



Annual Report 2025

Investing in the future.
Delivering today.

ABOUT THIS REPORT

Prosperity for PNG *and the South Pacific*

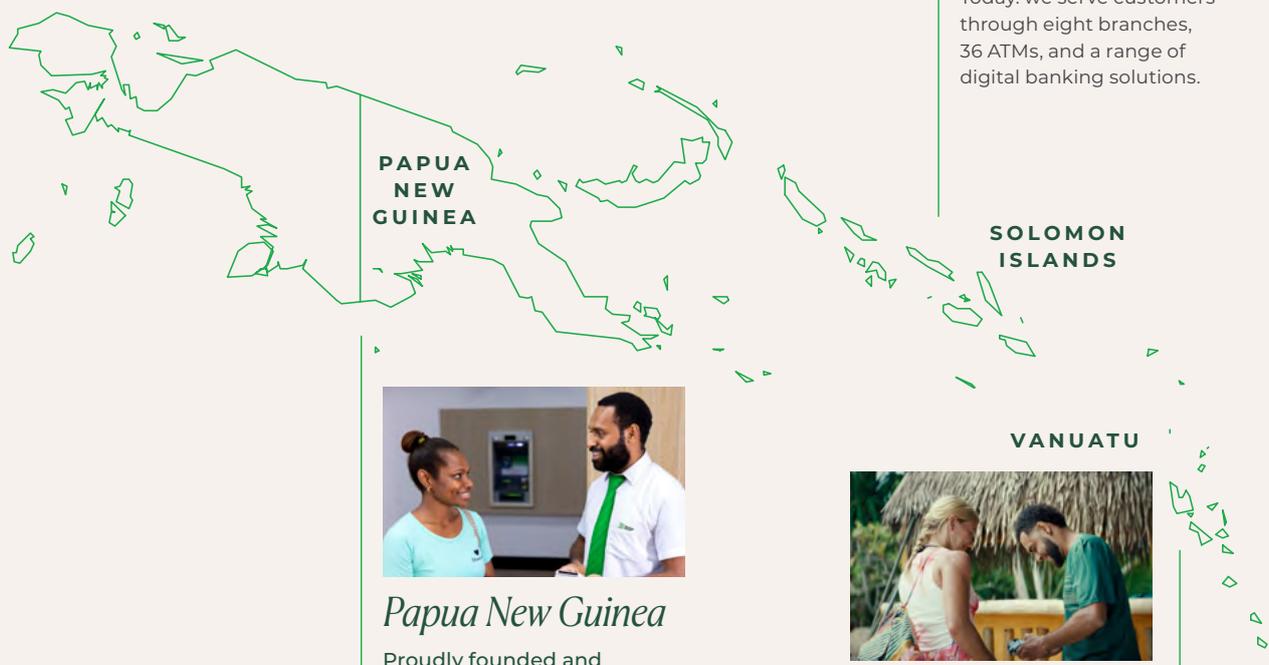
Inside, you will find a comprehensive review of our financial performance, strategic progress and the principles that guide us. We are committed to championing prosperity for the South Pacific through contemporary, inclusive banking services for retail, business, corporate and institutional customers, and playing an active role in community leadership.



Solomon Islands

Solomon Islands' leading bank

Our roots date back to 1951, following acquisitions made in 2007 (NBSI) and 2015 (Westpac). Today, we serve customers through eight branches, 36 ATMs, and a range of digital banking solutions.



Papua New Guinea

Proudly founded and headquartered in PNG

Our origins in PNG date back to 1916, having now grown to be the nation's leading financial institution and the largest company listed on the PNG Stock Exchange. We provide financial services through 85 branches, a network of over 300 local agents and 339 ATMs, together with a wide range of digital banking solutions.



Vanuatu

Our significant presence in Vanuatu

We serve our customers through three branches, a network of local agents, 27 ATMs, and a range of digital banking services.

Our presence in Vanuatu commenced in 2015 when we acquired Westpac's business.

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: <http://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*.



Contents



Fiji

Fiji's leading financial institution

In Fiji, we provide banking and other financial services through our network of 17 branches, 121 ATMs, and digital services. Our roots in Fiji date back 150 years, following acquisitions in 2006 (Habib Bank) and 2009 (Colonial National Bank and Colonial Fiji Life established in Fiji in 1876).



Samoa

The leading bank in Samoa

We serve our retail and business customers through five branches, a network of 38 local agents, 42 ATMs and a range of digital banking services. BSP's presence in Samoa followed its acquisition of Westpac's business in 2016.

SAMOA

COOK ISLANDS



FIJI



Cook Islands

Cook Islands' trusted leader in banking

We serve our customers through two branches, a network of 38 local agents, 15 ATMs and a range of digital banking services. Our presence commenced in 2015 with our strategic expansion in the South Pacific, which saw us acquire Westpac's business in Cook Islands.



Tonga

Tonga's leading bank

BSP's South Pacific network includes Tonga, where we are the leading bank with four branches and 16 ATMs. Our history in Tonga began with the acquisition in 2015 of Westpac's operations, formerly the Bank of Tonga, which was established in 1974.

TONGA

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FY25 HIGHLIGHTS

Delivering a *strong performance*

FY25 marked another year of strong delivery for BSP, underpinned by disciplined execution and a clear focus on long-term value creation.

We increased dividends to shareholders by 13.3%, reflecting robust financial performance and balance sheet strength. Continued investment in digital platforms enhanced customer experience and personalisation, while sustained investment in leadership, skills, and career development strengthened our people and supported a high-performance culture. In PNG and across the South Pacific, we deepened our commitment to financial inclusion and community development, supporting BSP's position as the region's leading bank.



Our shareholders

FY25 full year dividend per share

K1.88

↑ 13% on FY24



Our customers

Customer accounts¹

3.1M

↑ 11% on FY24



Our people

Staff

4,813



Our communities

Income tax

K657.6M

Return on equity (ROE)

23.8%

↑ 50bps on FY24

Home loans

K3.21B

↑ 22% on FY24

Women in leadership

40%

168 male : 113 female

Donations and sponsorships

K9.0M

Return on assets (ROA)

2.9%

↑ 10bps on FY24

Business loans (SMEs PNG)

K564M

↑ 6% on FY24

Women in branch manager positions

66%

Dividend payout ratio

75%

Active branches

124

Employee engagement score

80%

1. Excludes dormant transactional accounts.



PURPOSE DRIVEN, COMMUNITY FOCUSED

BSP has been a trusted partner in nation building in PNG and the South Pacific for over 100 years

Our purpose is to Champion Prosperity for the South Pacific and in 2025 we continued to leverage our history, financial strength and scale to help build capacity in national economies and in local communities.

As a PNG-headquartered company, with roots dating back to 1916 in Rabaul, we have been a proud banking partner in nation building for over 100 years.

We fund the dreams of first-home owners, the ambitions of local businesses and the world-class projects that are creating future prosperity. We donate to local communities and sponsor national events to make an enduring contribution.

For example, in 2025, PNG marked 50 years of Independence. We celebrated the golden jubilee with a new community program – “50for50 – Givim Bek” which will see BSP invest a further K2.5 million in 50 community-driven projects.

“BSP is not only part of the country’s history but also its future. At Independence in 1975, we were a small domestic bank. Today, we are the South Pacific’s largest financial group. Our ‘50for50 – Givim Bek’ Program reaffirms our deep connection with the communities we serve and ensures that progress is shared across PNG – at least one community in each province will receive this support over the next year.”

Robert Bradshaw
Chairman

BSP has been a strong contributor to PNG and the South Pacific over the past 10 years:

Company Income Tax Paid

K4.5B

Contributions to Communities

K67.2M

Dividends to South Pacific Super Funds

K2.1B



MESSAGE FROM THE CHAIRMAN AND CEO

Investing in the future. *Delivering today.*

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



2025 saw exciting changes ripple across BSP as we completed planning and began executing many elements of our *Modernising for Growth* program. We are already seeing results. We made further progress in improving the customer experience, strengthening our operations and developing our workforce for the future – while continuing to deliver strong results for our shareholders.

In a fast changing and highly competitive environment, BSP produced strong financial results reflecting our track record of delivering growth in profitability and attractive shareholder returns. Statutory net profit after tax (NPAT) increased by 13% to K1,172 million. At year end, BSP declared a final dividend of K1.38 for 2025, bringing the full year dividend to K1.88, a 13% increase over the previous year.

Strong growth was apparent across the business, as BSP continued to benefit from our scale and deep roots in a region with growing agricultural, tourism, and natural resources industries. During the year, revenue increased by 14%, reflecting good deposit growth, a resilient loan portfolio and strong foreign exchange earnings. Operating expenses grew 19%¹ on the back of higher employment costs and technology investments.

In this investment phase of our *Modernising for Growth* strategy, the Group's cost-to-income (CTI) ratio sits within our 42%–45% guidance range. The increased 2025 CTI ratio of 42.9% remains below that of the large Australian Banks. We expect the CTI ratio to remain around this level as we continue to invest appropriately to sustain shareholder returns including expanding our *Modernising for Growth* program in the South Pacific.

We continued to maintain capital adequacy well above regulatory requirements. Total assets increased by 16% to K43.0b, supported by 7.6% growth in gross loans.

Modernising for Growth

We accelerated the rollout of our *Modernising for Growth* initiatives to improve the experience for our retail and business customers. This included introducing a *Concierge App* which has seen early progress in reducing branch wait times. Other customer experience improvements for retail customers included further branch upgrades, modernising digital services and expanding the BSP Wantok Wallet.

We also began bringing next generation infrastructure to BSP customers. This included new ATMs that can both dispense cash and take deposits, and automated cash counting technology saving customers and staff significant amounts of time. We also commenced upgrading EFTPOS terminals, enabling faster and more secure payment experiences.



BSP Chairman Robert Bradshaw and BPNG Assistant Governor Sabina Deklin cut the ribbon to open the refurbished Port Moresby Branch. Looking on are BSP Group CEO Mark Robinson, Motu-Koita Assembly Chairman Russell Wavik, and Reverend Garo Kilagi.

1. Movement excludes one-off joint venture impairment expense (K36 million) from FY24.

In April, we launched our new *Business Bank* to support small to medium-sized businesses. The Business Bank team travels to meet PNG businesses where they operate, from market stores and shopfronts to job sites and local offices.

We believe BSP's growth and the region's economic prosperity will benefit from accelerating the shift from cash to secure, reliable and accessible digital channels. We made more services available online, including foreign exchange for business customers. As a result, digital transactions grew by 22.2% during the year, led by growth in internet banking up 53.5%, while EFTPOS transactions up 15.5%.

We also invested in data to understand our retail and business customers better, so we can tailor solutions to meet their needs. This led to the launch of new, personalised customer propositions, including BSP Gold, which extends premium banking benefits to the region's growing middle class.

At the same time, investment in automated controls and advanced AML systems kept transaction error rates well below international benchmarks and strengthened our fraud defences.

Transforming our workforce capability

Modernising for Growth is not just about technology. It's also about providing our staff with skills for the future, broader careers and new opportunities. We continued to invest in developing our employees' digital capabilities and modern banking competencies.

The BSP Academy, launched in 2024, is helping our next generation of leaders prepare for the modern work environment. So far, more than 186 staff have graduated from the program. We also rolled out the LinkedIn Learning platform to all our staff.

Building digital capabilities in our people is not just important for BSP. We are an incubator of talent for the South Pacific, with many BSP alumni going on to roles in the region's leading organisations. By investing in modern skills training, we are helping to develop a future-ready workforce to underpin the region's future prosperity.

PNG's national champion

In our home country, BSP is the trusted banking partner for the PNG Government and the largest holder of domestic government securities. Our scale, capability and experience underpin a strong, stable financial system at home. We also enable reliable high-volume public payment flows, including payment options for fees and for government payrolls for 130,000 public servants.

For example, this year, we partnered with the Department of Finance to replace government cheques with real-time secure electronic payments. Government agencies, suppliers and contractors can now receive payments faster, more reliably and with greater visibility.

Improving financial inclusion

Given our scale, we invest substantively in financial inclusion, for the benefit of our communities as well as our shareholders. Financial inclusion changes lives and strengthens local economies. In February 2025, we launched *Wantok Wallet*, which makes everyday banking possible for people who would otherwise travel long distances to a branch or rely on cash. Customers can access, send and save money safely and affordably, often for the first time, using a basic phone without a bank account. By year end, over 100,000 people had signed up for *Wantok Wallet*. Now that the product is widely known and trusted, we expect significant growth in 2026. *Wantok Wallet* complements other BSP initiatives to increase financial literacy in the community.

Giving back to the community

In September, to celebrate PNG's 50th year of Independence, BSP launched our *50for50 – Givim Bek* initiative. We are investing K2.5 million to support 50 community-driven projects nationwide.

The initiative complements BSP's longstanding Community Projects Program, which already delivers more than K1.2 million annually for projects in health, education and community development. Together, these commitments will leave a lasting legacy of education, youth empowerment, sustainable livelihoods and better health outcomes.

Board renewal

In February 2025, Dr Matagalofi Lua'iufi and Stuart Davis retired as Directors of BSP. We thank them for their many years of dedicated service, which contributed significantly to shaping BSP's strategic direction. We also welcomed new Directors, Donna Cooper and David Hornery, who bring a wealth of international financial services experience. Ms Cooper has nearly 30 years of diverse international experience in banking, global payments and debt management. Mr Hornery has more than 35 years' experience working with several of Australia's leading commercial and investment banks.

Outlook

We enter 2026 with confidence and optimism – grounded in more than a century of serving PNG and the South Pacific. The region's economies are growing faster than in many developed markets, supported by resilient communities, entrepreneurial businesses and expanding trade. With our skilled people, the modernisation of our infrastructure and deep local relationships, BSP looks forward to continuing to help the region to prosper and grow.

On behalf of the Board and management, we thank our stakeholders for their continued confidence in BSP. Thanks are also due to our staff. We are proud of the experienced and emerging talent across BSP – and their commitment to delivering modern banking services to our customers throughout the South Pacific.



Robert G. Bradshaw
Chairman



Mark T. Robinson
Group CEO and Managing Director

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.

OUR STRATEGIC PILLARS



THE STRATEGIC SHIFTS ARE SUPPORTED BY FOUR KEY ENABLERS:



OUR CORPORATE BANK IN FOCUS

Continuing our transformation into
a world-class regional corporate bank

Engaging with our customers across the South Pacific.

Our *Modernising for Growth* program involves significant investments in our Corporate Bank.

Our aim is to create a world-class regional bank, providing capabilities for clients of all sizes across the region. Our focus includes businesses that are the life blood of local economies, large companies and institutions driving national growth and international trade, and multinationals investing in projects that are creating future jobs and prosperity. We are also proud to be a leading provider of banking services to governments in PNG and in the South Pacific.

To support this, we moved to the execution phase of modernising our corporate bank for growth strategy. This saw early, tangible benefits for our clients through a focus on digital platforms and new capabilities for our people.

We launched new online foreign exchange services and new risk and portfolio management capabilities were established. We also progressed our digital experience platform with a next generation transaction banking capability on track for launch in the year ahead.

“Our Corporate Bank is transforming into a world-class regional business, with unified operations across Papua New Guinea and the South Pacific, modern platforms, stronger client focus, and the best people.”

Daniel Faunt
Group General Manager
Corporate Bank



OUR BUSINESS

Championing Prosperity *for the South Pacific*

With our roots in Papua New Guinea dating back to 1916, BSP has become the largest and most trusted financial services provider in the South Pacific.

Today, over 4,800 BSP employees care for the financial wellbeing of 3 million customers in PNG, Cook Islands, Fiji, Samoa, Solomon Islands, Tonga and Vanuatu.

Through our *Modernising for Growth* program, we are investing K1.2 billion in technology and digital capability to bring our customers the convenience of our retail, business and institutional modern banking services.

We are committed to improving lives throughout the South Pacific. That means looking after our customers – now and in the future – supporting their businesses and investing in communities.

Our scale and deep roots also allow us to be a strong advocate and partner for economic development in the South Pacific, and to invest in financial inclusion, to the benefit of our communities.

As the region's leading bank, we continue to provide financial sector access to remote customers across the South Pacific. We often go where no other bank goes. We fly in. We walk. Or we take a boat. And we find innovative ways of delivering financial offerings through basic mobile devices, so people don't need an account to access banking services.



We are funding home ownership dreams across the South Pacific.

Total Group Operating Profit



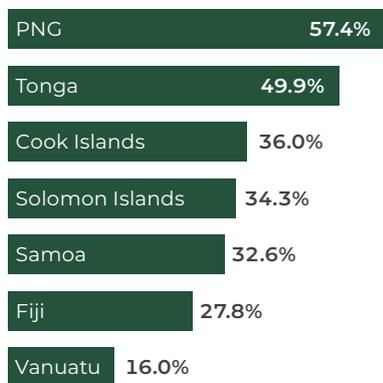
- 71% PNG Bank
- 24% Pacific markets
- 5% Non-bank entities

Group net profit after tax (NPAT)

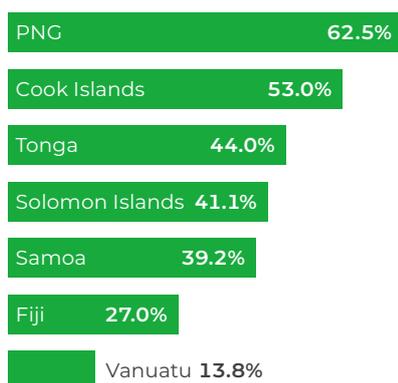


- 65% PNG Bank
- 29% Pacific markets
- 6% Non-bank entities

Lending market share (%)



Deposit market share (%)



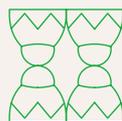
OUR PURPOSE

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

Continuing to grow



BSP has continued to build momentum with solid growth fundamentals across all key business segments, delivering increases in revenue and profitability. Our balance sheet has experienced solid growth across lending and deposits, is robust and well capitalised. We are delivering stronger margins and value for our investors.

Net profit after tax

Net profit after tax has increased off the back of continued balance sheet growth, stable margins and strong foreign exchange income.

NPAT

K1.17B

↑ 13% on FY24

Loan impairment and provisions

Provision to loan balance ratio is unchanged from the prior year and impairment expenses reflect the increase in lending and stable economic outlook.

Impairment expenses

K115M

Net interest margin (NIM)

Margins have been well managed and have increased year on year by 19bps.

Net interest margin

6.41%

↑ 19bps on FY24

Loan & deposit growth

Loan growth has been solid with retail mortgages and unsecured personal loans driving the lending growth and business lending growth more subdued. Deposit growth has been strong with all segments and regions contributing to this outcome.

Business loans

K10.1B

↑ 2% on FY24

Operating Profit

K1.95B

↑ 11% on FY24

Provision to loans

3.3%

unchanged from FY24

Retail mortgages

K3.4B

↑ 20% on FY24

Dividend

The dividend has increased off the back of a robust, consistent performance. This is delivering increased value to shareholders.

FY25 full year dividend per share

K1.88

↑ 13% on FY24

Capital Adequacy

Our capital ratios are strong and have improved by 20bps. We have capacity to support customers and growth, while maintaining prudent capital levels.

Capital adequacy

26.4%

↑ 20bps on FY24

Personal loans

K2.6B

↑ 17% on FY24

Deposits

K34.2B

↑ 18% on FY24

DELIVERING FOR SHAREHOLDERS

A strong performance has resulted in improved returns and dividends for shareholders, while delivering better customer outcomes, investing in modernising the bank and supporting growth and prosperity in the region.

Total number of shares

467.2M

Total shareholders

6,674

South Pacific ownership

97.8%

Market Capitalisation¹

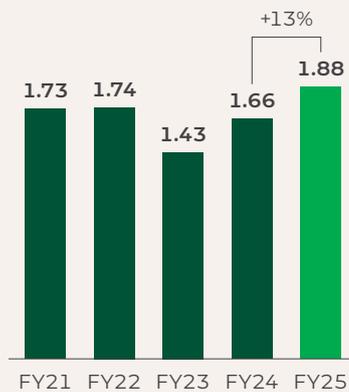
K11.47B

on PNGX

\$3.85B

on ASX

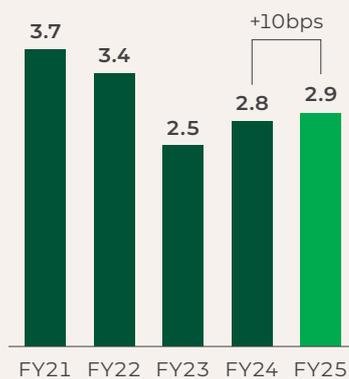
Dividend per share (DPS) (K)



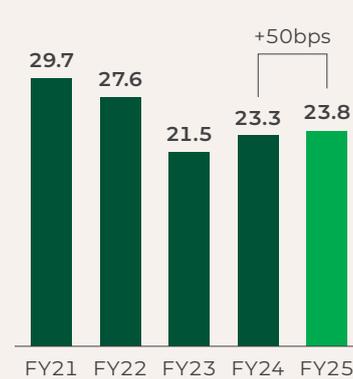
Total shareholder return (TSR) (%)



Return on assets (ROA) (%)



Return on equity (ROE) (%)



1. AUS dollar and PNG Kina market capitalisation based on ASX (\$8.25) and PNGX (K24.55) closing prices, respectively, on 31 December 2025.

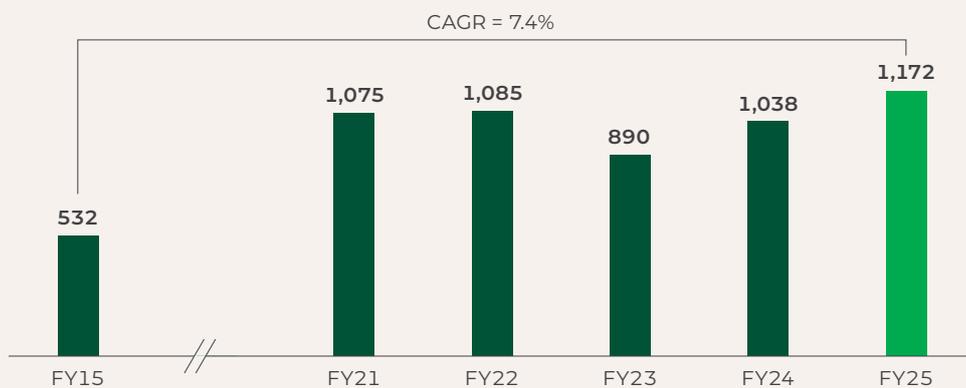
FINANCIAL PERFORMANCE CONTINUED

Group financial performance

Our strong performance in 2025 has been driven by broad-based balance sheet growth. Other income has made a large contribution with foreign exchange income up K161m, or 29% showcasing the depth and quality of our customer relationships. We have continued to invest in modernising the bank and improving the customer experience with expenses increasing 19%, while also delivering an improved NPAT performance outcome, up 13%.

Results summary (K'm)	FY24	FY25	Change
Revenue	2,979	3,407	+14%
Operating expense	(1,231)	(1,462)	+19%
Operating profit	1,748	1,945	+11%
Bad and doubtful debt expenses	18	(115)	-
Profit before tax	1,766	1,830	+4%
Income tax	(787)	(658)	-16%
Underlying NPAT	979	1,172	+20%
JV ¹ impairment	(36)	-	-
ACT ² settlement	95	-	-
Statutory NPAT	1,038	1,172	+13%

10-year NPAT (K'm)



Profit and loss trends

BSP has continued its momentum, as we execute our modernisation strategy. The bank has delivered a strong and sustained performance over the longer term, achieving a 10 year compound annual growth rate (CAGR) of 7.4%. This has been achieved through deepening our customer relationships, strengthening our balance sheet and playing a leading role in supporting growth in the regions where we operate. We remain committed to continuing to deliver long-term value for our shareholders.

NPAT

K1.17B

↑ 13% on FY24

1. South East Asia joint venture (JV) asset finance business.
2. Additional Company Tax settlement.

Operating profit

Operating profit

K1.95B

↑ 11% on FY24

Net Interest Margin (NIM)

641bps

↑ 19bps on FY24

Operating profit (K'm)



Revenue

Revenue growth for the Group was up 14.4%, or K428m driven primarily by net interest income up 9% or K178m supported by lending and investment income. Also FX income was up 29%, or K161m as we have expanded our digital offering and helped support more customers with their FX needs. Our fee income is up 14% or K56m driven by transaction fees as more customers are choosing to bank with us across the group.

Revenue

K3.41B

↑ 14% on FY24

Operating expenses

Operating expenses¹

K1.46B

↑ 19% on FY24

Cost-to-income (CTI)¹

42.9%

↑ 160bps on FY24

1. Movement excludes one-off joint venture impairment expense (K36 million) from FY24.

CASE STUDY

Dedicated Business Bank for PNG



Bringing banking directly to businesses.

In April 2025, we launched a dedicated service tailored specifically to support the needs of Papua New Guinea's business community from small businesses to commercial enterprises. Based at Gordons Commercial Centre in Port Moresby, the BSP Business Bank team extends its reach well beyond the branch – travelling to meet PNG businesses where they operate, from market stores and shopfronts to job sites and local offices.

This new offering reflects our enduring commitment to Championing Prosperity for the South Pacific and acknowledges the critical role small-to-medium enterprises (SMEs) play in PNG's future. SMEs don't just drive the economy, they represent the hopes and ambitions of families, communities, and industries.

