Presentation to Shareholders

BSP Annual General Meeting 2013
<table>
<thead>
<tr>
<th>Page</th>
<th>Subject</th>
<th>Presenter</th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
<td>The BSP Journey: Vision &amp; Strategy</td>
<td>Ian B Clyne, Group CEO</td>
</tr>
<tr>
<td>10</td>
<td>2012 Performance &amp; operations</td>
<td>Ian B Clyne, Group CEO</td>
</tr>
<tr>
<td>21</td>
<td>Non Lending Loss Trends</td>
<td>Ian B Clyne, Group CEO</td>
</tr>
<tr>
<td>25</td>
<td>Channel Performance 2009-2013</td>
<td>Ian B Clyne, Group CEO</td>
</tr>
<tr>
<td>33</td>
<td>Group Income Analysis</td>
<td>Ian B Clyne, Group CEO</td>
</tr>
<tr>
<td>36</td>
<td>Competition Analysis: PNG, Fiji, Solomon Islands</td>
<td>Ian B Clyne, Group CEO</td>
</tr>
<tr>
<td>51</td>
<td>BSP Strategy Settings 2013-2015</td>
<td>Ian B Clyne, Group CEO</td>
</tr>
<tr>
<td>60</td>
<td>Ten Strategic Project Initiatives – 2013</td>
<td>Ian B Clyne, Group CEO</td>
</tr>
<tr>
<td>70</td>
<td>Summary</td>
<td>Ian B Clyne, Group CEO</td>
</tr>
<tr>
<td>75</td>
<td>BSP 2012 Financial Results Overview</td>
<td>Johnson Kalo. Group CFO</td>
</tr>
<tr>
<td>102</td>
<td>BSP 2013 Qtr.1 Results summary</td>
<td>Johnson Kalo. Group CFO</td>
</tr>
</tbody>
</table>
THE JOURNEY will “continue”

2009 - “The need to Change”

2010 - “Transformation” Customer segmentation

2011 - “Leading the Way” Strategic Map

2012 - “I Care” Customer Service & Acquisition

2013 - “Grow Together”
Vision

“To be the Leading Bank in PNG and the South Pacific”.

Strategic Imperatives

“Maintain, Develop, and foster “customer sales” through the provision of high quality product and service delivery, that will create value for BSP, our Customers, our Shareholders, and our Staff.”
Strategic Imperatives (continued)

“Improved customer Sales & Service will be delivered through market leadership in innovation, technological advances and the modernization of all our systems and procedures, and the continued “simplification” & automation of all our operational & support processes.

“ Appropriately train, develop & reward our staff.”

“Continue our Social & Sporting commitment to people and communities in which we operate.”
BSP’S STRATEGIC MAP

To be the leading bank in the South Pacific

Customer sales and service focused

Profitable growth

High performing team

Operational excellence

BSP Annual General Meeting 2013
SEGMENTATION - CORPORATE

- **Top 10**
- **Turnover > K150m**
- **Turnover K25 to K150m**
- **Turnover = K2m to K25m**
- **Small Business Turnover < K2m**

Segmentation Levels:
- **High Value Segment**
- **Core Customer Segment**
- **Cost Control Segment**

- **Strategic Clients**
- **Large Corporate**
- **Mid Corporate**
- **Business**
- **Wholesale / Retail**

BSP Annual General Meeting 2013
Achievements & Financial Performance 2012
GROUP PROFIT BEFORE TAX

Kina, Millions

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount (Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>142</td>
</tr>
<tr>
<td>2006</td>
<td>165</td>
</tr>
<tr>
<td>2007</td>
<td>284</td>
</tr>
<tr>
<td>2008</td>
<td>329</td>
</tr>
<tr>
<td>2009</td>
<td>378</td>
</tr>
<tr>
<td>2010</td>
<td>411</td>
</tr>
<tr>
<td>2011</td>
<td>475</td>
</tr>
<tr>
<td>2012</td>
<td>545</td>
</tr>
</tbody>
</table>
GROUP PROFIT AFTER TAX

