



# Investor Presentation First half – June 2018

Robin Fleming – Group Chief Executive Officer

28 August 2018

*WE ARE* **BSP**



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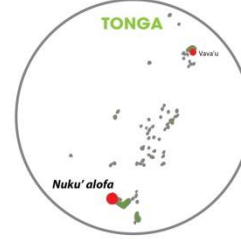
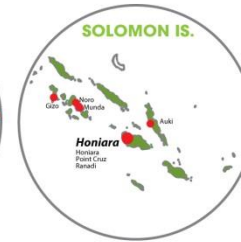
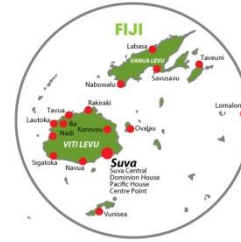
# Markets where BSP operates

WE ARE  
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BSP is the leading financial services provider in the markets we operate

## BSP PNG Geographical Footprint

KEY  
Branches ●  
Sub Branches ●



**# 1**  
Loan market share in 4 x markets

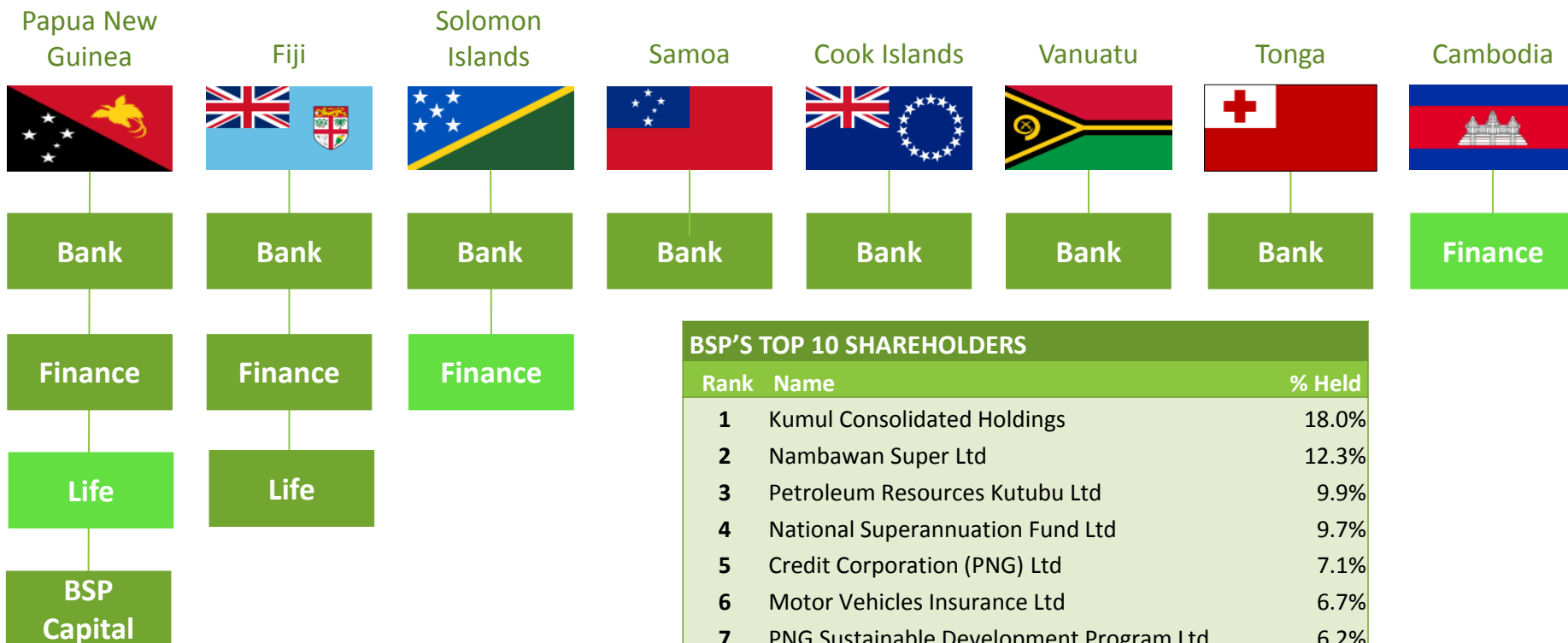
**# 1**  
Deposit market share in 4 x markets

**POMSOX**  
Market cap of **K4.67b**  
[30 June 2018]

# BSP's growing service offering

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



## KEY

 New operations in 2017/2018

## 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 Board	4.1%
9	Teachers Savings & Loan Society Ltd.	3.3%
10	Comrade Trustee Services Ltd	3.1%

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## Financials

# Highlights for first half of 2018 [YTD June]

WE ARE  
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BSP continues its strong performance ... despite challenging business and economic environments.

