

# Third Quarter Trading Update 2024

3Q24 financial performance is compared with the quarterly average of 1H24 results, unless stated otherwise.

## Ongoing investment, delivering sustainable growth and strong returns

3Q24 has yielded strong results for the Group, while making substantial investments to modernise our operations to enable our growth strategy. We have delivered 3% revenue growth for the quarter, when compared with the quarterly average of the 2024 half year results. Our operating expenses increased by 11% in 3Q24, which is consistent with our strategy that involves a period of substantial, but prudent investment, to modernise our operations and better serve our customers. This investment will underpin our long-term growth and deliver sustainable returns.

Our 3Q24 Operating profit (earnings before impairments and one-off impacts) fell by 2%, against the 1H24 quarterly average. When compared to the same period last year, our 3Q24 Operating profit increased by 5%.

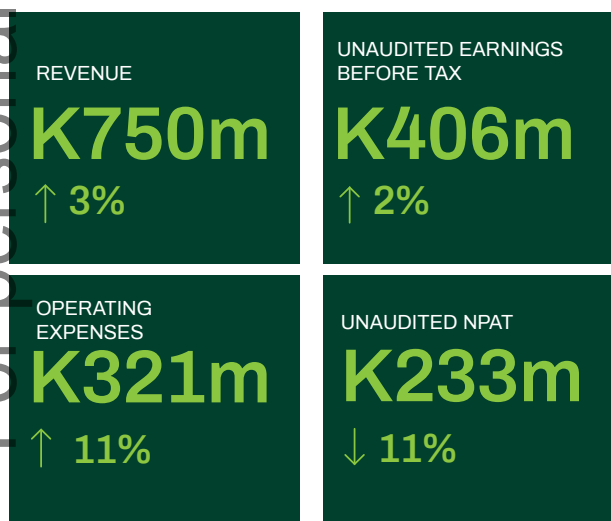
Our unaudited Underlying NPAT for 3Q24 was K233m, which is in line with the 1H24 quarterly average of K231m. Noting that our Group's 1H24 results were up a solid 8% on the 1H23. The 3Q24 Underlying NPAT also benefitted from a lower impairment charge, compared with the 1H24 quarterly average. Unaudited NPAT was down 11% in 3Q24, reflecting the positive one-off impacts in the first half.

Our strong capital position enables BSP to continue to invest in our modernisation program while at the same time growing our loan book. Our capital adequacy ratio at the end of 3Q24 was 24.2%, comfortably above regulatory requirements.

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

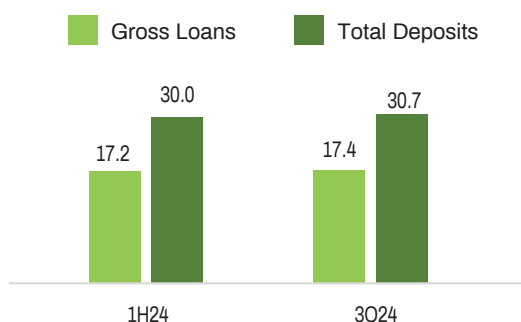
**Mark T. Robinson, Chief Executive Officer**

### Key Highlights



### Volume (Kb)

(1H24 = 30-Jun and 3Q24 = 30-Sep)



### Operating Performance

Unaudited Earnings before tax for 3Q24 was K406m, up 2% on the first half averages. The key drivers include:

- A 3% increase in revenue, supported by greater activity in FX markets in the region, and a lift in fee income for the Group, which was partially offset by a 1% decline in the net interest income.
- An 11% increase in operating expenses, in line with our modernisation strategy. Key components of this increase were an increase in staff costs, as specialist roles were filled to deliver on our strategy, as well as increases in administration and premises costs.
- Given the above revenue and expenditure results, the Group's cost-to-income increased from 39.7% in the 1H24 to 42.8%.
- Impairment expenses were K20m lower in 3Q24 than the 1H24 quarterly average, owing to lower write-off's and improved recoveries.

The Group's 11% fall in unaudited NPAT in 3Q24, compared with the quarterly 1H24 average, was driven by the "one-off" positive impact in 2Q24 of the K95m additional company tax settlement that was partially offset by a K36m joint venture impairment.

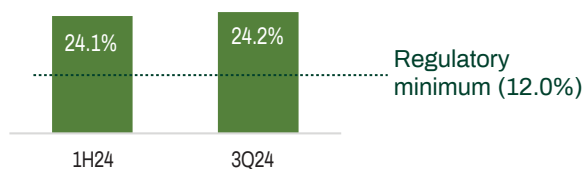
## Summary Financials

PGK (millions)	1Q24	2Q24	1H24 Qtr Avg	3Q24	Movement 3Q24 vs 1H24 avg
Revenue	714	745	729	750	▲ 3%
Net Interest Income	493	489	491	488	▼ 1%
FX Income	116	143	130	148	▲ 14%
Fee Income	87	98	92	100	▲ 9%
Insurance/Other Income	18	15	17	14	▼ 16%
Operating expenses <sup>1</sup>	(281)	(299)	(290)	(321)	▲ 11%
Operating profit	433	447	440	429	▼ 2%
Impairment expense	(65)	(19)	(42)	(23)	▼ 45%
Earnings before tax	368	428	398	406	▲ 2%
Tax	(155)	(180)	(167)	(174)	▲ 4%
Underlying NPAT	214	248	231	233	▲ 1%
One-off impacts	-	59	30	-	-
NPAT	214	307	260	233	▼ 11%

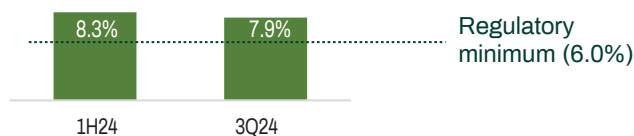
## Capital, Funding & Liquidity

(1H24 = 30-Jun and 3Q24 = 30-Sep)

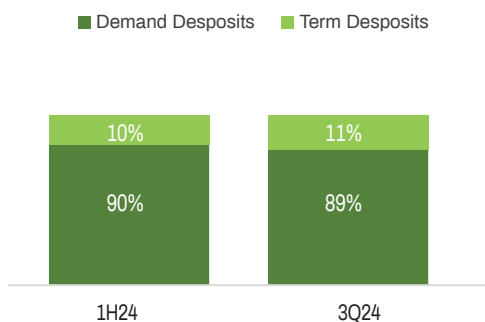
Capital Adequacy Ratio<sup>2</sup>



Leverage Capital Ratio<sup>3</sup>



Deposit Mix



- Deposits increased by 2.2%. The contribution of demand deposits to the deposit mix decreased to 89%, with term deposits accounting for the 11% balance.
- Capital Adequacy Ratio (CAR) in 3Q24 was 24.2%, 6bps above 1H24 CAR, mainly after taking into account the earnings for the quarter.
- Our Leverage Capital Ratio (LCR) in 3Q24 was 7.9%, 46bps lower than 1H24, mainly due to the K212m interim dividend payment for our 2024 first half results.
- Both the CAR and LCR remain well above minimum regulatory requirements.

## Footnotes

<sup>1</sup> Operating expenses excludes the one-off impact of the JV impairment in 2Q24 and the half-year averages.

<sup>2</sup> Capital Adequacy Ratio, based on Bank of Papua New Guinea prudential standards.

<sup>3</sup> Leverage Capital Ratio, based on Bank of Papua New Guinea prudential standards.

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