



Our Bank.
Our People.

Investor Presentation

1H-2022

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



2022

Disclaimer

NOT FOR PUBLICATION OR DISTRIBUTION, DIRECTLY OR INDIRECTLY, IN OR INTO THE UNITED STATES

This presentation has been prepared and issued by BSP Financial Group Limited (the "Company"), and may not be reproduced in whole or in part, nor may any of its contents be disclosed to any other person without the prior written consent of the Company.

This presentation is provided by the Company for general information purposes only, without taking into account any recipient's personal objectives, financial situation or needs. It should not form the basis of or be relied on by the recipient in considering the merits of any particular transaction and does not purport to contain all of the information that an interested party may desire. It is not an offer to buy or sell, or a solicitation to invest in or refrain from investing in, any securities or other investment product. This presentation has not been filed, lodged, registered, reviewed or approved by any regulatory authority in any jurisdiction and recipients of this presentation should keep themselves informed of, and comply with and observe, all applicable legal and regulatory requirements. The distribution of this presentation (including an electronic copy) in certain jurisdictions may be restricted by law and, accordingly, recipients of this presentation represent that they are able to receive this presentation without contravention of any unfulfilled registration requirements or other legal restrictions in the jurisdiction in which they reside or conduct business. Nothing in this presentation constitutes investment, legal, tax, accounting or other advice. The recipient should consider its own financial situation, objectives and needs, and conduct its own independent investigation and assessments of the contents of this presentation, including obtaining investment, legal, tax, accounting and other advice as it considers necessary or appropriate. Any costs incurred by recipients in making such investigations and assessments, etc. are not the responsibility of the Company or any of its advisers, directors, employees or agents.

The Company also reserves the right to terminate, at any time, further participation in the investigation and proposed process by any party, to modify any of the rules or procedures set forth herein or any other procedures without prior notice or assigning any reason therefore or to terminate the process contemplated hereby. The Company reserves the right to take any action, whether in or out of the ordinary course of business, which the Company in its sole discretion deems necessary or prudent in the conduct of its business or the process contemplated by this presentation.

This presentation has been prepared on the basis of publicly available information and does not purport to be all-inclusive or to contain all of the information that may be relevant to the presentation. Neither the delivery or supply of this presentation (or any part thereof) nor the provision of information referred to herein or provided in connection with the evaluation of the Company by interested parties shall, under any circumstances, (a) constitute a representation or give rise to any implication, that there has been no change in the affairs, business or financial position of the Company or any of its subsidiaries, associated companies or affiliates or in the information herein since the date hereof or the date on which this presentation has been provided or delivered or (b) provide a basis of any credit or other evaluations and should not be considered as a recommendation by the Company that any recipient of the presentation or such other document or information contemplated herein should proceed with a further investigation of the Company or enter into any transaction with the Company or any person in relation to the Company. Neither the Company nor any other person are under any obligation to update or correct this presentation.

Any diagrams, charts, graphs and tables appearing in this presentation are illustrative only and may not be drawn to scale.

The Company and its related bodies corporate and other affiliates, and their respective officers, employees, advisors, representatives, consultants and agents ("Relevant Parties") make no representation or warranty, expressed or implied, as to, and no reliance should be placed on, the fairness, accuracy, completeness, timeliness or reliability of the contents of this presentation or any other written or oral communication transmitted or made available to any interested party, whether as to the past or future. To the maximum extent permitted by law, none of the Relevant Parties accept any liability (including, without limitation, any liability arising from fault or negligence on the part of any of them) for any loss whatsoever arising from the use of this presentation or its contents or otherwise arising in connection with it or as a result of any omission, inadequacy or inaccuracy herein. Only those representations and warranties that are provided in a definitive agreement when, and if, it is executed, and subject to such limitations as may be provided in such agreement shall have any legal effect.

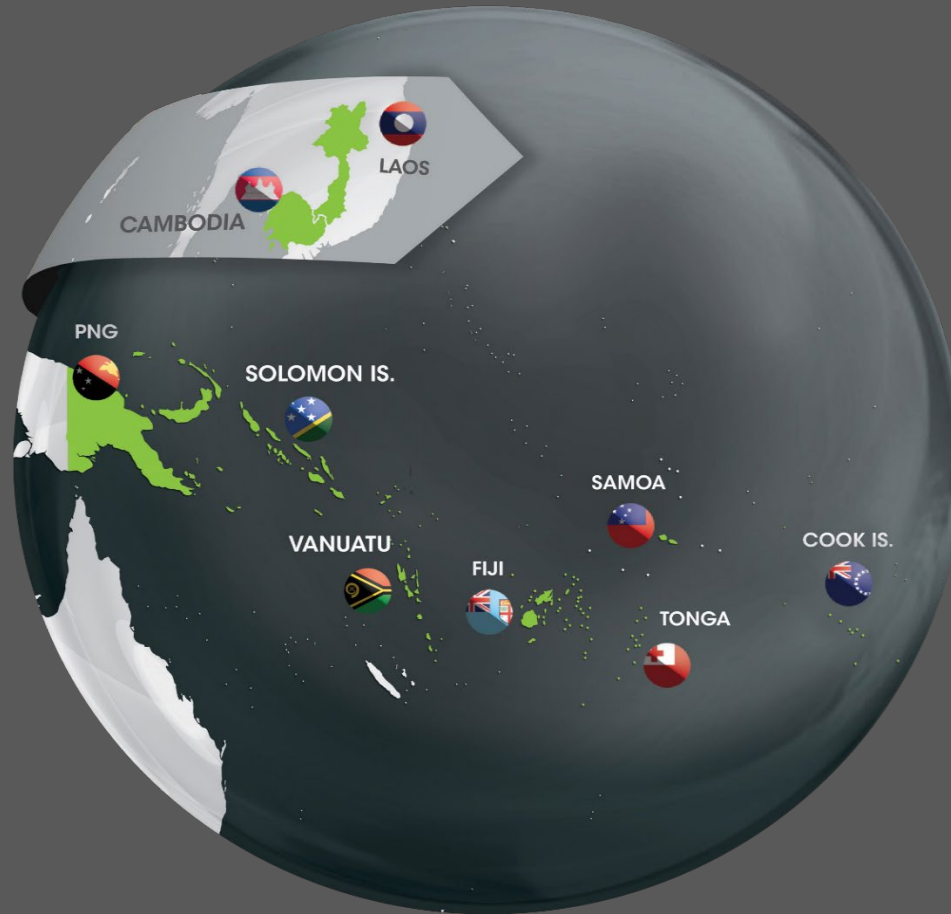
This presentation may contain forward-looking statements, forecasts, estimates and projections ("Forward Statements"). No independent third party has reviewed the reasonableness of any such statements or assumptions. None of the Relevant Parties represents or warrants that such Forward Statements will be achieved or will prove to be correct. Actual future results and operations are subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Company, and could vary materially from the Forward Statements. Similarly, no representation or warranty is made that the assumptions on which the Forward Statements are based may be reasonable. This presentation contains certain non-IFRS measures that the Company believes are relevant and appropriate to understanding its business. No audit, review or verification has been undertaken by an independent third party of the assumptions, data, historical results, calculations and forecasts presented. Past performance is no guarantee of future performance.

The recipient acknowledges that no person is intended to act or be responsible as a fiduciary to the recipient, its management, stockholders, creditors or any other person. By accepting and providing this presentation, the recipient expressly disclaims any fiduciary relationship with any person and agrees that the recipient is responsible for making its own independent judgements with respect to any transaction and any other matters regarding this presentation.

The Company is not authorised under the Banking Act 1959 (Cth) (the "Banking Act") and is not supervised by the Australian Prudential Regulation Authority. The Company's products are not covered by the depositor protection provisions in section 13A of the Banking Act and will not be covered by the financial claims scheme under Division 2AA of the Banking Act.

South Pacific market leader

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



K13.9b [A\$5.5b]

In net lending ¹



K31.6b [A\$12.6b]

In total assets ¹



K5.8b on PNGX [A\$2.3b on ASX]

Market capitalisation ²



118 branches and sub-branches

Largest network



~ 3.4m

Customer accounts



> 16.8m per month

Digital transactions

¹ AUD values based on exchange rate 0.3984 on 30/06/22 for net lending and total assets

² Market Capitalisation based on respective ASX and PNGX prices as at 29/07/22

1H-2022 results overview

A strong improvement in 1H-2022 performance, with positive comparisons to 1H-2021.

