



---

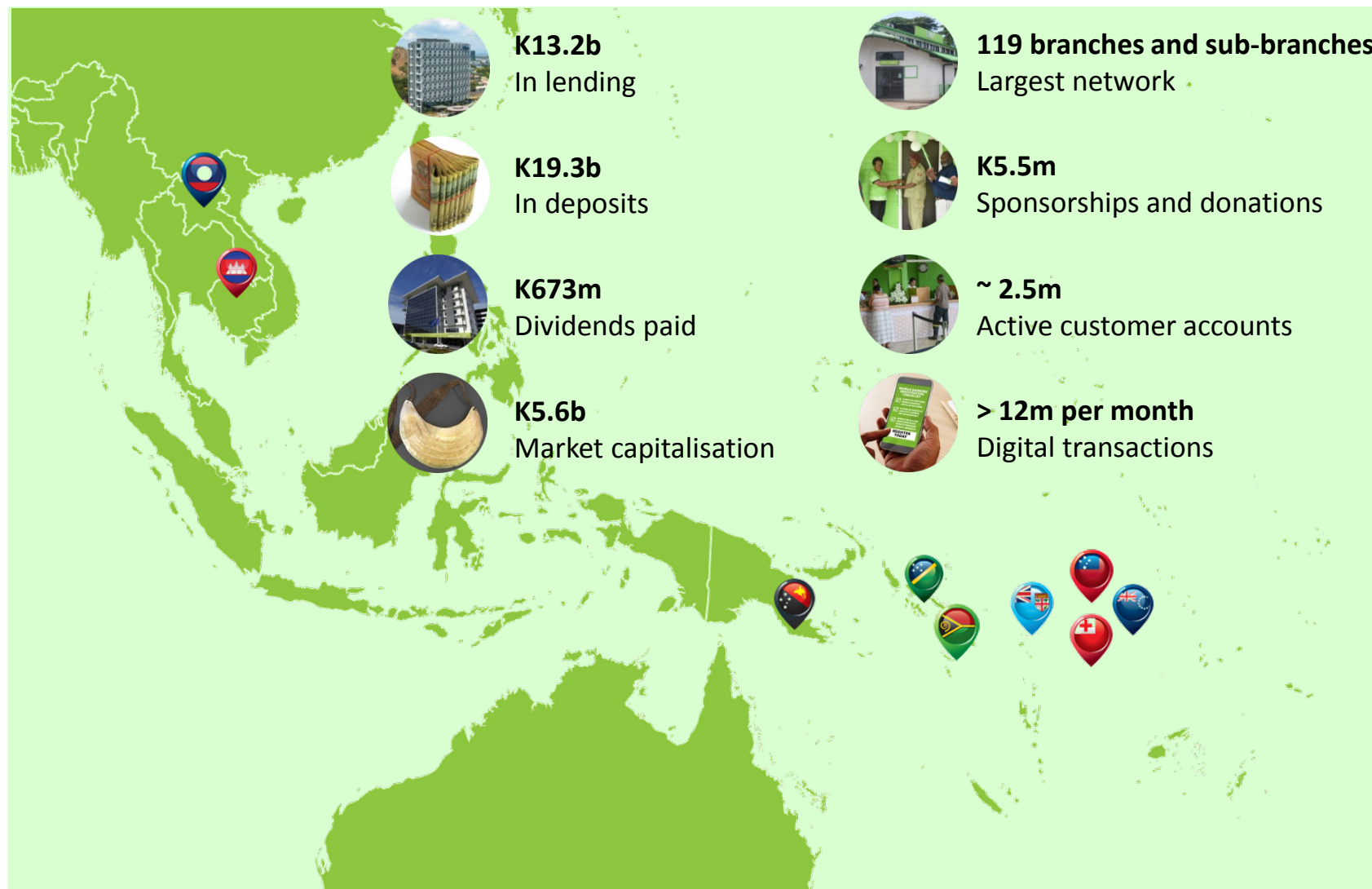
# SHAREHOLDER PRESENTATION

2019 Full Year Results

# 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



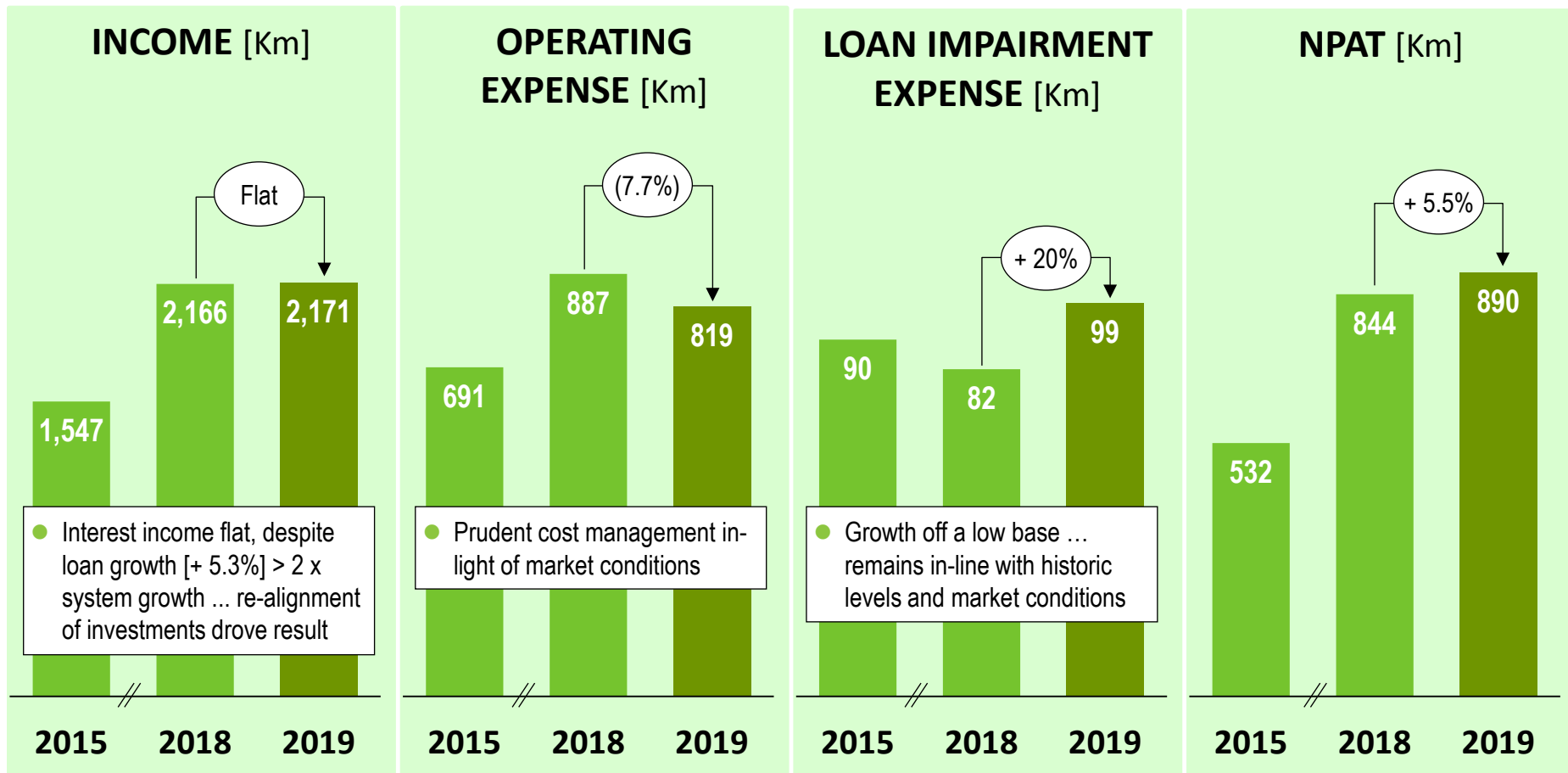
Record profit + strong capital position + stable dividend

