Company Secretary

27th October 2022

Ms. Nicola Lombardi
ASX Limited
Exchange Centre
20 Bridge Street
Sydney NSW 2000
Australia

By Electronic Lodgment

Dear Ms. Lombardi,

BSP Financial Group Limited – 2022 Q3 Investor Presentation

In accordance with the ASX Listing Rules, BSP Financial Group Limited **(ASX: BFL | PNGX: BSP)** provides to ASX for release to market its Q3 Investor Presentation.

Sincerely,
BSP Financial Group Limited

Mary Johns
Company Secretary

Enclosure

Investor Presentation

Q3-2022

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

2022

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South Pacific market leader

BSP provides financial services to nine countries across the South Pacific and South East Asia. BSP is the largest and most profitable South Pacific bank, with the most extensive branch network.

K14.1b [A$5.9b]
In net lending [1]

K31.9b [A$13.5b]
In total assets [1]

K5.8b on PNGX [A$2.3b on ASX]
Market capitalisation [2]

116 branches and sub-branches
Largest network

~ 3.4m
Customer accounts

> 18.3m per month
Digital transactions

[1] *AUD values based on exchange rate 0.4225 on 30/09/22 for net lending and total assets*
[2] *Market Capitalisation based on respective ASX and PNGX prices as at 30/09/22*

Q3-2022 results overview

Strong YTD Q3 results supported by improving economic conditions, loan growth, increased transactional revenue and uplift in foreign exchange revenues.

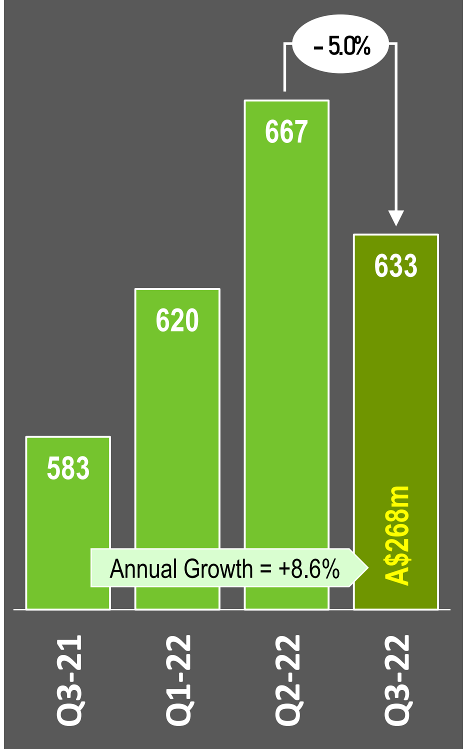
	YTD Q3-22	YTD Q3-21	Q3-21 vs Q3-22
NPAT *after Additional Company Tax (ACT)* [Km]	671.5	698.8	- 3.9%
NPAT *before Additional Company Tax (ACT)* [Km]	861.5	698.8	+ 23.3%
Cost-to-income ratio [%]	37.7	38.2	- 50bps
Earnings per share [toea]	143.7	149.6	- 3.9%
Market capitalisation [Kb]	5.8	5.7	+ 0.9%
Total assets [Kb]	31.9	28.9	+ 10.5%
Capital adequacy ratio [%]	23.3	23.4	- 10bps

Q3-2022 Group Financial Performance

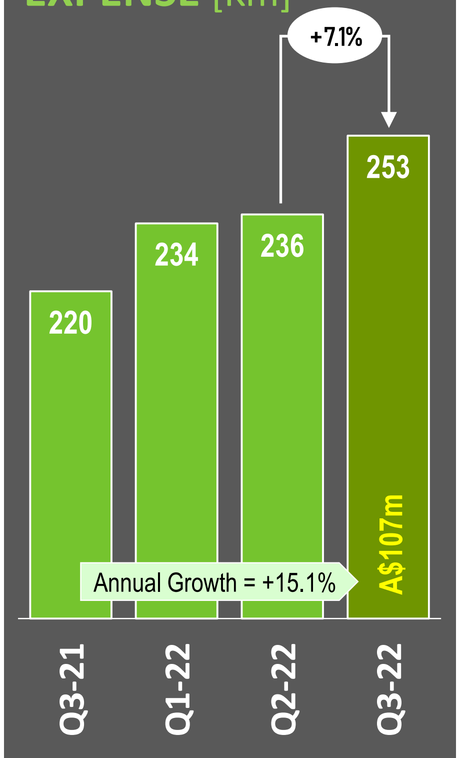
Group NPAT trends

Year-on-year income increases, coupled with improved credit quality and consequent provision adjustments, contributed to a 10.4% increase in NPAT compared to Q3-21.

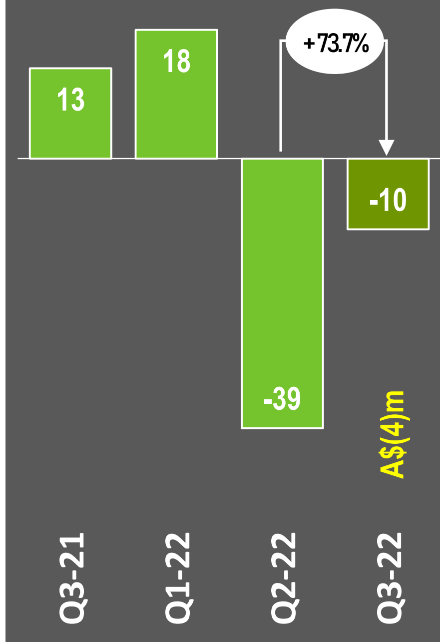
INCOME [Km]



