BSP Financial Group Limited

ARBN 649 704 656

Interim Condensed Financial Statements

Half Year – 30 June 2026

Contents of the Interim Condensed Financial Statements

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.

DIRECTORS' REPORT

The Directors of BSP Financial Group Limited ("the Bank" or "BSP") present the financial report on the consolidated entity consisting of the Bank and its controlled entities (collectively referred to as "the Group") for the half year ended 30 June 2026.

Directors and officers

The following were directors of the BSP Financial Group Limited during or since the end of the half year are:

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 (resigned 25 March 2026)	Mr Michael Makap (Appointed 8 April 2026)
Mr Ian A. Tarutia	Mrs Patricia F. Taureka-Seruvatu	Mr David S. Hornery	

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 half year ended 30 June 2026, the Group's profit after tax was K620 million (2025: K572 million).

In the Directors' opinion, the attached interim condensed financial statements and notes thereto are in accordance with the Listing Rules of both the PNGX and ASX, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Group.

Date and signed at Port Moresby this 20th day of August 2026.

Robert G Bradshaw	Mark T Robinson
Chairman	Group Chief Executive Officer and Managing Director

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

for the Half Year Ended 30 June 2026

All amounts are expressed in K'millions	NOTE	CONSOLIDATED HALF YEAR ENDED 30 JUNE 2026	2025
Interest income	3	1,242	1,080
Interest expense	3	(68)	(63)
Net interest income		**1,174**	**1,017**
Net fee and commission income	4	236	212
Other income	4	445	345
Net insurance operating income		30	28
Net operating income before impairment and operating expenses		**1,885**	**1,602**
Impairment of financial assets	6	(75)	(67)
Operating expenses	5	(825)	(681)
Profit before income tax		**985**	**854**
Income tax expense	7	(365)	(282)
Net profit for the period attributable to parent		**620**	**572**
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss:			
Translation of financial information of foreign operations to presentation currency	17	74	134
Items that will not be reclassified to profit or loss:			
Recognition of deferred tax on asset revaluation reserve movement	17	4	–
Net movement in asset revaluation reserve	17	(2)	(8)
Other comprehensive income, net of tax		**76**	**126**
Total comprehensive income for the period		**696**	**698**
Earnings per share – basic and diluted (toea)	8	**132.8**	**122.5**

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

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
As at 30 June 2026

All amounts are expressed in K'millions	NOTE	CONSOLIDATED As at 30 June 2026	CONSOLIDATED As at 31 December 2025
ASSETS			
Cash and operating balances with Central Banks		3,399	4,126
Amounts due from other banks		2,127	2,103
Treasury and Central Bank Bills		6,098	5,260
Cash Reserve Requirement with Central Banks		3,146	2,991
Other financial assets		8,426	7,667
Loans and receivables from customers	10	18,478	17,502
Assets held for sale	18	18	16
Property, plant and equipment		1,231	1,136
Aircraft subject to operating lease		26	28
Deferred tax assets		266	281
Other assets		1,986	1,874
Total assets		**45,201**	**42,984**
LIABILITIES			
Amounts due to other banks		236	214
Customer deposits		36,163	34,155
Insurance contract liabilities		1,774	1,685
Other liabilities		1,706	1,657
Deferred tax liabilities		71	69
Total liabilities		**39,950**	**37,780**
SHAREHOLDERS' EQUITY			
Ordinary shares	16	372	372
Retained earnings	17	4,060	4,089
Other reserves	17	785	709
Equity attributable to the members of the company		**5,217**	**5,170**
Minority interests		34	34
Total shareholders' equity		**5,251**	**5,204**
Total equity and liabilities		**45,201**	**42,984**

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

INTERIM CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
for the Half Year Ended 30 June 2026

