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# INVESTOR PRESENTATION

Q3-2020 Results

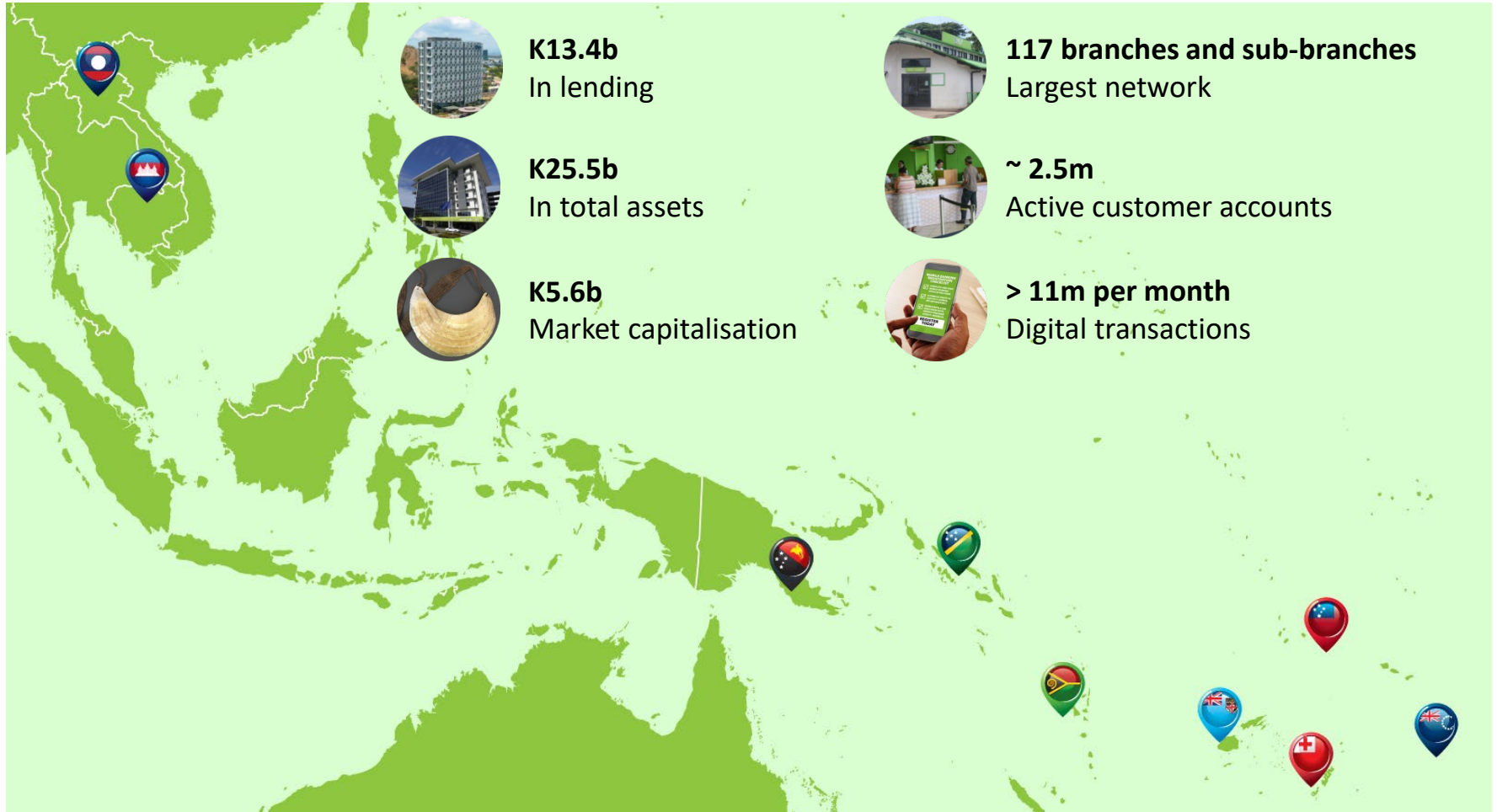
Robin Fleming – Group CEO



# South Pacific market leader



We continue to consolidate across the Pacific



# Q3-2020 results



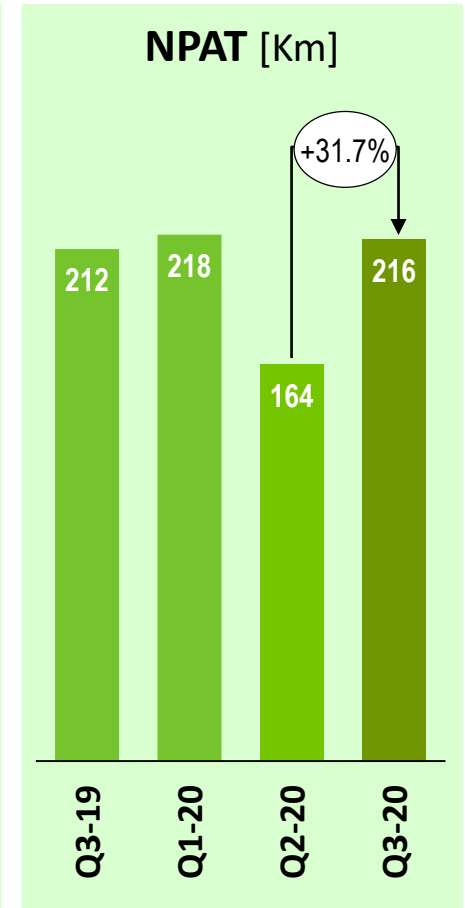
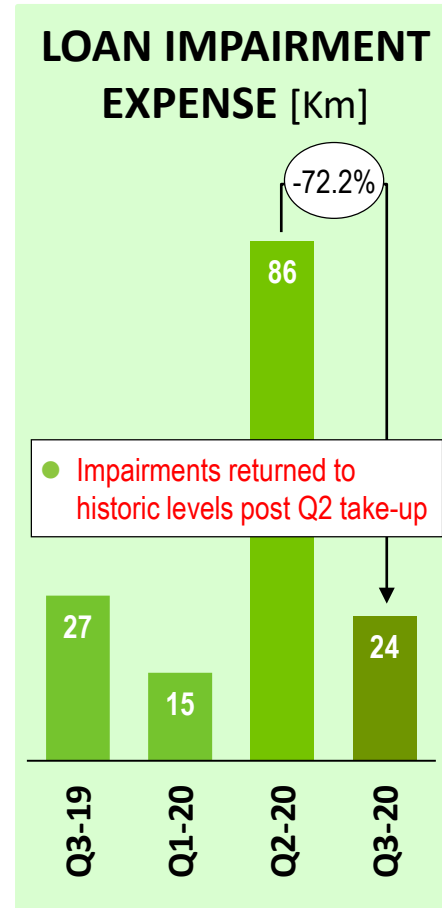
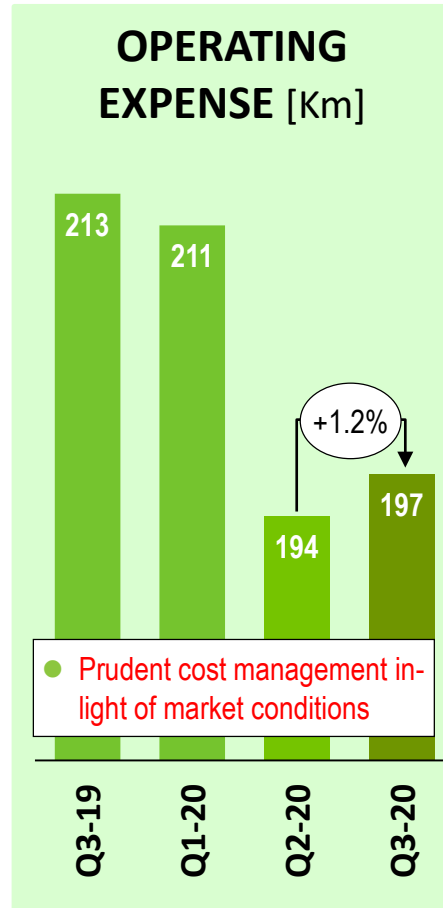
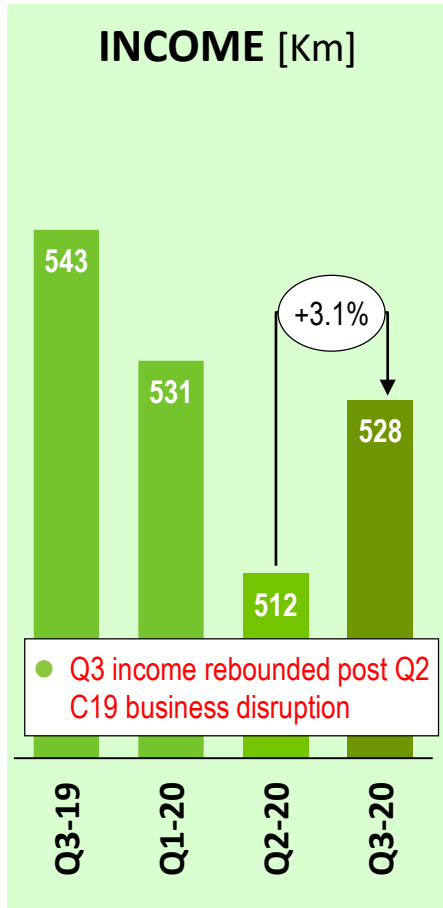
Sound financial performance in difficult economic conditions across the region