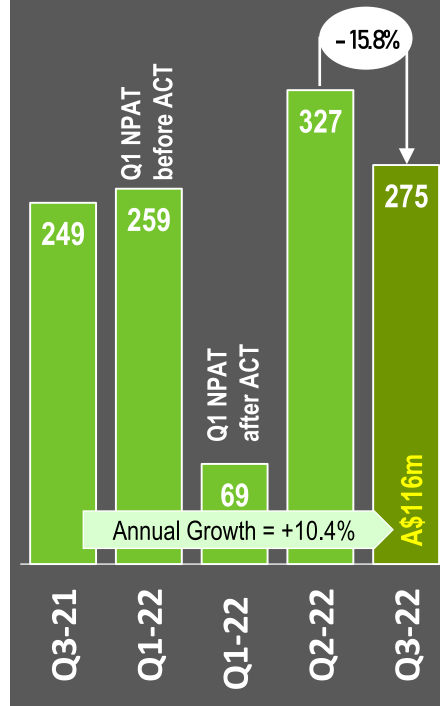
OPERATING EXPENSE [Km]



IMPAIRMENT EXPENSE/ (RECOVERY) [Km]

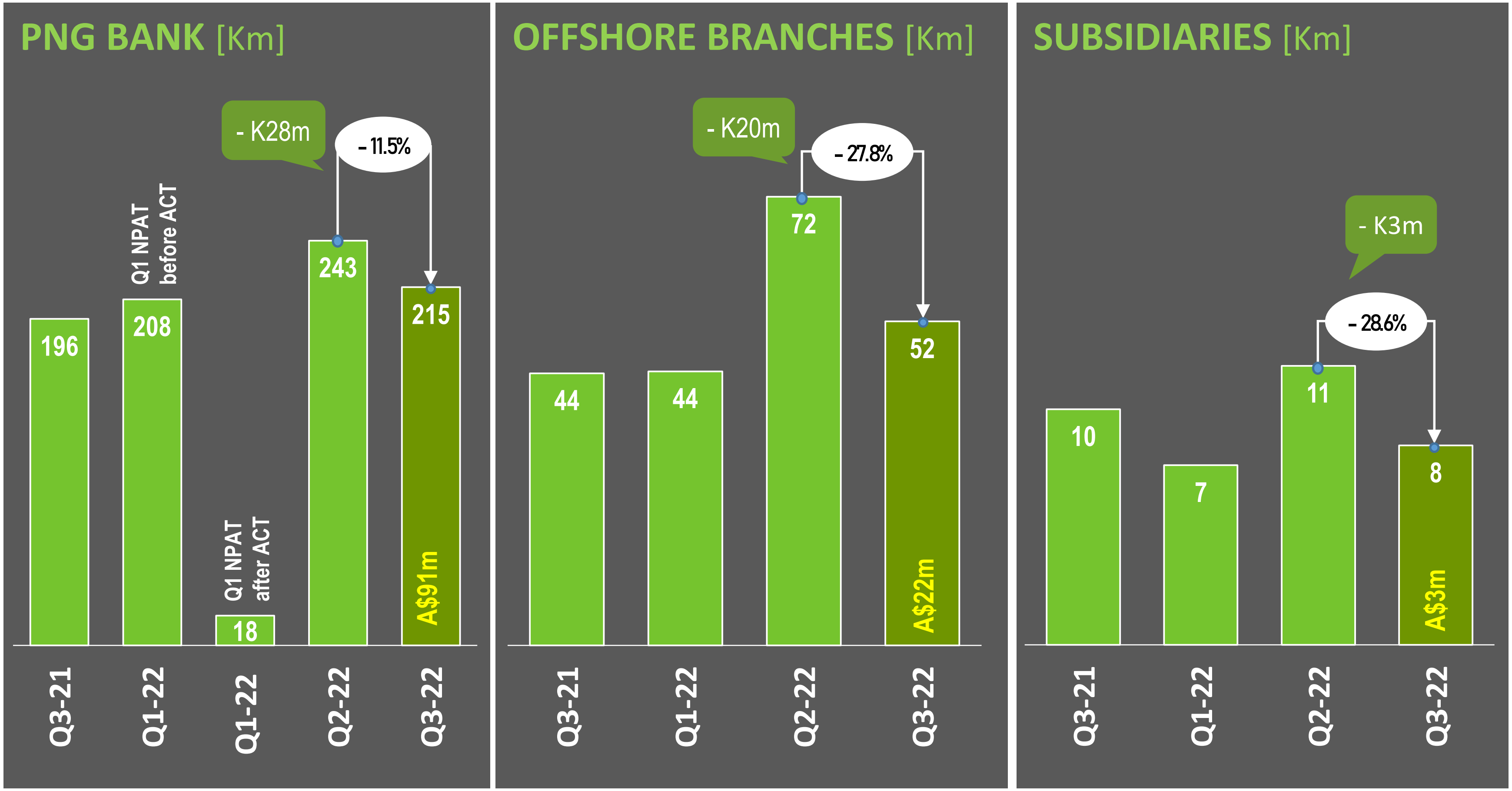


NPAT [Km]