All amounts are expressed in K'millions	NOTE	SHARE CAPITAL	RESERVES	RETAINED EARNINGS	MINORITY INTERESTS	TOTAL
GROUP						
Balance at 1 January 2026		**372**	**709**	**4,089**	**34**	**5,204**
Net profit		–	–	620	–	620
Other comprehensive income		–	76	–	–	76
Total comprehensive income		**–**	**76**	**620**	**–**	**696**
Dividends paid during the period	17	–	–	(649)	–	(649)
Total transactions with owners		**–**	**–**	**(649)**	**–**	**(649)**
Balance at 30 June 2026		**372**	**785**	**4,060**	**34**	**5,251**
Balance at 1 January 2025		**372**	**514**	**3,732**	**35**	**4,653**
Net profit		–	–	572	–	572
Other comprehensive income		–	126	–	–	126
Total comprehensive income		**–**	**126**	**572**	**–**	**698**
Dividends paid during the period	17	–	–	(570)	–	(570)
Total transactions with owners		**–**	**–**	**(570)**	**–**	**(570)**
Balance at 30 June 2025		**372**	**640**	**3,734**	**35**	**4,781**

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

INTERIM CONDENSED STATEMENT OF CASH FLOWS

for the Half Year Ended 30 June 2026

All amounts are expressed in K'millions	NOTE	CONSOLIDATED HALF YEAR ENDED 30 JUNE 2026	2025
CASH FLOW FROM OPERATING ACTIVITIES			
Interest received		1,160	1,165
Fees and other income		682	502
Interest paid		(61)	(58)
Insurance premiums received		167	153
Claims, surrenders and maturity payments		(111)	(109)
Amounts paid to suppliers and employees		(867)	(599)
Operating cash flow before changes in operating assets and liabilities		**970**	**1,054**
Net (increase)/decrease in:			
Loans and receivables from customers		(779)	(298)
Cash Reserve Requirements with the Central Banks		(128)	250
Bills receivable and other assets		(153)	(150)
Net increase/(decrease) in:			
Customer deposits		1,653	905
Bills payable and other liabilities		176	(14)
Net cash flow from operations before income tax		**1,739**	**1,747**
Income taxes paid		(292)	(268)
Net cash flow from operating activities		**1,447**	**1,479**
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds from government securities		16,689	4,444
Purchases of government securities		(18,111)	(5,433)
Expenditure on property, plant and equipment		(129)	(31)
Expenditure on software development costs		(13)	(36)
Proceeds from disposal of assets		1	–
Investment in joint ventures, associates & equity investments		(112)	–
Proceeds from disposal of Joint Venture		19	–
Net cash flow used in investing activities		**(1,656)**	**(1,056)**
CASH FLOW FROM FINANCING ACTIVITIES			
Dividends paid	17	(649)	(570)
Sale of minority interest in subsidiary		–	–
Net cash flow used in financing activities		**(649)**	**(570)**
Net decrease in cash and cash equivalents		**(858)**	**(147)**
Exchange rate movements on cash and cash equivalents		152	314
Subsidiary cash balance transferred to Asset Held for Sale		(19)	–
Cash and cash equivalents at the beginning of the period		6,015	4,976
Cash and Cash Equivalents at the end of the period	9	**5,290**	**5,143**

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

1. Financial Statements Preparation

The interim condensed financial statements are prepared in accordance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The interim condensed financial statements do not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report.

A. Basis of Presentation and Material Accounting Policies

The interim condensed financial statements are denominated in Papua New Guinea Kina, which is the Bank's functional and reporting currency. All financial information presented in Papua New Guinea Kina has been rounded to the nearest million Kina, unless otherwise stated.

The interim condensed financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets.

The accounting policies and methods of computations adopted in preparation of the half year financial report are consistent with those adopted and disclosed in the Group's 2025 financial report for the financial year ended 31 December 2025. Where the presentation of financial information has changed, comparative information has been changed to ensure consistency.

Standards, amendments and interpretations effective in the 2026 interim financial report

The following standards, amendments and interpretations to existing standards became applicable for the first time during the accounting period ended 30 June 2026.

- **Amendments to IFRS 9 and IFRS 7 – Amendments to the Classification and Measurement of Financial Instruments**

  The 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).
  - Make updates to the disclosures for equity instruments designated at fair value through other comprehensive income (FVOCI).
- **Annual improvements - Volume 11**

  These amendments are part of the Annual Improvements to IFRS Accounting Standards. 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 IFRS Accounting Standards. The 2024 list of amended IFRS Accounting Standards and accompanying guidance include the following:

  - 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'.

