



Investor Presentation First Half _June 2018

Robin Fleming – Group Chief Executive Officer

28 August 2018

WE ARE **BSP**



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Markets where BSP operates

BSP is the leading financial services provider in the markets we operate

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BSP PNG Geographical Footprint

KEY
Branches ●
Sub Branches ●



1

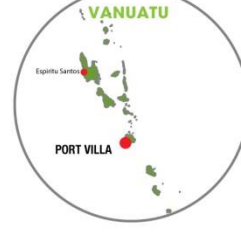
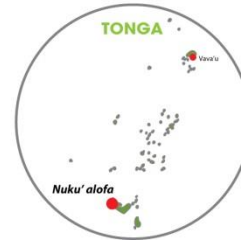
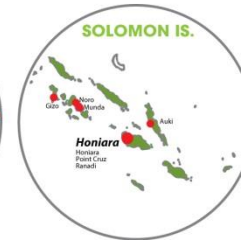
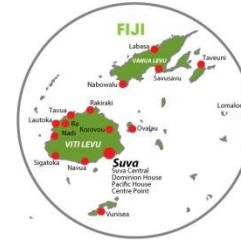
Loan market share in 4 x markets

1

Deposit market share in 4 x markets

POMSOX

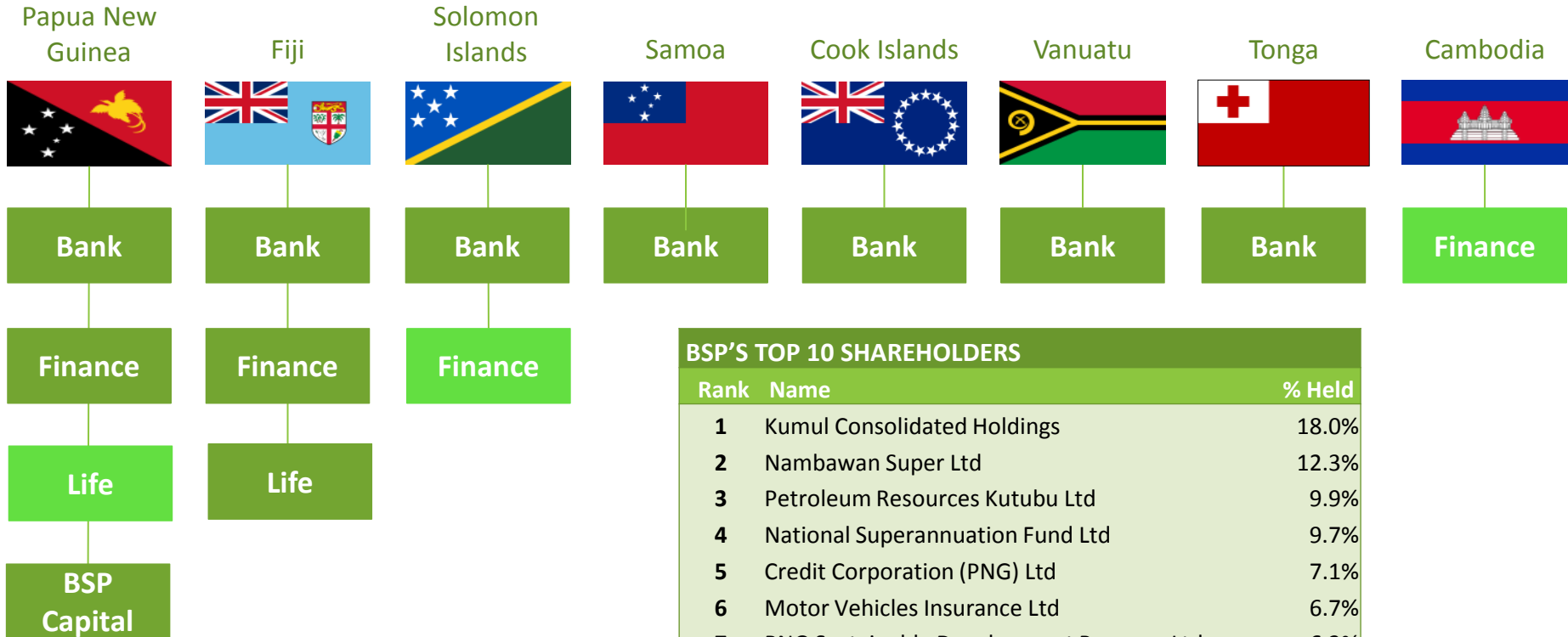
Market cap of **K4.67b**
[30 June 2018]



BSP's growing service offering

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In line with BSP's geographical and income diversification strategy, BSP has expanded its product / service offering into both existing and new markets.



