VISION:

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

MISSION:

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

• Integrity
• Professionalism
• Leadership
• Quality
• People
• Teamwork
• Community
BSP continued with important steps in 2014:

1. Increase and maximize income across all business channels;
2. Continue an ongoing disciplined approach to costs;
3. Develop new markets;
4. Invest in the development of our staff;
5. Improve our service culture;
Financial Performance
2014
Group Profit Before Tax

(Kina’ million)

(YEAR ENDING DECEMBER)

Kina, Millions


142 607 719

Integrity  Professionalism  Leadership  Quality  People  Teamwork  Community

BSP Annual General Meeting 2015
Group Profit After Tax
(Kina’ million)

<table>
<thead>
<tr>
<th>Year Ending December</th>
<th>Kina, Millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>99</td>
</tr>
<tr>
<td>2006</td>
<td>100</td>
</tr>
<tr>
<td>2007</td>
<td>200</td>
</tr>
<tr>
<td>2008</td>
<td>300</td>
</tr>
<tr>
<td>2009</td>
<td>400</td>
</tr>
<tr>
<td>2010</td>
<td>507</td>
</tr>
<tr>
<td>2011</td>
<td>437</td>
</tr>
</tbody>
</table>
# Group Profit & Loss Trends

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

Year Ending December

- 2005: 2.95 billion
- 2006: 2 billion
- 2007: 4 billion
- 2008: 6 billion
- 2009: 8 billion
- 2010: 10 billion
- 2011: 12 billion
- 2012: 14 billion
- 2013: 15.76 billion
- 2014: 15.88 billion
# Group Balance Sheet Trends

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

Integrity  Professionalism  Leadership  Quality  People  Teamwork  Community  

BSP Annual General Meeting 2015
Channel Performance
2010 to 2014
BSP continues to expand its service channels

<table>
<thead>
<tr>
<th></th>
<th>Branches</th>
<th>BSP Rural</th>
<th>ATM's</th>
<th>EFTPOS</th>
<th>AGENTS/Rural Outlets</th>
</tr>
</thead>
<tbody>
<tr>
<td>PNG</td>
<td>42</td>
<td>42</td>
<td>301</td>
<td>9,729</td>
<td>239</td>
</tr>
<tr>
<td>FIJI</td>
<td>18</td>
<td>-</td>
<td>112</td>
<td>1,999</td>
<td>41</td>
</tr>
<tr>
<td>SI</td>
<td>7</td>
<td>-</td>
<td>19</td>
<td>154</td>
<td>35</td>
</tr>
</tbody>
</table>
## Retail Branch Profitability

<table>
<thead>
<tr>
<th>Branch Type</th>
<th>#</th>
<th>Total Costs (in K'm)</th>
<th>%</th>
<th>2014 Profit / (Loss) (K'm)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>BSP Full Branches</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>In Loss or less than K1m profit</td>
<td>25</td>
<td>140.9</td>
<td>38%</td>
<td>-6.3</td>
</tr>
<tr>
<td>More than K1m profit per annum</td>
<td>17</td>
<td>226.5</td>
<td>62%</td>
<td>99.0</td>
</tr>
<tr>
<td></td>
<td>42</td>
<td>367.4</td>
<td>100%</td>
<td>92.7</td>
</tr>
<tr>
<td><strong>BSP Rural</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>In Loss or less than K1m profit</td>
<td>42</td>
<td>10.9</td>
<td></td>
<td>-4.9</td>
</tr>
</tbody>
</table>

Integrity  Professionalism  Leadership  Quality  People  Teamwork  Community
Group Income Growth
2010-2014 (K’million)

Net Interest Income
Banking Fee and Commissions
Fx Income
Net Insurance Income
Other Income

(Year Ending December)
Group Expense 2010-2014 (K’million)

- **Operating Expenses**
  - 2010: 469
  - 2011: 547
  - 2012: 597
  - 2013: 658
  - 2014: 612

- **Bad and doubtful debt**
  - 2010: 21
  - 2011: 53
  - 2012: 71
  - 2013: 79
  - 2014: 77

- **Depreciation and SW Amort’n**
  - 2010: 54
  - 2011: 0
  - 2012: 0
  - 2013: 176
  - 2014: 127

- **Other expenses**
  - 2010: 1
  - 2011: 0
  - 2012: 0
  - 2013: 15
  - 2014: 58

The chart above shows the trend of group expenses from 2010 to 2014, with a focus on operating expenses and the components contributing to them.
PNG: Profit After Tax (K’million)

BSP
458.0
Up 8.3%

ANZ
337.6
Up 8.0%

WESTPAC
210.3
Down 10.6%
PNG – Loans
(K’ million)

WPAC
1,618.5
Nil Growth

ANZ
3,153.9
Up 7%

BSP
5,271.0
Up 24%
PNG - Deposits
(K’ million)

WESTPAC
2,917.7
Up 3.4%

ANZ
4,780.4
Up 7%

BSP
10,888.2
Up 2%
FIJI: Profit After Tax (FJD ‘million)

- **BSP**: 21.0 (Up 133%)
- **ANZ**: 40.0 (Down 22.5%)
- **WESTPAC**: 47.0 (Down 6%)
- **BOB**: 6.0 (No Change)
- **HFC**: 5.0 (No Change)
Solomon Islands: Profit After Tax (SBD ’million)

