

# BSP Financial Group Limited

ARBN 649 704 656

## Appendix 4D

### Half-Year Results

For the period ended 30 June 2022



**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 Regulation 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 4D: Half-year results .....	3
1.1	Company details and reporting period .....	3
1.2	Results for announcement to the market .....	3
1.3	ASX Appendix 4D table .....	4
1.4	Results snapshot (June 22 vs June 21) .....	4
1.5	Subsequent events .....	4
2.	Half - 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	Additional Company Tax.....	7
2.2.4	Balance sheet metrics.....	8
2.2.5	Lending .....	9
2.2.6	Allowance for expected credit losses (ECL).....	10
2.2.7	Deposits .....	10
2.2.8	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 4D: Half-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 – six months ended	30 June 2022
Previous corresponding period - six months ended	30 June 2021

### 1.2 Results for announcement to the market

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Revenue from ordinary activities		12.5% to K1,286.4m
Profit from ordinary activities after tax attributable to shareholders		(11.8%) to K396.1m
Net profit for the period attributable to shareholders		(11.8%) to K396.1m

<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
<b>Previous financial year 2021</b>			
2021 interim dividend - unfranked	27 September 2021	18 October 2021	39.0 toea
2021 final dividend – unfranked	11 March 2022	22 April 2022	134.0 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 will 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 4.2A.

#### Reporting currency

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

### 1.3 ASX Appendix 4D table

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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.

#### **Half-year financial statements**

This report should be read in conjunction with BSP's 30 June 2022 Interim Condensed Financial Statements, 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 reviewed by BSP's appointed external auditor and approved by the Board, upon recommendation of the Board Audit and Compliance Committee.

### 1.4 Results snapshot (June 22 vs June 21)

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Statutory profit		(11.8%) to K396.1m
Statutory earnings per share		(11.8%) to 84.8 toea
Net interest margin		10.0bps to 6.5%
Capital adequacy ratio		(3.5bps) to 23.0%

### 1.5 Subsequent events

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

## 2. Half - year results

### 2.1 Financial summary

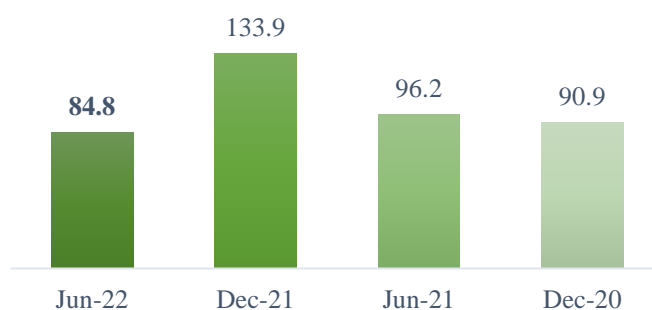
	Jun-22	Dec-21	Change		Jun-21	Change	
	Km	Km	Km	%	Km	Km	%
Net interest income	875.5	825.8	49.7	6.0	775.1	100.4	13.0
Other operating income	410.9	402.4	8.5	2.1	368.7	42.2	11.4
<b>Total income</b>	<b>1,286.4</b>	<b>1,228.2</b>	<b>58.2</b>	<b>4.7</b>	<b>1,143.8</b>	<b>142.6</b>	<b>12.5</b>
Impairment expenses	20.2	105.2	(85.0)	(80.8)	(62.6)	82.8	(132.3)
Operating expenses	(470.3)	(446.9)	(23.4)	5.2	(441.9)	(28.4)	6.4
Additional Company Tax	(190.0)	-	(190.0)	-	-	(190.0)	-
<b>Profit before income tax</b>	<b>646.3</b>	<b>886.5</b>	<b>(240.2)</b>	<b>(27.1)</b>	<b>639.3</b>	<b>7.0</b>	<b>1.1</b>
Income tax expense	(250.2)	(260.6)	10.4	(4.0)	(190.0)	(60.2)	31.7
<b>Net profit for the period</b>	<b>396.1</b>	<b>625.9</b>	<b>(229.8)</b>	<b>(36.7)</b>	<b>449.3</b>	<b>(53.2)</b>	<b>(11.8)</b>

	Half-year					June 22 to June 21 change	toea
	Jun-22	Dec-21	Jun-21	Dec-20	toea		
<b>Earnings per share (toea)</b>	<b>toea</b>	<b>toea</b>	<b>toea</b>	<b>toea</b>	<b>toea</b>	<b>toea</b>	<b>toea</b>
Basic and diluted	84.8	133.9	96.2	90.9		(11.4)	
	<b>Jun-22</b>	<b>Dec-21</b>	<b>Change</b>	<b>Change</b>	<b>Jun-21</b>	<b>Change</b>	<b>Change</b>
<b>Average interest earning assets and interest bearing liabilities</b>	<b>Km</b>	<b>Km</b>	<b>Km</b>	<b>%</b>	<b>Km</b>	<b>Km</b>	<b>%</b>
Average interest earning assets	26,985.8	25,141.6	1,844.2	7.3	24,460.0	2,525.8	10.3
Average interest bearing liabilities	24,760.7	22,982.0	1,778.7	7.7	22,438.6	2,322.1	10.3
	<b>Jun-22</b>	<b>Dec-21</b>	<b>Change</b>	<b>Change</b>	<b>Jun-21</b>	<b>Change</b>	<b>Change</b>
<b>Financial performance ratios</b>	<b>%</b>	<b>%</b>	<b>bps</b>	<b>%</b>	<b>%</b>	<b>bps</b>	<b>%</b>
Net interest margin (annualised)	6.5	6.3	20.0	3.2	6.4	10.0	1.6
Cost to income ratio*	36.6	36.4	20.0	0.5	38.6	(200.0)	(5.2)

\*Excludes Additional Company Tax

	Jun-22	Dec-21	Change	Change	Jun-21	Change	Change
<b>Financial position ratio</b>	<b>%</b>	<b>%</b>	<b>bps</b>	<b>%</b>	<b>%</b>	<b>bps</b>	<b>%</b>
Return on average ordinary equity	10.8	17.5	(670.0)	(38.3)	13.2	(240.0)	(18.2)
Return on average assets	1.3	2.1	(80.0)	(38.1)	1.6	(30.0)	(18.8)

#### Earnings per share (toea)



The lower EPS in June 2022 is due to the Additional Company Tax (ACT). Excluding K190m, ACT, normalised EPS would be 125.4 toea, 30.4% above prior comparative period.

