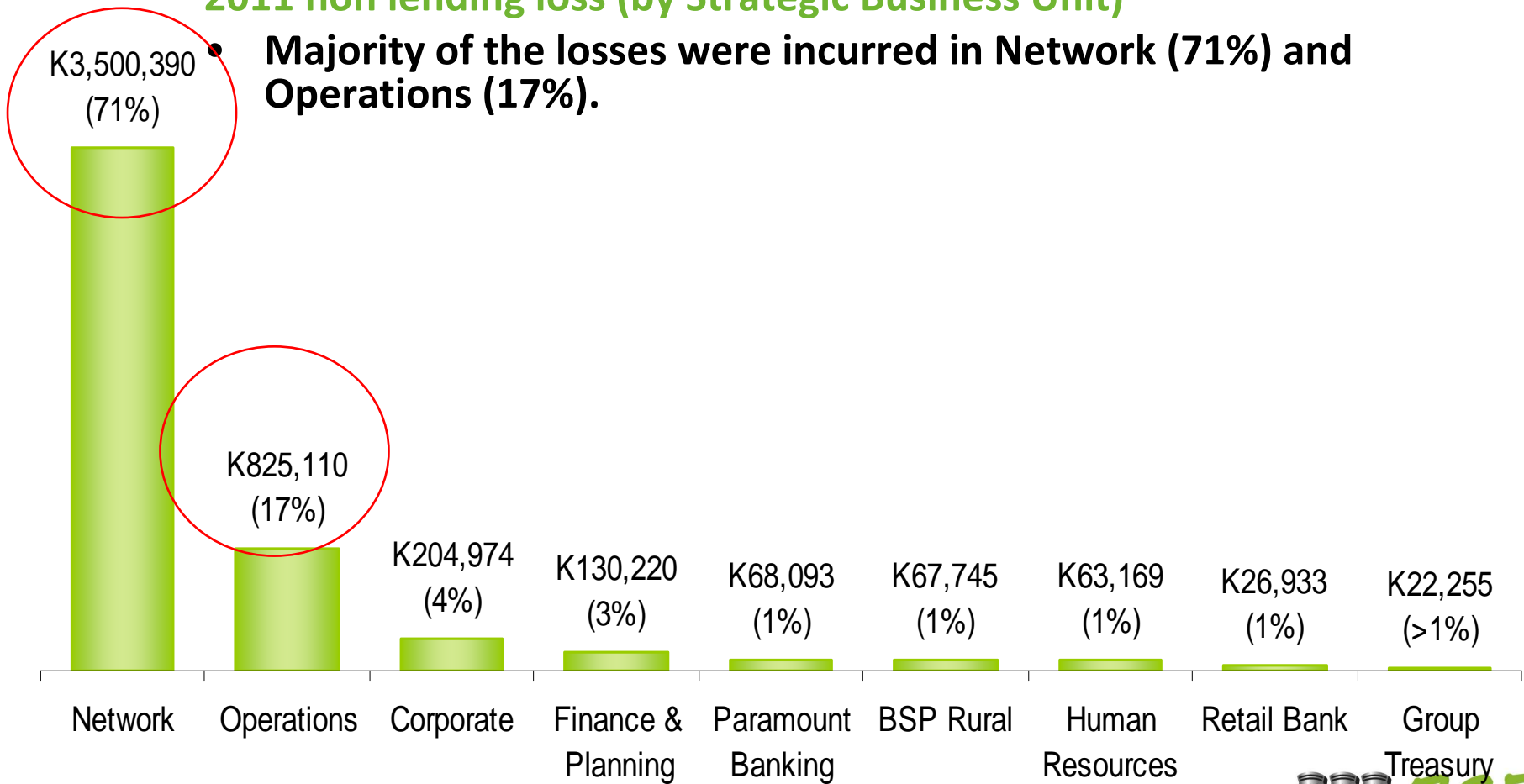
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BSP PNG Operating Non Lending Losses

2011 non lending loss (by Strategic Business Unit)

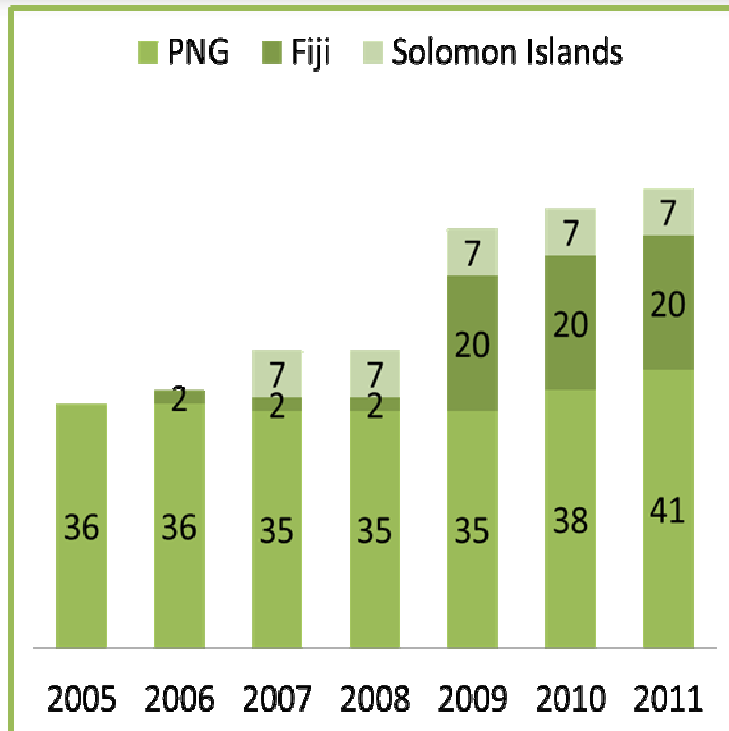
- Majority of the losses were incurred in Network (71%) and Operations (17%).



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Branches and ATMs

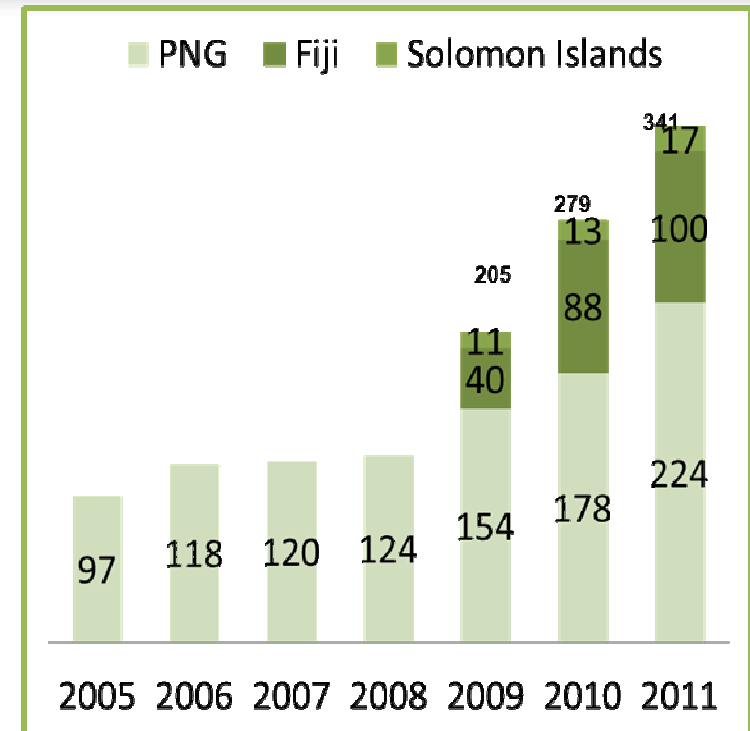
69 branches



- 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

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341 ATMs



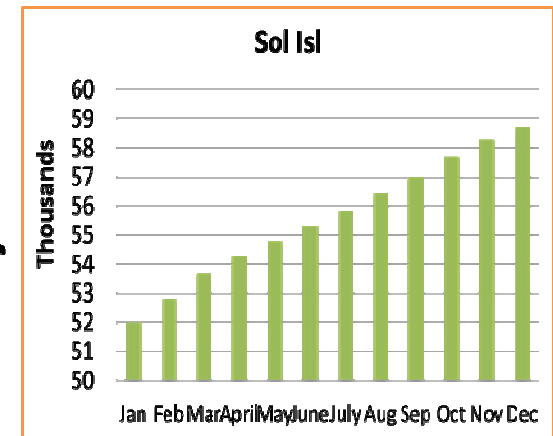
- The ATM roll out is continually reviewed
- Top ups now includes Easi-Pay in PNG
- Deposit ATMs are part of the future strategy



