

2015

ANNUAL REPORT

BANK OF SOUTH PACIFIC LIMITED



LEADERSHIP
TEAMWORK
PEOPLE
COMMUNITY
QUALITY
INTEGRITY
PROFESSIONALISM



WE ARE BSP WE ARE PACIFIC

Leading Bank of the South Pacific,
providing **Global Banking Solutions**
locally.

PAPUA NEW GUINEA
FIJI
SOLOMON ISLANDS
COOK ISLANDS
SAMOA
TONGA

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Our Vision

To be the leading financial services provider in our chosen markets helping customers, staff, shareholders, and communities prosper.

Key Features of BSP Strategy

- A Focus on Sales & Service
- High Performing Teams
- Operation Excellence
- Profitable Growth

Our Core Values

- INTEGRITY** We are honest, committed, trustworthy and reliable in our dealings with our customers and each other.
- PROFESSIONALISM** We commit ourselves to continual self - development to achieve standards of excellence in our performance.
- LEADERSHIP** We inspire, we change, and we live our values, and lead by example.
- QUALITY** We are committed to excellence whilst striving for continuous improvement in products and services.
- PEOPLE** We respect and value our people and our customers.
- TEAMWORK** We work with, and for, each other; we progress together.
- COMMUNITY** We respect, value and support the communities in which we operate.

“ Across all levels of the Bank we continue to promote Our Vision and Core Values - Integrity, Professionalism, Leadership, Quality, People, Teamwork and Community. These form an integral part of what we do and everyone at BSP is committed to service and delivery aligned to these values.

- Robin Fleming, Group CEO



Team BSP , Cook Islands.

CHAIRMAN'S REPORT

I am pleased to report to the market, another successful year for Bank of South Pacific (BSP) Group. The majority of our businesses have performed well during a challenging year. Strategically also, a major business acquisition and transition has been undertaken, and a core system upgrade was completed for the Fiji banking operations.

BSP Group audited profit was PKG531.9 million, an increase of 4.8% from 2014. Total assets have grown 16% to PKG18.2 billion.

Macroeconomic conditions have been tight in the economies in which BSP operates, reflecting the general weakness in the global economy that has prevailed over the period. Slowing growth in emerging markets in Asia, led by China, has been a major factor. This has resulted in a reduction in demand for metals and other manufacturing materials. Oil prices have remained depressed due to continuing oversupply.

PNG's export economy has therefore been directly exposed to low export revenues and low foreign direct investment, after the conclusion of the major construction phase of the PNG LNG project.

In the non - PNG economies, the prolonged period of low global growth has had a general dampening effect on local economic activity. Tourism activity has been moderate, as has agriculture. Remittances are also negatively impacted by the state of developed markets affecting the capacity of remitters, as well as changing regulatory rules impacting counterparty banks in source markets.

The latest Standard and Poors assessment of BSP continues to be at the maximum rating possible for a Papua New Guinea based entity (B, negative outlook).

BSP has continued to pursue a strategy of diversification, to balance the existing dependence on the strength of the PNG business. Consistent with the strategy, after announcing its intentions earlier in the year, BSP successfully completed the acquisitions of Westpac's businesses in the Cook Islands, Samoa, and Tonga in July 2015. This was followed by the completion of the transaction for Westpac's Solomon Islands operations at the end of October.

BSP is set to acquire the Vanuatu branch of Westpac in mid- 2016. What is particularly satisfying about this exercise is that the operational and administrative transition of the businesses from Westpac to BSP was directed and undertaken by a project team of BSP staff, calling only on external service providers where necessary.

Following the addition of these businesses to BSP's balance sheet, 27.2% of BSP Group assets are based outside of PNG. As stated in earlier announcements, this transaction truly marks BSP as a South Pacific Bank, committed to partnering with people, businesses and governments in the region to deliver economic development.

BSP's strategic intentions for diversification and expansion into other markets is continually reviewed and considered by the Board and management. BSP also has a strategic mandate to diversify its business in other related lines of financial services.

BSP commenced asset finance operations in Fiji late in 2014, and in PNG at the start of 2015. Both businesses were start - ups from zero market share, but in 2015, have performed above expectation, with plans to continue the growth trajectory in 2016 and beyond into the next cycle of growth activity.

With recent business acquisitions, and with the level of sustained growth that has been experienced by BSP over a period of time, systems, and processes need to adapt to ensure operational and strategic needs are satisfied into the future, and this is also part of the strategic brief subject to regular consideration by BSP, as is the development of its people.

This is why a pleasing aspect of BSP's strategic progress has been the successful core banking system cutover in the Fiji banking operations in September - from an older version to the modern, current version - achieved in virtually one weekend, but prepared and planned, for over three years.

In 2015, BSP was the major sponsor of the very successful Pacific Games hosted in Port Moresby PNG, in July 2015, attended by 24 countries. The event brought out the best in the city of Port Moresby, and galvanised the family spirit of Papua New Guinea. The event also gave BSP the opportunity to bring to life its Core Values of Community, Professionalism, Teamwork, People, Leadership, Quality and Integrity, as a select number of staff and the general public volunteered in various areas of operations and administration, to help stage a sporting event on an unprecedented scale for the Pacific Island region.

BSP Group has managed to produce record results in 2015 despite a slowdown in economic activity generally across its major markets and results that outperform its major competitors. Our key metrics of Return on Equity (ROE), Return on Assets (ROA) and cost to income also showed positive movements. This has also been achieved in the same year as a major business acquisition has been undertaken with very little external support.

The coming year will no doubt be a difficult one, as most observers predict continued contraction in global conditions. PNG's economic fortunes will again be driven to a large extent by the tone of the global economy, and the resultant demand-price performance of commodities. Even with these uncertainties, I remain confident that the resilience and discipline of all of BSP's stakeholders, competitive operations, and the continual review of strategy by BSP Group, will enable BSP to produce another successful year in 2016.

Sir Kostas Constantinou, OBE
Chairman



A BRIEF HISTORY OF BSP

Bank South Pacific Limited opened its doors in 1957 in Port Moresby as a branch of the National Bank of Australasia Limited. In 1995 a consortium of Papua New Guinea businesses acquired the bank creating the first PNG private sector owned bank.

Bank South Pacific purchased the State Owned - Papua New Guinea Banking Corporation (PNGBC - formerly CBA PNG) in 2002 creating the largest Bank in PNG. Other acquisitions followed: National Bank of Solomon Islands 2007, Habib Bank in Fiji in 2006, Colonial Group of Companies (Banking & Life Businesses) in Fiji in 2010.

Bank South Pacific rebranded to become "BSP" in 2009. Our shareholders include major PNG Institutions – IPBC, Nasfund, Nambawan Super, Petroleum Resources Kutubu, Credit Corporation, MVIL, PNG Teachers Savings & Loan, Comrade Trustees, and the International Finance Corporate (IFC).

In 2012, BSP's account opening process employing a tablet computer and instant card issuance, won the award for the world's Best Bank Led Mobile Money Program at the 2012 Connected World Global Awards.

In 2014, BSP Group achieved loan growth of 28%, and a 4% reduction in operating costs, supporting growth in annual profit to over K507 million. There were no increases in fees during the year, but fee income grew as the volume of customer transactions continued to increase, particularly through the electronic banking channels, which now represent more than 80% of total customer transactions. Launch of the new subsidiary company BSP Finance in PNG and Fiji in 2014. BSP has been internationally recognised for its underlying liquidity and capital strength, including "The Banker" 2014 Top 1000 Banks, ranked:

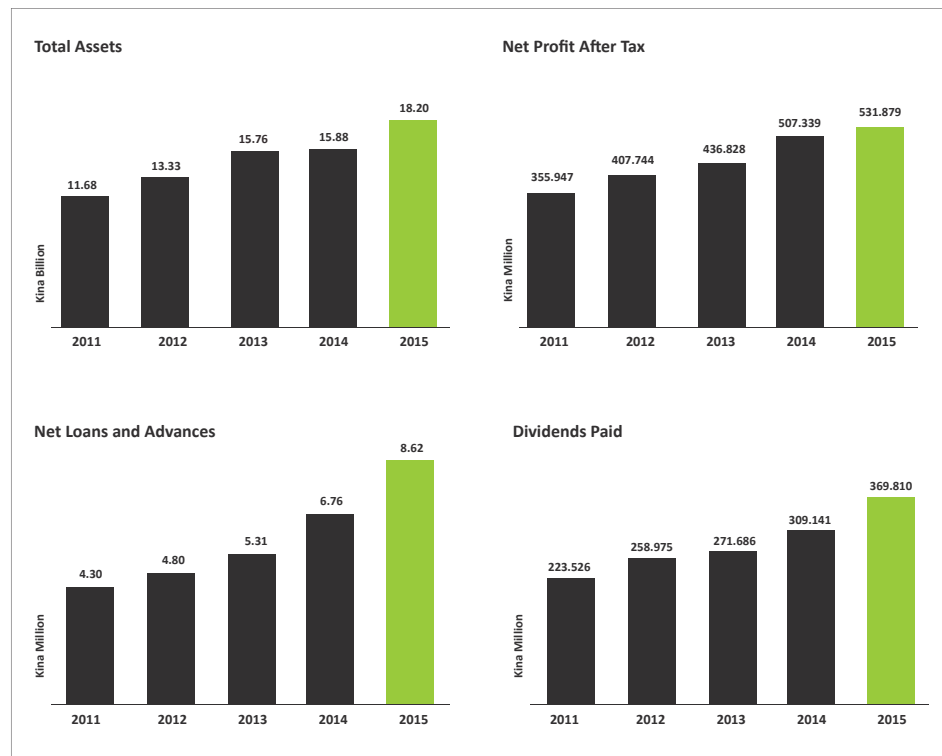
#1 Top 5 Returns on Capital (ROC) in the Asia Pacific (excluding Japan & China).

#1 Top 5 Returns on Assets (ROA) in the Asia Pacific (excluding Japan & China).

#14 Top 25 Return on Capital (%).

2015 was very much a milestone year for BSP in many ways. Despite economic conditions BSP recorded a profit of K531.9 million, representing a 4.8% increase on 2014, for its shareholders. The expansion of BSP across the Pacific also entered a new phase with the acquisition of the former Westpac businesses in Cook Islands, Samoa, Solomon Islands and Tonga, with Vanuatu to complete on July 1st, 2016. During 2015 PNG celebrated its 40th anniversary of independence and the country successfully hosted the Pacific Games in Port Moresby of which BSP was the Official Sponsor.

Bank South Pacific continues to be a dominant force in the market leading the way with innovation and technology.



Livikonimo Koki,
Branch Manager, Goroka, Papua New Guinea.
Pictured with his nephew Enoch Tonny.

BOARD OF DIRECTORS



SIR KOSTAS CONSTANTINOU, OBE | Chairman. Director since April 2009. Appointed Chairman February 2011.

Sir Kostas Constantinou, OBE is a prominent business figure in Papua New Guinea, holding a number of high level public and private sector appointments. He is a Chairman of various companies, including Airways Hotel Limited and Airways Residences Limited, Lamana Hotel Limited, Lamana Development Limited, Alotau International Hotel and Gazelle International Hotel. He is a Director of Heritage Park Hotel, Honiara, and Grand Pacific Hotel, Fiji. Sir Kostas is a Director of listed company: Oil Search Limited. He was Chairman of 2015 Pacific Games Authority from 2011 to 2015, Deputy President of Employers Federation of Papua New Guinea, Honorary Consul for Greece in Papua New Guinea and Trade Commissioner of Solomon Islands to Papua New Guinea.



SIR NAGORA BOGAN, KBE, LLB | Non - Executive Director. Director since June 2003.

Sir Nagora Bogan graduated with a Bachelor of Law from the University of Papua New Guinea in 1978. In 1992, Sir Nagora was appointed Commissioner General of the PNG Internal Revenue Commission. In 1996, he was appointed as PNG's Ambassador to the United States with accreditation as Ambassador to Mexico and High Commissioner to Canada. In 2002, Sir Nagora became a private business entrepreneur. He is Chairman and CEO of In Touch Media Limited, a multimedia/record label company and Director on several private company boards. Sir Nagora received his knighthood during 1997 in recognition of his distinguished public service.



ROBIN FLEMING, CSM, MBA, MMTG | Chief Executive Officer. Director since June 2013.

Robin Fleming was appointed CEO of Bank of South Pacific Limited in June 2013. Before his appointment as CEO, he had been Deputy CEO and Chief Risk Officer since 2009. Prior to that, Mr Fleming held senior executive roles as Chief Risk Officer, General Manager Corporate & International, and Head of Risk Management with BSP. Prior to the merger of Bank of South Pacific Limited and PNGBC Limited, Robin held senior management roles with PNGBC. He has worked in PNG for over 30 years and holds a MBA and a Master of Management from Charles Sturt University.



AUGUSTINE MANO, BEcon, MSc | Non - Executive Director. Director since August 2014.

Augustine Mano is an economist and has been the Managing Director of the Mineral Resource Development Corporation (MRDC) for the last 7 years. MRDC is the entity responsible for managing landowner investments and Mr Mano has led the organisation in undertaking some major investments such as the PNG LNG project and property development and hospitality within PNG, Fiji and Samoa. He has extensive skills and experience in the mining and petroleum sector. He is also involved with construction, transportation and Insurance industry. He holds a Master of Science Petroleum Economics from the Dundee University, Scotland and Bachelor degrees in Economics and Environmental Science from the University of PNG. Mr Mano currently holds Chairman and Directorship in a number of entities, including MRDC and its subsidiaries companies, Hevilift Group, Insurance Pacific and Pearl Resort, PNG Air, GFS and Handy Group.



TOM FOX, OBE, BEc | Deputy Chairman, Non - Executive Director. Director since June 1993.

Tom Fox holds a Bachelor of Economics degree from the University of Papua New Guinea. He commenced his career with the Reserve Bank of Australia, and gained experience in senior management roles within semi-government institutions, and private sector companies, including serving as the Managing Director of the Investment Corporation of Papua New Guinea for eight years. His other current directorships include: Teyo No. 1 Limited, Akura Limited, BSP Capital Ltd, BSP Finance (Fiji) Ltd, BSP Life (Fiji) Ltd and BSP Healthcare Ltd. Mr Fox is also a trustee for the Institute of National Affairs, and a foundation member and Fellow of the PNG Institute of Directors.



FREDA TALAO, LL.M, MPhil, MAICD | Non - Executive Director. Director since April 2012.

Freda is a lawyer and development specialist. She holds a Law Degree from University of Papua New Guinea, Masters in Law (LLM) from Bond University, a Master of Philosophy in Law (MPhil) from University of Queensland and a Diploma in Business from Southern Cross University. Currently, she is Head of the PNG Practice for Oceanic Lawyers in Brisbane, Australia and a member of the External Stakeholders Advisory Panel (ESAP) to the Hidden Valley Joint Venture (HVJV) Mine in Wau, Morobe Province. Freda was Director on several boards previously including the former Civil Aviation Authority (CAA), the Papua New Guinea Mama Graun Conservation Trust Fund, the National Airports Corporation, the Airport City Development Authority, and the Individual and Community Advocacy Forum (ICRAF). She has also held senior executive management roles including Deputy Registrar of the National Court, Executive Director of PEACE Foundation and was a senior development specialist with AusAID. She was one of six PNG women nominated for the Nobel Peace Prize as part of the 1,000 Peace Women for the Nobel Peace Prize Project in 2005 and was awarded an Independence Award for services to women, children and community in 2000.



GEREA AOPI, CBE, MBA | Non - Executive Director. Director since April 2002.

Gereia Aopi has achieved several tertiary degrees in Papua New Guinea, and a Masters of Business Administration from the University of Queensland. Mr Aopi has substantial public service and business experience in PNG, including Secretary of Finance and Planning and Managing Director of Telikom PNG Limited. He presently holds the position of Executive General Manager, Stakeholder Engagement at Oil Search Limited. He was previously the Chairman of Telikom PNG Limited and Independent Public Business Corporation (IPBC). Mr Aopi is a Director of Oil Search Limited, Steamships Trading Company Limited and is involved in a number of other private sector and charitable organisations in Papua New Guinea.



GEOFFREY J. ROBB, BA, MBA, OAM | Non - Executive Director. Director since April 2012.

Geoffrey Robb is a highly qualified and experienced banker having occupied several senior Executive positions including Head of Resource Finance at Bank of America, and Global Head of Acquisition Finance and Head of Complex and Strategic Transactions with ANZ Banking Group. As Head of Bank of America in Melbourne, he led resource financings with BHP, CRA, Elders Resources, Bougainville Copper, Ok Tedi and Porgera. He holds MBAs from the International Management Institute Geneva and Macquarie University. Mr Robb has travelled extensively in emerging markets and has received the Medal of the Order of Australia for his services to mountaineering and charity. He is also on the Board of BSP Capital Ltd, Bank of South Pacific Tonga Ltd. He is Chairman of the Board Audit, Risk and Compliance Committee.



DR ILA TEMU, PhD, MEc | Non - Executive Director. Director since June 2003.

Dr Ila Temu was appointed to his current role as Country Manager Barrick PNG in June 2011. Prior to this, he held senior executive roles in Placer Dome Niugini both overseas and in PNG. He has also held senior positions in a number of other public organisations including Senior Lecturer in Economics at UPNG, Director of the National Research Institute and Managing Director of Mineral Resources Development Company (MRDC). Dr Temu held director and membership roles in Dome Resources, Kina Finance Ltd, PNG Chamber of Mines and Petroleum, IPBC, PNG Employers Federation and was Chairman of PNG Ports Corporation Ltd for 5 years. He is currently a Director of Kumul Petroleum Holdings Ltd, Kina Petroleum Ltd and a member of the Governing body of the Divine Word University. Dr Temu holds a Bachelor of Economics (Hons) from the University of Papua New Guinea, a Masters in Agricultural Development Economics from the Australian National University, Canberra, Australia and a Ph.D in Agricultural Economics from the University of California, Davis, USA.



ERNEST BRIAN GANGLOFF, CPA, MAICD | Non - Executive Director. Director since November 2013.

Ernest Gangloff is an Accountant and registered with CPA PNG and the Accountants' Registration Board. Mr Gangloff has extensive experience in the areas of risk management, internal audit and corporate governance. He has over 30 years professional experience with over 15 years in Senior Management positions. Mr Gangloff retired as Partner with Deloitte in May 2013 and established Gangloff Consulting in June 2013. He is also a director of Gangloff Consulting Ltd, Laurabada Investments Ltd and New Britain Palm Oil Ltd. Mr Gangloff is a Council Member of the Institute of National Affairs and the Vice President of the Business Council of PNG and member of Australian Institute of Company Directors. He is also Adjunct Professor of the School of Business, UPNG.

GROUP CEO'S REPORT

2015 was very much a milestone year for BSP in many ways. Despite economic conditions that became more challenging as the year progressed BSP was able to report another record profit of K\$531.9 million, representing a 4.8% increase on 2014, for its shareholders.

The expansion of BSP across the Pacific also entered a new phase with our acquisition of the former Westpac businesses in Cook Islands, Samoa, Solomon Islands and Tonga, with Vanuatu to complete on July 1st, 2016. During 2015 PNG celebrated its 40th anniversary of independence and the country successfully hosted the Pacific Games in Port Moresby of which BSP was the Official Sponsor.

PNG's economy grew by approximately 9.9% throughout 2015 with the growth driven predominantly by revenues associated by the PNG LNG project. This growth was down somewhat on the 2014 outcome of 13.3% but nevertheless remained well above its South Pacific neighbours and also many of its emerging market peers.

Commodity prices in general and energy prices in particular strongly influenced the PNG economy at a macro level. With significant reductions in oil and LNG prices worldwide, revenues associated with resource projects such as PNG LNG, which had been expected to be strong contributors to Government revenues, contracted substantially.

This was exacerbated to some degree by the onset of El Nino drought conditions in the second half of 2015. The drought affected the operations of the Ok Tedi mine in Western Province with the mine being closed from August 2015 with impact on many local businesses and foreign exchange in flows. Ok Tedi is expected to re-commence operations in March 2016 with rainfall anticipated to permit cargo and copper/gold extracts to move up and down the Fly River. Barrick's Porgera mine was also closed for a short period.

Notwithstanding a realignment of PNG's GDP outcomes to more normalised levels, BSP was able to improve its profit performance in key market segments. Our Corporate Banking team in PNG leveraged its strong relationships with our customers, and BSP's capabilities geographically in all areas of PNG, as well as our reach across all market segments to maximise lending opportunities and cross sell our full range of products and services to these customers. As a result BSP's lending market share in PNG by year end was 55%, an increase from 51.5% at the beginning of the year, with Corporate being the major driver of this growth.

Our Retail team in PNG continued to maximise the retail sales opportunities offered by our extensive and comprehensive network across PNG. There was ongoing emphasis on financial inclusion with almost 200,000 banking accounts opened in 2015, of which 40,000 were fee free for children and students, and 60,000 fee free designated savings accounts. Retail lending, particularly our personal loan and housing loan products were also well promoted and sold by our Retail lending sales teams, and whilst lower full time employment levels had an impact on delinquencies, the performance of this product was still better than plan. A crucial dependency for broader access to housing loans, which is key to wealth creation for individuals, is availability of land and Government initiatives for land availability in the major urban area of Port Moresby should come to fruition in 2016.

BSP's Smart Business SME product offerings were well promoted in all major centres of PNG. Our focus on the SME market segment is unparalleled in PNG and prospects for continued growth in this segment are strong. Strategic focus on development and promotion of our echannels capabilities resulted in increased transactional activity across our extensive network of ATM's merchant terminals, and mobile phone banking.

BSP Fiji maintained its growth trajectory with a profit of F\$31 million which was an increase of F\$9.4 million on 2014 in the most competitive market in the South Pacific. The team in Fiji also successfully delivered a core banking system upgrade in September 2015 ahead of time and under budget which was a great achievement for the project team. BSP Life also performed well with a profit of F\$13.7 million, an improvement of F\$2.7 million on the prior year. The core system upgrade for BSP Life is still progressing and there is renewed focus for completion in 2016.

Our Solomon Islands business also contributed positively in 2015 with a profit of S\$43.2 million being S\$9.7 million above 2014. The Corporate and Retail teams both delivered on their growth targets with ongoing focus on our echannels capabilities and sales. The team in Solomon Islands also successfully merged the BSP and former Westpac teams following the completion of the acquisition of the Westpac business at the end of October 2015.

What is more pleasing from a group perspective is that these exceptional profit outcomes were achieved despite key management and staff in all businesses in PNG being heavily involved in the acquisition of Westpac's businesses in Cook Islands, Samoa, Solomon Islands and Tonga, and their successful transition to BSP. The response from staff in our new countries was positive and engaged and we look forward to their contributions to BSP in coming years.

BSP Finance continued its penetration of the markets in PNG and Fiji, with better than planned financial outcomes. Our expansion plans for BSP Finance continue in 2016 and positive profit contributions are expected this year.

Across all levels of the Bank we continued to promote BSP's Vision and Core Values – Integrity, Professionalism, Leadership, Quality, People, Teamwork, Community. Our Vision and Values were also integral to our integration activities for Cook Islands, Samoa, Solomon Islands and Tonga. The accompanying icare program continues and everyone at BSP is committed to service and delivery aligned to our values and icare.

Our successful Leadership Development Program (LDP) was extended in 2015 with a further 20 staff being added to the program including 2 staff each from Fiji, Solomon Islands, Samoa and 1 each from Cook Islands and Tonga. The LDP for our 35 participants involves in house training, internal secondments, overseas secondments, post graduate courses and management training. This continues to be a significant investment, in terms of both time and money, to develop and groom our staff for the future leadership opportunities that will continue to arise for all our staff across the Pacific.

Special thanks also go to the President and senior management of the Bank of Philippine Islands who facilitate our secondment program. Six staff participated in 12 week secondment with Bank of Philippine Islands during 2015. This program is beneficial in the professional and personal development of our staff in the LDP.

The outlook for BSP remains positive notwithstanding some more challenging global economic conditions, our board led by our Chairman Sir Kostas Constantinou continues to provide management with support to achieve the boards strategic objectives for BSP which are directed to continuous improvement of customer service outcomes, achieving organic growth targets and maximising non organic growth opportunities aligned to our vision.

I wish to thank all staff in BSP, in all our businesses and each of the countries in which we operate, for their efforts and support in delivering these record results for our shareholders, and I look forward to their ongoing commitment in 2016.



Robin Fleming, CSM
Group Chief Executive Officer





Strategic Business Unit Reports

The daily execution of the BSP's business operations is the responsibility of the Strategic Business Units (SBUs). The SBUs are Retail Banking, Corporate, Treasury, Paramount Banking, Group Risk Management, Human Resources, Operations and Information Technology, and Finance & Planning. Here are reports and highlights of each SBU performance in 2015.

RETAIL BANKING

BSP's Retail SBU is responsible for the delivery of banking services via the bank's extensive urban and rural branch network in PNG, the agency network, and electronic banking channels to the Retail segment of the market, including Small and Medium Enterprises (SMEs). It also drives the bank's very active participation in financial inclusion programs. The SBU also provides operational support and oversight to the branches in the Cook Islands, Samoa, Solomon Islands, and Tonga (and Vanuatu when the transaction completes in mid 2016).

In 2015, Retail continued its focus on better access to services for customers, and growth in customer numbers continued.

Services at Kerema, Higaturu, Maprik, Gusap and Banz sub branches were upgraded with BSP's loan origination system being made available so that consumer borrowers could apply for loans at these locations rather than traveling to a branch in the provincial centres. Where loan applications are approved, the documentation and funding is now arranged at the same sub branch. More complex cheque deposit transactions were also enabled at these locations where access to the Kina Automated Transfer (KATS) system was introduced.

Banking services for SMEs were also enhanced during the year and the first dedicated SME Business Centre in PNG was opened by BSP at the Waterfront shopping centre, Port Moresby. The SME Business Centre has dedicated SME loan officers and dedicated tellers assigned to service SME customers.

During 2015 BSP began the process of replacing our VeriFone EFTPoS terminal fleet with new Ingenico EFTPoS terminals. Additional functionality will be added to the Ingenico terminals during the course of 2016.

Customer account numbers continued to grow during 2015 with nearly 200,000 new accounts opened. 30% of this growth was in savings products while a further 20% was growth in Kids and Student accounts. The remaining 50% related to growth in the number of day-to-day transaction accounts. The growth in Kids and Student accounts complemented BSP's ongoing commitment and effort in banking education.

Our efforts with financial inclusion and providing better access to banking services saw the continued growth of our Mobile Banking channel. Transactions for 2015 were 35 million, an increase of 20% growth over the 2014 activities.

BSP also took a major step forward in improving financial system access by making our ATMs and EFTPoS network available to customers of MiBank, a licensed micro bank. Through this arrangement we have assisted MiBank to issue debit cards to their clients, who can now use BSP ATMs or EFTPoS devices in PNG.

Despite a more challenging environment for consumer finance, our personal loan growth was strong again in 2015. New lending under the First Home Ownership Scheme also started to gain some traction as more land was released for development.

CORPORATE

In 2015 Corporate Banking again achieved strong results, improving market share, customer satisfaction and growing profits. We believe our people in Corporate Banking across PNG and the Pacific are our defining competitive advantage; and during the year we continued to invest in attracting, retaining and motivating the best relationship teams.

Our people continue their commitment to our Vision, as a team, to help our customers and communities prosper.

This year Corporate Banking in PNG continued to deliver strong financial performance. The major drivers of this performance were growth in lending, particularly in the area of infrastructure projects, improved cross-

sell of electronic solutions and a significant uplift in Kina lending market share to 56.5%.

Deposits from our Corporate clients grew 28%, well above PNG system, exceeding K700 million during the year.

Customer satisfaction remains the cornerstone of Corporate Banking's strategy and we continue to action required changes to improve our customer-service culture. During 2015 we completed our third customer satisfaction survey, through an independent market research firm, who surveyed over 340 customers. The overall survey results highlighted certain improvements that need to be made to increase customer satisfaction across some key drivers of service including Relationship Management, and Product and Service; and in the coordination of our activities with Retail and Treasury and foreign exchange. Each relationship team has developed action plans to address their individual customers service and collaboration issues.

Consistent with BSP's approach to credit risk, we maintain a strong credit culture across Corporate Banking with focus on prudent credit risks and continue a strong partnership with the Group Risk Management team. Together we proactively monitor and control the quality of the loan portfolio; promptly responding to any sector or customers demonstrating stress in the slowing economic and currency liquidity environment.

BSP's "whole of bank" solution incorporates dedicated relationship management, extensive product suite, electronic solutions, and access to the largest retail branch networks. This makes BSP one of the leading business partners in PNG and across the South Pacific. The Strategic Customer Support team continues to work with internal business partners in Retail, Treasury, and Operations, our key customers and international targets in the oil and gas and mining sectors delivering strong cross business unit and regional engagement, which cannot be matched by our competitors.

TREASURY

The BSP Group operates across the Pacific in six jurisdictions now. Each country has their own discrete foreign exchange regulations and operates in financial markets where foreign exchange (FX) liquidity is derived from a narrow base of export industries and sources, and the dependence on imports are relatively high.

The role of BSP Treasury remains to:

1. foster and enhance relationships with clients to provide Financial Markets services; and
2. manage market risk, funding balance sheet operations, manage liquidity risk, capital and capital planning, in line with prudential requirements, ALCO directives and delegated Board authorities.

PNG Treasury foreign exchange (FX) earnings were above plan for the year. 2015 was challenging, as import demand far exceeded export supply of foreign currency. Lower commodity prices, reduced production affected by El Nino and temporary mine closures placed severe pressure on levels of available foreign currency liquidity and the official rate of exchange.

The official Bank of Papua New Guinea (BPNG) rate of exchange fell steadily, by 13.75%, from US38.55 cents to US33.25 cents, throughout 2015. A stable Kina versus the Australian dollar, had the effect of amplifying the currency imbalance. The Kina fell marginally 2.97% against the Australian dollar from AUD47.06 cents to AUD45.66 cents.

The Bank's FX market share in PNG increased from 31.22% in 2014 to 33.29% in 2015. The Bank's FX turnover fell 4.49%, while PNG FX market turnover reduced by 10.64%. Market share gained came predominantly from the Oil, Mining and Agricultural sectors.

The Bank continued to invest surplus funds in government securities. Government debt yield curves steepened over the course of the year, reflecting evolving fiscal conditions. 28 day Central Bank Bills fell from 1.92% to 1.32%, 91 day Treasury Bills fell from 2.95% to 2.44%, 182 day Treasury Bills were unchanged at 4.65%, whilst 1 year Treasury rose 0.18% to 7.6%. Yields on longer dated Government issued Inscribed Stock increased 0.55% across the board for all series with maturities between 2017 & 2031.

