

**Our Bank.  
Our People.**



# SHAREHOLDER PRESENTATION

## 2020 Full Year Results

Group CEO – Robin Fleming



**2021**

# South Pacific market leader



We continue to grow and build scale enhancing our market leadership position.



# Diversification



BSP provides banking, asset finance, life insurance, funds management and corporate advisory services across the South Pacific and South East Asia. We continue to explore both organic and inorganic growth opportunities within our chosen markets and service lines ... in order to mitigate market risks.

## BANKING



## ASSET FINANCE



## LIFE INSURANCE



## FUNDS MANAGEMENT & CORPORATE ADVISORY



# 2020 results



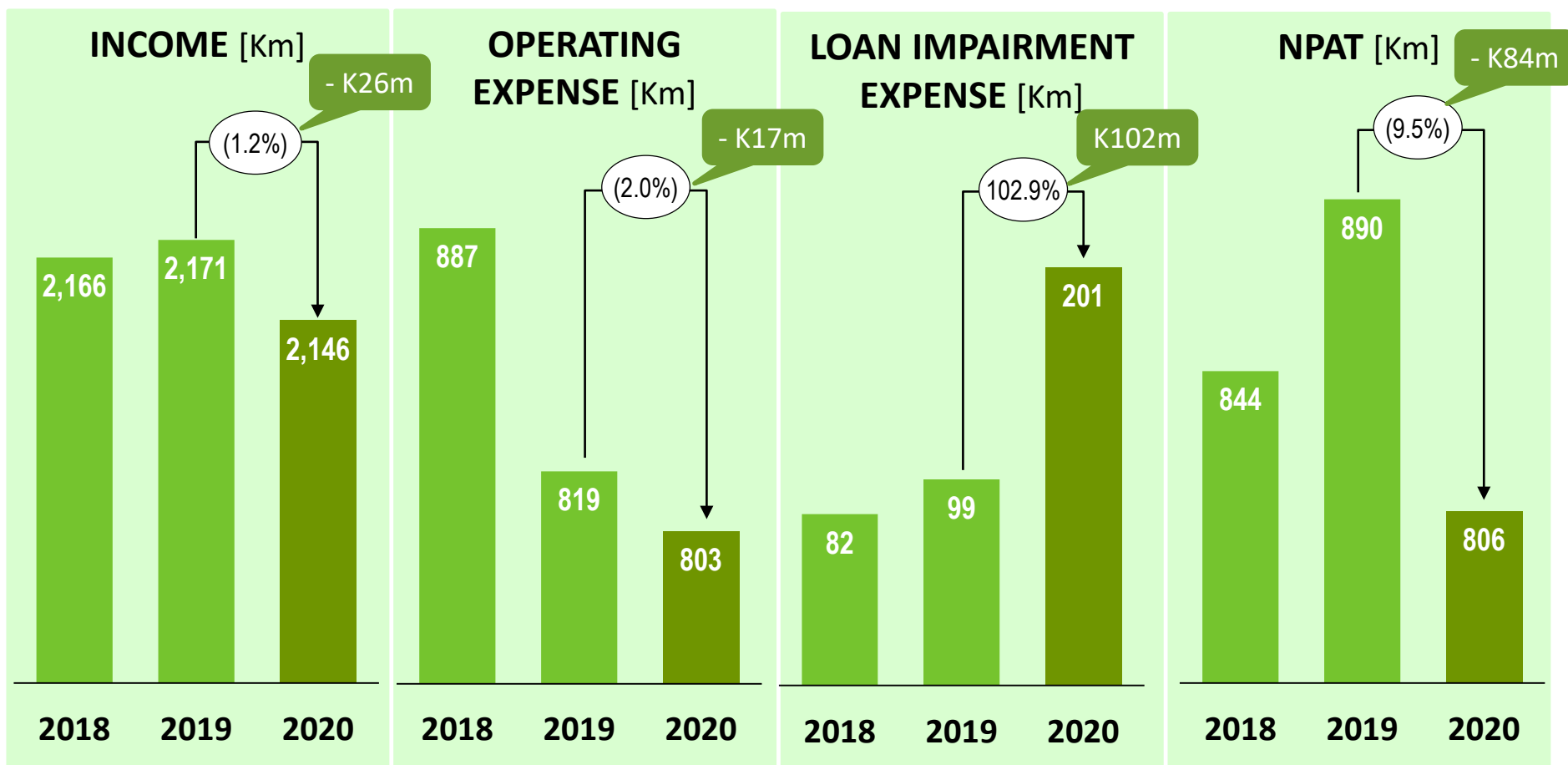
A resilient performance in 2020, giving regard to the significant COVID-19 pandemic related challenges faced by the business in every country.

