

BUILDING OUR PEOPLE AND COMMUNITIES (CSR)

The Banking Sector of Trinidad and Tobago is no different. The Banks have been instrumental in engaging in activities to develop our people and communities with our many Corporate Social Responsibility initiatives. We have all taken a keen interest in youth entrepreneurship, the SME industry and education, with heavy involvements with Junior Achievement, Youth Mentorship programmes and Partnerships with the different educational institutions. We support the arts and culture, sports and overall country development. Our projects and programmes are too many to name but one thing is for certain, the positive impact is widespread and the beneficiaries range from all age groups, from the individual to entire communities, from the Small to Medium Enterprise to the Multi nationals. More importantly the issues addressed are also widespread from health to education, from business development and the capital markets to savings and financing. All in all, a strong financial sector is paramount to maintaining economic stability.

DECLINE IN LENDING/ CAPITAL COSTS

We have shown incredible resilience, stability and efficiency in the midst of crisis, both internationally and at home. Our key indicators are still strong even by international standards. In the past year commercial banks have shown strengthening of their liquidity position, increasing reserves at the Central Bank in excess of statutory demands to as high as \$3.3 billion in October 2010, though at 0 per cent earnings, from an average of \$1.6 billion in 2008. Due to prudent management practices banks have contained their risk exposure which declined to 6.9 per cent in September 2010 from 8.6 per cent in December 2009 and loan delinquency is largely contained. Profitability ratios have been strong with return on equity (ROE) and return on assets (ROA) decreasing only slightly from 2009 to 2010 by 1.6 per cent and 0.2 per cent respectively. The banks' profitability has been further enhanced by their prudent measures at curtailing operating expenses which fell by approximately 3 per cent from 2009 to 2010. Banks remain well capitalized to buffer any credit risk reaching 23.3 per cent by September 2009, 15.3 per cent in excess of the minimum requirement. Overall, through our partnership with our many stakeholders and the banks, stability, strength and efficiency have contributed significantly to the buoyancy and prosperity of the Trinidad and Tobago's economy.

This increased liquidity of Banks can be used to revitalise the economy as Organizations can access the needed capital injection to finance projects at the individual, community and national level. Companies and citizens can take the opportunity to restructure their debt and capitalise on the many creative products that banks are now promoting to encourage consumer and investor confidence and stimulate the economy. Even the fact that mortgages have been declining over the last five years is an opportunity for consumers to restructure their debt portfolio and benefit from the savings afforded. Mortgage rates are still trending downwards. For the last 5 years commercial prime was as high as 13 per cent up to December 2008 and trended steadily downwards. Rates for new mortgages have dropped from 9.75 per cent to 6.75 per cent over the last 18 months. More importantly Central Statistical Office statistics have shown under the Banking, Real Estate & Insurance sector that Banks contribution to GDP and employment accounted for 14 per cent of GDP in 2009 and employ approximately 8 per cent of the labor force. The banks have been resilient, prudent, and stable and in the growing interest of our customers are committed to remaining that way for a very long time.

It is in this framework of caring for our communities, educating our stakeholders and wanting them to know how we have pulled our weight in such trying economic times, Banking Week was conceptualized. As such it is anticipated to be more than a worthwhile attempt by the Bankers Association of Trinidad and Tobago to share and bring a certain level of expert knowledge on the economic landscape of Trinidad and Tobago to its stakeholders.



**Ewart Williams -
Governor of the Central Bank
of Trinidad & Tobago**



The Role of the Central Bank in Stabilizing the Economy of Trinidad and Tobago

*The Central Bank of Trinidad and Tobago is responsible for the promotion of conditions that support financial and economic stability. The Bank achieves these largely through **the conduct of monetary policy, the management of the foreign exchange market and the regulation of the financial system.** The key focus of **monetary policy** is the maintenance of a low and stable rate of inflation. The Bank pursues this objective by seeking to influence credit conditions and aggregate demand with the aid of several instruments, including the repo rate and open market operations. While inflation control is the main objective, monetary policy also takes into consideration the need to foster a steady increase in economic growth and employment.*

*The conversion to a flexible exchange rate regime in April 1993 saw the Bank assume responsibility for the maintenance of an **orderly foreign exchange market.** To this end, the Bank intervenes in the foreign exchange market to increase supply as needed. Central Bank sales of foreign exchange also serve to absorb domestic liquidity and this contributes to monetary control.*

*The Central Bank contributes to **financial stability** by ensuring the financial system operates in a manner that is (i) conducive to the promotion of private savings and efficient credit expansion; and (ii) by ensuring that the financial system is stable such that financial institutions can meet their contractual obligations without interruption. The Central Bank pursues these objectives by providing an appropriate regulatory and supervisory framework and by monitoring adherence to acceptable prudential, risk management and governance standards. Over the past few years, the Central Bank has been working to upgrade the country's financial legislation, to expand the regulatory perimeter and to improve supervisory practices.*