



First Citizens Group Financial Holdings Limited (FCGFH)

Mar 31th, 2024 (Q2 2024)

Last Price (TT\$):	\$44.40 (19-July-24)	52 Wk. Range:	\$42.00- \$51.51	Market Cap (TT\$ MM):	\$11,1600M
YTD Price Change:	-9.59%	EPS (TTM):	\$3.37	Dividend Yield (TTM):	4.86%
Sector:	Banking	P/E (5Y):	15.37x	P/B (5Y):	1.50x

FCGFH reports another profitable quarter - profits jump 20% to \$199M in Q2 2024.

Company Background and Recent Developments:

- First Citizens Group Financial Holdings (FCGFH) provides retail, commercial, corporate and investment banking services, operating primarily in Trinidad and Tobago and the Eastern Caribbean. The ordinary shares of FCGFH are listed on the TTSE.
- FCGFH is a subsidiary of First Citizens Holdings Limited, which is owned by the Government of Trinidad and Tobago which is a majority shareholder of FCGFH (60.11% interest). The Group has investments in Infolink Services (25%), St. Lucia Electricity Services (19.11%) and Term Finance Holdings Limited (19.09%). See Chart 4.
- The Group recorded EPS of TT\$0.79 for 2Q24, versus TT\$0.66 in 2Q23. This brought the EPS for 1H24 to TT\$1.73 (1H23: TT\$1.45).
- A second interim dividend of TT\$0.47/sh was paid on 29 May 2024. Dividends for the first half of the year totaled TT\$0.97/sh (1H23: TT\$0.81/sh), reflecting a flat payout ratio of 55.9% for both periods and a 19.8% increase compared to the dividend paid for the period of last year (\$0.81).

Performance Review:

- FCGFH posted quarterly net revenue of TT\$664.8M, up 10.9% YoY, driven by increased net interest income of TT\$494.8M (+9.8%) and other income of TT\$170.0M (+14.1%). This brought its top line to TT\$1.3B for 1H24 versus TT\$1.2B one year prior, reflecting an increase of 14.5%. Net interest margin rose from 4.4% in 1H23 to 4.8% in 1H24 as the growth in net interest revenue outpaced that of average earning assets.
- Year-over-year, operating expenses rose by 8.1% to TT\$391.0M, while credit impairment losses declined by 64.6% to TT\$2.7M, resulting in operating profit of TT\$271.1M (+17.7%) for the three-month period under review. For the first half of the year, operating profit totalled TT\$588.5M (+17.7%) and operating margin moved higher to 43.9% from 42.7% the year prior.
- The Group earned TT\$5.8M (+28.6%) in profits from associates and joint ventures over the second quarter and TT\$13.7M (+33.1%) for 1H24. Therefore, pre-tax profit for the Group amounted to TT\$276.9M (+17.9%) for 2Q24 and TT\$602.3M (+18.1%) for 1H24. Taxation expense rose modestly over the quarter, leading to PAT of TT\$198.7M (+20.6%) for Q2 and TT\$435.8M (+19.6%) for H1. Net profit margin improved from 27.5% in 2Q23 to 29.9% in 2Q24.

Highlights (TT\$ MM)	FY 2022	FY 2023	2Q23	2Q24
Net Revenue	\$2,139	\$2,472	\$600	\$665
Operating Profit	\$896	\$1,046	\$230	\$271
Profit before Tax	\$923	\$1,070	\$235	\$277
Profit after Tax	\$734	\$777	\$165	\$199
Total Assets	\$45,439	\$44,796	\$44,730	\$45,498
Total Liabilities	\$37,540	\$36,632	\$36,710	\$37,138
Total Equity	\$7,899	\$8,164	\$8,020	\$8,360
Net Int. Margin	7.90%	9.25%	2.31%	2.34%
Operating Margin	41.90%	42.29%	38.40%	40.78%
Net Profit Margin	34.30%	31.42%	27.48%	29.89%
Return on Assets	1.59%	1.72%	1.68%	1.88%
Return on Equity	9.26%	9.67%	9.61%	10.36%
Efficiency Ratio	58.10%	57.71%	61.60%	59.22%

- FCGFH’s asset base expanded over the first half of the year to TT\$45.5B (+1.7%) as at 31 March 2024, driven primarily by growth in the company’s loan portfolio to TT\$21.1B (+8.1%), compared to TT\$19.5B in Mar 2023. As the growth in net income outpaced that of total assets, FCGFH saw an improvement in its TTM ROA to 1.9% for 1H24 from 1.7% the prior year.
- Total Liabilities increased marginally to TT\$37.1B (+1.2%) attributable to higher amounts due to creditors (+42.9%) and to other banks (+16.7%). Details on these line items were not available in the Interim Financials. Shareholders’ Equity rose by 4.2% to TT\$8.4B as at Mar-24, versus TT\$8.0B in Mar-23, registering a TTM ROE of 10.4% vs 9.6% achieved over 1H23.

