



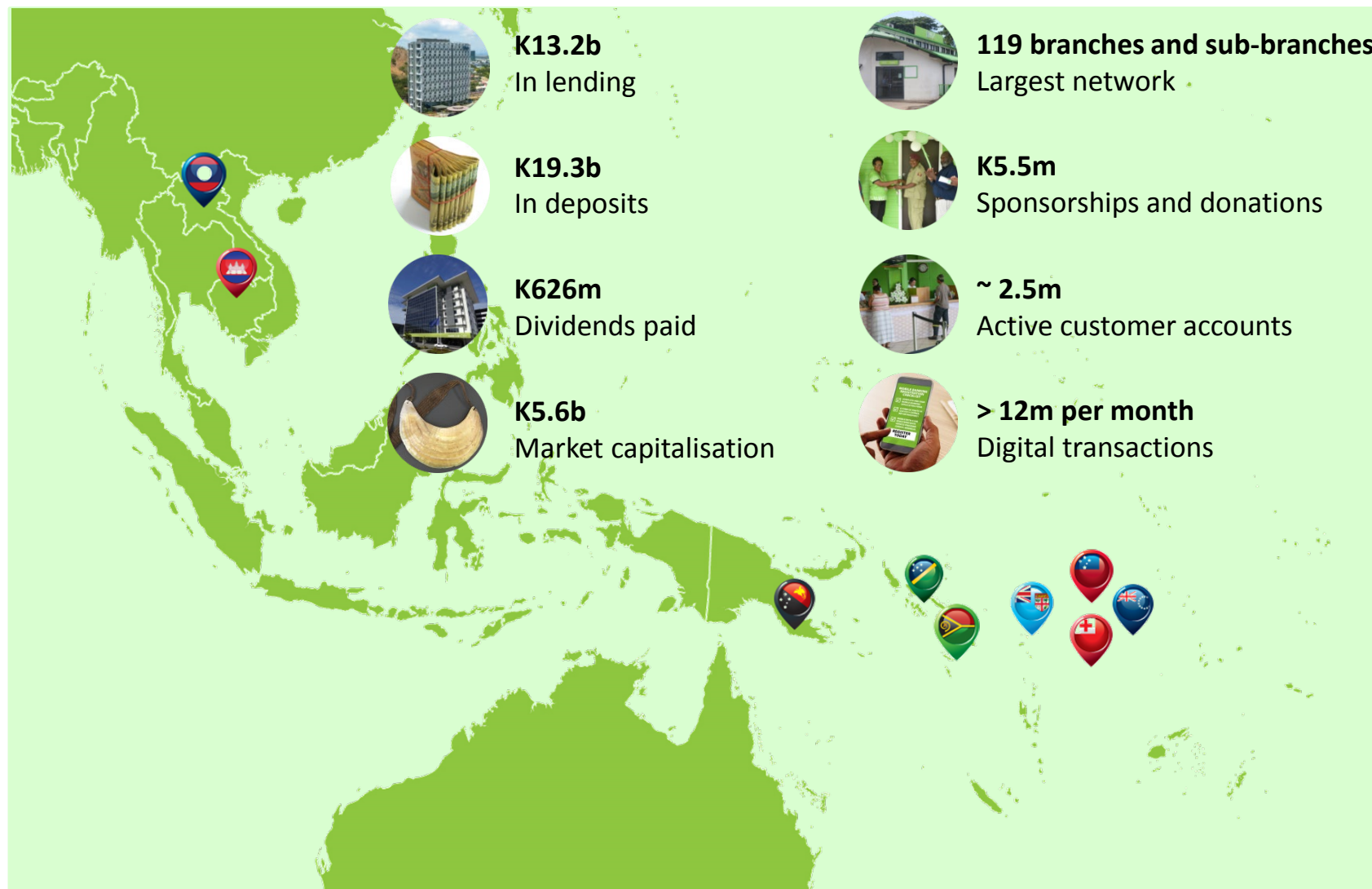
SHAREHOLDER PRESENTATION

2020 Annual General Meeting

South Pacific market leader



We continue to grow and build scale ... in pursuit of sustainable market leadership



Portfolio growth



BSP's geographical and income diversification strategy continues to progress ... with BSP Finance Lao entering our portfolio.

BSP is the only majority owned PNG bank operating in both the domestic and international markets.

BANKING



ASSET FINANCE



LIFE INSURANCE



FUNDS MANAGEMENT & CORPORATE ADVISORY



2019 results



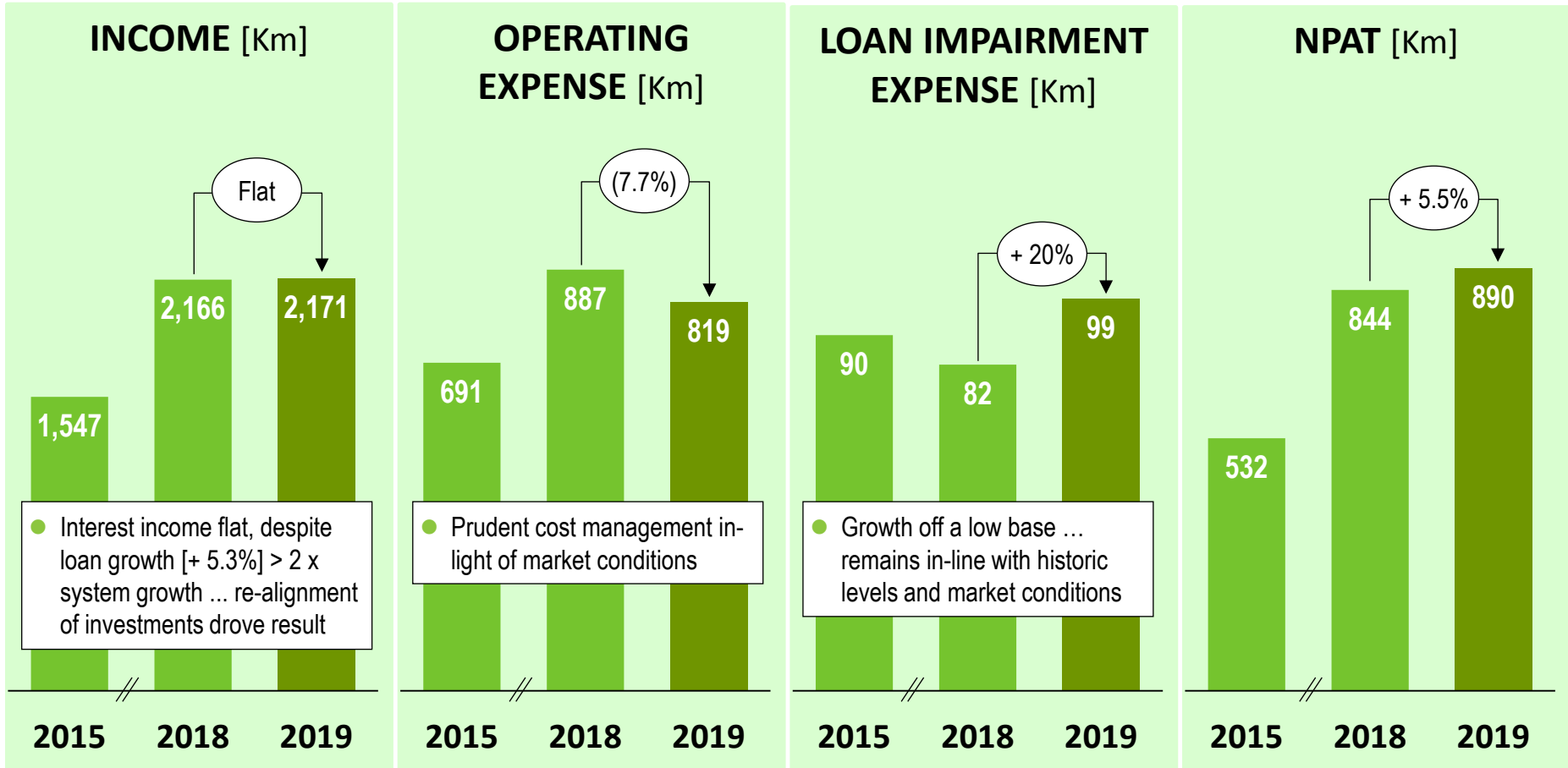
Record profit + strong capital position + stable dividend

	2019	2019 vs 2018
● Profit [NPAT, Km]	890	+ 5.5%
● Net assets [Kb]	24.5	+ 6.2%
● Cost-to-income ratio [%]	37.7	- 323bps
● Capital adequacy ratio [%]	22.0	- 91bps
● Earnings per share [toea]	191	+ 5.5%
● Dividend per share [toea]	134	- 9.4%
● Market capitalisation [Kb]	5.5	+ 14.8%

Group NPAT



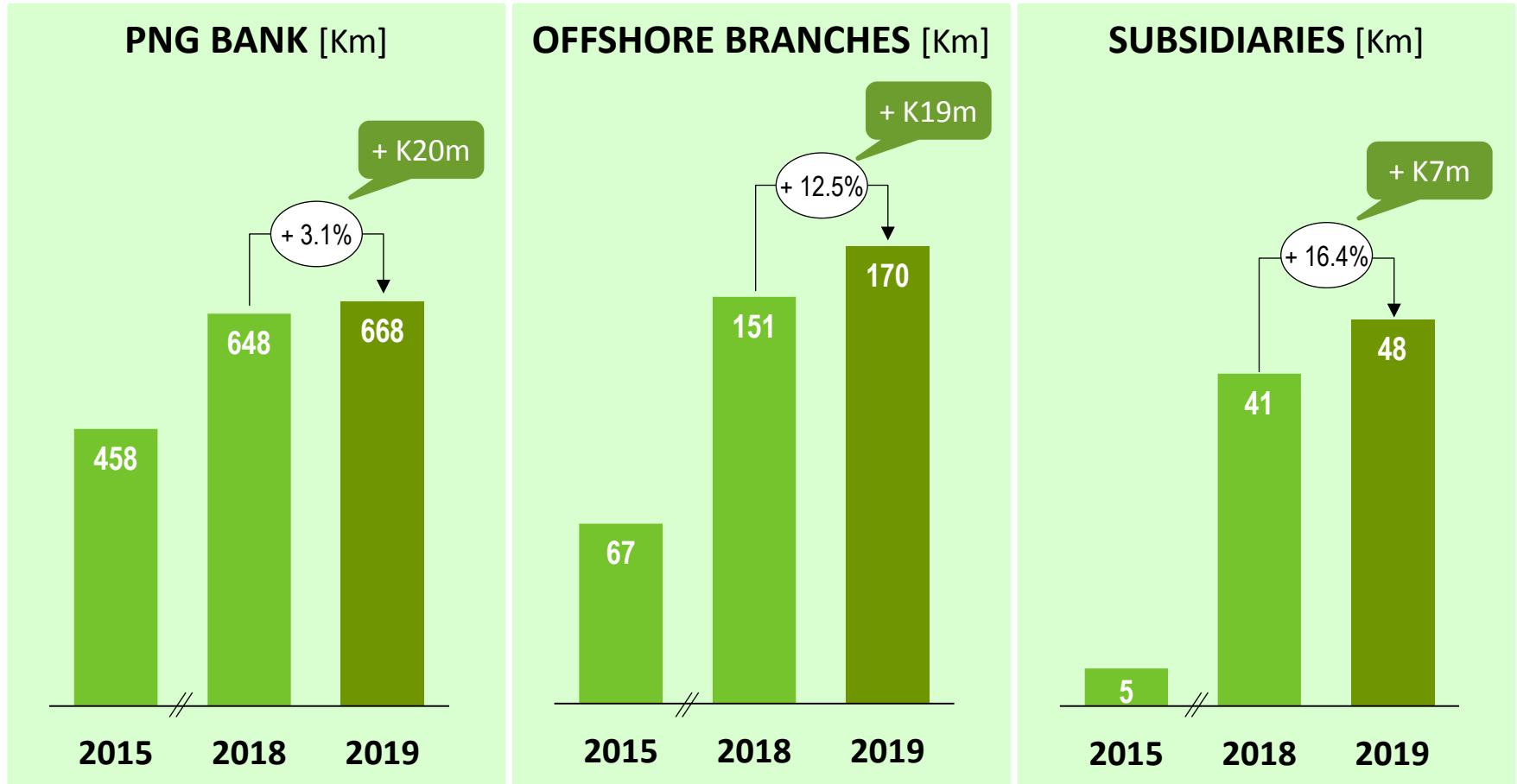
NPAT grew by K46m [5.5%] ... notwithstanding economic headwinds and uncertainties



