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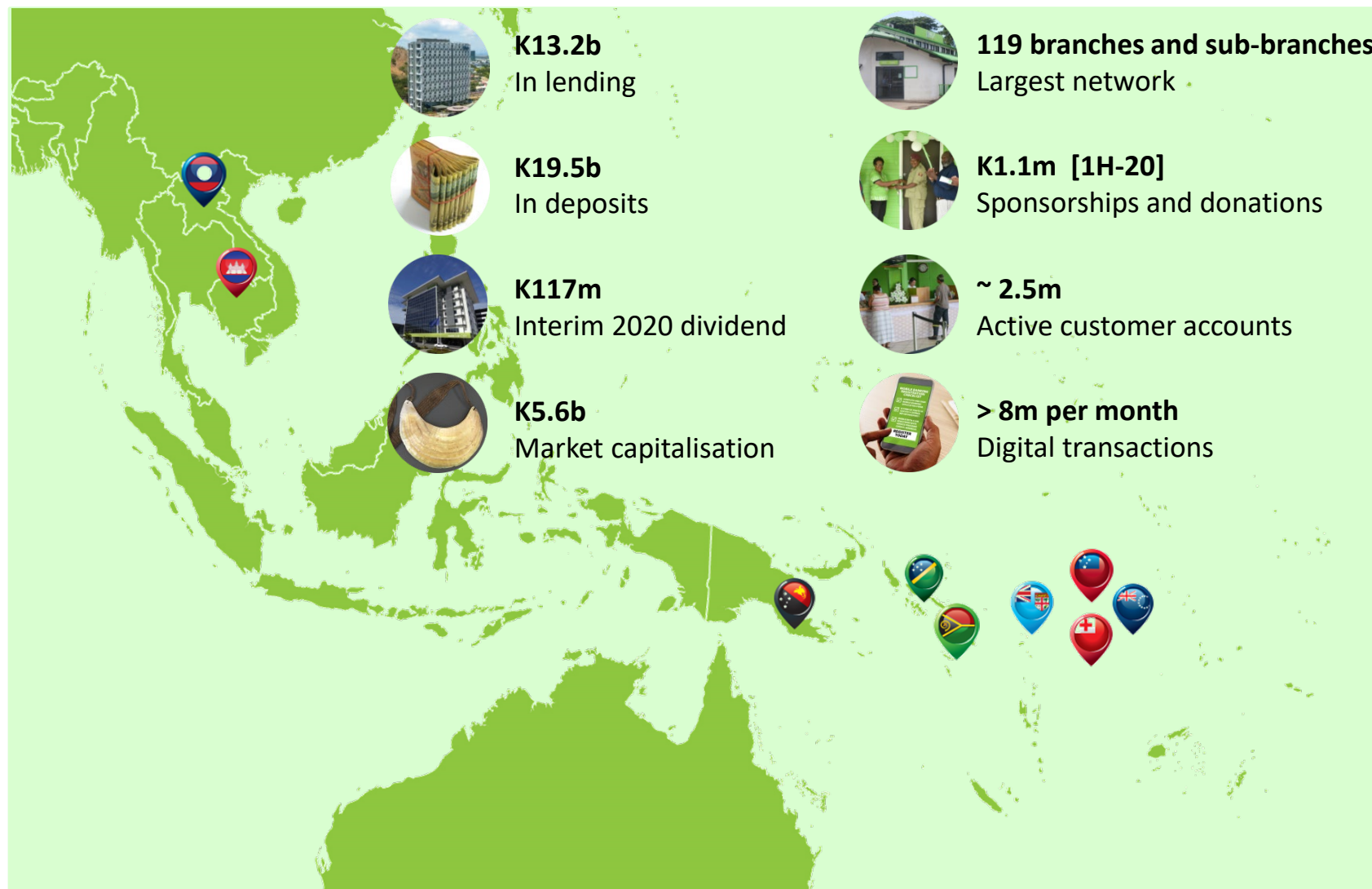
# INVESTOR PRESENTATION

2020 Half Year Results

# South Pacific market leader



We continue to consolidate across the Pacific



# 1H-2020 results



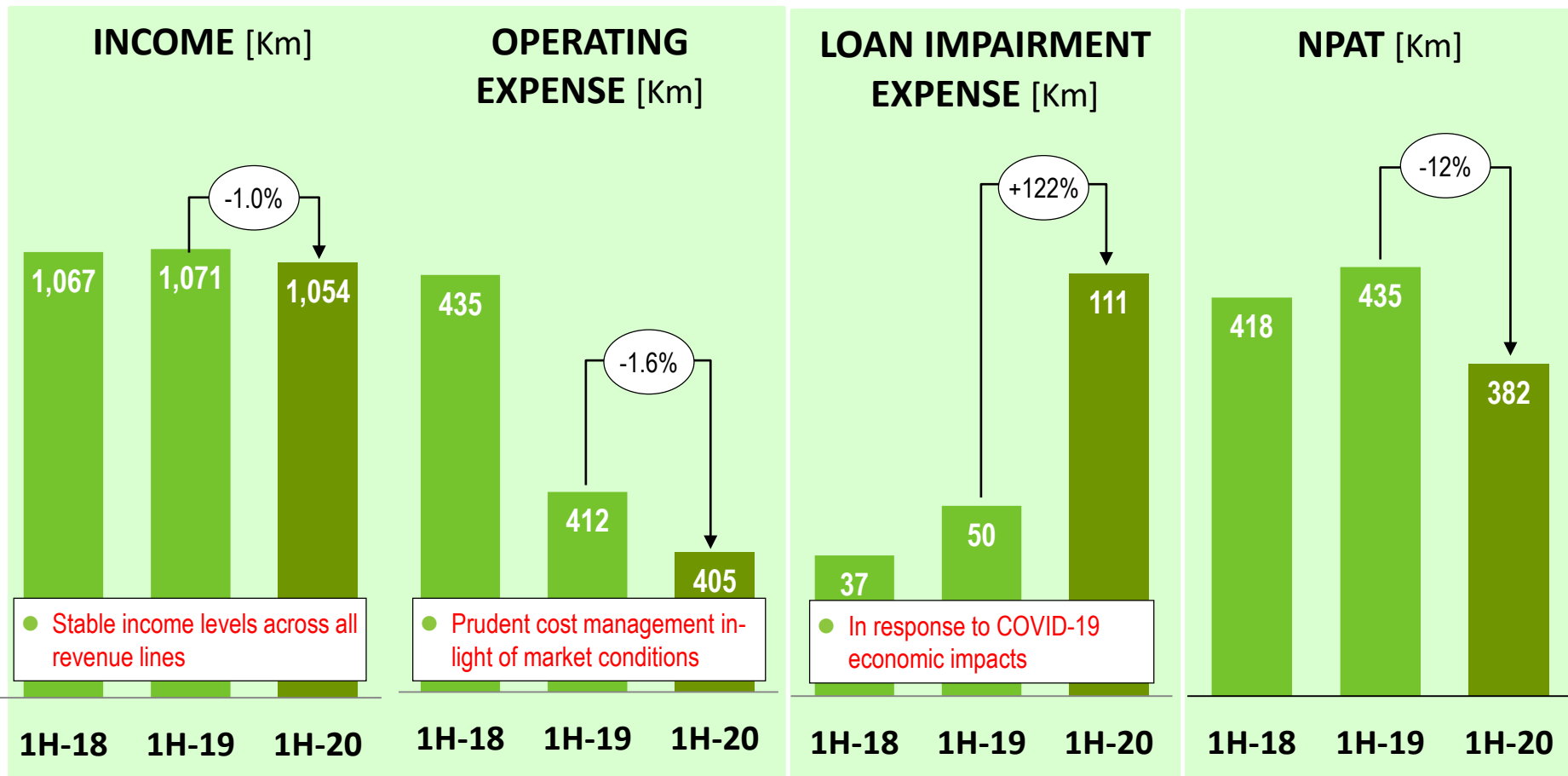
Sound financial performance in difficult economic conditions across the region

|                                     | 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



