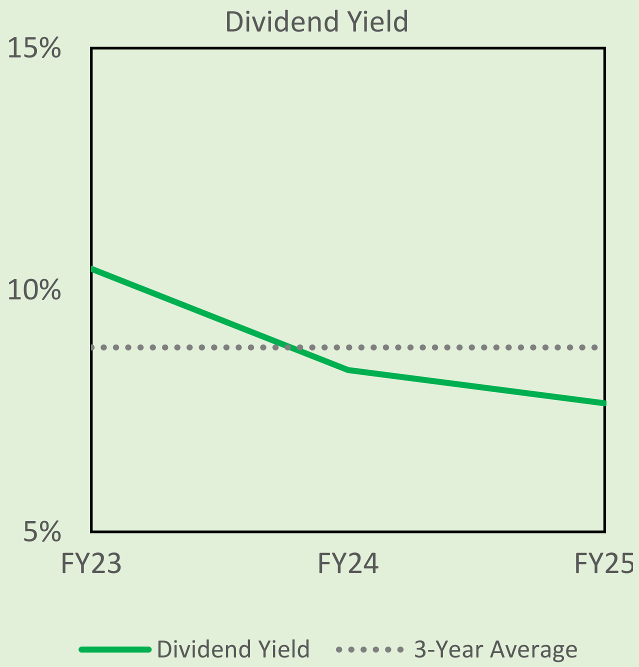
BSP Financial Group Limited (PNGX: BSP |ASX: BFL) is the largest financial services provider in PNG and the South Pacific region, serving over 2 million customers through a network of 124 branches across 7 countries. BSP is a dual-listed publicly traded company, listed on both PNG's Stock Exchange (PNGX) and the Australian Securities Exchange (ASX).

Senior Management

- Robert Bradshaw - Chairman
- Mark T. Robinson - CEO

Market Data (As of 31st December 2025)

Ticker	PNGX: BSP| ASX: BFL)
Share Price	PGK24.55 |AUD$8.25
Market Cap.	PGK11.5b|AUD$3.9m
Issued Shares	467.2m
Earnings per share	PGK2.51
NTA per share	PGK10.48
Dividend per share	PGK1.88
Dividend Payout Ratio	75%
Dividend Yield	7.7%



This Brief summarises BSP's 2025 financial results and share price performance on both the PNGX and ASX.

Strong Share Price Performance on PNGX and ASX

PNGX: BSP's share price rose by 23.4% in 2025, closing the year at PGK24.55 per share. Compared to its volume-weighted average price (VWAP) of PGK22.62 per share, the year-end price was 8.5% higher than the average trading price, indicating strong buying pressure from investors.

ASX: BFL's share price closed the year at AUD$8.25 per share, recording a gain of nearly 20% for the year, despite a brief sell-off in the early fourth quarter following the PNG Government's announcement that all Government accounts would be transferred to a newly established State-owned commercial bank (the National Banking Corporation).

Based on BSP's balance sheet, the per-share value of the company is PGK10.48. This is almost 2.3x lower than the closing share price and 2.2x lower than the average share price. This indicates that BSP stock was trading at a premium in 2025.

Dividend and Total Shareholder Return

The BSP Board paid 75% of profit after tax as dividends to its shareholders, totalling PGK878.4 million, or PGK1.88 per share, for the 2025 financial year. The payout was 13.2% higher year-on-year and 13.5% higher than the three-year average. The dividend yield was 7.7%.

Total shareholder return (TSR) was 32.8%, representing the return achieved by shareholders who purchased shares one year ago or at the beginning of 2025. The table below shows the TSR for shareholders who purchased BSP shares in prior years, assuming dividends received were reinvested.

Year(s)	Purchased Price	Closing Price*	Price Gain	Dividend	TSR
	PGK	PGK	PGK	PGK	%
1	19.90	24.55	4.65	1.88	32.81
3	13.70	24.55	10.85	3.54	105.04
5	12.25	24.55	12.30	8.44	169.31

