



DISCOVERING  
NEW FRONTIERS



ANNUAL REPORT

2010

## OUR VISION

Global growth local roots

## OUR MISSION

- To be customer-focused, innovative and efficient
- To be the preferred provider of superior financial products and services through caring, professional staff and appropriate technology
- To exceed shareholder expectations and be a catalyst for development

## OUR VALUES

- Customer Care:** uncompromising commitment to satisfy the financial needs of our customer
- Respect for Individuals:** building strong relationships by respecting each other
- Integrity:** upholding high moral principles and ethical standards
- Teamwork & Collaboration:** using complementary and collective knowledge to execute the organizational plans
- Professionalism:** demonstrating the highest level of skill in executing our day to day activities
- Social Responsibility:** contributing to the development of ethical and social values in our communities
- Results Orientation:** holding ourselves accountable for actions and behaviours that lead to the realization of our vision, mission and values

**DIE**









## OUR VISION

Global growth local roots

## OUR MISSION

To be customer-focused, innovative and efficient

To be the preferred provider of superior financial products and services through caring, professional staff and appropriate technology

To exceed shareholder expectations and be a catalyst for development

## OUR VALUES

**Customer Care:** uncompromising commitment to satisfy the financial needs of our customer

**Respect for Individuals:** building strong relationships by respecting each other

**Integrity:** upholding high moral principles and ethical standards

**Teamwork & Collaboration:** using complementary and collective knowledge to execute the organizational plans

**Professionalism:** demonstrating the highest level of skill in executing our day to day activities

**Social Responsibility:** contributing to the development of ethical and social values in our communities

**Results Orientation:** holding ourselves accountable for actions and behaviours that lead to the realization of our vision, mission and values

CONTENTS CONTENTS

CONTENTS CONTENTS CONTENTS



1. Notice of the Tenth Annual Meeting
2. ECFH Group Corporate Information and Correspondent Banking Relationships
3. The ECFH Group Structure
3. ECFH Corporate Profile
4. ECFH Group Financial Highlights: 2006 – 2010
5. Chairman's Review
8. Corporate Governance

10. Profile of Directors
12. Directors' Report
15. Group Managing Director's Review
19. Corporate Social Responsibility
22. Profile of ECFH Senior Management
23. Management Discussion & Analysis
26. Risk Management Report
28. Historical Financial Ratios: 2006 – 2010
29. Subsidiary Reports:
  - Bank of Saint Lucia Limited*
  - Bank of Saint Vincent & the Grenadines Limited*
  - Bank of Saint Lucia International Limited*
  - ECFH Global Investment Solutions Limited*
  - EC Global Insurance Company Limited*
  - Property Holding & Development Company of Saint Lucia Limited*
  - Mortgage Finance Company of Saint Lucia Limited*
48. Financial Reporting Responsibility
49. Consolidated Financial Statements for ECFH Group

## notice of the tenth annual meeting

Notice is hereby given that the Tenth Annual Meeting of the East Caribbean Financial Holding Company Limited will be held at the National Insurance Corporation Conference Room, Francis Compton Building, Waterfront, Castries Saint Lucia on Thursday 30th June 2011, at 5:00 p.m., for the following purposes:

1. To consider and adopt the Report of the Auditors and the Audited Financial Statements for the year ended December 31, 2010
2. To consider and adopt the Report of Directors
3. To sanction Dividends paid for the twelve-month period ended December 31, 2010
4. To appoint Auditors and authorize Directors to fix their remuneration
5. To elect Directors

BY ORDER OF THE BOARD



Estherlita Cumberbatch  
Corporate Secretary

**NOTE:  
PERSONS ENTITLED TO NOTICE**

In accordance with Section 108(2) of the Companies Act, Chapter 13.01 Revised Laws of Saint Lucia 2001, the Directors of the Company have fixed May 31, 2011 as the Record Date for the determination of shareholders who are entitled to receive Notice of the Annual Meeting. A list of such shareholders will be available for examination by shareholders at the Registered Office of the company during usual business hours.

## ecfh group corporate information

**REGISTERED OFFICE  
& POSTAL ADDRESS:**

1 Bridge Street  
P.O. Box 1860  
Castries, Saint Lucia, West Indies

**Email:** [ecfh@candw.lc](mailto:ecfh@candw.lc)

**Website:** [www.ecfh.com](http://www.ecfh.com)

**Telephone:** (758) 456 6000

**Fax:** (758) 456 6702

**Chairman:** Victor Eudoxie

**Corporate Secretary:**  
Estherlita Cumberbatch B.Sc. (Mgmt),  
LLB (Hons)

**LEGAL COUNSELS:****Caribbean Law Offices**

99 Chaussee Road

P.O. Box 835

Castries, Saint Lucia

**Francis & Antoine Chambers**

Financial Centre Building

1 Bridge Street, Castries, Saint Lucia

**SUBSIDIARIES:****Bank of Saint Lucia Limited**

1 Bridge Street

P.O. Box 1862

Castries, Saint Lucia, West Indies

**Tel:** (758) 456 6000

**Fax:** (758) 456 6720

**Email:** [info@bankofsaintlucia.com](mailto:info@bankofsaintlucia.com)

**Web:** [www.bankofsaintlucia.com](http://www.bankofsaintlucia.com)

**Bank of St. Vincent &  
the Grenadines Limited**

P.O. Box 880,

Kingstown, St. Vincent, West Indies

**Tel:** (784) 457 1844

**Fax:** (784) 456 2612

**Email:** [info@bosvg.com](mailto:info@bosvg.com)

**Web:** [bosvg.com](http://bosvg.com)

**Bank of Saint Lucia  
International Limited**

P.O. Box RB 2385

Rodney Bay Village, Gros Islet

Saint Lucia, West Indies

**Tel:** (758) 452 0444

**Fax:** (758) 452 0445

**Email:** [info@boslil.com](mailto:info@boslil.com)

**Web:** [www.boslil.com](http://www.boslil.com)

**ECFH Global Investment  
Solutions Limited**

1 Bridge Street

P.O. Box 1862

Castries, Saint Lucia, West Indies

**Tel:** (758) 456 6826

**Fax:** (758) 456 6740

**Email:** [info@ecfhglobalinvestments.com](mailto:info@ecfhglobalinvestments.com)

**Web:** [www.ecfhglobalinvestments.com](http://www.ecfhglobalinvestments.com)

**EC Global Insurance Company Limited**

2 Bridge Street, P.O. Box 1860

Castries, Saint Lucia, West Indies

**Tel:** (758) 451 3244

**Fax:** (758) 458 1222

**Email:** [ecglobal@ecfh.com](mailto:ecglobal@ecfh.com)

**Web:** [www.ecglobalinsurance.com](http://www.ecglobalinsurance.com)

**Mortgage Finance Company  
of Saint Lucia Limited**

1 Bridge Street

Castries, Saint Lucia, West Indies

**Tel:** (758) 456 6000

**Fax:** (758) 456 6702

**Email:** [ecfh@candw.lc](mailto:ecfh@candw.lc)

**Property Holding & Development  
Company of Saint Lucia Limited**

1 Bridge Street

P.O. Box 1860

Castries, Saint Lucia, West Indies

**Tel:** (758) 456 6872

**Fax:** (758) 451-7929

**Email:** [prodev@ecfh.com](mailto:prodev@ecfh.com)

**Web:** [www.prodevslu.com](http://www.prodevslu.com)

**AFFILIATIONS:****Member of:**

Caribbean Association of Banks

Caribbean Association of Audit Committee Members

Caribbean Bankers Users Group

Eastern Caribbean Institute of Banking

ECCU Bankers Association

Insurance Association of the Caribbean

Insurance Council of Saint Lucia

International Tax Planning Association

Saint Lucia Bankers Association

Saint Lucia Chamber of Commerce

Saint Lucia Employers Federation

Saint Lucia Hotel & Tourism Association

Saint Lucia Insurance Institute

Society of Trust & Estate Practitioners

**REGULATORS:**

Eastern Caribbean Central Bank

Eastern Caribbean Securities Regulatory Commission

Ministry of Finance – Saint Lucia

Ministry of Finance –

St. Vincent & the Grenadines

Financial Services

Supervisory Unit – Saint Lucia

Finance Intelligence Unit –

St. Vincent & the Grenadines

Registrar of Insurance – Saint Lucia

**EXTERNAL AUDITORS:****PriceWaterhouseCoopers**

Chartered Accountants

P.O. Box 195

Castries, Saint Lucia

**ECFH OWNERSHIP:**

Name	% of holding
Private Individuals & Institutions	29%
Government of Saint Lucia	20%
Republic Bank Limited	20%
OECS Indigenous Banks & Financial Institutions	14%
National Insurance Corporation (Saint Lucia)	17%