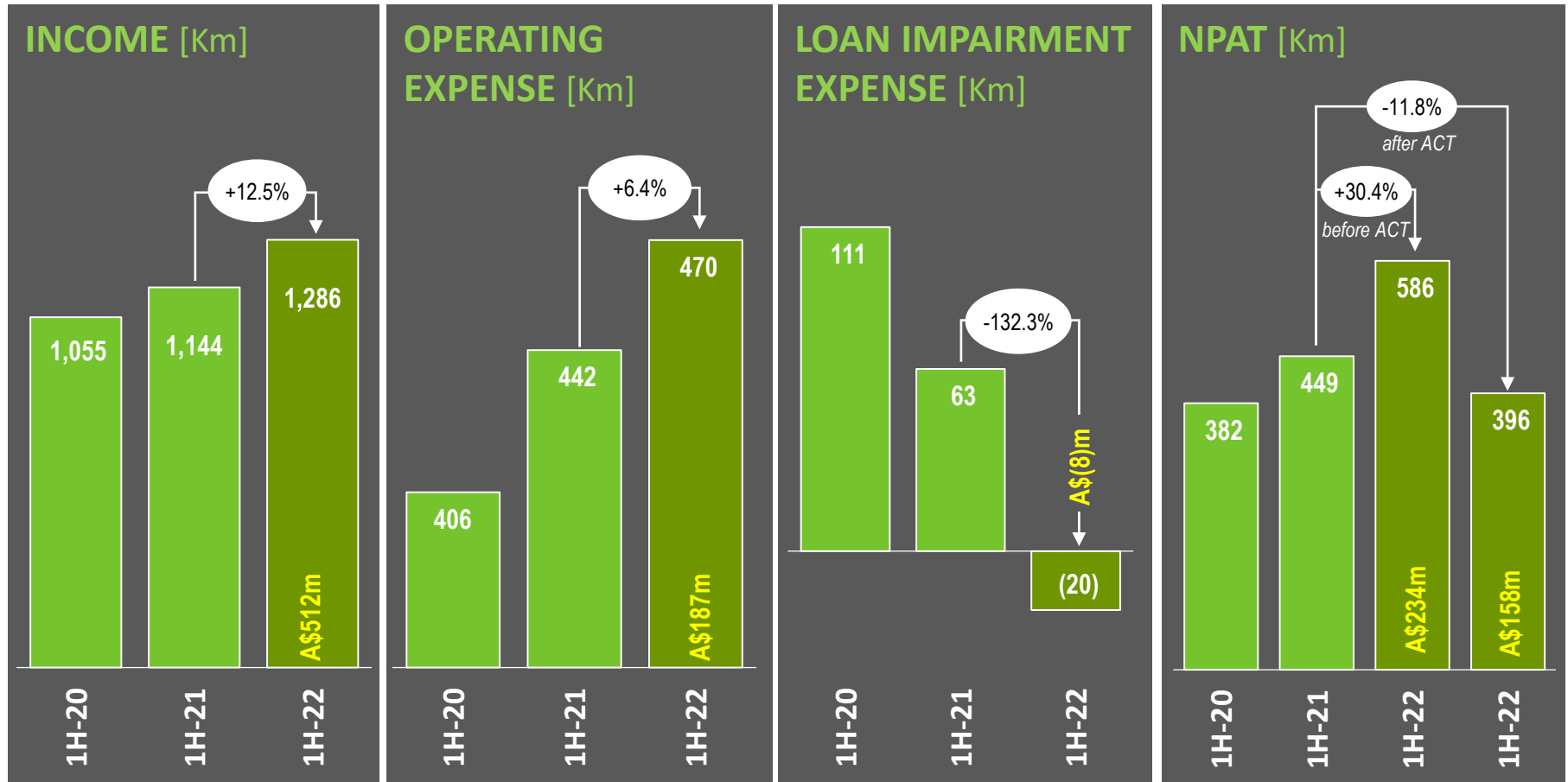
	1H-22	1H-21	1H-22 vs 1H-21
● Normalised Profit [NPAT, Km] before Additional Company Tax	586.1	449.3	+30.4%
● Profit [NPAT, Km] after Additional Company Tax	396.1	449.3	-11.8%
● Cost-to-income ratio [%]	36.6	38.6	-200bps
● Earnings per share [toea]	84.8	96.2	-11.4%
● Market capitalisation [Kb]	5.8	5.7	+0.8%
● Market capitalisation [A\$b]	2.3	2.4*	-4.8%
● Total assets [Kb]	31.6	28.9	+9.4%
● Capital adequacy ratio [%]	23.0	23.0	0bps

*Based on opening ASX price of \$5.20 as at 16 July 2021

1H-2022 Group Financial Performance

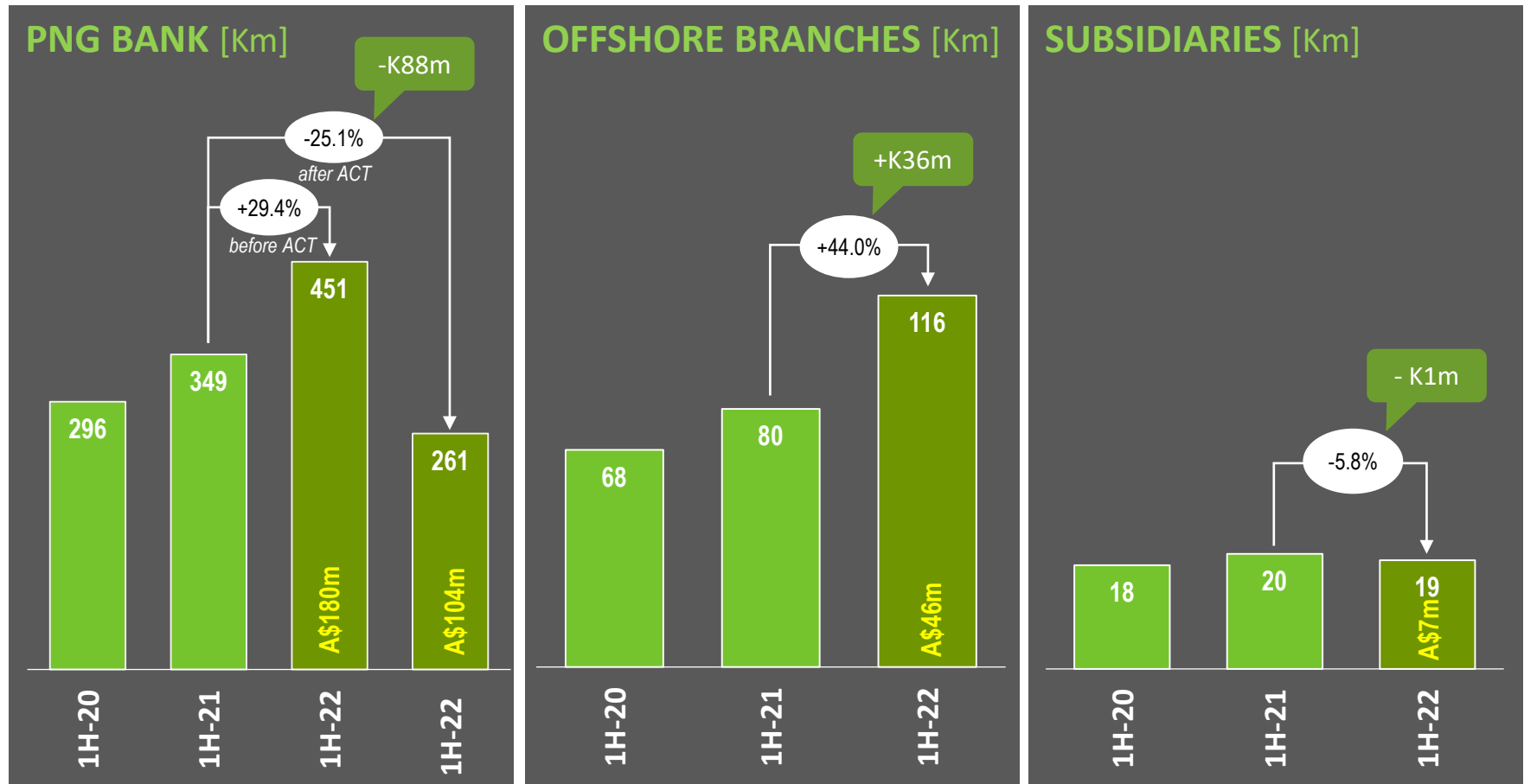
Group NPAT trends

The Group continues to deliver sustainable profit growth to shareholders, notwithstanding the K190m ACT reducing Group NPAT by -11.8%.



