



2019 AGM PRESENTATION

Group CEO – Robin Fleming



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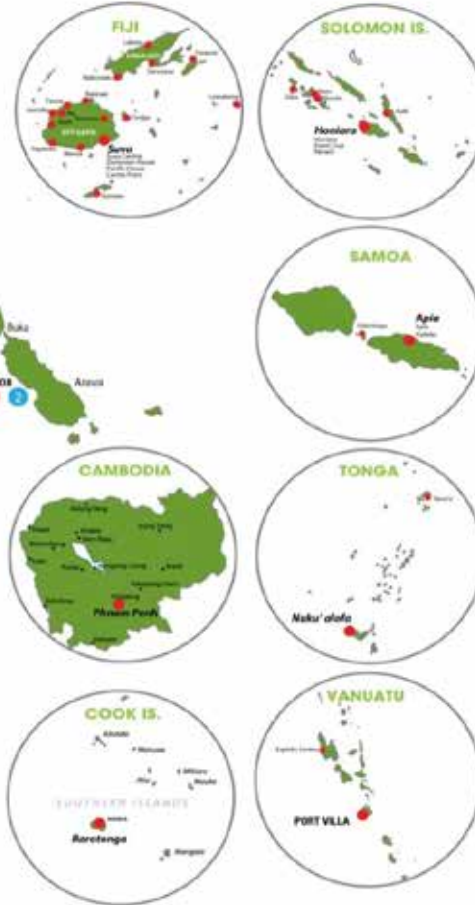
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Where BSP operates

BSP is the leading financial services provider in the countries in which we operate

BSP PNG Geographical Footprint



1
Loan market share in 5 countries

1
Deposit market share in 5 countries

POMSOX
Share Price of K10.76 as at 03-May-19, Market cap of K5.0b

BSP's growing service offering

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

BSP is the only wholly owned Papua New Guinean bank operating both here in PNG and overseas.

Papua New Guinea



Bank

Finance

Life

BSP Capital

Fiji



Bank

Finance

Life

Solomon Islands



Bank

Finance

Samoa



Bank

Cook Islands



Bank

Vanuatu



Bank

Tonga



Bank

Cambodia



Finance

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	Fiji National Provident fund	5.1%
9	Teachers Savings & Loan Society Ltd	3.3%
10	Comrade Trustee Services Ltd	2.7%

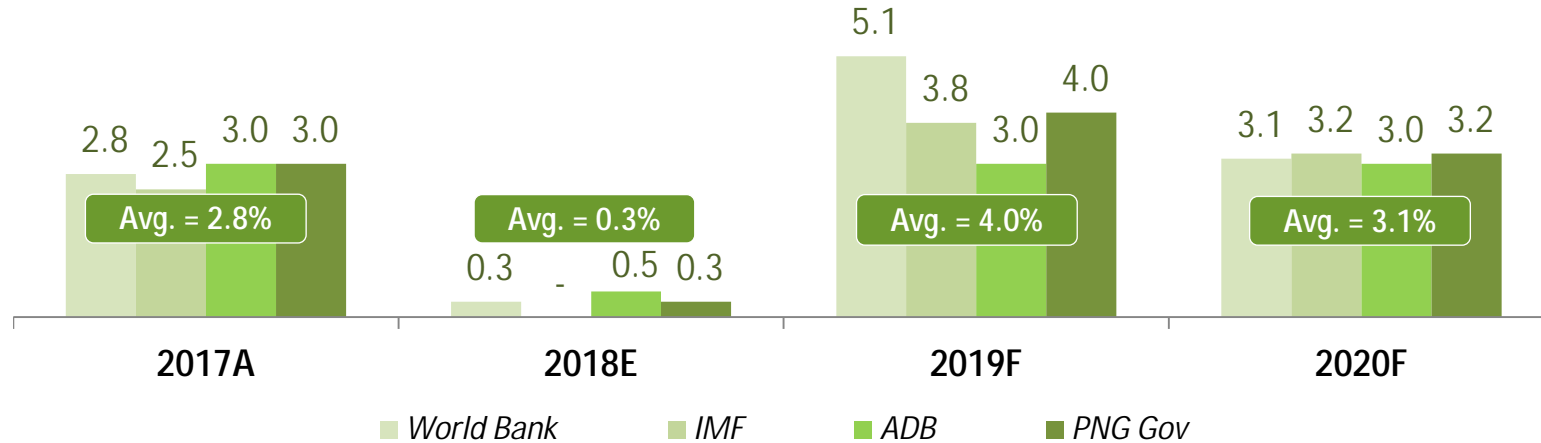


PNG's economic outlook

PNG economy is expected to rally in the H2-2019 after a soft 2018, with ~4.0% GDP growth forecast in 2019 ... driven by a return to full annual production in the extractives sector

PNG GDP GROWTH PROJECTIONS

[%]



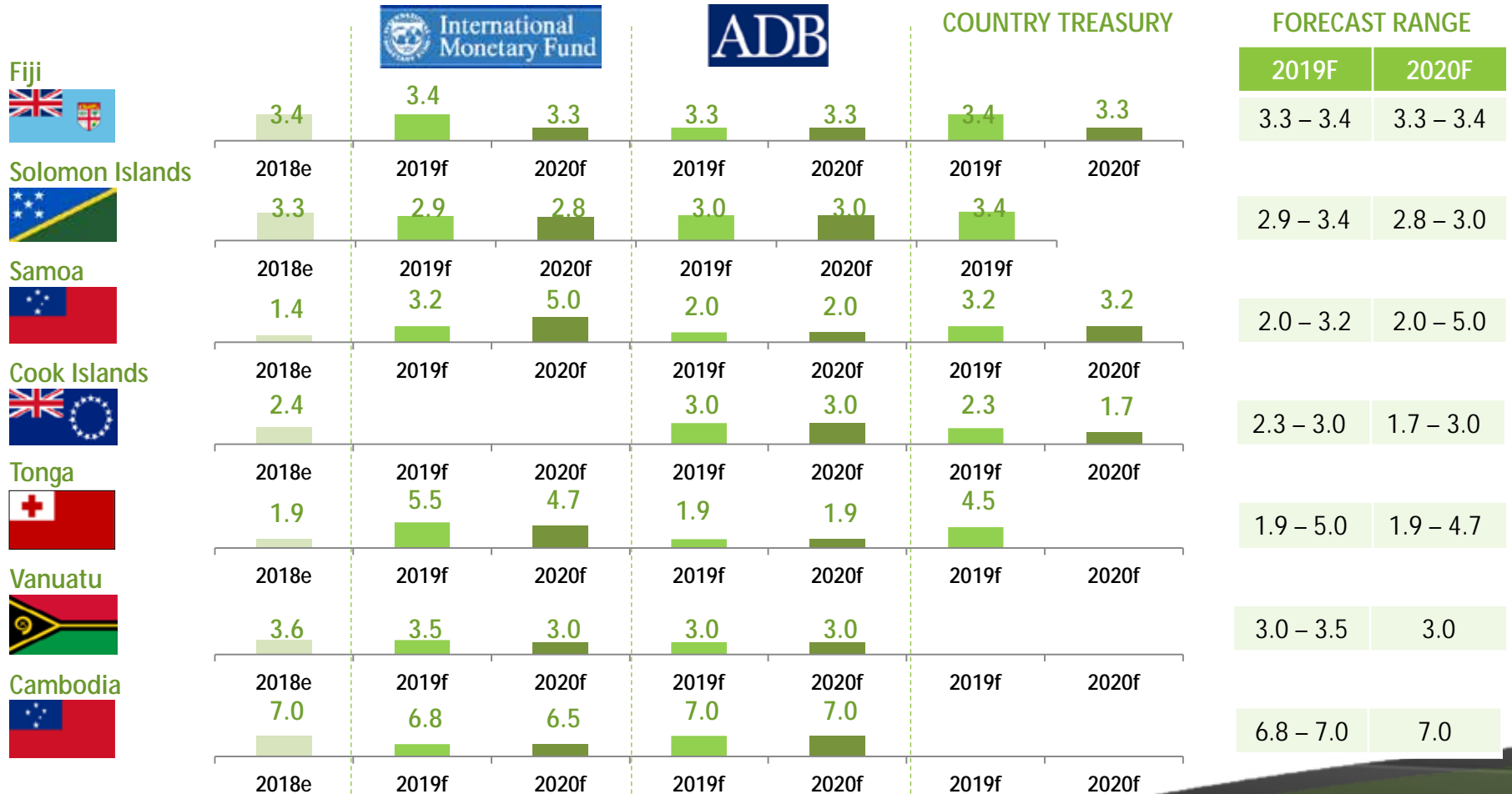
STRONG PNG INVESTMENT PIPELINE

- PNG set for US\$14b gas expansion, with 7-Apr-19 agreement signed by development partners [Oil Search, ExxonMobil, Total] and the Independent State of PNG
- The US\$5.3b Wafi-Golpu project's JV partners signed a MoU with PNG government in Dec-18. Special Mining Lease application has been made ... targeting 30-Jun-19 agreement decision