Operationally, PNG Treasury continues to mitigate risk in line with world's best practice and is actively focused on providing technical training, empowering staff to continue their development journey. Treasury dealing staff all sat the Australian Financial Markets Association Foreign Exchange Markets Accreditation examinations in November 2015, and will continue further technical training in Foreign Exchange and Money Markets in 2016. The customer centric Treasury team continue to strive to provide the best financial market solutions to satisfy customer needs, within the PNG regulatory framework.

PARAMOUNT

In 2015, Paramount Banking continued to play a significant role in managing 49% of BSP's liquidity portfolio (which is 27% of the PNG financial system) against another challenging year with lower commodity prices and the temporary closure of Ok Tedi mine.

Key to Paramount Banking's performance is its strategic alliance with the National Government and its key line agencies. Despite the decline in State Revenue, budget cuts and the slowdown of the economy impacted by the fall in commodity prices; Paramount Banking was able to maintain its liquidity portfolio at K5.4 billion.

Paramount Banking participated in the Provincial and District Treasurer's and Administrator's Conference "Wok Bung Wantaim" held in Lae, where various pertinent aspects of Financial Intelligence Unit (FIU) and Proceeds of Crime Act (POCA) were emphasised to address continuous fraudulent activities on Government accounts.

Paramount Banking Community Relations Officers have also taken Financial Literacy training to landowners in the resources extraction and development areas, in partnership with Retail Banking.

In 2016, Paramount Banking will remain focused to improve our market share by maintaining a strong service culture to our segment base, particularly to the overall Government segments, while maintaining strong risk management practices by developing staff further with internal and external training courses.

GROUP RISK MANAGEMENT

Risk management within the BSP Group is independently overseen by various Business Units within the Group Risk Management strategic business unit. BSP has a Board approved Risk Appetite Statement (RAS) that reflects the level of aggregated risk that BSP is willing to assume and manage in the pursuit of its business objectives. The RAS reflects BSP's business and risk strategies which are measured by internal risk - return benchmarks.

Credit

Credit undertakes key activities to manage credit risk. It is responsible for the overall credit quality of BSP's loan portfolio, implementing and reviewing credit policies and industry underwriting standards, monitoring sector concentration limits and portfolio management responsibilities

Credit risk is defined as the potential failure of a borrower or counter party to meet its contractual obligations. Within BSP Group, credit risk is managed by developing and undertaking an ongoing review of a credit risk strategy that identifies our target market acceptance providing a platform to grow the business within defined parameters to build a quality loan portfolio across a broad range of sectors and countries where BSP operates.

Senior BSP Management has the responsibility to implement credit risk strategy including developing policies and procedures for identifying,

measuring, mitigating, monitoring, controlling and on a continuous basis reviewing the effectiveness of the credit risk strategy and inherent credit culture.

Good lending growth across all sectors of the PNG economy was achieved in 2015. Diversification of the loan portfolio across key economic sectors continues to be closely monitored, providing a mitigant to the overall loan portfolio exposures, to ensure that no significant concentration risk develops that may impact the stability of the asset portfolio performance.

The property market continues to be a sector that experienced a re-adjustment with supply outstripping demand leading to lower rental yields and capital growth. BSP continues to monitor the exposure to the property sector undertaking appropriate periodic stress testing of the property loan portfolio.

Overall performance of the loan portfolio remains sound in PNG with solid growth achieved in both the corporate and retail sectors. The Bank's market share has increased in a competitive market to 54%. Loan growth in Fiji and Solomon Islands has been sound as well with Fiji outperforming overall market growth.

In 2015, overall retail delinquency rates increased with higher losses experienced in the Personal Loans portfolio primarily from job losses reflecting the subdued market conditions. However, this remains under constant monitoring and within acceptable tolerance levels. The loan portfolio weighted average risk rating is considered to be sound.

The successful implementation of the automated loan origination system for unsecured personal loans, has resulted in a more consistent origination process and improved turnaround times for approval and funding. The loan origination process is being expanded to all retail loan products including secured personal loans, housing loans, small to medium business sector loans incorporating a credit scorecard that will provide a consistent loan decision and automated origination process providing improved turnaround times for our retail and small business customers.

Lending policies and procedures continue to be reviewed on an ongoing basis to remain relevant to changes in the banking, regulatory and industry sectors. These reviews are due to continuing changing market and product trends focusing on improving controls and reporting in order to keep the Bank aligned with industry best practice for credit risk management standards.

Training remained a key focus in 2015 and will continue into 2016. The Moody's online training introduced in 2012 and completed for circa 90% of Credit and Corporate staff was continued in 2015 with 31 staff to complete the online training in 2016. The online training was complemented with Moody's conducting formal classroom training sessions in Port Moresby. In addition, Credit Management provides weekly in house training sessions with 24 specific credit related learnings conducted during 2015 for Credit and Corporate staff.

Operational Risk

The Operational Risk BU has broad operational risk management responsibilities across the Group. Operational risk is defined as the risk of direct or indirect impacts resulting from human factors, inadequate or failed internal processes and systems or external events. Operational risks are inherent in the Bank's business activities. The Bank has independent Operational Risk functions in PNG, Fiji (both the Bank and Life Insurance operations), Solomon Islands and the newly acquired businesses in Samoa, Tonga and Cook Islands.

The PNG Operational Risk Business Unit has been restructured to accommodate its "Group" functions in terms of maintaining oversight and reporting requirements in all countries where BSP operates. A new senior position as Head of Compliance and AML for the Group has been created reporting directly to Head of Group Operational Risk and Compliance with two other new supporting roles to further strengthen the Bank's capabilities on compliance and AML. In alignment to this strategy, the Bank's Compliance function has been moved from the Company Secretary's office to Operational Risk.

Some of the key highlights during 2015 included:

- Continual staff reinforcement on operational risks, anti-money laundering and fraud detection through risk awareness workshops across the Bank;
- Implementation of new AML monitoring systems;
- Undertaking regular risk and control analysis and where required develop risk mitigation plans for key BSP processes;
- Training of Risk and Compliance Officers in other South Pacific countries where BSP operates;
- Reviewing risk registers for each business unit to help them regularly monitor their key risks and the effectiveness of their internal controls;
- Reviewing the Top Enterprise Wide Risks across the Bank, as well as, the supporting controls to ensure that the risks are effectively mitigated and regularly monitored; and
- Assisting executive management with analysis and regular reporting of operational risk issues.

Asset Management

Asset Management manages the non-performing asset portfolio. During 2015, the easing of the rental returns in the real estate market continued from the previous year with a few property investment loans migrating to non-accrual status. Whilst the rental returns have eased this initially did not reflect in the property prices however this is now having some impact particularly with development properties where premium for potential development has diminished considerably.

Non - accrual loans volume saw an increase in 2015 representing circa 1.4% of the Bank's overall lending volumes in PNG. There is evidence of the market slowdown with the LNG project going from construction to production phase and the scaling back of work forces and business contracts.

We have seen an increase in defaulting consumer loans for 2015. Delinquencies are closely monitored and managed and together with a new automated collection system introduced in early 2015, the process between Retail and Asset Management has been streamlined for better management of delinquent loans.

A careful watch is being maintained on business/corporate loan segment and immediate remedial action being undertaken for any businesses/companies showing signs of stress. Early warning signs and adverse account patterns are identified early with remedial plans in place for Watch List customers.

Credit Inspection

Credit Inspection provides an independent assessment of credit policy compliance and portfolio quality assurance. The primary role of the Credit Inspection Business Unit is to provide a professional, independent risk management function of the best practice standard and portfolio quality assurance which assists members of senior management and the Board via the Board Audit Risk & Compliance Committee (BARCC) in the effective discharge of their responsibilities.

The Credit Inspection Business Unit provides BARCC with independent analysis, objective opinions and recommendations on the quality of credit risk assessment, credit approval, credit risk management, compliance, risk control and credit portfolio reporting concerning the activities reviewed.

This Unit is responsible for the day to day execution of "on-site" inspections (and where applicable "off-site" inspections) of the credit risk portfolio within the Bank and related entities, in all jurisdictions. The main aim is to achieve an early detection of material shortcomings of credit risk and compliance with Group policies.

In 2015, Credit Inspection completed 11 monthly reports for Retail Banking (Personal Lending) and 12 reports for Corporate and Commercial Banking

Relationship Portfolios. For Corporate Banking including Commercial, approximately 44% of the Corporate Relationship Loan Portfolios were reviewed by Credit Inspection.

Audit

Audit undertakes regular internal audits of processes and procedures to maintain compliance with regulations and BSP standards and retains an independent and direct reporting line to the BARCC. The Group Risk Management Unit structure was implemented to allow a clear oversight of all the three risk lines of defence including Audit as the third and last defence in the risk management framework.

BSP has independent internal audit functions for the Group reporting through the Head of Group Internal Audit, functionally to the BARCC and Group CEO and administratively to the Group Chief Risk Officer.

Key audits during 2015 included Information Security, Anti-Virus Protection and Support Services Units. The Internal Audit team also upgraded its audit software in the second half of 2015.

Legal

Legal Services provides the legal services and advice required for the operation of the business.

The Legal Unit provides or sources the legal services and advice required by the Bank in conducting its business, principally in the area of banking, commercial and securities law, litigation (both for and against the Bank) and regulatory compliance. To the extent possible, these services are provided by the five in house lawyers with external lawyers being engaged where deemed necessary or prudent.

HUMAN RESOURCES

The Human Resources SBU continued to support the operations of Bank through its core HR Management functions in 2015. The following initiatives were implemented in collaboration with the respective SBUs in the Bank:

Recruitment

- Secured the continued services of all staff in the Westpac operations in Tonga, Samoa, Cook Islands and Solomon Islands, which BSP acquired.
- Facilitated the secondment of two senior officers to BSP Solomon Islands to fill the roles of Head of Retail and Finance Manager, reporting to the Country Manager.
- Continued our career choice workshops and recruitment fairs with Universities and recruited twenty six (26) graduate trainees for the 2015 Graduate Development Program.

Learning & Development

- The 2015 Leadership Development Program (LDP) cohorts, numbering 15 attended the General Management Program, Strategic Awareness & Business Acumen and Implementing Strategy courses with Melbourne Business School as part of their development. Each of the LDP cohorts also attended two sessions of the Banks EXCO meeting in the year, and participated in a number of Bank Strategic Imperatives project committees to develop their project management and business operations skills/knowledge in the Banking and Financial industry.
- Seconded six LDP staff members out of the fifteen 2015 LDP cohorts to Bank of Philippines Island (BPI) for a period of three months. The participants were given the opportunity to present to the Board one key learning initiative they have identified/ agreed with the respective SBU General Manager for implementation in BSP in 2016.

Ongoing staff training initiatives for 2015 included:

- Held a range of soft and technical skills in customer service, presentation skills, time management, communication strategy and Microsoft Office training at the foundation level.
- Conducted the iCare Customer first and Performance Management System training for employees in Solomon Islands, Cook Islands, Samoa and Tonga as part of the induction program.

Remuneration and Benefits

- Participated in the PNG Hay Market salary/benefit survey.
- Assisted in the development of Long Term Incentive scheme for the Executive Management replacing the Share Option scheme.
- Continued to market the Bank's National Staff Home Ownership Scheme and 150 loans were approved and construction of their houses are proceeding. We have set an eligible employee database, for all National staff and will continue to market the product to eligible employees in 2016.
- Assisted several staff (citizens/non-citizens) seek overseas medical treatment, mainly in the Philippines, Singapore and India through the Medical Insurance Scheme.
- Facilitated Life Insurance benefits payments to deceased employees nominated beneficiaries under the Bank's Life Insurance Policy.

HR Operations

- Conducted the annual employee engagement survey.
- Administration procedures for HR processes were reviewed to increase productivity and improve efficiency.

Total staff in BSP Group is 4,073. PNG has 2,802, Fiji - 803, Solomon Islands - 256, Cook Islands - 56, Samoa - 79 and Tonga - 77. Staff turnover in 2015 was 8% compared to 12% in 2014.

Total training mandays for 2015 was 9,185 equating to 3.0 mandays per employee.

OPERATIONS AND INFORMATION TECHNOLOGY

In addition to support and project activities which the SBU undertakes to support the activities of the Bank, 2015 was characterised with significant tasks related to the purchase of Westpac operations in Solomon Island, Cook Islands, Samoa and Tonga.

Immediately following the announcement for the prospective purchase of Westpac's businesses in January, planning and coordination commenced with both Westpac and our communications and technology partners to enable BSP to take control of the operational infrastructures as soon as possible with least possible impact to the business.

Given the planned immediate transfer of the business post settlement, a Transitional Services Agreement (TSA) was negotiated. This covered a myriad of activities such that the day to day operational processing could continue using Westpac infrastructure whilst BSP worked with vendors to deliver new or amended technologies.

The anticipated duration of the TSA support from Westpac was planned to last at least six months. However, through careful planning and implementation, the larger components of the TSA support were terminated with the corresponding activities being managed directly by BSP in PNG within an average duration of less than four months.

From an operational perspective, whereas Westpac fully supported these Pacific Island Countries from their central base in Fiji, our selected operating model was to rebuild the banking knowledge in country as much as possible but to retain central control over some support activities where risk reduction and economies of scale made significant impact. As such, the PNG operation is providing support for all technological day to day processing, scheme card processing, reconciliations and some aspects of

International Operations.

Changes have been implemented to our operations, to cater specifically for the Pacific Islands Countries which, in some cases such as IT, require work shifts to ensure that assistance is immediately available during their operating time zones.

The end to end migration activities above took significant time and effort by a large group within the SBU, beginning in January and mostly ending at time of the migration of the TSA activities between September and November. This was largely accomplished alongside their normal day to day tasks, demonstrating the level of dedication of BSP's employees to strategic objectives.

In PNG, this year saw the implementation of the third segment of the Kina Automated Transfer (KATS) Project namely Credit Transfers enabling smaller value payments to be processed electronically thereby obviating the need to issue cheques. In the case of BSP, we have interfaced this to the internet banking application such that any credit transfer captured using the channel is immediately processed without the need for manual intervention.

Further development has been made to BSP's Lendfast loan processing application such that, in addition to the automated processing of unsecured personal lending, we have expanded the products supported by the system to include Savings Secured, SME and Housing Loans. This has resulted in much faster turnaround on transactions as well as greater control and auditability. We have also supported the introduction of a new Collections system which facilitates the management of retail collections including prioritisation of cases using predetermined filtering criteria, full details of all customer contact as well as automated generation of account postings.

Within the International Operations area, the business has experienced a four - fold increase in transactional volumes during the past 18 months. Combined with new BPNG Operational Guidelines issued in March 2015 and related compliance requirements, this has resulted in a much greater workload for the team.

In order to better manage fixed assets we have implemented a new Asset Management System covering the full life cycle of assets from initial issuance of purchase order to deployment, maintenance and depreciation on a fully automated basis including accounting interface to our general ledger. This has not only allowed for greater efficiency and control of the asset but has also reduced turnaround time and resource requirements on the invoice approval and payment process.

In terms of construction projects, significant activity has continued throughout this year. Despite construction delays beyond our control, the new Security Building and new Data Centre were delivered during Q4 2015. The former has already been occupied whereas the latter will be activated during Q1 2016.

The aforementioned construction delays have also affected the completion of our new Waigani Head Office (previously referred to as Pacific Operations) which we now expect to be delivered by the end of Q3 2016 with occupation to take place by end of year.

Several sub branches have been delivered including in Banz and Kerevat; Tabubil Branch has been refurbished; Lending Centres have been created within the branch confines of Wewak, Bulolo and Lae Market; a new kiosk has been built within the redevelopment at Jackson's Airport International Terminal and a mini branch was created at the Athletes' Village for the duration of the Pacific Games.

As part of our efforts to implement a property strategy where only strategic assets are owned directly by the Bank, we have disposed of our ownership of Boroko Banking Centre and the shareholding in the property company which owns BSP Haus. In both cases we have retained long term leases for our retail branches operating in these locations.

FINANCE & PLANNING

2015 was a continuation of the constant improvement of key deliverables of reporting for the Group. It was also a demanding but exciting year for the Finance & Planning team with significant resources allocated to successfully acquire and integrate the Westpac businesses into BSP, being involved in due diligence activities right through to processing of settlement entries and inception of reporting protocols.

Also in 2015, a key strategic deliverable was to take ownership of all balance sheet reconciliations to ensure high standards of internal controls in the accounting and reporting system as the BSP group grows in size and complexity.

Westpac Acquisition and Integration

The Finance & Planning team provided solid support for this major strategic initiative during 2015.

BSP delegated authorities were rolled out to each of the new entities. Insurance policies for the business and employees were acquired and upgraded where needed, in line with BSP Group standards and the new members of the BSP family now enjoy the full suite of medical benefits that BSP Group offers to its employees.

Functions which were previously performed by Westpac in Fiji, were transferred to BSP PNG, a key one being the payroll process. Payroll staff members worked with the Westpac Fiji team to adopt the payroll resources, ensuring a smooth transition with all personnel paid correctly and on time from the first pay run. Dividend and Head Office allocation policies and calculations were finalised.

Balance dates for the acquired entities have been converted from September to December for the first set of audited accounts for the newly acquired entities under BSP accounting policies.

Management Reporting

The acquisition of banking operations in Cook Islands, Samoa, Tonga and the Solomon Islands placed additional reporting requirements on those countries and on BSP's head office reporting team. To manage the increasing reporting needs and complexity of the Group, a new consolidation and reporting database was developed.

Smarter planning and diligent task execution allowed the team to meet tight deadlines, reduce month end reporting timelines, and increase subject coverage, improving report format and content for management and key stakeholders.

Strategy and Planning Team

The Strategy and Planning team expanded with the addition of an economist into its ranks in 2015, allowing the production of a Quarterly Economic Bulletin, from June 2015. The team played a more active role in 2015 in the budgeting and strategic planning and reporting cycles, not just in PNG, but also across the new acquisitions in the Pacific.

Data Control and Analytics

In 2015, Data Control and Analytics implemented training it received through its Business Intelligence vendors. This allowed the team to design data

structures that improve processing time and allow improved segmentation analysis in data warehouse; update data structures in financial models to allow for more accurate reporting; and create interactive dashboards for Retail SBU allowing relevant Branch KPI data to be reported.

In addition to Retail, other SBUs have also been supported especially with regards to compliance reporting. Improved systems knowledge has allowed Data Control & Analytics to improve timeliness and accuracy of reporting for the middle office and governance teams in Finance & Planning, for Treasury, ALCO and BPNG reporting.

Data Analytics and Control has also taken on the administration of Tech One, the Bank's procurement, accounts payable and asset management system that was implemented in July 2015, featuring an integrated workflow system and document image management.

Consolidation

With the increasing number of related entities, Finance & Planning, as part of its process improvement initiatives worked on fully automating the consolidation process. Benefits of this new consolidation structure include effective and efficient month end process and more importantly, a controlled process with the capacity to audit and track data flow throughout the consolidation process.

Further benefits include the ability to centralise consolidations with easy data collection and, ease of managing and integrating ledger information across group enterprises.

People

Finance & Planning's nominee in BSP's Leadership Development Program attended courses at the Melbourne Business School, and spent three months at the Bank of Philippine Islands on a secondment with their accounting and corporate planning section, obtaining valuable insights into planning and reporting processes. Key members of the PNG team were deployed to relieve a senior finance and planning role vacancies which arose in the Solomon Islands.

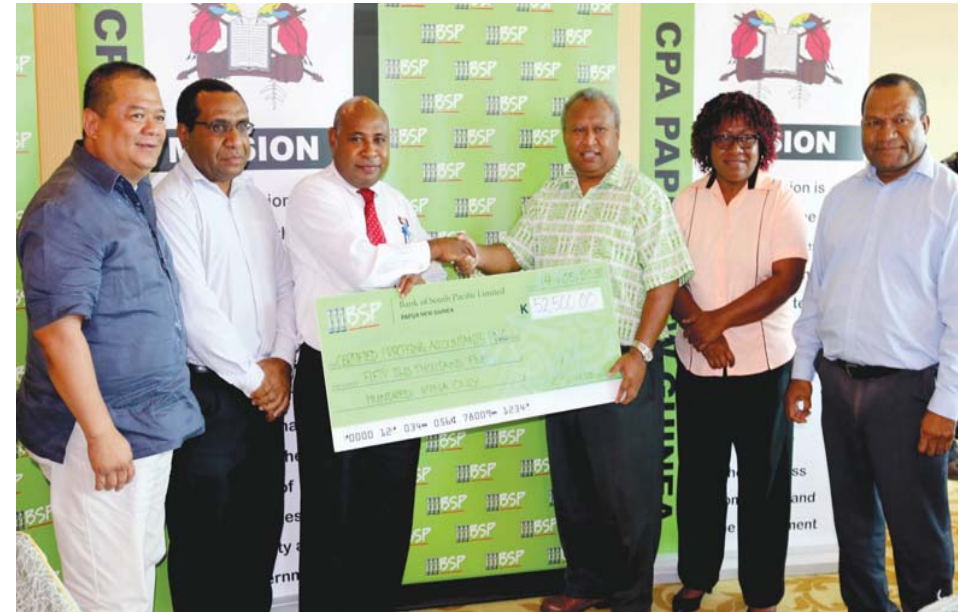
Late in 2015, additional resources have been engaged in the reporting and strategy sections, to increase the capacity of Finance & Planning to deliver on the substantial reporting and strategic challenges that accompany BSP's growth and complexity.

Finance & Planning will continue to:

- Invest in staff skill and knowledge through training and mentorship and scholarships and achieve demonstrable acquisition of new or additional professional expertise, with a corresponding reduction of reliance on external consulting resources.
- Recruit high quality people, whilst retaining and promoting high performers within the team.
- Meet the challenge to deliver a higher quality service, keep up professional development, and set goals that extend its people and benefit the business.



BSP and PNG Ports Corporation limited closed the financing of the State's PGK300 Million investment in the development and expansion of the State's new Port at Motukea Island. Image Courtesy : PNG Ports Ltd



BSP staff are members of various professional groups and the Bank is fully supportive of membership and other sponsorships such as conferences or workshops.



Busy year in construction. Including new Sub Branches. This is the Higaturu Sub Branch in the Northern Province.



BSP SME Centre, Waterfront Foodworld, Port Moresby. The Smart Business SME product offerings were well promoted in all major centres and our focus on the SME market segment is unparalleled in PNG.



ATM Support team during the Pacific Games in Port Moresby.



In 2015 PNG celebrated its 40th anniversary of independence.



BSP Corporate team promote 'whole of bank' solutions during a forum in Lae, Morobe Province.



BSP has a Sumatin Account for school students.



There was increased transactional activity across our extensive network of ATM's, EFTPOS devices and Mobile Banking.



There was ongoing emphasis on financial inclusion with almost 200,000 banking accounts opened in 2015, of which 40,000 were fee free for children and students, and 60,000 fee free designated savings accounts.



BSP partnered with BPNG to roll out financial literacy training.



BSP Leadership Management Development Program participants.



HR team receives BSP's Best Private Sector Employer award.



Locals celebrate Kerevat Sub Branch opening in East New Britain.

Fred Osifelo,
Manager Point Cruz Branch, BSP Solomon Islands.
Pictured here with Rowan Williams, a kid from his community.



Corporate Governance

BSP has adopted an approach to Corporate Governance that is underpinned by our Core Values of Integrity, Leadership, People, Professionalism, Quality, Teamwork and Community.

This approach is supported by a comprehensive framework of Corporate Governance principles and policies. The BSP Board has demonstrated its commitment to developing and maintaining a standard of corporate governance that seeks to match global practice.

The Board ensures that it complies with the requirements of BSP's home exchange, Port Moresby Stock Exchange (POMSOX). It also closely monitors developments in corporate governance principles and practice within Australia and has benchmarked itself against:

- ASX Corporate Governance Council 'Corporate Governance and Best Practice Recommendations'.
- Australian Prudential Regulatory Authority Prudential Standard APS 510.
- Standard Australia AS 8000-2003 Good Governance Principles.

BSP is mindful of the advantages of demonstrating to investors that its corporate governance standards meet the requirements expected of companies listed in countries such as Australia. This Corporate Governance Statement therefore compares BSP's corporate governance practices to the ASX Corporate Governance Council and Best Practice Recommendations.

BSP manages in excess of half the banking market in Papua New Guinea, and is predominantly owned by institutions and individuals in Papua New Guinea.

The Board, management and staff of BSP are very much aware of their responsibilities to the people of Papua New Guinea. The set of Corporate Governance principles developed by BSP is intended to provide a framework that will help to ensure that BSP deals fairly and openly with all its stakeholders – shareholders, customers and staff alike.

BSP publishes its corporate governance practices on its website. This is available at www.bsp.com.pg in the shareholders section.

THE BOARD OF DIRECTORS

Role and Responsibility of the Board

The roles and responsibilities of the Board are defined in the Board Charter. This document also details the matters reserved for the Board and matters that have been delegated to management.

The Board, with the support of its committees, is responsible to the shareholders for the overall performance of the company including its strategic direction; establishing goals for management; and monitoring the achievement of those goals with a view to optimising company performance and increasing shareholder value.

- overall strategy of the company, including operating, financing, dividends, and risk management;
- appointing the Group Chief Executive Officer and setting an appropriate remuneration package;
- appointing General Managers and setting appropriate remuneration packages;
- appointing the Company Secretary and setting an appropriate remuneration package;
- endorsing appropriate policy settings for management;
- reviewing Board composition and performance;
- reviewing the performance of management;
- approving an annual strategic plan and an annual budget for the company and monitoring results on a regular basis;
- ensuring that appropriate risk management systems are in place, and are operating to protect the company's financial position and assets;
- ensuring that the company complies with the law and relevant regulations, and conforms with the highest standards of financial and ethical behaviour;
- acquisitions and disposals material to the business;
- establishing authority levels;

- Directors' remuneration via the Remuneration & Nomination Committee;
- selecting, with the assistance of the Audit, Risk and Compliance Committee, and recommending to shareholders, the appointment of external auditors;
- approving financial statements.

A number of these responsibilities have been delegated by the Board to various committees. The committees and their responsibilities are detailed in Section 2, Board Committees.

The Board has delegated to management responsibility for:

- developing the annual operating and capital expenditure budgets for Board approval, and monitoring performance against these budgets;
- developing and implementing strategies within the framework approved by the Board, and providing the Board with recommendations on key strategic issues;
- appointing management below the level of General Manager and preparing and maintaining succession plans for these senior roles;
- developing and maintaining effective risk management policies and procedures;
- keeping the Board and the market fully informed of material developments.

Membership, Expertise, Size and Composition of the Board

The Corporate Governance Principles affirm that the majority of the Board should be independent. As is typical of small financial markets generally in Papua New Guinea, there are very considerable demands on the relatively small numbers of people with the skills and experience to fill the demanding role of Non-executive Director on the Boards of the Nation's larger corporate institutions.

In these circumstances it is inevitable that a number of the Non - executive Directors of BSP will also have roles on the Boards, or in Senior Management, of institutions that may be significant shareholders in, or substantial customers of the Bank.

Directors of BSP are meticulous in handling situations where there could potentially be conflicts of interest, by declaring their interests in advance, and absenting themselves from any consideration of matters where a conflict might arise. The Bank's Corporate Governance Principles require Directors to disclose any new Directorships and equity interests at each Board meeting.

The maximum number of Directors, as prescribed by the Constitution approved by shareholders, is ten. At the date of this report there are ten Directors, with nine Non - executives designated as independent, plus the Group CEO. Under the Constitution, at each annual general meeting one-third of the company's Directors, in addition to any Director appointed during the year, excluding the Group CEO, must offer themselves for re-election by the shareholders.

Normally, Non - executive Directors are expected to serve a maximum of four three-year terms, dating from the AGM at which the newly elected Director is first confirmed by shareholders.

This provision has effect from the date the Bank took its present form, following the merger of BSP with the Papua New Guinea Banking Corporation in April 2002. In certain instances it may be considered that a director may bring valuable expertise, independent judgement and an ability to act which may determine that it is in the best interests of the Company for a director to serve beyond a fixed term.

The Board has a broad range of skills, experience and expertise that enables it to meet its objectives. Details of the Directors' business backgrounds and experience are provided on pages 8 - 9. The Board accepts that it has a responsibility to shareholders to ensure that it maintains an appropriate mix of skills and experience (without gender bias) within its membership.

Consequently the Board gives careful consideration to setting criteria for new appointments it may recommend to shareholders in accordance with

the BSP Constitution. It has delegated the initial screening process involved to its Remuneration and Nomination Committee which, in accordance with its Charter, may seek independent advice on possible new candidates for Directorships. All Directors must be satisfied that the best candidate has been selected.

Nominees of the Board and/or shareholders must meet the 'fit and proper person' criteria established by the Bank of Papua New Guinea before they can take their place on the Board. The Board does not accept that any office bearer and/or employee of an institutional shareholder, by virtue only of his/her position within that organisation, have an automatic right to be appointed to the Board.

On joining the Board, new Directors will be provided with a comprehensive orientation programme.

Role and Selection of the Chairman

The Chairman is elected by the Directors every two years and holds the position for a maximum of three terms. His role includes:

- ensuring all new Board members are fully aware of their duties and responsibilities;
- providing effective leadership on the company's strategy;
- presenting the views of the Board to the public;
- ensuring the Board meets regularly throughout the year, and that minutes are taken and recorded accurately;
- setting the agenda of meetings and maintaining proper conduct during meetings;
- reviewing the performance of Non-executive Directors;

The Chairman is not permitted to occupy the role of Chief Executive Officer. Sir Kostas Constantinou, OBE, who sits on the Board as an independent Non-executive Director, is the current Chairman.

Director Independence and Conflict of Interest

Directors are determined to be independent if they are judged to be free from any material or other business relationship with the Bank that would compromise their independence.

Prior to appointment Directors designated are required to provide information to the Board for it to assess their independence.

In assessing the independence of Directors, the Board will consider a number of criteria including:

- the Director is not an executive of the bank;
- the Director is not a substantial shareholder of the bank or otherwise associated directly with a substantial shareholder of the bank;
- the Director has not within the last three years been a material consultant or a principal of a material professional adviser to the Bank or a group member, or an employee materially associated with a service provided;
- the Director is not a material supplier to, or customer of the Bank or other group member, or a material consultant to the Bank or other group member, or an employee materially associated with a material supplier or customer;
- the Director has no material contractual relationship with the Bank or other group member other than as a Director of the bank;
- the Director is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Bank.