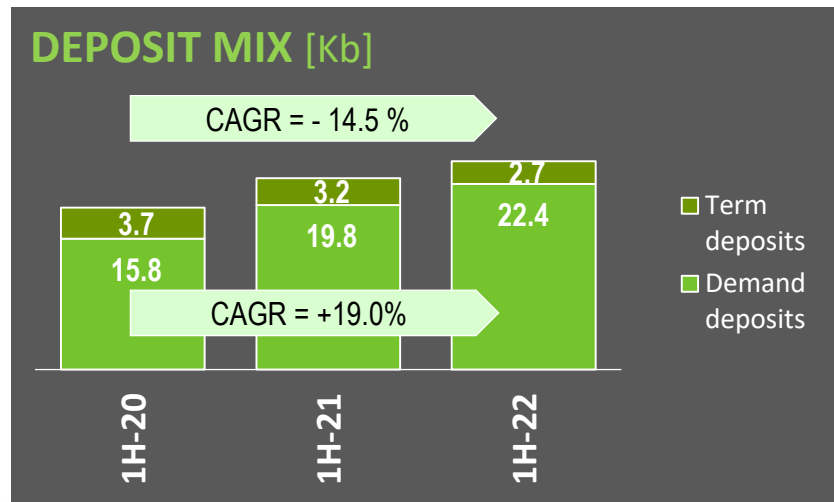
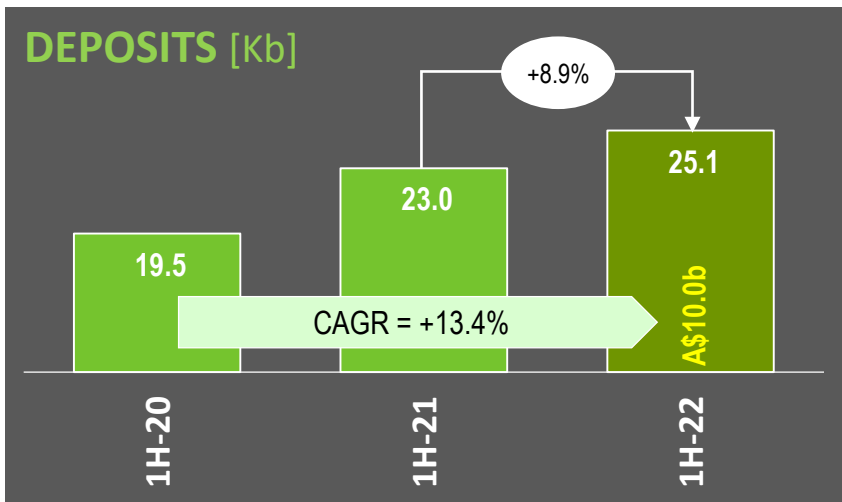
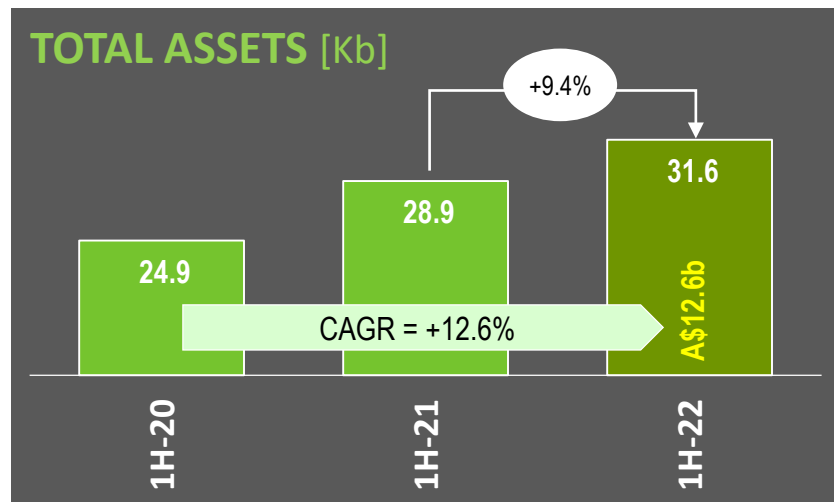
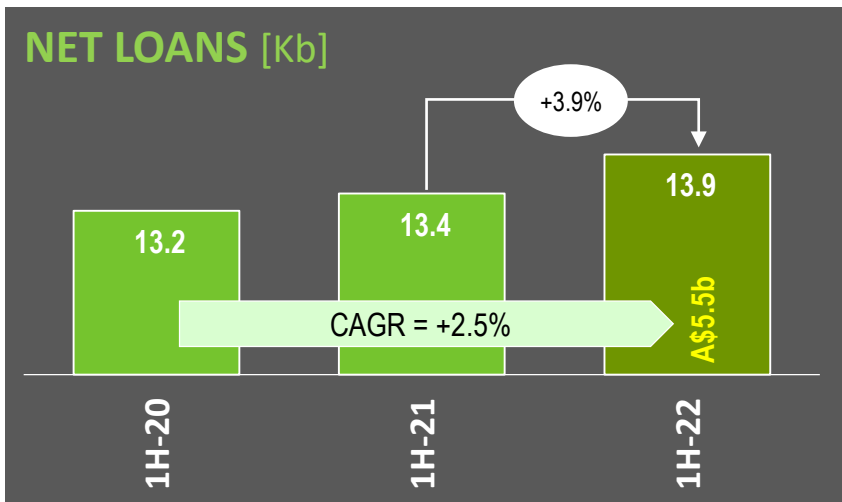
NPAT contribution by business

The Offshore Branches 1H-22 contribution to Group NPAT has increased materially ... driven largely by BSP Fiji businesses. PNG's strong underlying performance was impacted by the K190m ACT ... falling by 25% as a consequence.



Underlying performance driver trends

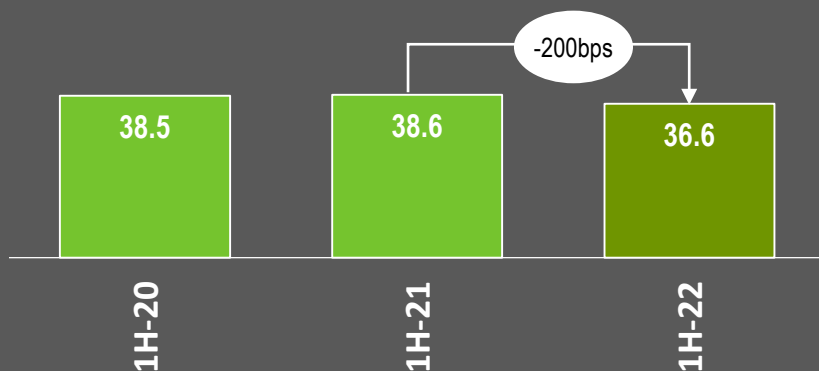
Net lending and deposit growth of 4.3% and 8.9% respectively in 1H-22 ... with the surplus funds invested in Government securities.



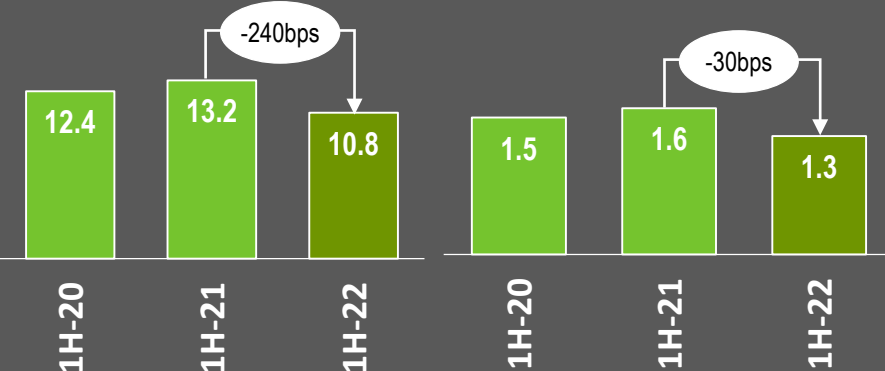
Key ratios

All key ratios remain at robust levels. BSP's capital position remains well above regulatory requirements of 12% and cost to income has improved.

