



# Presentation to Shareholders

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May 26, 2017

*WE ARE* **BSP**



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# BSP's Geographical footprint

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## BSP Locations

### BSP LOCATIONS

KEY  
Branches  
Sub Branches  
Agents



	PNG	Fiji	Solomon Is.	Samoa	Tonga	Cook Is.	Vanuatu	Total
Branches	44	17	8	3	2	2	2	78
Sub-Branches	45	7	0	1	2	1	0	56
ATMs	307	114	28	16	12	9	13	499
EFTPoS	7,997	1,763	235	330	303	374	341	11,343
Agents	178	43	58	31	20	7	14	351

(1) As at 6 January 2017, circa A\$1.8Bn / US\$1.3Bn



### Leading Bank in South Pacific

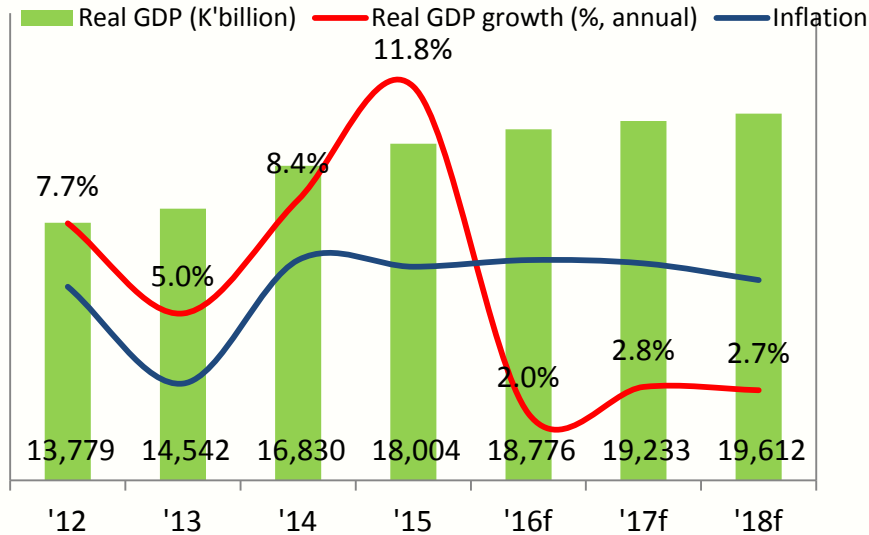
- ✓ #1 in PNG by total assets
- ✓ #2 in Fiji by total assets
- ✓ #1 in Solomon Islands by total assets
- ✓ Listed on Port Moresby Stock Exchange
- ✓ Market capitalisation of 4.2 billion Kina <sup>(1)</sup>



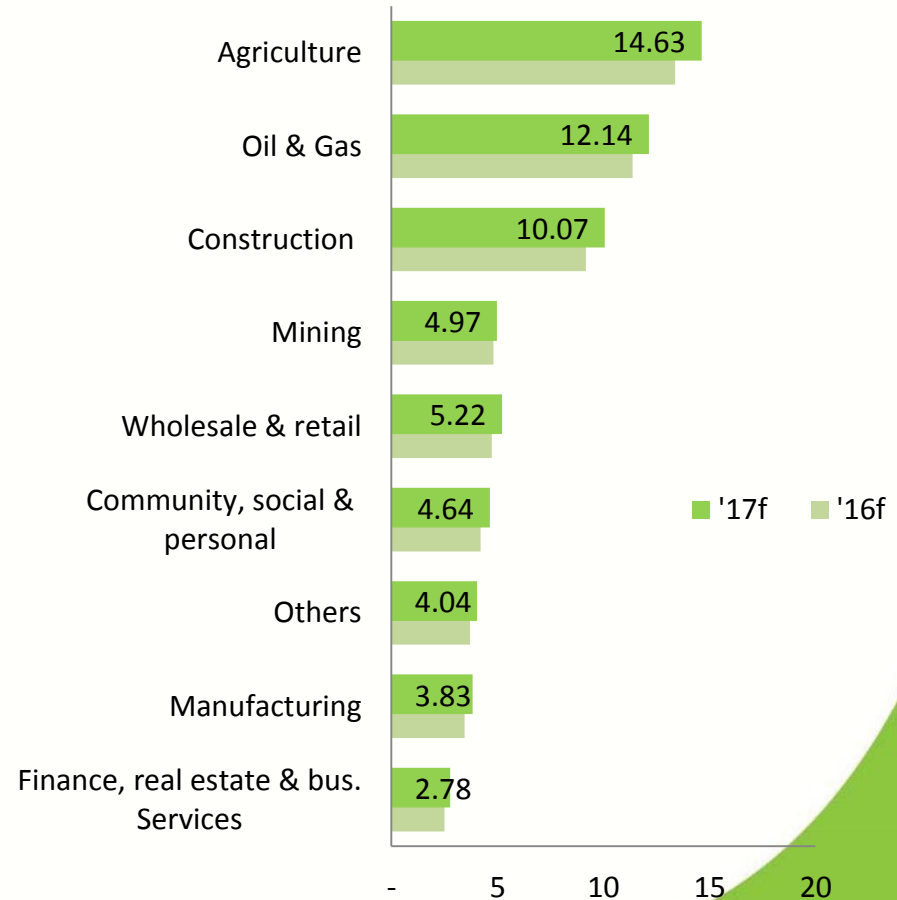
# PNG economic outlook

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Economic growth is positive, though lower than 8% (average) in the last decade. Agriculture sector is promising, comprising 23% (expected) of GDP in 2017.



2017 Contribution to GDP (K'bn)



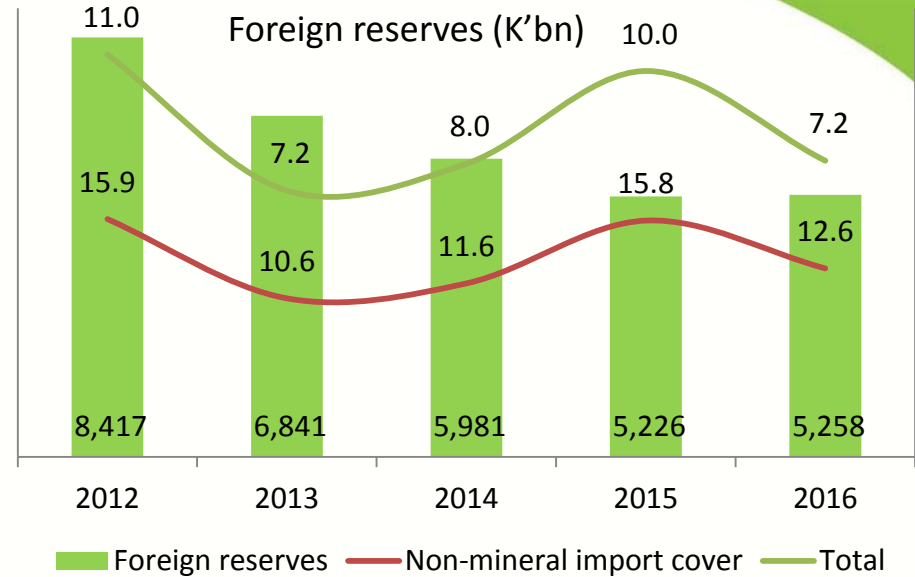
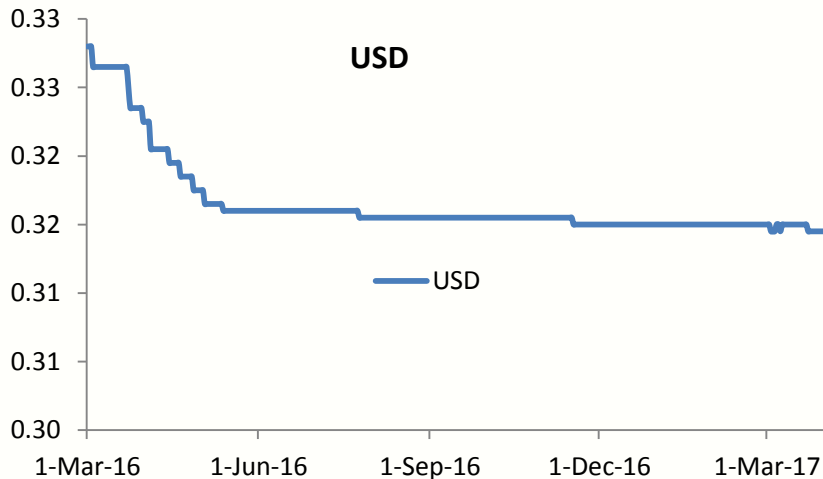
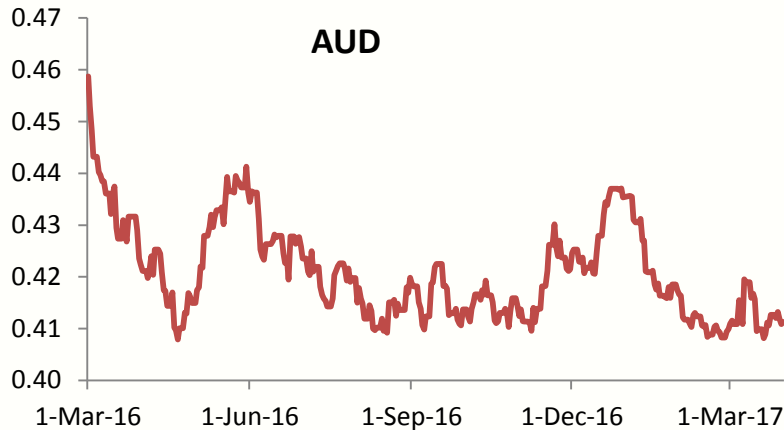
## Economic Indicators

	2016	2017F	2018F
Non-mining GDP	2.5%	3.0%	3.5%
Inflation (headline)	6.6%	6.5%	6.0%
Deficit % of GDP	2.5%	2.3%	2.3%
Debt to GDP ratio	32.6%	28.8%	28.8%

# FX challenges

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PGK declined by 4.2% and by 3.7% against AUD and USD respectively over the 12-months to March 2017.



