



FY19 Investor Presentation

Supplementary Analysis

March 2020



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HIGHLIGHTS

New Strategic Direction provides focus for **future growth**

**Strong
FY19
result**



Solid performance for each of our operating divisions – finance, property and investment.



Our **diversification** continues to be a key strength, providing advantages and resilience.



Continued strong track record of **dividend payments** with a total of 20 toea per share paid in FY19.



New Strategic Direction provides a strong platform for future growth.



Seeking **organic and inorganic growth opportunities** to enhance shareholder value.



COMPANY PROFILE

Who we are

Established 41 years ago in 1979, Credit Corporation PNG is a highly diversified financial services company with operations throughout PNG and the Pacific (headquarter in Port Moresby).



Second largest
diversified financial
services company
in the Pacific



K1.5 billion
in total assets



11 locations
across 5 countries



Engaged and
diverse team of
269 employees

Three operating divisions

- ▶ Finance
- ▶ Investment
- ▶ Property

Who we serve

Our customers

- ▶ K532 million of deposits
- ▶ K613 million of loans

Our shareholders

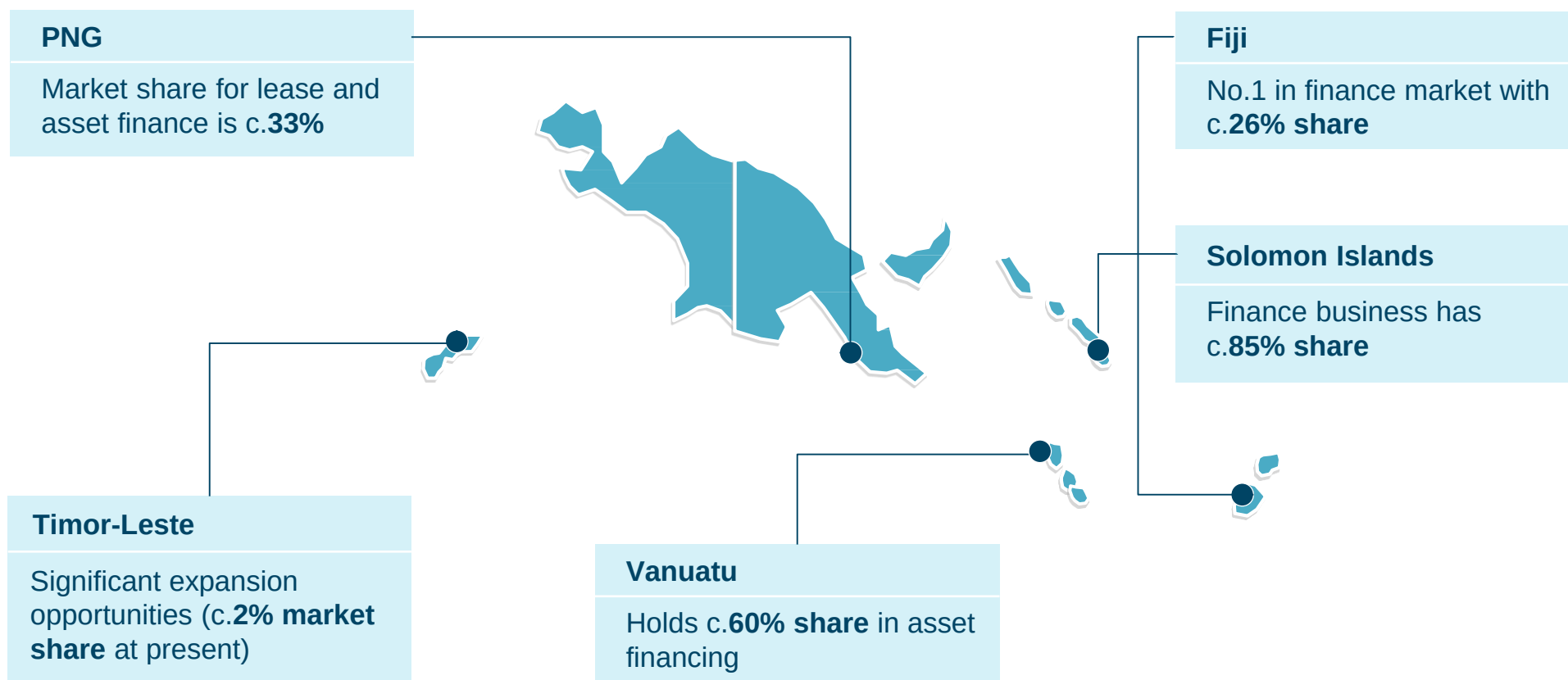
- ▶ 20 years listed on the PNGX
- ▶ 41 years of dividend payments
- ▶ K523 million market capitalisation
(as at 27/02/20)



