



19th August 2021

Mr. Elvis Onyura
ASX Limited
Exchange Centre
20 Bridge Street
Sydney NSW 2000
Australia

By Electronic Lodgement

Dear Mr. Onyura,

Investor Presentation – Half Year 2021

In accordance with the ASX Listing Rules, please find enclosed BSP Financial Group Limited's Investor Presentation for the 2021 Half Year (period ended 30 June 2021).

Sincerely,



Ronesh Dayal
Group Chief Financial Officer

Enclosure



Our Bank.
Our People.

Investor Presentation

1H-2021

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



2021

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South Pacific market leader

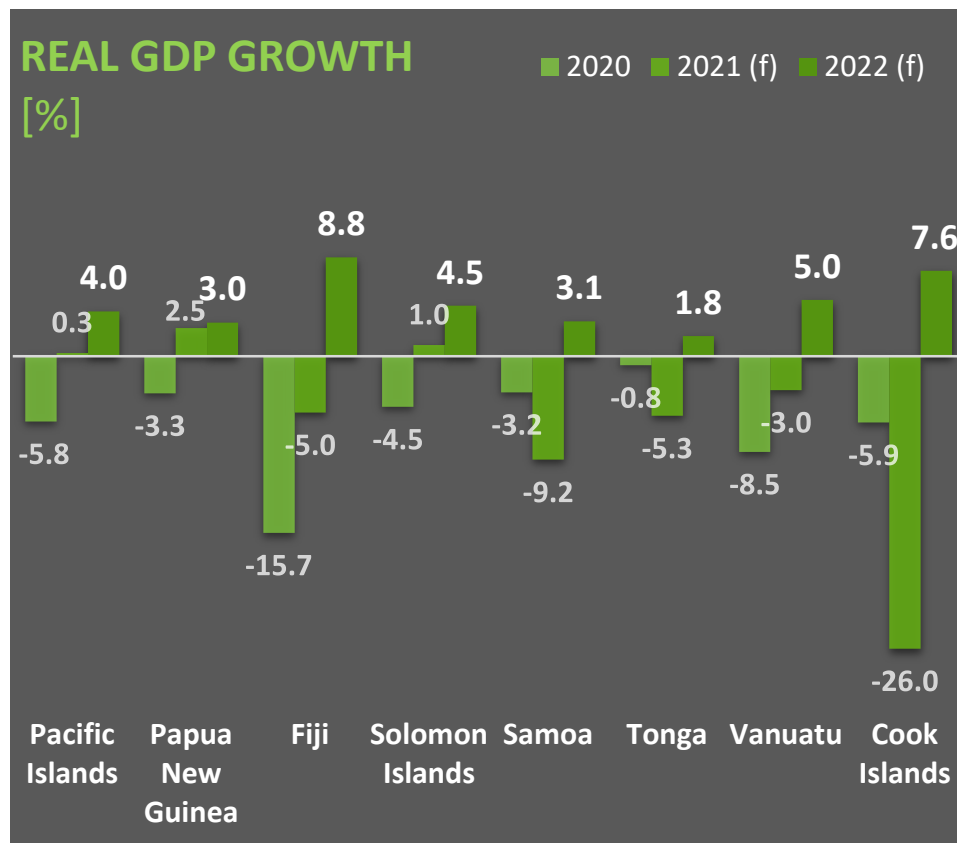
We service more customers than any other South Pacific bank ... via our market leading distribution network.



¹ Based on PNGX share price and exchange rate as at 30 June 2021, of K12.30 and 0.3792

Economic outlook

Subdued Pacific region economic growth (+ 0.3%) forecast in 2021 ... in the face of continued pandemic-related headwinds and PNG FDI delays. In 2022, growth is expected to rebound to 4.0%, aided by easing border restrictions.



Source: Asian Development Bank (ADB)



PNG's economy is expected to grow 2.5% in 2021 and improve to 3.0% in 2022, spurred along by rising commodity prices and improving economic conditions.



According to the ADB, Fiji's economy is expected to contract 5.0% in 2021 before vaccination coverage is expected to drive a tourism led recovery to 8.8% growth in 2022.



SI's economy started to recover in 2021 with 1.0% GDP growth according to ADB. Growth is then expected to ramp up to 4.5% in 2022 as trade and travel restrictions are lifted.



Samoa's economy is forecast contract 9.1% in 2021 before a partial recovery to 3.1% growth in 2022 with grants from global partners providing some support.



The ADB is forecasting Tonga's economy to contract by 5.3% in 2021, due to tourism bans. A slight recovery (+1.8%) is forecast for 2022, due to infrastructure investment.



Vanuatu's economy is projected to contract 3.0% in 2021. The ongoing vaccination drive is expected to permit a 5.0% recovery in 2022, given easing border restrictions.



The Cook Islands economy is expected to contract 26.0% in 2021 and return to growth of 7.6% in 2022. The two-way quarantine-free travel bubble with NZ is aiding the recovery.

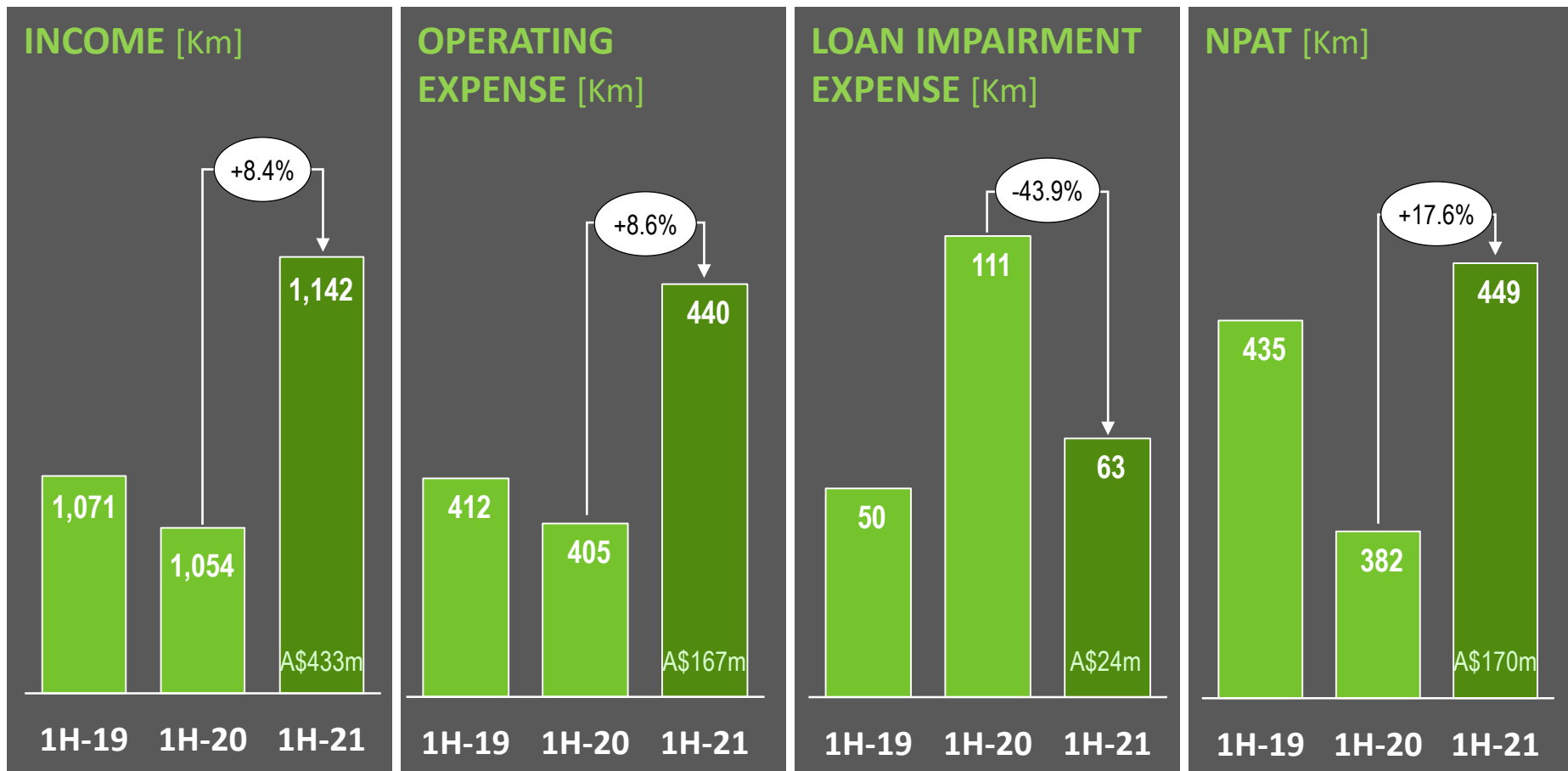
1H-2021 results overview

A strong improvement in 1H-2021 performance, after a challenging 1H-2020.

