



ANNUAL GENERAL MEETING PRESENTATION

Robin Fleming – Group Chief Executive Officer

25 May 2018

WE ARE **BSP**



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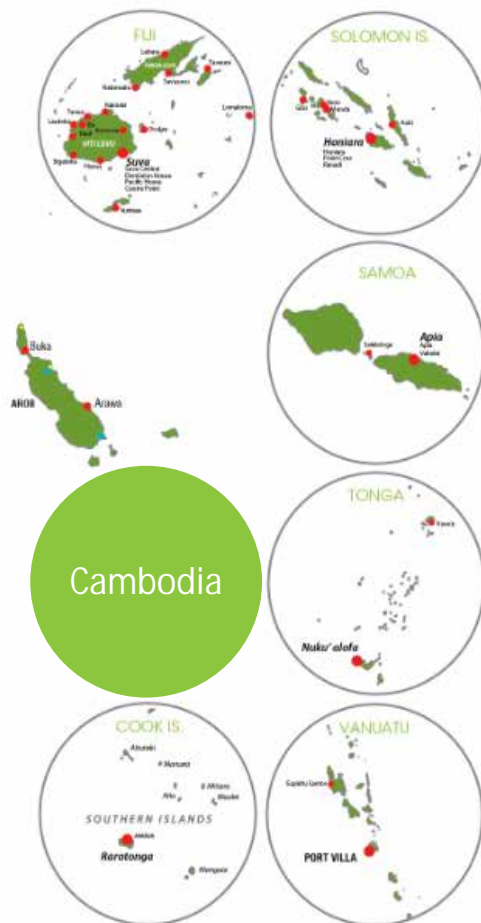
The Company is not authorised under the Banking Act 1959 (Cth) (the "Banking Act") and is not supervised by the Australian Prudential Regulation Authority. The Company's products are not covered by the depositor protection provisions in section 13A of the Banking Act and will not be covered by the financial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

Markets where BSP operates

BSP aims to be the leading financial services provider in the markets we operate in

BSP LOCATIONS

KEY
Branches
Sub Branches
Agents



1
Loan market share in 4 x markets

1
Deposit market share in 4 x markets

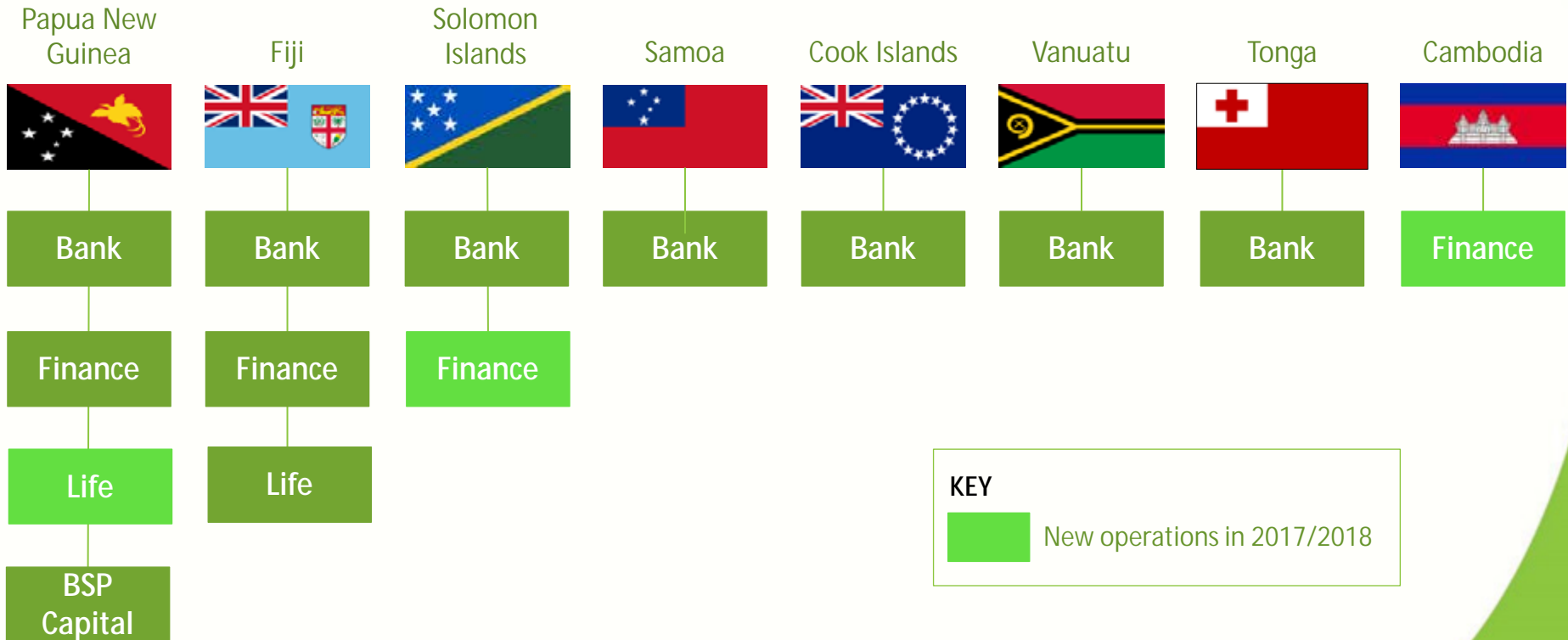
PORT MORESBY STOCK EXCHANGE LIMITED
Market cap of **K4.51b**
[US\$1.35b] April 2018



BSP's growing service offering



In line with BSP's geographical and income diversification strategy, BSP has expanded into various countries with new services



Continue to invest in improving our service offering



Our Digital Strategy will see enhanced banking services with increased uptake in electronic channel activities across its footprints.

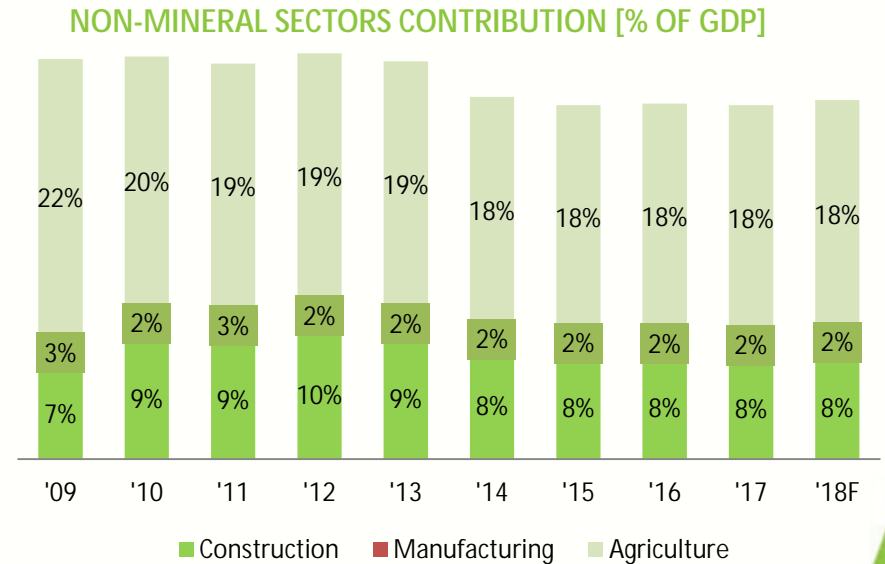
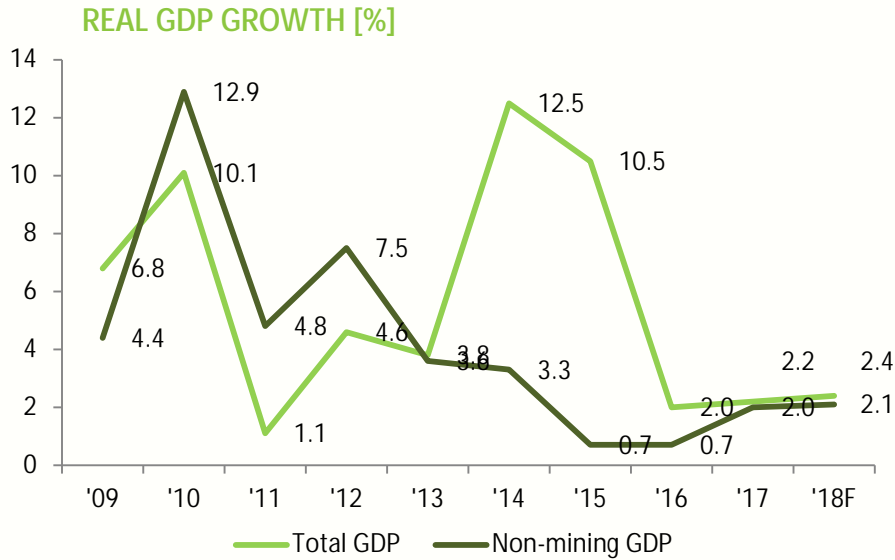


