



ASX / PNGX Market Announcement

ASX: BFL | PNGX: BSP

23rd February 2022

FULL YEAR RESULTS – 31st December 2021

BSP Financial Group Limited (BSP) today announced a net profit after tax result of K1.075 billion for the financial year ended 31 December 2021. The result was a strong 33.4% increase compared to 2020, as BSP customers adapted to the impact of COVID-19, which saw a release of additional COVID-19 provisions taken up in the prior year, combined with strong liquidity and good foreign exchange revenue across all markets.

In announcing the 2021 results, Sir Kostas Constantinou, OBE, highlighted that the result is a reflection of significant efforts of BSP's management and staff throughout the year and the support of our customers.

PNG Bank results, which contributed 75% of Group profits, increased to K821.9m in 2021, a 36.1% increase compared to the prior year's profit of K603.8m. In addition to the release of COVID-19 impairment provisions, net interest income increased by K159.4m and was driven by strong market liquidity, while BSP's loan market share increased from 64.5% to 66.3% over the reporting period.

Key 2021 financial highlights for the Group were:

- Net interest income increased by 10.6%, driven by higher interest revenues from investment securities and lower cost of funds due to high market liquidity.
- Fees and commission income increased by 6.1% compared to the previous corresponding period due to increased transaction activity with fewer restrictions on movement and gatherings in PNG throughout 2021. The opening of Fiji borders to travel partner countries in the fourth quarter also contributed to the improved results.
- Foreign exchange earnings increased by 13.0% compared to the prior year, driven by higher currency flows from both resource and non-resource based sectors.
- Total loans and advances remained largely flat at K14.4 billion despite market share increases in the main markets, demonstrating a subdued economic climate for the most part of the year. Deposit growth remained strong and increased by 10.5% to K23.9 billion, supported by improved market liquidity.
- The Group's operating expenses increased by 10.0% compared to prior year, largely driven by higher staff costs with the need to increase staff numbers to support compliance and AML requirements, cater for Retail growth and onboarding of IT staff to support the new core banking system. Computing expenses also increased by 25.6% against the previous corresponding period with expenses incurred to support the new core banking system. The cost to income ratio for the Group reduced by 10bps from 37.6% to 37.5% over the year.
- Net loan and investment impairment charge was a credit of K42.6m for 2021, compared to K201.3 million expense in 2020 and was mainly driven by general provision release of K113.4m for the Group in 2021. The release was driven by improved forecast in macroeconomic variables used to derive forward looking expected credit loss rates and lower historical default rates. Specific provision

expenses also reduced by K36.0m due to a better recoveries experience, while write-offs net of recoveries for the unsecured personal loan portfolio improved by K15.3m compared to 2020. The resulting provision to loans ratio remains slightly above pre COVID-19 levels.

- Total capital adequacy ratio at the end of the financial year stood at 25.7%, a further increase from the December 2020 ratio of 23.2%. The capital adequacy ratio exceeds minimum Bank of Papua New Guinea prudential requirement of 12.0% and places the Group in good stead for growth given its strong balance sheet position while able to maintain a dividend payout ratio of 70% - 75%.

The Board also announced the payment of 2021 final dividends of K1.34 per ordinary share, payable on 22nd April 2022.

The final dividend of K1.34 per share represents 58.1% of 2021 audited NPAT and is 27.6% higher than the 2020 final dividend of K1.05.

Including the 2021 interim dividend of K0.39 paid in October 2021, total dividends from 2021 profits will be K1.73 per share which represents 75.0% of 2021 NPAT. This is a 33.1% increase compared to K1.30/share paid out of 2020 NPAT (75.3% payout ratio). The increase is due to a 33.4% increase in 2021 NPAT compared to the prior year. The Group's capital adequacy ratios are forecast to exceed BPNG minimum requirements post payment of the proposed dividend.

Total dividends from 2021 profits provides a yield of 14.4% based on a share price of K12.00 on PNGX and 14.9% based on a share price of \$4.45 on ASX, a good return for BSP's shareholders.

Timing of the dividend payment is as follows:

- Ex-date: Thursday 10th March 2022
- Record date: Friday 11th March 2022
- Payment date: Friday 22nd April 2022

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

Sir Kostas commented that the Board was delighted to approve this record dividend payout and expressed his appreciation to BSP staff and management across the Group for the strong turnaround in 2021 results.

Sir Kostas Constantinou, OBE

Group Chairman | BSP Financial Group Limited

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