



FULL YEAR RESULTS – 31st DECEMBER 2020

Bank of South Pacific Limited (BSP) Group today announced a net profit after tax result of K806.2 million for the financial year ended 31 December 2020. The result was 9.5% lower compared to the prior year and was driven by an increase in impairment expenses to K201.3m (+102.9%) due to the impact of COVID-19 across the Group.

In announcing the 2020 results, Sir Kostas Constantinou, OBE, Chairman of the BSP Board highlighted that notwithstanding the profit reduction, the result reflects a continuing strong underlying performance by BSP which has been able to withstand the significant adverse impact of the COVID-19 pandemic due to its strong balance sheet and prudent provisioning policies.

PNG Bank results, which contributed 75% of Group profits, reduced to K604.0m in 2020, a 9.7% reduction compared to the prior year result of K669.3m. In addition to higher COVID-19 driven impairment expenses, interest income from loans were impacted by a 1% reduction in the indicator lending rate (ILR) on 1st April 2020. Total interest income from domestic loans for PNG Bank reduced by K42.9m year on year, with the ILR reduction having an impact of approximately K56.7m, partially offset by an increase in lending volumes of K208m over the year which assisted to partially offset the negative rate movement.

Key financial highlights for 2020 were:

- Total Group revenues decreased against the corresponding period by 1.2% due to the reduction in BSP PNG's ILR by 1% and overall lower transactional activity across all entities due to COVID-19. This was partially offset by increased lending and investments in government securities over the year with higher volumes partially mitigating reduced margins.
- Revenues across the Group from foreign exchange income declined by K39.5 million, with international travel restrictions resulting in significantly lower scheme card based activities especially in the offshore branches.
- Notwithstanding the challenges, BSP continued to achieve a reasonable portfolio growth with customer loans and advances increasing by K449.0 million to K14.4 billion. Deposits remained strong and increased by 12% to K21.7 billion, supported by improved market liquidity.
- The Group's operating expenses have decreased by K16.7 million compared to prior year, reflecting strong cost containment measures across all businesses to mitigate the COVID-19 related impact on income levels. The cost to income ratio for the Group is at 37.4%, a reduction from 37.7% over the same period last year.
- Total loan and investment provision charges for 2020 was K201.3 million, an increase of K102.1 million from K99.2 million in 2020. The increase was due to higher

provisions taken up to cater for deteriorating macroeconomic factors and the change in risk profile of borrowers affected by COVID-19 related downturns. As a consequence, total balance of bad and doubtful debt provisions increased to K843.7 million from K700.6 million in 2019 driven mainly by additional provisions taken up during the year, partially offset by settlement of loans against available provisions.

- The Group's capital base remains solid. Total capital adequacy at the end of the financial year stood at 23.2%, an increase from 22.0% at December 2019 with a reduced dividend payout rate in 2020 which enabled a higher level of capital to be retained to absorb potential shocks from the pandemic. The capital adequacy ratio exceeds the minimum Bank of Papua New Guinea prudential requirement of 12.0%.

Sir Kostas noted that BSP has assisted customers significantly since the onset of the pandemic by extending COVID-19 support packages to a number of customers, in line with Central Bank approved relief periods applicable in the relevant jurisdictions. He pointed out that it was pleasing to see a number of these customers had managed to revert to full repayments.

The Chairman expressed his appreciation to staff and management across the BSP Group for the 2020 results in a very difficult year.

