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Ratings

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Bank of South Pacific Ltd.

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Bank of South Pacific Ltd.

SACP	b+	+	Support	0	+	Additional Factors	0

Anchor	b+	
Business Position	Strong	+1
Capital and Earnings	Weak	0
Risk Position	Moderate	-1
Funding	Average	0
Liquidity	Adequate	

ALAC Support	0
GRE Support	0
Group Support	0
Sovereign Support	0

Issuer Credit Rating
B+/Negative/B

Major Rating Factors

Strengths:	Weaknesses:
• Highly profitable, stemming from the bank's domestic market position as Papua New Guinea's largest commercial bank • Extensive distribution model and significant investment in information technology that we believe is difficult to replicate	• Vulnerable to Papua New Guinea sovereign risk, reflecting the high-risk economic and operating environment • Concentrated and higher-risk loan portfolio, weighted toward commercial and corporate lending

Outlook: Negative

The negative outlook on Bank of South Pacific Ltd. (BSP) reflects the negative outlook on our long-term sovereign rating on Papua New Guinea (PNG; B+/Negative/B). We believe the bank would be unlikely to withstand a scenario in which the sovereign defaulted on its debt obligations, given the bank's concentration in its domestic home market--at around 70% of BSP's operations. BSP also has high exposure to government and central bank debt, at more than 100% of shareholders equity, which doesn't include cash and statutory deposits held with the central bank. As a result, we expect our rating on the bank to remain no higher than that of the sovereign foreign currency rating on PNG.

Downside scenario

We would expect to lower our rating on BSP within the next 12 months by one notch in the event that we lowered the long-term sovereign rating on PNG by one notch.

Upside scenario

We would expect to revise the outlook to stable if pressures on the sovereign in PNG abated. An improvement in the outlook for PNG's external position over the next year would be supportive of a return to a stable outlook for BSP, in our opinion.

Rationale

The ratings on BSP primarily reflect the high-risk economic and operating conditions across both PNG and other underdeveloped Pacific island nations that BSP is exposed to. In light of the nascent phase of economic development in PNG and neighboring islands, lending opportunities are somewhat limited and system liquidity is high. Symptomatic of this is BSP's lending portfolio, which is concentrated in various corporate sectors and includes a significant holding of Treasury and Central Bank Bills of PNG, leaving the bank exposed to sovereign credit stresses.

Our ratings on BSP also take into account its dominant market position as the largest commercial and retail bank in PNG. We believe the bank has a number of structural advantages over its competitors, including an extensive distribution model and affinity with customers as PNG's largest domestically-owned bank, which should position the bank well to defend its market share as business growth slows in the short term in response to a slowdown in economic growth following the fall in global energy prices. To this end, we believe there are reasonable prospects for the bank to strengthen its market position in PNG over the medium term.

The ratings also reflect BSP's strong profitability, which we forecast to increase over the next two years, despite our expectation of slower lending growth. Although we forecast the bank's risk-adjusted capital--as we measure it--to remain modest, we expect the bank's earnings to provide good cover for any foreseeable rise in credit losses. We expect credit pressures to remain relatively elevated as the impact from the fall in global energy prices filters through to increasing cash flow pressure for some customers, although we forecast loan loss reserves to remain comfortably above 100% of nonperforming loans within the outlook period.

We assess BSP's stand-alone credit profile (SACP) as 'b+'.

Anchor:

The starting point for our ratings on BSP primarily reflects our assessment of PNG's macro-environment. This is because we expect PNG to account for more than two-thirds of BSP's business base over the next two years, notwithstanding a measured increase in business in other Pacific island nations.