With BSP Business Bank, we're showing up in a way that's agile, accessible, and focused on solutions that grow with our customers.

“We're not waiting for customers to come to us. We're out there – on-site, in markets, in offices, and in communities. Our role is to walk alongside our clients, helping them unlock opportunity with tools that are built for PNG business realities.”

Raymond Logona
Head of Business Bank

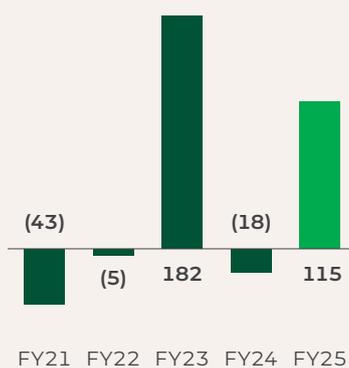


FINANCIAL PERFORMANCE CONTINUED

Credit quality and provisions

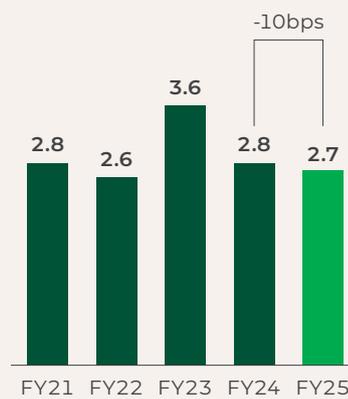
Credit quality has marginally improved in FY25 with delinquency rates down 10bps to 2.7% and provision to loan ratios remaining stable at 3.3%.

Impairment expenses (K'm)



κ115M

Impairment expenses increase reflects the increase in lending on the balance sheet and the stable economic outlook.

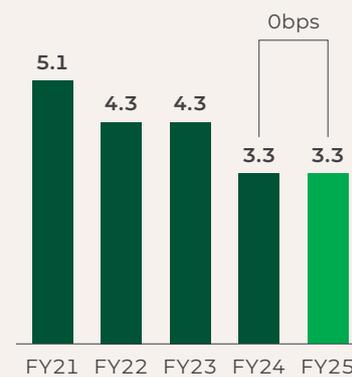
Delinquency rates¹ (%)

2.7%

↑ 10bps on FY24

Delinquency rates have marginally improved in FY25, as the credit quality of our loan book has improved.

Provisions to loan (%)



3.3%

↑ 0bps on FY24

Provision to loan ratios were unchanged compared to same period last year, owing to the stable economic outlook in the markets we operate.

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

Balance sheet *strength*

We have experienced solid lending growth on the balance sheet, up 8% largely driven by the South Pacific and our retail mortgages and personal lending products, up 20% and 17% respectively. Corporate lending growth has been more subdued. Deposit growth has been strong, up 18% with all segments and regions contributing to this outcome.

Loan book composition



- 56% Business loans
- 19% Retail mortgages
- 14% Personal loans
- 8% Business overdrafts
- 3% Others

Business loans

K10.1B
↑ 2% on FY24

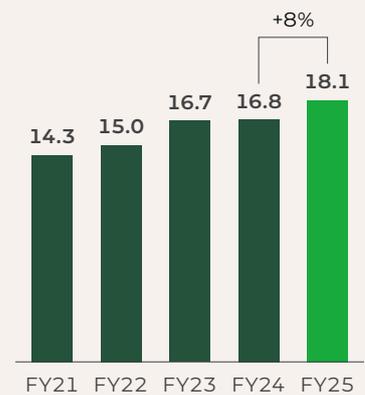
Retail mortgages

K3.5B
↑ 20% on FY24

Personal loans

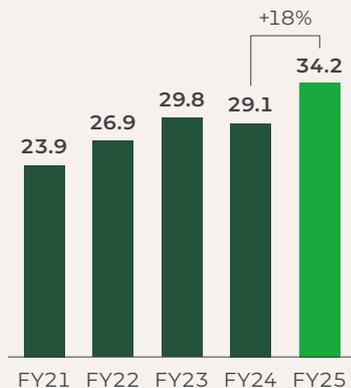
K2.6B
↑ 17% on FY24

Gross loans (K'b)



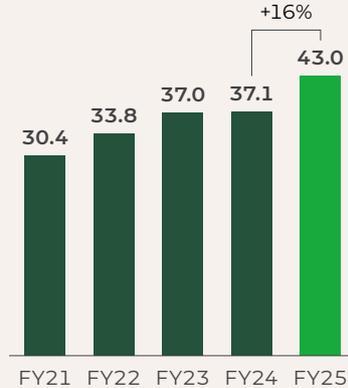
K18.1B
↑ 8% on FY24

Deposits (K'b)



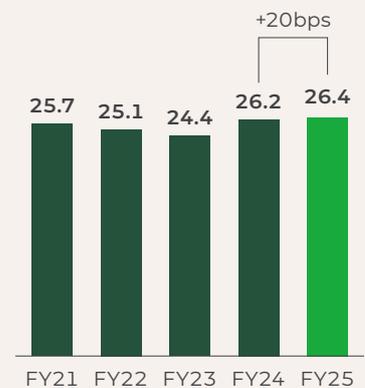
K34.2B
↑ 18% on FY24

Total assets (K'b)



K43.0B
↑ 16% on FY24

Capital adequacy (%)



26.4%
↑ 20bps on FY24

SUSTAINABILITY REPORT

“ESG is the intersection of *innovation and responsibility.*”

This is BSP’s second Sustainability Report, covering the 2025 activities of our Environmental, Social and Governance (ESG) Implementation Roadmap. Being proactive in environmental and social action enhances the way we execute our strategy, underlines our Vision, serves our Purpose, and embodies our Values.

ESG regulations across BSP’s markets are aligning with international disclosure and governance standards, increasing future compliance expectations. At the close of the 2025 financial year, BSP was not subject to any mandatory ESG or climate disclosure. Therefore, this Sustainability Report is a voluntary disclosure.



Materiality Approach

We have taken a structured, impact-based approach to identifying the ESG issues that matter most to our stakeholders and our business, ensuring our priorities reflect both current and emerging needs.

In 2024, we undertook a materiality assessment, prioritising five material areas to address in our ESG program based on how our operations impact the economy, environment and people, including their human rights. We assess the significance of positive and negative impacts and our ability to influence change in these areas.

Material Topics		Action Areas
 Financial Health	<p>Enable meaningful economic participation, and actively support equitable access to financial services through:</p> <ul style="list-style-type: none"> • Conducting financial literacy training, either directly or through collaboration with community partners • Strengthen financial consumer protection • Factoring consumer hardship into our financing, lending and decision-making processes 	<ul style="list-style-type: none"> • Financial Literacy • Financial Inclusion • Responsible Lending • Financial Consumer Protection • Financial Sector Deepening
 Gender-based Violence	<p>Collaborate with community partners to counteract and respond to incidents of gender-based violence experienced by staff and customers.</p> <p>Implement policies, programs, and strategies for preventing and responding to harmful behaviours, including forms of physical, sexual, emotional and financial abuse.</p>	<ul style="list-style-type: none"> • Preventing Financial Abuse • Survivor Support & Protection • Community Partnerships • Workplace Coalition Campaigns • Male Advocacy
 Workforce Capability	<p>Train, educate and develop South Pacific talent into modern banking professionals to deliver leading financial service, including knowledge of financial products and services, international banking practice, ESG and adherence to regulatory compliance.</p>	<ul style="list-style-type: none"> • Leadership Development • Knowledge Transfer Programs • ESG Education & Upskilling • BSP Academy
 ESG Governance & Reporting	<p>Embed ESG factors in decision-making processes, operations and strategic planning, including:</p> <ul style="list-style-type: none"> • Governance around ESG initiatives • Integrating ESG into business strategy and risk management frameworks • Transparent ESG reporting, aligned to regulatory requirements and industry standards 	<ul style="list-style-type: none"> • Climate Risk Integration • ESG Program Management • Standard Setting and Alignment • Metrics & Targets • Materiality • Group sustainability strategy
 Climate Vulnerability	<p>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:</p> <ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • Climate Adaptation & Mitigation • Green Finance • Emissions • Waste Disposal & Resource Use • Biodiversity • Climate-resilient Infrastructure

SUSTAINABILITY REPORT CONTINUED

Our ESG Program

BSP's ESG Program is anchored in the Group's Values and complements our *Modernising for Growth* strategy.



Environmental

Minimising BSP's impact on the environment and mitigating climate change impacts on our customers and our own operations, including championing green finance, investing in climate-resilient infrastructure and ensuring high standards for waste disposal.

Social

Protecting customer and staff welfare, and ensuring ethical business conduct, including expanding our efforts against gender-based violence, enhancing staff capability and ensuring fairness in the financial system through responsible service delivery.

Governance

Strengthening ESG governance and enabling transparent reporting through investment in capability and systems, as well as uplifting our business processes, and policy and risk framework to align with local and international standards.



Environmental

The South Pacific islands are highly susceptible to the effects of climate change, and our approach to managing climate risks and opportunities centres on addressing the inherent vulnerability of our staff, customers and communities in our markets.

Climate Risk

We have integrated physical climate risk into our business continuity planning to strengthen resilience across our operations. This work ensures we can continue serving our customers during climate-related disruptions. Work has commenced to broaden our understanding of physical climate risk and its impact at a portfolio level, enabling more robust scenario analysis and supporting future reporting requirements.

We are taking a measured, market-appropriate approach to transitional climate risk. Our focus is on balancing climate imperatives with customer readiness and the maturity of the economies we serve. Work is underway to align with emerging regulations, and invest in our capacity to support the transition.

Green Finance

Regulatory frameworks for sustainable finance are now emerging across the South Pacific, providing clearer guidelines for investment in clean energy, decarbonisation, sustainable agriculture and climate resilient infrastructure. BSP is engaging with governments, regulators, and development partners across the region, sharing practical insights and shaping our approach as regulations take shape.

Emissions¹

We have commenced investment in systems to facilitate the accurate capture and quantification of Scope 1 and Scope 2 emissions in line with the Greenhouse Gas (GHG) Protocol. Work is progressing to enable assured emissions disclosures across all our markets. In sequence, Scope 3 emissions, particularly financed emissions related to our portfolio, will make up the largest proportion of our emissions footprint. At this stage, we have not set emissions targets.

1. Scope 1 emissions are direct emissions from owned or controlled sources; Scope 2 emissions are indirect GHG emissions associated with the purchase of electricity, steam, heat, or cooling; Scope 3 emissions are the result of activities from assets not owned or controlled by the reporting organisation, but that the organisation indirectly affects in its value chain.

CASE STUDY

Waste Management *to Support Our Strategy*



A handful of the 480,000 bank cards disposed in 2025.

We are working to ensure that our strategic initiatives observe leading environmental standards for waste disposal across the South Pacific.

With the planned replacement of 200 ATMs, 9,000 EFTPOS, and 1.4 million cards as part of our modernisation program, there is a growing need for us to responsibly dispose the waste generated from our strategic initiatives. We are committed to ensuring the plastic, metallic, and electronic components are safely disposed.

We adopted waste disposal process in PNG, ensuring Payment Card Industry compliance for waste disposal, while also meeting applicable local, Australian, European, and U.S. environmental standards. These new waste management processes are embedded in our operations and support our modernisation agenda.

In 2025, we disposed of 2.4 tonnes of plastic waste from our card upgrade program. Electronic waste from our ATMs and EFTPOS will be similarly disposed as we upgrade these devices in PNG and the Pacific.



SUSTAINABILITY REPORT CONTINUED

Social

With our reach throughout the South Pacific, BSP is well-positioned to champion prosperity and positive social impact. In 2025, our social impact and economic inclusion priorities were promoting financial literacy, addressing gender-based violence (GBV), championing fair lending practices and improving our workforce capability.

Financial Inclusion

We know that through financial inclusion, and enabling meaningful and safe participation in the formal economy, livelihoods change and local economies strengthen. It's the key to unlocking prosperity. We are committed to ensuring people in communities across the South Pacific have access to financial services tailored to each demographic's banking needs. With digital services like the Wantok Wallet, and a broad branch network, we are enabling access to financial services to empower communities.

Financial Literacy

We believe it is important that our financial inclusion efforts include a focus on financial literacy, ensuring our customers can make informed borrowing decisions, understand budgeting, avoid fraud, and practice online banking safety. We consistently engage with communities across the South Pacific to drive financial literacy training as part of our social commitment.

Responsible Lending

As part of our commitment to responsible banking, we commenced the implementation of our Group Responsible Lending Policy aimed at strengthening financial consumer protection. The Policy addresses risks associated with unregulated non-bank money lending by establishing clear conduct standards for BSP customers, reinforcing our anti-money laundering controls, and ensuring that we do not indirectly support high-risk or harmful lending practices. Aligned with impending financial consumer protection standards in PNG, we are an early adopter by integrating these requirements into our Policy ahead of the regulatory mandate. We are committed to promoting safe financial inclusion and advancing fair and sustainable financial outcomes in the South Pacific.

CASE STUDY

Y.E.S Grow! *Empowering Pacific entrepreneurs*



Asaeli Lemaki (right) of Qito Sports and Umang Maisuria (left) from BSP examining merchandise during a client visit.

The Y.E.S (Your Enterprise Scheme) Grow program is a development program for small-to-medium enterprises, jointly designed in partnership with Australian Business Volunteers. The program provides practical tools and skills for entrepreneurs through workshops, classroom sessions, and tailored one-on-one mentoring. The program supports entrepreneurs by improving core business skills, leadership capacity, and long-term resilience.

The Y.E.S Grow program was rolled out in PNG, Fiji, Tonga and Samoa, with Vanuatu and Solomon Islands to be added in 2026.

One beneficiary of the program is Qito Sports in Fiji, founded by husband-and-wife team Asaeli and Taina Lemaki. Qito Sports participated in Y.E.S Grow (called "THRIVE" in Fiji), and benefited from the professional training, toolkits, and coaching programs.

Since 2022, Y.E.S Grow highlights include:

Program Participants (entrepreneurs)

605

Female-led businesses

50%

Volunteer Hours

3,100+



CASE STUDY

Enhancing capability through the BSP Academy

Workforce Capability

Ensuring our staff are prepared for the future is central to our ESG program and to enabling our business strategy. We are an incubator of talent in the South Pacific making significant investments to empower every employee with the skills, experiences, and mindset needed to succeed as we shape the future of banking in our markets.

Our workforce capability program aims to build a motivated, highly-skilled and engaged workforce by providing development pathways through learning opportunities, intra-Group secondments and leadership development programs. We piloted learning and development journeys for critical roles in Corporate and Retail Banking to help build future-ready capabilities across the workforce for critical roles, and through the BSP Academy, these development initiatives will be made available to all our people.

Black Thursdays Campaign

We are committed to ending domestic and gender-based violence in our communities. As part of this commitment, our staff across the South Pacific wear black every Thursday in solidarity with victims of violence against women and families. As part of the Black Thursdays Campaign, we collaborate with community partners, government agencies and non-government organisations to change mindsets and support survivors, for both staff, customers, and the community.

Men as Allies against GBV

Changing male attitudes toward domestic violence is a key component of our GBV strategy. This involves addressing root causes, gendered stereotypes, confronting cultural biases, and destigmatising mental health conversations. We believe GBV is not just a women's rights issue, but a human rights issue. Broadening the conversation, we aim to encourage men in the community to be vocal allies and advocates against GBV in the homes, at work, and in the communities.



Group discussions during a BSP Academy leadership training workshop.

We are continuing to expand the BSP Academy to develop talent throughout our business and build a future-ready workforce that drives sustainable success. In 2025, 186 employees, from all seven of our markets, completed the Academy program which focuses on high-quality leadership development and technical training.

The program also includes training in specific fields such as Management and Leadership, Banking and Financial Services, Digital and Innovation, Service and Customer Experience, Risk and Governance, and Operations and Efficiency. These fields of study are part of a virtual university within the BSP Academy with dedicated curricula, competency frameworks and role-based pathways.

The BSP Academy is supported by internally developed digital learning pathways supplemented by globally recognised learning programs, with LinkedIn Learning being the first, available to all our staff. Together, our investment in learning and development is creating a better workplace for our people, with more skilled and meaningful work, broader careers and new opportunities for mobility across BSP.



SUSTAINABILITY REPORT CONTINUED

Governance

We are making progress embedding ESG considerations in decision-making processes, operations and strategic planning. We have governance structures dedicated to monitoring ESG initiatives, defining sustainability goals, promoting equality and embedding ESG considerations into business strategies and risk management frameworks.

Sustainability and societal wellbeing is integrated into the way we do business and how we serve our communities. The aim of our sustainability-related governance uplift is ensuring ESG issues have appropriate risk management and reporting processes in place.

ESG Program Oversight

The Board established the medium-term strategy for our ESG program in 2023. Regulations across the South Pacific are emerging with increasing prominence on the role that the Board plays in ESG governance.

The Board receives programmatic updates on key ESG initiatives when appropriate, through the Board Risk Committee, and sets the Group’s mid-term ESG strategy. To execute on our sustainability strategy, the ESG Steering Committee was established to oversee the Group-level execution of sustainability imperatives in line with the ESG strategy. The Steering Committee is comprised of Group-level executives and report to the Board through the Board Risk Committee.



Along with sponsoring initiatives to address our material ESG issues, the Steering Committee's duties include:

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

The work of the Steering Committee is enabled by a centralised Group-wide ESG coordination office, that works with sustainability teams in each of our markets. This will support a localised response to ESG issues and greater pass-through of initiatives from the local to Group level. We will continue to invest in developing capacity specific to our operational, customer and regulatory needs.

Do No Significant Harm Principles

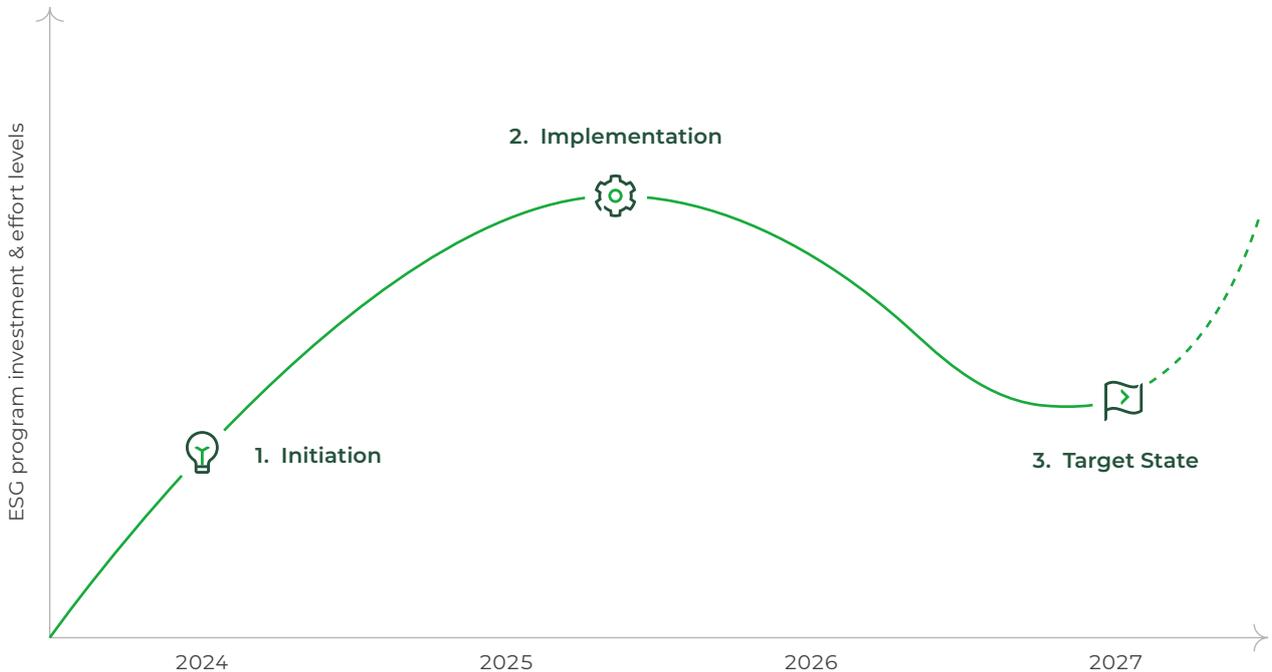
Our Environmental Social Risk Management (ESRM) framework integrates Do No Significant Harm (DNSH) principles across our lending activities and operational practices. The framework embeds DNSH principles into our due diligence frameworks, credit evaluations, and operational decision-making to ensure that our activities do not create adverse environmental or social impacts. This strengthens our commitment to sustainable value creation and responsible conduct across the South Pacific.

Our ESG Implementation Roadmap

In 2024, we established the core governance structures for ESG oversight, completed a materiality assessment and undertook our first assessment of physical climate risks. In 2025, we built on this foundation by deepening our understanding of climate risks and opportunities and beginning to integrate these insights into our operational risk framework. We initiated a range of ESG programs, several of which have now moved into business-as-usual, while others continue through execution and refinement.

In the near term, we are assessing gaps in our current disclosures to develop a pathway to align with, and in some cases be an early adopter of, emerging sustainability and climate regulations in the South Pacific. This will include establishing the baseline processes for emissions measurement and carbon accounting across seven countries.

Our focus in the coming year will be to expand and refine the scope of our environmental and social risk management frameworks, and embed specialised ESG skillsets to facilitate the execution of program priorities. We are deepening our understanding of transition climate risk to inform our credit risk processes and Group risk appetite where applicable. We are also championing the development of Green Lending in key markets, supporting shared sustainability and decarbonisation aspirations in the South Pacific.



1. Initiation

- Establish governance structure,
- Complete materiality assessment,
- Initiate ESG program projects.

2. Implementation

- Implement ESG projects during the two-year execution window,
- Align policy and reconfigure relevant business processes,
- Build ESG capacity in credit, risk, operations, finance, and other relevant cross-functional teams.

3. Target State

- Transition ESG projects into business-as-usual,
- Align with best practice for disclosures underpinned by robust sustainability governance,
- Conduct a materiality assessment to refresh the list of material ESG issues to BSP.

RISK MANAGEMENT

Continuing to Strengthen *Systems and Capabilities*

BSP is committed to managing all material risks arising from its activities in accordance with its policies. The Board has overall responsibility for setting risk appetite and overseeing how risks are managed.

External environment

Given BSP operates across seven countries in the South Pacific, our financial performance is closely linked to the political, economic and financial conditions in each country. These local conditions are themselves being shaped by global forces – from macroeconomic shifts to geopolitical volatility and environmental pressures – which in turn influence the region's economic stability, regulatory environments and financial markets.

In response to the increasing level of risk in the external environment, we continue to invest in people, processes and systems to strengthen our risk management capabilities. In 2025, as part of this strengthening of our risk capabilities, we implemented a new enterprise risk management system, providing a central view of all enterprise risks, controls and risk incidents. This platform will further embed good risk management practices, support our Three Lines of Defence model and give our governance bodies both greater visibility of our risk landscape and new insights.

Our Risk Management approach

BSP takes an integrated approach to risk management, ensuring consistent, effective oversight and accountability enterprise-wide, across all levels of the Group.

We use a Risk Management Framework (RMF) with a number of risk types: Strategic, Financial and Non-financial. Each risk type has its own framework to identify, assess, govern and manage its unique risks. The RMF provides the guardrails to support greater risk awareness, understanding and consistency across the organisation.

The RMF is supported by the Group's systems, structures, policies, procedures and people, ensuring a consistent and integrated approach to risk management.

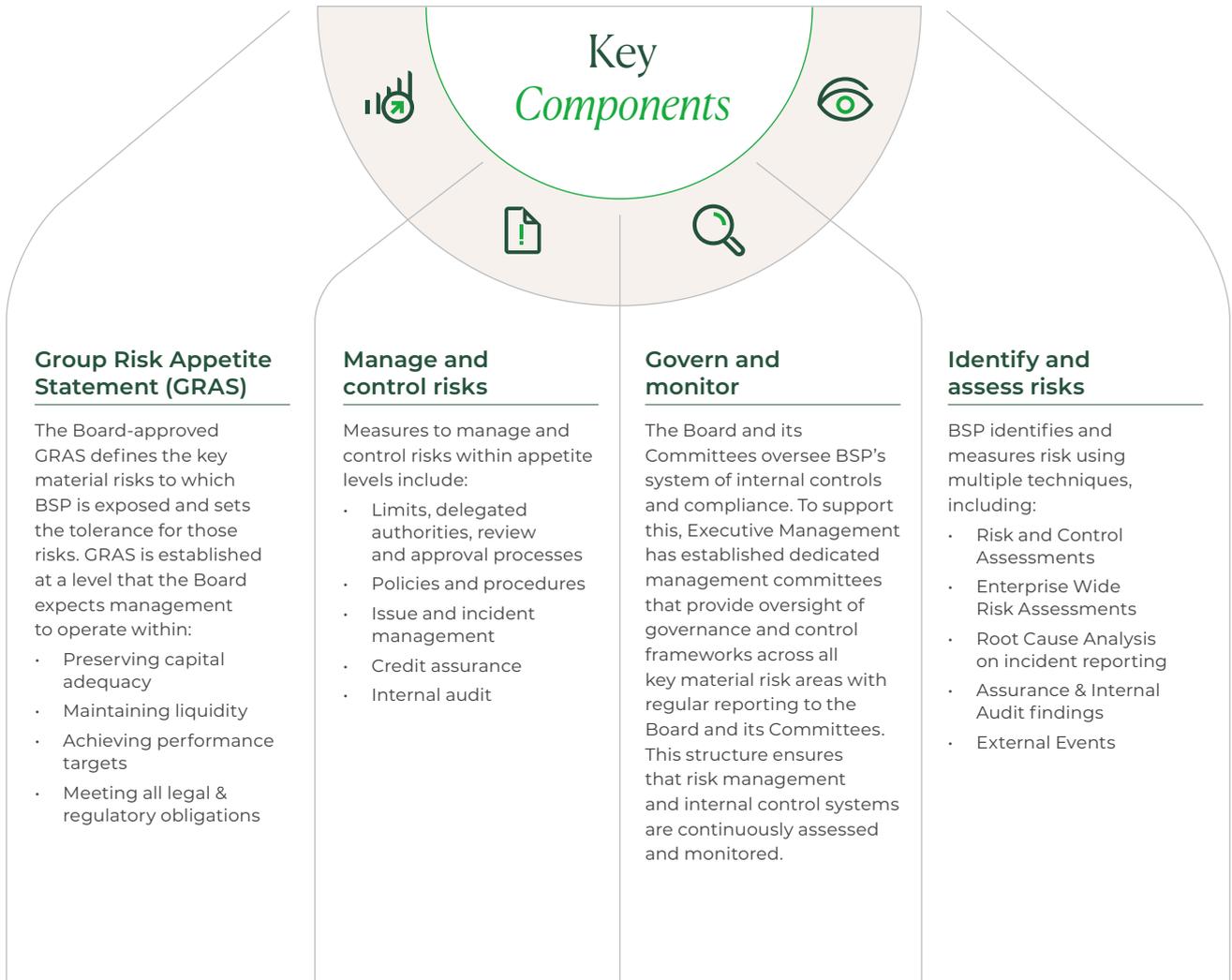
Risk principles embedded within the RMF set clear expectations for behaviour and practices, helping to foster a culture where risk awareness and accountability are shared across BSP. Risk culture is an important component of our organisational culture. It underpins our shared values, guiding the behaviours and practices that influence how risk is managed and considered in our decision making.

