

2022 ANNUAL REPORT

BSP FINANCIAL GROUP LIMITED

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OUR BANK. OUR PEOPLE.

“ Our digital channels experienced exponential growth in 2022, especially on BSP's Mobile Banking (*131#) service; reaching over 11 million transactions a month and over 130 million transactions at the end of the year. Out of the 1.5 million BSP customers in PNG, around 380,000 customers use Mobile Banking every month.”

Nuni Kulu, General Manager – Digital

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Our Vision

To be the leading financial services provider in our chosen markets, helping customers, staff, shareholders and communities prosper.

Our Mission

To create value for our stakeholders, by delivering innovative and cost effective financial services.



APRA Disclaimer:

BSP is not authorised under the Banking Act 1959 (Commonwealth of Australia) and is not supervised by the Australian Prudential Regulation Authority (APRA). BSP's products are not covered by the depositor protection provisions in section 13A of the Banking Act 1959 and will not be covered by the financial claims scheme under Division 2AA of the Banking Act 1959.

Our Core Values



INTEGRITY

We are honest, committed, trustworthy and reliable in our dealings with our customers and each other.



LEADERSHIP

We inspire, we change, and we live our values, and lead by example.



PEOPLE

We respect and value our people and our customers.



QUALITY

We are committed to excellence, whilst striving for continuous improvement in products and services.



TEAMWORK

We work with and for each other, we progress together.



COMMUNITY

We respect, value and support the communities in which we operate.



PROFESSIONALISM

We commit ourselves to continual self-development to achieve standards of excellence in our performance.

Chairman's Report

Sir Kostas Constantinou, OBE

BSP's mission, our reason to exist, is to help our customers, employees, shareholders and communities prosper, conveying the role we play in supporting Papua New Guinea and the South Pacific's economic growth. Accordingly, I am very pleased to see that our customers, staff, communities and shareholders are benefiting from BSP's record NPAT of K1.08 billion for 2022.

While 2022 has seen some positive changes as we have learned to live with COVID-19, geopolitical tensions, coupled with rising costs and associated inflationary control measures have created an environment of growing global economic uncertainty.

Locally, the Additional Company Tax of K190 million was introduced in 2022, subsequently replaced by an increase in all PNG banks' company tax rate from 30% to 45%, effective 1 January 2023. We also maintained our operations, with little disruption, after 84% of Tonga's population was affected by the January 2022 tsunami disaster, which caused an estimated USD90 million in damages to the country's infrastructure.

Despite these external challenges, BSP continues to demonstrate its resilience by delivering a 5.7% improvement in underlying 2022 profitability to K1.14 billion, excluding one-off tax impacts. Further, we continue

to deliver these sustainable profits, while at the same time maintaining capital discipline and ensuring prudent balance sheet management. We concluded 2022 with capital adequacy and leverage ratios of 24.6% and 9.9% respectively, well above minimum prudential requirements.

Our improved 2022 performance has allowed the Board to declare a final dividend of K1.40 per share, taking the total full year dividend to K1.74 per share. BSP Shareholders will receive K813.5 million in dividends attributed to BSP's 2022 performance. The latter represents a 0.5% increase on 2021 dividends received by BSP shareholders.

The Board is pleased with management's continued tightening of operating discipline across the Group, with increased investment in both our risk and compliance functions. Pleasingly, the Financial Analysis and Supervision Unit (FASU) has advised BSP that no penalties, or fines, will be levied in relation to the most recent external audit of BSP Group's Anti-Money Laundering and Counter Terrorist Financing (AML/CTF) policies and procedures. FASU has advised they will continue to monitor progress on the execution of BSP's initiatives designed to improve the level of compliance with AML/CTF policies and procedures.

STRATEGY

BSP continues to monitor and explore growth opportunities in new and existing markets, consolidating our position as the South Pacific's leading bank. When opportunities present, our ASX listing will allow BSP to raise foreign currency required to realise our non-organic growth ambitions.

Our organic growth strategy is running parallel to the above. The provision of market leading banking services to the large unbanked segments of PNG and Pacific markets remains a central focus for the Board. While we recognise that access to banking services is key to unlocking the economic potential of the people and communities where we operate, a more measured expansion is likely in PNG with the increase in PNG Bank's corporate tax rate to 45%.

In the first half of 2023, BSP will significantly improve its technological foundations by switching to Oracle's FLEXCUBE Core Banking System. This half-a-billion kina investment will strengthen our defences against the growing global threat of financial and cyber-crime and enable greater emphasis on digital, data, and analytics.



The Board visit to Kundiawa Branch | The Board is committed to ensuring diversity in our workforce and continually looks to increase female representation in senior management roles.

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The Board is committed to ensuring diversity in our workforce and continually looks to increase female representation in senior management roles. In 2022, we were represented with four female Country Managers in Tonga, Samoa, Solomon Islands and Lao. In addition, we have four female General Managers in the Group executive team, with responsibility for Group Compliance, People & Culture, Digital, and Offshore Branches. BSP's Leadership and Management Development Program will continue to provide a strong pipeline of future female leaders, with females currently making up over half of program participants. Further, training and recruitment initiatives have been implemented to ensure BSP's digital, information technology and cyber security capabilities continue to evolve to meet our future needs.

BSP will only ever be as good as its people and these investments and initiatives will underpin BSP's future growth in our markets across the Pacific and in South East Asia.

BOARD RENEWAL

In April 2022, we welcomed Patricia Taureka-Seruvatu as a Director of BSP. Patricia is a highly experienced lawyer with over 30 years' experience in the legal, superannuation, property, commercial and corporate services industries in PNG. She has previously served

as Company Secretary for Nambawan Super Limited from 2001 to 2019 and is currently the Company Secretary and General Counsel at Dirio Gas & Power Company Ltd. She holds a Bachelor of Laws from the University of Papua New Guinea and is a member of the Australian Institute of Company Directors and the Papua New Guinea Institute of Directors.

At the same time, we farewellled Ernest Gangloff, who retired as a BSP Director after completing his tenure in line with regulatory requirements. Ernest has served as a Board Member since 2013 and as Chairman of the Board Audit and Compliance Committee since April 2017. He added experience and contributed enormously to the strategic direction and successful performance of BSP Group during the years of his tenure.

I have been honoured to serve as BSP's Chairman since 2011, through a time when the Bank's earnings have increased by 128%, or K606 million, from K475 million in 2011 to K1.081 billion in 2022. At the same time, we addressed a number of complex challenges, increased our South Pacific and South East Asian footprint and subsequently delivered positive outcomes for our customers, people, communities and shareholders.

It has been a privilege to work with my fellow

Directors, Managing Director and Group Chief Executive Officer, Robin Fleming, and his executive team. The timing is now right for a smooth transition to BSP's next Chairman, Robert Bradshaw, to lead the Group on its next growth phase. Robert has substantial board and executive leadership experience, having served on a number of Boards prior to being appointed to the BSP Board in September 2017 and is currently the Chairman of Post PNG Limited. Prior to his appointment to Group Chairman, Robert was Chairman of the BSP Board Remuneration and Nominations Committee.

The Board and I would also like to acknowledge the significant contribution of our former Managing Director and Group Chief Executive Officer Robin Fleming who has been able to successfully deliver on the Board's strategy and its ambitious growth objectives. I would like to thank Robin for serving three terms as Managing Director and Group Chief Executive Officer, retiring nine years after his appointment and 42 years in total with the Bank.

Following a rigorous and competitive global executive search which considered highly credentialed candidates globally and across the Pacific region, Mark Robinson was selected by the Board to succeed Robin. Mark's previous roles include Chief Executive Officer of Commercial Bank International, a publicly listed bank based



Robert Bradshaw and Sir Kostas Constantinou | Bank earnings have increased from K475 million in 2011 to K1.081 billion in 2022 under Sir Kostas' leadership.



Chairman Sir Kostas Constantinou and Group CEO Robin Fleming | Robin retires after serving nine years as Group Chief Executive Officer and 42 years with the Bank.

in the United Arab Emirates, Chief Executive Officer of ANZ Banking Group's operations for Southeast Asia and prior, numerous senior executive roles with Citibank, including in India, Russia, Turkey and Hungary. Mark has invaluable expertise across global emerging markets in wholesale, retail and investment banking and is the ideal person to lead the Group in its next phase of growth.

FINANCIAL PERFORMANCE

Our 2022 revenue increased by 9.6% to K2.6 billion. Revenue growth drivers included higher volume related interest revenue, coupled with better foreign exchange flows and fee income, which were up by 8.8%, 11.2% and 13.1% respectively.

Group expenditure increased by 11.3% to K989.3 million, largely as a consequence of increased investment in employees and technology to facilitate the transition to the FLEXCUBE core banking system in early 2023, coupled with increased resourcing in the Retail, Operations and Compliance teams to support customer growth, and higher property maintenance costs.

Improving economic conditions have contributed to better credit quality, resulting in a net impairment credit of K5.4 million in 2022.

OUTLOOK

The PNG economy and economies across the Pacific have benefited from the opening of borders to international travellers. This resulted in a strong rebound in Fiji's banking activity and lending growth. With all our markets forecast to return to growth in 2023, we see this trend continuing over the short-term.

The PNG LNG's construction phase from 2010 to 2014 had a material impact on economic growth in PNG and the kina's appreciation over the period. Accordingly, recent announcements relating to the Papua LNG and P'nyang LNG projects indicate that negotiations are progressing well, and if a tangible agreement can be reached we could start seeing increased investment in resource-adjacent industries in 2023, with Papua LNG construction expected to commence in early 2024.

Finally, as I will be retiring from the Board in early 2023, I would like to thank you for your ongoing support as shareholders. I would also like to recognise my fellow Directors who I have worked with since joining the Board in 2009 and accepting the role of Chairman in 2011. I see no impediments to BSP's growth journey continuing, with its 4,500 exceptional people working hard for its growing BSP customer base. Consequently, the Board and I are confident BSP will have the economic conditions, people and financial strength to execute effectively against its 2023 strategy and beyond.

Sir Kostas Constantinou, OBE
BSP Group Chairman

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A Brief History of BSP

BSP is the leading bank in PNG and has a proud record of serving the needs of its customers in PNG and other countries across the South Pacific. BSP dates back to 1957, when its operations commenced in Port Moresby as a branch of the National Bank of Australasia Ltd. In 1974, BSP was incorporated as Bank of South Pacific Ltd, a wholly owned subsidiary of the Australian parent.

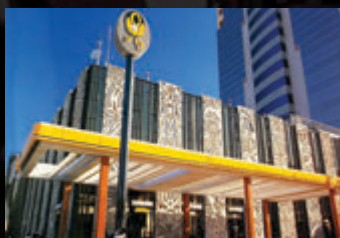
In 1993, a consortium of PNG businesses acquired the bank and created the first and only privately owned bank in PNG at that time. BSP merged with the state-owned Papua New Guinea Banking Corporation in 2002, creating the largest bank in PNG by market share.

Other acquisitions followed, including Habib Bank in Fiji in 2006, National Bank of Solomon Islands in 2007, Colonial Bank, and Colonial Fiji Life Insurance Limited in 2009. In 2015 and 2016, BSP completed the acquisition of Westpac's operations in Cook Islands, Samoa, Solomon Islands, Tonga and Vanuatu, significantly broadening and strengthening BSP's geographic reach.

Today, BSP continues to be the market leader in PNG and the South Pacific, with a large and diverse branch network. BSP has also pioneered financial innovations and technology in the region. In 2014, BSP Finance was launched in Fiji then in PNG in 2015, followed by Cambodia and Solomon Islands in 2017, and Lao in early 2020. BSP Life PNG commenced operations in 2018 and currently offers a suite of products including life, endowment and loan insurance products to the PNG market.

BSP listed on the Port Moresby Stock Exchange (now PNGX Markets) in 2003, and successfully listed on the Australian Securities Exchange (ASX) in 2021. The company name was amended to BSP Financial Group Limited at the time of the ASX listing.

BSP continues to invest in technology and the capabilities of our staff, with advancements in data protection and information technology in 2022. A key achievement is the improvement of our 3D Secure Authentication protocol in compliance with Payment Card Industry Data Security Standards. BSP also continues to invest in Anti-Money Laundering and Counter Terrorist Financing compliance to cater to our growing customer base as the Group expands in existing and new markets.



Key milestones in BSP's development

1957	Commenced operations in Port Moresby in May 1957, as a branch of National Bank of Australasia Ltd.
1974	BSP was incorporated as the Bank of South Pacific Ltd, a wholly owned subsidiary of the Australian parent.
1993	National Investment Holdings Ltd, a nationally owned company, acquired BSP from National Australia Bank.
2002	BSP merged with the state-owned Papua New Guinea Banking Corporation (PNGBC).
2003	BSP listed on the Port Moresby Stock Exchange (renamed to PNGX).
2006	Established a presence in Fiji through the acquisition of Habib Bank Ltd's Fiji operations, which were rebranded to BSP.
2007	Acquired the National Bank of Solomon Islands Ltd and rebranded to BSP.
2009	Acquired Colonial National Bank and Colonial Fiji Life Insurance Ltd from Commonwealth Bank of Australia and rebranded to BSP and BSP Life, respectively.
2014/2015	Commenced BSP Finance (Fiji) Ltd in 2014 and commenced BSP Finance (PNG) Ltd in 2015.
2015/2016	Acquired Westpac's operations in Solomon Islands, Cook Islands, Samoa, Tonga and Vanuatu.
2017	Commenced Asset Finance operations in Cambodia in May 2017 (rebranded to BSP Finance Cambodia Ltd in January 2018) and commenced BSP Finance (Solomon Islands) Ltd in September 2017.
2018	Commenced a life insurance business in Papua New Guinea on January 2018.
2020	Established Lao Asset Finance Business in 2020.
2021	BSP listed on the Australian Securities Exchange (ASX) and name changed from Bank of South Pacific Limited to BSP Financial Group Limited. BSP's slogan was also changed from "We are you, We are BSP" to "Our Bank, Our People".

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Board of Directors



SIR KOSTAS G. CONSTANTINOU, OBE

Chairman. Non - Executive Director since April 2009. Appointed Chairman in February 2011

Sir Kostas is a prominent business figure in Papua New Guinea (PNG), holding a number of high-level public sector and private sector appointments. Sir Kostas joined BSP in April 2009 as a Non-Executive Director and was appointed as the Chair of the Board in February 2011. He is also Chair of the Disclosure Committee.

Separately from BSP, Sir Kostas is also the Chairman of its subsidiaries BSP Finance Limited, BSP Capital Limited, Bank South Pacific (Vanuatu) Limited, Bank South Pacific (Samoa) Limited and Bank of South Pacific Tonga Limited. Sir Kostas is also the Chairman of various other companies, Airways Hotel and Apartments Limited, Lamana Hotel Limited, Lamana Development Limited, Hebou Constructions (PNG) Limited, Monier Limited and Air Niugini Limited to name a few.

His other directorships include Gazelle International Hotel in Kokopo, Loloata Island Resort Ltd, Coastwatchers Court Ltd, Waigani Assets Ltd, Moki No.10 Limited, Heritage Park Hotel in Honiara, Solomon Islands, Taumeasina Island Resort in Samoa, and Good Taste Company in New Zealand. Aside from his many directorships, Sir Kostas is also the Honorary Consul for Greece and Cyprus in Papua New Guinea and the Trade Commissioner of Solomon Islands to PNG.



ROBIN GERARD FLEMING, CSM, MBA, MMT

Group Chief Executive Officer. Director since April 2013

Robin Gerard Fleming was appointed Group CEO and Executive Director of BSP in April 2013, and he retired in December 2022. He has served as Executive Director on a number of BSP's subsidiaries including BSP Capital Limited, BSP Finance Ltd, BSP Life (Fiji) Limited and Bank of South Pacific Tonga Limited.

Before his appointment as Group CEO, he was Deputy Group CEO and Chief Risk Officer since 2009. Prior to this role, Mr. Fleming held senior executive roles, including General Manager Corporate & International, and Head of Risk Management. Mr. Fleming also held senior management roles with Papua New Guinea Banking Corporation (PNGBC), prior to its merger with BSP.

He has worked in PNG for over 40 years and holds a Master of Business Administration and a Master of Management from Charles Sturt University.

Mr. Fleming was recognised by the PNG Government and made a Companion of the Star of Melanesia (CSM) in 2015, for his services to banking and the community. He was also made Honorary Professor in Banking and Finance by the University of Papua New Guinea's School of Business and Public Policy in 2022, for his contribution to the country and community, particularly in the area of banking and finance.

ROBERT BRADSHAW, LLB**Non - Executive Director. Director since September 2017**

Robert George Bradshaw was appointed to the BSP Board in September 2017 and is currently Chair of the BSP Board Remuneration and Nominations Committee.

Mr. Bradshaw holds a Bachelor of Laws (with Honors) from the University of Papua New Guinea and has practiced law for over 25 years. He was formerly a Partner at the law firm Blake Dawson Waldron (now Ashurst) and commenced practice in his own firm, Bradshaw Lawyers, in 2005. An experienced litigator, Mr. Bradshaw has been involved in different areas of law, particularly in resource development, industrial relations, banking and finance and commercial litigation.

Mr. Bradshaw was formerly the Deputy Chair of PNG Power Limited and is currently the Chair of Post PNG Limited.

SYMON BREWIS-WESTON, BECON (HONS), MAPPFIN**Non - Executive Director. Director since April 2021**

Symon George Brewis-Weston was appointed to the Board in April 2021 and is currently a member of both the Board Audit and Compliance Committee and the Board Risk Committee.

Mr. Brewis-Weston possesses extensive international experience in financial services and a deep understanding of consumer and business markets in the Asia-Pacific region. He is also a director on the board of Money3 Corp. Ltd, Timelio Pty Ltd and Mercurien Pty Limited. He was formerly CEO of FlexiGroup from 2016 to 2018. Prior to joining FlexiGroup, he held the positions of CEO & Executive Director at Humm Group Ltd, Executive General Manager—Corporate Financial Services at Commonwealth Bank of Australia (CBA), and Chief Executive Officer at Sovereign Assurance Co. Ltd (NZ), a subsidiary of CBA.

Mr. Brewis-Weston held various senior leadership positions at CBA for 15 years. He spent six years leading CBA's Indonesia operations and also in China, developing the company's Chinese banking strategy. In 2015, Mr. Brewis-Weston received the United Nation's Global CEO Women Empowerment Principle's Leadership Award for his contribution to the enhancement of diversity and women's empowerment in the workplace.

Mr. Brewis-Weston holds a Bachelor of Economics (Hons) and a Master of Applied Finance from Macquarie University.



FAAMAUSILI DR. MATAGIALOFI LUA'IUFI, BA, MSC, PHD

Non - Executive Director. Director since December 2016

Faamausili Dr. Matagialofi Lua'iufi was appointed as a Director in December 2016. Since joining BSP, Faamausili Dr. Lua'iufi became a member of the Remuneration and Nominations Committee. In 2020, Faamausili Dr. Lua'iufi was appointed to the board of BSP subsidiary BSP Finance Limited, and also in the same year appointed to the board of Bank South Pacific (Samoa) Limited.

Faamausili Dr. Lua'iufi is an experienced public sector practitioner and consultant, holding a PhD in Management, a Masters in Management Sciences and a Bachelor of Arts in Sociology and Political Science. Prior to establishing her own consultancy firm in late 2008, Faamausili Dr. Lua'iufi worked in the Samoa Public Service Commission Office for 25 years, with almost 12 of those years in the role of CEO. Under her stewardship, the Samoan Public Service undertook various change management programs to improve service delivery.

Faamausili Dr. Lua'iufi served in many Government state owned enterprise boards in her capacity as CEO of the Samoa Public Service Commission. Since becoming a consultant in late 2008, Faamausili Dr. Lua'iufi has performed more than 50 consultancy assignments in the domains of Human Resources Management, Organisational Development, Performance Management and Governance.

Faamausili Dr. Lua'iufi is a member of the Australian Institute of Company Directors, the Papua New Guinea Institute of Directors, Samoa Institute of Directors and Samoa Human Resource Institute. From 2007 to 2012, Faamausili Dr. Lua'iufi was the Pacific Residential Scholar of the Australia New Zealand School of Government and was a member of the ANZSOG team responsible for the development of emerging young Pacific public sector leaders.



ARTHUR SAM, BCOMM, CPA, GAICD

Non - Executive Director. Director since July 2016

Arthur Sam was appointed to the BSP Board in July 2016. Mr. Sam is currently the Chair of the Board Audit and Compliance Committee and also a member of the Board Risk Committee.

Mr. Sam is a qualified accountant registered under CPA Papua New Guinea and has been in professional practice for over 26 years. He is the Audit and Managing Partner of Sam Kiak Tubangliu Certified Practicing Accountants. Before going into private practice, Mr. Sam spent over 15 years working for global accounting firms in senior roles specialising in external and internal audit and risk management.

He holds a Bachelor of Commerce from the University of Papua New Guinea, and is a Graduate of the Australian Institute of Company Directors.

Prior to joining the Board of BSP, he served on the National Superannuation Fund Limited's Board Audit and Risk Committee and is a serving member of the Papua New Guinea Accountants Registration Board. In 2021, Mr. Sam was appointed Chair of Muyua Dal Ltd to represent the landowner interest in the Woodlark Gold Project in Milne Bay Province.



FRANK BOURAGA, CPA, MAICD

Non - Executive Director. Director since December 2020

Frank Dobi Bouraga was appointed to the Board in December 2020, having previously served as an Independent Committee Member of its Board Audit and Compliance Committee since October 2018, of which he remains a member to date.

Mr. Bouraga is a qualified certified practicing accountant with over 28 years in accounting practice and is currently a partner in Assurance and Business Advisory Services with SBC Solutions. Prior to SBC Solutions, Mr. Bouraga was the Country Managing Partner for Ernst & Young Papua New Guinea for 5 years as an audit and business advisory services partner. He also worked with PricewaterhouseCoopers for over 7 years and worked with Star Business Consultants between 2004 and 2011.

Mr. Bouraga is also a director of the PNG Cancer Foundation and the PNG SP Hunters, and is a member of Certified Practicing Accountants and the Australian Institute of Company Directors. He holds a Bachelor of Business (Accounting) from Central Queensland University.

STUART DAVIS, LLB, GAICD**Non - Executive Director. Director since August 2017**

Stuart Arthur Davis was appointed to the BSP Board in August 2017 and is currently Chair of the Board Risk Committee and a member of the Board Audit & Compliance Committee.

Mr. Davis is also a Non-Executive Director of ASX 100 company NextDC Ltd, which builds and operates data centres in Australia and is the Chair of its Remuneration Committee and member of its Audit and Risk Committee. He is a Non-Executive Director of PayPal Australia Ltd and Chairman of its Risk Committee. Since March 2022, he has been a Non-Executive Director of ASX-listed company Appen Limited and a member of its Audit and Risk Committee.

Mr. Davis previously was CEO of HSBC Bank in India from 2009 to 2012, one of the largest foreign banks in India with staff of 8,000 and pre-tax earnings in excess of USD800 million. Prior to that appointment, he was CEO of HSBC Bank in Australia from 2002 to 2009 and CEO of HSBC in Taiwan from 1999 to 2002, having joined the HSBC Group in 1981.

Mr. Davis served as a member of the Australia Bankers Association from 2003 to 2009 during which time he was Deputy Chairman from 2006 to 2009. He was also Chairman of the British India Chamber of Commerce in Mumbai and of the Taiwan British Chamber of Commerce in Taipei.

Mr. Davis holds a Bachelor of Law Degree from the University of Adelaide and is a Graduate of the Australian Institute of Company Directors.

PRISCILLA KEVIN, BSCS, MAICD**Non - Executive Director. Director since April 2020**

Priscilla Kevin was appointed to the BSP Board in April 2020 and is a member of both the Board Risk Committee and the Remuneration and Nominations Committee. Ms. Kevin is also a director of its subsidiary BSP Finance (Fiji) Pte Limited.

Ms. Kevin is an IT professional and entrepreneur specialising in Enterprise Resource Planning (ERP) Support Advisory. Ms. Kevin has over 15 years ICT industry experience providing ICT consultancy and support to a range of businesses as well as government bodies.

She is a board member of PNG Digital ICT Cluster Inc., a member of the PNG University of Technology's Industrial Advisory Board, a working group committee member of the Centre of Excellence for Financial Inclusion, and sits on the council of the Institute of National Affairs.

Ms. Kevin holds a Bachelor's Degree of Science in Computer Science (with merit) from the Papua New Guinea University of Technology and is an advocate and founder for Papua New Guinea Women in STEM, and PNG Digital ICT Cluster Inc., promoting local talent, entrepreneurship, investment and innovation.

PATRICIA FRANCES TAUREKA-SERUVATU, LLB, MAICD**Non - Executive Director. Director since April 2022**

Patricia Frances Taureka-Seruvatu was appointed to the Board in April 2022 and is currently a member of the Remuneration and Nominations Committee.

She is a lawyer by profession, holding a Bachelor of Laws from the University of PNG and having been admitted to practice law in Papua New Guinea (PNG) in 1988.

Mrs. Taureka-Seruvatu has over 30 years experience in legal, superannuation, property, commercial and corporate services in PNG. Mrs. Taureka-Seruvatu is a member of both the Papua New Guinea Institute of Company Directors and the Australian Institute of Company Directors.

She is currently employed as the General Counsel & Company Secretary for Dirio Gas & Power Company Limited. Prior to this, Mrs. Taureka-Seruvatu served as Company Secretary for Nambawan Super Limited from 2001 to 2019.

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Group CEO'S Report

Robin Fleming, CSM
Group Chief Executive Officer

Following more than two years of COVID-19 related impacts on the lives and businesses of our customers and our staff, travel restrictions were eased and borders largely re-opened over the course of 2022. Consequently, the countries in which BSP operates saw business conditions return to a large degree of normalcy. Though there were some lingering effects as a consequence of controls related to health security, which were designed to mitigate the impact on health systems and reduce the loss of life associated with COVID-19. Pleasingly, everyone was able to return to a way of life that did not have to deal with the uncertainties and unknowns of COVID-19.

Borders reopened gradually, tentatively at first then far more confidently without quarantine, isolation or testing regimes, between Papua New Guinea and Australia, between Fiji and its major tourism markets, and for all other countries throughout the course of the year, resulting in BSP's businesses maintaining their strong profit trajectory in the majority of our countries. Transactional activity rebounded strongly, especially that associated with tourism, and businesses again saw the need for expansion and investment, which our Retail and Corporate lending teams were able to support. Foreign exchange flows grew, which led to better revenue associated with our Treasury teams.

Our 2022 statutory net profit outcome of K1.08 billion, was an outstanding result and all of our staff at BSP are to be congratulated for their achievements. Improved business conditions contributed both directly and indirectly to our net profit after tax. The direct impact was a consequence of increased business activity and more positive business sentiment, and indirectly with favourable economic conditions and business profitability returning. Our credit risk ratings permitted specific COVID-19 related model adjustments to be released, with BSP relying on its risk rating model for determination of credit provisions.

The financial result was even more pleasing when it is recognised that this was despite the PNG Government introducing the Additional Company Tax of K190 million that applied only to BSP in the banking sector. BSP has challenged this tax by way of judicial review in the Supreme Court of Papua New Guinea, and we have been joined as interveners by two of our largest shareholders, Nasfund and Nambawan Super Limited. It is expected that the review will be heard in the middle of 2023. The K190 million has been expensed in our 2022 accounts, and pending the Supreme Court decision the funds are held in an escrow account with Bank of PNG, supported by a legal agreement between BSP and the Internal Revenue Commission of PNG.

The Additional Company Tax of K190 million that applied only to BSP, was changed in the PNG Government's 2023 Budget that was passed by Parliament in November 2022, with the Additional Company Tax having a sunset clause that had the effect of it not being applicable in 2023. It was replaced by a change to the tax rate for PNG licensed banks by the Bank of PNG, from 30% to 45%. As the market was informed on 14 December, the estimated financial impact of a higher Company Tax rate based on 2022 results is expected to be approximately K220 million, noting that the K190 million Additional Company Tax will not apply in 2023. There was a one-off positive adjustment of K135 million to the carrying value of the deferred tax assets in our balance sheet for the 2022 financial year and it is not expected that there will be any further adjustments in 2023 of a similar nature.

Economic conditions improved in all the countries we operate in and any concerns relating to domestic liquidity slowly dissipated throughout the year. Growth in gross domestic product for PNG of 4.6% reflected an economy that was benefitting from higher energy prices globally and increased activity associated with the 2022 general election. As was experienced in other countries, a combination of higher energy prices, higher commodity prices and supply side constraints did lead to inflationary



GCEO Robin Fleming meeting staff | Mr. Fleming greeting staff during his PNG Independence Day visits to all branches in Port Moresby.

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pressures, with the Bank of PNG moving its monetary policy signalling rate up by 25 basis points to pre-empt inflationary concerns. BSP responded by increasing its lending rates by 25 basis points for most products, other than our home loan and personal loan products, while simultaneously adjusting deposits rates upward by a similar amount. This had the intended effect of changes in lending and deposit rates being neutral to net interest income. Across the other countries, Fiji's GDP growth was the standout at 15.6% and the rapid resumption of tourist travel contributed to business confidence, consumer demand and asset appreciation for the investments of our BSP Life Fiji business.

BSP GROUP PROFITABILITY [PGKm]

Entity	2022 NPAT	2022 vs 2021
PNG Bank	804.9	-2.1%
Cook Islands	4.8	-32.9%
Fiji	140.3	26.3%
Samoa	24.3	11.1%
Solomon Islands	34.3	4.6%
Tonga	20.2	13.4%
Vanuatu	2.7	-21.1%
Subsidiaries	49.6	1.2%

BSP maintained or grew its market share in all key lending markets, with PNG at 65%, Fiji 26%, Cook Islands 33%, Samoa 29%, Solomon Islands 45%, Tonga 38% and Vanuatu 12%. To maintain market share at close to 65% in PNG for a number of years now is a great reflection on our team of Corporate relationship managers and the level of service provided by them to our business customers. Our Corporate team in Fiji were also able to move to, and maintain the number one market share leadership position in the most competitive market in the Pacific. This required a sound, cohesive team-based strategy with support from Head Office and our Country Manager Haroon Ali. His Corporate team capably executed the strategy that consolidated BSP's position as the undisputed market leader in Fiji.

PNG CHANNEL TRANSACTIONS [m]

Channel	2018	2019	2020	2021	2022	CAGR
ATM	37.0	40.6	38.7	36.7	35.2	-1%
Digital	90.9	119.7	137.3	156.6	183.7	19%
Branches & Sub-Branches	16.4	17.6	17.0	18.0	19.8	5%
Total	144.3	177.9	193.0	211.3	238.7	13%

BSP has developed a number of payment and funds transfer solutions, which have proven extremely popular with our retail customers in particular to the extent that we now process 15 million digital transactions a month across our suite of Digital solutions, with our most popular channel being our mobile USSD banking service. The growth over the past three years has been significant and this reflects the commitment of Digital to develop products and Retail to roll out to our customers all around the country. Whilst transactional volume growth in mobile payments for merchants and mobile payments for school fees have not been as rapid as the more traditional mobile payment solutions, the ability for SMEs and schools to be able to receive payments from customers who are registered for mobile banking will reduce the system dependency on cash for payments over time.

Notwithstanding the increase in mobile and digital banking transactional activity, population growth in PNG has required our Retail business to further expand and enhance our physical banking presence in PNG. We opened a new branch at Eriku in Lae, which adds to our existing three branches in Lae, and which has six teller stations and six customer service stations with 26 staff in total. The branch layout is modern and allows for customers to familiarise themselves with our digital offerings with Wi-Fi and concierge support. BSP also opened a purpose built Retail lending centre in Port Moresby with 37 staff, who will provide dedicated service for personal loan customers and housing loan customers in Port Moresby. It is also hoped that the lending centre will reduce congestion at our Port Moresby branches. BSP has also commenced work in conjunction with our landlords on a second branch in Dobel, Mt Hagen in Western Highlands province which, will also provide full service banking for customers in the nearby Jiwaka province. The Dobel branch is scheduled to open by the middle of 2023, while branches at Maprik, Telefomin, Gerehu, Lae Lending Centre and Tari will be either upgraded or are scheduled for construction.

Our progress with the Go-Live of our new Oracle FLEXCUBE banking system continued during the course of 2022 and the conversion to FLEXCUBE is planned for the first half of 2023. As would be expected with a project of this magnitude, the program involved a team of more than 60 BSP staff in PNG, with partner support from Oracle, JMR, and 4impact, among others. Great emphasis has been placed on risk and issue management, whilst ensuring momentum is maintained for an effective Go-Live. All businesses have had system training and awareness, and dress rehearsals have involved all staff across all aspects of the business. Equally, post Go-Live, the Board and Management will be focused on benefit realisation to maximise productivity gains, minimise software license duplication from multiple surround systems that are now part of the integrated FLEXCUBE solution, and also move our customers to more self-serve support available with the digital solution, which will be known as the BSP Digital Hub.

As would be expected of any financial institution, BSP continued to invest in staff and systems to enhance and improve on Anti-Money Laundering (AML) and Compliance outcomes. This has involved recruitment and training of staff in AML as we build a team of professional staff who have the expertise to manage an AML program for the largest bank in the region. Board committee and Board oversight has been maintained and improved to ensure that our directors have a complete understanding of BSP's AML posture, and their involvement reflects their commitment to the AML program as well.

With borders reopening around the region, we were able to resume in person training for the 36 participants, 26 of whom are female, of our Leadership Management Development Program (LMDP). The training included six LMDP participants attending Melbourne Business School. There were also five internal secondments, and two international secondments for three weeks with the Brisbane Broncos and Firstmac. The Leadership Development Program has been a great success since it was started in 2014, and most notably there have been four program participants developed and promoted to General Manager roles. BSP is also proud to promote another female, Maryann Lameko-Vaai, to the position of General Manager Offshore branches. She joins Hari Rabura, Nuni Kulu, and Vandhna Narayan as General Managers, supported by Company Secretary Mary Johns. Maryann had been the Country Manager in Samoa prior to her promotion and she is the first Samoan to be appointed a General Manager of the BSP Group.

One of the many things that differentiates BSP from many other businesses is our support of community projects across all countries. This continued in 2022, with 68 projects across the region with themes of refurbishment of school sports areas, solar for rural health, school desks, and upgrading markets for SMEs. All our staff are actively involved in these projects, which shows BSP's tangible commitment to the communities we where we live and work.



New Eriku branch opening | Population growth in PNG has required our Retail business to further expand and enhance our physical banking presence in PNG.

Our Board led by our Chairman, Sir Kostas Constantinou, continued to provide leadership and support to management, whilst maintaining oversight of BSP's operational performance, risk management systems and governance.

The efforts of our staff across the group cannot be understated and without their commitment, BSP would not have been able to achieve the results it did in 2022. I thank them for the ongoing support of BSP's vision and delivery of much needed banking services to our customers across the region. I also thank my staff, the Executive,

the Board and Shareholders for their unwavering support during my term as Managing Director and Group CEO of BSP.


Robin Fleming, CSM
Group Chief Executive Officer



Introducing our new Group CEO

BSP Financial Group announced on 3rd November, 2022 the appointment of Mark T. Robinson as Group Chief Executive Officer.

Mr. Robinson is a senior financial services executive and globally experienced banking Chief Executive Officer with more than thirty years experience across developed, developing and emerging markets.

Mr. Robinson's appointment followed a rigorous and competitive global executive search, which considered highly credentialed candidates globally and across the Pacific region.

Mr. Robinson's previous roles include Chief Executive Officer of Commercial Bank International, a publicly listed bank based in the United Arab Emirates, Chief Executive Officer of ANZ Banking Group's operations in Southeast Asia, and prior, numerous senior executive roles with Citibank, including regional responsibility for South Asia, based in India, and other regional roles while based in Russia, Turkey and Hungary.

Mr. Robinson assumed his responsibilities on 1st March, 2023.

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South Pacific market leader

We continue to grow and build scale in pursuit of sustainable market leadership and profitability



K14.4bn
In net lending



K26.9bn
In deposits



K788.9m
Dividends paid



K5.8bn on PNGX
A\$2.3bn on ASX
Market Capitalisation

LAOS

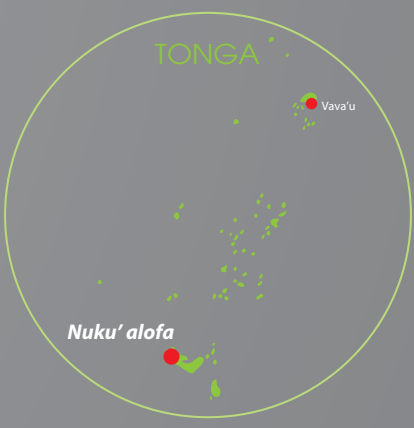
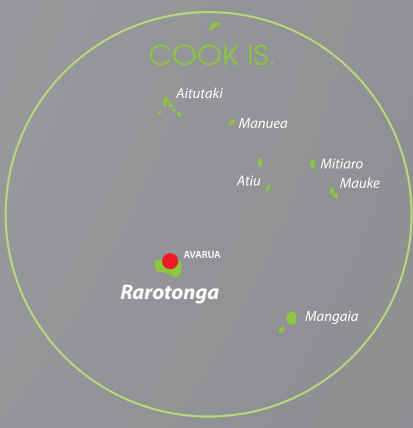
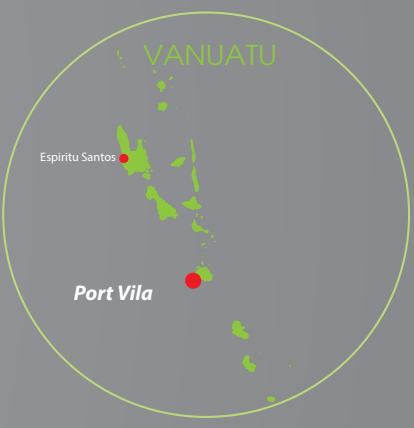
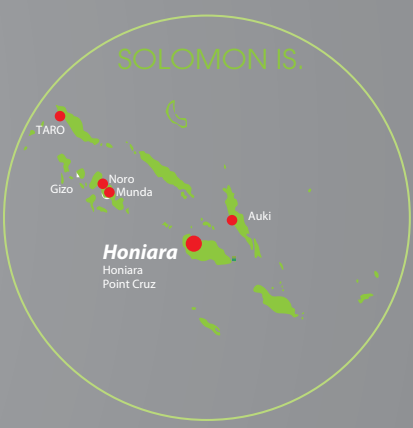
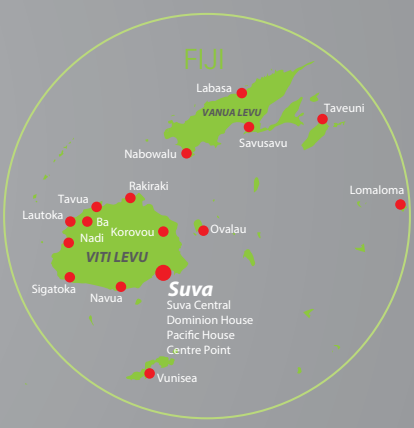


CAMBODIA



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PAPUA NEW GUINEA



MAP KEY





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Group Historical Summary

Profit and Loss (K'000)	2019	2020	2021	2022
Net interest income	1,391,784	1,447,012	1,603,259	1,745,060
Non interest income	779,566	704,422	768,912	853,952
Impairment of financial assets	(99,183)	(201,273)	42,655	5,359
Other operating expenses	(819,248)	(808,326)	(888,967)	(989,263)
Additional company tax	-	-	-	(190,000)
Operating Profit	1,252,919	1,141,835	1,525,859	1,425,108
Profit before tax	1,252,919	1,141,835	1,525,859	1,425,108
Income tax (expense)	(362,556)	(335,617)	(450,641)	(344,039)
Profit/(loss) after tax	890,363	806,218	1,075,218	1,081,069
Dividends (toea)				
Dividends per share	134.0	130.0	173.0	174.0
Balance Sheet (K'000)				
Net loans and advances	13,200,807	13,581,153	13,623,496	14,368,853
Total assets	24,527,118	27,523,437	30,443,122	33,890,104
Deposits	19,339,056	21,654,024	23,943,355	26,919,361
Capital	3,117,033	3,433,605	3,794,965	4,013,053
Performance Ratios				
Return on Assets	3.7%	3.1%	3.7%	3.4%
Return on Equity	29.7%	24.6%	29.7%	27.7%
Expense/Income	37.7%	37.6%	37.5%	38.1%
Key Prudential Ratios				
Capital adequacy	22.0%	23.2%	25.7%	24.6%
Liquid Asset Ratio	30.0%	32.6%	37.2%	37.7%
Leverage ratio	10.5%	10.3%	10.6%	9.9%
Exchange rates [One (1) PNG Kina buys]:				
US Dollar	0.2935	0.2850	0.2850	0.2840
AUS Dollar	0.4188	0.3700	0.3927	0.4191

Contributions by BSP to PNG

<i>All amounts are expressed in K'000</i>	2019	2020	2021	2022
Company income taxes paid to PNG Government	361,987	294,695	282,052	389,541
Other taxes paid to PNG Government (IWT, FCWT, BWT)	16,872	9,327	8,031	9,254
GST paid and not able to be recouped	15,821	14,519	16,613	20,213
Donations and Sponsorships	5,581	3,839	3,723	4,896
Total	400,261	322,380	310,419	423,904

BSP Group NPAT K1.081bn

0.5% increase from 2021

Dividend paid per Share K1.74

0.6% increase from 2021

Capital adequacy 24.6%

well above the regulatory minimum of 12%

Taxes paid to PNG Government K389.5m

Income Tax Payment in 2022

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Group Highlights

“ The provision of market leading banking services to the large unbanked segments of PNG and Pacific markets remains a central focus.”



RETAIL BANKING

2.6 Million BSP Account Holders in PNG

- Over 70,000 SME Accounts
- 3 SME Banking Centres
- 1 Specialised Lending Centre

The Retail Banking Strategic Business Unit (SBU) delivered another outstanding year in 2022, with positive outcomes achieved from both financial and non-financial perspectives. This was due wholly to the 1,588 staff in Retail Banking, whose commitment and dedication to BSP and our customers remained unwavering and they are to be thanked for their efforts.

Financially, Retail Banking's contribution to Group profits has increased from 35% to 40% over the past two years, making it the largest income generator in the Group and highlights its importance to BSP's overall performance.

Retail Banking core Net Interest Income was up 20% on 2021, driven by strong growth in our Unsecured Personal Lending book across the year and was a significant contributor to the Group's total loan book growth. Retail Banking's Paramount Division continued to be pivotal in driving Group deposit levels and the SBU continues to manage the majority of PNG Bank's total deposit holdings. Our focus on Small-to-Medium Enterprises (SME) continued, with over K229.5 million in lending as part of the Government's Credit Enhancement Scheme Loan program in 2022. Since the inception of the program, BSP has now lent over K310.1 million to more than 1,600 customers as part of this scheme.

Non-Interest Income grew by 20% on the 2021 result, largely driven by strong uplift in Digital Income and particularly Merchant Service Fees, with BSP continuing to maintain its position as EFTPoS terminal of choice across PNG. Digital banking remains a core focus for Retail, with investment into new Internet Payment Gateways, BSP Pay and Mobile Merchant technology continuing during the year. Digital transactions grew by 17.3% on 2021 with the Mobile Banking channel being the channel of choice for customers.

Non-financially, there were numerous highlights achieved in 2022. Retail Banking's Risk and Compliance function, which received increased resourcing in 2021, was able to deliver on that investment with strong outcomes achieved across our key compliance areas. On the People front, our continued focus on staff development resulted in further promotions of our national staff though the year to exemplify BSP's ongoing drive to promote Papua New Guineans into senior roles. Retail Banking, which is the largest SBU in the BSP Financial Group, remains a 100% Papua New Guinean workforce with over 53%

being female. Retail Banking's Senior Leadership Group now comprises over 60% female to highlight the gender diversity that exists within the organization.

