



**PORT MORESBY STOCK EXCHANGE RELEASE
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**BANK OF SOUTH PACIFIC LIMITED
FULL-YEAR RESULTS – 31 DECEMBER 2009**

Mr. Noreo Beangke, Chairman, Board of Directors, Bank of South Pacific Limited (BSP) today released the consolidated results of the BSP Group for the year ended 31 December 2009.

The 2009 results of the group reflect moderate, but reasonably stable and resilient business conditions in PNG during the year, as some of the effects of the global financial crisis became more directly apparent in the economy. Given these challenges, it is pleasing once again, to announce competitive growth by the Bank and its subsidiaries.

A consolidated operating profit before tax of K378.1 million has been achieved for the 2009 year. This is a 15% increase on the consolidated operating profit before tax of K328.8 million achieved in 2008. After tax profit is K255.5 million, compared to K228.3 million in the prior year.

The Group's total assets in 2009 are K9,398.7 million, a significant 38% increase of K2,590.8 million from K6,807.9 million in 2008. Whilst this growth reflects continuing organic business growth in the Bank of just over K1,160 million in PNG and its Pacific Island branches, Mr Beangke made special mention of the significant achievement that - during a time of general tentativeness in the global business environment - BSP added a further K1,430 million of assets (along with 18 bank branches) through the acquisition of the National Bank of Fiji (t/a Colonial National Bank) and Colonial Fiji Life Limited in Fiji in November 2009, unambiguously underlining the Bank's expansion strategy in the Pacific region.

The Group's banking operation through Bank of South Pacific Limited (BSP), maintained its strong performance in 2009. Market share in loans in PNG is at 52%, up from 51% last year. Market share in deposits is 53%, continuing to reflect the Bank's strong presence in the market. In the Solomon Islands, the bank's operations claim 30% of the market. In Fiji, the acquisition of the National Bank of Fiji significantly improves BSP's overall share of that market from 2% to almost 20%.

The BSP capital base remains in the "well capitalised" status as defined by the regulator, the Bank of Papua New Guinea. Group Capital adequacy is 22%, a reduction from the 23% level as at year-end 2008, this reflecting the strong growth in BSP Group total balance sheet assets. The group capital ratio comfortably exceeds the Bank of Papua New Guinea prudential requirement for well capitalised banks, of 14%. Mr Beangke said that the maintenance of capital at sufficient levels to accommodate growth as well as to provide a cushion against real business risks in the Pacific was central to the long term strategy and planning of the BSP Group. As part of this strategy, in 2009 the bank raised K75.5 million in capital through an inaugural issue of term subordinated notes in PNG, and in March this year, has embarked on a convertible note Issue in Fiji.

Other measures of financial performance indicate continued stability and industry competitiveness. Return on average equity is above 30%, and cost to income ratio is at 46%, a marginal increase of 1% over 2008. Mr Beangke noted that this increase reflects the dual effects of downward external pressure on revenues, and additional costs of a bank in expansion mode. He further elaborated that in a year where deposit interest rates increased and foreign exchange earnings suffered from a lack of foreign currency liquidity, the bank also expended money on starting a long term re-branding and community engagement initiative, commencing a forward-looking strategic transformation program, and undertaking a major domestic capital raising, as well as making a large international business acquisition.

BSP continues at the forefront of the development of electronic banking facilities in the Pacific region. In 2009, BSP introduced SMS banking to the PNG market, where over 50,000 mobile phones were registered by year end. 54 ATM installations, of which 16 were new additions to the fleet, were performed in PNG, along with GPRS eftpos machines in selected locations. Eleven ATMs were commissioned for deployment in the Solomon Islands, and soon after the acquisition of the National Bank of Fiji, 40 ATMs were earmarked for installation in Fiji. At the end of 2009, the BSP Group has nearly 200 ATMs installed across PNG, the Solomon Islands and Fiji.

In conclusion, Mr. Beangke commended the efforts of the BSP executive team, all the staff and fellow Directors in achieving another solid result despite the continued impact of the global recession on regional business conditions. The Bank has commenced on a Transformation Program to modernise the BSP Group in all facets of its business. The Board is confident that BSP is well positioned to meet the challenges of 2010 and to realise its vision of being the leading bank in the South Pacific.



N.N. BEANGKE
Chairman
Port Moresby

11 March 2010