Region's economic outlook


BSP's non-PNG countries have positive growth prospects




2018 highlights


The BSP Group continues to perform well with 2018 NPAT up 11.5% to K844m. Further, the 2018 result represents three [3] consecutive years of double digit profit growth.


Profit (NPAT) up 11.5% to K844.1m 


Total Income up 8.4% to K2.16bn 

Total Assets up 3% to K23.0bn 

Cost to Income ratio improves to 41.0% 

Capital adequacy marginally lower 22.9% 

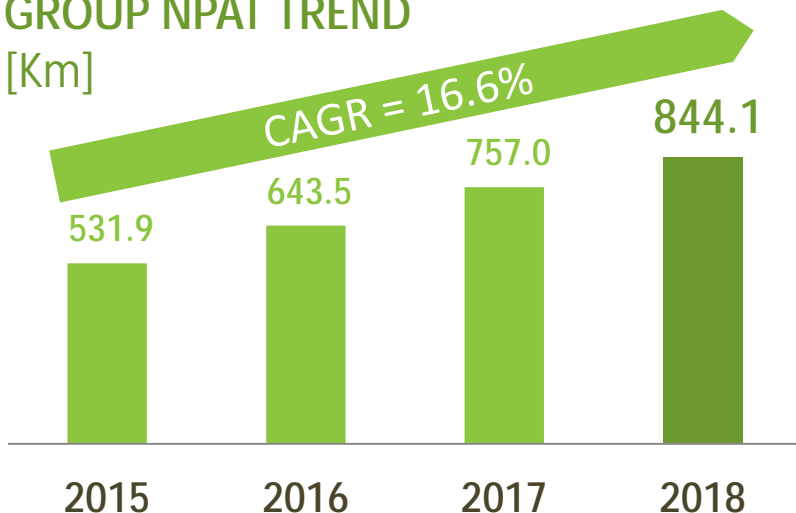
Loan provisions down to 4.7% 

ROE up 30.7% 

Dividend yield up 12.3% 

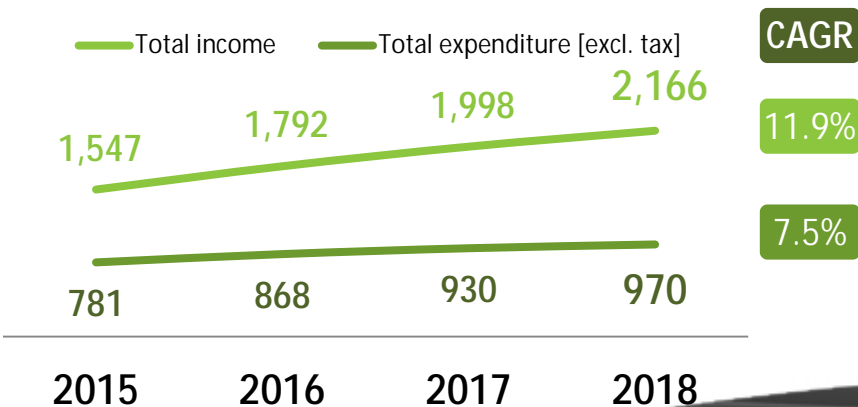
GROUP NPAT TREND

[Km]



GROUP INCOME AND EXPENDITURE TRENDS

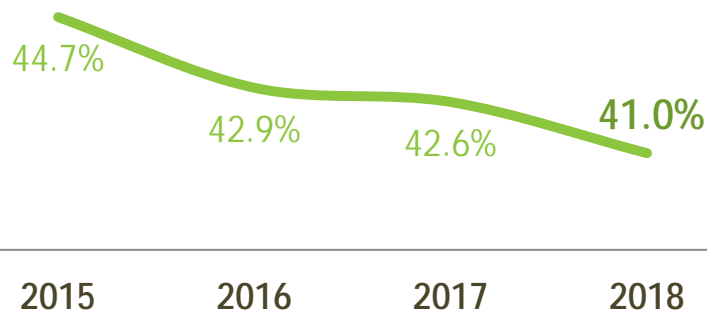
[Km]



