



## HALF YEAR RESULTS - 30<sup>th</sup> June 2020

Sir Kostas Constantinou, OBE, Chairman, Board of Directors, Bank of South Pacific Limited (BSP) today released the BSP Group results for the half-year ended 30 June 2020.

Movement restriction measures introduced by all governments in the region to reduce the risk of transmission of COVID-19 has significantly impacted economic activity in all countries in which BSP operates. All of our businesses have been affected with lower transactional banking activity, reduced foreign exchange, contractions in net interest income margins and additional lending provisions.

- The Group recorded a consolidated operating profit after tax of K381.9 million for the 2020 half year, a 12.2% decrease on the consolidated 2019 operating profit after tax of K434.9 million for the comparative period. The lower profits were significantly influenced by reduced income levels due to the impact of COVID-19 movement restrictions and higher debt provisions taken up as a consequence of the changed credit risk profile of borrowers and macroeconomic indicators in all countries across the region that reflected contractions in economic activity. These were partially offset by savings in operating expenses.
- Total Group revenues have decreased against the corresponding period by 1.6% due to the reduction in BSP PNG's indicator lending rate of 1% and overall lower transaction activity across all entities due to COVID-19. This was partially offset by increased income from portfolio growth over the last 12 months.
- Revenues across the Group from foreign exchange income declined from K160.8 million to K145.2 million, with international travel restrictions resulting in significantly lower scheme card based activities.
- BSP bank's underlying growth was impacted, total assets of the bank at the half year 2020 of K22.2 billion compared to K21.9 billion in 2019. Gross loans and advances to customers grew by K47.4 million to K12.5 billion. Customer deposits have increased by K166.9 million to K18.1 billion, driven by additional liquidity injection by regulators to stimulate economic activity.
- The Group's operating expenses have decreased by K6.5 million, reflecting strong cost containment measures across all businesses to mitigate the short-term COVID-19 related impacts on income levels. The cost to income ratio for the Group is at 38.5%, in line with the same period last year. The Bank's cost to income ratio is 37.0% versus 36.4% in 1H-2019.
- Total provision charges for 2020 half year were K111.5 million, an increase of K61.1 million from K50.4 million in 2019. The increase was due to higher Point-In-Time Probability of Default rates, which were impacted by 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 K788.6 million from K700.6 million in 1H-2019.

- The Group's capital base remains strong. Total capital adequacy at 1H-2020 is 21.3%, a slight reduction from 22.0% at December 2019, reflecting the impact of the K451.4 million final dividend payout on 19 June 2020. The capital adequacy ratio exceeds the minimum Bank of Papua New Guinea prudential requirement of 12.0%.

Sir Kostas Constantinou noted that BSP Group had provided support packages for many banking customers since March 2020 and that dialogue with customers remain a key focus for BSP. The Chairman expressed his appreciation to staff and management across the BSP Group for the 1H-20 results, despite very difficult operating conditions.

**Sir Kostas also announced the payment of an interim dividend for 2020 of 25 toea per ordinary share, payable on 16<sup>th</sup> of October 2020.**

The interim dividend of 25 toea per share represents:

- A gross interim dividend amount of circa K116.8 million (2019: K177.6 million)
- An interim payout ratio of 30.6%, (Interim 2019: 40.8%)
- An annualised yield on a current K12.00 share price of 10.08%, below recent prior year averages of 12% due to the impact of COVID-19.

Timing of the dividend payment is as follows:

- Ex-date: Thursday 1<sup>st</sup> of October 2020
- Record date: Wednesday 7<sup>th</sup> of October 2020
- Payment date: Friday 16<sup>th</sup> of October 2020

Sir Kostas added that the Board gave due regard to the impact of COVID-19 on BSP's financial position before approving the interim dividend, in line with BSP's dividend policy, stress tests and capital soundness. BSP's well-capitalised balance sheet enabled the Board to approve a reasonable level of dividend payout despite fairly difficult economic circumstances and enables BSP to fulfil its role in supporting our shareholders and the broader economic recovery.

