



SHAREHOLDER PRESENTATION

FY 2018 and Q4-18 Results

Group CEO – Robin Fleming



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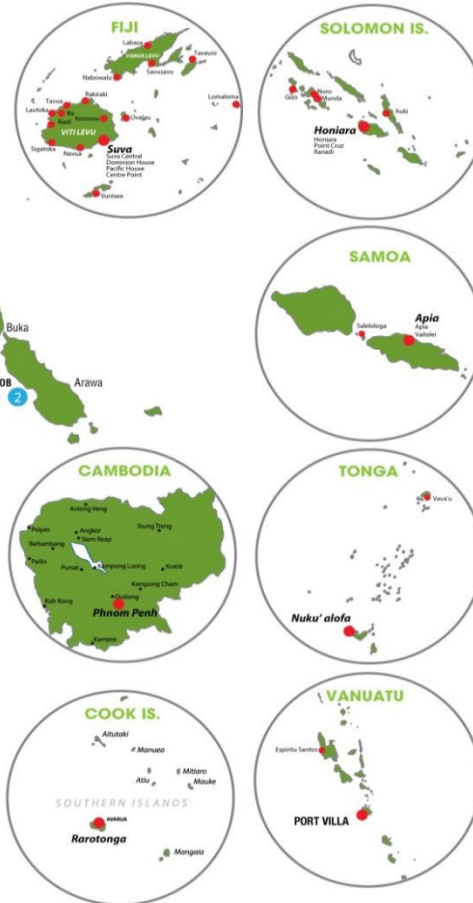


Where BSP operates

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

BSP PNG Geographical Footprint

KEY
Branches
Sub Branches



1

Loan market share in 5 countries

1

Deposit market share in 5 countries

POMSOX

Share Price of K10.30 as at 22-Feb-19, Market cap of **K4.8b**



BSP's growing service offering

BSP is the only wholly owned Papua New Guinean bank with operations across the Pacific and in South East Asia

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

KEY



New business 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	5.1%
9	Teachers Savings & Loan Society Ltd	3.3%
10	Comrade Trustee Services Ltd	2.7%



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%

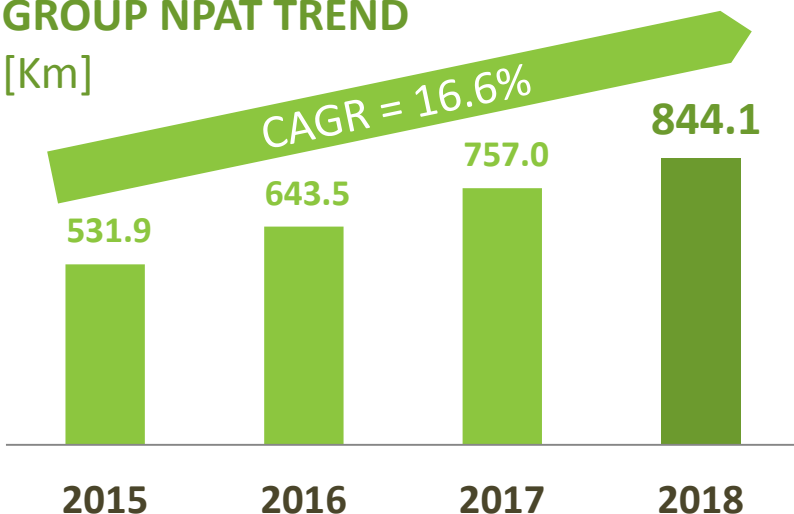


Dividend yield up
12.3%



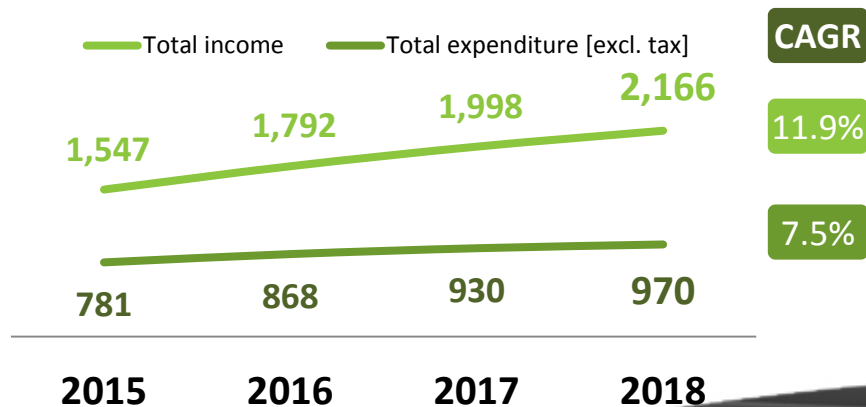
GROUP NPAT TREND

[Km]



GROUP INCOME AND EXPENDITURE TRENDS

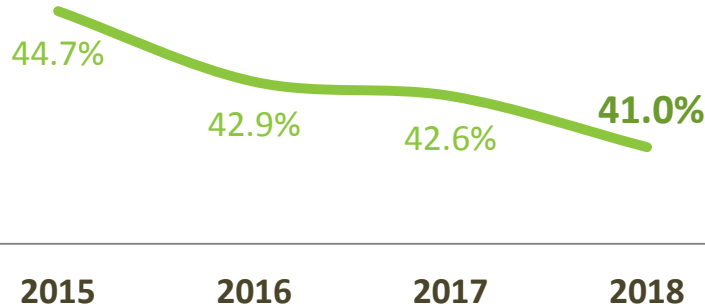
[Km]