	Papua New Guinea	Solomon Islands	Vanuatu	Taiwan	United Kingdom	European Union	Tonga	Switzerland
Branch image	81	45	17	8	3	2	2	4
Sub-branch image	54	44	7		1			2
ATM image	512	315	114	26	17	11	17	12
EFTPOS image	12,248	8,825	1,658	330	365	344	385	341
Agent image	593	395	43	76	36	8	17	18

PNG's economic environment [1]



The PNG economy grew by 2.2% in 2017, compared to 2.0% in 2016. outlook remains positive, albeit somewhat lower than long-term historical averages. GDP growth in 2018 projected at 3.0% by Bank of PNG, higher than the 2.4% expected in the 2018 national budget.



Non-mining GDP started to increase in 2016 , however still lower than previous growth rates....
Agriculture continues to be the dominant sector in the economy.

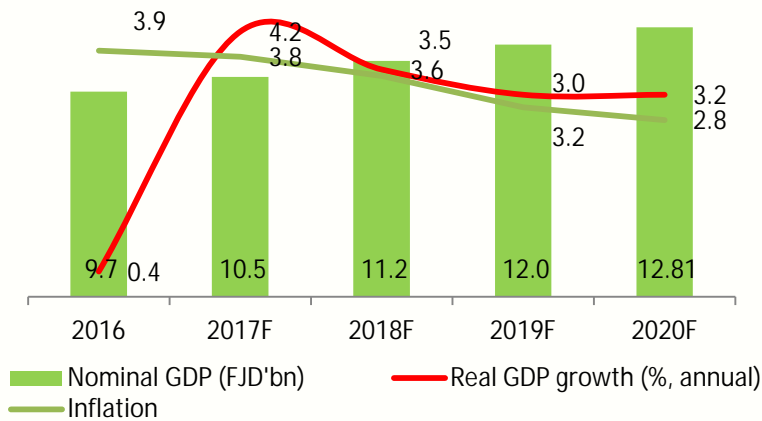
Source: 2018 National Budget, MPS [March'18]

Non-PNG Outlook

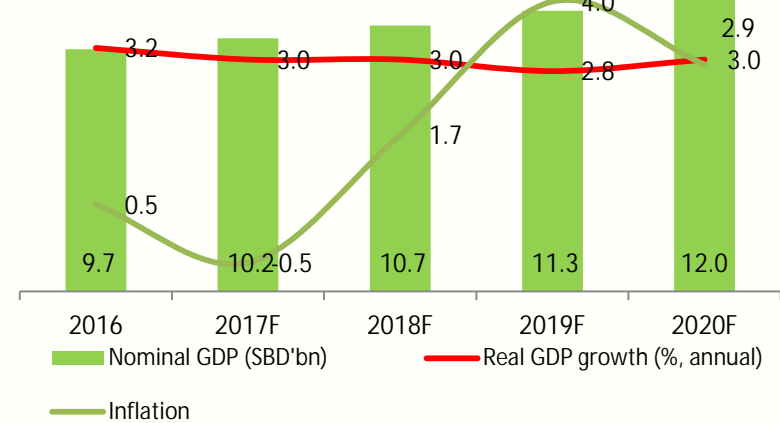


Growth has been mixed with Vanuatu and Tonga experiencing relatively strong levels of growth, while Solomon Islands and Fiji experienced moderate growth in 2017. Samoa and Cook Islands experienced minimal growth in 2017. Most countries experienced a winding-down of rehabilitation and maintenance projects.

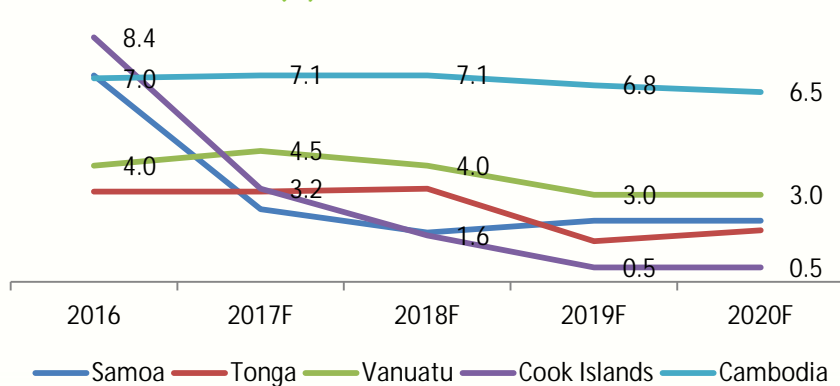
FIJI ECONOMY



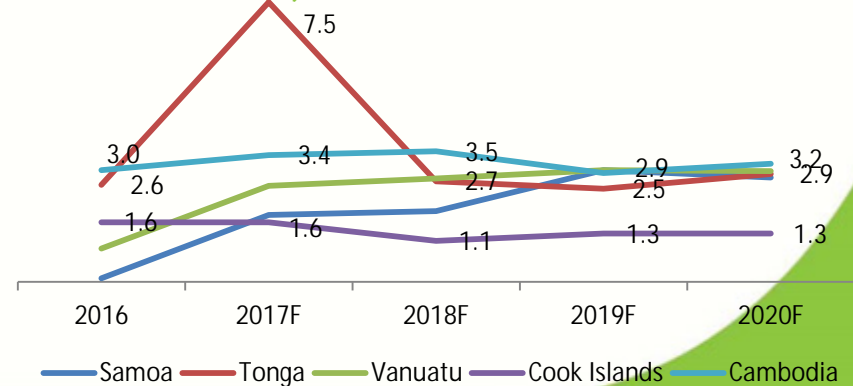
SOLOMON ISLANDS ECONOMY



GDP GROWTH (%)



INFLATION (%)



Source: IMF, ADB, Central Banks [respective]

Highlights for 2017



BSP has again delivered a strong performance despite a challenging business and economic environment

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%



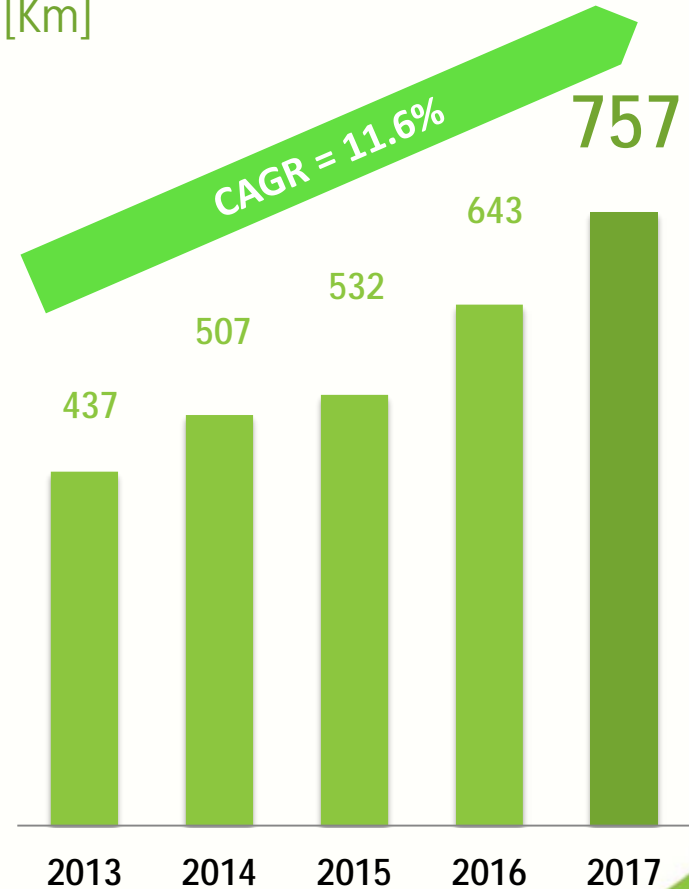
ROE up 1%
to
30.6%



Dividend
Yield of
11.6%



GROUP NPAT TREND
[Km]

