

18th August 2021

HALF YEAR RESULTS - 30th June 2021

BSP Financial Group Limited (BSP) announced a net profit after tax result of K449.3 million for the half year ended 30 June 2021, a 17.6% increase compared to the same period last year of K381.9 million. Easing of pandemic related domestic restrictions, combined with improved liquidity levels in Papua New Guinea (PNG) and the offshore branches, other than Fiji, contributed to the improved results. Fiji has been more severely affected by Delta variant Covid-19 impacts and economic activity remains subdued.

- Total Group revenue increased against prior year by 8.4%, with improvements noted across most revenue streams. Interest on loans was lower by 6.9%, with the impact of the reduction in the Indicator Lending Rate in PNG by 100bps on 1 April 2020, affecting the full 6 month period in 2021 compared to 3 months in 2020. Loan volume growth has also been flat or negative in most countries.
- Foreign exchange related income across the Group increased 6.1% compared to prior year, driven by improved currency flows derived from Bank of PNG interventions.
- Operating expenses increased by 8.6% against the prior comparative period to K439.9 million. Depreciation relating to the new core banking system replacement project, professional service fees associated with the ASX listing, which was successfully completed in May 2021 and increased staff costs contributed to the increase. The weakening of the PGK against major currencies also had the impact on the cost base. Despite these increases, the Group's cost to income ratio remains stable.
- The Group's total assets grew by 5.0% (K1.4 billion) over the first half of the year, driven by strategic growth in investment securities leveraging on available liquidity levels. Lending growth remains challenging due to the slow rate of economic recovery across all countries.
- The total impairment charge was K62.6 million, a decrease from K111.5 million in the prior comparative period, which included a large uplift in provisions to cater for the uncertain potential impact of COVID-19 at that time. Provisioning expenses have normalized this year as macro-economic factors improved and the balance sheet impact of COVID-19 became more certain. The total balance of allowances for losses on loans and advances increased from K788.6 million (5.7% of loans) in June 2020 to K872.6 million (6.1% of loans) in June 2021.

- The Group's capital base remains strong. Total capital adequacy as at June 2021 stood at 23.1%, compared to 21.3% as at June 2020. The capital adequacy ratio is 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 2021 of 39 toea per ordinary share, payable on 18th of October 2021.

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 39 toea per share represents:

- A gross interim dividend amount of circa K182.0 million (2020: K116.8 million)
- An interim payout ratio of 40.5% (2020: 30.6%)
- Total dividend declared this year (including the 2020 final dividend paid in June 21) provides a yield of 11.7% based on a share price of K12.30 on PNGX (9.81% based on a share price of \$5.55 on ASX), compared to 10.08% for 2020.

Timing of the dividend payment is as follows:

- Ex-date: Friday 24th of September 2021
- Record date: Monday 27th of September 2021
- Payment date: Monday 18th of October 2021

BSP Chairman, Sir Kostas Constantinou, OBE, advised that the Board was extremely pleased to approve this dividend payout, which is in-line with pre-2020 levels. The improved half year results, supported by BSP's strong and well-capitalised balance sheet, enabled this payment, the Chairman added.

Sir Kostas Constantinou, OBE

Group Chairman | BSP Financial Group Limited

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