



INVESTOR PRESENTATION

Q3 September 2017

WE ARE **BSP**



Disclaimer

NOT FOR PUBLICATION OR DISTRIBUTION, DIRECTLY OR INDIRECTLY

This presentation has been prepared and issued by Bank of South Pacific Limited (the "Company"), and may not be reproduced in whole or in part, nor may any of its contents be disclosed to any other person without the prior written consent of the Company.

This presentation is provided by the Company for general information purposes only, without taking into account any recipient's personal objectives, financial situation or needs. It should not form the basis of or be relied on by the recipient in considering the merits of any particular transaction and does not purport to contain all of the information that an interested party may desire. It is not an offer to buy or sell, or a solicitation to invest in or refrain from investing in, any securities or other investment product. This presentation has not been filed, lodged, registered, reviewed or approved by any regulatory authority in any jurisdiction and recipients of this presentation should keep themselves informed of, and comply with and observe, all applicable legal and regulatory requirements. The distribution of this presentation in certain jurisdictions may be restricted by law and, accordingly, recipients of this presentation represent that they are able to receive this presentation without contravention of any unfulfilled registration requirements or other legal restrictions in the jurisdiction in which they reside or conduct business. Nothing in this presentation constitutes investment, legal, tax, accounting or other advice. The recipient should consider its own financial situation, objectives and needs, and conduct its own independent investigation and assessments of the contents of this presentation, including obtaining investment, legal, tax, accounting and other advice as it considers necessary or appropriate. Any costs incurred by recipients in making such investigations and assessments, etc. are not the responsibility of the Company or any of its advisers, directors, employees or agents.

Provision of this presentation is not a representation to any recipient or any other person that the shares or business of the Company or any of its subsidiaries will be sold. The Company may at any time negotiate with one or more interested parties and enter into a definitive agreement without prior notice to any or all interested parties. The Company also reserves the right to terminate, at any time, further participation in the investigation and proposed process by any party, to modify any of the rules or procedures set forth herein or any other procedures without prior notice or assigning any reason therefore or to terminate the process contemplated hereby. The Company reserves the right to take any action, whether in or out of the ordinary course of business, which the Company in its sole discretion deems necessary or prudent in the conduct of its business or the process contemplated by this presentation.

This presentation has been prepared on the basis of publicly available information and/or selected information and does not purport to be all-inclusive or to contain all of the information that may be relevant to the presentation. Neither the delivery or supply of this presentation (or any part thereof) nor the provision of information referred to herein or provided in connection with the evaluation of the Company by interested parties shall, under any circumstances, (a) constitute a representation or give rise to any implication, that there has been no change in the affairs, business or financial position of the Company or any of its subsidiaries, associated companies or affiliates or in the information herein since the date hereof or the date on which this presentation has been provided or delivered or (b) provide a basis of any credit or other evaluations and should not be considered as a recommendation by the Company that any recipient of the presentation or such other document or information contemplated herein should proceed with a further investigation of the Company or enter into any transaction with the Company or any person in relation to the Company. Neither the Company nor any other person are under any obligation to update or correct this presentation.

The Company and its related bodies corporate and other affiliates, and their respective officers, employees, advisors, representatives, consultants and agents ("Relevant Parties") make no representation or warranty, expressed or implied, as to, and no reliance should be placed on, the fairness, accuracy, completeness, timeliness or reliability of the contents of this presentation or any other written or oral communication transmitted or made available to any interested party, whether as to the past or future. To the maximum extent permitted by law, none of the Relevant Parties accept any liability (including, without limitation, any liability arising from fault of negligence on the part of any of them) for any loss whatsoever arising from the use of this presentation or its contents or otherwise arising in connection with it or as a result of any omission, inadequacy or inaccuracy herein. Only those representations and warranties that are provided in a definitive agreement when, and if, it is executed, and subject to such limitations as may be provided in such agreement shall have any legal effect. This presentation may contain forward-looking statements, forecasts, estimates and projections ("Forward Statements"). No independent third party has reviewed the reasonableness of any such statements or assumptions. None of the Relevant Parties represents or warrants that such Forward Statements will be achieved or will prove to be correct. Actual future results and operations are subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Company, and could vary materially from the Forward Statements. Similarly, no representation or warranty is made that the assumptions on which the Forward Statements are based may be reasonable. No audit, review or verification has been undertaken by an independent third party of the assumptions, data, historical results, calculations and forecasts presented. In receiving this presentation, each recipient acknowledges that it shall not deal or cause or procure any person to purchase, acquire, dispose of or deal in any securities of the Company in breach of any laws and regulations relating to insider dealing, market abuse or securities in general of Singapore and elsewhere.

