



Our Bank.
Our People.

Investor Presentation

2021 Full Year Results

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



2022

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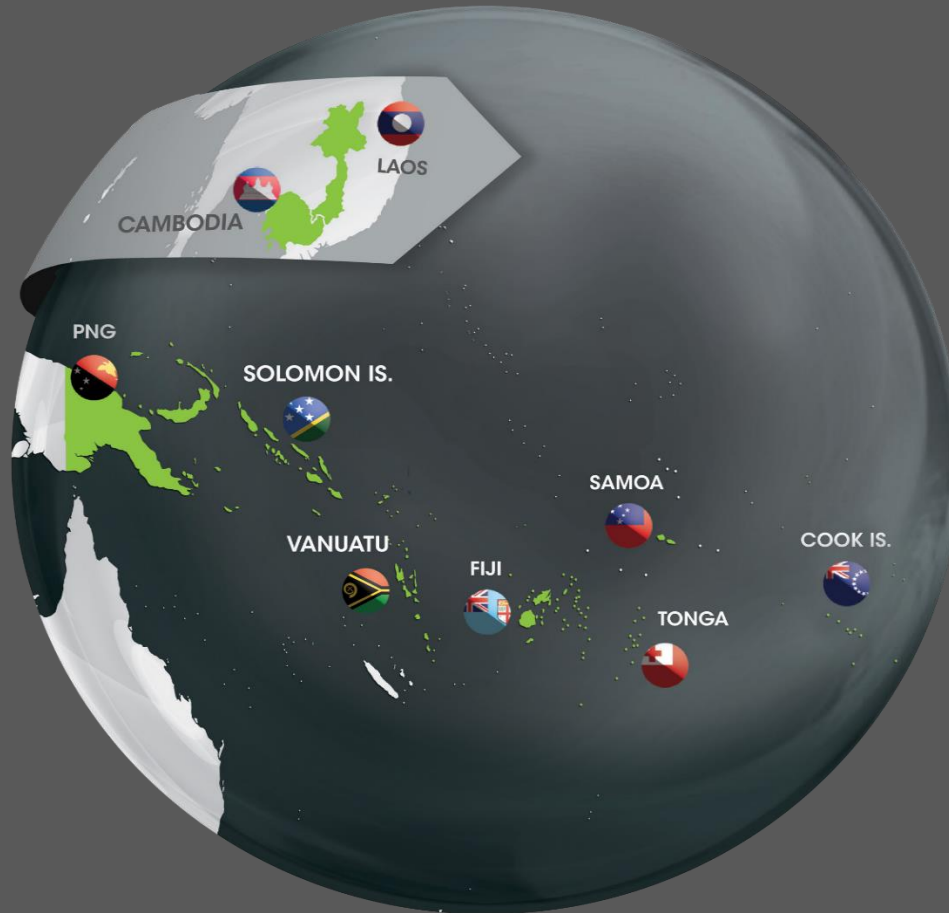
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South Pacific market leader

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



K13.6b [A\$5.3b]
In net lending



K30.4b [A\$11.9b]
In total assets



K5.6b on PNGX [A\$2.0b on ASX]
Market capitalisation ¹



118 branches and sub-branches
Largest network



~ 3.2m
Customer accounts



> 16.9m per month
Digital transactions

¹ PGK Value and AUD value based on PNGX and ASX share price as at 31/1/22

Diversification

BSP provides banking, asset finance, life insurance, funds management and corporate advisory services. BSP has also established a 50:50 Fintech JV in PNG to improve its digital capabilities. We continue to explore both organic and inorganic growth opportunities within our chosen markets and service lines.

BANKING



ASSET FINANCE



LIFE INSURANCE



FUNDS MANAGEMENT & CORPORATE ADVISORY



2021 results

As customers in every country adapted to the COVID-19 impacts, a granular re-assessment of COVID-19 related provisions taken up in 2020, saw adjustments to the level of provisions held, which combined with strong liquidity and good foreign exchange revenue across all markets has led to a record financial performance in 2021.

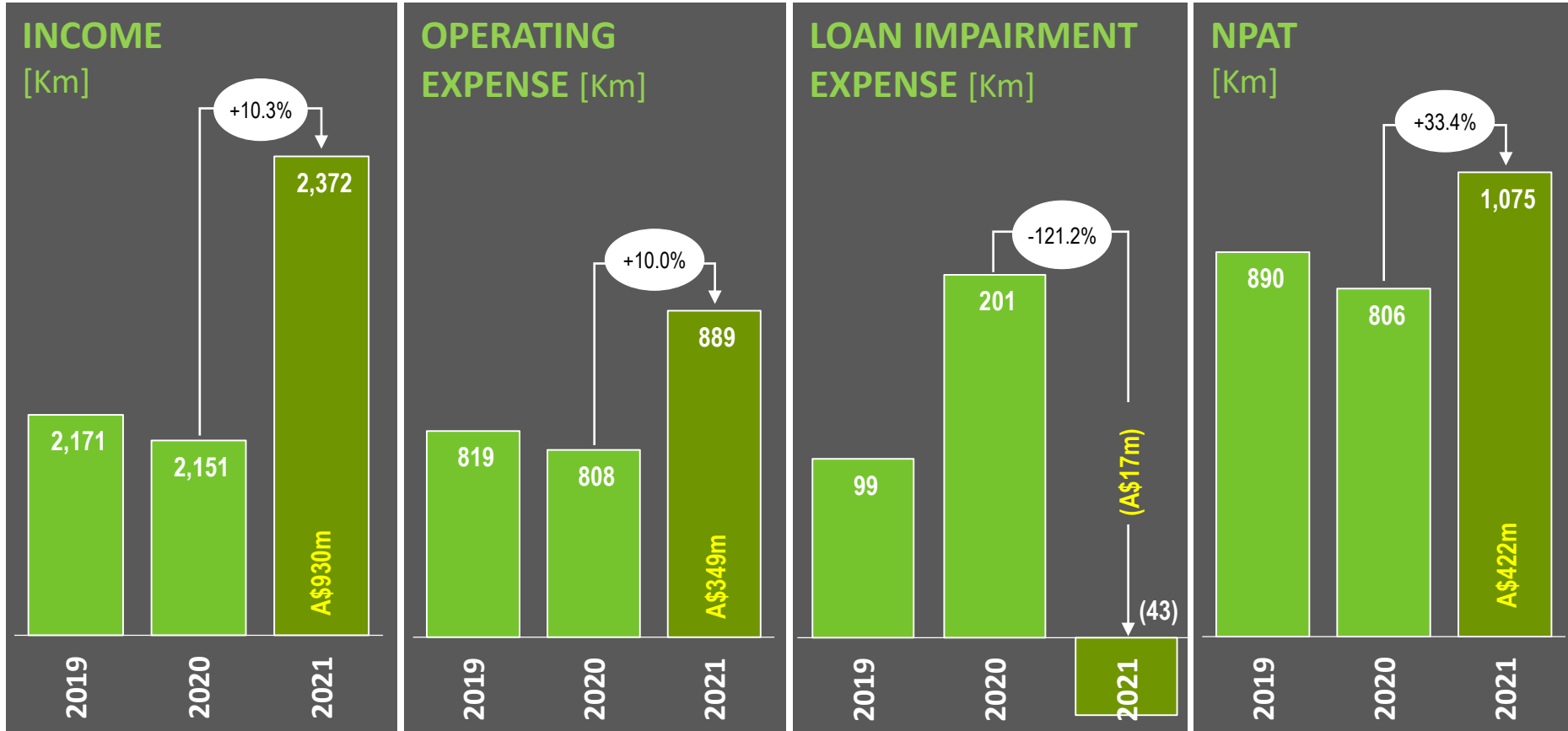
	2021	2021 vs 2020
● Profit [NPAT, Kb]	1.075	+ 33.4%
● Net assets [Kb]	3.8	+ 10.5%
● Cost-to-income ratio [%]	37.5	-10bps
● Capital adequacy ratio [%] ¹	25.7	+ 250 bps
● Earnings per share [toea]	230.1	+ 33.3%
● Dividend per share [toea]	173	+33.1
● Market capitalisation PNGX [Kb] ²	5.6	unchanged
● Market capitalisation ASX [\$Ab] ²	2.0	-

¹ Capital Adequacy Ratio calculated pre-dividend and as at 31/12/21

² PGK Value and AUD value based on PNGX and ASX share price as at 31/1/22

Group NPAT

Group NPAT increased by K269m [33.4%], as economies we operate in adjusted to a COVID-19 operating environment ... illustrated by double digit income growth and impairment releases.



