

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.

Table of Contents

1.	Appendix 4E: Full-year results	3
1.1	Company details and reporting period	3
1.2	Results for announcement to the market	3
1.3	ASX Appendix 4E table	4
1.4	Results snapshot (December 21 vs December 20)	4
1.5	Subsequent events	4
2.	Full - year results	5
2.1	Financial summary	5
2.2	Results commentary	6
2.2.1	Income	6
2.2.2	Operating expenses	7
2.2.3	Balance sheet metrics	8
2.2.4	Lending	9
2.2.5	Allowance for expected credit losses (ECL)	10
2.2.6	Deposits	10
2.2.7	Capital and shareholder return	12
2.3	Additional notes	13
2.3.1	Analysis of intangible assets	13
2.3.2	Net tangible assets per ordinary share	13
2.3.3	Details of associates and joint venture arrangement entities	13
3	Consolidated financial statements	14
3.1	Basis of preparation	14
3.2	Statements of comprehensive income	14
3.3	Statements of financial position	15
3.4	Statements of changes in equity	16
3.5	Statements of cash flows	17
3.6	Segment reporting	18

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 2021

Previous corresponding period - twelve months ended

31 December 2020

1.2 Results for announcement to the market

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

Dividends	Record date	Date payable/paid	Amount per security
Current financial year 2021			
2021 interim dividend - unfranked	27 September 2021	18 October 2021	39 toea
2021 final dividend – unfranked	11 March 2022	22 April 2022	134 toea
Previous financial year 2020			
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

Details of reporting period and corresponding period	3
Results for announcement to the market	3
Results commentary	6
Net tangible assets per ordinary share	13
Details of individual and total dividends	13
Dividend dates	3
Details of any dividend or distribution reinvestment plans in operation	3
Details of associates and joint venture arrangement entities	13
Accounting standards used for foreign entities	4

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)

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

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
Total income	2,372.0	2,151.4	220.6	10.3	1,228.2	1,143.8	84.4	7.4
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
Profit before income tax	1,525.8	1,141.8	384.0	33.6	886.5	639.3	247.2	38.7
Income tax expense	(450.6)	(335.6)	(115.0)	34.3	(260.6)	(190.0)	(70.6)	37.2
Net profit for the period	1,075.2	806.2	269.0	33.4	625.9	449.3	176.6	39.3

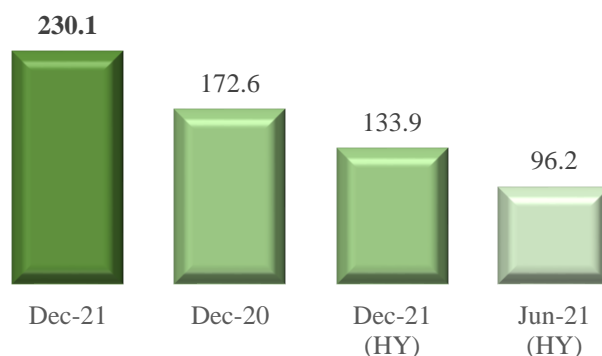
	Full year ending				Half year ending			
	Dec-21	Dec-20	Change		Dec-21	Jun-21	Change	
	toea	toea	Toea	%	toea	toea	toea	%
Earnings per share (toea)								
Basic and diluted	230.1	172.6	57.5	33.3	133.9	96.2	37.7	39.2

	Full year ending				Half year ending			
	Dec-21	Dec-20	Change		Dec-21	Jun-21	Change	
	Km	Km	Km	%	Km	Km	Km	%
Average interest earning assets and interest bearing liabilities								
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	%
Financial performance ratios								
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	%
Financial position ratio								
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	%
Interest income								
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
Total interest income	1,707.6	1,592.0	115.6	7.3	875.5	832.1	43.4	5.2
Interest Expense	106.7	145.0	(38.3)	(26.4)	49.7	57.0	(7.3)	(12.8)
Net interest income	1,600.9	1,447.0	153.9	10.6	825.8	775.1	50.7	6.5
Other income								
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
Total other income	771.1	704.4	66.7	9.5	402.4	368.7	33.7	9.1
Net operating income	2,372.0	2,151.4	220.6	10.3	1,228.2	1,143.8	84.4	7.4

