



H1 2019 RESULTS

INVESTOR PRESENTATION

September 2019



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H1 FY19 HIGHLIGHTS

STRONG FINANCIAL PERFORMANCE WITH CONTINUED GROWTH ACROSS OUR THREE CORE BUSINESS UNITS – FINANCE, PROPERTY AND INVESTMENT

- 31.5% increase in Core Operating Profit to K70.7m
- 12.6% increase in Net Profit After Tax (NPAT) to K78.4m
- Net interest income grew by 17.6%

EXCELLENT RESULTS DESPITE MACRO-ECONOMIC HEADWINDS

- Improved occupancy rates
- Double-digit lending growth
- Strengthened balance sheet

NEW STRATEGIC DIRECTION GATHERING PACE

- Enhancing the products and services we offer our customers
- Using technology to make it easier and simpler to do business with us
- Modernising our technology platforms to reduce costs and drive innovation



H1 FY19 FINANCIAL HIGHLIGHTS

Group core operating
profit

K70.7m

↑ Up 31.5%
from H1 FY18

Net profit after tax
(NPAT)

K78.4m

↑ Up 12.6% from
K69.7m in H1 FY18

Final Dividend

13 toea per share

↑ Up 18.2%
from H1 FY18

Finance Loan book

K627m

↑ Up 15.1%
from H1 FY18

Properties core operating
profit

K9.3m

↑ Up 57.6% from
K5.9m H1 FY18

Finance Profit after tax

K18.1m

↑ Up 49.6% from
K12.1m in H1 FY18

Finance Deposits

K496m

↑ Up 9.6%
from H1 FY18

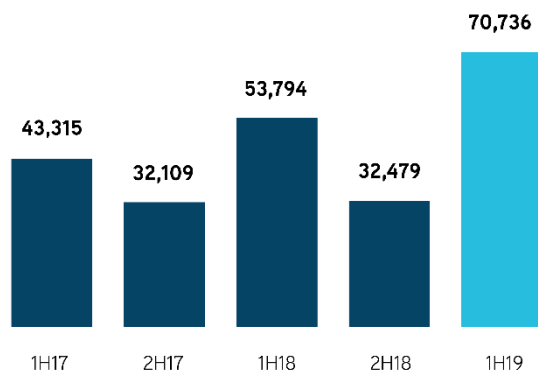


OPERATING HIGHLIGHTS

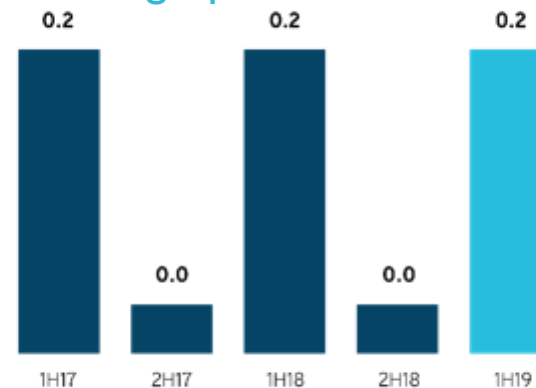
1. Grew loan book in respective regions: CC PNG (8%), CC Fiji (7.7%), CC Vanuatu (13.7%)
2. Increased property occupancy rates by 5.0% contributing to improved profitability despite downward pressure on rental rates
3. Progressed recovery of legacy loans
4. Increased dividend income stream from Bank of South Pacific contributed to improved dividend income from the Group to shareholders
5. Engaged respected IT firms Data#3 and Symantec Managed Security Services as lead IT service providers
6. Initiated a more diversified funding strategy bringing more certainty to the Group's funding base

