



Our Bank.
Our People.

Investor Presentation

Q1-2022

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



2022

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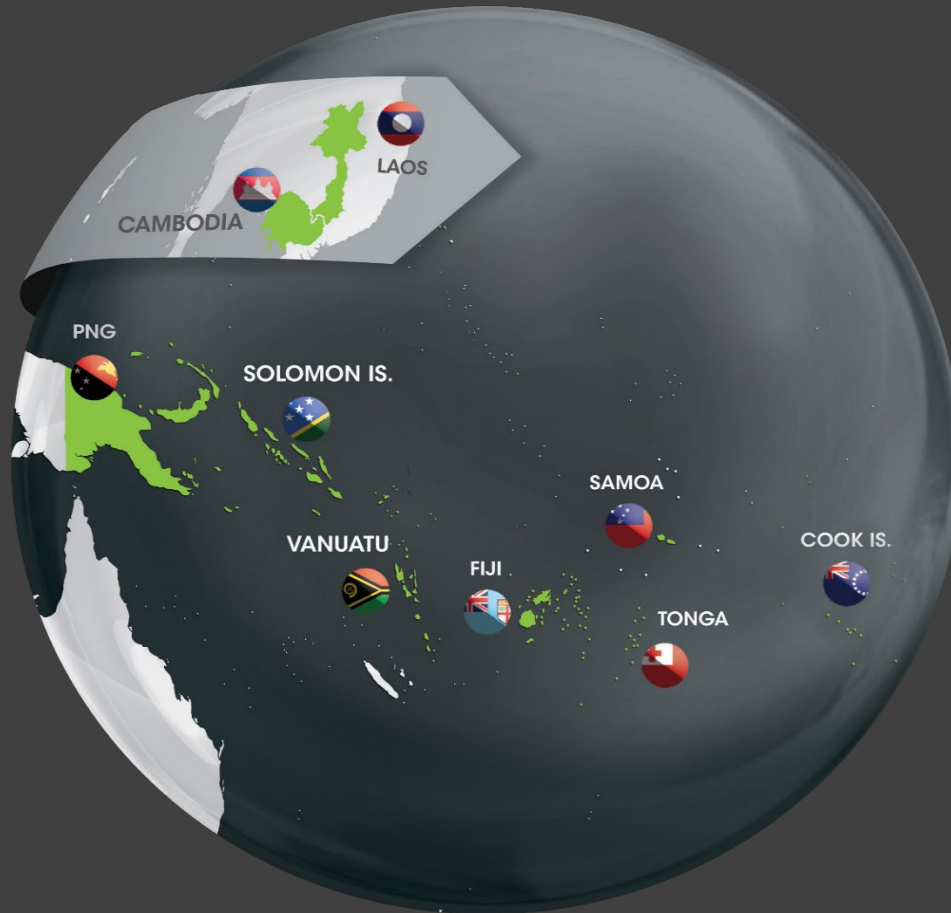
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South Pacific market leader

BSP provides financial services to seven South Pacific countries and two in South East Asia. BSP remains the largest South Pacific bank, with the most extensive branch network.



K14.1b [A\$5.1b]
In net lending



K32.2b [A\$11.7b]
In total assets



K5.6b on PNGX [A\$2.2b on ASX]
Market capitalisation ¹



122 branches and sub-branches
Largest network



~ 3.3m
Customer accounts



> 16.5m per month
Digital transactions

¹ PGK and AUD values based on respective PNGX and ASX share prices as at 31/3/22.



Q1-2022 Financial Performance

Q1-2022 results overview

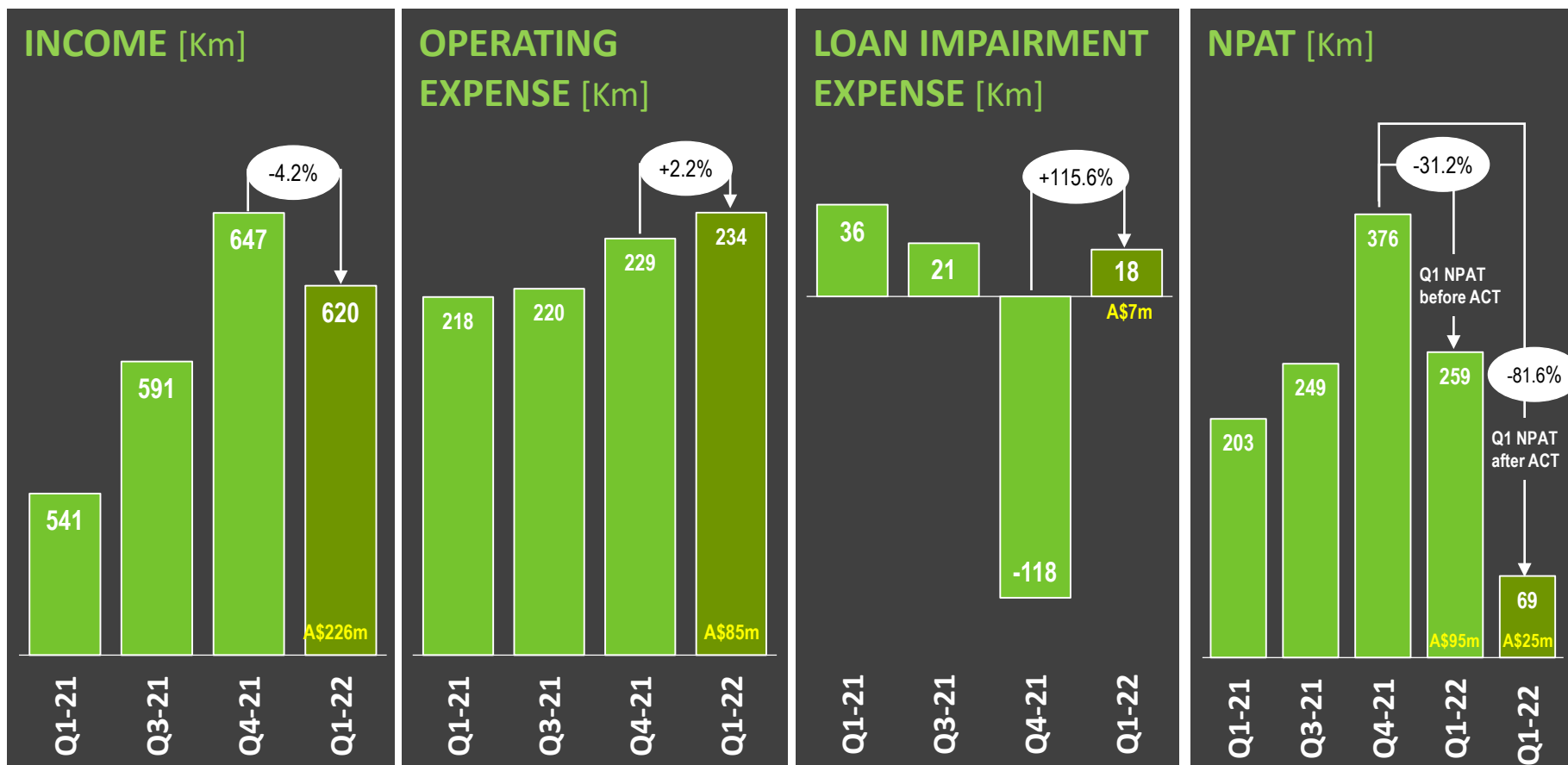
Strong Q1 results were driven by improving economic conditions and loan growth, however the new K190m Additional Company Tax (ACT) is a significant drag on Q1 results.

	Q1-21	Q1-22	Q1-22 vs Q1-21
● Normalised Profit [NPAT, Km] before Additional Company Tax	203	259	+ 27.8%
● Profit [NPAT, Km] after Additional Company Tax	203	69	- 65.8%
● Cost-to-income ratio [%]	40.3%	37.8%	-250bps
● Earnings per share [toea]	43.39	14.84 ¹	-28.56%
● Market capitalisation [Kb]	5.6	5.6	+ 0.4%
● Market capitalisation [A\$b]	N/A	2.2	-
● Total assets [Kb]	28.9	32.2	+14.4%
● Capital adequacy ratio [%]	25.0	21.3	-370bps

¹ After ACT, excluding ACT, EPS is 55.46 for Q1-22.