## 2.2 Results commentary

### 2.2.1 Income

	Jun-22	Dec-21	Change		Jun-21	Change	
	Km	Km	Km	%	Km	Km	%
<b>Interest income</b>							
Loans, advances and other receivables	591.9	564.8	27.1	4.8	571.0	20.9	3.7
Treasury bills	136.3	121.3	15.0	12.4	106.9	29.4	27.5
Central Bank bills	4.2	0.2	4.0	2,000.0	-	4.2	-
Other financial assets - Inscribed stock	177.2	183.7	(6.5)	(3.5)	149.8	27.4	18.3
Other	6.9	5.5	1.4	25.5	4.4	2.5	56.8
<b>Total interest income</b>	<b>916.5</b>	<b>875.5</b>	<b>41.0</b>	<b>4.7</b>	<b>832.1</b>	<b>84.4</b>	<b>10.1</b>
Interest Expense	41.0	49.7	(8.7)	(17.5)	57.0	(16.0)	(28.1)
<b>Net interest income</b>	<b>875.5</b>	<b>825.8</b>	<b>49.7</b>	<b>6.0</b>	<b>775.1</b>	<b>100.4</b>	<b>13.0</b>
<b>Other income</b>							
Fees and commission	207.4	191.0	16.4	8.6	181.3	26.1	14.4
Foreign exchange related	175.8	171.6	4.2	2.4	154.1	21.7	14.1
Other	18.6	14.4	4.2	29.2	23.7	(5.1)	(21.5)
Net insurance operating income	9.1	25.4	(16.3)	(64.2)	9.6	(0.5)	(5.2)
<b>Total other income</b>	<b>410.9</b>	<b>402.4</b>	<b>8.5</b>	<b>2.1</b>	<b>368.7</b>	<b>42.2</b>	<b>11.4</b>
<b>Net operating income</b>	<b>1,286.4</b>	<b>1,228.2</b>	<b>58.2</b>	<b>4.7</b>	<b>1,143.8</b>	<b>142.6</b>	<b>12.5</b>

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

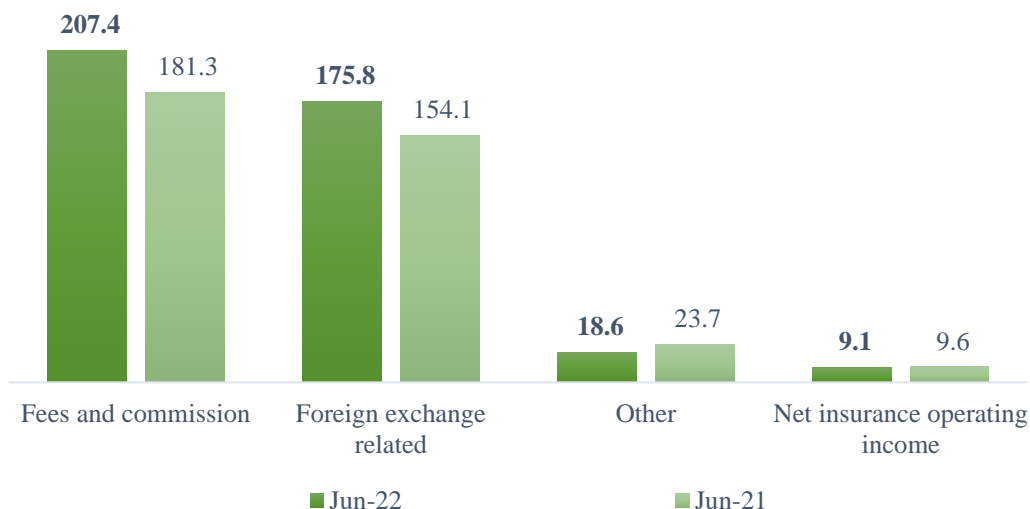
**Net interest income** increased by 13.0%, given higher interest earnings from investment securities, increase in interest on loans and lower cost of funds. Ongoing excess market liquidity in PNG contributed to the higher Investment securities volumes. Loan volume growth, particularly in PNG and Fiji.

**Fees and commission income** increased by 14.4%, due to higher transactional volumes in PNG and Fiji on the back of improved economic activities following opening up of borders post COVID-19.

**Foreign exchange earnings** increased by 14.1% compared to the prior year, driven by improved currency flows predominantly in PNG.

**Net insurance operating income** decreased by (5.2%) due to unfavorable claims experience associated with reopening of borders in Fiji which has resulted in more medical evacuations, partially offset by increased investment income.

#### Other income (Km)



## 2.2.2 Operating expenses

	Jun-22	Dec-21	Change		Jun-21	Change	
	Km	Km	Km	%	Km	Km	%
Staff costs	224.8	218.3	6.5	3.0	206.0	18.8	9.1
Depreciation	58.7	55.4	3.3	6.0	53.6	5.1	9.5
Computing	75.4	68.6	6.8	9.9	69.2	6.2	9.0
Premises and equipment	48.5	43.7	4.8	11.0	43.5	5.0	11.5
Administration and other costs	62.9	60.9	2.0	3.3	69.6	(6.7)	(9.6)
<b>Total expenses</b>	<b>470.3</b>	<b>446.9</b>	<b>23.4</b>	<b>5.2</b>	<b>441.9</b>	<b>28.4</b>	<b>6.4</b>

	Jun-22	Dec-21	Change		Jun-21	Change	
	%	%	bps	%	%	bps	%
Cost to income	36.6	36.4	20.0	0.5	38.6	(200.0)	(5.2)
Expenses to average assets	1.6	1.5	10.0	6.7	1.6	-	-
Staff and related costs to income	17.5	17.8	(30.0)	(1.7)	18.0	(50.0)	(2.8)

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

**Staff costs** increased by 9.1%, driven by annual performance based salary adjustments increases, together with the need to increase staff numbers in Retail, Operations and Compliance in PNG head office to support customer growth.