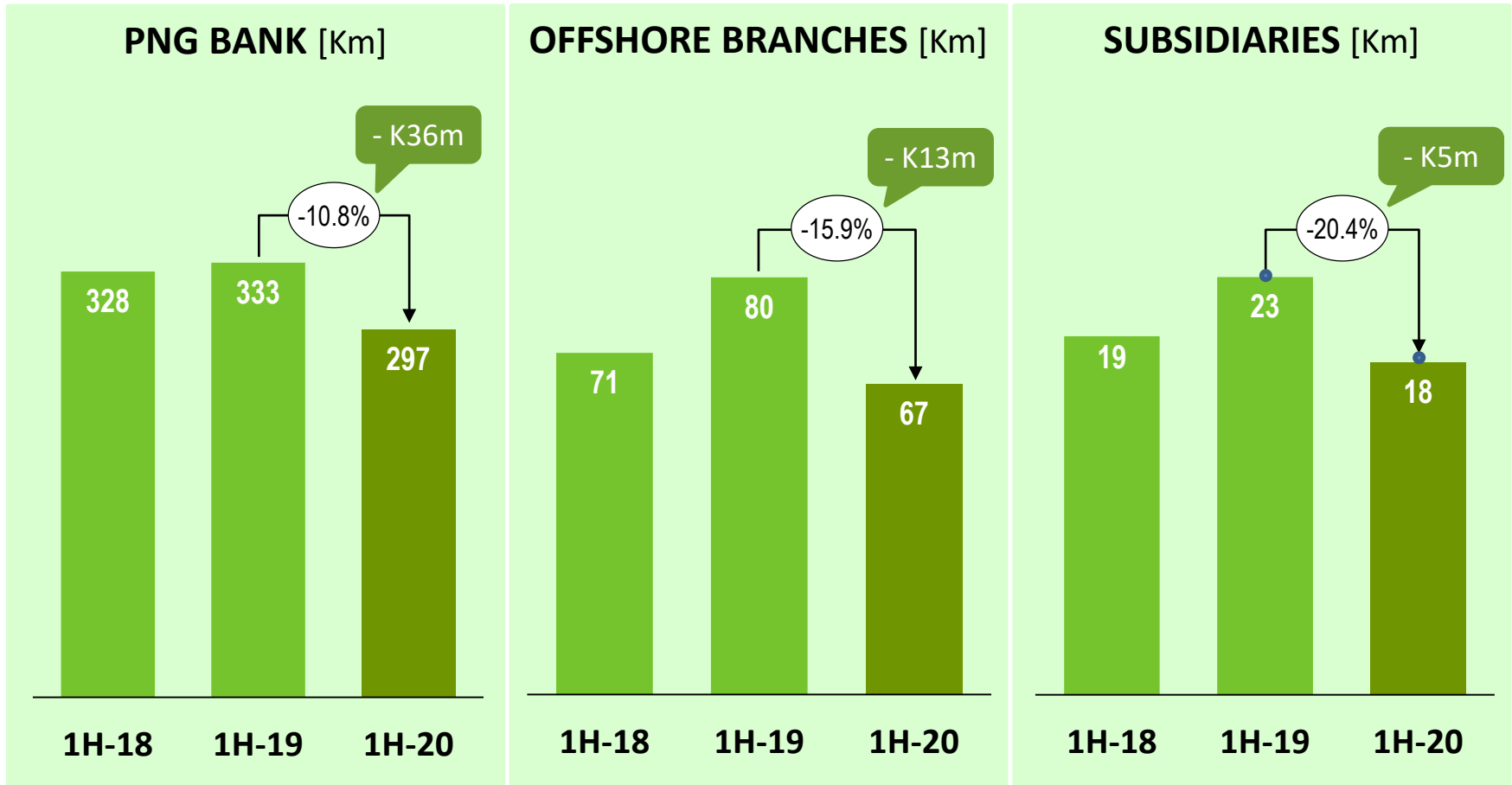
NPAT decreased by K53m, or 12.2% ... due largely to an increase in impairments, driven by COVID-19 impacts and a 100bps reduction in BSP's PNG Indicator Lending Rate



