BSP

Our Bank. Our People.



# Annual General Meeting

**19th May 2023**

Ballrooms 3 & 4,
Crown Hotel, Port Moresby, Papua New Guinea

# Chairman's Address

**Board Chairman**
**Mr. Robert Bradshaw**

# Group CEO's Address

Group CEO
Mr. Mark T. Robinson




# 2023 ANNUAL GENERAL MEETING

## Shareholder Presentation

Mark T. Robinson – Group CEO
BSP Financial Group Limited
[ARBN: 649 704 656, Incorporated in Papua New Guinea]

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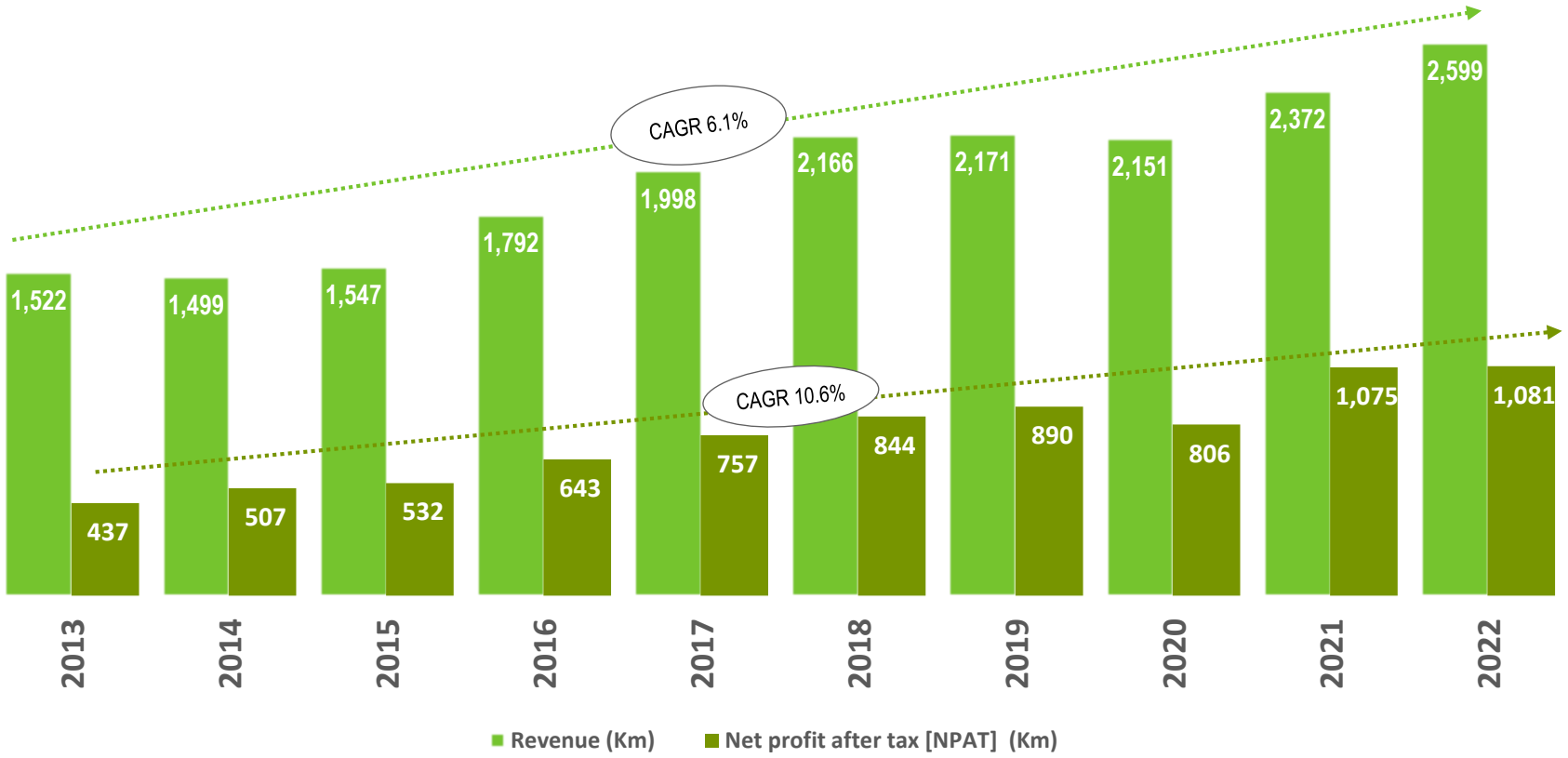
# 10 year results overview

The Group's revenue and net profit after tax (NPAT) increased steadily over the last 10 years, dropping slightly in 2020 due to COVID-19 impacts but rebounded strongly in the following years with record profits of over K1 billion.

