



## PNGX Announcement

**Thursday, 25 June 2020**

### **2020 Annual General Meeting of Shareholders**

**Address delivered by Mr Syd Yates**

#### **Chairman**

Thank you all for joining us today. Morning tru

This is the first time our AGM has been entirely virtual, as it's the first meeting of shareholders with all participants observing public health guidance on physical distancing.

It is a real privilege for me to again address you as Chairman of Credit Corporation (PNG) Limited. It is a great company and I have been delighted to see that a strong shareholder focus is alive and well within the Group.

I have now been in the Chair for little more than a year and am delighted at how the Group has progressed during that time.

It seems like a long time ago, but when I was appointed Chairman 17 months ago, as a Board we were committed to a comprehensive transformation agenda. This transformation journey started with a new Strategic Direction which adopted a clear focus on shareholder wealth creation, capitalising on our clear strengths and delivering for our customers.

As a result, over the past financial year we have implemented positive and ambitious change across the Group and we have delivered for our shareholders.

Along the way, we have asked for your patience and trust in what we are doing. We have also worked hard to build strong and trusting relationships with you - listening to your views and working hard to provide greater clarity around the alignment of strategy with shareholder value creation.

Some Financial Year 2019 metrics which will no doubt be of interest to our shareholders include:

Net Profit After Tax of K132m, up 34.8%

- Core Operating Profit of K105m, up 21.7%
- Group ROE at 12%, up 2%
- Group ROA at 7% up 1%
- Net Asset Backing per Share of \$2.99, up 8%
- A Tier One Capital Adequacy Ratio of 22%, up 200 basis points.

Our disciplined approach to capital allocation has allowed us to pay K57.8 million to shareholders in dividends over the past year. With the final dividend of 12 toea per share declared today, we have provided a total dividend of 19 toea per share for the year.



Diligent Board and management actions have also helped to arrest the Credit Corporation share price decline.

In fact, the Financial Year 2019 saw us deliver a 12-month total shareholder return of 36% to our shareholders, based on share price appreciation and dividends combined.

Our shareholders have also asked us to refocus on our core finance business, which we have done.

As a result, our Finance division NPAT grew by 54% to K37 million.

Furthermore, the Board has thoroughly investigated the issues associated with a potential re-distribution of BSP shares and reported back to members on the Board's decision in line with our commitments on the matter.

In short, we have delivered for our shareholders what we said we would do and as a result, it was a good year for the Group, despite ongoing challenging conditions.

It is fair to say we're meeting today at a time of considerable disruption and uncertainty. At the end of FY19, few could have imagined the situation we all face due to COVID-19. It is not only a serious global public health challenge but is also having dramatic social and economic impacts around the world – the full extent of which are unlikely to be clear for some time to come.

But despite the disruption and uncertainty, at Credit Corporation we are approaching our mission and purpose with a great deal of clarity.

That is, we are doing all that we can to protect the health and safety of our people, ensure the stability and sustainability of our operations; and play our part to help the Pacific economies where we operate.

Importantly, we're also staying focused on the needs of our customers and doing what we can to help them through this unprecedented challenge.

It goes without saying that throughout 41 years in business, Credit Corporation has always stood beside its people, its customers, its shareholders and other stakeholders as we've faced and overcome many challenges together, from economic downturns to natural disasters.

In addition to COVID-19, this year we have also dealt with the impacts of severe Tropical Cyclone Harold, a very powerful tropical cyclone which caused widespread destruction in the Solomon Islands, Vanuatu, Fiji, and Tonga during April this year.

And while the current situation is without precedent, those who know us well, and the values we live by, also know they can count on us when they need a helping hand.

**There are three key points I'd like to touch on this morning:**

- Firstly, how we're working with our customers, and supporting our people and communities, as we face the COVID-19 challenge.
- Secondly, how the strength and stability of our organisation will help manage our way through this difficult time.
- And finally, the confidence we have in the future, with an eye to the next horizon.

Let's start by looking at our response to recent events.



Our primary concern is the health of our employees, our customers and our communities.

We took immediate steps to protect them, taking advice from government public health authorities in the respective countries.

We temporarily closed all non-essential facilities in the early stages, with some employees remaining on-site to serve our customers, and to maintain critical facilities. We were able to maintain our financial services through this period to assist our clients and support the economies.

Throughout these challenges we have remained open for business. After the initial easing of the state of emergency restrictions in the respective countries where they were declared, we moved quickly to assist our people to return to work and importantly, to do so safely.

And as we have moved to business as usual, or as usual as things can be in the circumstances, at all locations, we have setup rigorous cleaning, health and safety protocols in place.

At Credit Corporation we're working to fulfil the important role that financial services companies play in ensuring the sustainability of the countries where we operate. Our customers – and all of our stakeholders – can count on us to do all that we can.

