

# **BSP Financial Group Limited**

**ARBN 649 704 656**

## **Appendix 4E**

### **Full-Year Results**

**For the year ended 31 December 2022**



**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

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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 2022

Previous corresponding period - twelve months ended

31 December 2021

#### 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 Stock 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

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Revenue from ordinary activities	▲	9.6% to K2,599.0m
Profit from ordinary activities after tax attributable to shareholders	▲	0.5% to K1,081.1m
Net profit for the period attributable to shareholders	▲	0.5% to K1,081.1m

<b>Dividends</b>	<b>Record date</b>	<b>Date payable/paid</b>	<b>Amount per security</b>
<b>Current 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
<b>Previous 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

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 (Km) 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 2022 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 22 vs December 21)

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Statutory Profit	▲	0.5% to K1,081.1m
Statutory earnings per share	▲	0.6% to 231.4 toea
Net interest margin	▼	10 bps to 6.3%
Capital Adequacy Ratio	▼	110 bps to 24.6%

### 1.5 Subsequent events

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There are no adjusting or disclosing events after the end of the reporting period.

## 2. Full-year results

### 2.1 Financial summary

	Full-year ended				Half-year ended			
	Dec-22	Dec-21	Change		Dec-22	Jun-22	Change	
	Km	Km	Km	%	Km	Km	Km	%
Net interest income	1,745.1	1,603.3	141.8	8.8	868.3	876.8	(8.5)	(1.0)
Other operating income	853.9	768.9	85.0	11.1	444.0	409.9	34.1	8.3
<b>Total operating income</b>	<b>2,599.0</b>	<b>2,372.2</b>	<b>226.8</b>	<b>9.6</b>	<b>1,312.3</b>	<b>1,286.7</b>	<b>25.6</b>	<b>2.0</b>
Impairment of financial assets	5.4	42.7	(37.3)	(87.4)	(14.8)	20.2	(35.0)	(173.3)
Operating expenses	(989.3)	(889.0)	(100.3)	11.3	(518.7)	(470.6)	(48.1)	10.2
Additional company tax	(190.0)	-	(190.0)	-	-	(190.0)	190.0	(100.0)
<b>Profit before income tax</b>	<b>1,425.1</b>	<b>1,525.9</b>	<b>(100.8)</b>	<b>(6.6)</b>	<b>778.8</b>	<b>646.3</b>	<b>132.5</b>	<b>20.5</b>
Income tax expense	(344.0)	(450.7)	106.7	(23.7)	(93.8)	(250.2)	156.4	(62.5)
<b>Net profit for the period</b>	<b>1,081.1</b>	<b>1,075.2</b>	<b>5.9</b>	<b>0.5</b>	<b>685.0</b>	<b>396.1</b>	<b>288.9</b>	<b>72.9</b>

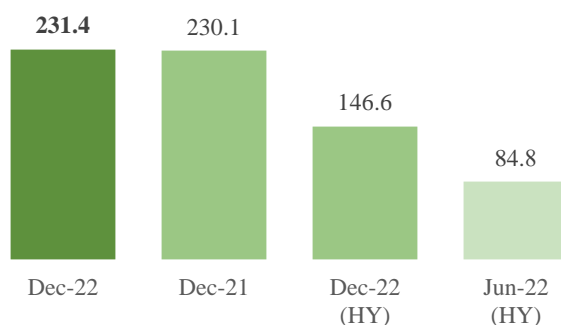
	Full-year ended				Half-year ended			
	Dec-22	Dec-21	Change		Dec-22	Jun-22	Change	
	toea	toea	Toea	%	toea	toea	toea	%
<b>Earnings per share (toea)</b>								
Basic and diluted	231.4	230.1	1.3	0.6	146.6	84.8	61.8	72.9

	Full-year ended				Half-year ended			
	Dec-22	Dec-21	Change		Dec-22	Jun-22	Change	
	Km	Km	Km	%	Km	Km	Km	%
<b>Average interest earning assets and interest bearing liabilities</b>								
Average interest earning assets	27,633.1	25,144.9	2,488.2	9.9	27,633.1	26,996.7	636.4	2.4
Average interest bearing liabilities	25,683.3	22,983.0	2,700.3	11.7	25,683.3	24,763.1	920.2	3.7

	Full-year ended				Half-year ended			
	Dec-22	Dec-21	Change		Dec-22	Jun-22	Change	
	%	%	bps	%	%	%	bps	%
<b>Financial performance ratios</b>								
Net interest margin (annualized)	6.3	6.4	(10.0)	(1.6)	6.1	6.5	(40.0)	(6.2)
Cost to income ratio	38.1	37.5	60.0	1.6	39.5	36.6	290.0	7.9

	Full-year ended				Half-year ended			
	Dec-22	Dec-21	Change		Dec-22	Jun-22	Change	
	%	%	bps	%	%	%	bps	%
<b>Financial position ratio</b>								
Return on average ordinary equity	27.7	29.7	(200.0)	(6.7)	18.2	10.8	740.0	68.5
Return on average assets	3.4	3.7	(30.0)	(8.1)	2.1	1.3	80.0	61.5

