

**Our Bank.
Our People.**



2021 ANNUAL GENERAL MEETING

Shareholder Presentation

Robin Fleming – Group CEO
BSP Financial Group Limited
[ARBN: 649 704 656, Incorporated in Papua New Guinea]



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South Pacific market leader



BSP is the South Pacific's leading financial services provider.



FY20

Diversification



BSP provides banking, asset finance, life insurance, funds management and corporate advisory services across the South Pacific and South East Asia.

BANKING



ASSET FINANCE



LIFE INSURANCE



FUNDS MANAGEMENT & CORPORATE ADVISORY



2020 results



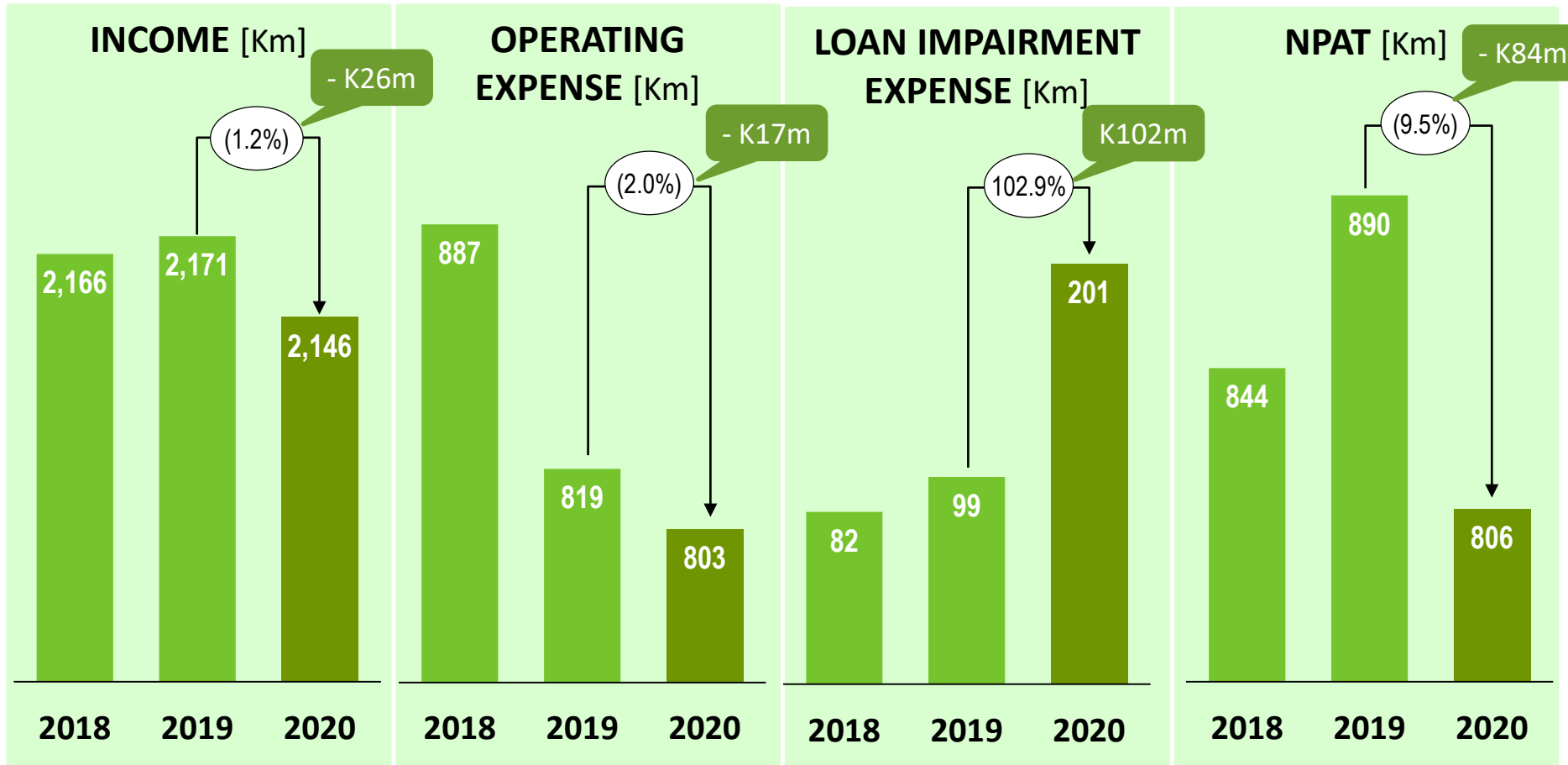
A resilient performance in 2020, giving regard to the significant COVID-19 pandemic related challenges faced by the business in every country.

	2020	2020 vs 2019
● Profit [NPAT, Km]	806	- 9.5%
● Net assets [Kb]	3.4	+ 10.2%
● Cost-to-income ratio [%]	37.4	- 33bps
● Capital adequacy ratio [%]	23.2	+ 120bps
● Earnings per share [toea]	172.6	- 9.44%
● Dividend per share [toea]	130	- 3.0%
● Market capitalisation [Kb]	5.6	+ 0.0%

Group NPAT



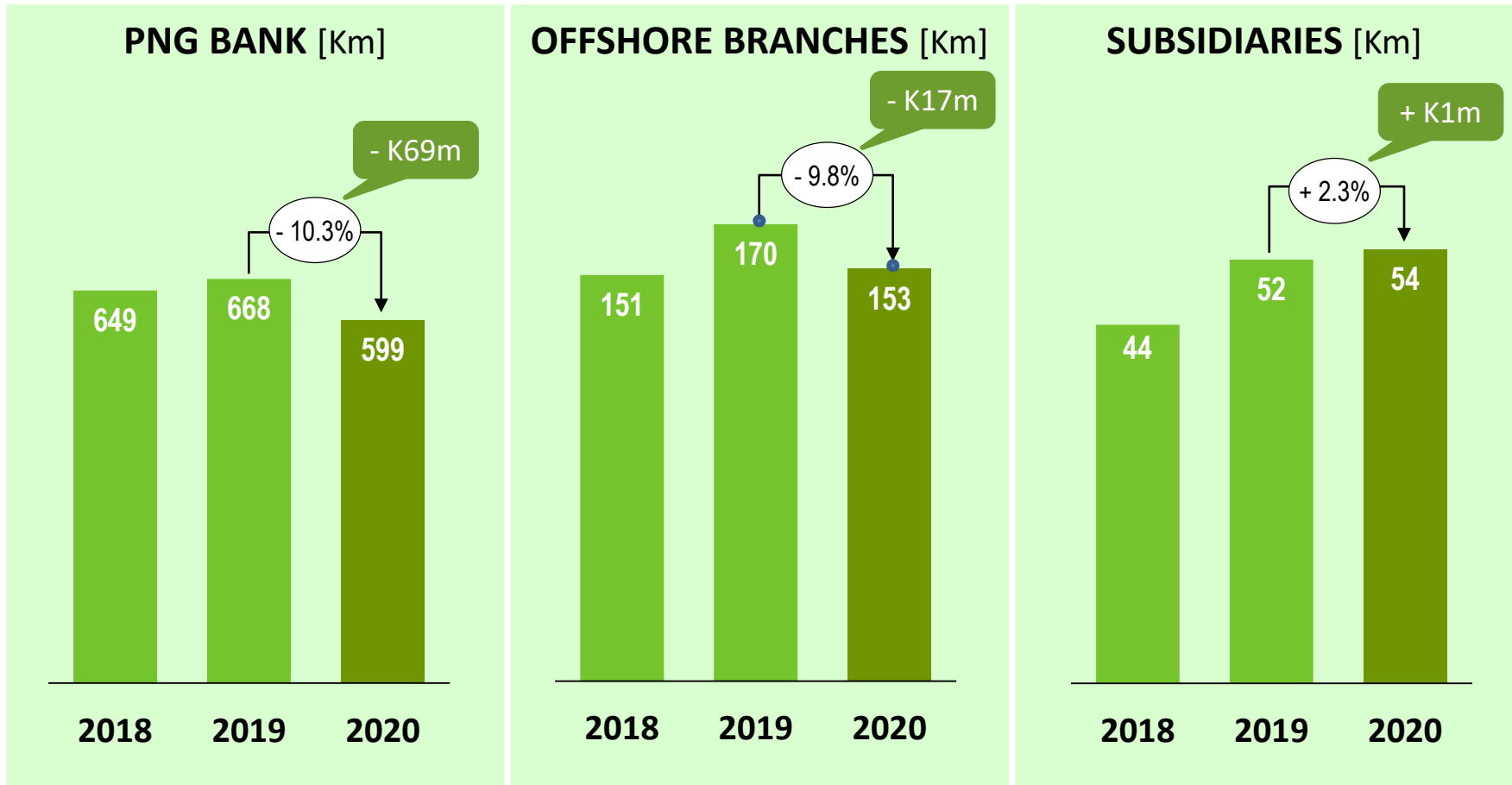
NPAT decreased by K84m [9.5%] ... as the global pandemic triggered an inevitable year on year increase of K102m in loan impairment expenses.



NPAT by division



PNG and the OSB's remained resilient despite the unprecedented economic downturn in the Pacific sub-region.