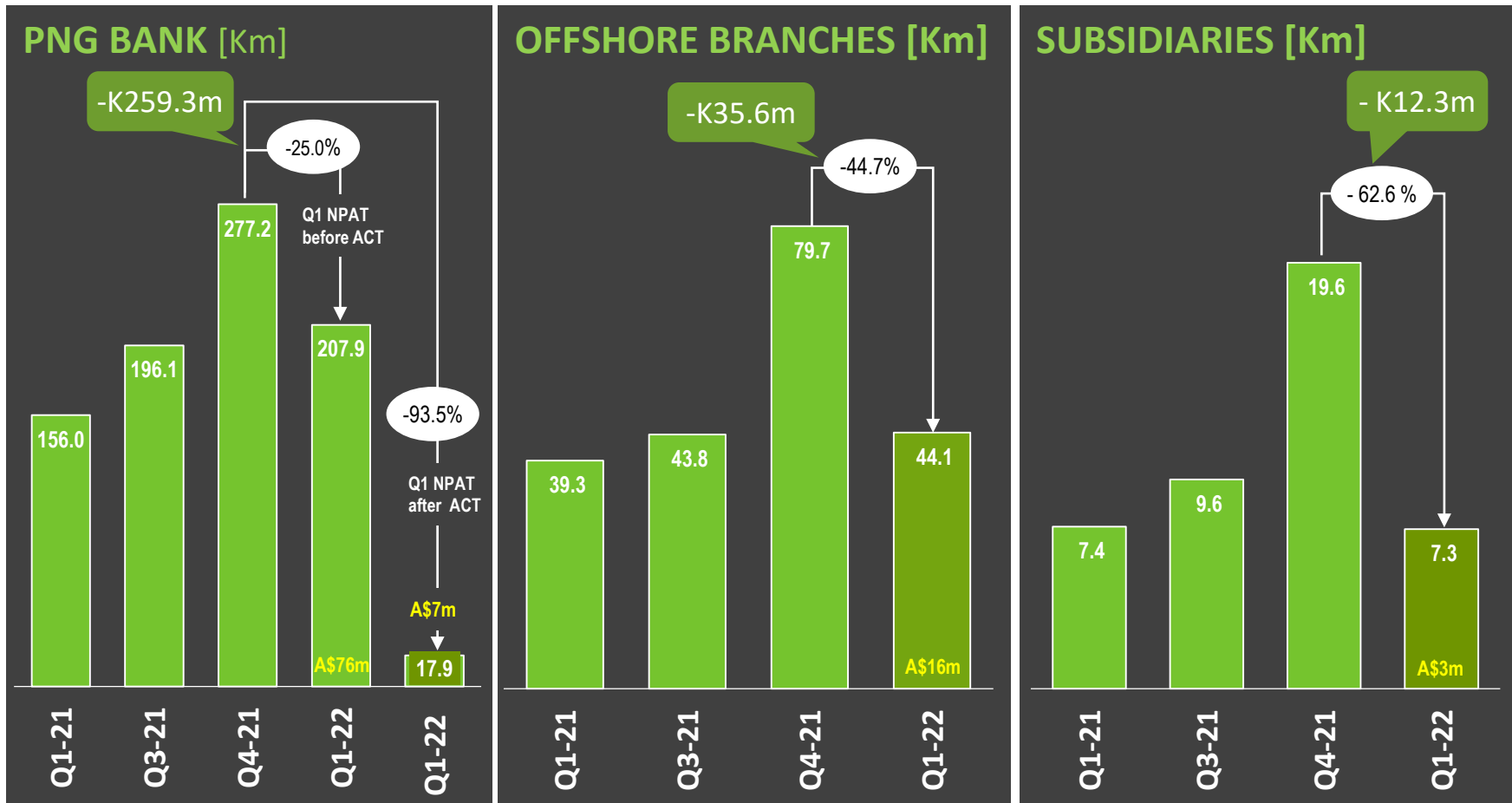
Group NPAT trends

Income growth and lower loan impairment expense, resulted in an increase in Group NPAT to K259m, compared to K203m last year. In accordance with accounting standards BSP recognised the full K190m ACT in the Q1-22, reducing Group NPAT to K69m despite our strong underlying performance.



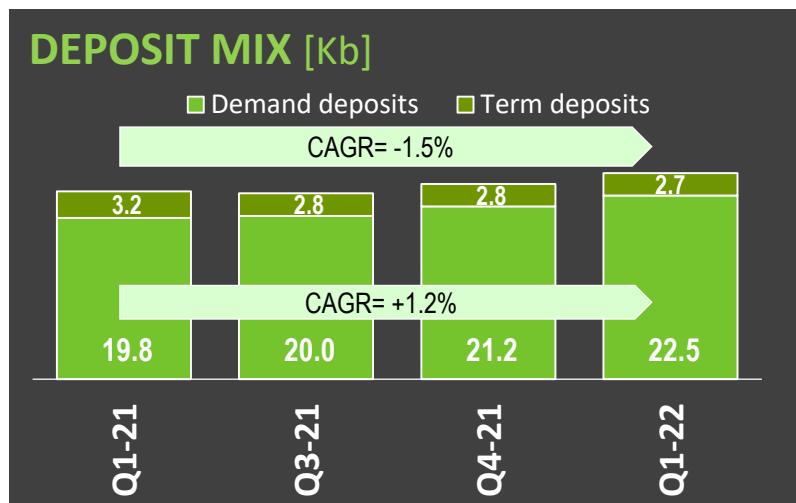
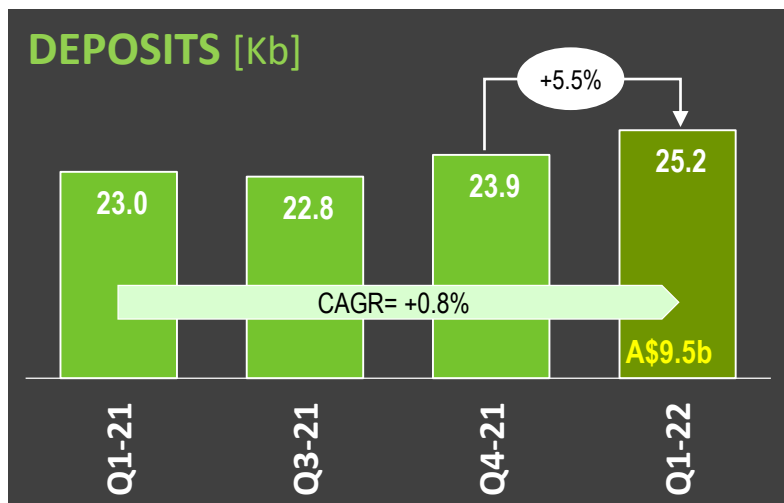
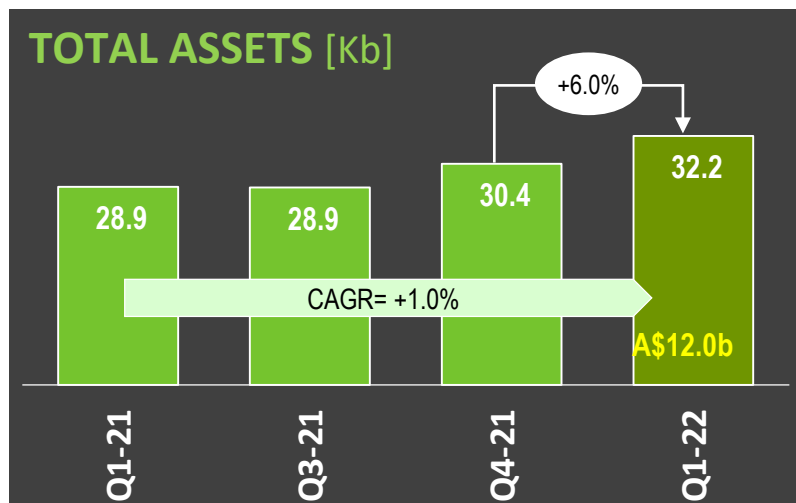
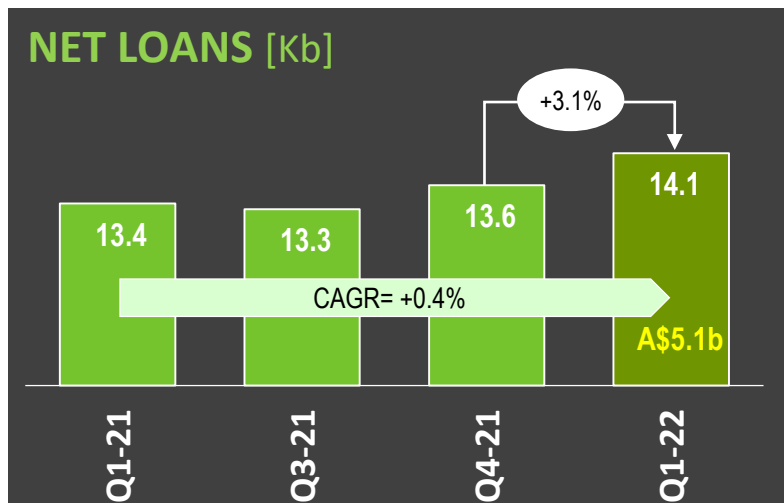
NPAT contribution by business