#### Earnings per share (toea)



## 2.2 Results commentary

### 2.2.1 Income

	Full-year ended				Half-year ended			
	Dec-22	Dec-21	Change		Dec-22	Jun-22	Change	
	Km	Km	Km	%	Km	Km	Km	%
<b>Interest income</b>								
Loans and receivables from customers	1,190.9	1,138.3	52.6	4.6	597.9	593.0	4.9	0.8
Other financial assets - Inscribed stock	369.2	333.5	35.7	10.7	192.0	177.2	14.8	8.4
Treasury bills	241.1	228.3	12.8	5.6	104.8	136.3	(31.5)	(23.1)
Central Bank bills	5.8	0.2	5.6	2,800.0	1.6	4.2	(2.6)	(61.9)
Other	28.0	10.2	17.8	174.5	20.9	7.1	13.8	194.4
<b>Total interest income</b>	<b>1,835.0</b>	<b>1,710.5</b>	<b>124.5</b>	<b>7.3</b>	<b>917.2</b>	<b>917.8</b>	<b>(0.6)</b>	<b>(0.1)</b>
Interest expense	89.9	107.2	(17.3)	(16.1)	48.9	41.0	7.9	19.3
<b>Net interest income</b>	<b>1,745.1</b>	<b>1,603.3</b>	<b>141.8</b>	<b>8.8</b>	<b>868.3</b>	<b>876.8</b>	<b>(8.5)</b>	<b>(1.0)</b>
<b>Other income</b>								
Fees and commission	419.0	370.5	48.5	13.1	212.5	206.5	6.0	2.9
Foreign exchange related	362.3	325.9	36.4	11.2	186.3	176.0	10.3	5.9
Other	32.4	37.4	(5.0)	(13.4)	14.1	18.3	(4.2)	(23.0)
Net insurance operating income	40.2	35.1	5.1	14.5	31.1	9.1	22.0	241.8
<b>Total other income</b>	<b>853.9</b>	<b>768.9</b>	<b>85.0</b>	<b>11.1</b>	<b>444.0</b>	<b>409.9</b>	<b>34.1</b>	<b>8.3</b>
<b>Net operating income</b>	<b>2,599.0</b>	<b>2,372.2</b>	<b>226.8</b>	<b>9.6</b>	<b>1,312.3</b>	<b>1,286.7</b>	<b>25.6</b>	<b>2.0</b>

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

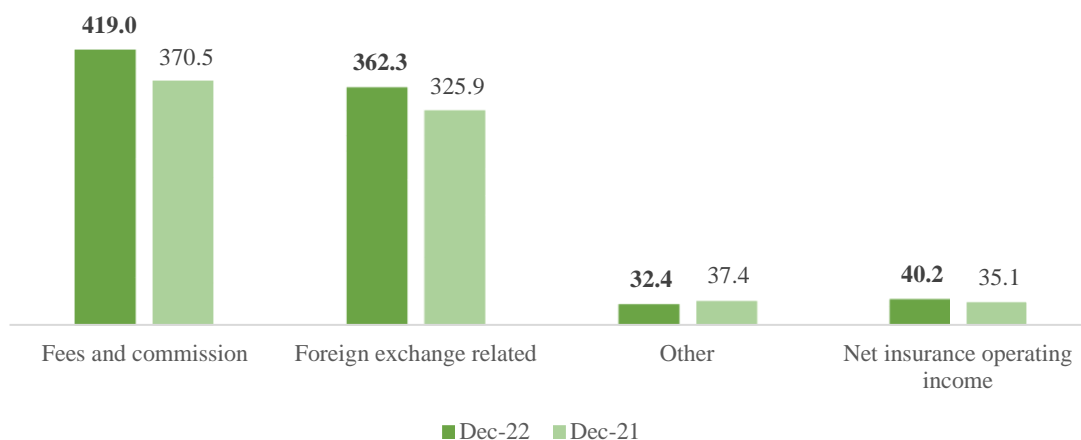
**Net interest income** increased by 8.8%, driven by increased lending activities in PNG and Fiji, as well as an increase in earnings from investment securities. Reduced cost of funds with increased market liquidity has contributed to the improved results.

**Fees and commission income** increased by 13.1% compared to the previous corresponding period, due to higher transaction volumes on the back of improved economic activities following opening up of borders and easing of travel restrictions post COVID-19.

**Foreign exchange earnings** increased by 11.2% compared to the prior year, predominantly driven by higher currency flows from resource and non-resource based sectors in PNG.

**Net insurance operating income** increased by 14.5%, due to improved claims experience and increased investment income.

#### Other income (Km)



## 2.2.2 Operating expenses

	Full-year ended				Half-year ended			
	Dec-22	Dec-21	Change		Dec-22	Jun-22	Change	
	Km	Km	Km	%	Km	Km	Km	%
Staff costs	455.0	424.4	30.6	7.2	230.2	224.8	5.4	2.4
Depreciation and amortisation	116.7	109.1	7.6	7.0	58.0	58.7	(0.7)	(1.2)
Computing	167.4	138.2	29.2	21.1	91.9	75.5	16.4	21.7
Premises and equipment	104.1	87.2	16.9	19.4	55.6	48.5	7.1	14.6
Administration and other costs	146.1	130.1	16.0	12.3	83.0	63.1	19.9	31.5
<b>Total expenses</b>	<b>989.3</b>	<b>889.0</b>	<b>100.3</b>	<b>11.3</b>	<b>518.7</b>	<b>470.6</b>	<b>48.1</b>	<b>10.2</b>

Operating expenses ratios	Full-year ended				Half-year ended			
	Dec-22	Dec-21	Change		Dec-22	Jun-22	Change	
	%	%	bps	%	%	%	bps	%
Cost to income	38.1	37.5	60.0	1.6	39.5	36.6	290.0	7.9
Expenses to average assets	1.6	1.5	10.0	6.7	1.6	1.5	10.0	6.7
Staff and related costs to income	17.5	17.5	-	-	17.5	17.5	-	-

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

**Staff costs** increased by 7.2%, associated with performance based annual salary adjustments and additional staff in Retail, Operations & IT and Compliance driven by the need to cater for Retail growth, onboarding of IT staff to support the new core banking system, and increase staffing to support compliance and AML requirements respectively.