The level of risk the Group is willing to accept in pursuit of its strategic and operational objectives is defined in a Group Risk Appetite Statement (GRAS), which balances the interests of shareholders, depositors, and customers. This statement guides decision-making and supports proactive risk management, setting the risk limits the Bank operates within to deliver our strategy.

We continuously monitor both internal and external environments to ensure our risk universe remains relevant and responsive to change. Risk is managed across its full lifecycle from identification and assessment to monitoring and reporting. This includes quantifying exposures under both normal and stressed conditions, extending to recovery and resolution planning.

Risk exposures are managed using a range of techniques (see diagram) and monitored against defined risk appetite levels that align with our strategy. Capital is allocated efficiently to support growth and shareholder value, while ensuring compliance with Board approved thresholds and regulatory capital requirements.

Risk Management Framework



Governance structure

Our governance structure supports strong oversight through mandated Board and Management Committees. The development and implementation of risk management policies are overseen by the Board Risk Committee, under delegated authority from the Board. The Risk Committee reports regularly to the Board, providing assurance on the effectiveness of the Group's risk management practices.

Risk governance is further reinforced through dedicated committees and forums that regularly review known and emerging risks, monitor management actions and track the progress of remediation plans.

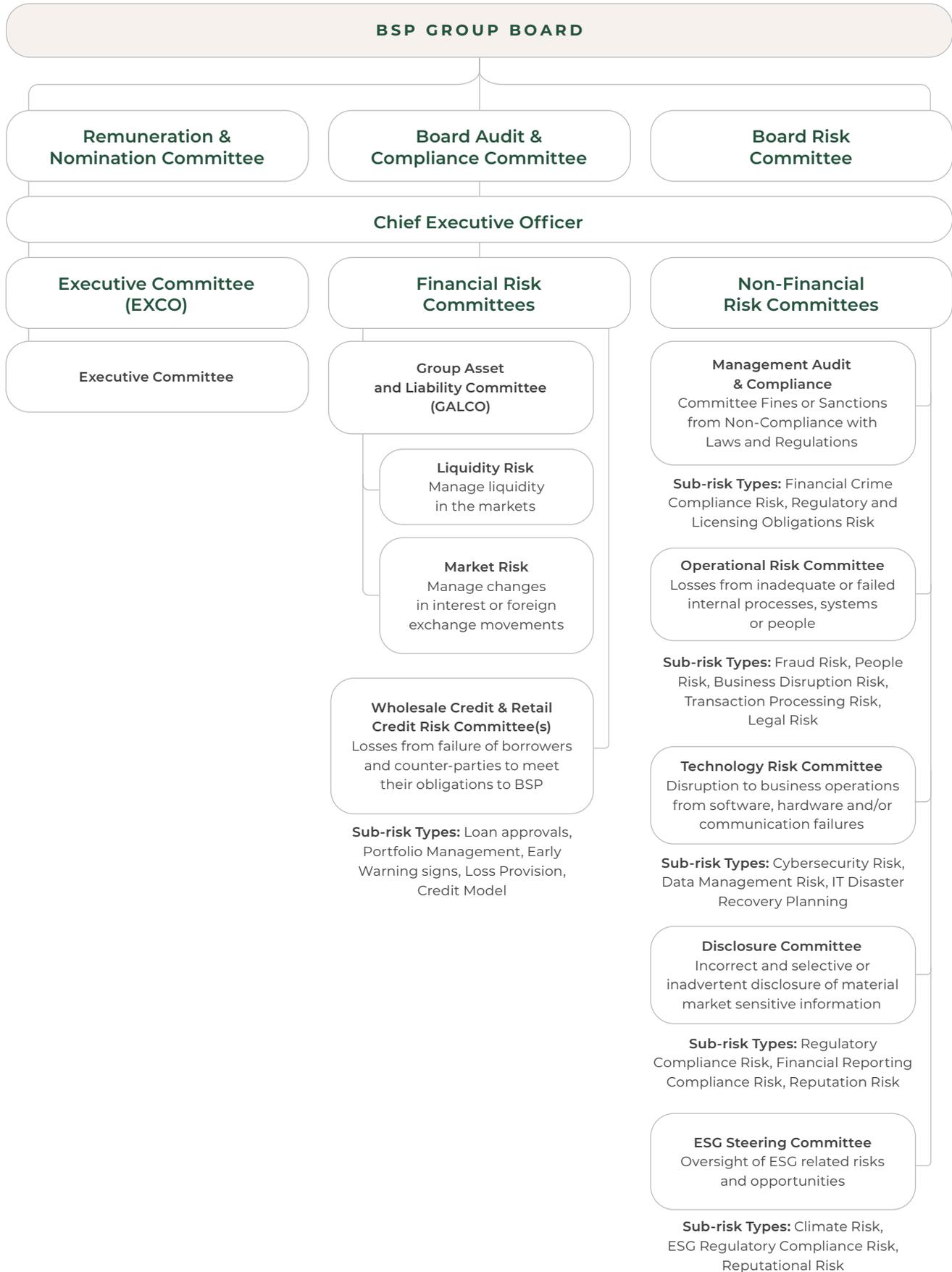
BSP uses the Three Lines of Defence model to ensure clear roles and responsibilities around risk management:

- First Line of Defence – Business and enablement functions own and manage risks and controls as part of day-to-day operations.
- Second Line of Defence – Risk and Compliance provides independent oversight and challenge, supporting the development and maintenance of the RMF.
- Third Line of Defence – Internal Audit and Credit Assurance offers independent assurance on the adequacy and effectiveness of the RMF.

This model reinforces accountability and promotes a sound risk culture, supported by effective policies, procedures, and ongoing monitoring. The framework is underpinned by a robust control environment, defined by our risk governance standards and policies. Our Values, Code of Conduct, compliance training, and whistleblower programs further strengthen our commitment to ethical conduct and responsible risk management.

RISK MANAGEMENT CONTINUED

Risk Governance Structure



Material risks

Each year, we review strategic, financial and non-financial risks to identify key material risks that may significantly affect BSP's performance or strategic direction due to their potential impact to BSP, our customers, shareholders and the community. These top risks, detailed in the table below, receive heightened Board and management focus, attention and oversight.

Risk description	How we manage this risk
<p>Technology Risk</p> <p>Technology risk relates to any threat to BSP's critical operating systems, data and business processes that deliver banking services.</p>	<p>We manage technology risk by monitoring the condition and performance of our systems to minimise outages or failures of critical systems and technology infrastructure that may impact our customers.</p> <ul style="list-style-type: none"> Implementing software lifecycle management tools and processes, and enforcing structured change management procedures, to ensure controlled software and configuration deployment across all critical systems and environments, including production Actively engaging key vendors through Managed Services contracts to support ongoing issue resolution and management Maintaining systems for real-time incident monitoring, reporting and response Performing regular security assessments, vulnerability management and penetration testing, under the oversight of Information Security, to identify and mitigate potential threats Ensuring regular backups of data and systems, with tested recovery procedures Testing and annually renewing Business Continuity and Disaster Recovery Plans Charging the IT Steering Committee to oversee specific Technology and Information Security risks.
<p>Operational Risk</p> <p>This risk arises when there is direct or indirect loss resulting from human factors, inadequate or failed internal processes, systems or external events.</p>	<p>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 eliminate all operational risks. Operational risks of material significance are expected to be infrequent and we will seek to reduce their likelihood and impact. Within this context, operational risk management has two key objectives:</p> <ul style="list-style-type: none"> Minimising the impact of losses suffered in the normal course of business and to avoid or reduce the likelihood of suffering an extreme loss Ensuring the effective and efficient delivery of BSP strategy while minimising operational risks. <p>Our new Enterprise Risk Management System has improved our ability to identify, assess, monitor and manage operational risk. Business Units regularly update their identification and assessment of these risks, and are responsible for maintaining appropriate internal controls supported by BSP's Operational Risk Framework and governance structures.</p>
<p>Money Laundering and Terrorism Financing and Proliferation Financing of Weapons of Mass Destruction (WMD) Risk</p> <p>Non-compliance with the anti-money laundering and combating the financing of terrorism (AML/CTF) laws in the jurisdictions where BSP operates.</p>	<p>We continually enhance our ability to comply with AML/CTF laws and regulations by:</p> <ul style="list-style-type: none"> Executing AML/CTF controls during new customer onboarding and during the customer journey using a risk based approach Training staff to be aware of Policies and Procedures and the significance of conducting ongoing due diligence on customers, employees and suppliers Undertaking enhanced Customer Due Diligence for High Risk Customers, including Politically Exposed Persons Continually reviewing and optimising our transaction monitoring and detection capabilities.
<p>Information Security Risk</p> <p>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:</p> <ul style="list-style-type: none"> Cyber-attacks Data breaches Phishing, spoofing and malware attacks Other security incidents that compromise the confidentiality, integrity and availability of sensitive information. 	<p>As cyber-crime perpetrators continue to become more sophisticated, BSP continually enhances its security capability to ensure that associated risks remain within risk appetite tolerance levels and are managed through:</p> <ul style="list-style-type: none"> Security monitoring Security testing, including internal/external system penetration testing to identify vulnerabilities Continually raising awareness of Information Security policies Training staff on emerging cyber security threats Remaining PCI DSS compliant, with procedures to secure payment card data. <p>In 2025, a refreshed Cyber strategy was developed, including strengthening key security controls.</p>

RISK MANAGEMENT CONTINUED

Risk description	How we manage this risk
<p>Credit Risk</p> <p>Inability of customers to meet loan obligations and/or a current/prospective threat to BSP's earnings and capital as a result of a counter party failure to comply with a financial or other contractual obligation.</p>	<p>We manage our credit risk by maintaining a culture of responsible lending, clearly defined credit appetite and a robust risk policy and control framework that ensures:</p> <ul style="list-style-type: none"> • Processes are in place that identify, assess and control credit risk in relation to the loan portfolio for loan impairment • We maintain a diversified portfolio that manages both individual customer and industry concentration risk • Business segments have asset writing strategies to define credit risk appetite and inform customer origination strategy • Portfolios are independently supervised by experienced Wholesale and Retail Credit Committees • We monitor for early warning signs of credit deterioration and have a dedicated committee to oversee higher risk customers • We define, implement and continually re-evaluate risk appetite under actual and stressed conditions • We monitor our credit risk exposure relative to approved limits • Credit risk and its mitigation are independently monitored • Adequate provisioning held in compliance with IFRS9.
<p>People Risk</p> <p>Over-dependence on a small number of individuals or weak succession planning for critical roles.</p>	<p>BSP has formal succession plans, cross-training, emergency succession arrangements and retention mechanisms for key personnel.</p>
<p>Compliance Risk</p> <p>Failure to comply with legislative, regulatory and prudential obligations. Exposure to regulatory fines for non-compliance of laws/regulations.</p>	<p>We have documented compliance plans and established a comprehensive Compliance Obligations Register to ensure we comply with our legal, regulatory and prudential obligations in all the countries we operate – a process overseen by our Management Audit and Compliance Committee. Business units/obligation owners are required to regularly review and update, capture and understand their compliance requirements in the obligations register. For completeness, Responsible Officers are required to complete an annual attestation of their compliance to the applicable legislative and regulatory obligations.</p>
<p>Strategic Risk</p> <p>Risk of loss from adverse business decisions, improper implementation of decisions, or lack of responsiveness to industry changes.</p>	<p>BSP aims to deliver programs of work aligned to our strategic objectives including:</p> <ul style="list-style-type: none"> • Ensuring the investment slate is aligned to strategic objectives • Constantly assessing strategic opportunities in the market • Ensuring program milestones are monitored and deliverables are achieved • Managing the benefits realisation process for delivered projects and programs • Optimising the use of resources, including staffing to achieve the above. <p>Project and change risk is further managed by ensuring that:</p> <ul style="list-style-type: none"> • Policies and procedures are in place to manage project governance • Project issues, risks, dependencies and constraints are managed • Regular meetings are held to monitor programs • Projects are supported by Executive Management and progress is overseen by the Board.
<p>Climate Risk</p> <p>Failure to adequately plan for climate-related physical and transitional risks. BSP categorises physical risks as "Acute" (increased severity of extreme weather events, such as cyclones, floods, or heat waves) and "Chronic" (climate-related changes in typical conditions over long time periods, such as sea level rise). Transition risks relate to policy, technology and regulatory changes as South Pacific markets move away from relying on fossil fuels and towards a low-carbon economy.</p>	<p>BSP's climate risk program involves:</p> <ul style="list-style-type: none"> • 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 changing climate risk regulations • Improving employee awareness and climate risk literacy • Regularly engaging with material businesses and industry representatives.

Risk description	How we manage this risk
<p>Market & Liquidity Risk</p> <p>The risk the bank may be unable to meet its financial obligations as they fall due, or fund asset growth, without incurring unacceptable losses.</p>	<p>BSP maintains adequate levels of high quality liquid assets, diversified funding sources and robust liquidity risk management frameworks to ensure it can meet both expected and unexpected cash flow and collateral needs under a range of market conditions.</p> <p>BSP has a number of key controls in place to ensure effective market and liquidity risk management, including Group Asset & Liabilities Committee (GALCO) and country-level ALCOs to oversee risk exposure and mitigations.</p> <p>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:</p> <ul style="list-style-type: none"> • Net Interest Income at risk limits • Net Open Position limits • Stress testing for Foreign Currency, Interest Rate and Liquidity Risk • Tracking performances against approved GRAS and policy limits • Balance sheet impact on loans and deposits. <p>The above process is overseen by our GALCO and reported to the Executive Committee and Board.</p> <p>Our loan portfolio is denominated in local currency and on variable interest rate. BSP holds a significant amount of PNG government deposits, with regular oversight and relationship management in place. Changes to the current PNG government holdings with BSP on deposits (as seen in September 2025) can impact BSP's overall liquidity position.</p>
<p>Data Risk</p> <p>The risk of loss, inaccuracy, unauthorised access or misuse of data that could compromise the confidentiality, integrity or availability of the bank's information assets.</p>	<p>BSP manages this risk through data governance frameworks, information security controls, data quality management and compliance with regulatory requirements to ensure data is accurate, secure and appropriately used across the bank.</p>
<p>Legal Risk</p> <p>The risk of loss or reputational damage arising from non-compliance with laws and regulations, court orders, regulatory notices and contractual obligations, defective contracts, inadequate legal documentation, or the possibility of legal action against the bank.</p>	<p>BSP has a dedicated legal function and manages legal risks through supervision and oversight of all aspects of customer documentation, contract management, legal disputes and the ongoing monitoring of regulatory changes. BSP also has access to expert legal advice from highly regarded legal firms throughout the South Pacific to ensure compliance and protect the bank's interests.</p>

BOARD OF DIRECTORS

Board skills, experience *and attributes*

Our board of Directors is a strong, diverse team with a broad and complementary mix of financial and other skills, and experience in PNG, the South Pacific and international markets. The Board guides BSP's strategic direction and represents shareholders' interests by overseeing activities that create sustainable value.



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 has served on a number of Boards and holds a Bachelor of Laws from the University of Papua New Guinea with more than 25 years practicing commercial litigation.



MARK T. ROBINSON
**Group Chief Executive Officer
 and Managing Director**
 Appointed: March 2023

Mark was appointed Group CEO of BSP Financial Group Limited in November 2022. He is a senior financial services executive and globally experienced banking Chief Executive Officer with more than 30 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.



SYMON BREWIS-WESTON
BEC (HONS), MAPPFIN
Non-Executive Director

Appointed: April 2021

Committees: ● ●

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

Symon has extensive international experience in financial services and a deep understanding of consumer and business markets in the Asia-Pacific region. In 2024, he was appointed Chairman of BSP Financial Group (Fiji) and also serves as a director on the board of Solvar Ltd. Symon held various senior leadership positions at CBA for 15 years and holds a Bachelor of Economics (Hons) from Murdoch University and a Master of Applied Finance from Macquarie University.



STEPHEN BEACH
BSC (ECON. & ACC.), CPA
Non-Executive Director

Appointed: March 2024

Committees: ●

Stephen is a seasoned accounting professional with over 40 years' experience in assurance, business advisory, taxation, and corporate reporting, with 35 years spent in PNG. He was a partner at PwC from 1996 to 2019 and currently serves as a principal at Beach Accounting Advisory in PNG. He is a long-serving council member of CPA PNG. Stephen is a member of The Institute of Chartered Accountants in England and Wales, CPA Australia and the Australian Institute of Company Directors.

Board Committees

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



FRANK BOURAGA

CPA, MAICD

Non-Executive Director

Appointed: December 2020

Committees: ● ● ● Chair

Frank is a certified practicing accountant with over 28 years in accounting practice and is currently a partner in Assurance and Business Advisory Services with SBC Solutions. Prior to SBC Solutions, Frank was the Country Managing Partner for Ernst & Young PNG for five years as an audit and business advisory services partner.

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



IAN A. TARUTIA

CBE, FAICD, FPNGID

Non-Executive Director

Appointed: April 2023

Committees: ● ● ● Chair

Ian has 35 years' experience in the financial sector including 15 years as CEO of National Superannuation Fund (Nasfund) in PNG. He has a strong background in finance, investments, business, strategy and governance. He is a graduate of the Harvard Business School (AMP 185) program, and holds a Bachelor of Business Economics and Master of Business Administration from the University of PNG, and Diplomas in Financial Markets (Securities Institute of Australia) and Economic Policy Analysis (PNG National Research Institute). Ian is a Fellow of the Australian Institute of Company Directors and PNG Institute of Directors, and President of the PNG Chamber of Commerce & Industry.



PATRICIA TAUREKA-SERUVATU

LLB, MAICD

Non-Executive Director

Appointed: April 2022

Committees: ● ● ● Chair

Patricia is a Lawyer by profession, admitted to practice law in PNG in 1988. She holds a Bachelor of Laws from the University of PNG. Patricia has over 30 years' experience in the legal, superannuation, property, commercial and corporate services in PNG. She is a Member of the PNG Institute of Directors 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 Support Advisory. She has over 20 years' of information communication technology (ICT) industry experience, providing ICT consultancy and support to a range of businesses and government bodies. She holds a bachelor's degree in Computer Science from PNG University of Technology. Priscilla is an advocate and founder of PNG Women in STEM and Digital ICT Cluster Inc. She is also a member of the Australian Institute of Company Directors.



DONNA COOPER

M.A. (INT BUS), B. BUS, GCB

Non-Executive Director

Appointed: February 2025

Committees: ● ●

Donna is a highly experienced financial services leader, director, and executive with nearly 30 years of diverse international experience in financial services. She was CEO of TSB Bank, Warehouse Financial Services, and held senior executive positions with Baycorp NZ and American Express International. Donna is Chair of Southern Cross Pet Insurance and YPO New Zealand, and a director of SkyCity Entertainment Group. She is a member of Global Women, the New Zealand Institute of Directors, and the Australian Institute of Company Directors. She holds a Master of Arts in International Business from the Rennes School of Business and a Bachelor of Business from the Auckland University of Technology.



DAVID HORNERY BEC, MAICD

Non-Executive Director

Appointed: February 2025

Committees: ●

David is a highly experienced commercial and investment banker, with over 35 years' experience working with leading Australian commercial and investment banks. He co-founded the ASX-listed Judo Bank in 2016, served as its Co-CEO from foundation until listing in 2021, and is now Chairman. David worked in senior executive roles in National Australia Bank, ANZ Banking Group, and Macquarie Group.

David has served as a director of a range of industry bodies and not-for-profit enterprises, including as Chair of Studio Thi. David holds a Bachelor of Economics from the University of Sydney, and is a published author.

EXECUTIVE LEADERSHIP



PETER BESWICK
Deputy Group Chief
Executive Officer

Appointed: August 2024

Peter is a 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 at BSP 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.



GLEN SKAROTT
Group Chief Financial Officer

Appointed: February 2025

Glen is a finance executive with more than 25 years of experience in the global banking sector. He spent 17 years at Macquarie Group where he most recently served as Executive Director Global Head of Finance.

Glen's earlier career involved senior finance roles with Credit Suisse and Bear Stearns in London, having commenced his career as a chartered accountant with PwC.



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 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.



BENJAMIN WAVELL-SMITH
Group Chief Risk Officer

Appointed: January 2025

Ben brings over 30 years of international banking experience from ANZ Banking Group, where he held senior roles in Business, Risk, and Compliance. He most recently led the Wholesale Credit Policy, Financial Risk Governance, and Strategic Enablement function.



RICHARD NICHOLLS
Group Chief
Information Officer

Appointed: May 2023

Richard has over 30 years experience in technology management across the financial services industry. He has held senior technology roles in investment and retail banking in 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 holds a Bachelor of Electrical Engineering from the University of New South Wales.



ROHAN GEORGE
Group General Manager
Treasury & Markets

Appointed: February 2015

Rohan has over 30 years of experience in 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 management positions at ANZ Banking Group, Westpac and BNP Paribas. He holds a Master of Applied Finance from Macquarie University, and certificates from the Australian Financial Markets Association and the Sydney Futures Exchange.



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, and he is a member of FINSIA.

Read more about
our executive team
on our website





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. He has extensive experience in financial services having held senior leadership roles with the ANZ Banking Group across Australia, PNG and the Pacific. Daniel holds an MBA from Deakin University and a Bachelor of Business from Queensland University of Technology.



RONESH DAYAL
Group General Manager
Retail Banking

Appointed: August 2024

Ronesh oversees BSP's Retail business, which includes the largest branch and agency network in the South Pacific. Prior to this role, Ronesh was the Group's Chief Financial Officer. Ronesh has a Bachelor of Arts with majors in Accounting & Financial Management and Information Systems. He is a fellow of CPA Australia and CPA PNG, and a member of the Fiji Institute of Chartered Accountants.



VANDHNA NARAYAN
Group Chief
Compliance Officer

Appointed
GCCO: February 2021

Vandhna leads the Group's Compliance activities, including BSP's Anti-Money laundering, transaction monitoring, and customer due diligence programs. She also oversees legal, regulatory and policy compliance programs. 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.



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 South Pacific. Hari has a strong network across the Pacific and a passion for leading social impact causes. Prior to her appointment, she was BSP's Group General Manager People & Culture. She is a graduate of the University of Goroka and has undertaken General Management studies at INSEAD and Melbourne Business School.



JONATHAN HARVEY
Group General Manager
People and Culture

Appointed: January 2025

Jonathan has over 30 years of international experience as an adviser to Boards and Chief Executives on leadership and culture and as a senior human resources executive with Barclays Bank and ANZ Banking Group. He joined BSP from Johnson Partners a leading Board Advisory and Executive Search firm in Australasia where he led the CEO Succession and Leadership Practice. Previously he was Managing Director and Global Head of Talent and Culture for Barclays, based in London.



MARYANN LAMEKO-VAAI
Group Chief Auditor

Appointed: August 2024

Maryann was appointed as Group Chief Auditor in August 2024, after serving as Group General Manager Pacific Markets since June 2022. With over 20 years of experience, Maryann has held 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.

CORPORATE GOVERNANCE STATEMENT

Maintaining High Governance Standards

This Corporate Governance Statement, which has been approved by the Board, describes our corporate governance framework, policies and practices as at 31 December 2025.

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.

Our approach to Corporate Governance

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".