These amendments do not have a material impact on the Group's interim financial statements.

Standards, amendments and interpretations issued but not yet effective for the half year ended 30 June 2026

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 2027 or later periods, but the entity has not early adopted them:

- **IFRS 18, 'Presentation and Disclosure in Financial Statements' (effective on or after 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.

- **IFRS 20, 'Regulatory Assets and Regulatory Liabilities' (effective on or after 1 January 2029)**

  This is a new Accounting Standard for entities subject to a specific type of rate regulation. It aims to help investors to better understand how that rate regulation affects an entity's financial performance, financial position and its prospects for future cash flows.

The Group continues to assess the impact of adopting Standards, amendments and interpretations issued but not yet effective for the year ended 31 December 2026.

New IFRS sustainability disclosure standards

- 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 30 June 2026, 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 Interim Condensed Statement of Comprehensive Income.

All intercompany transactions and balances are eliminated.

C. Foreign currency

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

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

Foreign operations

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

D. Critical accounting estimates and judgments

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

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

- The areas involving significant estimates and judgments are:
- Estimation of current tax liability in the multiple tax jurisdictions – note 7;
- Estimated impairment of financial or non-financial assets – note 6;
- Estimated insurance liability; and
- Estimation of fair value of financial and non-financial assets and liabilities – note 13.

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 10, which also sets out key sensitivities of the ECL to changes in these elements.

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

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

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 *All amounts are expressed in K'millions*	PNG BANK	PACIFIC MARKETS	NON-BANK ENTITIES	ADJUST INTER SEGMENTS	TOTAL
Analysis by segments					
Half Year ended 30 June 2026					
Net interest income	937	235	1	1	1,174
Net fee, commission and other income	317	74	13	(152)	252
Foreign exchange related income	326	103	–	–	429
Net insurance income	–	–	29	1	30
Total operating income	**1,580**	**412**	**43**	**(150)**	**1,885**
Operating expenses	(665)	(159)	(1)	–	(825)
Impairment expenses	(45)	(31)	1	–	(75)
Profit before income tax	**870**	**222**	**43**	**(150)**	**985**
Income tax	(304)	(56)	(5)	–	(365)
Net profit after income tax	**566**	**166**	**38**	**(150)**	**620**
Assets	30,247	14,939	2,641	(2,626)	45,201
Liabilities	(26,280)	(13,120)	(1,974)	1,424	(39,950)
Net assets	**3,967**	**1,819**	**667**	**(1,202)**	**5,251**

Half Year ended 30 June 2025	PNG BANK	PACIFIC MARKETS	NON-BANK ENTITIES	ADJUST INTER SEGMENTS	TOTAL
Net interest income	811	200	4	2	1,017
Net fee, commission and other income	370	71	9	(213)	237
Foreign exchange related income	237	83	–	–	320
Net insurance income	–	–	28	–	28
Total operating income	**1,418**	**354**	**41**	**(211)**	**1,602**
Operating expenses	(539)	(138)	(2)	(2)	(681)
Impairment expenses	(59)	(9)	1	–	(67)
Profit before income tax	**820**	**207**	**40**	**(213)**	**854**
Income tax	(225)	(52)	(5)	–	(282)
Net profit after income tax	**595**	**155**	**35**	**(213)**	**572**
Assets	25,671	12,990	2,345	(2,090)	38,916
Liabilities	(22,540)	(11,389)	(1,738)	1,532	(34,135)
Net assets	**3,131**	**1,601**	**607**	**(558)**	**4,781**

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	
All amounts are expressed in K'millions	June 2026	June 2025
Interest income		
Loans and receivables from customers[1]	773	699
Other financial assets – inscribed stock	269	254
Treasury bills	157	91
Central Bank bills	15	2
Cash and balances with Central Banks	22	27
Other	6	7
Total interest income	**1,242**	**1,080**
Less: Interest expense		
Customer deposits	62	58
Other banks	3	4
Other interest expense	3	1
Total interest expense	**68**	**63**
Net interest income	**1,174**	**1,017**

1. Group interest income includes K11 million recognised on impaired loans (Stage 3) to customers, June 2025: K14 million. The Group takes up required provisions on such interest income.

