Q2-2019 Investor Presentation

Group CEO – Robin Fleming

Disclaimer

NOT FOR PUBLICATION OR DISTRIBUTION, DIRECTLY OR INDIRECTLY, IN OR INTO THE UNITED STATES

This presentation has been prepared and issued by Bank of South Pacific 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 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.

Provision of this presentation is not a representation to any recipient or any other person that the shares or business of the Company or any of its subsidiaries will be sold. The Company may at any time negotiate with one or more interested parties and enter into a definitive agreement without prior notice to any or all interested parties. 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/or selected 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.

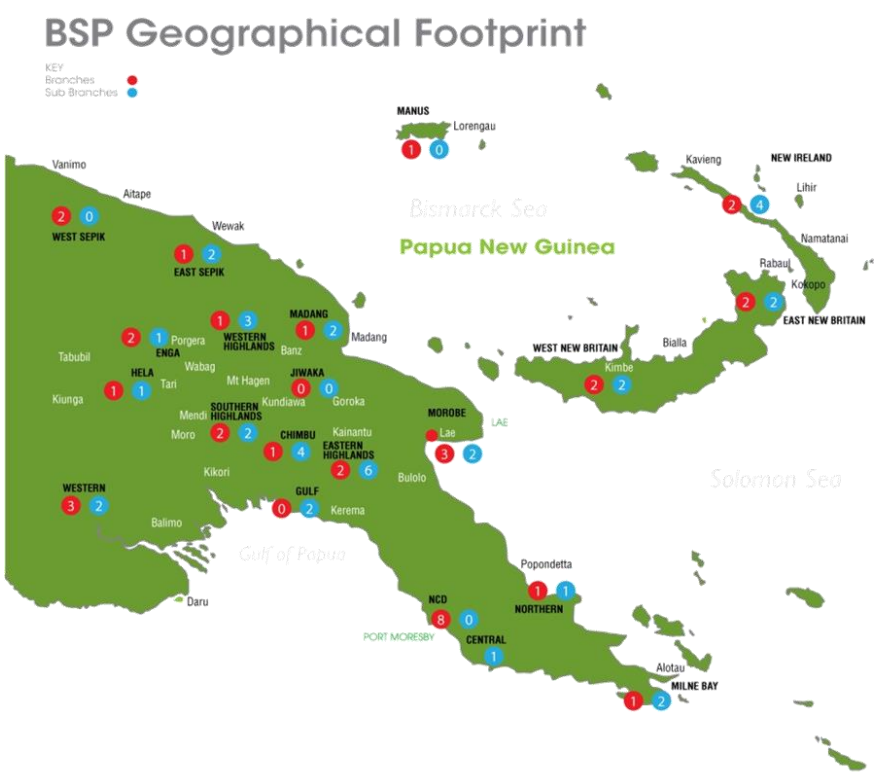
The Company and its related bodies corporate and other affiliates, and their respective officers, employees, advisors, representatives, consultants and agents ("Relevant Parties") make no representation or warranty, expressed or implied, as to, and no reliance should be placed on, the fairness, accuracy, 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 of 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. No audit, review or verification has been undertaken by an independent third party of the assumptions, data, historical results, calculations and forecasts presented. In receiving this presentation, each recipient acknowledges that it shall not deal or cause or procure any person to purchase, acquire, dispose of or deal in any securities of the Company in breach of any laws and regulations relating to insider dealing, market abuse or securities in general of Singapore and elsewhere.

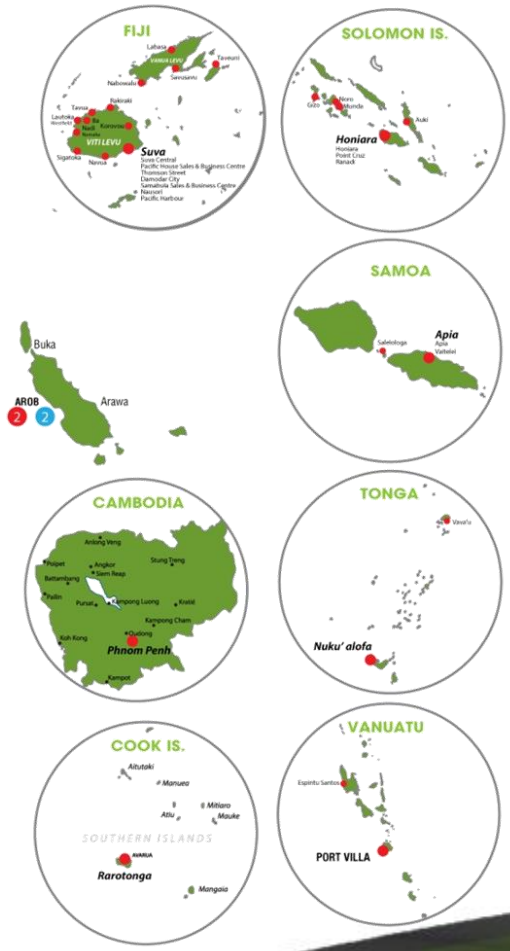
The recipient acknowledges that no person is intended to act or be responsible as a fiduciary to the recipient, its management, stockholders, creditors or any other person. By accepting and providing this presentation, the recipient expressly disclaims any fiduciary relationship with any person and agrees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

Where BSP operates

BSP is the leading financial services provider in the countries in which we operate





 # 1

Loan market share in **5** countries

 # 1

Deposit market share in **5** countries

POMSOX

Share Price of K11.27 as at 31-Jul-19, Market cap of **K5.27b**

BSP's growing service offering

Aligned to BSP's geographical and income diversification strategy, BSP has expanded its product / service offering into both existing and new markets.