Customer acquisition remained strong with a further 141,000 new customer accounts opened during the year across all our segments. To reflect BSP's ongoing commitment to supporting PNG, BSP opened new Branches in Koroba in Hela Province; Namatanai in New Ireland Province; Palimal in East New Britain Province; Eriku, Lae in Morobe Province; and a new Lending Centre in the National Capital District. In addition, we also completed ground breaking ceremonies in Telefomin, West Sepik Province and Dobel in Western Highlands Province, both of which will open in 2023. BSP now has 86 branches and sub-branches operational across PNG and BSP is the only commercial bank operating in 21 locations. During the year, we also commenced rollout of 120 new ATMs as part of our ATM refresh exercise to improve ATM uptimes for our customers, and invested further in terminals as part of our capital expenditure program. BSP now has 326 ATMs in operation and over 9,000 EFTPoS terminals on issue.

On the community front, Retail delivered 49 projects valued at K1.6 million in each of the provinces we are located, to assist our local communities. Group Marketing Business Unit was also pivotal in our delivery of social license to operate initiatives, with a total of K2.4 million in sponsorship and donations provided in 2022.

In addition to our banking activities, Retail Banking has been preparing both its staff and customers for the rollout of BSP's new Core Banking System, FLEXCUBE, in 2023. Our staff undertook intensive training during the year, utilising a combination of physical and virtual channels to ensure we can deliver customers the full benefit of our new banking system.

Looking ahead, 2023 will be a transformational year for BSP and for Retail Banking, with the rollout of our new Core Banking System, delivering many benefits for our customers. Retail will be firmly focused on ensuring customers receive the full benefit of our new world class system and focus on improving our customer experience in all areas.

We thank our 2.6 million account holders for their loyalty and support and we look forward to an exciting 2023.

CORPORATE BANKING

67.6% Lending market share in PNG

BSP Corporate Banking maintained its leading position within PNG, meeting the needs of its Commercial, Institutional, and Government customers, with an overall lending market share of 67.6%.

Our experienced relationship teams and product specialists have expert knowledge in transactional banking, lending, infrastructure, digital and foreign exchange. Our teams are located in the key regional locations in Mt Hagen, Madang, and Kokopo, combined with corporate centres in Lae and Port Moresby. BSP Corporate provides convenient access for the Bank's corporate customers.

As BSP continues to be the business partner of choice in the South Pacific, customer satisfaction remains a

priority. We conducted an annual online customer survey, the results of which indicate that BSP has high customer satisfaction levels. Key highlights of the survey included, strengths in foreign exchange, versatility of products, and premium branch service. Other key features include, outstanding relationship management and trustworthy business practice, and our regular customer visits.

Our Relationship Managers leveraged the largest retail branch network across Papua New Guinea and the South Pacific, to provide unrivalled reach and versatility in our products. Relationship Managers also worked closely with BSP Digital to provide access to online products, so that customers could work remotely and maintain access to their banking needs.

DIGITAL

184 Million Digital transactions in PNG in 2022

- 11 million USSD Mobile Banking transactions per month

Key achievements for BSP's Digital Strategic Business Unit (SBU) were in digitising customer interactions to make banking easier and more convenient for them. Our 2022 results speak to an increasing appetite by businesses for online platforms and mobile payments. More customers took to digital offerings than the previous year, which resulted in 184 million digital transactions by the end of the year.

Significant effort was made in driving digital awareness in 2022, acknowledging the need to move more of our existing customers to our digital platforms, and to increase the take-up rates of our digital offerings when we open accounts for our customers. There was exponential growth during the year on our most popular channel, Unstructured Supplementary Service Data (USSD) mobile banking services in PNG, reaching nearly 11 million transactions a month and closing the year with a record high of 128.4 million transactions. In 2022, around 380,000 customers used mobile banking every month.

Our Digital Enablement Plan includes partnerships with Government, and large and small businesses to drive digital adoption across the market. The Plan encourages our customers to use digital offerings and educates them on the features available, which include top up for Digicel, bmobile-Telikom and

Vodafone. Additionally, the payment of bills for PNG Power, purchasing of airline tickets from Air Niugini, and NCDC and Water PNG utility bills, as well as education fees and small business retail goods and services are available.

To support the Group's expansion of digital initiatives, our fintech joint venture, Platform Pacific Limited, has delivered a world class Internet Payment Gateway service for BSP and developed a bespoke non-card online payment platform, BSP Pay, which enables unprecedented access to digital online payments for BSP's 2.6 million account holders.

Platform Pacific is a home grown PNG-staffed and nationally managed company supporting BSP in increasing the digitalisation of bank products and customer digital experience.

Markets in PNG and across the Pacific region will be able to access Platform Pacific, as a vendor of digital services. Increasing use of our mobile and online payments and other banking services by customers, will continue to reduce the need for customers to visit our branches. In our market, a number of fintechs have emerged and are working across industries to implement digital solutions, which is a positive direction towards digitalisation for the benefit of all consumers.

TREASURY

42.4% FX Market Share in PNG

- FX earnings rose by PGK9.3 million from 2021.
- The Bank's FX turnover rose 14.9% in 2022.

BSP's Treasury Strategic Business Unit (SBU) fosters and enhances relationships with clients, providing Financial Markets services, solutions, and ensuring clients remain aware of the regulatory environment and its implications.

Treasury's Foreign Exchange (FX) earnings rose from the previous year by 4%, reflecting stronger FX inflows from firmer commodity prices (particularly Oil, Palm Oil, Copper, Cocoa and Coffee), despite the closure of the Porgera mine. Import demand again exceeded the export supply of foreign currency, and these difficult trading conditions continued throughout the year.

The official Bank of Papua New Guinea (BPNG) rate of exchange fell 10 bps over the year to USD0.2840, but rose against the Australian dollar (AUD) by 10.5% (400 basis points) to PGK/AUD 0.4200. The fall in the AUD to below USD0.6200 in October was largely a USD story driven by widening interest rate differentials between the USA and Australia as the USA tackled inflationary concerns with more urgency than Australia. The weakness in cross currencies cushioned PNG's non-USD imports from large price rises.

FX earnings in 2022 rose by K9.3 million from the previous year. The Bank's FX turnover rose 14.9%.

The Bank continued to invest surplus funds in Government securities. Movements in the Government debt yield curve reflected evolving fiscal conditions, and preference for raising low-cost offshore debt at the expense of domestic debt. The 28-day Central Bank Bill rates rose from 1.29% to 1.90%, 91-day Central Bank Bill rose from 1.96% to 2.69%, 182-day Treasury Bills fell from 4.34% to 2.75%, whilst 364-day Treasury Bills fell from 7.20% to 4.30%. Yields on 5-year Government-issued Inscribed Stock fell from 9.70% to 5.44%, while 10-year Government-issued Inscribed Stock yields fell from 9.90% to 6.28%.

Treasury continues to mitigate risk and actively aims at providing technical training and empowering staff to continue their development journey. Treasury Dealing Staff training encompasses weekly technical training (Australian Financial Markets Association Foreign Exchange Markets Accreditation), regulatory and internal compliance training, and on-the-job cross-training and sales training. The strong focus on training will continue in 2023.

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GROUP RISK MANAGEMENT

The Group Risk Management Strategic Business Unit is responsible for the effective risk management across the Group, which continues to underpin the delivery of BSP's strategic objectives. BSP's Board-approved Group Risk Appetite Statement establishes the risk appetite parameters that BSP is prepared to assume and manage in pursuit of its business objectives. The entire executive team is responsible for implementing BSP's Risk Management Strategy and frameworks, ensuring appropriate policies, controls, procedures, and processes for identifying and managing risk in all activities are in place.

BSP's Credit Business Unit is responsible for underwriting and monitoring BSP's loan portfolio within the Group Risk Appetite Statement parameters. In addition to overall credit quality, Credit oversees compliance with credit policies, procedures, underwriting standards, stress testing and adequacy of loan provisioning, monitoring sector concentration limits, management of environmental and social risks, and loan portfolio reporting.

Key credit policies and procedures are regularly reviewed to ensure that BSP is aligned with the banking regulator, compliance, and industry environment, and preserves prudent Credit Risk Management standards.

In addition to individual rating assessment, the portfolio is subject to stress testing, reporting, and monitoring by the Credit Committee. In 2022, the economic outlook was generally positive for borrowers previously affected by COVID-19 impacts, as a consequence of borders reopening. BSP continues to work closely with borrowers in impacted sectors, as they recover and deal with some of the flow on effects specific to their operations.

Credit Risk training and staff development continued to be a key focus during the year. Through designated training resources and the use of virtual classrooms, the team's staff in all countries benefited from an ongoing structured credit training program, focused on enhancing BSP's credit risk culture. This enhancement comes through consistent application and implementation of key policy and procedures

supporting considered credit decision outcomes.

BSP's Information Security Business Unit is responsible for protecting the confidentiality, integrity and availability of information under the control of BSP Financial Group and its Subsidiaries, and implements appropriate security controls and processes to protect its information assets. Information Security also focuses on continuous cyber security threat analysis, vulnerability assessment, monitoring and testing to ensure information assets are safeguarded from cyber security threats.

BSP's Operational Risk Business Unit is responsible for the identification, measurement, mitigation, monitoring, and reporting of Operational Risks. This is a joint effort among all the process owners from the business, operations, and other support units across the Group. This unit also focuses on the continuous improvement of the general processes and controls, and strengthening the first and second line of defences for BSP Financial Group.

FINANCE & PLANNING

The Finance and Planning (F&P) Strategic Business Unit continues to effectively manage the Group's financial resources. Business forecasting is also important, when market conditions are subject to volatility, and F&P staff have delivered accurately and effectively to management and the Board to support decision-making.

In preparation for the Go-Live date of BSP's new FLEXCUBE Core Banking System, F&P continues to work with the Core Banking project team to ensure critical elements of the projects are tested thoroughly. The major focus has been to achieve efficiency and automation in our reporting function. F&P personnel are actively involved in the data migration and reconciliation process to ensure a smooth transition and transparency for audit and compliance. The team continues to enhance its general ledger reconciliation and monitoring capabilities across the Group. This has assisted with the successful completion of financial audits by our external auditors, with clean audit outcomes produced in a timely manner.

The Data Analytics team continues to meet internal and external reporting requirements providing support to various stakeholders as required. The team's involvement with the new Core Banking project is critical, as we look into ways to achieve efficiency in our reporting

function. The Management Reporting team have also progressed well with testing various business reporting tools of the new Core Banking System. Two (2) dedicated external experts provided valuable assistance during the testing period in 2022, with staff being trained on the various reporting functionalities of the new Core Banking System. These tools will enhance the Group's reporting capabilities and enhance efficiency when providing timely and accurate reports to various stakeholders.

The Procurement and Purchasing team continues to support strategic business units with their purchasing needs and remain an important point of contact when dealing with existing goods and services providers. Working closely with them is the Accounts Payable team, which ensures that BSP's accounts are properly vetted and settled on time, and any disputes are resolved amicably.

The Strategy team continues to manage the strategic planning process, investor relations engagements, and reporting cycles. They also coordinate the delivery of Board-mandated strategic priorities across the Group ensuring that the roadmap for benefit realisation is in place with Country Heads and Executive Management reporting against Board targets.

The focus for the Financial Risk Management team in 2022 was preparation for FLEXCUBE Go-Live. This involved the secondment of a senior staff member from the team to the Core Banking project team who was actively involved in ensuring that there is a smooth transition from current Treasury systems to the new Core Banking System. The team was also actively involved in training and development with the Core Banking project team and external consultants, and through regular internal analytics training in preparation for Go-Live. The addition of the Oracle Financial Services Analytical Applications Asset & Liability program, will ensure that detailed reporting will be provided to the Group Asset & Liability Committee.

Leadership capabilities within the SBU also continue to be recognised with a number of promotions in 2022. Two (2) of our team completed BSP's Leadership Management Development Program, with another team member entering in 2023. With the Go-Live date for the new Core Banking System set for early 2023, staff upskilling continues to be our major focus. We envisage improved productivity and increased output and analysis with the switch to the bank's new Core Banking platform, and we are confident that our staff are equipped with the knowledge necessary to utilise the new features in 2023.



Ground breaking ceremony for Dobel Branch, Mt Hagen | To support our retail and business customers we have expanded our Retail branch network, with new sites opened in Eriku in Lae, Morobe Province and Palmalmal in East New Britain Province.

OPERATIONS & INFORMATION TECHNOLOGY

The Operations & Information Technology Strategic Business Unit (SBU) covers seven countries. The SBU is responsible for all back-office operations and ensures that the needs of our clients are at the centre of our operational framework.

To support our retail and business customers we have expanded our Retail branch network, with new sites opened in Eriku in Lae, Morobe Province and Palmalmal in East New Britain Province. Furthermore, we opened a first of its kind dedicated Lending Centre in Port Moresby. Additional branches in Telefomin in Sundaun Province, and Dobel in Mt Hagen, Western Highlands Province are expected to open in 2023.

To address the increasing power outages in PNG affecting our branch network, we have implemented an N+1 prime generator redundancy configuration for our most affected branches. N+1 redundancy is a form of resilience that ensures system availability in the event of component failure.

To enable instant and frictionless payment transactions anywhere in the world, we have transformed our SWIFT platform and our compliance services. This enhances BSP's Anti-Money Laundering screening capabilities and exception management processes resulting in faster processing of payment transactions.

To address evolving Cyber Security threats, we have implemented significant improvements to control our Technology environments. Our software patching process is now automated, where newly released patches can fix bugs and security flaws, and can help to enhance applications with new features and fix security vulnerabilities. We have also upgraded our User Authentication environments and implemented a Privileged Access Management and Monitoring Tool, to safeguard identities with special access or capabilities.

In addition, we have ensured that our Internet Payment Gateways are 3D Secure 2.0 compliant with the latest update of the 3D Secure authentication protocol that allows issuing banks to verify credit card owners during the transaction process. Verifying card owners can transfer liability for fraud disputes away from the merchants who utilise 3D Secure.

Finally, we ensured that we are fully compliant with the requirements of the Payment Card Industry Data Security Standard (PCI DSS). The PCI DSS is a set of requirements intended to ensure that all companies that process, store, or transmit credit card information maintain a secure environment.

In order to provide services that are more efficient to our customers across the Pacific, we

have upgraded our Domestic and International Data Communication links. We now provide 5 to 10 times more bandwidth using the latest technology. Simultaneously, we have installed a new information technology infrastructure platform across all systems hosted in PNG, providing more resilience, efficiency and significant performance improvements.

The implementation of a new reconciliation tool will ensure that BSP continues to create accurate, high-quality financial statements in a shorter period, with a reduced number of staff. Also, in driving continuous improvement, our Lending Support Business Unit, processed 24% more loans compared to the previous year with the same number of full time employees.

Following the successful implementation in Vanuatu, the implementation of our next generation Core Banking System (Oracle FLEXCUBE) for Papua New Guinea is well on track. FLEXCUBE is built to be able to keep up with the rapidly evolving customer and market dynamics in this digital age. Staff are trained on all new functionalities in order to assist our clients and meet their expectations for quality service. Our next generation Core Banking System is built with three major considerations in mind: cost effectiveness; high-speed transaction systems; and future digital readiness/resilience.

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PEOPLE & CULTURE

The People & Culture Strategic Business Unit (SBU), formerly known as Human Resources SBU, had the opportunity to rebrand in 2022. The name change is to align with the outlook of the SBU, however human resources is the core function of the SBU.

People & Culture provides strategic support to the BSP Group's employees through its core business functions. In 2022, our focus has been on service, employee experience and progressively embedding a digital approach as a business-as-usual function in our daily operations. We continued with project initiatives which leveraged existing systems that could enhance the employee experience. Our main highlight in this regard is the implementation and use of the Eventbrite App for our main BSP Family Fun Day event.

The overall delivery of our Health & Wellness Program for 2022 to PNG employees was a success with a 94% satisfaction rating. Our staff within the Nation's Capital were able to participate in our Health & Wellness games and our online educational health sessions facilitated by licensed medical professionals. The challenges with COVID-19 shifted our focus to mental health awareness and well-being for our employees and we intend to continue with similar initiatives in 2023 and beyond.

With an easing in COVID-19 restrictions allowing most PNG staff to travel into Port Moresby for face-to-face training, our new Employee Induction Training for the year had a total 274 staff inducted, with 47 in person attendees and eight via Zoom from Vanuatu. We had a record number of 103 in

attendance for our final quarter induction for the 2022 which was held in November.

Under BSP's iCare initiative, the 2022 Imperative was the "Customer/Bank of the Future" with activities geared towards this Imperative. The successful completion of the 2022 Imperative across the Group was a key highlight for our SBU. Nine (9) iCare Champions from across the region presented their highlights, challenges and process enhancements in two Executive Committee meetings.

People & Culture delivered 10 projects in 2022 for overall operational excellence. The priority was the continued support to improve our Recruitment Process with the digitisation of the Change of Position Details Form that complements our initial Internal Job Application process on SharePoint. In line with our goal to improve service delivery, digitised forms and communication touchpoints were utilised via SharePoint, HR21 and the BSP Learning Portal. In addition, the iChris version upgrade in 2022 (version 8.25) streamlined processes with a "one-stop processing" approach for new hire processing and an enhancement to the main self-service portal's user interface. We have had positive user experience feedback since the upgrade in 2022.

People & Culture continued to manage and coordinate the Leadership and Management Development Program (LMDP) and our Graduate Development Program. These two programs are essential to the growth and development of BSP's next generation of senior leaders across the BSP Group. We have had significant international

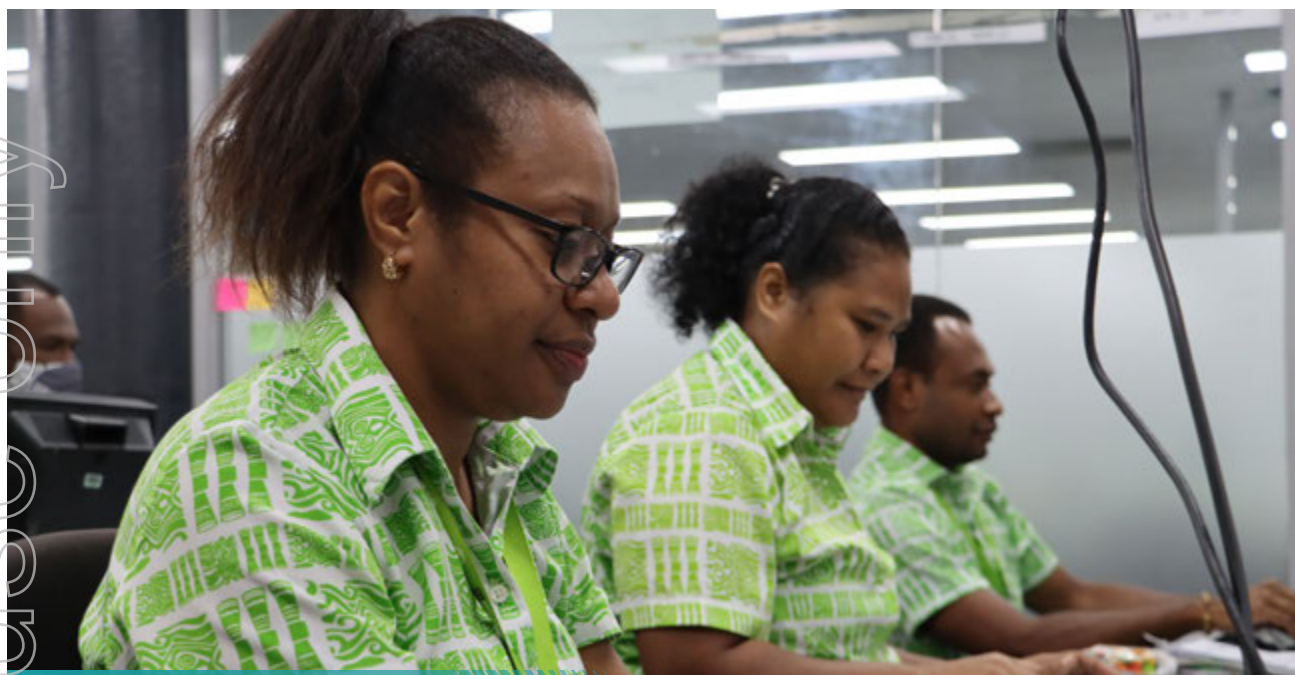
training this year under the LMDP with in-person trainings in INSEAD Singapore and Melbourne Business School.

People & Culture support extends to the Offshore Branches (OSBs) and Subsidiaries. A key highlight this year was the completion of benchmarking Fiji Bank's position titles and job grade alignment to BSP Group. Since becoming part of the BSP Group, Fiji Bank position titles and job grades were not in line with the BSP Group. With this alignment exercise, management is now able to compare similar positions across the Group and make decisions in line with respective positions and job grades. The team's focus for supporting the OSBs and subsidiaries is to ensure our policies, processes and practice is consistent across the BSP Group. Other highlights for the OSBs include the appointments of the General Manager Offshore Branches and the Country Head for BSP Vanuatu and BSP Samoa.

Moreover, all our scheduled online surveys were conducted and completed with pleasing results in 2022. Our overall Group-wide Staff Engagement Survey was a high 87% engagement level and our Health & Wellness satisfaction survey result was an all-time high 94% rating. Additional surveys include our Customer Service Survey that we have to improve by 10% in 2023. The support to Corporate Banking SBU with their overall customer satisfaction survey in 2022 was an outstanding result at 80%. These surveys are critical in measuring and optimising our overall employee engagement, experience and service delivery.



People & Culture Team | People & Culture continued to manage and coordinate the Leadership and Management Development Program (LMDP) and our Graduate Development Program.



Core Banking staff training | Staff undergoing training for the new Core Banking System.

GROUP COMPLIANCE

Group Compliance Strategic Business Unit (SBU) was restructured in 2022, to address the challenging compliance environment in Papua New Guinea and meet the evolving compliance needs of the Group, in particular the Financial Crime Compliance field.

Group Compliance now has five (5) Business Units, with two (2) third line of defence Business Units (Internal Audit and Credit Inspection) and three (3) new second line of defence Business Units (Regulatory and Policy Compliance, Transaction Monitoring, and Financial Crime and Compliance Management) replacing the previous Compliance and Anti-Money Laundering (AML) Business Unit.

The Transaction Monitoring Business Unit has overall responsibility for BSP's Transaction Monitoring Program. The Business Unit carries out real time sanctions and AML monitoring of Foreign Exchange (FX) transactions, and Day 2 Monitoring of all transactions, using a combination of automated and manual Transaction Monitoring Systems. The Transaction Monitoring Business Unit has 27 staff.

The Financial Crime and Compliance Management (FCCM) Business Unit has 22 staff and has overall responsibility for Financial Crime Compliance Management in BSP. This includes the overall management of three (3) Programs: Anti-Money Laundering and Counter Terrorist Financing (AML/CTF);

Sanctions Management; and, Anti-Bribery and Anti-Corruption. FCCM also works closely with the Transaction Monitoring Business Unit for Know Your Customer (KYC) activities, training across the Group, Technical AML activities, and Program Management.

The Regulatory & Compliance Business Unit, which monitors the management of compliance risk across the Group, focused on identifying areas of improvement in 2022, for implementation in 2023 and onwards. Areas identified, which will be concentrated on in 2023, include enhanced awareness across the Group on regulatory compliance, and the identification of issues via effective monitoring of obligations and controls. The Regulatory & Compliance Business Unit is structured into Integration and Monitoring teams.

The Internal Audit (IA) function covers the entire BSP Financial Group including subsidiaries and branches based offshore. Internal Audit adheres to the principles required by the International Standard for the Professional Practice of Internal Auditing (ISPPA), the Internal Audit Definition, and Code of Ethics. It provides assurance and a systematic, disciplined approach to evaluate and improve effectiveness of risk management, internal controls, and governance processes. It reports to the Board of Directors through the Board Audit and Compliance Committee (BACC). It seeks BACC's approval for the annual audit plan,

provides updates on accomplishments, reports results of audits conducted and tracks resolution of audit findings.

For the year ended 31 December 2022, IA completed 144 audits across the Group focusing on the design and operational effectiveness of internal controls, compliance with laws and regulations, especially those related to AML/CTF, and Central Bank Prudential Guidelines or Standards requirements. IA attests to the fulfilment of its mandated responsibilities and provides overall assurance on the effectiveness of internal control, risk management and governance processes for the year ended 31 December 2022.

The Credit Inspection Business Unit, which independently assesses loan submissions, compliance with credit policies and procedures and portfolio quality assurance, completed 35 reviews in 2022. Seven (7) reviews were undertaken onsite whilst 28 were conducted remotely.

All 13 PNG Corporate portfolios have been reviewed in the past 12 months, along with all nine (9) Corporate Offshore Branch (OSB) portfolios, 12 PNG Retail and 1 BSP Finance.

Group Compliance has 104 staff across its five Business Units, and its expanded team will be the SBU's key strength going into 2023 and onward.

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“ BSP continues to monitor and explore growth opportunities in new and existing markets, consolidating our position as the South Pacific's leading bank. ”



Broader Group



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COOK ISLANDS

NPAT

NZD2.1m

32.9% decrease from 2021

Cook Islands' tourism dependent economy picked up in 2022, with the progressive reopening of borders commencing in January. Notwithstanding, it has been a challenging year with BSP Cook Islands delivering a 2022 Net Profit After Tax (NPAT) of NZD2.1 million, (K4.8 million) representing a 32.9% decrease from 2021, a result largely impacted by a one-off payment of NZD1.3 million (K2.8 million) to the Ministry of Finance & Economic Management to settle an outstanding liability.

BSP Cook Islands actively supports and provides banking services to the business community across the private sector, public sector, and local communities. These services include two (2) branches, 14 ATMs, 450 EFTPoS and 10 agents, many of which are in the outer islands. Participation in BSP financial literacy continues for the youth of the Cook Islands and plans are underway to implement concessional loan schemes, designed to support the growth and development of SMEs, sole traders, and micro-business.

With the increase in visitor arrivals, key revenue lines have improved and exceeded expectations,

including merchant income and foreign exchange, although subdued credit conditions have seen a contraction in total loans. The business remains focused on efficiencies and cost savings in key operating expenses, including resourcing, premises and computing to help offset the challenging trading environment.

The 2023 outlook for Cook Islands is positive, with an increase in flights and the announcement of new direct schedules, commencing in the first half, linking Cook Islands to the key USA, Northern Hemisphere, and Australian markets. BSP Cook Islands is optimistic that visitor arrivals will return to pre-COVID-19 levels and improve economic conditions. The business is ready to capitalise on the opportunities presented through various strategic and growth initiatives developed for 2023.

BSP is confident of continual improvement in economic conditions in 2023, as the tourism industry strengthens and despite a challenging 2022, our staff remain committed and focused on supporting customers and industry through the challenges presented in the post COVID-19 transition.

FIJI

NPAT

FJD87.6m

26.3% increase from 2021

Fiji's economic conditions improved significantly in 2022, underpinned by higher visitor arrivals after the reopening of international borders, which boosted tourism. Further, consumption spending was boosted by the recovery in local employment and continued growth in inward remittances throughout the year.

While the banking market in Fiji remains highly competitive, BSP continues on the path of sustaining its number one market share position, with support and commitment from a highly engaged workforce. Staff satisfaction remains high, as evidenced from the Annual Employee Engagement Survey results of 90%.

BSP Fiji delivered a NPAT of FJD87.6 million (K140.3 million), higher than 2021 actuals (FJD69.4 million) by 26.3%. In both 2021 and 2022, the audited results included the release of net general provision of circa FJD12 million and FJD10 million respectively.



The 2022 financial results evidence a 19.5% increase in total income, primarily from lower interest expenses on the back of a highly successful cost of funds reduction strategy. This was largely supported by high levels of system liquidity maintained throughout the year. Additionally, the bank recorded higher foreign exchange and electronic channel income, linked to the higher-than-anticipated recovery in business activities post opening of international borders in December 2021. Operating expenses remained below budget by 2.6% and broadly at 2021 levels, despite growth in business activity.

BSP Fiji has cemented its number one market position through onboarding new corporate customers, together with a successful customer retention strategy. A big win for BSP Fiji was onboarding one of Fiji's largest 100% locally owned and publicly listed investment companies in April 2022.

Our key focus on expansion of BSP's digital footprint continued in 2022. Key investments included the deployment of Fiji's first Cash Deposit ATM that instantaneously credits deposits and the ongoing upgrade to the ATM fleet, with new contactless and touchscreen NCR ATMs. With these investments, our customers' preference in conducting daily banking electronically has driven increased usage of our digital products. As part of a Government initiative, BSP has successfully completed the rollout of the National Payment System in November 2022, which provides effective and efficient inter-bank domestic payments.

BSP remains committed to its local communities through helping revitalise health centres in rurally remote areas, sponsored community driven "Go Green" clean up campaigns and other worthy causes or events that help change lives.

SAMOA

NPAT

WST18.6m

11.1% increase from 2021



Despite the Samoan economy contracting by 6.0%, BSP Samoa has sustained business growth and delivered another strong financial performance in 2022, on the back of improved economic activities since the reopening of the borders in the third quarter of 2022. The NPAT of WST18.6 million (K24.3 million) generated a return on equity of 17.9% and return on assets of 2.5%. The favourable result was underpinned by good revenue growth, with prudent cost management and a solid balance sheet position. The reopening of borders provided a positive trajectory for foreign card transactions and improvement in credit appetite. Despite the latter, Samoa's economic environment has impacted delinquency levels. Accordingly, we continue to focus on recovery plans to improve our net bad debts position.

The economic outlook for Samoa is positive, with recovery anticipated at the back of the full year of the borders reopening. BSP's strategic focus for 2023 will be committed to helping our customers and community rebuild and harness growth opportunities, through operational efficiencies and overall customer experience, as we strive to cement our number one market position in Samoa.

Dedicated customer care and a reliable electronic footprint that deliver innovative and cost-effective financial services, remain key priorities for the Bank. Customer service helps retain and strengthen customer relationships, while our growing electronic footprint includes 30 ATMs, 42 agents, and 501 EFTPoS terminals.

BSP Samoa remained committed to its community via numerous projects throughout the year. In 2022, we delivered over 50 projects to various sectors of our community. Our key community project in 2022 focused on education, promoting literacy through the provision of classroom furniture, office administration equipment, with literacy and numeracy materials for Samatau Primary School.

Our success is built on the dedication of our staff towards delivering superior services to our customers. The strength of our culture is reflected in the way we embed a values-driven approach to our work. With a dedicated workforce and loyal customers, BSP Samoa is well positioned to execute our long-term strategic vision.

SOLOMON ISLANDS

NPAT

SBD79.6m

4.6% increase from 2021

BSP Solomon Islands reported a NPAT of SBD79.6 million (K34.3 million) in 2022, an increase of 4.6% on 2021. BSP continues its market leadership, with the largest market share position for both loans and deposits. Solomon Islands experienced a challenging start to 2022 across the market, with the recovery from the impact of the November 2021 riots and the countrywide transmission of COVID-19. The latter forced travel restrictions across the provinces and affected the international borders reopening timeline.

The challenging market conditions also saw a contraction in lending, leading to lower interest income against budget. Despite these challenges, we managed our non-performing loan portfolio effectively, aided by relief assistance offered to customers heavily affected by COVID-19 and the November 2021 riots.

Our adaption to the "new normal" and increased awareness of our digital offering, saw positive results in our foreign exchange and digital revenue streams. BSP Solomon Islands benefited from the influx

of tourists and professionals, through higher FX income and transaction income from increased usage of digital platforms. Mobility restrictions were lifted and internal borders were opened in July 2022, which triggered increased business activity in the market.

BSP Solomon Islands acknowledges the efforts and commitments from all staff members in serving our customers and community. A number of key community projects were completed and delivered across the country, as we remain committed to giving back to our communities.

Improved customer service and expanding our digital footprint across the country, remain our key priorities for 2023 and beyond. With seven (7) Branches, 33 ATMs, over 50 BSP Agents and more than 300 EFTPoS Terminals in Solomon Islands, we remain committed to assisting customers and communities prosper as their bank of choice.

BSP Solomon Islands looks forward to an even stronger 2023.

TONGA
NPAT
TOP13.4m
13.4% increase from 2021



Throughout 2022, the Kingdom of Tonga has largely remained in a state of recovery, following the eruption of the undersea volcano (Hunga Tonga Hunga Haapai) on 15 January 2022, and the subsequent tsunami which caused estimated damages of USD90 million. Additionally, extended border closures resulted in a contraction in economic growth during 2022.

BSP Tonga Limited achieved a Net Profit After Tax of TOP13.4 million (K20.2 million) in 2022, 13.4% above its 2021 results. Overall income growth of TOP3.3 million drove this performance, boosted by the influx of foreign aid and remittances, which saw solid outcomes across foreign exchange (39.6%), and slight increases for MoneyGram (0.1%). Channel income improved (75.5%), with the reopening of Tonga's border in the third quarter of 2022. Overall expenses remained 13.4% above plan, driven by higher-than-expected inflation rates and administration costs related to the FX levy (62.8% higher than 2021). Good debt management and recovery efforts positively impacted results, as well as a one off insurance payment of TOP0.47 million (net impact), received for the Bank's damaged residential property.

BSP's customer base in Tonga grew by 6.7% to 39,954, with customers continuing to select BSP as their bank of choice. This was further supported by BSP's retention of its number one position, with over 40% market share across

both Lending and Deposits. Despite a contraction (-4.8%) in lending, deposit volume continued to grow (10.0%) as the economy gradually recovers from COVID-19 and natural disaster.

Customer support throughout the year saw the introduction of a discounted tsunami personal loan, a reduction in the SME lending product for contractors engaged in recovery activity, as well as offering short-term lending relief to impacted customers.

Community and sponsorship efforts saw over TOP100,000 allocated to support tsunami recovery and grassroots activities. This included a TOP50,000 donation to the Government of Tonga, to assist with the relocation of displaced communities such as Mango Island; expansion of the Bank's Go Green initiative replacing over 70 damaged rubbish bins across the Nuku'alofa foreshore; TOP20,000 support for Tonga Tertiary Institute's Public Library under the Bank's Community project; TOP10,000 partnership with Tala, Tonga's national netball team, ahead of the 2023 World Cup; and other monetary support contributed to Tonga Rugby and Breast Cancer events.

Despite a difficult year, staff engagement increased by 6%, reflecting the resilience and dedication to delivering outstanding services, meeting the needs of our customers and communities.

NPAT
VUV109.8m
21.1% decrease from 2021

VANUATU

Vanuatu reopened its international borders on 1 July 2022, after borders were closed in March 2020. The community outbreak of COVID-19 prolonged the closure of international borders, which saw no tourism income for over two (2) years and had a significant impact on the local economy. BSP Vanuatu provided financial relief assistance to affected Corporate and Retail customers during the border closure period. All customers on relief packages are expected to return to principal and interest repayments from January 2023.

The challenging economic conditions impacted the performance of BSP Vanuatu, as the bank recorded a Net Profit After Tax of VUV109.8 million (K2.7 million), which was 21.1% lower than 2021 results. The major driver of this below-budget result was the unfavourable net interest income, triggered by the contraction of the performing loan books in 2022.

Operating expenses were managed well with cost saving initiatives to offset the reduction in our main revenue streams. Channel Income picked up momentum after borders reopened with increased foreign cards usage on our devices.

BSP Vanuatu continues to expand banking services through its various service touchpoints. With 26 active ATMs and 400+ EFTPoS terminals, BSP Vanuatu supports the economy by bringing banking services to all customers across our points of representations. Anti-Money Laundering and Counter Terrorist Financing compliance was given key focus throughout the year.

With a strong focus on corporate responsibility, BSP Vanuatu delivered various community service projects such as "Go Green" projects within schools and local businesses. The major community projects included a VUV1.0 million

donation to Pro-medical for medical supplies, and a commitment to donate a generator to Santo hospital which will be delivered and installed in early 2023.

The new Country Head, Mr. Edward Yee, joined the business from 30 November 2022. Edward brings a wealth of Corporate Banking and People Management experience to the organisation, and we look forward to his leadership in 2023 and beyond.

With the economy in the recovery phase for much of 2022, the key focus for 2023 will be loan book growth and our digital footprint expansion, as important drivers of our main revenue streams, as well as ensuring compliance with all internal policies and regulatory requirements.

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“...we recognise that access to banking services is key to unlocking the economic potential of the people and communities where we operate.”



Subsidiaries

Subsidiaries

BSP Finance Ltd | BSP Capital Ltd | BSP Life Ltd

BSP FINANCE LIMITED

Papua New Guinea

PGK5.8m

Full Year Profit in 2022

Fiji

FJD4.4m

Full Year Profit in 2022

Cambodia

USD3.3m

Full Year Profit in 2022

Solomon Islands

SBD0.2m

Full Year Profit in 2022

Lao

USD1.0m

Net Loss in 2022

Papua New Guinea

BSP Finance PNG achieved a full-year profit of K5.8 million in 2022, down 20% from 2021. In the early part of the 2022 financial year some customers were still recovering from the downturn in economic conditions. For some, the lingering impact of COVID-19, closure of the Porgera Mine and the delayed start to other resource projects, hampered growth prospects and slowed existing businesses. Whilst the second half of the year saw an improved environment and rapid rebound in new business, it was not enough to bridge the income gap experienced in the first half of the year.

Country Manager, Brendan Casey, joined in November to replace Simon Kepui. Brendan is an experienced leader and has many years of practice in a wide variety of financial services businesses in Australia. Given the latter, Brendan is already making strong progress in the PNG market.

Our commitment to the community continued in 2022 when we delivered the second phase of our assistance to the health clinic and storage facility attached to the Bomana prison, Port Moresby. We were able to repair the building, which was in need of a new roof, and it now provides safe and secure storage for the food supply in the prison, as well as shelter for other offices including that of the prison priest.

In 2023, our business is poised to grow and has gained momentum through the third and fourth quarters of 2022 to ensure we have a solid start to the new year.

Fiji

We achieved a full-year 2022 profit of FJD4.4 million (K7.2 million), an improvement on 2021 of 57%. Like PNG, the business had a slow start in 2022 due to natural disasters and COVID-19-related economic impacts. However, as the year progressed, many customers who were supported during the COVID-19 period recovered sufficiently to enable us to reverse provisions, which led to an improved result.

With the borders open to international visitors, Fiji saw a gradual and sustained improvement in economic activity and the performance of the business improved accordingly. Fiji led the way in the Pacific in its response to COVID-19 and this allowed the country to open and return to normality.

With the economic recovery in full swing, we expect our business to continue its growth and we have set our strategy to this end.

Cambodia

The asset and auto finance industry is a competitive environment with competition from 17 leasing companies, as well as commercial banks providing similar products. Despite this, the Cambodia business was able to write above-budget sales volumes consistently with the support of our joint venture partner and through our reputation for quality service in Cambodia. Much of the business was written at margins which suffered due to rising cost of funds. Hence, a Net Profit After Tax of USD3.3 million (K11.6 million), was a 5.6% decrease from the previous year, despite our loan book growing by 28.4%.

In March, our Country Manager left the business and was replaced by Tilen Kheng who commenced in June. Tilen was recruited from within the industry and has experience in the leasing business and local banks in Cambodia. Through his leadership and strong focus on service delivery, we aim to continue our growth in 2023.

Solomon Islands

BSP Finance Solomon Islands made its first profit of SBD0.2 million (K0.1 million) for the full year 2022. We grew our market share by circa 37% while increasing new business by writing good quality loans. As a result, we had very low rates of non-performing loans that aided us in achieving the budgeted net profit.

During the year, we grew our regional profile and consolidated stakeholder relationships in the industry, with our partners in auto dealerships and heavy equipment sellers. These partnerships and a commitment to best in industry service will set up the Solomon Islands business to continue its growth trajectory in 2023.

Lao

BSP Leasing Lao recorded a net loss of USD1.0 million in 2022.

In 2022, Lao borders progressively opened to international travellers and the economy saw steady growth in visitors in the second half of the year. The China-Lao railway's continued operations and the planned energy-focussed infrastructure projects in the pipeline provide much optimism for the business in 2023 and beyond.

The main strain on the economy—and in turn, our business—has been historically high inflation rates (up to 30%) and the depreciation of the Lao Kip (LAK) against US dollar, which interrupted the economic recovery in Lao and the finance business.

BSP Lao has established a presence in the market and has become the preferred financier for many auto dealers. This momentum will enable success as the economy continues to recover in 2023 and beyond.

BSP CAPITAL LIMITED

PGK0.6m

Full Year Profit in 2022

BSP Capital recorded a profit of K0.6 million, compared to a profit of K1.0 million in the prior year. 2022 was a challenging year for the business with law and order issues as well as delayed investment decisions related to the National General Elections. Furthermore, declining rates in the money markets resulted in reduced bond market profitability, however BSP Capital did manage to grow its Funds under Management (FuM).

The Total FuM ended at K6.98 billion, up 6.9% from 2021. The FuM in the Retail Segment grew by 13.9% to finish the year at K704 million, whilst the Wholesale Segment increased by 6.2% to end the year at K6.3 billion.

Income from Advisory services was also impacted as investment deals were deferred or otherwise fell through due to elevated risks in the investment environment coupled with higher inflation heading towards the year end. We anticipate that the advisory market will see momentum return in 2023, as the economy recovers from these difficult investment conditions.

BSP Capital continues to explore Funds Management and Advisory opportunities exemplified with the recent engagement by Solomon Islands Provident Fund in late 2022 to provide Funds Management services. In complementing BSP Capital's aspirations to explore new areas of growth, BSP Capital has initiated a project to provide Fund Administration services, which will include

licences from the regulator. The successful implementation of the project should translate to stronger returns in the future.

BSP LIFE LIMITED

<p>Fiji</p> <p>FJD17.8m</p> <p>Full Year Profit in 2022</p>	<p>■ FJD988.9 million Investment portfolio</p> <p>■ FJD80 million Total benefits paid in 2022</p>	<p>Papua New Guinea</p> <p>PGK1.4m</p> <p>Full Year Profit in 2022</p>	<p>■ K3.6 million Wantok Delite Annual Premiums</p> <p>■ K1.8 million Wantok Group Term Life</p>
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BSP Life (Fiji) performed well in 2022, capitalising on market opportunities, whilst maintaining strong cost control and progressing enterprise excellence initiatives.

Key highlights include:

- Shareholder profit: FJD17.8 million, 12% higher than 2021
- Policyholder profit: FJD18.7 million
- Life annual premium sales: FJD13.7 million, 36% higher than 2021
- Life single premium sales: FJD27.4 million, 7% higher than 2021
- Health sales: FJD6.5 million, 46% higher than 2021
- Shareholder dividend: FJD11 million
- Policyholder bonus: FJD36.8 million
- Market share annual premium: 58.5%, grew by 1.4%
- Market share single premium: 34.2%, grew by 16%
- Investment portfolio: FJD988.9 million, grew by 10%

Total benefits paid exceeded FJD80 million, averaging FJD1.5 million a week, underlining the important contribution that the business makes to Fiji. Of this, 77% was for living benefits including retirement, education, business start-ups, and vacationing.

The Fijian economy rebounded well in 2022, spurred by tourism, with the re-opening of international borders. GDP growth was estimated at 15.6% in 2022 following the contraction of 15.2% in 2020 and 4.1% in 2021. Headline inflation is tracking at 5.4%. The outlook for 2023 is generally positive, however is contingent on the outcome of the elections, inflation, and broader global economic conditions.

In 2023, our focus will be to build on the positive performance of the last few years, continuing to enhance shareholder and policyholder value, by delivering service excellence. We will also focus on strengthening our brand positioning through digital innovation, supported by ongoing investment in our people.

Papua New Guinea

The business was profitable for the second year running, with a profit of K1.4 million in 2022, over 100% increase compared to 2021. During the year, the business issued approximately 1,500 Wantok Delite Insurance policies with annual premiums of over K3.6 million. Whilst the Wantok Group Term Life Insurance new business for the year stood at K1.8 million. BSP Life's financial performance, and both solvency and capital adequacy ratios are tracking positively above target.

Our inforce stands at K27.4 million as at 31 December 2022, a 38% increase compared to 2021.

