



Government of the Republic of Trinidad and Tobago

MINISTRY OF FINANCE

Feature Address by

By

The Honourable Colm Imbert

Minister of Finance

First Citizens 25th Anniversary Gala

Hyatt Regency, Wrightson Road, Port-of-Spain

Thursday 13th September, 2018

SALUTATIONS

- Mr. Anthony Smart, Chairman of the Board of First Citizens
- My Fellow Ministerial Colleagues
- The Honourable Kelvin Charles, Chief Secretary of the Tobago House of Assembly and Mrs. Charles
- Assemblyman Joel Jack, Deputy Chief Secretary and Secretary of Finance and the Economy, Tobago House of Assembly
- Mr. Wendell Mottley, former Minister of Finance
- Your Excellencies, Heads of Missions of the Diplomatic Corps
- Her Honour Mrs. Deborah Thomas-Felix, President of the Industrial Court
- Mr. Vishnu Dhanpaul, Permanent Secretary, Ministry of Finance
- Chairman and members of the Parent and Subsidiary Boards of First Citizens

- Group CEO and other members of the Executive and Senior Management
- Specially invited guests
- Other distinguished ladies and gentlemen

Good evening.

I was very pleased to accept the invitation to this celebration of First Citizens' 25th anniversary.

It is a privilege to be here today, to share some words of encouragement on this memorable achievement on behalf of the Government of the Republic of Trinidad and Tobago.

Let me begin by recognizing and thanking the current Board of Directors, led by Chairman Anthony Smart.

In that same regard, I offer the same well wishes and thanks to Ms. Darbasie, Mr. Julien, Mr. Frost and in fact to the hard-working executives, past and present, who guided this Financial Services Group over its history. Congratulations on a job well done in positioning the group as one of the strongest and most stable in the market today.

I also want to take this moment to recognise Mr. Wendell Mottley; a leader who played a critical role in the formation of First Citizens and one of the architects behind the

revolutionising of our local financial services sector as we know it today.

In remembering and celebrating the history of First Citizens, it is ironic that we do so at a time when, once again, the opportunity has presented itself for us, as a nation, to rethink the way we do things and make tough decisions to change them for the better. The history of First Citizens is one such story.

First Citizens was registered on March 9, 1993 and its objective was “to acquire and take over as a going concern” the business and assets of Worker’s Bank, National Commercial Bank and Trinidad Co-operative Bank. Few people believed that the new Bank would survive. Fearing another collapse, depositors withdrew money and refused to do business with the new Bank.

I had the honour and privilege, along with the current Prime Minister, Dr. Keith Rowley, to be a member of that PNM

Cabinet of 1993, when we made this bold move, spearheaded by Mr. Mottley, who was the Minister of Finance at the time, to create a new National Bank. As is the case with many innovations, there were many naysayers then, as there are now, many self-appointed experts and critics who were only too happy to predict doom and gloom, and disaster for the new bank. How wrong the critics were (as they were with the recent highly successful NIF Bond offering, which was coincidentally managed by FCB).

One year later, the Bank was able to declare a consolidated profit and had reduced its loan portfolio in arrears to 33% by August 1994 (it had been 62% in September 1993). The Bank also pioneered the Visa Gold International Credit Card and implemented the first phase of an information technology system which would push the Bank ahead in customer service.

Despite internal troubles, First Citizens was making progress. The operating income of the group grew, all 24 ATM machines

were replaced, the Bank introduced the country's only real-time corporate cash management system (MIDAS) and eight branches were renovated and the staff complement was reduced from 1300 to 950.

In 1996, against the backdrop of a growing economy, the Bank continued to improve in performance. In 1995 it made a loss of \$11M but in 1996 it made a profit of \$18M. In 1997 the figure grew to \$40M. In the public's mind, however, First Citizens was still the Bank that had been created from three failed institutions. In 1997 the Bank underwent a transformation program to overhaul its management procedures and culture.

Between 1996 and 2003 the Bank increased its profits from \$40M to \$233M, dramatically reduced its non-performing loan portfolio, slashed overhead ratios, pioneered and upgraded electronic technology and gained international accolades. Incrementally, management carefully rebuilt and strengthened the organisation. After ten (10) years, the Bank

had doubled its asset base to US\$1B and grown its profits by one thousand percent (1,000%).

By 2004, First Citizens had overtaken the third largest Bank in Trinidad and Tobago; Scotiabank. First Citizens is also recognised as the leader in technology, being the first to offer Internet Banking. In 2006 the Bank had shrunk its non-performing loans to 0.8%, the lowest in the sector, a truly impressive accomplishment.

So, in many ways, one could understand how the First Citizens' story has come to embody that philosophy of combining strengths as a way of overcoming setbacks; of making the critical decisions that ultimately serve the best interests of customers, especially in times of economic turbulence.

Looking at it from a broader perspective, perhaps in thinking about the history of our economy, it is fitting that we reflect

on the histories of individual firms and institutions within that environment.

Let me paint a brief economic backdrop, so that we more fully appreciate this silver anniversary celebration. The recession of the early 80's to early 90's, had come as an unexpected wake up call to many.

While the glory days of oil in the 1970s facilitated considerable publicly financed development, when those days ended in the early 1980s, our economy faltered badly.

In the peak of our recession years, 1985–89, GDP fell by thirty (30) per cent in real terms.

