



Announcement | Port Moresby Stock Exchange | Port Moresby 01st March 2018

FULL YEAR RESULTS – 31st December 2017

Sir Kostas Constantinou, OBE, Chairman, Board of Directors, Bank of South Pacific Limited (BSP) today released the Group results for the full-year to 31 December 2017.

While global growth has strengthened during 2017, business conditions were somewhat challenging given the modest growth in the countries in which BSP operates and notwithstanding these macroeconomic challenges, the BSP Group again recorded positive profit increases for 2017. Highlights of the Group performance are:

- The Group recorded a consolidated operating profit after tax of K757 million for the 2017 financial year, a 17.65% increase on the consolidated 2016 operating profit after tax of K643.5 million. Total assets of the Group increased by 7.4% or approximately K1.538 billion to K22.370 billion driven by strong growth in the loan book across all countries. Loan book growth amounted to K1.107 billion from increased lending in PNG (corporate, SME and housing loans), strong growth in Fiji and uplift across most other countries. Again there has also been a “currency translation effect” on the movement of the Kina that has had an impact on the level of total assets.
- Group revenues have increased 11.5% during the year. This revenue growth has come from interest income streams, in particular from loans & advances, with BSP growing its loan book by 11% as well as the additional income from the BSP Finance businesses in PNG, Fiji, Solomon Islands and Cambodia.
- The bank’s profit growth was positive with after tax profits increasing 18.8% to K720.9m with net interest income up 13.9% due to the increase in the loan portfolio. Total assets of the bank at the end of 2017 are at K20.364 billion. Loans and advances to customers has seen net growth of K839.4 million to K10.1 billion. Customer deposits continue to grow steadily (up 4.3% to K16.844 billion), with contributions across all segments of the Bank.
- The Group’s operating expenses show an increase of K82.5m (or 10.7%) mainly due to expenses relating to our core banking system upgrade and costs associated with delays in moving to the new Head Office at Waigani. Despite these cost increases the “cost to income ratio” for the Group reduced to 42.6% from 42.95% in 2016. The Bank’s operating expenses increased by K68.8m and cost to income ratio had also similarly reduced to 41.73% versus 42.24% in 2016.
- The Group’s Capital base remains sound. Total capital adequacy at the end of 2017 is 24.5% (2016 = 23.1%) notwithstanding the impact of continued growth in balance sheet assets as well as total dividend payments of K521.86m (2016 =

K413.97m). The capital adequacy ratio exceeds the minimum Bank of Papua New Guinea prudential requirement of 12.00%.

- Notwithstanding somewhat difficult trading conditions in PNG, the 2017 result is notable for the continuation of positive performances for the bank and most of its subsidiaries, as well as additional growth in the group's balance sheet.
- BSP achieved a number of significant milestones in 2017. Our group net profit before tax exceeded K1 billion for the first time, BSP extended its business operations outside of the Pacific region with completion of participation in the BSP Finance Cambodia Plc joint venture with our partners RMA Group, and BSP obtained provisional approval from the Bank of Papua New Guinea to commence a life insurance business in PNG, BSP Life PNG Limited.

Sir Kostas Constantinou congratulated staff and management in all of BSP's operations and businesses across Papua New Guinea, Fiji, Solomon Islands, Samoa, Tonga, Cook Islands, Vanuatu and Cambodia on the results achieved in 2017.

Sir Kostas remains confident the Bank will continue to adapt to challenging market conditions in all of the countries in which BSP operates.

Sir Kostas Constantinou, OBE

Group Chairman | Bank of South Pacific Ltd