**CORRESPONDENT BANKS &  
RELATIONSHIPS FOR  
BANKING SUBSIDIARIES****OECS****Antigua Commercial Bank**

St Mary's & Thames Streets

P.O. Box 95

St. John's, Antigua

**Eastern Caribbean****Amalgamated Bank (ECAB)**

P.O. Box 315

St. John's, Antigua

**Eastern Caribbean Central Bank**

P.O. Box 89

Basseterre, St. Kitts

**National Bank of Dominica Limited**

64 Hillsborough Street

Roseau, Dominica

**Republic Bank of Grenada Limited**

NCB House, Grande Anse

P.O. Box 57

St. Georges, Grenada

**St. Kitts, Nevis, Anguilla****National Bank Limited**

Church Street

P.O. Box 343

Basseterre, St. Kitts

**National Bank of Anguilla Limited**

P.O. Box 44

The Valley, Anguilla

**REGIONAL****Barbados National Bank Inc.**

Broad Street

Bridgetown, Barbados

**First Citizens Bank Limited**

Treasury & International Trade Centre

P.O. Box 718

Port of Spain, Trinidad

**National Commercial Bank****of Jamaica Limited**

77 King Street

P.O. Box 88

Kingston, Jamaica

**Republic Bank Limited**

Republic House, Park Street

Port of Spain, Trinidad

**Republic Bank Guyana Limited**

Guyana Post Office Corporation

North Road & Savage Street

Georgetown, Guyana

**RBC Dominion****Securities Global Limited**

2nd Floor, Building

2 Chelston Park, Collymore Rock

St. Michael BB11000, Barbados

**Unit Trust Corporation**

82 Independence Square

Port of Spain, Trinidad

**INTERNATIONAL****Bank of America**

100 SE 2nd Street, 30th Floor

Miami, Florida, USA

**Bank of New York**

101 Barclay Street 6E

New York, NY 10286, USA

**Bank of Montreal**

105 St. James Street West

Quebec H3C 3B1, Canada

**Banque Cramer & Cie SA**

5-7 rue Général Dufour

1211 Geneva 11, Switzerland

**Bred Banque Populaire**

Logistique Comptable 8181 A

Avenue De General

De Gaulle, 9400 Creteil

France

**Citibank NA**

111 Wall Street

New York 10286, USA

**Crown Agents****Financial Services Limited**

St Nicholas House

St Nicholas Road, Sutton

Surrey SM1 1EL, United Kingdom

**Deutsche Bank Securities, Inc**

25 Biscayne Blvd, Suite 1870

Miami, FL 33131, USA

**Dominick Company AG, Private  
Bank**

Mittelstrasse 14

P.O. Box CH 8034, Zurich, Switzerland

**The Hong Kong & Shanghai****Banking Corporation Limited**

Level 10, HSBC Main Building

1 Queen's Road Central, Hong Kong

**ING Belgium SA/NV**

Avenue Marnix 24

B-1000 Brussels, Belgium

**Lloyds TSB Bank Plc**

UK International Operations

11 Monument Street

London EC3R 8JU, United Kingdom

**Morgan Stanley Smith Barney**

590 Madison Avenue 11 FL

New York, NY 10022, USA

**Toronto Dominion Bank**

International Centre, Toronto

55 King Street W. & Bay Street

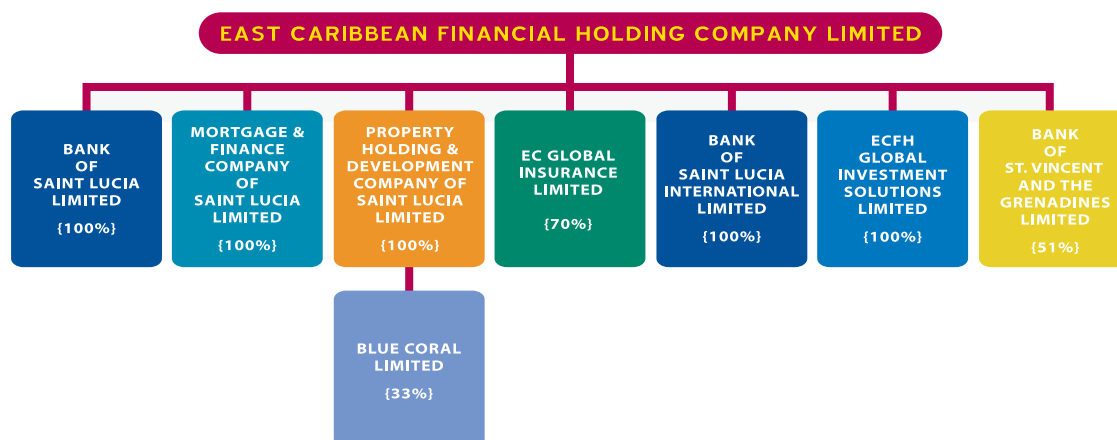
Toronto, Ontario M5K 1A2, Canada

**UBS International Inc.**

100 SE 2nd Street, 25th Floor

Miami, FL 33131, USA

## the ecfh group structure



## ecfh corporate profile

NAME OF COMPANY	BUSINESS	PERIOD ESTABLISHED / ACQUIRED	CAPITALIZATION 2010 EC \$M	BALANCE SHEET ASSETS 2010 EC \$M	PRINCIPAL OFFICER
East Caribbean Financial Holding Company Limited	Group Parent Holding Company	2001	222.4	303.1	Esther Browne
Bank of Saint Lucia Limited	Universal Banking - Retail, Commercial, Corporate, Development, Wealth & Asset Management	2001	265.0	1,808.0	Robert Norstrom
Mortgage Finance Company of Saint Lucia Limited	Residential Mortgage Financing	2001	22.9	217.0	Joanna Charles
Property Holding Management & Development Company of Saint Lucia Limited	Real Estate Holding, Management & Development	2001	44.1	104.5	Elizabeth Bousquet
EC Global Insurance Company Limited	General Insurance	2004	2.7	19.1	Leathon Khan
Bank of Saint Lucia International Limited	Private and/or Offshore Banking	2004	18.8	738.3	Ryan Devaux
ECFH Global Investment Solutions Limited	Brokerage and Merchant Banking	2008	1.9	2.8	Joel Allen
Bank of St. Vincent and the Grenadines Limited	Universal Banking – Retail, Commercial, Investment Banking	2010	86.4	713.7	Derry Williams



EAST CARIBBEAN  
FINANCIAL GROUP

## financial highlights

	2010	2009	2008	2007	2006
	EC\$000	EC\$000	EC\$000	EC\$000	EC\$000
<b>Income Statement</b>					
Interest Income	138,034	129,848	136,414	126,874	105,426
- Interest Expense	63,090	53,120	52,385	53,565	41,376
= Net Interest Income	<b>74,944</b>	<b>76,728</b>	<b>84,029</b>	<b>73,309</b>	<b>64,050</b>
+ Other Income net	38,291	35,102	31,118	30,421	24,053
= Operating Income	<b>113,235</b>	<b>111,830</b>	<b>115,147</b>	103,730	88,103
- Staff Costs	36,297	33,284	30,496	29,633	26,459
- Administrative costs	37,858	32,839	32,198	23,459	21,980
- Provisions	32,629	5,888	1,007	1,396	1,181
= Net Income before Taxes	<b>6,451</b>	<b>39,819</b>	<b>51,446</b>	<b>49,242</b>	<b>38,483</b>
+ /- Taxes	(3,239)	13,721	4,561	4,998	3,517
+ Minority Interest	168	160	30	15	166
= Net Income after Taxes	<b>9,522</b>	<b>25,938</b>	<b>46,855</b>	<b>44,259</b>	<b>35,132</b>
<b>Balance Sheet</b>					
Cash and Balances with Central Bank	212,649	76,604	82,859	58,753	63,601
+ Investments	1,075,496	575,657	576,365	740,525	543,545
+ Loans	1,725,382	1,314,827	1,231,688	1,103,303	886,333
+ Other	267,467	202,194	151,132	106,103	84,385
= Total Assets	<b>3,280,994</b>	<b>2,169,282</b>	<b>2,042,044</b>	<b>2,008,684</b>	<b>1,577,864</b>
Deposits	2,318,304	1,281,283	1,248,394	1,308,042	1,163,075
+ Borrowings	207,177	231,909	194,861	133,216	139,213
+ Other Liabilities	364,985	311,566	263,102	249,135	101,602
+ Capital	390,528	344,524	335,687	318,291	173,974
= Total Liabilities and Capital	<b>3,280,994</b>	<b>2,169,282</b>	<b>2,042,044</b>	<b>2,008,684</b>	<b>1,577,864</b>
<b>Other Information</b>					
Return on Equity	2.6%	7.7%	14.3%	18.0%	22.0%
Return on Assets	0.4%	1.2%	2.3%	2.5%	2.4%
Dividend Payout %	77.1%	46.7%	51.1%	53.6%	42.0%
Book Value of Ordinary Shares (\$)	14.02	13.97	13.77	13.17	11.04
Average Market Value of Ordinary Shares (\$)	14.23	13.09	14.20	11.74	9.40
Earnings per Ordinary Share (\$)	0.38	1.06	1.94	2.25	2.42
Dividends per Ordinary Share (\$)	0.30	0.50	1.00	1.00	1.00
Provisions as % of Loan Portfolio	2.5%	1.7%	1.9%	2.4%	3.4%
Provisions as % of Non-performing Loan Portfolio	30.0%	24.8%	34.8%	33.8%	33.2%

## chairman's review

### Economic Overview

The effects of the global recession have lingered on much longer than anticipated. There are signs of economic recovery in Europe and forecasts for reasonably good growth in that region for 2011. The emerging markets, such as India and Brazil, also show signs of positive growth for 2011. However, much closer to home, where there are far more dependencies, the US economic recovery continues to be slow.

In 2010, the economies of the Eastern Caribbean Currency Union (ECCU) contracted by 3.2% with the construction sector being hardest hit. The Governor of the Eastern Caribbean Central Bank (ECCB) in his 2010 Economic Review projects "a slow pick-up in economic activity in 2011 and 2012 if the current circumstances and policies persist." Until such time, emphasis continues to be placed on the ECCU's Eight Point Stabilization and Growth Programme.

With the exception of the tourism and construction sectors, all other key productive sectors contracted in 2010. Tourism recorded a 9.9% increase in stay over arrivals over 2009. This was mainly attributed to a 31% increase in arrivals from the US market as a result of increased airlift. On the other hand, the agriculture sector experienced a 20% decline which was brought about by the drought during the first half of the year coupled with Hurricane Tomas which devastated the sector during the last quarter of 2010. This caused banana exports to drop by about 31%. There was not much growth in the manufacturing sector because of lower demand. The construction sector expanded by 20% driven mainly by public sector investment which included the new national hospital and the post Hurricane Tomas disaster recovery programme.

### Group Performance

The East Caribbean Financial Holding Company Limited (ECFH) remains a strong, well capitalized company and one of the largest financial services groups in the Eastern Caribbean. In spite of the economic challenges, ECFH continues to see positive growth in its business operations. The price of ECFH shares has remained high, a reflection of shareholder confidence in the Group.

Through the strategic expansion into the region undertaken in 2010, the Group can proudly report major growth in its asset size to over EC\$3 billion with a staff complement of approximately 600 Group-wide. We are extremely proud of our accomplishments as an indigenous group.

The Group recorded after tax net profits for the financial year ending 2010 of \$9.7 million. Performance for the year was affected by substantial additional loan loss provisioning required on review of the loan portfolio in 2010.

### New Frontiers

Regional expansion remains a key strategy for the Group and in 2010, ECFH was well positioned to take advantage of two regional opportunities – the acquisition of a 20% shareholding in the new Eastern Caribbean Amalgamated Bank Limited (ECAB) in Antigua and the acquisition of a majority ownership interest of 51% in the National Commercial Bank (SVG) Limited.

The offshore financing subsidiary of ECFH, Bank of Saint Lucia International (BOSLIL), has also penetrated the South American market with encouraging results.

ECFH is acutely aware that high standards of corporate governance are critical to any successful organization; and so formal Corporate Governance Policy has been in effect for some years. It is reviewed annually and the Board ensures adherence.

## Governance

Victor Eudoxie - Chairman



As a financial services institution, risk management plays a critical role in the Group's decision-making process. Board-approved risk management policies continue to guide the Group, identifying potential risks associated with business activities as early as possible; assessing the possible consequences of their occurrence and taking suitable mitigation measures.

The Group sustained its extensive year round island-wide Corporate Social Responsibility (CSR) programme living the theme, "Enriching Lives." The CSR policy places emphasis on youth development through sports, culture and education and many young persons benefitted in 2010 through several programmes including the continued support of organizations such as the Centre for Adolescent Renewal and Education (CARE) and the Holy Family Children's Home.

## Corporate Social Responsibility

Environmental awareness, sports, cultural development and financial

literacy were other areas of focus in 2010.

In October 2010, the Group's largest subsidiary, Bank of Saint Lucia, was recognized by the Eastern Caribbean Central Bank as the Best Corporate Citizen for 2010 and won other individual awards in the areas of educational development, culture, financial education and empowerment, and environmental awareness. This is indeed a demonstration of the Group's commitment to the social and economic development of Saint Lucia.



### Looking Ahead

In keeping with its strategic vision supported by strong leadership, customer care and innovation, ECFH will continue to explore opportunities for regional and international expansion while ensuring that our human resource capacity, governance policies and internal systems are in place to take advantage of an upturn in the economy.

## acknowledgements

I take the opportunity to thank the Board of Directors of both the ECFH and its subsidiaries for their support and wisdom in this time of economic challenge. I look forward to our working together in 2011 as we explore new opportunities for the overall benefit of the Group and its stakeholders.

I would like to thank Ms. Cadie St. Rose-Albertini, who left the Board in June 2010, for her contribution whilst serving from May 2007 to June 2010; as well as Mr. Leonard Lewis who served for a period of seven years and resigned in January 2011.

Many thanks to our key stakeholders – our customers and shareholders, systems and service providers – for their continued confidence in the Group.

Finally, I express gratitude to management and staff who work tirelessly at every level of ECFH and its subsidiaries to ensure that the job gets done. I applaud their efforts and look forward to a more productive year in 2011.

## corporate governance

The Board of Directors of the East Caribbean Financial Holding Company Limited is responsible for the governance of the Group, and is committed to adhering to the highest standards of corporate governance. It is guided by a formal Corporate Governance Policy.

The Board comprises appointed and elected directors. It sets policies for and reviews the Group's strategies, financial objectives, operating plans, and plans for management succession. The Board meets every month and special meetings may be held when the need arises.

The Board provides leadership of the Group within a framework of sound corporate governance practices, as well as prudent and effective controls that facilitate risk assessment and management. It sets the Group's strategic goals and objectives. The Board establishes the company's values and ensures that its obligations to shareholders and other stakeholders are understood and met.

All directors must take decisions objectively in the interest of the company.

There is a clear delineation of responsibilities between the running of the Board and the executive responsibility for the running of the Group. To facilitate accountability and transparency, no one individual or group of individuals dominates the decision making process. The roles of Chairman and Group Managing Director cannot be exercised by the same individual.

The Board comprises eleven members, ten of whom are elected or appointed by the holders of ordinary shares and one, the Group Managing Director, is an executive director. Collectively, the members of the Board must demonstrate a balance of skills and experience appropriate for the requirements of the business.

The ECFH Board must be aware of all material risks and other issues that may ultimately affect the Group. As some of these risks may originate in subsidiaries, it is necessary that the parent board be able to exercise adequate oversight over the activities of the subsidiaries.

### Subsidiary Boards

Except for the Group Chairman and Group Managing Director, no director shall hold more than three directorships in the Group.

Except in exceptional circumstances, the chairmanship of subsidiaries will be held by a member of the ECFH Board.

Non-executive directors must always constitute a majority of the Boards of subsidiaries and no subsidiary shall take a decision where the majority in a quorum is of executive directors.

The Board shall ensure that adequate risk management procedures are in place to identify, assess and monitor risk activities and to provide the desired balance between risk acceptance and returns. The Risk Management Function of the Group is delegated to the Asset Liability Management Committee, which is chaired by the



the Group Managing Director. The Committee meets quarterly and reports to the Board quarterly.

### Committees of the Board

In an effort to effectively allocate tasks and responsibilities at the Board level, the Board has established committees with clearly defined objectives, authorities, responsibilities and tenure. These committees serve the Boards of all subsidiary companies. The Board shall not delegate matters requiring special approvals to any of its committees.

These committees consist mainly of five independent directors and meet at least three times a year or when the need may arise. The Committees are as follows:

#### Audit Committee

This committee is responsible for providing oversight of the company's operations, in particular:

- The quality and integrity of the financial statements of the Group.
- The effectiveness of the systems of internal control over financial reporting.
- The internal and external audit processes, the Group's processes for monitoring compliance with applicable laws and regulations, risk management processes and the code of conduct.