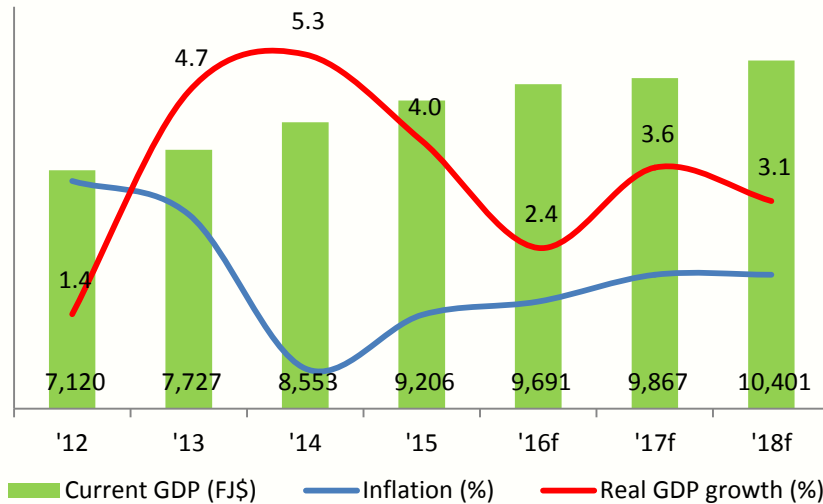
- **Gross foreign exchange reserves was US\$1,737.9 (K5,439.3) million at 28 March 2017. This is sufficient for around 8.0 months of total and 13.4 months of non-mineral import covers.**

# Non-PNG Outlook

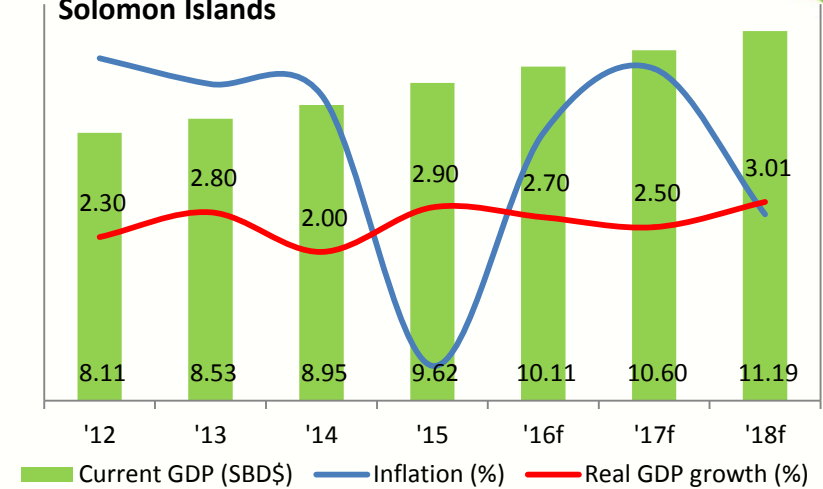
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The Pacific region is expected to grow by 2.9% in 2017 and 3.3% in 2018. Fiji and Vanuatu recovering from natural disasters in 2015. Vanuatu and Cook Islands will experience higher growth rates in the region. Inflation eased in most economies in 2016.

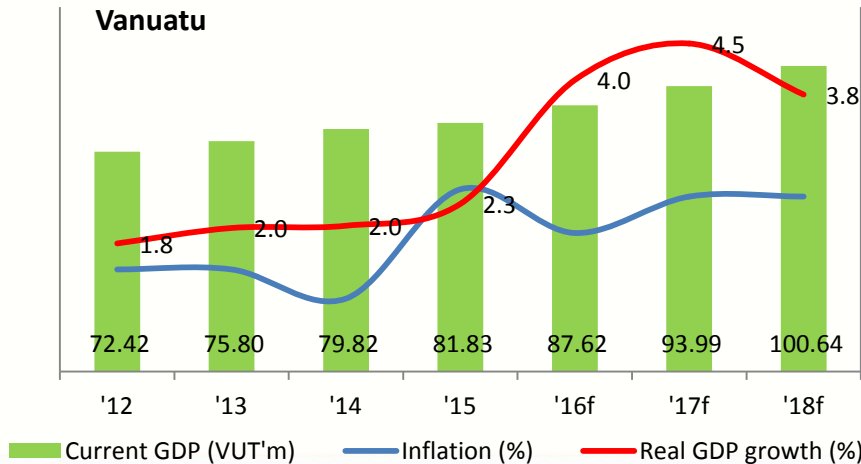
## Fiji



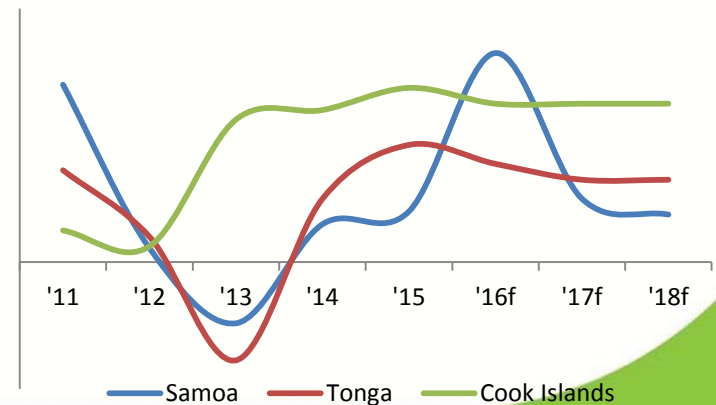
## Solomon Islands



## Vanuatu



## GDP growth (Samoa, Cooks and Tonga)



# Highlights for 2016

Profit (NPAT) up **21%** to **K643.5m**

Total Income up **16%** to **K1.79bn**

Total Assets up **14.5%** to **K20.8bn**

Cost to Income ratio improves to **42.9%**

Capital Adequacy maintained at **23.1%**, exceeds BPNG requirement of 12%

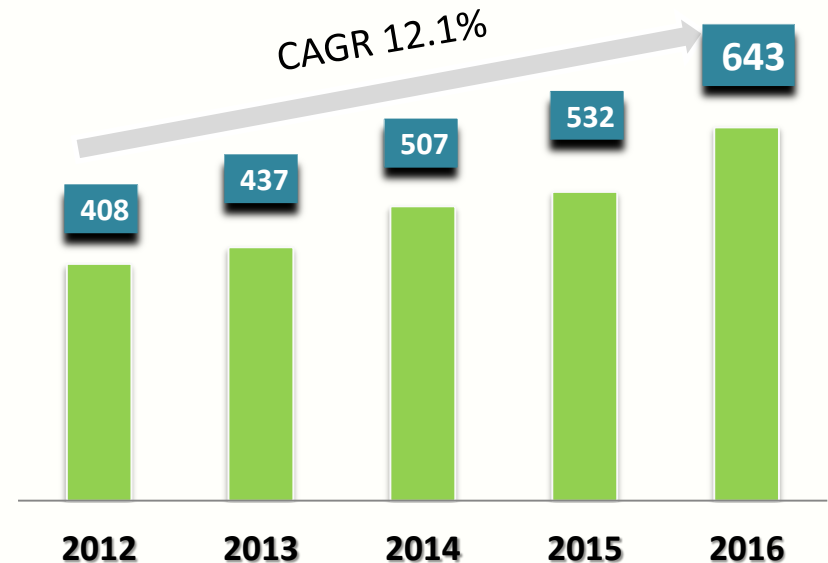
Loan Provisions to total loans steady **4.9%**

ROE up **1.8%** to **29.6%**

Dividend Yield of **9.8%** ( share price K9.00)

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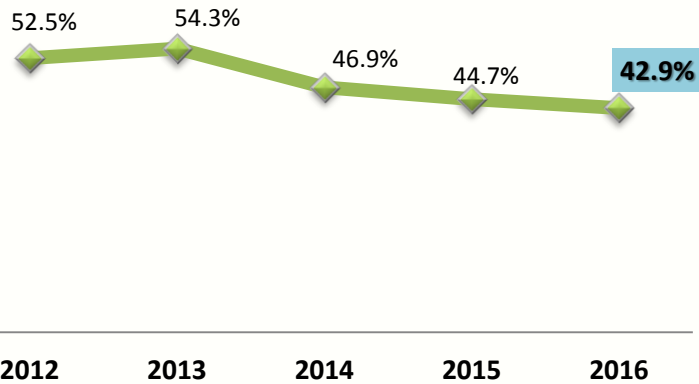
## Group NPAT (PGK 'm)



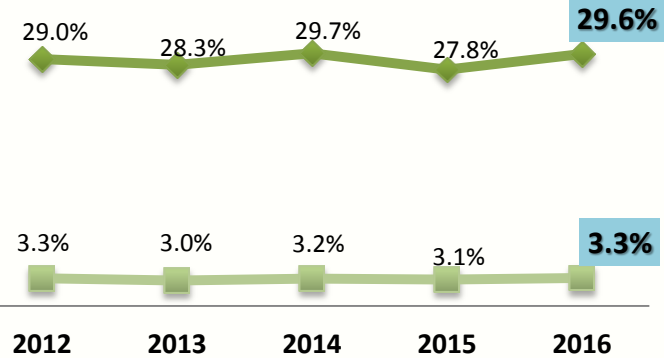
# Financial Ratios

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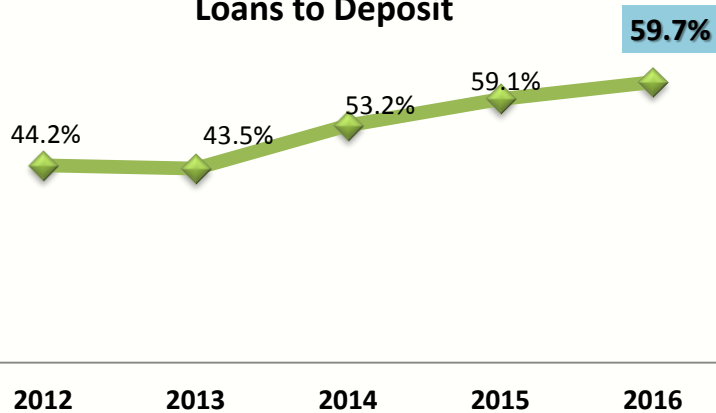
### Cost to Income