Papua New Guinea	Fiji	Solomon Islands	Samoa	Cook Islands	Vanuatu	Tonga	Cambodia
							
Bank	Bank	Bank	Bank	Bank	Bank	Bank	Finance
Finance	Finance	Finance					
Life	Life						
BSP Capital							

KEY

New operations in 2017/2018

BSP'S TOP 10 SHAREHOLDERS

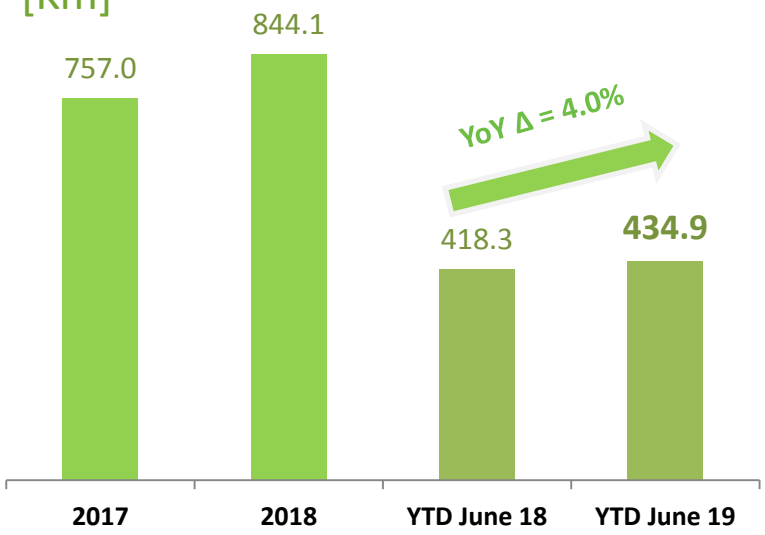
Rank	Name	% Held
1	Kumul Consolidated Holdings Limited	18.0%
2	Nambawan Super Limited	12.3%
3	Petroleum Resources Kutubu Limited	9.9%
4	NASFUND	9.7%
5	Credit Corporation (PNG) Limited	7.1%
6	Motor Vehicle Insurance Limited	6.7%
7	Fiji National Provident Fund	6.5%
8	PNG Sustainable Development Program Ltd	6.3%
9	Teachers Savings and Loan Society	3.3%
10	Comrade Trustee Services	2.7%

Highlights for first half of 2019 [YTD June]

BSP continues its strong performance. However, income growth is slowing due to the prevailing business and economic environments.

Profit (NPAT) up 4.0% to **K434.9m** ↑	Total Income up 0.5% to **K1.071b** ↑
Capital adequacy marginally lower **20.9%** ↓	Loan provisions steady **4.7%** →
Total Assets up 1.4% to **K23.4bn** ↑	Cost to Income ratio improves to **38.5%** ↓
ROE up **30.8%** ↑	Dividend yield up **12.4%** ↑

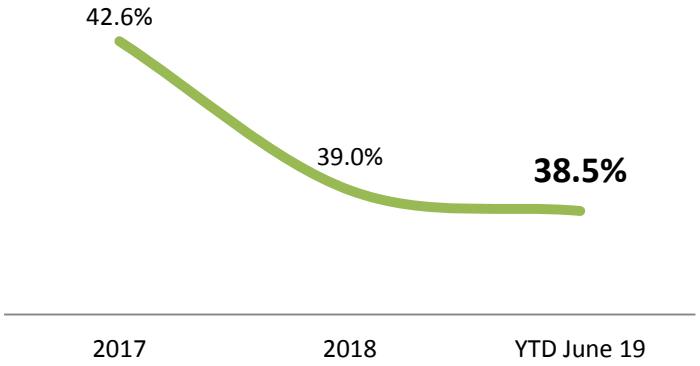
GROUP NPAT TREND



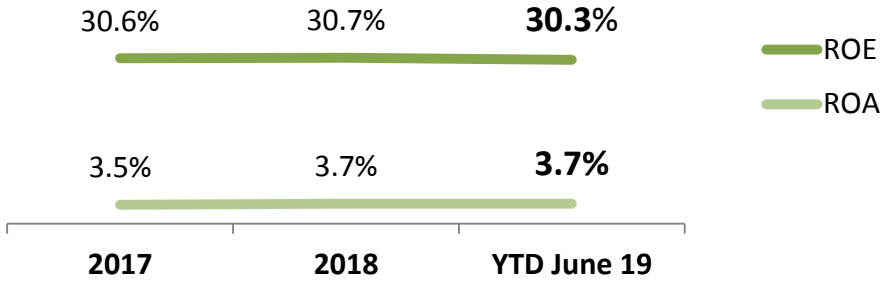
Highlights for first half of 2019 [YTD June]

Our key ratios are trending favourably … a clear picture of our corporate health.

