

H1 2018 RESULTS – INVESTOR PRESENTATION

27 September 2018



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H1 FY18 FINANCIAL HIGHLIGHTS

SOLID RESULTS WITH CONTINUED GROWTH ACROSS OUR THREE CORE BUSINESS UNITS – FINANCE, PROPERTY AND INVESTMENT.

Group operating profit after tax

K69.7m

↑ Up 12.7% from K61.8m in H1 FY17

Interim Dividend

6 toea per share

↑ Up 50% from H1 FY17

Finance Loan book

K545m

↑ Up 30% from H1 FY17

Properties profit after tax

K3.4m

↑ Up from K0.50m H1 FY17

Group sales revenue

K57.7m

↑ Up 32% from K43.8m in H1 FY17

Finance Profit after tax

K12.1m

↑ Up from K9.8m in H1 FY17

Finance Deposits

K454m

↑ Up 18% from H1 FY17



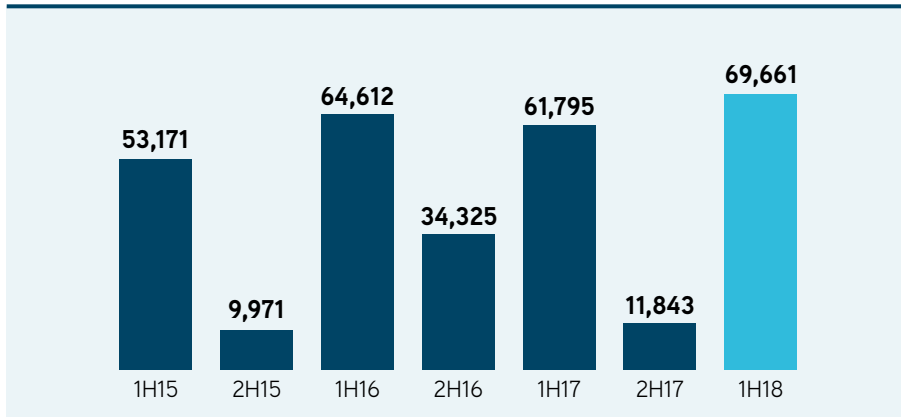
RESULTS HIGHLIGHT

1. Renewed focus on core competencies across key areas of operation
2. Improved operating results for finance business and increased occupancies for property portfolio
3. Continued delivery of strong dividends, with an 8% increase from Bank of South Pacific
4. Reduction in expense to income ratio to 35% (H1 FY17:39%)
5. Improved sales growth and tighter cost control
6. Continued focus on quality loan growth and arrears management