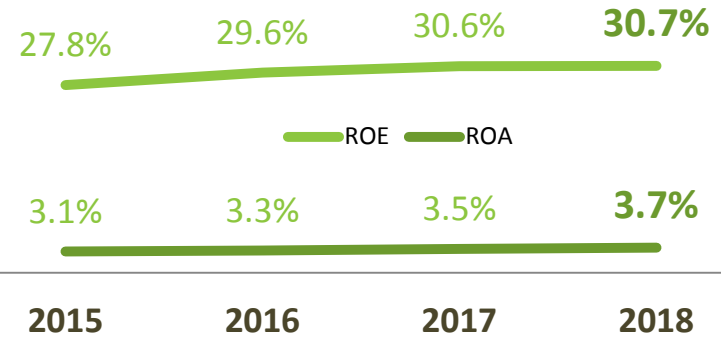
Group financial KPI's

BSP Group has maintained strong results across all key performance ratios

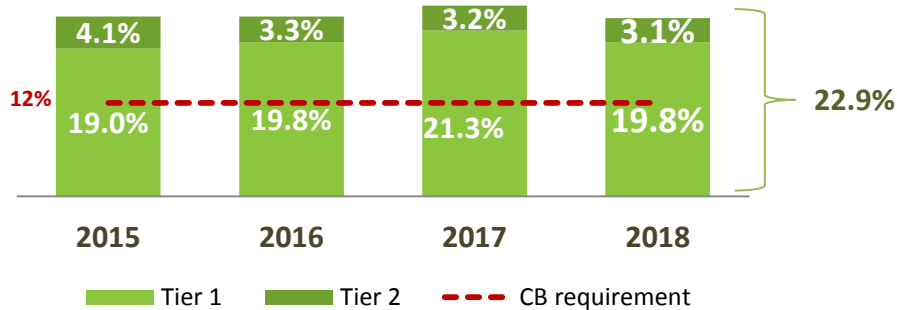
COST TO INCOME



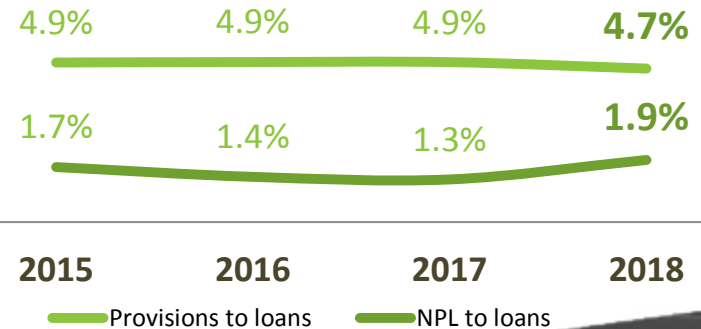
ROE & ROA



CAPITAL ADEQUACY



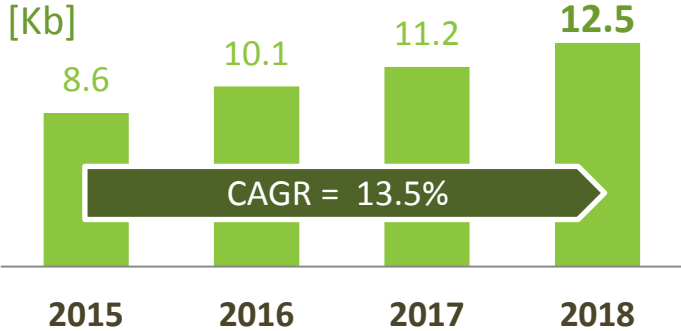
PROVISIONS TO LOANS / NPL TO LOANS



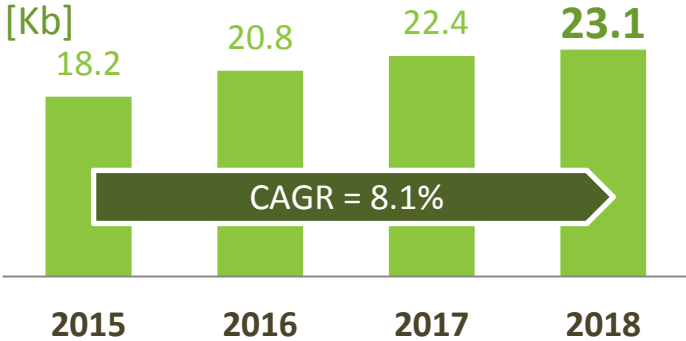
Group financial KPI's

Balance sheet indicators illustrate continued growth in 2018.