NPAT by division



All of our divisions made a positive contribution to Group NPAT ... with offshore branch profit growth approaching PNG levels in absolute terms



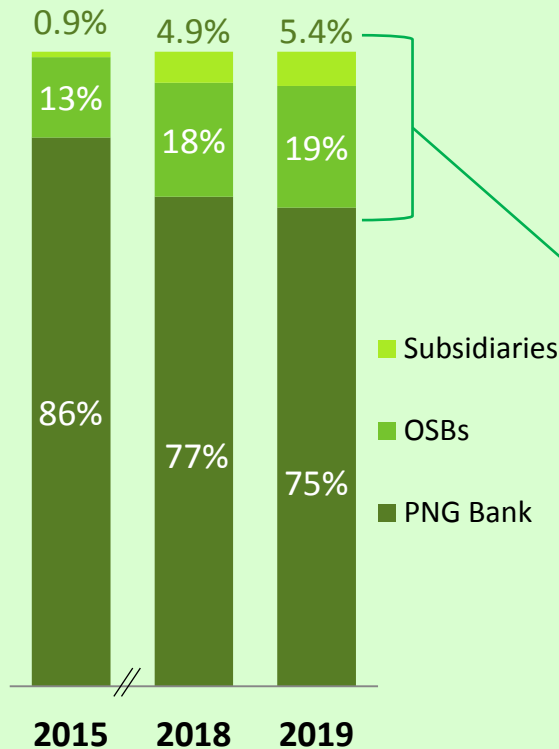
NPAT contribution mix



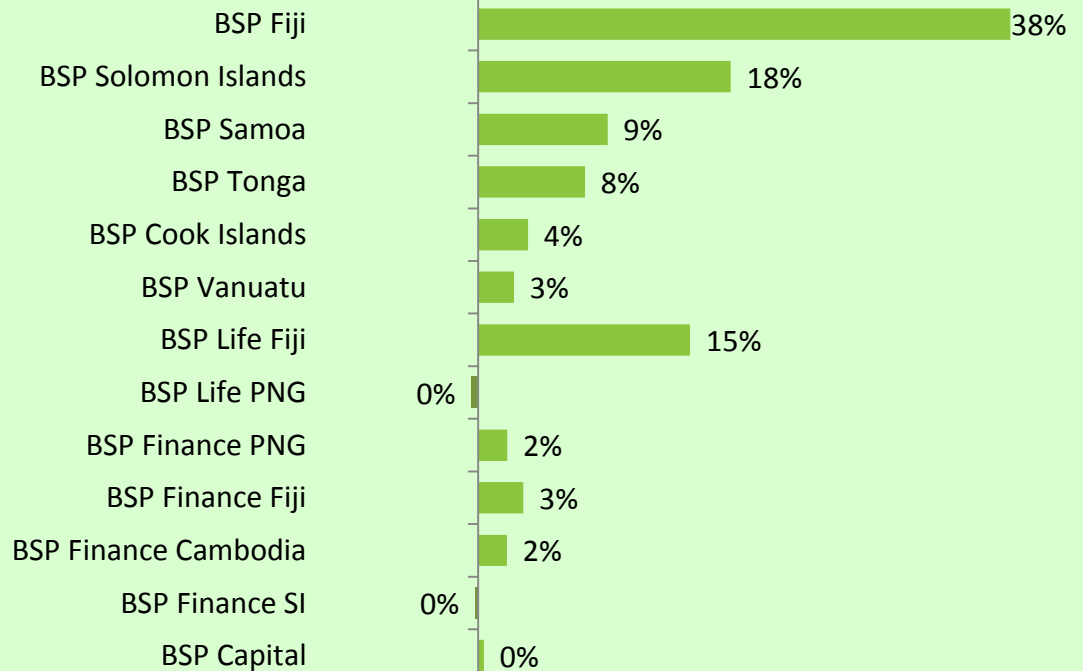
Our diversification strategy is working ... with growing offshore branch and subsidiary contributions

NPAT CONTRIBUTION MIX

[%]



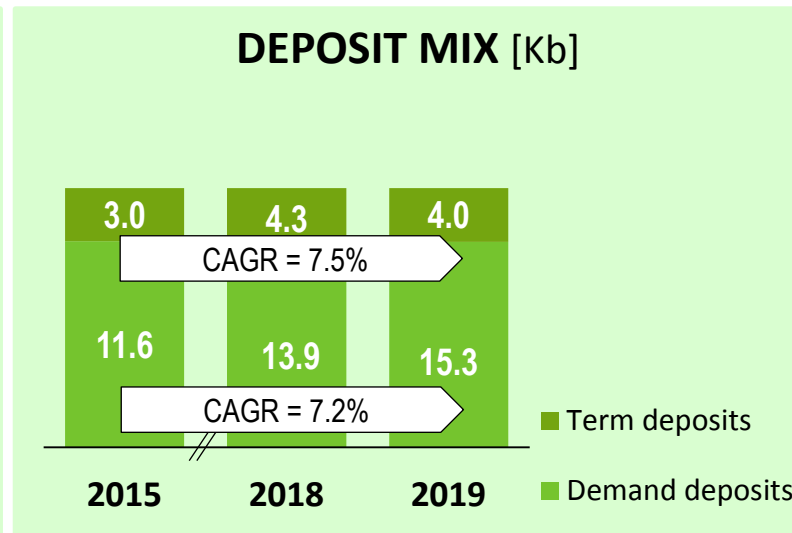
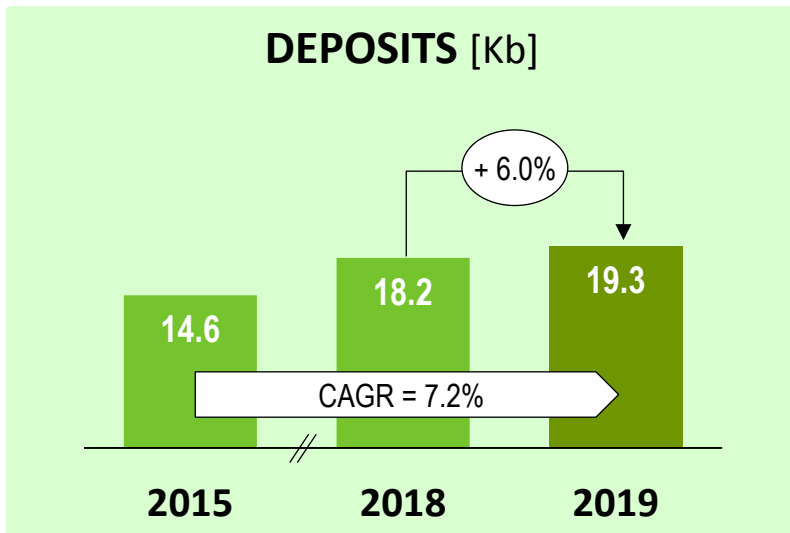
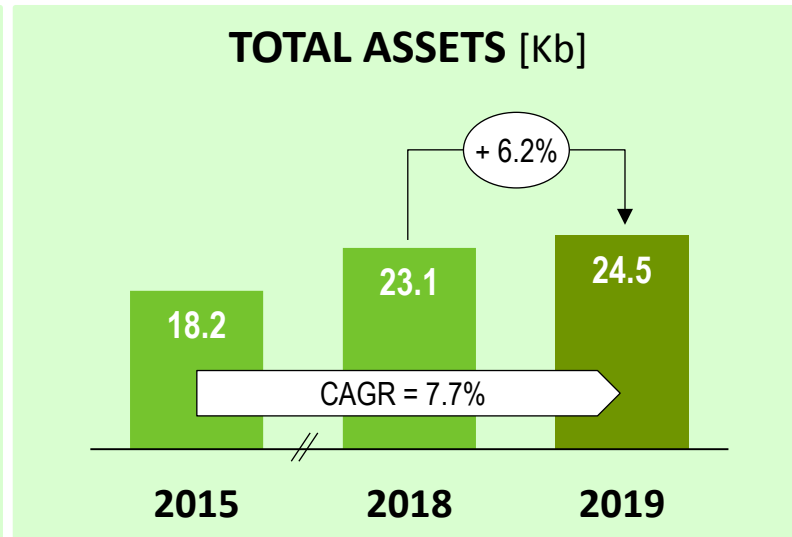
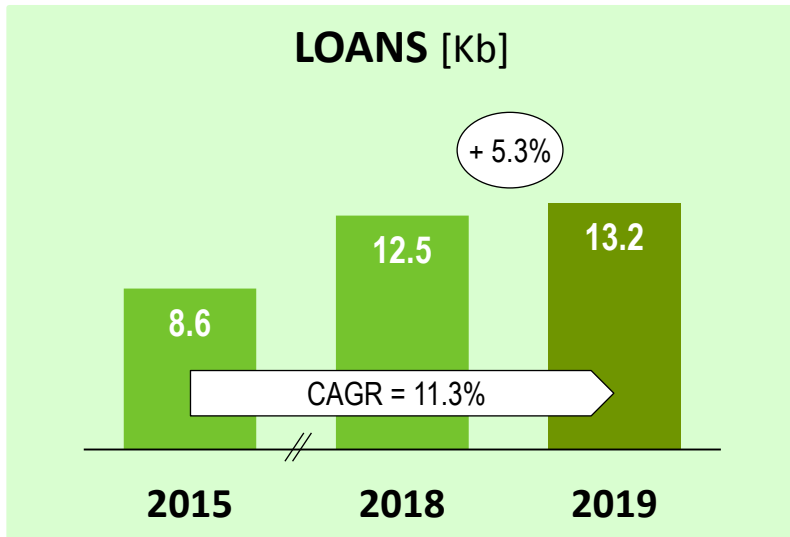
OFFSHORE BRANCH AND SUBSIDIARY NPAT 2019 CONTRIBUTION [%]