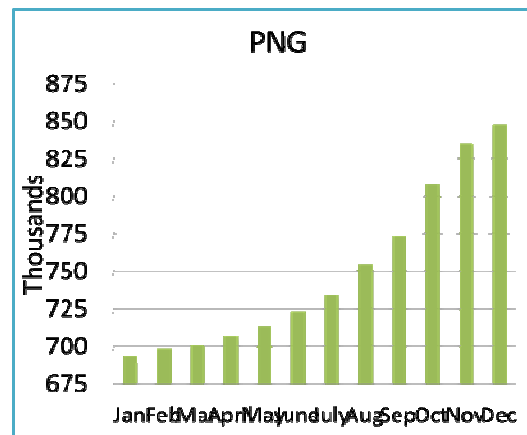
Customers

- 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

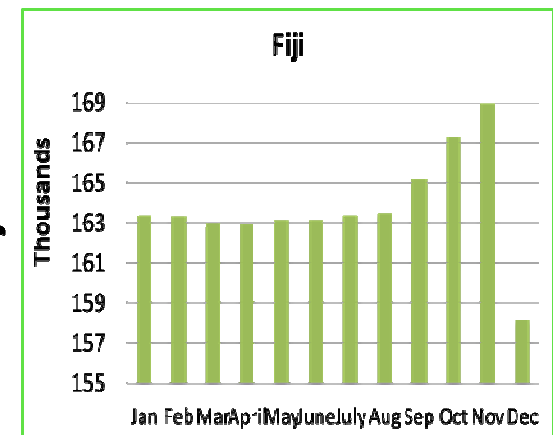
58,716



847,848

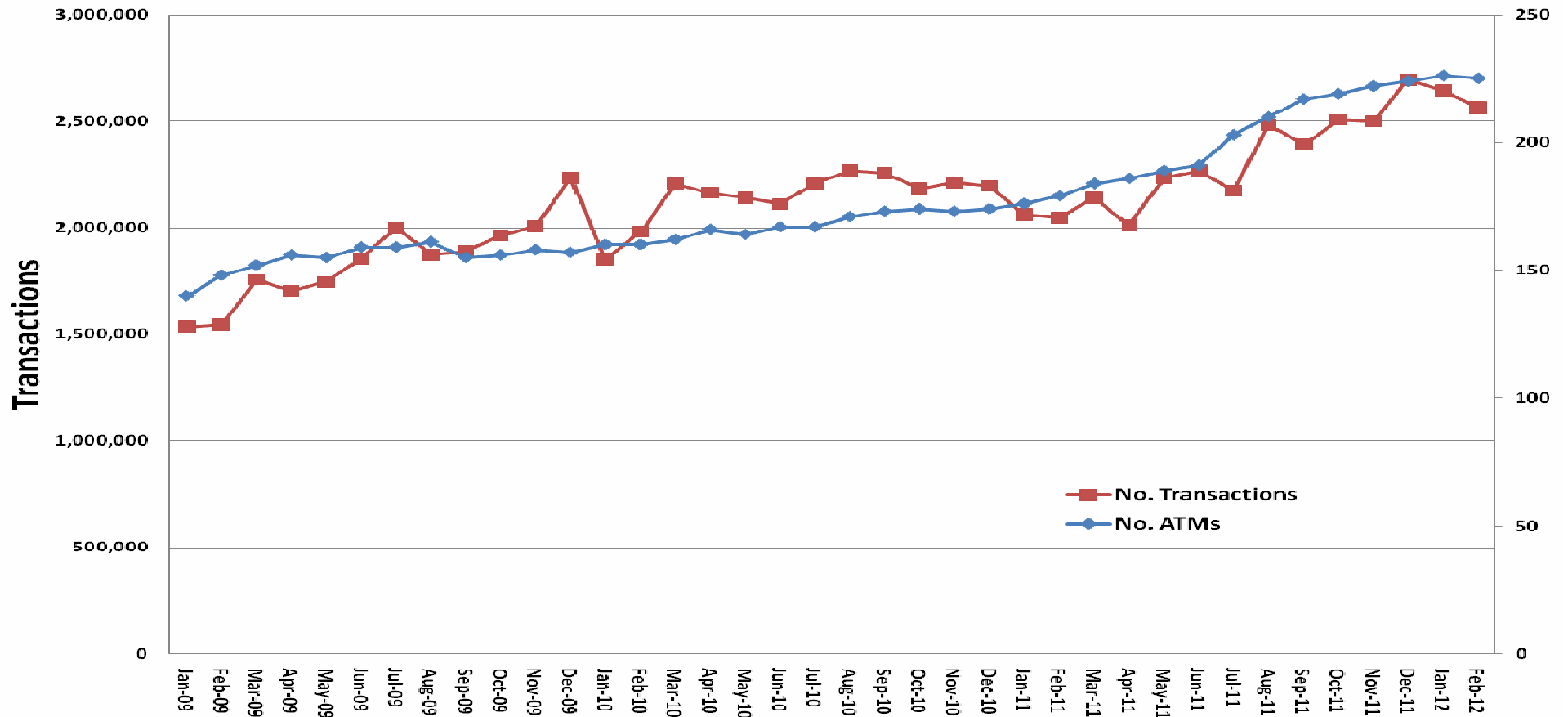


158,139



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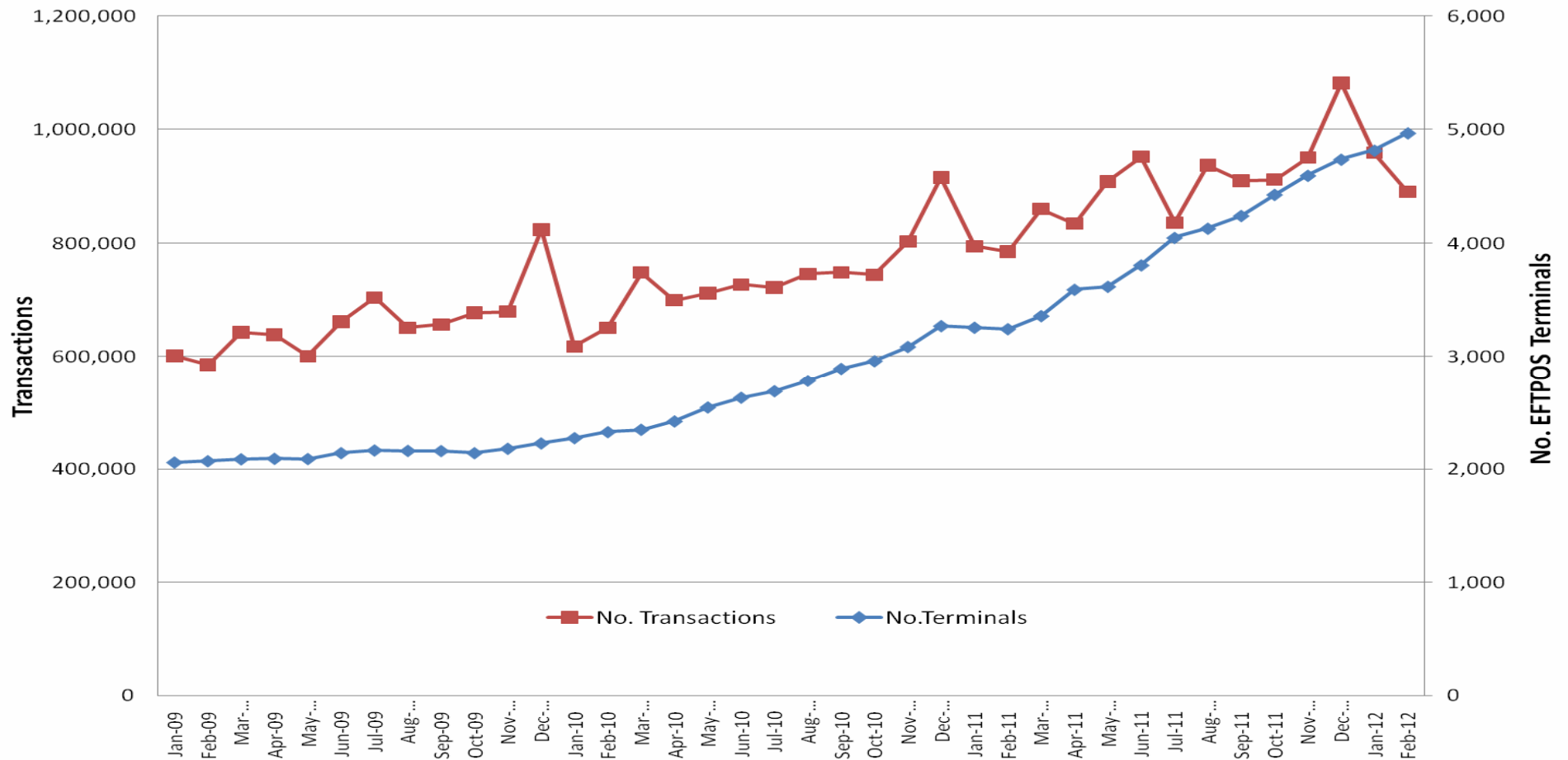
PNG ATM Growth 2009 to 2012



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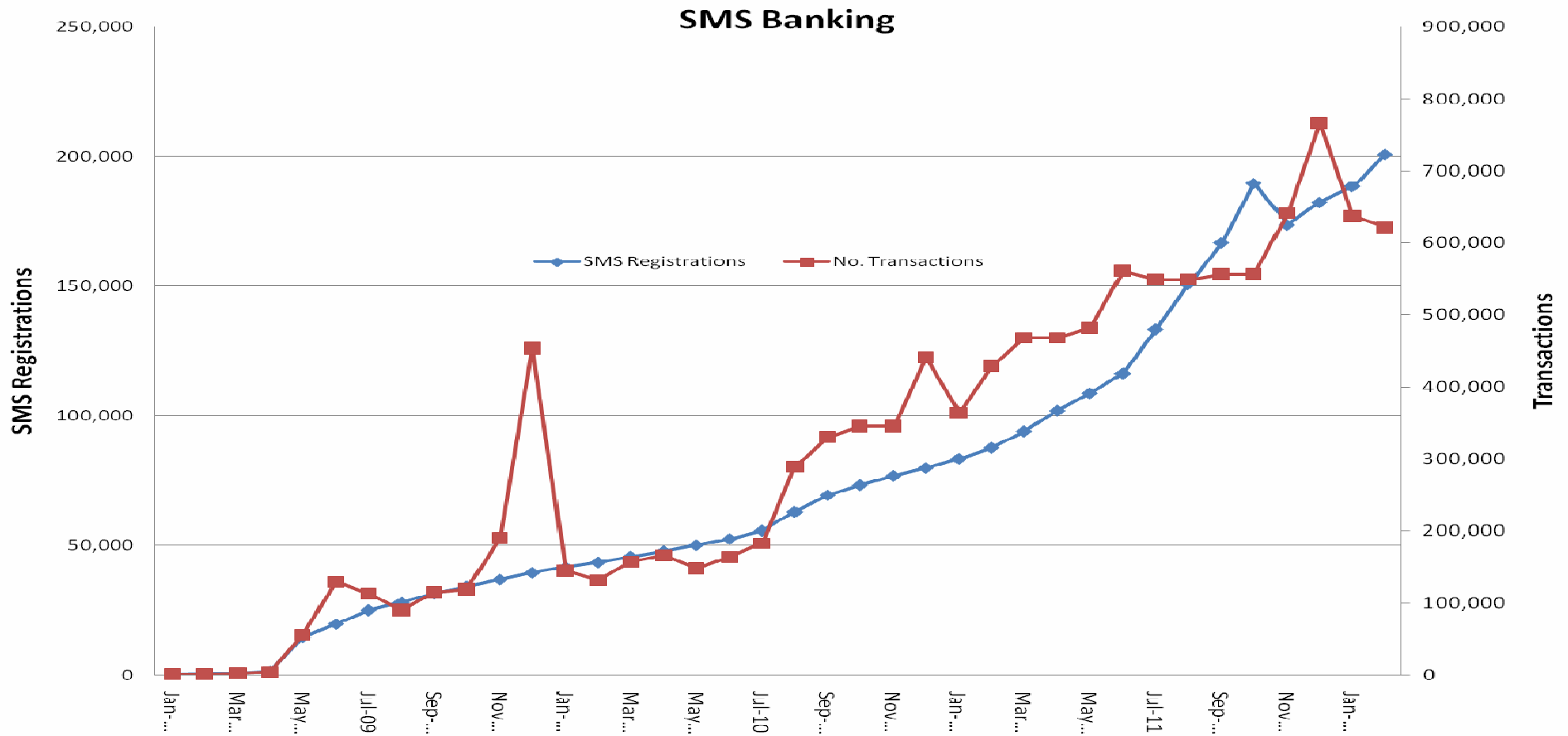
PNG Eftpos Growth 2009 to 2012



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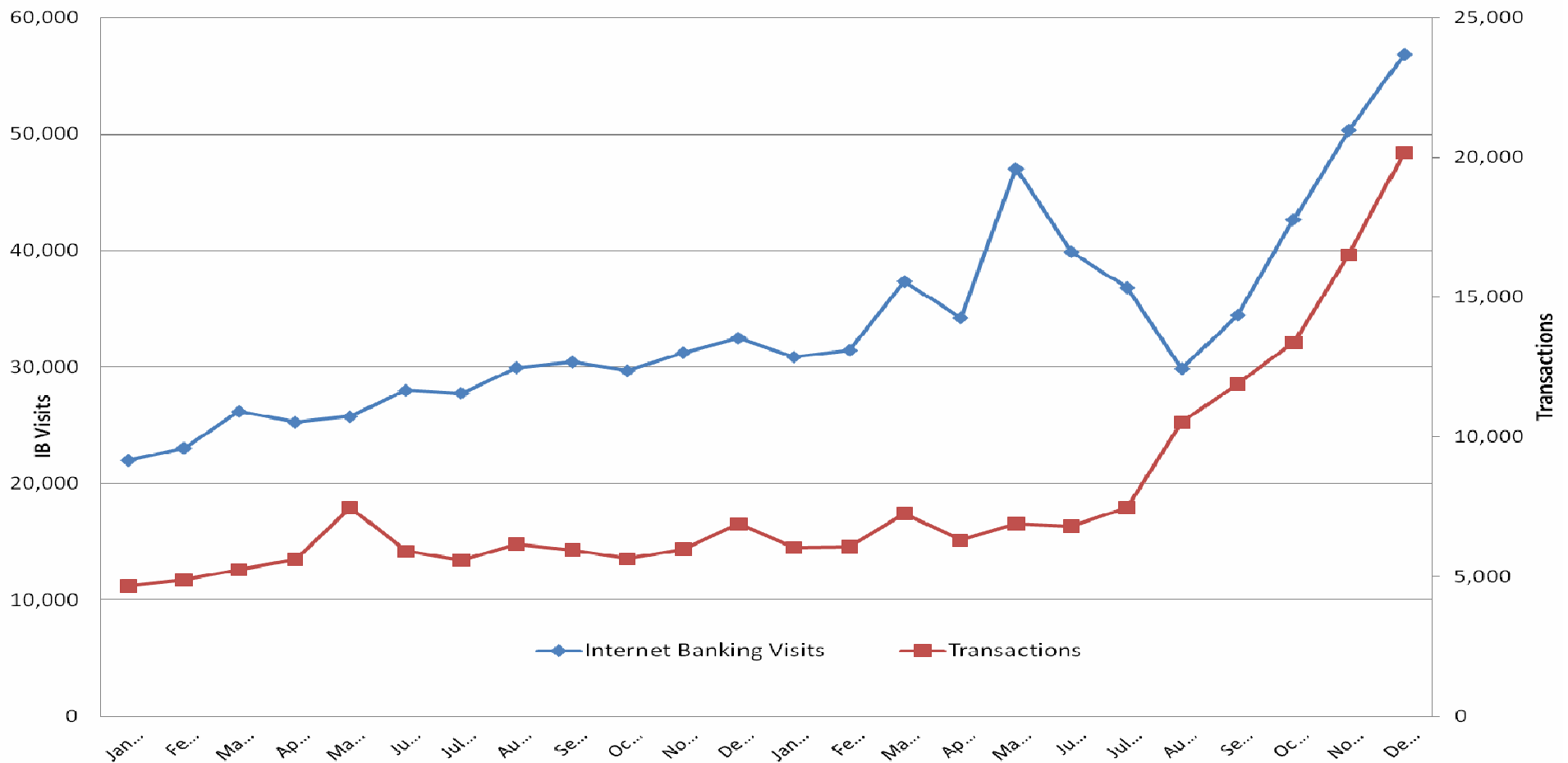


PNG Mobile Banking Growth 2009 to 2012



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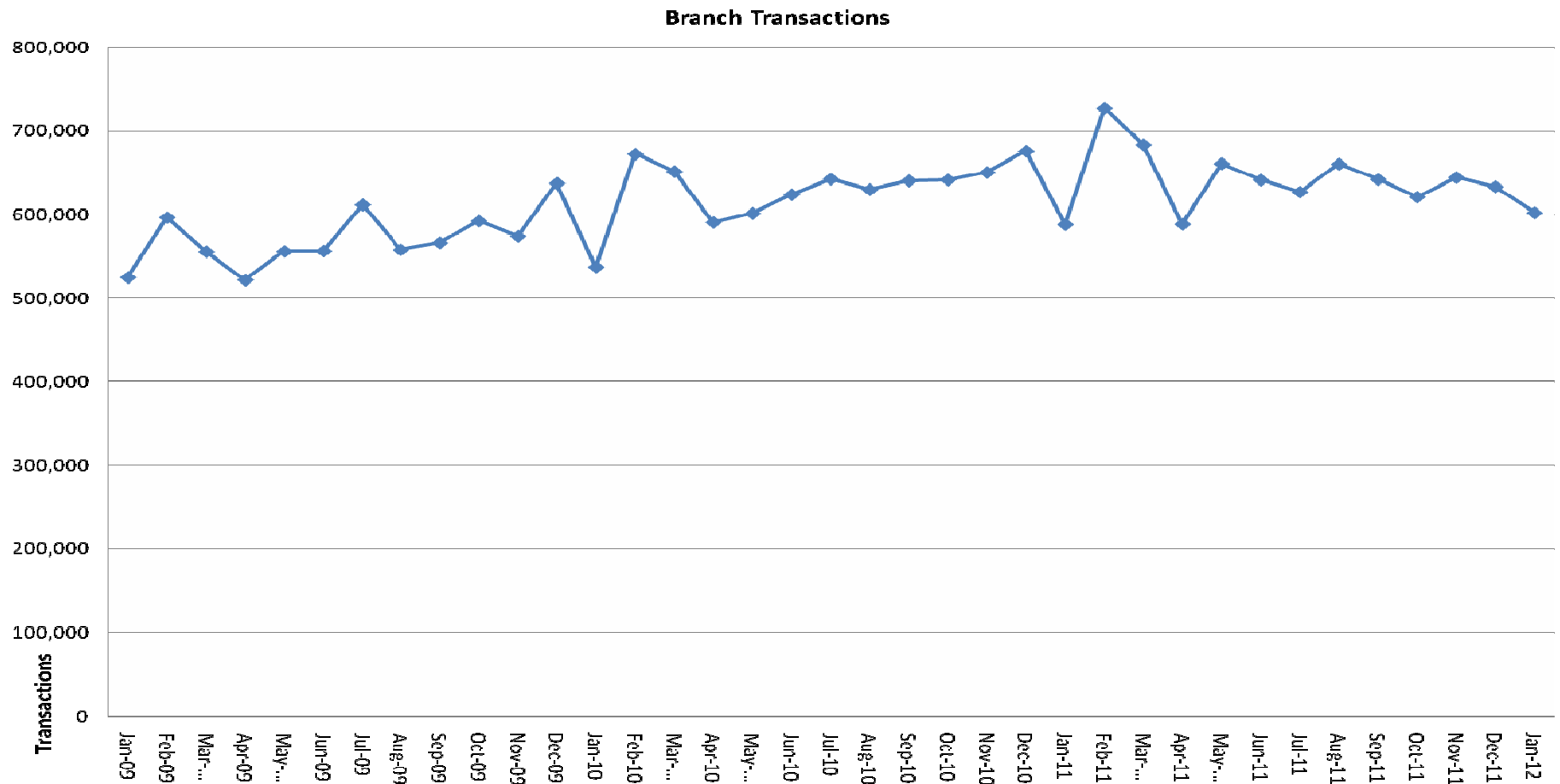
Internet Banking Growth 2009 to 2012