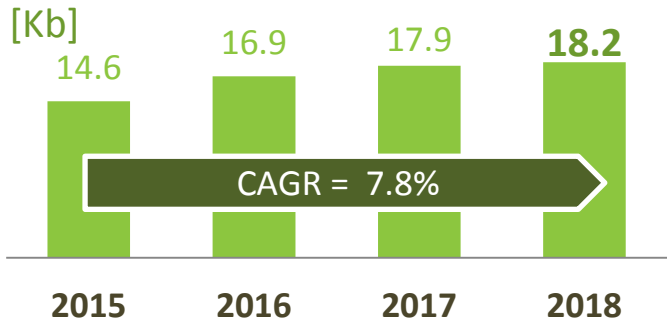
LOANS



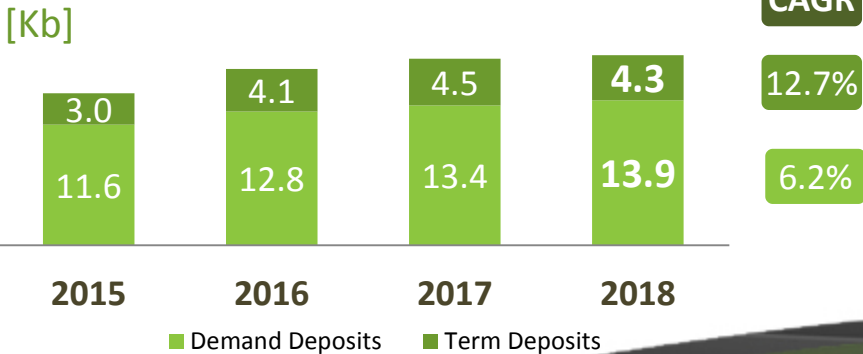
TOTAL ASSETS



DEPOSITS



DEPOSIT MIX

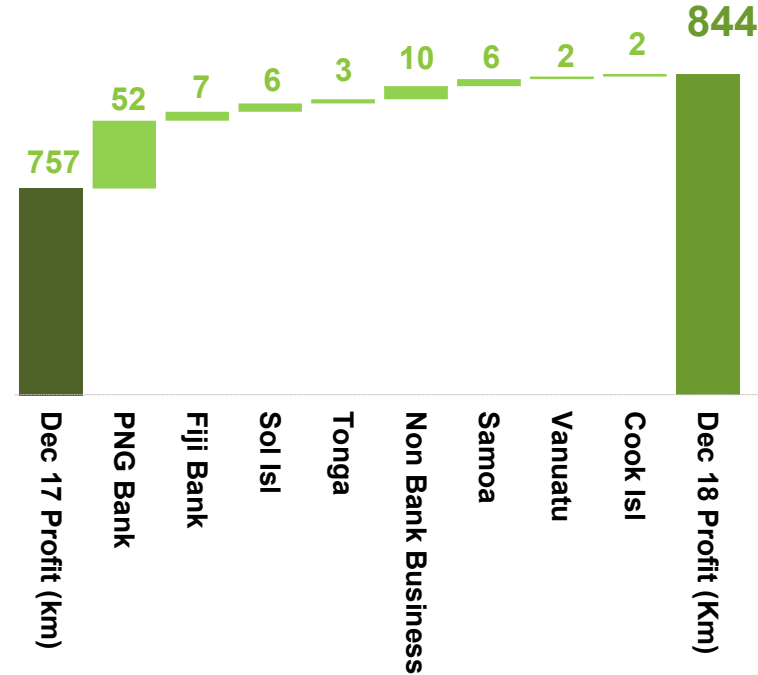


Contribution by business

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

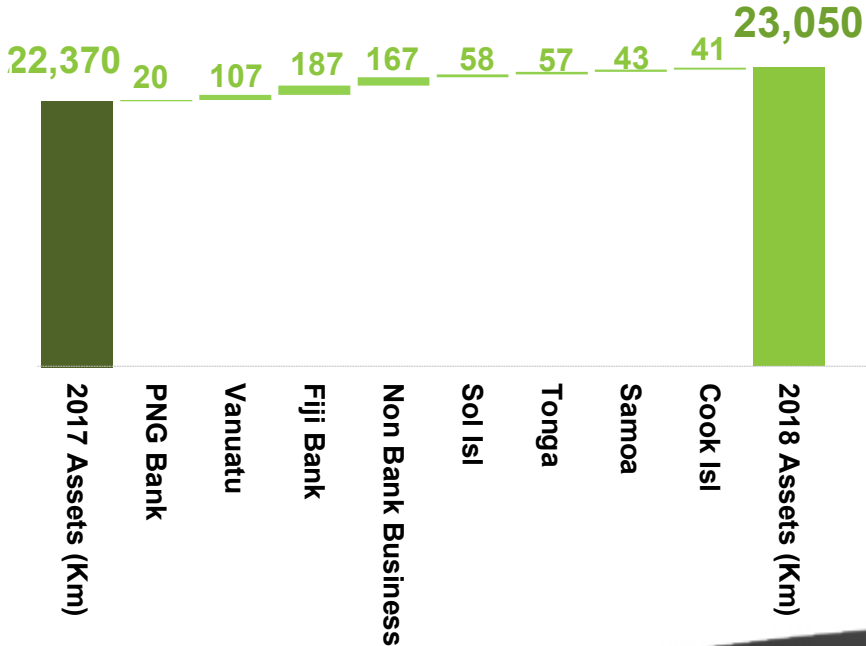
NPAT CONTRIBUTION

[Km]



TOTAL ASSETS CONTRIBUTION

[Km]



