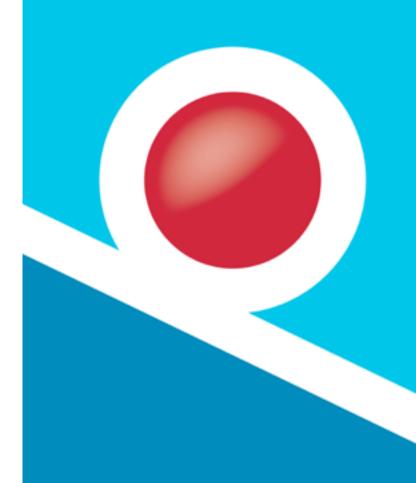
Bank of South Pacific Limited Independent Board Governance & Performance Review

May 2016









The characteristics of a solid board are:

- a strong Chair that manages the CEO and runs the board meetings effectively and efficiently;
- efficient board processes and robust corporate governance;
- representation of all shareholder interests with integrity;
- the appropriate balance of skills and knowledge; and
- focus on strategy development and implementation



Highly Effective Boards have the characteristics of a solid board plus:

- culture of continuous improvement in all areas of board performance;
- robust challenge of management assumptions;
- ongoing re-evaluation of strategy in a constantly changing environment;
- strong and continual focus on management's implementation of strategic initiatives, challenging where necessary; and
- succession plan for the chair, committee chairs, directors and key executives.



The Independent Board Governance and Performance Review (IBGRP) process included:

- one-on-one interviews with select directors;
- report to the Board on strengths, areas for improvement and recommendations on how to address those areas for improvement; and
- report to shareholders on the results of the review



Methodology

The IBGPR examined and evaluated the following areas:

- governance;
- board process;
- board dynamics;
- BARCC and RNC performance;
- strategy creation and implementation; and
- succession planning



- Beginning in 2010 the BSP Board has commissioned Strategic Momentum Group (SMG) to provide the BSP Board with an annual Independent Board Governance & Performance Review (IBGPR).
- The objectives of the IBGPRs are:
 - for the Board to adopt a culture of continuous improvement;
 - have an independent assessment of the gaps between the performance of the BSP Board and best practice; and
 - have an independent expert provide recommendations on how to bridge the gaps



2016 IBGPR Results



Update Since 2016 AGM

- Westpac South Pacific Island Business acquisition substantially completed
- Investigation of other growth opportunities;
- Excellent 2015 financial result and;
- Impending implementation of new Prudential Standard BPS 300.



BGPR 2016 Report

Show Year-by-Year progress in the areas of board governance and performance

- Excellent = Best Practice
 - Anything less than excellent, I'll discuss what's needed to become best practice



Board Process

Board Pack

2010 Unsatisfactory

2014 Excellent

2015 Excellent

2016 Excellent

Why:

- –excellent CEO Report;
- more focus on strategy

Continues to be a strength of the Board



Board Process (cont.)

Board and Committee Minutes

2010 Unsatisfactory

2014 Good

2015 Good

2016 Good

- Why
 - Accuracy
 - committee minutes are distributed on time
- Needed to become excellent -
 - draft board minutes distributed to the directors within 3 business days



Board Process (cont.)

Board Meetings

2010 Average

2014 Good

2015 Very Good

2016 Very Good

- Why
 - much more focus on strategy
- Needed to become excellent
 - more director participation in board discussions



Board Dynamics

2010 Good

2014 Very Good

2015 Excellent

2016 Excellent

- Why
 - respectful; professional; good collaboration; manages conflict
- Next Step to keep Excellent rating
 - induction of new directors
 - understanding of director's cognitive strengths and blind spots more director participation in board discussions



BARCC

2010 Satisfactory 2013 Satisfactory 2015 Very Good 2016 Excellent

- Why
 - increase focus on non-financial risks;
 - internal auditor reports to the committee chair