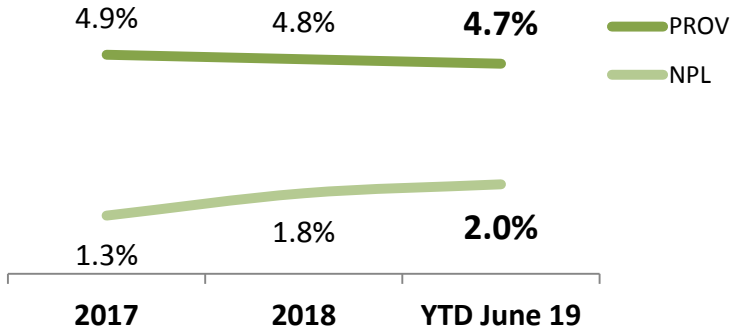
COST TO INCOME TREND



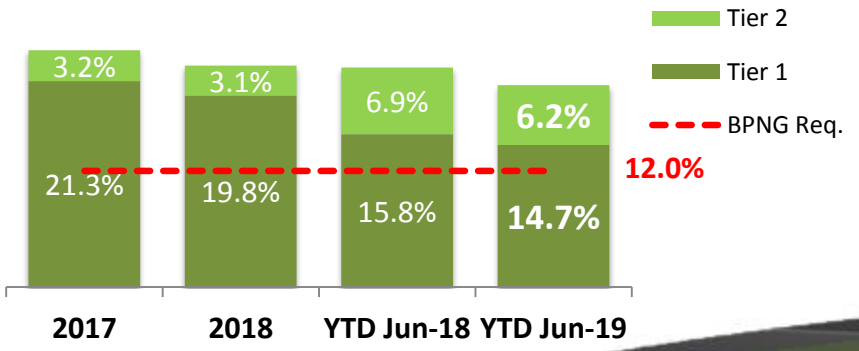
ROE AND ROA TRENDS



PROVISIONS AND NPL TO LOANS



CAPITAL ADEQUACY

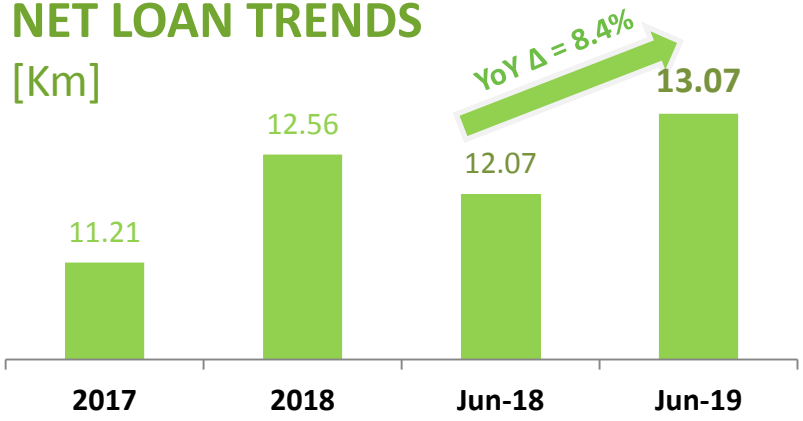


Group key performance indicator trends

BSP's loans continue to grow [+8.4%] despite economic challenges. However, deposits declined slightly [-1.3%] year-on-year, given tighter market liquidity in PNG and Fiji.

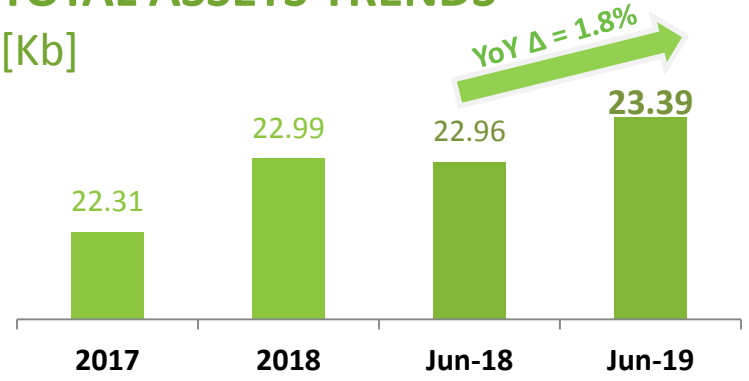
NET LOAN TRENDS

[Km]



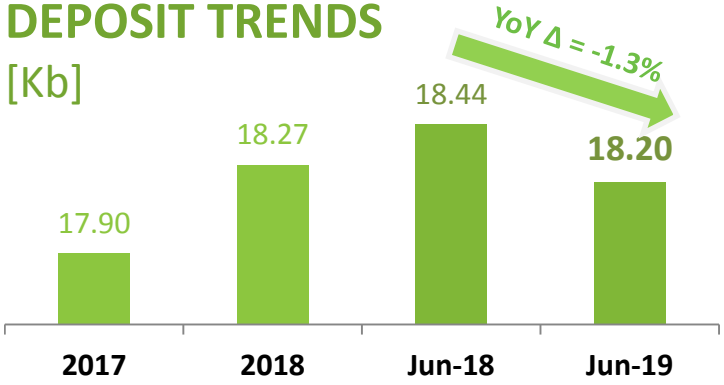
TOTAL ASSETS TRENDS

[Kb]



