



Investor Presentation

March 2017

WE ARE **BSP**



Disclaimer

WE ARE
BSP

NOT FOR PUBLICATION OR DISTRIBUTION, DIRECTLY OR INDIRECTLY, IN OR INTO THE UNITED STATES

This presentation has been prepared and issued by Bank of South Pacific Limited (the "Company"), and may not be reproduced in whole or in part, nor may any of its contents be disclosed to any other person without the prior written consent of the Company.

This presentation is provided by the Company for general information purposes only, without taking into account any recipient's personal objectives, financial situation or needs. It should not form the basis of or be relied on by the recipient in considering the merits of any particular transaction and does not purport to contain all of the information that an interested party may desire. It is not an offer to buy or sell, or a solicitation to invest in or refrain from investing in, any securities or other investment product. This presentation has not been filed, lodged, registered, reviewed or approved by any regulatory authority in any jurisdiction and recipients of this presentation should keep themselves informed of, and comply with and observe, all applicable legal and regulatory requirements. The distribution of this presentation in certain jurisdictions may be restricted by law and, accordingly, recipients of this presentation represent that they are able to receive this presentation without contravention of any unfulfilled registration requirements or other legal restrictions in the jurisdiction in which they reside or conduct business. Nothing in this presentation constitutes investment, legal, tax, accounting or other advice. The recipient should consider its own financial situation, objectives and needs, and conduct its own independent investigation and assessments of the contents of this presentation, including obtaining investment, legal, tax, accounting and other advice as it considers necessary or appropriate. Any costs incurred by recipients in making such investigations and assessments, etc. are not the responsibility of the Company or any of its advisers, directors, employees or agents.

Provision of this presentation is not a representation to any recipient or any other person that the shares or business of the Company or any of its subsidiaries will be sold. The Company may at any time negotiate with one or more interested parties and enter into a definitive agreement without prior notice to any or all interested parties. The Company also reserves the right to terminate, at any time, further participation in the investigation and proposed process by any party, to modify any of the rules or procedures set forth herein or any other procedures without prior notice or assigning any reason therefore or to terminate the process contemplated hereby. The Company reserves the right to take any action, whether in or out of the ordinary course of business, which the Company in its sole discretion deems necessary or prudent in the conduct of its business or the process contemplated by this presentation.

This presentation has been prepared on the basis of publicly available information and/or selected information and does not purport to be all-inclusive or to contain all of the information that may be relevant to the presentation. Neither the delivery or supply of this presentation (or any part thereof) nor the provision of information referred to herein or provided in connection with the evaluation of the Company by interested parties shall, under any circumstances, (a) constitute a representation or give rise to any implication, that there has been no change in the affairs, business or financial position of the Company or any of its subsidiaries, associated companies or affiliates or in the information herein since the date hereof or the date on which this presentation has been provided or delivered or (b) provide a basis of any credit or other evaluations and should not be considered as a recommendation by the Company that any recipient of the presentation or such other document or information contemplated herein should proceed with a further investigation of the Company or enter into any transaction with the Company or any person in relation to the Company. Neither the Company nor any other person are under any obligation to update or correct this presentation.

The Company and its related bodies corporate and other affiliates, and their respective officers, employees, advisors, representatives, consultants and agents ("Relevant Parties") make no representation or warranty, expressed or implied, as to, and no reliance should be placed on, the fairness, accuracy, completeness, timeliness or reliability of the contents of this presentation or any other written or oral communication transmitted or made available to any interested party, whether as to the past or future. To the maximum extent permitted by law, none of the Relevant Parties accept any liability (including, without limitation, any liability arising from fault of negligence on the part of any of them) for any loss whatsoever arising from the use of this presentation or its contents or otherwise arising in connection with it or as a result of any omission, inadequacy or inaccuracy herein. Only those representations and warranties that are provided in a definitive agreement when, and if, it is executed, and subject to such limitations as may be provided in such agreement shall have any legal effect. This presentation may contain forward-looking statements, forecasts, estimates and projections ("Forward Statements"). No independent third party has reviewed the reasonableness of any such statements or assumptions. None of the Relevant Parties represents or warrants that such Forward Statements will be achieved or will prove to be correct. Actual future results and operations are subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Company, and could vary materially from the Forward Statements. Similarly, no representation or warranty is made that the assumptions on which the Forward Statements are based may be reasonable. No audit, review or verification has been undertaken by an independent third party of the assumptions, data, historical results, calculations and forecasts presented. In receiving this presentation, each recipient acknowledges that it shall not deal or cause or procure any person to purchase, acquire, dispose of or deal in any securities of the Company in breach of any laws and regulations relating to insider dealing, market abuse or securities in general of Singapore and elsewhere.

The recipient acknowledges that no person is intended to act or be responsible as a fiduciary to the recipient, its management, stockholders, creditors or any other person. By accepting and providing this presentation, the recipient expressly disclaims any fiduciary relationship with any person and agrees that the recipient is responsible for making its own independent judgements with respect to any transaction and any other matters regarding this presentation.

The Company is not authorised under the Banking Act 1959 (Cth) (the "Banking Act") and is not supervised by the Australian Prudential Regulation Authority. The Company's products are not covered by the depositor protection provisions in section 13A of the Banking Act and will not be covered by the financial claims scheme under Division 2AA of the Banking Act.

Agenda

WE ARE
BSP

1 BSP and PNG Overview

2 BSP's Key Strengths

3 Financial Overview

4 Strategy and Conclusion

5 Appendix

1

BSP and PNG Overview

Overview of BSP

**WE ARE
BSP**

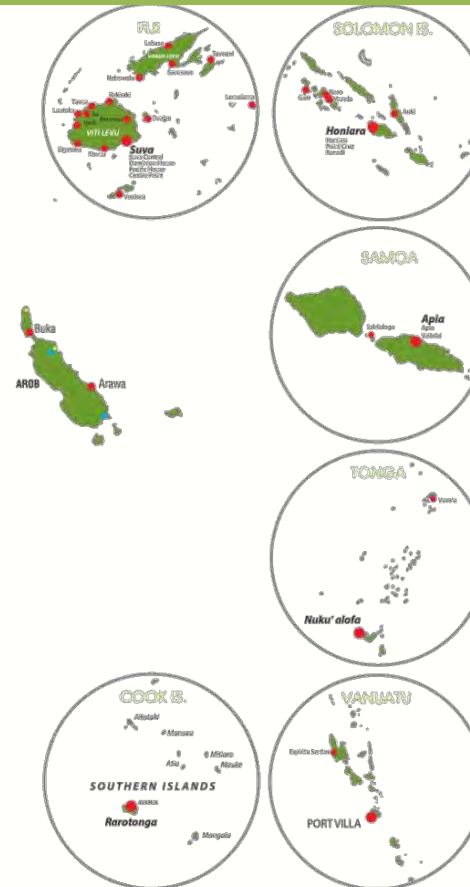
BSP Locations

BSP LOCATIONS



	PNG	Fiji	Solomon Is.	Samoa	Tonga	Cook Is.	Vanuatu	Total
Branches	44	17	8	3	2	2	2	78
Sub-Branches	45	7	0	1	2	1	0	56
ATMs	307	114	28	16	12	9	13	499
EFTPoS	7,997	1,763	235	330	303	374	341	11,343
Agents	178	43	58	31	20	7	14	351

(1) As at 1 March 2017, circa A\$1.7Bn / US\$1.3Bn



Leading Bank in South Pacific

- ✓ #1 in PNG by total assets
- ✓ #2 in Fiji by total assets
- ✓ #1 in Solomon Islands by total assets
- ✓ Listed on Port Moresby Stock Exchange
- ✓ Market capitalisation of 4.2 billion Kina ⁽¹⁾

BSP: Diversified by Geography, Business Mix and Revenue Mix

WE ARE
BSP

Banking Operations

PNG Retail

- 1.7 million deposit and transaction accounts
- ~1.3 million cards, all of which are connected to mobile and e-banking services
- 110 million transactions pa
- Substantial FX and payments transactional business
- ~124,000 personal loans

10% of Loans ⁽¹⁾
17% of Deposits ⁽¹⁾

PNG Corporate

- Mixture of strategic, large, medium, small corporate clients
- Loan products include business loans, overdrafts, commercial property, asset finance, foreign currency, construction and trade finance
- Significant corporate forex and deposits
- 'Whole of bank' services to corporate clients and their stakeholders (e.g. employees) leveraging retail capabilities

57% of Loans ⁽¹⁾
21% of Deposits ⁽¹⁾

PNG Paramount

- Deposit services to premium customers (> K 250,000)
- Relationship management model
- Customer segments include national government, provincial government, local government, land owners, statutory bodies, NGOs

0% of Loans ⁽¹⁾
34% of Deposits ⁽¹⁾

Non-PNG

- Retail and Corporate Banking business in Fiji
- Retail Banking in Solomon Islands, Tonga, Cook Islands, Samoa and Vanuatu

31% of Loans ⁽¹⁾
28% of Deposits ⁽¹⁾

Other

Non-Banking Operations

- BSP Life: Insurance provider in Fiji
- BSP Capital: Broking and research, funds management, corporate advisory
- BSP Finance: Asset finance

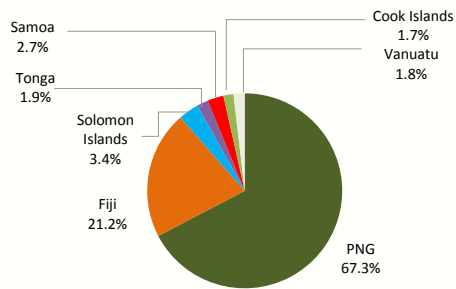
2% of Loans ⁽¹⁾
0% of Deposits ⁽¹⁾

Support Functions

- Finance & Planning
- Treasury
- Group Risk Management
- Operations & IT
- Human Resources

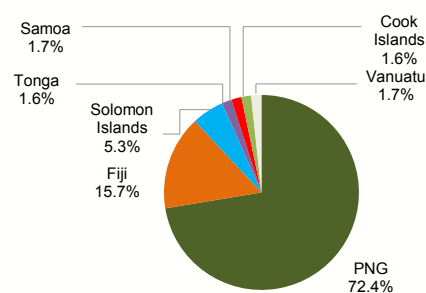
Loans Mix

31 December 2016: 108Bn'K



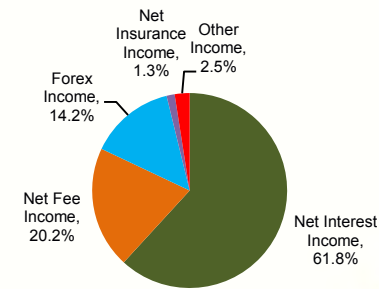
Deposits Mix

31 December 2016 : 178Bn'K



Revenue Mix

31 December 2016: 1.8Bn'K



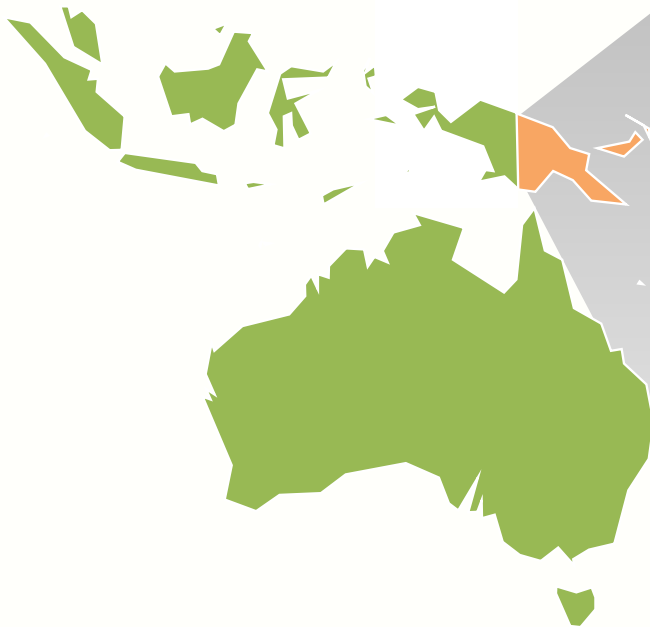
(1) For the period ended 31 December 2016

Introduction to Papua New Guinea

WE ARE
BSP

Papua New Guinea (PNG) occupies the eastern half of the island of New Guinea and is one of the most culturally diverse countries in the world

Geographic Location



Key Facts

GDP (2016E)	K 51.48n / US\$15.68n ⁽¹⁾
Land Area	462,840 sq km
Population	7.9m ⁽²⁾
Languages	Tok Pisin (Pidgin English), English and Hiri Motu More than 800 other distinct languages also in use
Currency	Kina
Exchange rate ⁽³⁾	USD : PGK 3.17 AUD : PGK 2.44 GBP : PGK 3.95
Main industries	▪ Oil and gas extraction ▪ Mining ▪ Agriculture ▪ Manufacturing ▪ Construction
Key trading partners	Australia, Japan, China
Political structure	▪ Papua New Guinea became self-governing on 1 December 1973 and achieved independence from Australia on 16 September 1975 ▪ National parliament consists of members representing constituencies; provincial leaders and representatives from the capital ▪ Provincial governments may levy taxes to supplement grants received from the national government ▪ Next general election commences June/July 2017

(1) 2017 National Budget, IMF World Economic Outlook

(2) IMF World Economic Outlook

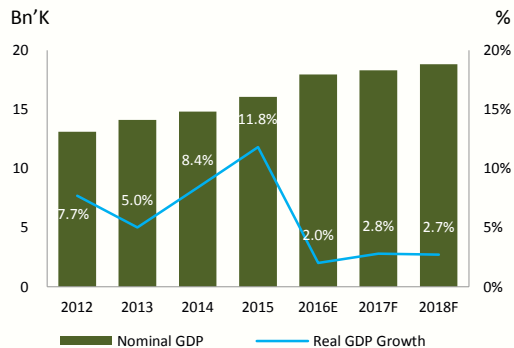
(3) As at 1 March 2017

PNG GDP

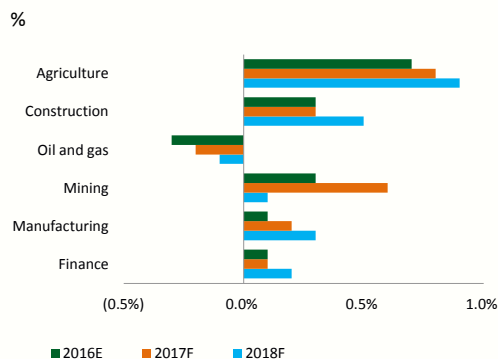
WE ARE
BSP

PNG has experienced robust economic performance over the past two decades with growth expected to continue