## REVENUE & NPAT [Km]



# Q1-2023 results overview

Strong Q1-23 results delivered, despite the increased corporate tax rate in PNG and cost increases associated with delivery of the new core banking system.

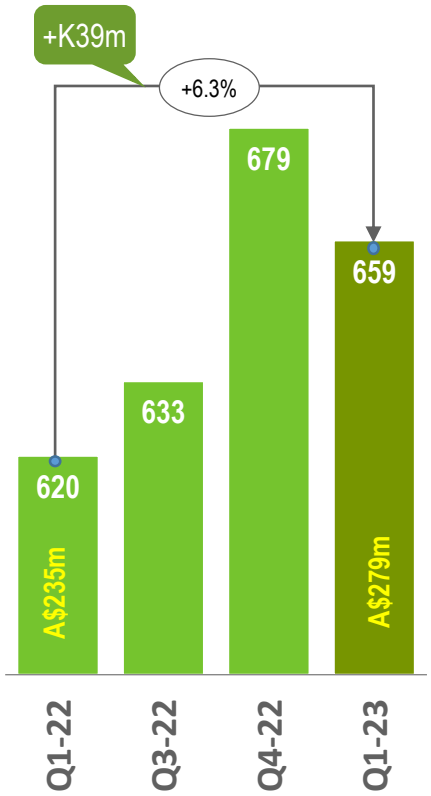
| | Q1-22 | Q1-23 | Q1-23 vs Q1-22 |
|---|---|---|---|
| Profit before Tax [Km] | 367 | 381 | +3.8% |
| Statutory Profit [NPAT, Km] | 69 | 219 | + 217.4% |
| Cost-to-income ratio [%] | 37.8% | 40.0% | + 220bps |
| Earnings per share [toea] | 14.84 | 46.88 | + 216.9% |
| Market capitalisation[1] [Kb] | 5.6 | 6.0 | + 7.1% |
| Market capitalisation[1] [A$b] | 2.2 | 2.3 | +4.5% |
| Total assets [Kb] | 32.2 | 34.0 | +5.6% |
| Capital adequacy ratio [%] | 21.3 | 21.2 | -10 bps |

[1] *Market capitalisation values based on last price as at 31/03/23 on ASX ($4.88) and PNGX (K12.80).*

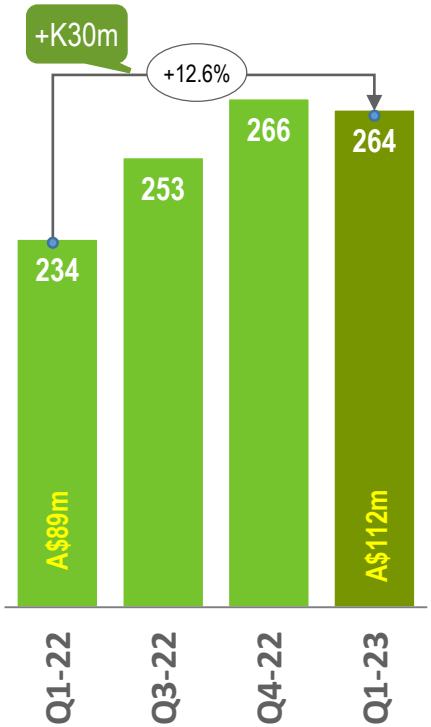
# Q1-2023 performance

Profit **before** tax increased by 3.8% from Q1-22, supported by income growth and lower loan impairment expenses. However, this was partially offset by higher operating costs in Q1-23.

