

**FEATURE ADDRESS BY
SENATOR THE HONOURABLE CONRAD ENILL
TO FIRST CITIZENS BANK LIMITED
ANNUAL BREAKFAST MEETING FOR CORPORATE CLIENTS**

Mr Chairman, Ladies and Gentlemen.

It is a great pleasure to participate once again in your Annual Breakfast Meeting for Corporate Clients and to have this opportunity to meet with you on the occasion of another splendid year for First Citizens Bank Limited. But I also have a special reason to be pleased. Your presence here indicates that you share my conviction that people in corporate leadership positions in all parts of our society – in the private, non-profit and public sectors – need to understand the importance of a sound banking system given the key role it plays in the national economy.

Moreover, I am in no doubt that you need to have an appreciation of public issues, be aware of Government's public policy orientation and to the widest extent possible to participate in public decisions. I am aware that many of you provide service to Government through participation in many Government appointed committees and some of you indeed might pursue in the future a public service career. Accordingly, I am assured that the skills, knowledge, analytical tools and the ways of approaching problems that you develop in the private sector will be just as useful in whatever form of public service you provide.

Mr Chairman, since its formation in 1993, First Citizens Bank Limited has become an increasingly profitable institution. FCBL has quickly achieved a position at the centre of this country's economic and financial activity - as a mobilizer of savings, an allocator of resources and a provider of liquidity and payment services. The bank has achieved this position by an effective balancing of economic efficiency and risk taking. The financial indicators tell the story as of **March 31 2003**:

- profit before tax rose by **17.0 percent** to **\$103.4 million**;
- total assets had grown and now represents approximately **18.0 percent** of commercial banks' assets;
- non performing loans have fallen by **45.0 percent**; and
- the capital adequacy ratio of approximately **19.0 percent** is higher than the statutory requirement of **8.0 percent**.

Mr Chairman, these are indicators of performance which reflect good policy positions, targeted customer orientation and sound management. I am pleased that your bank has also become a good and proactive corporate citizen. You have engaged the national community through a productive outreach programme, in particular promoting and fostering programmes among the youth of this country. Accordingly, it did not come as a surprise to the practitioners in our money and capital markets that the international credit rating agency – Standard and Poor's – re-confirmed the bank's investment grade rating and upgraded its outlook from *developing* to *stable*. Additionally, the reputable financial publication – Latin Finance – saw it fit to select your bank as Trinidad and Tobago's Bank of the Year for 2002.

Mr. Chairman, it is only right that I take advantage of this opportunity to congratulate your Board of Directors and your management for this exemplary performance. This performance has been achieved despite the technical advice advanced in 1993 that a merger of three (3) weak financial institutions was unlikely to be successful – in particular, in circumstances in which two (2) of the three (3) institutions were essentially State-owned.

Over the past decade, Mr. Chairman, we have seen FCBL become a viable institution; its market share of approximately **15.0 percent** has held relatively steady in a growing banking market and it has a comprehensive and competitive range of products and services. But as you are no doubt aware, Mr. Chairman, the domestic and international operating environment is becoming increasingly competitive and diversified consequent upon globalization trends and developments. FCBL must continue therefore to remain on a sound footing in order to compete effectively with local, regional and international financial institutions. It goes without saying that access to competitive and low-cost funding and capacity to compete for **Triple A** rating corporate clients are indispensable factors for the bank's future growth and stability.

For these reasons, Mr. Chairman, the Government is giving due consideration to the future of FCBL. You will no doubt recall that at its inception, the Government saw its role as a facilitator to the transition of the bank from one which was essentially public sector owned to one with private sector involvement. Government is now reviewing its role in FCBL with a view to determining a new corporate structure and we will certainly be guided by that principle.

Mr Chairman, over the last decade, FCBL has contributed to increasing the soundness and health of the banking system. We have six (6) commercial banks with 123 branches. The capital to risk adjusted assets ratio at approximately **19.0 percent** is more than double the bank supervisory requirement. The non-performing loans to loans ratio has been falling – it is now about **3.6 percent**. In 1993, that ratio was approximately **13.0 percent**. The loan loss provisions to loans ratio has also been declining – it is now **3.0 percent** and as we are all aware, the banks are all profitable.

But let me remind you, Mr. Chairman, that economic conditions and policies are key determinants of the soundness of the banking system. As you are aware, banks fail and banking systems become unsound for many reasons, including poor or negligent management, excessive risk taking, a poor operating environment, fraud, or a sharp deterioration in the economic environment that invalidates the assumptions on which loans and investments were initially made. Accordingly, Mr. Chairman, although bank soundness is first an issue for individual banks, and we have seen the achievement of FCBL in this regard, it is more likely to be systemic when unsoundness is due to macro-economic conditions because all banks would be exposed to those conditions.

But Mr Chairman, as you are no doubt aware, we are here at an exciting time – a time of great promise and perhaps of unparalleled opportunity. We are in a climate of financial and economic stability and I can assure you that our economic future is sound and sustainable. We are building on our economic fundamentals to achieve our Vision 2020. We would ensure that Trinidad and Tobago achieve developed country status by 2020 if not before.

In fact Mr. Chairman, our immediate aim is to double our gross domestic product (GDP) within a reasonable period of time. It is the principal means to obtain rising living standards on a sustainable basis.