COST TO INCOME [%]



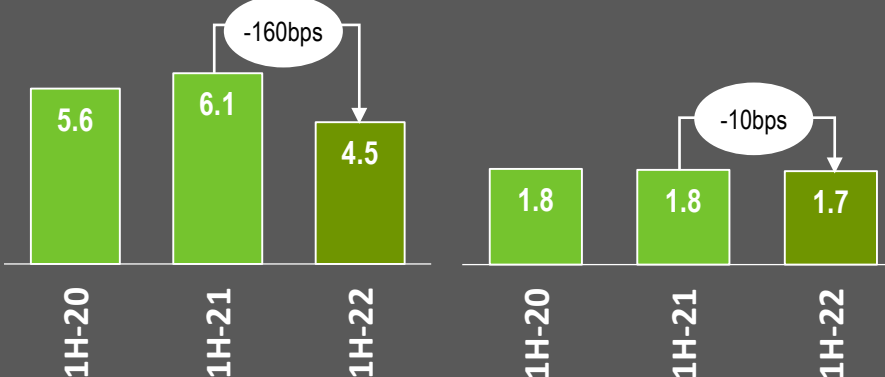
ROE & ROA [%]



CAPITAL ADEQUACY [%]



PROVISIONS TO LOANS / NET IMPAIRED ASSETS TO LOANS [%]

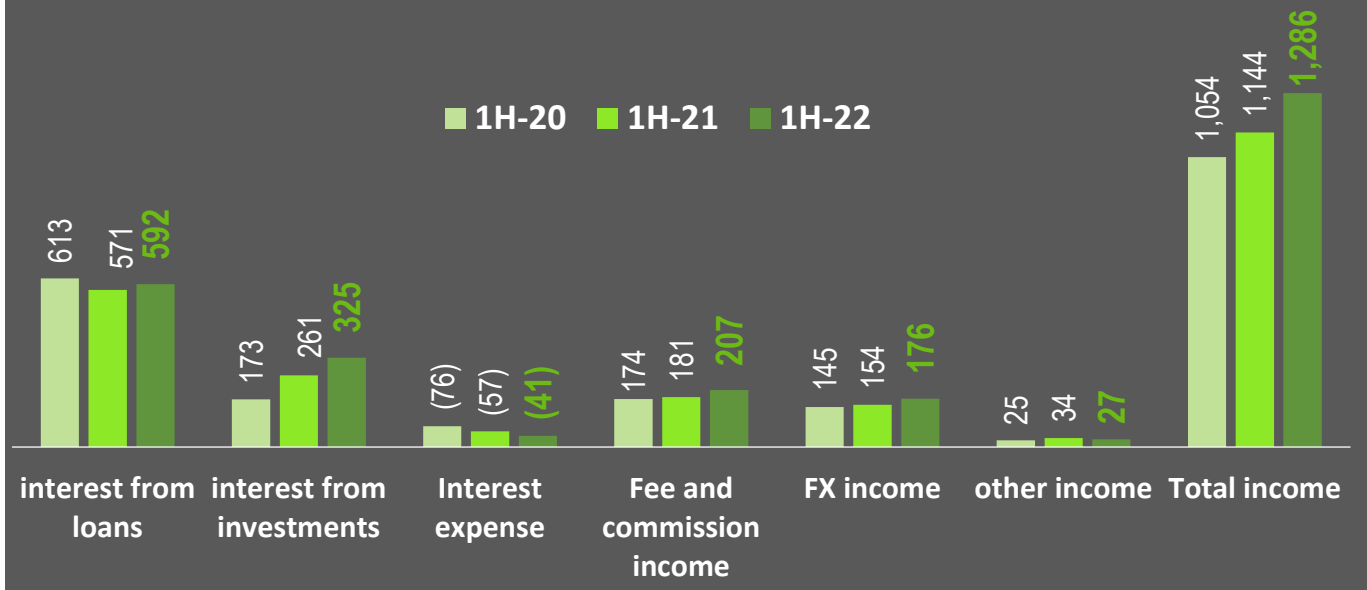


Income stream trends

Increased lending activity in PNG and Fiji and interest income from investment securities arising from improved market liquidity in PNG, were the main income drivers. Increased fee and commission income from higher retail and merchant transactional volumes and FX income also contributed to the growth, albeit to a lesser degree.

	Interest – loans	Interest – investments	Fee/ commission	FX income	Other income	Total income
YOY:	3.7% ↑	24.3% ↑	14.4% ↑	14.1% ↑	(16.6)% ↓	12.5% ↑

GROUP INCOME STREAMS [Km]



DEFINITIONS

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

Key:

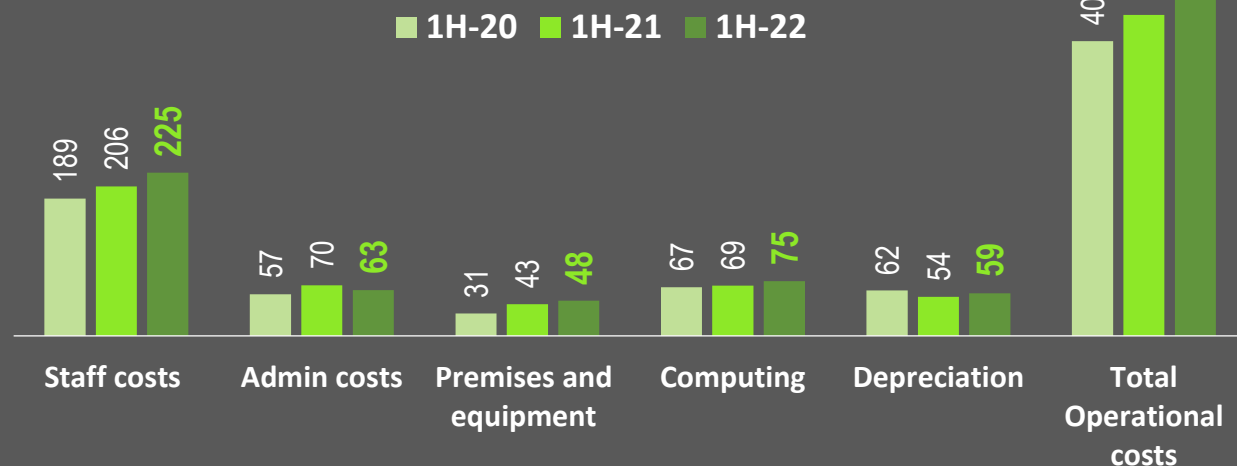
YOY = year on year

Expenditure trends

Performance based annual salary adjustments and additional staff in Retail, Operations and Compliance has led to higher staff costs over the period. Depreciation, computing, and premises costs also contributed to BSP's expenditure levels increasing by 6.4%. Administration expenses were lower, as 2021 included one-off ASX listing costs.

	Staff costs	Admin costs	Premises & Equipment	Computing cost	Depreciation	Total operating costs
YOY:	9.1% ↑	(9.6%) ↓	11.5% ↑	9.0% ↑	9.5% ↑	6.4% ↑

GROUP EXPENDITURE [Km]



DEFINITIONS

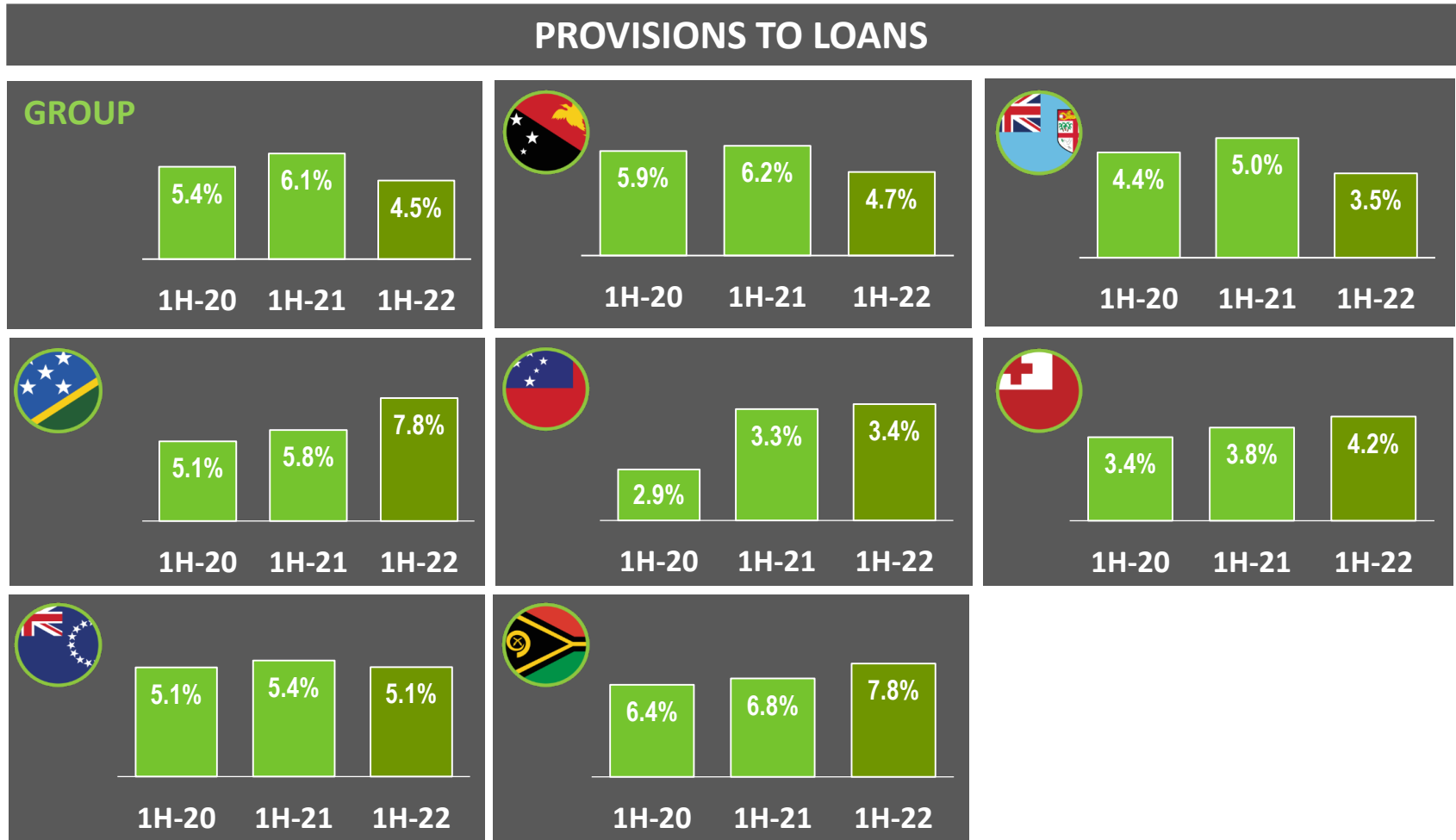
- **Staff Costs** – salaries, remuneration benefits training, accommodation
- **Admin Costs** – marketing, communications, GST
- **Premises costs** – buildings, maintenance, generators, electricity
- **Depreciation** – premises & equipment depreciation, software amortisation
- **Computing Costs** – software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