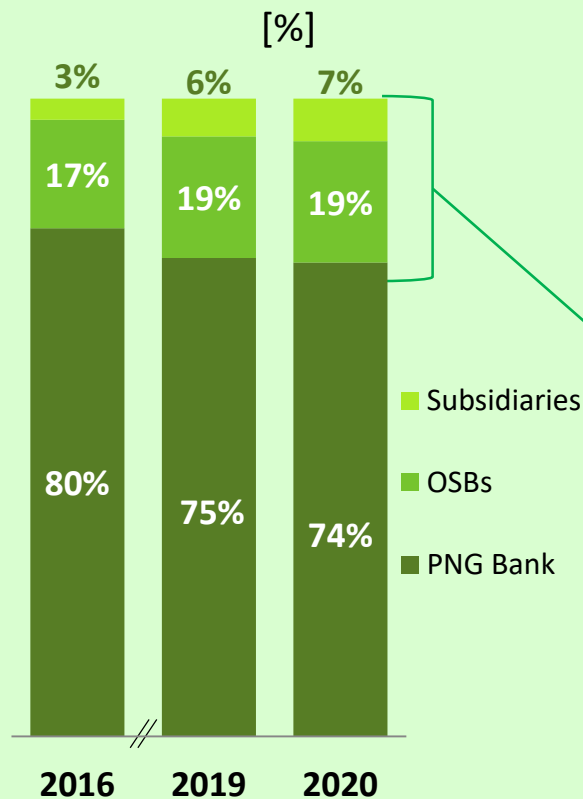


NPAT contribution mix

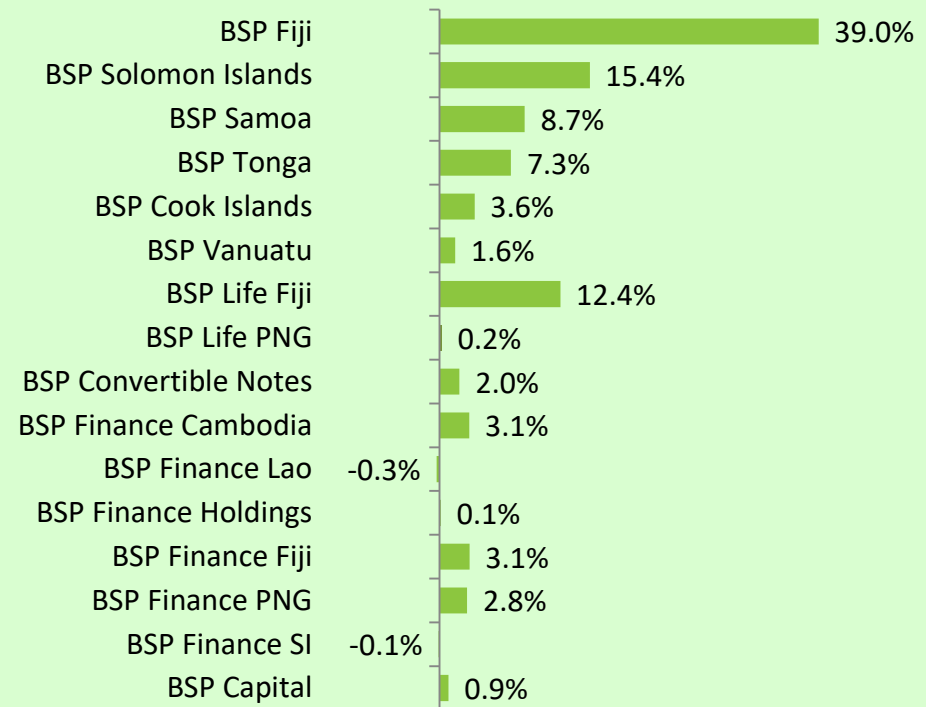


BSP's diversification strategy is working ... with growing offshore branch and subsidiary contributions

NPAT CONTRIBUTION MIX

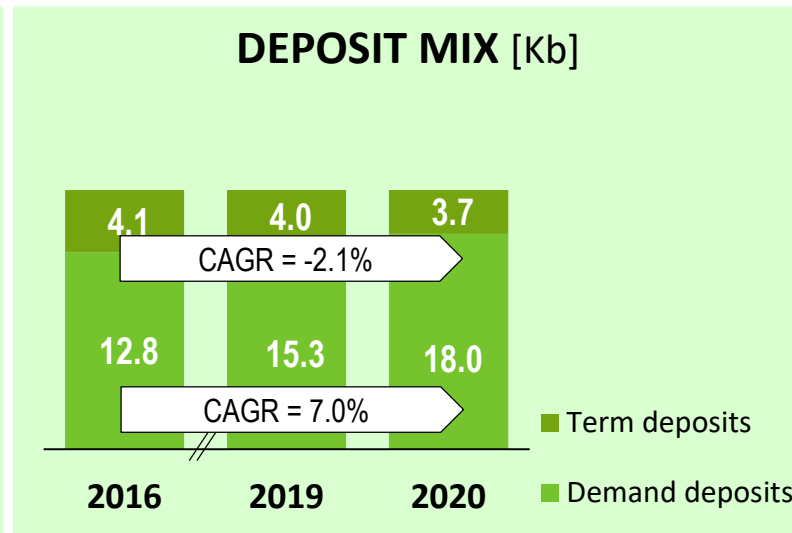
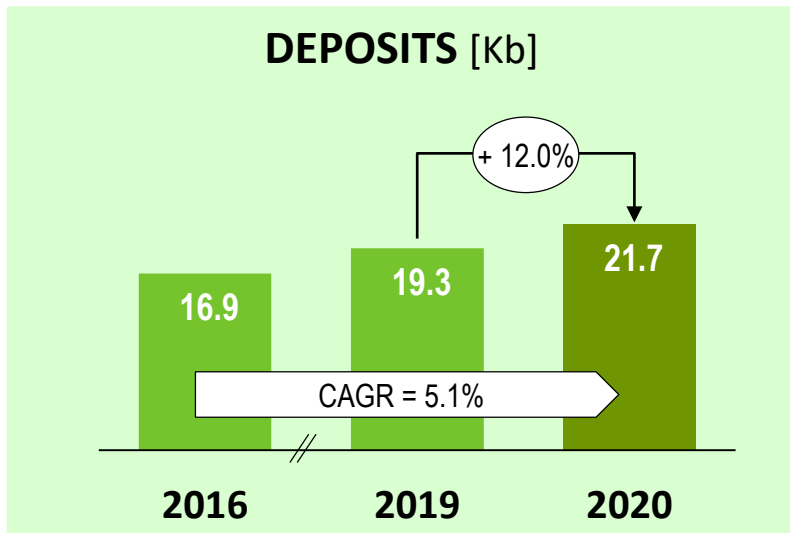
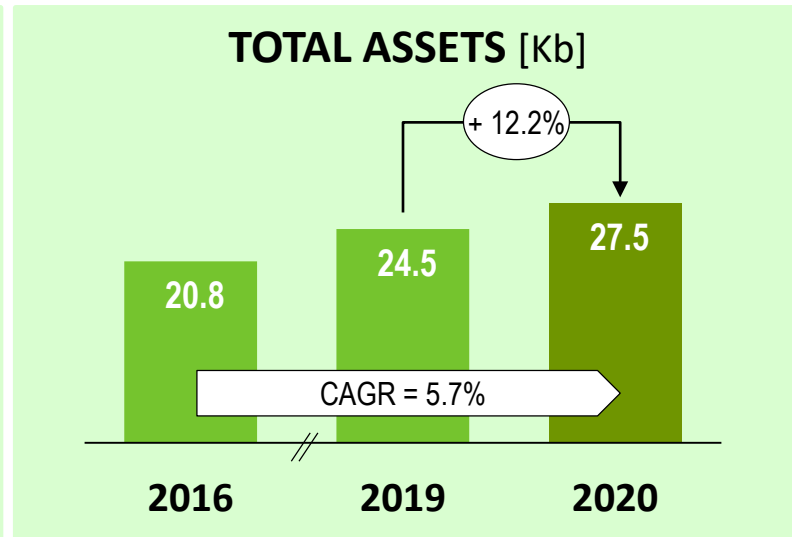
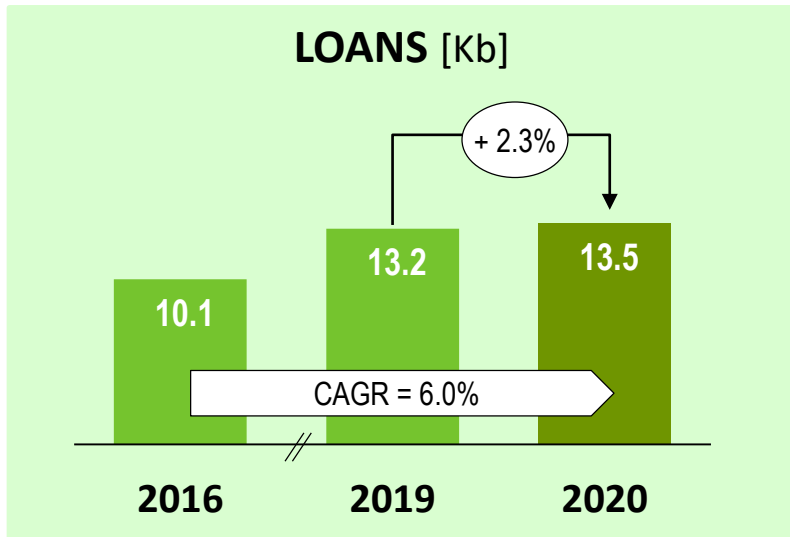