	Q3-20	Q2-20 vs Q3-20
● Profit [NPAT, Km]	216	+ 31.7%
● Total assets [Kb]	25.5	+ 2.6%
● Cost-to-income ratio [%]	37.3	- 67bps
● Capital adequacy ratio [%]	22.0	- 250bps
● Annualised earnings per share [toea]	171	+ 4.4%
● Market capitalisation [Kb]	5.6	0.0%

# Group NPAT



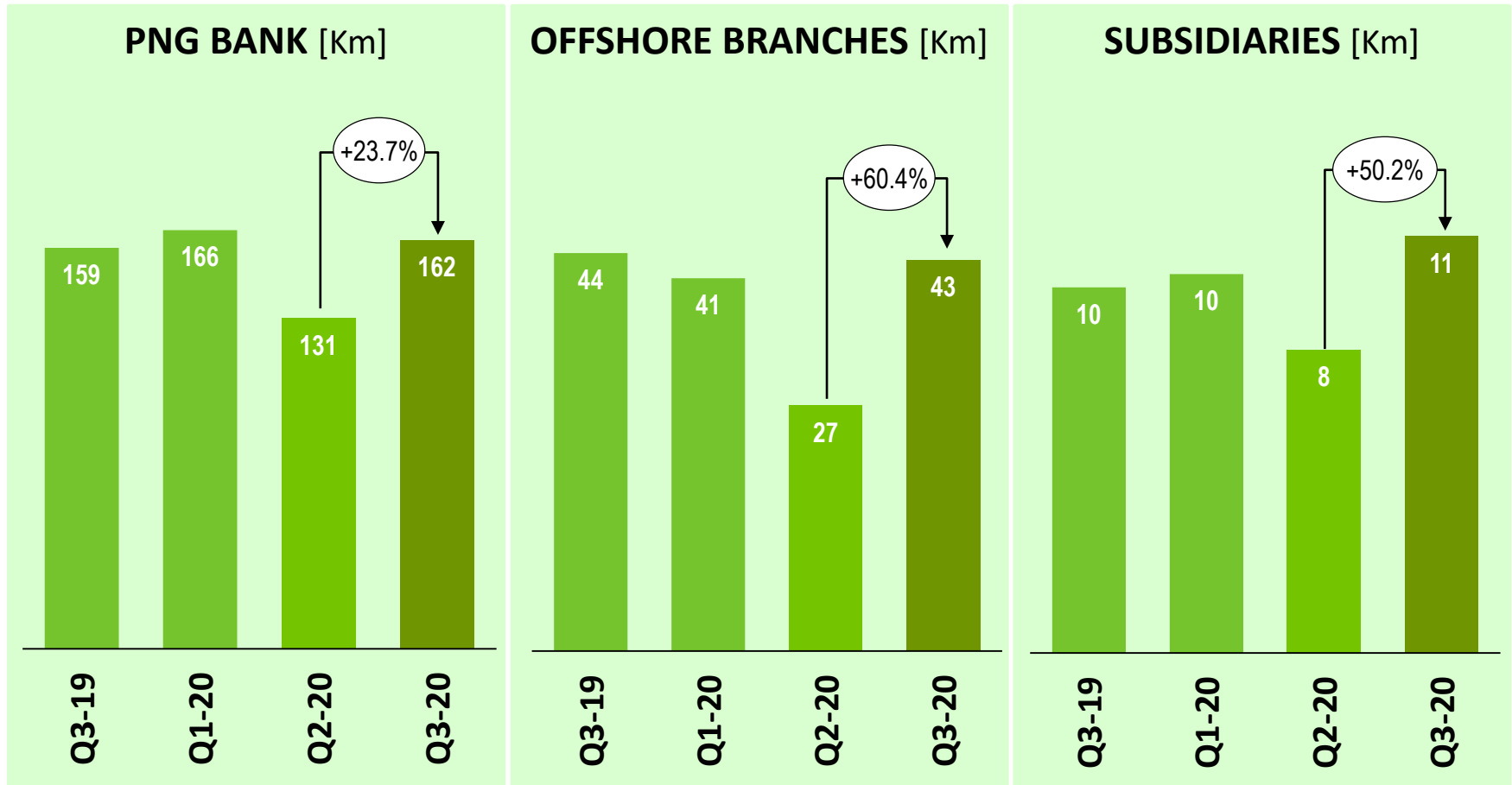
NPAT for the quarter rebounded strongly by K52m, or 31.7% ... due largely to impairments moderating back to historic levels in Q3-2020 and increased interest from government bonds.