# NPAT by business



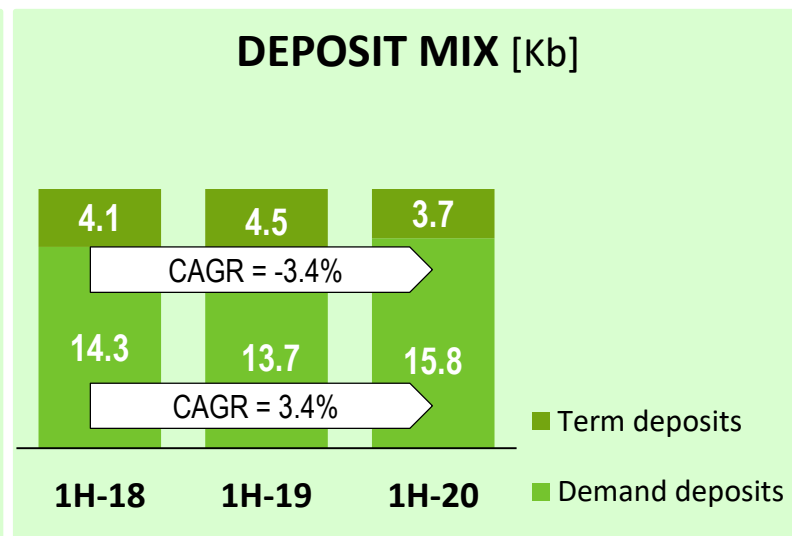
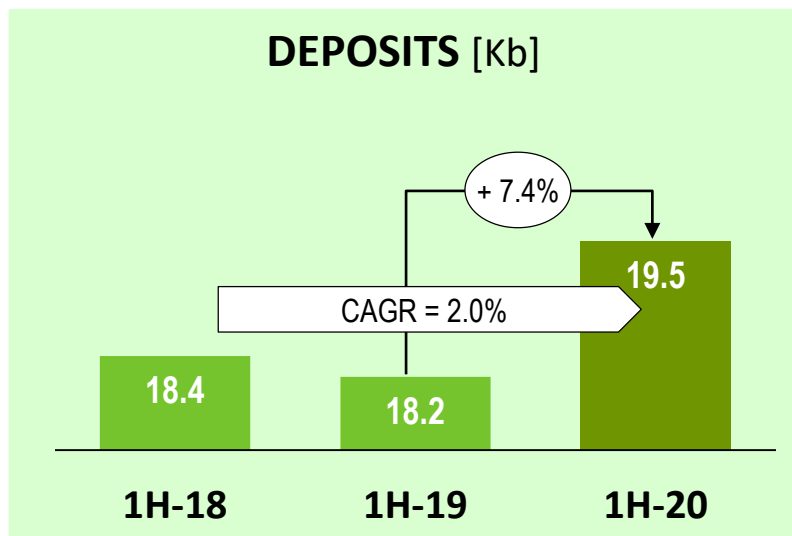
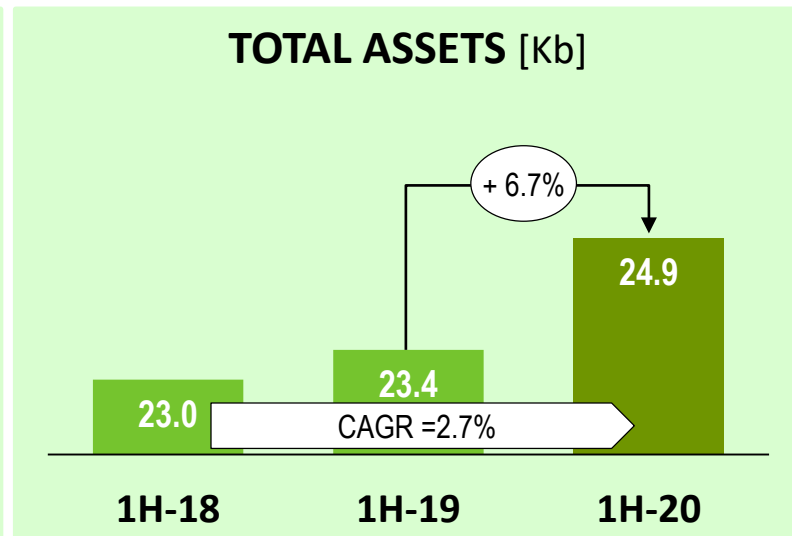
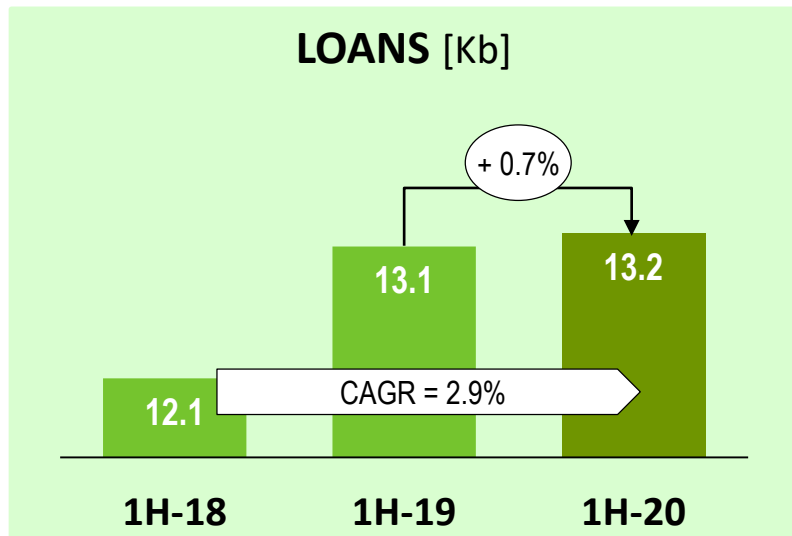
All of our businesses were negatively impacted by COVID-19 related contractions in economic activity



# Financial metrics



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

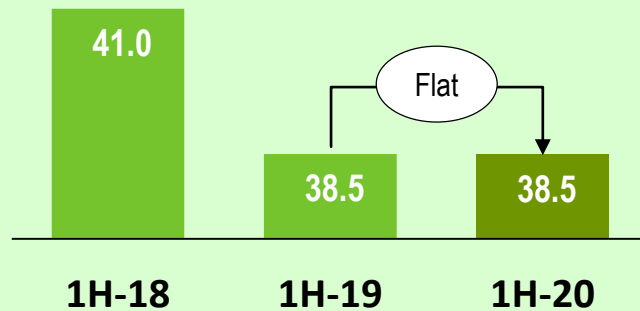


# Key ratios

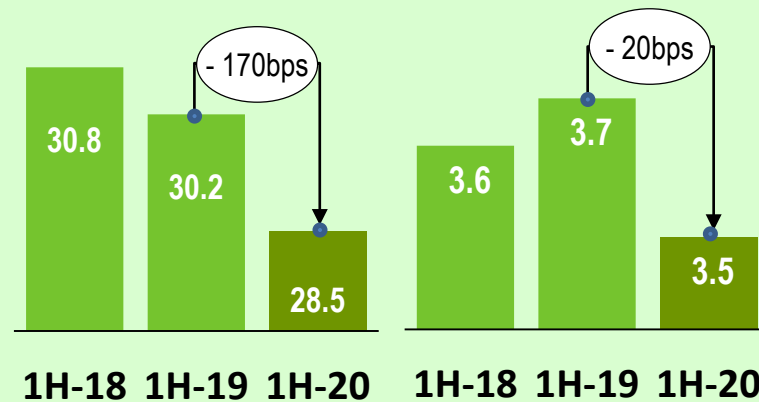


BSP Group has maintained sound results across all key performance ratios, giving regard to difficult macroeconomic conditions

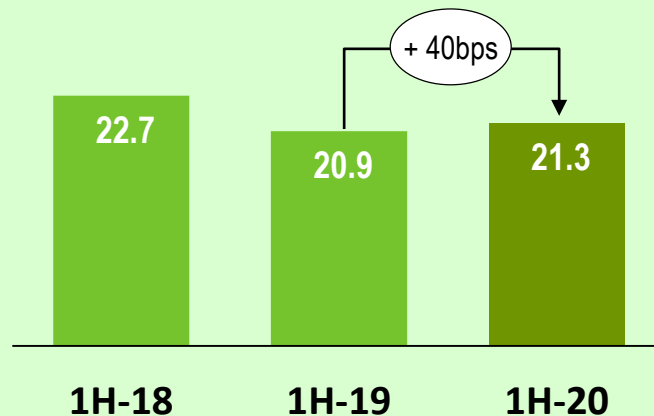
### COST TO INCOME [%]