OFFSHORE BRANCH AND SUBSIDIARY NPAT 2020 CONTRIBUTION [%]



Financial metrics

Balance sheet indicators illustrate continued growth in 2020

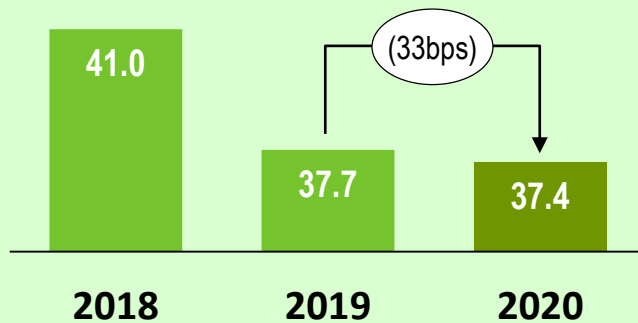


Key ratios

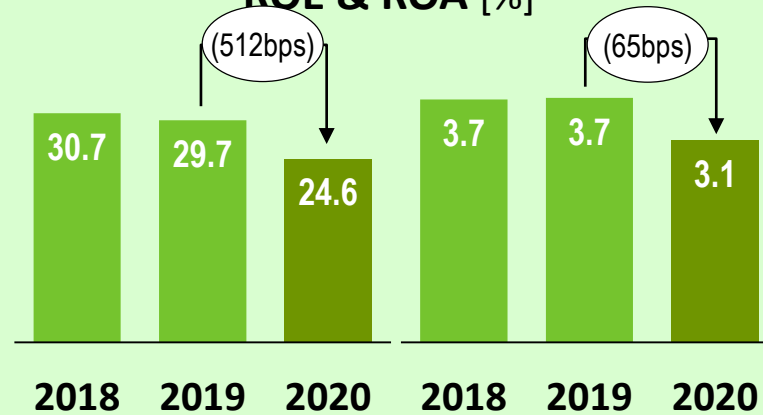


BSP Group has maintained strong results across all key performance ratios ... with increased provisioning levels reflecting a change in risk profile of lending customers on the back of contracting GDP.

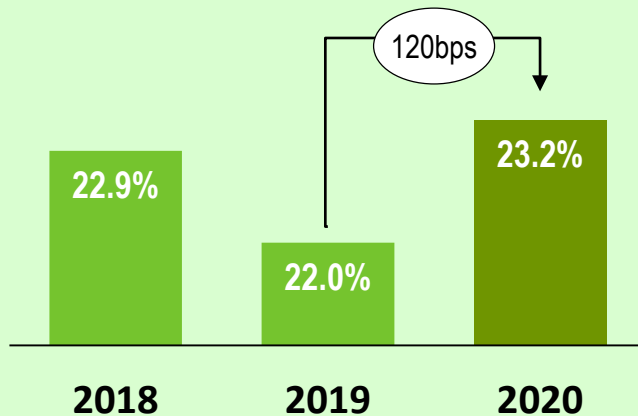
COST TO INCOME [%]



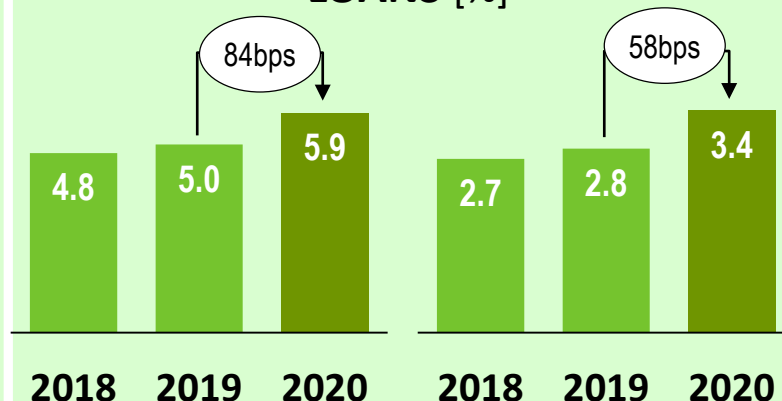
ROE & ROA [%]



CAPITAL ADEQUACY [%]



PROVISIONS TO LOANS / NPL TO LOANS [%]



Income stream trends



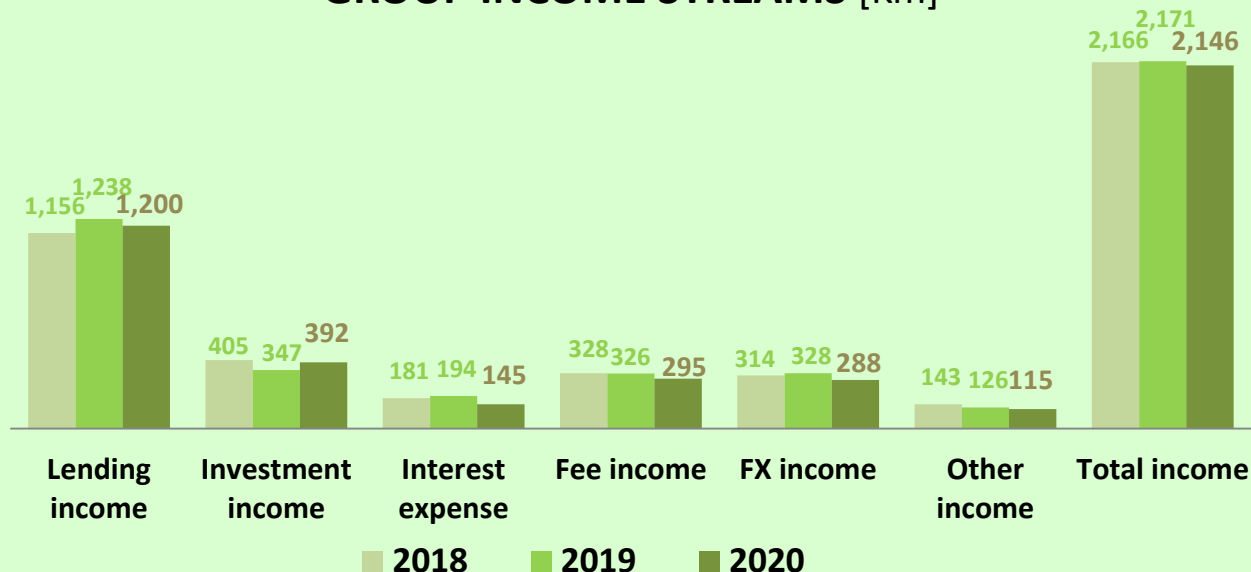
Total income reduced by -1.2% ... largely due to the PNG ILR reduction (100bps), which was partially offset by lower cost of funds and increased investment income.

	Lending income	Investment income	Interest expense	Fee income	FX income	Other income	Total income
YOY:	(3.1%)	12.9%	(25.3%)	(9.5%)	(12.1%)	(8.3%)	(1.2%)
CAGR	1.2%	(1.1%)	(7.1%)	(3.5%)	(2.8%)	(7.0%)	(0.3%)

KEY DRIVERS

- **Lending income** – income from loans & advances, before deducting interest expense.
- **Investment income** – income from fixed interest securities.
- **Fees income** – Lending and transactional fees.
- **FX Income** – gains/losses from foreign currency dealings.
- **Other Income** – rent, commission, etc.

GROUP INCOME STREAMS [Km]



Key:

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

Expenditure trends



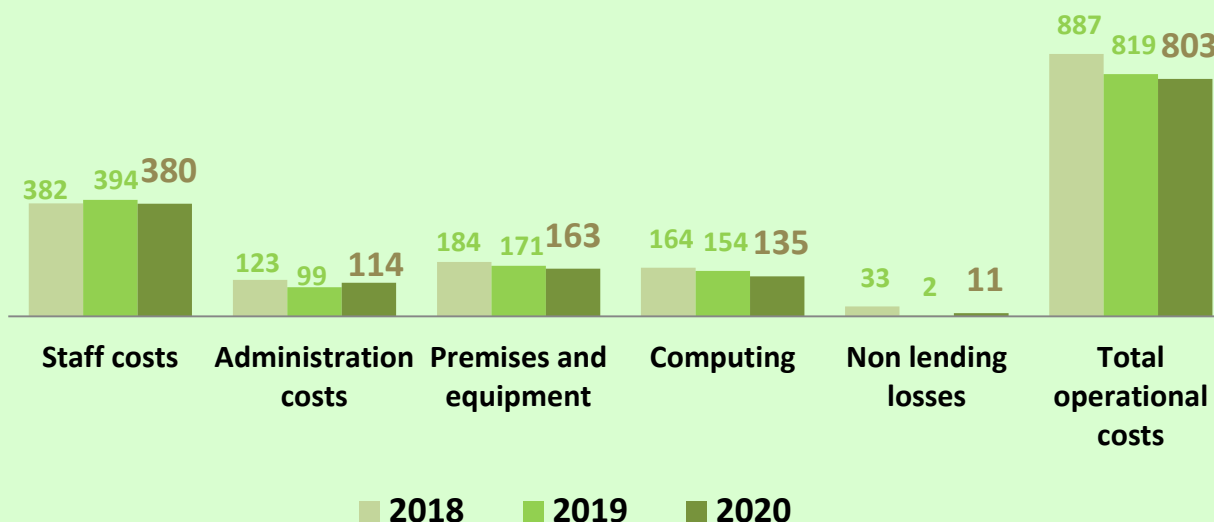
Total operational costs decreased by 2.0%, with strong cost containment measures across all businesses to mitigate the impact of income reductions.

