



# SHAREHOLDER PRESENTATION

2017 Full Year Results

Group CEO – Robin Fleming

*WE ARE* **BSP**



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# Highlights for 2017



Profit (NPAT)  
up 17.6% to



**K757m**

Total Income  
up 11.5% to



**K1.99bn**

Total Assets  
up 7.4% to



**K22.4bn**

Cost to Income  
ratio improves  
to



**42.6%**

Capital  
Adequacy  
improved to



**24.5%**

Loan Provisions  
maintained at



**4.9%**

ROE up 1% to



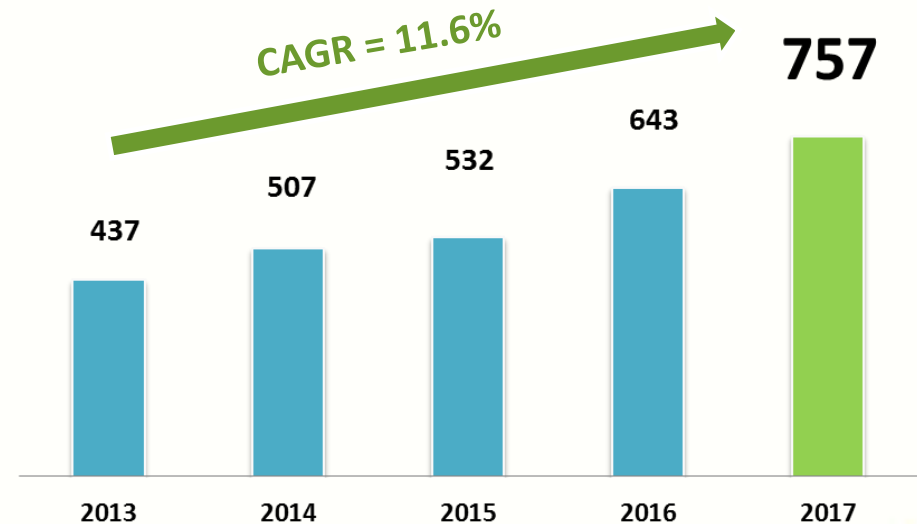
**30.6%**

Dividend  
Yield of



**11.6%**

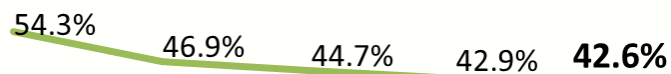
## GROUP NPAT TREND [Km]



# Group financial KPI's [1]



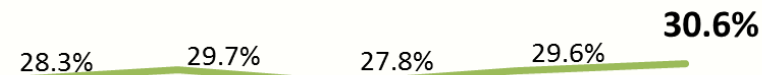
## COST TO INCOME



2013 2014 2015 2016 2017

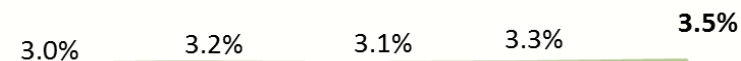
— Cost to Income

## ROE & ROA

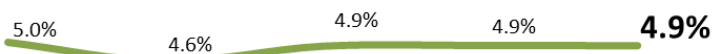


2013 2014 2015 2016 2017

— ROE — ROA

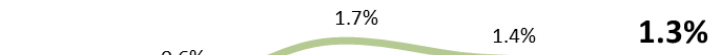


## PROVISION TO LOANS/NPL

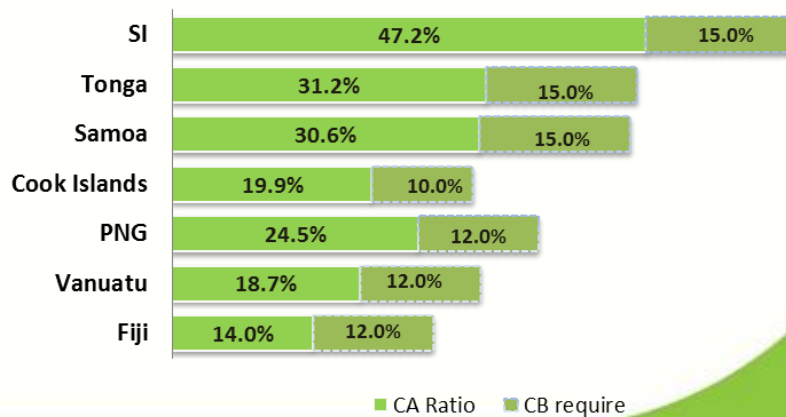


2013 2014 2015 2016 2017

— Provision to Loans — NPL



## CAPITAL ADEQUACY



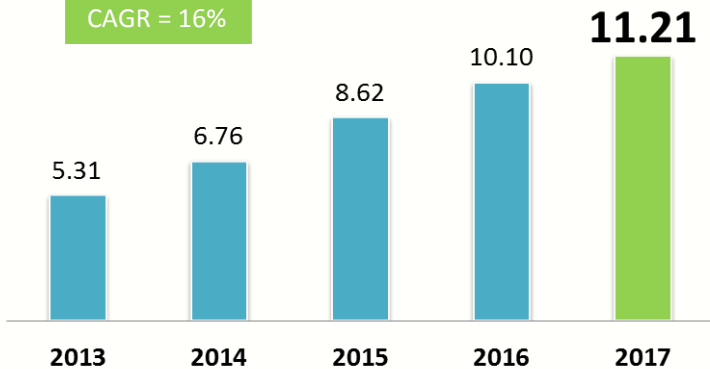
■ CA Ratio ■ CB require

# Group financial KPI's [2]



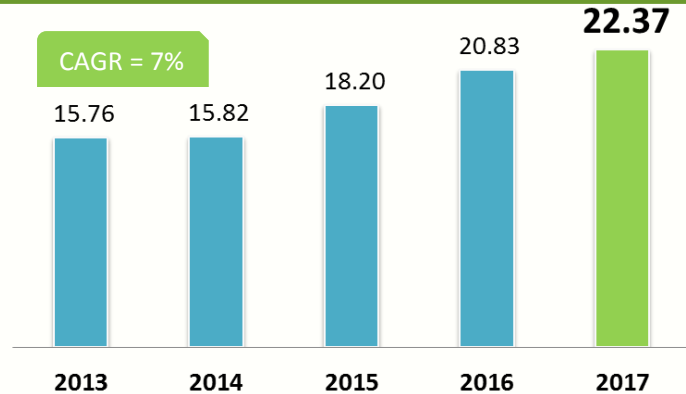
## LOANS [Kb]