	1H-21	1H-21 vs 1H-20
● Profit [NPAT, Km]	449	+ 17.6%
● Total assets [Kb]	28.9	+ 15.9%
● Cost-to-income ratio [%]	38.5	+ 8bps
● Capital adequacy ratio [%]	23.0	+ 170bps
● Earnings per share [toea]	96.2	+ 17.7%
● Interim dividend per share [toea]	39	+ 56%
● Market capitalisation [Kb]	5.7	+ 2.1%

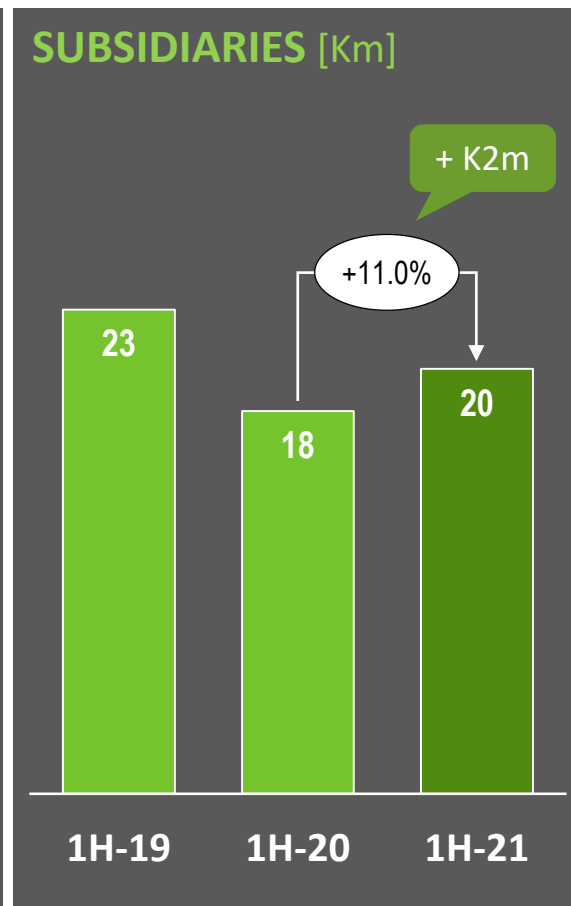
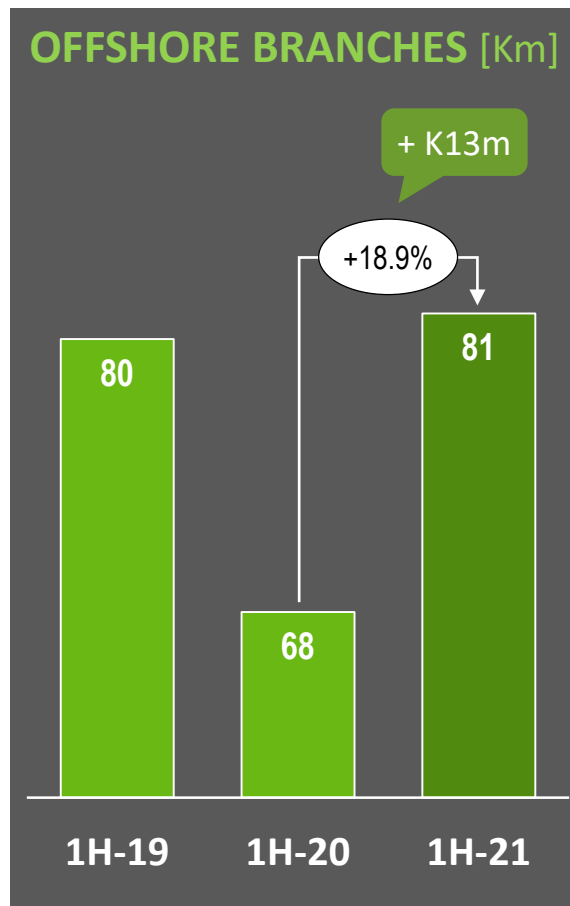
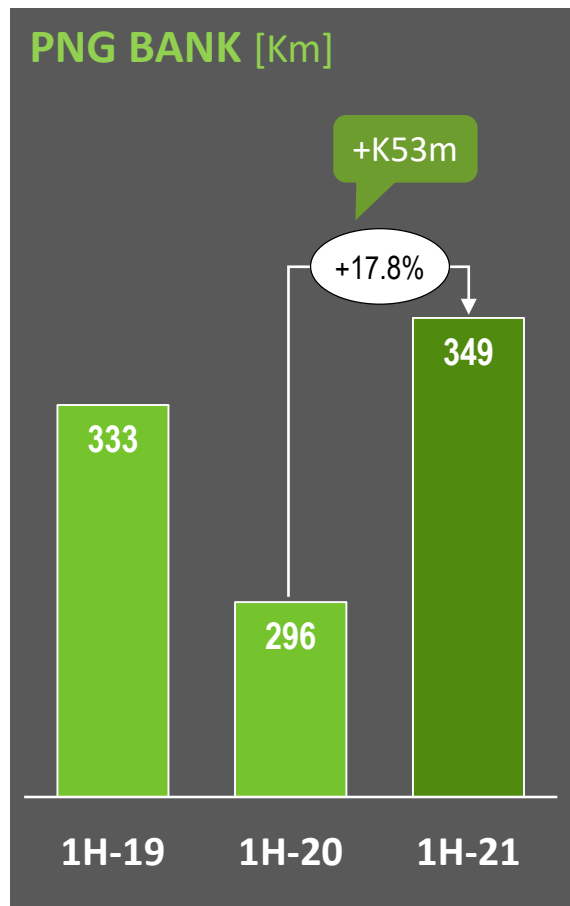
Group NPAT trends

Income growth, coupled with loan impairments returning to pre-COVID-19 levels, more than offset the increase in operating expenditure ... resulting in a 17.6% increase in NPAT.



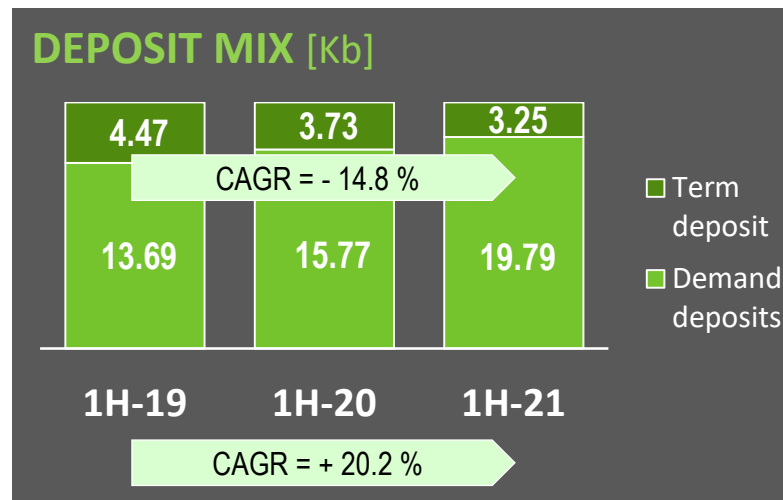
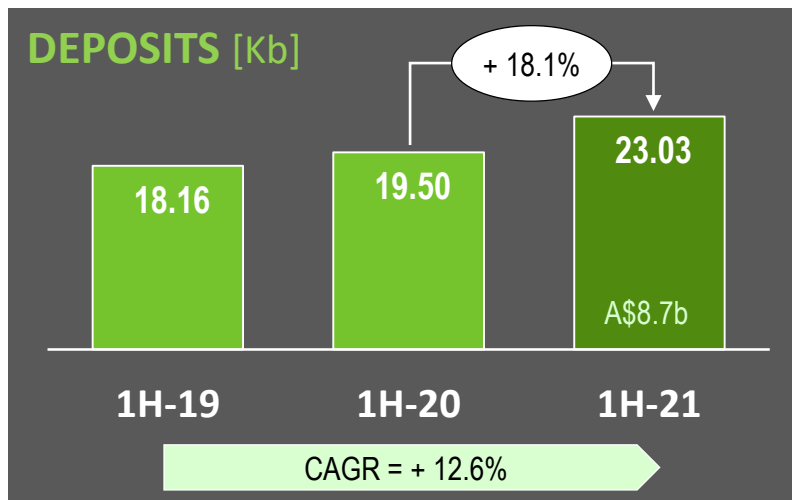
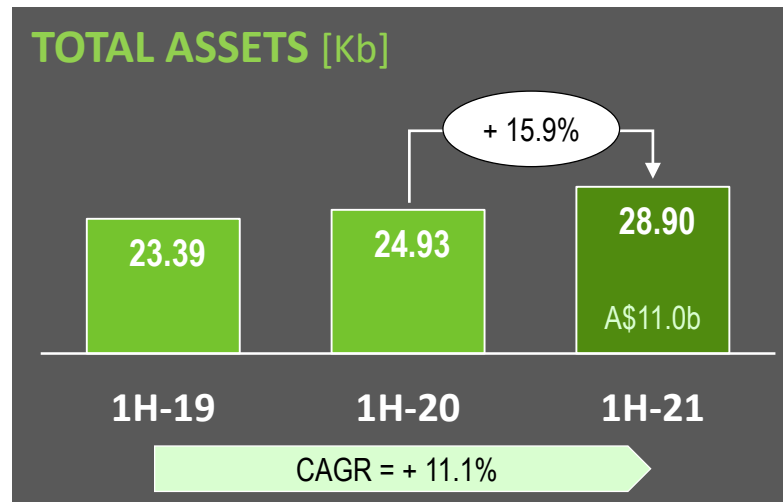
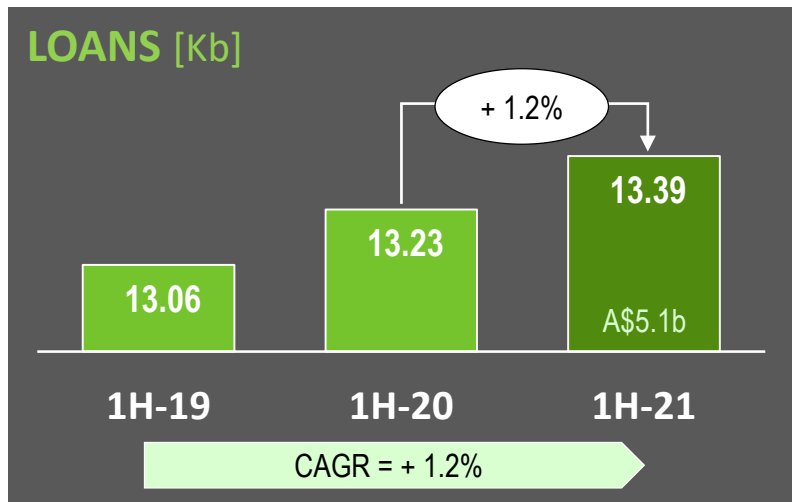
NPAT contribution by business