	Staff costs	Admin costs	Premises/ equipment	Computing cost	NLL	Total operating costs
YOY:	(3.3%) ↓	15.2% ↑	(5.6%) ↓	(11.9%) ↓	392.5% ↑	(2.0%) ↓
CAGR	(0.2%) ↓	(2.6%) ↑	(4.2%) ↓	(6.3%) ↓	(30.0%) ↑	(3.3%) ↓

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:

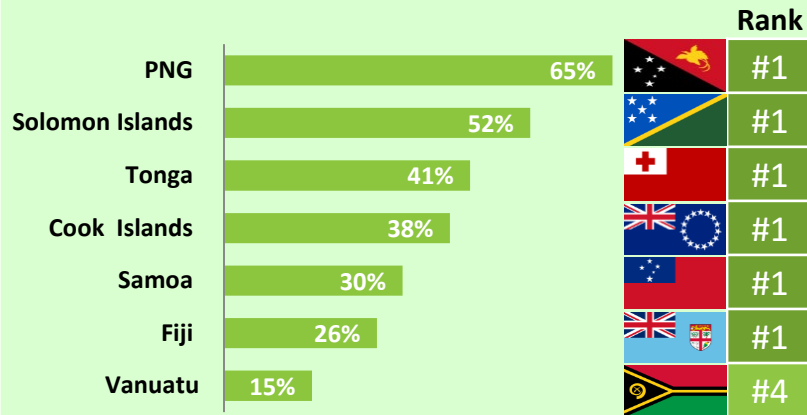
CAGR = Compound annual growth rate [3 years]
 YOY = year on year

Market strength

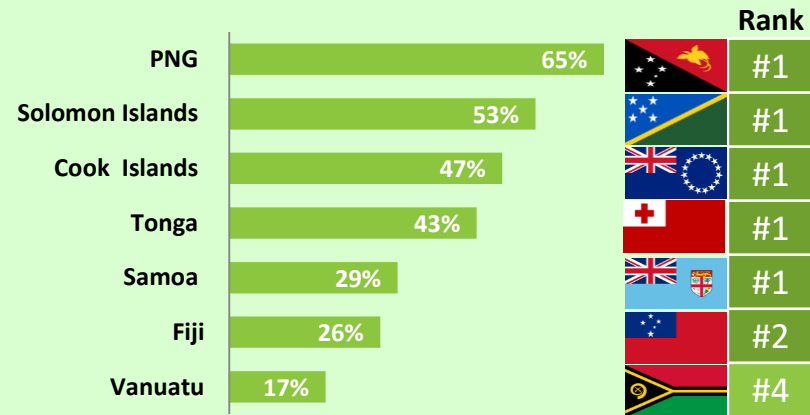


BSP is the leading financial services provider in the South Pacific ... ranking #1 in five of its seven markets for both loans and deposits.

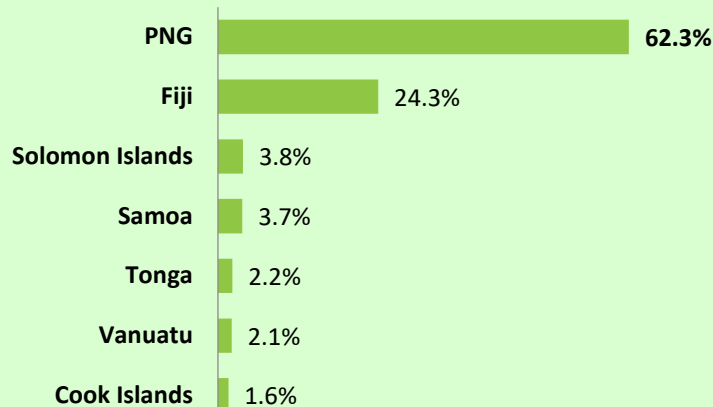
LOANS MARKET SHARE



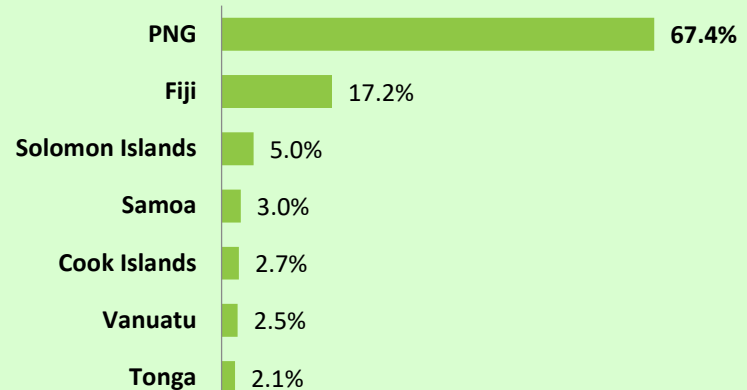
DEPOSIT MARKET SHARE



LOANS PORTFOLIO COMPOSITION



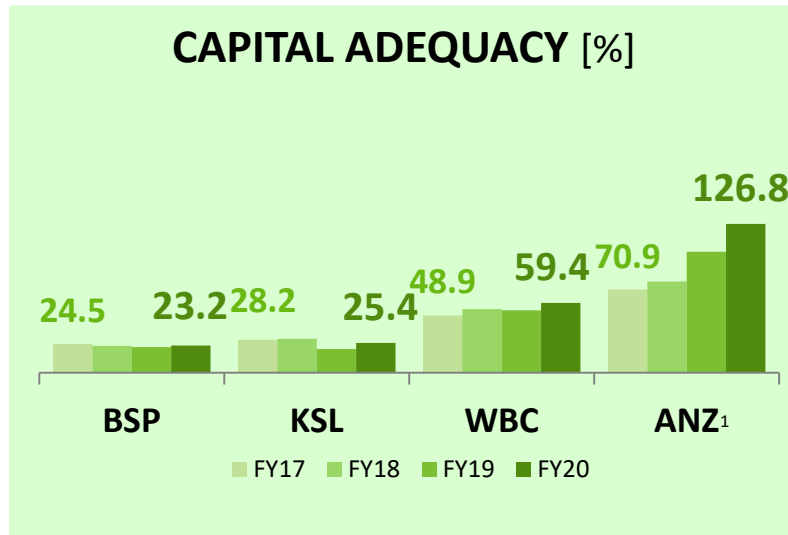
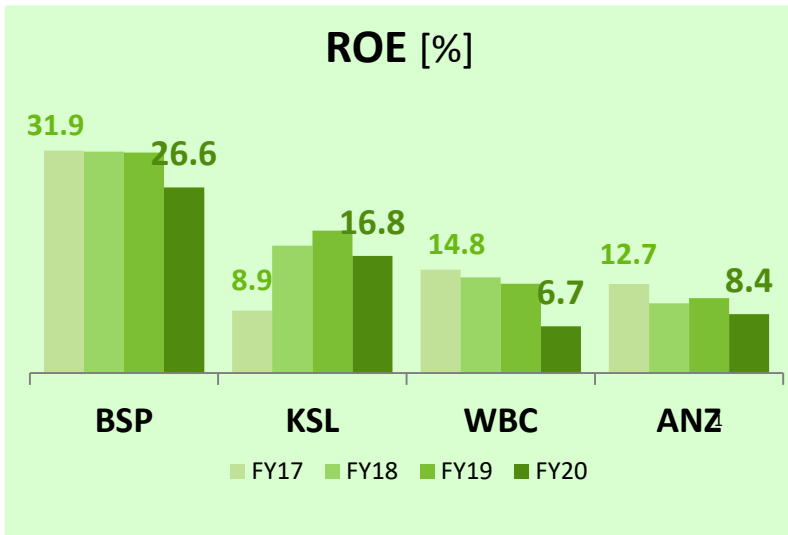
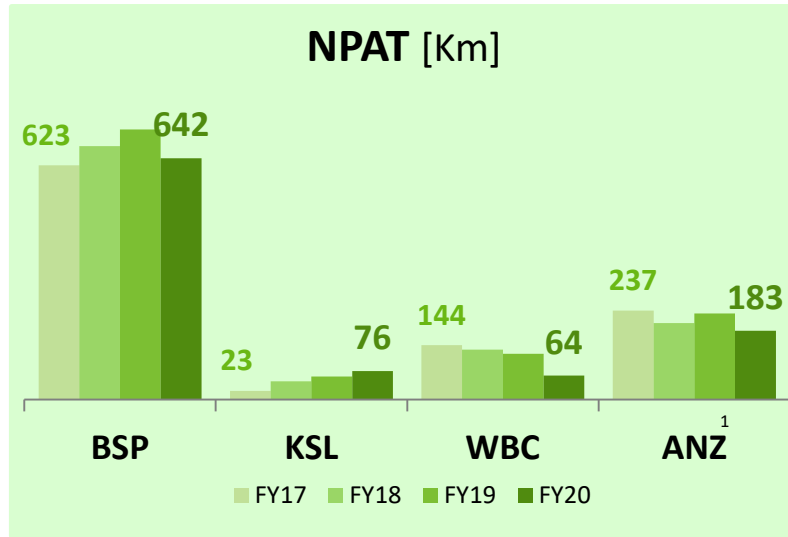
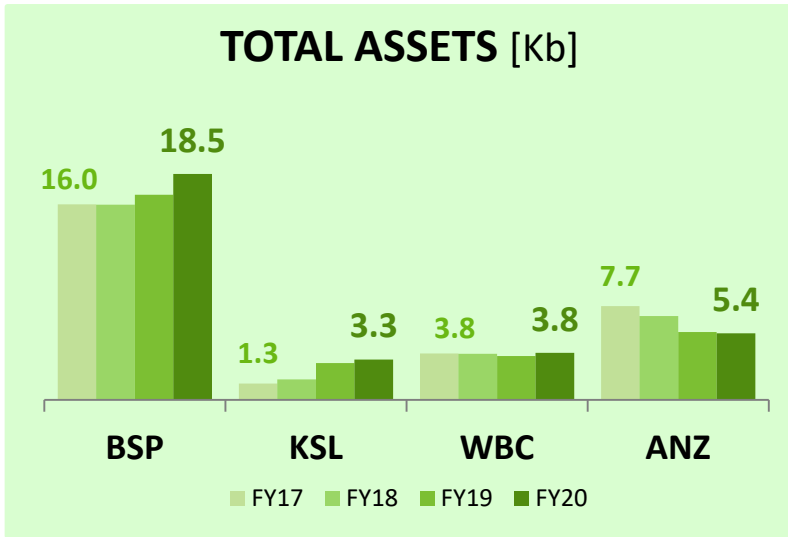
DEPOSIT PORTFOLIO COMPOSITION