Financial metrics



Balance sheet indicators illustrate continued growth in 2019

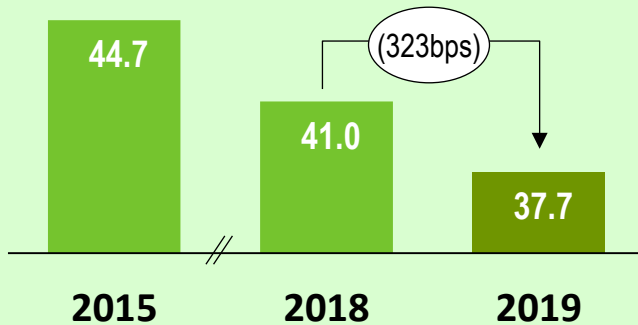


Key ratios

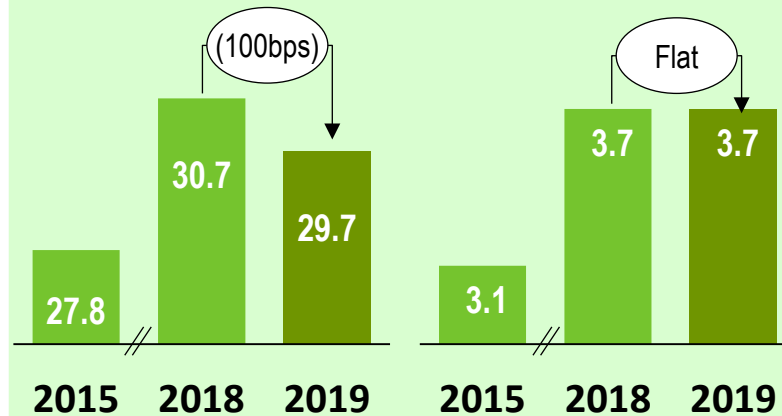


BSP Group has maintained strong outcomes across all key performance ratios

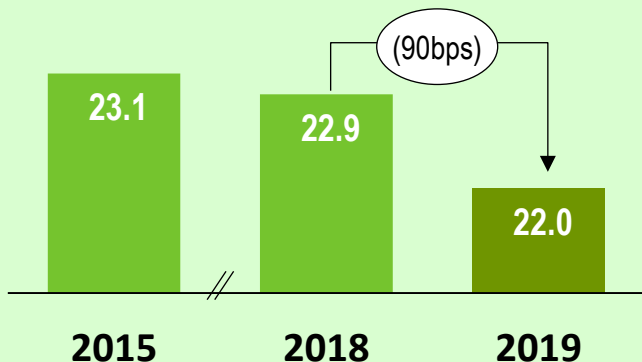
COST TO INCOME [%]



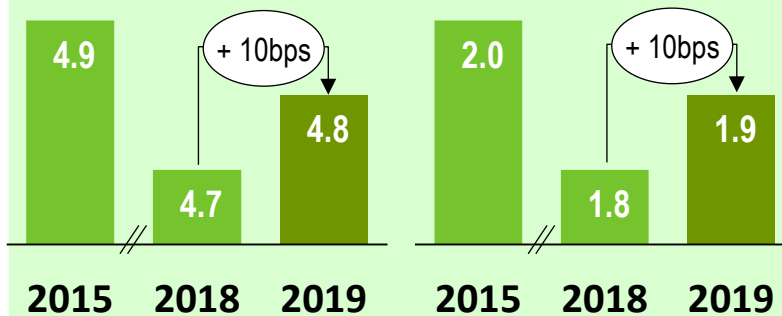
ROE & ROA [%]



CAPITAL ADEQUACY [%]



PROVISIONS TO LOANS / NPL TO LOANS [%]



Income stream trends



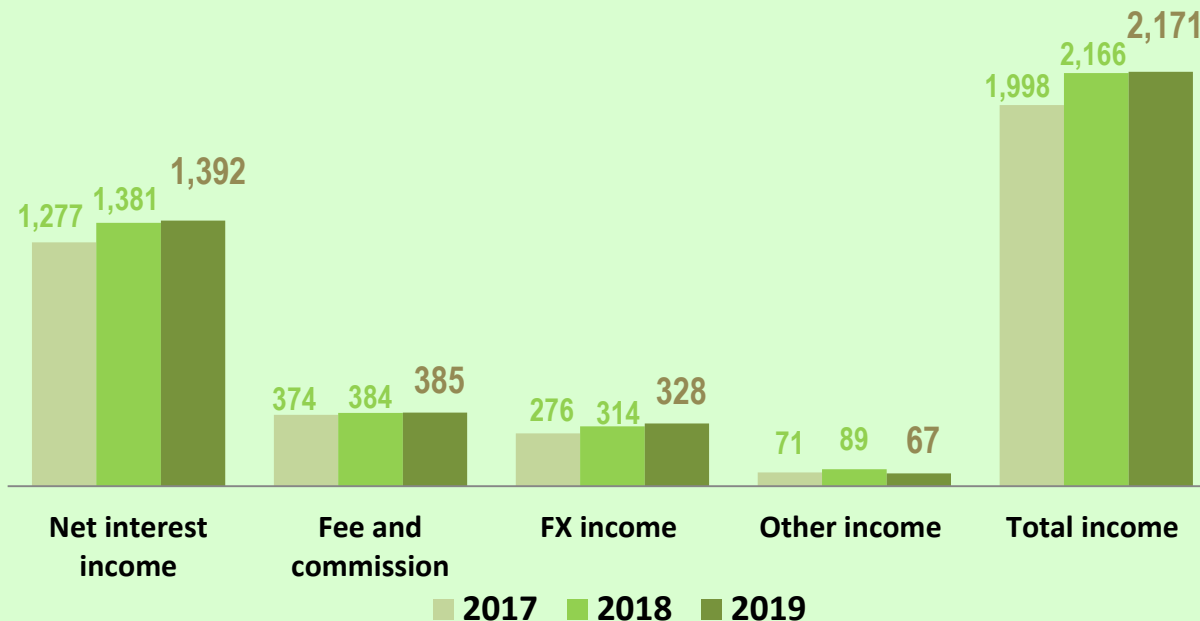
Total income was flat ... given fee reduction initiatives and lower loan growth

	Net interest income	Fee/ commission	FX income	Other income	Total income
YOY:	0.8%	0.2%	4.4%	(24.3%)	0.3%
CAGR	4.4%	1.5%	9.0%	(3.1%)	4.2%

KEY DRIVERS

- **Interest income** – loans, T-bills
- **Fees & commission** – Channels income, lending fees, service charges
- **FX Income** – Forex
- **Other Income** – BSP Life Fiji income, operating lease

GROUP INCOME STREAMS [Km]



Key:

CAGR = Compound annual growth rate [3 years]

YOY = year on year

Expenditure trends



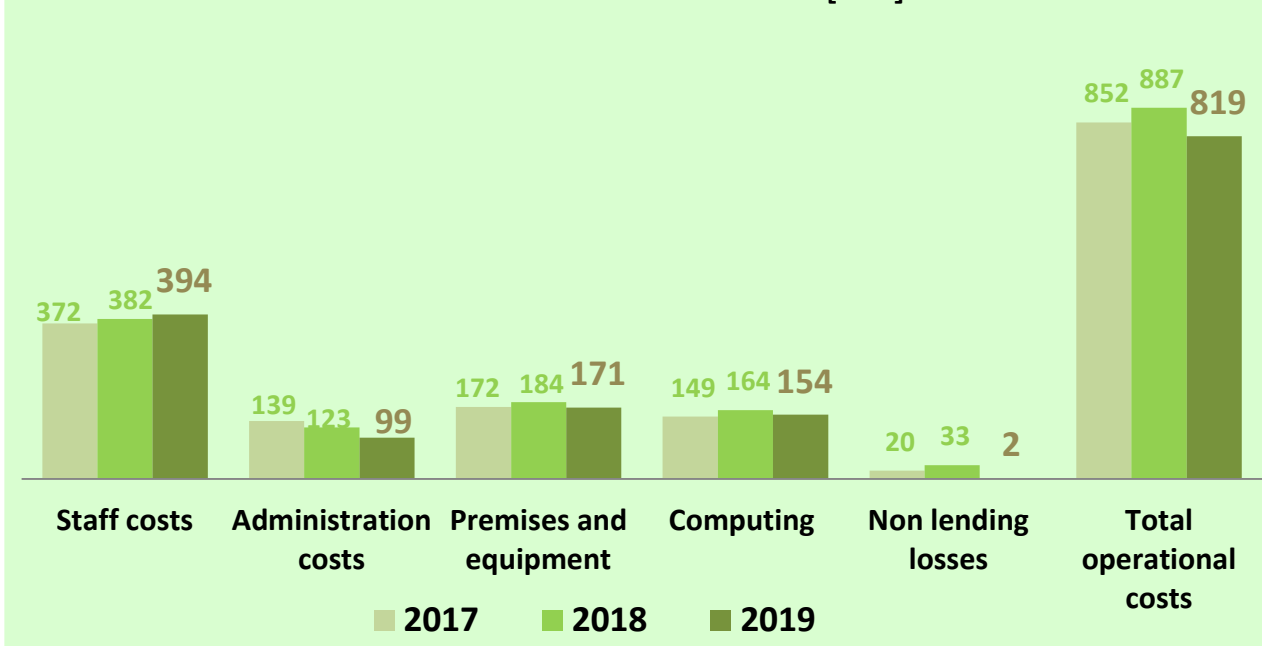
Prudent cost management in light of market conditions

	Staff costs	Admin costs	Premises/ equipment	Computing cost	NLL	Total operating costs
YOY:	2.9%	(19.9%)	(7.0%)	(6.6%)	(93.0%)	(7.7%)
CAGR	2.9%	(15.5%)	(0.3%)	1.4%	(66.1%)	(1.9%)

KEY DRIVERS

- **Staff Costs** – salaries , training, additional staff, staff rentals
- **Admin Costs** – marketing, Telco, VAT
- **Premises costs** – buildings, depreciation, generators, electricity
- **Computing Costs** – software maintenance, licenses, data links

GROUP EXPENDITURE [Km]



Key:

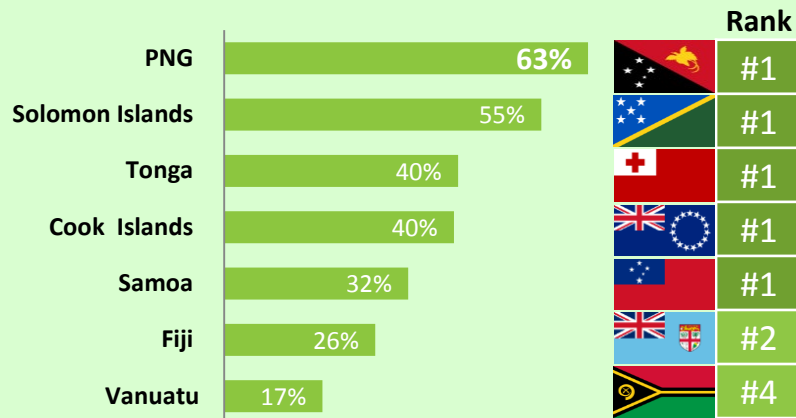
CAGR = Compound annual growth rate [3 years]
 YOY = year on year

Market strength

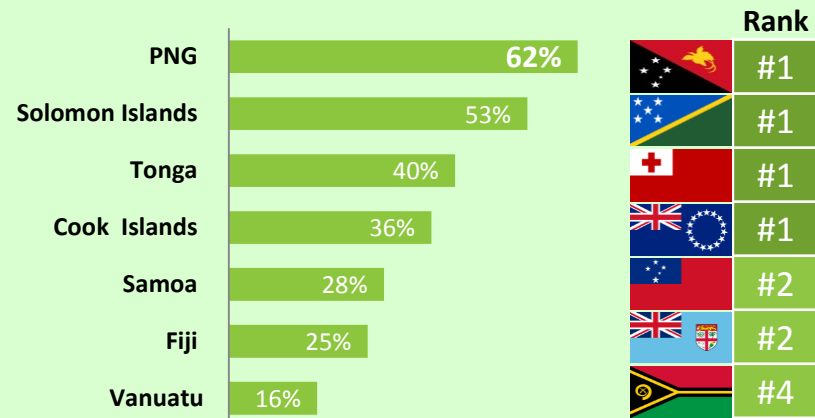


BSP is #1 in lending in 5 countries ... and #1 in deposits in 4 countries.