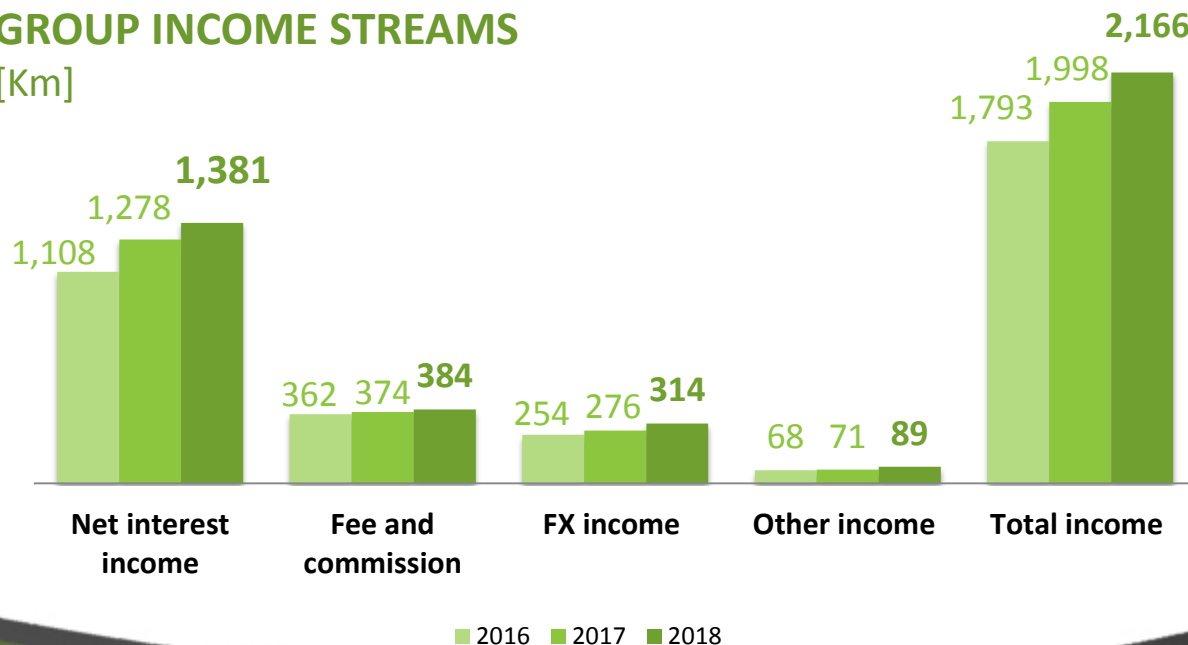
Income stream trends

Total income increased by 8.4% YOY, notwithstanding more subdued economic conditions ... despite BSP reducing / removing its 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



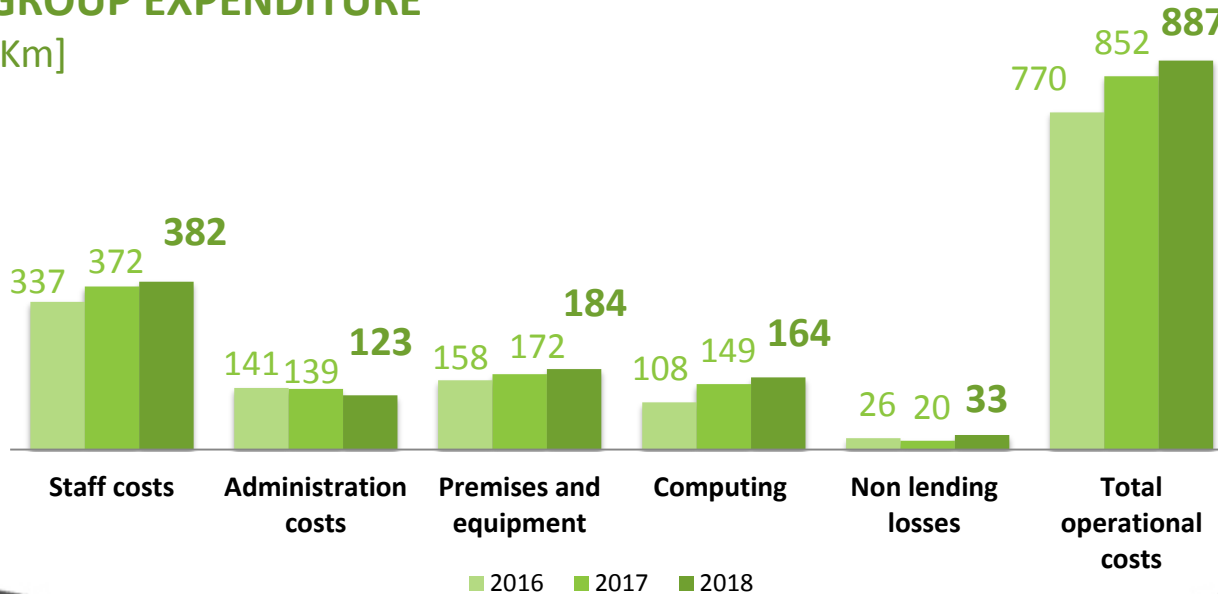
Expenditure trends

Total costs rose marginally [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]

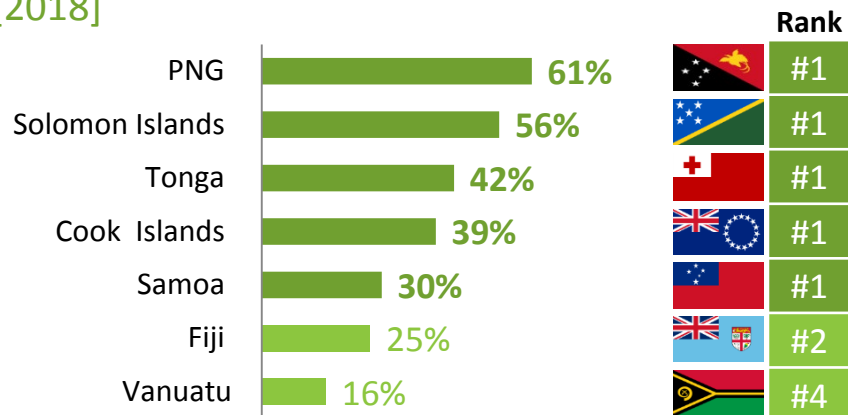


Market strength

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.

