



2016 Full Year Results March 2017

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Highlights for 2016

Profit (NPAT) up **21%** to **K643.5m**

Total Income up **16%** to **K1.79bn**

Total Assets up **14.5%** to **K20.8bn**

Cost to Income ratio improves to **42.9%**

Capital Adequacy maintained at **23.1%**,
exceeds BPNG requirement of 12%

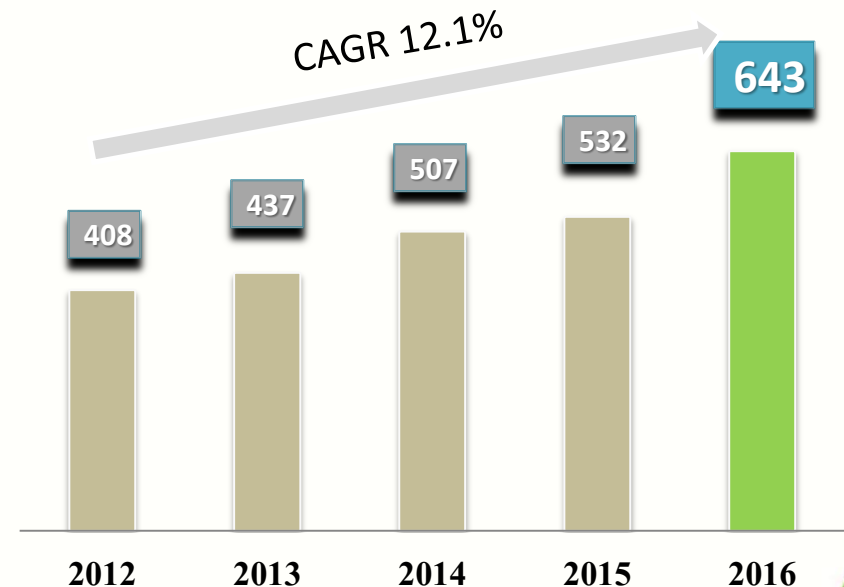
Loan Provisions maintained at **4.9%**

ROE up **1.8%** to **29.6%**

Dividend Yield of **9.8%**

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Group NPAT (PGK 'm)