The recipient acknowledges that no person is intended to act or be responsible as a fiduciary to the recipient, its management, stockholders, creditors or any other person. By accepting and providing this presentation, the recipient expressly disclaims any fiduciary relationship with any person and agrees that the recipient is responsible for making its own independent judgements with respect to any transaction and any other matters regarding this presentation.

The Company is not authorised under the Banking Act 1959 (Cth) (the "Banking Act") and is not supervised by the Australian Prudential Regulation Authority. The Company's products are not covered by the depositor protection provisions in section 13A of the Banking Act and will not be covered by the financial claims scheme under Division 2AA of the Banking Act.

Geographical footprint

BSP's Geographical footprint

WE ARE
BSP

BSP LOCATIONS

KEY
Branches ●
Sub Branches ●
Agents ●



Leading Bank in the South Pacific

- ✓ #1 in PNG and Solomon Islands by total assets
- ✓ #2 in Fiji by total assets
- ✓ #1 in Tonga in Market share loans/deposits
- ✓ Listed on Port Moresby Stock Exchange
- ✓ Market capitalisation of K4.4 billion as at 16 Oct 2017



WE ARE
BSP

Financials

Profit and Loss - 30th September 2017

WE ARE
BSP

Total
Income
-1%PP,
12%YOY



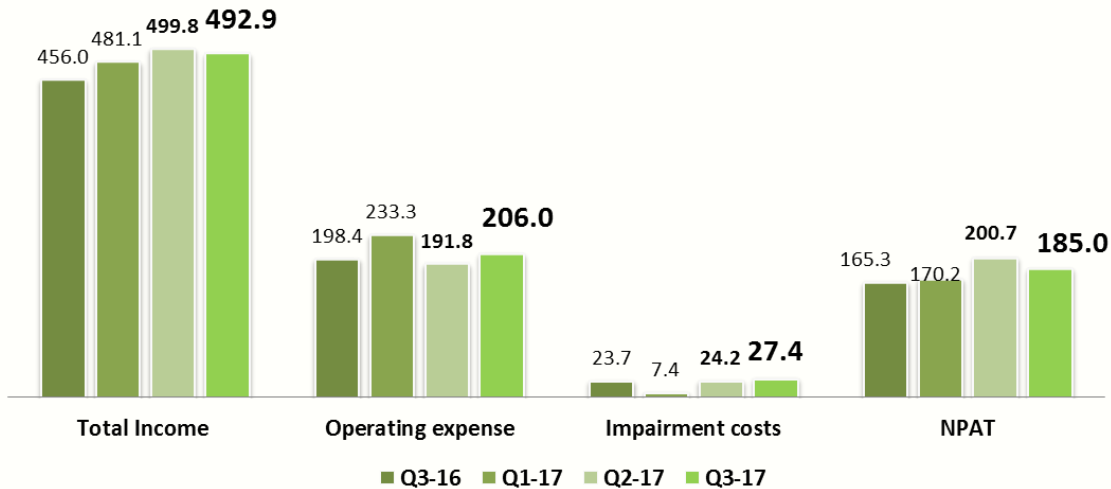
Operating
costs 8% PP,
YOY 5%



Cost to
Income
42%



NPAT
-8%PP,
12%YOY



- Total Income was generally consistent with previous quarters. The slight drop shown was affected by adjustments made to insurance goodwill and a non recurring lending fee relating to prior quarters.
- Interest on loans and FX by grew by 2% and 3% respectively.
- Total costs were lower in Q2 due to write-backs in accruals. Q3 rose slightly due to admin and staff costs increasing and the kina weakening. Impairment costs also rose in Q3