NPAT contribution by business

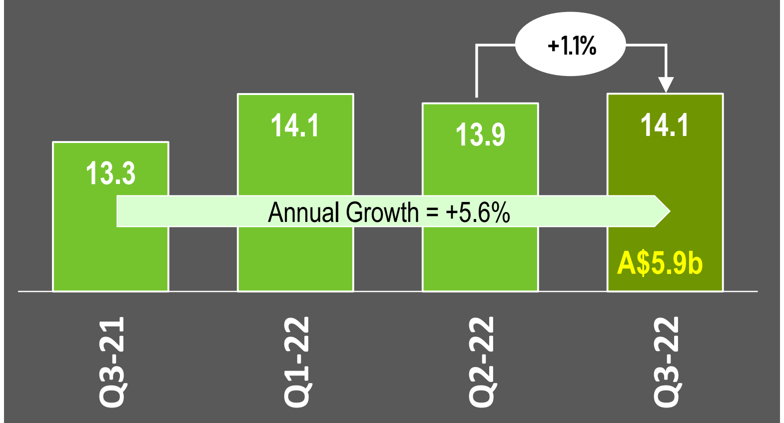
PNG Bank and Offshore Branches performed positively in Q3-22, notwithstanding PNG Bank NPAT was lower than prior quarter due to higher FX income and provision releases in Q2-22. The Offshore Branches contribution to Group NPAT has increased materially … driven largely by continued growth in our BSP Fiji businesses.



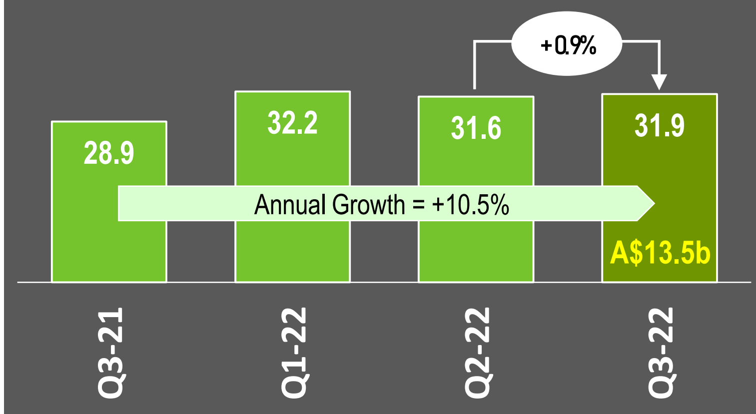
Underlying performance driver trends

Minimal loan and deposit growth in Q3-22. However, banking system remains liquid in all countries, which permits ongoing investment in government instruments moreso in PNG.

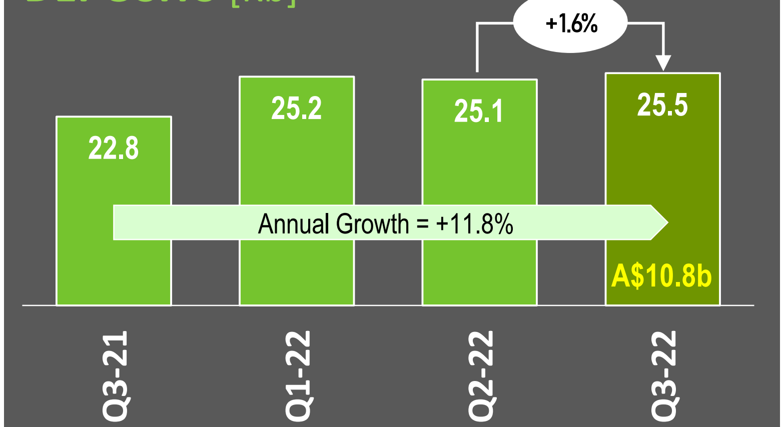
NET LOANS [Kb]



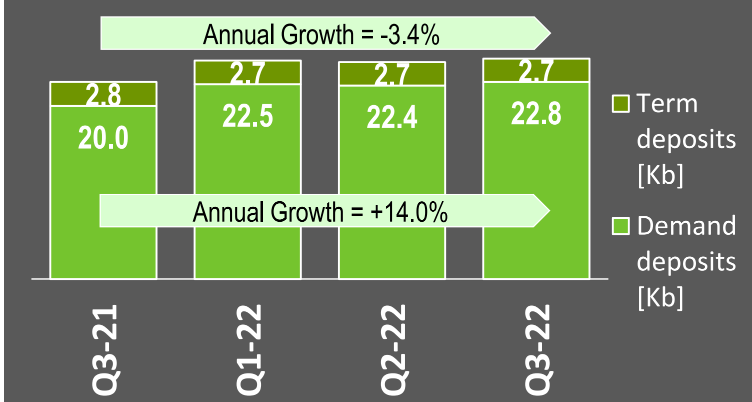
TOTAL ASSETS [Kb]



DEPOSITS [Kb]

