Annual Report 2024

Championing Prosperity *for the South Pacific*

OUR PURPOSE

Championing Prosperity for the *South Pacific*

In this Annual Report, a reference to 'BSP', 'BSP Group', 'the Bank', 'the Company', 'the Group', 'our', 'us', and 'we' is to BSP Financial Group Limited ARBN: 649704656 and its subsidiaries unless it clearly means just BSP Financial Group Limited. BSP's Corporate Governance Statement is available on the company's website: www.bsp.com.pg/about/investors/corporate-governance/#GovernanceDocuments.

APRA Disclaimer

BSP Financial Group Limited (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*.

DID YOU KNOW

As part of our refreshed brand identity, BSP collaborated with artists and designers from each of our seven markets to create a unique suite of bespoke tiles inspired by our five core themes: Care, Aspire, Growth, Prosperity, and Journey.

This year's annual report features patterns based around the theme of Prosperity.

This report reflects a year of change as we continue to enhance the way we serve our customers, support our communities and deliver value to our shareholders.

Inside, you will find a comprehensive review of our financial performance, strategic progress and the principles that guide us.

This annual report is also the first to showcase our new Bank South Pacific identity, which represents our ambition to be the South Pacific's international bank.

Our refreshed identity has been designed with contributions from customers and staff across the bank. Its goal is to bring our Modernising for Growth strategy alive. The refreshed logo represents unique elements from the South Pacific that tell our story:

> *The drumbeat of the Kundu reverberates across the Pacific, reminding us of our heritage and calling us together. The hook symbolises strength, stability, and prosperity, anchoring us to the region – the South Pacific is our home. Waves represent the oceans that connect us to one another and to the world. A bird in flight guides us on our journey towards a shared, prosperous future supported by modern banking services.*

As we navigate an evolving economic landscape, our commitment to strength and stability remains unwavering. We invite you to explore this report and gain deeper insight into our achievements and ambitions.

Mr Robert G. Bradshaw
Chairman

Mr Mark T. Robinson
Group Chief Executive Officer and Managing Director

Contents

2 Overview

2 FY24 Highlights
4 Message from the Chairman and CEO
6 Our Strategy
7 Our Brand Story
8 Our Business

10 Financial performance

16 Sustainability Report

18 Materiality *Approach*
20 Environmental
21 Social
23 Governance

24 Risk Management Framework

30 Board of Directors

32 Executive Team

34 Corporate Governance Statement

35 Governance Framework
36 Board Governance
38 Board Committees
41 Remuneration
43 Risk Management and Compliance
44 Assurance and Control
46 Culture and Conduct
48 Continuous Disclosure
48 Commitment to Shareholders
49 Compliance with ASX and PNGX Corporate Governance Recommendations

50 Remuneration Report

58 Financial Statements

134 Shareholder information

140 Listing and Registry Information

FY24 HIGHLIGHTS

Strong continued *momentum*

In 2024, BSP continued to deliver value for all our stakeholders. Dividends paid to our shareholders increased by 16%. Our customers benefited from reduced wait times and more personalised services. We increased training and development for our people and continued investing in financial inclusion and support for the communities where we live and work.

SHAREHOLDERS

K2.98B
Total income

23.3%
Return on equity (ROE)
↑ 180bps on FY23

2.8%
Return on assets (ROA)
↑ 30bps on FY23

75%
Dividend payout ratio

CUSTOMERS

2.8M
Customer accounts[1]
↑ 17% on FY23

K2.62B
Home loans

K398.5M
Business loans (SMEs)

OUR PEOPLE

4,613
Staff

48%
Women in leadership
204 male : 189 female

64%
Women in branch manager positions

75%
Employee engagement score

COMMUNITIES

K787.3M
Income tax paid

K5.0M
Donations and community projects

K12.3M
Sponsorships

1. Excludes dormant transactional accounts.

CASE STUDY

Improving our in-branch service

Since November 2024, customers at our PNG Waterfront Branch have been benefiting from a modern, digitally enabled yet staff-assisted banking experience. This Branch is the first physical representation of a new era in banking. The branch offers alternate ways to bank – an opportunity for customers to conveniently complete transactions themselves or receive assistance from staff. Process improvements across the year have enabled faster account onboarding and instant Visa Debit Card and PIN issuance – giving valuable time back to our customers.

Customers enjoy the benefit of using free branch WIFI to browse our BSP website, download the APP or log onto Online Banking. We know digital channels make banking much easier, faster and more convenient for our customers. But we also know that some customers aren't comfortable accessing these services themselves for the first time. Our staff are on hand 7 days a week to demonstrate and educate customers as they navigate online. Waterfront branch also gives customers access to Personal Lending specialists on site, as well as Business Banking and Insurance specialists. Whether it's a product enquiry or an application – our team are ready to assist.

"Our customers want more convenient ways to bank. With help from our friendly team at the Waterfront Branch, they're delighted by how easy it is to use Online or Mobile Banking."

Our Chairman Robert Bradshaw at the reopening of the Waterfront Branch in November 2024.

MESSAGE FROM THE CHAIRMAN AND CEO

Strong Financial *and Operational Results*

Our *Modernising for Growth* strategy, which is backed by an investment of K345 million, gained considerable momentum in 2024. We aim to deliver a significantly improved customer experience wrapped up in a strong legacy of traditional and warm South Pacific delivery.

During the year we piloted digital offerings, accelerated digital channel adoption, and developed retail distribution and business banking strategies. We also focused on building capability, upskilling our people for change and launching our new purpose, vision and values.

With numerous change initiatives underway, the Group did well to deliver strong financial and operational results. We grew revenue at 8%, driven by foreign exchange earnings and increased transaction volumes. As planned, given the significant investment in technology modernisation and filling specialist roles, our operating expenses grew 22%. Underlying profit increased 10%, to K979 million.

The Group's cost-to-income ratio (CIR) increased, reflecting the cost of our modernisation strategy. Our 2024 CIR of 41.3% still remains competitive on a global basis.

Our statutory net profit after tax (NPAT) increased by 17%, including the one-off positive impact of successfully negotiating a K95 million settlement of the additional company income tax matter and a provision related to the planned exit of our ownership interests in finance companies in Cambodia and Laos. NPAT was also positively impacted by a K120 million reduction in general provisions related to a revision of the COVID related economic assumptions.

Executing our Modernising for Growth strategy

As a systemically important institution in the South Pacific, BSP approaches change carefully, respectfully and thoughtfully. We are determined to shape a culture that embraces change without losing the traditional heart of our business. Our new values, developed with input from the BSP team reflect this. They are: "We Care. We Aspire. We Grow."

To support our Modernising for Growth strategy, we created two new roles within the Executive Leadership Team: a Deputy Group CEO and a Group General Manager Corporate Affairs and Community. Both were filled from inside the Group, demonstrating our depth of talent.

During the year, executives and management worked together to build the modern capabilities we need to deliver exceptional banking services to our customers:

- **Customer-first strategy** – With customers as our first priority, the year saw service improvements from streamlining processes, reducing wait times and providing more personalised services. For example, we reduced the onboarding process for Personal accounts and began rolling out our BSP banking app and made more services available online, including foreign exchange for business customers.
- **Digital capability** – We filled new specialist roles and invested in software to support the development of modern banking competencies like retail lending analytics. Digital channel adoption continues to increase, with digital transactions growing by 20% in 2024.
- **Well-prepared workforce** – In April, we launched the BSP Academy, helping our next generation of leaders get ready for the modern work environment. By year end, 140 staff had graduated the program. Upskilling also continued as staff took on new roles, including training to work in our new digitally enabled branch at Waterfront in Port Moresby. Waterfront is a great example of our new branch format and experiences, which were designed and launched this year, showcasing the future of the bank.
- **State-of-the-art infrastructure** – We have commenced procuring ATMs that will both dispense cash and take deposits. This will give our customers access to 24/7 banking. We also trialled automated cash counting technology that will deliver considerable time savings to both our customers and staff. We have ordered new EFTPOS devices, which will be rolled out in 2025.

Our Modernising for Growth strategy will create a better workplace for our staff, with more skilled and meaningful work, broader careers and new opportunities for mobility across the Group.

Retaining a strong capital position

In 2024, BSP continued to maintain a strong capital position. Total assets increased by 0.5% to K37.1 billion, supported by 0.6% growth in gross loans. Throughout the year, capital adequacy levels remained well above regulatory requirements, ensuring alignment with BSP's conservative risk appetite. Maintaining a strong capital position will continue to be a cornerstone of our strategy.

A hallmark of BSP's financial performance has been our ability to deliver consistent dividends to shareholders. Over the past decade, the Group has paid dividends every year, a testament to our focus on delivering sustainable value. At year end, BSP declared a final dividend of K1.21 for 2024, bringing the full year dividend to K1.66, a 16% increase over the previous year.

Championing prosperity and wellbeing in the South Pacific

In 2024 we continued to deliver essential services to rural communities in our markets across the Pacific.

Since 2011, we have used Agency Banking to extend the reach of banking services to underserved or rural areas. In 2024 alone, our agency network facilitated 1.6 million transactions – an achievement recognised in November when BSP won the inaugural Bank of PNG "Financial Inclusion and Deepening Award".

During the year, BSP invested more than K17 million in community projects, sponsorship and donations in the communities where we operate. This included delivering innovative financial literacy programs with some of our strategic partners. For example, the Brisbane Broncos supported our financial literacy programs with school children, while Australian Business Volunteers worked with us to provide valuable training to small and medium enterprises (SMEs).

In October 2024, BSP was the Anchor Partner for the Commonwealth Business Forum at the Commonwealth Heads of Government Meeting (CHOGM) in Samoa. Our investment in the Forum highlights BSP's commitment to promoting business opportunities, sustainability, economic resilience and prosperity for the South Pacific.

2024 was also our fourth year of observing the #BlackThursdays campaign, with our staff wearing black every Thursday in solidarity with the survivors of family, sexual and gender-based violence. BSP continues to support awareness raising programs and provides a safe environment for survivors, including sponsoring a survivor support group.

Refreshing the Board

After eight years of dedicated service to the Board, Mr Arthur Sam retired as a Director on 21 February 2024. During his tenure, Mr Sam served as Chairman of the Board Risk Committee and the Board Audit and Compliance Committee. We thank him for his enormous contribution to BSP's strategic direction and performance.

Following Mr Sam's retirement, on 14 May 2024, the Board appointed Stephen Charles Beach as a new non-executive director of BSP. Mr Beach is a highly experienced accounting professional, with 35 years' experience in corporate advisory, assurance and taxation in PNG, including more than two decades as a PwC Partner.

Outlook

The Board, management and staff of BSP are committed to implementing the Group's strategy for growth while championing prosperity for the South Pacific.

In the coming year, we will build on the work of the last 12 months and continue to roll out a suite of modern banking products and services. These new services and channels will improve the banking experience for our customers, including reducing branch queues. We will continue with our mission to improve financial inclusion, increase financial literacy and drive positive change for the people and businesses of the South Pacific.

On behalf of the Board and management, we thank our stakeholders for their ongoing support. We also congratulate our 4,613 staff for their hard work, dedication and commitment to serving our customers. We look forward to seeing BSP's new Purpose and Vision brought to life in the coming year as technology investments and process changes deliver an increasingly modern banking experience across the region.

Mr Robert G. Bradshaw
Chairman

Mr Mark T. Robinson
Group Chief Executive Officer and Managing Director

Mr Robert Bradshaw (left) and Mr Mark Robinson (right)

OUR STRATEGY

Driven by Purpose, *Focused on Growth*

Our strategy reflects our purpose of *Championing Prosperity for the South Pacific.* Each strategic pillar is a critical element in uplifting people, communities and businesses across the region.

STRATEGIC PILLARS

Revitalise	Revitalise the BSP brand and reputation by becoming a modern, customer-centric, South Pacific regional champion that excels in banking services through visible impact to all stakeholders.
Better Serve Underbanked	Establish a low cost-to-serve delivery model to provide financial inclusion, financial services, and commercial enablement.
Drive Prosperity	Serve the growing prosperity of the South Pacific with convenient, digital, banking services.
Business Bank	Create a dedicated business banking team, product, and service proposition enabling businesses to thrive.
Corporate and Government	Embed relationship-focused, technology-led, holistic and modern solutions for corporate and government clients to support growth and efficiency within their ecosystems.
Optimise Physical Cash Management	Modernise the region's cash economies via a systemic solution for collection, management, distribution and eventual minimisation of cash.

The Strategic shifts are supported by four key enablers:

People

Attract, retain and invest in the best people through a compelling Employee Value Proposition to sustain high performance and delivery of the strategy.

Data & Digital

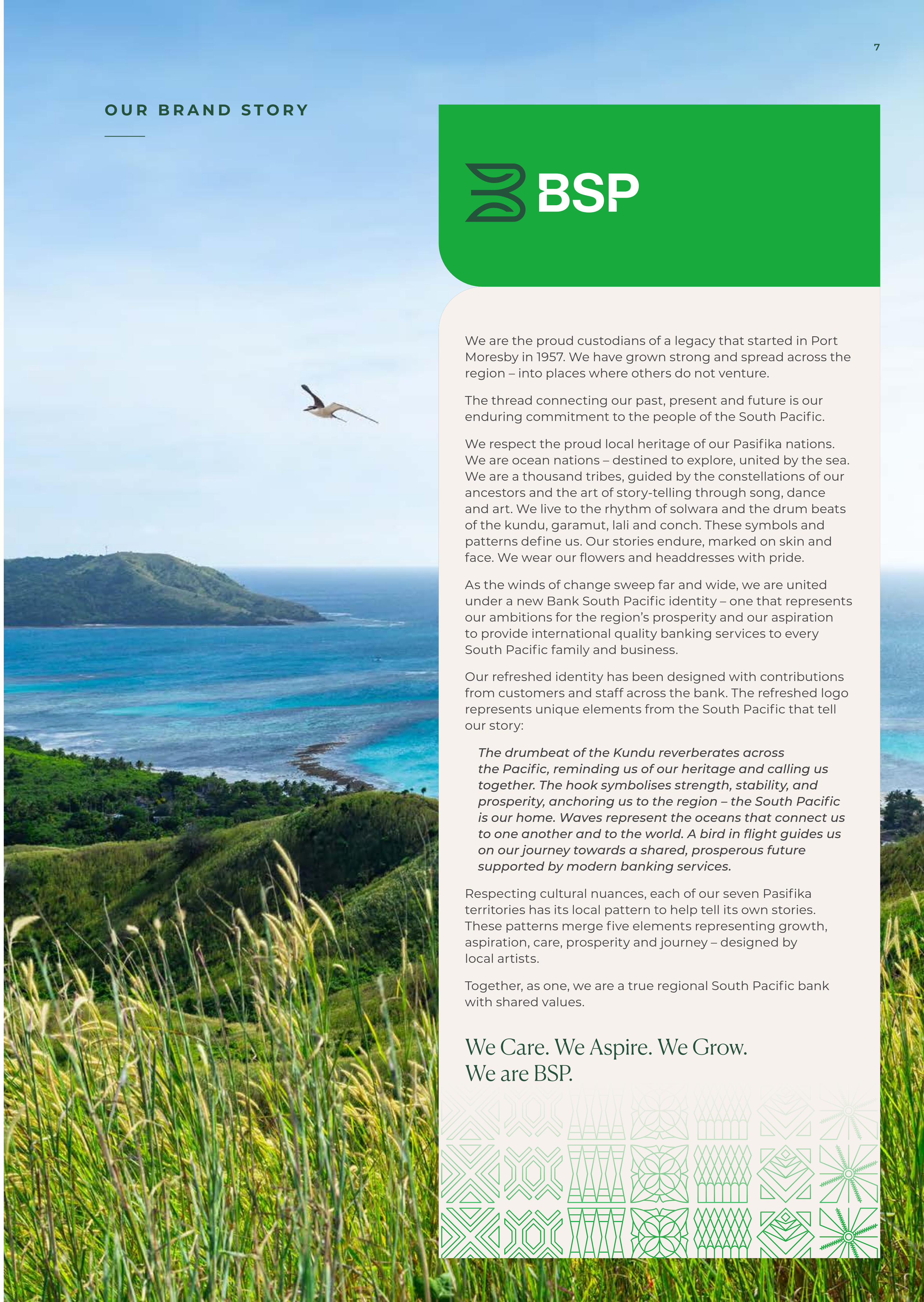
Leverage data and digital tools to improve our products and services, streamline and automate processes and improve the customer and employee experience.

Technology & Operations

Implement modern technology, architecture, tools and platforms to enable automated processes, streamlined experience, and development of innovative products and services.

Partnership & Operating model

Align business operating model and facilitate strategic partnerships to meet segment-specific needs.



OUR BRAND STORY

BSP

We are the proud custodians of a legacy that started in Port Moresby in 1957. We have grown strong and spread across the region – into places where others do not venture.

The thread connecting our past, present and future is our enduring commitment to the people of the South Pacific.

We respect the proud local heritage of our Pasifika nations. We are ocean nations – destined to explore, united by the sea. We are a thousand tribes, guided by the constellations of our ancestors and the art of story-telling through song, dance and art. We live to the rhythm of solwara and the drum beats of the kundu, garamut, lali and conch. These symbols and patterns define us. Our stories endure, marked on skin and face. We wear our flowers and headdresses with pride.

As the winds of change sweep far and wide, we are united under a new Bank South Pacific identity – one that represents our ambitions for the region's prosperity and our aspiration to provide international quality banking services to every South Pacific family and business.

Our refreshed identity has been designed with contributions from customers and staff across the bank. The refreshed logo represents unique elements from the South Pacific that tell our story:

> *The drumbeat of the Kundu reverberates across the Pacific, reminding us of our heritage and calling us together. The hook symbolises strength, stability, and prosperity, anchoring us to the region – the South Pacific is our home. Waves represent the oceans that connect us to one another and to the world. A bird in flight guides us on our journey towards a shared, prosperous future supported by modern banking services.*

Respecting cultural nuances, each of our seven Pasifika territories has its local pattern to help tell its own stories. These patterns merge five elements representing growth, aspiration, care, prosperity and journey – designed by local artists.

Together, as one, we are a true regional South Pacific bank with shared values.

We Care. We Aspire. We Grow.
We are BSP.

OUR BUSINESS

Banking for *Shared Prosperity*

BSP is proudly aiming to be the South Pacific's International Bank, championing prosperity for the region's communities.

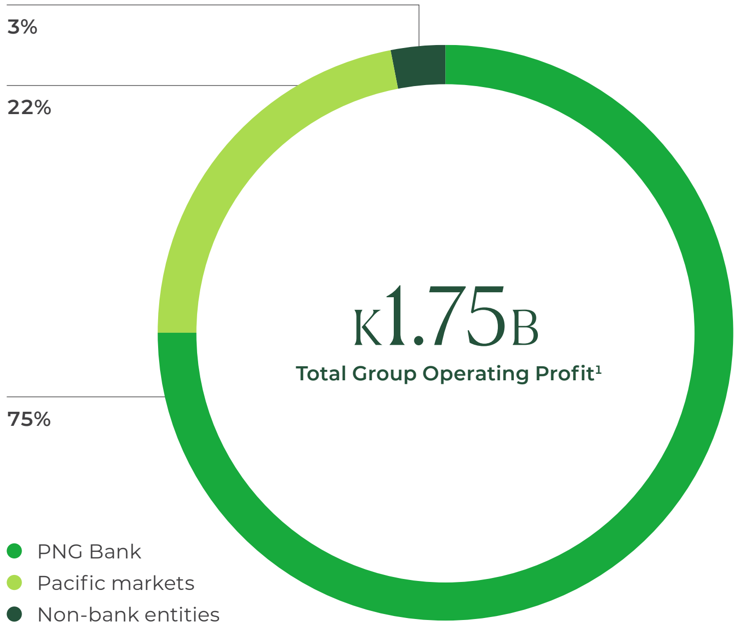
We offer a range of banking services in PNG, Solomon Islands, Vanuatu, Fiji, Samoa, Tonga and Cook Islands.

Our bank was established in 1957 in Port Moresby, as a branch of National Australia Bank that was renamed BSP on its sale. In 2001, BSP bought the state-owned Papua New Guinea Banking Corporation to create the largest Bank in PNG, listing on the PNGX in 2003. After other acquisitions, including CBA's Colonial Bank in Fiji and various Westpac businesses across the South Pacific, we listed on the ASX in 2021 under the ticker "BFL".

As we spread our wings across the South Pacific, we have become more diverse, stronger and more vibrant.

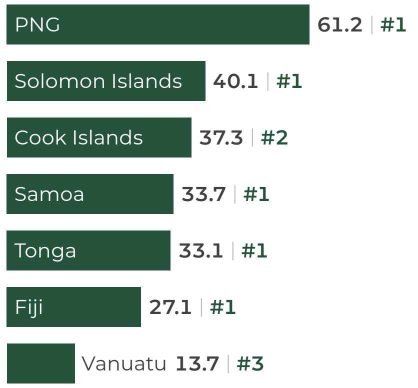
Today, we care for the financial wellbeing of communities right across the region. In the last few years, we've also made some major investments and changes so we can bring our customers modern banking services. We have the most extensive distribution network, including branches, ATMs, EFTPOS, mobile and internet banking – and agent banking in remote and rural areas.

We are the largest bank in the South Pacific. Collectively, our 4,613 employees serve more than 3 million customers from across the South Pacific. Our strength, size and robust balance sheet allow us to manage economic and operating challenges. Our position also allows us to be a strong advocate and partner for important economic developments in the South Pacific, and to invest in financial inclusion, to the benefit of our communities, as well as our shareholders.

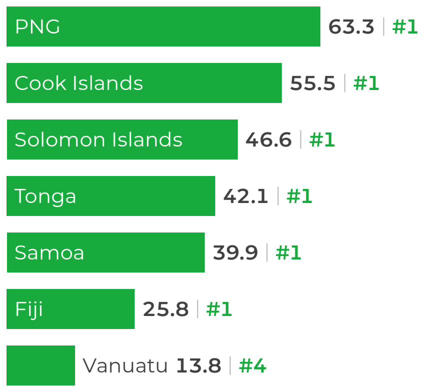


1. Excludes one-off joint venture impairment expense (K36 million) and Additional Company Tax settlement income (K95 million).

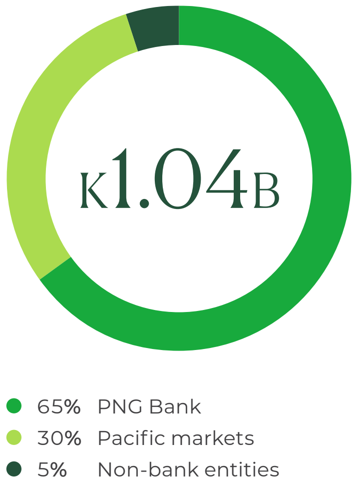
Lending market share[1] (%)



Deposit market share[1] (%)



Group net profit after tax (NPAT)



1. Source: Latest market share data provided by central banks for all countries except Cook Islands, which is a business estimate.

OUR PURPOSE

Championing Prosperity *for the South Pacific*

OUR VISION

The South Pacific's *International Bank*

OUR VALUES

We Care

We **respect**, **value** and **empower** each other, our customers, stakeholders, and communities we serve, embracing **diversity** and fostering **resilience** in everything we do

We Aspire

We strive for **excellence** and **continuous improvement** in everything we do, being committed to honesty, **accountability** and **integrity**

We Grow

We work as a **team** with and for the **wellbeing** and **prosperity** of each other, our customers, stakeholders, and communities we serve, **progressing** and **thriving together**

FINANCIAL PERFORMANCE

Overview

BSP has maintained strong growth fundamentals across all key business lines, delivering increases in revenue and profitability. Our balance sheet is robust, with capital adequacy and leverage ratios at more than double the regulatory minimums. We continue to deliver an attractive return on equity for our investors.

NET PROFIT AFTER TAX

BSP's improved NPAT performance reflects strong growth in volumes and revenues across the Group, supported by favourable credit impairment reversals and the positive impact of the Additional Company Tax settlement.

K1.04B
Statutory NPAT
↑ 17% on FY23

K979M
Underlying NPAT[1]
↑ 10% on FY23

LOAN IMPAIRMENT AND PROVISIONS

Our loan book quality has improved. Loan impairments have reduced on the back of a strong drop in delinquency rates, supporting a decrease in loan provisions of 100bps.

K18.2M
Impairment expenses
↑ (K200m) on FY23

3.3%
Provision to loans
↓ 100bps on FY23

NET INTEREST MARGIN (NIM)

Net interest margin increased slightly on the back of improved lending rates and funding costs.

572bps
Net interest margin
↑ 7bps on FY23

VOLUME GROWTH

We sustained our steady growth trajectory in lending, retail mortgages and unsecured personal loans.

K9.9B
Corporate lending
↑ 1% on FY23

K2.9B
Retail mortgages
↑ 11% on FY23

K2.2B
Unsecured personal loans
↑ 2% on FY23

DIVIDEND

Our annual 2024 dividend of K1.66 brings total dividends paid out to shareholders to K776 million, a 16% increase on 2023.

K1.66
FY24 full year dividend per share
↑ 16% on FY23

CAPITAL ADEQUACY

Our strong capital adequacy improved by 180bps.

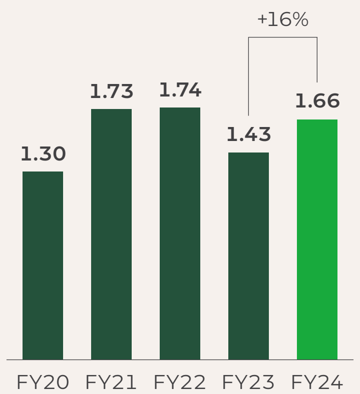
26.2%
Capital adequacy
↑ 180bps on FY23

1. Excludes one-off joint venture impairment expense (K36 million) and Additional Company Tax settlement income (K95 million).

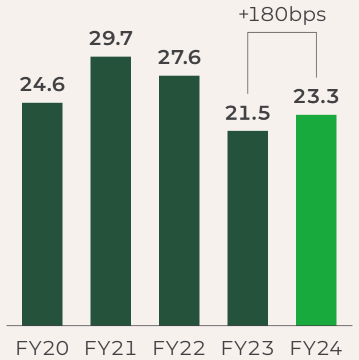
Delivering for shareholders

We maintained our long history of paying dividends and delivering strong returns.

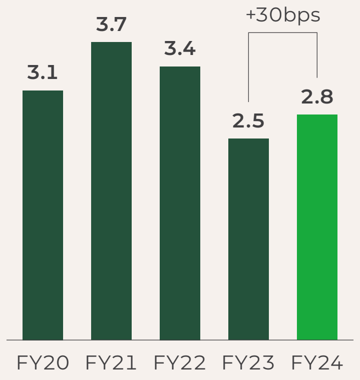
Dividend per share (DPS) (K)



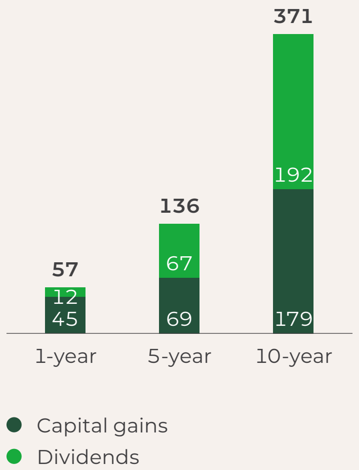
Return on equity (ROE) (%)



Return on assets (ROA) (%)



Total shareholder return (TSR) (%)



467.2M
Total number of shares

6,504
Total shareholders[1]

97.8%
South Pacific ownership[1]

K1.66
FY24 full year dividend per share
↑ 16% on FY23

23.3%
Return on equity (ROE)
↑ 180bps on FY23

1. As at 31 December 2024.

FINANCIAL PERFORMANCE CONTINUED

Group financial performance

Our strong performance in 2024 continues to lay a solid foundation for BSP's growth and success. Our conservative capital management strategy will position us to manage the changing environment and realise growth opportunities.

Profit and loss trends

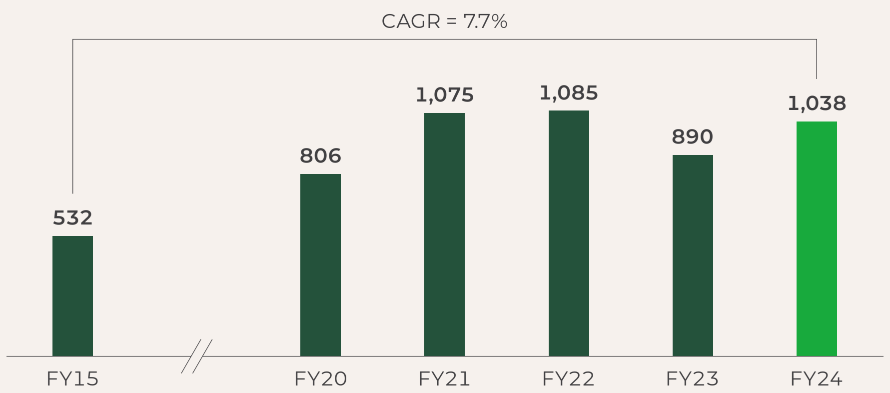
K1.04B
Statutory NPAT
↑ 17% on FY23

K979M
Underlying NPAT[1]
↑ 10% on FY23

BSP has delivered strong and sustained performance over the long term, achieving a 10-year compound annual growth rate (CAGR) of 7.7% in NPAT. Our robust fundamentals and disciplined execution have driven consistent growth, reinforcing our position as a leading financial institution. With a track record of stability and success, we remain committed to delivering long-term value for our shareholders.

Results summary (K'm)	FY23[2]	FY24	Change
Revenue	2,749	2,979	8%
Operating expense	(1,013)	(1,231)	22%
Operating profit	**1,736**	**1,748**	**1%**
Bad and doubtful debt expenses	(182)	18	200
Profit before tax	**1,553**	**1,766**	**14%**
Income tax	(663)	(787)	19%
Underlying NPAT	**890**	**979**	**10%**
JV[3] impairment	–	(36)	–
ACT[4] settlement	–	95	–
Statutory NPAT	**890**	**1,038**	**17%**

10-year NPAT
(K'm)



1. Excludes one-off joint venture impairment expense (K36 million) and Additional Company Tax settlement income (K95 million).