The large reduction in PNG Bank's NPAT was a direct impact of the ACT ... consequently OSB's NPAT contribution increased to 64% of Q1 Group NPAT, but will rebalance over the remaining three quarters of 2022.



Underlying performance driver trends

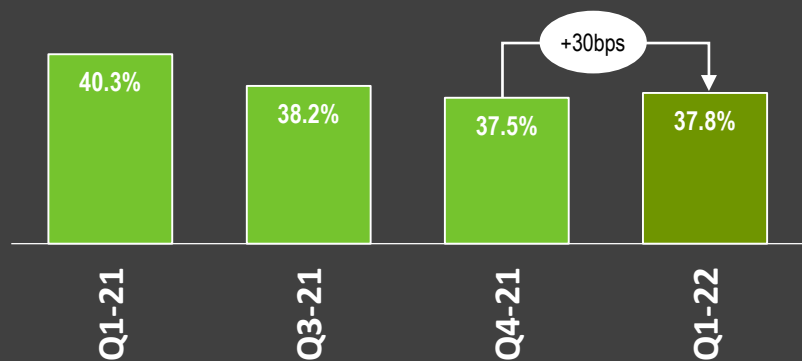
Loan growth contributed to an increase in assets and demand deposits increased in Q1.



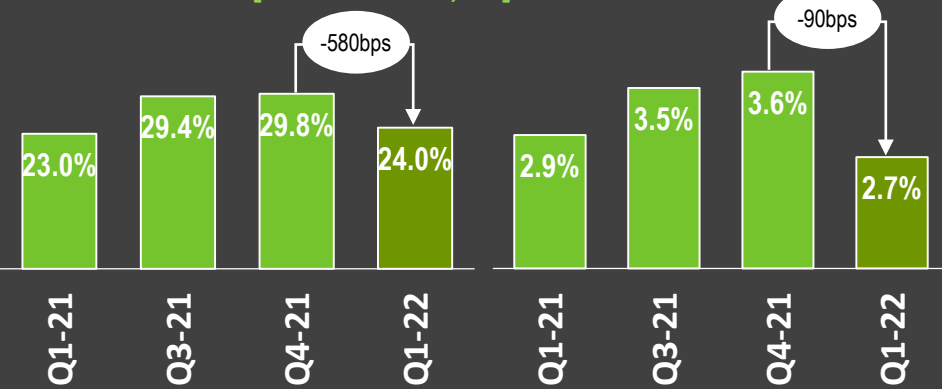
Key ratios

Group ROE and ROA ratios are lower as a result of reduced Profits due to the ACT. Capital adequacy ratios were above regulatory minimum, while loan portfolio quality saw an improvement.

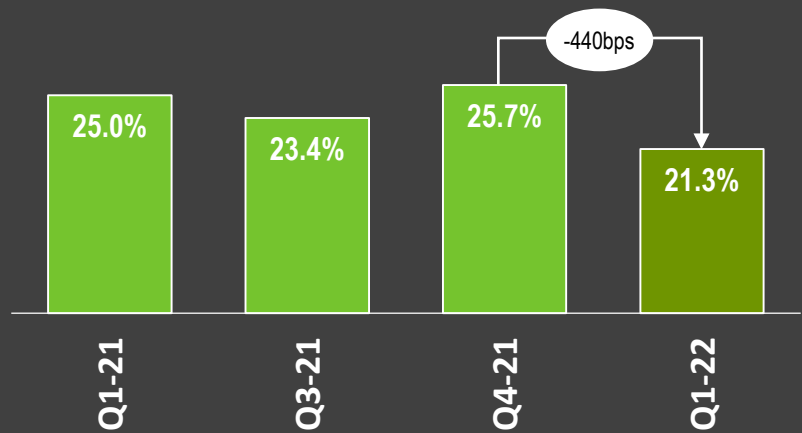
COST TO INCOME [%]



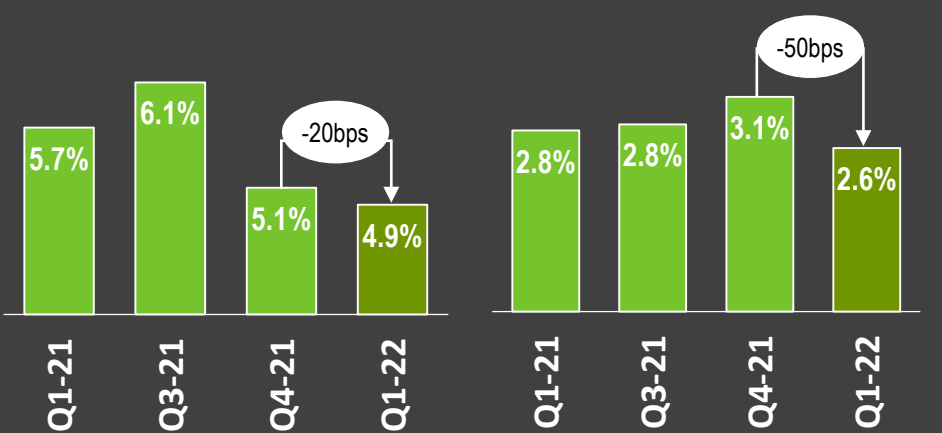
ROE & ROA [annualised, %]



CAPITAL ADEQUACY [%]



PROVISIONS TO LOANS / NPL TO LOANS [%]



