

# BSP Financial Group Limited

ARBN 649 704 656

## Appendix 4E

### Full-Year Results

For the year ended 31 December 2021



**APRA Disclaimer:**

BSP Financial Group Limited is not authorized under the Banking Act 1959 (Commonwealth of Australia) and is not supervised by the Australian Prudential Authority (APRA). BSP's products are not covered by the depositor protection provisions in section 13A of the Banking Act 1959 and will not be covered by the financial claims scheme under Division 2AA of the Banking Act 1959.

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## 1. Appendix 4E: Full-year results

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### 1.1 Company details and reporting period

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BSP Financial Group Limited (BSP)

ARBN 649 704 656

Reporting period - twelve months ended




31 December 2021

Previous corresponding period - twelve months ended

31 December 2020

### 1.2 Results for announcement to the market

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|                                                                        |                                                                                     |                    |
|------------------------------------------------------------------------|-------------------------------------------------------------------------------------|--------------------|
| Revenue from ordinary activities                                       |  | 10.3% to K2,372.0m |
| Profit from ordinary activities after tax attributable to shareholders |  | 33.4% to K1,075.2m |
| Net profit for the period attributable to shareholders                 |  | 33.4% to K1,075.2m |

| <b>Dividends</b>                    | <b>Record date</b> | <b>Date payable/paid</b> | <b>Amount per security</b> |
|-------------------------------------|--------------------|--------------------------|----------------------------|
| <b>Current financial year 2021</b>  |                    |                          |                            |
| 2021 interim dividend - unfranked   | 27 September 2021  | 18 October 2021          | 39 toea                    |
| 2021 final dividend – unfranked     | 11 March 2022      | 22 April 2022            | 134 toea                   |
| <b>Previous financial year 2020</b> |                    |                          |                            |
| 2020 interim dividend - unfranked   | 7 October 2020     | 16 October 2020          | 25 toea                    |
| 2020 final dividend - unfranked     | 4 June 2021        | 23 June 2021             | 105 toea                   |

Papua New Guinean domiciled investors who migrate their shares to the ASX receive dividends in Papua New Guinea Kina (PGK). Should a Papua New Guinean domiciled shareholder move their shareholding to the Australian share register together with a transfer to an Australian-based fund manager, or custodian (on the basis that the shareholding will still be under the control of the Papua New Guinean resident shareholder), dividends would continue to be paid in PGK. Offshore investors with BSP shares on the ASX, will receive dividends in AUD. The exchange rate applicable on the Record date will be used to convert the PGK dividend to AUD.

BSP does not have a dividend reinvestment plan.

The release of this announcement was authorised by the BSP Board of Directors.

This report is provided to the ASX under listing rule 4.3A.

#### **Reporting currency**

All amounts in this report have been rounded to the nearest million Kina (Km) unless otherwise stated.

### 1.3 ASX Appendix 4E table

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|                                                                         |    |
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#### **Details of entities over which control has been gained or lost during the period**

There have been no changes in ownership to Group entities during the reporting period.

#### **Full year financial information**

This report is based on financial accounts that are in the process of being audited by our external auditors.

### 1.4 Results snapshot (December 21 vs December 20)

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|                              |                                                                                     |                     |
|------------------------------|-------------------------------------------------------------------------------------|---------------------|
| Statutory Profit             |    | 33.4% to K1,075.2m  |
| Statutory earnings per share |    | 33.3% to 230.1 toea |
| Net interest margin          |   | 10.0bps to 6.4%     |
| Capital Adequacy Ratio       |  | 250.0 bps to 25.7%  |

### 1.5 Subsequent events

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On 25 November 2021, the Minister for Treasury announced the introduction of a ‘Market Concentration Levy’ as part of Papua New Guinea’s 2022 national budget, effective 1 January 2022. The levy applies to any bank in PNG that has total assets that exceed 40% of total bank assets as published by the Bank of PNG. BSP is the only PNG commercial bank that has more than 40% of the total bank assets. As reported in PNG’s 2022 budget the levy is a flat amount, the calculation of which is not linked to profit or balance sheet size and will result in BSP paying an additional K190 million in levies from 2022. The Income Tax (2022 budget) (Amendment) Bill which included this levy was certified by the Speaker of the National Parliament on 7 February 2022 and was the final legal requirement to enact the Bill.

The levy is non-deductible for tax purposes and will have a direct impact of reducing BSP’s net profit after tax by K190 million from 2022 onwards. The full amount of the levy will be recognised in the Statement of Comprehensive Income at the time BSP’s year to date net profit after tax exceeds K190 million. It is expected therefore that the full levy will be recognised in the first half of 2022, which will have a material impact on the 6 month results ending 30 June 2022.

## 2. Full - year results

### 2.1 Financial summary

|                                  | Full year ending |                |              |             | Half year ending |                |              |             |
|----------------------------------|------------------|----------------|--------------|-------------|------------------|----------------|--------------|-------------|
|                                  | Dec-21           | Dec-20         | Change       |             | Dec-21           | Jun-21         | Change       |             |
|                                  | Km               | Km             | Km           | %           | Km               | Km             | Km           | %           |
| Net interest income              | 1,600.9          | 1,447.0        | 153.9        | 10.6        | 825.8            | 775.1          | 50.7         | 6.5         |
| Other operating income           | 771.1            | 704.4          | 66.7         | 9.5         | 402.4            | 368.7          | 33.7         | 9.1         |
| <b>Total income</b>              | <b>2,372.0</b>   | <b>2,151.4</b> | <b>220.6</b> | <b>10.3</b> | <b>1,228.2</b>   | <b>1,143.8</b> | <b>84.4</b>  | <b>7.4</b>  |
| Impairment expenses              | 42.6             | (201.3)        | 243.9        | (121.2)     | 105.2            | (62.6)         | 167.8        | (268.1)     |
| Operating expenses               | (888.8)          | (808.3)        | (80.5)       | 10.0        | (446.9)          | (441.9)        | (5.0)        | 1.1         |
| <b>Profit before income tax</b>  | <b>1,525.8</b>   | <b>1,141.8</b> | <b>384.0</b> | <b>33.6</b> | <b>886.5</b>     | <b>639.3</b>   | <b>247.2</b> | <b>38.7</b> |
| Income tax expense               | (450.6)          | (335.6)        | (115.0)      | 34.3        | (260.6)          | (190.0)        | (70.6)       | 37.2        |
| <b>Net profit for the period</b> | <b>1,075.2</b>   | <b>806.2</b>   | <b>269.0</b> | <b>33.4</b> | <b>625.9</b>     | <b>449.3</b>   | <b>176.6</b> | <b>39.3</b> |