2020 results















BSP remains PNG's market leader



PNG market comparison



BSP has the largest channel network in the South Pacific ... and we continue investment to improve customer service levels across the BSP Group.

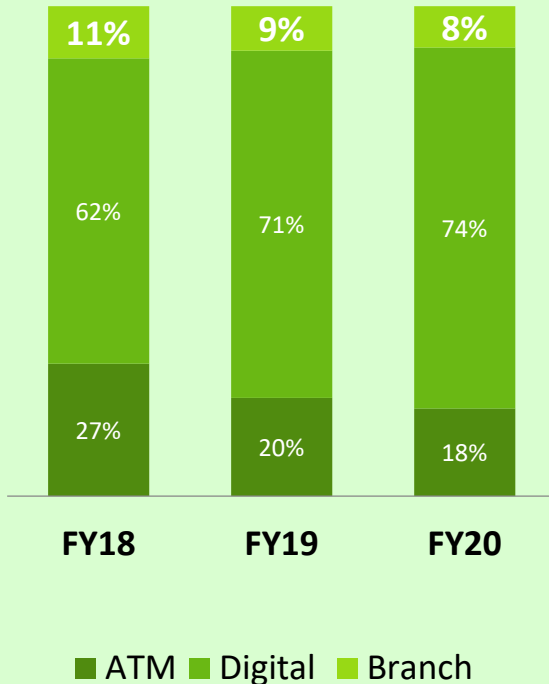
	Total							
Branches 	77	40	16	8	5	2	4	2
Sub Branches 	40	38	0	0	0	0	0	2
ATMs 	554	319	121	34	26	13	27	14
EFTPOS 	11,033	6,879	2,126	297	448	449	426	408
Agent 	201	50	41	7	38	10	27	28

Channel trends

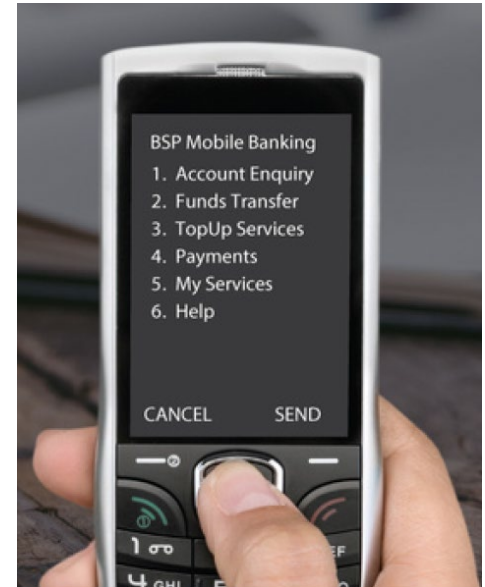
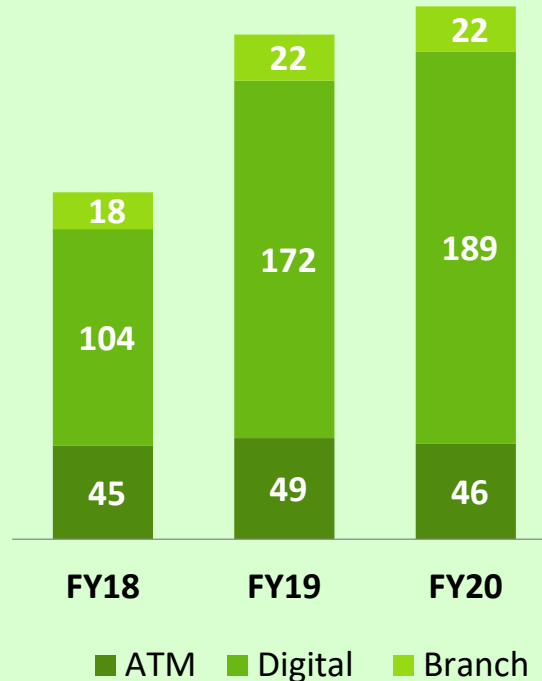


Just under three-quarters of customer transactions were via digital channels in 2020, ... an annual increase of +10%. A total 189m digital transactions per annum, or 15.8m per month ... most digital transactions are via mobile phones.

TRANSACTION MIX BY CHANNEL



TRANSACTIONS BY CHANNEL
[million]



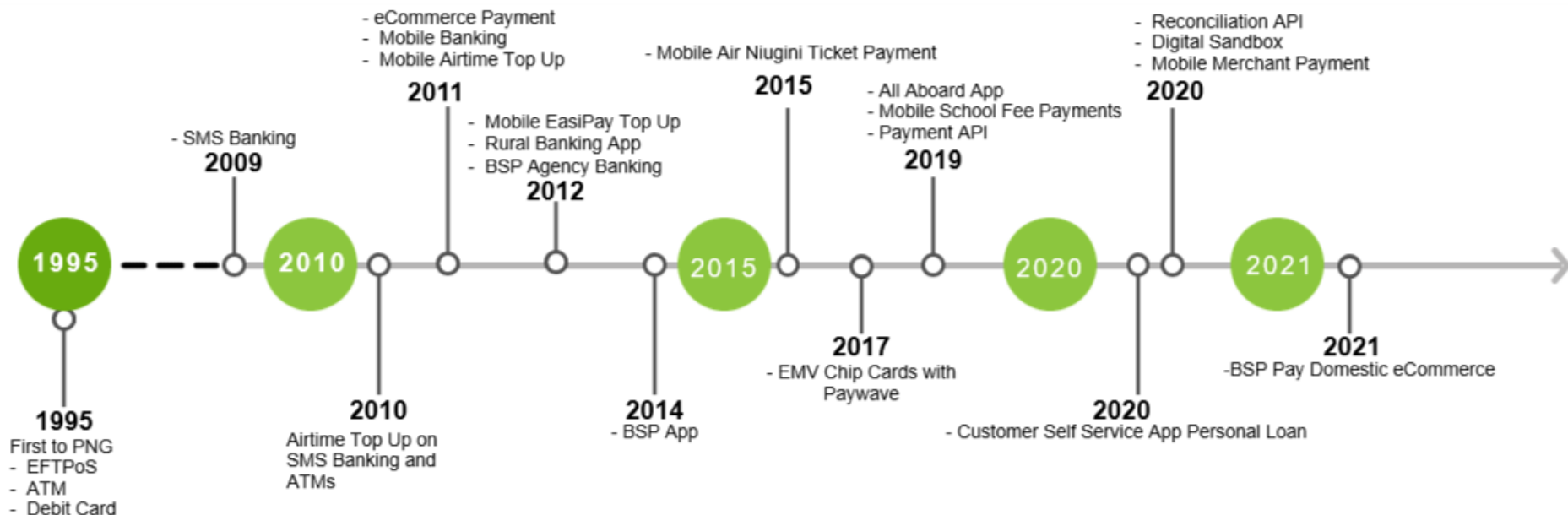
Digital initiatives



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

2021

- New Development of BSP Payment Gateway will offer BSP Pay Cards eCommerce service in July 2021
- New Mobile Business Banking



Cashless payments



Ongoing digital innovation ... safe, secure and convenient 24/7 cashless payments

BSP PAY ... seven simple steps

online payment
**NO CARD
JUST PAY
BSP Pay**

BSP Pay - a domestic online payment solution allowing BSP customers to do online payments on registered merchant websites using their BSP ID and mobile number. All you need is an active BSP account.

