

Chief Executive Officer's address

Thank you Chairman and good morning shareholders.

History of achievement:

As our Chairman advised, it has been a historic year for Credit Corporation and for me a great privilege to be your Chief Executive Officer through the celebration of our 40th anniversary.

I am extremely proud to be part of this significant milestone and to be part of Credit Corporation's story as it has evolved to become the largest PNG-originated finance company in the South Pacific.

It is interesting that only a couple of kilometres from here, four decades ago, the company's founding Managing Director Garth McIlwain penned the Company's original incorporation documents in the presence of two trusted associates, Alan Jarvis and Richard Hill. This paved the way for Credit Corporation to open its doors to our customers.

From those humble beginnings, we have become a Company of many great achievements:

- As the foundation financier for many of PNG's most successful businesses

- As the first major developer of premier residential land in Port Moresby
- As one of the first PNG companies to expand into the Pacific; and
- We also played a pivotal role in the BSP/PNGBC merger.

As you heard from our Chairman, 2018 became a year when we focused on ensuring we had the right strategy in place to meet the challenges and opportunities for the times.

We recognise that our industry and the economies of those countries where we are operating are undergoing significant change.

New strategic direction:

That is why our focus as a management team has been on transforming the company to make sure we continue to compete and grow to ensure we deliver enhanced value to our shareholders.

Our new strategic direction has a number of key elements:

- Enhancing the products and services we offer our customers
- Using technology to make it easier and simpler to do business with us; and
- Modernising our technology platforms to reduce costs and drive innovation.

Technology and our people are central to this transformation.

To enhance our computer network and back office systems, we have engaged leading international ICT solutions provider, Data 3, to assist with the implementation of this upgrade. We have already commenced upgrading our core IT infrastructure, which has involved a review of our existing systems and security protection to achieve improved connectivity across the Group network and to drive client services through innovation. This project is aimed at providing a solid IT platform with the required cyber security protection that is better able to support our growth plans.

We have also engaged a new IT Manager Jonathon Bundu who is now in place.

As previously advised by the Chairman, the Group has also appointed a new Chief Financial Officer Jeff Undah, a new Head of Credit David Wenham. We have also strengthened our capabilities with the appointment of Branch Manager Kokopo, Asharntie Tintoro Pinoa and recruitment has commenced for a Business Development Manager for PNG & Solomon Islands.

On the recruitment front, we are hoping to address improved capabilities in three key parts of our business — business development, risk and compliance and operating systems. As a result, we are seeking to appoint a new General Manager for our property division. Candidates for this role have been shortlisted and interviews have commenced.

As previously advised by our Chairman, governance and risk has continued to be an important focus of the Group. The Board has decided to recruit a Chief Risk Officer given the adoption of new International Financial Reporting Standards, together with increased regulatory requirements. Similarly, candidates for this role have been shortlisted and we have commenced interviews. It is envisaged the new Chief Risk Officer will be supported by Compliance and Risk Officers in PNG and Fiji. We are also recruiting for a new Senior Compliance Officer.

I would like to now turn to our 2018 performance.

2018 performance overview:

In 2018 the executive team and the Board focused on a number of key objectives:

- Stabilising the Company's financial performance and delivering improved results
- Enhancing our engagement with shareholders; and
- Delivering improvements in service quality to our customers.

I am pleased to say we have shown great progress on all of these fronts — although we understand we have more work to do.

Financial performance:

Given increased regulatory costs and the economic headwinds faced in a number of our geographies, we consider this to be a solid result.

We lifted statutory net profit after tax by 33% and our core earnings by 14%. And ROE increased to 10.38%.

This improvement was achieved despite significant impairment costs associated with the adoption of new accounting standards, provisioning on legacy loans, and a general increase due to loan book growth.

All divisions performed in line with management expectations with a 22% increase in core profits for the property division and our investment division achieved an 8% increase in dividend income.

Despite challenging economic conditions in a number of key markets, the finance division achieved solid loan book growth of 21% to K582 million.

Net interest income increased 30% to K75 million over the period. The result was primarily driven by loan growth, while deposits grew by 6.4% over the same period. Growth was offset by increased loan impairment costs.

Net interest margin (NIM), a key indicator of profitability, remained strong but reduced by 146bps to 12.20% in FY18, mainly due to higher costs associated with funding strong loan book growth.

Our common equity tier 1 capital remains unquestionably strong despite a reduction in 2018, and we remain well above regulatory benchmarks.

In FY18, the focus has been on quality loan growth and strengthening of areas management systems and processes across the Group.

With the recruitment of a new Head of Credit, asset management and recovery will be further strengthened.

Strategy:

The Group's new strategic plan will be structured around a number of key planks, being the development of a broader range of lending products and business efficiency initiatives aimed at growing our market share and further driving shareholder value creation.

From a finance perspective, the Group will be investing in capability and growing the segment through digital competency, distribution maturity and a prudent funding strategy. We are maximising the strength of our distribution network given we are in all four of the Pacific's largest economies.

In terms of property, there will be a sharpened focus on further lifting property presentation and maximising yields, while building a longer-term strategy for maximising asset performance.

Another key business unit initiative is a review of the Group's investment portfolio, to ensure it is optimised without capital or revenue impact, as a hedge against cyclical downtrends in other sectors.

Key work streams:

In terms of our new strategic direction, key work streams now developed include:

1. Finance — Deep Customer Connection
2. Finance — Valuable Product Offering
3. Finance — Highly Effective Sales & Marketing
4. Finance — Agile Digital Platforms
5. Finance — Operational Capability
6. Property
7. Equity; and
8. Change & Communication.

A 36-month work plan has been developed and this is being rolled out across the regions.

Priorities:

Aligned with our vision, our key priorities in FY19 will be to:

- Further stabilise the Group's performance as a foundation to maximise opportunities
- Continue to focus on shareholder value creation
- Implement business plans based on 2018 Strategic Review

- Upgrade our computer networks and back office systems — strengthening customer focus
- Continue to focus on governance, compliance and risk
- Maintain a focus on cost discipline and arrears management; and
- Continue to focus on enhancing shareholder engagement.

Summary:

As you can see, 2018 was a big year for our Group. While we faced a number of challenges, I'm proud of what we have achieved for our shareholders and for the future value of our investment in Credit Corporation.

In summary:

- We have stabilised the Group
- We are now our building our capabilities with a prioritised focus on strategic key recruitments and on continuing to improve our operating systems

These actions are aimed at providing a strong platform to further drive our results and position us to execute growth opportunities as they are identified.

I want to assure you, we head into our fifth decade in good shape, with a clear strategy, growing momentum, refreshed energy and confidence that we are continuing the legacy of one of the South Pacific's great service companies.