Real GDP Growth



GDP Growth Breakdown



GDP

■ Robust economic performance over the past two decades, with:

- Foreign investment in resources construction
- Exports (predominantly mining and agricultural products) underpinning substantial employment growth
- Infrastructure related construction activity
- Growth in other sectors, particularly wholesale trade, retail trade, transport, storage and communication

■ Historically insulated from turbulence in global financial markets, with the global financial crisis having only a mild impact

- Increased public spending has helped sustain growth in the face of the indirect impact of price declines in certain commodities

■ Following the completion of the construction of new economic projects such as the PNG LNG project, PNG's GDP is expected to enter a transitional growth period in the coming years

- Resources sector expected to moderate and the contribution from other sectors such as agriculture, construction and manufacturing expected to increase

■ PNG's medium term growth outlook remains strong, and it is expected to be one of the fastest growing countries based on International Monetary Fund (IMF) 2016 estimates, underpinned by:

- Resources project pipeline
- Agricultural development potential
- Ongoing urbanisation of the population

Source: 2017 National Budget, BSP

PNG Financial Services Sector

Highly profitable financial services sector with strong long-term growth potential

WE ARE
BSP

Overview

The PNG banking sector remains stable and has a number of attractive characteristics including:

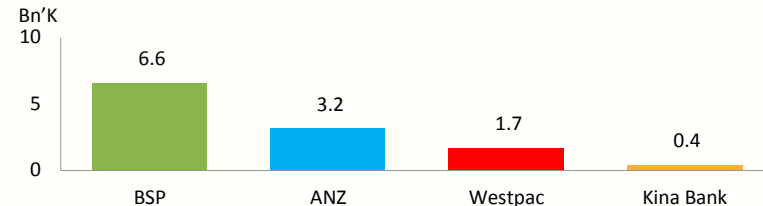
- Highly profitable with an average return on equity of c.30%⁽¹⁾
- Strong long-term growth potential given current banking sector loan penetration of 28% of GDP⁽²⁾, significantly below that of developed markets and many other emerging markets
- Strong capital adequacy and liquidity position with more than half of total banking sector assets held in government securities or cash, conservative loan to deposit ratios and limited exposure to international capital markets or complex financial products
- Strong asset quality and prudent credit risk taking with a majority of loans to corporate and SME customers and low levels of non-performing loans and bad debt provisions

The PNG commercial banking sector's exposures remain diversified with the largest sector exposures being to the mining and transport sectors

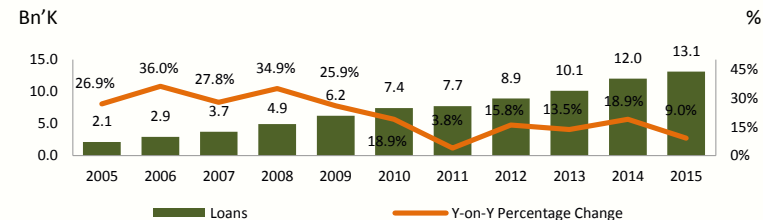
Regulatory Framework

- BPNG is the official authority for supervision and regulation of banks and financial institutions in PNG under the Banking and Financial Institutions Act.
- The supervisory regime is currently based on Basel I, and BPNG has been working to continue to improve financial infrastructure, prudential regulation, financial literacy and access to financial services
- In particular, BPNG has been at the forefront of efforts to improve the country's legal and regulatory framework to comply with international standards for anti-money laundering and combating the financing of terrorism

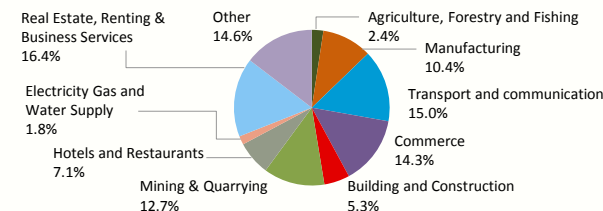
Peer Benchmarking by Total Loans



Banking Sector Loans and Growth



Commercial Bank Loans by Sector



Source: BPNG (31 December 2015), BSP

(1) World Bank Global Financial Development Database, average of commercial banks, 2014
 (2) Economist Intelligence Unit, 2014

2

BSP's Key Strengths

BSP's Key Strengths

WE ARE
BSP

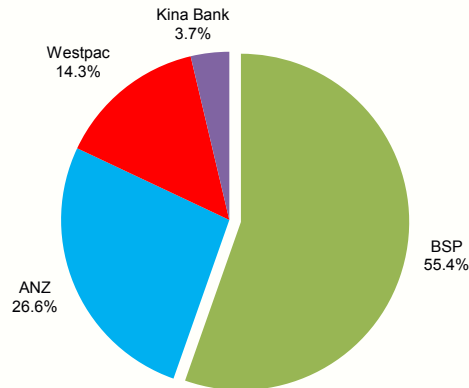
- 1 Market Leadership Across the Pacific
- 2 Operating in Growing Developing Markets
- 3 Branch Footprint Which Enables Diverse Customer and Product Mix
- 4 Proven Track Record of Executing Growth Initiatives
- 5 Experienced Board and Management Providing Robust Governance and Risk Controls
- 6 Attractive Financial Profile Delivering Growth, Returns and Yield
- 7 Well Capitalised Balance Sheet and Strong Margins

Market Leadership Across the Pacific

WE ARE
BSP

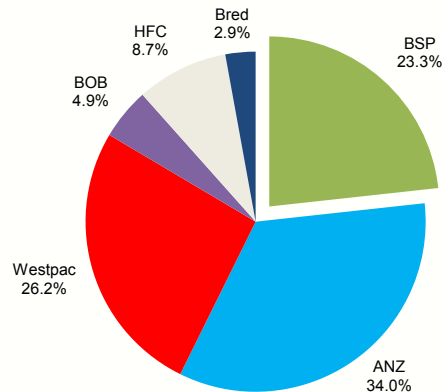
PNG Market Share by Total Loans ⁽¹⁾

Latest available



Fiji Market Share by Total Loans ⁽²⁾

Latest available



Commentary

- ✓ BSP is a leading bank in PNG and the South Pacific, recognised for its strong commitment to the region and unparalleled knowledge, history and experience
- ✓ BSP is the clear market leader in PNG, with a deposit market share of 56%⁽²⁾ and a loans market share of 55%⁽²⁾, and enjoys strong brand recognition as the only domestically developed bank
- ✓ In Fiji, BSP has a 23% market share by total loans⁽²⁾
- ✓ In addition, BSP has market leading positions in all other regions it operates in, including a 45% market share in Solomon Islands, and 39% market share in Tonga ⁽²⁾
- ✓ BSP's differentiates itself through its branch, sub-branch and agent network (largest in PNG), ability to make decisions locally, and ability to support local clients through cross-business unit and regional engagement

(1) BSP – Q3/2016, ANZ - KDS Sep 2016, WBC – KDS Sep 2016, Kina Bank – Jun 2016

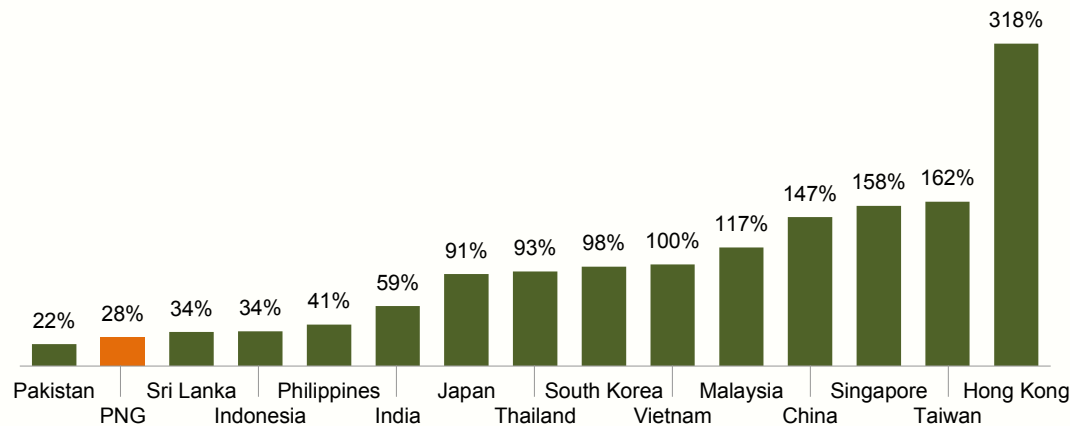
(2) Latest available company filings for all banks

Operating in Growing Developing Markets

WE ARE
BSP

Loan Penetration

(2014 Loans / GDP)

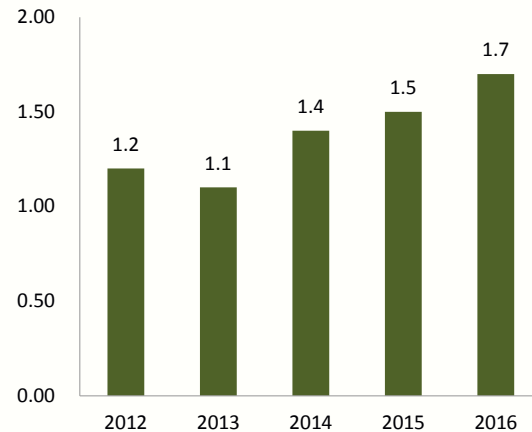


Source: EIU

BSP Retail Customer Accounts

Number of Accounts

Millions



- **80% of the PNG population is unbanked⁽¹⁾**
- Loan penetration rate of 28% in PNG, significantly below that of developed markets and many other emerging markets
- 9.4% have access to mobile banking⁽²⁾
- Projected population growth of 2.7% CAGR from 2016 – 2021E⁽³⁾

(1) Oxford Business Group

(2) International Monetary Fund

(3) IMF World Economic Outlook (April 2016)

Branch Footprint which Enables Diverse Customer and Product Mix

WE ARE
BSP

PNG ⁽¹⁾				
				
Employees	2,818	~500	~457	~250
Branches	44	16	16	3
ATMs	307	65	60	4
Rural Outlets	44	nil	~12	nil
EFTPOS	7,997	~1,370	~2,600	nil

Fiji ⁽¹⁾				
				
Employees	591	788	425	102
Branches	17	16	21	6
ATMs	114	91	73	17
Rural Outlets	43	6	62	Nil
EFTPOS	1,763	1,770	2,500	88

Branch footprint and historic origins as PNG's national bank drives competitive advantage through:

- Dominant financial services provider to provincial and local governments
- Supporting multinational corporations operating in remote areas
 - Leveraging retail footprint to provide 'whole of bank' services to corporate customers and their stakeholders (e.g. staff, suppliers, sub-contractors and their relatives)
- Driving penetration of financial services to under-banked rural populations
- Geographic reach underpins sticky low interest deposit base
- Building brand identity as the local and national champion
- Differentiated market position versus Westpac and ANZ – which gravitate towards Australian cross border corporate clients

(1) December 2016 for BSP, latest available for other banks

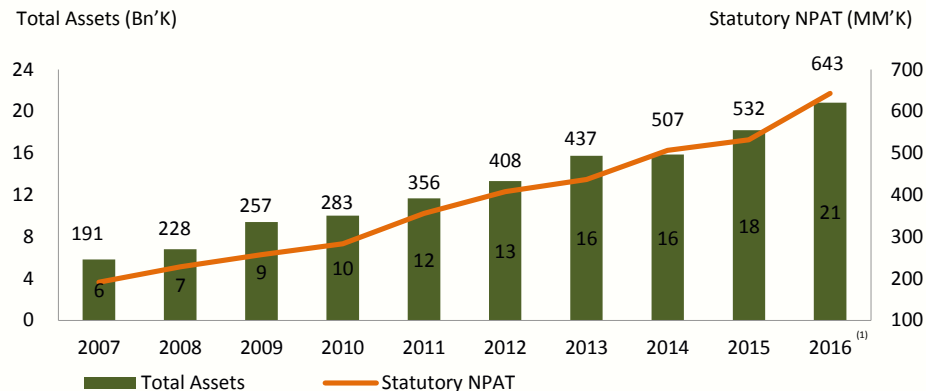
Proven Track Record of Executing Growth Initiatives

WE ARE
BSP

History

1957	Commenced operations in Port Moresby on 1 May 1957, as a branch of National Bank of Australasia Ltd
1974	BSP incorporated as Bank of South Pacific Limited, a wholly owned subsidiary of the Australian parent
1993	National Investment Holdings Limited, a nationally owned company, acquired BSP from National Australia Bank
2002	Acquisition of 75% of the state-owned Papua New Guinea Banking Corporation
2003	BSP is listed on the Port Moresby Stock Exchange
2005	Standard & Poors issued an inaugural credit rating for BSP of B+
2006	Established a presence in Fiji through the acquisition of Habib Bank Ltd's Fiji operations, which were rebranded to BSP
2007	Acquired the National Bank of Solomon Islands, Ltd, and rebranded to BSP
2009	Acquired Colonial Bank and Colonial Fiji Life Insurance Limited from Commonwealth Bank of Australia and rebranded to BSP and BSP Life, respectively
2010	IFC acquired a 10% shareholding in BSP
2015 / 2016	Acquired Westpac's operations in Cook Islands, Samoa, Solomon islands, Tonga and Vanuatu for A\$125 million

Financial Profile Over Time



Growth Profile Going Forward

- Cement domestic leadership
- Broaden product and service offering
- Develop insurance offering
- Enhance systems and strategic capability
- Establish South East Asia footprint

