

# **BSP Financial Group Limited**

**ARBN 649 704 656**

## **Appendix 4E**

### **Full-Year Results**

**For the year ended 31 December 2023**



**APRA Disclaimer:**

BSP Financial Group Limited (BSP) 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

### 1.1 Company details and reporting period

BSP Financial Group Limited (BSP)

ARBN 649 704 656

Reporting period - twelve months ended

31 December 2023

Previous corresponding period - twelve months ended

31 December 2022

#### Principal activities

The principal activity of the BSP Financial Group Limited (BSP) is the provision of commercial banking and financial services throughout Papua New Guinea (PNG) and the Asia Pacific region. The Group's activities also include fund management and life insurance business services. BSP is a company listed on the PNG Exchange Markets (PNGX) and the Australian Securities Exchange (ASX), incorporated under the Companies Act of Papua New Guinea, and is an authorised Bank under the Banks and Financial Institutions Act of Papua New Guinea. The Group is also licensed to operate in Solomon Islands, Fiji, Cook Islands, Samoa, Tonga, Vanuatu, Cambodia and Lao. The registered office is at Section 34, Allotment 6 & 7, Klinki Street, Waigani Drive, Port Moresby.

### 1.2 Results for announcement to the market

Revenue from ordinary activities	▲	8.4% to K2,822.4m
Profit from ordinary activities after tax attributable to shareholders	▼	(17.9) % to K890.2m
Net profit for the period attributable to shareholders	▼	(17.9) % to K890.2m

<b>Dividends</b>	<b>Record date</b>	<b>Date payable/paid</b>	<b>Amount per security</b>
<b>Current financial year 2023</b>			
2023 interim dividend - unfranked	25 September 2023	13 October 2023	37 toea
2023 final dividend – unfranked	28 February 2024	22 March 2024	106 toea
<b>Previous financial year 2022</b>			
2022 interim dividend - unfranked	26 September 2022	14 October 2022	34 toea
2022 final dividend – unfranked	10 March 2023	21 April 2023	140 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 Papua New Guinea Kina (K<sub>m</sub>) unless otherwise stated.

### 1.3 ASX Appendix 4E table

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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 statements**

This report should be read in conjunction with the 31 December 2023 Financial Statements of BSP, prepared in accordance with the 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.

The Financial Statements have been audited by BSP's appointed external auditor and approved by the Board, upon recommendation of the Board Audit and Compliance Committee.

### 1.4 Results snapshot (December 23 vs December 22)

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Statutory Profit	▼	(17.9)% to K890.2m
Statutory earnings per share	▼	(18.0)% to 190.5 toea
Net interest margin	▼	(29.8) bps to 5.7%
Capital Adequacy Ratio	▼	(41.5) bps to 24.4%

### 1.5 Subsequent events

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The PNG Government levied a flat K190 million Additional Company Tax (the Tax) on any bank that has over 40% market share of financial assets, applicable to financial year 2022. The Tax was non-deductible for tax purposes and had a direct impact on BSP's net profit after tax for 2022. The K190 million tax was paid on 30 September 2022 into an escrow account held with Bank of Papua New Guinea, pending the outcome of BSP's legal challenge to the Tax.

On 19 February 2024, BSP entered into a settlement of the judicial review of the PNG Government's imposition of the Tax with the Commissioner General of Internal Revenue Commission (IRC). The terms of the settlement cover the whole of the amount held in escrow as follows:

1. K95 million will be refunded to BSP; and
2. the balance of K95 million will be paid to the IRC as full and final settlement of the litigation concerning the imposition of the Tax.

The settlement is conditional upon consent of the Attorney General of Papua New Guinea, the superannuation funds who formally supported the judicial review by BSP and, once those are provided, final consent of the Supreme Court of Justice of Papua New Guinea. A period of approximately a month is contemplated to obtain these consents.

The expected financial outcome is for BSP to receive K95 million by mid-2024.

## 2. Full-year results

### 2.1 Financial summary

	Full-year ended				Half-year ended			
	Dec-23	Dec-22	Change		Dec-23	Jun-23	Change	
	Km	Km	Km	%	Km	Km	Km	%
Net interest income	1,844.8	1,745.1	99.7	5.7	955.6	889.2	66.4	7.5
Other operating income	977.6	857.6	120.0	14.0	526.1	451.5	74.6	16.5
<b>Total operating income</b>	<b>2,822.4</b>	<b>2,602.7</b>	<b>219.7</b>	<b>8.4</b>	<b>1,481.7</b>	<b>1,340.7</b>	<b>141.0</b>	<b>10.5</b>
Impairment of financial assets	(182.2)	5.4	(187.6)	(3,474.1)	(103.5)	(78.7)	(24.8)	31.5
Operating expenses	(1,086.8)	(989.3)	(97.5)	9.9	(575.7)	(511.1)	(64.6)	12.6
Additional company tax	-	(190.0)	190.0	(100.0)	-	-	-	-
<b>Profit before income tax</b>	<b>1,553.4</b>	<b>1,428.8</b>	<b>124.6</b>	<b>8.7</b>	<b>802.5</b>	<b>750.9</b>	<b>51.6</b>	<b>6.9</b>
Income tax expense	(663.2)	(344.1)	(319.1)	92.7	(338.7)	(324.5)	(14.2)	4.4
<b>Net profit for the period</b>	<b>890.2</b>	<b>1,084.7</b>	<b>(194.5)</b>	<b>(17.9)</b>	<b>463.8</b>	<b>426.4</b>	<b>37.4</b>	<b>8.8</b>