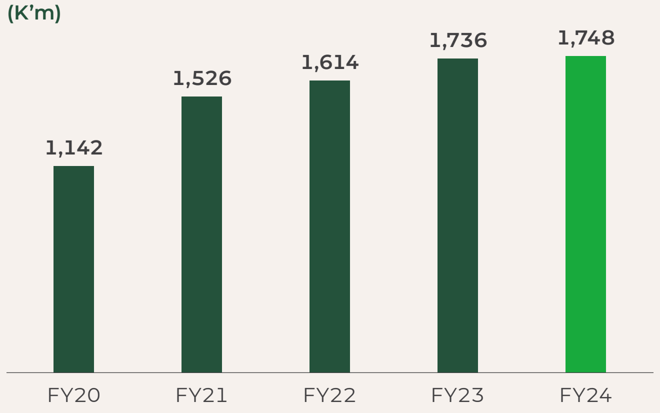
2. Comparative period amounts have been restated to conform to presentation in the current year.
3. South East Asia joint venture (JV) asset finance business.
4. Additional Company Tax settlement.

Operating profit

K1.75B
Operating profit
↑ 1% on FY23

572bps
Net interest margin (NIM)
↑ 7bps on FY23

Operating profit
(K'm)



Total income

Total income growth for the Group was 8.4% driven primarily by K120 million increase in net interest income, and K103 million increase in FX income. Our fee income increased by K33 million for the year, while insurance and other income fell by K25 million, mainly reflecting a more subdued result from our Fijian insurance operations.

Operating expenses

K1.23B
Operating expenses[1]
↑ 22% on FY23

41.3%
Cost-to-income ratio[2]
↑ 440bps on FY23

Operating expenses (K'm)	
FY23	**1,013**
Legal Provisions	56
Core Banking Provisions	(29)
FY23 Adjusted	**1,040**
Staff costs	67
Computing	18
Premises and equipment	8
Administration and other costs	97
FY24[1]	**1,231**
Modernisation Strategy	(94)
FY24 Adjusted	**1,137**
CTI FY23	36.90%
CTI FY24	41.30%
CTI FY23 Adjusted	37.80%
CTI FY24 Adjusted	38.20%

1. Excludes JV impairment of K36 million.
2. 42.5%, inclusive of JV impairment.

CASE STUDY

Expanding financial inclusion

In February 2025, we launched Wantok Wallet in PNG. This everyday, easy-to-use product allows people without a bank account to send and receive money anywhere in PNG using their mobile phone number.

People can use analogue or smartphones – no internet connection needed. Features include cardless cash withdrawals at 300 BSP ATMs and Cash Agents, one-time password security and bill payments. Existing BSP Mobile Banking customers can also transfer funds between their account and a Wantok Wallet.

"In PNG, only 25% of people have access to banking services, leaving 8.7 million unbanked. By bringing Wantok Wallet to PNG's 4 million mobile phone users, we see a unique opportunity to help bridge the financial divide."

Agency Banking Manager, Prakash Mowana (right), registering a customer for Wantok Wallet.

FINANCIAL PERFORMANCE CONTINUED

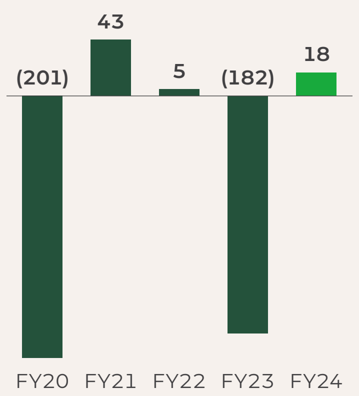
Credit quality and provisions

Credit quality improved in FY24, with delinquency rates down 80bps to 2.8% and provisions to loans falling 100bps to 3.3%.

Impairment expenses (K'm)

K18.2M

↑ (K200m) on FY23

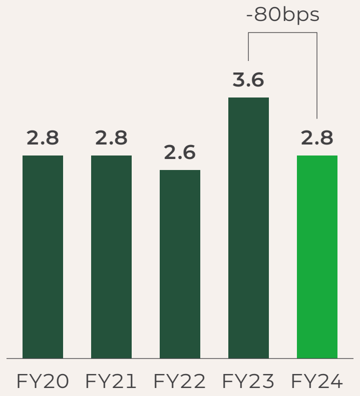


The overall strength of our loan book sharply improved, resulting in a K200 million release of the Group's provision for bad and doubtful debts. The largest factor behind this reversal was the improved economic outlook, particularly in PNG and Fiji, as well as corporate loan recoveries in PNG and lower retail loan write-offs.

Delinquency rates[1] (%)

2.8%

↓ 80bps on FY23



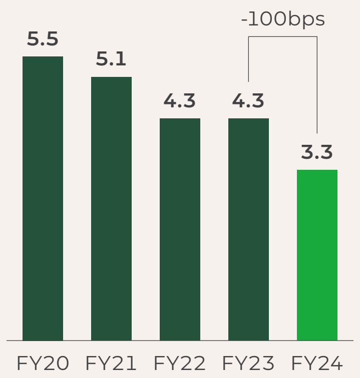
Owing to the improving quality of our loan book, our delinquency rates and provisions to loans ratio have improved in 2024, while total provisions align with expected credit loss calculations.

1. 90+ days, as a percentage of total loans.

Provisions to loans (%)

3.3%

↓ 100bps on FY23



Provision balances decreased by 100bps compared to the same period last year, owing to improved economic conditions in the markets where we operate.

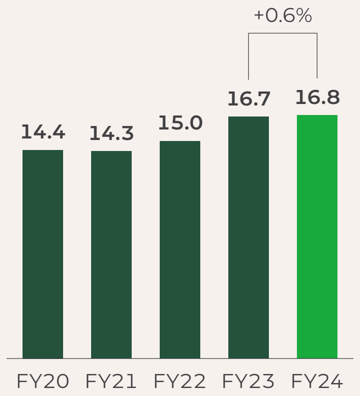
Balance sheet strength

Balance Sheet growth slowed, due largely to subdued lending demand in PNG and the reduced use of overdraft limits. Total assets remained steady. Gross loans grew by just 0.6%, assisted by 11% growth in Retail mortgages. Deposits fell 2.5%, with the deposit mix remaining relatively constant.

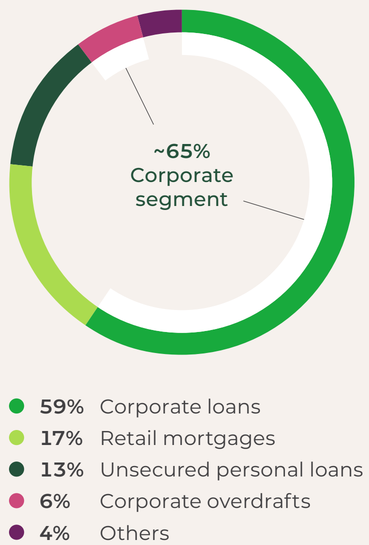
Gross loans (K'b)

K16.8B

↑ 0.6% on FY23



Loan book composition



K9.9B

Corporate lending

↑ 1% on FY23

K2.9B

Retail mortgages

↑ 11% on FY23

K2.2B

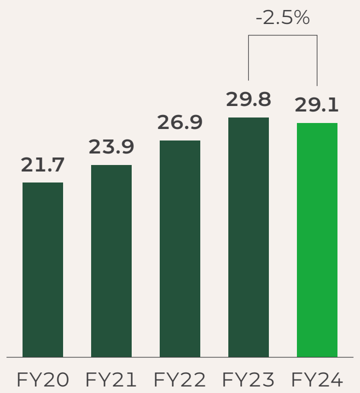
Unsecured personal loans

↑ 2% on FY23

Deposits (K'b)

K29.1B

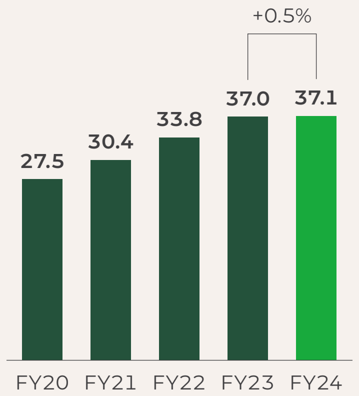
↓ 2.5% on FY23



Total assets (K'b)

K37.1B

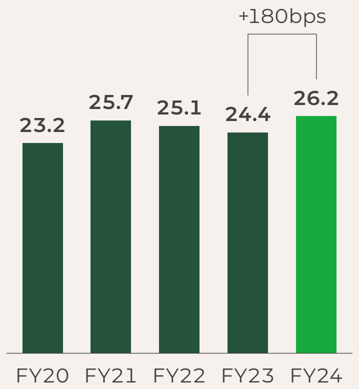
↑ 0.5% on FY23



Capital adequacy (%)

26.2%

↑ 180bps on FY23



SUSTAINABILITY REPORT

Positive change *for the South Pacific*

This is BSP's first Sustainability disclosure, covering the 2024 activities that comprise Horizon 1 of our Environmental, Social and Governance (ESG) Implementation Roadmap.

BSP's sustainability approach supports the delivery of our business strategy. It reflects consideration of our most material ESG opportunities and risks and is aligned with our vision to be the South Pacific's International Bank, championing prosperity for the region.

Our ESG implementation Roadmap

We are implementing our ESG program over three Horizons:

HORIZON 1	HORIZON 2	HORIZON 3
2024	2025 2026	2027
Origination phase • Determine initial material topics • Install enabling governance structures • Disclose inaugural Sustainability Report • Identify baseline Scope 1 & 2 emissions	**Implementation phase** • Implement ESG program activities • Align business processes with ESG outcomes • Build ESG capacity in credit, risk, operations and emissions accounting • Conduct a materiality assessment (Q3–2026)	**Target end state** • Hand over ESG program activities to business-as-usual • Review lessons learned • Adopt new material topics for 2027 onwards
Horizon 1, our current reporting year, relates to establishing policy, risk and governance frameworks, and designing ESG-related business processes.	**Horizon 2** is primarily focused on executing ESG-related activities to achieve target states in our material focus areas.	**Horizon 3** transitions Horizon 2 initiatives into business-as-usual and adopts updated material topics for the next iteration of our ESG program beyond 2027.

SUSTAINABILITY REPORT CONTINUED

Materiality *Approach*

In 2024, we undertook our first materiality assessment, which included conducting research and engaging with internal and external stakeholders to identify material ESG issues in our operations and portfolio. We prioritised the material areas based on the scale of their potential impacts on our stakeholders, as well as BSP's ability to influence change in these areas.

Our materiality process

Document review and stakeholder feedback

Analyse peer practices

Assess internal and external policies, regulations and frameworks

Produce a list of material topics from:

- A public sentiment scan
- Stakeholder interviews and workshops

Topic validation and prioritisation

Synthesise the list of topics based on the impact on stakeholder groups, and BSP's own capacity to influence change in the topic areas

Through this process, we arrive at a shortlist of prioritised topics

Leadership review and adoption of topics

BSP's leadership at Group level and in our Pacific Markets are consulted on the shortlist of topics

Leadership reviews the shortlist based on stakeholder need and alignment with the business strategy

Material Topics are selected and approved by the Board

Material topics

In 2024, BSP identified five material focus areas to address in our ESG program.

FINANCIAL HEALTH

Action areas

Advance community financial literacy and actively support equitable access to financial services through:

- Conducting financial literacy training, either directly or through collaboration with community partners
- Considering financial consumer protection
- Factoring consumer hardship into our financing, lending and decision-making processes.

- **Financial Literacy**
- **Financial Inclusion**
- **Responsible Lending**
- **Financial Consumer Protection**
- **Financial Sector Deepening**

GENDER-BASED VIOLENCE

Action areas

Collaborate with case management providers to counteract and respond to incidents of gender-based violence experienced by staff and customers.

Implement policies, programs, and strategies for preventing and responding to harmful behaviours, including forms of physical, sexual, emotional and financial abuse.

- **Advocacy & Awareness**
- **Counter Human Trafficking**
- **Child labour and modern slavery**
- **Preventing Financial Abuse**
- **GBV support (legal, financial, etc.) programs**

WORKFORCE CAPABILITY

Action areas

Train, educate and develop bank staff to deliver proficient financial advice and caring customer service, including knowledge of financial products and services, banking procedures, ESG and adherence to regulatory compliance.

- **Leadership Development**
- **Knowledge Transfer Programs**
- **ESG Education & Upskilling**

ESG CORPORATE GOVERNANCE

Action areas

Embed ESG factors in decision-making processes, operations and strategic planning, including:

- Establishing governance structures dedicated to monitoring ESG initiatives
- Defining sustainability goals
- Integrating ESG considerations into the bank's business strategy and risk management frameworks
- Transparently reporting ESG performance, adhering to both regulatory requirements and industry standards related to ESG and the measurement of sustainability outcomes.

- **Climate Risk Frameworks**
- **ESG Program Management**
- **Alignment to Global Standards**
- **Metrics & Target Setting**

CLIMATE VULNERABILITY

Action areas

Build capability to manage risks and opportunities linked to the actual or potential physical effects of climate change on BSP's owned or controlled assets and operations, including:

- Managing direct exposure to extreme weather conditions (i.e., flooding, storms)
- Addressing transitional risks from evolving policies, practices and technologies resulting from efforts to reduce economic dependence on carbon.

- **Climate Adaptation & Mitigation**
- **Green Finance**
- **Physical & Transitional Risk**
- **Emissions**
- **Waste Disposal & Resource Use**

SUSTAINABILITY REPORT CONTINUED

Environmental

BSP's South Pacific markets are highly susceptible to the effects of climate change. The region faces an increasingly disproportionate number of climate-related disaster events relative to its contribution to global emissions. Our approach to managing climate risks and opportunities centres on addressing the inherent vulnerability of our staff, customers and communities in our markets.

2024 was a preparatory year for BSP's climate response, focused mainly on baselining risks. This included developing a deeper understanding of our physical and transition risks relating to the impacts of climate change, allowing us to build climate change considerations into our governance and risk frameworks.

Over the next few years, BSP will continue to build on the information gathered to develop policies and procedures to enhance our emissions accounting capability.

Social

Promoting financial literacy, addressing gender-based violence (GBV) and improving workforce capability are essential to driving social change and economic inclusion in the South Pacific. Given our presence in communities across the South Pacific, BSP is well-positioned to champion prosperity and social change.

Facing and ending GBV in all forms remains a key commitment for BSP. Our focus, as part of the ESG program, is in raising awareness, preventing, and addressing GBV in the communities and our workforce. Through collaborative efforts, we are working to develop policies, programs, and strategies to prevent and respond to physical, sexual, emotional, and financial abuse.

Improving Workforce Capability contributes to a more fulfilled and capable professionals in the South Pacific. Our efforts in Workforce Capability focuses on training, education, and professional development to equip employees with the skills to flourish in their chosen carrier pathways. Our goal is to prepare staff to deliver proficient financial advice and customer service, with a strong understanding of financial products, banking procedures, ESG, and regulatory compliance.

Our Financial Health programs empowers individuals to better manage their resources, contributing to broader economic development and resilience in the region. These programs are focused on: promoting financial literacy; broadening financial inclusion; and championing responsible lending practices to promote financial consumer protection.

CASE STUDY

YES Grow Testimonial: Abus na Kumu

Abus na Kumu is a catering and food delivery business owned by Richard Mark. Richard started operating in his home kitchen in 2019 and turned his passion into a small business. After completing the YES Grow Training program and a six-month mentorship with ABV coaches, Richard was able to access funding from BSP to grow his business and open a restaurant in 2025.

"This is a milestone and a pillar for future growth and I would like to say thank you to everyone, especially the stakeholders who believed in us to deliver this project (opening of restaurant)."

Richard Mark and his team posing in front of their base of operations during a BSP site visit.

SUSTAINABILITY REPORT CONTINUED

CASE STUDIES

BSP Academy testimonial: Sharneet Singh

"The leadership training, and practical insights based on real-world scenarios are the key takeaways for me from the Academy," says Sharneet Singh, BSP's Group Financial Controller, as he shares his experiences from the Academy.

"The tools from the Academy have helped improve my decision-making and people-management skills, especially in my most recent role where I oversee accounting functions across seven different countries," he added.

"The Academy is critical for developing corporate talent within our Pacific Markets that is globally competitive."

Sharneet Singh participating in a BSP Academy session.

"Black Thursdays" Campaign

BSP's "Black Thursdays" campaign reaffirms our solidarity with survivors of GBV and our commitment to raise awareness on this issue.

Our *"Black Thursdays"* campaign is about resisting and challenging the attitudes and practices that perpetuate GBV.

"Black Thursdays" was included as part of the corporate wardrobe in 2020 and observed by all staff Group-wide. Our Black attire, a symbol of mourning, is a solemn reminder of the suffering of countless survivors of GBV, and of our shared responsibility to break the cycles of violence at home, in the workplace, and in our communities.

BSP's Manager for FSV Services, Elizabeth Asigau (right), conducting staff training for the *Black Thursdays* campaign.

Governance

Embedding ESG considerations in decision-making processes, operations and strategic planning is a priority for BSP. We are establishing governance structures dedicated to monitoring ESG initiatives, defining sustainability goals, promoting equality and embedding considerations into business strategies and risk management frameworks.

Our Board and management play a crucial role in translating ESG values into our strategy. A key aspect of the Board's oversight responsibility is to ensure that ESG issues have appropriate risk management and reporting processes in place.

Group ESG Policy

In 2024, we introduced a Group ESG Policy that defines our ESG commitments and recognises the evolving ESG landscape and the need to adapt to emerging risks and regulatory requirements. The policy sets out how we identify, quantify and address ESG risks and opportunities, ensuring compliance with evolving regulations and aligning BSP with international frameworks, including the United Nations Sustainable Development Goals.

ESG Steering Committee

Given climate-related risks and opportunities will have significant impacts on our employees, customers and operations, the Board has established the ESG Steering Committee, chaired by the Deputy Group CEO, and comprising the Group-level executive sponsors responsible for our five material ESG focus areas.

The Steering Committee's duties include:

- ESG strategy development;
- Managing climate risks and opportunities;
- Metrics and targets;
- Oversee program delivery;
- Sustainability disclosures; and
- Integrating best practice into our operations.

Via the Steering Committee, the executive sponsors report directly to the Board Risk Committee (BRC). The Committee has a standing agenda item at each BRC meeting, enabling Board oversight of our ESG program.

RISK MANAGEMENT FRAMEWORK

Ensuring stability *for our shareholders*

BSP is committed to managing all material risks arising from its activities, in accordance with stated policies. The Board has overall responsibility for overseeing the management of these risks.

Our risk management process

Our Risk Management Framework (RMF) adopts the principles of the ISO 310000:2018 risk management guideline and outlines BSP's key risks processes. The aim of the framework is to identify, assess, manage, monitor and report material risks faced by BSP so that we can achieve our objectives. The RMF includes a number of risk types (Strategic, Financial and Non-financial), each with their own specific frameworks to identify, assess, govern and manage their unique risks. The Board approved Group Risk Appetite Statement (GRAS) sets the risk limits the Bank operates within to deliver our strategy.

Our material risks are those the Bank is placing extra focus on mitigating, due to their potential to materially impact the Bank, Customers, shareholders and the community, now or in the future. Material risks, together with BSP's approach to risk management are regularly reported to the Board through the Board Risk Committee.

Taking an integrated risk management approach ensures both alignment with and consistency of activities relating to risk management. The RMF provides the guardrails to support greater risk awareness, understanding and consistency across the organisation.

The GRAS is set at a level that the Board expects management to operate within, to achieve desired business outcomes:

- Preserving capital adequacy
- Maintaining liquidity
- Achieving targeted performance

BSP uses multiple techniques to identify and measure the risks it is exposed to such as:

- Risk and control assessments
- Emerging enterprise-wide risk assessment

We implement measures to manage and control risks within appetite, such as:

- Limits, delegated authorities and review and approval processes
- Policies and procedures
- Issue and incident management
- Internal audit

The Board and its committees:

- Oversee BSP's system of internal controls and compliance
- Review of reports on the measurement of risk, adequacy and effectiveness of BSP's risk management and internal control systems

RISK MANAGEMENT FRAMEWORK CONTINUED

How we manage risk

Our risk management approach ensures consistent and effective management of risk and provides for appropriate accountability and oversight. Risk management is enterprise-wide, applying to all entity levels and is a crucial element in the execution of BSP's strategy.

Our enterprise-wide risk represents the risks that are core to our banking services business. We organise these into strategic, financial and non-financial risk categories and annually identify key enterprise risks. These top enterprise risks have a focused management oversight given they represent potential material impacts to the strategy. We scan the environment for changes to ensure that our risk universe remains relevant.

> "Our governance structure enables oversight and accountability through appropriate mandated board and management committees. The three lines of defence model is leveraged to maintain a sound risk culture with an emphasis on our policies and procedures."

The enterprise-wide risk is managed through the lifecycle from identification to reporting. Our assessment process includes quantification of risks under normal and stressed conditions up to, and including, recovery and resolution.

Risk exposures are managed through different techniques and are monitored against a risk appetite that supports our strategy. We manage and allocate capital efficiently to grow shareholder value while ensuring that regulatory capital requirements are met.

Our governance structure enables oversight and accountability through appropriate mandated board and management committees. The three lines of defence model is leveraged to maintain a sound risk culture with an emphasis on our policies and procedures.

Our risk management framework is strengthened by a robust control environment, guided by risk governance standards and policies. This is further reinforced through our values, code of conduct, compliance training, and whistleblowing programs.

BSP GROUP BOARD

REMUNERATION AND NOMINATION COMMITTEE

BOARD AUDIT AND COMPLIANCE COMMITTEE

BOARD RISK COMMITTEE

CHIEF EXECUTIVE OFFICER

EXECUTIVE COMMITTEE (EXCO)

Executive Committee

FINANCIAL RISK COMMITTEES

Group Asset and Liability Committee (GALCO)

- **Liquidity Risk**
- **Market Risk**
  - Interest Rate Risk
  - Foreign Exchange Risk

Credit Risk Committee

Losses from failure of borrowers and counter-parties to meet their obligations to BSP

NON-FINANCIAL RISK COMMITTEES

Audit and Compliance Committee

Fines or sanctions from non-compliance with laws and regulations

Sub-risk types:
- Financial Crime Compliance Risk
- Regulatory and Licensing Obligations Risk

Operational Risk Committee

Losses from inadequate or failed internal processes, systems or people

Sub-risk types:
- Fraud Risk
- People Risk
- Business Disruption Risk
- Transaction Processing Risk
- Legal Risk

Technology Steering Committee

Disruption to business operations from software, hardware and/or communication failures

Sub-risk types:
- Cybersecurity Risk
- Data Management Risk
- IT Disaster Recovery Planning

Disclosure Committee

Incorrect and selective or inadvertent disclosure of material market sensitive information

Sub-risk types:
- Regulatory Compliance Risk
- Financial Reporting Compliance Risk
- Reputation Risk

ESG Steering Committee

Oversight of ESG-related risks and opportunities

Sub-risk types:
- Climate Risk
- ESG Regulatory Compliance Risk
- Reputation Risk
- Project Risk

RISK MANAGEMENT FRAMEWORK CONTINUED

Material risks

The Board and management are placing additional focus on mitigating a number of our material, financial and non-financial risk types due to their potential impact to BSP, our customers, shareholders and the community.

Risk description	How we manage this risk
Technology Risk Technology risk relates to any threat to BSP's critical operating systems, data and business processes that deliver banking services.	We manage technology risk by monitoring the condition of systems to minimise outages or failure of critical systems and technology infrastructure that can impact the services we provide to our customers. • Software lifecycle management tools and processes are implemented to ensure controlled software and configuration deployment across all environments including production; • Key Vendors are actively engaged in continued issue resolution and management via Managed Services contracts; • BSP's crisis management framework and crisis response teams provide the structure to ensure a coordinated response to disruption incidents; • Business Continuity and Disaster Recovery Plans are in place and renewed and tested annually; and • The IT Steering Committee provide oversight of specific Technology and Information Security risks.
Operational Risk This risk arises when there is direct or indirect loss resulting from human factors, inadequate or failed internal processes, systems or external events.	We seek to manage and reduce operational risk to optimise the customer experience while supporting BSP's strategy, reputation and financial performance. We recognise that operational risk is inherent in our business activities and that it is not always cost effective or possible to attempt to eliminate all operational risks. Operational risks of material significance are expected to be infrequent and we will seek to reduce the likelihood and impact of these. Within this context, the management of operational risk has two key objectives: • To minimise the impact of losses suffered in the normal course of business and to avoid or reduce the likelihood of suffering an extreme loss; and • To improve the effective and efficient management of BSP while minimising operational risks.
Anti-Money Laundering and Counter Terrorism Financing (AML & CTF) Non-compliance with the AML/CTF Legislation in the jurisdictions where BSP operates.	Our compliance with anti-money laundering and combating the financing of terrorism (AML/CTF) regulations in the countries where we operate is continually being enhanced through: • Execution of AML/CTF controls during new customer onboarding; customer product and business risk reviews and correspondent banking relationship management processes; • Staff training and awareness undertaken to ensure that staff are aware of Policies and Procedures and the significance of conducting specialised review for customers; • Enhanced Customer Due Diligence for High Risk and Politically Exposed Persons; and • We will continue expanding and optimising our transaction monitoring and detection capabilities.
Information Security Risk The potential danger or harm arising from unauthorised access, use, disclosure, disruption, modification, or destruction of digital information. This risk can originate from various sources, including: • Cyber attacks; • Data breaches; • Malware; and • Other security incidents that compromise the confidentiality, integrity, and availability of sensitive information.	Cyber risk remains a key industry threat as perpetrators continue to become more sophisticated. In response, BSP has committed to the continued enhancement of its security capability to ensure that the associated risks remain within the risk appetite and managed through: • Security Monitoring; • Security Testing, including Internal/External system penetration testing to identify vulnerabilities; • Continuing awareness on Information Security policies and staff training on emerging cyber security threats; and • PCI DSS compliant with security processes and procedures to secure payment card data.

Risk description	How we manage this risk
Credit Risk Inability of customers to meet loan obligations and or current/prospective threat to BSP's earnings and capital as a result of a counterparty's failure to comply with a financial or other contractual obligation.	We manage our credit risk by maintaining a culture of responsible lending and a robust risk policy and control framework. • Processes are in place that identify, assess and control credit risk in relation to the loan portfolio for loan impairment; • Defining, implementing and continually re-evaluating risk appetite under actual and stressed conditions. • Monitoring our credit risk exposure relative to approved limits; • Ensuring that there is independent monitoring of credit risk and its mitigation independently of the business functions; and • Adequate provisioning held in compliance with IFRS9.
People Risk Inadequate succession planning may lead to key-person dependency on critical job roles or in leadership positions.	BSP has placed key emphasis on an effective Succession Planning program. • Competitive retention packages and programs ensuring that BSP remains the employer of choice in the market. • BSP proactively responds to best market practices that aids to maintain its position as the market leader. Targeted staff development, training and certification based on training needs analysis undertaken by business units.
Regulatory/Compliance Risk Failure to comply with legal, regulatory and prudential obligations. Exposure to regulatory fines for non-compliance of laws/regulations.	We have documented compliance plans and established Compliance Obligations registers to ensure we comply with the legal, regulatory and prudential obligations in all the countries we operate and this process is overseen by our Management Audit and Compliance Committee. • Update, capture and understand requirements of the obligations register.
Project Risk Refers to an uncertain event or condition that, if it occurs, will affect the project and may result in the inability to deliver within budget and agreed timelines.	BSP has a Project Management Office with the aim of delivering programs of work aligned to the BSP's strategic objectives including: • Ensuring deliverables are achieved across the programs; • Managing the benefits realisation process for delivered projects and programs; and • Optimising the use of staffing and other resources to achieve the above. Project risk is further managed by ensuring that: • Policies and Procedures are in place to manage project governance; • Project issues, risks, dependencies and constraints that may impact implementation are managed; • Monthly meetings held to monitor programs; and • Projects are supported by Executive Management and progress oversight by Board.
Interest Rate Risk The possibility for BSP to experience loss in earnings due to factors that affect the overall performance of the financial markets resulting from changes to the interest rates and foreign exchange (FX) rates.	Risk limits are set and reviewed at least annually and in line with our defined risk appetite. The criteria for setting risk limits include relevant market analysis, market liquidity and business strategy. This limit structure comprises the following types of market risk limits: • Value at Risk (VaR) limits; • Position and sensitivity (Non-VaR) limits; • Stress Testing for Foreign Currency, Interest Rate and Liquidity Risk; • Tracking performances against approved Group Risk Appetite and Policy limits daily/monthly; • Balance sheet impact on Loans and Deposits; • The above process is overseen by our Group Asset & Liabilities Committee and reported to Executive Committee and Board; and • Loan portfolio is denominated in local currency and on variable interest rate.
Climate Risk The possibility of climate change on businesses and society. It can be divided into two main categories: Physical Risks and Transitional Risks. Physical Risks are categorised as "Acute" physical risks (Event-driven, including increased severity of extreme weather events, such as cyclones, floods, or heat waves), and "Chronic" physical risks (Changes in typical conditions over long time periods caused by climate change, such as warming resulting in sea level rise). Transition risks relate to policy, technology and regulatory changes as South Pacific markets move away from relying on fossil fuels and toward a low-carbon economy.	BSP has placed key emphasis on an effective Climate risk program. • Considering climate risks in business continuity plans; • Monitoring significant climate risks and current indicators and trends; • Progressively reviewing and updating organisational strategies to account for the changing climate risk regulations; • Improving employee awareness and climate risk literacy. Regular engagement with material businesses and industry representatives.