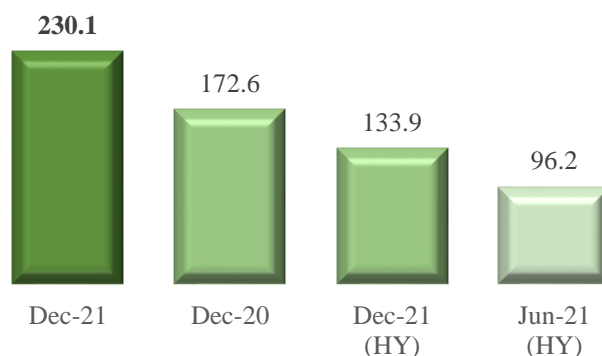
|                                  | Full year ending |        |        |      | Half year ending |        |        |      |
|----------------------------------|------------------|--------|--------|------|------------------|--------|--------|------|
|                                  | Dec-21           | Dec-20 | Change |      | Dec-21           | Jun-21 | Change |      |
|                                  | toea             | toea   | Toea   | %    | toea             | toea   | toea   | %    |
| <b>Earnings per share (toea)</b> |                  |        |        |      |                  |        |        |      |
| Basic and diluted                | 230.1            | 172.6  | 57.5   | 33.3 | 133.9            | 96.2   | 37.7   | 39.2 |

|                                                                         | Full year ending |          |         |      | Half year ending |          |        |     |
|-------------------------------------------------------------------------|------------------|----------|---------|------|------------------|----------|--------|-----|
|                                                                         | Dec-21           | Dec-20   | Change  |      | Dec-21           | Jun-21   | Change |     |
|                                                                         | Km               | Km       | Km      | %    | Km               | Km       | Km     | %   |
| <b>Average interest earning assets and interest bearing liabilities</b> |                  |          |         |      |                  |          |        |     |
| Average interest earning assets                                         | 25,141.6         | 22,277.7 | 2,863.9 | 12.9 | 25,141.6         | 24,460.0 | 681.6  | 2.8 |
| Average interest bearing liabilities                                    | 22,982.0         | 20,601.6 | 2,380.4 | 11.6 | 22,982.0         | 22,438.6 | 543.4  | 2.4 |

|                                     | Full year ending |        |        |       | Half year ending |        |         |       |
|-------------------------------------|------------------|--------|--------|-------|------------------|--------|---------|-------|
|                                     | Dec-21           | Dec-20 | Change |       | Dec-21           | Jun-21 | Change  |       |
|                                     | %                | %      | bps    | %     | %                | %      | bps     | %     |
| <b>Financial performance ratios</b> |                  |        |        |       |                  |        |         |       |
| Net interest margin (annualized)    | 6.4              | 6.5    | (10.0) | (1.5) | 6.3              | 6.4    | (10.0)  | (1.6) |
| Cost to income ratio                | 37.5             | 37.6   | (10.0) | (0.3) | 36.4             | 38.6   | (220.0) | (5.7) |

|                                   | Full year ending |        |        |      | Half year ending |        |        |      |
|-----------------------------------|------------------|--------|--------|------|------------------|--------|--------|------|
|                                   | Dec-21           | Dec-20 | Change |      | Dec-21           | Jun-21 | Change |      |
|                                   | %                | %      | bps    | %    | %                | %      | bps    | %    |
| <b>Financial position ratio</b>   |                  |        |        |      |                  |        |        |      |
| Return on average ordinary equity | 29.7             | 24.6   | 510.0  | 20.7 | 17.5             | 13.2   | 430.0  | 32.6 |
| Return on average assets          | 3.7              | 3.1    | 60.0   | 19.4 | 2.1              | 1.6    | 50.0   | 31.3 |

#### Earnings per share (toea)



## 2.2 Results commentary

### 2.2.1 Income

|                                          | Full year ending |                |              |             | Half year ending |                |             |            |
|------------------------------------------|------------------|----------------|--------------|-------------|------------------|----------------|-------------|------------|
|                                          | Dec-21           | Dec-20         | Change       |             | Dec-21           | Jun-21         | Change      |            |
|                                          | Km               | Km             | Km           | %           | Km               | Km             | Km          | %          |
| <b>Interest income</b>                   |                  |                |              |             |                  |                |             |            |
| Loans, advances and other receivables    | 1,135.8          | 1,199.8        | (64.0)       | (5.3)       | 564.8            | 571.0          | (6.2)       | (1.1)      |
| Treasury bills                           | 228.2            | 163.3          | 64.9         | 39.7        | 121.3            | 106.9          | 14.4        | 13.5       |
| Central bank bills                       | 0.2              | -              | 0.2          | -           | 0.2              | -              | 0.2         | -          |
| Other financial assets - Inscribed stock | 333.5            | 220.3          | 113.2        | 51.4        | 183.7            | 149.8          | 33.9        | 22.6       |
| Other                                    | 9.9              | 8.6            | 1.3          | 15.1        | 5.5              | 4.4            | 1.1         | 25.0       |
| <b>Total interest income</b>             | <b>1,707.6</b>   | <b>1,592.0</b> | <b>115.6</b> | <b>7.3</b>  | <b>875.5</b>     | <b>832.1</b>   | <b>43.4</b> | <b>5.2</b> |
| Interest Expense                         | 106.7            | 145.0          | (38.3)       | (26.4)      | 49.7             | 57.0           | (7.3)       | (12.8)     |
| <b>Net interest income</b>               | <b>1,600.9</b>   | <b>1,447.0</b> | <b>153.9</b> | <b>10.6</b> | <b>825.8</b>     | <b>775.1</b>   | <b>50.7</b> | <b>6.5</b> |
| <b>Other income</b>                      |                  |                |              |             |                  |                |             |            |
| Fees and commission                      | 372.3            | 351.0          | 21.3         | 6.1         | 191.0            | 181.3          | 9.7         | 5.4        |
| Foreign exchange related                 | 325.7            | 288.2          | 37.5         | 13.0        | 171.6            | 154.1          | 17.5        | 11.4       |
| Other                                    | 38.1             | 35.7           | 2.4          | 6.7         | 14.4             | 23.7           | (9.3)       | (39.2)     |
| Net insurance operating income           | 35.0             | 29.5           | 5.5          | 18.6        | 25.4             | 9.6            | 15.8        | 164.6      |
| <b>Total other income</b>                | <b>771.1</b>     | <b>704.4</b>   | <b>66.7</b>  | <b>9.5</b>  | <b>402.4</b>     | <b>368.7</b>   | <b>33.7</b> | <b>9.1</b> |
| <b>Net operating income</b>              | <b>2,372.0</b>   | <b>2,151.4</b> | <b>220.6</b> | <b>10.3</b> | <b>1,228.2</b>   | <b>1,143.8</b> | <b>84.4</b> | <b>7.4</b> |

Comments on individual categories when compared to the previous corresponding period are:

**Net interest income** increased by 10.6%, driven by higher interest revenues from investment securities and reduced cost of funds due to high market liquidity. This was partially offset by the full year impact of reduced indicator lending rate (ILR) in Papua New Guinea by 100bps on 1 April 2020.

**Fees and commission income** increased by 6.1% compared to the previous corresponding period due to increased transaction activity as domestic restrictions were gradually eased during the year. The opening of Fiji borders to travel partner countries in the fourth quarter and continued easing of PNG travel and movement restrictions also contributed to the improved results.

**Foreign exchange earnings** increased by 13.0% compared to the prior year, predominantly driven by higher currency flows from resource and non-resource based sectors.

**Net insurance operating income** increased by 18.6% due to improved claims experience and increased investment income.

#### Other income (Km)



## 2.2.2 Operating expenses

|                                | Full year ending |              |             |             | Half year ending |              |            |            |
|--------------------------------|------------------|--------------|-------------|-------------|------------------|--------------|------------|------------|
|                                | Dec-21           | Dec-20       | Change      |             | Dec-21           | Jun-21       | Change     |            |
|                                | Km               | Km           | Km          | %           | Km               | Km           | Km         | %          |
| Staff costs                    | 424.3            | 380.5        | 43.8        | 11.5        | 218.3            | 206.0        | 12.3       | 6.0        |
| Depreciation                   | 109.0            | 100.8        | 8.2         | 8.1         | 55.4             | 53.6         | 1.8        | 3.4        |
| Computing                      | 137.8            | 107.7        | 28.1        | 25.6        | 68.6             | 69.2         | (0.6)      | (0.9)      |
| Premises and equipment         | 87.2             | 86.2         | 1.0         | 1.2         | 43.7             | 43.5         | 0.2        | 0.5        |
| Administration and other costs | 130.5            | 131.1        | (0.6)       | (0.5)       | 60.9             | 69.6         | (8.7)      | (12.5)     |
| <b>Total expenses</b>          | <b>888.8</b>     | <b>808.3</b> | <b>80.5</b> | <b>10.0</b> | <b>446.9</b>     | <b>441.9</b> | <b>5.0</b> | <b>1.1</b> |

| Operating expenses ratios         | Full year ending |        |        |       | Half year ending |        |         |       |
|-----------------------------------|------------------|--------|--------|-------|------------------|--------|---------|-------|
|                                   | Dec-21           | Dec-20 | Change |       | Dec-21           | Jun-21 | Change  |       |
|                                   | %                | %      | bps    | %     | %                | %      | bps     | %     |
| Cost to income                    | 37.5             | 37.6   | (10.0) | (0.3) | 36.4             | 38.6   | (220.0) | (5.7) |
| Expenses to average assets        | 1.5              | 1.6    | (10.0) | (6.3) | 1.5              | 1.6    | (10.0)  | (6.3) |
| Staff and related costs to income | 17.8             | 18.0   | (20.0) | (1.1) | 17.8             | 18.0   | (20.0)  | (1.1) |