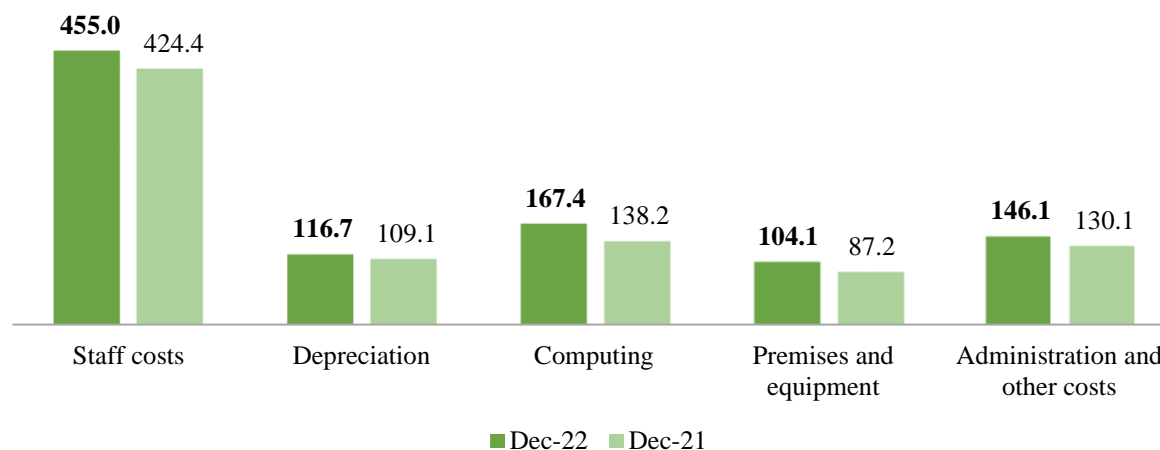
**Depreciation** increased by 7.0%, due to full year impact from capitalisation of the new core banking system expenses in 2021. New EFTPOS terminals and mobile banking enhancements to support customer and channel growth and investments in data protection capabilities contributed to the increase.

**Computing expenses** increased by 21.1% against the previous corresponding period, mainly due to higher channel related communications costs (with corresponding growth in merchant revenue) and an increase in new core banking system license and annual maintenance costs.

**Premises and equipment** expense increased by 19.4%, driven largely by additional office space to cater for expanding teams in Information Security, Compliance and Retail, higher fuel prices and property maintenance costs.

**Administration and other costs** increased by 12.3%, in line with the Bank's continued expansion and growth in operations.

### Operating expenses (Km)



## 2.2.3 Additional Company Tax

The Additional Company Tax (The Tax) applies a flat K190 million on any bank that has over 40% market share of financial assets, which only applies to BSP as it is the only bank whose market share exceeds 40%. The Tax is non-deductible for tax purposes, and had a direct impact on BSP's net profit after tax for 2022. In line with accounting standards, the full amount of the Tax was taken up in the Statement of Comprehensive Income in Quarter 1 2022 as the legislation makes BSP liable for the tax on 1 January 2022.

On 2 December 2022 the 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 Commercial Banks from 30% to 45%, effective 1 January 2023. The Group's closing deferred tax assets and liabilities have therefore been remeasured, taking into account the change in income tax rate reflecting the rate of income tax that will apply when these deferred tax balances are realised. As a result, the net deferred tax asset position in BSP has increased by K112.5 million, the asset revaluation reserve reduced by K23.0 million and a tax credit included in the Statement of Comprehensive Income of K135.5 million.