(1) Includes Westpac acquisition

Experienced Board and Management Providing Robust Governance and Risk Controls

WE ARE
BSP

BSP Board of Directors



Sir Kostas
Constantinou



Robin
Fleming



Gereaa
Aopi



Dr Ila
Temu



Ernest
Brian Gangloff



Freda
Talao



Geoffrey
J Robb



Augustine
Mano



Arthur
Sam



Dr Faamausili
Lua'iufi

Board Audit Committee

Board Risk & Compliance Committee

Strategy

Group Chief Executive Officer



Robin Fleming

Group Chief Risk Officer



Haroon Ali

Executive Committee

Strategic Risk

People

Engagement

Group Assets and Liabilities Committee

Liquidity Risk

Interest Rate Risk

Balance Sheet
Solvency

FX Risk

Prudential and
Covenant Compliance

Capital Adequacy

Credit and Restructure Committees

Credit Risk

Transactional Risk

Operational Risk Management Committee

Operational Risk

Market Risk

IT Risk

IT Security

General Business Risk

Business Continuity

Product Risk

Legal Risk

Physical Security

Internal Audit



Eddie Ruha
CFO



Richard
Borysiewicz,
GM BSP Capital



Roberto Loggia,
COO



Christophe
Michaud,
GM and Director
BSP Finance



Paul Thornton,
GM Retail



Rohan George,
GM Treasury



Peter Beswick,
GM Corporate

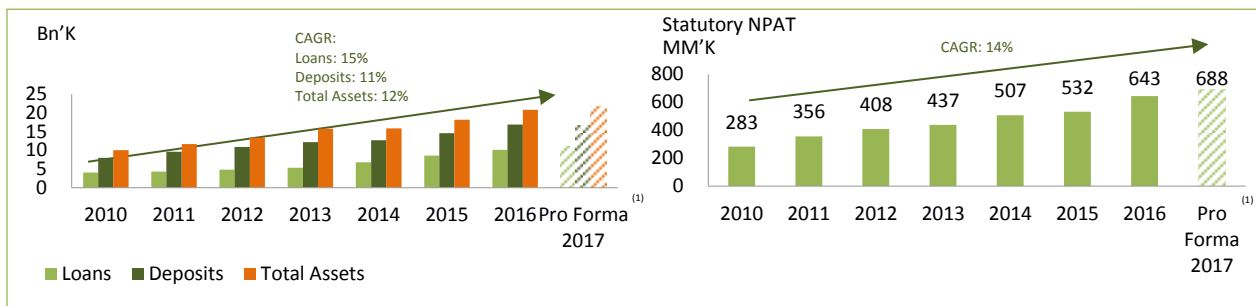


Hari Rabura,
GM HR

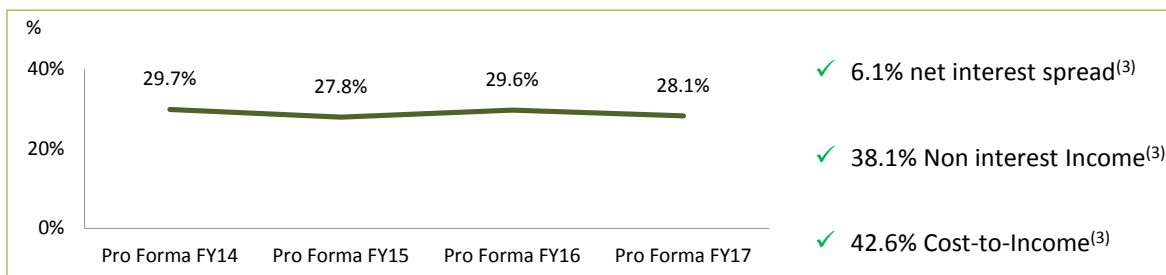


Aho Baliki,
GM Paramount

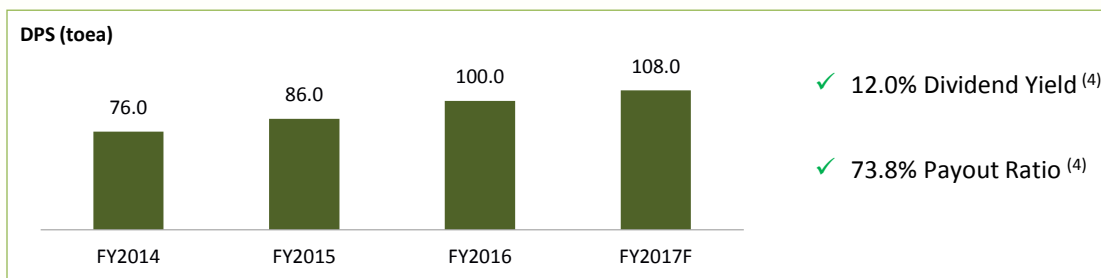
Growth



Returns



Yield



(1) Pro Forma FY17 forecast, average balance

(2) Includes Westpac acquisition

(3) For the period ended 31 December 2016

(4) FY2017 forecast, dividend yield assumes share price of 9.02 Kina as at 1 March 2017

Well Capitalised Balance Sheet and Strong Margins

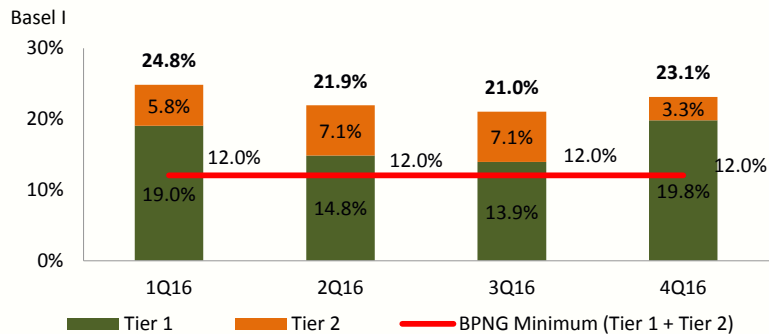
WE ARE
BSP

Dec-16 Key Balance Sheet Items ⁽¹⁾

Bn'K (December Year End)

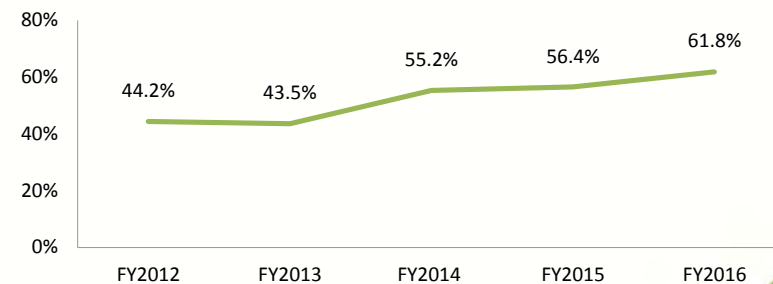


Capital Adequacy Ratios



(1) Yield and cost of funds calculated on average balances

Loan-to-Deposit Evolution



3

Financial Overview

Pro-Forma FY14-17 Income Statement

WE ARE
BSP

Pro Forma Income Statement				
PGK MM	Pro Forma FY14	Pro Forma FY15	Pro Forma FY16	Pro Forma FY17
Interest Income	947.3	1,100.5	1,267.9	1,383.9
Interest Expense	(62.6)	(94.6)	(160.2)	(183.2)
Net Interest Income	884.8	1,005.9	1,107.7	1,200.7
Foreign Exchange Income	170.6	178.9	253.8	262.1
Net Fee Income	305.0	310.9	362.3	376.8
Other Non Interest Income	25.8	30.2	29.4	29.0
Net Fee and Commission Income	501.4	520.0	645.5	667.9
Insurance Income	15.7	21.2	24.0	25.1
Operating Income	1,401.8	1,547.1	1,777.2	1,893.7
Impairments on Loans and Advances to Customers	(76.8)	(89.9)	(98.6)	(98.0)
Other Operating Expenses	(703.1)	(691.1)	(757.3)	(829.6)
Profit Before Tax	621.9	766.2	921.2	966.2
Income Tax Benefit / (Expense)	(183.0)	(234.3)	(280.3)	(278.5)
Net Profit for the Year	438.9	531.9	640.9	687.7

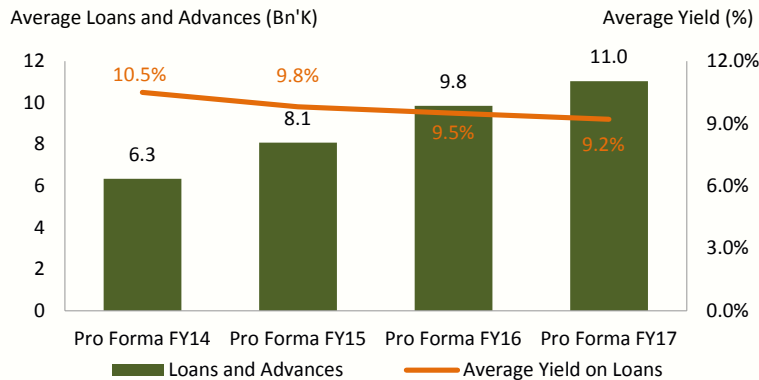
Commentary

- Net interest income** is comprised of earnings from the loan book, the investment portfolio and the cost of funds
 - FY16 growth of 10%
 - FY17 growth of 8%
- Foreign exchange commissions** impacted by 75bps cap in FY14 (pro forma adjustment)
 - FY16 growth of 42%
 - FY17 growth of 3%
- Net fee income** – Fee income growth is the result of BSP's customer growth, in part reflected by an increase in the loan and deposit books
 - FY16 growth of 17%
 - FY17 growth of 4%
- Loan impairment expense** – The provision to loan ratio has been relatively stable at c. 5% of total loans
- Operating expenses** have improved with the cost-to-income ratio falling from 50.2% in 2014 to 42.6% in FY16, driven by a cost reduction program
 - FY17 ratio is expected to increase to 43.8%, impacted by costs associated with the core banking system upgrade

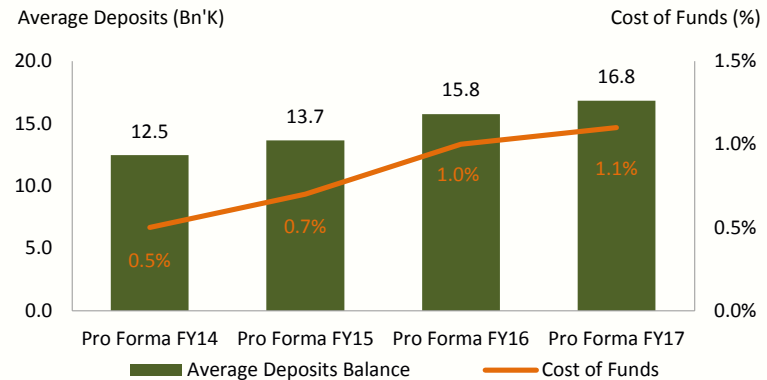
Key Financial Metrics

WE ARE
BSP

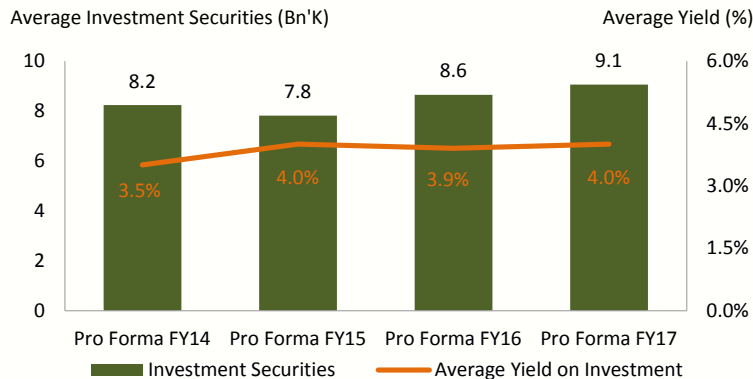
Average Yield on Loans and Advances



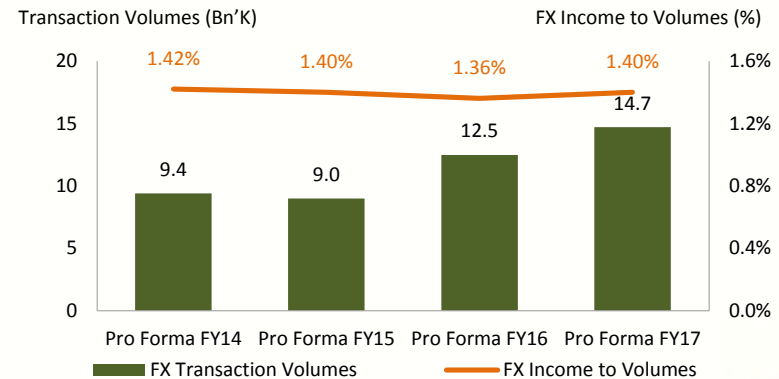
Cost of Funds



Average Yield on Investment Securities



Foreign Exchange (PNG)

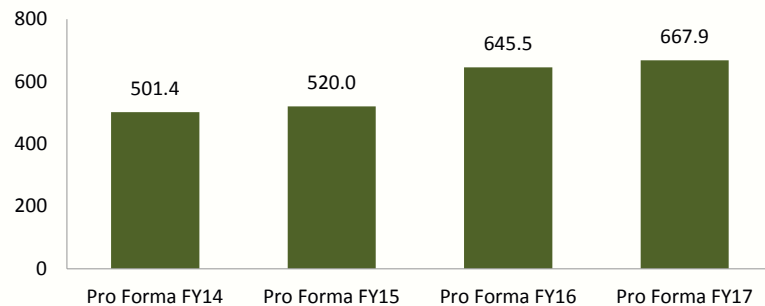


Key Financial Metrics (Cont'd)

