



*A wholly owned subsidiary of BSP Papua New Guinea*

Registered Office: Level 12, BSP Suva Central Building, Cnr of Renwick Rd & Pratt Street, Suva, Fiji Islands.  
Postal Address: Private Mail Bag Suva Fiji Islands, Telephone (+679) 321 4412, Fax (+679) 321 4422

## **Market Announcement to South Pacific Stock Exchange**

### **“BSP INVESTOR PRESENTATION - HALF-YEAR RESULTS 2020”**

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#### **About BSP Convertible Notes Limited (BSP CN Fiji):**

BSP Convertible Notes Limited (BSP CN Fiji) is a wholly owned subsidiary of Bank of South Pacific Limited (BSP). BSP is a Papua New Guinea based full service Bank with representation in many major Pacific economies. BSP is listed on the Port Moresby Stock Exchange (PNGX) and has a B- credit rating from Standard & Poors. BSP Convertible Notes Limited (BSP CN Fiji) is a special purpose vehicle incorporated in Fiji with limited powers under its Memorandum and Articles. It is listed in the South Pacific Stock Exchange (SPX) in Fiji as BCN.



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24 August 2020

## **“BSP INVESTOR PRESENTATION –HALF-YEAR RESULTS 2020”**

### **“Market Announcement to South Pacific Stock Exchange”**

Our Parent Company, Bank of South Pacific Limited based in Port Moresby, PNG has released this market announcement on PNGX.



.....  
**Haroon Ali**  
**DIRECTOR**

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#### **About BSP Convertible Notes Limited (BSP CN Fiji):**

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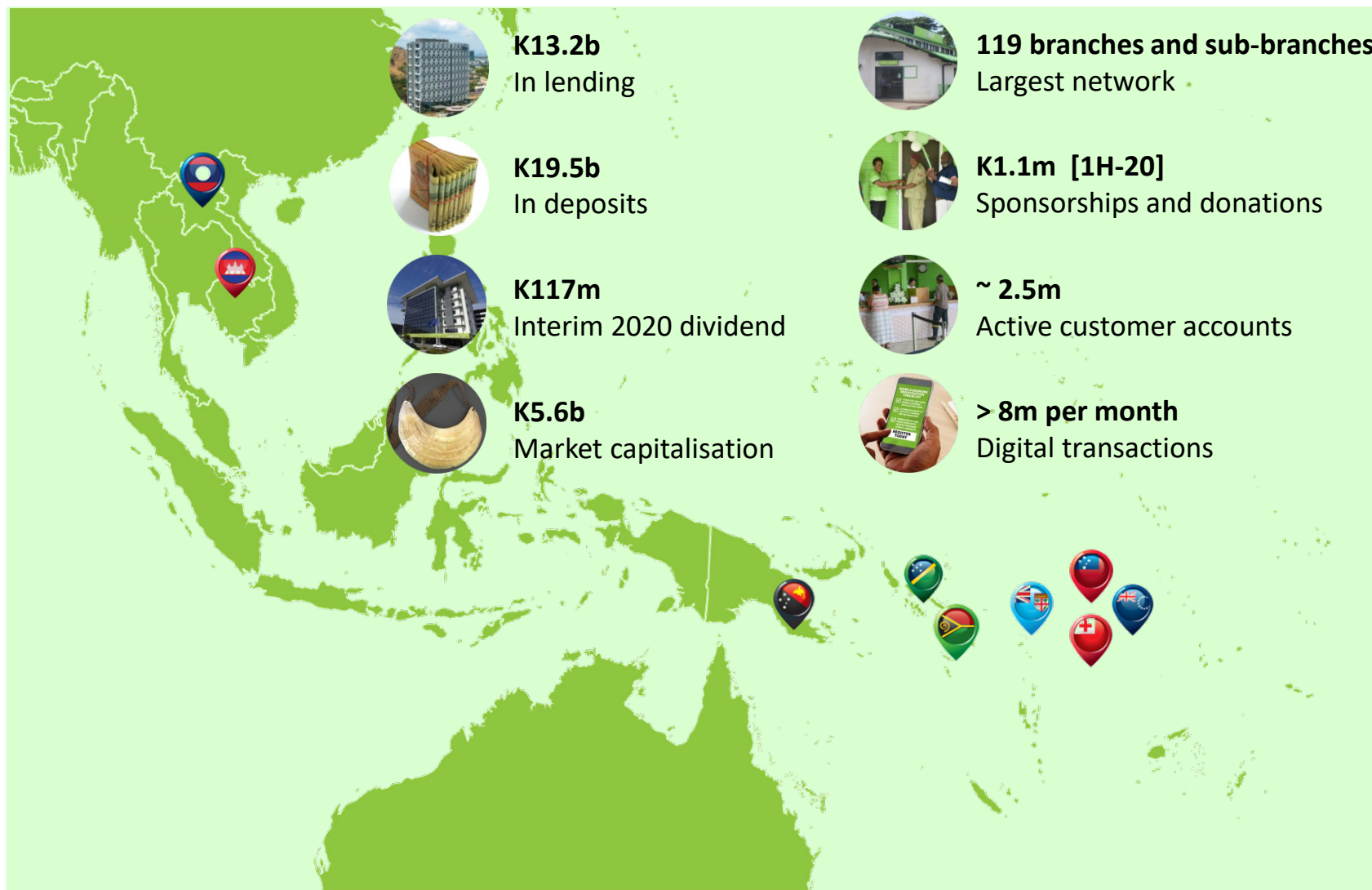
# INVESTOR PRESENTATION