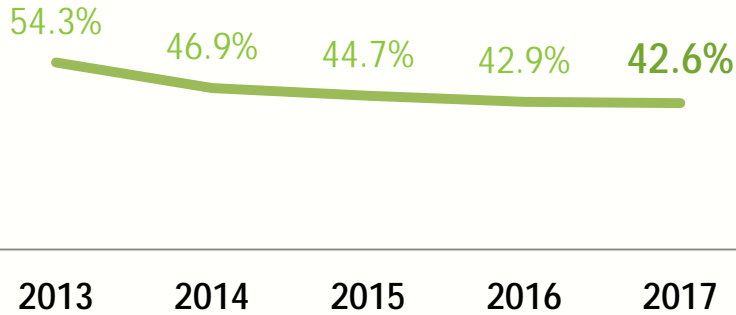


Group key ratio trends

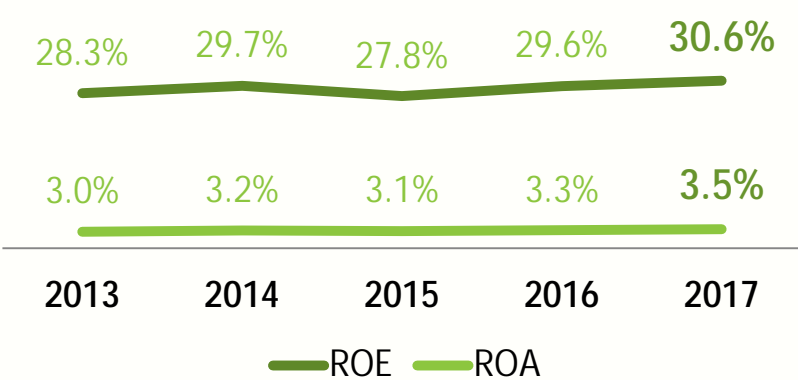


Our key financial ratios reflect consistent improvement

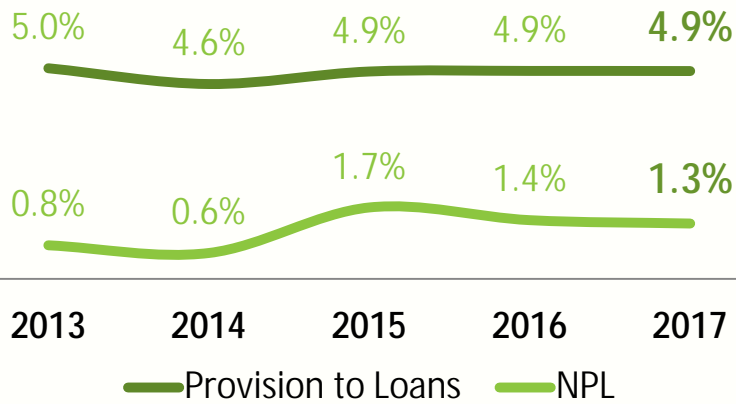
COST TO INCOME TREND



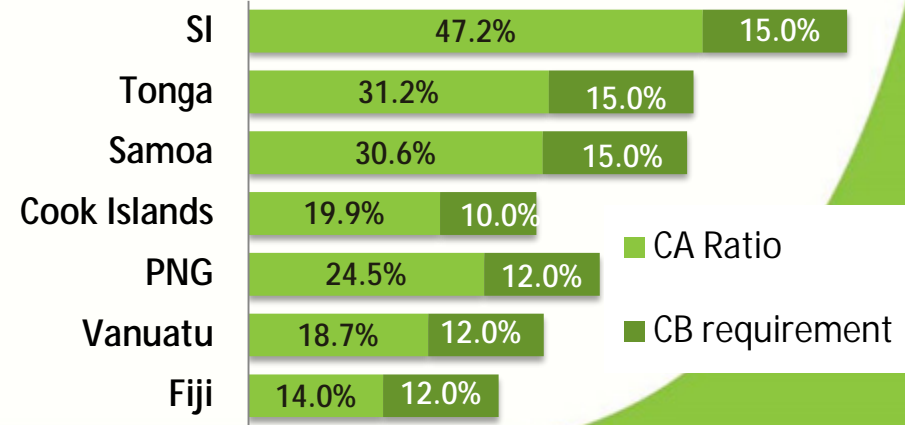
ROE AND ROA TRENDS



PROVISION TO LOANS AND NPL



CAPITAL ADEQUACY



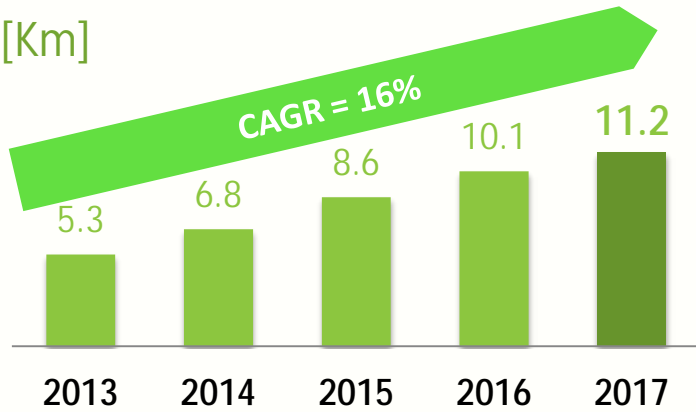
Group key performance indicator trends



BSP's growth trajectory has been relatively consistent ... particularly in recent years

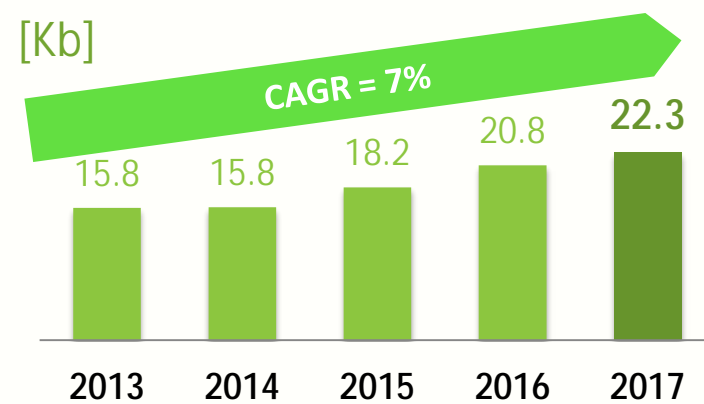
NET LOANS TRENDS

[Km]



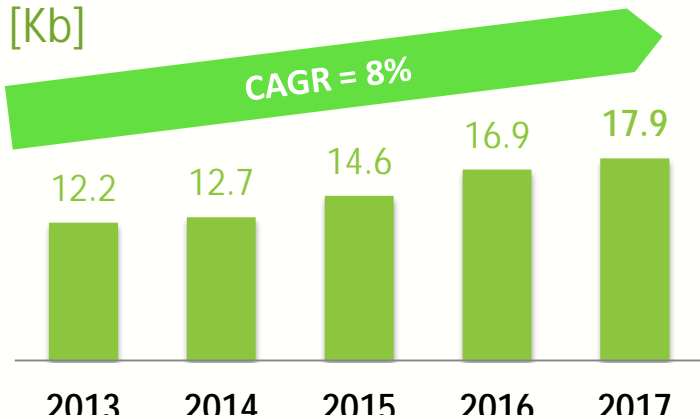
TOTAL ASSETS TRENDS

[Kb]



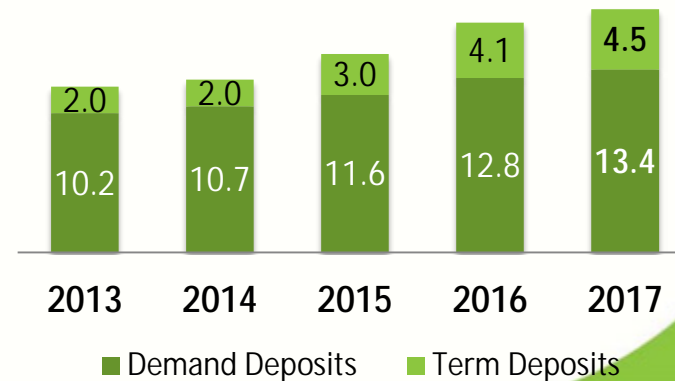
DEPOSIT TRENDS

[Kb]