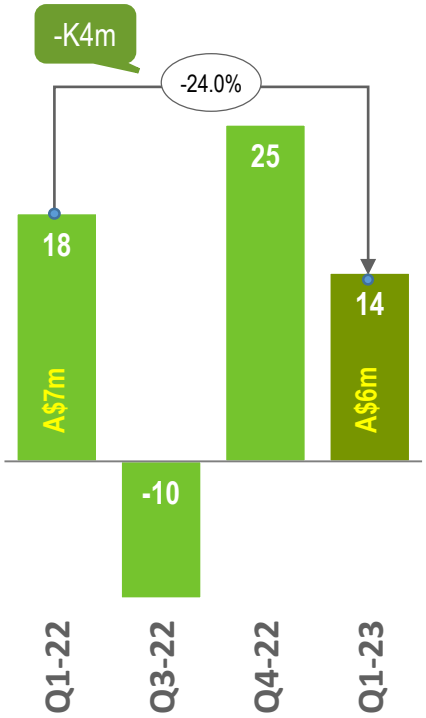
## INCOME [Km]



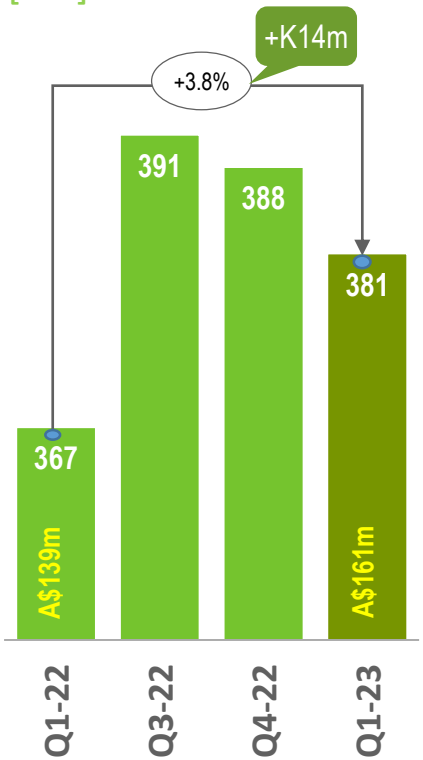

## OPERATING EXPENSE [Km]




## LOAN IMPAIRMENT EXPENSE [Km]




## PROFIT BEFORE TAX [Km]

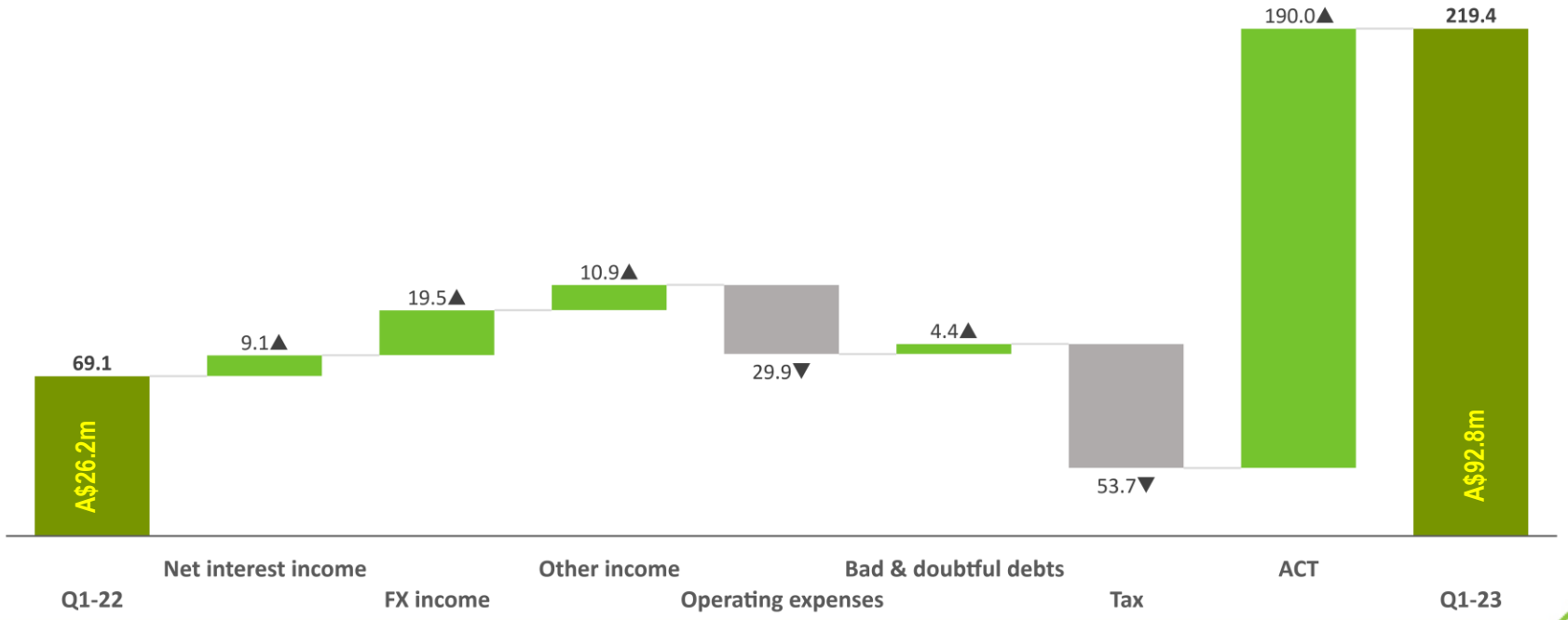



[1]*Excludes tax impacts in Q1-22 and Q4-22 [K190m Additional Company Tax in Q1-22 and the K135m tax credit in Q4-22]*

# NPAT movement Q1-2022 to Q2-2023

- Q1-23 statutory NPAT increased by K150m from Q1-22, largely due to the one-off K190m ACT recognised in Q1-22.
- Gains in net interest income, FX income and other income [mainly from increased transaction volumes] contributed to the Q1-23 result. This was partially offset by increased tax expenses, largely due to the increased PNG tax rate from 30% to 45% effective 1 January 2023.