KEY

 New operations in 2017/2018

BSP'S TOP 10 SHAREHOLDERS

Rank	Name	% Held
1	Kumul Consolidated Holdings	18.0%
2	Nambawan Super Ltd	12.3%
3	Petroleum Resources Kutubu Ltd	9.9%
4	National Superannuation Fund Ltd	9.7%
5	Credit Corporation (PNG) Ltd	7.1%
6	Motor Vehicles Insurance Ltd	6.7%
7	PNG Sustainable Development Program Ltd	6.2%
8	IFC Capitalization (Equity) Fund	3.7%
9	International Finance Corporation	3.7%
10	Teachers Savings & Loan Society Ltd.	3.3%

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Financials

Highlights for first half of 2018 [YTD June]

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BSP continues its strong performance ... despite challenging business and economic environments.

Profit (NPAT)
up 12.8% YOY to



K418.3m

Total income
up 8.0% YOY to



K1.06bn

Total assets
up 5.6% YOY to



K22.9bn

Cost to income
ratio improves
to



41.1%

Capital
adequacy



22.7%

Loan provisions
down



4.7%

ROE up to



30.7%

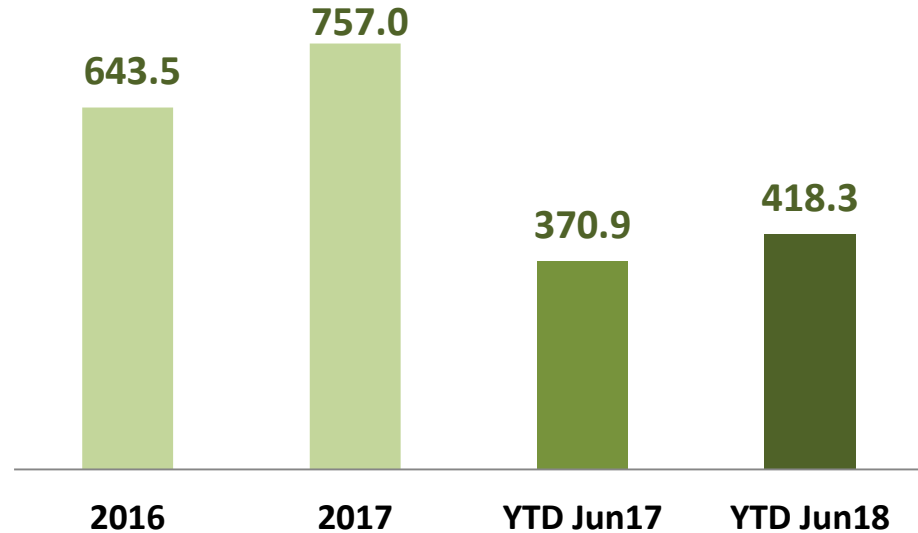
Dividend
yield of



12.6%

GROUP NPAT TREND

[Km]

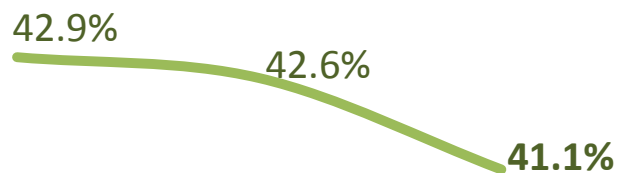


Group key ratios

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Our key ratios are trending favourably ... a clear picture of our corporate health.