Key:

YOY = year on year

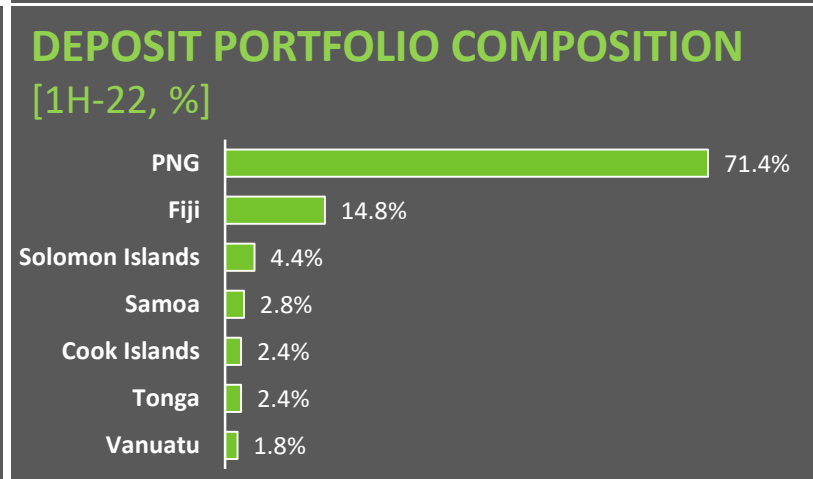
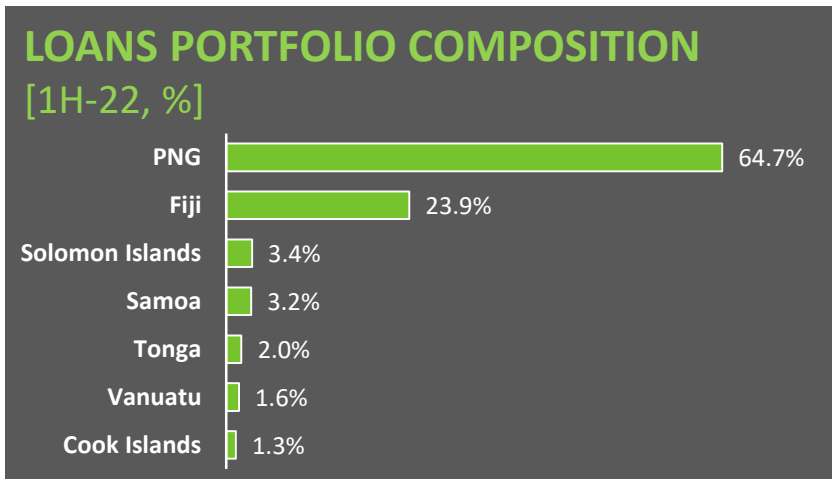
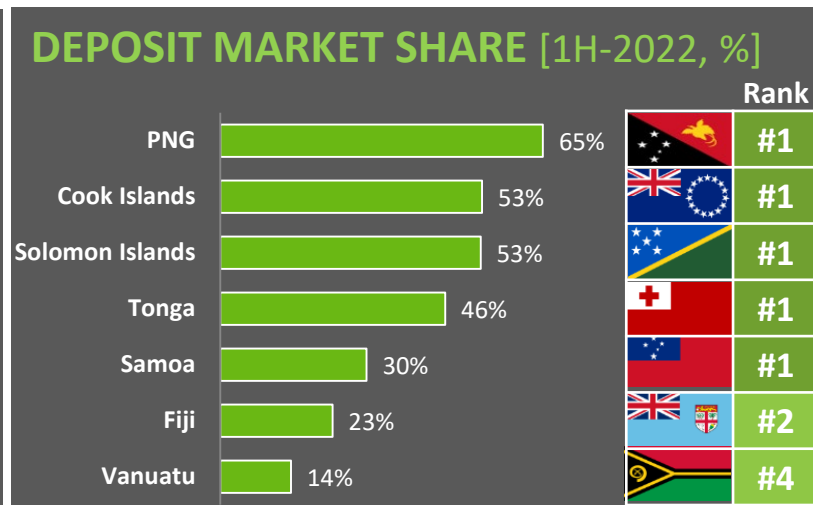
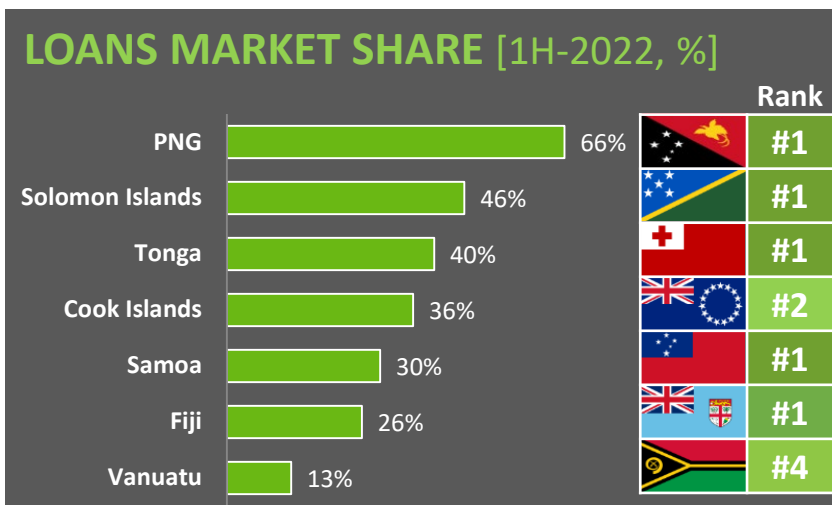
Provisions to loans

Credit quality improved in most countries ... given improved economic conditions in a post COVID-19 recovery phase. Provision ratios are now comparable to pre COVID-19 levels.