Note: PGK/AUD rate 0.392157 as at 31/12/21



BSP

Our Bank. Our People.

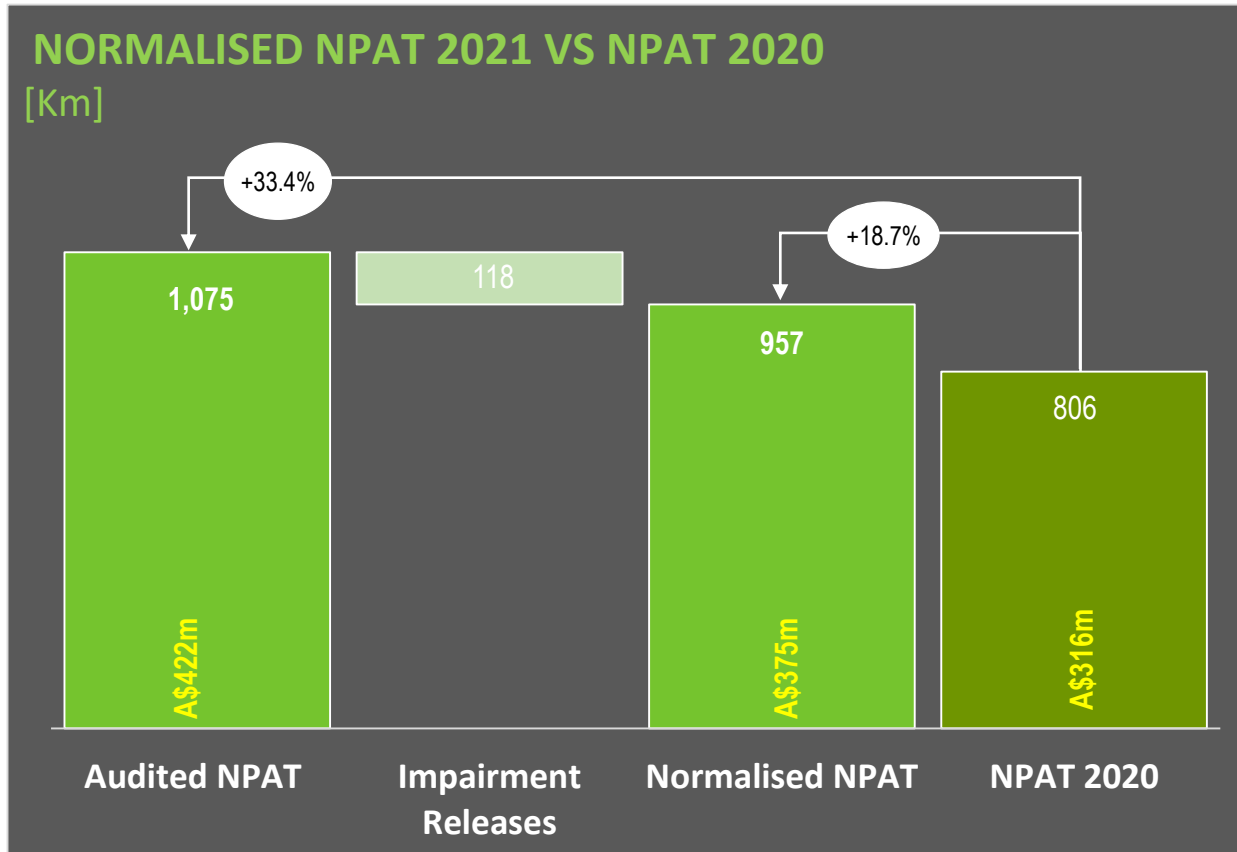
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Normalised NPAT

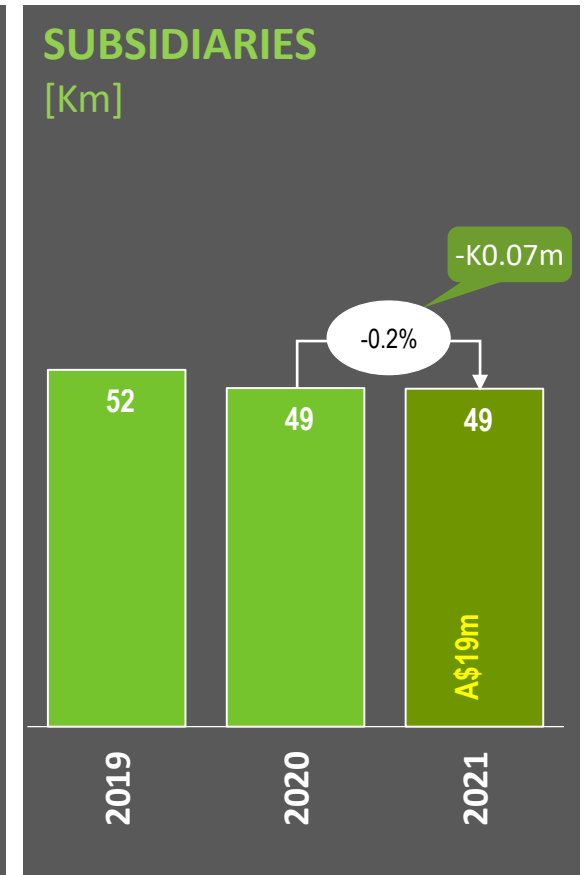
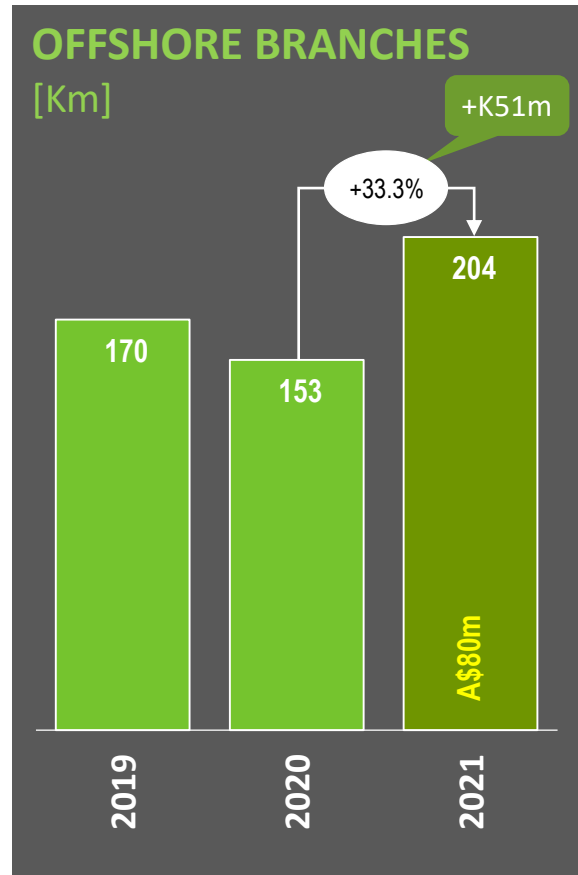
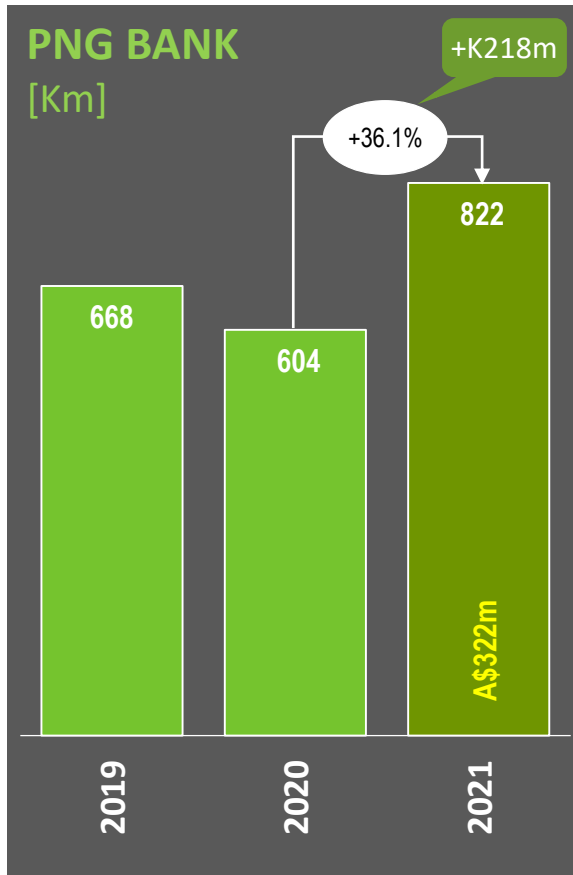
Record Group NPAT of K1.075b in 2021, K269m [33.4%] above the prior year of K806m. Normalised NPAT, after adjustments for impairment releases, up 18.7% to K957m.