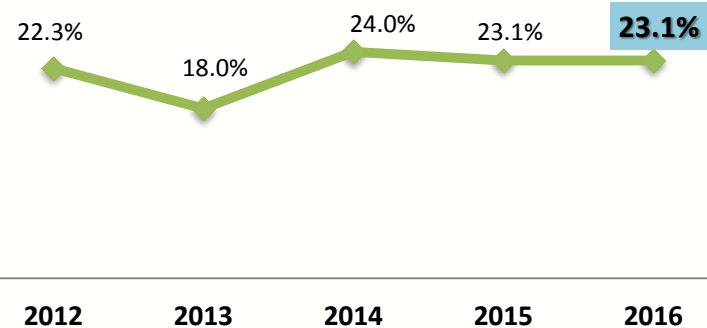
### ROE, ROA



### Loans to Deposit

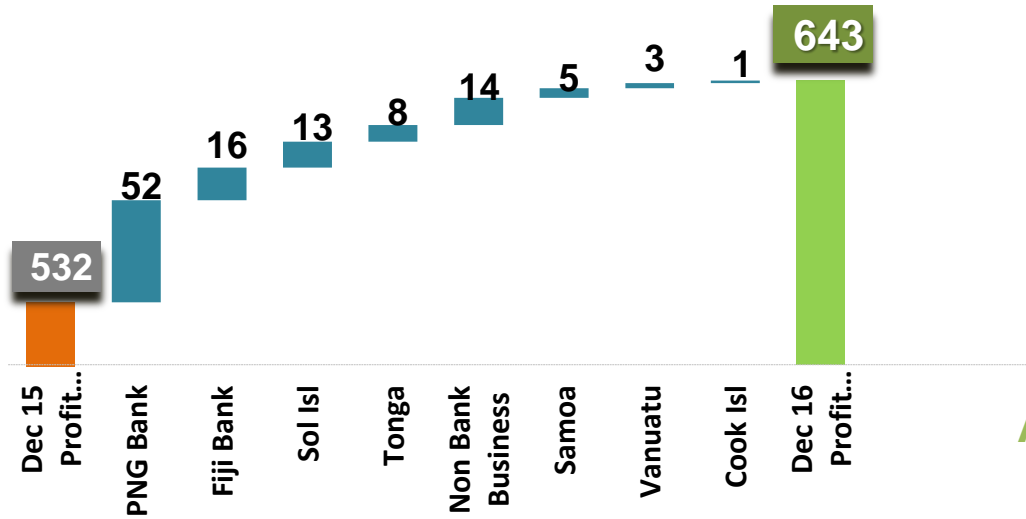


### Capital Adequacy

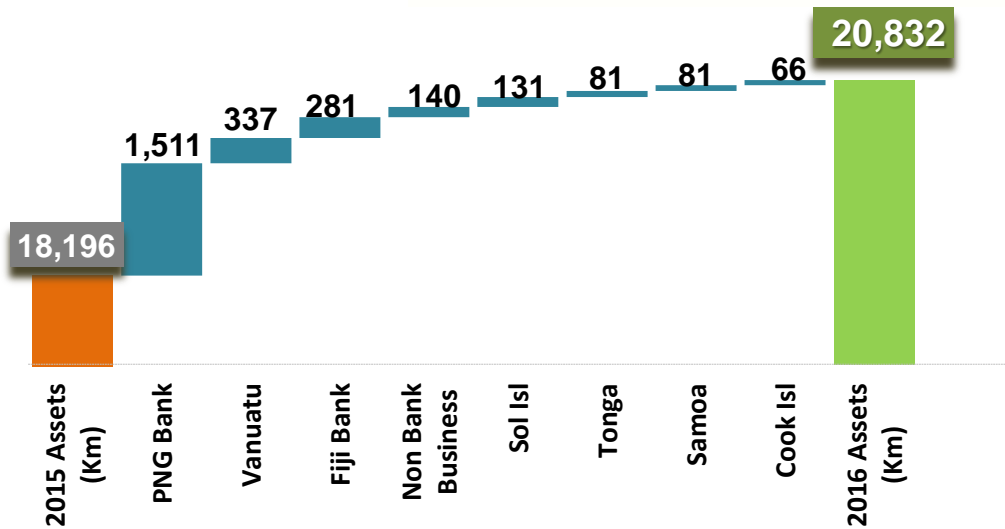




# Profit contribution by business



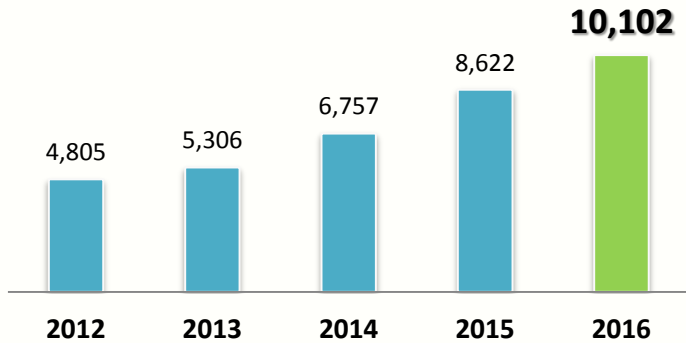
## Asset growth by business



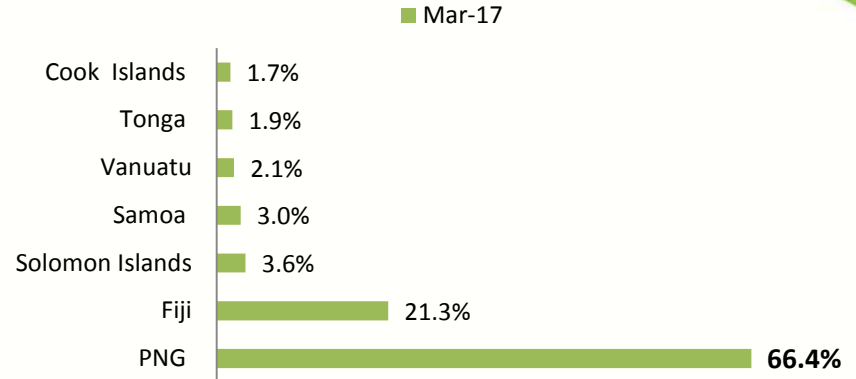
# Loans and Deposit growth

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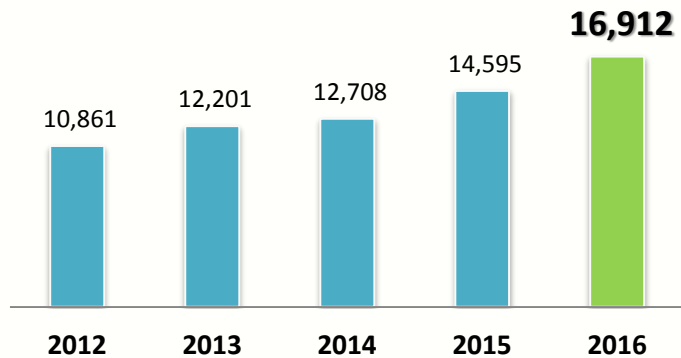
**Net Loans  
(K'm)**