- The increase in operating expenses was due to higher staff cost [CPI adjustments and increased FTE], new core banking expenses, premises costs and channel related costs.

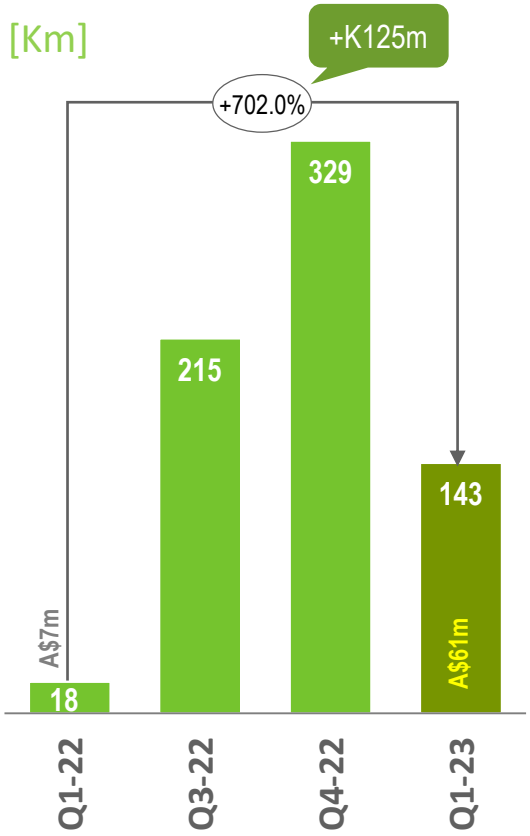
## NPAT MOVEMENT QUARTER ON QUARTER [%]



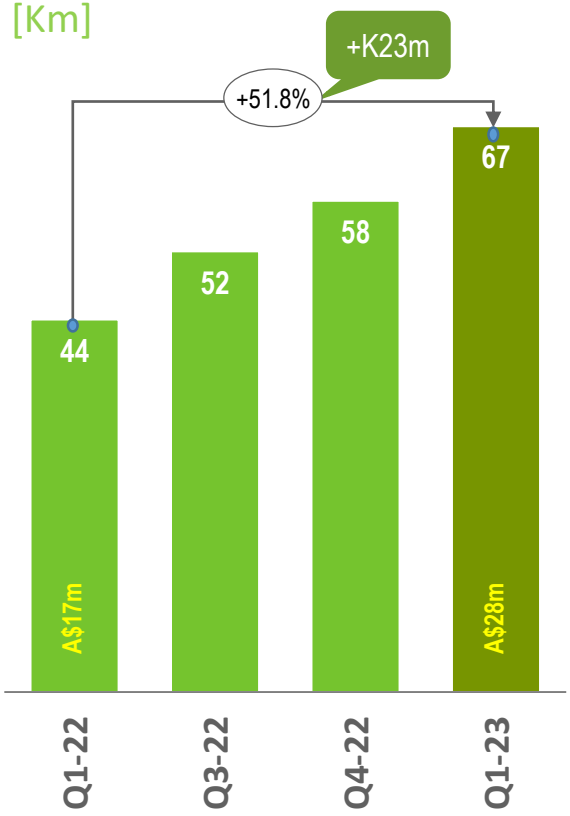
# Q1-2023 profit contribution by business

- The large reduction in PNG Bank's NPAT from Q4-22 is largely due to the K135m tax credit recognised in Q4-22, coupled with the increased corporate tax rate on the Q1-23 results.
- Offshore Banks NPAT has increased materially … up 51.8% compared to Q1-22.
- Non-bank entities Q4-22 results included gains arising from annual revaluation of life insurance investments.