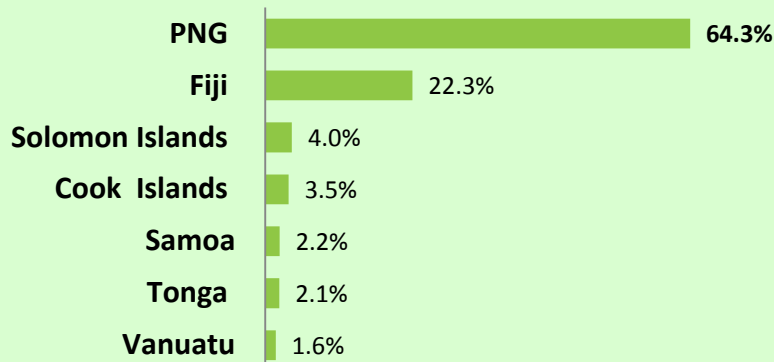
LOANS MARKET SHARE [2019, %]



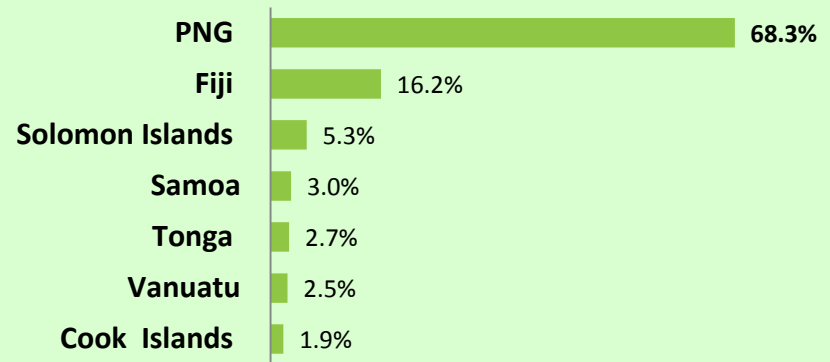
DEPOSIT MARKET SHARE [2019, %]



LOANS PORTFOLIO COMPOSITION [2019, %]















DEPOSIT PORTFOLIO COMPOSITION [2019, %]



Channel investment



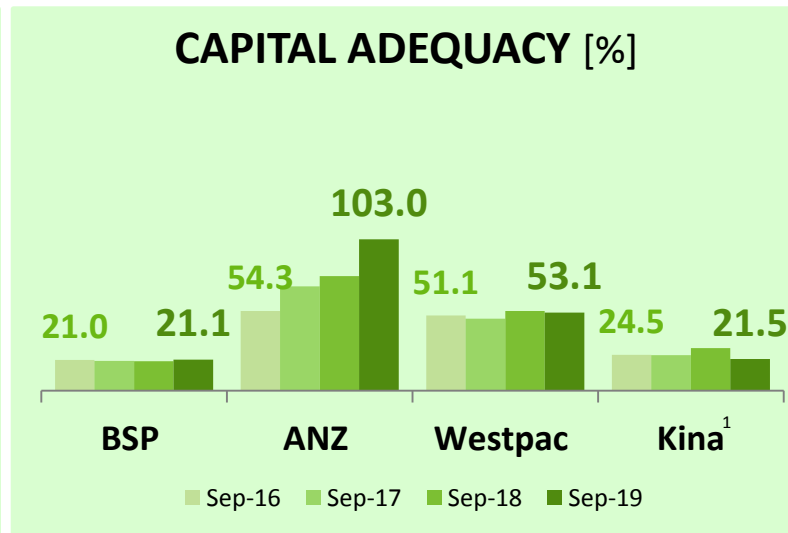
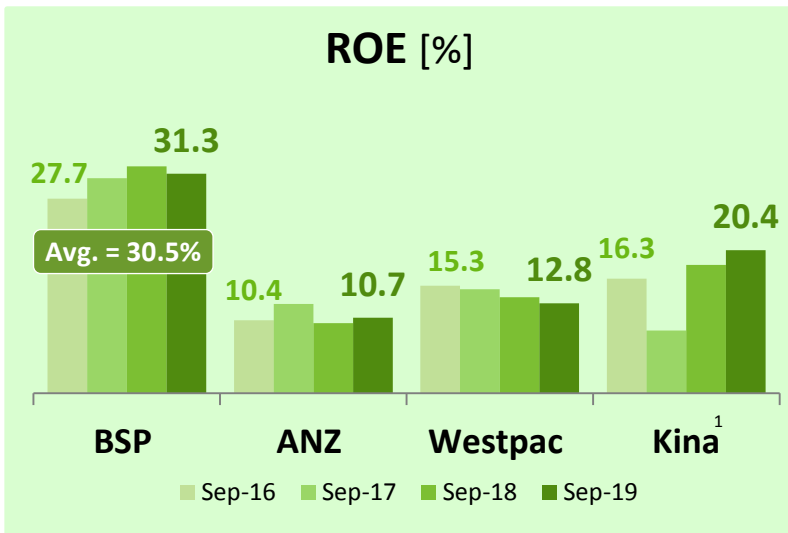
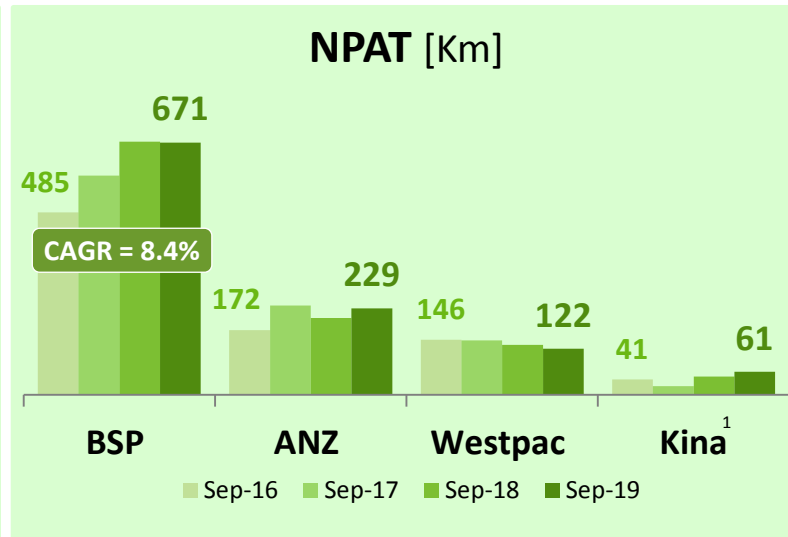
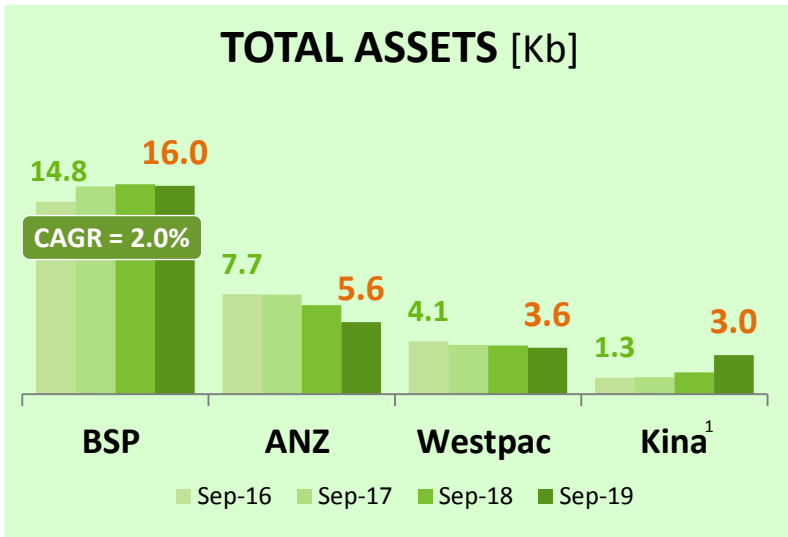
Continued channel investment to improve customer service levels across the BSP Group

	Total							
 Branches	81	43	17	8	5	2	4	2
 Sub Branches	48	46	0	0	0	0	0	2
 ATMs	551	320	121	33	25	13	27	12
 EFTPOS	12,853	8,800	2,063	296	427	448	439	380
 Agent	560	358	44	53	36	10	32	27

PNG Market peer comparison



BSP remains PNG's market leader

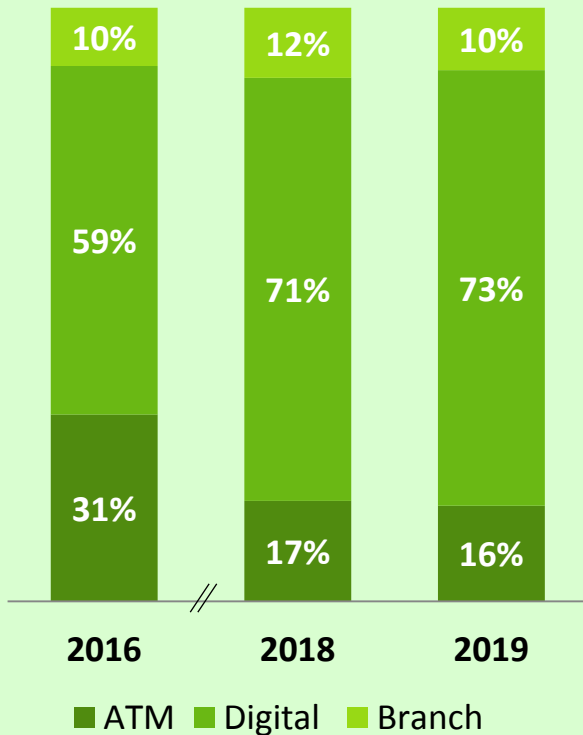


Channel growth trends

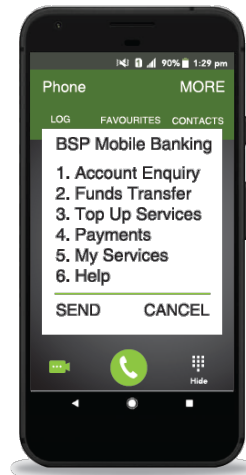
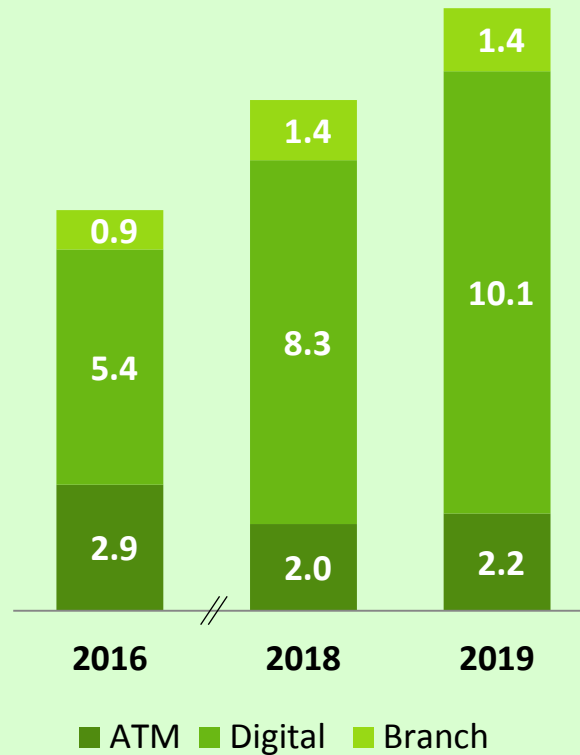