STRONG 1H FY19 PERFORMANCE

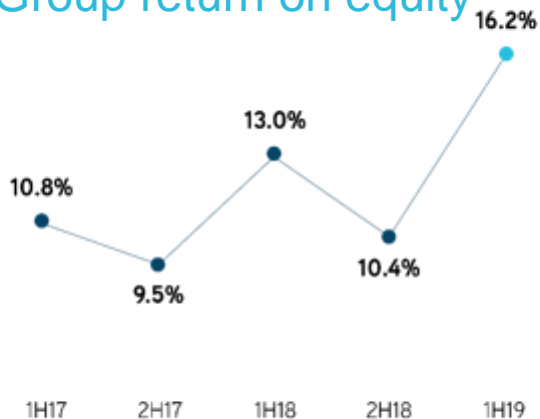
Group core operating profit*



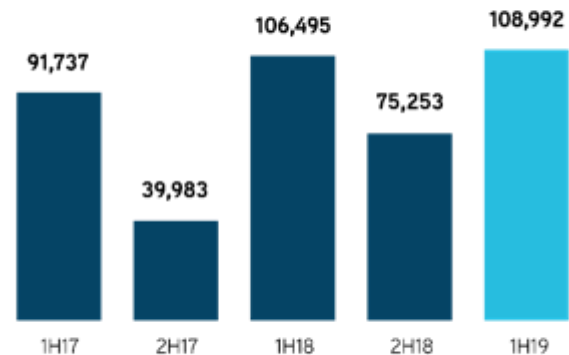
Earnings per share



Group return on equity

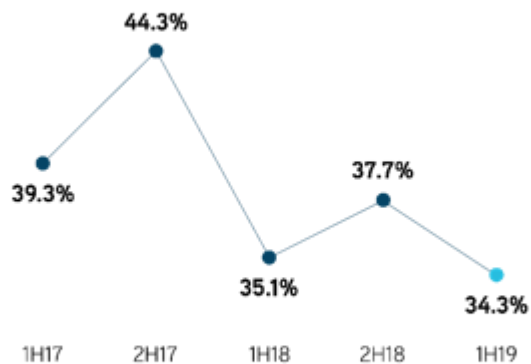


Group income

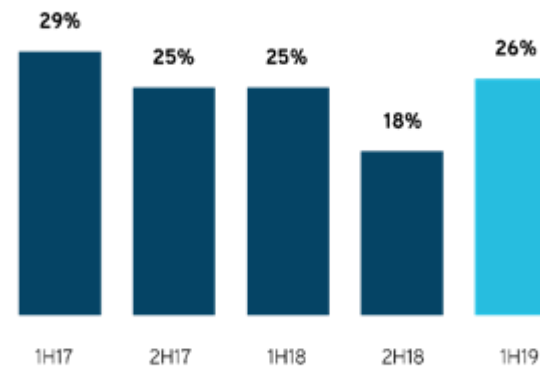


KEY ELEMENTS OF THE RESULT

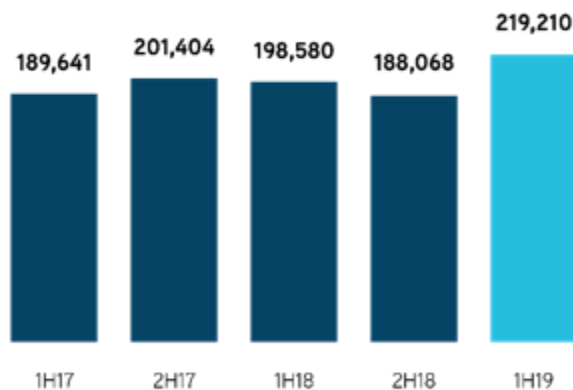
Expense to income ratio



Leverage ratio



Risk weighted capital



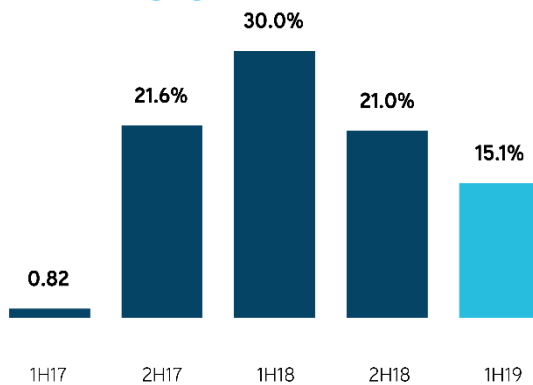
FINANCE DIVISION



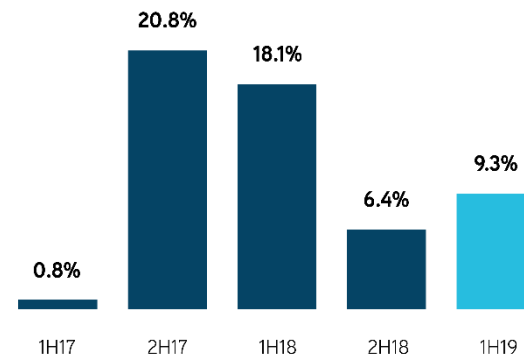


FINANCE - DRIVERS OF RESULT

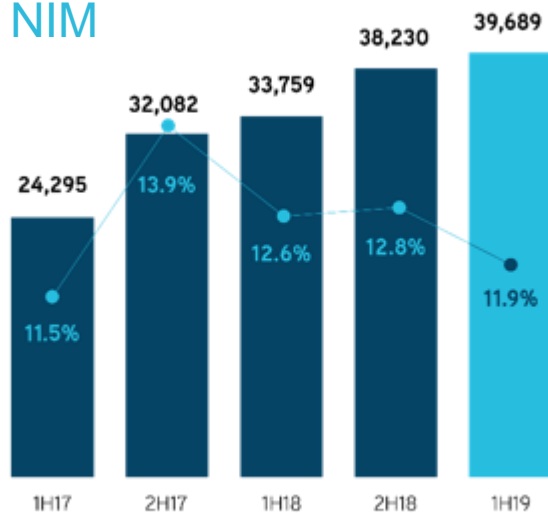
Lending growth [12 months comparison]



Deposit growth [12 months comparison]