The Government's broad developmental agenda is geared to achieve our growth objective. Our economy will become increasingly competitive, flexible and dynamic. You are very much aware of our progress. The evidence up to 2002 is impressive:

- the 2.7 percent growth rate in 2002 followed seven (7) years of positive growth rates;
- the 10.1 percent unemployment rate in 2002 is the lowest for the past twelve (12) years;
- the 3.9 percent inflation rate in 2002 remains well within that of our trading partners and therefore maintains the competitiveness of the economy;
- foreign direct investment continues to be buoyant, averaging **US\$650.0 million** on an annual basis over the period 1997-2002;

- gross official reserves have been improving substantially, approximating **US\$2.0 billion** in 2002;
- the exchange rate is realistic, stable and competitive;
- interest rates have been declining; and
- the public sector external debt remains sustainable at 16.5 percent of GDP.

Mr Chairman, as our economy becomes increasingly integrated into the world economy, foreign direct investment has become an important source of financing for our development. This financing is supplemented by Government's access to the international capital markets. *These trends underline the confidence which international investors have in the future of Trinidad and Tobago.* Both Standard and Poor's and Moody's Investor Services – two international rating agencies – have endorsed the positive sentiment of these market participants by assigning to the country an investment grade rating. In fact, in April 2003 Standard and Poor's raised the country's investment grade rating from **BBB-** to **BBB** which in their view reflected improvements in the country's external debt and liquidity indicators and expected implementation of plans to rationalize inefficient public sector entities.

Mr Chairman, this accumulation of evidence has contributed to a growing consensus over the past decade on the required approach to economic policy-making and all of us who are truly seeking to help improve the lot of our citizenry must draw the appropriate lessons. The fact is that there are policies that work. So let me be more specific. What are these policies? I would like to share with you five (5) key ingredients that provide the recipe for success and let me assure you that the Government is committed to these five (5) pillars of public economic policy.

The **first pillar** is the establishment of sound macro-economic policies. We are committed to ensuring that our fiscal strategy is sustainable, our inflation rate is low and stable and our exchange rate realistic. We expect our oil and gas sector to generate a sustained flow of resources in the coming years. Let me assure you that these resources will be allocated in an astute and prudent manner. We will ensure that the infrastructure is adequate to the needs of a modern economy while at the same time ensure that resources are available to meet unexpected demands and contingencies.

The **second pillar** is our commitment to policies to maintain a market-friendly environment for growth, together with a growth-oriented development strategy suited to our needs and resources. Our divestment programme is crucial to this process. The reform efforts at Caorni (1975) Limited, National Broadcasting Network and the Port Authority of Trinidad and Tobago, among others are all designed to strengthen the efficiency and resilience of the economy. Government is now limiting itself only to invest in those activities which are considered to be of strategic national importance. We have already in place the best practices in banking supervision and we are taking steps to strengthen the regulatory and supervisory infrastructure for financial institutions which would encompass rules for information disclosure, prudential requirements, mergers and acquisitions, electronic finance and standards for corporate governance. Life insurance companies will fall under this broad umbrella of supervision. We are also taking steps to strengthen the institutions within the domestic capital market and we would continue the tax reduction exercise which was initiated in our FY03 budget.

The **third pillar** in our broad economic strategy is our commitment to a trade and exchange regime that is open to trade and investment with the rest of the world. During the early 1990s we implemented a strategy to make our currency fully convertible. We removed progressively import restrictions and rationalized our external tariffs. As a result, we exposed our domestic industry to international competition thereby promoting competition with the rest of the world. This has been an essential spur to efficiency. Our exports doubled and our imports more than doubled during the 1990s.

Mr. Chairman, I expect this export performance to be consolidated by our strategies for expanding production in the non-oil sector. In particular we are establishing a Technology and Manufacturing Estate

at Wallerfield, and a number of commercial estates on the land on which Caroni previously grew sugarcane. The University of Trinidad and Tobago at Wallerfield would spawn a range of ancillary industries and services, while the estates at both Wallerfield and Caroni would provide opportunities for entrepreneurs who may wish to establish light and heavy manufacturing plants as well as those who may engage in agricultural activities. Our plans to establish Trinidad and Tobago as an International Financial Services Centre would be an important underpinning to this new environment.

The **fourth pillar** in our developmental agenda is our focus on an active and imaginative social programme. We are ensuring that our most unfortunate citizens – the aged and the infirm – have the wherewithal to meet their daily financial requirements. We are also ensuring that the most vulnerable group in the society is integrated into the growing and expanding economy through well-designed and appropriately focused training and retooling programmes.

Finally, the **fifth pillar** of our developmental agenda is good governance. Our government is participatory and publicly accountable. It is serving the whole of society. We will ensure that our laws and regulations are transparent, fair and limited to what is strictly necessary. The scope for arbitrary administrative decisions and corruption would therefore be minimized.

Mr Chairman, this is a positive perspective of our medium-term prospects. Economic growth would continue in a non-inflationary and falling unemployment environment. *Yet there is no question that the agenda is a demanding one.* I do believe that other changes would become necessary as the risk and uncertainties in the world economic outlook evolve over time; yet we would be uncompromising in our efforts to maintain the confidence of both our domestic and foreign investors and to attract the trade, capital and technology that are so necessary for us to benefit from the globalised environment.

Mr Chairman, the dynamic forces unleashed by this strong and resilient environment would ensure the transformation of FCBL into a major financial institution within the region. This transformation would take place in a structured framework and would bring untold benefits not only to the citizens of Trinidad and Tobago, but also to the citizens of the region. We must all work to ensure that success is achieved.

Thank you.