Market position and portfolio composition

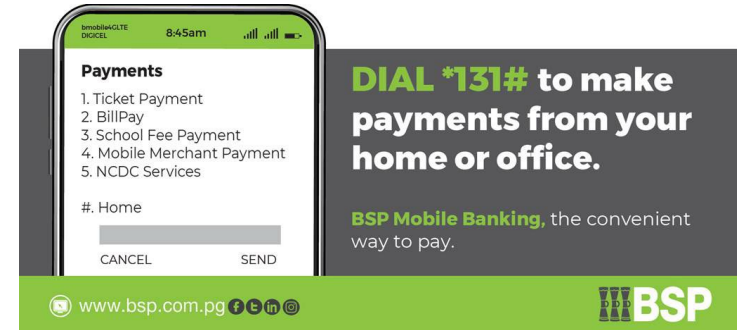
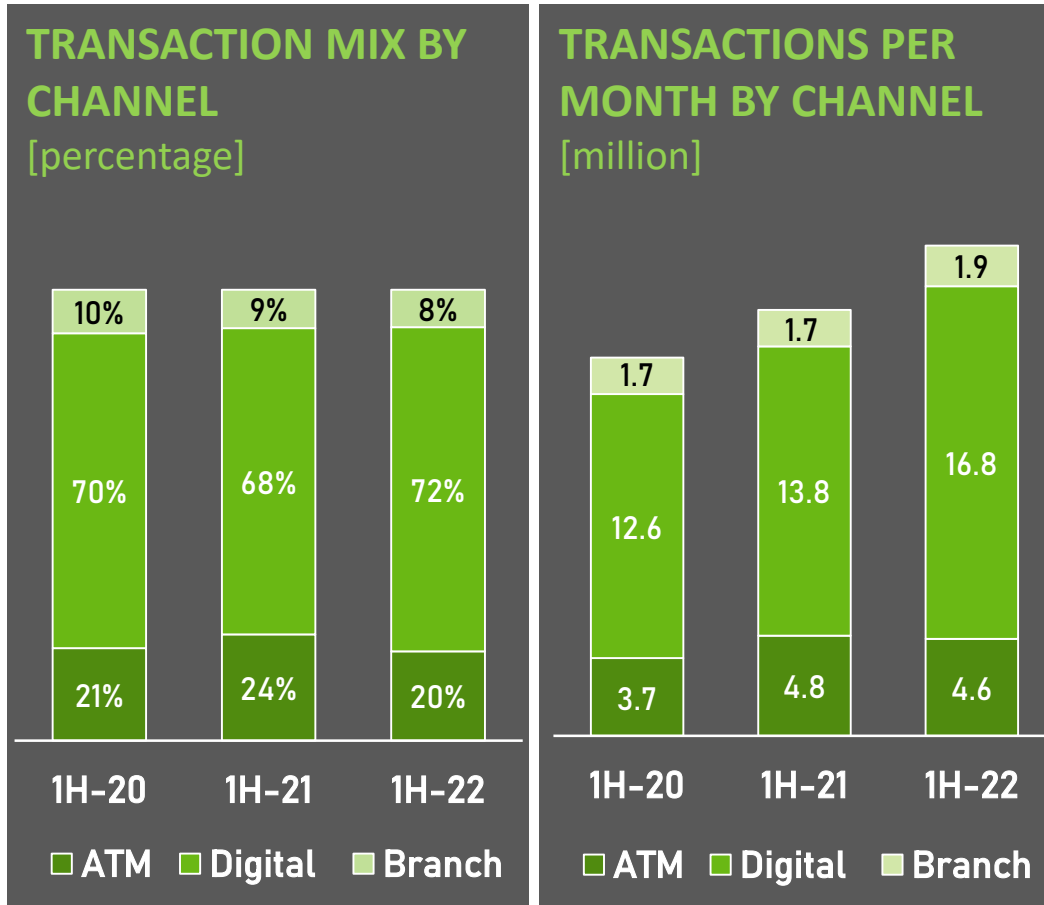
BSP is #1 in loans and deposits, in five of the seven countries we operate in . Our loan and deposit portfolios are predominantly PNG domiciled.



Operational Performance

Group channel growth trends

Our channel activity continues to grow YoY, with transactions via digital channel increasing by 33% since 2020 ... driven by growing BSP customer adoption.

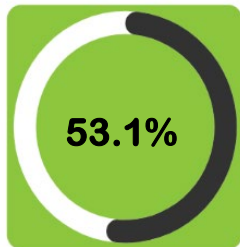


Banking made easy

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.

PNG – TOP 3 PERFORMING CHANNELS

60 million
Mobile
Banking
transactions
in 1H-22.



MOBILE BANKING *131#
53.1% 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

19.5 million
Card
Transactions in
Half Year 2022.



EFTPOS
17.1% of transactions performed via EFTPOS payment with the two payment distribution being.

1. Purchase
2. Purchase + Cash Back

17.4 million
ATM
transactions in
Half Year 2022



ATM
15.2% of transactions performed via ATM with the top three (3) transactions being.

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

ONBOARDED MERCHANTS



327
MOBILE
MERCHANT



342
SCHOOL FEE
MERCHANT



47
IPG
MERCHANT



16
BSP PAY
MERCHANT

Digital innovation

Digital solutions that are meeting customer needs and driving digital channel activity growth



BSP PAY

- **16 merchants** offer BSP Pay, the non-card alternative payment available to online shopping customers.



SCHOOL FEE MERCHANTS

- BSP has registered **over 300** Schools & tertiary institutions on Mobile Banking offering customers ease of school fee payments.

MOBILE MERCHANTS

- Over **300** retailers and consumer-goods-and-services from various business facets registered for Mobile Merchants.
- This positive growth continues to reflect in **60% of digital transactions** processed via Mobile banking.

FLY BY PHONE



BSP IPG SERVICE – 100% PNG MADE ONLINE PAYMENT SOLUTION

- BSP IPG services has seen **20%** growth in online ticket payment with Air Niugini eTicket payments available online since November 2021.

Continued network expansion

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



CAPITAL EXPENDITURE [2017 to 2022]

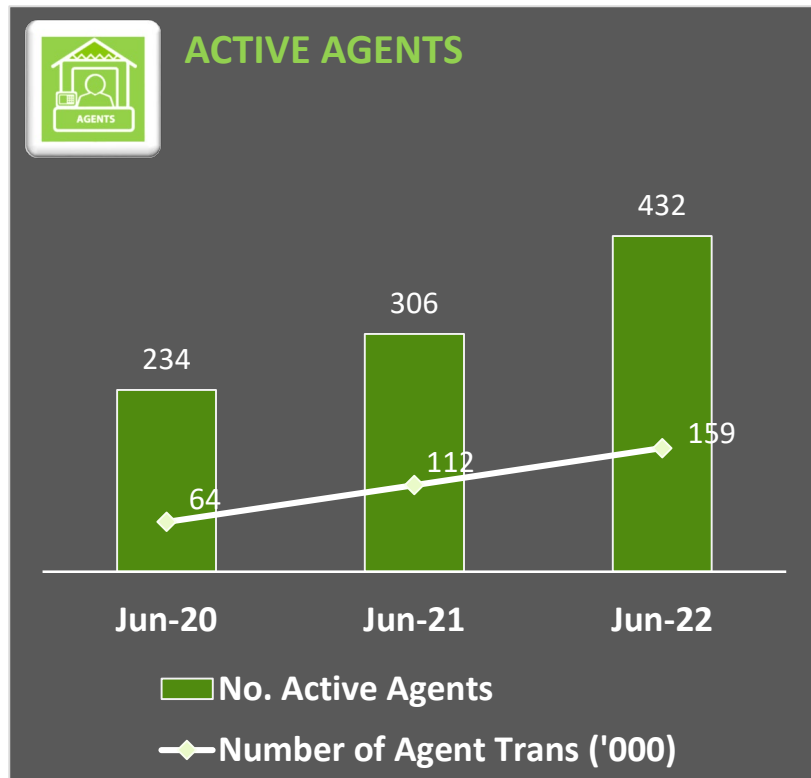
Expenditure items	Value [Km]
New core banking system	494.1
Branch expansion	68.6
IT/Software/Networks	50.0
Data Centre	28.8
New ATM's	14.4
Buildings	13.2
New EFTPOS terminals	11.5
Others	9.7
Total	690.3

BSP/RETAIL EXPANSION IN 2022

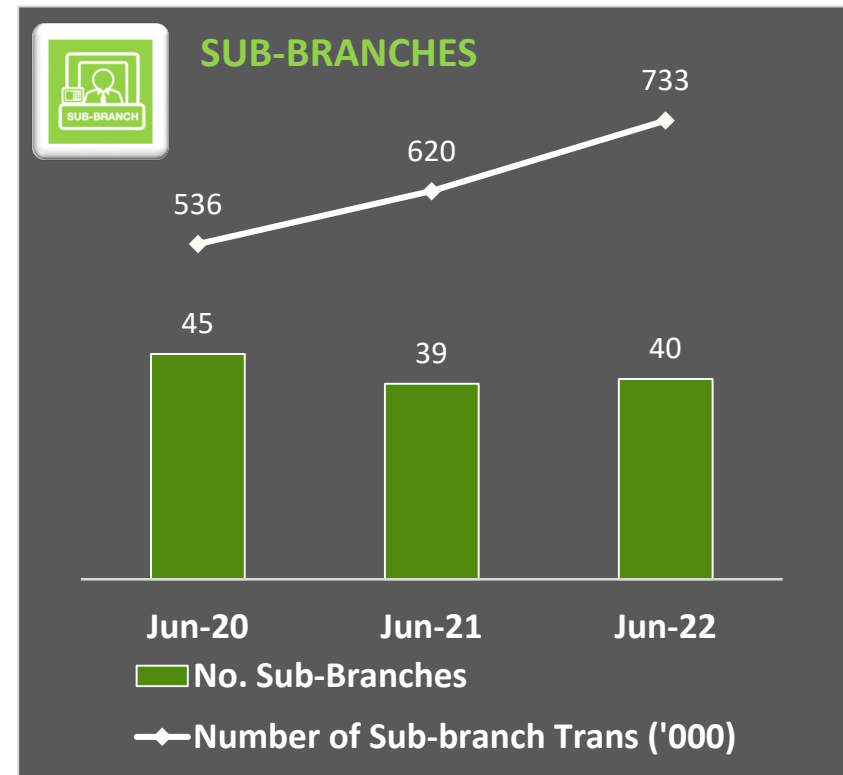
- Eriku Branch – Lae
- NCD Loan Centre – POM
- Mt Hagen – WHP

Financial inclusion

BSP has maintained its commitment to expanding its reach to the unbanked and drive active participation and financial inclusion. Consequently, year-on-year transactions are up 42% and 18% for Agency transaction and Sub-branch transaction respectively.