Sir Kostas Constantinou, OBE

Group Chairman | Bank of South Pacific Ltd

Financial Year ended

Bank of South Pacific Limited and Subsidiaries

Company No	Half yearly	Final	financial year ended
HUBSP0000055.		X	31-Dec-20

Extracts from this report for announcement to the market (see note 1)

K' 000

Sales (or equivalent operating) revenue (item 1.1 + 1.3)	up	-1.18%	2,145,650
Abnormal after tax attributable to shareholders (item (2.5))	gain (loss) of	0.00%	0
Operating profit (loss after tax (before amortisation of goodwill)) attributable to shareholders (item 1.26)	up	-9.43%	806,218
Operating profit (loss) after tax attributable to shareholders (item 1.10)	up	-9.43%	806,218
Extraordinary items after tax attributable to shareholders (item 1.13)	-	0.00%	0
Operating profit(loss) and extraordinary items after tax attributable to shareholders (item 1.16)	up	-9.67%	804,009
Dividend (distributions)			
Final dividend (preliminary final report only -item 15.4) Interim Dividend (Half yearly report only - item 15.5)		97 toea	451,751
Previous corresponding period (Preliminary final report -item 15.6 Half yearly report - item 15.7)		25 toea	117,604
Record date for determining entitlements to the dividend (In the case of a trust, distribution) (see item 15.2)			

Consolidated Profit and loss account

	Current Period K' 000	Previous Corresponding period K' 000
1.1 Sales (or equivalent operating) revenue)	1,447,012	1,391,784
1.2 Share of associates "net profit(loss) attributable to shareholders" (equal to item 16.7)	(11,749)	10,192
1.3 Other Revenue	710,387	769,374
1.4 Operating profit (loss) before abnormal items and tax	1,141,835	1,252,919
1.5 Abnormal items before tax (detail in item 2.4)	0	0
1.6 Operating profit (loss) before tax (items 1.4 + 1.5)	1,141,835	1,252,919
1.7 Less tax	335,617	362,556
1.8 Operating profit (loss) after tax but before outside equity interest	806,218	890,363
1.9 Less outside equity Interest	(2,209)	(250)
1.10 Operating profit(loss) after tax attributable to shareholders	804,009	890,113
1.11 Extraordinary items after tax (detail in item 2.6)	0	0
1.12 Less outside Equity Interest	0	0
1.13 Extraordinary items after tax attributable to shareholders	0	0
1.14 Total Operating profit(loss) and extraordinary items after tax (items 1.8 + 1.11)	804,009	890,113
1.15 Operating profit (loss) and extraordinary items after tax attributable to outside equity interest (items 1.9 +1.12)		
1.16 Operating profit (loss) and extraordinary items after tax attributable to shareholders (item 1.10+1.13)	804,009	890,113
1.17 Retained profits (accumulated losses) at beginning of financial period	2,394,382	2,156,873
1.18 If change in accounting policy as set out in clause 11 of AASB 1018 Profit and loss accounts, adjustments as required by that clause (include brief description)	0	0
1.19 Aggregate of amounts transferred from / (to) reserves	(6,951)	1,336
1.20 Total available for appropriation (carried forward)	3,191,440	3,048,322
1.21 Dividend provided for or paid	(569,191)	(653,940)
1.22 Prior year adjustments	0	0
1.23 Retained profits (accumulated losses) at end of financial period	2,622,249	2,394,382

Profit restated to exclude amortisation of goodwill

1.24 Operating profit(loss) after tax before outside equity interests (items 1.8) and amortisation of goodwill	806,218	890,363
1.25 Less(plus) outside equity interest	0	0
1.26 Operating profit(loss) after tax (before amortisation of goodwill) attributable to shareholders	806,218	890,363

Intangible, abnormal and extra ordinary items

Consolidated- current period

	Before tax K' 000	Related tax K' 000	Related outside equity interest K' 000	Amount (after tax)attributable to shareholders K' 000
2.1 Amortisation of goodwill				
2.2 Amortisation of other intangibles	25,597	7,679	0	17,918
2.3 Total Amortisation of Intangibles	25,597	7,679	0	17,918
2.4 Abnormal items	0	0	0	0
2.5 Total abnormal items	0	0	0	0
2.6 Extraordinary items	0	0	0	0
2.7 Total extraordinary items	0	0	0	0

Comparison of half year profits

	Current year - K' 000	Previous year K' 000
3.1 Consolidated operating profit(loss) after tax attributable to shareholders reported for the 1st half year (item 1.10 in the half yearly report)	381,940	434,909
3.2 Consolidated operating profit(loss) after tax attributable to shareholders for the second half year	422,069	455,204

