



2021 CCPNG AGM INTERIM CEO SCRIPT

Thank you, Syd.

And thank you to all of our shareholders who have joined us today, as we meet for Credit Corporation's second virtual AGM.

Today's virtual AGM is, like last year, a continuing sign of the times — a sign of the continuing challenges the global COVID-19 pandemic has brought to the world and to us in PNG.

As many of you may know, I joined Credit Corporation as the Chief Operating Officer in 2020 under Peter Aitsi, then-Group CEO who departed earlier this year. I'd like to thank Peter for his leadership and efforts during his time at Credit Corporation and for ensuring a smooth transition to new leadership for the Group.

Today, I am honoured to be with you as the Interim Group CEO.

A year of change and challenge

Let me start by saying it has been a challenging year and year of change for everyone, everywhere.

The last year has been a challenge on many levels for many people. I'm sure some of our shareholders and customers would agree.

Here in PNG, like most places in the world, we continue to live with the health, social and economic impacts of the pandemic.

We know that many business owners continue to struggle to keep their business afloat, while families have had to adapt to new living, working and education circumstances.

If any positives have come of the pandemic, we have seen government, business and the community work together to get through the pandemic — to survive — and this must continue, so we can recover and begin to thrive again.

Over the last year at Credit Corporation, we too have seen much change and some challenges. It is important to acknowledge that challenges remain especially in the economies in which we operate, where business confidence has been dented.



But I believe that change, and even challenge, can be positive. When change is measured and managed well, it can accelerate growth.

Sharing our success

I want to share with you a brief story about how Credit Corporation is making a difference in the lives of PNG people.

As Interim CEO, it was truly heart-warming when a local shareholder arrived at the office and spoke of his gratitude for Credit Corporation's dividend.

He described the recent dividend payment as a gift that would sustain his business over the next 12 months. A gift he was so grateful for after a hard year. In fact, he told me the Credit Corporation dividends had played a big role in helping sustain his family and his business over the past decade.

[SLIDE 9]

We are proud to have continued our long history of sharing dividends with shareholders this year. A total dividend of 18 toea per share, including a special dividend of 12.2 toea per share in respect of the FY20 financial year.

The Board elected to pass through all net proceeds from the dividend received by the Group from its investment in Bank of South Pacific to shareholders. The final FY20 dividend of 5.8 toea represents a full year payout ratio of 70 percent of core operating profit, and continues the Group's strong track record of dividend payments over the past 42 years.

But it was this shareholder's story and impromptu visit that made my day, and also demonstrated to me how much our success matters.

Our success and providing dividends makes a real difference to our shareholders' and customers' lives. It was a reminder that while it's been a tough time, there is much to be thankful for and even celebrate.



Our achievements

So let me touch on some of our key achievements in 2020.

Our people across the Pacific displayed incredible resilience. **[SLIDE 10]**

We are very proud that we maintained a strong commitment to supporting small businesses, especially the PNG SME market, and retained all our people in the face of the challenges.

It is heartening to also note that most of our customers who requested loan repayment deferrals during 2020 have now recommenced their normal loan repayments, or are at least paying monthly interest. This is good news.

We have taken clear action to support our people and customers. Across the Group, we continue to work with our customers on specific approaches that best meet their needs, including payment deferrals for those experiencing hardship.

As always we are focused on our customers, who have entrusted their financial wellbeing to us. We are also focused on the health and wellbeing of our people and the communities we serve.

Financial performance

Over the last financial year (for year ended 31 December 2020), the Group's performance has reflected the impact of the COVID-19 pandemic on the economies where we operate and our customers.

[SLIDE 11]

The full year results show a decrease in Core Operating Profit to K25.66m, down by 76%, and a decrease in NPAT to K22m compared to the 31 December 2019 full year result.

The FY20 results were largely impacted by lower lending sales activities, a decline in occupancy rates across the property portfolio, and a significant increase in loan impairment costs. A further downward revaluation on the property portfolio also contributed to the results.

The year 2020 was challenging due to economic activity throughout PNG and the Pacific being significantly impacted by the pandemic, in addition to the impacts of Cyclone Harold.