Comments on individual categories when compared to the previous corresponding period are:

**Staff costs** increased by 11.5% driven by the need to increase staffing to support compliance and AML requirements, cater for Retail growth and onboarding of IT staff to support the new core banking system.

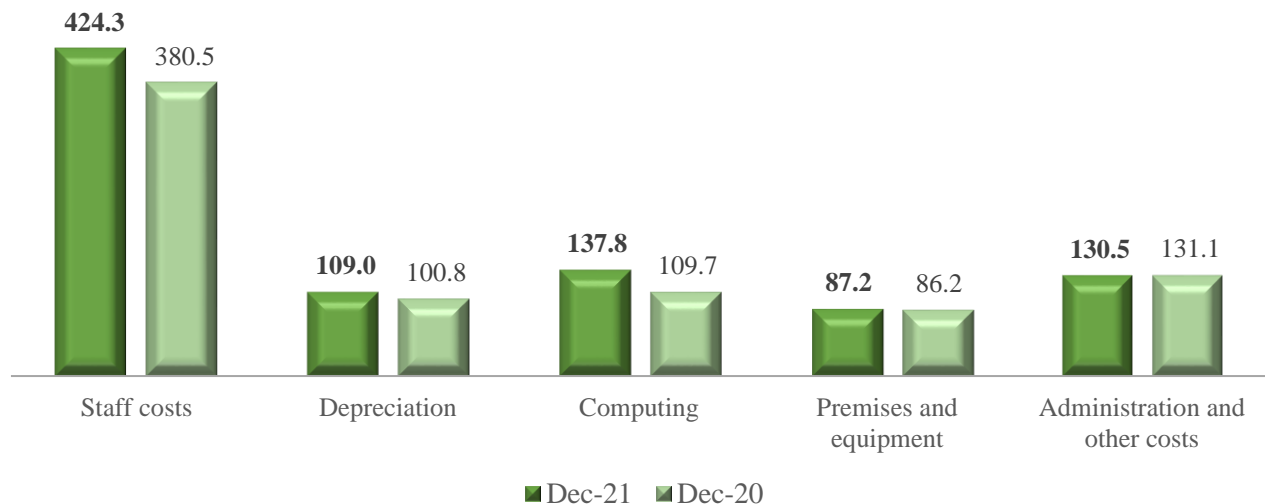
**Depreciation** increased by 8.1% mainly following the capitalisation of the newly implemented core banking system for BSP Vanuatu in April 2021 and other projects capitalized for the Group.

**Computing expenses** increased by 25.6% against the previous corresponding period due to consultancy expenses to support maintenance of the new core banking system post implementation in Vanuatu and increased communication costs to support the Bank's mobile banking platform.

**Premises and equipment** expense increased by 1.2% driven largely by branch repair and maintenance costs.

**Administration and other costs** decreased by 0.5% due to higher one-off CDB fees paid in 2020 when the facility was initially drawn when compared to CDB fees paid in 2021, partially offset by professional service fees incurred for the ASX listing and COVID-19 mitigation measures.

### Operating expenses (Km)



## 2.2.3 Balance sheet metrics

|                                                          | As at balance date |                 |                |             | As at balance date |                 |                |             |
|----------------------------------------------------------|--------------------|-----------------|----------------|-------------|--------------------|-----------------|----------------|-------------|
|                                                          | Dec-21             | Dec-20          | Change         | Change      | Jun-21             | Jun-20          | Change         | Change      |
|                                                          | Km                 | Km              | Km             | %           | Km                 | Km              | Km             | %           |
| Cash and balances with Central Bank                      | 2,807.6            | 2,897.2         | (89.6)         | (3.1)       | 2,824.4            | 1,575.2         | 1,249.2        | 79.3        |
| Amounts due from other banks                             | 1,310.2            | 1,187.5         | 122.7          | 10.3        | 1,172.1            | 1,125.1         | 47.0           | 4.2         |
| Treasury & Central Bank bills                            | 4,644.6            | 2,841.8         | 1,802.8        | 63.4        | 3,692.2            | 2,734.1         | 958.1          | 35.0        |
| Statutory deposits with Central Bank                     | 1,719.9            | 1,559.3         | 160.6          | 10.3        | 1,658.9            | 1,390.7         | 268.2          | 19.3        |
| Other financial assets                                   | 4,079.2            | 3,302.7         | 776.5          | 23.5        | 4,092.4            | 2,849.3         | 1,243.1        | 43.6        |
| Loans and advances to customers                          | 13,631.3           | 13,581.2        | 50.1           | 0.4         | 13,389.9           | 13,228.8        | 161.1          | 1.2         |
| Property, plant and equipment                            | 926.2              | 895.5           | 30.7           | 3.4         | 869.7              | 862.0           | 7.7            | 0.9         |
| Assets subject to operating lease                        | 32.7               | 36.4            | (3.7)          | (10.2)      | 35.2               | 46.0            | (10.8)         | (23.5)      |
| Tax receivable                                           | -                  | -               | -              | -           | -                  | 12.6            | (12.6)         | (100.0)     |
| Deferred tax assets                                      | 269.3              | 290.5           | (21.2)         | (7.3)       | 305.5              | 272.7           | 32.8           | 12.0        |
| Other assets                                             | 1,025.3            | 931.3           | 94.0           | 10.1        | 855.4              | 837.8           | 17.6           | 2.1         |
| <b>Total assets</b>                                      | <b>30,446.3</b>    | <b>27,523.4</b> | <b>2,922.9</b> | <b>10.6</b> | <b>28,895.7</b>    | <b>24,934.3</b> | <b>3,961.4</b> | <b>15.9</b> |
| <b>LIABILITIES</b>                                       |                    |                 |                |             |                    |                 |                |             |
| Amounts due to other banks                               | 248.8              | 126.3           | 122.5          | 97.0        | 66.6               | 147.1           | (80.5)         | (54.7)      |
| Customer Deposits                                        | 23,934.8           | 21,654.0        | 2,280.8        | 10.5        | 23,030.3           | 19,499.7        | 3,530.6        | 18.1        |
| Other liabilities                                        | 2,428.2            | 2,274.1         | 154.1          | 6.8         | 2,388.1            | 2,196.2         | 191.9          | 8.7         |
| Deferred tax liabilities                                 | 39.5               | 35.4            | 4.1            | 11.6        | 36.8               | 41.2            | (4.4)          | (10.7)      |
| <b>Total liabilities</b>                                 | <b>26,651.3</b>    | <b>24,089.8</b> | <b>2,561.5</b> | <b>10.6</b> | <b>25,521.8</b>    | <b>21,884.2</b> | <b>3,637.6</b> | <b>16.6</b> |
| <b>SHAREHOLDERS EQUITY</b>                               |                    |                 |                |             |                    |                 |                |             |
| Ordinary shares                                          | 372.1              | 372.2           | (0.1)          | (0.0)       | 372.2              | 372.3           | (0.1)          | (0.0)       |
| Retained earnings                                        | 3,025.2            | 2,622.2         | 403.0          | 15.4        | 2,578.5            | 2,324.6         | 253.9          | 10.9        |
| Other Reserves                                           | 396.9              | 438.5           | (41.6)         | (9.5)       | 422.5              | 349.0           | 73.5           | 21.1        |
| <b>Equity attributable to the members of the company</b> | <b>3,794.2</b>     | <b>3,432.9</b>  | <b>361.3</b>   | <b>10.5</b> | <b>3,373.2</b>     | <b>3,045.9</b>  | <b>327.3</b>   | <b>10.7</b> |
| Minority Interest                                        | 0.8                | 0.7             | 0.1            | 14.3        | 0.7                | 4.2             | (3.5)          | (83.3)      |
| <b>Total shareholders' equity</b>                        | <b>3,795.0</b>     | <b>3,433.6</b>  | <b>361.4</b>   | <b>10.5</b> | <b>3,373.9</b>     | <b>3,050.1</b>  | <b>323.8</b>   | <b>10.6</b> |
| <b>Total equity and liabilities</b>                      | <b>30,446.3</b>    | <b>27,523.4</b> | <b>2,922.9</b> | <b>10.6</b> | <b>28,895.7</b>    | <b>24,934.3</b> | <b>3,961.4</b> | <b>15.9</b> |