BOARD OF DIRECTORS

Guiding *Strategic Growth*

Our Board of Directors embodies a commitment to financial resilience, innovation and community-driven growth across the South Pacific. With decades of global and local governance experience, the Board also has a deep understanding of our region's unique opportunities and challenges, and a determination to support businesses, empower communities and enhance financial inclusion.

Board Committees

- ● Board Audit and Compliance Committee
- ● Board Risk Committee
- ● Remuneration and Nominations Committee

→ See more details at **bsp.com.pg/about/board-of-directors/**

ROBERT G. BRADSHAW LLB

Chairman, Non-Executive Director

Appointed Chairman: February 2023

Robert Bradshaw was appointed to the BSP Board in September 2017 and served as Chairman of the Remuneration and Nominations Committee from 2019 until his appointment as Board Chairman in February 2023.

Robert holds a Bachelor of Laws from the University of Papua New Guinea and has practiced law for over 25 years and has served on a number of Boards and is currently the Chairman of Post PNG Limited.

MARK T. ROBINSON

Group Chief Executive Officer and Managing Director

Appointed Executive Director: March 2023

Mark T. Robinson was appointed Group CEO of BSP Financial Group Limited (BSP) in November 2022 and commenced work in March 2023. He is a senior financial services executive and globally experienced banking Chief Executive Officer with more than thirty years' experience across developed and emerging markets.

Mark graduated from the University of Chicago with a Bachelor of Arts and he also holds a Master of Business Administration from the University of Chicago's Booth School of Business.

PATRICIA TAUREKA-SERUVATU

LLB, MAICD

Non-Executive Director

Appointed: April 2022
Committees: ● ●

Patricia is a Law practitioner with over 30 years' experience in the legal, superannuation, property, commercial and corporate services in PNG.

Patricia holds a Bachelor of Laws from the University of PNG and was admitted to practice law in PNG in 1988. She is a member of the Australian and PNG Institute of Company Directors.

FRANK BOURAGA

CPA, MAICD

Non-Executive Director

Appointed: December 2020
Committees: ● Chair

Frank is a qualified CPA accountant with over 26 years experience. Currently, he is a partner in Assurance and Business Advisory Services with SBC Solutions. Previous roles include Country Managing Partner for Ernst & Young PNG, PricewaterhouseCoopers and Star Business Consultants. Frank is a director of the PNG Cancer Foundation and the PNG SP Hunters.

Frank holds a Bachelor of Business (Accounting) from Central Queensland University and is a member of the Australian Institute of Company Directors.

Executive Team

SYMON BREWIS-WESTON

(HONS), MAPPFIN

Non-Executive Director

Appointed: April 2021
Committees: ● ●

Chairman of BSP Financial Group (Fiji) (since 2024)

With broad international experience in financial services, Symon has a deep understanding of markets across Australia and Asia Pacific. He was CEO of Humm Group Ltd and Sovereign Assurance Co. Ltd (NZ), where he held senior Executive positions for 15 years.

Symon holds a Bachelor of Economics (Hons) and a Master of Applied Finance from Macquarie University. He was the 2015 recipient of the UN Global CEO Women Empowerment Principle's Leadership Award for his contribution to diversity and women's empowerment.

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

Non-Executive Director

Appointed: December 2016
Committees: ● Chair

Faamausili is a seasoned public sector practitioner, having served as CEO of the Samoan Public Service Commission for approximately 12 years, prior to moving into consultancy roles in 2008.

Faamausili holds a PhD and a Masters degree in Management Science and a Bachelor's degree in Sociology and Political Science. She is a member of the Australian, PNG and Samoan Institute of Company Directors, as well as the Samoa Human Resource Institute.

STUART DAVIS LLB, GAICD

Non-Executive Director

Appointed: August 2017
Committees: ● ● Chair

Stuart is an experienced financial services professional with substantial banking, strategy, risk and regulatory experience across Australia and Asia Pacific Region. He has held senior executive roles including CEO of HSBC Australia, India, Taiwan. He is currently Non-Executive director across NextDC Ltd, Appen and PayPal Australia.

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

STEPHEN BEACH

BSC (ECON. & ACC.), CPA

Non-Executive Director

Appointed: March 2024
Committees: ● ●

Stephen is a qualified accounting professional with over 40 years experience in assurance, business advisory, taxation, and corporate reporting, including 35 years spent in PNG. He was a partner at the PNG PwC practice for 23 years and is a principal at Beach Accounting Advisory in PNG.

Stephen is a long serving member of the PNG Certified Practicing Accountants, and is an alternate member of the Accountants Registration Board and the Institute of Chartered Accountants in England and Wales, CPA Australia and the Australian Institute of Company Directors.

PRISCILLA KEVIN

BSCS, MAICD

Non-Executive Director

Appointed: April 2020
Committees: ●

Priscilla is an IT professional specialising in Enterprise Resource Planning (ERP) Support Advisory. She has over 20 years ICT industry experience, providing ICT consultancy and support to a range of businesses and government bodies.

Priscilla holds a Bachelor's Degree in Computer Science from PNG University of Technology and is an advocate and founder of PNG Women in STEM and Digital ICT Cluster Inc. She is a member of the Australian Institute of Company Directors.

IAN A. TARUTIA

OBE, FAICD, FPNGID

Non-Executive Director

Appointed: April 2023
Committees: ● ●

Ian has extensive strategic leadership and governance experience across the superannuation and financial services industry, including 15 years as CEO of National Superannuation Fund (Nasfund) in PNG, the establishment of NCSL in 2003 (the largest savings and loan society in the Pacific by membership) and former Chairmanship of the Pacific Islands Investment Forum.

Ian holds a Bachelor of Business Economics and an MBA from the University of PNG, as well as Diplomas in Financial Markets (Australia) and Economic Policy Analysis (PNG). He is fellow of both the Australian and PNG Institute of Company Directors.

EXECUTIVE TEAM

PETER BESWICK
Deputy Group Chief Executive Officer

Appointed: August 2024

Peter is a qualified Chartered Accountant and has over 25 years experience in banking across business, retail, corporate, government and credit risk management. Prior to his appointment in August 2024, he was Group General Manager Corporate Banking from 2011. He has held senior leadership roles across Australia and South-East Asia – for the Commonwealth Bank of Australia, National Australia Bank and Bank of New Zealand.

MARYANN LAMEKO-VAAI
Acting Group Chief Financial Officer

Appointed: August 2024

Maryann assumed this role in August 2024, after serving as Group General Manager Pacific Markets since June 2022. She joined Westpac Samoa in 2012 as Head of Finance & Operations and later became Country Head of BSP Samoa in 2015. With over 20 years of experience, Maryann has held various executive roles in finance, accounting, auditing and operations. She holds a Bachelor of Commerce from Auckland University and Chartered Accountant accreditations from CPA Australia and the Samoa Institute of Accountants.

NUNI KULU
Group Chief Operating Officer

Appointed: April 2023

Prior to being appointed as GCOO, Nuni was General Manager Digital. She joined the former PNG Banking Corporation as a graduate and held numerous roles within Treasury, Markets and Retail Banking during the course of her career. Nuni has a Bachelor of Commerce from the Australian National University and has undertaken General Management studies at INSEAD and Melbourne Business School.

PAUL BLACK
Group General Manager
Pacific Markets

Appointed: August 2024

Paul brings over 35 years of Retail and Corporate banking experience across Australia and PNG. Joining BSP in 2011, he's held senior positions, including Deputy General Manager Corporate Banking, and has supported operations in the Pacific Islands. Prior to BSP, he spent 22 years at CBA in senior corporate, retail and relationship banking roles. His expertise encompasses corporate lending, credit risk and stakeholder management. A member of FINSIA, Paul is currently completing his MBA.

DANIEL FAUNT
Group General Manager
Corporate Banking

Appointed: August 2024

Since joining BSP in 2016, Daniel has held senior leadership roles including – Group General Manager Retail and Group General Manager Pacific Markets. Daniel has extensive experience in financial services having held senior leadership roles with the ANZ Group for 20 years across Australia, PNG and the Pacific Markets. Daniel holds an MBA from Deakin University and a Bachelor of Business in Banking & Finance from Queensland University of Technology.

RONESH DAYAL
Group General Manager
Retail Banking

Appointed: August 2024

Ronesh oversees the BSP Group's Retail business, which includes the largest branch and agency banking network in the South Pacific, digital banking services, Retail product portfolios and customer segmentation. He has over 20 years of experience in financial services, including life insurance and banking. Prior to his current role, Ronesh was the Group's Chief Financial Officer. He also oversees the BSP Group's Strategy, leading initiatives under the Modernisation program. Ronesh has a Bachelor of Arts Degree with double majors in Accounting & Financial Management and Information Systems. He is a fellow member of CPA Australia and CPA PNG, and a chartered accountant member of The Fiji Institute of Chartered Accountants.

→
See more details at
bsp.com.pg/about/executive-management/

VANDHNA NARAYAN
Group Chief Compliance Officer
& Company Secretary

Appointed GCCO: February 2021
Appointed Secretary: October 2024

Her role oversees the Group's Compliance activities, including BSP's Anti-Money Laundering (AML) Program, it's regulatory and policy compliance program and administrative oversight over the Group's internal audit and credit inspection functions. Vandhna is an experienced legal practitioner, with over 30 years experience in litigation, human rights, compliance and corporate governance in Australia, New Zealand, PNG and Fiji. Former roles have included Group Head of Compliance and AML for BSP, and General Manager Legal & Compliance for BSP Fiji.

MIKE HALLINAN
Group Chief Risk Officer

Appointed: March 2023

Mike was re-appointed as Group Chief Risk Officer (GCRO) after retiring in 2022. Mike's career spans over 40 years in Banking and Finance – specialising in risk and credit management. He has held senior leadership roles managing government, corporate and institutional relationships for the Commonwealth Bank of Australia, as well as Executive Lending positions with the former Papua New Guinea Banking Corporation. Mike is a qualified CPA, MAICD and is a Fellow of the Australian Bankers Institute.

RICHARD NICHOLLS
Group Chief Information Officer

Appointed: May 2023

Richard has over 30 years in technology management across the financial services industry. He has held senior technology delivery and support roles in investment and retail banking across the United Kingdom, Australia, Philippines and Papua New Guinea. Prior to joining BSP, Richard was the Strategic Change Management consultant for Nomura International and Head of Enterprise Technology Asia for Macquarie Bank based in the Philippines. Richard is a graduate of the University of New South Wales where he received his Bachelor of Electrical Engineering.

ROHAN GEORGE
Group General Manager
Treasury & Markets

Appointed: February 2015

Rohan is an accomplished Treasury & Markets professional with over 30 years of experience across developed and emerging financial markets. He is a specialist in managing market and liquidity risks across a diverse range of asset classes, including fixed income, foreign exchange, commodities, and capital markets. Prior to joining BSP, Rohan held senior positions at ANZ (Head of Global Markets, Cambodia & Laos), Westpac (Pacific Treasurer) and at BNP Paribas Investment Management in Sydney. He holds a Master of Applied Finance degree from Macquarie University Australian Financial Markets Association and the Sydney Futures Exchange.

HARI RABURA
Group General Manager
Corporate Affairs & Community

Appointed: August 2024

Hari is responsible for supporting the Group's commitment and investment across the communities in Papua New Guinea and the broader Pacific markets. Hari has a strong network within the communities across the Pacific & has a passion for leading social impact causes. Her career spans over 20 years of experience delivering strategic HR initiatives. Prior to her appointment, she was BSP's Group General Manager People & Culture. She is a graduate of the University of Goroka (PNG) and has undertaken General Management studies at INSEAD and Melbourne Business School.

PETER KOMON
Acting Group General Manager
People & Culture

Appointed: August 2024

Peter has over 16 years' experience in the Financial Service Sector. Since joining BSP in 2012, he has held various senior leadership roles including overseeing rural banking, the nationwide branch network, and more recently, the Head of Payments. Prior to joining BSP, Peter worked for PNG Microfinance Limited, and studied Agriculture Economics at the University of Sydney.

CORPORATE GOVERNANCE STATEMENT

This Corporate Governance Statement, which has been approved by the Board, describes our corporate governance framework, policies and practices as at 31 December 2024.

In this Corporate Governance Statement, a reference to 'BSP', 'BSP Group', 'the Bank', 'the Company', 'the Group', 'our', 'us', and 'we' is to BSP Financial Group Limited ARBN 649 704656 ASX:BFL|PNGX:BSP and its subsidiaries unless it clearly means just BSP Financial Group Limited.

GOVERNANCE FRAMEWORK

Our approach to Corporate Governance

BSP Financial Group Limited (BSP) is committed to maintaining high standards of corporate governance underpinned by our Purpose 'Championing Prosperity for the South Pacific', our Vision 'The South Pacific's International Bank' and our Core Values "We Care", "We Aspire" and "We Grow". This approach is supported by a comprehensive framework of corporate governance principles and policies.[1]

The Board ensures that BSP complies with the requirements of the Papua New Guinea *Companies Act 1997, Australian Corporations Act 2001 (Cth)*, PNGX *Listing Rules*, PNGX *Corporate Governance Code for Listed Issuers*, the *ASX Listing Rules* and the *ASX Corporate Governance Principles and Recommendations (4th Edition).*

BSP also complies with all applicable regulations on corporate governance. These currently include:

- the 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)*[2]
- the Reserve Bank of Fiji Prudential Supervision Policy Statement No. 1: Minimum Requirements for Corporate Governance of Licensed Entities (2019);
- the National Reserve Bank of Tonga Prudential Statement No. 9 (revised 2014): Governance;
- the Financial Supervisory Commission of the Cook Islands Banking Prudential Statement BPS09: Governance Risk Management (June 2019);
- the Central Bank of Samoa Prudential Statement 1 (January 2021);
- the Reserve Bank of Vanuatu International Bank Prudential Guideline No. 10 Management of Financial Institutions: Fit & Proper Requirements; and
- the Central Bank of Solomon Islands Prudential Guideline No. 1 on Governance (2024).

The Board, Management and staff of BSP are aware of their responsibilities to the people of Papua New Guinea, Solomon Islands, Vanuatu, Fiji, Samoa, Tonga and Cook Islands. BSP's 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.

1. Our corporate governance Principles and Policies are available at bsp.com.pg/about/investors/corporate-governance/#PolicyDocuments
2. Under review.

BOARD GOVERNANCE

Roles and Responsibilities of the Board

The Board Charter[1] defines the roles, responsibilities and composition of the Board. It also outlines the matters reserved for the Board and those that are delegated to Management.

The Board is responsible to the Shareholders for the overall performance of BSP. It provides leadership and strategic direction, establishing goals for management and monitoring the achievement of those goals with a view to optimising BSP's 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), Executives and Company Secretary and setting appropriate remuneration packages;
- endorsing appropriate policy frameworks for Management;
- reviewing Board composition and performance;
- reviewing Management performance;
- 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 laws and relevant regulations and conforms with the highest standards of financial and ethical behaviour;
- approving acquisitions and disposals material to the business;
- establishing authority levels;
- 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.

The Board has delegated a number of these responsibilities to its various Committees. The Committees and responsibilities are detailed in the Board Committees 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 Executive Committee level 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.

Board Composition

The maximum number of Directors prescribed by the BSP Constitution and approved by the Shareholders is ten. As at 31 December 2024, there were ten Directors as set out below:

Director	Date of appointment	Length of service (as at 31 Dec 2024)	Status
Robert Bradshaw	September 2017	7 years 3 months	Non-Executive, Independent
Mark Robinson	November 2022	2 years 1 month	Executive, Non-Independent
Faamausili Dr. Matagialofi Lua'iufi	December 2016	8 years	Non-Executive, Independent
Stuart Davis	August 2017	7 years 4 months	Non-Executive, Independent
Ian Tarutia	April 2023	1 year 8 months	Non-Executive, Non-independent
Priscilla Kevin	April 2020	4 years 8 months	Non-Executive, Independent
Frank Bouraga	December 2020	4 years	Non-Executive, Independent
Symon Brewis-Weston	April 2021	3 years 8 months	Non-Executive, Independent
Patricia Taureka-Seruvatu	April 2022	2 years 8 months	Non-Executive, Independent
Stephen Beach[2]	March 2024	9 months	Non-Executive, Independent

Independence and Conflicts of Interest

Directors of BSP avoid conflicts of interest, by declaring their interest and refraining from involving themselves in the consideration of matters where a conflict might arise. BSP's Corporate Governance Principles and Managing Conflicts of Interest Policy requires Directors to disclose any new directorships and equity interests at each Board Meeting.

The Company Secretary maintains a running register of each Director's interests to ensure that a majority of the Board is independent. Directors are deemed to be independent if they are judged free from any material or other business relationship with BSP that would compromise their independence.

Prior to appointment, all Directors are required to provide information to the Board for it to assess their independence. In assessing the independence of Directors, the Board takes into consideration the following:

- the Director is not an executive of the Group;
- 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 materially associated with a material supplier or customer;
- the Director has no material contractual relationship with BSP other than as a Director of BSP; or
- 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 interests of BSP.

This information is assessed by the Board to determine whether 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.

BSP fully complies with the requirements of the *BPNG Prudential Standard 4/2003 – Limits on Loans to Related Parties* and details of Related Party Transactions are summarised in Financial Note 35 on page 124 of BSP's 2024 Annual Report, while Directors' Interest Register on pages 138–139 of the Annual Report provides details of the Directors' Interests.

Chair

The Board Chair is an independent Non-Executive Director who must be elected by the Directors and not have been a former executive officer of BSP or the GCEO in the last three years. The Chair can hold the position for a maximum of six consecutive years unless there are exceptional circumstances for which prior approval of the prudential regulator is required.

The Chair's responsibilities include:

- ensuring open and inclusive discussion and debate by the Board;
- maintaining a regular, open and constructive relationship and dialogue with the GCEO and management, and being the key link between the Board and management;
- representing the views of the Board and the BSP Group to stakeholders, including shareholders, regulators and the community; and
- setting the Board agenda in conjunction with the GCEO and Company Secretary and ensuring the provision of information to the Board, meeting cadence and discussions are appropriate to enable effective decision making by the Board.

Company Secretary

The BSP 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.

Key responsibilities of the Company Secretary include:

- finalising the agenda for each Board and Committee meeting in conjunction with the respective Chairman;
- ensuring the timely completion and circulation of board and committee papers ahead of scheduled meetings;
- collation of the Board meeting minutes, capturing key discussion points and resolutions for review and approval at the next Board meeting;
- advising the Board of relevant statutory matters and ensuring compliance of the same;
- maintaining a record of Directors' dealings in securities, declarations of interests and potential conflicts; and
- assisting with arranging Director induction and professional development.

The Company Secretary plays a pivotal role in carrying out the administrative function of the Board and is one of the Board's main liaison with Management and external stakeholders.

1. The Board Charter is available at bsp-com-pg-agfud6dwcvh6hae9.a01.azurefd.net/uploads/2025/03/Board-Charter.pdf
2. Stephen Beach replaced Arthur Sam, who retired from the Board effective 29 February 2024.

BOARD COMMITTEES

Meetings and Attendance

During 2024, four Committees of the Board, with functions and powers governed by their respective charters, were in operation. These Committees were the Board Audit and Compliance Committee (BACC), Board Risk Committee (BRC), the Remuneration and Nominations Committee (RNC) and the Disclosure Committee (DC).

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 Committees are scheduled regularly during the year, aligning with Board meeting dates. Where possible, the Board rotates its meetings between locations both in Papua New Guinea and the Pacific Markets. On these occasions, the Board also visits company operations and meets with local management and key customers.

The Chair, in consultation with the GCEO and Company Secretary, determines meeting agendas. Broad ranging discussion on all agenda items is encouraged with healthy debate seen as vital to the decision making process. Meeting processes are specified in the Board Charter.[1]

Membership and attendance records at Board and Committee meetings during 2024 are detailed below, while remuneration details are provided in the 2024 Annual Report under Financial Note 36 – Directors and Executive Remuneration.

Directors	Board	BACC	BRC	RNC
Robert Bradshaw	7/7	–	–	–
Mark Robinson	7/7	–	–	–
Arthur Sam	1/1	1/1	1/1	–
Stuart Davis	7/7	6/6	6/6	–
Frank Bouraga	7/7	6/6	2/2	–
Symon Brewis-Weston	7/7	–	6/6	7/7
Priscilla Kevin	7/7	–	6/6	–
Ian Tarutia	7/7	5/6	–	–
Faamausili Dr. Matagialofi Lua'iufi	7/7	–	–	7/7
Patricia Taureka-Seruvatu	7/7	6/6	–	6/7
Stephen Beach	5/5	4/4	4/4	–
Independent Committee Members (ICM)[2]				
Vele Rupa	1/1	–	–	–
Serena Sasingian	–	–	6/6	–
Paul Morgan	–	1/1	–	–

The Disclosure Committee comprises of the Chair, GCEO, Group Chief Financial Officer (GCFO), Group Chief Risk Officer (GCRO) and Company Secretary. It is not required to meet regularly but meets as and when required to review and approve any public disclosures to comply with the respective Listing Rules of both PNGX and the ASX.

Committee members are chosen for the skills, experience and other qualities they bring to the respective Committees. Membership is reviewed annually by the Board as part of the Board's annual performance review.

Except for the Disclosure Committee, the Chair is not a member of any other Committee.

At the next Board meeting following each Committee meeting, the Chairs of the respective Committees gives the Committee's report to the Board.

1. The Board Charter is available at bsp-com-pg-agfud6dwcvh6hae9.a01.azurefd.net/uploads/2025/03/Board-Charter.pdf
2. Vele Rupa and Paul Morgan's tenure ended in March 2024. Serena Sasingian is the only ICM as at 31 December 2024.

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 and 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 specialised skills to assist the BACC. The chair of the BACC must be an appropriately experienced independent Non-Executive Director, other than the Chair (or other Board committee chair).

The BACC must meet at least four times annually and special meetings may be convened as required. Minutes of all BACC 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 specialised 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 BRC 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 recommendations requiring Board action.

BOARD COMMITTEES CONTINUED

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 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 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 packages are in place and reviewed regularly;
- to ensure that the Board itself maintains an appropriate mix of skills and experience necessary to fulfil its responsibilities to shareholders while maintaining a world class Corporate Governance regime; and
- Board succession planning and recommendation to the Board for appointment of new directors.

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

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

Disclosure Committee (DC)

Established by the Board, the DC comprises of the Chair (or in his/her absence, another Non-Executive Director), the GCEO, the GCFO, the GCRO and the Company Secretary. The chair of the Disclosure Committee is the most senior Director present. The members of the DC 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 Disclosure Committee is responsible for, among other things:

- approving the release of any announcement to PNGX and ASX 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 rumour or media speculation; and
- overseeing the Disclosure Officer's administration of the Continuous Disclosure Policy.

Unlike other Committees, the DC is not required to have scheduled meetings throughout the year but meets regularly whenever a market disclosure is required.

Board Skills Matrix

BSP has in place a Board skills matrix that was developed following a Board assessment undertaken in 2019.[1] Skills that form part of this matrix include Risk Management, Regulatory/Government Policy, Business and Financial acumen, experience as a Non-Executive Director, Remuneration and Corporate Governance.

Since 2019, subsequent appointments to fill vacancies have been made giving regard to this matrix. In doing so, the Board ensures it has a broad range of skills, experience and expertise that enables it to meet its objectives. 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.

1. The Board Skills Matrix was under review during 2024, and has now been revised. The revised Board Skills Matrix will be used for Board reviews moving forward.

REMUNERATION

Director Appointment, Election and Re-election

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 and at the end of the term, the Director becomes eligible for reappointment by the Shareholders for a further term of three years and, if not reappointed, retires automatically. A Director is normally not permitted to hold office for a period exceeding three terms of three years or nine years, whichever is the lesser.

In accordance with the Constitution and BSP's Fit & Proper Policy, the Board gives careful consideration to setting the criteria for new Director appointments. These appointments are then recommended to Shareholders. The Board has delegated the initial screening process involved to the RNC, which in accordance with the RNC 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. BSP 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 meeting provided to Shareholders. This includes a brief background of the Director and details of any other material directorships the Director may have.

For initial election, BSP provides a statement that the Director has satisfied the 'fit and proper person' assessment by BPNG. For re-election, a statement concerning the term of the office currently served by the Director is included. If the Board considers a Director to be independent, it states so in its recommendation in the Notice of Meeting.

Nominees of the Board and/or Shareholders must meet the 'fit and proper person' criteria outlined in BPNG Banking Prudential Standard *BPS310: Fit and Proper Requirements* before they can take their place on the Board. This includes an assessment of the person's:

- Honesty, integrity reputation, good character and fairness;
- Education, competence, capacity, capability; and
- Financial soundness.

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.

Director Induction and Professional Development

BSP has a program for inducting new Directors and providing appropriate professional development opportunities for Directors that are managed by the RNC.

Upon joining the Board, new Directors are provided with a Letter of Appointment setting out the terms of the appointment, and undertake a comprehensive induction program. The Letter of Appointment sets out the conditions of appointment, including term and remuneration and the expectations and obligations of the role. The induction program includes familiarisation with key corporate governance policies; one-on-one meetings with the Board Chair, respective Committee Chairs, other Directors and Senior Management to help new Directors develop an understanding of BSP's business, strategy, history, and culture.

Director development is encouraged by the Board as part of its efforts to remain robust and cognisant. Whilst Directors are encouraged to identify and advise of courses that are of interest, the RNC provides regular updates to the Board on available director development options. Should a Director wish to undertake a particular course as part of his/her development, BSP covers the associated costs. Director development sessions are also held regularly and scheduled with Committee meetings.

New Directors are encouraged to undertake the Australian Institute of Company Directors' Effective Directors course.

REMUNERATION CONTINUED

Review of Board Performance

BSP has a process for periodically evaluating the performance of the Board, its Committees and individual Directors.

This review is done annually with oversight from the RNC and is a process by which the Board regularly assesses its own performance in meeting its responsibilities. It also includes an assessment of the contribution of each individual Director. The Board is aware of the need:

a) to continually identify areas for improvement;

b) to ensure that it meets the highest standards of corporate governance; and

c) for the Board and each Director to make an appropriate contribution to the Group's objective of providing value to all its stakeholders.

This performance review is facilitated by an external consultant.

Executive and Senior Management

BSP's Executive and Senior Management enter into employment contracts with BSP which set out key information such as their terms of employment, position, duties, reporting lines, remuneration, and termination arrangements.

The Board with the assistance of the RNC, sets the performance targets for the GCEO and other members of Executive and Senior Management under BSP's employee incentive arrangements set out in their respective employment contracts. Summarised details of these employee incentive arrangements are presented in pages 50–57 of BSP's 2024 Annual Report. These incentive arrangements are administered by the RNC, with performance against the relevant targets assessed periodically throughout the year and a formal evaluation is undertaken annually with the last assessment undertaken in 2024.

Gender Diversity

As at 31 December 2024, BSP currently has ten directors, three of whom are women consistent with ASX Recommendation 1.5, to have at least 30% of its board comprising female directors.

A summary of the gender spread within BSP as at 31 December 2024 is set out below:

Category	Female	Male	Total
Board Members	3	7	10
Group Executive Management[1]	4	9	13
Senior Management[2]	185	195	380
Middle Management	330	271	601
Non-Management	1,830	1,789	3,619
Grand Total (excluding Board)	**2,349**	**2,264**	**4,613**

The Board remains committed in promoting gender diversity across all levels of the Company and a copy of BSP's Equality, Diversity and Inclusion Policy is available on the Company's website.[3]

A Balanced Approach

BSP believes in the fair remuneration of all its employees from Directors through to Management and Staff. As its Executive and Senior Management teams are responsible for driving the Company's vision, reporting to the Board and ensuring operational excellence, competitive remuneration packages are used to retain and attract the best talent available.

Remuneration for Non-Executive Directors is assessed giving regard to a number of factors including the current fee cap and performance and contribution of each individual Non-Executive Director, with all these benchmarked against that of similar industry participants.

The Remuneration Report in pages 50–57 of the 2024 Annual Report, gives a summary of the remuneration policy adopted by BSP.

1. Group Executive Management in this case refers to all of the GCEO's direct reports (excluding his Executive Assistant and Chief of Staff). This includes General Managers of each of BSP's Strategic Business Units and the Managing Director of BSP Life Fiji.
2. Senior Management in this case refers to all Heads of Business Units and direct reports of those identified as Executive Management.
3. The Equality, Diversity and Inclusion Policy is available at bsp-com-pg-agfud6dwcvh6hae9.a01.azurefd.net/uploads/2025/03/Group-Equality-Diversity-Inclusion-Policy.pdf

RISK MANAGEMENT AND COMPLIANCE

Approach to Risk Management

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

The Board has delegated to the BRC the responsibility for annually reviewing BSP's risk management framework. This framework requires ongoing risk identification and management across all areas and functions within the Group. It is a requirement that the Executive Committee annually review the top Group enterprise wide risks and present the report and remediation plan to BRC for recommendation to the Board for approval. This review allows the Group to reassess the top inherent risks in the business and provides Senior Management the opportunity to review processes to ensure adequate controls and resources are in place to manage these risks. It also provides the Board a high-level view of the risks threatening the business objectives of BSP Group.

Risk Management Roles and Responsibilities

The overall responsibility for risk management lies with the Board and it accepts responsibility for ensuring it has a clear understanding of the types of risks inherent in the Group's activities.

BSP implements a formal system of financial and operational delegation from the Board to the GCEO and from the GCEO to General Managers. These delegations reflect the Group's risk appetite and cascade 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, and noted in the risk registers, determines the approval/control authorities/limits. The Board undertakes an annual review of the Group's Enterprise Wide 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 Manual, which have been approved by the Board. The Board has also delegated to the BRC responsibility for 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 relating to risk issues that are outside of the authority of the Group's Executive Committee and other delegated Committees to approve.