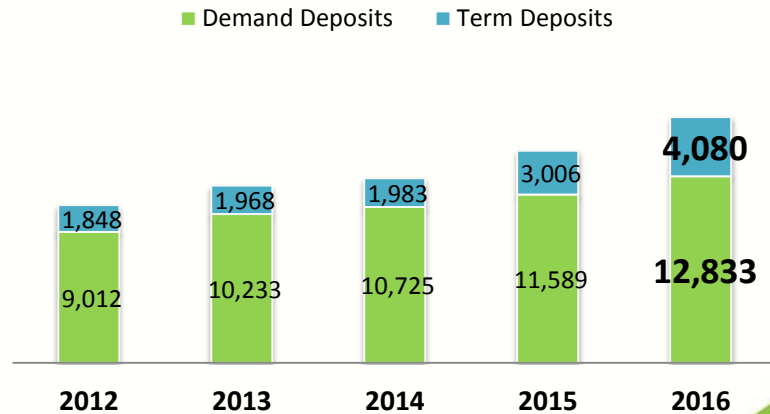
**Loan portfolio composition**



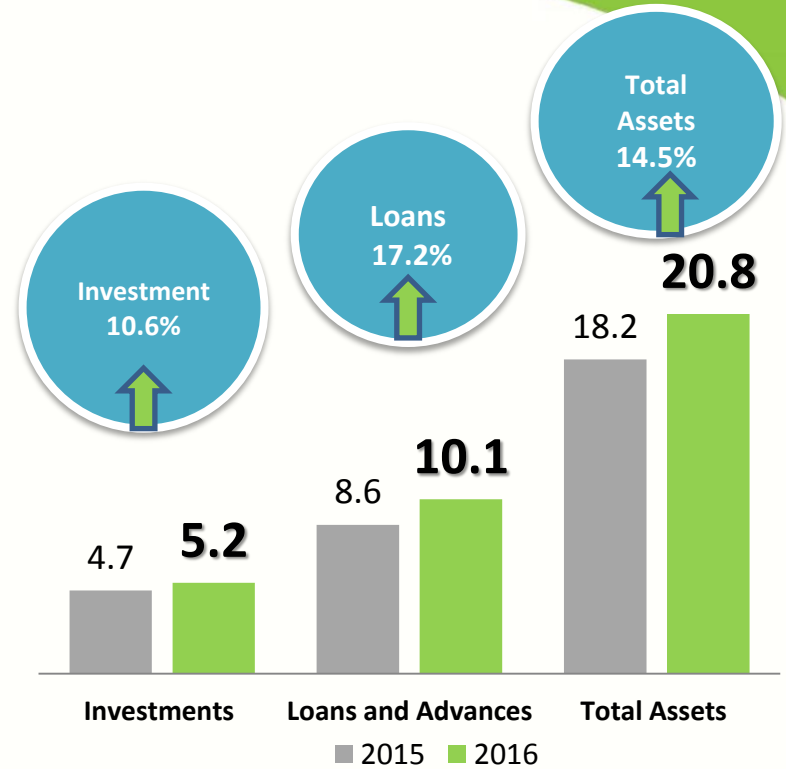
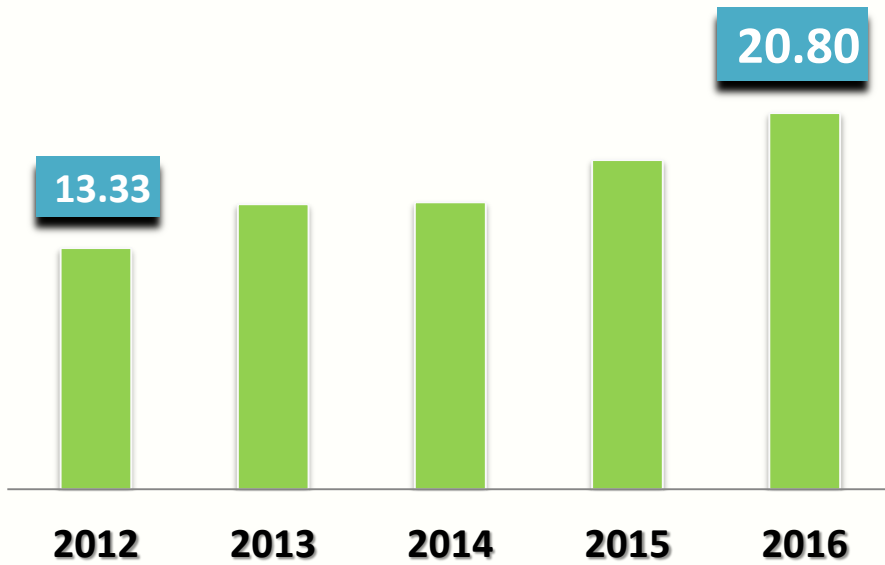
**Total Deposits  
(K'm)**



**Deposit Mix**

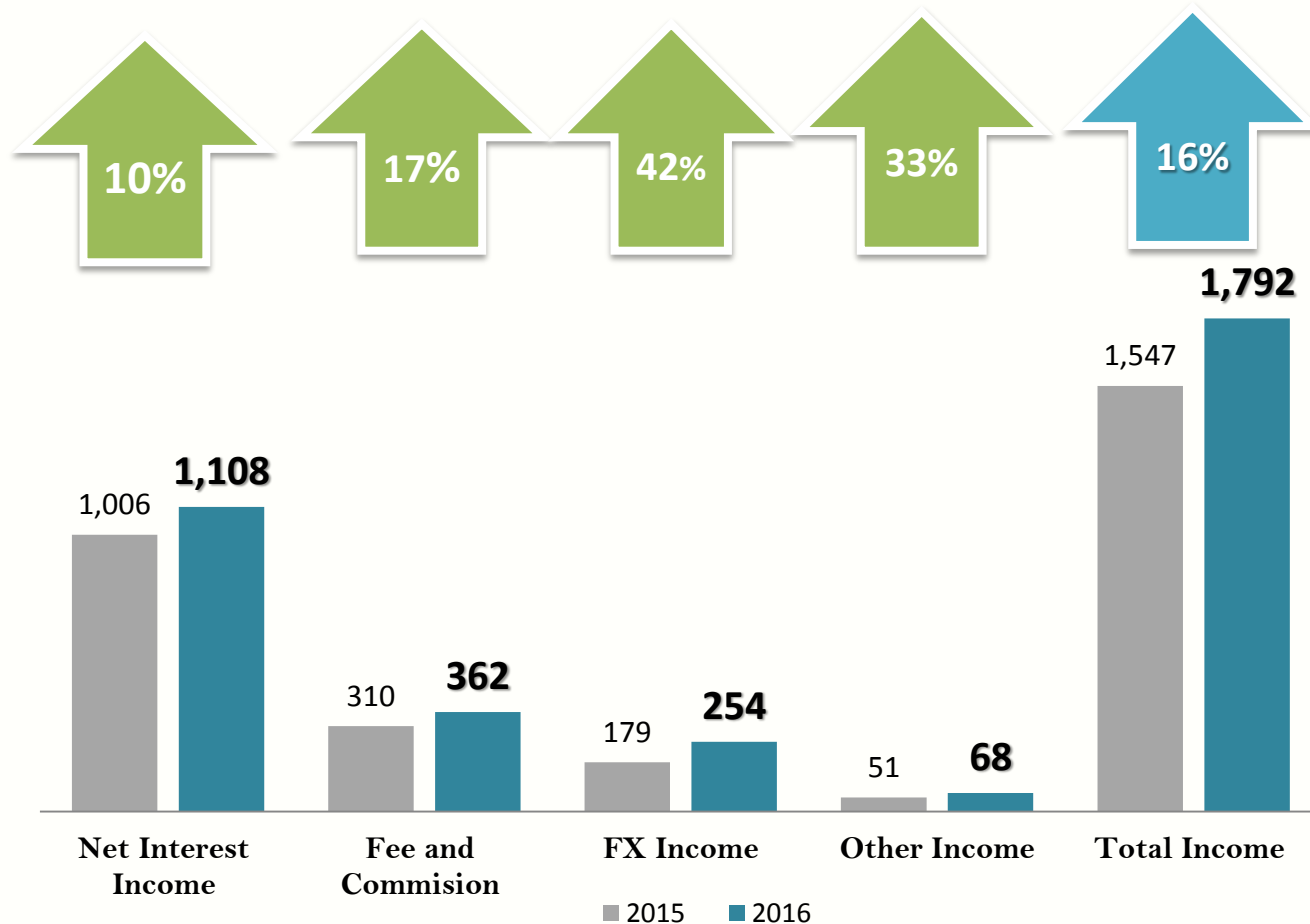


# Group Total Assets Trend (Kina 'billion)

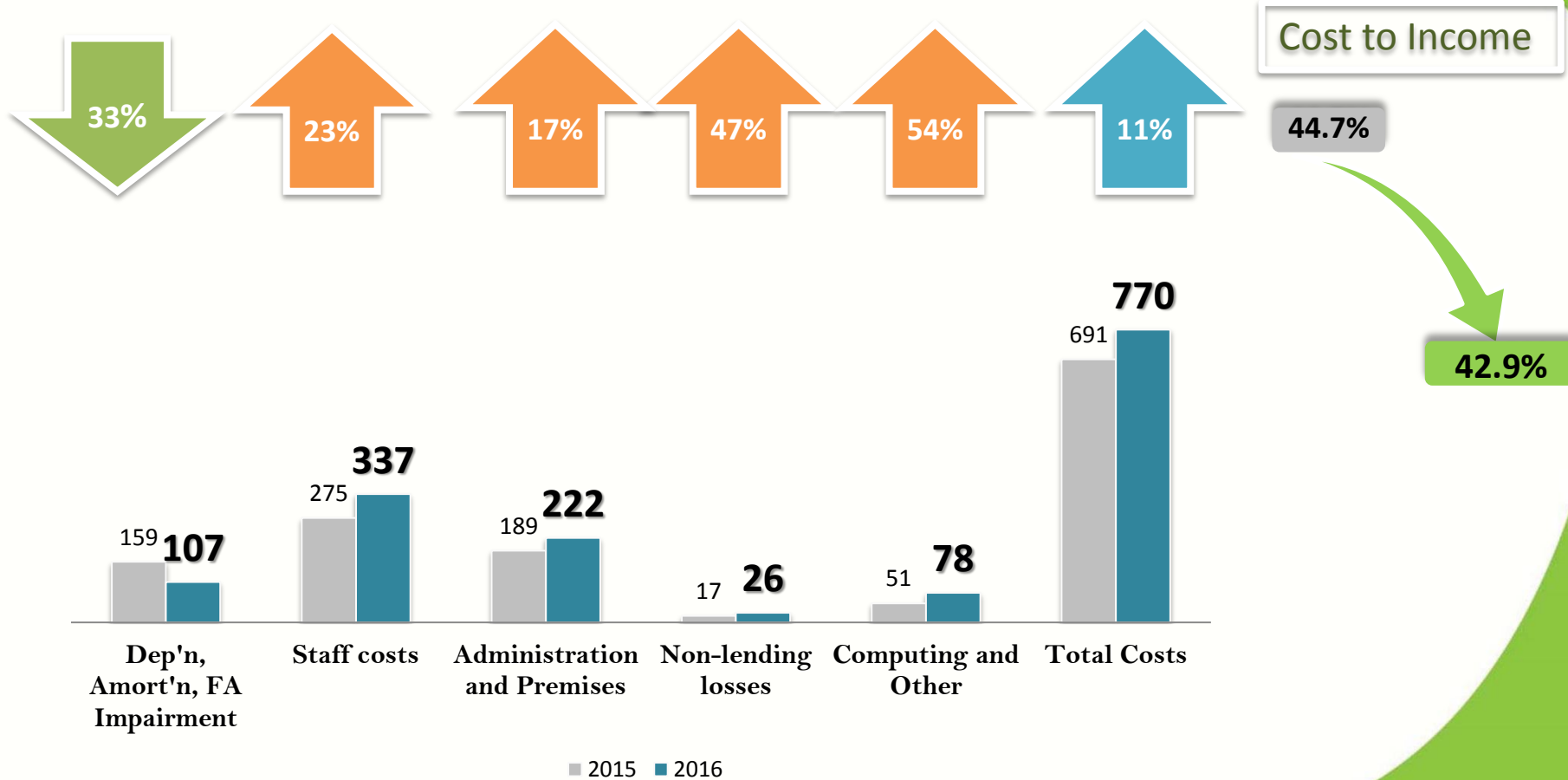


# Income Stream Growth (K'm)

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# Expenses scaling with growth (K'm)