	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]	139	+ 9.4%
● Market capitalisation [Kb]	5.5	+ 14.8%

# Group NPAT



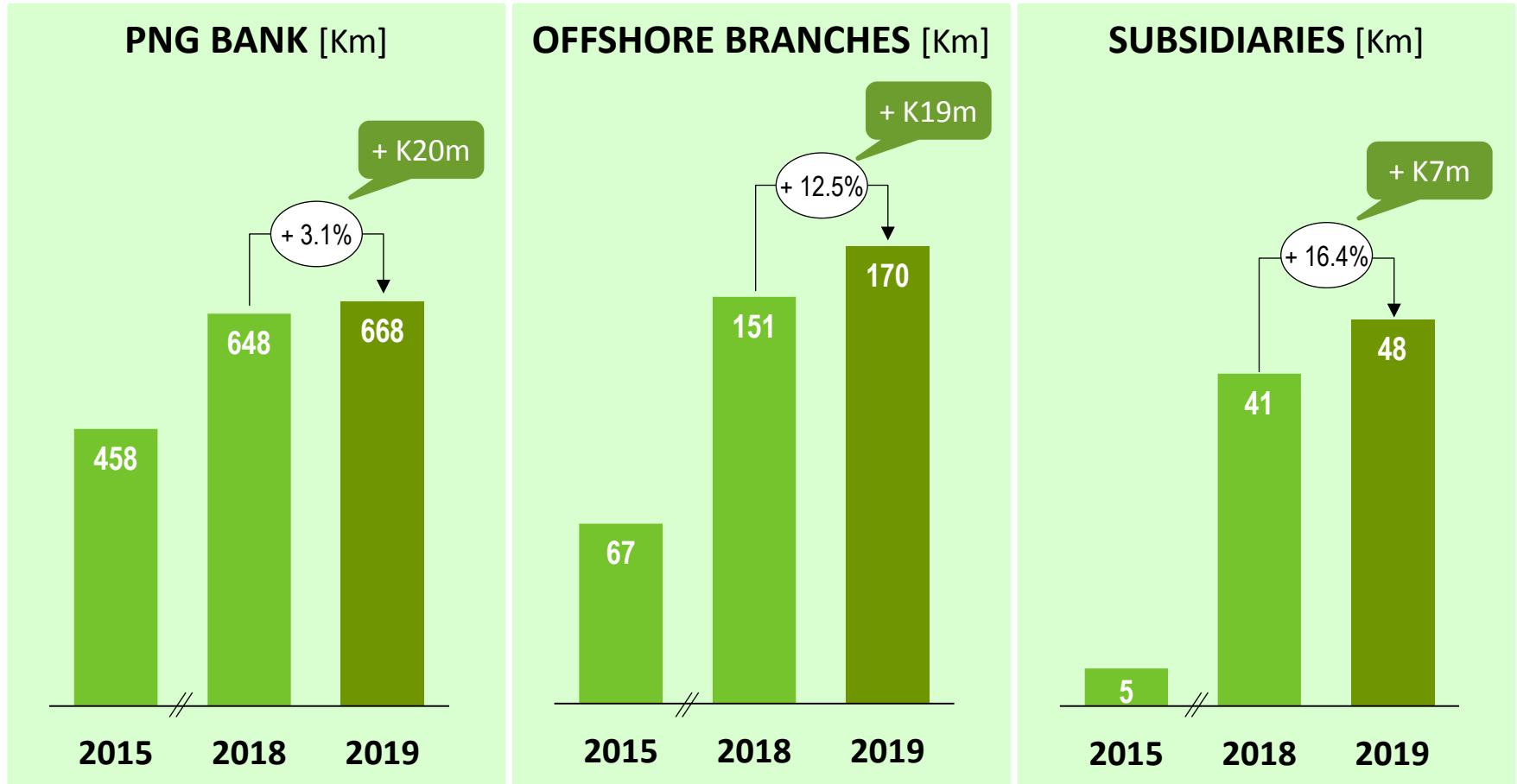
NPAT grew by K46m [5.5%] ... despite economic headwinds and uncertainties



