POMSoX RELEASE

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CREDIT CORPORATION: NO DECISION ON BSP SHARES

The Credit Corporation Board has today advised that its current deliberations regarding an in-specie distribution of BSP shares to shareholders did not guarantee such a distribution would be implemented.

Credit Corporation Chairman Syd Yates said while the AGM resolution from Teachers Savings and Loan Society Limited (TISA) in relation to considering the possibility of an in-specie distribution of BSP shares was carried by shareholders, it was a non-binding resolution and only relates to certain preliminary investigations to determine if it is possible to effect such a distribution.

“While we respect the rights of shareholders to put resolutions they feel are important to shareholders, the Board must always act in the best interests of the Company,” Mr Yates said.

Mr Yates said the new Credit Corporation Board had completed significant work in relation to this matter since it was raised by shareholders at last year’s AGM.

“The distribution involves many complex issues, which are much broader than being just a question of whether it can be done in compliance with solvency requirements as outlined in the TISA resolution. There are tax, accounting and regulatory issues for both the company and shareholders and we need to ensure that this is considered in a careful, considered way,” Mr Yates said.

He said Credit Corporation was also in discussions with Bank of Papua New Guinea in relation to a number of key issues related to the proposal, including the financial impact on the Company as a deposit-taking institution, the current concentration of shareholders in BSP that are regulated by the Bank of Papua New Guinea and any restrictions on increasing those holdings in BSP, and any legal issues that may arise in connection with the proposal.

"The Board has also recognises the value of BSP shares in driving forward the Group's future growth strategy," Mr Yates said.

"The new Board has worked hard to stabilise Credit Corporation, and we now need to fully focus our attention on driving further improvements in the business. Any decision to divest assets needs to be very carefully considered taking full account of the regulatory, financial and strategic implications and the impact on value for all shareholders."

Mr Yates said prior to this year's AGM the Board had determined to appoint an independent consultant to consider whether the distribution of BSP shares is in the best interests of the Company and all shareholders. Professional advice will also be required in relation to related issues arising from the proposal.

"Accordingly, the Board will report back to shareholders before the end of 2019 with its considered view after receipt of this advice from the independent consultant and its professional advisors," he said.

"It is not appropriate for the Board to delegate consideration of this matter to a separate committee of representatives of shareholders outlined in the TISA resolution as this is the Board's responsibility under the Companies Act and the Constitution of the Company."

Mr Yates said the Board acknowledged recent disappointment in the company's share price performance, however this needed to be viewed in context of the Company's impressive returns to shareholders since listing on POMSoX.

He said Credit Corp listed on POMSoX in 2000 and with a strong record of dividend payments had delivered an enviable total shareholder return of 40.5% p.a, taking into consideration two share splits.

“We believe the current share price is not indicative of underlying value, we base this view on our dividend history, the quality of our assets and our latest financial performance,” he said.

Mr Yates highlighted the current Board had been formally in place since November 2018 following Bank of PNG approval. Since the end of FY2018 the Credit Corporation share price had increased 14.8% (as at the end of June 2019).

The Board recently declared a final dividend on ordinary shares in respect of the FY18 financial year of 13 toea per share (FY17 final dividend: 11 toea per share). This brought the total dividend for FY18 to 19 toea per share (FY17: 15 toea per share), representing a 27% increase on the previous year. The dividend represented the continuation of the current policy to payout all BSP dividends received to shareholders on top of a share of the profits generated from our core business.

“FY18 was a historic year for Credit Corporation as we celebrated the Group’s 40th anniversary. At the same time we are delighted to continue our proud uninterrupted track record of rewarding our shareholders, with a dividend every year for the past 40 years.

“The increase in dividend is attributed to improved profitability of the Group, despite the challenges of the economic environment in the countries where we operate. We were able to stay focused on delivering a strong financial outcome from our three divisions – finance, property and investment.

“We are committed to maintaining this focus, and to continue to deliver strong results and increased value for our shareholders.”

SYD YATES
Chairman, Credit Corporation (PNG) Limited
05/07/2019

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