CAGR = 16%



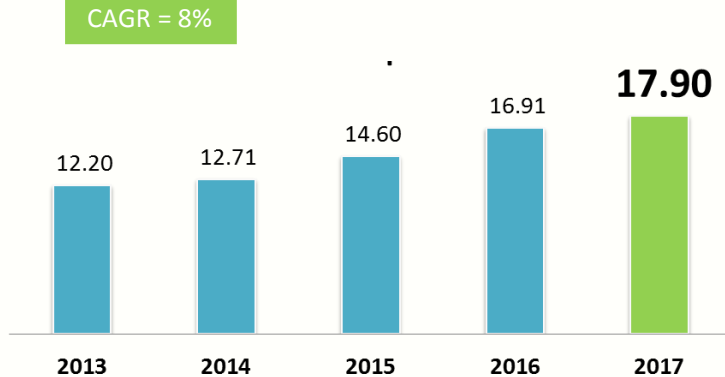
## TOTAL ASSETS [Kb]

CAGR = 7%



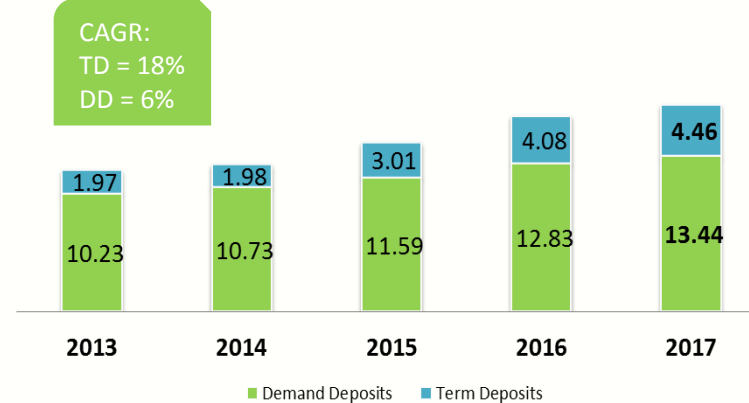
## DEPOSITS [Kb]

CAGR = 8%



## DEPOSIT MIX [Kb]

CAGR:  
TD = 18%  
DD = 6%



# BSP's geographical footprint [1]



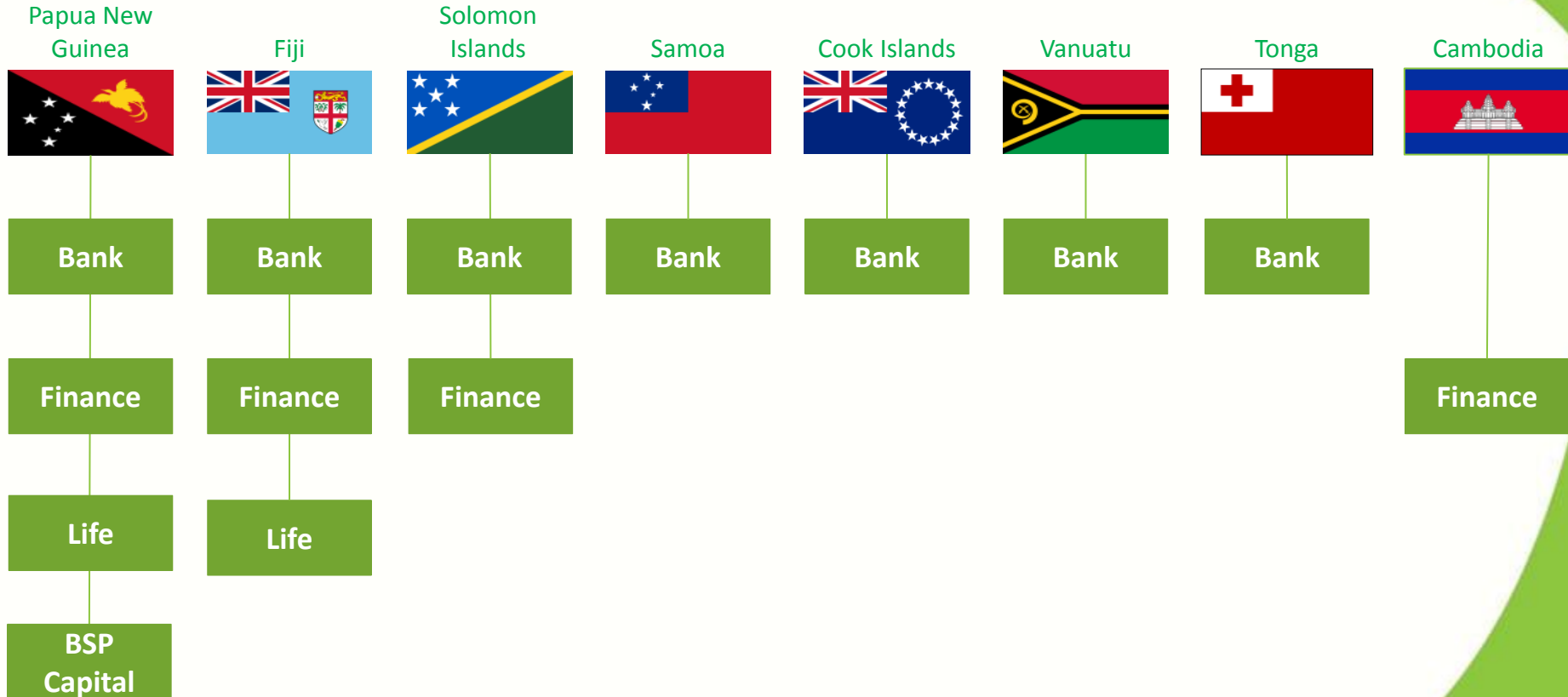
## Leading Bank in the South Pacific

- ✓ #1 in PNG and Solomon Islands by total assets
- ✓ #2 in Fiji by total assets
- ✓ #1 in Tonga in Market share loans/deposits
- ✓ Listed on Port Moresby Stock Exchange
- ✓ Market capitalisation of K4.4 billion as at 28 Feb 2018





# BSP's geographical footprint [2]



# Market strength and channel operations

## CHANNELS



Area	PNG	Fiji	Solomon Islands	Samoa	Cook Islands	Vanuatu	Tonga
<b>Branches</b>	45	17	8	3	2	2	4
<b>Rural branches</b>	44	0	0	1	1	0	2
<b>ATMs</b>	312	114	30	20	11	18	12
<b>EFTPOS</b>	9,770	1,787	341	368	354	397	361
<b>Agents</b>	391	43	75	37	9	21	18

