



INVESTOR PRESENTATION

2020 Half Year Results

South Pacific market leader



We continue to consolidate across the Pacific



1H-2020 results



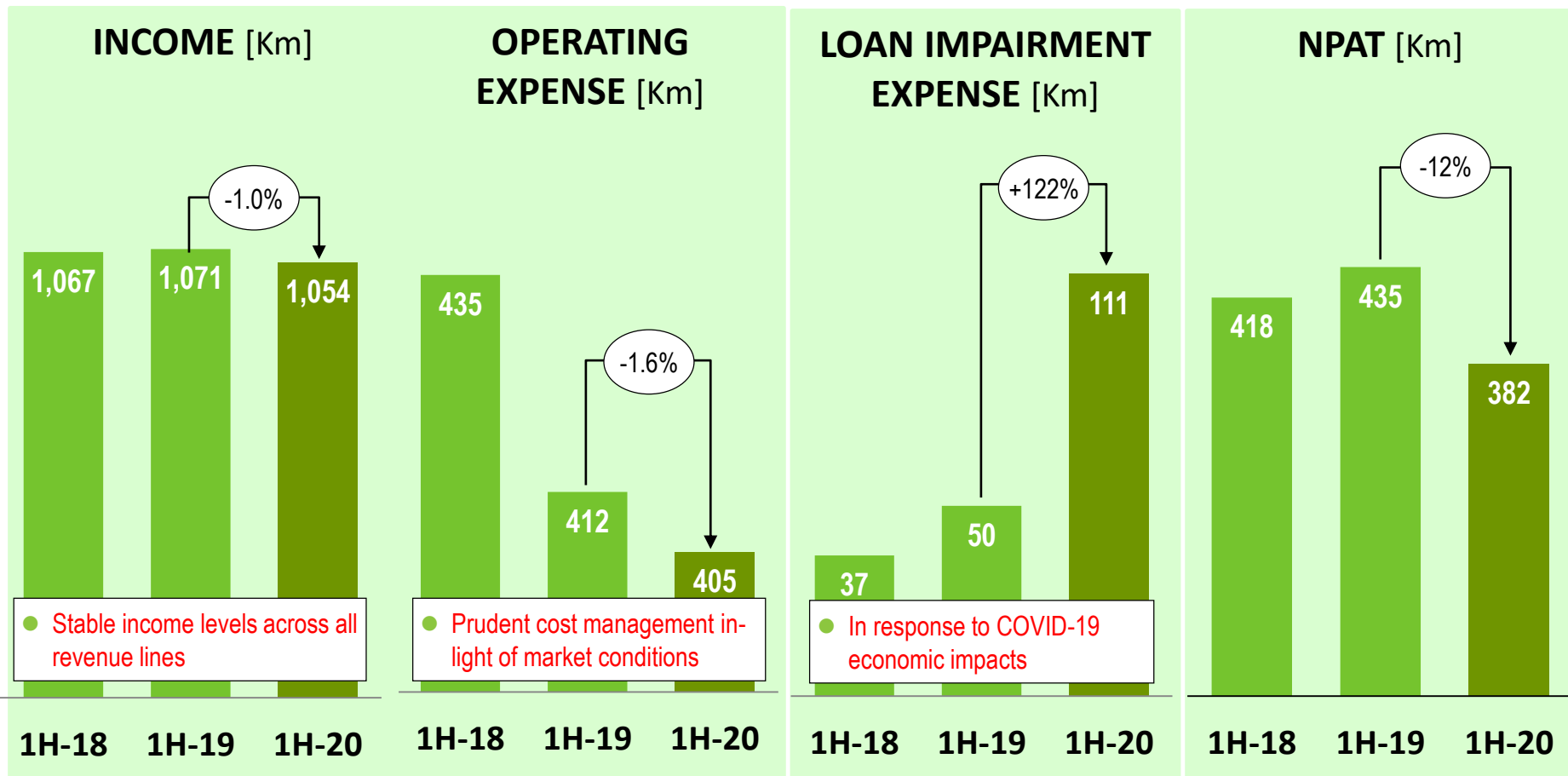
Sound financial performance in difficult economic conditions across the region

	1H-20	1H-20 vs 1H-19
● Profit [NPAT, Km]	382	- 12.2%
● Total assets [Kb]	24.9	+ 6.4%
● Cost-to-income ratio [%]	38.5	0bps
● Capital adequacy ratio [%]	21.3	+ 40bps
● Earnings per share [toea]	81.7	-12.2%
● Interim dividend per share [toea]	25	- 34%
● Market capitalisation [Kb]	5.6	+ 15.8%

Group NPAT



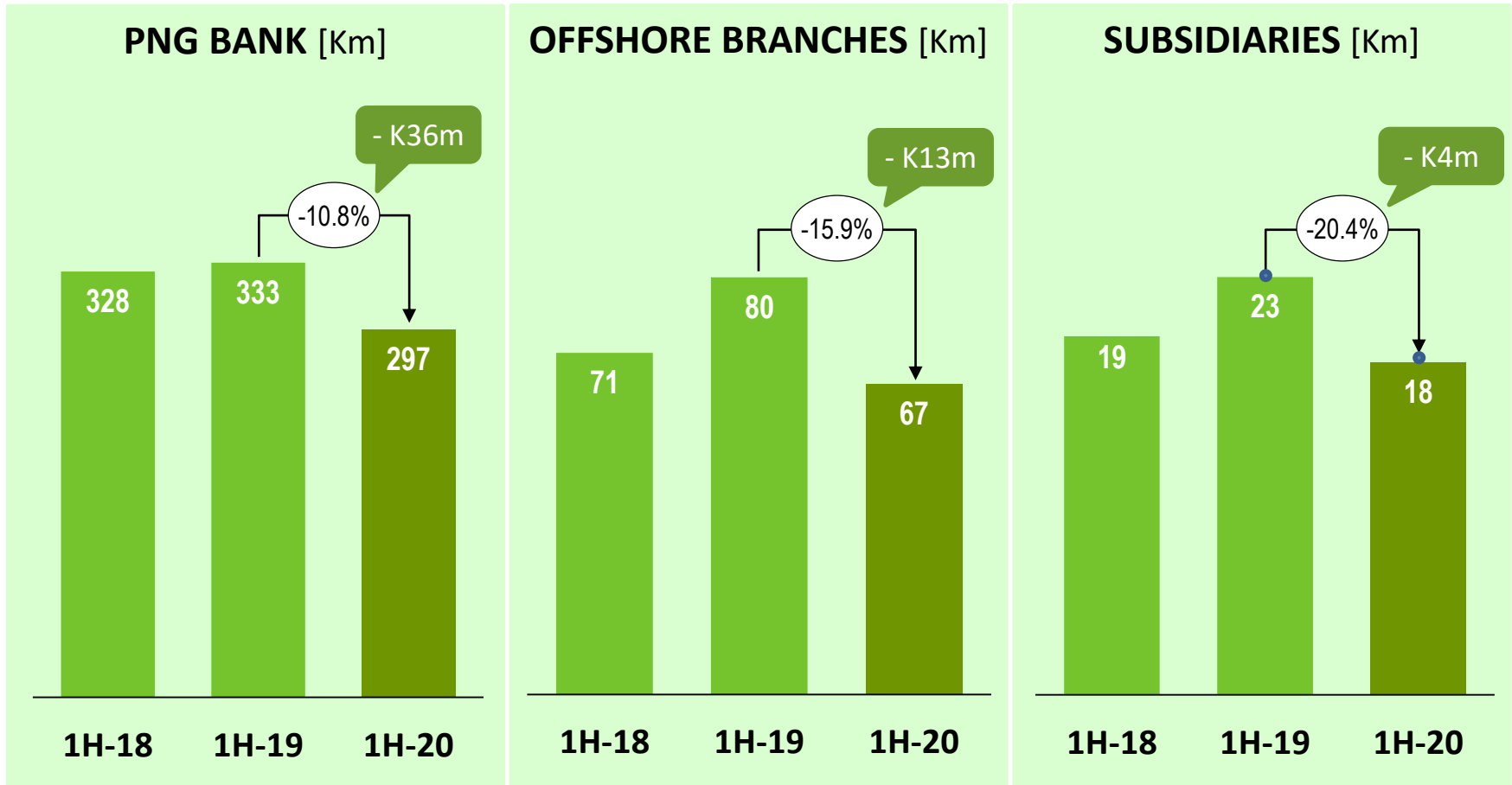
NPAT decreased by K53m, or 12.2% ... due largely to an increase in impairments, driven by COVID-19 impacts and a 100bps reduction in BSP's PNG Indicator Lending Rate