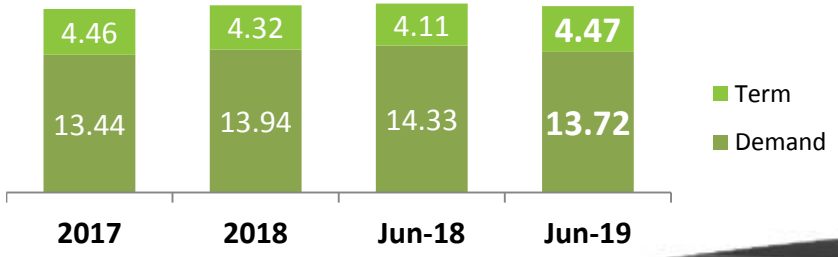
DEPOSIT TRENDS

[Kb]



DEPOSIT MIX TRENDS

[Kb]



Channel growth

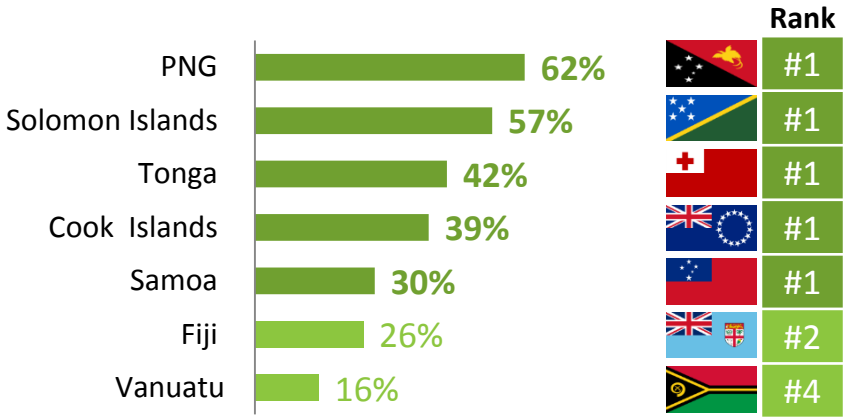
Continued channel investment to improve service levels across the BSP Group

	Total							
 Branches	84	46	17	8	3	2	4	4
 Sub Branches	48	46	0	0	0	0	0	2
 ATMs	538	318	120	31	24	9	23	13
 EFTPOS	12,481	8,457	1,992	350	415	427	438	402
 Agent	556	359	44	54	38	8	28	25

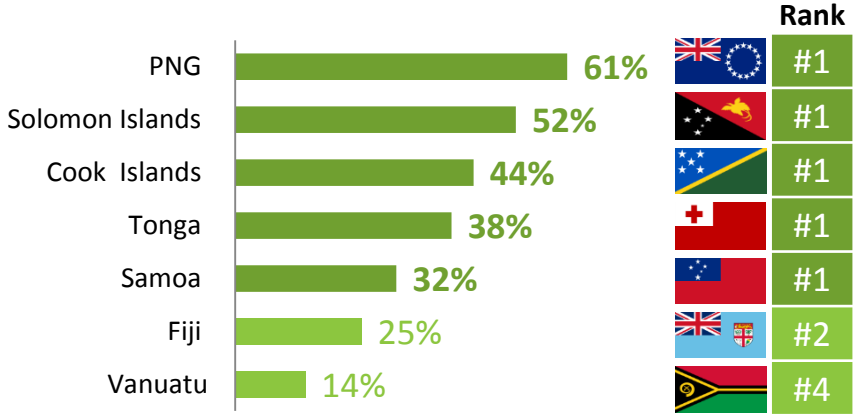
Market strength

BSP maintains its strong market position across the Pacific … noting, its loan and deposit portfolios are predominantly PNG domiciled.