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

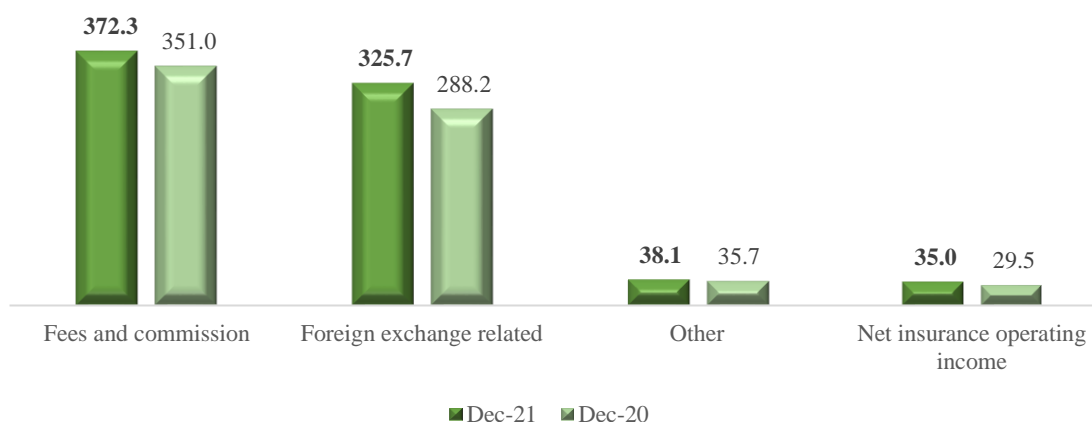
Net interest income increased by 10.6%, driven by higher interest revenues from investment securities and reduced cost of funds due to high market liquidity. This was partially offset by the full year impact of reduced indicator lending rate (ILR) in Papua New Guinea by 100bps on 1 April 2020.

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)
Total expenses	888.8	808.3	80.5	10.0	446.9	441.9	5.0	1.1

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.

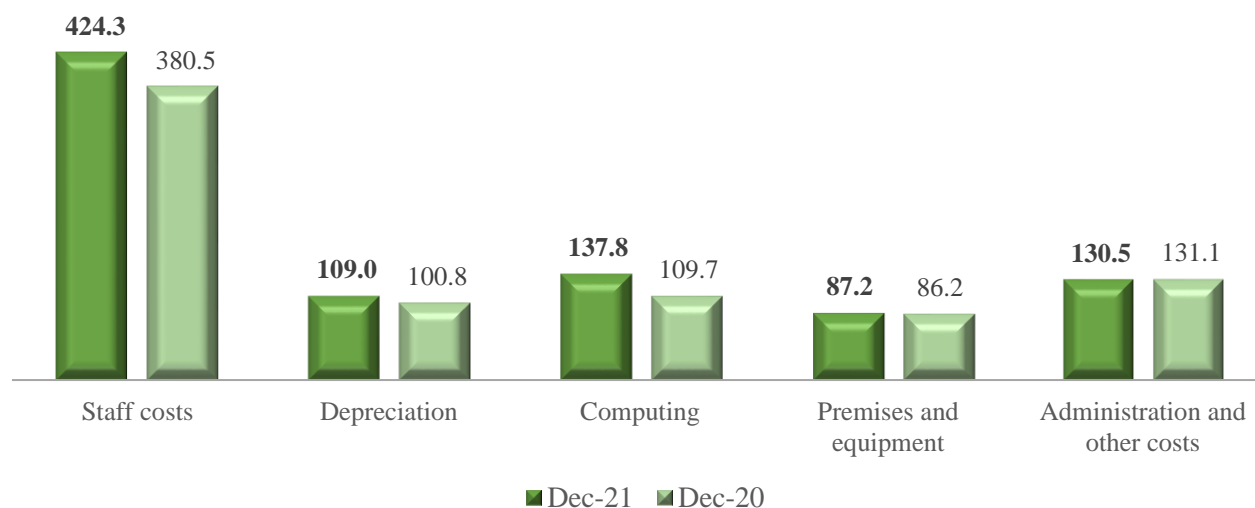
Depreciation increased by 8.1% mainly following the capitalisation of the newly implemented core banking system for BSP Vanuatu in April 2021 and other projects capitalized for the Group.