RNC

2011 Unsatisfactory 2013 Unsatisfactory 2015 Good 2016 Good

- Needed to become Excellent
 - -succession plan for directors/Chair/committee chairs
 - -pro-active in filling key vacancies



Relationship with the Executive

2010 Average

2014 Excellent

2015 Excellent

2016 Excellent

- Why
 - mutual respect
 - free flow of information
 - transparency

continues to be a strength of the board



Director Skills

2010 Below Average

2014 Good

2015 Good

2016 Good

- Needed to become excellent -
 - internal director mentoring program
 - specialised technical workshops
 - complete the A.I.C.D. International Directors Course

Strategy

2010 Below Average

2014 Good

2015 Very Good

2016 Excellent

– Why

- Board focus on strategy has improved significantly
- strategy workshop with executives annually
- robust oversight of strategy implementation

This critical area has become a strength of the board



Governance

2010 Below Average2014 Good2015 Very Good2016 Good

- Why?
 - CEO has a clear and transparent Succession Plan for key executives;
 - board has adopted the new Prudential Standards;
 - BPS300 on Corporate Governance.
- Needed to become excellent
 - succession plan for directors/chair/committee chairs



Summary

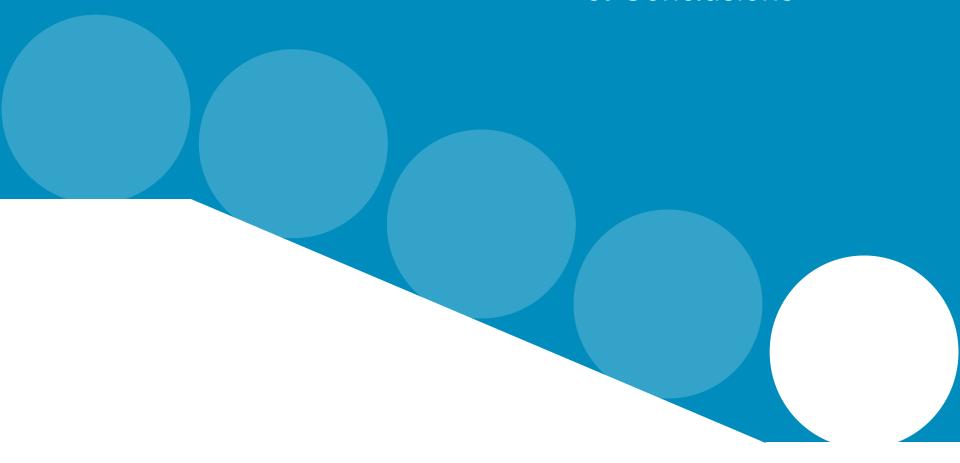


Comparison of 2010, 2014, 2015 & 2016

ITEM	2010	2014	2015	2016
BOARD PACK	UNSATISFACTORY	EXCELLENT	EXCELLENT	EXCELLENT
MINUTES	UNSATISFACTORY	GOOD	GOOD	GOOD
BOARD MEETINGS	AVERAGE	GOOD	VERY GOOD	VERY GOOD
BOARD DYNAMICS	GOOD	VERY GOOD	EXCELLENT	EXCELLENT
BARCC	SATISFACTORY	SATISFACTORY (2013)	VERY GOOD	EXCELLENT
RNC	UNSATISFACTORY	UNSATISFACTOR Y (2013)	GOOD	GOOD
RELATIONSHIP WITH EXECUTIVE	AVERAGE	EXCELLENT	EXCELLENT	EXCELLENT
DIRECTOR SKILLS	BELOW AVERAGE	GOOD	GOOD	GOOD
STRATEGY	BELOW AVERAGE	GOOD	VERY GOOD	EXCELLENT
GOVERNANCE	BELOW AVERAGE	GOOD	VERY GOOD	GOOD



5. Conclusions







SYDNEY | BRISBANE | CANBERRA | MELBOURNE | PERTH

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