## 2.2.4 Balance sheet metrics

	As at balance date				As at balance date			
	Dec-22	Dec-21	Change	Change	Jun-22	Jun-21	Change	Change
	Km	Km	Km	%	Km	Km	Km	%
<b>ASSETS</b>								
Cash and operating balances with Central Banks	3,761.7	2,794.9	966.8	34.6	2,640.3	2,814.2	(173.9)	(6.2)
Amounts due from other banks	1,738.6	1,336.7	401.9	30.1	1,335.3	1,187.0	148.3	12.5
Treasury and Central Bank bills	4,128.3	4,644.9	(516.6)	(11.1)	5,071.1	3,692.5	1,378.6	37.3
Cash reserve requirement	2,517.2	1,719.9	797.3	46.4	1,828.0	1,658.9	169.1	10.2
Other financial assets	4,789.2	4,079.4	709.8	17.4	4,571.3	4,092.7	478.6	11.7
Loans and receivables from customers	14,368.9	13,623.5	745.4	5.5	13,895.9	13,389.0	506.9	3.8
Property, plant and equipment	958.0	912.2	45.8	5.0	914.2	869.7	44.5	5.1
Aircraft subject to operating lease	28.7	32.7	(4.0)	(12.2)	30.0	35.1	(5.1)	(14.5)
Deferred tax assets	342.6	269.3	73.3	27.2	239.5	305.5	(66.0)	(21.6)
Other assets	1,256.9	1,029.7	227.2	22.1	1,109.7	864.0	245.7	28.4
<b>Total assets</b>	<b>33,890.1</b>	<b>30,443.2</b>	<b>3,446.9</b>	<b>11.3</b>	<b>31,635.3</b>	<b>28,908.6</b>	<b>2,726.7</b>	<b>9.4</b>
<b>LIABILITIES</b>								
Amounts due to other banks	261.6	242.3	19.3	8.0	260.6	58.8	201.8	343.2
Customer deposits	26,919.4	23,943.4	2,976.0	12.4	25,079.9	23,040.0	2,039.9	8.9
Insurance policy liabilities	1,201.0	1,132.2	68.8	6.1	1,110.2	1,063.4	46.8	4.4
Other liabilities	1,446.7	1,290.9	155.8	12.1	1,634.2	1,335.7	298.5	22.3
Deferred tax liabilities	48.4	39.5	8.9	22.5	40.3	36.8	3.5	9.5
<b>Total liabilities</b>	<b>29,877.1</b>	<b>26,648.3</b>	<b>,228.8</b>	<b>12.1</b>	<b>28,125.2</b>	<b>25,534.7</b>	<b>2,590.5</b>	<b>10.1</b>
<b>SHAREHOLDERS EQUITY</b>								
Ordinary shares	372.1	372.1	-	-	372.1	372.1	-	-
Retained earnings	3,319.3	3,025.1	294.2	9.7	2,797.0	2,578.5	218.5	8.5
Other reserves	320.9	396.9	(76.0)	(19.1)	340.3	422.6	(82.3)	(19.5)
<b>Equity attributable to the members of the company</b>	<b>4,012.3</b>	<b>3,794.1</b>	<b>218.2</b>	<b>5.8</b>	<b>3,509.4</b>	<b>3,373.2</b>	<b>136.2</b>	<b>4.0</b>
Minority interests	0.7	0.8	(0.1)	(12.5)	0.7	0.7	-	-
<b>Total shareholders' equity</b>	<b>4,013.0</b>	<b>3,794.9</b>	<b>218.1</b>	<b>5.7</b>	<b>3,510.1</b>	<b>3,373.9</b>	<b>136.2</b>	<b>4.0</b>
<b>Total equity and liabilities</b>	<b>33,890.1</b>	<b>30,443.2</b>	<b>3,446.9</b>	<b>11.3</b>	<b>31,635.3</b>	<b>28,908.6</b>	<b>2,726.7</b>	<b>9.4</b>



## 2.2.5 Lending

	As at balance date				As at balance date			
	Dec-22	Dec-21	Change		Jun-22	Jun-21	Change	
	Km	Km	Km	%	Km	Km	Km	%
Overdrafts	977.1	714.2	262.9	36.8	943.8	836.7	107.1	12.8
Lease financing	199.0	225.6	(26.6)	(11.8)	206.1	242.5	(36.4)	(15.0)
Term loans	10,928.6	10,474.2	454.4	4.3	10,522.0	10,276.9	245.1	2.4
Mortgages	2,786.8	2,823.7	(36.9)	(1.3)	2,768.7	2,795.3	(26.6)	(1.0)
Policy loans	119.5	111.3	8.2	7.4	118.3	110.2	8.1	7.4
<b>Gross loans and receivables from customers</b>	<b>15,011.0</b>	<b>14,349.0</b>	<b>662.0</b>	<b>4.6</b>	<b>14,558.9</b>	<b>14,261.6</b>	<b>297.3</b>	<b>2.1</b>
Less allowance for losses on loans and receivables from customers	(642.1)	(725.5)	83.4	(11.5)	(663.0)	(872.6)	209.6	(24.0)
<b>Net loans and receivables from customers</b>	<b>14,368.9</b>	<b>13,623.5</b>	<b>745.4</b>	<b>5.5</b>	<b>13,895.9</b>	<b>13,389.0</b>	<b>506.9</b>	<b>3.8</b>

Gross loan volumes increased by 4.6% from the previous corresponding period, due to gradual economic growth prevailing across countries that BSP operates in.

Provision balances decreased by 11.5% from the previous corresponding period. The decrease in provisioning was driven by improved credit ratings on the back of improved economic activity and improved economic outlook across the regions in which the BSP operates.

	As at balance date				As at balance date			
	Dec-22	Dec-21	Change		Jun-22	Jun-21	Change	
	Km	Km	Km	%	Km	Km	Km	%
<b>Economic sector risk concentration</b>								
Commerce, finance and other business	7,184.2	6,745.6	438.6	6.5	7,133.3	7,091.9	41.4	0.6
Private households	3,710.4	3,359.5	350.9	10.4	3,555.1	3,223.2	331.9	10.3
Government and public authorities	789.8	691.3	98.5	14.2	755.5	555.2	200.3	36.1
Agriculture	297.5	293.6	3.9	1.3	190.3	277.7	(87.4)	(31.5)
Transport and communication	899.7	1,142.9	(243.2)	(21.3)	1,068.4	1,151.9	(83.5)	(7.2)
Manufacturing	411.6	393.8	17.8	4.5	370.8	369.2	1.6	0.4
Constructions	1,075.7	996.8	78.9	7.9	822.5	719.9	102.6	14.3
<b>Net loans and receivables from customers</b>	<b>14,368.9</b>	<b>13,623.5</b>	<b>745.4</b>	<b>5.5</b>	<b>13,895.9</b>	<b>13,389.0</b>	<b>506.9</b>	<b>3.8</b>