The business undertook an organisation restructure in 2022, resulting in splitting the Finance and Operations functions. A new Business Development Manager role was also created to provide further support to the Sales Offices in driving sales for the Endowment Insurance Product. As at 31 December 2022, the business had 22 full time staff and 79 independently contracted agents remunerated on a commission basis.

On 1 September 2022, BSP Life launched its third Sales Office in Mt Hagen, Western Highlands Province with 20 insurance agents and two (2) full-time staff. The launch was a key milestone for BSP Life, as it endeavours

to grow its geographical footprint around PNG to drive insurance awareness, and make Life Insurance accessible and promote financial literacy through its Wantok Delite Insurance Product.

BSP Life continues to work on initiatives to drive awareness on the benefits and importance of life insurance to individuals and corporates in PNG. One of the ways we do it is through ensuring all eligible claims are paid within 10 working days. During the year the business paid over K10.6 million in claims of which K1.8 million was recovered through reinsurance.

The outlook for 2023 is optimistic, as the business will start paying the survival benefit, 10% of the sum insured, on Endowment policies that complete 3 years from 1 January 2023. This is expected to further boost our sales drive, marketing the savings benefit of the Endowment Product.

BSP Life's strategic focus for 2023 will continue to be on delivering rapid premium income growth from its Wantok Group Term Life and Wantok Delite Endowment Products, expand product offering as well as capacity building for staff and agents through regular and targeted training programs. To further increase our geographical footprint in Papua New Guinea, BSP Life has planned to launch its fourth Sales Office in Kokopo by June 2023.

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“ BSP has adopted an approach to corporate governance that is underpinned by our core values of Integrity, Leadership, People, Professionalism, Quality, Teamwork and Community. ”

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Corporate Governance



BSP has adopted an approach to corporate governance that is underpinned by our core values of Integrity, Leadership, People, Professionalism, Quality, Teamwork and Community.

This approach is supported by a comprehensive framework of corporate governance principles and policies. The BSP Board has demonstrated its commitment to developing and maintaining a standard of corporate governance that seeks to match global practice. The Board ensures that it complies with the requirements of the PNGX Markets (PNGX) and the Australian Securities Exchange (ASX).

The Board, Management and Staff of BSP are very much aware of their responsibilities to the people of Papua New Guinea and the various countries that BSP operates in. The Board has adopted a statement of Corporate Governance Principles, which outlines the approach BSP has adopted to corporate governance. These Corporate Governance Principles provide a framework that helps to ensure that BSP deals fairly and openly with all its stakeholders – regulators, shareholders, customers and staff alike.

BSP's Corporate Governance Principles are available in the Investor Relations section of BSP's website at www.bsp.com.pg.

BSP also complies with the Prudential Standards / Statements dealing with corporate governance issued by the regulators/central banks in the various countries that it operates in. These Prudential Standards / Statements currently include:

- Bank of Papua New Guinea (BPNG) Banking Prudential Standard BPS 300: Corporate Governance (issued under Section 27 of the Banks and Financial Institutions Act 2000);
- Reserve Bank of Fiji Banking Supervision Policy Statement No. 11: Governance (October 2007);
- National Reserve Bank of Tonga Prudential Statement No.9 (revised 2014): Governance;
- Financial Supervisory Commission of the Cook Islands Banking Prudential Statement BPS09: Governance Risk Management (June 2019);
- Central Bank of Samoa Prudential Statement 1 (January 2021);
- Reserve Bank of Vanuatu International Bank Prudential Guideline No. 10 Management of Financial Institutions: Fit & Proper Requirements; and
- Central Bank of Solomon Islands Prudential Guideline No. 14 on Corporate Governance (July 2019)

THE BOARD OF DIRECTORS

Roles and Responsibilities of the Board

The roles and responsibilities of the Board are defined in the Board Charter. This document also details the matters reserved for the Board and matters that have been delegated to Management with the Board retaining oversight.

With the support of its Committees, the Board is responsible to the Shareholders for the overall performance of BSP including its strategic direction, establishing goals for Management and monitoring the achievement of those goals with a view to optimizing BSP performance and increasing shareholder value. The key functions of the Board are:

- setting the overall strategy of BSP regarding operations, finance, dividends, and risk management;
- appointing the Group Chief Executive Officer (GCEO) and setting an appropriate remuneration package;
- appointing General Managers and setting appropriate remuneration packages;
- appointing the Company Secretary and setting an appropriate remuneration package;
- endorsing appropriate policy settings for Management;
- reviewing Board composition and performance;
- reviewing the performance of Management;
- approving an annual strategic plan with an annual budget for BSP and monitoring results on a regular basis;
- ensuring that appropriate risk management systems are in place and are operating to protect BSP's financial position and assets;
- ensuring that BSP complies with the law and relevant regulations and conforms with the highest standards of financial and ethical behavior;
- approving acquisitions and disposals material to the business;
- establishing authority levels;
- setting Directors' remuneration via the Remuneration and Nominations Committee;
- with the assistance of the Board Audit and Compliance Committee, selecting and recommending to the Shareholders the appointment of external auditors; and
- approving the financial statements.

A number of these responsibilities have been delegated by the Board to various Committees. The Committees and their responsibilities are detailed in the Board Committee section of this report.

The Board has delegated to Management responsibility for:

- developing the annual operating and capital expenditure budgets for Board approval, and monitoring performance against these budgets;
- developing and implementing strategies within the framework approved by the Board and providing the Board with recommendations on key strategic issues;

- appointing management below the level of General Manager and preparing and maintaining succession plans for these senior roles;
- developing and maintaining effective risk management policies and procedures; and
- keeping the Board and the market fully informed of material developments.

Membership, Expertise, Size and Composition of the Board

The Corporate Governance Principles affirm that the majority of the Board should be independent.

Directors of BSP are meticulous in handling situations where there could potentially be conflicts of interest, by declaring their interest in advance and absenting themselves from any consideration of matters where a conflict might arise. BSP's Corporate Governance Principles require Directors to disclose any new directorships and equity interests at each Board meeting.

The maximum number of Directors as prescribed by the Constitution approved by the Shareholders is ten. At the date of this report, there are ten directors; nine Non-Executive of whom (including the Chair) are considered by the Board to be independent; and the Group Chief Executive Officer who is not considered independent due to being an Executive of BSP. BSP in the ordinary course of business conducts transactions with Directors, their spouses, parents and children and/or parties that any of them control. These transactions include loans, deposits, and foreign currency transactions. Such transactions are carried out on commercial terms at market rates and do not require shareholder approval under Papua New Guinea company law. Where they involve loans, procedures follow BSP's standard credit approval and review processes, which do not have any involvement of Directors, and BSP holds security in accordance with its standard procedures. As a result, BSP considers that Directors are able to maintain their independence even when a Director is a party to a transaction of this kind because they would not have been involved in the approval process for that transaction.

Under the Constitution, at each Annual General Meeting (AGM) one third of BSP's Directors in addition to any Director appointed during the year and excluding the GCEO must offer themselves for re-election by the Shareholders.

A Director is normally appointed for an initial term of three years. At the end of the term of three years, the Director becomes eligible for re-appointment by the Shareholders for a further term of three years, and if not re-appointed retires automatically. A Director is not permitted to hold office for a period exceeding three terms of three years or nine years, whichever is the lesser. Details regarding the length of service of each Director are set out in the Board of Directors section of this report.

The Board has undertaken a renewal and succession planning process in recent years with the aim of maintaining a proactive and effective Board in line with the directions of the BSP Group. The Board has implemented an independent Board evaluation process to underpin the assessment of its performance.

BSP has a Board skills matrix process. These skills include risk management, regulatory / government policy, business and financial acumen, experience as a Non-Executive Director, remuneration and corporate governance.

The Board therefore has a broad range of skills, experience and expertise that enables it to meet its objectives. Details of the Directors' business backgrounds and experience are provided on pages 10 – 13 of this report. The Board accepts that it has a responsibility to Shareholders to ensure that it maintains an appropriate mix of skills and experience without gender bias within its membership.

Consequently, the Board considers setting criteria for new appointments it may recommend to Shareholders in accordance with the Constitution. It has delegated the initial screening process involved to its Remuneration and Nominations Committee, which in accordance with its Charter, may seek independent advice on possible new candidates for Directorships. All Directors must be satisfied that the best candidate has been selected.

BSP undertakes appropriate checks before appointing a person as a Director or offering them to Shareholders as a candidate for election and has appropriate procedures in place to ensure material information relevant to a decision to elect or re-elect a Director is disclosed in notices of meetings provided to Shareholders.

Nominees of the Board and/or Shareholders must meet the "fit and proper person" criteria outlined in BPNG Banking Prudential Standard BPS 310: Fit and Proper Requirements before they can take their place on the Board.

BSP has a program for inducting new Directors and providing appropriate professional development opportunities for Directors.

On joining the Board, new Directors are provided with an appointment letter setting out the terms of the appointment, a Board induction pack and undertake a comprehensive induction program. In particular, the appointment letter specifies the term of appointment, BSP's expectations in relation to time commitment and Committee work, the Director's remuneration arrangements, the Director's disclosure and confidentiality obligations, the Director's insurance and indemnity entitlements and

BSP's key corporate governance principles. BSP's Senior Management also enter into employment contracts which set out their terms of employment, including their position, duties, reporting lines, remuneration and termination arrangements.

Role and Selection of the Chair

The Chair is elected by the Directors and holds the position for a maximum of six consecutive years unless in a certain exceptional instance.

The role includes:

- ensuring all new Board members are fully aware of their duties and responsibilities;
- providing effective leadership on BSP's strategy;
- presenting the views of the Board to the public;
- ensuring the Board meets regularly throughout the year, and that minutes are taken and recorded accurately;
- setting the agenda of meetings and maintaining proper conduct during meetings; and
- reviewing the performance of Non-Executive Directors.

Director Independence and Conflict of Interest

Directors are determined to be independent if they are judged to be free from any material or other business relationship with BSP that would compromise their independence.

Prior to appointment, Directors are required to provide information to the Board for it to assess their independence.

In assessing the independence of Directors, the Board will consider criteria that include the following:

- the Director is not an executive of BSP;
- the Director is not a substantial shareholder of BSP or otherwise associated directly with a substantial shareholder of BSP;
- the Director has not within the last three years been a material consultant or a principal of a material professional adviser to BSP or an employee materially associated with a service provider;
- the Director is not a material supplier to BSP or a material consultant to BSP or an employee associated with a material supplier or customer;
- the Director has no material contractual relationship with BSP other than as a Director of BSP; and
- the Director is free from any interest and any business or other relationship, which could, or could reasonably be perceived to; materially interfere with the Director's ability to act in the best interest of BSP.

This information is assessed by the Board to determine whether on balance the

relationship could, or could reasonably be perceived to, materially interfere with the exercise of the Director's responsibilities. Materiality is assessed on a case-by-case basis.

As noted earlier, the Board is cognizant of the need to avoid conflicts of interest and it has in place policies and procedures for the reporting of any matter, which may give rise to a conflict between the interests of a Director and those of BSP. These arrangements are designed to ensure that the independence and integrity of the Board are maintained.

BSP fully complies with the requirements of the BPNG Prudential Standard 4/2003 – Limits on Loans to Related Parties.

Related Party Transactions are summarised in Financial Statements Note 35. The Directors' Information on pages 120 – 121 provides details of the Directors' interests.

Meetings of the Board and Attendance

Scheduled meetings of the Board are held at least seven times a year and the Board meets on other occasions as necessary to deal with matters requiring attention. Meetings of the Board Committees are scheduled regularly during the year. The Board has a policy of rotating its meetings between locations where the Group has a significant presence. On these occasions the Board also visits company operations and meets with local management and key customers.

The Chair in consultation with the GCEO determines meeting agendas. Meetings provide regular opportunities for the Board to assess BSP's management of financial, strategic and major risk areas. To help ensure that all Directors are able to contribute meaningfully, board papers are provided to Board members one week in advance of the meeting. Broad ranging discussion on all agenda items is encouraged with healthy debate seen as vital to the decision making process.

Attendance details of Directors at Board meetings during 2022 is provided in Financial Statements Note 36 – Directors and Executive remuneration.

Review of Board Performance

Consistent with Recommendation 1.6 of the ASX Corporate Governance Principles and Recommendations (4th Edition), BSP has a process for periodically evaluating the performance of the Board, its Committees and individual Directors. The performance of the Board, the Directors and its Committees are assessed annually. An external consultant was engaged to undertake a performance evaluation in 2022, with the findings used to further enhance the ongoing Board succession and renewal plan.

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The Remuneration and Nominations Committee reviews at least annually the processes by which the Board regularly assesses its own performance in meeting its responsibilities. It is intended to extend the assessment of the Board as a whole to include an assessment of the contribution of each individual Director. The Board is cognizant of the need to continuously identify areas for improvement – to ensure that it meets the highest standards of corporate governance and for the Board and each Director to make an appropriate contribution to the Group's objective of providing value to all its stakeholders. An external consultant facilitates the performance review annually.

The Board with the assistance of the Remuneration and Nominations Committee sets the targets for the GCEO and Senior Management members under BSP's employee incentive arrangements. The Remuneration and Nominations Committee administers these incentive arrangements. Performance against the relevant targets is assessed periodically throughout the year and a formal evaluation is undertaken annually.

Board Access to Information and Advice

All Directors have unrestricted access to company records and information and receive regular detailed financial and operational reports to enable them to carry out their duties.

The General Managers of each PNG Strategic Business Unit, Heads of Subsidiaries and Country Managers make regular presentations to the Board on their areas of responsibility.

The Chair and other Non-Executive Directors have the opportunity to meet with the GCEO, General Managers, Heads of Subsidiaries and Country Managers for further consultation and to discuss issues associated with the fulfilment of their roles as Directors.

The Board recognises that in certain circumstances, individual Directors may need to seek independent professional advice, at the expense of BSP, on matters arising in the course of their duties. Any advice so received is made available to other Directors. Any Director seeking such advice is required to give prior notice to the Chair of his or her intention to seek independent professional advice.

Company Secretary

The Company Secretary through the Chair is directly accountable to the Board for the proper functioning of the Board. Each Director may seek the advice of the Company Secretary. Under the Constitution, the Company Secretary may only be appointed or removed by the Board.

BOARD COMMITTEES

Board Committees and Membership

During 2022, four Committees of the Board were in operation whose functions and powers were governed by their respective charters. These Committees were the Board

Audit and Compliance Committee (BACC), Board Risk Committee (BRC), Remuneration and Nominations Committee (RNC) and the Disclosure Committee (DC). Membership of the Committees and a record of attendance at Committee meetings during the year are detailed in the table below. Remuneration details are provided in Financial Statements Note 36 – Directors' and Executive Remuneration.

Board Audit & Compliance Committee

Ernest Gangloff ¹	1/6
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Arthur Sam	6/6
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Stuart Davis	6/6
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Frank Bouraga	6/6
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Symon Brewis-Weston	6/6
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Serena Sasingian ²	4/6
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Paul Morgan ³	3/6
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Board Risk Committee

Ernest Gangloff ¹	1/6
------------------------------	-----

Arthur Sam	6/6
------------	-----

Stuart Davis	6/6
--------------	-----

Priscilla Kevin	6/6
-----------------	-----

Symon Brewis-Weston	6/6
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Vele Rupa	5/6
-----------	-----

Serena Sasingian	4/6
------------------	-----

Paul Morgan	3/6
-------------	-----

Remuneration and Nominations Committee

Robert Bradshaw	7/7
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Faamausili Dr. Matagialofi Lua'ufi	7/7
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Priscilla Kevin	7/7
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Patricia Taureka-Seruvatu ⁴	4/7
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¹ Ernest Gangloff retired as a Director on 12 April 2022 and as a member of both the BACC and BRC.

² Serena Sasingian was appointed by the Board on 09 February 2022 as an Independent Committee Member of both the BACC and BRC for Board development purposes.

³ Paul Morgan was appointed by the Board on 25 February 2022 as an Independent Committee Member of both the BACC and BRC for Board development purposes.

⁴ Patricia Taureka-Seruvatu was appointed as a Director on 13 April 2022 to replace Ernest Gangloff and was subsequently appointed a member of RNC on 20 July 2022.

Sir Kostas G. Constantinou, OBE is a member of the Disclosure Committee only.

The names, relevant qualifications, and experience of Committee members, the number of times the Committees met, and the number of meetings each member attended are set out in the Board of Directors section of this report.

Board and Committee Charters

BSP's Board and Committee Charters are available in the Investor Relations section of BSP's website at www.bsp.com.pg.

Committee Structure

Committee members are chosen for the skills, experience and other qualities they bring to the Committee. At the next Board meeting following each Committee meeting, the Board is given a report by the Chairs of the respective Committees.

Board Audit and Compliance Committee (BACC)

The BACC assists the Board to discharge its responsibilities of oversight and governance in relation to financial, audit and compliance matters. The responsibilities of the BACC include monitoring:

- the integrity of BSP's financial statements and their independent audit;
- the financial reporting principles, policies, controls and procedures;
- BSP's internal audit process;
- the effectiveness of internal controls;
- the controls and effectiveness of BSP's compliance obligations;
- the systems for ensuring operational efficiency and cost control;
- the systems for approval and monitoring of expenditure including capital expenditure; and
- the processes for monitoring compliance with laws and regulations (both in PNG and in overseas jurisdictions where BSP operates) and the implementation of Board decisions by management.

Membership of the BACC is formed amongst the Non-Executive Directors, excluding the Chair. The BACC must have a minimum of three Non-Executive Directors, the majority of whom must be independent. The Board may also appoint to the BACC additional individuals who are not executives or members of the Board who have specialized skills to assist the BACC. The Chair of the BACC must be an appropriately experienced independent Non-Executive Director other than the Chair (or another Board Committee Chair).

The BACC must meet at least four times annually and special meetings may be convened as required. Minutes of all meetings must be recorded and tabled at the subsequent BACC meeting. The BACC regularly reports to the Board at the earliest possible Board meeting after each BACC meeting about any matters that should be brought to the attention of the Board and any recommendations requiring Board action.

Board Risk Committee (BRC)

The BRC assists the Board to discharge its responsibilities of oversight and governance in relation to the implementation of BSP's risk management framework. The responsibilities of the BRC are to:

- review and monitor the principles, policies, strategies, processes and control frameworks for the management of risk (such as credit risk, market risk, liquidity risk, operational risk, cyber security, reputational risk and other risks that may arise); and

- oversee BSP's risk profile and risk management strategy, and recommend BSP's risk appetite statement.

Membership of the BRC is formed amongst the Non-Executive Directors excluding the Chair. The BRC must have a minimum of three Non-Executive Directors, the majority of whom must be independent. The Board may also appoint to the BRC additional individuals who are not executives or members of the Board who have specialized skills to assist the BRC. The Chair of the BRC must be an appropriately experienced independent Non-Executive Director other than the Chair (or other Board Committee Chair).

The BRC must meet at least four times annually and special meetings may be convened as required. Minutes of all meetings must be recorded and tabled at the subsequent BRC meeting. The BRC regularly reports to the Board at the earliest possible Board meeting after each BRC meeting about any matters that should be brought to the attention of the Board and any recommendation requiring Board action.

Remuneration and Nominations Committee (RNC)

The RNC assists BSP in fulfilling its oversight responsibilities regarding the remuneration, succession and recruitment of Directors, Executives and other BSP employees. The responsibilities of the RNC are:

- to oversee the selection and appointment of the GCEO and setting an appropriate remuneration and benefits package for recommendation to the Board;
- to determine and review appropriate remuneration and benefits of Directors for recommendation to the full Board and subsequently to the Shareholders;
- in conjunction with the GCEO, to identify and maintain a clear succession plan for the Executive Management team, ensuring an appropriate mix of skills and experience as well as appropriate remuneration and benefits package are in place and reviewed regularly; and
- to ensure that the Board itself maintains an appropriate mix of skills and experience necessary to fulfill its responsibilities to shareholders while maintaining a world class Corporate Governance regime.

The RNC is comprised of four Non-Executive Directors. The Chair of the RNC must be one of the independent Directors, other than the Chair of the Board.

Each member should be capable of making a valuable contribution to the respective Board Committee and membership is reviewed annually by the Board.

A review of the performance of Committee members forms part of the Board's annual performance review.

Disclosure Committee (DC)

The Board has established the DC comprising of the Chair (or in his/her absence, another Non-Executive Director), the GCEO, the Group Chief Financial Officer, the Group Chief Risk Officer, and the Company Secretary. The Chair of the DC is the most senior Director present. Membership may vary from time to time but will consist of at least a Non-Executive Director, two Executive Employees (not including the Company Secretary), and the Company Secretary.

The DC is responsible for, among other things:

- approving the release of any announcement to the ASX and PNGX, other than:
 - an announcement that relates to a matter which is both material and strategically important, which will require approval by the Board; or
 - procedural matters such as notice of changes to equity securities or directors' holdings which will require approval by the Disclosure Officer;
- considering whether BSP is obliged or is required to respond to a market rumor or media speculation; and
- overseeing the Disclosure Officer's administration of the Continuous Disclosure Policy.

Half-Year and Annual Financial Statements

The BACC reviews the half-year and annual financial statements to determine whether they are complete and consistent with the information known to the BACC members and to assess whether the financial statements reflect the appropriate accounting principles. In particular, it:

- pays attention to complex and/or unusual transactions;
- focuses on judgmental areas, for example those involving valuation of assets and liabilities, provisions, litigation reserves and other commitments and contingencies;
- meets with Management and the external auditors to review the financial statements and the results of the audit; and
- satisfies itself as to the accuracy of the financial accounts and signs off on the financial accounts of BSP before they are submitted to the Board.

External Audit

The BACC is responsible for making recommendations to the Board on appointment and terms of engagement of BSP's external auditors. The selection is made from appropriately qualified auditors in accordance with Board policy.

The Board submits the name of the external auditor to Shareholders for ratification on an annual basis. In line with the BPNG Prudential Standards, the signing partner in the external audit firm must be rotated every five years.

The BACC annually reviews the performance of the external auditors and where appropriate, makes recommendations to the Board regarding the continuation or otherwise of their appointment, consistent with the BPNG's Prudential Standard No. 7/2005 – External Auditors while ensuring their independence is in line with Board policy.

There is a review of the external auditor's proposed audit scope and approach to ensure no unjustified restrictions. Meetings are held separately with the external auditors to discuss any matters that the BACC or the external auditors believe should be discussed privately. The external auditor attends meetings of the BACC at which the external audit and half-yearly review are agenda items.

The BACC ensures that significant findings and recommendations made by the external auditors are received and discussed promptly and that Management responds to recommendations in a timely manner. The duly appointed external audit firm may not be engaged by BSP to provide specialized advisory or consultancy services to a bank while that same auditor/audit firm is engaged for services to conduct BSP's annual audit and related services. Services related to the preparation of a bank's corporate tax return are not prohibited. The external auditor is invited to the Annual General Meeting of Shareholders and is available to answer relevant questions from Shareholders.

The BPNG Prudential Standards provide for a tri-partite meeting between BPNG, the external auditors and BSP if required.

PricewaterhouseCoopers (PwC) is currently BSP's external audit firm. Representatives of PwC will attend the next Annual General Meeting in May 2023 and be available to answer shareholder questions regarding the audit.

Internal Audit

BSP has an internal audit function. The BACC approves on the recommendation of Management, the appointment of the Head of Internal Audit. The BACC meets regularly with the Head of Internal Audit.

Reviews are undertaken of the scope of the work of the internal audit function to ensure no unjustified restrictions or limitations have been placed upon the Internal Audit Business Unit. The BACC also reviews the qualifications of internal audit personnel and endorses the appointment, replacement, reassignment or dismissal of the internal auditors.

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Compliance

The BACC reviews the effectiveness of the systems for monitoring compliance with all legal and regulatory obligations and the Constitution. It also reviews the results of Management's investigation and follow-up (including disciplinary action) of any fraudulent acts or non-compliance.

The BACC obtains regular updates from Management and BSP's Legal Officers regarding compliance matters and satisfies itself that all regulatory compliance matters have been considered in the preparation of the financial statements.

Reviews of the findings of any examinations by regulatory agencies are undertaken and the Chair of the BACC has the right to approach a regulator directly in the event of a prudential issue arising.

RISK MANAGEMENT

Approach to Risk Management

BSP's group risk management activities are aligned with the achievement of the Group's objectives, goals and strategy. In consultation with the Executive Committee, the Board determines the Group's risk appetite and risk tolerance and this is expressed in the Group Risk Appetite Statement. These benchmarks are used in the risk identification, analysis and risk evaluation process.

The Board through the BRC reviews the risk management framework annually.

BSP recognises the following major risks:

Credit Risk: The potential for financial loss where a customer or counterparty fails to meet its financial obligation to the Group.

IT Risk: The current and potential threat to earnings and capital reputation as a result of a failure of information systems managed, maintained and operated by the Group.

Market Risk: The potential financial loss arising from the Group's activities in financial markets including foreign exchange.

Liquidity Risk: The risk of failure to adequately meet cash demand in the short term.

Interest Risk: Risk to earnings from movement in interest rates.

Compliance and Anti-Money Laundering Risk: The risk of loss or penalties imposed by a regulator for non-compliance with regulations, prudential standards and policies.

Operational Risk: The risk of loss resulting from inadequate or failed internal processes, people or from external events including legal claims.

Cyber Risk: Targeted hacking, leakage/theft of customer confidential information, unauthorized financial transactions and random attacks

including malware, phishing and ransomware.

The Credit Committee monitors credit risk. The Group Asset & Liability Committee monitors market risk, interest risk and liquidity risk. The Compliance Risk Committee monitors compliance and anti-money laundering risk while the Operational Risk Committee monitors operational risk and cyber risks. Monitoring is done using a risk register system that has been implemented across the Group. The Executive Committee and the Board have overview of the highest tier of risks within these risk registers.

The Group's Risk Management Policy ensures that the Group has in place acceptable limits for the risks identified by the employees. The risk management approach encompasses the following:

- defining the types of risks that will be addressed by each functional or policy area (i.e. credit risk, interest rate risk, liquidity risk, operational risk, cyber risk, etc.)
- ensuring that mechanisms for managing (identifying, measuring and controlling) risk are implemented and maintained to provide for organization-wide risk management;
- developing information systems to provide early warning or immediate alert of events or situations that may occur or already exist that could create more types of risk for the Group;
- creating and maintaining risk management tools including those requested by the Board as policies, procedures, risk registers, controls and independent testing, management and training and planning;
- instituting and reviewing risk measurement techniques that Directors and Management may use to establish the Group's risk tolerance, risk identification approach, risk supervision or controls and risk monitoring processes;
- developing processes for those areas that represent potential risks; and
- establishing appropriate management reporting systems regarding these risks so individual managers are provided with a sufficient level of detail to adequately manage and control the Group's risk exposures.

Risk Management Roles and Responsibilities

The Board accepts responsibility for ensuring it has a clear understanding of the types of risks inherent in the Group's activities. Therefore, the responsibility for overall risk management in BSP vests with the Board. However, every employee from Executive Management to the newest recruit has a responsibility and a part to play in the process.

There is a formal system of financial and operational delegations from the Board to the GCEO and from the GCEO to the General Managers. These delegations reflect the Group's risk appetite and are cascaded down to managers who have skills and experience to exercise them judiciously.

The Board defines the accountabilities (including delegated approval/control authorities/limits)

and reporting/monitoring requirements for the risk management process. The severity of risks identified in the risk identification, analysis and evaluation processes which are noted in the risk registers is used to determine the approval/control authorities/limits. The Board undertakes an annual review of the Group's Enterprise Risks.

The Board has adopted guidelines with the help of management analysis, covering the maximum loss exposure the Group is able and willing to assume. These guidelines are detailed in the Group's Risk Appetite Statement and Risk Policy and Procedures and Manual that have been approved by the Board. The Board has also delegated to BRC responsibility for the overview of loss control and for overseeing the risk management function.

The BRC is responsible for receiving reports and providing regular updates and recommendations to the Board on the risk management activities of the Group, especially those relating to risk issues that are outside of the authority of the Group's Executive Committee and other delegated Committees to approve.

Management Assurance

The Board is provided with regular reports about BSP's financial condition and its operating performance. Annually, the GCEO and the Group Chief Financial Officer certify to the Board that:

- in their opinion, the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of BSP; and
- their opinions have been formed on the basis of a sound system of risk management and internal controls applying to BSP which is operating effectively.

Additionally, all General Managers and Country Heads provide bi-annual statements attesting that:

- they have addressed and documented the risks and internal control procedures in their Strategic Business Units;
- they have identified any changes in business, operations and computer systems and the risks that may arise from those changes;
- the risk management and internal compliance and control systems are appropriate and operating efficiently and effectively; and
- any weaknesses in the risk management and internal compliance and control systems have been identified and remedial action taken.

ETHICAL BEHAVIOUR

BSP acknowledges the need for Directors and employees at all levels to observe the highest standards of ethical behavior when undertaking BSP business. To this end, the Board has adopted:

- a Code of Conduct for both Directors and Executive Management of the Group and stipulated that each Director comply with the Code; and

- a Corporate Mission, Objectives and Core Values Statement that establishes principles to guide all employees in the day-to-day performance of their individual functions within the Group.

BSP's Corporate Governance Principles provide that the Board must ensure that it maintains an appropriate mix of skills and experience without gender bias.

To ensure the maintenance of high standards of corporate behavior on an ongoing basis, the Board encourages Senior Management to periodically issue staff Toksaves to reinforce both the Code and Core Values Statement. All Directors are encouraged to maintain a membership of an appropriate Directors' Association to keep abreast of current trends in Directors' duties, responsibilities and corporate governance issues.

BSP is committed to a culture in which it is safe and acceptable for employees, customers and suppliers to raise concerns about poor or unacceptable practices, irregularities, corruption, fraud and misconduct. The Group has adopted a whistleblowing policy that is designed to support and encourage staff to report in good faith matters such as:

- unacceptable practices;
- irregularities or conduct which is an offence or a breach of laws of the countries in which BSP operates (actions and decisions against the laws of relevant countries including non-compliance)
- corruption;
- fraud;
- misrepresentation of facts;
- decisions made and actions taken outside established BSP policies and procedures;
- sexual harassment;
- abuse of Delegated Authorities;
- misuse of Group assets;
- disclosures related to miscarriages of justice;
- health and safety risks including risks to the public as well as other employees;
- damage to the environment;
- other unethical conduct;
- failure to comply with appropriate professional standards;
- abuse of power, or use of the Group's powers and authority for any unauthorized purpose or personal gain; and
- breach of statutory codes of practice.

BSP's Code of Conduct for Employees and Directors is available at www.bsp.com.pg in the Investor Relations section.

Directors and Management of the Group are subject to the restrictions set out in the Capital Market Act 2015 for buying, selling or subscribing for securities in the Group if they

are in possession of inside information. This includes information, which is not generally available, and if it were, a reasonable person would expect to have a material effect on the price or value of BSP securities.

Furthermore, Directors and Management may only trade in BSP shares subject to the foregoing insider trading restrictions during each of the:

- twenty business days following the announcement of BSP's half-year and full year results; and
- fourteen business days following the announcement of BSP's Quarter 1 and Quarter 3 results.

Management should discuss proposed share trades with the GCEO in advance who in turn will keep the Chair of the Board apprised of management activities. Directors should discuss proposed share trades with the Chair in advance.

In addition, Directors and Management must not trade in any other entity if inside information on such entity comes to the attention of the Director or Management by virtue of holding office as an Officer of the Group.

BSP's Code of Conduct also requires its employees to act with high standards of honesty, integrity, fairness and equity in all aspects of their employment with BSP.

MARKET DISCLOSURE

The Group's continuous disclosure regime is fundamental to the rights of Shareholders to receive information concerning their securities. An important aspect of the Group's Shareholder Communications Policy is to comply with the continuous disclosure regime and to implement best practice disclosure policy. BSP has adopted a Continuous Disclosure Policy which is available at www.bsp.com.pg in the Investor Relations section.

Market announcements are posted on BSP's website immediately after release to the market. All market announcements made by BSP since 2017 are currently available on the website. Where BSP provides financial results briefings to analysts or the media, these briefings are published on the website as soon as possible after the event. In any event, no material information, which has not been previously released to the market, is covered in such briefings. The material upon which the briefing is based (such as slides or presentations) is released to the market prior to the briefing.

The Group's insider trading rules are

important adjuncts to the continuous disclosure regime in ensuring that Shareholders are given fair access to material information regarding securities. BSP seeks to limit the opportunity for insider trading in its own securities through its continuous disclosure policies and the dealing rules that apply to its Employees and Directors. BSP has adopted a Securities Dealing Policy, which is available on www.bsp.com.pg in the Investor Relations section.

SHAREHOLDER COMMUNICATIONS

BSP commits to dealing fairly, transparently and openly with both current and prospective Shareholders using available channels and technologies to communicate widely and promptly. BSP commits to facilitating participation in shareholder meetings and dealing promptly with shareholder enquiries.

The Group's Shareholder Communications Policy is built around compliance with disclosure obligations and aspiring to be at the forefront of best practice in disclosure. BSP's framework for communicating with Shareholders is to concisely and accurately communicate:

- the BSP strategy;
- how BSP implements the strategy; and
- the financial results consequent upon the strategy and its implementation.

The Group uses shareholder forums such as the Annual General Meeting and quarterly investor briefings within disclosure policies to communicate financial performance and strategies.

BSP's Shareholder Communications Policy is available at www.bsp.com.pg in the Investor Relations section.

BSP gives Shareholders the option to send and receive communications from BSP and its share registries electronically. Since 2017, BSP and its share registries have used technology to facilitate the participation of Shareholders in meetings.

To facilitate effective communication between BSP and its Shareholders, potential investors, analysts and other financial markets participants, BSP conducts periodic market briefings including half and full year results announcements and attendance at conferences. Shareholders, potential investors, analysts and other financial markets participants are given access to BSP Directors and Senior Management at these events and the presentation material provided at these events is released to market prior to commencement and subsequently uploaded to BSP's website.

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Remuneration Report

1.0 Introduction

The aim of the Remuneration Report is to provide details that the Board believes are essential for shareholders to understand BSP Financial Group Limited's remuneration framework. This is intended to deliver specific operating financial and non-financial outcomes. There is no statutory requirement for Remuneration Reporting under International Financial Reporting Standards (IFRS) and as a PNG incorporated entity, BSP is not required to have this remuneration report audited.

2.0 Message from the Remuneration and Nominations Committee Chairman

On behalf of the Remuneration and Nominations Committee (RNC) and the Board, I am pleased to provide the 2022 Remuneration Report (the Report) for BSP Financial Group Limited (BSP).

BSP recognises that staff are the most valuable asset of our business. BSP ensures that remuneration and benefits are fair and competitive in the market. The remuneration framework is supported by objectives applicable to our staff and includes:

- Business results, including performance against strategic objectives and metrics in BSP's risk assessment/position and compliance with AML/CTF regulations;
- Performance against BSP's strategic objectives;
- Adherence to BSP's values, business principles, risk mitigation policies and procedures and international standards;
- Individual performance; and
- Local market position and practice.

The above key features of the remuneration framework enable BSP to achieve alignment between risk, performance and reward. Consistent with BSP's record results for the financial year 2022, BSP staff were paid performance based short-term incentives, subject to set key performance indicators (KPIs) being met. BSP was awarded the Best Performing Private Sector Organisation with Best Practices in its Human Resources & Information System category for the seventh consecutive year. BSP is the only company in PNG that facilitates the payroll function from PNG for its multi-national businesses across seven countries.

The RNC comprises three Non-Executive Directors, and is assisted by non-voting members of management. The responsibilities of the RNC are:

- To oversee the selection and appointment of a Group CEO, and setting an appropriate remuneration and benefits package for recommendation to the full Board;
- To determine and review appropriate remuneration and benefits of Directors for recommendation to the full Board, and subsequently to the shareholders;
- In conjunction with the Group CEO, to identify and maintain a clear succession plan for Executive Management ensuring an appropriate mix of skills, diversity and experience as well as appropriate remuneration and benefits packages are in place and reviewed regularly; and
- To ensure that the Board itself maintains an appropriate mix of skills, diversity and experience necessary to fulfil its responsibilities to shareholders while maintaining a world class Corporate Governance regime.

The first section of the Report discloses Key Management Personnel (KMP) for BSP. The KMP comprises Non-Executive Directors and Group Executives. Group Executives are staff within BSP with the authority and responsibility for planning, directing and controlling the activities of BSP. The Board approves RNC endorsed executive remuneration packages annually in line with the remuneration guidelines. Remuneration for executives comprises a fixed component and a risk component. The fixed component takes into account the nature of the role, pay levels in the market, the individual and business performance, whereas the risk component is a combination of short-term and long-term incentives.

The Report discusses the remuneration strategy in detail with a key focus on individual aspects of remuneration including: fixed remuneration, short-term incentives, long-term incentive plan and performance based bonus. The main purpose of the above strategy is to attract and retain employees by paying market competitive remuneration for roles and being provided with incentives and benefits as an additional reward for being an employee of BSP. The additional incentives and benefits that fall under the categories stated above consist of salary reviews, staff discount on lending interest rates for both personal and home loans, opportunity to participate in leadership programs, learning and development opportunities and job promotion and appointment opportunities. These initiatives are geared towards retaining the services of staff occupying critical roles and high potential employees for the longer term.

BSP, in recognising the value of its employees, has also launched an Informal Housing Scheme with the aim of assisting staff build houses on customary land in a recognised settlement or village for owner occupancy. This is in addition to the First Home Ownership Scheme facility, which is well utilized by our staff members. The RNC committee approved annual salary increases for eligible staff based off CPI rates applicable in respective countries.

Following reopening of international borders and easing of travel restrictions, we had over 30 staff members fly into PNG from all our locations across the Pacific, Cambodia and Laos to attend the 2023 BSP Leadership Forum. Nine (9) out of the 31 were members of BSP's leadership management program who had the privilege to attend the forum with BSP's Senior Management staff, Executives and Board Members. Among the attendees was the incoming BSP CEO Mr. Mark Robinson who had taken time out of his personal time to attend the forum and meet with leaders from the BSP Group.

In November 2015, the Board approved a long-term incentive (LTI) scheme that uses Earnings Per Share (EPS) as the benchmark for a matrix that adjusts the LTI payment relative to the EPS hurdle. For 2022, BSP reported a net profit after tax of K1,081.07 million. This included a one-off tax credit of K135 million and an K190 million Additional Company Tax expense, given that these were regulation driven changes post setting of the LTI benchmarks, the Board approved for LTI targets to be measures based on underlying results which was a profit of K1,136 million. This was above the threshold for 150% of performance rights, accordingly LTI was vested and payments were made to eligible staff.

BSP's Non-Executive Directors are remunerated on a fixed basis within an aggregate Directors' fee pool. Directors are not paid any retirement or superannuation benefits nor do they participate in any employee incentive schemes or share option schemes.

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3.0 Key Management Personnel

In 2022, KMP comprised the GCEO, Group Executives and Non-Executive Directors as set out in the table below. KMP is defined as those persons having authority and responsibility for planning, directing and controlling the activities of an entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

Name	Position	KMP Term
Board Members		
Sir Kostas G. Constantinou, OBE	Chairman	Full year
Ernest Brian Gangloff ¹	Director	Part year
Robert Bradshaw	Director	Full year
Arthur Sam	Director	Full year
Stuart Davis	Director	Full year
Faamausili Dr. Matagialofi Lua'iufo	Director	Full year
Priscilla Kevin	Director	Full year
Frank Bouraga	Director	Full year
Symon Brewis-Weston	Director	Full year
Patricia Taureka-Seruvatu ²	Director	Part year
Executives		
Robin Fleming, CSM	Group Chief Executive Officer	Full year
Ronesh Dayal	Group Chief Financial Officer	Full year
Frank van der Poll	Group Chief Operating Officer	Full year
Mike Hallinan ³	Group Chief Risk Officer	Part year
Roger Hastie ⁴	Group Chief Risk Officer	Part year
Peter Beswick	Group General Manager Corporate Banking	Full year
Rohan George	General Manager Treasury	Full year
Hari Rabura	General Manager People & Culture	Full year
Daniel Faunt	Group General Manager Retail Banking	Full year
Vandhna Narayan	Group General Manager Compliance	Full year
Nuni Kulu	General Manager Digital	Full year
Kili Tambua ⁵	General Manager Offshore Branches	Part year
Maryann Lameko-Vaai ⁶	General Manager Offshore Branches	Part year
Andy Roberts	General Manager BSP Finance Limited	Full year
Gheno Minia	General Manager BSP Capital	Full year
Nilson Singh	Country Manager BSP Life PNG	Full year
Mary Johns	Company Secretary	Full year

¹ Resigned in April 2022

² Appointed in April 2022

³ Resigned in April 2022

⁴ Commenced in the role in May 2022

⁵ Resigned from the role in October 2022

⁶ Commenced in the role in October 2022

4.0

Executive Remuneration

BSP's remuneration policy for Executives is comprised of a fixed component and an at risk component constituting a combination of short term and long term incentives. Remuneration packages are reviewed by the RNC and recommended for approval by the Board. Fixed remuneration is reviewed annually taking into account the nature of the role, comparable market pay levels, and individual and business performance.

Executives who serve as Directors of subsidiaries of BSP receive no fees for their service as a Director.

Executive Remuneration – Non-Statutory Disclosure

All amounts are expressed in K'000

Name	Year	Salary	Short-term incentive	Value of benefits	Final entitlement	Long-term incentive	Leave Encashment	Total
Executives								
Robin Fleming	2022	4,103	2,480	55	826	1,653	5,895	15,012
Group Chief Executive Officer	2021	4,115	2,667	55	-	1,778	-	8,615
Ronesh Dayal	2022	1,308	420	161	-	670	142	2,701
Group Chief Financial Officer	2021	1,553	406	159	-	666	-	2,784
Frank van der Poll	2022	1,470	374	97	-	670	204	2,815
Group Chief Operating Officer	2021	1,553	333	46	-	666	-	2,598
Michael Hallinan	2022	530	-	17	-	-	471	1,018
Group Chief Risk Officer	2021	1,308	332	53	-	561	-	2,254
Roger Hastie	2022	638	200	59	-	376	-	1,273
Group Chief Risk Officer	2021	-	-	-	-	-	-	-
Peter Beswick	2022	1,228	364	116	-	564	-	2,272
Group General Manager Corporate Banking	2021	1,308	349	117	-	561	-	2,335
Rohan George	2022	1,102	326	61	-	564	50	2,103
General Manager Treasury	2021	1,289	350	61	-	553	-	2,253
Hari Rabura	2022	974	257	186	-	444	72	1,933
General Manager People & Culture	2021	892	231	203	-	383	-	1,709
Daniel Faunt	2022	1,237	372	208	-	564	97	2,478
Group General Manager Retail	2021	1,299	326	198	-	557	-	2,380
Vandhna Narayan	2022	974	258	34	-	444	15	1,725
Group General Manager Compliance	2021	860	247	28	-	-	-	1,135
Nuni Kulu	2022	974	278	112	-	444	-	1,808
General Manager Digital	2021	892	242	113	-	383	-	1,630

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4.0 Executive Remuneration (continued)

Executive Remuneration – Non-Statutory Disclosure (continued)

Name	Year	Salary	Short-term incentive	Value of benefits	Final entitlement	Long-term incentive	Leave Encashment	Total
Executives (continued)								
Kili Tambua	2022	731	194	104	-	241	48	1,318
General Manager Offshore Branches	2021	960	108	99	-	412	34	1,613
Maryann Lameko-Vaai	2022	196	-	11	-	-	-	207
General Manager Offshore Branches	2021	-	-	-	-	-	-	-
Andy Roberts	2022	1,015	109	73	-	444	-	1,641
General Manager BSP Finance Limited	2021	1,073	221	73	-	-	-	1,367
Gheno Minia	2022	501	42	73	-	219	45	880
General Manager BSP Capital	2021	529	41	58	-	227	55	910
Nilson Singh	2022	688	187	56	-	301	-	1,232
Country Manager BSP Life PNG	2021	727	172	131	-	311	-	1,341
Mary Johns	2022	513	139	87	-	246	57	1,042
Company Secretary	2021	408	83	64	-	93	10	658

Note: Remuneration reflected in the table above relates to the period the staff member was in a KMP role. Contracts are in AUD and PGK equivalent will vary based on exchange rate.