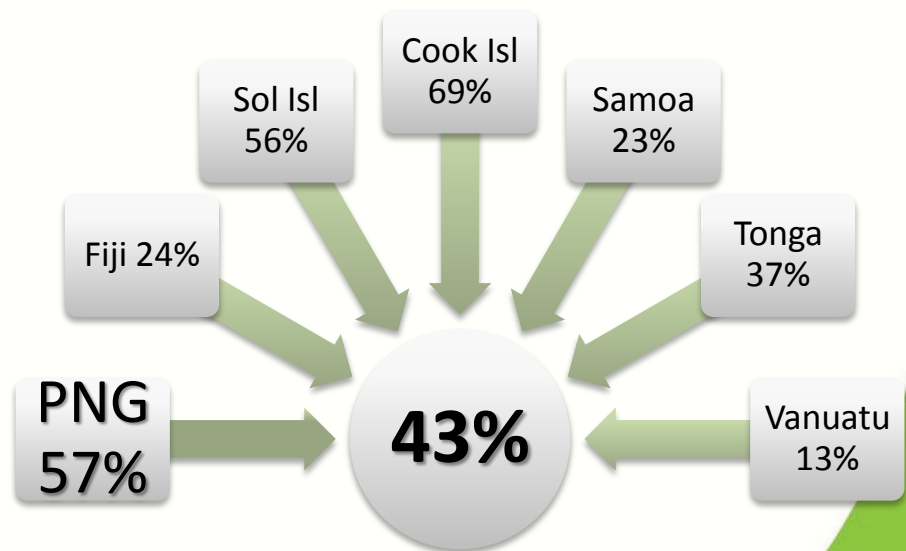
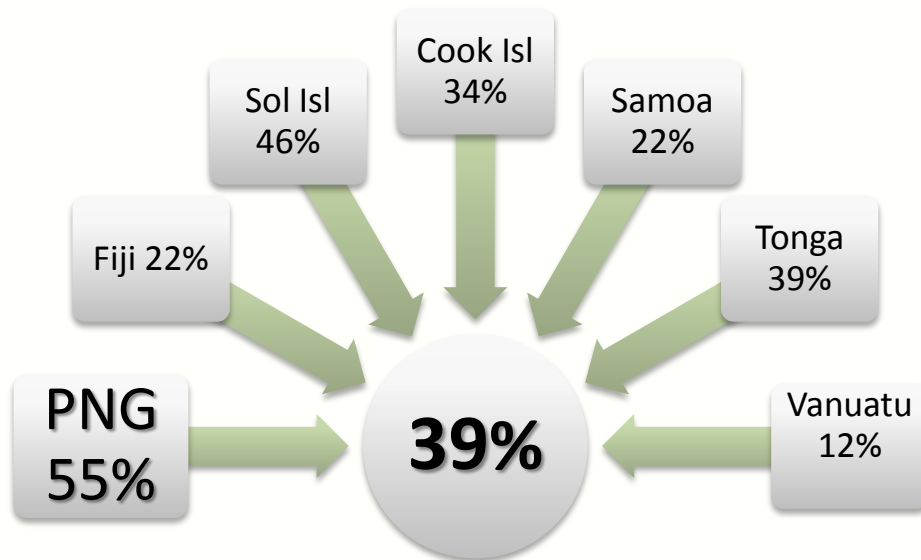


# Market Strength

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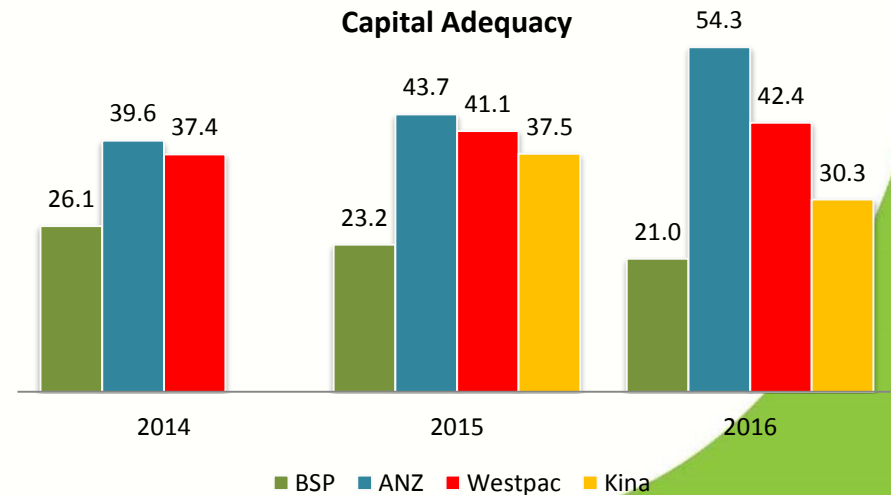
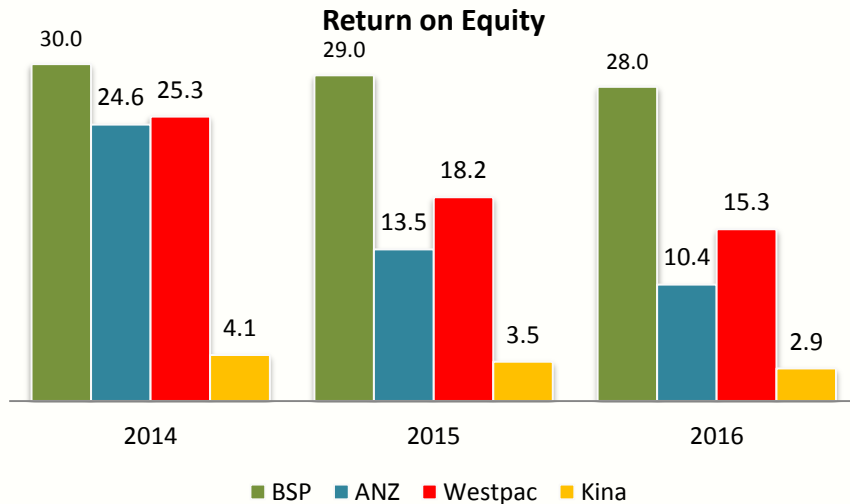
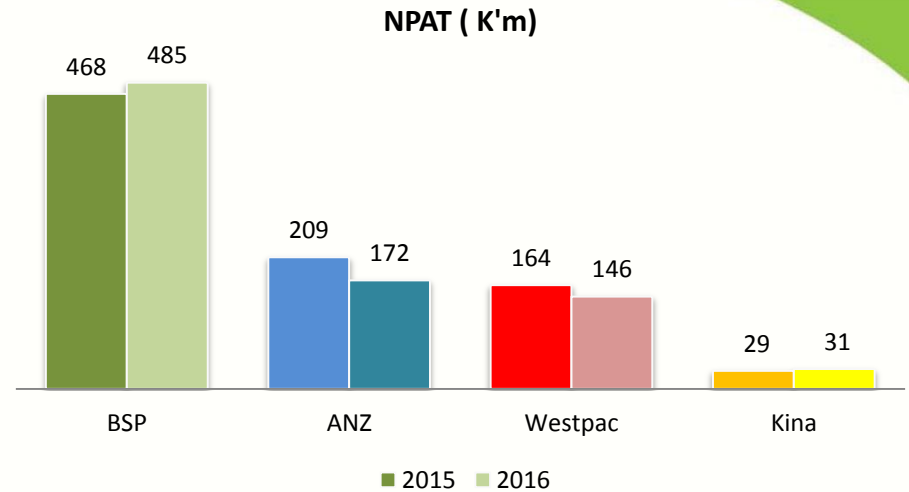
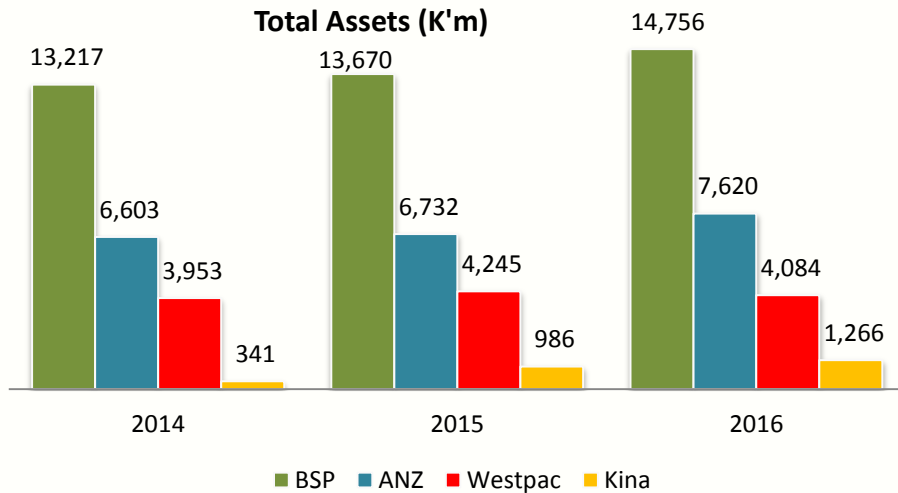
## Loans market share

## Deposits market share



# PNG Industry Environment-Peer Comparison

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# BSP Key Strengths

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- 1 Market Leadership Across the Pacific
- 2 Operating in Growing Developing Markets
- 3 Branch Footprint Which Enables Diverse Customer and Product Mix
- 4 Proven Track Record of Executing Growth Initiatives
- 5 Experienced Board and Management Providing Robust Governance and Risk Controls
- 6 Attractive Financial Profile Delivering Growth, Returns and Yield
- 7 Well Capitalised Balance Sheet and Strong Margins



# Dual Listing Project

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## 2 Phases

### Singapore Phase

Total cost K8.9m

Singapore stock Exchange decision process became prolonged and outside desired project timeline.