Consolidated Balance Sheet

	At end of current period K' 000	As shown in last annual report K' 000	As in last half yearly report K' 000
Current Assets			
4.1 Cash	4,084,656	2,839,033	2,700,270
4.2 Receivables	3,305,822	4,407,551	6,854,279
4.3 Investments	2,841,006	2,459,497	2,675,896
4.4 Inventories	0	0	0
4.5 Other(provide details if material)	353,244	366,994	328,261
4.6 Total Current assets	10,584,728	10,073,075	12,558,706
Non Current Assets			
4.7 Receivables	11,793,009	10,587,445	7,713,329
4.8 Investment in associates	202,546	202,040	210,775
4.9 other investments	3,242,225	2,121,071	2,852,343
4.10 Inventories	0	0	0
4.11 Exploration and evaluation expenditure capitalised (see para. 71 of AASB 1022)	0	0	0
4.12 Development properties (mining entities)	0	0	0
4.13 Other property, plant and equipment (net)	931,910	928,075	907,991
4.14 Intangibles (net) and deferred tax	511,330	447,052	466,903
4.15 Other (Investment Properties)	257,690	168,360	224,158
4.16 Total Non current Assets	16,938,709	14,454,043	12,375,499
4.17 Total Assets	27,523,437	24,527,118	24,934,205
Current Liabilities			
4.18 Accounts payables	21,020,057	16,707,604	17,561,557
4.19 Borrowings	0	0	0
4.20 Provisions	175,632	172,753	192,276
4.21 Other (provide details if material)	2,064,725	1,751,894	1,980,514
4.22 Total current liabilities	23,260,414	18,632,251	19,734,347
Non Current Liabilities			
4.23 Accounts payable	760,237	2,715,383	2,085,170
4.24 Borrowings(Promissory Notes)	0	0	0
Consolidated Balance Sheet (continued)]			
4.25 Provisions	69,181	62,451	64,661

4.26 Other (provide details if material)			
4.27 Total non- current liabilities	829,418	2,777,834	2,149,831
4.28 Total Liabilities	24,089,832	21,410,085	21,884,178
4.29 Net Assets	3,433,605	3,117,033	3,050,027
	At end of current period K' 000	As shown in last annual report K' 000	As in last half yearly report K' 000
Equity			
4.30 Capital	372,189	372,310	372,262
4.31 Reserves	438,516	346,513	348,984
4.32 Retained Profits (accumulated losses)	2,622,249	2,394,382	2,324,559
4.33 Equity attributable to shareholders of the parent entity	3,432,954	3,113,205	3,045,805
4.34 Outside equity to shareholders of the parent entity	651	3,828	4,222
4.35 Total equity	3,433,605	3,117,033	3,050,027
4.36 Preference Capital included as part of 4.33	-	-	-

Exploration and evaluation expenditure capitalised

To be completed only by entities with mining interest if amounts are material. Include all expenditure incurred regardless of whether written off directly against profit

	Current Period K' 000	Previous Corresponding period K' 000
5.1 Aggregate of amounts transferred from / (to) reserves	0	
5.2 Expenditure incurred during current period	0	0
5.3 Expenditure written off during current period		
5.4 Acquisition, disposals, revaluation, increments, etc Prior year adjustments	0	0
5.5 Expenditure transferred to development properties		
5.6 Closing balance as shown in the consolidated balance sheet (item 4.11)	0	0

Development properties

To be completed only by entities with mining interest if amounts are material

	Current Period K' 000	Previous Corresponding period K' 000
6.1 Openning Balance		
6.2 Expenditure incurred during current period		
6.3 Expenditure transferred from exploration and evaluation		
6.4 Expenditure written off during current period		
6.5 Acquisition, disposals, revaluation, increments, etc		
6.6 Expenditure transferred to mine properties		
6.7 Closing balance as shown in the consolidated balance sheet (item 4.12)		