BSP's Geographical footprint

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BSP Locations

BSP LOCATIONS

KEY
Branches
Sub Branches
Agents



	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



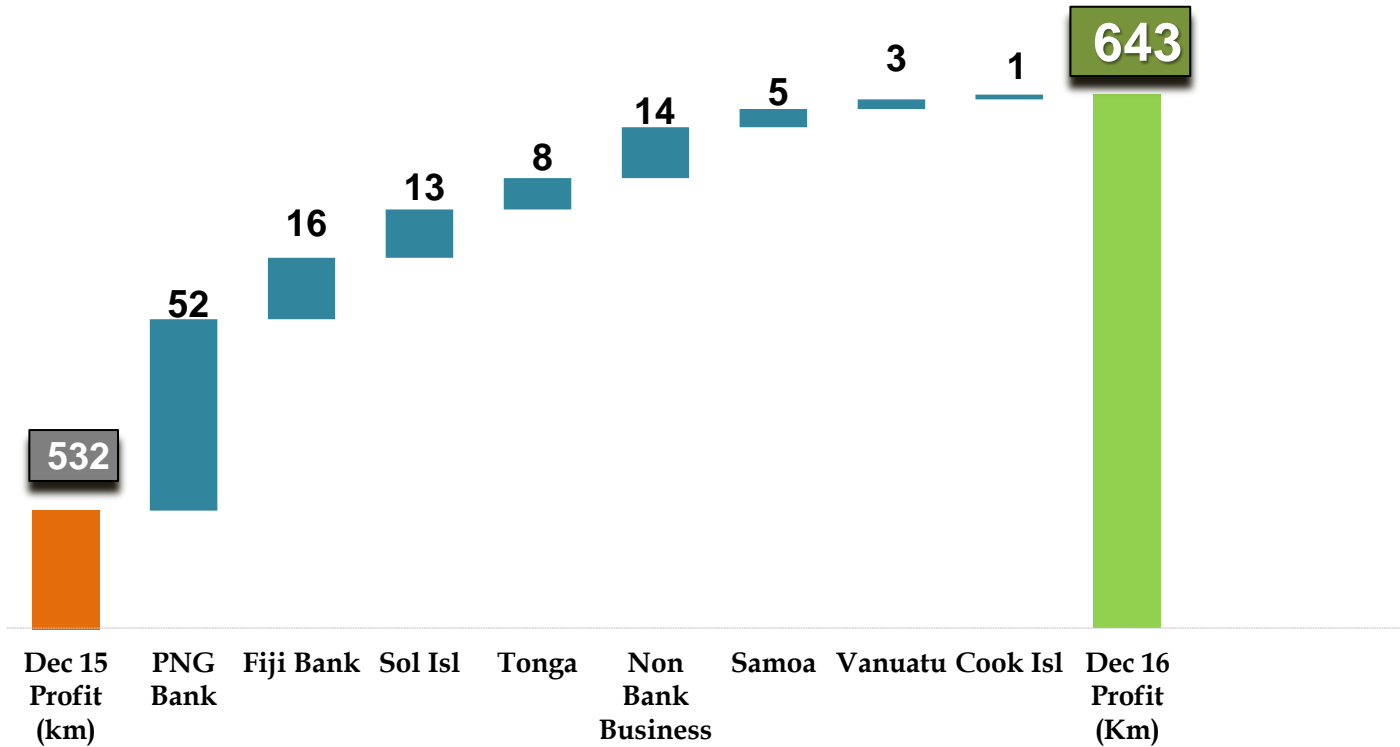
Leading Bank in South Pacific

- ✓ #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⁾

(1) As at 6 January 2017, circa A\$1.8Bn / US\$1.3Bn

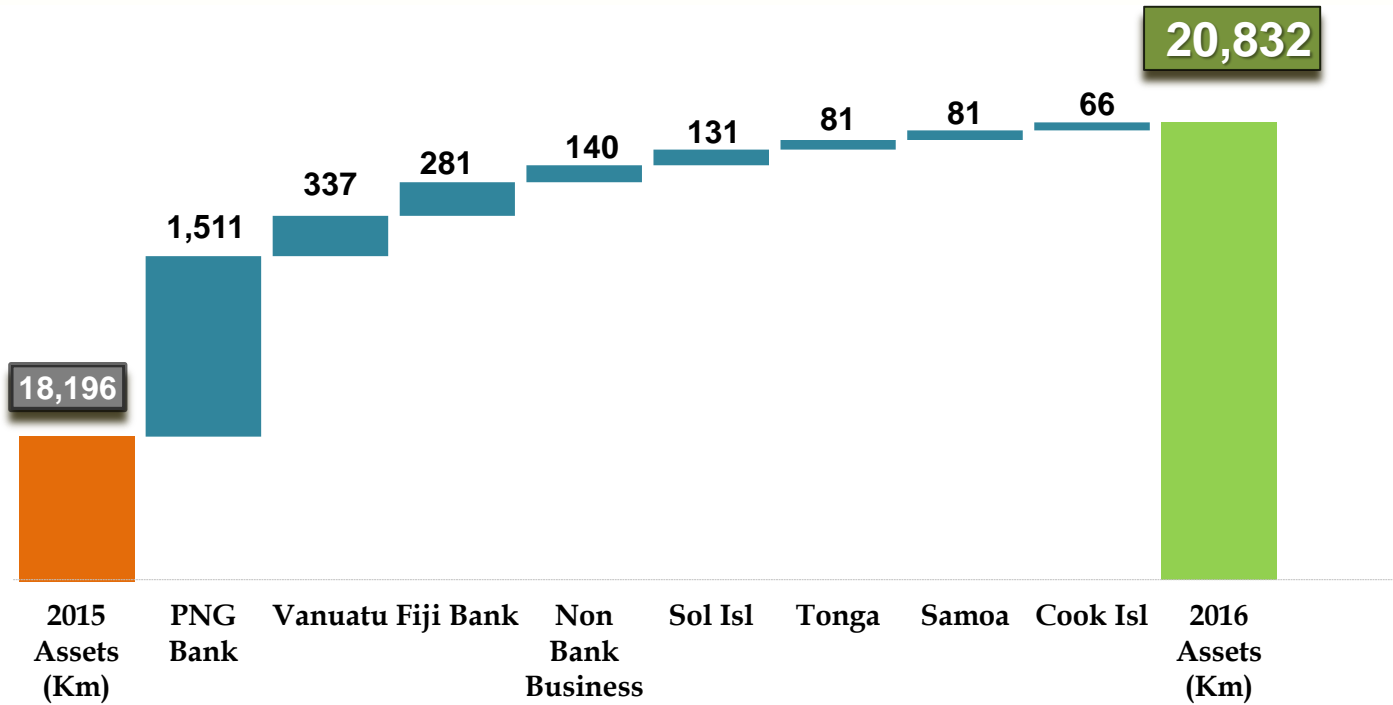
Profit contribution by business

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Asset growth by business

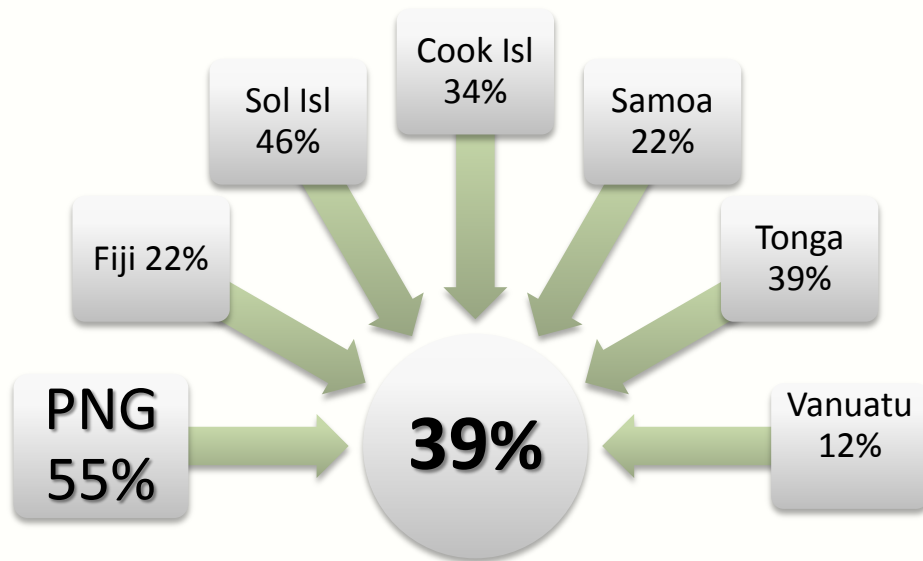
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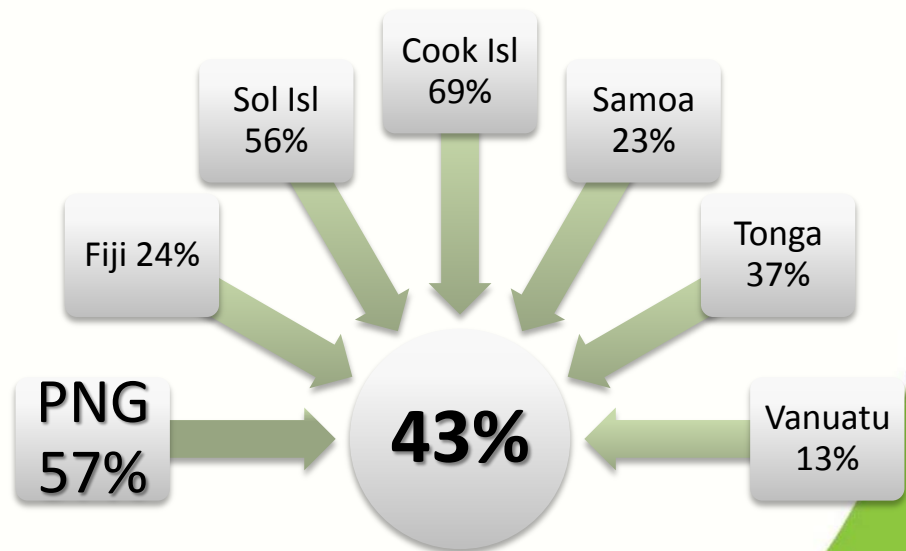
Market Strength

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Loans market share

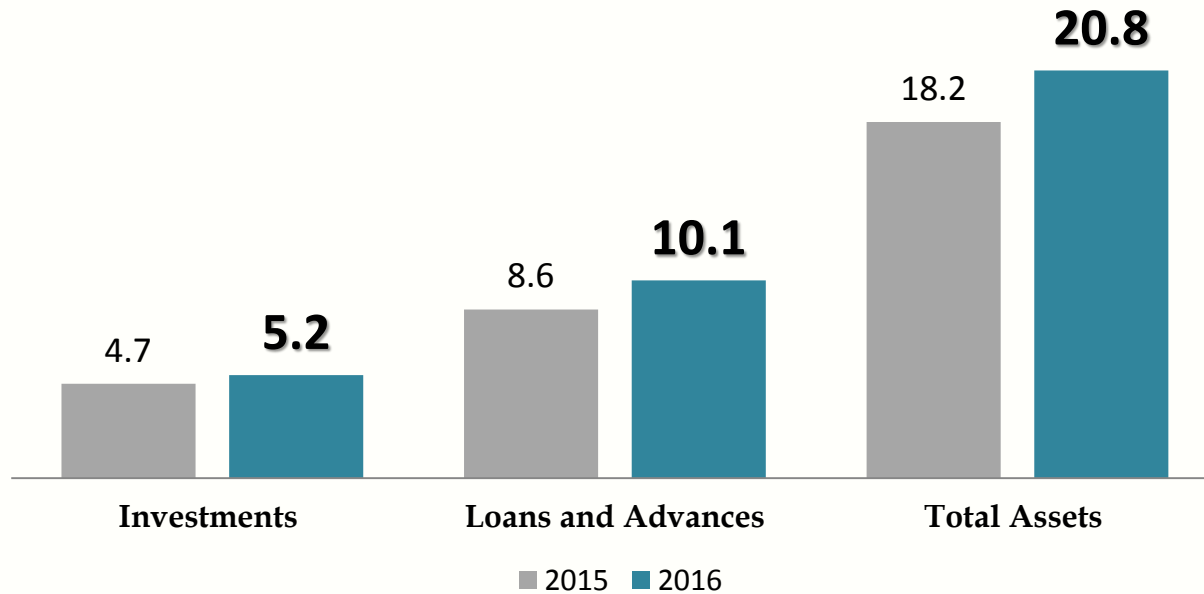


Deposits market share



Asset Growth (K'm)