**Sir Kostas Constantinou, OBE**

Group Chairman | Bank of South Pacific Ltd

Financial Period ended

Bank of South Pacific Limited and Subsidiaries

Company No	Half yearly	Final	financial period ended
HUBSP0000055.	X		30-Jun-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	-1.57%	1,053,746
Abnormal after tax attributable to shareholders (item (2.5))	gain (loss) of	0.00%	-
Operating profit (loss) after tax (before amortisation of goodwill) attributable to shareholders (item 1.26)	up	-12.18%	381,940
Operating profit (loss) after tax attributable to shareholders (item 1.10)	up	-12.18%	381,940
Extraordinary items after tax attributable to shareholders (item 1.13)	up	0.00%	-
Operating profit(loss) and extraordinary items after tax attributable to shareholders (item 1.16)	up	-12.27%	381,546
Dividend (distributions)			
Final dividend (preliminary final report only -item 15.4) Interim Dividend (Half yearly report only - item 15.5)		96 toea	451,369
Previous corresponding period (Preliminary final report -item 15.6 Half yearly report - item 15.5)		101 toea	475,173
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)	710,374	694,096
1.2 Share of associates "net profit/(loss) attributable to shareholders" (equal to item 16.7) ✓	-	-
1.3 Other Revenue	343,372	376,493
1.4 Operating profit (loss) before abnormal items and tax	537,110	608,426
1.5 Abnormal items before tax (detail in item 2.5)	-	-
1.6 Operating profit (loss) before tax (items 1.4 + 1.5)	537,110	608,426
1.7 Less tax	155,170	173,517
1.8 Operating profit (loss) after tax but before outside equity interest	381,940	434,909
1.9 Less outside equity Interest	0	3
1.10 Operating profit(loss) after tax attributable to shareholders	381,940	434,912
1.11 Extraordinary items after tax (detail in item 2.7)	-	-
1.12 Less outside Equity Interest	-	-
1.13 Extraordinary items after tax attributable to shareholders	-	-
1.14 Total Operating profit(loss) and extraordinary items after tax (items 1.8 + 1.11)	381,940	434,909
1.15 Operating profit (loss) and extraordinary items after tax attributable to outside equity interest (items 1.9 +1.12)	(394)	3
1.16 Operating profit (loss) and extraordinary items after tax attributable to shareholders (item 1.10+1.13)	381,546	434,912
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 (IFRS 9 provision adjustment to Investment Securities)		0
1.19 Aggregate of amounts transferred from reserves	0	3,205
1.20 Total available for appropriation (carried forward)	2,775,928	2,594,990
1.21 Dividend provided for or paid	(451,369)	(475,173)
1.22 Aggregate of amounts transferred to Reserves		
1.23 Retained profits (accumulated losses) at end of financial period	2,324,559	2,119,817

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	381,940	434,909
1.25 Less(plus) outside equity interest	-	-
1.26 Operating profit(loss) after tax (before amortisation of goodwill) attributable to shareholders	381,940	434,909

Intangible, abnormal and extra ordinary items	Consolidated- current period	
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	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	14,855	4,457	-	10,399
2.3 Total Amortisation of Intangibles	14,855	4,457	-	10,399
2.4 Abnormal items	-	-	-	-
2.5 Total abnormal items	-	-	-	-
2.6 Extraordinary items	-	-	-	-
2.7 Total extraordinary items	-	-	-	-

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 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	-	-

### 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
<b>Current Assets</b>			
4.1 Cash	2,700,270	2,839,033	1,943,906
4.2 Receivables	6,854,279	4,407,551	7,510,759
4.3 Investments	2,675,896	2,459,497	2,081,213
4.4 Inventories	-	0	-
4.5 Other (provide details if material)	328,261	366,994	368,866
<b>4.6 Total Current assets</b>	<b>12,558,706</b>	<b>10,073,075</b>	<b>11,904,744</b>
<b>Non Current Assets</b>			
4.7 Receivables	7,713,329	10,587,445	7,219,881
4.8 Investments in Associates	210,775	202,040	179,466
4.9 other investments	2,852,343	2,121,071	2,610,889
4.10 Inventories	-	0	-
4.11 Exploration and evaluation expenditure capitalised (see para. 71 of AASB 1022)	-	0	-
4.12 Development properties (mining entities)	-	0	-
4.13 Other property, plant and equipment (net)	907,991	928,075	925,272
4.14 Intangibles (net)	466,903	447,052	395,075
4.15 Other (Investment Properties)	224,158	168,360	154,677
<b>4.16 Total Non current Assets</b>	<b>12,375,499</b>	<b>14,454,043</b>	<b>11,485,260</b>
<b>4.17 Total Assets</b>	<b>24,934,205</b>	<b>24,527,118</b>	<b>23,390,004</b>
<b>Current Liabilities</b>			
4.18 Accounts payables	17,561,557	16,707,604	16,321,035
4.19 Borrowings	-	0	-
4.20 Provisions	192,276	172,753	167,370
4.21 Other (provide details if material)	1,980,514	1,751,894	1,758,850
<b>4.22 Total current liabilities</b>	<b>19,734,347</b>	<b>18,632,251</b>	<b>18,247,255</b>
<b>Non Current Liabilities</b>			
4.23 Accounts payable	2,085,170	2,715,383	2,246,403
4.24 Borrowings (Promissory Notes)		0	
4.25 Provisions	64,661	62,451	61,812
4.26 Other (provide details if material)			
<b>4.27 Total non-current liabilities</b>	<b>2,149,831</b>	<b>2,777,834</b>	<b>2,308,215</b>
<b>4.28 Total Liabilities</b>	<b>21,884,178</b>	<b>21,410,085</b>	<b>20,555,470</b>
<b>4.29 Net Assets</b>	<b>3,050,027</b>	<b>3,117,033</b>	<b>2,834,534</b>

