



**THE EAST CARIBBEAN  
FINANCIAL HOLDING  
COMPANY LIMITED**

**Research Report**

**OCTOBER 2001**

# **HISTORY AND BUSINESS**

## **THE COMPANY**

On July 1, 2001, the Eastern Caribbean Financial Holding Group of Companies was formed from a merger of The National Commercial Bank of Saint Lucia Limited and The Saint Lucia Development Bank. Both institutions began operations in 1981 wholly owned by The Government of Saint Lucia. This remained so until 1999 when The National Commercial Bank was privatized offering \$20 Million worth of shares to the public. This share offering was over subscribed by \$12 Million. The over subscription was met by the Government reducing its share ownership from 40% to 38% share ownership. In 2001, the two institutions were merged into the Eastern Caribbean Financial Holding Group of Companies

Simultaneously, with the amalgamation on July 01, 2001, the following subsidiaries were incorporated: The Bank of Saint Lucia Limited; The Mortgage Finance Company of Saint Lucia Limited; The Property Holding and Development Company Limited and The Offshore Financial Services Company of Saint Lucia and Island Trust and Legal Services Company Ltd. The total assets of the group of companies stood at \$802.7M.

Since the amalgamation of the two institutions on July 1, 2001, the new institution is going through a period of internal consolidation. There are plans for the provision of a wider range of financial products and extending into other markets.

The amalgamated entity and its subsidiaries represent the sound financial positions of the predecessor institutions both of which were established and commenced operations in 1981 with single branch operations and Registered Offices in the same building at Bridge Street, Castries, Saint Lucia. The former NCB grew to the largest multi-branch, commercial bank, operating from seven locations on the island; while the former SLDB remained as a single branch operation, developing into a model Development Bank in the Caribbean region.

In June 1989, both Banks moved from Bridge Street to the Castries Waterfront. The Banks purchased the property on Bridge Street jointly and constructed the Financial Centre, which now houses the head offices of the Parent Company (ECFH), its subsidiaries and main branch of the Bank of Saint Lucia Limited.

Towards the end of 1993, the former NCB devoted considerable resources to the establishment of its ATM service, which was introduced in February 1994. By November 1994, "Quick Cash" ATM's were located at Branches in Vieux Fort, Waterfront, Soufriere, and Gros Islet as well as at the Hewanorra International Airport. In January of 1996, the sixth ATM was established at the then High Street branch. In 1998 additional ATMs were installed at the Gablewoods South Mall in Vieux Fort, and at the Bridge Street branch, bringing the total number of ATM's to nine (9). The "Quick Cash" ATM service added a new dimension to banking in St Lucia with the introduction of an island-wide network of ATM's operating on line, real time.

In 1999, the former NCB began to rationalise its operations and as a result of this exercise, the operations at High Street, were terminated. The Bureau De Change at the Pointe Seraphine Duty

Free Shopping Complex was scaled down to an operation with an ATM machine only. Following the Bank's investment in the Caribbean Credit Card Corporation, a Credit Card Department was established in August of 1994. This enabled the former NCB to go into the internationally recognised credit card business, and to date, the Bank has associated membership with both VISA International and MasterCard, to issue and process those cards.

Merchant point-of-sale devices have also been established at several locations island-wide and this service further augments credit and debit card transactions, thereby providing a more convenient service for the Bank's clientele.

With respect to the former SLDB, based on the mandate given by its Act of Incorporation as a Statutory Corporation, its activities were restricted to development type activities, providing financing to the sectors of Tourism, Agriculture and Fishing, Human Resource through its Student Loan Program, Manufacturing and Small Business. At the end of its last financial year March 2001, the Bank had on its books loans totaling EC\$171.5M. The Bank was also able to pay dividends to its sole shareholder, the Government of Saint Lucia who held the 3,270,821 of the issued and paid up shares.

Government's share holding in the new institution has been restricted to 40 % of the ordinary shares (4,002,788 for a value of \$34.78M) and 2,739,000 7% Cumulative Convertible Preference shares valued at \$13.65M.

The Commercial and Development banking activities which were carried on separately in the two institutions, as well as new Investment Banking activities, will now be conducted through the Bank of Saint Lucia Limited.

The other subsidiaries as the names imply, will add to the diversification of the products and services being offered by the group.

## **DIVIDEND POLICY**

Every year since 1999, the Company has paid dividends twice a year, in April and November.

Expected rate per year has been 8%. However, for 2000, the rate of return was 14%

Dividend payout ratio is 56%

## **Price/Valuation**

Based on an independent valuation done by a leading accounting firm for the purposes of the merger, on July 01, 2001, the consolidated fair market value of the merged entity at March 31, 2001 was M\$222.6. It has been determined that there was negligible change in the position at June 30, 2001 and accordingly, this was the fair market value at July 1, 2001.

The methodology used for the valuation was an average of the results of the following methods: (i) Discounted Cash Flow, (ii) Market Multiples and (iii) Comparable Transactions.

However, the book value as per the proforma balance sheet, also prepared by the same accounting firm indicated a book value of M\$100.6. Based on this figure, it was decided that the total value of the 10,006,099 ordinary shares which are being listed is M\$86.95, while M\$13.65 will represent the value of 2,730,000

cumulative preference shares (with a convertible feature) which have been issued to the Government of Saint Lucia.

