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Market Announcement to South Pacific Stock Exchange

“BSP – Chairman’s Market Announcement_2022 Half Year Results”

About BSP Convertible Notes Limited (BSP CN Fiji):

BSP Convertible Notes Limited (BSP CN Fiji) is a wholly owned subsidiary of BSP Financial Group Limited (BSP). BSP is a Papua New Guinea based full service Bank with representation in many major Pacific economies. BSP is listed on the Port Moresby Stock Exchange (PNGX) and has a B- credit rating from Standard & Poors. BSP Convertible Notes Limited (BSP CN Fiji) is a special purpose vehicle incorporated in Fiji with limited powers under its Memorandum and Articles. It is listed in the South Pacific Stock Exchange (SPX) in Fiji as **BCN**.



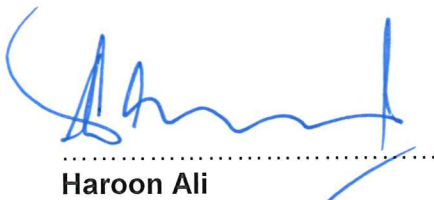
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17 August 2022

“BSP – Chairman’s Market Announcement_2022 Half Year Results”

“Market Announcement to South Pacific Stock Exchange”

Our Parent Company, BSP Financial Group Limited based in Port Moresby, PNG has released this market announcement on PNGX.



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Haroon Ali
Director

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ASX: BFL | PNGX: BSP

17 August 2022

HALF YEAR RESULTS - 30 June 2022

BSP Financial Group Limited (BSP) announced an underlying net profit result of K586.1 million (before the K190 million Additional Company Tax¹) for the half year ended 30 June 2022, a 30.4% increase compared to the results for the same period last year of K449.3 million. BSP's net profit after Additional Company Tax reduced to K396.1 million, which represents a 11.8% reduction in profit compared to the corresponding 2021 period.

The underlying profit growth reflects the improved economic conditions in the region, with most countries now going through a recovery and growth phase post COVID-19. Key 1H-2022 financial highlights are presented below:

- BSP's net operating income increased from K1,143.8 million in 1H-2021 to K1,286.4 million in 1H-2022, representing a 12.5% increase. Key income drivers were:
 - Net interest income increased by 13.0% driven by increased lending activities in PNG and Fiji and interest income from investment securities arising from increased market liquidity in PNG.
 - Fee and commission income increased by 14.4%, with higher transactional volumes 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.
- BSP's expenditure levels increased from K441.9 million in 1H-2021 to K470.3 million in 1H-2022, representing a 6.4% increase. Key expense drivers were as follows:
 - Staff costs increased by 9.1%, associated with performance based annual salary adjustments and additional staff in Retail, Operations and Compliance.

¹ The Income Tax (Amendment) Act 2022 dated 23rd March 2022 was passed in the March 22 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 Tax applies a flat K190m on any bank that has over 40% market share of PNG financial assets. The Tax is payable by 30 September of each year.

- 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 offerings for Retail customers in PNG by extending the transactional functionalities using our mobile banking platform.
- Computing expenses increased by 9.0% against the previous corresponding period, mainly due to higher channel related communications 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.
- The Group's total assets grew by 9.4% (K2.7 billion) to K31.6 billion over the prior year, driven by strategic growth in investment securities.
- Loan loss provision balances decreased by 24.0% (K209.6 million) to K663.0 million from the prior corresponding period. The reduction in the level of lending provisions has been driven by improvements in customer risk ratings as a result of improved economic conditions as business activity returns gradually to pre COVID-19 levels.
- The Group's capital base remains strong. Total capital adequacy as at June 2022 stood at 23.0%, in line with the June 2021 levels, well above the minimum Bank of Papua New Guinea prudential requirement of 12.0%.

The Board also announced the payment of an interim dividend for 2022 of 34 toea per ordinary share, payable on 14 October 2022.

For ASX shareholders eligible to receive BFL dividends in AUD, applicable exchange rate on the Record Date will be used for the conversion.

The interim dividend of 34 toea per share represents:

- A gross interim dividend amount of circa K160.5 million (2021: K182.0 million)
- An interim payout ratio of 40.5% on first half earnings (2021: 40.5%)

Timing of the dividend payment is as follows:

- Ex-date: Friday 23 September 2022
- Record date: Monday 26 September 2022
- Payment date: Friday 14 October 2022



ASX / PNGX Market Announcement

BSP Chairman, Sir Kostas Constantinou, OBE, noted the lower dividend payout of 34 toea per share, compared to the 2021 interim dividend of 39 toea per share, as a consequence of the K190m Additional Company Tax. Given the material impact of the tax on BSP's shareholders, Sir Kostas advised that BSP is pursuing a judicial review to challenge the constitutional validity of this Tax.

Nevertheless, the improved underlying half year results supported by BSP's strong and well-capitalised balance sheet, confirms the Group's ability to deliver sustainable profit growth to shareholders, the Chairman added.

Sir Kostas Constantinou, OBE
Group Chairman | BSP Financial Group Limited

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

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