

23 August 2024



Half Year Results 2024

Investor Presentation

BSP Financial Group Limited
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Overview

Mark T. Robinson, Group Chief Executive Officer



Results summary



Group performance remains robust, at a time of significant investment in the business

PGK [millions]	1H-23	1H-24	Change
Revenue	1,307	1,459	12%
- Net interest income	901	982	9%
- FX income	202	259	28%
- Fee and commission income	171	185	8%
- Insurance/other income	34	33	-0.4%
Operating expenses	(477)	(579)	21%
Operating profit	830	880	6%
Bad & doubtful debt expenses	(79)	(84)	7%
Profit before tax	752	796	6%
Income tax	(324)	(334)	3%
Underlying NPAT	427	461	8%
JV ¹ impairment	-	(36)	-
ACT ² settlement	-	95	-
STATUTORY NPAT	427	520	22%

AUD ³ [millions]	1H-23	1H-24	Change
Revenue	552	586	6%
- Net interest income	380	394	4%
- FX income	85	104	22%
- Fee income and commission income	72	74	2%
- Insurance/other income	14	13	-5%
Operating expenses	(202)	(233)	15%
Operating profit	351	353	1%
Bad & doubtful debt expenses	(33)	(34)	1%
Profit before tax	317	320	1%
Income tax	(137)	(134)	-2%
Underlying NPAT	180	185	3%
JV ¹ impairment	-	(14)	-
ACT ² settlement	-	38	-
STATUTORY NPAT	180	209	16%

¹ South East Asia joint venture (JV) asset refinance business

² Additional Company Tax settlement

³ Average exchange rate of 0.4224 AUD=1PGK for 1H-23, and 0.4016 AUD=1PGK for 1H-24

Our market

BSP is the largest financial institution in the South Pacific, a changing market with favourable tailwinds

BSP Position

South Pacific Leader



Largest financial institution

- Leading role in PNG and South Pacific economies
- Facilitating business and commerce
- Enabler of prosperity, financial inclusion

Foundation for growth



Set for next phase of growth

- Focused on delivering exceptional customer experience
- Significant investments in risk and compliance
- Realising benefits of new Core banking system

External environment

Changing market conditions



BSP well placed

- Modernising for growth, providing greater customer value as competition emerges
- Responsive to rising prudential standards, supported by investment in risk and compliance capabilities

Favourable trends



Growth opportunities

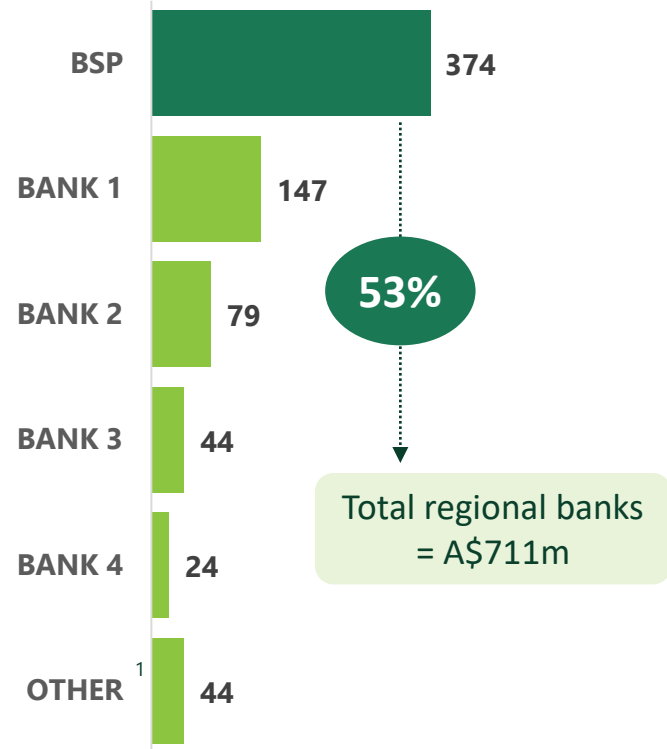
- Megaprojects and foreign investment stimulating Pacific economies
- Technology propositions to bank individuals and SMEs
- Wealth building in urban centres

South Pacific leader

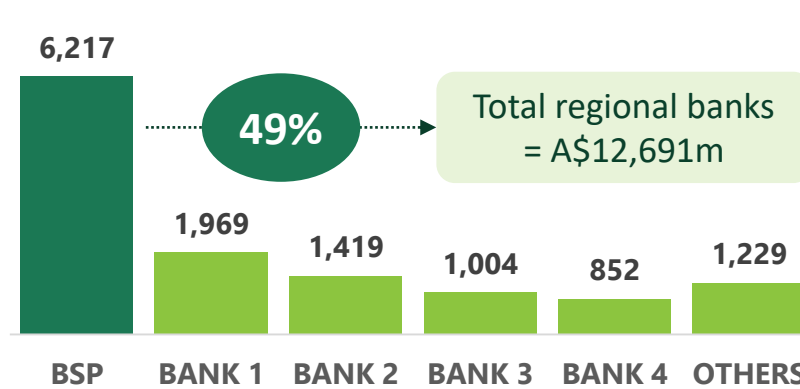


BSP's NPAT and balance sheet is materially larger than its South Pacific peers

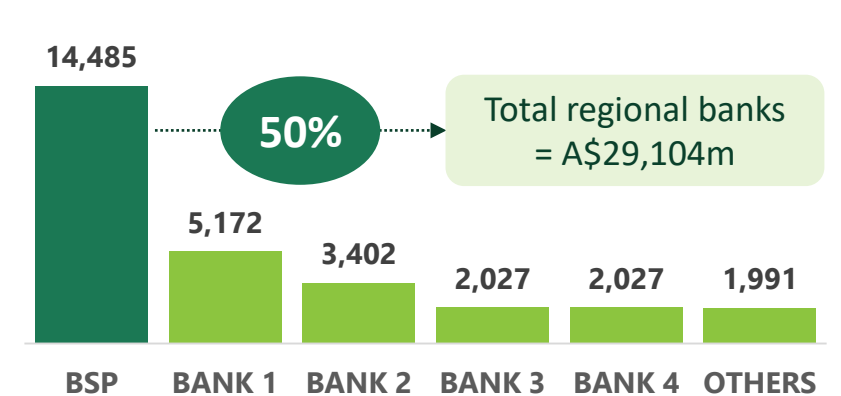
Statutory NPAT [FY23, A\$m]