09:38
Monday

BSP PAY

BUY

BUY

BSP Pay, allows any BSP account holder to make payments online securely and instantly, without the use of debit or credit cards.

BSP MOBILE MERCHANT ... eight simple steps

I accept BSP MOBILE BANKING payments.

Here's how to pay

- STEP 1** Dial *131*6a
- STEP 2** Enter mPIN
- STEP 3** Enter Merchant Code
- STEP 4** Reply 1 to confirm Merchant Code
- STEP 5** Enter Payment description.
- STEP 6** Enter payment amount
- STEP 7** Confirm Account to debit from
- STEP 8** Reply 1 confirm payment

Tapioca Delight
Support Local SME

www.bsp.com.pg

BSP Mobile Merchant Payment is a service available through BSP Mobile Banking *131# that enables customers to make instant payments for goods and services offered by registered BSP Mobile Merchants.

- NO WAITING ... merchants receive payments instantly
- FREE daily transaction report
- NO merchant fees
- NO cash holding on premises
- NO dependency on bank equipment

Core system replacement



On Monday 19th April, Vanuatu's new core banking Oracle FLEXCUBE system went live ... PNG to follow in 2H-2021 and remaining OSBs thereafter

The new FLEXCUBE system will materially improve BSP's digital offering

The FLEXCUBE rollout is more than just a Core Banking System ... we have replaced or improved numerous banking operating and reporting systems, including real-time risk and credit bureau analytics, Sierra, Bizedocs, Bizeweb, Branchless Banking and also launched a new Internet Banking portal and operating platform.



Oracle FLEXCUBE Universal Banking

Oracle FLEXCUBE Universal Banking is designed to modernize a bank's core systems efficiently and transform the bank to a digital, agile, connected and efficient bank of tomorrow.

Growing middle class wealth



Our home loans products continue to grow providing opportunity to citizens to increase their personal wealth with an attractive 4% fixed interest rate over a 40 year term

BSP's First Home Ownership Scheme Loan

Equity	Interest Rate	Term
10% 	4.0% fixed	40 years

BSP's Standard Owner Occupied Home Loan

Equity	Interest Rate	Term
20% 	5.5% variable	40 years

Build your dream home with a
BSP HOME LOAN

WE ARE BSP (685) 66100 www.bsp.com.wa

FIRST HOME OWNERSHIP SCHEME				
	2018	2019	2020	Change
Accounts [No.]	737	884	970	32%
Balance [Km]	225	271	302	34%

HOUSING LOANS				
	2018	2019	2020	Change
Accounts [No.]	1,364	1,458	2,441	79%
Balance [Km]	312	332	355	14%

Financial inclusion

We continue to maintain growth in our tailored offerings to support and encourage savings in the low income segments



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

Fee Free

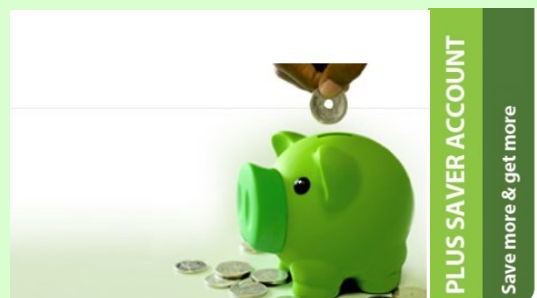
SUMATIN ACCOUNT				
	2018	2019	2020	Change
Accounts [No.]	168,626	172,067	169,413	0.5%
Balance [Km]	13.8	15.4	17.7	28%



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

Fee Free

KIDS SAVINGS ACCOUNT				
	2018	2019	2020	Change
Accounts [No.]	73,763	79,672	81,247	10%
Balance [Km]	18.6	22.8	27.4	47%



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

Fee Free

PLUS SAVER ACCOUNT				
	2018	2019	2020	Change
Accounts [No.]	114,387	118,992	121,552	6%
Balance [Km]	227.3	289.5	327.8	44%

Facilitating economic growth



BSP is a strong supporter of the PNG Government's economic policy to grow the capacity of SMEs. The SME credit enhancement scheme will provide PNG SMEs with a lower interest rates and also a longer loan term in some instances, which will afford SMEs greater capacity to meet their loan repayments



SME Credit Enhancement Scheme loan is intended to increase accessibility of SME customers across all branches.

- Maximum loan of K5m
- Minimum equity contribution of 10%
- Annual turnover calculation threshold of K2m
- Financial statements remain the primary source of assessment, for large SMEs

Cost effective banking services



BSP continues its efforts in proving cost effective and convenient banking services to its customers

BRANCH EFTPOS



- Branch EFTPOS fee halved from K4.00 to K2.00

MERCHANT EFTPOS



- Merchant EFTPOS fee tiered Free < K26; and K0.25 ≥K26

MOBILE



- MB EasiPay Top Up fee from K0.50 to K0.25

VISA CARD



- Free Visa account opening

Social license to operate



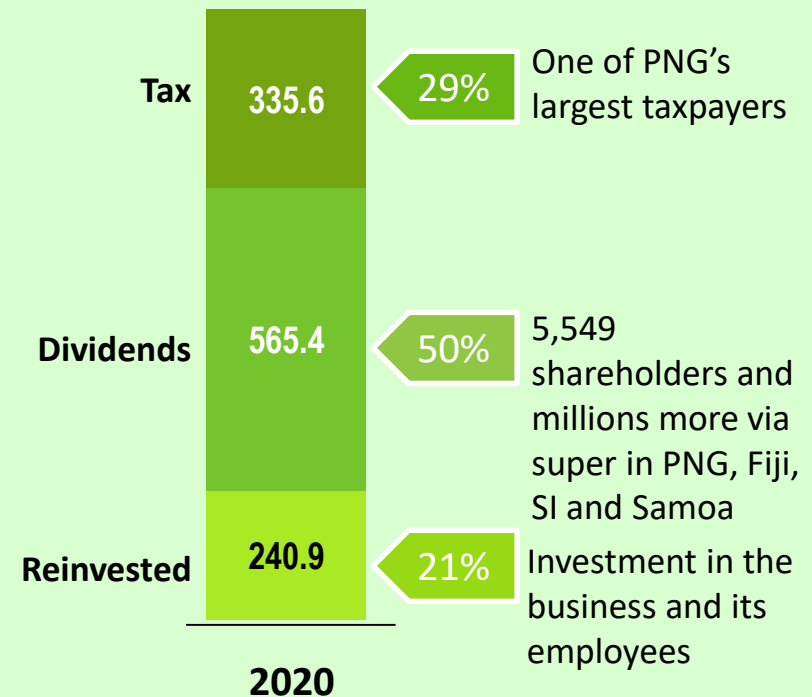
BSP is a trusted brand across the South Pacific. We understand that our communities and many stakeholders rely on BSP's activities ... and we continue to meet your increasing standards

COMMUNITY



- **K4.6m** in donations sponsorships and community projects
- **23** education projects and **23** health projects in PNG
- **105** wash stations
COVID-19 response projects
- **18** community projects delivered in the offshore branches and subsidiaries.

FAIR SHARE [Km]



Group strategy



- Advance digital strategy, initiatives and capability
- Improve customer digital literacy
- Develop robust response plan in face of external risks
- Explore opportunities to support growing middle class and millennials segments' financial aspirations
- Identify alternative funding sources to support our growth strategy ... secondary listing on ASX
- Continue to assess market and business conditions in relation to organic and non-organic growth opportunities

Q1-2021 RESULTS

Q1-2021 results



The Group's Q1-21 profit decreased 2.6% from Q4-20, due largely to a reduction in net insurance income and increase in computing costs.