	As at balance date				As at balance date			
	Km	Km	Km	%	Km	Km	Km	%
<b>Customer segment classification</b>								
Corporate/ Commercial	8,554.2	8,003.2	551.0	6.9	8,065.0	7,963.3	101.7	1.3
Government	2,107.4	2,257.7	(150.3)	(6.7)	2,279.3	2,199.6	79.7	3.6
Retail	3,707.3	3,362.6	344.7	10.3	3,551.6	3,226.1	325.5	10.1
<b>Net loans and receivables from customers</b>	<b>14,368.9</b>	<b>13,623.5</b>	<b>745.4</b>	<b>5.5</b>	<b>13,895.9</b>	<b>13,389.0</b>	<b>506.9</b>	<b>3.8</b>

## 2.2.6 Allowance for expected credit losses (ECL)

<i>Credit Expenses</i>	Full-year ended				Half-year ended			
	Dec-22	Dec-21	Change		Dec-22	Jun-22	Change	
	Km	Km	Km	%	Km	Km	Km	%
Bad debts written off	28.3	60.9	(32.6)	(53.5)	16.2	12.1	4.1	33.9
Provision expense	33.1	(59.4)	92.5	(155.7)	41.5	(8.4)	49.9	(594.0)
<b>Total Credit expense</b>	<b>61.4</b>	<b>1.5</b>	<b>59.9</b>	<b>3,993.3</b>	<b>57.7</b>	<b>3.7</b>	<b>54.0</b>	<b>1,459.5</b>
Bad debts recoveries	(64.1)	(61.9)	(2.2)	3.6	(34.5)	(29.6)	(4.9)	16.6
<b>Credit expenses net of recoveries</b>	<b>(2.7)</b>	<b>(60.4)</b>	<b>57.7</b>	<b>(95.5)</b>	<b>23.2</b>	<b>(25.9)</b>	<b>49.1</b>	<b>(189.6)</b>

<i>Provisions</i>	As at balance date				As at balance date			
	Dec-22	Dec-21	Change		Jun-22	Jun-21	Change	
	Km	Km	Km	%	Km	Km	Km	%
Collectively assessed provisions	345.3	396.1	(50.8)	(12.8)	348.4	536.4	(188.0)	(35.0)
Individually assessed provisions	225.7	277.1	(51.4)	(18.5)	255.4	288.3	(32.9)	(11.4)
<b>Total provision for on balance sheet exposure</b>	<b>571.0</b>	<b>673.2</b>	<b>(102.2)</b>	<b>(15.2)</b>	<b>603.8</b>	<b>824.7</b>	<b>(220.9)</b>	<b>(26.8)</b>
Collective provision for off balance sheet exposure	71.1	52.3	18.8	35.9	59.2	47.9	11.3	23.6
<b>Total provisions for doubtful debts</b>	<b>642.1</b>	<b>725.5</b>	<b>(83.4)</b>	<b>(11.5)</b>	<b>663.0</b>	<b>872.6</b>	<b>(209.6)</b>	<b>(24.0)</b>

<b>Impaired (Stage 3) Assets</b>	Km	Km	Km	%	Km	Km	Km	%
Gross impaired assets	481.4	526.0	(44.6)	(8.5)	507.5	538.2	(30.7)	(5.7)
Net impaired assets	255.7	248.9	6.8	2.7	252.1	249.9	2.2	0.9
Net impaired loans to gross loans %	1.7	1.7	-	-	1.8	1.8	-	-

	As at balance date				As at balance date			
	Dec-22	Dec-21	Change		Jun-22	Jun-21	Change	
	%	%	bps	%	%	%	bps	%
Provisions to loans	4.3	5.1	(80.0)	(15.7)	4.6	6.1	(150.0)	(24.6)

## 2.2.7 Deposits

	As at balance date				As at balance date			
	Dec-22	Dec-21	Change		Jun-22	Jun-21	Change	
	Km	Km	Km	%	Km	Km	Km	%
Current	22,300.1	19,683.8	2,616.3	13.3	19,022.0	18,335.3	686.7	3.7
Savings	1,775.2	1,487.2	288.0	19.4	3,332.1	1,459.5	1,872.6	128.3
Term	2,844.1	2,772.4	71.7	2.6	2,725.8	3,245.2	(519.4)	(16.0)
<b>Total deposits</b>	<b>26,919.4</b>	<b>23,943.4</b>	<b>2,976.0</b>	<b>12.4</b>	<b>25,079.9</b>	<b>23,040.0</b>	<b>2,039.9</b>	<b>8.9</b>

Total deposits for the Group grew by 12.4%, mainly driven by increases in current and savings account balances. Cost of funds reduced slightly from 0.5% in 2021 to 0.4% in 2022 driven by strong market liquidity.

## 2.2.7 Deposits (continued)

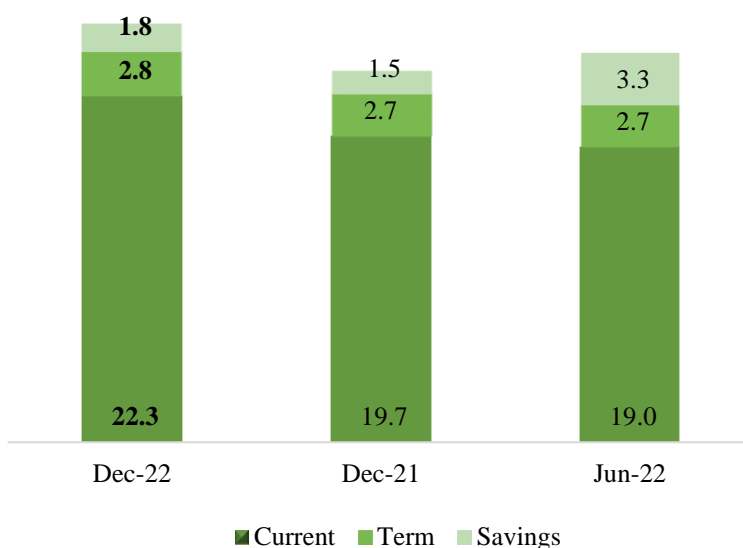
31 December 2022	1 to 3 months	6 to 12 months	1-2 years	2-5 years	5 and over	Total
Current	22,300.1	-	-	-	-	22,300.1
Savings	1,775.2	-	-	-	-	1,775.2
Term	1,538.5	1,198.7	90.8	16.1	-	2,844.1
<b>Total deposits</b>	<b>25,613.8</b>	<b>1,198.7</b>	<b>90.8</b>	<b>16.1</b>	<b>-</b>	<b>26,919.4</b>