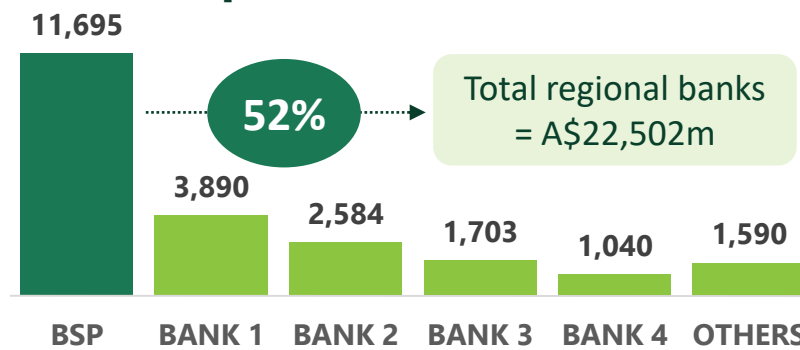
Net Lending [FY23, A\$m]



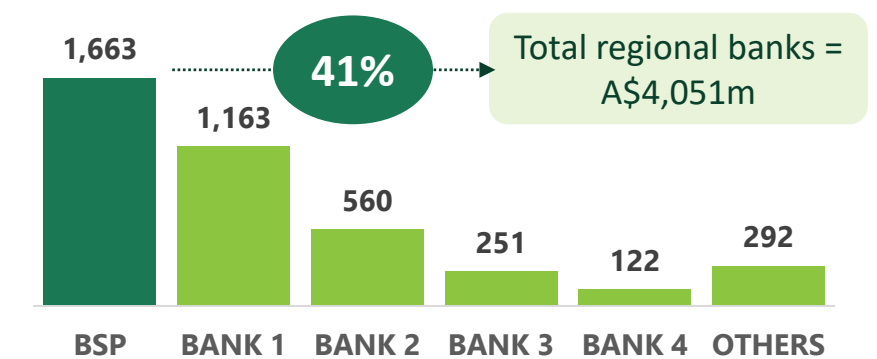
Total Assets [FY23, A\$m]



Total Deposits [FY23, A\$m]



Equity [FY23, A\$m]



¹ Others include banks that are only operating in the specific Pacific country for example: Bank of Baroda – Fiji; HFC – Fiji; Pan Oceanic Bank – SI; National Bank of Samoa; MBF – Tonga; Tonga Development Bank; National Bank of Vanuatu.

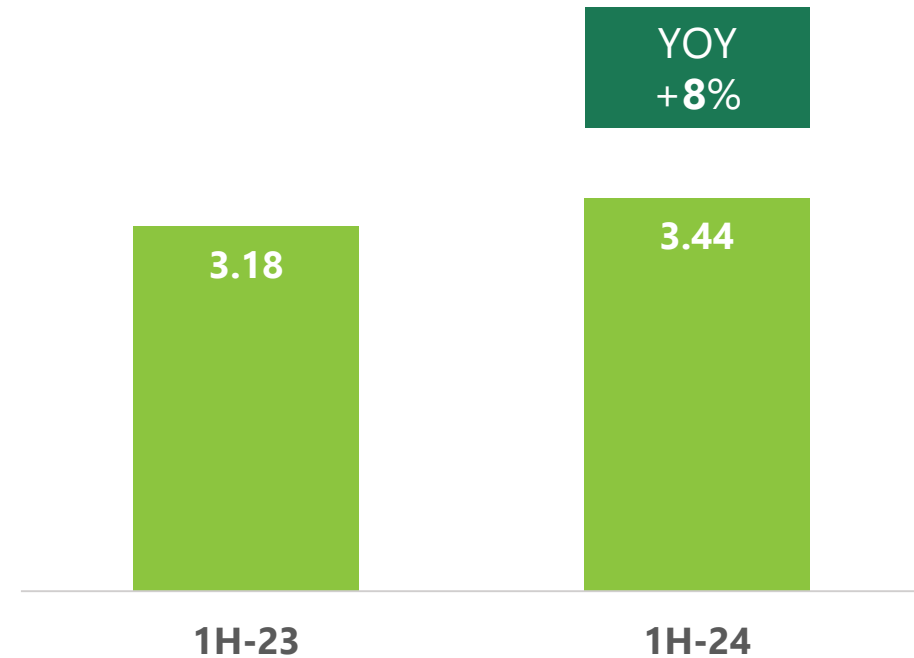
Customer activity

Digital channel adoption accelerated, following new core banking system implementation last year

AVERAGE MONTHLY TRANSACTIONS [YOY]