Almost three-quarters [73%] of total transactions were via digital channels in 2019. BSP averages >10m digital transactions per month ... most [64%] via mobile phones

ANNUAL TRANSACTION MIX BY CHANNEL



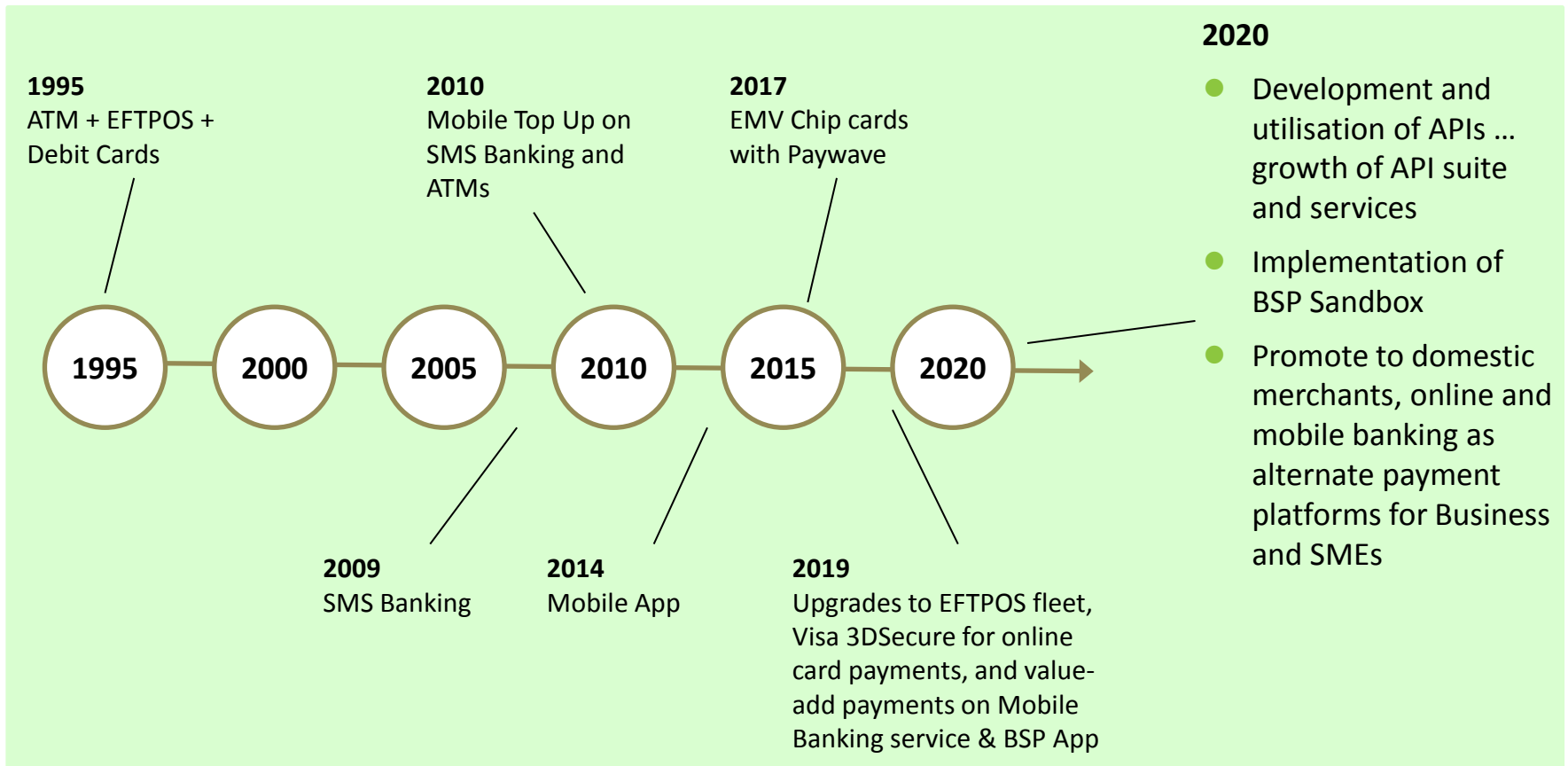
TRANSACTIONS PER MONTH BY CHANNEL [million]



Digital initiatives



BSP was the first PNG bank to pioneer multichannel experiences, with ATMs, EFTPOS and debit Cards introduced in 1995 ... we continue to innovate and pioneer new services to improve customer service levels



Growing middle class wealth




Our home loan products, particularly the FHOS, are providing Papua New Guineans with the opportunity to grow their personal wealth and consequently greater future financial freedom and security

BSP's First Home Ownership Scheme Loan

Equity	Interest Rate	Term
10% 	4.0% ¹	40 years

BSP's Standard Owner Occupied Home Loan

Equity	Interest Rate	Term
20% 	5.5% ²	40 years

FIRST HOME OWNERSHIP SCHEME LOAN

	2017	2018	2019	Change [3 years]
Accounts [No.]	549	737	884	61%
Balance [Km]	161	225	271	68%

HOUSING LOANS

	2017	2018	2019	Change [3 years]
Accounts [No.]	1,217	1,364	1,458	20%
Balance [Km]	256	312	358	40%

1. Attractive 4.0% per annum fixed interest rate over a 40 year term, with maximum loan size of K400,000 loan. Fortnightly repayments ≈ **K779** ... based on K400,000 borrowed over 40 years
2. Lowest standard variable home loan interest rate in PNG [5.5% per annum] over a 40 year term, with no maximum loan size. Fortnightly repayments ≈ **K996** ... based on K400,000 borrowed over 40 years

Facilitating economic growth

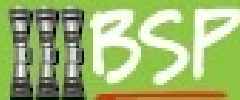


BSP is a strong supporter of the PNG Government's economic policy to grow the number and capacity of PNG's SMEs



"The BSP Smart Business Package & Loan has helped my business grow."

WE ARE **BSP**



BSP SMART BUSINESS PACKAGE

offers essential products that can help SMEs manage business funds and provides a pathway for growth.

A Smart Solution for Small Business [SIGN UP NOW!](#)



SMART BUSINESS ACCOUNTS

	2017	2018	2019	Change [3 years]
Accounts [No.]	23,796	38,341	39,343	65%
Balance [Km]	465.9	766.8	830.7	78%

SMART BUSINESS BASIC LOAN

	2017	2018	2019	Change [3 years]
Accounts [No.]	1,199	1,860	1,747	46%
Balance [Km]	54.5	102.2	89.1	63%

Financial inclusion



We are tailoring our offerings to grow financial system participation and encourage savings ... particularly in low income segments



- Youth account
- Card, mobile and internet banking access
- Optional Visa debit card access
- No minimum balance required or monthly maintenance fee applied

SUMATIN ACCOUNT

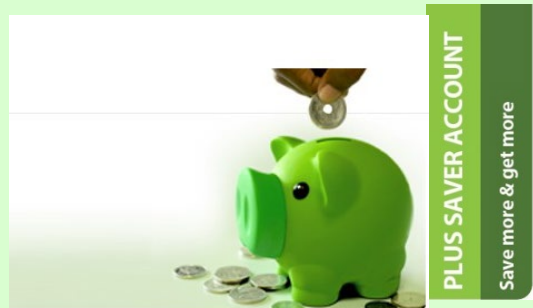
	2017	2018	2019	Change [3 years]
Accounts [No.]	136,229	168,626	172,067	26%
Balance [Km]	11.3	13.8	15.4	37%



- Children aged 0 to 15 years
- No Fees
- Tiered interest plan
- Kids Savings card access

KIDS SAVINGS ACCOUNT

	2017	2018	2019	Change [3 years]
Accounts [No.]	57,408	73,763	79,672	39%
Balance [Km]	14.0	18.6	22.8	63%



- Tiered rate structure offering higher interest on higher balances
- Mobile, internet and telephone transfers
- Interest calculated daily, paid quarterly

PLUS SAVER ACCOUNT

	2017	2018	2019	Change [3 years]
Accounts [No.]	79,632	114,387	118,992	49%
Balance [Km]	182.8	227.3	289.5	58%

Social license to operate



BSP is a trusted brand across the South Pacific. We understand that our communities and many stakeholders rely on BSP's activities ... and we continue to meet your increasing standards

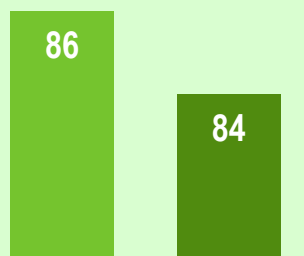
COMMUNITY



- **K5.5m** in donations and sponsorships
- **22** education projects
- **7** health projects
- **27** community projects

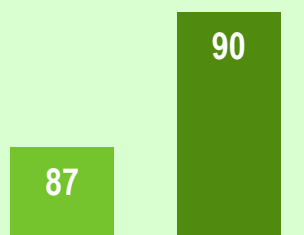
CUSTOMER SERVICE

RETAIL BANK



2018 2019

CORPORATE BANK



2018 2019

Expectations Exceeded



125

Expectations Fully Met



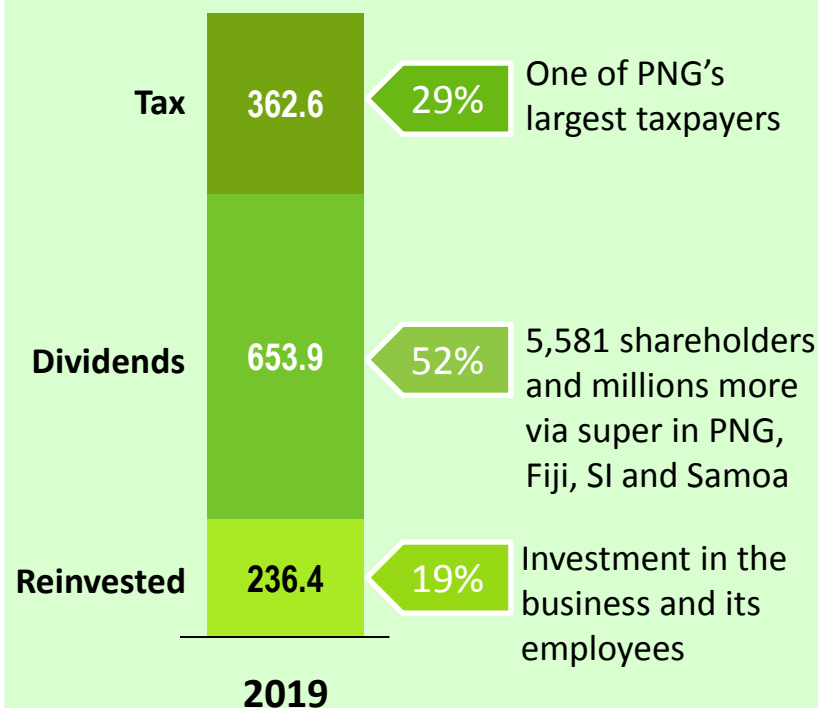
100

Positive Point



75

FAIR SHARE [Km]



BSP Group strategy focus



Key Board decisions made at the 2019 strategy offsite are summarised below

- Advance digital strategy, initiatives and capability
- Develop robust response plan in face of external risks
- Bed down the Lao JV and transition to BSPF operating model
- Continue examining market opportunities to further expand Asset Finance within South-East Asia