All business divisions returned to growth after a difficult corresponding period in 2020. The PNG Bank and Offshore Branches profit contribution exceeded our 2019 results.



Underlying performance driver trends

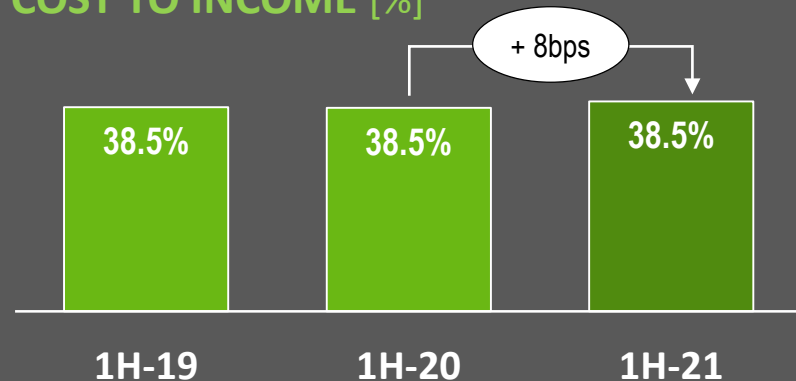
Subdued overall loan growth across all countries, due to constrained economic conditions. Group deposits grew 18%, with the surplus funds invested in Government securities.



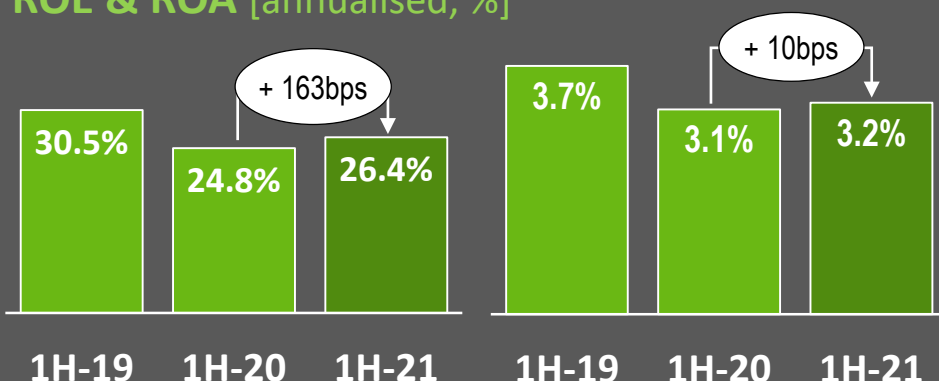
Key ratios

All key ratios remain at robust levels ... particularly BSP's capital position, which is above comparative industry benchmarks and well above regulator requirements (12%).

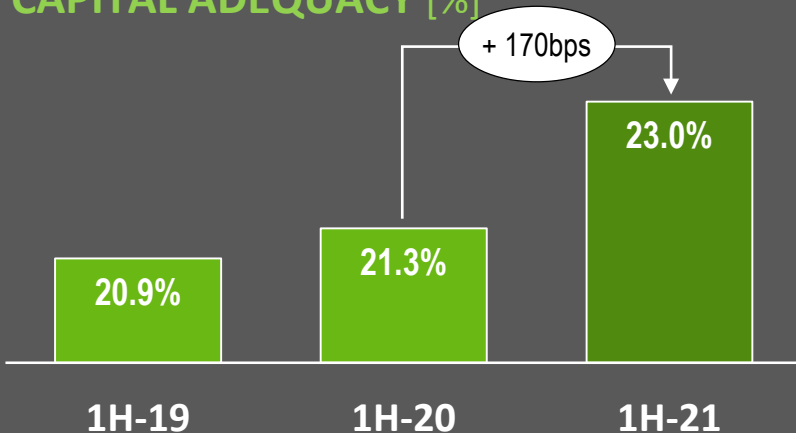
COST TO INCOME [%]



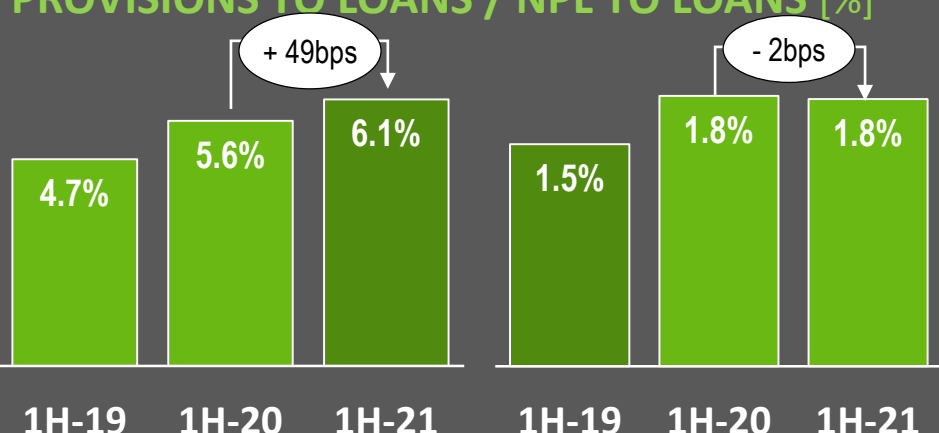
ROE & ROA [annualised, %]



CAPITAL ADEQUACY [%]



PROVISIONS TO LOANS / NPL TO LOANS [%]