The Group has worked to strengthen its position in recent years, which has enabled it to build a buffer to assist in absorbing the financial impacts of COVID-19, and be better positioned to respond to future developments in the economy. Capital adequacy ratios remain well above the minimum regulatory requirements of our various markets and Total Risk Weighted Capital of 32.6%, which was an increase of 90bps.

A major focus has been managing costs in the business and ensuring sufficient liquidity within our 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%.

As a result, the Group is well-capitalised, and its liquidity and funding metrics are above regulatory requirements.

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.

And 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.

[SLIDE 12]

The finance segment overall recorded a loss after tax of K6.1m, compared to NPAT of K37.4m for FY19. The main contributor to the result was attributed to the increase in loan provisions, and a decrease in interest income from reduced loan receivables.

Our property segment recorded K11.532m in core profits, and the investment segment saw the valuation of shares in Bank South Pacific (BSP) increase by 1.6% in FY20.

As the world experienced an unprecedented crisis in 2020, the Group committed to assisting as many customers as possible through this difficult period. Our support provided relief to many of our customers.

I believe our performance in 2020 has demonstrated our strength and resilience.



A prudent and strategic approach

Credit Corporation's prudent approach has seen the Group maintain its strength on the balance sheet, and we remain well-capitalised and with our liquidity and funding metrics above regulatory requirements.

The special dividend demonstrates our commitment to delivering shareholder value and our continued efforts to actively manage our capital.

We remain focused on achieving the best use of capital and exploring new strategic opportunities for the Group in the future.

Despite the challenging economic environment in many of our countries, we have still seen a year of progress in many key areas.

We have been focused on implementing key activities as part of the Strategic Direction to build a sustainable platform for growth.

Much progress was made with investments in technology, services and products, while ensuring these investments delivered for customers and the Group.

Technology remained a strategic priority, so we can continue to deliver benefits to our customers with the enhanced capabilities that new technology delivers.

[SLIDE 13]

We have now updated our IT platform across all jurisdictions and rolled out a standard operating environment. We have also upgraded our lending system in Vanuatu and Solomon Islands to the same level across all locations, and we have updated the server infrastructure across all jurisdictions.

We are currently extending the preliminary security work, improving backup and increasing our Disaster Recovery capability through the secure six-mile site in PNG. This is a transformative project for the Group.

We are also rolling out an online performance management system and a learning and development system for the business. This has enabled staff to better manage daily activity and help drive greater accountability for outcomes.

[SLIDE 14]



Other strategic initiatives underway include:

- Enhancing the Group’s funding strategy
- Improving marketing initiatives for Credit Corporation properties
- Ongoing review of our investment portfolio
- Improving governance and risk oversight for the Group and its subsidiaries.

A year of change

In keeping with the years’ theme of change, we have also seen some executive changes at Credit Corporation. As you know, CEO Peter Aitsi, Chief Risk Officer Karen Mathers, and Company Secretary Jack Parina have resigned in the past six months.

I want to reassure you that Credit Corporation is led by some very talented executives and our leadership team is strong. Naturally, we propose to further strengthen the Executive Leadership Team in the future.

Many companies have seen considerable executive change around the world, and we are no different. It is often the case that there is some movement in executive ranks when there is a CEO change.

The Group has an established executive succession plan and this has stood us in good stead during a period of change. It was due to the Group’s succession planning that I was able to step seamlessly into the CEO role following a thorough handover with Peter Aitsi.

It is important to note that our deeply experienced and cohesive Executive Leadership Team has delivered positive results considering the challenging circumstances of 2020.

A bright future

While there are potentially more challenges to come, we look forward to a bright future. The Group remains focused on maintaining a strong balance sheet that provides a solid platform for us to take full advantage of growth opportunities as the global and local economies recover.

Importantly, while the challenges of the past year are not entirely behind us, Credit Corporation is well-placed to continue to support customers as we navigate the path forward.



While it is 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. We remain well-capitalised with a strong balance sheet and plenty of liquidity to continue to support customers.

As a leadership team, we are confident that we are already stronger and have harnessed the positive in recent changes.

In closing, I would like to thank our people across the Pacific for their ongoing efforts during this most challenging year.

I would also like to thank our Board of Directors for their ongoing guidance and support.

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

Thank you for joining us today.

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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