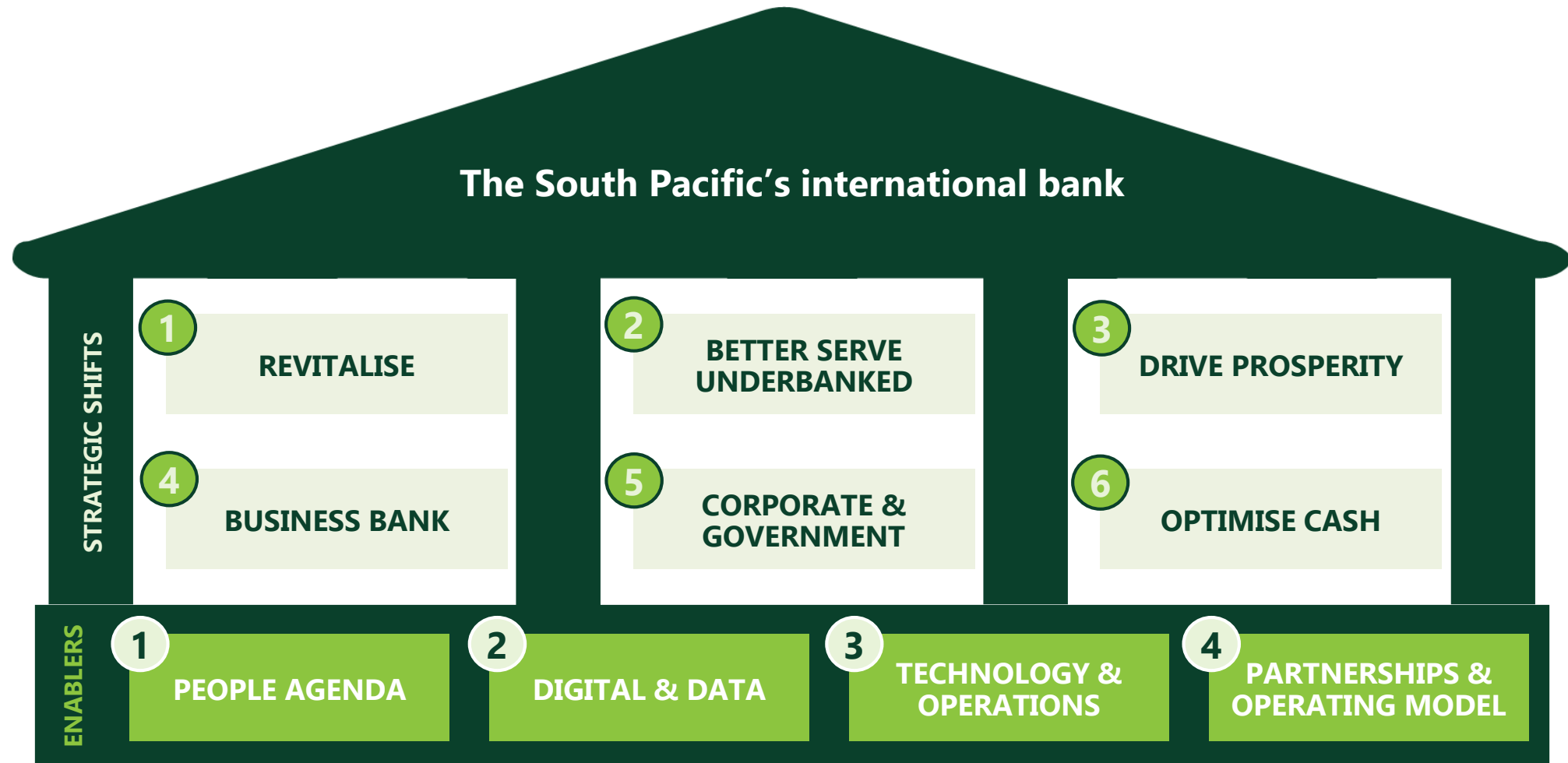
	18.1m Digital	▲ 21%
	5.4m EFTPOS terminals	▲ 16%
	4.5m ATM	▼ 2%
	1.1m Branch & agency	▼ 8%

ACCOUNTS [millions]



Building a world class bank

Strategic shifts that will deliver long term growth



1H24 Result Presentation

Ronesh Dayal, former Group Chief Financial Officer



Strong H1-24 financial performance



Solid growth in both earnings and dividend per share

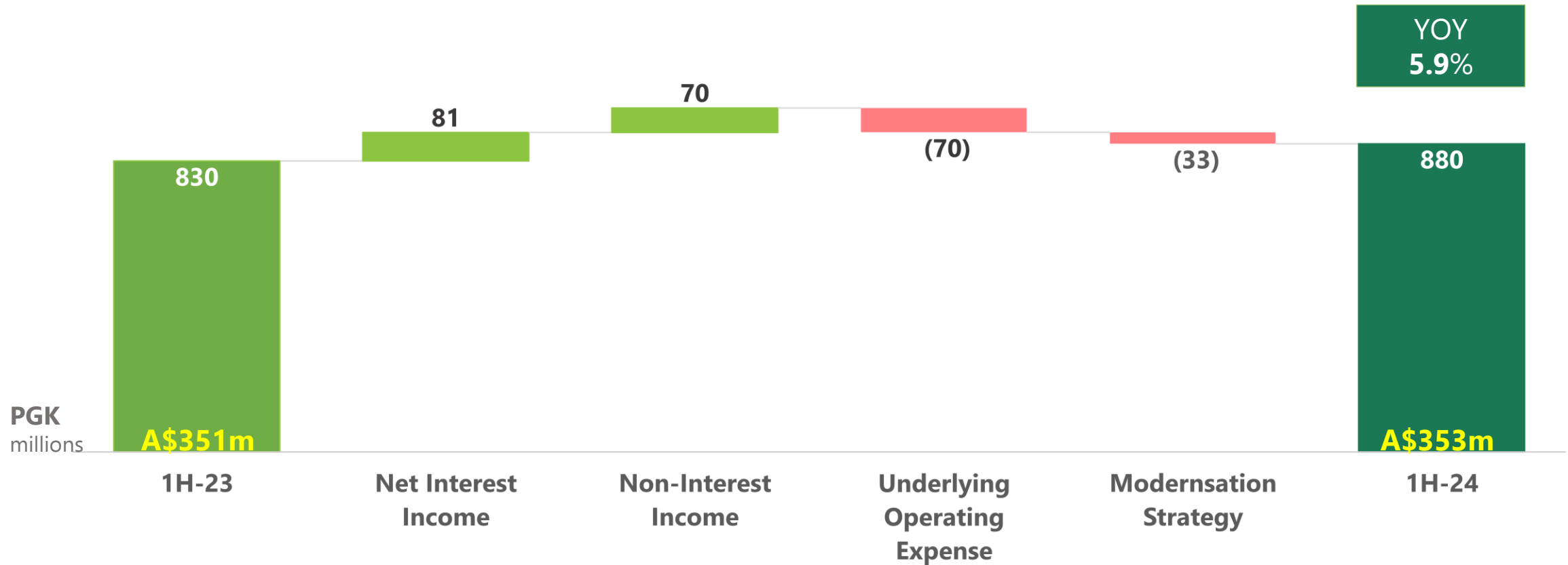
PGK [millions]	Jun-23	Jun-24	Change	AUD [millions]	Jun-23	Jun-24	Change
Statutory NPAT	427	520	22%		180	209	16%
ACT settlement ¹	-	95	-		-	38	-
JV impairment	-	(36)	-		-	(14)	-
Underlying profit	427	461	8%		180	185	3%
Earnings per share [PGK]	0.91	1.11	22%	[AUD]	0.39	0.45	16%
Dividend per share [PGK] ²	0.37	0.45	22%				

¹ On 19 February 2024, BSP entered into a settlement of the judicial review of the PNG Government's imposition of Additional Company Tax with the Commissioner General of Internal Revenue. K95 million was refunded to BSP in April 2024, which was realized to P&L after tax. The balance of K95 million was paid to the Internal Revenue Commission as full and final settlement of the litigation concerning the imposition of the Additional Company Tax.