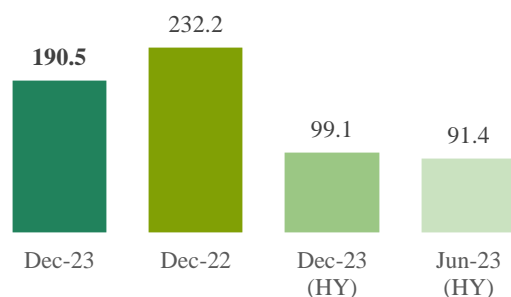
	Full-year ended				Half-year ended			
	Dec-23	Dec-22	Change		Dec-23	Jun-23	Change	
	Toea	Toea	Toea	%	Toea	Toea	toea	%
<b>Earnings per share (toea)</b>								
Basic and diluted	190.5	232.2	(41.7)	(18.0)	99.1	91.4	7.7	8.4

	Full-year ended				Half-year ended			
	Dec-23	Dec-22	Change		Dec-23	Jun-23	Change	
	Km	Km	Km	%	Km	Km	Km	%
<b>Average interest earning assets and interest bearing liabilities</b>								
Average interest earning assets	32,650.7	29,635.8	3,014.9	10.2	32,650.7	30,197.1	2,453.6	8.1
Average interest bearing liabilities	28,695.2	25,688.6	3,006.6	11.7	28,695.2	26,264.7	2,430.5	9.3

	Full-year ended				Half-year ended			
	Dec-23	Dec-22	Change		Dec-23	Jun-23	Change	
	%	%	bps	%	%	%	bps	%
<b>Financial performance ratios</b>								
Net interest margin (annualized)	5.7	5.9	(20.0)	(3.4)	6.0	5.9	10.0	1.7
Cost to income ratio	38.5	38.0	50.0	1.3	38.9	38.1	80.0	2.1

	Full-year ended				Half-year ended			
	Dec-23	Dec-22	Change		Dec-23	Jun-23	Change	
	%	%	bps	%	%	%	bps	%
<b>Financial position ratio</b>								
Return on average ordinary equity	21.5	27.6	(610.0)	(22.1)	11.9	11.2	70.0	6.3
Return on average assets	2.5	3.4	(90.0)	(26.5)	1.4	1.3	10.0	7.7

#### Earnings per share (toea)



## 2.2 Results commentary

### 2.2.1 Income

	Full-year ended				Half-year ended			
	Dec-23	Dec-22	Change		Dec-23	Jun-23	Change	
	Km	Km	Km	%	Km	Km	Km	%
<b>Interest income</b>								
Loans and receivables from customers	1,315.2	1,190.9	124.3	10.4	683.9	631.3	52.6	8.3
Other financial assets - Inscribed stock	419.5	369.2	50.3	13.6	224.8	194.7	30.1	15.5
Treasury Bills	154.2	241.1	(86.9)	(36.0)	69.3	84.9	(15.6)	(18.4)
Central Bank Bills	7.6	5.8	1.8	31.0	3.6	4.0	(0.4)	(10.0)
Other	66.4	28.0	38.4	137.1	28.6	37.8	(9.2)	(24.3)
<b>Total interest income</b>	<b>1,962.9</b>	<b>1,835.0</b>	<b>127.9</b>	<b>7.0</b>	<b>1,010.2</b>	<b>952.7</b>	<b>57.5</b>	<b>6.0</b>
Interest expense	118.1	89.9	28.2	31.4	54.6	63.5	(8.9)	(14.0)
<b>Net interest income</b>	<b>1,844.8</b>	<b>1,745.1</b>	<b>99.7</b>	<b>5.7</b>	<b>955.6</b>	<b>889.2</b>	<b>66.4</b>	<b>7.5</b>
<b>Other income</b>								
Fees and commission	427.6	419.0	8.6	2.1	211.1	216.5	(5.4)	(2.5)
Foreign exchange related	457.7	362.3	95.4	26.3	256.2	201.5	54.7	27.1
Other	31.1	32.4	(1.3)	(4.0)	17.2	13.9	3.3	23.7
Net insurance operating income	61.2	43.9	17.3	39.4	41.6	19.6	22.0	112.2
<b>Total other income</b>	<b>977.6</b>	<b>857.6</b>	<b>120.0</b>	<b>14.0</b>	<b>526.1</b>	<b>451.5</b>	<b>74.6</b>	<b>16.5</b>
<b>Net operating income</b>	<b>2,822.4</b>	<b>2,602.7</b>	<b>219.7</b>	<b>8.4</b>	<b>1,481.7</b>	<b>1,340.7</b>	<b>141.0</b>	<b>10.5</b>

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

**Net interest income** up by 5.7%, fueled by expanded lending activities across the group, albeit with a slight reduction in margin. Additionally, increased investment securities volumes contributed to this growth, despite a decrease in investment margin. Increased market liquidity led to an increase in deposit volume causing an increase in interest expense.

**Fees and commission income** when compared to the previous corresponding period increased by 2.1%, from increased electronic channel transactions, especially from countries with a strong tourist presence.

**Foreign exchange earnings** increased by 26.3% from the prior period, predominantly driven by higher currency flows from resource and non-resource based sectors in PNG, together with increased international trade and investments from other countries that the Bank operates in.

**Net insurance operating income** increased by 39.4%, due to improved claims experience and increased investment income.