WE ARE
BSP

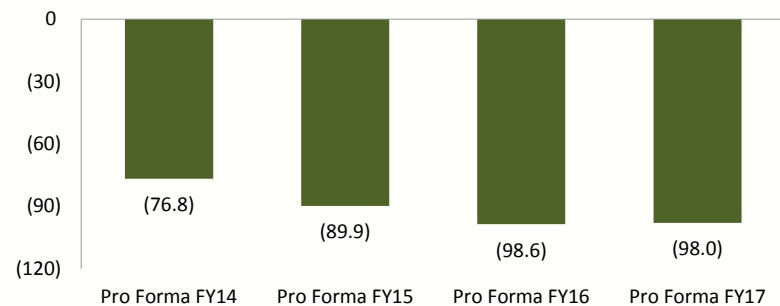
Net Fee and Commission Income

PGK MM

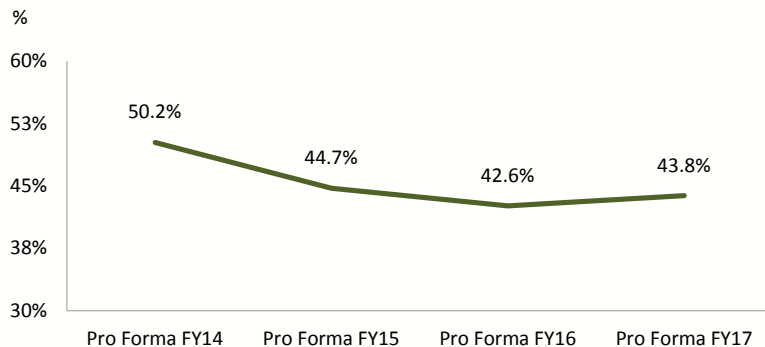


Impairments on Loans and Advances to Customers

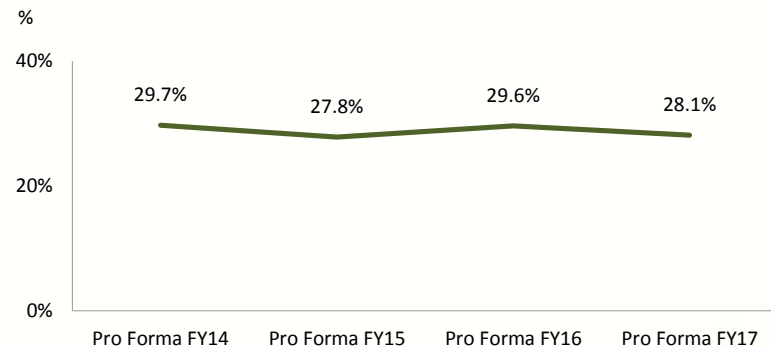
PGK MM



Cost to Income Ratio



Return on Equity



Balance Sheet

WE ARE
BSP

Summary Balance Sheet

PGK MM	Reported Dec-15	Reported Dec-16
Cash & Balances with Central Bank	1,202.5	1,656.2
Statutory Deposit - Central Bank	1,359.6	1,474.7
Bills - Treasury & Central Bank	2,503.1	2,933.6
Amounts Due from Other Banks	710.2	804.2
Loans & Advances to Customers 1	8,621.5	10,102.9
Property, Plant & Equipment	686.3	683.5
Assets subject to Property Leases	52.9	44.7
Other Financial Assets	2,308.9	2,331.5
Investments in Associates & Joint Ventures	102.4	125.6
Deferred Tax Assets	147.4	170.1
Assets held for sale	35.1	-
Other Assets	356.2	413.2
Intangible assets	110.2	91.6
Total Assets	18,196.3	20,831.8
Amounts Due to Other Banks	(344.3)	(301.3)
Amounts Due to Customers 2	(14,595.4)	(16,912.3)
Subordinated Debt Securities	(75.5)	(75.5)
Other Liabilities	(969.2)	(1,058.5)
Provision for Income Tax	(39.0)	-
Other Provisions	(143.7)	(169.8)
Total Liabilities	(16,167.1)	(18,517.5)
Net Assets	2,029.2	2,314.3
Issued and Fully Paid Ordinary Shares	374.6	373.1
Minority Interest	-	4.6
Reserves	255.1	266.1
Retained earnings	1,399.5	1,670.6
Total Shareholders' Equity	2,029.2	2,314.3

Commentary

1 Loans, advances and other receivables

- FY15: 27.6% growth
 - Driven by acquisition of Westpac businesses in the South Pacific, and an increase in large loans to state owned enterprises
- FY16: 17.2% growth
 - Due to organic growth in the corporate segment and further acquisitions of Westpac's South Pacific businesses

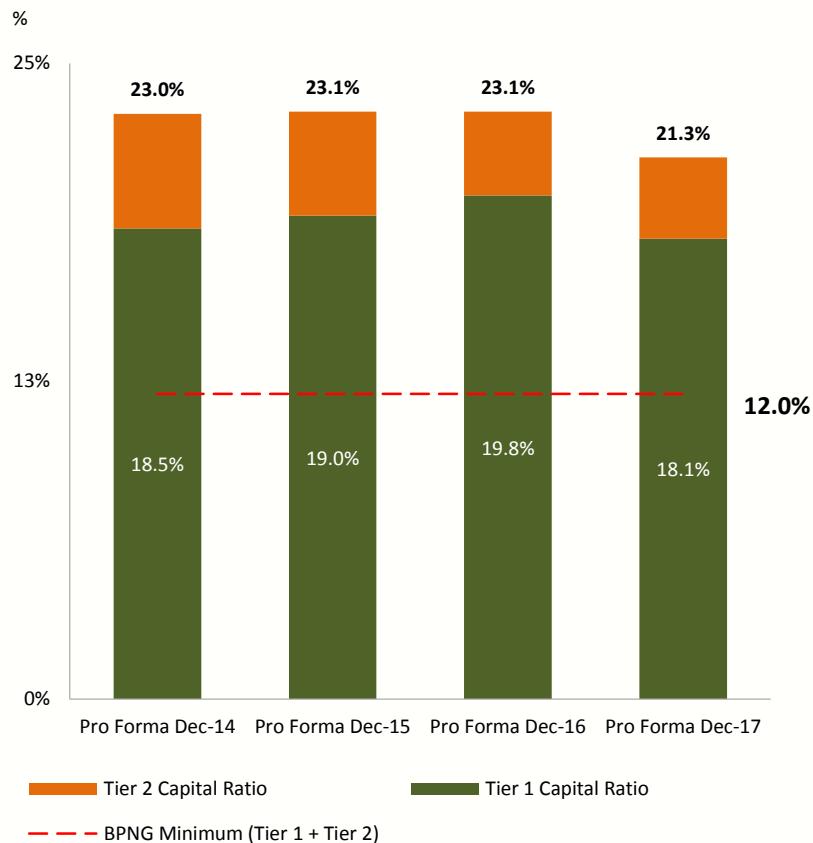
2 Customer deposits

- FY15: 14.8% growth
 - Similar to loans, this is partly acquisition driven and partly organic
- FY16: 15.9% growth
 - Driven by an increase in term deposits

Capital Ratios

WE ARE
BSP

Core Tier 1 and Total Capital Ratios



Commentary

■ Tier 1 Capital

- BPNG requirement: 8.0%
- BSP Dec-16: 19.8%
- BSP Dec-15: 19.0%

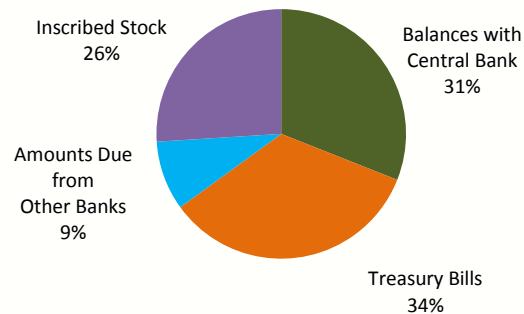
■ Tier 1 + Tier 2 Capital

- BPNG requirement: 12.0%
- BSP Dec-16: 23.1%
- BSP Dec-15: 23.1%

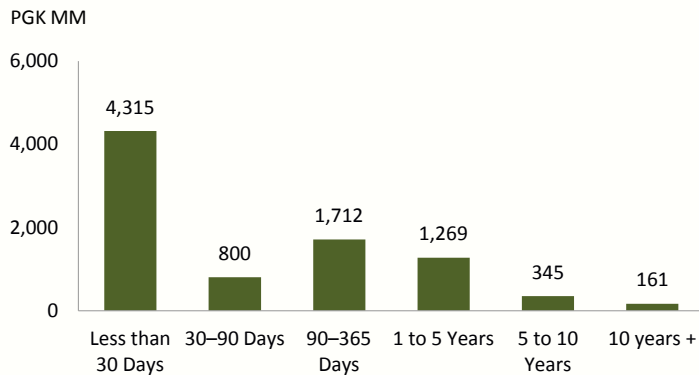
■ Leverage Capital Ratio

- BPNG requirement: 6.0%
- BSP Dec-16: 9.3%
- BSP Dec-15: 8.9%

Composition of Investment Portfolio and Central Bank Balances at Dec-16



Investment Portfolio and Central Bank Balances at Dec-16 by Time to Maturity



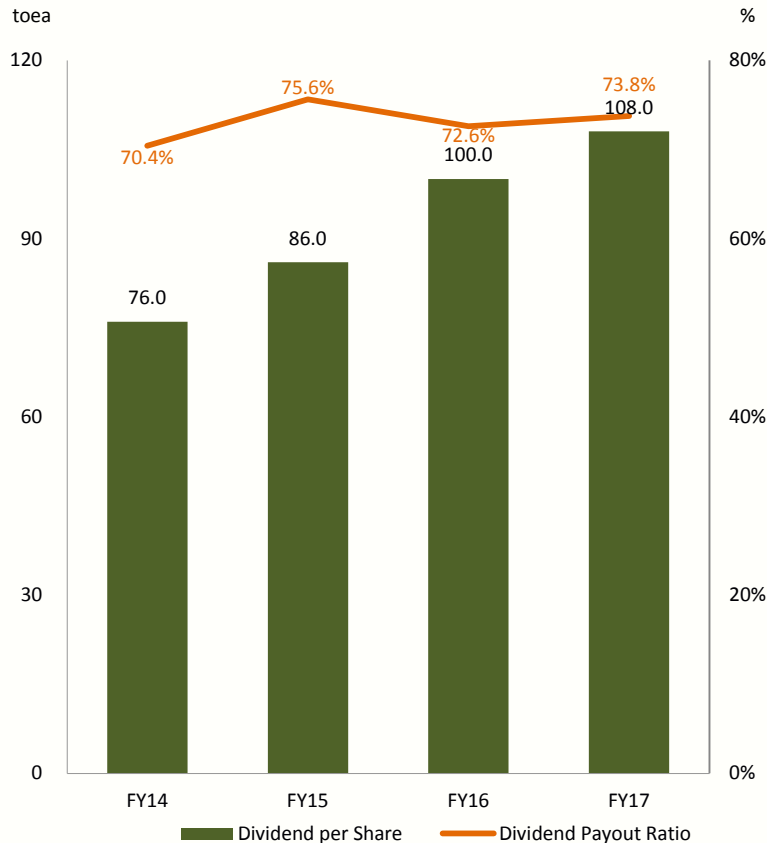
Commentary

- As at December 2016, BSP's investment portfolio largely comprised of
 - Treasury Bills (34%) ;
 - Central Bank Balances (31%);
 - Inscribed Stock (26%); and
 - Amounts Due from Other Banks (9%)
- Approximately 50% of the investment portfolio have a time to maturity of less than 30 days, and approximately 79% of the investment portfolio have a time to maturity of less than one year
- Average yield on investments
 - FY16: 3.9%
 - FY17: 4.0%

Dividends

WE ARE
BSP

FY14-FY17 DPS and Payout Ratio



Commentary

- The Directors intend to target a dividend payout ratio of 65% to 75% of NPAT
- Dividends will be unfranked
- The current policy of the Board on dividend currency is that any dividends are payable as follows:
 - a) on Shares held on the PNG Share Register by any Shareholder, dividends are payable in PGK;
 - b) on Shares held by Shareholders on the Australian Share Register with an address in PNG, dividends are payable in PGK ; and
 - c) Any dividends payable on all other Shares held on the Australian Share Register are payable in Australian dollars
- AUD dividends to be sourced from non-PNG earnings and BSP's ordinary course FX operations

4

Strategy and Conclusion

Pacific Islands	Cement South Pacific Market Leadership Position	■ Grow corporate loan portfolio within specific products and industry sectors in alignment with economic activity, and facilitate medium to long term relationships with customers ■ Continue to develop workforce through: – Preparing, training, nurturing and developing the capacity and skills of in-country and regional corporate leadership – Fostering gender and cultural diversity – Enhancing depth to match business line and regional growth plans ■ Increase customer satisfaction through continually upgrading sales and customer service skills of employees to adapt to a competitive environment ■ Promote customer take up of BSP's extensive branch and e-channel network
	Broaden Product Footprint	■ Develop capabilities in new product segments, including: – Pursuing opportunities for asset finance in all markets where BSP operates – Refreshing capabilities of existing e-products and introducing products which address the evolving needs of customers ■ Develop new banking solutions to support the expanding middle socio-economic demographic in PNG
	Insurance	■ Develop a model in all countries BSP operates for an increased profile of BSP Life ■ Evaluate longer term potential for general insurance offering
Regional	Growth Acquisitions in the Pacific and South East Asia Regions	■ Further consolidate leading market position in existing and new Pacific markets ■ Establish footprint in South East Asia via an asset finance joint venture (initially targeting Cambodia and Laos) ■ Grow and geographically diversify BSP's network

Conclusion: A Market Leader Delivering Growth and Returns

WE ARE
BSP

Market Leader	✓ Market leader in PNG and the South Pacific
Diversified	✓ Diversified by geography, product mix and revenue streams
Underpenetrated Markets	✓ Operating in growing developing markets that are under-banked
Local Champion	✓ Leveraging branch footprints to be the local champion
Strong Financial Profile	✓ Consistently generating growth, returns and yield over the long term
Well Capitalized	✓ Well capitalized balance sheet and strong margins
Governance	✓ Strong governance, risk management, Board and Management
Strategy for Growth	✓ A clear plan to drive further leadership in our chosen markets

Appendix 1 – BSP Segment Overview

Retail Banking

Complete banking product and service suite for retail and micro, small and medium enterprise customers