² Impact of one-offs on H1-24 was 5 toea per share

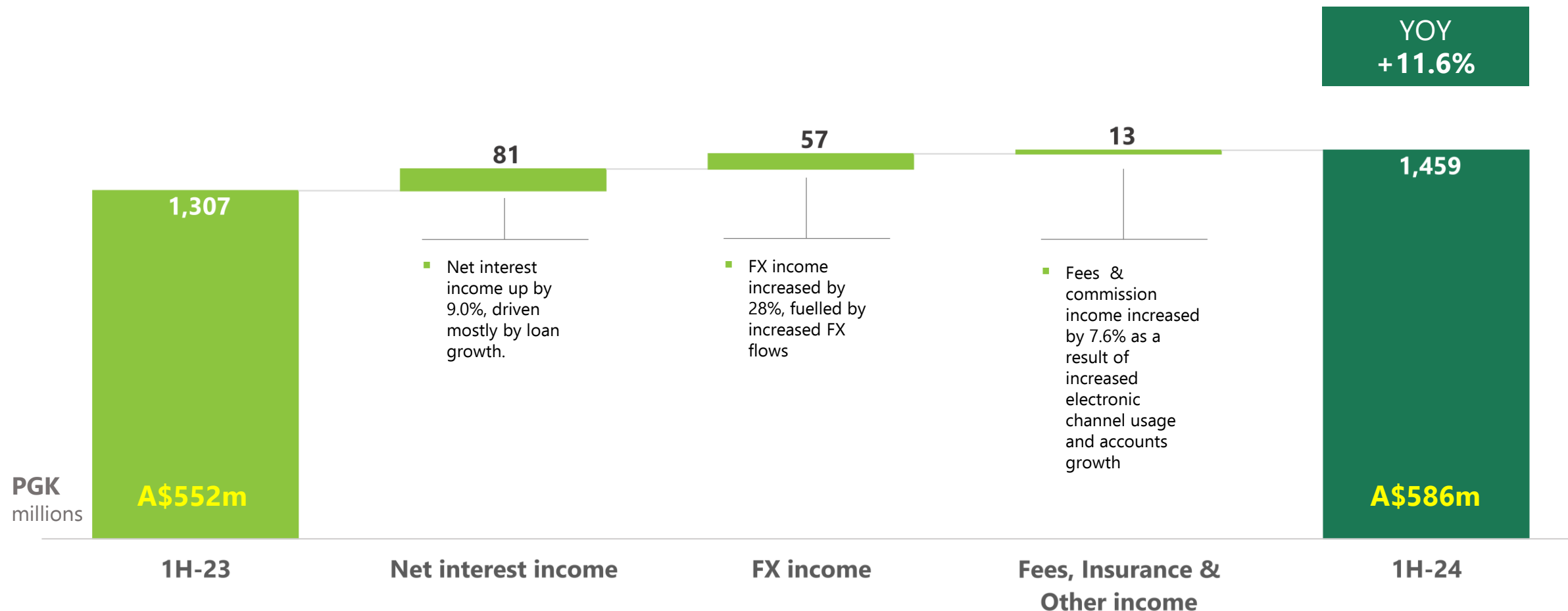
Operating profit

Steady growth of the Group's operating profit, despite significant investments to modernise the business