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Branch Transactions - Stable 2009 to 2012



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Account Growth 2009 to 2012



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customer **first**

- ① **“Transformation”** of our processes, systems, procedures, training will continue.....
- ① However our “main focus” from 2012 & beyond will be on **“significantly”** improving our Customer Service Quality.
- ① BSP Needs **“more”** new customers
- ① Need to sell more **“Products & Services”**
- ① Must continue to **“grow”** our Income, FX & Fees
- ① Our new projects **“must deliver”** efficiency gains & **“real”** cost reductions.

customer **first**

- ① We must serve our existing customers Better.

“More Efficiently, more Effectively & more Friendly”

- ① BSP “without doubt” is the Leading Bank in PNG & the South Pacific.
- ① More Branches, More Agencies, More ATM’s & EFTPOS.
- ① More Staff in our branches than our competition.
- ① More Income, means More Profit, More Dividends.

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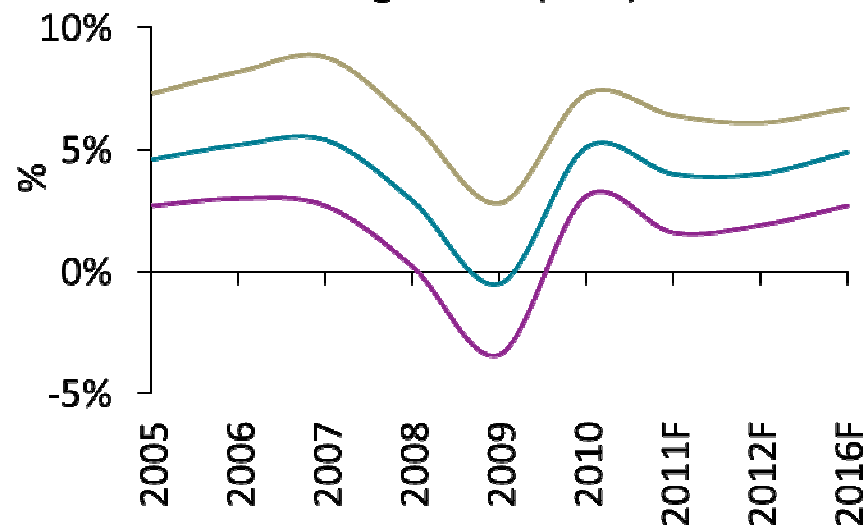


Economic Outlook

Economic outlook – Global




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%

IMF - Global GDP growth (real)



— Emerging and developing economies
— Advanced economies

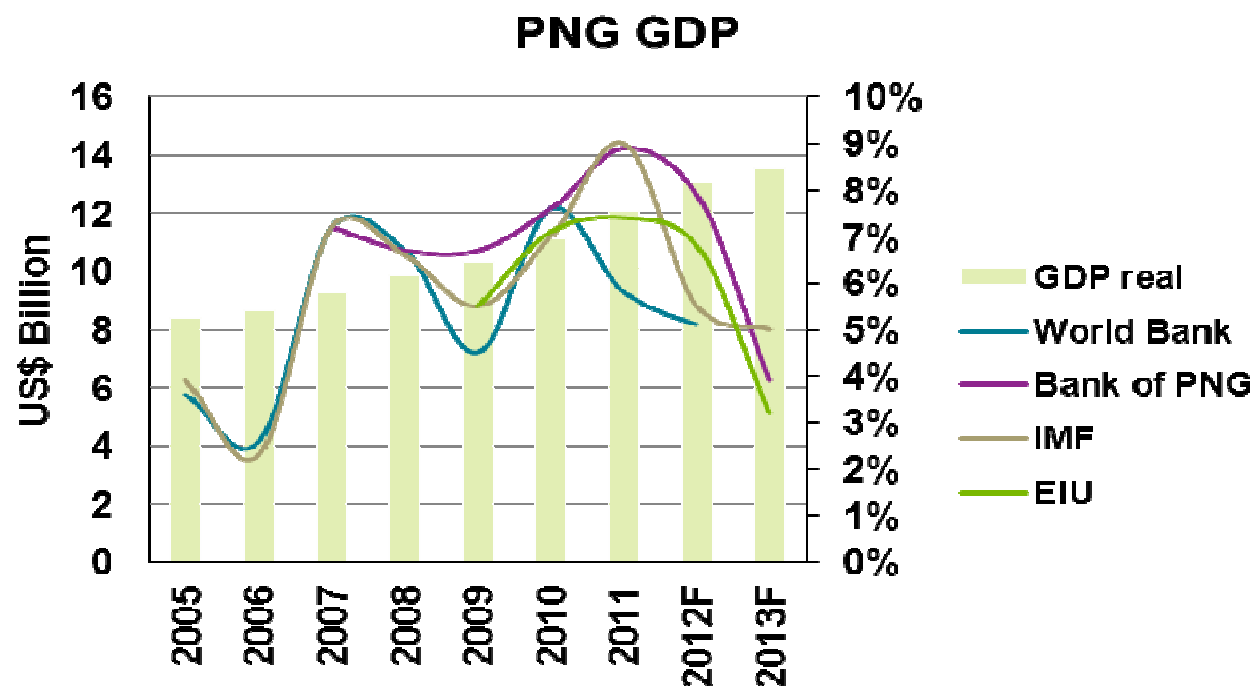
GLOBAL ECONOMIC OUTLOOK

Agency	2011	2012
 International Monetary Fund	4.4%	4.5%
 OECD	2.3%	2.8%
Economist Intelligence Unit	4.3%	4.2%
 The World Bank	3.3%	3.6%

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Economic outlook - PNG

- 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.



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LNG's impact on PNG economic Growth



ACIL Tasm an estimates that the PNG LNG project will:

- Deliver real GDP growth of **96.6%** (short run impact – 0 to 5 years)
- Deliver real GDP growth of **99.1%** (long run impact – 5 to 10 years)

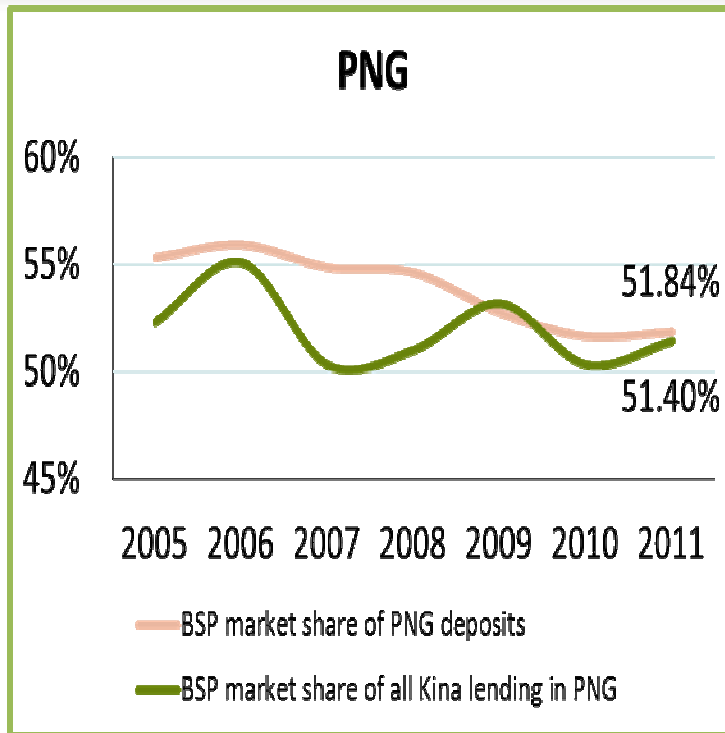


Market Share

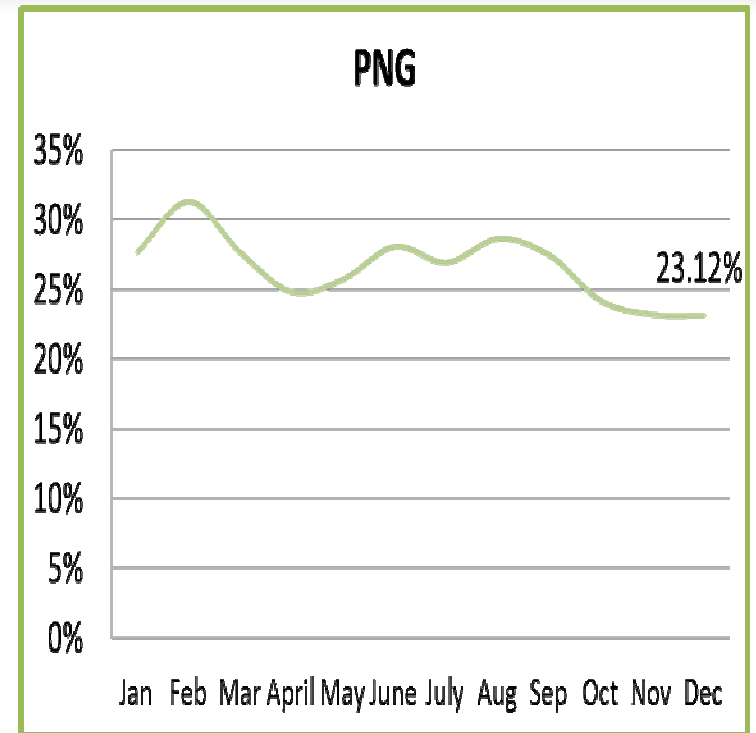


Market Share

> 50% loans, deposits



< 25% FX volume

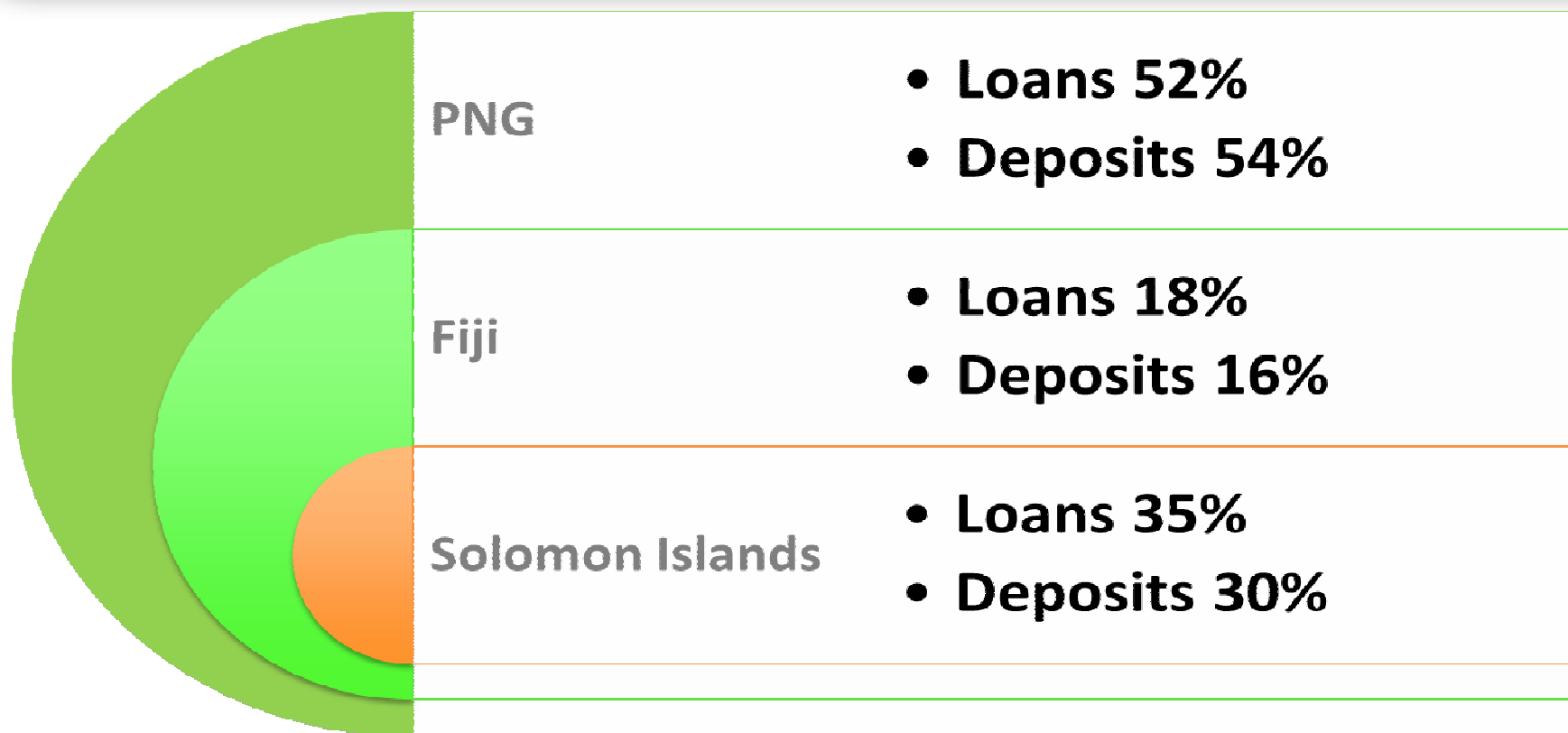


In the biggest market:

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

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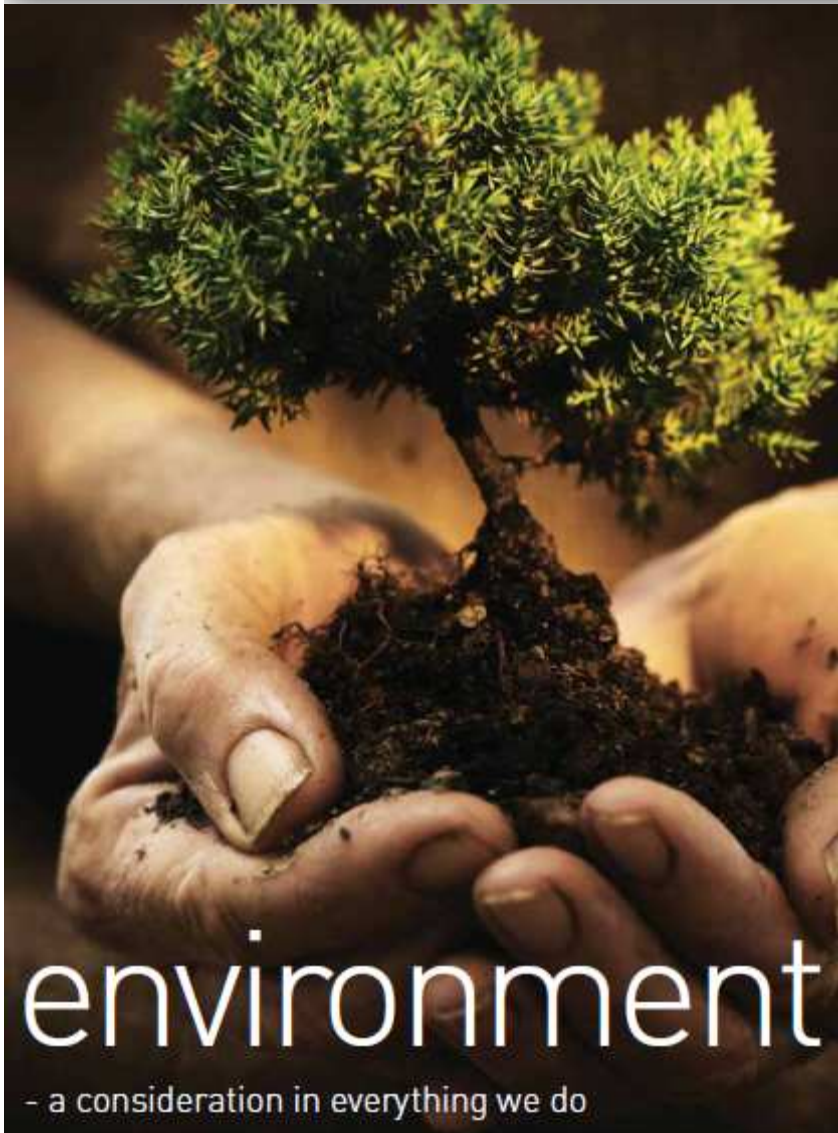
Pacific Market Share



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

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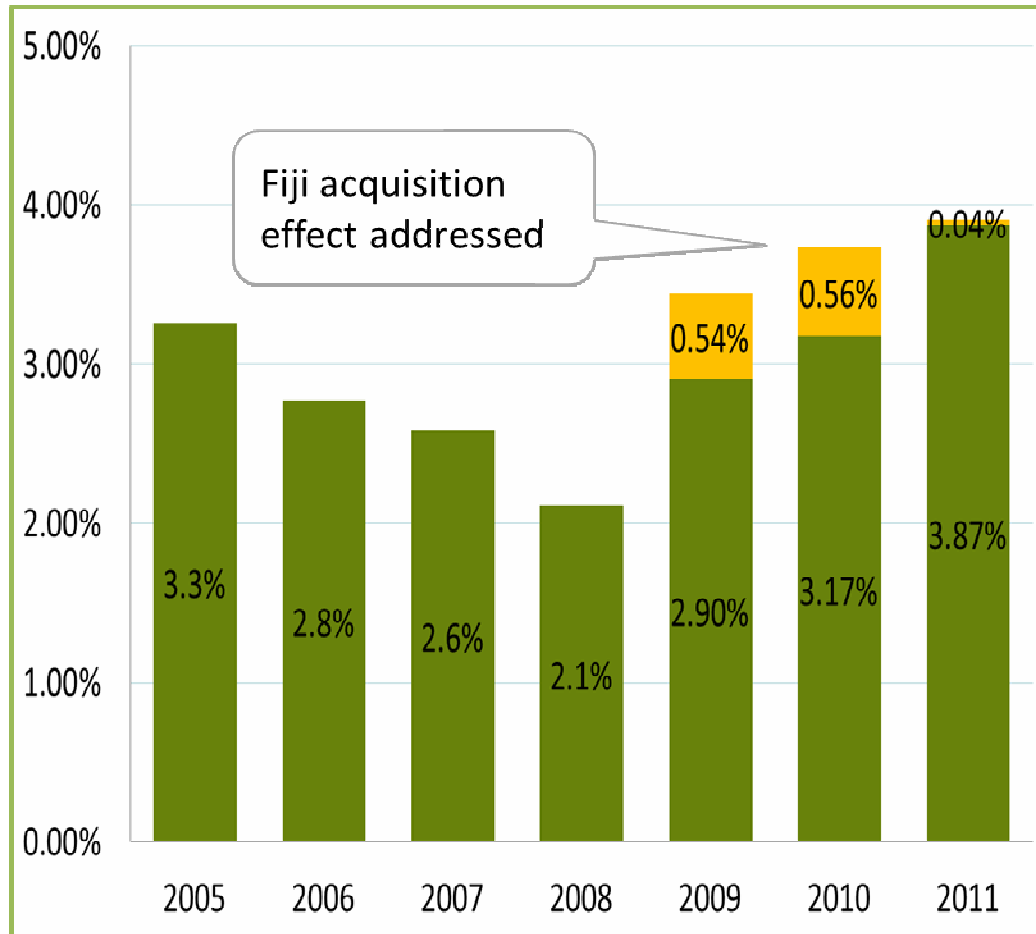


Credit Quality



Credit Quality

Provision to Loans

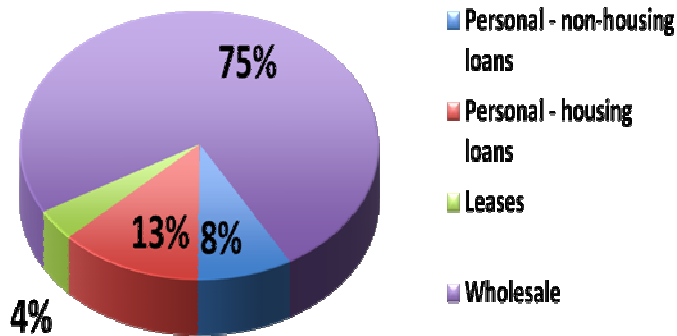


- Total 3.91% remains relatively stable
- Fiji effect has been largely addressed
- Trend reflects loan portfolio trend and evolving risk profile in a growth region

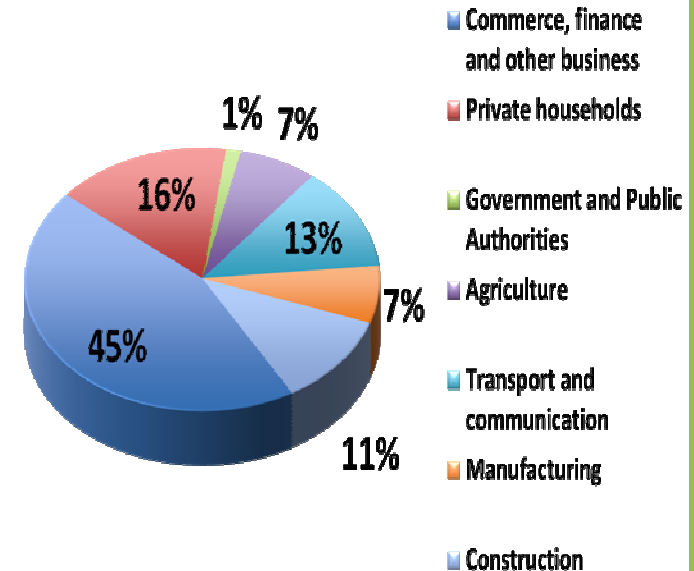
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Credit Quality

Lending by Type



Sector Spread



- 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

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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

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Overview of 2011 Results

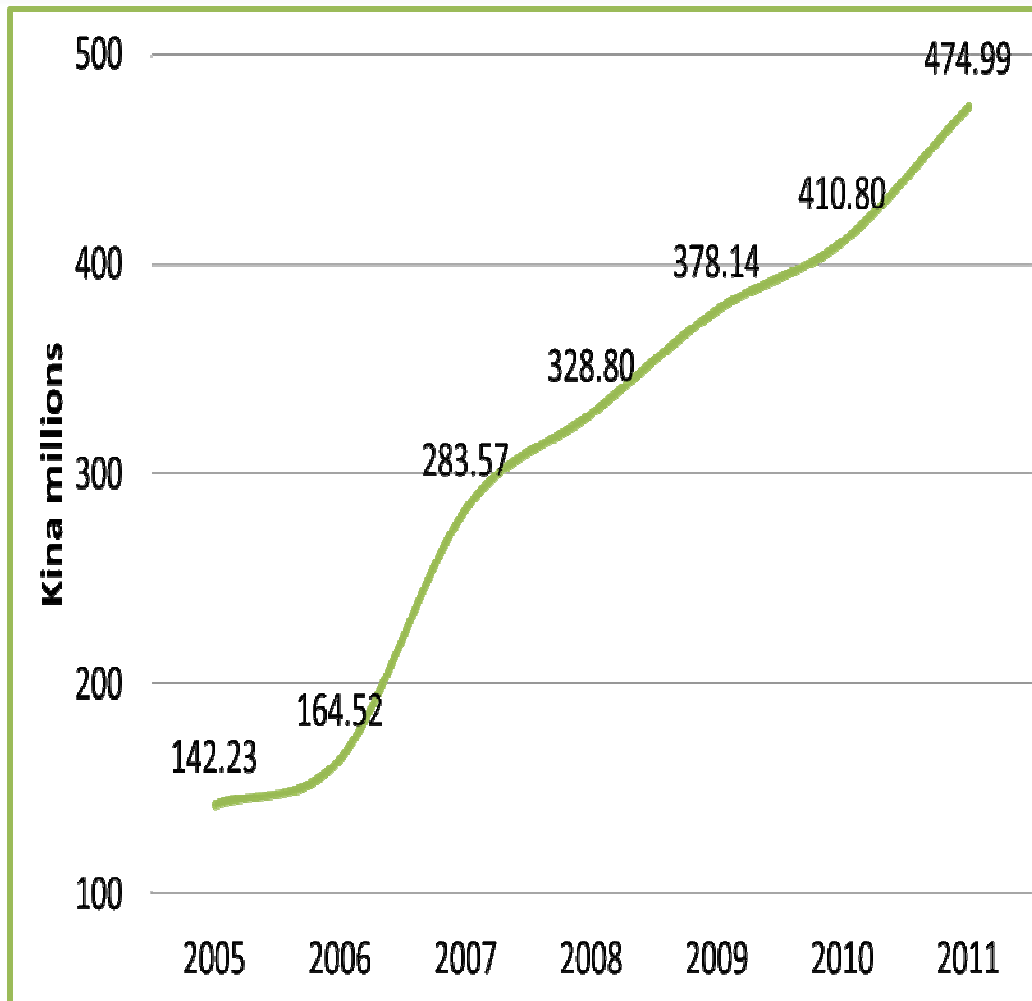
	2010	2011	Growth 2011 vs. 2010
Profit after tax	K 283.1m	K 355.9m	25.7%
Revenue	K 954.9m	K 1,182.3m	23.8%
Expenses	K 522.8m	K 688.6m	31.7%
Bad and doubtful debt expense	K 20.6m	K 25.2m	22.6%
Earnings per Share	59.0 toea	75.1 toea	27.3%
Customer deposits	K7.984bn	K9.366bn	17.3%
Net loans and advances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