Kina, Millions

2005 2006 2007 2008 2009 2010 2011 2012

99 112 191 228 257 283 356 408
## GROUP PROFIT & LOSS TRENDS

### PROFIT & LOSS TREND

<table>
<thead>
<tr>
<th>(Millions of Kina)</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>CAGR, last 5 yrs</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>210</td>
<td>277</td>
<td>377</td>
<td>474</td>
<td>544</td>
<td>597</td>
<td>682</td>
<td>13%</td>
</tr>
<tr>
<td>Foreign exchange income</td>
<td>65</td>
<td>116</td>
<td>127</td>
<td>104</td>
<td>139</td>
<td>193</td>
<td>224</td>
<td>12%</td>
</tr>
<tr>
<td>Fee and other income</td>
<td>70</td>
<td>86</td>
<td>117</td>
<td>147</td>
<td>272</td>
<td>392</td>
<td>458</td>
<td>31%</td>
</tr>
<tr>
<td><strong>Total income</strong></td>
<td>344</td>
<td>479</td>
<td>621</td>
<td>726</td>
<td>955</td>
<td>1,182</td>
<td>1,364</td>
<td>17%</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>(179)</td>
<td>(189)</td>
<td>(230)</td>
<td>(335)</td>
<td>(523)</td>
<td>(682)</td>
<td>(748)</td>
<td>27%</td>
</tr>
<tr>
<td>Bad and doubtful debts</td>
<td>1</td>
<td>4</td>
<td>(11)</td>
<td>(15)</td>
<td>(21)</td>
<td>(25)</td>
<td>(71)</td>
<td>44%</td>
</tr>
<tr>
<td>Other expenses</td>
<td>(2)</td>
<td>(11)</td>
<td>(51)</td>
<td>3</td>
<td>(1)</td>
<td>-  -</td>
<td>NM</td>
<td></td>
</tr>
<tr>
<td><strong>Profit before tax</strong></td>
<td>164</td>
<td>284</td>
<td>329</td>
<td>378</td>
<td>411</td>
<td>475</td>
<td>545</td>
<td>11%</td>
</tr>
<tr>
<td>Tax expense</td>
<td>(53)</td>
<td>(92)</td>
<td>(100)</td>
<td>(121)</td>
<td>(128)</td>
<td>(119)</td>
<td>(137)</td>
<td>6%</td>
</tr>
<tr>
<td><strong>Profit after tax</strong></td>
<td>112</td>
<td>191</td>
<td>228</td>
<td>257</td>
<td>283</td>
<td>356</td>
<td>408</td>
<td>12%</td>
</tr>
<tr>
<td>EPS (toea)</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>86.9</td>
<td>12%</td>
</tr>
<tr>
<td>Dividends per share (toea)</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>5.5</td>
<td>20%</td>
</tr>
</tbody>
</table>
GROUP TOTAL ASSETS

Kina, Billions

2005 2006 2007 2008 2009 2010 2011 2012

2.95 4.33 5.82 6.81 9.4 10.03 11.68 13.29
GROUP DEPOSITS & LOANS

Loans & Deposits

Kina, billions

2006 2007 2008 2009 2010 2011 2012

Loans

Deposits

1.16 1.55 2.34 3.64 4.09 4.30 4.81

7.49 7.99 9.37 10.86
## GROUP BALANCE SHEET TRENDS

### BALANCE SHEET

<table>
<thead>
<tr>
<th>(Millions of Kina)</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>CAGR, last 5 yrs</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>501</td>
<td>1,025</td>
<td>788</td>
<td>1,188</td>
<td>1,344</td>
<td>1,501</td>
<td>2,134</td>
<td>22%</td>
</tr>
<tr>
<td>Loans and advances</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>4,805</td>
<td>15%</td>
</tr>
<tr>
<td>Investment</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>4,795</td>
<td>7%</td>
</tr>
<tr>
<td>Fixed assets + other assets</td>
<td>269</td>
<td>287</td>
<td>297</td>
<td>733</td>
<td>789</td>
<td>1,210</td>
<td>1,557</td>
<td>39%</td>
</tr>
<tr>
<td><strong>Total assets</strong></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>13,291</td>
<td>14%</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>3,776</td>
<td>5,057</td>
<td>5,786</td>
<td>7,596</td>
<td>8,084</td>
<td>9,520</td>
<td>10,861</td>
<td>13%</td>
</tr>
<tr>
<td>Provisions</td>
<td>88</td>
<td>104</td>
<td>164</td>
<td>197</td>
<td>125</td>
<td>189</td>
<td>122</td>
<td>-6%</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>73</td>
<td>85</td>
<td>135</td>
<td>671</td>
<td>684</td>
<td>629</td>
<td>904</td>
<td>46%</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>3,937</td>
<td>5,245</td>
<td>6,085</td>
<td>8,464</td>
<td>8,893</td>
<td>10,338</td>
<td>11,887</td>
<td>14%</td>
</tr>
<tr>
<td><strong>Shareholders equity</strong></td>
<td>394</td>
<td>572</td>
<td>748</td>
<td>934</td>
<td>1,134</td>
<td>1,344</td>
<td>1,404</td>
<td>13%</td>
</tr>
</tbody>
</table>
GROUP INTEREST INCOME