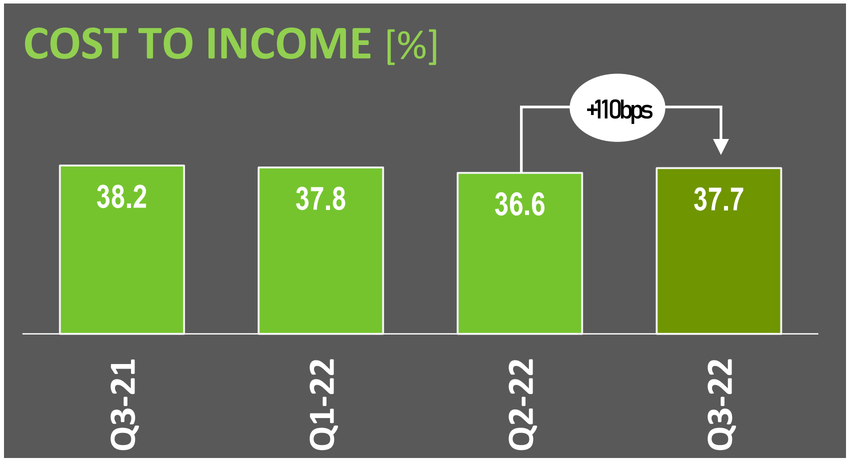


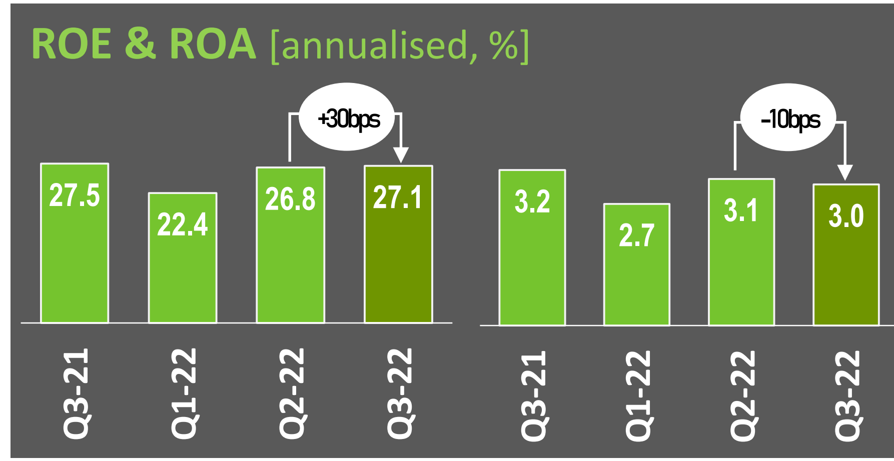
DEPOSIT MIX [Kb]

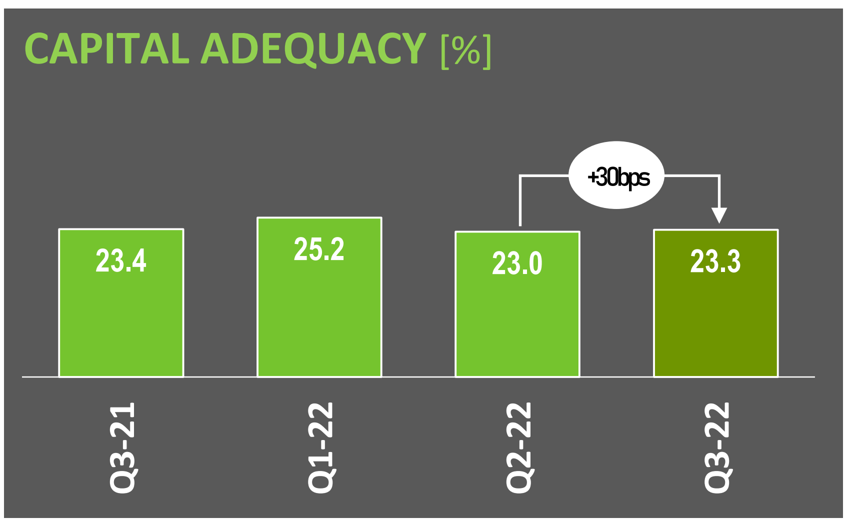


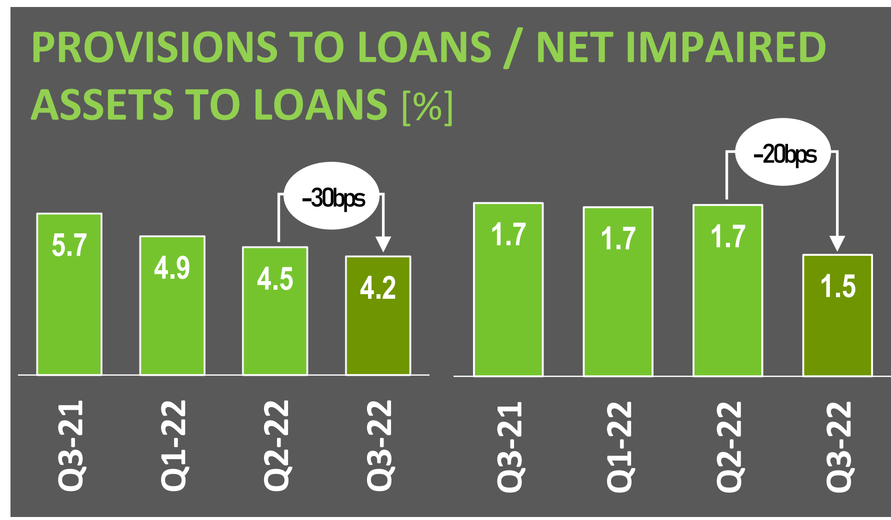
Key ratios

BSP's capital adequacy remains well above regulatory requirements. Continual improvement in credit quality saw a reduction in the provisions to loans ratio, with provisions now more aligned to pre-COVID levels.







