



19 September 2018

FIRST HALF FY18 RESULTS

Despite continuing tough market conditions in key markets, Credit Corporation (PNG) Limited achieved solid results with continued growth across its three core business units – Finance, Property and Investment – for the six months to 30 June 2018.

H1 FY18 highlights

- Group operating profit after tax up 12.7% to K69.7m (H1 FY17: K61.8m)
- Group sales revenue up 32% to K57.7m (H1 FY17: K43.8m)
- Finance profit after tax was K12.1m (H1 FY17: K9.8m)
- Finance: loan book increased 30% to K545m and deposits increased 18% to K454m
- Properties profit after tax was K3.4m (H1 FY17: K0.5m)
- Property: improving occupancy across the property portfolio
- Investment: dividends from Bank of South Pacific Limited shares increased by 8%
- Expense to income ratio was 35% (H1 FY17: 39%)
- Group loan impairment expense increased to K12.4m (H1 FY17: K6.8m)
- Interim dividend of 6 toea per share, a 50% increase from the H1 FY17 interim dividend.

Chief Executive Officer Peter Aitsi said the first half FY18 result reflected the Company's renewed focus on its core competencies across key areas of operation.

"Key highlights for the Group in the first half FY18 included recording improved operating results for our finance business, increased occupancies across our property portfolio and the continued delivery of strong dividends from the company's key equity stake in Bank of South Pacific Limited (BSP)."

The improved performance by the Group has resulted in a reduction in the expense to income ratio to 35% (H1 FY17: 39%) attributed to improved sales revenue growth and tighter cost control.

Credit Corporation continued with its strong track record of dividend payments with Directors declaring an interim dividend of 6 toea per share, which was a 50% increase from the H1 FY17 interim dividend.

Finance Company Group results

The finance business reported a solid performance in the reporting period, with new loan sales up by 79.2% resulting in net loan book growth of 30% to K545m compared with the previous corresponding period. The funding base for the business also improved, with deposits increasing by 18% to K454m.

Loan impairment expense for the group increased to K12.4m (H1 FY17: K6.8m) as a result of more challenging economic conditions in key markets. The Group has continued to focus on quality loan growth, and arrears management.

The Group has now complied with the requirements of IFRS 9 and the impact is considered immaterial.

Intense competition has resulted in net interest margin reducing to 9.29%, down from 9.94% for the previous corresponding period.

The business is placing increasing emphasis on managing loan arrears and expenses including doubtful debts.



Segment results

Credit Corporation Finance

PNG

Conditions continue to be challenging for our finance business with the slowdown in general economic activity in PNG and an increasingly competitive asset finance market. The focus is on quality loan growth, and arrears management.

Fiji

Fiji had a strong six months despite an increasingly competitive environment. Business conditions in Fiji are expected to moderate leading into the upcoming National elections. Fiji is well placed to perform above expectations given its strong brand and balance sheet position

Vanuatu

Credit Corporation maintains a strong brand in Vanuatu. With the increase in tourism activities in Vanuatu and improved liquidity conditions, the Company has experienced double-digit growth in the first six months of FY18. The quality of the loan book is being closely monitored.

Solomon Islands businesses

Business conditions in Solomon Islands have been challenging due to a slowdown in the economy. The Company continues to focus on managing the quality of its loan portfolio.

East Timor

The business started to write small loans, however its ability to finance larger proposals has been impacted by regulatory restrictions on raising deposits. As a result of the regulatory restrictions, the Board is undertaking a review of the Timor Leste business, which is expected to be concluded by the end of FY18.

Credit Corporation Properties

The first half FY18 NPAT result for the property segment showed significant improvement to K3.4m (FY17: K0.5m). Our property investment business continued to experience competitive pressures in the Port Moresby market for high-quality office space and executive rentals. Despite this, the three properties in our portfolio reported improving occupancy, benefiting from recent refurbishments, competitive rental rates and Credit Corporation's reputation as a reputable landlord.

- Era Dorina – Occupancy up to 61% (56% at FY17) with the expectation that this property will reach 80% occupancy before the end of the year
- Era Matana – occupancy up to 80% (17% at FY17) which is within expected levels with ongoing efforts to keep occupancy above 80%
- Credit House – Occupancy up to 92% (59% at FY17) as a result of the building refurbishment program through 2016 and 2017 to attract quality corporate tenants.



Credit Corporation Investments

Dividends from the Company's shareholding in Bank South Pacific Limited increased by 8%.

Unrealised gains in the investments portfolio in H1 2018 amounted to K18.2m.

Share buyback

The Company continues to offer an on-market Share Buy Back Scheme under which Credit Corporation will purchase up to a minimum of 5,000 shares from each shareholder at a price of K1.7 per share, up to a total of 5.8million shares.

The Buy Back Scheme is part of the Company's capital management strategy designed to achieve a prudent balance between returns to shareholders, and retaining sufficient flexibility to invest capital, pursue growth options and maintain strong credit metrics.

Outlook

The Board is presently undertaking a Strategic Review of the business which will set the direction of the business over the coming five years. That review is expected to be completed by the end of FY18.

Looking ahead, we will continue to focus on our core operations to increase our finance company's market share in the key PNG market. We will also continue to focus on increasing occupancies across our property portfolio with the aim of being a landlord of choice.

While general business conditions continue to be relatively flat in PNG, the business is well positioned to deliver continued value to shareholders given its solid capital base, and a growing balance sheet.

In November 2018, PNG will host business and political leaders across Asia and the Pacific at the APEC forum. This high profile event is expected to showcase PNG and the Pacific, while offering opportunities in our key areas of activity in PNG.

Global giants Exxon Total and Oil Search have announced the prospect of significant expansion of the LNG projects in PNG in coming years, and this has the potential to provide a major boost to local business and employment opportunities. The Wafi Golpu copper and gold mine continues to make headway, the JV partners Newcrest and Harmony have submitted their SML application, lodged the project EIS and have recently commenced the development forums involving provincial government and community stakeholders.

Credit Corporation will celebrate 40 years in business in PNG in October 2018. This will provide the opportunity to reflect on our progress as a company from our humble beginnings in 1978 operating from a shopfront in Badili, to become a multi-faceted, respected South Pacific-wide financial institution.

ENDS

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About Credit Corporation (PNG) Ltd:

Credit Corporation (PNG) Limited commenced business in 1978 as a general finance company. It has grown successfully to become recognised as one of Papua New Guinea's most progressive institutions. For more information about Credit Corporation PNG visit: www.creditcorporation.com.pg