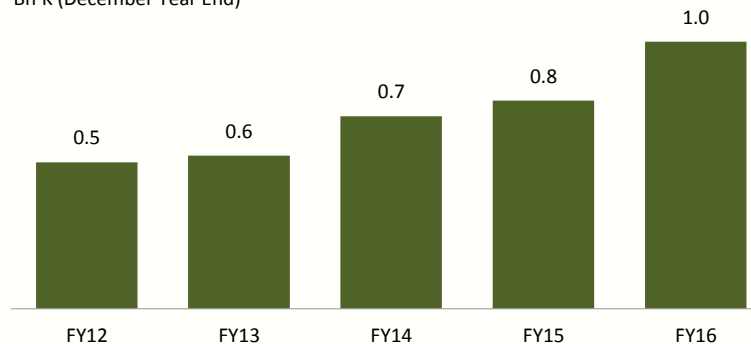
WE ARE
BSP

Key Products and Services

Deposit and transactional accounts	- BSP provides different types of banking accounts for everyday banking solutions to a broad spectrum of customers, ranging from standard transaction and savings accounts to savings products such as short-term deposits - Accounts are tailored to customers' needs and demographics, including rural customers, children, students and adults
Loans	- BSP provides a range of consumer and business loan options designed to meet the particular needs and budgets of customers, including personal loans, home mortgage loans, investment loans and micro, small and medium enterprise (MSME) loans - Predominantly all personal loans are unsecured, while home loans are typically secured by mortgages over the relevant real estate asset. Small MSME loans are typically unsecured while larger MSME loans are secured over various assets of the business.
Cards	- BSP offers a number of bank card products, consisting of a variety of debit cards, including Visa and MasterCard branded cards, and card-based mobile banking services - As of December 2016, BSP had issued approximately 1.3 million debit cards, all of which are connected to mobile and e-banking services.
MSME banking	- Micro, small and medium enterprises are an increasingly important segment of the PNG economy, and BSP is the only bank in PNG to have a dedicated branch in Port Moresby for MSME customers - BSP has developed a "financial pathway" to help new MSME customers transition their business from a cash-based operation to an electronic based system that accepts and makes payments, borrows money to finance their operations and establishes a financial "footprint" with BSP
BSP Priority and BSP First	BSP Priority and BSP First are premium banking services for high-income individuals, serving customers with minimum annual incomes of K250,000 and K500,000, respectively

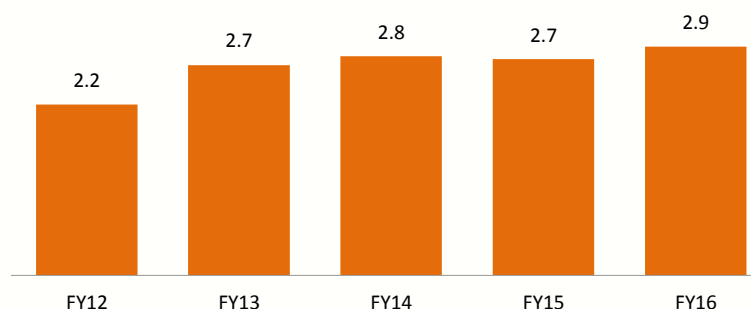
Retail Loans Evolution

Bn'K (December Year End)



Retail Deposits Evolution

Bn'K (December Year End)



Corporate Banking

Specialised relationship management, strategic client support, lending, regional banking and trade finance teams all coordinated through “whole of bank” solutions

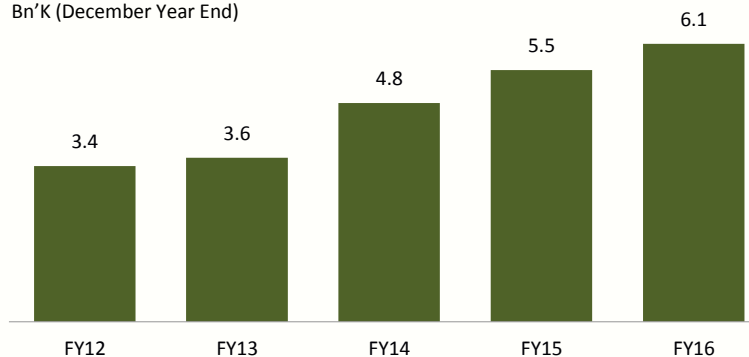
WE ARE
BSP

Key Products and Services

Deposit and transactional accounts	- Corporate deposit accounts include variable interest deposit accounts, fixed interest term deposit accounts, foreign currency deposit accounts and transactional accounts, including both variable-interest-bearing and non-interest-bearing current accounts - BSP is focused on increasing its market share and overall volume of term deposits
Loans	Corporate lending products consist of short-term loans, long-term loans, asset finance leases and trade finance, all of which are primarily denominated in PGK and predominantly variable interest rate
Foreign Exchange	BSP's treasury business facilitates foreign currency transaction through dedicated dealers or via business internet banking
"Whole of bank" solutions	"Whole of bank" solutions provide value-added support to corporate clients and their stakeholders along the value chain, strengthening the relationships with these corporate clients while simultaneously expanding the retail customer base - These customers are often large PNG enterprises or foreign multi-national corporations looking to set up operations in PNG
Strategic customer support	- Strategic customer support is a dedicated team of experienced bankers focused solely on multi-national large corporate customers and large companies operating in PNG - The team anticipates and delivers integrated and coordinated solutions from all areas of the bank to service strategic customers

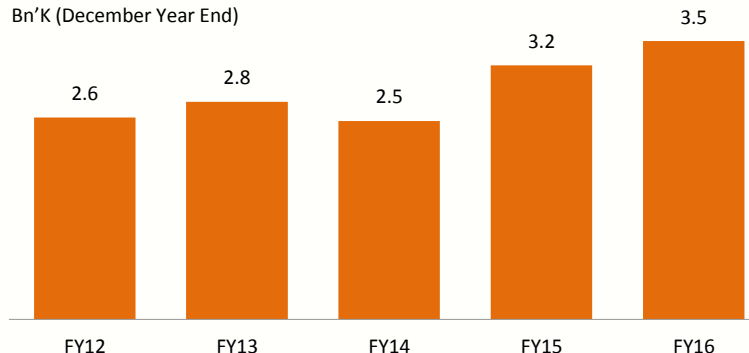
Corporate Loans Evolution ⁽¹⁾

Bn'K (December Year End)



Corporate Deposits Evolution

Bn'K (December Year End)



(1) Corporate loans balance includes an immaterial amount of Paramount loans

Paramount Banking

Personalised banking and financial services to clients with more than K250,000 in investable assets

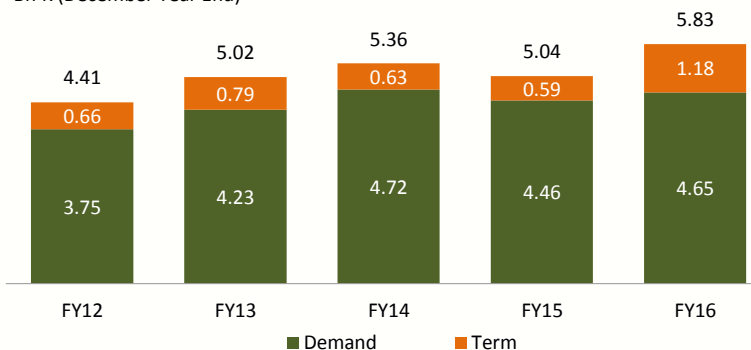
WE ARE
BSP

Overview

- The Paramount banking unit services customers who maintain a minimum average balance of K250,000 in deposits, and each customer is assigned a specific relationship manager to provide personalised banking and financial advice
- Mainly provides deposit services, primarily for the management of funds for investment in PNG, to government entities at the national, regional and local level, statutory bodies such as pension funds, non-government organisations such as charities and aid projects, and high-net-worth individuals
- Paramount banking deposits have increased from K4,412million at the end of FY12 to K5,828 million at the end of FY16
- The services offered through Paramount banking primarily comprise demand deposits and, to a lesser extent, term deposits, foreign exchange services, general financial advisory services and short-term lending services

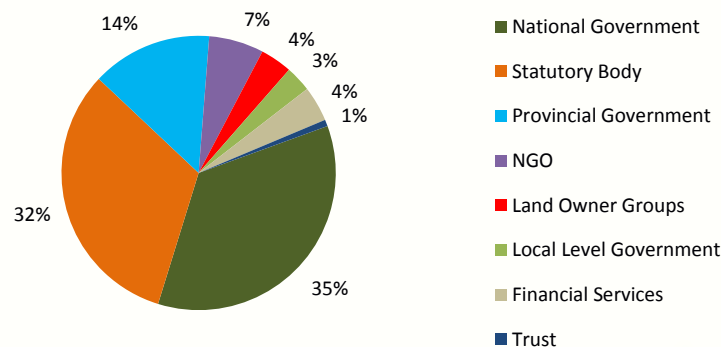
Paramount Customer Deposits

Bn'K (December Year End)



Paramount deposits by segment

As at 31 December 2016



Non-PNG Banking

Established positions in PNG and Fiji and growing operations in other South Pacific locations

WE ARE
BSP

Overview

- In addition to PNG, BSP also has banking operations in Fiji since 2006, in Solomon Islands since 2007, in Samoa, Tonga and Cook Islands since 2015 and in Vanuatu since 2016

Fiji

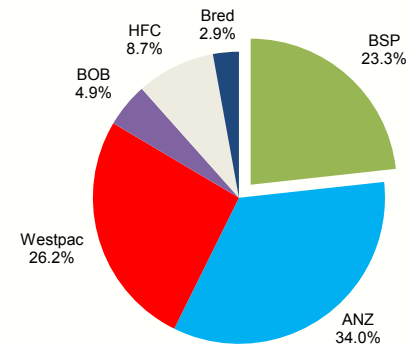
- BSP has been operating in Fiji since 2006, following the acquisition of the Fiji operations of Habib Bank
- In Fiji, BSP provides banking services to both retail and corporate customers, while operations in the other countries are currently primarily focused on retail banking though BSP is focused on developing corporate banking relationships to provide further diversification
- BSP further expanded its network in 2009 by acquiring the Fiji operations of Colonial Group from Commonwealth Bank of Australia, and in 2015 by launching BSP Finance Fiji
- In September 2015, as part of BSP's continued efforts to improve the services offered to customers, BSP successfully completed the upgrade of its core banking system in Fiji
- BSP is the third largest bank in Fiji in terms of asset size, and currently operates 17 branches with 114 ATMs, more than any other bank in Fiji, and 43 rural outlets

Other South Pacific Islands

- Acquired operations in Cook Islands, Samoa, Solomon Islands and Tonga in 2015, and Vanuatu in 2016
- Operations in these geographies are primarily focused on retail banking, though BSP is focused on developing corporate banking relationships to provide further diversification

Fiji Market Share by Total Loans⁽¹⁾

Latest available as at 31 December 2016



Footprint in other South Pacific Geographies

As of 31 December 2016	Solomon Islands	Samoa	Tonga	Cook Islands	Vanuatu
Branches	8	3	2	2	2
Sub-branches	0	1	2	1	0
ATMs	28	16	12	9	13
EFTPOS	235	330	303	374	341
Agents	58	31	20	7	14

(1) Company filings for all banks

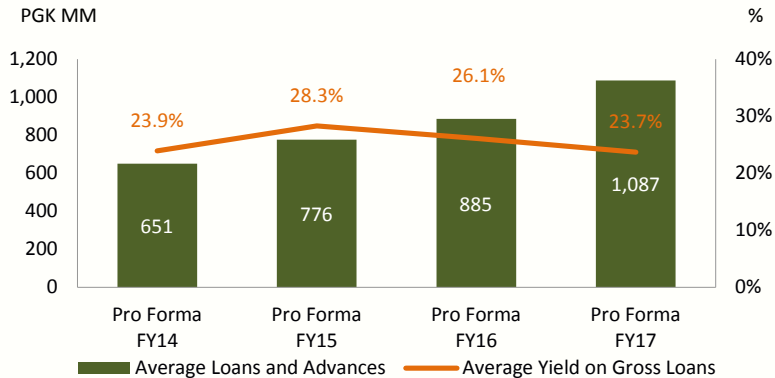
Non-Banking Operations and Support Functions

WE ARE
BSP

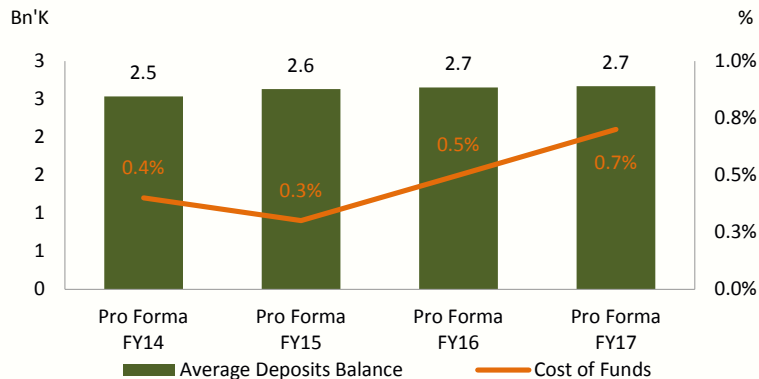
Business Unit	Description	FY2016 Revenue (% of Total)
BSP Life	BSP operates an insurance business in Fiji through its wholly owned subsidiary BSP Life Limited, which focuses primarily on life insurance but also includes a small portion of health insurance	1%
BSP Capital	- BSP Capital provides broking and research, funds management, corporate advisory services, and nominee services - BSP Capital's corporate advisory team is focused on working closely with corporate banking to offer clients tailored solutions and drive future growth	0%
BSP Finance	- BSP Finance provides asset finance in PNG and in Fiji, offering commercial loans, finance leases and term deposit products predominantly to SMEs and small commercial businesses, though in some cases also to individual borrowers - BSP plans to expand BSP Finance into other countries where it currently operates and into South East Asia, and is currently pursuing an asset finance joint venture in Cambodia	1%
Treasury	BSP's treasury operations consist primarily of foreign exchange transactions, which are undertaken only on behalf of customers and not on a proprietary basis	NA
Human Resources	BSP has a long track record of strong employee engagement and talent development, having been recognised by the Papua New Guinea Human Resource Institute as the Best Private Sector Employer every year for the last 3 years	NA
IT	BSP believes information technology is crucial to its future, and is focused on continuously building and upgrading systems as a core part of the Company's strategy. BSP is currently progressing a replacement of its core banking systems	NA
Risk Management	- BSP has a well-established and comprehensive risk management framework, overseen by the BSP board of directors - Within the risk management framework, interest rate risk and FX risk are managed and monitored within the BSP Market Risk Policy framework - BSP also regularly performs scenario analysis and stress testing to assess the impact of various internal and external outcomes, including severe distress in industries such as property, transport and oil and gas sectors - BSP's AML/CTF program is robust and meets or exceeds PNG legal and regulatory requirements. BSP is also making the relevant continuous improvements consistent with international practice	NA
Finance and Planning	BSP's capacity and delivery of its financial accounting and management reporting, data analytics, and strategic planning, continually evolves to support organisational objectives and stakeholder requirements.	NA