2020 Half Year Results

# South Pacific market leader



We continue to consolidate across the Pacific



# 1H-2020 results



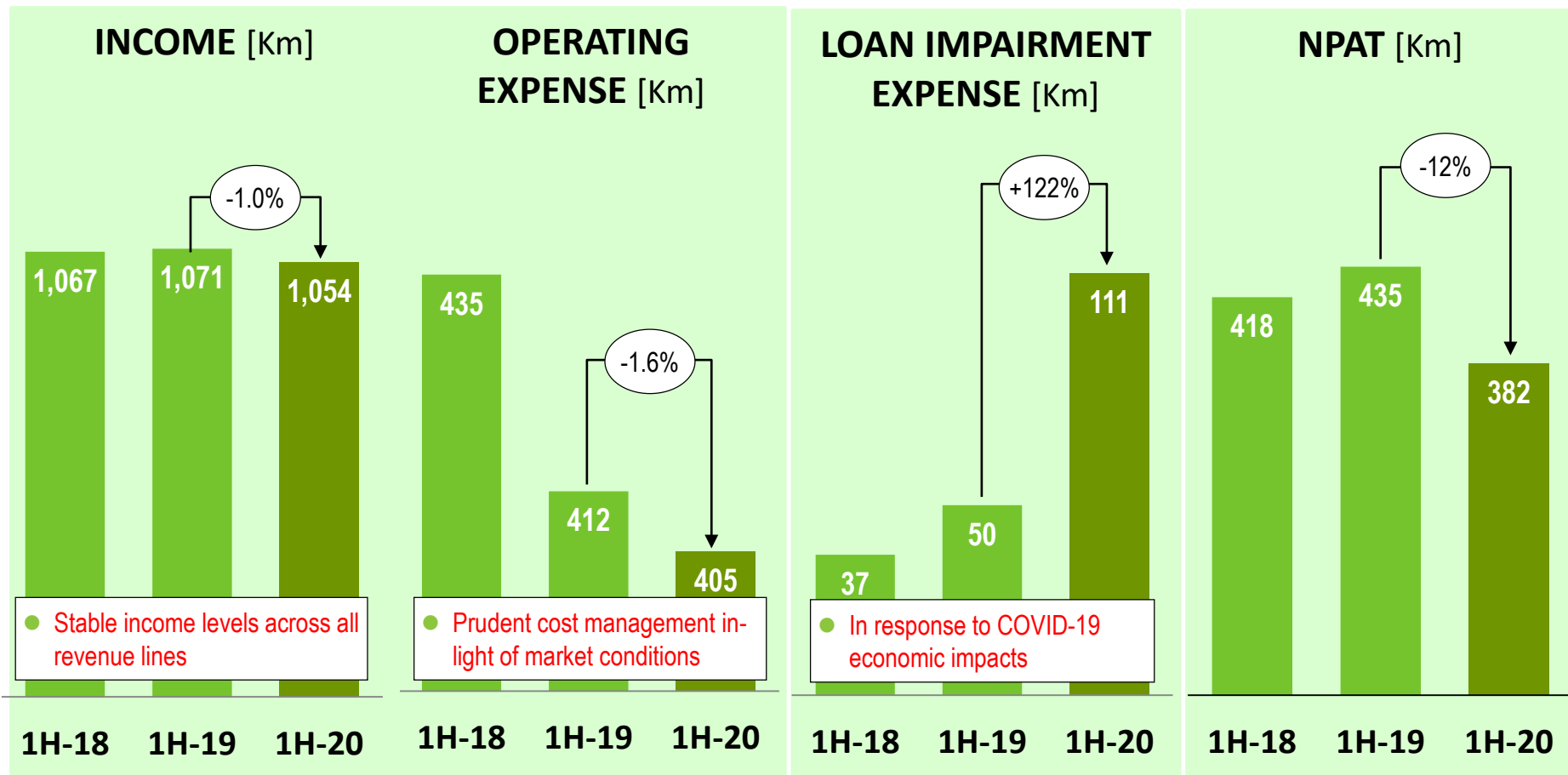
Sound financial performance in difficult economic conditions across the region

	1H-20	1H-20 vs 1H-19
● Profit [NPAT, Km]	382	- 12.2%
● Total assets [Kb]	24.9	+ 6.4%
● Cost-to-income ratio [%]	38.5	0bps
● Capital adequacy ratio [%]	21.3	+ 40bps
● Earnings per share [toea]	81.7	- 12.2%
● Interim dividend per share [toea]	25	- 34%
● Market capitalisation [Kb]	5.6	+ 15.8%

# Group NPAT



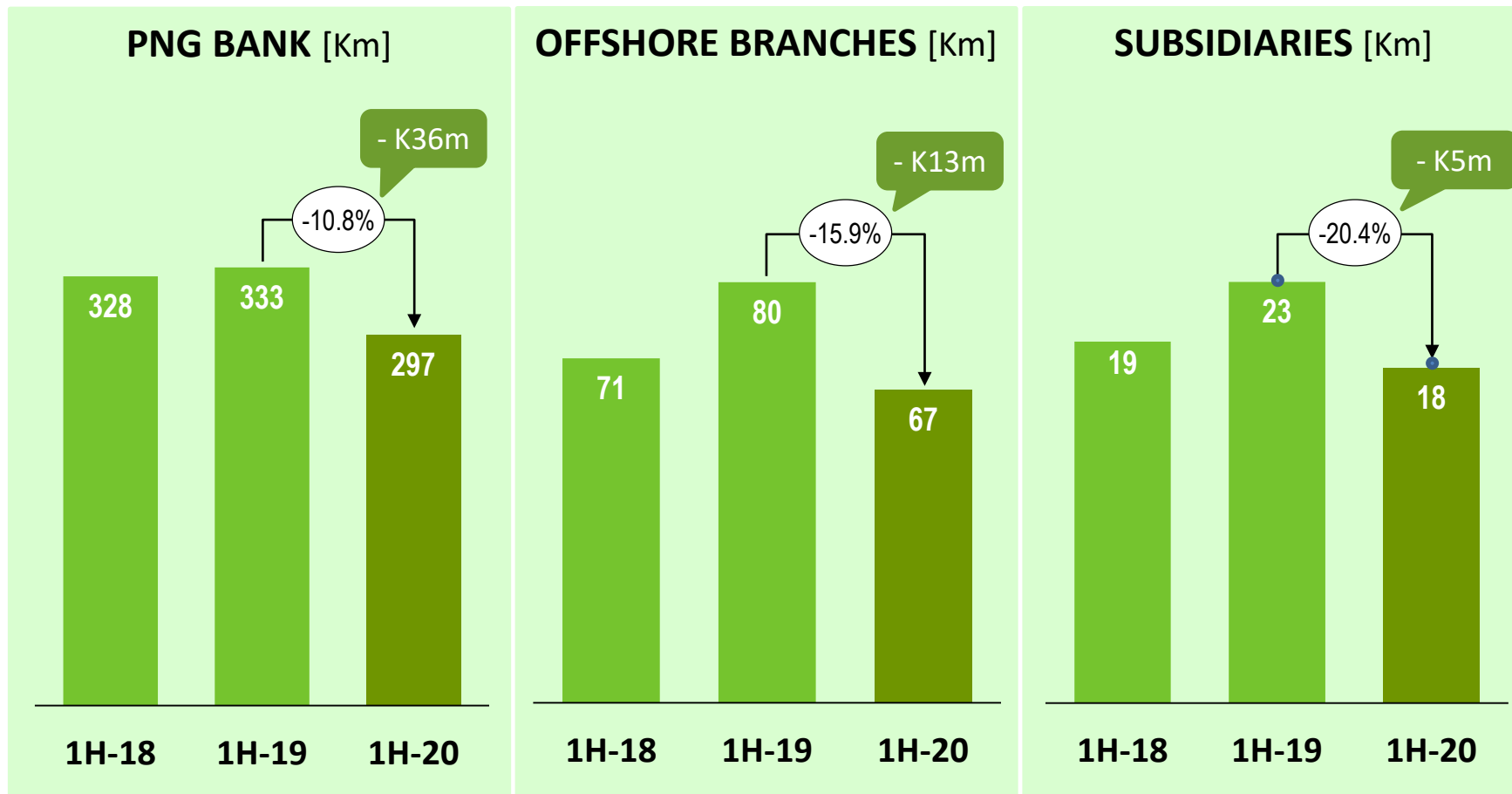
NPAT decreased by K53m, or 12.2% ... due largely to an increase in impairments, driven by COVID-19 impacts and a 100bps reduction in BSP's PNG Indicator Lending Rate



# NPAT by business



All of our businesses were negatively impacted by COVID-19 related contractions in economic activity