Income stream trends

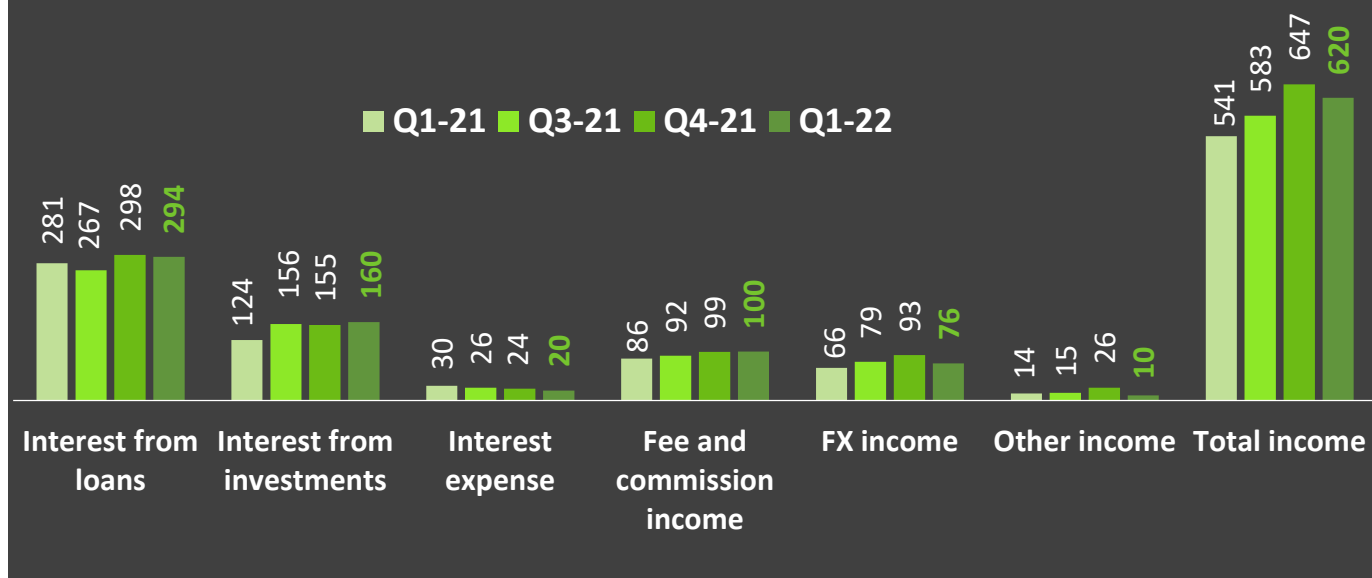
The Group's overall income remains robust ... with total interest income representing almost three-quarters [73%] of total income.

	Interest – loans	Interest – investments	Fee/ commission	FX income	Other income	Total income
QOQ:	(1.5%) ↓	3.6% ↑	0.5% ↑	(18.4%) ↓	(59.8%) ↓	(4.2%) ↓
YOY:	4.5% ↑	29.2% ↑	16.6% ↑	13.8% ↑	(24.7%) ↓	14.5% ↑

DEFINITIONS

- **Interest from loans** – corporate and retail loans resulting from lending
- **Interest from investments** – Treasury bills and Inscribed stock driven by strong market liquidity
- **Fees & commission** – Channels income, lending fees, service charges
- **FX Income** – foreign exchange
- **Other Income** – Life insurance, finance company, etc.

GROUP INCOME STREAMS [Km]



Key:

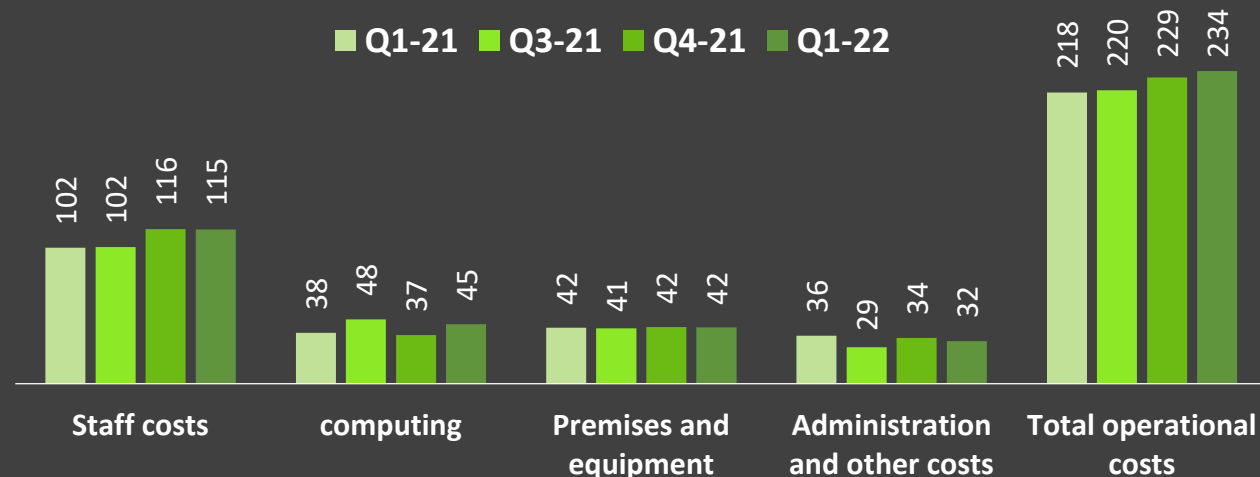
YOY = Year on year

Expenditure trends

Computing cost increases, as BSP continues to invest in IT delivery, were almost offset by lower costs in other categories ... with an overall expenditure increase of 2.2% in Q1-22, when compared to the prior quarter.

	Staff costs	Computing cost	Premises/equipment	Admin cost	Total operating costs
QOQ:	(0.3%) ↓	22.1% ↑	(0.6%) ↓	(7.3%) ↓	2.2% ↑
YOY:	13.3% ↑	17.1% ↑	0.2% ↑	(11.3%) ↓	7.4% ↑

GROUP EXPENDITURE [Km]



DEFINITIONS

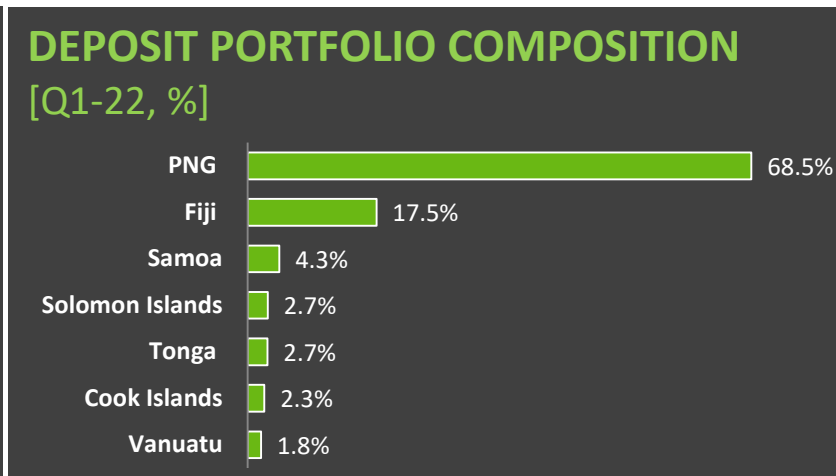
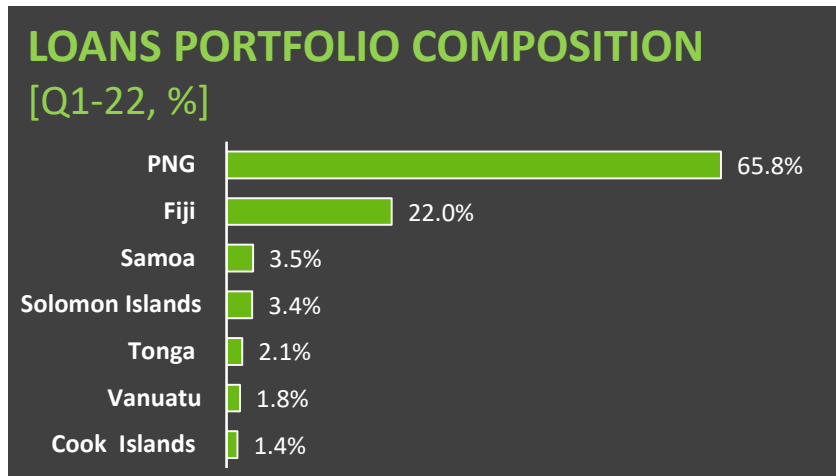
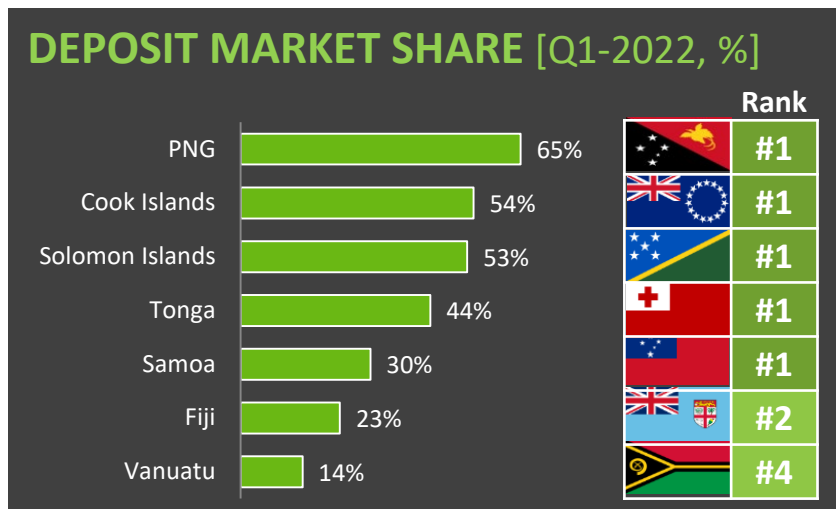
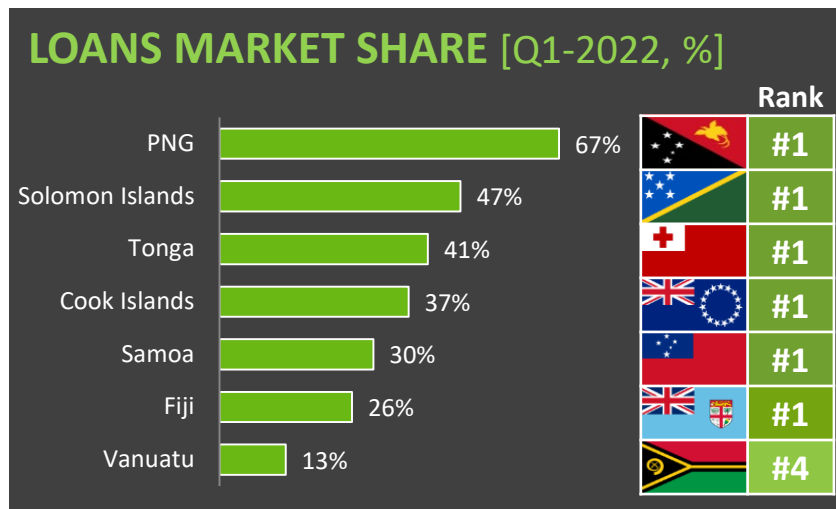
- **Staff Costs** – additional FTEs in retail, AML and technology
- **Computing Costs** – software maintenance, licenses, data links, amortisation and commencement of capitalisation of the new core banking system
- **Admin Costs** – marketing, communications
- **Premises costs** – buildings, depreciation, generators, electricity