Note: PGK/AUD rate 0.392157 as at 31/12/21

NPAT by division

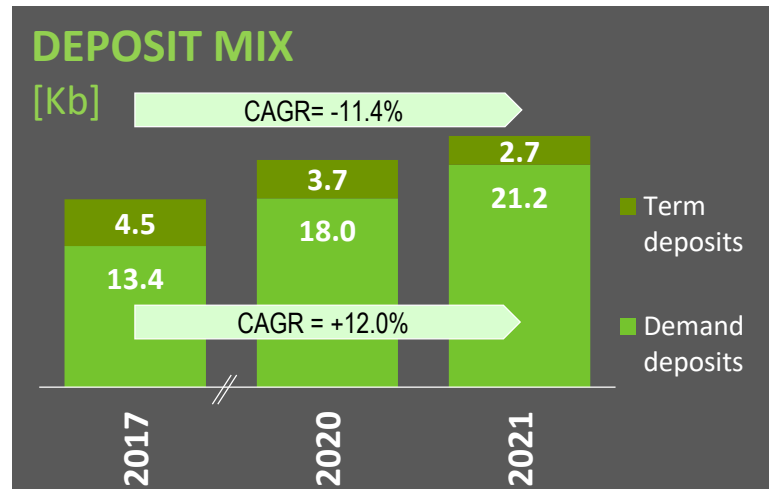
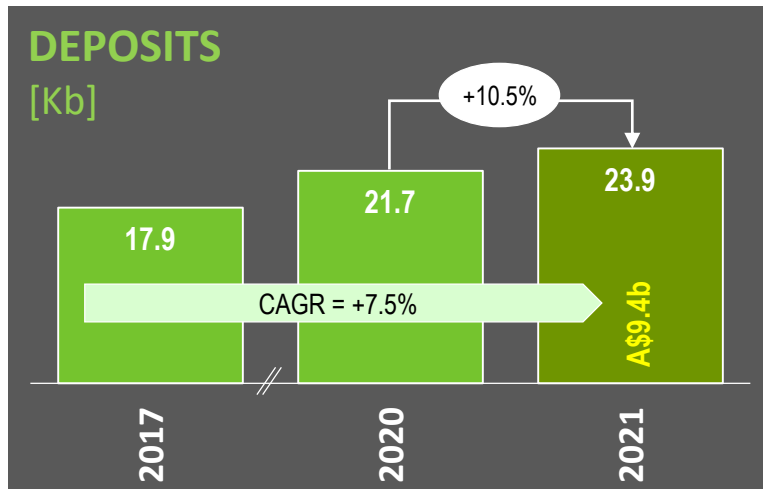
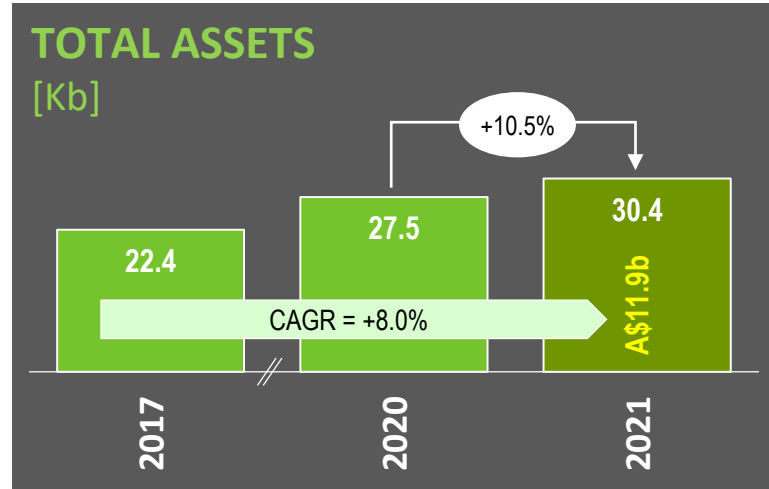
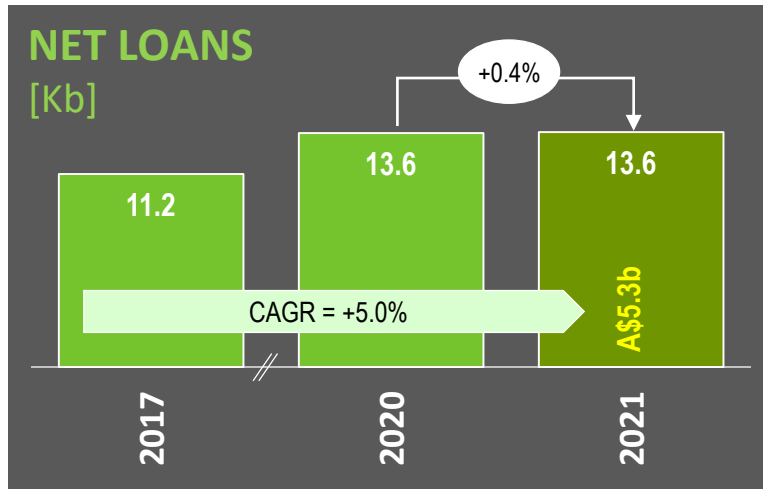
All of BSP's divisions recorded profits, notwithstanding flat economic conditions particularly in tourism dependent economies.



Note: PGK/AUD rate 0.392157 as at 31/12/21

Group financial KPIs

BSP continued to grow its assets and deposits ... lending growth reflected generally soft economic conditions, confirming the underlying strength of the BSP business.