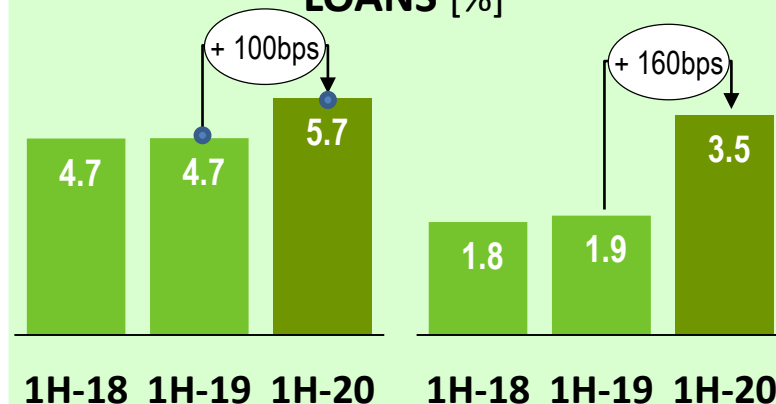
### ROE & ROA [%]



### CAPITAL ADEQUACY [%]



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



# Income stream trends



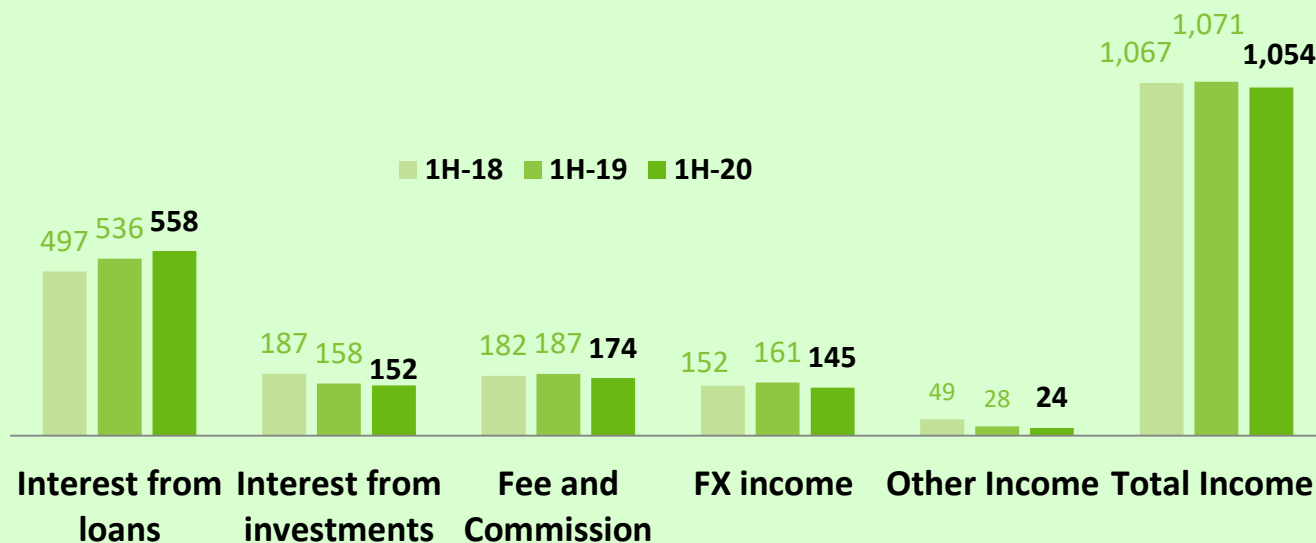
An increase in volume related interest income was offset by a decline in fee, FX and other income ... resulting in reduced income levels

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

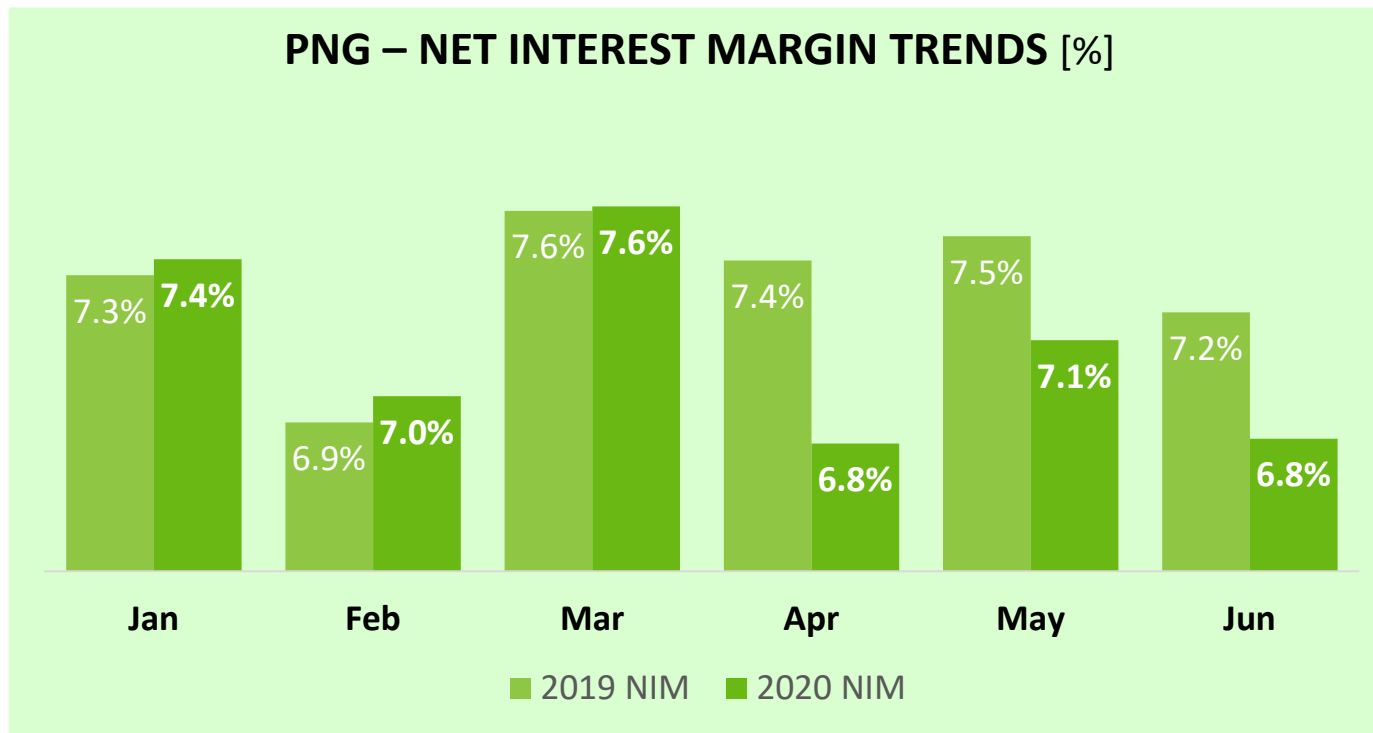
CAGR = Compound annual growth rate  
 YOY = year on year



