



PNGX Announcement

Thursday, 25 June 2020

2020 Annual General Meeting of Shareholders

Address delivered by Mr Peter Aitsi

Chief Executive Officer

Thank you, Syd.

And thank you to our shareholders for joining us today.

This year, we meet virtually instead of face-to-face. This is a sign of the unprecedented times we are all living in.

Given these circumstances – addressing you our shareholders and convening this meeting is critical.

Typically, I would address the progress made in the prior year – and then provide some context on the way forward.

Today, the agenda is a little different.

While I will touch on some of our key accomplishments in 2019, I believe it is important to also address the complex and changing environment we are all experiencing, as I am sure it is on your minds as it is in ours.

Current Environment

The reality is that COVID-19 has filled our personal and business lives and the economies of the nations where we operate with a high level of disruption and uncertainty.

Governments and regulators throughout the Pacific are also taking action to soften the impact and provide support to individuals and businesses. And financial services companies such as ours, are putting aside their rivalries and competitiveness to help find solutions and support customers and economies.

Programs have been established to support those directly affected and those most vulnerable to the effects of the pandemic impacts.

Today, there are members of our team across the Pacific who have worked through these difficult personal and business challenges to support our business and our customers. Their ability to adapt quickly has been extraordinary and has given us a great deal of pride.

We have taken clear action to support our people and our customers.



When the state of emergency measures were declared in jurisdictions where we operate, we immediately mobilised and took steps to minimise COVID-19's effects on our operations. We also tested and implemented business continuity and contingency plans, which included alternate workplace arrangements for our teams.

At the same time, we also heightened measures to ensure the safety and health of our employees and that of the tenants at our properties.

Right across our Group, we are working with our customers on specific approaches that best meet their needs, including payment deferrals for those experiencing hardship as a result of the current situation.

Focus on the Future

Please be assured – we are focused on Credit Corporation's future with a great deal of clarity and purpose. We are focused on the recovery ahead. We are focused on our customers, who have entrusted their financial well-being to us. We are also focused on the health and wellbeing of our people and also the communities we serve.

While these are unprecedented times, Credit Corporation is meeting those challenges from a position of strength.

Throughout 2019, we made important investments and advanced key strategic programs aligned with our new Strategic Direction which was initiated in 2018. While we faced a more challenging economic environment in many of the countries where we have operations, it remained a year of tremendous progress.

Up on the screen are the Guiding Principles of our Strategic Direction that drive Credit Corporation forward. This means we are focusing on specific aspects of operational improvement – recalibrating what we need to do and when.

Significant progress was made with investments in technology, services, and products while ensuring these investments delivered for customers and the Group. These strategic initiatives were aimed at improving shareholder value and growing business profitability.

The management team has also been focused on implementing key activities identified as part of the new Strategic Direction, further building a sustainable platform for profitable growth.

In FY19, we elevated technology as a strategic priority because we want our customers in every facet of our business to benefit from the enhanced capabilities which new technology delivers.

During 2019, specialist IT firms were engaged as lead service providers for IT-related services, including outsourcing of cybersecurity services and disaster recovery services.

Planning and implementation work to upgrade the core finance platform started during the year. This is a transformative project for the Group. The new version will deliver improved front and back office capability, with enhanced customer interface capability. Upgrades to the core finance platform for CC PNG were completed in November 2019. Work has commenced on the upgrade of platforms in CC Solomon and CC Vanuatu.



The Group will continue to focus on automation of key processes and the implementation of workflow systems. More emphasis will be placed on digitising front office platforms to make customer interactions more efficient and easier.

The back-office systems and processes have been streamlined using the agile methods of workflow supported by strong governance protocols. This has enabled staff to better manage daily activities and help drive greater accountabilities for outcomes.

Other initiatives aligned with our Strategic Direction which are presently underway include:

- Enhancing the Group’s funding strategy
- Improving marketing initiatives for Credit Corporation properties
- Ongoing review of our investment portfolio
- And continuing to consider potential inorganic strategic growth opportunities as they arise in the market.

With the appointment of our new Chief Risk Officer, Karen Mathers, a key focus will be to continue strengthening the Group’s risk and compliance structures to meet the ongoing requirements of regulators across the Pacific, moving towards best practice.

Initiatives to improve governance and risk oversight for the Group and its subsidiaries have included:

- Implementing the three lines of defence risk management framework
- Changing reporting, giving more transparency to the operating divisions of the Group
- Fostering a culture of accountability throughout the Group, with key risk indicators and clear direction in relation to our appetite for risk
- And setting performance benchmarks linked to strategy, risk appetite and budget.

Resilience

2019 seems such a long time ago when you think about what has occurred since.

But I want our shareholders to know that the progress we made and the performance we achieved last year has fortified us for what lies ahead.

Group Net Profit After Tax reached K132m, representing a 34.8% increase, while Core Operating Profit rose to K105m, increasing by 21.7%.

The Group also maintained a strong capital position. Capital adequacy ratios remain well above the minimum regulatory requirements of our various markets and Total Risk Weighted Capital was strong at K219.7m. The solid capital position provides us with a great deal of flexibility around our decisions related to business growth.

Finance income increased 10.9% to K109.7m over the period and Net Profit After Tax for the division rose to K37.4 million, up 54% on the previous year as we continued to add customer relationships, for both loans and deposits in our key markets.

Our property and investment segments continued to provide diversified earnings for our Group. The property segment recorded a 46.2% (K5.6m) increase in core profits to K17.6 million in FY19. The increase was attributed to improved occupancy rates, coupled with a continuing focus on tight cost controls.



The investment segment saw the valuation of shares in Bank South Pacific (BSP) increase by 14.7% in FY19. The dividends from BSP shares have contributed towards improved dividend yields for the Group.

While the present reality is clearly having an impact on our business – as it is for every financial institutions around the world – our performance in 2019 is helping to provide strength and resilience.

Our businesses is also led by some very talented executives and that bench strength has been enhanced with the appointment of General Manager Property Brent St. Hill who was appointed in FY19 and at the start of FY20, Danny Robinson was appointed Chief Operating Officer, along with Karen Mathers as our first Chief Risk Officer.

The diversified nature of our business provides us with a competitive advantage, as is now attested when facing such unprecedented times.

The Future

There are certainly more challenges to come before we turn the corner in our collective response to the coronavirus.

However, if the past 41 years are an indicator, I am confident we will get through these challenges and we will be stronger on the other side.

In closing, I would like to thank our people across the Pacific for their tremendous efforts during this incredibly challenging period.

I would also like to thank our Board of Directors for their guidance, counsel and support over the past year.

And finally, I would like to thank all of you our shareholders and customers for the trust and confidence placed in Credit Corporation and its team.

Thank you for your time and for joining us today.

ENDS

For further information, interviews or images contact:

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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