## LOANS MARKET SHARE

		Rank
<b>PNG</b>	59%	#1
<b>Solomon Islands</b>	52%	#1
<b>Tonga</b>	42%	#1
<b>Cook Islands</b>	38%	#1
<b>Samoa</b>	26%	#2
<b>Fiji</b>	24%	#3
<b>Vanuatu</b>	14%	#4

## DEPOSIT MARKET SHARE

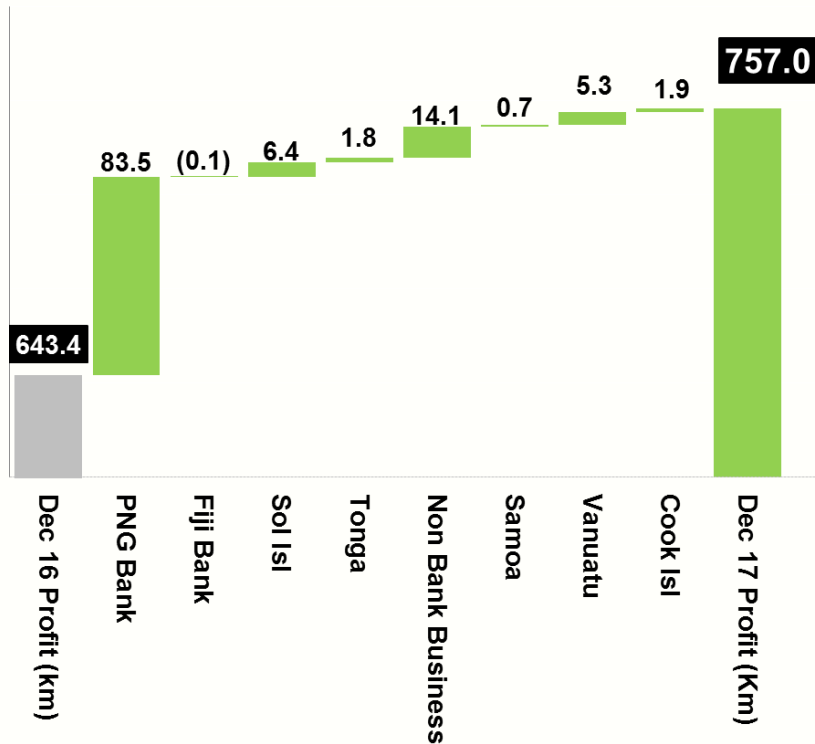
		Rank
<b>Cook Islands</b>	68%	#1
<b>PNG</b>	60%	#1
<b>Solomon Islands</b>	54%	#1
<b>Tonga</b>	38%	#1
<b>Samoa</b>	29%	#2
<b>Fiji</b>	24%	#3
<b>Vanuatu</b>	13%	#4



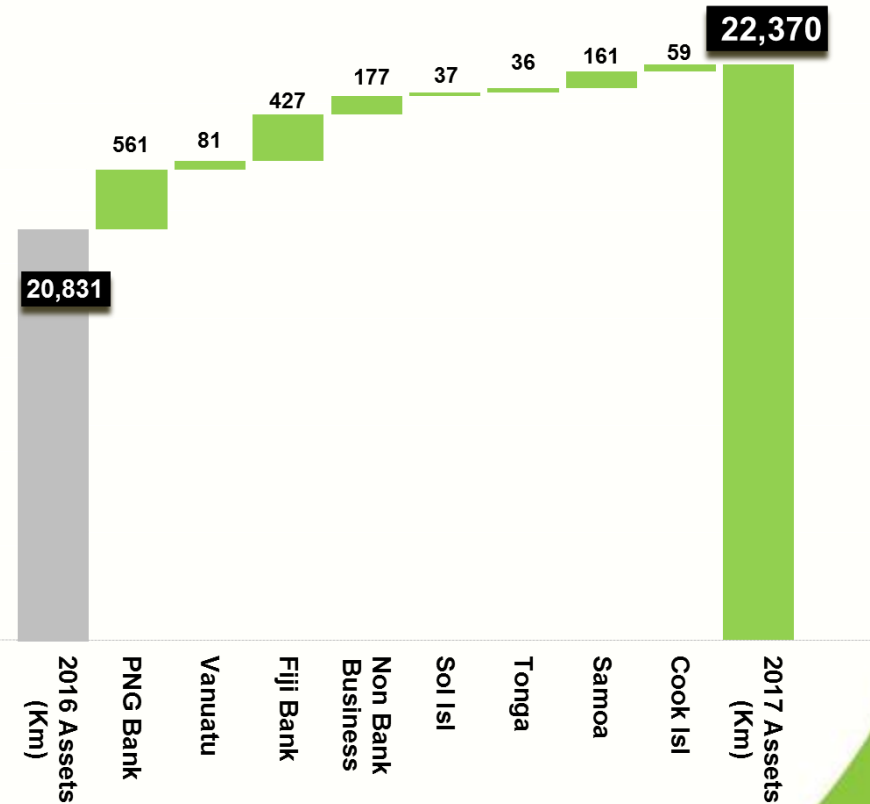
# Contribution by business



## NPAT CONTRIBUTION [Km]



## TOTAL ASSETS CONTRIBUTION [Km]



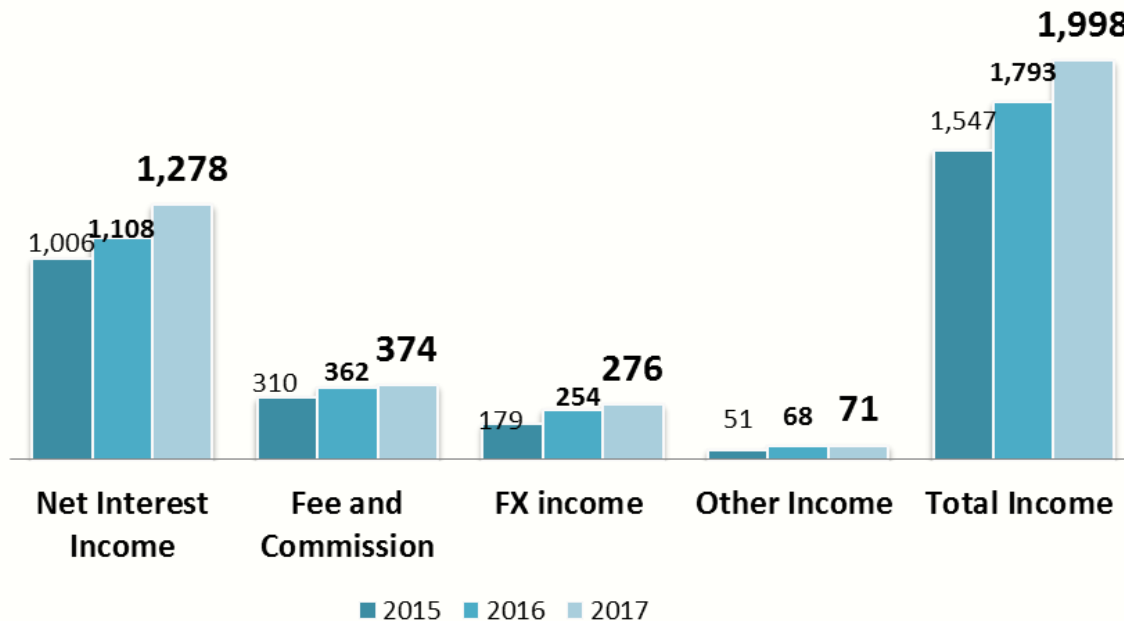
# Income stream increases [Km]