We view PNG's economy as being constrained by low income levels and a heavy dependence on the resources sector, and while we believe liquefied natural gas production will likely contribute to stronger economic growth over the longer term, lower global energy prices are likely to undermine PNG's economic resilience in the short term. Although government debt is relatively low, PNG's reliance on the resources sector, which is largely funded through external sources, and the need to address significant infrastructure gaps and basic services limit its fiscal flexibility. The risk of rising credit losses for the banking sector stems from PNG's underdeveloped and concentrated economy, with failure of single projects and nascent institutions heightened by the vulnerability to falls in export resource prices and single-entity concentrations. Further, legal infrastructure and judicial system delays also pose challenges in enforcing creditor rights. We regard banking supervision in PNG as relaxed, with regulation gaps and poor disclosure highlighting its shortcomings, although limited market distortions and a high degree of foreign ownership in PNG's banking sector moderates some of the banking system's structural risks, as does the relatively vanilla nature of its operations. The banking system is fully funded by customer deposits, although its access to other funding sources, if required, would be severely limited, in our view.

Table 1

Bank of South Pacific Ltd. Key Figures

	--Year-ended Dec. 31--				
(Mil. PGK)	**2016**	**2015**	**2014**	**2013**	**2012**
Adjusted assets	20,740	18,086	15,706	15,605	13,331
Customer loans (gross)	10,627	9,068	7,085	5,583	5,025
Adjusted common equity	2,066	1,730	1,502	1,275	1,445
Operating revenues	1,792	1,547	1,499	1,534	1,317
Noninterest expenses	737	646	657	749	700
Core earnings	676	577	553	522	409

PGK--Papua New Guinea kina.

Business position: Dominant market position in its home region of PNG, with an increasing presence in other Pacific-island nations supporting its business diversity

We believe BSP exhibits a dominant and, more importantly, defendable market position in PNG, which accounts for about 70% of BSP's business base. In our view, the bank is well placed to contend with the imbalances and inevitable cyclicality stemming from the underdeveloped and concentrated nature of PNG's economy, which is heavily dependent on export commodity prices, and now has to contend with a deep fall in global energy prices and subsequent slowdown in government spending. Headlining the bank's market dominance, we note BSP accounts for around 55% of lending and deposit activity, respectively, in PNG, supported by a significant and growing customer base of more than 1.7 million across all operating regions. BSP's price-maker advantage is clear in its earnings metrics, reporting a return on equity on average of 29.0% over the last three years, and we expect this to remain unchanged over the next year.

Consistent with the banking landscape in PNG, corporate lending accounts for a disproportionate share of BSP's lending exposures, at around 70% of total lending. However, we estimate the concentration to be less than that of its domestic peers--primarily the (unrated) domestic operations of the Australian-based Westpac Banking Corp. (Westpac; AA-/Negative/A-1+) and Australia and New Zealand Banking Group Ltd. (ANZ; AA-/Negative/A-1+), both of which account for close to the remaining majority of banking activities in PNG. This reflects BSP's increased emphasis on retail and small and midsize enterprise (SME) banking, which makes up the residual. And although we consider management at BSP to exhibit a higher tolerance for risk relative to its main competitors, we do not believe it compromises our view of its ability to deliver generally stable and upward trending operating revenues while maintaining a largely sound balance sheet structure, particularly when viewed within the context of PNG's operating environment.

BSP's business position compares favorably with a number of global peers, all of which operate in similarly underdeveloped, nascent, and higher-risk economies. Similar to BSP, global peers primarily operate within their country of domicile. BSP's relative market strength in PNG is considerably larger than similarly assessed peers, including Cambodia-based ACLEDA Bank PLC (ACLEDA; B/Stable/B) and the Joint Stock Commercial Bank for Investment and Development of Vietnam (BIDV; B+/Stable/B). Both ACLEDA and BIDV benefit from a higher level of "recurring" net interest income--which accounts for more than 80% of operating revenues, compared to BSP at closer to 60%--although this is also likely to reflect the significant foreign exchange earnings available to BSP, rather than a deficiency or indication of a higher risk tolerance. We believe BSP's business position is stronger than that of other global peers, including Kenya-domiciled KCB Group Ltd. (KCB; B+/Stable/B) and the Nigeria-based Zenith Bank PLC (Zenith; B/Stable/B), again, largely owing to its relative market position strength.