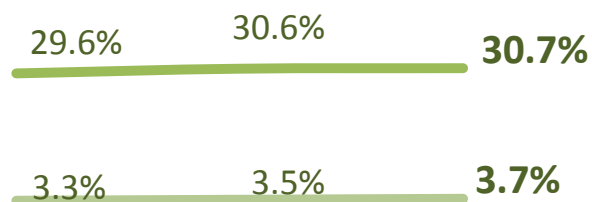
COST TO INCOME TREND



2016 2017 YTD Jun18

— Cost to Income

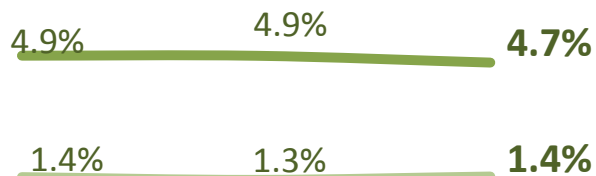
ROE AND ROA TRENDS



2016 2017 YTD Jun18

— ROE — ROA

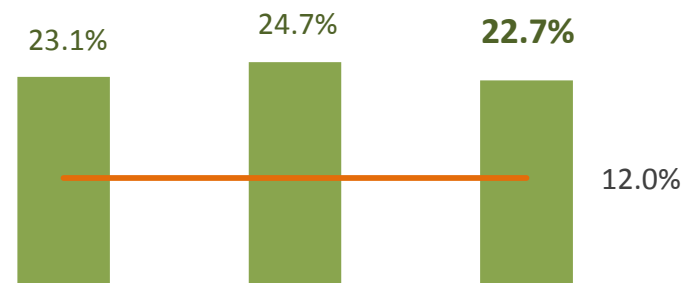
PROVISION AND NPL TO LOANS



2016 2017 YTD Jun18

— Provision to Loans — NPL

CAPITAL ADEQUACY



2016 2017 YTD Jun18

— Capital Adequacy — BPNG Requirement

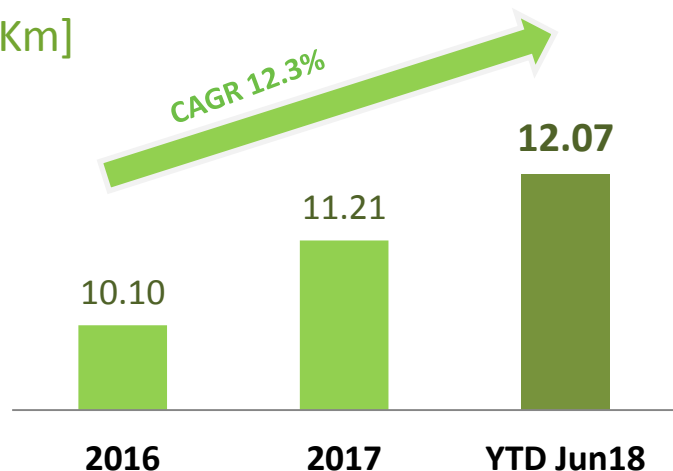
Group key performance indicator trends

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BSP's loans and deposits continues to grow despite competitor and economic challenges

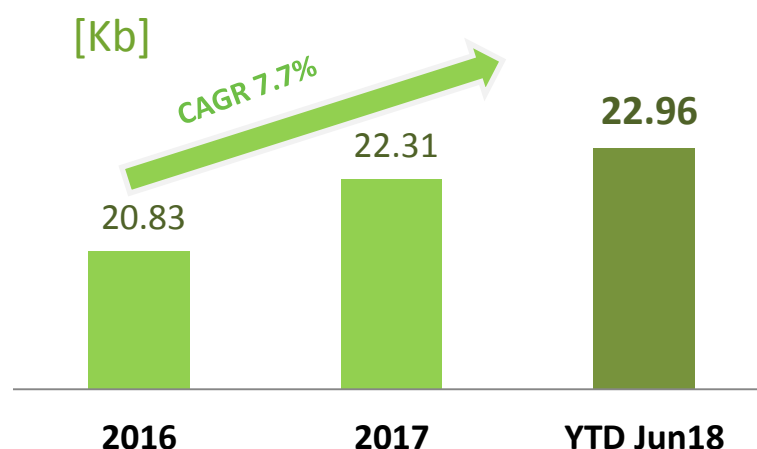
NET LOAN TRENDS

[Km]



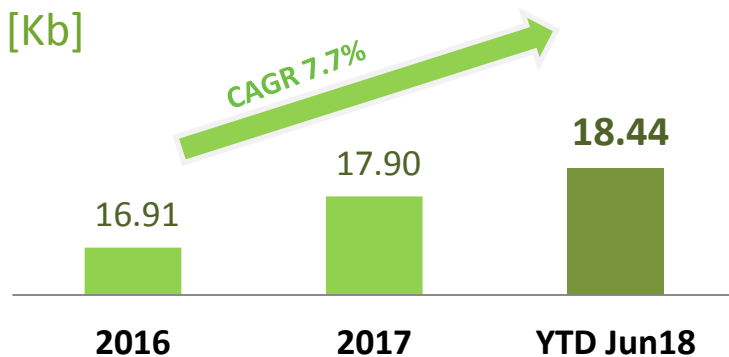
TOTAL ASSETS TRENDS

[Kb]



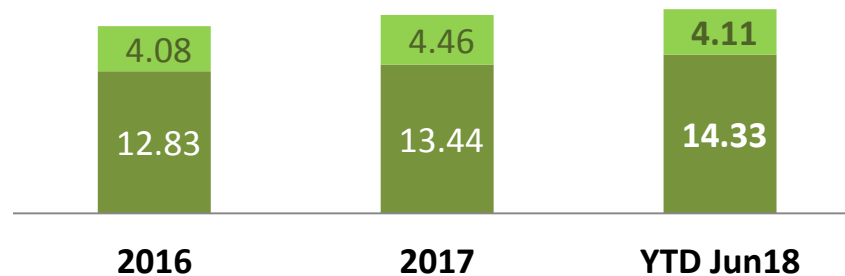
DEPOSIT TRENDS

[Kb]