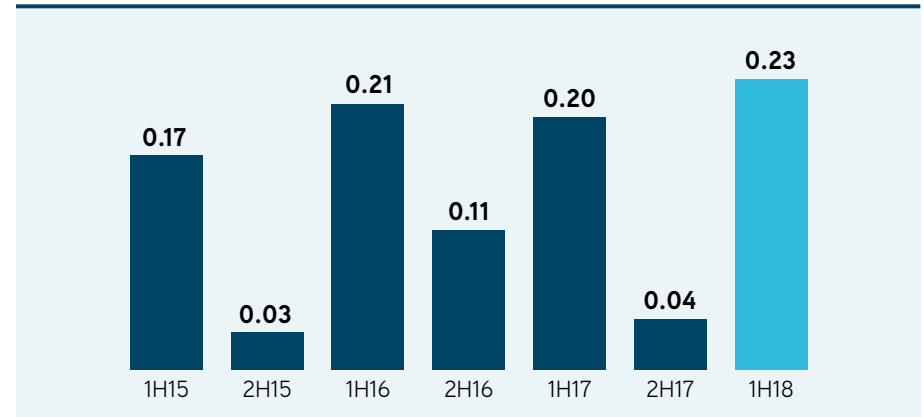


KEY ELEMENTS OF THE RESULT

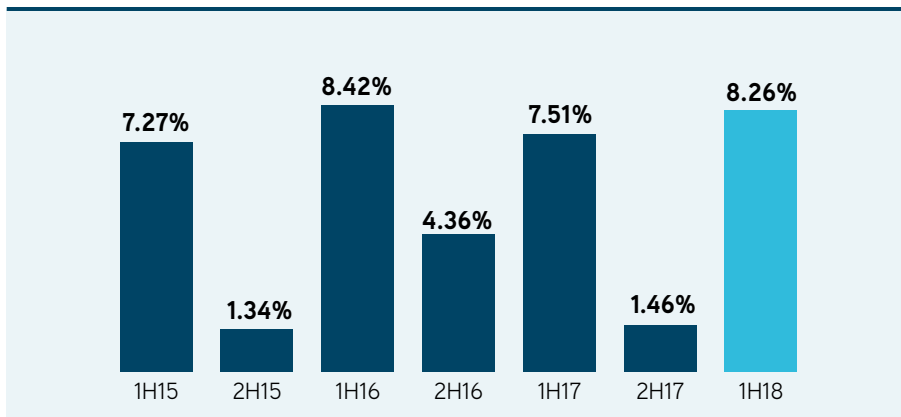
Group operating profit after tax



Earnings Per Share



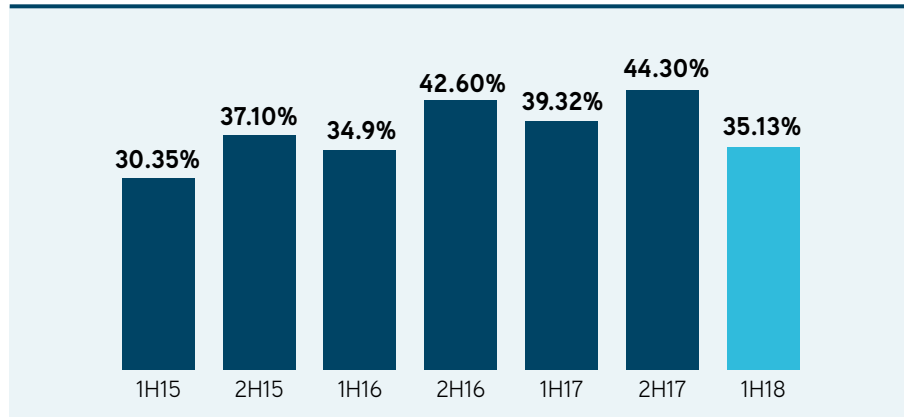
Group Return on Equity



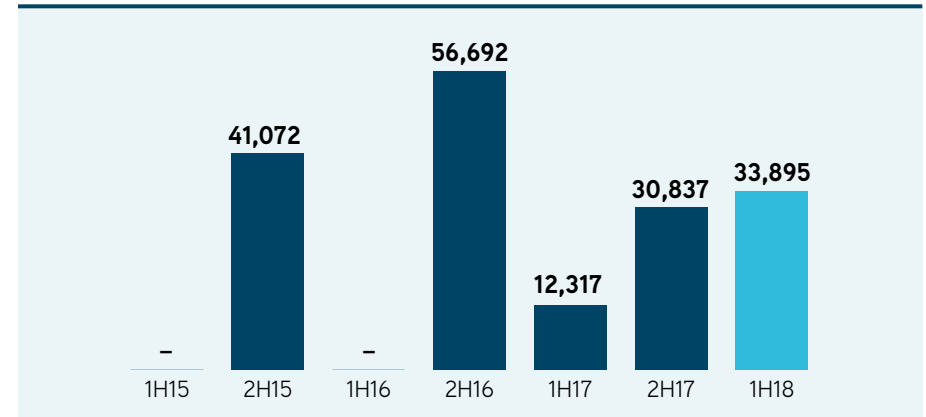


KEY ELEMENTS OF THE RESULT

Expense to income ratio



CCP Dividend



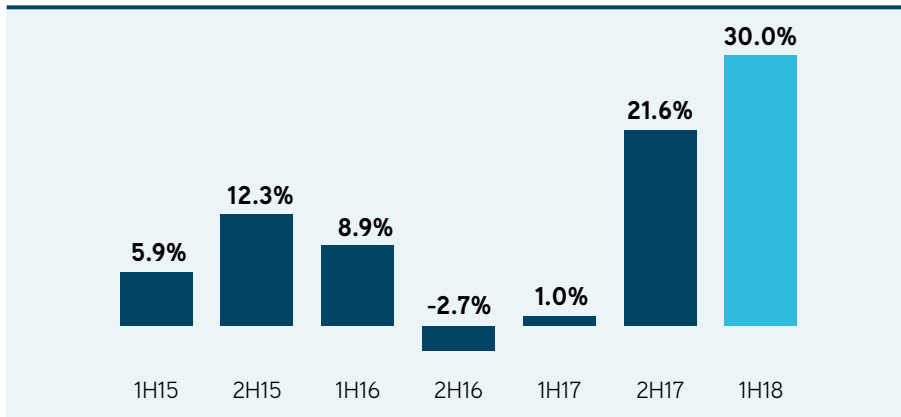
KEY DRIVERS



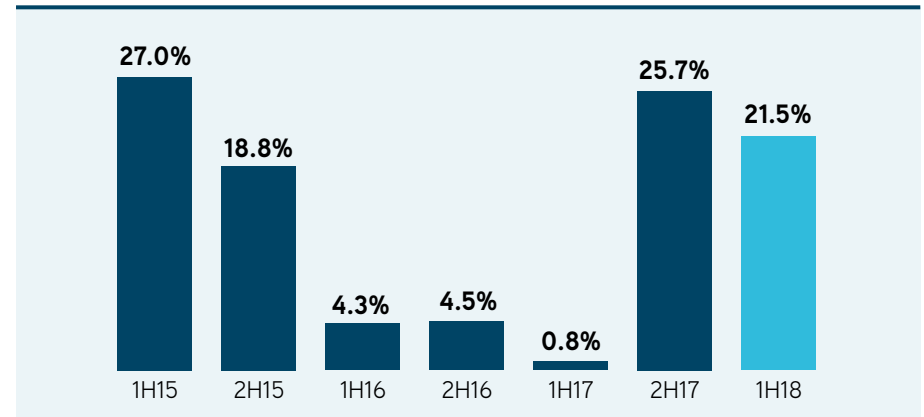


DRIVERS OF RESULT – FINANCE

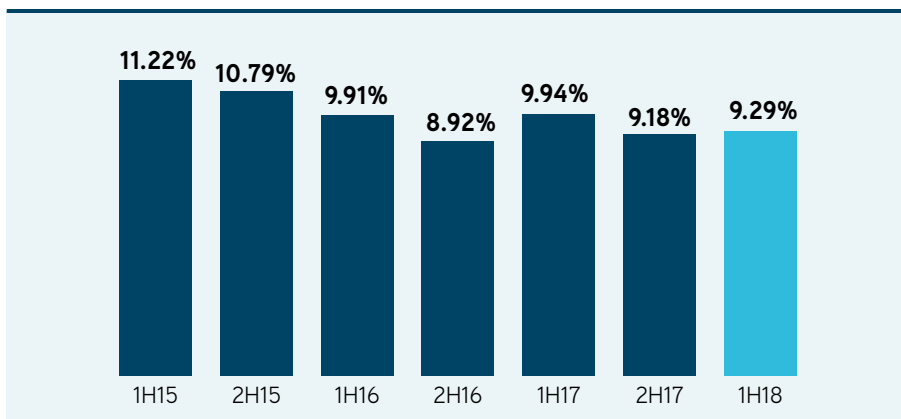
Lending growth



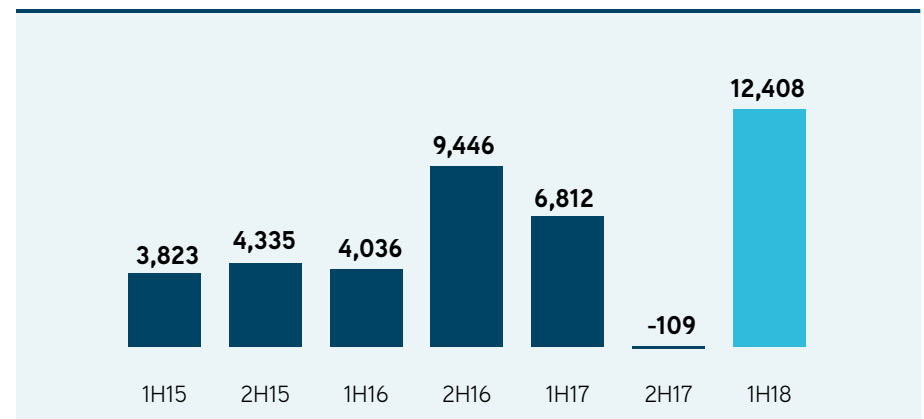
Deposit growth



NIM



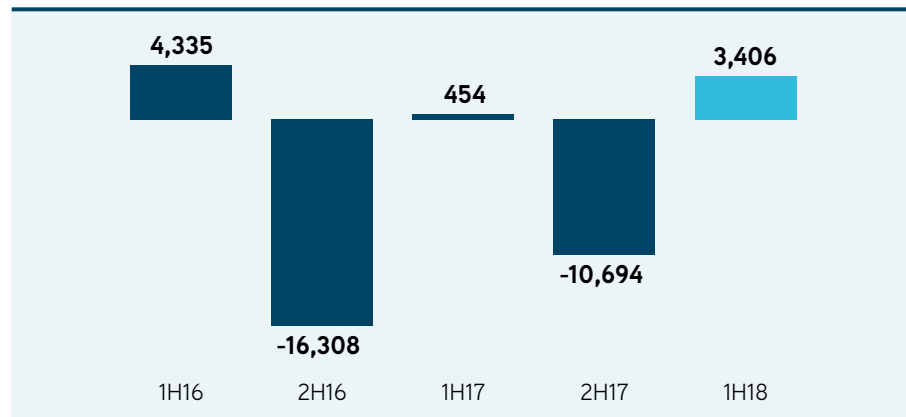
Loan impairment expense



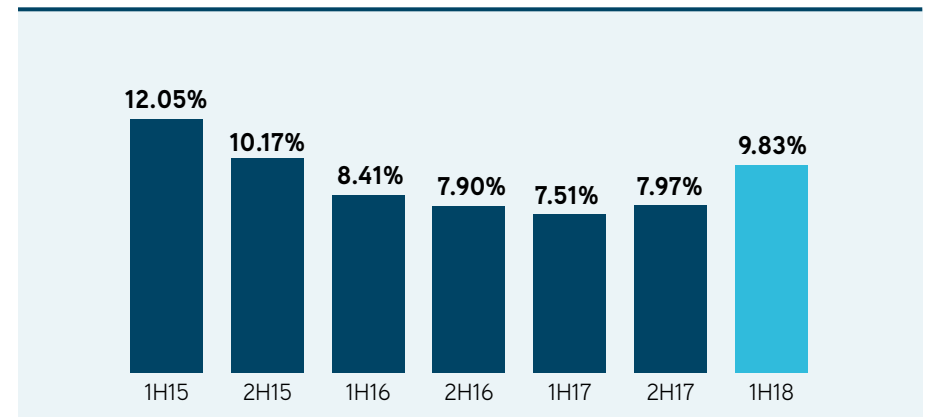