Key:

YOY = year on year

Market position and portfolio composition

BSP continues to dominate the market with five countries at #1 in lending and deposits. Our loan and deposit portfolios are predominantly PNG domiciled.



Market share calculations are based on last available banking industry statistics from respective countries.

Branch Network & Channel Growth

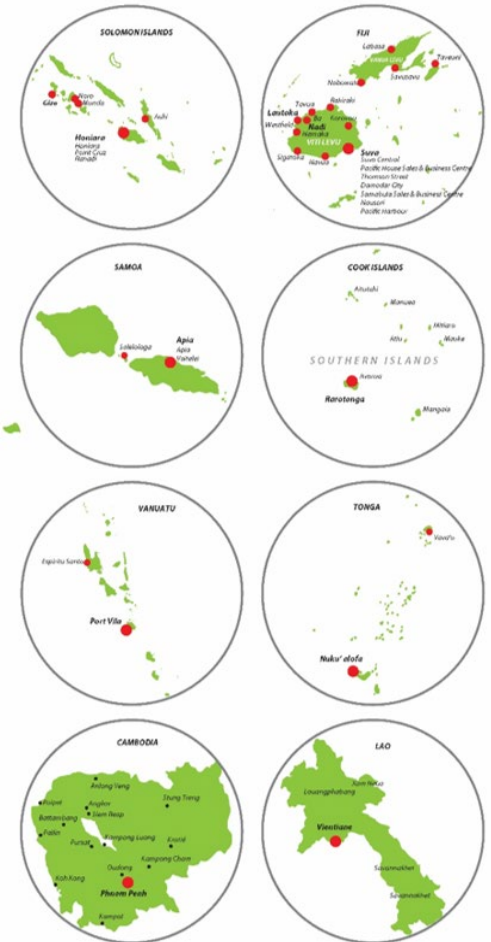
Channel network and location

BSP has the largest channel network in the South Pacific region ... and continues to invest to improve customer service levels across the Group. Between 2017 and 2022, BSP has invested K690m on new incremental projects in PNG.



- Palmal Hybrid Sub Branch in Pomio District in East New Britain was opened in March, 2022.

Branches
Sub Branches
BSP only Bank in Town



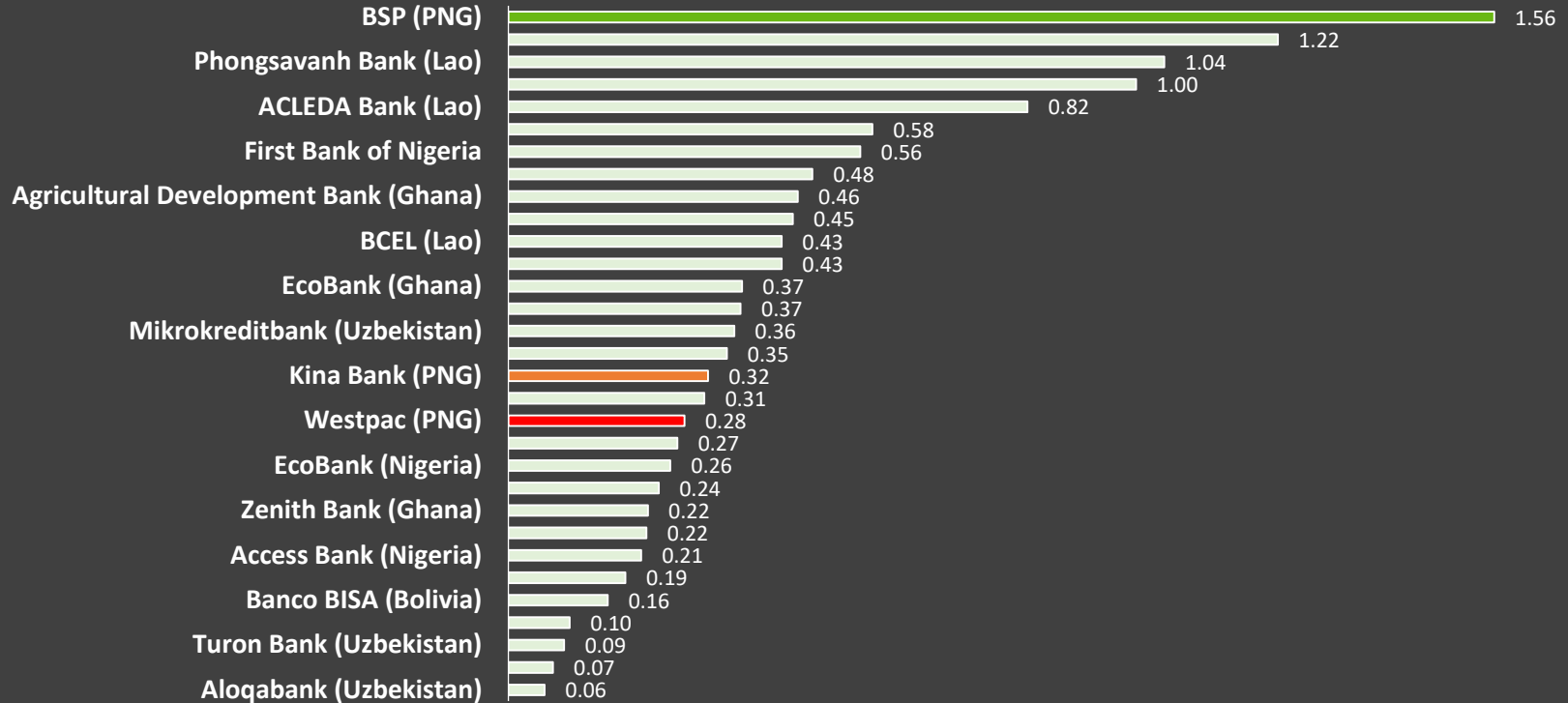
- BSP/Retail expansion in 2022**
- Eriku (5th branch in Lae)
 - Dobel (2nd Branch in Mt Hagen)
 - Maprik – upgrade and conversion to full branch
 - Boroko Lending Centre
 - Telefomin Sub Branch Upgrade to Hybrid Sub Branch