NPAT by business



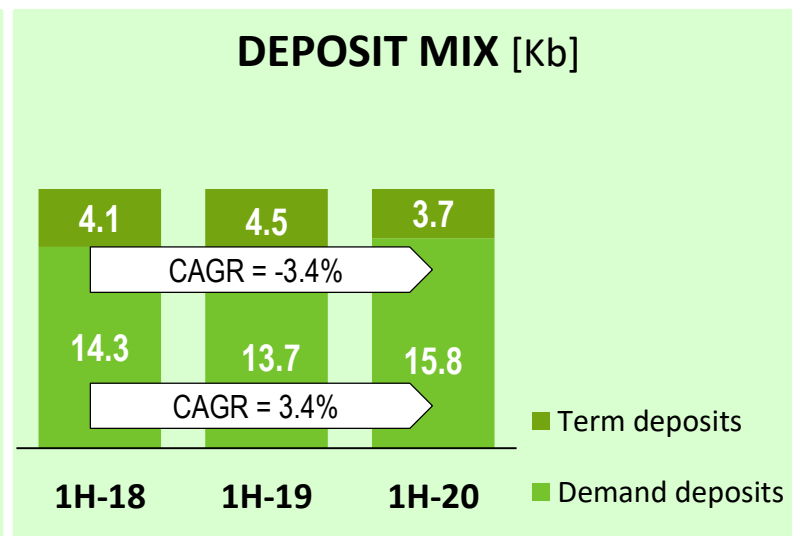
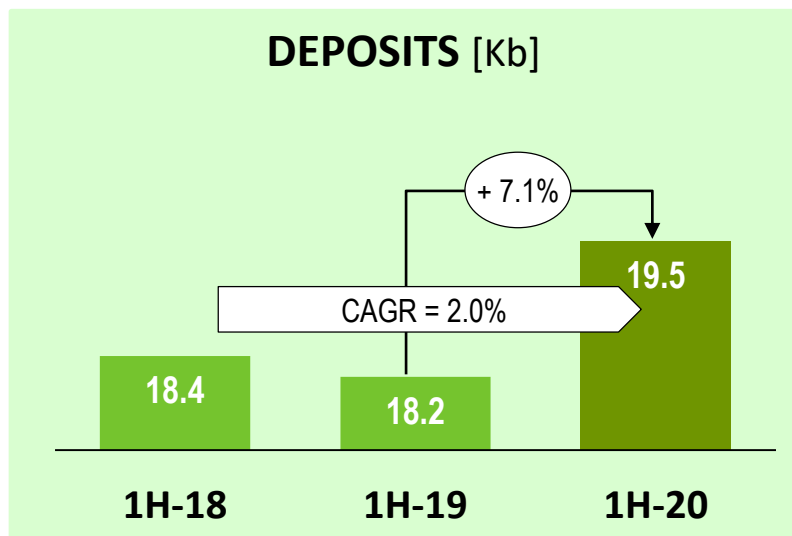
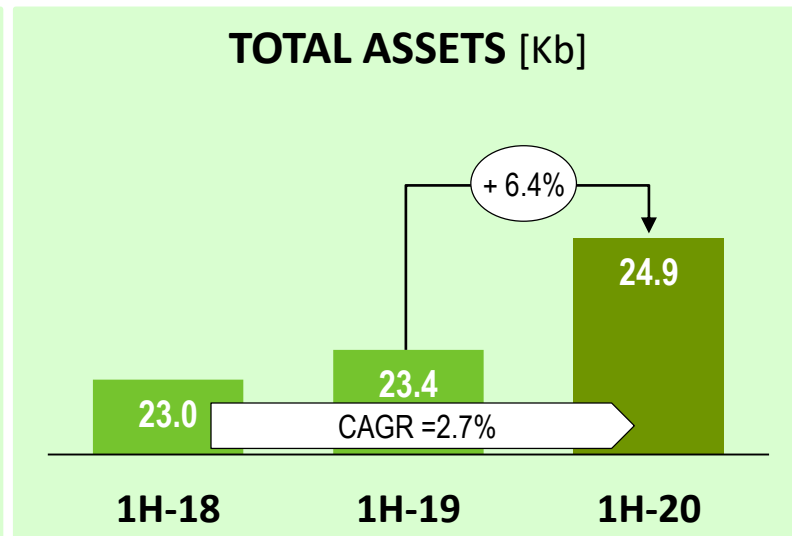
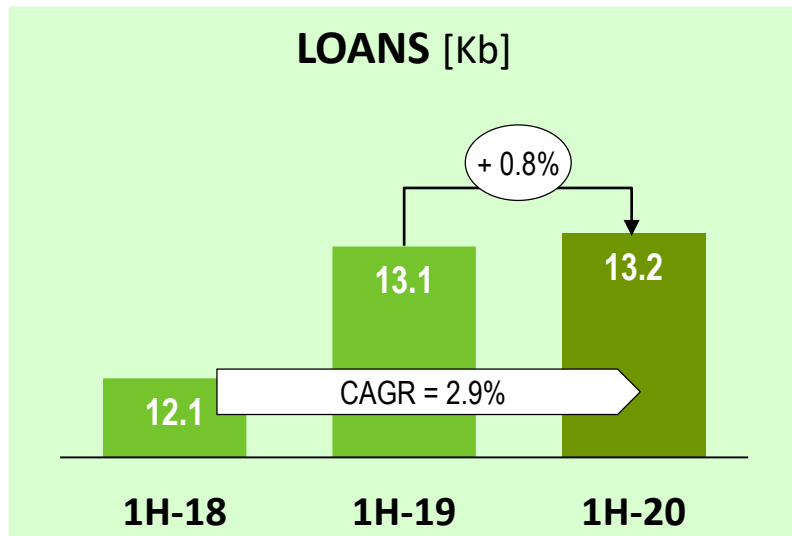
All of our businesses were negatively impacted by COVID-19 related contractions in economic activity