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**

This approach is supported by a comprehensive framework of corporate governance principles and policies.¹

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

The Board ensures that BSP complies with the requirements of the *Papua New Guinea Companies Act 1997*, *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 the prudential banking regulations in our host countries, including:

- 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
- Reserve Bank of Fiji Banking Supervision Policy Statement No. 11: Governance (Oct 2007)
- National Reserve Bank of Tonga Prudential Statement No. 9 (revised 2014): Governance
- Financial Supervisory Commission of the Cook Islands Banking Prudential Statement BPS09: Governance Risk Management (June 2019)
- Central Bank of Samoa Prudential Statement 1 (January 2021)
- Reserve Bank of Vanuatu International Bank Prudential Guideline No. 10 Management of Financial Institutions: Fit and Proper Requirements
- Central Bank of Solomon Islands Prudential Guideline No. 1 on Governance (2024).

1. Our Corporate Governance Principles and Policies are available at <https://www.bsp.com.pg/about/investors/corporate-governance/>

2. Under review.



BOARD GOVERNANCE

Roles and Responsibilities of the Board

The Board Charter³ defines the roles, responsibilities and composition of the Board. It also outlines the matters reserved for the Board and those delegated to Management.

The Board is responsible to our Shareholders for BSP's overall performance. It provides leadership and strategic direction, establishing goals for managing 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 determining remuneration
- 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 of material interests to the business
- Establishing authority levels
- With the assistance of the Board Audit and Compliance Committee, selecting and recommending to Shareholders the appointment of external auditors
- 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
- Keeping the Board and the market fully informed of material developments.

Board Composition

The BSP Constitution, as approved by Shareholders, allows for a maximum of 10 Board Directors. As at 31 December 2025, the BSP Board had 10 Directors:

Director	Date of Appointment	Length of Service (as at 31 Dec 2025)	Status
Robert Bradshaw	September 2017	8 years 3 months	Non-Executive, Independent
Mark Robinson	March 2023	2 year 9 months	Executive, Non-Independent
Ian Tarutia	April 2023	2 year 8 months	Non-Executive, Independent
Priscilla Kevin	April 2020	5 years 8 months	Non-Executive, Independent
Frank Bouraga	December 2020	5 years	Non-Executive, Independent
Symon Brewis-Weston	April 2021	4 years 8 months	Non-Executive, Independent
Patricia Taureka-Seruvatu	April 2022	3 years 8 months	Non-Executive, Independent
Stephen Beach	March 2024	1 year 10 months	Non-Executive, Non-Independent
David Hornery	19 February 2025	10 months	Non-Executive, Independent
Donna Cooper	19 February 2025	10 months	Non-Executive, Independent

3. The Board Charter is available at <https://www.bsp.com.pg/about/investors/corporate-governance/#ConstitutionCharters>.

BOARD GOVERNANCE CONTINUED

Independence and Conflicts of Interest

BSP Directors avoid conflicts of interest by declaring any interests and recusing themselves from any matters where a conflict might arise. BSP's Corporate Governance Principles and Managing Conflicts of Interest Policy requires Directors to disclose any new directorships or 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, seeking assurance that a Director:

- Is not an executive of the Group
- Is not a substantial shareholder of BSP or otherwise associated directly with a substantial shareholder of BSP
- 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
- Is not a material supplier to BSP, or a material consultant to BSP, or an employee materially associated with a material supplier or customer
- Has no material contractual relationship with BSP other than as a Director of BSP
- Is free from any interest and any business or other relationship that 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 used 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.

The Bank of Papua New Guinea (BPNG) approves the independent/non-independent status of a Director per the *Fit & Proper* approval process.

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 Statements Note 35 of BSP's 2025 Annual Report.

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
- Setting the Board agenda in conjunction with the GCEO and Company Secretary and ensuring the Board is provided with sufficient information, and allowed a meeting cadence and time for discussion to enable effective decision making.

Company Secretary

The Company Secretary, through the Chair, is directly accountable to the Board for the proper functioning of the Board.

Each Director may seek the advice of the Company Secretary. Under the Constitution, the Company Secretary may only be appointed or removed by the Board.

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
- Collating 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 with the same
- Maintaining a record of Directors' dealings in securities, declarations of interests and potential conflicts
- Assisting with arranging Director induction and professional development.

BOARD COMMITTEES

Meetings and Attendance

During 2025, the BSP Board operated four committees, the: Board Audit and Compliance Committee (BACC); Board Risk Committee (BRC); Remuneration and Nominations Committee (RNC); and Disclosure Committee (DC). The functions and powers of these committees were governed by their respective charters.

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 in Papua New Guinea and the Pacific Markets. On these occasions, the Board also visits company operations and meets with local management and 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 Charter¹.

Membership and attendance records at Board and Committee meetings during 2025 are detailed below. Remuneration details are provided in the 2025 Annual Report under Financial Statements Note 36 – Directors and Executive Remuneration.

Directors	Board	BACC	BRC	RNC
Robert Bradshaw	7/7	–	–	–
Mark Robinson	7/7	–	–	–
Frank Bouraga	7/7	6/6	6/6	3/3 ²
Symon Brewis-Weston	7/7	–	6/6	7/7
Priscilla Kevin	7/7	–	6/6	–
Ian Tarutia	7/7	6/6	6/6	–
Patricia Taureka-Seruvatu	7/7	6/6	–	7/7
Stephen Beach	7/7	6/6	–	–
Donna Cooper	6/6	4/5	–	5/6
David Hornery	5/6	–	4/5	–
Independent Committee Members (ICM)³				
Luania Temu	–	–	1/2	–
Arianne Kassman	–	2/2	–	–
Serena Sasingian	–	–	2/2	–

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 report decisions and key information to the Board.

1. The Board Charter is available at <https://www.bsp.com.pg/about/investors/corporate-governance/#ConstitutionCharters>.
2. Frank Bouraga was appointed to the Remuneration Nominations Committee on 17 July 2025.
3. Serena Sansingian's tenure ended in July 2025. Luania Temu and Arianne Kassman commenced as ICMs for their respective committees on 5 September 2025.

BOARD COMMITTEES CONTINUED

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
- Financial reporting principles and policies, controls and procedures
- Internal audit process
- Effectiveness of internal controls
- Controls and effectiveness of BSP's compliance obligations
- Systems for ensuring operational efficiency and cost control
- Systems for approving and monitoring expenditure, including capital expenditure
- 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 among 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 with specialist skills, who are not executives or members of the Board. 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 Board's attention 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)
- Oversee BSP's risk profile and risk management strategy, and recommend BSP's risk appetite statement.

Membership of the BRC is formed among 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 with specialist skills, who are not executives or members of the Board. 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.



The Board of BSP Financial Group Limited.

Remuneration and Nominations Committee (RNC)

The RNC assists BSP in fulfilling its oversight responsibilities regarding the remuneration, succession and recruitment of Directors and Executives. The RNC also approves relevant People & Culture policies and compensation frameworks for BSP staff. The responsibilities of the RNC are:

01

To oversee the selection and appointment of the GCEO, and set an appropriate remuneration and benefits package for recommendation to the full Board

02

To determine and review appropriate remuneration and benefits of Directors for recommendation to the full Board, and subsequently to the Shareholders

03

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

04

To ensure 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

05

Board succession planning and recommendations to the Board regarding the 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 four times 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 their absence, another Non-Executive Director), the GCEO, the Group Chief Financial Officer (GCFO), the Group Chief Risk Officer (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, who is designated as the Disclosure Officer.

The Disclosure Committee is responsible for, among other things:

- Approving the release of any announcement to PNGX and ASX other than:
 - an announcement relating to a matter that 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
- 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. Instead, it meets regularly whenever a market disclosure is required to comply with the respective Listing Rules of the PNGX and the ASX.

BOARD COMMITTEES CONTINUED

Board Skills Matrix

Since 2019, BSP has made new director appointments with regard to a Board skills matrix. In addition to requiring experience as a Non-Executive Director, the matrix includes skills in risk management, regulatory/ government policy, business and financial acumen, remuneration and corporate governance.

This practice ensures the Board has a broad range of skills, experience and expertise that enables it to meet its objectives.

In 2025, an assessment against the skills matrix demonstrated that the Board holds a wide range of professional and business expertise that are considered critical skills. Every critical skill area is supported by at least three directors with advanced knowledge.

Skills and Experience	Description	Relevance to BSP
Leadership 	Held senior leadership role such as CEO or similar position in an organization of significant size or complexity.	Setting strategy and evaluating the performance of senior leaders.
Banking and/or Financial Services 	Broad based Banking/Financial Services industry experience, most likely obtained as a Senior Executive of a large Bank/Financial Services company(ies).	Appreciation of operational issues, challenges and opportunities.
Financial Acumen 	Good understanding of financial management and reporting for large and complex businesses.	Effectiveness in understanding complex financial initiatives and management reports – holding Management to account.
Strategy and Transformation 	An ability to use commercial judgment in defining strategic objectives; and experience in monitoring the implementation of strategic objectives.	Reviewing and assessing strategic initiatives, and the benefits/risks of proposed strategy for stakeholders.
Risk Management 	Experience in/a good understanding of risk management, including both financial and non-financial risks.	Monitoring risk appetite, assessing overall risk profile supporting BSP to maintain robust strategies , including to adapt to a changing risk landscape.
Corporate Governance 	A good understanding of contemporary corporate governance practices and issues. This may include experience as a Director/Executive of a listed company or regulated entity.	Understanding of relevant legal and regulatory frameworks to enable and enhance Director effectiveness.
Regional and International Experience 	Experience in, exposure to and/or an understanding of international banking, preferably with some exposure to emerging markets (ideally in the markets that BSP operates in)	Challenging BSP to aspire to International standards, balanced with cultural sensitivity and nuance, reflective of BSP's business throughout the South Pacific.
Customer Focus 	Experience in developing and implementing a customer-focused culture to enhance customer experience and outcomes. Champions customer wellbeing, experience and prosperity.	Challenging Management to ensure Customer needs remain in focus.
Stakeholder Engagement 	Awareness of and experience in building and maintaining effective relationships with regulators, governments, community and other stakeholders.	Ensuring BSP has an effective engagement program with regulators, government and the community.
Digital, Data and Technology 	Knowledge and experience in the application and development of digital, data, technology and digital infrastructure applications; and related innovation within complex businesses.	Supporting BSP's technology and digital strategy and implementation.
People & Culture 	Understanding of and experience in organisational culture; succession planning and remuneration and reward practices.	Overseeing BSP's culture and upholding it's Code of Conduct, Vision and Values.
Environment and Social 	Understanding sustainability and ethical issues in relation to BSP's environmental and social impact; including potential risks and opportunities.	Influencing sustainable practices and policies to support desired ESG outcomes.

-  Expert
-  Advanced knowledge
-  General knowledge

REMUNERATION

Director Appointment, Election and Re-election

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

A Director is normally appointed for an initial term of three years. At the end of the term, 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 and 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 its charter, may seek independent professional advice on possible new candidates for Directorships. All Directors must be satisfied that the most appropriate 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. We have 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 their other material directorships.

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, and confirmed by BPNG, 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 and capability
- 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

The RNC manages BSP's program for inducting new Directors and providing them with appropriate professional development opportunities.

On joining the Board, new Directors are provided with a Letter of 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 of emerging industry, market, technology and macroeconomic trends. As well as encouraging Directors to identify relevant courses, the RNC also regularly updates the Board about director development options. Should a Director wish to undertake a particular course as part of their 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.

Review of Board Performance

BSP regularly evaluates the performance of the Board, its Committees and individual Directors.

This annual review, which is overseen by the RNC and facilitated by an external consultant, includes an assessment of the contribution of each individual Director. The Board is aware of the need:

- To continually identify areas for improvement
- To meet the highest standards of corporate governance
- For the Board and each Director to make an appropriate contribution to the Group's objective of providing value to all its stakeholders.

Executive and Senior Management

The employment contracts of BSP's Executive and Senior Management set out their terms of employment, remuneration, incentive 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. Details of these employee incentive arrangements are presented in pages 48 to 55 of BSP's 2025 Annual Report. These incentive arrangements are administered by the RNC. Performance against the relevant targets is assessed periodically throughout the year, with a formal annual evaluation undertaken in 2025.

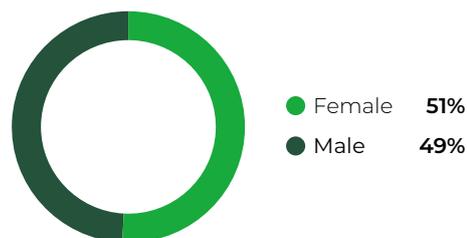
REMUNERATION CONTINUED

Gender Diversity

As at 31 December 2025, BSP had ten directors, three of them 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 2025 is set out below:

Workforce gender diversity



Category	Female	Male	Total
Board	3	7	10
Group Executive Management ¹	3	12	15
Senior Management ²	110	156	266
Middle Management	457	369	826
Non-Management	1,869	1,837	3,706
Total (excluding Board)	2,439	2,374	4,813

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

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 with 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 48 to 57 of the 2025 Annual Report, summarises BSP's Remuneration Policy.

RISK MANAGEMENT & 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. The Executive Committee annually reviews the Group's top enterprise-wide risks and presents its report and remediation plan to the BRC for recommendation to the Board for approval. This review provides Senior Management with an opportunity to reassess the top inherent risks in the business and review processes to ensure adequate controls and resources are in place to manage these risks. It also gives the Board a high-level view of the risks relevant to the business objectives of BSP Group.

Risk Management Roles and Responsibilities

The overall responsibility for risk management lies with the Board, which 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 with the skills and experience to exercise risk assessment judiciously.

The Board defines the accountabilities, including delegated approval, control authorities and limits, and the reporting and 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 approvals, control authorities and limits. The Board undertakes an annual review of the Group's enterprise-wide risks.

Informed by management analysis, the Board has adopted guidelines 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 the overview of loss control and for overseeing the Risk Management function.

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

1. Executive Management in this case refers to the GCEO and all of his 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.

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 Governance & Reporting
- Climate Vulnerability.

BSP's Sustainability Report on page 16 to 23 of the 2025 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.



Our reach spans the South Pacific.

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
- 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 releases half-year financial accounts after review by its external auditors. The full-year financial statements are released after 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 receives 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
- Their opinions 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 that:

- Assess and document the risks and internal control procedures in their respective Strategic Business Units
- Identify any changes in business, operations and computer systems and the risks that may arise from those changes
- Assure the Board of the appropriateness and operating efficiency of the risk management and internal compliance and control systems
- Identify and log any remedial actions to address any weaknesses in the risk management and internal compliance and control systems.

ASSURANCE AND CONTROL CONTINUED

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 fulfilling 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 the 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.

Each year, the BACC reviews the external auditors' performance and 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.

The BACC reviews the external auditor's proposed audit scope and approach to ensure any restrictions are justified. 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 provide specialist advisory or consultancy services to BSP while also being engaged in BSP's annual audit and related services. Services related to preparing 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 2026 and be available to answer Shareholder questions regarding the audit.

Internal Audit

On Management's recommendation, the BACC approves the appointment of the Group Chief Auditor, who reports to the BACC.

The scope of work carried out by the Internal Audit function stems from the annual Internal Audit Plan, which the BACC reviews and approves. The scope of the work of the internal audit function is reviewed to ensure any internal audit restrictions or limitations are justified.

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 Group Chief Auditor has direct access to both the BACC and 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 of BSP's operational jurisdictions. The BACC 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 reviews the findings from any examinations undertaken by regulatory agencies. If a prudential issue arises, the Chair of the BACC has the right to approach a regulator directly.

The Bank and the Group, to the best of the Directors' knowledge, has not engaged in any activities that 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, embracing diversity and fostering resilience.
- **We Aspire** – We strive for excellence, integrity and continuous improvement in everything we do.
- **We Grow** – We work and thrive as a team with and for the wellbeing and prosperity of each other.

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, while 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 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 their 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's Fraud and Whistleblower Policy supports and encourages staff to report in good faith about matters such as:

- Unacceptable practices
- Irregularities or conduct that is an offence against, non-compliance with or a breach of the laws of the countries in which BSP operates
- Corruption or fraud
- Misrepresentation of facts
- Decisions made and actions taken outside of established BSP policies and procedures
- Sexual harassment
- Abuse of delegated authorities
- 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, which 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 in which we operate. As a business, BSP is mindful of the consequences of bribery and corruption, which may result in both financial and reputational loss alongside the imposition of regulatory sanctions.

Compliance with the policies by Management and Staff is 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 the 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 not generally available, where, 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 Group securities subject to the foregoing insider trading restrictions, during each of the trading windows specified in BSP's Securities Dealing Policy. Ahead of trading, restricted persons¹ are required to obtain the GCEO's approval. 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.

1. "Restricted Persons" as defined by the *Securities Dealing Policy* available on our website: bsp.com.pg/about/investors/corporate-governance/.

CONTINUOUS DISCLOSURE

BSP's continuous disclosure regime, set by its Continuous Disclosure Policy¹, is fundamental to the rights of Shareholders to receive information concerning their securities.

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

After confirmation of release to the market, all market announcements are immediately posted to BSP's website. As at 31 December 2025, all market announcements made by BSP since 2018 were available on the website². 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 on 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, ensuring 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 Policy³.

COMMITMENT TO SHAREHOLDERS

BSP commits to dealing fairly, transparently and openly with both current and prospective Shareholders, using multiple channels to communicate widely and promptly. Information about the Company, including an overview, our history, Board and Management, is 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, while 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

To facilitate effective communication between BSP, its shareholders, potential investors, analysts and other financial markets participants, BSP conducts periodic market briefings, including half and full year results announcements. BSP also hosts events and attends conferences and forums regularly. Any presentation materials provided at these events are released as announcements to the market before the event starts 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 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.

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.

1. The Continuous Disclosure Policy is available at <https://www-bsp-com-pg-agfud6dwcvh6hae9.a01.azurefd.net/uploads/2025/04/Continuous-Disclosure-Policy.pdf>.

2. The market announcements are available at <https://www.bsp.com.pg/about/investors/market-announcements/>.

3. The Securities Dealing Policy is available at https://www-bsp-com-pg-agfud6dwcvh6hae9.a01.azurefd.net/uploads/2025/08/Securities-Dealing-Policy_010825.pdf.

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 2025. 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 2025 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.
- 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:

- 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 by shareholders.
- 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.



Supporting development and infrastructure in our markets.

REMUNERATION REPORT

For the Year Ended 31 December 2025

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 (BSP) remuneration strategy and framework for our Key Management Personnel (KMP). While there is no statutory requirement for Remuneration Reporting as a PNG incorporated entity and BSP is not required to have this remuneration report audited, the Remuneration Report forms part of BSP's ASX listing requirements and reflects the Board's strong interest in providing high levels of transparency for shareholders.

2.0 Message from the Remuneration and Nominations Committee Chairman

I am pleased to present the 2025 Remuneration Report for BSP on behalf of the Remuneration and Nominations Committee (RNC) and the Board. This Report covers the Key Management Personnel (KMP) who have the authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. This includes both Non-executive Directors and Executive KMP.

Sections in this Report include:

3.0 Key Management Personnel for 2025

4.0 Our Executive remuneration framework

5.0 Executive Remuneration

6.0 Linking Performance and Reward

7.0 Remuneration Policy and Governance framework

8.0 Non-executive director remuneration

Performance and financial overview

In 2025, BSP faced a backdrop of a challenging operating environment, including volatile commodity prices and increased competition from banks and non-banks. During the year, our executive team remained focused on continuing to execute our Modernising for Growth program to deliver a simpler and more relevant bank across the South Pacific that will enhance our customer experience and deliver sustained returns for shareholders.

The Group continued to achieve compelling outcomes against a range of key measures delivering a year of strong financial performance underpinned by disciplined execution and a clear focus on long-term value creation for shareholders and our other stakeholders.

Executive remuneration outcomes for the year

In FY25, based on recommendations from the Remuneration & Nomination Committee (RNC), the Board approved remuneration outcomes outlined below. These outcomes were based on an assessment against a range of relevant factors including:

- Collective performance against the financial and non-financial measures in the Board approved Group Scorecard
- Individual performance, against financial and non-financial objectives as approved by the Board for the GCEO and the GCEO for other Executive KMP,
- BSP's overall total shareholder return during FY25.

Short Term Incentive Outcomes in 2025

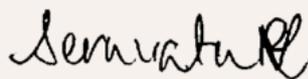
Reflecting BSP's strong performance on the Group Scorecard, and individual performance of each Executive KMP, the Board approved Short Term Incentive (STI) outcomes, details of which can be found in Section 6.1 of this Report. In line with BSP's STI deferral plan, 50% of each STI payment will be deferred for 12 months for KMP (as well as selected other senior staff).

Long Term Incentive Outcomes in 2025

Reflecting BSP's share price change over the past two years, and the Earnings Per Share (EPS) performance measure, the FY2024–25 LTI plan, performance period ending 31 December 2025, vested at 150%.

Further details about the LTI plan structure, including payment outcomes for eligible Executive KMP are outlined in Section 6.2 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.



Patricia F. Taureka-Seruvatu
Chair BSP Board Remuneration and Nominations Committee

3.0 Key Management Personnel (KMP)

In 2025, KMP comprised Non-Executive Directors and Executive KMP as set out in the table below. KMP is defined as those persons having authority and responsibility for planning, directing and controlling the activities of an entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

Name	Position	KMP Term
Board Members		
Robert George Bradshaw	Chairman	Full year
Symon G. Brewis-Weston	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	Director	Full year
Donna Cooper ¹	Director	Part year
David Hornery ²	Director	Part year
Faamausili Dr. Matagialofi Lua'iufi ³	Director	Part year
Stuart A. Davis ⁴	Director	Part year
Executive KMP		
Mark T. Robinson	Group Chief Executive Officer	Full year
Ronesh Dayal	Group General Manager Retail Banking	Full year
Nuni Kulu	Group Chief Operating Officer	Full year
Daniel Faunt	Group General Manager Corporate Banking	Full year
Maryann Lameko-Vaai ⁵	Acting Group Chief Financial Officer	Part year
Glen Skarott ⁶	Group Chief Financial Officer	Part year
Ben Wavell-Smith ⁷	Group Chief Risk Officer	Part year
Michael Hallinan ⁸	Group Chief Risk Officer	Part year

1. Donna Cooper appointed 19 February 2025.

2. David Hornery appointed 19 February 2025.

3. Faamausili Dr. Matagialofi Lua'iufi resigned 19 February 2025.

4. Stuart A. Davis resigned 19 February 2025.

5. Maryann Lameko-Vaai was Acting Chief Financial Officer until 26 May 2025, then appointed to Group Chief Auditor effective 27 May 2025, a non-KMP role.

6. Glen Skarott became a KMP on 27 May 2025 as Group Chief Financial Officer.

7. Ben Wavell-Smith became a KMP on 27 May 2025 as Group Chief Risk Officer.

8. Michael Hallinan was Group Chief Risk Officer, ceasing in that role and as a KMP, effective 26 May 2025.

REMUNERATION REPORT CONTINUED

4.0 Executive remuneration framework

Guided by our Values, remuneration philosophy and our strategic objectives, this section outlines our Executive remuneration framework. The framework includes a fixed component, as well as at risk short term and long-term incentives. A key objective of our remuneration strategy is to ensure that we can attract and retain talented executives by offering market competitive remuneration, with variable remuneration outcomes aligned with the performance of BSP.

Remuneration packages are reviewed by the Remuneration and Nomination Committee (RNC) and approved by the Board.

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

	Fixed Remuneration (FR)	Short Term Incentive	Long Term Incentive
Purpose	To attract and retain talent and reflect the individuals skills, capabilities and experience and market positioning against other relevant financial services organisations.	To focus Executive KMP on delivering exceptional Group and individual performance.	Rewards long-term shareholder value creation and aligns the financial rewards of Executive KMP and shareholders.
Delivery	Cash	Cash – 50% Cash – 50% deferred for 12 months	Cash based Performance Rights

4.1 Fixed Remuneration

The Board sets and reviews the Fixed Remuneration of Executive KMP based on a professional market survey of comparable financial services firms, and reflecting each executive's responsibilities, performance and experience.

4.2 Short Term Incentive (STI)

STI is determined based on a combination of Group Scorecard outcomes and Executive KMP's performance against their individual objectives. The Group Scorecard includes:

- Financial outcomes based on Group NPAT, Group Expenses and cost to income ratio
- Customer Satisfaction and growth
- Compliance and risk management
- Delivery on strategic objectives

The performance framework that underpins the STI places equal importance on what is achieved, and how it is achieved.

50% of any STI awarded is paid in March after our audited Annual Results are released to the market and 50% 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.

4.3 Long Term Incentive Plan (LTI)

BSP's LTI plan is designed to reward long term shareholder value creation and aligns the financial rewards of Executive KMP with shareholders. The LTI is a two (2) year performance based plan which commences on 1 January of the first year of the plan, and ends on 31 December of the second year.

Outcomes of the FY2024–25 LTI plan performance period ending 31 December 2025 are outlined in Section 6.2.

Key features of the current FY2025–26 LTI plan performance period ending 31 December 2026 and the FY2026–27 LTI plan performance period ending 31 December 2027 include:

- 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.

Number	Approved EPS Hurdles	EPS target to be achieved	Target NPAT	Percentage of Performance Rights to exercise
1	107.5%>			150% of Performance rights
2	102.5%>	As recommended by RNC and approved by Board each LTIP cycle	As recommended by RNC and approved by Board each LTIP cycle	100% of Performance rights
3	97.5%>			50% of Performance rights
4	<97.5%			0% of Performance rights

Participants are personally responsible for any income tax liability in respect of payments if any, 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.