The Committee met five times during the year and is comprised of the following members:

- Lisle Chase– Chairman
- Victor Eudoxie
- Emma Hippolyte
- Isaac Anthony
- Henry Mangal

#### Credit Committee

This committee considers and approves credit proposals in excess of management's limit and meets on a needs basis. The Committee met four times during the year and is comprised of the following members:

- Victor Eudoxie – Chairman
- Emma Hippolyte
- Hildreth Alexander
- Henry Mangal
- Robert Norstrom

#### Human Resources Committee

This committee is responsible for approving staff compensation, staff policies, and appointment of senior management and is also responsible for management succession planning. The Committee met three times during the year and is comprised of the following members:

- Victor Eudoxie – Chairman
- Hildreth Alexander
- Henry Mangal
- Lisle Chase
- Robert Norstrom

## profile of directors

**Victor Eudoxie**  
 Profession: Retired Banker  
 Substantive Position: Chairman  
 Board Member since: July 1997  
 Appointed by:  
 Government of St. Lucia  
 Nationality: Saint Lucian



**Robert Norstrom**  
 Profession: Banker  
 Qualification: Associate & Fellow-  
 Chartered Institute of Bankers, (UK)  
 Substantive Position:  
 Group Managing Director  
 Board Member since: October 2004  
 Nationality: Saint Lucian



**Henry Mangal**  
 Profession: Management  
 Qualification: B. Sc. Accounting,  
 M.Sc. Strategic Leadership  
 Substantive Position:  
 Management Consultant  
 Board Member since:  
 October 1999  
 Elected by: Ordinary Shareholders  
 Nationality: Saint Lucian



**Jacqueline Quamina**  
 Profession: Attorney At Law  
 Qualification: LLB, MA, MBA  
 Substantive Position: Group General  
 Counsel/Corporate Secretary,  
 Republic Bank Limited  
 Board Member since: March 2004  
 Appointed by: Republic Bank  
 of Trinidad & Tobago Limited  
 Nationality: Trinidadian



**Emma Hippolyte**  
 Profession: Accountant  
 Qualification: CGA  
 Substantive Position: Consultant  
 Board Member since:  
 October 1999  
 Elected by:  
 Ordinary Shareholders  
 Nationality: Saint Lucian



**Lisle Chase**  
 Profession: Accountant  
 Qualification: FCCA, CA  
 Substantive Position:  
 CEO- Financial Centre Corporation  
 Board Member since: June 2008  
 Appointed by:  
 Ordinary Shareholders  
 Nationality: Saint Lucian

## profile of directors

### Isaac Anthony

Profession: Accounting & Finance  
Qualification: B.Sc. Accounting, MBA  
Substantive Position: Permanent Secretary,  
Ministry of Finance/Director of Finance  
Board Member since: March 2007  
Appointed by: Government of St. Lucia  
Nationality: Saint Lucian



### Lennox Timm

Profession: Accountant  
Qualification: FCCA, MAAT  
Substantive Position:  
Financial Controller,  
National Insurance Services, SVG  
Board Member since: February 2011  
Appointed by: OECS Bank Group  
Nationality: Vincentian



### Terrence Farrell

Profession: Economist  
Qualification: Ph. D, M. Sc,  
B. Sc - Economics  
Substantive Position:  
Consultant - Business Development,  
Finance & Economics  
Board Member since: February 2011  
Appointed by: Republic Bank  
of Trinidad & Tobago Limited  
Nationality: Trinidadian



### Hildreth Alexander

Profession: Management  
Qualification: MBA - Marketing  
Substantive Position:  
Director  
St. Lucia Employers Federation  
Board Member since:  
July 1997  
Elected by:  
Ordinary Shareholders  
Nationality: Saint Lucian



### Llewelyn Gill

Profession:  
Chartered Accountant  
Qualification:  
SLMM, FCGA, FCIS, FCCA  
Substantive Position:  
Principal, G.Llewellyn Gill & Co.  
Board Member since: July 2010  
Appointed by:  
National Insurance Corporation  
Nationality: Saint Lucian

## directors' report

Your Directors have pleasure in submitting their Report for the Financial Year ended December 31, 2010.

### CONSOLIDATED FINANCIAL RESULTS AND DIVIDENDS

2010  
EC\$M

Profit attributed to Shareholders	9.7
Transfer to Statutory Reserve	(4.1)
Transfer from Other Reserves (Net)	1.5
Transfer to East Caribbean Student Loan Guarantee Fund	(0.4)
	<b>6.7</b>

#### Dividends

Ordinary Interim - 15 cents per share	3.7
Preference	0.3
Ordinary Final -15 cents per share	3.7

<b>Transfer from retained earnings</b>	<b>(1.0)</b>
--	--------------

	<u>2010</u>	<u>2009</u>
<b>Share Capital</b>		
Ordinary	170.0	168.8
Preference	4.2	5.4
Contributed Capital /Other General Reserves	74.4	71.4
Statutory Reserves	84.4	80.3
<b>Adjusted retained earnings</b>	<b>10.3</b>	<b>11.7</b>
<b>Attributable to equity holders</b>	<b>343.3</b>	<b>337.6</b>

## directors

In accordance with the OECS Banks Shareholder Group Agreement, Director Derry Williams of National Commercial Bank (SVG) Limited was appointed in July 2010 to replace Mrs. Margaret George as a representative of the OECS Banks Shareholder Group. However, in November 2010, NCB sold their shareholding to National Insurance Services of St. Vincent and the Grenadines who have appointed Mr. Lennox Timm as a director on the Board.

In January 2011, Mr. Leonard Lewis, a director appointed by Republic Bank Limited resigned and was replaced by Dr. Terrence Farrell.

In accordance with Section 4.4 of the Bye Laws, Mr. Lisle Chase retires from the Board and being eligible, offers himself for re-election for a further term; and Ms. Jacqueline Quamina, appointed by Republic Bank Limited, retires by rotation and being eligible, offers herself for re-appointment.

### Directors' Shareholding Interest

The shareholding interests of the Directors in office at the end of the Company's Financial Year in the Ordinary Shares of the Company were as follows:-

Director	Beneficial Interest
Victor Eudoxie	1,610
Emma Hippolyte	39,257
Terrence Farrell	Nil
Henry Mangal	2,000
Hildreth Alexander	200
Isaac Anthony	4,739
Jacqueline Quamina	2,500
Lisle Chase	Nil
Llewelyn Gill	200
Robert Norstrom	11,500
Lennox Timm	Nil

There has been no change in these interests occurring between the end of the Company's Financial Year and one month prior to the date of the Notice convening the Annual Meeting.

At no time during or at the end of the Financial Year has any Director had any material interests in any contract or arrangement in relation to the business of the Company or any of its subsidiaries.

### Significant Transactions

Directors are pleased to announce that during the year, the Group acquired significant shareholdings in the following companies:

- i. In October 2010, a 20% shareholding of the Eastern Caribbean Amalgamated Bank (ECAB) was acquired at a cost of Four Million Eight Hundred Thousand Dollars (\$4.8million) and together with 8% owned by Bank of St. Vincent & the



Grenadines Limited (formerly National Commercial Bank (SVG) Limited), the ECFH Group now holds a 28% shareholding in the company.

- ii. In November 2010, 51% of the shareholding of National Commercial Bank (SVG) Limited was acquired at a cost of Forty Two Million Dollars (\$42 million). The bank has since been renamed Bank of St. Vincent and the Grenadines Ltd. ECFH has appointed four directors on a Board of seven directors.

These two acquisitions are the initial steps in the fulfillment of ECFH'S vision of expanding into the OECS region and are expected to generate significant financial returns to the Group.

### Substantial Interests In Share Capital as at December 31, 2010

#### Preference Shares:

National Insurance Corporation – 100% of the issued and outstanding shares totaling 830,000.

#### Ordinary Shares:

Government of Saint Lucia	20%
Republic Bank Limited	20%
National Insurance Corporation	17%

The shares of the East Caribbean Financial Holding Company Limited (ECFH) have been listed on the Eastern Caribbean Securities Exchange (ECSE) from October 19, 2001. As a result, all shares are traded on the exchange, and records maintained in accordance with the regulations of the Exchange. A total of six hundred and forty-seven thousand, seven hundred and forty one shares were traded at an average price of \$13.50 per share during the 2010 financial year.

Shareholders  
Relations

As the issuer of the shares, the ECFH has the responsibility to ensure that all necessary information is communicated to shareholders on a timely basis and that dividends are paid in accordance with the dividend policy approved by the Board of Directors.

During the year, Directors approved and granted two new secondary school scholarships to children of shareholders residing in St. Lucia, bringing the total number of scholarships granted to date to ten. The scholarships are awarded annually on the basis of the students obtaining highest scores at the Common Entrance Examinations.

The Auditors, PriceWaterhouseCoopers retire and being eligible, offer themselves for re-appointment and the Directors have agreed to recommend their re-appointment as Auditors of the Company. In accordance with Section 162 (i) of the Companies Act, Cap.13.01, the term of the appointment will extend from the close of one Annual Meeting until the next Annual Meeting.

Auditors

## group managing director's review

Whilst there has been improvement in the global economy, recovery has been sluggish. Given the time lag between growth in the developed countries and that of developing countries, there are still some challenging times ahead for the local and regional economy. For 2010, the Government of Saint Lucia reported that the St. Lucian economy grew by 4.4% attributable mainly to growth in the tourism and construction sectors.

### Group Performance

East Caribbean Financial Holding Limited (ECFH) continues to meet the strategic objectives of the Group, and consistently give back to the communities in which the Group and its subsidiaries operate. The Group recorded net profit after tax at \$9.7M in 2010 compared with \$26.1M in 2009. All subsidiaries achieved surpluses with the exception of Bank of Saint Lucia Limited and EC Global Insurance Limited. Bank of Saint Lucia's results were substantially impacted by increased loan loss provisioning; and EC Global Insurance Limited's results were impacted by insurance claims arising from Hurricane Tomas.

The Group has maintained relationships with key regional and international financial institutions such as Caribbean Development Bank (CDB), International Financial Corporation (IFC) and the European Investment Bank (EIB).

Bank of Saint Lucia Limited, the Group's largest subsidiary, recorded a net loss of approximately \$2.47 million. During 2010, Bank of Saint Lucia's review of its loan portfolio reflected increased credit risk requiring substantial loan loss provisioning of \$24.4 million which impacted the final performance for the year. Many commercial entities and individuals experienced difficulty in debt servicing increasing the level of non-performing loans and provisions. In the current environment, the demand for loans significantly decreased impacting directly on interest revenue. The Bank's loan portfolio grew marginally by 1.2%. Customer deposits grew by approximately 8.9% at year end, an increase of \$88.1M over 2009, an indication of prudence in spending both on the part of the business and personal sectors. Total assets grew by 2.61% to \$1,808M. The balance sheet of the Bank remains strong.

The Bank's liquidity improved significantly in 2010 and the capital adequacy ratio was maintained at approximately 21%. Cost management remained a critical area of focus.

Bank of Saint Lucia International Limited (BOSLIL), the Group's offshore banking business, performed well in 2010 with a significant growth in asset size to US\$273 million by year end. Penetration into the South American market is proving successful and plans are in place to strengthen BOSLIL's position in that market.

The Mortgage Finance Company of Saint Lucia recorded profits of \$5.9 million in 2010; whilst the Group's property development company, Property Holding & Development Company Limited, also recorded profits of \$2.9 million in 2010.

ECFH recognizes that risk diversification plays a critical role in the Group's continued success. Diversification is seen from the perspective of both geographic concentration and lines of business, and acquisition of interests in regional financial institutions has always been an aspect of the strategy. In 2010, the ECFH Group positioned itself to take advantage of two regional investment opportunities through a 20% holding in the new bank in Antigua, East Caribbean Amalgamated Bank Limited (ECAB) which has assets of \$400 million, as well as the acquisition of a majority shareholding in the National Commercial Bank (SVG) Limited, to be renamed Bank of St Vincent and the Grenadines Limited which has an asset value of \$713.7 million.

## Diversification

Robert Norstrom - Group Managing Director



We have no doubt that these acquisitions will enhance the Group's profitability over the next few years.

One of the more recently formed companies of the Group which provides brokerage and merchant banking business, ECFH Global Investment Solutions Limited, is developing a solid name in the local and regional market. It raised significant funds on behalf of the Government of Saint Lucia being lead broker for the successful issue of a 6-year US\$16.4 million bond and a \$25 million treasury bill. In combination with our Wealth and Asset Management (WAM) Division, Bank of Saint Lucia expect growth for these areas of our business and increased contributions to the Group's results.

Some key operational initiatives commenced in the prior year were completed in 2010. The streamlining of the internal accounting and reporting systems was one such project, which has resulted in the elimination of manual procedures in reporting of the Group's results and preparation of financial statements. Further, the centralization of operational processes for Bank of Saint Lucia was also completed in 2010; this results in greater operational efficiencies for the Bank and effectively allows the banking branches to focus on sales and service.