	Net interest income	Fee/ commission	FX income	Other income	Total income
YOY:	15.2% ↑	3.3% ↑	8.6% ↑	4.4% ↑	11.5% ↑
CAGR	8.3%	8.5%	15.5%	11.9%	9.3%

## MAJOR CONTRIBUTORS

- **Interest income** – loans interest, T-bills/ I. Stock
- **Fees & commission** – Channels income, lending fees, service charges
- **FX Income** – Forex gains
- **Other Income** – Life Fiji income, operating lease



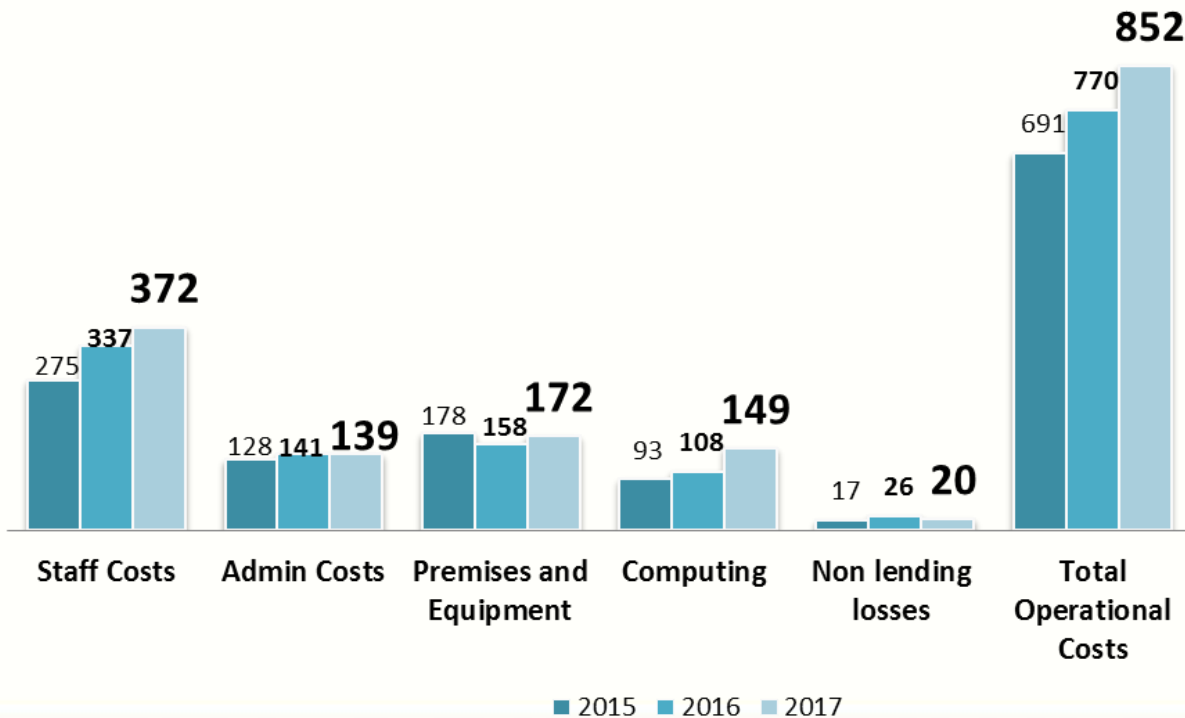
# Expenses scaling with growth [Km]



	Staff costs	Admin costs	Premises /equipment	Computing cost	NLL	Total operating costs
YOY:	10.3% ↑	(1.4%) ↓	8.9% ↑	37.9% ↑	(23.1%) ↓	10.7% ↑
CAGR	10.6%	2.6%	(1.1%)	17.1%	4.8%	7.2%

## MAJOR CONTRIBUTORS

- **Staff Costs** – salaries , training, leave costs, staff rentals
- **Admin Costs** – marketing, Telco, VAT
- **Premises costs** – buildings, depreciation, generators, Electricity
- **Computing Costs** – software maintenance, licenses, data links
- **Non Lending loss** – fraud, deficiencies



## BSP's growth plans [2]



2018 will see more focus on Digital Strategy and innovation, with the implement of the Core Banking System being undertaken. BSP will also continue its geographic and product diversification strategy.

PACIFIC ISLANDS	Digital Strategy and PNG Banking Innovation	<ul style="list-style-type: none"> <li>● Successful implementation of Core Banking system</li> <li>● Establish a Digital Banking unit within the bank</li> <li>● Commence innovation through digital strategy</li> </ul>
	NPC Market Strategy	<ul style="list-style-type: none"> <li>● Proactively explore acquisition opportunities in NPC markets</li> <li>● Achieve ROE/ROA targets for recently acquired operations</li> </ul>
	Broaden product footprint	<ul style="list-style-type: none"> <li>● Develop capabilities in new product segments</li> <li>● Develop new banking solution to support the expanding middle socio-economic demographic in PNG</li> </ul>
	PNG General Insurance, and Life Insurance expansion	<ul style="list-style-type: none"> <li>● PNG General Insurance: Assess joint venture with PNG general insurers</li> <li>● Life Insurance: Develop a model in all countries BSP operates for an increased profile of BSP Life</li> </ul>
REGIONAL	Growth acquisitions in Pacific and Southeast Asia Region	<ul style="list-style-type: none"> <li>● Laos / Mekong Delta: Research licensing requirements / required capabilities exist</li> <li>● Grow and geographically diversify BSP's network</li> </ul>

# We are BSP ... we are community



## CORPORATE SOCIAL RESPONSIBILITY

**K6.4m** in cash was spent in 2017 towards sponsorships and donations in various areas in the group.



**SPONSORSHIP: K4.4m**  
58% Sports  
42% Events



**DONATIONS: K2m**  
98% Health related  
2% Others



**CONF. / EVENTS: K753k**  
57% Events  
43% Conferences

## COMMUNITY PROJECTS

With the theme “Empowering Women & Children”, BSP delivered 49 projects to the value of **K1.1m** in PNG in 2017.