Consolidated Statement of Cash Flows	Current Period K' 000	Previous Corresponding period K' 000
Cash Flows related to operating activities		
7.1 Receipts from customers	1,556,496	1,605,387
7.2 Payments to suppliers and employees	(886,940)	(776,812)
7.3 Dividends received from associates	0	0
7.4 Other Dividends received	0	0
7.5 Interest and other items of similar nature received	0	0
7.6 Interest and other finance paid	(89,307)	(167,913)
7.7 Income taxes paid	(372,872)	(383,287)
7.8 Other (due largely to movement in customer deposits, loans & advances)	2,949,942	866,031
7.9 Net Operating cash flows	3,157,319	1,143,406
Cash flows related to investing activities		
7.10 Payment of purchase of property, plant and equipment	(110,475)	(134,888)
7.11 Proceeds from sale of property, plant and equipment	1,787	7,076
7.12 Payment for purchases of equity investments	0	0
7.13 Proceeds from other investments	0	0
7.14 Movement in share trading activities	0	0
7.15 Loans repaid by other entities	0	0
7.16 Other (Government & central Bank Securities)	(1,502,663)	429,961
7.17 Net Investing cash flows	(1,611,351)	302,149
Cash flows related to financing activities		
7.18 Share buyback	(121)	(54)
7.19 Client management trust	0	0
7.20 Repayment of borrowings	(113,418)	(61,153)
7.21 Dividend paid	(569,355)	(653,940)
7.22 Other (provide details if material)(share buy back)	242,215	(41,855)
7.23 Net financing cash flows	(440,679)	(757,002)

Consolidated Statement of Cash Flows (continued)

7.24 Net Increase (decrease) in cash held	1,105,289	688,553
7.25 Cash at beginning of period (see reconciliation of cash)	2,755,102	2,055,929
7.26 Exchange rate adjustment to item 7.25	97,995	10,620
7.27 Cash at end of period (see reconciliation of cash)	3,958,386	2,755,102

Non-cash financing and investing activities

Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows. If an amount is qualified, show comparative amount.

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Reconciliation of cash

Reconciliation of cash at the end of the period (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current Period K' 000	Previous Corresponding period K' 000
8.1 Cash on hand and at Bank	2,897,195	1,816,564
8.2 Deposits at call- From other Banks	1,187,461	1,022,469
8.3 Bank Overdraft		
8.4 Other (provide details) - Due to other banks	(126,270)	(83,931)
8.5 Total cash at end of period (items 7.27)	3,958,386	2,755,102

Ratios**Profit before abnormal and tax sales**

	Current Period	Previous Corresponding period K' 000
9.1 Consolidated operating profit (loss) before abnormal items and tax (item 1.4) as a percentage of sales revenue (item 1.1 & 1.3)	52.93%	57.97%
9.2 Consolidated operating profit (loss) after tax attributable to shareholders (item 1.10) as a percentage of equity (similarly attributable) at the end of period (item 4.33)	23.42%	28.59%

Earnings per share (EPS)	Current Period	Previous Corresponding period K' 000
10.1 Calculation of the following in accordance with AASB 1027: <i>Earnings per share</i>		
(a) Basic EPS (expressed toea)	172.6	190.6
(b) Diluted EPS (if material differently from (a))	n/a	n/a
(c) Weighted average number of ordinary shares ('000) outstanding during the period used in the calculated of the basic EPS	467,235	467,242
NTA backing (see note 7)		
11.1 Net tangible asset backing per ordinary security	7.35	6.67

Details of specific receipts/outlays, revenues/expenses

	Current Period K' 000	Previous Corresponding period K' 000
12.1 Interest revenue included in determining item 1.4(from 1.1)	1,447,012	1,391,784
12.2 Interest revenue included in item 12.1 but not yet received (if material)	136,561	101,066
12.3 Interest expense included in item 1.4(include all forms of interest,lease finance charges, etc)	144,980	193,989
12.4 Interest costs excluded from item 12.3 and capitalised in asset values (if material)	126,117	70,444
12.5 Outlays(except those arising from the acquisition of an existing business) capitalised in intangibles (if material)	0	0
12.6 Depreciation and amortisation	111,770	163,026