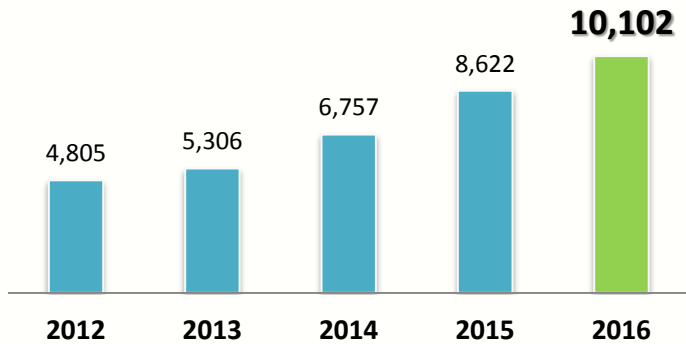
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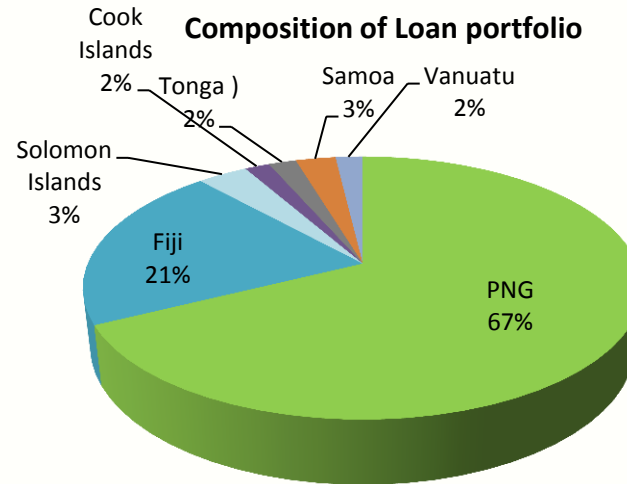
Loans and Deposit growth

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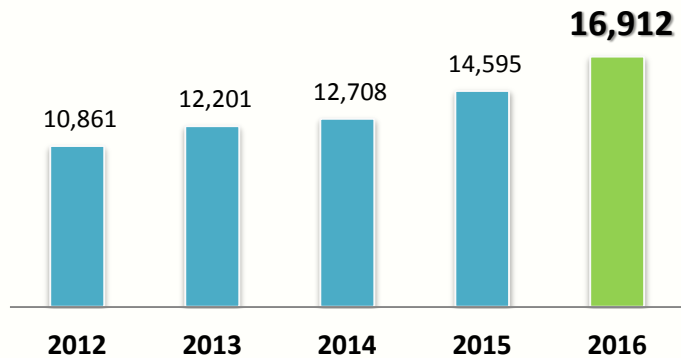
**Net Loans
(K'm)**



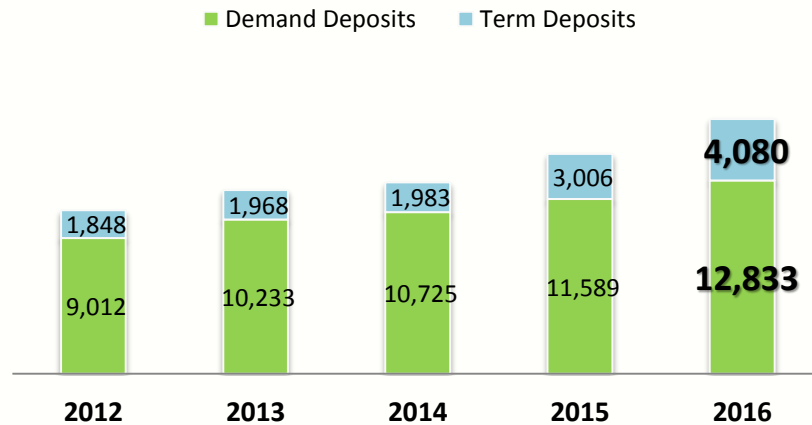
Composition of Loan portfolio



**Total Deposits
(K'm)**

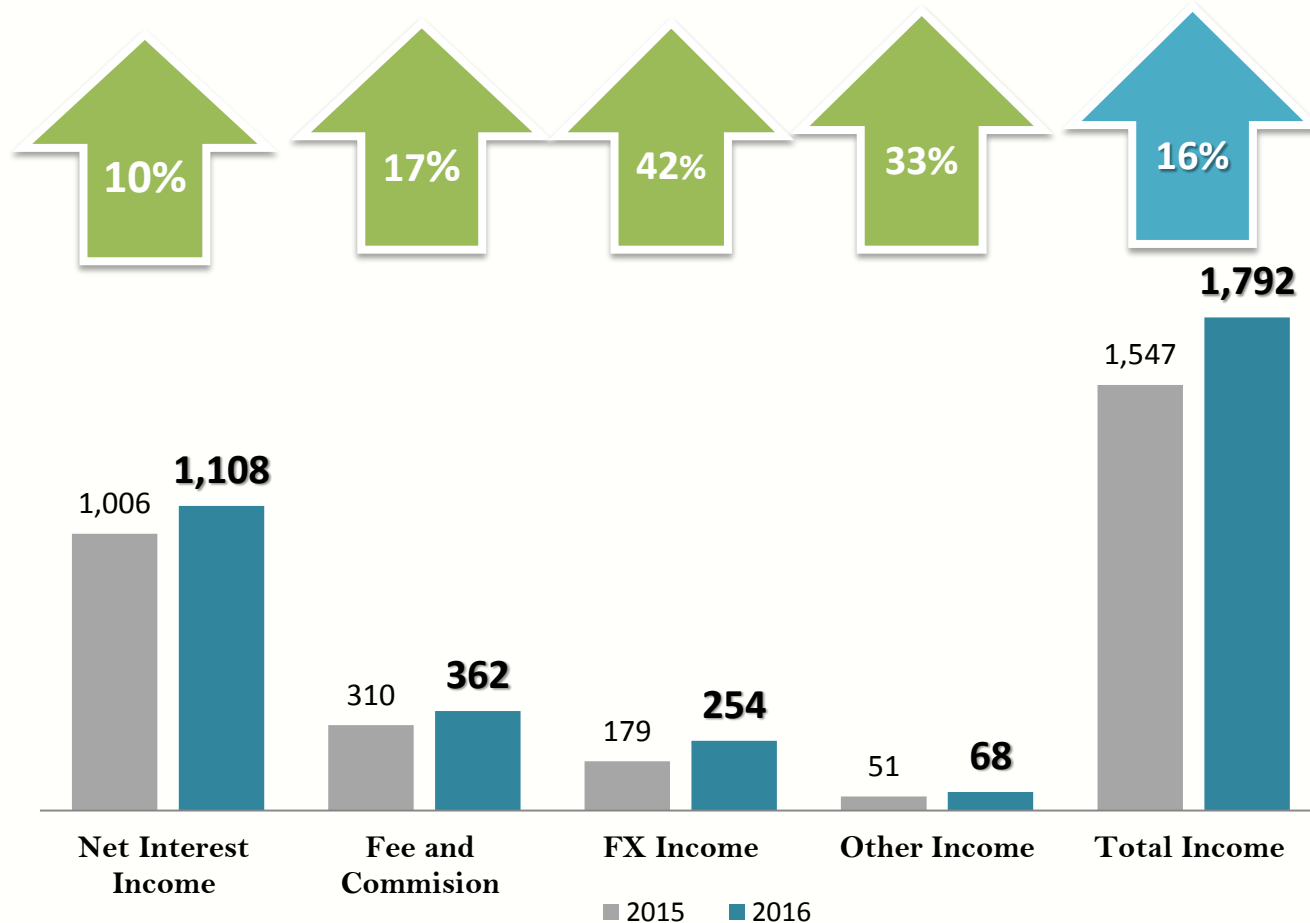


Deposit Mix (K'm)

