



PNGX Announcement

13 September 2023

Credit Corporation Results for first half of Financial Year 2023

Credit Corporation is pleased to announce its financial results for the six months to June 2023 (1H23).

Financial summary

- Group Core Operating Profit (COP) K64.6m, up 2.6% on pcp (1H22: K62.9m)
- Net Profit After Tax (NPAT) K74.26m, up 17.9% (1H22: K62.98m)
- Earnings per share 24.1 toea, up 17.9% (1H22: 20.5 toea)
- Dividend per share 11.0 toea, up 7.8% (1H22: 10.2 toea)
- Dividend Income K50.9m, up 5.4% (1H22: K48.3m)
- Group Return on Equity 8.3% (1H22: 8.4%)
- Property Division Core Operating Profit K6.8m, up 15.3% (1H22: K5.9m)
- Finance Division NPAT K15.3m, down 10.4% (1H22: K17.1m)
- Net Interest Margin 12.0%, down from 12.5%
- Total Risk Weighted Capital Ratio 36.1% (minimum requirement of 12.0%)

Credit Corporation delivers improving financial performance with growth in COP and NPAT

Credit Corporation delivered another improved financial performance in the six months to June 2023, based on revenue growth from core activities and prudent cost control across the business, reinforcing the Group's commitment to sustainable growth.

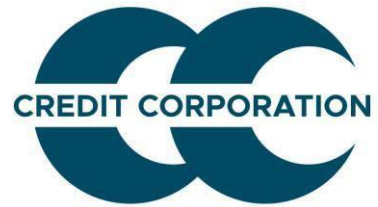
Commenting on the results, Chair Dr Albert Mellam said: "The first half of 2023 has seen an overall positive performance. We are pleased with the range of drivers behind the growth in revenue and the efforts to optimise costs, which have resulted in improved profitability and increased dividends for shareholders compared to the prior corresponding period (PCP).

"The increase in revenue is based on a combination of higher investment dividends, interest income and rental yields.

"In addition to this revenue growth, Group profitability improved as a result of gains on investment valuations and a prudent approach to cost control across the organisation."

The overall impact to COP has resulted in an increase by 2.6% to K64.6m, and NPAT rose by 17.9% to K74.26m, compared to the PCP.

The Group maintained a strong capital position, enabling a 7.8% increase in interim dividends to 11.0 toea per share, compared to 10.2 toea per share in the PCP. Timing of the dividend payment is as follows:



- Ex-Date: 20 September 2023
- Record Date: 25 September 2023
- Payment Date: 18 October 2023

Segment overview

The Finance segment made a net profit after tax of K15.3m during 1H23, a decrease of 10.4% compared to 1H22. The lower NPAT recorded was impacted by lower impairment releases compared to the PCP and resultant increase in tax expense, and an increase in personnel expenses as the organisation prepares for the transition to a fully-fledged niche commercial bank. The segment also reported encouraging growth in deposits and net loan book compared to the pcp.

Continued diligent credit risk management led to a release of excess provisions, enhancing the Group's loan portfolio and ultimately bolstering the financial position. Total loan provisions have almost halved to K61.66m since the first half of 2021.

The Property division reported a core operating profit of K6.79m, up 15.3% from K5.89m compared to the PCP. This improvement in performance has been the result of improved average rental rates and increased rental yields, and prudent cost management.

Dividend income within the investment segment increased by 5.4% for the half-year to K50.9m. The overall Investment segment results were further enhanced by increases in valuations for listed and unlisted investments.

Outlook

Credit Corporation Group CEO Danny Robinson said the Group will continue to focus on sustainable growth, effective financial management and generating value for stakeholders.

"A disciplined approach to costs and credit risk will continue to be the bedrock of our operating performance while we pursue strategic growth opportunities.

"The implementation of our five-year strategic pathway remains on track and we are making good progress in simplifying our operations, growing our core financial business and strengthening risk management and credit quality.

In terms of economic outlook across the South Pacific, PNG domestic demand is expected to support short-term growth amid easing inflationary pressures and increased public investment.

The general outlook for Fiji remains positive with continuing increased activity in the tourism sector.

Solomon Islands growth expectations are driven by the 2023 Pacific Games and financial support provided by donors for large-scale infrastructure projects.

Vanuatu is slowly recovering from natural disasters that weakened the outlook for 2023.

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For further information, interviews, or images contact:

Danny Robinson, Chief Executive Officer, (+675) 308 5500 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 South Pacific's most progressive institutions. For more information about Credit Corporation PNG visit: www.creditcorporation.com.pg