- **ANZ**
  - 21.7
  - Up 8.5%

- **WPAC**
  - 25.9
  - Down 28%

- **BSP**
  - 33.7
  - Up 15.8%
BSP Strategy Settings
2015-2016
Strategic Focus 2015/16

**Strategic Growth** – Pursue growth initiatives with the objectives of:

1. diversifying Group income and assets;
2. creating growth options outside our core business;
3. accessing market segments outside the Pacific Region;
4. extending BSP’s footprint in the Pacific beyond PNG, Solomon Islands and Fiji
Strategic Focus 2015/16

- **Westpac Acquisition:**
  1. BSP entered into a sale agreement in January 2015 to acquire Westpac’s operations in Solomon Islands, Vanuatu, Samoa, Tonga and Cook Islands for A$125m.
  2. Satisfies key strategic criteria which includes geographic and business line opportunities of economic size and merit.
  3. Brings respected customers in the new countries, skilled employees and specialized processes and systems.
  4. Positions BSP as a leading Pacific regional financial services business, maximizing future opportunities from PNG’s long term trade and economic influence in the region.
Strategic Focus 2015/16

• BSP Finance

1. Asset Finance business determined to meet a specific customer finance need that can not be satisfied through traditional banking channels.

2. BSP Finance established to meet this need and leverage branch network to extend reach to large customer base.

3. BSP Finance opened its first branch in Suva (Fiji) in November 2014.

4. BSP Finance opened its PNG office in December 2014.

5. BSP Finance will follow BSP’s regional expansion.
Strategic Focus 2015/16

• Continued emphasis on embedding our Vision, our Values and our Culture across the BSP network.

• Re-enforce linkage of BSP’s values of integrity, professionalism, leadership, quality, people, teamwork, and community as intrinsic to embedding a true service and sales culture within BSP.
Strategic Focus 2015/16

- **Customer** – continuing to promote and practice **iCare** to embed our Vision and Values in the organization and instil effective practices around responsiveness, accountability, and teamwork towards customer service.

- **People** – Continuation of the Leadership Development Program introduced in 2014 which involves 15 emerging, developing and senior leaders, and product, process and personal development training across the network.
Strategic Focus 2015/16

• **Financial** – Consolidation and Improvement of BSP’s regional market position.

• **Operational** – Maintaining and Improving operational excellence for both external and internal customers through technology and internal process and productivity improvement programs.
Capital Management

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

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

“Capital Management KPIs” are trending well

• BSP’s capital is mainly profits, paid up equity, and reserves

• Sound, stable capital position over the long term.
Return on Equity

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

- Interim: 20 toea
- Final: 56 toea
- Full: 76 toea

- Increase with profit
- 10.3% yield
- Pay June 19
BSP Qtr.1/2015
Results Summary
Johnson Kalo, Group Deputy CEO / Group CFO

Annual General Meeting, May 2015
Qtr.1 2015 profit after tax of K130m is above Qtr.4 2014 by K7m.

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

• Slight growth in loans reflects increase in PNG lending portfolio

• Other Interest Earning assets are stable

• Q1/15 decline in deposits is in line with seasonal movement

• Total Assets reflect movements in Q1 to lower Central Bank and Inter-bank balances
Capital Adequacy

Provisions to Loans

Tier 2 Capital
Tier 1 Capital
Minimum BPNG requirement - 12%
### Funds

#### Deposit Mix (K ‘billion)

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Wholesale</th>
<th>Retail</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1-14</td>
<td>73%</td>
<td>27%</td>
</tr>
<tr>
<td>Q2-14</td>
<td>76%</td>
<td>24%</td>
</tr>
<tr>
<td>Q3-14</td>
<td>74%</td>
<td>26%</td>
</tr>
<tr>
<td>Q4-14</td>
<td>74%</td>
<td>26%</td>
</tr>
<tr>
<td>Q1-15</td>
<td>74%</td>
<td>26%</td>
</tr>
</tbody>
</table>

#### Deposit Type (K ‘billion)

- **Current**
  - 10.4 Bn
  - 84%

- **Term**
  - 2.0 Bn
  - 16%
Qtr.1-2015 Performance Summary

• Revenues
  – Q1/15 Revenue improves from the previous quarter driven by growth in lending volumes

• Balance Sheet
  – Stable lending market share in PNG

• Capital Adequacy
  – Q1 of 2015 at 25.5%, still well above BPNG requirement
Summary
Performance Summary 2014 (1)

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

• NPBT of K718.9 Million, NPAT of K507.3 Million (up 16.1%)

• Net Income K1.58 Billion (up 4.0%)
  • Revenues from foreign exchange income reduced from K184.5m for the 1st half of 2014, to K83m for the 2nd half of 2014 following changes to the margins on foreign exchange.

• Loans and Advances grew K1.5 Billion (up 28.5%) to K6.8 Billion
Performance Summary 2014 (2)

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

• Group Operating Expenses show reductions of -4.3%
  – and operating expenses continue to be a focus in 2015.

• Capital Adequacy of 24% - well above BPNG requirement of 12%
  – Strong Capital & Liquidity position, with BSP projected to be compliant with BPNG prudential requirements even after acquisition of Westpac.
Thank You