This information is assessed by the Board to determine whether on balance the relationship could, or could reasonably be perceived to, materially interfere with the exercise of the Director's responsibilities. Materiality is assessed on a case-by-case basis.

As noted earlier, the Board is cognisant of the need to avoid conflicts of interest and it has in place policies and procedures for the reporting of any matter, which may give rise to a conflict between the interests of a Director and those of the Group. These arrangements are designed to ensure that the independence and integrity of the Board are maintained.

The Bank of Papua New Guinea sets prudential limits on loans to 'associated persons': Bank South Pacific fully complies with these requirements. Related Party Transactions are summarised in Financial Note 30. Director's Information on page 88 provides details of the Director's Interests.

Meetings of the Board and Attendance

Scheduled meetings of the Board are held six times a year, and the Board meets on other occasions as necessary to deal with matters requiring attention. Meetings of Board Committees are scheduled regularly during the year. The Board has a policy of rotating its meetings between locations where the Group has a significant presence. On these occasions the Board also visits company operations and meets with local management and key customers.

The Chairman, in consultation with the Chief Executive Officer, determines meeting agendas. Meetings provide regular opportunities for the Board to assess BSP's management of financial, strategic and major risk areas. To help ensure that all Directors are able to contribute meaningfully, papers are provided to Board members one week in advance of the meeting. Broad ranging discussion on all agenda items is encouraged, with healthy debate seen as vital to the decision making process.

Financial Note 27, Directors' and Executive remuneration, provides attendance details of Directors at Board meetings during 2015.

Review of Board Performance

The Remuneration and Nomination Committee reviews the processes by which the Board regularly assesses its own performance in meeting its responsibilities. It is intended to extend the assessment of the Board as a whole to include an assessment of the contribution of each individual Director. The Board is cognisant of the need to continually identify areas for improvement; to ensure that it meets the highest standards of corporate governance; and for the Board and each Director to make an appropriate contribution to the Group's objective of providing value to all its stakeholders. The performance review is conducted annually, and may involve assistance from external consultants.

Board Access to Information and Advice

All Directors have unrestricted access to company records and information and receive regular detailed financial and operational reports to enable them to carry out their duties.

The General Managers make regular presentations to the Board on their areas of responsibility.

The Chairman and the other Non-executive Directors have the opportunity to meet with the Chief Executive Officer and the General Managers for further consultation, and to discuss issues associated with the fulfilment of their roles as Directors.

The Board recognises that in certain circumstances individual Directors may need to seek independent professional advice, at the expense of the company, on matters arising in the course of their duties. Any advice so received is made available to other Directors. Any Director seeking such advice is required to give prior notice to the Chairman of his or her intention to seek independent professional advice.

BOARD COMMITTEES

Board Committees and Membership

The Board has established two committees whose functions and powers are governed by their respective charters. These committees are the Board Audit Risk and Compliance Committee (BARCC), and the Remuneration and Nomination Committee. Membership of the committees and a record of attendance at committee meetings during the year is detailed in table below. Remuneration details are provided in Financial Note 27.

Membership of Board Committees as at 31/12/2015:

	Board Audit Risk & Compliance Committee	Remuneration & Nomination Committee
Geoff Robb	6/6 Chair	
Sir Nagora Bogan, KBE	4/6	
Gerea Aopi	2/2	4/4 Chair
Arthur Sam ¹	6/6	
Freda Talao ²	2/2	4/4
Sir Kostas Constantinou, OBE	2/2*	
Tom Fox	2/2*	4/4
Ila Temu	2/2*	4/4
Ernest Gangloff	6/6	
Augustine Mano	0/0	

¹ Arthur Sam is a non-executive, non-director, appointed by the board for board development purposes. ² Freda Talao attends as an observer director. *Board members who attend the BARCC meeting to discuss the year end and half year accounts.

Committee Charters

The Committee Charters are available in the shareholders information section of the BSP website www.bsp.com.pg.

Committee Structure

Committee members are chosen for the skills, experience and other qualities they bring to the committee. At the next Board meeting following each committee meeting, the Board is given a report by the Chairman of the respective committee and minutes of the meeting are tabled.

The BARCC is comprised of three Non - executive Directors, a majority of whom should be independent, and who are duly appointed by the Board. The Chairman of the BARCC must be one of the independent Directors, other than the Chairman of the Board. Each member should be capable of making a valuable contribution to the committee and membership is reviewed annually by the BSP Board.

The Remuneration and Nomination Committee comprises three Non-executive Directors, the majority of whom should be independent, and who are duly appointed by the Board.

The Chairman of the Remuneration and Nomination Committee must be one of the independent Directors, other than the Chairman of the Board. Each member should be capable of making a valuable contribution to the committee, and membership is reviewed annually by the BSP Board.

A review of the performance of committee members will form part of the Board's performance review.

Board Audit Risk & Compliance Committee

The BARCC is delegated by the Board with responsibility for reviewing and monitoring the:

- integrity of the financial statements and the financial reporting and audit process;
- external auditor's qualifications, performance and independence;
- performance of the internal audit function of the bank;
- performance of the operational risk function of the bank;
- systems of internal control and management of all risks;
- systems for ensuring operational efficiency and cost control;
- systems for approval and monitoring of expenditure including capital expenditure;
- processes for monitoring compliance with laws and regulations (both in Papua New Guinea and overseas);
- implementation of Board decisions by management and making recommendations to the Board for the appointment of the external auditor;
- annual internal audit plan and its ongoing review.

In the course of fulfilling its mandate, the committee meets with both the internal and external auditors without management present.

Annual Financial Statements

The BARCC reviews the annual financial statements to determine whether they are complete and consistent with the information known to committee members and to assess whether the financial statements reflect appropriate accounting principles. In particular it:

- pays attention to complex and/or unusual transactions;
- focuses on judgmental areas, for example those involving valuation of assets and liabilities; provisions; litigation reserves; and other commitments and contingencies;
- meets with management and the external auditors to review the financial statements and the results of the audit;
- reviews the other sections of the Annual Report before its release and considers whether the information is understandable and consistent with members' knowledge about the bank and its operations;
- satisfies itself as to the accuracy of the financial accounts, reconciles them with management accounts presented to the committee, and signs off on the financial accounts of the bank before they are submitted to the Board.

External Audit

The BARCC is responsible for making recommendations to the Board on appointment and terms of engagement of BSP external auditors. The selection is made from appropriately qualified companies in accordance with Board policy.

The Board submits the name of the recommended appointee to shareholders for ratification. In line with the policy of the BPNG, the signing partner in the external audit firm must be rotated at least every three years.

The committee reviews annually the performance of the external auditors and makes recommendations to the Board regarding the continuation or otherwise of their appointment, consistent with the BPNG's Prudential Standard No. 7/2005 - External Auditors, while ensuring their independence is in line with Board policy.

There is a review of the external auditor's proposed audit scope and approach, to ensure there are no unjustified restrictions. Meetings are held separately with the external auditors to discuss any matters that the committee or the external auditors believe should be discussed privately. The external auditor attends meetings of the BARCC at which the external audit and half yearly review are agenda items.

The committee ensures that significant findings and recommendations made by the external auditors are received and discussed promptly, and that management responds to recommendations by the external auditors in a timely manner.

The duly appointed external audit firm may not be engaged by the Group to provide specialist consultancy services relating to financial, strategic and/or taxation matters.

The external auditor is invited to the Annual General Meeting of shareholders and is available to answer relevant questions from shareholders.

The BPNG Prudential Standards provide for a tri-partite meeting between BPNG, the external auditors, and the Bank, if required.

Internal Audit

The BARCC approves, on the recommendation of management, the appointment of Head of Internal Audit. The committee meets regularly with Head of Internal Audit.

Reviews are undertaken of the scope of the work of the internal audit function to ensure no unjustified restrictions or limitations have been placed upon Audit and Risk Departments. The BARCC also reviews the qualifications of internal audit personnel and endorses the appointment, replacement, reassignment or dismissal of the internal auditors.

An independent review by an expert consultant is made regularly as to the effectiveness of the internal audit and risk function.

These reports are presented to the BARCC, and the Board.

The BARCC meets separately with the internal auditors to discuss any matters that the committee, or the internal auditors, believe should be discussed privately. The Internal Auditor has direct access to the BARCC and to the full Board. The committee ensures that significant findings and recommendations made by the internal auditors are received and discussed promptly, and that management responds to recommendations by the internal auditors on a timely basis.

Internal Audit meets with the external auditors half yearly, to review the scope and findings of internal audit's annual audit plan, and the extent of the external audit plan, having regard to internal audit's findings.

Compliance

The BARCC reviews the effectiveness of the systems for monitoring compliance with all legal and regulatory obligations and the Constitution of BSP. It also reviews the results of management's investigation and follow-up (including disciplinary action) of any fraudulent acts, or non-compliance.

The committee obtains regular updates from management and the bank's legal officers regarding compliance matters, and satisfies itself that all regulatory compliance matters have been considered in the preparation of the financial statements.

Reviews of the findings of any examinations by regulatory agencies are undertaken and the Chairman of the BARCC has the right to approach a regulator directly in the event of a prudential issue arising.

Risk Management

The committee's role in the Bank's risk management processes are detailed in the next section on Risk Management.

Board Remuneration and Nomination Committee

The Remuneration and Nomination Committee has been established to assist the Board in fulfilling its oversight responsibilities in respect of Board and Senior Executive Management selection, appointment, review and remuneration.

The responsibilities of the Remuneration and Nomination Committee are:

- oversee the selection and appointment of a CEO and recommend an appropriate remuneration and benefits package to the full Board;
- determine and review appropriate remuneration and benefits of Directors for recommendation to the full Board, and subsequently to the shareholders;
- identify and maintain a clear succession plan for the Executive Management Team, ensuring an appropriate mix of skills and experience as well as appropriate remuneration and benefits packages are in place and reviewed regularly;
- ensure that the Board itself maintains an appropriate mix of skills and experience necessary to fulfil its responsibilities to shareholders while maintaining a world class Corporate Governance regime; receive and endorse positions/titles recommended by the CEO from time to time as applying to designated Senior Executive Management positions;
- review the procedures in place to ensure that all new Senior Executive appointees are adequately qualified and experienced, and that proper

recruitment procedures are followed;

- review and make recommendations to the Board on the appointment and terms and conditions of employment to all Senior Executive Management positions;
- review and approve all termination arrangements for such Senior Executives;
- review transactions between the Group and any of the Directors or relevant Senior Executives;
- review and make recommendations to the Board on employee;
- remuneration and benefits policies and practices generally;
- engage external consultants as and when deemed appropriate to benchmark remuneration packages for Executives and Senior Management;
- review Board performance, tenure, and succession planning.

The Board has in place a review process, led by the Chairman, that involves a peer review of performance based on a broad range of criteria. A performance review has been performed every year since 2010.

RISK MANAGEMENT

Approach to Risk Management

The Group's Risk Management activities are aligned to the achievement of the Group's Objectives, Goals and Strategy. The Board, in consultation with the Executive Committee, determines the Group's risk appetite and risk tolerance. These benchmarks are used in the risk identification, analysis and risk evaluation processes.

BSP distinguishes the following major risks:

Credit Risk: The potential for financial loss where a customer or counter party fails to meet their financial obligation to the Group.

Market Risk: The potential financial loss arising from the Group's activities in financial, including foreign exchange, markets. More detailed commentary on financial risk management is provided in the Notes to the Financial Accounts.

Liquidity Risk: The risk of failure to adequately meet cash demand in the short term.

Interest Risk: Risk to earnings from movement in interest rates.

Operational Risk: The risk of loss resulting from inadequate or failed internal processes, people, or from external events, including legal and compliance risk.

The Group's Asset and Liability Committee monitors market risk, interest risk, and liquidity risk, and the Credit Committee monitors credit risk. Operational risk is monitored by the Operational Risk Committee, including the maintenance of a risk register system that has been implemented across the Group. The Executive Committee and the Board overview the highest tier of risks within these risk registers.

The Group's Risk Management Policy ensures that the Group has in place acceptable limits for the risks identified by employees. The risk management approach encompasses the following:

- defining the types of risks that will be addressed by each functional or policy area (i.e. credit risk, interest rate risk, liquidity risk, operational risk, etc.);
- ensuring that mechanisms for managing (identifying, measuring, and controlling) risk are implemented and maintained to provide for organisation-wide risk management;

- developing information systems to provide early warning, or immediate alert, of events or situations that may occur, or already exist, that could create one or more types of risk for the Group;
- creating and maintaining risk management tools, including those requested by the Board, such as policies, procedures, risk registers, controls and independent testing, personnel management and training, and planning;
- instituting and reviewing risk measurement techniques that Directors and management may use to establish the Group's risk tolerance, risk identification approaches, risk supervision or controls, and risk monitoring processes;
- developing processes for those areas that represent potential risks;
- establishing appropriate management reporting systems regarding these risks so individual managers are provided with a sufficient level of detail to adequately manage and control the Group's risk exposures.

Risk Management Roles and Responsibilities

The Board accepts responsibility for ensuring it has a clear understanding of the types of risks inherent in the Group's activities. Therefore responsibility for overall risk management in BSP is vested with the Board. However every employee from Executive Management to the newest recruit has a responsibility and a part to play in the process.

There is a formal system of financial and operational delegations from the Board to the CEO, and from the CEO to the General Managers. These delegations reflect the Group's risk appetite, and are cascaded down to managers who have skills and experience to exercise them judiciously.

The Board defines the accountabilities (including delegated approval/control authorities/limits) and reporting/monitoring requirements for the risk management process. The severity of risks identified in the risk identification, analysis and evaluation processes, and noted in the SBU Risk Registers, is used to determine the approval/control authorities/limits. The Board reviews these risk limits annually along with an annual review of the Group's significant risks.

The Board has adopted guidelines, with the help of management analysis, covering the maximum loss exposure the Group is able and willing to assume. These guidelines are detailed in the Group's Risk Policy and Procedures Manual which has been externally reviewed and approved by the Board. The Board has also delegated to the BARCC responsibility for overview of loss control and for overseeing the risk management function.

The BARCC is responsible for providing regular reports and recommendations to the Board on the risk management activities of the Group, especially relating to risk issues that are outside of the authority of the Group's Executive Committee to approve.

The Group's Executive Committee is responsible for deliberating on risk management issues which are outside of the delegated authorities/limits of the Credit Committee, Asset and Liability Committee (ALCO) and General Managers, with escalation of these issues to the BARCC, and the Board itself, in case of need.

Management Assurance

The Board is provided with regular reports about BSP's financial condition and its operating performance. Annually, the CEO and the Chief Financial Officer certify to the Board that:

- the financial records of the Group have been properly maintained and that they accurately record the true financial position of the Group;
- the financial statements and notes meet all appropriate accounting standards;
- there are sound systems of risk management and control that are operating effectively;

Additionally all General Managers provide bi-annual statements attesting that;

- they have assessed and documented the risks and internal control procedures in their Strategic Business Unit;
- they have identified any changes in business, operations and computer systems and the risks that may arise from those changes;
- the risk management and internal compliance and control systems are appropriate and operating efficiently and effectively;
- any weaknesses in the risk management and internal compliance and control systems have been identified and remedial action taken.

ETHICAL BEHAVIOUR

BSP acknowledges the need for Directors and employees at all levels to observe the highest standards of ethical behaviour when undertaking BSP business. To this end, the Board has adopted:

- a Code of Conduct for both Directors and members of the Executive Management team of the Group and stipulated that each Director, and relevant employees, acknowledge in writing having read, understood and agreed to abide by the Code; and
- a Corporate Mission, Objectives, and Core Values Statement which establishes principles to guide all employees in the day to day performance of their individual functions within the Group.

To ensure the maintenance of high standards of corporate behaviour on an ongoing basis, the Board further stipulates that senior management periodically undertake an appropriate communication programme to reinforce both the Code and Core Values Statements. All Directors are encouraged to maintain membership of an appropriate Directors' Association to keep abreast of current trends in Directors' duties, responsibilities and corporate governance issues.

BSP is committed to a culture in which it is safe and acceptable for employees, customers and suppliers to raise concerns about poor or unacceptable practices, irregularities, corruption, fraud and misconduct.

The Group has adopted a whistle-blowing policy that is designed to support and encourage staff to report in good faith matters such as:

- unacceptable practices;
- irregularities or conduct which is an offence or a breach of laws of the countries in which BSP operates in (actions and decisions against the laws of relevant countries including non-compliance);
- corruption;
- fraud;
- misrepresentation of facts;
- decisions made and actions taken outside established BSP policies & procedures;
- sexual harassment;
- abuse of Delegated Authorities;
- misuse of Group assets;
- disclosures related to miscarriages of justice;
- health and safety risks, including risks to the public as well as other employees;
- damage to the environment;
- other unethical conduct;
- failure to comply with appropriate professional standards;
- abuse of power, or use of the Group's powers and authority for any unauthorised purpose or personal gain;
- breach of statutory codes of practice.

Directors and management of the Group are subject to Securities Act 1997 restrictions for buying, selling or subscribing for securities in the Group if they are in possession of inside information, i.e. information which is not generally available and, if it were generally available, a reasonable person would expect to have a material effect on the price or value of the securities of the Group.

Further, Directors and management may only trade in the securities of the

Group, subject to the foregoing insider trading restrictions, during each of the eight weeks following the announcements of half yearly profit and yearly profit or the date of issue of a prospectus. Management should discuss proposed share trades with the Chief Executive Officer in advance, who in turn will keep the Chairman of the Board apprised of management activities. Directors should discuss proposed share trades with the Chairman in advance.

In addition Directors and management must not trade in any other entity if inside information on such entity comes to the attention of the Director or management by virtue of holding office as an Officer of the Group.

MARKET DISCLOSURE

The Group's continuous disclosure regime is fundamental to the rights of shareholders to receive information concerning their securities. The most important aspect of the Group's shareholder communication policy is to comply with the continuous disclosure regime and to implement best practice disclosure policy.

Market announcements are posted to BSP's website immediately after release to the market. All market announcements made by the bank since its listing in August 2003 are currently available on the website. Where BSP provides financial results' briefings to analysts or media, these briefings are published on the website as soon as possible after the event. In any event, no material information which has not been previously released to the market is covered in such briefings. The material upon which the briefing is based (such as slides or presentations) is released to the market prior to the briefing.

The Group's insider trading rules are important adjuncts to the continuous disclosure regime in ensuring that shareholders are given fair access to material information regarding securities. BSP seeks to limit the opportunity for insider trading in its own securities through its continuous disclosure policies and the dealing rules applying to its employees and Directors.

SHAREHOLDER COMMUNICATIONS

BSP's Code of Conduct requires its employees to act with high standards of honesty, integrity, fairness and equity in all aspects of their employment with BSP.

With this in mind, BSP commits to dealing fairly, transparently and openly with both current and prospective shareholders using available channels and technologies to communicate widely and promptly. BSP commits to facilitating participation in shareholder meetings, and dealing promptly with shareholder enquiries.

Our shareholder communication policy is built around compliance with disclosure obligations and aspiring to be at the forefront of best practice in disclosure. Our framework for communicating with shareholders is to concisely and accurately communicate:

- our strategy;
- how we implement that strategy; and
- the financial results consequent upon our strategy and its implementation.

The Group uses shareholder forums such as the Annual General Meeting, and group meetings with larger shareholders, within disclosure policies, to communicate financial performance and strategies.

REMUNERATION

BSP remuneration policy for senior management is comprised of a fixed component and an at risk component that is a combination of short term rewards and long term incentives. The remuneration packages of General Managers and the Chief Executive Officer are approved by the Remuneration and Nomination Committee, and details are provided by the committee to the Board.

Fixed remuneration of senior management is reviewed at the time of contract renewal taking into account the nature of the role, the pay position relative to comparable market pay levels, and individual and business performance.

Non-executive Directors are remunerated on a fixed basis within an aggregate Directors' fee pool approved periodically by shareholders. The shareholders in 2014 approved an increase in the pool to K2.5 million. During 2015 K1.74 million of the pool was utilised (2014: K1.66 million).

A table of fees paid to Directors during 2015 is produced on page 68. Non-executive Directors are not paid any retirement or superannuation benefits, nor do they participate in any share option programmes.

HISTORICAL SUMMARY

<i>Profit and Loss (K'000)</i>	2011	2012	2013	2014	2015
Net interest income	597,479	681,554	740,857	884,761	1,006,251
Non interest income	584,867	671,870	781,217	603,737	539,290
Bad and doubtful debt (expense)/recovery	(25,234)	(70,952)	(78,573)	(76,796)	(89,905)
Other operating expenses	(688,621)	(748,346)	(833,849)	(703,085)	(691,084)
Operating Profit	468,491	534,126	609,652	708,617	764,552
Impairment of non-current asset	-	-	(14,967)	-	-
Share of profits from associates	6,496	11,170	12,270	10,233	1,598
Profit before tax	474,986	545,296	606,955	718,850	766,150
Income tax (expense)	(119,039)	(137,552)	(170,127)	(211,511)	(234,271)
Profit/(loss) after tax	355,947	407,744	436,828	507,339	531,879
Dividends (toea)					
Dividends paid per share ¹	47.3	55.0	58.0	66.0	79.0
Balance Sheet (K'000)					
Net loans and advances	4,300,913	4,804,626	5,306,362	6,756,997	8,621,514
Total assets	11,681,293	13,333,102	15,761,420	15,816,507	18,196,303
Deposits	9,366,281	10,860,522	12,200,999	12,708,383	14,595,374
Capital	1,344,188	1,465,893	1,619,060	1,800,193	2,029,176
Performance Ratios					
Return on Assets	3.3%	3.3%	2.8%	3.2%	2.9%
Return on Equity	28.7%	29.0%	28.3%	29.7%	27.8%
Expense/Income	58.2%	55.3%	54.8%	47.2%	44.7%
Key Prudential Ratios					
Capital adequacy	24.2%	22.3%	18.0%	24.0%	23.1%
Liquid Asset Ratio	43.6%	38.9%	41.8%	34.3%	31.5%
Leverage ratio	10.0%	9.0%	7.6%	9.0%	8.9%
Exchange rates (One (1) PNG Kina buys):					
US Dollar	0.4665	0.4755	0.3905	0.3855	0.3325
AUS Dollar	0.4591	0.458	0.4369	0.4708	0.4552

Dividends per share has been adjusted for 10/1 share consolidation in 2011. In 2011, BSP paid a full and final dividend for the 2010 year in June, and an interim dividend for 2011 year, in October. In 2012, BSP paid a final dividend for the 2011 year in June, and an interim dividend for 2012 year in October. In 2013, BSP paid a final dividend for the 2012 year in June, and an interim dividend for 2013 year in October. In 2014, BSP paid a final dividend for the 2013 year in June, and an interim dividend for 2014 year in October. In 2015, BSP paid a final dividend for the 2014 year in June, and an interim dividend for 2015 year in October.

CONTRIBUTIONS BY BSP TO PNG

<i>All Amounts are expressed in K'000</i>	2011	2012	2013	2014	2015
Company income taxes paid to PNG Government	119,590	212,081	155,391	188,627	249,210
Other taxes paid to PNG Government (IWT,FCWT,BWT)	10,091	6,204	4,989	2,568	3,701
GST paid and not able to be recouped	10,703	12,836	14,082	11,024	16,793
Dividends Paid	223,526	258,975	271,686	309,141	367,239
Payments to PNG Based Suppliers/Creditors	240,402	489,754	440,331	314,699	229,985
Payments to PNG Training Institutions	2,133	8,076	6,076	3,787	4,231
Superannuation Payments	5,176	5,873	6,509	6,475	6,955
Salaries, bonuses and allowances paid	144,808	166,064	174,349	162,735	154,943
Commercial Rental Payments	13,094	12,621	12,637	16,159	13,743
Residential Rental Payments	10,396	33,445	36,219	28,294	25,822
Water	144	693	1,069	721	1,208
Power	5,544	8,771	10,517	8,539	9,403
Telecommunication	8,507	13,498	17,016	15,243	14,993
Donations and Sponsorships	3,879	4,192	9,267	9,358	8,218
Total	797,993	1,233,083	1,160,138	1,077,370	1,106,444



Flag raising ceremony, Downtown Port Moresby. BSP staff throughout PNG celebrated Independence Day on September 16th, 2015. The country turned 40.

Teretahiti Isaaka,
Customer Service Representative, BSP Cook Islands.
She is pictured here with her niece Ngaoa Boaza.



Overseas Branches & Subsidiaries

FIJI

The final GDP growth rate for 2015 is expected to be above 4%. This now shows six consecutive years of positive economic growth. The 2015 growth is expected to be broad based led by transport and storage, financial and insurance activities, tourism, wholesale and retail trade and construction. Investment and consumption indicators remain strong.

Inflation remains low at 1.8%. With the recent reduction in VAT from 15% to 9%, it is expected inflation will reduce further. Foreign reserves remain comfortable at F\$1.95 billion and 5.9 months import cover.

Monetary conditions remained accommodative with system liquidity hovering around F\$500 million. Credit growth grew by 13%. This was led by an increase in consumption lending and also an increase in lending for investment purposes.

Financial results for 2015 showed a net profit after tax of \$31 million compared to the 2013 result of \$20.6 million. This is an increase of just over 50%.

The Corporate area performed strongly with portfolio growth of 22% in a highly competitive marketplace. After a challenging start to the year in the foreign exchange market with new entrants to the market pricing very aggressively, we were able to achieve a growth of 26% above 2014.

The Retail bank continued to perform strongly with substantial growth in personal loans, car loan and housing loans. Revenues from our electronic channels – ATM's, EFTPoS, SMS and Internet Banking continue to grow and provide our clients with convenience and world class options for their banking.

One of our most pleasing achievements was the successful implementation of Project BEST, our core banking system upgrade. This project was delivered on September 7th. The project was delivered ahead of time and below budget. Our customers are remarking on the significant changes in customer experience.

SOLOMON ISLANDS

2015 has certainly been a year of excitement and change for BSP Solomon Islands. Early 2015 brought the news that BSP was acquiring the Westpac operations in the Solomon Islands along with the banking businesses in Vanuatu, Cook Islands, Tonga, and Samoa.

With BSP already operating in the Solomon Islands, the acquisition presents some unique challenges for all staff concerned. One of these challenges will involve the integration of two banking systems and related operational procedures, including the merging of back office processes, as quickly as possible in the post-acquisition period.

The much anticipated settlement occurred on October 30th, 2015. The conversion of the appearance and physical branding of the branch from Red to BSP Green was completed over that weekend and all staff involved are to be commended for their efforts.

The transaction went relatively smoothly and was preceded by various planning activities involving both BSP and Westpac staff to ensure a joint effort in the transition of products and services for customers.

2015 has been a very good financial year for BSP Solomon Islands with a NPAT of SBD\$43.2 million which is up 29% on 2014. The result also takes into account approximately SBD\$8 million of costs related to the acquisition of the Westpac branch. Major growth areas of 2015 have been in the Loan portfolio (75% up on 2014 including SBD\$308 million acquired from Westpac) and Foreign Exchange income (55% up on 2014).

Excluding Westpac acquisition costs, expenses for 2015 were generally in line with prior year. All of these combined together has resulted in an excellent year for BSP Solomon Islands Mobile Banking and Financial Inclusion remains a great focus for BSP Solomon Islands. During 2015 the following was achieved:

- Agencies have increased from 31 to 67. Continued improvement of the Telecommunications GPRS signal will enable us to increase this number further.
- Financial Literacy has now been delivered to over 23,000 participants

- Nine staff trained as trainers for the rollout of the new Financial Literacy Course. This course will be rolled out to the people of the Solomon Islands in 2016

2015 has seen, for the first time, two Solomon Island staff placed on BSP Leadership Development Programme and also we introduced our own Development Programme for two junior staff, which will see them fast tracked through all areas of banking and into senior roles. Our staff are the future of BSP Solomon Islands and we must continue to develop their skills.

While official reports on the Solomon Islands Economy shows growth of 2.9%, the business community remains very buoyant and it is expected BSP Solomon Islands will continue to grow in 2016.

All staff are to be congratulated on a very successful 2015.

COOK ISLANDS

2015 has been challenging but rewarding year for BSP in the Cook Islands. Contrary to the scepticism of the local community the transition from Westpac in July 2015 was an outstanding success. The public and our customers have warmed to the BSP brand which is indicative of the hard work put in by staff prior to and post transition. The results are pleasing and all staff are commended for their efforts.

Central to the success of the transition was our active community engagement and local branding showcasing our commitment to the Cook Islands. In November of 2015 we commissioned over 100 professional photographs featuring our long serving local staff and loyal businesses in iconic Cook Islands locations. The best 25 photographs were turned into canvases which were launched at our annual client Christmas function and now adorn the walls of our branch in Rarotonga. The local photos will be used in our branding, advertising and marketing initiatives into the future which will be well received by our local community.

BSP Cook Islands has achieved NPAT of NZD0.997 million in the period of operations under BSP ownership. The balance sheet has grown 5.7%, with loans increasing to NZD\$87.5 million and deposits increasing to NZD100.8 million. The financial results reflect a successful transition, with the customer base intact, minimal disruptions to channel activities and customer services, timely rebranding, and systems and communications capabilities maintained throughout.

SAMOA

The 2015 financial period has delivered a strong financial performance, since the BSP acquired the Westpac Bank Corporation and other Minority shareholdings in Westpac Bank Samoa Limited.

This performance has been achieved against a flat but stable local economic environment, that has seen BSP Samoa perform above system growth in its key revenue sectors. Pleasingly the Bank has also continued to strengthen its Balance Sheet through a prudent growth strategy whilst at the same time managing stressed assets.

Financial Results showed NPAT of WST4.3 million for the period since acquisition, largely driven by strong Balance Sheet operational performance as evidenced by increased income levels and significant reduction in total expenditure.

Both the corporate commercial and consumer areas performed strongly, with portfolio growth above system performance. Despite a highly competitive marketplace, loans increased by 10% over the period. This has been done whilst the Bank has maintained its focus on credit quality and customer retention following transitioning from Westpac Bank Corporation.

Customer growth has continued during the period with the Bank now having over 40,000 clients. We have continued our focus on making banking easier for customers which has seen us expand our Agents to 23 nationwide, with good growth experienced in the number of transactions conducted via this channel.

Our emphasis this year for our people has been development through

training and coaching, from both internal and external sources. This has culminated in improved productivity across our business as seen in the annualised revenue per employee having risen by 12%.