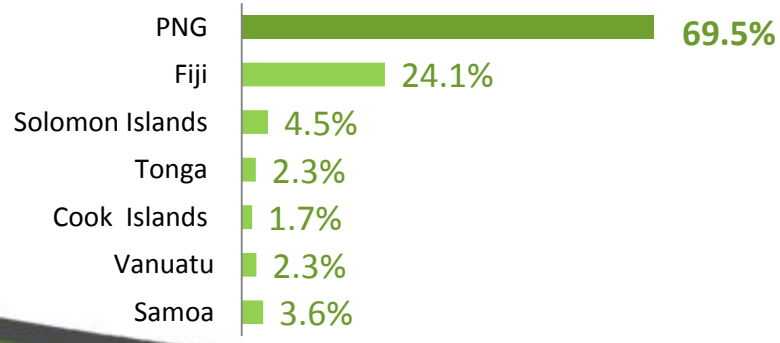
LOANS MARKET SHARE



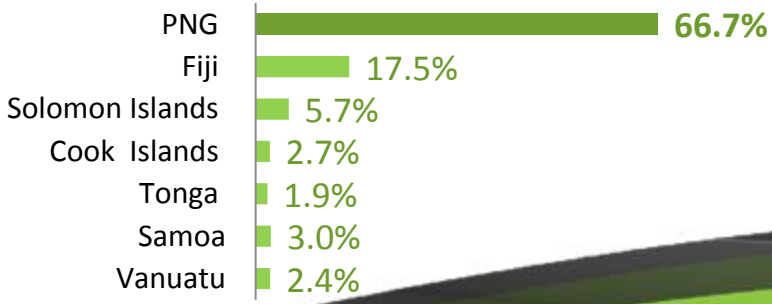
DEPOSIT MARKET SHARE



LOANS PORTFOLIO COMPOSITION



DEPOSIT PORTFOLIO COMPOSITION



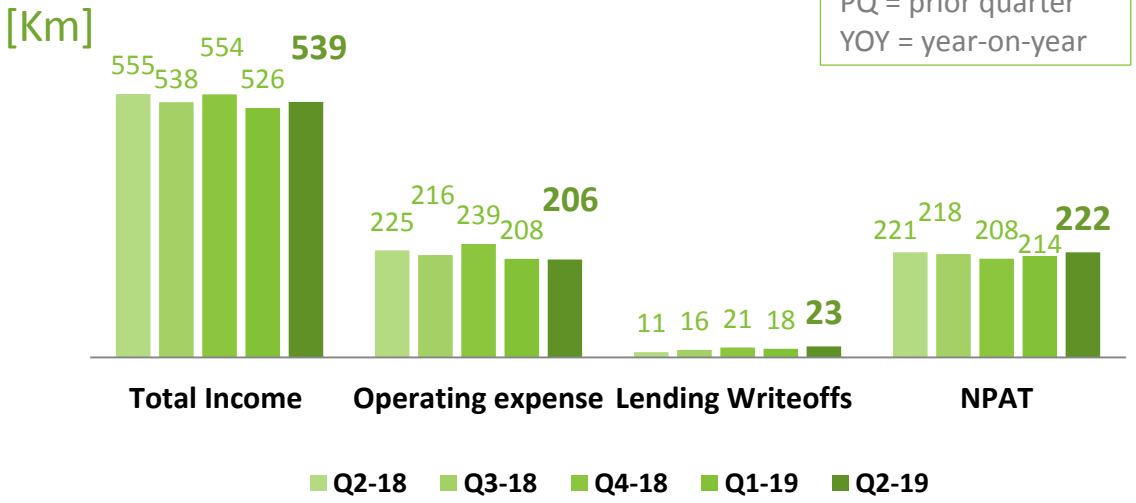
Q2-2019 results

Profit and Loss [Q2-19]

BSP's NPAT increased by 3.6% in Q2-19, due to a small income increase and reduction in operating costs. BSP's year-on-year [Q2-18 vs Q2-19] NPAT increased slightly by 0.1%

	Total Income	Operating costs	Lending Write-offs	NPAT
PQ	2.4%	(0.4%)	26.8%	**3.6%**
YOY	(2.9%)	(8.5%)	109.0%	**0.1%**

BSP GROUP QUARTERLY P&L



Key:
PQ = prior quarter
YOY = year-on-year

HIGHLIGHTS

- Q2-19 operating income is 2.4% higher than in Q1-19, due to FX income growth [driven by PNG, with Jun-19 experiencing high turnover].
- Total operating expenses are 0.4% lower in Q2-19, due to lower non-lending losses in Q2-19 mainly for PNG.
- Lending write offs are 26.8% higher in Q2 due to PNG retail write offs (teachers UPL)

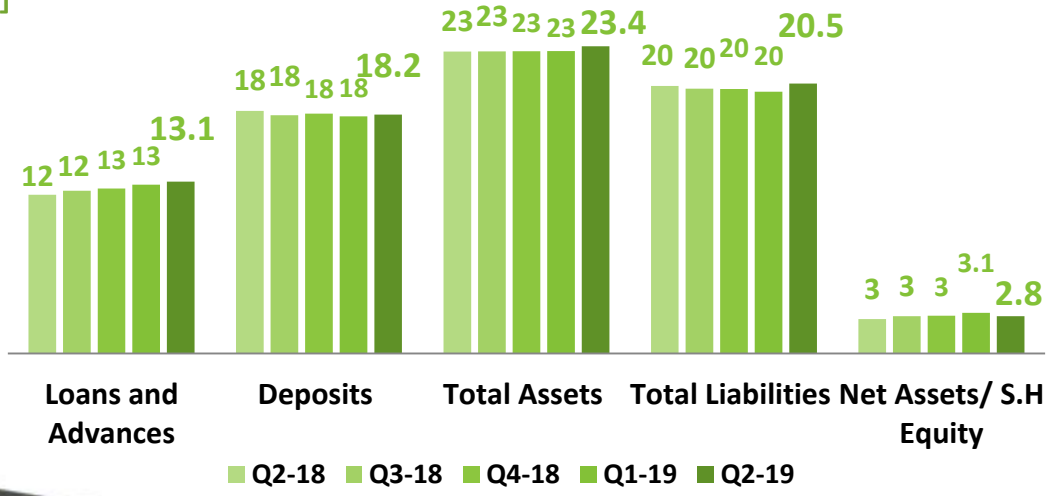
Balance sheet [Q2-19]

Loans and advances increased by 1.9%, while deposits rose slightly by 0.8% in Q2-19. Total assets have increased by 1.6% to K23.4b.