	Q1-21	Q1-21 vs Q4-20
● Profit [NPAT, Km]	202.8	- 2.6%
● Net assets [Kb]	3.615	+ 5.3%
● Cost-to-income ratio [%]	40.3%	+ 472bps
● Capital adequacy ratio [%]	25.0%	+ 184bps
● Provision coverage ratio [%]	5.7%	+ 14bps
● Earnings per share [toea]	43	- 2.6%
● Market capitalisation [Kb]	5.6	0.0%

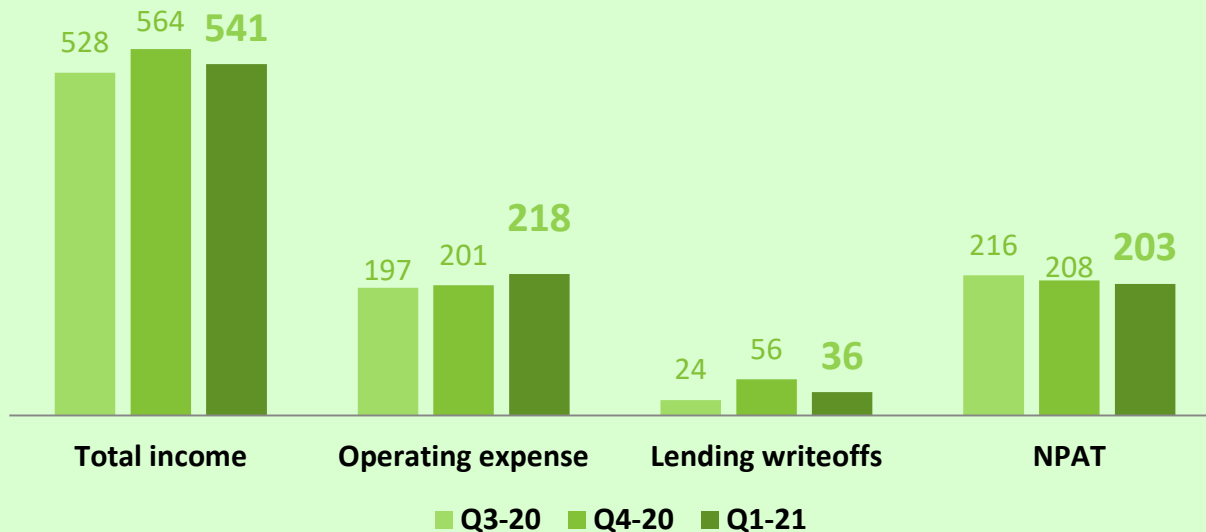
Profit trends



BSP's NPAT declined slightly by 2.6% in Q1-21, due to seasonal income impacts and increased technology investment.

	Total income	Operating costs	Lending write-offs	NPAT
PQ:	(4.1%)	8.6%	(35.5%)	(2.6%)

GROUP NPAT [Km]



KEY DRIVERS

- Q1-21 operating income is 4.1% lower than Q4-20, given a reduction in FX income and BSP Life Fiji income [from revaluation of investments adjustments in Q4-20].
- Total operating costs are 8.6% higher in Q1-21, with computing costs up K11m on PQ, driven by BSP's core banking system investment. Q4-20 included a realignment of expected costs that had been accrued in anticipation of "go-live" in Vanuatu in late 2020 against actual costs.
- Group cost-to-income ratio increased to 40.3% from 39.6% YoY.

Key:

PQ = prior quarter

Balance sheet trends



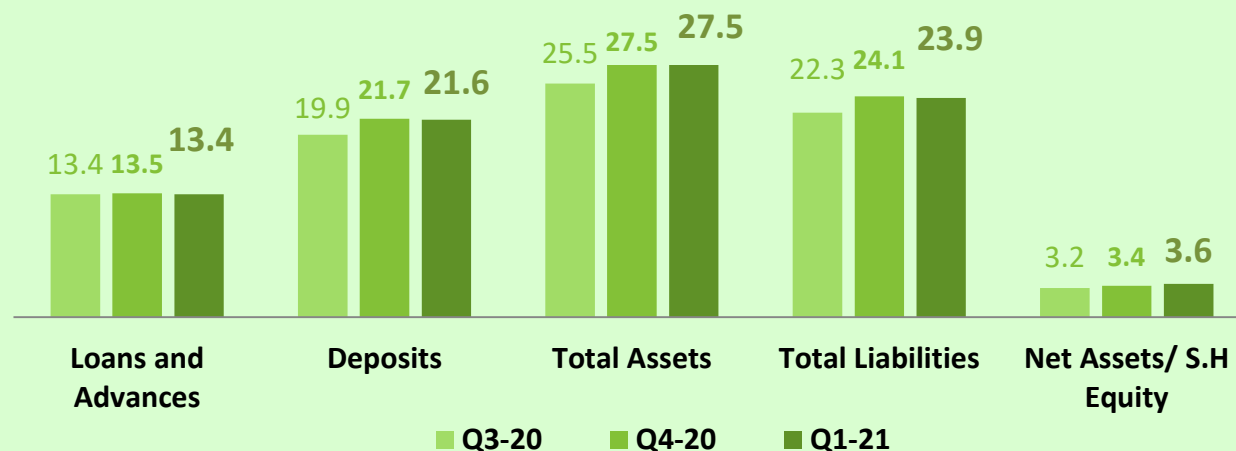
Both loans and advances and deposits were down slightly by 0.6% and 0.4% from the PQ respectively ... which is a seasonal Q1 trend

	Loans and advances	Deposits	Total Assets	Total Liabilities	Net assets / SH equity
PQ:	(0.6%) ↓	(0.4%) ↓	0.1% ↑	(0.7%) ↓	5.3% ↑

KEY DRIVERS

- **Total loans** dropped by K134m in Q1 – 21 [Fiji -K81m, Samoa - K21m, Cooks -K10m , Vanuatu - K10m, PNG +K22m, SI -K3m and Tonga -K6m].
- **Total deposits** decreased by K87m in Q1-21 [PNG +K116m, Cooks +K8m, Fiji -K192m, SI - K16m, Tonga -K4m, Samoa +K6m, Vanuatu -K14m].

BSP GROUP QUARTERLY BALANCE SHEET [Kb]



Key:

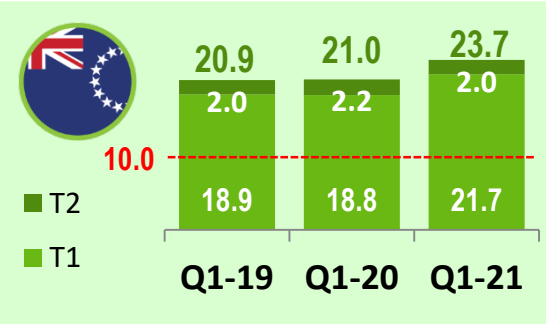
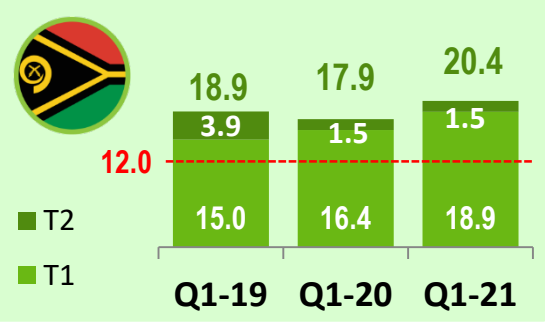
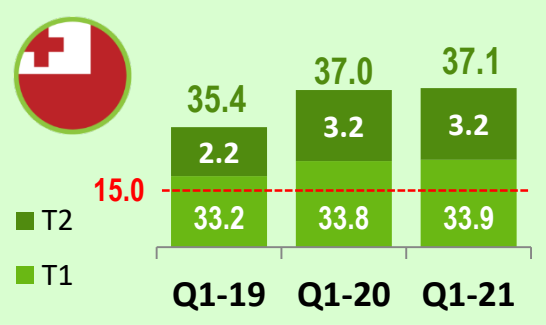
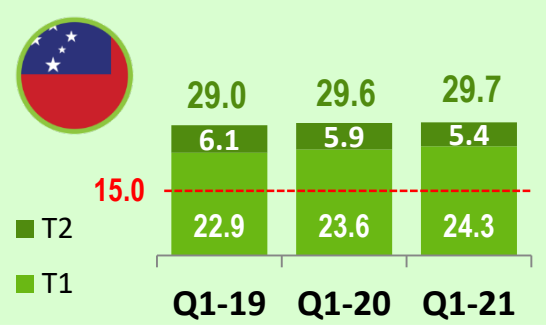
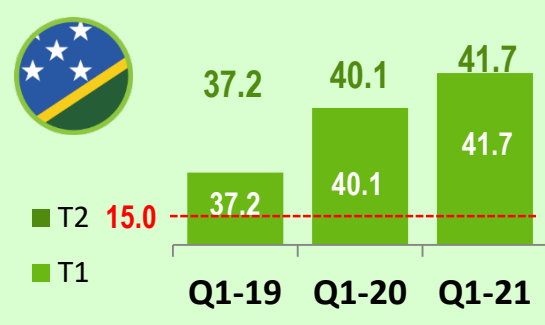
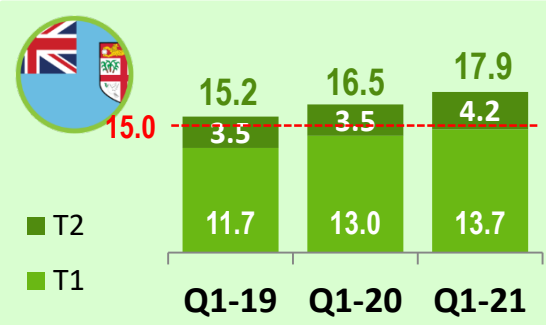
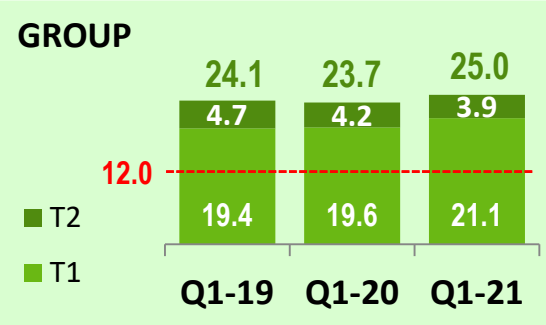
PQ = prior quarter