	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	+ 132bps
● Earnings per share [toea]	172.6	- 9.44%
● Dividend per share [toea]	122	- 12.2%
● Market capitalisation [Kb]	5.6	+ 2.0%

# Group NPAT



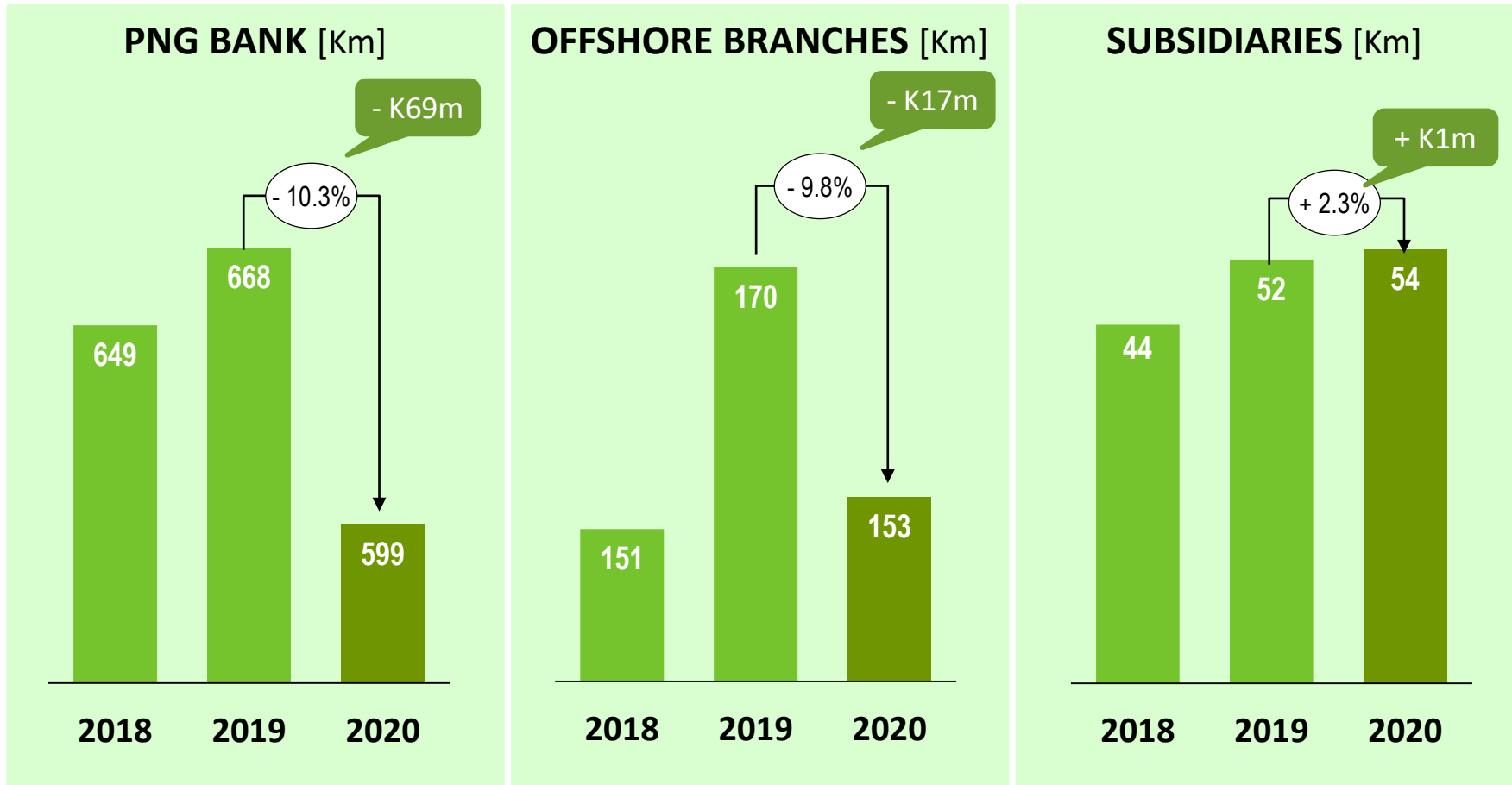
NPAT decreased by K84m [9.5%] ... as the global pandemic triggered an inevitable year on year increase of K102m in loan impairment expenses.