DEPOSIT MIX TRENDS

[Kb]















■ Demand Deposits ■ Term Deposits

Continued investment to improve service

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Our Digital Strategy continues to deliver enhanced coverage and banking services throughout the pacific region ... with digital channels supported by our extensive branch network

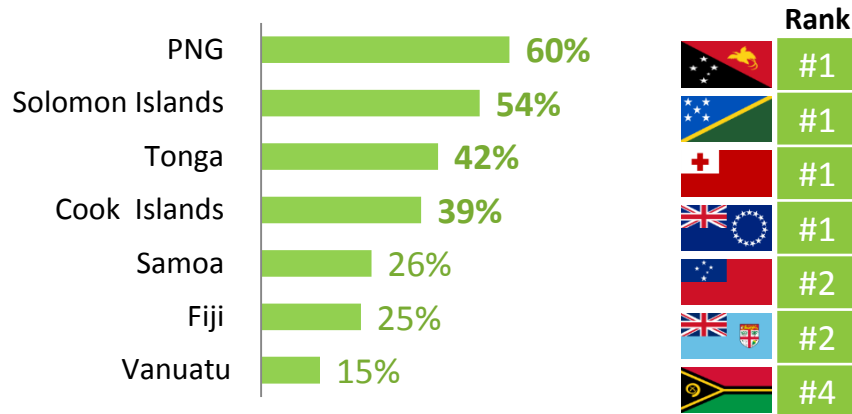
	Total							
 Branches	82	46	17	8	3	2	2	4
 Sub Branches	48	46	0	0	2	0	0	0
 ATMs	524	316	115	30	21	11	19	12
 EFTPOS	13,650	9,936	1,791	368	387	376	415	377
 Agent	577	371	43	76	35	9	23	20

Market strength

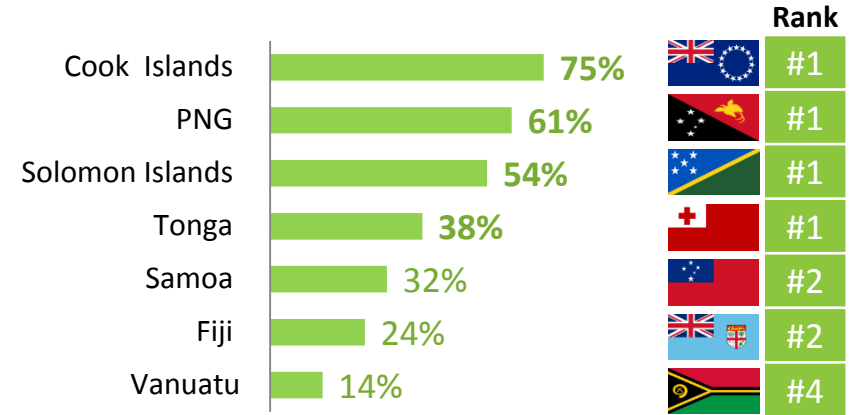
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BSP's combined loan market share stood at 42% at 30-Jun-18, an increase of K813m in the first half of 2018. Our combined deposit share is 45%, an increase of K540m