Profit (NPAT)  
up 12.8% YOY to



**K418.3m**

Total income  
up 8.0% YOY to



**K1.06bn**

Total assets  
up 5.6% YOY to



**K22.9bn**

Cost to income  
ratio improves  
to



**41.1%**

Capital  
adequacy



**22.7%**

Loan provisions  
down



**4.7%**

ROE up to



**30.7%**

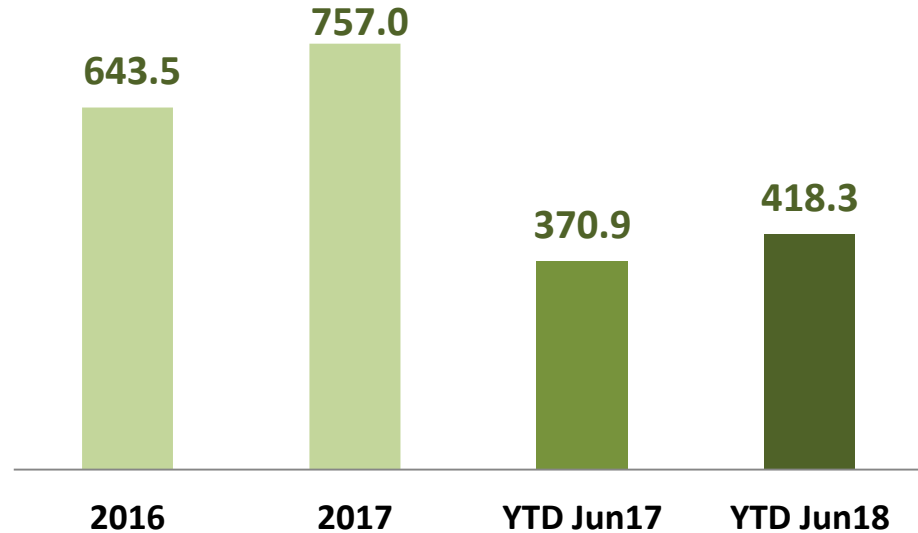
Dividend  
yield of



**12.4%**

## GROUP NPAT TREND

[Km]

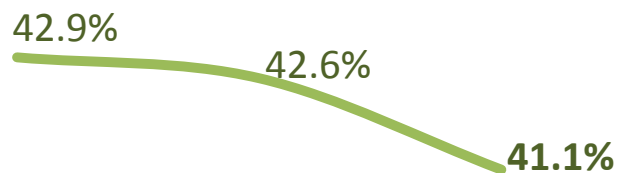


# Group key ratios

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Our key ratios are trending favourably ... a clear picture of our corporate health.