Bank branch access in comparable markets

BSP branch access ranks highly when compared to other leading banks in comparable markets [i.e. countries presented in the World Bank PNG Economic Update Feb-2022 report]. BSP's PNG footprint is the largest, with 84 branches and sub-branches ... significantly more than WBC's and Kina Bank's combined 32 branches in total.

BRANCHES COVERAGE RATIO BY LEADING BANKS

[Available branches per 100,000 adults]



Source: Respective bank websites and World Bank Population data

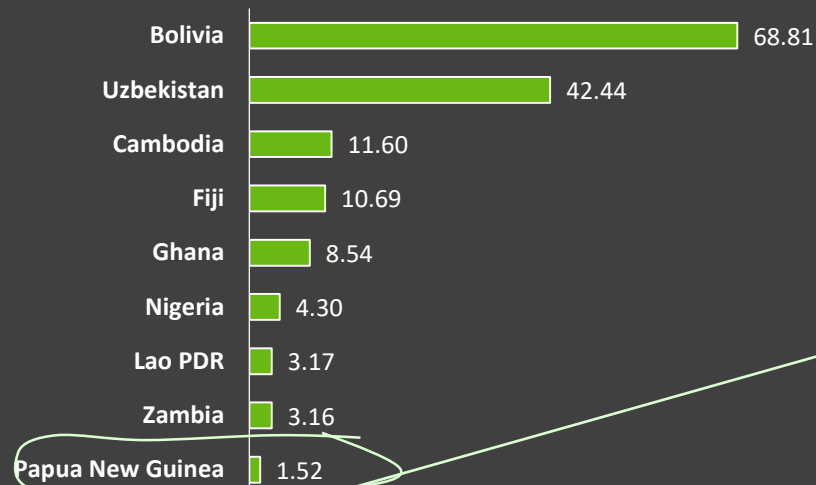
PNG's poor bank branch coverage

If competitors were to provide the same level of access BSP provides to Papua New Guinean's ... PNG's bank branch coverage ranking, recently published by the World Bank, would improve considerably.

NATIONAL BRANCH COVERAGE

World Bank analysis

[Available branches per 100,000 adults]

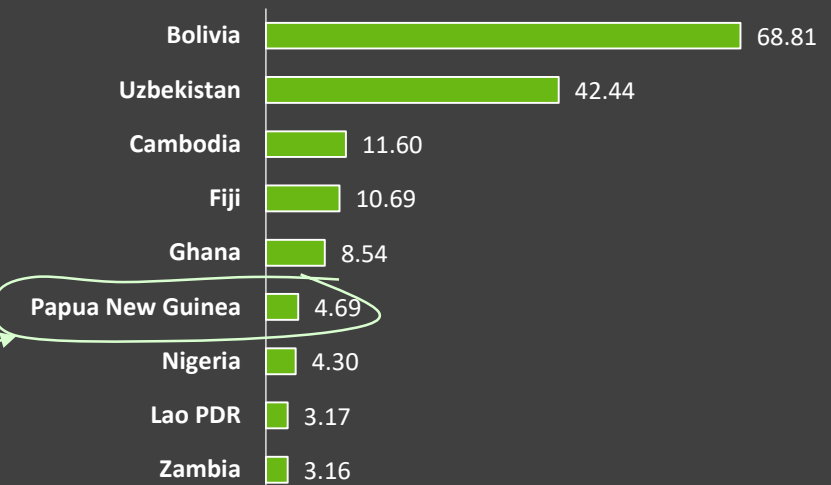


Source: World Bank, Papua New Guinea Economic Update [Feb-2022]

NATIONAL BRANCH COVERAGE

With equal participation from KSL & WBC

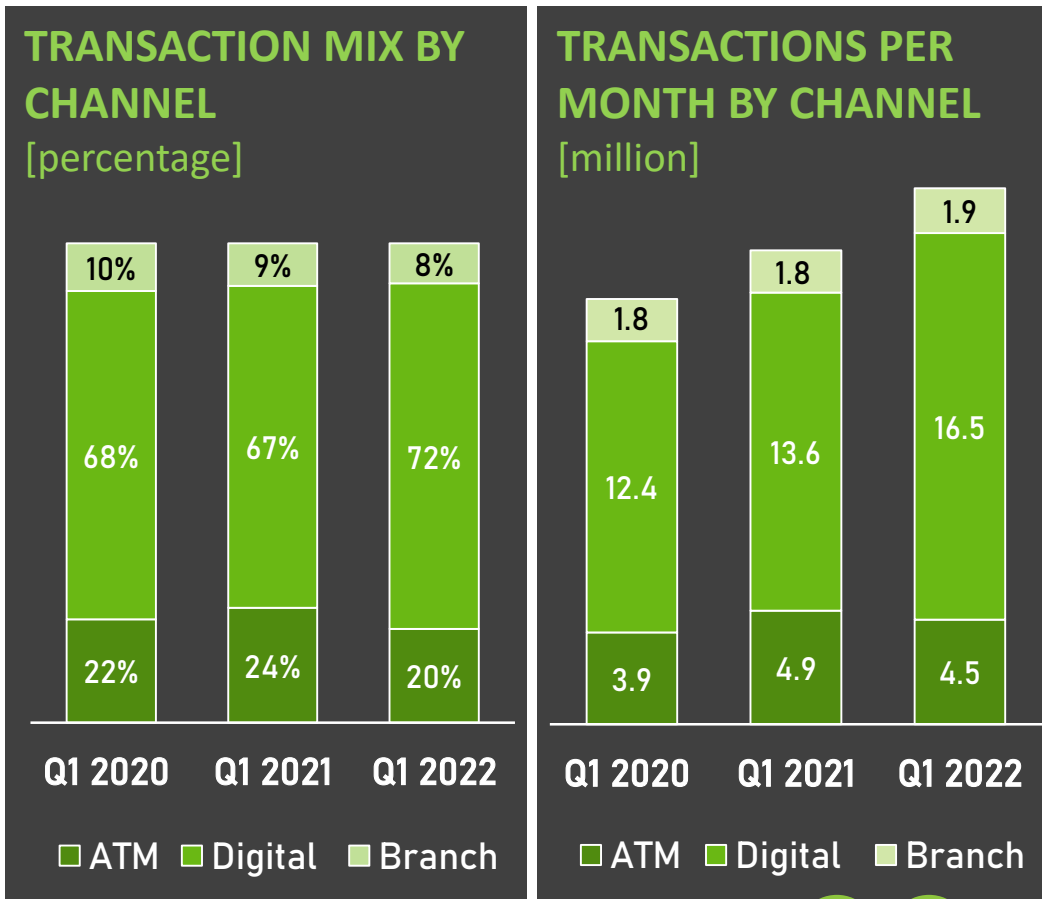
[Available branches per 100,000 adults]



Source: World Bank and BSP

Channel growth trends

We continue to experience increased digital channel adoption ... with average digital transactions per month increasing by 2.9 million to 16.5m transactions.



Banking on the go!

With **BSP Mobile Banking** you can conveniently,

Make Payments | TopUp Mobile Credits |
Purchase Easipay | Transfer Funds.