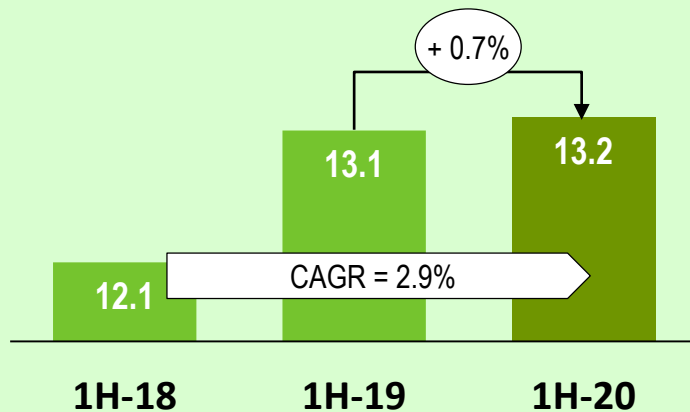


# Financial metrics

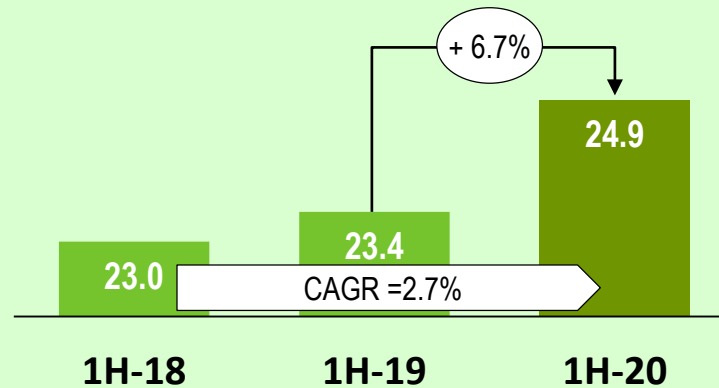


Economic conditions constrained loan growth across all countries ... positive deposit growth in 1H-20

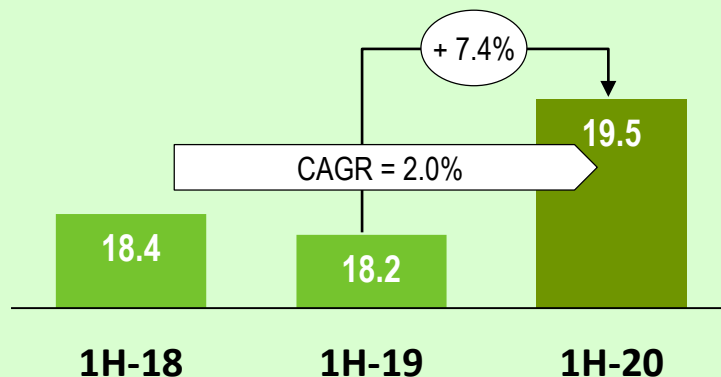
**LOANS [Kb]**



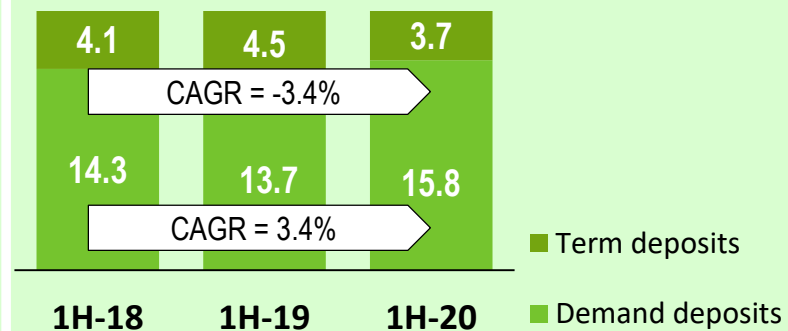
**TOTAL ASSETS [Kb]**



**DEPOSITS [Kb]**



**DEPOSIT MIX [Kb]**

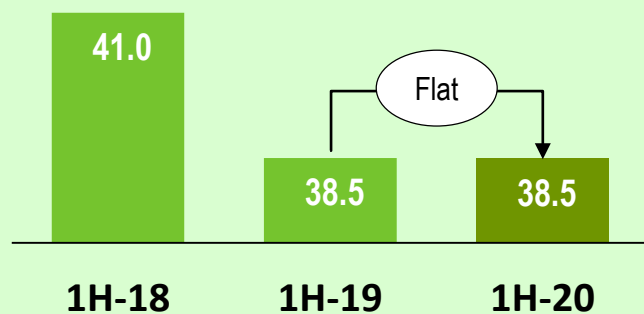




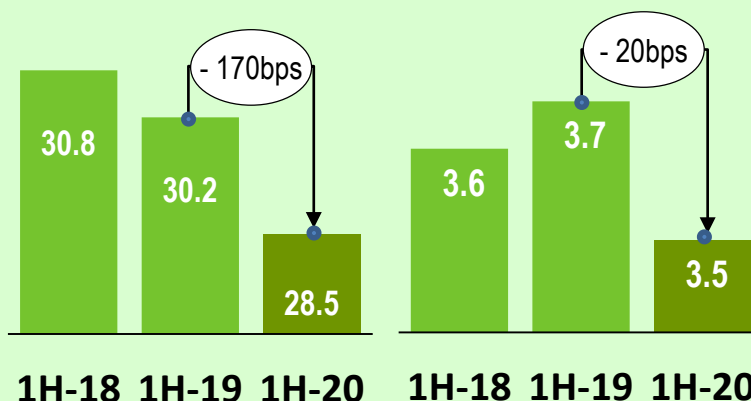
# Key ratios

BSP Group has maintained sound results across all key performance ratios, giving regard to difficult macroeconomic conditions

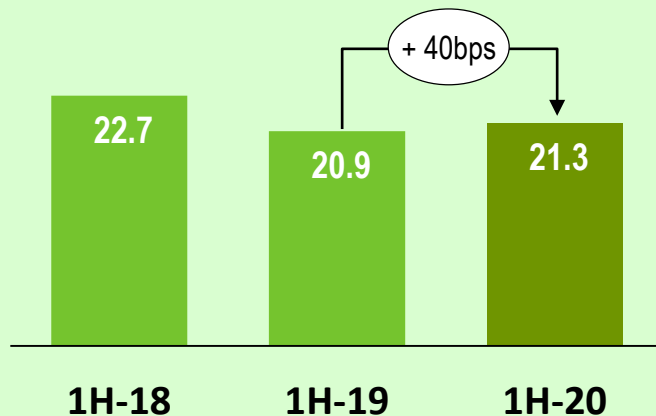
### COST TO INCOME [%]



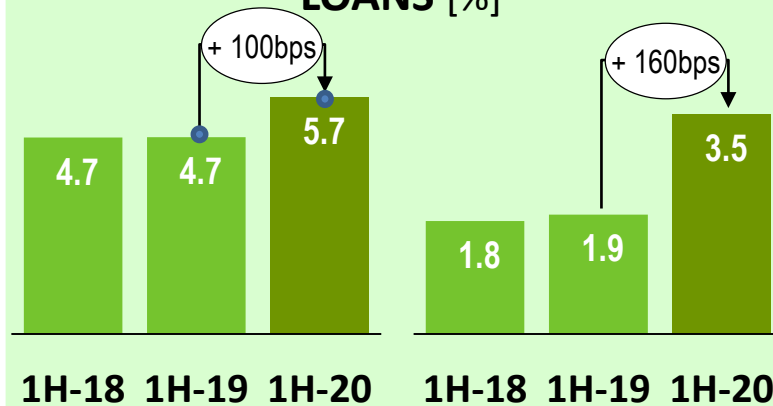
### ROE & ROA [%]