# 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



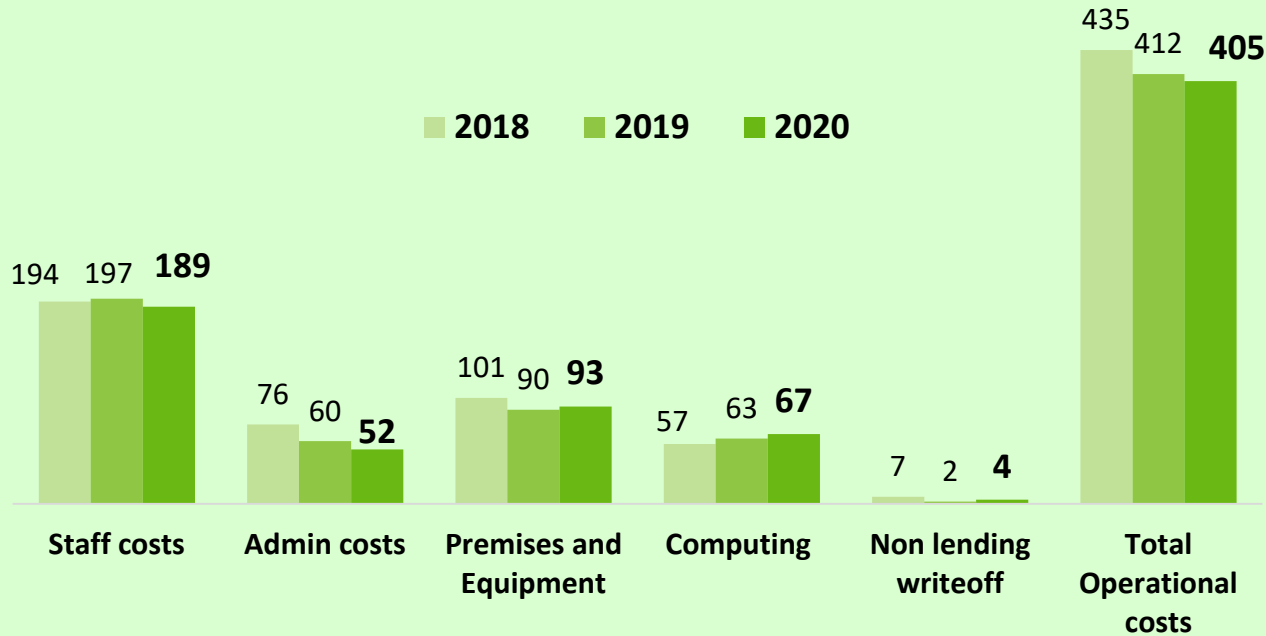
Prudent cost management in-light of market conditions. Prospect of exchange rate movements impacting on 2H-20 offshore computing hardware and service costs

|             | Staff costs | Admin costs | Premises/ equipment | Computing cost | NLL     | Total operating costs |
|-------------|-------------|-------------|---------------------|----------------|---------|-----------------------|
| <b>YOY:</b> | (3.9%) ↓    | (12.6%) ↓   | 3.7% ↑              | 6.6% ↑         | 86.1% ↑ | (1.6%) ↓              |
| <b>CAGR</b> | (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:

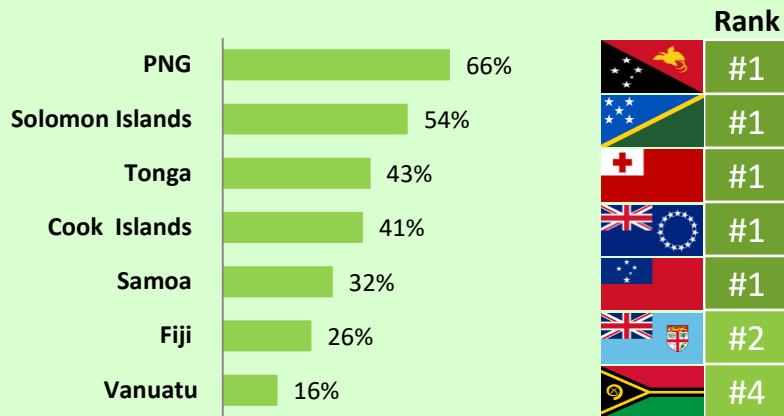
CAGR = Compound annual growth rate [3 years]  
 YOY = year on year

# Market position

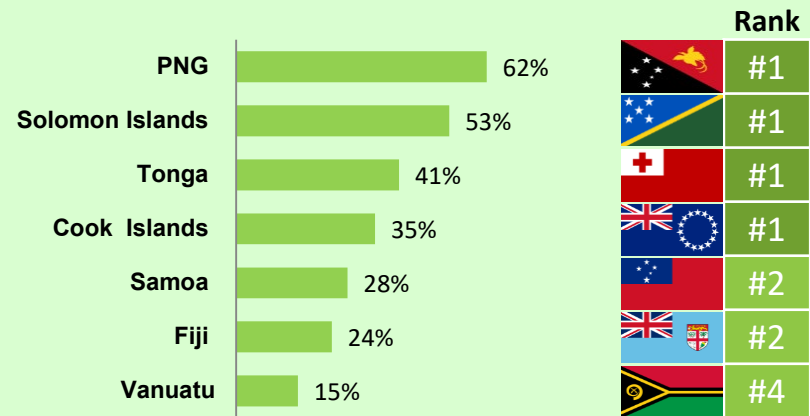


BSP is #1 in lending in 5 countries ... and #1 in deposits in 4 countries. Our loan and deposit portfolios are predominantly PNG domiciled.

## LOANS MARKET SHARE [1H-20, %]

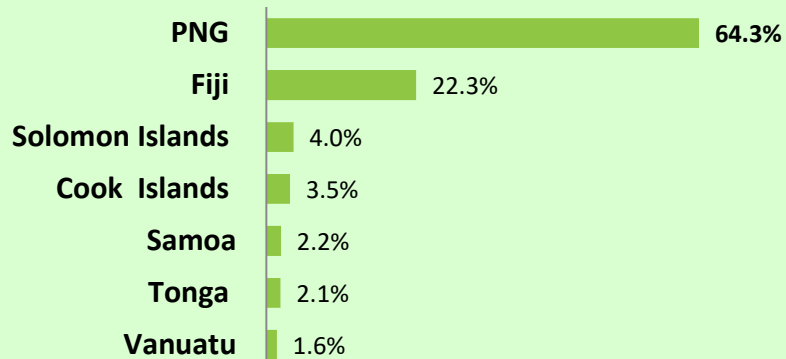


## DEPOSIT MARKET SHARE [1H-20, %]



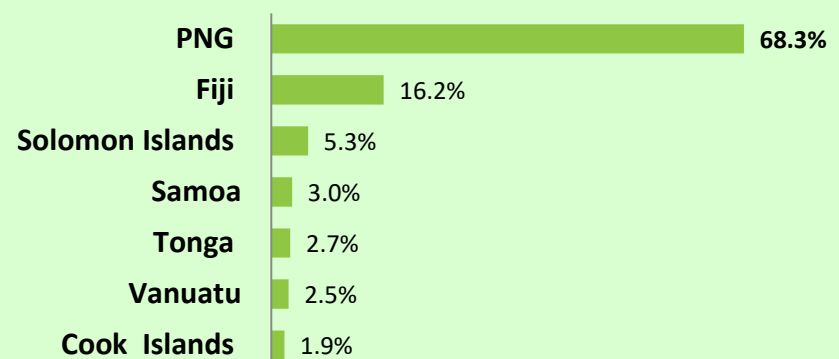
## LOANS PORTFOLIO COMPOSITION

[1H-20, %]