DEPOSIT MIX TRENDS

[Kb]

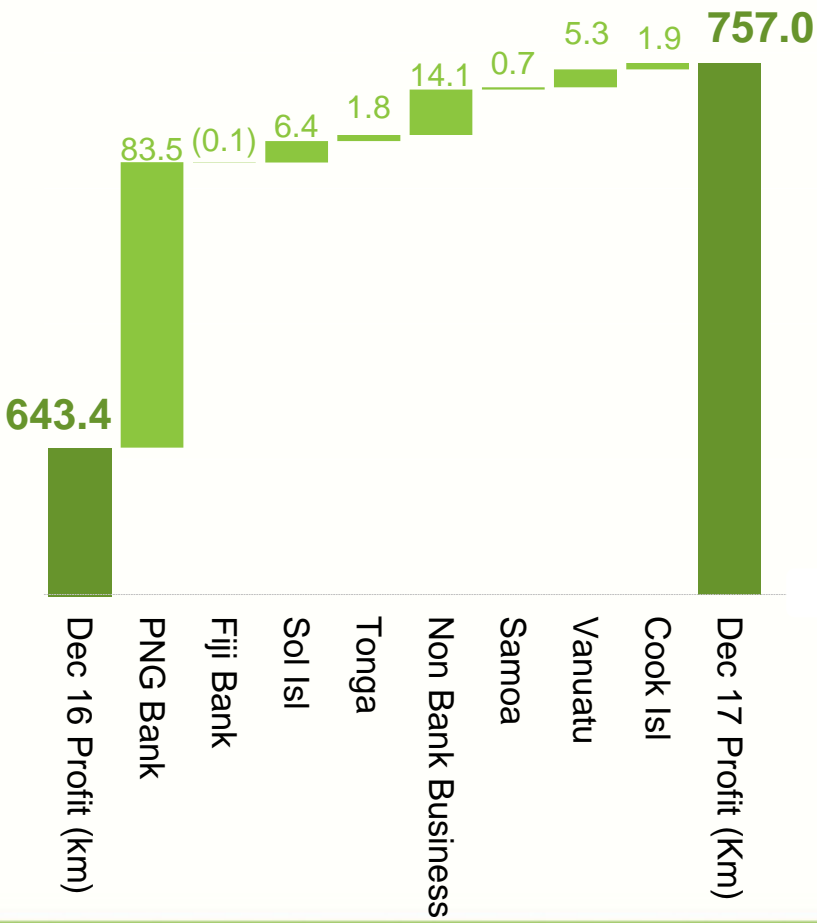


Contribution by business

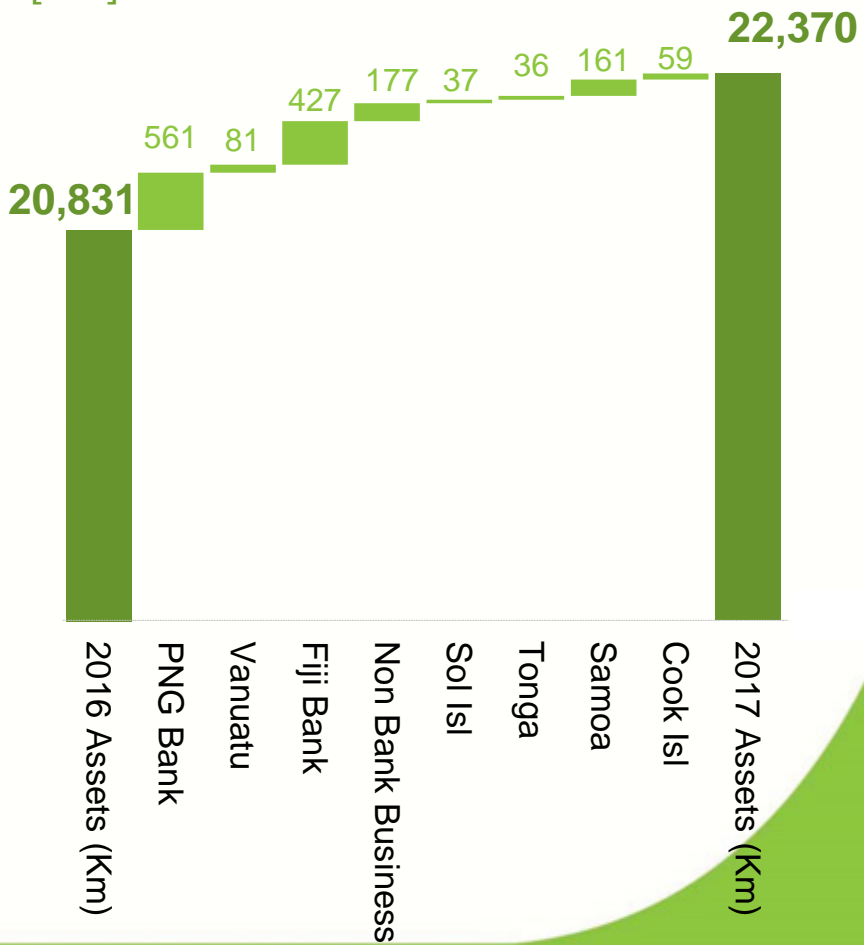


The PNG operations contributes significantly to the Group results ... this dependency will progressively diminish over time

NPAT CONTRIBUTION [Km]



TOTAL ASSETS CONTRIBUTION [Km]



Income streams [Km]

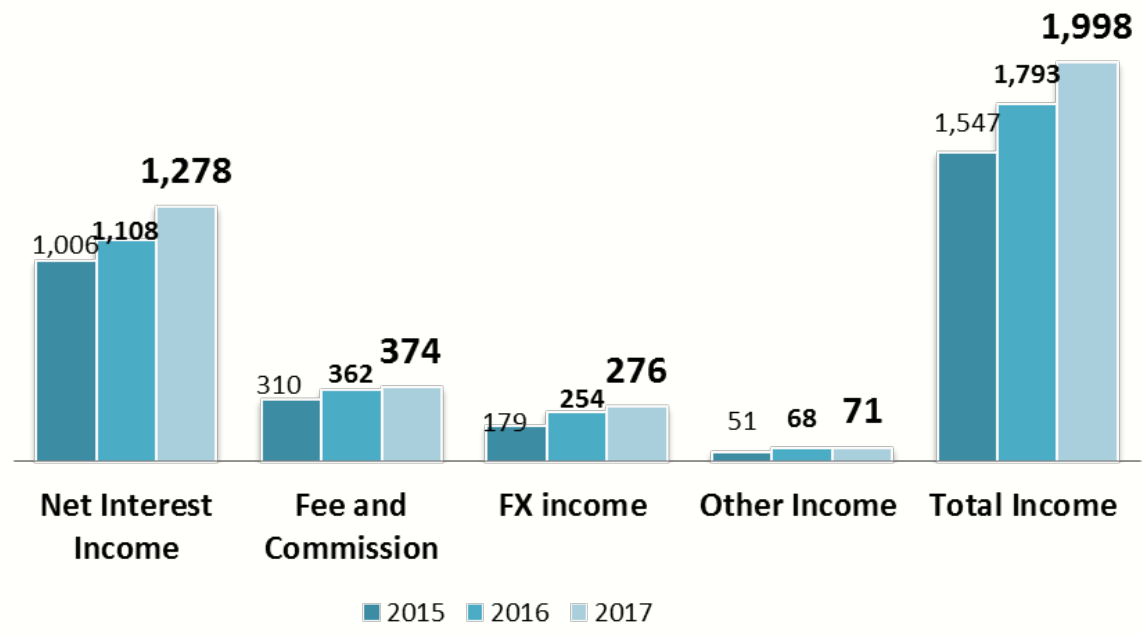


Positive year on year growth on all income streams

	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 [Km]