#### Other income (Km)



## 2.2.2 Operating expenses

	Full-year ended				Half-year ended			
	Dec-23	Dec-22	Change		Dec-23	Jun-23	Change	
	Km	Km	Km	%	Km	Km	Km	%
Staff costs	495.0	455.0	40.0	8.8	243.9	251.1	(7.2)	(2.9)
Depreciation	80.7	77.7	3.0	3.9	19.4	61.3	(41.9)	(68.4)
Computing	215.2	167.4	47.8	28.6	112.6	102.6	10.0	9.7
Premises and equipment	106.7	104.1	2.6	2.5	53.0	53.7	(0.7)	(1.3)
Administration and other costs	189.2	185.1	4.1	2.2	146.8	42.4	104.4	246.2
<b>Total expenses</b>	<b>1,086.8</b>	<b>989.3</b>	<b>97.5</b>	<b>9.9</b>	<b>575.7</b>	<b>511.1</b>	<b>64.6</b>	<b>12.6</b>

Operating expenses ratios	Full-year ended				Half-year ended			
	Dec-23	Dec-22	Change		Dec-23	Jun-23	Change	
	%	%	bps	%	%	%	bps	%
Cost to income	38.5	38.0	50.0	1.3	38.9	38.1	80.0	2.1
Expenses to average assets	1.7	1.6	10.0	6.3	1.7	1.6	10.0	6.3
Staff and related costs to income	16.5	18.7	(220.0)	(11.8)	16.5	18.7	(220.0)	(11.8)

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

**Staff costs** increased by 8.8%, associated with performance based annual salary adjustments and additional staff to support the new core banking system and staff investments in the risk and compliance teams.

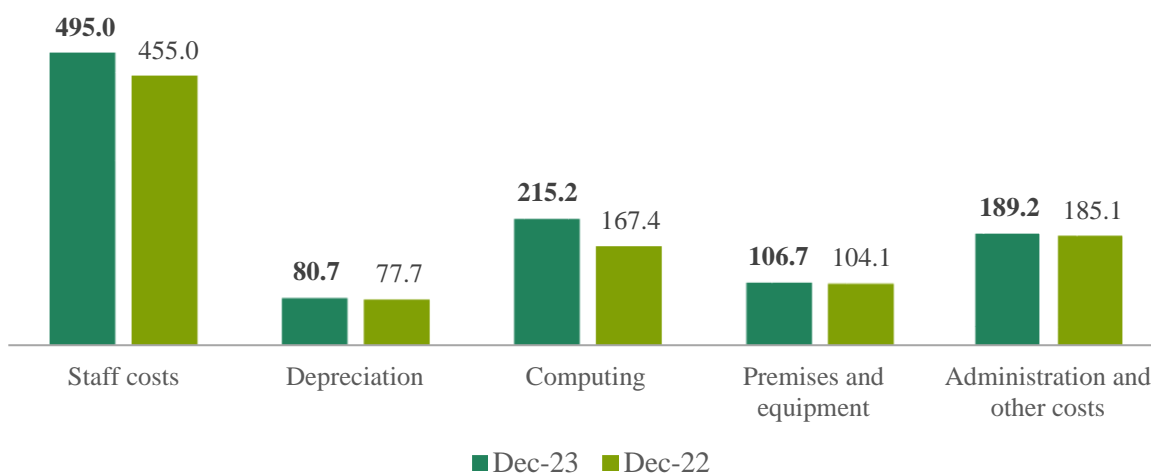
**Depreciation** increased by 3.9%, because of investments in the company's long-term growth and operational efficiency. This includes technology investments and branches, ATMs and EFTPOS terminals to improve the customer experience.

**Computing expenses** up by 28.6% against the previous corresponding period, mainly from higher card costs resulting from higher volumes, particularly in our Pacific markets as international visitors rebound and an increase in expenses associated with technology-related professional consultancy services from the implementation of the new Core Banking system in PNG.

**Premises and equipment** expense increased by 2.5%, driven by office space leasing cost and the continuing increase in fuel prices.

**Administration and other costs** increased by 2.2%, in line with the Bank's continued expansion and growth in operations.

### Operating expenses (Km)



## 2.2.3 Company Tax Rate Changes

The PNG Government levied the Additional Company Tax (the Tax) applicable to financial year 2022. The Tax was a flat K190 million on any bank that has over 40% market share of financial assets. The Tax was non-deductible for tax purposes, and had a direct impact on BSP's net profit after tax for 2022.

On 2 December 2022, the PNG Government passed an amendment, which discontinued the Additional Company Tax effective 1 January 2023. Simultaneously, a separate amendment was passed increasing the income tax rate for all PNG Commercial Banks from 30% to 45%, effective 1 January 2023. The tax rate change for financial year 2023 increased tax expenses by K209 million, with a corresponding reduction in Group profits.