DRIVERS OF RESULT – PROPERTY

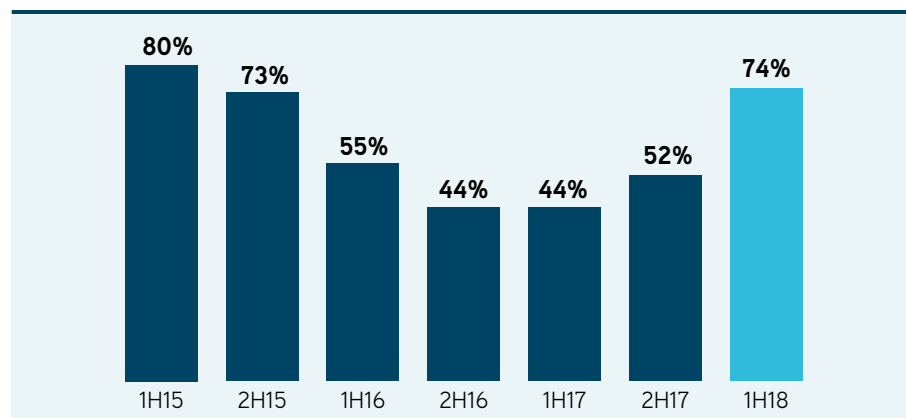
NPAT growth



Rental yields

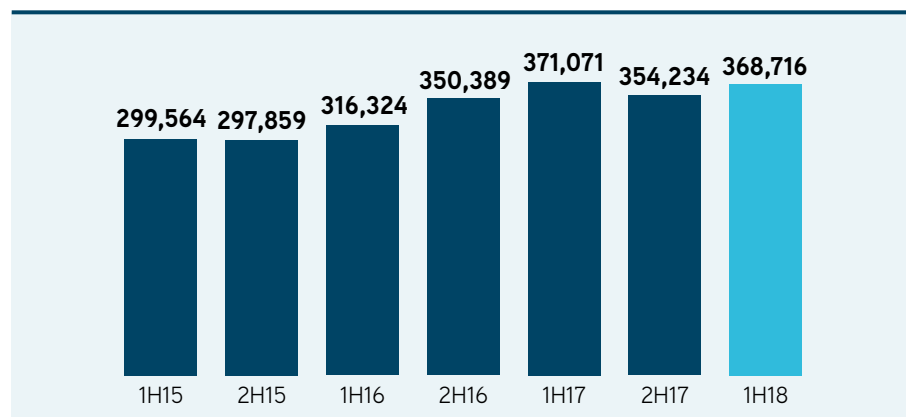


Occupancy rates

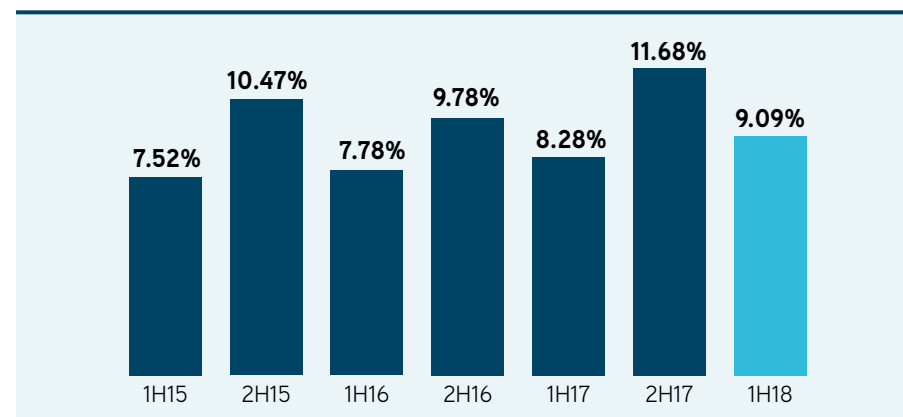


DRIVERS OF RESULT – INVESTMENTS

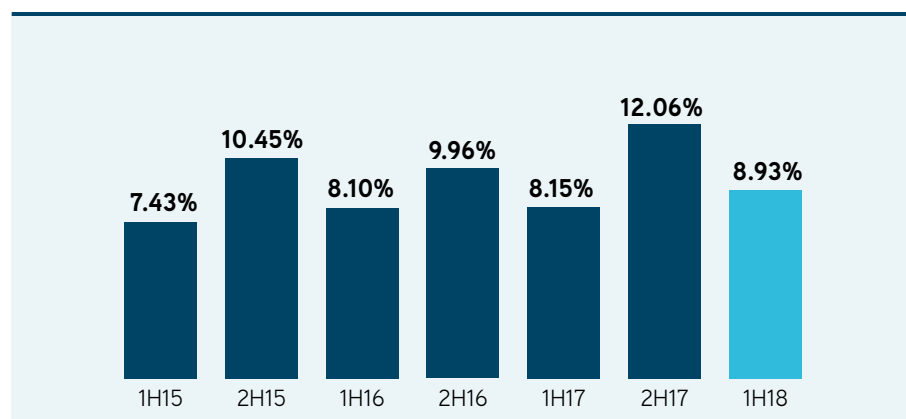
Fair value of listed investments



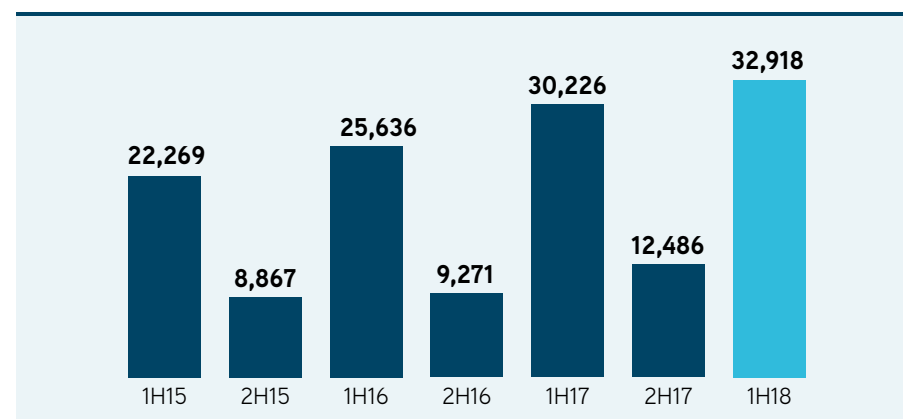
Dividend yields



Investment yields



Dividend income



DIVISIONS

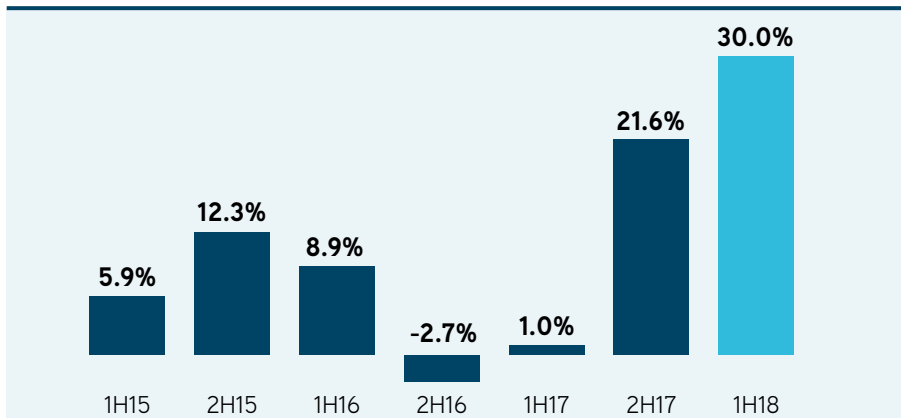




FINANCE DIVISION

Improved lending growth

Total lending growth v pcp

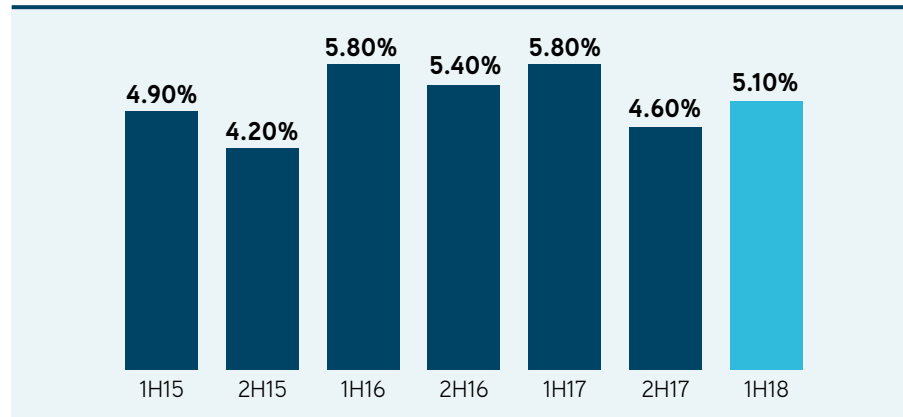




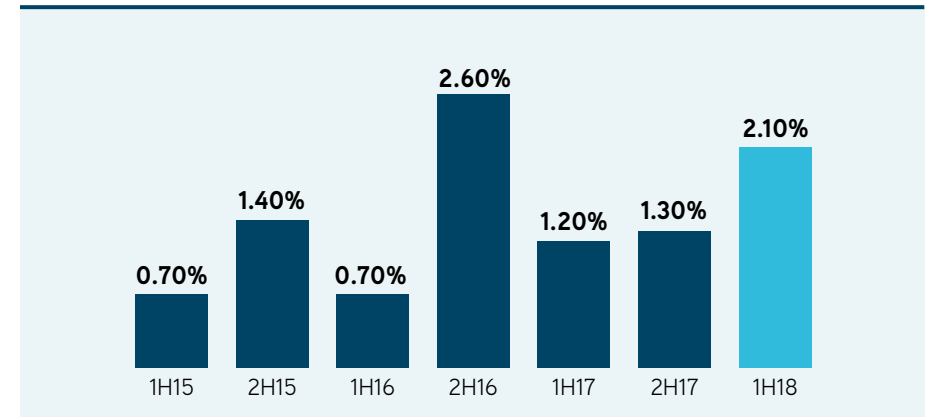
FINANCE DIVISION

Asset quality remains sound

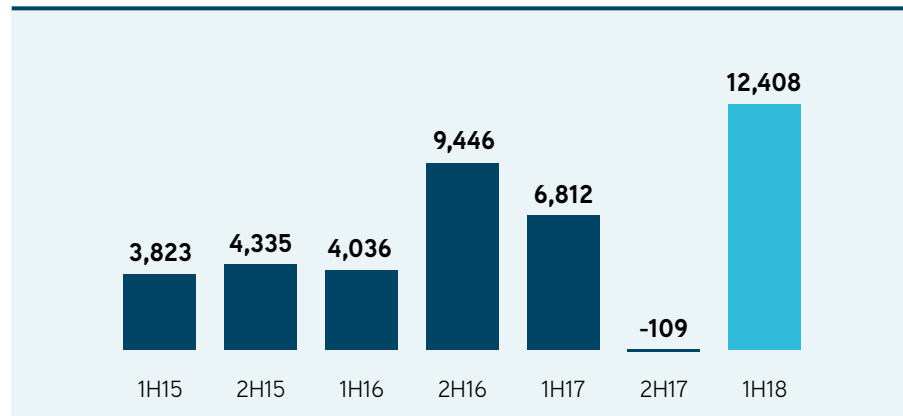
Impaired assets % of gross loans