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
Total assets	30,446.3	27,523.4	2,922.9	10.6	28,895.7	24,934.3	3,961.4	15.9
LIABILITIES								
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)
Total liabilities	26,651.3	24,089.8	2,561.5	10.6	25,521.8	21,884.2	3,637.6	16.6
SHAREHOLDERS EQUITY								
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
Equity attributable to the members of the company	3,794.2	3,432.9	361.3	10.5	3,373.2	3,045.9	327.3	10.7
Minority Interest	0.8	0.7	0.1	14.3	0.7	4.2	(3.5)	(83.3)
Total shareholders' equity	3,795.0	3,433.6	361.4	10.5	3,373.9	3,050.1	323.8	10.6
Total equity and liabilities	30,446.3	27,523.4	2,922.9	10.6	28,895.7	24,934.3	3,961.4	15.9

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)
Gross loans and receivables from customers	14,356.8	14,424.9	(68.1)	(0.5)	14,262.5	14,017.4	245.1	1.7
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
Net loans and receivables from customers	13,631.3	13,581.2	50.1	0.4	13,389.9	13,228.8	161.1	1.2

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	%
Economic sector risk concentration								
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
Net loans and receivables from customers	13,631.3	13,581.2	50.1	0.4	13,389.9	13,228.8	161.1	1.2

	As at balance date				As at balance date			
	Dec-21	Dec-20	Change		Jun-21	Jun-20	Change	
	Km	Km	Km	%	Km	Km	Km	%
Customer segment classification								
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
Net loans and receivables from customers	13,631.3	13,581.2	50.1	0.4	13,389.9	13,228.8	161.1	1.2

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)
Total Credit expense	1.5	239.8	(238.3)	(99.4)	(81.9)	83.4	(165.3)	(198.2)
Bad debts recovered	(61.9)	(56.5)	(5.4)	9.6	(32.6)	(29.3)	(3.3)	11.3
Credit expenses net of recoveries	(60.4)	183.3	(243.7)	(133.0)	(114.5)	54.1	(168.6)	(311.6)

	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
Total provision for on balance sheet exposure	673.3	790.3	(117.0)	(14.8)	824.8	738.6	86.2	11.7
Collective provision for off balance sheet exposure	52.2	53.4	(1.2)	(2.2)	47.8	50.0	(2.2)	(4.4)
Total provisions for doubtful debts	725.5	843.7	(118.2)	(14.0)	872.6	788.6	84.0	10.7

Impaired (Stage 3) Assets	Km	Km	Km	%	Km	Km	Km	%
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)
Total deposits	23,934.8	21,654.0	2,280.8	10.5	23,030.3	19,499.7	3,530.6	18.1

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)