Financial metrics



Economic conditions constrained loan growth across all countries ... positive deposit growth in 1H-20

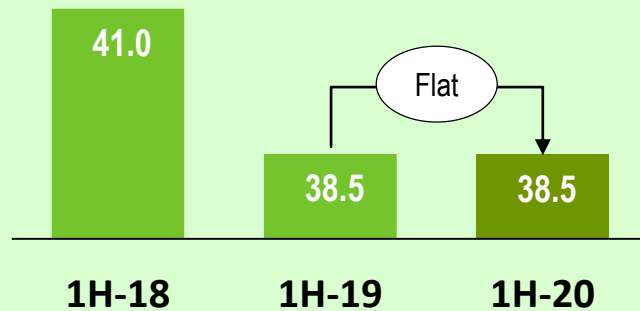


Key ratios

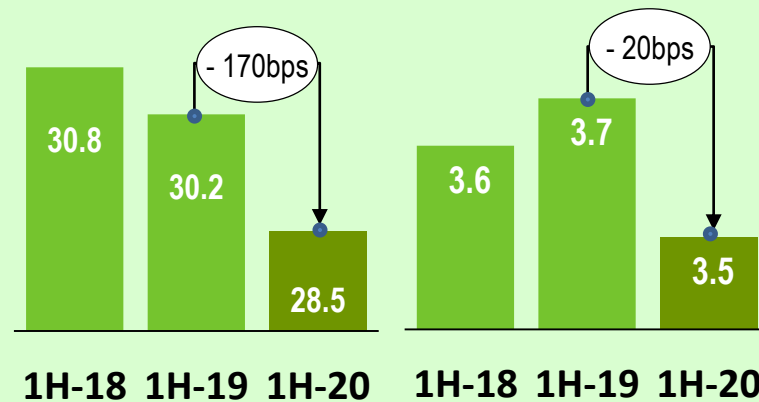


BSP Group has maintained sound results across all key performance ratios, giving regard to difficult macroeconomic conditions

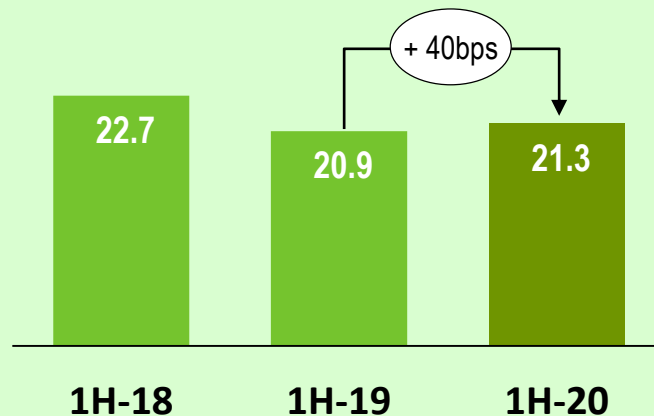
COST TO INCOME [%]



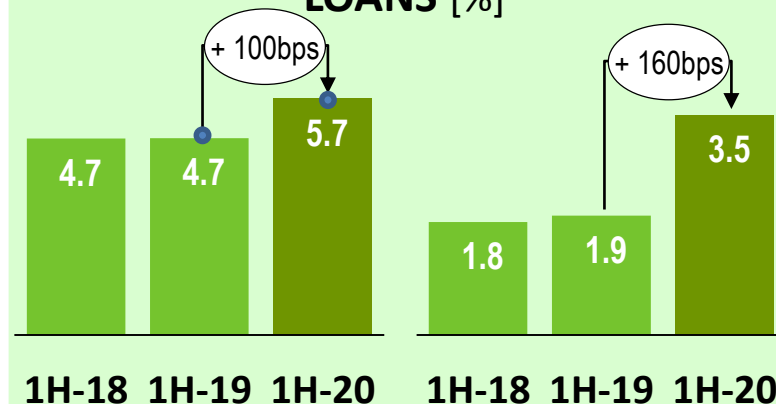
ROE & ROA [%]



CAPITAL ADEQUACY [%]



PROVISIONS TO LOANS / NPL TO LOANS [%]



Income stream trends



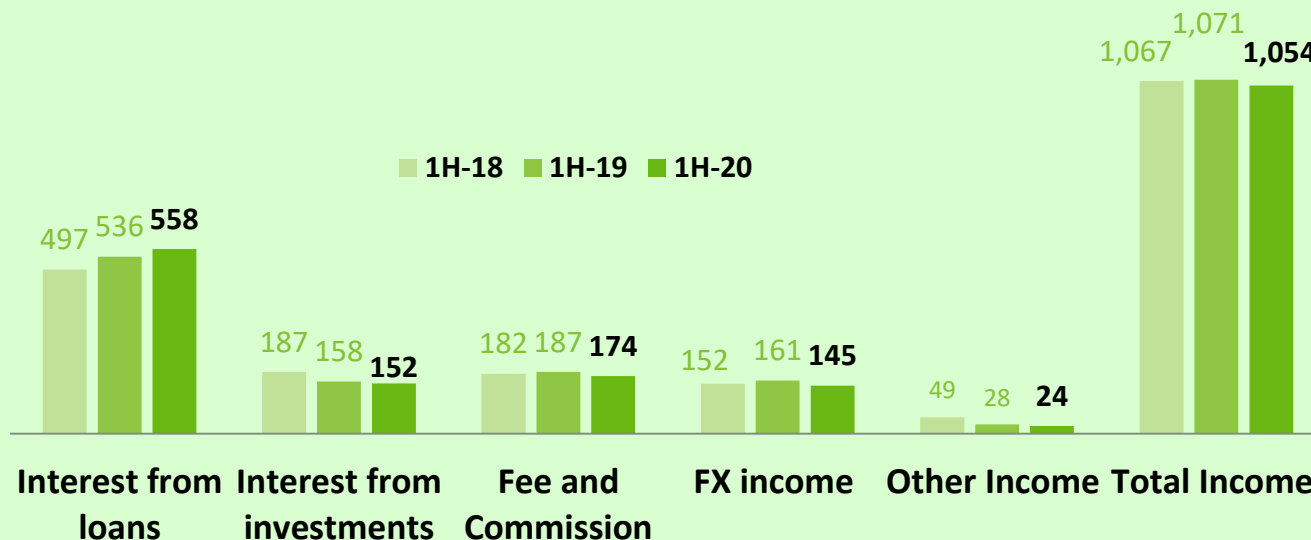
An increase in volume related interest income was offset by a decline in fee, FX and other income ... resulting in reduced income levels