**2009-2017: 336 projects worth over K7.8m**

35%  
Community

22%  
Education



43% Health



# BSP SME and Channels

## SME LENDING CENTRES

BSP MSME has grown over the years providing SMART business solutions and start up kits to our customers.



## ATM NETWORK ROLLOUT

BSP has the largest ATM / EFTPoS network in PNG and is the first and only bank in PNG to introduce deposit taking ATM's

34m ATM Transactions in PNG

517 ATM's across the region

ATM allows mobile transfer, top up and cash deposit

# Investing in technology for inclusion



## GROWING DEPOSITS THROUGH TECHNOLOGY

BSP signs up new customers everyday using state of the art technology to grow its customer base.

**~2.9m** deposit accounts (region)

**~116m** transactions annually (PNG)

Average balance of **~K2k**



## AGENCIES AND SUB BRANCHES

BSP agents reach the unbanked in rural areas and provide access to basic banking services both in PNG and Pacific counterparts



### Agencies

- 598 Agents across the group



### Sub branches

- 56 Sub-branches across the group



# BSP First Home Ownership Scheme

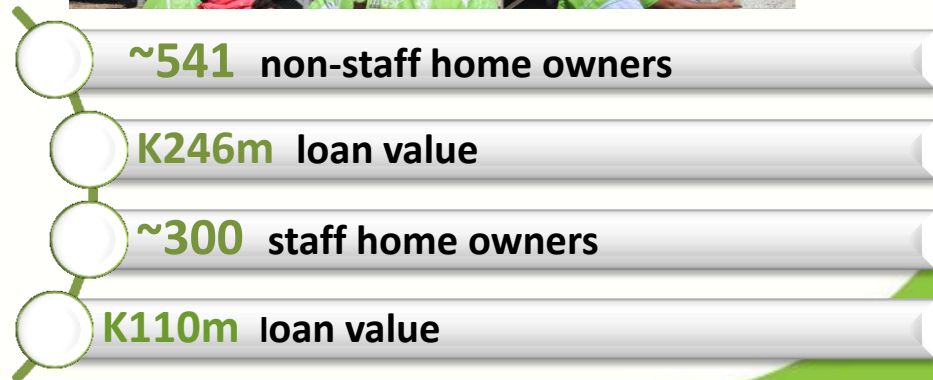
## BSP FHOS

Since inception of the First Home Ownership Scheme in 2014 in partnership with the government, BSP has helped a vast number of ordinary Papua New Guineans purchase their new homes at an affordable interest rate of **4% p.a.**



## BSP STAFF FHOS

BSP also prides itself with taking care of its staff through its own BSP First home ownership housing scheme helping over **300 staff** since 2010.



# BSP's key strengths



- 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

# Summary 2017



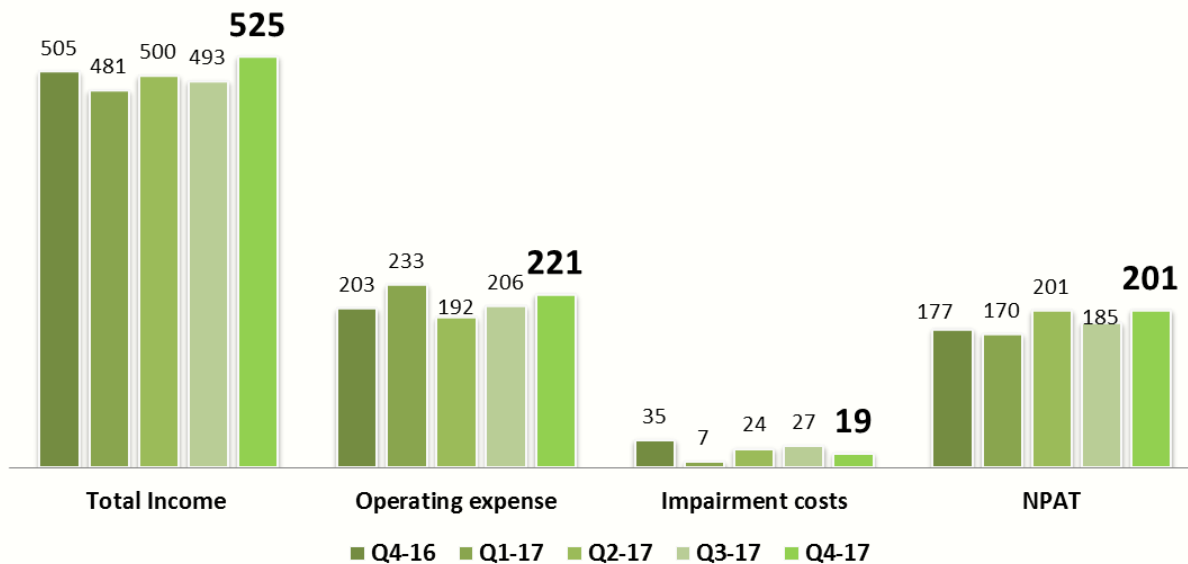
- Group NPAT of K757m, up 17.6% from 2016
- Total assets up 7.4%, loans up 11.0%
- Cost to income decrease to 42.6% from 42.9% in 2016
- Capital adequacy at 24.5%, still well above BPNG requirement of 12.0%
- Loan provision remains consistent at 4.9% , NPL improves to 1.3%
- Channel improvements
  - 22m POS transaction up 15% YOY
  - Internet banking transaction up 33% YOY
  - ATM and Mobile transactions maintained at 34m and 33m respectively in 2017
  - Kundu pei transactions up by 6% YOY
- Continued favorable contribution from NPC's both in Loans and Deposits
- BSP Finance Cambodia entrance
- 2017 dividend paid out K1.11t (0.32t interim 2017 + 0.79t 2016) ; dividend yield at 11.6%
- Overall very good performance in 2017