# NPAT by division



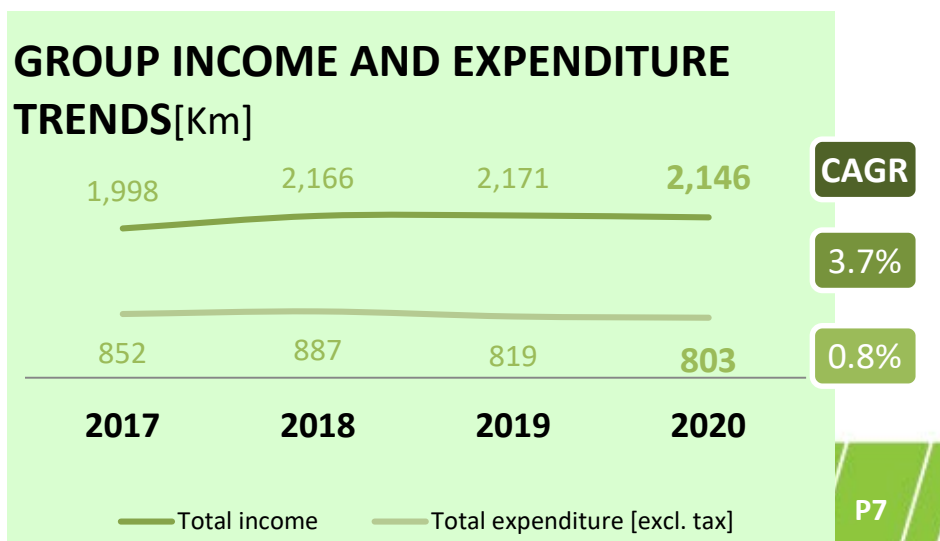
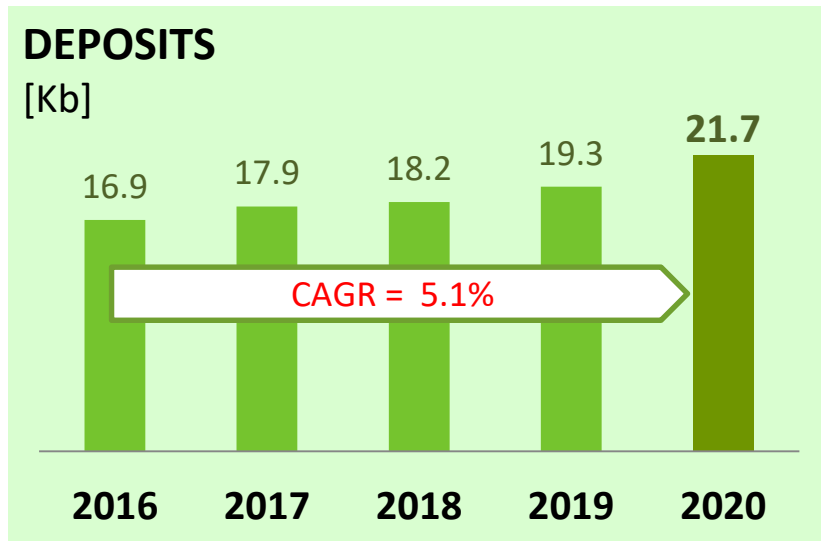
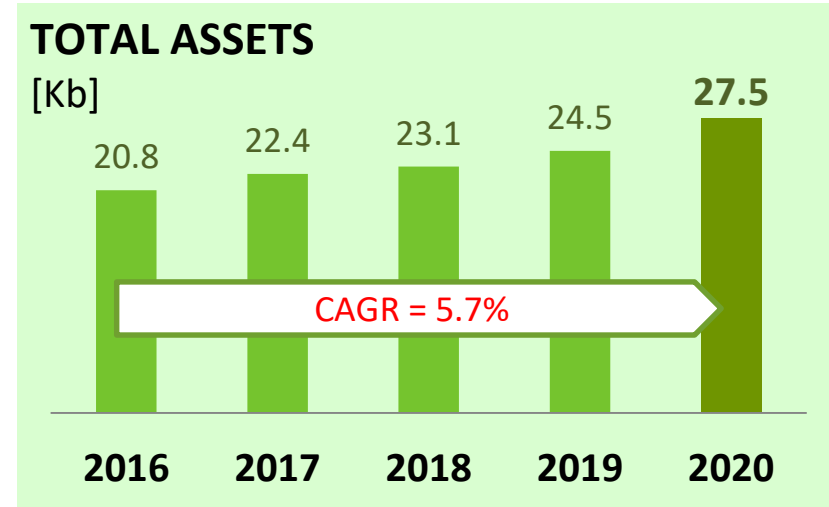
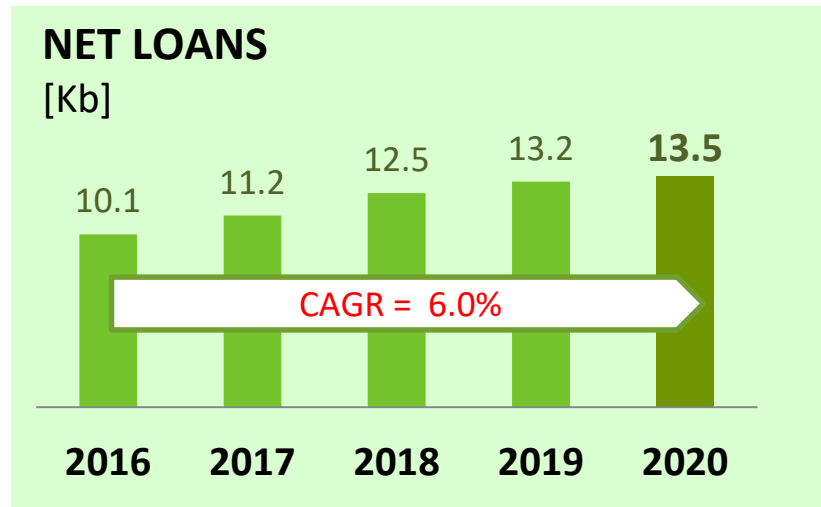
PNG and the OSB's remained resilient despite the unprecedented economic downturn in the Pacific sub-region.



# Group financial KPI's



BSP continues to grow its loans, assets and deposits ... validating the underlying strength of the business.

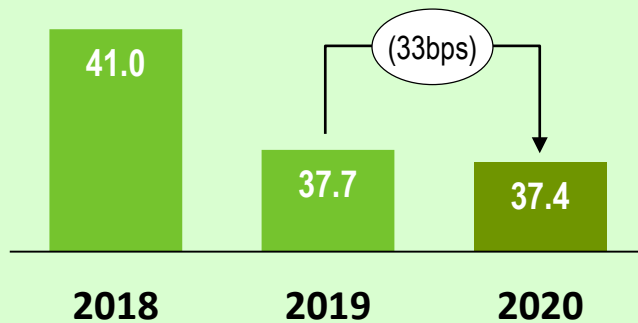


# Key ratios

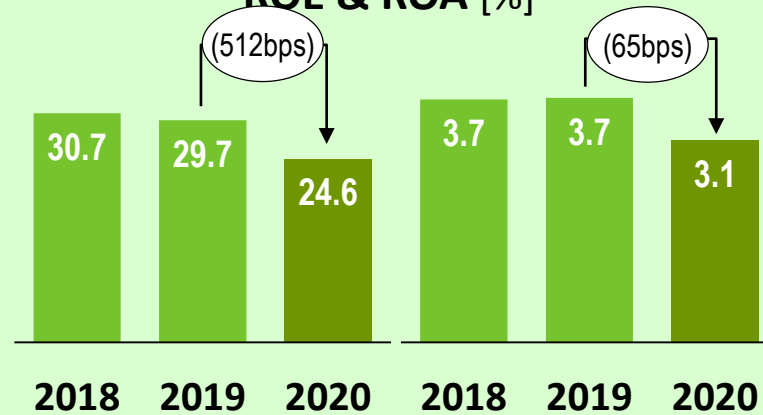


BSP Group has maintained strong results across all key performance ratios ... with increased provisioning levels reflecting a change in risk profile of lending customers on the back of contracting GDP.

