



Announcement | Port Moresby Stock Exchange | Port Moresby 28th February 2019

FULL YEAR RESULTS – 31st December 2018

Sir Kostas G. Constantinou, OBE, Chairman, Board of Directors, Bank of South Pacific Limited (BSP) today released the Group results for the full-year to 31 December 2018.

In announcing the Group's profit Sir Kostas noted that despite modest economic growth in most of the countries in which BSP operates where the Pacific sub-region's growth is forecast to be 1.1% for 2018, well below the 2.9% outcome in 2017, the BSP Group again recorded positive profit increases for 2018. Highlights of the Group performance include:

- The Group recorded a consolidated operating profit after tax of K844 million for the 2018 financial year, a 11.5% increase on the consolidated 2017 operating profit after tax of K757 million. Total assets of the Group increased by 3% or approximately K680.2 million to K23.05 billion driven by good growth in the loan book across all countries. Loan book growth amounted to K1.321 billion from increased lending in PNG (corporate, SME and housing loans), strong growth in Fiji and uplift across most other countries some of which can be attributed to the translation effect of movements in the Kina.
- Group revenues have increased 8.4% during the year. This revenue growth has come from interest income streams, in particular from loans & advances, with BSP growing its loan book by 11.8% 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 9.2% to K787.4m with net interest income up 7.1% due to the increase in the loan portfolio. Total assets of the bank at the end of 2018 are at K20.696 billion. Loans and advances to customers has seen net growth of K1.138 billion to K11.233 billion. Customer deposits were slow in 2018 with growth of K115.4 million to K16.959 billion.
- The Group's operating expenses show an increase of K35m (or 4.1%) 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 40.96% from 42.6% in 2017. The Bank's operating expenses increased by K29m and cost to income ratio had also similarly reduced to 40.43% versus 41.73% in 2017.
- The Group's Capital base remains sound. Total capital adequacy at the end of 2018 is 22.9% (2017 = 24.5%) notwithstanding the impact of continued growth in balance sheet assets as well as total dividend payments of K597.36m against 2017 at K521.86m. The capital adequacy ratio exceeds the minimum Bank of Papua New Guinea prudential requirement of 12.00%.

- Notwithstanding a forecast reduction in GDP growth rate across the region and somewhat difficult trading conditions in PNG, the 2018 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 2018. Our group net profit before tax again exceeded K1 billion and achieved a "compound average growth rate" (CAGR) of 14.1% over the last 5 years. Also BSP obtained approval from the Bank of Papua New Guinea to commence a life insurance business in PNG, BSP Life PNG Limited commenced on the 2nd of January 2018. In early 2019, BSP signed 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 2018.

Sir Kostas also remains confident that BSP will perform to expectations, with the support of its stakeholders, its competitive operations, and the effective execution of its strategies will enable BSP Group to produce another successful year in 2019.

Sir Kostas G. Constantinou, OBE

Group Chairman | Bank of South Pacific Ltd