Group impairment expense/Gross loans



Loan impairment expense



Arrears

Arrears buckets % of gross loan book	1H15	2H15	1H16	2H16	1H17	2H17	1H18
Not past due	60.6%	62.5%	60.7%	59.8%	57.5%	62.9%	61.3%
Past due 1-30 days	15.9%	13.9%	15.8%	14.7%	17.9%	17.1%	17.2%
Past due 31-60 days	6.2%	7.9%	7.8%	9.1%	6.3%	7.5%	7.2%
Past due 61-90 days	8.6%	4.8%	2.9%	5.5%	5.0%	5.2%	3.6%
Past due 91-120 days	1.7%	1.0%	2.1%	1.2%	4.3%	1.0%	0.9%
Past due 121-150 days	0.6%	0.7%	2.1%	1.0%	2.9%	1.1%	3.5%
Past due 151-180 days	0.6%	2.7%	1.7%	3.5%	0.8%	0.3%	1.0%
Past due 181 + days	5.8%	6.6%	6.8%	5.1%	5.4%	4.9%	5.3%



FINANCE DIVISION

Funding mix

Deposit maturing profile

	1H15	2H15	1H16	2H16	1H17	2H17	1H18
On call	0.3%	0.4%	0.5%	1.1%	0.5%	0.4%	0.4%
Due between 1-30 days	18.0%	17.7%	13.1%	9.4%	10.0%	8.5%	10.4%
Due between 31-60 days	15.3%	13.2%	10.2%	11.9%	13.3%	14.2%	12.7%
Due between 61-90 days	7.2%	11.1%	4.9%	6.8%	10.9%	12.1%	14.1%
Past due 91-120 days	1.7%	1.0%	2.1%	1.2%	4.3%	1.0%	0.9%
Past due 121-150 days	0.6%	0.7%	2.1%	1.0%	2.9%	1.1%	3.5%
Past due 151-180 days	0.6%	2.7%	1.7%	3.5%	0.8%	0.3%	1.0%
Past due 181 + days	5.8%	6.6%	6.8%	5.1%	5.4%	4.9%	5.3%

FINANCIAL PERFORMANCE

The background features a dark blue gradient with a grid of white dashed lines. A prominent blue curved line starts from the left side and curves downwards. On the right side, there is a blurred candlestick chart with orange and blue bars, representing financial data.