## DEPOSIT PORTFOLIO COMPOSITION

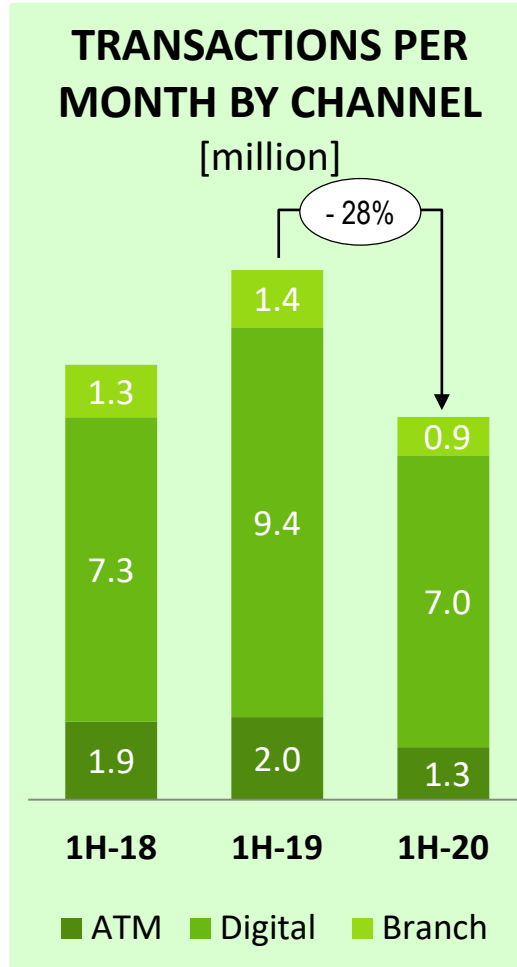
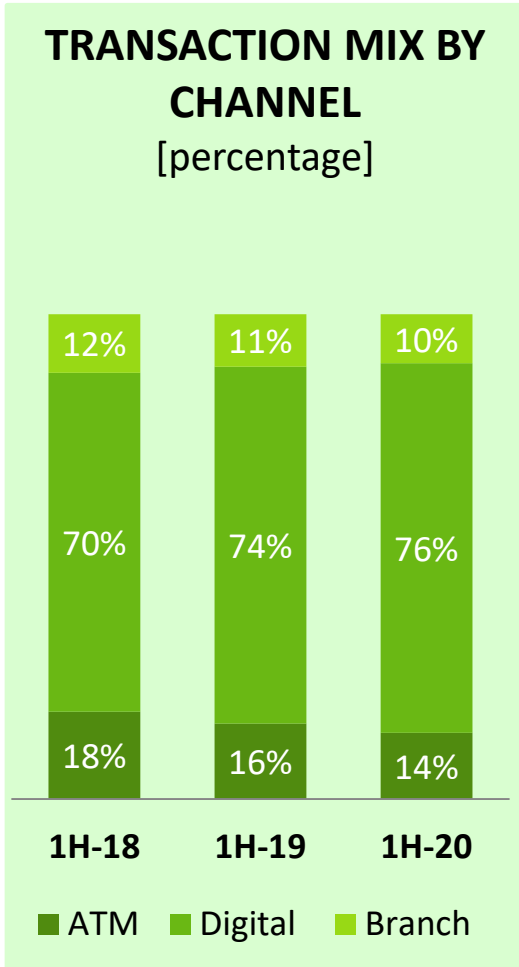
[1H-020, %]