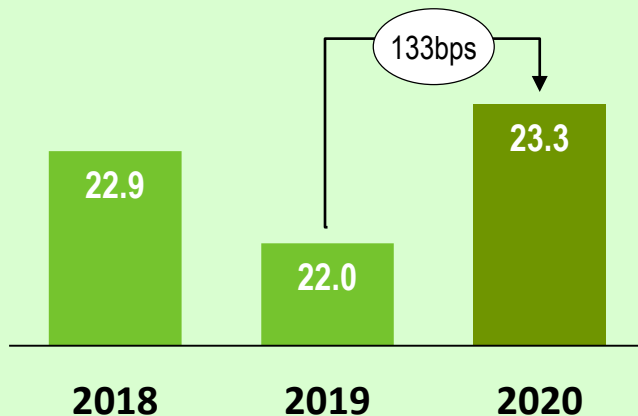
### COST TO INCOME [%]



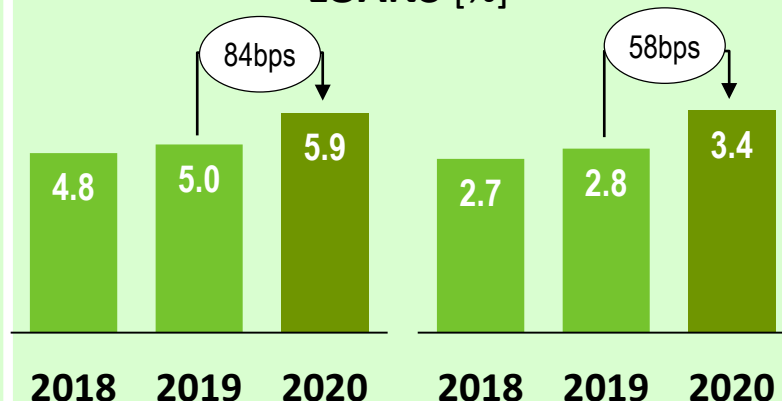
### ROE & ROA [%]



### CAPITAL ADEQUACY [%]



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





# Income stream trends



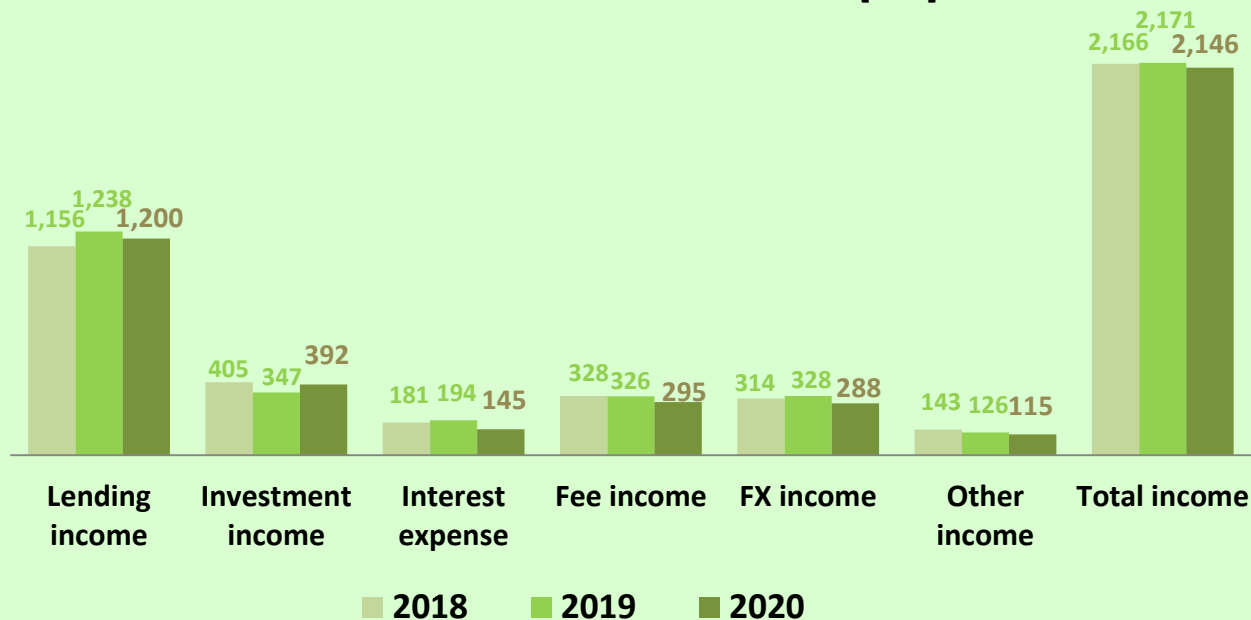
Total income reduced by -1.2% ... largely due to the impact of PNG Bank ILR reduction by 1% on 1st April 2020, partially offset by lower cost of funds and increased investment income.