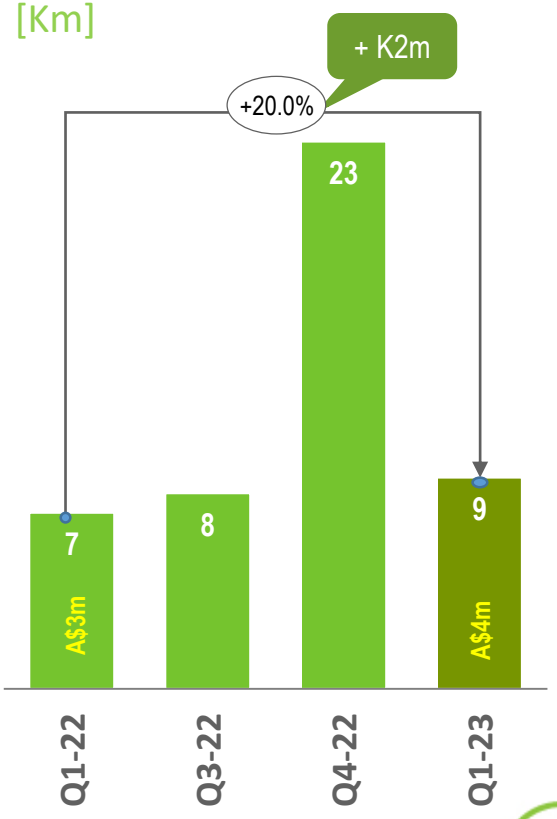
## PNG BANK




## OFFSHORE BANKS



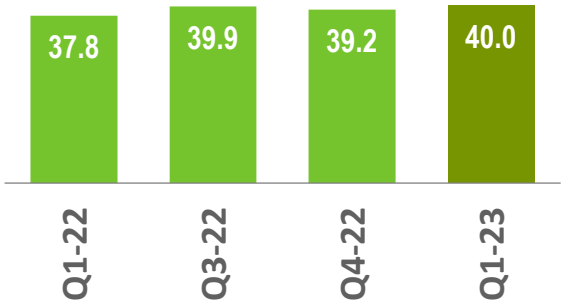

## NON-BANK ENTITIES



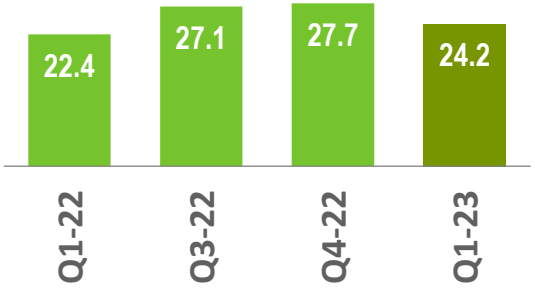
# Key ratios

- Cost to income is slightly higher, driven by higher staff costs, new core banking expenses, premises costs and channel related costs.
- ROA and ROE were lower, driven by growth in assets and retained earnings respectively, coupled with weakened growth in NPAT as a result of the new 45% corporate tax rate.
- Capital adequacy remains well above BPNG's minimum requirement.

## COST TO INCOME [%]




## RETURN ON AVERAGE EQUITY [%]



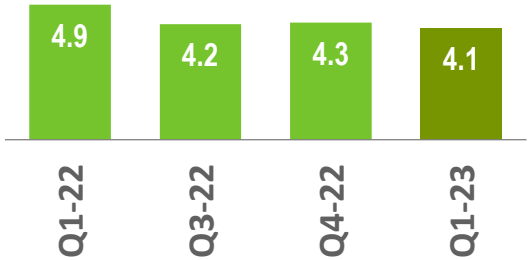

## RETURN ON AVERAGE ASSETS [%]




## CAPITAL ADEQUACY [%]




## PROVISIONS TO LOANS [%]




## NET NPL TO LOANS [%]



# Concluding Q1-2023 remarks

- Profit before tax increased by 3.8% from Q1-22, supported by income growth and lower loan impairment expenses. However, this was partially offset by higher operating costs in Q1-23.
- Q1-23 statutory NPAT increased by K150m from Q1-22, largely due to the one-off K190m ACT recognised in Q1-22, partially offset by the increased PNG tax rate in 2023.
- Cost to income is slightly higher, driven by higher staff costs, new core banking expenses, premises costs and channel related costs.
- Capital adequacy is at 21.2% … well above BPNG requirement of 12%.
- Strong Q1-23 results maintained, despite the increased PNG corporate tax rate and cost increases associated with delivery of the new Oracle FLEXCUBE core banking system.