The LTI plan features Malus and Claw-back provisions whereby the Board reserves the right to unilaterally reduce, cancel or claw-back part or all of the LTI award to a participant in the event of serious misconduct, fraud, or a material mis-statement in BSP Financial Group Limited's results.

4.4 Non-Salary Benefits

These include accommodation, airfares, motor vehicle, school fees, medical insurance and club memberships based on industry wide practice and amounts may vary depending on market rates.

4.5 Employment Agreements

All employment agreements for Executive KMP are denominated in Australian dollars. Salary is paid fortnightly and converted to Kina each pay period.

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 6 month notice period for both parties.

Other Executive KMP Contracts

Employment agreements for Executive KMP are for an initial three-year term and subsequent contract renewals are open ended, both of which have a minimum 3 month notice period.

REMUNERATION REPORT CONTINUED

5.0 Executive Remuneration

The following table sets out the expense incurred in relation to remuneration earned for the FY25 year for the period that Executives' were a KMP¹. All amounts are expressed in K'000.

Executives	Year	Salary ²	Short Term Incentive ³	Non-salary benefits	Long Term Incentive ⁴
Mark T Robinson	2025	4,727	3,809	240	5,882
<i>Group Chief Executive Officer</i>	2024	4,316	3,828	253	2,554
Ronesh Dayal	2025	1,760	832	330	1,370
<i>Group General Manager Retail</i>	2024	1,616	811	308	777
Daniel Faunt	2025	1,906	711	321	1,694
<i>GGM Corporate Banking</i>	2024	1,752	568	301	883
Nuni Kulu	2025	1,693	688	124	1,023
<i>COO</i>	2024	1,440	588	125	625
Maryann Lameko-Vaai ⁵	2025	630	157	152	380
<i>Acting GCFO</i>	2024	469	141	95	226
Glen Skarott ⁶	2025	1,289	425	56	419
<i>GCFO</i>	2024	-	-	-	-
Ben Wavell-Smith ⁷	2025	1,031	301	46	222
<i>Group Chief Risk Officer</i>	2024	-	-	-	-
Michael Hallinan ⁸	2025	329	-	16	-
<i>Group Chief Risk Officer</i>	2024	1,602	413	39	-

1. Certain prior year amounts have been restated to reflect updated presentation and classification.
2. For PNG Nationals, the Salary figure includes Superannuation which is paid on top of Fixed Remuneration.
3. Short term incentive value represents the expense incurred by BSP in relation to what was awarded in the relevant financial years.
4. The value of the LTI disclosed represents the expense incurred by BSP in relation to the LTI plans currently open, those being the final year of the FY2024–25 LTI grant and the first year of the FY2025–26 LTI grant. Separately, the GCEO Retention incentive recognised in the financial year is K3,046k and is included in the aggregated values disclosed in the Notes to the Financial Statements.
5. Maryann Lameko-Vaai⁵ commenced in the role of Acting GCFO on 19 August 2024. During FY25, she was in this role for the period 1 January 2025 to 26 May 2025.
6. Glen Skarott's remuneration for the period 27 May 2025 to 31 December 2025 reflects his time as a KMP in FY25.
7. Ben Wavell-Smith's remuneration for the period 27 May 2025 to 31 December 2025 reflects his time as a KMP in FY25.
8. Michael Hallinan's remuneration for the period 1 January 2025 to 26 May 2025 reflects his time as KMP in FY25.

6.0 Linking performance & reward – variable remuneration outcomes in 2025

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 6.1 and 6.2 respectively.

6.1 Short Term Incentive (STI) Outcomes

The Group's financial performance is summarised in the table. STI outcomes in 2025 were based on NPAT achievement, in addition to other group, divisional and individual performance measures.

	FY21	FY22	FY23	FY24	FY25
Net Profit After Tax (K'000)	1,075,218	800,826	890,215	1,037,711	1,172,085
Earnings per Share (toea)	230.1	231.4	190.5	201.93	251.0
Cost to income ratio	37.5%	38.1%	38.5%	42.5%	42.9%

Name	Title	FY25 STI Awarded K'000	FY24 STI Awarded K'000
Mark T. Robinson	Group Chief Executive Officer	5,390	3,828
Maryann Lameko-Vaai ¹	Acting GCFO	183	141
Nuni Kulu	Group Chief Operating Officer	761	588
Ronesh Dayal	Group General Manager – Retail	927	811
Daniel Faunt	Group General Manager Corporate Banking	824	568
Glen Skarott ²	Group Chief Financial Officer	1,025	–
Ben Wavell-Smith ³	Group Chief Risk Officer	505	–

1. The STI payment for Maryann Lameko-Vaai is only for the portion of the year she was a KMP. Accordingly, the value above is pro-rated to reflect the period 1 January 2025 to 26 May 2025.
2. The STI payment for Glen Skarott is only for the portion of the year he was a KMP. Accordingly, the value above is pro-rated to reflect the period 27 May 2025 to 31 December 2025.
3. The STI payment for Ben Wavell-Smith is only for the portion of the year he was a KMP. Accordingly, the value above is pro-rated to reflect the period 27 May 2025 to 31 December 2025.

6.2 2025 LTI Outcomes

The FY2024–25 LTI grant awarded to the GCEO and other Executive KMP reached the conclusion of its two-year performance period on 31 December 2025.

Vesting of the LTI rights was subject to achievement of the target EPS for 2025 as detailed in the table below.

2025 Hurdles on EPS	EPS target to achieve	Target NPAT	Percentage of Performance rights to exercise
107.5%>	247.1	1,154.55	150%
102.5%>	235.6	1,100.85	100%
97.5%>	224.1	1,047.15	50%
<97.5%	<224.1	<1,047.15	0%

The Group achieved a NPAT of K1,172.1 million and EPS was recorded at 251.0 toea resulting in 150% of the LTI plan vesting.

The table below provides a ten year history of LTI plan outcomes:

Financial Year	FY21	FY22	FY23	FY24	FY25
LTI vesting (%)	150%	150%	50%	100%	150%
Financial Year	FY16	FY17	FY18	FY19	FY20
LTI vesting (%)	0%	100%	100%	100%	0%

The LTI plan is underpinned by cash based Performance Rights. Vested Performance Rights 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. The grant price for the FY2024–25 LTI plan was K13.33 being the 90 day volume weighted average share price prior to the commencement of the performance period of 1 January 2024.

The 90 day volume weighted average share price prior to the end of the performance period as at 31 December 2025 was K24.24.

REMUNERATION REPORT CONTINUED

The table below shows the LTI outcomes for the FY2024–25 LTI plan:

Name	Title	Maximum LTI grant as % of Fixed Remuneration	Vested LTI as a % of maximum	Actual LTI Awarded K'000
Mark T. Robinson	Group Chief Executive Officer	55%	150%	5,797
Maryann Lameko-Vaai ¹	Acting Group Chief Financial Officer	30%	150%	390
Nuni Kulu	Group Chief Operating Officer	30%	150%	1,040
Ronesh Dayal	Group General Manager – Retail	30%	150%	1,291
Daniel Faunt	Group General Manager Corporate Banking	40%	150%	1,722

1. The LTI payment disclosed for Maryann Lameko-Vaai is for the portion of the two year performance period of the plan she was a KMP. Accordingly, her value is pro-rated to reflect the performance period of the FY2024–25 LTI plan from 19 August 2024 to 26 May 2025.

7.0 Remuneration Policy and Governance Framework

7.1 Remuneration and Nominations Committee (RNC)

The RNC assists the BSP Board in fulfilling its oversight responsibilities regarding the remuneration, succession planning and the recruitment of Board Directors and KMP Executives. The responsibilities of the RNC include, but are not limited to:

- 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, attributes and experience necessary to fulfill its responsibilities to BSP while maintaining a leading Corporate Governance regime.

The RNC is comprised of four 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 by the Board.

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

7.2 Remuneration and Governance Framework

The remuneration framework is underpinned by principles of pay for performance and market competitiveness. The remuneration strategy is further supported by objectives including:

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

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

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 approved 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.

To strengthen the alignment of the Board's interest with those of shareholders, there is a requirement for Directors to hold shares in BSP to the value of their respective gross annual director fees, to be achieved over a period of 5 years.

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.

Following a market review of comparable ASX listed entities, BSP increased its fees for the Board Chair, BACC, BRC and RNC Committee Chairs, and Committee Member fees, effective 1 July 2025, within the current fee pool to the values in the table below.

Category of fees	FEE SCHEDULE (KINA)	
	Chair	Member
Board Fees	1,086,238	493,984
Committee Fees	75,000	37,500

Total payments to directors for the 2025 financial year within the fee pool were as follows:

All amounts are expressed in K'000.

Name of Director	Chair Fee	Base Fee	BACC Fee	BRC Fee	RNC Fee	Bank Total	Sub. Fees	Total Fees
Current Non-Executive Directors								
Robert G. Bradshaw	1,037	-	-	-	-	1,037	-	1,037
Symon G. Brewis-Weston	-	493	-	33	33	559	-	559
Priscilla Kevin	-	493	-	33	-	526	-	526
Frank D. Bouraga	-	493	58	33	18	602	-	602
Patricia F. Taureka-Seruvatu	-	493	33	-	55	581	-	581
Ian A. Tarutia	-	493	33	55	-	581	-	581
Stephen C. Beach	-	493	33	7	-	533	-	533
David S. Hornery ²	-	370	-	26	-	396	-	396
Donna Cooper ¹	-	370	26	-	26	422	-	422
Former Non-Executive Directors								
Stuart A. Davis ⁴	-	123	7	11	-	141	-	141
Dr. Matagialofi Lua'iufi ³	-	123	-	-	11	134	30	164
Total	1,037	3,944	190	198	143	5,512	30	5,542

1. Donna Cooper appointed 19 February 2025.

2. David Hornery appointed 19 February 2025.

3. Faamausili Dr. Matagialofi Lua'iufi resigned 19 February 2025.

4. Stuart A. Davis resigned 19 February 2025.

FINANCIAL STATEMENTS

BSP Financial Group Limited *and subsidiaries*

ARBN 649 704 656

31 December 2025

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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*.





OVERVIEW

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DIRECTORS' REPORT

For the Year Ended 31 December 2025

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 2025. 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, Fiji, Cook Islands, Samoa, Tonga, Vanuatu, 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 2025, the Group's profit after tax was K1,172 million (2024: K1,038 million). The Bank's profit after tax was K1,036 million (2024: K1,036 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 2025 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 totaling K805 million were paid in 2025 (2024: K713 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 Local Communities

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 2025:

Mr Robert G. Bradshaw	Mr Mark T. Robinson	Ms Priscilla Kevin	Ms Donna Cooper
Mr Frank D. Bouraga	Mr Symon G. Brewis-Weston	Mr Stephen C. Beach	
Mr Ian A. Tarutia	Mrs Patricia F. Taureka-Seruvatu	Mr David S. Hornery	

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 Josephine Talpa, appointment effective on 6th of October 2025.

Independent auditor's report

The financial statements have been audited and should be read in conjunction with the independent auditor's report on page 128. Details of amounts paid to the auditors for audit and other services are shown in Note 39 of the Notes to the Financial Statements.

Donations and sponsorships

Donations and sponsorship by the Group during the year amounted to K9 million (2024: K17 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 2026.



Mr Robert G. Bradshaw
Chairman



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

STATEMENTS OF COMPREHENSIVE INCOME

For the Year Ended 31 December 2025

<i>All amounts are expressed in K'millions</i>	NOTE	CONSOLIDATED		BANK	
		2025	2024	2025	2024 RESTATED
Interest income	3	2,269	2,092	1,868	1,724
Interest expense	3	(126)	(127)	(81)	(91)
Net interest income		2,143	1,965	1,787	1,633
Net fee and commission income	4	442	386	334	289
Other income	4	758	570	869	526
Net insurance operating income	31	64	58	–	–
Net operating income before impairment and operating expenses		3,407	2,979	2,990	2,448
Impairment of financial assets	6	(115)	18	(98)	16
Operating expenses	5	(1,462)	(1,267)	(1,302)	(1,027)
Additional company tax settlement		–	95	–	95
Profit before income tax		1,830	1,825	1,590	1,532
Income tax expense	7	(658)	(787)	(554)	(692)
Profit from continuing operations		1,172	1,038	1,036	840
Profit from discontinuing operations	37	–	–	–	196
Net profit for the year attributable to parent		1,172	1,038	1,036	1,036
Other comprehensive income					
<i>Items that may be subsequently reclassified to profit or loss:</i>					
Translation of financial information of foreign operations to presentation currency	29	195	38	42	17
Translation of financial information of discontinued operations to presentation currency		–	–	–	8
<i>Items that will not be reclassified to profit or loss:</i>					
Recognition of deferred tax on asset revaluation reserve movement	29	–	1	–	1
Net movement in asset revaluation reserve	29	–	(3)	–	–
Other comprehensive income, net of tax		195	36	42	26
Total comprehensive income for the year		1,367	1,074	1,078	1,062
Total comprehensive income for the year from continuing operations		1,367	1,074	1,078	858
Total comprehensive income for the year from discontinued operation	37	–	–	–	204
		1,367	1,074	1,078	1,062
Earnings per share – basic and diluted (toea)	8	251.0	222.1	221.8	221.7

Comparative information of the Bank has been re-presented due to a discontinued operation and changes in classification.

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

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2025

All amounts are expressed in K'millions	NOTE	CONSOLIDATED		BANK	
		2025	2024	2025	2024
ASSETS					
Cash and operating balances with Central Banks	10	4,126	3,362	1,537	2,598
Amounts due from other banks	11	2,103	1,874	1,781	1,550
Treasury and Central Bank Bills	12	5,260	2,518	5,138	2,439
Cash Reserve Requirement with Central Banks	13	2,991	3,255	2,136	3,102
Other financial assets	14	7,667	7,158	6,885	6,471
Loans and receivables from customers	15	17,502	16,270	10,605	15,123
Asset held for sale	38	16	14	–	–
Property, plant and equipment		1,136	1,047	755	754
Aircraft subject to operating lease		28	30	28	30
Investment in subsidiaries	32	–	–	1,058	394
Deferred tax assets	7	281	257	241	252
Other assets	16	1,874	1,338	709	548
Total assets		42,984	37,123	30,873	33,261
LIABILITIES					
Amounts due to other banks	17	214	260	625	658
Customer deposits	18	34,155	29,083	24,785	27,055
Insurance contract liabilities	31	1,685	1,438	–	–
Other liabilities	19	1,657	1,631	1,222	1,494
Deferred tax liabilities	7	69	58	–	–
Total liabilities		37,780	32,470	26,632	29,207
SHAREHOLDERS' EQUITY					
Ordinary shares	28	372	372	372	372
Retained earnings	29	4,089	3,733	3,556	3,330
Other reserves	29	709	513	313	352
Equity attributable to the members of the company		5,170	4,618	4,241	4,054
Minority interests		34	35	–	–
Total shareholders' equity		5,204	4,653	4,241	4,054
Total equity and liabilities		42,984	37,123	30,873	33,261

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



Mr Robert G. Bradshaw
Chairman



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

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the Year Ended 31 December 2025

<i>All amounts are expressed in K'millions</i>	NOTE	SHARE CAPITAL	RESERVES	RETAINED EARNINGS	MINORITY INTERESTS	TOTAL
GROUP						
Balance as at 1 January 2024		372	454	3,416	1	4,243
Net profit		-	-	1,038	-	1,038
Other comprehensive income		-	36	-	-	36
Total comprehensive income		-	36	1,038	-	1,074
Dividends paid during the year	28	-	-	(713)	-	(713)
Minority interest capital		-	-	-	34	34
Total transactions with owners		-	-	(713)	34	(679)
Transfer from asset revaluation reserve	29	-	(2)	2	-	-
Asset revaluation reserve tax effect change		-	15	-	-	15
BSP Life policy reserve	29	-	10	(10)	-	-
Balance at 31 December 2024		372	513	3,733	35	4,653
Net profit		-	-	1,172	-	1,172
Other comprehensive income		-	195	-	-	195
Total comprehensive income		-	195	1,172	-	1,367
Dividends paid during the year	28	-	-	(805)	-	(805)
Loss attributable to minority interests		-	-	1	(1)	-
Total transactions with owners		-	-	(804)	(1)	(805)
Asset revaluation reserve tax effect change	29	-	(11)	-	-	(11)
BSP Life policy reserve	29	-	12	(12)	-	-
Balance at 31 December 2025		372	709	4,089	34	5,204
BANK						
Balance as at 1 January 2024		372	303	2,964	-	3,639
Net profit		-	-	1,036	-	1,036
Other comprehensive income		-	26	-	-	26
Total comprehensive income		-	26	1,036	-	1,062
Dividends paid during the year	28	-	-	(706)	-	(706)
Total transactions with owners		-	-	(706)	-	(706)
Transfer from asset revaluation reserve	29	-	(2)	2	-	-
Asset revaluation reserve tax effect change		-	15	-	-	15
Gain on amalgamation		-	-	44	-	44
BSP Life policy reserve	29	-	10	(10)	-	-
Balance at 31 December 2024		372	352	3,330	-	4,054
Net profit		-	-	1,036	-	1,036
Other comprehensive income		-	42	-	-	42
Total comprehensive income		-	42	1,036	-	1,078
Dividends paid during the year	28	-	-	(799)	-	(799)
Total transactions with owners		-	-	(799)	-	(799)
Asset revaluation reserve tax effect change	29	-	(11)	-	-	(11)
Others		-	-	1	-	1
Reclassification of foreign currency translation reserves on conversion of branch	37	-	(82)	-	-	(82)
BSP Life policy reserve	29	-	12	(12)	-	-
Balance at 31 December 2025		372	313	3,556	-	4,241

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

STATEMENTS OF CASH FLOWS

For the Year Ended 31 December 2025

<i>All amounts are expressed in K'millions</i>	NOTE	CONSOLIDATED		BANK	
		2025	2024	2025	2024
CASH FLOW FROM OPERATING ACTIVITIES					
Interest received		2,429	2,081	2,011	1,954
Fees and other income		1,200	889	1,203	955
Interest paid		(68)	(105)	(94)	(113)
Insurance premiums received		316	304	–	–
Claims, surrenders and maturity payments		(233)	(173)	–	–
Additional company tax settlement		–	95	–	95
Amounts paid to suppliers and employees		(1,398)	(1,154)	(1,063)	(977)
Operating cash flow before changes in operating assets and liabilities	9	2,246	1,937	2,057	1,914
Net (increase)/decrease in:					
Loans and receivables from customers		(755)	(13)	(60)	(106)
Cash Reserve Requirements with the Central Banks		336	(405)	405	(398)
Bills receivable and other assets		(433)	57	(273)	95
Net increase/(decrease) in:					
Customer deposits		4,077	(887)	2,982	(935)
Bills payable and other liabilities		114	453	(5)	302
Net cash flow from operations before income tax		5,585	1,142	5,106	872
Income taxes paid	7	(746)	(654)	(651)	(629)
Net cash flow from operating activities		4,839	488	4,455	243
CASH FLOW FROM INVESTING ACTIVITIES					
Proceeds from government securities		13,424	12,011	12,626	11,364
Purchases of government securities		(16,688)	(11,482)	(15,854)	(10,749)
Expenditure on property, plant and equipment		(108)	(135)	(88)	(140)
Expenditure on software development costs		(66)	(16)	(62)	(16)
Proceeds from disposal of assets		1	3	1	35
Net cash flow from/(used) in investing activities		(3,437)	381	(3,377)	494
CASH FLOW FROM FINANCING ACTIVITIES					
Dividends paid	28	(805)	(713)	(799)	(706)
Sale of minority interest in subsidiary		–	34	–	–
Net cash flow used in financing activities		(805)	(679)	(799)	(706)
Net increase/(decrease) in cash and cash equivalents					
Exchange rate movements on cash and cash equivalents		442	64	177	38
Cash and cash equivalents at the beginning of the year		4,976	4,722	2,237 ¹	3,421
Cash and Cash Equivalents at the end of the year	9	6,015	4,976	2,693	3,490

1. Bank Cash and cash equivalents balance as at 1 January 2025 has been re-presented from 31 December 2024 as a result of discontinued operations balance relating to Fiji branch conversion to a subsidiary (note 37).

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

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2025

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 and as a result of the discontinued operation in the Bank's financial statements (Note 37). 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 millions of Kina, as permitted by International Financial Reporting Standards.

Standards, amendments and interpretations effective in the year ended 31 December 2025

The following standards, amendments and interpretations to existing standards became applicable for the first time during the accounting period ended 31 December 2025.

- i) Amendments to IAS 21 - Lack of Exchangeability. 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.

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 2025 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 2026 or later periods, but the entity has not early adopted them:

- Amendment to IFRS 9 and IFRS 7 - Classification and Measurement of Financial Instruments (effective on or after 1 January 2026).
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).
- Annual improvements to IFRS – Volume 11 (effective on or after 1 January 2026).
 - 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.

- Amendments to Illustrative Examples on IFRS 7, IFRS 18, IAS 1, IAS 8, IAS 36 and IAS 37 - Disclosures about Uncertainties in the Financial Statements. These amendments include Examples illustrating how an entity applies the requirements in IFRS Accounting Standards to disclose the effects of uncertainties in its financial statements. The Examples demonstrate how to disclose the impacts of uncertainties within climate-related scenarios, but the principles and requirements are also applicable to disclosure of other uncertainties. The Examples do not add to or change requirements in IFRS Accounting Standards and therefore there are no transition requirements. Instead, these Examples will accompany the respective IFRS Accounting Standards to which they relate.
- 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 2025.

New IFRS sustainability disclosure standards effective after 1 January 2026

- 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 2025, and their results for the year then ended.

Controlled entities are those where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its 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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Year Ended 31 December 2025

C. Foreign currency

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

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

Foreign operations

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

D. Critical accounting estimates and judgments

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

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

The areas involving significant estimates and judgments are:

- Estimation of current tax liability in the multiple tax jurisdictions – note 7;
- Estimated impairment of financial or non-financial assets – note 12, 14, 15 and 22;
- Estimated insurance liability – note 31; 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 Pacific Markets and non-banking services which comprise insurance operations, fund management and asset financing activities. The Bank and Group's business segments operate in Papua New Guinea, Fiji, Solomon Islands, Cook Islands, Tonga, Samoa, Vanuatu, Cambodia and Laos. Inter segment adjustments reflect elimination entries in respect of inter segment income and expense allocations including funds transfer pricing.

CONSOLIDATED <i>All amounts are expressed in K'millions</i>	PNG BANK	PACIFIC MARKETS	NON-BANK ENTITIES	ADJUST INTER SEGMENTS	TOTAL
Analysis by segments					
Year ended 31 December 2025					
Net interest income	1,711	425	4	3	2,143
Net fee, commission and other income	609	145	20	(296)	478
Foreign exchange related	541	181	–	–	722
Net insurance income	–	–	63	1	64
Total operating income	2,861	751	87	(292)	3,407
Operating expenses	(1,244)	(282)	(2)	66	(1,462)
Impairment expenses	(96)	(22)	3	–	(115)
Profit before income tax	1,521	447	88	(226)	1,830
Income tax	(531)	(114)	(13)	–	(658)
Net profit after income tax	990	333	75	(226)	1,172
Assets	28,831	14,460	2,539	(2,846)	42,984
Liabilities	(24,828)	(12,636)	(1,889)	1,573	(37,780)
Net assets	4,003	1,824	650	(1,273)	5,204
Year ended 31 December 2024					
	PNG BANK	PACIFIC MARKETS	NON-BANK ENTITIES	ADJUST INTER SEGMENTS	TOTAL (RESTATED)
Net interest income	1,558	368	37	2	1,965
Net fee, commission and other income	378	124	6	(113)	395
Foreign exchange related	402	159	–	–	561
Net insurance income	–	–	58	–	58
Total operating income	2,338	651	101	(111)	2,979
Operating expenses	(973)	(254)	(47)	7	(1,267)
Impairment expenses	20	15	(17)	–	18
Additional company tax settlement	95	–	–	–	95
Profit before income tax	1,480	412	37	(104)	1,825
Income tax	(670)	(106)	(11)	–	(787)
Net profit after income tax	810	306	26	(104)	1,038
Assets	24,861	12,038	2,221	(1,997)	37,123
Liabilities	(21,701)	(10,502)	(1,666)	1,399	(32,470)
Net assets	3,160	1,536	555	(598)	4,653

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Year Ended 31 December 2025

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	
	2025	2024	2025	2024 RESTATED
<i>All amounts are expressed in K'millions</i>				
Interest income				
Loans and receivables from customers ¹	1,445	1,440	1,051	1,080
Other financial assets – inscribed stock	516	468	514	467
Treasury bills	235	104	235	104
Central Bank bills	10	4	8	3
Cash and balances with Central Banks	50	36	46	47
Other	13	40	14	23
Total interest income	2,269	2,092	1,868	1,724
Less: Interest expense				
Customer deposits	119	111	57	62
Other banks	4	10	22	24
Other interest expense	3	6	2	5
Total interest expense	126	127	81	91
Net interest income	2,143	1,965	1,787	1,633

1. Group interest income includes K20 million (Bank K18 million) recognised on impaired loans (Stage 3) to customers, 2024: K27 million (Bank K24 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	
	2025	2024	2025	2024 RESTATED
<i>All amounts are expressed in K'millions</i>				
Net fee and commission income				
Electronic banking related fee income	290	249	231	199
Electronic banking related fee expense	(115)	(93)	(83)	(69)
Net electronic banking related fee income	175	156	148	130
Trade and international related	22	22	16	16
Product related	173	166	116	118
Other	72	42	54	25
	442	386	334	289
Other income				
Foreign exchange related ¹	722	561	576	431
Operating lease rentals	5	5	5	5
Dividend income received	–	–	202	84
Foreign currency translation income from discontinued operations	–	–	82	–
Other	31	4	4	6
	758	570	869	526

¹Foreign 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 2025

5. Operating Expenses**Accounting Policy**

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

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

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

Computing expenses are recognised as incurred, unless they qualify for capitalization as computer software due to the expenditure generating probable future economic benefits. If capitalised, computer software is subsequently amortised over its estimated useful life. Software as service ('SaaS') arrangements are typically treated as service contracts rather than an intangible software asset because the Group usually does not obtain control of the underlying software (e.g., cannot take possession of the software and run it on its own infrastructure or another provider's platform). The SaaS service expenses are recognised as incurred. Each contract is individually assessed. 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 payment to settle the obligation is probable and can be reliably estimated.