	Interest – loans	Interest – investments	Fee/ commission	FX income	Other income	Total income
YOY:	4.2% ↑	(3.9%) ↓	(7.0%) ↓	(9.7%) ↓	15.7% ↓	(1.6%) ↓
CAGR	6.0%	(9.8%) ↓	(2.1%) ↓	(2.2%) ↓	(30.4%) ↓	(0.6%) ↓

KEY DRIVERS

- **Interest from loans** – corporate and retail loans resulting from loan growth
- **Interest from investments** – T-bills/ I. Stock
- **Fees & commission** – Channels income, lending fees, service charges
- **FX Income** – Forex
- **Other Income** – Life Fiji income, operating lease

GROUP INCOME STREAMS [Km]



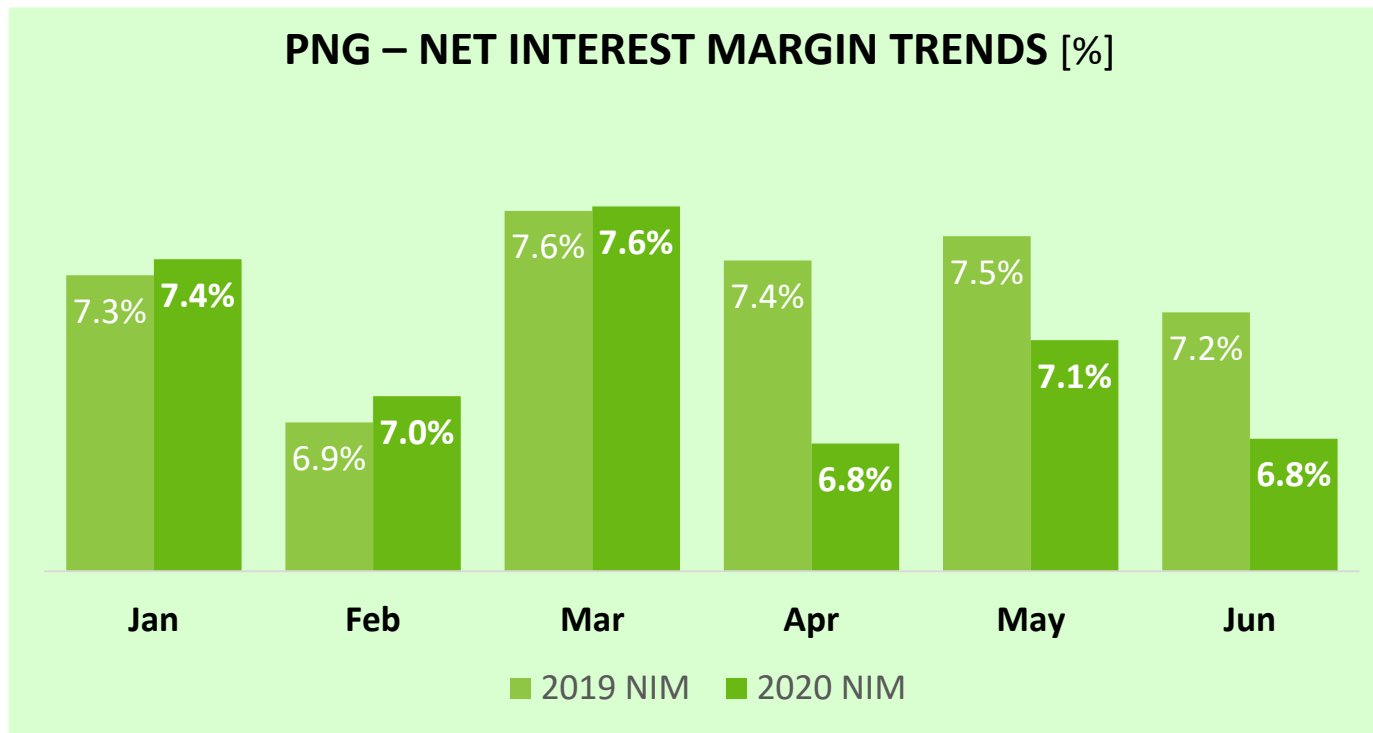
Key:

CAGR = Compound annual growth rate
 YOY = year on year

Net interest margin trends



BSP PNG's net interest margin has been impacted as a consequence of BSP reducing its ILR by 100bps on 1 April 2020



Expenditure trends



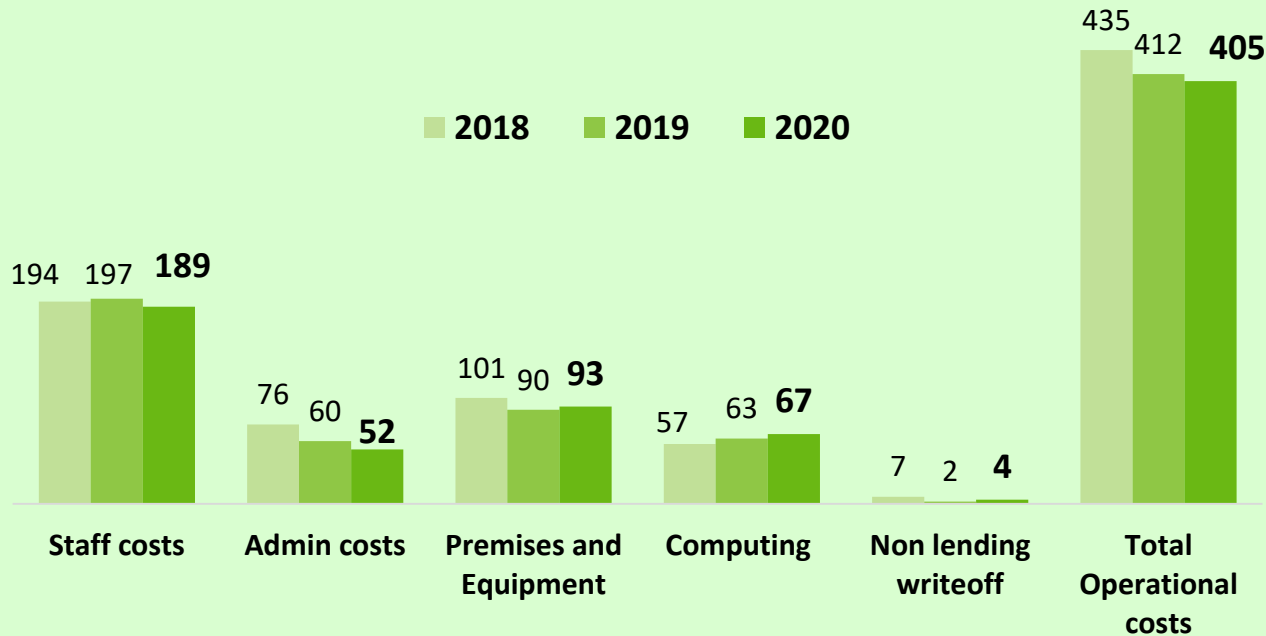
Prudent cost management in-light of market conditions. Prospect of exchange rate movements impacting on 2H-20 offshore computing hardware and service costs