## APPENDIX – Q4 2017 results

# Profit and Loss - 31<sup>st</sup> December 2017



Total income	Operating expenditure	Cost to income	NPAT
PP = 6% YOY = 4%	PP = 7% YOY = 9%	2017 = 42.6% 2016 = 42.9%	PP = 9% YOY = 14%

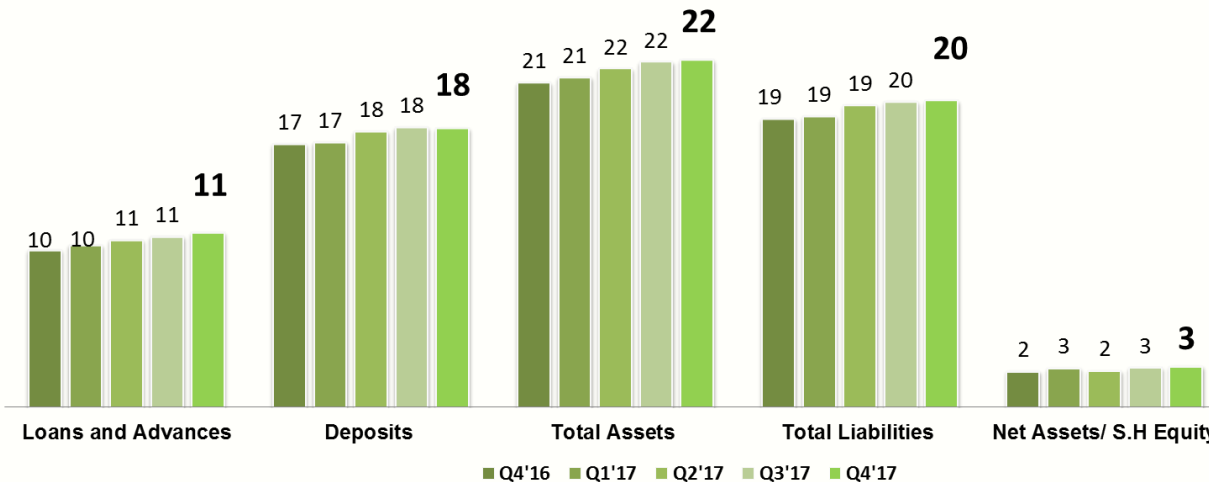


- Total Operating Income was 6% higher than previous quarters. The increase was mainly driven higher interest income from PNG and Fiji loans, higher FX income with PNG FX margins picking up in Dec and higher income from BSP Life Fiji.
- Interest on loans and FX grew by 2% and 8% respectively in Q4.
- Total operating costs are higher than Q3 mainly from one-off expenses from BSP Fiji accelerated depreciation following a review of software carrying values.

# Balance Sheet - 31<sup>st</sup> December 2017



Loans	Deposits	Total assets	Net assets
PP = 2% YOY = 11%	PP = (0.3%) YOY = 6%	PP = 1% YOY = 7%	PP = 3% YOY = 14%

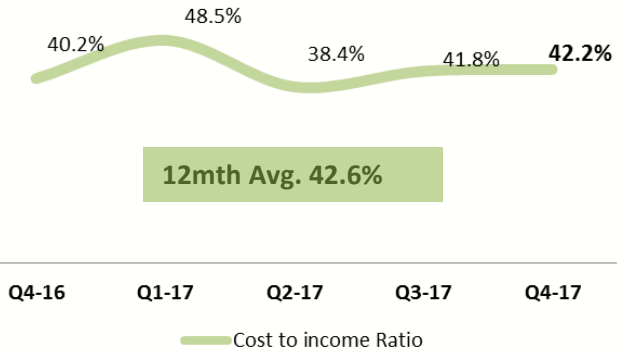


- Total loans increased by K238m in the quarter (PNG K65m, Fiji K111m, SI K29m, other NPCs/Subs K67m)
- PNG gross loan movements– Corporate -K48m, Retail +K110m, Other +K3m
- Total deposits decreased by K62m in the quarter ( PNG – K243m, NPC’s/Subs K181m )
- FX translation in Q4 increased – loans K8m, Deposits K9m, as the Kina weakened