FINANCIAL PERFORMANCE

Finance

Profit & Loss	K'000 1H 2016	K'000 2H 2016	K'000 1H 2017	K'000 2H 2017	K'000 1H 2018	K'000 FY16	K'000 FY17
Finance income	33,761	37,177	34,804	43,765	42,644	70,938	78,569
Finance costs	-7,098	-8,090	-8,327	-9,593	-9,807	-15,189	-17,920
Net finance income	26,663	29,086	26,478	34,171	32,837	55,750	60,649
Rental income	194	216	234	238	248	410	471
Dividend income	18	0	-	-	-	18	-
Other income	3,474	4,238	3,735	3,138	4,730	7,712	6,873
Fair value gain on financial assets	-	-	-	-	-	-	-
Fair value (loss)/gain on investment properties	-	-	-	-	-	-	-
Net operating income	30,349	33,540	30,446	37,547	37,816	63,890	67,993
Impairment loss on finance receivables	-3,996	-9,971	-6,805	-376	-10,559	-13,968	-7,181
Impairment loss on trade receivables	-	-	-	-	-	-	-
Personnel expenses	-5,940	-7,187	-6,040	-7,182	-6,823	-13,128	-13,222
Depreciation expenses	-764	-794	-732	-727	-760	-1,558	-1,459
Other operating expenses	-6,504	-7,571	-6,518	-6,995	-6,518	-14,075	-13,514
Results from operating activities	13,145	8,017	10,351	22,267	13,156	21,161	32,618
Share of (loss)/profit of equity accounted investee	-	-	-	-	-	-	-
Profit before tax	13,145	8,017	10,351	22,267	13,156	21,161	32,618
Income tax expense	-3,162	-1,078	-570	-5,094	-991	-4,241	-5,664
Profit after tax	9,983	6,938	9,780	17,174	12,164	16,921	26,954



FINANCIAL PERFORMANCE

Property

Profit & Loss	K'000 1H 2016	K'000 2H 2016	K'000 1H 2017	K'000 2H 2017	K'000 1H 2018	K'000 FY16	K'000 FY17
Finance income	-	-	-	-	-	-	-
Finance costs	-	-	-	-	-	-	-
Net finance income	-	-	-	-	-	-	-
Rental income	13,087	11,361	11,712	11,981	14,702	24,448	23,693
Dividend income	-	-	-	-	-	-	-
Other income	96	2,388	1,199	2,191	2,079	2,483	3,390
Fair value gain on financial assets	-	-	-	-	-	-	-
Fair value (loss)/gain on investment properties	-	-26,618	-	-20,073	-	-26,618	-20,073
Net operating income	13,182	-12,869	12,911	-5,901	16,781	314	7,010
Impairment loss on finance receivables	-	-	-	-	-	-	-
Impairment loss on trade receivables	-	-	-	-	-	-	-
Personnel expenses	-592	-2,969	-2,133	-1,737	-1,808	-3,561	-3,870
Depreciation expenses	-439	-901	-870	-877	-950	-1,340	-1,747
Other operating expenses	-5,954	-4,441	-7,670	-8,524	-8,159	-10,395	-16,194
Results from operating activities	6,198	-21,180	2,240	-17,040	5,865	-14,982	-14,800
Share of (loss)/profit of equity accounted investee	-	-	-	-	-	-	-
Profit before tax	6,198	-21,180	2,240	-17,040	5,865	-14,982	-14,800
Income tax expense	-1,863	4,872	-1,786	6,346	-2,459	3,009	4,560
Profit after tax	4,335	-16,308	454	-10,694	3,406	-11,973	-10,240



FINANCIAL PERFORMANCE

Investments

Profit & Loss	K'000 1H 2016	K'000 H2 2016	K'000 1H 2017	K'000 H2 2017	K'000 1H 2018	K'000 FY16	K'000 FY17
Finance income	-	-	-	-	-	-	-
Finance costs	-	-	-	-	-	-	-
Net finance income	-	-	-	-	-	-	-
Rental income	302	35	169	169	106	337	337
Dividend income	36,864	18,777	42,138	21,805	49,186	55,641	63,944
Other income	1,308	1,398	965	1,499	1,398	2,706	2,464
Fair value gain on financial assets	22,773	34,086	20,585	-1,994	18,181	56,859	18,590
Fair value (loss)/gain on investment properties	-	-	252	-	-	-	252
Net operating income	61,247	54,296	64,108	21,479	68,871	115,543	85,587
Impairment loss on finance receivables	-	-	-	-	-	-	-
Impairment loss on trade receivables	-	-10,292	-	-6,478	-558	-10,292	-6,478
Personnel expenses	-764	-770	-1,440	-1,567	-697	-1,534	-3,007
Depreciation expenses	-98	-94	-53	-51	-46	-192	-104
Other operating expenses	-518	-2,473	-1,230	-2,337	-2,158	-2,991	-3,568
Results from operating activities	59,866	40,667	61,385	11,046	65,412	100,533	72,431
Share of (loss)/profit of equity accounted investee	2,925	-1,024	2,095	-3,875	2,626	1,901	-1,780
Profit before tax	62,791	39,643	63,480	7,171	68,038	102,434	70,651
Income tax expense	-	-581	-	549	-4	-581	549
Profit after tax	62,791	39,062	63,480	7,720	68,033	101,853	71,200

SEGMENT RESULTS

The background of the slide is a complex, layered composition of financial data visualizations. It features several overlapping line graphs with various trends, some showing sharp peaks and others with more gradual slopes. There are also grid patterns and faint numerical values scattered throughout. The overall color palette is a range of blues, from deep navy to light cyan, creating a professional and data-driven atmosphere. The text 'SEGMENT RESULTS' is prominently displayed in the upper left quadrant in a clean, white, sans-serif font.