	CONSOLIDATED		BANK	
	2025	2024	2025	2024 RESTATED
<i>All amounts are expressed in K'millions</i>				
Administration	300	244	258	209
Computing	203	159	177	135
Depreciation	81	81	66	66
Amortisation of software costs	54	49	52	48
Non-executive directors' costs	7	5	6	5
Non-lending losses	26	16	25	16
Impairment loss on investment in Subsidiary	–	–	68	–
Impairment loss on Joint Ventures	–	36	–	–
Premises and equipment	134	115	108	91
	805	705	760	570
Staff costs				
Wages and salaries	517	448	422	361
Defined contribution plans	25	23	17	15
Statutory leave entitlements	19	16	18	14
Other staff benefits	96	75	85	67
	657	562	542	457
	1,462	1,267	1,302	1,027

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	
	2025	2024	2025	2024 RESTATED
<i>All amounts are expressed in K'millions</i>				
Loans and receivables from customers (note 15)	92	(18)	75	(15)
Treasury and Central Bank Bills (note 12)	19	(7)	18	(7)
Other financial assets (note 14)	4	7	5	6
Impairment expense/(release)	115	(18)	98	(16)

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Year Ended 31 December 2025

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, the timing of temporary difference reversals and management's determination of the likelihood that uncertain tax positions will be accepted by the relevant taxation authority.

<i>All amounts are expressed in K'millions</i>	CONSOLIDATED		BANK	
	2025	2024	2025	2024
Income tax expense				
Current tax	684	695	581	668
Deferred tax	26	64	20	59
Current year	710	759	601	727
Adjustment to prior year estimates	(4)	(9)	1	(9)
Asset revaluation	(11)	–	(11)	–
Impact of PNG tax rate change ¹	(9)	37	(9)	37
Tax impact on change in corporate structure (note 37)	(28)	–	(28)	–
	658	787	554	755
Tax calculated at 43.2% (2024: 45%) of Bank profit before tax	688	806	688	806
Tax calculated at respective subsidiary tax rates	114	28	–	–
Expenses not deductible for tax purposes	1	19	36	1
Tax loss not recognised	16	5	–	–
Income not recognised for tax purposes	(119)	(99)	(123)	(80)
Impact of PNG tax rate change ¹	(9)	37	(9)	37
Asset revaluation	(11)	–	(11)	–
Tax impact on change in corporate structure (note 37)	(28)	–	(28)	–
Adjustment to prior year estimates	6	(9)	1	(9)
	658	787	554	755
Income tax is attributable to:				
Profit from continuing operations	658	787	554	692
Profit from discontinued operations	–	–	–	63
	658	787	554	755

All amounts are expressed in K'millions	CONSOLIDATED		BANK	
	2025	2024	2025	2024
Tax (payable)/receivable				
At 1 January	9	40	13	41
Income tax provision	(684)	(695)	(581)	(668)
Adjustment to prior year estimates	(4)	9	(5)	9
Other tax related items	4	1	2	2
Tax impact on change in corporate structure (note 37)	15	–	15	–
Foreign tax paid	95	24	–	–
Tax payments made	651	630	651	629
At 31 December	86	9	95	13
Deferred tax balances are represented by the tax effect of the following items:				
Specific allowance for losses on loans and receivables from customers	76	76	66	70
General allowance for losses on loans and receivables from customers	110	116	86	113
Employee related provisions	105	70	97	68
Prepaid expenses	–	(1)	–	(2)
Other provisions	1	21	59	68
Property, plant and equipment	(98)	(97)	(80)	(78)
Unrealised foreign exchange gains	(1)	–	(1)	–
Impact of PNG tax rate change ¹	(13)	(23)	(13)	(23)
Accruals	32	37	27	36
At 31 December	212	199	241	252
Represented by:				
Deferred tax asset	281	257	241	252
Deferred tax liability	(69)	(58)	–	–
At 31 December	212	199	241	252
Deferred taxes movement:				
At 1 January	199	268	252	323
Current year movement	(26)	(64)	(20)	(59)
Adjustment to prior year estimates	(2)	–	4	–
Impact of PNG tax rate change ¹	(13)	(23)	(13)	(23)
Other movements	54	18	18	11
At 31 December	212	199	241	252

1. In the 2024 financial year, 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:

- Taxable income below K300 million: Tax rate reduces from 45% to 40% in 2025, and 35% in 2026.
- Taxable income above K300 million: Tax rate reduces from 45% to 44% in 2025, decreasing by 1% annually until reaching 35%.

Deferred tax balances are calculated using the revised tax rates in the period they are expected to be utilised.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Year Ended 31 December 2025

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.

<i>All amounts are expressed in K'millions</i>	CONSOLIDATED		BANK	
	2025	2024	2025	2024
Net profit attributable to parent equity interest (K'millions)	1,172	1,038	1,036	1,036
Weighted average number of ordinary shares in use (millions)	467	467	467	467
Basic and diluted earnings per share (expressed in toea)	251.0	222.1	221.8	221.7

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**

<i>All amounts are expressed in K'millions</i>	CONSOLIDATED		BANK	
	2025	2024	2025	2024
Net profit after tax	1,172	1,038	1,036	1,036
Add: Tax expense	658	787	554	755
Profit before income tax	1,830	1,825	1,590	1,791
Major non cash amounts				
Depreciation	81	81	66	75
Amortisation of software costs	54	49	52	49
Net gain on sale of fixed assets	(1)	(2)	-	(2)
Impairment on financial assets	115	(18)	98	(42)
Impairment of investments in Subsidiary (note 32)	-	-	68	-
Foreign currency translation income from discontinued operations	-	-	(82)	-
Impairment of fixed assets	9	-	9	-
Net changes in assets and liabilities	158	2	256	43
Operating cash flow before changes in operating assets and liabilities	2,246	1,937	2,057	1,914

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.

<i>All amounts are expressed in K'millions</i>	CONSOLIDATED		BANK	
	2025	2024	2025	2024
Cash and balances with Central Banks (note 10)	4,126	3,362	1,537	2,598
Amounts due from other banks (note 11) ¹	2,103	1,874	1,781	1,550
Amounts due to other banks (note 17)	(214)	(260)	(625)	(658)
	6,015	4,976	2,693	3,490

1. Amounts due from other banks include deposits of K142 million (2024: K66 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, 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 2025

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
- FVIF if they are held within a business model whose objective is achieved through selling the financial asset.

Debt instruments are measured at FVIF where the contractual cash flows do not represent SPPI on the principal balance outstanding or where it is designated at FVIF 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 FVIF 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 FVIF.

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 FVIF 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 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	
	2025	2024	2025	2024
<i>All amounts are expressed in K'millions</i>				
Notes, coins and cash at bank	840	748	500	658
Balances with Central Banks other than statutory deposit	3,286	2,614	1,037	1,940
At 31 December	4,126	3,362	1,537	2,598

11. Amounts Due from Other Banks

	CONSOLIDATED		BANK	
	2025	2024	2025	2024
<i>All amounts are expressed in K'millions</i>				
Items in the course of collection	91	64	57	64
Placements with other banks	2,012	1,810	1,724	1,486
At 31 December	2,103	1,874	1,781	1,550

12. Treasury and Central Bank Bills

	CONSOLIDATED		BANK	
	2025	2024	2025	2024
<i>All amounts are expressed in K'millions</i>				
Treasury and Central Bank Bills – face value	5,429	2,554	5,327	2,489
Unearned interest	(154)	(35)	(156)	(35)
Less allowance for impairment	(34)	(15)	(33)	(15)
	5,241	2,504	5,138	2,439
Financial assets carried at fair value through profit and loss				
Treasury Bills at fair value	19	14	–	–
At 31 December	5,260	2,518	5,138	2,439
Allowance for impairment				
At 1 January	15	22	15	22
Provision for impairment in the year	19	(7)	18	(7)
At 31 December	34	15	33	15

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 9% (2024: 12%), Fiji 10% (2024: 10%), Solomon Islands 5.5% (2024: 5.5%), Samoa 4.5% (2024: 4.5%), Tonga 15% (2024: 15%) and Vanuatu 5.25% (2024: 5.25%).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Year Ended 31 December 2025

14. Other Financial Assets

<i>All amounts are expressed in K'millions</i>	CONSOLIDATED		BANK	
	2025	2024	2025	2024
Inscribed Stock – issued by Central Bank	6,980	6,557	6,929	6,510
Less allowance for impairment	(44)	(40)	(44)	(39)
	6,936	6,517	6,885	6,471
Financial assets carried at fair value through profit and loss:				
Government Inscribed Stock	334	308	–	–
Equity securities	397	333	–	–
At 31 December	7,667	7,158	6,885	6,471
Allowance for impairment				
At 1 January	40	33	39	33
Provision for impairment	4	7	5	6
At 31 December	44	40	44	39

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.

<i>All amounts are expressed in K'millions</i>	CONSOLIDATED		BANK	
	2025	2024	2025	2024
Overdrafts	1,376	1,161	917	1,096
Lease financing	248	217	209	217
Term loans	12,598	12,147	8,523	11,482
Mortgages	3,882	3,307	1,393	2,831
Gross loans and receivables from customers net of unearned interest	18,104	16,832	11,042	15,626
Less allowance for losses on loans and receivables from customers	(602)	(562)	(437)	(503)
At 31 December	17,502	16,270	10,605	15,123

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 K106 million (Bank K87 million), 2024: K103 million (Bank K89 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	
	2025	2024	2025	2024
<i>All amounts are expressed in K'millions</i>				
Gross investment in finance lease receivable				
Not later than 1 year	36	30	21	30
Later than 1 year and not later than 5 years	218	196	190	195
	254	226	211	225
Unearned future finance income				
Not later than 1 year	(2)	–	–	–
Later than 1 year and not later than 5 years	(4)	(9)	(2)	(8)
	(6)	(9)	(2)	(8)
Present value of minimum lease payments receivable	248	217	209	217
Present value of minimum lease payments receivable is analysed as follows:				
Not later than 1 year	34	30	21	30
Later than 1 year and not later than 5 years	214	187	188	187
At 31 December	248	217	209	217

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 considering 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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Year Ended 31 December 2025

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 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.

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 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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Year Ended 31 December 2025

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 considers historical frequency, current trends, and forward looking conditions.

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

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

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

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

	CONSOLIDATED		BANK	
	2025	2024	2025	2024
<i>All amounts are expressed in K'millions</i>				
Provision for impairment				
Movement in allowance for losses on loans and receivables from customers:				
Balance at 1 January	562	712	503	646
Net new and increased provisioning / (release of provisions)	70	(18)	52	(44)
Loans written off against provisions/(Write back of provisions no longer required) ¹	(30)	(132)	(118)	(99)
At 31 December	602	562	437	503
Provision for impairment is represented by:				
Collective provision for on balance sheet exposure	257	230	171	212
Individually assessed or specific provision	292	290	239	252
Total provisions for on balance sheet exposure	549	520	410	464
Collective provision for off balance sheet exposure	53	42	27	39
At 31 December	602	562	437	503
Loan impairment expense				
Net collective provision funding	30	(136)	18	(101)
Net new and increased individually assessed provisioning	40	118	34	86
Total new and increased provisioning/(release of provisions)	70	(18)	52	(15)
Recoveries	(115)	(96)	(106)	(87)
Net write off	137	96	129	87
At 31 December	92	(18)	75	(15)

1. Included in the Bank is the transfer of the provision balance associated with the discontinued operation (Note 37).

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.

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'millions

EAD – Loans and receivables from customers	STAGE 1	STAGE 2	STAGE 3	TOTAL
1 January 2024	15,386	675	664	16,725
Transfers to/(from)				
Stage 1	(164)	80	84	–
Stage 2	189	(272)	83	–
Stage 3	–	1	(1)	–
Net financial assets originated	428	(118)	(203)	107
Total movement in EAD during the year	453	(309)	(37)	107
31 December 2024	15,839	366	627	16,832
ECL – Loans and receivables from customers				
1 January 2024	271	95	291	657
Transfers to/(from)				
Stage 1	(6)	4	2	–
Stage 2	20	(29)	9	–
Stage 3	–	–	–	–
Net financial assets originated	(1)	(10)	(2)	(13)
Transfers between stages	(12)	(36)	15	(33)
Movements due to risk parameter and other changes	(60)	(6)	107	41
Total net P&L charge/(release) during 2024	(59)	(77)	131	(5)
Loans written off against provision/(write back of provision no longer required)	–	–	(132)	(132)
31 December 2024	212	18	290	520
EAD – Loans and receivables from customers				
1 January 2025	15,839	366	627	16,832
Transfers to/(from)				
Stage 1	(292)	189	103	–
Stage 2	96	(128)	32	–
Stage 3	–	1	(1)	–
Net financial assets originated	1,481	(36)	(173)	1,272
Total movement in EAD during the year	1,285	26	(39)	1,272
31 December 2025	17,124	392	588	18,104
ECL – Loans and receivables from customers				
1 January 2025	212	18	290	520
Transfers to/(from)				
Stage 1	(3)	2	1	–
Stage 2	7	(9)	2	–
Stage 3	–	–	–	–
Net financial assets originated	38	–	(8)	30
Transfers between stages	(7)	4	24	21
Movements due to risk parameter and other changes	(31)	26	13	8
Total net P&L charge/(release) during 2025	4	23	32	59
Loans written off against provision/(write back of provision no longer required)	–	–	(30)	(30)
31 December 2025	216	41	292	549

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Year Ended 31 December 2025

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

	2025 STAGE 1		2024 STAGE 1	
	GROSS EXPOSURE	PROVISIONS	GROSS EXPOSURE	PROVISIONS
<i>All amounts are expressed in K'millions</i>				
Balance 1 January	3,830	42	3,501	55
Increase/(decrease) in exposure to expected credit losses	363	11	329	(13)
Balance at 31 December	4,193	53	3,830	42

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	
	2025	2024	2025	2024
<i>All amounts are expressed in K'millions</i>				
Financial Assets				
Funds in transit and other assets ¹	477	270	271	156
Intercompany account	–	–	7	6
Prepayments	59	47	47	40
Accounts receivable	7	8	2	6
Accrued income	10	10	5	6
Tax receivable	86	9	95	13
	639	344	427	227
Non-Financial Assets				
Inventory	38	38	–	–
Investment in Joint Ventures (note 33)	437	273	–	30
Intangible assets	308	295	282	291
Investment properties	452	388	–	–
	1,235	994	282	321
At 31 December	1,874	1,338	709	548

1. Funds in transit include 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 providing 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 2025

17. Amounts Due to Other Banks

<i>All amounts are expressed in K'millions</i>	CONSOLIDATED		BANK	
	2025	2024	2025	2024
Vostro account balances	171	152	11	152
Interbank account balances	43	108	614	506
At 31 December	214	260	625	658

18. Customer Deposits

<i>All amounts are expressed in K'millions</i>	CONSOLIDATED		BANK	
	2025	2024	2025	2024
On demand and short term deposits	31,007	25,944	23,651	24,440
Term deposits	3,148	3,139	1,134	2,615
At 31 December	34,155	29,083	24,785	27,055

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

19. Other Liabilities

<i>All amounts are expressed in K'millions</i>	CONSOLIDATED		BANK	
	2025	2024	2025	2024
Creditors and accruals	314	302	235	263
Items in transit and all other liabilities	651	679	507	777
Lease liability	259	268	212	238
Insurance business other liabilities	86	140	–	–
Other provisions	347	242	268	216
At 31 December	1,657	1,631	1,222	1,494

Repurchase agreements

Where securities are sold subject to an agreement to repurchase at a predetermined price, they remain recognized 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 2025, K50 million (2024: K295 million) was 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 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

<i>All amounts are expressed in K'millions</i>	CONSOLIDATED		BANK	
	2025	2024	2025	2024
Letters of credit	71	231	54	227
Guarantees and indemnities issued	405	324	271	300
Commitments to extend credit	3,717	3,275	1,442	3,047
	4,193	3,830	1,767	3,574
Commitments for capital expenditure				
Amounts with firm commitments, and not reflected in the accounts	160	87	116	67

Legal Proceedings

A number of legal proceedings against the Group were outstanding as at 31 December 2025. For all litigation exposure where a loss is probable, an appropriate provision has been made. Based on information available at 31 December 2025, the Group estimates a contingent liability of K18 million (2024: K17 million) in respect of these proceedings of which K11m is attributable to the Bank.

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For the Year Ended 31 December 2025

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 regarding 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 counterparties 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 (incl. loan commitments and guarantees)

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

Credit risk grading

The Group uses an internal credit risk grading system that reflects its assessment of the probability of default of individual counterparties. Borrower and loan specific information collected at the time of application (such as disposable income, and level of collateral for retail exposures; and turnover and industry type for wholesale exposures) is fed into this rating model. This is supplemented with external data such as credit bureau scoring information on individual borrowers. In addition, the models enable expert judgement from the Group Chief Risk Officer to be fed into the final internal credit rating for each exposure. This allows for considerations which may not be captured as part of the other data inputs into the model.

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

GROUP INTERNAL SCALE	S&P LETTER GRADE	DESCRIPTION
1	BBB+	
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.

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For the Year Ended 31 December 2025

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.



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 2025.

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.

22.1.2.3 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. 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.

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For the Year Ended 31 December 2025

Economic variable assumptions

The period-end assumptions used for the ECL estimate as at 31 December 2025 are set out below. The scenarios “base”, “upside” and “downside” were used for all portfolios.

		2026	2027	2028	2029	2030
GDP Growth (%)	Base	3.6%	3.0%	3.0%	3.0%	3.0%
	Upside	4.0%	4.0%	3.5%	3.5%	3.5%
	Downside	3.2%	3.0%	2.5%	2.5%	2.5%
Change in Unemployment (% total lab force) (%)	Base	-3.6%	-3.0%	-3.0%	-3.0%	-3.0%
	Upside	-4.0%	-4.0%	-3.5%	-3.5%	-3.5%
	Downside	-3.2%	-3.0%	-2.5%	-2.5%	-2.5%
Change in Equity Index (%)	Base	8.8%				
	Upside	9.8%				
	Downside	7.8%				
Change in Energy Index (%)	Base	-10.1%	6.3%	6.3%	6.3%	6.3%
	Upside	-10.6%	6.6%	6.6%	6.6%	6.6%
	Downside	-9.6%	5.9%	5.9%	5.9%	5.9%
Change in Non-Energy Index (%) <i>(Per World Bank commodities price forecast)</i>	Base	-1.5%	-0.2%	-0.2%	-0.2%	-0.2%
	Upside	-1.6%	-0.2%	-0.2%	-0.2%	-0.2%
	Downside	-1.4%	-0.2%	-0.2%	-0.2%	-0.2%
Change in the Proportion of Downgrades (%)	Base	1.4%				
	Upside	-15.0%				
	Downside	15.0%				

The weightings assigned to each economic scenario at 31 December 2025 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.

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.

<i>All amounts are expressed in K'millions</i>	2025	2024
Reported probability weighted ECL	602	562
100% base scenario	580	538
100% downside scenario	640	591

Sensitivity of provisions for impairment to SICR assessment criteria

- If an additional 1% of Stage 1 credit exposures as at 31 December 2025 was included in Stage 2, provisions for impairment would approximately increase by K8 million for the bank. (31 December 2024 K7 million).
- If an additional 1% of Stage 2 credit exposures as at 31 December 2025 was included in Stage 1, provisions for impairment would approximately decrease by K0.2 million for the bank. (31 December 2024 K0.2 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 based on shared risk characteristics, such that risk exposures within a group are homogeneous.

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

Retail – Groupings for collective measurement

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

22.1.3 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.

CONSOLIDATED <i>All amounts are expressed in K'millions</i>	2025				2024
	STAGE 1 12-MONTH	STAGE 2 LIFETIME	STAGE 3 LIFETIME	TOTAL	TOTAL
ECL STAGING					
Credit grade					
Standard monitoring	17,124	178	–	17,302	16,037
Special monitoring	–	214	–	214	168
Default	–	–	588	588	627
Gross carrying amount	17,124	392	588	18,104	16,832
Loss allowance	(216)	(41)	(292)	(549)	(520)
Net Carrying amount	16,908	351	296	17,555	16,312

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 K12,255 million (2024: K9,076 million) is classified as Stage 1 with a credit grade of 'standard monitoring'. Total loss allowance carried against this balance is K78 million (2024: K55 million).

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For the Year Ended 31 December 2025

BANK <i>All amounts are expressed in K'millions</i>	2025			
	STAGE 1 12-MONTH	STAGE 2 LIFETIME	STAGE 3 LIFETIME	TOTAL
ECL STAGING				
Credit grade				
Standard monitoring	10,340	80	–	10,420
Special monitoring	–	197	–	197
Default	–	–	425	425
Gross carrying amount	10,340	277	425	11,042
Loss allowance	(139)	(32)	(239)	(410)
Net Carrying amount	10,201	245	186	10,632

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'millions*

	2025	2024
Trading assets		
Equity securities	397	333

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 depend on the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured, except for 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:

	CONSOLIDATED				BANK			
31 DECEMBER 2025								
<i>All amounts are expressed in K'millions</i>	GROSS EXPOSURE	IMPAIRMENT ALLOWANCE	CARRYING AMOUNT	FAIR VALUE OF COLLATERAL HELD	GROSS EXPOSURE	IMPAIRMENT ALLOWANCE	CARRYING AMOUNT	FAIR VALUE OF COLLATERAL HELD
Credit-impaired assets								
Loans to individuals:								
• Overdrafts	26	8	18	26	24	10	14	24
• Credit cards	–	–	–	–	–	–	–	–
• Term loan	53	19	34	43	35	25	10	29
• Mortgages	173	68	105	238	121	60	61	149
Loans to corporate entities:								
• Large corporate customers	305	182	123	331	219	129	90	204
• Small & medium size enterprises	20	8	12	20	19	8	11	19
• Others	11	7	4	2	7	7	–	2
Total credit-impaired assets	588	292	296	660	425	239	186	427
31 December 2024								
Total credit-impaired assets	627	290	337	630				

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

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 2025 is as follows:

CONSOLIDATED AS AT 31 DECEMBER 2025						
<i>All amounts are expressed in K'millions</i>	OVERDRAFTS	TERM LOANS	MORTGAGES	LEASE FINANCING	TOTAL	2024
Neither past due nor impaired	1,345	11,898	3,443	223	16,909	14,492
Past due but not impaired						
Less than 30 days	2	227	181	5	415	276
30 to 90 days	1	104	67	8	180	1,437
91 to 360 days	2	7	–	–	9	–
More than 360 days	2	1	–	–	3	–
	7	339	248	13	607	1,713
Individually impaired loans						
Less than 30 days	–	–	–	–	–	10
30 to 90 days	–	–	–	–	–	79
91 to 360 days	23	124	58	10	215	65
More than 360 days	1	237	133	2	373	473
	24	361	191	12	588	627
Total gross loans and receivables from customers	1,376	12,598	3,882	248	18,104	16,832
Less impairment provisions	(38)	(443)	(111)	(10)	(602)	(562)
Net loans and receivables from customers	1,338	12,155	3,771	238	17,502	16,270

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For the Year Ended 31 December 2025

BANK					
AS AT 31 DECEMBER 2025					
<i>All amounts are expressed in K'millions</i>					
	OVERDRAFTS	TERM LOANS	MORTGAGES	LEASE FINANCING	TOTAL
Neither past due nor impaired	899	7,982	1,121	184	10,186
Past due but not impaired					
Less than 30 days	1	187	105	5	298
30 to 90 days	1	82	30	8	121
91 to 360 days	2	7	–	–	9
More than 360 days	2	1	–	–	3
	6	277	135	13	431
Individually impaired loans					
Less than 30 days	–	–	–	–	–
30 to 90 days	–	–	–	–	–
91 to 360 days	12	105	38	10	165
More than 360 days	–	159	99	2	260
	12	264	137	12	425
Total gross loans and receivables from customers	917	8,523	1,393	209	11,042
Less impairment provisions	(25)	(317)	(85)	(10)	(437)
Net loans and receivables from customers	892	8,206	1,308	199	10,605

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.

