

ASX: BFL | PNGX: BSP

22 February 2023

FULL YEAR RESULTS - 31st December 2022

BSP Financial Group Limited (BSP) today announced a statutory net profit after tax result of K1.081 billion for the financial year ended 31 December 2022, up 0.5% on the prior year result of K1.075 billion.

The 2022 Group results were impacted by the Additional Company Tax (ACT), which was an annual flat tax of K190 million, applicable to BSP from 2022. This was subsequently repealed and replaced by an increase in tax rate for all banks in PNG from 30% to 45%, effective 1 January 2023. International Accounting Standards require deferred tax balances to be measured at the tax rates expected to apply when the deferred tax asset is realised or the deferred tax liability is settled. As a result, a one-off credit of K135 million to tax expense was recognised resulting from the restatement of deferred tax balances relating to PNG Bank and its branches at 45% in the December 2022 accounts.

Excluding these adjustments, the underlying BSP Group net profit after tax is K1.136 billion, 5.7% above prior year results. The strong performance was mainly driven by growth in net interest income, improved transactional volumes following reopening of international borders and favourable foreign exchange earnings due to improved inflows.

Key 2022 financial highlights for the Group were:

- BSP's offshore branch and subsidiary contribution to overall Group results increased materially, due to reopening of international borders and constituted 26% of 2022 Group profits.
- Net interest income increased by 8.8%, driven by increased lending activities in PNG and Fiji and an increase in earnings from investments in securities.
- Fees and commission income increased by 13.1% compared to the prior year, due to higher transactional volumes on the back of improved economic conditions following the opening of borders and easing of travel restrictions.
- Foreign exchange earnings increased by 11.2% compared to the prior year, driven by higher currency flows from both resource and non-resource based sectors.
- Total loans and advances increased by 4.6% to K15.0 billion, demonstrating an improved economic climate for the most part of the year. Deposit growth remained strong and increased by 12.4% to K26.9 billion, supported by strong market liquidity.
- The Group's operating expenses increased by 11.3% compared to the prior year, driven by increased staffing to cater for Retail growth, support for the new core banking system, and strengthening of the Compliance and AML functions. Computing expenses also increased by 21.1% against the previous corresponding

period, mainly due to higher channel related communication costs, which contributed to merchant revenue and increased license and annual maintenance cost for the new core banking system.

- Loan and investment impairment charge was a net credit of K5.4 million due to improved credit ratings on the back of increasing economic activity and favorable economic outlook across the regions in which the Bank operates.
- The Group's total capital adequacy ratio at the end of the financial year stood at 24.6%. The capital adequacy ratio exceeds minimum Bank of Papua New Guinea prudential requirement of 12.0% and places the Group in good stead for growth given its strong balance sheet position.

The Board also announced the payment of 2022 final dividends of K1.40 per ordinary share, payable on 21st April 2023.

The final dividend of K1.40 per share represents 60.1% of 2022 audited NPAT and is 4.5% higher than the 2021 final dividend of K1.34.

Including the 2022 interim dividend of K0.34 paid in October 2022, total dividends from 2022 profits will be K1.74 per share which represents 75% of 2022 NPAT. The Group's capital adequacy ratio is forecasted to remain well in excess of BPNG minimum requirements post payment of the proposed dividend.

Total 2022 dividends results in a dividend yield of 14.0% based on a PNGX share price of K12.41 and 14.6% based on an ASX share price of \$4.70, an excellent return for BSP's shareholders.

Timing of the dividend payment is as follows:

- Ex-date: Thursday 9th March 2023
- Record date: Friday 10th March 2023
- Payment date: Friday 21st April 2023

For ASX shareholders eligible to receive BFL dividends in AUD, applicable exchange rate on the Record Date will be used for the conversion.

In announcing the 2022 results, Sir Kostas Constantinou, OBE, highlighted that BSP's strong performance is a reflection of significant efforts by management and staff throughout the year and the support of our customers.

He commented that the Board was delighted to approve this dividend payout and expressed his appreciation to BSP staff and management across the Group for yet another solid year of performance. Despite the additional tax being levied in PNG, BSP continues to open new branches, expand its digital product offering and invest in new technology to ensure that our customers are able to gain access to much need financial services across the country.



ASX / PNGX Market Announcement

Sir Kostas Constantinou, OBE

Group Chairman | BSP Financial Group Limited

This announcement was authorised for release by Mary Johns, Company Secretary of BSP Financial Group Limited.

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