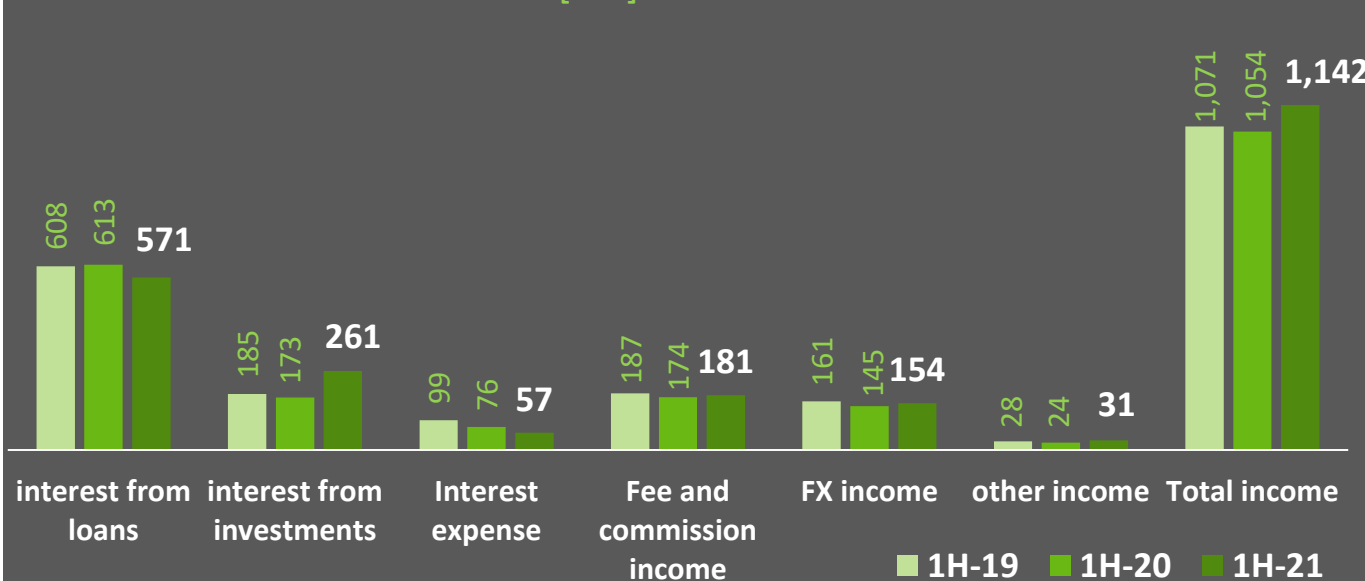


Income stream trends

With the exception of loan interest income, all incomes streams delivered positive growth in 1H-2021. Loan interest income in the 1H-2021 was comparatively lower than 1H-2020, as a consequence of following BPNG guidance, whereby BSP reduced all variable lending rates by 100bps on 1-Apr-2020.

	Interest – loans	Interest – investments	Fee/ commission	FX income	Other income	Total income
YOY:	(6.9%) 	50.8% 	4.1% 	6.2% 	30.3% 	8.4% 

GROUP INCOME STREAMS [Km]



DEFINITIONS

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

Key:

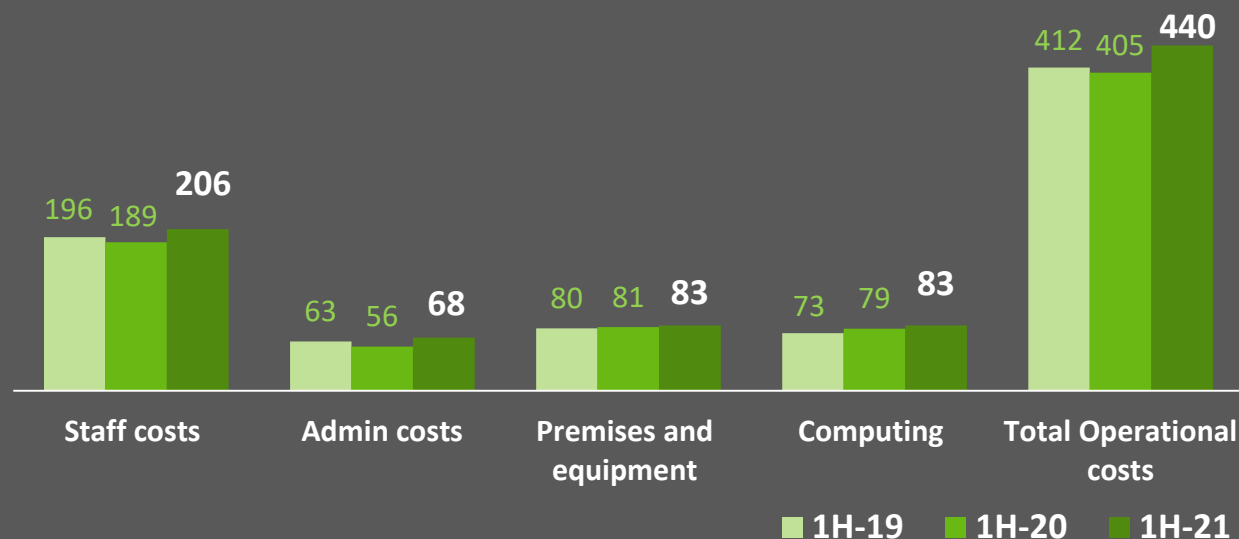
YOY = year on year

Expenditure trends

Exchange rate movements contributed to increased costs in foreign currency related expense categories, which includes computing and information technology related costs. The amortisation of certain core banking capital items post Vanuatu “Go Live” was also a key driver.

	Staff costs	Admin costs	Premises/ equipment	Computing cost	Total operating costs
YOY:	9.0% 	20.4% 	2.5% 	5.4% 	8.6% 

GROUP EXPENDITURE [Km]



DEFINITIONS

- **Staff Costs** – salaries , training, additional staff, staff rentals
- **Admin Costs** – marketing, communications, VAT
- **Premises costs** – buildings, depreciation, generators, electricity
- **Computing Costs** – software maintenance, licenses, data links, amortisation

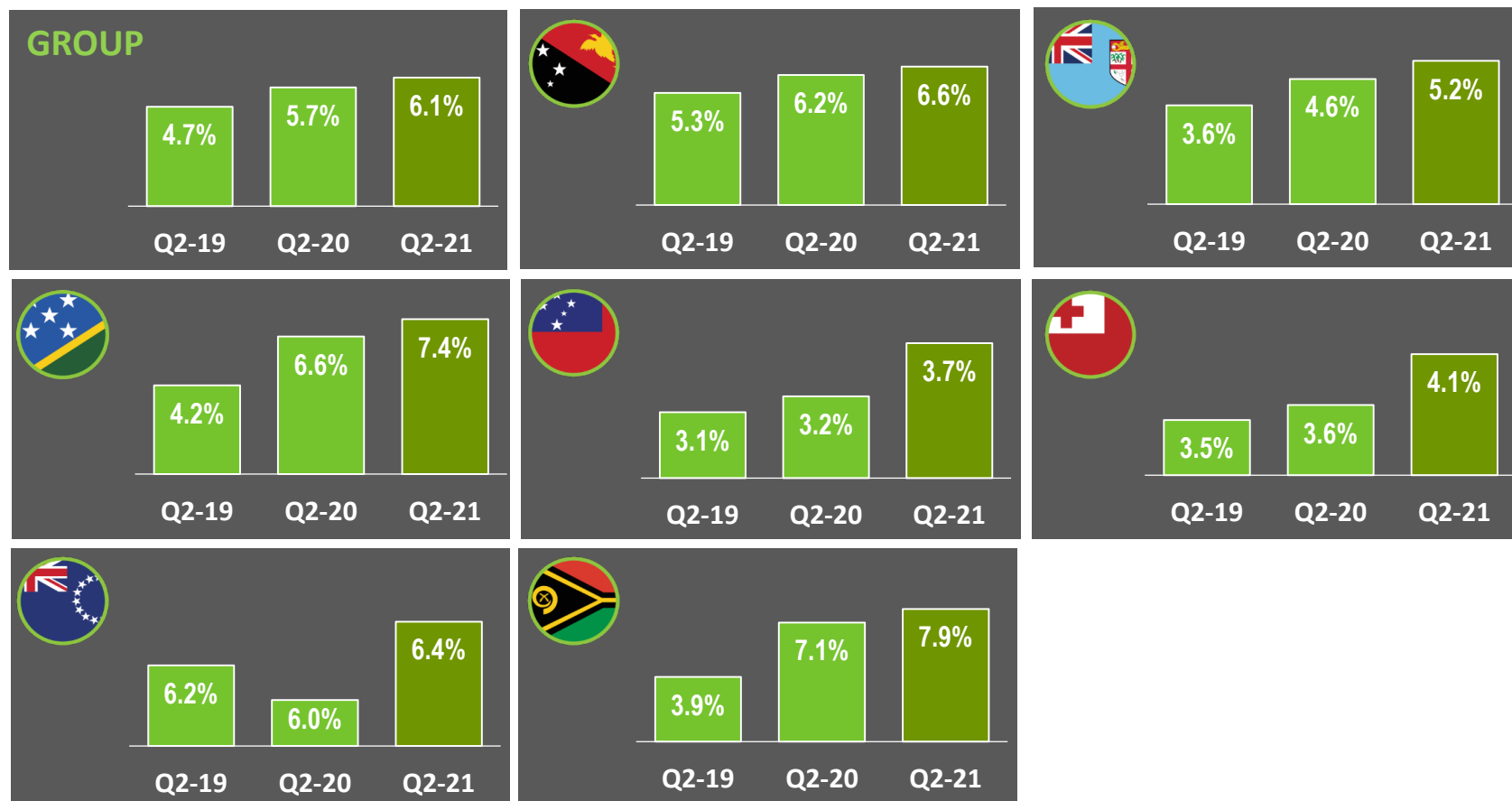
Key:

YOY = year on year

Provisions to loans

All countries' provisions increased commensurately to estimated loan losses ... with provisioning corresponding to the loan growth, as well as the prevailing economic conditions in each country.