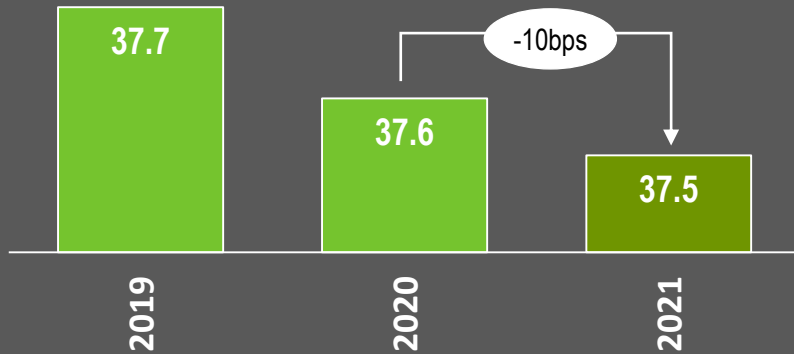


Note: PGK/AUD rate 0.392157 as at 31/12/21

Key ratios

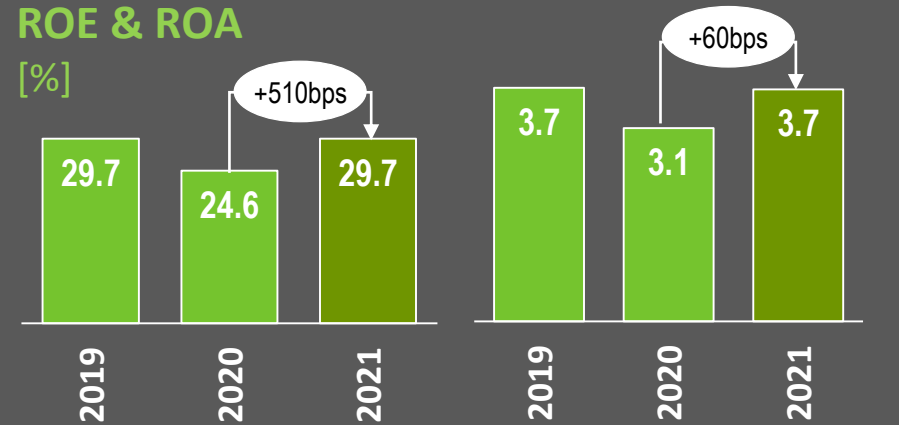
BSP Group has maintained strong results across all key performance ratios.

COST TO INCOME [%]



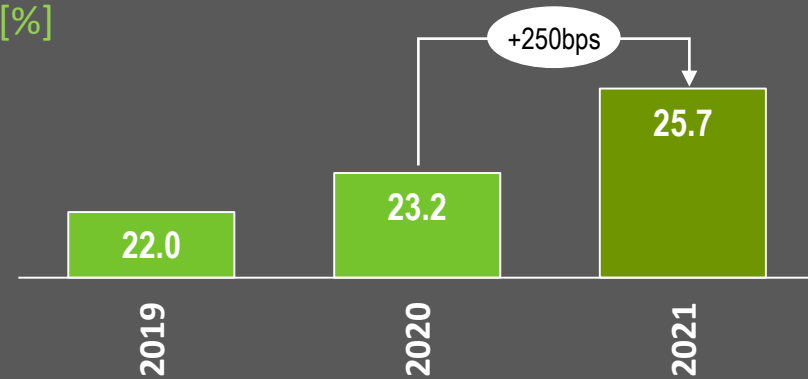
ROE & ROA

[%]



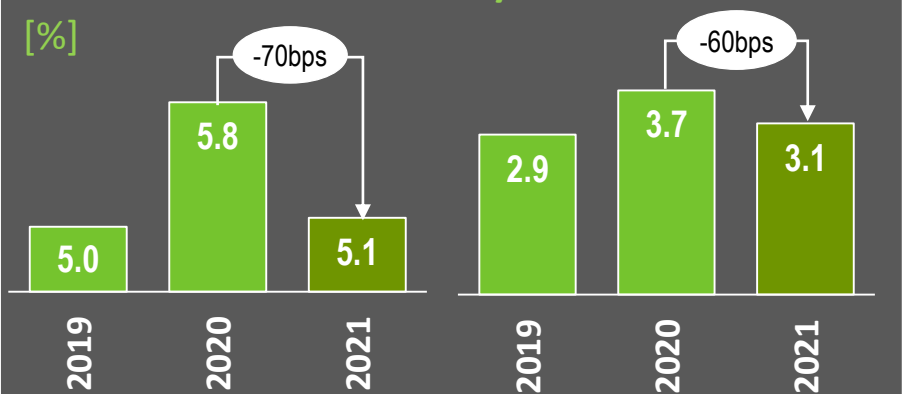
CAPITAL ADEQUACY

[%]



PROVISIONS TO LOANS / NPL TO LOANS

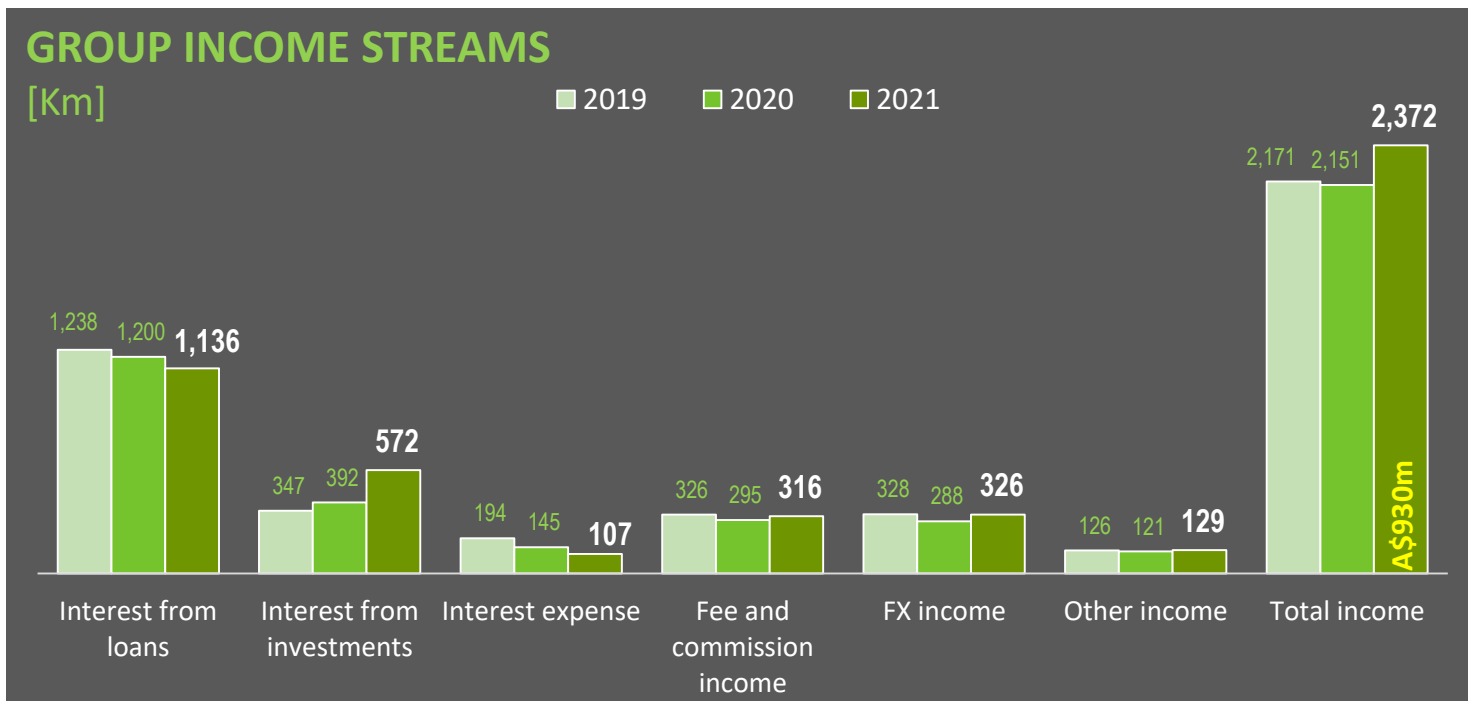
[%]



Income stream trends

Total income increased by 10.3%. Fee income rebounded, with a focus on channel streams and increased transactional activity. Foreign exchange revenue improved, especially in PNG, and surplus liquidity was invested in Government paper.