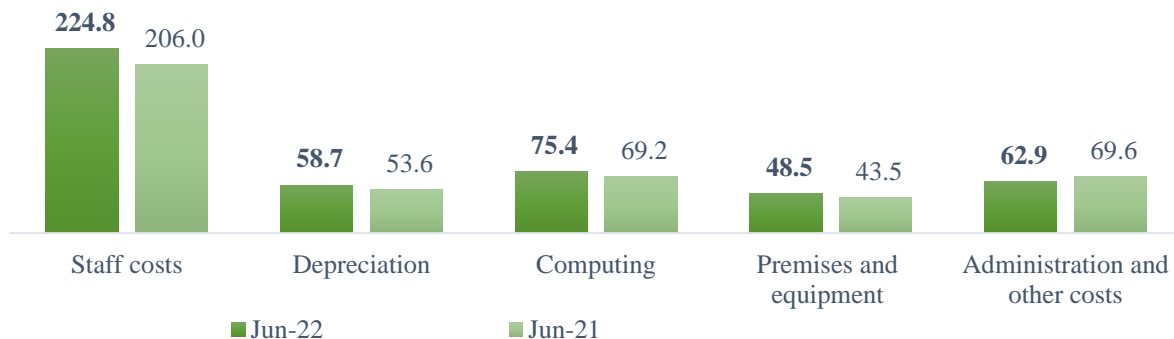
**Depreciation** expenses increased by 9.5% due to full six month impact from capitalization of the new core banking system expenses in the final quarter of 2021 and expenditure to upgrade BSP's digital service capabilities including new EFTPOS terminals and mobile banking enhancements to support customer and channel growth, and also broaden digital offering for Retail customers in PNG.

**Computing** expenses increased by 9.0% against the previous corresponding period, mainly due to higher channel related costs, which contributed to growth in merchant revenue.

**Premises and equipment** expense increased by 11.5% due to additional office space required to accommodate temporary COVID-19 business continuity, higher fuel prices and property maintenance costs.

**Administration and other costs** decreased by 9.6%, as 2021 included professional service expenses in relation to ASX listing.

### Operating expenses (Km)



## 2.2.3 Additional Company Tax

The Income Tax (Amendment) Act 2022 (the Act) dated 23rd March 2022 was passed in the March 2022 sitting of Parliament and introduces an Additional Company Tax (the Tax), effective 25th March 2022. This legislation supersedes the Income Tax (2022 budget) (Amendment) Bill dated 22 November 2021, which introduced the Market Concentration Levy.

The Act imposes a flat K190m tax on any bank operating in PNG 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 payable by 30 September of each year and a penalty of up to K50m or up to 6 months imprisonment applies for non-payment. The Tax is non-deductible for tax purposes and has a direct impact on BSP's NPAT. In line with accounting standards, the full amount of the Tax has been taken up in the Statement of comprehensive income in Quarter 1 2022, as the legislation makes BSP liable for the tax on 1 January of each year.

Concerned about the discriminatory nature of the Tax, BSP is seeking a judicial review with an application lodged at the Supreme Court to challenge the constitutional validity of this Tax. Timing of the hearing of the judicial review is not known.

## 2.2.4 Balance sheet metrics

	Jun-22	Dec-21	Change		Jun-21	Change	
	Km	Km	Km	%	Km	Km	%
<b>ASSETS</b>							
Cash and balances with Central Bank	2,661.6	2,807.6	(146.0)	(5.2)	2,824.4	(162.8)	(5.8)
Amounts due from other banks	1,285.9	1,310.2	(24.3)	(1.9)	1,172.1	113.8	9.7
Treasury & Central Bank bills	5,070.8	4,644.6	426.2	9.2	3,692.2	1,378.6	37.3
Statutory deposits with Central Bank	1,828.0	1,719.9	108.1	6.3	1,658.9	169.1	10.2
Other financial assets	4,571.0	4,079.2	491.8	12.1	4,092.4	478.6	11.7
Loans and advances to customers	13,909.3	13,631.3	278.0	2.0	13,389.9	519.4	3.9
Property, plant and equipment	914.2	906.4	7.8	0.9	869.7	44.5	5.1
Assets subject to operating lease	30.0	32.7	(2.7)	(8.3)	35.2	(5.2)	(14.8)
Deferred tax assets	239.5	269.3	(29.8)	(11.1)	305.5	(66.0)	(21.6)
Other assets	1,104.1	1,025.3	78.8	7.7	855.4	248.7	29.1
<b>Total assets</b>	<b>31,614.4</b>	<b>30,426.5</b>	<b>1,187.9</b>	<b>3.9</b>	<b>28,895.7</b>	<b>2,718.7</b>	<b>9.4</b>
<b>LIABILITIES</b>							
Amounts due to other banks	266.8	248.8	18.0	7.2	66.6	200.2	300.6
Customer Deposits	25,071.0	23,934.8	1,136.2	4.7	23,030.3	2,040.7	8.9
Other liabilities	2,726.2	2,408.4	317.8	13.2	2,388.1	338.1	14.2
Deferred tax liabilities	40.3	39.5	0.8	2.0	36.8	3.5	9.5
<b>Total liabilities</b>	<b>28,104.3</b>	<b>26,631.5</b>	<b>1,472.8</b>	<b>5.5</b>	<b>25,521.8</b>	<b>2,582.5</b>	<b>10.1</b>
<b>SHAREHOLDERS EQUITY</b>							
Ordinary shares	372.1	372.1	-	-	372.3	(0.2)	(0.1)
Retained earnings	2,797.0	3,025.1	(228.1)	(7.5)	2,578.5	218.5	8.5
Other Reserves	340.3	396.9	(56.6)	(14.3)	422.4	(82.1)	(19.4)
<b>Equity attributable to the members of the company</b>	<b>3,509.4</b>	<b>3,794.1</b>	<b>(284.7)</b>	<b>(7.5)</b>	<b>3,373.2</b>	<b>136.2</b>	<b>4.0</b>
Minority Interest	0.7	0.8	(0.1)	(12.5)	0.7	-	-
<b>Total shareholders' equity</b>	<b>3,510.1</b>	<b>3,794.9</b>	<b>(284.8)</b>	<b>(7.5)</b>	<b>3,373.9</b>	<b>136.2</b>	<b>4.0</b>
<b>Total equity and liabilities</b>	<b>31,614.4</b>	<b>30,426.4</b>	<b>1,188.0</b>	<b>3.9</b>	<b>28,895.7</b>	<b>2,718.7</b>	<b>9.4</b>