Active Agents: Increase in the number of active agents were predominantly from PNG ... and a 41% increase from June 2021 across the Group.



Sub-Branches: 93% of sub-branches are PNG domiciled and the number of transactions reflect accordingly.

Financial inclusion

BSP offers a number of “fee free” accounts to its PNG customers ... to support and encourage savings and financial inclusion.



BSP
SUMATIN
1234 5678 9012 3456
EXPIRATION 00/00

SUMATIN ACCOUNT
Banking made easier for student on the go

- Youth account
- Card, mobile and internet banking access
- Optional Visa debit card access
- No minimum balance required or monthly maintenance fee applied

SUMATIN ACCOUNT			
	Jun-21	Jun-22	YoY Change
Accounts [No.]	279,162	312,616	12%
Balance [Km]	17.76	23.91	35%



BSP
Kids Savings
1234 5678 9012 3456
EXPIRATION 00/00

KIDS SAVINGS ACCOUNT
Savings account with training wheels

- Children aged 0 to 15 years
- No Fees
- Tiered interest plan
- Kids Savings card access

KIDS SAVINGS ACCOUNT			
	Jun-21	Jun-22	YoY Change
Accounts [No.]	145,128	150,632	4%
Balance [Km]	30.86	36.42	18%



BSP

PLUS SAVER ACCOUNT
Save more and get more

- Tiered rate structure offering higher interest on higher balances
- Mobile, internet and telephone transfers
- Interest calculated daily, paid quarterly

PLUS SAVER ACCOUNT			
	Jun-21	Jun-22	YoY Change
Accounts [No.]	125,321	132,408	6%
Balance [Km]	331.6	381.2	15%

Growing middle class wealth

Our home loans products continue to grow providing opportunity to citizens to increase their personal wealth with an attractive 4% fixed interest rate over a 40 year term.

FIRST HOME OWNERSHIP SCHEME LOAN

	Jun-21	Jun-22	YoY Change
Accounts [No.]	1,100	1,195	9%
Balance [Km]	323.5	342.0	6%

Knock, Knock,
Let's do a Reality Check.

FIRST HOME OWNERS LOAN
Owning a home is possible!

4%
per annum
fixed interest rate
for the full term of the loan.



Terms & Conditions apply.

Facilitating economic growth

BSP continues to support the PNG government's economic policy to grow the number and capacity of PNG's SMEs. The government's SME credit enhancement scheme loan program commenced in May 2021. Despite subdued economic conditions, BSP has funded K198m under the CESL as at June 2022.

BSP SMART BUSINESS PACKAGE

offers essential products that can help SMEs manage business funds and provides a pathway for growth.

A Smart Solution for Small Business [SIGN UP NOW!](#)



SMART BUSINESS PACKAGE ACCOUNTS

	Jun-21	Jun-22	YoY Change
Accounts [No.]	56,925	65,476	15%
Balance [Km]	1,039.5	1,456.7	40%

SME CREDIT ENHANCEMENT SCHEME

	Jun-21	Jun-22	YoY Change
Accounts [No.]	516	1,436	178%
Balance [Km]	43.3	168.7	290%

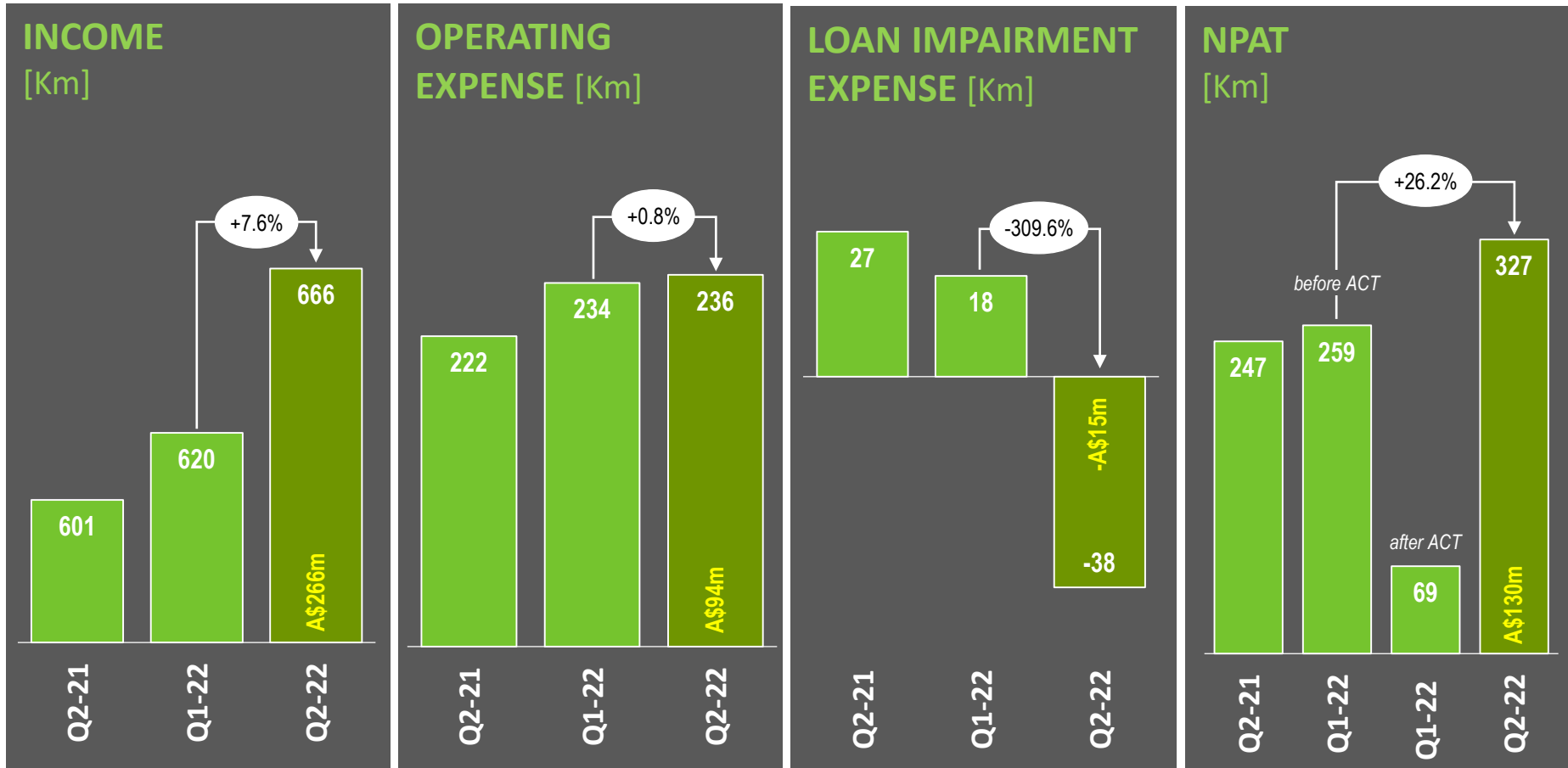
SME CESL FACILITY BACKGROUND

- A PNG government initiative.
- BSP was able to achieve the initial K100m target by reducing the equity requirement from 30% to 10% and increasing the minimum loan amount from K3m to K5m.