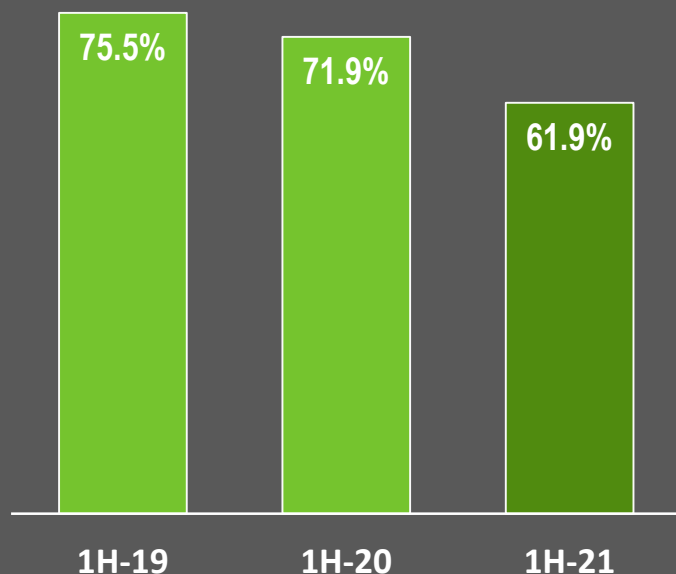
PROVISIONS TO LOANS



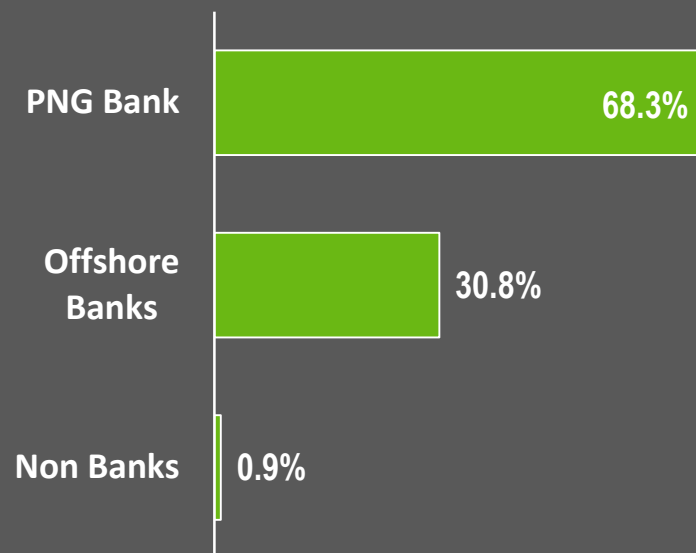
Funding

Strong deposit growth has positioned the Bank to accommodate any potential increase in demand for loans as the recovery progresses.

LOANS TO DEPOSITS [%]



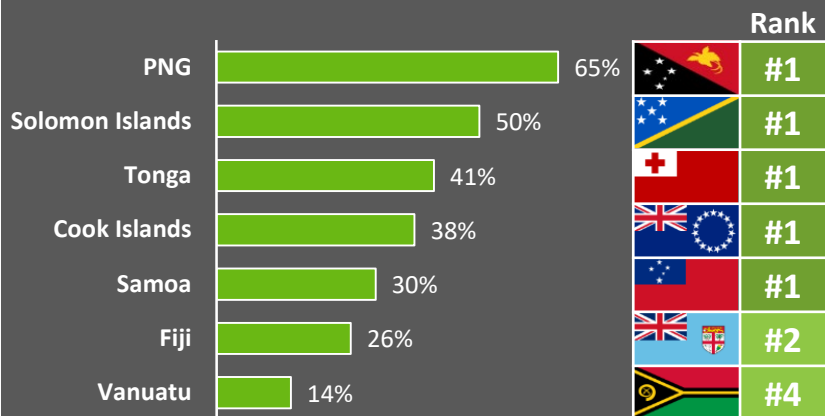
DEPOSIT MIX [1H-2021, %]



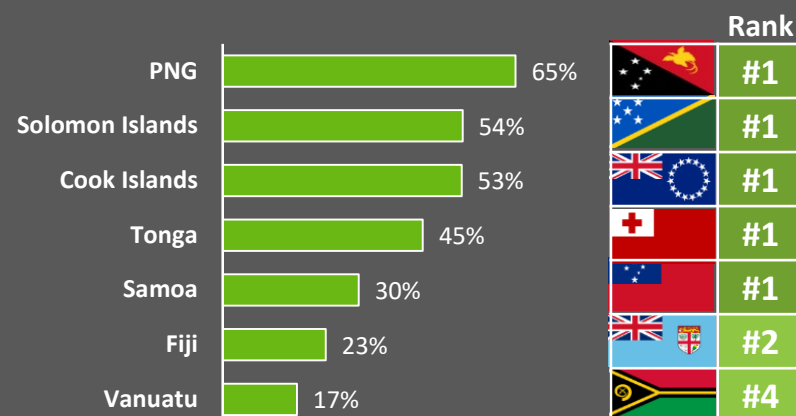
Market position and portfolio composition

BSP is #1 in lending and deposits in five of its countries. Our loan and deposit portfolios are predominantly PNG domiciled.

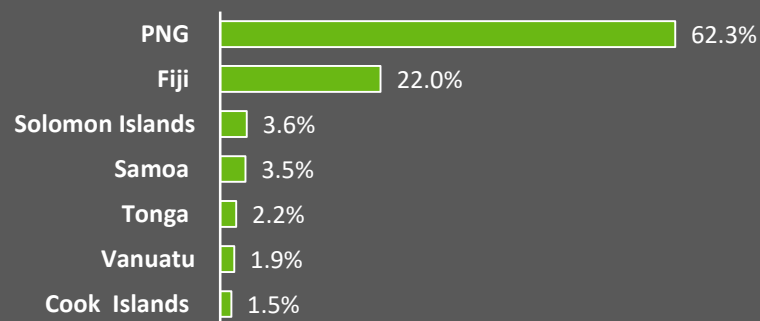
LOANS MARKET SHARE [1H-2021, %]



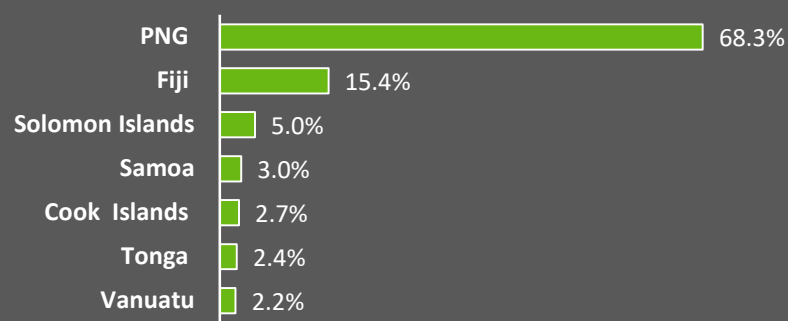
DEPOSIT MARKET SHARE [1H-2021, %]



LOANS PORTFOLIO COMPOSITION [1H-21, %]



DEPOSIT PORTFOLIO COMPOSITION [1H-21, %]



Channel network

BSP has the largest channel network in the South Pacific ... with continued investment to improve customer service levels across the BSP Group.

#1 Rank

 Branches	✓
 YANGORU SUB-BRANCH Services Provided ATM, EFTPOS, Savings, Loans, Insurance, etc.	✓
 Sub Branches	
 ATMs	✓
 EFTPOS	✓
 Agent	✓

TWO NEW BRANCHES

- Koroba Hybrid Branch, Hela Province [7-Jul]
- Namatanai Branch, New Ireland Province [28-Jul]

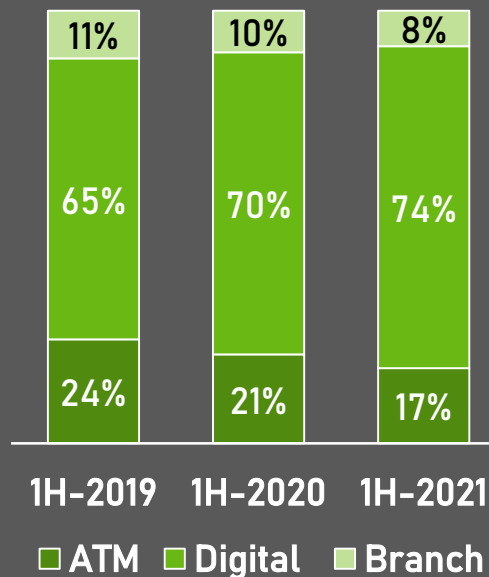


Channel growth trends

Encouragingly, adoption of digital channels is experiencing robust growth with 22% CAGR since the first half of 2019.