### CAPITAL ADEQUACY [%]



### PROVISIONS TO LOANS / NPL TO LOANS [%]



# Income stream trends



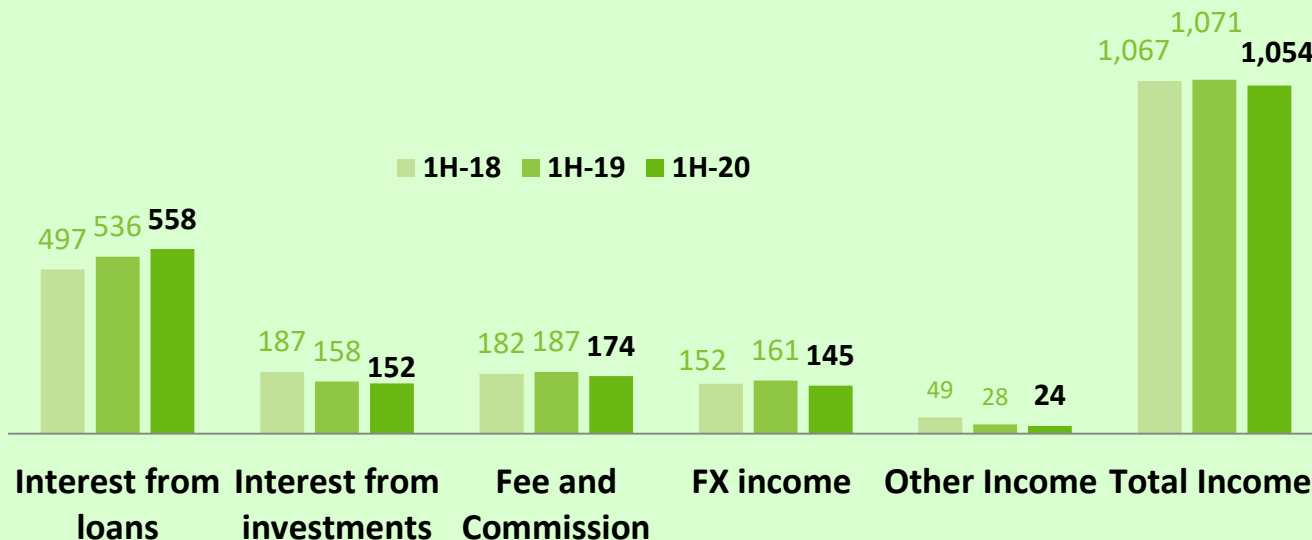
An increase in volume related interest income was offset by a decline in fee, FX and other income ... resulting in reduced income levels

	Interest – loans	Interest – investments	Fee/ commission	FX income	Other income	Total income
<b>YOY:</b>	4.2%	(3.9%)	(7.0%)	(9.7%)	(15.7%)	<b>(1.6%)</b>
<b>CAGR</b>	6.0%	(9.8%)	(2.1%)	(2.2%)	(30.4%)	<b>(0.6%)</b>

## KEY DRIVERS

- **Interest from loans** – corporate and retail loans resulting from loan growth
- **Interest from investments** – T-bills/ I. Stock
- **Fees & commission** – Channels income, lending fees, service charges
- **FX Income** – Forex
- **Other Income** – Life Fiji income, operating lease

## GROUP INCOME STREAMS [Km]



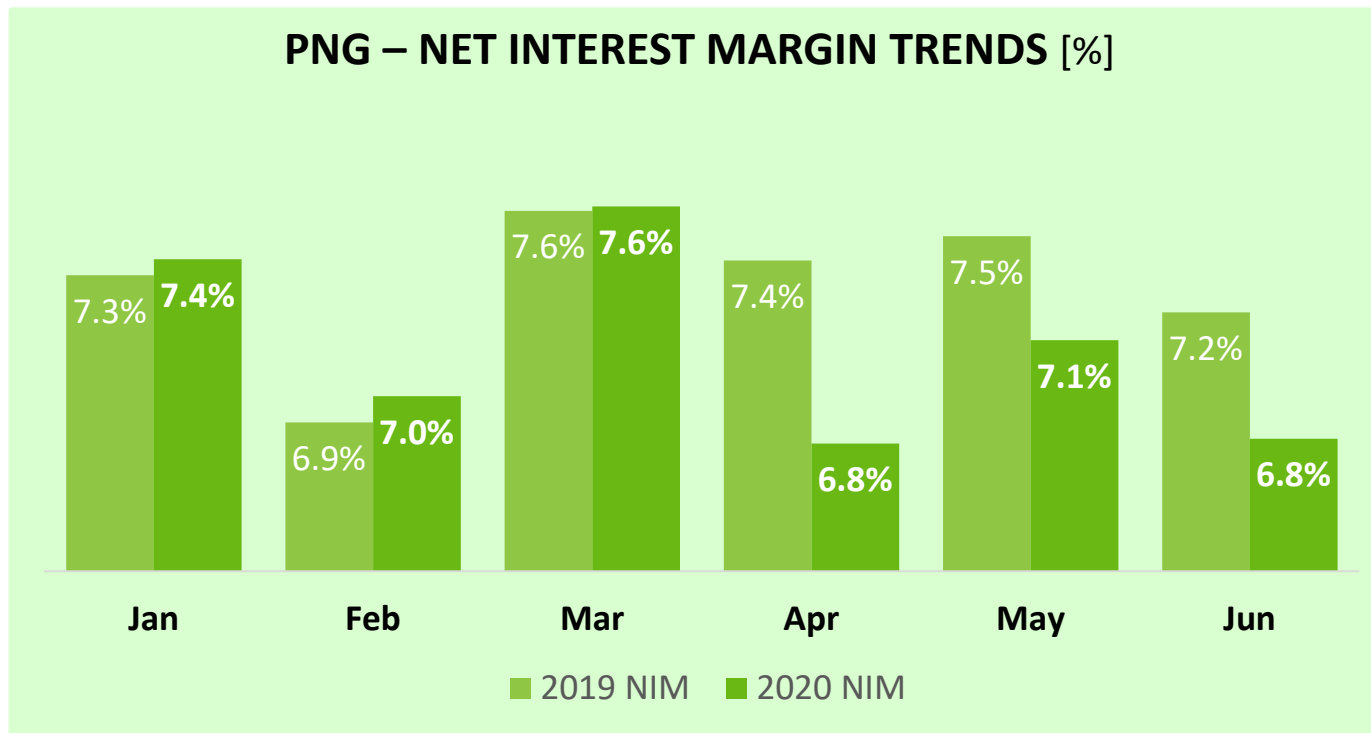
### Key:

CAGR = Compound annual growth rate  
YOY = year on year

# Net interest margin trends



BSP PNG's net interest margin has been impacted as a consequence of BSP reducing its ILR by 100bps on 1 April 2020