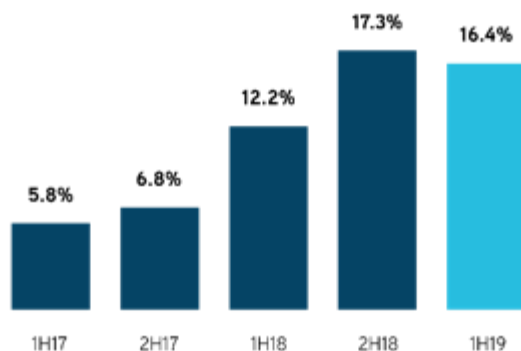


NIM

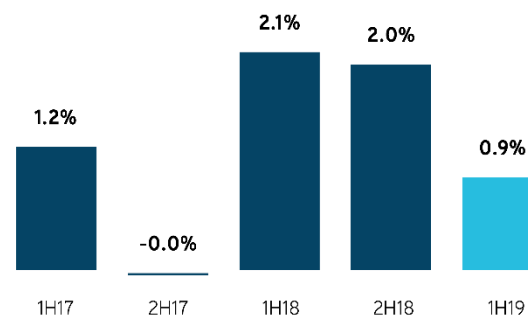


FINANCE – ASSET QUALITY REMAINS SOUND

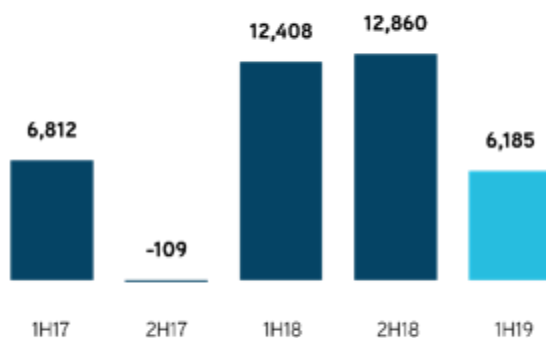
Impaired assets % of gross loans



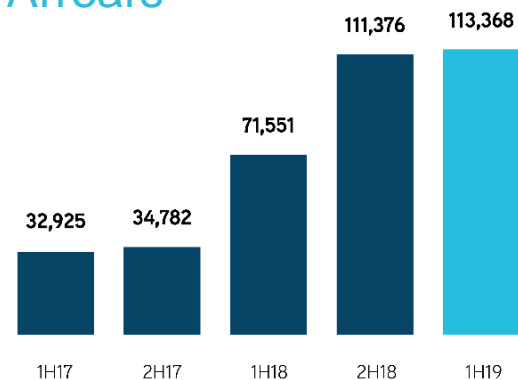
Impairment expense % of gross loans



Loan impairment expense



Arrears

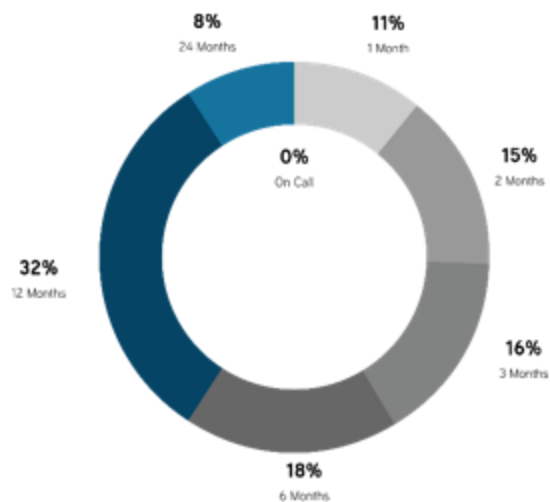




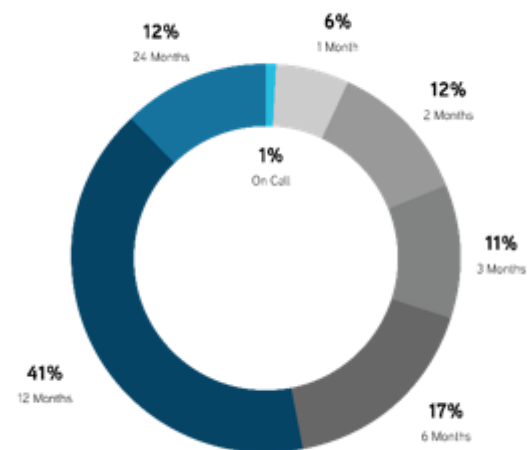
FINANCE – STEADY FUNDING GROWTH

Funding mix

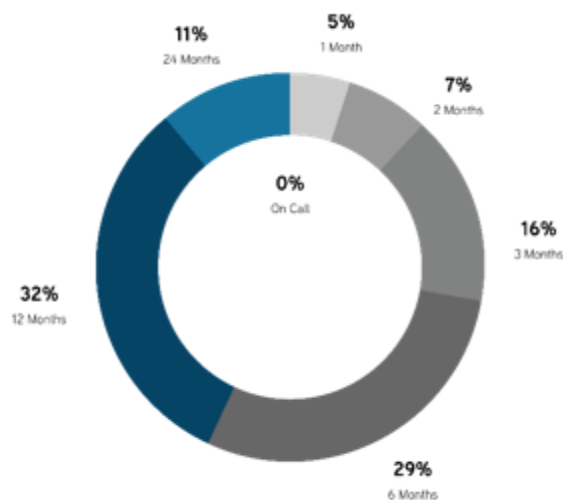
June 2018



June 2019



December 2018





FINANCE – STRONG NPAT GROWTH

Finance

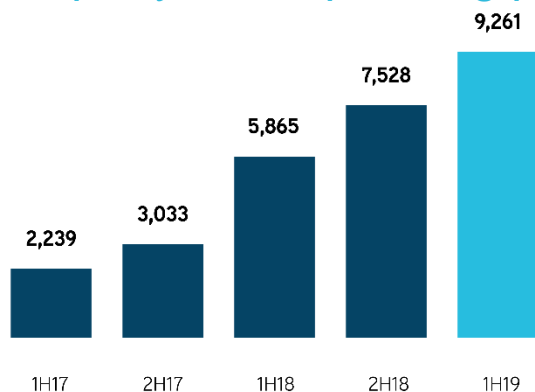
| Profit & Loss | Jun-19 | Jun-18 |
|--|---------------|---------------|
| Financing income | 50,197 | 42,644 |
| Finance costs | (11,973) | (9,807) |
| Net Finance Income | 38,224 | 32,837 |
| Rental income | 286 | 248 |
| Other revenue | 5,944 | 4,731 |
| Net Operating Income | 44,454 | 37,816 |
| Net impairment loss on Finance Receivables | (6,185) | (10,559) |
| Personnel expenses | (7,241) | (6,823) |
| Depreciation expenses | (1,365) | (760) |
| Other operating expenses | (7,254) | (6,518) |
| Results from operating Activities | 22,409 | 13,156 |
| Profit before tax | 22,409 | 13,156 |
| Income tax expenses | (4,265) | (991) |
| Profit/(loss) for the Year | 18,144 | 12,165 |