While we note the contribution of lending activities--which we consider as having stronger recurring characteristics relative to other forms of revenue generation--to operating revenues is somewhat low at around 62% as of Dec. 31, 2016, we take a neutral view in the context of assessing BSP's business stability. In our opinion, the banking sector in PNG can be characterized by surplus funding and limited lending opportunities, which typically results in higher operating revenue contributions from other business lines, which have proven quite resilient in recent years. Nevertheless, we anticipate that in the longer run, operating revenues from lending activities will increase proportionally as an increasing number of residents and businesses in PNG become "bankable."

BSP has a number of structural advantages that, in our opinion, render the ability of competitors, whether onshore or offshore, to replicate, difficult. In particular, we note the bank's extensive physical branch network and significant investment in information technology infrastructure, and therefore its natural reach, which forms the mainstay of its operations in the South Pacific. While these advantages may benefit retail and SME banking more so than corporate banking, we believe the use of technology to deliver banking services to the more remote and underdeveloped parts of PNG's economy will increasingly benefit the bank in the longer run. We also consider BSP's relationship with its customer base, stemming from its infrastructure investment and probable brand affinity--rather than pricing--would make it difficult for competitors to penetrate.

We see little significant change in the bank's overarching strategy and focus over the next two years, with the long-term theme of measured business and earnings diversification--both domestically and regionally--anticipated (Fiji now accounts for around 20% of the bank's operations), including the consolidation of banking operations of various pacific countries recently acquired from Westpac. Loan penetration amongst pacific island nations, including PNG, remains very low, and we see BSP best placed to capitalize as this trend improves, owing to its significant investment in infrastructure throughout the region. And while BSP's market share amongst other pacific island nations is not nearly as dominant as it is in PNG, it is overall on the rise, and we expect further growth to complement the diversity of its domestic business--without compromising our view of the bank's franchise dominance in PNG.

Table 2

Bank of South Pacific Ltd. Business Position					
	--Year-ended Dec. 31--				
(%)	**2016**	**2015**	**2014**	**2013**	**2012**
Total revenues from business line (currency in millions)	1,792.1	1,547.1	1,498.7	1,534.3	1,316.9
Commercial banking/total revenues from business line	5.6	5.7	7.7	48.0	N/A
Retail banking/total revenues from business line	44.4	35.3	24.7	32.7	N/A
Commercial & retail banking/total revenues from business line	50.0	41.0	32.4	80.6	92.6
Trading and sales income/total revenues from business line	5.5	8.5	3.2	N/A	N/A
Corporate finance/total revenues from business line	31.1	32.2	34.4	N/A	N/A
Brokerage/total revenues from business line	1.7	1.3	6.8	N/A	N/A
Insurance activities/total revenues from business line	0.4	1.3	0.4	0.2	1.0
Agency services/total revenues from business line	11.3	15.7	22.8	N/A	N/A
Payments and settlements/total revenues from business line	(0.0)	0.0	0.0	N/A	N/A
Return on equity	30.0	28.1	30.0	28.7	29.4

N/A--Not applicable.

Capital and earnings: Modest risk-adjusted capitalization, reflecting high risk-weights attributed to PNG, although earnings generation is strong

We forecast the risk-adjusted capital (RAC) ratio for BSP to remain broadly unchanged at between 4.5% and 5.0% through the next two years--from 4.5% as of Dec. 31, 2016. We note that the Bank of Papua New Guinea (BPNG) has not yet adopted the Basel II capital regime. On a Basel I basis, BSP is adequately capitalized with a Tier 1 ratio of around 20.0% (above the minimum ratio of 8% required in PNG). The RAC ratio is considerably lower than that regulatory ratio largely because our risk weightings cover sovereign exposures and include a capital requirement for operational risk (that do not form part of the Basel I risk-weighted assets). We also assess BSP's capital base to be of good quality, with total adjusted capital consisting almost entirely of ordinary share capital and retained earnings.