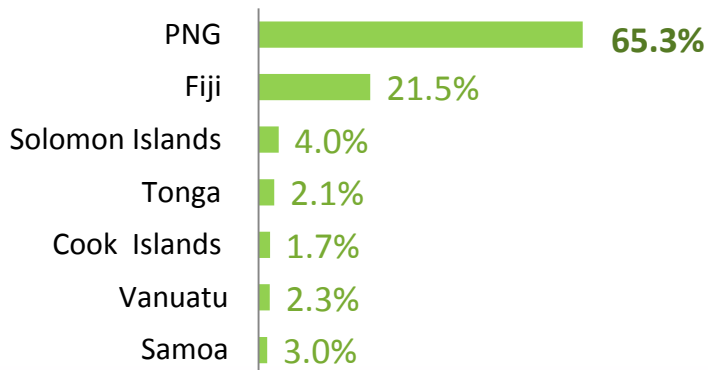
LOANS MARKET SHARE



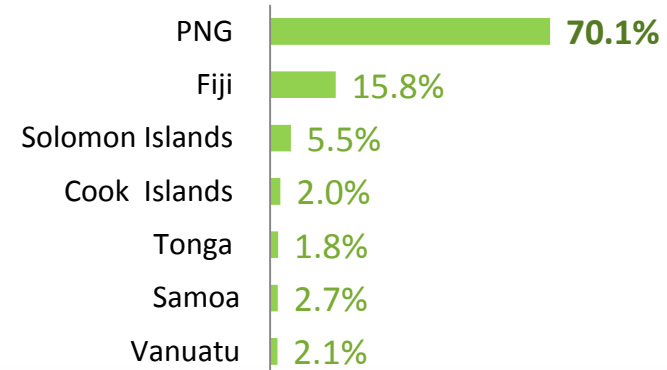
DEPOSIT MARKET SHARE



LOANS PORTFOLIO COMPOSITION



DEPOSIT PORTFOLIO COMPOSITION



Q2 2018 results

Profit and Loss [Q2-2018]

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BSP's Q2 profit grew by 11% year on year notwithstanding a slight increase in operating expenditure

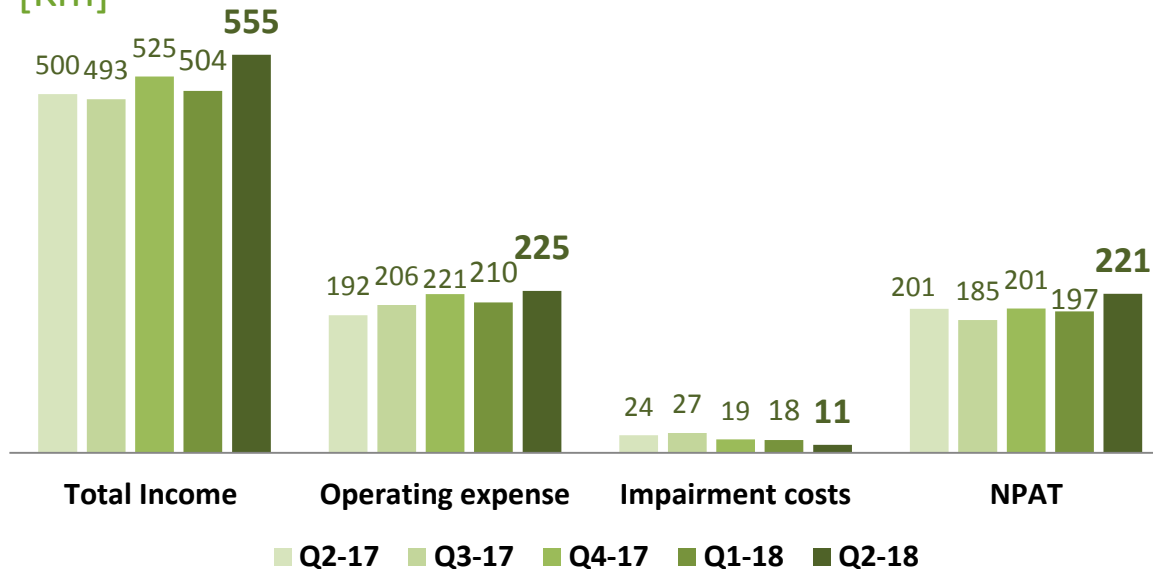
	Total Income	Operating costs	Cost to income	NPAT
PCP	10.1%	8.2%	(2.4)%	12.2%
YOY	11.0%	17.6%	5.9%	10.3%

Highlights

- Q2 2018 Operating income is 10% higher than Q1 2018, driven by higher interest on loans [due to higher volumes], higher liquids income, and higher FX income and proceeds from aircraft loss [proceeds of K19.2m and corresponding loss booked in expenses of K13.6m, a net gain K5.6m]
- Total operating cost increased by 8.2% from Q1 2018 mainly due to non-lending losses and loss on fixed assets [mentioned above]
- Cost to income ratio improved to 40.6% in the quarter

BSP GROUP QUARTERLY P&L

[Km]



Key:

PQ = prior quarter
YOY = year on year

Balance sheet [Q2-2018]

Our balance sheet continues to strengthen with increase in both loans and deposits