PROPERTY DIVISION

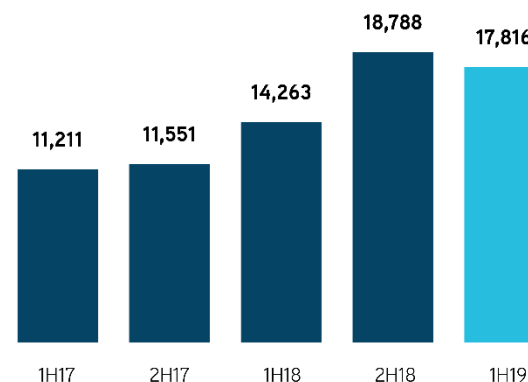


PROPERTY - DRIVERS OF RESULT

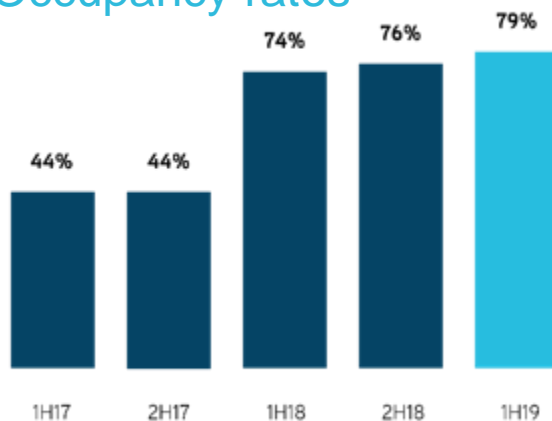
Property core operating profit



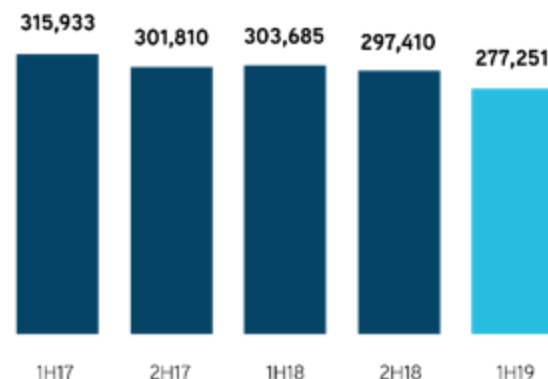
Rental income



Occupancy rates



Fair value of investment properties





PROPERTY – IMPROVED OPERATING PROFIT

Property

| Profit & Loss | Jun-19 | Jun-18 |
|--|-----------------|---------------|
| Rental income | 18,505 | 14,702 |
| Other revenue | 851 | 2,079 |
| Change in fair value of properties (Revaluation) | (20,335) | – |
| Net Operating Income | (979) | 16,781 |
| Personnel expenses | (1,923) | (1,808) |
| Depreciation expenses | (1,098) | (950) |
| Other operating expenses | (7,074) | (8,159) |
| Results from operating Activities | (11,074) | 5,864 |
| Profit before tax | (11,074) | 5,864 |
| Income tax expenses | 6,044 | (2,459) |
| Profit/(loss) for the Year | (5,030) | 3,405 |
| Core Operating Profit* | 9,261 | 5,865 |