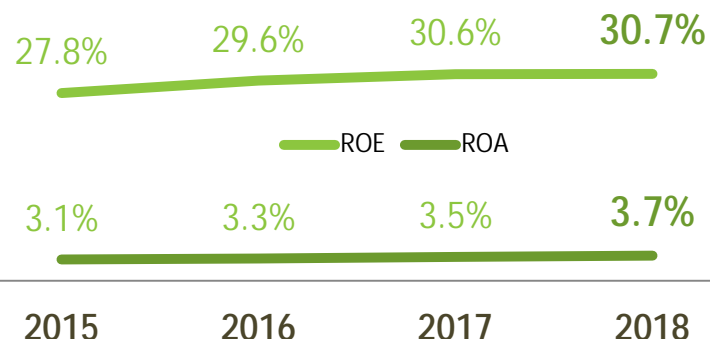
Group financial KPI's

BSP Group has maintained strong results across all key performance ratios

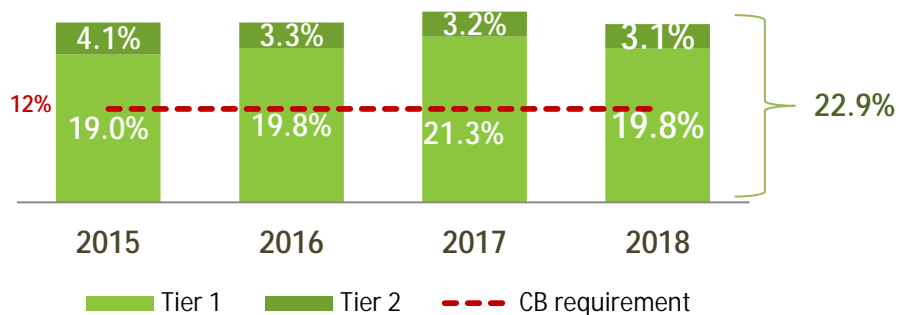
COST TO INCOME



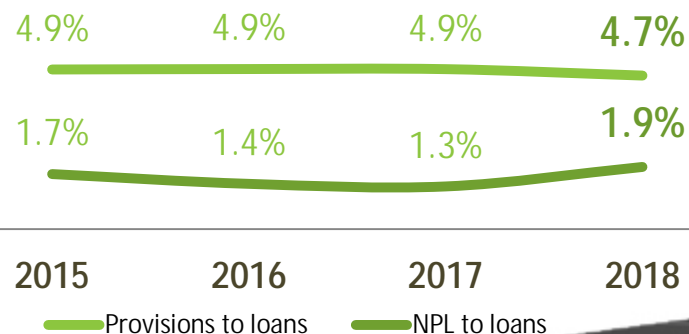
ROE & ROA



CAPITAL ADEQUACY



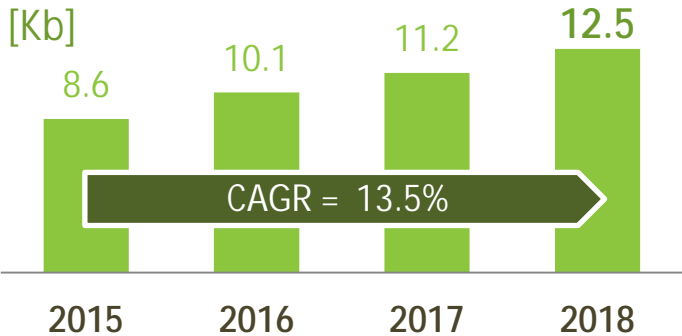
PROVISIONS TO LOANS / NPL TO LOANS



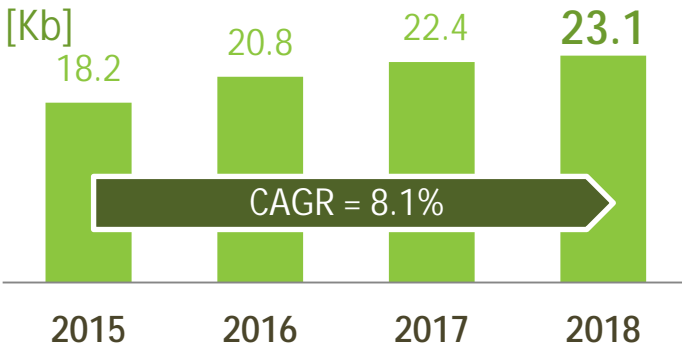
Group financial KPI's

Balance sheet indicators illustrate continued growth in 2018.

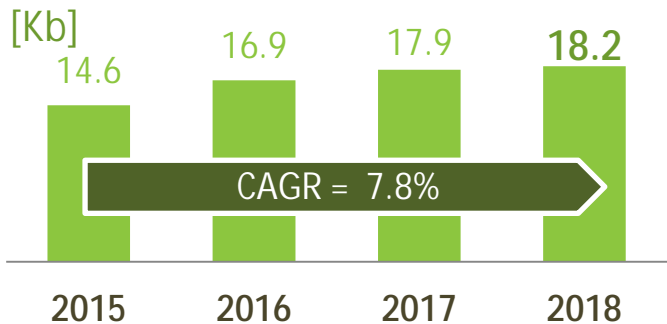
LOANS



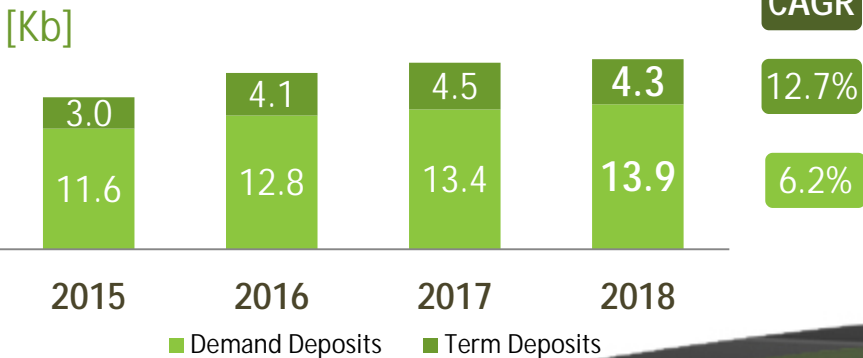
TOTAL ASSETS



DEPOSITS



DEPOSIT MIX

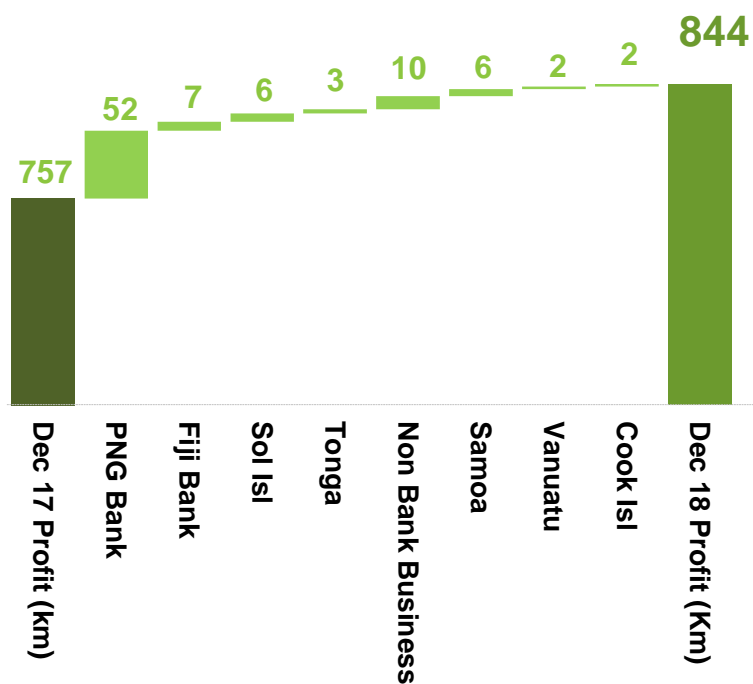


Contribution by business

All countries have contributed positively to BSP's NPAT and total asset growth.

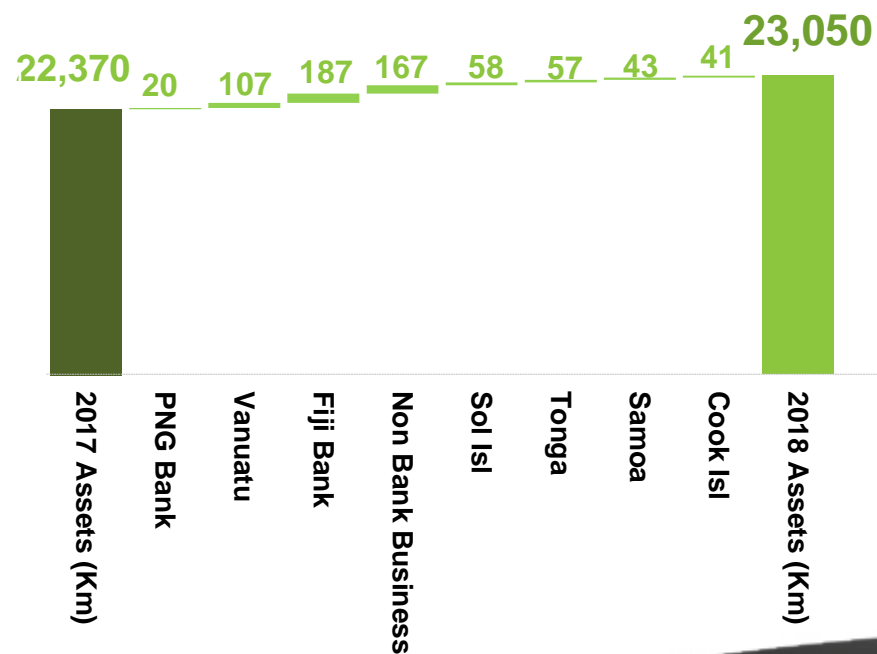
NPAT CONTRIBUTION

[Km]



TOTAL ASSETS CONTRIBUTION

[Km]