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

## 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.

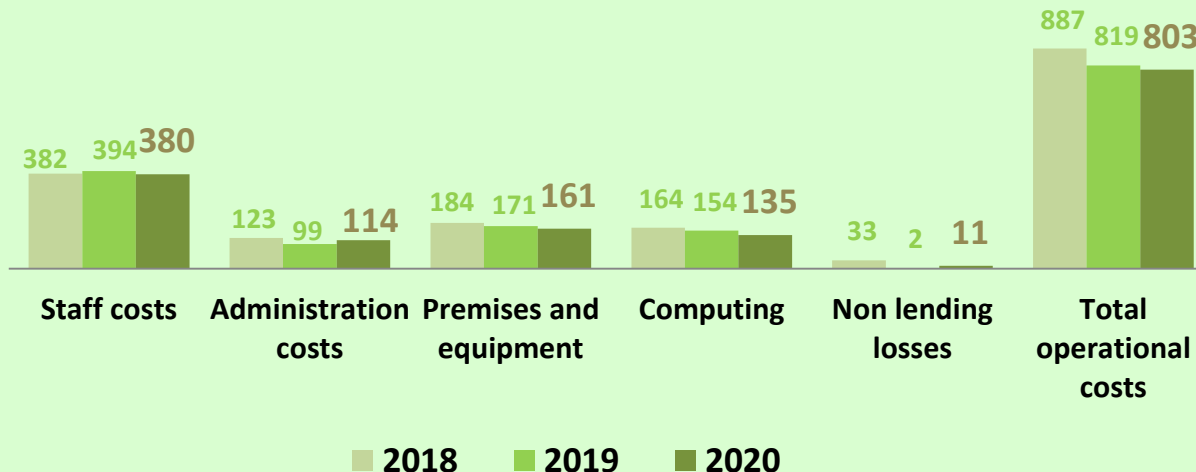
	Staff costs	Admin costs	Premises/ equipment	Computing cost	NLL	Total operating costs
<b>YOY:</b>	(3.3%) ↓	15.2% ↑	(5.6%) ↓	(11.9%) ↓	392.5% ↑	<b>(2.0%) ↓</b>
<b>CAGR</b>	(0.2%) ↓	(2.6%) ↑	(4.2%) ↓	(6.3%) ↓	(30.0%) ↑	<b>(3.3%) ↓</b>

## 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

*Note – COVID-19 implications on domestic and international travel restricted training and some core banking activities*

## GROUP EXPENDITURE [Km]



### Key:

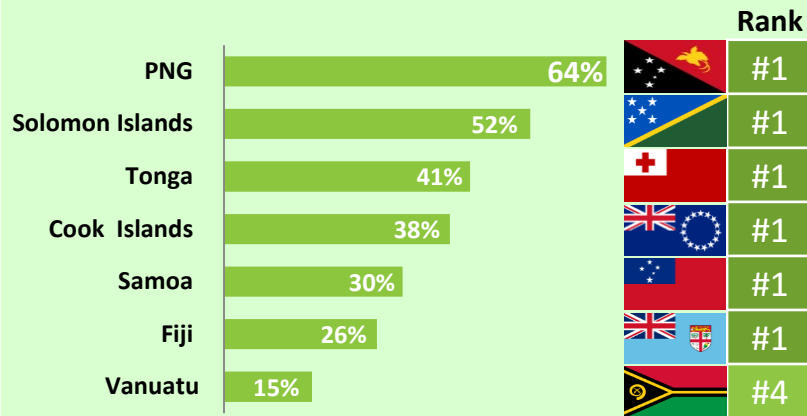
CAGR = Compound annual growth rate [3 years]  
YOY = year on year

# Market strength

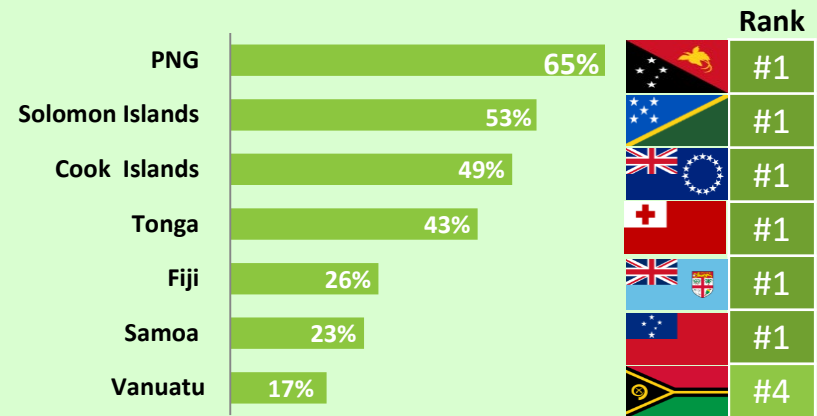


BSP is #1 in lending in 6 countries ... and #1 in deposits in 6 markets.