**Closing Price as at 31st December 2025*

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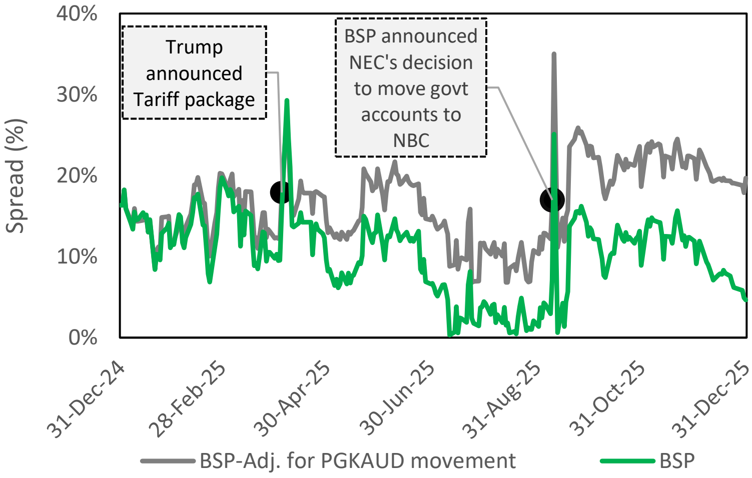
Arbitrage Price Difference (Profit):
The arbitrage spread (%) between PNGX and ASX prices for BSP/BFL stock narrowed throughout the year, reaching 5%, which is 11 basis points lower year-on-year. However, after adjusting for movements in the PGK/AUD exchange rate, the spread finished the year much stronger at 20%, representing an increase of 4 basis points year-on-year. This suggests that the spread between the two market prices is driven more by foreign exchange dynamics than by differences in the quoted share prices themselves. Nonetheless, opportunities for arbitrage remain available between the two markets.



Highlights from the FY25 Performance - Consolidated

- **Interest Income**: Interest-earning assets generated PGK2.14 billion in net interest income (NII), an increase of 9.1% year-on-year, resulting in a net interest margin of 7.1% (vs 2024: 7.0%). The increase in NII was largely driven by higher returns from Treasury bills (T-bills), Central Bank bills (C-bills), and Government Inscribed Stocks (GIS), reflecting relatively improved yields in 2025 compared to 2024. The bank's increased investment in debt securities also supported income growth, particularly in T-bills and C-bills, which grew by 108.9% year-on-year, while lending increased by 7.6% over the same period. This shift toward debt securities suggests that the bank prioritized liquidity and lower-risk assets to strengthen its balance sheet and reduce exposure to credit risk. Interest income from loans grew slightly by 0.3% year-on-year. In addition, lending book generated 72.6% of the total interest income, while income from investment accounted for nearly 36% of the total interest income.

- **Non-Interest Income:** Totalled PGK1.2 million. FX-related income rose nearly 29% year-on-year to PGK722 million, supported by strong export inflows and BPNG FX intervention. Net fees and commissions totalled PGK442 million, an increase of 14.5% year-on-year. Of the total income, FX accounted for 60.2%, while the fees and commissions accounted for 36.8%, and 3% comes from other income sources.

- **Operating Expenses:** PGK1.5 billion, representing a 15% year-on-year increase. The rise reflects the Group's strategic investments in technology enhancements and additional staffing, aligned with its commitment to the 'Modernising for Growth' program.

- **Loan Provisions:** PGK602 million, up from PGK562 million in 2024. The increase was attributable to expected credit loss (ECL) charges on newly issued loans, as well as changes in the transfer of loans between IFRS 9 stages within the loan credit risk profile. Movements in loans arising from changes in the bank's ECL loan model also contributed to the increase. The provision-to-loans ratio remained unchanged year-on-year at 3.3%, reflecting a stable credit risk management. Compared to 2023, this was 100 basis points lower and 30 basis points lower than the 3-year average.

- **Strong Balance Sheet:** The capital adequacy ratio (CAR) was reported at 26.4%, an increase of 20 basis points year-on-year. This remains well above BPNG's regulatory requirement of 12%. The Risk-Weighted Assets-to-Asset's ratio (RWAA) stands at 42.6%, indicating a moderate risk profile for the bank's balance sheet. The 3-year average for the CAR and RWAA were 25.7% and 43.26%, respectively.

- **Total Dividend:** The Board paid a total dividend of ~PGK878.4 million, or PGK1.88 per share, compared to ~PGK775.6 million, or PGK1.66 per share, in the previous period. The payout represents 75% of the net profit achieved this year.