## 2.2.4 Balance sheet metrics

	As at balance date				As at balance date			
	Dec-23	Dec-22	Change		Jun-23	Jun-22	Change	
	Km	Km	Km	%	Km	Km	Km	%
<b>ASSETS</b>								
Cash and operating balances with Central Banks	3,306.1	3,761.6	(455.5)	(12.1)	2,631.7	2,661.6	(29.9)	(1.1)
Amounts due from other banks	1,779.7	1,738.0	41.7	2.4	1,826.6	1,285.9	540.7	42.0
Treasury and Central Bank Bills	3,803.6	4,128.3	(324.7)	(7.9)	4,967.1	5,070.8	(103.7)	(2.0)
Cash reserve requirement with Central Banks	2,841.8	2,517.2	324.6	12.9	2,740.1	1,828.0	912.1	49.9
Other financial assets	6,373.5	4,789.2	1,584.3	33.1	5,443.4	4,571.0	872.4	19.1
Loans and receivables from customers	16,013.0	14,249.4	1,763.6	12.4	14,931.5	13,793.1	1,138.4	8.3
Property, plant and equipment	1,034.7	958.0	76.7	8.0	943.3	914.2	29.1	3.2
Aircraft subject to operating lease	32.4	28.7	3.7	12.9	27.3	30.0	(2.7)	(9.0)
Deferred tax assets	329.3	342.6	(13.3)	(3.9)	339.3	239.5	99.8	41.7
Other assets	1,437.2	1,238.7	198.5	16.0	1,297.1	1,093.5	203.6	18.6
<b>Total assets</b>	<b>36,951.3</b>	<b>33,751.7</b>	<b>3,199.6</b>	<b>9.5</b>	<b>35,147.4</b>	<b>31,487.6</b>	<b>3,659.8</b>	<b>11.6</b>
<b>LIABILITIES</b>								
Amounts due to other banks	363.7	272.3	91.4	33.6	441.4	266.8	174.6	65.4
Customer deposits	29,835.1	26,919.4	2,915.7	10.8	28,362.2	25,071.1	3,291.1	13.1
Insurance policy liabilities	1,249.5	1,067.7	181.8	17.0	1,098.2	985.4	112.8	11.4
Other liabilities	1,197.9	1,392.0	(194.1)	(13.9)	1,368.2	1,568.9	(200.7)	(12.8)
Deferred tax liabilities	61.8	48.4	13.4	27.7	49.5	40.3	9.2	22.8
<b>Total liabilities</b>	<b>32,708.0</b>	<b>29,699.8</b>	<b>3,008.2</b>	<b>10.1</b>	<b>31,319.5</b>	<b>27,932.5</b>	<b>3,387.0</b>	<b>12.1</b>
<b>SHAREHOLDERS' EQUITY</b>								
Ordinary shares	372.1	372.1	-	-	372.1	372.1	-	-
Retained earnings	3,415.7	3,359.2	56.5	1.7	3,137.3	2,842.0	295.3	10.4
Other reserves	454.8	319.9	134.9	42.2	317.7	340.3	(22.6)	(6.6)
<b>Equity attributable to the members of the company</b>	<b>4,242.6</b>	<b>4,051.2</b>	<b>191.4</b>	<b>4.7</b>	<b>3,827.1</b>	<b>3,554.4</b>	<b>272.7</b>	<b>7.7</b>
Minority interests	0.7	0.7	-	-	0.8	0.7	0.1	14.3
<b>Total shareholders' equity</b>	<b>4,243.3</b>	<b>4,051.9</b>	<b>191.4</b>	<b>4.7</b>	<b>3,827.9</b>	<b>3,555.1</b>	<b>272.8</b>	<b>7.7</b>
<b>Total equity and liabilities</b>	<b>36,951.3</b>	<b>33,751.7</b>	<b>3,199.6</b>	<b>9.5</b>	<b>35,147.4</b>	<b>31,487.6</b>	<b>3,659.8</b>	<b>11.6</b>



## 2.2.5 Lending

	As at balance date				As at balance date			
	Dec-23	Dec-22	Change		Jun-23	Jun-22	Change	
	Km	Km	Km	%	Km	Km	Km	%
Overdrafts	1,328.9	977.1	351.8	36.0	1,086.7	943.8	142.9	15.1
Lease financing	187.3	199.0	(11.7)	(5.9)	193.8	206.1	(12.3)	(6.0)
Term loans	12,320.1	10,928.7	1,391.4	12.7	11,549.5	10,537.5	1,012.0	9.6
Mortgages	2,888.9	2,786.8	102.1	3.7	2,766.1	2,768.7	(2.6)	(0.1)
<b>Gross loans and receivables from customers</b>	<b>16,725.2</b>	<b>14,891.6</b>	<b>1,833.6</b>	<b>12.3</b>	<b>15,596.1</b>	<b>14,456.1</b>	<b>1,140.0</b>	<b>7.9</b>
Less allowance for losses on loans and receivables from customers	(712.2)	(642.2)	(70.0)	10.9	(664.6)	(663.0)	(1.6)	0.2
<b>Net loans and receivables from customers</b>	<b>16,013.0</b>	<b>14,249.4</b>	<b>1,763.6</b>	<b>12.4</b>	<b>14,931.5</b>	<b>13,793.1</b>	<b>1,138.4</b>	<b>8.3</b>

The increase in gross loan volumes by 12.3% from the previous corresponding period, was driven by the steady economic growth across the countries where BSP operates.

Provision balances increased by 10.9% from the previous corresponding period. The increase in provisioning was driven by loan growth across all entities and one single impaired loan in PNG.

	As at balance date				As at balance date			
	Dec-23	Dec-22	Change		Jun-23	Jun-22	Change	
	Km	Km	Km	%	Km	Km	Km	%
<b>Economic sector risk concentration</b>								
Commerce, finance and other business	7,759.4	7,064.7	694.7	9.8	6,983.3	7,720.6	(737.3)	(9.5)
Private households	4,331.8	3,710.4	621.4	16.7	3,916.2	3,035.8	880.4	29.0
Government and public authorities	696.6	789.8	(93.2)	(11.8)	1,036.0	737.7	298.3	40.4
Agriculture	371.1	297.5	73.6	24.7	341.6	179.2	162.4	90.6
Transport and communication	1,216.3	899.7	316.6	35.2	1,170.7	1,000.5	170.2	17.0
Manufacturing	430.0	411.6	18.4	4.5	402.6	356.4	46.2	13.0
Constructions	1,207.8	1,075.7	132.1	12.3	1,081.1	762.9	318.2	41.7
<b>Net loans and receivables from customers</b>	<b>16,013.0</b>	<b>14,249.4</b>	<b>1,763.6</b>	<b>12.4</b>	<b>14,931.5</b>	<b>13,793.1</b>	<b>1,138.4</b>	<b>8.3</b>

Customer segment classification	Km	Km	Km	%	Km	Km	Km	%
Corporate/ Commercial	9,224.5	8,434.7	789.8	9.4	9,047.5	7,962.3	1,085.2	13.6
Government	2,234.6	2,107.4	127.2	6.0	1,969.1	2,279.3	(310.2)	(13.6)
Retail	4,553.9	3,707.3	846.6	22.8	3,914.9	3,551.5	363.4	10.2
<b>Net loans and receivables from customers</b>	<b>16,013.0</b>	<b>14,249.4</b>	<b>1,763.6</b>	<b>12.4</b>	<b>14,931.5</b>	<b>13,793.1</b>	<b>1,138.4</b>	<b>8.3</b>