## 2.2.4 Lending

|                                                                   | As at balance date |                 |               |              | As at balance date |                 |              |            |
|-------------------------------------------------------------------|--------------------|-----------------|---------------|--------------|--------------------|-----------------|--------------|------------|
|                                                                   | Dec-21             | Dec-20          | Change        |              | Jun-21             | Jun-20          | Change       |            |
|                                                                   | Km                 | Km              | Km            | %            | Km                 | Km              | Km           | %          |
| Overdrafts                                                        | 714.5              | 812.3           | (97.8)        | (12.0)       | 836.7              | 1,095.2         | (258.5)      | (23.6)     |
| Lease financing                                                   | 225.6              | 278.8           | (53.2)        | (19.1)       | 242.5              | 271.9           | (29.4)       | (10.8)     |
| Term loans                                                        | 10,485.9           | 10,415.2        | 70.7          | 0.7          | 10,277.9           | 9,885.5         | 392.4        | 4.0        |
| Mortgages                                                         | 2,819.5            | 2,813.4         | 6.1           | 0.2          | 2,795.3            | 2,646.0         | 149.3        | 5.6        |
| Policy loans                                                      | 111.3              | 105.2           | 6.1           | 5.8          | 110.1              | 118.8           | (8.7)        | (7.3)      |
| <b>Gross loans and receivables from customers</b>                 | <b>14,356.8</b>    | <b>14,424.9</b> | <b>(68.1)</b> | <b>(0.5)</b> | <b>14,262.5</b>    | <b>14,017.4</b> | <b>245.1</b> | <b>1.7</b> |
| Less allowance for losses on loans and receivables from customers | (725.5)            | (843.7)         | 118.2         | (14.0)       | (872.6)            | (788.6)         | (84.0)       | 10.7       |
| <b>Net loans and receivables from customers</b>                   | <b>13,631.3</b>    | <b>13,581.2</b> | <b>50.1</b>   | <b>0.4</b>   | <b>13,389.9</b>    | <b>13,228.8</b> | <b>161.1</b> | <b>1.2</b> |

Gross loan volumes contracted by 0.5% from the previous corresponding period due to continued subdued economic condition prevailing across all countries.

Provision balances decreased by 14.0% from the previous corresponding period. The decrease in provisioning was driven by improved forecast in macroeconomic variables used to derive forward looking expected credit loss rates and lower historical default rates. The resulting loans provision ratio remains slightly above pre COVID-19 levels.

|                                                 | As at balance date |                 |             |            | As at balance date |                 |              |            |
|-------------------------------------------------|--------------------|-----------------|-------------|------------|--------------------|-----------------|--------------|------------|
|                                                 | Dec-21             | Dec-20          | Change      |            | Jun-21             | Jun-20          | Change       |            |
|                                                 | Km                 | Km              | Km          | %          | Km                 | Km              | Km           | %          |
| <b>Economic sector risk concentration</b>       |                    |                 |             |            |                    |                 |              |            |
| Commerce, Finance and other business            | 6,753.4            | 7,318.6         | (565.2)     | (7.7)      | 6,847.3            | 7,308.0         | (460.7)      | (6.3)      |
| Private households                              | 3,359.5            | 3,232.6         | 126.9       | 3.9        | 3,223.2            | 3,149.6         | 73.6         | 2.3        |
| Government and public authorities               | 691.3              | 157.8           | 533.5       | 338.1      | 555.2              | 178.3           | 376.9        | 211.4      |
| Agriculture                                     | 293.6              | 313.2           | (19.6)      | (6.3)      | 277.7              | 343.7           | (66.0)       | (19.2)     |
| Transport and communication                     | 1,142.9            | 1,218.8         | (75.9)      | (6.2)      | 1,151.9            | 1,027.2         | 124.7        | 12.1       |
| Manufacturing                                   | 393.8              | 383.7           | 10.1        | 2.6        | 369.2              | 337.0           | 32.2         | 9.6        |
| Constructions                                   | 996.8              | 956.5           | 40.3        | 4.2        | 965.4              | 885.0           | 80.4         | 9.1        |
| <b>Net loans and receivables from customers</b> | <b>13,631.3</b>    | <b>13,581.2</b> | <b>50.1</b> | <b>0.4</b> | <b>13,389.9</b>    | <b>13,228.8</b> | <b>161.1</b> | <b>1.2</b> |

|                                                 | As at balance date |                 |             |            | As at balance date |                 |              |            |
|-------------------------------------------------|--------------------|-----------------|-------------|------------|--------------------|-----------------|--------------|------------|
|                                                 | Dec-21             | Dec-20          | Change      |            | Jun-21             | Jun-20          | Change       |            |
|                                                 | Km                 | Km              | Km          | %          | Km                 | Km              | Km           | %          |
| <b>Customer segment classification</b>          |                    |                 |             |            |                    |                 |              |            |
| Corporate/ Commercial                           | 8,011.1            | 8,100.2         | (89.1)      | (1.1)      | 7,964.1            | 7,679.5         | 284.6        | 3.7        |
| Government                                      | 2,257.7            | 2,247.8         | 9.9         | 0.4        | 2,199.6            | 2,399.3         | (199.7)      | (8.3)      |
| Retail                                          | 3,362.5            | 3,233.2         | 129.3       | 4.0        | 3,226.2            | 3,150.0         | 76.2         | 2.4        |
| <b>Net loans and receivables from customers</b> | <b>13,631.3</b>    | <b>13,581.2</b> | <b>50.1</b> | <b>0.4</b> | <b>13,389.9</b>    | <b>13,228.8</b> | <b>161.1</b> | <b>1.2</b> |