# NPAT by business



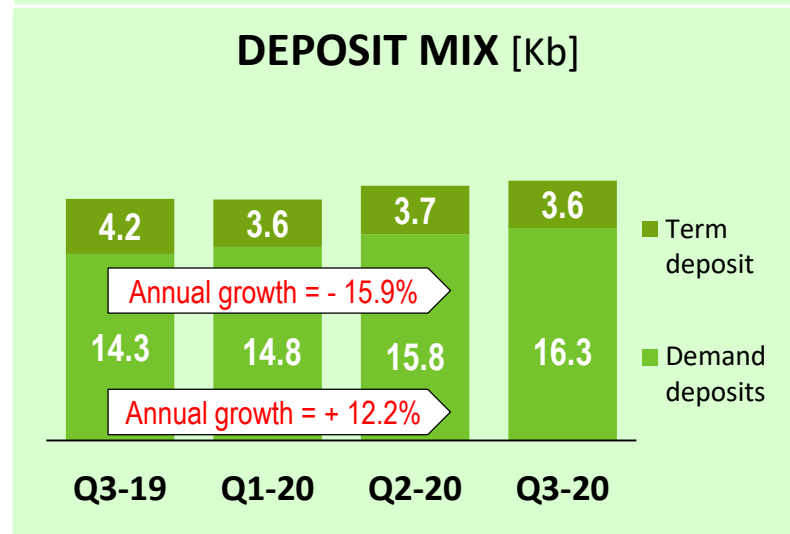
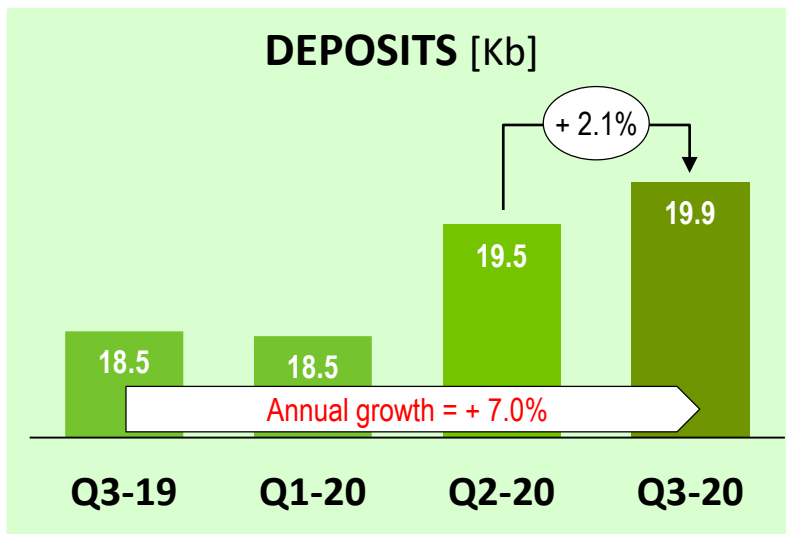
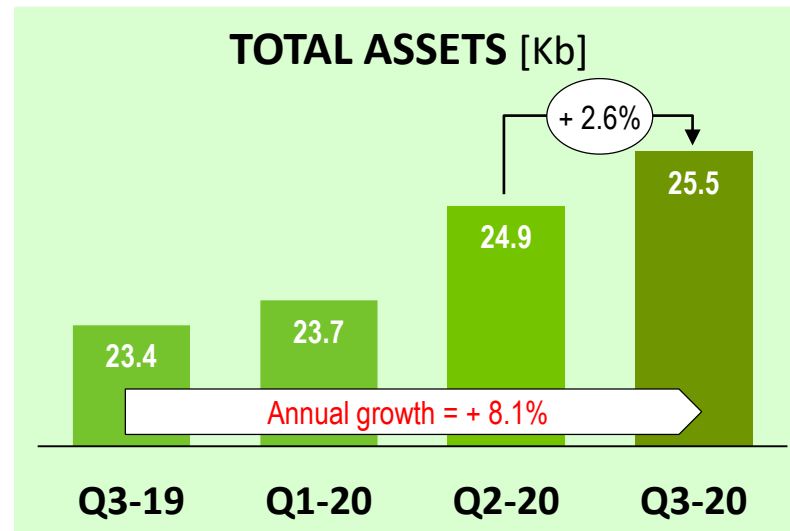
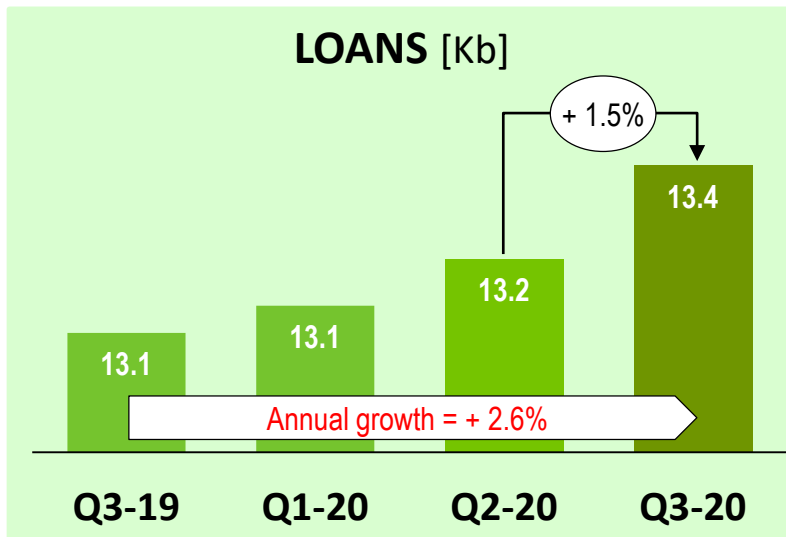
All BSP business divisions grew their profits in Q3-2020 and their profits are in-line with prior year results ... a strong outcome, given business conditions and a reduction in BSP PNG's indicator Lending Rate [ILR] by 100bps on 1 April 2020.



