

## Credit Corporation results for first half of financial year 2022

Credit Corporation has continued to deliver positive results in the first half of financial year 2022, notwithstanding the volatile economic conditions and remnants of the pandemic.

### Financial highlights

- NPAT up 19% to K63.0m
- Core operating profit up 27% to K62.9m
- Net interest margin at 12.4%, up 1.5%
- Return on Equity at 13.6%, up from 10.9%
- Total risk weighted capital at 42%, up from 34% in 1H21
- Dividend per share up 122% to 10.2 toea per share
- Earnings per share up 19% to 20.5 toea per share
- Finance division NPAT increased by 51% to K17.1m
- Property division core operating profit up 18% to K5.9m
- Dividend income of K48.4m from K38.4m in 1H21

### Results overview

The Group has maintained the rigour that has been adopted over the past few years as it worked through the challenges presented by COVID-19.

This has enabled the Group to progress towards achieving its long-term financial, operational, and strategic objectives.

In the first half of financial year 2022, the Group recorded a 27% increase in Core Operating Profit to K62.9m against the prior corresponding period (pcp) of K49.7m.

Net Profit after Tax increased by 19% to K63.0m from K53.0m in the prior corresponding period.

The positive results benefited from several factors including disciplined control of net interest margins and operating costs, continued 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 and improved occupancy of its property investments resulting in higher returns.

The Group's strong capital position and balance sheet continue to facilitate healthy returns to shareholders. A total of 18.0 toea per share in dividends was paid to shareholders for the financial year 2021 wherein 13.4 toea of FY21 final dividends was distributed in July 2022.

As the trend of positive results continue into financial year 2022, the Board has declared an interim dividend of 10.2 toea per share. This compares to 4.6 toea per share paid for 1H21, representing an increase of 122% in dividend per share against the pcp.

Credit Corporations Chair of the Board, Richard Sinamoi said, "We delivered improved financial results having benefitted from disciplined control of margins and operating costs and higher investment returns, including lower impairment costs as a result of the Company's continued focus on collections and credit management procedures".

"Our focus in supporting our customers, communities, and all stakeholders, amidst the challenges faced by many customers and the economies where we operate, remained" Mr Sinamoi said.

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Mr Sinamoi said, “Looking ahead, as Credit Corporation progresses through its transformational journey, growth opportunities, disciplined approach to the quality of its loan book and maintaining an overall strong and resilient balance sheet, will remain focus areas for the Group”.

“We will continue to invest in the simplification of our business, new capabilities, technology and our people, which will allow us to become more innovative and agile in responding to our customers’ needs as we continue working towards our strategic objective” Mr Sinamoi said.

## Segment overview

The Finance Segment made a net profit after tax of K17.1m, an increase of 51% against the pcp. Against 1H21, the net loan book decreased by 11.2% to K402.3m due to a mix of the impacts of operating difficulties faced by our customers, a higher run-off rate and lower sales volume growth. To preserve net interest income, the Group therefore reduced its exposure to high-cost funds resulting in a 29% reduction in finance costs against the pcp to K7.8m.

The Property division recorded a core operating profit of K5.9m, up 18% from the prior corresponding period. As border restrictions imposed to address risks associated with the spread of COVID-19 have been relaxed, there has been an increase in economic activity across all industries contributing to increased occupancy compared to the prior year.

Yields on the Group’s investments improved during 1H22, predominantly driven by its BSP shares. The BSP share price increased by 15 toea against FY21 closing price, and as a result the Group booked a valuation increase of K5.5m. The dividend payout ratio from BSP also increased, resulting in improved dividend flow from BSP.

## Outlook

Credit Corporation CEO, Danny Robinson said, “The outlook for the Group remains positive. As restrictions ease in parts of our business, we are seeing opportunities beginning to emerge helping to drive the business performance. With further improved economic growth forecasts, there is potential for benefits to flow through to multiple sectors”.

Mr Robinson further added, “We will continue to support the safety and job security of our people and caring for our customers as we ease out of the remnants of the pandemic”.

“Our five-year strategic pathway remains a key focus area. We continue to make progress on simplifying our business and growing our core finance company franchise while strengthening risk management and improving the credit quality of the portfolio through greater attention on collections”, Mr Robinson said.

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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](http://www.creditcorporation.com.pg)