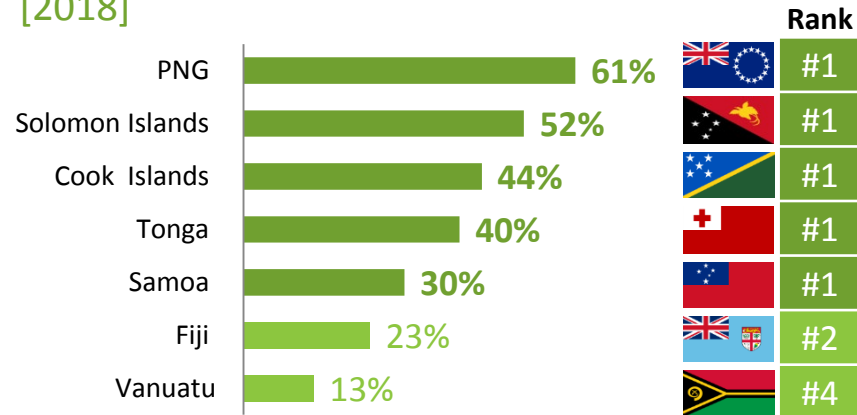
LOANS MARKET SHARE

[2018]



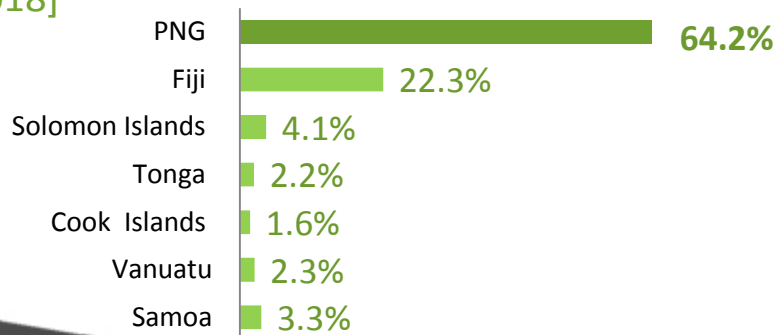
DEPOSIT MARKET SHARE

[2018]



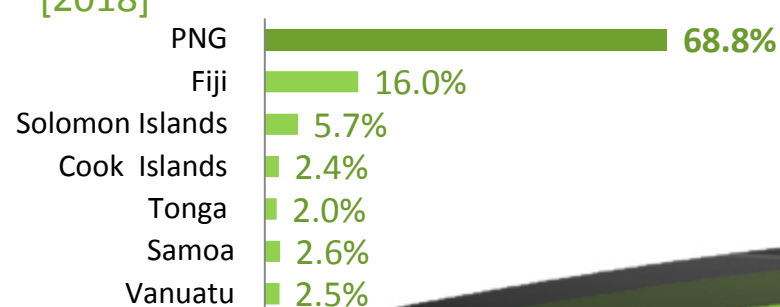
LOANS PORTFOLIO COMPOSITION

[2018]





DEPOSIT PORTFOLIO COMPOSITION

[2018]



Chanel 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

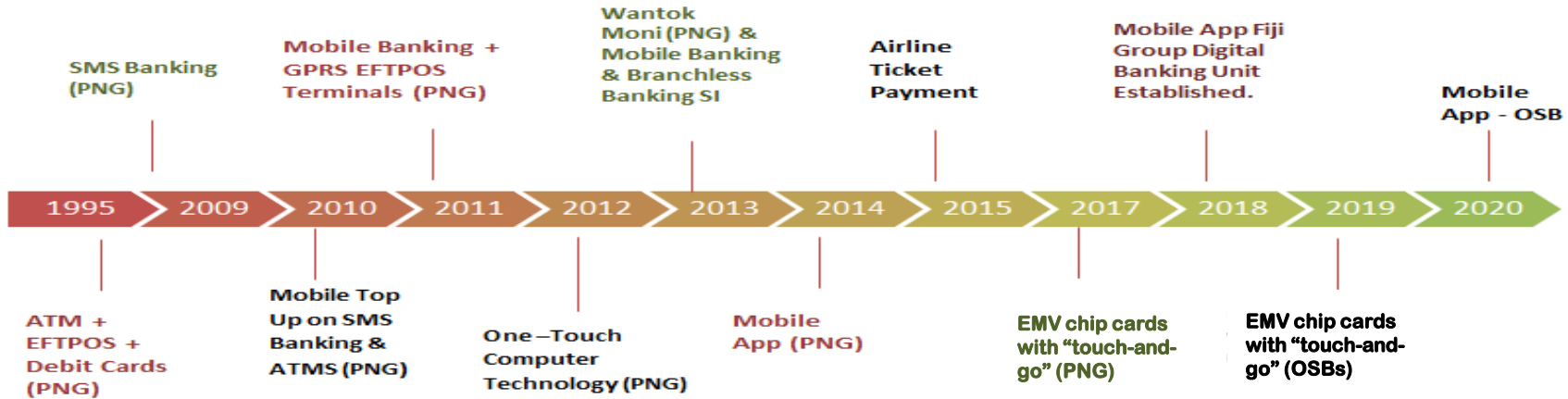


Digital initiatives

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

BSP's track record

- BSP was the first bank in PNG to pioneer multichannel experiences across PNG when ATMs, EFTPOS and debit Cards were introduced in 1995.
- BSP received global recognition in 2012 for the Tablet technology, with an International Award for The Best Bank-led Mobile Money Programme.
- Over the years, BSP's innovative processes and technology, continues to bring leading digital banking services to the Pacific with our Group Digital Strategic Business unit established in 2018



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** projects to the value of **K1.16m** in PNG 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 ~ K2,300 in interest costs per month, or K27,600 per annum ... when compared to a standard variable rate home loan