Group Environmental, Social & Governance (ESG) Policy

In 2024, BSP established an ESG Steering Committee to oversee the implementation of its ESG program across the Group. The Group ESG Policy was adopted by the Board and the following Material ESG Topics were adopted:

- Financial Health
- Gender Based Violence
- Workforce Capability
- ESG Corporate Governance
- Climate Vulnerability

BSP's Sustainability Report on pages 16–23 of the 2024 Annual Report has more information on BSP's compliance with the Environmental and Social Reporting obligations pursuant to Standards 15, 16 and 17 of the PNGX Corporate Governance Code.

ASSURANCE AND CONTROL

Financial Statements and Corporate Reports

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

- pays attention to complex and/or unusual transactions;
- focuses on judgemental 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.

BSP does not release its half-year accounts unless they have been reviewed by its external auditors. The full-year financial statements are not released unless they have been audited by the external auditors and approved by both the BACC and the Board.

All other market announcements and corporate reports are reviewed and approved by the Disclosure Committee (DC) prior to lodgement with the respective stock exchanges.

Management Assurance

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

- in their opinion, the financial records of the Group have been properly maintained;
- 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 above have been formed on the basis of a sound system of risk management and internal control applying to BSP, which is operating effectively.

Additionally all General Managers and Country Heads provide monthly reports regarding the following:

- assessment and documentation of the risks and internal control procedures in the respective Strategic Business Units;
- any changes in business, operations and computer systems and the risks that may arise from those changes have been identified;
- appropriateness and operating efficiency of the risk management and internal compliance and control systems; and
- identification and remedial action (if required) of any weaknesses in the risk management and internal compliance and control systems;

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 Chair and the 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.

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 auditors to Shareholders for ratification on an annual basis. In line with BPNG Prudential Standard 7/2005 – External Auditors, the signing partner in the external audit firm must be rotated every five years.

The BACC reviews annually 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 Prudential Standards 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 there are 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, half yearly and annual reviews are agenda items.

The BACC ensures that significant findings and recommendations made by the external auditors are promptly received and discussed, and that Management responds to recommendations by the external auditors in a timely manner.

The duly appointed external audit firm may not be engaged by BSP to provide specialist advisory or consultancy services while also being engaged for services to conduct BSP's annual audit and related services. Services related to the preparation of BSP'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. BSP's external audit firm is currently PricewaterhouseCoopers (PwC). Representatives of PwC will attend the next Annual General Meeting in May 2025 and be available to answer Shareholder questions regarding the audit.

Internal Audit

BSP has an internal audit function. The BACC approves the appointment of the Head of Internal Audit, who functionally reports to the BACC, upon Management's recommendation.

The scope of work carried out by the Internal Audit function stems from the annual Internal Audit Plan, which the BACC reviews and approves. 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 meets separately with the internal auditors to discuss any matters that the BACC, or the internal auditors, believe should be discussed privately. The Head of Internal Audit has direct access to the BACC and to the full Board. The BACC ensures that significant findings and recommendations made by the internal auditors are received and discussed promptly, and that Management responds to recommendations by the internal auditors on a timely basis.

Compliance

The BACC reviews the effectiveness of BSP's systems for monitoring compliance with all legal and regulatory obligations, including AML obligations, in all the jurisdictions within which BSP operates. It also reviews the results of Management's investigations into fraudulent activity and compliance breaches.

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

The Committee also undertakes reviews of findings from any examinations undertaken by regulatory agencies. The Chair of the BACC has the right to approach a regulator directly in the event of a prudential issue arising.

The Bank and the Group, to the best of the Director's knowledge, has not engaged in any activities which materially contravene laws and regulations in relevant jurisdictions.

CULTURE AND CONDUCT

Core Values

BSP's comprehensive corporate governance framework is underpinned by its core values:

- **We Care** – We respect, value and empower each other, our customers, stakeholders, and communities we serve, embracing diversity and fostering resilience in everything we do.
- **We Aspire** – We strive for excellence and continuous improvement in everything we do, being committed to honesty, accountability and integrity.
- **We Grow** – We work as a team with and for the wellbeing and prosperity of each other, our customers, stakeholders, and communities we serve, progressing and thriving together.

This is encompassed in the Group's Statement of Vision, Mission and Values, which is approved by the Board and acts as a guide for all employees in the day-to-day performance of their individual functions within the Group.

Code of Conduct

BSP requires Directors and employees at all levels to observe the highest standards of ethical behaviour when undertaking business. To this end, the Board has adopted a Group-wide Code of Conduct for Directors, Management and all Staff whilst further stipulating that each Director comply with the Code. To ensure the ongoing maintenance of high standards of corporate behaviour, the Board encourages Senior Management to periodically issue staff communications to reinforce both the Code and Core Values Statements.

All Directors are encouraged to maintain membership of an appropriate Directors' Association to keep abreast of current trends in Directors' duties, responsibilities and corporate governance issues. Training on the Code is carried out annually across the Group and all Directors, Management and Staff are required to submit declarations attesting full understanding of and compliance with the Code.

Reports of breaches of the Code are regularly provided to Senior Management and noted at Board Risk Committee (BRC) meetings.

Whistleblowing

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 Fraud and Whistleblower 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 in (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; and
- misuse of Group assets.

Similar to the Code of Conduct, breaches or material incidents reported under the Fraud and Whistleblower Policy are reported during BRC meetings.

Anti-Bribery and Anti-Corruption

BSP has a zero tolerance approach to bribery and corruption and this is reinforced by its Anti-Bribery and Anti-Corruption Policies. BSP recognises that acts of bribery and corruption are detrimental to the growth and prosperity of our business, the individuals and organisations we affiliate with and the communities that we operate in. As a business, BSP is mindful of the consequences of bribery and corruption, which may result in both financial and reputational loss alongside imposition of regulatory sanctions.

Compliance with the policies by Management and Staff remains closely monitored with regular updates to Management and the BACC on breaches and material incidents reported under the policies.

Restrictions on trading

Group Directors and Management are subject to trading restrictions set out in the Papua New Guinea *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 generally available, a reasonable person would expect it to have a material effect on the price or value of BSP securities.

Directors and Management may only trade in the securities of the Group, subject to the foregoing insider trading restrictions, during each of the trading windows specified in BSP's Securities Dealing Policy. Senior Management and other restricted persons are required to obtain approval from the GCEO ahead of trading, who in turn will keep the Chair of the Board appraised of management activities. Directors are also subject to similar restrictions and must seek approval from the Chair prior to conducting any trades. Other actions such as hedging, margin lending and speculative short term trading are also prohibited under the policy.

CONTINUOUS DISCLOSURE

BSP's continuous disclosure regime set by its Continuous Disclosure Policy[1] is fundamental to the rights of Shareholders to receive information concerning their securities. An important aspect of BSP's approach to shareholder communication is to comply with the continuous disclosure regime and to implement a best practice disclosure policy.

The Board has delegated the responsibility of reviewing and approving market announcements to the Disclosure Committee (DC). The Disclosure Committee has a process for review and approval of market announcements to the respective exchanges for release to market.

After confirmation of release to the market, all market announcements are immediately posted to BSP's website. As at 31 December 2024, all market announcements made by BSP since 2018 are currently available on the website.[2] Where BSP provides financial results' briefings to analysts or the media, these briefings are published on the BSP 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.

BSP'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 Securities Dealing Policy.[3]

COMMITMENT TO SHAREHOLDERS

BSP commits to dealing fairly, transparently and openly with both current and prospective Shareholders using available channels and technologies to communicate widely and promptly. Information about the Company including an overview, our history, Board and Management are available on the website. Our website also contains information on corporate governance including all of BSP's charters and policies.

BSP is dedicated to facilitating participation in Shareholder meetings and dealing promptly with shareholder enquiries. Our Shareholder Communications Policy focuses on compliance with disclosure obligations, whilst aspiring to be at the forefront of best practice in disclosure. Our approach for communicating with Shareholders is to communicate concisely and accurately:

- the BSP strategy;
- how we implement that strategy; and
- the financial results consequent upon our strategy and its implementation.

To facilitate effective communication between BSP, its shareholders, potential investors, analysts and other financial markets participants, BSP conducts periodic market briefings which include half and full year results announcements. BSP also hosts events and attends conferences and forums regularly. Stakeholders are given access to BSP Directors and Senior Management at these events and any presentation material provided at these events are released as announcements to the market prior to commencement and subsequently uploaded to BSP's website.

The Company's Annual General Meeting is another shareholder forum used to communicate financial performance and strategies, in line with disclosure policies. BSP gives great consideration to its shareholders, and hosts its Annual General Meeting at a central location that is accessible and can cater for large audiences. Significant effort is made to ensure shareholders can participate and a meeting guide with sufficient information on how to join, vote and participate accompanies the notice of meeting.

It is noted that the thresholds at which shareholders may demand a poll are low and provide assurance to shareholders wishing to invoke the "one security one vote" principle and wishing to have substantial resolutions decided by a poll.

BSP gives Shareholders the option to send and receive communications from BSP and its share registries electronically. In recent years, we have increased efforts to go paperless and continue to encourage shareholders to provide email addresses by which they can receive digital copies of all shareholder communications.

COMPLIANCE WITH ASX AND PNGX CORPORATE GOVERNANCE RECOMMENDATIONS

This statement has been approved by the Board of BSP Financial Group Limited and is current as at 31 December 2024. BSP's Appendix 4G (a checklist that cross references the disclosures in this Statement to the ASX Corporate Governance Principles and Recommendations) is available in the Corporate Governance section of the BSP website.

Before publication of BSP's 2024 Annual Report, the Board received a joint declaration from the GCEO and the GCFO that:

- In their opinion the financial records of BSP have been properly maintained in accordance with regulatory requirements; and
- In their opinion the financial statements and notes comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Group.

Their opinion was formed based on a sound system of risk management and internal controls, which is operating effectively.

BSP does not comply with ASX Recommendation 6.4 because to do so would be contrary to the requirements of the PNG *Companies Act 1997*. The PNG *Companies Act 1997* provides, in summary as follows:

- Section 105 and Schedule 2 of the *Companies Act 1997* requires voting at a meeting of shareholders to be by voice or show of hands (as determined by the Chairman), unless a poll is demanded;
- A poll may be determined at a meeting of shareholders by not less than five shareholders entitled to vote at the meeting or by shareholders representing not less than 10% of the total voting rights of all shareholders entitled to vote at the meeting.

1. The Continuous Disclosure Policy is available at bsp-com-pg-agfud6dwcvh6hae9.a01.azurefd.net/uploads/2025/03/Continuous-Disclosure-Policy.pdf
2. Market announcements are available at bsp.com.pg/about/investors/market-announcements/
3. The Securities Dealing Policy is available at bsp-com-pg-agfud6dwcvh6hae9.a01.azurefd.net/uploads/2025/03/Securities-Dealing-Policy.pdf

REMUNERATION REPORT

For the Year Ended 31 December 2024

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

I am delighted to present the 2024 Remuneration Report for BSP Financial Group Limited (BSP) on behalf of the Remuneration and Nominations Committee (RNC) and the Board.

The Report focuses on the remuneration structure and outcomes for our Key Management Personnel (KMP) for BSP, which includes Non-Executive Directors and Group Executives. Group Executives are BSP employees who have the authority and responsibility to plan, direct, and oversee BSP's operations.

Our Remuneration Strategy

At BSP, we view our people as our most important asset. The objective of our remuneration strategy is to ensure that we can attract and retain talented employees by offering market competitive remuneration, with variable remuneration outcomes aligned with the financial performance of BSP. Section 4 of this Report provides a detailed overview of our fixed and variable remuneration structure, including any additional benefits.

Governance is a fundamental part of our remuneration culture, with the Board approving any executive remuneration packages that are endorsed by the RNC in accordance within BSP remuneration guidelines. Further information on our governance framework can be found in Section 7 of this Report.

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 plans. Further information on our approach to Non-Executive Director remuneration can be found in Section 8 of this Report.

Short Term Incentive (STI) Outcomes in 2024

All BSP Group employees are eligible to receive performance-based short-term incentives in line with approved comprehensive operational and financial key performance indicators (KPIs) of the STI, plan as outlined in Section 5.1 of this Report.

Long Term Incentive (LTI) Outcomes in FY2024

For the 2023–2024 LTI, the Earnings per Share (EPS) performance measure was not met. Assessment of the LTI targets excluded the K95m settlement with the Internal Revenue Commission (IRC) in relation to the Additional Company Tax (ACT) levied in 2022. This is consistent with the exclusion of the ACT of K190 million levied in 2022 in calculating the EPS performance in 2022 for the 2021–22 LTI. The Board however exercised its discretion and approved vesting at 100% for the 2023–2024 plan in acknowledgement of the strong operating performance of the Bank in 2024, including the execution of the Modernising for Growth program.

Further details about the LTI plan structure, including payment outcomes for KMP roles can be found in Section 5.2 of this report.

I hope you find this Remuneration Report informative. On behalf of the Remuneration and Nomination Committee I would also like to thank you for your support as a BSP shareholder.

Faamausili Dr. Matagialofi Lua'iufi
Chair BSP Board Remuneration
and Nominations Committee

3.0 Key Management Personnel

In 2024, 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.

In August 2024, BSP undertook a reorganisation to enhance our leadership capability and optimise talent as part of career progression to drive innovation and success into the future.

Name	Position	KMP Term
Board Members		
Robert George Bradshaw	Chairman	Full year
Symon G. Brewis-Weston	Director	Full year
Faamausili Dr. Matagialofi Lua'iufi	Director	Full year
Stuart A. Davis	Director	Full year
Priscilla Kevin	Director	Full year
Frank D. Bouraga	Director	Full year
Patricia F. Taureka-Seruvatu	Director	Full year
Ian A. Tarutia	Director	Full year
Stephen C. Beach[1]	Director	Part year
Arthur Sam[2]	Director	Part year
Executives		
Mark T. Robinson	Group Chief Executive Officer	Full year
Ronesh Dayal[3]	Group General Manager Retail Banking	Full year
Nuni Kulu	Group Chief Operating Officer	Full year
Michael Hallinan[4]	Group Chief Risk Officer	Full year
Peter Beswick[5]	Deputy Group Chief Executive Officer	Full year
Rohan George	Group General Manager Treasury & Markets	Full year
Hari Rabura[6]	Group General Manager Corporate Affairs & Community	Full year
Daniel Faunt[7]	Group General Manager Corporate Banking	Full Year
Vandhna Narayan[8]	Group Chief Compliance Officer & Company Secretary	Full Year
Richard Nicholls	Group Chief Information Officer	Full year
Maryann Lameko-Vaai[9]	Acting Group Chief Financial Officer	Full Year
Paul Black[10]	Group General Manager Pacific Markets	Part year
Laurentia Laracy[11]	Company Secretary	Part year

1. Stephen C. Beach, appointed 8 March 2024.
2. Arthur Sam, resigned 21 February 2024.
3. Ronesh Dayal, appointed 19 August 2024, having previously served as the Group Chief Financial Officer.
4. Michael Hallinan, appointed 27 March 2023 contracted to serve as Group Chief Risk Officer.
5. Peter Beswick, appointed 19 August 2024, having previously served as the Group General Manager Corporate Banking.
6. Hari Rabura, appointed 19 August 2024, having previously served as the Group General Manager People & Culture.
7. Daniel Faunt, appointed 19 August 2024, having previously served as the Group General Manager Retail Banking.
8. Vandhna Narayan, appointed 19 October 2024 as Company Secretary in addition to her role as the Group Chief Compliance Officer.
9. Maryann Lameko-Vaai, appointed 19 August 2024, having previously served as the General Manager Pacific Markets.
10. Paul Black, appointed 19 August 2024.
11. Laurentia Laracy, appointed 15 May 2024 and resigned 18 October 2024.

REMUNERATION REPORT CONTINUED

For the Year Ended 31 December 2024

4.0 Executive Remuneration Framework

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

Executives	Year	Salary	Short-term incentive	Value of benefits	Long-term incentive	Leave encash-ment	Total
Mark T Robinson *Group Chief Executive Officer*	2024	4,316	3,828	44	1,351	–	9,539
	2023	3,090	2,686	38	–	–	5,814
Ronesh Dayal *Group General Manager Retail*	2024	1,616	811	169	487	162	3,245
	2023	1,497	354	159	233	–	2,243
Michael Hallinan *Group Chief Risk Officer*	2024	1,602	413	–	–	–	2,015
	2023	1,096	263	–	–	–	1,359
Peter Beswick *Deputy Group Chief Executive Officer*	2024	1,645	702	115	527	–	2,989
	2023	1,361	349	114	233	–	2,057
Rohan George *Group General Manager Treasury & Markets*	2024	1,183	683	59	410	75	2,410
	2023	1,250	301	59	196	–	1,806
Hari Rabura *Group General Manager Corporate Affairs & Community*	2024	1,071	215	162	323	71	1,842
	2023	1,001	224	164	154	–	1,543
Daniel Faunt *Group General Manager Corporate Banking*	2024	1,616	568	217	487	–	2,888
	2023	1,361	303	204	233	–	2,101
Vandhna Narayan *Group Chief Compliance Officer & Company Secretary*	2024	1,415	748	33	449	–	2,645
	2023	1,127	303	33	202	–	1,665
Richard Nicholls *Group Chief Information Officer*	2024	1,476	296	226	444	–	2,442
	2023	1,219	292	52	213	–	1,776
Nuni Kulu *Group Chief Operating Officer*	2024	1,301	588	119	392	48	2,448
	2023	1,090	286	119	188	–	1,683
Maryann Lameko-Vaai *Acting Group Chief Financial Officer*	2024	1,271	383	179	383	–	2,216
	2023	1,078	303	156	183	–	1,720
Laurentia Laracy *Company Secretary*	2024	709	–	14	–	46	769
	2023	–	–	–	–	–	–
Paul Black *Group General Manager Pacific Markets*	2024	1,226	503	107	378	76	2,290
	2023	–	–	–	–	–	–

- 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.
- The Short Term Incentive represents the total award under the 2024 plan with 50% of the award paid in March 2025 and the remaining 50% deferred for 12 months.

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, and for 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

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 rewards employees for performance and is paid in March the following year after annual accounts are released.

BSP reviewed its Short Term Incentive structure against market practice in the banking sector. As a result of the review, effective for the FY24 plan, the maximum opportunity as a percentage of base salary increased from 30% to 50% for Senior Executives. BSP has introduced STI deferral whereby 50% of the actual payment made is deferred for a period of 12 months. If an executive resigns or is terminated for poor performance prior to the end of the 12 month period, the deferred component is forfeited. If an executive separates for reason of redundancy, genuine age related retirement, or Death or Total & Permanent Disablement, they will remain eligible for the deferral payment.

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

i. Net Profit After Tax (NPAT) budget,

ii. Individual Strategic Business Unit (SBU) performance including achieving SBU budget,

iii. Implementation of critical strategic imperatives,

iv. Important SBU performance matrices, and specific individual KPIs such as promoting vision and values, staff training, customer survey outcomes and staff engagement survey feedback.

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

BSP's LTI plan is designed to align executive compensation to shareholder interests and to reward Executives, 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 LTI assists in the recruitment, retention and motivation of Executives, Senior Managers and Critical and High Performing employees of the BSP Group. The LTI is a two (2) year performance based plan which commences on 1 January and ends on 31 December of the second year.

BSP reviewed its Long Term Incentive structure against market practice in the banking sector. As a result of the review, the award as a percentage of base salary for the 2025 LTI plan increased from 30% to 55% for the GCEO and for other senior executives a mix of 30% to 40% of fixed remuneration.

Key features of the FY2025 LTI, performance period 1 January 2024 to 31 December 2025, includes:

i. Group Earnings Per Share (EPS) performance determines the quantity of Performance Rights that will vest per the table below.

ii. The vesting period is two years' based on BSP's financial year cycle.

iii. Any Performance Rights that vest are fully settled in cash and subject to taxation. The LTI plan does not confer any right to a BSP share or dividend for plan participants.

iv. The value of each cash based Performance Right granted is determined by reference to a volume weighted average share price on the PNGX at the start of the plan period. Any Performance Rights that vest, subject to EPS performance, reflect a volume weighted average share price at the end of the performance period.

REMUNERATION REPORT CONTINUED

For the Year Ended 31 December 2024

4.4 Long Term Incentive (LTI) Plan *(continued)*

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

Participants are personally responsible for any income tax liability in respect of payments made under the LTI plan. If a participant separates from BSP prior to plan vesting for reasons of Genuine Age Related Retirement, Redundancy, Death or Total & Permanent Disablement, any vesting awards would be made after Board approval of the plan outcome, incorporating a pro-rata treatment for time employed during the plan performance period. If a participant resigns, or their employment is terminated on disciplinary grounds prior to the LTI payment, they are ineligible for any payment under the plan.

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)

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.

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 and reward outcomes – Variable Remuneration

The Group's policy is to pay any executive STI and LTI outcomes subsequent to the full audit of the financial statements. Reward outcomes are detailed in Section 5.1 and 5.2 respectively.

5.1 Short Term Incentive (STI) Outcomes

The Group's financial performance is summarised 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. STI outcomes in 2024 were based on NPAT achievement, in addition to other group, divisional and individual performance measures.

5.1 Short Term Incentive (STI) Outcome *(continued)*

	FY20	FY21	FY22	FY23	FY24
Net Profit After Tax (K'000)	806,218	1,075,218	1,135,538[1]	1,099,215[2]	942,111[3]
Earnings per Share (toea)	172.6	230.1	231.4	235.3	201.6
Cost to income ratio	37.4%	37.5%	38.1%	38.5%	42.5%

The table below shows the STI outcomes for FY24.

Name	Title	STI Awarded *K'000*	STI as % of Gross Base	Maximum STI *K'000*	Actual STI % of Maximum STI
Mark T. Robinson	Group Chief Executive Officer	3,828	85%	3,828	100%
Peter Beswick	Deputy Group Chief Executive Officer	702	40%	878	80%
Maryann Lameko-Vaai	Acting Group Chief Financial Officer	383	30%	638	60%
Nuni Kulu	Group Chief Operating Officer	588	45%	653	90%
Ronesh Dayal	Group General Manager Retail	811	50%	811	100%
Vandhna Narayan	Group Chief Compliance Officer	748	50%	748	100%
Rohan George	Group General Manager Treasury & Markets	683	50%	683	100%
Hari Rabura	Group General Manager Corporate Affairs & Community	215	20%	538	40%
Daniel Faunt	Group General Manager Corporate Banking	568	35%	811	70%
Richard Nicholls	Group Chief Information Officer	296	20%	741	40%
Paul Black	Group General Manager Pacific Markets	503	40%	629	80%
Michael Hallinan	Group Chief Risk Officer	413	30%	689	60%

5.2 2024 LTI Outcomes

The 2024 LTI reward matrix was approved in November 2022. The plan 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 LTI rights is subject to achievement of the target EPS for 2024, which is calculated using the 2024 Group NPAT budget as the baseline with payments based on specified percentages of maximum rights, if 2024 EPS outcome is within the payment band as detailed in the table below.

2022 Hurdles on EPS	EPS target to achieve	Target NPAT *K'm*	Percentage of Performance rights to exercise
107.5%>	252.2	1,178.3	150%
102.5%>	240.47	1,123.5	100%
97.5%>	228.74	1,068.7	50%

	FY20	FY21	FY22	FY23	FY24
LTI vesting (%)	100%	0%	150%	50%	100%

1. Underlying NPAT on which STI was assessed, excludes one-off tax credits of K135 million and K190 million Additional Company Tax expense. Further, the above excludes K4.0 million credit, reflecting the modified retrospective transition to the new accounting standard IFRS 17 (Insurance contracts), which came into effect on 1 January 2023.
2. Underlying NPAT on which STI was assessed, excludes a tax expense of K209 million as a consequence of the change in corporate income tax rate from 30% to 45%.
3. Underlying NPAT on which STI was assessed, excludes of K95 million being the settlement of the additional company tax with the government, consistent with the treatment in FY22 when the tax was levied.

REMUNERATION REPORT CONTINUED

For the Year Ended 31 December 2024

5.2 2024 LTI Outcomes *(continued)*

LTI outcomes were calculated based on Group profits of K942 million[1] and EPS was recorded at 201.64 toea, below the EPS and NPAT hurdles set by the Board. The Board however exercised its discretion and approved vesting at 100% for the 2023–2024 plan in acknowledgement of the strong operating performance of the Group in 2024, including the execution of the Modernising for Growth program.

The table below shows the LTI outcomes for FY24.

Name	Title	LTI Awarded *K'000*	LTI as % of Gross Base
Mark T. Robinson	Group Chief Executive Officer	1,351	30%
Peter Beswick	Deputy Group Chief Executive Officer	527	30%
Maryann Lameko-Vaai	Acting Group Chief Financial Officer	383	30%
Nuni Kulu	Group Chief Operating Officer	392	30%
Ronesh Dayal	Group General Manager Retail	487	30%
Vandhna Narayan	Group Chief Compliance Officer	449	30%
Rohan George	Group General Manager Treasury & Markets	410	30%
Hari Rabura	Group General Manager Corporate Affairs & Community	323	30%
Daniel Faunt	Group General Manager Corporate Banking	487	30%
Richard Nicholls	Group Chief Information Officer	444	30%
Paul Black	Group General Manager Pacific Markets	378	30%
Michael Hallinan	Group Chief Risk Officer	–	–

6.0 Employment Agreements

KMP Contracts

Contracts for Senior Management and Executives are for a three year term. Initial contracts are open ended and subject to 3 months notice 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 which has a six month notice period.

7.0 Remuneration Policy and Governance 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:

i. Business results, including performance against strategic objectives and metrics in the Group's risk assessment/position and compliance with AML/CTF regulations;

ii. Performance against the Group's strategic objectives;

iii. Adherence to the Group's values, business principles, Group-risk related policies and procedures and international standards;

iv. Individual performance; and

v. Local market position and practice.

The above key features of the remuneration framework enables 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 the 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 the 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 PGK6.0 million approved at the May 2023 Annual General Meeting effective 1 January 2024. Total payments to directors for the 2024 financial year within the fee pool were as follows.

All amounts are expressed in K'000

Name of Director	Base Fee	Chair-person	BACC Fee	BRC Fee	RNC Fee	Bank Total	Sub. Fees	Total Fees
Robert George Bradshaw	–	943	–	–	–	943	–	**943**
Symon G. Brewis-Weston	472	–	–	26	26	524	–	**524**
Faamausili Dr. Matagialofi Lua'iufi	472	–	–	–	39	511	120	**631**
Stuart A. Davis	472	–	26	39	–	537	–	**537**
Priscilla Kevin	472	–	–	26	–	498	9	**507**
Frank D. Bouraga	472	–	33	14	–	518	3	**522**
Patricia F. Taureka-Seruvatu	472	–	–	26	20	518	–	**518**
Ian A. Tarutia	472	–	28	25	–	524	–	**525**
Stephen C. Beach	344	–	28	28	–	399	–	**400**
Arthur Sam	128	–	–	–	–	128	–	**128**
Total	**3,776**	**943**	**114**	**184**	**86**	**5,100**	**133**	**5,233**

1. For LTI outcome calculations, the NPAT of K1.04 billion was adjusted to exclude K95 million settlement of the Additional Company Tax.

FINANCIAL STATEMENTS

31 December 2024

BSP Financial Group Limited *and subsidiaries*

ARBN 649 704 656

58 FINANCIAL STATEMENTS

60 Directors' Report
62 Statements of Comprehensive Income
63 Statements of Financial Position
64 Statements of Changes in Shareholders' Equity
65 Statements of Cash Flows

66 NOTES TO THE FINANCIAL STATEMENTS

66 1. Financial Statements Preparation

69 Financial Performance

69 2. Segment Reporting
70 3. Net Interest Income
71 4. Non-Interest Income
72 5. Operating Expenses
73 6. Impairment of Financial Assets
74 7. Income Tax
76 8. Earnings per Ordinary Share
76 9. Reconciliation of Operating Cash Flow

77 Financial Instruments: Financial Assets

79 10. Cash and Operating Balances with Central Banks
79 11. Amounts Due from Other Banks
79 12. Treasury and Central Bank Bills
80 13. Cash Reserve Requirement with Central Banks
80 14. Other Financial Assets
81 15. Loans and Receivables from Customers
86 16. Other Assets

87 Financial Instruments: Financial Liabilities

88 17. Amounts Due to Other Banks
88 18. Customer Deposits
88 19. Other Liabilities
89 20. Contingent Liabilities and Commitments

90 Risk Management

90 21. Risk Management Framework and Controls
90 22. Credit Risk and Asset Quality
99 23. Liquidity Risk
101 24. Operational Risk
101 25. Foreign Exchange Risk
103 26. Interest Rate Risk
105 27. Fair Values of Financial and Non-Financial Assets and Liabilities

107 Capital and Dividends

107 28. Ordinary Shares
107 29. Retained Earnings and Other Reserves
109 30. Capital Adequacy

110 Group Structure

110 31. Insurance
122 32. Investment in Subsidiaries
123 33. Investment in Joint Ventures

124 Other

124 34. Fiduciary Activities
124 35. Related Party Transactions
125 36. Directors and Executive Remuneration
127 37. Events Occurring After Balance Sheet Date
128 38. Amalgamation of BSP Finance PNG Limited
128 39. Asset held for sale
128 40. Remuneration of Auditor

129 INDEPENDENT AUDITOR'S REPORT

DIRECTORS' REPORT

For the Year Ended 31 December 2024

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 2024. 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 Stock 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, Vanuatu, Fiji, Samoa, Tonga, Cook Islands, Cambodia and Laos. 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 2024, the Group's profit after tax was K1,037.711 million (2023: K890.215 million). The Bank's profit after tax was K1,035.662 million (2023: K800.826 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. For the 2024 financial year, the Directors affirm that, to the best of their knowledge, BSP Financial Group has not participated in any activities that violate laws and regulations.

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 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 K712.684 million were paid in 2024 (2023: K831.813 million) to shareholders. A detailed breakup of this is provided in note 28.

Outside Interests and Conflicts

The Directors confirm that all significant interests in contracts related to the Group were disclosed, and they abstained from voting on matters in which they had an interest.