## 2.2.5 Lending

	As at Jun-22	As at Dec-21	Change		As at Jun-21	Change	
	Km	Km	Km	%	Km	Km	%
Overdrafts	943.8	714.5	229.3	32.1	836.7	107.1	12.8
Lease financing	206.1	225.6	(19.5)	(8.6)	242.5	(36.4)	(15.0)
Term loans	10,535.3	10,485.9	49.4	0.5	10,277.9	257.4	2.5
Mortgages	2,768.7	2,819.5	(50.8)	(1.8)	2,795.3	(26.6)	(1.0)
Policy loans	118.4	111.3	7.1	6.4	110.1	8.3	7.5
<b>Gross loans and receivables from customers</b>	<b>14,572.3</b>	<b>14,356.8</b>	<b>215.5</b>	<b>1.5</b>	<b>14,262.5</b>	<b>309.8</b>	<b>2.2</b>
Less allowance for losses on loans and receivables from customers	(663.0)	(725.5)	62.5	(8.6)	(872.6)	209.6	(24.0)
<b>Net loans and receivables from customers</b>	<b>13,909.3</b>	<b>13,631.3</b>	<b>278.0</b>	<b>2.0</b>	<b>13,389.9</b>	<b>519.4</b>	<b>3.9</b>

Gross loan volumes increased by 2.2% from the prior corresponding period. The growth reflects increased demand for credit in PNG and Fiji especially with most countries now going through a recovery and growth phase post COVID-19.

Provision balances decreased by 24.0% from the prior corresponding period. The reduction in the level of lending provisions has been driven by the improvement in customer risk ratings as a result of improved economic conditions as business activity returns gradually to pre COVID-19 levels and is consistent with the external risk rating models used by BSP.

	As at Jun-22	As at Dec-21	Change		As at Jun-21	Change	
	Km	Km	Km	%	Km	Km	%
<b>Economic sector risk concentration</b>							
Commerce, Finance and other business	7,146.7	6,753.4	393.3	5.8	6,847.3	299.4	4.4
Private households	3,555.1	3,359.5	195.6	5.8	3,223.2	331.9	10.3
Government and public authorities	755.5	691.3	64.2	9.3	555.2	200.3	36.1
Agriculture	190.3	293.6	(103.3)	(35.2)	277.7	(87.4)	(31.5)
Transport and communication	1,068.4	1,142.9	(74.5)	(6.5)	1,151.9	(83.5)	(7.2)
Manufacturing	370.8	393.8	(23.0)	(5.8)	369.2	1.6	0.4
Constructions	822.5	996.8	(174.3)	(17.5)	965.4	(142.9)	(14.8)
<b>Net loans and receivables from customers</b>	<b>13,909.3</b>	<b>13,631.3</b>	<b>278.0</b>	<b>2.0</b>	<b>13,389.9</b>	<b>519.4</b>	<b>3.9</b>

	As at Jun-22	As at Dec-21	Change		As at Jun-21	Change	
	Km	Km	Km	%	Km	Km	%
<b>Customer segment classification</b>							
Corporate/ Commercial	8,078.5	8,011.1	67.4	0.8	7,964.1	114.4	1.4
Government	2,279.3	2,257.7	21.6	1.0	2,199.6	79.7	3.6
Retail	3,551.5	3,362.5	189.0	5.6	3,226.2	325.3	10.1
<b>Net loans and receivables from customers</b>	<b>13,909.3</b>	<b>13,631.3</b>	<b>278.0</b>	<b>2.0</b>	<b>13,389.9</b>	<b>519.4</b>	<b>3.9</b>

## 2.2.6 Allowance for expected credit losses (ECL)

<i>Credit Expenses</i>	Jun-22	Dec-21	Change		Jun-21	Change	
	Km	Km	Km	%	Km	Km	%
Net (write back)/write off	12.1	24.4	(12.3)	(50.4)	36.5	(24.4)	(66.8)
Provision expense	(8.4)	(106.3)	97.9	(92.1)	46.9	(55.3)	(117.9)
<b>Total Credit expense</b>	<b>3.7</b>	<b>(81.9)</b>	<b>85.6</b>	<b>(104.5)</b>	<b>83.4</b>	<b>(79.7)</b>	<b>(95.6)</b>
Bad debts recovered	(29.6)	(32.6)	3.0	(9.2)	(29.3)	(0.3)	1.0
<b>Credit expenses net of recoveries</b>	<b>(25.9)</b>	<b>(114.5)</b>	<b>88.6</b>	<b>(77.4)</b>	<b>54.1</b>	<b>(80.0)</b>	<b>(147.9)</b>

