Media Release

The DEFINE Initiative signs MOU with underwrite.ai to explore machine learning based credit risk assessment for MSMEs to improve access to funding

Port Moresby, 26 October 2021: PNGX Markets, the PNG Digital ICT Cluster, and Emerging Venture Management ("Unkapt") - together the proponents of the DEFINE Initiative – have signed a Memorandum of Understanding ("MOU") with SVM Ventures LLC ("underwrite.ai") of Boston, USA. Together they will develop a machine learning based credit risk assessment framework for specific use in PNG and the Pacific region. This framework will assist lending institutions to make lending decisions easier and faster for loans to micro, small and medium sized enterprises (MSMEs).

The DEFINE Initiative aims to improve MSME funding facilities for investments in Sustainable Development Goals (SDG)-aligned private enterprises with a special focus on women-led enterprises, digital ICT enterprises, and agriculture enterprises. This framework will also assist financial institutions to enhance their credit assessment capabilities and will expand their lending operations to MSMEs.

Machine learning is a field in computer science that uses pattern recognition, big data, and artificial intelligence. Machine learning is a type of artificial intelligence. The machine – a computer - is provided with large data sets linked to resulting outcomes. Given a set of data, it can then automatically identify the most likely outcome based on the incidence from past data. There is no need to code or program explicit instructions in each case. Whereas the goal of artificial intelligence is to make a smart computer system behave like humans to solve complex problems, the goal of machine learning is for computers to see recurring results from a set of inputs and to 'learn' what is the most probable result. Computers can then input large data sets of information and provide a highly likely result and accurate output.

By assessing various factors, such as a borrower's business results, their repayment history, their employment history, the spending patterns and other financial and non-financial factors, the lending

institution can gain more accurate outcomes to better assess the risk of lending and most importantly, to reduce the cost of lending.

"A primary objective of underwrite.ai is to leverage artificial intelligence and machine learning to expand credit access in underserved markets. The relationship with the DEFINE Initiative allows us to expand our work into a new and exciting market. We're very excited at the prospects" said underwrite.ai CEO Mr Marc Stein.

"Exploring the development of machine learning and non-standard methods to assess the ability for MSMEs to apply for, and repay loans is an exciting development for Papua New Guinea" said PNGX Chairman Mr David Lawrence. "Expanding the factors considered by lending institutions will pave the way for more people to successfully apply for loans and use of this framework will improve the chances that loans will be repaid. This actively supports the work we are doing to expand funding for MSMEs. This in turn supports the development of our Microfinance Collective ("MIC") Bond Program, the proposed PNGX corporate debt market and the overall strength of the PNG economy" he said.

"This partnership gives PNG and the Pacific the opportunity to adopt technologies to enable the entrepreneurs in the market to become investor ready. Underwrite.ai's partnership will support the DEFINE Initiative and clearly show the importance of data and Digital ICT for the lending market to more effectively meet the financing needs of our innovative MSME SDG-aligned enterprises who seek credit to grow, scale and become investable" said Ms Priscilla Kevin, Vice-President International for the PNG Digital ICT Cluster.

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About SVM Ventures LLC – www.underwrite.ai
Underwrite.ai was founded in 2015 based upon experience developing underwriting systems for companies including JP Morgan Chase (consumer lending), Freedom Debt Relief (debt settlement) and LeaseQ (equipment leasing) over 20 years. The genesis of the idea which led to Underwrite.ai began with work to correlate DNA microarray data with the probability of prostate cancer. This required the development of machine learning techniques which allowed for very wide and shallow data sets, e.g. 25,000 genes and 25 sample cases. This discovery led to the question, what other types of assets could this algorithm be applied to? Consumer lending and small business lending immediately proved to benefit significantly from this approach.

About PNGX Markets Limited – www.pngx.com.pg

PNGX Markets is the national stock exchange of Papua New Guinea. PNGX is responsible for providing an orderly and fair market for securities traded through its facilities and for acting in the public interest, recognizing the need to protect investors. PNGX is regulated and licensed by the Papua New Guinea Securities Commission. PNGX is the National Numbering Agency for Papua New Guinea.

About PNG Digital ICT Cluster - www.ictcluster.org.pg

PNG Digital ICT Cluster is a not-for-profit, membership-driven association. It is a unique platform for innovation between business and university, and the link to public authorities. Its goal is to stimulate a business environment where technology provides important productivity and economic benefit for the country. The cluster participation and sector coverage includes 45 start-ups, 70 individuals and students, 10 large corporate support, government public agencies, and academia participation and growing across the ICT, STEM, Biotech, Software Development, Telecommunications, Creative Industries, Innovation, and Entrepreneurship sectors

About Emerging Venture Management - www.unkapt.capital

Emerging Venture Management (Unkapt) is a Melbourne-based, globally operational private placement marketplace operating in the private debt asset segment. It provides a nonequity, cross-border, online capital-raising platform offering investee firms globally the opportunity to use innovative financing to raise capital among a network of accredited investors. Our vision is to create a vibrant capital market ecosystem that is easily accessible by investors worldwide and investee firms in developing economies, thus providing investee firms with the opportunity to make a meaningful impact domestically. Unkapt personnel has undertaken several consulting assignments on behalf of various development agencies with the main aim of enhancing access to finance and increasing private sector investment participation.

About Pacific Capital Markets Development

Pacific Capital Markets Development is an Australian-based company committed to the development of PNG capital markets and other capital markets in the Pacific region. It has over 30 years' experience in the development, operation, governance, compliance and business planning of financial markets, stockbroking and funds management. Pacific Capital Markets Development is the major shareholder of PNGX Markets.

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