31 December 2021	1 to 3 months	6 to 12 months	1-2 years	2-5 years	5 and over	Total
Current	19,683.8	-	-	-	-	19,683.8
Savings	1,487.2	-	-	-	-	1,487.2
Term	1,339.6	1,201.2	158.6	72.9	0.1	2,772.4
<b>Total deposits</b>	<b>22,510.6</b>	<b>1,201.2</b>	<b>158.6</b>	<b>72.9</b>	<b>0.1</b>	<b>23,943.4</b>

	As at balance date				As at balance date			
	Dec-22	Dec-21	Change	Jun-22	Jun-21	Change		
	%	%	bps	%	%	bps	%	
Loans to deposit ratio	55.8	59.9	(410.0)	(6.8)	58.0	61.9	(390.0)	(6.3)

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 acceleration of resource projects in PNG and tourism activities in offshore operations.

### Deposits (K billion)



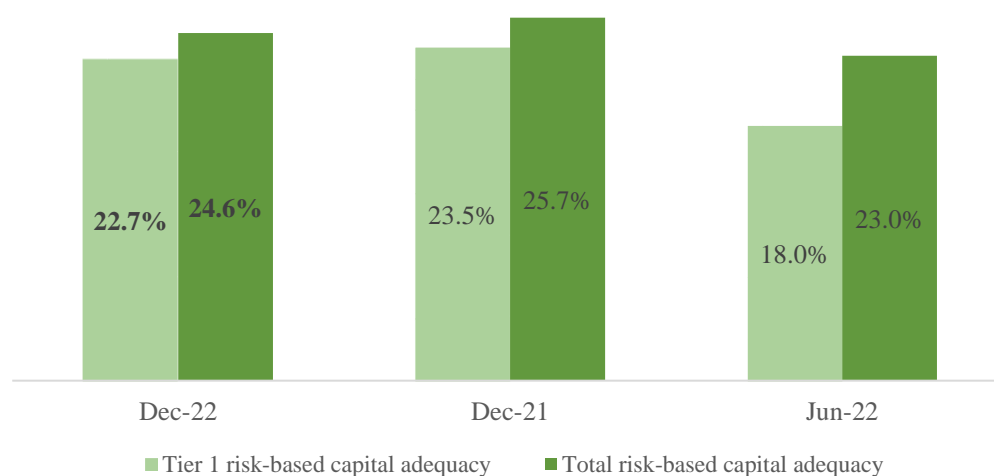
## 2.2.8 Capital and shareholder return

### 2.2.8.1 Assets and capital

	As at balance date				As at balance date			
	Dec-22	Dec-21	Change		Jun-22	Jun-21	Change	
	Km	Km	Km	%	Km	Km	Km	%
<b>Regulatory capital and assets</b>								
Total assets	33,890.1	30,443.1	3,447.0	11.3	31,635.3	28,908.6	2,726.7	9.4
<b>Capital adequacy</b>								
Total regulatory capital	3,548.2	3,457.8	90.4	2.6	3,174.8	3,002.3	172.5	5.7
Risk-weighted assets	14,447.7	13,469.5	978.2	7.3	13,903.3	13,133.3	770.0	5.9

	As at balance date				As at balance date			
	Dec-22	Dec-21	Change		Jun-22	Jun-21	Change	
	%	%	bps	%	%	%	bps	%
<b>Regulatory ratios</b>								
Total risk-based capital adequacy	24.6	25.7	(110.0)	(4.3)	23.0	23.0	-	-
Tier 1 risk-based capital adequacy	22.7	23.5	(80.0)	(3.4)	18.0	17.4	60.0	3.4
Leverage capital ratio	9.9	10.6	(70.0)	(6.6)	8.0	8.0	-	-

As of 31 December 2022, 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

	Full-year ended				Half-year ended			
	Dec-22	Dec-21	Change		Dec-22	Jun-22	Change	
	toea	toea	toea	%	toea	toea	%	
<b>Earnings per ordinary share</b>								
Statutory earnings per ordinary share (weighted average)	231.4	230.1	1.3	0.6	146.5	84.9	61.6	72.6

## 2.2.7 Capital and shareholder return (continued)

	Full-year ended				Half-year ended			
	Dec-22	Dec-21	Change		Jun-22	Jun-21	Change	
<b>Weighted average number of ordinary shares</b>	(000's)	(000's)	(000's)	%	(000's)	(000's)	(000's)	%
Weighted avg. number of ordinary shares used in EPS calculations	467,223	467,228	(5.0)	-	467,225	467,227	(2.0)	-