## 2.2.5 Allowance for expected credit losses (ECL)

|                                          | Full year ending |              |                |                | Half year ending |             |                |                |
|------------------------------------------|------------------|--------------|----------------|----------------|------------------|-------------|----------------|----------------|
|                                          | Dec-21           | Dec-20       | Change         |                | Dec-21           | Jun-21      | Change         |                |
|                                          | Km               | Km           | Km             | %              | Km               | Km          | Km             | %              |
| <i>Credit Expenses</i>                   |                  |              |                |                |                  |             |                |                |
| Bad debts written off                    | 60.9             | 96.0         | (35.1)         | (36.6)         | 24.4             | 36.5        | (12.1)         | (33.2)         |
| Provision expense                        | (59.4)           | 143.8        | (203.2)        | (141.3)        | (106.3)          | 46.9        | (153.2)        | (326.7)        |
| <b>Total Credit expense</b>              | <b>1.5</b>       | <b>239.8</b> | <b>(238.3)</b> | <b>(99.4)</b>  | <b>(81.9)</b>    | <b>83.4</b> | <b>(165.3)</b> | <b>(198.2)</b> |
| Bad debts recovered                      | (61.9)           | (56.5)       | (5.4)          | 9.6            | (32.6)           | (29.3)      | (3.3)          | 11.3           |
| <b>Credit expenses net of recoveries</b> | <b>(60.4)</b>    | <b>183.3</b> | <b>(243.7)</b> | <b>(133.0)</b> | <b>(114.5)</b>   | <b>54.1</b> | <b>(168.6)</b> | <b>(311.6)</b> |

|                                                      | As at balance date |              |                |               | As at balance date |              |             |             |
|------------------------------------------------------|--------------------|--------------|----------------|---------------|--------------------|--------------|-------------|-------------|
|                                                      | Dec-21             | Dec-20       | Change         |               | Jun-21             | Jun-20       | Change      |             |
|                                                      | Km                 | Km           | Km             | %             | Km                 | Km           | Km          | %           |
| <i>Provisions</i>                                    |                    |              |                |               |                    |              |             |             |
| Collectively assessed provisions                     | 396.2              | 517.5        | (121.3)        | (23.4)        | 536.5              | 459.9        | 76.6        | 16.7        |
| Individually assessed provisions                     | 277.1              | 272.8        | 4.3            | 1.6           | 288.3              | 278.7        | 9.6         | 3.4         |
| <b>Total provision for on balance sheet exposure</b> | <b>673.3</b>       | <b>790.3</b> | <b>(117.0)</b> | <b>(14.8)</b> | <b>824.8</b>       | <b>738.6</b> | <b>86.2</b> | <b>11.7</b> |
| Collective provision for off balance sheet exposure  | 52.2               | 53.4         | (1.2)          | (2.2)         | 47.8               | 50.0         | (2.2)       | (4.4)       |
| <b>Total provisions for doubtful debts</b>           | <b>725.5</b>       | <b>843.7</b> | <b>(118.2)</b> | <b>(14.0)</b> | <b>872.6</b>       | <b>788.6</b> | <b>84.0</b> | <b>10.7</b> |

| <b>Impaired (Stage 3) Assets</b>    | <b>Km</b> | <b>Km</b> | <b>Km</b> | <b>%</b> | <b>Km</b> | <b>Km</b> | <b>Km</b> | <b>%</b> |
|-------------------------------------|-----------|-----------|-----------|----------|-----------|-----------|-----------|----------|
| Gross impaired assets               | 451.8     | 538.6     | (86.8)    | (16.1)   | 538.2     | 527.2     | 11.0      | 2.1      |
| Net impaired assets                 | 174.7     | 265.8     | (91.1)    | (34.3)   | 249.9     | 248.5     | 1.4       | 0.6      |
| Net impaired loans to gross loans % | 1.2       | 1.8       | (0.6)     | (33.3)   | 1.8       | 1.8       | -         | -        |

|                     | As at balance date |        |        |        | As at balance date |        |        |     |
|---------------------|--------------------|--------|--------|--------|--------------------|--------|--------|-----|
|                     | Dec-21             | Dec-20 | Change |        | Jun-21             | Jun-20 | Change |     |
|                     | %                  | %      | bps    | %      | %                  | %      | Bps    | %   |
| Provisions to loans | 5.1                | 5.8    | (70)   | (12.1) | 6.1                | 5.6    | 50.0   | 8.9 |

## 2.2.6 Deposits

|                       | As at balance date |                 |                |             | As at balance date |                 |                |             |
|-----------------------|--------------------|-----------------|----------------|-------------|--------------------|-----------------|----------------|-------------|
|                       | Dec-21             | Dec-20          | Change         |             | Jun-21             | Jun-20          | Change         |             |
|                       | Km                 | Km              | Km             | %           | Km                 | Km              | Km             | %           |
| Current               | 19,570.9           | 16,001.8        | 3,569.1        | 22.3        | 18,325.6           | 15,009.5        | 3,316.1        | 22.1        |
| Savings               | 1,612.3            | 1,988.3         | (376.0)        | (18.9)      | 1,459.5            | 758.4           | 701.1          | 92.4        |
| Term                  | 2,751.6            | 3,663.9         | (912.3)        | (24.9)      | 3,245.2            | 3,731.8         | (486.6)        | (13.0)      |
| <b>Total deposits</b> | <b>23,934.8</b>    | <b>21,654.0</b> | <b>2,280.8</b> | <b>10.5</b> | <b>23,030.3</b>    | <b>19,499.7</b> | <b>3,530.6</b> | <b>18.1</b> |

Total deposits for the Group grew by 10.5% mainly driven by increases in non-interest bearing current account balances, while term deposit balances reduced contributing to a lower cost of funds from 0.7% in 2020 to 0.5% in 2021.

## 2.2.6 Deposits (continued)

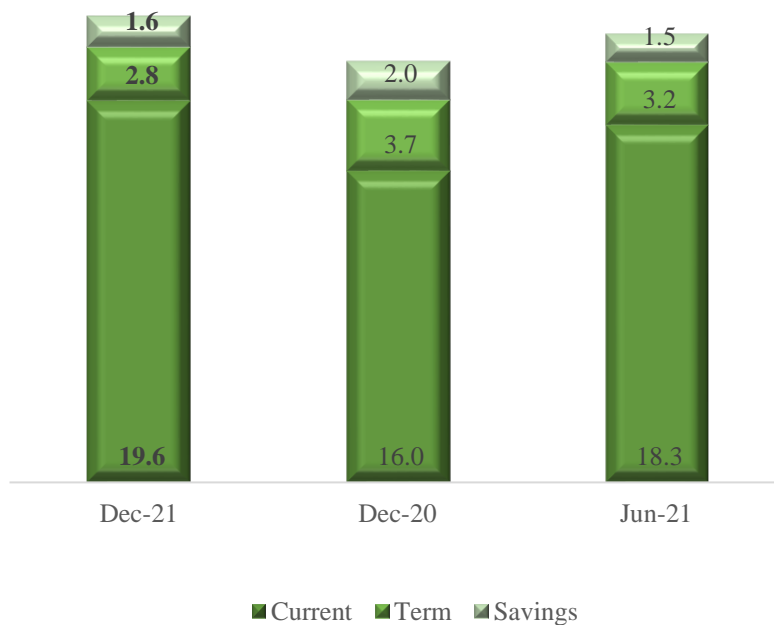
| 31 December 2021      | 1 to 3 months   | 6 to 12 months | 1-2 years   | 2-5 years   | 5 and over   | Total           |
|-----------------------|-----------------|----------------|-------------|-------------|--------------|-----------------|
| Current               | 19,570.9        | -              | -           | -           | -            | 19,570.9        |
| Savings               | 1,612.3         | -              | -           | -           | -            | 1,612.3         |
| Term                  | 2,111.2         | 360.7          | 27.4        | 33.4        | 218.9        | 2,751.6         |
| <b>Total deposits</b> | <b>23,294.4</b> | <b>360.7</b>   | <b>27.4</b> | <b>33.4</b> | <b>218.9</b> | <b>23,934.8</b> |

| 31 December 2020      | 1 to 3 months   | 6 to 12 months | 1-2 years   | 2-5 years   | 5 and over | Total           |
|-----------------------|-----------------|----------------|-------------|-------------|------------|-----------------|
| Current               | 16,001.8        | -              | -           | -           | -          | 16,001.8        |
| Savings               | 1,988.3         | -              | -           | -           | -          | 1,988.3         |
| Term                  | 2,141.4         | 1,375.8        | 79.3        | 67.4        | -          | 3,663.9         |
| <b>Total deposits</b> | <b>20,131.5</b> | <b>1,375.8</b> | <b>79.3</b> | <b>67.4</b> | <b>-</b>   | <b>21,654.0</b> |

|                        | As at balance date |        |         |        | As at balance date |        |           |        |
|------------------------|--------------------|--------|---------|--------|--------------------|--------|-----------|--------|
|                        | Dec-21             | Dec-20 | Change  | Jun-21 | Jun-20             | Change |           |        |
|                        | %                  | %      | bps     | %      | %                  | bps    | %         |        |
| Loans to deposit ratio | 60.0               | 66.6   | (660.0) | (9.9)  | 61.9               | 71.9   | (1,000.0) | (13.9) |

Strong deposit growth has put the Group in a good position to fund potential loan expansion as the economy improves.