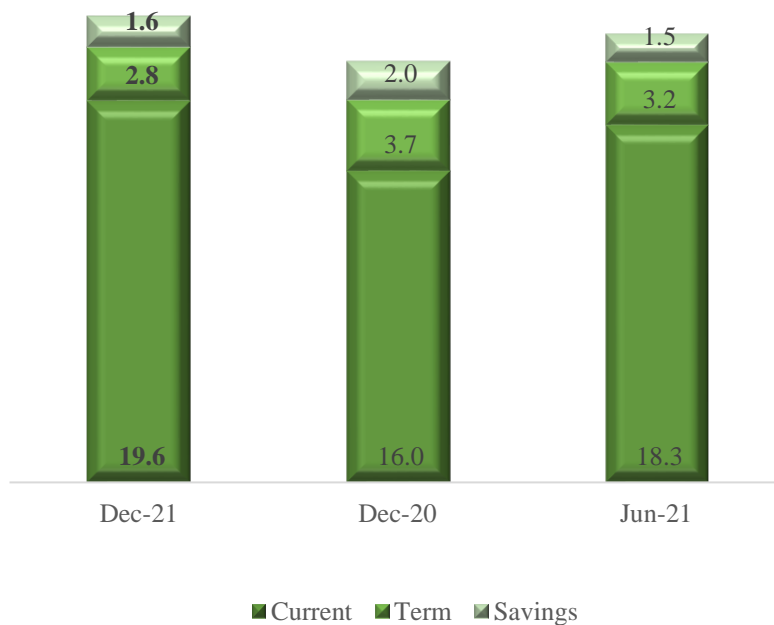
31 December 2021	1 to 3 months	6 to 12 months	1-2 years	2-5 years	5 and over	Total
Current	19,570.9	-	-	-	-	19,570.9
Savings	1,612.3	-	-	-	-	1,612.3
Term	2,111.2	360.7	27.4	33.4	218.9	2,751.6
Total deposits	23,294.4	360.7	27.4	33.4	218.9	23,934.8

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
Total deposits	20,131.5	1,375.8	79.3	67.4	-	21,654.0

	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)



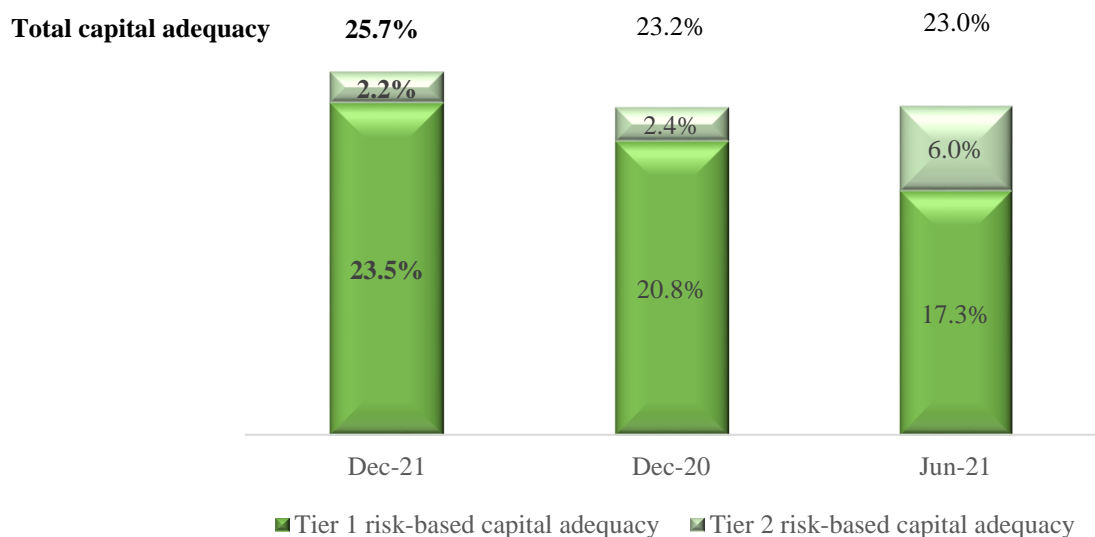
2.2.7 Capital and shareholder return

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
Capital adequacy								
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	
Weighted average number of ordinary shares	(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)
Ratios	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

Earnings per ordinary share	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
	236.6	220.8	30.2	25.6

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
	Km	Km
Net assets	3,795.0	3,433.6
Intangibles	(236.6)	(220.8)
Net tangible asset attributable to ordinary shareholders	3,558.4	3,212.8
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
	%	%	
Joint venture			
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 Group	
	Dec-21	Dec-20
	Km	Km
Interest income	1,707.6	1,592.0
Interest expense	(106.7)	(145.0)
Net interest income	1,600.9	1,447.0
Net fee and commission income	372.3	351.0
Other income	363.8	323.9
Net insurance operating income	35.0	29.5
Total net operating income before impairment and operating expenses	2,372.0	2,151.4
Impairment of financial assets	42.6	(201.3)
Operating expenses	(888.8)	(808.3)
Profit before income tax	1,525.8	1,141.8
Income tax expense	(450.6)	(335.6)
Net profit for the period	1,075.2	806.2
<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)
Other comprehensive income, net of tax	(38.5)	85.4
Total comprehensive income for the period	1,036.7	891.6