Shareholders Engagement

BSP Financial Group Limited is committed to providing fair and equitable treatment to all shareholders and offers various channels for accessing information about the Group's operations. The Directors affirm that the Group has taken all necessary steps to ensure fair and equitable treatment of all shareholders, implementing procedures that protect shareholder rights and remove barriers to exercising those rights.

Internal Controls Effectiveness

The Directors confirm that they have assessed the effectiveness of the internal controls and risk management processes and consider them to be suitable.

Engagement with Traditional Landowners

The success of BSP Financial Group greatly depends on fostering and sustaining strong, supportive relationships with communities and organisations affected by our decisions. We actively engage with these communities through our donations, community projects and sponsorships. This collaboration with external partners on projects across various sectors helps provide community benefits and promote sustainable development in Papua New Guinea and the Asia Pacific region.

Directors and officers

The following were directors of the BSP Financial Group Limited at 31 December 2024:

Mr Robert G. Bradshaw
Mr Mark T. Robinson
Mr Frank D. Bouraga
Mr Symon G. Brewis-Weston
Mr Ian A. Tarutia
Mrs Patricia F. Taureka-Seruvatu
Mr Stuart A. Davis
Ms Priscilla Kevin
Dr Matagialofi Lua'iufi
Mr Stephen C. Beach

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 Mark T. Robinson was the only executive director.

The company secretary is Vandhna Narayan, appointment effective on 19th of October 2024.

Independent auditor's report

The financial statements have been audited and should be read in conjunction with the independent auditor's report on page 129. Details of amounts paid to the auditors for audit and other services are shown in Note 40 of the Notes to the Financial Statements.

Donations and sponsorships

Donations and sponsorship by the Group during the year amounted to K17.349 million (2023: K7.577 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 19th day of February 2025.

Mr Robert G. Bradshaw
Chairman

Mr Mark T. Robinson
Group Chief Executive Officer
and Managing Director

STATEMENTS OF COMPREHENSIVE INCOME

For the Year Ended 31 December 2024

		Consolidated		Bank	
All amounts are expressed in K'000	**Note**	**2024**	**2023**	**2024**	**2023**
Interest income	3	2,091,750	1,962,928	1,965,706	1,849,145
Interest expense	3	(127,251)	(118,097)	(119,933)	(110,447)
Net interest income		**1,964,499**	**1,844,831**	**1,845,773**	**1,738,698**
Net fee and commission income	4	386,581	353,900	357,221	323,249
Other income	4	570,252	488,719	600,448	469,894
Net insurance operating income	31	57,757	61,236	–	–
Net operating income before impairment and operating expenses		**2,979,089**	**2,748,686**	**2,803,442**	**2,531,841**
Impairment of financial assets	6	18,212	(182,195)	41,605	(165,562)
Operating expenses	5	(1,267,271)	(1,013,098)	(1,149,376)	(940,008)
Additional company tax settlement	7	95,000	–	95,000	–
Profit before income tax		**1,825,030**	**1,553,393**	**1,790,671**	**1,426,271**
Income tax expense	7	(787,319)	(663,178)	(755,009)	(625,445)
Net profit for the year attributable to parent		**1,037,711**	**890,215**	**1,035,662**	**800,826**
Other comprehensive income					
Items that may be subsequently reclassified to profit or loss:					
Translation of financial information of foreign operations to presentation currency	29	38,519	94,112	24,757	48,551
Items that will not be reclassified to profit or loss:					
Recognition of deferred tax on asset revaluation reserve movement	29	748	615	748	615
Net movement in asset revaluation reserve	29	(2,764)	38,349	503	28,048
Other comprehensive income, net of tax		**36,503**	**133,076**	**26,008**	**77,214**
Total comprehensive income for the year attributable to parent		**1,074,214**	**1,023,291**	**1,061,670**	**878,040**
Earnings per share – basic and diluted (toea)	8	**222.1**	**190.5**	**221.7**	**171.4**

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.

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2024

		Consolidated		Bank	
All amounts are expressed in K'000	**Note**	**2024**	**2023**	**2024**	**2023**
ASSETS					
Cash and operating balances with Central Banks	10	3,361,616	3,306,085	2,597,827	2,430,613
Amounts due from other banks	11	1,874,178	1,779,677	1,549,526	1,595,587
Treasury and Central Bank Bills	12	2,517,652	3,803,598	2,438,643	3,768,110
Cash reserve requirement with Central Banks	13	3,255,374	2,841,812	3,102,136	2,699,236
Other financial assets	14	7,157,971	6,373,451	6,471,226	5,741,162
Loans and receivables from customers	15	16,269,841	16,013,022	15,123,011	14,802,133
Asset held for sale	39	14,544	–	–	–
Property, plant and equipment		1,046,624	1,034,741	754,156	765,075
Aircraft subject to operating lease		30,006	32,387	30,006	32,387
Investment in subsidiaries	32	–	–	393,833	390,635
Deferred tax assets	7	257,517	329,288	252,205	323,233
Other assets	16	1,338,028	1,437,226	547,959	680,138
Total assets		**37,123,351**	**36,951,287**	**33,260,528**	**33,228,309**
LIABILITIES					
Amounts due to other banks	17	260,198	363,665	657,738	604,785
Customer deposits	18	29,082,961	29,835,111	27,055,110	27,911,977
Insurance contract liabilities	31	1,437,650	1,249,512	–	–
Other liabilities	19	1,630,971	1,197,889	1,493,313	1,072,358
Deferred tax liabilities	7	58,505	61,780	–	–
Total liabilities		**32,470,285**	**32,707,957**	**29,206,161**	**29,589,120**
SHAREHOLDERS' EQUITY					
Ordinary shares	28	372,110	372,110	372,110	372,110
Retained earnings	29	3,732,584	3,415,689	3,330,765	2,963,899
Other reserves	29	513,638	454,830	351,492	303,180
Equity attributable to the members of the company		**4,618,332**	**4,242,629**	**4,054,367**	**3,639,189**
Minority interests	32	34,734	701	–	–
Total shareholders' equity		**4,653,066**	**4,243,330**	**4,054,367**	**3,639,189**
Total equity and liabilities		**37,123,351**	**36,951,287**	**33,260,528**	**33,228,309**

The attached notes form an integral part of these financial statements.

Mr Robert G. Bradshaw
Chairman

Mr Mark T. Robinson
Group Chief Executive Officer
and Managing Director

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the Year Ended 31 December 2024

All amounts are expressed in K'000	Note	Share capital	Reserves	Retained earnings	Minority interests	Total
GROUP						
Balance as at 1 January 2023		**372,110**	**319,881**	**3,359,184**	**727**	**4,051,902**
Net profit		–	–	890,215	–	890,215
Other comprehensive income		–	133,076	–	–	133,076
Total comprehensive income		**–**	**133,076**	**890,215**	**–**	**1,023,291**
Dividends paid during the year	28	–	–	(831,616)	(197)	(831,813)
Gain attributable to minority interests		–	–	(171)	171	–
Total transactions with owners		**–**	**–**	**(831,787)**	**(26)**	**(831,813)**
Transfer from asset revaluation reserve	29	–	(1,632)	1,632	–	–
Others		–	1,053	(1,103)	–	(50)
BSP Life policy reserve	29	–	2,452	(2,452)	–	–
Balance at 31 December 2023		**372,110**	**454,830**	**3,415,689**	**701**	**4,243,330**
Net profit		–	–	1,037,711	–	1,037,711
Other comprehensive income		–	36,503	–	–	36,503
Total comprehensive income		**–**	**36,503**	**1,037,711**	**–**	**1,074,214**
Dividends paid during the year	28	–	–	(712,684)	(269)	(712,953)
Minority interest capital	32	–	–	–	33,918	33,918
Gain attributable to minority interests		–	–	(384)	384	–
Total transactions with owners		**–**	**–**	**(713,068)**	**34,033**	**(679,035)**
Transfer from asset revaluation reserve	29	–	(1,746)	1,746	–	–
Others	29	–	(4)	–	–	(4)
Asset revaluation reserve tax effect change		–	14,561	–	–	14,561
BSP Life policy reserve	29	–	9,494	(9,494)	–	–
Balance at 31 December 2024		**372,110**	**513,638**	**3,732,584**	**34,734**	**4,653,066**
BANK						
Balance as at 1 January 2023		**372,110**	**224,976**	**2,991,169**	**–**	**3,588,255**
Net profit		–	–	800,826	–	800,826
Other comprehensive income		–	77,214	–	–	77,214
Total comprehensive income		**–**	**77,214**	**800,826**	**–**	**878,040**
Dividends paid during the year	28	–	–	(827,106)	–	(827,106)
Total transactions with owners		**–**	**–**	**(827,106)**	**–**	**(827,106)**
Transfer from asset revaluation reserve	29	–	(1,462)	1,462	–	–
BSP Life policy reserve	29	–	2,452	(2,452)	–	–
Balance at 31 December 2023		**372,110**	**303,180**	**2,963,899**	**–**	**3,639,189**
Net profit		–	–	1,035,662	–	1,035,662
Other comprehensive income		–	26,008	–	–	26,008
Total comprehensive income		**–**	**26,008**	**1,035,662**	**–**	**1,061,670**
Dividends paid during the year	28	–	–	(705,521)	–	(705,521)
Total transactions with owners		**–**	**–**	**(705,521)**	**–**	**(705,521)**
Transfer from asset revaluation reserve	29	–	(1,751)	1,751	–	–
Asset revaluation reserve tax effect change		–	14,561	–	–	14,561
Gain on amalgamation	38	–	–	44,468	–	44,468
BSP Life policy reserve	29	–	9,494	(9,494)	–	–
Balance at 31 December 2024		**372,110**	**351,492**	**3,330,765**	**–**	**4,054,367**

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

STATEMENTS OF CASH FLOWS

For the Year Ended 31 December 2024

		Consolidated		Bank	
All amounts are expressed in K'000	Note	2024	2023	2024	2023
CASH FLOW FROM OPERATING ACTIVITIES					
Interest received		2,081,110	1,811,037	1,953,510	1,737,885
Fees and other income		888,874	950,266	955,217	884,782
Interest paid		(104,865)	(125,932)	(113,178)	(91,395)
Insurance premiums received		304,551	266,148	–	–
Claims, surrenders and maturity payments		(173,358)	(166,366)	–	–
Additional company tax settlement	7	95,000	–	95,000	–
Amounts paid to suppliers and employees		(1,154,076)	(1,160,925)	(976,970)	(1,119,853)
Operating cash flow before changes in operating assets and liabilities	9	**1,937,236**	**1,574,228**	**1,913,579**	**1,411,419**
Net (increase)/decrease in:					
Loans and receivables from customers		(12,788)	(1,443,252)	(105,913)	(1,501,138)
Cash reserve requirements with the Central Banks		(404,779)	(290,437)	(397,924)	(255,308)
Bills receivable and other assets		57,205	(170,641)	95,267	(75,588)
Net increase/(decrease) in:					
Customer deposits		(887,244)	2,450,609	(935,175)	2,388,419
Bills payable and other liabilities		452,703	336,869	301,593	244,222
Net cash flow from operations before income tax		**1,142,333**	**2,457,376**	**871,427**	**2,212,026**
Income taxes paid	7	(653,668)	(705,969)	(629,430)	(677,287)
Net cash flow from operating activities		**488,665**	**1,751,407**	**241,997**	**1,534,739**
CASH FLOW FROM INVESTING ACTIVITIES					
Proceeds from government securities		12,011,165	11,638,082	11,364,057	11,371,850
Purchases of government securities		(11,482,109)	(12,846,075)	(10,749,364)	(12,565,005)
Expenditure on property, plant and equipment		(135,381)	(74,798)	(140,053)	(39,289)
Expenditure on software development costs		(15,885)	(82,549)	(15,885)	(81,848)
Proceeds from disposal of assets		2,518	1,513	34,818	1,493
Net cash flow from/(used) in investing activities		**380,308**	**(1,363,827)**	**493,573**	**(1,312,799)**
CASH FLOW FROM FINANCING ACTIVITIES					
Dividends paid	28	(712,953)	(831,813)	(705,521)	(827,106)
Payment of interest on borrowings		–	(246,479)	–	(246,479)
Repayment of principal on borrowings		–	(9,533)	–	(9,533)
Sale of minority interest in subsidiary	32	33,918	–	–	–
Net cash flow used in financing activities		**(679,035)**	**(1,087,825)**	**(705,521)**	**(1,083,118)**
Net increase/(decrease) in cash and cash equivalents		**189,938**	**(700,245)**	**30,049**	**(861,178)**
Exchange rate movements on cash and cash equivalents		63,561	194,998	38,151	105,233
Cash and cash equivalents at the beginning of the year		4,722,097	5,227,344	3,421,415	4,177,360
Cash and Cash Equivalents at the end of the year	9	**4,975,596**	**4,722,097**	**3,489,615**	**3,421,415**

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.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2024

1. Financial Statements Preparation

The material 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 Material 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 2024

The following standards, amendments and interpretations to existing standards became applicable for the first time during the accounting period ended 31 December 2024.

- Amendment to IAS 1 – Non-current liabilities with covenants. These amendments clarify how conditions which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these amendments.
- Amendment to IFRS 16 – Leases on sale and leaseback. 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 7 and IFRS 7 – Supplier finance. These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.

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 2024 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 2025 or later periods, but the entity has not early adopted them:

- Amendments to IAS 21 – Lack of Exchangeability (effective 1 January 2025 – early adoption is available). An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations.
- Amendment to IFRS 9 and IFRS 7 – Classification and Measurement of Financial Instruments (effective 1 January 2026 – early adoption is available).

  These amendments:

  - clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system;
  - clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion;
  - add new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement of environment, social and governance (ESG) targets); and
  - make updates to the disclosures for equity instruments designated at Fair Value through Other Comprehensive Income (FVOCI).

1. Financial Statements Preparation *(continued)*

- Annual improvements to IFRS – Volume 11 (effective 1 January 2026 – with earlier application permitted). Annual improvements are limited to changes that either clarify the wording in an Accounting Standard or correct relatively minor unintended consequences, oversights or conflicts between the requirements in the Accounting Standards. The 2024 amendments are to the following standards:
  - IFRS 1 First-time Adoption of International Financial Reporting Standards;
  - IFRS 7 Financial Instruments: Disclosures and its accompanying Guidance on implementing IFRS 7;
  - IFRS 9 Financial Instruments;
  - IFRS 10 Consolidated Financial Statements; and
  - IAS 7 Statement of Cash Flows.
- IFRS 18 Presentation and Disclosure in Financial Statements (effective 1 January 2027). This is the new standard on presentation and disclosure in financial statements, with a focus on updates to the statement of profit or loss. The key new concepts introduced in IFRS 18 relate to:
  - the structure of the statement of profit or loss;
  - required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management-defined performance measures); and
  - enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general.

The Group continues to assess the impact of adopting Standards, amendments and interpretations issued but not yet effective for the year ended 31 December 2024.

New IFRS sustainability disclosure standards effective after 1 January 2025

- IFRS S1, 'General requirements for disclosure of sustainability-related financial information (effective 1 January 2027 – This is subject to endorsement by the Accounting Standards Board of PNG). This standard includes the core framework for the disclosure of material information about sustainability-related risks and opportunities across an entity's value chain.
- IFRS S2, 'Climate-related disclosures' (effective 1 January 2027 – This is subject to endorsement by the Accounting Standards Board of PNG). This is the first thematic standard issued that sets out requirements for entities to disclose information about climate-related risks and opportunities.

B. Consolidation

The Financial Statements incorporate the assets and liabilities of all controlled entities of the Group as at 31 December 2024, 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.

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

- consideration transferred is measured at the 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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Year Ended 31 December 2024

1. Financial Statements Preparation *(continued)*

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; and
- 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, and note 22 setting out the key sensitivities of the ECL 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.

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, Solomon Islands, Vanuatu, Fiji, Samoa, Tonga, Cook Islands, Cambodia and Laos. Inter segment adjustments reflect elimination entries in respect of inter segment income and expense allocations including funds transfer pricing.

Consolidated *All amounts are expressed in K'000*	**PNG Bank**	**Pacific Markets**	**Non-Bank Entities**	**Adjust Inter Segments**	**Total**
Analysis by segments					
Year ended 31 December 2024					
Net interest income	1,557,811	368,326	36,683	1,679	1,964,499
Net fee, commission and other income	378,014	124,497	6,376	(112,628)	396,259
Foreign exchange related	401,621	158,935	18	–	560,574
Net insurance income	–	–	57,320	437	57,757
Total operating income	**2,337,446**	**651,758**	**100,397**	**(110,512)**	**2,979,089**
Operating expenses	(972,634)	(253,795)	(47,364)	6,522	(1,267,271)
Impairment expenses	19,847	15,410	(17,045)	–	18,212
Additional company tax settlement	95,000	–	–	–	95,000
Profit before income tax	**1,479,659**	**413,373**	**35,988**	**(103,990)**	**1,825,030**
Income tax	(669,644)	(105,846)	(11,829)	–	(787,319)
Net profit after income tax	**810,015**	**307,527**	**24,159**	**(103,990)**	**1,037,711**
Assets	24,860,573	12,037,823	2,220,534	(1,995,579)	37,123,351
Liabilities	(21,701,308)	(10,502,276)	(1,665,783)	1,399,082	(32,470,285)
Net assets	**3,159,265**	**1,535,547**	**554,751**	**(596,497)**	**4,653,066**

Consolidated *All amounts are expressed in K'000*	**PNG Bank (restated)**	**Pacific Markets**	**Non-Bank Entities**	**Adjust Inter Segments**	**Total (restated)**
Year ended 31 December 2023					
Net interest income	1,479,288	329,803	35,406	334	1,844,831
Net fee, commission and other income	393,782	20,893	26,263	(56,026)	384,912
Foreign exchange related	399,362	58,345	–	–	457,707
Net insurance income	–	–	60,642	594	61,236
Total operating income	**2,272,432**	**409,041**	**122,311**	**(55,098)**	**2,748,686**
Operating expenses	(774,194)	(230,595)	(17,807)	9,498	(1,013,098)
Impairment expenses	(161,378)	(9,523)	(11,294)	–	(182,195)
Profit before income tax	**1,336,860**	**168,923**	**93,210**	**(45,600)**	**1,553,393**
Income tax	(559,079)	(84,976)	(19,123)	–	(663,178)
Net profit after income tax	**777,781**	**83,947**	**74,087**	**(45,600)**	**890,215**
Assets	25,964,685	10,560,798	2,264,240	(1,838,436)	36,951,287
Liabilities	(23,119,456)	(9,165,332)	(1,652,013)	1,228,844	(32,707,957)
Net assets	**2,845,229**	**1,395,466**	**612,227**	**(609,592)**	**4,243,330**

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Year Ended 31 December 2024

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	2024	2023	2024	2023
Interest income				
Loans and receivables from customers[1]	1,439,924	1,315,235	1,319,218	1,204,163
Other financial assets – inscribed stock	468,376	419,474	466,802	418,144
Treasury bills	103,925	154,207	103,766	154,168
Central Bank bills	3,815	7,638	3,459	7,588
Cash and balances with Central Banks	36,324	31,393	49,306	42,698
Other	39,386	34,981	23,155	22,384
Total interest income	**2,091,750**	**1,962,928**	**1,965,706**	**1,849,145**
Less: Interest expense				
Customer deposits	111,218	100,397	89,276	82,088
Other banks	10,014	11,729	24,971	22,719
Other interest expense	6,019	5,971	5,686	5,640
Total interest expense	**127,251**	**118,097**	**119,933**	**110,447**
Net interest income	**1,964,499**	**1,844,831**	**1,845,773**	**1,738,698**

1. Group interest income includes K27.105 million (Bank K24.639 million) recognised on impaired loans (Stage 3) to customers, 2023: K23.428 million (Bank K19.788 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 rate 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	2024	2023	2024	2023
Net fee and commission income				
Electronic banking related fee income	248,806	213,387	233,178	197,975
Electronic banking related fee expense	(92,785)	(73,692)	(79,811)	(62,097)
Net electronic banking related fee income	**156,021**	**139,695**	**153,367**	**135,878**
Trade and international related	22,282	20,711	19,419	17,981
Product related	165,989	157,779	153,006	144,225
Other	42,289	35,715	31,429	25,165
	386,581	**353,900**	**357,221**	**323,249**
Other income				
Foreign exchange related[1]	560,574	457,707	488,962	399,362
Operating lease rentals	4,534	4,535	4,534	4,535
Dividend income received	–	–	83,666	38,603
Other	5,144	26,477	23,286	27,394
	570,252	**488,719**	**600,448**	**469,894**

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Year Ended 31 December 2024

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 capitalisation 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	
All amounts are expressed in K'000	**2024**	**2023**	**2024**	**2023**
Administration	243,700	95,241	227,230	80,763
Computing	159,489	141,491	147,945	130,989
Depreciation	81,087	80,733	75,266	74,773
Amortisation of software costs	49,175	46,383	48,999	46,122
Non-executive directors costs	4,639	4,646	4,718	4,326
Non-lending losses	15,948	42,802	15,758	44,101
Impairment loss on Joint Ventures	35,816	–	–	–
Premises and equipment	114,998	106,800	107,471	99,896
	704,852	**518,096**	**627,387**	**480,970**
Staff costs				
Wages and salaries	448,483	388,356	415,256	358,855
Defined contribution plans	23,070	19,973	20,873	18,065
Statutory leave entitlements	15,791	14,276	14,854	13,186
Other staff benefits	75,075	72,397	71,006	68,932
	562,419	**495,002**	**521,989**	**459,038**
	1,267,271	**1,013,098**	**1,149,376**	**940,008**

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 the 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 is as follows:

	Consolidated		Bank	
All amounts are expressed in K'000	**2024**	**2023**	**2024**	**2023**
Loans and receivables from customers (note 15)	(18,035)	172,615	(40,650)	155,917
Treasury and Central Bank Bills (note 12)	(6,955)	(644)	(7,019)	(583)
Other financial assets (note 14)	6,778	10,224	6,064	10,228
	(18,212)	**182,195**	**(41,605)**	**165,562**

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Year Ended 31 December 2024

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 is 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

Recoverability of tax receivables, deferred tax assets and measurement of current and deferred tax liabilities can require significant judgement, particularly where the recoverability of such tax balances relies on the estimation of future taxable profits and management's determination of the likelihood that uncertain tax positions will be accepted by the relevant taxation authority.

	Consolidated		Bank	
All amounts are expressed in K'000	**2024**	**2023**	**2024**	**2023**
Income tax expense				
Current tax	695,037	664,841	667,589	634,630
Deferred tax	63,676	1,643	58,898	(6,909)
Current year	758,713	666,484	726,487	627,721
Adjustment to prior year estimates	(8,741)	(3,306)	(8,825)	(2,276)
Impact of PNG tax rate change[1]	37,347	–	37,347	–
	787,319	**663,178**	**755,009**	**625,445**
Tax calculated at 45% (2023: 45%) of Bank profit before tax	805,802	641,822	805,802	641,822
Tax calculated at respective subsidiary tax rates	27,734	39,000	–	–
Expenses not deductible for tax purposes	18,798	9,138	1,084	3,270
Tax loss not recognised	4,811	8,610	–	–
Income not recognised for tax purposes[2]	(98,432)	(32,086)	(80,399)	(17,371)
Impact of PNG tax rate change[1]	37,347	–	37,347	–
Adjustment to prior year estimates	(8,741)	(3,306)	(8,825)	(2,276)
	787,319	**663,178**	**755,009**	**625,445**

7. Income Tax *(continued)*

	Consolidated		Bank	
All amounts are expressed in K'000	**2024**	**2023**	**2024**	**2023**
Tax (payable)/receivable				
At 1 January	40,033	(2,507)	40,836	(4,104)
Income tax provision	(695,037)	(664,841)	(667,589)	(634,630)
Adjustment to prior year estimates	8,632	3,064	9,263	2,283
Other tax related items	1,800	(1,652)	1,351	–
Foreign tax paid	23,809	24,241	–	–
Tax payments made	629,859	681,728	629,430	677,287
At 31 December	**9,096**	**40,033**	**13,291**	**40,836**
Deferred tax balances are represented by the tax effect of the following items:				
Specific allowance for losses on loans and receivables from customers	76,160	82,861	69,883	76,335
General allowance for losses on loans and receivables from customers	116,346	180,896	113,005	176,949
Employee related provisions	69,821	44,058	68,033	42,580
Prepaid expenses	(1,205)	(684)	(1,695)	(193)
Other provisions	20,519	22,671	68,401	79,741
Property, plant and equipment	(96,836)	(86,715)	(77,722)	(73,854)
Unrealised foreign exchange gains	(233)	(541)	(233)	(541)
Impact of PNG tax rate change[1]	(22,786)	–	(22,786)	–
Accruals	37,226	24,962	35,319	22,216
At 31 December	**199,012**	**267,508**	**252,205**	**323,233**
Represented by:				
Deferred tax asset	257,517	329,288	252,205	323,233
Deferred tax liability	(58,505)	(61,780)	–	–
At 31 December	**199,012**	**267,508**	**252,205**	**323,233**
Deferred taxes movement:				
At 1 January	267,508	294,184	323,233	336,108
Current year movement	(63,676)	(1,643)	(58,898)	6,909
Adjustment to prior year estimates	(109)	(242)	438	7
Impact of PNG tax rate change[1]	(22,786)	–	(22,786)	–
Other movements	18,075	(24,791)	10,218	(19,791)
At 31 December	**199,012**	**267,508**	**252,205**	**323,233**

1. The 2025 PNG National Budget and subsequent legislation passed before year end introduced a gradual reduction in the Corporate Income Tax rate for commercial banks as outlined below:
   1. Profits below K300 million: Tax rate reduces from 45% to 40% in 2025, and 35% in 2026.
   2. Profits above K300 million: Tax rate drops from 45% to 44% in 2025, decreasing by 1% annually until reaching 35%.

   Given the legislation has been substantively enacted as at 31 December 2024 deferred tax balances have been calculated using the revised tax rates in the period they are expected to be utilised. A one-off charge of K37.347 million to tax expense was recognised resulting from the restatement of deferred tax balances relating to PNG Bank and its branches at the effective tax rate in the December 2024 accounts.
2. The PNG Government imposed a K190 million Additional Company Tax (the Tax) on banks with over 40% market share for the 2022 financial year, directly affecting BSP's net profit. The Tax was non-deductible and was deposited in an escrow account pending BSP's legal challenge. On 19 February 2024, BSP settled its judicial review with the Internal Revenue Commission (IRC), agreeing to:
   1. Receive a K95 million refund from the escrow account.
   2. Pay K95 million to the IRC as a final settlement which was completed in April 2024.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Year Ended 31 December 2024

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	
All amounts are expressed in K'000	**2024**	**2023**	**2024**	**2023**
Net profit attributable to parent equity interest (K'000)	1,037,711	890,215	1,035,662	800,826
Weighted average number of ordinary shares in use (000)	467,220	467,220	467,220	467,220
Basic and diluted earnings per share (expressed in toea)	**222.1**	**190.5**	**221.7**	**171.4**

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

	Consolidated		Bank	
All amounts are expressed in K'000	**2024**	**2023**	**2024**	**2023**
Net profit after tax	1,037,711	890,215	1,035,662	800,826
Add: Tax expense	787,319	663,178	755,009	625,445
Profit before income tax	**1,825,030**	**1,553,393**	**1,790,671**	**1,426,271**
Major non cash amounts				
Depreciation	81,087	80,733	75,266	74,773
Amortisation of software costs	49,175	46,383	48,999	46,122
Net gain on sale of fixed assets	(2,466)	(2,356)	(2,282)	(2,038)
Impairment on financial assets	(18,212)	182,195	(41,605)	165,562
Movement in payroll provisions	76,191	9,247	65,517	8,908
Net changes in assets and liabilities	(73,569)	(295,367)	(22,987)	(308,179)
Operating cash flow before changes in operating assets and liabilities	**1,937,236**	**1,574,228**	**1,913,579**	**1,411,419**

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.

	Consolidated		Bank	
All amounts are expressed in K'000	**2024**	**2023**	**2024**	**2023**
Cash and balances with Central Banks (note 10)	3,361,616	3,306,085	2,597,827	2,430,613
Amounts due from other banks (note 11)[1]	1,874,178	1,779,677	1,549,526	1,595,587
Amounts due to other banks (note 17)	(260,198)	(363,665)	(657,738)	(604,785)
	4,975,596	**4,722,097**	**3,489,615**	**3,421,415**

1. Amounts due from other banks includes deposits of K65.725 million (2023: K61.242 million) held with counter-party banks that are not available for use by the Group.

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Year Ended 31 December 2024

Financial Instruments: Financial Assets *(continued)*

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 asset.

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.

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	
All amounts are expressed in K'000	**2024**	**2023**	**2024**	**2023**
Notes, coins and cash at bank	747,285	707,416	657,920	612,198
Balances with Central Banks other than statutory deposit	2,614,331	2,598,669	1,939,907	1,818,415
At 31 December	**3,361,616**	**3,306,085**	**2,597,827**	**2,430,613**

11. Amounts Due from Other Banks

	Consolidated		Bank	
All amounts are expressed in K'000	**2024**	**2023**	**2024**	**2023**
Items in the course of collection	63,754	70,304	63,754	70,307
Placements with other banks	1,810,424	1,709,373	1,485,772	1,525,280
At 31 December	**1,874,178**	**1,779,677**	**1,549,526**	**1,595,587**

12. Treasury and Central Bank Bills

	Consolidated		Bank	
All amounts are expressed in K'000	**2024**	**2023**	**2024**	**2023**
Treasury and Central Bank Bills – face value	2,554,254	3,857,037	2,488,790	3,827,169
Unearned interest	(35,130)	(36,488)	(35,312)	(37,205)
Less allowance for impairment	(15,014)	(21,969)	(14,835)	(21,854)
	2,504,110	**3,798,580**	**2,438,643**	**3,768,110**
Financial assets carried at fair value through profit and loss				
Treasury Bills at fair value	13,542	5,018	–	–
At 31 December	**2,517,652**	**3,803,598**	**2,438,643**	**3,768,110**
Allowance for impairment				
At 1 January	21,969	22,613	21,854	22,437
Provision for impairment	(6,955)	(644)	(7,019)	(583)
At 31 December	**15,014**	**21,969**	**14,835**	**21,854**

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Year Ended 31 December 2024

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 12% (2023: 10%), Solomon Islands 5.5% (2023: 5%), Vanuatu 5.25% (2023: 5.25%) Fiji 10% (2023: 10%), Samoa 4.5% (2023: 4.5%) and Tonga 15% (2023: 10%).