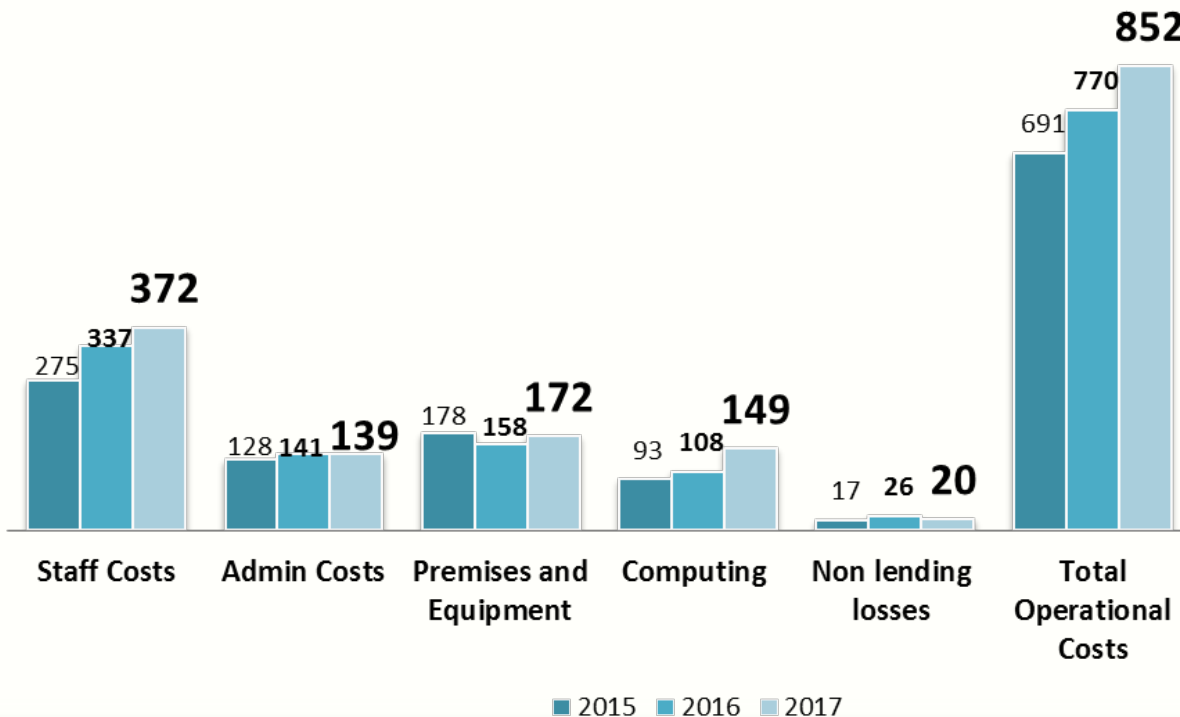
Expenses scaling with growth



	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

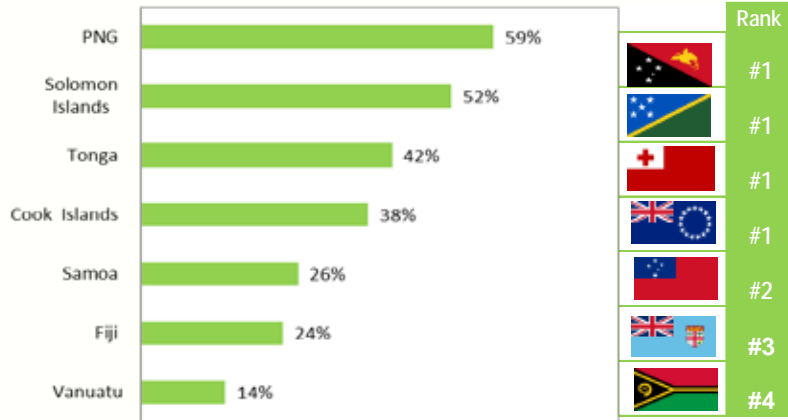


Market strength

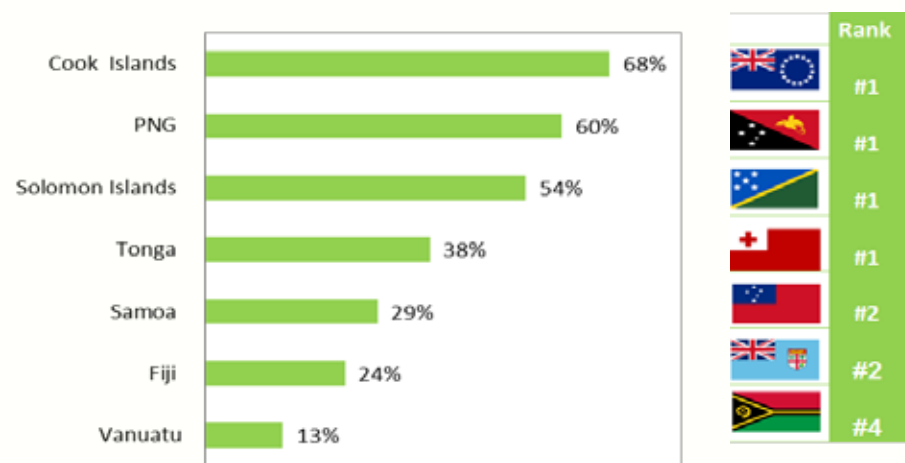
BSP dominates in many of its markets. BSP's loan and deposit portfolios remain predominantly in PNG



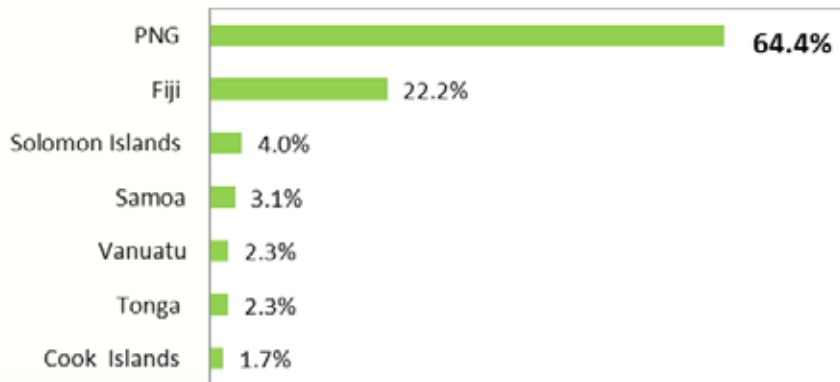
Loans market Share [2017]



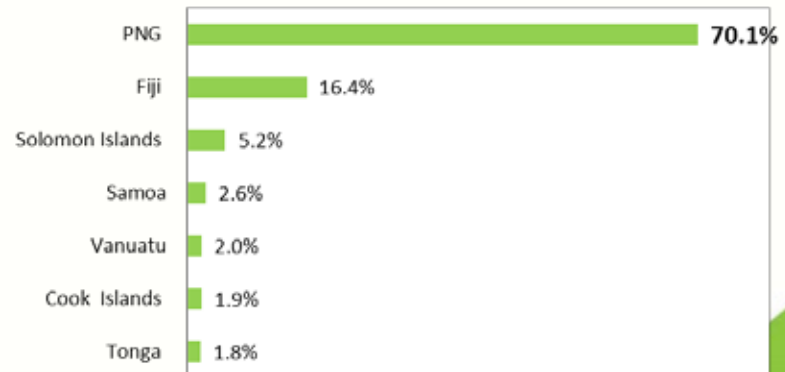
Deposit market Share [2017]



Loans portfolio composition [2017]



Deposit portfolio composition [2017]