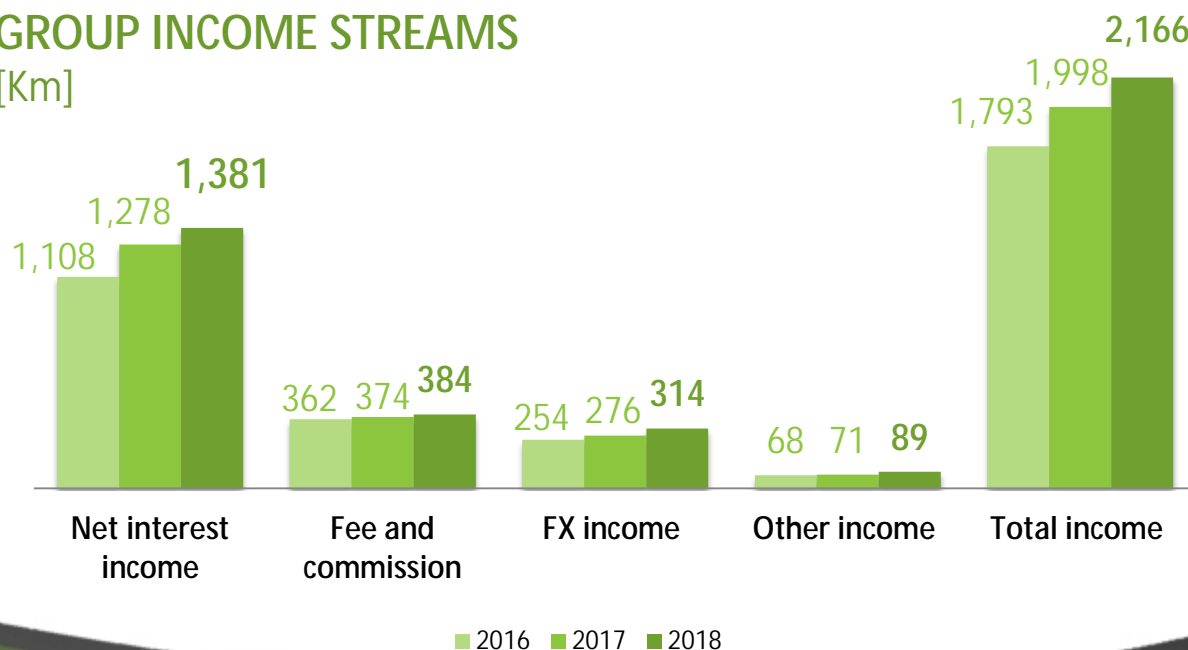
Income stream trends

Total income increased by 8.4% YOY, notwithstanding more subdued economic conditions ... despite BSP reducing / removing various fees in recent years.

	Net interest income	Fee/ commission	FX income	Other income	Total income
YOY:	8.1% ↑	2.7% ↑	13.9% ↑	24.1% ↑	8.4% ↑
CAGR	11.6%	2.9%	11.2%	14.4%	9.9%

GROUP INCOME STREAMS

[Km]



KEY DRIVERS

- Interest income – loans, T-bills/ I. Stock
- Fees & commission – Channels income, lending fees, service charges
- FX Income – Forex
- Other Income¹ – Life Fiji income, operating lease

Key:

- CAGR = compound annual growth rate [2016 to 2018]
- YOY = year on year

Note: ¹ 2018 other income includes one-off aircraft insurance recovery

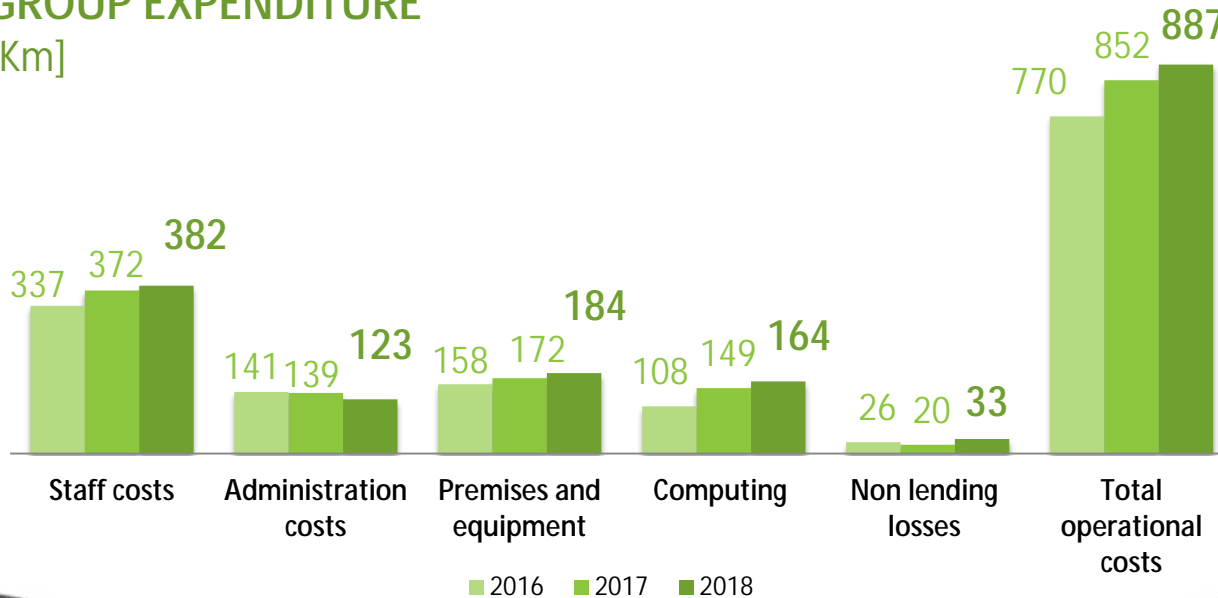
Expenditure trends

Total costs rose marginally by 4.1% in 2018 ... below the three year average of 4.8% per annum. Computing costs grew by 10%, which is in-line with our digital strategy and core banking replacement

	Staff costs	Admin costs	Premises/ equipment	Computing cost	NLL	Total operating costs
YOY:	2.8% ↑	(10.9%) ↓	6.9% ↑	10.1% ↑	64.8% ↑	4.1% ↑
CAGR	6.5%	(6.3%)	7.7%	23.5%	13.8%	7.4%

GROUP EXPENDITURE

[Km]



KEY DRIVERS

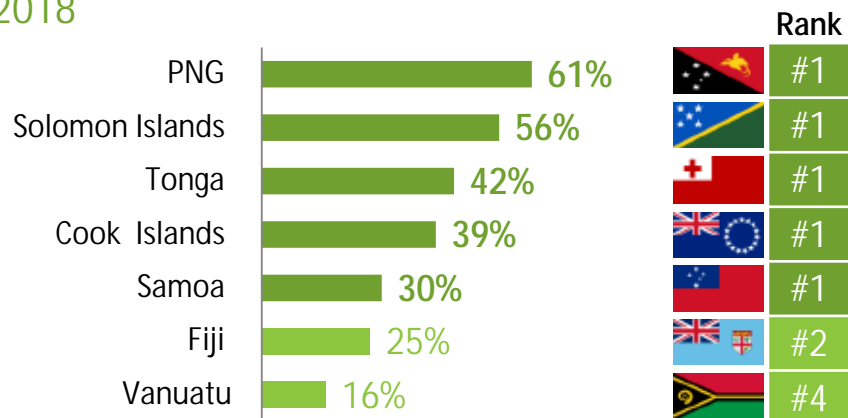
- **Staff Costs** – salaries, training, additional staff, staff rentals
- **Admin Costs** – marketing, Telco, VAT
- **Premises costs** – buildings, depreciation, generators, electricity
- **Computing Costs** – software maintenance, licenses, data links
- **Non Lending loss** – deficiencies, fraud, write-offs [one off write-offs, e.g. loss of aircraft]



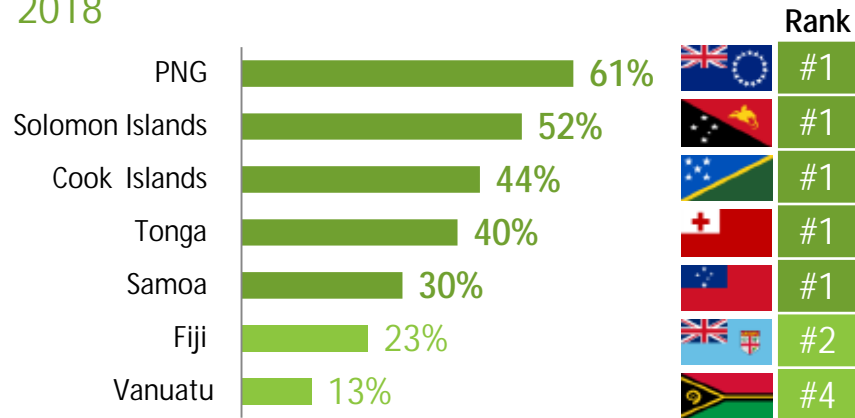
Market strength

BSP's loan and deposit portfolios are predominantly PNG domiciled. During 2018, BSP Samoa improved to #1 in both its loan and deposit market share.