Our BSP Scholarships to support children from disadvantaged backgrounds remains one of our key community initiatives, with this year BSP sponsoring 40 school children throughout the year. Additionally for the 6th year in a row we have supported the women of Samoa by covering the educational costs of 10 Samoan women in secondary school.

The economic outlook for the year ahead is expected to remain stable with a moderate uplift in the tourism and agricultural sectors. The business is well placed with good forward momentum across its key areas and is underpinned by a disciplined approach to how we manage the business.

Our balance sheet is strong and we have an energetic and committed staff. We will continue to build a high performing culture and subsequently look to embed the core BSP values in all our actions.

The Bank has a long and proud history of being active in the community, with a particular focus on health, education and environmental initiatives.

All of our employees are to be commended for their ongoing dedication and commitment to our business despite the challenges of transition from Westpac Bank to BSP. Our customers and shareholders also deserve special mention for their continuous support and loyalty. We look forward to a successful 2016.

TONGA

It has been a very exciting and successful year for BSP Tonga. On July 10th 2015 the sale of Westpac to BSP took place and our branches in Tongatapu and Vava'u were transformed over the weekend and BSP Tonga was born.

Overall the transition went smoothly, with some minor teething issues in relation to overseas payments, which were quickly resolved, working together with the PNG team. BSP has been very well received by customers and staff alike.

The official opening of BSP Tonga took place on July 27th 2015 with the ribbon cut by their Royal Highnesses Crown Prince 'Ulukalala Tupouto'a and Princess Sinaitakala Tuku'aho. BSP CEO Robin Fleming also officiated at the ceremony.

Since the transition to BSP, the business has achieved some key achievements:

- Customer number increased by 12%.
- Over 1,000 people participated in our financial literacy program.
- Go Green School Clean Up at 10 schools.
- Loan book growth of 5%.
- BSP's icare training rolled out to all staff.
- Instant card facility introduced.

A profit of TOP2.9 million has been achieved in the period since the acquisition by BSP. Loans have increased to TOP104.5 million, and deposits are at TOP146.7 million. The bank's total assets stand at TOP219.9 million. Staff have worked diligently in this initial period, and are to be commended for their efforts.

BSP CAPITAL LIMITED

Our results for 2015 were mixed compared to 2014. Global markets and volatility contributed to negative investor sentiment and tough market conditions throughout most of 2015. Nevertheless we saw modest growth in our Funds Management business; we remain the largest broker by market share and finally we have participated in several Corporate Advisory transactions at a time when competition is intense and client and investor activity is subdued.

We continue to provide an integrated solution to clients alongside our BSP colleagues in Corporate and Retail Banking, Paramount and Treasury.

Fund Management

- Our total Funds Under Management (FUM) grew by 10.5% to K1.315 billion as at end December 2015. This growth is very pleasing in that we have had steady growth now for 3 years from quite modest levels of below K400m (FUM) as at end December 2012.

- Of particular significance is the growth of our retail Funds Under Management by 38% within the overall business during the year.

Share Broking

- Whilst we retained our position as the largest broker in PNG, our brokerage volume fell by 30% in 2015 compared to the results of 2014. However it needs to be said that overall volumes in the entire market were down by about 70% year-on-year.

- We continue to explore opportunities to grow this business with continued investor education seminars in PNG as well as our partnership with counterparty brokers in Australia and the USA.

Corporate Advisory

- 2015 was a subdued year for our Corporate Advisory business in terms of revenue. A number of assignments were put on hold due to tough market conditions whilst in some cases assignments that had commenced were not completed during the year and were expected to reach conclusion during 2016.

- Our work now covers clients and assignments in PNG as well as the South Pacific.

BSP LIFE FIJI

The 2015 achievements in both financial and strategic actions were pleasing overall but not without challenges. Our strong financial performance recorded in 2014 in our Life business continued into 2015 with results exceeding targets. The Health business however experienced difficulties, affected by high claims experienced towards the end of the year. Progress was made with our key strategic initiatives.

2015 saw the on-going execution of major initiatives planned for the year including:

- The Health functionality of the new system implemented in 2014 underwent a post implementation review with fixes fully resolved in 2015. The Life functionalities implementation is currently underway. Progress is being made towards completion of business and data migration requirements.

- The continued aggressive quality growth stance on both Life and Health New Business through the Agency and the Broker Channels respectively and distribution through the Bank. 'Bula Secure' the new Unsecured Personal Loan insurance product launched through the Bank channel, continues to do well.

- The successful launch of the Bula Smart product, the first non-underwriting Life product in Fiji, reached projected sales anticipated in its first year in the market.

- The focus on business quality and conservation efforts which saw strong inforce growth and stable persistency rate.

- The continued progress on the gated community accommodation project in Suva, 'The Domain'. The development consists of a 10 - unit townhouse and 5 executive homes in a gated community is expected to be completed by end of March 2016.
- The continued focus on investments subsidiaries' performances resulting in the marked improvements in their performances and values. Significant progresses were also made in developing strategic partners for certain subsidiaries and further investments planned for others.

We had a very strong 49% growth in Health new business and a 24% growth in Life new business. The focus on conservation saw the Life inforce portfolio increasing by F\$6 million to F\$63.1 million. The 13th month persistency rate of 75% is at pleasing similar level as last year.

Financial Performance

The Insurance Group NPAT for 2015 was FJD\$13.3m, 34% above NPAT for 2014. After adjustment for non-operating items NPAT is FJD\$13.7 million, ahead of expectations. The Life business achieved very strong profit performance, while the Health business favourable experience for the first half of the year was offset by high claims towards the end of the year.

BSP FINANCE LIMITED

BSP Finance is the asset finance subsidiary of BSP. It owns and operates two subsidiaries in PNG and Fiji respectively, offering commercial loans, finance leases and term deposit products predominantly to SME and small commercial businesses in both countries.

The establishment of BSP Finance Ltd has enabled BSP to extend its financial and lending activities into broader sectors of the local economy throughout Papua New Guinea and the South Pacific region. The finance company was officially launched on 8th October 2014 by the BSP Board Chairman, Sir Kostas Constantinou during a Board meeting in Fiji.

In November 2014 BSP Finance Ltd opened its first branch in Suva, Fiji. This was subsequently followed in December with the opening of its PNG office in Port Moresby. BSP is Papua New Guinea's leader in innovative banking and financial solutions and it uses its current brand to build the BSP Finance Brand. BSP is already well regarded in the Pacific market and it is keen to build on this position to assist all its clients achieve their financial objectives.

BSP Finance Ltd target market is small to medium enterprises (SMEs) and in certain cases individual borrowers. It offers commercial loans, finance lease and term deposits at attractive interest rates, and fast turnaround, adopting a prudent approach to risk. It aims to develop its branding through superior customer service, and being very competitive on this basis against its competitors.

BSP Finance (PNG) Ltd operates two branches: one in Port Moresby and one in Lae. Its marketing team also covers Mount Hagen, Wabag, Kundliawa, Madang, Mendi, Alotau, Popondetta, Kokopo, Kavieng and Kimbe.

In 2015, BSP Finance (PNG) Ltd entered the PNG asset finance market and has proven to be a serious competitor with the leaders of the industry despite a slowdown in market growth consequent to the completion of PNG LNG.

BSP Finance (Fiji) Ltd operates two branches: one in Suva and another one in Nadi. Its marketing team also covers Nausori, Navua, Lautoka, Ba, Sigatoka and Tavua.

By the end of 2015, BSP Finance (Fiji) Ltd had already achieved a market share of 6.25% announcing its competitive intentions to the major players of the sector.

Like BSP, in 2015 BSP Finance Ltd contributed to the development of communities with community project initiatives for the Saint Christopher's Home, an orphanage in Fiji and with the Harmony Christian Academy in Papua New Guinea.

In the near future BSP Finance Ltd plans to open in other countries of the South Pacific where BSP already operates. The business also has intentions to expand its operations in South East Asia.



ATM's, EFTPoS, SMS and Internet Banking continue to grow and provide our clients in Fiji with convenient solutions. Customers in the Nadi Highlands.



Agents in Solomon Islands have increased from 31 to 67 in 2015. Launching of Dadave Branchless Banking Agent early on in the year.



The rebranding of branches, signages, vehicles and staff uniforms was done swiftly following acquisition - Tonga.



Having a bit of fun with the new look BSP PacifiCard - Cook Islands.



Proudly modelling their new corporate wear - Samoa.



Visiting a local EFTPOS merchant - Tonga.

Michelle Lemesio,
Business Manager, BSP Samoa.
She is pictured with her niece Nanise Asora.



Consolidated Financial Statements

The Directors take pleasure in presenting the Financial Statements of the Bank of South Pacific Limited and its subsidiaries (Bank and the Group) for the year ended 31 December 2015. In order to comply with the provision of the Companies Act 1997, the Directors report as follows:

Principal Activities

The principal activity of the Bank of South Pacific Limited (BSP) is the provision of commercial banking and finance services. The Group's activities also include stock broking, fund management and life business services throughout Papua New Guinea and the Pacific region. BSP is a Bank listed on the Port Moresby Stock Exchange (POMSoX), incorporated under the Companies Act of Papua New Guinea, and is an authorised Bank under the Banks and Financial Institutions Act of Papua New Guinea. The Bank and the Group are licensed to operate in the Solomon Islands, Fiji Islands, Cook Islands, Samoa and Tonga. The registered office is at Douglas Street, Port Moresby.

Review of Operations

For the year ended 31 December 2015, Group's profit after tax was K531.879 million (2014: K507.339 million). The Bank's profit after tax was K505.749 million (2014: K512.892 million which included a dividend income of K19.221 million received from BSP Life (Fiji) Limited).

Dividends

Dividend payment totaling K369.810 million was paid in 2015 (2014: K309.141 million). A detailed breakup of this is provided in Note 23.

Directors and Officers

The following were directors of the Bank of South Pacific Limited at 31 December 2015:

Sir K Constantinou, OBE	Mr. R Fleming, CSM, MBA, MMGT	Ms. F Talao, LL.M, MPHIL, MAICD	Mr. G Aopi, CBE, MBA
Mr. T E Fox, OBE, BEc	Dr. I Temu, PhD, MEc	Sir. N Bogan, KBE, LLB	Mr. G Robb, OAM, BA, MBA
Mr. E B Gangloff, CPA, MAICD	Mr. A Mano, BEcon, MSc		

Details of directors' tenure and directors and executives' remuneration during the year are provided in Note 27 of the Notes to the Consolidated Financial Statements. The CEO Robin Fleming remains the only executive director.

The company secretary is Mary Johns.

Independent Audit Report

The financial statements have been audited and should be read in conjunction with the independent audit report on page 83. Details of amounts paid to the auditors for audit and other services are shown in Note 42 of the Notes to the Financial Statements.

Donations and Sponsorships

Donations and sponsorship by the Group during the year amounted to K9,091,256 (2014: K9,357,564).

Change in Accounting Policies

No changes in accounting policies significantly impacted the Group during the year.

For, and on behalf of, the Directors.

Dated and Signed in accordance with a resolution of the Directors in Port Moresby this 11th day of March 2016.

Sir Kostas Constantinou, OBE
Chairman

Robin Fleming, CSM
Group Chief Executive Officer/Director

The Directors declare that:

- (a) in the Directors' opinion, there are reasonable grounds to believe that the Bank and the Group will be able to pay their debts as and when they become due and payable; and
- (b) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the PNG Companies Act 1997, including compliance with accounting standards and give a true and fair view of the financial position and performance of the Bank and the Group.

Additional Statutory Information

The results of the Bank and the Group's operations during the financial year have, in the opinion of the Directors, not been materially affected by items of an abnormal nature, other than those disclosed in the financial statements.

In the opinion of the Directors, no circumstances have arisen that make adherence to the existing method of valuation of assets or liabilities of the Bank and the Group misleading or inappropriate.

At the date of this report the Directors are not aware of any circumstances that would render the values attributed to current assets in the financial statements misleading.

No contingent liability other than that disclosed in the notes to the attached financial statements has become enforceable, or is likely to become enforceable, within a period of twelve months from the date of this report, that will materially affect the Bank and the Group in its ability to meet obligations as and when they fall due.

Dated and signed in accordance with a resolution of the Directors at Port Moresby this 11th day of March 2016.

Sir Kostas Constantinou, OBE
Chairman

Robin Fleming, CSM
Group Chief Executive Officer/Director

STATEMENT OF COMPREHENSIVE INCOME

for the Year Ended 31 December 2015

All amounts are expressed in K'000	Note	Consolidated		Bank	
		2015	2014	2015	2014
Interest income	2	1,100,866	947,340	1,083,281	947,309
Interest expense	2	(94,615)	(62,579)	(93,098)	(63,640)
Net interest income		1,006,251	884,761	990,183	883,669
Fee and commission income	3	310,468	305,031	301,232	296,773
Other income	4	209,175	293,255	200,425	312,477
Net banking operating income		1,525,894	1,483,047	1,491,840	1,492,919
Net insurance premium income		94,322	90,330	-	-
Investment revenue		93,405	69,092	-	-
Increase in policy liabilities	39(b)	(34,984)	(17,491)	-	-
Policy maintenance & investment expenses		(67,488)	(66,076)	-	-
Share of profits from associates and jointly controlled entities	9	1,598	10,233	-	-
Claims, surrender and maturities		(65,608)	(70,404)	-	-
Net insurance operating income	39(a)	21,245	15,684	-	-
Net operating income		1,547,139	1,498,731	1,491,840	1,492,919
Impairment expense	13	(89,905)	(76,796)	(86,657)	(76,796)
Impairment on subsidiary	8	-	-	(11,068)	-
Operating expenses	5	(691,084)	(703,085)	(665,979)	(693,671)
Profit before income tax		766,150	718,850	728,136	722,452
Income tax expense	6	(234,271)	(211,511)	(222,387)	(209,560)
Net profit for the year		531,879	507,339	505,749	512,892
Other comprehensive income					
<i>Items that may be subsequently reclassified to profit or loss</i>					
Translation of financial information of foreign operations to presentation currency	24	48,839	(24,354)	31,912	(18,082)
<i>Items that will not be reclassified to profit or loss:</i>					
Recognition of deferred tax on asset revaluation reserve	24	1,301	(35,762)	4,592	(35,762)
Net movement in asset revaluation	24	21,450	44,330	14,304	44,330
Other comprehensive income, net of tax		71,590	(15,786)	50,808	(9,514)
Total comprehensive income for the year		603,469	491,553	556,557	503,378
Earnings per share - basic & diluted (toea)	23	113.7	108.3	108.1	109.5

The attached notes form an integral part of these consolidated financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

All amounts are expressed in K'000	Note	Consolidated		Bank	
		2015	2014	2015	2014
ASSETS					
Cash and balances with Central Bank	10	1,202,466	1,355,469	1,010,856	1,262,306
Treasury & Central Bank bills	11	2,503,109	2,183,237	2,501,256	2,183,237
Amounts due from other banks	12	695,280	380,653	572,400	380,653
Statutory deposits with Central Banks	25	1,359,606	1,251,582	1,341,650	1,251,582
Other financial assets	16	2,308,926	2,361,649	2,074,124	2,188,067
Loans, advances and other receivables from customers	13	8,621,514	6,756,997	8,181,227	6,688,147
Assets held for sale	14	35,135	65,052	35,135	65,052
Property, plant and equipment	14	686,325	662,313	597,373	629,682
Assets subject to operating lease	14	52,857	53,783	52,857	53,783
Investment in associates and joint ventures	9	117,316	118,389	29,447	38,520
Investment in subsidiaries	8	-	-	259,869	108,635
Intangible assets	7	110,226	110,374	99,601	104,210
Investment properties	15	101,019	70,684	-	-
Deferred tax assets	6	147,389	111,677	159,290	115,552
Other assets	17	255,135	334,648	206,558	285,093
Total assets		18,196,303	15,816,507	17,121,643	15,354,519
LIABILITIES					
Amounts due to other banks	18	344,346	259,892	344,877	259,879
Customer deposits	19	14,595,374	12,708,383	14,248,296	12,804,555
Subordinated debt securities	20	75,525	75,525	75,525	75,525
Other liabilities	21	969,179	756,548	353,252	257,674
Provision for income tax	6	39,005	63,022	36,168	62,738
Other provisions	22	143,698	152,944	132,535	147,800
Total liabilities		16,167,127	14,016,314	15,190,653	13,608,171
SHAREHOLDERS EQUITY					
Ordinary shares	23	374,621	379,297	374,621	379,297
Retained earnings	24	1,399,490	1,219,436	1,340,000	1,183,505
Other reserves	24	255,065	201,460	216,369	183,546
Total shareholders' equity		2,029,176	1,800,193	1,930,990	1,746,348
Total equity and liabilities		18,196,303	15,816,507	17,121,643	15,354,519

The attached notes form an integral part of these consolidated financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY

for the Year Ended 31 December 2015

Bank		Share capital	Reserves	Retained earnings	Total
<i>All amounts are expressed in K'000</i>					
	Note				
Balance as at 1 January 2014		381,498	181,446	991,368	1,554,312
Net profit		-	-	512,892	512,892
2013 final dividend paid	23	-	-	(215,476)	(215,476)
2014 interim dividend paid	23	-	-	(93,665)	(93,665)
Share buyback	23	(2,201)	-	-	(2,201)
BSP Life policy reserve	24	-	24,055	(24,055)	-
Transfer from Asset Revaluation Reserve	24	-	(12,441)	12,441	-
Other comprehensive income		-	(9,514)	-	(9,514)
Balance at 31 December 2014		379,297	183,546	1,183,505	1,746,348
Net profit		-	-	505,749	505,749
2014 final dividend paid	23	-	-	(262,021)	(262,021)
2015 interim dividend paid	23	-	-	(105,218)	(105,218)
Share buyback	23	(4,676)	-	-	(4,676)
Transfer from Asset Revaluation Reserve	24	-	(22,103)	22,103	-
BSP Life policy reserve	24	-	4,118	(4,118)	-
Other comprehensive income		-	50,808	-	50,808
Balance at 31 December 2015		374,621	216,369	1,340,000	1,930,990
Consolidated					
Balance as at 1 January 2014		381,498	202,272	1,035,290	1,619,060
Net profit		-	-	507,339	507,339
2013 final dividend paid	23	-	-	(215,476)	(215,476)
2014 interim dividend paid	23	-	-	(93,665)	(93,665)
BSP Life policy reserve	24	-	24,055	(24,055)	-
Prior year consolidation adjustment	24	-	3,360	(2,438)	922
Transfer from Asset Revaluation Reserve	24	-	(12,441)	12,441	-
Share buyback	23	(2,201)	-	-	(2,201)
Other comprehensive income		-	(15,786)	-	(15,786)
Balance at 31 December 2014		379,297	201,460	1,219,436	1,800,193
Net profit		-	-	531,879	531,879
2014 final dividend paid	23	-	-	(263,872)	(263,872)
2015 interim dividend paid	23	-	-	(105,938)	(105,938)
Share buyback	23	(4,676)	-	-	(4,676)
Transfer from asset revaluation reserve	24	-	(22,103)	22,103	-
BSP Life policy reserve	24	-	4,118	(4,118)	-
Other Comprehensive income		-	71,590	-	71,590
Balance at 31 December 2015		374,621	255,065	1,399,490	2,029,176

The attached notes form an integral part of these consolidated financial statements.

STATEMENT OF CASH FLOW

for the Year Ended 31 December 2015

		Consolidated		Bank	
<i>All amounts are expressed in K'000</i>	Note	2015	2014	2015	2014
CASH FLOW FROM OPERATING ACTIVITIES					
Interest received		1,095,363	911,236	1,077,459	911,236
Fees and other income		559,043	816,898	420,288	638,786
Interest paid		(73,977)	(61,185)	(76,268)	(61,844)
Amounts paid to suppliers and employees		(536,708)	(662,045)	(433,083)	(497,431)
Operating cash flow before changes in operating assets	28	1,043,721	1,004,904	988,396	990,747
Increase in loans, advances and other receivables from customers		(1,983,852)	(1,563,291)	(1,579,065)	(1,555,657)
Increase in statutory deposits with the Central Banks		(108,024)	(185,002)	(90,068)	(185,002)
Decrease in bills receivable and other assets		145,398	42,649	65,851	41,540
Increase in customer deposits		1,886,991	468,351	1,443,741	508,329
(Decrease)/increase in bills payable and other liabilities		180,266	(123,960)	58,021	(121,086)
Net cash flow from operations before income tax		1,164,500	(356,349)	886,876	(321,129)
Income taxes paid		(282,784)	(212,870)	(282,837)	(212,556)
Net cash flow from operating activities		881,716	(569,219)	604,039	(533,685)
CASH FLOW FROM INVESTING ACTIVITIES					
Decrease/(increase) in government securities		(384,565)	915,226	(533,611)	836,664
Expenditure on property, plant & equipment		(154,540)	(192,269)	(111,508)	(186,162)
Proceeds from disposal of property, plant & equipment		36,088	13,900	36,088	14,218
Proceeds from other investments		27,332	9,895	27,332	-
Purchase of controlled entities, net of cash acquired	40	-	-	176,524	-
Additional funding of subsidiaries		-	-	(16,251)	(11,706)
Net cash flow from investing activities		(475,685)	746,752	(421,426)	653,014
CASH FLOW FROM FINANCING ACTIVITIES					
Share buyback	23	(4,676)	(2,201)	(4,676)	(2,201)
Dividends paid	23	(369,810)	(309,141)	(367,239)	(309,141)
Net cash flow from financing activities		(374,486)	(311,342)	(371,915)	(311,342)
Net Increase/(decrease) in cash and cash equivalents		31,545	(133,809)	(189,302)	(192,013)
Effect of exchange rate movements on cash and cash equivalents		45,625	(13,345)	44,601	(10,461)
Cash and cash equivalents at the beginning of the year		1,476,230	1,623,384	1,383,080	1,585,554
Cash and Cash Equivalents at the end of the year	28	1,553,400	1,476,230	1,238,379	1,383,080

The attached notes form an integral part of these consolidated financial statements.

1. ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented unless otherwise stated. The assets and liabilities are presented in order of liquidity on the statement of financial position.

A. Basis of Presentation & General Accounting Policies

The consolidated financial statements of the Bank of South Pacific Limited (the Bank) and the Group are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and interpretations of these standards issued by the International Financial Reporting Interpretations Committee. They are prepared on the basis of the historical cost convention, as modified by the revaluation of certain non-current assets, financial instruments and liabilities.

Estimates and assumptions have been used to achieve conformity with generally accepted accounting principles in the preparation of these financial statements. These assumptions and estimates affect balances of assets and liabilities, contingent liabilities and commitments at the end of the reporting period, and amounts of revenues and expenses during the reporting period. Whilst the estimates are based on management's best knowledge of current events and conditions, actual results may ultimately differ from those estimates.

The financial statements are presented in Papua New Guinea Kina, expressed in thousands of Kina, as permitted by Papua New Guinea Accounting Standards.

Standards, amendment and interpretations effective in the year ended 31 December 2015

The following new standards and amendments were applicable for the first time during the accounting period beginning 1 January 2015:

- Annual improvements 2012 (effective 1 July 2014) makes minor changes to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 37 and IAS 39.
- Annual improvements 2013 (effective 1 July 2014) makes minor changes to IFRS 1, IFRS 3, IFRS 13 and IAS 40.

Other standards, amendments and interpretations which were released during the accounting period beginning 1 January 2015 are not relevant or material to the Group.

Standards, amendments and interpretations issued but not yet effective for the year ended 31 December 2015 or adopted early.

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the entity's accounting periods beginning on or after 1 January 2016 or later periods, but the entity has not early adopted them:

- Amendment to IFRS 11 "Joint arrangements" on acquisition of an interest in a joint operation (effective 1 January 2016). These amendments provide new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business.
- Amendments to IAS 27 "Separate financial statements" on the equity method (effective 1 January 2016). These amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.
- Amendments to IFRS 10 "Consolidated financial statements" and IAS

28 "Investments in associates and joint ventures" (original effective date of 1 January 2016 now postponed) in relation to the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

- Annual improvements 2014 (effective 1 January 2016) makes minor changes to IFRS 5, IFRS 7, IAS 19, and IAS 34.
- Amendments to IAS 1 "Presentation of Financial Statements" (effective 1 January 2016) clarify guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. The amendments form a part of the IASB's Disclosure Initiative, which explores how financial statement disclosures can be improved.
- IFRS 15 "Revenue from contracts with customers" (effective 1 January 2018) is a converged standard from the IASB and FASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally.
- IFRS 9, "Financial Instruments" (effective 1 January 2018) replaces the guidance in IAS 39 with a standard that is less complex and principles based. The new standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, relaxes the requirements for hedge accounting and introduces an expected credit losses model that replaces the current incurred loss impairment model.
- IFRS 16, "Leases" (effective 1 January 2019) replaces the guidance in IAS 17 and will have a significant impact on accounting by lessees. The previous distinction under IAS 17 between finance leases and operating leases for lessees has been removed and IFRS 16 will require a lessee to recognise a lease liability representing future lease payments and a 'right-of-use asset' for virtually all lease contracts. There is an optional exemption for certain short-term leases and leases of low-value assets. For lessees who previously entered into operating leases, one of the main impacts will be an increase in debt on the balance sheet.

B. Consolidation

The consolidated financial statements incorporate the assets and liabilities of all controlled entities of the Bank and the Group as at 31 December 2015, and their results for the year then ended.

Controlled entities are those over which the Group has the power to govern financial and operating policies, generally accompanied by a shareholding that commands the majority of voting rights, and are commonly referred to as subsidiaries.

Subsidiaries are accounted for at acquisition under the acquisition cost method of accounting, where:

- acquisition cost is measured at fair value of assets transferred, equity issued, liabilities assumed and any directly attributable costs of the transaction;
- identifiable net assets are recorded initially at acquisition, at their fair values;
- any excess of the acquisition cost over the relevant share of identifiable net assets acquired is treated as goodwill, and any deficiency is recognised directly in the statement of comprehensive income;
- All intercompany transactions and balances are eliminated.

C. Investment in Associates and Joint Arrangements

Investments in Associates

Associates are entities over which the Group has significant, but not controlling influence, generally accompanied by a shareholding conferring between 20% - 50% of voting rights.

In the consolidated financial statements, these investments are accounted for under the equity method.

Interests In Joint Arrangements

The Group applies IFRS 11 to all joint ventures. Under IFRS 11 investments in joint arrangements are classified as either joint ventures or joint operations depending on the contractual rights and obligations of each investor.

Joint ventures are accounted for using the equity method in the consolidated financial statements. Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post - acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the entity (which includes any long - term interests that, in substance, form part of the group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Interests in joint ventures classified as held for sale are accounted for under IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

D. Revenue

Interest income and expense

Interest income and expense are recognised in the statement of comprehensive income on an accrual basis using the effective yield method. The income arising from the various forms of instalment credit has been determined using the effective interest method.

Interest income includes coupons earned on inscribed stock, accrued discount and premium on Treasury and Central Bank bills.

Short term insurance contracts

These contracts are the Term Life, Medical and Travel policies sold and underwritten by BSP Health Care (Fiji) Limited.

These contracts protect the Group's customers from the consequences of events such as death, medical emergency or loss on travel. Guaranteed benefits paid on occurrence of the specified insurance event are either fixed or linked to the extent of the economic loss suffered by the policyholder. There are no maturity or surrender benefits.

For all these contracts, premiums are recognised as revenue (earned premiums) proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the Statement of Financial Position date is reported as the unearned premium liability. Premiums are shown before deduction of commission.

Claims and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to contract holders or beneficiaries. They include direct and indirect claims settlement costs and arise from events that have occurred up to the Statement of Financial Position date even if they have not yet been reported to the Group. The Group does not discount its liabilities for unpaid claims. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Group and statistical analyses for the claims incurred but not reported, and to estimate the expected ultimate cost of more complex claims that may be affected by external factors (such as court decisions).

Long term insurance contracts

These contracts insure human life events (for example death, survival, disability or critical illness) over a long duration. Guaranteed benefits paid on occurrence of the specified insurance event are fixed or linked to the level of bonus declared on the policy. Most of the policies have maturity and surrender benefits.

For all these contracts, premiums are recognised as revenue when they become payable by the contract holder. Premiums are shown before deduction of commission.

Approximately 90% of the above contracts in the Group's portfolio contain a Discretionary Participation Feature (DPF). This feature entitles the holder to receive, as a supplement to generated benefits, additional benefits in the form of reversionary bonuses.

The liability for long term insurance contracts (principally Life Insurance) has been determined in accordance with LPS 1.04 Valuation of Policy Liabilities, issued by the Australian Prudential Regulation Authority.

The policy liability is calculated in a way that allows for the systematic release of planned profit margins as services are provided to policy owners and the revenues relating to those services are received (Margin on Services methodology). Services used to determine profit recognition include the cost of expected insurance claims and the allocation of future bonuses. The liability is generally determined as the present value of all future expected payments, expenses, taxes and profit margins reduced by the present value of all future expected premiums and take into consideration projected future bonuses. The liabilities are recalculated at each balance date using best estimate assumptions. These assumptions are revisited regularly and adjusted for actual experiences on claims, expense, mortality and investment returns. The policy liability also includes policy owner retained earnings.

Insurance policy liabilities are further detailed in Note 39.

E. Fee and commission income

Fees and commissions are generally recognised on an accrual basis when the service has been provided. All other risk related fees that constitute cost recovery are taken to income when levied. Loan origination fees are deferred over the expected term of the financial instrument according to the effective interest method. The effective interest method uses the rate that exactly discounts estimated future payments and receipts through the expected life of the instrument or when appropriate, a shorter period to the net carrying amount of the financial asset.

F. Borrowing expenses

Expenses associated with the borrowing of funds are charged to the statement of comprehensive income in the period in which they are incurred.

G. Provision for loan impairment

Loans are originated by providing funds directly to the borrower and are recognised when cash is advanced to borrowers.

All loans, advances and other receivables from customers are subject to continuous management review. A specific provision for loan impairment is established if there is objective evidence that the Bank and the Group will not be able to collect all amounts due under the terms of loans. The amount of the provision approximates the difference between the carrying amount and the recoverable amount, which is the current best estimate of the present value of expected future cash flows arising from the asset. All bad debts are written off against the specific provision for loan impairment in the period in which they are classified as irrecoverable.

Subsequent recoveries are credited to the provision for loan losses in the statement of comprehensive income.

General provisions for impairment are maintained to cover incurred losses unidentified at balance date in the overall portfolio of loans, advances and other receivables from customers. The provisions are determined having regard to the level of risk weighted assets, economic conditions, the general risk profile of the credit portfolio, past loss experience and a range of other criteria. The amount necessary to bring the provisions to their assessed levels, after write-offs, is charged to the statement of comprehensive income.