## 2.2.6 Allowance for expected credit losses (ECL)

	Full-year ended				Half-year ended			
	Dec-23	Dec-22	Change		Dec-23	Jun-23	Change	
	Km	Km	Km	%	Km	Km	Km	%
<i>Credit Expenses</i>								
Bad debts written off	157.8	28.3	129.5	457.6	94.6	63.2	31.4	49.7
Provision expense	92.7	33.1	59.6	180.1	52.5	40.2	12.3	30.6
<b>Total Credit expense</b>	<b>250.5</b>	<b>61.4</b>	<b>189.1</b>	<b>308.0</b>	<b>147.1</b>	<b>103.4</b>	<b>43.7</b>	<b>42.3</b>
Bad debts recoveries	(77.8)	(64.1)	(13.7)	21.4	(45.0)	(32.8)	(12.2)	37.2
<b>Credit expenses net of recoveries</b>	<b>172.7</b>	<b>(2.7)</b>	<b>175.4</b>	<b>(6,496.3)</b>	<b>102.1</b>	<b>70.6</b>	<b>31.5</b>	<b>44.6</b>

	As at balance date				As at balance date			
	Dec-23	Dec-22	Change		Jun-23	Jun-22	Change	
	Km	Km	Km	%	Km	Km	Km	%
<i>Provisions</i>								
Collectively assessed provisions	365.9	345.4	20.5	5.9	340.7	348.3	(7.6)	(2.2)
Individually assessed provisions	291.5	225.7	65.8	29.2	267.2	255.4	11.8	4.6
<b>Total provision for on balance sheet exposure</b>	<b>657.4</b>	<b>571.1</b>	<b>86.3</b>	<b>15.1</b>	<b>607.9</b>	<b>603.7</b>	<b>4.2</b>	<b>0.7</b>
Collective provision for off balance sheet exposure	54.8	71.1	(16.3)	(22.9)	56.7	59.3	(2.6)	(4.4)
<b>Total provisions for doubtful debts</b>	<b>712.2</b>	<b>642.2</b>	<b>70.0</b>	<b>10.9</b>	<b>664.6</b>	<b>663.0</b>	<b>1.6</b>	<b>0.2</b>

<b>Impaired (Stage 3) Assets</b>	Km	Km	Km	%	Km	Km	Km	%
Gross impaired assets	664.4	481.4	183.0	38.0	604.5	507.5	97.0	19.1
Net impaired assets	372.9	255.7	117.2	45.8	349.1	240.3	108.8	45.3
Net impaired loans to gross loans %	2.2	1.7	0.5	29.4	2.2	1.7	0.5	29.4

	As at balance date				As at balance date			
	Dec-23	Dec-22	Change		Jun-23	Jun-22	Change	
	%	%	bps	%	%	%	bps	%
Provisions to loans	4.3	4.3	-	-	4.3	4.6	(30.0)	(6.5)

## 2.2.7 Deposits

	As at balance date				As at balance date			
	Dec-23	Dec-22	Change		Jun-23	Jun-22	Change	
	Km	Km	Km	%	Km	Km	Km	%
Current	25,070.2	22,300.0	2,770.2	12.4	24,912.4	19,013.1	5,899.3	31.0
Savings	1,775.2	1,775.2	-	-	493.2	3,332.1	(2,838.9)	(85.2)
Term	2,989.7	2,844.1	145.6	5.1	2,956.6	2,725.8	230.8	8.5
<b>Total deposits</b>	<b>29,835.1</b>	<b>26,919.3</b>	<b>2,915.8</b>	<b>10.8</b>	<b>28,362.2</b>	<b>25,071.0</b>	<b>3,291.2</b>	<b>13.1</b>

Total deposits for the Group grew by 10.8%, mainly driven by increases in current and savings account balances. The Group's cost of funds remained at 0.4% in 2023, driven by strong market liquidity.

## 2.2.7 Deposits (continued)

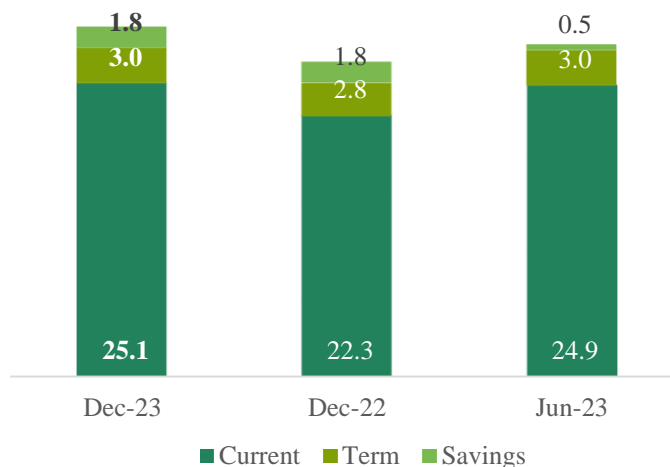
31 December 2023	1 to 3 months	6 to 12 months	1-2 years	2-5 years	5 and over	Total
Current	25,070.2	-	-	-	-	25,070.2
Savings	1,775.2	-	-	-	-	1,775.2
Term	953.8	1,713.0	178.2	25.4	119.3	2,989.7
<b>Total deposits</b>	<b>27,799.2</b>	<b>1,713.0</b>	<b>178.2</b>	<b>25.4</b>	<b>119.3</b>	<b>29,835.1</b>

31 December 2022	1 to 3 months	6 to 12 months	1-2 years	2-5 years	5 and over	Total
Current	22,300.0	-	-	-	-	22,300.0
Savings	1,775.2	-	-	-	-	1,775.2
Term	1,538.6	1,198.6	90.8	16.1	-	2,844.1
<b>Total deposits</b>	<b>25,613.8</b>	<b>1,198.6</b>	<b>90.8</b>	<b>16.1</b>	<b>-</b>	<b>26,919.3</b>

	As at balance date			As at balance date			
	Dec-23	Dec-22	Change	Jun-23	Jun-22	Change	
	%	%	bps	%	%	bps	
Loans to deposit ratio	56.1	55.3	80.0	55.0	57.7	(270.0)	(4.7)

Strong deposit growth has put the Group in a good position to fund credit growth, as economic activity is projected to gain momentum, driven by the acceleration of resource projects in PNG and tourism activities in offshore operations.

