

ASX: BFL | PNGX: BSP

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IMPACT OF BANKS COMPANY TAX RATE CHANGE ON BSP RESULTS

BSP Financial Group Limited's (BSP) market announcement dated 6th December 2022 highlighted the increase in company tax rate for PNG Commercial Banks licensed under the Banks and Financial Institutions Act from 30% to 45%. The impact of this tax rate change on BSP's current and future profits is stated below.

Impact on 2022 results

International Accounting Standards require deferred tax balances to be measured at the tax rates expected to apply when the deferred tax asset is realised or the deferred tax liability is settled. As a result, BSP will re-measure the deferred tax balances relating to the PNG Bank and its branches at 45% in the December 2022 accounts. The impact will be recognised as a credit to the Income Tax Expense in the Statement of Comprehensive Income.

BSP's net deferred tax asset balance per the 2021 audited financial statements is K230m, tax effected at 30%. Restating the same at 45% would result in an increase in the net deferred tax asset balance by circa K115m, with a corresponding credit to Income Tax Expense. This is a one-off impact of restating the deferred tax asset balance. The final impact of restating the deferred tax asset balance on the 2022 accounts will be subject to year-end tax calculations.

Impact on future profits

The PNG Government repealed the Additional Company Tax of K190m, effective 1 January 2023. Consequently, BSP will no longer be liable for this annual flat tax of K190m from 2023.

The amendment to the company tax rate from 30% to 45% will increase current tax liabilities with a corresponding increase in Income Tax Expense effective 1 January 2023.



ASX / PNGX Market Announcement

This announcement was authorised for release by Mary Johns, Company Secretary of BSP Financial Group Limited.

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