



CHIEF FINANCIAL OFFICER

1st March 2017

Vincent Ivosa
Port Moresby Stock Exchange Limited
Level 4, Defens Haus
PORT MORESBY
National Capital District

Dear Sir,

BSP BOARD CHAIRMAN'S ANNOUNCEMENT ON 2016 FULL YEAR FINANCIAL RESULTS AS AT DECEMBER 31ST 2016

We hereby enclose a copy of the BSP Group Board Chairman's announcement together with Appendix 4B on BSP's Full Year Financial Results as at 31st December 2016

Please release this information to the Market today in accordance with the PomSox Disclosure requirements.

We look forward to your formal acknowledgement of our advice

Yours Sincerely,,
Bank of South Pacific Limited

Johnson Kalo
Chief Financial Officer

Enclosures



Announcement | Port Moresby Stock Exchange | Port Moresby 1st March 2017

FULL YEAR RESULTS – 31st December 2016

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 2016.

Despite subdued economic conditions in PNG and other Pacific countries in which BSP operates, the BSP Group again recorded very positive outcomes in 2016. Highlights of the Group performance are:

- The Group recorded a consolidated operating profit after tax of K643.5 million for the 2016 financial year, a 21% increase on the consolidated 2015 operating profit after tax of K531.9 million. Total assets of the Group increased by 14.5% or approximately K2.6 billion to K20.832 billion driven by strong growth in the loan book across all countries. Loan book growth amounted to K1.48 billion from increased corporate lending and the acquisition of former Westpac Vanuatu business on 1st of July 2016. 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 15.8% during the year. This revenue growth has come from interest income streams, in particular from loans & advances, with BSP growing its loan book by 17.2% as well as the additional income from the BSP Finance operations in PNG and Fiji and the full year income from the businesses in Samoa, Tonga, Cook Islands and the Solomon Islands, with half year from Vanuatu. Revenues from foreign exchange income increased from K178.9m to K253.8m as a consequence of additional export flows in PNG since the month of April 2016.
- The bank’s profit growth was positive with after tax profits increasing 20% due to higher interest income as well as a full year’s profit from the acquired Pacific businesses. Total assets of the bank at the end of 2016 are at K19.224 billion. Loans and advances to customers; portfolio has seen net growth of K1.074 billion to K9.255 billion. Customer deposits continue to grow steadily (up 13.3% to K16.2b), with contribution across all segments in PNG, and in the corporate segment in Fiji.
- The Group’s operating expenses show an increase of K78.6m due to the take-up of full year costs of the businesses in Cook Islands, Samoa, Tonga and the Solomon Islands and half year of Vanuatu but overall costs were generally well contained. The cost to income ratio for the Group is at 42.95% down 1.75% from 44.7% in 2015. The Bank’s operating expenses increased by K43.2m and cost to income ratio is also similarly reduced at 42.24% versus 44.6% in 2015 comparative period.
- The Group’s capital base remains sound. Total capital adequacy at the end of 2016 is 23.1% (2015 = 23.1%) notwithstanding the impact of continued growth in balance sheet assets as well as total dividend payments of K413.97m (2015 = K369.81m). 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 2016 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's overseas operations and subsidiaries have again contributed strongly to the 2016 result.
- On the 1st of July 2016, BSP acquired the ex-Westpac Vanuatu subsidiary and we welcomed this new addition to our Pacific portfolio.

Sir Kostas Constantinou congratulated staff and management in all of BSP's operations across Papua New Guinea, Fiji, Solomon Islands, Samoa, Tonga, Cook Islands and Vanuatu on the results achieved in 2016.

Sir Kostas remains confident the Bank will continue to adapt to challenging market conditions in all of the countries in which BSP operates, and continue to deliver a sound underlying performance for 2017 and beyond.



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