Control gained over entities having material effect

see note 8

13.1 Name of entity (or group entities)	nil
13.2 Consolidated operating profit(loss) and extraordinary items after tax of the entity(or group of entities) since the date in the current period on which control was acquired	nil
13.3 Date from which such profit was calculated	
13.4 Operating profit(loss) and extraordinary items after tax of the entity (or group of entities) for the whole of the corresponding period	nil

Loss of control of entities having material effect

14.1 Name of Entity (or group of entity)	nil
14.2 Consolidated operating profit(loss) and extraordinary items after tax of the entity(or group of entities) for the current period to the date of loss of control	nil
14.3 Date to which the profit(loss) in item 14.2 has been calculated	
14.4 Consolidated operating profit(loss) and extraordinary items after tax of the entity(or group of entities) while controlled during the whole of the previous corresponding period	nil
14.5 contribution to consolidated operating profit(loss) and extraordinary items from sale of interest leading to loss of control	nil

Reports for industry and geographical segments

The Bank of South Pacific Limited and its subsidiaries operates in the following segments - provision of banking services, asset financing, stock broking services, fund management and insurance business throughout the Pacific region.

Operating Revenue

Sales to customers outside the economic entity	2,145,650	2,171,350
Inter-segment sales	0	0
Unallocated revenue	0	0
Total Revenue	2,145,650	2,171,350
Segment result (including abnormal items wher	1,141,835	1,252,919
Unallocated expenses	0	0
Consolidated operating profit before tax (equal	1,141,835	1,252,919
Segment assets)	27,523,437	24,527,118
Unallocated assets)	0	0
Total assets (equal to item 4.17)	27,523,437	24,527,118

Dividends (in the case of a trust, distribution)

- 15.1 Date the dividend(distribution) is payable
- 15.2 Record date to determine entitlements to the dividends (distribution) (ie, on the basis of registrable transfers received up to 5.00 pm)
- 15.3 If it is a final dividend, has it been declared? preliminary report only - Special dividend

Amount per security

		Amount per security	Amount
	(Preliminary final report)		
15.4	Final Dividend: Current year:	97 toea	451,751
15.5	Previous year	101 toea	476,389
	Half yearly and preliminary final reports		
15.6	Interim Dividend: Current year	25 toea	117,604
15.7	Previous year	38 toea	177,551

Total dividend (distribution) per security (interim plus final)
(preliminary final report only)

	Current year	Previous year
15.8 Ordinary securities	122 toea	139 toea
15.9 Preference securities		

Half yearly report- interim dividend(distribution) on all securities or

	Current year K'000	Previous year K'000
15.10 Ordinary Securities	25 toea	38 toea
15.11 Preference securities	0	0
15.12 Total	25 toea	38 toea

The dividend or distribution plans shown below are in operation

The last date(s) for receipt of election notices for the dividend or distribution plans

Any other disclosures in relation to dividends (distributions)

Details of aggregate share of profits (losses) of associates & joint ventures

Entity share of associates	Current period	Previous
	K'000	corresponding period K'000
16.1 Operating profit(loss) before income tax	7,781	10,449
16.2 Income tax expense	0	0
16.3 Operating profit(loss) after income tax	7,781	10,449
16.4 Extraordinary items net of tax	0	0
16.5 Net profit(loss)	7,781	10,449
16.6 Adjustment to fair value	(19,530)	(257)
16.7 Net profit(loss) attributable to shareholders	(11,749)	10,192

Material interest in entities which are not controlled entities

The Bank of South Pacific Limited has no material interest(s) in any other entity.