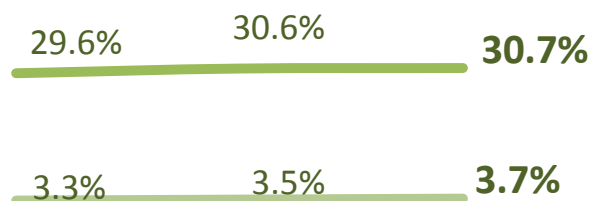
## COST TO INCOME TREND



2016 2017 YTD Jun18

— Cost to Income

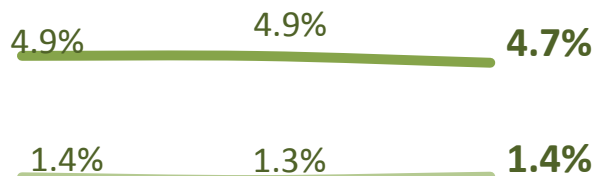
## ROE AND ROA TRENDS



2016 2017 YTD Jun18

— ROE — ROA

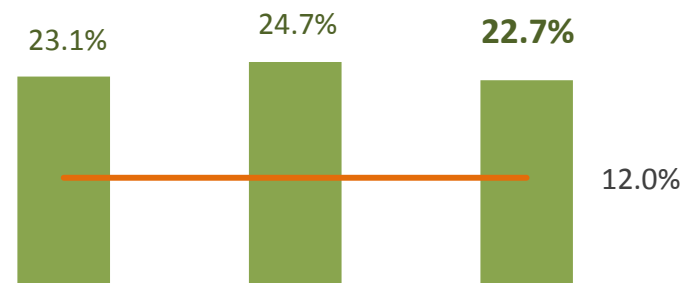
## PROVISION AND NPL TO LOANS



2016 2017 YTD Jun18

— Provision to Loans — NPL

## CAPITAL ADEQUACY



2016 2017 YTD Jun18

— Capital Adequacy — BPNG Requirement

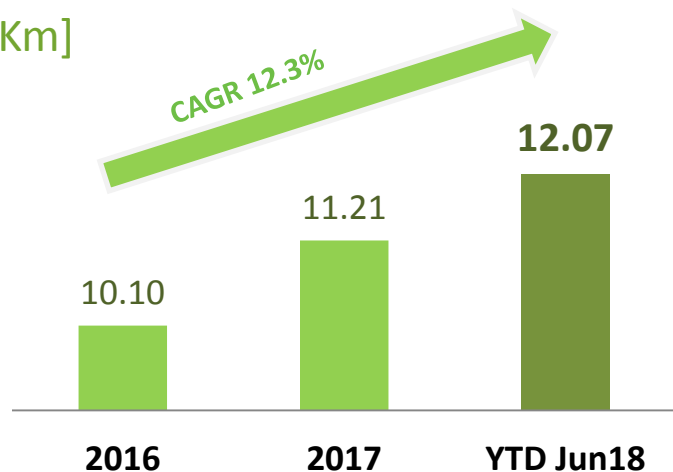
# Group key performance indicator trends

WE ARE  
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BSP's loans and deposits continues to grow despite competitor and economic challenges

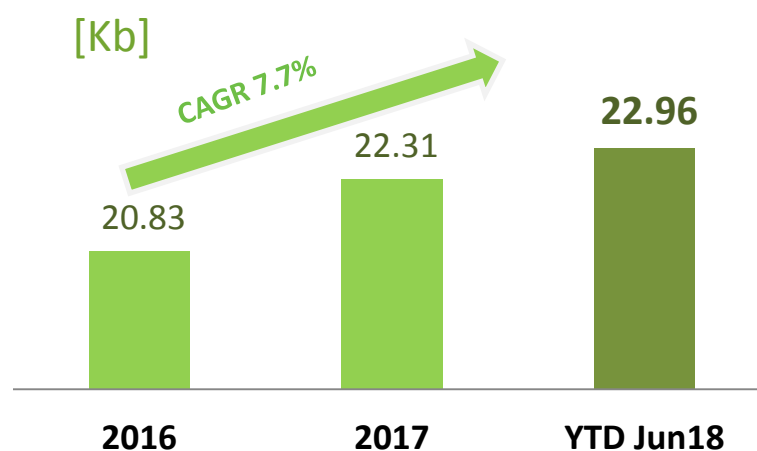
## NET LOAN TRENDS

[Km]



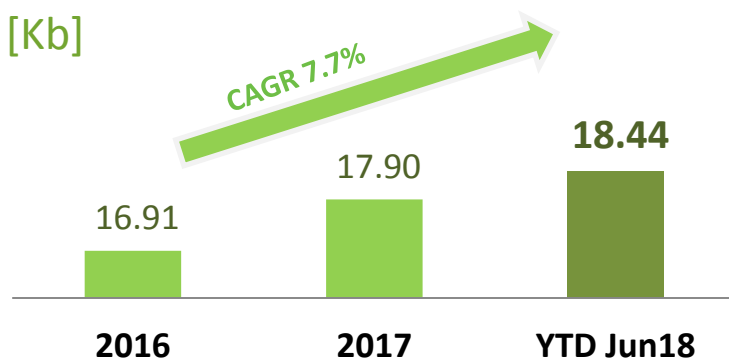
## TOTAL ASSETS TRENDS

[Kb]



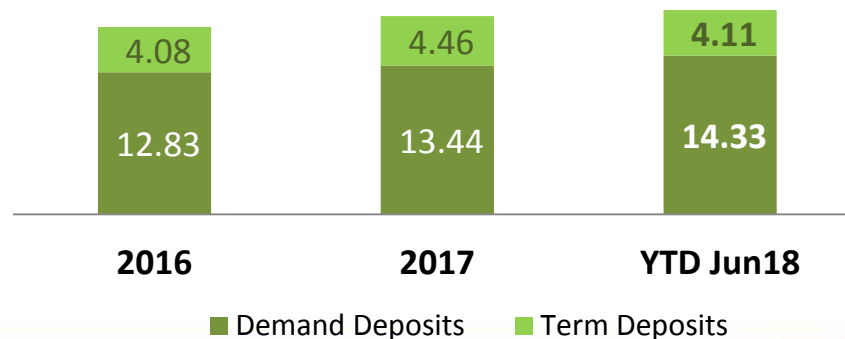
## DEPOSIT TRENDS

[Kb]



## DEPOSIT MIX TRENDS

[Kb]