<i>Provisions and Reserves</i>	As at Jun-22	As at Dec-21	Change		As at Jun-21	Change	
	Km	Km	Km	%	Km	Km	%
Collectively assessed provisions	348.4	396.2	(47.8)	(12.1%)	536.5	(188.1)	(35.1)
Individually assessed provisions	255.4	277.1	(21.7)	(7.8%)	288.3	(32.9)	(11.4)
<b>Total provision for on balance sheet exposure</b>	<b>603.8</b>	<b>673.3</b>	<b>(69.5)</b>	<b>(10.3%)</b>	<b>824.8</b>	<b>(221.0)</b>	<b>(26.8)</b>
Collective provision for off balance sheet exposure	59.2	52.2	7.0	13.4%	47.8	11.4	23.8
<b>Total provisions for doubtful debts</b>	<b>663.0</b>	<b>725.5</b>	<b>(62.5)</b>	<b>(8.6%)</b>	<b>872.6</b>	<b>(209.6)</b>	<b>(24.0)</b>

<b>Impaired Assets</b>	Km	Km	Km	%	Km	Km	%
Gross impaired assets	507.5	526.0	(18.5)	(3.5)	538.2	(30.7)	(5.7)
Net impaired assets	252.1	248.9	3.2	1.3	249.9	2.2	0.9
Net impaired loans to gross loans %	1.7	1.7	-	-	1.8	(0.1)	(5.6)

	As at Jun-22	As at Dec-21	Change		As at Jun-21	Change	
	%	%	bps	%	%	bps	%
Provisions to loans	4.5	5.1	(60)	(11.8)	6.1	160.0	(26.2)

## 2.2.7 Deposits

	As at Jun-22	As at Dec-21	Change		As at Jun-21	Change	
	Km	Km	Km	%	Km	Km	%
Current	19,013.1	19,570.9	(557.8)	(2.9)	18,325.6	687.5	3.8
Savings	3,332.1	1,612.3	1,719.8	106.7	1,459.5	1,872.6	128.3
Term	2,725.8	2,751.6	(25.8)	(0.9)	3,245.2	(519.4)	(16.0)
<b>Total deposits</b>	<b>25,071.0</b>	<b>23,934.8</b>	<b>1,136.2</b>	<b>4.7</b>	<b>23,030.3</b>	<b>2,040.7</b>	<b>8.9</b>

Deposits grew by 8.9%, driven by increases in non-interest bearing current account balances. Conversely, term deposit balances reduced, contributing to the reduced cost of funds from 0.5% to 0.4%.

## 2.2.7 Deposits (continued)

30 June 2022	1 to 3 months	4 to 12 months	1-2 years	2-5 years	5 and over	Total
Current	19,013.1	-	-	-	-	19,013.1
Savings	3,332.1	-	-	-	-	3,332.1
Term	1,584.4	837.5	65.2	28.0	210.7	2,725.8
<b>Total deposits</b>	<b>23,929.6</b>	<b>837.5</b>	<b>65.2</b>	<b>28.0</b>	<b>210.7</b>	<b>25,071.0</b>

31 December 2021	1 to 3 months	4 to 12 months	1-2 years	2-5 years	5 and over	Total
Current	19,570.9	-	-	-	-	19,570.9
Savings	1,612.3	-	-	-	-	1,612.3
Term	2,111.2	360.7	27.4	33.4	218.9	2,751.6
<b>Total deposits</b>	<b>23,294.4</b>	<b>360.7</b>	<b>27.4</b>	<b>33.4</b>	<b>218.9</b>	<b>23,934.8</b>

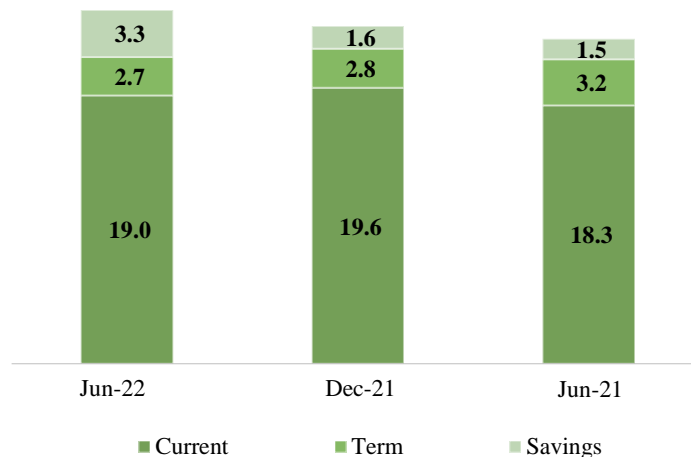
  

30 June 2021	1 to 3 months	4 to 12 months	1-2 years	2-5 years	5 and over	Total
Current	18,325.6	-	-	-	-	18,325.6
Savings	1,459.5	-	-	-	-	1,459.5
Term	1,687.6	1,388.5	99.1	69.8	0.2	3,245.2
<b>Total deposits</b>	<b>21,472.7</b>	<b>1,388.5</b>	<b>99.1</b>	<b>69.8</b>	<b>0.2</b>	<b>23,030.3</b>

	As at Jun-22	As at Dec-21	Change	As at Jun-21	Change
	%	%	bps	%	bps
Loans to deposit ratio	58.1	60.0	(190.0)	61.9	(380.0)

BSP is well placed given its strong liquidity position to meet any increase in credit demand, as economic activity accelerates across the markets where BSP operates in.