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	
All amounts are expressed in K'millions	June 2026	June 2025
Net fee and commission income		
Electronic banking related fee income	160	139
Electronic banking related fee expense	(69)	(54)
Net electronic banking related fee income	**91**	**85**
Trade and international related	9	12
Product related	97	80
Other	39	35
	236	**212**
Other income		
Foreign exchange related[1]	429	320
Operating lease rentals	2	2
Other	14	23
	445	**345**

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

5. Operating Expenses

Accounting Policy

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

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

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

Computing expenses are recognised as incurred, unless they qualify for capitalisation as computer software due to the expenditure generating probable future economic benefits. If capitalised, computer software is subsequently amortised over its estimated useful life. 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	
All amounts are expressed in K'millions	June 2026	June 2025
Administration	134	135
Computing	152	101
Depreciation	42	40
Amortisation of software costs	30	25
Non-executive directors' costs	4	4
Non-lending losses	12	8
Premises and equipment	74	60
	448	**373**
Staff costs		
Wages and salaries	294	245
Defined contribution plans	14	12
Statutory leave entitlements	13	10
Other staff benefits	56	41
	377	**308**
	825	**681**

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.

Expected credit loss 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 10 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	
All amounts are expressed in K'millions	June 2026	June 2025
Loans and receivables from customers	66	62
Treasury and Central Bank Bills	5	4
Other financial assets	4	1
Impairment expense/(release)	**75**	**67**

7. Income Tax

Accounting Policy

Current Tax

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

Deferred tax

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them is realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

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

Current and deferred tax for the period

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

Critical accounting assumptions and estimates

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

	CONSOLIDATED	
All amounts are expressed in K'millions	June 2026	June 2025
Income tax expense		
Tax calculated at 41% (2025:43%) of Bank profit before tax	369	330
Tax calculated at respective subsidiary tax rates	56	53
Tax impact on change in corporate structure	–	(35)
Expenses not deductible for tax	9	(5)
Tax loss not recognised	6	1
Income not recognised for tax purposes	(78)	(64)
Adjustment to prior year estimates	–	2
Impact of PNG tax rate change[1]	3	–
Income tax expense	**365**	**282**

1. In the 2024 financial year, the 2025 PNG National Budget and subsequent legislation passed before the year ended 2024 introduced a gradual reduction in the Corporate Income Tax rate for commercial banks as outlined below:
    1. Taxable income below K300 million: Tax rate reduces from 45% to 40% in 2025, and 35% in 2026.
    2. 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.

8. Earnings per Ordinary Share

Accounting Policy

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

	CONSOLIDATED	
All amounts are expressed in K'millions	June 2026	June 2025
Net profit attributable to parent equity interest (K'millions)	620	572
Weighted average number of ordinary shares in use (millions)	467	467
Basic and diluted earnings per share (expressed in toea)	132.8	122.5

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. Notes to interim condensed statement of cash flows

For the purposes of the cash flow statement, cash and cash equivalents comprise the following balances with less than 90 days maturity.

	CONSOLIDATED	
All amounts are expressed in K'millions	June 2026	June 2025
Cash and balances with Central Banks	3,399	3,125
Amounts due from other banks[1]	2,127	2,233
Amounts due to other banks	(236)	(215)
	5,290	**5,143**

1. Amounts due from other banks include deposits of K158 million (June 2025: K142 million) held with counter-party banks that are not available for use by the Group.

10. Loans and Receivables from Customers

Accounting Policy

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

	CONSOLIDATED	
All amounts are expressed in K'millions	June 2026	December 2025
Overdrafts	1,427	1,376
Lease financing	284	248
Term loans	13,304	12,598
Mortgages	4,089	3,882
Gross loans and receivables from customers net of unearned interest	**19,104**	**18,104**
Less allowance for losses on loans and receivables from customers	(626)	(602)
At 30 June/31 December	**18,478**	**17,502**

Allowance for losses includes K108 million (December 2025: K106 million) provision taken up for interest recognised on stage 3 loans.

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.

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.

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

Forward looking macroeconomic information

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

The macroeconomic scenarios are weighted based on the Group's best estimate of the relative likelihood of each scenario. The weighting applied to each of the three macroeconomic scenarios 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.