As a net importer of goods, the nation incurred a high foreign exchange bill; putting a strain on the country's already decreasing foreign reserves and draining them from US\$3.3 billion in 1982 to a paltry US\$213 million by 1987; a decline of ninety-four (94) per cent.

The resultant effect on liquidity levels in the financial system was staggering. Commercial banks now found themselves in the unenviable position of resorting to overnight borrowings from the Central Bank.

In 1988 alone, these borrowings peaked at just over TT\$600 million and the Central Bank decided to freeze the loan facility.

Compounding that scenario was rising unemployment that had peaked at twenty-two (22) per cent in 1987.

The economy and the country faced significant pain, in dire circumstances. We turned to the IMF, and later, the World Bank for assistance in securing immediate short term financing to meet the nation's debt obligations.

This meant that, in accessing the financing, we also had to accept the conditions of the “workhorse lending instrument”

agreement. This in itself created discomfort for many in the population.

Necessary as they were, the accompanying austerity measures signaled that the time had clearly come for change.

Even back then, it was no longer business as usual and our financial services sector would be no exception.

As policymakers did their best to lead the nation out of economic and socioeconomic crises, the shocks were already wreaking havoc deep within our financial systems.

The government of the day borrowed heavily from international lending agencies, introduced VAT, dealt with rising inflation, low liquidity, chronic unemployment, emigration, currency devaluation, saw three changes in political regimes, and experienced an insurrection.

Without question, those times are some of the most significant in our nation's brief history.

It was under these circumstances that the fledgling organization called First Citizens Bank was born and was expected to grow. As I indicated earlier, there were many who predicted its demise within one year! The pundits and economic gurus said we were throwing good money after bad.

The journey First Citizens undertook, therefore, became as much about proving its worth in adding value to our recovering economy as it was about shaking off the stigma attached to its very creation and validating its own existence.

The First Citizens' journey systematically mirrors our nation's ascent from the doldrums of the 80s and 90s.

It illustrates what can be achieved through making the tough calls. A lesson we find ourselves grappling again with today.

And even then, it wasn't just a simple matter of merging organizations and forming a new bank, if it meant that it too would stumble over the same mistakes as its forebears.

The rules had to be changed just as much as the game. More than change, they had to be improved.

A more regulated environment would mean a more level playing field for all players. More importantly, it would mean greater protection for customers and clients as well as the opportunity for greater protection for our financial services sector and our economy.

As our local economy and financial services sector were coming into a new age of globalization, market economies, and liberalization, Trinidad and Tobago was better positioned with the proper regulations and systems to facilitate and capitalize on business opportunities, with the passage of the Financial Institutions Act of 1993.

The history of the First Citizens Group tells a fascinating story of how our country and our financial services sector evolved during a time of challenge, crisis, and opportunity.

The growth of FCB over just the last 25 years is also impressive. From a small fledging bank with an uncertain future in 1993, you have grown to realize a profit after tax of \$637 million in 2017, an increase in profit of 3,500% (35 times) from your early days, with total assets now almost \$40 billion. You have also managed to obtain and maintain credit ratings from Standard and Poor's Financial Services of BBB+ long term and A-2 short term which are good investment grade ratings. FCB's capital base is also now approaching \$7 billion.

You also now have a broad base of shareholders, as a result of two public offerings over the last 5 years. While the Government is still by far the largest shareholder at just over 60% of the shareholding in the bank, but there are now thousands of Trinidad and Tobago citizens who have a stake in this fine institution.

As an aside, I was told a story about a recent conversation between an FCB supporter and a supporter of a larger local bank, where the two protagonists were bantering in extempore at a social function, as to whose bank was better than whose. I am told that the supporter of the larger bank lost the impromptu extempo competition and in exasperation at his defeat, he told the FCB supporter that FCB was only a “little bank”, so it didn’t amount to much.

Amusing as this story might be to some, as far as I am concerned, when your assets are approaching 60% of the assets of our largest local bank and your profits are already more than 60% of the profits of our largest local bank, as is the case with FCB, you are not little, you are quite large, and may soon be in charge!

And it is for these reasons that your story, and your 25th anniversary this year, is so instructive in many ways. From your first steps, you have progressed steadily to be a resilient group with strong profit margins and high operating efficiency levels, comprising several subsidiaries in Trinidad

and Tobago and the Caribbean. An indigenous, home-grown, locally managed and operated national bank. A truly local and regional success story. In this regard, I am told that the Bank is actively looking for new commercial banking investment opportunities in the Caribbean to deepen and broaden its presence within Caricom, an initiative I wholeheartedly support. It would be a pleasure to see a First Citizens Bank in every country in the Caribbean.

FCB also has an admirable and enviable record of investment in the social development of our nation, particularly in the areas of sport, youth development, culture and women's affairs, and you continue to represent a major part of the overall solid foundation that is our financial services sector.

Indeed, you have clearly demonstrated what is possible when local leadership talent is combined with dedication and support from staff and customers alike, and notably, from your broad base of shareholders.

Your employees, your assets and profit margins, the value you add to your stakeholders and clients are all key indicators of the outstanding service you continue to provide.

In celebrating the accomplishments of First Citizens this evening, we celebrate a history of strength and progression.

It is this Government's hope that as First Citizens continues to grow and develop as both an organisation and our partner in sustainable development that others take the example as inspiration for the future.

Congratulations, First Citizens!

May your next twenty-five (25) years be even more memorable, profitable, and meaningful than the first 25.

I thank you all for your attention. Please accept our best wishes for the future.

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