14. Other Financial Assets

	Consolidated		Bank	
All amounts are expressed in K'000	**2024**	**2023**	**2024**	**2023**
Inscribed Stock – issued by Central Bank	6,556,792	5,815,175	6,510,550	5,774,422
Less allowance for impairment	(40,238)	(33,460)	(39,324)	(33,260)
	6,516,554	**5,781,715**	**6,471,226**	**5,741,162**
Financial assets carried at fair value through profit and loss:				
Government Inscribed Stock	308,158	277,876	–	–
Equity securities	333,259	313,860	–	–
At 31 December	**7,157,971**	**6,373,451**	**6,471,226**	**5,741,162**
Allowance for impairment				
At 1 January	33,460	23,236	33,260	23,032
Provision for impairment	6,778	10,224	6,064	10,228
At 31 December	**40,238**	**33,460**	**39,324**	**33,260**

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	
All amounts are expressed in K'000	**2024**	**2023**	**2024**	**2023**
Overdrafts	1,160,654	1,329,034	1,096,000	1,266,512
Lease financing	217,196	187,292	216,916	165,604
Term loans	12,146,935	12,320,061	11,482,286	11,550,128
Mortgages	3,307,512	2,888,873	2,830,440	2,465,798
Gross loans and receivables from customers net of unearned interest	**16,832,297**	**16,725,260**	**15,625,642**	**15,448,042**
Less allowance for losses on loans and receivables from customers	(562,456)	(712,238)	(502,631)	(645,909)
At 31 December	**16,269,841**	**16,013,022**	**15,123,011**	**14,802,133**

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 K102.930 million (Bank K88.962 million), 2023: K97.057 million (Bank K83.055 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:

	Consolidated		Bank	
All amounts are expressed in K'000	**2024**	**2023**	**2024**	**2023**
Gross investment in finance lease receivable				
Not later than 1 year	30,250	12,203	30,013	11,214
Later than 1 year and not later than 5 years	195,519	190,300	195,459	164,258
	225,769	**202,503**	**225,472**	**175,472**
Unearned future finance income				
Not later than 1 year	(332)	(1,114)	(322)	(1,094)
Later than 1 year and not later than 5 years	(8,241)	(14,097)	(8,234)	(8,774)
	(8,573)	**(15,211)**	**(8,556)**	**(9,868)**
Present value of minimum lease payments receivable	**217,196**	**187,292**	**216,916**	**165,604**
Present value of minimum lease payments receivable is analysed as follows:				
Not later than 1 year	29,918	11,089	29,691	10,120
Later than 1 year and not later than 5 years	187,278	176,203	187,225	155,484
At 31 December	**217,196**	**187,292**	**216,916**	**165,604**

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Year Ended 31 December 2024

15. Loans and Receivables from Customers *(continued)*

Allowance for Expected Credit Losses

Accounting Policy

Impairment under IFRS 9 applies to all financial assets at amortised cost, 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 recorded within other liabilities.

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 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 the exposure to credit losses to the contractual notice period. For these facilities, lifetime is based on historical behaviour.

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.

15. Loans and Receivables from Customers *(continued)*

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Year Ended 31 December 2024

15. Loans and Receivables from Customers *(continued)*

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

All amounts are expressed in K'000	Consolidated 2024	Consolidated 2023	Bank 2024	Bank 2023
Provision for impairment				
Movement in allowance for losses on loans and receivables from customers:				
Balance at 1 January	712,238	642,115	645,909	583,426
Net new and increased provisioning/(release of provisions)	(17,492)	92,654	(43,835)	74,710
Loans written off against provisions/(Write back of provisions no longer required)	(132,290)	(22,531)	(99,443)	(12,227)
At 31 December	**562,456**	**712,238**	**502,631**	**645,909**
Provision for impairment is represented by:				
Collective provision for on balance sheet exposure	230,059	365,935	211,901	341,734
Individually assessed or specific provision	290,103	291,497	251,599	252,688
Total provisions for on balance sheet exposure	**520,162**	**657,432**	**463,500**	**594,422**
Collective provision for off balance sheet exposure	42,294	54,806	39,131	51,487
At 31 December	**562,456**	**712,238**	**502,631**	**645,909**
Loan impairment expense				
Net collective provision funding	(135,595)	(1,640)	(132,682)	(165)
Net new and increased individually assessed provisioning	118,103	94,294	88,847	74,875
Total new and increased provisioning/(release of provisions)	**(17,492)**	**92,654**	**(43,835)**	**74,710**
Recoveries	(96,538)	(77,833)	(91,695)	(75,569)
Net write off	95,995	157,794	94,880	156,776
At 31 December	**(18,035)**	**172,615**	**(40,650)**	**155,917**

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; and
- 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.

15. Loans and Receivables from Customers *(continued)*

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

All amounts are expressed in K'000

EAD – Loans and receivables from customers	Stage 1	Stage 2	Stage 3	Total
1 January 2023	**13,059,927**	**1,350,157**	**481,432**	**14,891,516**
Transfers to/(from)				
Stage 1	(351,029)	270,059	80,970	–
Stage 2	462,385	(641,612)	179,227	–
Stage 3	–	4,254	(4,254)	–
Net financial assets originated	2,214,747	(308,028)	(72,975)	1,833,744
Total movement in EAD during the year	**2,326,103**	**(675,327)**	**182,968**	**1,833,744**
31 December 2023	**15,386,030**	**674,830**	**664,400**	**16,725,260**
ECL – Loans and receivables from customers				
1 January 2023	**236,472**	**108,891**	**225,671**	**571,034**
Transfers to/(from)				
Stage 1	(6,107)	5,286	821	–
Stage 2	29,682	(45,015)	15,333	–
Stage 3	–	147	(147)	–
Net financial assets originated	63,176	3,265	(17,460)	48,981
Transfers between stages	(24,219)	10,640	48,779	35,200
Movements due to risk parameter and other changes	(28,165)	11,882	41,031	24,748
Total net P&L charge/(release) during 2023	**34,367**	**(13,795)**	**88,357**	**108,929**
Loans written off against provision/(write back of provision no longer required)	–	–	(22,531)	(22,531)
31 December 2023	**270,839**	**95,096**	**291,497**	**657,432**
EAD – Loans and receivables from customers				
1 January 2024	**15,386,030**	**674,830**	**664,400**	**16,725,260**
Transfers to/(from)				
Stage 1	(163,815)	79,988	83,827	–
Stage 2	188,652	(271,817)	83,165	–
Stage 3	–	589	(589)	–
Net financial assets originated	428,174	(117,836)	(203,301)	107,037
Total movement in EAD during the year	**453,011**	**(309,076)**	**(36,898)**	**107,037**
31 December 2024	**15,839,041**	**365,754**	**627,502**	**16,832,297**
ECL – Loans and receivables from customers				
1 January 2024	**270,839**	**95,096**	**291,497**	**657,432**
Transfers to/(from)				
Stage 1	(5,481)	3,743	1,738	–
Stage 2	19,524	(28,549)	9,025	–
Stage 3	–	74	(74)	–
Net financial assets originated	(923)	(10,042)	(1,779)	(12,744)
Transfers between stages	(11,583)	(36,336)	15,211	(32,708)
Movements due to risk parameter and other changes	(60,398)	(5,905)	106,775	40,472
Total net P&L charge/(release) during 2024	**(58,861)**	**(77,015)**	**130,896**	**(4,980)**
Loans written off against provision/(write back of provision no longer required)	–	–	(132,290)	(132,290)
31 December 2024	**211,978**	**18,081**	**290,103**	**520,162**

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Year Ended 31 December 2024

15. Loans and Receivables from Customers *(continued)*

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

	2024 Stage 1		2023 Stage 1	
All amounts are expressed in K'000	Gross exposure	Provisions	Gross exposure	Provisions
Balance 1 January	**3,501,126**	**54,806**	**4,593,667**	**71,081**
Increase/(decrease) in exposure to expected credit losses	329,143	(12,512)	(1,092,541)	(16,275)
Balance at 31 December	**3,830,269**	**42,294**	**3,501,126**	**54,806**

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	2024	2023	2024	2023
Financial Assets				
Funds in transit and other assets[1]	269,825	357,551	154,870	281,819
Intercompany account	–	–	5,918	5,068
Prepayments	47,058	40,605	40,124	31,793
Accounts receivable	8,456	6,321	6,338	4,519
Accrued income	10,494	11,818	6,209	10,216
Tax receivable	9,096	40,033	13,291	40,836
	344,929	**456,328**	**226,750**	**374,251**
Non-Financial Assets				
Inventory	36,775	31,872	–	–
Investment in Joint Ventures	273,488	303,617	30,286	29,615
Intangible assets	294,828	282,243	290,923	276,272
Investment properties	388,008	363,166	–	–
	993,099	**980,898**	**321,209**	**305,887**
At 31 December	**1,338,028**	**1,437,226**	**547,959**	**680,138**

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

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Year Ended 31 December 2024

17. Amounts Due to Other Banks

	Consolidated		Bank	
All amounts are expressed in K'000	**2024**	**2023**	**2024**	**2023**
Vostro account balances	151,874	155,078	151,874	155,100
Interbank account balances	108,324	208,587	505,864	449,685
At 31 December	**260,198**	**363,665**	**657,738**	**604,785**

18. Customer Deposits

	Consolidated		Bank	
All amounts are expressed in K'000	**2024**	**2023**	**2024**	**2023**
On demand and short term deposits	25,943,817	26,845,460	24,440,318	25,598,031
Term deposits	3,139,144	2,989,651	2,614,792	2,313,946
At 31 December	**29,082,961**	**29,835,111**	**27,055,110**	**27,911,977**

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

19. Other Liabilities

	Consolidated		Bank	
All amounts are expressed in K'000	**2024**	**2023**	**2024**	**2023**
Creditors and accruals	301,679	131,693	262,850	92,135
Items in transit and all other liabilities	678,940	428,128	776,351	541,337
Lease liability	267,943	279,816	238,002	251,468
Insurance business other liabilities	140,040	152,600	–	–
Other provisions	242,369	205,652	216,110	187,418
At 31 December	**1,630,971**	**1,197,889**	**1,493,313**	**1,072,358**

Repurchase agreements

Where securities are sold subject to an agreement to repurchase at a predetermined price, they remain recognised in the balance sheet in their original category (investment securities). Repurchase agreements are recognised at fair value and subsequently measured at amortised cost. The cash consideration received is recognised as a liability. As at 31 December 2024, K295 million (2023: nil) recognised in items in transit and all other liabilities.

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.

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) had 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.

Off balance sheet financial instruments

	Consolidated		Bank	
All amounts are expressed in K'000	**2024**	**2023**	**2024**	**2023**
Letters of credit	231,074	238,236	227,192	230,572
Guarantees and indemnities issued	324,211	286,312	300,354	267,390
Commitments to extend credit	3,274,770	2,976,617	3,047,330	2,819,050
	3,830,055	**3,501,165**	**3,574,876**	**3,317,012**
Commitments for capital expenditure				
Amounts with firm commitments, and not reflected in the accounts	**87,167**	**44,585**	**67,141**	**16,358**

Legal proceedings

A number of legal proceedings against the Group were outstanding as at 31 December 2024. For all litigation exposure where a loss is probable, an appropriate provision has been made. Based on information available at 31 December 2024, the Group estimates a contingent liability of K17.1 million (2023: K16.4 million) in respect of these proceedings.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Year Ended 31 December 2024

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 across personal and commercial customers. 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. 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
(including 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.

22. Credit Risk and Asset Quality *(continued)*

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+	
2	BBB	
3	BBB-	
4	BB+	
5	BB	Standard Monitoring
6	BB-	
7	B+	
8	B	
9	B-	
10	CCC+	Special Monitoring
11	CCC	
12	CCC-	Substandard
13	D–I	Doubtful
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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Year Ended 31 December 2024

22. Credit Risk and Asset Quality *(continued)*

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

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 risk grades 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 2024.

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 unlikeliness 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. Credit Risk and Asset Quality *(continued)*

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).

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Year Ended 31 December 2024

22. Credit Risk and Asset Quality *(continued)*

Economic variable assumptions

The period-end assumptions used for the ECL estimate as at 31 December 2024 are set out below. The scenarios "base", "upside" and "downside" were used for all portfolios.

		2024	2025	2026	2027	2028
GDP Growth (%)	Base	3.5%	3.3%	3.3%	3.3%	3.3%
	Upside	4.0%	3.4%	3.8%	3.8%	3.8%
	Downside	3.1%	3.0%	2.8%	2.8%	2.8%
Change in Unemployment	Base	–3.5%	–3.3%	–3.3%	–3.3%	–3.3%
(% total lab force) (%)	Upside	–4.0%	–3.4%	–3.8%	–3.8%	–3.8%
	Downside	–3.1%	–3.0%	–2.8%	–2.8%	–2.8%
Change in Equity Index (%)	Base	22.0%				
	Upside	23.0%				
	Downside	21.0%				
Change in Energy Index (%)	Base	–6.3%	–2.1%	–2.1%	–2.1%	–2.1%
	Upside	–6.6%	–2.2%	–2.2%	–2.2%	–2.2%
	Downside	–5.9%	–2.0%	–2.0%	–2.0%	–2.0%
Change in Non-Energy Index (%)	Base	–3.0%	–1.2%	–1.2%	–1.2%	–1.2%
(Per World Bank commodities	Upside	–3.2%	–1.3%	–1.3%	–1.3%	–1.3%
price forecast)	Downside	–2.9%	–1.1%	–1.1%	–1.1%	–1.1%
Change in the Proportion of Downgrades (%)	Base	–6.0%				
	Upside	–15.0%				
	Downside	15.0%				

The weightings assigned to each economic scenario at 31 December 2024 were as follows:

Scenario	Base	Upside	Downside
Weight	50%	10%	40%

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.

22. Credit Risk and Asset Quality *(continued)*

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:

i) GDP given the significant impact on business performance and collateral valuations;

ii) 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	2024	2023
Reported probability weighted ECL	562,456	712,238
100% base scenario	537,869	644,209
100% downside scenario	591,426	760,560

Sensitivity of provisions for impairment to SICR assessment criteria

- If 1% of Stage 1 credit exposures as at 31 December 2024 was included in Stage 2, provisions for impairment would approximately increase by K7.401 million for the bank. (31 December 2023 K8.022 million).
- If 1% of Stage 2 credit exposures as at 31 December 2024 was included in Stage 1, provisions for impairment would approximately decrease by K0.206 million for the bank. (31 December 2023 K0.247 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)

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Year Ended 31 December 2024

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	2024				2023
ECL staging	**Stage 1 12-month**	**Stage 2 Lifetime**	**Stage 3 Lifetime**	**Total**	**Total**
Credit grade					
Standard monitoring	15,839,041	197,692	–	16,036,733	15,690,659
Special monitoring	–	168,062	–	168,062	370,201
Default	–	–	627,502	627,502	664,400
Gross carrying amount	**15,839,041**	**365,754**	**627,502**	**16,832,297**	**16,725,260**
Loss allowance	(211,978)	(18,081)	(290,103)	(520,162)	(657,432)
Net Carrying amount	**15,627,063**	**347,673**	**337,399**	**16,312,135**	**16,067,828**

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 K9,075.916 million (2023: K9,635.724 million) is classified as Stage 1 with a credit grade of 'standard monitoring'. Total loss allowance carried against this balance is K55.252 million (2023: K55.429 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	2024	2023
Trading assets		
Equity securities	333,259	313,860

22. Credit Risk and Asset Quality *(continued)*

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.

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

31 December 2024 Consolidated *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	35,084	8,422	26,662	24,117
– Credit cards	154	154	–	–
– Term loans	43,649	28,227	15,422	46,186
– Mortgages	182,954	79,412	103,542	230,932
Loans to corporate entities:	–	–	–	–
– Large corporate customers	277,890	133,319	144,571	215,926
– Small and medium-sized enterprises (SMEs)	87,449	40,373	47,076	111,573
– Others	322	196	126	872
Total credit-impaired assets	**627,502**	**290,103**	**337,399**	**629,606**
31 December 2023				
Total credit-impaired assets	**664,400**	**291,497**	**372,903**	**750,247**

Impairment allowance is assessed for each counterparty giving regard to collateral held for the respective exposure.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Year Ended 31 December 2024

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 2024 is as follows:

Consolidated
As at 31 December 2024

All amounts are expressed in K'000	Overdrafts	Term loans	Mortgages	Lease financing	Total	2023
Neither past due nor impaired	**1,058,263**	**10,675,486**	**2,561,383**	**196,838**	**14,491,970**	**14,718,890**
Past due but not impaired						
Less than 30 days	19,939	173,977	81,316	300	275,532	819,404
30 to 90 days	48,996	945,552	435,231	7,514	1,437,293	522,566
	68,935	**1,119,529**	**516,547**	**7,814**	**1,712,825**	**1,341,970**
Individually impaired loans						
Less than 30 days	1,741	3,345	5,327	17	10,430	12,950
30 to 90 days	1,772	36,697	36,237	4,295	79,001	131,155
91 to 360 days	2,563	23,469	38,134	474	64,640	124,797
More than 360 days	27,380	288,409	149,884	7,758	473,431	395,498
	33,456	351,920	229,582	12,544	627,502	664,400
Total gross loans and receivables from customers	**1,160,654**	**12,146,935**	**3,307,512**	**217,196**	**16,832,297**	**16,725,260**
Less impairment provisions	(282,125)	(179,728)	(95,235)	(5,368)	(562,456)	(712,238)
Net loans and receivables from customers	**878,529**	**11,967,207**	**3,212,277**	**211,828**	**16,269,841**	**16,013,022**

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.

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 2024

All amounts are expressed in K'000	2024	%	2023	%
Commerce, finance and other business	8,110,804	50	7,759,590	48
Private households	4,335,401	27	4,331,761	27
Government and public authorities	647,899	4	696,574	4
Agriculture	200,478	1	367,284	2
Forestry	1,539	–	3,810	–
Transport and communication	1,368,355	8	1,216,261	8
Manufacturing	451,487	3	429,990	3
Construction	1,153,878	7	1,207,752	8
Net loan portfolio balance	**16,269,841**	**100**	**16,013,022**	**100**

22.1.7 Loan segment concentration

Concentration by customer loan segments is as follows:

Consolidated
As at 31 December 2024

All amounts are expressed in K'000	2024	%	2023	%
Corporate/Commercial	9,405,533	58	9,224,478	58
Government	2,056,288	13	2,234,613	14
Retail	4,808,020	29	4,553,931	28
Net loan portfolio balance	**16,269,841**	**100**	**16,013,022**	**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.

All amounts are expressed in K'000	2024	2023
Modelled provision for ECL (Stage 1 and 2)	264,944	396,008
Overlays	7,409	24,733
Total	**272,353**	**420,741**

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Year Ended 31 December 2024

23. Liquidity Risk *(continued)*

Short-term mismatch of asset and liability maturity at 31 December 2024

The maturity profile of material Assets and Liabilities as at 31 December 2024 is shown in the following table. 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. Liquidity management is centrally coordinated by Group Treasury, with oversight from the Asset and Liability Committee (ALCO). The Group's Liquidity Policy provides a standalone framework for assessing the behavioural maturity of the deposit portfolio, ensuring the Group's ability to meet obligations under various market conditions.

Maturity of assets and liabilities (gross contractual cash flows)

Consolidated As at 31 December 2024 *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	4,097,577	–	–	–	2,519,413	6,616,990
Amounts due from other banks	1,469,589	230,434	151,643	22,512	–	1,874,178
Treasury and Central Bank bills	739,893	775,477	1,000,747	39,025	–	2,555,142
Loans and receivables from customers	5,546,296	1,003,178	2,263,785	6,942,400	5,109,473	20,865,132
Other financial assets	1,168,640	123,479	799,320	2,973,439	4,782,329	9,847,207
Total assets	**13,021,995**	**2,132,568**	**4,215,495**	**9,977,376**	**12,411,215**	**41,758,649**
Liabilities						
Amounts due to other banks	160,528	79,124	19,031	–	1,515	260,198
Customer deposits	27,059,550	403,631	1,178,437	168,790	468,832	29,279,240
Lease liability	–	–	–	164,769	103,174	267,943
Other liabilities	1,992,042	3,061	693,350	45,644	92,154	2,826,251
Other provisions	196,253	15	22,052	372	23,677	242,369
Total liabilities	**29,408,373**	**485,831**	**1,912,870**	**379,575**	**689,352**	**32,876,001**
Net liquidity gap	**(16,386,378)**	**1,646,737**	**2,302,625**	**9,597,801**	**11,721,863**	**8,882,648**

Consolidated As at 31 December 2023 *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	3,858,283	–	28,640	–	2,260,974	6,147,897
Amounts due from other banks	1,463,862	307,699	8,116	–	–	1,779,677
Treasury and Central Bank bills	36,256	715,087	2,726,254	364,318	–	3,841,915
Loans and receivables from customers	6,096,831	301,977	3,351,832	7,539,375	3,135,371	20,425,386
Other financial assets	1,467,440	71,666	1,020,700	4,568,393	3,616,630	10,744,829
Total assets	**12,922,672**	**1,396,429**	**7,135,542**	**12,472,086**	**9,012,975**	**42,939,704**
Liabilities						
Amounts due to other banks	227,366	39,862	71,739	24,698	–	363,665
Customer deposits	27,548,734	774,518	1,401,126	329,766	438,841	30,492,985
Lease liability	–	–	–	152,613	127,203	279,816
Other liabilities	1,495,713	1,098	540,418	126,696	77,825	2,241,750
Other provisions	197,382	–	8,269	–	–	205,651
Total liabilities	**29,469,195**	**815,478**	**2,021,552**	**633,773**	**643,869**	**33,583,867**
Net liquidity gap	**(16,546,523)**	**580,951**	**5,113,990**	**11,838,313**	**8,369,106**	**9,355,837**

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 organisation's compliance with them. The Operational Risk Committee coordinates the management process across the organisation.

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 Committee and Board Audit 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 2024 *All amounts are expressed in K'000*	PGK	FJD	SBD	USD	Other	Total
Assets						
Cash and balances with Central Banks	2,879,405	1,903,613	905,783	12,944	915,245	6,616,990
Amounts due from other banks	48,597	472,377	4,211	790,328	558,665	1,874,178
Treasury and Central Bank Bills	2,429,758	–	22,611	–	65,283	2,517,652
Loans and receivables from customers	9,768,799	4,545,685	472,605	215,790	1,266,962	16,269,841
Other financial assets	6,505,837	606,805	–	–	45,329	7,157,971
Other assets	1,359,467	1,085,233	81,838	–	160,181	2,686,719
Total assets	**22,991,863**	**8,613,713**	**1,487,048**	**1,019,062**	**3,011,665**	**37,123,351**
Liabilities						
Amounts due to other banks	40,081	(230,856)	(1,070)	–	(68,353)	(260,198)
Customer deposits	(18,742,406)	(5,418,632)	(1,105,614)	(1,013,553)	(2,802,756)	(29,082,961)
Other liabilities	(1,108,696)	(1,882,746)	(50,957)	(1,296)	(83,431)	(3,127,126)
Total liabilities	**(19,811,021)**	**(7,532,234)**	**(1,157,641)**	**(1,014,849)**	**(2,954,540)**	**(32,470,285)**
Net on-balance sheet position	**3,180,842**	**1,081,479**	**329,407**	**4,213**	**57,125**	**4,653,066**
Off-balance sheet position	*–*	*–*	*–*	*197*	*(411)*	*(214)*
Credit commitments	*1,292,299*	*2,207,475*	*42,703*	*–*	*287,792*	*3,830,269*

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Year Ended 31 December 2024

25. Foreign Exchange Risk *(continued)*

Consolidated
As at 31 December 2023

All amounts are expressed in K'000	PGK	FJD	SBD	USD	Other	Total
Assets						
Cash and balances with Central Banks	2,776,705	1,500,354	823,272	12,575	1,034,991	6,147,897
Amounts due from other banks	43,070	380,822	4,880	796,861	554,044	1,779,677
Treasury and Central Bank Bills	3,751,720	–	21,431	–	30,447	3,803,598
Loans and receivables from customers	10,293,112	4,036,379	476,469	280,171	926,891	16,013,022
Other financial assets	5,765,279	567,619	–	–	40,553	6,373,451
Other assets	1,586,730	1,012,874	101,820	–	132,218	2,833,642
Total assets	**24,216,616**	**7,498,048**	**1,427,872**	**1,089,607**	**2,719,144**	**36,951,287**
Liabilities						
Amounts due to other banks	(39,162)	(247,495)	–	–	(77,008)	(363,665)
Customer deposits	(20,770,906)	(4,565,672)	(1,073,168)	(880,186)	(2,545,179)	(29,835,111)
Other liabilities	(747,358)	(1,624,178)	(55,959)	(3,814)	(77,872)	(2,509,181)
Total liabilities	**(21,557,426)**	**(6,437,345)**	**(1,129,127)**	**(884,000)**	**(2,700,059)**	**(32,707,957)**
Net on-balance sheet position	**2,659,190**	**1,060,703**	**298,745**	**205,607**	**19,085**	**4,243,330**
Off-balance sheet position	*–*	*–*	*–*	*913*	*(874)*	*39*
Credit commitments	*1,775,078*	*1,442,267*	*49,880*	*–*	*233,901*	*3,501,126*

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:

	2024		2023	
All amounts are expressed in K'000	Impact on profit or loss	Impact on equity	Impact on profit or loss	Impact on equity
USD strengthening by 5% (2023 – 5%)	219	219	(713)	(713)
USD dollar weakening by 15% (2023 – 15%)	(544)	(544)	1,768	1,768
AUD strengthening by 5% (2023 – 5%)	296	296	128	128
AUD dollar weakening by 15% (2023 – 15%)	(735)	(735)	(316)	(316)

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.

25. Foreign Exchange Risk *(continued)*

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

Forward exchange contracts outstanding at 31 December 2024 stated at the face value of the respective contracts are:

All amounts are expressed in '000

As at 31 December 2024		USD	AUD	EURO	GBP	JPY	Other	Total
	FCY	(863)	–	–	–	(127,104)	(584)	–
Selling	**Kina**	(3,453)	–	–	–	(3,255)	(2,336)	(9,044)
	FCY	912	6	–	–	135,000	427	–
Buying	**Kina**	3,650	16	–	–	3,457	1,707	8,830

As at 31 December 2023		USD	AUD	EURO	GBP	JPY	Other	Total
	FCY	(991)	(21)	–	–	(100,324)	(1,075)	–
Selling	**Kina**	(3,695)	(52)	–	–	(2,645)	(4,008)	(10,400)
	FCY	1,236	178	149	–	1,241	1,269	–
Buying	**Kina**	4,608	453	614	–	33	4,731	10,439

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Year Ended 31 December 2024

26. Interest Rate Risk *(continued)*

Interest sensitivity of assets, liabilities and off balance sheet items

Consolidated *All amounts are expressed in K'000*	Up to 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Non-interest bearing
As at 31 December 2024						
Assets						
Cash and Balances with Central Banks	1,369,192	–	–	–	–	1,992,424
Amounts due from other banks	610,146	245,809	191,877	22,512	–	803,834
Treasury and Central Bank Bills	746,421	792,546	978,685	–	–	–
Cash reserve requirement with Central Banks	–	–	–	–	–	3,255,374
Loans and receivables from customers	12,446,463	151,869	895,053	2,144,181	558,611	73,664
Other financial assets	65,421	491,053	1,117,773	2,990,154	2,493,570	–
Other assets	122,423	66,092	3,115	–	–	2,495,089
Total assets	**15,360,066**	**1,747,369**	**3,186,503**	**5,156,847**	**3,052,181**	**8,620,385**
Liabilities						
Amounts due to other banks	103,070	77,279	19,031	–	–	60,818
Customer deposits	10,604,347	709,587	1,377,522	157,908	86	16,233,511
Other liabilities	309,832	77	178	276,185	59,245	2,180,735
Other provisions	4,897	–	1,795	–	–	294,182
Total liabilities	**11,022,146**	**786,943**	**1,398,526**	**434,093**	**59,331**	**18,769,246**
Interest sensitivity gap	**4,337,920**	**960,426**	**1,787,977**	**4,722,754**	**2,992,850**	**(10,148,861)**
As at 31 December 2023						
Assets						
Cash and Balances with Central Banks	1,060,602	–	–	–	–	2,245,483
Amounts due from other banks	1,123,433	276,504	102,205	–	–	277,535
Treasury and Central Bank Bills	15,982	707,187	3,080,429	–		–
Cash reserve requirement with Central Banks	–	–	–	–	–	2,841,812
Loans and receivables from customers	5,470,385	109,640	2,363,761	5,118,239	2,872,444	78,553
Other financial assets	33,022	231,671	870,822	3,348,886	1,889,050	–
Other assets	63,894	81,322	958	–	–	2,687,468
Total assets	**7,767,318**	**1,406,324**	**6,418,175**	**8,467,125**	**4,761,494**	**8,130,851**
Liabilities						
Amounts due to other banks	155,666	39,862	71,739	24,698	–	71,700
Customer deposits	9,521,996	953,752	1,395,089	203,826	47	17,760,401
Other liabilities	–	21	72	266,846	69,960	1,904,850
Other provisions	3,942	–	–	–	–	263,490
Total liabilities	**9,681,604**	**993,635**	**1,466,900**	**495,370**	**70,007**	**20,000,441**
Interest sensitivity gap	**(1,914,286)**	**412,689**	**4,951,275**	**7,971,755**	**4,691,487**	**(11,869,590)**

Given the profile of assets and liabilities as at 31 December 2024 and prevailing rates of interest, a 1% increase in rates will result in a K33.686 million (2023: K29.012 million) increase in net interest income, whilst a 1% decrease in rates will result in a K97.052 million (2023: K70.518 million) decrease in net interest income.