Risk Factors:

- The local banking sector faces the following headwinds: liquidity constraints, foreign exchange challenges, interest rate environment and rising central government debt.
- FCGFH’s geographic concentration in Trinidad and Tobago leaves it vulnerable to adverse changes in the domestic economy.
- Gaining regulatory approval for the expansion of its operations regionally has proved challenging for the Group, evidenced by its failed acquisition of Scotiabank’s retail operations in Guyana in 2022.



Chart 1: FCGFH Share Price and Volume Traded

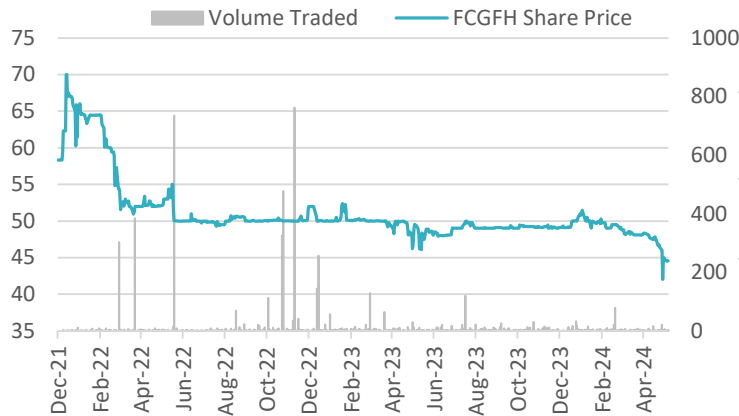


Chart 2: FCGFH's EPS, DPS and Dividend Yield

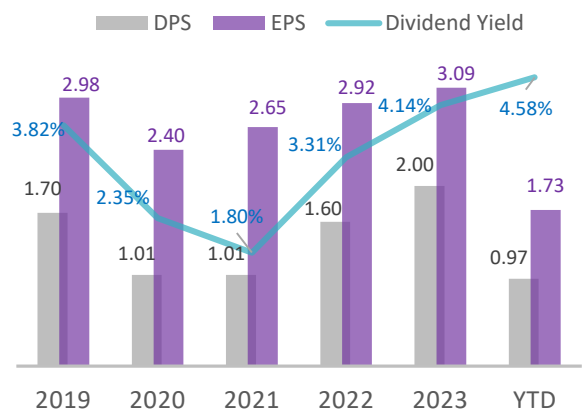


Chart 3: FCGFH's annual revenue from all activities by segment (TT\$'000)

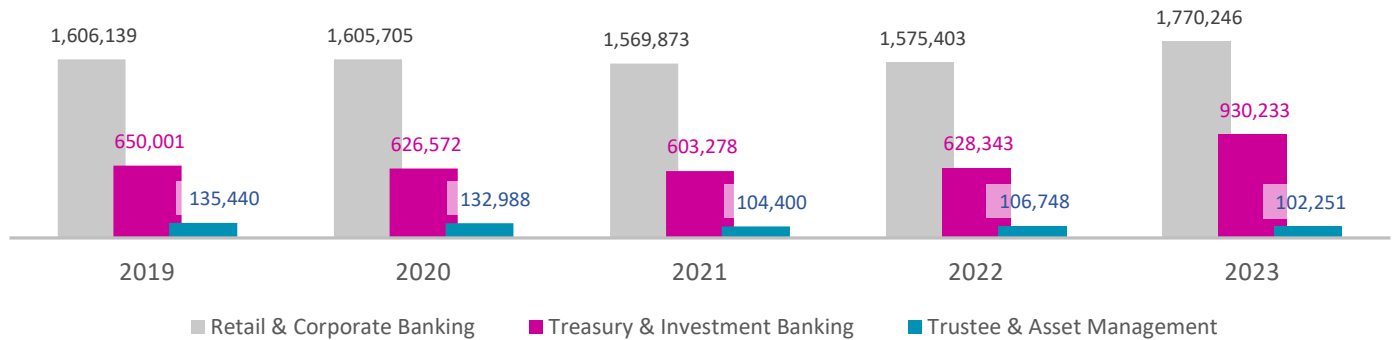
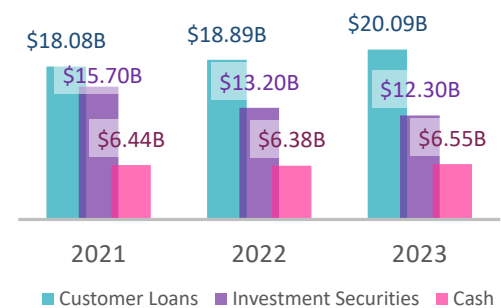


Chart 4: Share in profits - Joint Ventures and Associates

Company	Nature of operations	Share in Profits (TT'000s)	
		2023	2022
InfoLink Services Limited	Provision of automated banking reciprocity service	20,568	13,927
St. Lucia Electricity Services Limited	Provision of electrical power to consumers St. Lucia	82,704	112,089
Term Finance Limited	Provision of short-term loans to individuals and small-medium size businesses	16,592	6,998

Chart 5: FCGFH's Top 3 Assets (TT\$)



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