COMPANY PROFILE

Our market strength

CCP operates via 11 locations throughout the Pacific region





2019 RESULTS

Delivering increased profit, capital strength and dividend growth

Result drivers – group	Dec 19	Dec 18	Change %
Group Core Operating Profit (PGK'000)*	105,019	86,273	▲ 21.7%
Profit after tax attributable to the shareholders (PGK'000)	131,985	97,923	▲ 34.8%
Expense to income ratio**	38.0%	37.7%	▲ 0.3%
Capital adequacy ratio	22.4%	20.0%	▲ 2.4%
Group return on equity	11.9%	10.4%	▲ 1.5%
Return on asset	6.8%	6.0%	▲ 0.8%
Earnings per share	0.43	0.32	▲ 34.8%
Net asset backing per share	2.99	2.76	▲ 8.2%
Full year dividend per share (toea)	20	17	▲ 17.6%

* Core operating profits excludes fair value changes arising from revaluation investments, and income tax expense.

** Expense to income ratio excludes any fair value changes of investments and movement in bad debt provisions.



DIVISIONAL SUMMARY

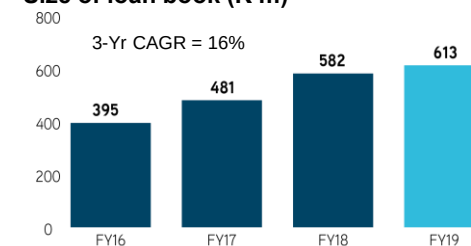
CCP has achieved **strong results** across its three core operating divisions

Finance FY19 NPAT

54% growth

- ▶ CCP Finance **NPAT** grew by 54%
- ▶ CCP's loan **book grew by 5%** in FY19 to K613m.
- ▶ Significant progress made on recovery of legacy loans
- ▶ Tier 1 Capital **increased by 200bps** in FY19 due to improved profitability in finance business.
- ▶ Improved the profile of the finance business in key markets.

Size of loan book (K'm)



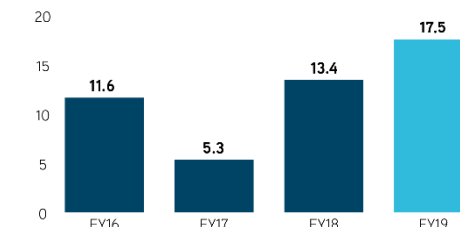
Property

FY19 core profit*

46% growth

- ▶ Property core profit **increased by 46.2%** to 17.5m in FY19.
- ▶ Improved occupancies across property portfolio
- ▶ Tight cost control maintained

Rental core profit (K'm)

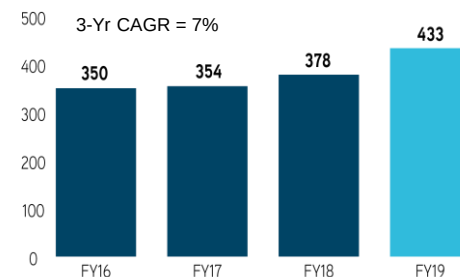


Investment FY19 portfolio value

15% growth

- ▶ The share price of Bank of South Pacific **appreciated by 15%** in FY19.
- ▶ The dividends from BSP have contributed towards improved dividend yields for Credit Corp.