# 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.



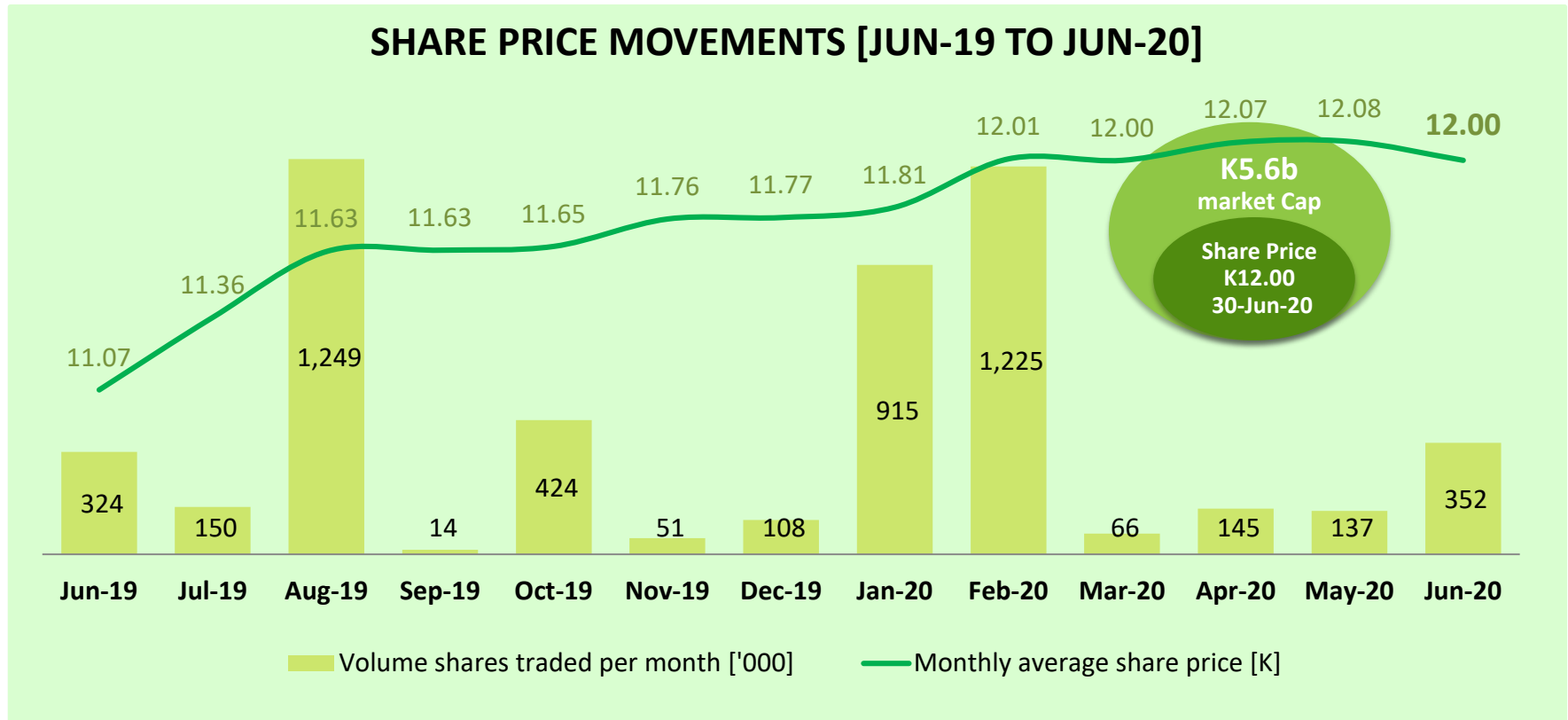
## PLANNED PROCESSING DATES

- 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%

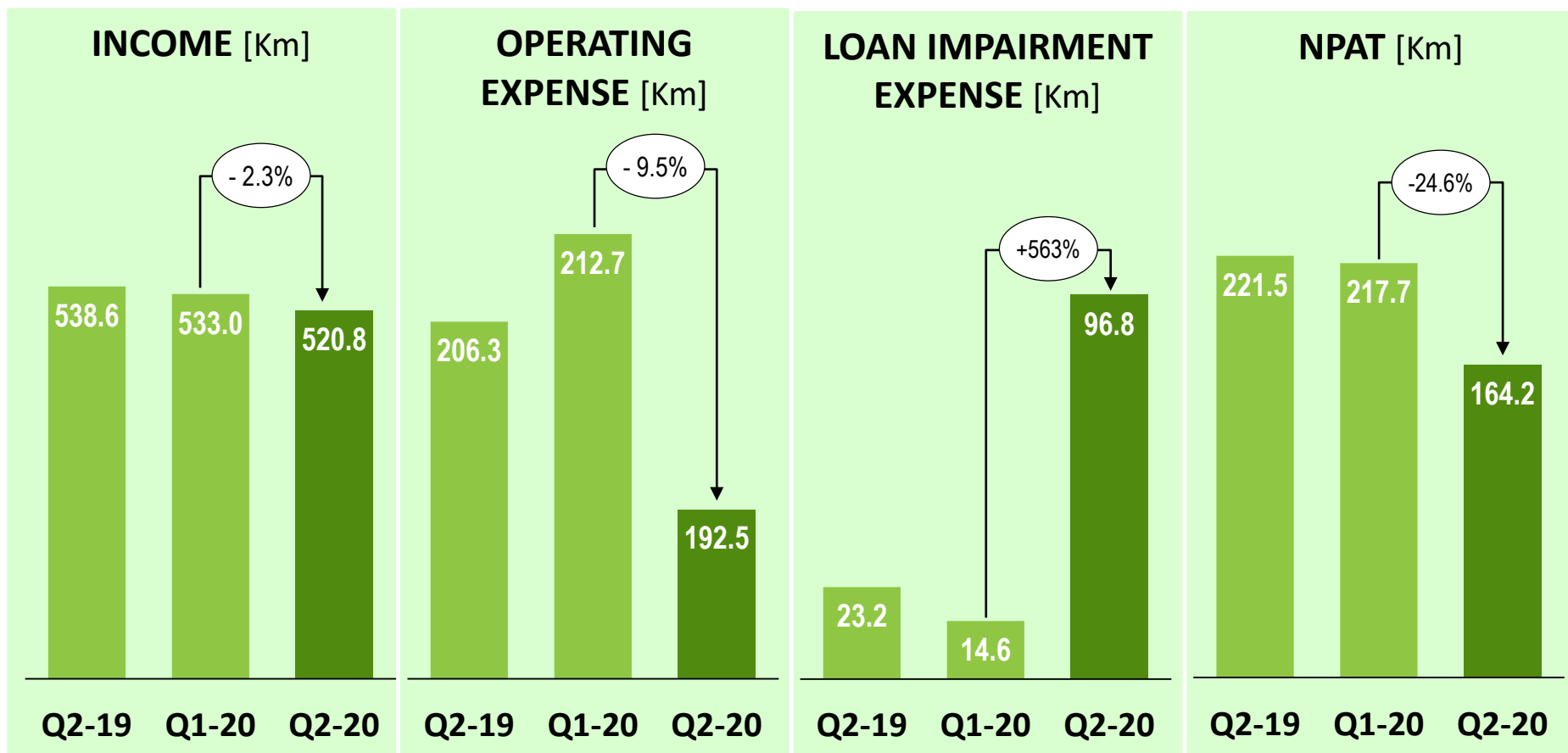


# Q2-2020 results

# 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

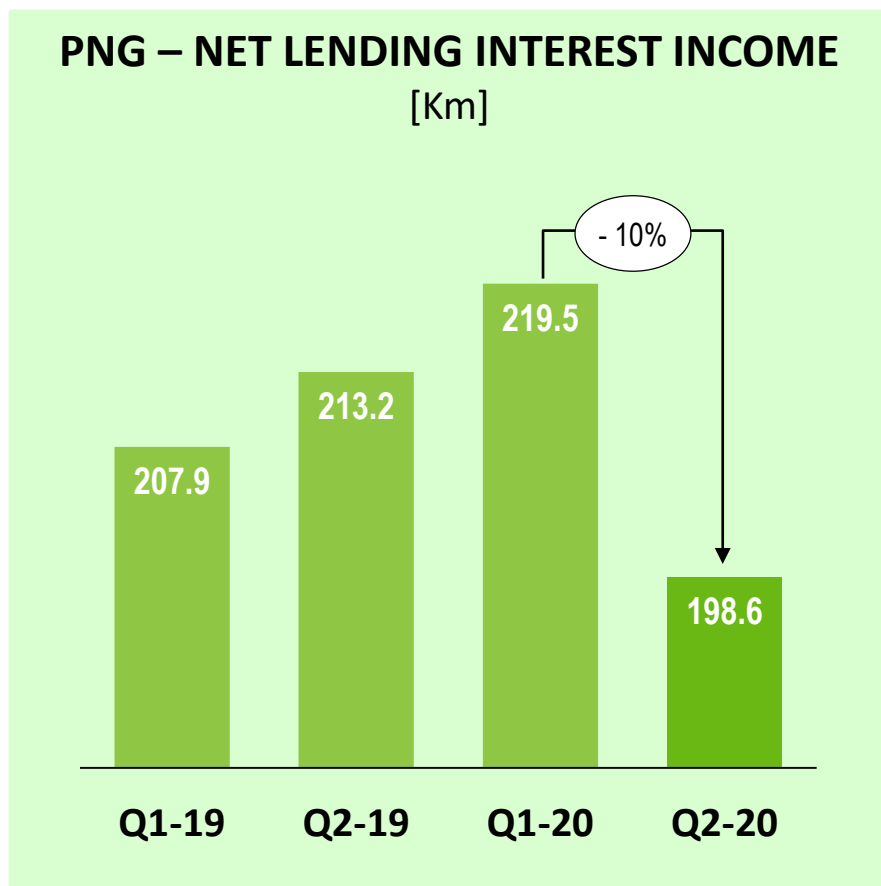




# Lending interest income [Q2-20]



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



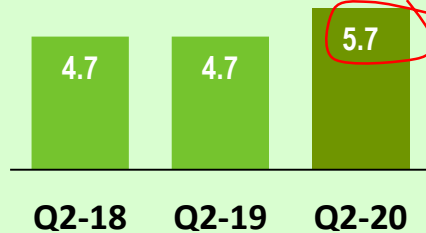
# Provisions to loans [Q2-20]