Balance Sheet - 30th September 2017

WE ARE
BSP

Loans
2% PP,
10%YOY



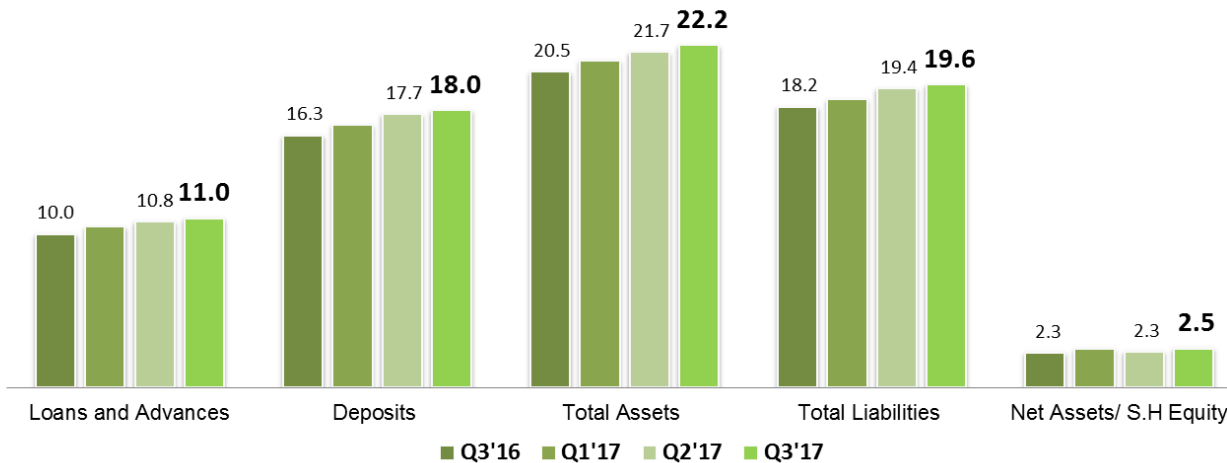
Deposits
1%PP,
10%YOY



Total
Assets
2%PP,
8%YOY



Net
Assets
9% PP

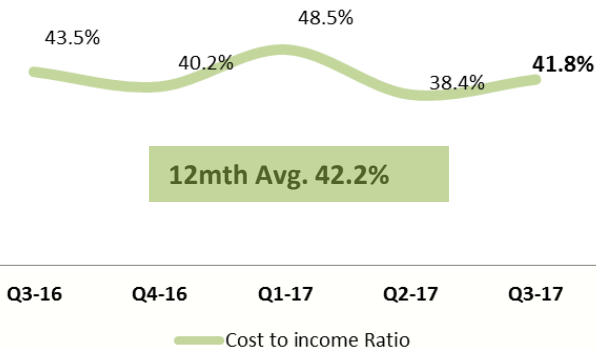


- Total loans increased by K218m in the quarter (PNG K40m, Fiji K107m, SI K30m, other NPCs K41m)
- PNG loan increases – Corporate K7m, Retail K26m, Other K7m
- Total deposits increased by K255m in the quarter (PNG K71m, NPC's K184m)
- FX translation in Q3 increased – loans K63m, Deposits K84m, as the Kina weakened