4.1 Fixed Remuneration

BSP's fixed remuneration comprises cash salary, salary sacrifice for citizen staff, employer superannuation contributions for citizen staff and contractual benefits. The purpose of fixed pay is to attract and retain employees by paying market competitive pay for the role, skills and experience required by the business. This may include salary, fixed pay allowance housing benefits and other cash allowances in accordance with local market practices. These payments are fixed and do not vary with performance.

4.2 Short Term Incentive (STI)

STIs are incentives that BSP awards to staff at a given time of up to one year. BSP refers to the STI as the Annual Performance based bonus scheme. The scheme focuses on rewarding employees for performance and is paid at the end of each calendar year for all staff excluding Executives (Group Chief Executive Officer, Strategic Business Unit General Managers and Country Heads) who are paid in March the following year after the annual accounts are released.

This incentive is determined by the employees' individual performance and the overall BSP Group performance, based on the achievement of Key Performance Indicators (KPIs). KPIs are split between:

- Net Profit After Tax (NPAT) budget,
- Target cost to income ratio,
- Individual Strategic Business Unit (SBU) performance including achieving SBU budget,
- Implementation of critical strategic imperatives,
- Important SBU performance matrices, and specific individual KPI's such as promoting vision and values, staff training, customer survey outcomes, staff engagement survey feedback and the like.

4.3 Benefits

These cover accommodation, airfares, motor vehicle, school fees, club fees and club memberships based on industry wide practice and amounts vary annually depending on market rates.

4.4 Long Term Incentive Plan (LTIP)

BSP also has a LTIP for certain senior employees. BSP's LTIP is designed to align executive compensation to shareholder interests and to reward Executives (includes Deputy General Managers and Country Heads), Senior Managers and high potential employees such as Leadership and Management Development Program participants for their contribution to long-term financial results that drive shareholder value. The LTIP assists in the recruitment, retention and motivation of Executives, Senior Managers and Critical and High Performing employees of the BSP Group. The LTIP is a two (2) year performance based plan which commences on 1 January and ends on 31 December of the second year.

Key features under LTIP include;

- i. The Group Earnings Per Share (EPS) is the performance measure or the proxy to share price.
- ii. The vesting period is two years based on BSP's financial year cycle. The performance rights issued in 2020 were vested in 2022.

Number	Approved EPS Hurdles	EPS target to be achieved	Target NPAT	Percentage of Performance Rights to exercise
1	107.5%>	As recommended by RNC and approved by Board each LTIP cycle	As recommended by RNC and approved by Board each LTIP cycle	150% of Performance rights
2	102.5%>			100% of Performance rights
3	97.5%			50% of Performance rights

Exercising the performance rights is subject to the condition that BSP's net profit after tax (NPAT) for the vesting year is above BSP's NPAT in the issuing year.

Participants are personally responsible for any income tax liability in respect of payments made under the LTIP. If a participant resigns due to health reasons or retires prior to vesting, awards may be made in full or pro rata at the time of exit, at the sole discretion of the Board. If a participant resigns or their employment is terminated on disciplinary grounds prior to vesting, awards are not granted.

4.5 Performance Based

Performance based benefits are awarded to employees when Key Performance Indicators (KPI) are met. This is inclusive of the following:

i. Annual Salary Review

In line with the performance bonus rating scale above, BSP also conducts annual salary reviews each year. Staff salaries are reviewed and adjusted based on the performance rating scored in the prior year's performance review and the Consumer Price Index rate for respective countries.

ii. Staff Loans - National Staff Home Ownership Scheme and Unsecured Personal Loans

BSP offers its staff concessional lending rates to citizen staff who have satisfactorily completed the probation period and have formally been appointed permanent employee status.

iii. Leadership and Management Development Program (LMDP)

The BSP LMDP is a three year program derived specifically for high potential employees who have been identified as possible successors to senior and executive management roles. Participants are nominated by their SBU GMs and approved by the Group CEO.

In order to be selected to participate in the program, candidates must at least score a minimum performance rating of 3 or better in the last three years. Continuation in the program will be determined by the staff member's active participation and an individual performance rating of 3 or better each year.

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4.6 Non-Performance Based

Non-Performance based benefits are not determined by the staff member's performance and are applicable to all staff. These benefits include the following:

- i. Medical Cover for all staff
- ii. Life Insurance
- iii. Superannuation
- iv. Specialist allowances for critical roles

4.7 Retention Plan

As part of BSP's retention strategy, BSP has developed a number of initiatives to ensure staff occupying critical roles and high potential employees are better rewarded in order to retain their services for BSP for the long term. These initiatives include:

- i. Short and Long-Term Incentive Plans
- ii. Leadership and Management Development Program (LMDP)
- iii. National Staff Home Ownership Scheme

5.0 Linking performance & reward outcomes – Variable Remuneration

The Group's policy is to pay executive STI subsequent to the full audit of the financial statements. The Board determined that a STI award of 100 percent of the target was appropriate for all staff and KMP after assessing performance across Group and divisional/individual performance measures. The senior executive team strongly executed the Group's strategic agenda and demonstrated sound leadership.

5.1 Short Term Incentive (STI) Outcomes

The Group's financial performance is summarized in the table below together with its relationship to the aggregate amount of Short Term Incentives (STI) paid to Executives. This section discloses STI for the various years relative to the financial performance for those years.

	FY18	FY19	FY20	FY21	FY22
Net Profit After Tax (K'000)	844,072	890,363	806,218	1,075,218	1,135,538*
Earnings per Share (toea)	180.6	190.6	172.6	230.1	243.0*
Cost to income ratio	41.0%	37.7%	37.4%	37.5%	38.1%

*Underlying result excluding one-off tax credits of K135 million and K190 million Additional Company Tax expense.

The table below details the bonus pool measures and outcomes for the financial year.

Target Area	Weighting	Measure	Outcomes
Group Performance	15%	Achieve budgeted NPAT and Cost to income ratio	The Group's NPAT was above budget and target cost to income ratio was achieved.
Implementation of critical strategic imperatives	50%	Various deliverable targets to be achieved	Key strategic imperatives for the year focused around expanding the Group's digital coverage and capability, achieving milestones with respect to the upgrade of the current core systems and improving compliance.
Individual Assessment	35%	Various Key Performance indicators	Objectives set in these areas were met.

5.1 Short Term Incentive (STI) Outcomes (continued)

The table below shows the STI outcomes for FY22.

Name	Title	STI Awarded K'000	STI as % of Gross Base	Maximum STI K'000	Actual STI % of Maximum STI
Current Executives					
Robin Fleming	Group Chief Executive Officer	2,480	68%	2,480	100%
Ronesh Dayal	Group Chief Financial Officer	420	28%	447	94%
Frank van der Poll	Group Chief Operating Officer	374	25%	447	84%
Roger Hastie	Group Chief Risk Officer	200	31%	250	80%
Peter Beswick	Group General Manager Corporate Banking	364	28%	374	93%
Rohan George	General Manager Treasury	326	26%	376	87%
Hari Rabura	General Manager People & Culture	257	26%	296	87%
Daniel Faunt	Group General Manager Retail Banking	372	30%	376	99%
Vandhna Narayan	Group General Manager Compliance	258	26%	296	87%
Nuni Kulu	General Manager Digital	278	28%	296	94%
Kili Tambua	General Manager Offshore Branches	194	26%	232	84%
Andy Roberts	General Manager BSP Finance Limited	109	11%	296	37%
Gheno Minia	General Manager BSP Capital	42	9%	146	29%
Nilson Singh	Country Manager BSP Life PNG	187	28%	201	93%
Mary Johns	Company Secretary	139	28%	152	92%

5.2 2022 LTI Outcomes

The 2022 LTIP reward matrix was approved in November 2019. BSP's LTIP uses the earnings per share (EPS) as a proxy for BSP's share price as a determinant for achieving long term value for shareholders. Vesting of the LTIP rights is subject to achievement of the target EPS for 2022, which is calculated using the 2022 Group NPAT budget as the baseline with payments based on specified percentages of maximum rights, if the 2022 EPS outcome is within the payment band as detailed in the table below. Given large one-off tax impacts as a result of government regulation being introduced, the board approved LTI targets to be measured based on underlying results, excluding one-off tax impacts as detailed in section 5.1 above.

2022 Hurdles on EPS	EPS target to achieve	Target NPAT	Percentage of Performance rights to exercise
107.5%>	212.02	K990.65 million	150%
102.5%>	202.16	K994.57 million	100%
97.5%>	192.30	K898.49 million	50%

	FY18	FY19	FY20	FY21	FY22
LTI vesting (%)	100%	100%	100%	0%	150%

The Group achieved an underlying net profit after tax of K1,135.54 million and EPS was recorded at 243.0 toea, above the EPS and NPAT hurdles set by the Board. Based on these outcomes, the Board determined that 150% LTI will be vested and paid for the 2022 financial year.

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5.2 2022 LTI Outcomes (Continued)

The table below shows the LTI outcomes for FY22

Name	Title	LTI Awarded K'000	LTI as % of Gross Base
Current Executives			
Robin Fleming	Group Chief Executive Officer	1,653	45%
Ronesh Dayal	Group Chief Financial Officer	670	45%
Frank van der Poll	Group Chief Operating Officer	670	45%
Roger Hastie	Group Chief Risk Officer	376	45%
Peter Beswick	Group General Manager Corporate Banking	564	45%
Rohan George	General Manager Treasury	564	45%
Hari Rabura	General Manager People & Culture	444	45%
Daniel Faunt	Group General Manager Retail	564	45%
Vandhna Narayan	Group General Manager Compliance	444	45%
Nuni Kulu	General Manager Digital	444	45%
Kili Tambua	General Manager Offshore Branches	241	45%
Andy Roberts	General Manager BSP Finance Limited	444	45%
Gheno Minia	General Manager BSP Capital	219	45%
Nilson Singh	Country Manager BSP Life PNG	301	45%
Mary Johns	Company Secretary	246	45%

6.0 Employment Agreements

KMP Contracts

Initial contracts for Senior Management and Executives are for a three-year term. Subsequent contracts are open ended and subject to a three months notice period, based on performance and business requirements.

GCEO employment agreement

The Group CEO's contractual term is agreed upon between the Board and the employee. The Board approves the GCEO's employment contract.

7.0 Remuneration Policy and Government Framework

BSP recognises that staff are the most valuable asset of BSP. The Group ensures that remuneration and benefits are fair and competitive in the market. The remuneration strategy is supported by objectives applicable to all employees and includes:

- Business results, including performance against strategic objectives and metrics in the Group's risk assessment/position and compliance with AML/CTF regulations;
- Performance against the Group's strategic objectives;
- Adherence to the Group's values, business principles, Group-risk related policies and procedures and international standards;
- Individual performance; and
- Local market position and practice.

The above key features of the remuneration framework enable the group to also achieve alignment between risk, performance and reward.

7.1 Remuneration and Nominations Committee (RNC)

The RNC assists BSP in fulfilling its oversight responsibilities regarding remuneration, succession planning and the board recruitment of Directors, Executives and other BSP employees. The responsibilities of the RNC are:

- to oversee the selection and appointment of a Group CEO, and setting an appropriate remuneration and benefits package for recommendation to the full Board;
- to determine and review appropriate remuneration and benefits of Directors for recommendation to the full Board, and subsequently to the shareholders;
- in conjunction with the Group CEO, to identify and maintain a clear succession plan for Executive Management ensuring an appropriate mix of skills, diversity and experience as well as appropriate remuneration and benefits packages are in place and reviewed regularly; and
- to ensure that the Board itself maintains an appropriate mix of skills, diversity and experience necessary to fulfil its responsibilities to shareholders while maintaining a world class Corporate Governance regime.

The RNC is comprised of three Non-Executive Directors. The Chairman of the RNC must be an independent Director, other than the Chairman of the Board. Each member should be capable of making a valuable contribution to the Committee, and membership is reviewed annually by the Board.

A review of the performance of Committee members forms part of the Board's performance review.

8.0 Non-Executive Director Remuneration

Non-Executive Directors are remunerated on a fixed basis within an aggregate Directors' fee pool approved periodically by shareholders.

Under the Constitution, the Board determines the total amount paid to each Non-Executive Director as remuneration, subject to the aggregate amount not exceeding the amount fixed by the Shareholders.

Directors are also reimbursed their reasonable travel and other expenses incurred in attending to BSP business. Directors may also receive additional remuneration if they perform any additional services at the request of the Board.

Non-Executive Directors are not paid any retirement or superannuation benefits, nor do they participate in any share or share option programs or the employee incentive schemes.

8.1 Fee Pool

BSP Non-Executive Directors are remunerated on a fixed basis within an aggregate Directors "Fee Pool" approved periodically by Shareholders. Shareholders are required to approve any change to this aggregate amount. The current Shareholder approved fee pool is PGK 4.5million. Total payments to directors for the 2022 financial year within the fee pool were as follows:

All amounts are expressed in Kina

Name of Director	Base Fee	Chair-person	BACC Fee	BRC Fee	RNC Fee	Bank Total	Sub. Fees	Total Fees
Sir Kostas Constantinou	280,652	280,652	-	-	-	561,304	300,000	861,304
Ernest Brian Gangloff ¹	140,326	-	18,750	12,500	-	171,576	-	171,576
Robert Bradshaw ²	280,652	-	-	-	37,500	318,152	-	318,152
Arthur Sam ³	280,652	-	31,250	31,250	-	343,152	-	343,152
Stuart Davis ⁴	280,652	-	25,000	37,500	-	343,152	-	343,152
Dr. Matagialofi Lua'iufi	280,652	-	-	-	25,000	305,652	120,000	425,652
Priscilla Kevin	280,652	-	6,250	25,000	18,750	330,652	60,000	390,652
Frank Bouraga	280,652	-	25,000	-	-	305,652	-	305,652
Symon Brewis-Weston	280,652	-	25,000	25,000	-	330,652	-	330,652
Patricia Taureka-Seruvatu	140,326	-	-	-	6,250	146,576	-	146,576
Total	2,525,868	280,652	131,250	131,250	87,500	3,156,520	480,000	3,636,520

¹ Fees represent period from January 2022 to April 2022

² Includes additional fees as Chairman of RNC Committee

³ Includes additional fees as Chairman of BACC Committee

⁴ Includes additional fees as Chairman of BRC Committee

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Directors' Report

for the year ended 31 December 2022

The Directors take pleasure in presenting the Financial Statements of the BSP Financial Group Limited and its subsidiaries (Bank and the Group) for the year ended 31 December 2022. In order to comply with the provisions of the Companies Act 1997, the Directors report as follows:

Principal activities

The principal activity of the BSP Financial Group Limited (BSP) is the provision of commercial banking and financial services throughout Papua New Guinea (PNG) and the Asia Pacific region. The Group's activities also include fund management and life insurance business services. BSP is a company listed on the PNG Exchange Markets (PNGX) and the Australian Securities Exchange (ASX), incorporated under the Companies Act of Papua New Guinea, and is an authorised Bank under the Banks and Financial Institutions Act of Papua New Guinea. The Group is also licensed to operate in Solomon Islands, Fiji, Cook Islands, Samoa, Tonga, Vanuatu, Cambodia and Lao. The registered office is at Section 34, Allotment 6 & 7, Klinki Street, Waigani Drive, Port Moresby.

Review of operations

For the year ended 31 December 2022, the Group's profit after tax was K1,081.069 million (2021: K1,075.218 million). The Bank's profit after tax was K1,045.279 million (2021: K1,036.455 million).

The Directors are of the view that there are reasonable grounds to believe that the Bank and the Group will be able to pay their debts as and when they become due and payable; and the attached financial statements and notes thereto are in accordance with the PNG Companies Act 1997, including compliance with accounting standards and give a true and fair view of the financial position and performance of the Bank and the Group.

The results of the Bank and the Group operations during the financial year have, in the opinion of the Directors, not been materially affected by items of an abnormal nature, other than those disclosed in the financial statements.

In the opinion of the Directors, no circumstances have arisen, that make adherence to the existing method of valuation of assets or liabilities of the Bank and the Group misleading or inappropriate.

At the date of this report the Directors are not aware of any circumstances that would render the values attributed to current assets in the financial statements misleading.

No contingent liability other than that disclosed in the notes to the attached financial statements has become enforceable, or is likely to become enforceable, within a period of twelve months from the date of this report, that will materially affect the Bank and the Group in its ability to meet obligations as and when they fall due.

Dividends

Dividends totalling K788.906 million were paid in 2022 (2021: K676.464 million). A detailed breakup of this is provided in Note 28.

Directors and officers

The following were directors of the BSP Financial Group Limited at 31 December 2022:

Sir K. Constantinou, OBE	Mr. R. Fleming, CSM (retired 31 December 2022)	Mr. S. Davis	Ms. P. Kevin	Mr. S. Brewis-Weston
Mr. F. Bouraga	Mr. R. Bradshaw	Mr. A. Sam	Dr. M. Lua'iufi	Mrs. P. Taureka-Seruvatu

Details of directors' tenure and directors and executives' remuneration during the year are provided in Note 36 of the Notes to the Financial Statements. The Group CEO Robin Fleming was the only executive director.

The company secretary is Mary Johns.

Independent auditor's report

The financial statements have been audited and should be read in conjunction with the independent auditor's report on page 111. Details of amounts paid to the auditors for audit and other services are shown in Note 38 of the Notes to the Financial Statements.

Donations and sponsorships

Donations and sponsorship by the Group during the year amounted to K5.942 million (2021: K3.995 million).

Change in accounting policies

Changes to accounting policies that impacted the Group's result during the year are included in Note 1(A) of the Notes to the Financial Statements.

For, and on behalf of, the Directors.

Dated and signed in accordance with a resolution of the Directors in Port Moresby this 22nd day of February 2023.


Sir Kostas G. Constantinou, OBE
Chairman


Mr. Arthur Sam
Board Audit and Compliance Committee
Chairman

Statements of Comprehensive Income

for the year ended 31 December 2022

<i>All amounts are expressed in K'000</i>	Note	Consolidated		Bank	
		2022	2021	2022	2021
Interest income	3	1,834,996	1,710,501	1,727,733	1,593,872
Interest expense	3	(89,936)	(107,242)	(78,578)	(90,613)
Net interest income		1,745,060	1,603,259	1,649,155	1,503,259
Net fee and commission income	4	419,042	370,468	384,767	338,171
Other income	4	394,686	363,392	408,442	378,786
Net insurance operating income	31	40,224	35,052	-	-
Net operating income before impairment and operating expenses		2,599,012	2,372,171	2,442,364	2,220,216
Impairment of financial assets	6	5,359	42,655	15,170	51,138
Operating expenses	5	(989,263)	(888,967)	(912,980)	(813,224)
Additional company tax	7	(190,000)	-	(190,000)	-
Profit before income tax		1,425,108	1,525,859	1,354,554	1,458,130
Income tax expense	7	(344,039)	(450,641)	(309,275)	(421,675)
Net profit for the year		1,081,069	1,075,218	1,045,279	1,036,455
Other comprehensive income					
<i>Items that may be subsequently reclassified to profit or loss:</i>					
Translation of financial information of foreign operations to presentation currency	29	(52,381)	(40,680)	(28,345)	(22,425)
<i>Items that will not be reclassified to profit or loss:</i>					
Recognition of deferred tax on asset revaluation reserve movement	29	1,581	1,566	1,581	1,566
Fair value gain / (loss) on re-measurement of investment securities	29	(82)	15	(82)	15
Net movement in asset revaluation reserve	29	42	560	-	-
Other comprehensive income, net of tax		(50,840)	(38,539)	(26,846)	(20,844)
Total comprehensive income for the year		1,030,229	1,036,679	1,018,433	1,015,611
Earnings per share - basic and diluted (toea)	8	231.4	230.1	223.7	221.8

Comparative period amounts have been restated to conform to presentation in the current year.

The attached notes form an integral part of these Financial Statements.

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Statements of Financial Position

as at 31 December 2022

		Consolidated		Bank	
All amounts are expressed in K'000	Note	2022	2021	2022	2021
ASSETS					
Cash and operating balances with Central Banks	10	3,761,665	2,794,915	3,041,888	2,199,137
Amounts due from other banks	11	1,738,643	1,336,726	1,665,756	1,163,152
Treasury and Central Bank bills	12	4,128,340	4,644,903	4,097,350	4,617,566
Cash reserve requirement with Central Banks	13	2,517,159	1,719,870	2,418,532	1,627,849
Other financial assets	14	4,789,153	4,079,423	4,210,845	3,457,639
Loans and receivables from customers	15	14,368,853	13,623,496	13,077,909	12,286,086
Property, plant and equipment		958,036	912,235	745,692	706,406
Aircraft subject to operating lease		28,664	32,671	28,664	32,671
Investment in subsidiaries	32	-	-	399,361	388,798
Deferred tax assets	7	342,611	269,344	336,108	261,795
Other assets	16	1,256,980	1,029,539	573,119	441,810
Total assets		33,890,104	30,443,122	30,595,224	27,182,909
LIABILITIES					
Amounts due to other banks	17	261,560	242,310	518,880	328,141
Customer deposits	18	26,919,361	23,943,355	25,194,893	22,350,278
Insurance policy liabilities	31	1,201,038	1,132,176	-	-
Other liabilities	19	1,446,665	1,290,799	1,293,196	1,126,639
Deferred tax liabilities	7	48,427	39,517	-	-
Total liabilities		29,877,051	26,648,157	27,006,969	23,805,058
SHAREHOLDERS' EQUITY					
Ordinary shares	28	372,110	372,133	372,110	372,133
Retained earnings	29	3,319,282	3,025,125	2,991,169	2,728,885
Other reserves	29	320,934	396,929	224,976	276,833
Equity attributable to the members of the company		4,012,326	3,794,187	3,588,255	3,377,851
Minority interests		727	778	-	-
Total shareholders' equity		4,013,053	3,794,965	3,588,255	3,377,851
Total equity and liabilities		33,890,104	30,443,122	30,595,224	27,182,909

Comparative period amounts have been restated to conform to presentation in the current year.

The attached notes form an integral part of these Financial Statements.


Sir Kostas G. Constantinou, OBE
Chairman


Mr. Arthur Sam
Board Audit and Compliance Committee
Chairman

Statements of Changes in Shareholders' Equity

for the year ended 31 December 2022

<i>All amounts are expressed in K'000</i>	Note	Share capital	Reserves	Retained earnings	Minority interests	Total
Bank						
Balance as at 1 January 2021		372,189	300,725	2,360,983	-	3,033,897
Net profit		-	-	1,036,455	-	1,036,455
Other comprehensive income		-	(20,844)	-	-	(20,844)
Total comprehensive income		-	(20,844)	1,036,455	-	1,015,611
Dividends paid during the year	28	-	-	(672,802)	-	(672,802)
Share buyback	28	(56)	-	-	-	(56)
Total transactions with owners		(56)	-	(672,802)	-	(672,858)
Transfer from asset revaluation reserve	29	-	(7,457)	8,658	-	1,201
BSP Life policy reserve	29	-	4,409	(4,409)	-	-
Balance at 31 December 2021		372,133	276,833	2,728,885	-	3,377,851
Net profit		-	-	1,045,279	-	1,045,279
Other comprehensive income		-	(26,846)	-	-	(26,846)
Total comprehensive income		-	(26,846)	1,045,279	-	1,018,433
Dividends paid during the year	28	-	-	(784,938)	-	(784,938)
Share buyback	28	(23)	-	-	-	(23)
Total transactions with owners		(23)	-	(784,938)	-	(784,961)
Transfer from asset revaluation reserve	29	-	(5,270)	5,270	-	-
Impact of PNG tax rate change	29	-	(23,068)	-	-	(23,068)
BSP Life policy reserve	29	-	3,327	(3,327)	-	-
Balance at 31 December 2022		372,110	224,976	2,991,169	-	3,588,255
Group						
Balance as at 1 January 2021		372,189	438,516	2,622,249	651	3,433,605
Net profit		-	-	1,075,218	-	1,075,218
Other comprehensive income		-	(38,539)	-	-	(38,539)
Total comprehensive income		-	(38,539)	1,075,218	-	1,036,679
Dividends paid during the year	28	-	-	(676,293)	(171)	(676,464)
Share buyback	28	(56)	-	-	-	(56)
Gain attributable to minority interests		-	-	(298)	298	-
Total transactions with owners		(56)	-	(676,591)	127	(676,520)
Transfer from asset revaluation reserve	29	-	(7,457)	8,658	-	1,201
BSP Life policy reserve	29	-	4,409	(4,409)	-	-
Balance at 31 December 2021		372,133	396,929	3,025,125	778	3,794,965
Net profit		-	-	1,081,069	-	1,081,069
Other comprehensive income		-	(50,840)	-	-	(50,840)
Total comprehensive income		-	(50,840)	1,081,069	-	1,030,229
Dividends paid during the year	28	-	-	(788,729)	(177)	(788,906)
Share buyback	28	(23)	-	-	-	(23)
Gain attributable to minority interests		-	-	(126)	126	-
Total transactions with owners		(23)	-	(788,855)	(51)	(788,929)
Transfer from asset revaluation reserve	29	-	(5,414)	5,270	-	(144)
Impact of PNG tax rate change	29	-	(23,068)	-	-	(23,068)
BSP Life policy reserve	29	-	3,327	(3,327)	-	-
Balance at 31 December 2022		372,110	320,934	3,319,282	727	4,013,053

The attached notes form an integral part of these Financial Statements.

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Statements of Cash Flows

for the year ended 31 December 2022

		Consolidated		Bank	
All amounts are expressed in K'000	Note	2022	2021	2022	2021
CASH FLOW FROM OPERATING ACTIVITIES					
Interest received		1,823,009	1,649,780	1,717,557	1,536,527
Fees and other income		737,974	649,579	792,563	714,698
Interest paid		(78,673)	(78,340)	(61,174)	(67,455)
Insurance premiums		235,092	218,190	-	-
Claims, surrenders and maturity payments		(144,191)	(118,316)	-	-
Additional company tax	7	(190,000)	-	(190,000)	-
Amounts paid to suppliers and employees		(939,286)	(781,764)	(894,619)	(707,787)
Operating cash flow before changes in operating assets and liabilities	9	1,443,925	1,539,129	1,364,327	1,475,983
Net increase in:					
Loans and receivables from customers		(852,167)	(63,068)	(852,957)	(153,596)
Cash reserve requirements with the Central Banks		(814,895)	(175,272)	(805,127)	(165,713)
Bills receivable and other assets		(169,622)	(120,182)	(73,007)	(47,326)
Net increase in:					
Customer deposits		3,250,081	2,505,715	3,056,061	2,415,903
Bills payable and other liabilities		256,378	137,983	171,559	23,435
Net cash flow from operations before income tax		3,113,700	3,824,305	2,860,856	3,548,686
Income taxes paid	7	(455,500)	(347,021)	(432,995)	(328,294)
Net cash flow from operating activities		2,658,200	3,477,284	2,427,861	3,220,392
CASH FLOW FROM INVESTING ACTIVITIES					
Purchase of government securities		(210,708)	(2,573,665)	(224,827)	(2,531,151)
Expenditure on property, plant and equipment		(120,568)	(156,914)	(103,531)	(147,398)
Expenditure on software development costs		(52,313)	(57,650)	(52,299)	(57,650)
Proceeds from disposal of assets		4,129	6,254	4,127	6,167
Additional funding of subsidiaries	32	-	-	(10,563)	(3,720)
Net cash flow used in investing activities		(379,460)	(2,781,975)	(387,093)	(2,733,752)
CASH FLOW FROM FINANCING ACTIVITIES					
Share buyback	28	(23)	(56)	(23)	(56)
Dividends paid	28	(788,906)	(676,464)	(784,938)	(672,802)
Repayment of interest on borrowings		(14,395)	(3,396)	(14,395)	(3,396)
Net cash flow used in financing activities		(803,324)	(679,916)	(799,356)	(676,254)
Net increase/ (decrease) in cash and cash equivalents		1,475,416	15,393	1,241,412	(189,614)
Exchange rate movements on cash and cash equivalents		(125,999)	(84,448)	(86,796)	(57,487)
Cash and cash equivalents at the beginning of the year		3,889,331	3,958,386	3,034,148	3,281,249
Cash and Cash Equivalents at the end of the year	9	5,238,748	3,889,331	4,188,764	3,034,148

Comparative period amounts have been restated to conform to presentation in the current year.

The attached notes form an integral part of these Financial Statements.

1. FINANCIAL STATEMENTS PREPARATION

The principal accounting policies adopted in the preparation of these Financial Statements are set out below. These policies have been consistently applied to all the periods presented unless otherwise stated. The Financial Statements where required, presents restated comparative information for consistency with the current year's presentation in the Financial Statements. The assets and liabilities are presented in order of liquidity on the Statements of Financial Position.

A. Basis of Presentation and General Accounting Policies

The Financial Statements of the BSP Financial Group Limited are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and interpretations of these standards issued by the International Financial Reporting Interpretations Committee. They are prepared on the basis of the historical cost convention, as modified by the revaluation of certain non-current assets, financial instruments and liabilities.

Estimates and assumptions have been used to achieve conformity with generally accepted accounting principles in the preparation of these financial statements. These assumptions and estimates affect balances of assets and liabilities, contingent liabilities and commitments at the end of the reporting period, and amounts of revenues and expenses during the reporting period. Whilst the estimates are based on management's best knowledge of current events and conditions, actual results may ultimately differ from those estimates.

The financial statements are presented in Papua New Guinea Kina, expressed in thousands of Kina, as permitted by International Financial Reporting Standards.

Standards, amendments and interpretations effective in the year ended 31 December 2022

The following standards, amendments and interpretations to existing standards became applicable for the first time during the accounting period beginning 1 January 2022.

- A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16 (effective 1 January 2022).
 - o Amendments to IFRS 3, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
 - o Amendments to IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
 - o Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making.
 - o Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9.
- Amendment to IFRS 16, 'Leases' – COVID-19 related rent concessions (effective 1 April 2021). On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022.

- IFRIC Agenda Decision - Lessor forgiveness of lease payments (IFRS 9 and IFRS 16). In October 2022, the IASB finalised the IFRIC agenda decision on lessor forgiveness of lease payments. The agenda decision addresses the accounting from the perspective of the lessor, and in particular:

- o how the expected credit loss ('ECL') model in IFRS 9 should be applied to the operating lease receivable when the lessor expects to forgive payments due from the lessee under the lease contract before the rent concession is granted.
- o whether to apply the derecognition requirements in IFRS 9 or the lease modification requirements in IFRS 16 when accounting for the rent concession.

The above changes did not have any material impact on the Group.

Standards, amendments and interpretations issued but not yet effective for the year ended 31 December 2022 or adopted early

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the entity's accounting periods beginning on or after 1 January 2023 or later periods, but the entity has not early adopted them:

- Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8 (effective 1 January 2023). The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.
- Amendment to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction (effective 1 January 2023). These amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.
- Amendment to IFRS 16 - Leases on sale and leaseback (effective 1 January 2024). These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.
- Amendment to IAS 1 - Non current liabilities with covenants (effective 1 January 2024). These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. They also add new disclosure requirements in relation to covenants.
- IFRS 17 'Insurance contracts' (effective 1 January 2023) replaces IFRS 4. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features. Refer Note 31 for further details.

B. Consolidation

The Financial Statements incorporate the assets and liabilities of all controlled entities of the Group as at 31 December 2022, and their results for the year then ended.

Controlled entities are those over which the Group has the power to govern financial and operating policies, generally accompanied by a shareholding that commands the majority of voting rights, and are commonly referred to as subsidiaries.

Notes to the Financial Statements

for the year ended 31 December 2022

Subsidiaries are accounted for at acquisition under the acquisition method of accounting, where:

- consideration transferred is measured at fair value of assets transferred, equity issued and liabilities assumed;
- identifiable net assets are recorded initially at acquisition, at their fair values; and
- any excess of the acquisition cost over the relevant share of identifiable net assets acquired is treated as goodwill, and any deficiency is recognised directly in the Statement of Comprehensive Income.

All intercompany transactions and balances are eliminated.

C. Foreign currency

The Financial Statements of the Group are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of these Financial Statements, the results and financial position of the Bank are expressed in Papua New Guinea Kina, which is the Bank's functional and presentation currency, unless otherwise stated.

In preparing the Financial Statements, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Foreign operations

On consolidation, the assets and liabilities of the consolidated entity's overseas operations are translated at exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly. Exchange differences arising, are recognised in the foreign currency translation reserve, and recognised in the Statement of Comprehensive Income on disposal of the foreign operation.

D. Critical accounting estimates and judgments

The application of the Group's accounting policies requires the use of estimates and assumptions. If different assumptions or estimates were applied, the resulting values would change, impacting the net assets and income of the Group.

This note provides an overview of the areas that involve a higher degree of judgement or complexity, and major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial year. Detailed information about each of these estimates and judgements is included in the related notes together with information about the basis of calculation for each affected line item in the financial statements.

The areas involving significant estimates and judgments are:

- Estimation of current tax liability in the multiple tax jurisdictions - note 7
- Estimated impairment of financial or non-financial assets - note 12, 14, 15 and 22
- Estimated insurance liability - note 31
- Estimation of fair value of financial and non-financial assets and liabilities - note 27

Measurement of expected credit loss allowance for financial assets measured at amortised cost in line with IFRS 9 is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring Expected Credit Losses (ECL) is further detailed in note 15, which also sets out key sensitivities in note 22 of the ECL to changes in these elements.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- determining criteria for significant increase in credit risk;
- choosing appropriate models and assumptions for the measurement of ECL;
- establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- establishing groups of similar financial assets for the purposes of measuring ECL

Detailed information about the judgements and estimates made by the Group in the above areas is set out in note 15.

Impact of COVID-19

The COVID-19 pandemic and the measures put in place domestically and globally to control the spread of the virus had a significant impact on global economies and financial markets. Since the reopening of borders the economic outlook has improved across sectors, in which the Group operates. These factors were taken into account in estimates and judgements made by the Group.

Financial Performance

2. SEGMENT REPORTING

Accounting Policy

Segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker. This reflects the way the Group's businesses are managed, rather than the legal structure of the Group.

For management purposes, segment information determination is based on the risks involved with the provision of core banking services and products and the Bank and Group's management reporting system. The main business lines/segments for management purposes are banking services, split into PNG Bank and Offshore Banks and non-banking services which comprise insurance operations, fund management and asset financing activities. The Bank and Group's business segments operate in Papua New Guinea, Fiji, Solomon Islands, Cook Islands, Tonga, Samoa, Vanuatu, Lao and Cambodia. Inter segment adjustments reflect elimination entries in respect of inter segment income and expense allocations including funds transfer pricing.

Consolidated

<i>All amounts are expressed in K'000</i>	PNG Bank	Offshore Banks	Non-Bank Entities	Adjust Inter Segments	Total
Analysis by segments					
Year ended 31 December 2022					
Net interest income	1,432,559	278,906	33,212	383	1,745,060
Other income	622,690	240,044	25,683	(74,689)	813,728
Net insurance income	-	-	40,531	(307)	40,224
Total operating income	2,055,249	518,950	99,426	(74,613)	2,599,012
Operating expenses	(759,305)	(217,264)	(18,609)	5,915	(989,263)
Impairment expenses	14,816	(5,698)	(3,759)	-	5,359
Additional company tax	(190,000)	-	-	-	(190,000)
Profit before income tax	1,120,760	295,988	77,058	(68,698)	1,425,108
Income tax	(255,511)	(69,391)	(19,137)	-	(344,039)
Net profit after income tax	865,249	226,597	57,921	(68,698)	1,081,069
Assets	24,245,059	9,311,075	2,082,330	(1,748,360)	33,890,104
Liabilities	(21,307,155)	(8,110,664)	(1,556,558)	1,097,326	(29,877,051)
Net assets	2,937,904	1,200,411	525,772	(651,034)	4,013,053
Year ended 31 December 2021					
Net interest income	1,294,979	274,645	32,504	1,131	1,603,259
Other income	580,590	193,146	30,023	(69,899)	733,860
Net insurance income	-	-	36,850	(1,798)	35,052
Total operating income	1,875,569	467,791	99,377	(70,566)	2,372,171
Operating expenses	(667,224)	(204,553)	(19,973)	2,783	(888,967)
Impairment expenses	42,896	4,649	(4,890)	-	42,655
Profit before income tax	1,251,241	267,887	74,514	(67,783)	1,525,859
Income tax	(372,548)	(63,629)	(14,464)	-	(450,641)
Net profit after income tax	878,693	204,258	60,050	(67,783)	1,075,218
Assets	21,196,785	8,844,229	1,991,562	(1,589,454)	30,443,122
Liabilities	(18,432,921)	(7,684,711)	(1,474,118)	943,593	(26,648,157)
Net assets	2,763,864	1,159,518	517,444	(645,861)	3,794,965

Notes to the Financial Statements

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3. Net Interest Income

Accounting Policy

Interest income and expense are recognised in the Statement of Comprehensive Income on an accrual basis using the effective interest rate ("EIR") method. The EIR method calculates the amortised cost of a financial instrument by discounting the financial instrument's estimated future cash receipts or payments to their present value and allocates the interest income or interest expense, including any fees, costs, premiums or discounts integral to the instrument, over its expected life.

Interest income includes coupons earned on Government inscribed stock, accrued discounts and premiums on Treasury and Central Bank bills. Interest income is recognised for Stage 1 and Stage 2 financial assets measured at amortised cost by applying the EIR to gross carrying amounts of the financial instruments. For Stage 3 financial instruments, interest income is recognised by applying EIR on the net carrying value of the financial instrument.

Expenses associated with the borrowing of funds are charged to the Statement of Comprehensive Income in the period in which they are incurred.

	Consolidated		Bank	
All amounts are expressed in K'000	2022	2021	2022	2021
Interest income				
Loans and receivables from customers ¹	1,190,929	1,138,287	1,084,078	1,021,435
Other financial assets - inscribed stock	369,239	333,512	367,895	332,679
Treasury bills	241,058	228,303	240,997	227,989
Central Bank bills	5,799	245	5,798	245
Cash and balances with Central Banks	12,552	4,639	16,735	7,320
Other	15,419	5,515	12,230	4,204
	1,834,996	1,710,501	1,727,733	1,593,872
Less: Interest expense				
Customer deposits	73,228	97,896	59,219	80,122
Other banks	13,065	4,811	16,029	6,323
Other borrowings	3,643	4,535	3,330	4,168
	89,936	107,242	78,578	90,613
	1,745,060	1,603,259	1,649,155	1,503,259

¹Group interest income includes K18.611million (Bank K14.487 million) recognised on impaired loans (Stage 3) to customers, 2021: K17.860 million (Bank K15.123 million). The Group takes up required provisions on such interest income as detailed in the accounting policy in note 15.

4. NON-INTEREST INCOME**Accounting Policy***Fee and commission income*

Fees and commissions are generally recognised on an accrual basis when the performance obligation is satisfied (i.e. service has been provided). Other non-risk fee income, which includes facility fees, includes certain line fees and fees for providing customer bank accounts. They are recognised over the term of the facility/period of service on a straight-line basis.

All other risk related fees that constitute cost recovery are taken to income when levied. Income which forms an integral part of the effective interest rate of a financial instrument is recognised using the effective interest method and recorded in interest income (for example, loan origination fees).

Foreign exchange income or losses

Realised and unrealised gains or losses from foreign currency trading, or from changes in the fair value of the trading assets and liabilities are recognised as income in the Statement of Comprehensive Income in the period in which they arise.

	Consolidated		Bank	
All amounts are expressed in K'000	2022	2021	2022	2021
Net Fee and commission income				
Product related	188,823	191,487	173,453	175,772
Trade and international related	22,683	20,673	19,924	18,127
Electronic banking related	174,298	127,909	169,171	125,558
Other	33,238	30,399	22,219	18,714
	419,042	370,468	384,767	338,171
Other income				
Foreign exchange related ¹	362,333	325,905	319,773	292,485
Operating lease rentals	5,153	7,255	5,153	7,255
Other	27,200	30,232	83,516	79,046
	394,686	363,392	408,442	378,786

¹Foreign exchange related income includes gains and losses from spot and forward contracts and translated foreign currency assets and liabilities.

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5. OPERATING EXPENSES

Accounting Policy

Salaries and related on-costs include annual leave, long service leave, employee incentives and relevant taxes. Staff expenses are recognised over the period the employee renders the service. Long service leave is discounted to present value using assumptions relating to staff departure, leave utilisation and future salary.

Superannuation expense includes expenses relating to defined contribution plans. Defined contribution expense is recognised in the period the service is provided.

Premises and equipment expenses include depreciation, which is calculated using the straight-line method over the asset's estimated useful life. The right-of-use assets are recognised under IFRS 16. Leases are depreciated over the shorter of the lease term or the useful life of the underlying asset, with the depreciation presented within depreciation of Property, Plant and Equipment.

Computing expenses are recognised as incurred, unless they qualify for capitalization as computer software due to the expenditure generating probable future economic benefits. If capitalised, computer software is subsequently amortised over its estimated useful life. The Group assesses, at each balance sheet date, useful lives and residual values and whether there is any objective evidence of impairment. If an asset's carrying value is greater than its recoverable amount, the carrying amount is written down immediately to its recoverable amount.

Other expenses are recognised as the relevant service is rendered. Operating expenses related to provisions are recognised for present obligations arising from past events where a payment to settle the obligation is probable and can be reliably estimated.

	Consolidated		Bank	
<i>All amounts are expressed in K'000</i>	2022	2021	2022	2021
Operating Expenses				
Administration	128,047	119,292	114,492	107,163
Computing	167,404	138,154	152,744	122,504
Depreciation	77,714	78,818	71,633	72,099
Amortisation of software costs	38,991	30,238	38,734	30,038
Non-executive directors costs	4,334	4,132	3,735	3,507
Non-lending losses	11,791	5,742	11,059	5,236
Fixed asset impairment expenses	1,853	1,042	1,853	1,042
Premises and equipment	104,122	87,156	97,753	80,838
	534,256	464,574	492,003	422,427
Staff costs				
Wages and salaries	368,778	340,854	340,750	313,203
Defined contribution plans	18,484	16,711	16,722	14,986
Statutory benefit contributions	10,169	9,734	9,232	8,752
Other staff benefits	57,576	57,094	54,273	53,856
	455,007	424,393	420,977	390,797
	989,263	888,967	912,980	813,224

6. IMPAIRMENT OF FINANCIAL ASSETS**Accounting Policy***Impairment*

Loans and receivables from customers are subject to continuous management review. If there is an expectation that the Group will not be able to collect amounts due under the terms of the loan, a provision is recognised equivalent to lifetime ECL. All bad debts are written off against available specific provision for loan impairment in the period in which they are classified as irrecoverable. Subsequent recoveries and reductions in provisions are credited to the provision for loan losses in the Statement of Comprehensive Income.

General provisions for impairment are maintained to cover expected losses unidentified at balance date in the overall portfolio of Loans and receivables from customers. The provisions are determined having regard to the level of risk weighted assets, economic conditions, the general risk profile of the credit portfolio, past loss experience and a range of other criteria. The amount necessary to bring the provisions to their assessed levels, after write-offs, is charged to the Statement of Comprehensive Income.

The Group assesses on a forward-looking basis the ECL associated with its debt instrument assets carried at amortised cost and with the exposure arising from loan commitments and financial guarantee contracts. The Group recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Note 15 provides more detail of how the expected credit loss allowance is measured.