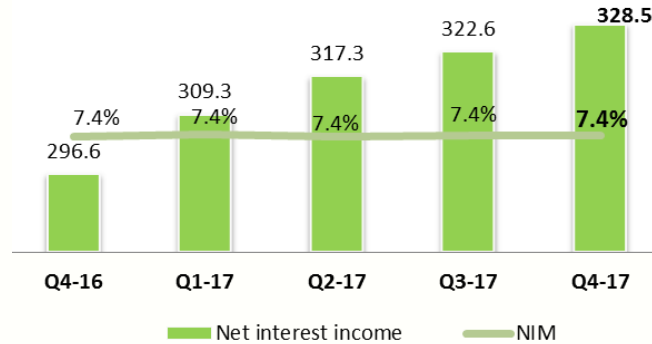
# Financial Ratios



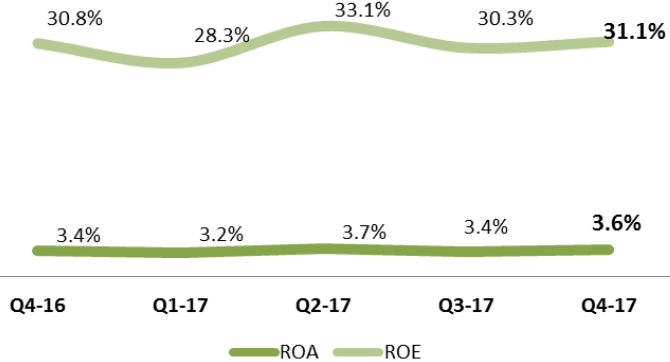
## COST TO INCOME RATIO



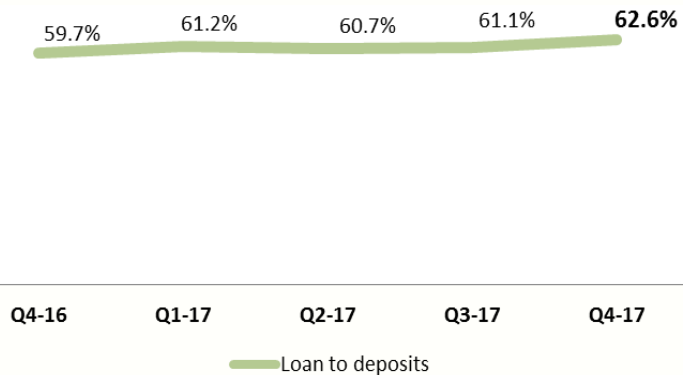
## NIM AND NET INTEREST INCOME



## ROE & ROA [annualised]



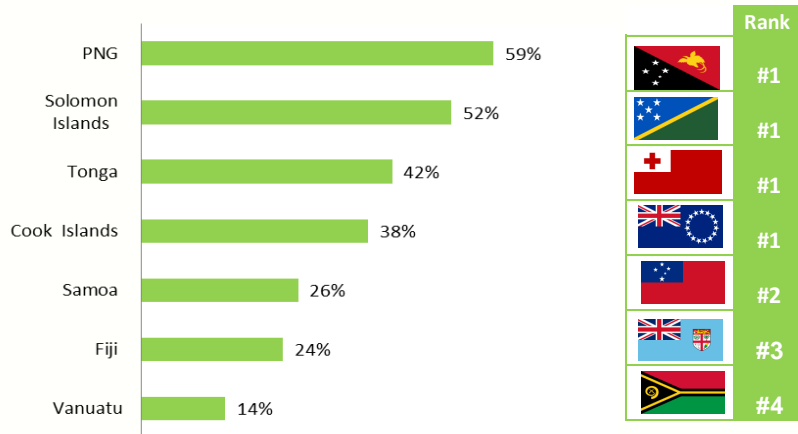
## LOAN TO DEPOSIT RATIO



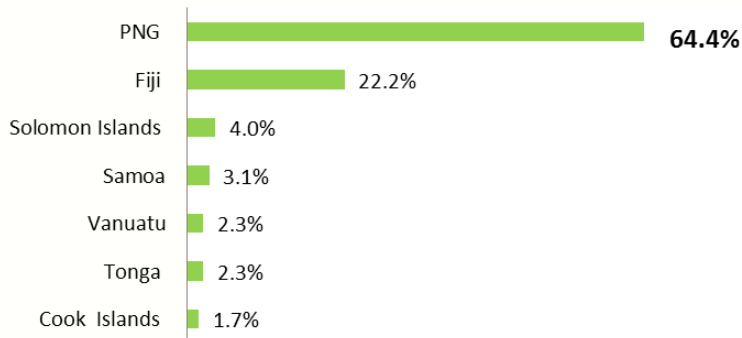


# Market Share - Loans

## Loans- Market Share



## Loan portfolio composition



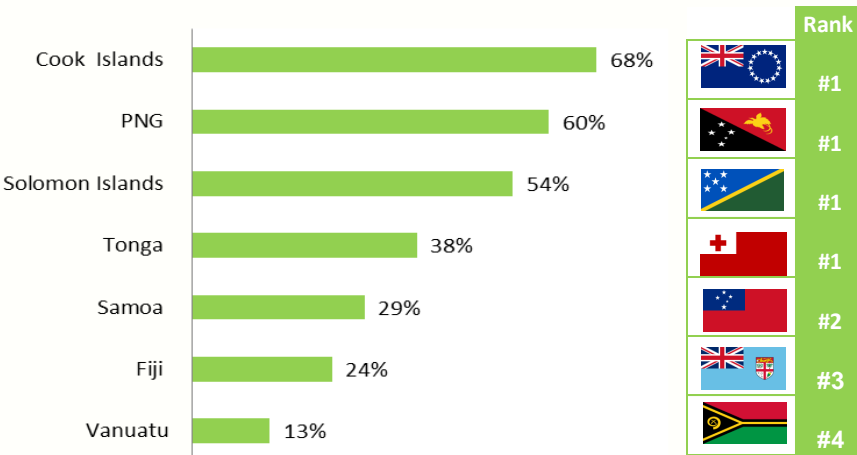
## COMMENTARY

- BSP's combined market share for loans remains at 40%
- PNG has the largest lending market share of 59% with approximately K7bn in loan volumes ... an increase of K53m in the quarter
- The remaining banking business combined holds ~ K3.9bn in loans ... and increased by ~ K190m
- BSP's loan portfolio remains predominantly in PNG ... accounting for 64% of the group's loan balances
- Retail loans contributed 65% of the growth in the last quarter

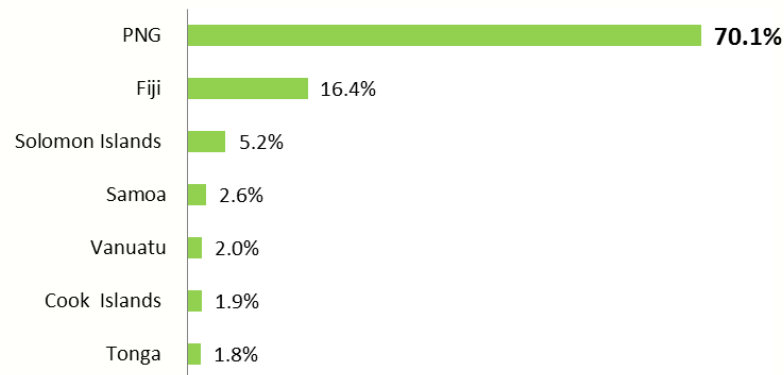
# Market Share - Deposits



## Deposit- Market Share



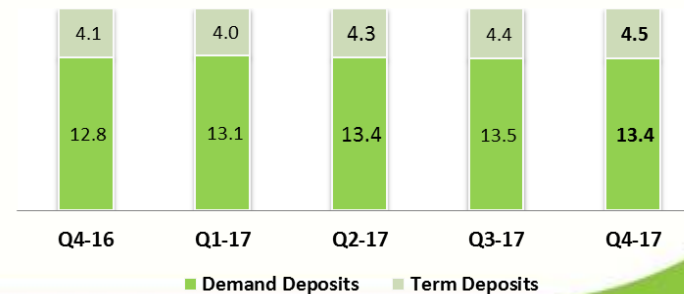
## Deposit portfolio composition



## COMMENTARY

- BSP's combined deposit market share maintains 44%
- There was a net decrease in overall deposits in the quarter of K62m, mainly from PNG and SI operations.
- The rest of the business contributed ~K181m in deposit growth.
- Demand Deposits decreased by 1% whilst Term deposits increased by 1% in the quarter.