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2025 Consolidated Financial Statements - Snapshot

Profit & Loss Statement

PGK'billion	FY24	FY25	Change (%)
Net Interest Income	*1.97*	*2.14*	*9.1%*
FX Income	*0.56*	*0.72*	*28.7%*
Fees & Commission	*0.39*	*0.44*	*14.5%*
Other Income	*0.07*	*0.10*	*47.8%*
Revenue	**2.98**	**3.41**	**14.4%**
Operating Expense	**(1.23)**	**(1.46)**	**18.8%**
Operating Profit	**1.75**	**1.83**	**11.3%**
Underlying Profit	**0.97**	**1.17**	**19.7%**

Balance Sheet

PGK'billion	FY24	FY25	Change (%)
Net Loans	*16.27*	*17.50*	*7.6%*
Asset	**37.12**	**42.98**	**15.8%**
Deposits	*29.08*	*34.16*	*17.5%*
Liability	**32.47**	**37.78**	**16.4%**
Ordinary shares	*0.37*	*0.37*	*0.0%*
Retained Earnings	*3.73*	*4.09*	*9.7%*
Other Reserve	*0.51*	*0.71*	*39.2%*
Net Asset	**4.65**	**5.20**	**11.8%**

Cash Flow

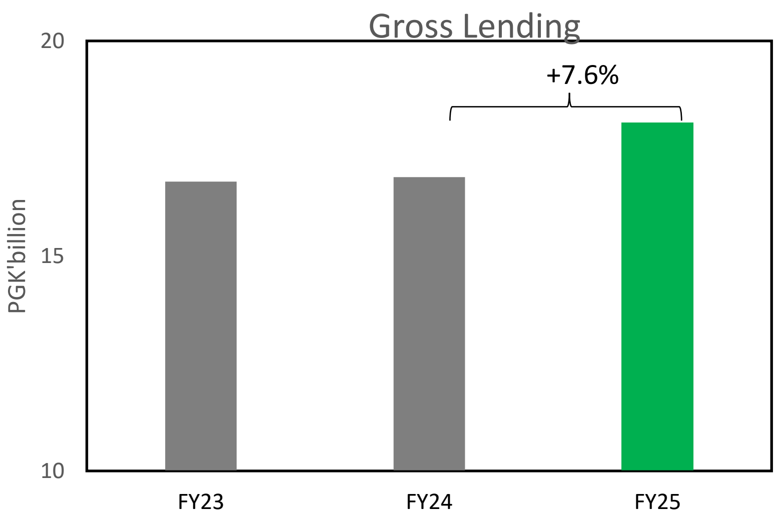
PGK'billion	FY24	FY25	Change (%)
Operating Activities	0.49	4.84	887.8%
Investing Activities	0.38	(3.44)	-1,005%
Financing Activities	(0.68)	(0.81)	19.1%
Net Cash Flow	**4.98**	**6.02**	**20.9%**

Trend Analysis - Group

Lending

Loan Book Grows by 7.6% Year-on-Year

BSP continues to maintain a strong market presence in lending across the Pacific markets. In PNG, BSP's total lending as a percentage of PNG's lending market was 57.4% as at 31st December 2025. This is 380 basis points lower compared to the market share on 2024. However, the Group continues to maintain over 50% of PNG's lending market, despite the drop in market share so far.



The Group's gross loans increased by 7.6% year-on-year to PGK18.1 billion in 2025. This represents a relatively strong performance compared to the 0.6% growth recorded in 2024 and a compounded annual growth rate of 3.0% over the past three years. This increase was mostly supported by mortgage segment, as strong demand for residential properties boosted funding, particularly from customers outside PNG. The mortgage segment accounted for about 21% of the bank's loan book, making it the second largest segment after the term loan segment.

