

# **“Positioning Anguilla’s Financial Services Sector For an Economic Upturn”**

**FRIDAY 26 NOVEMBER 2010**

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# Banking in Anguilla

- Financial intermediation.
- Deposit taking
- Lending.
- Traditionally revenue mainly thru interest arbitrage
- Borrowing short, lending long.

# Current Environment.

- Increasing levels of non-performing loans (NPL's).
- Liquidity challenges resulting from reduce foreign direct investments.
- Stagnant economy.
- Government's fiscal situation.

# Effects on Banks.

- Reduced liquidity.
- Reduced Revenues.
- Capital being negatively impacted due to high levels of loan loss provisioning.

# Future opportunities

- Economy will eventually turn around.
- Attracting longer term savings.
- Targeted lending.
- Increasing the use of technology.
- Increases in non-interest revenue streams.

# Lending practices/Risk Management

- Review of underwriting practices.
- Greater analysis/research.
- Review of Portfolio mix.
- Avoidance of concentrations within sub-sectors.

# Areas of possible loan demand.

- Banks will continue to have limited appetite for lending.
- Many persons will be approaching banks for financing for .
  - Consumer durables.
  - Education.
  - Land.
  - Refinance of existing debt.

# Sources of new funds for lending

- Savings.
- Attracting capital injections.
- Support from external institutions and agencies.



# Savings growth

- Greater urge to save (thrift).
- Aggressive pursuit of deposits.
- Creative savings vehicles.

# New Capital its uses

- Strengthening of Balance sheets eroded by NPL's.
- Assist with improving liquidity.
- The challenge, raising capital locally.
- External capital must be considered.

# Conclusion

- New risk mitigation underwriting techniques.
- Greater emphasis on maturity profiling.
- Loan syndications an attractive option.
- Non-interest revenue streams having a more significant role in improving the bottom line.

# Conclusion Cont'd

- Amalgamation and consolidation of indigenous institution across the region allowing greater scope regionally and internationally.
- Use of technology to drive growth, reduce costs and improve efficiency.