



Bank of South Pacific Limited

Dividend Reinvestment Plan

Special Note:

This document is not intended to provide definitive financial or taxation advice. You should choose your form of dividend carefully having regard to your own individual circumstances and needs.

If you are uncertain about which option is best for you, you are strongly advised to obtain independent financial, taxation or legal advice.

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What is the Dividend Reinvestment Plan?

Shareholders in Bank of South Pacific Limited ("BSP") may be able to elect to have their dividends automatically applied to the purchase of additional Shares rather than receiving the dividends in cash.

If you are a Shareholder and you wish to automatically reinvest your dividends in Shares rather than receiving your dividends in cash, you may also be able to do so by participating in BSP's Dividend Reinvestment Plan ("DRP"). Intending participants should read these Terms and Conditions carefully as they govern participation in the DRP.

The DRP will commence operation on a date determined by the Directors. BSP may change the terms of the DRP or suspend or terminate the DRP as provided in these Terms & Conditions

This document is not relevant to you if:

- you are an existing Shareholder and wish to continue receiving dividends in the form you are currently receiving them;
- you are a new Shareholder and wish to receive normal cash dividends; or
- you are a shareholder with less than the minimum holding.

Am I eligible to participate?

All Shareholders who hold at least the Minimum Holding at a Record Date for a dividend and have a registered address in Papua New Guinea are eligible to participate in the DRP in respect of that dividend. However, if you hold Shares on behalf of someone residing outside of Papua New Guinea, you are not eligible to participate in respect of those shares.

The estate of any deceased person will not be eligible to participate if BSP has been notified of the estate.

BSP may alter the Minimum Holding at any time . BSP may also at any time specify a Maximum Holding in the same way.

Participation in the DRP is optional, non-transferable and subject to these Terms and Conditions .

BSP will not charge you any brokerage, commission or other transaction costs in respect of your application for participation in the DRP or the issue of Shares to you pursuant to the DRP. Further, you do not have to appoint a broker in respect of your additional Shares.

Can I participate in respect of only some of my Shares?

If you choose to participate in the DRP, you do not have to participate in respect of all of your Shares. When applying to participate, you may elect to participate in the DRP in respect of all Shares registered in your name or you may nominate only some of your Shares.

If you elect to become a Partial Participant, you must specify the exact number of Shares you wish to include in the DRP and this must be more than the Minimum Holding. If you do not specify a different level of participation or number of Shares, you will be deemed a Full Participant.

Similarly, if you specify a number of Shares in excess of the number of Shares that you hold at the relevant time or you elect to be a Full and Partial Participant in respect of one holding, you will be deemed to be a Full Participant.

If BSP nominates a Maximum Holding at any time and you hold a number of participating Shares in excess of the Maximum Holding, your number of participating Shares will be deemed to be equal to the Maximum Holding. Shares you hold over and above the Maximum Holding will be considered non participating Shares and dividends in respect of those Shares will be paid in cash.

BSP reserves the right to waive any Maximum Holding restriction for trustees or nominees holding on behalf of beneficiaries shares which in aggregate exceed the Maximum Holding. However, any waiver will apply only in respect of a beneficial holding if the trustee or nominee provides sufficient evidence to BSP that the beneficial holding does not exceed the Maximum Holding in respect of any single beneficiary.

What happens if I sell some of my Shares?

Shares, which are sold or otherwise transferred to a new owner, will cease to participate in the DRP on registration of the transfer by or on behalf of BSP, unless the new owner of the Shares is a Full Participant or notifies BSP in writing of its intention to participate in the DRP. Obviously if you sell all of your Shares, your participation in the DRP will cease.

Selling some of your Shares will not generally affect your participation in the DRP other than to reduce your dividend entitlement and consequently your proportional entitlement to additional Shares.

However, if you are a Partial Participant and you sell some of your Shares, BSP will be deemed to have been instructed that Shares not participating in the DRP will be transferred first. Therefore, a Partial Participant who sells more than their total number of non-participating Shares will be deemed to have become a Full Participant in respect of all remaining Shares. Any additional Shares issued under the DRP will not change that status.