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Growth

Profit Before Tax



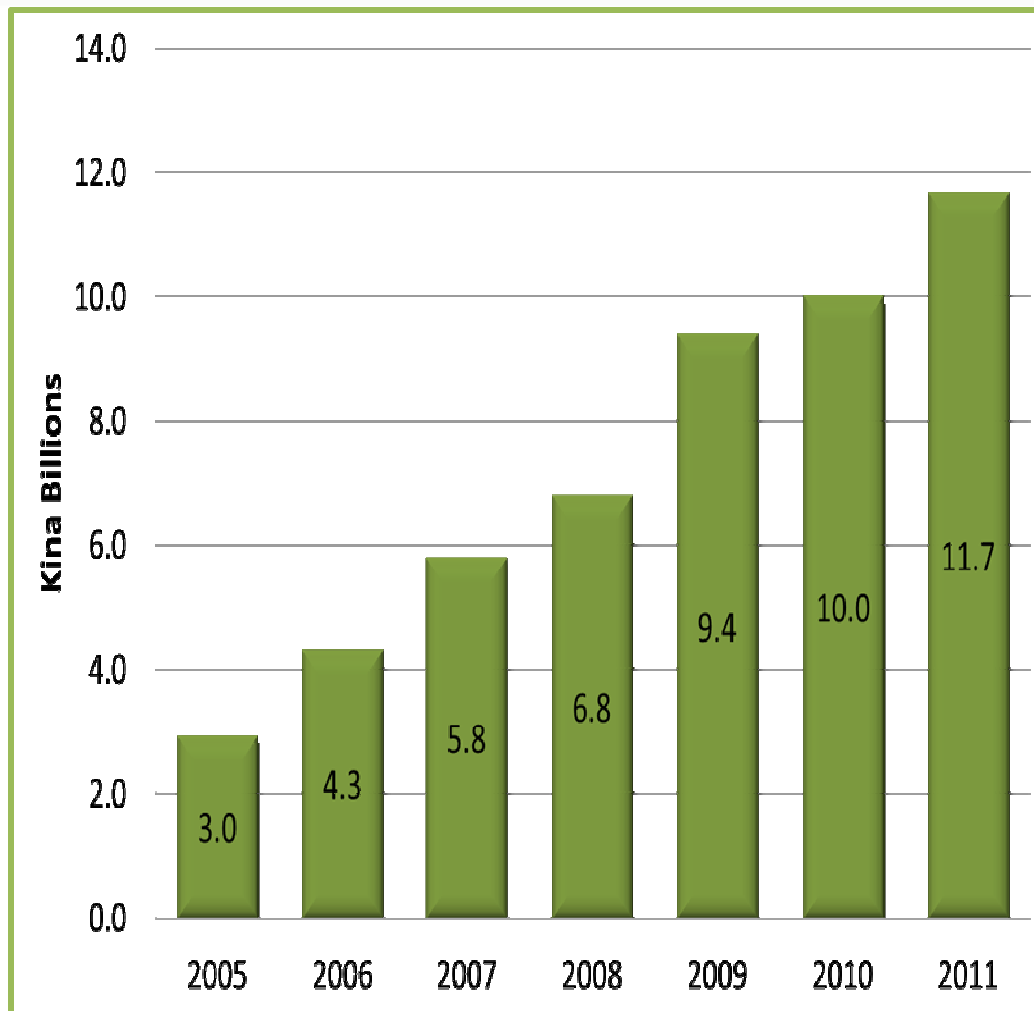
- Continuing strong growth trend, featuring strong non interest income
- High historical long term growth rate
- 16% Increase from last year

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Growth

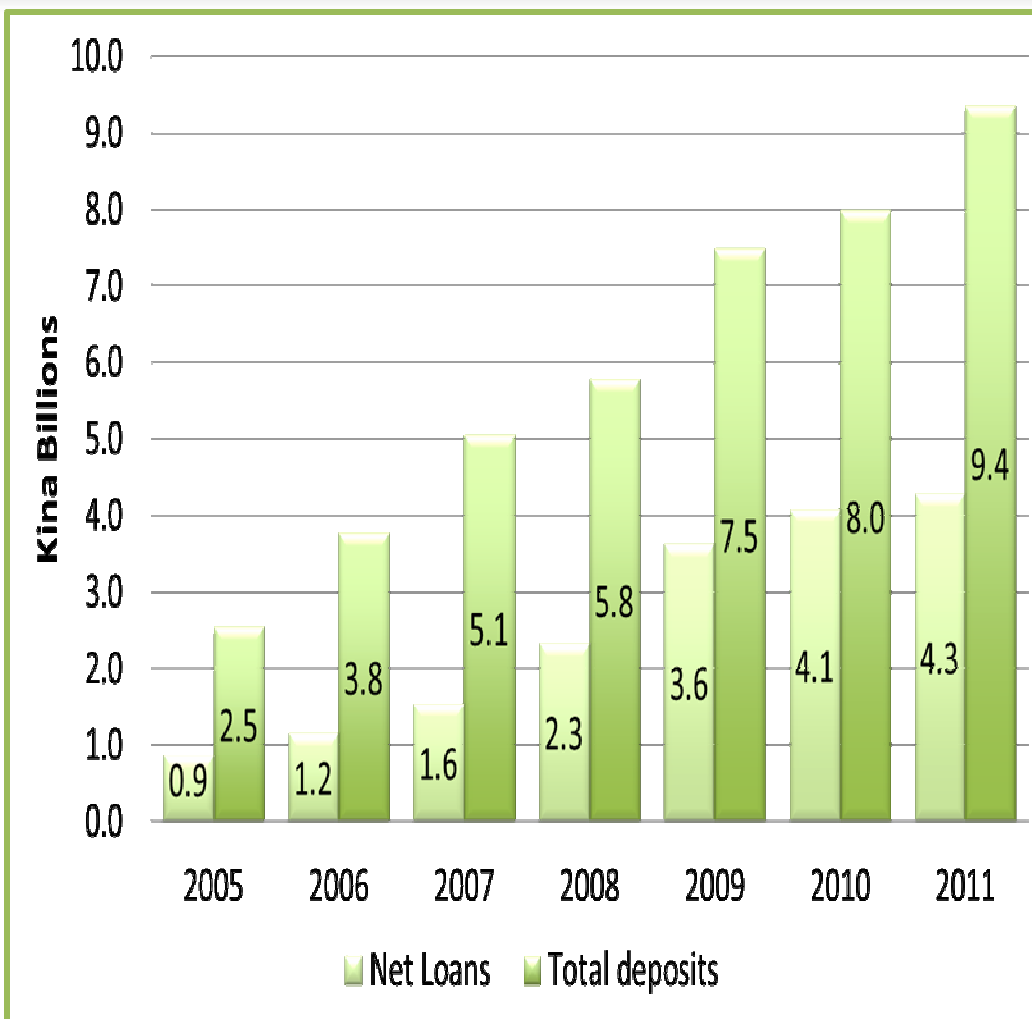
Total Assets



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- 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

Loans & Deposits



- 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

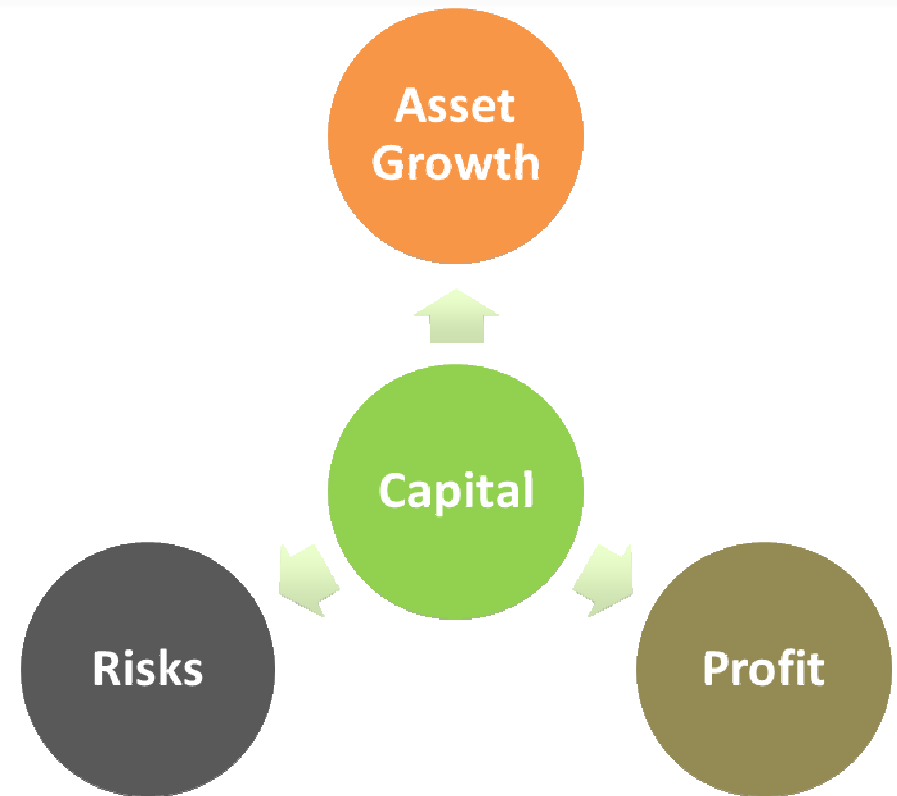
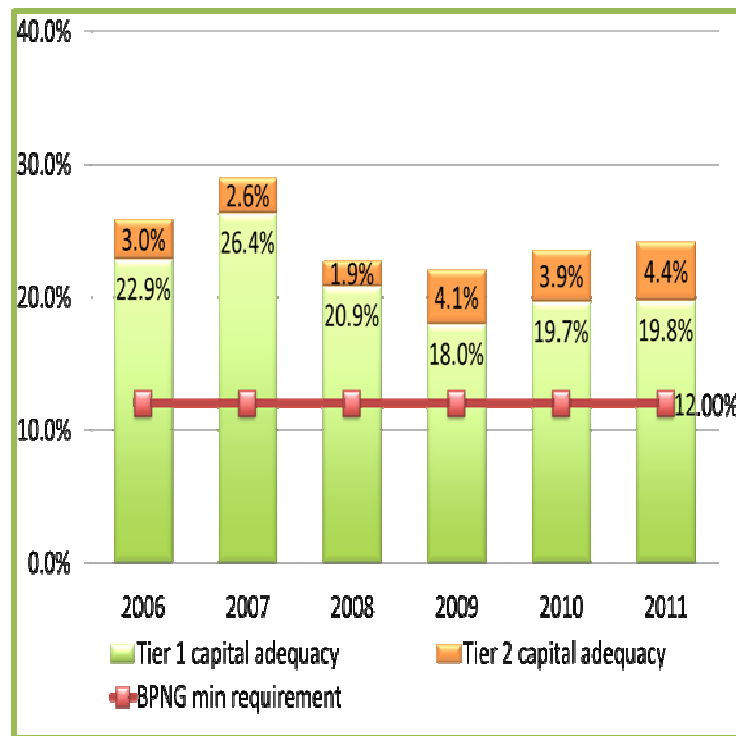
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Capital Management and Liquidity



Capital management

Base Capital



- 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

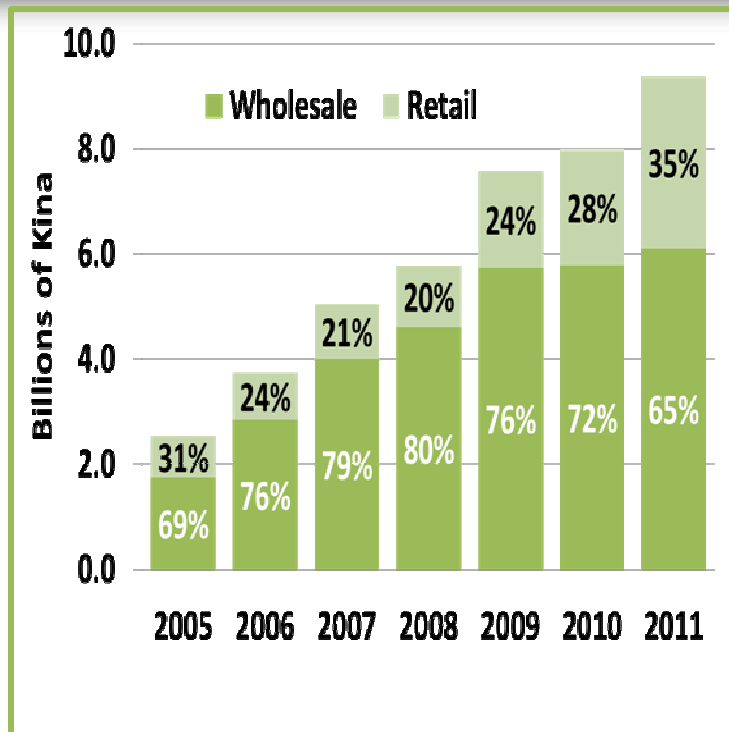
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Funding

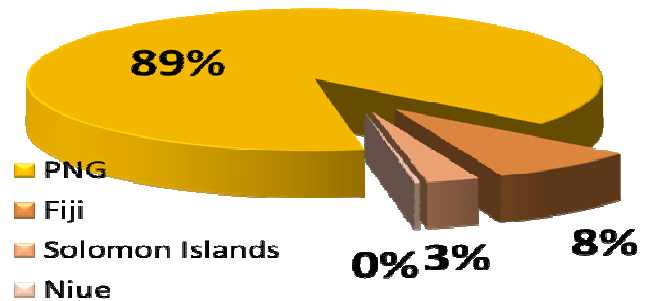


Funding

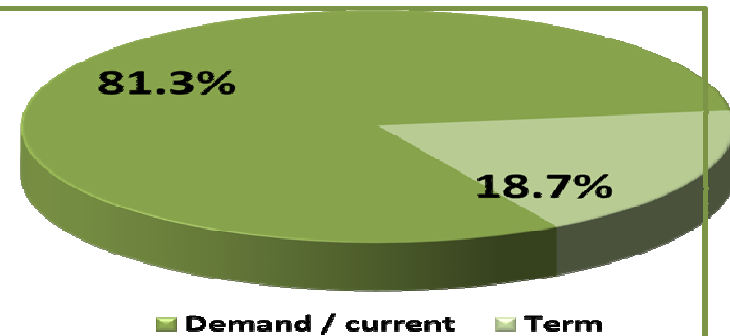
Deposit Mix



- Funding is dominated by Wholesale, but a shift towards Retail savings is starting
- The portfolio duration is short