Loss Allowance – Loans and receivables from customers

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	
All amounts are expressed in K'millions	**June 2026**	**December 2025**
Provision for impairment		
Movement in allowance for losses on loans and receivables from customers:		
Balance at 1 January	602	562
Net new and increased provisioning/(release of provisions)	52	70
Loans written off against provisions/(Write back of provisions no longer required)	(28)	(30)
At 30 June / 31 December	**626**	**602**
Provision for impairment is represented by:		
Collective provision for on balance sheet exposure	287	257
Individually assessed or specific provision	289	292
Total provisions for on balance sheet exposure	576	549
Collective provision for off balance sheet exposure	50	53
At 30 June / 31 December	**626**	**602**

All amounts are expressed in K'millions	**June 2026**	**June 2025**
Loan impairment expense		
Net collective provision funding	25	13
Net new and increased individually assessed provisioning	27	24
Total new and increased provisioning/(release of provisions)	**52**	**37**
Recoveries	(66)	(45)
Net write off	80	70
At 30 June	**66**	**62**

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 2025	**15,839**	**366**	**627**	**16,832**
Transfers to/(from)				
Stage 1	(304)	259	45	–
Stage 2	106	(130)	24	–
Stage 3	–	1	(1)	–
Net financial assets originated	880	(36)	(84)	760
Total movement in EAD during the period	**682**	**94**	**(16)**	**760**
30 June 2025	**16,521**	**460**	**611**	**17,592**
ECL – Loans and receivables from customers				
1 January 2025	**212**	**18**	**290**	**520**
Transfers to/(from)				
Stage 1	(5)	4	1	–
Stage 2	8	(9)	1	–
Stage 3	–	–	–	–
Net financial assets originated	(8)	10	14	16
Transfers between stages	–	–	–	–
Movements due to risk parameter and other changes	(6)	23	2	19
Total net P&L charge/(release) during the period	**(11)**	**28**	**18**	**35**
Loans written off against provision/(write back of provision no longer required)	–	–	(10)	(10)
30 June 2025	**201**	**46**	**298**	**545**
EAD – Loans and receivables from customers				
1 July 2025	**16,521**	**460**	**611**	**17,592**
Transfers to/(from)				
Stage 1	12	(70)	58	–
Stage 2	(10)	2	8	–
Stage 3	–	–	–	–
Net financial assets originated	601	–	(89)	512
Total movement in EAD during the period	**603**	**(68)**	**(23)**	**512**
31 December 2025	**17,124**	**392**	**588**	**18,104**
ECL – Loans and receivables from customers				
1 July 2025	**201**	**46**	**298**	**545**
Transfers to/(from)				
Stage 1	2	(2)	–	–
Stage 2	(1)	–	1	–
Stage 3	–	–	–	–
Net financial assets originated	46	(10)	(22)	14
Transfers between stages	–	–	–	–
Movements due to risk parameter and other changes	(32)	7	35	10
Total net P&L charge/(release) during the period	**15**	**(5)**	**14**	**24**
Loans written off against provision/(write back of provision no longer required)	–	–	(20)	(20)
31 December 2025	**216**	**41**	**292**	**549**

EAD – Loans and receivables from customers	STAGE 1	STAGE 2	STAGE 3	TOTAL
1 January 2026	**17,124**	**392**	**588**	**18,104**
Transfers to/(from)				
Stage 1	(274)	227	47	–
Stage 2	71	(107)	36	–
Stage 3	–	1	(1)	–
Net financial assets originated	1,061	5	(66)	1,000
Total movement in EAD during the period	**858**	**126**	**16**	**1,000**
30 June 2026	**17,982**	**518**	**604**	**19,104**
ECL – Loans and receivables from customers				
1 January 2026	**216**	**41**	**292**	**549**
Transfers to/(from)				
Stage 1	(6)	5	1	–
Stage 2	4	(6)	2	–
Stage 3	–	–	–	–
Net financial assets originated	16	13	13	42
Transfers between stages	–	–	–	–
Movements due to risk parameter and other changes	(3)	7	9	13
Total net P&L charge/(release) during the period	**11**	**19**	**25**	**55**
Loans written off against provision/(write back of provision no longer required)	–	–	(28)	(28)
30 June 2026	**227**	**60**	**289**	**576**