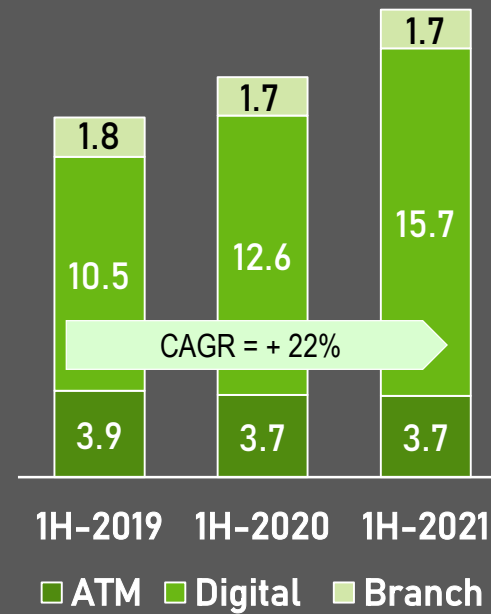
TRANSACTION MIX BY CHANNEL

[percentage]



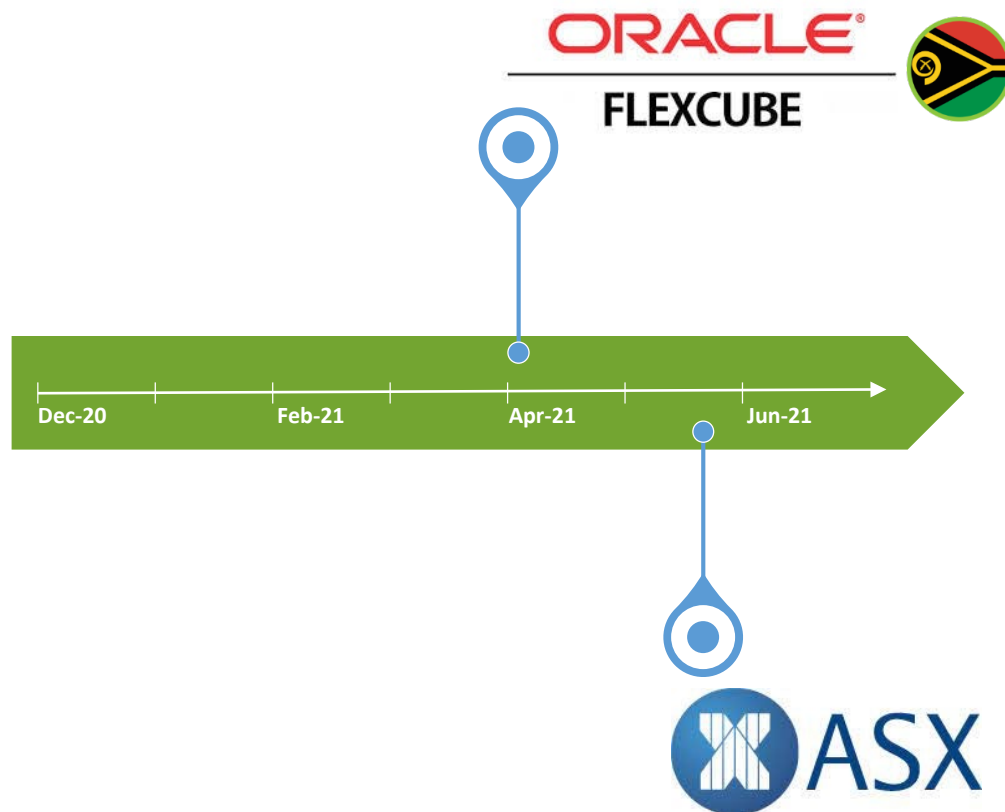
TRANSACTIONS PER MONTH BY CHANNEL

[million]



Key achievements in 1H-21

Successful Vanuatu core banking system replacement ... with PNG to follow in 1H-2022 ... and admission to the ASX were significant achievements, requiring substantial commitment from our people.



Core system “go-live” on 19-April

- The introduction of FLEXCUBE removes multiple existing platforms and different versions of the current banking platforms across BSP’s network
- Provides a more robust workflow that improve numerous banking operating and reporting systems ... including AML
- Automates many manual processes and reduces likelihood of human error in transactions
- Modern platform for improved customer experience and enhanced digital banking services, both now and into the future
- Enhanced security features such as 2 Factor Authentication

ASX admission on 25-May

- Source new forms of equity capital to explore future growth opportunities
- Increased liquidity for Shareholders
- BSP’s visibility is improved in the international market ... providing opportunity for the market to be better informed about BSP and PNG

Digital innovation

Safe, secure and convenient 24/7 cashless payments and lending services ... we continue to innovate and pioneer new services and products to improve customer service levels.



BSP Pay Domestic eCommerce – No Card, Just Pay

In recognizing the rapid adoption and increasing trend of digital commerce in the region, BFL introduced a new digital payment service, BSP Pay, which allows any BSP account holder in PNG make payments online securely and instantly, without the use of card details.



As at July 2021 there are **231,653 customers** registered on this platform.



192 merchants registered as of July 2021, a +100% increase since launching in November 2020.

BSP Mobile Merchant Payment - Instant Payment

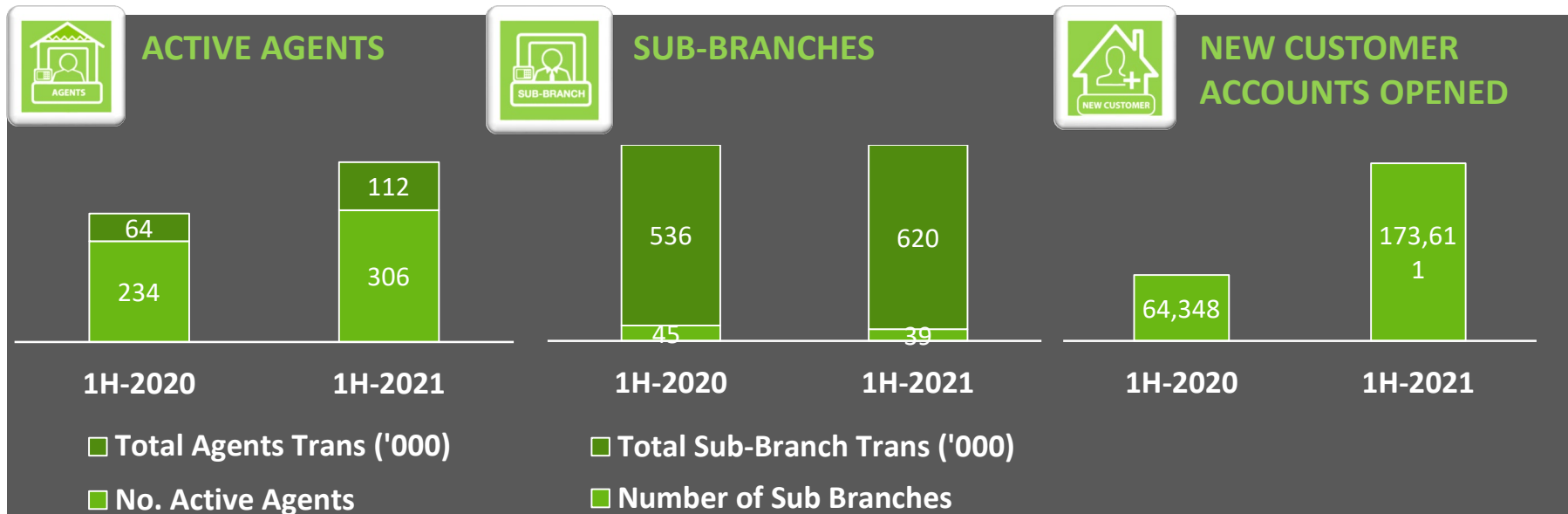
Adjustments to the current Mobile Banking payment were made recently making it easier for customers to pay merchants using some quick steps through BSP Mobile Banking.

- 2020 – 5 merchants
- 2021 – 192 merchants



Financial inclusion

BSP is committed to expanding its reach to the unbanked and drive active participation and financial inclusion.