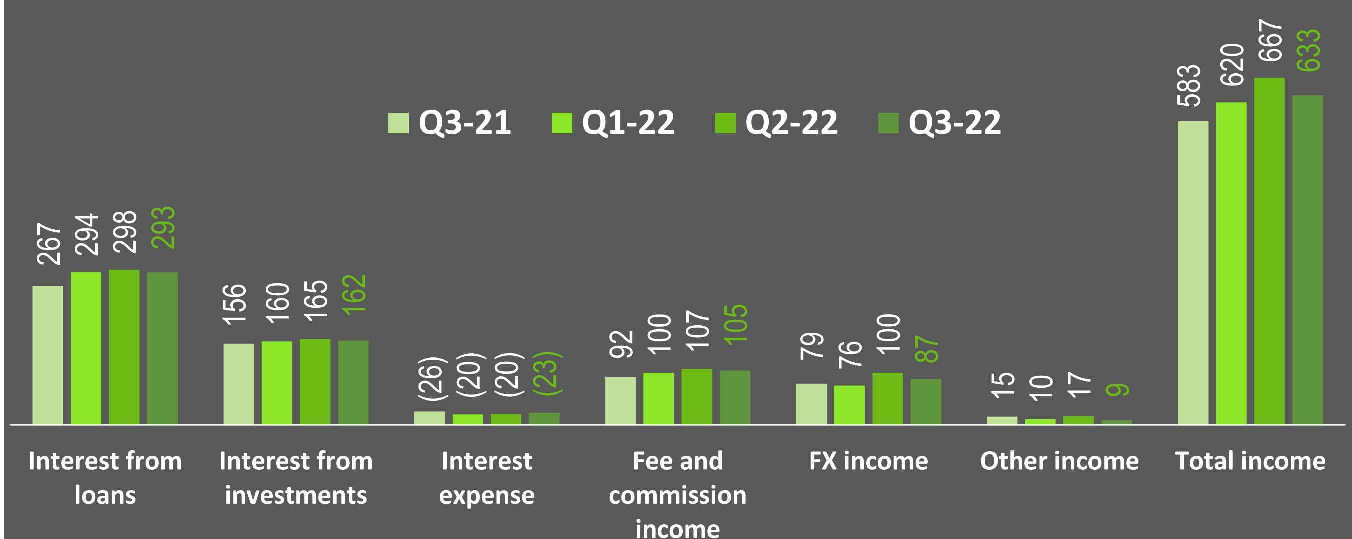


Income stream trends

Higher volume related interest revenue, coupled with better foreign exchange flows and fee income, have driven the overall income growth in Q3-22, when compared to the same period last year.

	Interest – loans	Interest – investments	Fee/ commission	FX income	Other income	Total income
YOY:	9.9% ↑	3.7% ↑	14.3% ↑	10.9% ↑	(40.7%) ↓	**8.6%** ↑

GROUP INCOME STREAMS [Km]



DEFINITIONS

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

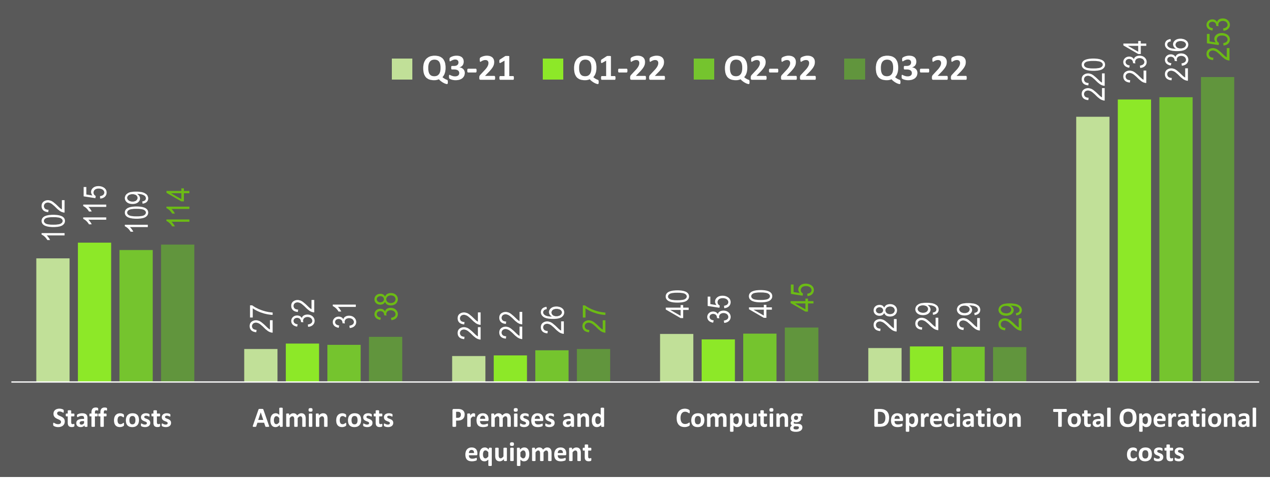
Key:
YOY = Year on year

Expenditure trends

Overall expenditure increased by 15.1% in Q3-22 compared to Q3-21, driven by increased resourcing in Retail, Operations and Compliance teams to support customer growth, higher channel related costs (contributing to higher channel revenue) and higher property maintenance costs.

	Staff costs	Admin cost	Premises/ equipment	Computing	Depreciation	Total operating costs
YOY:	11.1% ↑	37.0% ↑	26.1% ↑	13.4% ↑	2.3% ↑	**15.1%** ↑

GROUP EXPENDITURE [Km]



DEFINITIONS

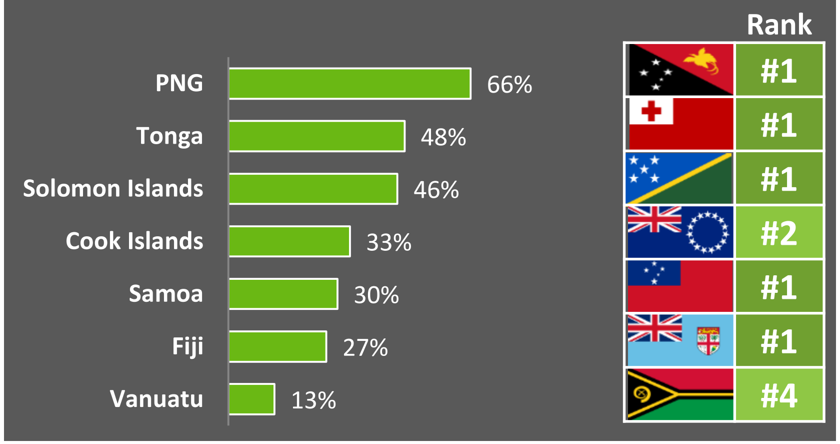
- **Staff Costs** – salaries, remuneration benefits, training and accommodation
- **Admin Costs** – marketing, communications
- **Premises costs** – buildings, maintenance, generators, electricity
- **Computing Costs** – software maintenance, licenses, data links,
- **Depreciation** – premises & equipment depreciation, software amortisation