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 *All amounts are expressed in K'000* As at 31 December 2024	Level 1	Level 2	Level 3	Total
a) Financial assets				
Equity securities	–	333,259	4,105	337,364
Treasury Bills	–	13,542	–	13,542
Government Inscribed Stock	–	308,158	–	308,158
Non-financial assets				
Land and buildings	–	–	570,875	570,875
Investment properties	–	–	388,008	388,008
Aircraft subject to operating lease	–	–	30,006	30,006
Total assets	**–**	**654,959**	**992,994**	**1,647,953**
b) Financial liabilities				
Insurance contract liabilities	–	–	(1,437,650)	(1,437,650)
Total liabilities	**–**	**–**	**(1,437,650)**	**(1,437,650)**

Consolidated *All amounts are expressed in K'000* As at 31 December 2023	Level 1	Level 2	Level 3	Total
a) Financial assets				
Equity securities	–	308,085	5,775	313,860
Treasury Bills	–	5,018	–	5,018
Government Inscribed Stock	–	277,876	–	277,876
Non-financial assets				
Land and buildings	–	–	582,448	582,448
Investment properties	–	–	363,166	363,166
Aircraft subject to operating lease	–	–	32,387	32,387
Total assets	**–**	**590,979**	**983,776**	**1,574,755**
b) Financial liabilities				
Insurance contract liabilities	–	–	(1,249,512)	(1,249,512)
Total liabilities	**–**	**–**	**(1,249,512)**	**(1,249,512)**

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Year Ended 31 December 2024

27. Fair Values of Financial and Non-Financial Assets and Liabilities *(continued)*

Consolidated
Financial assets at fair value through profit and loss
All amounts are expressed in K'000

Level 3	2024	2023
Opening balance	983,776	872,220
Total gains and losses recognised in:		
– Profit and loss	(33,313)	(31,582)
– Other comprehensive income	16,790	51,029
– Purchases	33,497	45,358
– Disposals	(1,472)	(1,628)
– Translation movements	(6,167)	48,379
Closing balance	**993,111**	**983,776**

There were no changes in valuation technique for Level 3 recurring fair value measurements during the year ended 31 December 2024.

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 observable 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.

Number of shares in '000s, Book value in K'000	Number of shares	Book value
At 1 January 2023	467,220	372,110
31 December 2024	**467,220**	**372,110**

Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are declared.

	Consolidated		Bank	
All amounts are expressed in K'000	2024	2023	2024	2023
Dividends paid on ordinary shares				
Interim ordinary dividend (2024: 45 toea; 2023: 37 toea)	211,715	174,010	210,249	172,869
Final ordinary dividend (2023: 106 toea; 2022: 140 toea)	500,969	657,803	495,272	654,237
	712,684	**831,813**	**705,521**	**827,106**

In accordance with the Papua New Guinea *Companies Act 1997* the shares have no par value. The Group's securities consist of ordinary shares which have equal participation and voting rights.

29. Retained Earnings and Other Reserves

Retained earnings

	Consolidated		Bank	
All amounts are expressed in K'000	2024	2023	2024	2023
At 1 January	3,415,689	3,359,184	2,963,899	2,991,169
Net profit for the year	1,037,711	890,215	1,035,662	800,826
Final dividends paid	(500,969)	(657,606)	(495,272)	(654,237)
Interim dividends paid	(211,715)	(174,010)	(210,249)	(172,869)
Disposal of assets – transfer from asset revaluation	1,746	1,632	1,751	1,462
Amalgamation of Finance PNG with PNG Bank (Note 38)	–	–	44,468	–
Other	–	(1,103)	–	–
BSP Life policy reserve	(9,494)	(2,452)	(9,494)	(2,452)
Gain attributable to minority interest	(384)	(171)	–	–
At 31 December	**3,732,584**	**3,415,689**	**3,330,765**	**2,963,899**
Other reserves comprise:				
Asset revaluation reserve	145,000	134,205	124,442	110,381
Capital reserve	635	635	635	635
Equity component of Fiji Class Shares	21,578	21,578	–	–
Statutory insurance reserve	71,882	62,388	71,882	62,388
Foreign currency translation reserve	274,543	236,024	154,533	129,776
At 31 December	**513,638**	**454,830**	**351,492**	**303,180**

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Year Ended 31 December 2024

29. Retained Earnings and Other Reserves *(continued)*

Other reserves

	Consolidated		Bank	
All amounts are expressed in K'000	**2024**	**2023**	**2024**	**2023**
Movement in reserves for the year:				
Asset revaluation reserve				
At 1 January	134,205	96,873	110,381	83,180
Net asset revaluation increment/(decrement)	(2,764)	38,349	503	28,048
Transfer asset revaluation reserve to retained earnings	(1,746)	(1,632)	(1,751)	(1,462)
Others	(4)	–	–	–
Impact of PNG tax rate change	14,561	–	14,561	–
Release of deferred tax on disposal of assets	748	615	748	615
At 31 December	**145,000**	**134,205**	**124,442**	**110,381**

	Consolidated		Bank	
All amounts are expressed in K'000	**2024**	**2023**	**2024**	**2023**
Capital reserve				
At 1 January	635	635	635	635
At 31 December	**635**	**635**	**635**	**635**
Statutory insurance reserve				
At 1 January	62,388	59,936	62,388	59,936
BSP Life policy reserve	9,494	2,452	9,494	2,452
At 31 December	**71,882**	**62,388**	**71,882**	**62,388**
Foreign currency translation reserve				
At 1 January	236,024	140,859	129,776	81,225
Movement during the year	38,519	94,112	24,757	48,551
Other	–	1,053	–	–
At 31 December	**274,543**	**236,024**	**154,533**	**129,776**

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 Solomon Islands, Vanuatu, Fiji, Samoa, Tonga, Cook Islands, Cambodia and Laos 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 Laos 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 2024, 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	**2024**	**2023**	**2024**	**2023**
Balance sheet assets (net of provisions)				
Currency	6,616,990	6,147,897	30,087	46,447
Loans and receivables from customers	16,129,056	15,860,753	13,027,973	12,585,259
Investments and short term securities	9,540,231	10,061,461	383,877	336,077
All other assets	4,837,074	4,881,176	2,695,775	2,736,278
Off-balance sheet items	3,830,055	3,501,165	228,542	212,668
Total	**40,953,406**	**40,452,452**	**16,366,254**	**15,916,729**
Capital ratios				
a) Tier 1 capital	3,958,804	3,496,941	24.2%	22.0%
Total Capital	4,294,489	3,881,320	26.2%	24.4%
b) Leverage Capital Ratio			10.8%	9.6%

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%.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Year Ended 31 December 2024

Group Structure

31. Insurance

The Group's consolidated Financial Statements include the assets, liabilities, income and expense 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. Insurance Contract products are provided by BSP Life (Fiji) Limited and BSP Life PNG Limited (collectively referred to in this note as the Company.)

Summary of Measurement Approach

The company uses different measurement approaches, depending on the type of contracts as noted below:

	Product classification	Measurement Model
Component of Contracts Issued		
Participating Base Products	Insurance contracts with Direct participating features	VFA
Riders of Participating Base Products	Insurance contracts	GMM
Non-Participating Contract (including associated riders)	Insurance contracts	GMM
Reinsurance Contracts held		
Term Life and Disability – Surplus Reinsurance	Reinsurance contract held	GMM
Term Life and Disability – Catastrophe Insurance Cover	Reinsurance contract held	PAA

The Company does not have any reinsurance contract issued, that qualify as insurance contacts under IFRS 17.

IFRS 17 defines a General Measurement Model (GMM) to use for valuing Insurance Contracts, with two modifications of this model applicable under certain circumstances. The GMM requires the projection of future cash flows related to insurance contracts using current financial and non-financial assumptions. 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 that the Company earns from the Insurance Contracts, which depend on the underlying assets' performance.
- The Premium Allocation Approach (PAA) is a simplified model which does not require future projections to satisfy the requirements under IFRS 17, provided that the Insurance Contracts sold are profitable.

31. Insurance *(continued)*

A. Definitions and Classifications

Insurance contracts are contracts by which the Company accepts significant insurance risk from a policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. This assessment is made on a contract-by-contract basis at the contract issue date.

The Company assesses, on a group of contract basis, whether participating contracts meet the definition of insurance contracts with direct participating features. The Company uses its judgement to assess whether the amount expected to be paid to the policyholder constitutes a substantial share of fair value returns from the underlying items and whether the variable cash flows represent a substantial proportion of the cash flows.

B. Level of aggregation applied to Insurance Contracts

IFRS 17 requires insurance contracts to be recognised and measured in groups. The grouping of individual contracts under IFRS 17 is performed to limit the offsetting of profitable contracts against onerous ones regarding how insurers manage and evaluate their business performance. A portfolio of Contracts is defined based on Contracts that have similar risks and are managed together. The Portfolio is further divided into groups based on the year of issue and the expected level of profitability.

The Company 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).

C. Recognition

The Company recognises groups of insurance contracts from the earliest of the following:

- the beginning of the coverage period;
- the date when the first payment from a policyholder in the group becomes due; and
- the date when a group of contracts becomes onerous.

D. Contract boundary

The Company includes in the measurement of a group of insurance contracts all the future cash flows expected to arise within the boundary of each of the contracts in the group. In determining the cash flows within the boundary of an insurance contract, the Company assesses whether it arises from substantive rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay the premiums or the Company has the substantive obligation to provide the policyholder with services.

Cash flows outside the insurance contract boundary relate to future insurance contracts and are recognised when those contracts meet the recognition criteria.

E. Measurement of insurance contract issued

i) Measurement on initial recognition for contracts other than PAA

A group of insurance contracts are measured on initial recognition as the sum of the expected fulfilment cash flows within the contract boundary and the contractual service margin representing the unearned profit in the contract relating to services that will be provided under the contracts.

Fulfilment cash flows (FCF)

The FCF are the current unbiased and probability-weighted estimates of the present value of the future cash flows, including a risk adjustment for non-financial risk. The Company considers a range of scenarios to establish a full range of possible outcomes without undue cost or effort about the amount, timing and uncertainty of expected future cash flows to arrive at the probability weighted value. The estimates of future cash flows reflect conditions existing at the measurement date including assumptions at that date regarding the future.

Discount rates

The time value of money and financial risk is measured separately from the expected future cash flows with changes in financial risks recognised in the profit or loss at the end of each reporting period. The Company measures the time value of money for all portfolios of participating, non-participating and riders using a point estimator given the maturity of the market and the lack of availability of market data.

Expected cash flows that vary based on the returns on any financial underlying items are discounted using the top-down approach. The discount assumption is set using the expected earnings on the assets supporting the liability and this has been determined using market observed reference assets and the anticipated margin for each asset category relative to the performance of the reference asset.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Year Ended 31 December 2024

31. Insurance *(continued)*

Risk adjustment for non-financial risk

The Company measures the compensation it would require for bearing the uncertainty about the amount and timing of cash flows arising from insurance contracts, other than financial risk separately as an adjustment for non-financial risk. The Company uses cost of capital method in estimating the risk adjustment. The cost of capital approach uses the basis that Company's risk preference is based on the capital that it requires to hold which is appropriate for the non-financial risks that are relevant to IFRS 17 measurement objectives.

Contractual service margin (CSM)

The CSM is a component of the overall carrying amount of a group of insurance contracts representing unearned profit the Company will recognise as it provides insurance contract services over the coverage period.

Coverage Period

The Company determines, at initial recognition, the group's coverage units and allocates the group's CSM based on the coverage units provided in the period. The Company determines coverage units as follows:

- For the Participating Base product, the coverage unit is linked to the bonus declared on these contracts, as this is the more significant service provided under the contract.
- For all the other portfolios, the coverage being provided is death cover linked to a predetermined amount, which is the sum insured. The sum insured will be used as the coverage unit.

Insurance acquisition cash flows

The Company includes insurance acquisition cash flows in the measurement of a group of insurance contracts if they are directly attributable either to the individual contracts in a group, or to the group itself, or the portfolio of insurance contracts to which the group belongs. The Company estimates at a portfolio level insurance acquisition cash flows not directly attributable to the group but directly attributable to the portfolio and then allocates them to the group of newly written and renewed contracts on a systematic and rational basis.

ii) Subsequent measurement for contracts other than PAA

Subsequent to initial recognition, at the end of each reporting period, the carrying amount of the group of insurance contracts will reflect a current estimate of the liability for remaining coverage (LRC) as at that date and a current estimate of the liability for incurred claims (LIC).

The LRC represents the Company's obligation to investigate and pay valid claims under existing contracts for insured events that have not yet occurred, and amounts that relate to other insurance contract services not yet provided, comprising of the fulfilment cash flows relating to future service and the CSM yet to be earned.

The LIC includes the Company's liability to pay valid claims for insured events that have already incurred, other incurred insurance expenses arising from past coverage service and includes the liability for claims incurred but not yet reported. It also includes the Company's liability to pay amounts the Company is obliged to pay the policyholder under the contract, including repayment of investment components, when a contract is derecognised. The current estimate of LIC comprises of the fulfilment cash flows related to current and past service allocated to the group at the reporting date.

Changes in fulfilment cash flows

At the end of each reporting period, the Company updates the fulfilment cash flows to reflect the current estimates of the amounts, timing and uncertainty of future cash flows and discount rates.

As all cashflows form a part of the underlying items for Participating Base Products, any experience adjustment or change in the estimate of future cash flow will impact future services, hence all items impact CSM.

Recognition of the CSM in profit or loss

CSM amount is released to profit or loss in each period during which the insurance contract services are provided.

The CSM amount to be released in each reporting period is determined as the coverage unit provided for the period as a percentage of the total expected coverage unit, applied to the CSM at the end. The total number of coverage units in the group is determined by considering for each contract the quantity of benefits provided under the contract and the expected coverage period. The total coverage unit, except for Participating Base Contracts, is calculated by applying the discounted future coverage unit at the risk free discount rate.

The CSM at the end of the reporting period is equally allocated to each of the coverage units provided in the current period and expected to be provided in the future. The CSM recognise in the profit or loss the amount of CSM allocated to the coverage units provided during the period. The CSM for reinsurance contracts held is released to the profit or loss as services are received from the reinsurer in the period.

31. Insurance *(continued)*

iii) Subsequent measurement for Reinsurance contracts other than PAA

Changes in fulfilment cash flows

At the end of each reporting period, the Company updates the fulfilment cash flows to reflect the current estimates of the amounts, timing and uncertainty of future cash flows and discount rates.

Experience adjustment

Experience adjustments in relation to current or past service are recognised in the profit or loss, hence, incurred claims (including incurred but not reported) and other incurred insurance service expenses are included in the profit or loss. Experience adjustments in relation to future service are included in adjustments to the CSM.

The carrying amount of the CSM is adjusted at the end of the reporting period to reflect changes in the FCF applying the same approach as for insurance contracts issued, expect that the change in carrying amount can cause the CSM to be negative.

Recognition of the CSM in profit or loss

CSM amount is released to profit or loss in each period during which the insurance contract services are provided.

The CSM amount to be released in each reporting period is determined as the coverage unit provided for the period as a percentage of the total expected coverage unit, applied to the CSM at the end. The total number of coverage units in the group is determined by considering for each contract the quantity of benefits provided under the contract and the expected coverage period. The total coverage unit, except for Participating Base Contracts, is calculated by discounting future coverage unit at the risk free discount rate.

The CSM at the end of the reporting period is equally allocated to each of the coverage units provided in the current period and expected to be provided in the future. The CSM recognised in the profit or loss reflects the amount of CSM allocated to the coverage units provided during the period.

iv) Onerous Contracts

The onerous assessment is done on an individual contract level assessing future expected cash flows on a probability-weighted basis including a risk adjustment for non-financial risk. On initial recognition, the contracts expected to be loss making are grouped together and such groups are measured and presented separately. Once contracts are allocated to a group, they are not re-allocated unless they are substantively modified. For Participating Base Products, the onerous assessment takes into consideration the cashflow between the contracts in the Group of Contracts.

A group of insurance contracts become onerous when the adjustment to the CSM exceeds the amount of CSM and the Company recognises the excess in insurance service expenses and records it as a loss component of the LRC.

After a loss component is recognised, the Company allocates any subsequent changes in FCF of the LRC on a systematic basis between the loss component and the LRC excluding the loss component.

F. Contracts measured under the fair value

The Company applied the fair value approach for those contracts issued more than 5 years prior to the date of transition to IFRS 17. This decision was made noting the significant time and effort needed to construct the transaction data required at the level to apply the requirements of IFRS 17 prior to this period.

Level of aggregation

The Company included contracts issued prior to January 2018 into one group split by portfolios of insurance contracts and applied the fair value approach as at December 2017.

Fair valuation of liabilities of insurance contracts

The fair value of liabilities has been determined per IFRS 13 Fair Value Measurement. There are no recent transactions or comparable markets for life insurance liabilities. In measuring the fair value, the approach taken is:

- The discounted value of projected cash flows relating to in-force life insurance contracts using assumptions reflecting past and expected future experience from the perspective of a potential purchaser.
- Plus allowance for the cost of holding statutory capital that a market participant acquiring the contracts would be required to bear.

Using a risk-adjusted discount rate to reflect the perspective of a potential purchaser.

Fulfilment cash flows

The fulfilment cash flows were estimated prospectively as at the transition date.

Contractual service margin

The CSM was estimated to be the difference between the fair value of a group of insurance contracts, measured in accordance with IFRS 13 as described above, and its FCF as at the transition date.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Year Ended 31 December 2024

31. Insurance *(continued)*

Accounting Policy

(a) Recognition and measurement

Long-term insurance contracts

These contracts insure human life events (for example death, survival, disability, and critical illness) over a long duration and are underwritten by BSP (Fiji) Life 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.

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 recognition and measurement of these contracts have been determined in accordance with IFRS 17. Short term contracts are not a material part of the BSP Financial Group's operations.

(b) Methods and assumptions

Key assumptions used in determining the Policy Liabilities of the Group are as follows:

(i) Discount rates

For contracts which have a DPF, the discount rate used is linked to the assets which back those contracts. For Fiji for the year ended 31 December 2024 this was 4.782% per annum (2023: 4.946% per annum), based on current 10-year government bond yields and expected earnings from the investment portfolio. For contracts without DPF and Accident Business, a rate of 3.90% per annum was used at 31 December 2024 (2023: 3.90% per annum). These rates were based on the 10-year government bond rate as published by the regulator.

(ii) Investment and maintenance expenses

Future maintenance and investment expenses are based on the budgeted expenses. Future inflation has been assumed to be 3.5% per annum (2023: 3.5% per annum) for determining future expenses.

(iii) Taxation

The rates of taxation enacted or substantially enacted at the date of the valuation are assumed to continue into the future.

(iv) Mortality and morbidity – Fiji

Projected future rates of mortality for insured lives are based on the Fiji Mortality Statistics table FJ90–94 Male. These are then adjusted for the Company's own experience. Mortality rates used are as follows by gender and insured amount:

- Male and sum insured above FJ$200,000: 20% (2023: 20%) for base products and 65% (2023: 65%) for rider products of the FJ90–94 Male table for participating business in Statutory Fund 1.
- Male and sum insured up to FJ$200,000: 48% (2023: 48%) for base products and 65% (2023: 65%) for rider products of the FJ90–94 Male table for participating business in Statutory Fund 1.
- Female: An age setback of 3 years is applied to the Male rates above.

(v) Rates of discontinuance

Best estimate assumptions for the incidence of withdrawal and discontinuance vary by product and duration and are based on the Group's experience which is reviewed regularly. Rates used in 2024 were the same as 2023 rates.

(vi) Basis of calculation of surrender values

Surrender values are determined by the Company. There have been no changes to surrender bases during the period (or the prior periods).

(vii) Discretionary participating business

For most participating business, 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%. For business written between 1995 and 1998 the shareholder receives 11% of profits.

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.

The FCF include a projection of the declaration of future bonuses and their impact on claims. The supportable bonus rate that emerges from the Margin on Service valuation (valuation method for policyholder profit/ bonus management) as at 31 December 2024 for Participating Business is used as the IFRS 17 assumption. The policyholder retained earnings is added to the Insurance Contract Liability.

31. Insurance *(continued)*

(c) Reinsurance

Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company, 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 the profit or loss when they become due and payable in accordance with the reinsurance agreements.

Reinsurance recoveries are recognised as claim recoveries under profit or loss. This is netted off against the claim expenses. Reinsurance premiums are recognised as Reinsurance Expenses.

Financial Information

The accounting policies of the consolidated entity, which have been applied in determining the financial information shown above, 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 subsidiary's accounts. The consolidated profit includes insurance profit and investment earnings on shareholder's funds.

All amounts are expressed in K'000	Life insurance	General insurance and other items	2024 (Total)	2023 (Total)
Insurance revenue	45,570	52,018	97,588	84,037
Insurance service expenses	(23,041)	(45,597)	(68,638)	(60,636)
Insurance service result from insurance contracts issued	**22,529**	**6,421**	**28,950**	**23,401**
Net expenses from reinsurance contracts	(653)	(1,451)	(2,104)	(2,803)
Insurance service result	**21,876**	**4,970**	**26,846**	**20,598**
Insurance finance income – investments	145,770	747	146,517	119,002
Net investment income	**145,770**	**747**	**146,517**	**119,002**
Insurance finance income/(expense) for insurance contracts issued	(121,686)	–	(121,686)	(105,331)
Net insurance finance expenses	**(121,686)**	**–**	**(121,686)**	**(105,331)**
Net insurance and investment result	**45,960**	**5,717**	**51,677**	**34,269**
Net income from subsidiaries	107,864	–	107,864	107,760
Other Income	9,546	2	9,548	11,103
Other Operating Expenses	(110,280)	(1,052)	(111,332)	(91,896)
Net insurance operating income	**53,090**	**4,667**	**57,757**	**61,236**

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Year Ended 31 December 2024

31. Insurance *(continued)*

The reconciliation of the Life insurance contract liabilities as at 31 December 2024 is as follows:

	Liability for remaining coverage				
All amounts are expressed in K'000	Excluding loss component	Loss component	Policy Loans*	Liability for incurred claims	Total
Opening contract assets	(5,966)	–	–	–	(5,966)
Opening insurance contract liabilities	1,371,999	1,271	(135,713)	11,955	1,249,512
Net opening balance	**1,366,033**	**1,271**	**(135,713)**	**11,955**	**1,243,546**
Changes in the statement of profit or loss and OCI					
Insurance revenue	(45,570)	–	–	–	(45,570)
Insurance service expenses	20,435	(337)	–	2,943	23,041
Insurance service result	**(25,135)**	**(337)**	**–**	**2,943**	**(22,529)**
Insurance finance expenses from insurance contracts recognised in profit and loss	120,738	48	–	–	120,786
Investment components excluded from insurance revenue and insurance service expenses	(136,956)	–	–	162,486	25,530
Effect of movements in exchange rates	7,633	17	(1,794)	156	6,012
Total changes in the statement of profit or loss and OCI	**(8,585)**	**65**	**(1,794)**	**162,642**	**152,328**
Cash flows					
Premiums received	251,122	–	3,197	–	254,319
Insurance acquisition cash flows	(29,987)	–	–	–	(29,987)
Claims and other insurance service expenses paid	(12,955)	–	–	(159,185)	(172,140)
Others	–	–	(209)	–	(209)
Total cash flows	**208,180**	**–**	**2,988**	**(159,185)**	**51,983**
Net closing balance	**1,540,493**	**999**	**(134,519)**	**18,355**	**1,425,328**
Closing contract assets	(11,708)	–	(614)	–	(12,322)
Closing insurance contract liabilities	1,552,201	999	(133,905)	18,355	1,437,650
Net closing balance	**1,540,493**	**999**	**(134,519)**	**18,355**	**1,425,328**

* Policy loans and Other Insurance related assets that are transferred at face value to LRC.

31. Insurance *(continued)*

The reconciliation of the Life insurance contract liabilities as at 31 December 2023 is as follows:

	Liability for remaining coverage				
All amounts are expressed in K'000	Excluding loss component	Loss component	Policy Loans*	Liability for incurred claims	Total
Opening assets	(5,177)	–	–	–	(5,177)
Opening liabilities	1,173,979	1,181	(121,342)	13,876	1,067,694
Net opening balance	**1,168,802**	**1,181**	**(121,342)**	**13,876**	**1,062,517**
Changes in the statement of profit or loss and OCI					
Insurance revenue	(45,093)	–	–	–	(45,093)
Insurance service expenses	19,682	(18)	–	3,895	23,559
Insurance service result	**(25,411)**	**(18)**	**–**	**3,895**	**(21,534)**
Insurance finance expenses from insurance contracts recognised in profit and loss	118,953	41	–	–	118,994
Investment components excluded from insurance revenue and insurance service expenses	(145,475)	–	–	145,475	–
Effect of movements in exchange rates	63,870	67	(6,925)	605	57,617
Total changes in the statement of profit or loss and OCI	**11,937**	**90**	**(6,925)**	**149,975**	**155,077**
Cash flows					
Premiums received	222,143	–	–	–	222,143
Insurance acquisition cash flows	(25,736)	–	–	–	(25,736)
Claims and other insurance service expenses paid	(11,113)	–	(2,320)	(151,896)	(165,329)
Others	–	–	(5,126)	–	(5,126)
Total cash flows	**185,294**	**–**	**(7,446)**	**(151,896)**	**25,952**
Net closing balance	**1,366,033**	**1,271**	**(135,713)**	**11,955**	**1,243,546**
Closing assets	(5,966)	–	–	–	(5,966)
Closing liabilities	1,371,999	1,271	(135,713)	11,955	1,249,512
Net closing balance	**1,366,033**	**1,271**	**(135,713)**	**11,955**	**1,243,546**

* Policy loans and Other Insurance related assets that are transferred at face value to LRC.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Year Ended 31 December 2024

31. Insurance *(continued)*

Insurance and Financial Risk Management

The Company 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.

Reconciliation of the measurement components of insurance contract balances for insurance contracts as at 31 December 2024:

			CSM			
31 December 2024	**Estimates of present value of future cash flows**	**Risk adjustment for non-financial risk**	**Contracts under full retro-spective approach**	**Contracts under fair value approach**	**Other contracts**	**Total**
1 January 2024	**1,196,457**	**4,708**	**15,376**	**24,841**	**8,130**	**1,249,512**
Changes in the statement of profit or loss and OCI						
Changes that relate to current service						
CSM recognised for services provided	–	–	(1,397)	(2,600)	(933)	(4,930)
Change in risk adjustment for non-financial risk for risk expired	–	(1,222)	–	–	–	(1,222)
Experience adjustments	(4,932)	–	–	–	(12,882)	(17,814)
	(4,932)	**(1,222)**	**(1,397)**	**(2,600)**	**(13,815)**	**(23,966)**
Changes that relate to future service						
Contracts initially recognised in the year	(7,904)	1,446	–	–	6,793	335
Changes in estimates that adjust the CSM	20,986	5,645	(3,325)	(1,429)	(6,760)	15,117
Changes in estimates that result in losses and reversals of losses on onerous contracts	(14,725)	(840)	–	–	–	(15,565)
	(1,643)	**6,251**	**(3,325)**	**(1,429)**	**33**	**(113)**
Changes that relate to past services						
Adjustments to liabilities for incurred claims	2,759	–	–	–	–	2,759
Insurance service result	**(3,816)**	**5,029**	**(4,722)**	**(4,029)**	**(13,782)**	**(21,320)**
Insurance finance expenses from insurance contracts recognised in profit and loss	112,781	226	183	95	94	113,379
Investment components excluded from insurance revenue and insurance service expenses	23,934	–	–	–	(570)	23,364
Effect of movements in exchange rates	29,545	111	542	671	(2,422)	28,447
Total changes in the statement of profit or loss and OCI	**162,444**	**5,366**	**(3,997)**	**(3,263)**	**(16,680)**	**143,870**
Cash flows	29,149	–	–	–	15,119	44,268
Net balance as at 31 December 2024	**1,388,050**	**10,074**	**11,379**	**21,578**	**6,569**	**1,437,650**

31. Insurance *(continued)*

Reconciliation of the measurement components of insurance contract balances for insurance contracts as at 31 December 2023:

			CSM			
31 December 2023	**Estimates of present value of future cash flows**	**Risk adjustment for non-financial risk**	**Contracts under full retro-spective approach**	**Contracts under fair value approach**	**Other contracts**	**Total**
1 January 2023	**1,001,792**	**1,750**	**18,418**	**35,412**	**5,145**	**1,062,517**
Changes in the statement of profit or loss and OCI						
Changes that relate to current service						
CSM recognised for services provided	–	–	(1,540)	(3,244)	(723)	(5,507)
Change in risk adjustment for non-financial risk for risk expired	–	(618)	–	–	–	(618)
Experience adjustments	(1,702)	–	–	–	(12,689)	(14,391)
	(1,702)	**(618)**	**(1,540)**	**(3,244)**	**(13,412)**	**(20,516)**
Changes that relate to future service						
Contracts initially recognised in the year	(11,302)	1,256	–	–	10,091	45
Changes in estimates that adjust the CSM	16,544	2,064	(2,614)	(9,720)	(5,752)	522
Changes in estimates that result in losses and reversals of losses on onerous contracts	(420)	39	–	–	–	(381)
	4,822	**3,359**	**(2,614)**	**(9,720)**	**4,339**	**186**
Insurance service result	**3,120**	**2,741**	**(4,154)**	**(12,964)**	**(9,073)**	**(20,330)**
Insurance finance expenses from insurance contracts recognised in profit and loss	100,626	106	174	123	50	101,079
Investment components excluded from insurance revenue and insurance service expenses	5,153	–	–	–	(1,052)	4,101
Effect of movements in exchange rates	64,658	111	938	2,270	1,493	69,470
Total changes in the statement of profit or loss and OCI	**173,557**	**2,958**	**(3,042)**	**(10,571)**	**(8,582)**	**154,320**
Cash flows	21,108	–	–	–	11,567	32,675
Net balance as at 31 December 2023	**1,196,457**	**4,708**	**15,376**	**24,841**	**8,130**	**1,249,512**

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Year Ended 31 December 2024

31. Insurance *(continued)*

An analysis of the expected recognition of the CSM remaining at the end of the reporting period in the profit or loss is provided in the following table. The analysis below considers the Insurance and Reinsurance Contract:

Total CSM for insurance contracts	Less than 1 year	In 1 to 3 years	In 4 to 5 years	> 5 years	Total
As at 31 December 2024	4,348	10,409	5,410	19,360	39,527
As at 31 December 2023	5,345	12,945	6,908	23,149	48,347

BSP Life conducts sensitivity analysis to quantify the exposure to risk of changes in the key underlying variables such as interest rate, mortality, morbidity, and inflation. The table below illustrates how changes in key assumptions and experience would impact the reported profit, liabilities, and equity of BSP Life. For Market risks, the effect of movements in interest rates or equity values on the value of assets and liabilities is shown. For insurance risk, changes to key assumptions would have no impact on liabilities, which are calculated using Margin on Services, for which there is an offsetting reserve for future profits under non-participating and future supportable bonus for participating policies.