Fair value of investments (K'm)

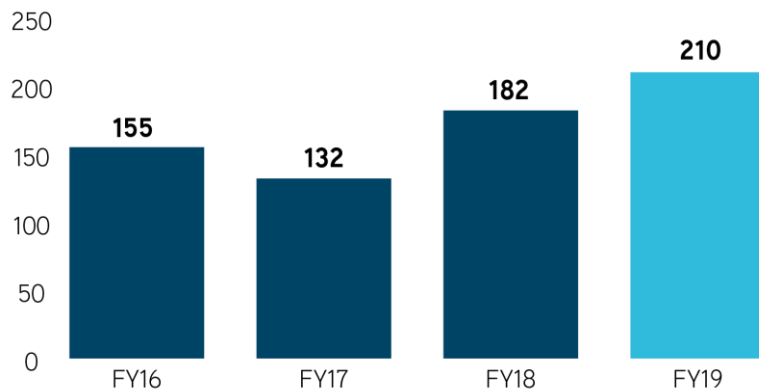




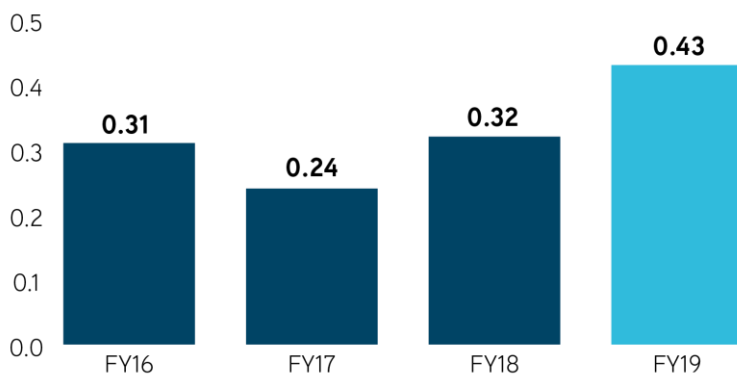
FINANCIAL HIGHLIGHTS

Continued growth driven by **strong performance** in the lending division and improved property management KPI's