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



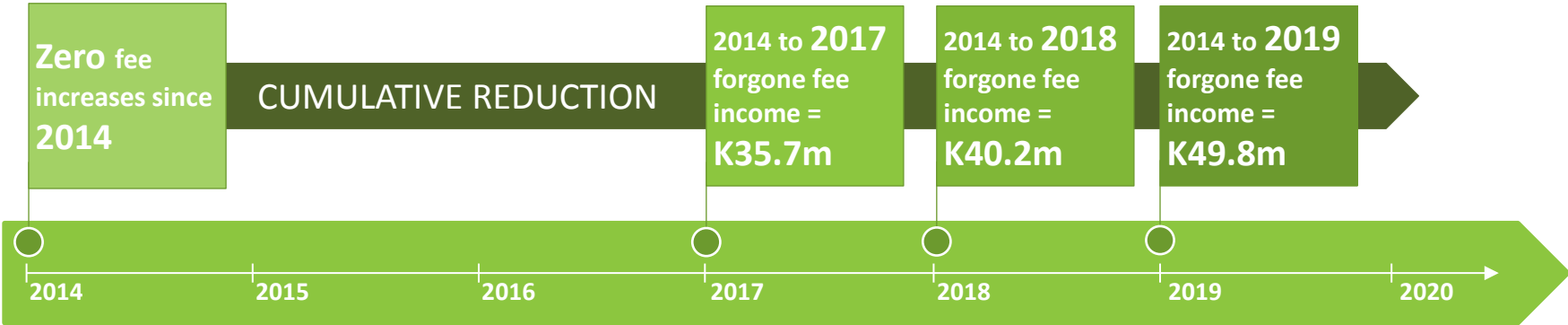
A range of home loan products for first home buyers and existing home owners.



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 [3] 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



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 [5] years

3

Cost-to-income ratio down to 41.4% ... its lowest level in the last five [5] years, notwithstanding 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



APPENDIX – Q4-18 results



Profit and Loss [Q4-18]

BSP's NPAT declined slightly by 4.5% between Q3-18 and Q4-18 ... due to retrospective system license costs, driven by accounts growth. NPAT grew by 3.4% YOY [Q4-17 vs Q4-18]

	Total Income	Operating costs	Lending Write-offs	NPAT
PQ	3.1%	10.7%	31.4%	(4.5%)
YOY	5.7%	8.0%	11.6%	3.4%

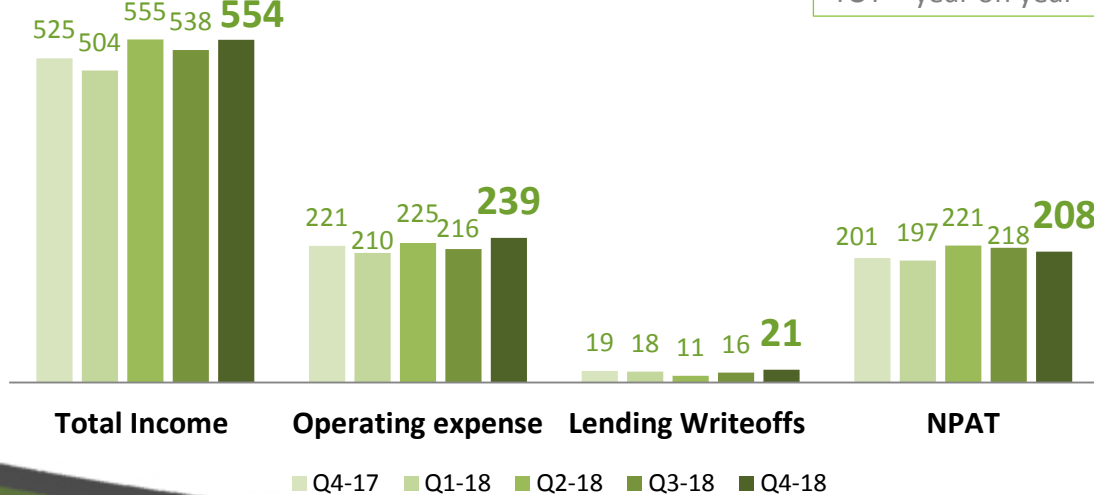
HIGHLIGHTS

- Q4-18 operating income is 3.1% higher than Q3-18 ... largely due to higher FX income and BSP Life revaluation of investments.
- Total cost increased by 12.1% in Q4-18 due to retrospective license expenses associated with growth in accounts and write off of PNG computer equipment reaching end of life.
- Cost to income ratio increased to 43.1% in Q4 due to above cost factors.

BSP GROUP QUARTERLY P&L

[Km]

Key:
PQ = prior quarter
YOY = year on year



Balance sheet [Q4-18]

Our balance sheet continues to strengthen, with increases in loans and deposits in Q4-18 of K175m and K114m respectively. Q4-18 total assets remain at K23bn