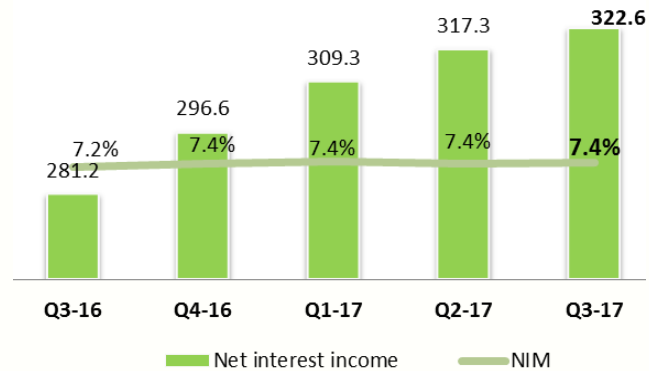
Financial Ratios

WE ARE
BSP

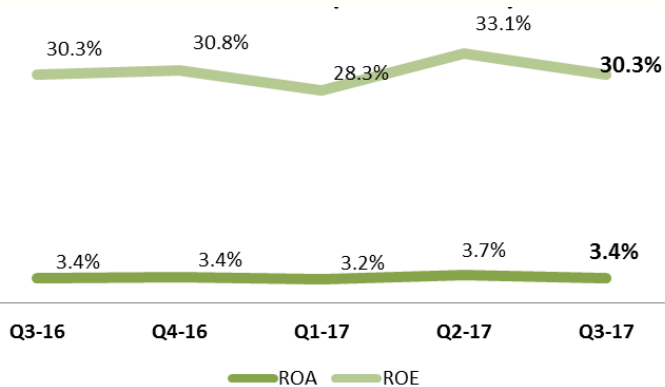
Cost to income ratio



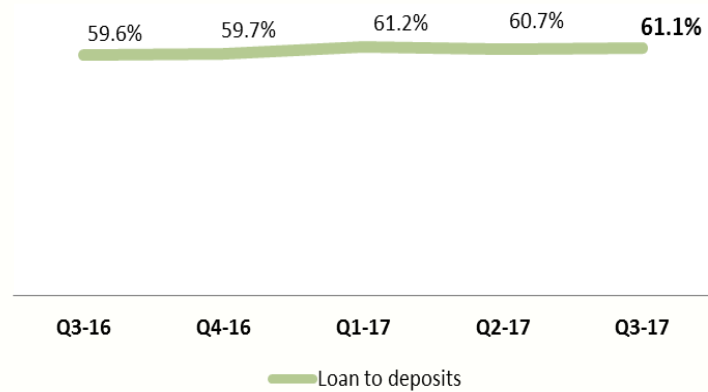
Nim and Net Interest Income



ROA, ROE (annualised)