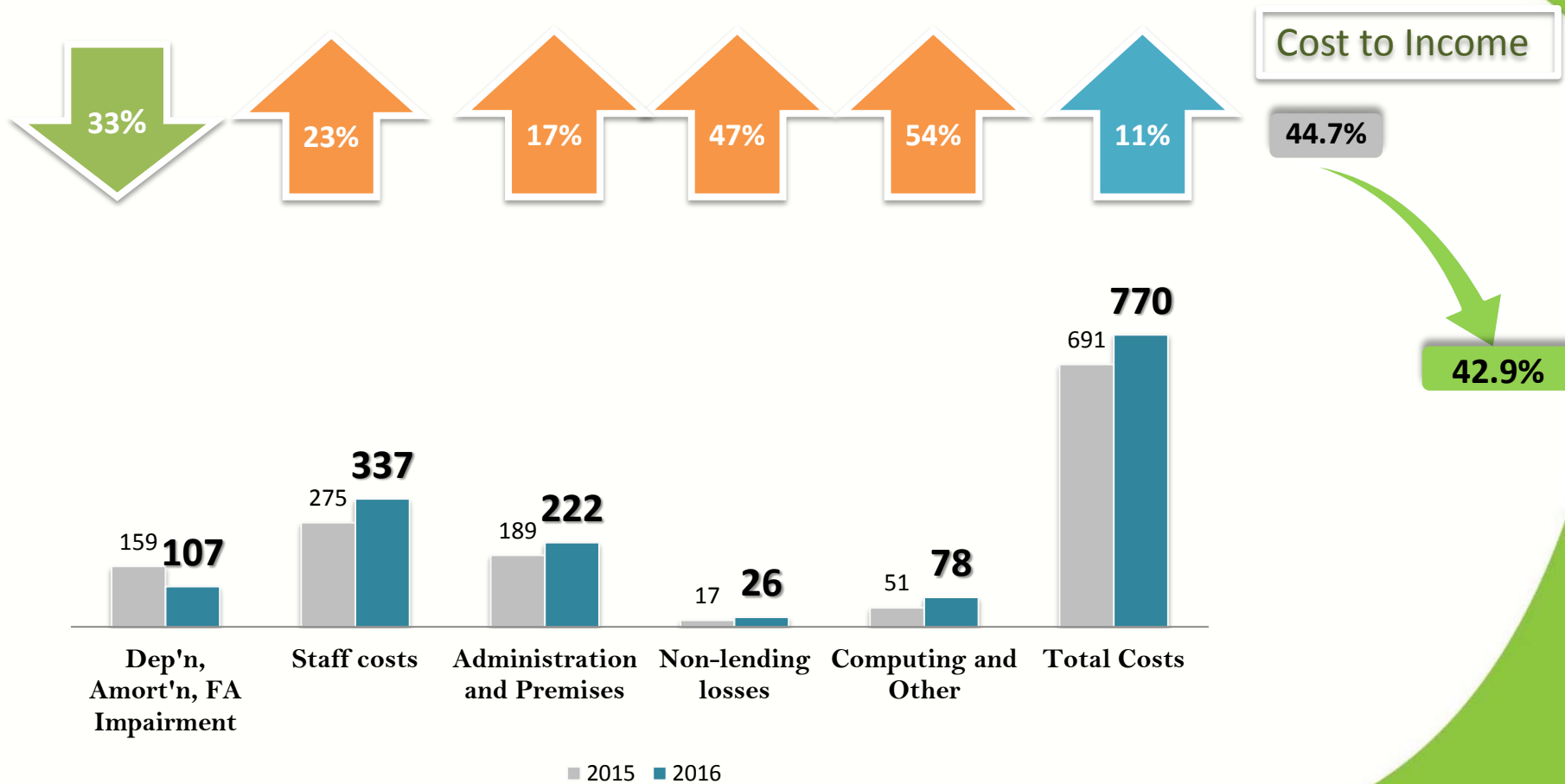


Income Stream Increases (K'm)

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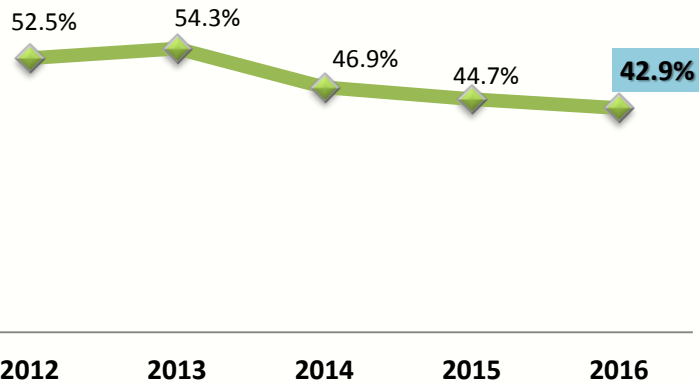
Expenses scaling with growth (K'm)



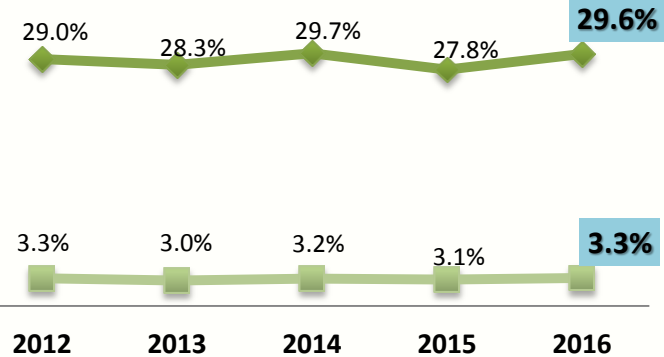
Financial Ratios

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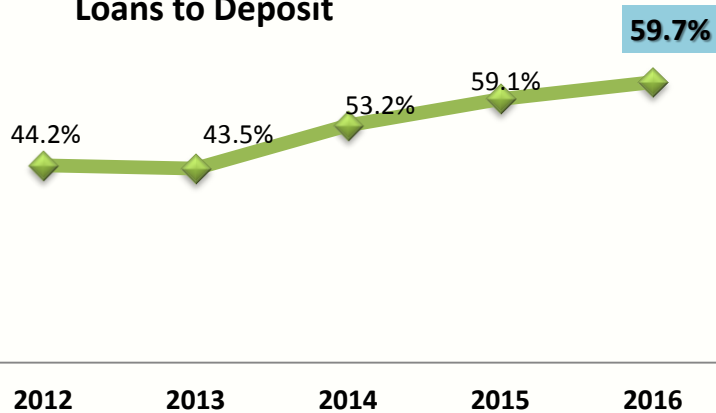
Cost to Income



