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Market Announcement to South Pacific Stock Exchange

"BSP First Quarter 2024 Trading Update"

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30 April 2024

"BSP First Quarter 2024 Trading Update"

"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.

Haroon Ali	**Alvina Ali**
DIRECTOR	**COMPANY SECRETARY**

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 PNGX Markets Limited (PNGX). 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**.

First Quarter 2024 Trading Update

Q1 2024 financial performance is compared to Q1 2023 for a like-for-like comparison, unless stated otherwise.

Careful execution of strategic plans with focus on modernising for growth

“We have started 2024 in good shape, and our Q1 results demonstrate strong growth across the Group.

Our Q1 underlying earnings were up 9.6% compared with Q1 in 2023. While underlying earnings is our preferred measure of the health of our business, our impairments are still running ahead of expectations, which means our net profit fell by 2.3% in Q1 compared with the same quarter in 2023, to K214m. I also note that after a period of rapid growth in 2023, our Pacific Markets business growth slowed in Q1, mainly reflecting lower growth in tourist spending and foreign trade across the South Pacific.

Meanwhile, our capital position remains strong, with our capital adequacy ratio in the mid 20% range, allowing us to invest in the business to deliver world class outcomes to our customers, as well as cushion the impact of economic challenges which inevitably emerge from time to time in our markets. Our return on equity remains above 20%, another feature of our business which helps us plan with confidence as we continue to focus on our customer experience, our investments in risk and compliance, and realise the benefits of our new core banking system.

Despite recent slowing growth in some of the South Pacific markets, the economic backdrop in our region remains robust, especially in PNG where there are opportunities arising from the heightened investment in major resource projects.

Finally, on behalf of the Board and our management, I want to thank our key stakeholders for their ongoing support of our Group, as well as our 4,600 staff for all their hard work and commitment to serving our customers over the first quarter in 2024”.

Mark T. Robinson, Chief Executive Officer

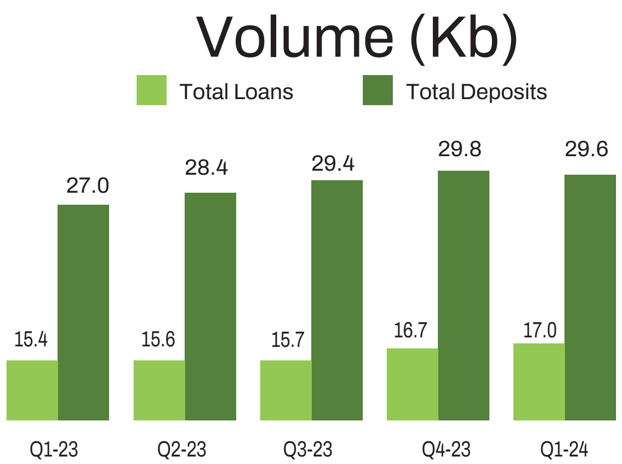
Key Highlights

REVENUE
K735m
↑ 11.5%

UNAUDITED UNDERLYING EARNINGS
K433m
↑ 9.6%

OPERATING EXPENSES
K302m
↑ 14.4%

UNAUDITED NPAT
K214m
↓ 2.3%



Operating Performance

Unaudited NPAT for Q1-24 was K214m, a slight decline of 2.3% compared to the corresponding quarter in 2023. However, underlying earnings were up by 9.6% over this period. Key drivers include:

Strong growth in revenue, up 11.5%.

- Loan and deposit volumes recorded a solid growth of 10.3% and 9.6% respectively over the 12 months, contributing to a 9.8% increase in net interest income.
- FX income was up 20.8% on Q1-23, continuing the increasing trend in the second half of 2023. The uptick is reflective of higher trading volumes both in PNG and the Pacific Markets.

Operating expenses lifted by 14.4%.

- Channel expenses increased 22.8% compared to the prior comparative period, with associated increase in income driven by higher volumes.
- Excluding channel expenses, operating costs increased by 13.7%, driven by increased staff costs, mainly due to wages inflation across the region, an increase in computing expenses due to depreciation and maintenance expenses and continued investment in our modernisation program.

Impairment expenses for Q1-24 was K64.6m, a large increase compared to K14.0m for the same period last year. The key drivers were:

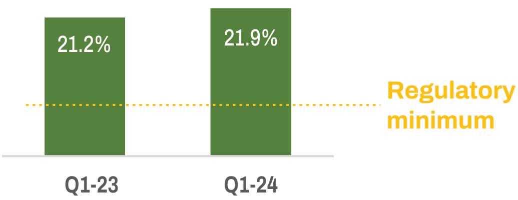
- A K27.0m provision taken up for an exposure that is fully secured, where we remain confident about its ultimate recovery in full.
- Total of K37.6m in recognised impairments connected with our retail lending, as we expect on a growing portfolio.

Summary Financials

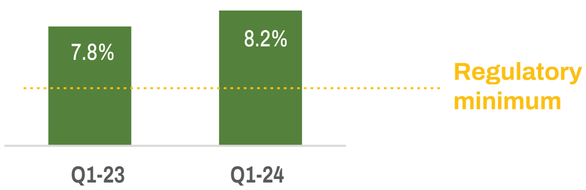
PGK (millions)	Q1-23[1]	Q1-24	Movement Q1-23 vs Q1-24
Revenue	**659**	**735**	11.5%
Net Interest Income	449	493	9.8%
FX Income	96	116	20.8%
Fee Income	104	108	3.8%
Insurance/Other Income	10	18	80.0%
Operating expenses	**264**	**302**	**14.4%**
Operating profit	395	433	9.6%
Impairment expense	14	65	364.3%
Profit before tax	**381**	**368**	**-3.4%**
Tax	162	155	-4.3%
NPAT	**219**	**214**	**-2.3%**

Capital, Funding & Liquidity

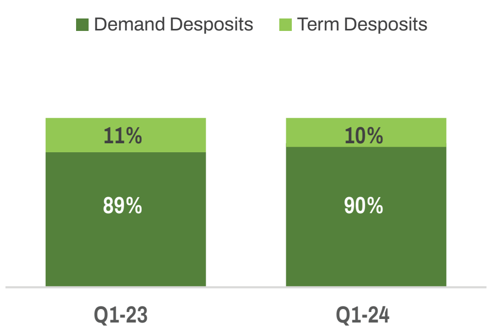
Capital Adequacy Ratio[2]



Leverage Capital Ratio[3]



Deposit Mix



- Our Balance Sheet remained strong, as deposits increased by 9.6%. The contribution of demand deposits to the deposit mix increased to 90%, while term deposits accounted for the balance of 10%.
- Loan to deposit ratio is at 57.3%.
- Capital Adequacy Ratio (CAR) in Q1-24 was 21.9%, 70bps above Q1-23 CAR.
- Our Leverage Capital Ratio (LCR) in Q1-24 was 8.2%, 40bps higher than Q1-23.
- Both the Capital Adequacy Ratio and Leverage Capital Ratio remain well above minimum regulatory requirements.

Footnotes

[1]Transition to the new accounting standard IFRS 17 (Insurance contracts), came into effect on 1 January 2023.
[2]Capital Adequacy Ratio, based on Bank of Papua New Guinea prudential standards.
[3]Leverage Capital Ratio, based on Bank of Papua New Guinea prudential standards.

For Further Information

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This announcement was authorised for release by Paul Lee-Bernstein, Head of Strategy and Investor Relations.

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