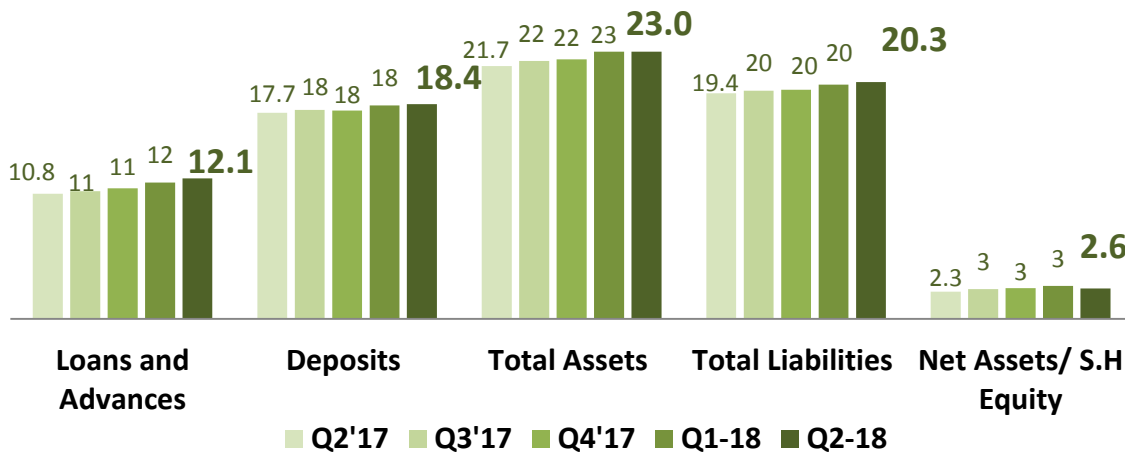
	Loans and advances	Deposits	Total Assets	Total Liabilities	Net assets / SH equity
PQ	3.3%	0.6%	(0.1)%	1.1%	(8.7%)
YOY	13.1%	4.4%	5.9%	5.1%	11.7%

Highlights

- Total loan increased by K358m in Q2 2018 [PNG +K229m, Fiji K100m, SI K16m and other OSBs and SUBs + K12m]
- PNG SBU loan movements – Corporate +K258m, Retail +K48m
- Total deposits increased by K113m in the quarter. [PNG +K100m, Fiji -K61m, SI +K13m, other OSBs and SUBs +K61m]
- Total assets saw a slight drop from last quarter due to reduced T'bills maturity
- FX translation in Q2 increased; loans – K44m and Deposits +K166m due to the Kina weakening against currencies of BSP offshore assets

BSP GROUP QUARTERLY BALANCE SHEET

[Kb]



Key:
PQ = prior quarter
YOY = year on year

Group key ratios [Q2-2018]

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All key ratios are continue with upward recent trends.

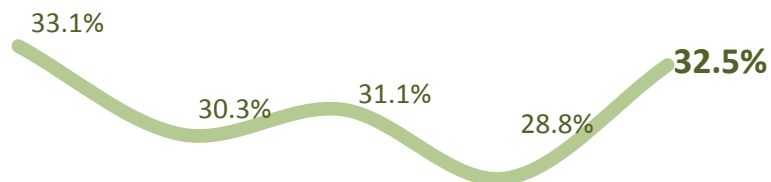
COST TO INCOME TREND



Q2-17 Q3-17 Q4-17 Q1-18 Q2-18

— Cost to income Ratio

ROE [annualised]



Q2-17 Q3-17 Q4-17 Q1-18 Q2-18

— ROE

ROA [annualised]



Q2-17 Q3-17 Q4-17 Q1-18 Q2-18

— ROA

LOAN TO DEPOSIT RATIO



Q2-17 Q3-17 Q4-17 Q1-18 Q2-18

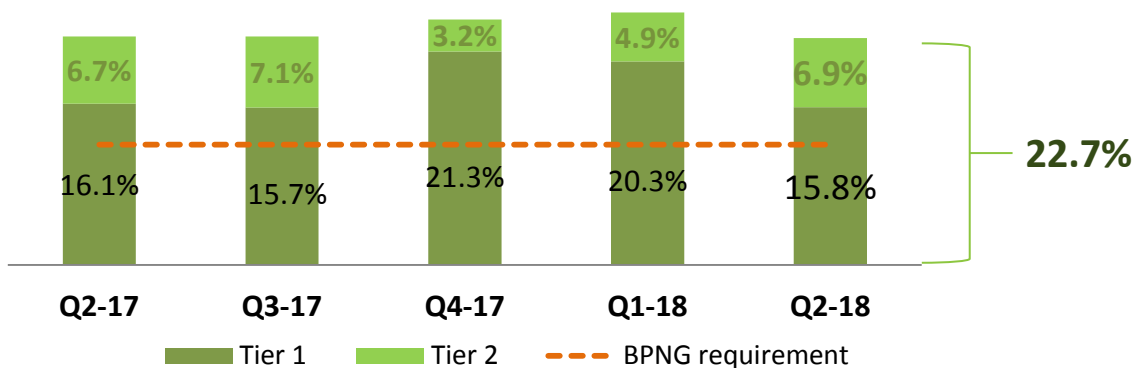
— Loan to deposits

Group key risk ratios [Q1-2018]