Q1-2020 RESULTS

Q1-2020 results



BSP profit grew slightly amidst COVID 19 impact in Q1-20 ... noting the full impacts of COVID-19 on our customers did not emerge until Apr-2020

	Q1-20	Q1-20 vs Q1-19
● Profit [NPAT, Km]	217.7	+ 1.8%
● Net assets [Kb]	3,279	+ 6.2%
● Cost-to-income ratio [%]	40.0%	+ 50bps
● Capital adequacy ratio [%]	23.7%	- 40bps
● Provision coverage ratio [%]	4.9%	+ 210bps
● Earnings per share [toea]	0.47	+ 1.8%
● Market capitalisation [Kb]	5.6	+ 13.7%

Income stream trends



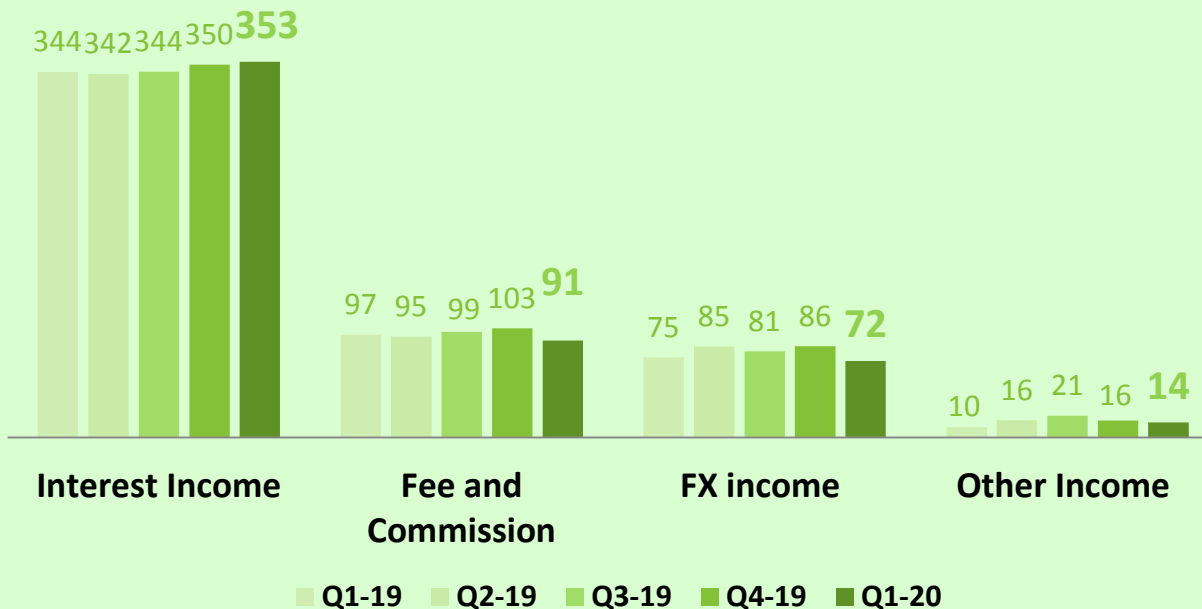
Income for Q1-20 declined by - 4.0% from the prior quarter, but grew by 1.3% year-on-year

	Net interest income	Fee/ commission	FX income	Other income	Total income
PQ:	1.0%	(8.8%)	(16.0%)	(16.9%)	(4.0%)
YOY:	2.9%	(3.6%)	(4.2%)	29.5%	1.3%

KEY DRIVERS

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

GROUP INCOME STREAMS [Km]



Key:

PQ = prior quarter
YOY = year-on-year

Expenditure trends



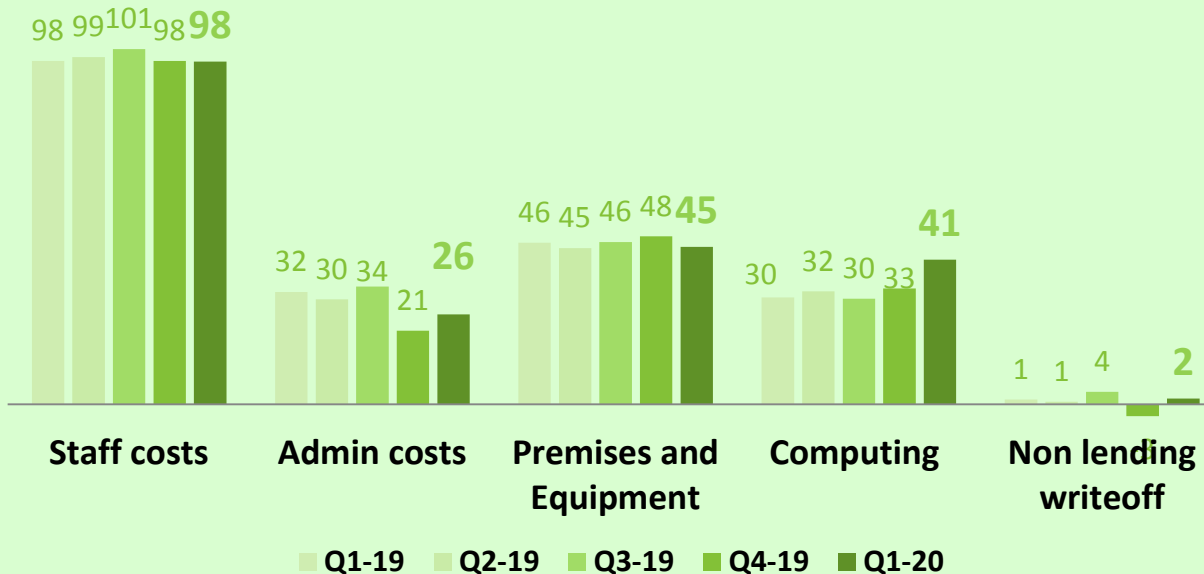
Expenditure increased by + 7.1% over the prior quarter and + 2.1% YOY ... driven by the banking system upgrade. BSP's cost-to-income ratio remains low at 40%

	Staff costs	Admin costs	Premises/ equipment	Computing cost	NLL	Total operating costs
PQ:	0.5%	26.3%	(5.8%)	25.2%	149.1%	7.1%
YOY:	0.4%	(17.8%)	(2.0%)	35.1%	16.3%	2.1%

KEY DRIVERS

- **Staff Costs** – salaries , training, additional staff, staff rentals
- **Admin Costs** – marketing, Telco, VAT
- **Premises costs** – buildings, depreciation, generators, electricity
- **Computing Costs** – software maintenance, licenses, data links
- **NLL** – legal provision release in Q4-19
- **Cost to income** ratio rose by 50bps to 40.0% in Q1-20, compared to 39.5% in Q1-19

GROUP EXPENDITURE [Km]



Key:

PQ = prior quarter
YOY = year-on-year

Balance sheet trends



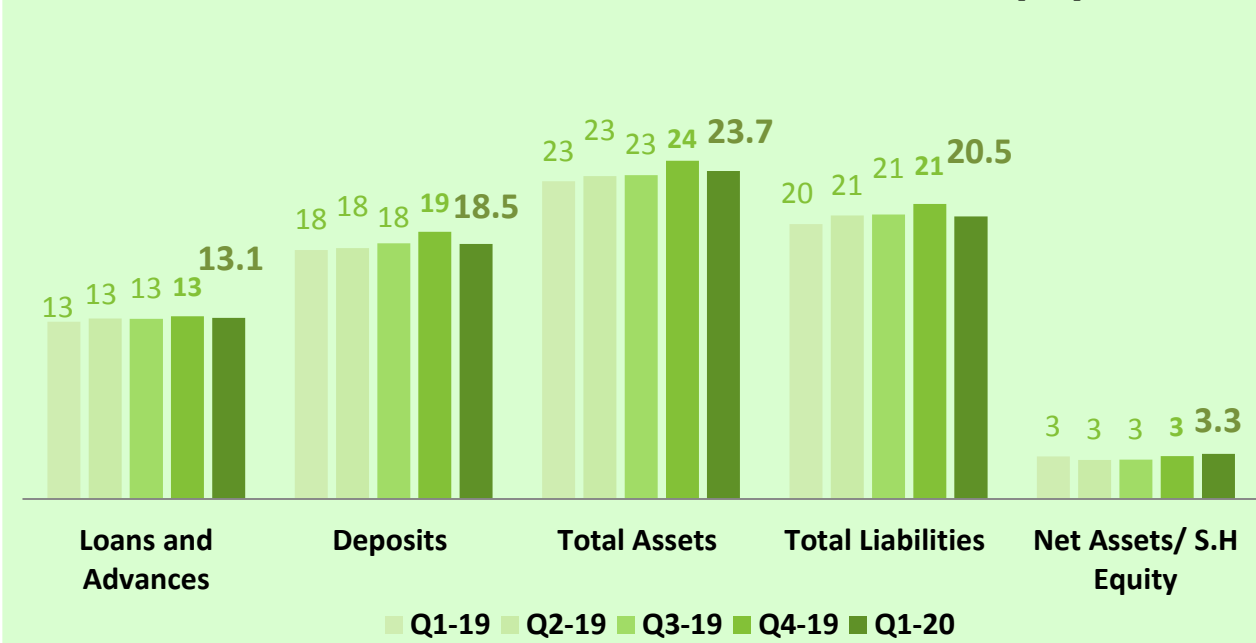
BSP's gross loans and advances declined by -0.9% and deposits by -4.6% in Q1-20, compared to Q4-19. Consequently, total assets declined by -3.0 %

	Loans and advances	Deposits	Total Assets	Total Liabilities	Net assets / SH equity
PQ:	(0.9%)	(4.6%)	(3.0%)	(4.2%)	5.2%
YOY:	2.1%	2.4%	3.3%	2.8%	6.2%

KEY DRIVERS

- **Total loans** dropped by K124m in Q1 – 20 [Fiji – K61m, Samoa – K11m, Cooks – K2m , Vanuatu – K18m, PNG –K37m, SI – K6m and Tonga –K0.33m.
- **Total deposits** decreased by K881m in Q1-20 [PNG -K478m, Cooks -K44m, Fiji - K249m, SI – K12m, Tonga – K13m, Samoa – K41m , Vanuatu – K44m].
- **FX translation** in Q1-20: Loans – K241m and Deposit – K302m

BSP GROUP QUARTERLY BALANCE SHEET [Kb]



Key:

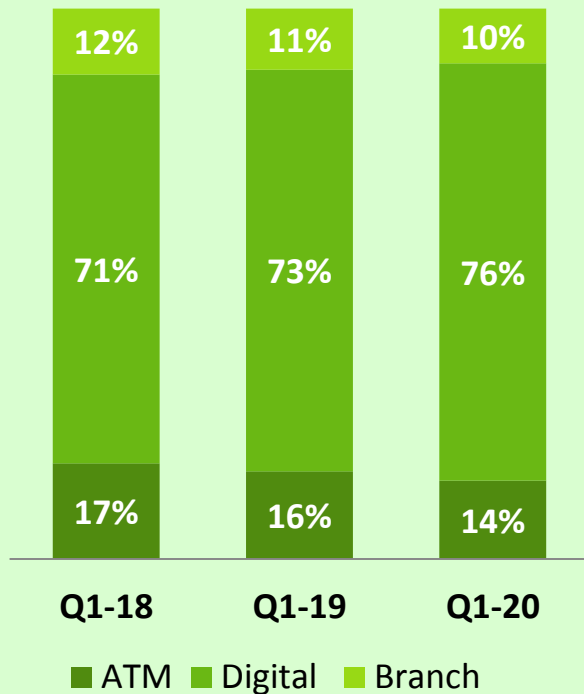
PQ = prior quarter
YOY = year-on-year

Recent channel activity trends

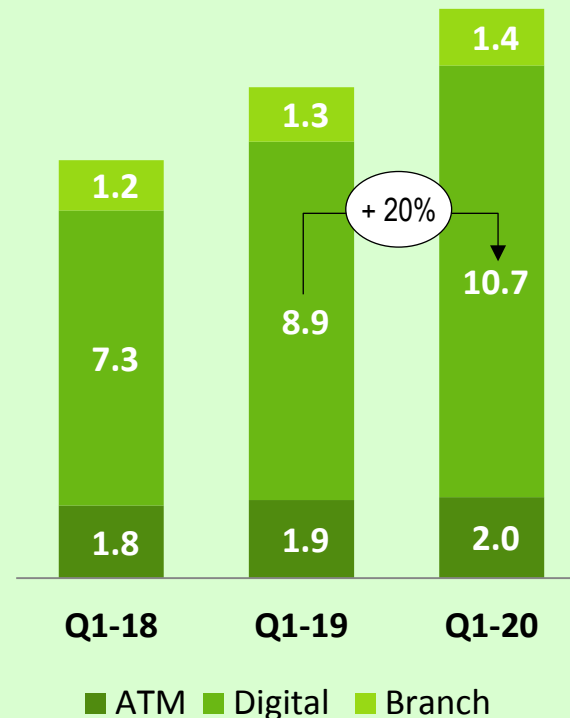


Digital channel activity increased in Q1-20, representing over three-quarters [76%] of total transactions. We averaged almost 11m digital transactions per month in Q1-20 ... a 20% increase over the prior year

ANNUAL TRANSACTION MIX BY CHANNEL



TRANSACTIONS PER MONTH BY CHANNEL [million]

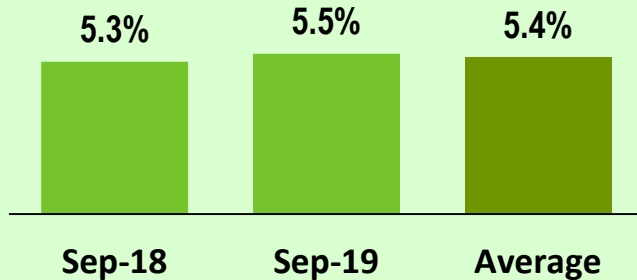


Provisions to loans [1]

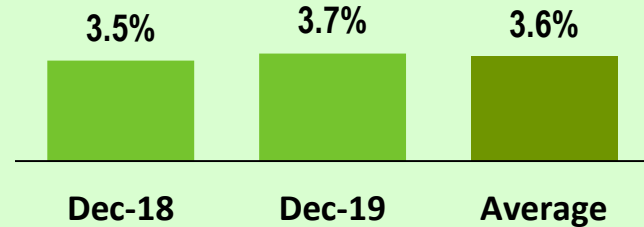


BSP has and continues to adopt a cautious approach to provisioning

BSP PNG PROVISIONING

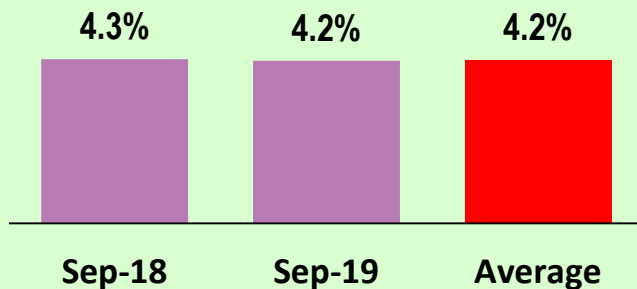


BSP FIJI PROVISIONING



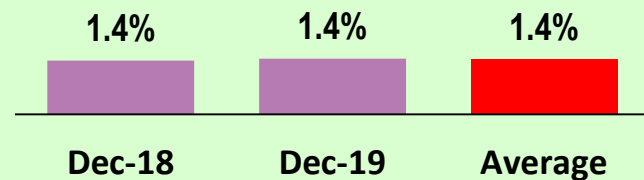
OTHER PNG BANKS PROVISIONING

[Combined ANZ, WBC & Kina]



OTHER FIJI BANKS PROVISIONING

[Industry excluding BSP]

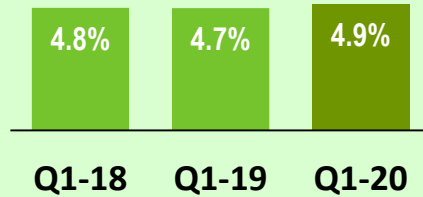


Provisions to loans [2]

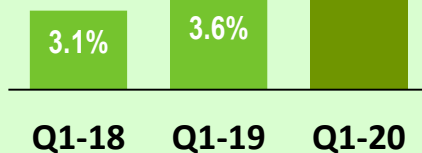
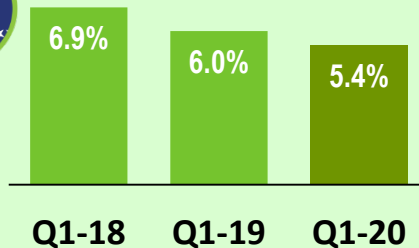
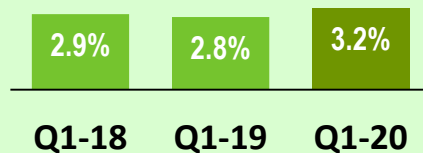
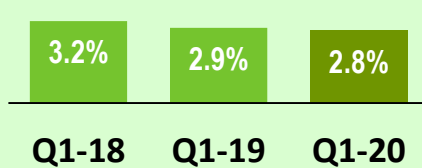
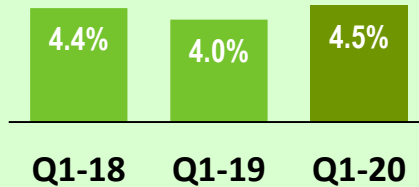
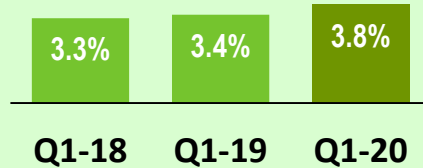
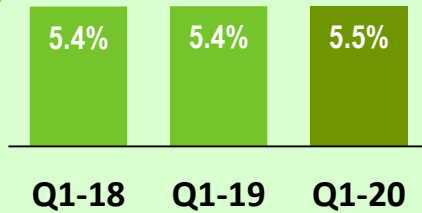
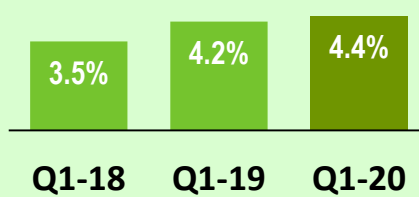
BSP Group's provisioning levels remain above IFRS9 requirements

PROVISIONS TO LOANS

BSP Group [Provisions to loans]



BSP Group [Under IFRS9]

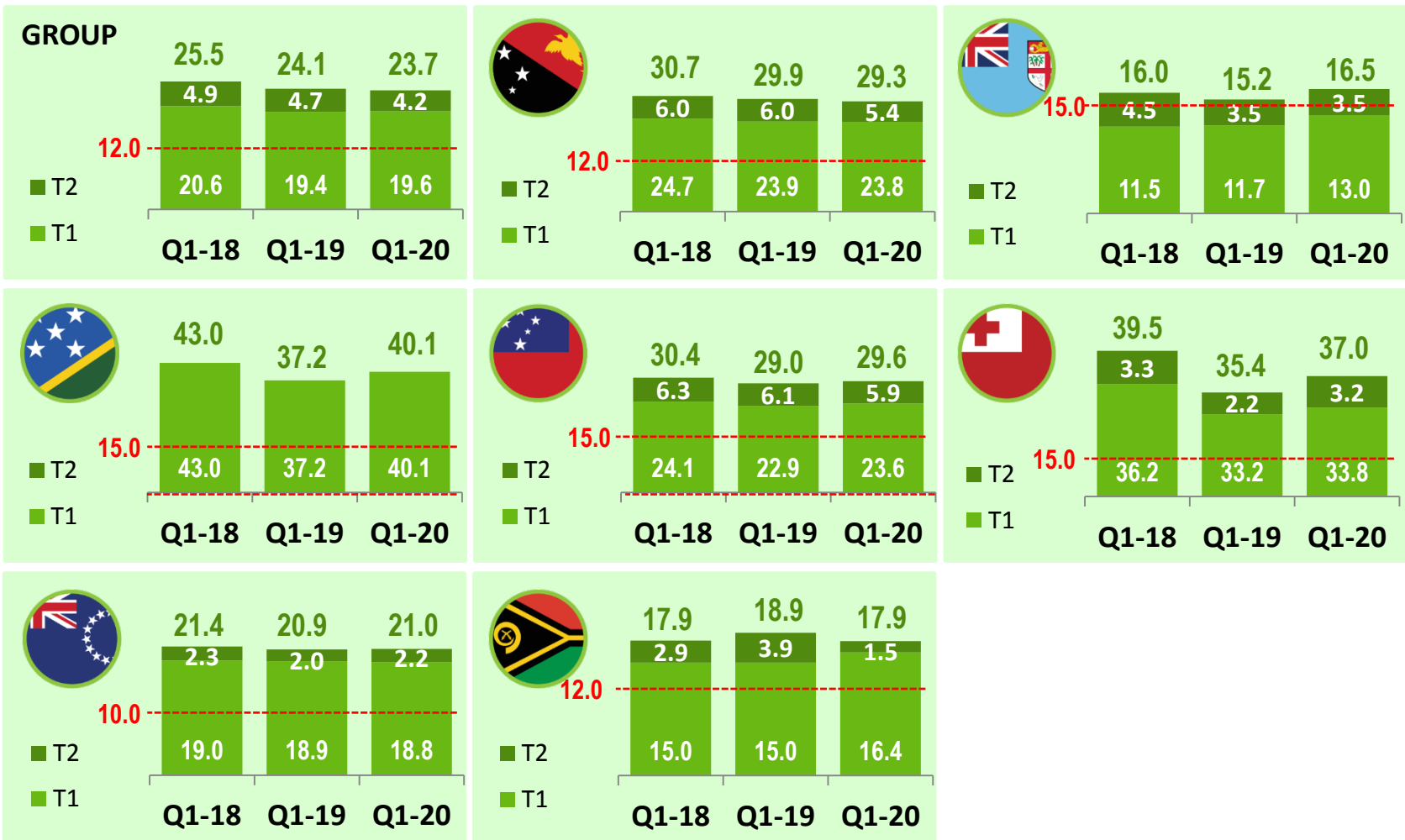


Capital adequacy trends



All of BSP's banking operations exceed their prudential capital requirements

CAPITAL ADEQUACY [%]



COVID-19 customer support [1]



Loan repayment deferral packages and reduced lending rates have been employed ... the latter will come at some cost to BSP [~ K55m in 2020] and we expect that BSP's NIM's will not be reverting to pre ILR reduction levels