# BSP Banking System Update

## 2023 ANNUAL GENERAL MEETING

## Shareholder Presentation

Mark T. Robinson – Group CEO
BSP Financial Group Limited
[ARBN: 649 704 656, Incorporated in Papua New Guinea]

**Friday 19th May 2023**

# 1. Banking System Overview



## OLD

- Aging Legacy Systems (end of life)
- Poor user Interface and Experience
- Limited Risk Management
- Limited Analysis Capabilities



## NEW

- Integrated Banking –improved customer experience
- Modern but Complex Technology and Support
- Centralised Technology Stack and Operational Support



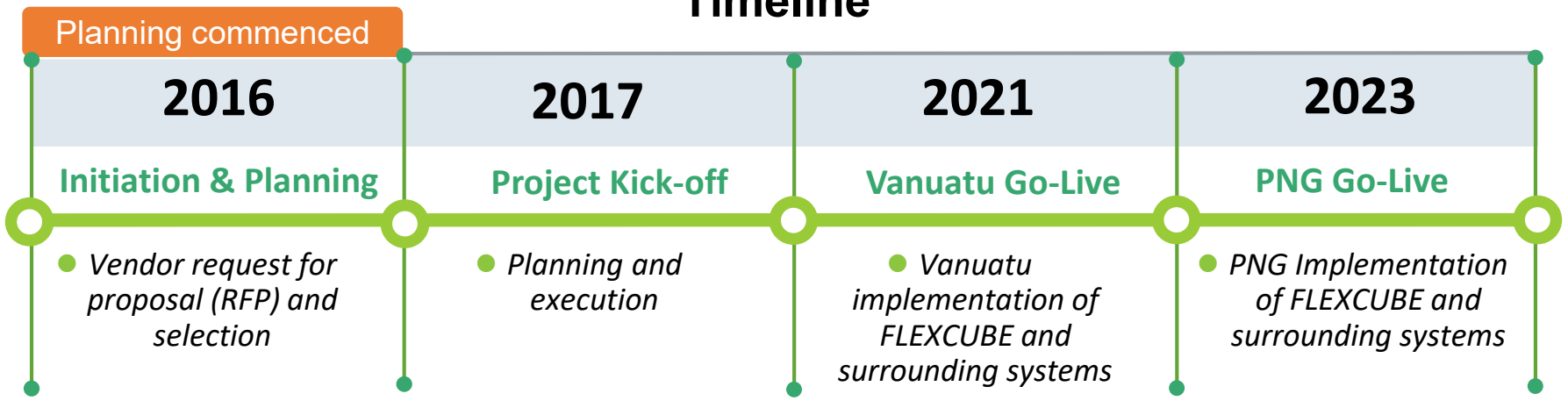
## FEATURES

- Consolidates 20 systems for critical services.
- Personal loan applications lodged online.
- Allows direct USSD mobile phone registration.
- Enhanced security, NEW soft-token via mobile app
- Automated loan document generation
- Centralised repository for applications and collateral.
- Enhanced identification of suspicious matters – in-line with the AML/CTF Act and Criminal Code Act.

# 2. Banking System Delivery Planning

Extensive planning and resources were allocated for the switch to our new Banking System.

## Timeline




**74** Subject matter experts from various BSP business units and 6 specialist offshore vendors supported the program, with key learnings implemented from our Vanuatu roll out.