Key:
YoY = year on year

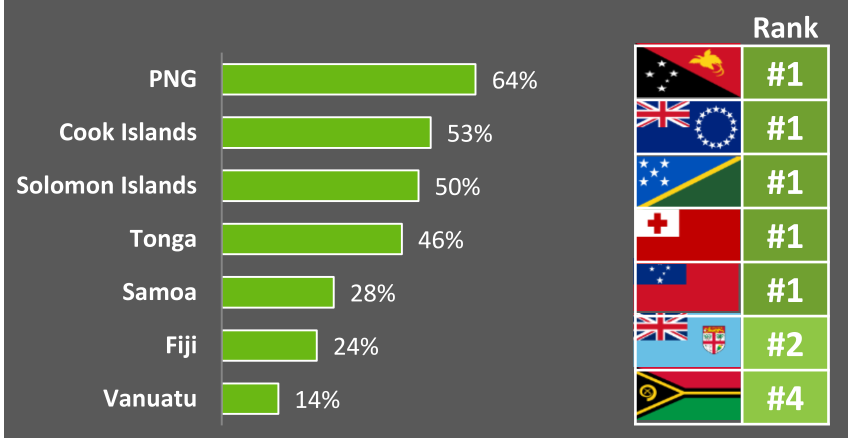
Market position and portfolio composition

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

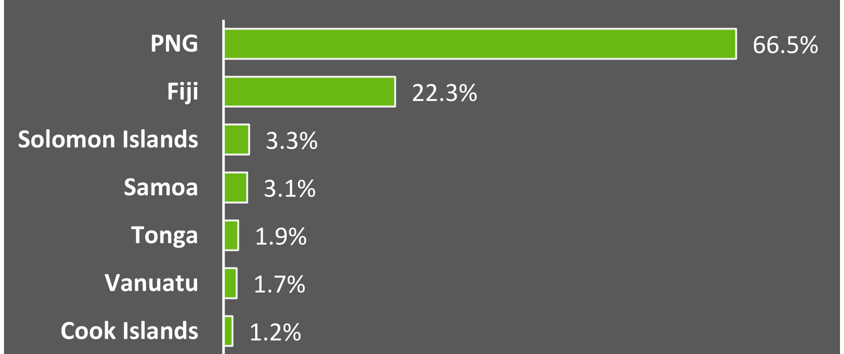
LOANS MARKET SHARE [Q3-22, %]



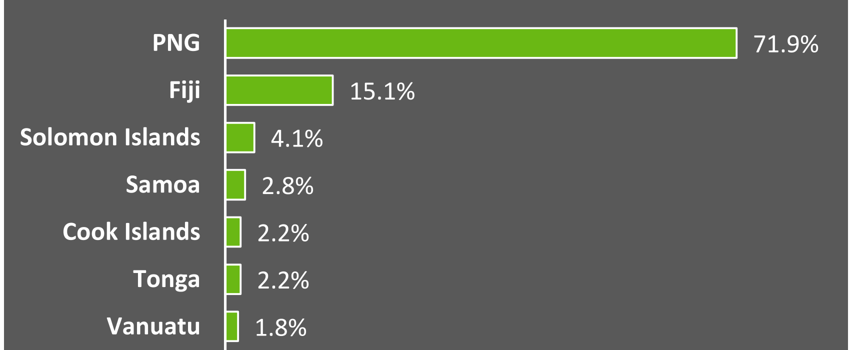
DEPOSIT MARKET SHARE [Q3-22, %]



LOANS PORTFOLIO COMPOSITION [Q3-22, %]



DEPOSIT PORTFOLIO COMPOSITION [Q3-22, %]



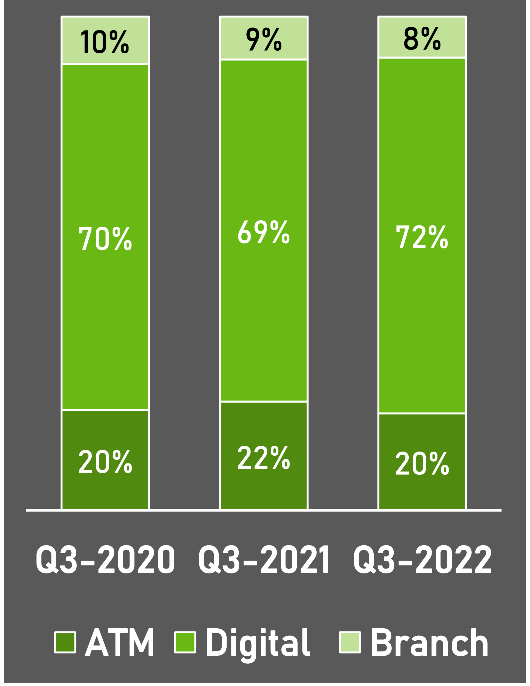
Operational Performance

Channel growth trends

Our transaction activity continues to grow YoY across all channels, with digital transactions increasing by circa 5 million per month since 2020 … driven by growing BSP customer use of BSP's mobile banking services in PNG.