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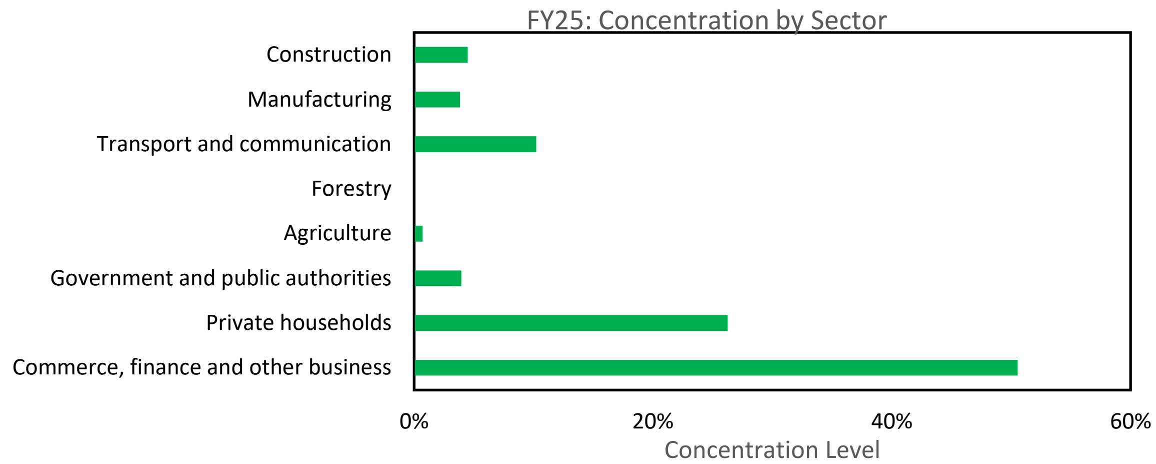
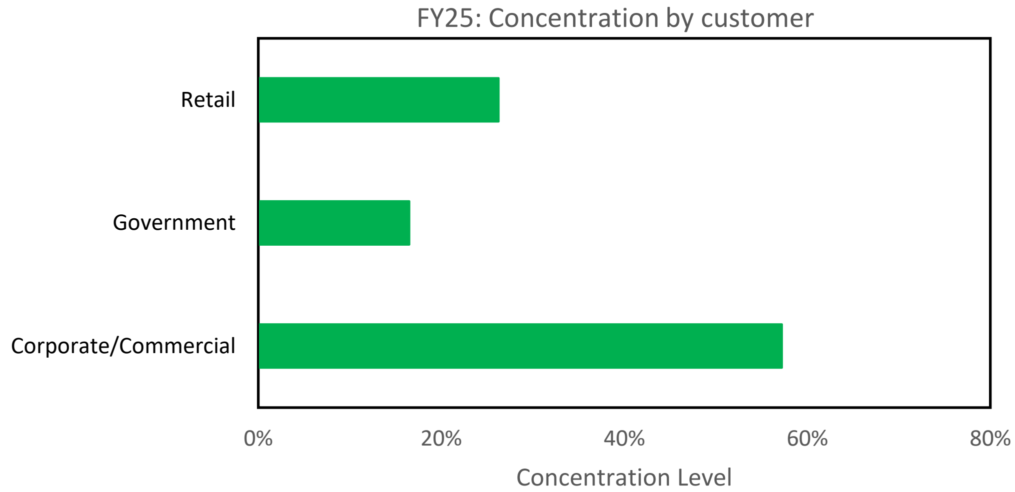
Lending Quality Improves

Loans totalling PGK588 million (principal and interest) are overdue by more than 90 days, representing 3.2% of the Group's gross loan portfolio. This is 6.2% lower than in 2024 (PGK627 million), indicating reduced credit-risk exposure in the portfolio. In addition, the provision-to-loan ratio remained unchanged at 3.3% despite an increase in the company's loan book, suggesting that the company maintained credit quality while expanding its portfolio.

Sector Concentration

The loan book is more concentrated in two sectors: private households and commerce, finance, and other business, which account for 45% and 33% respectively. Many of BSP's customers are corporations/commercial clients (57%) and retail clients (33%). Over the past five years, BSP has been expanding its lending to the private sector, mainly to retail clients, increasing this segment's share from 25% to 33%, while lending to the corporate/commercial sector has eased slightly from 50% to 45%. This shift suggests that BSP is moving toward a more stable and diversified lending portfolio, although at lower margins.





Loan Book Yield of 8.6%

The loan book generated interest income of PGK1.4 billion, an increase of 0.3% year-on-year, resulting in a loan yield of 8.6%. Compared to the 8.9% recorded in 2024, BSP's earnings per kina lent to customers declined slightly. However, 2025's earnings remain broadly consistent with the Group's 3-year average of 8.7%.