H. Goodwill

Goodwill represents the excess of the cost of any acquisition over the acquirer's interest in the fair value of the identifiable assets and liabilities acquired as at the exchange transaction. Goodwill is reported in the statement of financial position as an intangible asset.

In determining goodwill, management considers various factors including net selling price of the acquired business, existing market share, potential growth opportunities, and other factors inherent in the acquired business. This assessment is reviewed at each balance date, so that any indication of impairment with implications for the recoverability of goodwill can be tested, and adjustments to the carrying value of goodwill made if necessary.

I. Computer systems development costs

Costs incurred to develop and enhance the Bank and the Group's computer systems are capitalised to the extent that benefits do not relate solely to revenue that has already been brought to account and will contribute to the future earning capacity of the economic entity. These costs are amortised over the estimated economic life of four years using the straight-line method. Costs associated with maintaining computer software programs are recognised as an expense when incurred.

J. Property, plant and equipment

Land and buildings are measured at fair value. Fair value is determined on the basis of regular independent valuation prepared by external valuation experts, based on discounted cash flows or capitalisation of net income (as appropriate). The fair values are recognised in the consolidated financial statements of the consolidated entity, and are reviewed at the end of each reporting period to ensure that the carrying value of land and buildings is not materially different from their fair values.

Any revaluation increase arising on the revaluation of land and buildings is credited to the asset revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense in profit or loss, in which case the increase is credited to the statement of comprehensive income to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of land and buildings is charged as an expense in the statement of comprehensive income to the extent that it exceeds the balance, if any, held in the asset revaluation reserve relating to a previous revaluation of that asset. Buildings under constructions are referred to as work in progress and are accounted for at cost and subsequently reclassified to building (Premises) upon completion.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The estimated useful life, residual value and depreciation method is reviewed at the end of each annual reporting period.

The following basis and method of depreciation is used:

Class of asset	Method	Rate
Property (excluding land)	Straight line basis	2 - 3% p.a
Plant and equipment	Straight line basis	10 - 25% pa
Equipment under operating lease	Straight line basis	6 - 20% pa

Gains or losses on disposals (being the difference between the carrying value at the time of sale or disposal and the proceeds received) are taken into account in determining operating profit for the year. Where the carrying value of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Repairs and maintenance are taken into account in determining operating profit when the expenditure is incurred.

K. Leases

Bank is lessee

All leases entered into by the Bank and the Group are operating leases. Total payments made are charged to the statement of comprehensive income reflecting the pattern of benefits derived from the leased assets.

Bank is lessor

Finance leases are included in Loans, Advances and Other Receivables from Customers and are accounted for under the finance method whereby income is taken to account over the life of the lease in proportion to the outstanding investment balance.

Assets subject to operating leases are separately disclosed in the statement of financial position, according to the nature of the asset. These assets are stated at cost or revalued amount less accumulated depreciation. The assets are depreciated on a straight line basis over the life of the operating lease. Lease income is recognised on a straight line basis over the term of the lease.

L. Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise notes and coins, and balances due to and from other banks with original maturities of less than three months.

M. Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current. The Group's financial assets at fair value through profit or loss comprise certain equity securities included under other financial assets in the statement of financial position.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the statement of financial position.

c) Held to maturity investments

Held to maturity investments includes non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has both the intention and ability to hold to maturity. Management determines the classification of investment securities held to maturity at their initial recognition and reassesses the appropriateness of that classification at the end of each reporting period. Investment securities held to maturity are carried at amortised cost. The Group's held to maturity investments comprise securities issued by Governments and Central Banks of respective countries (Treasury and Central Bank Bills) and certain debt securities included under other financial assets in the statement of financial position.

Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within 'Other banking income' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the group's right to receive payments is established.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

N. Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

O. Employee benefits

A liability is required for benefits accruing to employees in respect of wages and salaries, annual leave, and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the consolidated entity in respect of services provided by employees up to reporting date.

Post - employment benefits - defined contribution plans

A defined contribution plan is a pension plan under which the Bank and the Group pays fixed contributions into a separate fund, and there is no recourse to the Bank and the Group for employees if the fund has insufficient assets to pay employee benefits relating to service up to the balance sheet date.

The Bank and the Group pays contributions to publicly or privately administered superannuation plans on a mandatory, contractual or voluntary basis in respect of services rendered up to balance sheet date by all staff members other than non-citizen contract staff for whom there is no legal obligation to do so. The contributions are at the current rate of employees' gross salary. Once the contributions have been paid, the Bank and the Group have no further payment obligations for post-employment benefits from the date an employee ceases employment with the Bank and the Group.

P. Income tax

Current Tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the balance sheet liability method. Temporary differences are differences between the tax base of an asset or liability and its carrying amount in the statement of financial position. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities which affects neither taxable income nor accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Bank expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Bank intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the statement of comprehensive income, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity.

Q. Foreign currency

The consolidated financial statements of the Bank are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of these consolidated financial statements, the results and financial position of the Bank are expressed in Papua New Guinea kina, which is the Bank's functional and presentation currency.

In preparing the consolidated financial statements, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Foreign operations

On consolidation, the assets and liabilities of the consolidated entity's overseas operations are translated at exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly. Exchange differences arising, if any, are recognised in the foreign currency translation reserve, and recognised in profit or loss on disposal of the foreign operation.

R. Share capital**Share issue costs**

External costs directly attributable to the issue of new shares are deducted from equity net of any related income taxes.

Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are declared.

Dividends for the year, declared after the balance sheet date, are dealt with in the subsequent events note.

S. Asset impairment

At each reporting date, the Bank and the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Bank and the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Goodwill, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired. An impairment of goodwill is not subsequently reversed.

Recoverable amount is the higher of fair value less cost of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not

been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

T. Non-current assets held for sale

Non-current assets (and disposal groups) classified as held for sale are measured, with certain exceptions, at the lower of carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for such a sale and the sale is highly probable. The sale of the asset (or disposal group) must be expected to be completed within one year from the date of classification, except in the circumstances where sale is delayed by events or circumstances outside the Company's control and the Company remains committed to a sale.

U. Fiji class shares

Fiji Class Shares issued by BSP Convertible Notes (Fiji) Limited, a subsidiary of the Bank incorporated in Fiji, are classified as equity of the subsidiary.

V. Derivative financial instruments and acceptances

Forward foreign exchange contracts entered into for trading purposes are initially recognised at cost and subsequently re-measured at fair value based upon the forward rate. Gains and losses on such contracts are taken to the statement of comprehensive income.

Acceptances comprise undertakings by the Bank and the Group to pay bills of exchange drawn on customers. The Bank and the Group expects most acceptances to be settled simultaneously with the reimbursement from the customers. Customer acceptances are accounted for as off-balance sheet transactions and are disclosed as contingent liabilities and commitments.

The Bank and the Group does not actively enter into or trade in complex forms of derivative financial instruments such as currency and interest rate swaps and options.

W. Segment reporting

Segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker.

X. Earnings per share

Earnings per share is determined by dividing the profit or loss attributable to owners of the Bank by the weighted average number of participating shares outstanding during the reporting year.

Y. Comparatives

Comparative figures have been adjusted to conform to changes in presentation in the current year.

Z. Critical accounting estimates and judgments

The application of the Group's accounting policies requires the use of estimates and assumptions. If different assumptions or estimates were applied, the resulting values would change, impacting the net assets and income of the Group.

Individually assessed provisions

Provisions for impairment of financial assets are raised where there is objective evidence of impairment at an individual or collective basis, at an amount adequate to cover assessed credit related losses. Credit losses arise primarily from loans, but also from other credit instruments such as bank acceptances, contingent liabilities, guarantees and other financial instruments.

Specific provisions

Individually assessed provisions are raised where there is objective evidence of impairment (where the Group does not expect to receive all of the cash flows contractually due). Individually assessed provisions are made against individual risk rated credit facilities other than retail personal loans. The provisions are established based primarily on estimates of the realisable (fair) value of collateral taken and are measured as the difference between a financial asset's carrying amount and the present value of the expected future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate. Short term balances are not discounted.

Collective assessed provisions

All other loans and receivables that do not have specifically assessed provision are assessed collectively for impairment (Collectively Assessed Provision).

The collectively assessed provision is maintained to reduce the carrying amount of portfolios of similar loans and receivables to their estimated recoverable amounts at the Balance Sheet date. The Group has established a risk grading system which groups loan accounts with similar risk characteristics. A periodic credit review is undertaken by management on a collective and individual basis to ascertain whether the risk grades are still appropriate in consideration of economic developments, industry specific and borrower specific circumstances. A provision rate applied for each risk grade segment which takes into account the frequency of default and loss given default rates for the particular segment.

The risk grading and provision rates require a series of estimates and judgments. Changes in these estimates could have a direct impact on the level of provision determined. The amount required to bring the collective provision to the level assessed is recognised in the statement of comprehensive income.

Individually and collectively assessed provisions are detailed in Note 13.

2. NET INTEREST INCOME

All amounts are expressed in K'000	Consolidated		Bank	
	2015	2014	2015	2014
Interest income				
Cash and balances with Central Bank	9,069	10,867	9,954	10,867
Treasury bills	88,366	67,392	88,366	67,392
Central Bank Bills	8,269	18,544	8,269	18,544
Other financial assets - Inscribed Stock	210,270	189,229	210,270	189,229
Loans, advances and other receivables from customers	782,619	658,807	763,984	658,776
Other	2,273	2,501	2,438	2,501
	1,100,866	947,340	1,083,281	947,309
Less:				
Interest expense				
Customer deposits	73,660	39,420	72,650	40,481
Other banks	12,647	14,851	12,140	14,851
Subordinated debt securities	8,308	8,308	8,308	8,308
	94,615	62,579	93,098	63,640
	1,006,251	884,761	990,183	883,669

Loan origination fees recognised in the Statement of Comprehensive Income in accordance with the Group's accounting policy detailed in Note 1(e) have now been classified under 'net interest income' as required by IFRS. Comparative figures have been adjusted to conform to changes in presentation in the current year.

3. FEE AND COMMISSION INCOME

Fee and commission income				
Product related	186,258	186,356	184,445	186,356
Trade and international related	14,377	14,675	14,373	14,675
Electronic banking related	87,813	84,765	86,213	84,765
Other	25,483	26,876	19,506	18,618
	313,931	312,672	304,537	304,414
Less:				
Fee and commission expenses				
Agencies	532	735	374	735
International Finance Corporation fees	2,931	6,906	2,931	6,906
	3,463	7,641	3,305	7,641
	310,468	305,031	301,232	296,773

4. OTHER INCOME

Foreign exchange related	178,943	267,497	170,839	267,497
Operating lease rentals	10,104	10,146	10,104	10,146
Other	20,128	15,612	19,482	34,834
	209,175	293,255	200,425	312,477

Foreign Exchange related income includes gains and losses from spot and forward contracts and translated foreign currency assets.

5. OPERATING EXPENSES

All amounts are expressed in K'000	Consolidated		Bank	
	2015	2014	2015	2014
Administration	126,095	111,893	108,591	104,001
Computing	48,307	46,407	47,307	46,403
Depreciation	70,007	76,707	67,607	76,707
Amortisation of computer development	44,713	46,116	44,224	46,116
Non-executive Directors costs	2,249	1,772	1,713	1,445
Non-lending losses	17,496	25,891	28,328	25,056
Fixed asset impairment expenses	44,666	50,397	44,666	50,397
Premises and equipment	62,857	65,916	60,656	65,829
	416,390	425,099	403,092	415,954
Staff costs				
Defined contribution plans	11,463	10,262	11,079	10,262
Statutory benefit contributions	(676)	7,577	(784)	7,577
Wages and salaries	209,189	202,691	199,766	202,691
Other staff benefits	54,718	57,456	52,826	57,187
	274,694	277,986	262,887	277,717
	691,084	703,085	665,979	693,671

6. INCOME TAX

Income tax expense				
Current tax	260,995	247,754	257,544	244,991
Deferred tax	(35,712)	(40,082)	(43,738)	(40,092)
Current year	225,283	207,672	213,806	204,899
Income tax under provided	8,988	3,839	8,581	4,661
	234,271	211,511	222,387	209,560
Less:				
Tax calculated at 30% of profit before tax (2014:30%)	218,441	216,736	218,441	216,736
Tax calculated at respective subsidiary tax rates	6,510	3,355	-	-
Expenses not deductible for tax	5,175	477	2,825	2,406
Tax loss not recognised	2,617	1,347	-	-
Deductible expenses not recognised for accounting purposes	(7,460)	(14,243)	(7,460)	(14,243)
Income tax under provided	8,988	3,839	8,581	4,661
	234,271	211,511	222,387	209,560
Provision for income tax				
At 1 January	(63,022)	(33,395)	(62,738)	(33,222)
Income tax provision	(260,995)	(247,754)	(257,544)	(244,991)
Income tax under/over provided	2,228	5,257	1,277	2,919
Foreign tax paid	35,198	12,130	33,627	11,816
Tax payments made	247,586	200,740	249,210	200,740
At 31 December	(39,005)	(63,022)	(36,168)	(62,738)

6. INCOME TAX (continued)

All amounts are expressed in K'000	Consolidated		Bank	
	2015	2014	2015	2014
Deferred taxes				
Specific allowance for losses on loans, advances and other receivables from customers	32,603	11,173	32,118	11,173
General allowance for losses on loans, advances and other receivables from customers	95,541	86,953	92,262	86,953
Employee related provisions	17,955	19,350	16,378	19,267
Prepaid expenses	(1,396)	(1,253)	(1,396)	(1,253)
Other provisions	14,028	22,711	25,502	26,191
Property, plant and equipment	(32,676)	(44,469)	(31,240)	(43,991)
Unrealised foreign exchange gains	(3,626)	(908)	(3,626)	(908)
Accruals	24,960	18,120	29,292	18,120
At 31 December	147,389	111,677	159,290	115,552
Represented by:				
Deferred tax asset	199,444	161,926	195,553	161,703
Deferred tax liability	(52,055)	(50,249)	(36,263)	(46,151)
At 31 December	147,389	111,677	159,290	115,552
Deferred taxes movement				
At 1 January	111,677	87,002	115,552	88,453
Current year movement	35,712	40,082	43,738	40,092
Revaluation recognised in equity	4,441	(11,048)	4,441	(11,048)
Income tax under/over provided	(2,999)	-	(2,999)	-
Other movements	(1,442)	(4,359)	(1,442)	(1,945)
At 31 December	147,389	111,677	159,290	115,552

7. INTANGIBLE ASSETS

All amounts are expressed in K'000	Consolidated		Bank	
	2015	2014	2015	2014
7(a) Goodwill				
At 1 January	21,271	21,271	18,267	18,267
Net movement	21,103	-	17,405	-
Gross carrying amount	42,374	21,271	35,672	18,267
7(b) Computer development costs				
At 1 January	89,103	133,198	85,943	133,198
Additions	34,511	20,368	33,257	18,788
Disposals	(11,049)	(18,347)	(11,047)	(19,927)
Amortisation expense	(44,713)	(46,116)	(44,224)	(46,116)
At 31 December	67,852	89,103	63,929	85,943
Total intangible assets	110,226	110,374	99,601	104,210

8. INVESTMENTS IN SUBSIDIARIES

All amounts are expressed in K'000	Principal activity	Place of Incorporation & Operation	Ownership %	Balance of Investment	
				2015	2014
Name of Subsidiary					
BSP Capital Limited	Share brokerage/Fund Management/Capital Raising	PNG	100%	2,000	8,959
BSP Life Limited	Life Insurance	Fiji	100%	87,599	87,653
BSP Convertible Notes Limited	Capital Raising	Fiji	100%	371	317
BSP Finance Limited	Credit Institution	PNG	100%	27,958	11,706
Bank of South Pacific Tonga Ltd	Bank	Tonga	100%	71,610	-
Bank South Pacific (Samoa) Ltd	Bank	Samoa	98.7%	70,331	-
At 31 December				259,869	108,635

During the year the Bank acquired two subsidiaries as part of its acquisition of interests in regional banks (refer to note 40).

Provision of impairment of the investment in BSP Capital Limited

The directors determined that the investment in BSP Capital Limited had been materially impaired as the carrying amount of the investment was greater than its net book value. As of the reporting date, the investment amount is written down to its net book value.

Represented by:

All amounts are expressed in K'000	2015	2014
Opening Balance	8,959	8,959
Additional capital	4,109	-
Provision for Impairment	(11,068)	-
At 31 December	2,000	8,959

9. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

Entity	Joint Venture/ Associate	Principal activity	Place of incorporation and operation	Proportion of ownership and voting power held	
				2015	2014
Suva Central Ltd	Joint Venture	Property rental	Fiji	50%*	50%*
Richmond Ltd	Joint Venture	Hotel operation	Fiji	61.3%** , 50%***	61.3%** , 50%***
Williams and Gosling Ltd	Associate	Freight forwarding	Fiji	27.7%*	27.7%*
Carpark Ltd	Joint Venture	Property	PNG	-	33.33%
Malagan Ltd	Joint Venture	Property	PNG	-	33.33%

The investments above are accounted for using the equity method in the consolidated financial statements except for Carpark Ltd and Malagan Ltd which are accounted for at cost less impairment. Carpark Ltd and Malagan Ltd interests were disposed of during the year.

*Both ownership and voting power held, **ownership, ***voting power held.

	Consolidated		Bank	
	2015	2014	2015	2014
<i>All amounts are expressed in K'000</i>				
Associates				
Investment in associate - equity	79,718	72,900	-	-
Translation movement	6,553	(3,415)	-	-
Share of profit for the year	1,598	10,233	-	-
Net investment at 31 December	87,869	79,718	-	-
Summarised financial information of associate:				
Total assets	147,013	180,637	-	-
Total liabilities	(41,380)	(34,705)	-	-
Net assets	105,633	145,932	-	-
Net profit	10,341	17,085	-	-
Share of associate's profit	1,598	10,233	-	-
Joint Ventures & Associates				
Share of associate's net assets - equity	87,869	79,718	-	-
Shares held in jointly owned entity - at cost less impairment	29,447	38,671	29,447	38,520
Total investments in associates and joint ventures	117,316	118,389	29,447	38,520

10. CASH AND BALANCES WITH CENTRAL BANK

Notes, coins and cash at bank	468,712	479,818	403,269	386,655
Balances with Central Bank other than statutory deposit	733,754	875,651	607,587	875,651
Total cash and balances with Central Bank	1,202,466	1,355,469	1,010,856	1,262,306

11. TREASURY AND CENTRAL BANK BILLS

	Consolidated		Bank	
	2015	2014	2015	2014
<i>All amounts are expressed in K'000</i>				
Treasury and Central Bank bills – face value	2,541,571	2,210,743	2,539,719	2,210,743
Discount for interest receivable	(38,462)	(27,506)	(38,463)	(27,506)
At 31 December	2,503,109	2,183,237	2,501,256	2,183,237

Treasury and Central Bank bills are debt securities issued by Central Banks. These bills are classified as assets held for trading and carried at fair value by the Insurance business and assets held to maturity by the Banking businesses.

12. AMOUNTS DUE FROM OTHER BANKS

Items in the course of collection	80,076	85,803	80,077	85,803
Placements with other banks	615,204	294,850	492,323	294,850
At 31 December	695,280	380,653	572,400	380,653

13. LOANS, ADVANCES AND OTHER RECEIVABLES FROM CUSTOMERS

Overdrafts	583,436	792,580	557,746	792,580
Lease financing	245,153	273,194	230,487	273,194
Term loans	7,059,098	4,821,727	6,710,903	4,792,132
Mortgages	1,137,938	1,157,855	1,110,619	1,157,328
Policy loans	42,761	39,678	-	-
Gross loans, advance and other receivables due from customers net of reserved interest	9,068,386	7,085,034	8,609,755	7,015,234
Less allowance for losses on loans, advances and other receivables from customers	(446,872)	(328,037)	(428,528)	(327,087)
At 31 December	8,621,514	6,756,997	8,181,227	6,688,147

The spread of the loans are detailed in the maturity analysis table on Note 34. The loans are diversified across various sectors and are further analysed on Note 33.

Lease financing

The Group and the bank provide lease financing to a broad range of clients to support financing needs in acquiring movable assets such as motor vehicles and plant and equipment. Finance lease receivables are included within loans, advances and other receivables from customers and are analysed as follows:

13. LOANS, ADVANCES AND OTHER RECEIVABLES FROM CUSTOMERS (continued)

All amounts are expressed in K'000	Consolidated		Bank	
	2015	2014	2015	2014
Gross investment in finance lease receivable				
Not later than 1 year	56,733	20,523	49,816	20,523
Later than 1 year and not later than 5 years	215,911	282,168	201,049	282,168
	272,644	302,691	250,865	302,691
Unearned future finance income				
Not later than 1 year	(4,963)	(14,291)	(1,803)	(14,291)
Later than 1 year and not later than 5 years	(22,528)	(15,206)	(18,575)	(15,206)
	(27,491)	(29,497)	(20,378)	(29,497)
Present value of minimum lease payment receivable	245,153	273,194	230,487	273,194
Present value of minimum lease payment receivable is analysed as follows:				
Not later than 1 year	51,770	20,523	48,013	20,523
Later than 1 year and not later than 5 years	193,383	252,671	182,474	252,671
At 31 December	245,153	273,194	230,487	273,194
Provision for impairment				
Movement in allowance for losses on loans, advances and other receivables from customers:				
Balance at 1 January	328,037	277,081	327,087	275,788
Net new and increase provisioning	74,410	62,096	71,201	62,096
Loans written off against provisions/(Write back of provisions no longer required)	44,425	(11,140)	30,240	(10,797)
At 31 December	446,872	328,037	428,528	327,087
Provision for impairment is represented by:				
Collective provision	329,641	290,200	321,468	289,845
Individually assessed or specific provision	117,231	37,837	107,060	37,242
At 31 December	446,872	328,037	428,528	327,087
Loan impairment expense				
Net collective provision funding	(51,406)	(50,812)	(48,656)	(50,812)
Net new and increase individually assessed provisioning	(23,004)	(11,284)	(22,545)	(11,284)
Total new and increase provisioning	(74,410)	(62,096)	(71,201)	(62,096)
Recoveries during the year	60,155	33,204	59,713	33,204
Net write back/(write off)	(75,650)	(47,904)	(75,169)	(47,904)
At 31 December	(89,905)	(76,796)	(86,657)	(76,796)

14. PROPERTY, PLANT AND EQUIPMENT

All amounts are expressed in K'000	Consolidated		Bank	
	2015	2014	2015	2014
Carrying value				
Capital work in progress	158,621	180,694	151,589	176,719
Premises	578,832	546,600	527,023	522,769
Accumulated depreciation	(109,247)	(92,923)	(104,351)	(85,812)
	469,585	453,677	422,672	436,957
Equipment	281,633	256,832	209,931	221,749
Accumulated depreciation	(188,379)	(163,838)	(151,684)	(140,691)
	93,254	92,994	58,247	81,058
At 31 December	721,460	727,365	632,508	694,734
Assets held for sale (premises)	(35,135)	(65,052)	(35,135)	(65,052)
Net assets at 31 December	686,325	662,313	597,373	629,682
Reconciliation of carrying value of property, plant & equipment is set out below:				
Capital work in progress				
At 1 January	180,694	117,253	176,719	113,744
Additions	127,472	172,826	112,205	169,297
Transfers	(149,545)	(109,385)	(137,335)	(106,322)
At 31 December	158,621	180,694	151,589	176,719
Premises				
At 1 January	453,677	385,195	436,957	368,091
Additions	77,426	90,108	66,934	89,860
Disposals	(41,383)	(35,573)	(41,383)	(35,573)
Depreciation expense	(27,535)	(22,882)	(26,330)	(22,250)
Revaluation gains/ (losses)	7,400	36,829	(13,506)	36,829
At 31 December	469,585	453,677	422,672	436,957
Equipment				
At 1 January	92,994	120,912	81,058	107,788
Additions	50,174	29,192	21,672	26,097
Disposals	(10,928)	(6,983)	(10,928)	(6,092)
Depreciation expense	(38,986)	(50,127)	(33,555)	(46,735)
At 31 December	93,254	92,994	58,247	81,058

14. PROPERTY, PLANT AND EQUIPMENT (continued)

	Consolidated		Bank	
	2015	2014	2015	2014
<i>All amounts are expressed in K'000</i>				
Assets subject to operating lease				
Carrying value				
Aircraft	130,122	123,326	130,122	123,326
Accumulated depreciation	(77,265)	(69,543)	(77,265)	(69,543)
At 31 December	52,857	53,783	52,857	53,783

Reconciliation of carrying value of aircraft is set out below:

Aircraft				
At 1 January	53,783	61,505	53,783	61,505
Depreciation	(7,722)	(7,722)	(7,722)	(7,722)
Revaluation net increase	6,796	-	6,796	-
At 31 December	52,857	53,783	52,857	53,783
Future minimum lease receipts				
Not later than 1 year	10,104	10,104	10,104	10,104
Later than 1 year and not later than 5 years	5,219	15,323	5,219	15,323
At 31 December	15,323	25,427	15,323	25,427

The carrying amount of land and buildings and aircraft had they been recognised under the cost model are as follows:

Freehold land	25,987	24,301	25,987	24,301
Buildings	132,727	108,844	128,935	108,844
Aircraft	21,834	26,396	21,834	26,396
At 31 December	180,548	159,541	176,756	159,541

Freehold land and buildings carried at fair value

Independent valuations of the Bank's land and buildings were performed by Countrywide Realty Limited and The Professional Valuers of PNG Limited to determine the fair value of the land and buildings. The valuations, which conform to International Valuation Standards, were determined by reference to capitalisation of the notional income stream approach on the Market Value basis. The most recent valuation was dated 31 December 2014.

Assets subject to operating lease – aircraft

An independent valuation of the Bank's aircrafts was performed by Ascend Advisors to determine the current realistic fair value for each of the aircraft. The valuation, which conforms to International Valuation Standards, takes into consideration the current global market variations for the specific types of aircrafts. The effective date of the valuation was 31 March 2014 and was extrapolated to 31 December 2015 based on expected fair values per the aircraft lease contracts.

15. INVESTMENT PROPERTIES

	Consolidated		Bank	
	2015	2014	2015	2014
<i>All amounts are expressed in K'000</i>				
Opening net book value	70,684	65,429	-	-
Additions	10,325	4,856	-	-
Translation movement	5,736	(3,053)	-	-
Gain on revaluation	14,274	3,452	-	-
At 31 December	101,019	70,684	-	-

16. OTHER FINANCIAL ASSETS

Securities – held to-maturity:				
Inscribed stock – issued by Central Bank	2,227,847	2,297,935	2,074,124	2,188,067
Financial assets carried at fair value through profit and loss:				
Equity securities	81,079	63,714	-	-
At 31 December	2,308,926	2,361,649	2,074,124	2,188,067

17. OTHER ASSETS

Funds in transit and other assets	115,258	208,069	107,147	187,035
Accrued interest income	83,814	78,311	78,763	78,311
Intercompany account	-	-	4,614	6,478
Outstanding premiums	30,831	21,447	-	-
Inventory	6,896	6,830	-	-
Prepayments	15,311	12,224	14,706	12,224
Accounts receivable	3,025	7,767	1,328	1,045
At 31 December	255,135	334,648	206,558	285,093

18. AMOUNTS DUE TO OTHER BANKS

Vostro account balances	39,185	201,192	38,789	201,179
Other borrowings	305,161	58,700	306,088	58,700
At 31 December	344,346	259,892	344,877	259,879

19. CUSTOMER DEPOSITS

On demand and short term deposits	11,589,377	10,725,060	11,390,548	10,765,038
Term deposits	3,005,997	1,983,323	2,857,748	2,039,517
At 31 December	14,595,374	12,708,383	14,248,296	12,804,555

The majority of the amounts are due to be settled within twelve months of the balance sheet date as shown in the maturity analysis table on note 34. The deposits are diversified across industries and region.

20. SUBORDINATED DEBT SECURITIES

At 31 December, there is K75.525 million of debt securities outstanding, expected to be settled more than 12 months after the balance sheet date. The notes were issued during 2009, with a maturity date in 2019, and interest is payable semi-annually at 11% per annum. They are valued at amortised cost. There have been no defaults of interest or other breaches with respect to these debt securities since issue.

21. OTHER LIABILITIES

All amounts are expressed in K'000	Note	Consolidated		Bank	
		2015	2014	2015	2014
Creditors and accruals		115,785	94,804	95,900	66,925
Items in transit and all other liabilities		269,958	175,849	257,352	190,749
Policy liabilities	39(b)	563,441	473,753	-	-
Premiums received in advance		5,969	293	-	-
Outstanding claims		12,462	10,534	-	-
Claims incurred but not reported (IBNR)		1,564	1,315	-	-
At 31 December		969,179	756,548	353,252	257,674

22. OTHER PROVISIONS

Staff related	62,205	67,665	55,274	62,547
Provision for non-lending loss	47,762	41,691	47,743	41,666
Provisions – other	33,731	43,588	29,518	43,587
At 31 December	143,698	152,944	132,535	147,800
Staff related provisions movement:				
At 1 January	67,665	62,191	62,547	57,170
Provisions charge	34,969	36,203	30,535	36,106
Payouts	(40,429)	(30,729)	(37,808)	(30,729)
At 31 December	62,205	67,665	55,274	62,547

23. ORDINARY SHARES

Number of shares in '000s, Book value in K'000	Number of shares	Book value
At 31 December 2013/1 January 2014	468,429	381,498
Share buyback	(292)	(2,201)
At 31 December 2014/1 January 2015	468,137	379,297
Share buyback	(612)	(4,676)
At 31 December 2015	467,525	374,621

In May 2014, the Directors agreed to introduce a share-buyback scheme of up to K15 million. The share-buyback commenced in July 2014 and was extended to such time when the allocated K15 million buyback was utilised, or if the Board wishes, anytime before that.

All amounts are expressed in K'000	Consolidated		Bank	
	2015	2014	2015	2014
Earnings per ordinary share				
Net profit attributable to shareholders (K'000)	531,879	507,339	505,749	512,892
Weighted average number of ordinary shares in use ('000)	467,831	468,278	467,831	468,278
Basic and diluted earnings per share (expressed in toea)	113.7	108.3	108.1	109.5

Basic earnings per ordinary share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year. Bank of South Pacific Limited has no dilutive potential ordinary shares. Consequently, basic earnings per ordinary share equals diluted earnings per share.