**Consolidated Balance Sheet (continued)]**

	At end of current period K' 000	As shown in last annual report K' 000	As in last half yearly report K' 000
<b>Equity</b>			
4.30 Capital	372,262	372,310	372,327
4.31 Reserves	348,984	346,513	338,815
4.32 Retained Profits (accumulated losses)	2,324,559	2,394,382	2,119,817
4.33 Equity attributable to shareholders of the parent entity	3,045,805	3,113,205	2,830,959
4.34 Outside equity to shareholders of the parent entity	4,222	3,828	3,575
4.35 <b>Total equity</b>	3,050,027	3,117,033	2,834,534
4.36 Preference Capital included as part of <b>4.33</b>	-	-	-

**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 Opening Balance		
5.2 Expenditure incurred during current period		
5.3 Expenditure written off during current period		
5.4 Acquisition, disposals, revaluation, increments, etc		
5.5 Expenditure transferred to development properties		
<b>5.6 Closing balance as shown in the consolidated balance sheet (item 4.11)</b>		

**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 Opening 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		
<b>6.7 Closing balance as shown in the consolidated balance sheet (item 4.12)</b>		



<b>Consolidated Statement of Cash Flows</b>	Current Period K' 000	Previous Corresponding period K' 000
<b>Cash Flows related to operating activities</b>		
7.1 Receipts from customers	1,107,069	1,168,011
7.2 Payments to suppliers and employees	(364,853)	(348,612)
7.3 Dividends received from associates	-	-
7.4 Other Dividends received	-	-
7.5 Interest and other items of similar nature received	-	-
7.6 Interest and other finance paid	(86,210)	(91,290)
7.7 Income taxes paid	(152,293)	(151,276)
Other (due largely to movement in customer deposits, loans & advances)	547,630	(910,233)
<b>7.9 Net Operating cash flows</b>	<b>1,051,343</b>	<b>(333,400)</b>
<b>Cash flows related to investing activities</b>		
7.10 Payment of purchase of property, plant and equipment	(60,561)	(65,644)
7.11 Proceeds from sale of property, plant and equipment	326	7,061
7.12 Payment for purchases of equity investments	-	-
7.13 Movement in share trading activities	-	-
7.14 Proceeds / (Payment) for other investments	-	-
7.15 Loans repaid by other entities	-	-
7.16 Other (Government & central Bank Securities)	(947,633)	357,936
<b>7.17 Net Investing cash flows</b>	<b>(1,007,868)</b>	<b>299,353</b>
<b>Cash flows related to financing activities</b>		
7.18 Share buyback	(48)	(37)
7.19 Client management trust	-	-
7.20 Repayment of borrowings	-	-
7.21 Dividend paid	(451,369)	(475,173)
7.22 Other (provide details if material)	203,252	(13,328)
<b>7.23 Net financing cash flows</b>	<b>(248,165)</b>	<b>(488,538)</b>
7.24 Net Increase (decrease) in cash held	(204,690)	(522,585)
7.25 Cash at beginning of period <i>(see reconciliation of cash)</i>	2,755,102	2,055,929
7.26 Exchange rate adjustment to item 7.25	2,774	6,202
<b>7.27 Cash at end of period (see reconciliation of cash)</b>	<b>2,553,186</b>	<b>1,539,546</b>