Deposits by Country



Deposits by Type

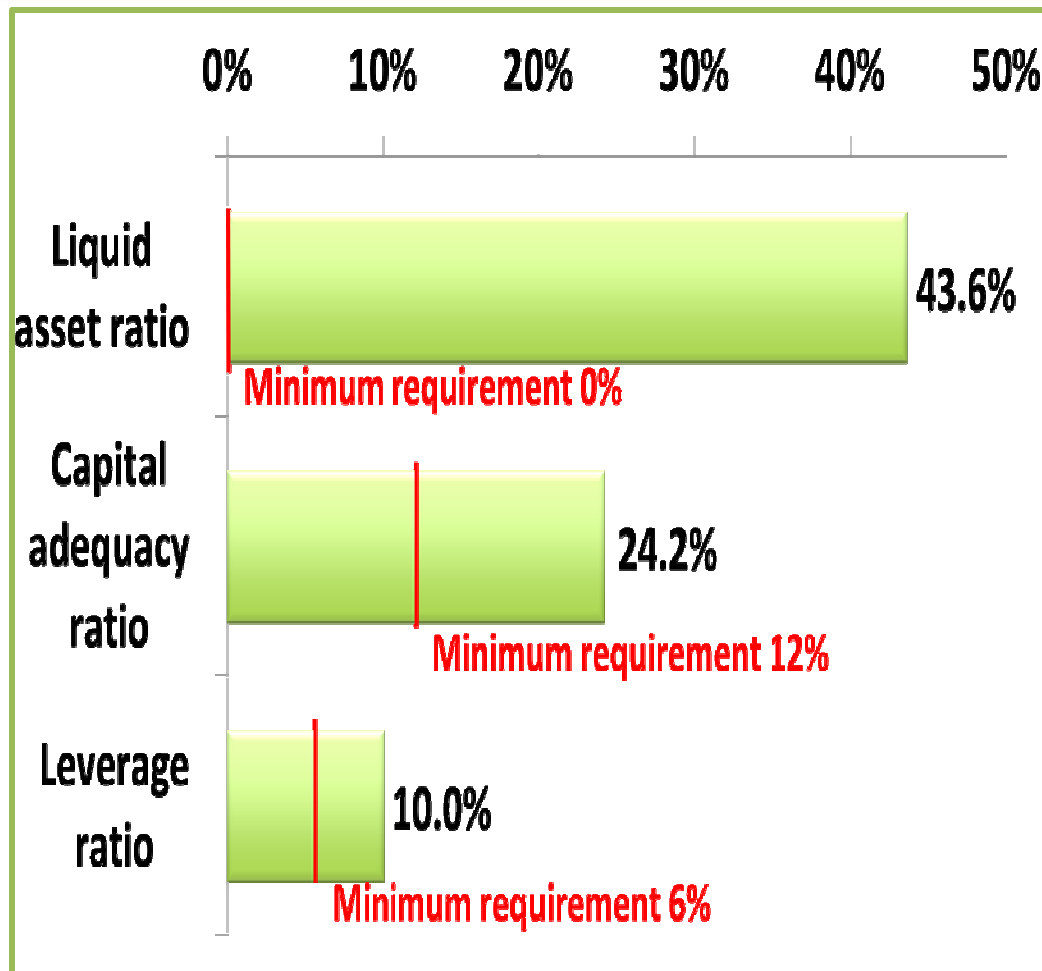
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Profitability and Key Ratios

Key Prudential Ratios

Compliant

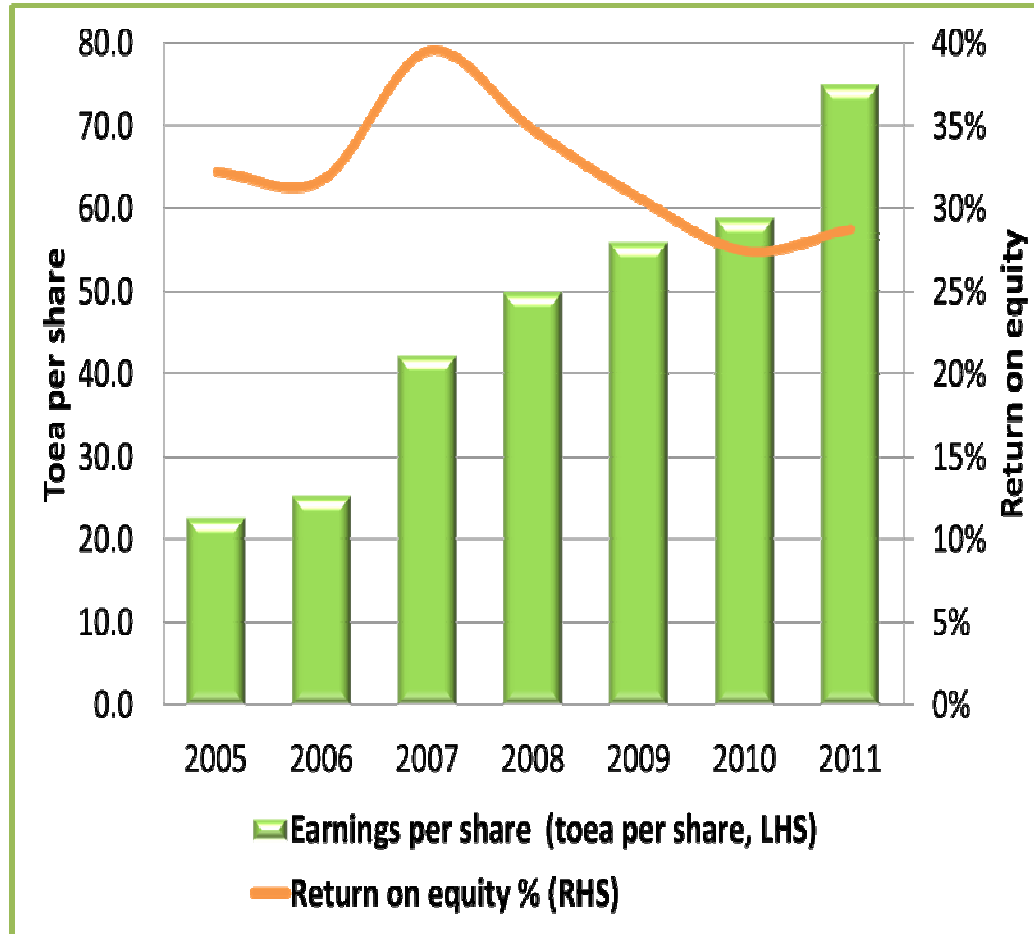


- Key prudential requirements exceeded
- Capital Adequacy and leverage positions are well above regulatory minimums

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Earnings per share & return on equity

Growth and stability

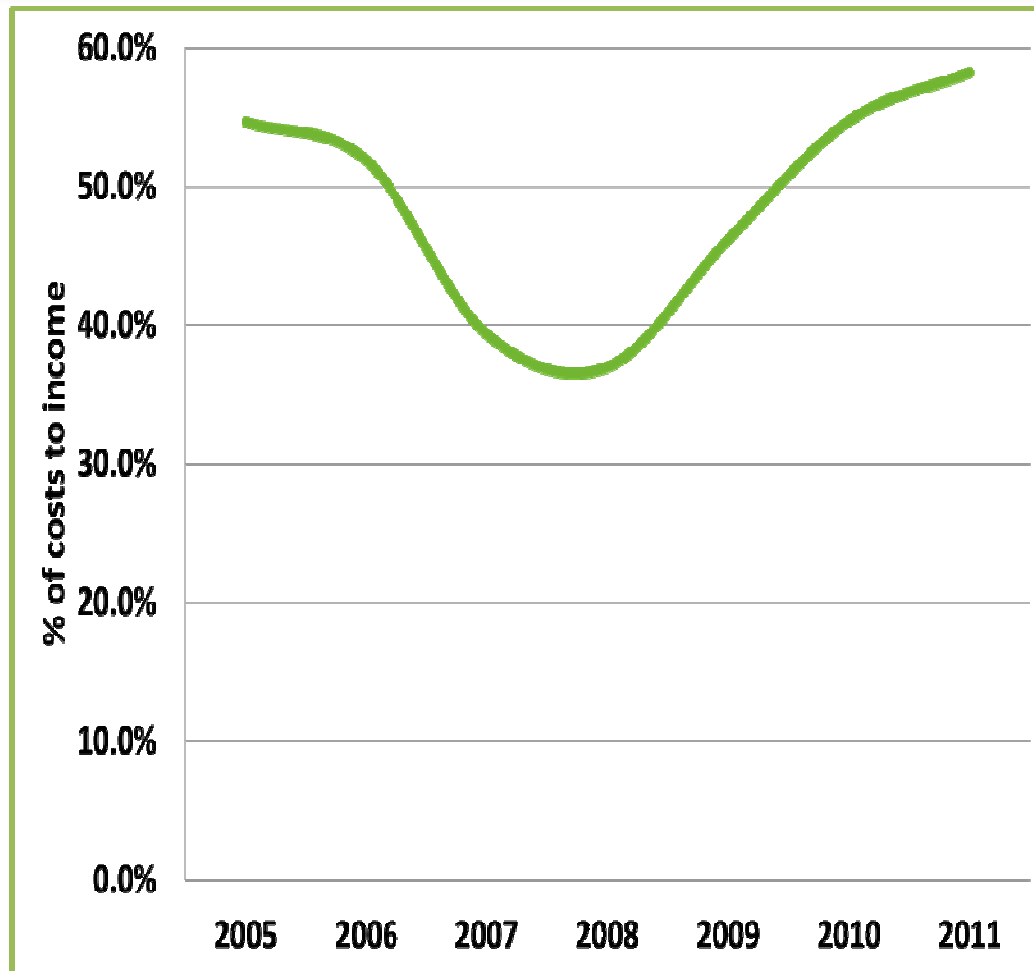


- Very high long run average ROE still maintained (30%)
- Consistent growth in earnings per share; 27% change from 2010, to 75 toea in 2011

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Stabilizing

Cost to Income Ratio



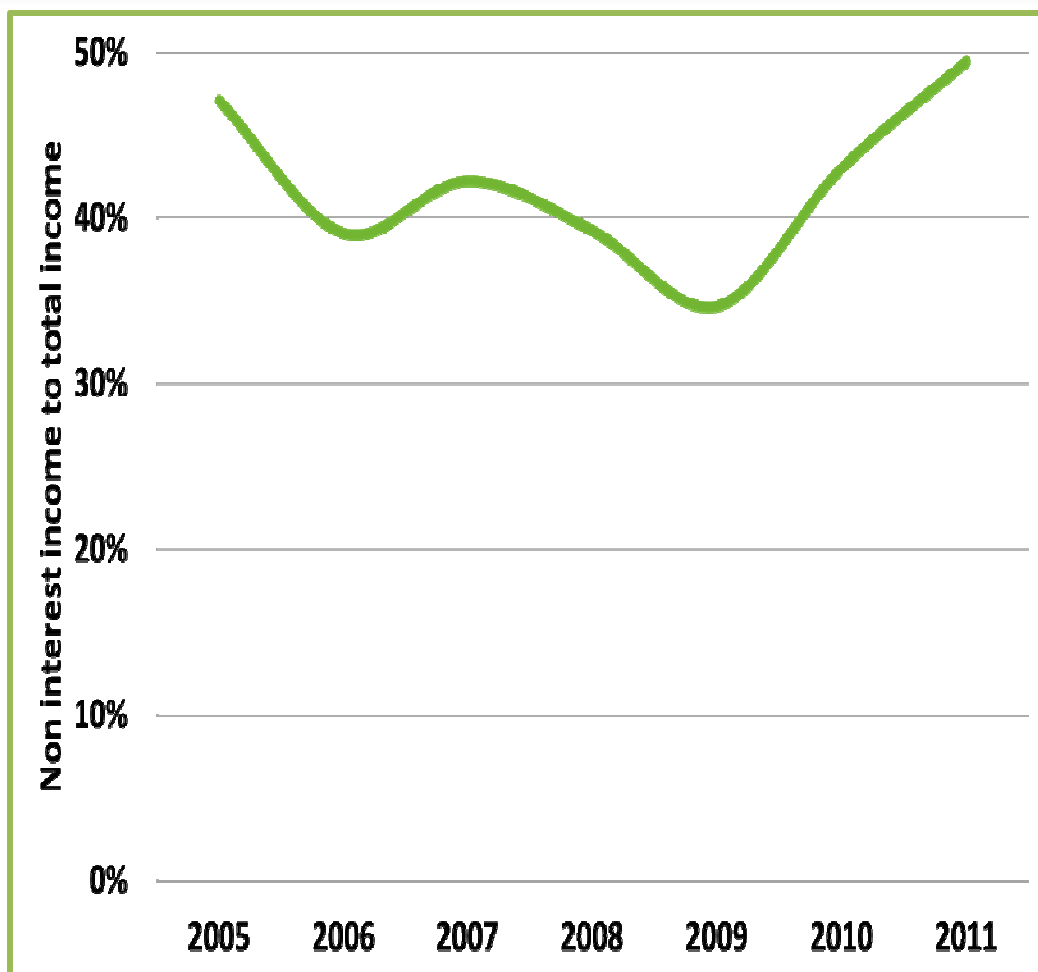
- Globally within peer range
- Transformation costs impact of 2-3% will reduce over next few years
- 5-6% impact of reduced interest rates on investments since 2009
- Fiji restructure & operations: has a 80-90% cost to income ratio
- PNG CRR increases have also removed revenue potential