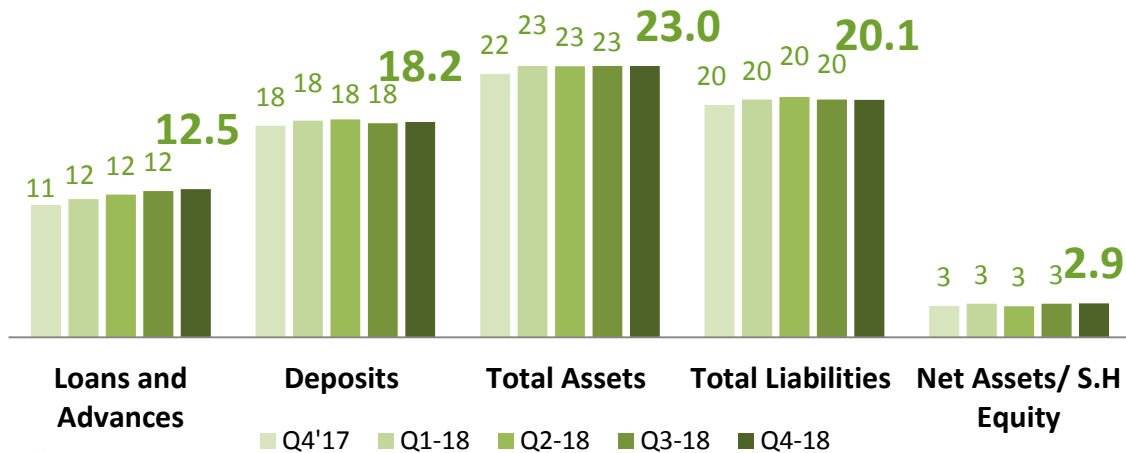
	Loans and advances	Deposits	Total Assets	Total Liabilities	Net assets / SH equity
PQ	1.4%	0.6%	0.1%	(0.1%)	1.3%
YOY	12.0%	1.8%	3.0%	2.2%	9.2%

HIGHLIGHTS

- Total loans increased by K178m in Q4-18 [PNG +K37m, Fiji K88m, SI K15m, Samoa K21m, Tonga K14m and other NPC/subs +K3m]
- PNG SBU Loan movements – Corporate -142m, Retail +K116m
- Deposit growth slowed, however increased by K115m in Q4-18. PNG -K7m, Fiji -K38m, SI +K13m, Tonga +K35m, Cooks +K56m, Vanuatu +K66m and other NPC/subs –K10m
- FX translation in Q4 for loans was +K0.9m and Deposits -K22m

BSP GROUP QUARTERLY BALANCE SHEET [Kb]

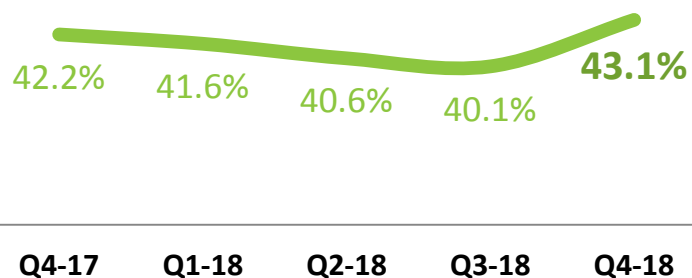
Key:
PQ = prior quarter
YOY = year on year



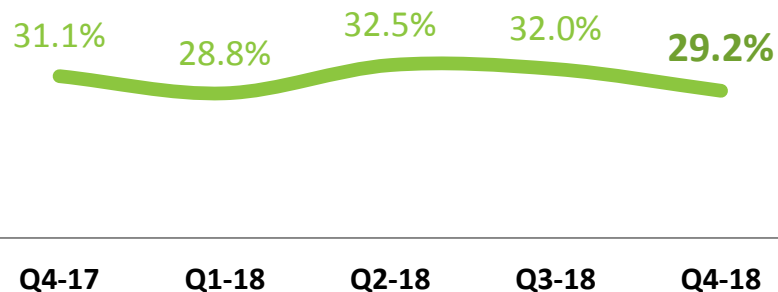
Group key ratios [Q4-18]

All key ratios remain positive

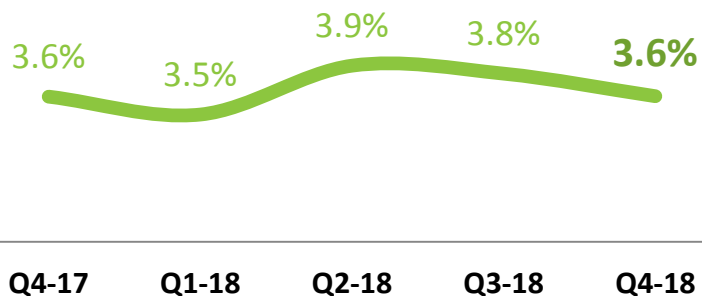
COST TO INCOME TREND



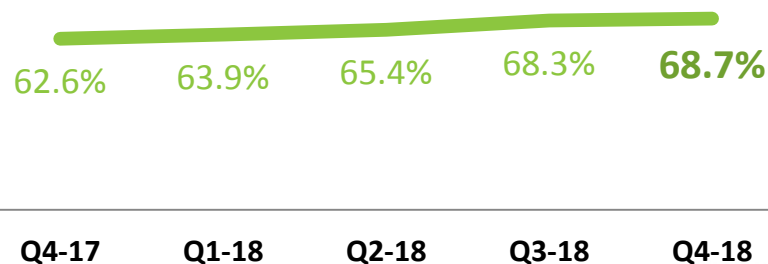
ROE [annualised]



ROA [annualised]



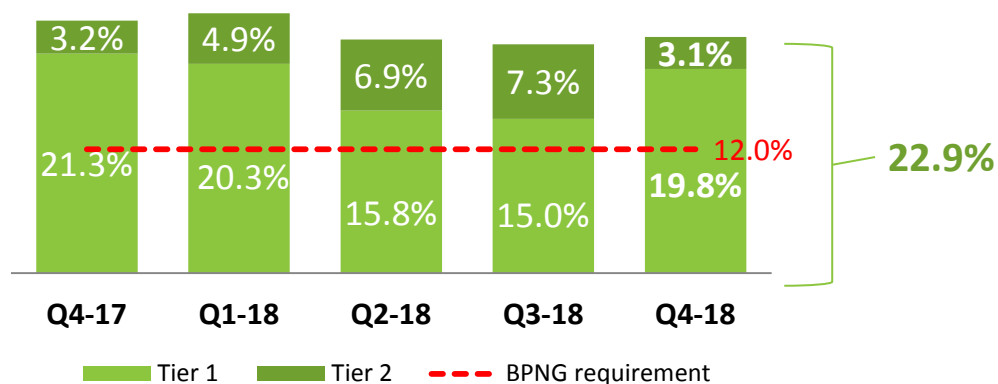
LOAN TO DEPOSIT RATIO



Group key risk ratios [Q4-18]