# Expenditure trends



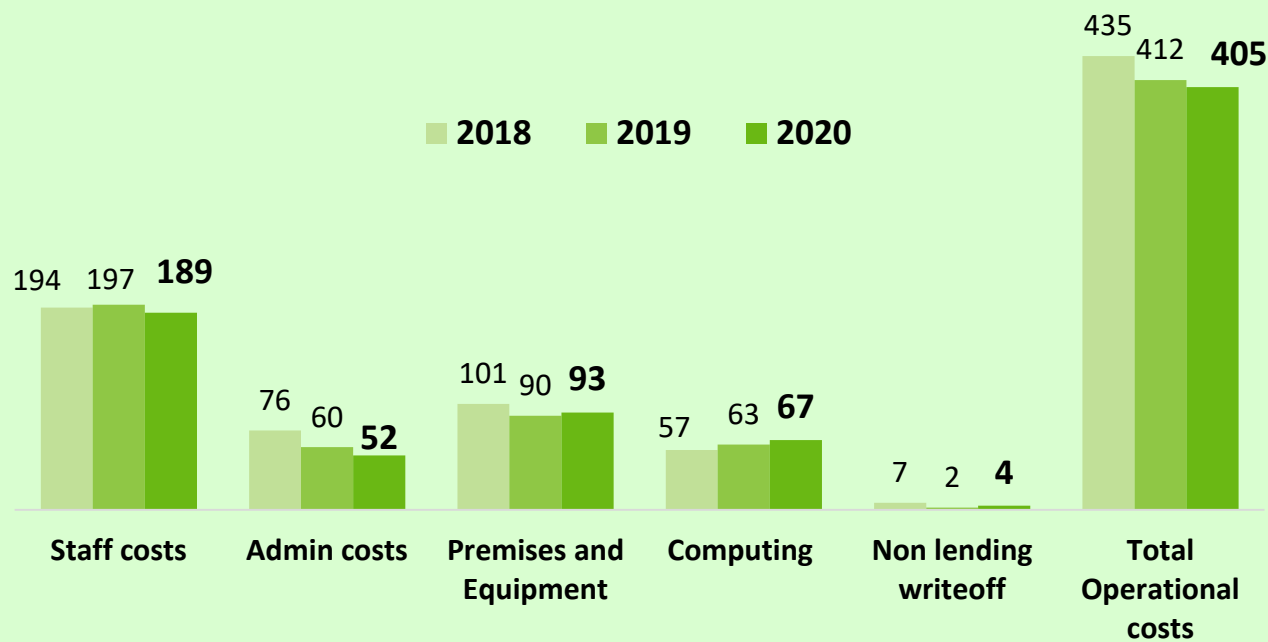
Prudent cost management in-light of market conditions. Prospect of exchange rate movements impacting on 2H-20 offshore computing hardware and service costs

	Staff costs	Admin costs	Premises/equipment	Computing cost	NLL	Total operating costs
<b>YOY:</b>	(3.9%) ↓	(12.6%) ↓	3.7% ↑	6.6% ↑	86.1% ↑	(1.6%) ↓
<b>CAGR</b>	(1.2%)	(16.6%)	(4.1%)	8.0%	(23.6%)	(3.4%)

## KEY DRIVERS

- **Staff Costs** – salaries , training, additional staff, staff rentals
- **Admin Costs** – marketing, Telco, VAT
- **Premises costs** – buildings, depreciation, generators, electricity
- **Computing Costs** – software maintenance, licenses, data links
- **Non Lending Losses** – increased cheque fraud losses occurring in PNG

## GROUP EXPENDITURE [Km]



### Key:

CAGR = Compound annual growth rate [3 years]

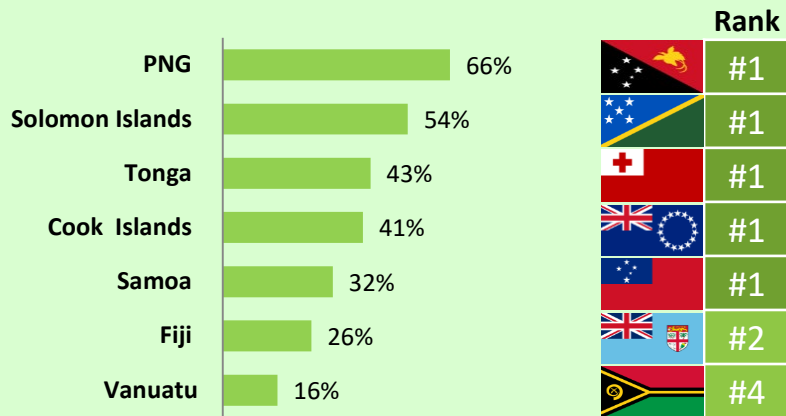
YOY = year on year

# Market position

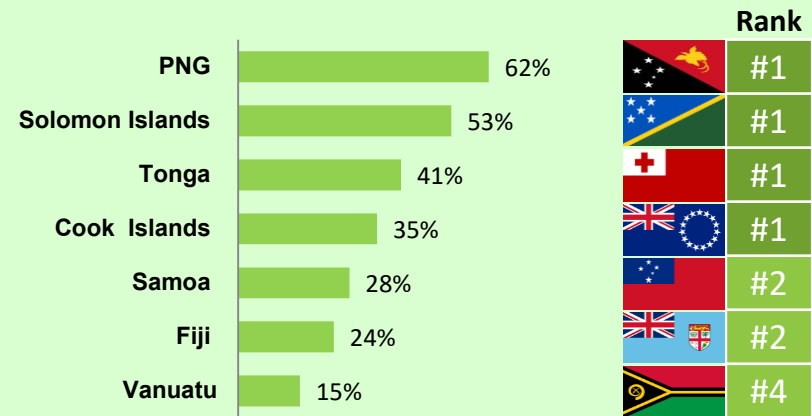


BSP is #1 in lending in 5 countries ... and #1 in deposits in 4 countries. Our loan and deposit portfolios are predominantly PNG domiciled.

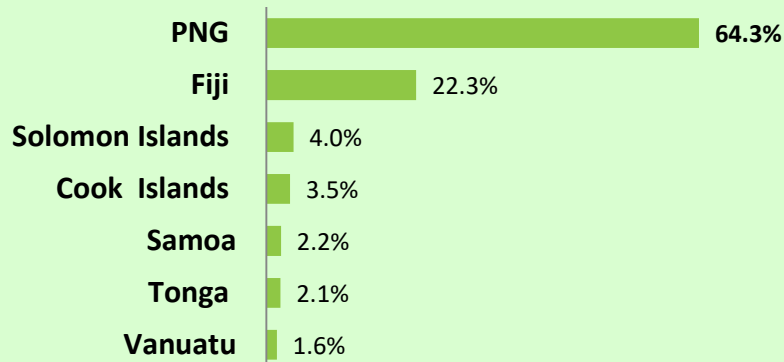
## LOANS MARKET SHARE [1H-20, %]



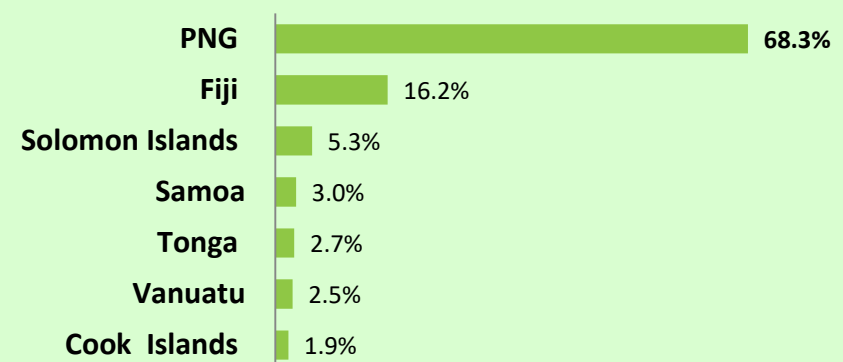
## DEPOSIT MARKET SHARE [1H-20, %]