	Staff costs	Admin costs	Premises/ equipment	Computing cost	NLL	Total operating costs
YOY:	(3.9%) ↓	(12.6%) ↓	3.7% ↑	6.6% ↑	86.1% ↑	(1.6%) ↓
CAGR	(1.2%)	(16.6%)	(4.1%)	8.0%	(23.6%)	(3.4%)

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 Losses** – increased cheque fraud losses occurring in PNG

GROUP EXPENDITURE [Km]



Key:

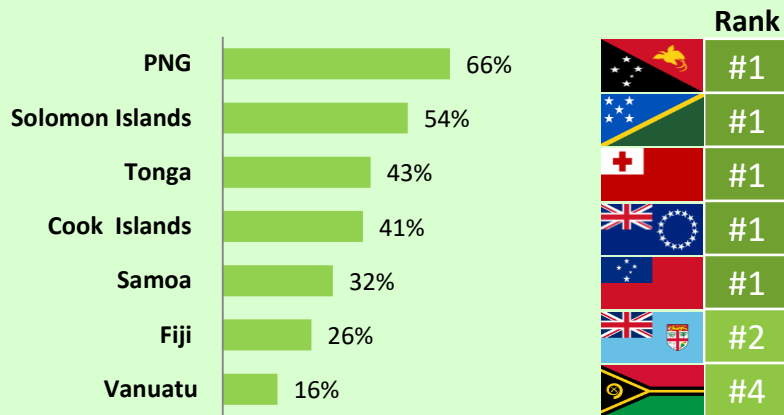
CAGR = Compound annual growth rate [3 years]
 YOY = year on year

Market position

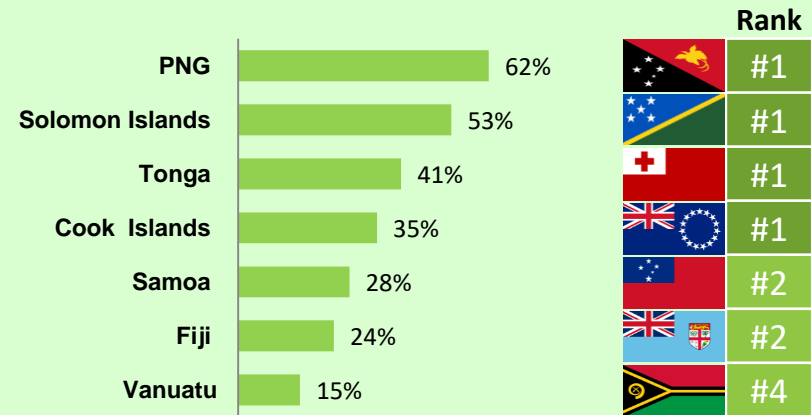


BSP is #1 in lending in 5 countries ... and #1 in deposits in 4 countries. Our loan and deposit portfolios are predominantly PNG domiciled.

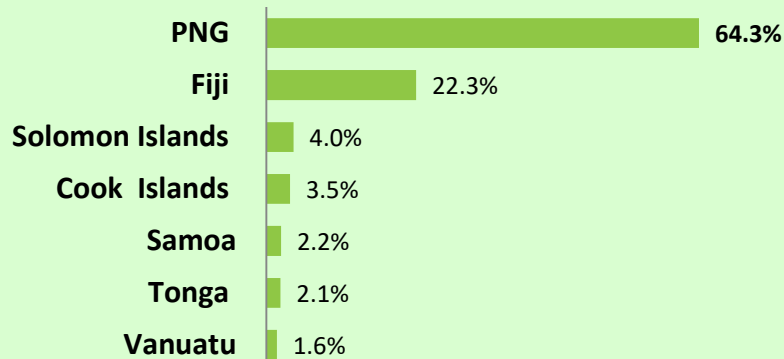
LOANS MARKET SHARE [1H-20, %]



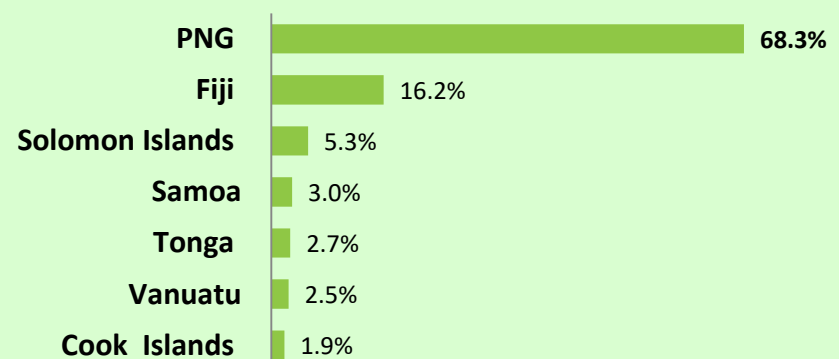
DEPOSIT MARKET SHARE [1H-20, %]



LOANS PORTFOLIO COMPOSITION [1H-20, %]



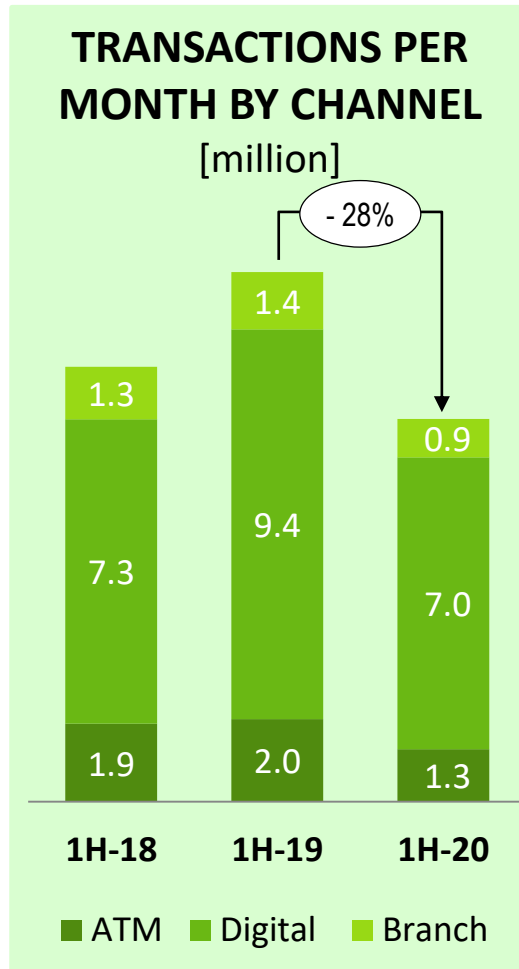
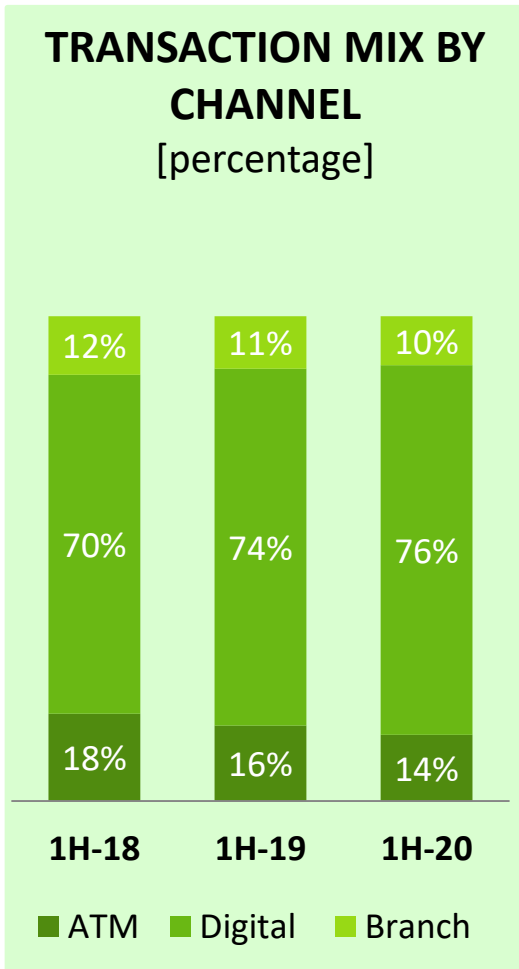
DEPOSIT PORTFOLIO COMPOSITION [1H-20, %]