### Deposits (K billion)



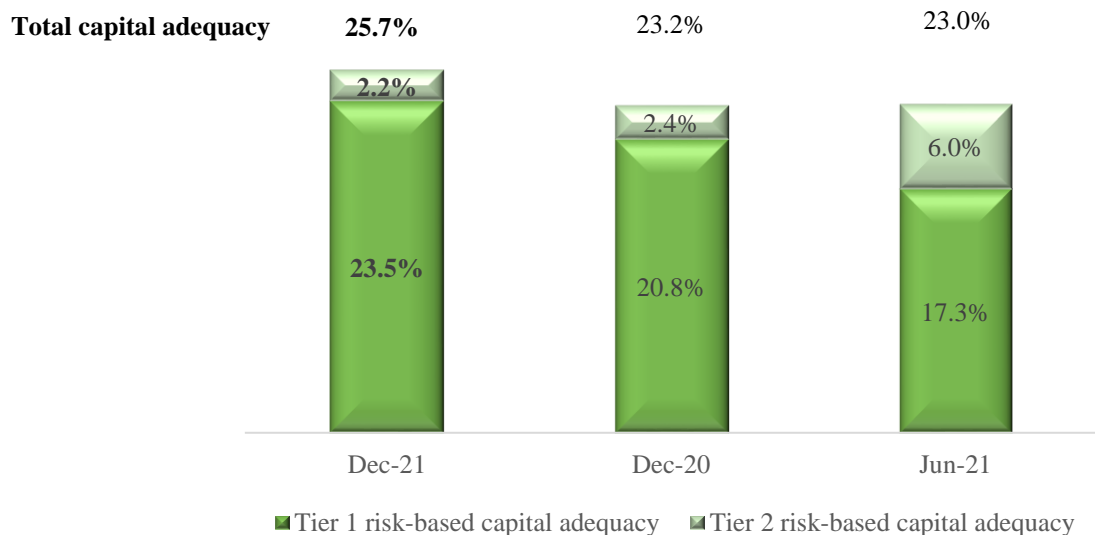
## 2.2.7 Capital and shareholder return

### 2.2.7.1 Assets and capital

| <i>Regulatory capital and assets</i> | As at balance date |          |         |      | As at balance date |          |         |      |
|--------------------------------------|--------------------|----------|---------|------|--------------------|----------|---------|------|
|                                      | Dec-21             | Dec-20   | Change  |      | Jun-21             | Jun-20   | Change  |      |
|                                      | Km                 | Km       | Km      | %    | Km                 | Km       | Km      | %    |
| Total assets                         | 30,446.3           | 27,523.4 | 2,922.9 | 10.6 | 28,895.7           | 24,934.3 | 3,961.4 | 15.9 |
| <b>Capital adequacy</b>              |                    |          |         |      |                    |          |         |      |
| Total regulatory capital             | 3,457.8            | 3,095.9  | 361.9   | 11.7 | 3,002.3            | 2,747.2  | 255.1   | 9.3  |
| Risk-weighted assets                 | 13,469.5           | 13,370.4 | 99.1    | 0.7  | 13,133.3           | 12,877.0 | 256.3   | 2.0  |

| <i>Regulatory ratios</i>           | As at balance date |        |        |       | As at balance date |        |        |       |
|------------------------------------|--------------------|--------|--------|-------|--------------------|--------|--------|-------|
|                                    | Dec-21             | Dec-20 | Change |       | Jun-21             | Jun-20 | Change |       |
|                                    | %                  | %      | bps    | %     | %                  | %      | bps    | %     |
| Total risk-based capital adequacy  | 25.7               | 23.2   | 250.0  | 10.8  | 23.0               | 21.3   | 170.0  | 8.0   |
| Tier 1 risk-based capital adequacy | 23.5               | 20.8   | 270.0  | 13.0  | 17.3               | 16.0   | 130.0  | 8.1   |
| Tier 2 risk-based capital adequacy | 2.2                | 2.4    | (20.0) | (8.3) | 6.0                | 5.7    | 30.0   | 5.3   |
| Leverage capital ratio             | 10.6               | 10.3   | 30.0   | 2.9   | 8.0                | 8.4    | (40.0) | (4.8) |

As of December 31, 2021, the Group's overall capital adequacy ratio and leverage capital ratio met the capital adequacy criteria for a "well-capitalized" bank.



### 2.2.7.2 Shareholder returns

| <i>Earnings per ordinary share</i>                       | Full year ending |        |        |      | Half year ending |        |        |      |
|----------------------------------------------------------|------------------|--------|--------|------|------------------|--------|--------|------|
|                                                          | Dec-21           | Dec-20 | Change |      | Dec-21           | Jun-21 | Change |      |
|                                                          | toea             | toea   | toea   | %    | toea             | toea   | %      |      |
| Statutory earnings per ordinary share (weighted average) | 230.1            | 172.6  | 57.5   | 33.3 | 133.9            | 96.2   | 37.7   | 39.2 |

## 2.2.7 Capital and shareholder return (continued)

|                                                                  | Full year ending |         |         |       | Half year ending |         |         |       |
|------------------------------------------------------------------|------------------|---------|---------|-------|------------------|---------|---------|-------|
|                                                                  | Dec-21           | Dec-20  | Change  |       | Jun-21           | Jun-20  | Change  |       |
| <i>Weighted average number of ordinary shares</i>                | (000's)          | (000's) | (000's) | %     | (000's)          | (000's) | (000's) | %     |
| Weighted avg. number of ordinary shares used in EPS calculations | 467,228          | 467,235 | (7.0)   | (0.0) | 467,227          | 467,237 | (10.0)  | (0.0) |

| <i>Ratios</i>            | Full year ending |        |        |      | Half year ending |        |        |      |
|--------------------------|------------------|--------|--------|------|------------------|--------|--------|------|
|                          | Dec-21           | Dec-20 | Change |      | Dec-21           | Jun-21 | Change |      |
|                          | %                | %      | bps    | %    | %                | %      | bps    | %    |
| Return on average equity | 29.7             | 24.6   | 510.0  | 20.7 | 17.5             | 13.2   | 430.0  | 32.6 |
| Return on average assets | 3.7              | 3.1    | 60.0   | 19.4 | 2.1              | 1.6    | 50.0   | 31.3 |

### 2.2.7.3 Dividends payable/paid

| <i>Earnings per ordinary share</i> | FY21  | FY20  | Change |       |
|------------------------------------|-------|-------|--------|-------|
| Dividend per share - toea          | 173.0 | 130.0 | 43.0   | 33.1  |
| Dividend amount payable/paid - Km  | 811.9 | 610.7 | 201.2  | 32.9  |
| Payout ratio - %                   | 75.5% | 75.7% | (0.2)  | (0.3) |