Returns on interest earning assets

- 2006: Rtn on loans 10.0%, Rtn on investments 7.7%, Rtn - loans & inv 6.5%
- 2007: Rtn on loans 9.8%, Rtn on investments 7.4%, Rtn - loans & inv 6.2%
- 2008: Rtn on loans 10.3%, Rtn on investments 8.1%, Rtn - loans & inv 6.9%
- 2009: Rtn on loans 10.9%, Rtn on investments 8.2%, Rtn - loans & inv 8.2%
- 2010: Rtn on loans 11.2%, Rtn on investments 8.4%, Rtn - loans & inv 8.2%
- 2011: Rtn on loans 11.9%, Rtn on investments 8.3%, Rtn - loans & inv 8.3%
- 2012: Rtn on loans 12.1%, Rtn on investments 5.3%, Rtn - loans & inv 5.3%
COST TO INCOME RATIO – BSP GROUP

![Cost to Income Ratio Chart]

The chart above illustrates the cost to income ratio for the BSP Group from 2006 to 2012. The percentage values for each year are as follows:

- **2006**: 51.9%
- **2007**: 39.4%
- **2008**: 37.0%
- **2009**: 46.2%
- **2010**: 54.7%
- **2011**: 57.9%
- **2012**: 54.8%

The trend shows a general increase in the cost to income ratio over the years, with a notable peak in 2011.
Cost to income ratio
PNG BANK

52.3% 44.9% 47.0% 50.1% 46.9%
40.6% 43.5%
NON INTEREST INCOME

2006: 39.1%
2007: 42.2%
2008: 39.3%
2009: 34.7%
2010: 43.0%
2011: 49.5%
2012: 50.0%

Non Interest Income to Total Income
Non Lending Loss Trends
2012 NON LENDING LOSS (by Strategic Business Unit)

- Network: K3.2 mln
- Executive (Legal Services): K1.8 mln
- Paramount Banking: K1.3 mln
- Corporate: K0.9 mln
- Operations: K0.5 mln
- Retail: K0.1 mln
- BSP Rural: K0.0 mln
- Credit & Risk: K0.0 mln
- Treasury: K0.0 mln
- Finance & Planning: K0.0 mln
- HR: K0.0 mln
2012 NON LENDING LOSS (by Loss Type)

- Fraud & Forgeries: K6.11 mln
- Office Errors: K0.76 mln
- Tellers Deficiencies: K0.55 mln
- ATM Cash Deficiencies: K0.17 mln
- Promotional Items W/Off: K0.06 mln
- Sundry Writeoffs: K0.02 mln
- EFTPOS Deficiency/Accaur: K0.00 mln
- Robberies: K0.00 mln

BSP Annual General Meeting 2013
Channel Performance
2009 to 2013
BSP must continue to expand our service channels in 2013 -15

<table>
<thead>
<tr>
<th></th>
<th>Branches</th>
<th>ATM’s</th>
<th>EFTPOS</th>
<th>BSP RURAL</th>
<th>AGENTS / Rural Outlets</th>
</tr>
</thead>
<tbody>
<tr>
<td>PNG</td>
<td>42</td>
<td>283</td>
<td>10,041</td>
<td>37</td>
<td>124</td>
</tr>
<tr>
<td>FIJI</td>
<td>19</td>
<td>104</td>
<td>1,437</td>
<td>-</td>
<td>38</td>
</tr>
<tr>
<td>S.I</td>
<td>7</td>
<td>18</td>
<td>120</td>
<td></td>
<td>4</td>
</tr>
</tbody>
</table>

* PNG – 7,451 merchants
ATM GROWTH 2009 TO 2013

Transactions

- No. Transactions
- No. ATMs

Jan-09, Mar-09, May-09, Jul-09, Sep-09, Nov-09, Jan-10, Mar-10, May-10, Jul-10, Sep-10, Nov-10, Jan-11, Mar-11, May-11, Jul-11, Sep-11, Nov-11, Jan-12, Mar-12, May-12, Jul-12, Sep-12, Nov-12, Jan-13

transactions

ATMs

0 50 100 150 200 250 300

1,300,000 1,500,000 1,700,000 1,900,000 2,100,000 2,300,000 2,500,000 2,700,000 2,900,000 3,100,000 3,300,000

BSP Annual General Meeting 2013
EFTPOS GROWTH 2009 – 2013

Transactions

No. Transactions

No. Terminals

Jan-09 Apr-09 Jul-09 Oct-09 Jan-10 Apr-10 Jul-10 Oct-10 Jan-11 Apr-11 Jul-11 Oct-11 Jan-12 Apr-12 Jul-12 Oct-12 Jan-13