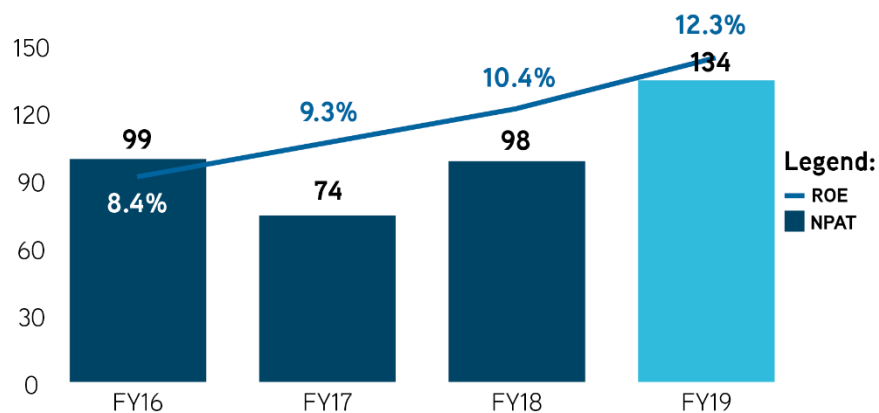
Net operating income



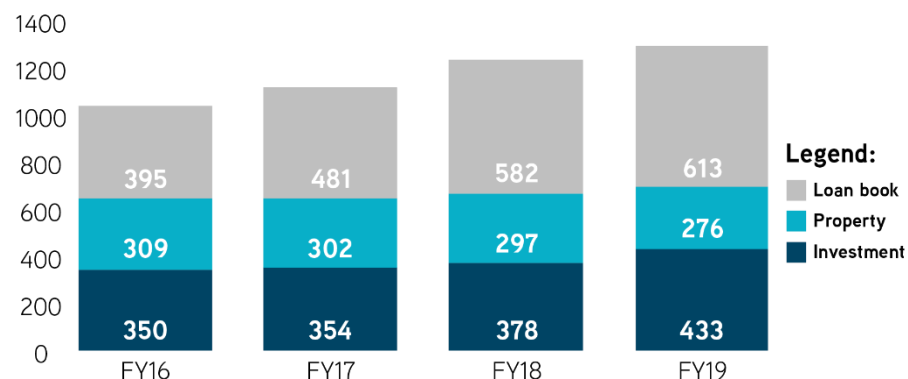
Earnings per share



NPAT



Core assets

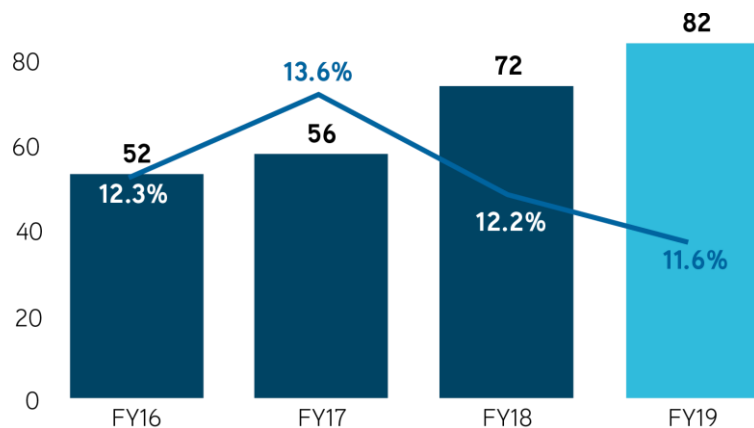




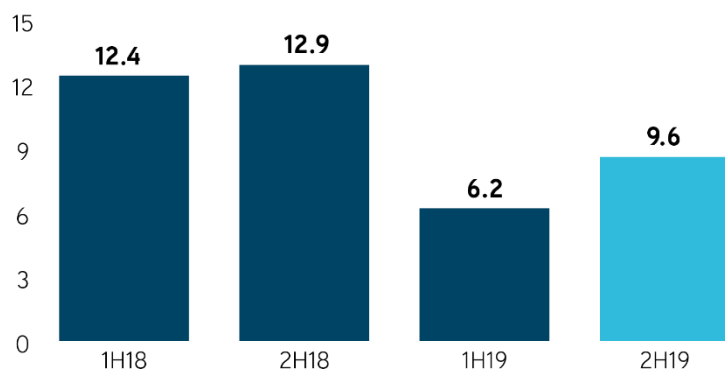
FINANCE DIVISION (1/2)

CCP's Finance Division has performed well and will provide a platform for future growth throughout the Pacific region