# NPAT by division



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



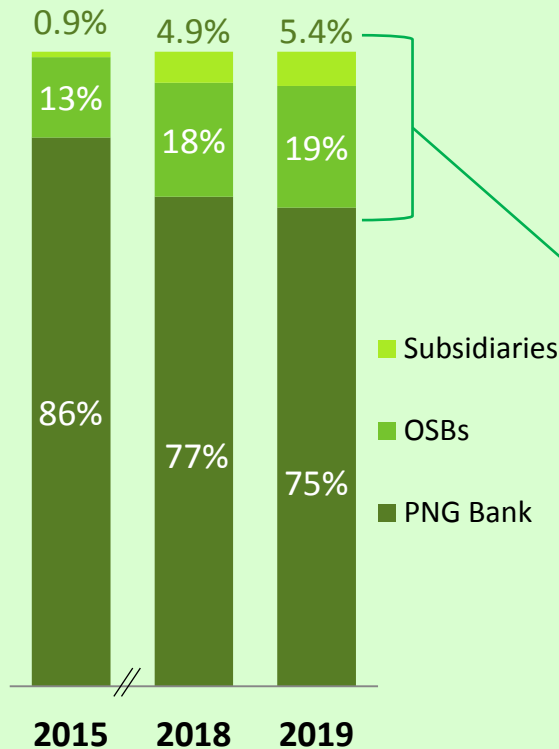
# NPAT contribution mix



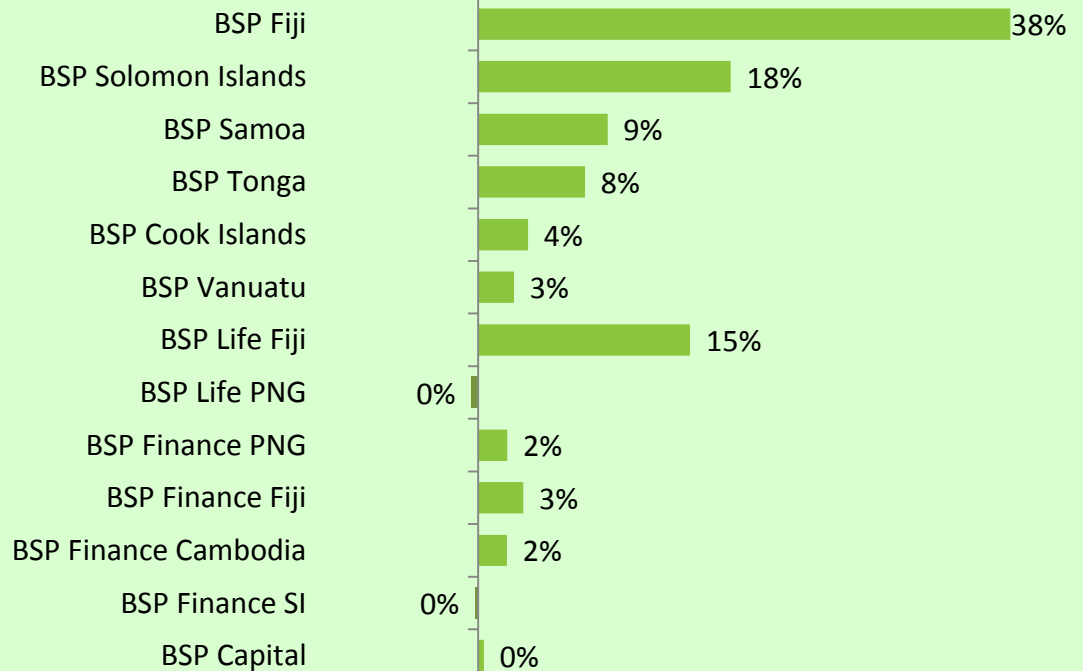
Our diversification strategy is working ... with growing offshore branch and subsidiary contributions

## NPAT CONTRIBUTION MIX

[%]