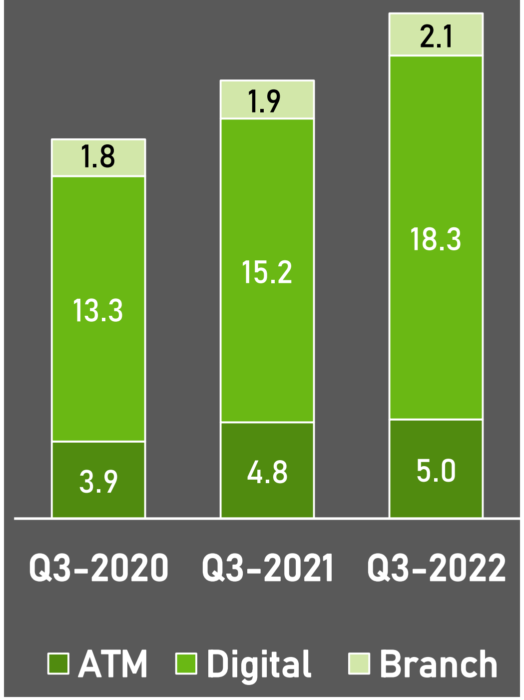
TRANSACTION MIX BY CHANNEL

[percentage]



TRANSACTIONS PER MONTH BY CHANNEL

[million]

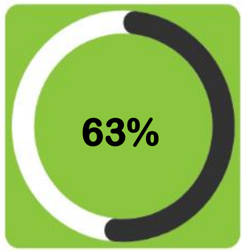


Banking made easy

Safe, secure and convenient 24/7 cashless payments … we continue to innovate and pioneer new services and products to improve customer service levels. Vodafone Top-Up is now available in PNG via our mobile banking service.

PNG – TOP 3 PERFORMING CHANNELS

33 million
Mobile Banking transactions in Q3-22.



MOBILE BANKING *131#

63% of transactions performed via Mobile banking *131# service in the top 3 transactions.

1. Mobile top-up
2. Transfer Other + Own
3. Easipay top-up

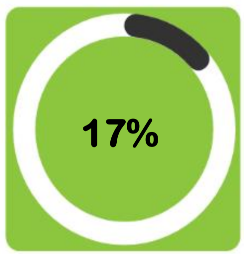
10 million
Card Transactions in Q3-22.

EFTPOS

19% of transactions performed via EFTPOS payment with the two payment distribution being.

1. Purchase
2. Purchase + Cash Back

9 million
ATM transactions in Q3-22



ATM

17% of transactions performed via ATM with the top three (3) transactions being.

1. Cash Withdrawal
2. Balance Enquiry
3. Mini statement

ONBOARDED MERCHANTS

502
MOBILE MERCHANT

416
SCHOOL FEE MERCHANT

49
IPG MERCHANT

19
BSP PAY MERCHANT

Digital innovation

Digital solutions that are meeting customer needs and continue to drive channel activity growth.

BSP Pay

*131*6#

BSP PAY

- **19 partners** now offer BSP Pay, as a non-card alternative payment available to online shopping customers.

SCHOOL FEE MERCHANTS

- **Over 400** schools and tertiary institutions in the Education sector have partnered with BSP to drive digital transformation in tuition fee payments.

MOBILE MERCHANTS

- Over **500** retailers and consumer-goods-and-services from various business facets partnered with BSP to offer Mobile Merchants payment.
- Q3’22 reflected the highest growth of mobile merchant by **3.9k** transactions in 2022.

VODAFONE TOP-UP

- Vodafone top-up is **now available** on our mobile banking platform.