## Operational & Other Initiatives

During the year, a new unified communications system was introduced throughout the Group which saw the integration of land lines, mobile phones, fax and email systems. The result was cost savings in communication, environmentally friendly electronic faxes, and greater levels of efficiency with landline voice messages and faxes being directed to email and received via mobile device.

A new credit card and merchant settlement solution was undertaken in 2010 and will be fully implemented within the first half of 2011; this will provide a more efficient back office system for the card services unit enabling staff to devote more time to service delivery to merchants.

The introduction of a new payroll system commenced in the last quarter of 2010. However timelines were interrupted with the passage of Hurricane Tomas and is now expected to be completed in 2011.

On the insurance side EC Global Insurance Company Limited commenced an initiative of a new convenience centre in Rodney Bay to provide a more convenient service to its customers in the hub of the commercial activity in the north. The new office opened in January 2011.

Construction commenced on the new ECFH building in Gros Islet. When completed towards the end of 2011, the premises will house the Bank of Saint Lucia International (BOSLIL), and the Wealth & Asset Management Division of Bank of Saint Lucia, as well as providing rental opportunities for external entities.

To greatly improve its service to the customers of Soufriere, the Group, through its property development subsidiary, acquired a newly constructed building on the Soufriere Waterfront for the branch's relocation. The new branch is expected to be ready during the second half of 2011.

The Group continues to invest significant resources in its staff. The year began with a coming together of all staff in a massive staff rally at the Beausejour Indoor facility. The theme of the rally, 'Ready, Set, Go!' was designed to motivate staff to achieve both the Group's business goals as well as personal goals. It was the first of its kind for ECFH. With record attendance by staff at all levels, it was a resounding success.

In an effort to ensure the Group would be well positioned to take advantage of the opportunities anticipated following economic recovery, the Group maintained its staffing level and continued to invest in its staff by conducting several new training programmes with emphasis on building leadership and supervisory skills.

Negotiations with the National Workers Union began in September 2010 for the period May 1st 2010 to April 30th 2013. Among the key agenda items for these negotiations was the conduct of a comprehensive job evaluation and reclassification exercise based on industry specific surveys. It is expected that as a result of this exercise the Group will implement a new compensation structure which would incorporate a pay for performance scheme in 2011. Negotiations were successfully completed in 2011.

## Human Resources

Excellence in customer service and quality customer relations will remain critical initiatives for the Group. Our customer service improvement management system was re-launched in March 2010. Additional customer service programmes are planned for 2011.

## Focus for 2011

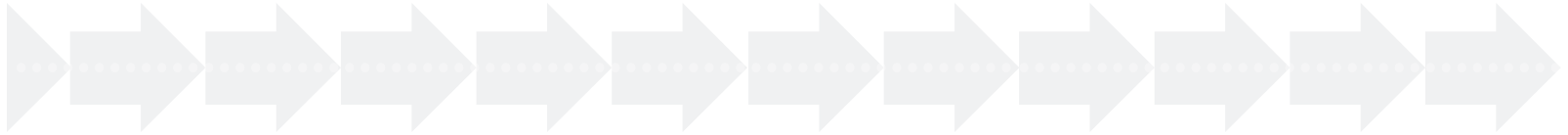
The focus on the region and Latin America would remain. ECFH Global Investment Solutions Limited and the Bank of Saint Lucia Wealth and Asset Management Division are expected to execute their regional strategy in an effort to meet investment and brokerage demands of businesses and individuals. The Bank of Saint Lucia International will continue strategic expansion plans into Latin America.

The Bank of St. Vincent and the Grenadines Limited's brand will be officially launched in May 2011 as the Group seeks to reposition the new entity and expand its customer base.

I would like to thank the Boards of Directors of ECFH and its subsidiaries for their guidance and support.

## Acknowledgements

We have made great strides this year and this could not have been accomplished without the commitment and loyalty of the management and staff of the entire Group. I sincerely thank you and look forward to another productive year ahead.





## corporate social responsibility

In 2010, ECFH maintained its social commitment to improve the quality of life of the people of Saint Lucia and communities that it serves. The Group spent over \$600,000 in the execution of its corporate social responsibility programmes. It was gratifying therefore when the Group's largest subsidiary, Bank of Saint Lucia, was awarded **Best Corporate Citizen for 2010** by the Eastern Caribbean Central Bank. The bank also won special awards for Educational Development, Environmental Awareness, Cultural Development and Financial Education & Empowerment.

### Education

**CARE:** ECFH renewed its covenant with the *Centre for Adolescent Renewal and Education (CARE)* via its donation of \$40,000. CARE offers youth at risk a holistic education which incorporates life skills with technical and vocational training. The Group's financial contribution facilitates the operations of CARE's centres island wide.

**Sir Arthur Lewis Community College:** The annual contribution to the Sir Arthur Lewis Community College was maintained with support of \$10,000 for the Hunter J. Francois Library and the college's computer laboratory facilities.

**Adult Literacy:** Bank of Saint Lucia continued to support adult literacy through its \$10,000 annual contribution to the *National Enrichment Learning Programme (NELP)* which is administered by the Ministry of Education and Culture. This contribution facilitates adult learning classes in NELP centres across the island. Additionally, *The People's Workshop*, a community-based entity that conducts adult learning and leadership sessions in rural communities such as Anse-la-Rayé was supported.

**Student Loan Programme:** Bank of Saint Lucia continues to provide financial support under the *Guaranteed Student Loan Programme* to students who cannot afford the security for a loan to pursue their studies. The bank acts as guarantor for these students who otherwise would not be able to attend university.

### Sports

**Football:** ECFH supported sport with a focus on youth participation and development. It maintained its title sponsorship of the *Castries Football Council Youth Football League* that had dozens of football clubs from the Castries basin participating. The company also contributed \$2000 to the female national football team via the *Saint Lucia Football Association* as a means of encouraging the increased participation of females in sports. Its insurance arm, EC Global Insurance Limited, also hosted its inaugural *Under 20 Football Tournament* in collaboration with the Mabouya Valley Youth and Sports Council, giving that community's youth an avenue for their talent and energy.

**Support for Females in Sport:** The Group made a concerted effort to promote female participation in the various sporting disciplines to give young women the opportunity for improved self-esteem and empowerment. The Group sponsored a regional volleyball tournament hosted by the *Saint Lucia Amateur Volleyball Association* in which the national female volleyball team participated. \$6000 was also donated to the *Saint Lucia National Cricket Association* for its hosting of the local women's tournament.

The Saint Lucia Netball Association received \$5000 for the national team's participation in the regional netball tournament held in Barbados.

In pursuance of one of its core principles of its corporate social responsibility policy, the Group launched in August 2010, Greedy for Green, its environmental programme that promotes responsible environmental practices both within and outside the organization. Under Greedy for Green, ECFH implemented an electronic fax system thereby reducing its paper use for this purpose; and introduced the use of eco-friendly promotional items and the use of recycled paper.

## Environmental Awareness

Externally, it has conducted a clean-up exercise at the Saint Lucia Blind Welfare Association's headquarters. The Group also maintained its sponsorship of the Saint Lucia National Trust's annual Youth Environment Forum, the aim of which is to create young advocates for environmental preservation and conservation.

**Carnival:** Bank of Saint Lucia supported the island's premier cultural festival, Carnival, with a focus on the more creative aspect via its sponsorship of the *King and Queen of the Bands Competition* and *Kiddies Carnival*. The bank was also Gold sponsor of the South Calypso Tent with its donation of \$5000. Its sponsorship was aimed at promoting talent in that part of the island.

## Cultural Development

**Saint Lucia Jazz Festival:** Bank of Saint Lucia maintained its commitment to *Jazz in the South* (hosted in Laborie and Soufriere) as Gold sponsor and supported the additional venue of the Coconut Bay Hotel in Vieux Fort. It also continued its support of the *Jazz Musicians' Workshop* that brought together jazz masters and music students in a learning environment.

**Fine Arts:** Solid support was provided to the fine arts with financial contributions to local dance and theatre productions such as *The School of Ballet and Modern Dance's* 30th anniversary production. The Saint Lucia School of Music also welcomed the first group of 10 scholars who were the recipients of approximately \$1000 each for their attendance at the School.

The Group continued to honour its commitment to the charitable entities with which it has a partnership. The company made its annual donation of \$25,000 to the *National Community Foundation* (NCF) and \$5000 to the *Holy Family Children's Home* for its operations.

## Charities

**Disaster Response:** Immediately following the devastating earthquake of January 12th in Haiti, the Group responded with a \$100,000 donation to the relief effort there. In the wake of Hurricane Tomas, the company mobilized its human and financial resources immediately to restore banking services to the public as soon as possible; and it made donations of relief supplies to NEMO, The Salvation Army and Feed the Poor Ministries. Staff volunteered time and effort with local agencies such as RISE in their relief efforts.

**Media Efforts:** Financial empowerment of all Saint Lucians is vital to the country's development. Consequently, a new television financial literacy series, *Financial Focus*, was launched that gives citizens practical financial advice. The Group also launched a

## Financial Literacy

newspaper column, *Financially Speaking*, that explains financial terms or jargon and the implications for people's financial affairs.

**Promotion of Saving:** A series of presentations were conducted on saving and budgeting to NELP's adult learning centres, the Boys Training Centre and The Upton Gardens Girls Centre. Bank of Saint Lucia also made a presentation on the potential of agri-business to a group of inmates of the Bordelais Correctional Facility.

**Encouraging Entrepreneurship:** The Bank also promoted youth entrepreneurship via its sponsorship of the cash prize of \$5000 for Ministry of Social Transformation's *Business Innovation Competition*; and it also sponsored Saint Lucia's first reality television series, which took young entrepreneurs through all the stages of launching a business idea successfully.





## profile of ecfh senior management

Esther Browne  
M.Sc Finance  
General Manager -  
Group Corporate Services

Robert Norstrom  
FCIB (UK) -  
Group  
Managing Director



Nestor Alfred  
MBA  
General Manager -  
Group Strategic Development  
& Expansion

Jenni Killam  
M.Sc HRM  
Senior Manager -  
Human Resource  
Management,  
Development & Training



Donna Matthew  
MBA  
Senior Manager -  
Risk Management &  
Compliance Services

Estherlita  
Cumberbatch  
ACIS, LLB -  
Corporate Secretary

Gordon Cochrane  
BA, CA -  
Group Financial Controller



Maria Fowell  
M.Sc Marketing  
Senior Manager -  
Marketing & Corporate  
Communication Services

Beverly Henry  
MBA Financial Services  
Senior Manager - Credit Risk  
Management Services

Lyndon Arnold  
Diploma Computer  
Programming & Analysis  
Senior Manager -  
Information Management &  
Technology Services



Melissa Simon  
MSc Management & Finance  
Manager - Internal Audit

## management discussion & analysis

### Overview

Despite the challenging economic environment which impacted the Group generally, and particularly the Bank of Saint Lucia Limited, in 2010, the Group achieved reasonable success in its strategy of regional expansion and diversification of its financial services markets.

The Group's investment strategy remains unchanged, ensuring that undue risk is not taken in an effort to enhance yield. Costs are controlled so that the impact of reduced income growth is not compounded by increased costs. At this time, careful investment for the future, in line with a well thought-out strategy, will be very beneficial in the long run, leaving the Group in a strong position to benefit from economic recovery.

### Results of Operations

The Group's pre-tax profit for the financial year ending December 2010 declined by 83.8%. This must, however, be assessed in the context of the current environment which was once again characterized by uncertainty. The decline in profitability was mainly affected by additional provisions for loan loss.

Interest income from loans exceeded the previous year by 5.1% in spite of the falling demand for loans generally, especially amongst corporate entities as the appetite for new business investment remained low. Interest income from investments increased by 15.8%, as a result of increased interest rates locally and internationally and with an increased investment portfolio. Total income grew by 7.7%, and expenses increased mainly due to a \$26.7 M increase in impairment losses over the previous year. Staff cost and administrative expenses continued to be tightly controlled, however, these increased by 12% over 2009 due in part to the introduction of the expenses of the new subsidiary, Bank of St. Vincent & the Grenadines.

	2010	2009	2008	2007	2010	2009	2008
	\$ mil	\$ mil	\$ mil	\$ mil	% Change	% Change	% Change
Income from loans & advances	112.8	107.4	102.6	89.4	5.1%	4.7%	14.8%
Income from investments	9.3	7.0	14.8	25.8	32.9%	(52.7%)	-42.6%
Income from investment banking services	15.9	15.4	19.0	11.7	3.2%	(18.9%)	62.4%
Non-interest income	41.6	36.9	33.3	32.4	12.7%	10.8%	2.8%
Total income	179.6	166.7	169.7	159.3	7.7%	(1.8%)	6.5%
Total operating expenses (including interest expense and provisions)	173.1	126.9	118.3	110.1	36.5%	7.3%	7.4%
Net income before taxes	6.5	39.8	51.4	49.2	(83.7%)	(22.6%)	4.5%
Earnings per share (basic)	0.38	1.06	1.94	2.25	-	-	-

The Group's financial and operational ratios at year-end reflect the continuing uncertainty in the market and reduced economic activity. Non-performing loans to total loan portfolio increased to 8% and was above the desired level of 5% as non-performing loans increased by \$57 million during the year. Non-interest income to staff cost ratio was recorded at 105% exceeding the benchmark of 100%. The Group's efficiency ratio was 65% excluding provisions.