Key digital achievements in Q1-22

Underpinning the earlier reported growth in digital transactions has been our continued investment in digital services to improve customer service levels.



BSP PAY

- **16 merchants** offer BSP Pay as an alternative payment option to customers as at Q1- 22.
- Positive consumer adoption continue to reflect in convenience to purchase BMobile phone credits and tuition fee for higher tertiary institutions



MOBILE MERCHANTS

- Over **280** retailers, consumer goods and services from various business facets registered in Q1 22.
- This positive growth continues to reflect in **62% of digital transactions** processed via Mobile banking.



SCHOOL FEE MERCHANTS

- As of Q1 - 22 BSP, has registered **over 340** Schools on Mobile Banking offering customers ease of school fee payments.
- BSP recorded an organic adoption of more than **4,000** customers. This is expected to grow further in the remainder of 2022.



100% PNG MADE ONLINE PAYMENT SOLUTION

- Payment solution collaboration between BSP and Air Niugini ... IPG and Airline Ticket has now enabled **17,245 online** and more than **4,600 mobile payment of tickets**.
- Such initiative continue to provide multiple payment touchpoint ... improving customer service delivery.

Recent fee reductions to benefit customers

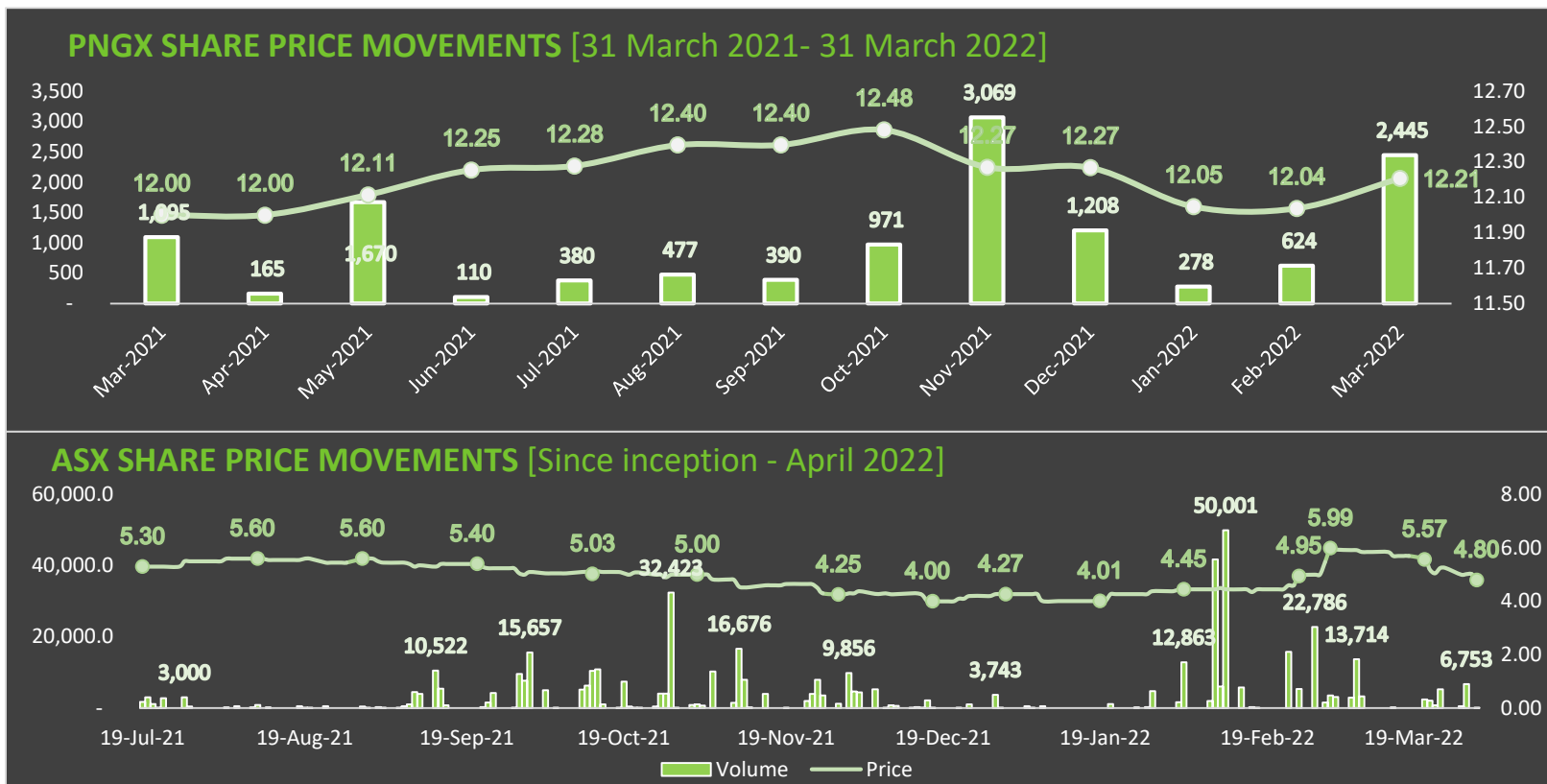
BSP continues to review its fees and charges and has NOT increased a single fee in PNG since 2014. We estimate that the cumulative annual fee income forgone is circa K91m in 2022.

2021 FEES REDUCED		2022 FEES REDUCED	
<p>NO FEES FOR PURCHASES LESS THAN K25</p> <p>NO FEE</p> <p>When you spend less than K25 at an EFTPOS merchant:</p> <ul style="list-style-type: none"> ▶ No service fees for purchases ▶ No Merchant Surcharge ▶ Obtain Cash Out without the need to visit an ATM 	<p>Merchant EFTPOS fee removed for low value transactions</p> <ul style="list-style-type: none"> • Transactions under K25 = free [from 8-May-21] • Transactions K25 and over = 25t [no change] 		<p>SME Current Account fees [1-Apr-22]</p> <ul style="list-style-type: none"> • Account Maintenance Fee reduced from K10 to K8 • Branch deposit from K2 to free • Branch withdrawal and EFTPOS withdrawal reduced from K3 to K2 and K4 to K2 respectively
<p>TopUp your Easipay at home using BSP Mobile Banking *131#</p> 	<p>Mobile Banking EasiPay Top Up fee halved from 50t to 25t [as of 30-Apr-21]</p>		<p>SME Package Account maintenance fee reduced from K15 to K8 [1-Apr-22]</p>
	<p>Branch EFTPOS Withdrawal fee halved from K4.00 to K2.00 [as of 30-Apr-21]</p>		<p>Branch Withdrawal Cash Handling fee ... “fee free” threshold doubled to K10,000 from K5,000 [as of 1-Mar-22]</p>
			<p>Branch Deposit Cash Handling fee ... “K20 fee waived” for deposits of K10,000 or more [as of 1-Mar-22]</p>
			<p>Kundu Package monthly fee discounted by 11% from K9.50 to K8.50 [as of 1-Mar-22]</p>
			<p>Kundu Standard Account branch withdrawal fee reduced from K4 to K2 [1-Apr-22]</p>

Share Price & Top Holders

Share price trends

BSP's share price on the PNGX finished 0.4% higher in the trailing 52 weeks at K12.05, with average prices of K12.21 in Mar-22. ASX prices reached an all-time high of A\$6.00 after the K1.1bn profit announcement, but fell after new Tax's confirmation. Dividend yields¹ were 14.4% and 13.6% on the PNGX and ASX respectively. BSP's Market Capitalisation² on the PNGX was K5.6bn and A\$2.2b on the ASX at 31-Mar-22.



¹ Based on K12.05 on PNGX, \$4.80 on ASX (31/03/22); FY2021 interim (K0.34) and final (K1.39) dividend; PGK/AUD rate 0.3785 as at 23/03/22 was used to calculate dividend yield on the ASX

² PGK and AUD values based on respective PNGX and ASX share price as at 31/03/22

Top 10 shareholders

BSP's Top 10 shareholders represent 79.6% of total issued shares, as at Mar-2022.