	Loans and advances	Deposits	Total Assets	Total Liabilities	Net assets / SH equity
PQ	1.9% ↑	0.8% ↑	1.6% ↑	3.1% ↑	(8.1%) ↓
YOY	8.3%	(1.5%)	1.8%	0.9%	8.6%

BSP GROUP QUARTERLY BALANCE SHEET

[Kb]



Key:
PQ = prior quarter
YOY = year on year

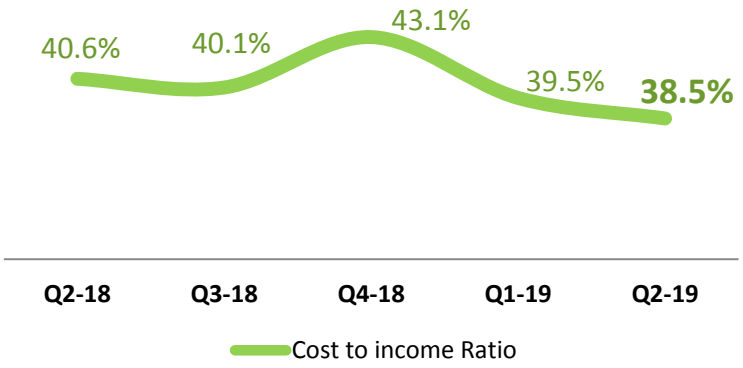
HIGHLIGHTS

- Total loans increased by K238m in Q2-19 (PNG +K189m, Fiji K29m, SI –K0.90m, Samoa K11m, Tonga – K2.9m, Vanuatu K8.5m, Cook Is – K0.6m and other OSB/subs +K6m)
- Deposits increased overall by K138m in Q2-19. PNG +K2.6m, Fiji +K161m, SI -K59m, Samoa +K3.9m, Tonga +K4.1m, Cooks +K44m, Vanuatu –K3.7m and other OSB/subs –K15m
- FX translation in Q2-19 for loans was +K2.96m and Deposits – K1.04m

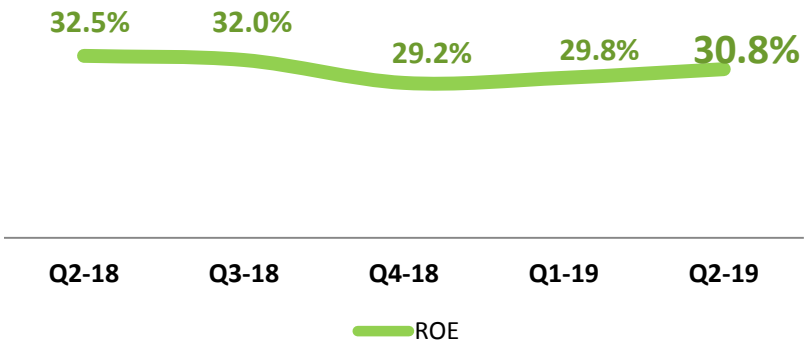
Group key ratios [Q2-19]

All key ratios remain positive

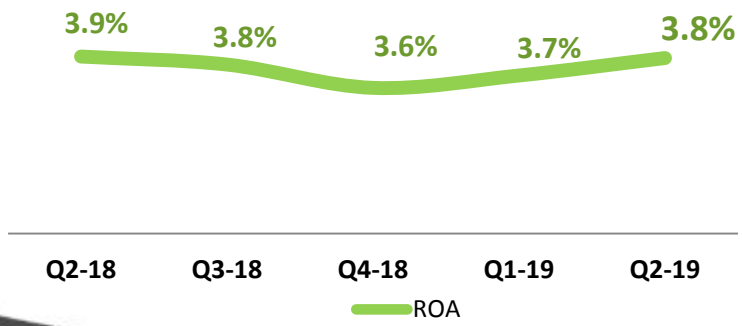
COST TO INCOME TREND



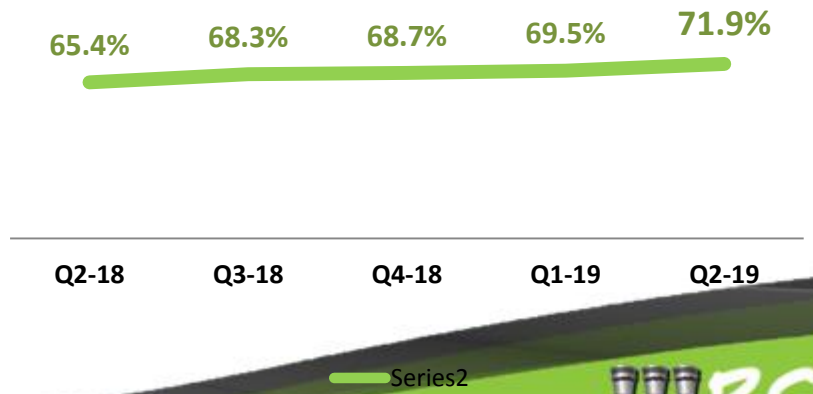
ROE [annualised]