If you wish to sell participating Shares before non-participating Shares, you will need to advise BSP in writing in accordance with these Terms & Conditions (see the section of this document headed "***How do I apply and send other notices?***").

What happens if I buy additional Shares?

If you elect to become a Full Participant in the DRP, any further Shares you acquire will automatically become participating Shares on being registered in your name by or on behalf of BSP.

If you elect to become a Partial Participant, Shares subsequently issued to you under the DRP will participate in the DRP. However, if you are a Partial Participant and you purchase additional Shares outside of the DRP (i.e. they are not issued to you by BSP as part of the DRP) they will not be included unless you complete a new Application Form in respect of those Shares. Any additional Shares purchased or issued which are included in the DRP will be subject to the Terms and Conditions-.

How does the DRP work?

Following acceptance of your Application Form by BSP, when a cash dividend is payable in respect of your participating Shares, BSP will apply the amount of the dividend to the purchase of additional Shares on your behalf on the following terms:

- (1) BSP will establish and maintain a DRP account for each of your shareholding accounts;
- (2) For each cash dividend payable to you,-BSP will:
 - (a) Determine the amount of the dividend payable to you in respect of your participating Shares and credit that amount to your DRP account;
 - (b) determine the number of Shares which will be allotted to you by the application of the following formula:

$$\frac{(D-T)}{(C-d)}$$

Where:

D = the dividend payable to you for your participating Shares as at the Record Date for that dividend;

T = any impost, withholding tax or other sum which BSP is required to or may deduct for any reason from the dividend referred to in "D"; and

C = is the Current Market Price.

d = any discount that the Directors may, at their discretion, apply to the Current Market Price in determining the price at which Shares issued under the DRP will be allotted.

- (c) on behalf of and in your name, apply the total amount of the dividend payable to you in subscribing for the number of Shares determined under 2(b) above; and

- (d) allot and issue to you the number of Shares determined under 2(b) above.
- (3) Where the application of the formula in 2(b) above results in a fractional entitlement, the fractional entitlement is to be rounded up to the next whole number.
- (4) Unless the Directors determine otherwise, the maximum number of Shares that may be allotted or purchased under the DRP is limited to 20,000,000 Shares from the date of first approval of the DRP by shareholders.

How are my Shares allotted?

Shares allotted to you pursuant to the DRP will be allotted in accordance with the POMSOX Listing Rules and the relevant Holding Statements and DRP Statements will be issued to you following that allotment.

Subject to the Constitution of BSP, the Shares will rank equally in all respects with existing participating Shares.

In respect of any allotment of Shares under the DRP, BSP may in its discretion either issue new Shares or cause existing Shares to be acquired on market and transferred to you or a combination of both. If BSP decides to cause the transfer of existing Shares, those Shares may be acquired in the market in such manner as BSP considers appropriate and these Terms & Conditions are amended, as BSP considers necessary to facilitate those transfers.

Will I receive any statements?

Following each dividend payment and subsequent allotment of Shares to you under the DRP, you will be issued with a DRP Statement containing at least the following information:

- (1) the number of participating Shares registered in your name and subject to the DRP as at the Record Date;
- (2) the amount per Share applied to the purchase of Shares under the DRP;
- (3) the number of shares allotted under the DRP and their date of issue;
- (4) the amount of dividend withholding tax deducted; and
- (5) any other matter required by law to be included in a statement confirming a transaction.

What about taxation?

BSP does not represent or warrant that you will gain any taxation advantage or that you will not incur a taxation liability or disadvantage by participating in the DRP.

Neither BSP nor its Directors, officers, employees, representatives or agents accept any responsibility or assume any liability for any taxation liabilities incurred by or imposed on you as a consequence of participating in the DRP.

As individual circumstances and laws vary considerably, you should obtain specific taxation advice from professional advisers prior to participating in the DRP.

Can the DRP be changed, suspended or terminated?

The Terms and Conditions may be amended and the DRP itself suspended, recommenced or terminated by the Directors at any time on giving 28 days' notice to you.