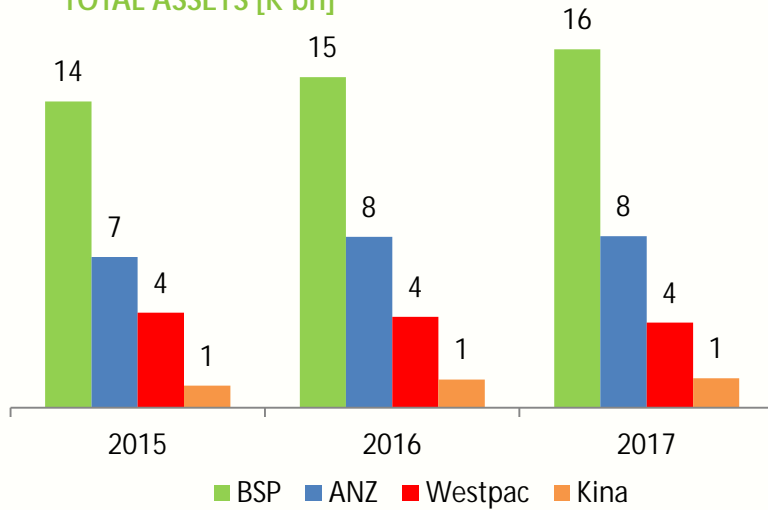


PNG market peer comparison

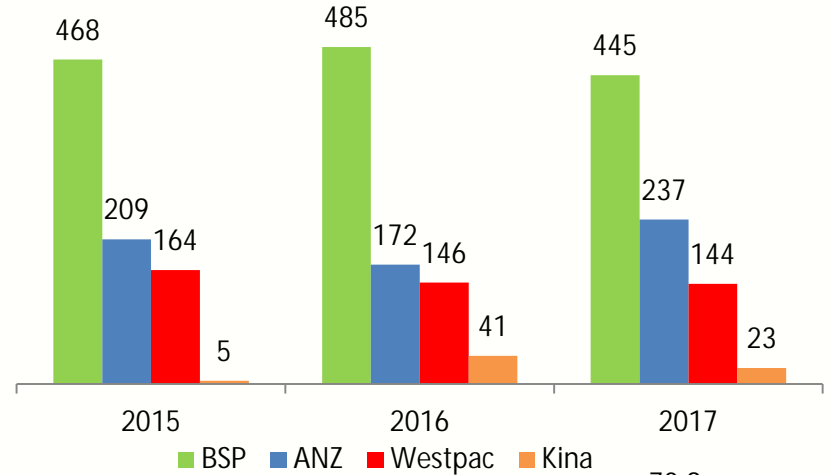


BSP continues to dominate the PNG market

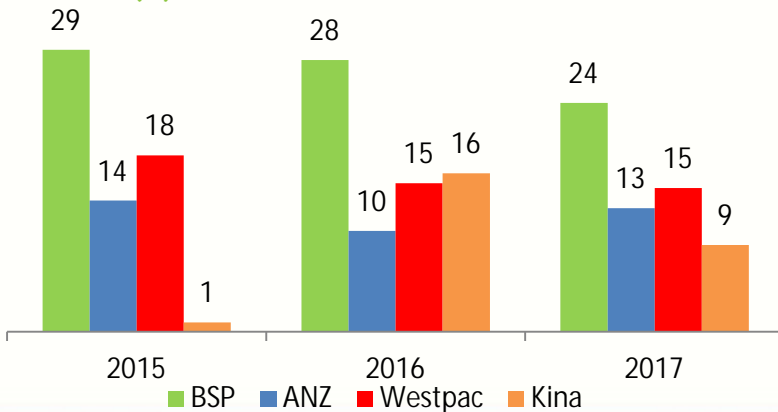
TOTAL ASSETS [K'bn]



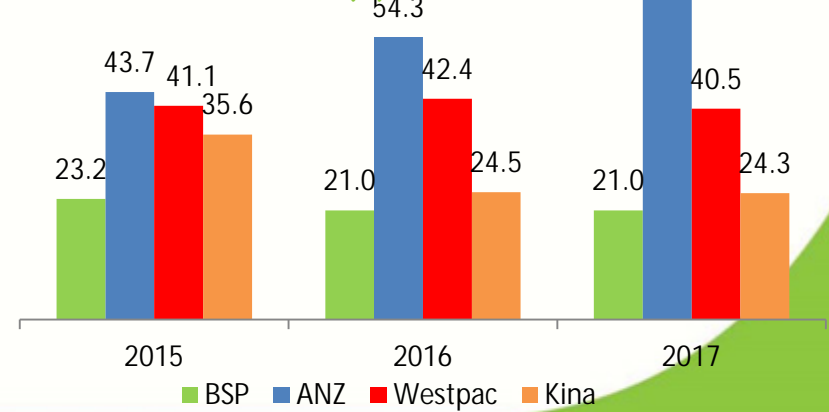
NPAT [K'm]



ROE (%)



CAPITAL ADEQUACY (%)



Key strengths



To be the leading financial services provider in its chosen markets, BSP has, and continues to invest in its people, systems, and process, and has over the years developed 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

Strategic focus



In 2018 BSP will focus on developing and executing its Digital Strategy and the implementation of its Core Banking system. It will also be maintaining its geographic and product / service diversification strategy.

Pacific Islands	Digital Strategy and PNG Banking Innovation	<ul style="list-style-type: none"> ● Successful implementation of Core Banking system over the 3 years period ● Establish a Digital Banking unit within the bank, with digital development and change management capacity; partnership management expertise ● Commence innovation through digital strategy
	NPC Market Strategy	<ul style="list-style-type: none"> ● Explore acquisition opportunities in the Pacific ● Develop capabilities in new product segments, including: <ul style="list-style-type: none"> – Pursue 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 ● Achieve ROE/ROA targets for recently acquired operations
	Broaden product footprint	<ul style="list-style-type: none"> ● Develop capabilities in new product segments, including: ● Develop new banking solution to support the expanding middle socio-economic demographic in PNG
	PNG General Insurance, and Life Insurance expansion	<ul style="list-style-type: none"> ● PNG General Insurance: Evaluate longer term potential for general insurance and enter market through appropriate model. ● Life Insurance: Develop a model in all countries BSP operates for an increased profile of BSP Life
Regional	Growth acquisitions in Pacific and Southeast Asia Region	<ul style="list-style-type: none"> ● Laos/Mekong Delta: Research licensing requirements / required capabilities exist ● Further consolidate leading market position in existing and new Pacific markets ● Grow and geographically diversify BSP's network

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



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



Q1/2018 Results

Profit and Loss - 30th March 2018



Total Income
-4%PCP,
5%YOY



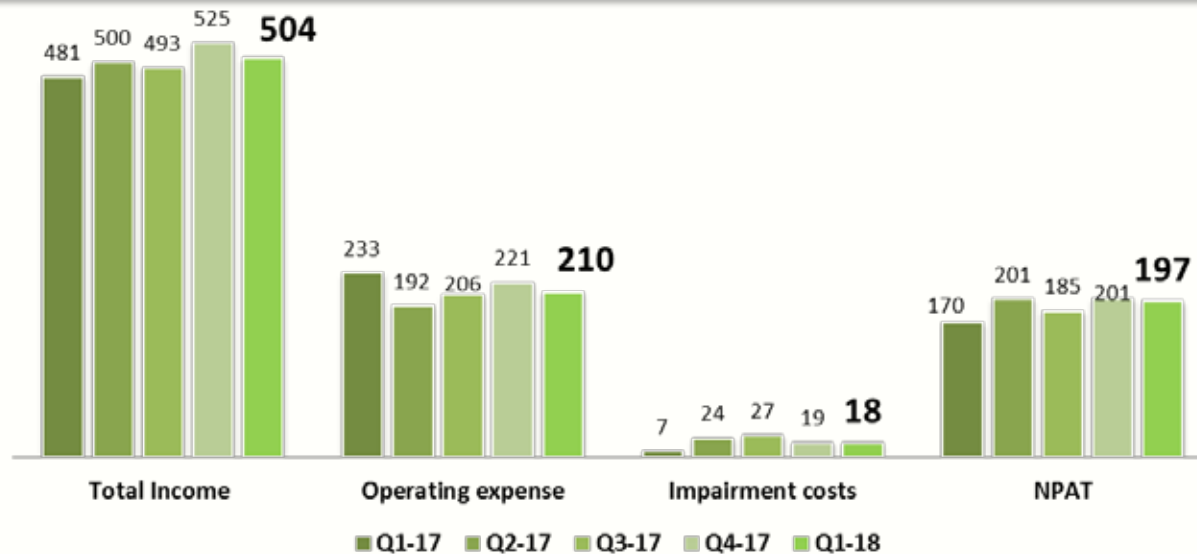
Operating costs -5%
PCP, YOY -
6%



Cost to
Income
41.6%



NPAT
-2%PCP,
15%YOY



- Operating income 4% lower in Q1'18 mainly driven by lower FX income with low volumes in Jan and Feb 18, reduced PNG Kundu accounts services fees and lower Net Insurance income from BSP Life Fiji however is up 5% YOY.
- Total operating cost also dropped by 5% mainly from the large impaired costs gone in Q4'17.
- Cost to income ratio improved to 41.6% in the quarter