	Lending income	Investment income	Interest expense	Fee income	FX Income	Other income	Total Income
YOY:	-5.3% ↓	45.8% ↑	-26.4% ↓	7.3% ↑	13.0% ↑	6.4% ↑	10.3% ↑
CAGR:	-4.2% ↓	28.3% ↑	-25.8% ↓	-1.4% ↑	-0.3% ↑	1.1% ↑	4.5% ↑



Note: PGK/AUD rate 0.392157 as at 31/12/21

Expenditure trends

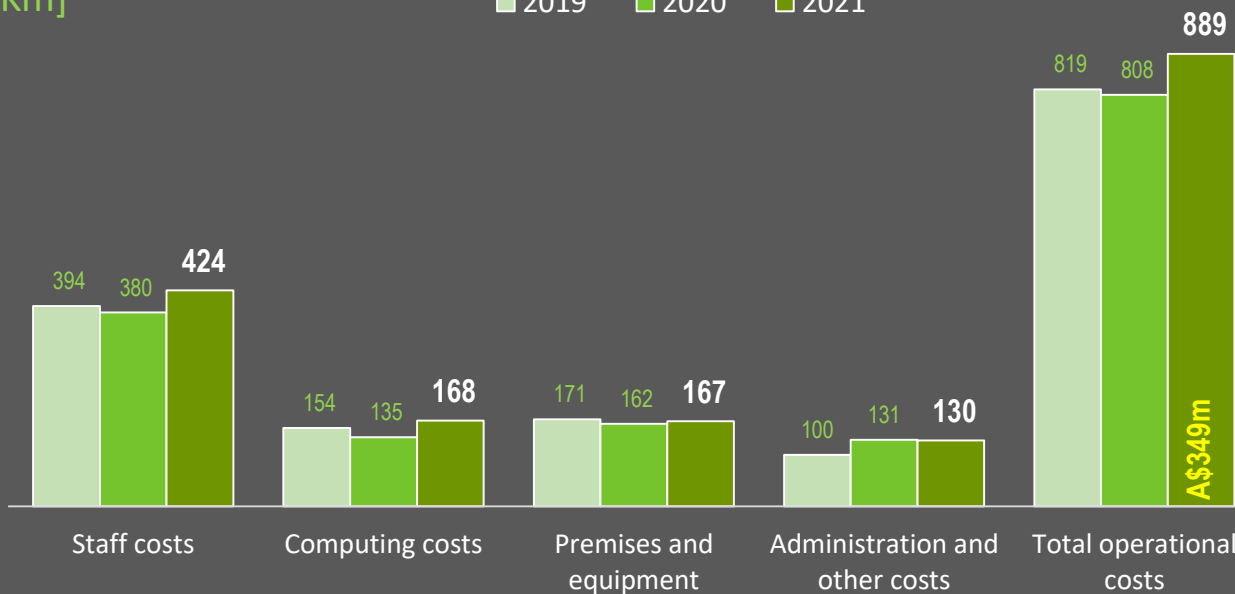
Total operating costs increased by 10.0% year-on-year, with increases in Computing and Staff Costs as BSP continued to invest in its AML capacity and IT delivery.

	Staff costs	Computing costs	Premises & Equipment	Admin costs	Total Operating costs
YOY:	11.5%	24.2%	3.1%	-0.7%	10.0%
CAGR:	3.8%	4.6%	-1.1%	13.1%	4.2%

GROUP EXPENDITURE

[Km]

■ 2019 ■ 2020 ■ 2021



COMMENTS

- **Staff Costs** – additional FTEs in retail, AML and technology
- **Computing Costs** – software maintenance, licenses, data links, software amortisation and commencement of capitalisation of the new core banking system
- **Admin Costs** – includes ASX listing expenses
- **Premises & Equipment Costs** – includes depreciation of premises & equipment and fixed-asset write-offs.

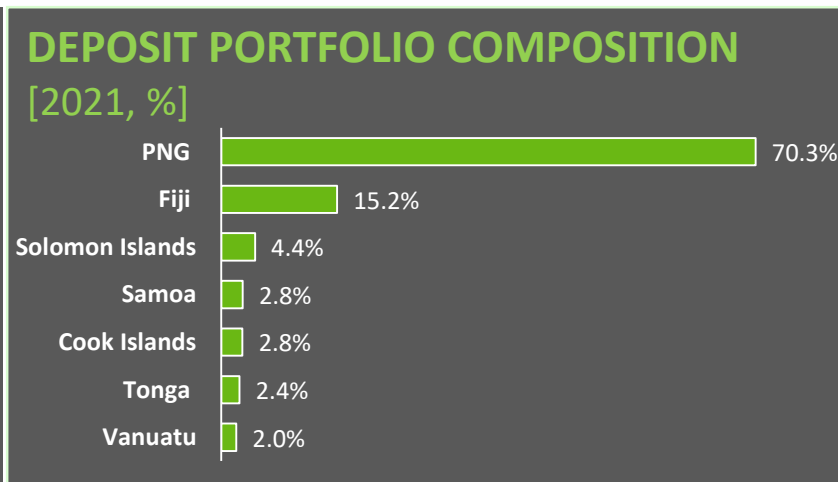
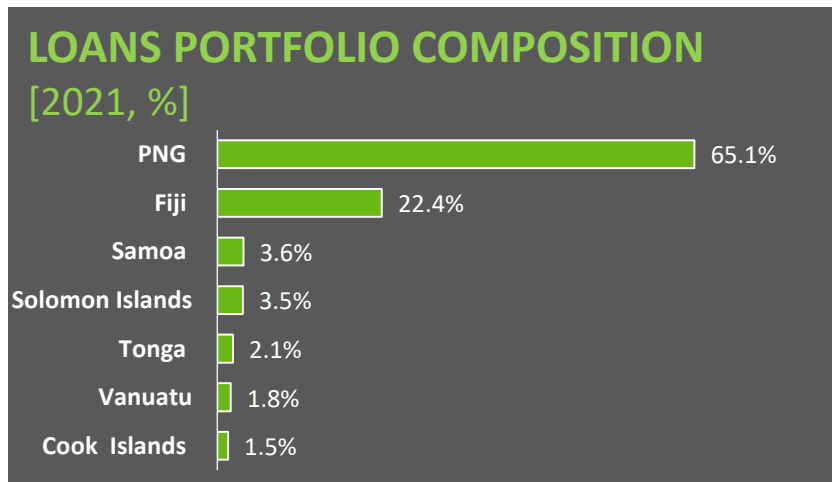
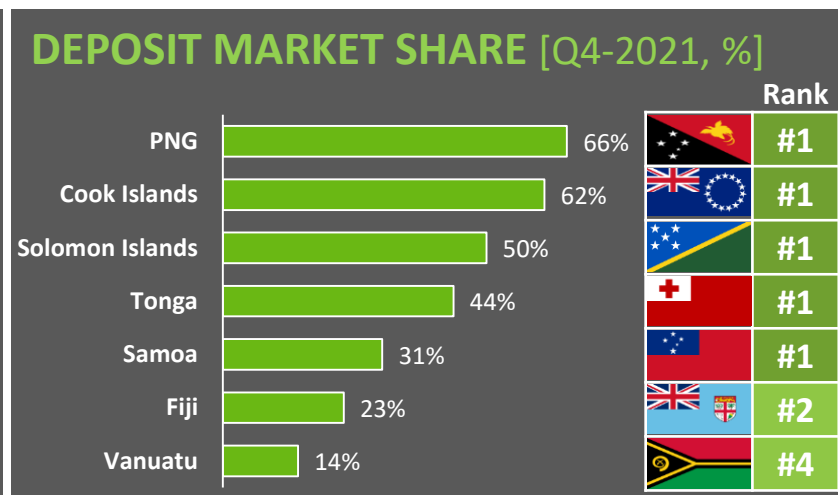
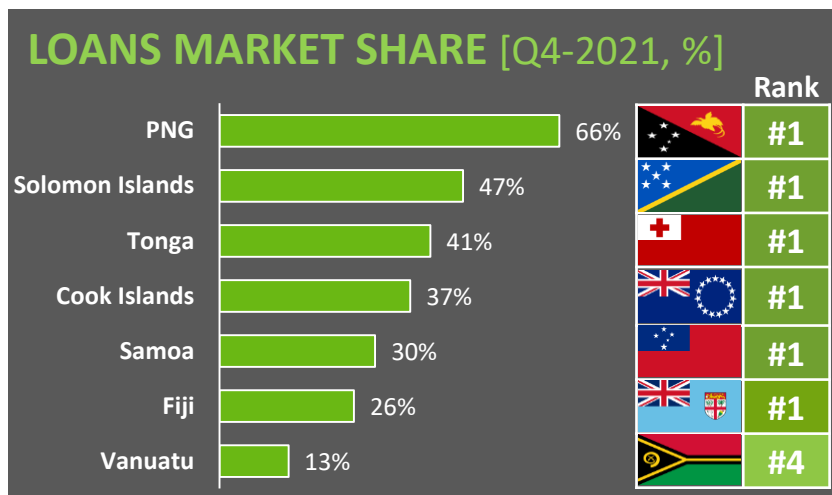
Key:

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

Note: PGK/AUD rate 0.392157 as at 31/12/21

Market position and portfolio composition

BSP is #1 in lending in 6 of the 7 countries we operate in and #1 in deposits in 5 countries. Our loan and deposit portfolios are predominantly PNG domiciled.



Social and environmental management

BSP's Environmental and Social Risk Management (ESRM) policy was established in 2008 to assess and monitor potential environmental and social risks associated with customers' business activities in all jurisdictions that BSP operates.

- ESRM employed at customer onboarding stage to detect customers engaged in high-risk sectors.

Total logging loans and deposits represent **0.05% and 0.42% respectively, of BSP Group's total loan and deposit portfolios ...** and declined materially between 2020 and 2021.

- ESRM assessment for customer onboarding is conducted in the following sequence.



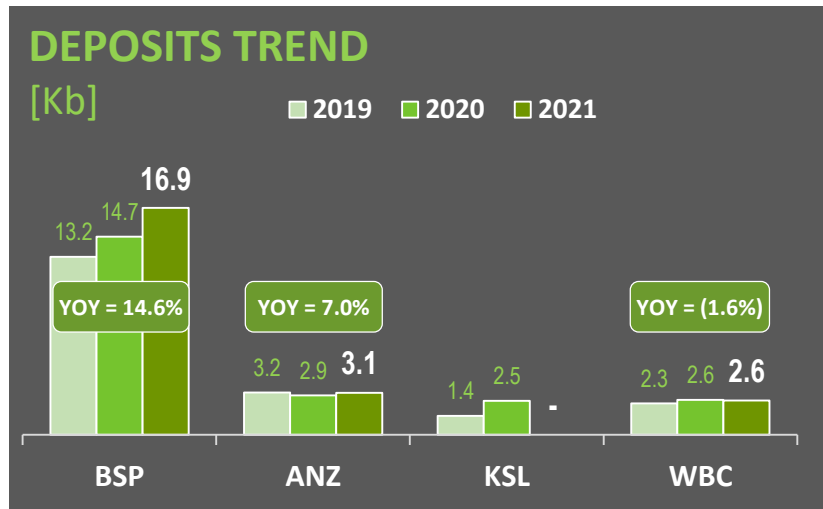
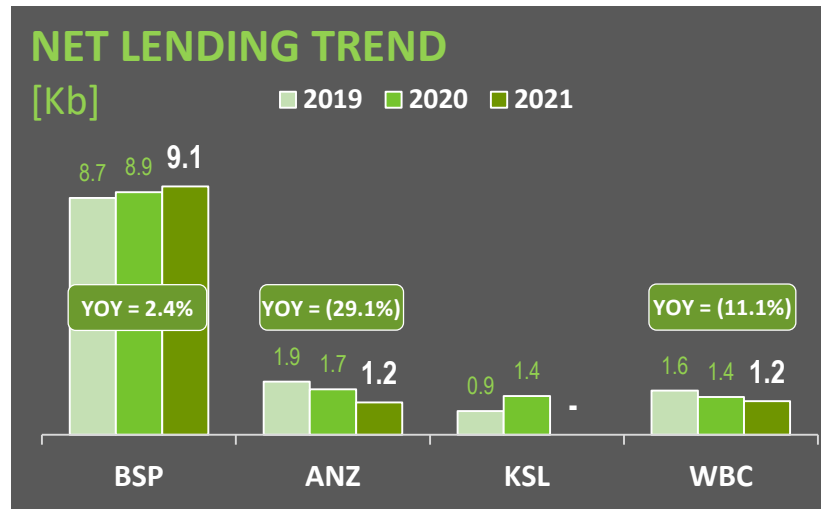
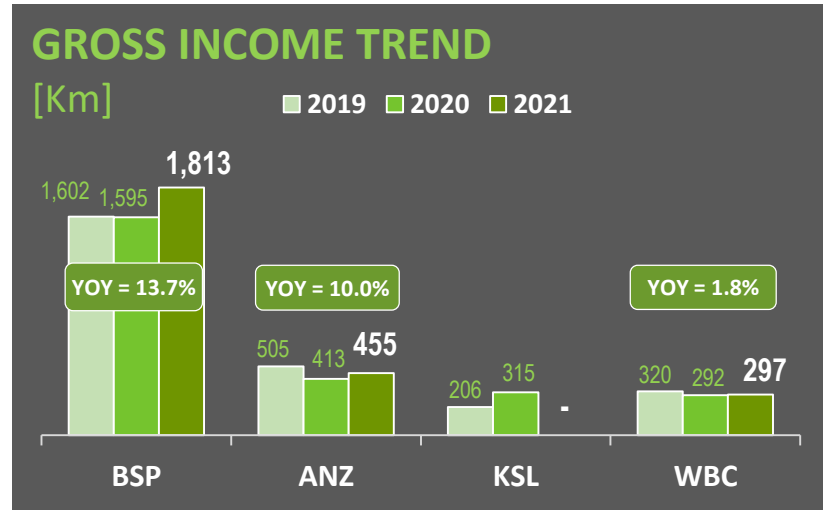
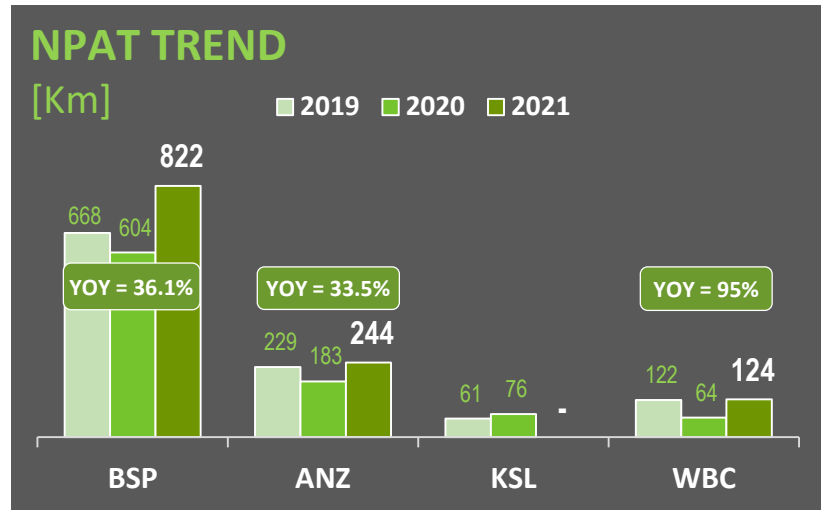
- BSP has and will continue to exit non-compliant businesses.