No. EFTPOS Terminals

0 1,000,000 2,000,000 3,000,000 4,000,000 5,000,000 6,000,000 7,000,000 8,000,000 9,000,000 10,000,000

200,000 400,000 600,000 800,000 1,000,000 1,200,000 1,400,000 1,600,000
MOBILE BANKING GROWTH 2009 - 2013
INTERNET BANKING GROWTH 2009 - 2013
BRANCH TRANSACTIONS 2009 - 2013
2012 BSP PNG added 275,000 New Retail Customers

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

Number of accounts Per Month

- **PNG** - 1 Million target by 2013
- **GROUP** - 1.5 Million Target by 2012

BSP Group - 1,505,000 Customers
Group Income Analysis
Competition Analysis PNG

BSP, ANZ, WBC (latest financial years)
Branches

- BSP, 42
- WPAC, 15
- ANZ, 15

BSP Annual General Meeting 2013
Profit Before Tax (km)

- BSP, 535.4
- ANZ, 440.2
- WPAC, 291.4
Revenue (Km)

BSP, 1,206.6
ANZ, 630.4
WPAC, 383.7
FX: % of total income

- BSP, 20%
- WPAC, 45%
- ANZ, 45%
Loans (Km)

- ANZ, 2,037. 8
- BSP, 3,824. 3
- WPAC, 1,53 7.9
Deposits (Km)

- BSP, 9,338.  
  4

- ANZ, 4,466.  
  4

- WPAC, 2,91  
  0.7
Competition Analysis Fiji

BSP, ANZ, WBC, Baroda (latest financial years)
Profit Before Tax (FJDM)

- **Banks**
  - BOB, 6.5
  - BSP, 3.5
  - ANZ, 52.1
  - WBC, 37.2

- **BSP Life (FJD10m profit)**
  - Revenue
  - Expenses
  - 2012
  - 2011
Competition Analysis
Solomon Islands

BSP, ANZ, WBC, (latest financial years)
Branches

- BSP: 7 branches
- WBC: 1 branch
- ANZ: 5 branches

BSP Annual General Meeting 2013
BSP Strategy Setting
BSP Strategic Workshop 2013-15 MTP

• **Asked ourselves** –

  “How Do we continue to grow BSP, especially given increased competition and a more challenging economic environment?”
What are the External Trends that may impact BSP?

Outcomes:

- **Competition in 2012 is intensifying in PNG, Fiji, & SI.** Pressure on Lending Margins, FX margins and Fees, & will continue.

- **Economic Growth began to slow (across all markets) in 2012. This will continue in 2013 – 15.**

- **Excess Liquidity** (impacts Lending opportunities).

- **Social issues & Social Awareness** is challenging Governments to deliver “REAL” infrastructure & service improvements.
BSP Historic Growth Targets – Question - can we maintain these in 2013-15?

Outcomes:

- Group Assets & Liabilities grown - 18% YoY.
- Group Profits – 15% YoY.
- Share price has recovered & is Stable - K8.12.
- Customer Base is now 1.5 million across the Pacific & what is the future growth potential? Why not 2 million?
- Still need to deliver a number of extremely important transformation projects. What is our capacity to deliver?
What areas need greater Focus - benefits realization.

- **Acquisition** of new customers & improved ability to sell our Products.
- **Branch profitability**, improved in PNG, Fiji and Solomon Islands because of an improved Sales & e banking solutions, but manual operational costs remain high.
- Transformation Project **benefits realization**.
- **Communication**, sub optimal internal communication. **Product knowledge, Rolls & responsibilities** (network sales) SBU co-operation, lack of Individual ownership, accountability & responsibility will limit BSP’s potential.
What are BSP’s Prospects & Opportunities?

Outcomes:

- BSP can increase our “share of wallet” if we can improve our ability to “effectively” serve & cross sell our (Retail) products to our Customers – a “Whole of Bank” Sales & service Focus especially to Strategic and Large Corporate. (Retail, Corporate, Treasury).

- Trade Finance & FX Income must receive increased focus in a more competitive market.

- Personal & SME Lending growth “Smart Business”.
What are BSP’s Prospects & Opportunities cont.

Outcomes:

- **Build & Leverage** on our Electronic Banking and Technological leadership position. Develop “New Business” opportunities and “Reduce Costs” – **Cashless Banking**.

  “Continue to be innovative”

- **Greater focus** on Branch Automation, and Operational Efficiency.

- Capitalize on Landowner Royalty Flows, and **Fund Management opportunities** (Paramount/BSP Capital).
Future Financial Imperatives?

Outcomes:

- Maximize Income Earning Opportunities:
  
  “Whole of Bank Sales and Service improvements”.