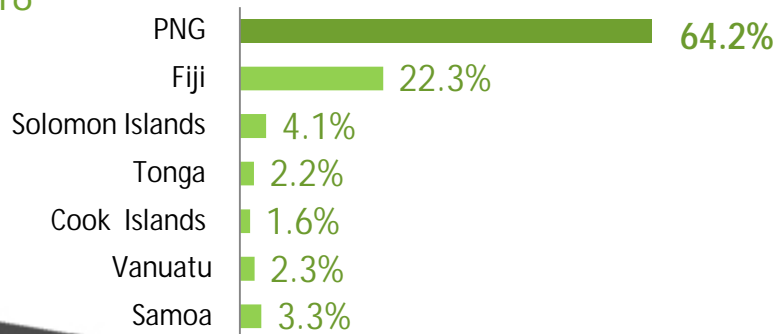
LOANS MARKET SHARE 2018



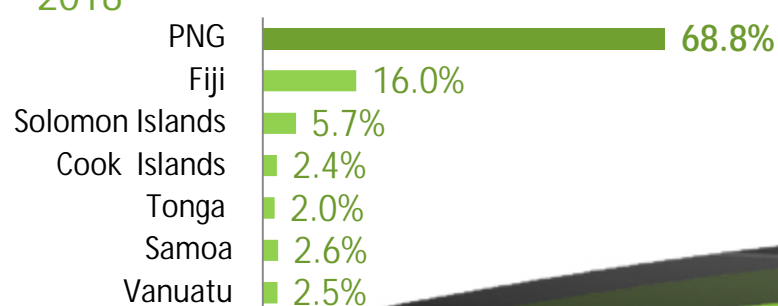
DEPOSIT MARKET SHARE 2018



LOANS PORTFOLIO COMPOSITION 2018



DEPOSIT PORTFOLIO COMPOSITION 2018



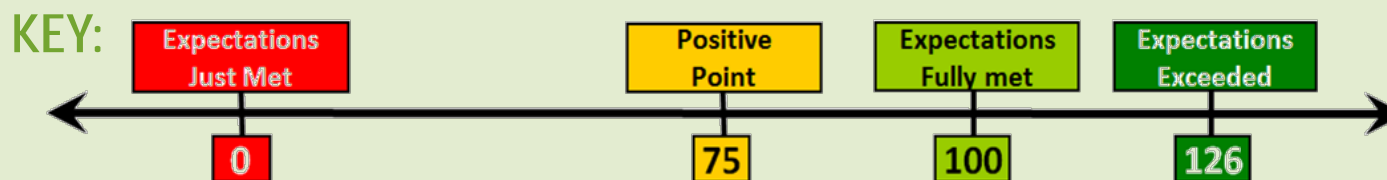
Customer satisfaction

Meeting and exceeding our customers' needs remains an area of focus

	2016	2017	2018	Δ '16 to '18
RETAIL BANK SCORE	83	86	86	+0
CORPORATE BANK SCORE	74	77	87	+10
PARAMOUNT BANK SCORE	93	88	92	+4












SATISFACTION MEASURE EXAMPLES

- Fees, charges and rates
- Branch waiting times and queues
- Branch service levels
- Relationship Manager performance
- Product /service features
- Channel availability [e.g. ATM], etc.



Channel growth

Continued channel investment to improve service levels across the BSP Group

	Total							
 Branches	83	46	17	8	3	2	3	4
 Sub Branches	45	43	0	0	0	0	0	2
 ATMs	529	314	118	30	22	9	23	13
 EFTPOS	13,042	9,203	1,863	341	405	402	427	401
 Agent	591	372	45	75	37	9	29	24

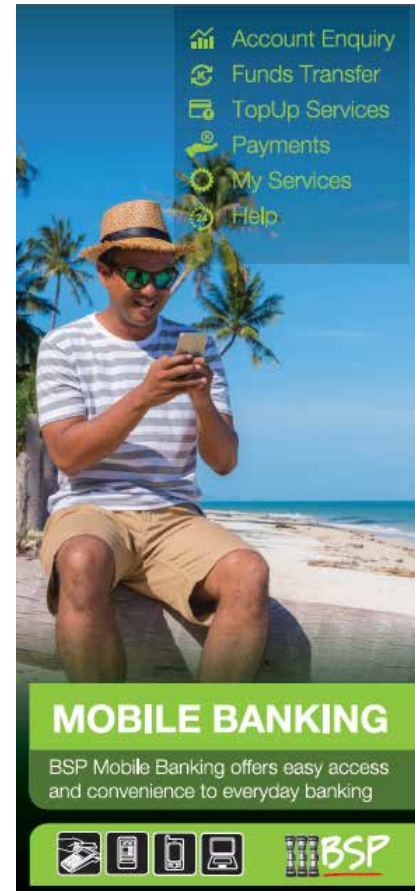


Digital initiatives

BSP will continue to enhance customer experience ... largely through digital investment

KEY MILESTONES

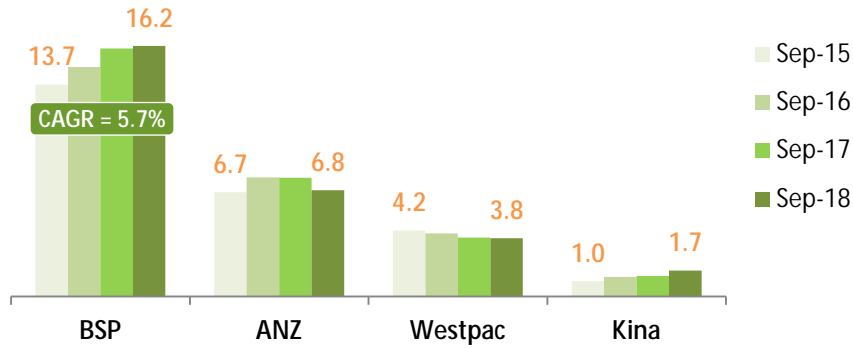
- Digital SBU established in late 2018
- Nuni Kulu appointed General Manager
- Commenced roadmap implementation earlier this year
- 2019 key areas of focus
 - Strategy for e-Commerce
 - BPNG Retail electronic payment system
 - BSP & Visa partnership program
 - All Aboard App
 - Digital Sandbox – published API subscription model
 - Mobile e-wallet and mobile money



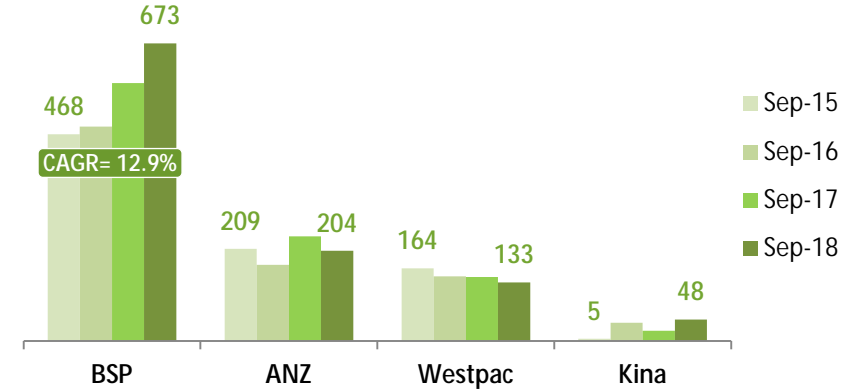
PNG Market peer comparison

BSP remains PNG's market leader

TOTAL ASSETS [Kb]

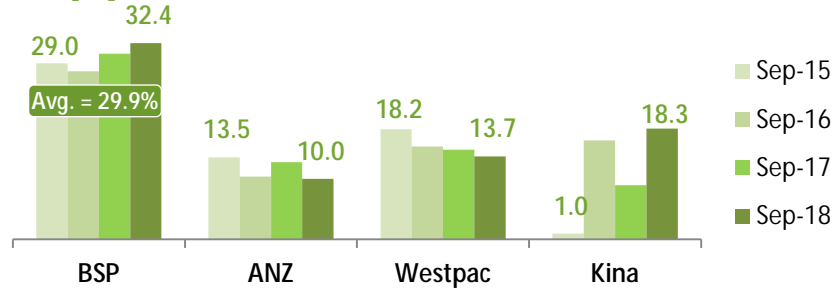


NPAT [Km]



