

Wednesday 06th January 2016 – 10:05 am

Domestic

Prepared by: Ravi Kurjah, Analyst II, First Citizens Research and Analytics

ravi.kurjah@firstcitizenstt.com

First Citizens Bank Outlook Changed to Negative from Stable on Revised Capitalization and Negative Outlook on Sovereign

- On January 5, 2016, Standards & Poor's Rating Services (S&P) revised its long-term outlook on First Citizens Bank Ltd. (First Citizens) to negative from stable.
- First Citizens long term credit rating remain unchanged at 'BBB+'.
- The outlook change reflects a downward revision of the bank's capitalization to "strong" from "very strong" after higher-than-expected loan growth in 2015, coupled with the negative outlook on Trinidad and Tobago.
- According to S&P, First Citizens loan portfolio grew year-on-year by 23% as at financial year end September 2015, but during the bank's first quarter October - December 2015, the bank loan exposure have been lowered by about 4%.
- The outlook revision to negative from stable reflects the view that First Citizens would be downgraded if the sovereign (Trinidad & Tobago) is downgraded, due to one notch of government support applied.
- Likelihood of government support for First Citizens is assessed as "moderately high".
- S&P disclosed that First Citizens:
 - quality of capital earnings is still high, given that the bank's capital base is primarily composed of Tier 1 elements (ordinary shareholders equity; retained earnings; non-cumulative preferred stock).
 - earnings Capacity is adequate.

- earnings are sufficient to cover normalized losses.
- “adequate” business position supported by market share in terms of total loans and deposits.
- risk position as “adequate”, given improvement in its asset quality metrics as a results of its conservative underwriting standards and traditional banking structure.
- funding is rated as “average” and liquidity as “adequate”, considering the level of deposits and liquidity in Trinidad and Tobago.

| First Citizens Bank Ltd | | | | | |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| In Millions of TTD except Per Share | FY 2015 | FY 2014 | FY 2013 | FY 2012 | FY 2011 |
| 12 Months Ending | 09/30/2015 | 09/30/2014 | 09/30/2013 | 09/30/2012 | 09/30/2011 |
| Profitability | | | | | |
| Return on Assets | 1.74 | 1.77 | 1.74 | 1.37 | 2.37 |
| Annualized Return on Assets | 1.74 | 1.77 | 1.74 | 1.37 | 2.37 |
| Return on Common Equity | 9.99 | 10.22 | 10.35 | 8.14 | 14.24 |
| Annualized Return on Common Equity | 9.99 | 10.22 | 10.35 | 8.14 | 14.24 |
| Net Interest Margin | 4.26 | 4.51 | 4.50 | 4.44 | 4.68 |
| Net Interest Spread | 4.06 | 4.40 | 4.28 | 2.33 | -- |
| Efficiency Ratio | 56.06 | 55.08 | 55.11 | 53.93 | 53.17 |
| Effective Tax Rate | 20.28 | 18.90 | 18.21 | 37.49 | -- |
| | | | | | |
| Other Capital | | | | | |
| Common Equity/Total Assets | 16.85 | 17.91 | 16.53 | 16.89 | 16.52 |
| Assets/Equity | 5.93 | 5.59 | 6.05 | 5.92 | 6.06 |
| Average Equity/Average Assets | 17.36 | 17.21 | 16.71 | 16.71 | 16.55 |
| Book Value per Share | 25.17 | 24.83 | 23.73 | 22.87 | 21.77 |

| | | | | | |
|-------------------------------------|----------|----------|---------|---------|---------|
| Price/Book Value per Share | 1.39 | 1.47 | 1.48 | -- | -- |
| Tangible Book Value per Share | 24.37 | 24.02 | 22.89 | 22.03 | 21.10 |
| Price/Tangible Book Value per Share | 1.44 | 1.52 | 1.53 | -- | -- |
| Tangible Common Equity | 6,126.6 | 6,038.1 | 5,754.3 | 5,537.9 | 4,988.4 |
| Tangible Common Equity Ratio | 16.41 | 17.42 | 16.04 | 16.37 | 16.09 |
| Tang Com Equity/Risk-Wtd Assets | 47.57 | 53.44 | 60.15 | 56.74 | 54.91 |
| Tier 1 Capital | 4,942.9 | 4,610.5 | 4,396.3 | 4,262.1 | 4,130.2 |
| Total Risk Based Capital | 6,197.9 | 6,181.4 | 5,876.0 | 5,659.6 | 5,236.7 |
| Risk-Weighted Assets | 12,879.4 | 11,297.9 | 9,566.5 | 9,760.0 | 9,085.2 |

Source: Bloomberg

Disclaimers

All information contained in this article has been obtained from sources that First Citizens Investment Services believes to be accurate and reliable. All opinions and estimates constitute the Author's judgment as of the date of the article; however neither its accuracy and completeness nor the opinions based thereon are guaranteed. As such, no warranty, express or implied, as to the accuracy, timeliness or completeness of this article is given or made by First Citizens Investment Services in any form whatsoever. First Citizens Investment Services and/or its employees or directors may, where applicable, make markets and effect transactions, or have positions in securities or companies mentioned herein. Neither the information nor any opinion expressed shall be construed to be, or constitute an offer or a solicitation to buy or sell.