ROA [annualised]



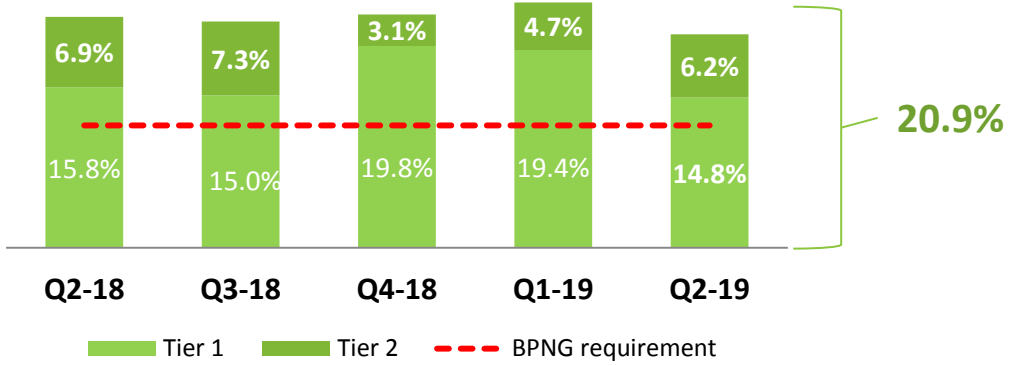
LOAN TO DEPOSIT RATIO



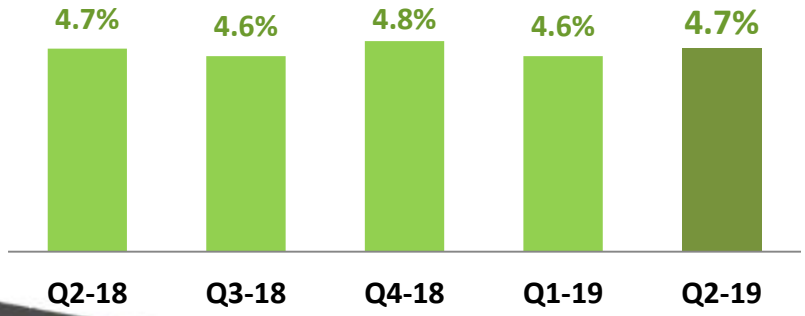
Group key risk ratios [Q2-19]

Our risk ratios remain stable and asset quality remains sound

CAPITAL ADEQUACY



PROVISIONS TO LOANS



HIGHLIGHTS

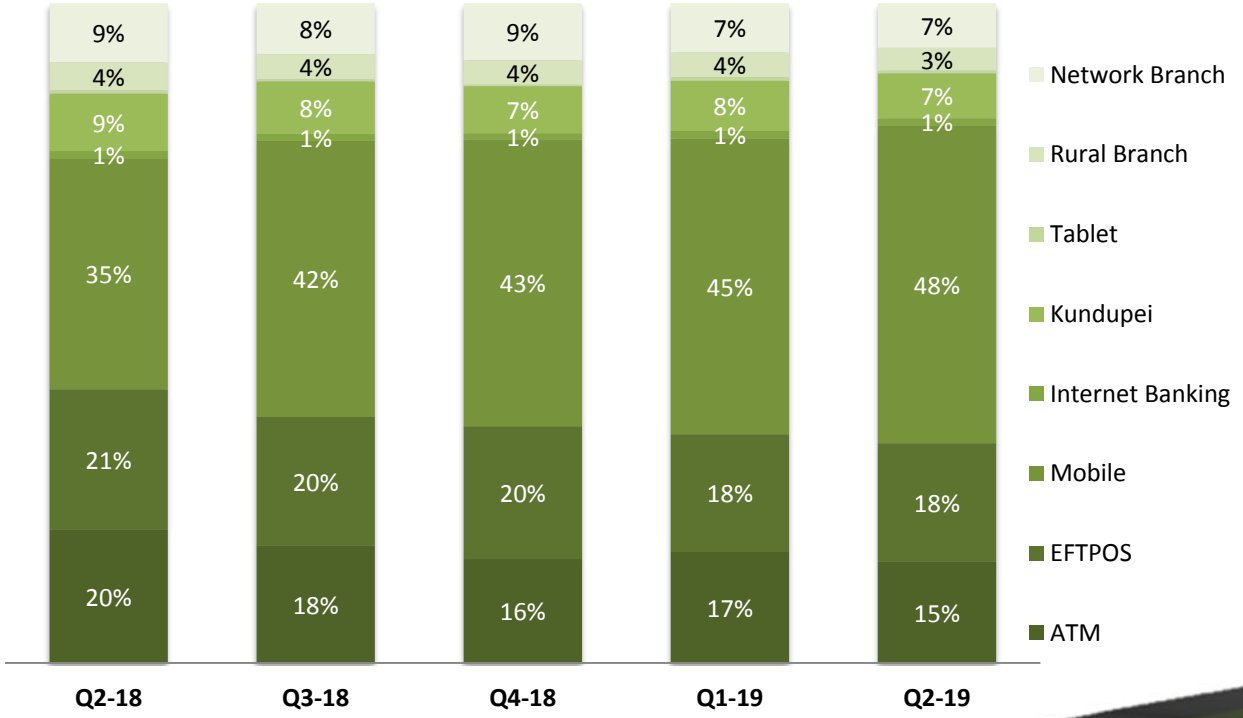
- Capital adequacy ratio decreased slightly to 20.9% in Q2-19 following payment of final dividend. Remaining well in excess of the 12% prudential requirement.
- BSP's provisions to loans ratio in Q2-19 remains relatively stable, consistent with IFRS 9 models.