Impairment expense/(release) of financial assets by asset class as follows:

	Consolidated		Bank	
<i>All amounts are expressed in K'000</i>	2022	2021	2022	2021
Loans and receivables from customers (note 15)	(2,667)	(60,391)	(12,514)	(68,792)
Treasury and Central Bank Bills (note 12)	(5,114)	11,888	(5,114)	11,888
Other financial assets (note 14)	2,422	5,848	2,458	5,766
	(5,359)	(42,655)	(15,170)	(51,138)

7. INCOME TAX**Accounting Policy***Current Tax*

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the balance sheet liability method. Temporary differences are differences between the tax base of an asset or liability and its carrying amount in the Statement of Financial Position. In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities which affects neither taxable income nor accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and

tax laws) that have been enacted or substantively enacted by the reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax are recognised as an expense or income in the Statement of Comprehensive Income, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity.

Critical accounting assumptions and estimates

The Group operates in multiple tax jurisdictions and significant judgement is required in determining the current tax liability in the multiple tax jurisdictions. There are transactions with uncertain tax outcomes and provisions are determined based on the expected outcomes.

Notes to the Financial Statements

for the year ended 31 December 2022

7. INCOME TAX (Continued)

	Consolidated		Bank	
<i>All amounts are expressed in K'000</i>	2022	2021	2022	2021
Income tax expense				
Current tax	433,410	415,373	411,729	391,340
Deferred tax	46,914	34,424	35,110	30,832
Current year	480,324	449,797	446,839	422,172
Adjustment to prior year estimates	(754)	844	(2,033)	(497)
Impact of PNG tax rate change ¹	(135,531)	-	(135,531)	-
	344,039	450,641	309,275	421,675
Tax calculated at 30% of Bank profit before tax	406,366	437,439	406,366	437,439
Tax calculated at respective subsidiary tax rates	28,498	29,996	-	-
Expenses not deductible for tax purposes	60,025	2,428	58,502	846
Tax loss not recognised	6,278	1,238	-	-
Income not recognised for tax purposes	(20,843)	(21,304)	(18,029)	(16,113)
Impact of PNG tax rate change ¹	(135,531)	-	(135,531)	-
Adjustment to prior year estimates	(754)	844	(2,033)	(497)
	344,039	450,641	309,275	421,675
Tax (payable)/receivable				
At 1 January	(30,399)	32,887	(30,263)	32,419
Income tax provision	(433,410)	(415,373)	(411,729)	(391,340)
Adjustment to prior year estimates	5,661	4,742	4,893	(288)
Other tax related items	141	324	-	652
Foreign tax paid	20,927	15,239	-	-
Tax payments made	434,573	331,782	432,995	328,294
At 31 December	(2,507)	(30,399)	(4,104)	(30,263)
Deferred tax balances are represented by the tax effect of the following items:				
Specific allowance for losses on Loans and receivables from customers	63,427	62,662	58,446	59,186
General allowance for losses on Loans and receivables from customers	179,539	130,000	174,847	123,125
Employee related provisions	37,838	28,329	35,986	26,350
Prepaid expenses	(1,048)	(1,725)	(1,439)	(2,141)
Other provisions	29,679	17,203	77,285	51,115
Property, plant and equipment	(51,091)	(36,435)	(42,998)	(23,195)
Unrealised foreign exchange gains	(1,168)	1,617	(1,168)	1,617
Accruals	37,008	28,176	35,149	25,738
At 31 December	294,184	229,827	336,108	261,795
Represented by:				
Deferred tax asset	342,611	269,344	336,108	261,795
Deferred tax liability	(48,427)	(39,517)	-	-
At 31 December	294,184	229,827	336,108	261,795
Deferred taxes movement:				
At 1 January	229,827	255,108	261,795	284,605
Current year movement	(46,914)	(34,424)	(35,110)	(30,832)
Adjustment to prior year estimates	4,907	(5,586)	2,860	785
Impact of PNG tax rate change ¹	112,463	-	112,463	-
Other movements	(6,099)	14,729	(5,900)	7,237
At 31 December	294,184	229,827	336,108	261,795

7. INCOME TAX (Continued)

¹ The Additional Company Tax applies a flat K190 million on any bank that has over 40% market share of financial assets, which only applies to BSP as it is the only bank whose market share exceeds 40%. The Tax is non-deductible for tax purposes, and has a direct impact on BSP's net profit after Tax. In line with accounting standards, the full amount of the Tax was taken up in the Statement of Comprehensive Income in Quarter 1 2022 as the legislation makes BSP liable for the tax on 1 January 2022.

On 2 December 2022 the Government passed an amendment, which discontinued the Additional Company Tax effective 1 January 2023. Simultaneously, a separate amendment was passed increasing the income tax rate for Commercial Banks from 30% to 45%, effective 1 January 2023. The Group's closing deferred tax assets and liabilities have therefore been remeasured, taking into account the change in income tax rate reflecting the rate of income tax that will apply when these deferred tax balances are realised. As a result, the net deferred tax asset position in BSP has increased by K112.463 million, the asset revaluation reserve reduced by K23.068 million and a tax credit included in the Statement of Comprehensive Income of K135.531 million.

8. EARNINGS PER ORDINARY SHARE**Accounting Policy**

Earnings per share is determined by dividing the profit or loss attributable to owners of the Bank by the weighted average number of participating shares outstanding during the reporting year, adjusted for shares which are bought back by BSP.

	Consolidated		Bank	
<i>All amounts are expressed in K'000</i>	2022	2021	2022	2021
Net profit attributable to shareholders (K'000)	1,081,069	1,075,218	1,045,279	1,036,455
Weighted average number of ordinary shares in use (000)	467,223	467,228	467,223	467,228
Basic and diluted earnings per share (expressed in toea)	231.4	230.1	223.7	221.8

Basic earnings per ordinary share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year. BSP Financial Group Limited has no dilutive potential ordinary shares. Consequently, basic earnings per ordinary share equals diluted earnings per share.

9. RECONCILIATION OF OPERATING CASH FLOW

Reconciliation of net profit after tax to operating cash flow before changes in operating assets and liabilities				
Net profit after tax	1,081,069	1,075,218	1,045,279	1,036,455
Add: Tax expense	344,039	450,641	309,275	421,675
Profit before income tax	1,425,108	1,525,859	1,354,554	1,458,130
Major non cash amounts				
Depreciation	77,714	78,818	71,633	72,099
Amortisation of software costs	38,991	30,238	38,734	30,038
Net gain on sale of fixed assets	(3,515)	(1,137)	(2,508)	(996)
Impairment on financial assets	(5,359)	(42,655)	(15,170)	(51,138)
Movement in payroll provisions	(9,888)	27,788	(10,410)	16,438
Impairment of fixed assets	1,853	1,042	1,853	1,042
Net changes in assets and liabilities	(80,979)	(80,824)	(74,359)	(49,630)
Operating cash flow before changes in operating assets & liabilities	1,443,925	1,539,129	1,364,327	1,475,983
Cash and cash equivalents				
For the purposes of the cash flow statement, cash and cash equivalents comprise the following balances with less than 90 days maturity.				
Cash and balances with Central Banks (note 10)	3,761,665	2,794,915	3,041,888	2,199,137
Amounts due from other banks (note 11) ¹	1,738,643	1,336,726	1,665,756	1,163,152
Amounts due to other banks (note 17)	(261,560)	(242,310)	(518,880)	(328,141)
	5,238,748	3,889,331	4,188,764	3,034,148

¹The Group undertakes thorough compliance and due diligence reviews before entering into any correspondent banking relationships. Amounts due from other banks includes deposits of K57.856 million (2021: K57.653 million) held with counter-party banks that are not available for use by the Group.

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Financial Instruments: Financial Assets

Accounting Policy

Recognition

Loans and receivables are recognised on settlement date, when cash is advanced to the borrowers.

Modification of loans

The Group sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Group assesses whether or not the new terms are substantially different to the original terms. The Group does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.
- Change in the currency the loan is denominated in.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Group derecognises the original financial asset and recognises a 'new' asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Group also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in the Statement of Comprehensive Income as a gain or loss on de-recognition.

If the terms are not substantially different, the renegotiation or modification does not result in de-recognition, and the Group recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss through the Statement of Comprehensive Income. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

De-recognition

Financial assets are de-recognised when the rights to receive cash flows from the asset have expired.

There may be situations where the Group has partially transferred the risks and rewards of ownership and has neither transferred nor retained substantially all the risks and rewards of ownership. In such situations, the asset continues to be recognised on the balance sheet to the extent of the Group's continuing involvement in the asset.

Classification and measurement

Financial assets are grouped into the following classes: cash and balances with central banks and financial assets measured at fair value through income statement (FVIS), investment securities, loans, other financial assets and life insurance assets.

Financial assets are classified based on a) the business model within which the assets are managed, and b) whether the contractual cash flows of the instrument represent solely payment of principal and interest (SPPI).

The Group determines the business model at the level that reflects how groups of financial assets are managed. When assessing the business model the Group considers factors including how performance and risks are managed, evaluated and reported and the frequency and volume of, and reason for, sales in previous periods and expectations of sales in future periods.

When assessing whether contractual cash flows are SPPI, interest is defined as consideration primarily for the time value of money and the credit risk of the principal outstanding. The time value of money is defined as the element of interest that provides consideration only for the passage of time and not consideration for other risks or costs associated with holding the financial asset. Terms that could change the contractual cash flows so that they may not meet the SPPI criteria include contingent and leverage features, non-recourse arrangements, and features that could modify the time value of money.

Debt instruments

If the debt instruments have contractual cash flows which represent SPPI on the principal balance outstanding, they are classified at:

- amortised cost if they are held within a business model whose objective is achieved through holding the financial asset to collect these cash flows; or
- fair value through other comprehensive income (FVOCI) if they are held within a business model whose objective is achieved either through collecting these cash flows or selling the financial asset; or
- FVIS if they are held within a business model whose objective is achieved through selling the financial.

Debt instruments are measured at FVIS where the contractual cash flows do not represent SPPI on the principal balance outstanding or where it is designated at FVIS to eliminate or reduce an accounting mismatch. Debt instruments at amortised cost are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method. They are presented net of provisions for expected credit losses determined using the ECL model.

Debt instruments at FVOCI are measured at fair value with unrealised gains and losses recognised in other comprehensive income except for interest income, impairment charges and foreign exchange gains and losses, which are recognised in the Statement of Comprehensive Income. Impairment on debt instruments at FVOCI is determined using the ECL model and is recognised in the Statement of Comprehensive Income with a corresponding amount in other comprehensive income. There is no reduction of the carrying value of the debt security which remains at fair value. The cumulative gain or loss recognised in other comprehensive income is subsequently recognised in the Statement of Comprehensive Income when the instrument is derecognised.

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Debt instruments at FVIS are measured at fair value with subsequent changes in fair value recognised in the Statement of Comprehensive Income.

Equity securities

Equity securities are measured at FVOCI where they:

- are not held for trading; and
- an irrevocable election is made by the Group.

Otherwise, they are measured at FVIS.

Equity securities at FVOCI are measured at fair value with unrealised gains and losses recognised in other comprehensive income, except for dividend income which is recognised in the Statement of Comprehensive Income.

The cumulative gain or loss recognised in other comprehensive income is not subsequently recognised in the Statement of Comprehensive Income when the instrument is disposed.

Equity securities at FVIS are measured at fair value with subsequent changes in fair value recognised in the Statement of Comprehensive Income.

Derivative financial instruments and acceptances

Forward foreign exchange contracts entered into for trading purposes are initially recognised at fair value and subsequently re-measured at fair value based upon the forward rate. Gains and losses on such contracts are taken to the Statement of Comprehensive Income.

Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers. Customer acceptances are accounted for as off-balance sheet transactions and are disclosed as contingent liabilities and commitments.

The Group does not actively enter into or trade in complex forms of derivative financial instruments such as currency and interest rate swaps and options.

10. CASH AND OPERATING BALANCES WITH CENTRAL BANKS

	Consolidated		Bank	
<i>All amounts are expressed in K'000</i>	2022	2021	2022	2021
Notes, coins and cash at bank	574,130	494,058	506,326	441,364
Balances with Central Banks other than statutory deposit	3,187,535	2,300,857	2,535,562	1,757,773
At 31 December	3,761,665	2,794,915	3,041,888	2,199,137

11. AMOUNTS DUE FROM OTHER BANKS

Items in the course of collection	9,219	11,141	9,219	11,114
Placements with other banks	1,729,424	1,325,585	1,656,537	1,152,038
At 31 December	1,738,643	1,336,726	1,665,756	1,163,152

12. TREASURY AND CENTRAL BANK BILLS

Treasury and Central Bank bills – face value	4,210,746	4,788,065	4,189,940	4,769,438
Unearned interest	(69,522)	(123,524)	(70,153)	(124,321)
Less allowance for impairment	(22,613)	(27,727)	(22,437)	(27,551)
	4,118,611	4,636,814	4,097,350	4,617,566

Financial assets carried at fair value through profit and loss

Treasury bills at fair value	9,729	8,089	-	-
At 31 December	4,128,340	4,644,903	4,097,350	4,617,566
Allowance for impairment				
At 1 January	27,727	15,839	27,551	15,663
Provision for impairment	(5,114)	11,888	(5,114)	11,888
At 31 December	22,613	27,727	22,437	27,551

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13. CASH RESERVE REQUIREMENT WITH CENTRAL BANKS

The Bank and the Group comply with the Cash Reserve Requirement ("CRR") set by the regulatory authorities of the jurisdictions that it operates in. The CRR specifies that a bank must hold an amount equal to a percentage of its total customer deposits in the form of cash in an account maintained by the respective Central Banks. The Bank and Group comply with this requirement on an ongoing basis. CRR applicable for each jurisdiction at balance date were: PNG 10% (2021: 7%), Fiji 10% (2021: 10%), Solomon Islands 5% (2021: 5%), Samoa 4.5% (2021: 4.5%), Tonga 10% (2021: 10%) and Vanuatu 5.25% (2021: 5.25%).

14. OTHER FINANCIAL ASSETS

	Consolidated		Bank	
<i>All amounts are expressed in K'000</i>	2022	2021	2022	2021
Inscribed stock – issued by Central Bank	4,273,842	3,519,022	4,233,877	3,478,213
Less allowance for impairment	(23,236)	(20,814)	(23,032)	(20,574)
	4,250,606	3,498,208	4,210,845	3,457,639
Financial assets carried at fair value through profit and loss:				
Government inscribed stock	246,719	289,988	-	-
Equity securities	291,828	291,227	-	-
At 31 December	4,789,153	4,079,423	4,210,845	3,457,639
Allowance for impairment				
At 1 January	20,814	14,966	20,574	14,808
Provision for impairment	2,422	5,848	2,458	5,766
At 31 December	23,236	20,814	23,032	20,574

15. LOANS AND RECEIVABLES FROM CUSTOMERS

Accounting Policy

Loans are originated by providing funds directly to the borrower and are recognised when cash is advanced to borrowers. Loans are subsequently measured at amortised cost using the effective interest rate method where they have contractual cash flows which represent SPPI on the principal balance outstanding and they are held within a business model whose objective is achieved through holding the loans to collect these cash flows. They are presented net of any provisions for ECL.

	Consolidated		Bank	
<i>All amounts are expressed in K'000</i>	2022	2021	2022	2021
Overdrafts	977,113	714,180	915,566	651,263
Lease financing	198,969	225,578	161,562	193,699
Term loans	10,928,676	10,474,249	10,220,097	9,742,849
Mortgages	2,786,758	2,823,680	2,364,110	2,365,799
Policy loans	119,452	111,342	-	-
Gross loans and receivables from customers net of reserved interest	15,010,968	14,349,029	13,661,335	12,953,610
Less allowance for losses on loans and receivables from customers	(642,115)	(725,533)	(583,426)	(667,524)
At 31 December	14,368,853	13,623,496	13,077,909	12,286,086

The spread of the loans is detailed in the maturity analysis table in Note 23. The loans are well-diversified across various sectors and are further analysed in Note 22. Allowance for losses includes K75.227 million (Bank K64.997 million), 2021: K66.522 million (Bank K59.823 million) provision taken up for interest recognised on stage 3 loans.

Lease financing

The Bank and the Group provide lease financing to a broad range of clients to support financing needs in acquiring movable assets such as motor vehicles and plant and equipment. Finance leases are included within Loans and receivables from customers and are analysed as follows:

15. LOANS AND RECEIVABLES FROM CUSTOMERS (CONTINUED)

Lease financing (continued)

	Consolidated		Bank	
All amounts are expressed in K'000	2022	2021	2022	2021
Gross investment in finance lease receivable				
Not later than 1 year	34,501	32,597	32,514	31,713
Later than 1 year and not later than 5 years	185,781	216,054	143,911	182,207
	220,282	248,651	176,425	213,920
Unearned future finance income				
Not later than 1 year	(4,441)	(1,771)	(4,340)	(1,720)
Later than 1 year and not later than 5 years	(16,872)	(21,302)	(10,523)	(18,501)
	(21,313)	(23,073)	(14,863)	(20,221)
Present value of minimum lease payments receivable	198,969	225,578	161,562	193,699
Present value of minimum lease payments receivable is analysed as follows:				
Not later than 1 year	30,060	30,826	28,174	29,993
Later than 1 year and not later than 5 years	168,909	194,752	133,388	163,706
At 31 December	198,969	225,578	161,562	193,699

Allowance for Expected Credit Losses

Accounting Policy

Impairment under IFRS 9 applies to all financial assets at amortised costs, lease receivables and credit commitments.

The ECL determined under IFRS 9 is recognised as follows:

- Loans (including lease receivables), debt securities at amortised cost and due from subsidiaries: as a reduction of the carrying value of the financial asset through an offsetting provision account; and
- Credit commitments: as a provision.

Measurement

The Group calculates the provisions for ECL based on a three Stage approach. ECL are a probability-weighted estimate of the cash shortfalls expected to result from defaults over the relevant timeframe. They are determined by evaluating a range of possible outcomes and taking into account the time value of money, past events, current conditions and forecasts of future economic conditions.

The models use three main components to determine the ECL including:

- Probability of default (PD): the probability that a counterparty will default;
- Loss given default (LGD): the loss that is expected to arise in the event of a default; and
- Exposure at default (EAD): the estimated outstanding amount of credit exposure at the time of the default.

Model Stages

The three Stages are as follows:

Stage 1: 12 months ECL - performing

For financial assets where there has been no significant increase in credit risk since origination, a provision for 12 months ECL is recognised.

Stage 2: Lifetime ECL – performing

For financial assets where there has been a significant increase in credit risk since origination but where the asset is still performing, a provision for lifetime ECL is recognised.

Stage 3: Lifetime ECL – non-performing

For financial assets that are non-performing a provision for lifetime ECL is recognised. Indicators include a breach of contract with the Group such as a default on interest or principal payments, a borrower experiencing significant financial difficulties or observable economic conditions that correlate to defaults on a group of loans.

Collective and individual assessment

Expected credit losses are estimated on a collective basis for exposures in Stage 1, Stage 2 and Stage 3 exposures below specified thresholds and on an individual basis for Stage 3 exposures that meet specified thresholds.

Expected life

In considering the lifetime time frame for expected credit losses in Stages 2 and 3, the standard generally requires use of the remaining contractual life adjusted where appropriate for prepayments, extension and other options. For certain revolving credit facilities which include both a drawn and undrawn component (e.g. credit cards and revolving lines of credit), the Group's contractual ability to demand repayment and cancel the undrawn commitment does not limit our exposure to credit losses to the contractual notice period. For these facilities, lifetime is based on historical behaviour.

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15. LOANS AND RECEIVABLES FROM CUSTOMERS (CONTINUED)

Allowance for Expected Credit Losses (continued)

Accounting Policy (continued)

Movement between Stages

Assets may move in both directions through the Stages of the impairment model. Assets previously in Stage 2 may move back to Stage 1 if it is no longer considered that there has been a significant increase in credit risk. Similarly, assets in Stage 3 may move back to Stage 1 or Stage 2 if they are no longer assessed to be non-performing.

Off-Balance Sheet amounts

Any off-balance sheet items, such as loan commitments, are considered for impairment both on an individual and collective basis.

Definition of default

The definition of default used in measuring expected credit losses is aligned to the definition used for internal credit risk management purposes. The default occurs when there are indicators that a debtor is unlikely to fully satisfy contractual credit obligations to the Group, or the exposure is 90 days past due. Financial assets, including those that are well secured, are considered credit impaired for financial reporting purposes when they meet the definition of default. In subsequent periods, any recoveries of amounts previously written-off are credited to credit impairment charge in the Statement of Comprehensive Income.

Critical accounting assumptions and estimates

Key judgements include when a significant increase in credit risk has occurred and estimation of forward looking macroeconomic information. Other factors which can impact the provision include the borrower's financial situation, the realisable value of collateral, the Group's position relative to other claimants, the reliability of customer information and the likely cost and duration of recovering the loan.

Significant increase in credit risk

Determining when a financial asset has experienced a significant increase in credit risk since origination is a critical accounting judgement which is primarily based on changes in internal customer risk grades since origination of the facility. Judgement is involved in setting the rules to determine whether there has been a significant increase in credit risk since initial recognition of a loan, resulting in the financial asset moving from 'stage 1' to 'stage 2', this increases the ECL calculation from an allowance based on the probability of default in the next 12 months, to an allowance for lifetime expected credit losses. Subsequent decreases in credit risk combined with transition from stage 2 to stage 1 may similarly result in significant changes in the estimate. The setting of precise trigger points requires judgement. The change in an internal customer risk grade is based on both quantitative and qualitative factors. The change in the internal customer risk grade that the Group uses to represent a significant increase in credit risk is based on a sliding scale. This means that a higher credit quality exposure at origination would require a more significant downgrade compared to a lower credit quality exposure before it is considered to have experienced a significant increase in credit risk.

A backstop is applied and the financial instrument is considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments.

Customers in hardship arrangements are normally treated as an indication of a significant increase in credit risk.

The Group does not apply the low credit risk exemption which assumes investment grade facilities do not have a significant increase in credit risk.

Probability weighting of each scenario.

The Group considers three future macroeconomic scenarios including a base case scenario along with upside and downside scenarios. Probability weighting of each scenario is determined by management considering the risks and uncertainties surrounding the base case scenario, as well as specific portfolio considerations where required. This is further expanded in note 22.

- **Base case scenario**
This scenario utilises external economic forecasts used for strategic decision making and forecasting, resulting in the base case representing comparable market average default rates.
- **Upside scenario**
This scenario represents a modest improvement on the base case scenario, resulting in lower than market average default rates.
- **Downside scenario**
This scenario represents a moderate recession, with higher than market average default rates.

Forward looking macroeconomic information

The measurement of ECL for each Stage and the assessment of significant increase in credit risk consider information about past events and current conditions as well as reasonable and supportable projections of future events and economic conditions. The estimation of forward-looking information is a critical accounting judgement. The macroeconomic variables used in these scenarios, based on current economic forecasts, include (but are not limited to) change in real gross domestic product growth rates and unemployment rates.

The macroeconomic scenarios are weighted based on the Group's best estimate of the relative likelihood of each scenario. The weighting applied to each of the three macroeconomic scenarios takes into account historical frequency, current trends, and forward looking conditions.

The macroeconomic variables and probability weightings of the three macroeconomic scenarios are subject to the approval of the Group Chief Financial Officer and Group Chief Risk Officer.

Where appropriate, adjustments will be made to modelled outcomes to reflect reasonable and supportable information not already incorporated in the models.

Judgements can change with time as new information becomes available which could result in changes to the provision for expected credit losses.

The loss allowance recognised in the period is impacted by a variety of factors, as described below and as detailed in the following table:

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15. LOANS AND RECEIVABLES FROM CUSTOMERS (CONTINUED)

	Consolidated		Bank	
<i>All amounts are expressed in K'000</i>	2022	2021	2022	2021
Provision for impairment				
Movement in allowance for losses on loans and receivables from customers:				
Balance at 1 January	725,533	843,711	667,524	779,493
Net new and increased provisioning / (release of provisions)	33,128	(59,366)	23,086	(64,795)
Loans written off against provisions/(Write back of provisions no longer required)	(116,546)	(58,812)	(107,184)	(47,174)
At 31 December	642,115	725,533	583,426	667,524
Provision for impairment is represented by:				
Collective provision for on balance sheet	345,363	396,149	321,014	359,988
Individually assessed or specific provision	225,671	277,077	194,877	257,109
Total provisions for on balance sheet exposure	571,034	673,226	515,891	617,097
Collective provision for off balance sheet exposure	71,081	52,307	67,535	50,427
At 31 December	642,115	725,533	583,426	667,524
Loan impairment expense				
Net collective provision funding	(25,282)	(113,369)	(16,239)	(109,247)
Net new and increased individually assessed provisioning	58,410	54,003	39,325	44,452
Total new and increased provisioning/(release of provisions)	33,128	(59,366)	23,086	(64,795)
Recoveries during the year	(64,121)	(61,922)	(62,057)	(60,398)
Net (write back) / write off	28,326	60,897	26,457	56,401
At 31 December	(2,667)	(60,391)	(12,514)	(68,792)

The loss allowance recognised in the period is impacted by a variety of factors, as described below:

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and Lifetime ECL;
- Net financial assets originated, which includes additional allowances for new financial instruments recognised during the period, net of releases for financial instruments de-recognised in the period;
- Movement in risk parameters and other changes arising from regular refreshing of inputs to models, foreign exchange retranslations for assets denominated in foreign currencies and other movements; and
- Management temporary adjustments taken up during the reporting period relating to the impact of COVID-19 on ECL have been reflected as transfers from Stage 1 to Stage 2.

The impact of the factors on the Group's exposure and loss allowance is detailed in the following table:

<i>All amounts are expressed in K'000</i>				
EAD - Loans and receivables from customers	Stage 1	Stage 2	Stage 3	Total
1 January 2021	11,731,003	2,147,480	538,588	14,417,071
Transfers to/(from)				
Stage 1	(757,134)	641,103	116,031	-
Stage 2	79,563	(117,944)	38,381	-
Stage 3	-	327	(327)	-
Net financial assets originated	860,464	(761,875)	(166,631)	(68,042)
Total movement in EAD during 2021	182,893	(238,389)	(12,546)	(68,042)
31 December 2021	11,913,896	1,909,091	526,042	14,349,029

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for the year ended 31 December 2022

15. LOANS AND RECEIVABLES FROM CUSTOMERS (CONTINUED)

All amounts are expressed in K'000

ECL – Loans and receivables from customers	Stage 1	Stage 2	Stage 3	Total
1 January 2021	183,777	333,679	272,821	790,277
Transfers to/(from)				
Stage 1	(31,926)	31,217	709	-
Stage 2	7,518	(11,499)	3,981	-
Stage 3	-	56	(56)	-
Net financial assets originated	7,906	(1,778)	41,154	47,282
Transfers between stages	12,083	(68,917)	14,996	(41,838)
Movements due to risk parameter and other changes	38,405	(104,372)	2,284	(63,683)
Total net P&L charge / (release) during 2021	33,986	(155,293)	63,068	(58,239)
Loans written off against provision/(write back of provision no longer required)	-	-	(58,812)	(58,812)
31 December 2021	217,763	178,386	277,077	673,226
EAD - Loans and receivables from customers				
1 January 2022	11,913,896	1,909,091	526,042	14,349,029
Transfers to/(from)				
Stage 1	(294,713)	223,927	70,786	-
Stage 2	521,995	(577,144)	55,149	-
Stage 3	-	1,330	(1,330)	-
Net financial assets originated	1,038,201	(207,047)	(169,215)	661,939
Total movement in EAD during the year	1,265,483	(558,934)	(44,610)	661,939
31 December 2022	13,179,379	1,350,157	481,432	15,010,968
FCL – Loans and receivables from customers				
1 January 2022	217,763	178,386	277,077	673,226
Transfers to/(from)				
Stage 1	(5,483)	4,622	861	-
Stage 2	57,459	(61,823)	4,364	-
Stage 3	-	78	(78)	-
Net financial assets originated	(39,979)	(11,292)	22,910	(28,363)
Transfers between stages	(12,763)	(10,844)	6,190	(17,417)
Movements due to risk parameter and other changes	19,476	9,763	30,893	60,132
Total net P&L charge/ (release) during 2022	18,710	(69,496)	65,140	14,354
Loans written off against provision/(write back of provision no longer required)	-	-	(116,546)	(116,546)
31 December 2022	236,473	108,890	225,671	571,034

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15. LOANS AND RECEIVABLES FROM CUSTOMERS (CONTINUED)

Total off balance sheet exposures are predominantly classified under Stage 1 as at balance date.

	2022		2021	
All amounts are expressed in K'000	Stage 1		Stage 1	
	Gross exposure	Provisions	Gross exposure	Provisions
Balance 1 January	3,284,336	52,307	2,984,144	53,434
Increase/(decrease) in exposure to expected credit losses	1,309,331	18,774	300,192	(1,127)
Balance at 31 December	4,593,667	71,081	3,284,336	52,307

Write-off policy

The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity and (ii) where the Group's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

The Group may write-off financial assets that are still subject to enforcement activity. The Group still seeks to recover amounts it is legally owed in full, but which have been partially written off due to no reasonable expectation of full recovery.

16. OTHER ASSETS

	Consolidated		Bank	
All amounts are expressed in K'000	2022	2021	2022	2021
Financial Assets				
Funds in transit and other assets ¹	258,819	208,316	208,145	141,433
Intercompany account	-	-	4,476	5,261
Outstanding premiums	19,065	21,678	-	-
Prepayments	47,293	42,501	39,665	37,788
Accounts receivable	5,021	3,562	2,023	1,849
Accrued income	7,846	3,049	6,315	434
	338,044	279,106	260,624	186,765
Non-Financial Assets				
Inventory	25,227	16,363	-	-
Investment in Joint Ventures	270,111	224,323	26,127	26,980
Intangible Assets	294,397	236,577	286,368	228,065
Investment properties	329,201	273,170	-	-
	918,936	750,433	312,495	255,045
At 31 December	1,256,980	1,029,539	573,119	441,810

¹ Funds in transit includes interbank transactions which are in the process of clearance.

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Financial Instruments: Financial Liabilities

Accounting Policy

Recognition

Financial liabilities are recognised when an obligation arises.

Classification and subsequent measurement

Financial liabilities are classified as subsequently measured at amortised cost, except for:

- Financial liabilities arising from the transfer of financial assets which did not qualify for de-recognition, whereby a financial liability is recognised for the consideration received for the transfer. In subsequent periods, the Group recognises any expense incurred on the financial liability; and
- Financial guarantee contracts and loan commitments.

De-recognition

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

The exchange between the Group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion

features attached to the instrument and change in covenants are also taken into consideration. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Financial guarantee contracts and loan commitments

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and others on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantee contracts are initially measured at fair value and subsequently measured at the higher of:

- The amount of the loss allowance (calculated as described in Note 15); or
- The premium received on initial recognition less income recognised in accordance with the principles of IFRS 15.

Expected credit loss on loan commitments provided by the Group is measured as the amount of the loss allowance (calculated as described in Note 15). The Group has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

For loan commitments and financial guarantee contracts, the loss allowance is recognised as a provision liability.

17. AMOUNT DUE TO OTHER BANKS

	Consolidated		Bank	
	2022	2021	2022	2021
<i>All amounts are expressed in K'000</i>				
Vostro account balances	144,165	116,048	144,187	106,783
Interbank account balances	117,395	126,262	374,693	221,358
At 31 December	261,560	242,310	518,880	328,141

18. CUSTOMER DEPOSITS

On demand and short term deposits	24,075,220	21,170,919	23,049,105	20,236,820
Term deposits	2,844,141	2,772,436	2,145,788	2,113,458
At 31 December	26,919,361	23,943,355	25,194,893	22,350,278

The deposits are diversified across industries and regions with the maturity profile of deposits included in note 23.

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19. OTHER LIABILITIES

	Consolidated		Bank	
<i>All amounts are expressed in K'000</i>	2022	2021	2022	2021
Insurance liabilities				
Premiums received in advance	27,971	25,003	-	-
Outstanding claims	16,321	20,108	-	-
Claims incurred but not reported (IBNR)	1,953	3,746	-	-
Other insurance liabilities	110,445	94,975	-	-
At 31 December	156,690	143,832	-	-
Creditors and accruals	181,433	156,670	107,497	80,355
Provision for Income Tax	2,507	30,399	4,104	30,263
Items in transit and all other liabilities	353,032	217,456	474,337	319,970
Lease liability	285,581	271,055	256,957	240,863
Borrowings	246,480	245,614	246,479	245,614
Other provisions	220,942	225,773	203,822	209,574
At 31 December	1,446,665	1,290,799	1,293,196	1,126,639

20. CONTINGENT LIABILITIES AND COMMITMENTS

The primary purpose of credit related commitments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Cash requirements under guarantees and standby letters of credit are considerably less than the amount of the commitment because the Group does not generally expect the third party to draw funds under the agreement.

Commitments to extend credit represent the unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss, though not difficult to quantify, is considerably less than the total unused commitments since most commitments to extend credit are subject to customers maintaining approved specific credit standards. While there is credit risk associated with the remainder of commitments, the risk is considered to be modest, since it results from the possibility of unused portions of loan authorisations being drawn by the customer and, second, from these drawings subsequently not being repaid as due. The total outstanding contractual amount of commitments to extend does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

FASU formal warning

The Bank has for some time been working to uplift and strengthen the Group's systems and processes to comply with the Anti-money Laundering and Counter Terrorist Financing Act 2015 (AML and CTF). BSP has implemented various improvements, involving significant investment in systems and personnel, to its AML/CTF Program.

Improvements undertaken by BSP include a revision of governance structures to give Directors enhanced oversight over the Compliance and AML functions; increased AML staffing resources; updated Risk Assessments and Policies; implementation of and enhancements to transaction monitoring systems; improved customer documentation and identification procedures and a comprehensive AML/CTF training program for staff who support the AML/CTF Program, as well as an awareness program for all its staff. The Board also monitors the effectiveness of its AML and CTF program through internal and external audit reviews where specific compliance issues and weaknesses are brought to the attention of the Board. This is an ongoing process and further uplifting and strengthening of the AML and CTF program may be required.

The Financial Analysis and Supervision Unit (FASU) has advised BSP on 22 December 2022 that no penalties or fines will be levied in relation to the most recent external audit of BSP's AML/CTF policies and procedures. FASU have advised they will continue to monitor progress on the execution of BSP's Action Plan designed to improve the level of compliance with AML/CTF policies and procedures. Accordingly, no provision has been raised for this matter.

The Group operates in a number of regulated markets and is subject to regulatory reviews and inquiries. The potential outcome and total costs associated with these regulatory reviews and inquiries and the remediation processes for any issues identified in the future remain uncertain.

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20. CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

Off balance sheet financial instruments

	Consolidated		Bank	
<i>All amounts are expressed in K'000</i>	2022	2021	2022	2021
Letters of credit	238,851	182,535	238,302	179,998
Guarantees and indemnities issued	311,483	257,304	297,149	246,901
Commitments to extend credit	4,043,398	2,844,222	3,871,846	2,747,793
	4,593,732	3,284,061	4,407,297	3,174,692

Commitments for capital expenditure

Amounts with firm commitments, and not reflected in the accounts	42,348	51,427	31,963	42,120
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Legal Proceedings

A number of legal proceedings against the Group were outstanding as at 31 December 2022. For all litigation exposure where a loss is probable, an appropriate provision has been made. Based on information available at 31 December 2022, the Group estimates a contingent liability of K29.6 million (2021: K24.0 million) in respect of these proceedings.

Risk Management

21. RISK MANAGEMENT FRAMEWORK AND CONTROLS

All business operations must deal with a variety of operational and financial risks. The business activities of a bank expose it to very critical and specific risks, which are principally related to the Group's primary financial intermediary role in the financial markets, including the use of financial instruments including derivatives. These risks (risk of an adverse event in the financial markets that may result in loss of earnings) include liquidity risk, foreign exchange risk, interest rate risk and credit risk.

The Group accepts deposits from customers at both fixed and floating rates and for various periods and seeks to earn above average interest margins by investing these funds in high quality assets. These margins are achieved and increased by consolidating short-term funds and lending for longer periods at higher rates whilst maintaining sufficient liquidity to meet all claims that might fall due.

The Group also seeks to optimise its interest margins by obtaining above average returns, net of provisions, through lending to commercial and retail borrowers with a range of credit standing. In addition to directly advancing funds to borrowers, the Group also enters into guarantees and other commitments such as letters of credit, performance bonds, and other bonds.

The Group also enters into transactions denominated in foreign currencies. This activity generally requires the Group to take foreign currency positions in order to exploit short term movements in the foreign currency market. The Board places limits on the size of these positions. The Group also has a policy of using offsetting commitments for foreign exchange contracts, effectively minimising the risk of loss due to adverse movements in foreign currencies.

Risk in the Group is managed through a system of delegated limits. These limits set the maximum level of risk that can be assumed by each operational unit and the Group as a whole. The limits are delegated from the Board of Directors to executive management and hence to the respective operational managers.

The risk management framework establishes roles, responsibilities and accountabilities of the Asset and Liability Committee, the Credit Committee, the Operational Risk Committee and the Executive Committee, the specific management committees charged with the responsibility for ensuring the Group has appropriate systems, policies and procedures to measure, monitor and report on risk management. The framework also includes policies and procedures which detail formal feedback processes to these management committees, to the Board Audit and Compliance Committee, Board Risk Committee and ultimately to the Board of Directors.

22. CREDIT RISK AND ASSET QUALITY

22.1 Credit risk

The Group incurs risk with regard to loans and receivables due from customers and other monies or investments held with financial institutions. Credit risk is the likelihood of future financial loss resulting from the failure of clients or counter-parties to meet contractual obligations to the Group as they fall due.

Credit risk is managed by analysing the risk spread across various sectors of the economy and ensuring risk is diversely spread by personal and commercial customer. Individual exposures are measured using repayment performance, reviews and statistical techniques. Comprehensive credit standards and approval limits have been formulated and approved by the Credit Committee. The Credit Committee (reporting to the Board through the Group Chief Executive Officer) is responsible for the development and implementation of credit policy and loan portfolio review methodology.

22. CREDIT RISK AND ASSET QUALITY (CONTINUED)**22.1 Credit risk (continued)**

The Credit Committee is the final arbiter of risk management and loan risk concentration.

The Group has in place processes that identify, assess and control credit risk in relation to the loan portfolio, to assist in determining the appropriateness of provisions for loan impairment. These processes also enable assessments to be made of other classes of assets that may carry an element of credit risk. The Group assigns quality indicators to its credit exposures to determine the asset quality profile.

22.1.1 Credit risk measurement**Loans and advances (incl. loan commitments and guarantees)**

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Group measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD).

Credit risk grading

The Group uses an internal credit risk grading system that reflects its assessment of the probability of default of individual counterparties. Borrower and loan specific information collected at the time of application (such as disposable income, and level of collateral for retail exposures; and turnover and industry type for wholesale exposures) is fed into this rating model. This is supplemented with

external data such as credit bureau scoring information on individual borrowers. In addition, the models enable expert judgement from the Group Chief Risk Officer to be fed into the final internal credit rating for each exposure. This allows for considerations which may not be captured as part of the other data inputs into the model.

The Group's rating method comprises 11 rating levels for instruments not in default (1 to 11) and three default classes (12 to 14). The master scale assigns each rating category a specified range of probabilities of default, which is stable over time. The rating methods are subject to an annual validation and recalibration so that they reflect the latest projections in the light of all actually observed defaults.

Group Internal Scale	S&P Letter Grade	Description
1	BBB+	Standard Monitoring
2	BBB	
3	BBB-	
4	BB+	
5	BB	
6	BB-	
7	B+	
8	B	Special Monitoring
9	B-	
10	CCC+	
11	CCC	Substandard
12	CCC-	
13	D-I	
14	D-II	Loss

22.1.2 Expected credit loss measurement

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition, as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Group.
- If a significant increase in credit risk since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. Please refer to note 22.1.2.1 for a description of how the Group determines when a significant increase in credit risk has occurred.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. Please refer to note 22.1.2.2 for a description of how the Group defines credit-impaired and default.

Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis. Please refer to note 22.1.2.3 for a description of inputs, assumptions and estimation techniques used in measuring the ECL.

- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information. Note 22.1.2.3 includes an explanation of how the Group has incorporated this in its ECL models.

The following diagram summarises the impairment requirements under IFRS 9.

Change in credit quality since initial recognition		
Stage 1	Stage 2	Stage 3
(Initial recognition)	(Significant increase in credit risk since initial recognition)	(Credit-impaired assets)
12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

The key judgements and assumptions adopted by the Group in addressing the requirements of the standard are discussed below:

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for the year ended 31 December 2022

22. CREDIT RISK AND ASSET QUALITY (CONTINUED)

22.1.2.1 Significant increase in credit risk

The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

- Qualitative Criteria - if the instrument meets one or more of the following criteria:
 - Significant adverse changes in business, financial and/or economic conditions in which the borrower operates.
 - Actual or expected forbearance or restructuring.
 - Actual or expected significant adverse change in operating results of the borrower.
 - Significant change in collateral value (secured facilities only) which is expected to increase risk of default.
 - Early signs of cash flow/liquidity problems such as delay in servicing of trade creditors/loans.
- Quantitative criteria - applies to performing loans risk graded at 10 or 11 as per BSP's credit rating system which are 'watch list' categories. By definition, these have experienced a SICR event since inception hence need to be classified as Stage 2, with lifetime PDs applicable. This criteria applies regardless of whether loans in these two RGs are in arrears or not.
- Backstop - A backstop is applied and the financial instrument considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments. The Group has not used the low credit risk exemption for any financial instrument in the year ended 31 December 2022.

22.1.2.2 Definition of default and credit-impaired assets

The Group defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria

The borrower is more than 90 days past due on its contractual payments.

Qualitative criteria

The borrower meets unlikelihood to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

- The borrower is in long-term forbearance.
- The borrower is deceased.
- The borrower is insolvent.
- The borrower is in breach of financial covenant(s).
- An active market for that financial asset has disappeared because of financial difficulties.
- Concessions have been made by the lender relating to the borrower's financial difficulty.
- It is becoming probable that the borrower will enter bankruptcy.
- Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

The criteria above have been applied to all financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD) and Loss given Default (LGD) throughout the Group's expected loss calculations.

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of six months. This period of six months has been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different possible cure definitions.

22.1.2.3 Measuring ECL – Explanation of inputs, assumptions and estimation techniques

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default and credit-impaired" above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.
- EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). For example, for a revolving commitment, the Group includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.
- Loss Given Default (LGD) represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD).

22. CREDIT RISK AND ASSET QUALITY (CONTINUED)**22.1.2.3 Measuring ECL – Explanation of inputs, assumptions and estimation techniques (continued)**

Forward-looking economic information is also included in determining the 12-month and lifetime PD, EAD and LGD. These assumptions vary by product type. Model adjustments are also included within the ECL allowance. Model adjustments are used in circumstances where it is judged that the existing inputs, assumptions and model techniques do not capture all relevant risk factors. The emergence of new macroeconomic, microeconomic factors, changes to parameters or credit risk data not incorporated into current parameters are examples of such circumstances.

The Group used statistical models to convert historical PDs into forward looking lifetime PDs. The conversion process looks at the historical relationship between long-term PDs for a particular year and the observed (annual) default rate for the same year (called the 'Z-factor') and a set of systematic factors for the year. The Group has performed historical analysis and identified the key economic variables (systematic factors) impacting credit risk and expected credit losses which are as follows:

- GDP Growth (%)
- Change in Unemployment (%)
- Change in Equity Index (%)
- Change in Energy Index (%)
- Change in Non-Energy Index (%)
- Change in the Proportion of Downgrades (%)

These are then compared to the expected systematic factors and long-term PDs for a future year to estimate the PiT PDs for that future year. Forecasts of these economic variables (the "base economic scenario") are provided by the Group's Strategy Team and provide the best estimate view of the economy over the next five years. Z-factors are estimated for five years based on forecast systematic data and all future years from year 6 are adjusted using Z- factors which diminish in magnitude from the one estimated for year 5.

Economic variable assumptions

The period-end assumptions used for the ECL estimate as at 31 December 2022 are set out below. The scenarios "base", "upside" and "downside" were used for all portfolios.