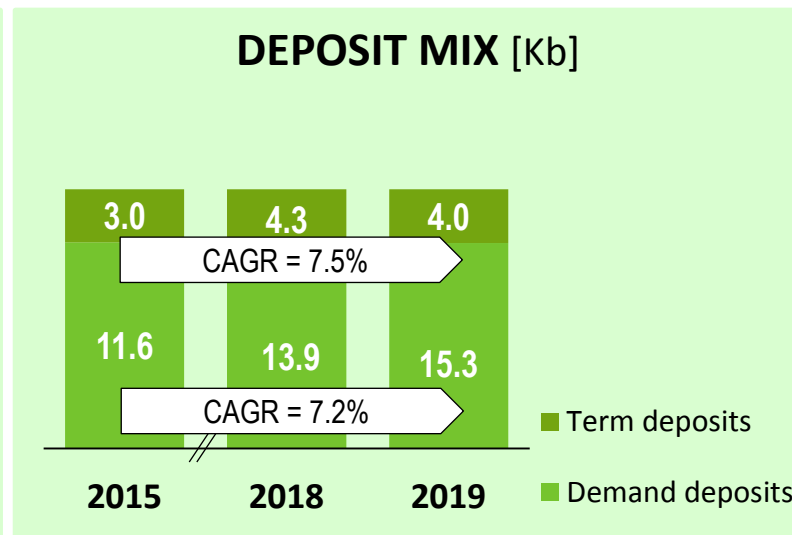
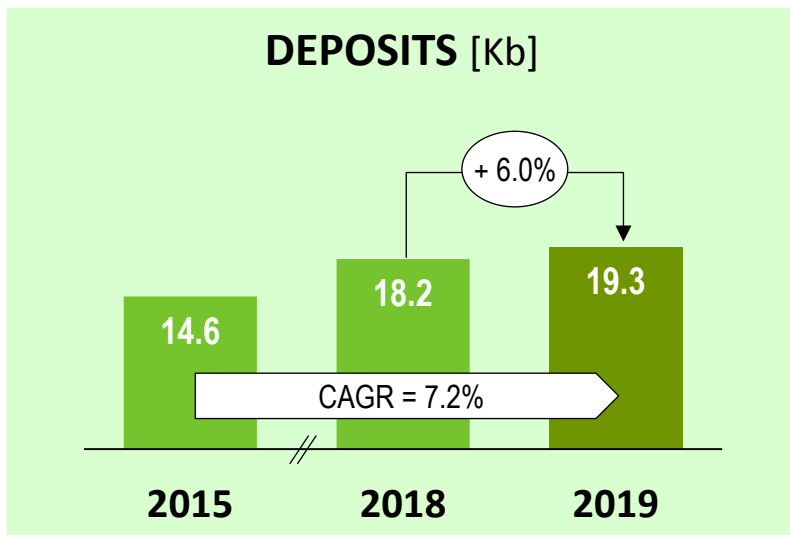
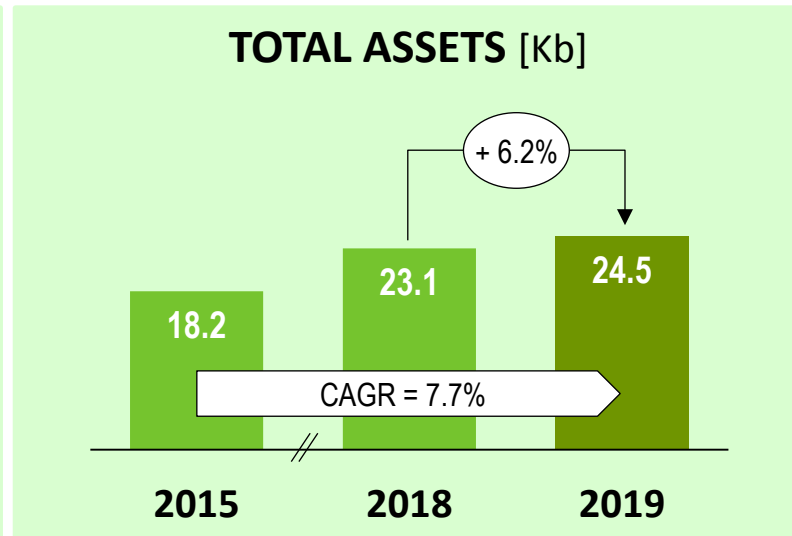
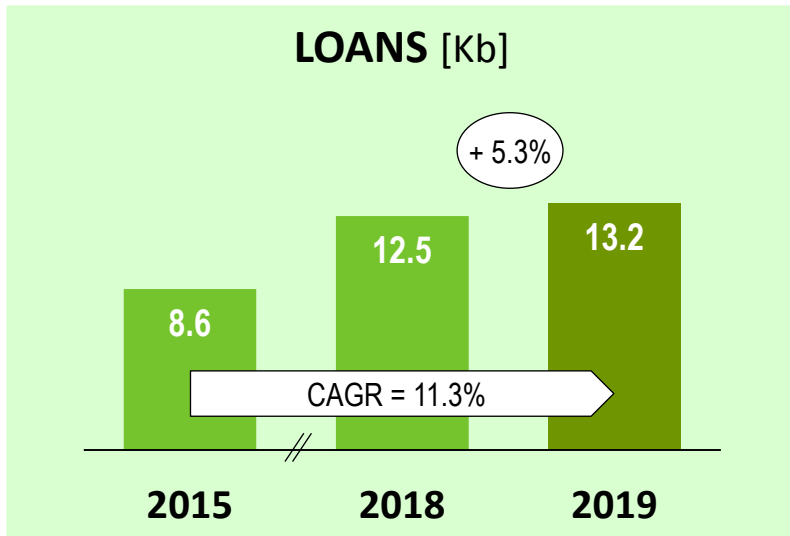
## OFFSHORE BRANCH AND SUBSIDIARY NPAT 2019 CONTRIBUTION [%]



# Financial metrics



Balance sheet indicators illustrate continued growth in 2019



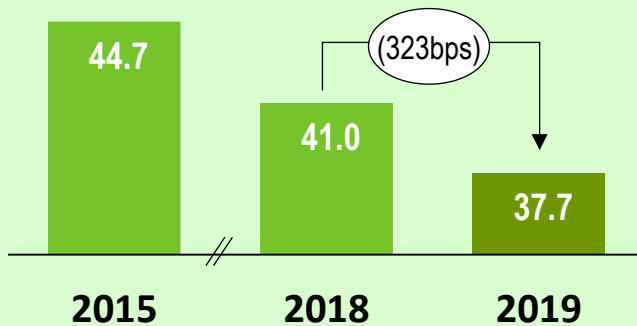


# Key ratios

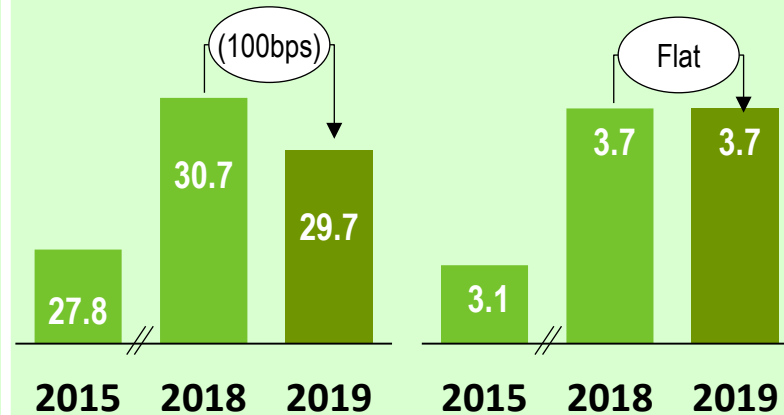


BSP Group has maintained strong results across all key performance ratios

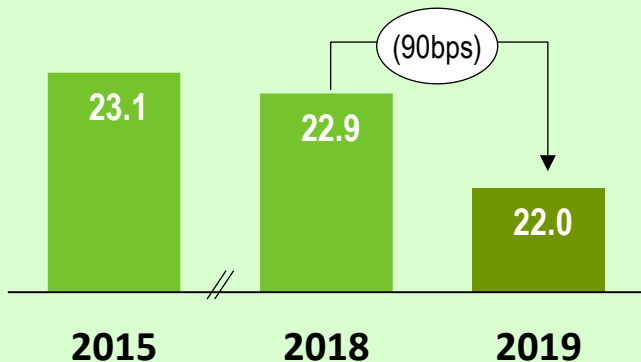
### COST TO INCOME [%]



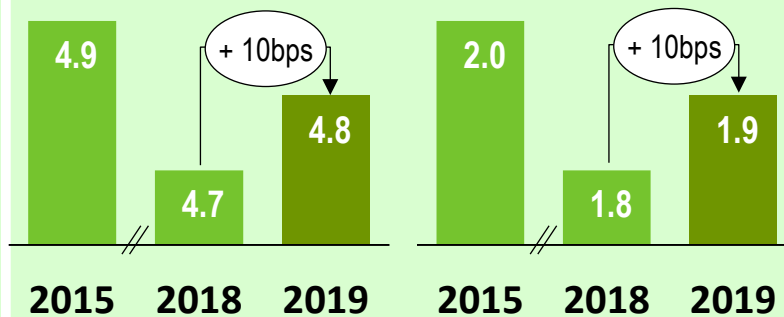
### ROE & ROA [%]