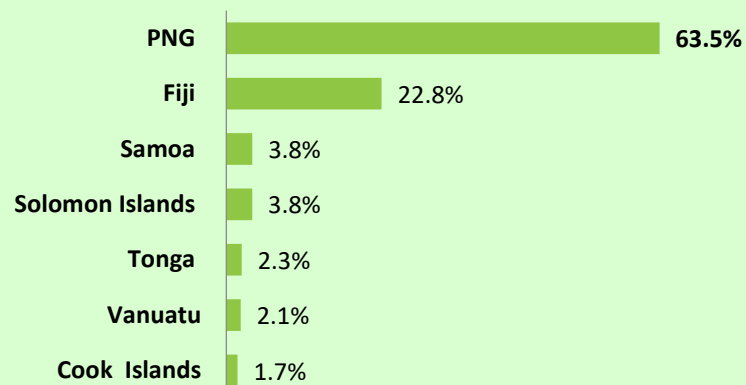
## LOANS MARKET SHARE



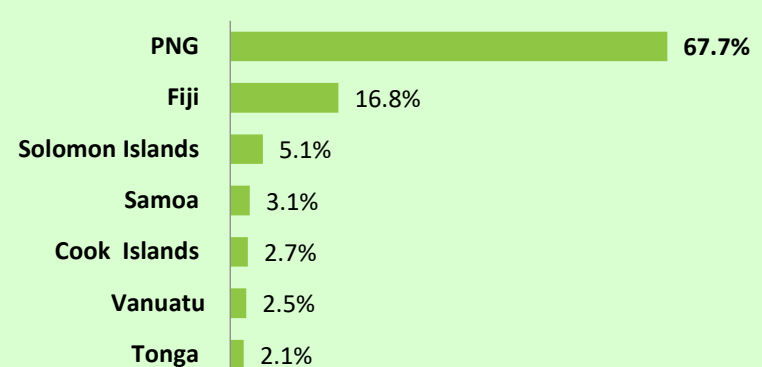
## DEPOSIT MARKET SHARE



## LOANS PORTFOLIO COMPOSITION



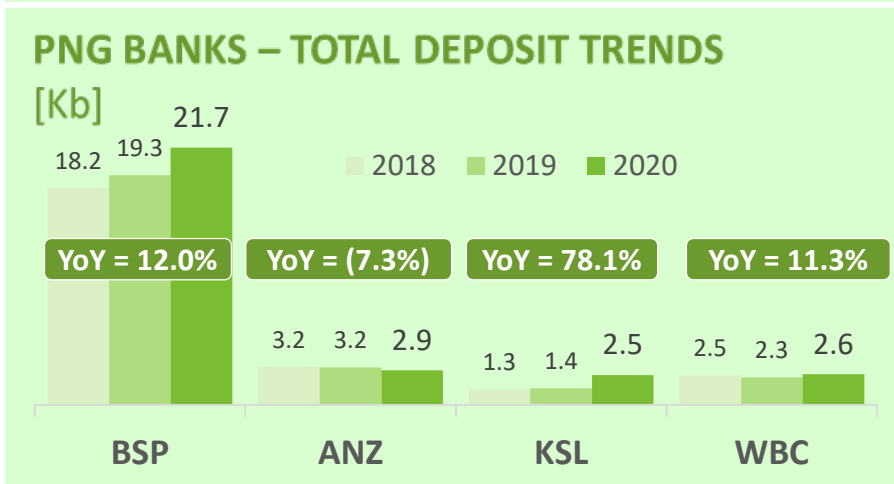
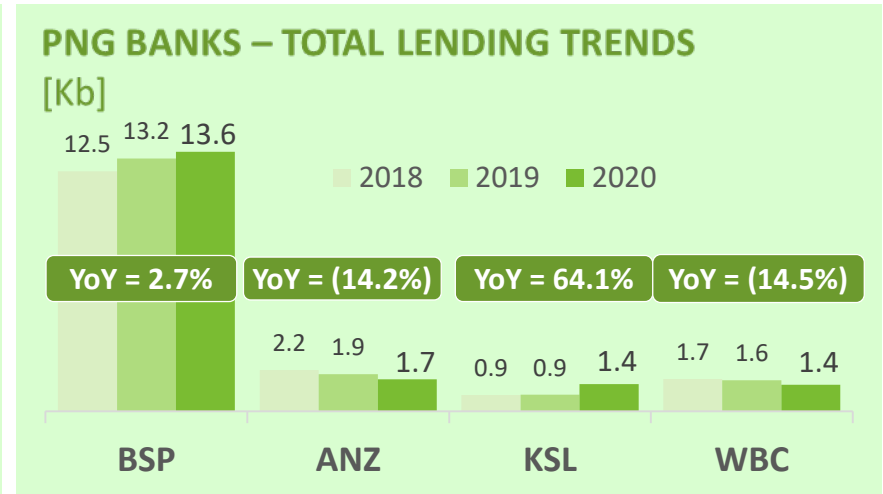
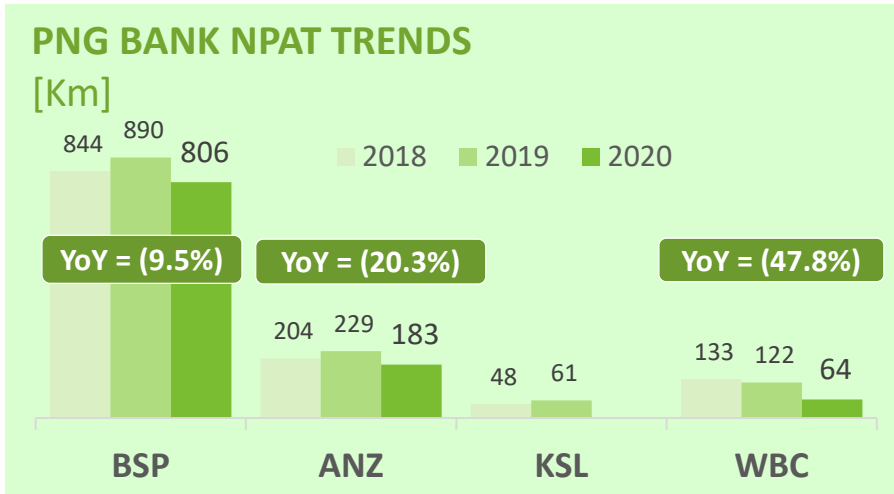
## DEPOSIT PORTFOLIO COMPOSITION



# Competitor trends








BSP continues to deliver superior value to its customers and shareholders.