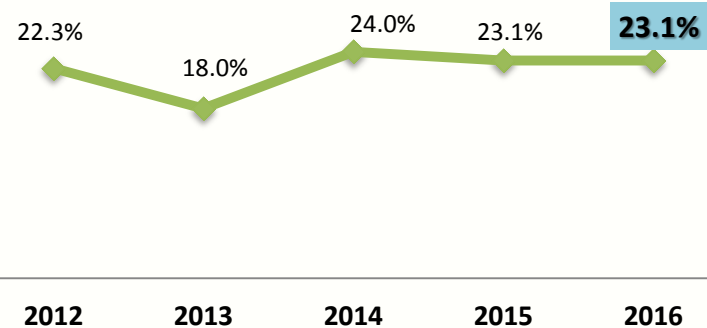
ROE,ROA



Loans to Deposit



Capital Adequacy



BSP Key Strengths

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- 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

Business Position - Strategy

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Pacific Islands

Cement domestic 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
 - 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:
 - 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
- Implement a new Core Banking solution to provide a common and up-to-date operating platform for the bank across the region, and realise efficiencies with a lower Total Cost of Ownership

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 Pacific and Southeast Asia Region

- Further consolidate leading market position in existing and new Pacific markets
- Establish footprint in South East Asia via an asset finance joint venture (Initially in Cambodia)

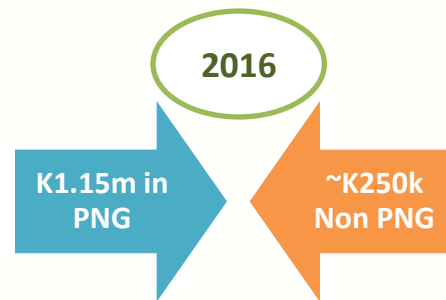
BSP in the community

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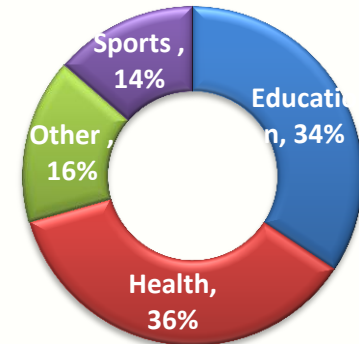


Community Projects

BSP is actively involved and has contributed over **K6.7m** in community projects around the country since 2009.



Project Spend by Sector



Sponsorships

BSP also contributes immensely through sponsorship of various events in the country totalling **K2.3m** in cash in 2016

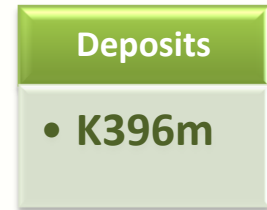
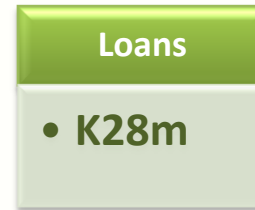


BSP Focus

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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

- 36.5m ATM Transactions in PNG
- 499 ATM's across the region
- ATM allows mobile top up and cash deposit



BSP...technology for inclusion

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Growing Deposits through Technology

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

~2.1m
deposit
accounts
(region)

~110m
transactions
annually
(PNG)

Average
balance of
~K2k

Agencies and Sub branches

In PNG and in each country where it operates, BSP agents reach the unbanked in rural areas and provide access to basic banking services

Agencies

- 351 Agents across the region

Sub branches

- 56 Sub-branches across the region



2016 Performance Summary

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Balance Sheet Growth

- Loans growing from increased corporate and retail lending in PNG, strong growth in the loan portfolio across all other countries, and also includes the incremental impact of Vanuatu business acquisition
- A dominant market share in loans and deposits in PNG, and leading and/or significant market shares in other countries where BSP operates

Income Increasing

- Loan growth generated higher net interest income, despite experiencing margin compression in PNG
- Fx income driven by increased turnover largely provided by additional export flows into PNG since April 2016
- Income also increased showing the full year effect of acquisitions in Solomon Islands, Samoa, Tonga, Cook Islands, and half year from Vanuatu

Expenses well contained

- Expenses increased but note this includes the impact of a full year of costs from acquisitions in Solomon Islands, Samoa, Tonga, Cook Islands, and half year from Vanuatu
- Overall, costs were well contained, with the cost to income ratio improving from a reduction of 1.8% to 42.9%, due to the benefits of ongoing cost reduction measures and improving scalability of the business

A sound Balance Sheet

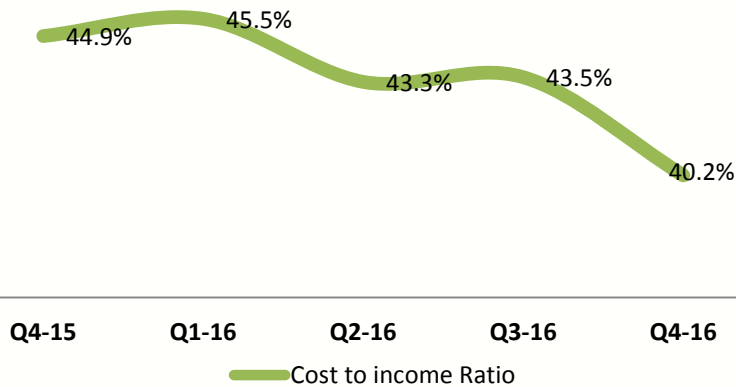
- The Capital base is sound and maintained at 23.1%, exceeding BPNG requirements, despite the impact of continuing growth in assets, as well as payment of dividends of K414m in 2016 (2013: K370m)

Appendix

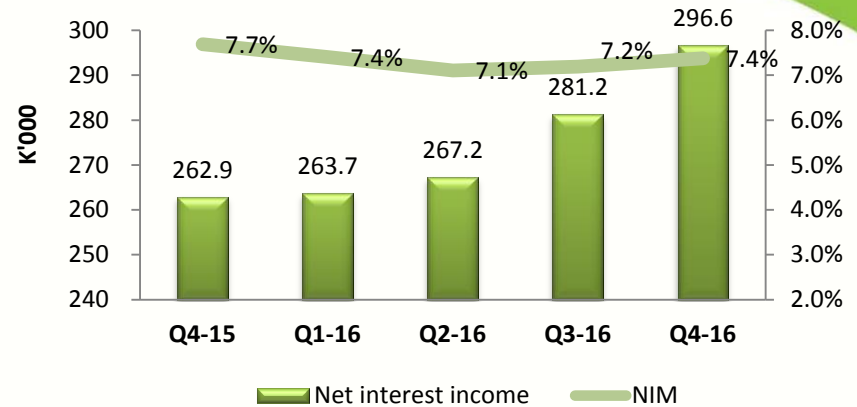
Quarterly Financial Ratios

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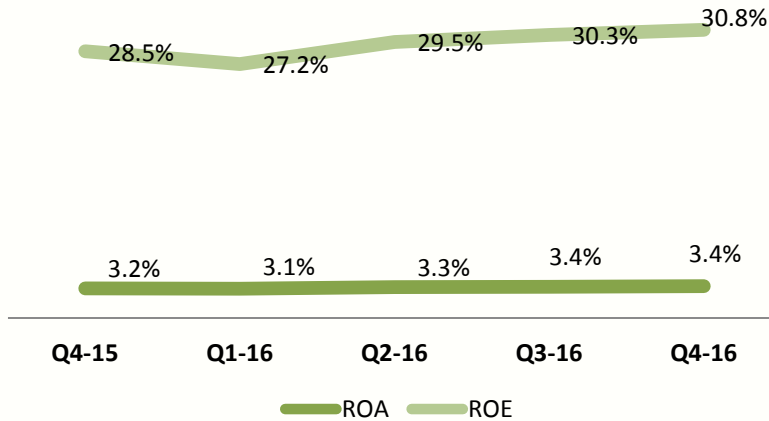
Cost to Income Ratio