# 3. Project Team Workstreams

BSP's project team were assigned dedicated tasks across critical delivery workstreams … in line with leading project management practices.

| WORKSTREAMS | 1. DISCOVERY | 2. ANALYSIS | 3. BUILD + TEST | 4. READINESS | 5. ROLL OUT |
|---|---|---|---|---|---|
| FUNCTIONAL | Product Mapping<br>Product walkthrough | Gaps Requirements<br>Customizations<br>Reference model | Parameterization<br>Role Based Access<br>Reports<br>Business User testing | | |
| SOLUTION DELIVERY | IT Architecture Designs | Plan<br>E2E Solution Design | Build & Test<br>E2E Solution Design | | |
| DATA MIGRATION | Data Migration planning | Data migration Analysis | Data Migration<br>Financial Reconciliation | | |
| TESTING | | Plan Test Cycles | Test Solution | | |
| IMPLEMENTATON | | | Implementation Plan | Finalise plan<br>Dress Rehearsals | Business &Technical Roll out |
| CHANGE MANAGEMENT | Briefing Comms | Progress Comms | Progress Comms +Training & UAT | Go live preparation & Business readiness Comms | Go Live Comms |
| < GOVERNANCE + PMO > | | | | | |
| < OSB DELIVERY > | | | | | |

# 4. Go-Live Issues

**RESOLUTION TARGET DATE**

**31 May 2023**



## BSP Channels with Post Go-Live Issues

- **Backlog of Cheques** outstanding.
- **Domestic Payments** (including KunduPei & batch uploads)
  Increased data validation by the new system resulting in higher exception processing.
- **International Payments**
  Delays in inbound and outbound transfers.
- **Statement Narrations**
  Certain statement descriptions require modification.
- **Call Centre**
  Increased call volumes post go-live resulting in delays. (Starting to reduce gradually to normal levels).
- **Business Internet Banking Maker/Checker Rule Migration**

## Working Well Post Go Live

- Branches
- ATM
- EFTPOS
- Mobile Banking (USSD *131#)

# 5. Remediation of Go-Live Issues

- Senior Management working group overseeing all remediation efforts.
- Weekly meetings with Regulator to update on progress.
- Additional resources deployed to assist resolution of issues.
- Retail and Corporate teams undertaking customer visits to provide personalised support for issue resolution.
- Dedicated Communications Taskforce focused on more accessible and frequent communications for NCD & Regional areas
- Independent external auditor engaged to provide a report on new systems and processes.



# AGM Agenda

## General Business

Approve and adopt the Minutes of the previous Annual General Meeting of Shareholders held on 20/05/2022.

## Ordinary Business

1. Receive and approve the BSP Group Financial Statements, Director's Report and Auditor's Report for the Year Ended 31/12/2022.
2. Adopt the Remuneration Report for the Year Ended 31/12/2022.
3. Re-Election of Directors who retire by rotation:
   (a) Priscilla Kevin
   (b) Robert Bradshaw
4. Election of Director – Ian Tarutia
5. Increase in Aggregate Fee Limit for Non-Executive Directors
6. Appointment of Auditor

# General Business

## Minutes of the Previous Annual General Meeting of Shareholders held on 20th May 2022

**To receive, consider and accept the Minutes of the previous Annual General Meeting held on 20th May 2022 as a correct record of that meeting.**

# BSP Financial Group Limited

## MINUTES OF ANNUAL GENERAL MEETING OF SHAREHOLDERS OF BSP FINANCIAL GROUP LIMITED

Minutes of the Annual General Meeting of BSP Financial Group Ltd held at Ballrooms 1 & 2, Level 1, APEC Haus, Port Moresby, National Capital District, Papua New Guinea on Friday 20th May 2022

**Directors Present**:

| | | |
|---|---|---|
| | Sir Kostas G. Constantinou, OBE | Chairman |
| | Mr. Robin Fleming | Group Chief Executive Officer & Managing Director |
| | Mr Stuart Arthur Davis | Director |
| | Mr. Arthur Sam | Director |
| | Mr. Robert Bradshaw | Director |
| | Ms. Priscilla Kevin | Director |
| | Mr. Frank Bouraga | Director |
| | Mr. Symon Brewis-Weston | Director |
| | Mrs. Patricia Taureka-Seruvatu | Director |
| | Mary Johns | Company Secretary |
| **Apologies** | Dr Matagialofi Lua'iufi | Director |

**In Attendance in person**: Refer attached.

**Quorum**:
The Chairman declared that a Quorum of members was present either in person, by proxy, by attorney and in case of a body corporate, by a representative and declared the hybrid meeting open at 10.30am.

**Item 1** **Chairman's Welcome to the second Hybrid AGM**

**Item 2** **Group Chief Executive Officer's Address**

The Chairman invited the Group Chief Executive Officer to present the business highlights of 2021 to the Shareholders.