		2022	2023	2024	2025	2026
GDP Growth (%)	Base	2.9%	3.3%	3.5%	3.5%	3.5%
	Upside	4.2%	3.6%	4.0%	4.0%	4.0%
	Downside	2.7%	3.1%	3.0%	3.0%	3.0%
Change in Unemployment (% total lab force) (%)	Base	-2.9%	-3.3%	-3.5%	-3.5%	-3.5%
	Upside	-4.2%	-3.6%	-4.0%	-4.0%	-4.0%
	Downside	-2.7%	-3.1%	-3.0%	-3.0%	-3.0%
Change in Equity Index (%)	Base	-8.0%				
	Upside	-7.0%				
	Downside	-9.0%				
Change in Energy Index (%)	Base	-12.4%	-11.9%	-11.9%	-11.9%	-11.9%
	Upside	-13.0%	-12.5%	-12.5%	-12.5%	-12.5%
	Downside	-11.8%	-11.3%	-11.3%	-11.3%	-11.3%
Change in Non-Energy Index (%) (Per World Bank commodities price forecast)	Base	-8.8%	-3.2%	-3.2%	-3.2%	-3.2%
	Upside	-9.3%	-3.4%	-3.4%	-3.4%	-3.4%
	Downside	-8.4%	-3.0%	-3.0%	-3.0%	-3.0%
Change in the Proportion of Downgrades (%)	Base	3.0%				
	Upside	-1.0%				
	Downside	15.0%				

The weightings assigned to each economic scenario at 31 December 2022 were as follows:

Scenario	Base	Upside	Downside
Weight	50%	10%	40%

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for the year ended 31 December 2022

22. CREDIT RISK AND ASSET QUALITY (CONTINUED)

22.1.2.3 Measuring ECL – Explanation of inputs, assumptions and estimation techniques (continued)

Other forward-looking considerations not otherwise incorporated within the above scenarios, such as the impact of any regulatory, legislative or political changes, have also been considered, but are not deemed to have a material impact and therefore no adjustment has been made to the ECL for such factors. This is reviewed and monitored for appropriateness on an annual basis.

Sensitivity Analysis

As described above, the Group applies 3 alternative macroeconomic scenarios (base, upside, downside scenarios) to reflect an unbiased probability weighted range of possible future outcomes in estimating ECL.

The most significant assumptions affecting the ECL allowance are as follows:

- GDP given the significant impact on business performance and collateral valuations;
- Change in proportion of downgrades given that it is “BSP specific” and addresses potential signs of stress both within credit markets in general and in client specific portfolios.

Set out below are approximate levels of provisions for impairment under the base and downside scenarios for the group assuming 100% weighting was applied to each scenario holding all other assumptions constant.

All amounts are expressed in K'000	2022	2021
Reported probability weighted ECL	642,115	725,533
100% base scenario	618,244	671,627
100% downside scenario	675,118	746,914

Sensitivity of provisions for impairment to SICR assessment criteria

- If 1% of Stage 1 credit exposures as at 31 December 2022 was included in Stage 2, provisions for impairment would approximately increase by K6.804 million for the bank. (31 December 2021 K6.992 million).
- If 1% of Stage 2 credit exposures as at 31 December 2022 was included in Stage 1, provisions for impairment would approximately decrease by K0.506 million for the bank. (31 December 2021 K0.887 million).

22.1.2.4 Grouping of instruments for losses measured on a collective basis

For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous.

In performing this grouping, there must be sufficient information for the group to be statistically credible. Where sufficient information is not available internally, the Group has considered benchmarking internal/external supplementary data to use for modelling purposes. The characteristics and any supplementary data used to determine groupings are outlined below:

Retail – Groupings for collective measurement

- Loan to value ratio band
- Risk Grade
- Product type (e.g. Residential/Buy to Let mortgage, Overdraft, Credit Card)

22. CREDIT RISK AND ASSET QUALITY (CONTINUED)**22.1.3 Credit risk exposure****22.1.3.1 Maximum exposure to credit risk – Financial instruments subject to impairment**

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the Group's maximum exposure to credit risk on these assets.

All amounts are expressed in K'000					
2022					
2021					
FCL staging	Stage 1	Stage 2	Stage 3		
	12-month	Lifetime	Lifetime	Total	Total
Credit grade					
Standard monitoring	13,179,379	886,601	-	14,065,980	13,291,616
Special monitoring	-	463,556	-	463,556	531,372
Default	-	-	481,432	481,432	526,041
Gross carrying amount	13,179,379	1,350,157	481,432	15,010,968	14,349,029
Loss allowance	(236,473)	(108,890)	(225,671)	(571,034)	(673,226)
Net carrying amount	12,942,906	1,241,267	255,761	14,439,934	13,675,803

Information on how the Expected Credit Loss (ECL) is measured and how the three stages above are determined is included in note 15 'Expected credit loss measurement'.

The total balance of investment securities measured at amortised cost K8,484.466 million (2021: K8,307.087 million) is classified as Stage 1 with a credit grade of 'standard monitoring'. Total loss allowance carried against this balance is K45.849 million (2021: K48.541 million).

The following table contains an analysis of the maximum credit risk exposure from financial assets not subject to impairment (i.e. FVPL):

Maximum exposure to credit risk		
All amounts are expressed in K'000		
2022		
2021		
Trading assets		
Equity Securities	291,828	291,227

22.1.3.2 Collateral and other credit enhancements

The Group employs a range of policies and practices to mitigate credit risk. The most common of these is accepting collateral for funds advanced. The Group has internal policies on the acceptability of specific classes of collateral or credit risk mitigation.

The Group prepares a valuation of the collateral obtained as part of the loan origination process. This assessment is reviewed periodically. The principal collateral types for loans and advances are:

- Mortgages over residential properties;
- Charges over business assets such as premises, inventory and accounts receivable; and
- Charges over financial instruments such as debt securities and equities.

Longer-term finance and lending to corporate entities are generally secured; revolving individual credit facilities are generally unsecured.

Collateral held as security for financial assets other than loans and advances depends on the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured, with the exception of asset-backed securities and similar instruments, which are secured by portfolios of financial instruments.

The Group's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Group since the prior period.

The Group closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the Group will take possession of collateral to mitigate potential credit losses.

Notes to the Financial Statements

for the year ended 31 December 2022

22. CREDIT RISK AND ASSET QUALITY (CONTINUED)

22.1.3.2 Collateral and other credit enhancements (continued)

Financial assets that are credit-impaired and related collateral held in order to mitigate potential losses are shown below:

Consolidated
31 December 2022

All amounts are expressed in K'000	Gross exposure	Impairment allowance	Carrying amount	Fair value of collateral held
Credit-impaired assets				
Loans to individuals:				
• Overdrafts	8,140	3,507	4,633	11,721
• Credit cards	1,092	602	490	1,657
• Term loans	28,549	12,199	16,350	28,491
• Mortgages	163,050	68,387	94,663	209,503
Loans to corporate entities:				
• Large corporate customers	180,466	85,826	94,640	170,258
• Small and medium-sized enterprises (SMEs)	99,019	54,621	44,398	118,742
• Others	1,116	529	587	749
Total credit-impaired assets	481,432	225,671	255,761	541,121

31 December 2021

Total credit-impaired assets	526,042	277,077	248,965	584,308
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Impairment allowance is assessed for each counterparty giving regard to collateral held for the respective exposure.

22. CREDIT RISK AND ASSET QUALITY (CONTINUED)**22.1.4 Credit Quality – Prudential guidelines**

The prudential standard maintained by the Bank of Papua New Guinea specifies detailed criteria for the classification of loans into various grades of default risk and corresponding loss provision levels as a consequence of those grades.

An analysis by credit quality of loans outstanding at 31 December 2022 is as follows:

**Consolidated
As at 31 December 2022**

<i>All amounts are expressed in K'000</i>	Overdrafts	Term loans	Mortgages	Lease financing	Policy loans	Total
<i>Neither past due nor impaired</i>	873,620	10,069,538	2,257,914	177,888	118,800	13,497,760
<i>Past due but not impaired</i>						
- Less than 30 days	52,195	456,461	133,679	9,765	-	652,100
- 30 to 90 days	4,980	262,841	107,690	4,165	-	379,676
	57,175	719,302	241,369	13,930	-	1,031,776
<i>Individually impaired loans</i>						
- Less than 30 days	4,017	8,562	5,540	78	619	18,816
- 30 to 90 days	2,000	19,820	32,221	116	-	54,157
- 91 to 360 days	739	25,753	28,079	1,030	33	55,634
- More than 360 days	39,562	85,701	221,635	5,927	-	352,825
	46,318	139,836	287,475	7,151	652	481,432
Total gross loans and receivables from customers	977,113	10,928,676	2,786,758	198,969	119,452	15,010,968
Less impairment provisions	(53,915)	(435,984)	(142,153)	(10,063)	-	(642,115)
Net loans and receivables from customers	923,198	10,492,692	2,644,605	188,906	119,452	14,368,853

22.1.5 Credit related commitments

These instruments are used to ensure that funds are available to a customer as required. The Group deals principally in the credit related commitments set out below.

Guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same risk as loans.

Documentary and trade letters of credit are written undertakings by the Group on behalf of a customer, authorising a third party to draw drafts on the Group for specified amounts under specified terms and conditions. They are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a conventional loan.

Commitments to extend credit represent undrawn portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. Whilst the potential exposure to loss equates to the total undrawn commitments, the likely amount of loss is less than the total commitment since the commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of these commitments because longer term commitments generally carry a greater degree of credit risk than shorter term commitments.

Notes to the Financial Statements

for the year ended 31 December 2022

22. CREDIT RISK AND ASSET QUALITY (CONTINUED)

22.1.6 Economic sector risk concentrations

Economic sector risk concentrations within the customer loan portfolio are as follows:

Consolidated
As at 31 December

<i>All amounts are expressed in K'000</i>	2022	%	2021	%
Commerce, finance and other business	7,184,154	50	6,745,549	50
Private households	3,710,391	26	3,359,516	25
Government and public authorities	789,757	5	691,294	5
Agriculture	295,804	2	286,697	2
Forestry	1,680	-	6,950	-
Transport and communication	899,744	6	1,142,933	8
Manufacturing	411,601	3	393,782	3
Construction	1,075,722	8	996,775	7
Net loan portfolio balance	14,368,853	100	13,623,496	100

22.1.7 Loan segment concentration

Concentration by customer loan segments are as follows:

Consolidated
As at 31 December

<i>All amounts are expressed in K'000</i>	2022	%	2021	%
Corporate / Commercial	8,554,103	60	8,003,207	58
Government	2,107,445	15	2,257,732	17
Retail	3,707,305	25	3,362,557	25
Net loan portfolio balance	14,368,853	100	13,623,496	100

22.1.8 Impact of overlays on the provision for ECL

The following table attributes the breakup between modelled ECL and other economic overlays. Where there is increased uncertainty regarding the required forward-looking economic conditions under IFRS 9, or limitations of the historical data used to calibrate the models to current stressed environments, overlays are typically used to address areas of potential risk not captured in the underlying modelled ECL.

<i>All amounts are expressed in K'000</i>	2022	2021
Modelled provision for ECL (Stage 1 and 2)	406,444	421,326
Overlays	10,000	27,130
Total	416,444	448,456

22. CREDIT RISK AND ASSET QUALITY (CONTINUED)**22.1.8.1 COVID-19 overlay**

At the cessation of the COVID-19 support packages, loans that were in this category have been regraded and captured in the model. As at 31 December 2022, there were no COVID-19 overlays (2021: K27.130 million).

Management exercises credit judgement in assessing if an exposure has experienced SICR and in determining the amount of impairment provisions at each reporting date. Where applicable, credit risk factors

(PD and LGD) are adjusted to incorporate reasonable and supportable forward looking information about known or expected risks for specific segments of portfolios and are captured through the model.

22.1.8.2 COVID-19 relief packages

There were no customers under COVID-19 relief packages at 31 December 2022 (2021: K1.312 billion):

Consolidated As at 31 December	Total Credit Exposures	Expected Credit Loss	Total Credit Exposures	Expected Credit Loss
<i>All amounts are expressed in K'000</i>	2022	2022	2021	2021
Stage 1	-	-	405,530	6,305
Stage 2	-	-	906,002	97,584
Total	-	-	1,311,532	103,889

23. LIQUIDITY RISK

Liquidity risk is the risk of being unable to meet financial obligations as they fall due. The Board, through the Asset and Liability Committee, sets liquidity policy to ensure that the Group has sufficient funds available to meet all its known and potential obligations.

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of banking activities. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

Short-term mismatch of asset and liability maturity at 31 December 2022

The maturity profile of material Assets and Liabilities as at 31 December 2022 is shown in the following schedule. The mismatching of maturity of assets and liabilities indicates an apparent negative net "current" asset position. However, as stated in the preceding paragraph, mismatched positions are established and managed to achieve profit opportunities that arise from them, particularly in a normal yield curve environment. Accordingly, this mismatched maturity position is considered manageable by the Group, and does not impair the ability of the Group to meet its financial obligations as they fall due.

Notes to the Financial Statements

for the year ended 31 December 2022

23. LIQUIDITY RISK (CONTINUED)

Maturity of assets and liabilities

Consolidated
As at 31 December 2022

All amounts are expressed in K'000	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
Assets						
Cash and balances with Central Banks	4,246,913	-	-	-	2,031,911	6,278,824
Treasury and Central Bank bills	291,680	1,257,910	2,611,958	38,260	-	4,199,808
Amounts due from other banks	1,339,623	222,611	176,409	-	-	1,738,643
Loans and receivables from customers	3,934,576	533,715	1,453,757	8,188,976	4,316,365	18,427,389
Other financial assets	1,122,765	64,574	773,640	3,786,755	3,019,453	8,767,187
Total assets	10,935,557	2,078,810	5,015,764	12,013,991	9,367,729	39,411,851
Liabilities						
Amounts due to other banks	104,008	34,468	123,084	-	-	261,560
Customer deposits	23,752,714	411,366	1,194,609	849,498	1,121,055	27,329,242
Lease liability	-	-	-	158,946	126,635	285,581
Other liabilities	1,351,662	24,181	896,695	89,957	61,760	2,424,255
Other provisions	207,572	350	10,074	350	5,102	223,448
Total liabilities	25,415,956	470,365	2,224,462	1,098,751	1,314,552	30,524,086
Net liquidity gap	(14,480,399)	1,608,445	2,791,302	10,915,240	8,053,177	8,887,765

Consolidated
As at 31 December 2021

Assets						
Cash and balances with Central Banks	3,237,770	-	-	-	1,277,015	4,514,785
Treasury and Central Bank bills	685,183	704,187	3,347,907	35,172	4,697	4,777,146
Amounts due from other banks	1,149,441	112,936	74,349	-	-	1,336,726
Loans and receivables from customers	3,513,262	457,643	2,052,719	7,170,220	4,195,707	17,389,551
Other financial assets	1,033,598	58,828	467,057	2,825,907	3,554,446	7,939,836
Total assets	9,619,254	1,333,594	5,942,032	10,031,299	9,031,865	35,958,044
Liabilities						
Amounts due to other banks	188,130	19,404	14,846	117	19,813	242,310
Customer deposits	22,262,175	383,273	925,893	208,683	323,006	24,103,030
Lease liability	-	-	-	44,968	220,294	265,262
Other liabilities	1,178,999	1,110	614,361	276,866	94,767	2,166,103
Other provisions	238,151	14	716	326	17,664	256,871
Total liabilities	23,867,455	403,801	1,555,816	530,960	675,544	27,033,576
Net liquidity gap	(14,248,201)	929,793	4,386,216	9,500,339	8,356,321	8,924,468

24. OPERATIONAL RISK

Operational risk is the potential exposure to unexpected financial or non-financial losses arising from the way in which the Group conducts its business. Examples of operational risks include employee errors, systems failures, fire, floods, or similar losses to physical assets, fraud, or criminal activity. Operational risk is managed through formal policies, documented procedures, business practices and compliance monitoring.

An operational risk management function is responsible for the maintenance of these policies, procedures, practices and monitoring the organization's compliance with them. The Operational Risk Committee coordinates the management process across the organization.

An independent internal audit function also conducts regular reviews to monitor compliance with approved BPNG standards and examines the general standard of control.

The Operational Risk Committee and the internal audit function mandatorily report to the Board Risk and Compliance Committee.

25. FOREIGN EXCHANGE RISK

Foreign exchange risk is the risk to earnings caused by a change in foreign exchange rates on open currency positions. The objective of foreign exchange risk management within the Group is to minimise the impact on earnings of any such movement.

The Group accepts foreign currency denominated transactions and therefore has exposure to movements in foreign currency. The Group has a policy to offset these transactions to minimise daily exposure. As foreign exchange contracts generally consist of offsetting commitments, they involve only limited foreign exchange risk to the Group and material loss is not envisaged.

Currency concentration of assets, liabilities, and off-balance sheet items**Consolidated****As at 31 December 2022**

<i>All amounts are expressed in K'000</i>	PGK	FJD	SBD	USD	Other	Total
Assets						
Cash and balances with Central Banks	3,351,635	1,363,312	729,436	12,914	821,527	6,278,824
Treasury and Central Bank bills	4,087,085	-	20,209	-	21,046	4,128,340
Amounts due from other banks	358,688	341,180	42,515	623,121	373,139	1,738,643
Loans and receivables from customers	9,173,225	3,448,430	466,063	246,479	1,034,656	14,368,853
Other financial assets	4,225,197	524,194	-	-	39,762	4,789,153
Other assets	1,484,599	911,700	71,742	1,009	117,241	2,586,291
Total assets	22,680,429	6,588,816	1,329,965	883,523	2,407,371	33,890,104

Liabilities

Amounts due to other banks	(7,732)	(227,869)	884	-	(26,843)	(261,560)
Customer deposits	(18,943,375)	(3,889,006)	(994,653)	(578,985)	(2,513,342)	(26,919,361)
Other liabilities	(704,374)	(1,614,307)	(50,319)	(248,841)	(78,289)	(2,696,130)
Total liabilities	(19,655,481)	(5,731,182)	(1,044,088)	(827,826)	(2,618,474)	(29,877,051)
Net on-balance sheet position	3,024,948	857,634	285,877	55,697	(211,103)	4,013,053
<i>Off-balance sheet position</i>	-	-	-	(4,502)	4,567	65
<i>Credit commitments</i>	3,083,199	1,268,322	60,828	-	181,318	4,593,667

Consolidated**As at 31 December 2021**

Assets						
Cash and balances with Central Banks	2,022,919	1,076,401	719,126	3,520	692,819	4,514,785
Treasury and Central Bank bills	4,553,945	54,352	17,658	-	18,948	4,644,903
Amounts due from other banks	117,035	349,727	62,458	409,899	397,607	1,336,726
Loans and receivables from customers	8,452,097	3,248,475	474,271	309,443	1,139,210	13,623,496
Other financial assets	3,467,871	571,449	46	-	40,057	4,079,423
Other assets	1,212,613	762,177	83,213	84	185,702	2,243,789
Total assets	19,826,480	6,062,581	1,356,772	722,946	2,474,343	30,443,122
Liabilities						
Amounts due to other banks	(117,525)	(120,942)	(8,726)	-	4,883	(242,310)
Customer deposits	(16,419,608)	(3,630,662)	(1,014,388)	(516,718)	(2,361,979)	(23,943,355)
Other liabilities	(825,865)	(1,439,406)	(50,007)	(4,757)	(142,457)	(2,462,492)
Total liabilities	(17,362,998)	(5,191,010)	(1,073,121)	(521,475)	(2,499,553)	(26,648,157)
Net on-balance sheet position	2,463,482	871,571	283,651	201,471	(25,210)	3,794,965
<i>Off-balance sheet position</i>	-	-	-	(120,110)	119,835	(275)
<i>Credit commitments</i>	2,412,952	739,143	30,079	-	102,162	3,284,336

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25. FOREIGN EXCHANGE RISK (CONTINUED)

The following table presents sensitivities of profit or loss and equity to possible changes in exchange rates applied at the end of the reporting period, relative to the functional currency of the respective Group entities, with all other variables held constant:

All amounts are expressed in K'000		2022		2021	
		Impact on profit or loss	Impact on equity	Impact on profit or loss	Impact on equity
USD strengthening by 5% (2021 – 5%)		(2,023)	(2,023)	(1,502)	(1,502)
USD dollar weakening by 15% (2021 – 15%)		5,013	5,013	3,722	3,722
AUD strengthening by 5% (2021 – 5%)		330	330	64	64
AUD dollar weakening by 15% (2021 – 15%)		(817)	(817)	(159)	(159)

In the normal course of trading, the Group enters into forward exchange contracts. The Group does not actively enter into or trade in, complex forms of derivative financial instruments such as currency and interest rate swaps and options.

Exposures in foreign currencies arise where the Group transacts in foreign currencies. This price risk is minimised by entering into counterbalancing positions for material exposures as they arise. Forward and spot foreign exchange contracts are used.

Currency concentration of assets, liabilities, and off-balance sheet items

Forward exchange contracts outstanding at 31 December 2022 stated at the face value of the respective contracts are:

All amounts are expressed in respective FCY'000 and K'000								
As at 31 December 2022		USD	AUD	EURO	GBP	JPY	Other	Total
Selling	FCY	(913)	(200)	(27)	-	-	(201)	-
	Kina	(3,214)	(478)	(102)	-	-	(708)	(4,502)
Buying	FCY	-	-	-	-	-	1,297	-
	Kina	-	-	-	-	-	4,567	4,567
As at 31 December 2021								
Selling	FCY	(32,988)	(492)	(53)	(10)	(21,915)	(624)	-
	Kina	(115,746)	(1,252)	(208)	(47)	(668)	(2,189)	(120,110)
Buying	FCY	747	18,280	-	-	1,000	20,130	-
	Kina	2,623	46,550	-	-	30	70,632	119,835

26. INTEREST RATE RISK

Interest rate risk in the balance sheet arises from the potential for a change in interest rate to have an adverse effect on the revenue earnings in the current reporting period and future years. As interest rates and yield curves change over time the Group may be exposed to a loss in earnings due to the effects of interest rates on the structure of the balance sheet. Sensitivity to interest rates arises from mismatches in the re-pricing dates, cash flows and other characteristics of the assets and their corresponding liability funding.

These mismatches are actively managed as part of the overall interest rate risk management process governed by the Assets and Liability Committee (ALCO), which meets regularly to review the effects of fluctuations in the prevailing levels of market interest rates on the financial position and cash flows of the Group. The objective of interest rate risk control is to minimise these fluctuations in value and net interest income over time, providing secure and stable sustainable net interest earnings in the long term. The table below illustrates the interest sensitivity of assets and liabilities at the balance date.

26. INTEREST RATE RISK (CONTINUED)**Interest sensitivity of assets, liabilities and off balance sheet items – re-pricing analysis**

Consolidated
As at 31 December 2022

<i>All amounts are expressed in K'000</i>	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing
Assets						
Cash and Balances with Central Banks	1,663,113	-	-	-	85,070	2,013,482
Treasury and Central Bank bills	316,880	1,231,168	2,580,222	-	-	70
Amounts due from other banks	991,487	227,268	101,843	-	-	418,045
Cash Reserve Requirement with Central Banks	-	-	-	-	-	2,517,159
Loans and receivables from customers	11,157,455	130,196	598,963	2,185,566	261,618	35,055
Other financial assets	466,912	241,052	614,391	2,941,689	795,220	-
Other assets	27,468	55,613	-	18,844	108,534	2,105,721
Total assets	14,623,315	1,885,297	3,895,419	5,146,099	1,250,442	7,089,532
Liabilities						
Amounts due to other banks	-	39,409	168,996	-	-	53,155
Customer deposits	9,972,184	621,816	1,261,635	442,642	510,552	14,110,532
Other liabilities	6,053	1,091	11	203,032	110,743	2,103,324
Other provisions	7,597	336	-	-	-	263,943
Total liabilities	9,985,834	662,652	1,430,642	645,674	621,295	16,530,954
Interest sensitivity gap	4,637,481	1,222,645	2,464,777	4,500,425	629,147	(9,441,422)
Assets						
Cash and Balances with Central Banks	737,150	-	-	-	-	2,057,765
Treasury and Central Bank bills	688,364	662,779	3,281,868	7,194	4,698	-
Amounts due from other banks	727,872	117,300	28,646	-	-	462,908
Cash Reserve Requirement with Central Banks	-	-	-	-	-	1,719,870
Loans and receivables from customers	11,471,141	106,614	415,289	1,453,760	132,222	44,470
Other financial assets	922,000	-	107,726	1,856,720	1,417,300	-
Other assets	45,964	75,051	2,251	-	-	1,896,200
Total assets	14,592,491	961,744	3,835,780	3,317,674	1,554,220	6,181,213
Liabilities						
Amounts due to other banks	134,345	19,396	14,751	-	-	73,818
Customer deposits	5,865,025	563,839	1,209,682	231,535	156	16,073,118
Other liabilities	5,022	1,069	95	111,986	175,793	1,942,754
Other provisions	1,108	-	654	-	-	224,011
Total liabilities	6,005,500	584,304	1,225,182	343,521	175,949	18,313,701
Interest sensitivity gap	8,586,991	377,440	2,610,598	2,974,153	1,378,271	(12,132,488)

Given the profile of assets and liabilities as at 31 December 2022 and prevailing rates of interest, a 1% increase in rates will result in a K42.682 million increase in net interest income, whilst a 1% decrease in rates will result in a K62.266 million decrease in net interest income.

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27. FAIR VALUES OF FINANCIAL AND NON-FINANCIAL ASSETS AND LIABILITIES

There is no material difference between the fair values and carrying values of the financial assets and liabilities of the Group.

The table below analyses the Group's financial instruments carried at fair value, by levels in the fair value hierarchy.

The different levels have been defined as follows:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Consolidated

As at 31 December 2022

All amounts are expressed in K'000

	Level 1	Level 2	Level 3	Total
a) Financial assets				
Equity securities	-	286,512	5,316	291,828
Treasury bills	-	9,729	-	9,729
Government inscribed stock	-	246,719	-	246,719
Non-financial assets				
Land and buildings	-	-	509,039	509,039
Investment properties	-	-	329,201	329,201
Aircraft subject to operating lease	-	-	28,664	28,664
Total assets	-	542,960	872,220	1,415,180
b) Financial liabilities				
Policy liability	-	-	(1,201,038)	(1,201,038)
Total liabilities	-	-	(1,201,038)	(1,201,038)
As at 31 December 2021				
a) Financial assets				
Equity security	-	286,520	4,707	291,227
Treasury bills	-	8,089	-	8,089
Government inscribed stock	-	289,988	-	289,988
Non-financial assets				
Land & buildings	-	-	524,920	524,920
Investment properties	-	-	273,170	273,170
Aircraft subject to operating lease	-	-	32,671	32,671
Total assets	-	584,597	835,468	1,420,065
b) Financial liabilities				
Policy liability	-	-	(1,132,176)	(1,132,176)
Total liabilities	-	-	(1,132,176)	(1,132,176)

27. FAIR VALUES OF FINANCIAL AND NON-FINANCIAL ASSETS AND LIABILITIES (CONTINUED)**Consolidated**

<i>Financial assets at fair value through profit and loss</i>	2022	2021
Opening balance	835,468	798,987
Total gains and losses recognised in:		
- Profit & loss	(23,162)	(28,315)
- Other comprehensive income	14,566	18,088
- Purchases	84,235	61,942
- Disposals	(1,917)	(4,045)
- Translation movements	(36,970)	(11,189)
Closing balance	872,220	835,468

There were no changes in valuation technique for Level 3 recurring fair value measurements during the year ended 31 December 2022.

Property, plant and equipment represents commercial land and buildings owned and occupied. Investment properties represent land and buildings owned and leased out by the Group. Assets subject to operating lease relate to aircraft owned and leased out by the Group. Property, plant and equipment, Investment property and Assets subject to operating lease are valued based on valuations provided by independent valuers.

The frequency of valuations complies with Group policy. The significant inputs used in preparing the valuations relate to:

- Selling prices of similar properties and aircraft
- Maintenance costs
- Replacement costs

The fair value of the land and buildings and aircraft are classified as level 3 within the fair value hierarchy due to the use of the above mentioned unobservable inputs.

Sensitivities to reasonably possible changes in non-market observables valuation assumptions would not have a material impact on the Groups' reported results.

Capital and Dividends

28. ORDINARY SHARES**Accounting Policy****Share issue costs**

External costs directly attributable to the issue of new shares are deducted from equity net of any related income taxes.

<i>Number of shares in '000s, Book value in K'000</i>	Number of shares	Book value
At 1 January 2021	467,229	372,189
Share buyback	(3)	(56)
At December 2021/1 January 2022	467,226	372,133
Share buyback	(6)	(23)
At 31 December 2022	467,220	372,110

In May 2014, the Directors introduced a share-buyback scheme of up to K15 million. The share-buyback commenced in July 2014 and extended to such time when the allocated K15 million buyback was utilised, or if the Board wishes, any time before that. As at 31 December 2022, a total of K9.388 million has been bought back under this scheme. The scheme ceased in July 2022 as approved by the Board.

Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are declared.

Dividends for the year, declared after the balance sheet date, are dealt with in the subsequent events note.

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28. ORDINARY SHARES (CONTINUED)

	Consolidated		Bank	
<i>All amounts are expressed in K'000</i>	2022	2021	2022	2021
Dividends paid on ordinary shares				
Interim ordinary dividend (2022: 34 toea; 2021: 39 toea)	159,350	183,388	158,796	182,218
Final ordinary dividend (2021: 134 toea; 2020: 105 toea)	629,556	493,076	626,142	490,584
	788,906	676,464	784,938	672,802

29. RETAINED EARNINGS AND OTHER RESERVES

Retained earnings

At 1 January	3,025,125	2,622,249	2,728,885	2,360,983
Net profit for the year	1,081,069	1,075,218	1,045,279	1,036,455
Final dividends paid	(629,379)	(492,905)	(626,142)	(490,584)
Interim dividends paid	(159,350)	(183,388)	(158,796)	(182,218)
Disposal of assets – asset revaluation	5,270	8,658	5,270	8,658
BSP Life policy reserve	(3,327)	(4,409)	(3,327)	(4,409)
Gain attributable to minority interest	(126)	(298)	-	-
At 31 December	3,319,282	3,025,125	2,991,169	2,728,885

Other reserves comprise:

Asset revaluation reserve	96,873	123,732	83,180	109,937
Capital reserve	635	635	635	635
Equity component of Fiji Class Shares	21,578	21,578	-	-
Statutory insurance reserve	59,936	56,691	59,936	56,691
Foreign currency translation reserve	141,912	194,293	81,225	109,570
At 31 December	320,934	396,929	224,976	276,833

Movement in reserves for the year:

Asset revaluation reserve

At 1 January	123,732	129,063	109,937	115,828
Asset revaluation increment/(decrement)	42	560	-	-
Transfer asset revaluation reserve to retained earnings	(5,414)	(7,457)	(5,270)	(7,457)
Impact of PNG tax rate change	(23,068)	-	(23,068)	-
Deferred tax on disposal of assets	1,581	1,566	1,581	1,566
At 31 December	96,873	123,732	83,180	109,937

Capital reserve

At 1 January	635	635	635	635
At 31 December	635	635	635	635

Statutory insurance reserve

At 1 January	56,691	52,267	56,691	52,267
BSP Life policy reserve	3,327	4,409	3,327	4,409
Fiji Government green bond revaluation	(82)	15	(82)	15
At 31 December	59,936	56,691	59,936	56,691

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29. RETAINED EARNINGS AND OTHER RESERVES (CONTINUED)

	Consolidated		Bank	
All amounts are expressed in K'000	2022	2021	2022	2021
Foreign currency translation reserve				
At 1 January	194,293	234,973	109,570	131,995
Movement during the year	(52,381)	(40,680)	(28,345)	(22,425)
At 31 December	141,912	194,293	81,225	109,570

Equity component of convertible notes

On 20 April 2010, the Group issued 3,064,967 Fiji Dollars (FJD) denominated mandatory convertible notes through its wholly owned subsidiary BSP Convertible Notes Limited (BSP CN) at an issue price of FJD5.25 (K7.30) per note.

The notes mandatorily converted to Fiji Class Shares on 20 April 2013 based on a conversion ratio of 1:1. Key rights of Fiji Class Shareholders are as follows:

- (i) The right to receive a dividend equal to the amount of dividend to be paid on BSP Ordinary Shares.
- (ii) The same voting rights as a BSP Ordinary Share and effected through a special voting share held by the Chairman of BSP.
- (iii) The Fiji Class Share may be exchanged on a one for one basis into BSP Ordinary Shares at a subsequent date and at the option of BSP on the occurrence of certain prescribed events.

30. CAPITAL ADEQUACY

The Group is required to comply with various prudential standards issued by the Bank of Papua New Guinea (BPNG), the official authority for the prudential supervision of banks and similar financial institutions in Papua New Guinea. Additionally, subsidiaries and branches in Fiji, Solomon Islands, Cook Islands, Samoa, Tonga, Vanuatu, Cambodia and Lao are required to adhere to prudential standards issued by the Reserve Bank of Fiji (RBF), Central Bank of Solomon Islands (CBSI), The Financial Supervisory Commission (FSC), Central Bank of Samoa (CBS), National Reserve Bank of Tonga (NRBT), Reserve Bank of Vanuatu (RBV), the National Bank of Cambodia (NBC) and Bank of Lao P.D.R. One of the most critical prudential standards is the capital adequacy requirement. All banks are required to maintain at least the minimum acceptable measure of capital to risk-weighted assets to absorb potential losses. The BPNG follows the prudential guidelines set by the Bank of International Settlements under the terms of the Basel Accord. The BPNG revised prudential standard 1/2003, Capital Adequacy, prescribes ranges of overall capital ratios to measure whether a bank is under, adequately, or well capitalised, and also prescribes the leverage capital ratio. The Group complies with the prevailing prudential requirements for total capital and leverage capital. As at 31 December 2022, the Group's total capital adequacy ratio and leverage capital ratio satisfied the capital adequacy criteria for a 'well-capitalised' bank. The minimum capital

adequacy requirements set out under the standard are: Tier 1 8%, total risk based capital ratio 12% and the leverage ratio 6%.

The measure of capital used for the purposes of prudential supervision is referred to as base capital. Total base capital varies from the balance of capital shown on the Statement of Financial Position and is made up of tier 1 capital (core) and tier 2 capital (supplementary). Tier 1 capital is obtained by deducting from equity capital and audited retained earnings (or losses), intangible assets including deferred tax assets. Tier 2 capital cannot exceed the amount of tier 1 capital, and can include subordinated loan capital, specified asset revaluation reserves, un-audited profits (or losses) and a small percentage of general loan loss provisions. The leverage capital ratio is calculated as Tier 1 capital divided by total assets on the balance sheet.

Risk weighted assets are derived from on-balance sheet and off-balance sheet assets. On balance sheet assets are weighted for credit risk by applying weightings (0, 20, 50 and 100 per cent) according to risk classification criteria set by the BPNG. Off-balance sheet exposures are risk weighted in the same way after converting them to on-balance sheet credit equivalents using BPNG specified credit conversion factors.

The Group's capital adequacy level is as follows (unaudited):

	Balance sheet / notional amount		Risk-weighted amount	
All amounts are expressed in K'000	2022	2021	2022	2021
Balance sheet assets (net of provisions)				
Currency	6,278,824	4,541,264	53,355	99,563
Loans and receivables from customers	14,265,599	13,522,506	11,456,233	10,732,616
Investments and short term securities	8,966,212	8,733,701	282,880	243,305
All other assets	4,379,469	3,645,651	2,426,317	2,167,637
Off-balance sheet items	4,593,732	3,284,061	228,950	226,357
Total	38,483,836	33,727,183	14,447,735	13,469,478

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30. CAPITAL ADEQUACY (CONTINUED)

Capital Ratios	Capital (K'000)		Capital Adequacy Ratio (%)	
	2022	2021	2022	2021
a) Tier 1 Capital	3,278,521	3,164,663	22.7%	23.5%
Total Capital	3,548,158	3,457,797	24.6%	25.7%
b) Leverage Capital Ratio			9.9%	10.6%

The minimum capital adequacy requirements set out under the standard are: Tier 1 8%, total risk based capital ratio 12% and the leverage ratio 6%.

Group Structure

31. INSURANCE

Accounting Policy

Medical and Life Insurance Business

The Group's consolidated Financial Statements include the assets, liabilities, income and expenses of the life and general insurance businesses. The Group's Insurance business is made up of Life Insurance Contracts, Medical Insurance and Term Life Insurance.

The Group's life and general insurance entities will be adopting IFRS 17 'Insurance contracts' (effective 1 January 2023), replacing IFRS 4. The new standard will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features. The standard introduces substantial changes in the presentation of the financial statements and disclosures introducing new balance sheet and income statement line items and increased disclosure requirements compared with existing reporting.

(a) Recognition and Measurement

Short Term Insurance Contracts

These contracts include the Term Life and Medical policies sold and underwritten by BSP Health Care (Fiji) Limited and Group Term life policies sold by BSP Life (PNG) Limited.

These contracts protect the Group's customers from the consequences of events such as death, disability and medical emergency. Benefits paid on occurrence of the specified insurance event are either fixed or linked to the extent of the economic loss suffered by the policyholder. There are no maturity or surrender benefits.

For all these contracts, premiums are recognised as revenue (earned premiums) proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the Statement of Financial Position date is reported as the unearned premium liability.

Premiums are shown before deduction of commission.

Claims and loss adjustment expenses are charged to Statement of Comprehensive Income as incurred based on the estimated liability for compensation owed to contract holders or beneficiaries. For medical

and term-life contracts issued in Fiji, these include direct and indirect claims settlement costs and arise from events that have occurred up to the Statement of Financial Position date even if they have not yet been reported to the Group. The Group does not discount its liabilities for unpaid claims. Liabilities for unpaid claims are based on the sum insured or cost of approved medical services plus an allowance for claims incurred but not reported based on statistical analysis and related claim expenses. Case estimates are used to estimate the expected ultimate cost of more complex claims that may be affected by external factors (such as court decisions).

Long Term Insurance Contracts

These contracts insure human life events (for example death, survival, disability, and critical illness) over a long duration; and are sold and underwritten by BSP Life (Fiji) Limited and BSP Life (PNG) Limited. Guaranteed benefits paid on occurrence of the specified insurance event are fixed and, for participating policies, declared bonuses are also payable. Most of the policies have maturity and surrender benefits.

For all these contracts, premiums are recognised as revenue when they become payable by the contract holder. Premiums are shown before deduction of commission.

Approximately 90% of the above contracts in the Group's portfolio contain a Discretionary Participation Feature (DPF). This feature entitles the holder to receive, as a supplement to guaranteed benefits, additional benefits in the form of reversionary bonuses.

The liability for long term insurance contracts has been determined in accordance with LPS 1.04 Valuation of Policy Liabilities, issued by the Australian Prudential Regulation Authority.

The policy liability is calculated in a way that allows for the systematic release of planned profit margins as services are provided to policy owners and the revenues relating to those services are received (Margin on Services methodology). Services used to determine profit recognition include the cost of expected insurance claims and the allocation of future bonuses. The liability is generally determined as the present value of all future expected payments, expenses, taxes, and profit margins reduced by the present value of all future expected premiums and take into

31. INSURANCE (CONTINUED)

consideration future bonuses. The liabilities are recalculated at each balance date using best estimate assumptions. These assumptions are revisited regularly and adjusted for actual experiences on claims, expense, mortality, and investment returns. The policy liabilities also include policy owner retained earnings.

(b) Methods and Assumptions

Key assumptions used in determining the Policy Liabilities for policies for the insurance business are as follows:

(i) Discount Rates

For BSP Life (Fiji) contracts in Statutory Fund 1 which have a DPF, the discount rate used is linked to the assets which back those contracts. For 31 December 2022 this was 4.537% per annum. For contracts without DPF and Accident Business, the Fiji Insurance business at 31 December 2022 used a rate of 3.16% per annum. The pricing rates were used given market subjectivity. For the PNG life insurance business at 31 December 2022 this was 5.95%.

(ii) Investment and Maintenance Expenses

Future maintenance and investment expenses are based on the budgeted expenses. Future inflation has been assumed to be 3.50% per annum for Fiji and 4.00% per annum for PNG life insurance for determining future expenses.

(iii) Taxation

The rates of taxation enacted at the date of the valuation are assumed to continue into the future for both the Fiji and PNG life businesses.

(iv) Mortality and Morbidity

The determination of the liabilities under long-term insurance contracts is dependent on estimates made by BSP Life (PNG) and BSP Life (Fiji). Estimates are made as to the expected number of deaths for each of the years in which BSP Life (PNG and Fiji) are exposed to risk. BSP Life (Fiji) uses projected future rates of mortality for insured lives based on the Fiji Mortality Statistics table FJ90-94 Male, modified for local experience. The estimated number of deaths determines the value of the benefit payments. The main source of uncertainty is that epidemics and wide-ranging lifestyle changes, such as in eating, smoking and exercise habits, could result in future mortality being significantly worse than in the past for the age groups in which BSP Life (Fiji) has significant exposure to mortality risk. However, continuing improvements in medical care and social conditions could result in improvements in longevity in excess of those allowed for in the estimates used to determine the liability for contracts where BSP Life (Fiji) is exposed to longevity risk. For contracts without fixed mortality risk charges, it is assumed that BSP Life (Fiji) will be able to increase mortality risk charges in future years in line with emerging mortality experience.

As there is no reliable mortality table available for PNG, BSP Life PNG bases these estimates on an internal mortality table that has regard to population and insured mortality in Fiji and the limited information relating to mortality in PNG that is publicly available. This is reassessed each year having regard to the company's own experience. The estimated number of deaths determines the value of the benefit payments. Mortality in PNG is subject to considerable uncertainty from wide-ranging lifestyle changes, such as in eating, smoking and exercise habits and epidemics that could result in future mortality being significantly different than assumed.

(v) Rates of Discontinuance

PNG Pricing assumptions are used for the incidence of withdrawal and discontinuance which vary by duration.

For BSP Life (Fiji), best estimate assumptions for the incidence of withdrawal and discontinuance are used which vary by product and duration and are based on experience which is reviewed regularly. Rates used in 2022 were the same as 2021 rates.

(vi) Basis of Calculation of Surrender Values

For the PNG and Fiji life businesses, surrender values are determined by the Company in accordance with the provisions specified in the policy contracts and legislation.

(vii) Discretionary Participating Business

For most participating businesses, bonus rates are set such that, over long periods, the returns to contract holders are commensurate with the investment returns achieved on the pool of assets which provide security for the contract, together with other sources of profit arising from this business. Profits from these policies are split between contract holders and shareholders in accordance with the policy conditions which allow for shareholders to share in allocations at a maximum rate of 20%.

Assumed future bonus rates included in the liability for the long-term insurance contracts were set such that the present value of the liabilities equates to the present value of assets supporting the business together with assumed future investment returns, allowing for the shareholder's right to participate in distributions.

(c) Reinsurance

Contracts entered into by the Group with Reinsurers under which the Group is compensated for losses on one or more contracts issued by the Group, are classified as reinsurance contracts. As the reinsurance agreements provide for indemnification by the Reinsurers against loss or liability, reinsurance income and expenses are recognised separately in profit or loss when they become due and payable in accordance with the reinsurance agreements.

Reinsurance recoveries are recognised as claim recoveries in the Statement of Comprehensive Income. This is netted off against the claim expenses (PNG reports separately in their accounts). Reinsurance premiums are recognised as Reinsurance Expenses.

Insurance

The accounting policies of the consolidated entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements. The summarised income statement for BSP Life (Group) is presented below as per the respective subsidiary accounts. The consolidated profit includes insurance profit and investment earnings on shareholders' funds.