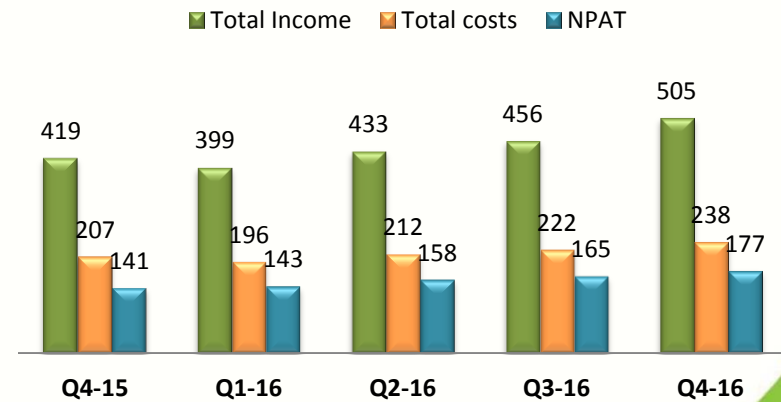
Net Interest Income and NIM (annualized)



ROE and ROA (annualised)



Profitability



Profit and Loss (K'm)

Group NPAT in Q4'16 is up 7% (+K11.4m) to K176.8m from K165.3m (Q3'16).

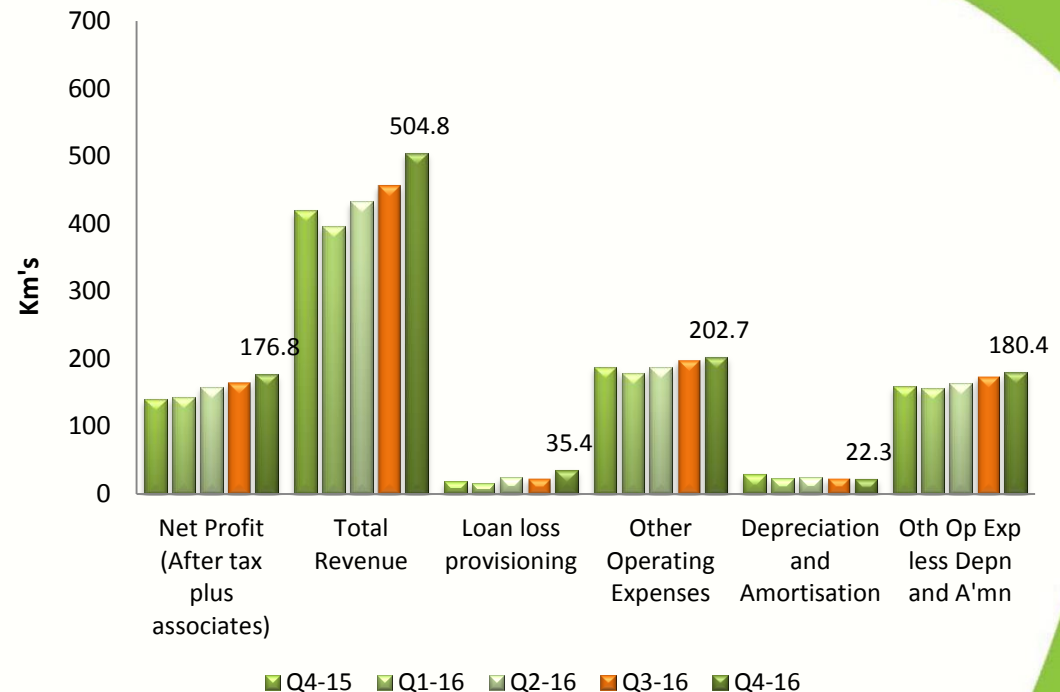
Total Revenue of K505m is up 11% in Q4'16 vs Q3'16. Net interest income increased by K15m driven by increases in interest on loans and interest on Government securities of K9.3m and K3.5m respectively

FX Income increased by K9.6m with large volumes of inflows facilitating outflow orders. Other income increased by K15.3m following the sale of Port Moresby Head Office which resulted in a net gain of K12m. Net insurance income increased by K9.7m mainly due to appreciation of investment properties and equities held by BSP Life.

Other Operating Expenses (less Dep'n) are K180.4m for Q4'16 representing a 3.4% increase over the previous quarter. Staff costs and other costs were well managed over the period, but Fixed Asset write offs increased by K8.9m following a review of useful lives of IT assets.

The Group's Cost to Income ratio reduced from 43.5% in Q3'16 to 40.16% for Q4'16 as revenue increased and costs continued to be managed prudently.

Profit and Loss



Balance Sheet (K'bn)

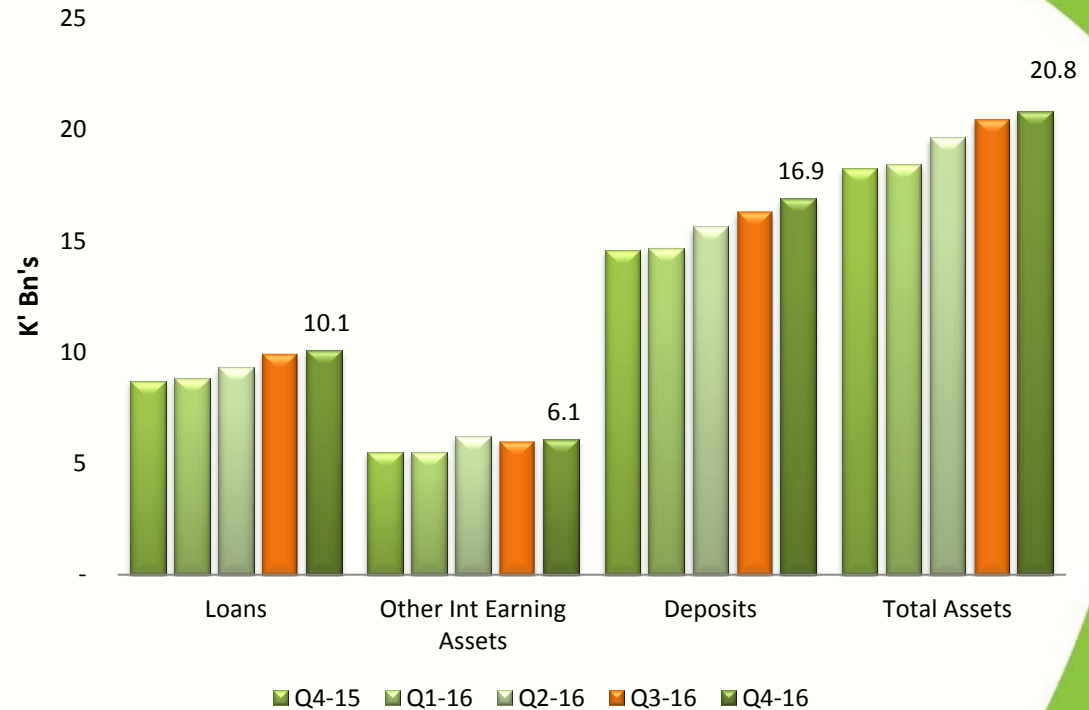
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Total Assets increased by 2% (+K371m) to K20.8b at end of Q4'16, compared to K20.4b in Q3'16. Loan growth in Q4'16 was K150m, 2% increase from Q3'16. PNG loan growth was K133m and other entities grew by K17m including some effect arising from Fx translation.

