

# Customers' Questions Answered

## Situation

On Friday 30<sup>th</sup> January, 2009, the Central Bank of Trinidad and Tobago and the Government of Trinidad and Tobago announced their intention to inject funds into the illiquid CIB and Colonial Life Insurance Company Limited through an arrangement in which state-owned commercial bank, First Citizens Bank Limited would take over selected assets and liabilities of CIB after which CIB's license would be revoked; and the Government would inject funds to allow Clico to meet obligations to its policy holders. These developments have raised some concern among Republic Bank's stakeholders (employees, customers, shareholders).

The following series of questions and answers seeks to provide clarity and information to our various stakeholders on various areas of concern. Please note that the information provided is based on our understanding of the recent developments at the time of writing. We will provide additional updates as additional information/insight comes to our attention.

## THE ISSUE OF THE BANK'S OWNERSHIP

### 1. What was the ownership structure of the Republic Bank Group prior to January 31<sup>st</sup> 2009?

*Prior to January 30<sup>th</sup>, 2009, the ownership structure of Republic Bank was as follows:*

- *CL Financial (through various subsidiaries)* - **55%**
- *National Insurance Board* - **14%**
- *Trintrust Limited* - **9%**
- *Miscellaneous other shareholdings* - **22%**

### 2. What is the current ownership structure of the Group?

The ownership structure of Republic Bank remains as before. There has so far been no transfer of ownership of any of the shares owned by CL Financial. Several commentaries have suggested that the Government had "gained control" of CL Financial's shareholding in Republic Bank. Our understanding is that these shares are being used by the Monetary Authorities as security for the liquidity support afforded to Clico and CIB depositors.

### 3. Is there going to be a change in the management of the bank? How does this affect my existing relationship with the bank?

The Board of Directors, Management and Governance structure of Republic Bank has not changed, and is not expected to change. The Bank has always maintained our operational independence and no change in this arrangement is expected. The Bank will continue to operate autonomously with our focus on integrity, confidentiality and trust.

### 4. Why were Republic Bank's shares being used in the Government's action?

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The Government and Central Bank of Trinidad and Tobago will be providing liquidity support to the CL Financial Group, through the injection of funds to allow CL financial to meet its debt obligations/liabilities to depositors and policy holders. This funding support needed to be collateralized and the Government indicated that it was necessary for this funding to be supported by good assets owned by the CL Financial Group. The shares in Republic Bank Limited and Methanol Holdings Trinidad Ltd are excellent assets and were specifically identified.

**5. The Central Bank statements indicated that Republic Bank's shares will be held by the National Insurance Board and First Citizens Bank Limited. Does this mean that Republic Bank is now a subsidiary of First Citizens Bank?**

It is our understanding that for the time being First Citizens Bank will hold the shares which CIB held in Republic Bank, as security for FCB taking the selected assets and liabilities which it will take over from CIB. These shares amount to 11.3% of Republic Banks' issued shares. While the amount is large, it is not significant in the context of the overall amount previously owned by CL Financial, which is 55%. Republic Bank is not a subsidiary of First Citizens. At this time there has been no transfer of ownership of any of the Republic Bank shares owned by CL Financial.

**6. Can the Government, by virtue of its control of the 55% shareholding interfere with the operations of Republic Bank?**

Shareholders are not involved in the management of companies in which they invest. There will therefore be no involvement in the Bank by the Government and/or the NIB. When you purchase a share as a shareholder, you have an investment in a company that will pay you a return in the form of dividends. Shareholders are not part of the management of a company. The management of Republic Bank Limited continues to be in charge of the Bank and its operations.

**7. CL Financial currently has four (4) seats on Republic Bank's Board. Will these directors be replaced by Government?**

The Board of the Bank is not being changed.

**8. What is likely to happen in the long term?**

The Bank will be entering into discussions with the Government and Central Bank of Trinidad and Tobago with respect to the long term control of the shares. Further information on this will be provided in due course.

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## STRENGTH AND STABILITY OF REPUBLIC BANK LIMITED

### **9. What is Republic Bank's exposure to the CL Financial Group**

The Bank's total exposure to the CL Financial Group as at December 31, 2008 was \$941.6 million. Total deposits held by the Bank for the Group was \$526.6 million as at the same date. The Bank's exposure is very well secured, and in keeping with provisions in the new Financial Institutions Act.

### **10. Does Republic Bank require any liquidity support from the Central Bank and Government of Trinidad and Tobago?**

Republic Bank does not require any liquidity support from the Central Bank or Government of Trinidad and Tobago. The Bank is very well capitalized (capital adequacy ratio of 24%, whereas the amount required is 8%). The Bank also maintains excellent liquidity ratios and currently maintains an excess reserves position with the Central Bank of Trinidad and Tobago. Republic Bank Group's loan to deposit ratio is 83.1%, which is very healthy.

### **11. What is the financial health of Republic Bank? Is Republic Bank's profitability under question?**

Republic Bank's first quarter results reflect a 4% improvement on last year's first quarter performance. Our first quarter profit attributable to shareholders is \$276.8 million. While there has been a general slowdown in the economy as is evident in the economic activity at the branches, the Bank will continue to explore ways to maintain its performance levels.

### **12. What is the Bank's reaction to the moves taken by the Central Bank of Trinidad and Tobago on Friday?**

The development with the CL Financial Group posed a threat to the entire financial system and it is important that we support the Central Bank's actions. Republic Bank continues to aggressively work at satisfying the financial needs of our customers.

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## **13. Why are depositors expressing concerns and some seeking to remove their deposits? Are my deposits safe? Why should I leave my money in Republic Bank?**

Customers' deposits with Republic Bank are safe. Some customers may be concerned with the perceived volatility in the Financial Sector. This is a normal reaction in times of uncertainty. We however assure all of our customers that your funds remain secure and your information remains confidential. Republic Bank has always employed a sensible, conservative approach in doing business, focusing on prudent risk management and conscious of the security of our customers' funds. This approach will continue. Republic Bank is in a very liquid position, and is very well capitalized. What this means is that the bank is well above established performance ratios, and should there be a need, we would easily be able to meet all of our debt obligations

## **14. Why should customers and investors continue to have confidence in Republic Bank?**

Republic Bank has had a long history of excellent performance and strong and responsible management. All of our business decisions have been underscored by our desire to do what is right for our customers, staff and shareholders. Our management and staff continue to be focused on serving our customers well and on providing a superior return to our shareholders. Our existing banking relationships remain secure and the bank remains committed to delivering the same high levels of service that it has in the past. Customers and shareholders alike can be assured of Republic Bank's ongoing commitment to its ideals of exceptional customer service, confidentiality, trust and superior shareholder value.

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