### Deposits (K billion)



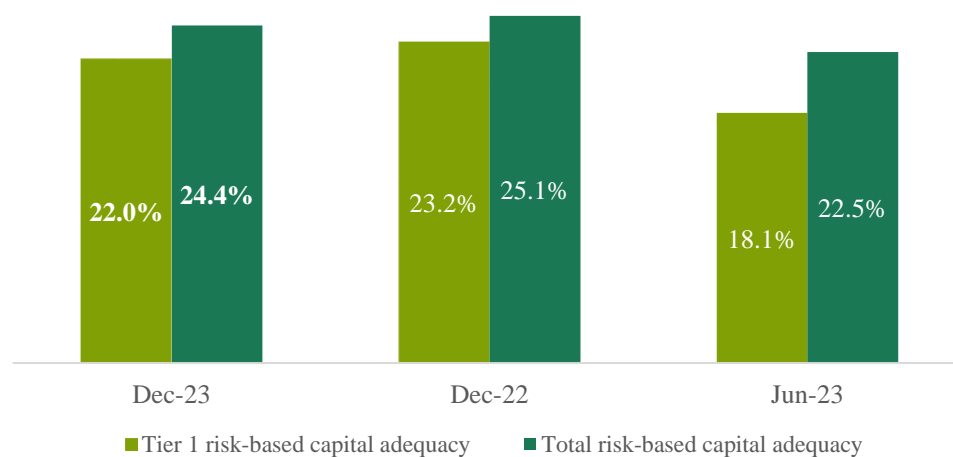
## 2.2.8 Capital and shareholder return

### 2.2.8.1 Assets and capital

<i>Regulatory capital and assets</i>	As at balance date				As at balance date			
	Dec-23	Dec-22	Change		Jun-23	Jun-22	Change	
	Km	Km	Km	%	Km	Km	Km	%
Total assets	36,951.3	33,751.7	3,199.6	9.5	35,147.4	31,487.6	3,659.8	11.6
<b>Capital adequacy</b>								
Total regulatory capital	3,881.3	3,641.5	239.8	6.6	3,368.8	3,174.8	194.0	6.1
Risk-weighted assets	15,916.7	14,310.0	1,606.7	11.2	15,084.2	13,695.5	1,388.7	10.1

<i>Regulatory ratios</i>	As at balance date				As at balance date			
	Dec-23	Dec-22	Change		Jun-23	Jun-22	Change	
	%	%	bps	%	%	%	bps	%
Total risk-based capital adequacy	24.4	25.1	(70.0)	(2.8)	22.5	23.3	(80.0)	(3.4)
Tier 1 risk-based capital adequacy	22.0	23.2	(120.0)	(5.2)	18.1	18.7	(60.0)	(3.2)
Leverage capital ratio	9.6	10.0	(40.0)	(4.0)	7.7	8.0	(30.0)	(3.8)

As of 31 December 2023, the Group's overall capital adequacy and leverage capital ratios met the capital adequacy criteria for a "well-capitalised" bank.



### 2.2.8.2 Shareholder returns

<i>Earnings per ordinary share</i>	Full-year ended				Half-year ended			
	Dec-23	Dec-22	Change		Dec-23	Jun-23	Change	
	toea	toea	toea	%	toea	toea	toea	%
Statutory earnings per ordinary share (weighted average)	190.5	232.2	(41.7)	(18.0)	99.1	91.4	7.7	8.4

## 2.2.7 Capital and shareholder return (continued)

	Full-year ended				Half-year ended			
	Dec-23	Dec-22	Change		Jun-23	Jun-22	Change	
<b>Weighted average number of ordinary shares</b>	(000's)	(000's)	(000's)	%	(000's)	(000's)	(000's)	%
Weighted average number of ordinary shares used in EPS calculations	467,220	467,223	(3.0)	-	467,220	467,225	(5.0)	-

<b>Ratios</b>	Full-year ended				Half-year ended			
	Dec-23	Dec-22	Change		Dec-23	Jun-23	Change	
	%	%	bps	%	%	%	bps	%
Return on average equity	21.5	27.6	(610.0)	(22.1)	11.9	11.2	70.0	6.2
Return on average assets	2.5	3.4	(90.0)	(26.5)	1.4	1.3	10.0	7.7

### 2.2.8.3 Dividends payable/paid

<b>Earnings per ordinary share</b>	FY 23	FY 22	Change %	
Dividend per share - toea	143.0	174.0	(31.0)	(17.8)
Dividend amount payable/paid - Km	668.1	813.5	(145.4)	(17.9)
Payout ratio - %	75.1%	74.9%	2.0	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-23 Km	Dec-22 Km	Dec-23 Km	Dec-22 Km
Goodwill	45.3	45.3	-	-
Software	236.9	249.1	46.4	39.0
	<b>282.2</b>	<b>294.4</b>	<b>46.4</b>	<b>39.0</b>

### 2.3.2 Net tangible assets per ordinary share

	Dec-23 K	Dec-22 K
Net tangible asset backing per ordinary share per PGK	8.5	8.0

	Km	Km
Net assets	4,243.3	4,051.9
Intangibles	(282.2)	(294.4)
<b>Net tangible asset attributable to ordinary shareholders</b>	<b>3,961.1</b>	<b>3,757.5</b>

Number of fully paid ordinary shares on issue - 000s	467,220	467,220
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### 2.3.3 Details of associates and joint venture arrangement entities