	Full-year ended				Half-year ended			
	Dec-22	Dec-21	Change		Dec-22	Jun-22	Change	
<b>Ratios</b>	%	%	bps	%	%	%	bps	%
Return on average equity	27.7	29.7	(200.0)	(6.7)	18.2	10.8	740.0	68.5
Return on average assets	3.4	3.7	(30.0)	(8.1)	2.1	1.3	80.0	61.5

### 2.2.8.3 Dividends payable/paid

<b>Earnings per ordinary share</b>	FY 22	FY 21	Change %
Dividend per share - toea	174.0	173.0	0.6
Dividend amount payable/paid - Km	813.5	812.9	0.1
Payout ratio - %	75.2%	75.5%	(0.4)

## 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-22	Dec-21	Dec-22	Dec-21
	Km	Km	Km	Km
Goodwill	45.3	45.3	-	-
Software	249.1	191.3	39.0	30.2
	<b>294.4</b>	<b>236.6</b>	<b>39.0</b>	<b>30.2</b>

### 2.3.2 Net tangible assets per ordinary share

	Dec-22	Dec-21
	K	K
Net tangible asset backing per ordinary share per PGK	8.0	7.6
	<b>Km</b>	<b>Km</b>
Net assets	4,013.1	3,795.0
Intangibles	(294.4)	(236.6)
<b>Net tangible asset attributable to ordinary shareholders</b>	<b>3,718.7</b>	<b>3,558.4</b>
Number of fully paid ordinary shares on issue - 000s	467,220	467,226

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

Ownership interest held by consolidated entity	Dec-22	Dec-21	Balance date
	%	%	
<b>Joint venture</b>			
Suva Central Ltd	50.0	50.0	31-Dec
Richmond Ltd	61.3	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	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-22	Dec-21
	Km	Km
Interest income	1,835.0	1,710.5
Interest expense	(89.9)	(107.2)
<b>Net interest income</b>	<b>1,745.1</b>	<b>1,603.3</b>
Net fee and commission income	419.0	370.5
Other income	394.7	363.3
Net insurance operating income	40.2	35.1
<b>Total net operating income before impairment and operating expenses</b>	<b>2,599.0</b>	<b>2,372.2</b>
Impairment of financial assets	5.4	42.7
Operating expenses	(989.3)	(889.0)
Additional company tax	(190.0)	-
<b>Profit before income tax</b>	<b>1,425.1</b>	<b>1,525.9</b>
Income tax expense	(344.0)	(450.7)
<b>Net profit for the period</b>	<b>1,081.1</b>	<b>1,075.2</b>
<i>Other comprehensive income</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	(52.4)	(40.7)
Recognition of deferred tax asset on revaluation movement	1.6	1.6
Net movement in asset revaluation reserve	-	0.6
<b>Other comprehensive income, net of tax</b>	<b>(50.8)</b>	<b>(38.5)</b>
<b>Total comprehensive income for the period</b>	<b>1,030.3</b>	<b>1,036.7</b>

### 3.3 Statements of financial position

	Full-year ended Group	
	Dec-22	Dec-21
	Km	Km
<b>ASSETS</b>		
Cash and operating balances with Central Banks	3,761.7	2,794.9
Amounts due from other banks	1,738.6	1,336.7
Treasury and Central Bank bills	4,128.3	4,644.9
Cash reserve requirement with Central Banks	2,517.2	1,719.9
Other financial assets	4,789.2	4,079.4
Loans and receivables from customers	14,368.9	13,623.5
Property, plant and equipment	958.0	912.2
Aircraft subject to operating lease	28.7	32.7
Deferred tax assets	342.6	269.3
Other assets	1,256.9	1,029.6
<b>Total assets</b>	<b>33,890.1</b>	<b>30,443.1</b>
<b>LIABILITIES</b>		
Amounts due to other banks	261.6	242.3
Customer deposits	26,919.4	23,943.4
Insurance policy liabilities	1,201.0	1,132.2
Other liabilities	1,446.7	1,290.8
Deferred tax liabilities	48.4	39.5
<b>Total liabilities</b>	<b>29,877.1</b>	<b>26,648.2</b>
<b>SHAREHOLDERS EQUITY</b>		
Ordinary shares	372.1	372.1
Retained earnings	3,319.3	3,025.1
Other reserves	320.9	396.9
<b>Equity attributable to the members of the company</b>	<b>4,012.3</b>	<b>3,794.1</b>
Minority interests	0.7	0.8
<b>Total shareholders' equity</b>	<b>4,013.0</b>	<b>3,794.9</b>
<b>Total equity and liabilities</b>	<b>33,890.1</b>	<b>30,443.1</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 2022</b>	372.1	396.9	3,025.1	0.8	3,794.9
Net profit	-	-	1,081.1	-	1,081.1
Other comprehensive income	-	(50.8)	-	-	(50.8)
<b>Total comprehensive income</b>	-	<b>(50.8)</b>	<b>1,081.1</b>	-	<b>1,030.3</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>(788.8)</b>	<b>(0.1)</b>	<b>(788.9)</b>
Transfer from asset revaluation reserve	-	(5.4)	5.3	-	(0.1)
Impact of PNG tax rate change	-	(23.1)	-	-	(23.1)
BSP Life policy reserve	-	3.3	(3.3)	-	-
<b>Balance at 31 December 2022</b>	<b>372.1</b>	<b>320.9</b>	<b>3,319.4</b>	<b>0.7</b>	<b>4,013.1</b>
<b>Balance as at 1 January 2021</b>	372.2	438.5	2,622.2	0.7	3,433.6
Net profit	-	-	1,075.2	-	1,075.2
Other comprehensive income	-	(38.5)	-	-	(38.5)
<b>Total comprehensive income</b>	-	<b>(38.5)</b>	<b>1,075.2</b>	-	<b>1,036.7</b>
Dividends paid during the year	-	-	(676.3)	(0.2)	(676.5)
Share buyback	(0.1)	-	-	-	(0.1)
Gain attributable to minority interests	-	-	(0.3)	0.3	-
<b>Total transactions with owners</b>	<b>(0.1)</b>	-	<b>(676.6)</b>	<b>0.1</b>	<b>(676.6)</b>
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>