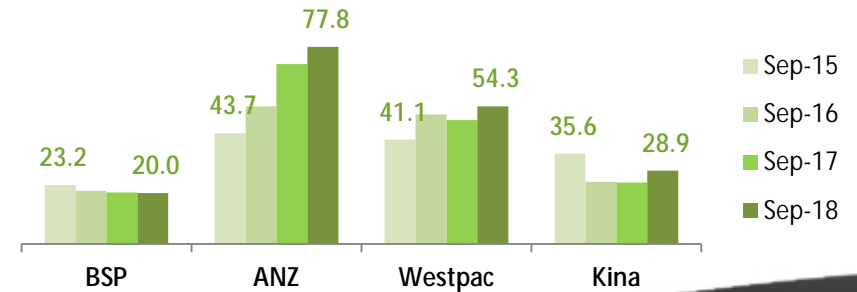
Note: All Kina Bank data is for YE December, all other banks is at YE September
Source: KDS, BSP

ROE [%]



Note: All Kina Bank data is for YE December, all other banks is at YE September
Source: KDS, BSP

CAPITAL ADEQUACY [%]



BSP and the community....

Our corporate social responsibility ... 2018 support was over **K8m** in cash and kind.



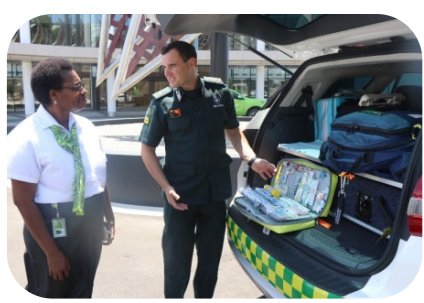
Sponsorship
K1.8m



- 37% Sport
- 62% Conferences



Donations
K2.7m



- 37% Disaster Relief
- 22% Health
- 21% Charities

Our Community Project of "Solar Light Installation", enabled BSP to deliver **45 PNG projects** to the value of **K1.16m** in 2018 ... and offshore branches to the value of **K148,000**



87%
Solar in Schools

9%
Health Support

4%
Disaster Relief

- 381 Projects delivered since 2009
- K8.96m in project value from 2009 - 2018



Growing PNG's 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 / security

- Attractive 4.00% per annum rate over a 40 year loan term for a K400,000 loan, this reduced interest rate would save a borrower ~ K688 in interest costs per month, or K8,250 per annum ... when compared to a standard variable rate home loan

FHOS

Interest Rate
4.00% pa

Repayment per month
K 1,688

Repayment per fortnight
K 779

STANDARD HOME LOAN

Interest Rate
6.50% pa

Repayment per month
K 2,376

Repayment per fortnight
K 1,097

FIRST HOME OWNERSHIP SCHEME LOAN			
	2017	2018	Change
Accounts [No.]	549	737	34%
Balance [Km]	161.0	225.0	40%

HOUSING LOANS			
	2017	2018	Change
Accounts [No.]	1,217	1,364	12%
Balance [Km]	255.9	312.4	22%

Thank you BSP!

“BSP Home Loan helped us to purchase our first house.”

David Jonah
First Home Buyer



A range of home loan products for first home buyers and existing home owners.



Facilitating PNG's economic growth

BSP is a strong supporter of the PNG Government's economic policy to grow the number and capacity of PNG's SMEs as seen through its strong growth in 2018

Expanding SME sector critical to Papua New Guinea's future, says MD of SME Corporation

6 Jun 2018 by David James 5 Comments

Papua New Guinea will have to dramatically expand its small and medium enterprise (SME) sector if it is to achieve middle-income status by 2030, according to Steven Maken, Managing Director of the Small and Medium Enterprises Corporation (SMEC) of Papua New Guinea. That will involve dealing with some key constraints.

SMART BUSINESS ACCOUNTS

	2017	2018	Change
Accounts [No.]	23,796	38,341	61%
Balance [Km]	465.9	766.8	64%

SMART BUSINESS BASIC LOAN

	2017	2018	Change
Accounts [No.]	1,199	1,860	55%
Balance [Km]	54.5	102.2	88%

SMART SOLUTIONS FOR SMALL BUSINESSES

- ✓ Smart Business Current Account
- ✓ Smart Business Deposit Account
- ✓ Smart Business Loan
- ✓ EFTPoS, Mobile & internet Banking

WE ARE BSP

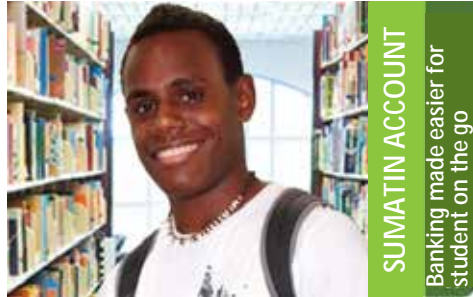
BSP

Taxet Hiron, Mibasa Fresh Fruit & Vegetable Supplier
Gina Suga, Tawera Delight
Steven Vister, Zomani Gas Ltd.



Financial inclusion

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



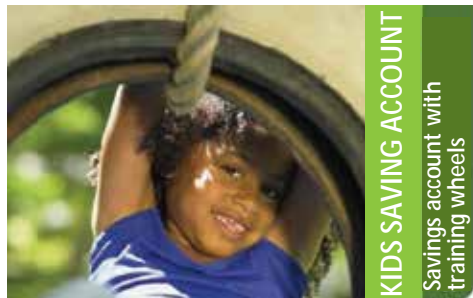
SUMATIN ACCOUNT

Banking made easier for student on the go

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

SUMATIN ACCOUNT

	2017	2018	Change
Accounts [No.]	136,229	168,626	24%
Balance [Km]	11.3	13.8	22%



KIDS SAVING ACCOUNT

Savings account with training wheels

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

KIDS SAVINGS ACCOUNT

	2017	2018	Change
Accounts [No.]	57,408	73,763	28%
Balance [Km]	14.0	18.6	3%



PLUS SAVER ACCOUNT

Save more & get more

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

PLUS SAVER ACCOUNT

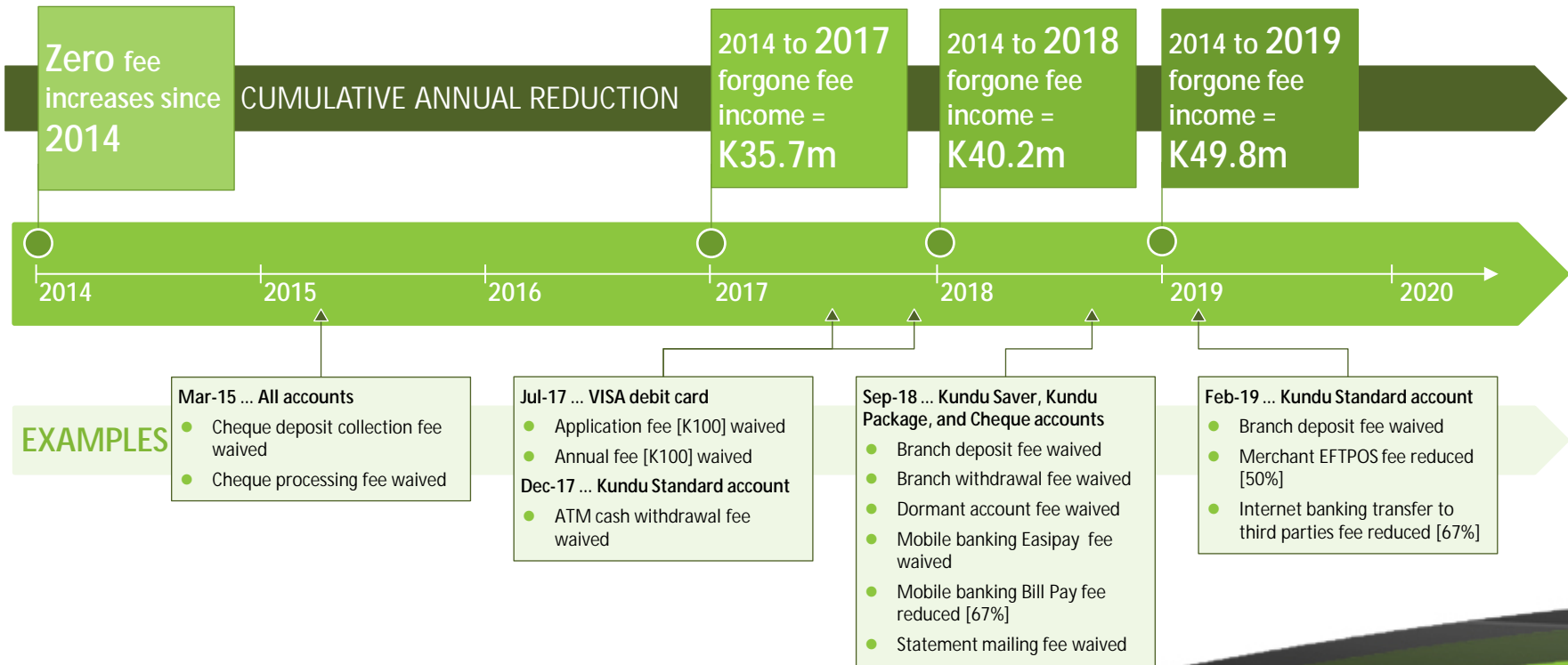
	2017	2018	Change
Accounts [No.]	79,632	114,387	44%
Balance [Km]	182.8	227.3	24%