22.1.6 Economic sector risk concentrations

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

AS AT 31 DECEMBER 2025	CONSOLIDATED		BANK		CONSOLIDATED	
	2025	%	2025	%	2024	%
<i>All amounts are expressed in K'millions</i>						
Commerce, finance and other business	7,955	45	5,359	51	8,112	50
Private households	5,752	33	2,785	26	4,335	27
Government and public authorities	500	3	419	4	648	4
Agriculture	189	1	75	1	200	1
Forestry	–	–	–	–	2	–
Transport and communication	1,315	8	1,083	10	1,368	8
Manufacturing	516	3	407	4	451	3
Construction	1,275	7	477	4	1,154	7
Net loan portfolio balance	17,502	100	10,605	100	16,270	100

22.1.7 Loan segment concentration

Concentration by customer loan segments is as follows:

AS AT 31 DECEMBER 2025	CONSOLIDATED		BANK		CONSOLIDATED	
	2025	%	2025	%	2024	%
<i>All amounts are expressed in K'millions</i>						
Corporate/Commercial	9,917	57	6,068	57	9,406	58
Government	1,833	10	1,752	17	2,056	13
Retail	5,752	33	2,785	26	4,808	29
Net loan portfolio balance	17,502	100	10,605	100	16,270	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.

	2025	2024
<i>All amounts are expressed in K'millions</i>		
Modelled provision for ECL (Stage 1 and 2)	306	265
Overlays	4	7
Total	310	272

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23. Liquidity Risk

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

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

Short-term mismatch of asset and liability maturity at 31 December 2025

The maturity profile of material Assets and Liabilities as at 31 December 2025 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 behavioral 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 2025***All amounts are expressed in K'millions*

	UP TO 1 MONTH	1-3 MONTHS	3-12 MONTHS	1-5 YEARS	OVER 5 YEARS	TOTAL
Assets						
Cash and balances with Central Banks	7,117	–	–	–	–	7,117
Amounts due from other banks	1,309	525	269	–	–	2,103
Treasury and Central Bank bills	1,397	759	3,238	34	–	5,428
Loans and receivables from customers	1,217	1,366	1,758	7,119	10,637	22,097
Other financial assets	564	196	828	3,182	6,232	11,002
Total assets	11,604	2,846	6,093	10,335	16,869	47,747
Liabilities						
Amounts due to other banks	85	110	19	–	–	214
Customer deposits	33,865	939	937	210	13	35,964
Lease liability	–	–	16	157	85	258
Other liabilities	809	1	769	22	1,394	2,995
Other provisions	104	4	26	–	213	347
Total liabilities	34,863	1,054	1,767	389	1,705	39,778
Net liquidity gap	(23,259)	1,792	4,326	9,946	15,164	7,969

BANK**AS AT 31 DECEMBER 2025**

	UP TO 1 MONTH	1-3 MONTHS	3-12 MONTHS	1-5 YEARS	OVER 5 YEARS	TOTAL
Assets						
Cash and balances with Central Banks	3,568	–	–	–	105	3,673
Amounts due from other banks	1,021	492	269	–	–	1,782
Treasury and Central Bank bills	1,363	755	3,187	–	–	5,305
Loans and receivables from customers	1,182	866	1,629	6,683	4,673	15,033
Other financial assets	450	178	824	3,170	3,903	8,525
Total assets	7,584	2,291	5,909	9,853	8,681	34,318
Liabilities						
Amounts due to other banks	623	2	–	–	–	625
Customer deposits	24,971	812	620	178	13	26,594
Lease liability	–	–	6	138	69	213
Other liabilities	142	–	762	–	51	955
Other provisions	172	–	–	–	–	172
Total liabilities	25,908	814	1,388	316	133	28,559
Net liquidity gap	(18,324)	1,477	4,521	9,537	8,548	5,759

**CONSOLIDATED
AS AT 31 DECEMBER 2024**

All amounts are expressed in K'millions

	UP TO 1 MONTH	1-3 MONTHS	3-12 MONTHS	1-5 YEARS	OVER 5 YEARS	TOTAL
Assets						
Cash and balances with Central Banks	4,098	–	–	–	2,519	6,617
Amounts due from other banks	1,470	230	152	22	–	1,874
Treasury and Central Bank bills	740	775	1,001	39	–	2,555
Loans and receivables from customers	5,546	1,003	2,264	6,942	5,109	20,864
Other financial assets	1,169	123	799	2,973	4,782	9,846
Total assets	13,023	2,131	4,216	9,976	12,410	41,756
Liabilities						
Amounts due to other banks	161	79	18	–	2	260
Customer deposits	27,060	404	1,178	169	469	29,280
Lease liability	–	–	–	165	103	268
Other liabilities	1,993	3	693	46	92	2,827
Other provisions	195	–	22	–	24	241
Total liabilities	29,409	486	1,911	380	690	32,876
Net liquidity gap	(16,386)	1,645	2,305	9,596	11,720	8,880

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Year Ended 31 December 2025

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 2025

All amounts are expressed in K'millions

	PGK	FJD	SBD	USD	OTHER	TOTAL
Assets						
Cash and balances with Central Banks	2,500	2,323	1,160	12	1,122	7,117
Amounts due from other banks	90	526	3	1,067	417	2,103
Treasury and Central Bank Bills	5,105	–	53	–	102	5,260
Loans and receivables from customers	9,802	5,566	465	198	1,471	17,502
Other financial assets	6,932	685	–	–	50	7,667
Other assets	1,529	1,386	85	27	308	3,335
Total assets	25,958	10,486	1,766	1,304	3,470	42,984
Liabilities						
Amounts due to other banks	130	(215)	(2)	(43)	(84)	(214)
Customer deposits	(21,687)	(6,788)	(1,334)	(1,121)	(3,225)	(34,155)
Other liabilities	(1,179)	(2,088)	(53)	(4)	(87)	(3,411)
Total liabilities	(22,736)	(9,091)	(1,389)	(1,168)	(3,396)	(37,780)
Net on-balance sheet position	3,222	1,395	377	136	74	5,204
<i>Off-balance sheet position</i>	–	–	–	–	–	–
<i>Credit commitments</i>	1,557	2,167	180	–	289	4,193

CONSOLIDATED

AS AT 31 DECEMBER 2024

All amounts are expressed in K'millions

	PGK	FJD	SBD	USD	OTHER	TOTAL
Assets						
Cash and balances with Central Banks	2,879	1,904	906	13	915	6,617
Amounts due from other banks	49	472	4	790	559	1,874
Treasury and Central Bank Bills	2,430	–	23	–	65	2,518
Loans and receivables from customers	9,769	4,546	473	216	1,266	16,270
Other financial assets	6,506	607	–	–	45	7,158
Other assets	1,359	1,085	82	–	160	2,686
Total assets	22,992	8,614	1,488	1,019	3,010	37,123
Liabilities						
Amounts due to other banks	40	(231)	(1)	–	(68)	(260)
Customer deposits	(18,742)	(5,419)	(1,106)	(1,014)	(2,802)	(29,083)
Other liabilities	(1,109)	(1,883)	(51)	(1)	(83)	(3,127)
Total liabilities	(19,811)	(7,533)	(1,158)	(1,015)	(2,953)	(32,470)
Net on-balance sheet position	3,181	1,081	330	4	57	4,653
<i>Off-balance sheet position</i>	–	–	–	–	–	–
<i>Credit commitments</i>	1,292	2,207	43	–	288	3,830

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 is not material.

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

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

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

Forward exchange contracts outstanding at 31 December 2025 stated at the face value of the respective contracts are:

All amounts are expressed in K'millions

AS AT 31 DECEMBER 2025		USD	AUD	EURO	GBP	JPY	OTHER	TOTAL
	FCY	(5)	(1)	(1)	–	–	(1)	–
Selling	Kina	(20)	(3)	(3)	–	–	(5)	(31)
	FCY	1	–	–	–	–	7	–
Buying	Kina	3	–	–	–	–	28	31
AS AT 31 DECEMBER 2024		USD	AUD	EURO	GBP	JPY	OTHER	TOTAL
	FCY	(1)	–	–	–	(127)	(1)	–
Selling	Kina	(4)	–	–	–	(3)	(2)	(9)
	FCY	1	–	–	–	135	–	–
Buying	Kina	4	–	–	–	3	2	9

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Year Ended 31 December 2025

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.

Interest sensitivity of assets, liabilities and off-balance sheet items

CONSOLIDATED AS AT 31 DECEMBER 2025 <i>All amounts are expressed in K'millions</i>	UP TO 1 MONTH	1-3 MONTHS	3-12 MONTHS	1-5 YEARS	OVER 5 YEARS	NON-INTEREST BEARING
Assets						
Cash and Balances with Central Banks	1,695	–	–	–	–	2,431
Amounts due from other banks	706	393	201	–	–	803
Treasury and Central Bank Bills	956	1,584	2,720	–	–	–
Cash reserve requirement with Central Banks	–	–	–	–	–	2,991
Loans and receivables from customers	13,177	221	1,205	2,227	603	69
Other financial assets	105	690	1,087	3,104	2,681	–
Other assets	116	–	4	–	–	3,215
Total assets	16,755	2,888	5,217	5,331	3,284	9,509
Liabilities						
Amounts due to other banks	54	110	19	–	–	31
Customer deposits	13,590	792	1,627	257	–	17,889
Other liabilities	64	–	–	6	58	2,867
Other provisions	5	4	–	–	–	407
Total liabilities	13,713	906	1,646	263	58	21,194
Interest sensitivity gap	3,042	1,982	3,571	5,068	3,226	(11,685)

BANK AS AT 31 DECEMBER 2025 <i>All amounts are expressed in K'millions</i>	UP TO 1 MONTH	1-3 MONTHS	3-12 MONTHS	1-5 YEARS	OVER 5 YEARS	NON-INTEREST BEARING
Assets						
Cash and Balances with Central Banks	–	–	–	–	–	1,537
Amounts due from other banks	1,120	360	201	–	–	100
Treasury and Central Bank Bills	917	636	2,678	–	–	907
Cash reserve requirement with Central Banks	–	–	–	–	–	2,136
Loans and receivables from customers	7,989	8	122	2,026	460	–
Other financial assets	718	428	1,014	3,102	2,681	–
Other assets	–	–	–	–	–	1,733
Total assets	10,744	1,432	4,015	5,128	3,141	6,413
Liabilities						
Amounts due to other banks	625	–	–	–	–	–
Customer deposits	10,183	350	602	174	–	13,476
Other liabilities	50	–	–	–	–	999
Other provisions	159	–	–	–	–	14
Total liabilities	11,017	350	602	174	–	14,489
Interest sensitivity gap	(273)	1,082	3,413	4,954	3,141	(8,076)

CONSOLIDATED AS AT 31 DECEMBER 2024 <i>All amounts are expressed in K'millions</i>	UP TO 1 MONTH	1-3 MONTHS	3-12 MONTHS	1-5 YEARS	OVER 5 YEARS	NON- INTEREST BEARING
Assets						
Cash and Balances with Central Banks	1,369	–	–	–	–	1,993
Amounts due from other banks	610	246	192	23	–	803
Treasury and Central Bank Bills	746	792	980	–	–	–
Cash reserve requirement with Central Banks	–	–	–	–	–	3,255
Loans and receivables from customers	12,447	152	895	2,144	559	73
Other financial assets	65	491	1,118	2,990	2,494	–
Other assets	123	66	3	–	–	2,494
Total assets	15,360	1,747	3,188	5,157	3,053	8,618
Liabilities						
Amounts due to other banks	103	77	19	–	–	61
Customer deposits	10,604	710	1,378	158	–	16,233
Other liabilities	310	–	–	276	59	2,181
Other provisions	5	–	2	–	–	294
Total liabilities	11,022	787	1,399	434	59	18,769
Interest sensitivity gap	4,338	960	1,789	4,723	2,994	(10,151)

Given the profile of assets and liabilities as at 31 December 2025 and prevailing rates of interest, a 1% increase in rates will result in a K29 million (2024: K34 million) increase in net interest income, whilst a 1% decrease in rates will result in a K70 million (2024: K97 million) decrease in net interest income.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Year Ended 31 December 2025

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 assets carried at fair value, by levels in the fair value hierarchy. The different levels have been defined as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

**CONSOLIDATED
AS AT 31 DECEMBER 2025***All amounts are expressed in K'millions*

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
a) Financial assets				
Equity securities	–	393	4	397
Treasury Bills	–	19	–	19
Government Inscribed Stock	–	334	–	334
Non-financial assets				
Land and buildings	–	–	583	583
Investment properties	–	–	452	452
Aircraft subject to operating lease	–	–	28	28
Total assets	–	746	1,067	1,813
b) Financial liabilities				
Insurance contract liabilities	–	–	(1,685)	(1,685)
Total liabilities	–	–	(1,685)	(1,685)

**CONSOLIDATED
AS AT 31 DECEMBER 2024***All amounts are expressed in K'millions*

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
a) Financial assets				
Equity securities	–	329	4	333
Treasury Bills	–	14	–	14
Government Inscribed Stock	–	308	–	308
Non-financial assets				
Land and buildings	–	–	571	571
Investment properties	–	–	388	388
Aircraft subject to operating lease	–	–	30	30
Total assets	–	651	993	1,644
b) Financial liabilities				
Insurance contract liabilities	–	–	(1,438)	(1,438)
Total liabilities	–	–	(1,438)	(1,438)

CONSOLIDATED**Financial assets at fair value through profit and loss**

LEVEL 3	2025	2024
Opening balance	993	984
Total gains and losses recognised in:		
– Profit and loss	(34)	(33)
– Other comprehensive income	10	17
– Purchases	45	32
– Disposals	(2)	(1)
– Translation movements	55	(6)
Closing balance	1,067	993

There were no changes in valuation technique for Level 3 recurring fair value measurements during the year ended 31 December 2025.

Property, plant and equipment represent 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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Year Ended 31 December 2025

Capital and Dividends**28. Ordinary Shares****Accounting Policy**

Share issue costs

External costs directly attributable to the issue of new shares are deducted from equity net of any related income taxes.

<i>Number of shares in 'millions', Book value in K'millions</i>	NUMBER OF SHARES	BOOK VALUE
At 1 January 2024	467	372
31 December 2025	467	372

Dividends on ordinary shares

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

<i>All amounts are expressed in K'millions</i>	CONSOLIDATED		BANK	
	2025	2024	2025	2024
Dividends paid on ordinary shares				
Interim ordinary dividend (2025: 50 toea; 2024: 45 toea)	235	212	233	211
Final ordinary dividend (2024: 121 toea; 2023: 106 toea)	570	501	566	495
	805	713	799	706

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**

<i>All amounts are expressed in K'millions</i>	CONSOLIDATED		BANK	
	2025	2024	2025	2024
At 1 January	3,733	3,416	3,330	2,964
Net profit for the year	1,172	1,038	1,036	1,036
Final dividends paid	(570)	(501)	(566)	(495)
Interim dividends paid	(235)	(212)	(233)	(211)
Disposal of assets – transfer from asset revaluation	–	2	1	2
Amalgamation of Finance PNG with PNG Bank	–	–	–	44
BSP Life policy reserve	(12)	(10)	(12)	(10)
Gain attributable to minority interest	1	–	–	–
At 31 December	4,089	3,733	3,556	3,330
Other reserves comprise:				
Asset revaluation reserve	134	145	113	124
Capital reserve	1	1	1	1
Fiji Class Shares reserve	21	21	–	–
Statutory insurance reserve	84	72	84	72
Foreign currency translation reserve	469	274	115	155
At 31 December	709	513	313	352

Other reserves

	CONSOLIDATED		BANK	
	2025	2024	2025	2024
<i>All amounts are expressed in K'millions</i>				
Movement in reserves for the year:				
Asset revaluation reserve				
At 1 January	145	134	124	110
Net asset revaluation decrement	–	(3)	–	–
Transfer asset revaluation reserve to retained earnings	–	(2)	–	(2)
Impact of PNG tax rate change	(11)	15	(11)	15
Release of deferred tax on disposal of assets	–	1	–	1
At 31 December	134	145	113	124

	CONSOLIDATED		BANK	
	2025	2024	2025	2024
<i>All amounts are expressed in K'millions</i>				
Capital reserve				
At 1 January	1	1	1	1
At 31 December	1	1	1	1

	CONSOLIDATED		BANK	
	2025	2024	2025	2024
<i>All amounts are expressed in K'millions</i>				
Statutory insurance reserve				
At 1 January	72	62	72	62
BSP Life policy reserve	12	10	12	10
At 31 December	84	72	84	72

	CONSOLIDATED		BANK	
	2025	2024	2025	2024
<i>All amounts are expressed in K'millions</i>				
Foreign currency translation reserve				
At 1 January	274	236	155	130
Movement during the year	195	38	42	17
Movement from discontinued operations	–	–	–	8
Impact on change in corporate structure (note 37)	–	–	(82)	–
At 31 December	469	274	115	155

Fiji Class Shares

As at 31 December 2025 there are 3m shares on issue. On conversion from convertible notes to Fiji Class Shares an equity reserve of K21 million was recognised. 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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Year Ended 31 December 2025

30. Capital Adequacy

The Group is required to comply with various prudential standards issued by the Bank of Papua New Guinea (BPNG), the official authority for the prudential supervision of banks and similar financial institutions in Papua New Guinea. Additionally, subsidiaries and branches in Fiji, Solomon Islands, Cook Islands, Samoa, Tonga, Vanuatu, Cambodia and 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 2025, 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	
	2025	2024	2025	2024
<i>All amounts are expressed in K'millions</i>				
Balance sheet assets (net of provisions)				
Currency	7,117	6,617	20	30
Loans and receivables from customers	17,348	16,129	14,212	13,028
Investments and short-term securities	12,773	9,540	396	384
All other assets	5,746	4,837	3,461	2,696
Off-balance sheet items	4,193	3,830	229	229
Total	47,177	40,953	18,318	16,367
Capital ratios				
a) Tier 1 capital	4,481	3,959	24.5%	24.2%
Total Capital	4,842	4,294	26.4%	26.2%
b) Leverage Capital Ratio			10.6%	10.8%

The minimum capital adequacy requirements set out under the standard are Tier 1 8%, total risk-based capital ratio 12% and the leverage ratio 6%.

Group Structure

31. Insurance

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 contracts 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.

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Year Ended 31 December 2025

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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Year Ended 31 December 2025

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.

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 2025 this was 4.913% per annum (2024: 4.782% 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 2025 (2024: 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 (2024: 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% (2024: 20%) for base products and 65% (2024: 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% (2024: 48%) for base products and 65% (2024: 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 estimated 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 2025 were the same as 2024 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).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Year Ended 31 December 2025

(vii) Discretionary participating business

For most participating businesses, bonus rates are set such that, over long periods, the returns to contract holders are commensurate with the investment returns achieved on the pool of assets which provide security for the contract, together with other sources of profit arising from this business. Profits from these policies are split between contract holders and shareholders in accordance with the policy conditions which allow for shareholders to share in allocations at a maximum rate of 20%. 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 2025 for Participating Business is used as the IFRS 17 assumption. The policyholder retained earnings is added to the Insurance Contract Liability.

(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.

<i>All amounts are expressed in K'millions</i>	LIFE INSURANCE	GENERAL INSURANCE AND OTHER ITEMS	2025 (TOTAL)	2024 (TOTAL)
Insurance revenue	67	63	130	98
Insurance service expenses	(38)	(51)	(89)	(69)
Insurance service result from insurance contracts issued	29	12	41	29
Net expenses from reinsurance contracts	(1)	(1)	(2)	(2)
Insurance service result	28	11	39	27
Insurance finance income – investments	154	1	155	147
Net investment income	154	1	155	147
Insurance finance income/(expense) for insurance contracts issued	(125)	–	(125)	(122)
Net insurance finance expenses	(125)	–	(125)	(122)
Net insurance and investment result	57	12	69	52
Net income from subsidiaries	135	–	135	108
Other Income	8	–	8	10
Other Operating Expenses	(147)	(1)	(148)	(112)
Net insurance operating income	53	11	64	58

The reconciliation of the Life insurance contract liabilities as at 31 December 2025 is as follows:

<i>All amounts are expressed in K'millions</i>	LIABILITY FOR REMAINING COVERAGE			LIABILITY FOR INCURRED CLAIMS	TOTAL
	EXCLUDING LOSS COMPONENT	LOSS COMPONENT	POLICY LOANS*		
Opening contract assets	(12)	(1)	–	–	(13)
Opening insurance contract liabilities	1,552	1	(134)	19	1,438
Net opening balance	1,540	–	(134)	19	1,425
Changes in the statement of profit or loss and OCI					
Insurance revenue	(49)	–	–	–	(49)
Insurance service expenses	25	–	–	4	29
Insurance service result	(24)	–	–	4	(20)
Insurance finance expenses from insurance contracts recognised in profit and loss	127	–	–	–	127
Investment components excluded from insurance revenue and insurance service expenses	(192)	–	–	201	9
Effect of movements in exchange rates	153	–	(12)	3	144
Total changes in the statement of profit or loss and OCI	64	–	(12)	208	260
<i>Cash flows</i>					
Premiums received	247	–	–	–	247
Insurance acquisition cash flows	(32)	–	–	–	(32)
Claims and other insurance service expenses paid	(14)	–	–	(215)	(229)
Others	–	–	–	–	–
Total cash flows	201	–	–	(215)	(14)
Net closing balance	1,805	–	(146)	12	1,671
Closing contract assets	(13)	(1)	–	–	(14)
Closing insurance contract liabilities	1,818	1	(146)	12	1,685
Net closing balance	1,805	–	(146)	12	1,671

* 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 2025

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

<i>All amounts are expressed in K'millions</i>	LIABILITY FOR REMAINING COVERAGE			LIABILITY FOR INCURRED CLAIMS	TOTAL
	EXCLUDING LOSS COMPONENT	LOSS COMPONENT	POLICY LOANS*		
Opening assets	(6)	–	–	–	(6)
Opening liabilities	1,372	1	(136)	12	1,249
Net opening balance	1,366	1	(136)	12	1,243
Changes in the statement of profit or loss and OCI					
Insurance revenue	(45)	–	–	–	(45)
Insurance service expenses	20	–	–	3	23
Insurance service result	(25)	–	–	3	(22)
Insurance finance expenses from insurance contracts recognised in profit and loss	121	–	–	–	121
Investment components excluded from insurance revenue and insurance service expenses	(137)	–	–	162	25
Effect of movements in exchange rates	8	–	(2)	–	6
Total changes in the statement of profit or loss and OCI	(33)	–	(2)	165	130
<i>Cash flows</i>					
Premiums received	251	–	3	–	254
Insurance acquisition cash flows	(30)	–	–	–	(30)
Claims and other insurance service expenses paid	(14)	–	–	(158)	(172)
Others	–	–	–	–	–
Total cash flows	207	–	3	(158)	52
Net closing balance	1,540	1	(135)	19	1,425
Closing assets	(12)	–	(1)	–	(13)
Closing liabilities	1,552	1	(134)	19	1,438
Net closing balance	1,540	1	(135)	19	1,425

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

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 2025:

31 DECEMBER 2025	ESTIMATES OF PRESENT VALUE OF FUTURE CASH FLOWS	RISK ADJUSTMENT FOR NON-FINANCIAL RISK	CSM			TOTAL
			CONTRACTS UNDER FULL RETROSPECTIVE APPROACH	CONTRACTS UNDER FAIR VALUE APPROACH	OTHER CONTRACTS	
1 January 2025	1,385	11	12	23	7	1,438
Changes in the statement of profit or loss and OCI						
<i>Changes that relate to current service</i>						
CSM recognised for services provided	–	–	(1)	(3)	(1)	(5)
Change in risk adjustment for non-financial risk for risk expired	–	(2)	–	–	–	(2)
Experience adjustments	(4)	–	–	–	–	(4)
	(4)	(2)	(1)	(3)	(1)	(11)
<i>Changes that relate to future service</i>						
Contracts initially recognised in the year	(10)	3	–	–	7	–
Changes in estimates that adjust the CSM	(1)	(2)	2	5	1	5
Changes in estimates that result in losses and reversals of losses on onerous contracts	(4)	(1)	–	–	–	(5)
	(15)	–	2	5	8	–
<i>Changes that relate to past services</i>						
Adjustments to liabilities for incurred claims	5	–	–	–	–	5
Insurance service result	(14)	(2)	1	2	7	(6)
Insurance finance expenses from insurance contracts recognised in profit and loss	123	–	–	–	–	123
Investment components excluded from insurance revenue and insurance service expenses	9	–	–	–	–	9
Effect of movements in exchange rates	141	–	–	–	–	141
Total changes in the statement of profit or loss and OCI	259	(2)	1	2	7	267
Cash flows	(20)					(20)
Net balance as at 31 December	1,624	9	13	25	14	1,685

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Year Ended 31 December 2025

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

31 DECEMBER 2024	ESTIMATES OF PRESENT VALUE OF FUTURE CASH FLOWS	RISK ADJUSTMENT FOR NON- FINANCIAL RISK	CSM			TOTAL
			CONTRACTS UNDER FULL RETROSPECTIVE APPROACH	CONTRACTS UNDER FAIR VALUE APPROACH	OTHER CONTRACTS	
1 January 2024	1,196	5	15	25	8	1,249
Changes in the statement of profit or loss and OCI						
<i>Changes that relate to current service</i>						
CSM recognised for services provided	–	–	(1)	(3)	(1)	(5)
Change in risk adjustment for non-financial risk for risk expired	–	(1)	–	–	–	(1)
Experience adjustments	(5)	–	–	–	(13)	(18)
	(5)	(1)	(1)	(3)	(14)	(24)
<i>Changes that relate to future service</i>						
Contracts initially recognised in the year	(8)	1	–	–	7	–
Changes in estimates that adjust the CSM	21	6	(3)	(1)	(7)	16
Changes in estimates that result in losses and reversals of losses on onerous contracts	(15)	(1)	–	–	–	(16)
	(2)	6	(3)	(1)	–	–
<i>Changes that relate to past services</i>						
Adjustments to liabilities for incurred claims	3	–	–	–	–	3
Insurance service result	(4)	5	(4)	(4)	(14)	(21)
Insurance finance expenses from insurance contracts recognised in profit and loss	113	–	–	–	–	113
Investment components excluded from insurance revenue and insurance service expenses	24	–	–	–	(1)	23
Effect of movements in exchange rates	30	–	1	1	(2)	30
Total changes in the statement of profit or loss and OCI	163	5	(3)	(3)	(17)	145
Cash flows	29	–	–	–	15	44
Net balance as at 31 December	1,388	10	12	22	6	1,438