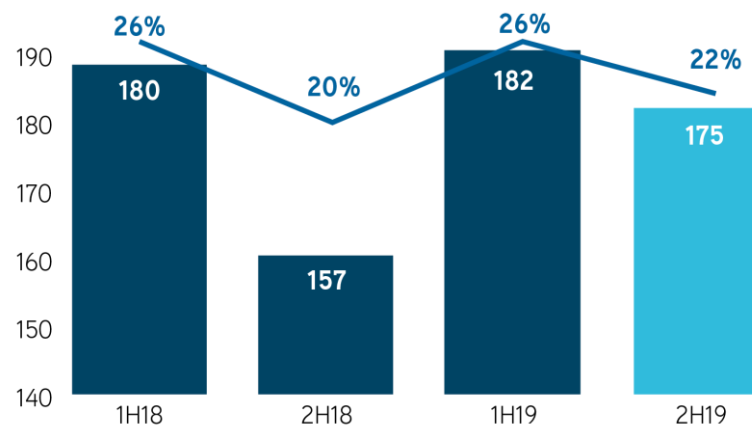
Net interest margin



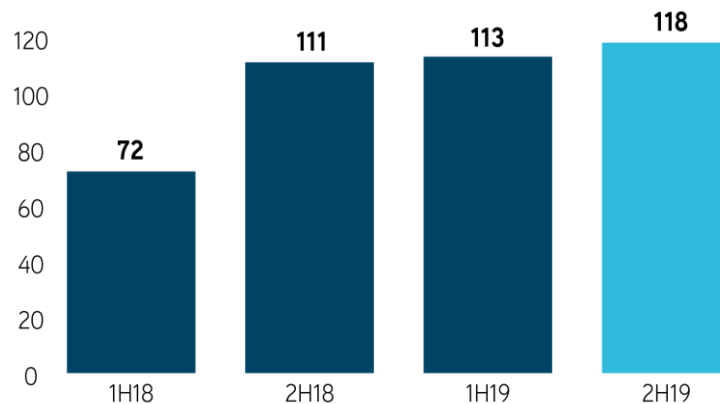
Loan impairment expense



Tier 1 capital (LHS) / Tier 1 capital ratio (RHS)

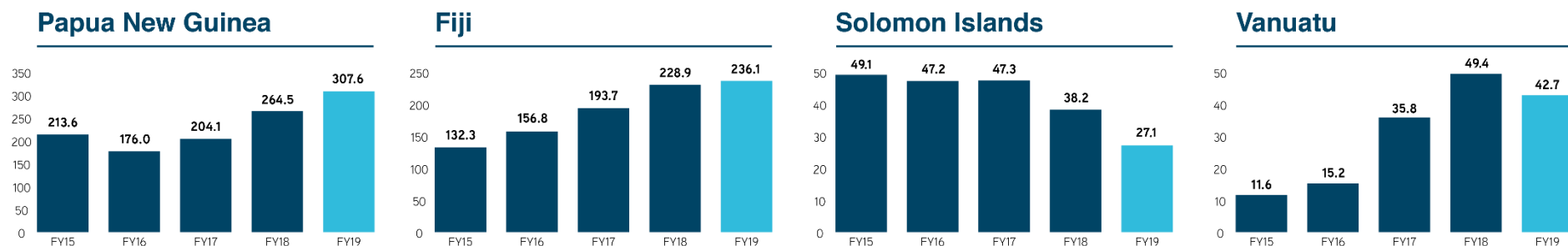


Arrears – Stage 3

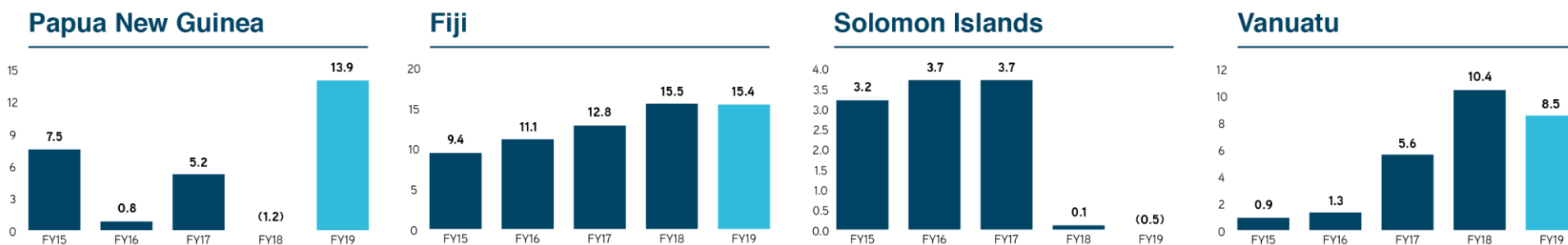


CCP's Finance Division is well-positioned in the Pacific region finance market, with operations in Fiji, Solomon Islands and Vanuatu, in addition to its operations in PNG

Net loans (PGK m)



NPAT (PGK m)