# Balance sheet trends



BSP's loan portfolio continues to grow, despite challenging economic conditions

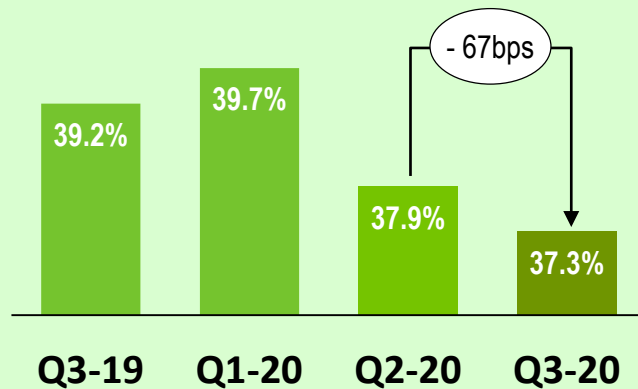


# Key ratios

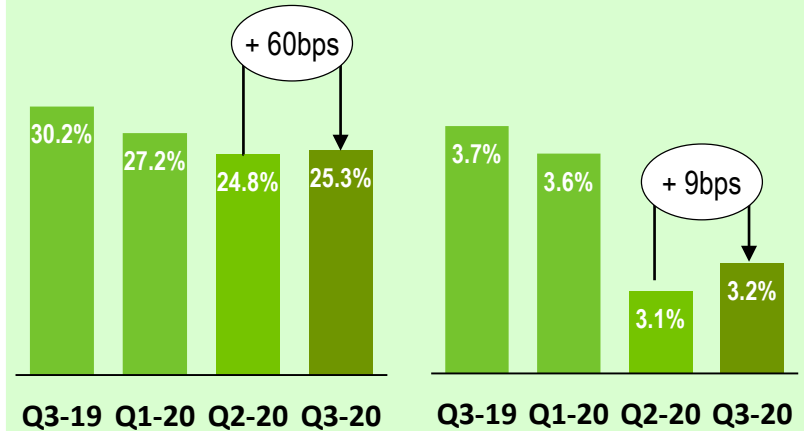


BSP Group has maintained sound results across all key performance ratios, giving regard to difficult macroeconomic conditions.

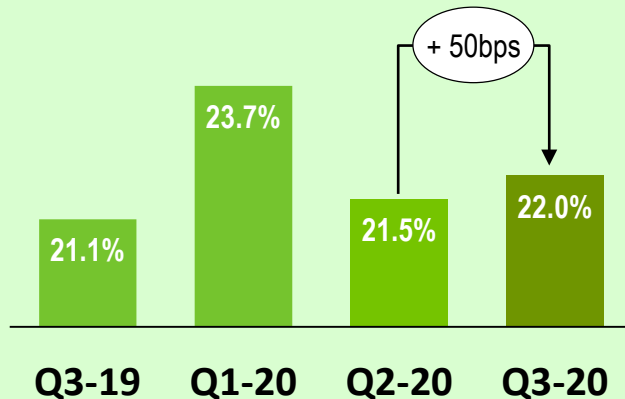
### COST TO INCOME [%]



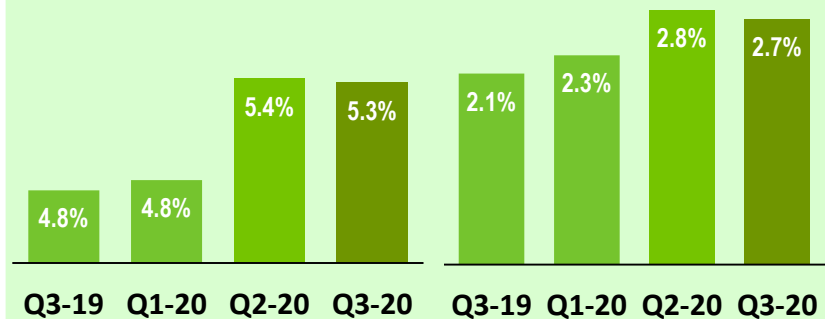
### ROE & ROA [%]



### CAPITAL ADEQUACY [%]



### PROVISIONS TO LOANS / NPL TO LOANS [%]



# Income stream trends



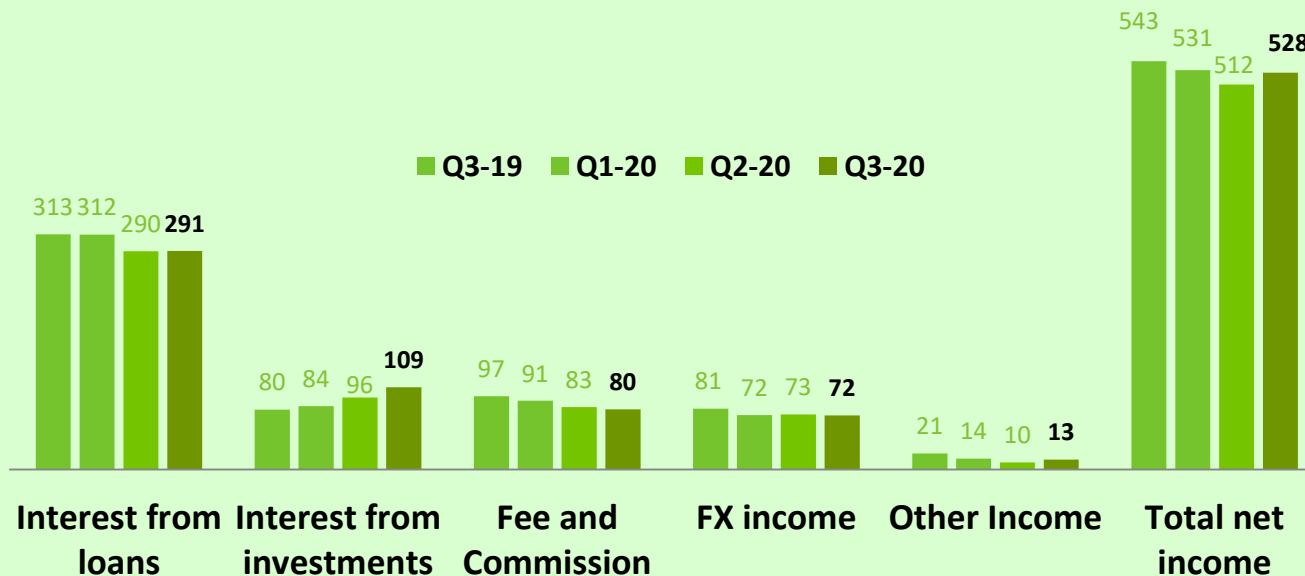
Growth in interest income from loans and investments were the key drivers of overall income growth in Q3-20, when compared to the prior quarter.

	Interest – loans	Interest – investments	Fee/ commission	FX income	Other income	Total net income
<b>YOY:</b>	(7.0%) ↓	37.5% ↓	(17.6%) ↓	(11.3%) ↓	(38.8%) ↓	<b>(2.9%) ↓</b>
<b>PP:</b>	0.2% ↑	14.1% ↑	(3.3%) ↓	(1.6%) ↓	36.8% ↑	<b>3.1% ↑</b>