Q2-2022 results

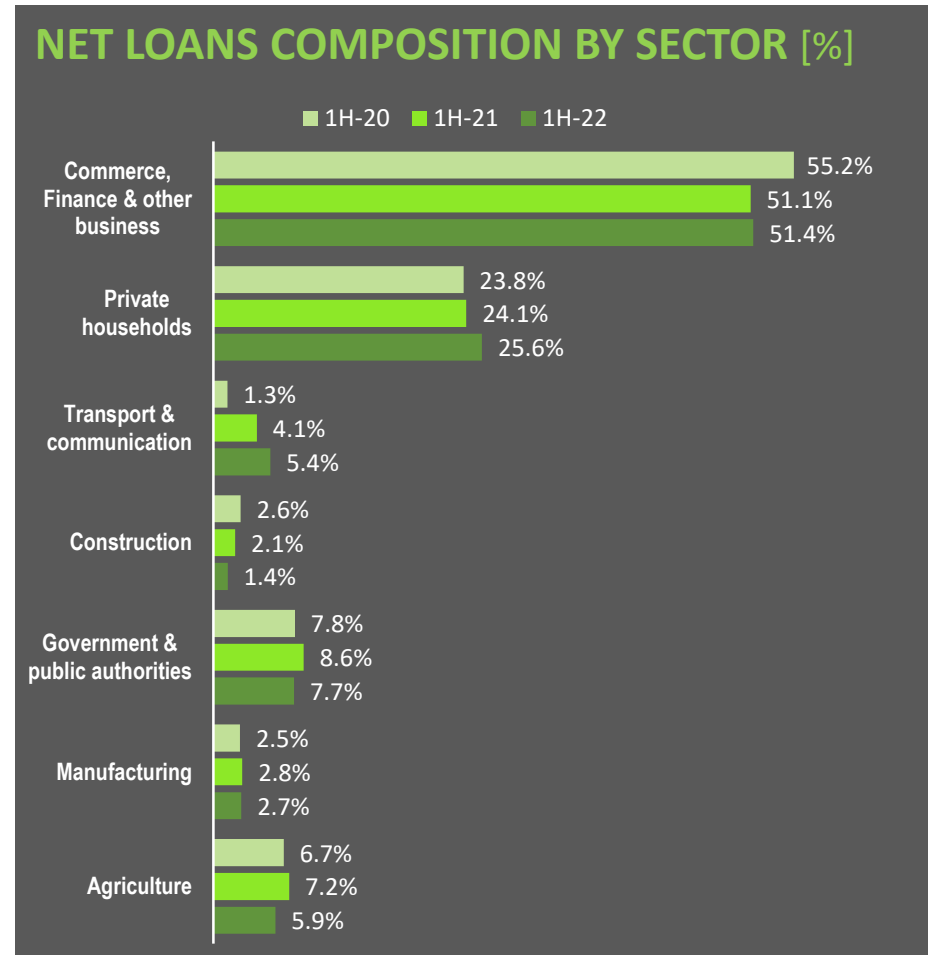
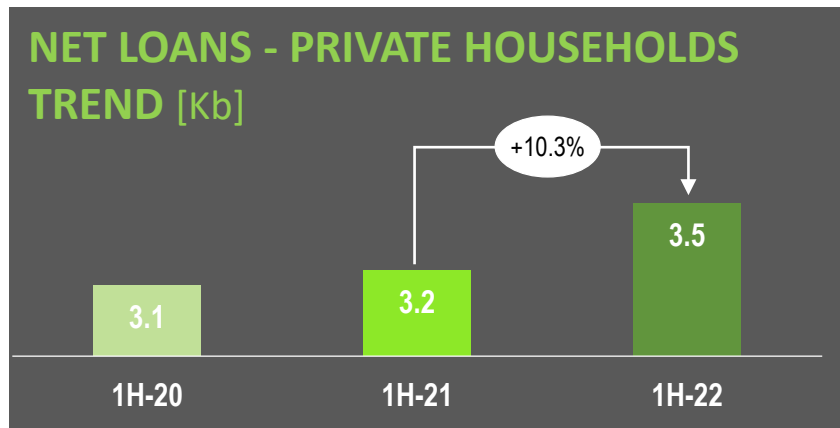
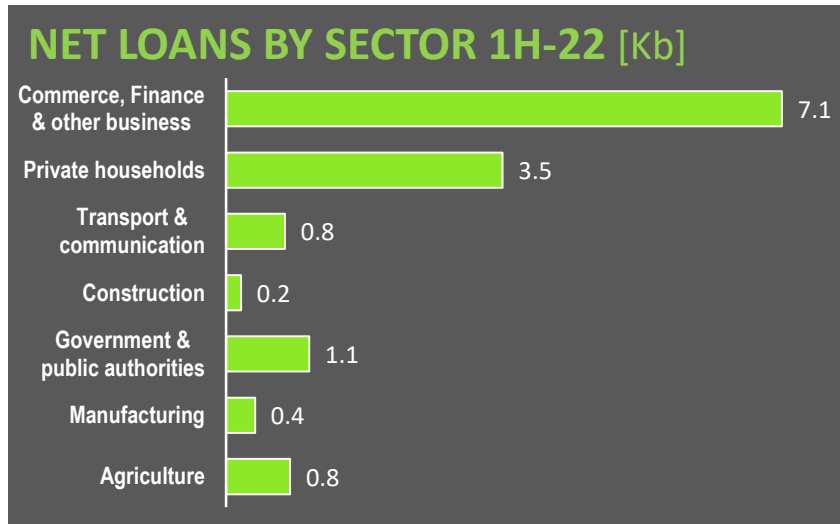
Q2-22 profit

Quarterly momentum was maintained, with continued income growth (+7.6%) and improved credit quality... contributing to a +26.2% increase in NPAT in comparison with Q1-22 NPAT, before the deduction of the ACT.



Loans exposure to various economic sectors

Commerce, Finance & Other Business sectors represent 51% of BSP's lending portfolio. Loans to private households increased by K332m (10.3%) to K3.5b, reflecting BSP's commitment to supporting its retail customers.



Shareholder returns

Interim dividend

BSP's 2022 interim dividend has reduced by 12.8% to 34 toea, due to the impact of the K190m Additional Company Tax (ACT).



PLANNED PROCESSING DATES

- Ex-date: 23-Sep-22
- Record date: 26-Sep-22
- Payment date: 14-Oct-22

SHAREHOLDER RETURNS SUMMARY

	1H-2019	1H-2020	1H-2021	1H-2022 ¹	Change
Interim dividend [K]	0.38	0.25	0.39	0.34	- 12.8%
EPS [K]	0.93	0.82	0.96	0.85	- 11.5%
Payout ratio	40.8%	30.6%	40.5%	40.5%	0bps
Dividend yield ² (PNGX)	12.6%	10.1%	11.7%	13.5%	+ 180bps
Dividend yield ² (ASX)	--	--	9.9%	13.4%	+ 350bps

Note: ¹ 2022 Interim Dividend reduced due to the impact of the K190m Additional Company Tax which was taken up in full in the Q1-22 financials.

² Share price and exchange rate as at July close; dividends yield based on 2021 Final (K1.34) and 2022 Interim (K0.34).

Top 10 Shareholders

BSP's Top 10 shareholders represent 80% of total issued shares, as at July 2022.

TOP 10 SHAREHOLDERS [31-July-2022]					
Rank	Name	No of Shares on PNGX	No of Shares on ASX	Total Holding	% Holding
1	Kumul Consolidated Holdings Limited	84,311,597	-	84,311,597	18.0%
2	Nambawan Super Limited	28,522,261	21,597,899	50,120,160	10.7%
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) Ltd	-	36,294,081	36,294,081	7.8%
7	Motor Vehicles Insurance Limited	31,243,736	-	31,243,736	6.7%
8	Teachers Savings and Loans Society	15,317,366	-	15,317,366	3.3%
9	Comrade Trustee Services	12,456,052	-	12,456,052	2.7%
10	PNG Sustainable Development Program Ltd	11,748,156	-	11,748,156	2.5%
Shares Held by Top 10				373,510,468	79.9%
Total Shares Outstanding				467,220,129	100.0%

Updates on Additional Company Tax

BSP maintains that the Additional Company Tax (the Tax; ACT) is unfair and stifles investments. 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 Tax applies a flat K190m on any bank that has over 40% market share of financial assets, which could only apply to BSP.
- The full K190m was taken up in BSP's Q1-22 accounts. Due to the impact of the Tax, BSP's Half-Year NPAT has reduced from K586m to K396m.
- The Tax is **due on 30 September 2022**, and applies to following years in perpetuity.

LEGAL CHALLENGE TO ACT

- BSP has filed an application to Supreme Court in May 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 have joined the action as interveners.

Closing comments

Conclusion

- The strong underlying business performance across the Group reported in the first three-months of 2022 was maintained in the second quarter, resulting in an increased first-half 2022 Group net profit after tax of K586m, compared to K449m for the corresponding 2021 period.
- Our performance is benefiting from the improved economic conditions in the region ... with most countries now in a post COVID-19 recovery phase. BSP is #1 in lending and deposits in five of its seven countries.
- Despite the above, BSP's first-half 2022 NPAT reduced to K396m after the ACT, which represents a 12% reduction in profit to the corresponding 2021 period.
- BSP Group's key performance ratios remained positive, with cost-to-income ratio reducing slightly to 36.6%, and BSP's capital base remains strong with total capital adequacy as at June 2022 standing at 23.0%
- The lower 2022 interim dividend payout of 34 toea per share, when compared to the 39 toea per share for 2021, was as a consequence of the K190m tax. With the support of its shareholders, BSP is pursuing a judicial review to challenge the constitutional validity of the ACT, given its material impact on shareholder returns.