Balance Sheet - 30th March 2018



Loans
5% PCP,
12% YOY



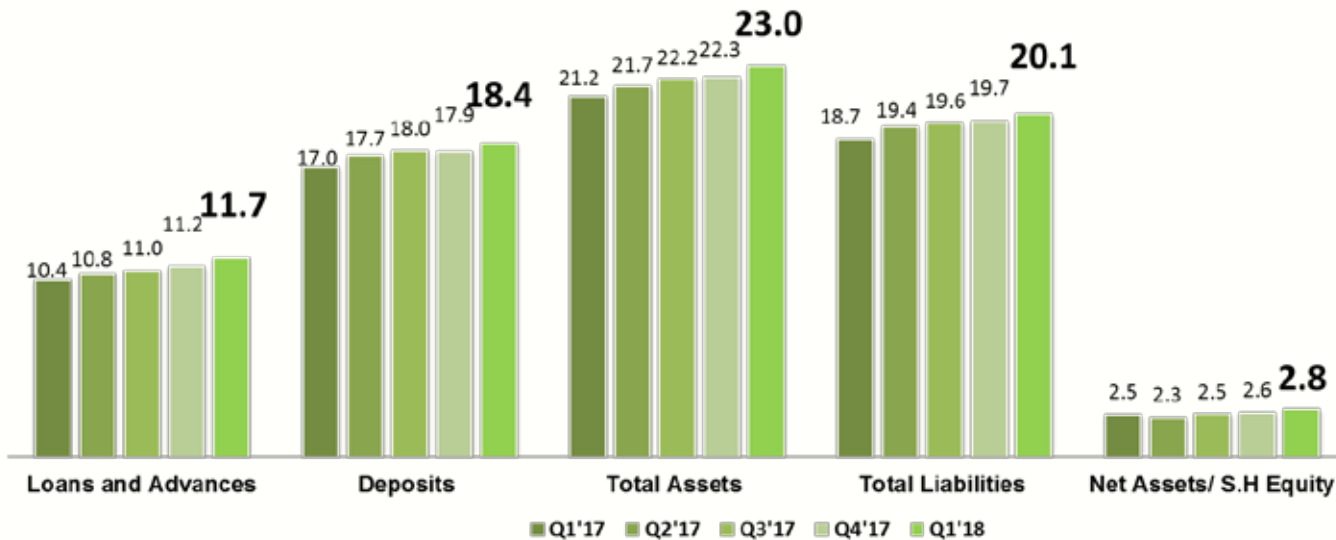
Deposits
3%PCP,
8%YOY



Total
Assets
3%PCP,
8%YOY



Net
Assets
8% PCP,
13% YOY

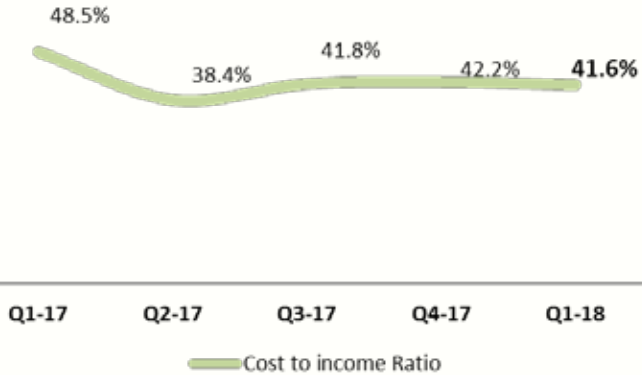


- Total loan increase by K505m in the quarter (PNG +K406m, Fiji K1m, SI K18m and other NPC/subs +K79m)
- PNG Gross Loan movements – Corporate +K190m , Retail +K148m and others +K68m)
- Total deposits increased by K522m in the quarter. (PNG +K367m, Fiji +K38m, SI +K63m other NPC/subs +K54m)
- (FX translation in Q1 increased – loans K42m and Deposits K58m due to the weakening Kina.

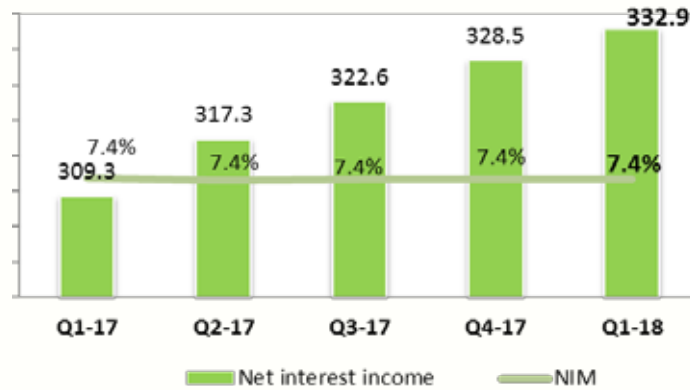
Financial ratios



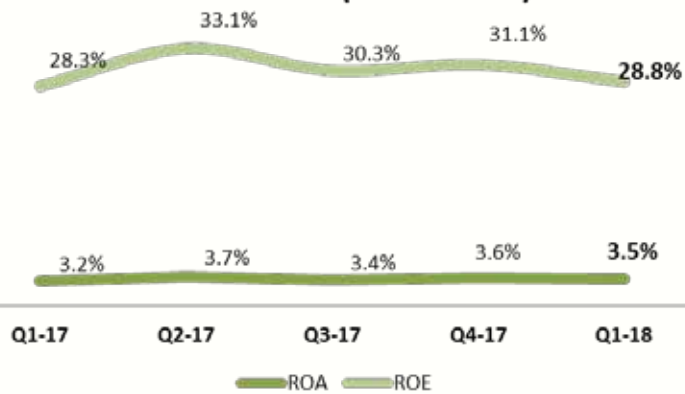
Cost to income ratio



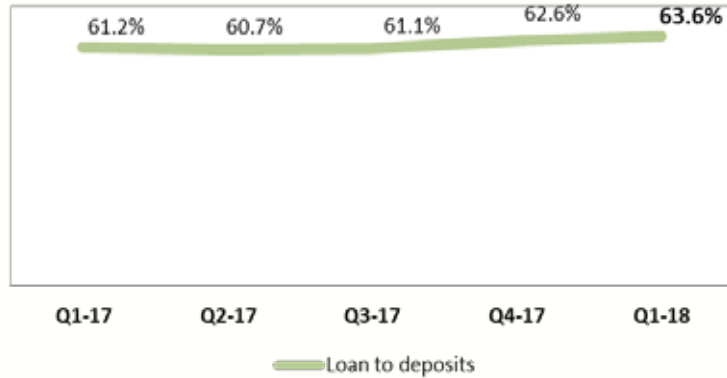
Nim and Net Interest Income



ROA, ROE (annualised)