The quantum and stability of earnings is also very good, with return on equity (30% as of December 2016) and return on assets (3.5%) broadly unchanged over the last four years, and forecast to remain at around 29% and 3.4%, respectively, over the next two years. The quantum and stability of earnings has been toward the upper end of peer comparisons in recent years (at an average of around 20% and 2.0%, respectively), although we expect the bank's RAC ratio to remain toward the middle of peer comparisons over the next two years, owing to its higher dividend payout ratio.

Our forecasts factor in a further increase in earnings for BSP in both 2017 and 2018. While we forecast margins to remain broadly unchanged at around 7.0%, we expect the bank to maintain a recent increase in foreign exchange earnings during our forecasted period. We also expect credit losses (new loan loss provisions) to remain broadly unchanged at between 0.8% and 0.9% (of average customer loans), from 1.0% in 2016. Against the backdrop of our expectations for a modest increase in lending growth over the next two years of around 5%-7% (in response to a slowdown in economic activity), we forecast BSP's RAC ratio to trend modestly higher over the next two years. This is despite our expectations for an increase in both intangible assets and a modest increase in the bank's cost to income, as a result of its core banking replacement project. Our forecasts also factor in our expectation that BSP will maintain its dividend-payout ratio at around 70%.

Table 3

Bank of South Pacific Ltd. Capital And Earnings					
	--Year-ended Dec. 31--				
(%)	2016	2015	2014	2013	2012
Tier 1 capital ratio	19.8	19.0	19.4	13.9	17.4
S&P RAC ratio before diversification	4.5	4.2	N.M.	N.M.	N.M.
S&P RAC ratio after diversification	3.6	3.3	N.M.	N.M.	N.M.
Adjusted common equity/total adjusted capital	99.0	98.8	98.6	98.6	98.8
Net interest income/operating revenues	61.8	65.0	59.0	48.3	51.8
Fee income/operating revenues	20.2	20.1	20.4	18.6	19.3
Market-sensitive income/operating revenues	14.2	11.6	17.8	23.0	17.4
Noninterest expenses/operating revenues	41.1	41.8	43.8	48.8	53.1
Preprovision operating income/average assets	5.4	5.3	5.3	5.4	4.9
Core earnings/average managed assets	3.5	3.4	3.5	3.6	3.3

N.M.--Not meaningful.

Risk position: Balance sheet characterized by single-name concentration, although credit quality of large corporates supports sound loss experience

We believe BSP's lending portfolio exhibits a high degree of single-name concentrations, with the top 20 exposures accounting for more than 150% of shareholders equity. This is to be expected somewhat, given corporate banking accounts for close to 90% of system lending in PNG, and close to 70% in BSP's case. While the spread of BSP's loans has improved by geography in recent years, with other Pacific island nations increasing to close to 30% of total loans (with Fiji alone at 20%), we believe the diversity benefits are somewhat tempered by a similar risk profile across both PNG and other Pacific island nations. At the same time, the bank invests a significant proportion of funds in Deposits, Treasury and Central Bank Bills of PNG (including statutory deposits), accounting for close to 30% of total assets, or more than 250% of shareholders equity, unchanged year on year. This exposes the bank to sovereign credit stresses, although this is somewhat necessitated by a lack of lending opportunities in PNG.

BSP's name-concentration risk is somewhat balanced by the credit quality of the large corporates that it deals with, in our opinion, and the extent to which these corporates benefit from deal flows from multinational corporations. Concentration within sectors is also reasonably well spread, in our view. Although credit losses, as measured by new loan loss provisions, are reasonably high at around 1.0% of average customer loans in 2016, net charge offs are significantly lower at around 0.25% of average customer loans, with the difference largely explained by the susceptibility to single-name concentrations and a conservative approach to provisioning, in our view. Indeed, loan loss reserves as a proportion of customer loans remains broadly unchanged and very high at around 5.0% of customer loans (or more than 20x net charge-offs). We remain mindful of the underdeveloped nature of PNG's economy and its nascent and highly concentrated industries, which could see arrears rise quickly in a cyclical or structural downturn. As a result, we expect provisioning levels to remain, on the whole, conservatively positioned and comfortably above the level of reported nonperforming loans.