### CAPITAL ADEQUACY [%]



### PROVISIONS TO LOANS / NPL TO LOANS [%]



# Income stream trends



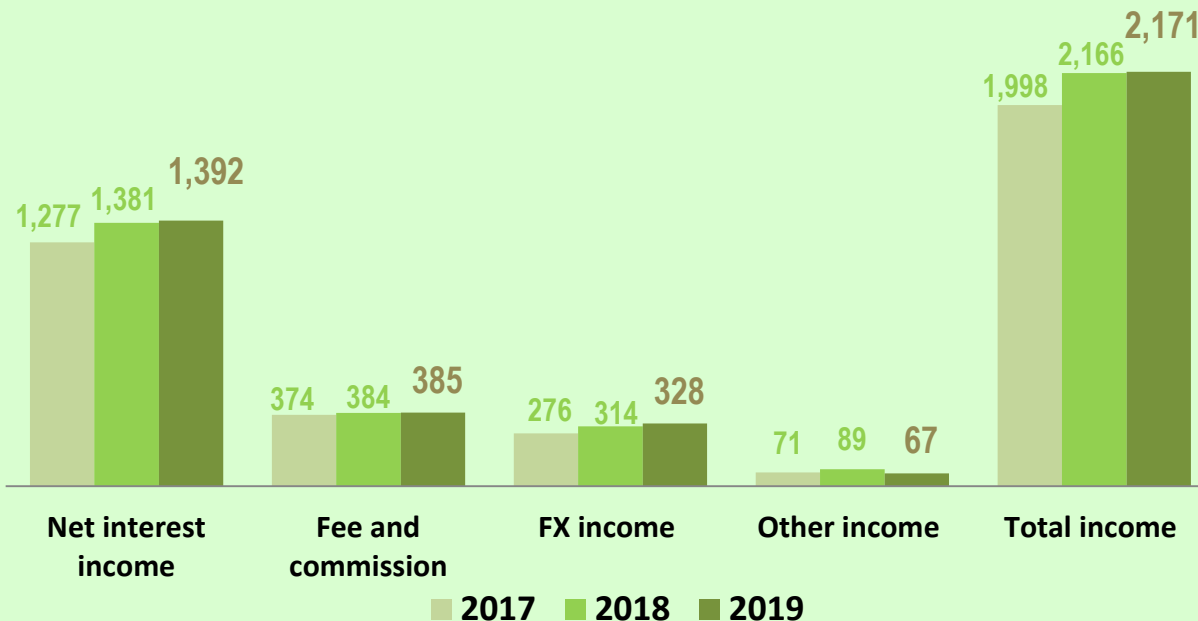
Total income was flat ... given fee reduction initiatives and movement of interest bearing investments

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

## KEY DRIVERS

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

## GROUP INCOME STREAMS [Km]



### Key:

CAGR = Compound annual growth rate [3 years]

YOY = year on year

# Expenditure trends



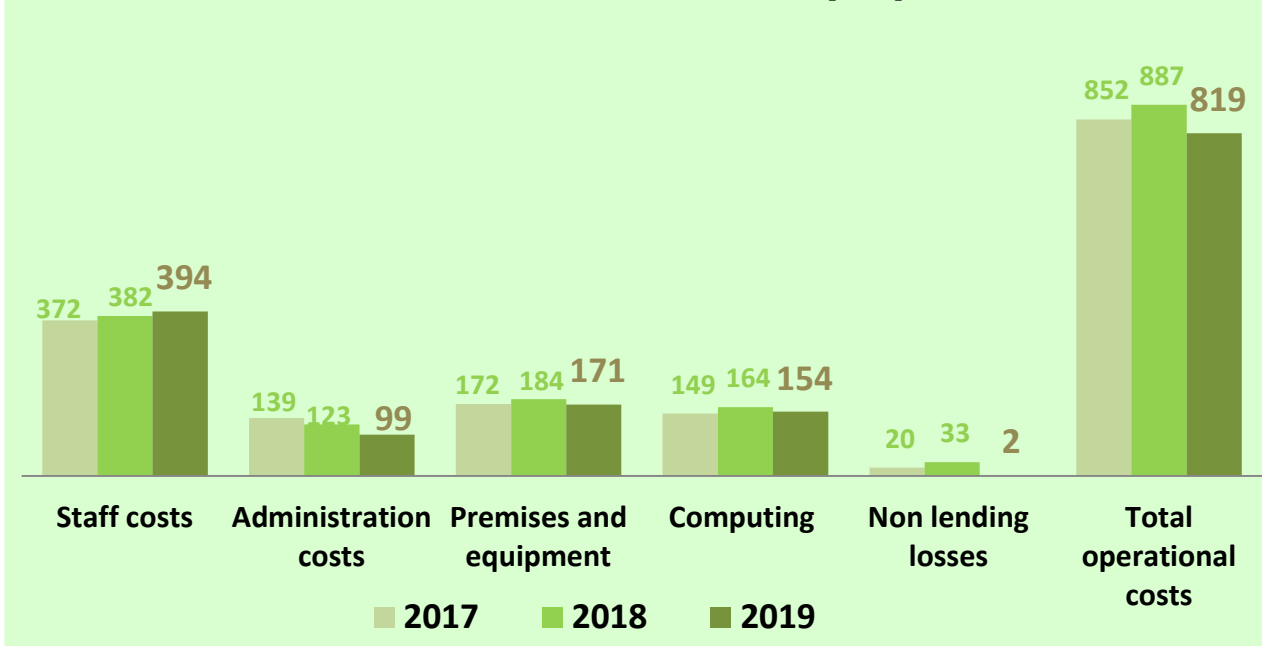
Prudent cost management in-light of market conditions