#### Analysis of Group Revenue

	2010 \$ 000	2009 \$ 000	% Change
<b>Interest income</b>			
Interest from loans and advances	112,847	107,365	5%
Interest from investments	9,271	7,061	31%
Interest from investment banking services	15,916	15,422	3%
<b>Total interest</b>	<b>138,034</b>	<b>129,848</b>	<b>6%</b>
<b>Non-interest income</b>			
Income from fees and commissions	19,610	16,911	16%
Fees & commission from Investment Banking services	144	110	31%
Income from FX gains, trading and commissions	9,578	10,151	(6)%
Net premium income	3,593	2,985	20%
Other income	8,677	6,720	29%
<b>Total non-interest income</b>	<b>41,602</b>	<b>36,877</b>	<b>13%</b>
<b>Total Revenue</b>	<b>179,636</b>	<b>166,725</b>	<b>8%</b>

#### Group Balance Sheet

The Group's asset base grew to \$3,281M at December 2010, an increase of \$1,112M, largely through the acquisition of a majority shareholding of the National Commercial Bank of St. Vincent in November. Asset growth, excluding the effect of this acquisition, was \$401M (18%). The gross loan portfolio moved from \$1,338.2 million to \$1,769.3 million during the 2010 financial year, increasing by \$431.1 million, inclusive of loans of the new bank.



	2010	2009	2008	2007
	\$ mil	\$ mil	\$ mil	\$ mil
Performing loans	1,623.1	1,249.0	1,187.8	1,050.4
Non-performing loans	146.2	89.2	67.4	80.0
Gross loans	1,769.3	1,338.2	1,255.3	1,130.4
Loan loss provisions	43.9	23.3	23.6	27.1
Non-performing loans to gross loans	8%	7%	5%	7%
Provisions to non-performing loans	30%	26%	35%	34%
Provisions to gross loans	3%	2%	2%	2%

Customer deposits increased by \$1,037 million and stood at \$2,318 million. This increase was largely as a result of continuing efforts to encourage investors to bank with Bank of Saint Lucia through aggressive marketing of products and services as well as the deposits of the acquired bank.

#### Deposits

	2010 \$ mil	2009 \$ mil
Savings	751.1	428.9
Time deposits	949.6	434.7
Demand deposits	617.6	417.7
	<u>2,318.3</u>	<u>1,281.3</u>

Shareholders' equity moved from \$344.5 million to \$390.5 million, an increase of 13%. Return on assets and equity were recorded at 0.4% and 2.6% in 2010 compared to 1.2% and 7.6% in 2009 respectively.

## risk management report

The Group has always maintained prudent risk management as an integral part of the decision making process. The system involves identifying potential risks associated with business activities as early as possible, assessing the possible consequences and implementing suitable measures to mitigate against adverse outcome.

In 2010, policies were developed to govern Bank of Saint Lucia's investments while others were updated to ensure continued relevance and to keep in line with international best practices or regulatory requirements.

The significant areas of risks for the Group during the year were credit risk, liquidity risk, market risk and operational risk.

Credit risk is managed both at the individual and portfolio levels and throughout 2010 the Group continued to monitor its credit exposure and assess its credit standards in a challenging economic environment. The instability in certain sectors of the economy, coupled with the financial pressures on consumers to meet their obligations and the slowdown in consumer spending, all impacted negatively on the loan portfolio. These conditions led to a marginal growth in the respective credit portfolios but an increase in non-performing loans, write-off's and loan loss provisions.

### Credit Risk

Of a portfolio of \$1.8 billion at the end of 2010, non-performing loans totaled \$146 million or 8% compared with \$89 million or 7% at the end of 2009. Default in the portfolio was driven mainly within the mortgage and retail portfolios. Total loan loss provisions for the year increased to \$44 million from \$23 million in 2009. The Group implemented a number of strategies during the year to mitigate loss as a result of the continuing economic down turn. These included increased oversight in the underwriting of loans, intensified portfolio monitoring to identify loans migrating to non performing, intensified collection efforts and customer support through loan restructuring and modification. The implementation of sector concentration limits also assisted in controlling credit exposure across the portfolio. The Group also implemented a loan recoveries and collection review structure in an effort to reduce non-performing loans and to reverse trends in performing loans and improve collection strategies.

The outlook for 2011 projects marginal improvement in economic activity so the Group will continue to monitor its credit exposure and apply sound credit risk management practices, in the effort to reduce the level of credit risk.

The Group's liquidity risk is continuously monitored by its Asset/ Liability Committee (ALCO). Given its critical importance the Group was able to effectively manage its liquidity requirements ensuring that all obligations were met as scheduled and excess funds invested in good quality instruments. Bank of Saint Lucia met all of its reserve requirements of the Eastern Caribbean Central Bank (ECCB).

### Liquidity

At December 31, 2010, the investment portfolio amounted to approximately \$889 million, compared to \$426 million at December 31, 2009. Approximately \$100 million

of the portfolio represents the investment portfolio of the Group's newest subsidiary, National Commercial Bank (SVG) Limited renamed Bank of St. Vincent and the Grenadines. Of the total portfolio, 44 % was invested in bonds, 56% was invested mainly in liquid or near liquid instruments including money market accounts, treasury bills and CDs. Less than 1% of the portfolio is invested in structured notes and equities. Government securities in the countries in which ECFH operates totaled \$90 million or 16% of the total portfolio, while investments in the Eastern Caribbean Currency Union (ECCU) area comprised 31% of the portfolio.

### Market and Foreign Exchange Risk

Market risk arises from the uncertainty concerning changes in market prices and rates (including interest rates, equity prices and foreign exchange rates), the correlations among them and their levels of volatility.

The Group Investment Committee addresses issues related to investments on a Group-wide basis and for each subsidiary, individually. The Committee reports to the ALCO and is chaired by the Group Managing Director. New investments are subjected to appropriate risk analysis to ensure that only quality investments in line with the respective investment policies are booked. The Committee is required to respond quickly to market dynamics to avoid any negative impact for the Group.

For the review period, foreign exchange risk was considered to be moderate as currency matching policies continue to apply. This area of risk is also managed by the ALCO.

### Operational Risk

Operational risk is the potential for incurring losses from problems with service or product delivery and is a function of internal controls, information systems, employee integrity, customer relationships and other external influences.

In December 2010, there was an attempted phishing attack on the Group's website. The attack did not target the Group's customers and resulted in no losses. In the wake of this, the Group implemented an anti-phishing monitoring system as a proactive approach to minimize such risk.

The Group has a comprehensive business continuity management programme which is supported by BCP software implemented in 2009. Hurricane Tomas proved to be a live test of the Group's business continuity plan and all operations were restored within one week of the event with the critical service delivery systems restored within forty-eight (48) hours.

## historical financial ratios

(2006 - 2010)

		2010	2009	2008	2007	2006
<b>EFFICIENCY</b>	Efficiency Ratio without Provision	64.9%	58.7%	55.0%	51.1%	55.0%
	Efficiency Ratio with Provision	93.7%	63.9%	55.9%	52.5%	56.3%
	Net Income per Staff	20,345	55,306	100,765	99,460	86,962
<b>PROFITABILITY</b>	Return on Equity	2.6%	7.7%	14.3%	18.0%	22.0%
	Return on Assets	0.4%	1.2%	2.3%	2.5%	2.4%
	Dividend Payout	77.1%	46.7%	51.1%	53.6%	42.0%
<b>PORTFOLIO QUALITY</b>	Non-performing loans as a % of Total Loans	8.0%	7.0%	5.4%	7.0%	10.2%
	Provision as a % of non-performing loans	41.0%	25.0%	34.8%	33.8%	33.2%
<b>CAPITALIZATION</b>	Tier 1 Capital/Deposits and Borrowings	15.5%	22.8%	23.3%	22.1%	13.3%
	Tier 1 Capital/Deposits	16.8%	26.9%	26.9%	24.3%	14.9%
	Capital Adequacy	18.8%	19.4%	17.2%	22.2%	17.5%
	Largest Loan as % of Capital	18.8%	19.5%	16.4%	15.1%	20.3%
<b>RISK MANAGEMENT</b>	Largest Loan/Total Loans	4.1%	5.0%	4.4%	4.2%	6.8%
	Three Largest Loan/Total Loans	10.1%	12.3%	12.4%	9.8%	9.0%
	Ten Largest Loan/Total Loans	18.6%	35.7%	21.3%	18.8%	16.5%
	Largest Deposit/Total Loans	1.4%	2.7%	3.5%	2.1%	2.3%
	Three Largest Depositors/Total Deposits	2.1%	4.0%	5.4%	3.3%	3.8%
	Ten Largest Deposits/Total Deposits	4.0%	7.0%	7.5%	5.2%	6.3%

## report on subsidiaries



**BOARD OF DIRECTORS**  
 Victor Eudoxie – Chairman  
 Hildreth Alexander  
 Emma Hippolyte  
 Henry Mangal  
 Issac Anthony

Llewelyn Gill  
 Lennox Timm  
 Jacqueline Quamina

Terrence Farrell  
 Lisle Chase  
 Robert Norstrom

## profile of senior management



**Robert Norstrom**  
 FCIB (UK)  
 General Manager



**Joanna Charles**  
 AICB, MBA  
 Assistant  
 General Manager



**Malcolm Alexander**  
 Senior Manager  
 Operations



**Anderson Lake**  
 Professional Diploma  
 in Banking  
 Senior Manager  
 Corporate Banking



**Agnes Josie**  
 MBA  
 Senior Manager  
 Development Banking



**Medford Francis**  
 MSc. Finance Management  
 Senior Manager  
 Wealth & Asset Management  
 Division



**Bradley Felix**  
 Professional Diploma  
 in Banking  
 Senior Branch Manager  
 Financial Centre



**Baldwin Taylor**  
 MBA  
 Branch Manager  
 Waterfront



**Cornelius Sidonie**  
 MSc Financial  
 Management  
 Branch Manager  
 Gros Islet



**Arleta Ratti-Mitchel**  
 AICB  
 Branch Manager  
 Soufriere



**Dionysius Edward**  
 AICB  
 Branch Manager  
 Vieux Fort

## Bank of Saint Lucia Limited

### Balance Sheet

As of December 31, 2010

(expressed in Eastern Caribbean dollars)

	2010 \$	2009 \$
<b>Assets</b>		
Cash and balances with Central Bank	88,978,591	77,108,930
Treasury bills	6,889,524	6,914,185
Deposits with other banks	59,167,355	48,460,872
Deposits with non-bank financial institutions	2,319,511	2,503,329
Financial assets held for trading	6,681,142	16,961,091
Loans and receivables - loans and advances to customers	1,073,684,510	1,060,756,173
- bonds	2,566,111	6,158,666
Investment securities - held-to-maturity	24,150,139	35,245,912
- available-for-sale	189,554,101	169,269,613
Pledged assets	66,971,915	60,773,488
Due from related parties	250,889,598	241,868,901
Property and equipment	8,422,604	9,208,736
Other assets	19,834,769	26,797,494
Income tax recoverable	2,074,977	-
Deferred tax asset	5,832,126	-
<b>Total assets</b>	<b>1,808,016,973</b>	<b>1,762,027,390</b>
<b>Liabilities</b>		
Deposits from banks	33,865,846	36,044,377
Due to customers	1,078,788,441	990,647,986
Other funding instruments	254,174,305	222,309,352
Borrowed funds	147,669,117	195,016,693
Due to related party	-	31,255,412
Other liabilities	28,512,782	22,828,321
Income tax payable	-	8,423,447
Deferred tax liability	-	162,992
<b>Total liabilities</b>	<b>1,543,010,491</b>	<b>1,506,688,580</b>
<b>Equity</b>		
Share capital	188,918,745	172,918,673
Reserves	72,220,347	72,106,070
Unrealised loss on investments	(924,535)	(5,060,824)
Retained earnings	4,791,925	15,374,891
<b>Total equity</b>	<b>265,006,482</b>	<b>255,338,810</b>
<b>Total liabilities and equity</b>	<b>1,808,016,973</b>	<b>1,762,027,390</b>



## Bank of Saint Lucia Limited

### Statement of Income

For the year ended December 31, 2010

(expressed in Eastern Caribbean dollars)

	2010 \$	2009 \$
Interest income	115,809,606	119,543,566
Interest expense	(55,725,641)	(52,443,289)
Net interest income	60,083,965	67,100,277
Fee and commission income	14,389,243	12,399,351
Dividend income	84,140	44,140
Net foreign exchange trading income	8,417,895	9,132,004
Other gains	881,291	569,810
Operating expenses	(59,626,907)	(55,252,407)
Impairment losses on available for sale investments	(874,806)	–
Impairment losses on loans and advances	(30,344,527)	(5,888,381)
(Loss)/profit before income tax	(6,989,706)	28,104,794
Income tax recovery/(expense)	4,521,017	(12,596,481)
(Loss)/profit for the year	(2,468,689)	15,508,313
(Loss)/earnings per share	(1.84)	11.95

### Overall Performance

In the continuing challenging economic environment, Bank of Saint Lucia recorded a loss after tax of \$2.5 million, mainly due to the extreme high level of loan loss provisions required, resulting from increased levels of credit risk in the bank's loan portfolio. Total assets stood at \$1.81 billion an increase of 2.6% over 2009. Total liabilities increased by 2.4% from \$1.51 billion to \$1.54 billion. From the perspective of our overall domestic banking activities which include our Mortgage Finance Company a combined profitability after tax of \$3 million was achieved with assets totaling \$2 billion. During the year the Bank's capital base was strengthened with a \$16M injection from ECFH increasing the issued share capital to \$189M. The Bank's capital adequacy ratio was 21% well above required benchmark of 8% reflecting a solid capital base for the future operations of the Bank.