Total income

Robust lending and FX volumes enhance business revenue

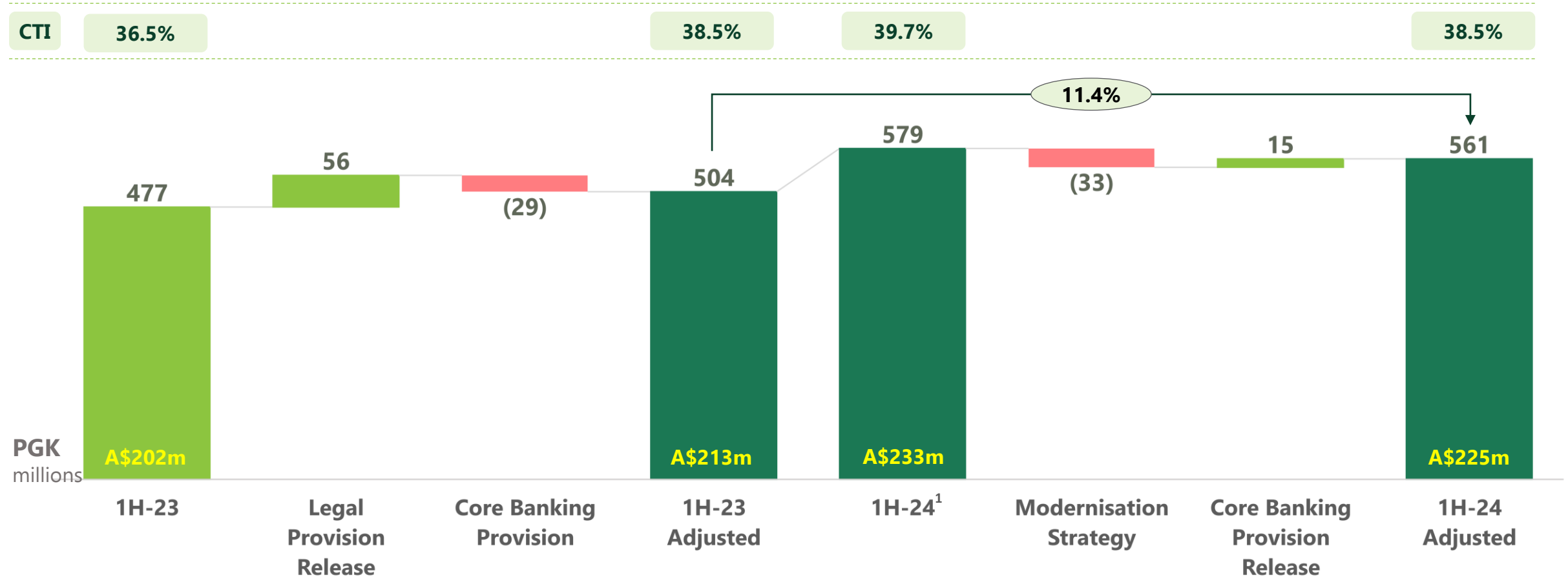


PGK millions

Operating expenses



Adjusted cost to income [CTI] ratio remains stable



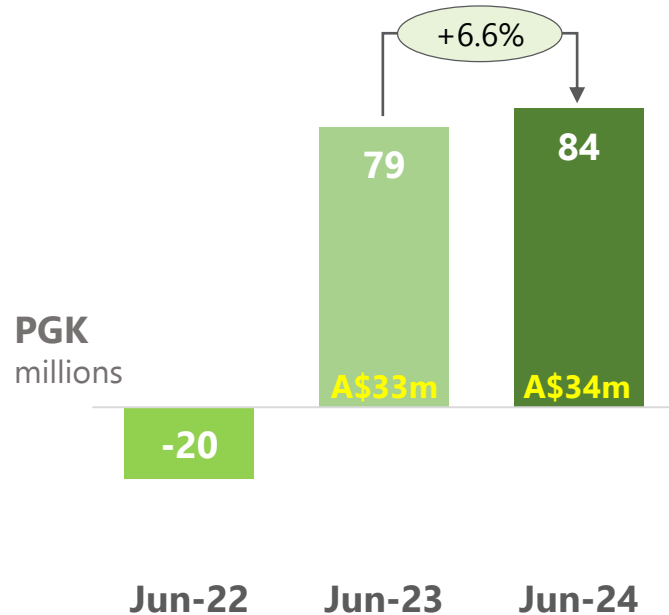
PGK millions

¹ Varies from Form 4D value K615m, given exclusion of JV impairment of K36m.

Credit quality

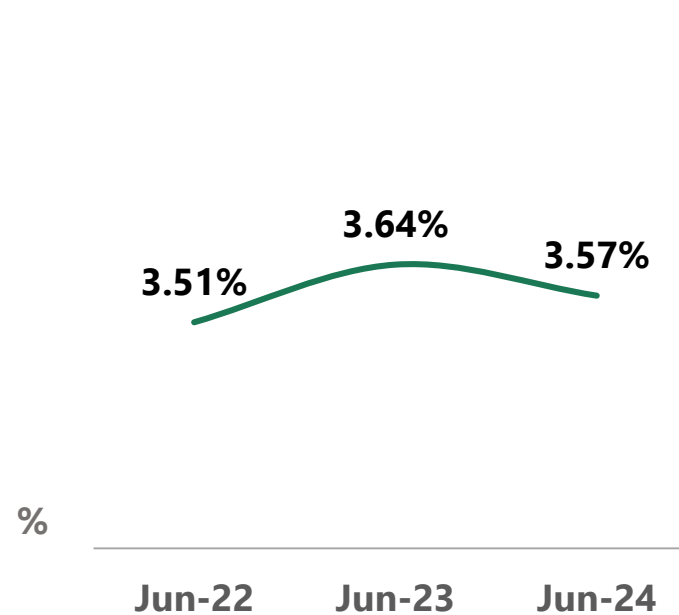
Bad and doubtful debt expenses slightly higher, due to a large specific provision recognised and higher write-offs for UPL/SME Loans