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31. INSURANCE (CONTINUED)

Consolidated		
<i>All amounts are expressed in K'000</i>	2022	2021
Net insurance premium income	236,799	228,911
Outward reinsurance expense	(4,643)	(4,254)
Net premium income	232,156	224,657
Investment income	196,947	189,907
Other income	3,826	3,795
Total operating income	432,929	418,359
Claims, surrenders and maturities	(144,318)	(119,946)
Claim recoveries	3,354	1,195
Net claims incurred	(140,964)	(118,751)
Commission	(17,350)	(16,258)
Increase in policy liabilities	(114,957)	(118,420)
Interest expenses	(598)	(628)
Other operating expenses	(165,652)	(147,797)
Total operating expenses	(298,557)	(283,103)
Share of profit of associates and jointly controlled entities	46,816	18,547
Profit from ordinary activities before tax	40,224	35,052
Income tax expense/ (benefit) attributable to profit from ordinary activities	(14,059)	(10,605)
Profit after income tax expense	26,165	24,447

The balance sheets as at 31 December 2022 categorised by Shareholder Fund and Assets Supporting Policy Liability are shown below. The allocation between the two funds is maintained notionally as the funds are invested as a single pool of assets.

<i>All amounts are expressed in K'000</i>	Consolidated 2022			Consolidated 2021		
	Policy Related Fund	Shareholder Fund	Total	Policy Related Fund	Shareholder Fund	Total
Assets						
Cash and Cash Equivalents	188,842	33,582	222,424	151,172	28,380	179,552
Equity security investments	406,353	72,162	478,515	369,265	68,835	438,100
Debt security investments	335,433	59,619	395,052	396,642	74,276	470,918
Property investments	384,394	68,026	452,420	326,614	60,710	387,324
Other assets	85,317	14,032	99,349	78,490	13,469	91,959
Total assets	1,400,339	247,421	1,647,760	1,322,183	245,670	1,567,853
Liabilities						
Policy liabilities	1,201,038	-	1,201,038	1,132,176	-	1,132,176
Other liabilities	134,340	22,350	156,690	122,372	21,460	143,832
Total liabilities	1,335,378	22,350	1,357,728	1,254,548	21,460	1,276,008
Shareholders' equity						
Equity & retained earnings	64,961	225,071	290,032	67,635	224,210	291,845
Total shareholders' equity	64,961	225,071	290,032	67,635	224,210	291,845
Total equity and liabilities	1,400,339	247,421	1,647,760	1,322,183	245,670	1,567,853

31. INSURANCE (CONTINUED)

	Consolidated	
<i>All amounts are expressed in K'000</i>	2022	2021
Policy Liabilities		
Opening balance	1,132,176	1,043,990
Translation movement	(47,882)	(32,579)
Increase in policy liabilities	114,957	118,420
Increase in policy liabilities on revaluation of land	1,787	2,345
Total policy liabilities	1,201,038	1,132,176

Insurance reserves are maintained in accordance with levels prescribed by the Regulators.

Insurance and Financial Risk Management

The Group is committed to the management of risk to achieve sustainability of service to its customers, employment of its staff and profits to its shareholders and therefore, takes on controlled amounts of risk when considered appropriate. The risk management framework is targeted at ensuring that the Group maintains sufficient capital at a level which exceeds the minimum solvency requirements prescribed by the Regulators.

The Group is exposed to financial as well as insurance risks. The Group's risk management strategy is set by the Board of Directors. Implementation of risk management strategy and the day-to-day management of risk is the responsibility of the Executive Management.

Insurance Risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and is unpredictable. The principal risk that the Group faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities.

This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random, and the actual numbers and quantum of claims and benefits will vary from year to year from the level established using actuarial methods.

The Group's objectives in managing risks arising from insurance business are:

- To ensure risk appetite decisions are made within the context of corporate goals and governance structures;
- To ensure that an appropriate return on capital is made in return for accepting insurance risk;
- To ensure that strong internal controls embed underwriting to risk within the business;
- To ensure that internal and external solvency and capital requirements are met; and
- To use reinsurance as a component of insurance risk management strategy.

Terms and conditions of insurance contracts

The nature of terms of insurance contracts written is such that certain external variables can be identified on which related cash flows for claim payments depend. The table below provides an overview of the long-term insurance contracts:

Type of Contract	Detail of Contract Terms and Conditions	Nature of Compensation for Claims	Key Variables that affect the timing and uncertainty of Future Cash Flows
Non-participating life insurance contracts with fixed and guaranteed terms (Term Life and Disability)	Benefits paid on death, ill health or maturity that are fixed and guaranteed and not at the discretion of the insurer. Premiums may be guaranteed through the life of the contract, guaranteed for a specified term or variable at the insurer's discretion.	Benefits, defined by the insurance contract, are determined by the contract and are not directly affected by the performance of underlying assets or the performance of the contracts as whole.	<ul style="list-style-type: none"> - Mortality - Morbidity - Discontinuance rates - Expenses - Market rates on underlying assets
Life insurance contracts with discretionary participating benefits (endowment and whole of life)	These policies include a clearly defined initial guaranteed sum which is payable on death. The guaranteed amount is a multiple of the amount that is increased throughout the duration of the policy by the addition of regular bonuses annually which, once added, are not removed.	Benefits arising from the discretionary participation feature are based on the performance of a specified pool of contracts or a specified type of contract.	<ul style="list-style-type: none"> - Mortality - Morbidity - Market risk - Discontinuance rates - Expenses - Market rates on underlying assets

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31. INSURANCE (CONTINUED)

Insurance and Financial Risk Management (continued)

Variations in claim levels will affect reported profit and equity. The impact may be magnified if the variation leads to a change in actuarial assumptions which cannot be absorbed within the present value of planned margins for a group of related products.

Insurance risk may arise through the reassessment of the incidence of claims, the trend of future claims and the effect of unforeseen diseases or epidemics. In addition, in the case of morbidity, the time to recovery may be longer than assumed.

Concentrations of insurance risk arise due to:

- Large sums assured on certain individuals. The largest exposures all relate to mortality. The largest single exposure for BSP Life (Fiji) is FJD7.5 million of which FJD7.2 million is reinsured (2021: FJD6.7 million of which FJD6.4 million is reinsured). This relates to life insurance lines. For BSP Life PNG, the largest single exposure is K10.6 million of which K10.5 million is reinsured (2021: K12.5 million of which K12.4 million was reinsured).
- The largest single lump sum exposure for the health insurance business under BSP Life (Fiji) is FJD10m, of which FJD9.9 million is reinsured. The largest single net exposure is FJD0.62 million. This relates to health insurance lines.
- Geographic concentrations due to employee company schemes. The largest single scheme exposure for BSP Life (Fiji) is FJD72.9 million, of which FJD29.0 million is reinsured. BSP Life (PNG) participates in a Term Life reinsurance program
- The largest single group exposure across various locations for PNG Life is K597 million of which K275 million is reinsured (2021: K606 million of which K295 million was reinsured).

Insurance risk is controlled by ensuring underwriting standards adequately identify potential risk and diversify the type and amount of insurance risks accepted, retaining the right to amend premiums on risk policies where appropriate and through the use of reinsurance and proactive claims handling. The experience of the Group's Life Insurance business is reviewed regularly.

Accounting Standard Change: IFRS 17 Insurance Contracts

IFRS 17, 'Insurance Contracts' (effective 1 January 2023) replaces IFRS 4 Insurance Contracts to establish globally consistent principles for the recognition, measurement, presentation, and disclosure of insurance contracts issued. This will impact the financial results reported for the activities of BSP Life. The new standard will more closely align the disclosure of financial performance for life insurance companies with other financial service providers. The underlying principles of determining the liability relating to insurance contracts have not significantly changed compared to the existing Margin on Service (MoS).

The level and detail of disclosure has increased and while the ultimate profit earned from insurance contracts will not change, the timing of profit recognition will differ.

Governance and Project Management

The adoption of IFRS 17 is a significant initiative for the BSP Life operations, involving substantial resources and effort from the Finance, Actuarial and Information Technology Teams. The 2023 Financial Statements will contain the details of the accounting policies used to derive the financial information along with the significant judgement applied in interpreting the standard and applying this to the insurance contracts.

Measurement Model Applicable under IFRS 17

The standard introduces a model to measure the liability for groups of contracts using three explicit components. Firstly, the estimated present value of future cash flows expected to arise from a group of contracts.

The cash flow estimate is based on best estimate assumptions, which are neither conservative nor optimistic. Secondly, an explicit risk adjustment has been introduced: the required compensation to the shareholder for taking on the non-financial risk associated with an insurance contract. The final component of the liability is the present value of future shareholder profit. This is termed the contractual service margin.

The standard defines a General Measurement Model (GMM) to use for valuing insurance contracts. The GMM requires the projection of future cash flows related to insurance contracts using current financial and non-financial assumptions. This requirement is not significantly different to the current MoS basis used for Life Insurance contracts, with some critical changes noted below:

- The level at which contract profit pooling is performed under IFRS 17 is more granular. The contract grouping is based on the nature of the product, the year of issue and the expected profitability level, which will provide more transparency and disclosure on the profitability of new contracts issued each year.
- Establishing future cash flow assumptions for expenses differs from IFRS 4. Only expenses directly attributable to supporting insurance contracts are included. All other expenses will be recognised as incurred.
- The unearned profit for insurance contracts is termed the Contractual Service Margin (CSM). The principles of determining the unearned profit are similar to MoS, but the profit recognition patterns will differ.
- The GMM model introduces a new element known as the Risk Adjustment: compensation for bearing the uncertainty concerning the amount and timing of cash flows. The GMM requires the risk adjustment to be treated as a specific cash flow, decreasing the expected profit recognised at contract origination. The annual profit will be recognised through the release of the Contract Service Margin and Risk Adjustment.
- The two other modifications of the GMM are described below:
 - The Variable Fee Approach (VFA), insurance contracts with direct participation features are eligible to use this model. The model allows for the variable nature of fees earned from insurance contracts, which depend on the underlying assets' performance; and
 - The Premium Allocation Approach (PAA) is a simplified model which does not require future projections to satisfy the requirements under IFRS 17, provided the insurance contracts are profitable. There are specific requirements for this model to be applied, including the term of the insurance contract being no more than 1 year.

Level of aggregation applied to Insurance Contracts

The standard requires insurance contracts to be recognised and measured in groups. The aggregation of individual contracts is performed in a manner to limit offsetting profitable contracts against onerous ones when recognising financial performance. A portfolio of contracts is defined based on contracts with similar risks and managed together. The portfolio is further divided based on the year of issue and the expected level of profitability. The level of profitability is classified as onerous, profitable with no significant possibility of subsequently becoming onerous, and remaining contracts. Aggregation has become much more granular, leading to profit pooling amongst a smaller number of insurance contracts. The application of this is noted below.

Long-Term Insurance Contracts

BSP Life issues two types of long-term products Participating and Non-Participating products. The products falling under each category have similar risks and have been managed together (risk transfer and risk pooling).

31. INSURANCE (CONTINUED)**Level of aggregation applied to Insurance Contracts (continued)***Short-Term Insurance Contracts*

The aggregation of contracts for the general insurance business is based on the characteristics of products, related risks, and key features. Portfolio identification for BSP Health is straight forward, as medical and term life contracts have their separate risk cover, features, pricing mechanism, and claims management process.

For Term Life and Medical contracts, the contract duration is 12 months. The insurer retains the right to change terms and conditions, including premium, at each renewal date.

Transition approach adopted

Insurance contracts will require restatement as of 1 January 2023 (transition date). As a result, the first full-year financial statements presented under IFRS 17 will be for the year ending 31 December 2023, with comparatives required for 31 December 2022.

The first half-year financial statements presented will be for the period ending 30 June 2023, with comparatives required for 30 June

2022. The full retrospective approach will be impracticable in some cases, especially for older cohorts where assumptions cannot be determined without hindsight.

Long-Term Insurance Contracts

The Group will apply the modified retrospective approach to transition with the following key dates:

- Fair valuation of insurance contracts up to 31 December 2017. It is impracticable to apply the full retrospective approach for the period before the implementation of BLIS (current insurance administration system). The granular transaction data required is not available prior to this date.
- The retrospective approach will be applied to insurance contracts issued by the Group after 1 January 2018.

Short-Term Insurance Contracts

A full retrospective approach will be adopted and is practical due to the short 12-month contract.

32. INVESTMENT IN SUBSIDIARIES

Name of subsidiary	Principal activity	Place of incorporation and operation	Ownership %	Balance of investment	
				2022	2021
BSP Capital Limited	Fund Management/ Investment Banking	PNG	100%	2,448	2,448
BSP Life (Fiji) Limited	Life Insurance	Fiji	100%	87,599	87,599
BSP Life (PNG) Limited	Life Insurance	PNG	100%	25,000	25,000
BSP Convertible Notes Limited	Capital Raising	Fiji	100%	371	371
BSP Finance Limited	Credit Institution	PNG	100%	103,601	93,038
Bank of South Pacific Tonga Ltd	Bank	Tonga	100%	71,610	71,610
Bank South Pacific (Samoa) Ltd	Bank	Samoa	98.7%	70,712	70,712
Bank South Pacific Vanuatu Ltd	Bank	Vanuatu	100%	38,020	38,020
At 31 December				399,361	388,798
Represented by:					
At 1 January				388,798	385,078
Additional capital				10,563	3,720
At 31 December				399,361	388,798

33. INVESTMENT IN JOINT VENTURES

Name of Joint Venture	Principal activity	Place of incorporation and operation	Ownership %	
			2022	2021
Suva Central Ltd	Property rental	Fiji	50%*	50%*
Richmond Ltd	Hotel operations	Fiji	61.3%** , 50%***	61.3%** , 50%***
BSP Finance Cambodia Plc	Asset financing	Cambodia	50%*	50%*
BSP Finance Lao	Asset financing	Lao	50%*	50%*
Platform Pacific Ltd	Digital solutions	PNG	50%*	50%*

The investments above are accounted for using the equity method.

* Both ownership and voting power held, ** ownership, *** voting power held.

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33. INVESTMENT IN JOINT VENTURES (CONTINUED)

	Consolidated		Bank	
<i>All amounts are expressed in K'000</i>	2022	2021	2022	2021
Joint Ventures				
Investment in Joint Ventures	224,323	202,546	26,980	27,879
New investment during the year	10,563	3,962	-	243
Translation movement	(11,850)	(5,624)	(1,050)	(943)
Share of profit/(loss) for the year	47,075	23,439	197	(199)
Net investment in associate	270,111	224,323	26,127	26,980
Summarised financial information of Joint Ventures:				
Total assets	622,520	625,798	90,894	98,549
Total liabilities	(345,205)	(370,290)	(40,772)	(44,609)
Net assets	277,315	255,508	50,122	53,940
Share of profit/(loss) for the year	42,066	(2,228)	197	(199)
Group fair value alignment	5,009	25,667	-	-
Share of profit in Group	47,075	23,439	197	(199)

Other

34. FIDUCIARY ACTIVITIES

The Group especially through BSP Capital Limited conducts investment fund management and other fiduciary activities as responsible entity, trustee, custodian or manager for investment funds and trusts, including superannuation. These funds are not consolidated, as the Group does not have direct or indirect control. Where the funds incur liabilities in respect of these activities, and the primary obligation is incurred in an agency capacity for the fund or clients rather than its own account, a right of indemnity exists against the assets of the applicable fund or trust. As these assets are sufficient to cover the liabilities and it is therefore not probable that the Group will be required to settle the liabilities, the investments in the assets and liabilities of these activities are not included in the Financial Statements.

35. RELATED PARTY TRANSACTIONS

Related parties are considered to be enterprises or individuals with whom the Group is especially related because either they or the Bank are in a position to significantly influence the outcome of transactions entered into with the Group, by virtue of being able to control, dominate or participate in a fiduciary capacity, in decision-making functions or processes. The Group conducted transactions with the following classes of related parties during the year:

- Directors and/or parties in which a director has significant influence.
- Key management personnel and other staff and/or parties in which the individual officer has significant influence.

A number of banking transactions are entered into with these related parties in the normal course of business, and include loans, deposits, property rentals, share transfers and foreign currency transactions. These transactions are carried out on commercial terms and market rates. For the year ended 31 December 2022, balances and transactions of accounts for Directors, including companies in which directorships were held by BSP directors, were as follows:

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35. RELATED PARTY TRANSACTIONS (CONTINUED)

	Consolidated	
<i>All amounts are expressed in K'000</i>	2022	2021
Customer Deposits		
Opening balances	33,019	27,299
Net movement	117,237	5,720
Closing balance	150,256	33,019
Interest paid	20	12
Loans and receivables from customers		
Opening balances	628,858	638,794
Loans issued	112,781	85,169
Interest	18,028	24,770
Charges	1,018	1,646
Loan repayments	(124,063)	(121,521)
Closing balance	636,622	628,858
Subsidised transactions are provided for staff. Such transactions include marginal discounts on interest rates, and specific fee concessions. These benefits are mainly percentage-based on market rates and fees, and as such, staff accounts are always subject to underlying market trends in interest rates and fees. As at 31 December 2022, staff account balances were as follows:		
Housing loans	208,449	204,659
Other loans	68,600	69,045
	277,049	273,704
Cheque accounts	6,414	5,717
Savings accounts	12,486	12,380
	18,900	18,097

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36. DIRECTORS AND EXECUTIVE REMUNERATION

Directors' remuneration

Directors of the company received remuneration including benefits during 2022 as detailed below:

All amounts are expressed in Kina				Total remuneration		
Name of Director	Meetings attended / total held	Appointed/ (Resigned)	2022 Bank	2022 Subsidiaries	2022 Total	2021 Total
Sir K. Constantinou, OBE	7/7		561,304	300,000	861,304	861,304
R. Fleming, CSM ¹	7/7	(Dec 2022)	-	-	-	-
S. Brewis-Weston	7/7	Apr 2021	330,652	-	330,652	247,989
E. B. Gangloff	1/1	(Apr 2022)	171,576	-	171,576	403,152
A. Sam	7/7		343,152	-	343,152	343,152
Dr. M. Lua'iuifi	7/7		305,652	120,000	425,652	380,652
S. Davis	7/7		343,152	-	343,152	330,652
R. Bradshaw	7/7		318,152	-	318,152	318,152
P. Kevin	7/7		330,652	60,000	390,652	318,152
F. Bouraga	7/7		305,652	-	305,652	305,652
P. Taureka-Seruvatu	4/4	Apr 2022	146,576	-	146,576	-
G. Robb, OAM	-	(Apr 2021)	-	-	-	225,326
			3,156,520	480,000	3,636,520	3,734,183
Shareholder Approved Cap					4,500,000	4,500,000

¹Managing Director / Group Chief Executive Officer receives no fees for his services as Director during the year. Other members of BSP executive management who serve as directors of subsidiaries of BSP Group receive no fees for their services as Director.

Executive Remuneration

The specified executives as at 31 December 2022 were:

Robin Fleming, CSM	Frank van der Poll	Ronesh Dayal	Roger Hastie
Nuni Kulu	Peter Beswick	Rohan George	Vandhna Narayan
Hari Rabura	Andy Roberts	Daniel Faunt	Maryann Lameko-Vaai
Nilson Singh	Gheno Minia	Mary Johns	

All amounts are expressed in K'000							
Year	Salary	Short term incentive	Value of benefits	Long term incentive	Leave encashment	Final entitlements ¹	Total
2022 executive remuneration	18,182	6,000	1,510	7,844	7,096	826	41,458
2021 executive remuneration	18,766	6,109	1,456	7,151	99	-	33,581

¹Final entitlements paid were for executives who resigned or retired from the Bank in 2022 and constitutes statutory leave payouts.

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36. DIRECTORS AND EXECUTIVE REMUNERATION (CONTINUED)

Executive remuneration (continued)

The number of employees or former employees whose income from the Bank was equal to or greater than K100,000 during the year, are classified in income bands of K10,000 as follows:

Remuneration	2022	2021	Remuneration	2022	2021	Remuneration	2022	2021
K'000	No.	No.	K'000	No.	No.	K'000	No.	No.
100 – 110	138	95	560 – 570	1	1	1140 – 1150	1	-
110 – 120	82	87	570 – 580	5	1	1150 – 1160	-	1
120 – 130	84	71	580 – 590	5	2	1170 – 1180	-	1
130 – 140	65	63	590 – 600	4	2	1210 – 1220	-	1
140 – 150	49	48	600 – 610	2	1	1220 – 1230	-	1
150 – 160	32	37	610 – 620	1	2	1230 – 1240	1	1
160 – 170	40	28	620 – 630	1	2	1260 – 1270	-	1
170 – 180	24	26	630 – 640	3	1	1270 – 1280	1	1
180 – 190	32	19	640 – 650	1	1	1280 – 1290	1	-
190 – 200	22	19	650 – 660	3	1	1300 – 1310	1	-
200 – 210	15	18	660 – 670	2	2	1310 – 1320	1	-
210 – 220	26	13	670 – 680	1	-	1320 – 1330	-	1
220 – 230	19	15	680 – 690	1	2	1340 – 1350	-	1
230 – 240	9	13	690 – 700	1	-	1350 – 1360	1	-
240 – 250	13	12	700 – 710	-	2	1380 – 1390	1	1
250 – 260	14	11	710 – 720	3	3	1390 – 1400	-	-
260 – 270	5	7	720 – 730	1	2	1400 – 1410	2	-
270 – 280	7	7	730 – 740	1	-	1410 – 1420	2	-
280 – 290	5	6	740 – 750	-	1	1440 – 1450	1	-
290 – 300	7	7	750 – 760	-	1	1460 – 1470	1	-
300 – 310	8	3	770 – 780	-	1	1480 – 1490	1	-
310 – 320	9	4	780 – 790	1	1	1490 – 1500	-	1
320 – 330	5	6	790 – 800	1	-	1500 – 1510	-	1
330 – 340	-	3	810 – 820	-	2	1530 – 1540	-	1
340 – 350	3	4	830 – 840	1	1	1540 – 1550	-	1
350 – 360	2	4	840 – 850	2	-	1640 – 1650	1	-
360 – 370	6	3	870 – 880	-	3	1670 – 1680	-	1
370 – 380	4	3	880 – 890	1	2	1720 – 1730	1	-
380 – 390	5	6	890 – 900	-	1	1730 – 1740	-	1
390 – 400	1	3	900 – 910	1	2	1740 – 1750	1	-
400 – 410	2	8	910 – 920	1	-	1800 – 1810	1	-
410 – 420	6	1	920 – 930	2	-	1820 – 1830	-	1
420 – 430	7	4	930 – 940	-	1	1860 – 1870	1	-
430 – 440	2	3	950 – 960	1	1	1930 – 1940	1	-
440 – 450	6	2	960 – 970	3	1	2100 – 2110	1	-
450 – 460	2	2	970 – 980	-	1	2230 – 2240	-	1
460 – 470	4	5	980 – 990	-	2	2240 – 2250	-	-
470 – 480	6	4	990 – 1000	2	-	2270 – 2280	1	2
480 – 490	5	4	1000 – 1010	1	-	2280 – 2290	1	-
490 – 500	7	4	1010 – 1020	1	4	2310 – 2320	-	1
500 – 510	2	4	1040 – 1050	1	1	2480 – 2490	1	-
510 – 520	1	3	1070 – 1080	1	1	2590 – 2600	-	1
520 – 530	4	2	1090 – 1100	2	1	2700 – 2710	1	-
530 – 540	3	-	1100 – 1110	2	-	2810 – 2820	1	-
540 – 550	2	3	1110 – 1120	2	-	2780 – 2790	-	1
550 – 560	3	3	1130 – 1140	-	2	8610 – 8620	-	1
						15010 – 15020	1	-
Total						883	772	

Remuneration disclosures have been updated to reflect entitlements applicable to respective years. Short term incentives and long term incentives for executives are paid post availability of audited accounts in the subsequent year and have been aligned accordingly. Prior year disclosures were based on the period each entitlement was received.

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37. EVENTS OCCURRING AFTER BALANCE SHEET DATE

There have been no adjusting or disclosing events after the end of the reporting period.

38. REMUNERATION OF AUDITOR

	Consolidated		Bank	
<i>All amounts are expressed in K'000</i>	2022	2021	2022	2021
Financial statement audits	5,363	5,025	4,350	4,031
Other services	523	710	488	667
	5,886	5,735	4,838	4,698

The external auditor PricewaterhouseCoopers is also engaged in providing other services to the Bank and Group as required and as permitted by prudential standards. The provision of other services included taxation.



Independent auditor's report

To the shareholders of BSP Financial Group Limited

Report on the audit of the financial statements of the Bank and the Group

Our opinion

We have audited the financial statements of BSP Financial Group Limited (the Bank), which comprise the statements of financial position as at 31 December 2022, and the statements of comprehensive income, statements of changes in shareholders' equity and statements of cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory information for both the Bank and the Group. The Group comprises the Bank and the entities it controlled at 31 December 2022 or from time to time during the financial year.

In our opinion the accompanying financial statements:

- comply with International Financial Reporting Standards and other generally accepted accounting practice in Papua New Guinea; and
- give a true and fair view of the financial position of the Bank and the Group as at 31 December 2022, and their financial performance and cash flows for the year then ended.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our opinion.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Bank and Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)*, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out other services for the Group in the areas of audit-related and tax advice services. The provision of these other services has not impaired our independence as auditor of the Bank and the Group.

Our audit approach

An audit is designed to provide reasonable assurance about whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the management structure of the Bank and the Group, their accounting processes and controls and the industries in which they operate.

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T: +(675) 321 1500 / +(675) 305 3100, www.pwc.com.pg



Materiality	Audit scope	Key audit matters
<ul style="list-style-type: none"> For the purpose of our audit of the Group we used overall group materiality which represents approximately 5% of the Group's profit before taxes. We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial statements as a whole. We chose Group profit before taxes as, in our view, it is the metric against which the performance of the Group is most commonly measured and is a generally accepted benchmark. We selected 5% based on our professional judgement noting that it is also within the range of commonly acceptable related thresholds. 	<ul style="list-style-type: none"> We (PwC Papua New Guinea) conducted the audit over all of the Group's operations in Papua New Guinea (PNG) which are the most significant to the Group, and directed the scope of the audit of other subsidiaries included in the Group financial statements sufficient to express an opinion on the financial statements as a whole. For the Group's activities in Fiji, Solomon Islands, Samoa, Tonga, Cook Islands, and Vanuatu the audit work was performed by other PwC network firms or other firms operating under our instructions. Our audit focused on where the directors made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. 	<ul style="list-style-type: none"> Amongst other relevant topics, we communicated the following key audit matters to the Board Audit and Compliance Committee: <ul style="list-style-type: none"> Loan loss provisioning IT systems and controls These matters are further described in the Key audit matters section of our report.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the current year. The key audit matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be key matters to be communicated in our report.

Further, commentary on the outcomes of the particular audit procedures is made in that context.

Key audit matter	How our audit addressed the key matter
<p>Loan loss provisioning - Refer to Note 15 of the financial statements for a description of the accounting policies and to Note 22 for an analysis of credit risk and asset quality</p> <p>Due to the magnitude of the loans and advances balances and the extent of management judgement inherent in the impairment calculations, impairment of loans and advances is an area of significance in the current year audit of the Bank and its subsidiaries.</p> <p>IFRS 9 Financial Instruments (IFRS 9) is a complex accounting standard which has required considerable judgement and interpretation in its application.</p> <p>The key areas of judgement included:</p> <ul style="list-style-type: none"> • The determination of the impairment in applying IFRS 9, which is reflected in the allowance for losses on loans, advances and other receivables • The identification of exposure for which there has been a significant increase in credit risk • Assumptions used in the expected credit loss model such as valuation of collateral and assumptions made on future values, financial condition of counterparties and forward looking macroeconomic factors 	<p>To assess the Group's loan loss provisioning, we performed the following audit procedures on a sample basis, amongst others:</p> <ul style="list-style-type: none"> • Obtained an understanding of the processes and controls relevant to the credit origination and credit monitoring processes. • Assessment of the reasonableness of the key outputs of the expected credit loss model, as well as key judgements and assumptions used by management. • Evaluated the impairment methodology to establish the key fields used in the computation of Stage 1 and Stage 2 provisions. Testing the key fields identified to have an impact on the expected credit loss provision by agreeing this back to source documentation. • For loans and advances in Stage 1 and Stage 2, examining the model methodology for consistency and appropriateness. This included evaluation of the appropriateness of the estimates made on the Probability of Default, Loss Given Default and Exposure at Default. • For Stage 3 loans and advances, audit procedures over the credit watch list and delinquencies, and evaluation of assumptions made in the valuation of collateral and recovery cash flows.
<p>IT systems and controls</p> <p>We focused on this area because the Group is heavily dependent on complex IT systems for the capture, processing, storage and extraction of significant volumes of transactions.</p> <p>There are some areas of the audit where we seek to place reliance on system functionality including certain automated controls, system calculations and reports.</p> <p>Our reliance on these is dependent on the Group's IT General Control (ITGC) environment, in particular, user access maintenance and changes to IT systems being authorised and made in an appropriate manner.</p>	<p>Where relevant to our planned audit approach, we assessed the design and tested the operating effectiveness of the key ITGCs which support the continued integrity of the in-scope IT systems.</p> <p>Our procedures over ITGCs focused on user access and change management and we also carried out tests, on a sample basis, of system functionality that was key to our audit approach.</p> <p>Where we identified design or operating effectiveness matters relating to ITGCs and system functionality relevant to our audit, we performed alternative or additional audit procedures.</p>

Information other than the financial statements and auditor's report

The directors are responsible for the other information. The other information comprises the Directors' Report (but does not include the financial statements and the auditors' report thereon), which we obtained prior to the date of this auditor's report, and the annual report, which is expected to be made available after that date. Our opinion on the financial statements does not cover the other information and we do not, and will not, express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard. When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the directors for the financial statements

The directors are responsible, on behalf of the Bank for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and other generally accepted accounting practice in Papua New Guinea and the Companies Act 1997 and for such internal control as the directors determine is necessary to enable the preparation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Bank or the Group or to cease operations or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Report on other legal and regulatory requirements

The Companies Act 1997 requires that in carrying out our audit we consider and report on the following matters. We confirm in relation to our audit of the financial statements for the year ended 31 December 2022:

- We have obtained all the information and explanations that we have required;
- In our opinion, proper accounting records have been kept by the Bank as far as appears from an examination of those records.

Who we report to

This report is made solely to the Bank's shareholders, as a body, in accordance with the Companies Act 1997. Our audit work has been undertaken so that we might state to the Bank's shareholders those matters which we are required to state to them in an auditor's report and for no other purpose. We do not accept or assume responsibility to anyone other than the Bank and the Bank's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

PricewaterhouseCoopers

Peter Buchholz
Partner
Registered under the Accountants Act 1996

Port Moresby
22 February 2023

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Shareholder Information

The following is a summary of pertinent issues relating to shareholding in the Group. The Constitution of BSP may be inspected during normal business hours at the Registered Office.

Rights attaching to Ordinary Shares

The rights attaching to shares are set out in the BSP Financial Group Limited's Constitution and in certain circumstances, are regulated by the Companies Act 1997, the PNGX Listing Rules and ASX Listing Rules (collectively *Listing Rules*), and general law. There is only one class of share. All shares have equal rights. Other rights attached to ordinary shares include:

General meeting and notices

Each member is entitled to receive notice of, and to attend and vote at, general meetings of BSP and to receive all notices, accounts and other documents required to be sent to members under BSP's constitution, the Companies Act or the Listing Rules.

Voting rights

At a general meeting of shareholders, every holder of fully paid ordinary shares present in person or by an attorney, representative or proxy has one vote on a show of hands (unless a member has appointed two proxies) and one vote per share on a poll.

A person who holds a share which is not fully paid is entitled, on a poll, to a fraction of a vote equal to the proportion which the amount paid bears to the total issue price of the share.

Where there are two or more joint holders of a share and more than one of them is present at a meeting and tenders a vote in respect of the share, the Company will count only the vote cast by the member whose name appears first in BSP's register of members.

Issues of further shares

The Directors may, on behalf of BSP, issue, grant options over, or otherwise dispose of unissued shares to any person on the terms, with the rights, and at the times that the Directors decide. However, the Directors must act in accordance with the restrictions imposed by BSP's constitution, the Listing Rules, the Companies Act and any rights for the time being attached to the shares in any special class of those shares.

Variation of rights

Unless otherwise provided by BSP's constitution or by the terms of issue of a class of shares, the rights attached to the shares in any class of shares may be varied or cancelled only with the written consent of the holders of at least three-quarters of the issued shares of that class, or by special resolution passed at a separate meeting of the holders of the issued shares of the affected class.

Transfer of shares

Subject to BSP's constitution, the Companies Act, and the Listing Rules, ordinary shares are freely transferable.

The shares may be transferred by a proper transfer effected in accordance with the PNGX Business Rules, ASX Settlement Operating Rules, or by any other method of transferring or dealing with shares introduced by PNGX and ASX, and as otherwise permitted by the Companies Act or by a written instrument of transfer in any usual form or in any other form approved by either the Directors, PNGX or ASX that is permitted by the Companies Act.

The Directors may decline to register a transfer of shares (other than a proper transfer in accordance with the PNGX Business Rules or ASX Settlement Operating Rules) where permitted to do so under the Listing Rules or the transfer would be in contravention of the law. If the Directors decline to register a transfer, BSP must give notice in accordance with the Companies Act and the Listing Rules, give the party lodging the transfer written notice of the refusal and the reason for refusal. The Directors must decline to register a transfer of shares when required by law, by the Listing Rules, by the PNGX Business Rules, or by the ASX Settlement Operating Rules.

Partly paid shares

The Directors may, subject to compliance with BSP's constitution, the Companies Act and the Listing Rules, issue partly paid shares upon which there are outstanding amounts payable. These shares will have limited rights to vote and to receive dividends.

Dividends

The Directors may from time to time determine dividends to be distributed to members according to their rights and interests. The Directors may fix the time for distribution and the methods of distribution. Subject to the terms of issue of shares, each share in a class of shares in respect of which a dividend has been declared will be equally divided. Each share carries the right to participate in the dividend in the same proportion that the amount for the time being paid on the share (excluding any amount paid in advance of calls) bears to the total issue price of the share.

Dividend payouts over the last four years are disclosed in the Historical Summary section of this Annual Report.

Liquidation

Subject to the terms of issue of shares, upon liquidation assets will be distributed such that the amount distributed to a shareholder in respect of each share is equal. If there are insufficient assets to repay the paid-up capital, the amount distributed is to be proportional to the amount paid-up.

Directors

BSP's Constitution states that the minimum number of directors is three and the maximum is ten.

Appointment of directors

Directors are elected by the shareholders in general meeting for a term of three years. At each general meeting, one third of the number of directors (or if that number is not a whole number, the next lowest whole number) retire by rotation. The Board has the power to fill casual vacancies on the Board, but a director so appointed must retire at the next annual meeting.

Powers of the Board

Except otherwise required by the Companies Act, any other law, the Listing Rules or BSP's constitution, the Directors have the power to manage the business of BSP and may exercise every right, power or capacity of BSP to the exclusion of the members.

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Share buy backs

Subject to the provisions of the Companies Act and the PNGX Listing Rules, BSP may buy back shares by itself on terms and at times determined by the Directors.

Officers' indemnities

BSP, to the extent permitted by law, indemnifies every officer of BSP (and may indemnify any auditor of BSP) against any liability incurred by the person, in the relevant capacity, to another person unless the liability arises out of conduct involving lack of good faith.

BSP may also make a payment in relation to legal costs incurred by these persons in defending an action for a liability, or resisting or responding to actions taken by a government agency or a liquidator.

Twenty largest registered fully paid ordinary shareholders.

As at 31 December 2022, the twenty largest registered fully paid shareholders of the Company were:

		Total Holding	Percentage
1	Kumul Consolidated Holdings Limited	84,811,597	18.15%
2	Nambawan Super Limited	47,942,778	10.26%
3	Petroleum Resources Kutubu Limited	46,153,840	9.88%
4	National Superannuation Fund	45,318,417	9.70%
5	Fiji National Provident Fund	40,547,063	8.68%
6	Credit Corporation (PNG) Limited	33,294,081	7.13%
7	Motor Vehicles Insurance Limited	31,243,736	6.69%
8	Comrade Trustee Services Limited	12,456,052	2.67%
9	PNG Sustainable Development Program Limited	11,748,156	2.51%
10	The Catholic Bishops Conference Incorporated	10,000,000	2.14%
11	Capital Nominees Limited	5,504,302	1.18%
12	Teachers Savings and Loans Society Limited	5,131,979	1.10%
13	Samoa National Provident Fund	4,451,940	0.95%
14	Lamin Trust Fund	3,653,700	0.78%
15	Mineral Resources OK Tedi No. 2 Limited	3,496,449	0.75%
16	Credit Corporation Finance Limited	3,000,000	0.64%
17	IFC Capitalization (Equity) Fund LP	2,746,741	0.59%
18	International Finance Corporation	2,746,741	0.59%
19	Mineral Resource Star Mountains Limited	2,628,373	0.56%
20	Solomon Islands National Provident Fund	2,500,001	0.54%
	Other Shareholders	67,844,033	14.51%
		467,219,979	100.00%

Distribution of shareholding

As at 31 December 2022, The Company had 5,870 shareholders. The distribution of shareholding is as follows:

Range (number)	Number of Shareholders	Number of Shares
1 to 1000	4,772	1,255,437
1001 to 5,000	638	1,355,482
5,001 to 10,000	115	855,416
10,001 to 100,000	213	8,141,335
100,001 and above	132	455,612,309
	5,870	467,219,979

Unmarketable Parcels:

As at 31 December 2022, the BSP Share Price was K12.41 on the PNGX and A\$4.90 on the ASX. There were 515 shareholders (less than 0.01% of total shareholdings) who held less than a marketable parcel of BSP shares, being equal to K1,000 or less in market value.

Interest in shares in the Bank

Directors hold the following shares in the Bank:

Director	Shares Held	%
R. Fleming	93,000	0.00

Registered Office

Section 34, Allotment 6 & 7
Klinki Street, Waigani Drive
Port Moresby
National Capital District
Papua New Guinea
Telephone: +675 320 1212

Australian Registered Office

Level 16, 80 Collins Street
Melbourne, Victoria, 3000
Australia

PNG Exchange for BSP Shares

PNGX Markets Limited (PNGX)
PO Box 1531
Port Moresby
National Capital District
Papua New Guinea
Telephone: +675 320 1980

Australian Exchange for BSP Shares

ASX Limited
Exchange Centre
20 Bridge Street
Sydney NSW 2000
Australia

Home Exchange for BSP Convertible Notes

South Pacific Stock Exchange
GPO Box 11689
Suva, Fiji
Telephone: +679 330 4130

PNG Share Registry

PNG Registries Limited
PO Box 1265
Port Moresby
National Capital District
Papua New Guinea
Telephone: +675 321 6377

Australian Share Registry

Link Market Services Limited
Level 12
680 George Street,
Sydney
NSW 2000

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Name	Nature of Interest	
Sir K. Constantinou, OBE	Director	BSP Financial Group Limited, BSP Capital Limited, BSP Finance Ltd, Bank of South Pacific Tonga Limited, Bank South Pacific (Samoa) Limited, Bank South Pacific (Vanuatu) Limited, Airways Hotel Limited, Lamana Hotel Limited, Lamana Development Limited, The Constantinou Group Projects Company Limited, Hospitality Plus Hotels Limited, Gazelle International Hotel Limited, Southern Seas Investments Ltd, CGA Properties Limited, Heritage Park Hotel Limited, The Papua Hotel and Development Limited, Coastwatchers Court Limited, Airways Development Limited, Airways Residences Limited, Waigani Asset Limited, Texas Chicken South Pacific Ltd, Loloata Island Resort Ltd, Air Niugini Limited, Monier Limited, Poly Allied Products Limited, Tiare No. 23 Limited, Hebou Constructions (PNG) Limited, Oasis Apartments Limited, Central Sand Supplies Ltd, Moki No.10 Limited, Rouna Quarries Ltd, C G A Properties Limited, Heritage Park Hotel Limited, Hospitality Plus Hotels (SI) Limited, KG Property Investments Pty Ltd, Lamana Development (Samoa) Limited, Taumeasina Development Corporation, Taumeasina Villas Limited, Good Taste Co Pty Limited, TC Nambawan Limited, TC Tupela Limited, TC3 Limited, TC4 Limited, TC Faipela Limited, TC Sikispela Limited
	Shareholder	Airways Hotel Limited, Lamana Hotel Limited, Lamana Development Limited, The Constantinou Group Projects Company Limited, Hospitality Plus Hotels Limited, The Papua Hotel and Development Limited, Airways Development Limited, Airways Residences Limited, Texas Chicken South Pacific Ltd, Monier Limited, Poly Allied Products Limited, Tiare No. 23 Limited, KG Property Investments Pty Ltd
	Patron	Burnet Institute, Kokoda Track Foundation
	Member	Australian Institute of Company Directors, Papua New Guinea Institute of Directors
	Others	Honorary Consul for Greece and Cyprus in Papua New Guinea, Trade Commissioner of Solomon Islands to Papua New Guinea, Archdiocesan Finance Board
R. Fleming, CSM, MBA, MMGT	Director	BSP Financial Group Limited, BSP Capital Limited, BSP Finance Ltd, BSP Finance (PNG) Limited, BSP Life PNG Limited, BSP PNG Holdings Limited, BSP Nominees Limited, Platform Pacific Limited, BSP Convertible Notes Limited, BSP Life (Fiji) Limited, BSP Health Care (Fiji) Limited, BSP Finance (Fiji) Pte Limited, Bank South Pacific (Samoa) Limited, Bank South Pacific (Vanuatu) Limited, Bank of South Pacific Tonga Limited, BSP Finance (Solomon Islands) Limited, 3 Kundu Holding Pte. Ltd, 3 Kundu Services Pte. Ltd, BSP Finance (Cambodia) PLC, BSP Leasing Lao Co.Ltd, Anglicare Foundation Limited
	Shareholder	BSP Financial Group Limited
	Member	Australian Institute of Company Directors, Papua New Guinea Institute of Directors
	Trustee	Anglicare Foundation
A. Sam, BComm, CPA, GAICD	Director	BSP Financial Group Limited, Silver Dawn Holding Limited, WAM Shipping Limited, Milne Bay Earthworks Limited, Muyua Dal Limited, Nikubai Kwayeb Investment Limited, Nikubai Udanai Investment Limited, Nikwasis Ukwadew Investment Limited, Sinawia Omalak Investment Limited, Dawet Investment Limited, Kumuluw Walau Investment Limited, Kunutan Botunug Investment Limited, Kunutan Saweinak Investment Limited, Lakeidog Latnawai Investment Limited, Lakeidog Mwatat Investment Limited, Malas Dilgabuys Investment Limited, Malas Luwau Investment Limited
	Joint Owner	Sam Kiak Tubangliu Certified Practising Accountants
	Shareholder	Silver Dawn Holding Limited, Milne Bay Earthworks Limited, Nikubai Kwayeb Investment Limited, Nikubai Udanai Investment Limited, Nikwasis Ukwadew Investment Limited, Sinawia Omalak Investment Limited, Kumuluw Walau Investment Limited, Kunutan Botunug Investment Limited, Kunutan Saweinak Investment Limited, Lakeidog Latnawai Investment Limited, Lakeidog Mwatat Investment Limited, Malas Dilgabuys Investment Limited, Malas Luwau Investment Limited
	Member	Certified Practising Accountants of Papua New Guinea, Papua New Guinea Institute of Directors

Name	Nature of Interest	
S. Davis, LLB	Director	BSP Financial Group Limited, Next DC Limited, PayPal Australia Pty Limited, Appen Limited
	Member	Australia India Business Council, Avondale Golf Club, Asia Society Australia, Papua New Guinea Institute of Directors
	Graduate	Australian Institute of Company Directors
R. Bradshaw, LLB	Director	BSP Financial Group Limited, Post PNG Limited, Koitaki CC Limited, Wahgi Arabicas Limited
	Shareholder	Koitaki CC Limited, Wahgi Arabicas Limited
	Owner	Waghi Valley Country Club, The Kofi Club, Koitaki Country Club
	Member	Papua New Guinea Law Society, Australian Institute of Company Directors, Papua New Guinea Institute of Directors
Faamausili Dr. M. Lua'ufi, BA, MSc, PhD	Director	BSP Financial Group Limited, BSP Finance Ltd, Bank South Pacific (Samoa) Limited, Paradise Consulting
	Shareholder	Paradise Consulting
	Member	Samoa Institute of Directors, Australian Institute of Company Directors, Papua New Guinea Institute of Directors, Samoa Human Resource Institute
P. Kevin, BSCS, MAICD	Director	BSP Financial Group Limited, In4net Ltd
	Shareholder	In4net Ltd
	Board/Council Member	Papua New Guinea Institute of National Affairs Council, Papua New Guinea University of Technology Industrial Advisory Board (IAB)
	Member	PNG Digital Information and Communications Technology (ICT) Cluster Inc., Papua New Guinea Women in Science, Technology, Engineering and Mathematics Association Inc., Papua New Guinea Computer Society Inc., Centre of Excellence for Financial Inclusion (CEFI) Digital Financial Services Working Group Committee, Australian Institute of Company Directors, Pacific Islands Chapter of the Internet Society, Papua New Guinea Institute of Directors
	Fellow	Internet Corporation for Assigned Names and Numbers, United States International Visitor Leadership Program
F. Bouraga, CPA, MAICD	Director	BSP Financial Group Limited, Inside Out Limited, Star Management Services Limited, Lalokau FM Limited, Star No.57 Limited, Papua New Guinea Hunters Rugby Football Club Inc. Board, Papua New Guinea Cancer Foundation Inc.
	Shareholder	Inside Out Limited, Star Management Services Limited, Lalokau FM Limited, Star No.57 Limited
	Employee	SBC Solutions
	Member	Certified Practising Accountants Papua New Guinea (CPA PNG), Accounting Registration Board of PNG, Australian Institute of Company Directors, Papua New Guinea Institute of Directors
S. Brewis-Weston, BEcon(Hons), MAppFin	Director	BSP Financial Group Limited, Solvar Limited, Timelio Pty Limited, Mercurien Pty Limited
P. Taureka-Seruvatu, LLB	Director	BSP Financial Group Limited
	Member	Papua New Guinea Institute of Directors, Australian Institute of Company Directors, Papua New Guinea Law Society

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Robin Fleming, CSM
Group Chief Executive Officer

Robin Fleming was appointed Group Chief Executive Officer (GCEO) of BSP in April 2013. Before being appointed as GCEO, he had been Deputy GCEO and Chief Risk Officer since 2009. Prior to this, Mr. Fleming held senior executive roles as Chief Risk Officer, General Manager Corporate & International, and Head of Risk Management with BSP. Prior to the merger of BSP and PNGBC, Mr. Fleming held senior management roles with PNGBC. He has worked in PNG for over 36 years and holds an MBA and a Master of Management from Charles Sturt University. Mr. Fleming was made a Companion of the Star of Melanesia (CSM) in 2015 by the PNG Government for services to banking and the community.