As a result of the drop in demand for loans the Bank's loan portfolio grew only marginally by 1%. The '100% Financed Land Loan' promotion undertaken during the year contributed \$7.1M to the loan portfolio. Corporate Loans growth of \$41 million and Student Loans growth of \$8 million offset the fall in consumer loans of \$10 million. Non-performing loans increased by 8% to \$88M or 8% of gross loans. The Bank continues its efforts to bring this ratio to 5%.

## Loans

Impairment losses on loans and advances increased by \$24.4 million compared to the previous year due to the deterioration of the loan portfolio.

During the year, the Bank maintained its sales efforts at deposit raising resulting in a 9% growth in customer deposits compared to 2009. Borrowed funds were \$147.7M as at December 31, 2010, down \$47M from the previous year mainly due to repayment of a loan from the International Finance Corporation (IFC) of \$40.5M. Two facilities totaling US\$35M from the European Investment Bank (EIB) and the Caribbean Development Bank (CDB) remain available for drawdown. All loan repayments to multilateral organizations have been met.

## Deposits

Despite the marginal growth in the loan portfolio, interest income on loans declined by 3.8% due mainly to reversal of interest income arising from loan delinquency and a marginal reduction in average interest yields for the year. Interest income on investments remained stable. Interest expense increased by 6% compared to the previous year reflecting volume growth in customer deposits and other funding instruments. In addition, the full impact of the interest cost of debt securities issued in the third quarter of 2009 was felt during the year. Overall the bank experienced a 3% decline in total interest income from 2009. Adjusting for the increase in interest expenses net interest income declined by 10.5% compared to the previous year.

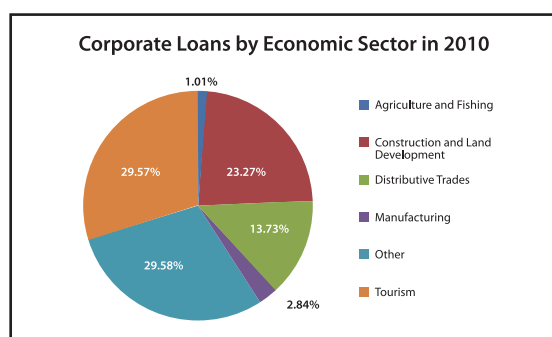
## Operating Income

Fee and commission income increased by 16% compared to 2009. Foreign exchange income fell by 8% but this was offset by increases in other fee income particularly from card related services.

Operating expenses increased by 7.9% over 2009 which includes additional staff cost following the settlement of union negotiations.

The Bank's liquidity remained very strong throughout the year and it met all commitments to ECCB in respect of its Reserve account.

## Liquidity



Within the Corporate and Development Banking Department a total of 337 loans were administered valued at \$624.3 million as at December 31, 2010. This represents an increase of 16.2% over the \$584.4 million recorded in 2009. Ninety-one (91) new loans totaling \$104.1 million

## Corporate and Development Banking

were disbursed in 2010 with an additional \$25.3 million in undrawn commitments at year end.

Development loans accounted for 46.3% of the Corporate and Development Banking portfolio at December 31, 2010, while corporate loans accounted for 53.7%.

Loans to the tourism sector formed the largest concentration in the Corporate and Development Banking portfolio, with loans valued at \$184.6 million or 29.6% of the portfolio. 67.6% of tourism loans were denominated in US Dollars.

Loans to the manufacturing sector amounted to \$17.7 million, an increase of 7.9% above the \$16.4 million recorded during the previous year.

Agriculture and fishing loans were recorded at \$6.3 million. This represents an increase of 2.1% over the \$4.2 million recorded during the previous year.

### Student Loan Financing

The Bank continued with its student loan program providing loans at concessionary rates to hundreds of students to pursue studies at tertiary level locally and overseas.

To date, there are 2,892 persons benefiting from the Bank's student loan program with a loan portfolio of approximately \$79 million. During the period under review, 328 new student loans totaling \$21.9 million were granted by the Bank to facilitate studies in areas under the Government of Saint Lucia's list of priority areas.

During the year, the last group of 44 students left for Grambling State University. This brings an end to the five year agreement between the Government of Saint Lucia and Grambling State University facilitating in excess of 240 students to pursue undergraduate studies in various disciplines. A total of \$6.4 million was disbursed to those students.

The Bank also continued with its support of the Cuban Scholarship program providing financing to approximately 182 students to pursue studies in various disciplines.

### Convenience Banking

Convenience banking services was one of the focal points of the Bank of Saint Lucia's marketing efforts in 2010. The new 'Take Back Your Time' campaign was launched with the intention of promoting under one umbrella the full suite of convenience banking products/services of Telebank, Complete Online Banking (COB), Quick Cash, the largest ATM network on island with 27 ATMs and cash dispensers, Mobile Banking, as well as its card services (debit and credit card). The key selling proposition of the 'Take Back Your Time' campaign was that the Bank offers customers total banking convenience so that they have time to pursue their own interests or hobbies. The campaign aimed to reduce the bank's walk-in traffic and so cut down on queues and waiting time for customers thereby improving customer experience. The campaign increased the bank's online banking service (COB) sign-ups by approximately 20%; its international debit card (IDC) sign-ups increased by 60% whilst the use of the ATMs and cash dispensers island wide also increased significantly.

2010 saw an increase in the Bank's point-of-sale network with a 27% increase in merchants with several of these merchants opting for the convenient wireless machine Swipe on the Go!

The global economic and financial landscape in 2010 remained no less challenging than in the previous year. Despite signs of international economic recovery, markets remained cautious as the recovery was expected to be slow and fickle.

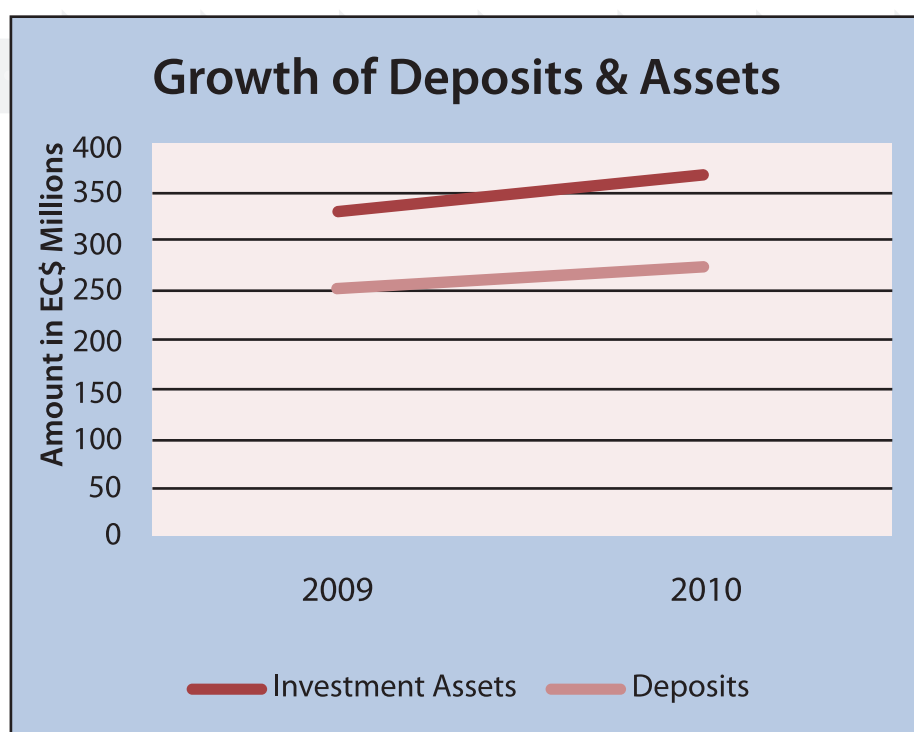
Due to such uncertainties, the Wealth and Asset Management (WAM) Division of the Bank continued to operate with safety of principal being the paramount concern. The Division increased its partnerships with financial institutions in North America and Europe. This expanded network of dealers, merchant bankers and asset managers facilitated WAM in achieving a truly global portfolio of assets.

Investor confidence in the Division remained high as characterized by an overall growth in deposits of 7.1% with the substantial increases realized in the Registered Retirement Investment Accounts, Repurchase Agreements, and Guaranteed Investment Certificates deposits.

The Division also experienced an overall growth in assets under management of approximately 8.9% in 2010 over 2009. It was a notable achievement that even with the challenges imposed by the external environment, the Division increased its return on investment.

The focus going into 2011 is for a renewed sales and marketing thrust premised on the view that the Division must start positioning itself to take advantage of greater levels of liquidity and greater opportunities for higher returns with the expected recovery in financial markets.

## Wealth & Asset Management (WAM)





**Bank of St Vincent  
& the Grenadines**  
The Bank That Gives Me *more*

## profile of board of directors



**Errol Allen**  
Profession: Economist  
Qualification: MSc. International Economics  
Substantive Position: Consultant (Chairman of the Board)  
Board Member since: November 2010  
Appointed by: ECFH  
Nationality: Vincentian

**Andre Iton**  
Profession: Financial Consultant  
Qualification: B.Sc. Economics; ACA  
Substantive Position: Managing Director  
Board Member since: November 2010  
Appointed by: ECFH  
Nationality: Vincentian



**Evelyn Jackson**  
Profession: Retired Civil Servant  
Substantive Position: Consultant  
Board Member since: November 2010  
Appointed by:  
Government of St. Vincent & the Grenadines  
Nationality: Vincentian

**Judith Veira**  
Profession: Consulting Actuary  
Qualification: BA Hons Actuarial Science;  
Fellow of the Society of Actuaries  
Substantive Position: Senior Partner  
Board Member since: November 2010  
Appointed by: Government of St. Vincent & the Grenadines  
Nationality: Vincentian



**Godwin Daniel**  
Profession: Agricultural Economist  
Qualification: M.Sc. Agricultural Economics  
Substantive Position: Retired  
Board Member since: November 2010  
Appointed by:  
Government of St. Vincent & the Grenadines  
Nationality: Vincentian

**Victor Eudoxie**  
Profession: Retired Banker  
Substantive Position: Consultant  
Board Member since: November 2010  
Appointed by: ECFH  
Nationality: Saint Lucian



**Robert Norstrom**  
Profession: Banker  
Qualification:  
Associate & Fellow – Chartered Institute  
of Bankers, (UK)  
Substantive Position: Group Managing Director, ECFH  
Board Member since: November 2010  
Appointed by: ECFH  
Nationality: Saint Lucian

**Derry Williams**  
Profession: Banker  
Qualification: MBA Finance  
Substantive Position: Managing Director, BOSVG  
Board Member since: November 2010  
Nationality: Vincentian  
Appointed: April 2011



profile of senior management

**Derry Williams**  
MBA Finance –  
Managing Director



**Bennie Stapleton,**  
BS.c Accounting, ACCA –  
Chief Financial Officer



**La Fleur Hall**  
MSc Audit Management  
and Consultancy –  
Senior Compliance Officer



**Charron Dos Santos**  
Diploma in General Management –  
Senior Human Resource Officer

**Bernard Hamilton**  
MBA Business  
Administration –  
Manager,  
Credit Administration

**Wendell Davis**  
MSc Computer Information  
Systems –  
Manager, Information Technology



**Cerlian Russell**  
MBA Business Management  
Administration –  
Manager, Operations

**Nandi Williams –**  
MA International Law,  
Corporate Secretary





## Bank of St. Vincent and the Grenadines Limited

### Balance Sheet

As of December 31, 2010

(expressed in Eastern Caribbean dollars)