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

All amounts are expressed in K'millions	June 2026 Stage 1		Dec 2025 Stage 1	
	GROSS EXPOSURE	PROVISION	GROSS EXPOSURE	PROVISION
Opening balance	4,193	53	3,830	42
Increase/(decrease) in exposure to expected credit losses	133	(3)	363	11
Closing Balance	**4,326**	**50**	**4,193**	**53**

Measuring ECL – Explanation of inputs, assumptions and estimation techniques

The Expected Credit Loss (ECL) is measured on either a 12-month 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).

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

The below three scenarios and respective weightings were applied to each economic variable at 30 June 2026 and 31 December 2025:

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

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

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

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 the changes to the ECL as at 30 June 2026 that would result from reasonably possible changes in these parameters from the actual assumptions used in the Group's economic variable assumptions, while keeping other factors constant:

All amounts are expressed in K'millions	30 June 2026	31 December 2025
Reported probability weighted ECL	626	602
100% base scenario	603	580
100% downside scenario	666	640

Sensitivity of provisions for impairment to SICR assessment criteria

- If 1% of Stage 1 credit exposures as at 30 June 2026 was included in Stage 2, provisions for impairment would approximately increase by K12.2 million for the Group (31 December 2025: K8.0 million).
- If 1% of Stage 2 credit exposures as at 30 June 2026 was included in Stage 1, provisions for impairment would approximately decrease by K0.5 million for the Group (31 December 2025: K0.2 million).

Grouping of instruments for losses measured on a collective basis

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

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

Retail – Groupings for collective measurement

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

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	June 2026				December 2025
All amounts are expressed in K'millions ECL STAGING	Stage 1 12-MONTH	Stage 2 LIFETIME	Stage 3 LIFETIME	TOTAL	TOTAL
Credit Grade					
Standard monitoring	17,982	208	–	18,190	17,302
Special monitoring	–	310	–	310	214
Default	–	–	604	604	588
Gross carrying amount	**17,982**	**518**	**604**	**19,104**	**18,104**
Loss allowance	(227)	(60)	(289)	(576)	(549)
Net Carrying amount	**17,755**	**458**	**315**	**18,528**	**17,555**

Information on how the Expected Credit Loss (ECL) is measured and how the three stages above are determined is included in the Accounting Policy 'Measurement' section of this Note.

Off balance sheet items, which are in scope for impairment, totalled K4.3 billion (December 2025: K4.2 billion) and are classified as stage 1 with a loss allowance of K50 million (December 2025: K53 million).

The total balance of investment securities measured at amortised cost K13.5 billion (December 2025: K12.3 billion) is classified as Stage 1 with a credit grade of 'standard monitoring'. Total loss allowance carried against this balance is K88 million (December 2025: K78 million).

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.

11. 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 30 June 2026, the Group's total capital adequacy ratio and leverage capital ratio satisfied the capital adequacy criteria for a 'well-capitalised' bank. The minimum capital adequacy requirements set out under the standard are Tier 1 8%, total risk based capital ratio 12% and the leverage ratio 6%.

The measure of capital used for the purposes of prudential supervision is referred to as base capital. Total base capital varies from the balance of capital shown on the Statement of Financial Position and is made up of tier 1 capital (core) and tier 2 capital (supplementary). Tier 1 capital is obtained by deducting from equity capital and audited retained earnings (or losses), intangible assets including deferred tax assets. Tier 2 capital cannot exceed the amount of tier 1 capital, and can include subordinated loan capital, specified asset revaluation reserves, un-audited profits (or losses) and a small percentage of general loan loss provisions. The leverage capital ratio is calculated as Tier 1 capital divided by total assets on the balance sheet.

Risk weighted assets are derived from on-balance sheet and off-balance sheet assets. On balance sheet assets are weighted for credit risk by applying weightings (0, 20, 50 and 100 per cent) according to risk classification criteria set by the BPNG. Off-balance sheet exposures are risk weighted in the same way after converting them to on-balance sheet credit equivalents using BPNG specified credit conversion factors.