■ Demand Deposits ■ Term Deposits



# Continued investment to improve service

WE ARE  
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Our Digital Strategy continues to deliver enhanced coverage and banking services throughout the pacific region ... with digital channels supported by our extensive branch network

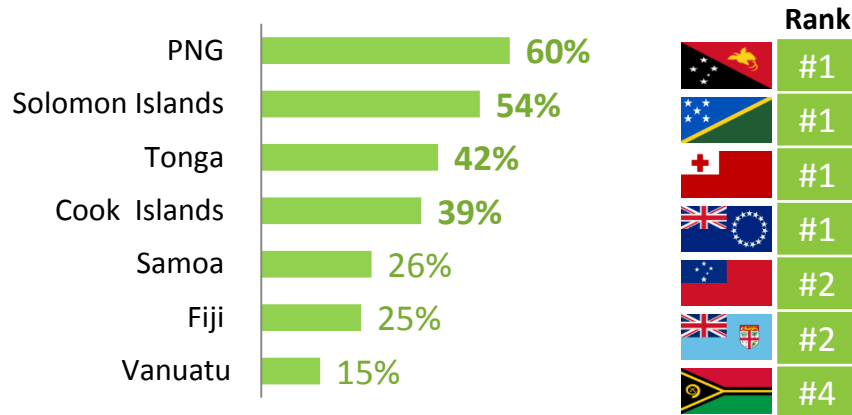
	Total							
 <b>Branches</b>	<b>82</b>	46	17	8	3	2	2	4
 <b>Sub Branches</b>	<b>48</b>	46	0	0	2	0	0	0
 <b>ATMs</b>	<b>524</b>	316	115	30	21	11	19	12
 <b>EFTPOS</b>	<b>10,837</b>	7,123	1,791	368	387	376	415	377
 <b>Agent</b>	<b>577</b>	371	43	76	35	9	23	20

# Market strength

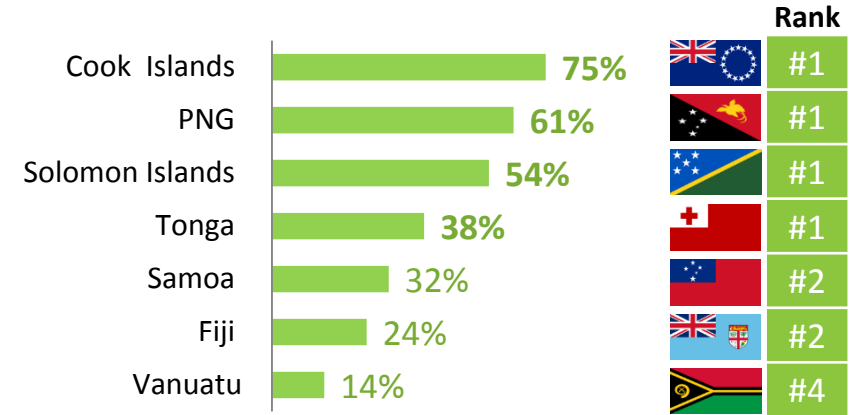
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BSP's combined loan market share stood at 42% at 30-Jun-18, an increase of K813m in the first half of 2018. Our combined deposit share is 45%, an increase of K540m

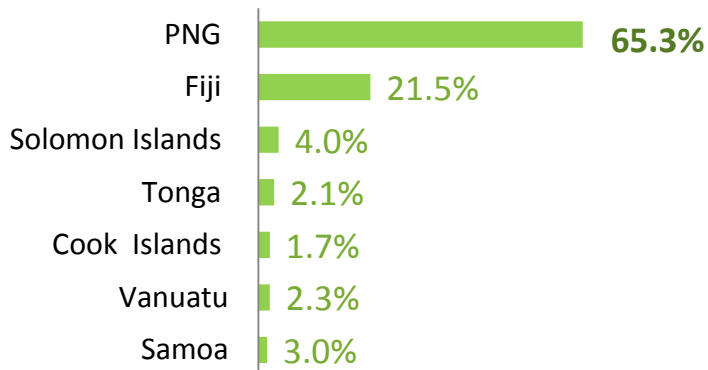
## LOANS MARKET SHARE



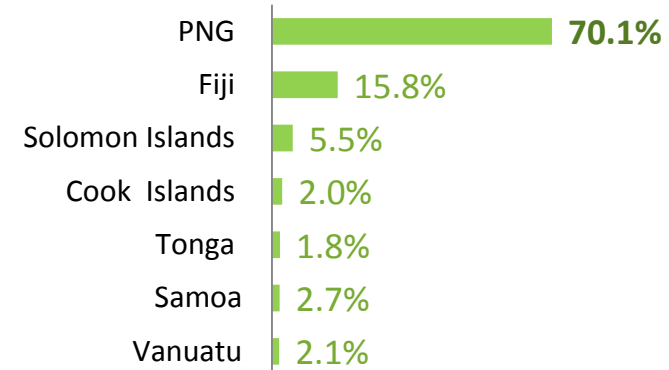
## DEPOSIT MARKET SHARE



## LOANS PORTFOLIO COMPOSITION



## DEPOSIT PORTFOLIO COMPOSITION



## Q2-2018 results

# Profit and Loss [Q2-2018]

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BSP's Q2 profit grew by 11% year on year notwithstanding a slight increase in operating expenditure

