PNGX Announcement

14 March 2022

CREDIT CORPORATION RESULTS FOR FISCAL 2021

Credit Corporation is in a strong position to accelerate business activity along with implementing its refreshed strategic plan post COVID-19.

FINANCIAL HIGHLIGHTS

- NPAT K76.9m, up 249.5%
- Core profit K79.1m, up 208.2%
- Net Interest Margin 13.7%, up 90bps
- ROE 8.6%, up 580 bps
- Tier1 Risk Weighted Capital Ratio 36.8%, up 700 bps
- Dividend per share 22.6 toea, up from 12 toea per share in FY20
- Finance division NPAT K25.8m, compared to a loss of K6m in FY20
- Property division Core Operating Profit K10.2m down 11.3% YOY
- Dividend Income K52.9m up from K44.0m in FY20

KEY POINTS

- Earnings per share was 25 toea per share, up from 7 toea per share in FY20
- Total impairment cost reduced by K59.3 YOY
- Total expenses down 43%
- Strong liquidity position

Credit Corporation delivers K76.9m FY21 profit after tax result

Credit Corporation has overcome volatile economic conditions to deliver a strong financial performance in FY21.

Although the past two years have presented ongoing challenges because of the impacts of the COVID-19 pandemic, the Group has continued to take positive steps to achieve its financial, operational and strategic objectives.

In FY21, the Group achieved a 208.2% increase in Core Operating Profit to K79.1m and 249.5% increase in NPAT to K76.9m, compared to the 31 December 2020 (FY20) full year result.

The positive results benefited from disciplined control of net interest margins and operating costs, plus an increased focus on collections and credit procedures resulting in lower impairment costs.

The Group also received higher dividend income from its investment in BSP Financial Group Limited (previously Bank of South Pacific Limited).

The Group's strong capital position provided the flexibility to return surplus capital to shareholders, and as a result the Credit Corporation Board declared total dividends of 22.6 toea per share in FY21, which included a special dividend of 12.2 toea per share in May last year.

Credit Corporation's Chair of the Board Richard Sinamoi said: "Our focus on disciplined execution has delivered positive outcomes for our customers and our shareholders, despite the challenges of COVID-19.

"While it has been a year of challenges it has also been a year of achievement as we focused on our operational performance and progressing our strategy to transform Credit Corporation into a fully-fledged bank. We have enhanced our management bench strength, and risk management systems and processes," Mr Sinamoi said.

"Throughout the year we also continued to focus on supporting our customers and the safety and job security of our people.

"At the same time, our profitability increased, and our balance sheet remained strong.

"There was also a strong turnaround in the Group's impairment costs which reduced significantly to K4.1m in FY21 from K63m in FY20 as we focused on improving collections and enhancing credit procedures.

"Margins also improved with the Group's disciplined focus on managing funding costs and expenses".

Strategic pathway – transforming Credit Corporation into a bank

Credit Corporation CEO, Danny Robinson said the Group had also progressed a new strategic pathway with a plan for the next five years.

"This plan will set Credit Corporation on a transition journey from being a diversified finance and investment company into a high-performing finance company, and eventually entering into banking and becoming a fully-fledged commercial bank.

"Credit Corporation will seek organic and inorganic opportunities to achieve this strategic objective," Mr Robinson said.

Segment Overview

The Finance Segment achieved a net profit after tax of K25.6m compared to a loss of K6.0m in FY20. The net loan book declined by 18.8% to K409.5m compared to K504.5m in FY20, reflecting the operating difficulties faced by the Group's customers. In line with the reduction in the loan book the Group reduced its term deposit rates, resulting in reduced deposits but also reducing our finance costs by 25% to K20.1m, compared to K26.7m in FY20.

The key focus for the Group in FY21 was to manage costs, improve credit quality of the portfolio, strengthen collections and support distressed customers.

The Property Segment achieved a Core Operating Profit of K10.2m, down from K11.5m the previous year. This reflected the weaker demand for residential properties as COVID-19 restrictions caused companies to re-evaluate their staff accommodation requirements. Pleasingly, the Group's commercial property Credit House, maintained occupancy levels at 100%.

Yields on the Group's investments significantly improved during FY21, predominantly driven by its BSP shares. The BSP share price increased by 25 toea and as a result, the Group booked a valuation increase of K9.1m. The dividend payout ratio from BSP also increased, resulting in an improved dividend flow from BSP.

Outlook

Border reopening's and easing COVID-19 related restrictions are expected to positively impact Credit Corporation finance and property divisions in PNG and across its three Pacific jurisdictions. Buoyed by economic growth forecasts across the two largest markets of PNG and Fiji, positive impacts are expected to be felt in FY22 in all of the jurisdictions in which the Group operates.

"In 2022 we will continue to make progress on simplifying our business, growing our core finance company franchise particularly in the PNG and Fiji markets, while strengthening risk management.

"This will provide a strong foundation to consistently deliver enhanced services to customers and better returns to our shareholders," Mr Robinson said.

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Richard Sinamoi
Chairman
ENDS

For further information, interviews or images contact:

Danny Robinson, Chief Executive Officer, (+675) 7031 5890 or drobinson@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**