Capital adequacy trends



All of BSP's banking operations exceed their prudential capital requirements

CAPITAL ADEQUACY [%]



SHAREHOLDER RETURNS AND CONCLUDING REMARKS

2020 dividend



BSP's final dividend of K1.05, brings our total dividend to K1.30 (75% of NPAT) ... representing an increased payout ratio from 2019 of 70% of NPAT



SHAREHOLDER RETURNS SUMMARY

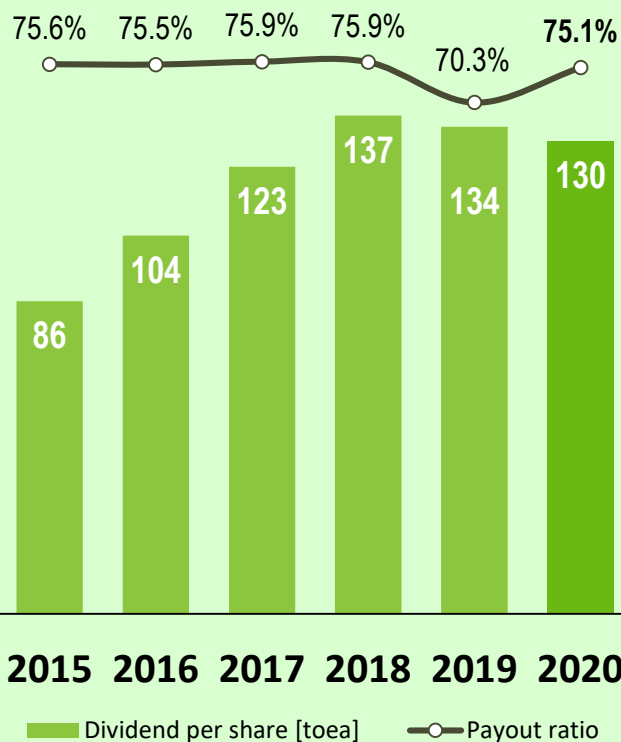
	2018	2019	2020	Change
EPS [K]	1.81	1.91	1.73	- 9.4%
Payout ratio	75.8%	70.3%	75.3%	+ 502ps
Dividend yield	12.73%	11.17%	10.83%	- 34bps

Our profits



Strong performance enabling consistent returns to shareholders, particularly the super funds and their members ... everyday Papua New Guineans and Pacific Islanders

SHAREHOLDER RETURNS [toea]



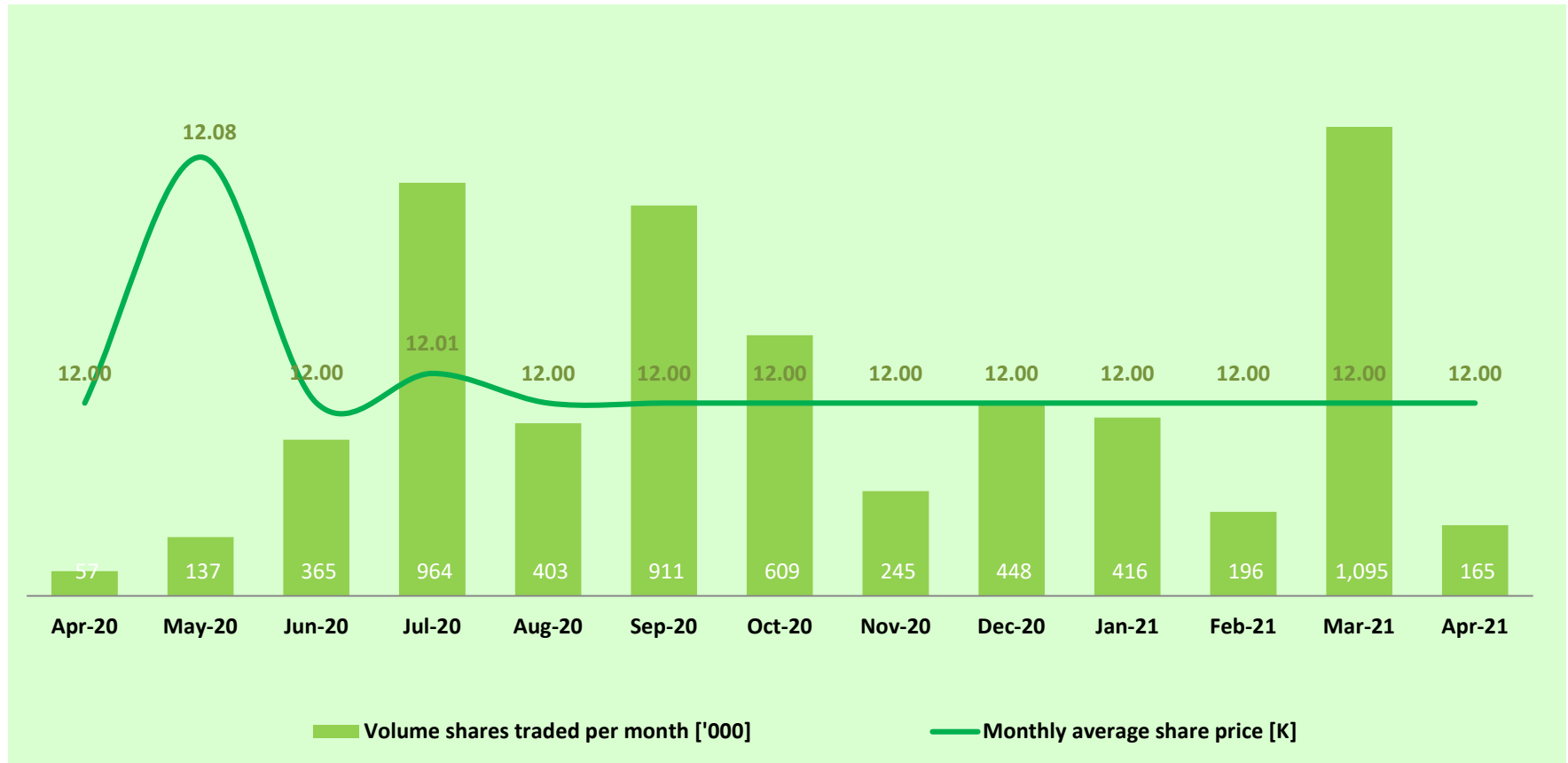
TOP 10 SHAREHOLDERS [Apr-2021]

Rank	Name	% Held
1	Kumul Consolidated Holdings Limited	18.15%
2	Nambawan Super Limited	11.92%
3	Petroleum Resources Kutubu Limited	9.88%
4	NASFUND	9.70%
5	Fiji National Provident Fund	8.68%
6	Credit Corporation (PNG) Limited	7.13%
7	Motor Vehicles Insurance Limited	6.69%
8	PNG Sustainable Development Program Limited	5.10%
9	Teachers Savings and Loans Society	3.28%
10	Comrade Trustee Services Limited	2.67%

Share price



Dividend yield of 10.83% based on K12.00 share price and market capitalization of K5.61b.



ASX listing update



- Listing on the ASX is an important part of a carefully considered strategy to continue to prosper and grow the business, while ensuring we continue to deliver strong returns to shareholders and high levels of customer service
- We anticipate joining the ASX, by way of a compliance listing, before the middle of 2021
 - BSP’s ASX listing application was lodged in late April
 - BSP should be notified of their assessment findings in late May, or early June, given the ASX’s assessment process takes between four (4) to six (6) weeks to complete
 - Accordingly, BSP is on track to join the ASX in the first half of 2021, as raised at our Special Meeting of Shareholders in March
- Key benefits of dual PNGX and ASX listing:
 - Access to new sources of capital to fund future growth opportunities
 - Provide increased liquidity for BSP's shareholders
 - Improve BSP’s visibility ... increase awareness of BSP and PNG
- For further information – please see our 7 May PNGX announcement https://www.pngx.com.pg/wp-content/uploads/2021/05/07052021_PNGX-Announcement_BSP-SecondaryListingStatusUpdate_.pdf

Conclusion



- Group NPAT of K806m in 2020, which is - 9.5% below our 2019 profit of K890m ... largely as a consequence of COVID-19 impacts
- Total Assets up 12.3% and Loans up 3.0%
- Cost to income stable at 37.4% ... 37.7% in 2019
- Capital adequacy steady at 23.3%, still well above BPNG requirement of 12%
- Dividend Yield at 10.83% ... based on share price @ K12.00
- Increasing profit contribution from offshore branches and subsidiaries
- Overall a sound performance in 2020, which is something we should all be proud of achieving, given the challenges arising from COVID-19
- The Group's Q1-21 profit decreased 2.6% from Q4-20, due largely to seasonal affects and increased technology investment. Nevertheless, we remain cautiously optimistic that business conditions will improve over the balance of the year