Dividend paid on ordinary shares

Interim ordinary dividend (2015: 22.5 toea; 2014: 20 toea)	105,938	93,665	105,218	93,665
Final ordinary dividend (2014: 56 toea; 2013: 46 toea)	263,872	215,476	262,021	215,476
	369,810	309,141	367,239	309,141

24. RETAINED EARNINGS AND OTHER RESERVES

All amounts are expressed in K'000	Consolidated		Bank	
	2015	2014	2015	2014
Retained earnings				
At 1 January	1,219,436	1,035,290	1,183,505	991,368
Net profit for the year	531,879	507,339	505,749	512,892
Dividend paid	(369,810)	(309,141)	(367,239)	(309,141)
Disposal of assets – Asset revaluation	22,103	12,441	22,103	12,441
Prior year consolidation adjustment	-	(2,438)	-	-
BSP Life policy reserve	(4,118)	(24,055)	(4,118)	(24,055)
At 31 December	1,399,490	1,219,436	1,340,000	1,183,505
Other reserves comprise:				
Revaluation reserve	166,878	166,230	163,023	166,230
Capital reserve	635	635	635	635
Equity component of Fiji Class Shares	21,578	21,578	-	-
General reserve	31,048	26,930	31,048	26,930
Exchange reserve	34,926	(13,913)	21,663	(10,249)
At 31 December	255,065	201,460	216,369	183,546
Movement in reserves for the year:				
Revaluation reserve				
At 1 January	166,230	170,103	166,230	170,103
Asset revaluation increment	21,450	44,330	14,304	44,330
Transfer assets revaluation reserve to retained earnings	(22,103)	(12,441)	(22,103)	(12,441)
Deferred tax on disposal of properties	6,631	-	6,631	-
Deferred tax on asset revaluation – prior year	-	(23,051)	-	(23,051)
Deferred tax on asset revaluation – current year	(5,330)	(12,711)	(2,039)	(12,711)
At 31 December	166,878	166,230	163,023	166,230
Capital reserve				
At 1 January	635	635	635	635
At 31 December	635	635	635	635
General reserve				
At 1 January	26,930	2,875	26,930	2,875
BSP Life policy reserve	4,118	24,055	4,118	24,055
At 31 December	31,048	26,930	31,048	26,930

24. RETAINED EARNINGS AND RESERVES (continued)

All amounts are expressed in K'000	Consolidated		Bank	
	2015	2014	2015	2014
Exchange reserve				
At 1 January	(13,913)	10,441	(10,249)	7,833
Movement during the year	48,839	(24,354)	31,912	(18,082)
At 31 December	34,926	(13,913)	21,663	(10,249)
Equity component of convertible notes				
On 20 April 2010, the Group issued 3,064,967 Fiji Dollars (FJD) denominated mandatory convertible notes through its wholly owned subsidiary BSP Convertible Notes Limited (BSP CN) at an issue price of FJD5.25 (K7.30) per note.				
The notes mandatorily converted to Fiji Class Shares on 20 April 2013 based on a conversion ratio of 1:1. Key rights of Fiji Class Shareholders are as follows:				
(i) The right to receive dividend equal to the amount of dividend to be paid on BSP Ordinary Share.				
(ii) The same voting rights as a BSP Ordinary Share and effected through a special voting share held by the Chairman of BSP.				
(iii) The Fiji Class Share may be exchanged on a one for one basis into BSP Ordinary Shares at a subsequent date and at the option of BSP on the occurrence of certain prescribed events.				
25. CONTINGENT LIABILITIES AND COMMITMENTS				
Off balance sheet financial instruments				
Standby letters of credit	31,164	24,797	31,164	24,797
Guarantees and indemnities issued	304,086	293,853	299,857	292,489
Trade letters of credit	46,139	20,091	45,255	20,091
Commitments to extend credit	1,224,744	1,009,943	1,223,746	1,008,952
At 31 December	1,606,133	1,348,684	1,600,022	1,346,329
Legal Proceedings				
A number of legal proceedings against the Bank and the Group were outstanding as at 31 December 2015. Based on information available at 31 December 2015, the Bank and the Group estimates a contingent liability of K8.9 million (2014: K37.4 million) in respect of these proceedings.				
Statutory deposits with the Central Bank				
Cash reserve requirement: requisite reserve requirements of respective countries	1,359,606	1,251,582	1,341,650	1,251,582
Commitments for capital expenditure				
Amounts with firm commitments, and not reflected in the accounts	29,505	74,105	20,631	65,315
Operating lease commitments				
Not later than 1 year	22,466	19,918	22,466	19,704
Later than 1 year and not later than 5 years	36,421	38,116	36,421	37,486
Later than 5 years	16,797	15,621	16,797	15,621
At 31 December	75,684	73,655	75,684	72,811

26. FIDUCIARY ACTIVITIES

The Group especially through BSP Capital Limited conducts investment fund management, stock broking and other fiduciary activities as responsible entity, trustee, custodian or manager for investment funds and trusts, including superannuation. These funds are not consolidated as the Group does not have direct or indirect control. Where the funds incurs liabilities in respect of these activities, and the primary obligation is incurred in an agency capacity, for the fund or clients rather than its own account, a right of indemnity exists against the assets of the applicable fund or trust. As these assets are sufficient to cover the liabilities and it is therefore not probable that the Group will be required to settle the liabilities, the investments in the assets and liabilities of these activities are not included in the consolidated financial statements.

27. DIRECTORS AND EXECUTIVE REMUNERATION

Directors remuneration

Directors of the company received remuneration including benefits during 2015 as detailed below:

All amounts in Kina			Total remuneration	
Name of Director	Meetings attended/total held	Appointed/(Resigned)	2015	2014
Sir K. Constantinou, OBE	8/8	-	293,105	277,759
T. E. Fox, OBE, BEc	7/8	-	251,351	243,492
Dr. I. Temu, PhD, MEc	7/8	-	133,966	123,904
Sir N. Bogan, KBE, LLB	5/8	-	139,000	127,083
R. Fleming*, CSM, MBA, MMTG	8/8	-	-	-
G. Aopi, CBE, MBA	8/8	-	147,872	126,934
G. Robb, OAM, BA, MBA	7/8	-	376,039	363,283
F. Talao, LLM, MPHIL	8/8	-	137,950	115,121
E. B Gangloff, CPA, GAICD	7/8	-	142,119	116,771
A. Mano, BEc, MSc	7/8	29/08/14	122,855	26,250
			1,744,257	1,664,608

Directors Sir Kostas Constantinou, OBE, Freda Kanek Talao and Geoffrey John Robb retired by rotation in accordance with Clause 15.3 of the Company's Constitution and being eligible, offered themselves for re-election by the shareholders on 25 May 2015 Annual General Meeting. Augustine Mano was elected by the shareholders at the same Annual Meeting on 25 May 2015.

Non-executive Board Members of the Board - Constantinou, Fox and Robb received an allowance of K60,000 as Directors of BSP Capital Ltd which forms part of the Group.

*Managing Director/Chief Executive Officer receives no fees for his services as Director during the year. Other members of BSP executive management who serve as directors of subsidiaries of BSP Group receive no fees for their services as Director.

27. DIRECTORS AND EXECUTIVE REMUNERATION (continued)

Executive remuneration

The number of employees or former employees whose income from the Bank was equal to or greater than K100,000 during the year, are classified in income bands of K10,000 as follows:

Remuneration K'000	2015 No.	2014 No.	Remuneration K'000	2015 No.	2014 No.	Remuneration K'000	2015 No.	2014 No.
100 – 110	36	35	370 – 380	-	1	700 – 710	2	-
110 – 120	29	25	380 – 390	3	-	710 – 720	2	1
120 – 130	21	22	390 – 400	0	5	720 – 730	2	-
130 – 140	17	25	410 – 410	1	2	730 – 740	1	3
140 – 150	17	16	410 – 420	-	2	750 – 760	-	3
150 – 160	12	8	420 – 430	2	1	770 – 780	1	1
160 – 170	7	9	430 – 440	-	1	780 – 790	-	8
170 – 180	13	7	440 – 450	2	2	800 – 810	2	-
180 – 190	9	2	450 – 460	1	1	820 – 830	2	-
190 – 200	3	2	460 – 470	4	1	830 – 840	-	2
200 – 210	3	4	490 – 500	-	-	850 – 860	1	3
210 – 220	3	3	500 – 510	-	1	880 – 890	1	-
220 – 230	4	4	510 – 520	1	-	890 – 900	-	1
230 – 240	2	7	520 – 530	2	-	910 – 920	1	-
240 – 250	2	8	540 – 550	2	1	950 – 960	-	1
250 – 260	5	5	560 – 570	5	1	980 – 990	1	-
260 – 270	4	2	570 – 580	1	1	1090 – 1100	1	-
270 – 280	8	5	590 – 600	3	2	1100 – 1100	1	1
280 – 290	8	8	600 – 610	1	2	1170 – 1180	1	1
290 – 300	3	3	610 – 620	3	2	1190 – 1200	-	1
300 – 310	3	2	620 – 630	-	4	1230 – 1240	-	1
310 – 320	3	5	630 – 640	2	2	1270 – 1280	-	1
320 – 330	4	3	640 – 650	1	2	1630 – 1640	2	1
330 – 340	3	1	650 – 660	2	1	1660 – 1670	1	-
340 – 350	3	1	660 – 670	2	1	1730 – 1740	1	-
350 – 360	1	2	680 – 690	3	3	1840 – 1850	-	1
360 – 370	5	5	690 – 700	3	2	3560 – 3570	1	1
Total							296	291

The specified executives during the year were:

Robin Fleming, CSM	Robert Loggia	Haroon Ali	Richard Borysiewicz
Johnson Kalo	Peter Beswick	Paul Thornton	Edward Ruha
Aho Baliki, OBE	Giau Duruba	Rohan George	Christophe Michaud

Specified executives' remuneration in aggregate (K'000)

Year	Salary	Primary bonus	Non - monetary	Super	Post-employment prescribed benefits	Other	Equity options	Other benefits	Total
2015	11,478	2,443	397	222	-	-	-	375	14,915
2014	11,302	3,128	207	193	-	-	-	710	15,540

28. RECONCILIATION OF OPERATING CASH FLOW

All amounts are expressed in K'000	Consolidated		Bank	
	2015	2014	2015	2014
Reconciliation of operating profit after tax to operating cash flow before changes in operating assets				
Operating profit after tax	531,879	507,339	505,749	512,892
Add: Tax Expense	234,271	211,511	222,387	209,560
Operating profit before income tax	766,150	718,850	728,136	722,452
Major non cash amounts				
Depreciation	74,243	80,731	67,607	76,707
Amortisation of deferred acquisition and computer development costs	44,713	46,116	44,224	46,116
Net (profit)/loss on sale of fixed assets	(2,621)	1,210	(2,621)	1,210
Movement in foreign exchange income accrual	45,625	(13,344)	44,601	(10,461)
Movement in provision for doubtful debts	89,905	112,076	86,657	112,076
Movement in payroll provisions	(5,460)	2,821	(7,273)	2,821
Impairment of subsidiary	-	-	11,068	-
Impairment of fixed assets	44,666	50,397	44,666	50,397
Net effect of other accruals	(13,500)	6,047	(28,669)	(10,571)
Operating cash flow before changes in operating assets	1,043,721	1,004,904	988,396	990,747
Cash and cash equivalents				
For the purposes of the cash flow statement, cash and cash equivalents comprise the following balances with less than 90 days maturity.				
Cash and balances with Central Banks (note 10)	1,202,466	1,355,469	1,010,856	1,262,306
Amounts due from other banks (note 12)	695,280	380,653	572,400	380,653
Amounts due to other banks (note 18)	(344,346)	(259,892)	(344,877)	(259,879)
At 31 December	1,553,400	1,476,230	1,238,379	1,383,080

29. SEGMENT INFORMATION

Bank of South Pacific Limited and Group comprises various segments, these being the provision of banking services and products, stock broking and insurance services and asset financing. For management purposes, segment information determination is based on the risks involved with the provision of core banking services and products and the Bank and Group's management reporting system. The main business lines for management purposes are core banking segments of retail bank, wholesale bank which includes corporate and paramount strategic business units, insurance operations in Fiji, and BSP Capital's stock broking and fund management activities. The Bank of South Pacific Limited and Group's business segments operates in Papua New Guinea, Fiji, Solomon Islands, Cook Islands, Tonga and Samoa. Inter segment adjustments reflects elimination entries in respect of inter segment income and expense allocations included funds transfer pricing.

All amounts are in K'000	PNG Retail Bank	PNG Wholesale Bank	PNG Bank Other	Non PNG Bank	Non Bank Entities	Adjust Inter Segments	Total
Analysis by segments							
Year ended 31 December 2015							
Net interest income	234,523	443,477	209,970	112,624	5,657	-	1,006,251
Other income	252,402	139,125	3,540	119,780	7,468	(2,672)	519,643
Net insurance income	-	-	-	-	21,245	-	21,245
Total operating income	486,925	582,602	213,510	232,404	34,370	(2,672)	1,547,139
Operating expenses	(288,946)	(64,837)	(206,598)	(128,324)	(15,102)	12,723	(691,084)
Impairment expenses	(41,874)	(24,324)	(6,912)	(14,194)	(2,601)	-	(89,905)
Profit before income tax	156,105	493,441	-	89,886	16,667	10,051	766,150
Income tax	(47,735)	(154,270)	-	(23,063)	(9,203)	-	(234,271)
Net profit after income tax	108,370	339,171	-	66,823	7,464	10,051	531,879
Year ended 31 December 2014							
Net interest income	188,478	454,082	145,849	95,260	31	1,061	884,761
Other income	256,047	219,457	44,702	89,012	8,572	(19,504)	598,286
Net insurance income	-	-	-	-	15,684	-	15,684
Total operating income	444,525	673,539	190,551	184,272	24,287	(18,443)	1,498,731
Operating expenses	(376,859)	(55,361)	(153,472)	(108,072)	(10,847)	1,526	(703,085)
Impairment expenses	(20,986)	5,685	(37,079)	(24,416)	-	-	(76,796)
Profit before income tax	46,680	623,863	-	51,784	13,440	(16,917)	718,850
Income tax	(12,759)	(183,498)	-	(13,303)	(1,951)	-	(211,511)
Net profit after income tax	33,921	440,365	-	38,481	11,489	(16,917)	507,339

30. RELATED PARTY TRANSACTIONS

Related parties are considered to be enterprises or individuals with whom the Bank and the Group is especially related because either they or the Bank are in a position to significantly influence the outcome of transactions entered into with the Bank and the Group, by virtue of being able to control, dominate or participate in a fiduciary capacity, in decision-making functions or processes. The Bank and the Group conducted transactions with the following classes of related parties during the year:

- Directors and/or parties in which the director has significant influence
- Key management personnel and other staff and/or parties in which the individual officer has significant influence

A number of banking transactions are entered into with these related parties in the normal course of business, and include loans, deposits, property rentals, share transfers and foreign currency transactions. These transactions are carried out on commercial terms and market rates. For the year ended 31 December 2015, balances and transactions of accounts for Directors, including companies in which directorships were held by BSP directors, were as follows:

All amounts are expressed in K'000	2015	2014
Customer deposits		
Opening balances	142,812	192,446
Net movement	(39,872)	(49,634)
Closing balance	102,940	142,812
Interest paid	1,967	2,350
Loans, advances and other receivables from customers		
Opening balances	599,994	384,321
Loans issued	73,272	304,949
Interest	43,000	35,721
Charges	6,656	4,450
Loan repayments	(103,937)	(129,447)
Closing balance	618,985	599,994

Incentive-based transactions are provided for staff. Such transactions include marginal discounts on rates, and specific fee concessions. These incentives are mainly percentage-based on market rates and fees, and as such, staff accounts are always subject to underlying market trends in interest rates and fees. As at 31 December 2015, staff account balances were as follows:

All amounts are expressed in K'000	2015	2014
Housing loans	87,090	54,711
Other loans	34,929	30,889
At 31 December	122,019	85,600
Cheque accounts	8,920	10,630
Foreign currency accounts	1	487
Savings accounts	11,399	11,023
At 31 December	20,320	22,140

31. BANK OPERATIONS, RISKS AND STRATEGIES IN USING FINANCIAL INSTRUMENTS

All business operations must deal with a variety of operational and financial risks. The business activities of a bank expose it to very critical and specific risks, which are principally related to the Bank and the Group's primary financial intermediary role in the financial markets, including the use of financial instruments including derivatives. These market risks (risk of an advance event in the financial markets that may result in loss of earnings) include liquidity risk, foreign exchange risk, interest rate risk and credit risk.

The Bank and the Group accepts deposits from customers at both fixed and floating rates and for various periods and seeks to earn above average interest margins by investing these funds in high quality assets. These margins are achieved and increased by consolidating short - term funds and lending for longer periods at higher rates whilst maintaining sufficient liquidity to meet all claims that might fall due.

The Bank and the Group also seeks to optimise its interest margins by obtaining above average returns, net of provisions, through lending to commercial and retail borrowers with a range of credit standing. In addition to directly advancing funds to borrowers, the Bank and the Group also enters into guarantees and other commitments such as letters of credit, performance bonds, and other bonds.

The Bank and the Group also enters into transactions denominated in foreign currencies. This activity generally requires the Bank and the Group to take foreign currency positions in order to exploit short term movements in the foreign currency market. The Board places limits on the size of these positions. The Bank and the Group also has a policy of using offsetting commitments for foreign exchange contracts, effectively minimising the risk of loss due to adverse movements in foreign currencies.

Risk in the Bank and the Group is managed through a system of delegated limits. These limits set the maximum level of risk that can be assumed by each operational unit and the Bank and the Group as a whole. The limits are delegated from the Board of Directors to executive management and hence to the respective operational managers.

The risk management framework establishes roles, responsibilities and accountabilities of the Asset and Liability Committee, the Credit Committee, the Operational Risk Committee and the Executive Committee, the specific management committees charged with the responsibility for ensuring the Bank and the Group has appropriate systems, policies and procedures to measure, monitor and report on risk management. The framework also includes policies and procedures which detail formal feedback processes to these management committees, to the Audit, Risk and Compliance Committee of the Board, and ultimately to the Board of Directors.

32. CAPITAL ADEQUACY

The Bank and the Group is required to comply with various prudential standards issued by the Bank of Papua New Guinea (BPNG), the official authority for the prudential supervision of banks and similar financial institutions in Papua New Guinea. Additionally, subsidiaries and branches in Fiji, Solomon Islands, Cooks Islands, Samoa and Tonga are required to adhere to prudential standards issued by the Reserve Bank of Fiji (RBF), Central Bank of Solomon Islands (CBSI), The Financial Supervisory Commission (FSC), Central Bank of Samoa (CBS) and National Reserve Bank of Tonga (NRBT) respectively. One of the most critical prudential standards is the capital adequacy requirement. All banks are required to maintain at least the minimum acceptable measure of capital to risk-weighted assets to absorb potential losses. The BPNG follows the prudential guidelines set by the Bank of International Settlements under the terms of the Basel Accord. The BPNG revised prudential standard 1/2003, Capital Adequacy, prescribes ranges of overall capital ratios to measure whether a bank is under, adequately, or well capitalised, and also applies the leverage capital ratio. The Bank and the Group complies with the prevailing prudential requirements for total capital and leverage capital. As at 31 December 2015, the Bank and the Group's total capital adequacy ratio and leverage capital ratio satisfied the capital adequacy criteria for a 'well-capitalised' bank. The minimum capital adequacy requirements set out under the standard are: Tier 1 8%, total risk based capital ratio 12% and the leverage ratio 6%.

The measure of capital used for the purposes of prudential supervision is referred to as base capital. Total base capital varies from the balance of capital shown on the statement of financial position and is made up of tier 1 capital (core) and tier 2 capital (supplementary). Tier 1 capital is obtained by deducting from equity capital and audited retained earnings (or losses), intangible assets including deferred tax assets. Tier 2 capital cannot exceed the amount of tier 1 capital, and can include subordinated loan capital, specified asset revaluation reserves, un-audited profits (or losses) and a small percentage of general loan loss provisions. The leverage capital ratio is calculated as Tier 1 capital divided by total assets on the balance sheet.

Risk weighted assets are derived from on-balance sheet and off-balance sheet assets. On balance sheet assets are weighted for credit risk by applying weightings (0, 20, 50 and 100 per cent) according to risk classification criteria set by the BPNG. Off-balance sheet exposures are risk weighted in the same way after converting them to on-balance sheet credit equivalents using BPNG specified credit conversion factors.

The Bank and the Group's capital adequacy level is as follows:

All amounts are expressed in K'000	Balance sheet/Notional amount		Risk weighted amount	
	2015	2014	2015	2014
Balance sheet assets (net of provisions)				
Currency	2,562,072	2,607,051	-	-
Loans, advances and other receivables from customers	8,621,514	6,756,997	6,693,220	5,726,934
Investments and short term securities	4,812,035	4,544,886	-	-
All other assets	2,200,682	1,907,573	1,415,736	1,301,840
Off balance sheet items	1,606,133	1,348,684	271,380	194,548
Total	19,802,436	17,165,191	8,380,336	7,223,322

32. CAPITAL ADEQUACY (continued)

Capital Ratios	Capital (K'000)		Capital Adequacy Ratio (%)	
	2015	2014	2015	2014
<i>All amounts are expressed in K'000</i>				
a) Tier 1 capital	1,603,825	1,412,838	19.0%	19.4%
Tier 1 + Tier 2 capital	1,952,807	1,746,292	23.1%	24.0%
b) Leverage Capital Ratio	-	-	8.9%	9.0%

33. CREDIT RISK AND ASSET QUALITY

The Bank incurs risk with regard to loans, advances and other receivables due from customers and other monies or investments held with financial institutions. Credit risk is the likelihood of future financial loss resulting from the failure of clients or counter-parties to meet contractual obligations to the Bank and the Group as they fall due.

Credit risk is managed by analysing the risk spread across various sectors of the economy and by ensuring risk is diversely spread by personal and commercial customer. Individual exposures are measured using repayment performance, reviews and statistical techniques. Comprehensive credit standards and approval limits have been formulated and approved by the Credit Committee. The Credit Committee (which reports to the Board through the Executive and Chief Executive Officer) is responsible for the development and implementation of credit policy and loan portfolio review methodology. The Credit Committee is the final arbiter of risk management and loan risk concentration.

As indicated in Accounting Policy G – Loans and provision for loan impairment, the Bank and the Group has in place processes that identify, assess and control credit risk in relation to the loan portfolio, to assist in determining the appropriateness of provisions for loan impairment. These processes also enable assessments to be made of other classes of assets that may carry an element of credit risk. The Bank and the Group assigns quality indicators to its credit exposures to determine the asset quality profile.

Large credit exposures are also monitored as part of credit risk management. These are classified as the largest 25 individual accounts or groups of related counter-parties. As at 31 December 2015, the 25 largest exposures totaled K4.6 billion, accounting for over 53% of the Bank and 50% of the Group's total loan portfolio (2014: K4.1 billion, accounting for over 58% and 57% respectively).

The Bank of Papua New Guinea has maintained a revised prudential standard for asset quality since October 2003. The revised standard specifies more detailed criteria for the classification of loans into various grades of default risk and corresponding loss provision levels as a consequence of those grading's.

An analysis by credit quality of loans outstanding at 31 December 2015 is as follows:

2015	Overdrafts	Term loans	Mortgages	Lease financing	Policy loans	Total
<i>Neither past due nor impaired</i>	501,022	6,781,727	910,964	222,097	42,761	8,458,571
<i>Past due but not impaired</i>						
- Less than 30 days	65,606	139,621	99,990	2,584	-	307,801
- 30 to 90 days	3,417	63,060	55,027	4,783	-	126,287
- 91 to 360 days	2,815	19,524	12,918	820	-	36,077
	71,838	222,205	167,935	8,187	-	470,165
<i>Individually impaired loans</i>						
- Less than 30 days	123	4,780	6,398	-	-	11,301
- 30 to 90 days	-	3,011	1,600	-	-	4,611
- 91 to 360 days	5,820	28,862	20,234	14,610	-	69,526
- More than 360 days	4,633	18,513	30,807	259	-	54,212
	10,576	55,166	59,039	14,869	-	139,650
Total gross loans, advances and other receivables from customers	583,436	7,059,098	1,137,938	245,153	42,761	9,068,386
Less impairment provisions						(446,872)
Net loans and advances						8,621,514

33. CREDIT RISK AND ASSET QUALITY (continued)

Credit Related Commitments

These instruments are used to ensure that funds are available to a customer as required. The Bank and the Group deals principally in the credit related commitments set out below.

Guarantees and standby letters of credit, which represent irrevocable assurances that the Bank and the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same risk as loans.

Documentary and trade letters of credit are written undertakings by the Bank and the Group on behalf of a customer, authorising a third party to draw drafts on the Bank and the Group for specified amounts under specified terms and conditions. They are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a conventional loan.

Commitments to extend credit represent undrawn portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. Whilst the potential exposure to loss equates to the total undrawn commitments, the likely amount of loss is less than the total commitment since the commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank and the Group monitors the term to maturity of these commitments because longer term commitments generally carry a greater degree of credit risk than shorter term commitments.

Economic sector risk concentrations

Economic sector risk concentrations within the customer loan portfolio are as follows:

<i>All amounts are expressed in K'000</i>				
As at 31 December	2015	%	2014	%
Commerce, finance and other business	5,136,578	60	3,665,694	54
Private households	1,669,618	19	948,957	14
Government and public authorities	126,141	1	81,873	1
Agriculture	405,766	5	322,532	5
Transport & communication	582,835	7	792,809	12
Manufacturing	244,371	3	298,307	4
Construction	456,205	5	646,825	10
Net loan portfolio balance	8,621,514	100	6,756,997	100

Ownership risk concentrations

Ownership risk concentrations within the customer loan portfolio are as follows:

Corporate/Commercial	4,625,570	54	4,309,941	64
Government	2,110,014	24	1,149,503	17
Retail	1,885,930	22	1,297,553	19
Net loan portfolio balance	8,621,514	100	6,756,997	100

34. LIQUIDITY RISK

Liquidity risk is the risk of being unable to meet financial obligations as they fall due. The Board, through the Asset and Liability Committee, sets liquidity policy to ensure that the Bank and the Group has sufficient funds available to meet all its known and potential obligations.

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of banking activities. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

Short-term mismatch of asset and liability maturity at 31 December 2015

The maturity profile of material Assets and Liabilities as at 31 December 2015 is shown in the following schedule. The mismatching of maturity of assets and liabilities indicates an apparent negative net "current" asset position. However, as stated in the preceding paragraph, mismatched positions are established and managed to achieve profit opportunities that arise from them, particularly in a normal yield curve environment. Accordingly, this mismatched maturity position is considered manageable by the Bank and the Group, and does not impair the ability of the Bank and the Group to meet its financial obligations as they fall due. The Directors are also of the view that the Bank and the Group is able to meet its financial obligations as they fall due for the following additional reasons:

- The Bank complies with the Cash Reserve Requirement ("CRR") set by the regulatory authorities of the jurisdictions that the Bank operates in. The CRR specifies that a bank must hold an amount equal to a percentage of its total customer deposits in the form of cash in an account maintained by the respective Central Bank. The Bank complies with this daily requirement on an ongoing basis. The balance of the CRR account is shown in Note 25, Statutory Deposits with the Central Bank.

34. LIQUIDITY RISK (continued)
Maturity of assets and liabilities

All amounts are expressed in K'000

As at 31 December 2015	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
Assets						
Cash and balances with Central Bank	2,562,072	-	-	-	-	2,562,072
Treasury & Central Bank bills	645,928	624,880	1,222,753	-	9,548	2,503,109
Amounts due from other banks	630,079	27,731	37,470	-	-	695,280
Loans, advances and other receivables from customers	1,058,463	403,714	1,061,606	3,248,162	2,849,569	8,621,514
Other financial assets	16,534	157,000	175,395	1,317,947	642,050	2,308,926
Total assets	4,913,076	1,213,325	2,497,224	4,566,109	3,501,167	16,690,901
Liabilities						
Amounts due to other banks	291,616	11,743	40,841	146	-	344,346
Customer deposits	11,178,740	546,155	1,533,035	146,407	1,191,037	14,595,374
Other liabilities	957,047	397	1,621	2,984	82,655	1,044,704
Other provisions	182,703	-	-	-	-	182,703
Total liabilities	12,610,106	558,295	1,575,497	149,537	1,273,692	16,167,127
Net liquidity gap	(7,697,030)	655,030	921,727	4,416,572	2,227,475	523,774

As at 31 December 2014

Total assets	5,692,609	568,496	1,608,423	3,148,690	3,271,369	14,289,587
Total liabilities	12,799,244	309,789	709,421	122,125	75,735	14,016,314
Net liquidity gap	(7,106,635)	258,707	899,002	3,026,565	3,195,634	273,273

35. OPERATIONAL RISK

Operational risk is the potential exposure to unexpected financial or non-financial losses arising from the way in which the Bank and the Group conducts its business. Examples of operational risks include employee errors, systems failures, fire, floods, or similar losses to physical assets, fraud, or criminal activity. Operational risk is managed through formal policies, documented procedures, business practices and compliance monitoring.

An operational risk management function is responsible for the maintenance of these policies, procedures practices and monitoring the organisation's compliance with them. The Operational Risk Committee coordinates the management process across the organisation.

An independent internal audit function also conducts regular reviews to monitor compliance with approved BPNG standards and examines the general standard of control.

The Operational Risk Committee and the internal audit function mandatorily report to the Board Audit, Risk and Compliance Committee.

36. FOREIGN EXCHANGE RISK

Foreign exchange risk is the risk to earnings caused by a change in foreign exchange rates on open currency positions. The objective of foreign exchange risk management within the Bank and the Group is to minimise the impact on earnings of any such movement.

The Bank and the Group accepts foreign currency denominated transactions and therefore has exposure to movements in foreign currency. The Bank and the Group has a policy to offset these transactions to minimise daily exposure. As foreign exchange contracts generally consist of offsetting commitments, they involve only limited foreign exchange risk to the Bank and the Group and material loss is not envisaged.

Currency concentration of assets, liabilities, and off-balance sheet items.