PROPERTY – PERFORMANCE HIGHLIGHTS

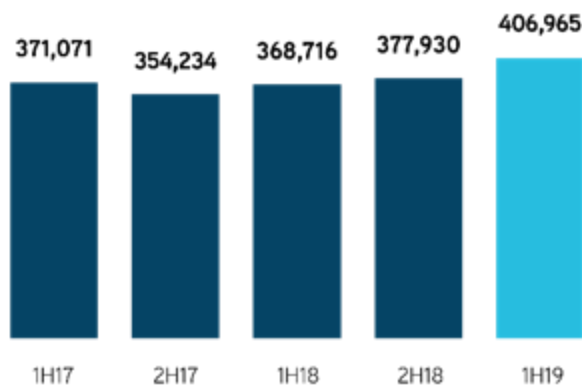
- 58% or K3.4m increase in core profits in 1H19 compared to 1H18
- Improved occupancy rates coupled with tight cost control and continued competitive pressures in Port Moresby for high-quality office space and executive rentals
- Rental yields on properties improved over the last twelve months by 240bps.
 - » **Era Dorina** – Occupancy increased to 65% (58% in 1H18)
 - » **Era Matana** – Occupancy increased to 77% (71% in 1H18)
 - » **Credit House** – occupancy increased to 95% (92% in 1H18).

INVESTMENT DIVISION

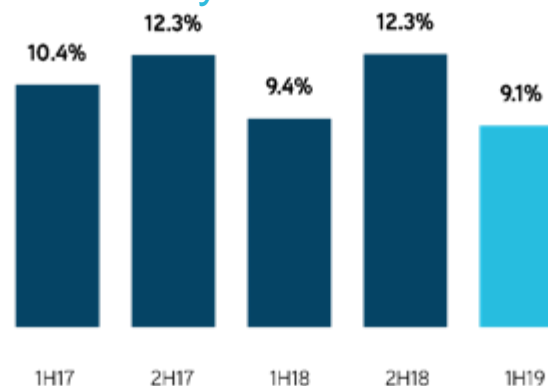


INVESTMENTS - DRIVERS OF RESULT

Fair value of listed investments



Dividend yields



Dividend income





INVESTMENTS

Investment

| Profit & Loss | Jun-19 | Jun-18 |
|--|---------------|---------------|
| Rental income | 44 | 106 |
| Dividend income | 45,219 | 49,186 |
| Other revenue | 895 | 1,398 |
| Fair Value Gain/(loss) shares | 29,035 | 18,181 |
| Change in fair value of properties (Revaluation) | (600) | – |
| Net Operating Income | 74,593 | 68,871 |
| Net impairment loss on Finance Receivables | – | (558) |
| Personnel expenses | (1,136) | (697) |
| Depreciation expenses | (51) | (46) |
| Other operating expenses | (1,752) | (2,158) |
| Results from operating Activities | 71,654 | 65,412 |
| Share of profit of equity accounted investee | 2,225 | 2,626 |
| Profit before tax | 73,879 | 68,038 |
| Income tax expenses | 1,020 | (4) |
| Profit/(loss) for the Year | 74,899 | 68,034 |
| Core Operating Profit* | 45,444 | 49,852 |

PRIORITIES





FY19 PRIORITIES

OUR VISION

Credit Corporation will be the best performing financier in every market in which we operate for customer experience and profitability

Creating shareholder value

Improving and automating key business processes

Upgrading IT platforms, including engagement of reputable IT service providers

Transformative finance platform change to FinConnect 5

Implementation and development of clear funding strategy

Optimisation of investment portfolio

Continuing improvement in marketing Credit Corp properties

STRATEGY

Finance

investing in capability and growing the segment through digital competency, distribution maturity and a prudent funding strategy.

Property

focus on further lifting property presentation and maximising yields, while building a longer-term strategy for maximising asset performance.

Investment

ensure portfolio is optimised without capital or revenue impact.

OUTLOOK





OUTLOOK



Continued focus on
governance, compliance and risk



Exploring strategic acquisitions to
accelerate profitable growth



Well positioned to deliver
continued value to shareholders



Implementation of
transformative finance platform



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