### 3.5 Statements of cash flows

	Full-year ended	
	Group	
	Dec-22	Dec-21
	Km	Km
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Interest received	1,823.0	1,649.8
Fees and other income	738.0	649.6
Interest paid	(78.7)	(78.3)
Insurance premiums	235.1	218.2
Claims, surrenders and maturity payments	(144.2)	(118.3)
Additional company tax	(190.0)	-
Amounts paid to suppliers and employees	(939.3)	(781.9)
<b>Operating cash flow before changes in operating assets</b>	<b>1,443.9</b>	<b>1,539.1</b>
<b>Net increase/ (decrease) in:</b>		
Loans and receivables from customers	(852.2)	(63.1)
Cash reserve requirements with the Central Banks	(814.9)	(175.3)
Bills receivable and other assets	(169.6)	(120.2)
Customer deposits	3,250.1	2,505.7
Bills payable and other liabilities	256.4	138.0
<b>Net cash flow from operations before income tax</b>	<b>3,113.7</b>	<b>3,824.2</b>
Income taxes paid	(455.5)	(346.9)
<b>Net cash flow from operating activities</b>	<b>2,658.2</b>	<b>3,477.3</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Decrease/(increase) in government securities	(210.7)	(2,573.7)
Expenditure on property, plant and equipment	(120.6)	(156.9)
Expenditure for software development costs	(52.3)	(57.7)
Proceeds from disposal of assets	4.1	6.3
<b>Net cash flow used in investing activities</b>	<b>(379.5)</b>	<b>(2,782.0)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Share buyback	-	(0.1)
Dividends paid	(788.9)	(676.5)
Repayments from borrowing	(14.4)	(3.3)
<b>Net cash flow used in financing activities</b>	<b>(803.3)</b>	<b>(679.9)</b>
Net increase/ (decrease) in cash and cash equivalents	1,475.4	15.4
Effect of exchange rate movements on cash and cash equivalents	(126.0)	(84.5)
Cash and cash equivalents at the beginning of the year	3,889.3	3,958.4
<b>Cash and Cash Equivalents at the end of the year</b>	<b>5,238.7</b>	<b>3,889.3</b>

### 3.6 Segment reporting

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	-	-	40.5	(0.3)	40.2
<b>Total operating income</b>	<b>2,055.3</b>	<b>518.9</b>	<b>99.4</b>	<b>(74.6)</b>	<b>2,599.0</b>
Operating expenses	(759.3)	(217.3)	(18.6)	5.9	(989.3)
Impairment expenses	14.9	(5.7)	(3.8)	-	5.4
Additional company tax	(190.0)	-	-	-	(190.0)
<b>Profit before income tax</b>	<b>1,120.9</b>	<b>295.9</b>	<b>77.0</b>	<b>(68.7)</b>	<b>1,425.1</b>
Income tax	(255.5)	(69.4)	(19.1)	-	(344.0)
<b>Net profit after income tax</b>	<b>865.4</b>	<b>226.5</b>	<b>57.9</b>	<b>(68.7)</b>	<b>1,081.1</b>
Assets	24,245.1	9,311.1	2,082.3	(1,748.4)	33,890.1
Liabilities	(21,307.2)	(8,110.7)	(1,556.6)	1,097.4	(29,877.1)
<b>Net assets</b>	<b>2,937.9</b>	<b>1,200.4</b>	<b>525.7</b>	<b>(651.0)</b>	<b>4,013.0</b>
Full-year ended 31 December 2021	PNG Bank	Offshore Banks	Non-Bank Entities	Adjust Inter Segments	Total
Net interest income	1,295.0	274.7	32.5	1.1	1,603.3
Other income	580.6	193.1	30.0	(69.9)	733.8
Net insurance income	-	-	36.9	(1.8)	35.1
<b>Total operating income</b>	<b>1,875.6</b>	<b>467.8</b>	<b>99.4</b>	<b>(70.6)</b>	<b>2,372.2</b>
Operating expenses	(667.2)	(204.6)	(20.0)	2.8	(889.0)
Impairment expenses	42.9	4.6	(4.8)	-	42.7
<b>Profit before income tax</b>	<b>1,251.3</b>	<b>267.8</b>	<b>74.6</b>	<b>(67.8)</b>	<b>1,525.9</b>
Income tax	(372.6)	(63.6)	(14.5)	-	(450.7)
<b>Net profit after income tax</b>	<b>878.7</b>	<b>204.2</b>	<b>60.1</b>	<b>(67.8)</b>	<b>1,075.2</b>
Assets	21,196.8	8,844.2	1,991.6	(1,589.4)	30,443.2
Liabilities	(18,432.9)	(7,684.7)	(1,474.2)	943.5	(26,648.3)
<b>Net assets</b>	<b>2,763.9</b>	<b>1,159.5</b>	<b>517.4</b>	<b>(645.9)</b>	<b>3,794.9</b>