From the foregoing, it would be noted that the **book value per share of those to be listed on the exchange is \$8.69**. This figure is not far from the "*quasi-market*" price per shares for the former NCB shares that were being traded through a resale facility at the former SLDB. The last trades ended June 22, 2001 was at \$6.70. The average of the last 10 trades was \$6.78 and the range being \$7.15 - \$6.35.

**EAST CARIBBEAN FINANCIAL HOLDINGS  
LIMITED**

**Consolidated Pro-forma Balance Sheet As at July 1, 2001**

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<b>Assets</b>	<b>\$</b>
Cash	39,033,101
Fixed Deposits & Money at Call	38,408,991
Investment securities	76,934,873
Loans & Advances	579,982,087
Other assets	18,900,413
Fixed Assets	47,849,531
Investment property	1,583,596
	<u>802,692,592</u>
<b>Liabilities</b>	
Deposits	528,182,375
Long-term liabilities	142,834,885
Accounts payable & accrued liabilities	20,087,543
Interest payable	9,591,581
Income tax payable	624,370
Other liabilities	793,683
	<u>702,114,437</u>
<b>Shareholders' equity</b>	
Share capital	40,691,166
Contributed capital	1,413,502
Minority Interest	1,226,164
Reserves	36,696,719
Retained earnings	<u>20,550,604</u>
<i>Total equity</i>	<u>100,578,155</u>
	 <u>802,692,592</u>

**BOARD OF DIRECTORS**  
**EAST CARIBBEAN FINANCIAL HOLDING GROUP OF COMPANIES**  
**LIMITED**  
**BANK OF SAINT LUCIA LIMITED**

**Victor A. Eudoxie**

Vigie, Castries, St Lucia, W.I.

Chairman

Retired Banker – Barclays Bank PLC

**Marius St Rose**

Sunny Acres, Castries, St Lucia, W.I.

Group Managing Director

Eastern Caribbean Financial Holding Group  
of Companies

**Thecla Deterville**

Cap Estate, Gros Islet, St Lucia, W.I.

Vice Chairperson

Human Resource Director  
Courts (St. Lucia) Ltd.

**Frederick Symes**

64 Hillborough  
Street, Roseau, Dominica

Director

National Commercial Bank of Dominica

**Dr. Bernard La Corbiniere**

Coubaril, Castries, St Lucia, W.I.

Permanent Secretary

Ministry of Finance & Planning, Saint Lucia

**Emma Hippolyte**

Trouya, Gros Islet

Managing Director

National Insurance Scheme, Saint Lucia

**Henry Mangal**

Tapion, Castries, St Lucia, W.I.

C.E.O.

St. Lucia National Lotteries Authority

**Louis Greenidge**

Bridgetown, Barbados

Managing Director

Barbados National Bank

**Hildreth Alexander**

Entrepot, Castries, St Lucia W.I.

General Manager

Housing and Urban Development Corp.,  
Saint Lucia.

**Rudy Gurley**

Cap Estate, Gros Islet, St Lucia W.I.

General Manager

Cable & Wireless Grenada Business Unit

**Francis Henry**

C/o Antigua Commercial Bank,  
St Johns, Antigua

Director

Antigua Commercial Bank

**Estherlita Cumberbatch**

Morne Fortune, Castries

Corporate Secretary

East Caribbean Financial Holding Group of  
Companies

## SENIOR OFFICERS

<b>Marius St Rose</b> Rodney Bay, Gros Islet	Group Managing Director
<b>Francis B. Denbow</b> Luther King Street, Vieux Fort Centre	General Manager Retail Banking - Bank of Saint Lucia
<b>Guy St Rose</b> Bonne Terre, Gros Islet	Assistant to The Managing Director
<b>Gerald Burnett</b> Coubaril, Castries	Senior Manager, Human Resources
<b>Helen Daniel-Joseph</b> Coubaril, Castries	Chief Financial Officer
<b>Malcolm Alexander</b> Tapion, Castries	Chief Inspector
<b>Brian John</b> Corinth Estate, Castries	Senior Manager – Operations Retail Banking - Bank of Saint Lucia
<b>Gregory Girard</b> Morne Fortune, Castries	Manager - Information Systems
<b>Nigel George</b> Morne Fortune, Castries	Senior Manager - Corporate Credit Corporate & Development Banking – Bank of Saint Lucia
<b>Agnes Josie</b> Cap Estate, Gros Islet	Manager - Business Advisory & Technical Services Corporate & Development Banking – Bank of Saint Lucia
<b>Esther Browne</b> Ciceron, Castries	Risk Manager
<b>Jean- Francois Sonson</b> Bocage, Castries	Manager – Investment Banking Corporate & Development Banking – Bank of Saint Lucia
<b>Anderson Lake</b> Morne Dudon, Castries	Senior Branch Manager Retail Banking – Bank of Saint Lucia
<b>Estherlita Cumberbatch</b> The Morne Castries	Corporate Secretary/Investment Analyst

# **AUDITORS**

## **PriceWaterhouseCoopers**

Chartered Accountants  
P O Box 195  
Castries  
ST LUCIA

# **LEGAL ADVISORS**

## **Island Trust and Legal Services Incorporated**

#1 Bridge Street  
Castries  
SAINT LUCIA

## **Deterville and Associates**

Chaussee Rd  
Castries  
SAINT LUCIA