- Expand our Retail and SME Lending Business.

- Expand our Trade Finance Business (lock in FX).

- Need more Strategic & Large Corporate Customers to diversify and expand our revenue base.

- Expand our Electronic Banking Network and Product Range, to give us greater transactional income via BSP’s low cost electronic banking network & solutions.
Future Customer Imperatives?

Outcomes:

- Improve the Customer “Experience” e.g. BSP First, BSP Premium Branches, BSP Rural, Agents…..
- “Educate” the customers to use Electronic solutions, Mobile Phone Banking, Wantok Moni.
- Protect and expand our Strategic Customer relationships. “Whole of Bank” Sales & Service.
- Deliver / Develop product & service offers that “meet the customers needs” – both current and potential / new.
10 Major Strategic Project Initiatives 2013
10 Major Strategic Initiatives for 2013

1. Automation of the **Loan Origination Platform** “Lend fast”.

2. Automation of the **Retail Collection Process**, PNG retail default rate is 15%.

3. Introduction of a New **Agent Management System**.

4. Automation of the Branch **Cheque Processing** System
5. **Embedding a proper Corporate Strategic Customer Planning process.**

Facilitated by the creation of the **Strategic Customer Service team (SCS)**, who are responsible to work with the Relationship Managers and all other Commercial & Support SBU’s to **Significantly** enhance all aspects of our **“Whole of Bank” sales and service model.** (Corporate, Paramount, Treasury, Retail, Network, Operations & Support SBU’s).
6. Treasury Sales – increase contact & value added services for our Strategic & Large Corporate Customers.

7. Trade Finance – Outsourcing all Back Office operations to “Wells Fargo Bank” in Hong Kong. BSP focuses on an improving Sales & middle office.


9. Fully operational (100% mirrored) IT Test environment.

10. BSP College. “Must Simply Train our People Better”
Major BSP Building Projects 2013-15
BSP Haus, Harbour City
Pacific Operations Centre, Port Moresby
Pacific Operations Centre, Port Moresby
Gordon’s Commercial Centre
BSP Lae Commercial Centre
Summary
“2012 was another “extremely” successful year”

- NPBT of K545 Million, NPAT of K408 Million
- Net Income K1.36 Billion
- Balance Sheet now exceeds K13 Billion
- Continued positive Loan & Deposit Growth
- Very strong Capital & Liquidity position.
- Continued successful expansion of our Electronic Banking Platforms (ATM’s, Eftpos, Mobile Phone, SMS, Internet)

- Extremely successful “Financial Inclusion” strategy BSP Rural & Agent Network

- BSP has approx 1.5 million Retail Customers in PNG, Fiji & SI.

- “Green Gold” Promotion opened 275,000 new customers in PNG in 2012.

“All BSP’s Key Performance Indicators” remain sound”
- BSP remains the only major Financial Institution in PNG truly committed to taking “cost effective” banking services to all Papua New Guineans including rural areas.

- Corporate Banking & Treasury Sales Teams continue to significantly improve their Financial Performance through a ‘Whole of Bank” Sales & Service approach.

- Paramount Banking continues to provide a high quality of service to Government Departments & Landowner Groups ensure BSP continues to retain a strong deposit base.

- BSP’s “Social, Community, Sporting & Environmental” Program continues to achieve excellent results and has gained wide community support & recognition.

- BSP is the “Official” Sponsor of the 2015 Pacific Games in Port Moresby.
BSP is the clear “Market Leader” in banking services in PNG & the Pacific.

The Transformation Program initiated in 2008, has been an “outstanding” success in changing BSP from a typical small former state owned bank into a “Globally” recognized modern, innovative emerging market bank.

We have significantly enhanced “shareholder Value” both now & into the future.
BSP Group 2012 Financial Performance
Johnson Kalo, Group Deputy CEO / CFO

Annual General Meeting, May 2013
ECONOMIC CONDITIONS
Global Economy

- Globally, Conditions have been difficult
- China’s growth path is at lower levels, but India’s growth is strong
- US prospects for recovery are likely to improve in 2014, Japan’s growth is low but increasingly stable, and the Eurozone will remain fragile over the medium term
- Overall, a period of stability is expected in the medium term
PNG Economy

- Growth is expected to slow in 2013
- Significant step change is expected when PNG LNG Gas first flows, 2014
BSP GROUP FULL YEAR RESULTS
2012 performance Drivers

The factors influencing profit in 2012 are:

• Solid credit growth, from strong sales approaches
• Depressed investment rates of return on bills and securities
• Strong FX liquidity, strong sales effort
• Innovative product offerings, effective promotions, supporting customer and transaction growth
• Costs influenced by market forces (factor supply & prices), and by growth cycle of the business
• Losses are a hazard of the business: internal controls and loan quality lapses
## Financial Overview: 2012 results

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2012</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit after tax (Km)</td>
<td>355.9</td>
<td>407.7</td>
<td>14.6%</td>
</tr>
<tr>
<td>Revenue (Km)</td>
<td>1,182.3</td>
<td>1,353.4</td>
<td>14.5%</td>
</tr>
<tr>
<td>Expenses (Km)</td>
<td>688.6</td>
<td>748.3</td>
<td>8.7%</td>
</tr>
<tr>
<td>Net Loan loss (Km)</td>
<td>25.2</td>
<td>71.0</td>
<td>281.7%</td>
</tr>
<tr>
<td>Earnings per share (K)</td>
<td>0.75</td>
<td>0.87</td>
<td>16.0%</td>
</tr>
<tr>
<td>Customer deposits (Km)</td>
<td>9,366.3</td>
<td>10,860.5</td>
<td>16.0%</td>
</tr>
<tr>
<td>Loans (Km)</td>
<td>4,300.9</td>
<td>4,804.6</td>
<td>11.7%</td>
</tr>
<tr>
<td>Bills &amp; Securities (Km)</td>
<td>4,669.0</td>
<td>4,795.5</td>
<td>2.7%</td>
</tr>
<tr>
<td>Cash (Km)</td>
<td>1,423.6</td>
<td>2,061.4</td>
<td>44.8%</td>
</tr>
<tr>
<td>Total Assets (Km)</td>
<td>11,681.3</td>
<td>13,333.1</td>
<td>14.1%</td>
</tr>
</tbody>
</table>
CREDIT, LIQUIDITY & CAPITAL
Credit Quality

Total 4.32% remains relatively stable.

Trend reflects loan portfolio trend and evolving risk profile in a growth region, including:

- Exposure of natural resource projects to global economic conditions
- Susceptibility of markets to natural catastrophe
- Market share strategy in Fiji

![Loan Provisions to Gross Loans](chart)

- 2010: 3.73%
- 2011: 3.76%
- Q1: 3.93%
- Q2: 4.04%
- Q3: 4.18%
- Q4: 4.32%
Credit Quality (lending type)

- Wholesale: 76% (2011), 76% (2012)
- Leases: 4% (2011), 4% (2012)
- Personal-housing: 12% (2011), 11% (2012)
- Personal-non housing: 8% (2011), 9% (2012)
Credit Quality (sector spread)

- Construction: 2012 - 458.5, 2011 - 480.9
- Manufacturing: 2012 - 520.6, 2011 - 302.8
- Transport & communication: 2012 - 723.6, 2011 - 550.6
- Private households: 2012 - 946.1, 2011 - 692.3
- Commerce, finance, other: 2012 - 1,937.7, 2011 - 1,908.4

BSP Annual General Meeting 2013
Funding

- Total funds have increased significantly from prior year.
- Proportion of wholesale funds has reduced from 2010
  - Segmentation
  - Product improvements, customer acquisition
- PNG still retains close to 90% of deposits
- Funds on demand still represent 80% of funding
Cash flow performance

- The business generates good cash profits
  - Invested back into the business
  - Distributed, returned
- Deposit funds have increased rapidly
- The cash held:
  - 40% is reserving required by Central Bank(s)
  - 60% is held for short term liquidity protection

![Cash Flow Diagram](image)
Strong cash profit flows

- Strong Cash Results
- In 2012, the business generated strong cash profits
- Growth in depositors funds has also been very strong in 2012
- Each year, there has been surplus liquidity
Investment in the business

- Strong capacity to invest or distribute
- Despite regulatory cash reserving policies
Capital Management

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

- Profits earned during the year are tier 2 until audited
- The decrease in the overall ratio is reflected in the build up of loans, and other assets
Capital Management

Other “capital management KPIs” are trending well

- BSP’s capital is mainly profits, shares, and reserves. i.e. equity
- Sound, stable capital position over the long term
- The risk in the balance sheet is with loans: credit risk
Capital Management

A conservative capital management approach:

- BSP can add another K4.9 billion of 100% risk weighted assets before it reaches its minimum capital adequacy limits
- Replace risk free assets
- Maintain balance sheet risk structure, increase total assets

Stable risk appetite, growth outlook: more capital
PROFITABILITY AND KEY RATIOS
Key prudential ratios

- Bank PNG minimum capital adequacy ratio: 12%
- Bank PNG minimum leverage ratio: 6%

