POMSoX Announcement

15th March 2019

CREDIT CORPORATION DELIVERS SOLID RESULT – NEW STRATEGIC PATH FOCUSED ON SHAREHOLDER VALUE CREATION

Results highlights

- 33% increase in statutory net profit after tax to K98m
- 14% increase in underlying core profit to K86m
- Group ROE 10.4%
- Group ROA 6%
- 32% increase in property occupancy rates to 76%
- 33% increase in earnings per share to 32 toea per share
- 5% increase in net asset backing per share to K2.79
- Net Interest Margin of 12.20%

Credit Corporation (PNG) Limited (POMSoX: CCP) today reported a strong performance for the 12 months to 31 December 2018, recording a 33% increase in net profit after tax to K98m. The Group's core profit also increased by 14% to K86m reflecting a stable performance of the underlying business.

During the year, the Board declared an interim dividend of 6 toea per share, representing a 50% increase on the previous corresponding period. In keeping with previous practice, the Board is expected to declare a final dividend after its meeting in June 2019. Credit Corporation has now delivered a dividend to shareholders for 40 consecutive years.

Despite challenging economic conditions in a number of key markets, the Group achieved growth in its loan book within the finance division, along with improved occupancy driving enhanced rental income in the property division.

Credit Corporation Chief Executive Officer Peter Aitsi said the past six months had been a time of delivering results and also a time of review for Credit Corporation.

"We have focused on driving performance across the business, which is evident in the growth in the loan book within our finance division and improved occupancy, enhancing rental income in the property division – the Group has concurrently reflected on its business strategy," he said.

"This is particularly important given the changing dynamics of the consumer and business finance sector across the Pacific and the growing expectations of our customers."

As a result, in January 2019, Credit Corporation's Board announced a new strategic direction for the business over the next five years, focusing on developing a broader range of lending products and business efficiency initiatives to drive shareholder value creation.

Key highlights of FY18 included:

- Net loan book grew by 21% to K582k in FY18 primarily due to a more focused sales effort
- Loan book growth in respective regions included: CC PNG (12%), CC Fiji (19%), CCVL (38%), while the loan book in CCSI decreased (-26%)
- Property rental income increased by 45% to K33m due to improved occupancy across both the commercial and residential properties. Overall occupancy across the group increased from 44% to 76%
- Property occupancy benefitting from a more strategic marketing effort and completion of refurbishments at Era Dorina. A key project has been the roll out of fibre cabling at Era Matana and Era Dorina to enhance internet services to tenants
- Credit House is almost fully tenanted with strong mix of corporate and international tenants.
- Dividend income from investment portfolio increased by 8% to $46.3m in FY18
- 40th year celebrations assisted in the Group's marketing effort and boosted corporate visibility
- Completed a share buy-back of 1,078,258 shares providing an exit mechanism for smaller shareholders given liquidity considerations
- Appointment of new Board members including Syd Yates, Richard Sinamoi, James Kruse and Michael Varapik and key executives with new CEO Peter Aitsi and new CFO Jeff Undah
- Governance, risk and compliance remain key priorities, with the Board decision to hire a Chief Risk Officer. A new Head of Credit David Wenham started in his role on 5 December 2018, and brings considerable experience both internationally and within PNG
- The Group is presently recruiting for a General Manager for the Property division
- Implemented new accounting standards including IFRS9 for the first time
- Enhanced shareholder communication with half yearly market updates supported by shareholder updates.

Credit Corporation accounts for interests in associates and joint ventures using the equity accounting method. Due to a time lag between the date of Credit Corporation Reporting Requirements and those of investee company Capital Insurance Group, Directors have taken a prudent approach in their consideration of the investee's impairment indicators. As such, Directors have decided to adopt a K2.99m impairment charge on this interest until there is greater visibility of the investee's financial position. If the actual outcomes for the investee, based on its audited accounts, are significantly different from projections, there may be a reversal of this impairment loss.

The full year result was also impacted by a significant K18.6m increase in loan provision expense to K25.3m. The increase was attributed to the adoption of IFRS 9, provisioning for legacy loans and the general increase as a result of growth in loan book.