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

## 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:

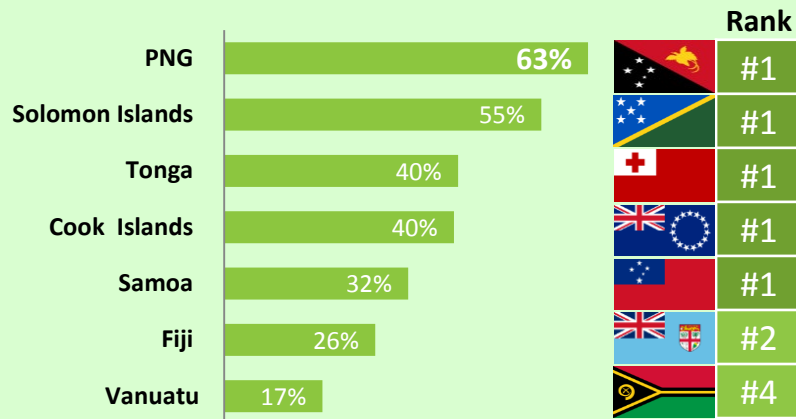
CAGR = Compound annual growth rate [3 years]  
 YOY = year on year

# Market strength

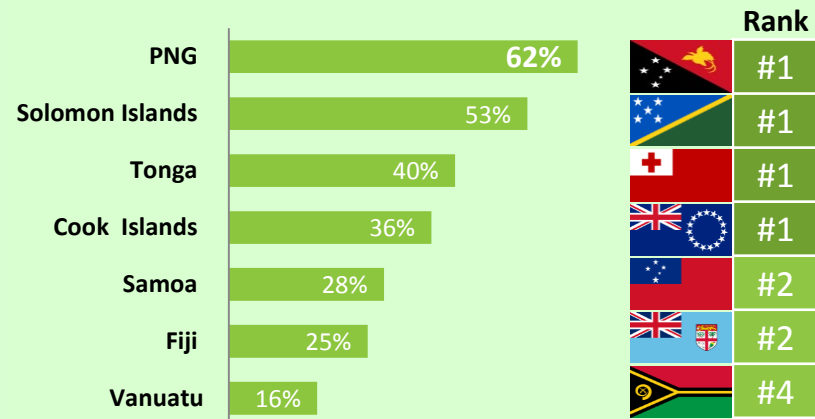


BSP's is #1 in lending in 5 countries ... and #1 in deposits in 4 countries.  
Our loan and deposit portfolios are predominantly PNG domiciled.

## LOANS MARKET SHARE [2019, %]

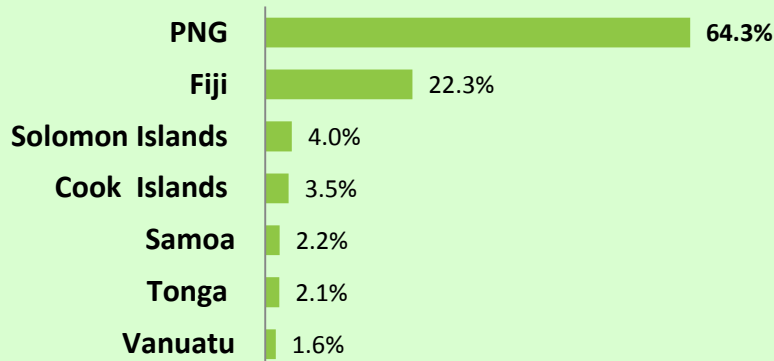


## DEPOSIT MARKET SHARE [2019, %]



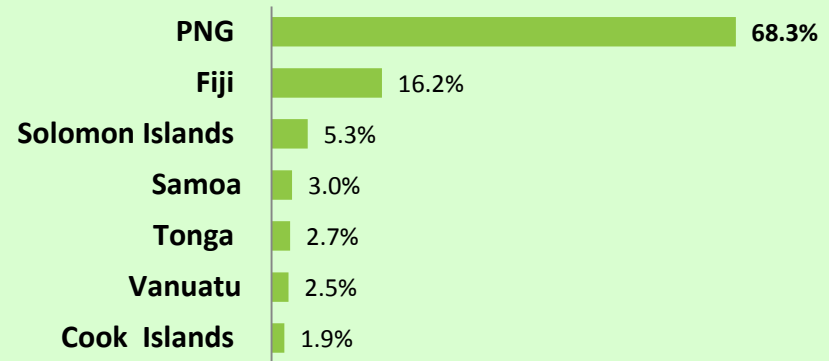
## LOANS PORTFOLIO COMPOSITION

[2019, %]



## DEPOSIT PORTFOLIO COMPOSITION













[2019, %]



# Channel investment



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

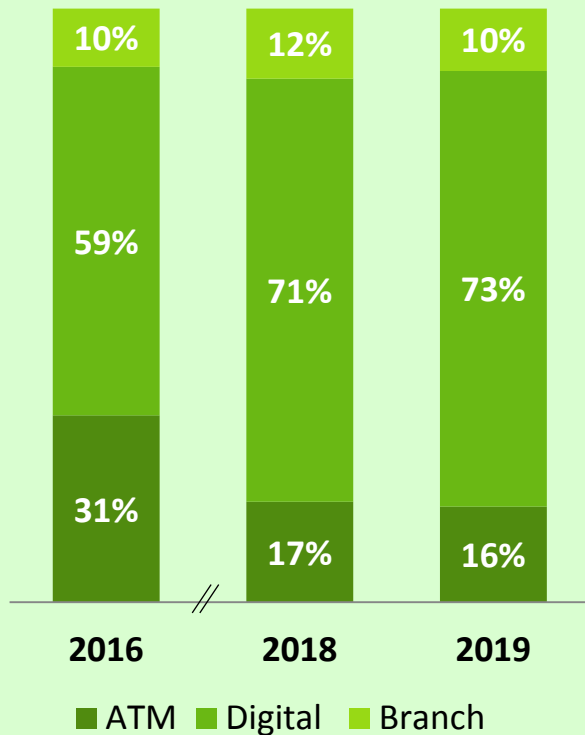
	Total							
 Branches	81	43	17	8	5	2	4	2
 Sub Branches	48	46	0	0	0	0	0	2
 ATMs	548	318	121	32	24	13	27	13
 EFTPOS	12,115	8,045	2,064	321	424	439	450	372
 Agent	557	358	44	52	36	8	32	27