## 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:

PP = prior period  
YOY = year on year



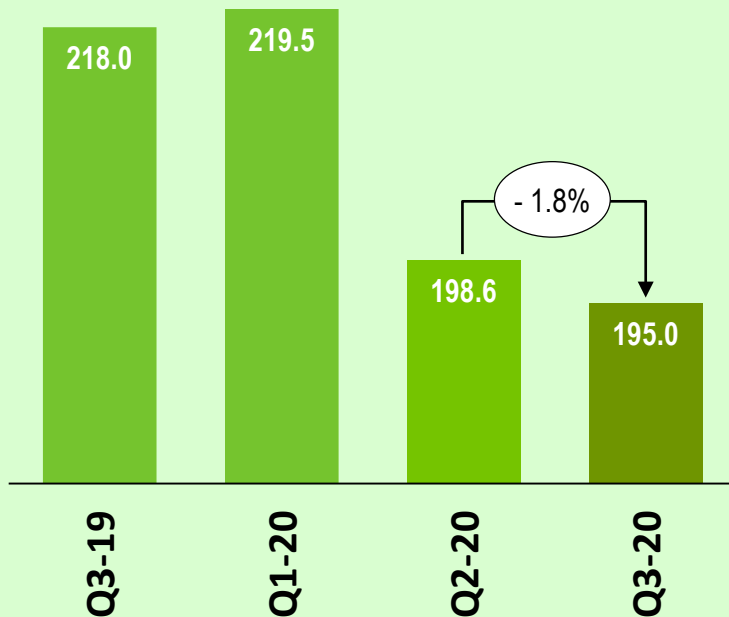
# PNG lending interest income



The ILR reduction [100bps] has come at some cost to BSP in PNG ... ~ K7m per month. Further, BSP is the only bank to pass on the full 1.0% [100bps] reduction to all variable rate products and BSP's ILR remains well below other banks.

## PNG – NET LENDING INTEREST INCOME

[Km]



BANK	ILR	Home Loan [variable]
BSP	10.10%	5.50%
Westpac	10.70%	9.20%
Kina Bank	11.65%	5.95%
ANZ	10.70%	NA

# Expenditure trends



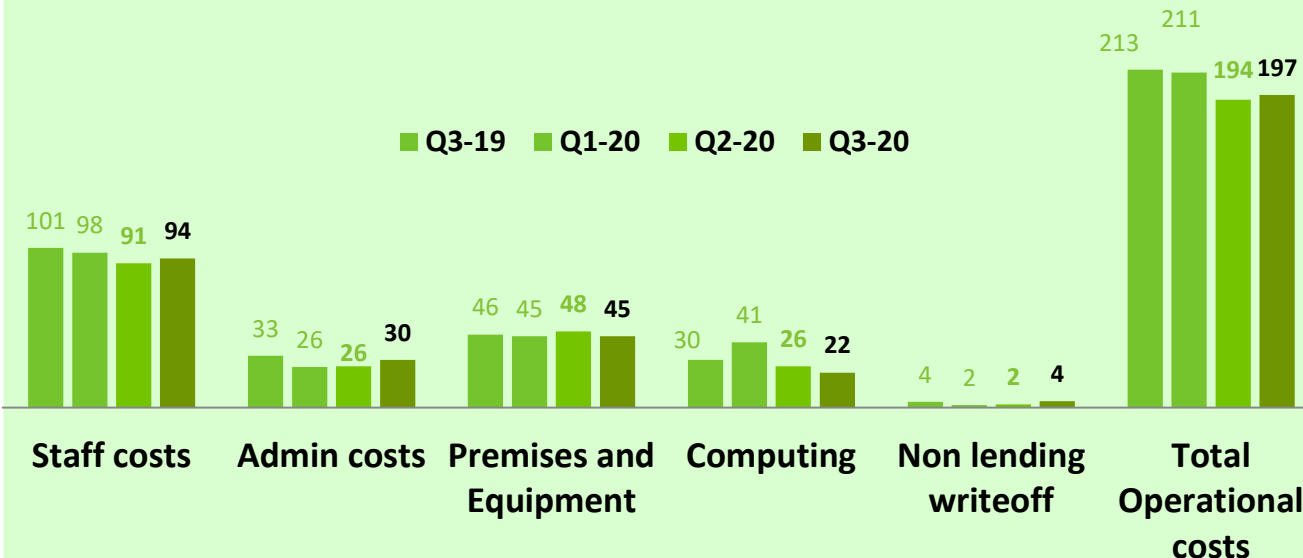
Cost management in-light of market conditions. Exchange rate movements are having an impact on computing hardware and service costs.

	Staff costs	Admin costs	Premises/ equipment	Computing cost	NLL	Total operating costs
<b>YOY:</b>	(6.6%) ↓	(8.1%) ↓	(2.3%) ↓	(26.5%) ↓	12.6% ↑	<b>(7.4%) ↓</b>
<b>PP:</b>	3.3% ↑	15.4% ↑	(6.3%) ↓	(15.4%) ↓	100.0% ↑	<b>1.5% ↑</b>

## 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:

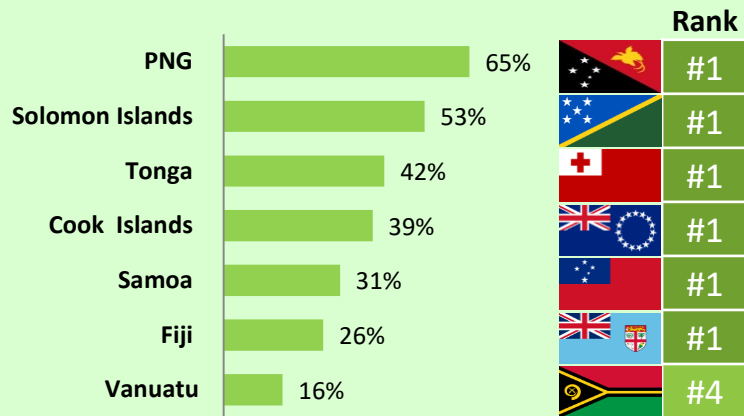
PP = prior period  
YOY = year on year

# Market position

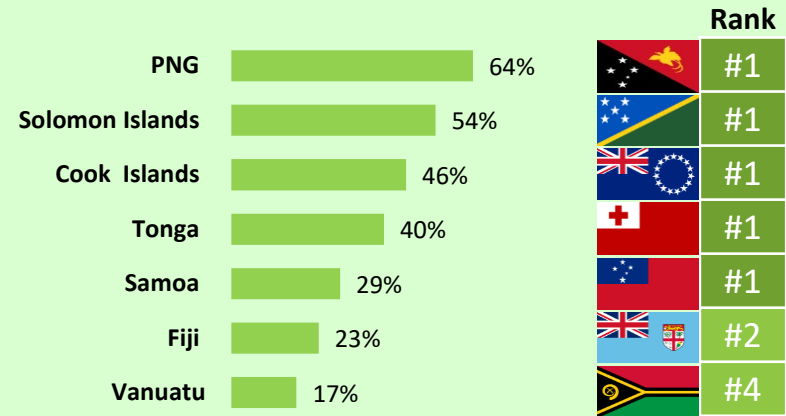


BSP is the #1 lender in 6 countries ... and #1 deposit taker in 5 countries. Our loan and deposit portfolios are predominantly PNG domiciled.