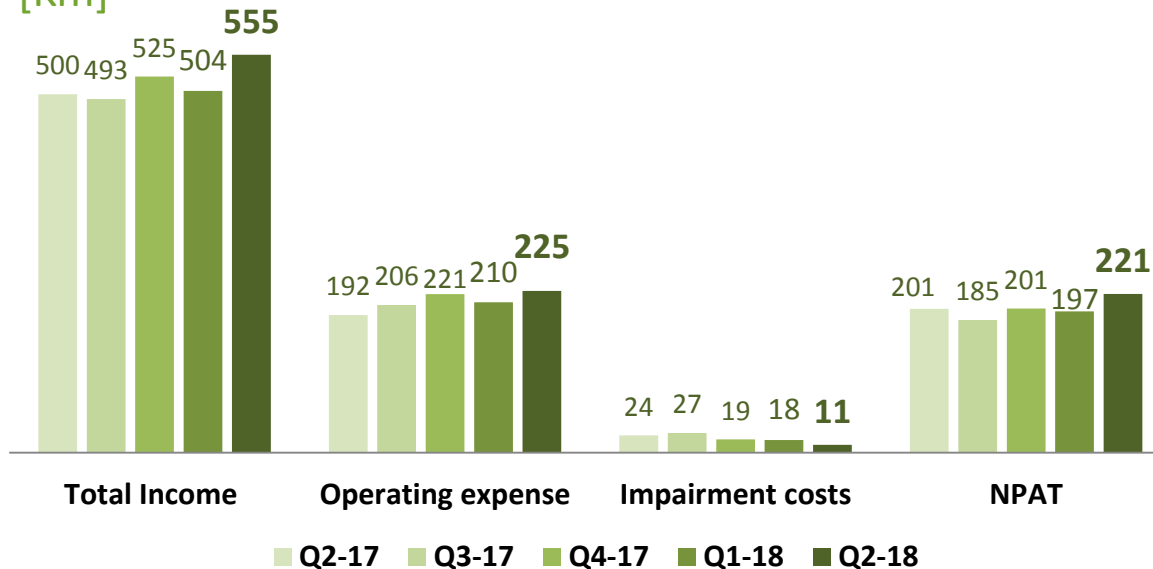
	Total Income	Operating costs	Cost to income	NPAT
PCP	10.1%	8.2%	(2.4%)	12.2%
YOY	11.0%	17.6%	5.9%	10.3%

## HIGHLIGHTS

- Q2 2018 Operating income is 10% higher than Q1 2018, driven by higher interest on loans [due to higher volumes], higher liquids income, and higher FX income and proceeds from aircraft loss [proceeds of K19.2m and corresponding loss booked in expenses of K13.6m, a net gain K5.6m]
- Total operating cost increased by 8.2% from Q1 2018 mainly due to non-lending losses and loss on fixed assets [mentioned above]
- Cost to income ratio improved to 40.6% in the quarter

## BSP GROUP QUARTERLY P&L

[Km]



Key:

PQ = prior quarter  
YOY = year on year

# Balance sheet [Q2-2018]

Our balance sheet continues to strengthen with increase in both loans and deposits