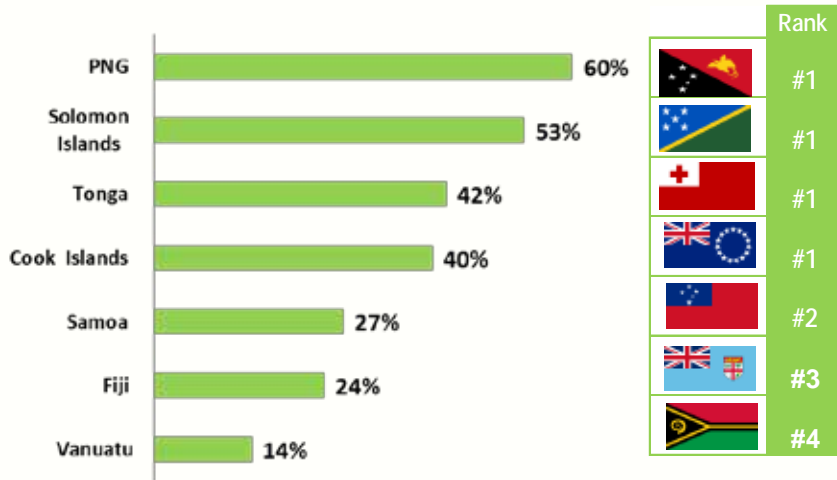
Loan to Deposit ratio



Market Share - Loans

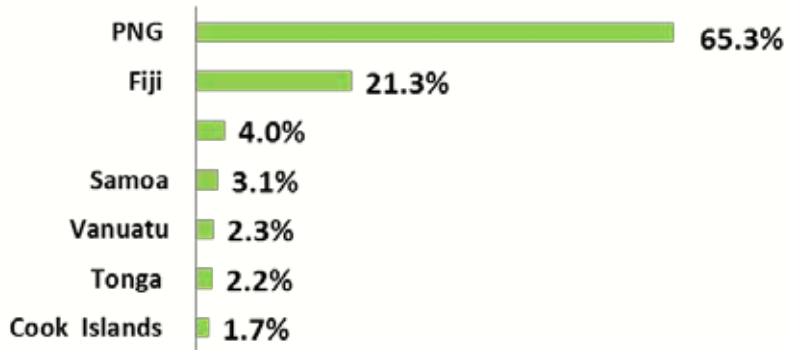


Loans- Market Share



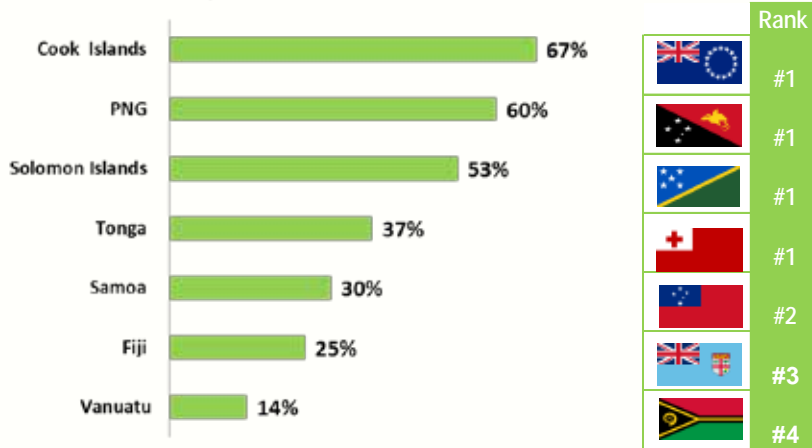
- BSP's combined market share for loans stands at 41%
- PNG has the largest lending market share of 60% increasing by K406m in the quarter.
- The remaining business combined holds ~ K4bn in loans ... grew by ~ K44m compared to same qtr last year

Loan portfolio composition



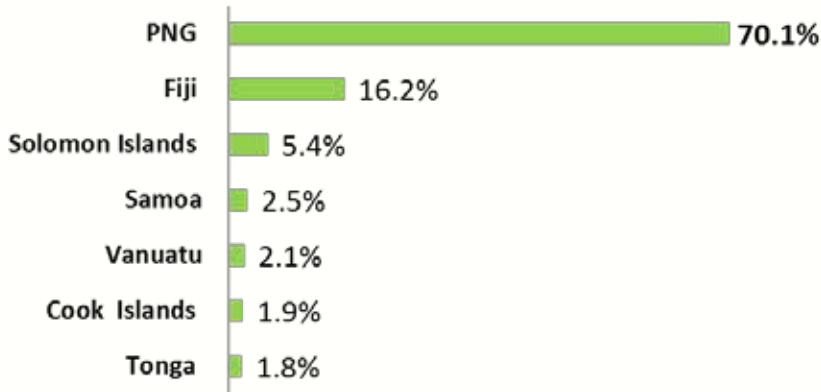
Market Share - Deposits

Deposit- Market Share

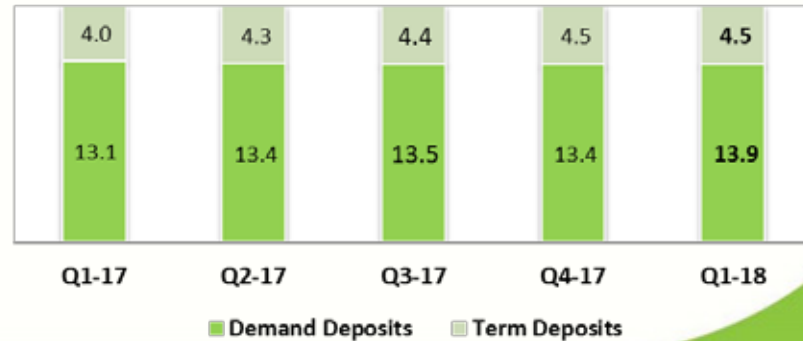


- BSP's combined deposit market share stands at 45%
- PNG holding the largest share at 70% increased by K367m in the quarter
- The rest of the business contributed ~K159m in deposit growth bringing total growth in deposits to K526m.
- Demand and Term Deposits increased by 3% and 2% respectively in the quarter

Deposit portfolio composition



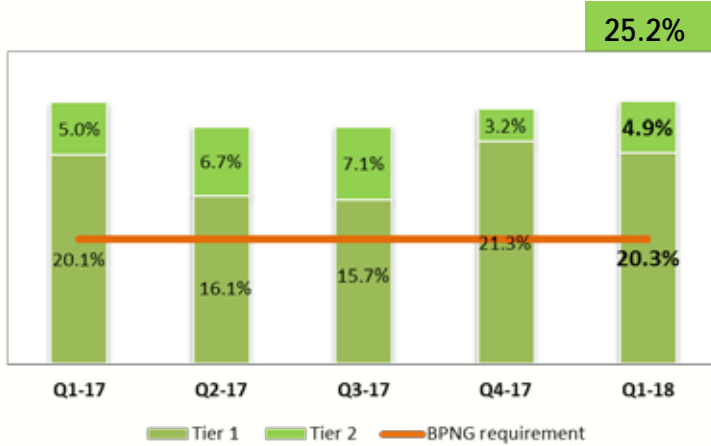
Deposit Mix (Kb'n)



Financial Risk Management

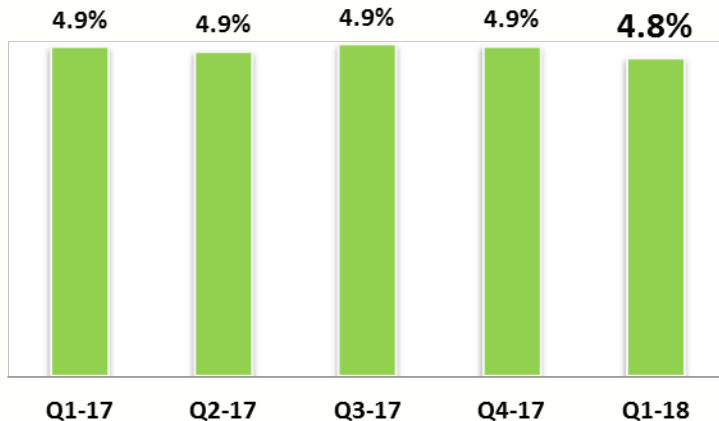


Capital Adequacy



- Capital Adequacy ratio is at 25.2% in Q1'18, similar position in Q1'17... remaining well in excess of the 12% minimum regulatory prudential requirement.

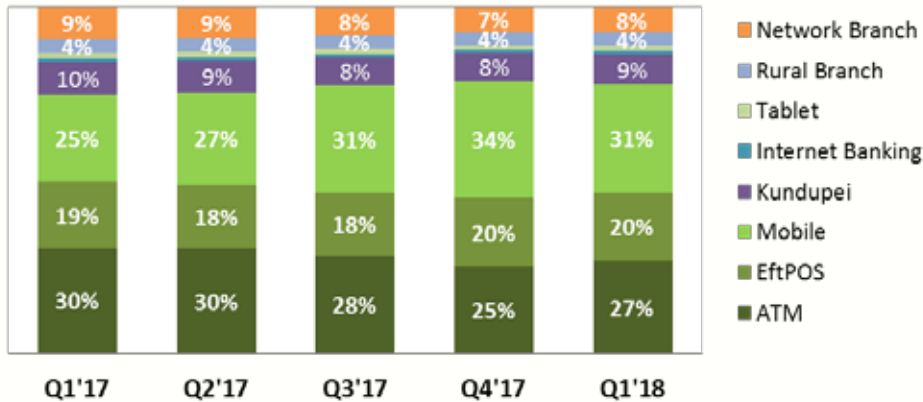
Provisions to Loans



- BSP's Provisions to Loans ratio in Q1 -18 slightly dropped from period to 4.8%

Channel Operations [Q1-18]

Channel Transactions %



- ~90% of transaction are via electronic channels with around ~10% from branch transactions.
- Continued focus on branchless banking
- Ongoing investment in all channels



Area	PNG	Fiji	Solomon Islands	Samoa	Cook Islands	Vanuatu	Tonga
Branches	46	17	8	3	2	2	4
Rural branches	46	0	0	1	1	0	2
ATMs	315	115	30	20	11	18	12
EFTPOS	9,721	1,731	339	367	363	402	371
Agents	391	43	76	36	10	21	15

Share Price



Dividend Yield: 11.5% (share price K9.66)