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Our risk ratios remain stable and asset quality remains sound

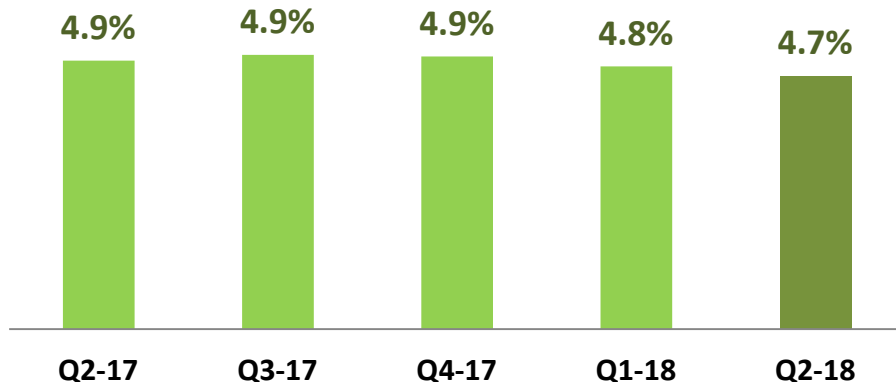
CAPITAL ADEQUACY



Highlights

- BSP's capital adequacy ratio declined slightly to 22.7% in Q2-18, due to dividend payout ... but remains well in excess of the 12% prudential requirement.
- BSP's Provisions to Loans ratio in Q2-18 improved from the previous quarter to 4.7% ... due to an increase in gross loans, coupled with minimal change to provisions.

PROVISIONS TO LOANS

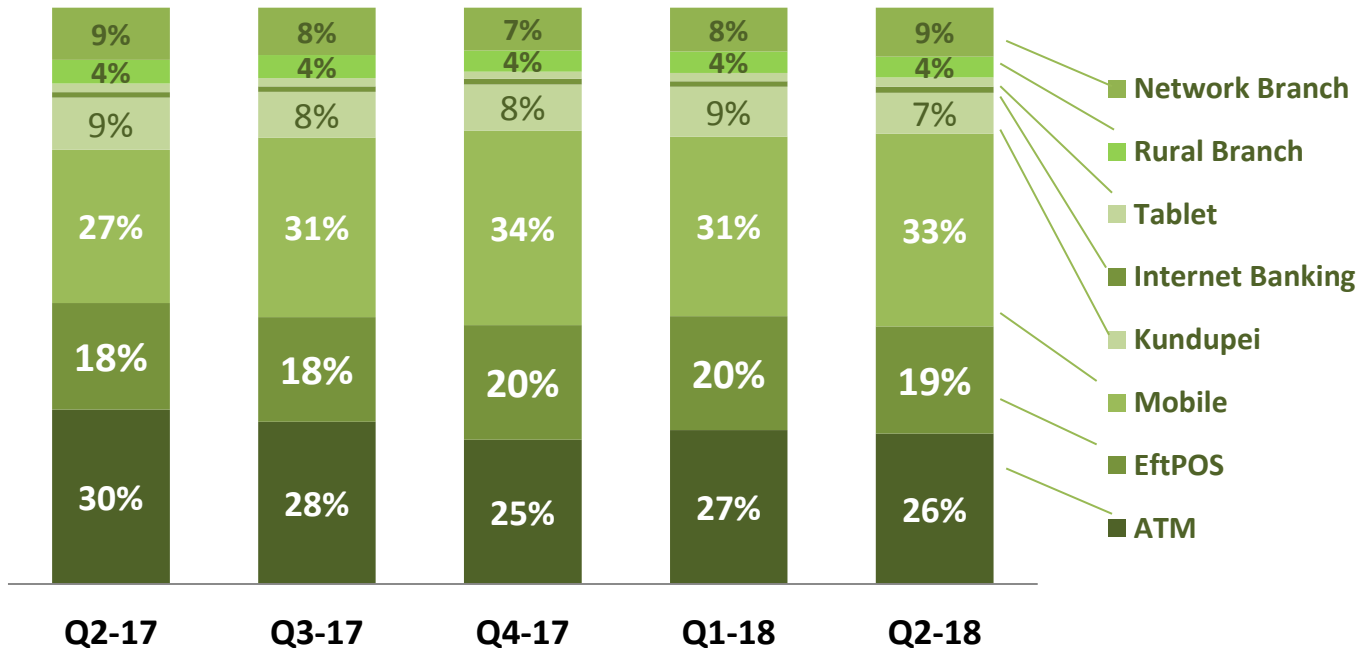


Channels [Q2-2018]

Mobile banking is our leading [33%] channel, with branches representing only 13% of total transactions in Q2-2018 ... given continued focus to reduce customers cash dependency [in-line with our digital strategy] with ongoing investment in EFTPOS, internet and mobile banking.