The Group's capital adequacy level is as follows (unaudited):

		BALANCE SHEET/ NOTIONAL AMOUNT		RISK-WEIGHTED AMOUNT	
All amounts are expressed in K'millions		June 2026	December 2025	30 June 2026	December 2025
Capital ratios					
a)	Tier 1 Capital	3,966	4,481	20.2 %	24.5 %
	Total Capital	4,968	4,842	25.3 %	26.4 %
b)	Leverage Capital Ratio			8.9 %	10.6 %

12. 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

	CONSOLIDATED	
All amounts are expressed in K'millions	June 2026	December 2025
Letters of credit	109	71
Guarantees and indemnities issued	417	405
Commitments to extend credit	3,800	3,717
	4,326	**4,193**

Commitments for capital expenditure		
Amounts with firm commitments, and not reflected in the accounts	**179**	**160**

Legal Proceedings

A number of legal proceedings against the Group were outstanding as at 30 June 2026. For all litigation exposure where a loss is probable, an appropriate provision has been made. Based on information available at 30 June 2026, the Group estimates a contingent liability of K18 million (December 2025: K18 million) in respect of these proceedings.

13. 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 30 JUNE 2026
All amounts are expressed in K'millions

	Level 1	Level 2	Level 3	Total
a) Financial Assets				
Equity securities	–	522	4	526
Treasury Bills	–	34	–	34
Government Inscribed Stock	–	381	–	381
Non-financial assets				
Land and buildings	–	–	588	588
Investment properties	–	–	461	461
Aircraft subject to operating lease	–	–	26	26
Total assets	**–**	**937**	**1,079**	**2,016**
b) Financial liabilities				
Insurance Contract liabilities	–	–	(1,774)	(1,774)
Total liabilities	**–**	**–**	**(1,774)**	**(1,774)**

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)**

Financial assets at fair value through profit and loss	CONSOLIDATED	
LEVEL 3	June 2026	December 2025
Opening balance	1,067	993
Total gains and losses recognised in:		
• Profit and loss	(11)	(34)
• Other comprehensive income	6	10
• Purchases	24	45
• Disposals	–	(2)
• Translation movements	(7)	55
Closing balance	**1,079**	**1,067**

There were no changes in valuation technique for Level 3 recurring fair value measurements during the year ended 30 June 2026.

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.

14. Derivative Financial Instrument

In the normal course of trading, the Group enter 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 30 June 2026 stated at the face value of the respective contracts are:

All amounts are expressed in K'millions

AS AT 30 JUNE 2026		USD	AUD	EURO	GBP	JPY	Other	Total
	FCY	(5)	–	–	–	–	–	
Selling	**KINA**	(24)	–	–	–	–	–	(24)
	FCY	–	–	1	–	–	5	
Buying	**KINA**	–	–	4	–	–	20	24
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

15. 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 period:

- 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 period ended 30 June 2026, balances and transactions of accounts for Directors and key management personnel, including companies in which directorships were held by BSP directors, were as follows:

All amounts are expressed in K'millions	June 2026	December 2025
Customer Deposits		
Opening balances	347	164
Net movement	(343)	183
Closing balance	**4**	**347**
Loans and receivables from customers		
Opening balances	148	888
Movement - new director	26	-
Loans issued	154	-
Interest	3	91
Loan repayments	(9)	(53)
Directorship of related company	–	(778)
Closing balance	**322**	**148**

Not included in the above is a loan balance of K40 million (December 2025: K39 million) provided by the Bank to its Joint Venture in BSP Finance Laos.

Apart from the above, the Bank had interbank balances of K527 million (December 2025: K608 million). Interest paid for these placements were K8 million (December 2025: K19 million).

Capital and Dividends

16. Ordinary Shares

Accounting Policy

Share issue costs

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

Number of shares in 'millions', Book value in K'millions	NUMBER OF SHARES	BOOK VALUE
At 1 January 2026	467	372
30 June 2026	**467**	**372**

Dividends on ordinary shares

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

	CONSOLIDATED	
All amounts are expressed in K'millions	June 2026	June 2025
Dividends paid on ordinary shares		
Final ordinary dividend (2026: 138 toea; 2025: 121 toea)	649	570
	649	570

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.