Channels [Q2-2019]

Mobile banking is our leading channel, with branches representing only 7% of total transactions in Q2-2019 … given continued focus to reduce customers cash dependency [in-line with our digital strategy] with ongoing investment in EFTPOS, internet and mobile banking.

QUARTERLY CHANNEL TRENDS

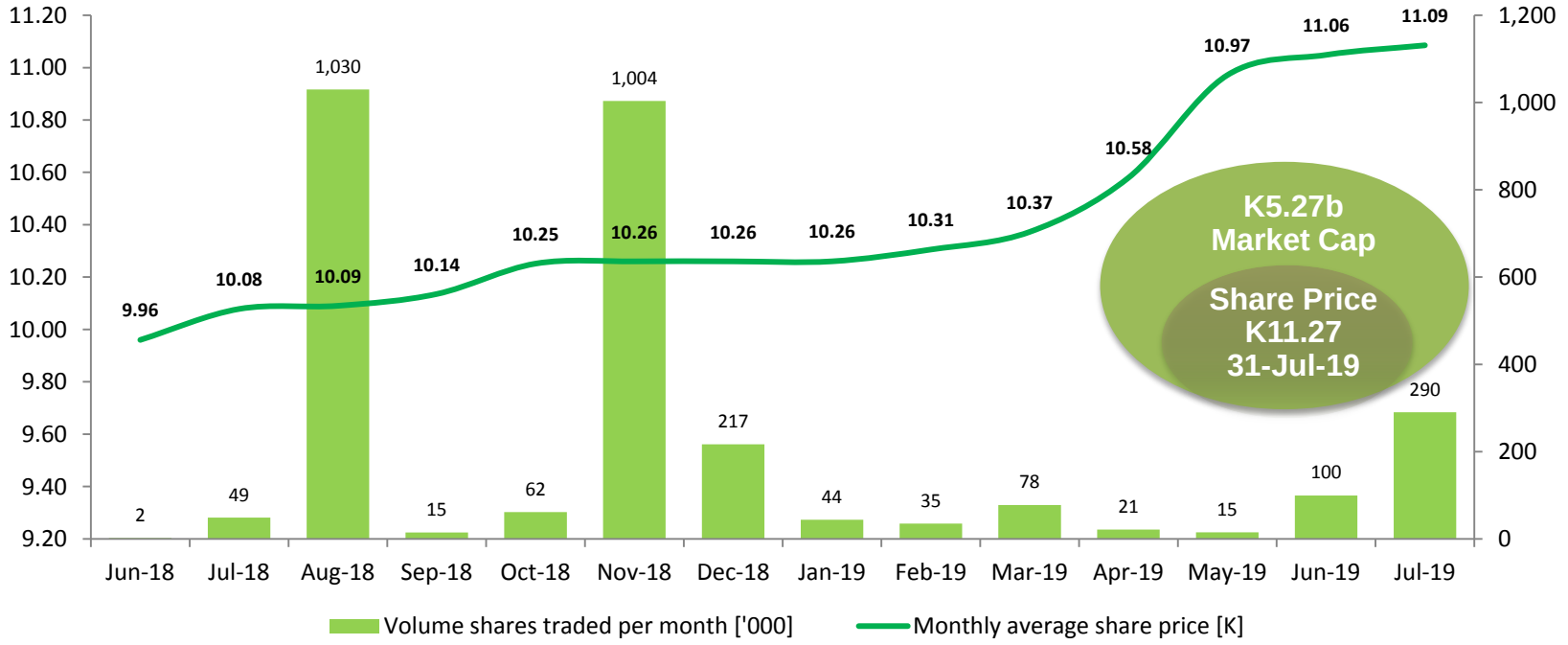
[Q2-2019]



Share price

Dividend yield of 12.3%, based on closing 31-Jul-19 K11.27 share price … and market capitalisation of K5.27b.

1-Jun 2018 to 31-Jul 2019



2019 interim dividend

5.6% interim dividend increase to 38 toea.

2018 Interim		2019 Interim		YoY Δ
K0.36	Vs	K0.38	=	5.6%

PLANNED PROCESSING DATES

- Ex-date: 02-Oct-19
- Record date: 09-Oct-19
- Payment date: 18-Oct-19

Thank You