### Australia Phase

Total cost K8.6m

Recently announced, the board is not currently of the view that there will be a significant public offer of shares in conjunction with the Potential Listing.

- All costs were fully expensed as they were incurred in respective years.

# Strategic Focus – 2017 Onwards

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## Pacific Islands

### Cement domestic leadership position

- Grow corporate loan portfolio within specific products and industry sectors in alignment with economic activity, and facilitate medium to long term relationships with customers
- Continue to develop workforce through:
  - Preparing, training, nurturing and developing the capacity and skills of in-country and regional corporate leadership
  - Enhancing depth to match business line and regional growth plans
- Increase customer satisfaction through continually upgrading sales and customer service skills of employees to adapt to a competitive environment
- Promote customer take up of BSP's extensive branch and e-channel network

### Broaden product footprint

- Develop capabilities in new product segments, including:
  - Pursue opportunities for asset finance in all markets where BSP operates
  - Refreshing capabilities of existing e-products and introducing products which address the evolving needs of customers
- Implement a new Core Banking solution to provide a common and up-to-date operating platform for the bank across the region, and realise efficiencies with a lower Total Cost of Ownership

### Insurance

- Develop a model in all countries BSP operates for an increased profile of BSP Life
- Evaluate longer term potential for general insurance offering

## Regional

### Growth acquisitions in Pacific and Southeast Asia Region

- Further consolidate leading market position in existing and new Pacific markets
- Establish footprint in South East Asia via an asset finance joint venture (Initially in Cambodia )

# Board Strategic Imperatives

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## Core Banking System Upgrade (Oracle's Flexcube Product)

1. Implementation of Core Banking Program (3 years) has commenced.
2. Added system capabilities and features provide more opportunities for improved product offering and customer service.
3. All Countries will be migrated to Flexcube Product.
4. Productivity and efficiency gains with a lower total operating cost.

# Board Strategic Imperatives

## BSP Finance

1. BSP Finance is following BSP's regional expansion program by exploring opportunities to expand to other geographies that BSP Bank already exist in.
  - Central Bank of Solomon Island (CBSI) has in Apr'17 approved our License Application to operate BSP Finance; target commencement date is 01<sup>st</sup> August 2017
2. BSP Finance has identified market entry opportunities outside of the Pacific Region.
  - BSP Finance completed settlement for 50% Joint Venture with RMA Finance Cambodia PLC in early May 2017.
  - Rebranded "BSP Finance (Cambodia) PLC"

# Board Strategic Imperatives

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## Accessibility to Liquidity:

1. BSP is considering various options to provide access to liquidity to its shareholders, one of this dual listing opportunity in a reputable stock exchange.

## Insurance Market Entry Options

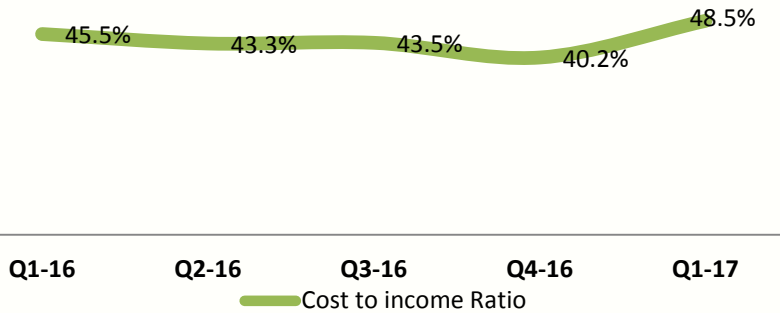
1. BSP is seeking various growth options to its BSP Life (life insurance) brand currently based in Fiji.
2. This initiative to follow BSP's regional expansion program by exploring opportunities to expand to other geographies that BSP Bank already exist in, with primary country of focus to be PNG.

# Q1/2017 Results

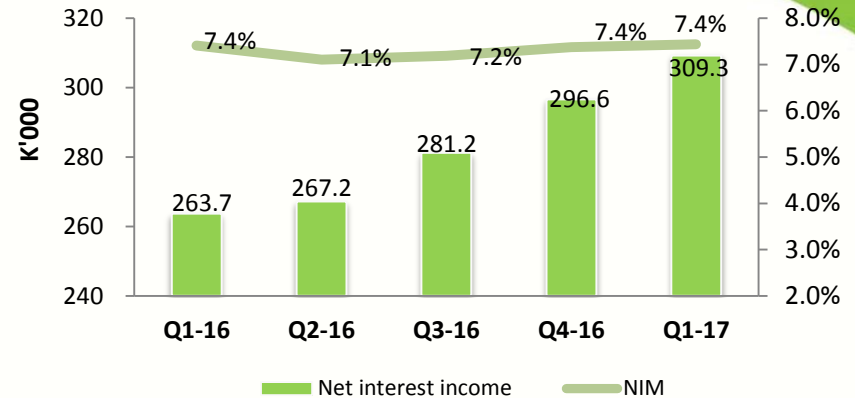
# Quarterly Financial Ratios

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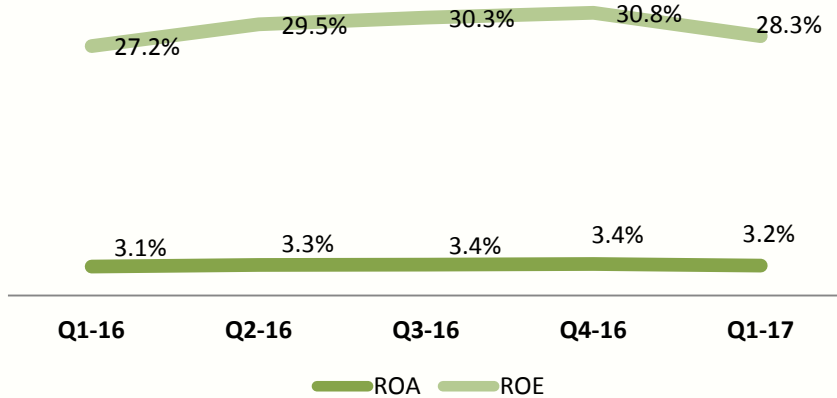
### Cost to Income Ratio



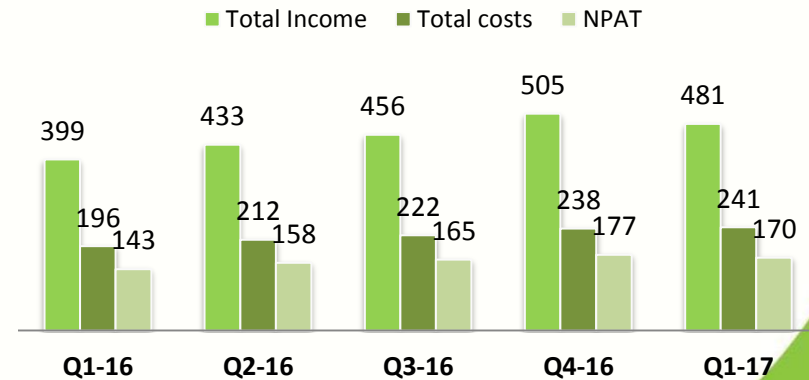
### Net Interest Income and NIM (annualized)



### ROE and ROA (annualised)



### Profitability



# Profit and Loss (K'm)

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Group NPAT in Q1'17 is up 19% (+K26.9) from Q1'16

Total Income increased by 21% compared to Q1'16. Net interest income contributed mostly in the quarter with K13m.

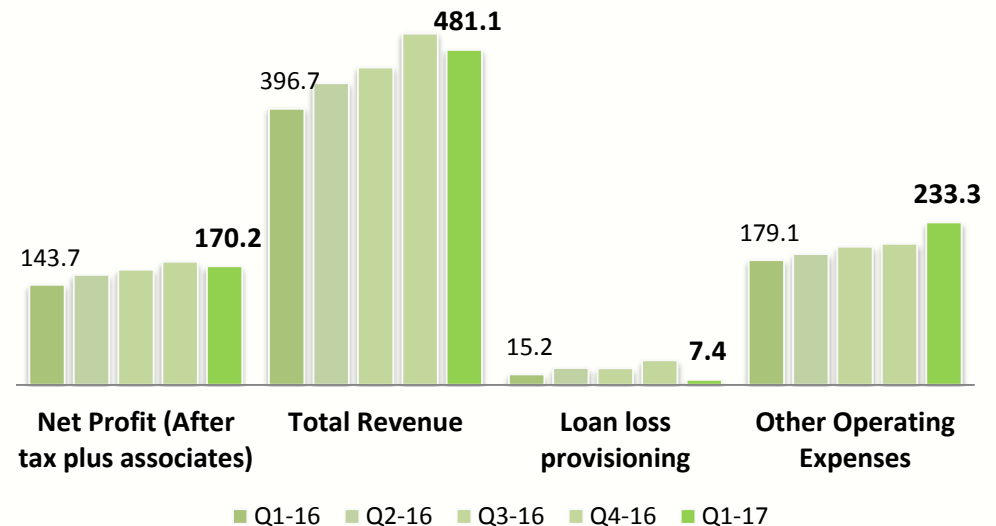
FX Income increased by 54% since Q1'16 .