## LOANS PORTFOLIO COMPOSITION [1H-20, %]



## DEPOSIT PORTFOLIO COMPOSITION [1H-020, %]

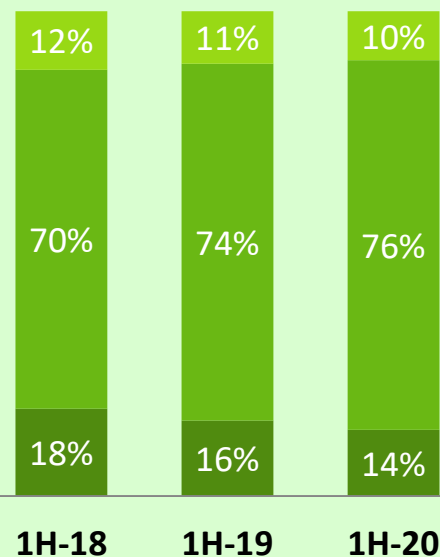


# Channel growth trends



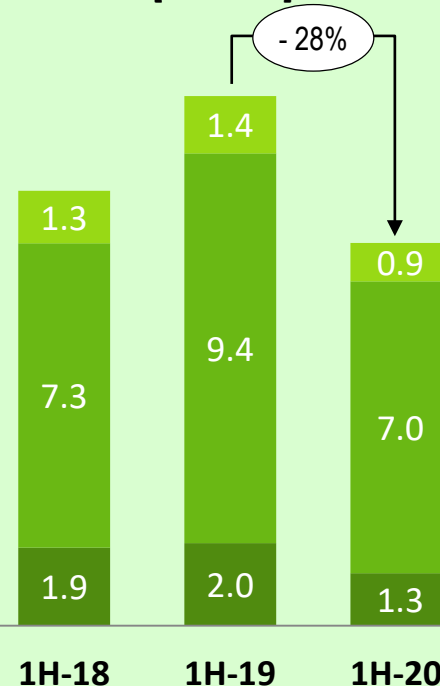
Just over three-quarters [76%] of total transactions were via digital channels in 1H-20. Average transactions per months reduced due to economic conditions and COVID-19 international and domestic travel restrictions

**TRANSACTION MIX BY CHANNEL**  
[percentage]



■ ATM ■ Digital ■ Branch

**TRANSACTIONS PER MONTH BY CHANNEL**  
[million]



■ ATM ■ Digital ■ Branch



## ONLINE PAYMENTS

"Through the BSP Internet Payment Gateway (IPG) my customers can now pay on my website and still maintain physical distancing. Thank you BSP for helping my business so I can contribute to the economy".

*Genia Sialis*  
OWNER AND DIRECTOR  
OF TAPIOCA DELIGHT



# 2020 interim dividend



Interim dividend decrease to 25 toea ... giving due regard to ongoing uncertainty relating to COVID-19 impacts on operating performance for the 2H-20.



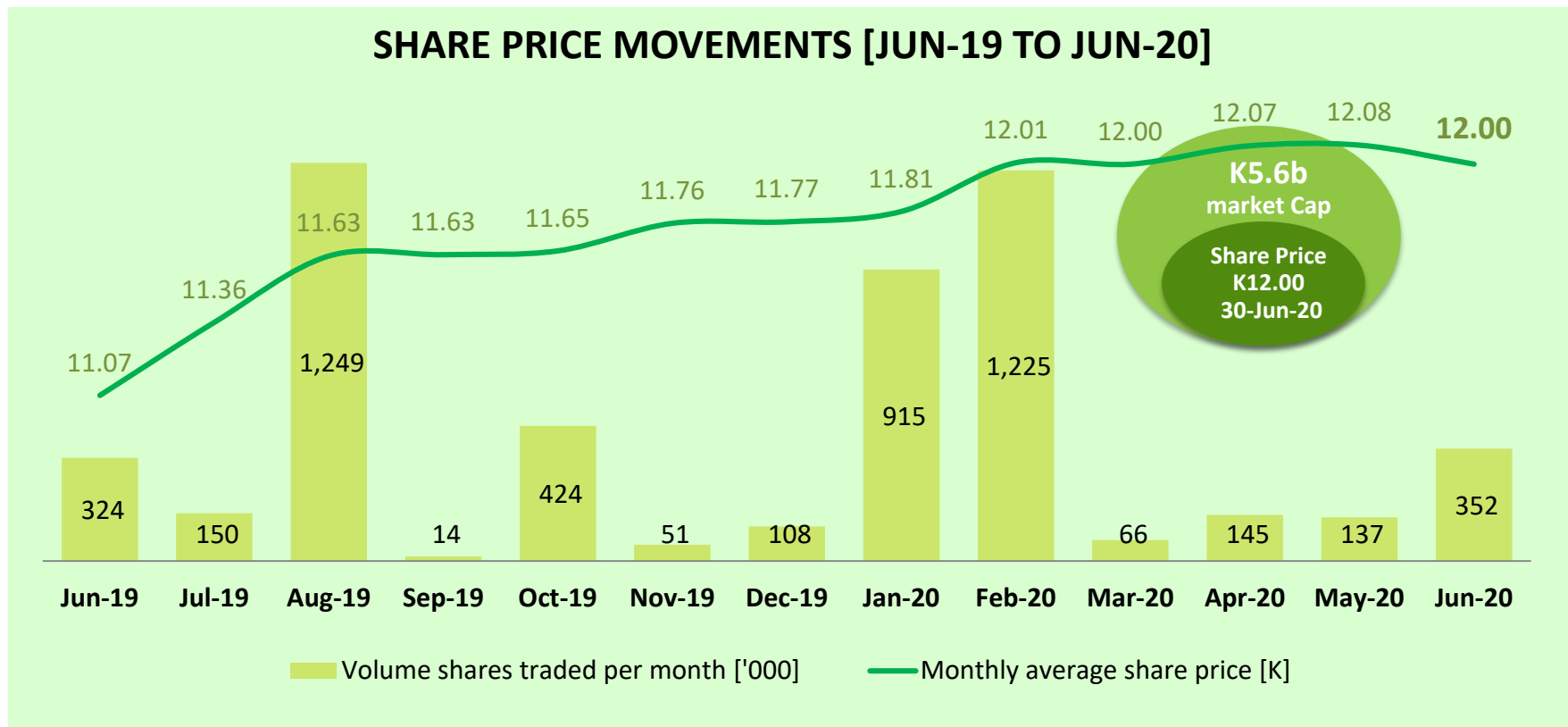
## PLANNED PROCESSING DATES

- Ex-date: 01-Oct-20
- Record date: 07-Oct-20
- Payment date: 16-Oct-20

# Share price



Annualised dividend yield of 10.1%, based on K12.00 share price ... below recent prior year ranges of between 11% and 12%



