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FULL YEAR RESULTS – 31st December 2015

Sir Kostas Constantinou, OBE, Chairman, Board of Directors, Bank of South Pacific Limited (BSP) today released the results for the full-year to 31 December 2015.
Despite a slowdown in the PNG economy during the year, the BSP Group has again achieved solid results in 2015, highlighted by the following:

- The Group recorded a consolidated operating profit after tax of K531.9 million for the 2015 financial year, a 4.8% increase on the consolidated 2014 operating profit after tax of K507.3 million. Total assets of the Group increased, by approximately K2.4billion to K18.196 billion, partially due to the acquisition of Westpac's Pacific branches in Samoa, Tonga, Cook Islands and the Solomon Islands.

- Group revenues have increased 3.2% during the year. Revenue growth has come from interest income streams, in particular from loans & advances, with BSP growing its loan book by 27.6% as well as the additional income from the new asset finance operations in PNG and Fiji and the acquisition of Westpac's Pacific branches in Samoa, Tonga, Cook Islands and the Solomon Islands. Revenues from foreign exchange income reduced from K267m to K179m following market condition changes.

- The bank's growth was positive with after tax profits reducing slightly to K505.7 million from K512.9 million in 2014. Total assets of the bank at the end of 2015 are at K17.122 billion. Loans and advances to customers; portfolio has seen net growth of K1.493 billion to K8.181 billion. Customer deposits continue to grow steadily (up 11.3% to K14.2b), mainly in the retail and government segments in PNG, and in the corporate segment in Fiji.

- The bank's operating expenses show reductions of K27.7m and again operating expenses will continue to be a focus in 2016. The cost to income ratio for the bank is at 44.64% down from 46.5% in 2014. The Group cost to income ratio is also steady at 44.67% versus 46.91% in 2014.

- The Group's capital base remains sound. Total capital adequacy at the end of 2015 is 23.1% notwithstanding the impact of continued growth in balance sheet assets as well as total dividend payments of K369.81m (2014 was K309.141m). The capital adequacy ratio exceeds the minimum Bank of Papua New Guinea prudential requirement of 12.00%.

- Notwithstanding more difficult trading conditions and decline of foreign exchange income in PNG, 2015 has been a successful year for BSP. The 2015 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 arising from the acquisitions mentioned above.

- In its domestic market PNG, BSP has responded positively to reduced foreign exchange income opportunities, some increases in impairment expenses reflecting PNG's more challenging economic conditions through 2015, and has also had to absorb the impact of reductions in customer fees that were implemented from March 2015.

- Significant loan portfolio growth, and a continuing and disciplined cost containment strategy, has allowed BSP to largely mitigate the impact of these challenges.
- BSP's overseas operations and subsidiaries have also contributed strongly to the 2015 result.
- The new acquisitions from July 2015, have performed to expectation, and part of the 15% growth in BSP's total assets, are also attributable to the addition of these new operations.

Sir Kostas Constantinou congratulated staff and management in all of BSP's operations across Papua New Guinea, Fiji, Solomon Islands, Samoa, Tonga & Cook Islands on the results achieved in 2015.

Sir Kostas remains confident the Bank will continue to adapt to challenging market conditions, and continue to deliver a sound underlying performance for 2016 and beyond.

Sir Kostas Constantinou, OBE

Group Chairman | Bank of South Pacific Ltd