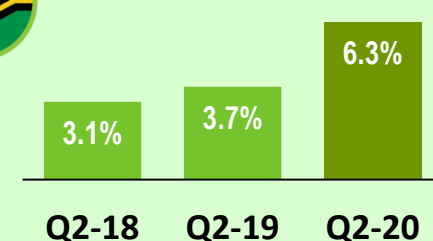
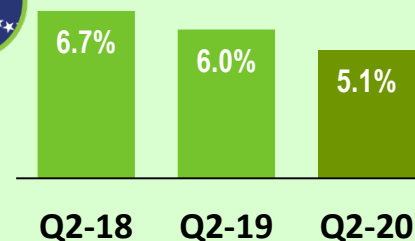
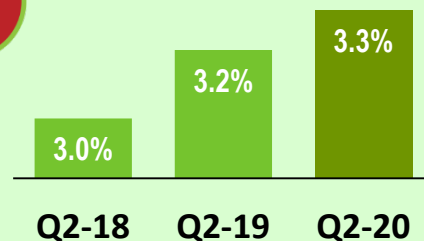
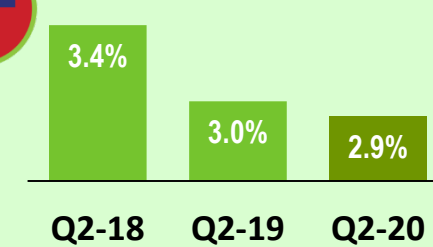
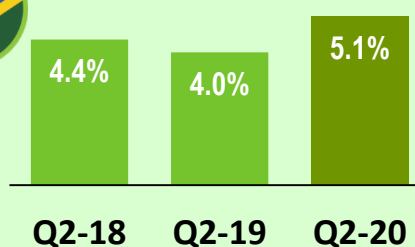
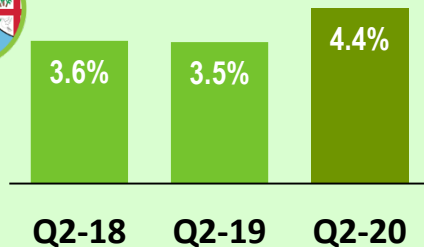
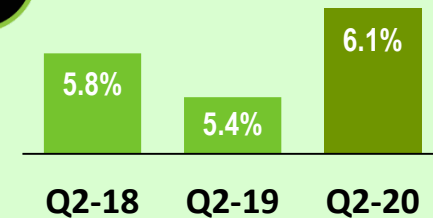
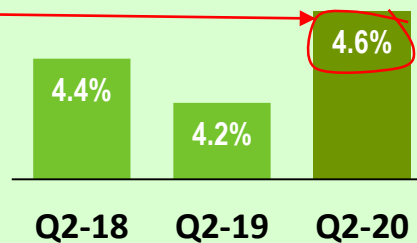
BSP Group's provisioning levels remain above IFRS9 requirements with more scrutiny of provisions for business directly affected by COVID-19

## PROVISIONS TO LOANS

**BSP Group [Provisions to loans]**



**BSP Group [Under IFRS9]**

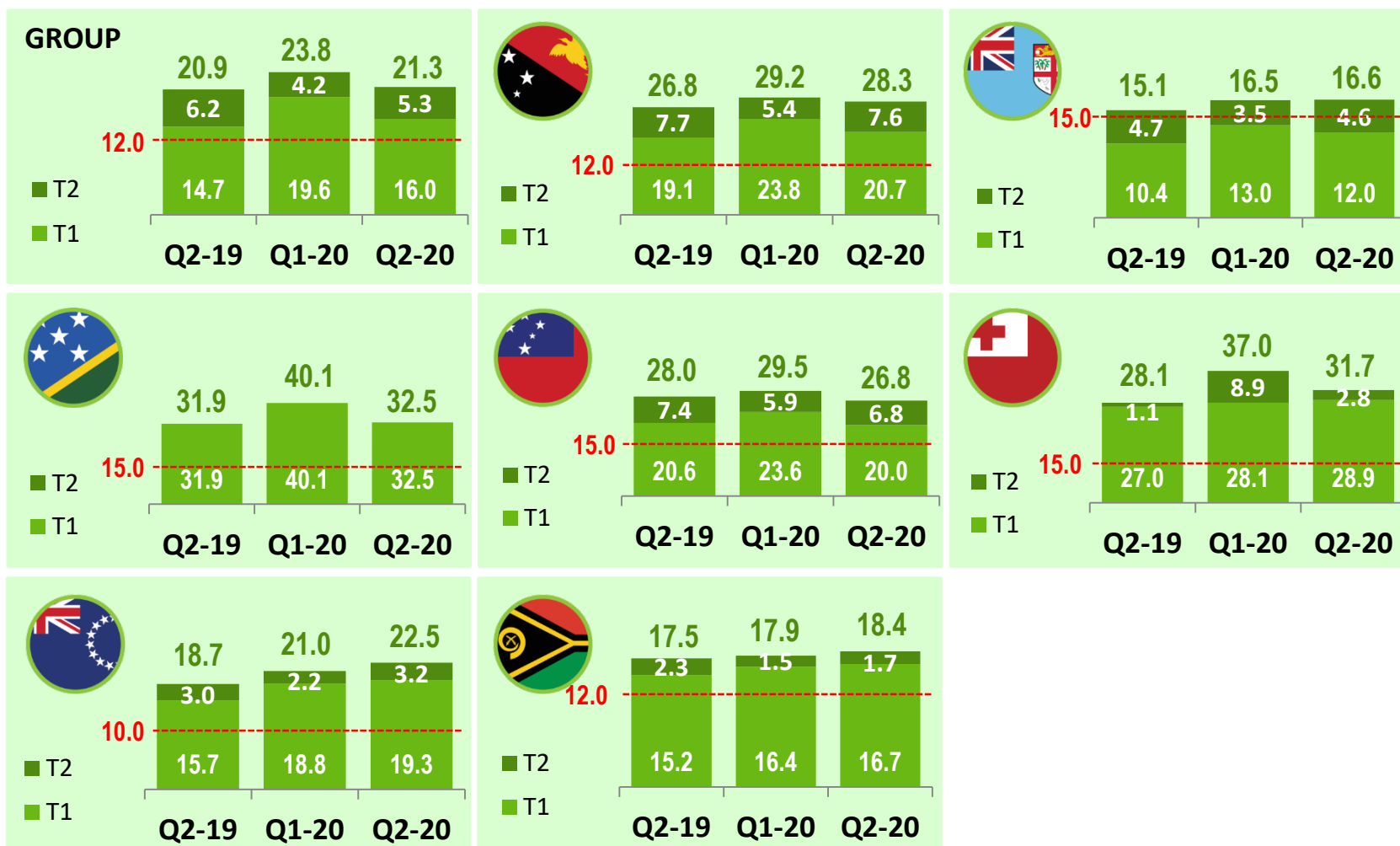


# Capital adequacy trends [Q2-20]



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