# Channel growth trends

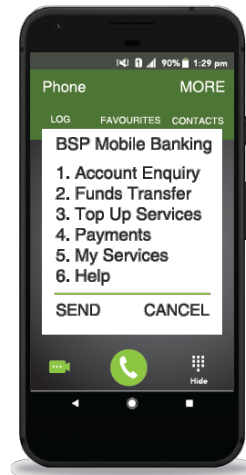
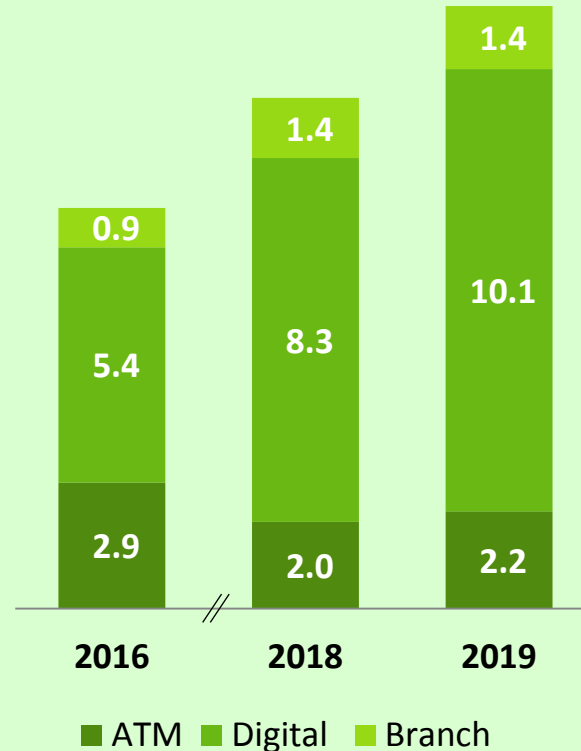


Almost three-quarters [73%] of total transactions were via digital channels in 2019. We average >10m digital transactions per month ... most [64%] via mobile phones

## ANNUAL TRANSACTION MIX BY CHANNEL



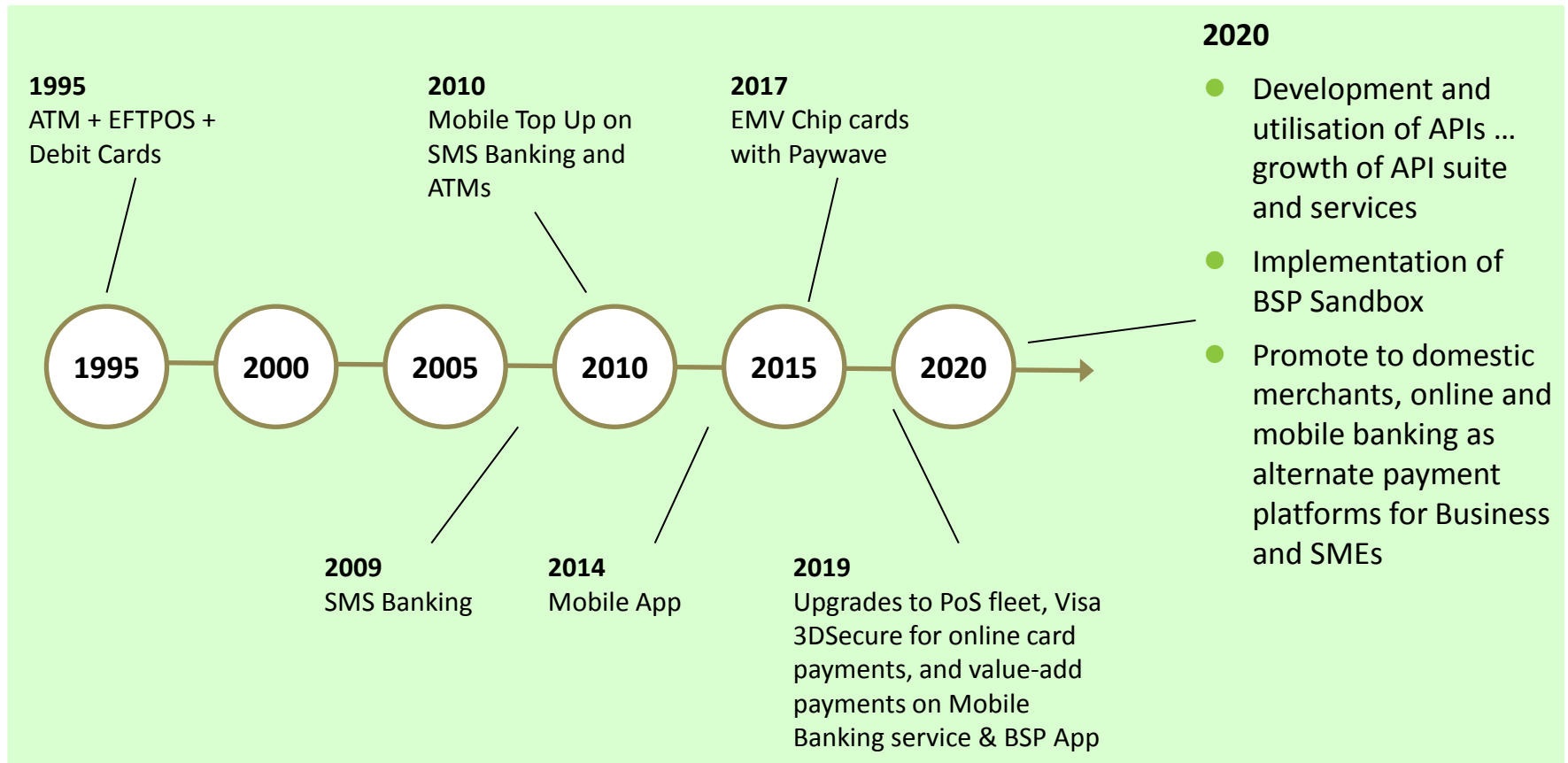
## TRANSACTIONS PER MONTH BY CHANNEL [million]