We note that nonperforming loans remain relatively low at around 1.5%, down from 1.9% in 2015, with the subsequent resolution of some "risk regraded" assets acquired from Westpac behind the recent improvement. We expect nonperforming loans to remain relatively unchanged at around 1.4% over the next year or so while global energy prices remain low. Although the bank has limited direct exposure, the subsequent slowdown in government spending and ongoing shortage of foreign exchange is likely to result in credit pressures remaining elevated in PNG, in our view, for both corporate and increasingly personal customers. We believe some further improvement in recently acquired assets will provide something of an offset to these pressures. We expect charge offs to remain reasonably low at between 0.15% and 0.25% of average customer loans, however, and well below our normalized loss expectations (through the cycle) for the bank, at closer to 1.8%.

We believe the concentration of BSP's assets is likely to be broadly consistent with that of the domestic operations of ANZ and Westpac. More broadly, single-name concentration is not unique to banks operating in PNG, with global peers including KCB and Zenith exhibiting a similar exposure. Key indicators of BSP's asset quality compare favorably, however, with nonperforming loans for the bank lower relative to aforementioned peers and consistent with ACLEDA and BIDV, despite the latter having limited exposure to large, single-name concentrations. BSP's level of loan loss reserves (relative to nonperforming loans) are considerably higher than peers, despite net charge-offs broadly consistent across all banks, including BSP, suggesting a higher degree of risk-aversion, in our view.

Operational risk is high for BSP, in our view, although we believe the bank manages the risk as well as can be expected. In this regard, we note that BSP operates in an environment of heightened operational risks, such as infrastructure shortcomings and security risks. A further, albeit transitionary, operational risk stems from the bank's commencement of a core banking replacement project. Although the replacement project should result in a simplification of the bank's operating model, we believe projects of such magnitude expose a bank to a number of potentially unforeseen operational risks in the interim.

Table 4

Bank of South Pacific Ltd. Risk Position					
	--Year-ended Dec. 31--				
(%)	**2016**	**2015**	**2014**	**2013**	**2012**
Growth in customer loans	17.2	28.0	26.9	11.1	12.4
Total managed assets/adjusted common equity (x)	10.1	10.5	10.5	12.4	9.2
New loan loss provisions/average customer loans	1.0	1.1	1.2	1.8	1.5
Net charge-offs/average customer loans	0.2	0.2	0.2	0.2	(0.1)
Gross nonperforming assets/customer loans + other real estate owned	1.5	1.9	0.7	1.0	1.3
Loan loss reserves/gross nonperforming assets	334.6	254.3	639.5	513.1	331.5

Funding and liquidity: Strong funding structure and a high level of on-balance sheet liquidity

Our funding assessment for BSP takes into account the bank's very strong funding metrics, with a loan-to-deposit ratio of less than 60%, and its market position, which, at around 57% of system deposits, exemplifies the bank's dominance in PNG's customer deposit market. BSP's stable funding ratio, which measures the bank's available funding sources relative to its funding needs over a one-year period, is also very high at more than 150%, and comprised almost entirely of deposits sourced from governments (including provincial and other state-owned enterprises), corporates, and retail customers.

Despite BSP's strong funding structure, we have tempered our assessment to reflect the high risk operating environment, which could undermine the expected stability associated with deposits if a crisis of confidence in BSP (or a broader system-wide event) was to transpire. With stronger lending growth anticipated over the longer-term--notwithstanding our expectation of a temporary slowdown over the next year or so--we expect BSP's key funding ratios to continue their measured deterioration of recent years, although we expect them to remain very strong by international standards. Other funding sources are largely nonexistent in PNG, leading us to believe lending growth will remain predominantly funded by deposits.