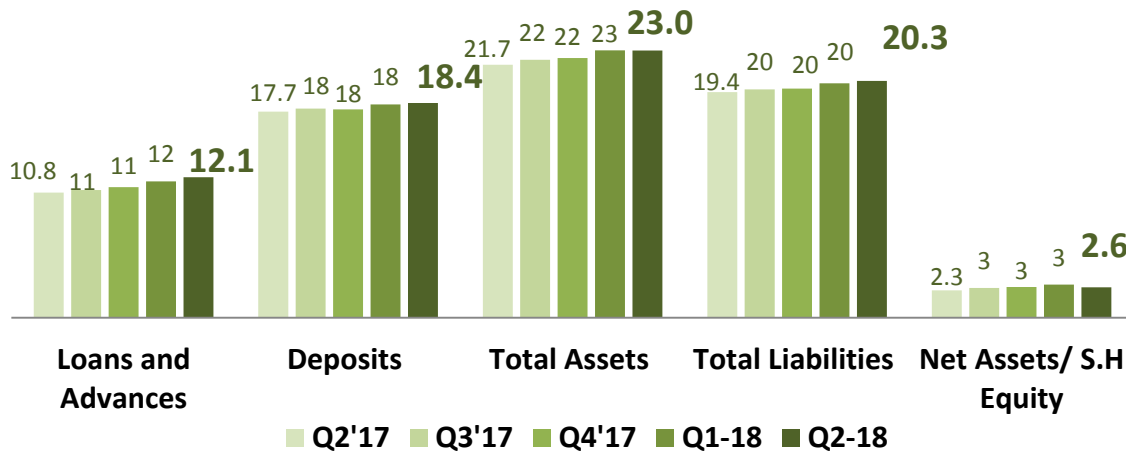
	Loans and advances	Deposits	Total Assets	Total Liabilities	Net assets / SH equity
<b>PQ</b>	3.3%	0.6%	(0.1)%	1.1%	(8.7%)
<b>YOY</b>	13.1%	4.4%	5.9%	5.1%	11.7%

## HIGHLIGHTS

- Total loan increased by K358m in Q2 2018 [PNG +K229m, Fiji K100m, SI K16m and other OSBs and SUBS + K12m]
- PNG SBU loan movements – Corporate +K258m, Retail +K48m
- Total deposits increased by K113m in the quarter. [PNG +K100m, Fiji -K61m, SI +K13m, other OSBs and SUBS +K61m]
- Total assets saw a slight drop from last quarter due to reduced T'bills maturity
- FX translation in Q2 increased; loans – K44m and Deposits +K166m due to the Kina weakening against currencies of BSP offshore assets

## BSP GROUP QUARTERLY BALANCE SHEET

[Kb]



Key:

PQ = prior quarter

YOY = year on year

# Group key ratios [Q2-2018]

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All key ratios are continue with upward recent trends.