All amounts are expressed in K'000

As at 31 December 2015	PGK	FJD	SBD	USD	Other	Total
Assets						
Cash and balances with Central Bank	1,492,074	444,596	214,083	2,727	408,592	2,562,072
Treasury & Central Bank bills	2,284,741	35,620	180,896	-	1,852	2,503,109
Amounts due from other banks	117,296	58,986	26,423	135,140	357,435	695,280
Loans, advances and other receivables from customers	5,851,464	1,733,203	183,451	164,301	689,095	8,621,514
Other financial assets	2,074,124	234,802	-	-	-	2,308,926
Other assets	1,278,357	125,968	54,988	-	46,089	1,505,402
Total assets	13,098,056	2,633,175	659,841	302,168	1,503,063	18,196,303
Liabilities						
Amounts due to other banks	(230,615)	(59,545)	(54)	(29,776)	(24,356)	(344,346)
Customer Deposits	(10,258,953)	(2,073,203)	(724,148)	(677,256)	(861,814)	(14,595,374)
Other liabilities	(1,035,729)	(76,104)	(50,184)	-	(65,390)	(1,227,407)
Total liabilities	(11,525,297)	(2,208,852)	(774,386)	(707,032)	(951,560)	(16,167,127)
Net on - balance sheet position	1,572,759	424,323	(114,545)	(404,864)	551,503	2,029,176
Off - balance sheet net notional position	(45)	-	-	(1,562)	6,159	4,552
Credit commitments	1,259,124	338,854	4,352	-	3,802	1,606,131

31 December 2014

Total Assets	12,495,902	2,067,893	534,191	202,444	516,077	15,816,507
Total Liabilities	(10,808,958)	(1,897,941)	(432,807)	(281,774)	(594,834)	(14,016,314)
Net on - balance sheet position	1,686,944	169,952	101,384	(79,330)	(78,757)	1,800,193
Off - balance sheet net notional position	-	-	-	9,977	(10,713)	(736)
Credit commitments	1,065,452	266,152	14,725	-	-	1,346,329

The following table presents sensitivities of profit or loss and equity to possible changes in exchange rates applied at the end of the reporting period, relative to the functional currency of the respective Group entities, with all other variables held constant:

All amounts are expressed in K'000	At 31 December 2015		At 31 December 2014	
	Impact on profit or loss	Impact on equity	Impact on profit or loss	Impact on equity
USD strengthening by 1% (2014 - 1%)	1,372	1,372	903	903
USD dollar weakening by 1% (2014 - 1%)	(1,345)	(1,345)	(885)	(885)
AUD strengthening by 1% (2014 - 1%)	7	7	(25)	(25)
AUD dollar weakening by 1% (2014 - 1%)	(7)	(7)	24	24

37. INTEREST RATE RISK

Interest rate risk in the balance sheet arises from the potential for a change in interest rate to have an adverse effect on the revenue earnings in the current reporting period and future years. As interest rates and yield curves change over time the Bank and the Group may be exposed to a loss in earnings due to the effects of interest rates on the structure of the balance sheet. Sensitivity to interest rates arises from mismatches in the re-pricing dates, cash flows and other characteristics of the assets and their corresponding liability funding. These mismatches are actively managed as part of the overall interest rate risk management process governed by the Assets and Liabilities Committee (ALCO), which meets regularly to review the effects of fluctuations in the prevailing levels of market interest rates on the financial position and cash flows of the Bank and the Group. The objective of interest rate risk control is to minimise these fluctuations in value and net interest income over time, providing secure and stable sustainable net interest earnings in the long term. The table below illustrates the interest sensitivity of assets and liabilities at the balance date.

Given the profile of assets and liabilities as at 31 December 2015 and prevailing rates of interest, a 1% increase in markets rates will result in a K32.3 million increase in net interest income, whilst a 1% decrease in rates will result in a K47.8 million decrease in net interest income.

Interest sensitivity of assets, liabilities and off balance sheet items – re-pricing analysis

<i>All amounts are expressed in K'000</i>						
At 31 December 2015	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing
Assets						
Cash & Central Bank assets	-	-	-	-	-	1,202,466
Treasury & Central Bank bills	441,264	157,000	175,395	1,087,400	642,050	-
Amounts due from other banks	630,079	27,731	37,470	-	-	-
Statutory deposits - Central Bank	-	-	-	-	-	1,359,606
Loans, advances and other receivables from customers	7,512,150	150,807	535,575	294,081	128,901	-
Investments	1,657	157,000	175,395	1,251,744	840,446	-
Other assets	219,023	-	-	-	-	1,169,063
Total assets	8,804,173	492,538	923,835	2,633,225	1,611,397	3,731,135
Liabilities						
Amounts due to other banks	270,943	32,749	36,559	-	-	4,095
Customer deposits	6,847,265	536,520	1,501,362	167,803	154,177	5,388,247
Other liabilities	103,068	-	-	-	75,525	866,111
Other provisions	-	-	-	-	-	182,703
Total liabilities	7,221,276	569,269	1,537,921	167,803	229,702	6,441,156
Interest sensitivity gap	1,582,897	(76,731)	(614,086)	2,465,422	1,381,695	(2,710,021)
At 31 December 2014						
Assets						
Cash & Central Bank assets	-	-	-	-	-	1,355,469
Treasury & Central Bank Bills	985,499	370,203	821,872	5,663	-	-
Amounts due from other banks	320,993	29,365	30,295	-	-	-
Statutory deposits - Central Bank	-	-	-	-	-	1,251,582
Loans, advances and other receivables from customers	5,959,668	138,167	338,406	317,912	-	2,844
Investments	-	-	323,213	1,126,131	1,030,694	-
Other assets	1,684	1,684	7,578	12,139	-	1,385,446
Total assets	7,267,844	539,419	1,521,364	1,461,845	1,030,694	3,995,341
Liabilities						
Amounts due to other banks	259,892	-	-	-	-	-
Customer deposits	6,988,751	490,623	751,546	127,461	210	4,349,792
Other liabilities	-	-	-	-	75,525	756,548
Other Provisions	-	-	-	-	-	215,966
Total liabilities	7,248,643	490,623	751,546	127,461	75,735	5,322,306
Interest sensitivity gap	19,201	48,796	769,818	1,334,384	954,959	(1,326,965)

38. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

There is no material difference between the fair value and carrying value of the financial assets and liabilities of Bank of South Pacific Limited and the Group. The table below analyses the Group's financial instruments carried at fair value, by levels in the fair value hierarchy.

The different levels have been defined as follows:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

<i>All amounts are expressed in K'000</i>				
At 31 December 2015	Level 1	Level 2	Level 3	Total
Financial assets				
Equity securities	-	79,544	1,535	81,079
Non-financial assets				
Asset held for sale	-	-	35,135	35,135
Property, plant & equipment	-	-	686,325	686,325
Total	-	79,544	722,995	802,539
Financial liabilities				
Policy liabilities	-	-	563,441	563,441
At 31 December 2014				
Financial assets				
Equity securities	-	62,430	1,284	63,714
Non - financial assets				
Assets held for sale	-	-	65,052	65,052
Property, plant & equipment	-	-	662,313	662,313
Total	-	62,430	728,649	791,079
Financial liabilities				
Policy liabilities	-	-	473,753	473,753

There were no changes in valuation technique for Level 3 recurring fair value measurements during the year ended 31 December 2015 (2014 – none). Property, plant and equipment and assets held for sale represents commercial land and buildings that the Group based on valuations provided by independent valuers. Disposal cost for properties classified as held for sale is not expected to be material.

In the normal course of trading, the Bank and the Group enters into forward exchange contracts. The Bank and the Group does not actively enter into or trade in, complex forms of derivative financial instruments such as currency and interest rate swaps and options.

Exposures in foreign currencies arise where the Bank and the Group transacts in foreign currencies. This price risk is minimised by entering into counterbalancing positions for material exposures as they arise. Forward and spot foreign exchange contracts are used.

38. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (continued)

Forward exchange contracts outstanding at 31 December 2015 stated at the face value of the respective contracts are:

<i>All amounts are expressed in respective FCY'000 AND K'000</i>								
At 31 December 2015		USD	AUD	EURO	GBP	JPY	Other	Total
Selling	FCY	(9,979)	-	(200)	(4,050)	(11,000)	(2,681)	-
	Kina	(45)	-	-	-	-	-	(45)
Buying	FCY	9,459	12,780	-	-	3000	820	-
	Kina	-	-	-	-	-	-	-

<i>All amounts are expressed in respective FCY'000 AND K'000</i>								
At 31 December 2014		USD	AUD	EURO	GBP	JPY	Other	Total
Selling	FCY	(42,143)	-	(971)	(2,450)	-	-	-
	Kina	110,701	-	4,058	3,830	-	-	118,589
Buying	FCY	41,773	-	-	1,000	-	-	-
	Kina	(108,795)	-	-	(4,057)	-	-	(112,852)

39. INSURANCE

(a) Net insurance operating income

<i>All amounts are expressed in K'000</i>	Consolidated		Bank	
	2015	2014	2015	2014
Net insurance income	21,245	15,684	-	-

Presentation of insurance business results in the statement of comprehensive income has been regrouped to more accurately reflect the insurance business contribution to shareholder profits. Comparative figures have been adjusted to conform to changes in presentation in the current year.

(b) Policy liabilities

Key assumptions used in determining this liability are as follows:

Discount rates

For contracts in Statutory Fund 1 which have a Discretionary Participating Feature (DPF), the discount rate used is linked to the assets which back those contracts. At 31 December 2015 this was 5.04% per annum (2014: 4.84% per annum), based on current 10 year government bond yields and expected earnings from the investment portfolio. For contracts without DPF and Accident Business, a rate of 4.2% per annum was used at 31 December 2015 (2014: 3.9% per annum). These rates were based on the 10 year government bond rate as published by the Reserve Bank of Fiji.

Investment and maintenance expenses

Future maintenance and investment expenses are based on the budgeted expenses. Future inflation has been assumed to be 3.5% per annum (2014: 3.5% per annum) for determining future expenses.

Taxation

The rates of taxation enacted or substantially enacted at the date of the valuation (20%) are assumed to continue into the future.

Mortality and morbidity

Projected future rates of mortality for insured lives are based on the Fiji Mortality Statistics table FJ90-94 Male. These are then adjusted for the Group's own experience. The mortality rates used was 70% of the FJ90-94 Male table for participating business in Statutory Fund 1.

Rates of discontinuance

Best estimate assumptions for the incidence of withdrawal and discontinuance vary by product and duration and are based on the Group's experience which is reviewed regularly. Rates used for the long term insurance contracts are as follows:

39. INSURANCE (continued)

	2015	2014
Whole of Life and Endowment Insurance	15%	15%
Term Insurance	18%	18%
Accident Insurance	14%	14%

Basis of calculation of surrender values

Surrender values are based on the provisions specified in the policy contracts. There have been no changes to surrender bases during the period (or the prior periods) which have materially affected the valuation result.

Discretionary Participating Business

For most participating business, bonus rates are set such that, over long periods, the returns to contract holders are commensurate with the investment returns achieved on the pool of assets which provide security for the contract, together with other sources of profit arising from this business. Profits from these policies are split between contract holders and shareholders in accordance with the policy conditions which allow for shareholders to share in allocations at a maximum rate of 20%. For business written between 1995 and 1998 the shareholder receives 11% of profits.

In applying the contract holders' share of profits to provide bonuses, consideration is given to equity between generations of policyholders and equity between the various classes and sizes of contracts in force. Assumed future bonus rates included in the liability for the long term insurance contracts were set such that the present value of the liabilities equates to the present value of assets supporting the business together with assumed future investment returns, allowing for the shareholder's right to participate in distributions.

Reinsurance

Contracts entered into by the Group with Reinsurers under which the Group is compensated for losses on one or more contracts issued by the Group, are classified as reinsurance contracts.

As the reinsurance agreements provide for indemnification by the Reinsurers against loss or liability, reinsurance income and expenses are recognised separately in profit or loss when they become due and payable in accordance with the reinsurance agreements.

Reinsurance recoveries are recognised as claim recoveries under profit or loss. This is netted off against the claim expenses. Reinsurance premiums are recognised as Reinsurance Expenses.

<i>All amounts are expressed in K'000</i>	2015	2014
Policy Liabilities		
Opening balance	473,753	481,087
Translation movement	40,319	(23,346)
Release provisions to claims & operating expenses	-	(1,394)
Release provision to fund advance premium	-	(5)
Release provision to fund negative Regional Shareholder to Retained Earnings	-	(80)
Increase in policy liabilities	34,984	17,491
Increase in policy liabilities on revaluation of land	14,385	-
Total policy liabilities	563,441	473,753

40. BUSINESS COMBINATIONS

(a) Summary of Acquisition

During the year the Bank acquired the operations of the following entities:

Acquisition date	Entity	% Acquired
9 July 2015	Westpac Banking Corporation Cook Islands branch	100.0
10 July 2015	Westpac Bank of Samoa Limited	98.70
10 July 2015	Westpac Bank of Tonga Limited	100.0
30 October 2015	Westpac Banking Corporation Solomon Islands branch	100.0



40. BUSINESS COMBINATIONS (continued)

Acquisition amount	K'000
Cash	28,444
Due from other financial institution and regulatory deposits	388,151
Loans and advances	573,162
Investment securities	3,080
Other assets and intergroup balances	21,834
Property, plant & equipment	19,380
Tax receivables and deferred tax assets	15,772
Deposits	(785,902)
Due to other financial institutions	(34,231)
Provisions and other liabilities	(10,722)
Net identifiable assets acquired	218,968
Add: goodwill	21,103
Net assets acquired for cash consideration	240,071

- (1) **Acquired loans and advances**
The fair value of acquired loans and advances is K573.162m. The gross contractual amount for loans and advances due is K605.028m of which K31.866m is expected to be uncollectible.
- (2) **Accounting policy choice for non-controlling interests**
The group recognises non-controlling interests in an acquired entity either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.
- (3) **Profit Contribution of acquired businesses**
The acquired businesses contributed revenue of K35.2m and net profit of K11.7m to the Group for the period from 10 July 2015(Cook Islands, Samoa and Tonga) and 30 October 2015 (Solomon Islands) to 31 December 2015. If the acquisitions had occurred on 1 January 2015, consolidated pro-forma revenue and profit for the year ended 31 December 2015 would have been K84.6m and K28.6m respectively.

(b) Purchase consideration - cash outflow

Outflow of cash to acquire subsidiary and branches, net of cash acquired	K'000s
Cash consideration	240,071
Less: cash balances acquired	(416,595)
Net inflow of cash – investing activities	(176,524)

Acquisition-related costs of K8.336m that were not directly attributable to the issue of shares are included in other operating expenses in the statement of comprehensive income and in operating cash flows in the statement of cash flows.

41. EVENTS OCCURRING AFTER BALANCE SHEET DATE

There have been no adjusting events after the end of the reporting period.

42. REMUNERATION OF AUDITORS

All amounts are expressed in K'000	Consolidated		Bank	
	2015	2014	2015	2014
Financial statement audits	2,372	1,919	1,934	1,568
Other services	997	936	900	929
	3,369	2,855	2,834	2,497

The external auditor PricewaterhouseCoopers is also engaged in providing other services to the Bank and Group as required and as permitted by prudential standards. The provision of other services included taxation services and general training.

Independent Auditor's Report
to the shareholders of Bank of South Pacific Limited

Report on the financial statements

We have audited the accompanying financial statements of Bank of South Pacific Limited (the Company), which comprise the statements of financial position as at 31 December 2015, the statements of comprehensive income, statements of changes in shareholders' equity and statements of cash flows for the year then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information for both the Company and the Group. The Group comprises the Company and the entities it controlled at 31 December 2015 or from time to time during the financial year.

Directors' responsibility for the financial statements

The Directors are responsible for the preparation of these financial statements such that they give a true and fair view in accordance with generally accepted accounting practice in Papua New Guinea and the Companies Act 1997 and for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. These standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal controls relevant to the Company and the Group's preparation of financial statements that give a true and fair view of the matters to which they relate, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements:

- comply with International Financial Reporting Standards and other generally accepted accounting practice in Papua New Guinea; and
- give a true and fair view of the financial position of the Company and the Group as at 31 December 2015, and their financial performance and cash flows for the year then ended.

Report on other legal and regulatory requirements

The Companies Act 1997 requires that in carrying out our audit we consider and report on the following matters. We confirm in relation to our audit of the financial statements for the year ended 31 December 2015:

- we have obtained all the information and explanations that we have required;
- in our opinion, proper accounting records have been kept by the Company as far as appears from an examination of those records; and
- we have no relationship with, or interests in, the Company or any of its subsidiaries other than in our capacities as auditor, and provider of audit-related and taxation services. These services have not impaired our independence as auditor of the Group.

Restriction on distribution or use

This report is made solely to the Group's shareholders, as a body, in accordance with the Companies Act 1997. Our audit work has been undertaken so that we might state to the Company's shareholders those matters which we are required to state to them in an auditor's report and for no other purpose. We do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

PricewaterhouseCoopers

J. C. Seeto
Registered under the Accountants Registration Act 1996
Partner

Port Moresby
11 March 2016

PricewaterhouseCoopers, Level 6, Harbour City, Konedobu, Port Moresby
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Shareholder Information

The following is a summary of pertinent issues relating to shareholding in the Group. The Constitution of BSP may be inspected during normal business at the Registered Office.

RIGHTS ATTACHING TO ORDINARY SHARES

The rights attaching to shares are set out in Bank of South Pacific Limited's Constitution and in certain circumstances, are regulated by the Companies Act 1997, the POMSoX Listing Rules and general law. There is only one class of share. All shares have equal rights. Other rights attached to ordinary shares include:

General meeting and notices

Each member is entitled to receive notice of, and to attend and vote at, general meetings of BSP and to receive all notices, accounts and other documents required to be sent to members under BSP's constitution, the Companies Act or the Listing Rules.

Voting rights

At a general meeting of shareholders, every holder of fully paid ordinary shares present in person or by an attorney, representative or proxy has one vote on a show of hands (unless a member has appointed two proxies) and one vote per share on a poll.

A person who holds a share which is not fully paid is entitled, on a poll, to a fraction of a vote equal to the proportion which the amount paid bears to the total issue price of the share.

Where there are two or more joint holders of a share and more than one of them is present at a meeting and tenders a vote in respect of the share, the Company will count only the vote cast by the member whose name appears first in BSP's register of members.

Issues of further shares

The Directors may, on behalf of BSP, issue, grant options over, or otherwise dispose of unissued shares to any person on the terms, with the rights, and at the times that the Directors decide. However, the Directors must act in accordance with the restrictions imposed by BSP's constitution, the POMSoX Listing Rules, the Companies Act and any rights for the time being attached to the shares in any special class of those shares.

Variation of rights

Unless otherwise provided by BSP's constitution or by the terms of issue of a class of shares, the rights attached to the shares in any class of shares may be varied or cancelled only with the written consent of the holders of at least three-quarters of the issued shares of that class, or by special resolution passed at a separate meeting of the holders of the issued shares of the affected class.

Transfer of shares

Subject to BSP's constitution, the Companies Act and the POMSoX Listing Rules, ordinary shares are freely transferable.

The shares may be transferred by a proper transfer effected in accordance with the POMSoX Business Rules, by any other method of transferring or dealing with shares introduced by POMSoX and as otherwise permitted by the Companies Act or by a written instrument of transfer in any usual form or in any other form approved by either the Directors or POMSoX that is permitted by the Companies Act.

The Directors may decline to register a transfer of shares (other than a proper transfer in accordance with the POMSoX Business Rules) where permitted to do so under the POMSoX Listing Rules or the transfer would be in contravention of the law. If the Directors decline to register a transfer, BSP must give notice in accordance with the Companies Act and the POMSoX Listing rules, give the party lodging the transfer written notice of the refusal and the reason for refusal. The Directors must decline to register a transfer of shares when required by law, by the POMSoX Listing Rules or by the POMSoX Business Rules.

Partly paid shares

The Directors may, subject to compliance with BSP's constitution, the Companies Act and the POMSoX Listing Rules, issue partly paid shares upon which there are outstanding amounts payable. These shares will have limited rights to vote and to receive dividends.

Dividends

The Directors may from time to time determine dividends to be distributed to members according to their rights and interests. The Directors may fix the time for distribution and the methods of distribution. Subject to the terms of issue of shares, each share in a class of shares in respect of which a dividend has been declared will be equally divided. Each share carries the right to participate in the dividend in the same proportion that the amount for the time being paid on the share (excluding any amount paid in advance of calls) bears to the total issue price of the share.

Dividend payouts over the last six years are disclosed in the schedule of Historical Financial Performance elsewhere in this Annual Report.

Liquidation

Subject to the terms of issue of shares, upon liquidation assets will be distributed such that the amount distributed to a shareholder in respect of each share is equal. If there are insufficient assets to repay the paid-up capital, the amount distributed is to be proportional to the amount paid-up.

Directors

BSP's constitution states that the minimum number of directors is three and the maximum is ten.

Appointment of directors

Directors are elected by the shareholders in general meeting for a term of three years. At each general meeting, one third of the number of directors (or if that number is not a whole number, the next lowest whole number) retire by rotation. The Board has the power to fill casual vacancies on the Board, but a director so appointed must retire at the next annual meeting.

Powers of the Board

Except otherwise required by the Companies Act, any other law, the POMSoX Listing Rules or BSP's constitution, the Directors have the power to manage the business of BSP and may exercise every right, power or capacity of BSP to the exclusion of the members.

Share buy backs

Subject to the provisions of the Companies Act and the POMSoX Listing Rules, BSP may buy back shares by itself on terms and at times determined by the Directors.

Officers' indemnities

BSP, to the extent permitted by law, indemnifies every officer of BSP (and may indemnify any auditor of BSP) against any liability incurred by the person, in the relevant capacity, to another person unless the liability arises out of conduct involving lack of good faith.

BSP may also make a payment in relation to legal costs incurred by these persons in defending an action for a liability, or resisting or responding to actions taken by a government agency or a liquidator.

Twenty largest registered fully paid ordinary shareholders

At the 31 December 2015, the twenty largest registered fully paid shareholders of the Company were:

		Share Held	%
1	Kumul Consolidated Holdings Limited	84,311,597	18.03%
2	Nambawan Super Limited	57,592,261	12.32%
3	Petroleum Resources Kutubu Limited	46,153,840	9.87%
4	NASFUND	45,318,417	9.69%
5	Credit Corporation (PNG) Limited	35,843,425	7.67%
6	Motor Vehicles Insurance Limited	31,243,736	6.68%
7	PNG Sustainable Development Program Limited	29,202,767	6.25%
8	IFC Capitalization (Equity) Fund LP	22,796,644	4.88%
9	International Finance Corporation	22,796,644	4.88%
10	Teachers Savings and Loans Society	15,317,366	3.28%
11	Comrade Trustee Services Limited	14,456,052	3.09%
12	Lamin Trust Fund	3,518,132	0.75%
13	Capital Nominees Limited	3,375,849	0.72%
14	Credit Corporation (PNG) Limited [CC Finance Ltd]	3,000,000	0.64%
15	Mineral Resources OK Tedi No. 2 Limited	2,890,000	0.62%
16	Solomon Islands National Provident Fund	2,500,001	0.53%
17	Nominees Niugini Limited	2,369,495	0.51%
18	Catholic Diocese of Kundiawa	2,165,688	0.46%
19	Southern Highlands Provincial Government	2,000,000	0.43%
20	Mineral Resources Star Mountains Ltd	1,975,799	0.42%
	Other shareholders	38,697,351	8.28%
		467,525,064	100.00%

Distribution of Shareholding

At the 31 December 2015, the Company had 6,098 shareholders. The distribution of shareholdings is as follows:

Range (number)	Number of Shareholders	Number of Shares
1 to 1,000	5,122	1,313,787
1,001 to 5,000	627	1,276,729
5,001 to 10,000	95	671,813
10,001 to 100,000	170	6,235,689
100,001 and above	84	373,715,449
	6,098	467,525,064

Interest in shares in the Bank

Directors hold the following shares in the Bank:

Director	Shares Held	%
T. E. Fox	44,744	0.00
Gerea Aopi	10,000	0.00
R Fleming	93,000	0.00

Registered Office

Bank of South Pacific Limited
PO Box 78,
PORT MORESBY
National Capital District
PAPUA NEW GUINEA
Telephone: +675 322 9700

Home Exchange for BSP Shares

Port Moresby Stock Exchange Ltd (POMSOX)
PO Box 1531
PORT MORESBY
National Capital District
PAPUA NEW GUINEA
Telephone: +675 320 1980

Share Registry

PNG Registries Limited
PO Box 1265,
PORT MORESBY
National Capital District
PAPUA NEW GUINEA
Telephone: +675 321 6377

Website

www.bsp.com.pg

Home Exchange for BSP Convertible Notes

South Pacific Stock Exchange
GPO Box 11689
SUVA
FIJI
Telephone: +679 330 4130

DIRECTORS' INFORMATION

Name	Nature of Interest	
Sir K. Constantinou, OBE	Director	Bank of South Pacific Ltd ¹ , BSP Capital Ltd ¹ , Airways Hotel & Apartment Ltd, Lamana Hotel Ltd, Lamana Development Ltd, Heritage Park Hotel Ltd, Gazelle International Hotel Ltd, Oil Search Ltd, Alotau International Hotel Ltd, Kimbe Bay Hotel Ltd, Grand Pacific Hotel Ltd, City Centre Development Ltd, Coastwatchers Court Ltd, Waigani Assets Ltd, Southern Seas Investments Ltd, Texas Chicken South Pacific Ltd, BSP Finance Ltd, Bank of South Pacific Tonga Ltd, Bank South Pacific (Samoa) Ltd.
	Shareholder	Airways Hotel & Apartment Ltd, Lamana Hotel Ltd, Lamana Development Ltd, Texas Chicken South Pacific Ltd.
	Member	Australian Institute of Company Directors, PNG Institute of Directors, Pacific Games Authority ¹ , Anglicare Foundation ¹ .
T. E. Fox, OBE, BEc	Director	Bank of South Pacific Ltd ² , BSP Capital Ltd ² , Teyo No. 1 Ltd ² , Akura Ltd, BSP Life (Fiji) Ltd, BSP Health Care (Fiji) Ltd, BSP Finance (Fiji) Ltd, Future Farms Ltd, Feel Good Investments Ltd.
	Shareholder	Bank of South Pacific Ltd, Teyo No. 1 Ltd, FeelGood Investment Ltd and Akura Ltd.
	Trustee/Member	Institute of National Affairs ³ , PNG Institute of Directors.
R. Fleming, CSM, MBA, MMGT	Director	Bank of South Pacific Ltd ³ , BSP Capital Ltd, BSP Convertible Notes Ltd, BSP Rural Ltd, BSP Life (Fiji) Ltd, BSP Capital Ltd, BSP Capital Securities Ltd, Capital Nominees Ltd, BSP Nominees Ltd, BSP Finance Ltd, BSP Finance (PNG) Ltd, BSP Finance (Fiji) Ltd, BSP Services (Fiji) Ltd, BSP Health Care (Fiji) Ltd, Credit & Data Bureau Ltd, Bank of South Pacific Tonga Ltd, Bank South Pacific (Samoa) Ltd.
	Shareholder	Bank of South Pacific Ltd.
	Trustee/Member	Australian Institute of Company Directors, PNG Institute of Directors, Anglicare Foundation.
G. Aopi, CBE, MBA	Director	Bank of South Pacific Ltd, Oil Search Ltd ² , Steamships Trading Co Ltd, POMSoX Ltd, Marsh Ltd, Hirad Ltd, Wahinemo Ltd, FM Morobe Ltd, CDI Foundation.
	Shareholder	Bank of South Pacific Ltd, Oil Search Ltd ² , Hirad Ltd, Wahinemo Ltd, Newcrest Ltd, Highlands Pacific Ltd, Melanesian Trustees (ICPNG), Kumul Asset Management.
	Member/Trustee	Institute of National Affairs, Business Council of PNG, PNG Chamber of Mines & Petroleum, Oil Search Health Foundation, PNG Cancer Foundation.
Dr. I. Temu, PhD, MEc	Director	Bank of South Pacific Ltd, Telemu Ltd, Kina Petroleum Ltd, Kumul Petroleum Holdings Ltd, Savi-Tec Ltd.
	Shareholder	Telstra Ltd, Nautilus Minerals Niugini Ltd.
	Employee	Barrick Gold Ltd.
	Member	Divine Word University.

Name	Nature of Interest	
Sir N. Bogan, KBE, LLB	Director	Bank of South Pacific Ltd, In Touch Media Ltd ¹ , Coprez Communications Ltd ¹ , Coprez Holdings Ltd, Mapai Transport Ltd, Ahi Holdings Ltd.
	Shareholder	In Touch Media Ltd, Coprez Holdings Ltd.
	Member	Chancellor University of Technology, PNG Tax Review Committee ¹
G. Robb, BA, MBA, OAM	Director	Bank of South Pacific Ltd, BSP Capital Ltd, Bank of South Pacific Tonga Ltd.
	Member	Australian Institute of Company Directors.
F. Talao, LL.M, MPHIL	Director	Bank of South Pacific Ltd, BSP Finance Ltd, Bank of South Pacific Ltd, BSP Finance Ltd, Chayil Investment Ltd, Partnership Pacific Ltd, Human Rights PNG Inc.
	Member	External Stakeholders Advisory Panel to Morobe Mining Joint Venture, Australian Institute of Company Directors, External Stakeholders Advisory Panel to Morobe Mining Joint Venture, Australian Institute of Company Directors.
E. B. Gangloff, CPA	Director	Bank of South Pacific Ltd, Gangloff Consulting Ltd, Laurabada Investments Ltd, Borneo Pharmaceuticals Ltd, New Britain Palm Oil Ltd, Dubara Holdings Ltd, Sir Theophilus Constantinou Foundation. BSP Finance (Fiji) Ltd.
	Member	PNG Institute of Directors, Certified Practising Accountants of Papua New Guinea, Business Council of PNG, Institute of National Affairs, Australian Institute of Company Directors.
A. Mano, BEcon, MSc. (Appointed 29 August 2014)	Director	Bank of South Pacific Ltd, Mineral Resources Development Company Limited ³ , Pearl Resort (Fiji) Ltd ³ , Speedy Hero Limited ³ , Insurance Pacific Limited ³ , Civpac Ltd ³ , Handy Group Ltd ³ , SMA Investments Ltd ³ , Hevi Lift Group Limited, PNG Air Ltd, Leisure Holidays Ltd, Gobe Freight Ltd, Mineral Resource Ok Tedi Ltd, Mineral Resources Star Mountain Ltd, Petroleum Resources Kutubu Ltd, Petroleum Resources Moran Ltd, Petroleum Resources Gobe Ltd, Mineral Petroleum Resources Madang Ltd, Mineral Resources Ramu Ltd, Gas Resources Hides Ltd, Gas Resources Hides 4 Ltd, Gas Resource Angore Ltd, Gas Resource Juha Ltd, Bank South Pacific (Samoa) Ltd.
	Shareholder	SMA Investments Limited. INSPAC Limited.
	Member	Mendi Muruks Rugby League Committee, Patron SHP Cultural Show Society, Chamber of Mines & Petroleum.