3.3 Statements of financial position

	Full year ending 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
Total assets	30,446.3	27,523.4
LIABILITIES		
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
Total liabilities	26,651.3	24,089.8
SHAREHOLDERS EQUITY		
Ordinary shares	372.1	372.2
Retained earnings	3,025.2	2,622.2
Other Reserves	396.9	438.5
Equity attributable to the members of the company	3,794.2	3,432.9
Minority Interest	0.8	0.7
Total shareholders' equity	3,795.0	3,433.6
Total equity and liabilities	30,446.3	27,523.4

3.4 Statements of changes in equity

	Share Capital	Reserves	Retained earnings	Minority interest	Total
	Km	Km	Km	Km	Km
Balance at 1 January 2021	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)
Total comprehensive income	-	(38.5)	1,075.2	-	1,036.7
Dividends paid during the year	-	-	(676.3)	(0.2)	(676.5)
Share buyback	(0.1)	-	-	-	(0.1)
Total transactions with owners	(0.1)	-	(676.3)	(0.2)	(676.6)
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)	-	-
Balance at 31 December 2021	372.1	396.9	3,025.1	0.8	3,794.9
Balance as at 1 January 2020	372.3	346.5	2,394.4	3.8	3,117.0
Net profit	-	-	806.2	-	806.2
Other Comprehensive income	-	85.3	-	-	85.3
Total comprehensive income	-	85.3	806.2	-	891.5
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)
Total transactions with owners	(0.1)	-	(571.4)	(3.2)	(574.7)
Transfer from asset revaluation reserve	-	(1.0)	0.7	-	(0.3)
BSP Life Policy Reserve	-	7.7	(7.7)	-	-
Balance at 31 December 2020	372.2	438.5	2,622.2	0.6	3,433.5

3.5 Statements of cash flows

	Full year ending Group	
	Dec-21	Dec-20
	Km	Km
CASH FLOW FROM OPERATING ACTIVITIES		
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)
Operating cash flow before changes in operating assets	1,539.2	1,278.2
Net increase/ (decrease) in:		
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
Net cash flow from operations before income tax	3,817.6	3,530.2
Income taxes paid	(347.0)	(372.9)
Net cash flow from operating activities	3,470.6	3,157.3
CASH FLOW FROM INVESTING ACTIVITIES		
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
Net cash flow (used in)/ from investing activities	(2,795.4)	(1,611.3)
CASH FLOW FROM FINANCING ACTIVITIES		
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
Net cash flow used in financing activities	(680.0)	(440.7)
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
Cash and Cash Equivalents at the end of the year	3,869.2	3,958.4

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
Total operating income	1,869.8	473.4	99.4	(70.6)	2,372.0
Operating expenses	(661.4)	(210.2)	(20.0)	2.8	(888.8)
Impairment expenses	42.9	4.6	(4.9)	-	42.6
Profit before income tax	1,251.3	267.8	74.5	(67.8)	1,525.8
Income tax	(372.5)	(63.6)	(14.5)	-	(450.6)
Net profit after income tax	878.8	204.2	60.0	(67.8)	1,075.2

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
Total operating income	1,650.6	460.0	88.8	(48.0)	2,151.4
Operating expenses	(587.2)	(207.6)	(18.8)	5.3	(808.3)
Impairment expenses	(146.5)	(48.9)	(5.9)	-	(201.3)
Profit before income tax	916.9	203.5	64.1	(42.7)	1,141.8
Income tax	(275.0)	(50.2)	(10.4)	-	(335.6)
Net profit after income tax	641.9	153.3	53.7	(42.7)	806.2