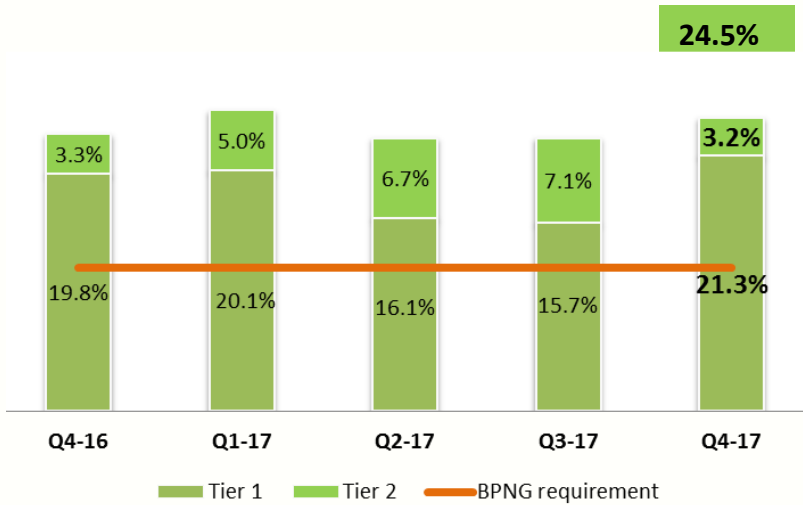
## Deposit Mix (Kb'n)



# Financial Risk Management

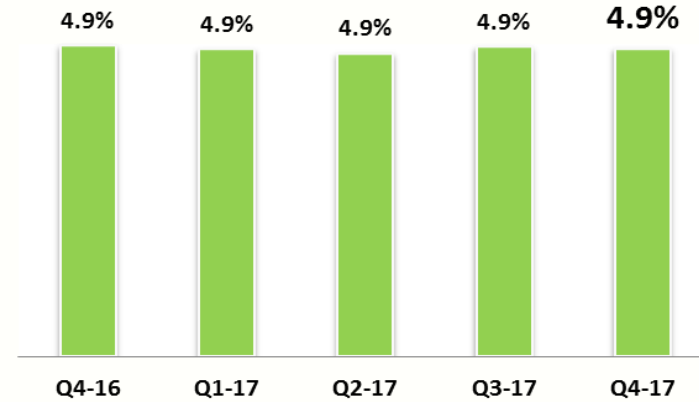


## CAPITAL ADEQUACY



- Capital Adequacy ratio rose to 24.5% in Q4-17, ... remaining well in excess of the 12% prudential requirement.

## PROVISIONS TO LOANS

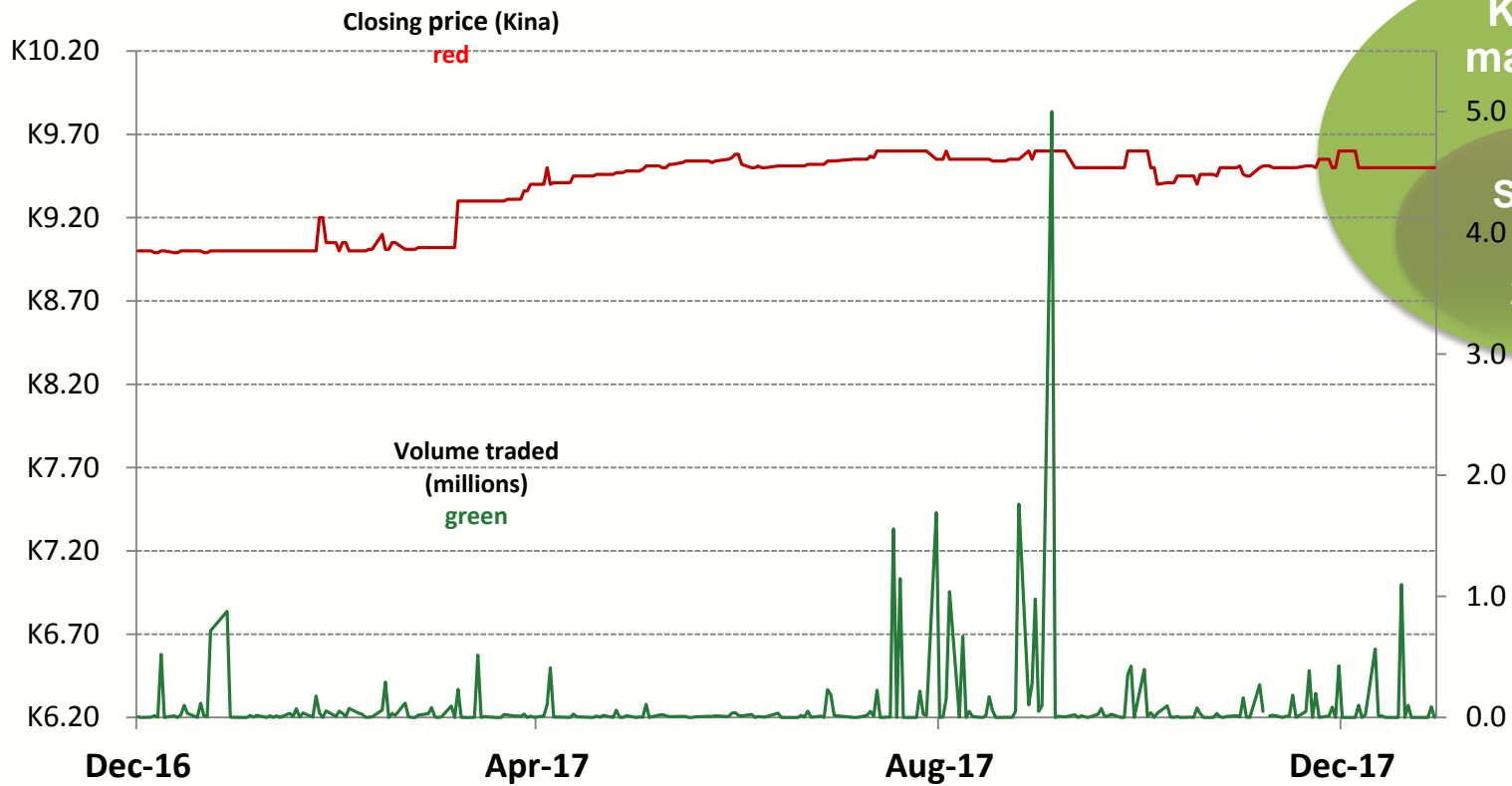


- BSP's Provisions to Loans ratio in Q4 -17 is consistent to prior period at 4.9%

# Share Price



**DIVIDEND YIELD = 11.6% | SHARE PRICE = K9.55**



**K4.439bn  
market Cap**

5.0

**Share Price  
K9.55**

**28 Feb 18**

4.0

3.0

2.0

1.0

0.0

**THANK YOU**