Channel growth trends



Just over three-quarters [76%] of total transactions were via digital channels in 1H-20. Average transactions per months reduced due to economic conditions and COVID-19 international and domestic travel restrictions



ONLINE PAYMENTS

"Through the BSP Internet Payment Gateway (IPG) my customers can now pay on my website and still maintain physical distancing. Thank you BSP for helping my business so I can contribute to the economy".

Genia Sialis
OWNER AND DIRECTOR
OF TAPIOCA DELIGHT



2020 interim dividend



Interim dividend decrease to 25 toea ... giving due regard to ongoing uncertainty relating to COVID-19 impacts on operating performance for the 2H-20.



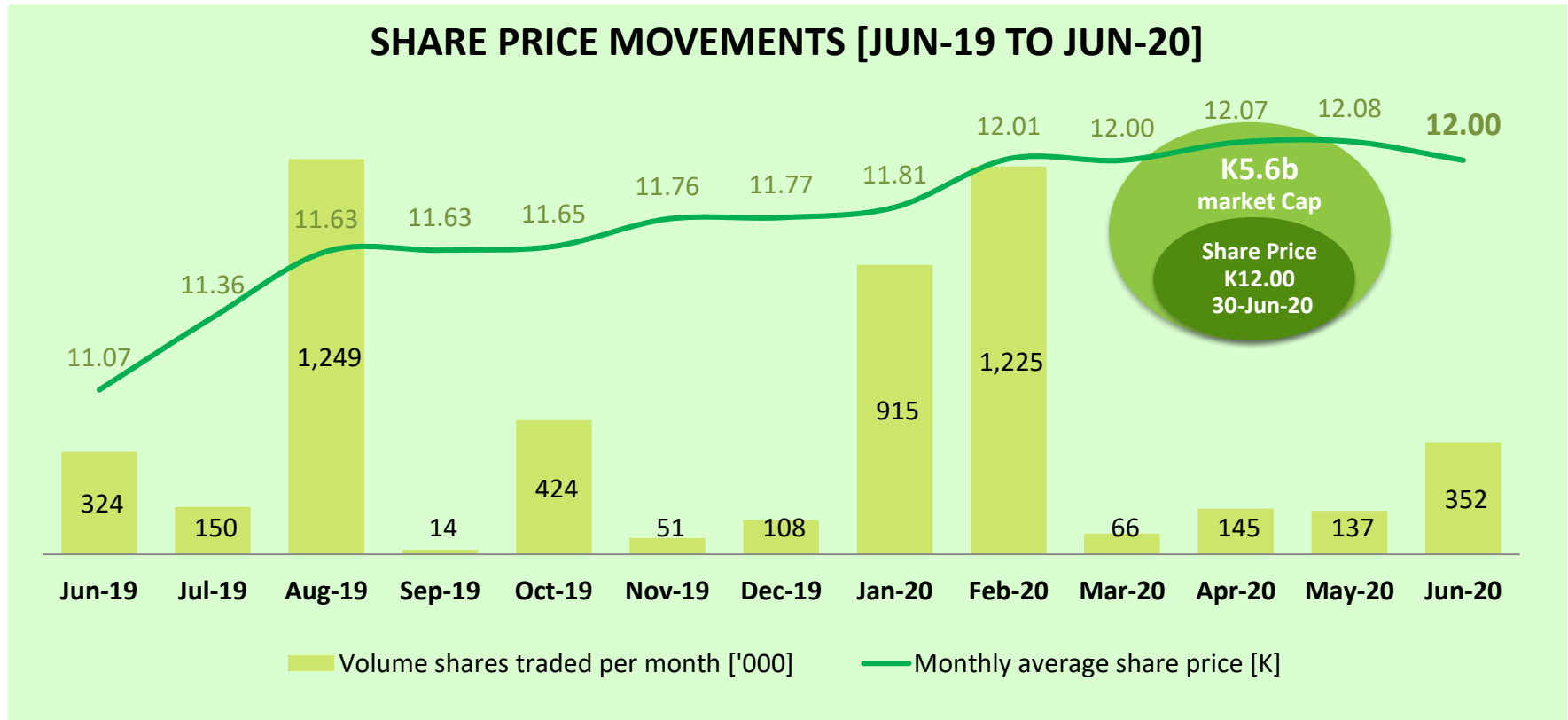
PLANNED PROCESSING DATES

- Ex-date: 01-Oct-20
- Record date: 07-Oct-20
- Payment date: 16-Oct-20

Share price



Annualised dividend yield of 10.1%, based on K12.00 share price ... below recent prior year ranges of between 11% and 12%