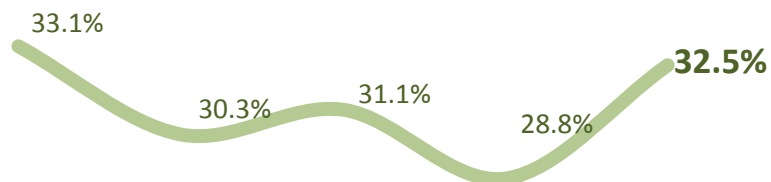
## COST TO INCOME TREND



Q2-17 Q3-17 Q4-17 Q1-18 Q2-18

— Cost to income Ratio

## ROE [annualised]



Q2-17 Q3-17 Q4-17 Q1-18 Q2-18

— ROE

## ROA [annualised]



Q2-17 Q3-17 Q4-17 Q1-18 Q2-18

— ROA

## LOAN TO DEPOSIT RATIO



Q2-17 Q3-17 Q4-17 Q1-18 Q2-18

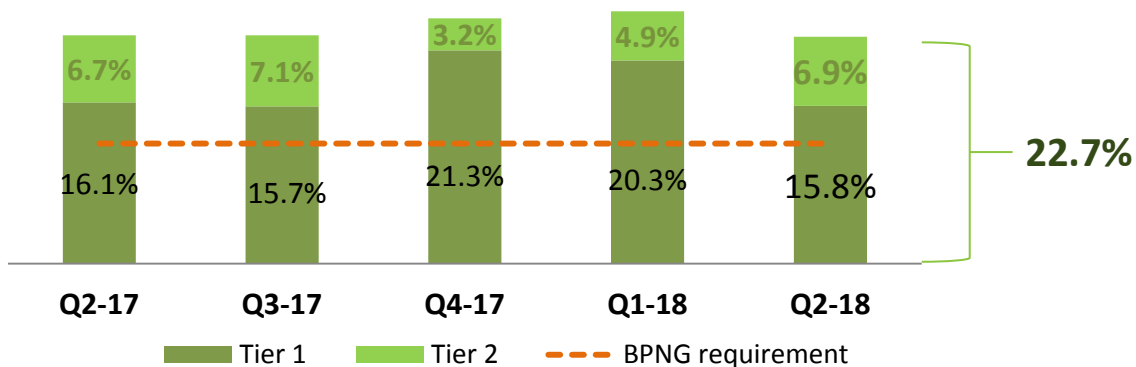
— Loan to deposits

# Group key risk ratios [Q2-2018]

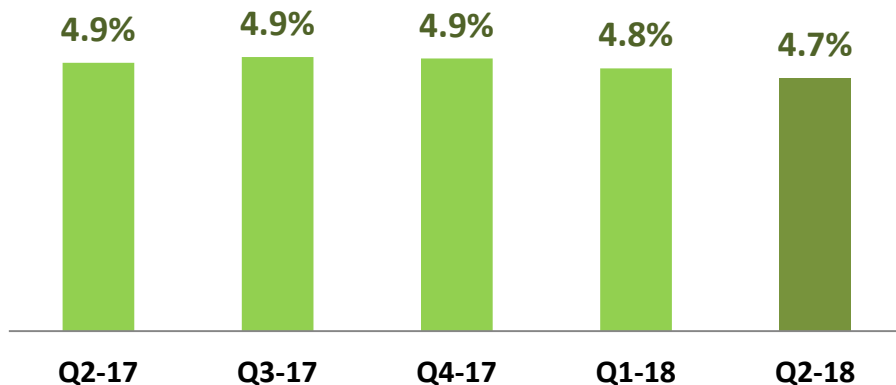
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Our risk ratios remain stable and asset quality remains sound

## CAPITAL ADEQUACY



## PROVISIONS TO LOANS



## HIGHLIGHTS

- BSP's capital adequacy ratio declined slightly to 22.7% in Q2-18, due to dividend payout ... but remains well in excess of the 12% prudential requirement.
- BSP's Provisions to Loans ratio in Q2-18 improved from the previous quarter to 4.7% ... due to an increase in gross loans, coupled with minimal change to provisions.
- BSP's prudent provisioning policies has ensured that the banks operating results are not adversely impacted as a result of the transition to IFRS 9. Management overlay provisions taken up in anticipation of IFRS 9 have adequately catered for the changes in required provisions under the new standard, while residual overlay provisions have been largely retained as 'model adjustments', to cater for factors outside the IFRS 9 model assumptions

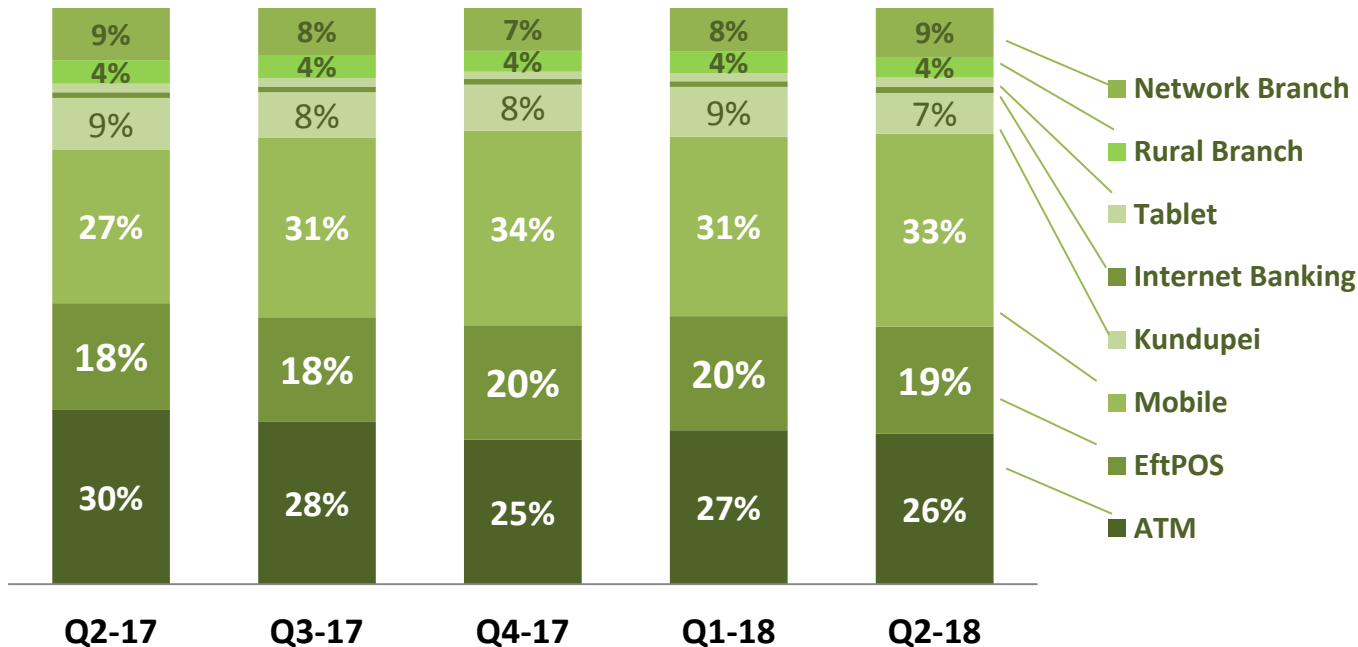
# Channels [Q2-2018]

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Mobile banking is our leading [33%] channel, with branches representing only 13% of total transactions in Q2-2018 ... given continued focus to reduce customers cash dependency [in-line with our digital strategy] with ongoing investment in EFTPOS, internet and mobile banking.