### Deposits (K billion)



## 2.2.8 Capital and shareholder return

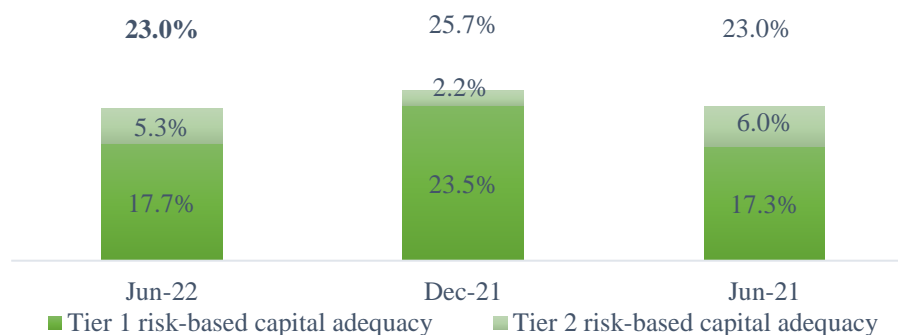
### 2.2.8.1 Assets and capital

	As at Jun-22	As at Dec-21	Change		As at June 21	Change	
	Km	Km	Km	%	Km	Km	%
Total assets	31,614.4	30,426.5	1,187.9	3.9	28,895.7	2,718.7	9.4
<b>Capital adequacy</b>							
Total regulatory capital	3,174.8	3,457.6	(282.8)	(8.2)	3,002.3	172.5	5.7
Risk-weighted assets	13,811.7	13,449.7	362.0	2.7	13,133.3	678.4	5.2
	As at Jun-22	As at Dec-21	Change		As at June 21	Change	
	%	%	bps	%	%	bps	%
Total risk-based capital adequacy	23.0	25.7	(270.0)	(10.5)	23.0	-	-
Tier 1 risk-based capital adequacy*	18.1	23.5	(540.0)	(23.0)	17.3	80.0	4.6
Tier 2 risk-based capital adequacy	5.3	2.2	310.0	140.9	6.0	(70.0)	(11.7)
Leverage capital ratio	8.0	10.6	(260.0)	(24.5)	8.0	-	-

\*Per prudential guidelines, half year NPAT is part of Tier 2 capital as the six monthly accounts are reviewed only and not audited. NPAT is transferred to retained earnings and classified as Tier 1 upon completion of audited accounts at financial year end (December).

As of 30 June 2022, the Group's overall capital adequacy ratio and leverage capital ratio met the capital adequacy criteria for a "well-capitalized" bank.

#### Total capital adequacy



### 2.2.8.2 Shareholder returns

	Jun-22	Dec-21	Change		Jun-21	Change	
	toea	toea	toea	%	toea	toea	%
<b>Earnings per ordinary share</b>							
Statutory earnings per ordinary share (weighted average)	84.8	133.9	(49.1)	(36.7)	96.2	(11.4)	(11.9)
	Jun-22	Dec-21	Change		Jun-21	Change	
	K(000's)	K(000's)	K(000's)	%	K(000's)	K(000's)	%
<b>Weighted average number of ordinary shares</b>							
Weighted avg. number of ordinary shares used in EPS calculations	467,225	467,228	(3.0)	(0.0)	467,227	(2.0)	-

## 2.2.8 Capital and shareholder return (continued)

### 2.2.8.2 Shareholder returns (continued)

<i>Ratios</i>	Jun-22	Dec-21	Change		Jun-21	Change	
	%	%	bps	%	%	bps	%
Return on average equity	10.8	17.5	(670.0)	(38.3)	13.2	(240.0)	(18.2)
Return on average assets	1.3	2.1	(80.0)	(38.1)	1.6	(30.0)	(18.8)

### 2.2.8.3 Dividends payable/paid

<i>Earnings per ordinary share</i>	FY21	FY20	Change		FY19	Change	
Dividend per share - toea	173.0	130.0	43.0	33.1	134.0	39.0	29.1%
Dividend amount paid - Km	811.9	610.7	201.2	32.9	629.3	182.6	29.0%
Payout ratio	75.5%	75.7%	(0.2bps)	(0.3%)	70.7%	4.8bps	6.8%

## 2.3 Additional notes

### 2.3.1 Analysis of intangible assets

Analysis of Intangible assets	Balance Sheet Carrying Values			Amortisation Impairment Expense		
	Jun-22	Dec-21	Jun-21	Jun-22	Dec-21	Jun-21
	Km	Km	Km	Km	Km	Km
Goodwill	45.3	45.3	45.3	-	-	-
Software	212.7	191.3	187.6	19.0	16.2	14.0
	<b>258.0</b>	<b>236.6</b>	<b>232.9</b>	<b>19.0</b>	<b>16.2</b>	<b>14.0</b>

### 2.3.2 Net tangible assets per ordinary share

	Jun-22	Dec-21	Jun-21
	Km	Km	Km
Net tangible asset backing per ordinary share per PGK	7.0	7.6	6.7
Net assets	3,510.1	3,795.0	3,373.9
Intangibles	(258.0)	(236.6)	(232.9)
<b>Net tangible asset attributable to ordinary shareholders</b>	<b>3,252.1</b>	<b>3,558.4</b>	<b>3,141.0</b>
Number of fully paid ordinary shares on issue (000s)	467,226	467,226	467,225

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

Ownership interest held by consolidated entity as at 30 June 2022	Jun-22	Dec-21	Jun-21
	%	%	%
<i>Joint venture</i>			
Suva Central Limited	50.0	50.0	50.0
Richmond Limited	61.3	61.3	61.3
BSP Finance Cambodia	50.0	50.0	50.0
BSP Finance Laos	50.0	50.0	50.0
Platform Pacific Limited	50.0	50.0	50.0

### 3. Consolidated financial statements

#### 3.1 Basis of preparation

The financial information has been extracted from the reviewed consolidated financial statements of BSP Financial Group Limited, 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