Background

- BSP Agents and Rural banking / Sub-Branches were established to service people in the rural areas throughout PNG and the South Pacific
- In collaboration with local communities, BSP is delivering banking services for a range of diverse customers – close to customer homes

Key features

- Access points to previously unreachable communities
- Account opening as well as deposit and withdrawal services
- Collaborate with communities

Trends

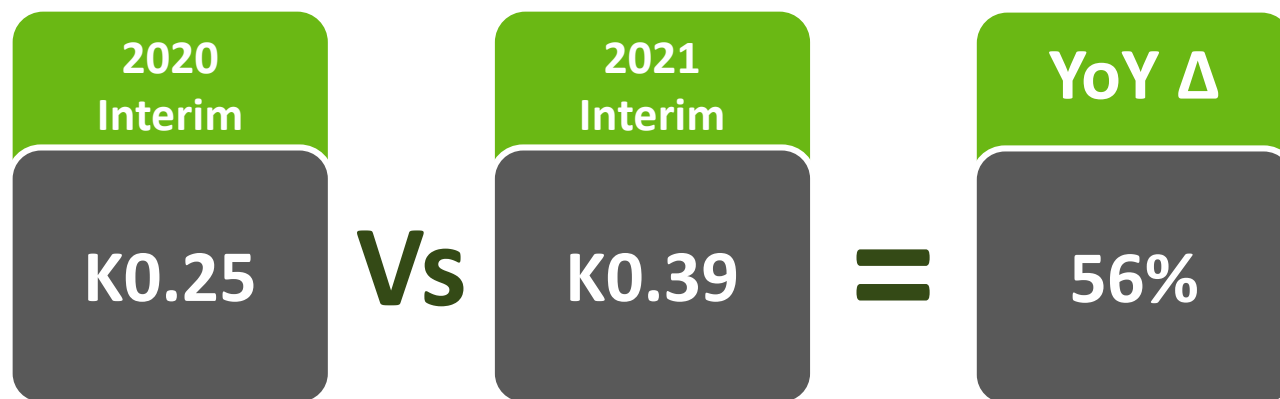
- Increase YoY in transactions ... 75% increase in Agent transactions and 16% increase in Sub-branch transactions
- 170% increase in new customer transaction and savings accounts

Group strategy ... successful 2021 first half

- Advance digital strategy, initiatives and capability ... BSP and its Fintech partner successfully launched its ecommerce solution, BSP Pay
- Improve customer digital and financial literacy ... initiatives during the first half include Brisbane Broncos school program for students and awareness sessions for SMEs
- Improved access to wealth creation products for customers, with continued increases in first home loans and successful rollout of the Credit Enhancement Scheme for SMEs
- Successful dual listing on the ASX in May 2021

Interim dividend

Interim dividend increase to 39 toea ... an 56% and 3% increase over 2020 and 2019 respectively



PLANNED PROCESSING DATES

- Ex-date: 24-Sep-21
- Record date: 27-Sep-21
- Payment date: 18-Oct-21

SHAREHOLDER RETURNS SUMMARY

	1H-2019	1H-2020 ¹	1H-2021	Change
Interim dividend [K]	0.38	0.25	0.39	56.0%
EPS [K]	0.93	0.82	0.96	17.6%
Payout ratio	40.8%	30.6%	40.5%	+ 992bps
Dividend yield ²	12.6%	10.1%	11.7%	+ 162bps

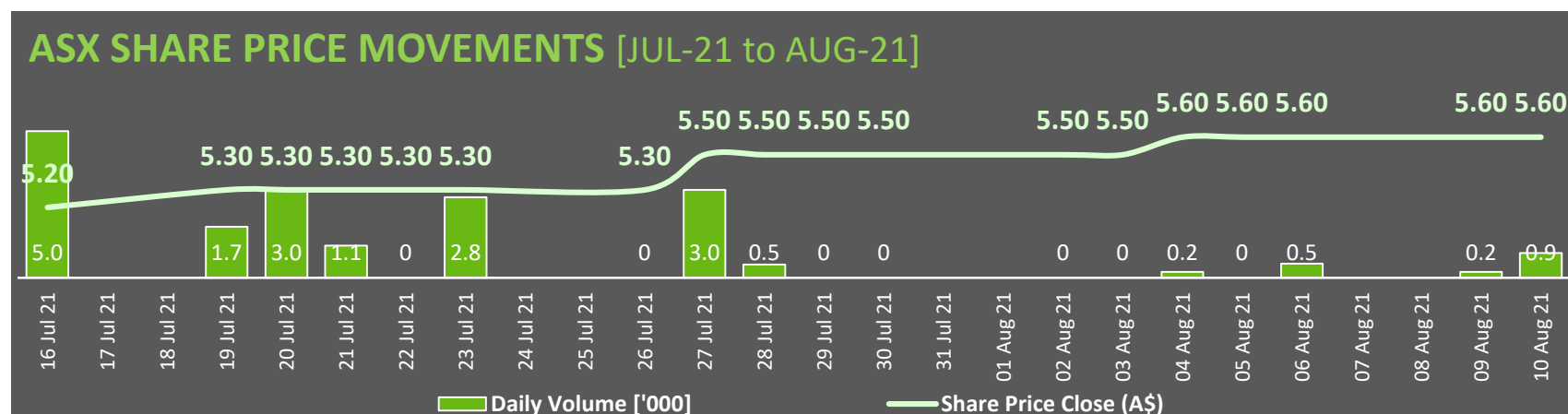
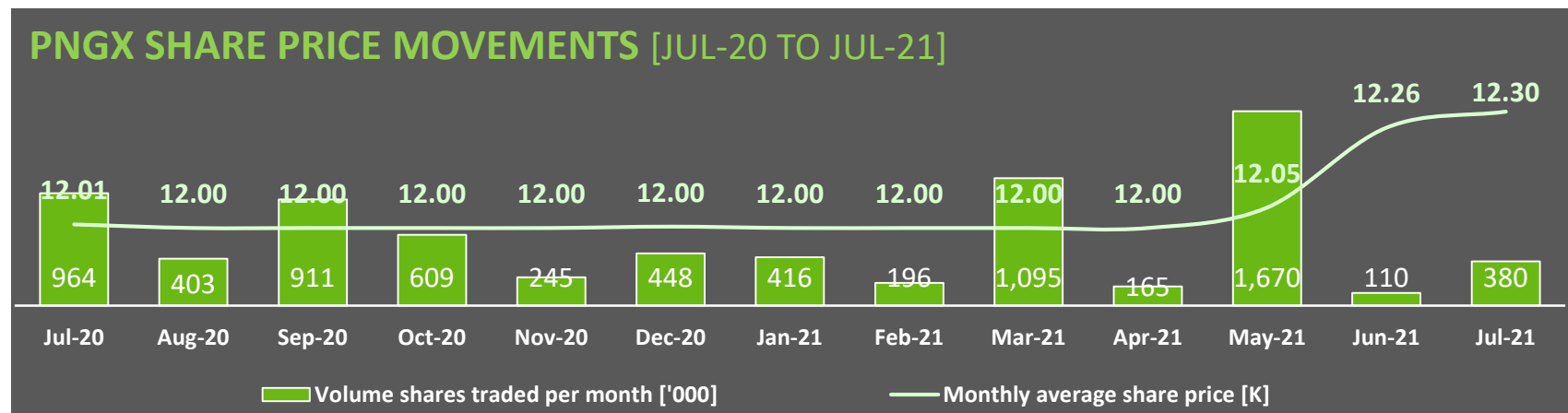
Note: ¹ 2020 interim dividend was reduced, giving due regard to ongoing uncertainty relating to COVID-19 impacts on operating performance for the 2H-2020.

² Trailing 12 months.

Share price trends

PNGX dividend yield of 11.7%, based on K12.30 share price ... and market capitalisation of K5.7b.

Initial ASX trade at A\$5.00 and ASX retail trades have continued to support the BFL price at around A\$5.50 to A\$5.60 ... representing a market cap circa A\$2.6b.



Top 10 Shareholders

BSP's Top 10 shareholders represented 83% of total issued shares as at Jul-2021.