TOP 10 SHAREOLDERS [Mar-2022]					
Rank	Name	No of PNGX Shares	No of ASX Shares	Total Holding	% Holding
1	Kumul Consolidated Holdings Limited	84,811,597	-	84,811,597	18.2%
2	Petroleum Resources Kutubu Limited	46,153,840	-	46,153,840	9.9%
3	National Superannuation Fund	45,318,417	-	45,318,417	9.7%
4	Fiji National Provident Fund	40,547,063	-	40,547,063	8.7%
5	Credit Corporation (PNG) Ltd	-	36,294,081	36,294,081	7.8%
6	Motor Vehicles Insurance Limited	31,243,736	-	31,243,736	6.7%
7	Nambawan Super Limited	31,017,261	-	31,017,261	6.6%
8	HSBC Custody Nominees (AUSTRALIA) Ltd ¹	-	23,148,011	23,148,011	5.0%
9	PNG Sustainable Development Program Ltd	17,748,156	-	17,748,156	3.8%
10	Teachers Savings and Loans Society	15,317,366	-	15,317,366	3.3%

¹ Nambawan Super Limited's ASX shareholding of 21.6m shares, is held under HSBC Custody Nominees

Additional Company Tax

The Market Concentration Levy, now called the Additional Company Tax (the new Tax) became operational on 25 March 2022. A key change to the terms of the new Tax, is the K190m being paid in a single payment on 30 September 2022.

ADDITIONAL COMPANY TAX

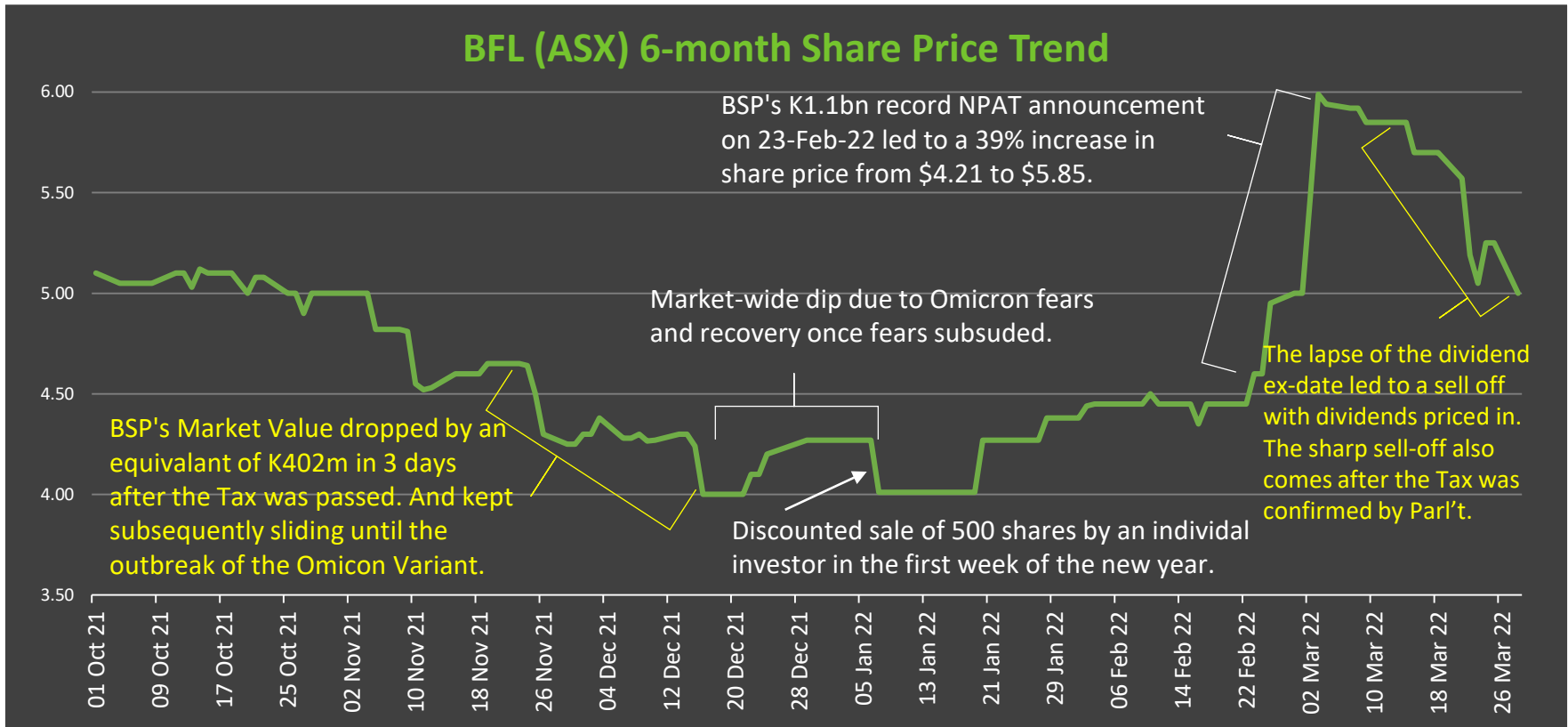
- Introduced and passed by Parliament as a levy in November 2021 as part of the Income Tax Act for 2022. The Tax was subsequently Certified on 7 February 2022 for Gazettal.
- The Tax applies a flat K190m on any bank that has over 40% market share of financial assets, which could only apply to BSP.
- The Tax on BSP was originally payable in three (3) installments, but has since been changed to a single payment on 30 September 2022.
- The Tax is non-deductible for tax purposes, and will have a direct impact on BSP's NPAT. In line with accounting standards, the full amount of the Tax has been taken up in the P&L in Q1 2022 when Group Profit reached K190m.
- Due to the impact of the Tax, BSP's Q1 2022 NPAT has reduced from K259m to K69m.

BROADER TAX IMPLICATIONS

- The Tax signals an unstable and inequitable tax regime in the country which discourages long-term investment in PNG across all sectors.
- The Tax establishes a precedent, whereby any business that outperforms its peers may be subject to arbitrary taxes. This results in a high degree of business uncertainty that is likely to reduce the appetite for investments and capital expenditure.
- The Tax, combined with BSP's existing corporate tax, represents an effective tax rate of 45% being levied on BSP, which is by far the highest tax rate in the region and one of the highest global rates.
- We are concerned that the government has singled out BSP while other commercial banks do not contribute to this revenue-raising measure. Furthermore, other banks are majority-owned by offshore investors, while BSP is the only majority-owned Papua New Guinean bank. The impact of this Tax is skewed unfairly towards local shareholders.
- PNG super funds collectively estimate the Tax's impact on shareholders to be circa K1 billion.

Tax impacts on share price

Large reductions in ASX share price, coincided with the new Tax being advanced through the PNG legislative process. Large shareholder gains following the announcement of BSP's record K1.1bn profit, were diminished in the sell-off following the confirmation of the new Tax by Parliament.



Closing Comments

Conclusion

- Underlying Profitability levels increased with YTD Group NPAT (before ACT) of K259m, compared to K203m last year [+K56m, or 27.9%].
- One-off impact of the ACT, with subsequent quarters performance to be aligned to Group NPAT before ACT deductions.
- Growth in OSBs and PNG Bank were the main drivers for the overall uplift in underlying Group NPAT.
- BSP Group's key performance ratios remained strong:
 - Cost to income increasing slightly to 37.8%, but remains in-line with recent levels
 - Capital adequacy decreasing to 21.3% ... but well above BPNG's 12% requirement
- However, Group ROE reduced to 24.0% in Q1-2021, due to the ACT impacts.
- BSP is #1 in lending and deposits in five of its seven countries ... with the South Pacific's leading channel network.
- The ACT is unfair and inequitable, and mainly impacts PNG investors. It dissuades investor confidence in PNG and sets a dangerous precedent for arbitrary taxes. Super Funds estimate K1bn in losses to their members as a result of ACT.