Any such variation, termination or suspension shall not give rise to any liability on the part of or right of action against BSP. Where these Terms and Conditions are varied, you agree to participate in the DRP under the varied terms unless and until you serve a notice of termination in accordance with these Terms and Conditions.

If the DRP is suspended, your elections as to participation will cease to be effective and all Shares will be deemed to be non participating Shares in respect of any Record Date occurring during a period of suspension. If the DRP is suspended for longer than two consecutive Record Dates upon which dividends are payable, then you will cease to be a participant in the DRP and you will need to re-apply if the DRP is subsequently recommenced. If the suspension is shorter than two consecutive Record Dates upon which dividends are payable, your participation will be reinstated and apply in the same manner when the suspension is lifted as it did prior to suspension.

The failure by BSP to notify you of the suspension, modification or termination of the DRP or the non-receipt of any notice by you will not invalidate that suspension, modification or termination.

Notwithstanding the above, BSP may at any time, without the need for any notice:

- (1) modify the DRP to comply with the Constitution, the listing rules or business rules of POMSOX, or any law or regulation; and
- (2) make minor amendments to the DRP where such amendments are of an administrative or procedural nature or otherwise permitted by these Terms & Conditions.

Any variation, termination, suspension or recommencement will take effect on a date determined by the Directors. The Directors may settle (in such manner as they think expedient) any disputes in connection with, the operation of the DRP, whether generally or in relation to any Shareholder or any Shares. Any determination of the Directors will be conclusive and binding on all Shareholders and other persons to whom the determination relates.

How do I apply and send other notices?

Applications

If you wish to participate in the DRP, you should first read these Terms & Conditions thoroughly and then complete and execute an Application Form.

An agreement to participate on the Terms and Conditions between BSP and you (either as a Full Participant or Partial Participant) will be made when BSP accepts your Application Form in respect of the DRP.

BSP may in its absolute discretion refuse to admit a Shareholder to the DRP without giving reasons, but if it does so, it will notify that Shareholder as soon as practicable.

In particular, BSP may refuse to accept an Application Form and may also suspend or withdraw Shares from participation in the DRP if it considers that participation may lead to persons becoming a shareholder controller or indirect controller in BSP within the meaning of the *Banks & Financial Institutions Act 2000* or otherwise result in breach of Listing Rule or Business Rule of POMSOX or any law by any person.

BSP may also in its absolute discretion accept an application which is not in the required form and correct any error in or omission from an Application Form prior to acceptance. Upon acceptance, that application will be deemed to be an Application Form for the purposes of that particular application.

Effect

Applications and notices will only be effective on receipt by BSP at the address specified for notices (see below), subject to:

- (a) these Terms and Conditions;
- (b) in the case of an Application Form, acceptance by BSP; and
- (c) such other restrictions as BSP may impose from time to time.

To be effective in relation to a particular dividend, BSP must have received and accepted your Application Form or notice no later than 2.00pm on the Record Date for that dividend.

By applying to participate in the DRP, you:

- (a) warrant to BSP that you are eligible to participate in accordance with these Terms and Conditions;
- (b) authorise BSP to correct any error in or omission from your Application Form;
- (c) acknowledge that BSP may determine that your Application Form is valid even if it contains errors or omissions;
- (d) consent to the establishment of a DRP account on your behalf;
- (e) agree to the appointment of a trustee nominated by BSP as your agent to acquire Shares on market if BSP decides to allocate Shares under the DRP by transferring existing Shares;
- (f) acknowledge that BSP may arrange for the DRP to be fully or partially under written in respect of any one or more Record Dates;
- (g) acknowledge that BSP has not provided you with investment advice or financial product advice nor does it have any obligation to do so in relation to your decision to participate in the DRP; and
- (h) unconditionally agree to these Terms and Conditions.

BSP Dividend Reinvestment Plan

BSP may accept written applications from eligible Shareholders to participate in the DRP that are not in the form of the Application if BSP decides that the instructions are clear and sufficient.