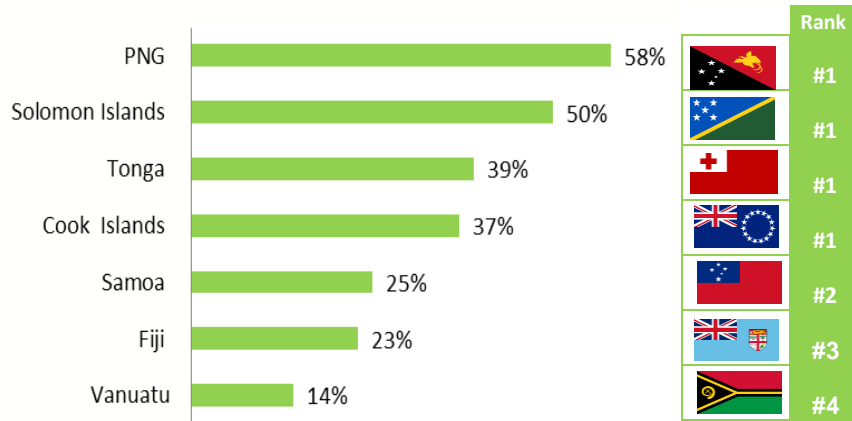
Loan to Deposit ratio



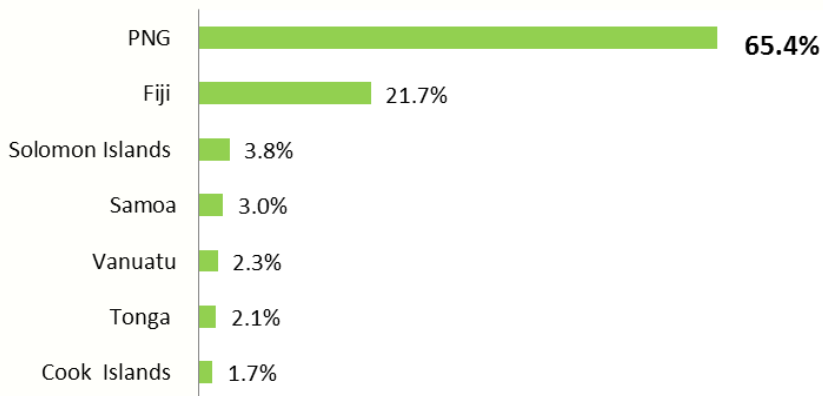
Market Share - Loans

WE ARE
BSP

Loans- Market Share



Loan portfolio composition



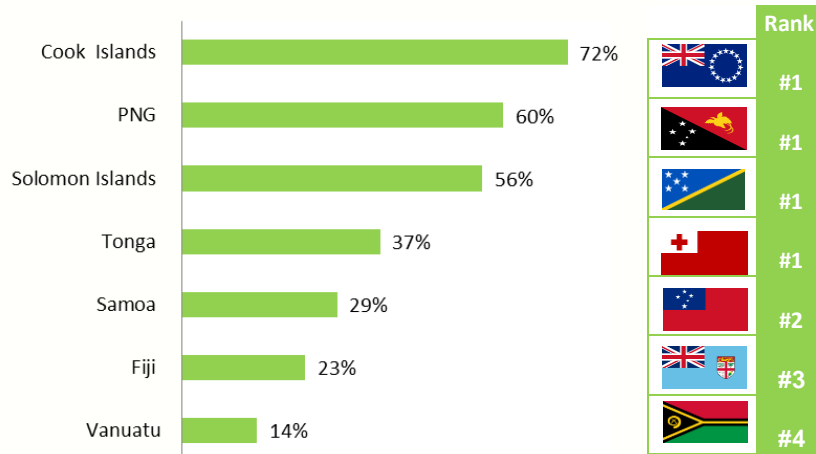
Commentary

- BSP's combined market share for loans stands at 40%
- PNG has the largest lending market share of 58% with approximately K7bn in loan volumes ... an increase of K40m in the quarter
- The remaining business combined hold ~ K3.7bn in loans ... and increased by ~ K175m
- BSP's loan portfolio remains predominantly in PNG ... accounting for 65% of the group's loan balances

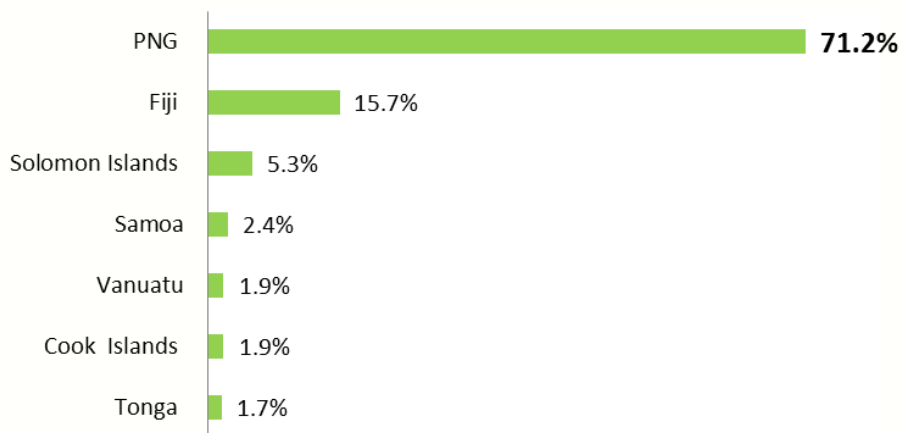
Market Share - Deposits

WE ARE
BSP

Deposit- Market Share



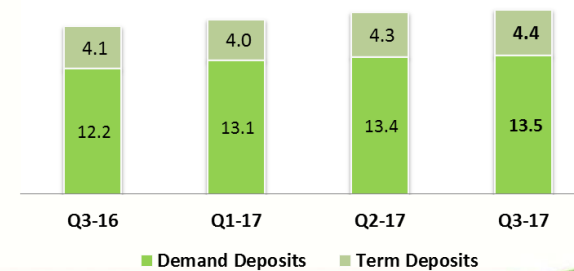
Deposit portfolio composition



Commentary

- BSP's combined deposit market share maintains 44%
- PNG which holds the largest market share in deposits grew by K71m in the quarter ... increasing by 1% to 60%
- Fiji grew its deposits by K57m in the quarter.
- The rest of the business contributed ~K148m in deposit growth
- Demand and Term deposits increased by 1% and 2% respectively