## QUARTERLY CHANNEL TRENDS

[Q2-2018]



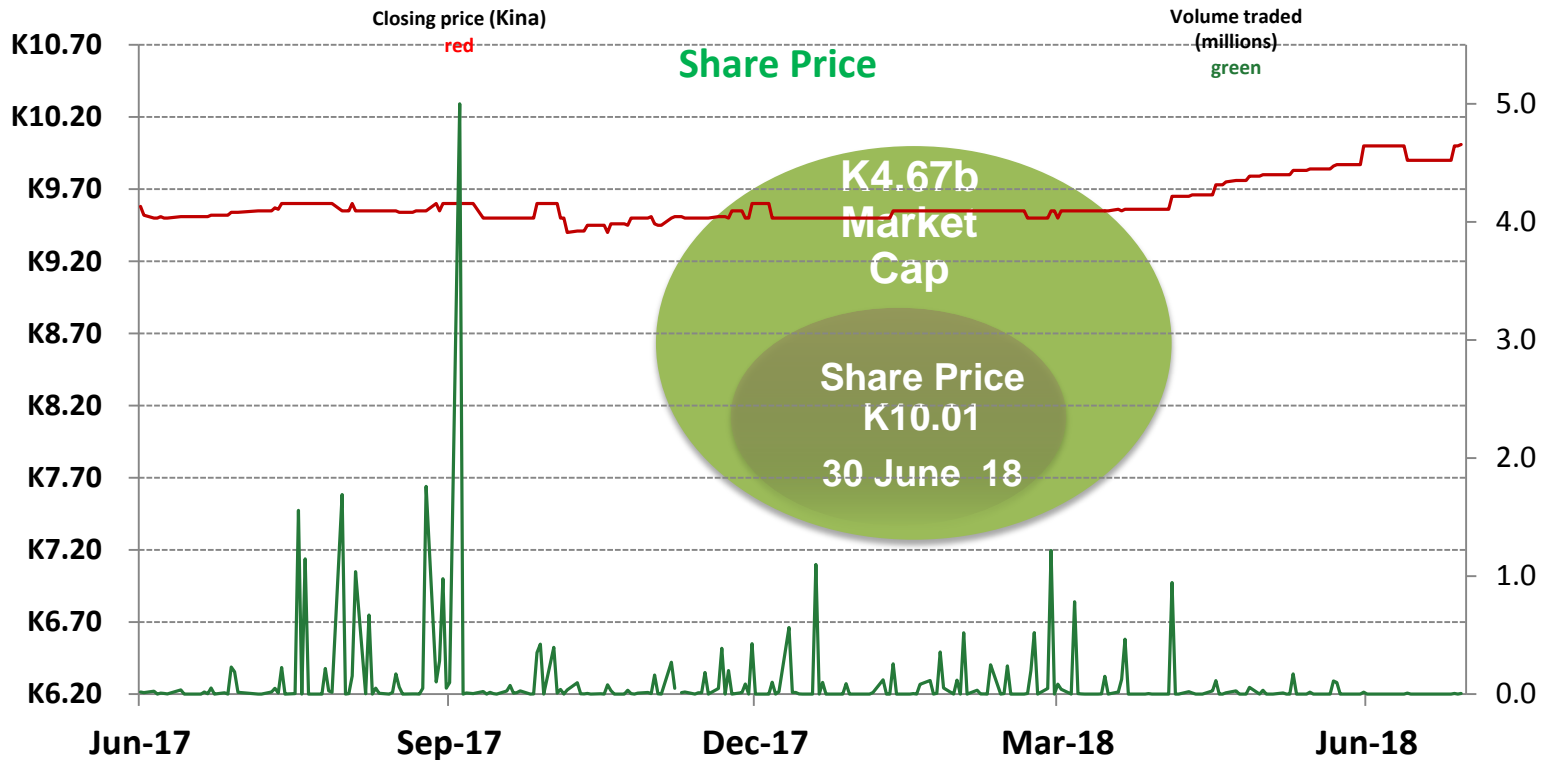


# Share price

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Dividend yield of 12.4%, based on K10.01 share price, with market capitalization of K4.67b as at end of June.

01<sup>st</sup> June 2017 to 30<sup>th</sup> June 2018



Thank You