Address for notices

Applications and other notices (including variation and termination notices) must be sent to the following address:

SHARE REGISTRY:

PNG Registries Limited
P O Box 1265
PORT MORESBY
National Capital District
Telephone: (675) 321 6377
Facsimile: (675)321 6379
Email: ssimon@online.net.pg

or

BANK SOUTH PACIFIC:

Company Secretary
Bank South Pacific Limited
Section 5, Lots 12 &13
Cnr Douglas & Musgrave Streets
Granville
Port Moresby NCD

Joint Shareholders

Where Shares are held jointly, all joint Shareholders must sign any single notice and/or Application Form and all Shareholder must be eligible to participate.

Separate holdings

If you hold more than one holding of Shares, a separate notice and Application Form must be given by you in respect of each separate holding.

Corporations

If you are a corporation you must execute any Application Form and notices under common seal if required, under power of attorney or in such other manner as BSP may from time to time determine (either generally or in particular instances).

Power of Attorney

Where an Application Form or notice has been completed by an individual or a corporation under a power of attorney the power must be duly stamped (if necessary) and (unless previously noted by BSP) must accompany the completed notice.

Notices to you

The provisions of the Constitution and the POMSOX Listing Rules in relation to the service of documents on Shareholders apply to service by BSP of notices in connection with the DRP.

- a) BSP will give you at least 28 days' notice before any termination, variation, suspension or recommencement of the rules. The notice may be provided in a manner which BSP considers appropriate to bring the termination, suspension or recommencement to the Notice of Participants or eligible shareholders including but not limited to:

- i) an announcement on POMSOX;
 - ii) another public notice; or
 - iii) advertisements in any newspaper circulating generally in PNG
- b) An accidental omission to give Notice to any participant or non-receipt of any Notice by any Participants will not invalidate the termination, variation, suspension or recommencement.

How do I terminate or vary my participation?

You may terminate or vary your participation in the DRP at any time by completing and delivering to BSP a notice to such effect. The provisions above (see "**How do I apply and send other notices?**") concerning the form, execution, effect and address for service of notices apply to notices of variation and termination as well. Variation or termination notices can be obtained by contacting the Share Registry on the details set out below (see the section headed "**Other important matters**")

You and any joint holders of your Shares will be deemed to have terminated participation in the DRP:

- (a) when BSP receives a notice of termination in the correct form delivered to the correct address specified in these Terms and Conditions;
- (b) on the registration of a transfer of all or your Shares subject to the DRP (whether or not you have otherwise notified BSP of the transfer);
- (c) on the termination of the DRP by BSP;
- (d) when BSP receives a notice of your:
 - (i) death or the death of any person/s jointly holding participating Shares with you;
 - (ii) bankruptcy; or
 - (iii) liquidation; or
- (e) when for some reason you cease to be eligible to participate in the DRP in accordance with these Terms and Conditions.

A Share, which has ceased to be a participating Share, is not precluded from subsequently participating in the DRP (provided the DRP has not been terminated) on the Terms and Conditions.

Some other important matters

Governing Law and Jurisdiction

These Terms and Conditions are governed by and shall be construed in accordance with the laws in force in Papua New Guinea and each participating Shareholder submits to the exclusive jurisdiction of the courts of Papua New Guinea.

BSP Dividend Reinvestment Plan

Port Moresby Stock Exchange Listing

BSP will ensure that an application is made following the issue of Shares pursuant to the DRP for quotation of those shares on POMSOX and on each other stock exchange where Shares for the time being are listed.

General

BSP will not be liable or responsible to any participating Shareholder for any loss or disadvantage suffered or incurred as a result, directly or indirectly, of the establishment or operation of the DRP, the Shareholder's participation in the DRP or in relation to any advice given with respect to participation in the DRP.

Notwithstanding any other provision of these Terms and Conditions, the DRP will be conducted and these Terms and Conditions applied in accordance with the Companies Act 1997, the Banks and Financial Institutions Act and the POMSOX Listing Rules and Business Rules and will have effect to the maximum extent permitted by law.

Administration

The DRP will be administered by the Directors who may determine any procedures for administration of the DRP consistent with these Terms and Conditions and delegate the exercise of any of their discretions, authorities or powers arising under the DRP.