17. Retained Earnings and Other Reserves

Retained earnings

	CONSOLIDATED	
All amounts are expressed in K'millions	June 2026	December 2025
At 1 January	4,089	3,733
Net profit for the period	620	1,172
Final dividends paid	(649)	(570)
Interim dividends paid	–	(235)
BSP Life policy reserve	–	(12)
Gain attributable to minority interest	–	1
At 30 June / 31 December	**4,060**	**4,089**
Other reserves comprise:		
Asset revaluation reserve	136	134
Capital reserve	1	1
Fiji Class Shares reserve[1]	21	21
Statutory insurance reserve	84	84
Foreign currency translation reserve	543	469
At 30 June / 31 December	**785**	**709**

[1]Fiji Class Shares

As at 30 June 2026 there are 3 million 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:

- The right to receive a dividend equal to the amount of dividend to be paid on BSP Ordinary Shares.
- The same voting rights as a BSP Ordinary Share and effected through a special voting share held by the Chairman of BSP.
- 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.

Other reserves

	CONSOLIDATED	
All amounts are expressed in K'millions	June 2026	December 2025
Movement in reserves for the year:		
Asset revaluation reserve		
At 1 January	134	145
Net asset revaluation decrement	(2)	–
Impact of PNG tax rate change	4	(11)
At 30 June / 31 December	**136**	**134**

	CONSOLIDATED	
All amounts are expressed in K'millions	June 2026	December 2025
Capital reserve		
At 1 January	1	1
At 30 June / 31 December	**1**	**1**

All amounts are expressed in K'millions	CONSOLIDATED June 2026	CONSOLIDATED December 2025
Statutory insurance reserve		
At 1 January	84	72
BSP Life policy reserve	–	12
At 30 June / 31 December	**84**	**84**

All amounts are expressed in K'millions	CONSOLIDATED June 2026	CONSOLIDATED December 2025
Foreign currency translation reserve		
At 1 January	469	274
Movement during the period	74	195
At 30 June / 31 December	**543**	**469**

18. Assets held for sale

As at 31 December 2025, BSP Finance Cambodia and BSP Finance Laos were classified as assets held for sale. During the period ended 30 June 2026, the sale of BSP Finance Cambodia was completed. The disposal resulted in a gain on sale of K4 million, which has been recognised in profit or loss for the period. BSP Finance Laos remains classified as held for sale as at 30 June 2026. The investment is expected to be sold in the next financial year. The carrying amount of the investment has been measured at the lower of its carrying amount and fair value less costs to sell.

The Group has also classified its investment in the subsidiary BSP Capital Limited as held for sale in this current period. The investment is expected to be sold in the current financial year. The carrying amount of the investment has been measured at the lower of its carrying amount and fair value less costs to sell, resulting in a reclassification to non-current assets held for sale with a carrying amount of K17m.

19. Events occurring after Balance Sheet Date

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

Report on review of interim condensed financial statements
to the Directors of BSP Financial Group Limited

Introduction
We have reviewed the accompanying consolidated interim condensed statement of financial position of BSP Financial Group Limited (the Bank) and its subsidiaries (the Group) as at 30 June 2026 and the related consolidated interim condensed statements of comprehensive income, changes in shareholders' equity and cash flows for the six-month period then ended and notes, comprising material accounting policy information and other explanatory notes. The Directors are responsible for the preparation and presentation of this consolidated interim condensed financial information in accordance with International Accounting Standard 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this consolidated interim condensed financial information based on our review.

Scope of review
We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of interim financial information performed by the independent auditor of the entity'. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim condensed financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting'.

Restriction on distribution or use
This report is made solely to the Directors of the Bank, as a body. Our review work has been undertaken so that we might state to the Directors those matters which we are required to state to them in our review report and for no other purpose. We do not accept or assume responsibility to anyone other than the Directors of the Bank, as a body, for our review work, for this report or for the conclusion we have formed.

PricewaterhouseCoopers

PricewaterhouseCoopers

Jonathan Grasso
Partner
Registered under the Accountants Act 1996

Port Moresby
20 August 2026

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