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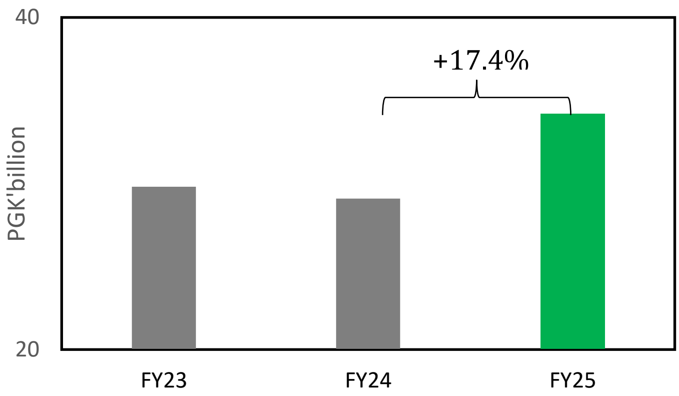
Deposits

Strong Deposit Growth of 17% Year-on-Year

BSP's market share position as at 31st December 2025 was 62.5% of the deposit market in PNG. The Group also has a strong presence in other Pacific markets: Cook Islands (53%), Tonga (44%), Solomon Islands (41.1%), Samoa (39.2%), Fiji (27%) and Vanuatu (13%).

Total deposits reached PGK34.1 billion, which was 17.4% higher than the total deposits reported in 2024. Increased cash inflows into BSP's current account product were the key driver of the Group's total deposit growth.

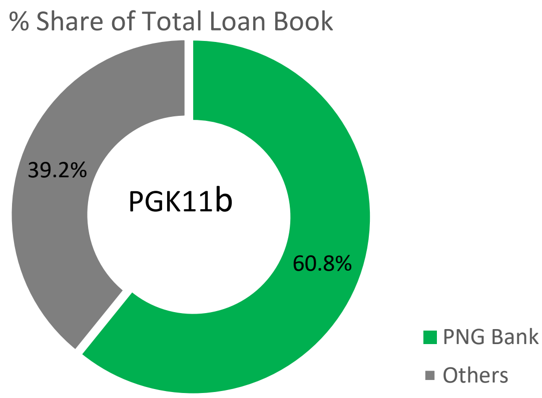


The Loan-to-Deposit ratio for the Group dropped from 57.9% to 53% in 2025. This was due to a strong growth from deposits, outpacing total lending growth during the year.

Trend Analysis - Parent Bank/ PNG Bank

Lending

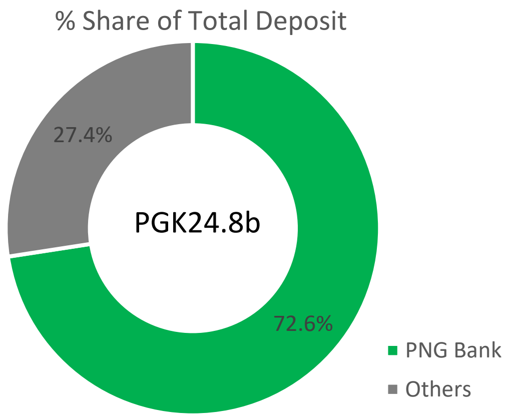
The gross loan book size for the PNG Bank was PGK11 billion, compared to PGK15.6 billion in 2024, reflecting the transfer of PGK4.6 billion in loans as part of its assets to BSP Financial Group (Fiji) Pte Limited. This followed the Group's conversion of its Fiji branch operation into newly incorporated subsidiary on January 1, 2025. This exercise was part of the Group's strategic initiatives to strengthen its operational structure and regulatory compliance. As a percentage share of Group loan book, the parent entity, or PNG Bank, make up over 60% of the Group's loan size. Total interest income (gross) generated by the loan book was PGK1 billion, compared to PGK1.1 billion in 2024. The slight drop was due to the decline in the Bank's loan book.



Deposits

Total PNG deposits for the Bank fell by 8.4% year-on-year to PGK24.8 billion. The decline in deposit collection was driven by weaker performance in products such as term deposits (down 56.6%) and on-demand and short-term deposits (down 3.2%).

The Bank's deposits are contractually short-term, with 94% of the deposits maturing within the 12-month period. However, with the Bank's highly liquid assets, it could cover only 41% of the deposits maturing within the 12-month period. In addition, the Bank will rely on on-going deposit inflows and deposit rollovers to cover for the maturing deposits.



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Trend-Based Relative Valuation

BSP's strong FY25 financial results have lifted its valuation multiples, with the stock trading at 9.8x earnings (FY24: 9.5x) and 2.3x net tangible assets (NTA) per share (FY24: 2.1x), compared to 3-year averages of 8.8x and 2.0x, respectively. A 260-basis-point increase in return on equity (ROE) to 23.8% (3-year average: 22.9%), alongside a stable 75% dividend payout ratio, helps explain why investors are willing to pay a premium for BSP's earnings and NTA. This indicates strong investor confidence in BSP's ability to deliver stable and sustainable earnings, as it has consistently done over many years. At the same time, the higher price-to-NTA multiple reflects confidence in the quality of the Group's balance sheet and its capacity to generate strong ROE.