	December 31 2010 \$	June 30 2010 \$ (As restated)	July 1 2009 \$ (As restated)
<b>Assets</b>			
Cash and balances with Central Bank	124,148,387	44,682,398	39,799,243
Treasury bills	7,421,866	7,254,565	18,915,346
Deposits with other banks	51,080,097	31,407,271	54,295,865
Financial assets held for trading	41,652	1,554,827	3,952,929
Loans and receivables - loans and advances to customers	399,420,613	482,005,143	571,966,811
- bonds	27,088,767	28,098,493	-
Investment securities - held-to-maturity	61,303,167	94,723,346	92,261,838
- available-for-sale	4,043,181	11,543,181	11,532,901
Pledged assets	1,259,208	8,636,204	9,378,191
Property and equipment	25,893,332	6,341,717	5,766,470
Other assets	6,111,052	5,653,368	5,194,173
Investment property	-	37,000,000	-
Income tax recoverable	3,834,389	3,744,030	2,287,271
Deferred tax asset	2,010,808	2,393,195	-
<b>Total assets</b>	<b>713,656,519</b>	<b>765,037,738</b>	<b>815,351,038</b>
<b>Liabilities</b>			
Deposits from banks	27,315,765	33,094,751	28,590,344
Due to customers	557,629,290	591,341,864	648,548,778
Other funding instruments	1,245,123	8,366,849	9,378,191
Borrowed funds	30,698,772	31,894,241	30,538,369
Other liabilities	10,404,355	15,295,657	16,162,739
Deferred tax liability	-	-	102,026
<b>Total liabilities</b>	<b>627,293,305</b>	<b>679,993,362</b>	<b>733,320,447</b>
<b>Equity</b>			
Share capital	14,753,306	14,753,306	14,753,306
Reserves	14,753,306	14,753,306	14,753,306
Unrealised gains on investments	1,686,319	6,138,064	6,434,367
Retained earnings	55,170,283	49,399,700	46,089,612
<b>Total equity</b>	<b>86,363,214</b>	<b>85,044,376</b>	<b>82,030,591</b>
<b>Total liabilities and equity</b>	<b>713,656,519</b>	<b>765,037,738</b>	<b>815,351,038</b>

**Bank of St. Vincent and the Grenadines Limited**

## Statement of Income

**For the period ended December 31, 2010**

(expressed in Eastern Caribbean dollars)

	<b>6 months period ended December 31 2010 \$</b>	<b>12 months ended June 30 2010 \$ (As restated)</b>
<b>Interest income</b>	<b>23,728,812</b>	<b>51,916,881</b>
<b>Interest expense</b>	<b>(10,378,886)</b>	<b>(22,709,015)</b>
<b>Net interest income</b>	<b>13,349,926</b>	<b>29,207,866</b>
<b>Fee and commission income</b>	<b>1,962,566</b>	<b>4,341,139</b>
<b>Dividend income</b>	<b>113,167</b>	<b>299,364</b>
<b>Net foreign exchange trading income</b>	<b>2,364,944</b>	<b>5,749,840</b>
<b>Other gains</b>	<b>4,450,754</b>	<b>–</b>
<b>Operating expenses</b>	<b>(13,595,633)</b>	<b>(29,104,785)</b>
<b>Impairment losses on investment securities</b>	<b>–</b>	<b>(10,574,427)</b>
<b>(Impairment losses)/recoveries of loans and advances, net</b>	<b>(2,037,240)</b>	<b>895,870</b>
<b>Profit before income tax</b>	<b>6,608,484</b>	<b>814,867</b>
<b>Income tax (expense)/credit</b>	<b>(837,901)</b>	<b>2,495,221</b>
<b>Profit for the period</b>	<b>5,770,583</b>	<b>3,310,088</b>
<b>Earnings per share</b>	<b>0.58</b>	<b>0.33</b>

Effective November 1, 2010, ECFH acquired 51% shareholding interest in the Bank of St. Vincent and the Grenadines Ltd, formerly National Commercial Bank (SVG) Ltd. Prior to this, the Bank was wholly owned by the Government of St. Vincent and the Grenadines. As part of its divestment strategy, Government of St. Vincent and the Grenadines has given an undertaking to divest an additional 29% shares in the Bank by the end of October 2011 retaining only 30%. This additional divestment will see the allocation of 5% to the National Insurance Services of St. Vincent and the Grenadines; 4% to the staff of the Bank of St. Vincent and the Grenadines; and 20% to the public by way of an Initial Public Offering (IPO) on the Eastern Caribbean Securities Exchange (ECSE).

All efforts are now being focused on the repositioning of the new entity with the guidance and support of the ECFH brand. Four members of the new Board of Directors including the Chairman were appointed by ECFH. The other three directors were appointed by the Government of St. Vincent and the Grenadines.

The new entity has a strong balance sheet with an asset base as at December 31, 2010 of \$713.7M and a capital adequacy ratio of 25%. The liquidity of the Bank has been bolstered by the refinancing of \$100M of loans to the Government of St. Vincent and the Grenadines by the Caribbean Development Bank in July 2010 also reducing the Bank's overall credit exposure to the Government of St. Vincent & the Grenadines. While the performance of the Bank has been mixed over recent years, its performance in 2010 is very encouraging. We are confident that the injection of liquidity and the repositioning under the ECFH brand will bring sustained growth and profitability in the years ahead as customer confidence is restored, and as the Bank's offerings become more appealing to a wider cross-section of the market.

ECFH will improve business standards in the implementation of strategies towards strengthening of the Bank and anticipates substantial improvement in the performance of the Bank resulting in positive returns on its investment in the near future.



**BOARD OF DIRECTORS:**

Marius St. Rose – Chairman  
Robert Norstrom – Director  
Vern Gill – Director

Thecla Deterville – Director  
George Lewis – Director  
James Wadham – Director

Nestor Alfred – Director  
Estherlita Cumberbatch –  
Corporate Secretary

**PRINCIPAL OFFICERS:**

Ryan Devaux, Chartered Accountant – Chief Executive Officer  
David Sookwa – Manager, Operations  
Gwyneth Taitt – Legal & Product Development Manager



**Ryan Devaux**  
Chartered Accountant-  
Chief Executive Officer

**David Sookwa**  
AICB Bachelor of Commerce  
& Financial Services  
Manager, Operations

**Gwyneth Taitt**  
ACIS, LLB  
Legal & Product  
Development Manager

**2010** has been another successful year for BOSLIL. The results demonstrate the importance of strategic planning and effective execution. The foundation continues to be laid for a more diversified business model that will position BOSLIL well in the future. This progress continued despite another tough economic year globally.

St. Lucia was successful in negotiating and signing 17 Tax Information Exchange Agreements (TIEAs) during the year. This enabled the jurisdiction to be moved from the "Grey List" to the "White List" as defined by the OECD. The jurisdiction continues to show its commitment to remaining compliant with international standards. The next rounds of peer evaluations for St. Lucia are scheduled for 2012 and 2013 respectively.

## Financial Highlights

Total assets at December 31, 2010 of US \$273.4 million (EC \$738.2 million) increased by US \$151.8 million (EC \$409.9 million) relative to December 31, 2009. Customer deposits increased from US \$114.6 million (EC \$309.2 million) to US \$266.1 million (EC \$718.5 million). This significant growth in assets is representative of the opportunities that exist for building capacity to assist with the banking component of structured finance and/or corporate finance related activity. While the deposit levels tend to fluctuate, the larger deposits represent good earning potential while they remain. Worthy of mention is that clients have the confidence in BOSLIL to place deposits of considerable size. Adjusting for one large deposit received in December 2010, the core assets of the bank increased to approximately US \$153 million (EC \$413 million) by year end.

Net income for the year ended December 31, 2010 was US \$555 thousand (EC \$1.50 million) as compared to US \$379 thousand (EC \$1.02 million) for the year ended December 31, 2009. Operating expenses decreased from US \$2.8 million (EC \$7.6 million) in 2009 to US \$2.6 million (EC \$7.1 million) in 2010 and foreign exchange risks managing 17 currencies are hedged with minimal net exposures. Profitability remained in line with the very conservative risk profile adopted for the investment portfolio and the fact that global interest rates remain severely depressed.

In keeping with the conservative investment policies of the Bank and its commitment to protecting clients' deposits, BOSLIL maintained a very conservative balance sheet throughout the year, with 79.0% (2009 – 46.3%) of total assets consisting of cash and cash equivalents as at the year end. The investment diversification strategy adopted at the end of fiscal 2008 of investing in high quality bond portfolios continued to yield positive results during 2010.

The South American market represents the area of greatest growth and opportunity for BOSLIL. Additional personnel were hired to service Uruguay and Argentina markets following a decision to no longer have a dedicated resource in Europe. The BOSLIL brand has become well known in Uruguay among the intermediary market and is recognized as a provider of exceptional service. Significant progress has been made in the 20 months since establishing a presence there. In 2010, there was a 144% increase in the number of new accounts (all markets) processed as compared to 2009.

Business  
Development &  
Product  
Development

BOSLIL ended the year with the first international mutual fund registered and the capacity to start mutual fund business. A registered agent license was also granted in early January 2011 which now enables BOSLIL to provide international business companies services.

Significant focus has been on operational efficiencies to cope with the expanding volumes being processed by the bank. Risk management remains of core importance and is under constant review and improvement. Relationships with correspondent banks and investment managers remain healthy and we continue to add new relationships for diversification purposes and to ensure that yield enhancement strategies can be measured against peer performance.

Operations

### Bank of Saint Lucia International Limited

#### Financial Statement Highlights

at December 31, 2010

	2010 US \$000	2009 US \$000
<b>Assets</b>		
Investments	273,098	117,988
Other	348	3,630
<b>Total Assets</b>	<b>273,446</b>	<b>121,618</b>
<b>Liabilities and Equity</b>		
Customer deposits	266,055	114,588
Other liabilities	433	145
Equity	6,958	6,885
<b>Total Liabilities and Equity</b>	<b>273,446</b>	<b>121,618</b>
<b>Income &amp; Expenses</b>		
Net Operating Income	3,176	3,188
Total Expenses	2,621	2,809
<b>Net income</b>	<b>555</b>	<b>379</b>



**BOARD OF DIRECTORS:**  
Lisle Chase – Chairman  
Isaac Anthony  
Cadie St. Rose-Albertini  
Vern Gill

Robert Norstrom  
Nestor Alfred  
Esther Browne  
Joanna Charles

Estherlita Cumberbatch –  
Corporate Secretary

**PRINCIPAL OFFICER:**  
Joel Allen, MBA in Finance &  
International Business Strategy – Senior Manager



**Joel Allen**  
MBA in Finance & International Business Strategy –  
Senior Manager

## 2010 Year in Review

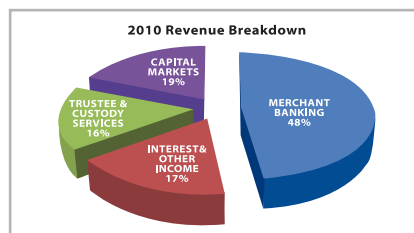
The global, regional and local financial climate was very challenging during the year, as evidenced by the ballooning sovereign debt to GDP ratios, credit rating downgrades, rising unemployment rates, political instability and natural disasters. The reduction in the number of primary market sovereign debt issues within the region and the deteriorating economic environment resulted in fewer companies electing to raise finance on the capital markets. Notwithstanding these challenges, ECFH Global Investments was able to deliver a net income of EC\$271,670 for the year ending December 31, 2010.

A reorganizing of the business operation into a focused and customer centric unit has reaped early dividends allowing more time for identifying the needs of clients and developing appropriate products and services to meet those needs.

## Performance of Business Lines

Merchant Banking and Capital Market Services were the two (2) main revenue earning streams during 2010, accounting for 48% and 20% of gross revenue respectively. These were supported by Interest and Other Income (16%) and Trustee and Custody Services (16%). Debt securities were structured for a number of clients on the Merchant Banking side, including the Government of Saint Lucia, Bank of Saint Lucia and Government of Anguilla.

On the capital market front, the company became more aggressive in secondary market trading activities for debt securities. On the equity side, the company partnered with Grenada Cooperative Bank in successfully executing their additional share offer. Research activities were increased by producing current dated company analyses for most of the equities quoted on the Eastern Caribbean Securities Exchange (ECSE) and launching a new publication entitled, The Daily Global.



Business risk was minimized by consistently diversifying the revenue base across the four business lines in the first instance and by broadening business lines in the second. In that regard, a Dealer's Trading Desk which is expected to generate additional revenue during 2011 was introduced.



During the year, the company strengthened its relationship and expanded its strategic partnerships. As a result of these relationships, the company's client base has grown above the previous year. These relationships also enabled the leveraging of product offerings of partners and use of those as a platform to provide clients with a wider pool of instruments. It is intended to further leverage these relationships in 2011 by offering clients a one stop shop for debt and equity instruments in Caribbean and international markets.