Our risk ratios remain stable and asset quality remains sound

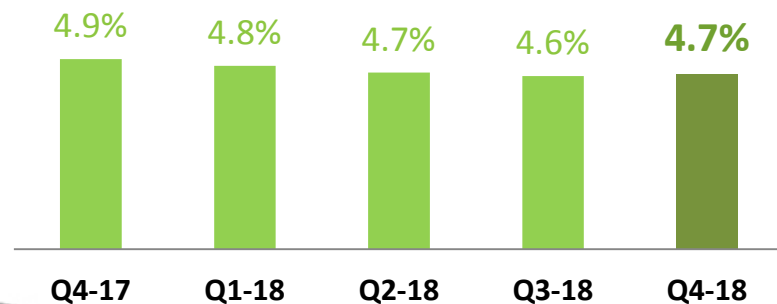
CAPITAL ADEQUACY



HIGHLIGHTS

- Capital adequacy ratio declined slightly to 22.9% in Q4-18 due to payment of dividend, but remaining well in excess of the 12% prudential requirement.
- BSP's provisions to loans ratio in Q4-18 remains relatively stable consistent with IFRS 9 models.

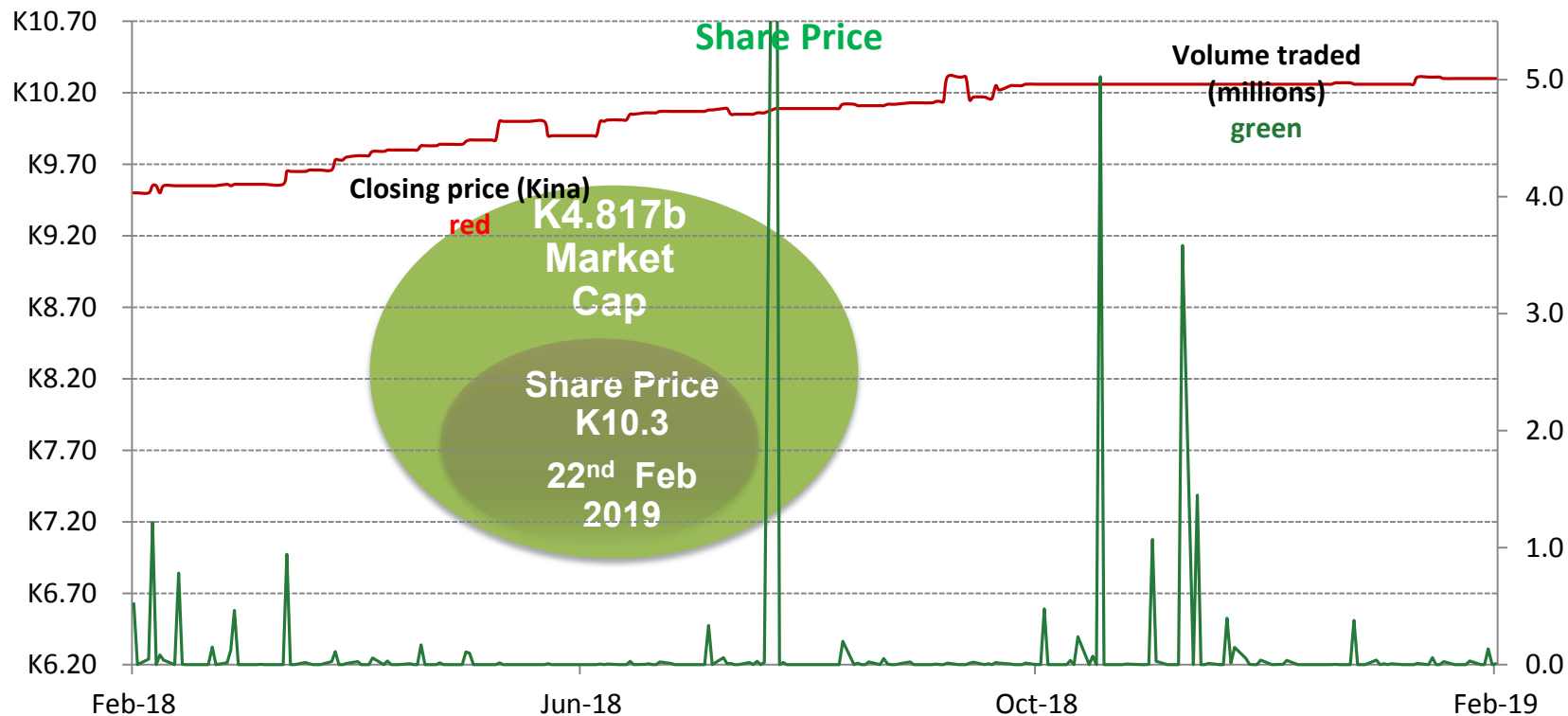
PROVISIONS TO LOANS



Share price

Dividend yield of 12.3%, based on K10.30 share price ... and market capitalization of K4.8b.

22nd FEBRUARY 2018 TO 22nd FEBRUARY 2019



THANK YOU