Capital Adequacy, 22.3%
Leverage, 9.0%
Return on Equity

- ROE is stable, very strong
- Earnings per share continues to increase:
  - 16% increase from 2011
KEY COMPARISONS
Key Ratio comparisons

Return on equity

- BSP
- Australian Regional Banks Average
- Australian Major Banks Average

Capital adequacy ratio

- BSP
- Australian Regional Banks Average
- Australian Major Banks Average


Percentage: 0, 5, 10, 15, 20, 25, 30, 35, 40

BSP Annual General Meeting 2013

97
Key Ratio comparisons

Net interest margin
- BSP
- Australian Regional Banks Average
- Australian Major Banks Average

Cost to income ratio
- BSP
- Australian Regional Banks Average
- Australian Major Banks Average

BSP Annual General Meeting 2013
SHARES, DIVIDEND
Share Price

Share price (LHS)

Dec 2011 • K7.53
Dec 2012 • K8.08
Today • K8.13

Volumes (RHS)

Dec-11 Mar-12 Jun-12 Sep-12 Dec-12 Mar-13

Closing price (Kina)

Volume traded (millions)

6.80 7.00 7.20 7.40 7.60 7.80 8.00 8.20

0.0 0.1 0.2 0.3 0.4 0.5 0.6 0.7

BSP Annual General Meeting 2013
Dividend

20 toea
• Interim

38 toea
• Final

58 toea
• Full

• increase with profit
• 7.1% yield
• Pay on June 24
BSP Qtr. 1 Results Summary

Johnson Kalo, Group Deputy CEO / CFO

Annual General Meeting, May 2013
Qtr.1 2013 profit after tax of K91.2m is below Qtr. 4 2012 by K14.5m.

- Slowdown in customer transaction activity
- Low tax rate in 2012

Also slightly below Qtr. 1 2012

- Increased loan provisions since Qtr.2 2012
Balance Sheet

Liquidity continues to grow,
- Loans show strong growth
- Non lending Investments have reduced
  - Cash reserve requirement in PNG
- Capital expenditure has also increased
Share Price

- Share price (LHS)
- Volumes (RHS)
- Share Price K8.13
- K3.8bn market Cap

Graph shows the share price trends from December 2011 to March 2013 with closing prices ranging from 6.80 to 8.20 Kina and volume traded in millions.
Market Share

**Deposits**

- PNG: Qtr1-12 = 52%, Qtr2-12 = 54%, Qtr3-12 = 54%
- Fiji: Qtr1-12 = 16%, Qtr2-12 = 24%, Qtr3-12 = 20%
- Solomon Islands: Qtr1-12 = 33%, Qtr2-12 = 23%, Qtr3-12 = 20%
- Total: Qtr1-12 = 44%, Qtr2-12 = 43%, Qtr3-12 = 46%

**Loans**

- PNG: Qtr1-12 = 1%, Qtr2-12 = 2%, Qtr3-12 = 3%
- Fiji: Qtr1-12 = 20%, Qtr2-12 = 19%, Qtr3-12 = 19%
- Solomon Islands: Qtr1-12 = 33%, Qtr2-12 = 35%, Qtr3-12 = 32%
- Total: Qtr1-12 = 39%, Qtr2-12 = 40%, Qtr3-12 = 39%
Customers and Channels

Customers (‘000)

<table>
<thead>
<tr>
<th>Quarter</th>
<th>PNG</th>
<th>Fiji</th>
<th>Sol Isl</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q112</td>
<td>945</td>
<td>986</td>
<td>1,254</td>
<td>3,269</td>
</tr>
<tr>
<td>Q212</td>
<td>1,146</td>
<td>1,195</td>
<td>2,213</td>
<td>5,469</td>
</tr>
<tr>
<td>Q312</td>
<td>1,389</td>
<td>1,191</td>
<td>3,389</td>
<td>6,969</td>
</tr>
<tr>
<td>Q412</td>
<td>1,556</td>
<td>1,519</td>
<td>4,552</td>
<td>8,527</td>
</tr>
<tr>
<td>Q113</td>
<td>1,516</td>
<td>1,472</td>
<td>4,552</td>
<td>8,540</td>
</tr>
</tbody>
</table>

EFTPOS

<table>
<thead>
<tr>
<th>Quarter</th>
<th>PNG</th>
<th>Fiji</th>
<th>Sol IIs</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q112</td>
<td>5,288</td>
<td>6,233</td>
<td>8,382</td>
<td>19,903</td>
</tr>
<tr>
<td>Q212</td>
<td>8,831</td>
<td>10,123</td>
<td>9,724</td>
<td>28,678</td>
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<tr>
<td>Q312</td>
<td>10,451</td>
<td>12,924</td>
<td>9,096</td>
<td>32,472</td>
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<tr>
<td>Q412</td>
<td>11,804</td>
<td>12,139</td>
<td>10,889</td>
<td>34,822</td>
</tr>
<tr>
<td>Q113</td>
<td>11,873</td>
<td>12,474</td>
<td>12,189</td>
<td>36,536</td>
</tr>
</tbody>
</table>
Customers and Channels