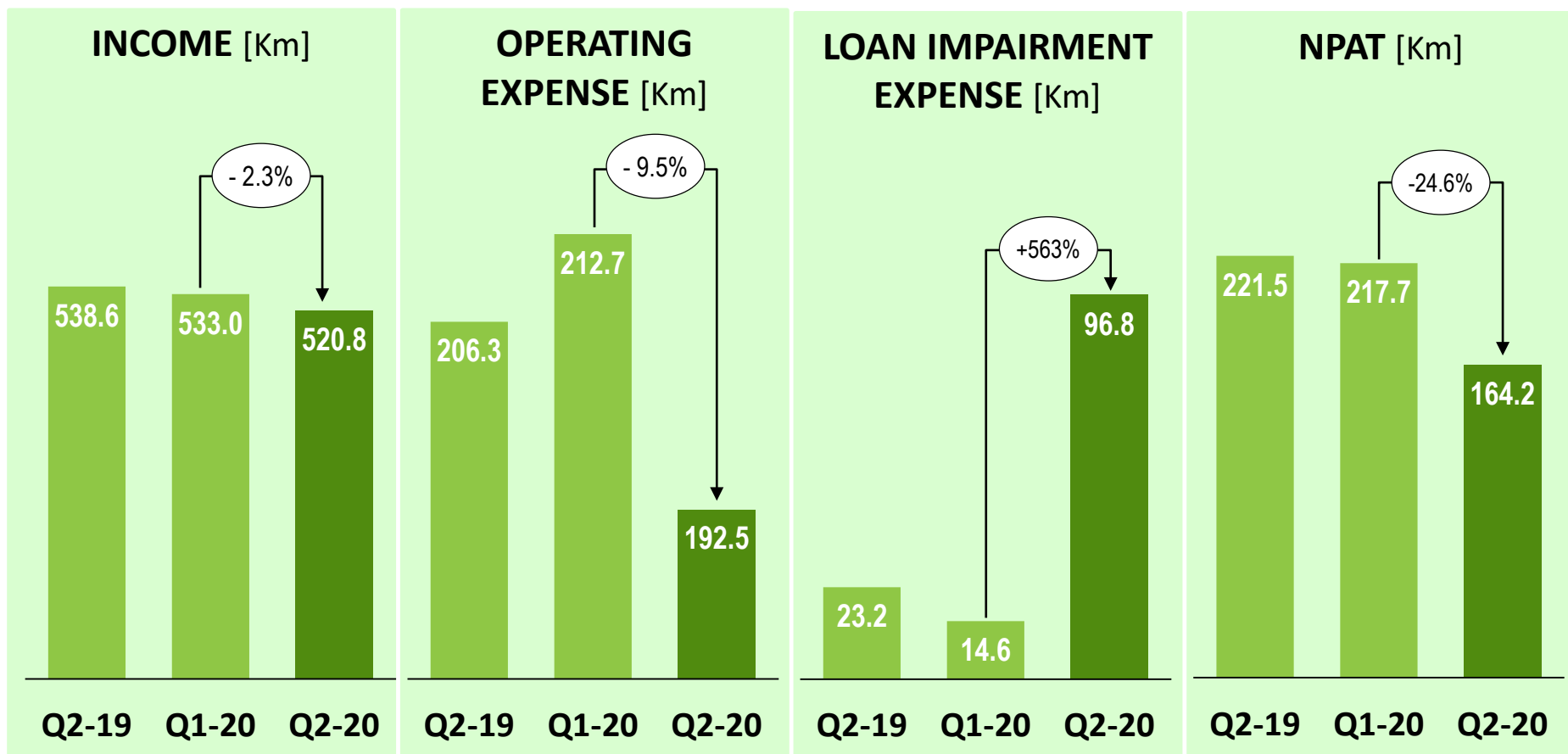


# Q2-2020 results

# Group NPAT [Q2-20]



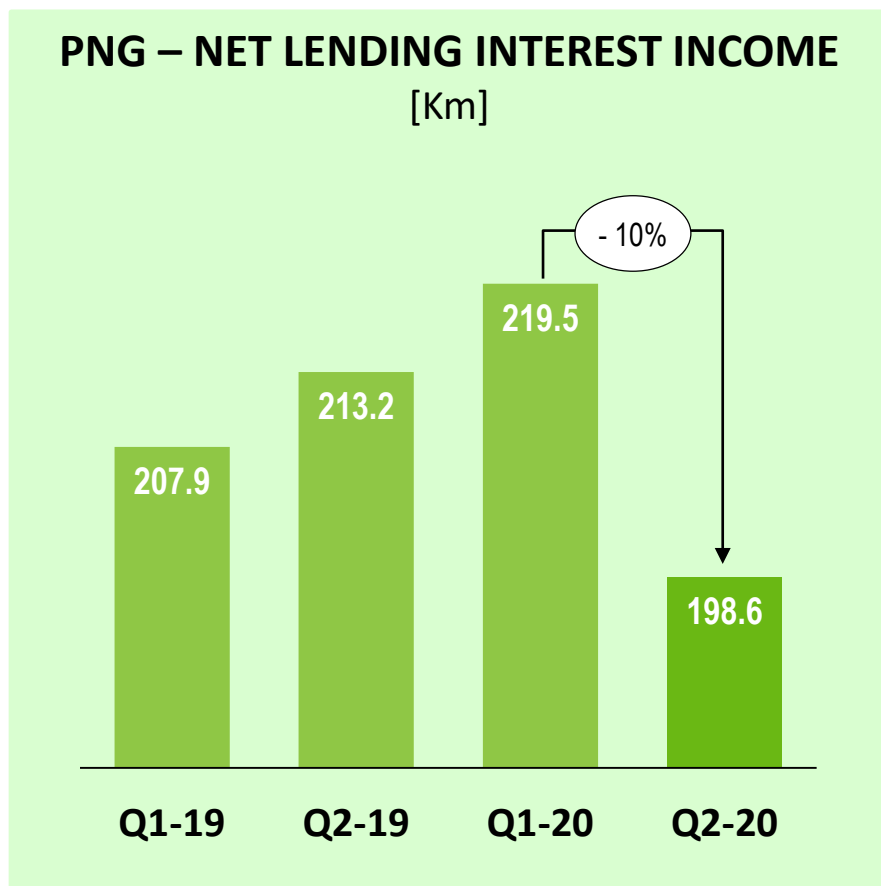
Revenue contracted in Q2-20, as business conditions became more difficult with international and domestic travel restrictions. Cost management initiatives did not offset COVID-19 impairment expenses ... resulting in NPAT declining



# Lending interest income [Q2-20]



The ILR interest rate reduction [100bps] has come at some cost to BSP in PNG ...  
~ K7m per month



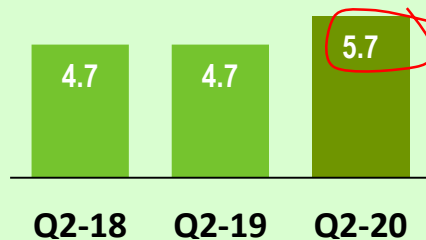
# Provisions to loans [Q2-20]