Strengthening  
Existing  
Partnerships,  
Building New  
Relationships

Notwithstanding the continued bearish projections for the regional and global sovereign and corporate debt markets, the company expects to grow revenues through the continued expansion of the current business lines and the creation of more innovative product solutions and, most importantly, improved service delivery. The implementation of the company's regional expansion strategy is expected to further diversify its geographical revenue base so as to be confirmed as a regional leader in brokerage and merchant banking services. The recent introduction of the single market and economy within the OECS will only serve to support our expansion plans as certain trade barriers will no longer exist.

Going Forward

In order to become the preferred choice for brokerage services within the sub-region, a new and upgraded website will be introduced in 2011 along with other initiatives that are geared at boosting the company's profile and increasing its market activity.

### ECFH Global Investment Solutions Limited

#### Financial Statement Highlights

at December 31, 2010

	2010 EC \$000	2009 EC \$000
<b>Assets</b>		
Investments	1,165	1,510
Other	1,621	2,843
<b>Total Assets</b>	<b>2,786</b>	<b>4,353</b>
<b>Liabilities and Equity</b>		
Liabilities	911	2,749
Equity	1,875	1,604
<b>Total Liabilities and Equity</b>	<b>2,786</b>	<b>4,353</b>
<b>Income &amp; Expenses</b>		
Fee & Commission Income	1,013	1,342
Other Income	183	82
Total Expenses (including tax)	924	969
<b>Net income after tax</b>	<b>272</b>	<b>455</b>



**BOARD OF DIRECTORS**

Emma Hippolyte – Chairperson  
Marius St. Rose  
Hildreth Alexander  
Thaddeus Antonie  
Andrew Levy  
Didacus Jules

Wendell Skeete  
Byron Leslie  
Robert Norstrom  
Esther Browne  
Estherlita Cumberbatch –  
Corporate Secretary

**PRINCIPAL OFFICERS:**

Leathon Khan, B.Sc, Chartered Insurance Practitioner – Chief Executive Officer  
AnneMarie Herman, MSc Industrial Management, Licensed Casualty  
Adjuster – Operations & Agencies Manager

**Leathon Khan**  
B.Sc, Chartered Insurance  
Practitioner –  
Chief Executive Officer



**Anne Marie Herman**  
MSc, Industrial Management,  
Licensed Casualty Adjuster –  
Operations & Agencies Manager

**2010** was an exceptionally challenging year which presented mixed fortunes for the company ranging from growth and expansion in the business portfolio to dealing with the harsh reality of a national catastrophe brought about by Hurricane Tomas at the end of October.

For most of the year, prior to Hurricane Tomas, the company was able to maintain its competitiveness in a soft insurance market and a weak economic environment. The company was well positioned to close the year on a profitable footing, having been able to so far successfully achieve several of its strategic objectives, including growth in premium income of 17%; containing operating expenses; improving the quality of service delivery to ensure a high rate of customer retention; and the establishment of a new convenience centre in Rodney Bay.

The financial impact of Hurricane Tomas reversed the profitable results that the company had produced up to that point. The total incurred losses arising from Hurricane Tomas was \$8.5 million. The company met all its claims payment commitments without encountering any cash flow problems or incurring any debt to make these payments. This was possible due to the excellent reinsurance arrangements in place.

**Financial  
Highlights**

Total assets stood at EC\$19M at the end of the reporting period increasing over last year by 37%. Underwriting surplus decreased by 41% from the previous year to EC\$1.24M. Other operating income inclusive of interest income grew by 33%. Notwithstanding the additional costs brought about by Hurricane Tomas, total operating expenses varied from the company's budget by a mere 1%. The net effect overall from the hurricane, given the significant increase in claims costs, resulted in a relatively small loss after tax for the year of EC\$0.38M.

Gross premiums written for 2010 were EC\$11.98 M which was 17% above 2009 total of EC\$10.26M. Property and motor remain the top performers obtaining EC\$7.44M (62%) and EC\$4.24M (35%) respectively. Both motor and property premiums showed an increase over last year of 15% and 19% respectively. Motor business has remained very competitive.

Claims incurred for the period totaled EC\$10.42M increasing almost six times over last year. Total motor claims amounted to EC\$1.55M, a modest increase of 3% while property claims showed a gross increase of over EC\$8.8M.

## Portfolio Performance

### Bank of Saint Lucia Insurance Agency

The formation of the Bank of Saint Lucia Insurance Agency is a key strategic partnership to foster business development and to provide a convenient "one stop shop" facility for the mutual clients of Bank of Saint Lucia and EC Global. This agency relationship provides an excellent opportunity to further expand the business portfolio and to gain market share.

## Marketing Initiatives and Outlook

### Sales Executives

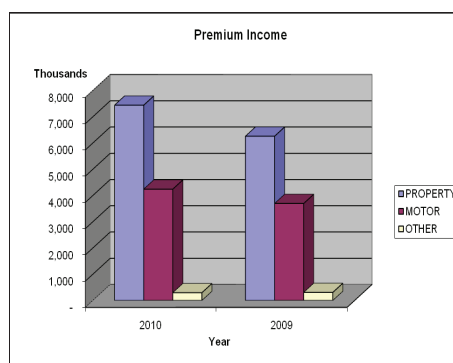
The strategy of engaging a team of Sales Executives has proven to be successful and shows great potential. The company intends to expand the size of the Sales Executive team in the coming year, to cover a wider cross section of Saint Lucia.

### Rodney Bay Convenience Centre

This new facility was established to create a strong presence in the most rapidly developing commercial and residential area in Saint Lucia and will offer ease and convenience to many customers residing or doing business in the North. The convenience centre will also play a key role in further establishing EC Global as a dominant player in the insurance market.

EC Global Insurance Ltd.  
Financial Statement Highlights  
as at December 31, 2010

	2010 EC \$000	2009 EC \$000
<b>Assets</b>		
Cash and Investments	6,109	6,390
Other Assets	13,038	7,576
<b>Total Assets</b>	<b>19,147</b>	<b>13,966</b>
<b>Liabilities and Equity</b>		
Liabilities	16,426	10,853
Equity	2,721	3,113
<b>Total Liabilities and Equity</b>	<b>19,147</b>	<b>13,966</b>
<b>Income &amp; Expenses</b>		
Net Insurance Premium	1,237	2,111
Other Income	1,218	913
<b>Total Expenses (including tax)</b>	<b>2,831</b>	<b>2,526</b>
<b>Net (loss)/income after tax</b>	<b>(376)</b>	<b>498</b>





## BOARD OF DIRECTORS:

Victor Eudoxie – Chairman  
Emma Hippolyte  
Marius St. Rose  
Hildreth Alexander

Henry Mangal  
Robert Norstrom –  
Group  
Managing Director

Nestor Alfred  
Esther Browne  
Estherlita Cumberbatch –  
Corporate Secretary

## PRINCIPAL OFFICER:

Elizabeth Bousquet, MSc Int. Construction Management  
& Engineering - Manager



**Elizabeth Bousquet**  
MSc Int. Construction  
Management & Engineering -  
Manager

The Property Holding and Development Company of Saint Lucia Limited (ProDev) recorded an after tax profit of \$2.89M in 2010, an increase of 13% from \$2.56M in 2009. This increase was achieved despite a decrease in interest income as invested funds were utilized for the construction of the new ECFH building at Massade, Gros Islet and the inability to secure a tenant for one of the company's locations in Castries. This last mentioned issue has been rectified.

Total assets were recorded as \$104.5M in December 2010, an increase of 6.15% from \$98.4M in December 2009. The most significant increase was in the area of property plant and equipment which increased to \$14.4M in 2010 from \$3.5M in 2009 as construction on the new ECFH Building in Gros Islet commenced in February 2010. Total liabilities was at \$60.4M in 2010, a 9.5% increase over \$55.1 M in 2009.

Work on the new ECFH building in Gros Islet commenced in February 2010. This building will house the operations of the offshore bank, BOSLIL, and the Wealth and Asset Management Division (WAM) on one floor leaving the other floors for rental to external tenants. ProDev also purchased a three storey building on the Soufriere Waterfront to facilitate the relocation of the Soufriere Branch of the Bank of Saint Lucia to a facility which would house modern amenities and technical systems to facilitate operations of the branch. In both cases, appropriate financing has been arranged.

**Property Holding & Development Company Limited**  
**Financial Statement Highlights at**  
**December 31, 2010**

	2010 EC \$000	2009 EC \$000
<b>Assets</b>		
Investment properties	79,457	76,752
Investments	3,630	10,694
Other	21,398	10,990
<b>Total Assets</b>	<b>104,485</b>	<b>98,436</b>
<b>Liabilities and Equity</b>		
Long term loans	41,475	38,199
Other	18,897	16,946
Equity	44,113	43,291
<b>Total Liabilities and Equity</b>	<b>104,485</b>	<b>98,436</b>
<b>Income &amp; Expenses</b>		
Total Income and gains	11,439	11,103
Total Expenses (including tax)	8,552	8,547
<b>Net income after tax</b>	<b>2,887</b>	<b>2,556</b>



BOARD OF DIRECTORS  
 Victor Eudoxie – Chairman  
 Hildreth Alexander  
 Emma Hippolyte  
 Henry Mangal

Issac Anthony  
 Llewelyn Gill  
 Lennox Timm  
 Jacqueline Quamina

Terrence Farrell  
 Lisle Chase  
 Robert Norstrom

The Mortgage Finance Company faced similar challenges as the Bank of St Lucia during 2010. The mortgage portfolio fell during the year, due mainly to a mid year sale of mortgages to the Eastern Caribbean Home Mortgage Bank to strengthen the company's liquidity. As a result, the company's total assets reduced in value by 4% to \$217M.

The reduced loan balances were matched by reduced borrowings of \$14.1M or 9% which caused net interest income to grow by just over 1%. This, together with the fact that additional loan loss provisioning was not required and expenses being contained at only a marginal increase, resulted in the company reporting an increase in net income after tax of 5%.

### **Mortgage Finance Company Of Saint Lucia Limited**

Financial Statement Highlights at  
 December 31, 2010

	<b>2010 EC \$000</b>	<b>2009 EC \$000</b>
<b>Assets</b>		
Loans & Advances	<b>216,799</b>	<b>224,603</b>
Other	<b>222</b>	<b>321</b>
<b>Total Assets</b>	<b>217,021</b>	<b>224,924</b>
<b>Liabilities and Equity</b>		
Customer Deposits	<b>34,999</b>	<b>33,259</b>
Borrowings	<b>150,436</b>	<b>164,580</b>
Other Liabilities	<b>8,693</b>	<b>5,550</b>
Equity	<b>22,893</b>	<b>21,535</b>
<b>Total Liabilities and Equity</b>	<b>217,021</b>	<b>224,924</b>
<b>Income &amp; Expenses</b>		
Net Interest Income	<b>7,726</b>	<b>7,551</b>
Other Income	<b>390</b>	<b>391</b>
Total Expenses (including tax)	<b>2,258</b>	<b>2,373</b>
<b>Net income after tax</b>	<b>5,858</b>	<b>5,569</b>

## FINANCIAL REPORTING RESPONSIBILITIES

The Management of the East Caribbean Financial Holding Company is responsible for the preparation and fair presentation of the financial statements and other financial information contained within this Annual Report. The accompanying financial statements were prepared in accordance with International Financial Reporting Standards. Where amounts had to be based on estimates and judgements, these represent the best estimates and judgements of Management.

In discharging its responsibility for the integrity and fairness of the financial statements, and for the accounting systems from which they were derived, Management has developed and maintains a system of accounting and reporting which provides the necessary internal controls that ensure transactions are properly authorized, assets are safeguarded against unauthorized use or disposition and liabilities are recognized. This is supported by written policies and procedures; quality standards in recruiting and training employees; and an established organizational structure that permits accountability for performance within appropriate and well-defined areas of responsibility.

An Audit Unit that conducts periodic audits of all aspects of the Group's operations further supports the system of internal controls.

The Board of Directors oversees Management responsibility for financial reporting through the Audit Committee, which is composed of only Directors who are neither officers nor staff of the Bank. The primary responsibility of the Audit Committee is to review the Group's internal control procedures and plan revision of those procedures and to advise directors on auditing matters and financial reporting issues. The Group's head of Internal Audit has full and unrestricted access to the Audit Committee.

At least once a year the Eastern Caribbean Central Bank makes such examination and inquiry into the affairs of the Group as deemed necessary to ensure that the provision of the Banking Act relating to safety of depositors' funds and shareholders' equity is being observed and that the Group is in a sound financial condition.

PriceWaterHouseCoopers, appointed as Auditors by the shareholders of the Group, have examined the financial statements and their report follows. The shareholders' auditors have full and unrestricted access to the Audit Committee to discuss their audit and related findings as to the integrity of the Group's financial reporting and adequacy of the systems of internal control.



Robert Norstrom  
GROUP MANAGING DIRECTOR



Gordon Cochrane  
GROUP FINANCIAL CONTROLLER