¹Chairman, ²Deputy Chairman, ³Managing Director, ⁴Executive Director, ⁵General Manager, ⁶Councillor, ⁷Company is shareholder of Bank of South Pacific Limited, or shareholder of company that is shareholder, ⁸Company has commercial banking facilities with Bank of South Pacific Limited, ⁹Chief Executive Officer

Vulisere Tawaqa,
Manager Mobile Lending, BSP Fiji.
He is pictured with his niece, Anareta Sigabalavu, who is named after his wife.
His wife also works with BSP.



Management Teams & Directory

SENIOR MANAGEMENT



Top (L - R): Robin Fleming - Group CEO, Johnson Kalo - Group Chief Financial Officer/Deputy CEO, Robert Logia - Group Chief Operating Officer, Haroon Ali - Group Chief Risk Officer, Paul Thornton - Group General Manager Retail Banking. **Bottom (L - R):** Peter Beswick - Group General Manager Corporate, Eddie Ruha - Chief Financial Officer PNG, Rohan George - General Manager Treasury, Aho Baliki, OBE - General Manager Paramount Banking, Giau Duruba - General Manager Human Resources.

FIJI



Standing (L-R): Rajeshwar Singh - Chief Financial Officer, Howard Pollitini - GM Human Resource, William Wakeham - Chief Operating Officer, Omid Saberi - Chief Information Officer, Ravindra Singh - GM Retail Bank. **Seated (L - R):** Alvina Ali - GM Legal, Kevin McCarthy - Country Manager, Cecil Browne - GM Corporate & International, Ashleigh Matheson - Chief Risk Officer.

SOLOMON ISLANDS



Standing (L - R): Theresa Kalivakoyo - Financial Controller, Joyce Nukumuna - Relieving Manager Retail Banking Services, Giddings Olo - Manager International Business and Operations, Alphonse Toati - Manager Electronic & Branchless Banking, Joan Ramo - Manager International Operations, Temreke Ngira - Transactional Business Manager. **Seated (L - R):** Janet Marau - Manager Retail Operations, Christopher Robertson - Head of Relationship Banking, David Anderson - Country Manager, Lyn Toati - Manager Credit Administration.

COOK ISLANDS



Standing (L - R): Chris Doran - Head of Business Banking, Tokoa Harmon - Branch Manager, Henry Napa - Operations Manager. **Seated (L - R):** Aniva Manu - Acting Finance Manager, Janet Samuel - Business Manager, David Street - Country Manager, Massey Mateariki - Manager Risk and Compliance.

SAMOA



Standing (L - R): Michelle Lemisio - Business Manager, Shirley Greed - Head of Retail, Maryann Lameko-Vaal - Country Manager, Peti Leilataua - Operational Risk & Compliance Manager. **Seated (L - R):** Rod Greed - Project Manager, Nick Rous - Regional Finance Manager, Edward Yee - Head of Business Banking.

TONGA



Standing (L - R): Josiah Kalfabun - Manager Operational Risk, Mele'ana Fifita - Manager Global Transactional Solution, Salesi Finaanganofu - Business Manager. **Seated (L - R):** Linita Tu'ihalanginie - Manager Operations, Daniel Henson - Country Manager, Emele Hia - Branch Manager, Viliami Vailea - Manager Finance.

BSP CAPITAL LTD



Standing (L - R): Gheno Minia - Head of Equities, Yokin Kipie - Head of Operations, Igo Douna- Senior System Analyst. **Seated (L - R):** Willie Konga - Manager Fund Management, Richard Borysiewicz - General Manager, Gerlie Tana- System Administrator.

BSP FINANCE - PAPUA NEW GUINEA



Standing (L - R): Sharon Andoye - Manager Risk and Compliance, Jodi Herbert - PNG Country Manager, Barbara Tolaget - Manager Lending Support, Aloysius Ori - Manager Finance and Operations, Stephen Taera - Senior Lending Officer, Imelda Samba - Senior Lending Officer, Anna Puri - Manager Credit, Freda Willyman - Manager Administration. **Seated (L - R):** Ranjani Naidu - Business Controller, Christophe Michaud - General Manager, Shauna Paikie - Senior Lending Officer.

BSP FINANCE - FIJI



L-R: Anal Sen - Collections Supervisor, Sudeshwas Ram - Senior Lending Officer, Animul Sheryn Khan - Settlement/Conveyancing Officer, Krishna Raju - General Manager, Lalesh Kumar - Funds Manager, Vimal Raj - Senior Lending Officer.

BSP LIFE - FIJI



Standing (L - R): Munendra Naidu - Chief Financial Officer, Michael Nacola - General Manager Distribution & Marketing, Vandhna Narayan - General Manager Legal & Compliance, Pramesh Sharma - General Manager Investments. Seated: Malakai Naiyaga - Managing Director.

Fiji

Country Manager	Kevin McCarthy	679 321 4454
Ba Branch	Anupa Kumar	679 667 4599
Damodar City Branch	Manjila Goundar	679 334 2333
Labasa Branch	Eka Seduadua	679 881 1888
Nadi Branch	Devendran Pillay	679 670 5111
Namaka Branch	Madhur Kumar	679 672 8950
Nausori Branch	Shallendra Roy	679 347 8499
Pacific Harbour Branch	Jennifer Morris	679 345 2030
Pacific House Sales Centre	Shalit Kumar	679 331 4400
Rakiraki Branch	Ronica Prakash	679 669 4200
Samabula Sales Centre	Semiti Cakacaka	679 338 7999
Suva Central Branch	Mereani Peters	679 331 4400
Sigatoka Branch	Reginald Kumar	679 650 0900
Savusavu Branch	Vineeta Prasad	679 885 0199
Tavua Branch	Sanjeev Sumer	679 668 1507
Taveuni Branch	Marica Mara	679 888 0433
Thomson St Branch	Mohammed Arif	679 331 4400
Valelevu Sales Centre	Ilaitia Waqa	679 334 2333
Westfield Branch	Josefa Tuitubou	679 666 2466
Mobile Lending Manager	Vulivere Tawaqa	679 321 4947
Mobile Lending Manager	Anand Nair	679 321 4233
Senior Manager Rural	Isikeli Taoli	679 321 4922
Area Manager: West	Viliame Varasikete	679 662 7330
Manager Service: West	Shalini Kumar	679 662 7331
Area Mgr Central & Northern	Susie Fesaitu	679 323 4235
Mgr Service Central & Northern	Avishek Singh	679 323 4795
Manager Compliance Retail	Parveen Chand	679 321 2113
Head of Branch Network	Kamini Mani	679 323 4236

Solomon Islands

Country Manager	David Anderson	677 21874
Auki Branch	Gordon Ifuimae	677 40484
Gizo Branch	Clotilda Londeka	677 60539
Heritage Park Branch	Joy Vave	677 21814
Honiara Central	Glennise Kuper	677 21222
Munda Branch	Veronica Analau	677 62177
Noro Branch	Tewia Laore	677 61222
Point Cruz Branch	Fred Osifelo	677 21874
Ranadi Branch	Tricia Tura	677 39403

Cook Islands

Country Manager	David Street	682 22014
Head of Business Banking	Chris Doran	682 22014
Branch Manager: Medium	Takoa Harmon	682 22014
Branch Manager: Small	Rosa Henry	682 22014

Samoa

Country Manager	Maryanne Lameko - Vaai	685 66115
Retail Head	Shirley Greed	685 66170
Savali Branch	Taiialofa Toala	685 51208
Vaitele Branch	Amelia Iakopo	685 23005

Tonga

Country Manager	Daniel Henson	676 23540
Nuku'alofa Branch	Emilio Tapueluelu	676 20827
Vava'u Branch	Sosefina Tangitau	676 71268



 Agnes Mark Lae Top Town	 Albert Burua NGI Manager	 Albert Seri Wewak	 Alex Kuna Harbour City	 Alex Wafimbi Aitape	 Antonia Dru Gordons	 Betty Posang Alotau
 Bevilon Homuo Bulolo	 Billy Veveloga Mendi	 Dennis Lamus Momase Manager	 Diana Guria Port Moresby	 Donna Gavu BSP First Gordons	 Eileen Goviro Popondetta	 Emily Basil BSP First POM
 Gabriel Ak Tari	 Ivy David Daru	 Jacqueline Mileng Vanimo	 Jeffrey Singer Waigani BC	 Joe Makinta Kokopo	 John Basanu Madang	 Josephine Komuru Lae Market
 Julie Warren Buka	 Kalat Tiriman Lihir	 Karen George Arawa	 Lillian Doyango SME Centre	 Livikonimo Koki Goroka	 Madeleine Leka Kavieng	 Marco Hamen Kainantu
 Mary Koi Bialla	 Mary Kundi Mt Hagen	 Mathias Manawa Waigani Drive	 Maureen Wanu Boroko	 Meck Kaum Moro	 Nelson Kerua BSP First HC	 Nuni Kulu Southern Manager
 Peter Tikot Rabaul	 Quillan Nongi Lorengau	 Ruben Elizah Highlands Manager	 Rita Singut Kundiawa	 Robinson Panako Lae Commercial	 Ruby Patu Kundiawa	 Sibona Kema Vision City
 Stanerd Wai NCD Manager	 Suya Yopahafo Porgera	 Tau Kwarujambi Motukea	 Theresa Pilamp Wabag	 Thomas Tembil Kiunga	 Tony Waningu Tabubil	

Aitape	Alex Wafimbi	457 2042	Lihir	Kalat Tiriman	986 4052
Alotau	Betty Posang	641 1284	Lorengau	Quillan Nongi	970 9050
Arawa	Karen George	276 9244	Madang Branch Premium	John Basanu	422 2477
Bialla	Mary Koi	983 1095		Ruth Makel	422 2621
Boroko Branch Premium	Maureen Wanu	303 4333	Mendi Moro	Billy Veveloga	549 1070
	Sheila John	303 4354	Motukea	Meck Kaum	276 1566
Buka Branch Premium	Julie Warren	973 9042		Tau Kwarujambi	321 7699
		7202 9203	Mt Hagen Branch Premium	Mary Kundi	542 1877
	Poni Tukily	973 9087		Beverly Elizah	542 1877
		7202 9202	Popondetta Porgera	Eileen Goviro	629 7171
Bulolo Daru Goroka	Bevilon Homuo	474 5366		Suya Yopahafo	547 6900
	Ivy David	645 9062	Port Moresby Branch Premium BSP First	Diana Guria	305 7790
	Livikonimo Koki	532 1633		Lina Popal	305 7943
Gordons BSP First Premium	Donna Gavu	302 5245		Emily Basil	305 7731
	Antonia Dru	302 5271	Rabaul Tabubil Tari Vanimo	Peter Tikot	982 1744
Harbour City Branch Premium BSP First	Alex Kuna	305 6151		Tony Waningu	649 9179
	Bau Kiso	305 6189		Gabriel Ak	276 1650
	Nelson Kerua	305 6560	Vision City Branch Premium BSP First	Jacqueline Mileng	457 1209
Kainantu Kavieng Kimbe Kiunga	Marco Hamen	537 1065		Sibona Kema	300 9100
	Madeleine Leka	984 2066		Damaris Toran	300 9103
	Ruby Patu	983 5166		Dianne Sawala	300 9109
	Thomas Tembil	649 1073	Wabag	Theresa Pilamp	547 1176
Kokopo Branch Premium	Joe Makinta	982 9088	Waigani Banking Centre Branch Premium	Jeffery Singer	300 9600
	Jennifer Tiolam	982 9068		Lorraine Siaoa	300 9645
Kundiawa	Rita Singut	535 1025	Waigani Drive Wewak SME Business Centre	Mathias Manowo	402 5300
Lae Top Town Main Market Commercial BSP First Premium	Agnes Mark	473 9820		Albert Seri	456 2344
	Josephine Komoru	473 9806		Lillian Doyango	305 6400
	Robinson Panako	473 9877			
	Elizabeth Gavul	478 4949			
		478 4930			
	Wendy Poka	478 4923			

SUB BRANCH DIRECTORY

Aiyura	Cribbia Albert	7230 8313	Laba	Auda Morea	7197 6008
Banz	Kessy Ely	7100 9078	Lakurumau	Christine Gawi Frank	7197 6005
Buin	Melchior Tania	7100 7855	Lousia	Lorna Solomon	7031 2617
Chuave	Koilya Kupa	7197 6001	Lufa	Vida Kamati	7100 6761
Daulo	Merolyn Sirifave	7100 6763	Maprik	Christian Tatu	7168 7815
Gembogl Gusap	William Koima	7313 4177			7020 6834
Henganofi	Michael Yakep	7091 1396	Minj	Kui Tai	7100 9076
Higaturu	Emos James	7100 7859	Mutzing	Gordon Robert	7100 2488
Hoskins	Stephanie Orovo	7275 1365	Namatani	Mathew Tabakas	7197 6007
Ialibu	Ruddy Samson	7031 2627	Ningerum	Mathew Tware	7031 8497
Kabwum	Betty Goraiye	7906 0599	Okapa	Arafat Tovari	7374 5623
	Rachael Watu	7346 1426	Padipadi	Alfred Robert	7090 4463
		7017 5870	Palmalpal	Freda Nablup	7323 9181
Kamtai	Robert Kom	7243 4695	Pangia	Philemon Kambu	7197 6003
Kerema	Aisi Aua	7091 2298	Tambul	Joseph Paul	7100 7863
		648 1530	Telefomin	Donna Yarkin	7255 8421
Kerevat	Kilala Kindau	7190 8231	Wakunai	Melvin Kusas	7100 7856
Kerowagi	Leah Taia	7100 9077	Walium	Brenda Igusam	7106 8357
Kinim	Malapun Bannick	7100 7861			7024 7330
		7290 7057	Wapenamanda	Feta Isin	7100 7862
Kikori	Leah Kimave	7163 0597	Yangoru	Brendon Iromo	7127 0000
Komo	Lobe Arawi	7362 0760			7180 3933
Konos	Maureen Nick	7197 6006	Yonki	Usik Asino	7185 5768
Kupiano	Andrew Baine Jnr	7288 4140			

Melaia Tu'ipulotu,
Manager Personal Business, BSP Tonga.
She is pictured with her grand daughter Heilala Tu'ipulotu.



Corporate Social Responsibility



We are part of the communities in which we operate.

At BSP, giving back to the community is part of our culture. We respect, value and support the communities in which we operate.

In everything we do, we strive to be a good corporate citizen and encourage all employees to volunteer and lend a helping hand where and when they can. Our commitment to the community is evident in a variety of ways.

We deliver Community Projects, we sponsor worthy organisations and initiatives, we donate to causes that make a difference, we teach children to Go Green and we also go out and teach people, young and old, how to manage money better. We also bring banking a step closer to communities. We are not just a Bank and not just a Brand. We are people, we are culture, we are friends, we are changing lives. We are BSP. We are Community.

Quick Facts about BSP Community Projects

09 Is the year BSP introduced the Community Project concept where every branch chose a project in conjunction with local leaders.

5.7 Amount in Kina (Million) BSP has invested in community project throughout PNG since 2009. BSP fully funds these projects focusing on Education, Health and Sports.

39 The number of Community Projects delivered by BSP throughout Papua New Guinea in 2015. The majority were sports courts or grounds as it was the year of the Pacific Games.

100 BSP is 100% committed to the people of PNG and the Pacific. We go Beyond Banking and contribute significantly back into the communities in which we operate.

237 The number of individual projects delivered in PNG from 2009 – 2015.

• 32 in 2009	• 36 in 2011	• 33 in 2013	• 39 in 2015
• 35 in 2010	• 29 in 2012	• 33 in 2014	



Our Corporate Banking and Finance & Planning team hand over a renovated Hohola basketball court to the custodians.

“ Thank you very much BSP for the refurbishment of the Hohola Basketball Courts. The new back boards, rings and seating are much appreciated. Including the flood lights for night games. - Nick Daroa, President, PNG Basketball Federation.

In 2015 we focused on sports related projects, as BSP was Official Sponsor of the 2015 Pacific Games, Port Moresby.

14 Basketball Courts refurbished across PNG.

- Sports items and merchandise also donated.
- Some courts also had seats/grandstands upgraded.

Other sport focused projects include:

- Volleyball court, Raba Field, Lihir, New Ireland.
- Sports field grandstand, Daru, Western Province.
- New Grandstand, Manus Secondary School.
- Volleyball & Basketball courts, UPNG, Port Moresby.
- Grandstand at PNGFA Sports Field, Bulolo, Morobe.
- Basketball & Tennis courts, PNGDF base, Vanimo, WSP.
- Tennis & Squash courts, Cameron Club, Alotau, Milne Bay.
- Volleyball & Basketball courts, Malaguna Technical School, ENB.
- Basketball & Volleyball courts, Bishop Leo Secondary, Wewak, ESP.



Our Community Projects typically include:

- Building new and renovating libraries, classrooms & school bus stops.
- Renovating sporting facilities & giving sport equipment.
- Renovating ablution blocks or providing water tanks at schools.
- Renovating or building parks & playgrounds for children.
- Renovating, rebuilding hospitals & health facilities or providing medical equipment.





Helping shelter women in need. Our Boroko and Port Moresby Branches helped the City Mission.



New playground at the Port Moresby General Hospital, built by our two Waigani Branches in Port Moresby. Playing and laughing is good therapy.

“ Thank you BSP, your support will certainly boost our work in the community and with women. We value the great relationship we have with such corporate organisations like BSP and individuals who support our work each year. - Pastor Ronald Brown, CEO, City Mission.

City Mission Project by our Boroko & Port Moresby Branches.

- Haus Ruth: Renovated and repainted Kitchen.
- Haus Ruth: New footpaths + material to sew curtains for common hall.
- Haus Ruth: Cooking utensils, pots + rice cookers.
- Haus Ruth: New washing machine, 6 burner gas stove + refrigerators.
- Koki Base: New water tank + pump.
- Mirigida Farm: Vegetable seeds for planting.

New Hall at PNG Scout Headquarters Konedobu, Port Moresby

- Old colonial, run - down Scout Hall demolished.
- New Scout Hall built for scouts to utilise.
- Activities at Scouts Hall, keeps boys and youth off the streets.



HANDOVER

In Port Moresby, our Strategic Business Units, and our subsidiary companies BSP Finance and BSP Capital also took part in our community projects.

- BSP Finance: A new shaded lunch area at Hohola Christian School.
- BSP Capital, Retail and Paramount gifted Boy Scouts with a brand new Hall.
- Corporate, Finance/Planning teams renovated the Hohola Basketball courts
- HR and Risk Management renovated a section of the St Johns Gerehu Clinic.
- Operations & IT team extended the outpatient area, at Tokarara Clinic.

More Community Projects...

- New water tanks at St Ignatius High and Aitape Primary, WSP.
- Bus stop and refurbishment of Kaselok Aidpost, Kavieng, NIP.
- Renovation at St Johns Clinic, Gerehu, Port Moresby.
- Refurbished main market bus stop, Goroka, EHP.
- Town bus stop, Arawa, AROB
- New community stage, Buka, AROB.
- Renovation at Kiunga Hospital, WP.
- Bus stop at Pimaga Station, Moro, SHP.
- New playground at Port Moresby General Hospital.
- Classroom maintenance, playground and water tank at Mendi Pre School.



MORO, SHP



DEMOLISHING THE OLD



HAPPY SCOUTS



AITAPE, WEST SEPIK



ARAWA, BOUGAINVILLE



Queen Victoria School Gym.

Our teams in Fiji & Solomon Islands also delivered Community Projects in 2015.

Fiji Branch Projects

- Samabula: Upgraded playground, Suva Primary School.
- Operations Centre: New volleyball court, Mokosoi Park.
- Thomson St & E-Channels: Upgraded basketball court, Stella Maris Primary School, Suva.
- Project BEST: New pathway and fencing of homes for the elderly, Lagilagi Housing Project.
- Savusavu: New multi - purpose court, Nasvusavu Secondary School.
- Taveuni: Construction of recyclables sorting station.
- Westfield: Upgrading sports field, spectator benches, Nadovu Park.
- Microfinance Team: Upgrade the existing sports ground, Nadarivatu.
- Nausori & Customer Care: Upgraded gym, Queen Victoria School Gym.
- E-Channels Support: Renovation to the Chevalier Training Centre.
- Rakiraki: Construction and set up, benches in Rakiraki town.
- Labasa: Upgrade gym at Sukanaivalu.

Solomon Islands Branch Projects

- Pt Cruz: New toilets, Honiara Integrated School.
- Auki: Supplied chairs and desks, Aimela Primary.
- Noro: Water tank, chairs, bed sheets, pillows, curtains, tubs, Noro Clinic nursery.
- Munda: New furniture, curtains, carpet and water tank, EC Kindy School.
- BSP Heritage Park: New water tank to St John Secondary & Primary School.
- Gizo: Rubbish bins drums, Gizo Town Council.
- Ranadi: New food trolley, digital scale, urn and a cleaner trolley, Children's Ward, National Referral Hospital.



HONIARA BRANCH



AUKI BRANCH



NORO BRANCH



Miss Samoa Pageant.

Some of the activities & organisations we supported in 2015 include:

Fiji

- Team Fiji to Pacific Games
- Banking on Gold - Rewarding Athletes.
- Fiji Nurses Association
- Annual Convention of the Fiji College of General Practitioner
- Fiji Hotel & Tourism Association
- Fiji Oral Health Workers Association Annual Conference
- Fiji Medical Association Annual Conference
- Fiji Head Teachers Annual Conference.
- Fiji Corrections Women's Conference
- Fiji Dental Association Conference
- Fiji HR Institute Annual Conference

Solomon Islands

- Australia Pacific Islands Business Council
- Australian G'Day Fun Run
- SI Red Cross Handicap Centre.
- SI Basketball team to the PG Games
- Women in Business Association (SIWIBA)
- G'Day Australian Film Festival

Cook Islands

- Aitutaki Golf Open 2015
- The Rotary Club of Rarotonga
- Rarotonga Sailing Club
- Breast Cancer Awareness
- National Baby Show
- Kids Christmas Giving Tree
- Water Safety & Life Saving Council
- Rarotonga Squash 2015 Tournament
- Cook Islands Maths Quiz Competition
- Rarotonga Road Race
- Rarotonga Round Cup Competition
- Tiare Festival
- Cook Islands Triathlon Association

Samoa

- Commonwealth Youth Games
- Miss Samoa Pageant 2015
- Senese Secondary Program
- Cancer Foundation
- Tusitala Short Story

- Rugby Samoa Academy
- Samoa Institute of Accountants
- Fitness Firm Weight Loss Challenge
- Pacific Literacy Festival

Tonga

- Vava'u Billfish Fishing Tournament
- Queen Salote College School
- Tonga Golf Association
- Rugby World Cup 2015
- Mo'unga 'Olive High School
- Royal Maopa Choir
- Royal Nuku'alofa Club
- Mo'onia Netball Tournament
- Pacific Provident Fund & Social Security Forum
- Christmas In the Park
- WOVs- Laughing Samoans
- Vava'u High School
- Nuku'alofa Outrigger Canoe Club
- Open Heart International



ATHLETES WELCOME, COOK ISLANDS



CANOE CLUB, TONGA



ROAD RACE, COOK ISLANDS



The BSP School Kriket program is one of Papua New Guinea's most successful junior sports development initiatives.

“ We are very proud to have BSP as our partner in this program and together we can be proud of our achievement. -
Gayan Loku, Cricket PNG Game Development Manager

BSP Sponsorship & Donations focuses on many aspects of the community such as:

- Sports initiatives promoting healthy, active lifestyle.
- Educational initiatives promoting literacy.
- Nation building & encouraging investment.
- Art & Cultural activities.
- Health & Environmental initiatives.
- Humanitarian and charitable initiatives.

Some major sports sponsorships are:

- BSP School Kriket Program**
- K300,000 pa + K100,000 for equipment.
 - 150,543 participants, 235 schools, 111 clinics in 2015.
 - BSP School Kriket Blasts reached additional 5,500 children.
 - Awarded the best Overall Development Program in the ICC Regional (EAP) Awards in 2009, 2011, 2012, 2013 and 2014.

BSP Junior Golf Development

- Sponsorship of K200,000 to PNG Golf Association for junior golf development.

BSP National Aquatic Excellence Program

- The Papua New Guinea Swimming Inc receives K80,000 for the BSP National Aquatic Excellence Program.
- Since 2004, more than 1,200 young swimmers have gone through this program.
- Young swimmers set goals, achieve results and become part of the BSP National Aquatic Excellence Program.
- Motivates volunteers to pursue careers as coaches, administrators, and technical officials in swimming.
- A notable product of the program is PNG's 'super fish' and BSP Brand Ambassador Ryan Pini.

BSP supports Paralympics, Canoeing, Sailing, Fishing and Football among many other worthy activities and initiatives...



ANNUAL HOSPITAL VISITS



CHARITABLE WALKS



HUMANITARIAN CAUSES



Buk Bilong Pikinini (BbP) Library at Koki. Our support ensures such libraries are set up.

At BSP our commitment is to help communities prosper in all areas we operate in. Some of the activities & organisations we supported in 2015 include:

- Soim Kala Art Show
- Buk Bilong Pikinini
- Hospital Poroman Foundation
- Salvation Army
- City Mission
- PNG Red Cross
- Miss South Pacific Pageant
- Coalition for Change
- Sir Buri Kidu Heart
- Soroptimist International
- Susu Mamas
- Transparency International PNG
- PNG Cancer Foundation
- Australian Doctors International
- BSP School Kriket Program launch
- PNG Paralympic
- PNG Swimming Inc
- BSP Jnr Golf Development Program
- PNG Investment Summit
- Australia PNG Business Forum
- Business Advantage Investment Summit
- CPA Conference
- NDB Entrepreneurial Youth Summit
- PNG Human Resource Institute
- Institute of Internal Audit Conference
- PNG Medical Symposium
- Morobe Agricultural Show
- Goroka Show
- Warwagira & Mask Festival
- Sepik River Crocodile Festival
- Frangipani Festival
- Kenu & Kundu Festival
- Madang Festival
- Bulolo Show
- Women's Doctors Association
- BPNG Young Minds Savings Campaign

Some Organisations BSP Supports



HR DEVELOPMENT



SUPPORTING CULTURAL EVENTS



PROMOTING LEARNING & LITERACY



BSP HQ staff in Port Moresby waiting for the Pacific Games Baton.

As Official Sponsors, BSP played a significant role in ensuring the success of the XV Pacific Games, Port Moresby 2015. Here are some of the things we helped out with:

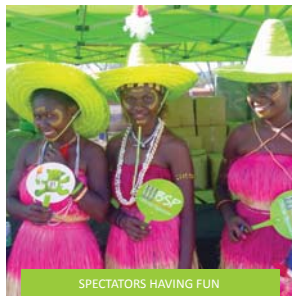
- BSP staff allowed time off to join the volunteer program.
- BSP staff seconded to the Games Office.
- Bank products for Games Office staff and training for Games Finance staff.
- BSP had the largest activation/Pacific Games Sponsor zone for spectators.
- BSP issued a limited edition KuduCard.
- Supporter giveaways included Sombreros and hand fans.
- Promoted Games via Advertising, Billboards and Merchandise.
- Branch at Games Village for FX money transfers and EFTPoS & ATM at Venues.
- Merchandise gifts for 6,000+ PNG and visiting Pacific Island Athletes.
- Developed standalone Ticketing program, sold at 17 BSP Branches nationwide.



“ I say with much confidence that with BSP’s support we now have the capacity to dream big about the range of possibilities for engagement, participation and for delivering the best ever Pacific Games - Pacific Games Organising Chairperson, Emma Waiwai.



BSP WANTOKS



SPECTATORS HAVING FUN



BATON RELAY



PNG



SAMOA



TONGA



Cook Islanders participating in the Annual School Clean Up Day.

We are demonstrating socially responsible actions which positively impact the community. Our major Go Green activity is the Annual School Clean Up Day. Here are 2015 Highlights:

- BSP has fully funded and led clean ups in PNG, Fiji & Solomon Islands since 2010.
- 1000s of school children participated in the School Clean Up.
- BSP supports the Annual School Clean Up with T Shirts, Caps, Rubbish bags, and gloves.
- Our staff lead the Clean Up activities and provide logistical support.
- We support clean up activities in communities, our staff often lend a helping hand.
- We have branch based Go Green Ambassadors who visit schools and communities and promote environmental responsibility.
- We support local authorities and help provide rubbish drums.
- We recycle tonnes of waste paper every year.
- We are teaching children the value of keeping their environment clean, green & healthy.
- Our message is to Reuse, Recycle and Respect our environment.





We don't just teach people how to save, we set up Agents in their communities, so they don't have to travel far to deposit money. Menyama, Morobe Province.

Whether it's teaching people how to manage money, using the right product and service or opening new accounts for children, students and adults...we go to where our customers are - even if it means enduring rugged terrain. Here are some highlights:

- BSP in partnership with Bank of Papua New Guinea's Microfinance Expansion Project (MEP) is delivering training in savings, budgeting and mobile money.
- Since launching in 2014, thousands of Papua New Guineans have learnt the basics of banking and more importantly basic Financial Literacy. We have a committed Banking Education Team and trainers.
- Banking education includes offering the right products and services for people in remote areas. For instance, the Plus Saver Account for saving extra cash and the personal Kundu Standard for transacting. The Kundu Standard has no monthly fees, is 'pay as you go' and has Mobile Banking access.
- BSP has 291 Agents across PNG that provide basic banking. BSP also has 42 Sub Branches. The BSP eco - system is a community service and saves people time, money and effort. They bank closer to home.
- BSP is also rolling out Financial Literacy in the Solomon Islands. And we are rolling out Agents in countries we operate. Our Agents are given training.

20k

In 2015, BSP reached 20,953 people across Papua New Guinea. 49% of participants are women.

120

We have 120 qualified Financial Literacy Trainers based throughout all our branches in PNG.

253

BSP reached 122 Communities, 67 Businesses, 35 Schools and 29 Church Groups across PNG in 2015.

291

BSP has 291 Agents in communities PNG wide, providing basic banking closer to home.



REMOTE FIELD TRIP



AGENT IN REMOTE PNG



PARTICIPANTS & CUSTOMERS

PAPUA NEW GUINEA