BAD & DOUBTFUL DEBT EXPENSES

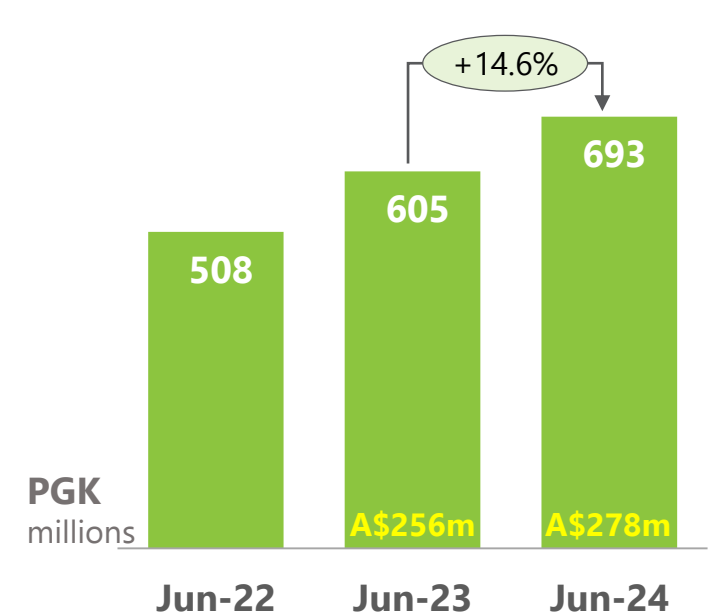


DELINQUENCY RATES

90+ days, as a percentage of total loans



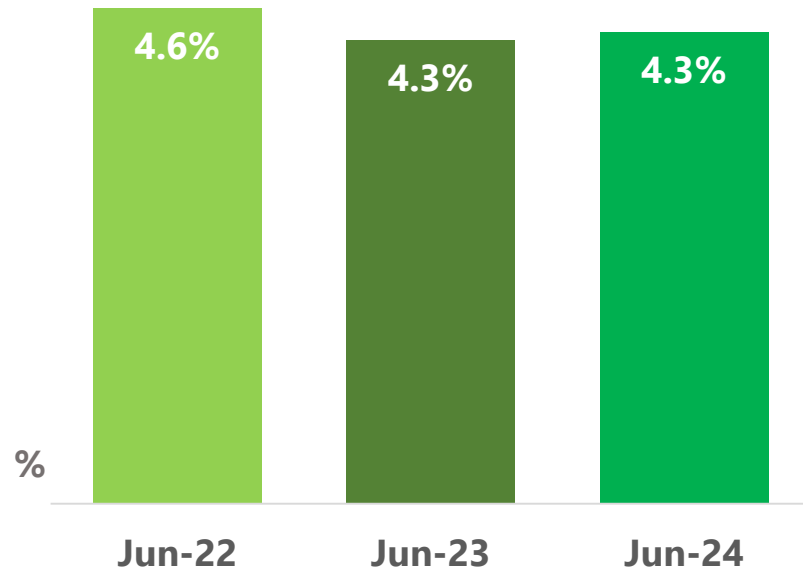
GROSS IMPAIRED ASSETS



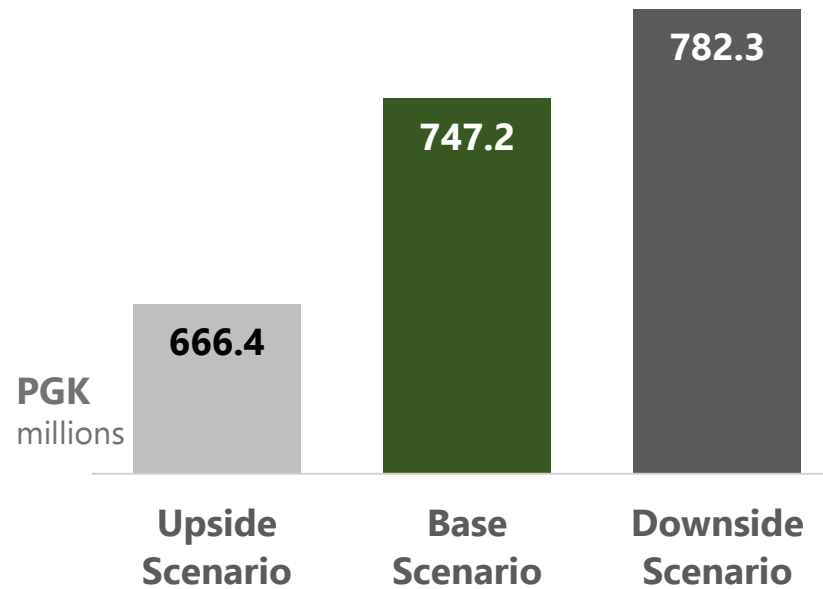
Loan Provisions

Provisions to loans remain stable

PROVISIONS TO LOANS



PROVISION SCENARIOS



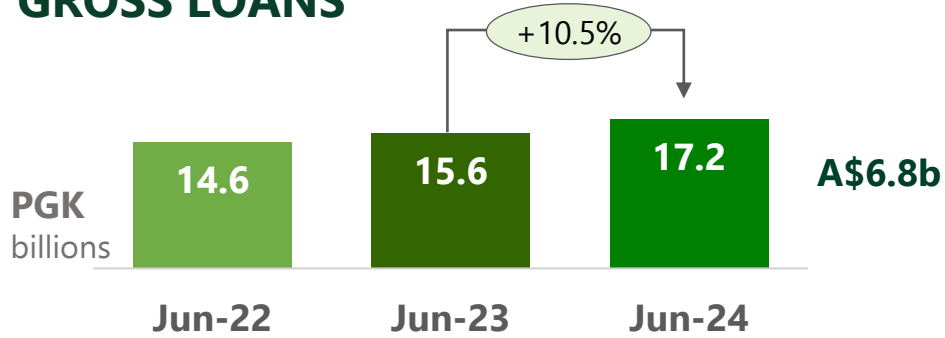
Note: Based on scenarios derived by changing the relative weighting of key economic variables