LOGGING CUSTOMER TRENDS [Km]

	2020	2021	Annual Change
Logging deposits	123.61	99.95	-19.14%
<i>Logging % of total deposits</i>	<i>0.57%</i>	<i>0.42%</i>	
Logging loans	18.70	6.95	-62.83%
<i>Logging % of total loans</i>	<i>0.13%</i>	<i>0.05%</i>	

Competitor trends

BSP continues to dominate in PNG and deliver value to its shareholders



Source: BSP (Group Dec 21 accounts), Key Disclosure Statements: ANZ PNG (Sep 21), WBC PNG (Sep 21), KSL (Dec 20)

Channel network and location

BSP has the largest channel network in the South Pacific region ... and continues to invest to improve customer service levels across the Group.

New branches/sub branches – past 12 months in PNG

- Koroba Hybrid Sub Branch
- Namatanai Hybrid Sub Branch
- Kerema Hybrid Sub Branch (re-opened)

BSP/Retail has plans for expansion in 2022

- Eriku (5th branch in Lae)
- Dobel (2nd Branch in Mt Hagen)
- Maprik – upgrade and conversion to full branch
- Boroko Lending Centre
- Telefomin Sub Branch Upgrade to Hybrid Sub Branch
- Palmalmal Hybrid Sub Branch

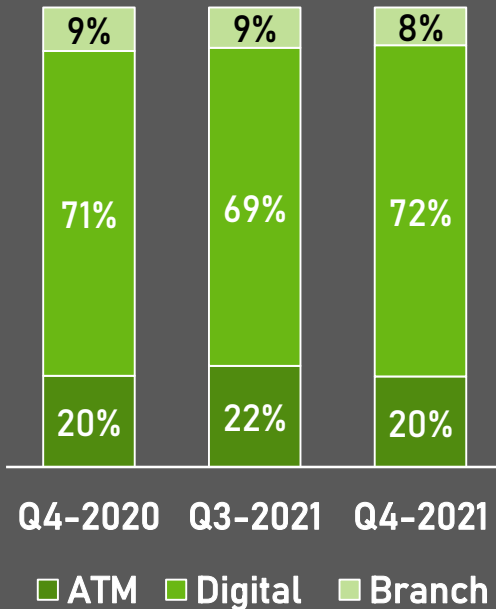
Branches
Sub Branches
BSP only Bank in Town



Channel growth trends

Increasing adoption of digital channels ... with average digital transactions per month increasing by 2.6 million [or 18%] in the past 12 months to 16.9 million.

TRANSACTION MIX BY CHANNEL
[percentage]



MONTHLY AVERAGE TRANSACTIONS BY CHANNEL
[million]



**Pay Online
with BSP Pay**

No card, just pay!



Digital insights and key achievements



LAUNCH OF BSP IPG PRODUCT – 100% PNG MADE ONLINE PAYMENT SOLUTION

- Air Niugini is the first customer to launch BSP Online Ticket payments in Nov-2021 with BSP's Internet Payment Gateway, a homegrown IPG solution developed in BSP for BSP by Platform Pacific Ltd, a subsidiary of BSPFGL.
- This local solution provides a cost effective online payment solution that meets global standards, and reduces dependency on offshore service providers.
- IPG offers customers seamless online ticket purchase and enables Air Niugini to manage business with ease.
- Over the years Air Niugini and BSPFGL have collaborated on a number of innovative payment solutions such as IPG and Airline Ticket Payment via mobile banking, solutions aimed at enhancing Customer experience and improving business efficiency.



BSP PAY

Retailers who opted to offer consumers the alternative to shop online instead of in-store, were quick to embrace BSP Pay, which enables direct account transfer by BSP account holders.

In Q4-2021, opting to use BSP Pay as an "easy to pay online" experience has seen organic growth by bmobile subscribers.

MOBILE MERCHANTS

Q4-21: Over 252 retailers and consumer-goods-and-services businesses registered for Mobile Merchants, have enhanced value to consumers with ease of making mobile payments, and having instant payments banked, businesses are adapting to improve delivery of services to consumers.

SCHOOL FEE MERCHANTS

Q4-21: Over 330 Schools registered on Mobile Banking, in tertiary, secondary and primary institutions both public and private, enabling customers with ease of paying for school fees.



Delivering greater value to customers

Zero fee increases since 2014 and forgone annual fee income circa K62m per annum, due to fees reduced or waived.

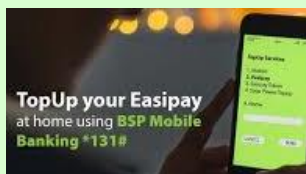
Further fee reductions are scheduled for March 2022 and include the cash handling fee threshold increasing, and the Kundu Package monthly fee reducing by K1.00 to K8.50.

2021 FEES REDUCED



Merchant EFTPOS fee removed for low value transactions

- Transactions under K25 = **free** [from 8-May-21]
- Transactions K25 and over = 25t [no change]



Mobile Banking EasiPay Top Up fee halved from 50t to **25t** [as of 30-Apr-21]



Branch EFTPOS Withdrawal fee halved from K4.00 to **K2.00** [as of 30-Apr-21]

2022 FEES REDUCED



Branch Withdrawal Cash Handling fee ... “fee **free**” threshold doubled to K10,000 from K5,000 [as of 1-Mar-22]