**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	1,575,216	1,180,815
8.2 Deposits at call- From other Banks	1,125,054	763,091
8.3 Bank Overdraft		
8.4 Other (provide details) - Due to other banks	(147,084)	(404,360)
<b>8.5 Total cash at end of period(items 7.27)</b>	<b>2,553,186</b>	<b>1,539,546</b>
<b>Ratios</b>	Current Period	Previous Corresponding period K' 000
<b>Profit before abnormal and tax sales</b>		
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)	50.97%	56.83%
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)	12.54%	15.36%

<b>Earnings per share (EPS)</b>	Current Period K'000	Previous Corresponding period K' 000
10.1 Calculation of the following in accordance with AASB 1027: <i>Earnings per share</i>		
(a) Basic EPS	K0.817	K0.931
(b) Diluted EPS (if material differently from (a))	n/a	n/a
© Weighted average number of ordinary shares (K'000) outstanding during the period used in the calculated of the basic EPS	467,237	467,244
<b>NTA backing</b> (see note 7)		
11.1 <u>Net tangible asset backing per ordinary security</u>	5.529	5.221

### Details of specific receipts/outlays, revenues/expenses

	Current Period K' 000	Previous Corresponding period K' 000
12.1 Interest revenue included in determining item 1.1	786,429	792,945
12.2 Interest revenue included in item 12.1 but not yet received (if material)	83,581	92,274
12.3 Interest expense included in item 1.4(include all forms of interest,lease finance charges, etc)	76,055	98,849
12.4 Interest costs excluded from item 12.3 and capitalised in asset values (if material)	-	-
12.5 Outlays(except those arising from the acquisition of an existing business) capitalised in intangibles (if material)	-	-
12.6 <u>Depreciation and amortisation (excluding amortisation of intangibles)</u>	47,449	44,668

**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

(item 1.13)

**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**

**Segments**

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

<u>Operating Revenue</u>		
Sales to customers outside the economic entity	1,053,746	1,070,589
Inter-segment sales	-	-
Unallocated revenue	-	-
<b>Total Revenue</b>	<b>1,053,746</b>	<b>1,070,589</b>
Segment result (including abnormal items wher	381,940	434,909
Unallocated expenses	-	-
<b>Consolidated operating profit before tax (equal</b>	<b>381,940</b>	<b>434,909</b>
Segment assets )	24,934,205	23,390,004
Unallocated assets )	-	-
<b>Total assets (equal to item 4.17)</b>	<b>24,934,205</b>	<b>23,390,004</b>

**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:	96 toea	451,369
15.5	Previous year	101 toea	475,173
	Half yearly and preliminary final reports		
15.6	Interim Dividend: Current year	-	-
15.7	Previous year	-	-

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

	Current year	Previous year
15.8 Ordinary securities	96 toea	101 toea
15.9 Preference securities		

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

	Current year	K'000	Previous year	K'000
15.10 Ordinary Securities		-		-
15.11 Preference securities		-		-
15.12 Total		-		-

The dividend or distribution plans shown below are in operation

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

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Any other disclosures in relation to dividends (distributions)

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**Details of aggregate share of profits (losses) of associates**

Entity share of associates	Current period K'000	Previous corresponding period K'000
16.1 Operating profit(loss) before income tax	-	-
16.2 Income tax expense	-	-
16.3 Operating profit(loss) after income tax	-	-
16.4 Extraordinary items net of tax	-	-
16.5 Net profit(loss)	-	-
16.6 Outside equity interest	-	-
16.7 Net profit(loss) attributable to shareholders	-	-

### 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 of period or date of disposal		Contribution to operating profit(loss) and extraordinary items after tax(item 1.14)	
	Current period	Previous corresponding period	Current period K'000	Previous corresponding period K'000
17.1 Equity accounted associated entities				
Suva Central Limited	50.00%	50.00%	-	-
Richmond Limited	62.50%	61.30%	-	-
BSP Finance Cambodia	50.00%	50.00%	-	-
BSP Finance Laos	50.00%	-	-	-
17.2 Total			-	-
17.3 Other material interest	-	-	-	-
17.4 Total	0%	0%	-	-

### 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	467,233,654	467,241,898	
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 PNGX 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 which the Bank operates due to COVID-19 related measures.

**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)**

Three empty rectangular boxes for describing events.

**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)

Large empty rectangular box for accounting policy changes.

**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

Four empty rectangular boxes for meeting details.

## 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 PNGX Markets.

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

Sign here..... Date: 19th August 2020  
Chairman

Print name... Sir Kostas Constantinou, OBE



CEO

Print name... Robin Fleming, CSM