## 2.3 Additional notes

### 2.3.1 Analysis of intangible assets

| Analysis of Intangible assets | Balance Sheet Carrying Values as at |              | Amortisation Impairment Expense |             |
|-------------------------------|-------------------------------------|--------------|---------------------------------|-------------|
|                               | Dec-21                              | Dec-20       | Dec-21                          | Dec-20      |
|                               | Km                                  | Km           | Km                              | Km          |
| Goodwill                      | 45.3                                | 45.3         | -                               | -           |
| Software                      | 191.3                               | 175.5        | 30.2                            | 25.6        |
|                               | <b>236.6</b>                        | <b>220.8</b> | <b>30.2</b>                     | <b>25.6</b> |

### 2.3.2 Net tangible assets per ordinary share

|                                                                 | Dec-21         | Dec-20         |
|-----------------------------------------------------------------|----------------|----------------|
|                                                                 | K              | K              |
| Net tangible asset backing per ordinary share per PGK           | 7.6            | 6.9            |
|                                                                 | <b>Km</b>      | <b>Km</b>      |
| Net assets                                                      | 3,795.0        | 3,433.6        |
| Intangibles                                                     | (236.6)        | (220.8)        |
| <b>Net tangible asset attributable to ordinary shareholders</b> | <b>3,558.4</b> | <b>3,212.8</b> |
| Number of fully paid ordinary shares on issue - 000s            | 467,226        | 467,229        |

### 2.3.3 Details of associates and joint venture arrangement entities

| Ownership interest held by consolidated entity | Dec-21 | Dec-20 | Balance date |
|------------------------------------------------|--------|--------|--------------|
|                                                | %      | %      |              |
| <i>Joint venture</i>                           |        |        |              |
| Suva Central Limited                           | 50.0   | 50.0   | 31-Dec       |
| Richmond Limited                               | 61.3   | 61.3   | 31-Dec       |
| BSP Finance Cambodia                           | 50.0   | 50.0   | 31-Dec       |
| BSP Finance Laos                               | 50.0   | 50.0   | 31-Dec       |
| Platform Pacific Limited                       | 50.0   | 50.0   | 31-Dec       |

### 3 Consolidated financial statements

#### 3.1 Basis of preparation

The financial information has been extracted from the consolidated financial statements of BSP Financial Group Limited which are currently in the process of being audited, prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and interpretations of these standards issued by the International Financial Reporting Interpretations Committee.

#### 3.2 Statements of comprehensive income

|                                                                                     | Full year ending<br>Group |                |
|-------------------------------------------------------------------------------------|---------------------------|----------------|
|                                                                                     | Dec-21                    | Dec-20         |
|                                                                                     | Km                        | Km             |
| Interest income                                                                     | 1,707.6                   | 1,592.0        |
| Interest expense                                                                    | (106.7)                   | (145.0)        |
| <b>Net interest income</b>                                                          | <b>1,600.9</b>            | <b>1,447.0</b> |
| Net fee and commission income                                                       | 372.3                     | 351.0          |
| Other income                                                                        | 363.8                     | 323.9          |
| Net insurance operating income                                                      | 35.0                      | 29.5           |
| <b>Total net operating income before impairment and operating expenses</b>          | <b>2,372.0</b>            | <b>2,151.4</b> |
| Impairment of financial assets                                                      | 42.6                      | (201.3)        |
| Operating expenses                                                                  | (888.8)                   | (808.3)        |
| <b>Profit before income tax</b>                                                     | <b>1,525.8</b>            | <b>1,141.8</b> |
| Income tax expense                                                                  | (450.6)                   | (335.6)        |
| <b>Net profit for the period</b>                                                    | <b>1,075.2</b>            | <b>806.2</b>   |
| <i>Other comprehensive income</i>                                                   |                           |                |
| <i>Items that may be subsequently reclassified to profit or loss:</i>               |                           |                |
| Translation of financial information of foreign operations to presentation currency | (40.7)                    | 98.0           |
| Recognition of deferred tax asset on asset revaluation movement                     | 1.6                       | 6.2            |
| Net movement in asset revaluation                                                   | 0.6                       | (18.8)         |
| <b>Other comprehensive income, net of tax</b>                                       | <b>(38.5)</b>             | <b>85.4</b>    |
| <b>Total comprehensive income for the period</b>                                    | <b>1,036.7</b>            | <b>891.6</b>   |

### 3.3 Statements of financial position

|                                                          | Full year ending<br>Group |                 |
|----------------------------------------------------------|---------------------------|-----------------|
|                                                          | Dec-21                    | Dec-20          |
|                                                          | Km                        | Km              |
| Cash and operating balances with Central Bank            | 2,807.6                   | 2,897.2         |
| Amounts due from other banks                             | 1,310.2                   | 1,187.5         |
| Treasury & Central Bank bills                            | 4,644.6                   | 2,841.8         |
| Cash reserve requirement with Central Bank               | 1,719.9                   | 1,559.3         |
| Other financial assets                                   | 4,079.2                   | 3,302.7         |
| Loans and receivables from customers                     | 13,631.3                  | 13,581.2        |
| Property, plant and equipment                            | 926.2                     | 895.5           |
| Aircraft subject to operating lease                      | 32.7                      | 36.4            |
| Deferred tax assets                                      | 269.3                     | 290.5           |
| Other assets                                             | 1,025.3                   | 931.3           |
| <b>Total assets</b>                                      | <b>30,446.3</b>           | <b>27,523.4</b> |
| <b>LIABILITIES</b>                                       |                           |                 |
| Amounts due to other banks                               | 248.8                     | 126.3           |
| Customer Deposits                                        | 23,934.8                  | 21,654.0        |
| Other liabilities                                        | 2,428.2                   | 2,274.1         |
| Deferred tax liabilities                                 | 39.5                      | 35.4            |
| <b>Total liabilities</b>                                 | <b>26,651.3</b>           | <b>24,089.8</b> |
| <b>SHAREHOLDERS EQUITY</b>                               |                           |                 |
| Ordinary shares                                          | 372.1                     | 372.2           |
| Retained earnings                                        | 3,025.2                   | 2,622.2         |
| Other Reserves                                           | 396.9                     | 438.5           |
| <b>Equity attributable to the members of the company</b> | <b>3,794.2</b>            | <b>3,432.9</b>  |
| Minority Interest                                        | 0.8                       | 0.7             |
| <b>Total shareholders' equity</b>                        | <b>3,795.0</b>            | <b>3,433.6</b>  |
| <b>Total equity and liabilities</b>                      | <b>30,446.3</b>           | <b>27,523.4</b> |