Our assessment of BSP's liquidity principally reflects our belief that the bank has sufficient liquidity sources to manage a short-term period, about six months, of general market stress. BSP's cover of short-term sources of funding is very good, with net broad liquid assets covering around 52% of short-term customer deposits (deposits with a contractual maturity less than 12 months). Although a significant proportion of customer deposits have a contractual maturity of less than one month (close to 75% in fiscal 2016), we believe the stability of BSP's deposit base is likely to prevail in the absence of stronger domestic competition for deposits (as well as a clear lack of alternative options for surplus liquidity outside of the banking sector). Coverage of maturing wholesale funding is ample, although this largely reflects the bank's lack of wholesale funding. As a result of the bank's limited reliance on confidence-sensitive funding, we currently do not foresee any large or unusual liquidity needs in the next 12-24 months. While we believe government funding sources may prove less stable than recent experience should they be called upon for operational purposes, which may increase outflows beyond our expectations, we believe the bank has the liquidity resources to meet any unanticipated increase in outflows--particularly as much of BSP's liquidity is in the form of government and central bank paper.

Table 5

Bank of South Pacific Ltd. Funding And Liquidity					
	--Year-ended Dec. 31--				
(%)	**2016**	**2015**	**2014**	**2013**	**2012**
Core deposits/funding base	97.8	97.2	97.4	93.4	98.7
Customer loans (net)/customer deposits	59.7	59.1	53.2	43.5	44.2
Long term funding ratio	98.4	97.9	98.2	94.5	99.4
Stable funding ratio	152.6	152.6	162.4	185.9	175.9
Short-term wholesale funding/funding base	1.8	2.3	2.1	6.1	0.7
Broad liquid assets/short-term wholesale funding (x)	26.7	20.8	25.7	10.5	79.2
Net broad liquid assets/short-term customer deposits	52.1	52.4	52.4	66.5	58.1
Short-term wholesale funding/total wholesale funding	77.5	79.7	74.9	90.2	48.2

External Support:

Our issuer credit rating on BSP is the same as its SACP, reflecting our view of the low likelihood of extraordinary government support should such a need arise. Although we consider BSP to be a highly systemically important bank in PNG, we believe the political and institutional frameworks in PNG remain weak, which could constrain the government's ability to provide timely support, if needed. We also regard the ability of the government to support the banking system as being hindered by the government's own reliance on the banking system, which funds more than half of the government's domestic debt.

Additional rating factors:

We incorporate the economic and industry risks of operating in PNG into our 'b+' SACP for BSP, with the exception of a sovereign default scenario, which we only incorporate into the 'B+' issuer credit rating. Given the bank's concentration in its domestic home market--at around 70% of BSP's operations--and its high exposure to government and central bank debt, at more than 100% of shareholders equity (which doesn't include cash and statutory deposits held with the central bank), we believe BSP would be unlikely to withstand a scenario in which the sovereign defaulted on its debt obligations. As a result, if we were to lower the long-term foreign currency rating on PNG by one notch, we would expect to apply a one-notch negative adjustment to the bank's SACP to align our long-term rating on the bank with our long-term rating on PNG.

Further, if we were to lower the issuer credit rating on BSP, we may keep the issue rating on its subordinated debt unchanged at 'B-'. This is because a lower rating of 'CCC+' implies at least a one-in-three likelihood of default within 12 months, which we may not foresee at that time, given that the rating action on the issuer credit rating on BSP reflects increasing sovereign risks.