	Jun-22	Dec-21	Jun-21
	Km	Km	Km
Interest income	916.5	875.5	832.1
Interest expense	(41.0)	(49.7)	(57.0)
<b>Net interest income</b>	<b>875.5</b>	<b>825.8</b>	<b>775.1</b>
Net Fee and commission income	207.4	189.0	183.3
Other income	194.4	188.0	175.8
Net insurance operating income	9.1	25.4	9.6
<b>Total net operating income before impairment and operating expenses</b>	<b>1,286.4</b>	<b>1,228.2</b>	<b>1,143.8</b>
Impairment expense	20.2	105.2	(62.6)
Operating expenses	(470.3)	(446.9)	(441.9)
Additional Company Tax	(190.0)	-	-
<b>Profit before income tax</b>	<b>646.3</b>	<b>886.5</b>	<b>639.3</b>
Income tax expense	(250.2)	(260.6)	(190.0)
<b>Net profit for the period</b>	<b>396.1</b>	<b>625.9</b>	<b>449.3</b>
<i>Other comprehensive income</i>			
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Translation of financial information of foreign operations to presentation currency	(52.4)	(24.6)	(16.1)
Recognition of deferred tax asset on asset revaluation movement	1.6	1.6	-
Net movement in asset revaluation	(0.5)	0.4	0.2
<b>Other comprehensive income, net of tax</b>	<b>(51.3)</b>	<b>(22.6)</b>	<b>(15.9)</b>
<b>Total comprehensive income for the period</b>	<b>344.8</b>	<b>603.3</b>	<b>433.4</b>

### 3.3 Statements of financial position

	Jun-22	Dec-21	Jun-21
	Km	Km	Km
<b>ASSETS</b>			
Cash and balances with Central Bank	2,661.6	2,807.6	2,824.4
Amounts due from other banks	1,285.9	1,310.2	1,172.1
Treasury & Central Bank bills	5,070.8	4,644.6	3,692.2
Statutory deposits with Central Bank	1,828.0	1,719.9	1,658.9
Other financial assets	4,571.0	4,079.2	4,092.4
Loans and advances to customers	13,909.3	13,631.3	13,389.9
Property, plant and equipment	914.2	906.4	869.7
Assets subject to operating lease	30.0	32.7	35.1
Deferred tax assets	239.5	269.3	305.5
Other assets	1,104.1	1,025.3	855.5
<b>Total assets</b>	<b>31,614.4</b>	<b>30,426.5</b>	<b>28,895.7</b>
<b>LIABILITIES</b>			
Amounts due to other banks	266.8	248.8	66.6
Customer Deposits	25,071.0	23,934.8	23,030.3
Other liabilities	2,726.2	2,408.4	2,388.1
Deferred tax liabilities	40.3	39.5	36.8
<b>Total liabilities</b>	<b>28,104.3</b>	<b>26,631.5</b>	<b>25,521.8</b>
<b>SHAREHOLDERS EQUITY</b>			
Ordinary shares	372.1	372.1	372.2
Retained earnings	2,797.0	3,025.1	2,578.5
Other Reserves	340.3	396.9	422.5
<b>Equity attributable to the members of the company</b>	<b>3,509.4</b>	<b>3,794.1</b>	<b>3,373.2</b>
Minority Interest	0.7	0.8	0.7
<b>Total shareholders' equity</b>	<b>3,510.1</b>	<b>3,794.9</b>	<b>3,373.9</b>
<b>Total equity and liabilities</b>	<b>31,614.4</b>	<b>30,426.4</b>	<b>28,895.7</b>

### 3.4 Statements of changes in equity

	Share Capital	Reserves	Retained earnings	Minority interest	Total
	Km	Km	Km	Km	Km
<b>Balance 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>
Net profit	-	-	396.1	-	396.1
Other Comprehensive income	-	(51.3)	-	-	(51.3)
<b>Total comprehensive income</b>	<b>-</b>	<b>(51.3)</b>	<b>396.1</b>	<b>-</b>	<b>344.8</b>
Dividends paid during the year	-	-	(629.4)	(0.2)	(629.6)
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>(629.4)</b>	<b>(0.2)</b>	<b>(629.6)</b>
Transfer from asset revaluation reserve	-	(5.3)	5.3	-	-
<b>Balance at 30 June 2022</b>	<b>372.1</b>	<b>340.3</b>	<b>2,797.1</b>	<b>0.6</b>	<b>3,510.1</b>
<b>Balance as at 1 July 2021</b>	<b>372.2</b>	<b>422.6</b>	<b>2,578.5</b>	<b>0.7</b>	<b>3,374.0</b>
Net profit	-	-	625.9	-	625.9
Other Comprehensive income	-	(22.6)	-	-	(22.6)
<b>Total comprehensive income</b>	<b>-</b>	<b>(22.6)</b>	<b>625.9</b>	<b>-</b>	<b>603.3</b>
Dividends paid during the year	-	-	(183.2)	(0.3)	(183.5)
Share buyback	(0.1)	-	-	-	(0.1)
Gain attributable to Minority Interest	-	-	(0.4)	0.4	-
<b>Total transactions with owners</b>	<b>(0.1)</b>	<b>-</b>	<b>(183.6)</b>	<b>0.1</b>	<b>(183.6)</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>
<b>Balance at 1 January 2021</b>	<b>372.2</b>	<b>438.5</b>	<b>2,622.2</b>	<b>0.7</b>	<b>3,433.6</b>
Net profit	-	-	449.3	-	449.3
Other Comprehensive income	-	(16.0)	-	-	(16.0)
<b>Total comprehensive income</b>	<b>-</b>	<b>(16.0)</b>	<b>449.3</b>	<b>-</b>	<b>433.3</b>
Dividends paid during the year	-	-	(493.0)	-	(493.0)
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>(493.0)</b>	<b>-</b>	<b>(493.0)</b>
<b>Balance at 30 June 2021</b>	<b>372.2</b>	<b>422.5</b>	<b>2,578.5</b>	<b>0.7</b>	<b>3,373.9</b>