Balance sheet

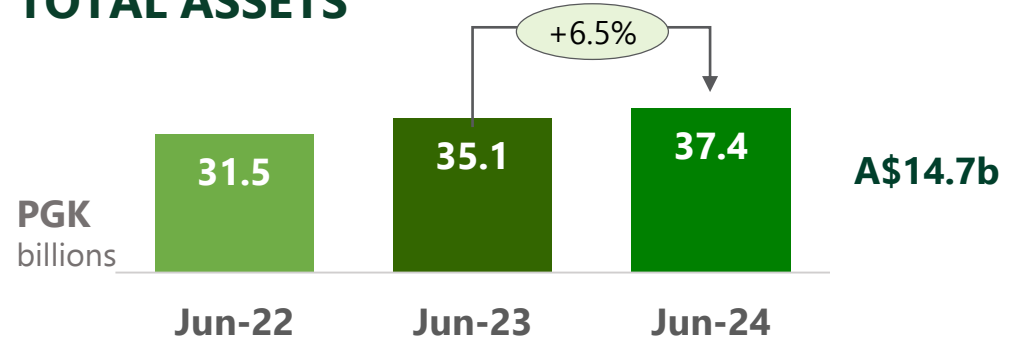


Strong deposit and loan growth

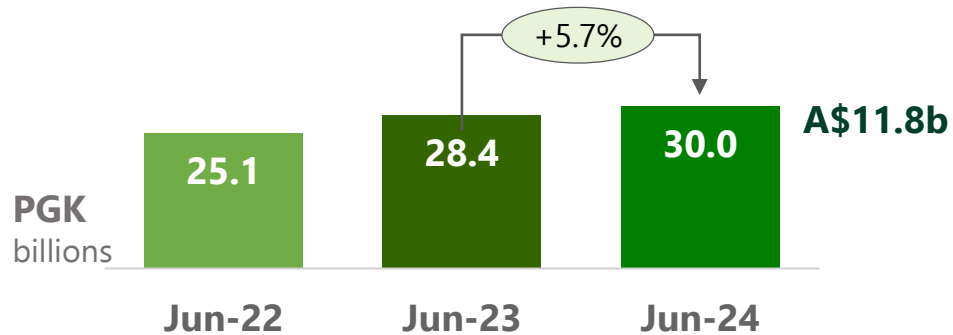
GROSS LOANS



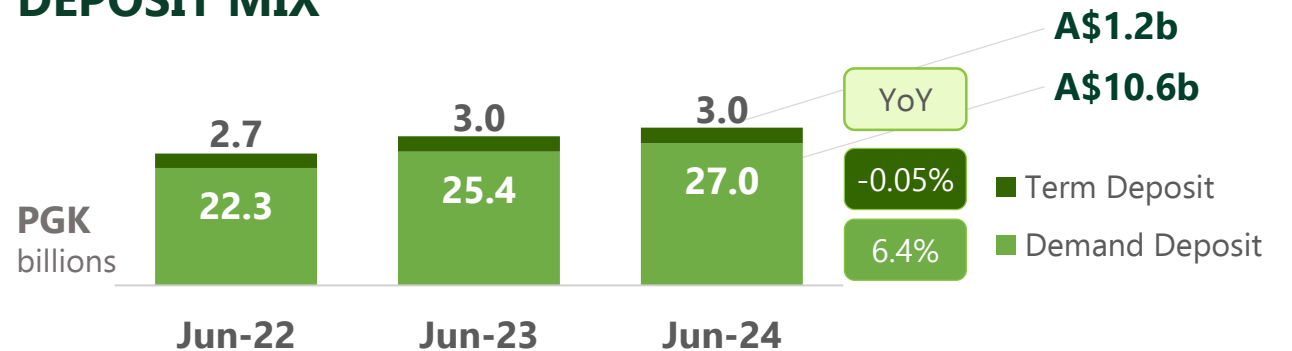
TOTAL ASSETS



DEPOSITS

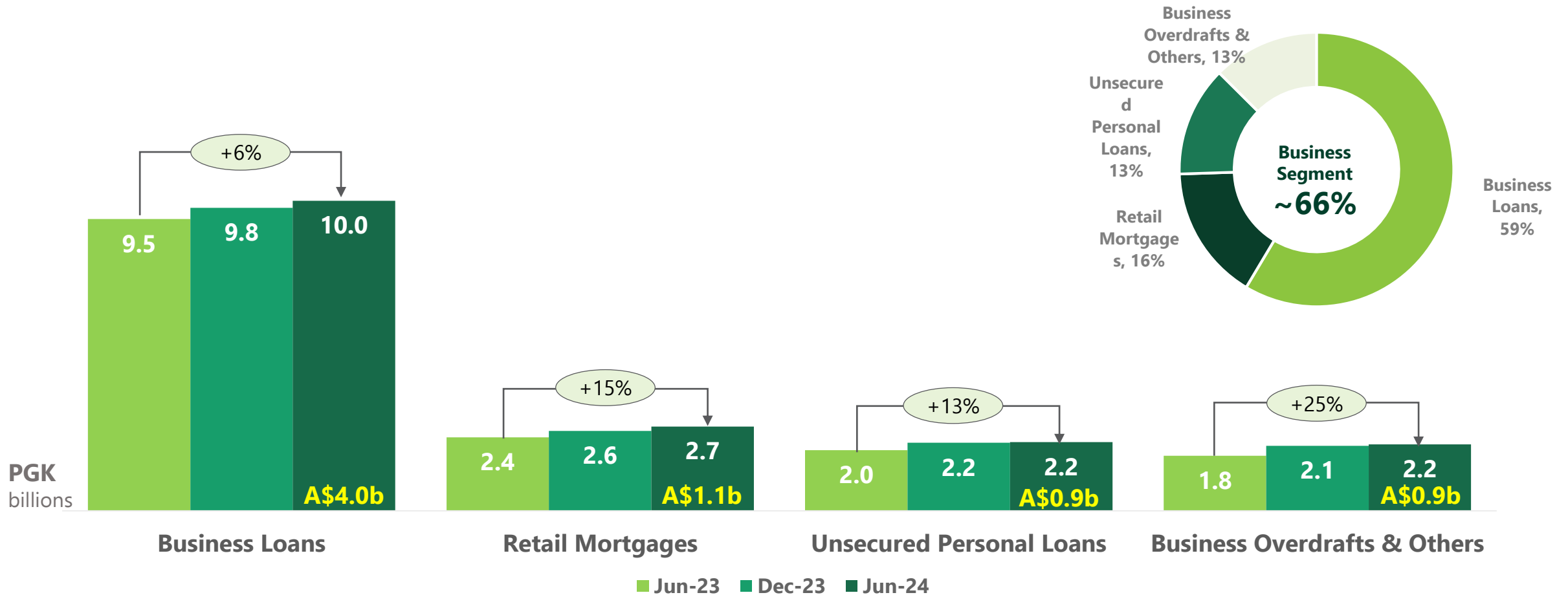


DEPOSIT MIX



Loan book composition

Solid loan growth in all market segments

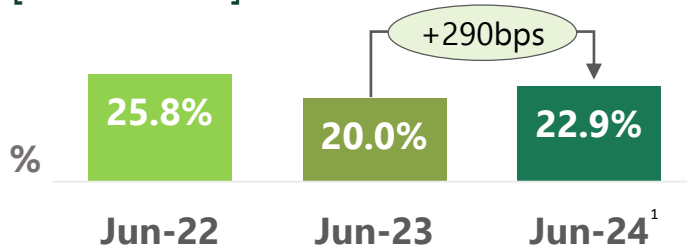


Key ratios



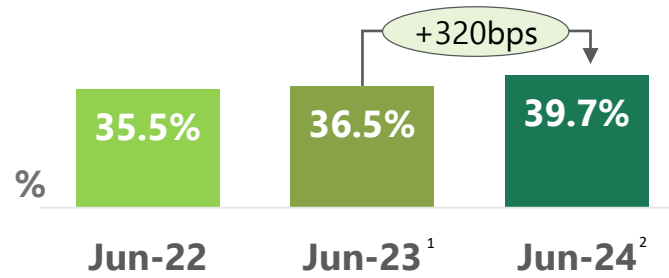
Our business fundamentals remain strong

RETURN ON EQUITY [Annualised]



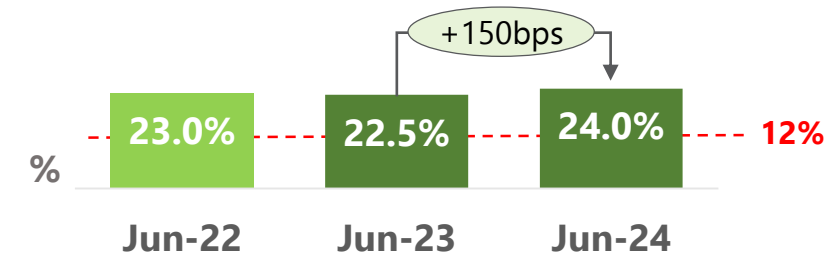
¹ 22.2% excluding one-offs

COST TO INCOME

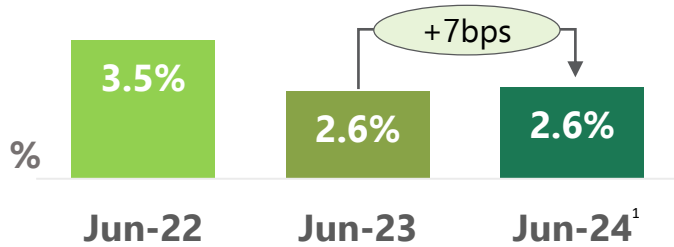


¹ 38.5% excluding net provision releases
² 40.7% excluding net provision releases