Appendix 2 – Additional Financial Overview

Average Yield on Gross Loans



Cost of Funds



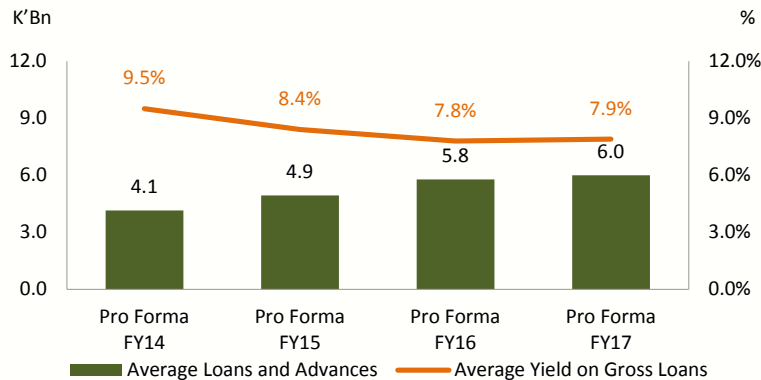
Commentary

- Mortgage and personal loans have driven retail loan volumes. Margins have been negatively impacted by the relative increase in lower risk, lower priced mortgages and reductions in personal loan rates
- The forecast increase in the loan book in FY17 is due to further increases in lower risk, lower rate mortgages, which will drive further margin compression

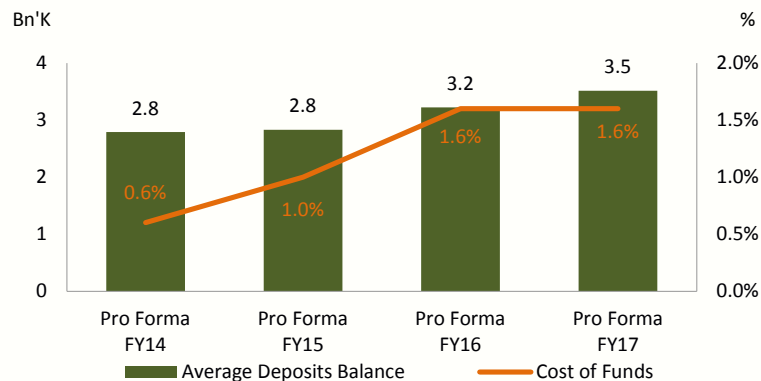
PNG Bank: Corporate

WE ARE
BSP

Average Yield on Gross Loans ⁽¹⁾



Cost of Funds



Commentary

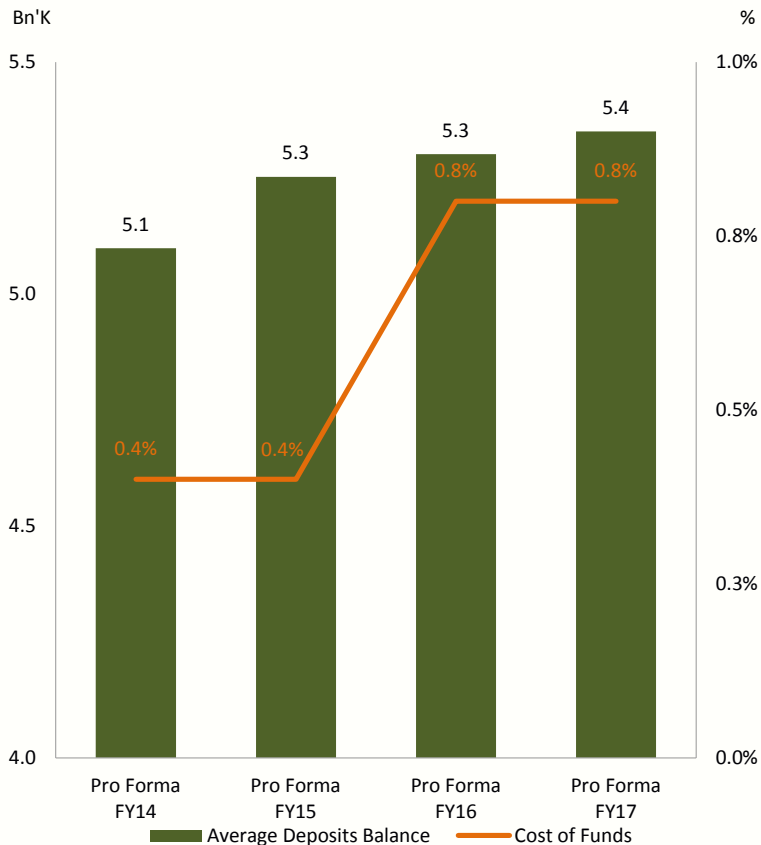
- Recent Corporate loan book growth has been driven by loans to State Owned Enterprises (including K1,025 million with Kumul Consolidated), which typically attract lower rates of 6% to 7% due to their government guarantees relative to private sector loans which are on average 10%. BSP have also experienced increased competitive pressures which are reflected in margin compression, particularly amongst blue chip private sector clients priced at sub 6%
- The forecast growth in the Corporate loan book is supported by a pipeline of primarily private sector opportunities totaling K1,383m

(1) Corporate loans balance includes an immaterial amount of Paramount loans

PNG Bank: Paramount

WE ARE
BSP

Cost of Funds



Commentary

- Paramount banking mainly provides deposit services, primarily for the management of funds for investment in PNG, to government entities at the national, regional and local level, statutory bodies such as pension funds, nongovernment organisations such as charities and aid projects, and high-net-worth individuals
- Paramount banking managed 46% of the BSP's liquidity portfolio as of 31 December 2016

Non-PNG Banking Segment

WE ARE
BSP

Summary Income Statement

PGK MM	Pro Forma FY14	Pro Forma FY15	Pro Forma FY16	Pro Forma FY17
Interest Income	113.5	148.9	232.0	260.2
Interest Expense	(18.2)	(36.1)	(52.2)	(60.0)
Net Interest Income	95.3	112.8	179.8	200.2
Foreign Exchange Income	14.6	40.0	68.2	72.2
Net Fee Income	38.2	73.5	104.9	111.6
Other Non Interest Income	6.8	6.1	12.3	10.3
Net Fee and Commission Income	59.6	119.6	185.4	194.2
Operating Income	154.8	232.4	365.2	394.4
Operating Expenses	(108.2)	(128.3)	(190.2)	(210.7)
Impairment Expenses	(24.4)	(14.2)	(24.6)	(24.7)
Profit Before Tax	22.2	89.9	150.4	159.0
Income Tax	(13.1)	(23.1)	(37.8)	(39.8)
Profit After Tax	9.1	66.8	112.6	119.2
Key Financial Metrics				
Average Yield on Net Customer Loans	7.1%	7.3%	7.5%	6.9%
Cost of External Funding	0.8%	1.5%	1.5%	1.4%
Average Loans and Advances	1,524.7	1,978.4	3,033.3	3,661.2
Average Net External Funding	2,174.2	2,398.7	3,439.8	4,386.4
Impairment Expense as a % of Loans	1.6%	0.7%	0.8%	0.7%

Commentary

- Loan growth was favourably impacted by organic growth, the acquisition of the Westpac businesses and depreciation of the Kina against key currencies such as the Fijian dollar
- In addition, Management are forecasting relatively significant loan growth in FY17 via increased accountability of sales staff, particularly in recently acquired businesses which hold relatively low market share
- The forecast increase in operating expenses is due to a combination of increased capex (and subsequent depreciation increase) related to a new portfolio of ATMs, EFTPOS and IT system redundancies

Non-Banking Segment

WE ARE
BSP

Summary Income Statement

PGK MM	Pro Forma FY14	Pro Forma FY15	Pro Forma FY16	Pro Forma FY17
Interest Income	-	6.1	15.8	33.4
Interest Expense	-	(0.3)	(1.5)	(5.2)
Net Interest Income ¹	-	5.8	14.3	28.2
Foreign Exchange Income	-	0.1	0.1	0.1
Net Fee Income	-	5.0	6.6	11.3
Other Non Interest Income	0.5	2.3	5.1	2.9
Net Fee and Commission Income	0.5	7.4	11.8	14.3
Net Insurance Income ²	15.7	21.2	24.0	25.1
Operating Income	16.1	34.4	50.1	67.6
Operating Expenses ³	(9.3)	(15.1)	(22.3)	(23.4)
Impairment Expenses	-	(2.6)	(5.0)	(4.5)
Profit Before Tax	6.9	16.7	22.7	39.8
Income Tax	(2.2)	(9.2)	(1.2)	(8.6)
Profit Before Tax	4.7	7.5	21.6	31.2
Key Financial Metrics				
Premium Income	90.3	94.3	118.4	128.3
Insurance Margin	17.4%	22.5%	20.2%	19.6%
Average Yield on Finance Receivables	n/a	0.4%	0.6%	0.9%
Average Finance Receivables	n/a	1,484.3	2,582.2	3,599.7

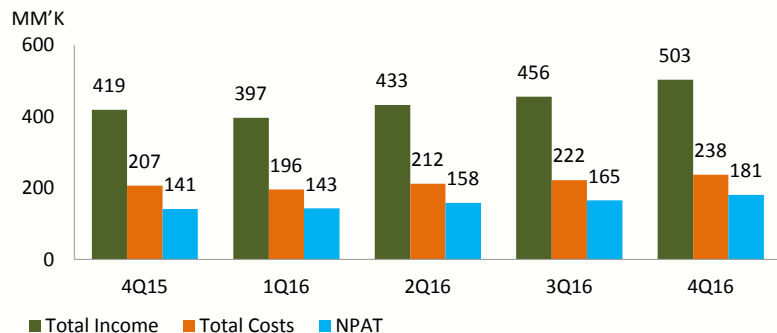
Commentary

- 1 Significant increase in interest income in FY16 is attributable to growth in the leasing business started in 2015. Management expects this growth to continue
- 2 Growth in insurance income was driven by fair value gains in Fiji Life's property and equities portfolios.
- 3 The primary drivers of the increase in operating expenses in FY15 and FY16 are the set up costs in relation to the finance companies and Kina depreciation

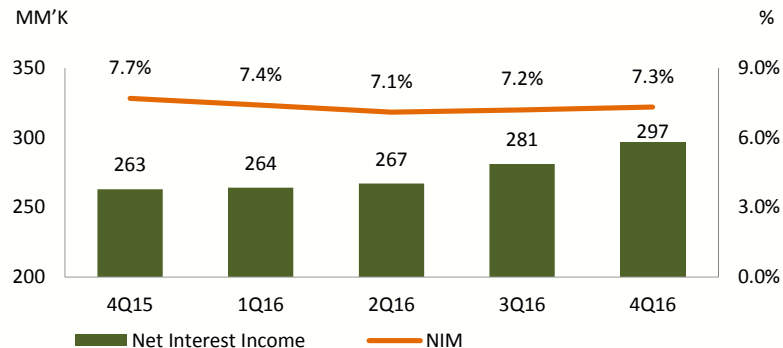
4Q16 performance highlights

WE ARE
BSP

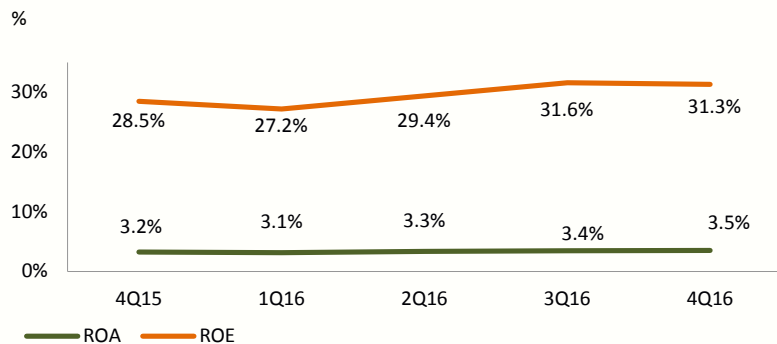
Profitability



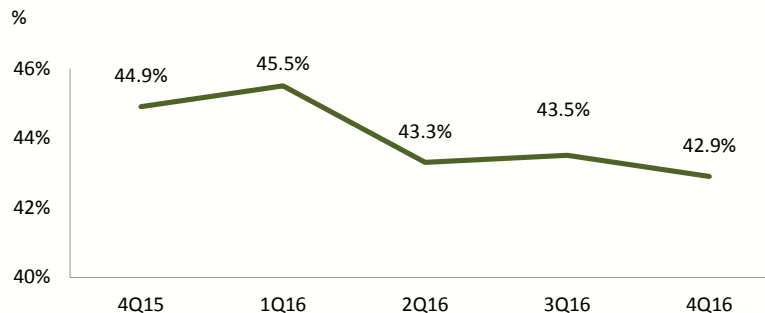
Net Interest Income and NIM (Annualized)



ROE and ROA (Annualised)



Cost to Income Ratio



Reconciliation Between Statutory and Pro Forma Financial Information

WE ARE
BSP

Pro forma adjustments to the statutory profit before tax				
PGK m	FY14 Actual	FY15 Actual	FY16 Actual	FY17 Forecast
Reported Profit before Tax	718.9	766.2	923.8	929.8
FX Trading Regulation	(96.9)		-	-
Transaction Costs	-	-	12.3	36.4
Sale of Property	-	-	(14.9)	-
Pro Forma Profit before Tax	621.9	766.2	921.2	966.2

Pro forma adjustments to the statutory cash flows				
PGK m	FY14	FY15	FY16	FY17
Reported Net Cash Flows	(133.9)	46.4	553.0	(661.9)
FX Trading Regulation	(96.9)	-	-	-
FX Trading Regulation Tax Effect	28.5	-	-	
Sale of Branch	-	-	(70.3)	-
Transaction Costs			12.3	36.4
Pro Forma Net Cash Flows	(202.3)	46.4	495.0	(625.5)