QUARTERLY CHANNEL TRENDS

[Q2-2018]

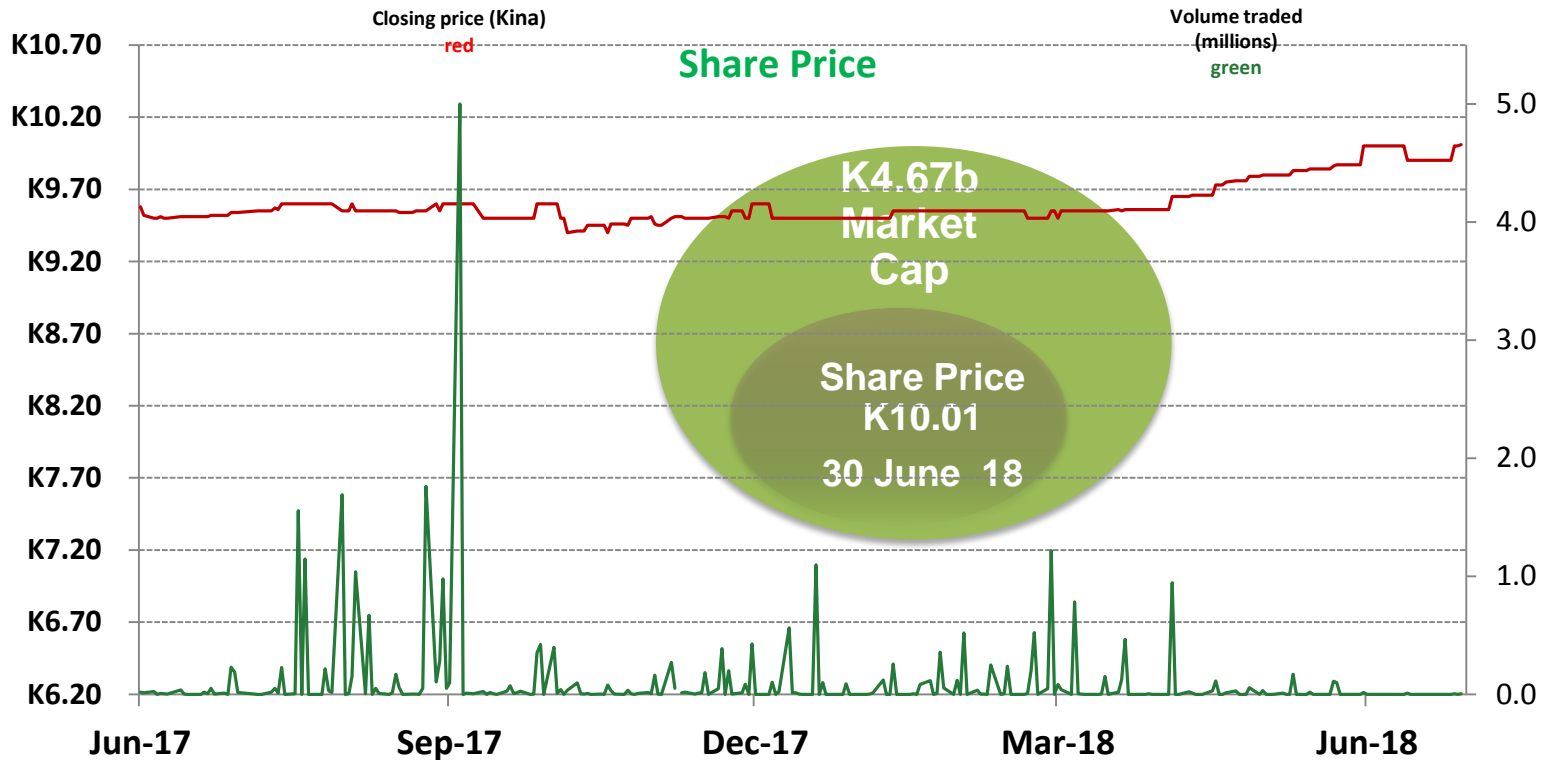


Share price

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Dividend yield of 12.6%, based on K10.01 share price, with market capitalization of K4.67b as at end of June.

01st June 2017 to 30th June 2018



Thank You