Ownership interest held by consolidated entity	Dec-23	Dec-22	Balance date
	%	%	
<b>Joint venture</b>			
Suva Central Ltd	50.0	50.0	31-Dec
Richmond Ltd	50.0	61.3	31-Dec
BSP Finance (Cambodia) Plc	50.0	50.0	31-Dec
BSP Leasing Lao Co., Ltd	50.0	50.0	31-Dec
Platform Pacific Ltd	-	50.0	31-Dec

### 3 Consolidated financial statements

#### 3.1 Basis of preparation

The financial information has been extracted from BSP Financial Group Limited's audited consolidated financial statements, which have been 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 ended Group	
	Dec-23	Dec-22
	Km	Km
Interest income	1,962.9	1,835.0
Interest expense	(118.1)	(89.9)
<b>Net interest income</b>	<b>1,844.8</b>	<b>1,745.1</b>
Net fee and commission income	427.6	419.0
Other income	488.8	394.7
Net insurance operating income	61.2	43.9
<b>Total net operating income before impairment and operating expenses</b>	<b>2,822.4</b>	<b>2,602.7</b>
Impairment of financial assets	(182.2)	5.4
Operating expenses	(1,086.8)	(989.3)
Additional company tax	-	(190.0)
<b>Profit before income tax</b>	<b>1,553.4</b>	<b>1,428.8</b>
Income tax expense	(663.2)	(344.1)
<b>Net profit for the year</b>	<b>890.2</b>	<b>1,084.7</b>
<i><b>Other comprehensive income</b></i>		
<i>Items that may or may not be subsequently reclassified to profit or loss:</i>		
Translation of financial information of foreign operations to presentation currency	94.1	(53.4)
Recognition of deferred tax on asset revaluation reserve movement	0.6	1.6
Net movement in asset revaluation reserve	38.4	-
<b>Other comprehensive income, net of tax</b>	<b>133.1</b>	<b>(51.8)</b>
<b>Total comprehensive income for the year</b>	<b>1,023.3</b>	<b>1,032.9</b>

### 3.3 Statements of financial position

	Full-year ended Group	
	Dec-23	Dec-22
	Km	Km
<b>ASSETS</b>		
Cash and operating balances with Central Banks	3,306.1	3,761.6
Amounts due from other banks	1,779.7	1,738.0
Treasury and Central Bank Bills	3,803.6	4,128.3
Cash reserve requirement with Central Banks	2,841.8	2,517.2
Other financial assets	6,373.5	4,789.2
Loans and receivables from customers	16,013.0	14,249.4
Property, plant and equipment	1,034.7	958.0
Aircraft subject to operating lease	32.4	28.7
Deferred tax assets	329.3	342.6
Other assets	1,437.2	1,238.7
<b>Total assets</b>	<b>36,951.3</b>	<b>33,751.7</b>
<b>LIABILITIES</b>		
Amounts due to other banks	363.7	272.3
Customer deposits	29,835.1	26,919.4
Insurance policy liabilities	1,249.5	1,067.7
Other liabilities	1,197.9	1,392.0
Deferred tax liabilities	61.8	48.4
<b>Total liabilities</b>	<b>32,708.0</b>	<b>29,699.8</b>
<b>SHAREHOLDERS EQUITY</b>		
Ordinary shares	372.1	372.1
Retained earnings	3,415.7	3,359.2
Other reserves	454.8	319.9
<b>Equity attributable to the members of the company</b>	<b>4,242.6</b>	<b>4,051.2</b>
Minority interests	0.7	0.7
<b>Total shareholders' equity</b>	<b>4,243.3</b>	<b>4,051.9</b>
<b>Total equity and liabilities</b>	<b>36,951.3</b>	<b>33,751.7</b>

### 3.4 Statements of changes in shareholders' equity

	Share Capital	Reserves	Retained earnings	Minority interests	Total
	Km	Km	Km	Km	Km
<b>Balance at 1 January 2023</b>	<b>372.1</b>	<b>319.8</b>	<b>3,359.3</b>	<b>0.7</b>	<b>4,051.9</b>
Net profit	-	-	890.2	-	890.2
Other comprehensive income	-	133.1	-	-	133.1
<b>Total comprehensive income</b>	<b>-</b>	<b>133.1</b>	<b>890.2</b>	<b>-</b>	<b>1,023.3</b>
Dividends paid during the year	-	-	(831.6)	(0.2)	(831.8)
Share buyback	-	-	-	-	-
Gain attributable to minority interests	-	-	(0.2)	0.2	-
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>(831.8)</b>	<b>-</b>	<b>(831.8)</b>
Transfer from asset revaluation reserve	-	(1.6)	1.6	-	-
Others	-	1.0	(1.1)	-	(0.1)
BSP Life Share Premium Reserve	-	-	-	-	-
BSP Life Policy Reserve	-	2.5	(2.5)	-	-
<b>Balance at 31 December 2023</b>	<b>372.1</b>	<b>454.8</b>	<b>3,415.7</b>	<b>0.7</b>	<b>4,243.3</b>
<b>Balance as at 1 January 2022</b>	<b>372.1</b>	<b>396.9</b>	<b>3,025.1</b>	<b>0.8</b>	<b>3,794.9</b>
Transition to IFRS 17 impact	-	-	36.3	-	36.3
<b>Restated balance beginning of year</b>	<b>372.1</b>	<b>396.9</b>	<b>3,061.4</b>	<b>0.8</b>	<b>3,831.2</b>
Net profit	-	-	1,084.7	-	1,084.7
Other comprehensive income	-	(51.8)	-	-	(51.8)
<b>Total comprehensive income</b>	<b>-</b>	<b>(51.8)</b>	<b>1,084.7</b>	<b>-</b>	<b>1,032.9</b>
Dividends paid during the year	-	-	(788.7)	(0.2)	(788.9)
Share buyback	-	-	-	-	-
Gain attributable to minority interests	-	-	(0.1)	0.1	-
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>(788.8)</b>	<b>(0.1)</b>	<b>(788.9)</b>
Transfer from asset revaluation reserve	-	(5.4)	5.3	-	(0.1)
Impact of change in PNG tax rate	-	(23.2)	-	-	(23.2)
BSP Life policy reserve	-	3.3	(3.3)	-	-
<b>Balance at 31 December 2022</b>	<b>372.1</b>	<b>319.8</b>	<b>3,359.3</b>	<b>0.7</b>	<b>4,051.9</b>