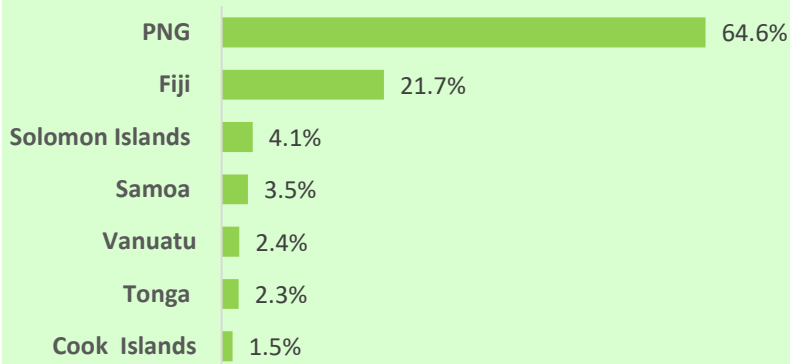
## LOANS MARKET SHARE [Q3-20, %]



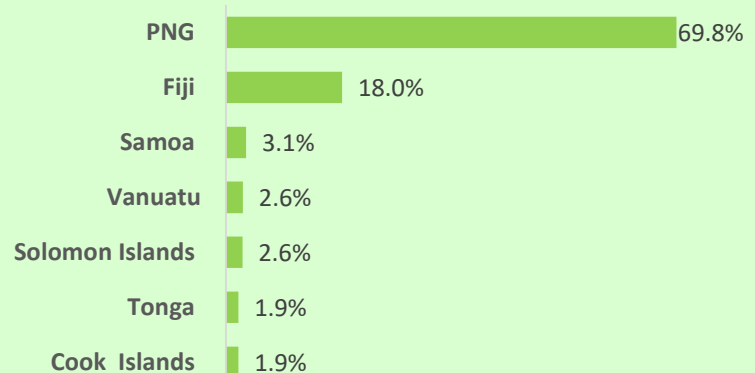
## DEPOSIT MARKET SHARE [Q3-20, %]



## LOANS PORTFOLIO COMPOSITION [Q3-20, %]















## DEPOSIT PORTFOLIO COMPOSITION [Q3-20, %]



# Channel investment



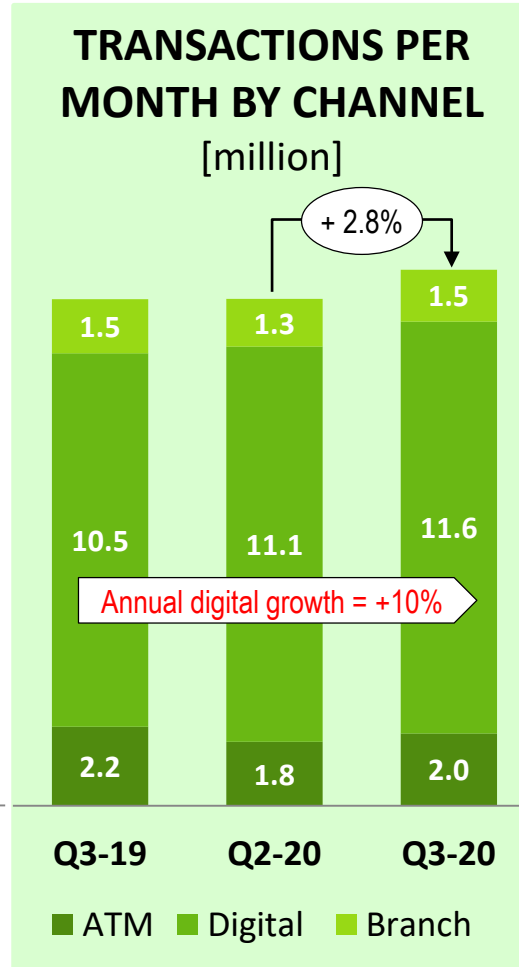
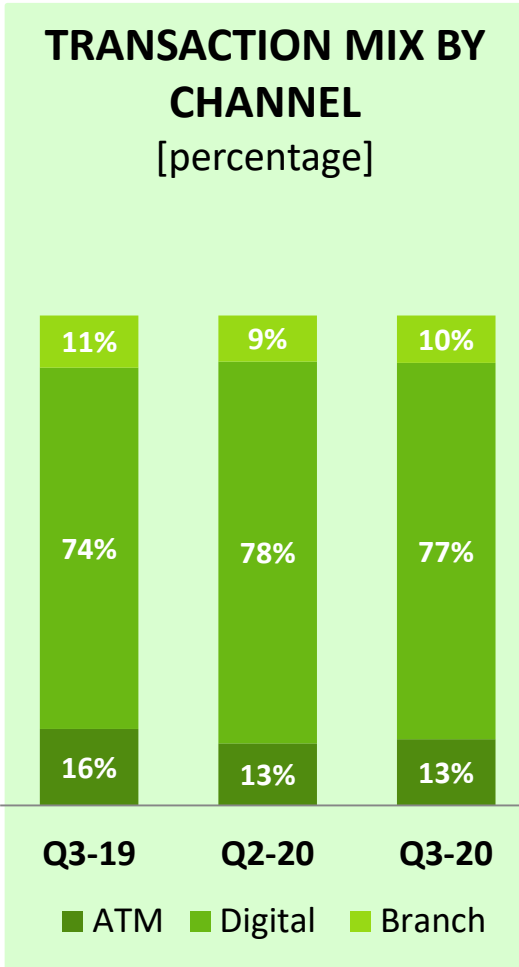
Continued channel investment to improve customer service levels across the BSP Group

	Total							
 Branches	<b>77</b>	40	16	8	5	2	4	2
 Sub Branches	<b>40</b>	38	0	0	0	0	0	2
 ATMs	<b>550</b>	315	121	34	26	13	27	14
 EFTPOS	<b>11,373</b>	7,289	2,056	304	451	449	426	398
 Agent	<b>316</b>	106	44	50	41	10	32	33

# Group channel growth trends



Just over three-quarters [77%] of all customer transactions were via digital channels in Q3-20 ... an annual increase of +10%. Channel activity rebounded by +2.8% post Q2-20 COVID-19 lockdown disruptions.



## 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



# BSP ... digital leader in PNG



BSP's new Customer Self Service App allows customers to apply for a Personal Loan via their smartphone or tablet ... on both Android and Apple devices

## BSP CUSTOMER SELF SERVICE APP

How does it work?



1

Download and install the App.



2

Click on 'Apply' and follow prompts to complete the form.



3

Enter personal details and attach payslips, valid ID and letter of employment.



4

Enter residential information.



5

Enter loan amount, repayment, frequency and purpose.



6

Nominate a person to be in charge of your consumer credit insurance (funeral benefit of K5,000.00 in the event you pass away while repaying the loan).



7

Enter employment details.



8

Enter what you own and who you owe money to.



9

Enter monthly income and expenses.



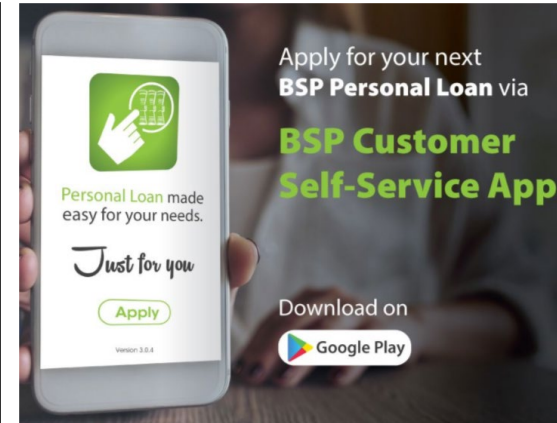
10

Enter signature and submit application.