# Channel investment



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

	Total	PNG	Fiji	Sol Is.	Sam	Cook Is.	Van	Ton
<b>Branches</b> 	<b>83</b>	46	16	8	5	2	4	2
<b>Sub Branches</b> 	<b>40</b>	38	0	0	0	0	0	2
<b>ATMs</b> 	<b>554</b>	319	121	34	26	13	27	14
<b>EFTPOS</b> 	<b>11,033</b>	6,879	2,126	297	448	449	426	408
<b>Agent</b> 	<b>458</b>	295	44	7	39	10	32	31

# PNG branch network



BSP remains committed to reaching unbanked Papua New Guineans and drive active participation in financial inclusion.

## BSP Geographical Footprint

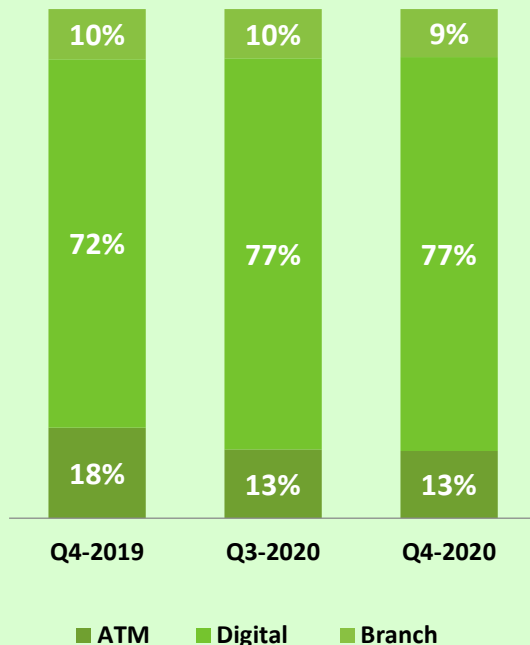


# Group channel growth trends

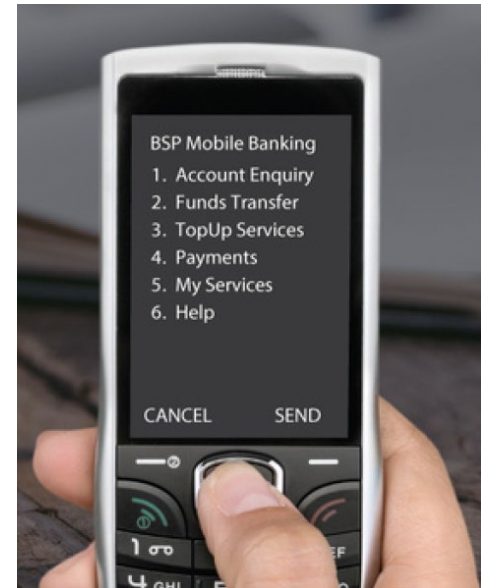
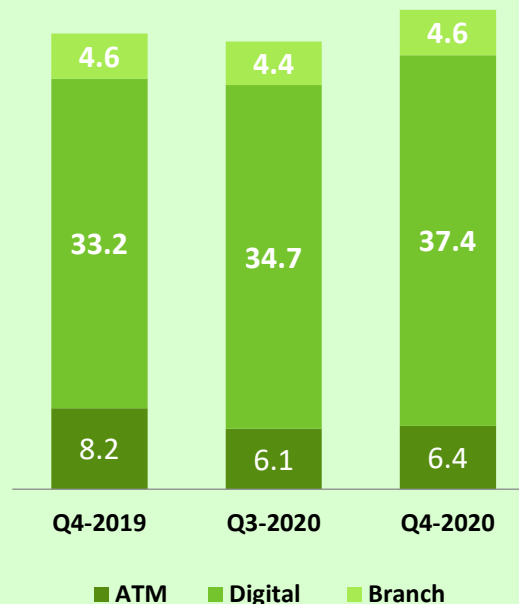


Customer transactions were via digital channels [77%] in Q4-20, ... an annual increase of +13%. We average ~ 12.5m digital transactions per month ... most [64%] via mobile phones.

**TRANSACTION MIX BY CHANNEL**  
[percentage]



**TRANSACTIONS PER MONTH BY CHANNEL** [million]





# Digital Insights



BSP continues to enhance access to banking services for businesses and customers through alternative contactless payments. Accordingly BSP's Top Three [3] performing Channels are Mobile Banking, ATM and EFTPOS.

**\*131#**

Mobile Banking \*131#

Top 5 services:

- Balance Enquiry
- Payments – Mobile, Electricity
- Mini Statement
- P2P Transfers
- Ticket Payment



ATM & PoS

Top 5 ATM and Eftpos services:

- Purchase & Cash Out
- Touch & Go Contactless
- Cash Withdrawal
- Balance Enquiry
- Mini Statement



Online Payments (IPG)

eCommerce Merchants

- 24 Micro & SME
- 5 Corporate
- Government (in progress)

## NEW Features on Mobile Banking \*131#



Retail Merchants

BSP Mobile Merchant  
Fee-free payment  
channel



Education Institutions

BSP School Fee  
Payments  
Affordable convenience

## COMING SOON – April 2021



**BSP Pay** Enables customers within PNG only to make online payment on the internet using a unique Customer BSP ID and registered mobile number.