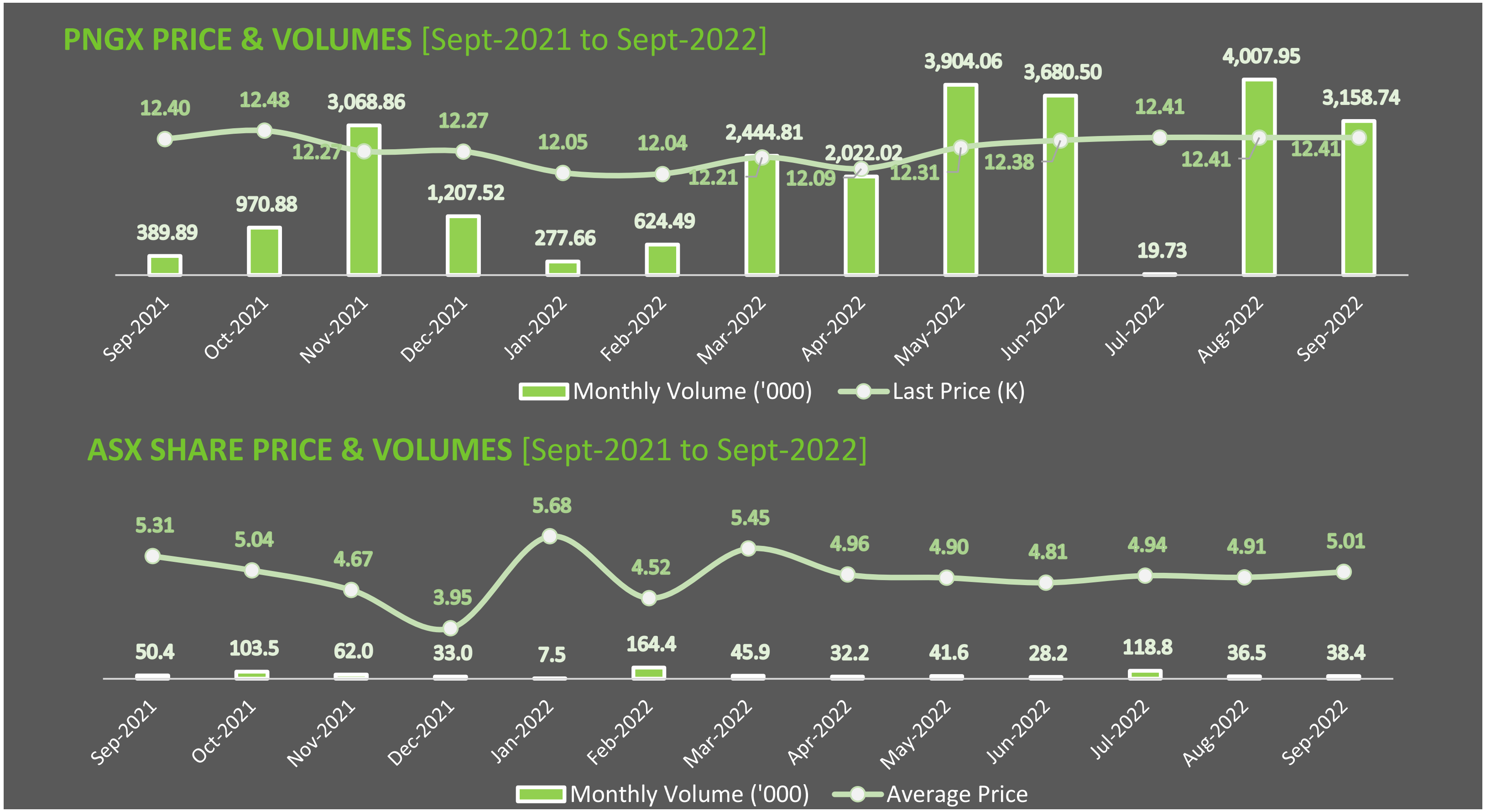
BSP IPG SERVICE

- **73%** of **15** registered business partners on IPG were active in Q3. Bringing added value to mass market consumers to pay for goods and services of mobile top-up, e-tithing, grocery shopping and other service payment via online payment.

Shareholder returns

Share price trends

BSP's share price on the PNGX closed Q3-22 at K12.41, which was 0.9% higher over the trailing 52 weeks … whereas the ASX prices remained constrained with trading liquidity volumes being very small. BSP's market capitalisation[1] on the PNGX was K5.8bn and A$2.3b on the ASX at 30-Sep-22.



[1] *PGK and AUD values based on respective PNGX and ASX share price as at 30/09/2022*

Top 10 Shareholders

BSP's Top 10 shareholders represent 78.3% of total issued shares, as at 30-Sep-22.

TOP 10 SHAREOLDERS [30-September-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	Nambawan Super Limited	26,489,212	21,597,899	48,087,111	10.3%
3	Petroleum Resources Kutubu Limited	46,153,840		46,153,840	9.9%
4	National Superannuation Fund	45,318,417	-	45,318,417	9.7%
5	Fiji National Provident Fund	40,547,063	-	40,547,063	8.7%
6	Credit Corporation (PNG) Limited		36,294,081	36,294,081	7.8%
7	Motor Vehicles Insurance Limited	31,243,736	-	31,243,736	6.7%
8	Comrade Trustee Services Limited	12,456,052	-	12,456,052	2.7%
9	PNG Sustainable Development Program Ltd	11,748,156	-	11,748,156	2.5%
10	The Catholic Bishops Conference Inc	9,000,000	-	9,000,000	1.9%
			Shares Held by Top 10	365,660,053	78.3%
			Total Shares Outstanding	467,219,979	100.0%

Updates on Additional Company Tax

BSP maintains that the Additional Company Tax (ACT) is unfair and discriminatory. More broadly, it suppresses business and investment confidence in PNG … and its economic costs far outweigh its benefits. Accordingly, BSP has initiated a judicial review with the Supreme Court, based on the constitutionality of the arbitrary Tax on BSP's shareholders.

ADDITIONAL COMPANY TAX

- The **K190m tax was paid on 30 September 2022** into an escrow account held with BPNG, pending the outcome of BSP's legal challenge to the ACT. The full K190m was taken up in BSP's Q1-22 accounts.
- The ACT applies to following years in perpetuity, meaning that BSP is liable for another K190m on 1 January 2023.
- Due to the impact of the ACT, BSP's interim dividend paid on 14-Oct-2022 was reduced to K0.34 (down 33% from K0.51 if ACT was not applied).
- The Tax applies a flat K190m on any bank that has over 40% market share of financial assets, which could only apply to BSP.

LEGAL CHALLENGE TO ACT

- BSP has filed an application to the Supreme Court in May 2022 on the constitutionality of the Tax.
- The application was filed under Section 18(1) of the Constitution and seeks to render the ACT unconstitutional and invalid.
- Shareholders including Nambawan Super Ltd, Nasfund, Comrade Trustee Services and the Association of Superannuation Funds, as well as the IRC and Attorney General, have joined the action as interveners.

Closing comments

Conclusion

- Profitability levels YTD Q3-22 at K671.5m remained fairly consistent with the same period last year of K698.8m, despite BSP expensing an additional K190m in company taxes due to the introduction of the Additional Company Tax.
- The key drivers for revenue included increased interest income, FX revenues and higher transactional income, which contributed to Q3-22 income growth of 8.6% against Q3-21.
- BSP Group's key performance ratios remained positive compared to the prior year:
  - Cost-to-income ratio improved to 37.7%.
  - Capital adequacy at 23.3%.
- 2022 interim dividend of K158.8m paid to shareholders on 14 October 22.
- Notwithstanding the additional company tax of K190m, BSP continues to support customers in PNG with additional branches. Eriku will open on 1 November 22, Dobel in Western Highlands in Q2-23, NCD Lending Centre in Port Moresby in December 22.
- New Banking System targeted for Q1-23.