**Item 3** **General Business**

**Resolution 1**: **Minutes of the previous Meeting of Shareholders – 21.05.2021**
It was moved that the members receive, consider and accept the Minutes of the previous Annual General Meeting dated 21 May 2021 as a correct record of that Meeting.
**Moved**: **Ronesh Dayal**
**Seconded**: **Hari Rabura**

***Resolution***
**That the minutes of the Shareholders Meeting dated 21st May 2021 is hereby read, accepted and signed by the Chairman.**

**Item 4** **Ordinary Business**
**Resolution 2**: **2021 Financial Statements**:

It was moved that the members receive, consider and accept the annual financial report of the company for the year ended 31 December 2021 together with the report of the Directors and Auditors therein.
**Moved**: **Peter Beswick**
**Seconded**: **Gheno Minia**

***Resolution***
**That the Balance Sheet and profit and loss account for the year ended 31 December 2020, together with reports of Directors and Auditors be and is hereby approved.**

**Resolution 3** **Re- election of Directors Dr Matagialofi Lua'iufi & Stuart Arthur Davis**
***3(a)*** ***Re-Election of Dr Matagialofi Lua'iufi***
It was moved that Dr Matagialofi Lua'iufi, a Director retiring by rotation in accordance with the Company's Constitution be and is hereby re-elected for as a Director of the Company.
**Moved**: **Nuni Kulu**
**Seconded**: **Paul Lee-Bernstein**

**Resolution**:
That Dr Matagialofi Lua'iufi, who retires by rotation in accordance with clause 15.3 of the Constitution, is re-elected as a Director of the Company.

***3(b)*** ***Re-Election of Stuart Arthur Davis***
It was moved that Stuart Arthur Davis, a Director retiring by rotation in accordance with the Company's Constitution be and is hereby re-elected for as a Director of the Company.
**Moved**: **Gheno Minia**
**Seconded**: **Ronesh Dayal**

***Resolution***:
That Stuart Arthur Davis, who retires by rotation in accordance with clause 15.3 of the Constitution, is re-elected as a Director of the Company.

***Resolution 4*** ***Election of Patricia Taureka-Seruvatu***
It was moved that Patricia Seruvatu-Taureka, a Director being eligible to be elected in accordance with the Company's Constitution be and is hereby elected for as a Director of the Company.
**Moved**: **Ronesh Dayal**
**Seconded**: **Edward Ruha**

***Resolution***:
That Patricia Taureka-Seruvatu, who is eligible to be elected in accordance with the Company's Constitution, is elected as a Director of the Company.

**Resolution 5**: ***Appointment of External Auditors***
It was moved the PriceWaterhouseCoopers be appointed as Auditors for 2022 and that the Board be authorised to fix their remuneration.
**Moved**: **Paul Lee-Bernstein**
**Seconded**: **Nuni Kulu**

***Resolution***:
That PricewaterhouseCoopers be appointed as Auditors for 2022 and that the Board is authorised to fix their remuneration.

**OTHER BUSINESS**:
**NIL**

**Close of Meeting**: There being no further business the meeting was declared closed at 12.10pm.

_____
**Chairman**

DRAFT

# Ordinary Business

## Item 1: Annual Report and Financial Statements for the Year ended 31st December 2022

**To receive the Annual Report, including the Financial Statements, Director's Report and Auditor's Report, for the Company and its subsidiaries for the year ended 31st December 2022.**

# Ordinary Business

## Item 2: Remuneration Report for the Year ended 31st December 2022

**To adopt the Remuneration Report of the Company for the year ended 31st December 2022.**

# Ordinary Business

## Item 3: Re-election of Directors

(a) Priscilla Kevin

(b) Robert Bradshaw

# Ordinary Business

## Item 3: Re-election of Directors



(a) **Priscilla Kevin** who retires by rotation and offers herself for re-election as a director of the Company.

# Ordinary Business

## Item 3: Re-election of Directors



(a) **Robert Bradshaw** who retires by rotation and offers himself for re-election as a director of the Company.

# Ordinary Business

## Item 4: Election of Director



**Ian Tarutia** who was appointed to fill a casual vacancy and offers himself for election as a director of the Company.

# Ordinary Business

## Item 5: Increase in Aggregate Fee Limit for Non-Executive Directors

**To approve an increase in the Aggregate Fee Limit for Non-Executive Directors from PGK4.5m to PGK6m.**

# Ordinary Business

## Item 6: Appointment of Auditor

**To appoint PricewaterhouseCoopers as Auditor of the Company from the conclusion of this meeting until the conclusion of the next annual meeting of the Company and that the Board be authorized to fix their remuneration.**

# Q&A