PlatformPac

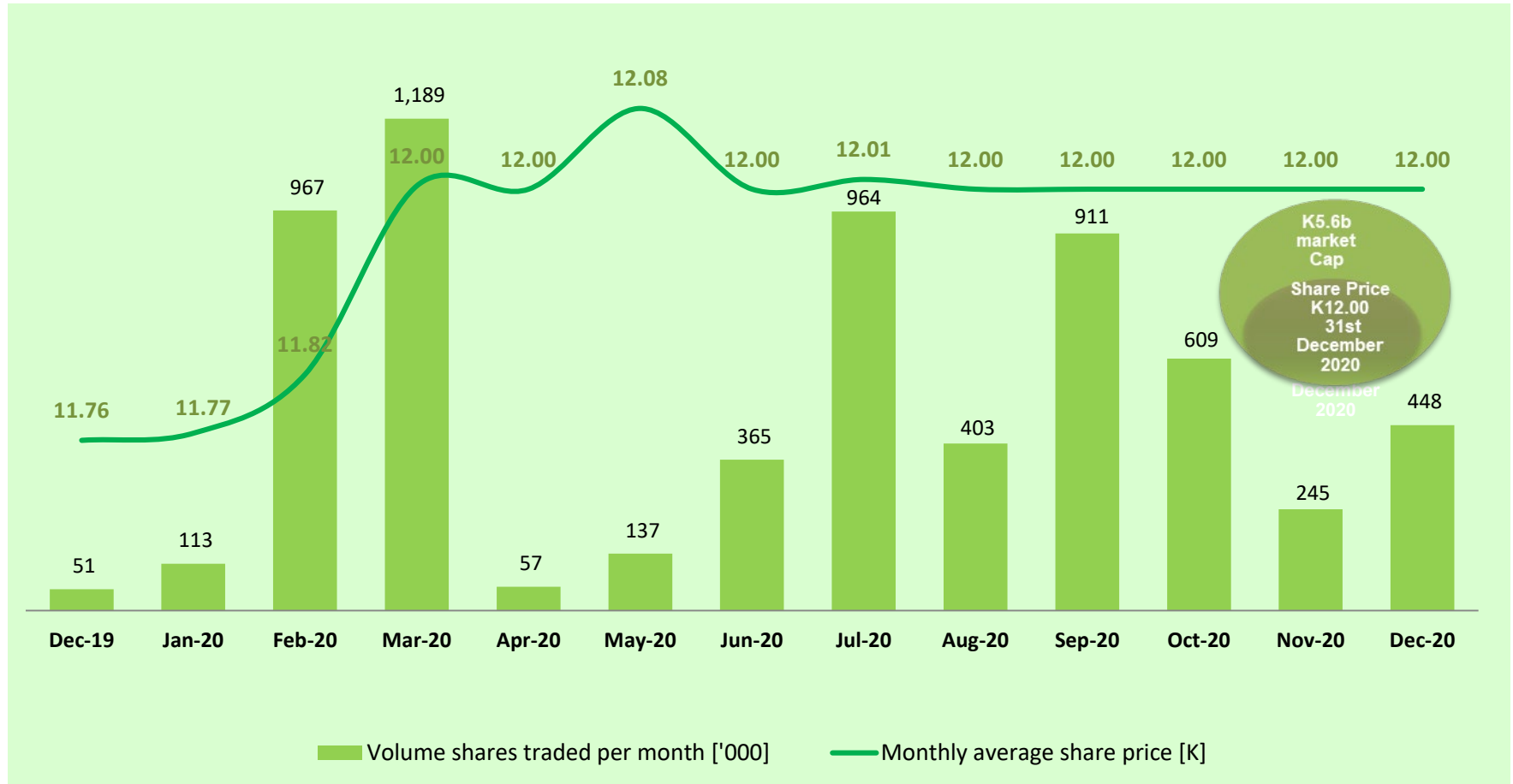




# Share Price



Dividend yield of 11.17% based on K12.00 share price ... and market capitalization of K5.61b.



# COVID-19 strategic response



- Supported BPNG's rate reduction request, whereby BSP PNG's indicator Lending Rate [ILR] was reduced by 100bps [1.0%] on 1 April 2020

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

- Partnering with the PNG Government to support PNG's small businesses ... on 20-Oct, BSP received K100m appropriated under the PNG Government's SME Support Program, with 118 applications processed, K20m approved and K16m advanced to date.
- All branches remained open through the COVID-19 shutdowns
- BSP provided loan repayment deferral packages of between three and six months [depending on country] for business and individuals directly affected by COVID-19
- The COVID-19 pandemic accelerated a number of our digital solutions
  - Customer Self Service App allows customers to apply for a Personal Loan via their smartphone
  - BSP Pay the first to market solution in Papua New Guinea that enables BSP Customers to pay using two-factor authentication
  - Mobile school fee payments service offering

# Conclusion



- Group NPAT of K806m in 2020, which is - 9.5% below our 2019 record 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%
- Loan provision increased to 5.9%, NPL up to 3.4%
- Dividend Yield at 11.17% ... based on share price @ K12.00
- Increasing profit contribution from OSBs and SUBs
- Overall a sound performance in 2020, which is something we should all be proud of achieving, given the challenges arising from COVID-19