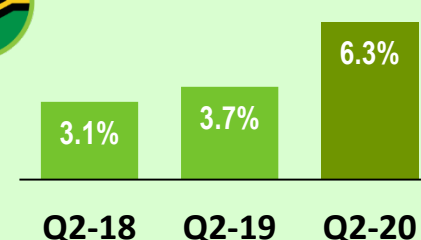
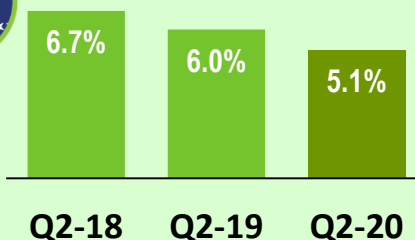
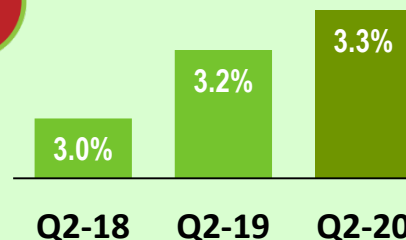
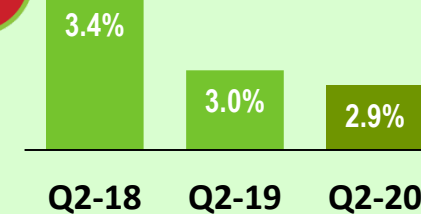
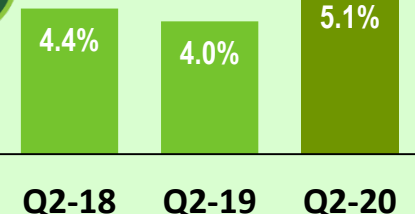
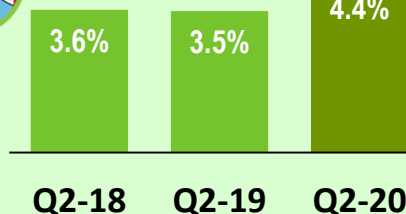
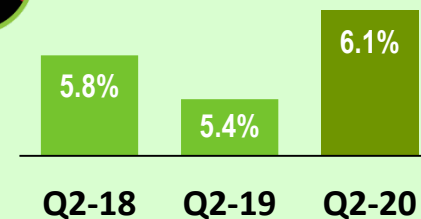
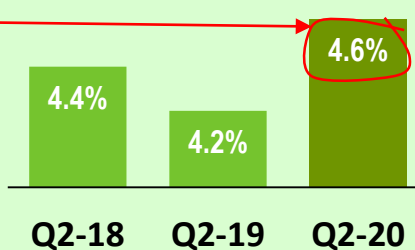
BSP Group's provisioning levels remain above IFRS9 requirements with more scrutiny of provisions for business directly affected by COVID-19

## PROVISIONS TO LOANS

**BSP Group [Provisions to loans]**



**BSP Group [Under IFRS9]**



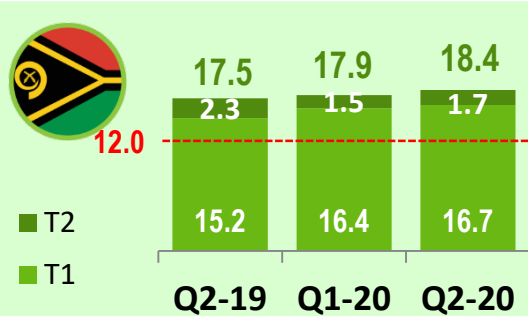
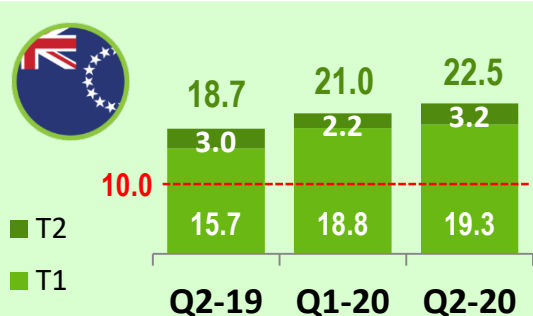
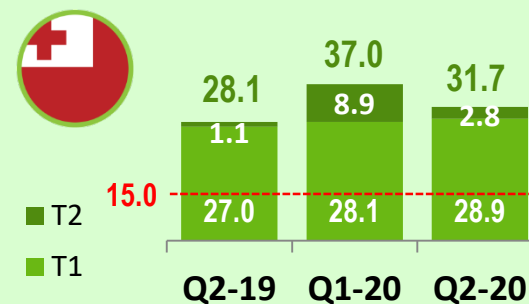
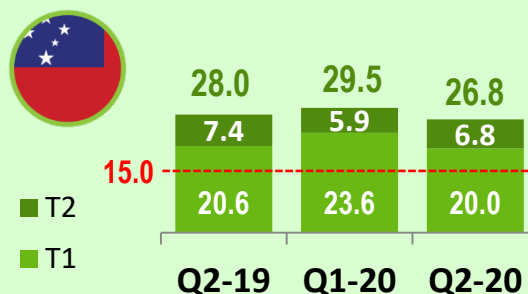
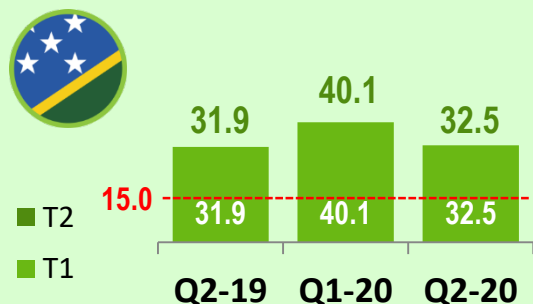
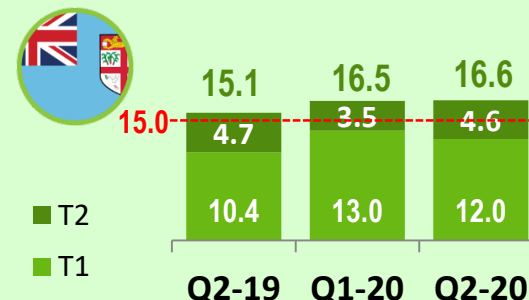
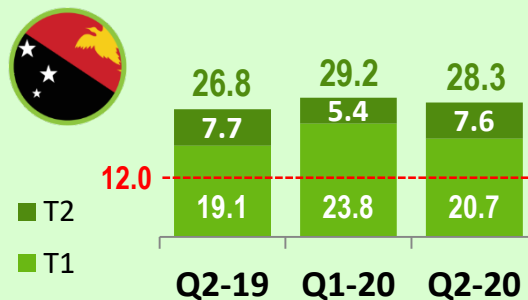
# Capital adequacy trends [Q2-20]



All of BSP's banking operations meet their prudential capital requirements

## CAPITAL ADEQUACY [%]

### GROUP



# Conclusions



- Sound profitability levels maintained, despite COVID-19 impacts ... with Group NPAT of K382m in 1H-20
- Economic conditions constrained loan growth across all countries ... positive deposit growth in 1H-20
- BSP Group has maintained positive results in key performance ratios
  - Cost to income reducing to 38.5% in Q2-20
  - Capital adequacy reduced at 21.3% in Q2-20, however is above Q2-19 levels [20.9%] and well above BPNG's 12% requirement
  - Loan provision increased to 5.7%, giving regard to difficult macroeconomic conditions
- The ILR interest rate reduction [100bps] in PNG has come at some cost to BSP [~ K7m per month]
- In light of market conditions, BSP has maintained its solid performance enabling consistent returns to shareholders ... 34% interim dividend decrease to 25 toea, giving due regard to COVID-19 impacts on BSP's financial position, stress tests and capital soundness