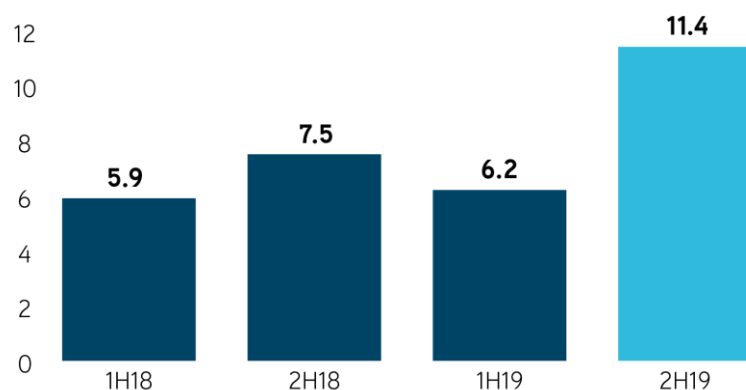




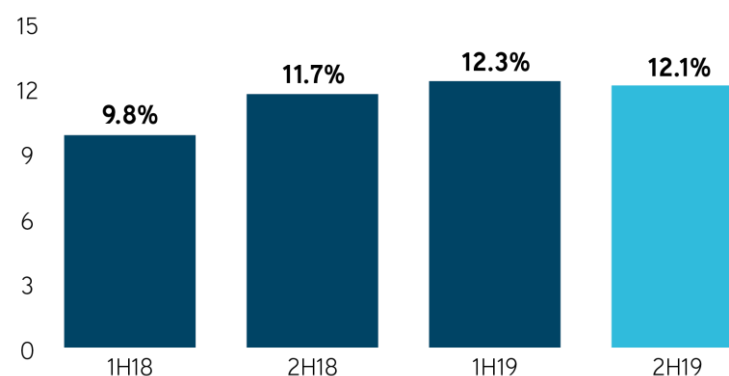
PROPERTY DIVISION

CCP's property division has achieved significant growth in core operating profit, as underpinned by the steadily improving occupancy rates