Operating expense increased in the quarter over last years mainly from Increases CPI adjustments to salaries and wages plus consultancy fees (Zeus/Core Banking)

Total Costs however only rose by 1% in Q1'17 as lending impairments significantly dropped by K28m in Q1'17 compared to Q4'16

The Group's Cost to Income ratio rose from 40.2% in Q4'16 to 48.5% as a result reasons stated above.

## Profit and Loss (Km)





# Balance Sheet (K'bn)

Total Assets increased by 2% (+K354m) to K21.2b at end of Q1'17. Loan growth in Q1'17 was K320m, 3% increase from Q4'16.

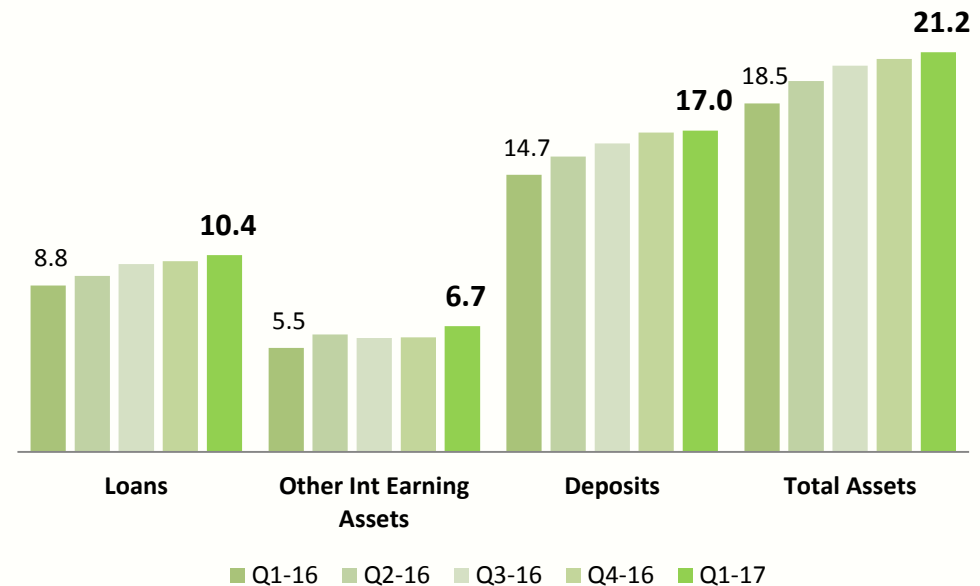
PNG loan growth was K66m. Other entities grew by net K254m

PNG growth was lower due to payout of SPI facilities in Feb'17 of K174m (USD54m).

Growth in Interest Earning Assets was K424m with PNG growth being K416m and other entities of K8m.

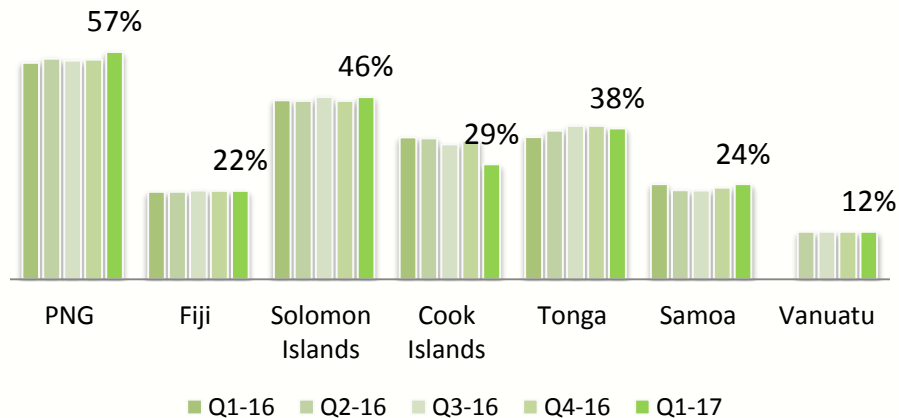
Total deposits increased slightly, 0.6% (+K107m) to K17.0b at Q1'17 with PNG increasing by K128m and other entities decreasing by net K21m including FX translation.

Balance Sheet ( K'bn)

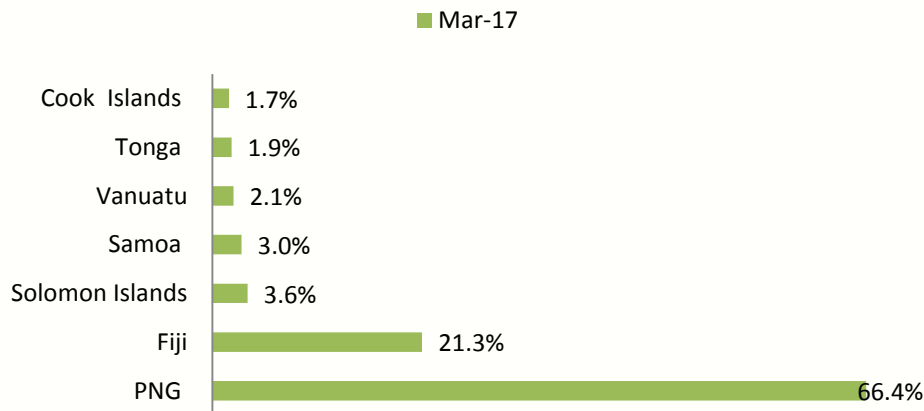


# Market Share - Loans

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## Loan portfolio composition

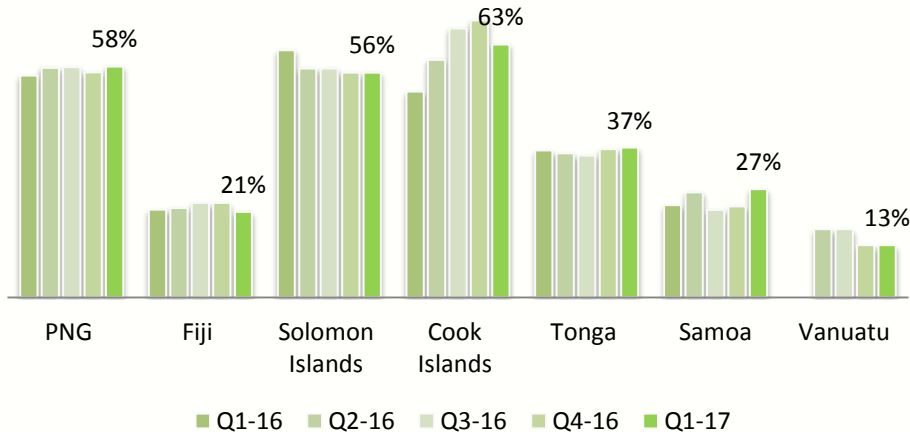


## Commentary ( QoQ' )

- BSP's combined market share for loans remains at 38% in Q1'17,
- PNG which has the largest market share increased by 2% to 57% in Q4'16 with an increase in loan volume in the quarter of K66m
- BSP Fiji also maintained its market share at 22%, and similarly BSP's operations in other jurisdictions maintained market share, on average.
- BSP's loan portfolio remains predominantly in PNG, with PNG accounting for 66% of the group's loan balances.

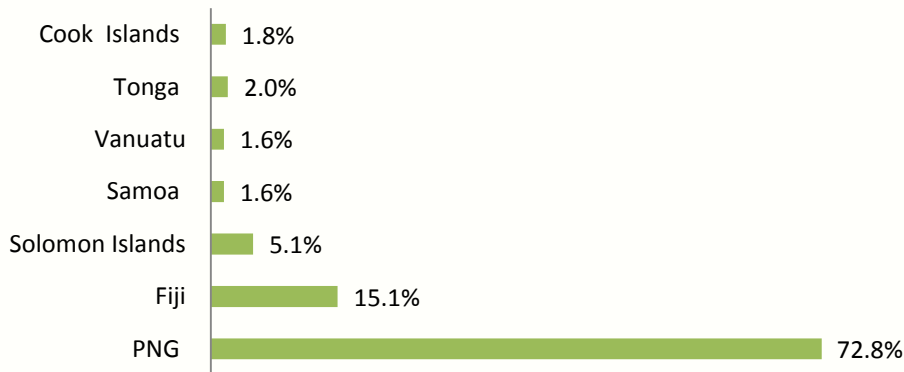
# Market Share - Deposits

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## Deposit portfolio composition

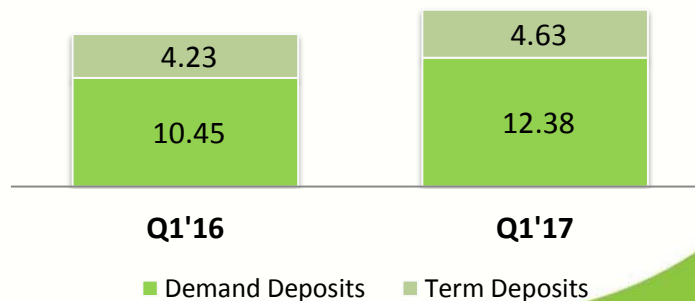
■ Mar-17



## Commentary ( QoQ' )

- BSP's combined deposit market share remains steady at 43% in Q1'17.
- BSP PNG deposits grew by K128m in the quarter with market share increasing by 2% to 58% in Q1'17.
- Fiji market share slightly fell by 3% to 21%.
- BSP's deposits portfolio remains predominantly based in PNG, accounting for 73% of the group's deposit balance.
- Deposit mix shows an increase in both Demand and Term deposits by 9% and 18% respectively since Q1'16