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Growth

Non Interest Income



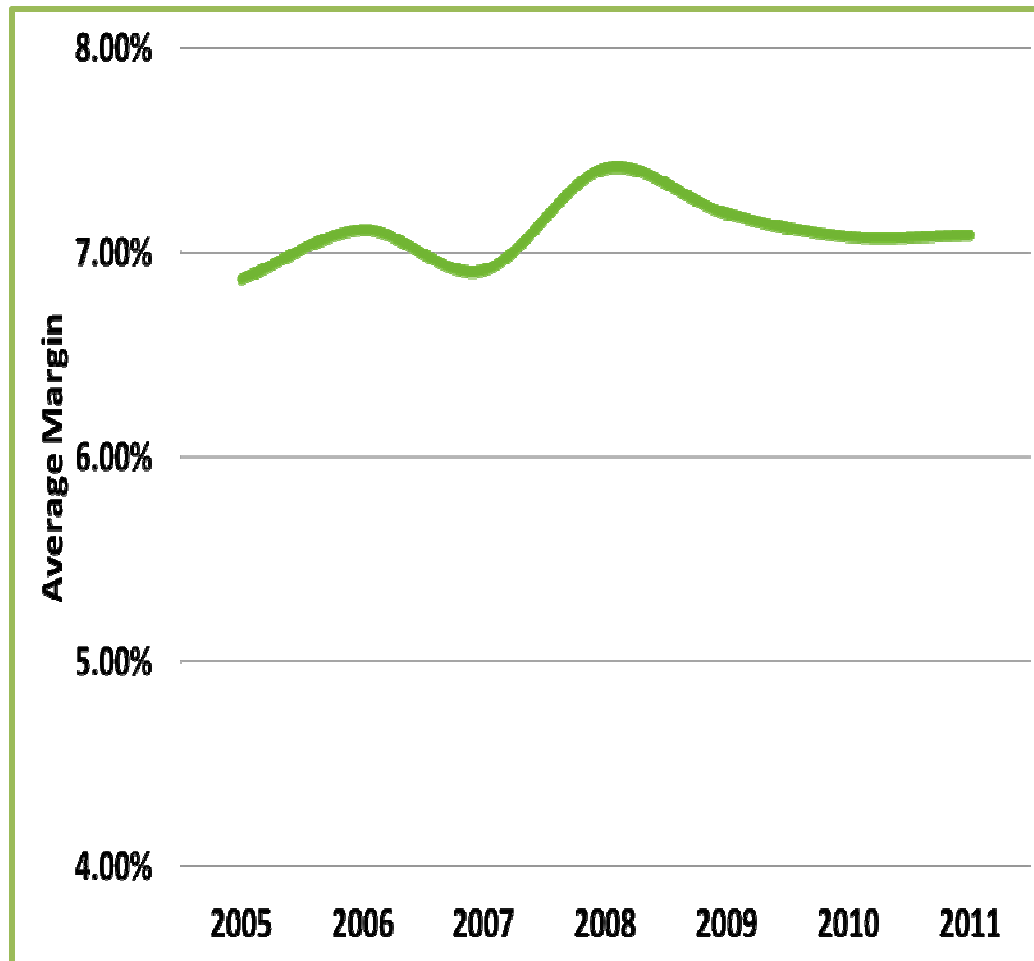
- Strategic shift to make income streams more resilient
- Driven by
 - automated or electronic transactions
 - growth in customer base & transaction volumes
- FX income market share still needs to be improved

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Stable

Net Interest Margin



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

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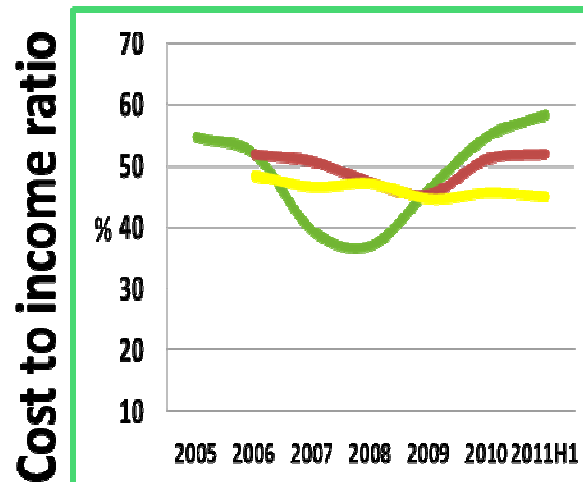
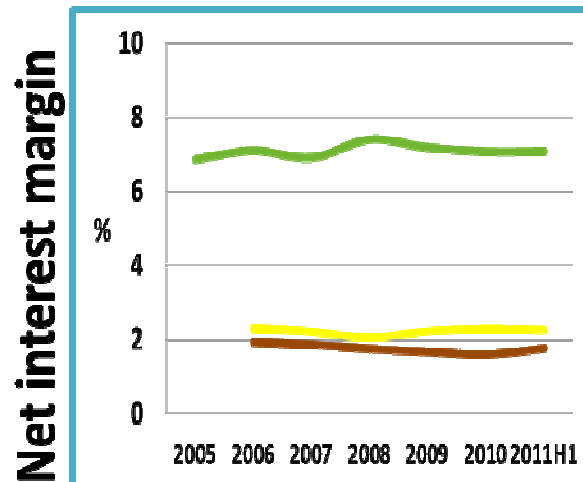
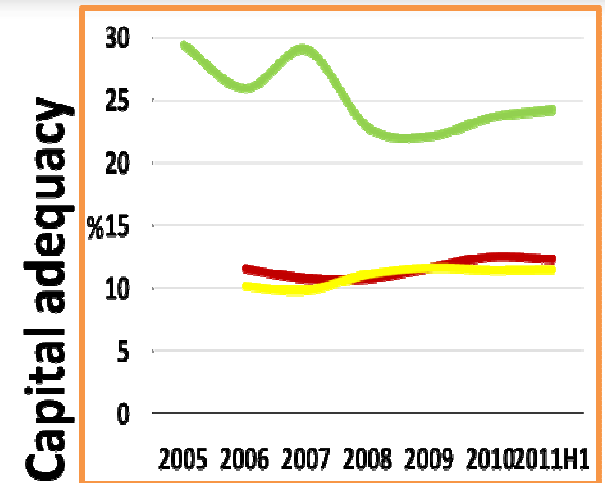
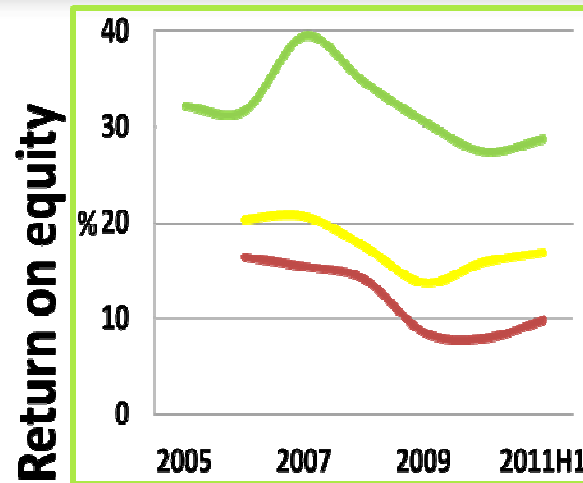
Comparison of Key Ratios



Comparative Performance

- Well ahead on ROE
- Capital Adequacy position is conservative

 BSP
 Aust. majors
 Aust. regionals



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

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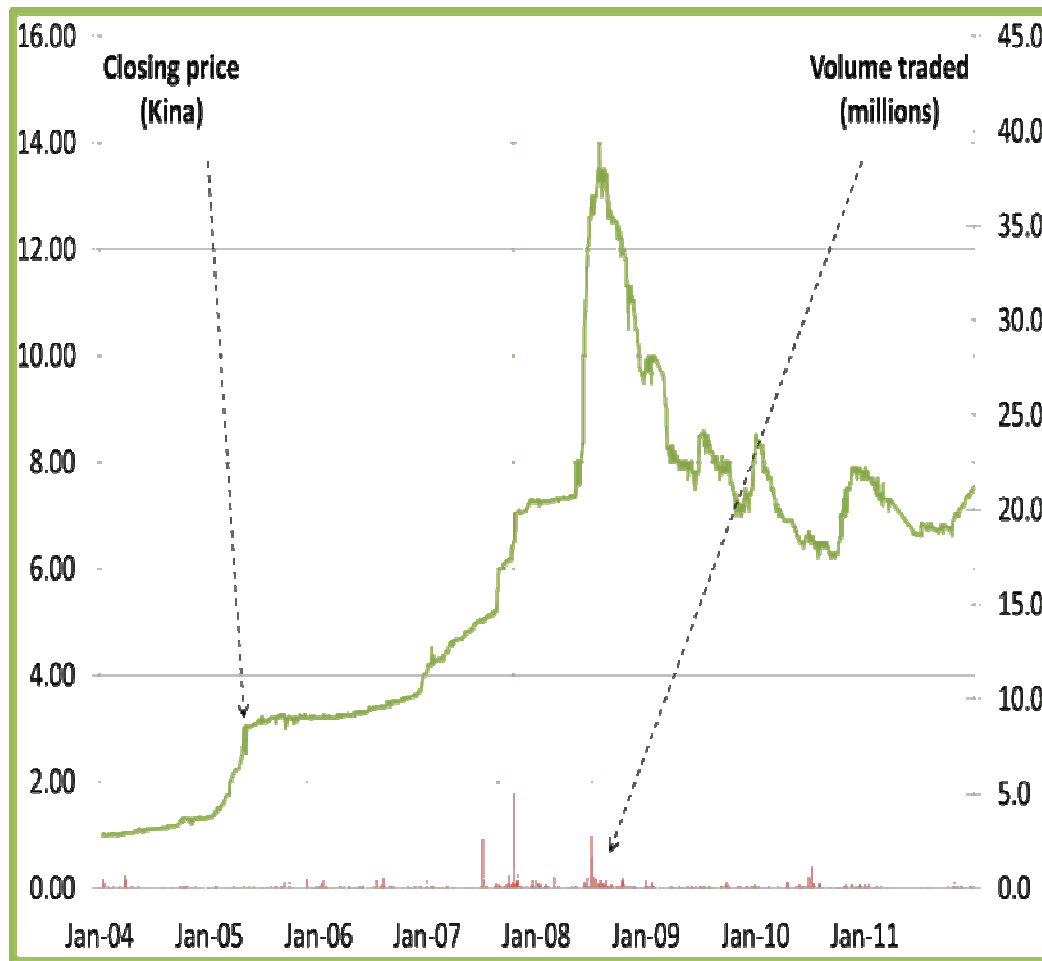


Dividend and Shares



Share price performance

Fair value



K7.53

31 Dec 2011

K8.02

The share price reflects fair value of the company at the present time

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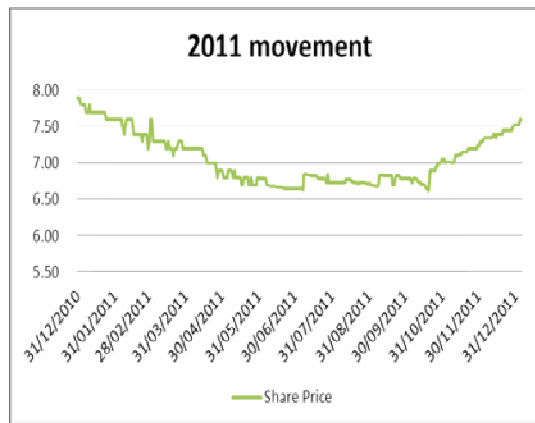
Share price Performance

Volatility



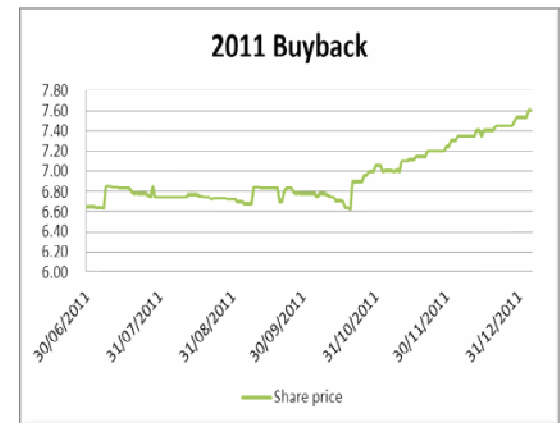
- Increased 652%
- Historically
 - **Min 1.00** (2004)
 - **Max 14.00** (2008)
- Ave K6.22