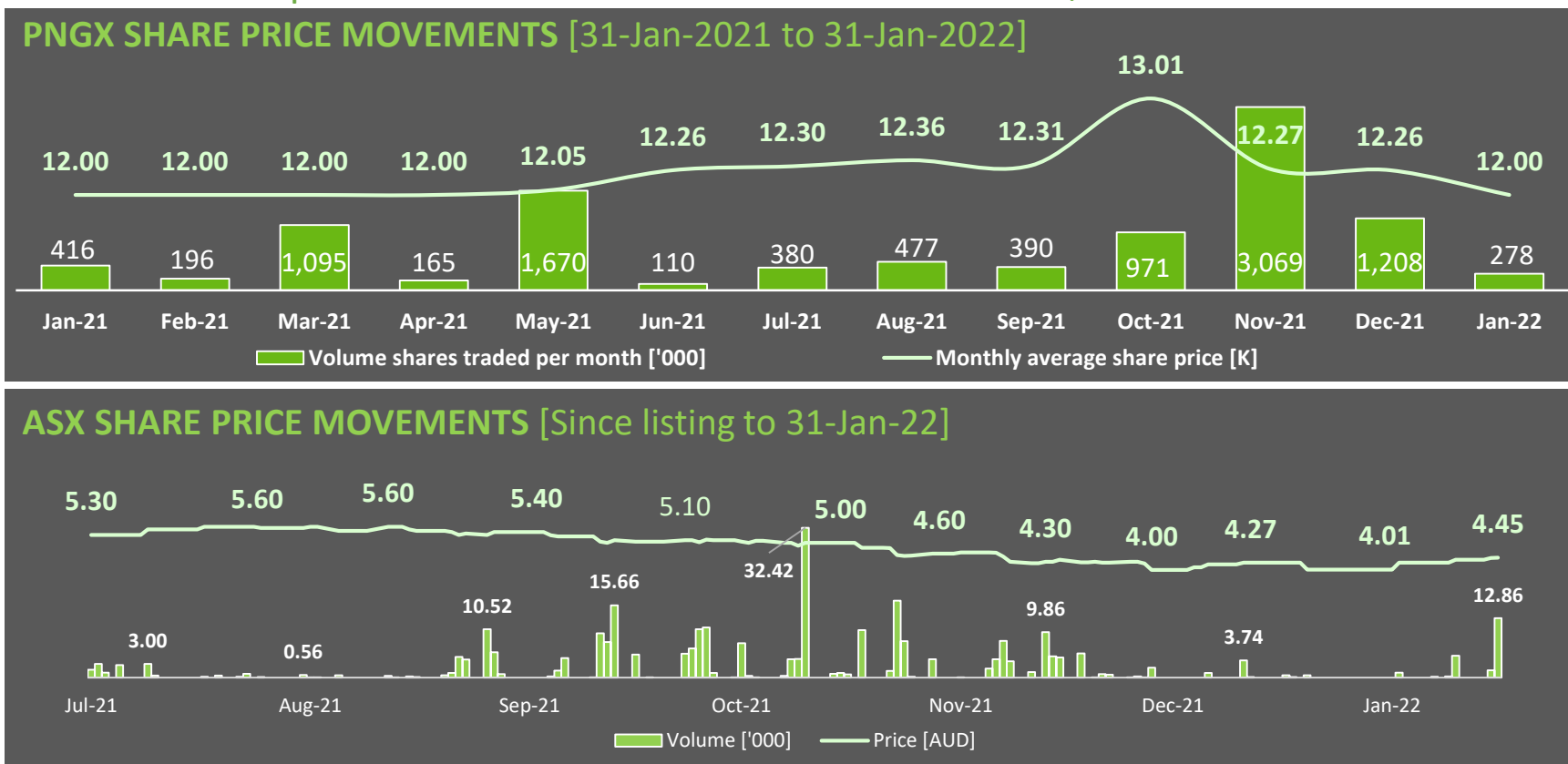
Branch Deposit Cash Handling fee ... “K20 fee **waived**” for deposits of K10,000 or more [as of 1-Mar-22]



Kundu Package monthly fee discounted by 11% from K9.50 to **K8.50** [as of 1-Mar-22]

Share price trends

BSP's share price on the PNGX increased by 2% over the past 12 months. Conversely, share price on the ASX decreased by 11% since the PNG Government's announcement of the "Market Concentration Levy". Dividend yield¹ based on share price as at 23-Feb-22 and calculated on full dividends for FY 2021, is 14.4% and 14.8% on PNGX and ASX respectively. BSP's Market Capitalisation² on the PNGX was K5.6bn and A\$2.0b on the ASX at 31-Jan-22.



¹ PGK/AUD rate 0.3805 rate as at 23/2/22 was used to calculate dividend yield on the ASX
² PGK Value and AUD value based on PNGX and ASX share price as at 31/1/22 respectively

Top 10 shareholders

BSP's Top 10 shareholders represent 82.4% of total issued shares as at Jan-2022

TOP 10 SHAREOLDERS [Jan-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	31,460,460	21,600,000	53,060,460	11.4%
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	Kina Nominees Ltd (PNGSDP)	19,732,587	-	19,732,587	4.2%
9	Teachers Savings and Loans Society	15,317,366	-	15,317,366	3.3%
10	Comrade Trustee Services Limited	12,456,052	-	12,456,052	2.7%

2021 dividend

BSP's final dividend of K1.34, brings our total dividend to K1.73... representing a payout ratio of 75%



PLANNED PROCESSING DATES

- Ex-date: Thursday, 10 March 2022
- Record date: Friday, 11 March 2022
- Payment date: Friday, 22 April 2022

SHAREHOLDER RETURNS SUMMARY

	2019	2020	2021	Change
EPS [K]	1.91	1.73	2.30	32.9%
Payout ratio	70.3%	75.3%	75.0%	-30bps
Dividend yield [PNGX]	11.17%	10.83%	14.4%	+357bps
Dividend yield ¹ [ASX]	<i>Not listed</i>		14.8%	-

¹ PGK/AUD rate 0.3805 as at 23/2/22 was used to calculate dividend yield on the ASX

Market Concentration Levy

Any Levy on BSP is a tax on our Shareholders. It reduces the amount of dividends we distribute to our shareholders and will affect the share price ... be that by the share price reducing, or the reporting of material profit downgrades by BSP.

MARKET CONCENTRATION LEVY

- Introduced and passed by Parliament in November 2021 as part of the Income Tax Act for 2022. The Levy was subsequently Certified on 7 February 2022 for Gazettal.
- The Levy applies a flat K190m tax on any bank that has over 40% market share of financial assets, which could only apply to BSP.
- The Levy is payable in three (3) installments, and non-deductible for tax purposes, and will have a direct impact on BSP's NPAT.
- From an accounting perspective, the full amount of the Levy will be recognised in the P&L as soon as Group profits reach K190m.
- BSP will recognise the full Levy in the 2022 Half Year accounts.

DEVELOPMENTS FOLLOWING BUDGET

- Consultation with the Department of Treasury commenced in January 2022 on the impact the Levy will have on service delivery and investment in branches with meetings held with the treasurer and treasury officials.
- At this point, BSP remains firm in our commitment that service fees to customers will not be increased regardless of the outcome of these Consultations.
- The Prime Minister advising parliament that introduction of the Levy would be deferred until the second half of 2022. However, the Levy was certified as part of the Income Tax Act for Gazettal on 7 February 2022.
- On 23 February 2022, the Treasurer in a Ministerial Statement, flagged "significant amendments" to the Market Concentration Levy in the forthcoming March session of Parliament.

Summary

- Record Group NPAT of K1.075b in 2021, K269m [33.4%] above prior year of K806m, improved business conditions which allowed realignment of Covid related provisions taken up in 2020
- Total Assets up 10.5%, with net lending growth flat at 0.4%
- Cost to income stable at 37.5% ... 37.6% in 2020
- Capital adequacy up to 25.7%, well above BPNG requirement of 12%
- Loan provision decreased to 5.8% from 5.9%
- Record dividend payment to shareholders and dividend yield at 14.4% and 14.8% on PNGX and ASX respectively, based on share price and exchange rate¹ as at 23-Feb-22 ... calculated on full dividends for the 2021 financial year
- BSP Offshore Branches recorded an increase in profits
- Overall an outstanding performance in 2021, as the economies we operate in begin to recover from COVID-19 impacts

¹ PGK/AUD rate 0.3805 as at 23/2/22 was used to calculate dividend yield on the ASX