### 3.4 Statements of changes in equity

|                                         | Share<br>Capital | Reserves      | Retained<br>earnings | Minority<br>interest | Total          |
|-----------------------------------------|------------------|---------------|----------------------|----------------------|----------------|
|                                         | Km               | Km            | Km                   | Km                   | Km             |
| <b>Balance at 1 January 2021</b>        | <b>372.2</b>     | <b>438.5</b>  | <b>2,622.2</b>       | <b>0.7</b>           | <b>3,433.6</b> |
| Net profit                              | -                | -             | 1,075.2              | -                    | 1,075.2        |
| Other Comprehensive income              | -                | (38.5)        | -                    | -                    | (38.5)         |
| <b>Total comprehensive income</b>       | <b>-</b>         | <b>(38.5)</b> | <b>1,075.2</b>       | <b>-</b>             | <b>1,036.7</b> |
| Dividends paid during the year          | -                | -             | (676.3)              | (0.2)                | (676.5)        |
| Share buyback                           | (0.1)            | -             | -                    | -                    | (0.1)          |
| <b>Total transactions with owners</b>   | <b>(0.1)</b>     | <b>-</b>      | <b>(676.3)</b>       | <b>(0.2)</b>         | <b>(676.6)</b> |
| Gain attributable to Minority Interest  | -                | -             | (0.3)                | 0.3                  | -              |
| Transfer from asset revaluation reserve | -                | (7.5)         | 8.7                  | -                    | 1.2            |
| BSP Life Policy Reserve                 | -                | 4.4           | (4.4)                | -                    | -              |
| <b>Balance at 31 December 2021</b>      | <b>372.1</b>     | <b>396.9</b>  | <b>3,025.1</b>       | <b>0.8</b>           | <b>3,794.9</b> |
| <b>Balance as at 1 January 2020</b>     | <b>372.3</b>     | <b>346.5</b>  | <b>2,394.4</b>       | <b>3.8</b>           | <b>3,117.0</b> |
| Net profit                              | -                | -             | 806.2                | -                    | 806.2          |
| Other Comprehensive income              | -                | 85.3          | -                    | -                    | 85.3           |
| <b>Total comprehensive income</b>       | <b>-</b>         | <b>85.3</b>   | <b>806.2</b>         | <b>-</b>             | <b>891.5</b>   |
| Dividends paid during the year          | -                | -             | (569.2)              | (0.2)                | (569.4)        |
| Share buyback                           | (0.1)            | -             | -                    | -                    | (0.1)          |
| Gain attributable to Minority Interest  | -                | -             | (2.2)                | 2.2                  | -              |
| Acquisition of minority interest        | -                | -             | -                    | (5.2)                | (5.2)          |
| <b>Total transactions with owners</b>   | <b>(0.1)</b>     | <b>-</b>      | <b>(571.4)</b>       | <b>(3.2)</b>         | <b>(574.7)</b> |
| Transfer from asset revaluation reserve | -                | (1.0)         | 0.7                  | -                    | (0.3)          |
| BSP Life Policy Reserve                 | -                | 7.7           | (7.7)                | -                    | -              |
| <b>Balance at 31 December 2020</b>      | <b>372.2</b>     | <b>438.5</b>  | <b>2,622.2</b>       | <b>0.6</b>           | <b>3,433.5</b> |



### 3.5 Statements of cash flows

|                                                                | Full year ending<br>Group |                  |
|----------------------------------------------------------------|---------------------------|------------------|
|                                                                | Dec-21                    | Dec-20           |
|                                                                | Km                        | Km               |
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>                     |                           |                  |
| Interest received                                              | 1,649.8                   | 1,556.5          |
| Fees and other income                                          | 749.5                     | 703.7            |
| Interest paid                                                  | (78.3)                    | (89.3)           |
| Amounts paid to suppliers and employees                        | (781.8)                   | (892.7)          |
| <b>Operating cash flow before changes in operating assets</b>  | <b>1,539.2</b>            | <b>1,278.2</b>   |
| <b>Net increase/ (decrease) in:</b>                            |                           |                  |
| Loans and receivables from customers                           | (70.8)                    | (449.0)          |
| Cash reserve requirements with the Central Bank                | (175.3)                   | 207.3            |
| Bills receivable and other assets                              | (115.9)                   | (40.0)           |
| Customer deposits                                              | 2,497.2                   | 2,315.0          |
| Bills payable and other liabilities                            | 143.2                     | 218.7            |
| <b>Net cash flow from operations before income tax</b>         | <b>3,817.6</b>            | <b>3,530.2</b>   |
| Income taxes paid                                              | (347.0)                   | (372.9)          |
| <b>Net cash flow from operating activities</b>                 | <b>3,470.6</b>            | <b>3,157.3</b>   |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>                     |                           |                  |
| Decrease/(increase) in government securities                   | (2,573.1)                 | (1,502.7)        |
| Expenditure on property, plant & equipment                     | (170.9)                   | (63.9)           |
| Expenditure for software development costs                     | (57.7)                    | (46.5)           |
| Proceeds from disposal of assets                               | 6.3                       | 1.8              |
| <b>Net cash flow (used in)/ from investing activities</b>      | <b>(2,795.4)</b>          | <b>(1,611.3)</b> |
| <b>CASH FLOW FROM FINANCING ACTIVITIES</b>                     |                           |                  |
| Share buyback                                                  | (0.1)                     | (0.1)            |
| Dividends paid                                                 | (676.5)                   | (569.4)          |
| Payments for other financing activities                        | (3.4)                     | (113.4)          |
| Repayments from borrowing                                      | -                         | 242.2            |
| <b>Net cash flow used in financing activities</b>              | <b>(680.0)</b>            | <b>(440.7)</b>   |
| Net increase/ (decrease) in cash and cash equivalents          | (4.8)                     | 1,105.3          |
| Effect of exchange rate movements on cash and cash equivalents | (84.4)                    | 98.0             |
| Cash and cash equivalents at the beginning of the year         | 3,958.4                   | 2,755.1          |
| <b>Cash and Cash Equivalents at the end of the year</b>        | <b>3,869.2</b>            | <b>3,958.4</b>   |

### 3.6 Segment reporting

| Full year ending 31 December 2021  | PNG Bank       | Offshore Banks | Non-Bank Entities | Adjust Inter Segments | Total          |
|------------------------------------|----------------|----------------|-------------------|-----------------------|----------------|
| Net interest income                | 1,295.0        | 272.3          | 32.5              | 1.1                   | 1,600.9        |
| Other income                       | 574.8          | 201.1          | 30.0              | (69.9)                | 736.0          |
| Net insurance income               | -              | -              | 36.9              | (1.8)                 | 35.1           |
| <b>Total operating income</b>      | <b>1,869.8</b> | <b>473.4</b>   | <b>99.4</b>       | <b>(70.6)</b>         | <b>2,372.0</b> |
| Operating expenses                 | (661.4)        | (210.2)        | (20.0)            | 2.8                   | (888.8)        |
| Impairment expenses                | 42.9           | 4.6            | (4.9)             | -                     | 42.6           |
| <b>Profit before income tax</b>    | <b>1,251.3</b> | <b>267.8</b>   | <b>74.5</b>       | <b>(67.8)</b>         | <b>1,525.8</b> |
| Income tax                         | (372.5)        | (63.6)         | (14.5)            | -                     | (450.6)        |
| <b>Net profit after income tax</b> | <b>878.8</b>   | <b>204.2</b>   | <b>60.0</b>       | <b>(67.8)</b>         | <b>1,075.2</b> |

| Full year ended 31 December 2020   | PNG Bank       | Offshore Banks | Non-Bank Entities | Adjust Inter Segments | Total          |
|------------------------------------|----------------|----------------|-------------------|-----------------------|----------------|
| Net interest income                | 1,148.7        | 263.8          | 32.3              | 2.3                   | 1,447.1        |
| Other income                       | 501.9          | 196.2          | 24.3              | (47.6)                | 674.8          |
| Net insurance income               | -              | -              | 32.2              | (2.7)                 | 29.5           |
| <b>Total operating income</b>      | <b>1,650.6</b> | <b>460.0</b>   | <b>88.8</b>       | <b>(48.0)</b>         | <b>2,151.4</b> |
| Operating expenses                 | (587.2)        | (207.6)        | (18.8)            | 5.3                   | (808.3)        |
| Impairment expenses                | (146.5)        | (48.9)         | (5.9)             | -                     | (201.3)        |
| <b>Profit before income tax</b>    | <b>916.9</b>   | <b>203.5</b>   | <b>64.1</b>       | <b>(42.7)</b>         | <b>1,141.8</b> |
| Income tax                         | (275.0)        | (50.2)         | (10.4)            | -                     | (335.6)        |
| <b>Net profit after income tax</b> | <b>641.9</b>   | <b>153.3</b>   | <b>53.7</b>       | <b>(42.7)</b>         | <b>806.2</b>   |