

2024 BSP Annual General Meeting
[Chairman's Address]
Robert George Bradshaw

Good morning.

I am pleased to welcome you all to the 2024 Annual General Meeting for BSP Financial Group Limited.

I would like to acknowledge the presence of my fellow Directors of the BSP Financial Group Board as well as Directors from our subsidiary companies in the Pacific markets.

We are very pleased to have you join us today.

I also acknowledge all shareholders who are here in person, those who are online and those who submitted questions ahead of this meeting.

Earlier this year, the Board approved a Director's Share Ownership Policy to ensure directors purchase securities in BSP aligning their interests with the interests of shareholders.

Several Directors have already purchased shares in BSP.

Like other listed companies, this policy seeks to promote a sense of ownership, commitment and accountability amongst Directors and also meet investor expectations.

This morning I stand before you not only as Board Chair but a fellow shareholder.

The past 12 months have been transformative for BSP with the implementation of the new Core banking system in Papua New Guinea but I am proud to say we have succeeded.

Operating environment

As you are aware, BSP implemented a new Banking System on 11 April 2023 in PNG.

This project, which was initiated over five years, was necessary to replace aging systems.

The new Banking System has a modern core banking platform to provide added security and product capabilities.

In addition, the integration of all our main systems will enable BSP to improve its operational processes, for simpler and easier banking for our customers.

Implementing any new technology of this scale is a complex undertaking.

Despite the rigorous planning and risk assessments, BSP encountered some issues that impacted our customers.

The Board has closely monitored the progress on the resolution of these issues and is confident that the remediation strategies and process improvement measures the Bank has undertaken has helped BSP to regain customer confidence.

While navigating these challenges, BSP's strength was its hardworking staff who went above and beyond their normal duties to ensure our customers' needs were met.

The Board is grateful to our staff for their unwavering commitment to BSP.

Modernizing for growth

The successful implementation of the new Core Banking System was the beginning of BSP's strategy to drive modernization and realize its goal to provide world class banking services to our customers.

Under the stewardship of the Group CEO, our hardworking management and staff have to be commended for the tremendous effort in implementing a new strategy focused on "Modernising for Growth".

With the support of the Board, our management team is on track with the implementation of six strategic shifts and four enablers of the modernising for growth strategy.

BSP will be focusing its efforts on revitalising and improving customer service.

Delivering for our customers with innovation

Our Board recognizes the immense responsibility it has to guide BSP in the years ahead.

We previously focused on driving a compliance culture within BSP and this will continue.

However, being a customer-focused bank in our markets is particularly important to the Board.

Our customers' needs have evolved.

Our customers now require us to offer modern leading edge digital products and services on one hand, and on the other, basic banking services for non-digital customers, many of whom live in rural areas.

Just 2 weeks ago (on 6 May 2024) our BSP PNG team launched a cardless payment solution, in partnership with the Department of Finance.

The cardless payment solution will enable customers to pay for government services using BSP Pay.

The Board, management and staff of BSP are all committed to ensuring customer experience is at the forefront our business and we are particularly committed to being here for our customers, when we are needed most.

Some of our customers, were hard hit by the civil unrest on 10 January 2024 in Port Moresby.

Our Corporate banking team reached out and provided support for those customers.

The Bank is helping them to rebuild their businesses.

The Pacific Markets

I want to assure you, my fellow shareholders and directors here today that BSP remains committed to maintaining its presence in the Pacific Markets.

We will be implementing our strategy for growth throughout all the countries in which we operate.

We take pride in our legacy and strong cultural ties throughout the South Pacific.

This is the foundation for ensuring that BSP continues to be the leading bank in the region.

On 17 April this year, our Board and management attended an offsite board meeting in Samoa.

This gave us the opportunity to meet our BSP Samoa staff, our Samoa customers and communities.

I had the pleasure of witnessing the formal handover of the Tufulele village pool, where BSP Samoa provided solar lights and security fence for the village pool.

The Samoa visit and the Tufulele community project highlight our long-term commitment to the communities in PNG and the Pacific markets in which we operate, strengthened by prudent risk management and a strong balance sheet.

The Pacific region is exciting region with a rich history, strong economic fundamentals, trade and other links between countries in the region and with countries outside the region.

In recent years, we have been attracting more attention from countries beyond our Pacific region.

We understand that the Pacific island countries are expected to see slower growth in 2024 and 2025.

However, as the Pacific's leading regional bank, we are committed to ensuring our customers, staff and communities are supported.

Thank stakeholders for their support

I would like to thank everyone who has supported BSP over the last 12 months, especially our customers, for continually trusting us to meet their banking needs.

The management and staff of BSP, who worked tirelessly throughout the implementation of Flexcube and who continue their efforts in improving our banking services.

I also thank my fellow Directors, for their commitment and for ensuring BSP is well positioned for sustained growth.

And lastly, thank you my fellow valued shareholders, for your continued support and investment in BSP.

I would now like to welcome our Group CEO Mark Robinson to the podium to provide his address.

Thank you and may God bless us all !

2024 Annual General Meeting

[Group CEO's Address]

Mark T. Robinson, Managing Director & CEO

Opening remarks

Thank you Bob.

Welcome to our BSP shareholders. It's great you could join us today.