**ATMs**

- **PNG**: Q112 = 231, Q212 = 242, Q312 = 255, Q412 = 268, Q113 = 275
- **Fiji**: Q112 = 100, Q212 = 96, Q312 = 102, Q412 = 104
- **Sol Isl**: Q112 = 17, Q212 = 18, Q312 = 18, Q412 = 18
- **Total**: Q112 = 348, Q212 = 369, Q312 = 388, Q412 = 397

**Branches, BSP Rural (PNG)**

- **PNG**: Q112 = 43, Q212 = 43, Q312 = 43, Q412 = 43, Q113 = 82
- **PNG Rural**: Q112 = 43, Q212 = 43, Q312 = 43, Q412 = 43, Q113 = 82
- **Fiji**: Q112 = 14, Q212 = 28, Q312 = 37, Q412 = 28, Q113 = 19
- **Sol Isl**: Q112 = 70, Q212 = 70, Q312 = 70, Q412 = 70, Q113 = 70
- **Total**: Q112 = 140, Q212 = 147, Q312 = 147, Q412 = 147, Q113 = 199
Customers and Channels

**Mobile Banking Users**

- **PNG**
  - Q112: 251,915
  - Q212: 273,019
  - Q312: 310,926
  - Q412: 337,780
  - Q113: 359,845
- **Fiji**
  - Q112: 82,300
  - Q212: 87,680
  - Q312: 96,079
  - Q412: 105,031
  - Q113: 117,039
- **All**
  - Q112: 442,811
  - Q212: 476,884

**Transactions**

- **Mobile Ph.**
- **EFTPOS**
- **ATM**
- **Counter**

**Graphs for Mobile Banking Users and Transactions**

- **Mobile Banking Users**
- **Transactions**

**Graph Details**

- **Mobile Banking Users**
- **Transactions**

**Additional Information**

- **PNG**
- **Fiji**
- **All**

**BSP Annual General Meeting 2013**
Financial Risk Management

Capital Adequacy

<table>
<thead>
<tr>
<th>Year</th>
<th>Tier 2</th>
<th>Tier 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>4.4%</td>
<td>19.8%</td>
</tr>
<tr>
<td>Q1-12</td>
<td>6.9%</td>
<td>18.2%</td>
</tr>
<tr>
<td>Q2-12</td>
<td>8.8%</td>
<td>14.5%</td>
</tr>
<tr>
<td>Q3-12</td>
<td>10.3%</td>
<td>13.5%</td>
</tr>
<tr>
<td>Q4-12</td>
<td>4.9%</td>
<td>17.4%</td>
</tr>
<tr>
<td>Q1-13</td>
<td>6%</td>
<td>6.8%</td>
</tr>
</tbody>
</table>

Provisions to Loans

<table>
<thead>
<tr>
<th>Quarter</th>
<th>2011</th>
<th>Q1 12</th>
<th>Q2 12</th>
<th>Q3 12</th>
<th>Q4 12</th>
<th>Qtr 1-13</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>3.76%</td>
<td>3.93%</td>
<td>4.04%</td>
<td>4.18%</td>
<td>4.32%</td>
<td>4.41%</td>
</tr>
</tbody>
</table>
Funds

Deposit Mix

<table>
<thead>
<tr>
<th>Year</th>
<th>Wholesale</th>
<th>Retail</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>66%</td>
<td>34%</td>
</tr>
<tr>
<td>Q112</td>
<td>64%</td>
<td>36%</td>
</tr>
<tr>
<td>Q212</td>
<td>65%</td>
<td>35%</td>
</tr>
<tr>
<td>Q312</td>
<td>64%</td>
<td>36%</td>
</tr>
<tr>
<td>Q412</td>
<td>66%</td>
<td>34%</td>
</tr>
<tr>
<td>Qtr1</td>
<td>65%</td>
<td>35%</td>
</tr>
</tbody>
</table>

Deposit Type (Km)

- Current: 9.6
- Term: 1.5
Qtr.1-2013 Performance Summary

• Growth trend slowed significantly between the end of 2012 and March 2013
  – Winding down of LNG construction activity
  – Prices for export commodities softening as global conditions tightening
BSP Priority is Banking with Advantages. BSP Express Tellers, Smaller Queues, Faster Banking.