Results from sensitivity analysis	31 December 2024				31 December 2023			
		Effect on liabilities				Effect on liabilities		
All amounts are expressed in K'000	Effect on assets	FCF	CSM	Profit/ (loss)	Effect on assets	FCF	CSM	Profit/ (loss)
Market Risks								
Increase in Interest Rates of 1%	(24,376)	(30,403)	10,983	(4,956)	(20,683)	(25,719)	8,915	(3,879)
Decrease in Interest Rates of 1%	27,598	36,195	(14,066)	5,469	23,307	28,881	(9,966)	4,392
Equity values increase by 10%	75,515	53,739	5,885	15,891	72,791	49,912	7,390	15,489
Equity values decrease by 10%	(75,515)	(53,755)	(5,863)	(15,897)	(72,791)	(50,121)	(7,207)	(15,463)
Foreign currency strengthens by 10bps	30,702	21,848	2,393	6,461	22,183	15,211	2,252	4,720
Foreign currency weakens by 10bps	(20,616)	(14,675)	(1,601)	(4,340)	(15,219)	(10,480)	(1,507)	(3,232)
Insurance risks								
Increase in expenses of 10%	–	215	(173)	(42)	–	2,324	(2,024)	(300)
Improvement in lapses by 10%	–	707	(588)	(119)	–	(524)	708	(184)
Worsening of lapses by 10%	–	(1,013)	815	198	–	497	(677)	180
Improvement in mortality of 10%	–	(5,323)	4,826	497	–	(1,348)	1,141	207
Worsening of mortality of 10%	–	4,739	(4,213)	(526)	–	3,242	(2,866)	(376)
Worsening of morbidity of 10%	–	(724)	639	85	–	(73)	71	2

31. Insurance *(continued)*

The risk management framework is targeted at ensuring that the Company maintains sufficient capital at a level which exceeds the minimum solvency requirements prescribed by the regulators.

The Company is exposed to financial as well as insurance risks. The Group's risk management strategy is set by the Board of Directors through the following sub-committees:

- BSP Life (Fiji) Limited Investment Governance Committee (IGC) (Market Risk) and
- Board Audit and Compliance Committee (Operational and Other Risk).

Implementation of the 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 Company 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 number and amount of claims and benefits will vary from year to year from the level established using actuarial methods.

The Company's objectives in managing risks arising from the 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
- To use reinsurance as a component of insurance risk management strategy.

Terms and conditions of insurance contracts

The nature of the 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	Details 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.	– 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.	– Mortality – Morbidity – Market risk – Discontinuance rates – Expenses – Market rates on underlying assets

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Year Ended 31 December 2024

31. Insurance *(continued)*

Insurance and Financial Risk Management

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 the large sums assured on certain individuals. The largest exposures all relate to mortality. The largest single exposure for the Life business is K14.2m of which K13.6m is reinsured (2023: K14.0m of which K13.5m is reinsured). For BSP Life PNG, the largest single exposure is K11.2 million of which K11.1 million is reinsured (2023: K11.1 million of which K11.0 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 Company's Life Insurance business is reviewed regularly.

32. Investment in Subsidiaries

		Place of incorporation and operation		Balance of investment	
Name of subsidiary	**Principal activity**	**Ownership %**		**2024**	**2023**
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%	97,677	94,478
BSP Platform Pacific Limited	Digital Technology	PNG	100%	395	395
Bank of South Pacific Tonga Ltd	Bank	Tonga	100%	71,611	71,611
Bank South Pacific (Samoa) Ltd	Bank	Samoa	98.7%	70,712	70,713
Bank South Pacific Vanuatu Ltd	Bank	Vanuatu	100%	38,020	38,020
At 31 December				**393,833**	**390,635**
Represented by:					
At 1 January				390,635	399,361
BSP Platform Pacific Limited conversion from Joint Venture				–	395
Partial conversion of debt to equity				3,198	–
Additional capital/(divestment of shares)				–	(9,121)
At 31 December				**393,833**	**390,635**

BSP Life (Fiji) Limited divested 40% of its interest in Future Farms Limited of K33.918 million, during the reporting period. The entity retained control over the investment.

33. Investment in Joint Ventures

			Ownership %	
Name of Joint Venture	**Principal activity**	**Place of incorporation and operation**	**2024**	**2023**
Suva Central Ltd	Property rental	Fiji	50%*	50%*
Richmond Ltd	Hotel operations	Fiji	50%*	50%*
BSP Finance Cambodia Plc[1]	Asset financing	Cambodia	50%*	50%*
BSP Finance Laos[1]	Asset financing	Laos	50%*	50%*

The investments above are accounted for using the equity method.

* Both ownership and voting power held, ** ownership, *** voting power held.

1. Assets held for sale.

	Consolidated		Bank	
All amounts are expressed in K'000	**2024**	**2023**	**2024**	**2023**
Joint Ventures				
Investment in Joint Ventures	303,617	270,111	29,615	26,127
(Disposal of)/New investment during the year	3,197	(39,510)	–	–
Translation movement	3,411	14,904	357	546
Impairment loss (Note 39)	(35,816)	–	–	–
Share of profit/(loss) for the year	13,623	58,112	314	2,942
Asset held for sale (Note 39)	(14,544)	–	–	–
Net investment in joint venture	**273,488**	**303,617**	**30,286**	**29,615**
Summarised financial information of Joint Ventures:				
Total assets	655,830	734,386	95,141	94,016
Total liabilities	(334,566)	(432,283)	(41,491)	(41,001)
Net assets	**321,264**	**302,103**	**53,650**	**53,015**
Share of profit/(loss) for the year	54,468	28,742	314	2,942
Group fair value alignment	(40,845)	29,370	–	–
Share of profit in Group	**13,623**	**58,112**	**314**	**2,942**

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Year Ended 31 December 2024

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 Group 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 2024, balances and transactions of accounts for Directors, including companies in which directorships were held by BSP directors, were as follows:

All amounts are expressed in K'000	2024	2023
Customer Deposits		
Opening balances	82,772	150,256
Net movement	81,000	(67,484)
Closing balance	**163,772**	**82,772**
Interest paid	14	12
Loans and receivables from customers		
Opening balances	894,914	636,622
Loans issued	800,000	67,500
Interest	50,526	45,596
Charges	–	12
Loan repayments	(858,339)	(132,117)
New Director	1	834,409
Outgoing Director	–	(557,108)
Closing balance	**887,102**	**894,914**

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 2024, staff account balances were as follows:

All amounts are expressed in K'000	2024	2023
Housing loans	192,126	195,907
Other loans	63,532	65,568
	255,658	**261,475**
Cheque accounts	14,264	10,085
Savings accounts	6,235	6,923
	20,499	**17,008**

36. Directors and Executive Remuneration

Directors' remuneration

Directors of the company received remuneration including benefits during 2024 as detailed below:

All amounts are expressed in Kina			Total remuneration			
Name of Director	Meetings attended/ total held	Appointed/ (Resigned)	2024 Bank	2024 Subsidiaries	2024 Total	2023 Total
Sir K.G. Constantinou, OBE	1/1	(Feb 2023)	–	–	–	215,326
M.T. Robinson[1]	7/7		–	–	–	–
R.G. Bradshaw	7/7		942,946	–	942,946	692,274
S.G. Brewis-Weston	7/7		524,030	–	524,030	414,864
Dr. M. Lua'iufi	7/7		510,905	120,000	630,905	519,239
S.A Davis	7/7		537,155	–	537,155	427,364
P. Kevin	7/7		507,155	–	507,155	402,364
F.D. Bouraga	7/7		521,530	–	521,530	389,864
P.F. Taureka-Seruvatu	7/7		517,780	–	517,780	402,364
I.A. Tarutia	5/5		524,030	–	524,030	249,538
A. Sam	1/7	(Feb 2024)	127,894		127,894	427,364
S.C. Beach	5/5	Apr 2024	399,261	–	399,261	–
			5,112,686	**120,000**	**5,232,686**	**4,140,561**
Shareholder Approved Cap					**6,000,000**	**4,500,000**

1. Managing 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 2024 were:

Mark Robinson	Ronesh Dayal	Peter Beswick	Daniel Faunt
Nuni Kulu	Rohan George	Richard Nicholls	Vandhna Narayan
Hari Rabura	Maryann Lameko-Vaai	Paul Black (August 2024)	Mike Hallinan

All amounts are expressed in K'000 Year	Salary	Short term incentive	Value of benefits	Long term incentive	Leave encash-ment	Final entitle-ments	Total
2024 remuneration	20,078	9,174	1,444	4,816	477	–	35,989
2023 remuneration	16,226	5,405	1,247	2,564	993	–	26,435

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Year Ended 31 December 2024

36. Directors and 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 *K'000*	2024 *No.*	2023 *No.*	Remuneration *K'000*	2024 *No.*	2023 *No.*	Remuneration *K'000*	2024 *No.*	2023 *No.*
100 – 110	183	125	590 – 600	3	1	1200 – 1210	1	1
110 – 120	135	122	600 – 610	3	4	1240 – 1250	–	1
120 – 130	101	84	610 – 620	2	5	1240 – 1250	–	1
130 – 140	71	70	620 – 630	1	4	1260 – 1270	1	1
140 – 150	70	68	630 – 640	2	2	1310 – 1320	–	1
150 – 160	51	51	640 – 650	2	1	1320 – 1330	–	1
160 – 170	44	38	650 – 660	–	1	1330 – 1340	–	1
170 – 180	27	32	660 – 670	–	1	1340 – 1350	1	1
180 – 190	30	27	670 – 680	–	2	1360 – 1370	–	1
190 – 200	18	25	680 – 690	4	1	1370 – 1380	–	1
200 – 210	24	17	690 – 700	–	2	1380 – 1390	1	–
210 – 220	17	20	710 – 720	1	1	1410 – 1420	–	1
220 – 230	19	19	720 – 730	1	1	1430 – 1440	–	1
230 – 240	13	14	730 – 740	1	2	1440 – 1450	–	1
240 – 250	18	26	740 – 750	1	–	1520 – 1530	–	1
250 – 260	11	5	750 – 760	1	1	1530 – 1540	–	1
260 – 270	9	10	760 – 770	1	2	1550 – 1560	–	1
270 – 280	5	8	770 – 780	1	1	1560 – 1570	–	1
280 – 290	5	7	780 – 790	1	–	1680 – 1690	1	–
290 – 300	5	9	790 – 800	1	–	1760 – 1770	–	1
300 – 310	3	5	800 – 810	2	–	1780 – 1790	1	1
310 – 320	8	8	810 – 820	1	1	1790 – 1800	1	–
320 – 330	8	5	820 – 830	–	2	1810 – 1820	–	1
330 – 340	10	5	830 – 840	1	–	1840 – 1850	–	1
340 – 350	5	4	840 – 850	1	–	1880 – 1890	–	1
350 – 360	4	6	850 – 860	–	1	1930 – 1940	–	1
360 – 370	5	3	860 – 870	1	2	1980 – 1990	1	–
370 – 380	12	5	870 – 880	–	2	2000 – 2010	1	–
380 – 390	8	3	900 – 910	2	–	2060 – 2070	1	–
390 – 400	4	4	910 – 920	2	2	2080 – 2090	1	1
400 – 410	7	4	930 – 940	2	–	2250 – 2260	–	1
410 – 420	7	3	940 – 950	1	1	2280 – 2290	–	1
420 – 430	5	6	950 – 960	2	–	2360 – 2370	–	1
430 – 440	3	5	960 – 970	–	–	2410 – 2420	2	–
440 – 450	5	6	990 – 1000	1	2	2430 – 2440	–	1
450 – 460	6	1	1000 – 1010	2	1	2480 – 2490	1	–
460 – 470	9	2	1010 – 1020	1	1	2490 – 2500	1	–
470 – 480	5	8	1020 – 1030	1	–	2500 – 2510	–	1
480 – 490	4	7	1030 – 1040	1	–	2610 – 2620	1	–
490 – 500	2	5	1040 – 1050	–	1	2750 – 2760	–	1
500 – 510	3	2	1050 – 1060	–	1	3190 – 3200	–	1
510 – 520	2	3	1060 – 1070	1	–	7120 – 7130	1	–
520 – 530	2	–	1070 – 1080	1	–			
530 – 540	2	5	1090 – 1100	3	–			
540 – 550	1	2	1100 – 1110	–	3			
550 – 560	2	2	1120 – 1130	1	2			
560 – 570	2	4	1130 – 1140	2	1			
570 – 580	1	2	1140 – 1150	1	–			
580 – 590	5	4	1160 – 1170	3	2			
						Total	**1,072**	**984**

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.

37. Events Occurring After Balance Sheet Date

Conversion of Fiji Branch to Subsidiary

As part of BSP Financial Group's strategic initiatives to enhance operational and regulatory compliance, the Fiji branch was converted into a wholly owned subsidiary, BSP Financial Group (Fiji) Pte Limited, effective 1 January 2025. This restructuring aligns with the Group's commitment to gaining operational efficiencies and meeting jurisdictional requirements. This is also in line with recent global corporate financial structure trends.

Nature of the Transaction

The conversion will involve the transfer of all assets, liabilities, and operations of the Fiji branch to the new subsidiary. The transaction will be accounted for as a reorganisation within the Group.

Financial Impact

The following net assets were transferred to the subsidiary. The foreign currency translation reserve at 1 January 2025 of K81.778 million attributable to the Fiji branch will be derecognised and recognised in that Statement of Income and Expenditure of the parent entity. The conversion has no material impact on the Group's assets, liabilities, equity, and profit or loss account.

Assets	*All amounts in K'000*
Loans and advances	4,519,542
Property, plant, and equipment	38,317
Cash and cash equivalents	1,343,802
Cash reserve requirement with Central Bank	562,108
Amounts due to other banks	138,628
Other assets	124,977
Total assets	**6,727,374**
Deposits	5,460,003
Amounts due to other banks	230,856
Other liabilities	322,492
Equity & retained earnings	714,023
Total equity and liabilities	**6,727,374**

The net assets will be transferred to the subsidiary at their carrying amounts, and the investment in the subsidiary will be recognised at the same value in the parent entity's financial statements.

Consolidation in 2025

Following the conversion, BSP Financial Group (Fiji) Pte Limited will be fully consolidated into the BSP Financial Group's financial statements. All intercompany transactions and balances between the Group and the new subsidiary will also be eliminated on consolidation.

Regulatory and Operational Implications

The conversion exercise involved various stakeholder engagements and required regulatory approvals were received from Reserve Bank of Fiji, Fiji Revenue and Custom Services, Fiji Competition & Consumer Commission, Investment Fiji and Government of Fiji. The subsidiary now operates as "BSP Financial Group (Fiji) Pte Limited" and complies with local statutory and regulatory requirements.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Year Ended 31 December 2024

38. Amalgamation of BSP Finance PNG Limited

The Registrar of Companies approved the amalgamation of BSP Finance PNG Limited with BSP Financial Group Limited. The effective date of amalgamation was 31 December 2024. BSP Finance PNG Limited was amalgamated into the Company using the short-form amalgamation process under section 235 of the *Companies Act 1997.*

The name of the amalgamated company is BSP Financial Group Limited. Under the amalgamation, the Company took control of all the assets of BSP Finance PNG Limited and assumed the responsibility for their liabilities. The amalgamation was accounted in the 2024 financial year based on predecessor accounting with book value accounting used for the purposes of the transaction. The amalgamation had no impact on the Group's assets, liabilities, equity, and profit or loss account, as the amalgamated entity has been fully controlled by the Group and consolidated prior to the amalgamation and after the amalgamation. This strategic decision was made to enhance operational efficiency and leverage synergies between the two entities and to strengthen the competitive position of the combined entity in the market. Further, amalgamation had no impact on the Group's cash flows.

The effect of amalgamation of BSP Finance PNG Limited at the date of amalgamation is summarised below:

	K'000
Assets of amalgamated entity	134,479
Liabilities of amalgamated entity	(90,011)
Total net assets acquired on amalgamation	**44,468**
Less: investment in amalgamated entity	–
Amount recognised directly within common control reserve in equity	**44,468**
Total cash held by amalgamated entity on amalgamation	**6,095**

Predecessor accounting

Amalgamations of entities under common control are accounted for using the predecessor values method. Under this method, the financial statements of the combined entity are presented as if PNG Bank and BSP Finance PNG Limited had been combined from the date when the combining entities were amalgamated. The assets and liabilities of the amalgamated entities are stated at the predecessor carrying amounts. Fair value measurement is not required, and no new goodwill arises in predecessor accounting.

Any difference between the consideration given and the aggregate book value of the assets and liabilities of the acquired entity at the date of the transaction is included within common control reserve in equity.

39. Asset held for sale

At 31 December 2024, the Company has classified its investment in the joint ventures (BSP Finance Cambodia & BSP Finance Laos) as held for sale. The investment is expected to be sold in the next financial year. The carrying amount of the investment has been measured at the lower of its carrying amount and fair value less costs to sell, resulting in a reclassification to non-current assets held for sale with a carrying amount of K14.544 million. The impairment taken up in this period is K35.816 million.

40. Remuneration of Auditor

	Consolidated		Bank	
All amounts are expressed in K'000	**2024**	**2023**	**2024**	**2023**
Financial statement audits	5,427	6,925	3,831	4,611
Other services	583	553	541	517
	6,010	**7,478**	**4,372**	**5,128**

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

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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 2024, and the statements of comprehensive income, statements of changes in shareholders' equity and statements of cash flows for the year then ended, including material accounting policy information. The Group comprises the Bank and the entities it controlled at 31 December 2024 or from time to time during the financial year.

In our opinion the accompanying financial statements:

- comply with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB) 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 2024, 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 report.

We believe 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)* that are relevant to audits of the financial statements of public interest entities in Papua New Guinea, 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 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.

INDEPENDENT AUDITOR'S REPORT CONTINUED

To the shareholders of BSP Financial Group Limited

Materiality	*Audit scope*	*Key audit matters*

• 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 thresholds.
	• 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 non PwC network 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.
		• Amongst other relevant topics, we communicated the following key audit matters to the Board Audit and Compliance Committee:
		  • 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
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 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. IFRS 9 *Financial Instruments* (IFRS 9) is a complex accounting standard which has required considerable judgement and interpretation in its application. Areas of judgement included: • 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.	To assess the Group's loan loss provisioning, we performed the following audit procedures on a sample basis, amongst others: • 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 • Testing the key fields identified to have an impact on the expected credit loss provision by agreeing these back to source documentation • Examining the model methodology for consistency and appropriateness for loans and advances in Stage 1 and Stage 2. 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, procedures over the credit watch list and delinquencies, and evaluation of assumptions made in the valuation of collateral and recovery cash flows.
IT systems and controls 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. There are some areas of the audit where we seek to place reliance on system functionality including certain automated controls, system calculations and reports. 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.	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. 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. 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.

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.

INDEPENDENT AUDITOR'S REPORT CONTINUED

To the shareholders of BSP Financial Group Limited

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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 IFRS Accounting Standards as issued by the IASB 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 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.

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- 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 2024:

- 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

PricewaterhouseCoopers

Jonathan Grasso
Partner
Registered under the Accountants Act 1996

Port Moresby
19 February 2025

SHAREHOLDER INFORMATION

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 five years are disclosed in the Financial Performance section on page 11 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.

Share Buybacks

Subject to the provisions of the Companies Act and the 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.

SHAREHOLDER INFORMATION CONTINUED

Top 20 Shareholders

As at 31 December 2024, the twenty largest fully paid shareholders of the Company were:

Rank	Shareholder	Total Holding	%
1	Kumul Consolidated Holdings	84,811,597	18.15%
2	The Fiji National Provident Fund	53,299,897	11.41%
3	Nambawan Super Limited	47,702,160	10.21%
4	Petroleum Resources Kutubu Limited	46,153,840	9.88%
5	National Superannuation Fund Limited	45,318,417	9.70%
6	Credit Corporation (PNG) Limited	31,294,081	6.70%
7	Motor Vehicles Insurance Limited	31,243,736	6.69%
8	The Catholic Bishops Conference Inc	12,620,000	2.70%
9	Comrade Trustee Services Limited	12,456,052	2.67%
10	Capital Nominees Limited	5,862,153	1.25%
11	Samoa National Provident Fund	4,451,940	0.95%
12	Unit Trust Of Samoa	3,969,371	0.85%
13	Lamin Trust Fund	3,653,700	0.78%
14	Mineral Resources Ok Tedi No. 2 Limited	3,496,449	0.75%
15	Picube Holdings Limited	2,987,184	0.64%
16	Sky Finance Limited	2,753,090	0.59%
17	Mineral Resources Star Mountains Ltd	2,628,373	0.56%
18	Solomon Islands National Provident Fund	2,500,001	0.54%
19	HSBC Custody Nominees (Australia) Limited	2,429,710	0.52%
20	Gas Resources Gigira Limited	2,392,853	0.51%
	Other Shareholders	65,195,375	13.95%
	Total	**467,219,979**	

Distribution of Shareholding

As at 31 December 2024, the Company had 6,504 shareholders. The distribution of shareholding is as follows:

Range	Number of Security Holders	Percentage of Security Holders	Number of Securities	Percentage of Issued Capital
1 to 1,000	5,182	79.67%	1,389,436	0.30%
1,001 to 5,000	789	12.13%	1,731,178	0.37%
5,001 to 10,000	143	2.20%	1,062,833	0.23%
10,001 to 100,000	255	3.92%	9,382,316	2.01%
100,001 and over	135	2.08%	453,654,216	97.10%
Total	**6,504**		**467,219,979**	

Unmarketable Parcels

As at 31 December 2024, the BSP Share Price was K19.90 on the PNGX and A$6.66 on the ASX. There were 208 shareholders (less than 0.01% of issued securities) who held less than a marketable parcel of BSP shares, being equal to K1,000, or less in market value.

Escrow Shares

As of 31 December 2024, there were 89,425,061 BSP shares held in escrow.

Shareholder Name	Security Type	Escrow Shares as at 31 Dec 24	Effective Date
Kumul Consolidated Holdings BSPESC1	Fully Paid Ordinary Shares	22,774,327	6/4/2018
Kumul Consolidated Holdings BSPESC2	Fully Paid Ordinary Shares	20,496,894	6/4/2018
Petroleum Resources Kutubu Limited BSPESC3	Fully Paid Ordinary Shares	46,153,840	18/11/2016
Total Escrow Shares		**89,425,061**	

The partial release of shares from escrow in 2024 included:

- 17,766,214 shares released from BSPESC1; and
- 23,274,162 shares released from BSPESC2.

Directors' Interest in BSP Shares

As at 31 December 2024, the Directors who own shares in the Company are:

Director	Number of Shares Owned	Percentage of Issued Capital
Mark Robinson	15,925	0.00%
Faamausili Dr. Matagialofi Lua'iufi	14,117	0.00%
Robert Bradshaw	4,350	0.00%
Ian Tarutia	3,044	0.00%
Patricia Taureka-Seruvatu	1,000	0.00%
Priscilla Kevin	300	0.00%

SHAREHOLDER INFORMATION CONTINUED

Directors' Interests Register

Directors' interests as at 31 December 2024 were:

Director	Designation	Name of Organisation	Date of Interest
Robert Bradshaw	**Non-Executive Director/ Chairman**	BSP Financial Group Limited	13 July 2016
	Director/Shareholder	Koitaki CC Limited	Since 2014
		Wahgi Arabicas Limited	Since 2018
	Shareholder	Songkain Limited	
	Owner	Bradshaw Lawyers	Since 2005
		Waghi Valley Country Club	Since 2016
		The Kofi Club	Since 2020
		Koitaki Country Club	Since 2012
	Member	Papua New Guinea Law Society	Since 1995
		Australian Institute of Company Directors	Since 2016
		Papua New Guinea Institute of Directors	Since 2016
Mark T. Robinson	**Managing Director/ GCEO**	BSP Financial Group Limited	March 2023
	Director	BSP Life Fiji Limited	March 2023
		BSP Finance Fiji Pte Limited	March 2023
		Bank South Pacific (Samoa) Limited	March 2023
		Rangiora Capital Management Ltd	Since 2007
		Invicta Capital Partners Ltd	Since 2007
	Advisory Board Member	Activegraf Inc.	Since 2020
	Member	Army & Navy Club	Since 2021
		University Club	Since 1995
		Oriental Club	Since 2014
		Christchurch Club	Since 2020
		Institute of Directors	Since 2021
Symon Brewis-Weston	**Non-Executive Director**	BSP Financial Group Limited	April 2021
	Non-Executive Director/ Shareholder	Solvar Limited	November 2018
Faamausili Dr. Matagialofi Lua'iufi	**Non-Executive Director**	BSP Financial Group Limited	December 2016
	Principal Director	Paradise Consulting	October 2008
	Director	BSP Finance Limited	November 2020
		Bank of South Pacific (Samoa) Limited	April 2021
		Export Authority of Samoa	April 2024
	Member	Australian Institute of Company Directors (AICD)	October 2018
		PNG Institute of Directors	August 2019
		Samoa Human Resource Institute	December 2018
		Samoa Institute of Directors	2006, 2012 to date
Stuart Davis	**Non-Executive Director**	BSP Financial Group Limited	August 2017
		PayPal Australia Ltd	July 2016
	Director	Appen Limited	April 2022
	Member	NextDC Ltd	September 2013

Director	Designation	Name of Organisation	Date of Interest
Patricia Taureka-Seruvatu	**Non-Executive Director**	BSP Financial Group Limited	April 2022
	Director/Shareholder	Naita Designs & Management Limited	February 2023
	Member	PNG Law Society	Since 1988
		PNG Women Lawyers' Association	November 2017
		Papua New Guinea Institute of Directors	Since 2023
		Australian Institute of Company Directors (AICD)	Since 2023
Frank Bouraga	**Non-Executive Director**	BSP Financial Group Limited	30 December 2020
	Director	BSP Capital Funds Administration Limited	19 May 2022
		PNG Cancer Foundation (Treasurer)	5 July 2017
		Tactical Solutions International Limited	1 August 2021
		SP PNG Hunters	Since 2024
	Shareholder (50%)	Inside Out Limited	19 April 2010
		Star Management Services	1 September 2016
	Shareholder (2%)	Mobo Group of Companies	4 November 2014
	Principal	SBC Solutions – Registered Public Accountants, Tax Agents & Auditors	1 January 2004
	Member	Accountants Registration Board	1 January 2004
		Australian Institute of Company Directors (AICD)	18 September 2019
Stephen Beach	**Non-Executive Director**	BSP Financial Group Limited	February 2024
	Alternate Board Member	Accountants Registration Board	Since 2019
	Shareholder (49%)	BAA Consulting Ltd.	July 2023
	Principal	BAA Consulting Australia Pty Ltd	November 2023
	Member	Certified Practicing Accountants of PNG	Since July 1992
Priscilla Kevin	**Non-Executive Director**	BSP Financial Group Limited	April 2020
	Board Member/Vice President International & Co-Founder	PNG Digital ICT Cluster Inc.	March 2018
	Director/ Majority Shareholder	IN4NET	January 2013
	Board/Council Member	Institute of National Affairs	March 2018
	Board Member	PNG University of Technology Industrial Advisory Board	June 2015
	Committee Member	Centre for Excellence in Financial Inclusion (CEFI) Digital Financial Services Working Group	September 2018
Ian Tarutia	**Non-Executive Director**	BSP Financial Group Limited	April 2023
	Chairman	Nasfund Contributors Savings & Loans Society (NCSL)	October 2023
		CloudApp Laboratories Limited	January 2016
		National Broadcasting Corporation	July 2023
	President	PNG Chamber of Commerce & Industry	December 2020
	Director	Kumul Consolidated Holdings Limited	December 2020
		Immigration & Citizenship Advisory Board	January 2021
		Panamax Pacific (PNG) Limited	November 2024
	Life Member	Association of Superannuation Funds of PNG	January 2019

LISTING AND REGISTRY INFORMATION

Registered Office
BSP Waigani Head Office
Section 34, Allotment 6 & 7
Klinki Street, Waigani Drive
Port Moresby, NCD
Papua New Guinea

PO Box 78
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Papua New Guinea

Telephone
+675 320 1212

Website
www.bsp.com.pg

PNG Exchange for BSP Shares
PNGX Markets Limited
Office 2, Level 1, Monian Tower
Douglas Street
Port Moresby, NCD
Papua New Guinea

PO Box 1531
Port Moresby, NCD
Papua New Guinea

Telephone
+675 320 1980

Website
www.pngx.com.pg

PNG Share Registry
MUFG Corporate Markets
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Exchange & Registry for BSP Convertible Notes
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The South Pacific
is our home