We are working with our customers to address their specific needs across the services and products we offer and have offered short-term loan deferrals for those businesses experiencing hardship.

We understand our COVID-19 customer initiatives will have a financial impact on Credit Corporation. Our assessment of these impacts is ongoing as we investigate measures to minimise their effects.

Across the business communities of the Pacific, we are also seeing a collegiate spirit in our sector. Faced with such a serious public health threat, business leaders have moved proactively to introduce safety measures, to maintain core services and share information and advice.

And while we may be competitors, when the business community is called on to respond to such a challenge, we work together to solve problems for customers and for our community.

The good work being done by governments and regulators throughout the Pacific to deliver relief to businesses, large and small, has been a critical part of the economic response to COVID-19.

Central banks in Fiji, Papua New Guinea and Vanuatu have reduced policy rates and/or reserve requirements. Central banks in the region have also provided liquidity assistance.

There has also been good work from the IMF in collaborating with the World Bank, Asian Development Bank, and other regional partners, who are working on solutions to assist Pacific nations overcome the challenges of the current crisis and help position them for the economic recovery ahead.

And that's the sort of commitment it will take from all of us working together to get us all through this period.

As a PNG-headquartered financial services company, all of our efforts are anchored by the fundamental strength of our financial system – which, can I say, is well-regulated. Of course, this system also relies on the underlying strength of individual financial services companies, such as Credit Corporation, that have played a key role in helping to build and sustain it.

This brings me to my second key point. The strength and stability of our company.



Given the current circumstances, I won't take you through the detailed financial results we typically cover at the AGM as these are also presented in detail in our various stock market disclosures, including our Annual Report.

The Group achieved growth in the loan book within the finance segment, improved occupancy driving enhanced rental income in the property segment, along with an improved valuation of Bank South Pacific shares within our investment segment.

Our results reflect the strength and quality of our diversified business. We maintained our strong operating momentum coming into 2020.

It is this strength that we will be relying on for the future.

While our business mix is designed to deliver growth in more predictable times, it also provides invaluable resilience during more challenging periods, such as we are now facing.

Resilience is part of Credit Corporation's character. Its 41 years in business tells us this is the case.

Over the years, we've strengthened our balance sheet and capital position and we've reinforced our capital and liquidity resources.

As a financial services company, we have gained credibility, trust and market strength due to the efforts of our fantastic team.

The transformation work we commenced in 2018 as part of our new strategic direction continued to deliver improvements in FY19.

A key part of this strategy has been to invest in areas offering the highest potential where we can deliver enhanced operational efficiencies and better customer experiences.

A key component of our transformation is our investment in Information Technology architecture to provide us with the agility and resilience to keep pace with the significant changes occurring in our sector.

And while we are always focused on efficiently deploying capital for the benefit of our shareholders, this must always be anchored by our disciplined approach to risk.

Under the direction of our recently appointed Chief Risk Officer Karen Mathers, we are increasing our capability and people skills and are realigning our entire risk approach. The risk team is working on building more clearly defined accountabilities. Risk transparency is being prioritised throughout the organisation to achieve improved reporting of the performance of business units.

I would now like to turn to the third element of my address, which is the confidence we have in the future.

At Credit Corporation, we have a wonderful culture which is shaped by a workforce which is deeply committed to our customers and our communities.

This has been highlighted in recent months, as our team has rallied to meet the challenges of COVID-19 with a strong spirit of action and empathy in the face of a tremendous challenge.

Our culture drives us to be the best we can be, and we must ensure we achieve this while being considerate and principled. In the decisions we make every day, we are committed to abiding by the highest standards of business ethics.



And I think this sort of thoughtful and principled leadership has been exemplified by our Director Johnson Kalo who retired during the year. I would like to thank Johnson for his contribution to Credit Corporation and wish him all the best for his future endeavours.

I also would like to welcome our new 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.

As I said at the beginning of my address, we are meeting today at a time of great uncertainty, but despite the challenges, Credit Corporation has a great deal of clarity in its purpose.

Our fantastic and dedicated people, and the growing strength of our management team capably led by our CEO Peter Aitsi, give us great cause to be hopeful about the future.

Let me conclude by reinforcing the three main points I hope you'll take away from our meeting today:

- Firstly, Credit Corporation is adapting and responding quickly to the new world as a result of COVID-19
- Secondly, we know that the company's strength and stability will help guide us through this challenging time
- And lastly, we have a great deal of confidence in the future – because we are an organisation driven by our values and we have a clear strategic direction.

Building on the strong performance of FY19, our Company is in an excellent position to face the current challenge. Working beside and supporting our customers and communities, we will get through this – and come out the other side even stronger.

Thank you.

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