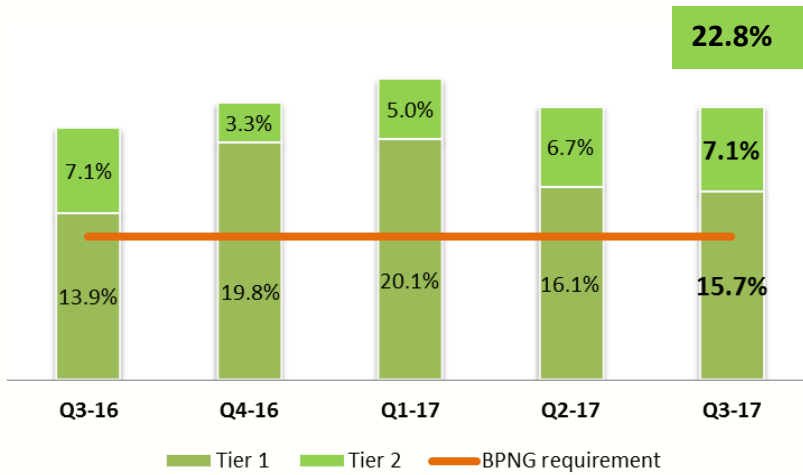
Deposit Mix (Kb'n)



Financial Risk Management

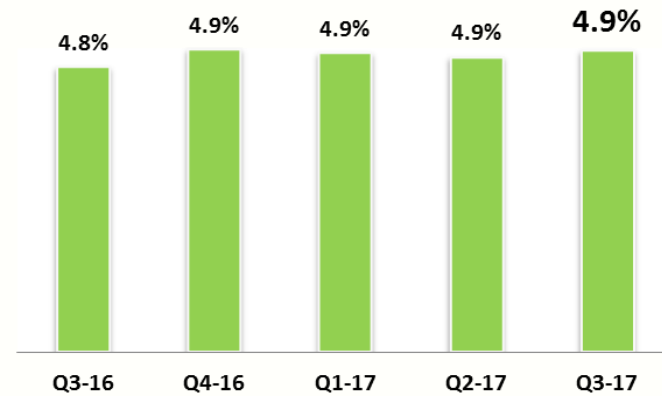
WE ARE
BSP

Capital Adequacy



- Capital Adequacy ratio steady at 22.8% in Q3-17, ... remaining well in excess of the 12% prudential requirement.