### 3.5 Statements of cash flows

	Jun-22	Dec-21	Jun-21
	Km	Km	Km
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Interest received	908.4	857.4	792.4
Fees and other income	351.6	348.3	316.1
Interest paid	(39.2)	(15.0)	(63.3)
Insurance premiums	102.7	98.7	83.5
Claims, surrenders & maturity payments	(62.1)	(54.4)	(42.7)
Amounts paid to suppliers and employees	(440.8)	(466.1)	(315.7)
<b>Operating cash flow before changes in operating assets</b>	<b>820.6</b>	<b>768.9</b>	<b>770.3</b>
Increase in loans	(419.0)	(200.9)	130.1
Movements in statutory deposits with the Central Bank	1,429.0	(1,645.7)	1,470.4
Movements in bills receivable and other assets	(127.2)	(10.2)	(105.7)
Increase / (decrease) in deposits	(57.4)	2,476.9	20.3
Increase/(decrease) in bills payable and other liabilities	133.0	91.7	51.5
<b>Net cash flow from operations before income tax</b>	<b>1,779.0</b>	<b>1,480.7</b>	<b>2,336.9</b>
Income taxes paid	(178.0)	(196.2)	(150.8)
<b>Net cash flow from operating activities</b>	<b>1,601.0</b>	<b>1,284.5</b>	<b>2,186.1</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Decrease/(increase) in government securities	(941.6)	(958.5)	(1,614.6)
Expenditure on property, plant & equipment	(83.8)	(102.6)	(68.3)
Expenditure for software development costs	-	(57.7)	-
Proceeds from disposal of property, plant & equipment	3.9	4.5	1.8
<b>Net cash flow from investing activities</b>	<b>(1,021.5)</b>	<b>(1,114.3)</b>	<b>(1,681.1)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Share buyback	-	(0.1)	-
Dividends paid	(629.6)	(183.4)	(493.1)
Payments for other financing activities	(7.1)	0.7	(4.1)
<b>Net cash flow used in financing activities</b>	<b>(636.7)</b>	<b>(182.8)</b>	<b>(497.2)</b>
Net Increase/(decrease) in cash and cash equivalents	(56.8)	(12.6)	7.8
Effect of exchange rate movements on cash and cash equivalents	(131.5)	(48.3)	(36.3)
Cash and cash equivalents at the beginning of the year	3,869.0	3,929.9	3,958.4
<b>Cash and Cash Equivalents at the end of the year</b>	<b>3,680.7</b>	<b>3,869.0</b>	<b>3,929.9</b>

### 3.6 Segment reporting

Half year ended 30 June 2022	PNG Bank	Offshore Banks	Non-Bank Services	Adjust Inter Segments	Total
Net interest income	723.9	135.6	15.8	0.2	875.5
Other income	320.3	110.0	17.9	(46.4)	401.8
Net insurance income	-	-	9.4	(0.3)	9.1
<b>Total operating income</b>	<b>1,044.2</b>	<b>245.6</b>	<b>43.1</b>	<b>(46.5)</b>	<b>1,286.4</b>
Operating expenses	(360.2)	(104.1)	(9.4)	3.4	(470.3)
Impairment expenses	10.8	9.8	(0.4)	-	20.2
Additional Company Tax	(190.0)	-	-	-	(190.0)
<b>Profit before income tax</b>	<b>504.8</b>	<b>151.3</b>	<b>33.3</b>	<b>(43.1)</b>	<b>646.3</b>
Income tax	(208.9)	(35.0)	(6.3)	-	(250.2)
<b>Net profit after income tax</b>	<b>295.9</b>	<b>116.3</b>	<b>27.0</b>	<b>(43.1)</b>	<b>396.1</b>

Half year ended 31 December 2021	PNG Bank	Offshore Banks	Non-Bank Services	Adjust Inter Segments	Total
Net interest income	672.3	137.5	15.8	0.2	825.8
Other income	287.7	102.0	11.8	(24.5)	377.0
Net insurance income	-	-	25.4	-	25.4
<b>Total operating income</b>	<b>960.0</b>	<b>239.5</b>	<b>53.0</b>	<b>(24.3)</b>	<b>1,228.2</b>
Operating expenses	(337.8)	(101.4)	(9.5)	1.8	(446.9)
Impairment expenses	84.8	22.0	(1.6)	-	105.2
<b>Profit before income tax</b>	<b>707.0</b>	<b>160.1</b>	<b>41.9</b>	<b>(22.5)</b>	<b>886.5</b>
Income tax	(215.5)	(36.7)	(8.5)	0.1	(260.6)
<b>Net profit after income tax</b>	<b>491.5</b>	<b>123.4</b>	<b>33.4</b>	<b>(22.4)</b>	<b>625.9</b>

Half year ended 30 June 2021	PNG Bank	Offshore Banks	Non-Bank Services	Adjust Inter Segments	Total
Net interest income	622.7	134.8	16.7	0.9	775.1
Other income	287.2	99.1	18.2	(45.4)	359.1
Net insurance income	-	-	11.4	(1.8)	9.6
<b>Total operating income</b>	<b>909.9</b>	<b>233.9</b>	<b>46.3</b>	<b>(46.3)</b>	<b>1,143.8</b>
Operating expenses	(323.6)	(108.8)	(10.5)	1.0	(441.9)
Impairment expenses	(41.9)	(17.4)	(3.3)	-	(62.6)
<b>Profit before income tax</b>	<b>544.4</b>	<b>107.7</b>	<b>32.5</b>	<b>(45.3)</b>	<b>639.3</b>
Income tax	(157.0)	(26.9)	(6.0)	(0.1)	(190.0)
<b>Net profit after income tax</b>	<b>387.4</b>	<b>80.8</b>	<b>26.5</b>	<b>(45.4)</b>	<b>449.3</b>