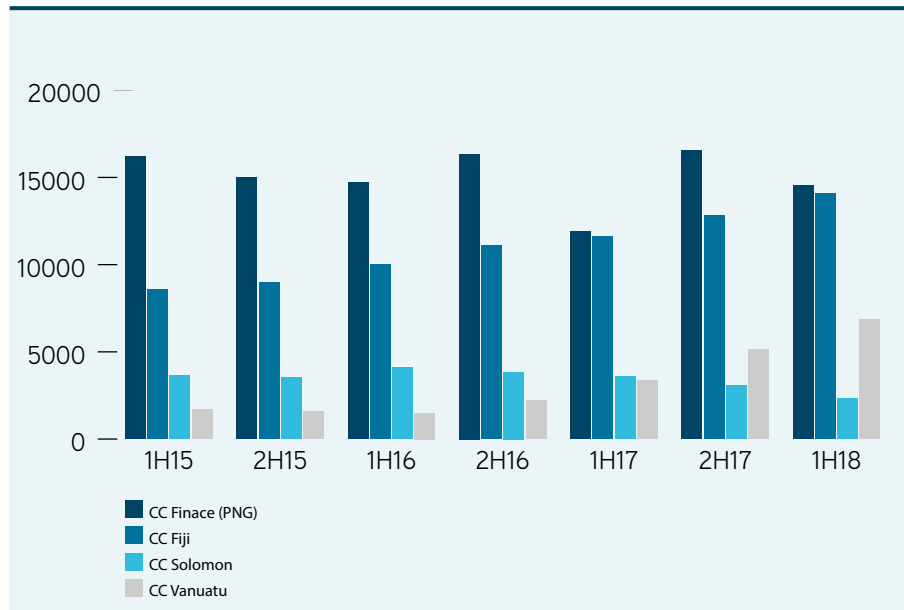
Our markets and operating environment



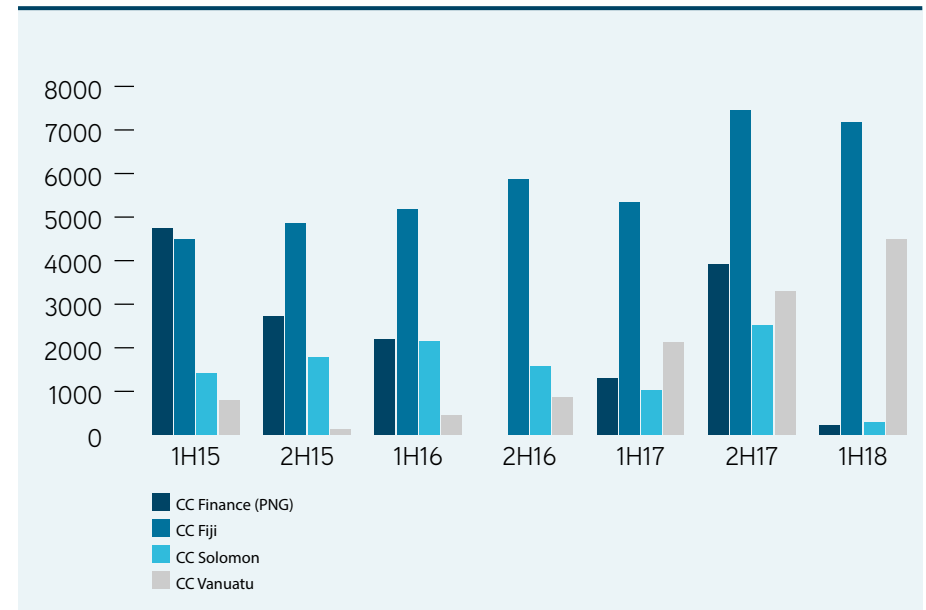


FINANCIAL SEGMENT RESULT

Revenue



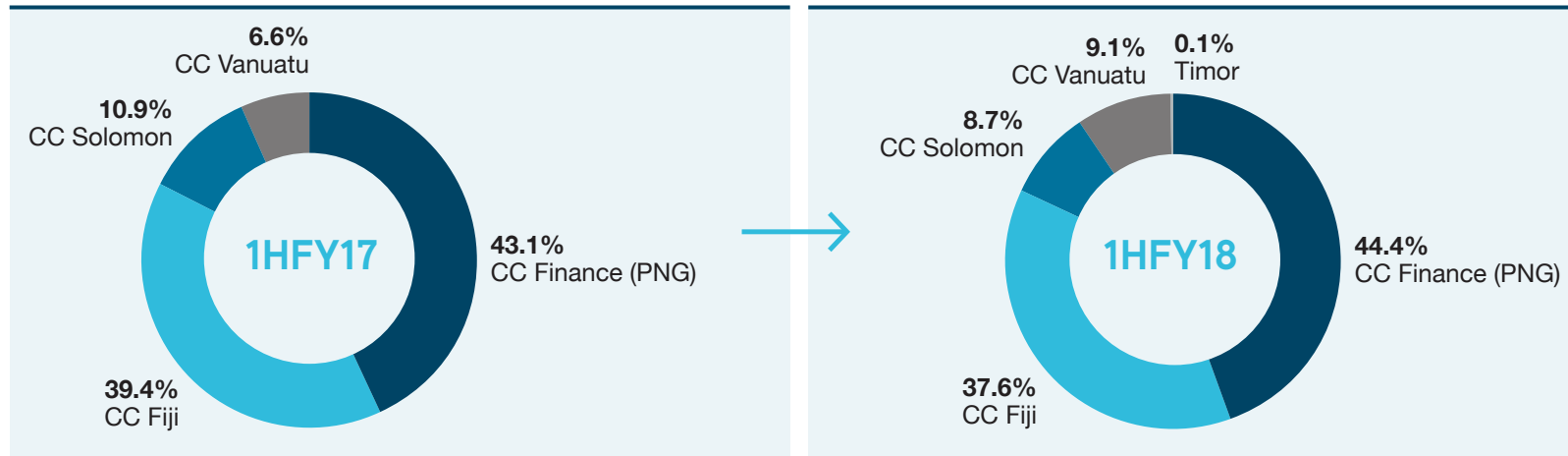
NPAT by country





FINANCIAL SEGMENT RESULT

Total lending by country %





FINANCIAL SEGMENT RESULT

PNG

Loan Book - K287m

Market share – 40%

Business priorities:

- Growth in the loan book
- Manage quality of the loan book
- Broaden deposit base to fund growth
- Invest in people and processes

Fiji

Loan Book – FJD\$141m

Market share - >31%.

Business priorities:

- Continue to expand Credit Corporation's business in Fiji through growth of finance company operations
- Investigation of other potential business diversification opportunities.

East Timor

Loan Book – US\$19k

Market Share: < 1%

Business priorities:

- Grow to \$2m actual loans/ leases written by the end of March 2019
- Ensure the Board is satisfied our investment into Timor-Leste is worthwhile, and sustainable (by December 31 2018).
- Add staff to assist with managing (growth of) the business, as well as training and development of our people. Forecast four full-time employees by January 31 2019 dependent upon achieving growth targets.
- Continue to pursue solutions to funding, currently unable to fund from depositors due to licence approval restrictions, by May 2019.

Vanuatu

Loan Book - VT2.5b

Market share - >50%.

*(The estimation is based on the products we offer as a Finance company compared with these four banks. Banks offer the full suite of banking products (over 100) while we only offer 2 products – Loans and TD)

Business priorities:

- Focus on drawing down our existing pipeline of deals which is above budget figures to November 2018.
- Build new opportunities for FY19, leveraging a surge in demand for Transport Industry
- Booming Tourism businesses

Solomon Islands

Gross Loan - SBD\$109m

Market share - >95%
(Asset Finance)

Business priorities:

- Focus on managing quality of loan portfolio



FINANCIAL SEGMENT RESULT

Staff

	Total as at June 2018
CCF Fiji	51
CCF Solomon Islands	9
CCF Vanuatu	11
CCF Timor-Leste	2
Properties	35
Security	91
CCF PNG	42
Total	241

CC PNG operation has total staff strength of 168. Comparison of male to female, the CCP Group employees comprised of 74 females and 167 males. Number of females in managerial roles is 6 compared to 14 males.

Country Heads

Name	Date joined CC Group	Experience
Peter Dixon	24/02/2011	Peter holds a Master of Business Administration from Charles Sturt University. He has over 40 years' experience in the Banking and Finance sector with extensive regional experience, having held senior management positions in PNG and Fiji. Peter's priorities are to continue to expand Credit Corporation's business in Fiji through growth of the finance company operations and investigation of other potential business diversification opportunities.
Johnny Wilson	2/05/2016	Johnny holds a Diploma in Business Management from Deakin University and is continuing his studies online with Deakin University for his Degree and MBA. Johnny has over 22 years' experience in the Banking & Finance sector.
Tony Langston	2/08/2010	Tony has 34 years' experience in the Banking and Finance sector, particularly in Retail Operations, IT, Finance and Credit. He has had the opportunity to work across the region in Australia, PNG, Fiji and Timor Leste during his extensive banking career.
Chris Durman	11/01/2006	Chris has over 40 years' experience in the Banking and Finance sector. He has worked in Australia, PNG and Timor Leste.
Andrew Robert	1/12/2017	Andy Roberts has over 25 years' banking and finance experience in Australia, and PNG working in corporate and business banking. Holding qualifications in business and training, he is also an accomplished public speaker and presenter.



FINANCIAL SEGMENT RESULT

Summary

Papua New Guinea

Challenging conditions following a slowdown in general economic activity in PNG
Focus on quality loan growth and arrears management

Fiji

Strong six months in competitive environment
Expected to perform above expectations

Vanuatu

Improved liquidity conditions, double-digit growth
Loan book being closely monitored

Solomon Islands

Challenging conditions due to economic slowdown
Continued focus on loan portfolio

East Timor

Impacted by regulatory restrictions
Business review currently taking place



PROPERTY PORTFOLIO

Summary:

- Significant improvements, increase to K3.4m from FY17 K0.5m
- Continued competitive pressures in Port Moresby market for high-quality office space and executive rentals.
- Portfolio reported improving occupancy, benefiting from recent refurbishments, competitive rental rates and 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.

PRIORITIES





FY18 PRIORITIES

OUR VISION:

At Credit Corporation our ambition is to be the South Pacific's leading Financial Institution assisting in developing the aspirations of all Pacific Island Nations.

- Strategic Review by Board to be completed by end of FY18
- Enhancing our core capabilities through training and development
- Continued focus on customer service
- Ongoing strengthening of balance sheet
- Continued focus on quality loan growth and arrears management
- Enhancing engagement with all stakeholders
- Improving shareholder value

OUTLOOK





OUTLOOK



Continued focus on core operations
to increase market share



Leveraging opportunities
provided by LNG projects
and the APEC summit in PNG



Well positioned to deliver
continued value to shareholders



Celebrate 40 years of business
in PNG in October 2018



COMMUNITY

How Credit Corporation contributes to the community

As a leading financial services provider, Credit Corporation is proud of its significant contribution to the South Pacific Islands community.

Throughout the first half of the 2018 financial year, Credit Corporation has:

- Participated in community events, including donations
- Contributed to the economy through our investments in property, providing inclusive opportunities in finance, paying taxes, employment of over 200 people.



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