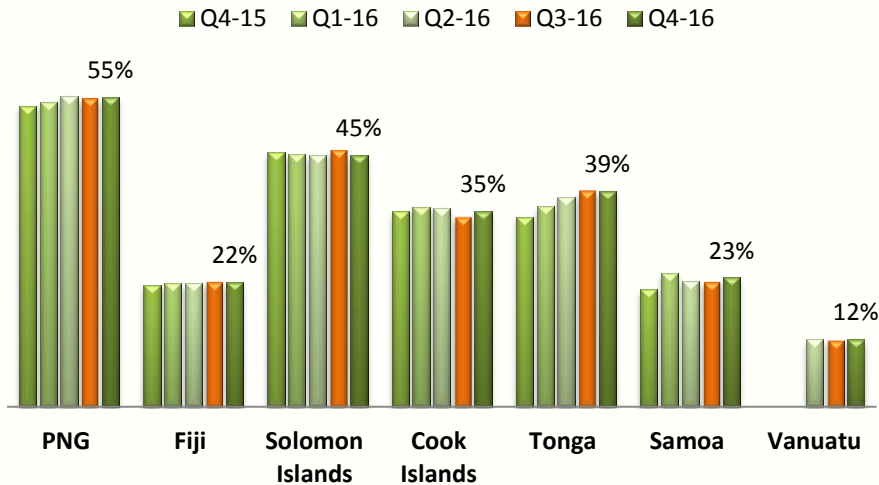
Growth in Other Interest Earning Assets was K134m, largely in PNG

Total deposits increased by 3.5% (+K577m) to K16.9b at Q4'16 with PNG increasing by K546m and other entities increasing by K31m including Fx translation.

Balance Sheet



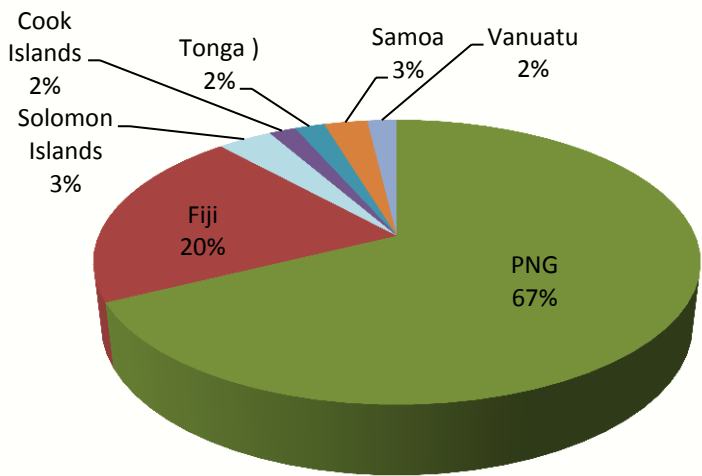
Market Share - Loans



Commentary

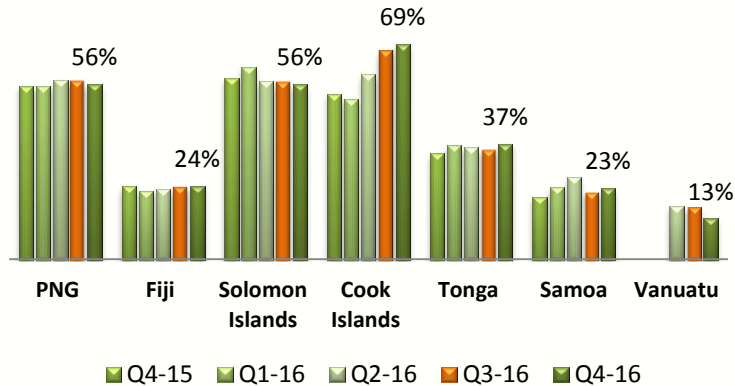
- BSP’s combined market share for loans rose to 39% in Q4’16, after the inclusion of BSP Vanuatu with its market share steady at 12% in Q’3
- PNG loans increased by K160m in the quarter and market share remains steady at 55%.
- BSP Fiji also maintained its market share at 22%, and similarly BSP’s operations in other jurisdictions maintained market share, on average.
- BSP’s loan portfolio remains predominantly based in PNG, with PNG accounting for 67% of the group’s loan balances.

Composition of Loan portfolio



Market Share - Deposits

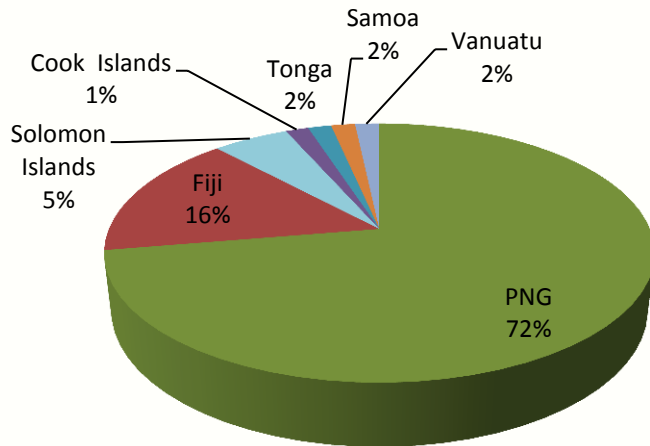
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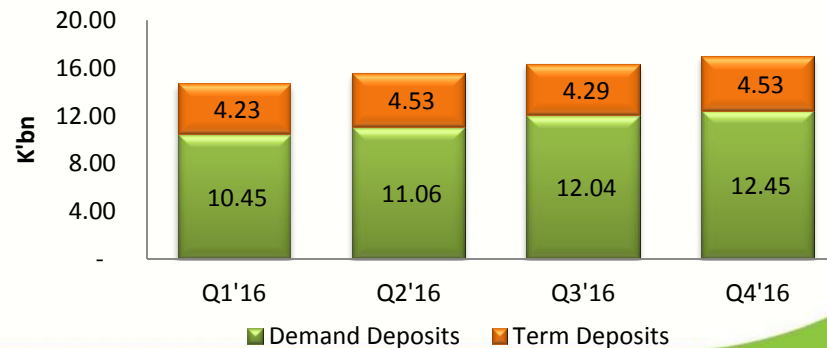
Commentary

- BSP's combined deposit market share stands at 43% in Q4'16.
- BSP PNG deposits grew by 5% (K546m) in the quarter with a market share at 56% for the quarter. Fiji market share remain steady at 24%.
- Deposits mix below saw an increase in both Demand and Term deposits by 3% and 6% respectively.