Stabilized



- max K7.90
- min K6.62
- **year end K7.53**
- recovered 71%

Positive Impact



- introduced at K6.65
- 13% increase to year end
- **Today K8.00**

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Dividends

toea per Share



Interim

16



Final

35



Full

51

75%

Payout

6.7%

Yield

13%

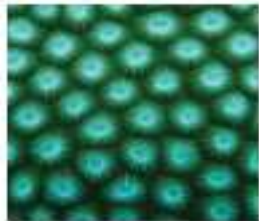
Increase

June

Payable

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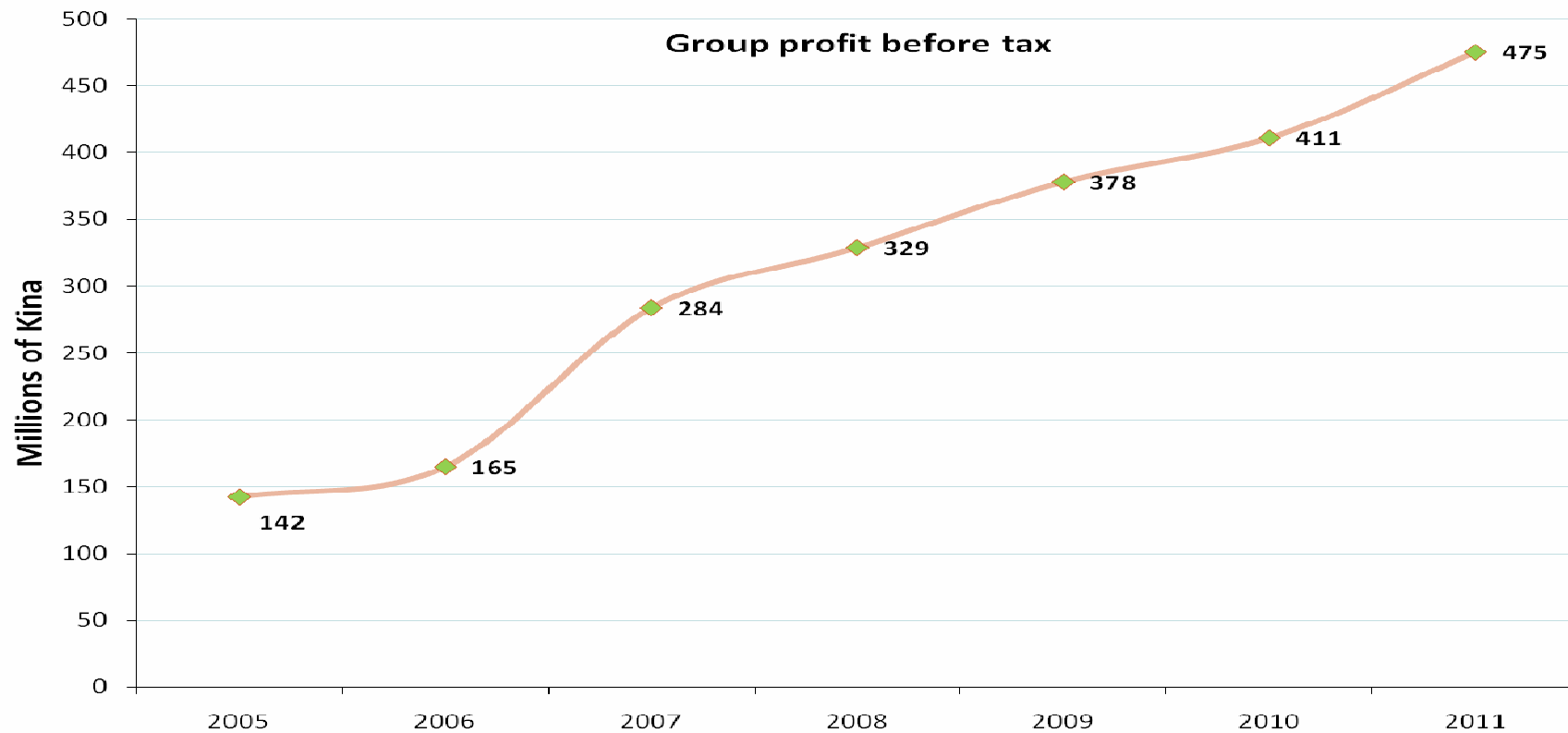




Conclusion

Conclusion

- 2011 was an extremely successful year:



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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.

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Conclusion

- **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

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Conclusion

"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

The Leading Bank in the South Pacific



BSP Group Investor Presentation 2012 Qtr 1 Results

Annual General Meeting, May 2012

The Leading Bank in the South Pacific



Presentation content

2012 Qtr 1 Financial Results and Operations

Johnson Kalo, Group Deputy CEO/CFO

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Financial Results

29%

- Growth in Revenue & profit

28%

- Expenses up
- Cost to Income

50%

- Non interest income is performing well

Qtr 1 2012 Income & Expense

ACTUAL

LAST YR

Profit after tax

K98.01m

K75.84m

PNG

K93.64m

Overseas

K4.37m

Revenue

K331.86m

K259.05m

PNG

K259.99m

Overseas

K71.87m

Expenses

K192.62m

K150.71m

PNG

K125.91m

Overseas

K66.71m

Cost to income

58%

58%

Non Interest Income to total income

50%

45%

- 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%.

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104

Financial Results

7%

- Growth in Loans

19%

- Growth in deposits

23%

- More non-lending investments

Qtr 1 2012 Balance Sheet

ACTUAL

LAST YR

Loans & Advances

K4.4b

K4.1b

PNG

K3.4b

Overseas

K1.0b

Other Interest Earning Investments

K4.9b

K4.0b

PNG

K4.7b

Overseas

K0.2b

Customer Deposits

K10.2b

K8.6b

PNG

K8.7b

Overseas

K1.5b

Net Assets

K1.4b

K1.2b

PNG

K1.2b

Overseas

K0.2b

Total Assets

K13.0b

K10.9b

PNG

K10.5b

Overseas

K2.5b

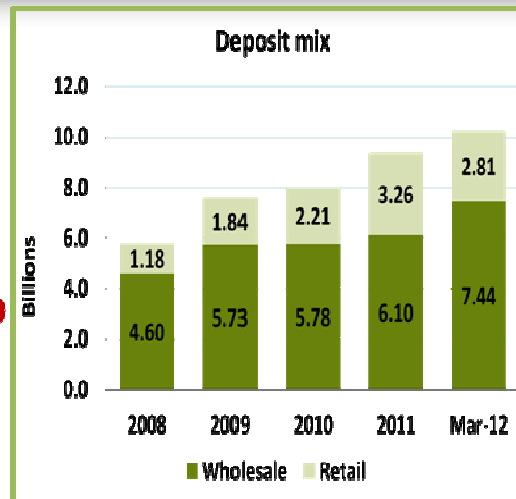
- Loan volume growth slowed by peaking PNG project momentum and business cash reserves.
- Growth in cash and other assets, through high volumes in payment cycles.
- Continued strong growth of total assets.
- Some impact from investment in BSP's banking infrastructure.

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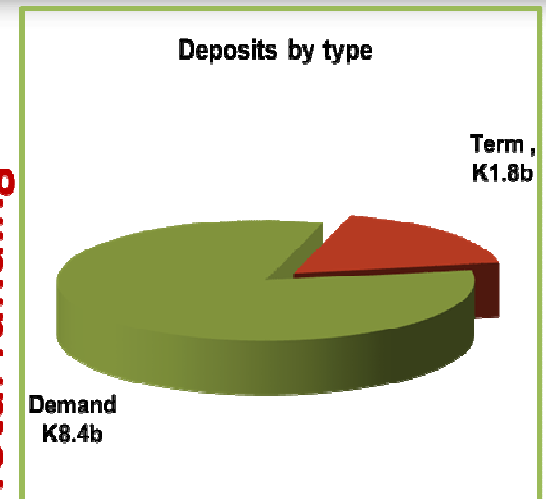
Capital Adequacy, Funding, Credit Quality

- 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%)

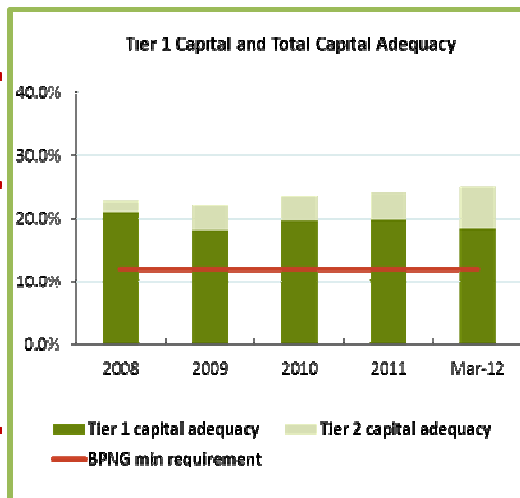
Funding



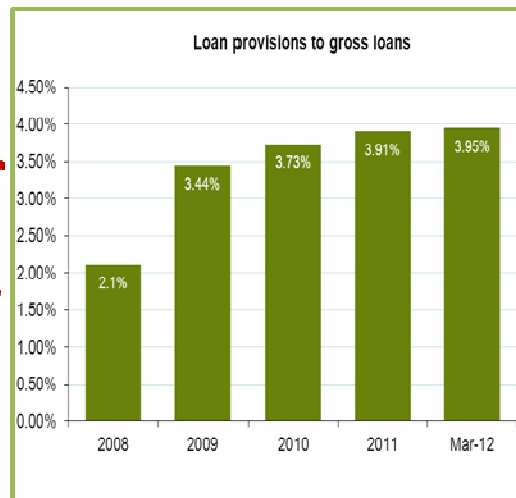
Total funding



Capital Adequacy



Credit Quality

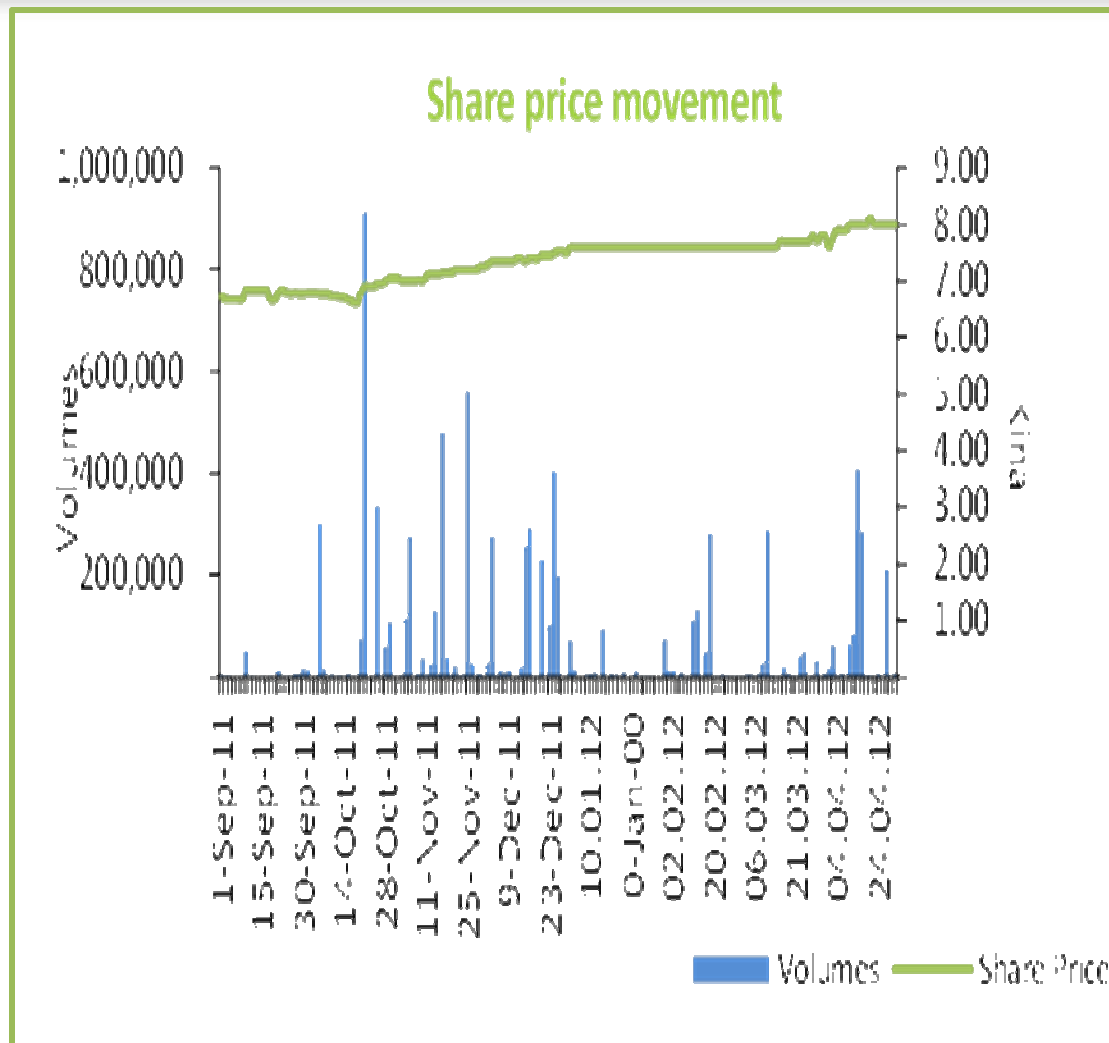


- Capital adequacy remains above the BPNG requirement of 12%.
- Credit quality remains stable with 3.95% provisions to loans ratio

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Share price performance

Fair value and stable



The share price is a fair reflection of the value of the company.

The second K40m buyback is in progress.

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Market Share



PNG

- **Loans
51%**
- **Deposits
53%**

Fiji

- **Loans
19%**
- **Deposits
24%**

Solomon Islands

- **Loans
31%**
- **Deposits
45%**

Total

- **Loans
39%**
- **Deposits
46%**

- 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%.

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Customers, EFTPOS, ATMs, Branches, SMS



1.1 Million customers

- PNG 870,363
- Sol 55,857
- Fiji 204,761

EFTPOS machines

- PNG 5,600
- Sol 40
- Fiji 752

348 ATMs

- PNG 231
- Sol 17
- Fiji 100

69 branches

- PNG 41
- Sol 7
- Fiji 20
- Niue 1
- BSP Rural Agents 14

SMS users

- PNG 207,333
- Fiji 82,300

- 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.

The Leading Bank in the South Pacific