CAPITAL ADEQUACY

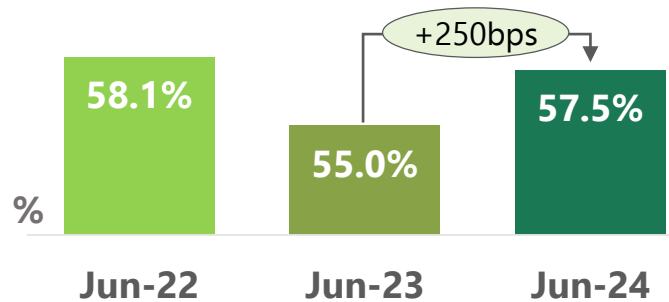


RETURN ON ASSETS [Annualised]

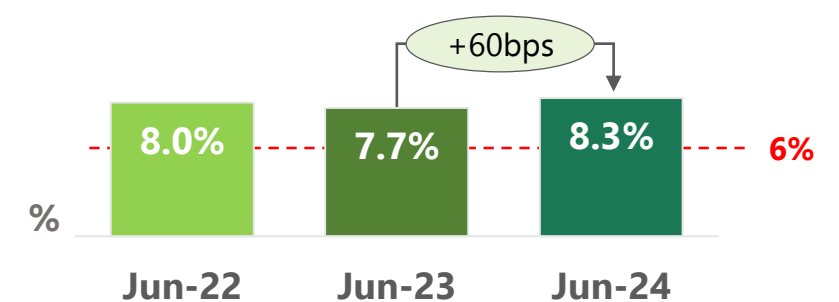


¹ 2.6% excluding one-offs

LOAN TO DEPOSIT



LEVERAGE RATIO



Note: Based on Bank of Papua New Guinea prudential standards

Shareholder returns

Interim dividend increased as a result of increased profits for 1H-24

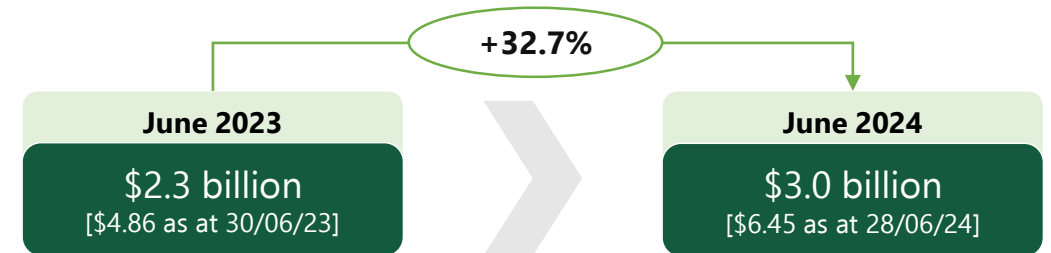
2024 INTERIM DIVIDEND



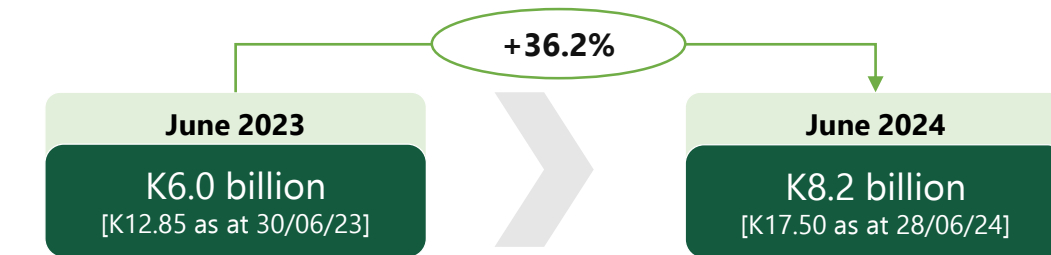
SHAREHOLDER RETURNS				
	1H-22	1H-23	1H-24	Change
Earnings per share [K]	0.85	0.91	1.11	+22%
Interim dividend per share [K]	0.34	0.37	0.45	+22%

MARKET CAPITALISATION

ASX



PNGX



Summary

Mark T. Robinson, Group Chief Executive Officer



Pacific economic activity



Economic activity in our markets is forecast to remain relatively healthy, despite growth moderating in some markets.

- The outlook for our South Pacific markets is relatively positive, when compared to developed markets. They continued to be supported by capital expenditure, tourism activity and remittance growth.
- Economic diversification is evident across multiple sectors including tourism, fisheries, natural resources, and agriculture.
- Remittances constitute a significant component of our regional economy, highlighting strong global and regional interconnection.
- PNG has entered an investment “super-cycle”, with a pipeline of “mega-projects” with headline values over K100 billion [A\$40b].
- PGK depreciation under the crawling peg exchange rate regime¹, will ultimately usher in market clearing exchange rates in coming years.

¹ Under BPNG's crawling peg regime, the PGK/USD exchange rate depreciated by 3.1% throughout the first half of the year. At its current pace, the PGK is expected to further depreciate against the USD by approximately 7% per annum or 0.6% per month.

GDP Growth	2023e	2024f	2025f
Pacific Region	3.5	3.3	4.0
PNG	2.0	3.3	4.6
Fiji	7.8	3.0	2.7
Solomon Islands	3.0	2.5	2.5
Samoa	8.0	4.2	4.0
Tonga	2.8	2.6	2.3
Vanuatu	1.0	1.9	2.4
Cook Islands	13.3	9.1	5.2
Australia	2.0	1.4	2.0
New Zealand	0.6	1.0	2.0
USA	2.5	2.6	1.9
Euro Area	0.5	0.9	1.5

Sources:

Asian Development Bank [ADB]-Pacific Economic Monitor [PEM]-August 2024.

IMF World Economic Outlook Update-July 2024 [Australia, New Zealand, USA, Euro Area].

Summary

The international bank of the South Pacific



Big ... more customers than ever are choosing to bank with us and we remain the market leader in our region by a comfortable margin.



Stable ... our balance sheet settings are robust, and our business has strong momentum, as we invest for growth with an intense focus on our customers, and disciplined risk management.



Profitable ... we have declared an interim dividend of 45 toea for the first half of 2024, this coupled with our dividend payment from earlier this year, will bring total dividends paid out to K706 million.



Thank You

**Half Year
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