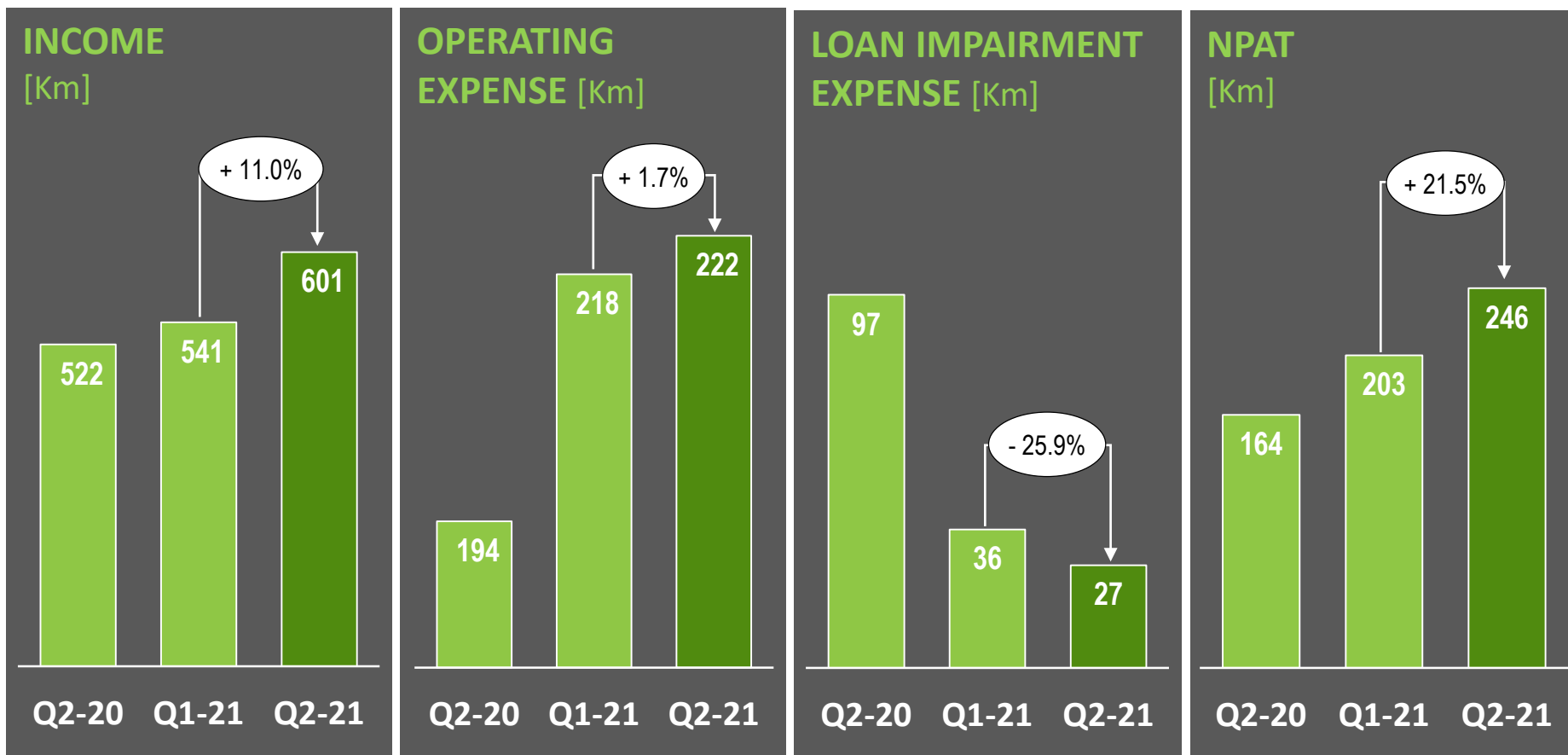
TOP 10 SHAREHOLDERS [Jul-2021]

Rank	Name	% Held
1	Kumul Consolidated Holdings Ltd	18.2%
2	Nambawan Super Ltd	11.8%
3	Petroleum Resources Kutubu Ltd	9.9%
4	National Superannuation Fund Ltd	9.7%
5	Fiji National Provident Fund	8.7%
6	Credit Corporation (PNG) Ltd	7.1%
7	Motor Vehicles Insurance Ltd	6.7%
8	PNG Sustainable Development Program Ltd	5.0%
9	Teachers Savings and Loans Society	3.3%
10	Comrade Trustee Services Ltd	2.7%

Q2-2021 results

Q2-21 profit

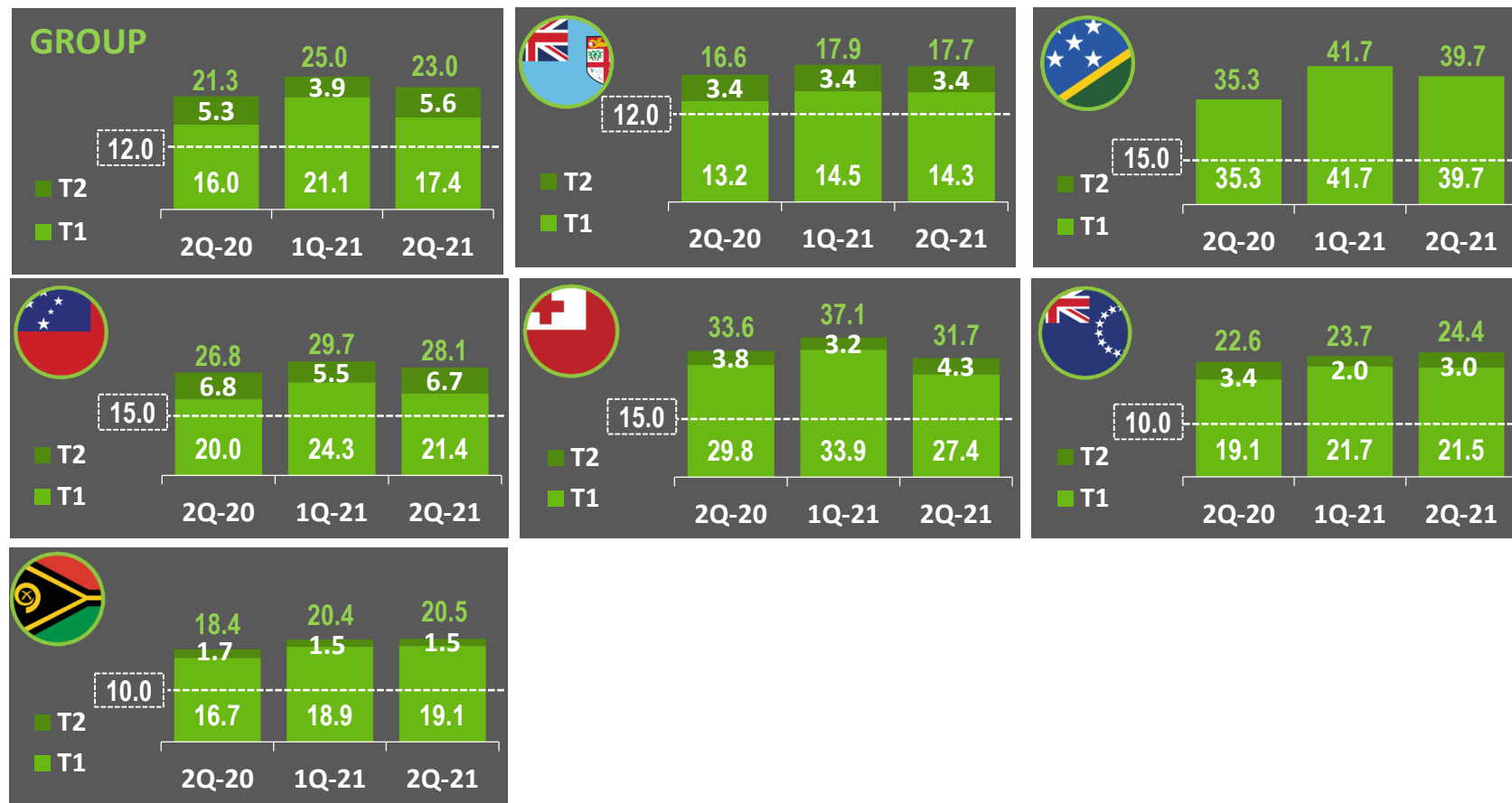
Quarterly momentum was maintained, with continued income growth (+11%) and reducing loan impairment expenses (-26%) ... the latter owing to more certainty around the COVID-19 impacts ... contributing to a 22% increase in NPAT.



Q2-21 capital adequacy

All of BSP's banking operations exceed their prudential capital requirements.

CAPITAL ADEQUACY [%]



Closing comments

Conclusion

- Sound profitability levels maintained, despite COVID-19 impacts ... with Group NPAT increasing by 17.6% to K449m in 1H-21
- Economic conditions constrained loan growth across all countries ... positive deposit growth in 1H-2021
- BSP Group has maintained positive results in key performance ratios in 1H-2021
 - Cost to income reducing to 38.5%
 - Capital adequacy reduced at 23.1% ... well above BPNG's 12% requirement
 - ROE increasing to 26.4%
- BSP is #1 in lending and deposits in five of its seven countries ... with the South Pacific's leading channel network
- In light of market conditions, BSP has maintained its solid performance enabling consistent returns to shareholders ... 56% interim dividend increase to 39 toea, giving due regard to COVID-19 impacts on BSP's financial position, stress tests and capital soundness