Valuation Metrics		FY23	FY24	FY25	3-Average
Price-to-Earnings	X	7.1	9.5	9.8	8.8
Price-to-NTA per share	X	1.6	2.1	2.3	2.0
Dividend Yield	%	10.4	8.3	7.7	8.8
Dividend Payout Ratio	%	75.0	75.0	75.0	75.0

However, the increase in investors' willingness to pay additional kina for each unit of earnings has placed downward pressure on BSP's dividend yield over recent years. The dividend yield has declined from 10.4% to 7.7% over the last three years. This implies that for every kina invested in BSP stock, dividend returns have declined from 10.4 toea to 7.7 toea per share.

This suggests a trade-off whereby investors pay more for BSP's stable and sustainable earnings in exchange for a lower dividend yield.

Risk Consideration

- **U.S.-Iran Conflict:** Escalating military conflict between the U.S. and Iran has directly impacted the global oil supply chain, following the closure of the Strait of Hormuz – a key waterway through which about 20% of the world's oil passes through, with the vast majority (over 80%) of these shipments bound for Asia market. This has caused international oil prices to rise, with a ripple effect on other prices as well. Since PNG is a net importer, these higher international prices have been passed through to the domestic economy. This inflationary risk will have an impact on business houses, including BSP and its clients.

- **Monetary Policy:** The pass-through of the higher international prices (imported inflation) to the domestic economy may prompt the BPNG Monetary Policy Committee (MPC) to re-adjust its policy levers, particularly the Kina Facility Rate (KFR) and Cash Reserve Ratio (CRR) to contain the impact of imported inflation. The committee has kept KFR and CRR unchanged at 5% and 9%, respectively, since the June-quarter of 2025. Should the MPC tighten policy settings, this would limit BSP's lending capacity and dampen credit demand due to higher borrowing costs.

- **Transfer of Government accounts:** The Government's decision to transfer all public accounts to the newly established commercial bank, NBC, will have a material impact on BSP's books. Although it may not happen in the near term, it's worth considering the potential impact this exercise could have on BSP and its position in the market.

- **Exchange Rate Risk**: Nearly 40% of BSP's balance sheet is denominated in non-PGK currencies, such as the Fijian dollar, Tongan Pa'anga, Vanuatu Vatu, etc. Movements in exchange rates may influence the value of assets, liabilities, income and cash flows when translated into the domestic currency.

Consolidated Financial Statements

PGK'billion	FY23	FY24	FY25	Year/Year	3-Year CAGR
P&L					
Revenue	2.75	2.98	3.41	14.43%	7.43%
Operating Expense	(1.01)	(1.27)	(1.46)	14.96%	13.07%
Profit before tax	1.55	1.82	1.83	0.55%	5.69%
Profit after tax	**0.89**	**1.04**	**1.17**	12.50%	9.55%
Balance Sheet					
Asset	36.95	37.12	42.98	15.79%	5.17%
> Gross Loans	16.72	16.83	18.10	7.56%	3.01%
Liability	32.71	32.47	37.78	16.35%	4.92%
>Deposits	29.83	29.08	34.15	17.43%	4.61%
Net Asset	**4.24**	**4.62**	**5.17**	11.90%	6.83%
Cash & Cash Equivalent					
Balance as at 31st December	4.72	4.98	6.01	20.68%	8.39%

Financial Metrics

	Unit	FY23	FY24	FY25	3-Year CAGR
Profitability					
Net Profit Margin	%	32.36	34.90	34.31	1.97%
Operating Margin	%	56.36	61.07	53.67	(1.62%)
Return-on-Average Assets	%	2.52	2.81	2.92	5.07%
Return-on-Average Equity	%	21.47	23.40	23.76	3.44%
Earnings per share	PGK	1.91	2.22	2.51	9.53%
Net Tangible Asset (NTA) per share	PGK	8.48	9.33	10.48	7.31%
Liquidity					
Loans-to-Deposit Ratio	%	56.07	57.88	53.01	(1.85%)
Prudential					
Tier1 Capital Ratio	%	22.0	24.2	24.5	3.65%
Total Capital Ratio	%	24.4	26.2	26.4	2.66%
Leverage Capital Ratio	%	9.6	10.8	10.6	3.36%

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