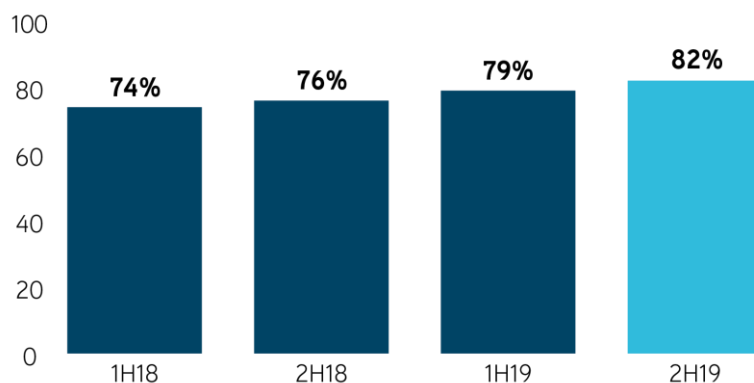
Property core operating profit



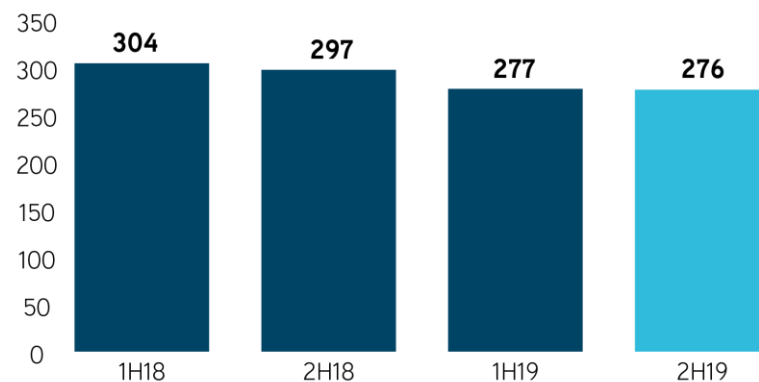
Rental yields



Occupancy rates



Fair value of investment properties

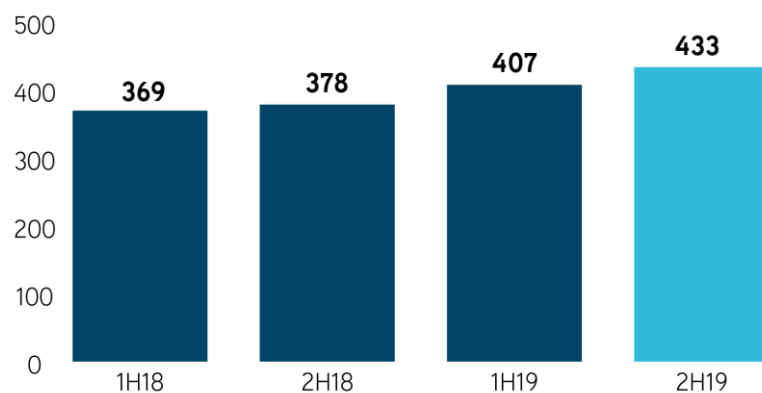




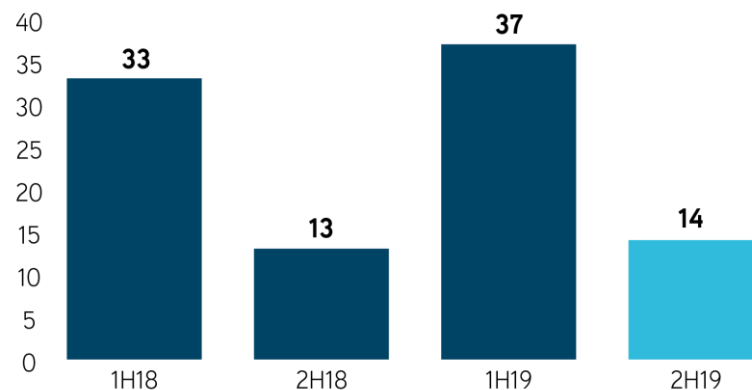
INVESTMENT DIVISION

CCP's investment division has achieved strong results, benefitting from its exposure to the strong PNG economy in recent years

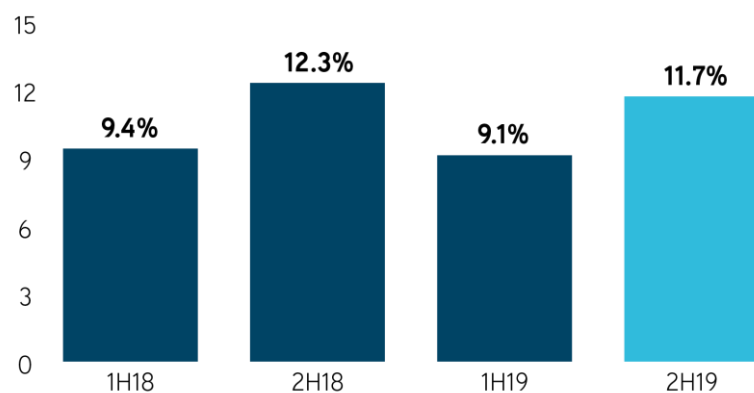
Fair value of listed investments



Dividend income from listed investments



Dividend yields from listed investments





STRENGTHENING GOVERNANCE AND RISK MANAGEMENT

Continued to strengthen our approach to the management of financial and non-financial risk.

Enhancing Group's risk culture, governance and accountability frameworks and practices.