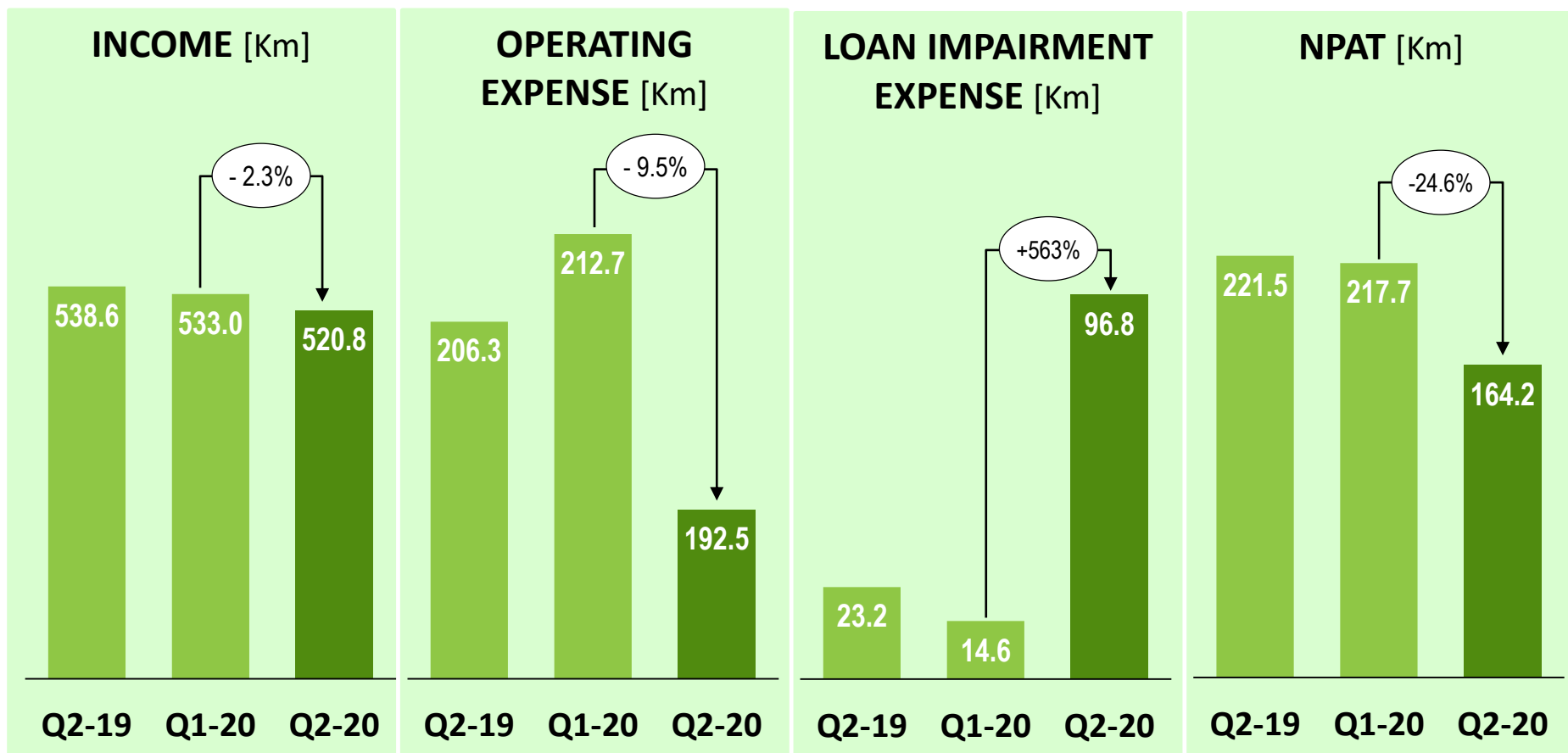


Q2-2020 results

Group NPAT [Q2-20]



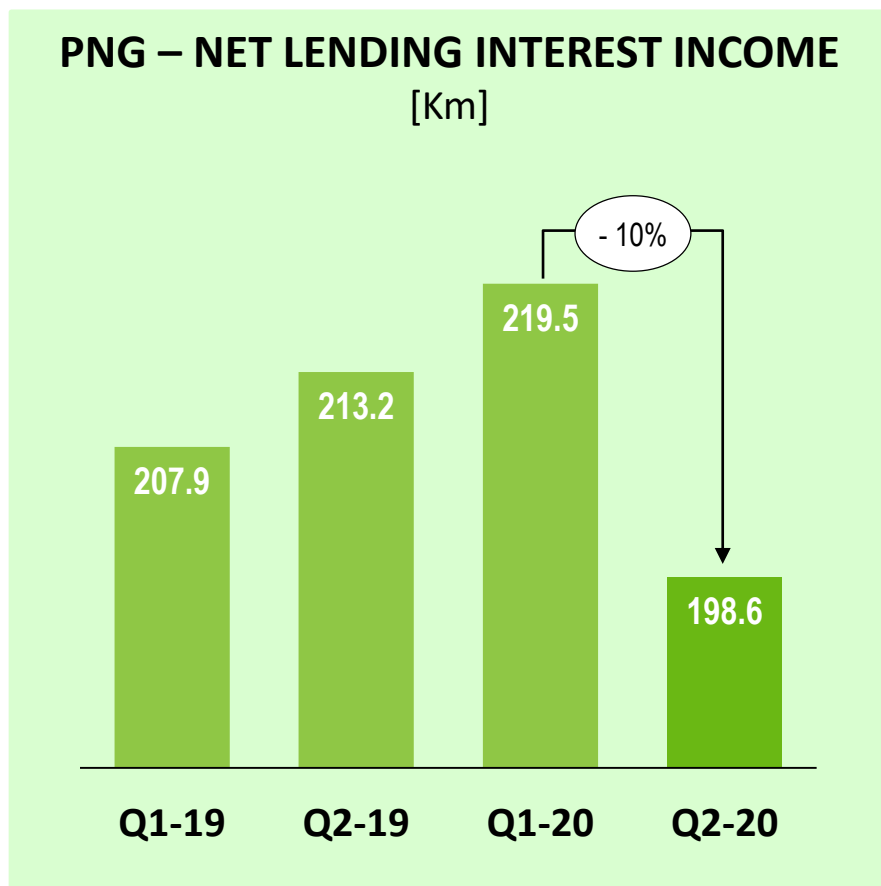
Revenue contracted in Q2-20, as business conditions became more difficult with international and domestic travel restrictions. Cost management initiatives did not offset COVID-19 impairment expenses ... resulting in NPAT declining



Lending interest income [Q2-20]



The ILR interest rate reduction [100bps] has come at some cost to BSP in PNG ...
~ K7m per month



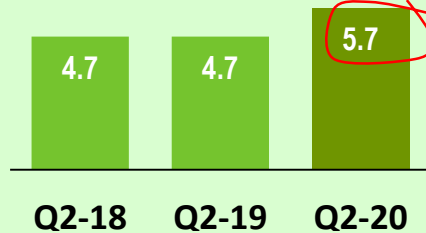
Provisions to loans [Q2-20]