Provisions to Loans

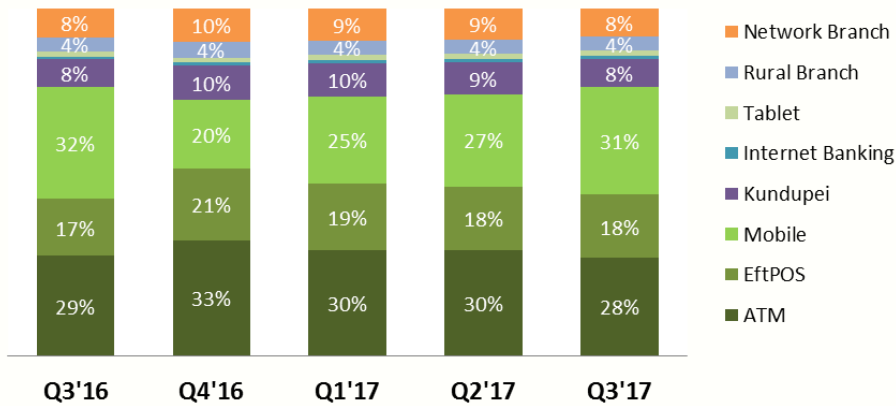


- BSP's Provisions to Loans ratio remains at 4.9% at Q3-17

Channel Operations








WE ARE
BSP

Channel Transactions %



Commentary

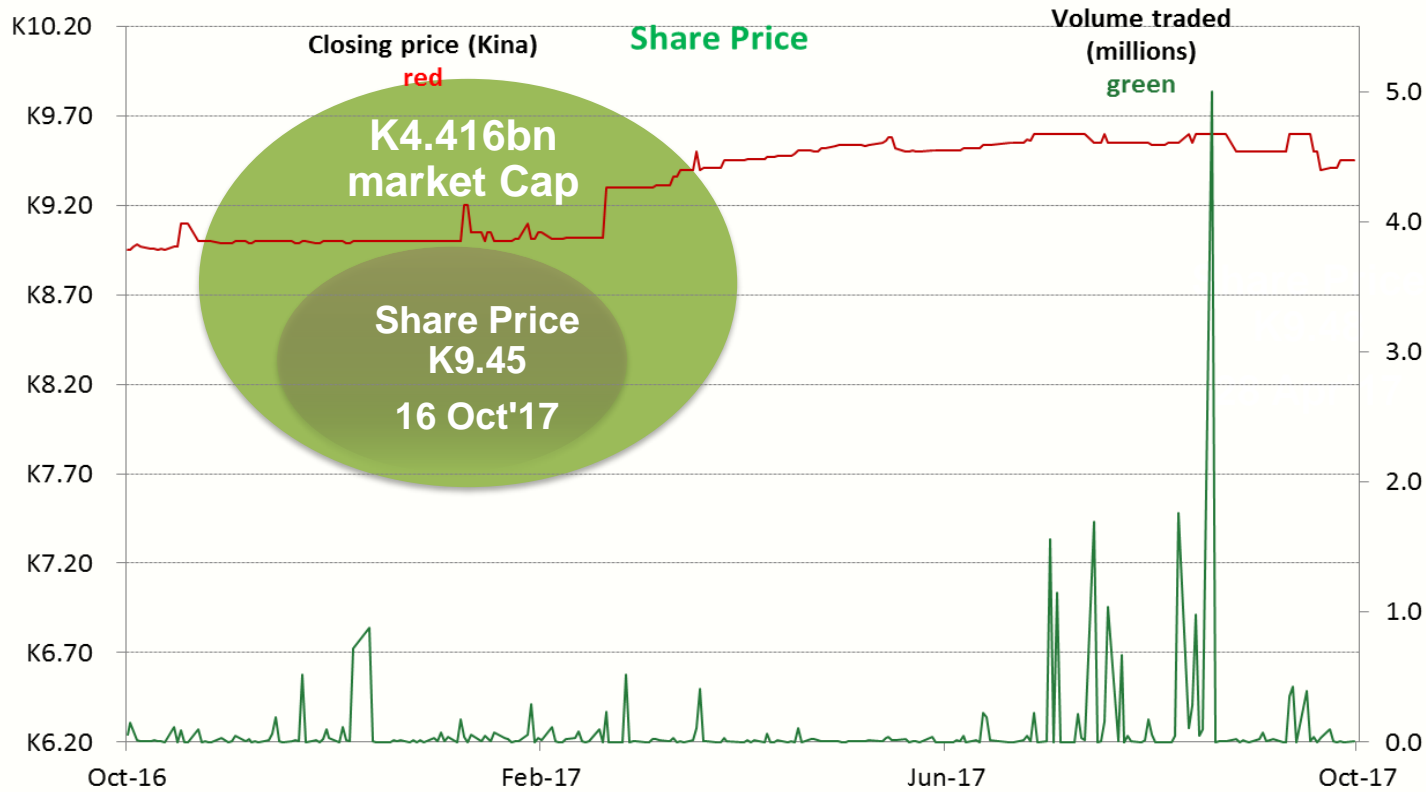
- ~90% of transaction are via electronic channels with around ~10% from branch transactions.
- Continued focus on branchless banking
- Ongoing investment in all channels ... 2x branches (Vanuatu), 5 x sub branches, 21 x ATMs, 550 x EFTPOS terminals, 50 x Agents

| |  PNG |  Fiji |  Solomon Is |  Samoa |  Cook Is |  Vanuatu |  Tonga |
|---------------------|---|--|--|---|--|---|---|
| Branches | 45 | 17 | 8 | 3 | 2 | 2 | 4 |
| Sub branches | 44 | 7 | 0 | 1 | 1 | 0 | 2 |
| ATMs | 315 | 114 | 26 | 17 | 11 | 17 | 12 |
| EFTPOS | 8,825 | 1,658 | 330 | 365 | 344 | 385 | 341 |
| Agencies | 395 | 43 | 76 | 36 | 8 | 17 | 18 |

Share Price

WE ARE
BSP

Dividend Yield: 11.7% (share price K9.45)



Summary for Q3 (30th September 2017)

WE ARE
BSP

- Q3 Group NPAT of K185m, up 12% YOY
- Cost to income at 41.8% in Q3, YTD at 42.8%
- Capital adequacy steady at 22.8% ... maintained well above BPNG requirement
- Loan provision consistent with prior period and YOY at 4.9%
- Dividend Yield at 11.7%
- Increasing contribution from Non PNG business both in Loans and Deposits.
- Interim dividend of 0.32t per share paid on the 20th October 2017

Thank You