11

Receive an application decision SMS within one working day. If approved you will be advised to visit a branch to complete the loan application process.



Apply for your next BSP Personal Loan via

**BSP Customer Self-Service App**

Download on



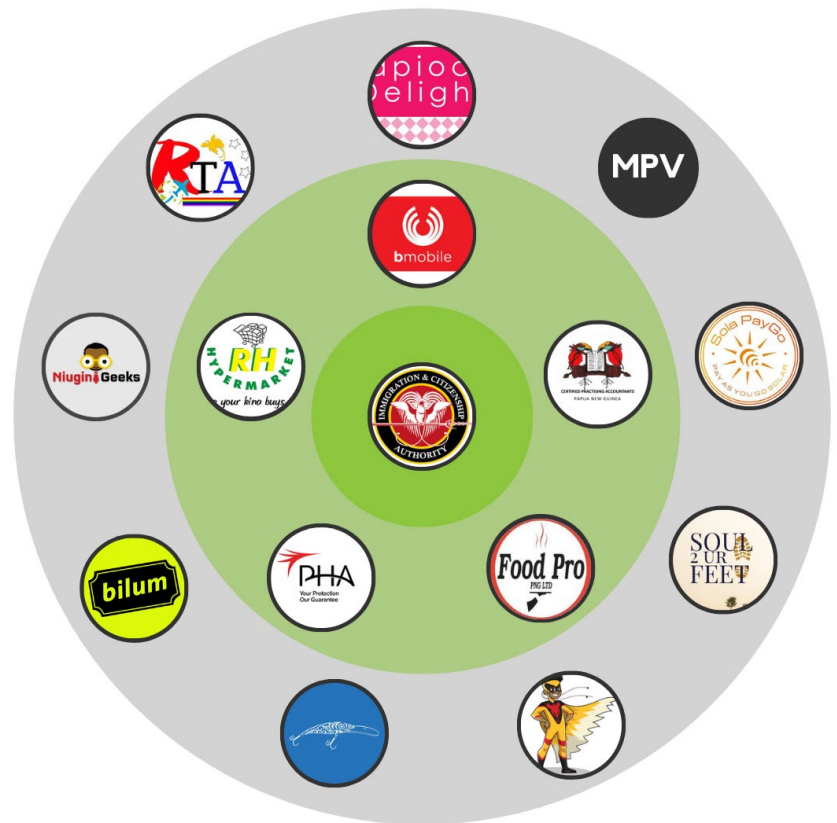
# Growing PNG's digital economy



BSP is experiencing rapid growth in merchant demand for its market leading e-commerce platform [IPG]. The number of PNG merchants using our platform will triple in 2020 ... and we expect this trend to continue with the launch of “BSP Pay”.



- In Q4-2020 BSP will launch a domestic online payment solution that will open up the e-commerce market to the 1.0 million PNG customers with BSP bank accounts.
- BSP Pay will be a first to market solution in Papua New Guinea that enables BSP Customers to pay using two-factor authentication:
  - BSP Customer Identification File Number (CIF) and
  - One Time Passwords (OTP)
- This domestic internet payment solution enables ease of doing business for merchants and ease of payments for customers :
  - Merchants can register online to become a merchant and
  - Customers can register online to use BSP Pay



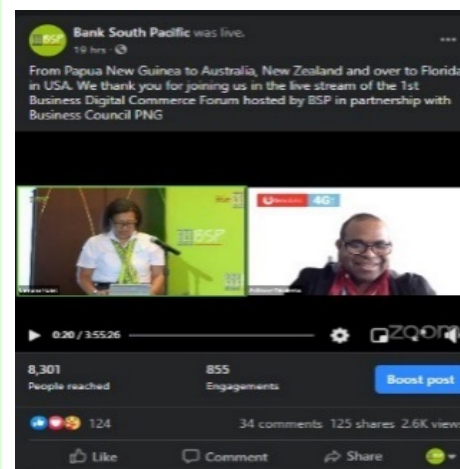
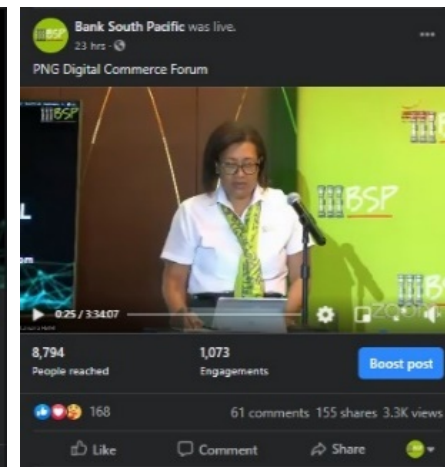
*BSP is attracting a broad range of customers ... from small businesses to large corporates to our e-commerce platform*

# Growing PNG's digital economy



BSP led the way by hosting a virtual forum to present digital commerce opportunities ... and more importantly, to build PNG business confidence and capacity to go digital.

- On the 31-Aug, BSP Digital and BCPNG hosted 295 participants in a full day virtual forum
- The virtual forum provided a platform for PNG businesses, government and developers to share their insights on digital commerce ... covering the following topics:
  - Challenges and opportunities of doing business digitally
  - Critical requirements for the development of a digital economy
  - Global Visa trends in digital commerce
  - Organisations approach to digital commerce
  - BSP's product and service offering and value add to the PNG payment ecosystem