Delivering greater value to customers

Zero fee increases since 2014 and forgone fee income in the order of K40.2m per annum in 2018, due to fees reduced or waived ...

... since 2014, we estimate that the cumulative annual fee income forgone will increase to just under K50m in 2019.



BSP Group strategic focus

In 2019 BSP will focus on developing and executing its Digital Strategy and the implementation of its new Banking system. It will also be maintaining its geographic and service diversification strategy.

Pacific Islands	Digital Strategy and PNG Banking Innovation	<ul style="list-style-type: none">● Successful implementation of Core Banking system replacement over a three year timetable● Continue innovation through digital strategy
	OSB Market Strategy	<ul style="list-style-type: none">● Monitor acquisition opportunities in the Pacific● Develop capabilities in new product segments, and refresh capabilities of existing e-products● Achieve ROE/ROA targets
	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 – expand BSP Life PNG’s product range
Regional	Growth acquisitions in Pacific and Southeast Asia Region	<ul style="list-style-type: none">● Mekong Delta – progress further market entry opportunities● Consolidate leadership position in existing and new Pacific markets● Grow and geographically diversify BSP’s network





Q1-2019 results



Profit and Loss [Q1-19]

BSP's NPAT increased by 2.8 % in Q1-19 due to operating costs ... and by 8.6% year-on-year [Q1-18 vs Q1-19]

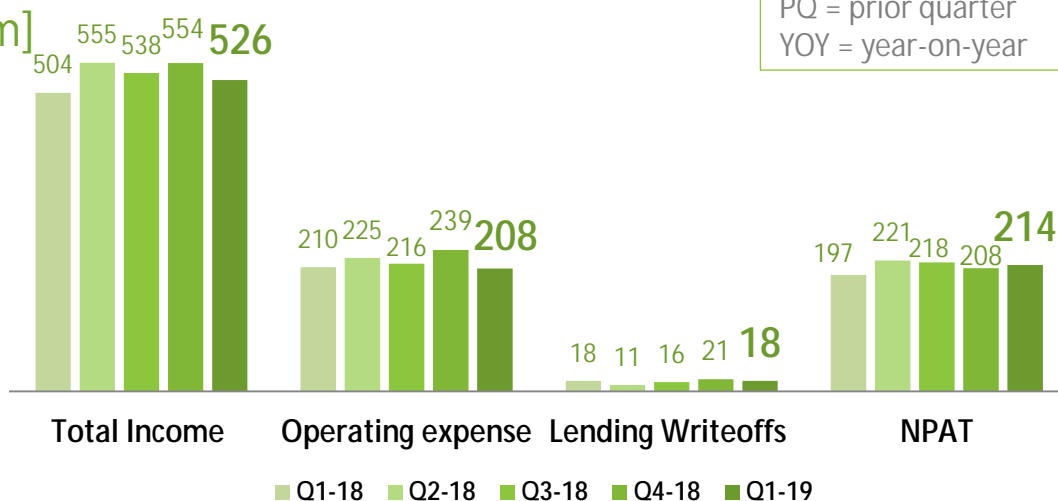
	Total Income	Operating costs	Lending Write-offs	NPAT
PQ	(5.2%) ↓	(13.1%) ↓	(12.1%) ↓	2.8%
YOY	4.2% ↓	(1.0%) ↓	2.8% ↓	8.6% ↑

HIGHLIGHTS

- Q1-19 operating income is 5% lower than Q4-18, given a reduction in FX income and BSP Life Fiji income [from revaluation of investments adjustments in Q4-19].
- Total operating costs are 13.1% lower in Q1-19, due to lower computer license costs and fixed asset write off.
- Group cost-to-income ratio improved to 39.5% in Q1-19.

BSP GROUP QUARTERLY P&L

[Km]



Balance sheet [Q1-19]

Loans and advances increased by 2.3%, while deposits declined by 1.1% in Q1-19. Total assets remain steady at K23b.

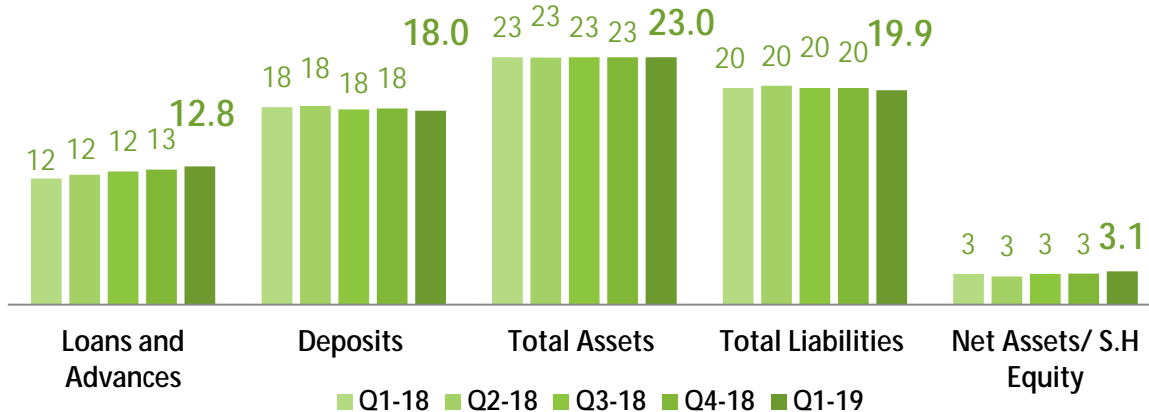
	Loans and advances	Deposits	Total Assets	Total Liabilities	Net assets / SH equity
PQ	2.3%	(1.1%)	0.0%	(1.1%)	7.6%
YOY	9.5%	(1.7%)	0.1%	(1.2%)	8.9%

HIGHLIGHTS

- Total loans increased by K284m in Q1-19 [PNG +K138m, Fiji K75m, SI K30m, Samoa K11m, Tonga K10m, Vanuatu K6m, Cook Is K8m, remaining OSBs/SUBs +K6m].
- PNG SBU Loan movements – Corporate +K75m, Retail +K28m
- Deposits reduced overall by -K207m in Q1-19. PNG -K413m, Fiji +K111m, SI +K62m, Samoa +K67m, Tonga -K27m, Cooks +K10m, Vanuatu -K12m and other OSB/subs -K5m.
- FX translation in Q1-19 for loans was +K25m and Deposits -K32m.