Table 6

S&P Global Ratings Risk-Adjusted Capital Framework

	EAD (1)	Basel II RWA (2)	Average Basel II RW (%)	Standard & Poor's RWA	Average Standard & Poor's RW (%)
Government and central banks	10,309	638	6	13,146	128
Institutions	15	15	100	22	144
Corporate	6,933	5,547	80	14,512	209
Retail	2,309	1,935	84	3,422	148
Of which mortgage	1,092	718	66	950	87
Securitization (3)	0	0	0	0	0
Other assets	2,732	1,353	50	7,962	291
Total credit risk	22,299	9,489	43	39,065	175
Equity in the banking book (4)	198	198	100	2,036	1,028
Trading book market risk	--	0	--	0	--
Total market risk	--	198	--	2,036	--
Total insurance risk	--	--	--	1,095	--
Total operational risk	--	0	--	4,412	--
RWA before diversification	--	9,687	--	46,607	100
Total Diversification/Concentration Adjustments	--	--	--	11,831	25
RWA after diversification	--	9,687	--	58,438	125

Table 6

S&P Global Ratings Risk-Adjusted Capital Framework (cont.)	Tier 1 capital	Tier 1 ratio (%)	Total adjusted capital	Standard & Poor's RAC ratio (%)
Capital Ratio before adjustments	1,917	19.8	2,088	4.5
Capital Ratio after adjustments (5)	1,917	19.8	2,088	3.6

Footnotes: (1) EAD: Exposure At Default (2) RWA: Risk-Weighted Assets (3) Securitisation Exposure includes the securitisation tranches deducted from capital in the regulatory framework (4) Equity Exposure includes the minority equity holdings in financial institutions (5) For Tier 1 ratio, adjustments are additional regulatory requirements (e.g. transitional floor or Pillar 2 add-ons)

Related Criteria And Research

Related Criteria

- Use Of CreditWatch And Outlooks, Sept. 14, 2009
- Bank Capital Methodology And Assumptions, Dec. 6, 2010
- Revised Market Risk Charges For Banks In Our Risk-Adjusted Capital Framework, June 22, 2012
- Banks: Rating Methodology And Assumptions, Nov. 9, 2011
- Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Nov. 9, 2011
- Bank Hybrid Capital And Nondeferrable Subordinated Debt Methodology And Assumptions, Jan. 29, 2015
- Quantitative Metrics For Rating Banks Globally: Methodology And Assumptions, July 17, 2013
- Commercial Paper I: Banks, March 23, 2004
- Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions, Nov. 19, 2013

Related Research

- Papua New Guinea Ratings Affirmed At 'B+/B'; Outlook Remains Negative, April 6, 2017

Anchor Matrix

Industry Risk	Economic Risk									
	1	2	3	4	5	6	7	8	**9**	10
1	a	a	a-	bbb+	bbb+	bbb	-	-	-	-
2	a	a-	a-	bbb+	bbb	bbb	bbb-	-	-	-
3	a-	a-	bbb+	bbb+	bbb	bbb-	bbb-	bb+	-	-
4	bbb+	bbb+	bbb+	bbb	bbb	bbb-	bb+	bb	bb	-
5	bbb+	bbb	bbb	bbb	bbb-	bbb-	bb+	bb	bb-	b+
6	bbb	bbb	bbb-	bbb-	bbb-	bb+	bb	bb	bb-	b+
7	-	bbb-	bbb-	bb+	bb+	bb	bb	bb-	b+	b+
8	-	-	bb+	bb	bb	bb	bb-	bb-	**b+**	b
9	-	-	-	bb	bb-	bb-	b+	b+	b+	b
10	-	-	-	-	b+	b+	b+	b	b	b-

Ratings Detail (As Of April 27, 2017)	
Bank of South Pacific Ltd.	
Counterparty Credit Rating	B+/Negative/B
Subordinated	B-
Counterparty Credit Ratings History	
26-Oct-2015	B+/Negative/B
01-Nov-2012	B+/Stable/B
10-Jul-2012	B+/Negative/B
Sovereign Rating	
Papua New Guinea (Independent State of)	B+/Negative/B

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.