Ronesh Dayal
Group Chief Financial Officer

Ronesh Dayal was appointed the Group Chief Financial Officer (GCFO) on 11 June 2020. Mr. Dayal is an experienced and detail-oriented CFO with over 18 years experience in the financial services industry, having worked in the Life Insurance and Banking businesses in Fiji and Papua New Guinea.

He progressed into executive roles when he was appointed as the CFO for BSP Fiji Branch in December 2010 and was the first local CFO for the bank. He was later appointed to the position of Deputy CFO of BSP PNG in 2014 when he moved to Papua New Guinea, before being appointed as the CFO for PNG Bank in 2017.

Mr. Dayal holds a Bachelor of Arts Degree with double majors in Accounting and Financial Management and Information Systems from the University of South Pacific. He is currently the President of CPA Australia - PNG Branch and acts as mentor to a number of BSP's Leadership and Management Development program participants. He is a Chartered Accountant and a member of Certified Practising Accountants (CPA) Australia, CPA PNG and The Fiji Institutes of Accountants.



Frank W. M. van der Poll
Group Chief Operating Officer

Frank W. M. van der Poll joined BSP in May 2019 as the Deputy Group Chief Operating Officer (GCOO) and commenced in the GCOO role on 1 November 2020. Primary responsibilities include Information Technology, Project Management Office, and Project Compass, BSP's Core Banking System upgrade, and has direct responsibilities for Transaction Channel Support, International Operations, Lending Support & Collections, Customer Service & Contact Centre, Support Services and Security Services. Frank started his career in the Information Technology field with various director roles at ICL/Fujitsu and Gandalf Technologies (Data communication) where he served as Vice President Europe, Middle East & Africa. In 1997, Frank moved into the Financial Services Industry starting at Maduro & Curiel's Bank in the West Indies, Banque Populaire du Rwanda and Standard Chartered Southern Africa. Prior to joining BSP, Frank was the Chief Executive Officer for the First MicroFinance Bank-Afghanistan.

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Daniel Faunt
Group General Manager Retail

Daniel Faunt was appointed Group General Manager Retail in December 2020. He assumes responsibility for the Group Retail Bank function encompassing the management of the 81 branches and sub-branches in PNG along with the Paramount Banking division and Group Marketing. Mr. Faunt was previously the Group's General Manager Offshore Branches with responsibility over banking operations in Fiji, Solomon Islands, Tonga, Samoa, Vanuatu and Cook Islands.

Mr. Faunt has more than 20 years of banking experience in various senior management roles in PNG, Australia and the Pacific. He holds a Masters of Business Administration in Economics from Deakin University and a Bachelor of Business in Banking and Finance from the Queensland University of Technology.



Peter Beswick
Group General Manager Corporate Banking

Peter Beswick was appointed General Manager of BSP Corporate Banking in June 2011. He has over 25 years banking and finance experience, covering Australia and South East Asia with Commonwealth Bank of Australia, National Australia Bank and Bank of New Zealand; holding senior executive positions in Risk Management and Business Development. Mr. Beswick's most recent appointment has been CEO of a national wholesale, import and retail business in Australia. He has extensive experience in the finance, government, retail, wholesale, telecommunications and property sectors, with extensive knowledge in foreign exchange, risk management and governance. Mr. Beswick qualified as a Chartered Accountant with PwC and most recently completed a Masters of Business Administration with Macquarie University in Australia.



Roger Hastie
Group Chief Risk Officer

Roger Hastie was appointed to Group Chief Risk Officer (GCRO) role in April 2022 and is responsible for the risk and governance framework and Legal Services in BSP. Prior to this appointment, he held the position of BSP Chief Credit Officer since August 2018 providing familiarity with BSP, and Pacific and Mekong business operations.

Roger has over 30 years banking and finance experience holding senior Risk Management and Country Head roles in Australia, Singapore, Hong Kong and PNG for Commonwealth Bank, Westpac and BSP. Roger's leadership and strategic focus combined with attention to detail and strong Credit and Risk knowledge is demonstrated through BSP's continued strong financial performance and effective risk management of inherent risk including through the pandemic.

Roger is a mentor to a number of BSP Leadership and Development program participants. He holds a Graduate Diploma in Finance from the Securities Institute and accounting qualifications from TAFE and is accredited with the Australian Bankers Institute, Risk Management Association and Australian Institute of Company Directors.



Rohan George
General Manager Treasury

Rohan George was appointed General Manager Treasury in February 2015. Mr. George has extensive knowledge in developed and emerging financial markets. His experience spans over 30 years, covering fixed income, foreign exchange, commodities and structured derivatives markets. He is passionate about financial markets, managing market risk, liquidity risk and providing value add solutions for clients. Prior to joining BSP, Mr. George worked at ANZ as Head of Global Markets, Cambodia & Laos (5 years), at Westpac as Treasurer PNG & PINS (8 years), and at BNP Paribas Investment Management in Sydney, as Head of Fixed Income. Mr. George holds a Master of Applied Finance degree from Macquarie University and is accredited by both the Australian Financial Markets Association and the Sydney Futures Exchange.

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Hari Rabura
General Manager People & Culture

Hari Rabura is the Group General Manager for People & Culture SBU (formerly Human Resources SBU). She has over 20 years' experience in implementing and delivering HR strategies, policies, and services that create, support and sustain a high performance culture. PNG Human Resource Institute (PNGHRI) in recognising her skills and experience awarded her the Best HR Practitioner in 2016 and 2018. She has held various roles at PricewaterhouseCoopers (PwC) and Kina Bank, plus completed her General Management training in INSEAD Business School in France and Melbourne Business School in Australia. She holds a Bachelor of Education from the University of Goroka – PNG.



Maryann Lameko-Vaai
General Manager Offshore Branches

Maryann was appointed as General Manager Offshore Branches in June 2022, becoming the fourth female BSP Executive. She joined the Bank (formerly Westpac Samoa) on 08 October 2012 as the Head of Finance & Operations and in June 2015, after BSP's acquisition of Westpac Samoa, she was appointed to the role of Country Head - BSP Samoa. Her appointment to this role saw her as the first local female appointed as Country Head (General Manager level) in Samoa. Maryann is a former participant of BSPs Leadership & Management Development Program (LMDP) from 2016 to 2018 under the Senior Leaders Category. A significant milestone since assuming the role as Country Head of BSP Samoa was cementing the market leader position from ANZ who had dominated the banking industry in Samoa for over 40 years. Maryann has a Bachelor of Commerce in Accounting from the University of Auckland, New Zealand and is a Chartered Accountant with the Samoa Institute of Accountants and a Certified Public Account (CPA) with CPA Australia.nce.



Nuni Kulu
General Manager Digital

Nuni Kulu was appointed as General Manager Digital effective as of 1 January 2019. Her appointment made her the second female to be appointed to the Executive of BSP as she joined Hari Rabura, General Manager People & Culture. Nuni joined the former PNG Banking Corporation (PNGBC) as a graduate and has undertaken numerous roles in Treasury and Retail Banking during the course of her career. She was a member of BSP's Leadership Development Program and has benefited from leadership and management training at Melbourne Business School and Insead College in France. Nuni hails from Manus Province and holds a Bachelor of Commerce attained at the Australian National University with many years of experience with PNGBC/BSP. She is now the President of the Business Council of PNG.



Vandhna Narayan
Group General Manager Compliance

Vandhna Narayan was appointed as Group General Manager Compliance effective 23 February 2021. Vandhna oversees BSP's Anti-Money Laundering & Compliance; Internal Audit; and Credit Inspection Business Units to ensure BSP continues to meet its ongoing regulatory obligations and advancements in industry standards. Vandhna was formerly the Group Head of Compliance and AML for BSP, and has also held roles as General Manager Legal & Compliance for BSP Life Fiji and Colonial National Bank Fiji (now BSP Fiji). Vandhna is a qualified Solicitor (admitted in Fiji, New Zealand and New South Wales) with over 25 years diverse professional and leadership experience, including 10 years in the Banking and Insurance sector. Vandhna successfully completed CBA's Executive Development Program in 2010, and holds a Bachelors Degree in Law from Victoria University of Wellington, New Zealand, and a Masters Degree in Human Rights Law and Policy from the University of New South Wales.

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Andy Roberts
General Manager BSP Finance Ltd

Andy Roberts was appointed General Manager of BSP Finance Ltd on 17 August 2020. Prior to joining BSP, Mr. Roberts held various management positions in equipment finance and corporate banking with Westpac and NAB in Australia in a career spanning 25 years. More recently he spent just over 2 years with Credit Corporation in PNG before joining BSP. Andy is currently completing his Master of Business Administration at Torrens University in Australia.



Mary Johns LLB, ML, MAICD
BSP Company Secretary

She is a lawyer by profession and has been in legal practice in Papua New Guinea for 27 years. She worked in private practice for 5 years and then joined Bank South Pacific Limited as a legal officer in July 2002. She was appointed as Company Secretary in 2005 and currently holds that role to date.



Gheno Minia
General Manager BSP Capital

Gheno Minia was appointed General Manager of BSP Capital in June 2018, prior to that held senior roles within BSP Capital's advisory business. Mr. Minia has been with the business for over 15 years after joining in 2008 through BSP's graduate scheme. Mr. Minia holds post graduate qualifications in Applied Finance from Kaplan and a Bachelors in Business and Economics from the University of Papua New Guinea and is a Senior Associate of Financial Services Institute of Australasia.



Nilson Singh
Country Manager BSP Life

Nilson Singh was appointed Country Manager of BSP Life PNG Limited on 27 August 2019. He has over 12 years of Life Insurance experience through his various roles in the Fiji and PNG Life Insurance businesses. Prior to this, he worked in the assurance division at PwC Fiji for 3 years.

He was instrumental in the establishment and launch of the life insurance business in PNG and is passionate about growing a saving culture through endowment insurance products.

Mr. Singh holds a Bachelor of Arts Degree with double Majors in Accounting and Financial Management and Information Systems from the University of South Pacific. He is a full member of CPA Australia and CPA PNG and a member of Australian Institute of Company Directors. Nilson has a Diploma of Life Insurance with Australian and New Zealand Institute of Insurance and Finance.

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COOK ISLANDS

(L-R):

Henry Napa – Head of Operations
Michelle Foster – Head of Finance
David Street – Country Head
Chris Doran – Head of Retail
Grace Tangata – Operational Risk and Compliance
Gabe Raymond – Compliance and AML Manager



FIJI

(L-R):

William Wakeham – Chief Operating Officer
Charishma Kumar – General Manager Treasury
Omid Saberi – Chief Information Officer
Sunil Rohit – Head of Credit
Haroon Ali – Country Head
Rajeshwar Singh – General Manager Corporate Services and Chief Financial Officer
Ravindra Singh – General Manager Retail
Alvina Ali – General Manager Legal and Compliance
Vrinda Rao – Head of Operational Risk
Maikash Ali – General Manager Corporate



SAMOA

(L - R):

Peti Leiataua – Operational Risk Manager
Edward Yee – Head of Corporate (Former)
Maiava Iaeli Tovias-Leota – Manager E Banking
Bharat Chovhan – Head of Treasury
Maryann Lameko-Vaai – Country Head (Former)
Epeli Racule – Head of Operations
Jennifer Fruean – Country Head
Ina Vaafusuaga – Business Manager
Shirley Greed – Head of Retail



SOLOMON ISLANDS

Standing (L - R):

Lyn Fa'arodo – Manager E-channels
Winterford Maehau – Manager Information services
Alphonse Taoti – Head of Retail
Viliami Hia – Senior Manager Asset Management
Denise Suia – Manager Lending Support Unit
Giddings Qiqo – Head of Treasury
Alafina Katovai – Manager Internal Audit

Seated (L - R):

Freda Fa'a'itua – Manager Corporate Services
Emele Hia – Head Of Corporate Banking
Sandra Fore – BSP SI Country Head
Joyce Nukumuna – Manager Operational Risk Management
Nester Soaika – Manager Retail Operations

Management Teams

Broader Group



TONGA

Front Row:

Marcellina Wolfgramm Haapai – Country Head

Second Row(L-R):

Mele I Latu – Head of Treasury
Wendy Tongia – Compliance & AML Manager
Meleana Fifta – Head of Operations
Iunisi Polutele – Operational Risk Manager

Third Row (L-R):

Emilio Tapueluelu – Head of Retail
Viliami Vailea – Head of Finance
Tevita Vaha'i – Head of Corporate



VANUATU

Standing (L-R):

Jioji Konusi – Head of Corporate Banking
Teresa Jordan – Head of Operations
Irene Tabi – Head of Treasury
Edward Yee – Country Head
Moana Korikalo – Head of Retail
Josiah Kalfabun – Manger Compliance
Ronald Prasad – Head of Finance

Overseas Directory

Cook Islands

Country Head	David Street	682 22014
Head of Retail	Chris Doran	682 22014
Rarotonga Branch	Tokoa Harmon	682 22014
Aitutaki Branch	Rosa Henry	682 31714

Fiji

Country Head	Haroon Ali	679 3214454
Damodar City Branch	Sanjani Devi	679 3214701
Thomson St Branch	Shailendra Roy	679 3314400
Nausori Branch	Katrina Lal	679 3478499
Navua Branch	Ravikashni Prakash	679 3452030
Samabula Branch	Rovil Chandra	679 3387999
Suva Central Branch	Mereani Peters	679 3314400
Ba Branch	Reginald Kumar	679 6674599
Westfield Branch	Devendran Pillay	679 6661769
Nadi Branch	Ann Pesamino	679 6700988
Namaka Branch	Razia Tahir	679 6627320
Rakiraki Branch	Ronica Prakash	679 6694200
Sigatoka Branch	Nacanieli Vadei	679 6500900
Tavua Branch	Mohammed Azim	679 6681507
Labasa Branch	Sohnal Lata Karan	679 8811888
Savusavu Branch	Vineeta Prasad	679 8850199
Taveuni Branch	Anaseini Senivika	679 8880433

Samoa

Country Head	Jennifer Fruean	685 66115
Retail Head	Shirley Greed	685 66170
Apia Branch	Siuli Aiono	685 66172
Vaitele Branch	Folototo Leaumoaana	685 23005/685 23057
Salelologa Branch	Leilani Kelemete	685 51208/685 51066

Solomon Islands

Country Head	Sandra Fore	677 21874
Auki Branch	Lency Saeni	677 40484
Gizo Branch	Richard Bero	677 60539
Heritage Park Branch	Joy Vave	677 21814
Honiara Central	Saverio Votu	677 21222
Munda Branch	Janet Elsie Tiikwai	677 62177

Noro Branch	Joseph Rabawa	677 61222
Point Cruz Branch	Unity Bainivalu	677 21874
Commercial Bank	Philip Paneoa	677 21874
BSP First	Doris Saingoa	677 21874

Tonga

Country Head	Marcellina Wolfgramm Haapai	676 20807
Nuku'alofa Branch	Mele Lily Cocker	676 20830
Vava'u Branch	Sosefina Tangitau	676 71268
Ha'apai Sub Branch	Ta'ufuou Maloni	676 60933
'Eua Sub Branch	Tokilupe Toe'api	676 50145

Vanuatu

Country Head	Edward Yee	678 5580038
Head of Retail	Moana Korikalo	678 5580009
Santo Branch	Edwige Wensi	678 5580021
Port Vila Branch	Danica Rapouel	678 5580016
Tanna Branch	Dolores Charlie	678 5580042
Freswota Branch	Clara Runte	678 5580057

Subsidiaries Directory

BSP Finance

Country Heads		
PNG	Brendan Casey	675 722 91580
Fiji	Krishna Raju	679 323 4451
Solomon Islands	Imelda Samba	677 27779
Cambodia	Kheng Tilen	855 (0) 2322 2011
Lao	Panyathip Vongsouli	856 (0) 20 55 538 682

BSP Life

Managing Director (Fiji)	Michael Nacola	679 3261 777
Country Manager (PNG)	Nilson Singh	675 305 6361

BSP Capital

General Manager (PNG)	Gheno Minia	675 309 8521
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Subsidiaries



BSP FINANCE HOLDING

Front row (L-R):

Remu Ruape – AML/CTF Compliance officer
Bernadette Name'a – finance officer
Sharon Andoiye – Quality Assurance Manager
Janet Seta – Operation Risk & Compliance Manager

Back row (L-R):

Anna Puri – Credit Manager
Natasha Lagani-Ikosi – Financial controller
Andy Roberts – General Manager
Elina Sapulai – Business Analyst
Susan Asi – Compliance & ORM assistant



BSP FINANCE - PAPUA NEW GUINEA

(L-R):

David Munaga – Head of Lending Sales
Myley Kula – Head of Operations
Brendan Casey – Country Manager



BSP FINANCE - FIJI

(L-R):

Shirraz Narayan – Collections Supervisor
Sanjeet Narsey – Finance Manager
Kritika Kumar – Accountant
Niranjan Singh – Compliance & Operational Risk Management Officer
Krishna Raju – Country Head
Shainesh Lal – Area Manager West
Kajal Raj – Lending Support Unit Supervisor
Sudeshwar Ram – Area Manager East



BSP FINANCE - CAMBODIA

Standing (L-R):

Morm Sreyhouch – Senior Lending Support Officer
Pang Marina – Senior Accountant
Pum Sodoeun – Senior Phone Collection Officer
Seng Sokha – Head of Lending Sales
Sin Dany – Senior Credit Assessment Officer
Khay Bunthoeun – Operations Manager
Kheng Tilen – Country Manager
Taing Sorida – Lending Supervisor
Eng Navy – Senior Operational Risk & Compliance Officer
Phin Nara – Finance Manager
Heat Sokna – Phone Collection Officer
Tong Sophy – Senior Field Collection Officer
Brak Sambo – Internal Audit Manager

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BSP FINANCE - LAO

(L-R):

Phonepaseuth Rattana – Collection Officer
Buangeun Sayavong – Lending Officer
Inthanom Vongchanh – Sales Team Supervisor
Nith Chanthavongdeuane – Administration Officer
Panyathip Vongsouli – Country Head
Soubanh Phanyoulath – Accounts & Finance Manager
Vathsana Bounphothisarn – AP Officer
Daomanivone Khanthavong – Lending Officer
Vilaiphone Silakoune – Loan Recovery Officer



BSP FINANCE - SOLOMON ISLANDS

(L-R):

Barbara Hou – Lending Support & AML/CTF Officer
Imelda Samba – Country Manager
Veronica Buga – Lending Officer



BSP LIFE - FIJI

(L-R):

Munendra Naidu – Chief Financial Officer
Michael Nacola – Managing Director
Craig Strong – Chief Investments Officer
Arieta Cama – GM Human Resources
Viresh Chandra – Chief Information and Transformation Officer
Camari Turagarua – Chief Operations Officer
Curtis Mar – GM Distribution and Marketing

Insert:

Emily King – BSP Life GM Legal & Compliance



BSP LIFE - PNG

(L-R):

Nilson Singh – Country Manager
Adelaide Senior – Operations Manager
Mathew Hasu – Head of Sales
Doris Yenbari – Quality Assurance and Compliance Manager

Seated (L-R):

Paulus Mane – Business Relationship Manager
and Jennifer Manimua – Finance Manager



BSP CAPITAL LTD

(L-R):

Gheno Minia – General Manager
Theresa Kalivakoyo – Business Controller
Willie Konga – Manager, Funds Management

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PNG Branch Managers



**Mathew Danti
Aitape**



**Martin Gilo
Alotau**



**Rosemary Paula Seeto
Arawa**



**Dorah Raphael
Bialla**



**Madeleine Leka
Boroko**



**Julie Warren
Buka**



**Delilah Kanit
Bulolo**



**Ponsie Bannon
Daru**



**Roslyne P. Kanini
Eriku**



**Robinson Panako
Gordons C/Centre**



**Marco Hamen
Goroka**



**Jackie Bal
BSP Haus**



**Robert Jomino
Kainantu**



**Mathias Manowo
Kavieng**



**Betty Posangat
Kimbe**



**Ruben Attai
Kiunga**



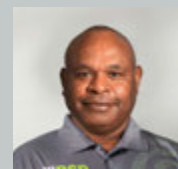
**Kalat Tiriman
Kokopo**



**Rita Singut
Kundiawa**



**Bevilon Homuo
Lae Top Town**



**Gabriel Ak
Lae Market**



**Livikonimo Koki
Lae Commercial**



**Mary Kaile
Lihir**



**Ruth Kagl
Lorengau**



**Mary Koi
Madang**



**Merai Mundua
Mendi**



**Bau Kiso
Moro**



**Ali Albert
Moro**



**Theresa Pilamp
Mt Hagen**



**Diana Guria
NCD Lending Centre**



**Samuel Okti
Popondetta**



**Kips Ponga
Pogera**



**Rawalo Rawalo
Port Moresby**



**David Pilai
Rabaul**



**Dianne Rali
Tabubil**



**Henry Bayema
Tari**



**Michelle Tukan
Vanimo**



**Alex Kuna
Waigani B/Centre**



**John Tomba
Wabag**



**Antonia Dru
Waigani Drive**



**Philip Solala
Wewak**



**Stanley Bole
SME - Vision City**



**Desmond Lavong
SME - Lae**



**Lucy Venove
SME - Goroka**



**Barry Namongo
Area Manager
Momase**



**Ruby Arabella Patu
Area Manager
NGI**



**Dennis Lamus
Area Manager
NCD**



**Billy Veveloga
Area Manager
Southern**



**Reuben Elijah
Area Manager
Highlands**

PNG Branch Directory

Aitape	Mathew Danti	457 2042
Alotau	Martin Gilo	641 1284
Arawa	Rosemary Paula Seeto	276 9244
Bialla	Dora Raphael	983 1095
Boroko	Madeleine Leka	303 4320
BSP Haus	Jackie Bal	305 7135
Buka	Julie Warren	973 9042
Bulolo	Delilah Kanit	474 5331
Daru	Ponsie Bannon	645 9416
Eriku	Roselyn P. Kanini	473 9900
Gordons Commercial	Robinson Panako	302 5252
Goroka	Marco Hamen	532 1633
Kainantu	Robert Jomino	537 1251
Kavieng	Mathias Manowo	984 2082
Kimbe	Betty Posangat	983 5166
Kiunga	Ruben Attai	649 1313
Kokopo	Kalat Tiriman	982 9088
Kundiawa	Rita Singut	535 1025
Lae Top Town	Bevilon Homuo	473 9876
Lae Market	Gabriel Ak	473 9609
Lae Commercial	Livikonimo Koki	472 9088
Lihir	Mary Kaile	986 4062
Lorengau	Ruth Kagl	970 9244
Madang	Mary Koi	422 2477
Mendi	Merai Mundua	549 1070
Moro	Bau Kiso / Ali Albert	276 1566
Motukea	Gata Goasa	321 7699
Mt Hagen	Theresa Pilamp	542 1877
Popondetta	Samuel Okti	629 7443
Porgera	Kips Ponga	547 6900
Port Moresby	Rawalo Rawalo	305 7606
Rabaul	David Pilai	982 1744
Tabubil	Dianne Rali Kome	649 9179
Tari	Henry Bayema	276 1651
Vanimo	Michelle Tukan	457 1209

Wabag	John Tomba	547 1237
Waigani	Alex Kuna	305 6102
Waigani Drive	Antonia Dru	302 5301
Wewak	Philip Solala	456 2344

NCD Lending Centre	Diana Guria	305 7557
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SME Business Centre		
Vision City	Stanley Bole	305 7786
Lae	Desmond Lavong	479 5824
Goroka	Lucy Venove	532 1006

Premium Banking Centre		
Boroko	Pakar Tata	303 4354
Gordons	Helen Gaius	302 5202
Kokopo	Jacqueline Turliu	982 9068
Madang	Leah Torry	422 2477
Mt Hagen	Maggie Wara	542 1877
Port Moresby	Imelda Konabe	305 7943
Waigani	Dulcie Vogae	300 9131
Waterfront	Susie Yapen	305 7786

BSP First		
Gordons	Ian Miria	305 6548
Harbour City	Nelson Kerua	305 7935
Lae	Kutan Nawayap	478 4930
Port Moresby	Mari Guma	305 6550

Regional Area Managers		
Highlands	Reuben Elijah	542 2002
Momase	Barry Namongo	478 4998
NCD	Dennis Lamus	305 7195
NGI	Ruby Arabella Patu	982 9088
Southern	Billy Veveloga	305 7886

Sub Branch Directory

Aiyura	Semagrace Kumaro	7230 8313
Banz	Kessy Elly	7100 9078
Buin	Clara Itamai	7100 7855
Chuave	Dkyman I Tangip	7197 6001
Gusap	Vivian Sae	7091 1396
Henganofi	Rachael Saime	7100 7859
Higaturu	Letticia Gaia	7009 6865
Hoskins	Genevieve Sela	7031 2627
Ialibu	Philemon Kumi	7041 1624
Kamtai	Jeffery Kaupa	7371 6015
Kerema	Toru Leva	7091 2298
Kerevat	Minamar Mathew	7100 2889
Kerowagi	Leah Taia	7100 9077
Kinim	Malapun Bannick	7100 7861
Kikori	Yaweye Sam	7201 9584
Komo	Mark Tom	7362 0760
Konos	Helen Warange	7197 6006
Koroba	Paul Philip Galopo	7104 2003
Kupiano	Vacant	7288 4140
Laba	Heni Nao	7197 6008

Lakurumau	Lorraine Koma	7197 6005
Losuia	Lorna Solomon	7031 2617
Maprik	Christian Tatu	7168 7815
Minj	Jim Wayne Dale	7100 9076
Mutzing	Luther Kasi	7100 2488
Namatanai	Dickson Kevin	7197 6007
Navo	Hennah Brunim	7091 9062
Ningerum	Joseph Dewang	7341 2207
Okapa	Arafat Tovari	7055 0955
Padipadi	Michael Tupagogo	7090 4463
Palmalmal	Selina Kesivi	7323 9181
Pangia	Karen James	7197 6003
Tambul	Joseph Paul	7100 7863
Telefomin	Joycelyn Naik	7255 8421
Simberi	Rebecca Maragit	7449 8381
Wakunai	Melvin Kusa	7100 7856
Walium	Brenda Igusam	7031 2127
Wapenamanda	Seta Isin	7198 6859
Yangoru	Ezekiel Benny	7031 4947
Yonki	Solo Sabbie	7185 5768

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“ One of the key things that differentiates BSP from many other businesses is our support of community projects across all countries. ”

Corporate Social Responsibility

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BSP hosts Leadership and SME Immersion

The Community Partnership between BSP and the Brisbane Broncos commenced in 2020, focusing on financial literacy and leadership development.



BSP Brand Ambassador and retired PNG Kumuls Captain, David Mead, with a young squash player from the Port Moresby Racquets Club.

We are more than a Bank

BSP's Corporate Social Responsibility contribution in 2022

We understand that we have a special responsibility to our customers and the communities in which we are part of.

Our core values of people, community, leadership, teamwork, professionalism, quality and integrity are at the heart of who we are as an organisation, and drives our support for the communities in which we operate.

BSP is committed to supporting our communities sustainably through partnerships, sponsorships, donations, community projects and voluntary work.

BSP supports Bel isi Walk 2022

25th November is the International Day for Ending of Violence Against Women (EVAW) and Girls.

EVAW day is a globally recognised day aimed at raising the profile of issues related to violence against women and girls. BSP joined major donors and partners of the Bel isi PNG Initiative including Santos, Steamships, National Capital District Commission, Business Coalition for Women, Femili PNG and other subscriber organisations in the ongoing Bel isi PNG organised EVAW Walk.





BSP School Kriket Program



BSP has supported the BSP School Kriket program since 2018, reaching over 750,000 children.

The Kriket program is not only the longest serving Junior Sport Development program, but has helped to produce some of PNG's best male and female cricketers.

Our Bank. Our Contribution.



Financial Literacy Brisbane Broncos



The partnership will see the Brisbane Broncos assist BSP in promoting the Financial Literacy Program.

This program is aimed at helping school children understand the basics of budgeting and making better financial decisions. Selected primary and secondary schools within NCD and around PNG took part in BSP's Financial Literacy Program.



FSV & GBV Awareness #blackthursdays



We believe that one of the best ways of contributing to the growth and development of the South Pacific is by ensuring it is a region of healthy and happy individuals, families and communities.

BSP's groupwide #blackthursdays campaign against gender based violence is a good example of the way in which branches, staff, family and individuals contribute to creating awareness and making our communities and homes safer places to live in.

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PNG Swimming Inc.

BSP reaffirmed its commitment to PNG Swimming Inc. for the BSP National Aquatic Excellence Program, BSP/FINA Educational Clinic, and the FINA World Competitions.

"The support has made it possible for us to continue providing pathways for new swimmers, to develop skills and a pathway to join the elite swimmers. This is a great milestone achievement for PNG Swimming Inc."

Elizabeth Wells

President of Papua New Guinea Swimming Inc.



Our Sponsorships

BSP's network enables it to have a unique opportunity to access more communities than any other bank in the Pacific region. Our reach takes us to the most remote areas of Papua New Guinea and other Pacific island countries that BSP operates in, Fiji, Solomon Islands, Vanuatu, Samoa, Tonga and Cook Islands.

As a responsible corporate organisation, we give back in sponsorships, donations and charity work. In Papua New Guinea, BSP invested over **K2.4 million** in sponsorships, over **K800 thousand** in donations and **K1.6 million** in community projects.

Our sponsorships reach communities through organisations like:

- PNG Rugby Football League Inc. - Orchids
- PNG Swimming Inc.
- SP PNG Hunters
- Cricket PNG
- Grass Skirt Project
- PNG Volleyball Federation
- Business Council of PNG
- West New Britain Rugby League
- Rabaul Rugby League
- Strategic Communications Ltd



PNG Cancer Foundation

BSP supports the PNG Cancer Foundation (PNGCF) Trupla Man Outreach Prevention & Education Program.

"PNGCF is grateful that BSP continues to support the foundation and shown good faith every year since 2019, in backing the Trupla Man Outreach Program and the Pinktober Women's Health Awareness campaign."

Priscillar Napoleon

PNG Cancer Foundation Executive Manager



Our Donations

Supporting worthy causes.

BSP is committed to delivering financial services to all countries and communities that we operate in. It is our belief that when our communities prosper, our ecosystem thrives, and our customers, stakeholders, shareholders and businesses remain successful.

Our donations reach organisations, charities, community groups and other worthy causes that contribute meaningfully to improving lives. It is our hope, that we are able to enrich and empower for the better.



Buk Bilong Pikinini

BSP has invested over K2.4 million since 2012, assisting Buk bilong Pikinini (BbP) with their operations, as well as maintaining and sustaining the three libraries in Lae, Goroka and Lorengau.

Hundreds of children have graduated from the program with acquired skills and positive behaviours.

Our donations reach communities through organisations like:



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Classroom refurbishment, Gabagaba Primary School by Marketing Committee/CEO Selection

The project saw the completion of a classroom for special needs children.

"Students are often reluctant to go to schools because the classrooms are not conducive to learning. When you come and help renovate and rebuild facilities, it gives us the inspiration to come into school and learn."

Wyntauna Bagelo
Gabagaba Village Councillor.



Our Community Projects

Since 2009, BSP has invested over **K14 million** in the communities in which we operate in. Our aim is to improve everyday lives; making communities prosper.

BSP's goal-orientated events and community projects are organised on a regular basis to benefit communities and change lives. Each of our Branches, Strategic Business Units, Subsidiaries and Off Shore Branches give back to their local community through BSP's Community Projects. All our staff volunteer their time, to contribute in community work to deliver a project for their community. Examples include, refurbishing classrooms, installing new water tanks, donating desks, maintaining a basketball court, or even installing new wash basins to promote washing of hands, as our response to combat the spread of COVID-19.

Community Projects delivered in Papua New Guinea in 2022.



26 Education



17 Health & Environment



6 Community



K14.95m
Funded Community Projects since 2009 in PNG



K1.6m
Funded Community Projects in 2022 in PNG



576
Community Projects delivered since 2009 in PNG



68
Community Projects Groupwide in 2022



Donation of Ultrasound scanner, mattresses and construction of waiting area for Yampu Health Centre by Wabag Branch.

Our Community Projects in PNG

37 Community Projects delivered through branches in **Papua New Guinea**.

Branch	Project Description
Aitape	Aitape Primary School - Renovation of School Ablution Block
Alotau	Samarai Island Primary School - Classroom Refurbishment
Arawa	Buin Health Centre - Solar Light Installation for Children's Ward
Bialla	Bubu Elementary School - Classroom Construction
Boroko	Gereka Health Centre - Refurbishment and supply of medical first aid kits
BSP Haus	Lealea Primary School - Solar Light Installation
Buka	Lemanmanu Primary School - Hall Refurbishment
Bulolo	St. Steven Elementary School - Supply of School Desks
Daru	Karakara Primary School - Ablution Block Refurbishment
Gordons	Mt Diamond Secondary School - Basketball/Netball Court Refurbishment
Goroka	Goroka General Hospital - Donation of Cervical Cancer Screening Equipment
Kainantu	Uminufintenu Primary School - Supply of School Desks
Kavieng	Sacred Heart Primary School - Ablution Block Refurbishment
Kimbe	Gloucester Secondary School - Solar Light Installation
Kiunga	Ningerum Sub Health Centre - Solar Light Installation
Kokopo	Takabur Primary School - Classroom Refurbishment
Kundiawa	Kundiawa Callen Services- Donation of Water tanks and Building Refurbishment
Lae Commercial	Mare Village - Aid Post Refurbishment

Branch	Project Description
Lae Market	Lae Police Barracks Elementary School - Supply of school desks
Lae Top Town	Sangan Primary School - Library Building Refurbishment & eLibrary set up
Lihir	Kul Destiny School - Supply of School Desks
Lorengau	Tong Island Health Centre - Solar Light Installation
Madang	Holy Spirit Primary School - Supply of School Desks
Mendi	Nipa Secondary School - Solar Light Installation
Moro	Soro Village - Basketball Court Refurbishment
Mt Hagen	St. John Bosco Primary School - Classroom refurbishment, supply of school desks
POM	Kaparoko Primary School - Supply of School Desks
Popondetta	Bareji High School - Supply of School Desks and Classroom Refurbishment
Porgera	Porgera Secondary School - Basketball Court Refurbishment
Rabaul	Rabaul Medical Clinic - Supply of medical equipment
Tabubil	Tabubil Secondary School - Extension of School Hall
Tari	Wabia Health Centre - Solar Light Installation and Medical Equipment Supply
Vanimo	Lujan Home of Girls - Donation of Water Tanks
Wabag	Yampu Health Centre - Donation of Ultrasound scanner and mattresses
Waigani BC	Ororo Primary School - Supply of School Desks
Waigani Dr	Ruatoka Primary School - Supply of School Desks
Wewak	Welkam na Bel isi Seif Haus - Extension of the Seif Haus



Set up of an e-Library for students at Sangan Primary School by BSP Lae TopTown Branch.

School Head Teacher Yawising Yatap and Board chairperson Jesse Paul expressed their appreciation, stressing that it has been more than 10 years since they last received any sort of assistance.

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Pari Health Centre - Building Refurbishment and Solar Light Installation by BSP Capital & BSP First.

Pari Village Clinic is one that serves a population of 15,000 plus patients annually.

"This clinic in Pari plays a critical role in delivering primary health care service. The challenge faced by our clinics is facility maintenance. We thank BSP for this project."

Dr Steven Yennnie
CEO, NCD Provincial Health Authority



Our Community Projects across the Group.

9 Community Projects delivered by SBUs in Papua New Guinea.

SBU	Project Description
Compliance	Callen Services - Minor Building Refurbishment and Donation of Office Furnishings
Corporate	POMGEN Antenatal Clinic - Minor Building Refurbishment and Donation of Medical Equipment
Credit & Risk Management	Kuriva Primary School - Construction of Basketball Court
Digital	Pinu Aid Post - Minor Building Refurbishment & Solar Water Supply
People & Culture	PNG Flying Labs - Donation of ICT equipment
Lae Corporate & BSP Finance	Omili Primary School - Ablution Block Refurbishment
Marketing Committee/CEO Selection	Gabagaba Primary School - Classroom Refurbishment
Finance & Planning, Operations & Retail	POMGEN Maternity Ward - Refurbishment of the POMGEN Maternity Ward Ablution Block
Treasury	Tubusereia Health Centre - Building Refurbishment

Refurbishment of Port Moresby General Hospital Maternity Ward Ablution blocks by Operations, Retail, Finance & Planning SBUs.

Project 'Helpim Mama Karim Haus' was initiated among BSP's Operations & IT, Retail Banking and Finance & Planning Strategic Business Units to support Port Moresby General Hospital Labour Ward which sees over 20 thousand deliveries per year.

"Most of these patients come from very remote areas and very under privileged circumstances who access our services. Thank you BSP."

Dr Hilda Tanimia
Acting Director - Obstetrics and Gynaecology Ward





Refurbishment of the Nawaicoba Health Centre by Nadi Branch in Fiji.

The 5,000 residents of the community in Nawaicoba, Nadi now have access to a better health facility. Our team assisted with providing a larger patient waiting area shielded from the elements.

The Nawaicoba Health Centre Project was handed over by BSP Group Chairman, Sir Kostas Constantinou and CEO Robin Fleming during the BSP Group Board visit in July 2022.

19 Community Projects through our branches in the Pacific.

3 Community Projects delivered through BSP Subsidiaries

Subsidiaries	Project Description
BSP Capital & BSP First	Pari Health Centre - Building Refurbishment and Solar Light Installation
BSP Finance	Bomana Correctional Facility - Welfare Building Refurbishment
BSP Life	Koiari Park Adventist Secondary School - eLibrary setup



BSP Finance Lao

BSP Finance Lao assisted the Disabled Womens Development Centre.



BSP Finance Cambodia

BSP Finance Cambodia supported the Run For Disable People & Poor Children in Hospitals.

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Cook Islands

The Giving Tree is an amazing initiative that encompasses the gift of giving for all our Cook Island children in need.

BSP, along with support of sponsors and the general public, gather for the 14th year running to deliver gifts to over 600 children across 12 islands in the Pa Enua.

Our Contribution in the Pacific.

In the Pacific, BSP has also given back to the countries and communities in which we operate through sponsorships, donations and community projects with over K1 million invested across the Pacific in 2022.

Tonga

In Tonga, BSP assisted with over TOP100,000 to support the tsunami recovery and grassroots activities. This included a TOP50,000 donation to the Government of Tonga, to assist with the relocation of displaced communities.

As part of BSP's Go Green initiative BSP replaced over 70 damaged rubbish bins across the Nuku'alofa. TOP20,000 was invested through BSP's Community Project initiative for Tertiary Institute's Public Library while TOP10,000 partnership with Tala, Tonga's national netball team.



BSP's former General Manager Offshore Branches, Kili Tambua presented the cheque of K10,000 to Chairperson of PNG Tonga Relief Fundraising Committee Mrs. Solaite Aeava.

Fiji

BSP has a strong commitment to its local communities through its Corporate Social Responsibility initiatives in the areas of health, education, environment, sports and other worthy courses.

Pictured is BSP Life Fiji making their donation to WOWS Kids Fiji, a local charitable organisation that assists children and families, living with cancer.



Sponsorship & Donations in the Pacific

BSP Contributions to the Pacific in 2022



Sponsorships
K665k



Donations
K155k



Community Projects
K226k



Samoa

BSP Samoa delivered over 50 mini projects to various communities. Our key community project in 2022 focused on education, promoting literacy through the provision of classroom furniture, office administration equipment, with literacy and numeracy materials for Samatau Primary School.



Vanuatu

BSP Vanuatu delivered various community service projects, such as "Go Green" projects within schools and local businesses. The major community projects included a VUV1.0 million donation to Pro-medical for medical supplies, and a commitment to donate a generator to Santo hospital which will be delivered and installed in early 2023.

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Financial Literacy & Banking Education



168,402

participants since 2014



9,593

participants in 2022



1,100+

students reached in 2022
under the Brisbane Broncos
Community Partnership

Delivering Financial Literacy in PNG

With growth comes added responsibilities of ensuring that our customers, especially in rural areas, are empowered in financial literacy and banking education.

Financial Literacy and Banking Education is an important part of BSP's contribution to the communities that we operate in. This training is conducted by trained Financial Literacy Trainers and delivered through BSP branches across Papua New Guinea.

We reach schools, churches, organised community groups, businesses and corporate organisations.



BSP Financial Literacy delivered in Samoa.



Account opening for schools in PNG.



Our Commitment to the environment

Sustainability & Environment

As the green bank in the region, we understand that Environmental concerns are shared by our customers and the communities we serve. They expect and appreciate steps we take to be part of the solution.

Our Sustainability Strategy is firmly entrenched within the organisation and community investment activities will help make this commitment tangible to our customers, staff and other key stakeholders.

BSP is a member of the clean up the world campaign and observes the annual Earth Day and Earth Hour.



BSP Annual School Clean-up Event.



BSP Trash to Treasure Sculpture Festival.

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80+ Branches



50+ Sub-Banches



500+ ATMs



11,000+ EFTPoS



4,000+ Staff



350+ Agents

Cambodia



Lao



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OUR BANK. OUR REACH.

With the largest branch and electronic network in the Pacific, BSP is a modern and energetic bank providing world class banking services to its customers.

Papua New Guinea



Fiji



Solomon Islands



Vanuatu



Tonga



Samoa



Cook Islands



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OUR BANK. OUR PEOPLE.



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