Name of Entity	Percentage of ownership interest held at end		Contribution to operating profit(loss) and	
	Current period	Previous corresponding period	Current period K'000	Previous corresponding period K'000
17.1 Equity accounted associated entities				
Suva Central Limited	50.0%	50.0%	2,674	530
Richmond Limited	61.3%	61.3%	(26,317)	5,426
BSP Finance Cambodia	50.0%	50.0%	12,718	4,235
BSP Finance Laos	50.0%	0	(581)	0
Platform Pacific	50.0%	0	(243)	0
17.2 Total			(11,749)	10,191
17.3 Other material interest	0	0	0	0
17.4 Total	0%	0%	(11,749)	10,191

Issued and quoted securities at end of current period

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

Category of securities	Number issued	Number quoted	Amount paid per share(toea)
18.1 Preference securities (description)			
18.2 Issued during period	-	-	-
18.3 Ordinary Securities	467,229,199	467,229,199	
18.4 Issued during current period	-	-	-
	-	-	-
18.5 Convertible debt securities (description and factor)			
18.6 Issued during current period			
18.7 Options (description and conversion factor)		Exercise price	Expiry date (if any)
Executive Management Share Option Plan			
Executive Management Share Option Plan			
18.8 Issued during current period			
18.9 Exercised during current period			
18.10 Expired during current period			
18.11 Debentures (total only)			
18.12 Unsecured notes (totals only)			

Comments by directors

Comments on the following matters are required by POMSoX or, in relation to the half yearly report, by IAS 34. Half year accounts and consolidated Accounts. The comments do not take the place of the directors report (as required by the companies Act 1997) and may be incorporated into the directors report. For both half yearly and preliminary final reports, if there are no comments in a section state Nil. If there is insufficient space to comment attach notes to this report.

Basis of accounts preparation

If this report is a half yearly report, it is a general purpose financial report prepared in accordance with the listing rules and IAS 34. Half-year accounts and consolidated accounts. It should be read in conjunction with the last annual report and any announcements to the market made by the entity during the period. (delete if preliminary statement)

Material factors affecting the revenues and expenses of the economic entity for the current period

The loan loss provisioning has increased reflecting the tighter economic conditions experienced across all regions in which the Bank operates due to the COVID-19 pandemic.

A description of each event since the end of the current period which has had a material effect and is not related to matters already reported, with financial effect quantified (if possible)

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Changes in accounting policies since the last annual report are disclosed as follows

(Disclose changes in the half yearly report in accordance with IAS 34. Half-year accounts and consolidated accounts. Disclose changes in the preliminary final report in accordance with IAS: Accounting Policies Disclosure)

There have been no changes in accounting policies since the last annual report
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Additional disclosure for trust

19.1 Number of units held by the management company or a related party of it

Nil

19.2 A statement of the fees and commissions payable to the management company

initial service charges
Management fees
other fees

Nil

Annual meeting

(preliminary final report only)

The annual meeting will be held as follows:

Place

Date

Time

Approximate date the annual report will be available

Port Moresby
21 May 2021
10.00am
21 May 2021

Compliance statement

1 This report has been prepared under accounting policies which comply with accounting standards approved by the Accounting Standards Board pursuant to the Companies Act 1997 or other Standards acceptable to POMSoX (see note 13)

Identify other standards used

International Financial Reporting Standards

2 Report the financial statements prepared under the Companies Act 1997 (if separate), use accounting policies.

3 This report does give a true and fair view of the matters disclosed (see note 2)

4 This report is based on financial statements to which one of the following applies.

The financial statements have been audited

The financial statements have been subject to review

The financial statements are in the process of being audited

The financial statements have not yet been audited or reviewed

5 If the audit report or review by the auditor is not attached, details of any qualifications ~~are attached~~ / will follow immediately they are available (delete one)

6 The entity has a formally constituted audit committee.

Date: 24th February 2021



Sign here.....
Sir Kostas Constantinou, OBE
Chairman
Board of Directors



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Robin Fleming, CSM
Chief Executive Officer/Managing Director