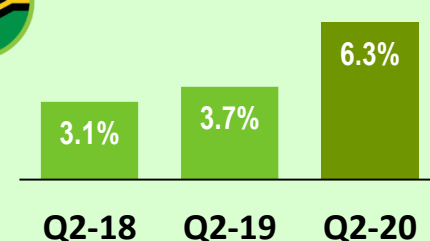
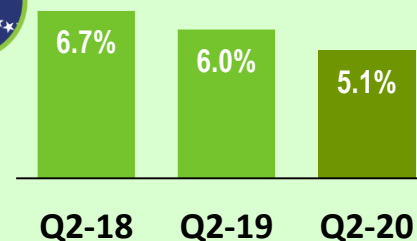
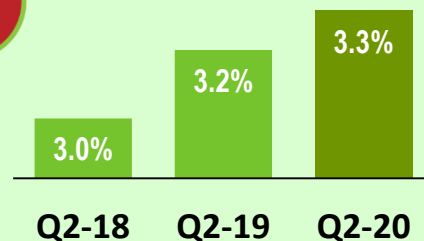
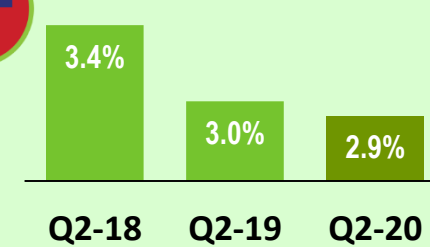
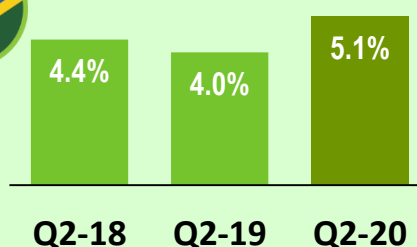
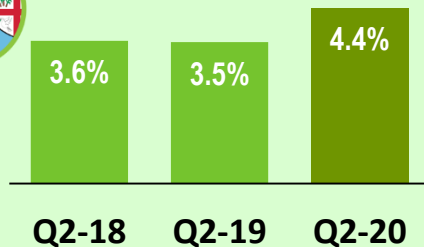
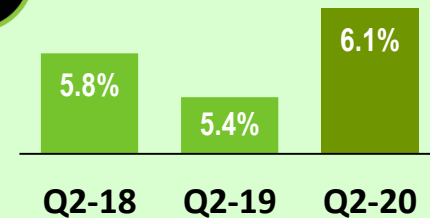
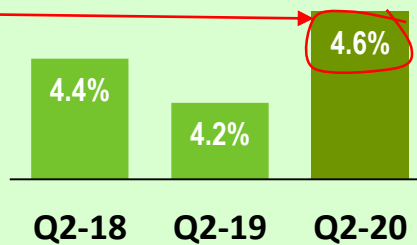
BSP Group's provisioning levels remain above IFRS9 requirements with more scrutiny of provisions for business directly affected by COVID-19

PROVISIONS TO LOANS

BSP Group [Provisions to loans]



BSP Group [Under IFRS9]

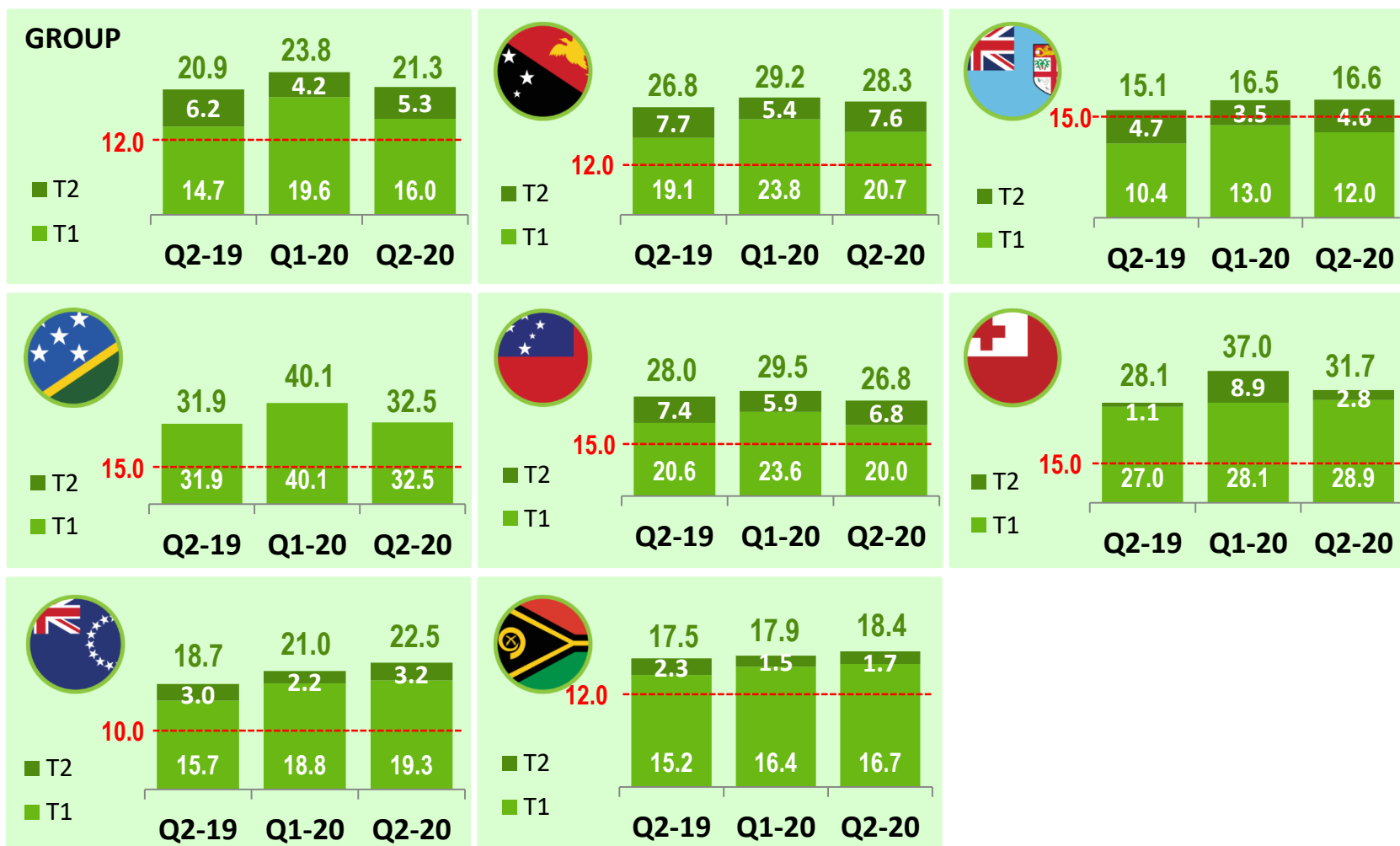


Capital adequacy trends [Q2-20]



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

CAPITAL ADEQUACY [%]



Conclusions



- Sound profitability levels maintained, despite COVID-19 impacts ... with Group NPAT of K382m in 1H-20
- Economic conditions constrained loan growth across all countries ... positive deposit growth in 1H-20
- BSP Group has maintained positive results in key performance ratios
 - Cost to income reducing to 38.5% in Q2-20
 - Capital adequacy reduced at 21.3% in Q2-20, however is above Q2-19 levels [20.9%] and well above BPNG's 12% requirement
 - Loan provision increased to 5.7%, giving regard to difficult macroeconomic conditions
- The ILR interest rate reduction [100bps] in PNG has come at some cost to BSP [~ K7m per month]
- In light of market conditions, BSP has maintained its solid performance enabling consistent returns to shareholders ... 34% interim dividend decrease to 25 toea, giving due regard to COVID-19 impacts on BSP's financial position, stress tests and capital soundness