Sensitivity Analysis

WE ARE
BSP

Sensitivity analysis on Pro Forma Forecast NPAT for FY17				
	Notes	Pro forma FY17	Sensitivity	FY17 NPAT Impact
Average yield on gross loans and advances	%	9.3	± 0.1%	6.2
Average yield on investment securities	%	4.0	± 0.1%	2.1
Cost of funds	%	1.1	± 0.1%	4.8
Average gross loans and advances	K m	11,036	± 100	3.2
Foreign exchange transaction volumes (PNG)	K m	14,682	± 100	1.0
Foreign exchange income to volumes (PNG)	%	1.40	± 0.05%	5.1
Impairment expense as a % of loans	%	0.9	± 0.1%	7.9
Cost to income ratio	%	43.8	± 1.0%	13.5

Cash Flow Statement

WE ARE
BSP

Pro Forma Historical and Forecast Consolidated Cash Flows				
PGK m	Pro forma FY14	Pro forma FY15	Pro forma FY16	Pro forma FY17
Cash flow from operating activities	908.0	1,043.7	1,160.5	1,205.3
Net increase in loans	(1,563.3)	(1,410.7)	(1,392.6)	(1,111.3)
Net increase in deposits and other liabilities	468.4	1,081.7	1,960.3	696.7
Net purchase/sale of securities and regulatory deposits	772.9	(322.3)	(647.0)	(181.6)
Net increase/decrease in bills payable and other liabilities	(124.0)	206.4	92.3	(266.0)
Income tax paid	(184.4)	(282.8)	(338.6)	(245.0)
Net cash flows from operations	277.6	316.0	834.9	98.1
Net cash from acquired business	9.9	176.5	162.9	-
Capital expenditure, net of asset sales	(178.4)	(71.6)	(91.8)	(214.1)
Preference share issues and redemptions	(2.2)	(4.7)	3.0	(2.3)
Net cash flows available for dividends	106.9	416.2	909.0	(118.3)
Dividends paid	(309.1)	(369.8)	(414.0)	(507.2)
Net cash flows	(202.2)	46.4	495.0	(625.5)

Appendix 3 – Other Information and Key Risks

Experienced Board and Management Team

Board of Directors

WE ARE
BSP

	Name and Title	Experience	Years in PNG
	Sir Kostas Constantinou OBE <i>Chairman</i>	- Sir Kostas is Chairman of various companies, including Airways Hotel and Apartments Limited, Lamana Hotel Limited, Lamana Development Limited, Alotau International Hotel and Anglicare Foundation in Papua New Guinea. - He is a Director of Oil Search Limited, Heritage Park Hotel in the Solomon Islands, Grand Pacific Hotel in Fiji, Taumeasina Island Resort in Samoa, Good Taste Company in New Zealand, and Gazelle International Hotel and Loloata Island Resort Limited in Papua New Guinea. - Vice President of the Employers Federation of Papua New Guinea, Honorary Consul for Greece in Papua New Guinea and Trade Commissioner of Solomon Islands to Papua New Guinea.	Born in PNG & PNG resident
	Robin Fleming <i>Group Chief Executive Officer</i>	- Robin Fleming was appointed CEO of BSP in April 2013. Before his appointment as CEO, he had been Deputy CEO and Chief Risk Officer since 2009. Prior to that, he held senior executive roles as Chief Risk Officer, General Manager Corporate & International, and Head of Risk Management with BSP. - Prior to the merger of Bank of South Pacific Limited and PNGBC Limited Mr Fleming held senior management roles with PNGBC.	36
	Gerea Aopi, CBE, MBA <i>Non-executive Director</i>	- Mr Aopi has substantial public service and business experience in PNG, including Secretary of Finance and Planning and Managing Director of Telikom PNG Limited. He presently holds the position of Executive General Manager, Stakeholder Engagement at Oil Search Limited. - He was previously the Chairman of Telikom PNG Limited and Independent Public Business Corporation (IPBC). - Mr Aopi is a Director of Oil Search Limited, Steamships Trading Company Limited and is involved in a number of other private sector and charitable organisations in Papua New Guinea.	Citizen
	Ernest Brian Gangloff <i>Non-executive Director</i>	- Mr Gangloff has over 30 year's professional experience with over 15 years in Senior Management positions. Mr Gangloff retired as Partner with Deloitte in May 2013 and established Gangloff Consulting in June 2013. - He is also a director of Gangloff Consulting Ltd, and New Britain Palm Oil Ltd. Mr Gangloff is a Council Member of the of the Institute of National Affairs and the Vice President of the Business Council of PNG and member of Australian Institute of Company Directors.	Citizen
	Dr Faamausili Lua'iufi <i>Non-executive Director</i>	- Dr Faamausili Matagalalo Lua'iufi is currently a governance/human resource consultant based in Samoa and has worked in PNG, Fiji, Solomon Islands, Cook Islands, Tonga, Vanuatu and Niue . - Formerly the Chief Executive Officer for the Samoa Public Service Commission. She has extensive governance experience in Public Sector Boards and policy committees in Samoa.	Samoa Citizen
	Augustine Mano <i>Non-executive Director</i>	- Managing Director of the Mineral Resource Development Corporation (MRDC) for the last 7 years. - Mr Mano currently holds Chairman and Directorship in a number of entities, including MRDC and its subsidiaries companies, Hevilift Group, Insurance Pacific and Pearl Resort, PNG Air, GFS and Handy Group.	Citizen
	Geoffrey J Robb, MBA <i>Non-executive Director</i>	- Occupied several senior executive positions including Head of Complex and Strategic Transactions, and Global Head of Acquisition Finance with the ANZ Banking Group, and Head of Resource Finance at Bank of America. - As Head of Bank of America in Melbourne, he led resource financings with BHP, CRA, Elders Resources, Bougainville Copper and Ok Tedi.	Australian Citizen
	Arthur Sam <i>Non-executive Director</i>	- Qualified and experienced accountant and a member of CPA PNG. - Previously worked with three global accounting firms - Price Water House Coopers, Deloitte and Ernst & Young.	Citizen
	Freda Talao, LL.M., MP.HIL, MAICD <i>Non-executive Director</i>	- Freda Talao is a lawyer and development specialist and is currently a consultant to Australian Law Firm Holding Redlich in Brisbane. - Ms Talao's previous Board roles include Director on former Civil Aviation Authority, PNG Mama Graun Conservation Trust Fund, National Airports Corporation, Airport City Development Limited Board and the Individual and Community Rights Advocacy Forum. - One of six PNG women nominated for the Nobel Peace Prize as part of the 1,000 Peace Women for the Nobel Peace Prize Project in 2005.	Citizen
	Dr Ila Temu, PhD, MEc <i>Non-executive Director</i>	- Entered the private sector during 1996 when he was appointed Managing Director, Mineral Resources Development Company. - From 2000 to 2006, he held senior positions in Placer Dome, including Country Manager, Tanzania. - Dr Temu has held various senior management roles in PNG and Australia for Barrick. He is currently their Country Executive Director.	Citizen

Experienced Board and Management Team (Cont'd)

Key Senior Management

	Name and Title	Experience	Years in Banking
	Eddie Ruha <i>Group Chief Financial Officer</i>	- Eddie Ruha was appointed Group Chief Financial Officer in February 2017, having previously served as Chief Financial Officer, PNG, since November 2012. - Prior to joining BSP, he worked for Steamships Trading Company in PNG for 22 years, working in the Steamships Merchandising Division for eight years, before transferring to Head Office as Group Systems Accountant and then Group Accountant, General Manager Finance and then from 2008 to 2012 as Finance Director and Company Secretary. - In New Zealand, he initially worked for KPMG Auckland office as an Auditor.	4
	Haroon Ali <i>Group Chief Risk Officer</i>	- Haroon Ali was appointed Chief Risk Officer in July 2013 taking over from Robin Fleming who is now the Chief Executive Officer. - Previously he was the Bank's Chief Risk Officer for Fiji. - Before joining BSP in September 2010, he was the Head of Retail Banking for ANZ Fiji.	36
	Roberto Loggia <i>Group Chief Operating Officer</i>	- Joined BSP in April 2011 after having been CEO of State Bank, Mongolia. - Has held senior line management responsibility within Retail Banking in Nigeria as well as consulting assignments within Retail Banking in China and Risk Management in Thailand.	36
	Paul Thornton <i>Group General Manager Retail Banking</i>	- Appointed General Manager Retail in August 2013 and brings to the position 40 years of retail banking experience, 32 years of which have been in Papua New Guinea. - Previously the Executive Manager Strategic Planning with the PNG Banking Corporation and was the founding Managing Director of PNG Microfinance Limited.	43
	Peter Beswick <i>Group General Manager Corporate Banking</i>	- Peter was appointed General Manager of BSP Corporate Banking in June 2011 and Group General Manager in July 2015. - Over 20 years Banking and Finance experience, covering Australia and South East Asia with Commonwealth Bank of Australia, Bank of New Zealand and National Australia Bank; holding senior executive positions in Risk Management and Business Development. - Peter is a qualified chartered accountant commencing his career with 10 years at PWC in Sydney and London. Prior to joining BSP he was the CEO of a national import, wholesale and retail business in Australia.	27
	Aho Baliki <i>General Manager Paramount Banking</i>	- He currently holds the position of General Manager Paramount Banking since his appointment in 2002. - Previously at the Commonwealth Banking Corporation, progressing to the position of Chief Executive officer of the PNG Banking Corporation in 1999.	41
	Richard Borysiewicz <i>General Manager BSP Capital</i>	- Richard was appointed General Manager of BSP Capital in March 2013. - Prior to joining BSP Capital, Richard was the Director of Strategy and Distribution for a recent start-up firm focused on Global Equities and Domestic Equities in Australia. - Prior to this he was CEO at Credit Agricole Asset Management and managed its merger with Societe Generale Asset Management. He has also held senior roles at Skandia, Principal, Bankers Trust and Rothschild.	25
	Christophe Michaud <i>General Manager and Director BSP Finance</i>	- Christophe Michaud was appointed General Manager and Director of BSP Finance Ltd in May 2015. Prior to this appointment, he spent 4 years with BSP in corporate banking as Senior Relationship Manager then Deputy General Manager. - Prior to joining BSP, Christophe held various positions in the banking industry in corporate banking, project finance, private banking with BNPParibas, Banque Indosuez and Crédit Agricole in France, India, Pakistan, Turkey, Indonesia, Singapore.	36
	Rohan George <i>General Manager Treasury</i>	- Appointed General Manager Treasury in February 2015. - Prior to joining BSP, Rohan worked at ANZ as Head of Global Markets, Cambodia & Laos (5 years), at Westpac as Treasurer PNG & Pins (8 years), and at BNP Paribas Investment Management in Sydney, as Head of Fixed Income.	33
	Hari Rabura <i>General Manager Human Resources</i>	- Hari Rabura was appointed General Manager Human Resource on 1 July 2016. Having joined BSP as a graduate trainee in 2001 under the PNGBC Graduate Program during the course her career progressed on to becoming a Training Officer, Conversion Officer. During the PNGBC/BSP merger, she progressed onto a Training Manager and Administration Manager. - She is a member of the 2015 LMDP cohort and has undergone training in INSEAD Business School, Melbourne Business School and her secondment with the Oil Search Head of in Sydney adds more skills and experienced in this role. - Hari is experienced in implementing and delivering human resources strategies, policies, and services that create, support and sustain a high performance culture in BSP. - Her appointment to the GM role also creates a history for BSP Group and women in PNG as the first female General Manager in BSP.	10

Additional Information

WE ARE
BSP

Yama Proceedings	In 2015 legal proceedings were commenced by Peter Yama and eight companies controlled by him (Yama Group) that involve claims for material amounts, the background to which is summarised below. The amount of loans made to the Yama Group by BSP's predecessor, PNGBC, was approximately K7 million up to 1999, at which time default by the Yama Group occurred followed by recovery action commenced by BSP in 2000. Yama Group commenced various legal proceedings at that time opposing the recovery proceedings, which included complaints about receivership of some of the businesses and assets, sale of assets, and the manner in which funds and charges were administered. These proceedings did not result in any adverse monetary judgment against BSP. New legal proceedings were commenced by the Yama Group in 2015 arising out of the original loans and recovery actions. The individual damages claims in the new proceedings range from specific items of property (such as vehicles and real property items with value claims in the range K60,000 to K30 million) through to more general claims for future loss of profit for amounts of up to K750 million. The gross total of claims for items of property is approximately K1.2 billion (which includes the amounts referred to above). The gross total of claims for future loss of profit is approximately K1.5 billion (which is in addition to the amounts referred to above). BSP has previously obtained a judgment against one of the members of the Yama Group in the National Court for amounts which now total K73 million. This judgment has not been satisfied by the defendant, and BSP has made a claim against Mr Yama and certain other members of the Yama Group to recover the outstanding loans together with interest, which now totals K128 million and is supported by specific evidence. It is expected that these specific amounts would be able to be offset against any claims which may be ultimately established by the Yama Group. These matters may come to trial in the National Court before the end of 2017. BSP considers that the claims made by the Yama Group in 2015 do not have merit and BSP is vigorously defending the proceedings. The Yama Group have not put forward evidence to justify the amounts claimed. For these reasons, and in light of BSP's own claims against the Yama Group, BSP has made no specific provision for liability to the Yama Group.
Kumul Loan	BSP provides banking services to KCH and its subsidiaries (KCH Group) on commercial terms and market rates, including the provision of finance with security taken in accordance with BSP's standard procedures. For KCH itself, BSP has made available term loan facilities of K1.025 billion, the security for which comprises real property, a guarantee from the State of PNG in the amount of K600 million and all of the Shares which KCH holds in BSP. The term facilities have terms expiring in 2018. For wholly owned subsidiaries of KCH, BSP has made available facilities totalling K1.553 billion. BSP holds security, and reviews these facilities on an annual basis, in accordance with its standard procedures. Finance provided to the KCH Group is provided on an entity by entity basis (and is not cross-collateralised across the KCH Group).
Core Banking System Upgrade	BSP believes information technology is crucial to its future, and is focused on continuously building and upgrading systems as a core part of the Company's strategy. BSP is currently evaluating a potential upgrade or replacement of its core banking systems, which would deliver several strategic benefits including: • lowering operating costs; • enhancing compliance and regulatory reporting functions and fraud and risk monitoring; • improving product innovation, including by providing for a greater range of features and benefits, better product integration and faster product development; and • improving customer service and the customer experience
AUD Dividends	Given the constraints surrounding availability of foreign currency in PNG, BSP has taken steps to enable sufficient availability of AUD in to pay dividends for the AUD Dividend Shares. AUD FX requirements for AUD Dividend Shares are expected to be primarily sourced from earnings in offshore entities in Fiji, Solomon Islands, Cook Islands, Samoa, Tonga and Vanuatu, which are expected to be able to dividend A\$36.1 million to BSP parent based on FY17 forecast earnings. In addition, BSP may source AUD from its ordinary course FX business flows to the extent it is available. The Board believes BSP will be able to source sufficient AUD to meet ongoing dividend requirements for the initial AUD Dividend Shares following the Offer. BSP's ability to source sufficient AUD to pay dividends in AUD to the prevailing number of AUD Dividend Shares over time will be influenced by: • the extent to which trading in Shares from PNG residents to non-PNG residents results in a larger number of AUD Dividend Shares; • the general availability of foreign currency in PNG and BSP's other primary operating jurisdictions, including its FX activities; and • BPNG currency controls which may be in place from time to time.