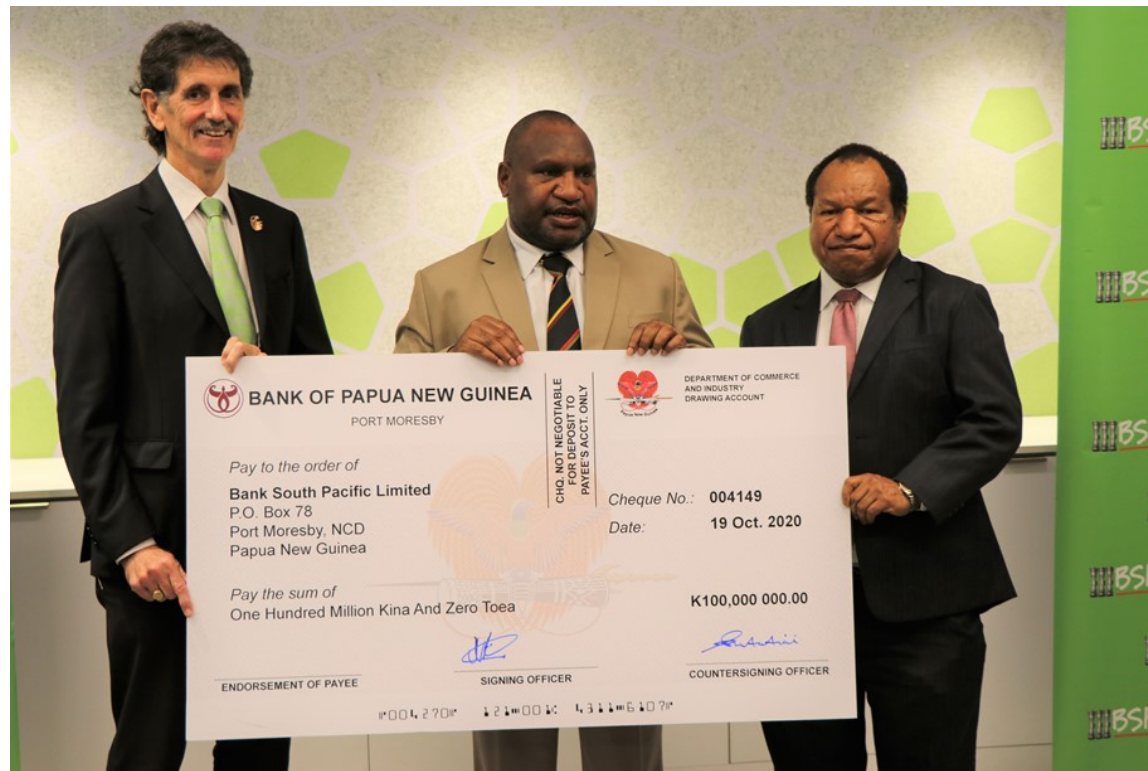
# BSP supporting PNG SMEs



BSP is a strong supporter of the PNG Government's economic policy to grow the number and capacity of PNG's SMEs. BSP has been lending to SMEs for many years and now has a loan portfolio of ~ K84m.

## PNG Government SME Support Programme

- On 20-Oct, BSP received K100m appropriated under the PNG Government's SME Support Programme.
- BSP branches commenced processing loan applications from potential SME borrowers the following day.
- The Programme is for all SME customers, not just existing BSP customers.

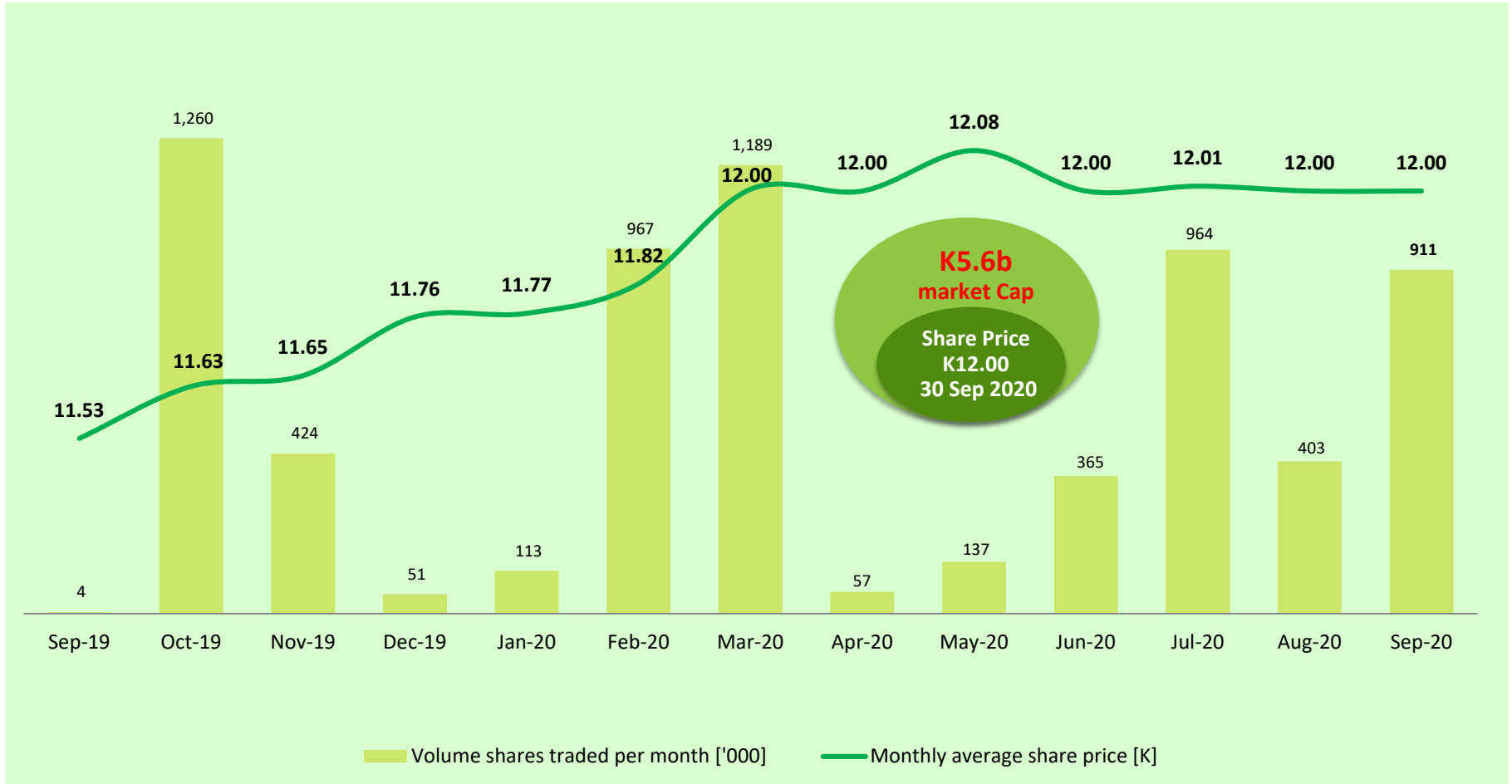


# Share price



K12.00 share price remains stable ... representing an annual increase of 4%.

2020 interim dividend of K115m [25 toea per share] paid on 16 October.



# Conclusions



- Sound profitability levels maintained, despite COVID-19 impacts ... with NPAT rebounding strongly by K52m, or 31.7% in Q3-2020
- All BSP business divisions grew their profits in Q3-2020 and their profits are better or in-line with prior year results ... a strong outcome, given business conditions
- BSP Group has maintained positive results in key performance ratios
  - Cost to income reducing to 37.3% in Q3-2020
  - Capital adequacy reduced marginally to 21.3% in Q3-2020, however is above Q3-2019 levels [21.1%] and well above BPNG's 12% requirement
- BSP continues to lead the market in technology investment ... ensuring our digital channels are making banking convenient, safe and cheaper for our customers. We are also helping our small and large business customers to trade “24 hours / seven days a week” to increase their incomes and reduce their costs
- BSP continues to play a leadership role in the growth of PNG's emerging digital economy
- BSP's share price remains stable at K12.00 ... representing an annual increase of 4%
- 2020 interim dividend of K115m [25 toea per share] paid on 16 October