



Announcement | PNG's National Stock Exchange (PNGX) | Port Moresby 26th
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FULL YEAR RESULTS – 31st December 2019

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 2019.

In announcing the Group's profit Sir Kostas noted that despite continued challenging conditions, 2019 was another successful year financially for the BSP Group.

Highlights of the Group performance include:

- The Group recorded a consolidated operating profit after tax of K890.4 million for the 2019 financial year, a 5.5% increase on the consolidated 2018 operating profit after tax of K844.1 million. Total assets of the Group increased by 6.3% or approximately K1.446 billion to K24.527 billion driven by good growth in the loan book across all countries. Loan book growth was K670.2 million and cash and short term deposits increased in Q4/2019.
- Group revenues were up marginally during the year, predominantly from interest income from loans & advances consequent to BSP growing its loan book by 5.5%. Across the Pacific, BSP Bank Samoa achieved very good growth as did BSP Finance Cambodia.
- The bank's profit growth was positive with after tax profits increasing 7.4% to K845.8m. Net interest income was up marginally reflecting loan growth. Total assets of the bank at the end of 2019 are at K21.891 billion. Loans and advances to customers has a net growth of K587.3 million to K11.820 billion which has been mainly in PNG and Fiji and Samoa. Customer deposits picked up in 2019 with growth of K1.023 billion to K17.982 billion.
- The Group's operating expenses reduced by K67.9m mainly due to continued tighter cost control. As a consequence of the cost decreases the "cost to income ratio" for the Group reduced to 37.7% from 40.96% in 2018. The Bank's operating expenses reduced by K66.2m and cost to income ratio had also similarly improved to 36.72% versus 40.43% in 2018.
- The Group's Capital base remains sound. Total capital adequacy at the end of 2019 is 22.0% comparable to 22.9% in 2018, notwithstanding the impact of continued growth in balance sheet assets as well as total dividend payments of K653.94m against 2018 payments of K597.36m. The capital adequacy ratio exceeds the minimum Bank of Papua New Guinea prudential requirement of 12.00%.

- Across the region most economies in which BSP operates maintained reasonable levels of growth. Samoa's GDP remained at around 3.4%, Tonga's moderated to 3.5%, Cook Islands was strong at 4.2%, Solomon Islands moderated to around 2.8%, and Vanuatu's was steady at 3.2%. Fiji's economy contracted to around 1.0%. Whilst the region continues to be more susceptible to extreme weather events there was no cyclone or other weather event in 2019 of national significance. Samoa did though suffer from a measles epidemic in the last quarter of 2019 which sadly saw the loss of life of many children and from an economic perspective impacted visitor arrivals. Our prayers are with those families who lost loved ones.
- The 2019 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 continued achieving milestones in 2019. Our group net profit before tax again exceeded K1 billion and achieved a "compound average growth rate" (CAGR) of 13.7% over the last 5 years. Also in early 2020, BSP has finalized an agreement with our partners RMA Group to enter into a joint venture with them in an asset finance business in Laos, further extending BSP's reach in the Mekong delta.

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 2019.

Sir Kostas noted the outlook for 2020 across the Group is for slower growth giving regard to economic conditions that remain challenged in most countries. Economic growth in PNG will be slower than previous years and will be dependent upon successful negotiation of a headline extractive industry project. Events of early 2020 related to the Coronavirus in China will have an impact on the global economy and economies that are commodity based such as PNG. Notwithstanding somewhat lower growth, we are well placed to meet the challenges.

Sir Kostas G. Constantinou, OBE
Group Chairman | Bank of South Pacific Ltd