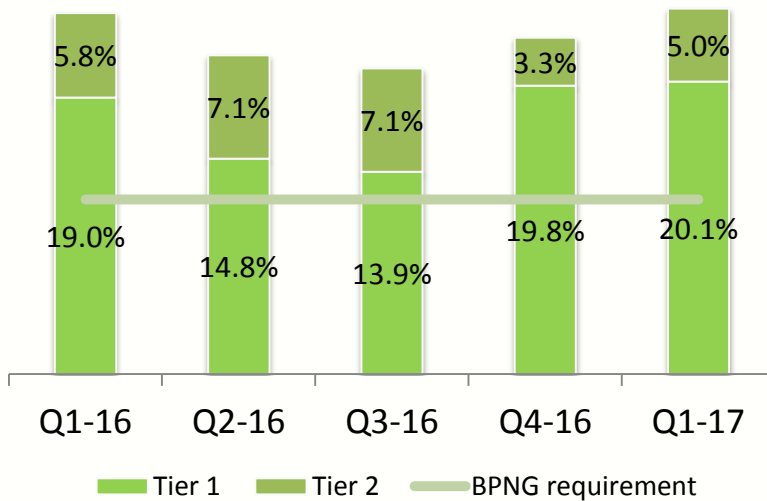
## Deposits Mix ( K'bn )



# Financial Risk Management

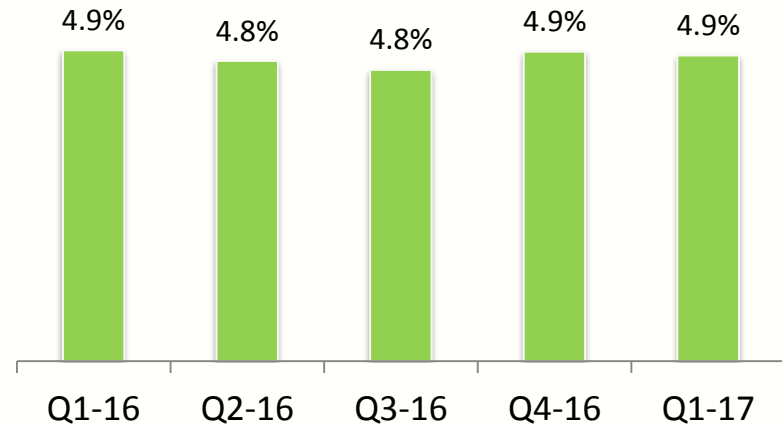
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## Capital Adequacy



- Capital Adequacy ratio is 25.1% in Q1'17, compared to 23.1% in Q4'16, still well in excess of the 12% prudential requirement.

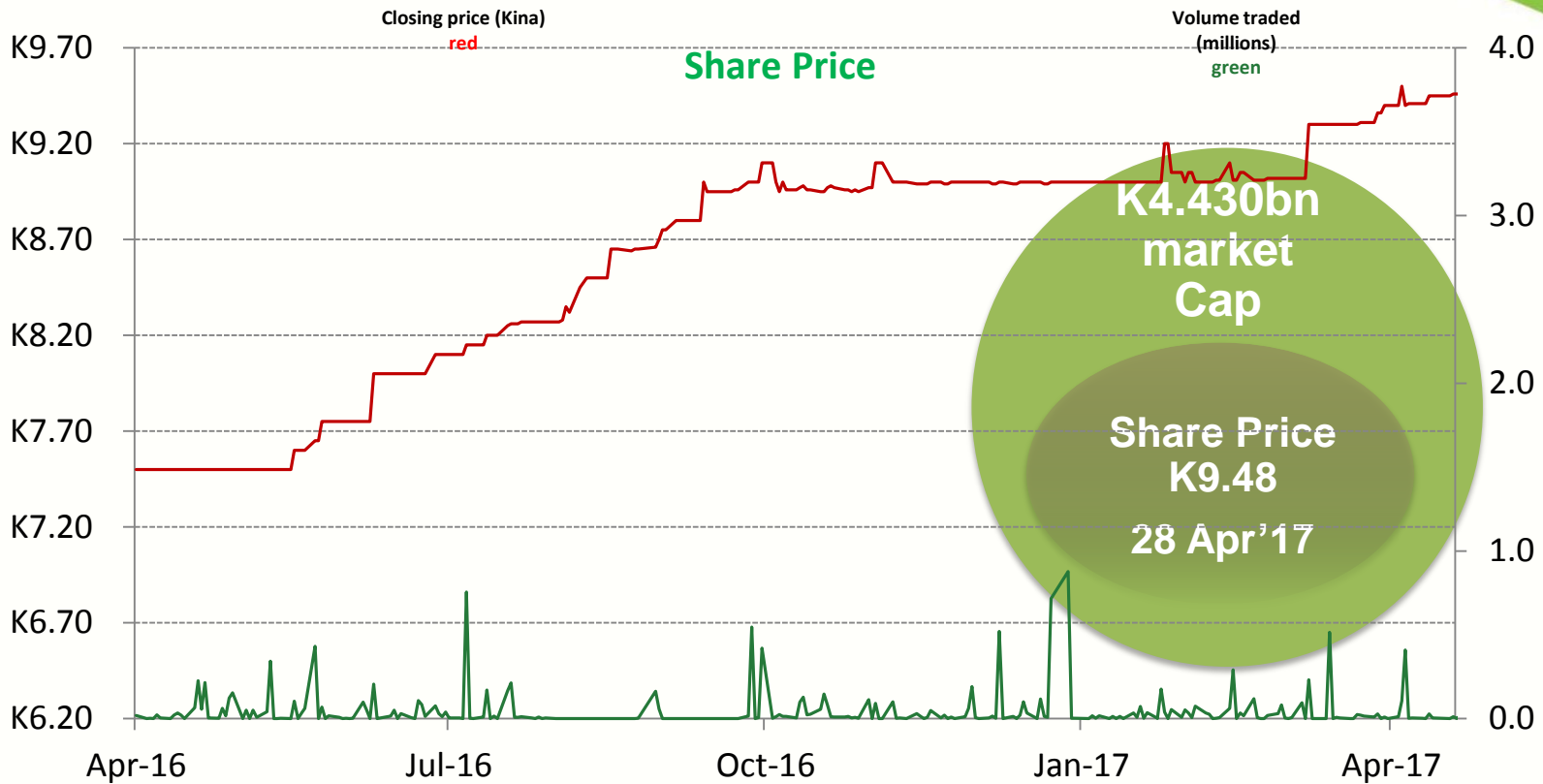
## Provisions to Loans



- BSP's Provisions to Loans ratio remains at 4.9% at Q1'17, a similar position to Q4/16.

# Share Price

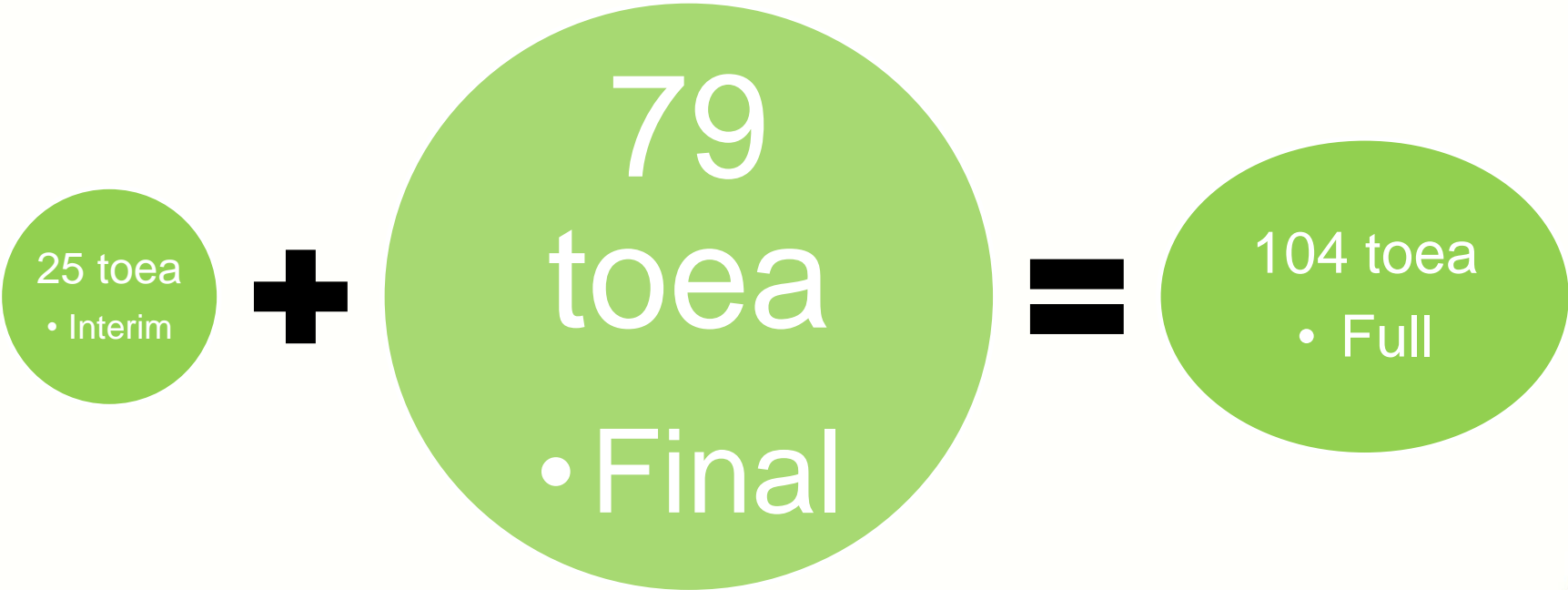
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**Dividend Yield : 10.9% ( @share price K9.48)**

**PE Ratio : 6.9 times**

# Dividend



# Conclusion

- 2016 was an outstanding year with better than market performance
- Cost to income ratio of 42.9% reinforces a strong cost focus
- Capital adequacy, loan loss reserves, dividend yield and EPS all market leading
- BSP's expansion in the South Pacific well executed
- Increasing contribution from non PNG Business, and
- BSP is a significant contributor to economic growth in PNG and the Pacific

# Thank You