- **Concentration in PNG**
- **Foreign exchange risk**
- **Relationship with the PNG Government and government-related entities**
- **Deterioration in macroeconomic conditions**
- **Political risk**
- **Funding and liquidity**
- **Decline in collateral values**
- **Credit risk**
- **Interest rate risk**
- **Implementation of BSP's growth strategy**
- **Competitive landscape**
- **Mergers, acquisitions and divestments**
- **Reputational risk**
- **Litigation risk**
- **Downgrade in the credit rating of BSP or PNG**
- **Capital risk and capital ratios**
- **Effectiveness of risk management policies and procedures**
- **Compliance with existing and future laws, regulation and regulatory and tax policy**
- **Talent attraction and retention**
- **Risk of IT system failure, security breaches or cybercrime and inability to adapt to technological advances**
- **Corruption, money laundering and terrorism**
- **Dependence on agent network and third-party service providers**

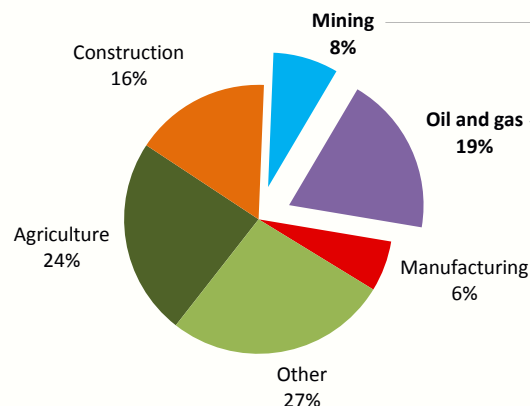
Appendix 4 – Additional PNG and South Pacific Information

Key Economic Sectors

Agriculture and resources comprise the majority of PNG's economic activity

WE ARE
BSP

Sector contributions to 2016 GDP in PNG



The majority of PNG's economic activity consists of agricultural production, resources and mineral extraction (particularly mining and petroleum), construction and small-scale manufacturing largely for domestic consumption. In 2016, agriculture, forestry and fishing accounted for approximately 24% of GDP whereas mining and oil and gas accounted for 27% of GDP

Key Mining Projects

Wafi-Golpu Project	50/50 joint venture between Newcrest Mining and Harmony Gold Mining - Following the feasibility study in 2016, an application for a Special Mining Lease was made - The project has a forecast development cost of US\$2.3 billion and will involve the extraction of gold deposits of approximately 20 million ounces and copper deposits of approximately 94 million tonnes over a mine operating life of more than 20 years
Frieda River Project	- Frieda River represents one of the largest undeveloped copper-gold deposits in the world, and is operated as a joint venture between PanAust owned by GRAM (80%) and Highlands Pacific (20%) - The mineral resource is estimated to contain 12 million tonnes of copper and 19 million ounces of gold, representing three times the in ground metal content of all copper-gold extracted from the Ok Tedi Mine over the last 25 years - Average annual production of metal in concentrate is expected to be 175,000 tonnes copper and 250,000 ounces gold over an initial mine life of 17 years - Development cost is yet to be quantified but may approximate US\$2 billion

Key Oil & Gas Projects

PNG LNG Project	- The PNG LNG project is a c.US\$20 billion development operated by Exxon Mobil PNG which was completed ahead of schedule in mid-2014 - Expected to operate for 30 years and comprises two production trains and a 700 kilometre gas pipeline to an LNG plant 20 kilometres northwest of Port Moresby - The project produces 6.9 million liquefaction tonnes per annum, with offtake largely contracted to Asian based buyers including Tokyo Electric Power, Osaka Gas Company, CPC Corporation and China Petroleum and Chemical Corporation (Sinopec)
Elk-Antelope Project	- The Elk-Antelope project is a planned c.US\$20 billion LNG liquefaction plant owned by a collaboration of organisations including InterOil Corporation, Oil Search Limited and Total. InterOil Corporation, which holds six licences to develop energy projects in PNG, was recently acquired by ExxonMobil in February 2017. - The project is currently in the phase of appraisal drillings with the final investment decision for the project expected in 2018. According to Oil Search Limited, the project represents the largest undeveloped gas resource in PNG

Source: 2017 National Budget, BSP

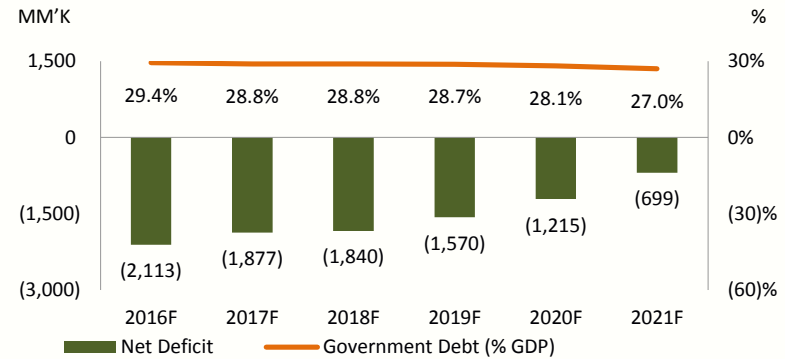
PNG 2017 National Budget

WE ARE
BSP

Key Estimates

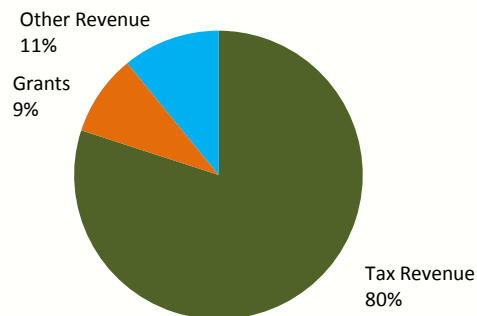
	2016E	2017E	2018E	2019E	2020E
Economic growth					
Total Real GDP (%)	2.0	2.8	2.7	2.7	2.6
Non-Mining Real GDP (%)	2.5	3.0	3.5	3.5	3.5
Inflation					
Average on Average (%)	6.6	7.0	6.6	5.6	5.2
Dec on Dec (%)	6.4	6.5	6.3	6.0	6.0
Real Exchange Rate Index (2007 = 100)	129.4	133.2	137.8	141.8	145.6

Overall Budget Balance



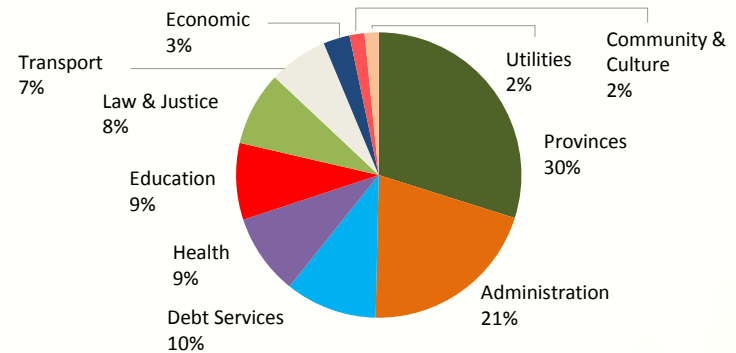
2017 Budget Revenue

11.5 Bn'K



2017 Budget Expenditure

13.4 Bn'K



Source: Department of Treasury, PNG

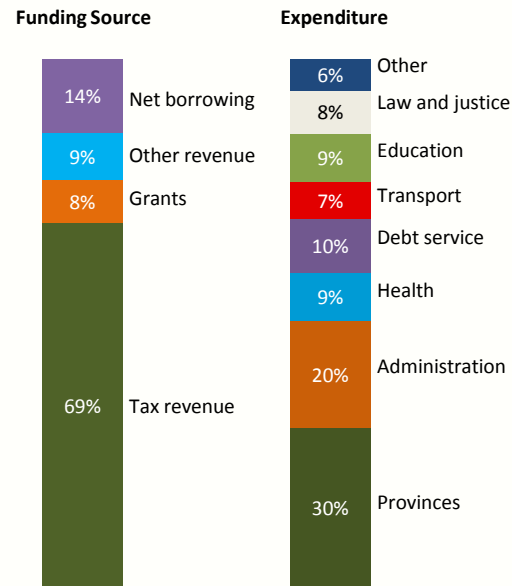
Government Fiscal Policy

Stable economic environment underpinned by a supportive fiscal policy

WE ARE
BSP

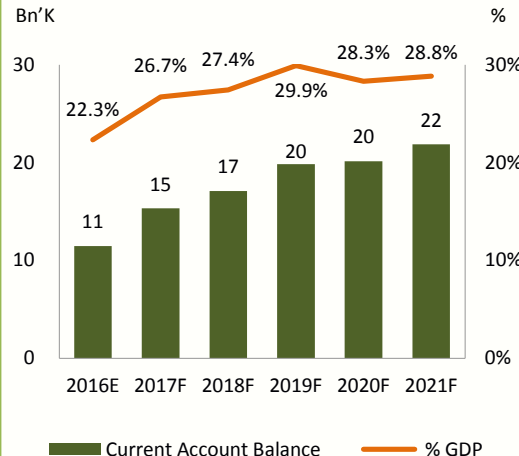
Funding & Expenditure

- The PNG Government is heavily investing in infrastructure, education, health and law and order initiatives while maintaining a sustainable fiscal position as measured by government debt to GDP



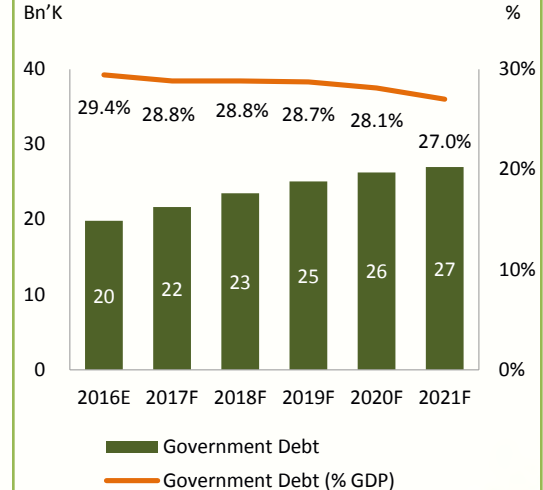
Current Account

- PNG's current account balance has improved materially from a deficit in 2014 to an estimated surplus of 11 Bn'K in 2016
- PNG's balance of payments is expected to be stable over the coming years with PNG's trade activities with the rest of the world remaining strong in 2016



Debt & Investments

- In late 2015, PNG established a Sovereign Wealth Fund to help manage the risks associated with volatile resource revenues
- Tax revenues received from resource projects will be directed into a stabilisation fund, which can be drawn upon to fund expenditure needs, with the excess being deposited into a savings fund
- This is intended to help insulate the economy from the volatility associated with commodity cycles, while providing a reliable source of long-term revenues



Source: 2017 National Budget, ADB

Exchange Rate

WE ARE
BSP

Trading band of 75bps on either side of the official BPNG reference rate introduced in June 2014

Overview

- PNG's currency (PGK) has remained relatively stable versus the Australian dollar but has been depreciating against the US dollar over the last few years
- The consistent depreciation against the US dollar has been largely due to relatively high domestic import demand, exacerbated by a backlog of import orders, and lower export receipts arising from subdued commodity prices and production interruptions
- BPNG has sought to manage this depreciation through FX sales in the interbank market, and as a result PNG's foreign currency reserves declined to US\$1.7 billion in 2015 from US\$4.3 billion in 2011, after having more than doubled from 2006 to 2011
- BPNG introduced a trading band of 75bps on either side of the official BPNG reference rate in June 2014 to narrow the dispersion of the exchange rate used by commercial banks in their transactions with customers
- The current market is characterised by a structural shortage of FX and, while banks can satisfy some of their clients' FX needs internally, BPNG interventions are often a source of FX in the interbank market

AUD / PGK ⁽¹⁾

Last 10 years



PGK / USD ⁽¹⁾

Last 10 years



(1) As at 1 March 2017

South Pacific Countries

WE ARE
BSP

	PNG	Fiji	Solomon Islands	Samoa	Tonga	Vanuatu	Cook Islands
Currency	Papua New Guinea Kina	Fiji dollar	Solomon Islands dollar	Samoa tala	Tongan pa'anga	Vanuatu vatu	New Zealand dollar
Population (000s) (2016E)	7,911	894	601	195	104	275	n/a
Population growth (2016–21E CAGR)	2.7%	0.5%	2.2%	0.8%	0.4%	2.3%	n/a
GDP (US\$bn) (2016E)	15.6	5.0	1.2	0.9	0.4	0.8	n/a
Real GDP growth (2016–21E CAGR, local currency)	3.1%	3.7%	3.1%	1.5%	2.4%	3.1%	n/a
% of BSP's Group loans (FY16)	67%	21%	3%	3%	2%	2%	2%
BSP market share (By total loans) ⁽¹⁾	55%	22%	45%	23%	39%	21%	35%
Key competitors	ANZ, Westpac, Kina Bank	ANZ, Westpac, Bank of Baroda, HFC, Bred Bank	ANZ, Bred Bank (commencing March 17), Pan Oceanic Bank	ANZ, National Bank of Samoa, Samoa Commercial Bank	ANZ, Tonga Development Bank, Mbf	ANZ, Bred Bank, National Bank of Vanuatu	ANZ, Bank of Cook Islands

Source: IMF World Economic Outlook as of April 2016 (no data available for Cook Islands), BSP

(1) Using latest available company filings