### 3.5 Statements of cash flows

	Full-year ended	
	Group	
	Dec-23	Dec-22
	Km	Km
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Interest received	1,811.0	1,823.0
Fees and other income	950.3	738.0
Interest paid	(125.9)	(78.7)
Insurance premiums	266.1	235.1
Claims, surrenders and maturity payments	(166.4)	(144.2)
Additional company tax	-	(190.0)
Amounts paid to suppliers and employees	(1,160.9)	(939.4)
<b>Operating cash flow before changes in operating assets and liabilities</b>	<b>1,574.2</b>	<b>1,443.8</b>
<b>Net increase/ (decrease) in:</b>		
Loans and receivables from customers	(1,443.3)	(852.2)
Cash reserve requirements with the Central Banks	(290.4)	(814.9)
Bills receivable and other assets	(170.6)	(169.7)
Customer deposits	2,450.6	3,250.1
Bills payable and other liabilities	336.9	256.4
<b>Net cash flow from operations before income tax</b>	<b>2,457.4</b>	<b>3,113.5</b>
Income taxes paid	(706.0)	(455.4)
<b>Net cash flow from operating activities</b>	<b>1,751.4</b>	<b>2,658.1</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of government securities	(1,208.0)	(210.7)
Expenditure on property, plant and equipment	(74.8)	(120.6)
Expenditure on software development costs	(82.5)	(52.3)
Proceeds from disposal of assets	1.5	4.1
<b>Net cash flow used in investing activities</b>	<b>(1,363.8)</b>	<b>(379.5)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Dividends paid	(831.8)	(788.9)
Repayment of borrowings	(246.5)	-
Repayment of interest on borrowings	(9.5)	(14.4)
<b>Net cash flow used in financing activities</b>	<b>(1,087.8)</b>	<b>(803.3)</b>
Net increase/ (decrease) in cash and cash equivalents	(700.2)	1,475.3
Exchange rate movements on cash and cash equivalents	195.0	(126.0)
Cash and cash equivalents at the beginning of the year	5,227.3	3,878.0
<b>Cash and Cash Equivalents at the end of the year</b>	<b>4,722.1</b>	<b>5,227.3</b>

### 3.6 Segment reporting

Full-year ended 31 December 2023	PNG Bank	Offshore Banks	Non-Bank Entities	Adjust Inter Segments	Total
Net interest income	1,479.3	329.8	35.4	0.3	1,844.8
Other income	666.8	279.4	26.3	(56.0)	916.5
Net insurance income	-	-	60.6	0.5	61.1
<b>Total operating income</b>	<b>2,146.1</b>	<b>609.2</b>	<b>122.3</b>	<b>(55.2)</b>	<b>2,822.4</b>
Operating expenses	(836.3)	(242.2)	(17.8)	9.5	(1,086.8)
Impairment expenses	(161.4)	(9.5)	(11.3)	-	(182.2)
<b>Profit before income tax</b>	<b>1,148.4</b>	<b>357.5</b>	<b>93.2</b>	<b>(45.7)</b>	<b>1,553.4</b>
Income tax	(559.1)	(85.0)	(19.1)	-	(663.2)
<b>Net profit after income tax</b>	<b>589.3</b>	<b>272.5</b>	<b>74.1</b>	<b>(45.7)</b>	<b>890.2</b>
Assets	25,964.7	10,560.8	2,264.2	(1,838.4)	36,951.3
Liabilities	(23,119.5)	(9,165.3)	(1,652.0)	1,228.8	(32,708.0)
<b>Net assets</b>	<b>2,845.2</b>	<b>1,395.5</b>	<b>612.2</b>	<b>(609.6)</b>	<b>4,243.3</b>
Full-year ended 31 December 2022	PNG Bank	Offshore Banks	Non-Bank Entities	Adjust Inter Segments	Total
Net interest income	1,432.6	278.9	33.2	0.4	1,745.1
Other income	622.7	240.0	25.7	(74.7)	813.7
Net insurance income	-	-	44.2	(0.3)	43.9
<b>Total operating income</b>	<b>2,055.3</b>	<b>518.9</b>	<b>103.1</b>	<b>(74.6)</b>	<b>2,602.7</b>
Operating expenses	(759.3)	(217.3)	(18.6)	5.9	(989.3)
Impairment expenses	14.8	(5.7)	(3.7)	-	5.4
Additional company tax	(190.0)	-	-	-	(190.0)
<b>Profit before income tax</b>	<b>1,120.8</b>	<b>295.9</b>	<b>80.8</b>	<b>(68.7)</b>	<b>1,428.8</b>
Income tax	(255.6)	(69.4)	(19.1)	-	(344.1)
<b>Net profit after income tax</b>	<b>865.2</b>	<b>226.5</b>	<b>61.7</b>	<b>(68.7)</b>	<b>1,084.7</b>
Assets	24,245.1	9,310.4	1,944.5	(1,748.3)	33,751.7
Liabilities	(21,307.2)	(8,110.8)	(1,379.1)	1,097.3	(29,699.8)
<b>Net assets</b>	<b>2,937.9</b>	<b>1,199.6</b>	<b>565.4</b>	<b>(651.0)</b>	<b>4,051.9</b>