Composition of Deposit Portfolio



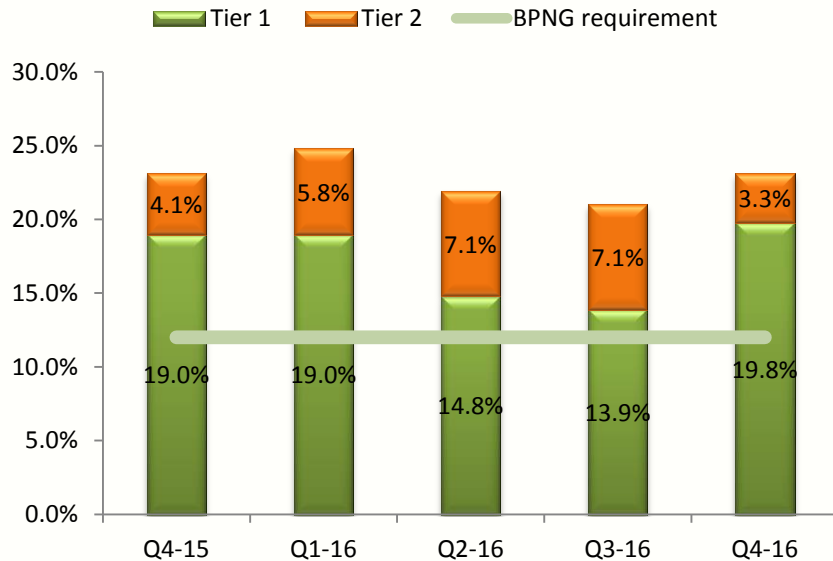
Deposits Mix



Financial Risk Management

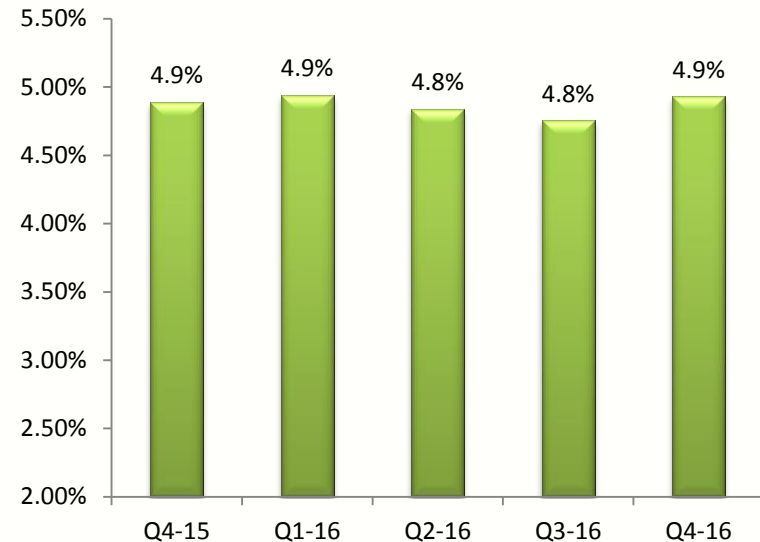
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Capital Adequacy



- Capital Adequacy ratio is at 23.1% in Q4'16, compared to 21.0% in Q3'16, still well in excess of the 12% prudential requirement.

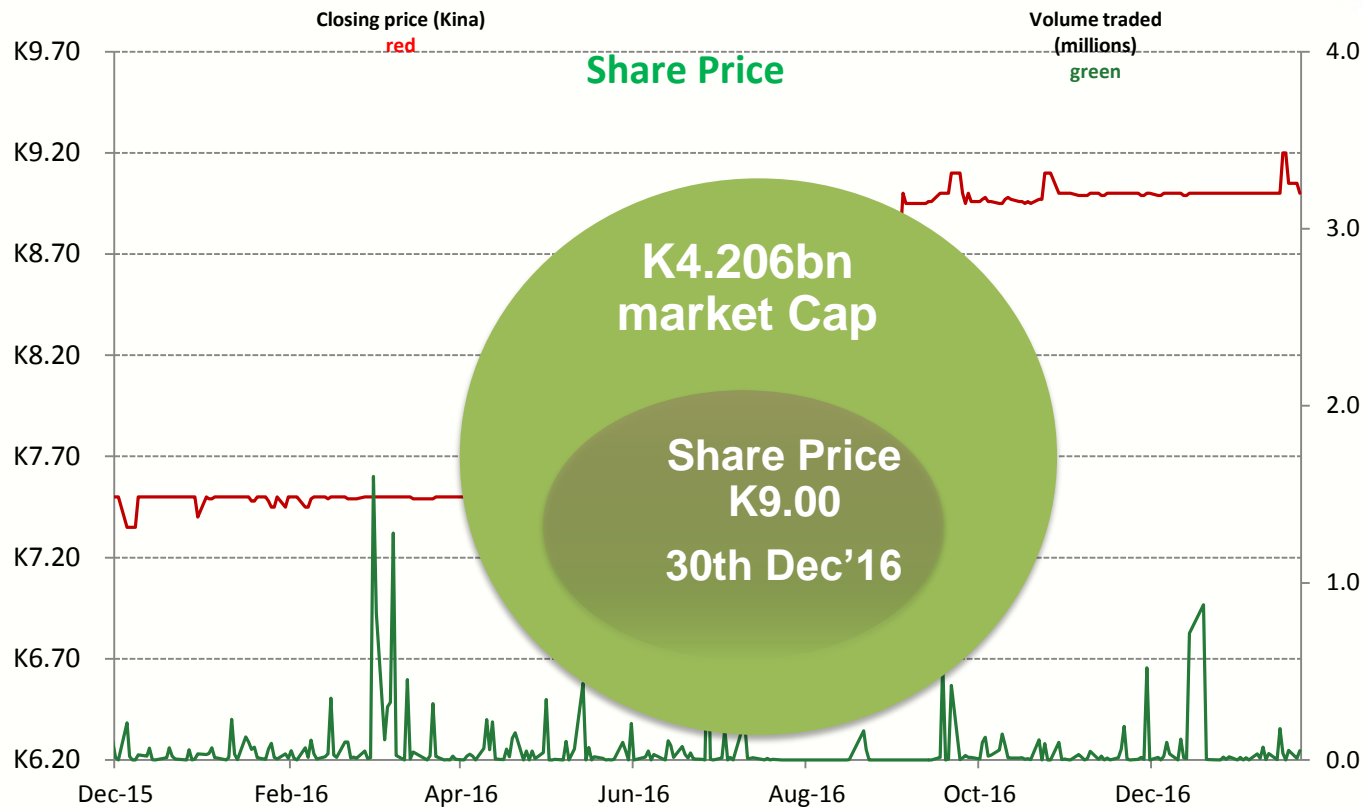
Provisions to Loans



- BSP's Provisions to Loans ratio increases by 0.1% to 4.9% at Dec'16, a similar position to Q4/15.

Share Price

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Dividend Yield – 9.8% ...compares favourably to top performing banks in comparable markets

PE Ratio – 6.5 times

Thank You