BSP GROUP QUARTERLY BALANCE SHEET [Kb]

Key:
PQ = prior quarter
YOY = year on year



Group key ratios [Q1-19]

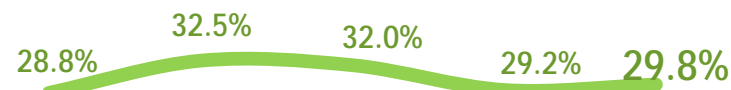
All key ratios remain positive

COST TO INCOME TREND



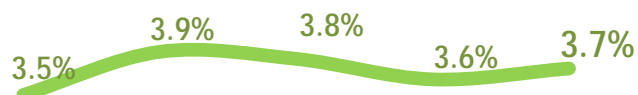
Q1-18 Q2-18 Q3-18 Q4-18 Q1-19

ROE [annualised]



Q1-18 Q2-18 Q3-18 Q4-18 Q1-19

ROA [annualised]



Q1-18 Q2-18 Q3-18 Q4-18 Q1-19

LOAN TO DEPOSIT RATIO



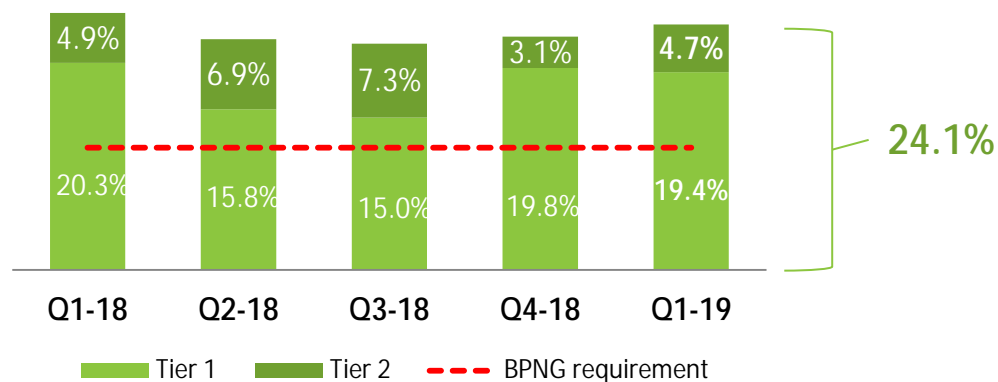
Q1-18 Q2-18 Q3-18 Q4-18 Q1-19



Group key risk ratios [Q1-19]

Our risk ratios remain stable and asset quality remains sound

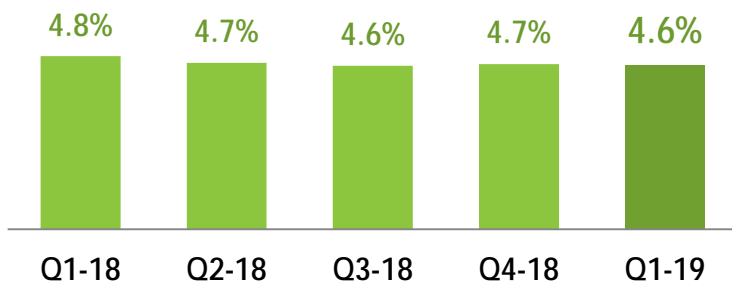
CAPITAL ADEQUACY



HIGHLIGHTS

- Capital adequacy ratio increased slightly to 24.1% in Q1-19 remaining well in excess of the 12% prudential requirement.
- BSP's provisions to loans ratio in Q1-19 remains relatively stable consistent with IFRS 9 models.

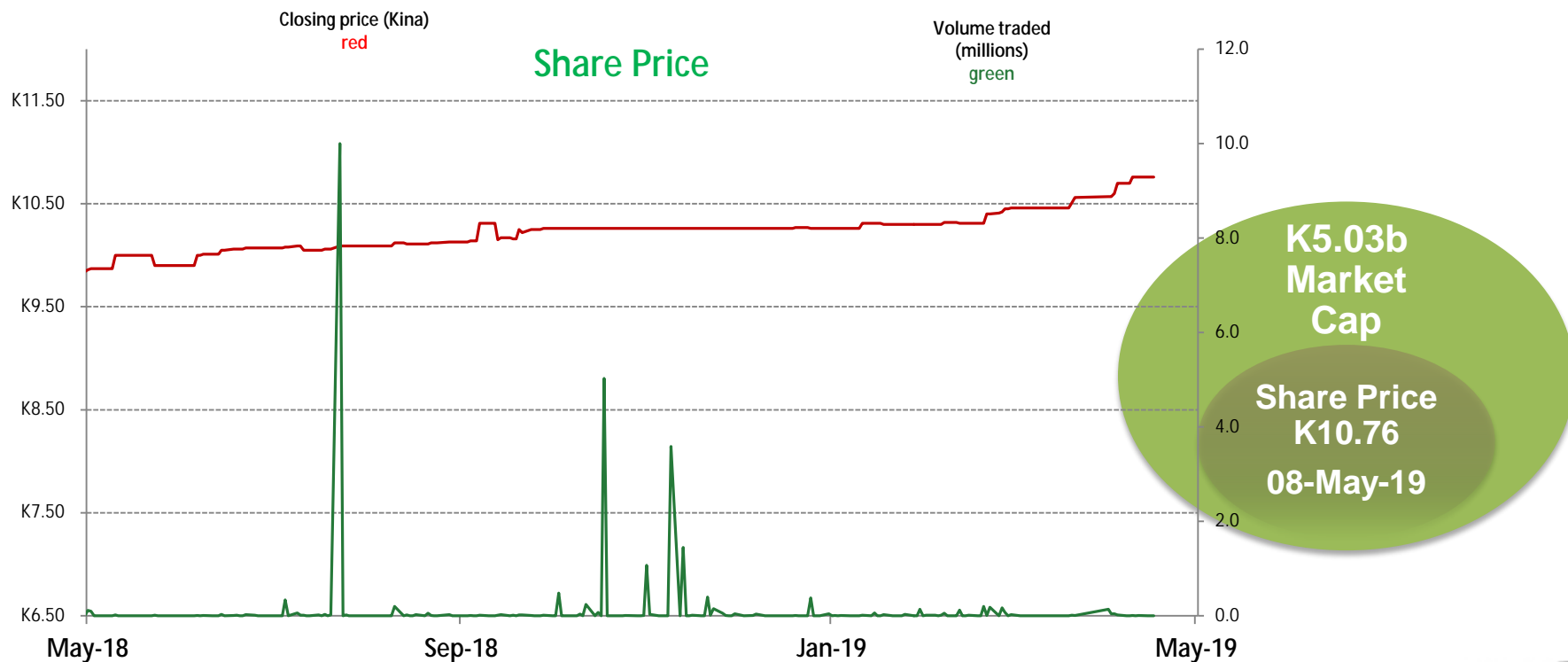
PROVISIONS TO LOANS



Share price

Dividend yield of 12.73%, based on K10.76 share price ... and market capitalization of K5.0b.

01st May 2018 TO 08th May 2019



2018 dividend

BSP's final dividend of K1.01, brings our total dividend to K1.37



PLANNED PROCESSING DATES

- Ex-date: 31st May 2019
- Record date: 7 June 2019
- Payment date: 21 June 2019

SHAREHOLDER RETURNS SUMMARY

	2016	2017	2018	Change
EPS [K]	1.38	1.62	1.81	11%
Payout ratio	75.5%	75.9%	75.8%	-90 bps
Dividend yield	10.95%	12.88%	12.73%	-15 bps



Conclusions

- 1 2018 was an outstanding year with NPAT increasing by 11.5% to K844m ... with improvements across virtually all financial metrics
- 2 ROE maintained > 30%, ROA at 3.7% is at highest level in the last five years
- 3 Cost-to-income ratio down to 41.4% ... its lowest level in the last five years, not withstanding investments in the new core banking system and digital channels [EMV, EFTPOS]
- 4 Capital adequacy sound, and dividend yield and EPS are all market leading
- 5 Immediate focus on executing our Digital Strategy and the Core Banking system implementation ... to maintain our leadership position
- 6 Increasing contribution from Non-PNG Business ... and we expect greater contributions in coming years
- 7 BSP is a significant contributor to economic growth in PNG and the Pacific