BSP REPAYMENT HOLIDAY SUMMARY

Country	Business customers	Personal customers
	<ul style="list-style-type: none"> 3 month term Interest only 	<ul style="list-style-type: none"> 3 month term Interest only
	<ul style="list-style-type: none"> 6 month term Principal & Interest 	<ul style="list-style-type: none"> 6 month term Principal & Interest
	<ul style="list-style-type: none"> Considered on a case by case basis 	<ul style="list-style-type: none"> 3 month term Principal & Interest
	<ul style="list-style-type: none"> 3 month term Interest only 	<ul style="list-style-type: none"> 6 month term Principal & Interest
	<ul style="list-style-type: none"> 6 month term Principal & Interest 	<ul style="list-style-type: none"> 6 month term Principal & Interest
	<ul style="list-style-type: none"> 3 month term Interest only 	<ul style="list-style-type: none"> 3 month term Interest only
	<ul style="list-style-type: none"> 3 month term Interest only 	<ul style="list-style-type: none"> 3 month term Principal & Interest

BSP PNG – LOAN INTEREST RATES

Product	Pre COVID-19	Post COVID-19
Indicator lending rate	11.10%	10.10%
All Corporate Bank loan products	11.10%	10.10%
Standard home loan	6.50%	5.50%
First Home Owners Loan	4.00%	4.00%
Personal loans [secured]	11.10%	10.10%

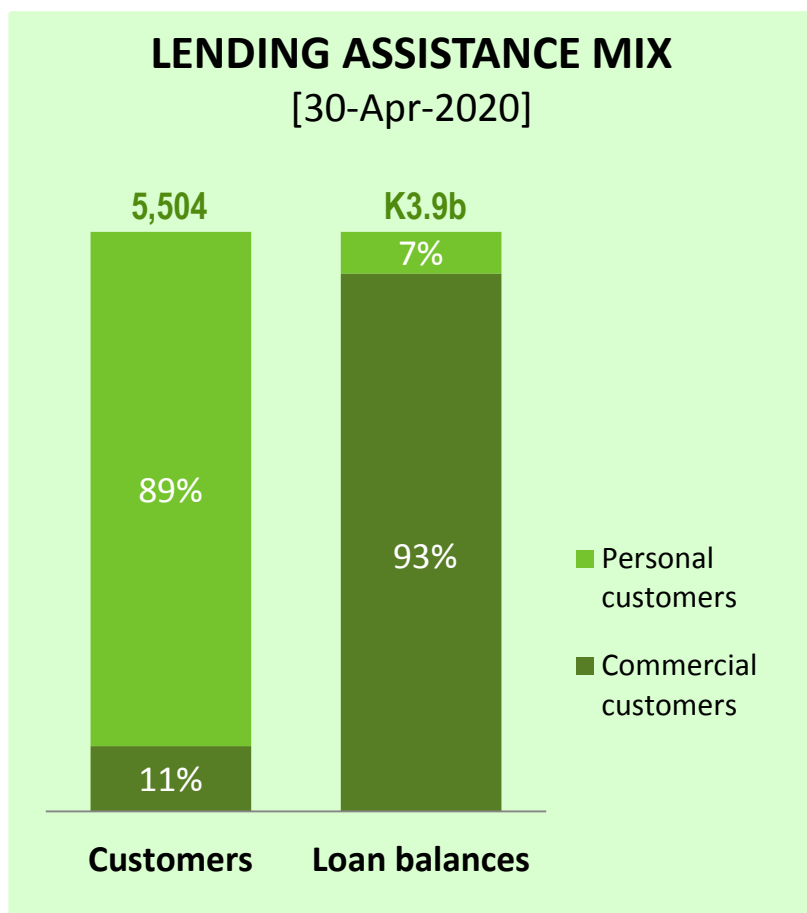
PNG BANKS – INDICATOR LENDING RATE

	BSP	KINA	ANZ	WBC
Post COVID-19	10.10%	11.65%	11.70%	10.75%
Pre COVID-19	11.10%	11.65%	11.70%	11.75%

COVID-19 customer support [2]



BSP is providing over 5,500 COVID-19 impacted customers with loan repayment deferrals



SHAREHOLDER RETURNS AND CONCLUDING REMARKS

2019 dividend



BSP's final dividend of K0.96, brings our total dividend to K1.34



PLANNED PROCESSING DATES

- Ex-date: Friday, 29 May 2020
- Record date: Friday, 5 June 2020
- Payment date: Friday, 19 June 2020

SHAREHOLDER RETURNS SUMMARY

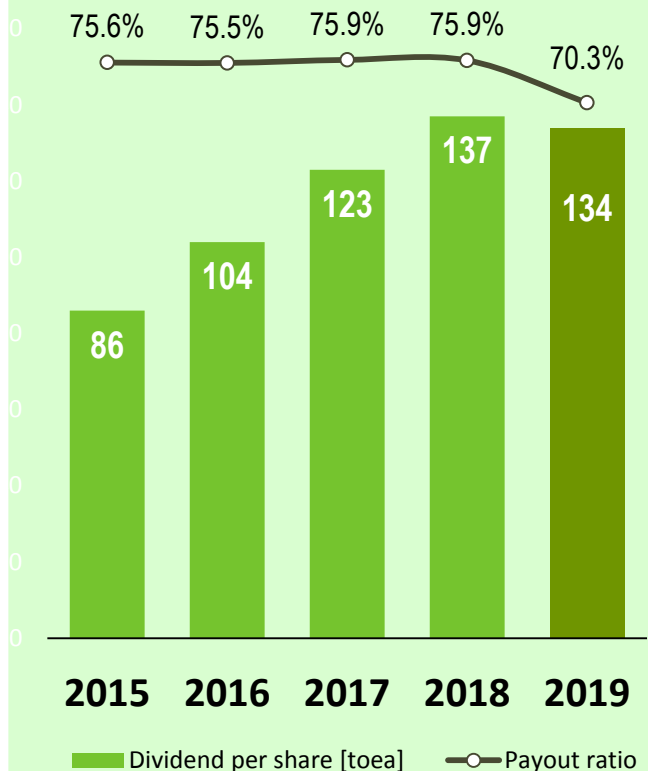
	2017	2018	2019	Change
EPS [K]	1.62	1.81	1.91	5.5%
Payout ratio	75.9%	75.8%	70.3%	- 550bps
Dividend yield	12.88%	12.73%	11.17%	- 156bps

Our profits



Strong performance enabling consistent returns to shareholders, particularly the super funds and their members ... everyday Papua New Guineans

SHAREHOLDER RETURNS [toea]



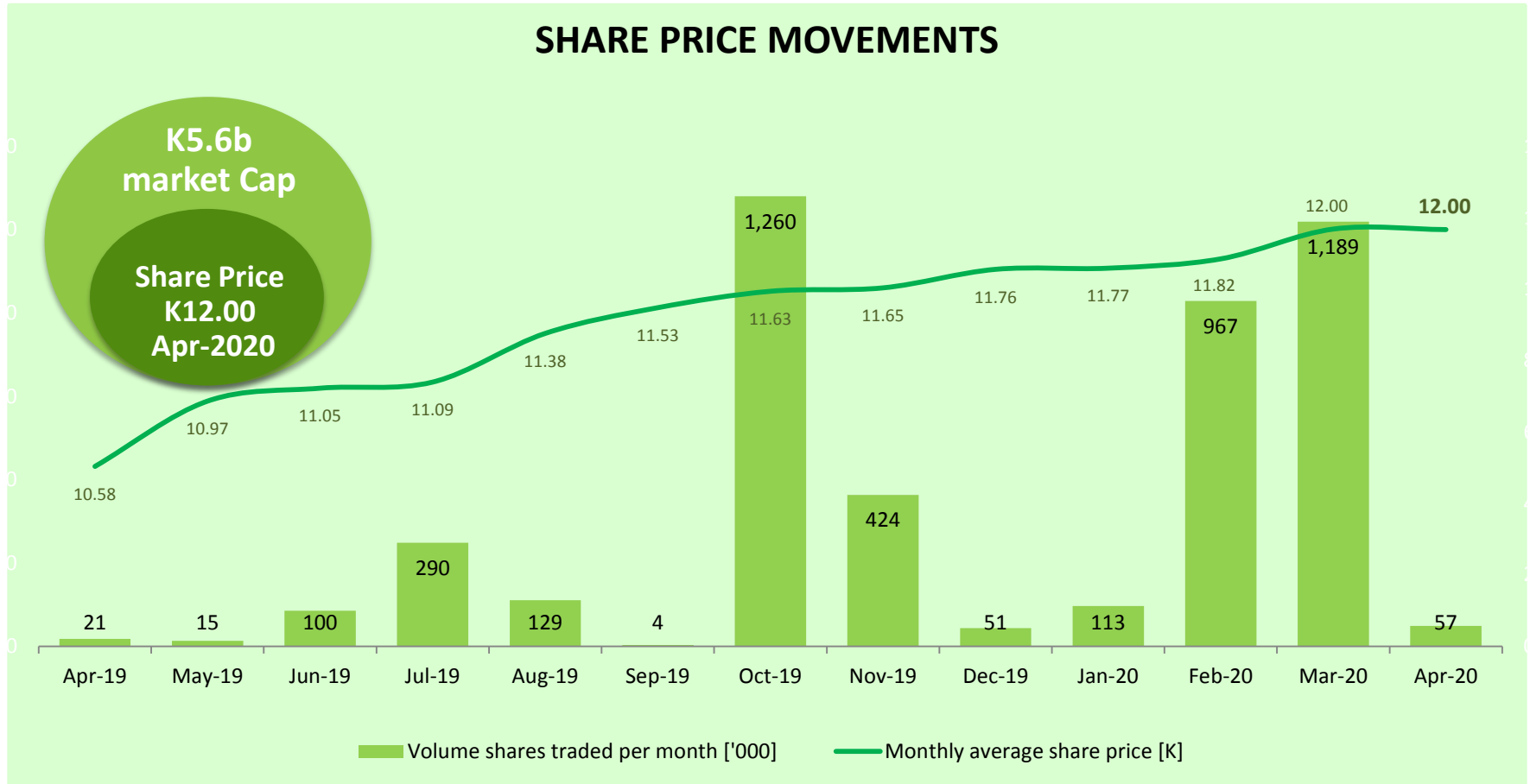
TOP 10 SHAREHOLDERS [Apr-2020]

Rank	Name	% Held
1	Kumul Consolidated Holdings Limited	18.2%
2	Nambawan Super Limited	12.3%
3	Petroleum Resources Kutubu Limited	9.9%
4	NASFUND	9.7%
5	Fiji National Provident Fund	8.7%
6	Credit Corporation (PNG) Limited	7.1%
7	Motor Vehicles Insurance Limited	6.7%
8	PNG Sustainable Development Program Limited	5.1%
9	Teachers Savings and Loans Society	3.3%
10	Comrade Trustee Services Limited	2.7%

Share price



Dividend yield of 11.2%, based on K12.00 share price ... and market capitalization of K5.6b



Conclusions



- Record Group NPAT of K890m in 2019, however growth slowed to 5.5%
- Total Assets up 6.2% and Loans up 5.6%
- Cost to income reduced to 37.7% from 41.0% in 2018
- Capital adequacy steady at 22.0%, still well above BPNG requirement of 12%
- Loan provision increased to 4.8%, NPL up to 1.9%
- Continued focus is on developing and executing our Digital Strategy and the Core Banking system implementation to maintain our leadership position
- Increasing profit contribution from OSBs and SUBs
- Strong performance enabling consistent returns to shareholders
- Our COVID-19 customer support initiatives will come at some cost to BSP and we will be continually assessing their impacts and exploring ways to minimise their effects on financial performance ... but not to the detriment of future growth