I had the honour of commencing my role at BSP on 1 March 2023 at the largest bank in the South Pacific.

Leading BSP over the past 14 plus months has been a great experience. I put this down to the support I received from our customers, communities, shareholders and employees and I would like to take the time at today's AGM to formally thank you for your support.

Strong operating results, while building capability

2023 was a strong year for BSP.

We achieved revenue growth across all key business lines of the Group of 8%.

Our operating expense grew 10% for the year, which was anticipated given the increased investment in technology to improve our capabilities.

These movements in revenue and expenses, delivered underlying profit growth of 8%, to K1.7 billion.

Despite this strong operating result, BSP's statutory net profit after tax declined by 18%, due largely to a K209m negative impact of the increase in the company tax rate in 2023.

These strong results were marked by a slight rise in our cost-to-income ratio to 38.5%, while our net interest margin remained fairly steady. At the same time, we maintained our capital discipline and prudent balance sheet management, ensuring our commitment to financial strength across all capital, funding and liquidity metrics. Our assets grew by 9.5% to K37 billion, driven by a robust 12% increase in lending.

Our prudent balance sheet growth is a competitive edge for BSP, furnishing us with the financial strength and assurance to make investments for the benefit of our customers, communities and shareholders.

Investing for the future

Our primary focus at BSP remains our customers and their banking requirements.

The implementation of our new core banking system in Papua New Guinea stands as a significant milestone for the bank. Not only did we replace outdated systems, but we also modernised our technological infrastructure, allowing us to better address the needs of our customers.

This time last year when I first spoke to you, we were working around the clock to address a number of payments challenges. I express my sincere gratitude to our PNG customers for their patience during last year's implementation.

We are dedicated to delivering operational efficiencies, an improved customer experience, and reinforcing our leading position in the region in 2024 and beyond.

Despite initial system challenges, we are pleased to report double-digit annual growth rates in digital channel transactions. This growth reflects our endeavours to transition customers to digital channels that best suit their needs. We remain committed to enhancing our digital offerings and introducing new services to provide our customers with banking experiences comparable to those in other competitive markets.

We have not only been investing in technology. I am a strong believer that great businesses are built by great people.

Consequently, we have established the "BSP Academy" in PNG. The Academy provides structured skills development that is in line with agile and modern ways of working.

Our first cohort graduated from the Academy in mid-April, with two more cohorts currently progressing through Academy's seven modules.

The feedback I have received from our first graduates was extremely positive. This investment in our people across the Pacific will play a critical role in the delivery of our modernisation strategy.

Strategy

To sustain our leadership position in the South Pacific we are making significant investments to establish the groundwork for future growth, concentrating on the following areas:

- delivering an exceptional customer experience;
- significant investments in risk and compliance; and
- realising the ongoing benefits of our new core banking system.

You may have heard me raise this a number of times, but I am going to raise it again as it's very important ... our ultimate objective is for our bank to offer "world class" services that support our region's prosperity.

Specifically, we are budgeting K345 million in capital expenditure over a 2-year period commencing this year, for BSP's modernisation program.

We're making substantial investments in technology and leveraging data more effectively to gain a deeper understanding of customer needs and risks. Encouragingly, some of the steps we've taken are already yielding results, such as our ability to pre-approve loans originated and processed entirely digitally.

Additionally, we've significantly reduced wait times at branches starting in the latter half of 2023 and established dedicated business banking centres in key urban areas to support our customers.

Looking ahead

On balance, the fundamentals of our South Pacific economies are improving.

At the same time, we recognise in PNG that a number of challenges continue to impact business confidence. Nevertheless, we remain optimistic that PNG's outlook remains positive with "mega-projects" of over K100 billion either just being renewed or in the pipeline.

We are already experiencing the benefits of the Porgera mine reopening this year, and when it becomes fully operational it's expected to deliver K1 billion (or US\$ 250 million) in FX inflows annually to PNG.

We expect that some of our markets will experience an easing of inflation this year, whereas PNG and Fiji businesses and households are expected to experience additional pressure, as inflation remains elevated. These economies continue to be fundamentally sound and we remain optimistic about their outlook.

We are prepared for evolving economic conditions, and our robust balance sheet offers flexibility to navigate the current landscape, ensuring support for our customers, while delivering sustainable returns.

Pleasingly, we have made a good start to 2024, with our Q1 results showing strong growth across the Group. Our assets were up 7% on the same quarter in 2023, as were our liabilities.

Our Q1 underlying earnings were up 9.6% compared with Q1 in 2023. Due to higher provisioning, our net income of K214 million was 2.3% below the same period last year. The higher provisions were due to one corporate borrower and some weakening of the retail portfolio.

Also, in April our settlement with the Government for the Additional Company Tax dispute was executed and BSP received our share of the settlement, being 95 million Kina. It is good to settle this and get it behind us.

Closing remarks

As we look ahead, we remain committed to investing in our business and delivering our strategy to offer an exceptional customer experience in our region.

Our focus will remain on improving our customer service levels, contributing to our communities, and supporting the prosperity of the Pacific.

I extend my gratitude to our customers, our dedicated BSP team that serves our three-million customers, and you, my fellow shareholders, for your support of BSP.