Key initiatives

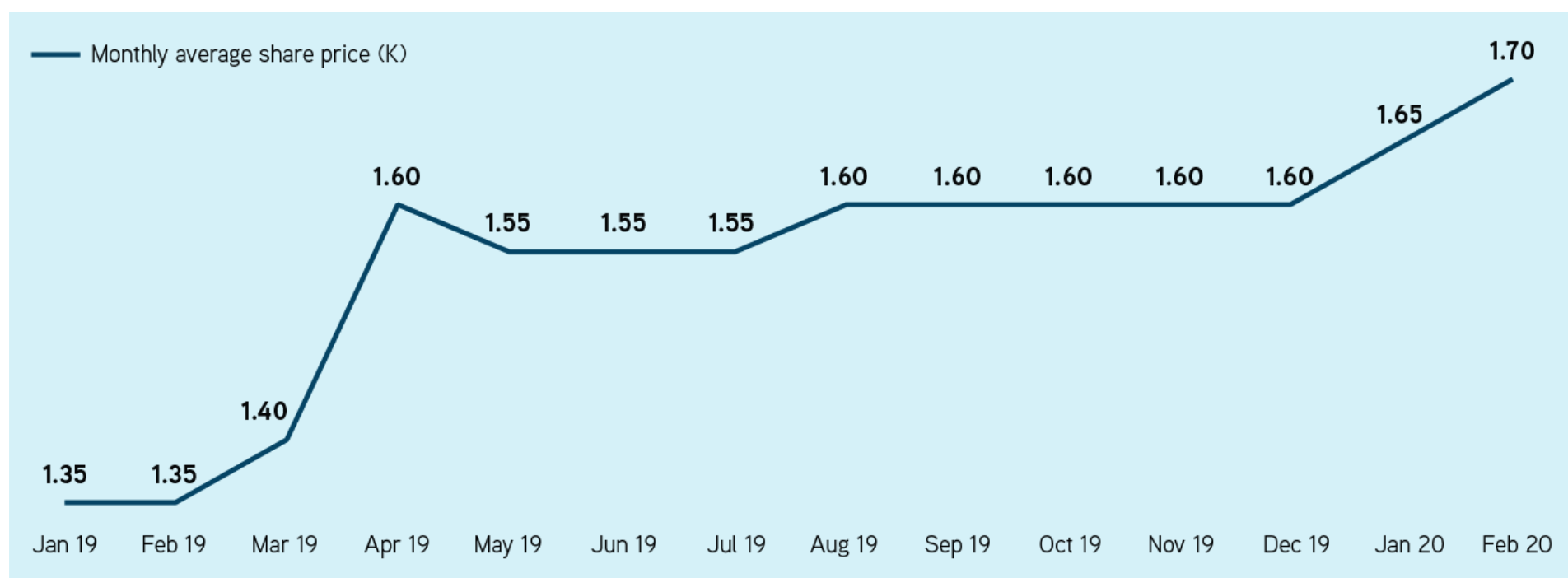
- ▶ Implementing the three lines of defence risk management framework
- ▶ Increasing capabilities to aid in risk, identification, assessment, measurement, mitigation and reporting
- ▶ Appointment of Karen Mathers as Chief Risk Officer and recruitment of Chief Operating Officer progressing
- ▶ Fostering a risk culture throughout the Group, and clarification of roles and responsibilities
- ▶ Identification of capability requirements and identifying training needs to uplift capability
- ▶ Enhancing financial results reporting to provide greater clarity and understanding
- ▶ Setting performance benchmarks linked to strategy, risk appetite and budget
- ▶ Half-yearly market updates supported by shareholder updates.



SHARE PRICE

The total FY19 dividend of 20 toea represents a dividend yield of 12.1%. The current market capitalisation is K523 million (based on a share price of K1.70 as at 27/02/20)

Share price movement from January 2019 to February 2020



K523 million market capitalisation



Share price 27/02/20 of **K1.70**



OUR STRATEGY

Our Strategy

The Board has set a new strategic direction for the organisation for the next five years, focusing on an enhanced customer experience and maximising shareholder value through superior returns over the longer term.

Strategic Priorities

- ▶ Upgrading IT platforms
- ▶ Improving and automating key business processes
- ▶ Developing the Group funding strategy
- ▶ Continuing improvement in marketing Credit Corporation properties
- ▶ Strengthening governance, investing in regulatory and compliance programs
- ▶ Ongoing review of our investment portfolio
- ▶ Continuing to consider potential inorganic strategic growth opportunities as they arise in the market.



ECONOMIC OUTLOOK

Outlook remains positive with moderating growth in 2020

- ▶ Economic conditions remain challenging for nations where the Group operates
- ▶ Global uncertainties remain, including the impacts of coronavirus on commodity-based economies
- ▶ In PNG, finalisation of current resource agreements and launching new major projects will be important growth drivers

For Credit Corporation

- ▶ Focused on disciplined business execution and growth
- ▶ Investing in innovation and our people
- ▶ Seeking organic and inorganic growth opportunities