Any discretion, authority or power exercisable by BSP or the Directors in accordance with these Terms and Conditions is final and binding on participants in the DRP and is exercisable in the absolute discretion of BSP or the Directors as the case may be.

Further information

A copy of BSP's most recent Annual Report and financial statements is available to every Shareholder on request by contacting the Share Registry on the details below.

Enquiries

All enquiries relating to Terms and Conditions and BSP's DRP should be directed to:

SHARE REGISTRY:

PNG Registries Limited
P O Box 1265
PORT MORESBY
National Capital District
Telephone: (675) 321 6377
Facsimile: (675) 321 6379
Email: ssimon@online.net.pg

or

BANK SOUTH PACIFIC:

Company Secretary
Bank South Pacific Limited
Section 5, Lots 12 & 13
Cnr Douglas & Musgrave Streets
Granville
Port Moresby NCD

Definitions

In these Terms and Conditions, the following words and expressions have the meanings indicated unless the contrary intention appears:

Application form means the Dividend Reinvestment Plan Application Form attached to this document to be used to apply to participate in the DRP

Bank South Pacific or BSP means Bank of South Pacific Limited

Constitution means the constitution of BSP as amended from time to time.

Current Market Price is the weighted average sale price of all Shares sold on POMSOX during the four trading days on which sales of Shares were recorded immediately before but not including the Record Date excluding sales of Shares pursuant to special crossings, overnight sales and other transactions which the Directors consider do not reflect natural supply and demand for Shares.

Directors mean the Board of Directors for the time being of BSP.

Dividend Reinvestment Plan or **DRP** is the plan under which Shareholders may elect to receive Shares rather than cash dividends declared by BSP, in respect of all or part of their holdings of Shares.

DRP Statement means the statement containing the information set out in the section of this Terms & Conditions headed "**Will I receive a statement?**"

Full Participant means a Shareholder who for the time being participates in the DRP in respect of all of the Shares registered in their name.

Maximum Holding means a temporary or continuing maximum holding of Shares per Shareholder permitted to participate in the DRP as determined by BSP from time to time.

Minimum Holding means 1000 Shares or such other minimum holding as BSP may determine from time to time.

Partial Participant means a Shareholder who for the time being participates in the DRP in respect of some but not all of the Shares registered in their name.

Record Date means, in relation to a dividend, the time and date upon which determination of entitlements to that dividend is made by BSP.

Register means a register of members of BSP.

Share means an issued and fully paid ordinary share in BSP

Shareholder means a person for the time being registered as a holder of Shares.

Terms and Conditions means the terms and conditions as they are set out in this documents as amended from time to time.

Interpretation

When interpreting these terms and conditions, the following apply:

- (a) words importing any gender include all genders;
- (b) words denoting an individual include a corporation and vice versa;
- (c) the singular includes the plural and vice versa;
- (d) a reference to these Terms and Conditions includes any variation or replacement of them;
- (e) law means common law, principles of equity and laws made by the Papua New Guinea Parliament;
- (f) a reference to a person includes the person's executors, administrators, successors, substitutes (including persons taking by novation) and assigns; and
- (g) headings are for convenience only and do not affect the construction of these Terms and Conditions.



Bank South Pacific

Dividend Reinvestment Plan Application Form

Shareholder/s name

Date ___/___/___

Shareholder number

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Registered address

Please read terms and conditions as well as instructions on reverse before completing this application form

I/We hereby cancel any previous instruction for participation in any dividend plan with Bank South Pacific, and:

Please tick one box only

I/We elect **full** participation for my/our total shareholding in the **Dividend Reinvestment Plan**.

I/We elect **limited** participation for _____ number of shares in the **Dividend Reinvestment Plan** and balance of holding to receive cash dividends.

Signature/s

I/We also agree to be bound by the terms and conditions of the Dividend Reinvestment Plan as amended from time to time.

Joint holders – each must sign.

Power of Attorney must have been previously exhibited to the registry or must accompany this form.

Companies – must sign in accordance with their Constitution.

Signature of shareholder/s

Companies only (*Delete whichever does not apply) 

*Director

*Director/Secretary

*Sole Director and Sole Secretar