# Digital initiatives



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



# 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 must continue to meet your increasing standards

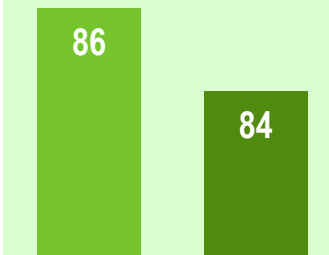
## COMMUNITY



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

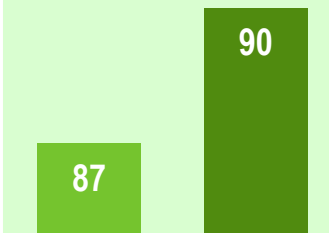
## CUSTOMER SERVICE

### RETAIL BANK



2018 2019

### CORPORATE BANK



2018 2019

Expectations Exceeded



125

Expectations Fully Met



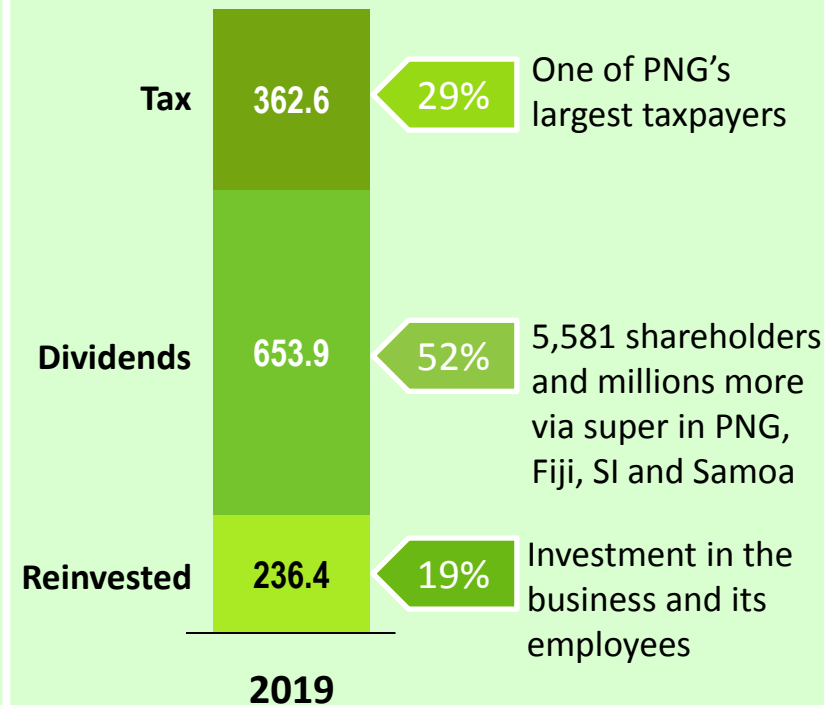
100

Positive Point



75

## FAIR SHARE [Km]

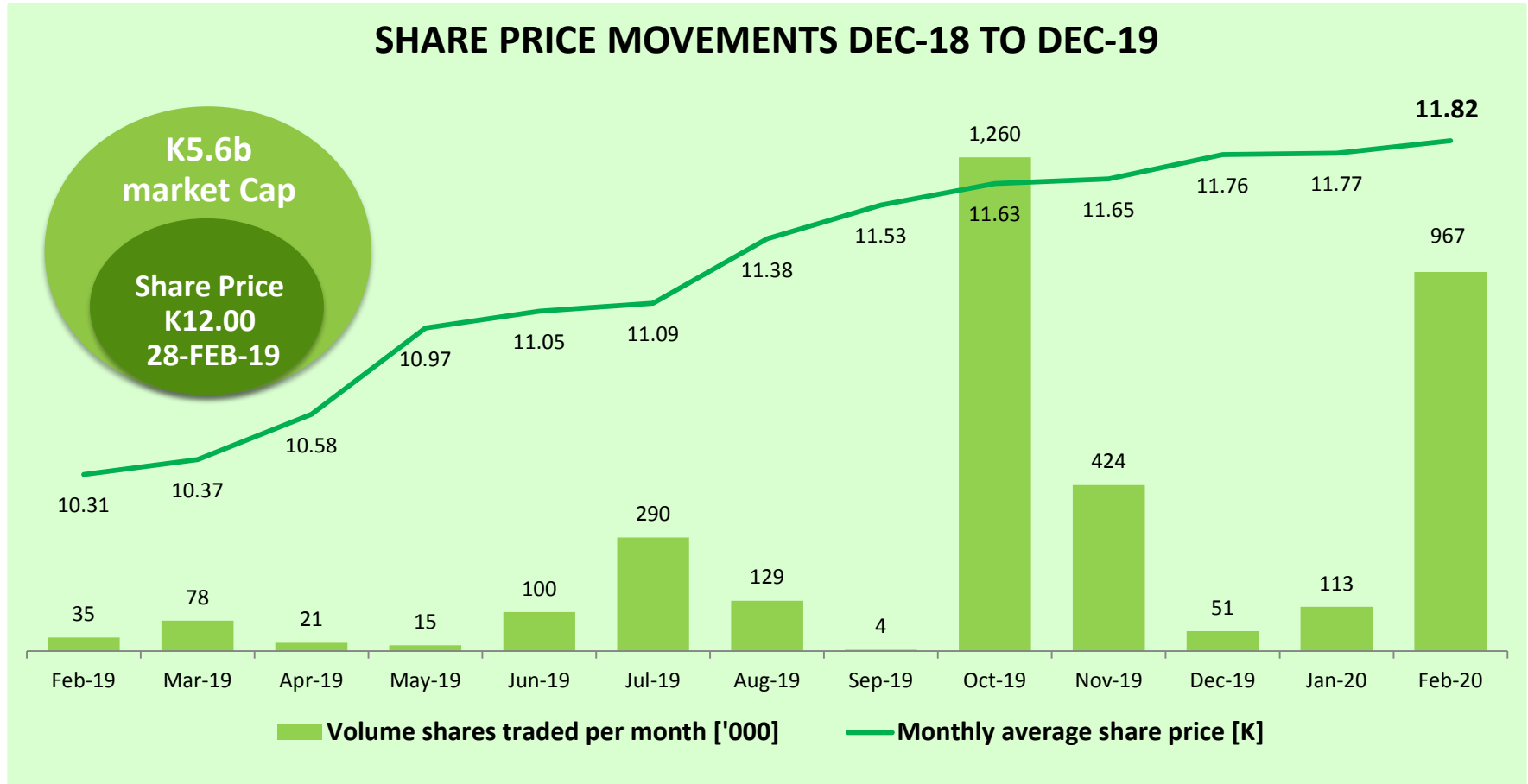




# Share price



Dividend yield of 12%, based on K12.00 share price ... and market capitalization of K5.6b



# 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

# 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