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 2025	6	14	7	26	53
As at 31 December 2024	4	11	6	19	40

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

All amounts are expressed in K'millions	31 DECEMBER 2025				31 DECEMBER 2024			
	EFFECT ON ASSETS	EFFECT ON LIABILITIES		PROFIT/ (LOSS)	EFFECT ON ASSETS	EFFECT ON LIABILITIES		PROFIT/ (LOSS)
		FCF	CSM			FCF	CSM	
Market Risks								
Increase in Interest Rates of 1%	(24)	(32)	12	(4)	(24)	(30)	11	(5)
Decrease in Interest Rates of 1%	27	36	(14)	5	28	36	(13)	5
Equity values increase by 10%	99	72	8	19	76	54	6	16
Equity values decrease by 10%	(99)	(72)	(8)	(19)	(76)	(54)	(6)	(16)
Foreign currency strengthens by 10bps	37	27	3	7	31	22	2	7
Foreign currency weakens by 10bps	(25)	(18)	(2)	(5)	(21)	(15)	(2)	(4)
Insurance risks								
Increase in expenses of 10%	–	2	(2)	–	–	–	–	–
Improvement in lapses by 10%	–	–	–	–	–	1	(1)	–
Worsening of lapses by 10%	–	–	–	–	–	(1)	1	–
Improvement in mortality of 10%	–	(1)	1	–	–	(5)	5	–
Worsening of mortality of 10%	–	1	(1)	–	–	5	(4)	(1)
Worsening of morbidity of 10%	–	–	–	–	–	(1)	1	–

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 Executive Management.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Year Ended 31 December 2025

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.	<ul style="list-style-type: none"> – Mortality – Morbidity – Discontinuance rates – Expenses – Market rates on underlying assets
Life insurance contracts with discretionary participating benefits (endowment and whole of life)	These policies include a clearly defined initial guaranteed sum which is payable on death. The guaranteed amount is a multiple of the amount that is increased throughout the duration of the policy by the addition of regular bonuses annually which, once added, are not removed.	Benefits arising from the discretionary participation feature are based on the performance of a specified pool of contracts or a specified type of contract.	<ul style="list-style-type: none"> – Mortality – Morbidity – Market risk – Discontinuance rates – Expenses – Market rates on underlying assets

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 Fiji Life business is K18.0m of which K15.0m is reinsured (2024: K14.2m of which K13.6m is reinsured). For BSP Life PNG, the largest single exposure is K11.2m of which K11.1m is reinsured (2024: K11.2m of which K11.1m 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

NAME OF SUBSIDIARY	PRINCIPAL ACTIVITY	PLACE OF INCORPORATION AND OPERATION		BALANCE OF INVESTMENT	
			OWNERSHIP %	2025	2024
BSP Capital Limited	Fund Management/ Investment Banking	PNG	100%	2	2
BSP Financial Group (Fiji) Pte Limited ¹	Bank	Fiji	100%	732	–
BSP Life (Fiji) Limited	Life Insurance	Fiji	100%	88	88
BSP Life (PNG) Limited	Life Insurance	PNG	100%	25	25
BSP Convertible Notes Limited ³	Capital Raising	Fiji	100%	–	–
BSP Finance Limited	Credit Institution	PNG	100%	30	98
BSP Platform Pacific Limited ³	Digital Technology	PNG	100%	–	–
Bank of South Pacific Tonga Ltd	Bank	Tonga	100%	72	72
Bank South Pacific (Samoa) Ltd	Bank	Samoa	98.7%	71	71
Bank South Pacific Vanuatu Ltd	Bank	Vanuatu	100%	38	38
At 31 December				1,058	394
Represented by:					
At 1 January				394	391
BSP Fiji branch converted to Subsidiary				732	–
BSP Finance Limited impairment ²				(68)	–
Partial conversion of debt to equity				–	3
At 31 December				1,058	394

- As part of the 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. Refer to note 37 for details of the net assets transferred.
- The Parent (BSP Financial Group Limited) also recognised impairment loss on BSP Finance Limited's investment in Joint Ventures in BSP Finance Cambodia and BSP Finance Laos which are being held for sale and the subsequent amalgamation of BSP Finance (PNG) Limited with the Parent Company.
- Investments in BSP Convertibles Notes Limited and BSP Platform Pacific Limited are below K0.5 million and therefore are rounded to zero.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Year Ended 31 December 2025

33. Investment in Joint Ventures & Associates

NAME OF ENTITY	PRINCIPAL ACTIVITY	PLACE OF INCORPORATION AND OPERATION	OWNERSHIP %	
			2025	2024
Suva Central Pte Limited	Property rental	Fiji	50%*	50%*
Richmond Pte Limited	Hotel operations	Fiji	50%*	50%*
Vatu Talei Pte Limited	Hotel operations	Fiji	50%*	–
Vale Talei Pte Limited	Hotel operations	Fiji	50%*	–
Nuku Loaloa Pte Limited	Hotel operations	Fiji	50%*	–
Astra Holdings Pte Limited ²	Hotel operations	Fiji	25%**	–
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 only.

¹ Assets held for sale. ² Associate.

<i>All amounts are expressed in K'millions</i>	CONSOLIDATED		BANK	
	2025	2024	2025	2024
Joint Ventures & Associates				
Opening balance	273	304	30	30
New investment during the year	97	3	–	–
BSP Fiji branch converted to Subsidiary	–	–	(30)	–
Translation movement	29	2	–	–
Impairment loss	–	(36)	–	–
Share of profit/(loss) for the year	38	14	–	–
Asset held for sale	–	(14)	–	–
Net investment in Joint Ventures & Associates	437	273	–	30
Summarised financial information of Joint Ventures & Associates:				
Total assets	779	656	–	95
Total liabilities ¹	(346)	(335)	–	(41)
Net assets	433	321	–	54
Share of profit/(loss) for the year	61	54	–	–
Group fair value alignment	(23)	(40)	–	–
Share of profit in Group	38	14	–	–

¹ Includes BSP Finance Cambodia Plc loan balance of K139m (2024: K160m) and BSP Finance Laos loan balance of K39m (2024: 37m) owing to the parent company.

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 2025, balances and transactions of accounts for Directors, including companies in which directorships were held by BSP directors, were as follows:

<i>All amounts are expressed in K'millions</i>	2025	2024
Customer Deposits		
Opening balances	164	83
Net movement	183	81
Closing balance	347	164
Loans and receivables from customers		
Opening balances	888	895
Loans issued	-	800
Interest	91	51
Loan repayments	(53)	(858)
Directorship of related company	(778)	-
Closing balance	148	888

Apart from the above, the Bank had interbank placements of K608 million from subsidiaries. Interest paid for these placements were K19 million.

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 2025, staff account balances were as follows:

<i>All amounts are expressed in K'millions</i>	2025	2024
Housing loans	206	192
Other loans	71	64
	277	256
Cheque accounts	12	14
Savings accounts	10	6
	22	20

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Year Ended 31 December 2025

36. Directors and Executive Remuneration**Directors' remuneration**

Directors of the company received remuneration including benefits during 2025 as detailed below:

All amounts are expressed in Kina NAME OF DIRECTOR	MEETINGS ATTENDED/ TOTAL HELD	APPOINTED/ (RESIGNED)	TOTAL REMUNERATION			
			2025 BANK	2025 SUBSIDIARIES	2025 TOTAL	2024 TOTAL
M.T. Robinson ¹	7/7		-	-	-	-
R.G. Bradshaw	7/7		1,037,133	-	1,037,133	942,946
S.G. Brewis-Weston	7/7		558,984	-	558,984	524,030
Dr. M. Lua'iufi	1/7	(Feb 2025)	133,808	30,000	163,808	630,905
S.A. Davis	1/7	(Feb 2025)	140,683	-	140,683	537,155
P. Kevin	7/7		526,484	-	526,484	507,155
F.D. Bouraga	7/7		601,728	-	601,728	521,530
P.F. Taureka-Seruvatu	7/7		581,171	-	581,171	517,780
I.A. Tarutia	7/7		581,171	-	581,171	524,030
S.C. Beach	7/7		533,359	-	533,359	399,261
D.S. Hornery	6/7	Feb 2025	396,113	-	396,113	-
D. Cooper	6/7	Feb 2025	421,738	-	421,738	-
A. Sam	-	(Feb 2024)	-	-	-	127,894
			5,512,372	30,000	5,542,372	5,232,686
Shareholder Approved Cap					6,000,000	6,000,000

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 during the year ended 31 December 2025 were:

Mark Robinson	Ronesh Dayal	Daniel Faunt	Glen Skarott
Nuni Kulu	Maryann Lameko-Vaai	Benjamin Wavell-Smith	Mike Hallinan (resigned May 2025)

Remuneration for the executive has been amended to include the current Key management personnel only.

YEAR	SALARY	SHORT TERM INCENTIVE	VALUE OF BENEFITS	LONG TERM INCENTIVE	TOTAL
2025 remuneration	13,365	6,923	1,285	14,037	35,610
2024 remuneration	11,195	6,349	1,121	5,065	23,730

Detailed remuneration disclosures by Key Management Personnel (KMP) are provided in the Remuneration Report on pages 48 to 55.

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	2025 NO.	2024 NO.	REMUNERATION K'000	2025 NO.	2024 NO.	REMUNERATION K'000	2025 NO.	2024 NO.
100 – 110	96	183	630 – 640	4	2	1180 – 1190	1	-
110 – 120	106	135	640 – 650	2	2	1200 – 1210	-	1
120 – 130	78	101	650 – 660	1	-	1210 – 1220	1	-
130 – 140	82	71	660 – 670	2	-	1230 – 1240	2	-
140 – 150	62	70	670 – 680	2	-	1250 – 1260	1	-
150 – 160	61	51	680 – 690	1	4	1260 – 1270	1	1
160 – 170	67	44	690 – 700	2	-	1270 – 1280	2	-
170 – 180	51	27	700 – 710	2	-	1280 – 1290	1	-
180 – 190	39	30	710 – 720	-	1	1300 – 1310	1	-
190 – 200	29	18	720 – 730	2	1	1340 – 1350	-	1
200 – 210	39	24	730 – 740	2	2	1370 – 1380	1	-
210 – 220	23	17	740 – 750	1	-	1380 – 1390	1	1
220 – 230	19	19	750 – 760	1	1	1430 – 1440	2	-
230 – 240	16	13	760 – 770	4	1	1440 – 1450	1	-
240 – 250	14	18	770 – 780	3	1	1450 – 1460	1	-
250 – 260	14	11	780 – 790	1	1	1460 – 1470	1	-
260 – 270	12	9	790 – 800	1	1	1480 – 1490	2	-
270 – 280	13	5	800 – 810	1	2	1490 – 1500	1	-
280 – 290	12	5	810 – 820	1	1	1510 – 1520	1	-
290 – 300	6	5	820 – 830	1	-	1520 – 1530	1	-
300 – 310	9	3	830 – 840	2	1	1550 – 1560	1	-
310 – 320	4	8	840 – 850	2	1	1570 – 1580	1	-
320 – 330	6	8	850 – 860	1	-	1680 – 1690	-	1
330 – 340	7	10	860 – 870	1	1	1700 – 1710	1	-
340 – 350	2	5	870 – 880	1	-	1710 – 1720	2	-
350 – 360	2	4	880 – 890	1	-	1720 – 1730	1	-
360 – 370	5	5	890 – 900	2	-	1780 – 1790	-	1
370 – 380	1	12	900 – 910	1	2	1790 – 1800	1	1
380 – 390	6	8	910 – 920	1	2	1850 – 1860	1	-
390 – 400	3	4	920 – 930	2	-	1920 – 1930	1	-
400 – 410	5	7	930 – 940	-	2	1980 – 1990	-	1
410 – 420	10	7	940 – 950	-	1	1990 – 2000	-	1
420 – 430	1	5	950 – 960	1	2	2060 – 2070	-	1
430 – 440	3	3	960 – 970	1	-	2080 – 2090	-	1
440 – 450	8	5	980 – 990	1	-	2090 – 2100	1	-
450 – 460	4	6	990 – 1000	-	1	2120 – 2130	1	-
460 – 470	8	9	1000 – 1010	1	2	2200 – 2210	1	-
470 – 480	4	5	1010 – 1020	1	1	2240 – 2250	2	-
480 – 490	1	4	1020 – 1030	3	1	2370 – 2380	1	-
490 – 500	5	2	1030 – 1040	1	1	2410 – 2420	-	2
500 – 510	2	3	1040 – 1050	1	-	2420 – 2430	1	-
510 – 520	5	2	1050 – 1060	1	-	2460 – 2470	1	-
520 – 530	3	2	1060 – 1070	-	1	2480 – 2490	-	1
530 – 540	4	2	1070 – 1080	-	1	2490 – 2500	-	1
540 – 550	1	1	1080 – 1090	1	-	2610 – 2620	-	1
550 – 560	1	2	1090 – 1100	-	3	2760 – 2770	1	-
560 – 570	3	2	1100 – 1110	-	-	2790 – 2800	1	-
570 – 580	3	1	1120 – 1130	-	1	2890 – 2900	1	-
580 – 590	-	5	1130 – 1140	1	2	3000 – 3010	1	-
590 – 600	4	3	1140 – 1150	3	1	7120 – 7130	-	1
600 – 610	4	3	1150 – 1160	1	-	8080 – 8090	1	-
610 – 620	4	2	1160 – 1170	1	3			
620 – 630	2	1	1170 – 1180	1	-			
							1,080	1,072

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Year Ended 31 December 2025

37. Discontinued operations disclosure in parent entity

As part of BSP Financial Group's strategic initiative to strengthen operational structure 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 was undertaken to enhance operational efficiency, meet local regulatory requirements, and align with global trends in corporate structuring.

The conversion involved the transfer of all assets, liabilities, and operations of the Fiji branch to the newly incorporated subsidiary. The transaction was accounted for as a reorganisation within the Group.

Financial Impact

The following net assets transferred to the Subsidiary which includes goodwill of K18 million. The foreign currency translation reserve at 1 January 2025 of K82 million attributable to the Fiji Branch was derecognised and recognised in the Statement of Income and Expenditure of the parent entity. The conversion also resulted in a tax benefit of K28 million recognised at the Group level. Other than the tax benefit, the conversion has no material impact on the Group's assets, liabilities, equity and profit and loss account as these are eliminated on consolidation.

All amounts are expressed in K'millions

ASSETS	2024
Loans and advances	4,519
Property, plant, and equipment	38
Cash and cash equivalents	1,344
Cash reserve requirement with Central Bank	562
Amounts due to other banks	139
Other assets	143
Total assets	6,745
Deposits	5,460
Amounts due to other banks	231
Other liabilities	322
Equity and retained earnings	732
Total equity and liabilities	6,745

Financial performance and cash flow information

The financial performance and cash flow information presented below are for the year ended 31 December 2024.

FINANCIAL PERFORMANCE	2024
Revenue	356
Expenses	(97)
Profit before income tax	259
Income tax	(63)
Net profit after income tax	196
Exchange difference on translation of discontinued operations	8
Total comprehensive income attributable to parent	204

CASH FLOW INFORMATION	2024
Net cashflow from operating activities	465
Net cashflow from investing activities	(12)
Net cashflow from financing activities	(133)
Net increase in cash generated by the discontinued operations	320

38. Assets held for sale

At 31 December 2025, the Group continues to classify 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 of K16m (2024: K14m) has been measured at the lower of its carrying amount and fair value less costs to sell.

39. Remuneration of Auditor

<i>All amounts are expressed in K'millions</i>	CONSOLIDATED		BANK	
	2025	2024	2025	2024
Financial statement audits	5	5	4	4
Other services	1	1	1	1
	6	6	5	5

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.

40. Events occurring after Balance Sheet Date

There are no adjusting or disclosing events after the end of the reporting period.

INDEPENDENT AUDITOR'S REPORT

To the shareholders of BSP Financial Group Limited

**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 2025, and the statements of comprehensive income, statements of changes in shareholders' equity and statements of cash flows for the year then ended, and the notes to the financial statements, including material accounting policy information for both the Bank and Group. The Group comprises the Bank and the entities it controlled at 31 December 2025 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 2025, 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Bank and Group in accordance with the *International Code of Ethics for Professional Accountants (including International Independence Standards)* issued by the International Ethics Standards Board for Accountants' (IESBA Code) as applicable to the audits of financial statements of public interest entities in Papua New Guinea. We have also fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Our audit approach

An audit is designed to provide reasonable assurance about whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the management structure of the Bank and the Group, their accounting processes and controls and the industries in which they operate.

www.pwc.com/pg

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Audit scope

Our audit focused on where the directors made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.

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.

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 period. The key audit matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be key matters to be communicated in our report. Further, commentary on the outcomes of the particular audit procedures is made in that context.

Key audit matter	How our audit addressed the key matter
<p><i>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</i></p> <p>Due to the magnitude of the loans and advances balances and the extent of management judgement inherent in the impairment calculations, impairment of loans and advances is an area of significance in the current year audit of the Bank and its subsidiaries.</p> <p>IFRS 9 <i>Financial Instruments</i> (IFRS 9) is a complex accounting standard which has required considerable judgement and interpretation in its application. Areas of judgement included:</p> <ul style="list-style-type: none"> • The determination of the impairment in applying IFRS 9, which is reflected in the allowance for losses on loans, advances and other receivables • The identification of exposure for which there has been a significant increase in credit risk • Assumptions used in the expected credit loss model such as valuation of collateral and assumptions made on future values, financial condition of counterparties and forward looking macroeconomic factors. 	<p>To assess the Group's loan loss provisioning, we performed the following audit procedures on a sample basis, amongst others:</p> <ul style="list-style-type: none"> • Obtained an understanding of the processes and controls relevant to the credit origination and credit monitoring processes • Assessment of the reasonableness of the key outputs of the expected credit loss model, as well as key judgements and assumptions used by management • 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.

INDEPENDENT AUDITOR'S REPORT CONTINUED

To the shareholders of BSP Financial Group Limited

***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.

Other information

The directors are responsible for the annual report which includes other information. Our opinion on the financial statements does not cover the other information included in the annual report and we do not express any form of assurance conclusion on the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information 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.

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 the financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

INDEPENDENT AUDITOR'S REPORT CONTINUED

To the shareholders of BSP Financial Group Limited



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 2025:

- 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.

A handwritten signature in blue ink that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in blue ink that reads 'Jonathan Grasso'.

Jonathan Grasso
Partner
Registered under the Accountants Act 1996

Port Moresby
19 February 2026



OVERVIEW

PERFORMANCE

SUSTAINABILITY

RISK MANAGEMENT

GOVERNANCE

REMUNERATION

FINANCIAL STATEMENTS

SHAREHOLDER INFORMATION

SHAREHOLDER INFORMATION

Key Shareholder *Disclosures*

Our fiduciary duty includes transparent disclosures on the composition and rights of shareholders.

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 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 2025, the twenty largest fully paid shareholders of the Company were:

Rank	Shareholder	Total Holding	%
1	Kumul Consolidated Holdings	84,811,597	18.15%
2	Fiji National Provident Fund	55,427,646	11.86%
3	Petroleum Resources Kutubu Limited	49,233,230	10.54%
4	Nambawan Super Limited	47,702,160	10.21%
5	National Superannuation Fund Limited	45,318,417	9.70%
6	Credit Corporation (PNG) Limited	26,294,081	5.63%
7	Motor Vehicles Insurance Limited	15,621,868	3.34%
8	The Catholic Bishops Conference Inc.	12,607,715	2.70%
9	Comrade Trustee Services Limited	12,456,052	2.67%
10	Capital Nominees Limited	7,295,800	1.56%
11	Gas Resources Gigira Limited	4,592,417	0.98%
12	Samoa National Provident Fund	4,451,940	0.95%
13	Picube Holdings Limited	4,153,850	0.89%
14	Unit Trust of Samoa	4,041,871	0.87%
15	Mineral Resources Ok Tedi No. 2 Limited	3,936,359	0.84%
16	Lamin Trust Fund	3,653,700	0.78%
17	Mineral Resources Star Mountains Ltd	3,068,283	0.66%
18	Sky Finance Limited	3,068,090	0.66%
19	Solomon Islands National Provident Fund	2,500,001	0.54%
20	HSBC Custody Nominees (Australia) Limited	2,440,644	0.52%
	Other Shareholders	74,544,258	15.95%
	Total	467,219,979	

Distribution of Shareholding

As at 31 December 2025, the Company had 6,674 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	5,287	79.22%	1,398,781	0.30%
1,001 to 5,000	831	12.45%	1,810,240	0.39%
5,001 to 10,000	150	2.25%	1,104,078	0.24%
10,001 to 100,000	255	3.82%	9,741,274	2.08%
100,001 and over	151	2.26%	453,165,606	96.99%
Total	6,674		467,219,979	

Unmarketable Parcels

As at 31 December 2025, the BSP Share Price was K24.55 on the PNGX and A\$8.25 on the ASX:

- There were 175 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; and
- There were 235 shareholders (less than 0.01% of issued securities) who held less than a marketable parcel of BSP shares, being equal to A\$500, or less in market value.

Escrow Shares

As at 31 December 2025, there were 89,425,061 restricted BSP shares held by PNG Registries Limited in Escrow.

Shareholder Name	Security Type	Escrow Shares as at 31 Dec 25	Effective Date
Kumul Consolidated Holdings	Fully Paid Ordinary Shares	22,774,327	6/4/2018
Kumul Consolidated Holdings	Fully Paid Ordinary Shares	20,496,894	6/4/2018
Petroleum Resources Kutubu Limited	Fully Paid Ordinary Shares	46,153,840	18/11/2016
Total Escrow Shares		89,425,061	

There were no releases of escrow shares in 2025.

Directors' Interest in BSP Shares

As at 31 December 2025, the Directors who own shares in the Company are:

Director	Total	Percentage of Issued Capital
Mark Robinson	25,394	0.01%
Robert Bradshaw	4,350	0.00%
Donna Cooper	3,343	0.00%
Ian Tarutia	3,044	0.00%
Patricia Taureka-Seruvatu	1,500	0.00%
Symon Brewis-Weston	1,430	0.00%
Stephen Beach	1,200	0.00%
Priscilla Kevin	300	0.00%

SHAREHOLDER INFORMATION CONTINUED

Directors' Interests Register

Directors' interests as at 31 December 2025 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/ Chairman	BSP Financial Group Fiji Pte. Limited	November 2024
		Oxbury New Zealand Limited	May 2025
Non-Executive Director/ Shareholder	Solvar Limited	November 2018	
Donna Cooper	Non-Executive Director	BSP Financial Group Limited	February 2025
		Sky City Entertainment Limited	June 2023
	Founder/Director	Green Sheep Consultancy Limited	June 2023
	Trustee	New Zealand Trust	October 2025
	Non-Executive Director/ Chairman	Southern Cross Pet Insurance (NZ)	November 2025
David Hornery	Non-Executive Director	BSP Financial Group	February 2025
	Shareholder	Blu Energy	September 2017
		Judo Capital Holdings	January 2022
SGE Pty Ltd		June 2008	
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	

Director	Designation	Name of Organisation	Date of Interest
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
	Auditor	PNGX Group	February 2025
	Principal	BAA Consulting Australia Pty Ltd	November 2023
	Member	Certified Practising 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	PNG NRL	July 2025
		Immigration & Citizenship Advisory Board Panamax Pacific (PNG) Limited	January 2021 November 2024
Consultant	PNG Sovereign Wealth Fund	October 2025	
Life Member	Association of Superannuation Funds of PNG	January 2019	

LISTINGS AND REGISTRY INFORMATION

Essential Company 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
Port Moresby, NCD
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
Level 4, Cuthbertson House
Cuthbertson Street
Port Moresby, NCD
Papua New Guinea

PO Box 1265
Port Moresby, NCD
Papua New Guinea

Telephone
+675 321 6377

Website
www.mpms.mufg.com

Australian Registered Office

Ashurst
South Tower
Level 16, 80 Collins Street
Melbourne, Victoria 3000
Australia

Telephone
+61 3 9679 3000 (overseas)

Australian Exchange for BSP Shares

ASX Limited
Exchange Centre
20 Bridge Street
Sydney, NSW 2000
Australia

Telephone
+61 2 8298 8260 (overseas)

Australian Share Registry

MUFG Corporate Markets (AU) Limited
Level 41, Liberty Place
161 Castlereagh Street
Sydney NSW 2000
Australia

Telephone
+61 1300 554 474 (overseas)

Exchange & Registry for BSP Convertible Notes

South Pacific Stock Exchange
& Central Share Registry
Shop 1 & 11, Sabrina Building
Victoria Parade, Suva
Fiji

GPO Box 11689
Suva, Fiji

Telephone
+679 330 4130





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