



PNGX Announcement

15 March 2021

Credit Corporation delivers K22m Net Profit in FY20

Results overview

Credit Corporation PNG has reported NPAT of K22.00m and Core Operating Profit of K25.66m for the 2020 financial year (FY20).

The FY20 results reflect the challenges of the COVID-19 pandemic during the year and also the Group's commitment to actively support PNG's SME market through these challenging conditions.

Earnings have been significantly impacted by higher impairment charges as a result of a decline in economic activity across the Pacific and globally.

Despite the challenges of FY20, the Group maintained the strength of its balance sheet. The Group strengthened its liquidity position by 64% to K230m, funding grew by 3%, and the loan to deposit ratio improved to 92%.

The Group is well capitalised and its liquidity and funding metrics are considerably above regulatory requirements. During the period, the total risk weighted capital ratio increased to 32.6%.

Gross loan receivables (net of unearned interest) reduced by K54m or 8% in FY20 due to our prudent approach to lending in the current environment.

While stressed exposures increased as a percentage of gross loans, the Group has adopted a prudent approach by increasing impairment provisions from K64m to K119m.

Whilst assisting our valued customers as their businesses rebounded from the COVID related challenges, we have also established a new asset management unit to implement recovery strategies and manage any stressed exposures.

The Board declared a final dividend for FY19 of 12 toea per share in June 2020. This represented a dividend yield of 7.1%. The Board decided not to pay an interim dividend for the FY20 financial year, given the economic uncertainty.

Focus on customers and staff

Credit Corporation CEO Peter Aitsi said the challenges as a result of the COVID-19 pandemic from the commencement of the second quarter through to the financial year end had created an unprecedented situation for the Group.

"2020 has been an abnormal and unprecedented reporting period for us and for many others," Mr Aitsi said.

"During the period, governments of countries where the Group operates focused on preventive measures to keep people safe. These measures which were restrictive in nature, while necessary, contributed significantly to a fall in business activity.

"Our immediate focus was to ensure the wellbeing of our people and our customers in addition to doing what we could to assist our customers experiencing financial challenges as a result of the COVID19 situation.

"I am proud of how we all pulled together to deliver service to our customers, and our businesses remained operational throughout this situation."



Strategy execution and transformation

“While 2020 has had its challenges, we have made important changes to the business, and we made solid progress on delivering strategic initiatives to transform the business and drive future revenue growth. These initiatives have included introducing new technology, adding resources and enhancing systems and processes within the risk and compliance team, while completing further appointments in the executive team.

The Group also pursued a strategic acquisition opportunity via a competitive bidding process but was unsuccessful.

“We continue to make positive changes within the Group to refocus on our core businesses and key markets, and to improve the Group’s performance,” Mr Aitsi said.

Outlook

The Group remains focused on maintaining a strong balance sheet that provides a solid platform to take full advantage of growth opportunities as the global and local economies recover.

The strength of the Group’s relationships with customers, institutional shareholders, banking partners, and regulators in each jurisdiction has been mutually beneficial in terms of successfully navigating through these uncertain times.

While it is presently difficult to predict the duration of the recovery from the pandemic, the Group will maintain a prudent approach to risk, and focus on disciplined operational execution.

It also remains well capitalised with a strong balance sheet and plenty of liquidity to continue to support its customers.

Importantly, with economic conditions expected to show modest improvement in 2021, Credit Corporation is well placed to continue to support customers and rebound from the challenges of FY20.

And with the recently announced changes to the competitive landscape in PNG’s banking sector, the Group is well positioned to strengthen its market position.

“I believe that being there for our customers and being able to help, support and demonstrate value-add in the challenging FY20 environment has given us a major reputational boost in our markets,” Mr Aitsi said.

“There is no doubt we are now in a stronger position than six months ago, and we remain cautiously optimistic regarding the COVID-19 situation and the economies of PNG and the Pacific.”

ENDS

For further information, interviews or images contact:

Peter Aitsi, Chief Executive Officer, (675) 7111 1429 or paitsi@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