"The Board took the prudent decision to adopt a full impairment charge in relation to its legacy portfolio. This, in addition to other initiatives, will enable management to focus on driving business results which deliver shareholder value," Mr Aitsi said.

"The Group's focus is on best practice in terms of accounting standards and asset quality. We expect the systems being put in place will greatly assist our recovery measures in 2019."

Credit Corporation Chairman Syd Yates said the Group's 40 years in business provided a wealth of experience to deliver the financial services its customers required throughout the South Pacific.

"In celebrating this important milestone for the Group, we must acknowledge the strong values and culture within the Group which will drive Credit Corporation's success and sustainability into the future," Mr Yates said.

He said the Board had reset the strategic direction for the Group over the next five years and was focused on driving enhanced shareholder value."

Mr Yates said the next twelve months would see a sustained effort to satisfy the requirements of the Group's new strategic direction.

"These latest results are the outcome of the Board and management's focus on strong business performance and on delivering enhanced shareholder value," he said.

"While Credit Corporation's financial performance is not yet where Directors want it to be, or where they think it could be in the future, with a new strategic direction, the foundations of sustainable future success are in place and there is an expectation the transformation pace will pick up during FY19."

Regional finance segment performance

CC Finance PNG

CC Finance PNG performed well during FY18 achieving solid lending volume growth, despite some economic headwinds. CC Finance PNG recorded new lending of K169.5m in FY18, which was 20% higher than the previous year and greater than expectations. Margins were also maintained above target.

CC Finance PNG business recorded a loss of approximately K94k, attributable to the rise in provisions on the loan book. These provisions are related to legacy loans that have underperformed due to local economic factors. These are isolated to two customers that management are confident of resolving these matters in FY19.

CC Fiji

CC Fiji's lending volumes grew to a record $86.5 m (K135.7m) in FY18, representing a 17% increase on the previous corresponding period.

The business unit achieved NPAT of K15.5m, representing a 22% increase on the prior year, which was ahead of expectations.

It is anticipated that margins will come under further pressure as liquidity tightens in 2019 due to increased competition in the market.

CC Vanuatu

CC Vanuatu produced an outstanding result in FY18, with lending volumes growing to approximately VT1.2billion (K35.4m), which was well ahead of expectations. Margins were also maintained throughout the year.

The business deliver NPAT of VT344m (K10.3m).

The Vanuatu business has done particularly well in attracting new deposits during the year to keep pace with lending growth.

CC Solomons

CC Solomon's was significantly impacted by the weak economic conditions during 2018. Lending volumes slowed considerably and the year ended with SBD$26m (K10.7m) in new loans, compared with SBD$54m (K22.3m) in FY17. The business delivered an NPAT loss of SBD$887k (K357k), further compounded by impairment provisions of SBD$18m (~K7.6m) relating to the reclassification of loan arrears and delinquent accounts.

Systems and processes have now been put in place to ensure there is no reoccurrence of this situation and Solomons will be subject to close ongoing supervision over the coming year.

CC Timor-Leste

The Timor-Leste business achieved US$1.375m (K4.4m) in loans during FY18. The business is continuing to receive a steady rate of enquiries as a result of referrals and advertising in the local newspaper.

We continue to review the business, and a key part of the review is our discussions with the Timor-Leste Central Bank to enable the business to take deposits. .

Outlook

While the International Monetary Fund (IMF) recently downgraded its forecast for global growth, the outlook for Pacific Island countries is generally positive.

PNG, the Pacific's largest economy, is set to benefit from new resources and infrastructure investment, in addition to a number of major projects announced for PNG during APEC 2018.

Fiji's economy also continues to show strength and resilience and the Vanuatu economy is showing some positive signs particularly give the government's concerted focus on the country's tourism recovery.

However, there remain a number of risks associated with the potential flow-on impacts to the South Pacific from any international economic slowdown.

See POMSoX 4B for further detail

ENDS

For further information, interviews or images contact:

Peter Aitsi, Chief Executive Officer, (675) 7111 1429 or paitsi@creditcorporation.com.pg

Jeff Undah, Chief Financial Officer, (675) 7090 5216 or jundah@creditcorporation.com.pg

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