## SECURING YOUR FINANCIAL FUTURE

**ANNUAL REPORT 2009** 



## OUR VISION, MISSION & VALUES

# OUP VISION Global growth from 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 appropiate technology
- To exceed shareholder expectations and be a catalyst for development

# Our VALUES

- Customer Care
- Respect for Individuals
- Integrity
- · Teamwork and Collaboration
- Professionalism
- Social Responsibility
- Results Orientation



#### **ANNUAL REPORT 2009**

# SECURING YOUR FINANCIAL FUTURE

# Table of CONTENTS

- i Vision, Mission & Values
- ii Contents
- 1 Notice of the Ninth Annual Meeting
- 2 ECFH Group Corporate Information/Correspondent Banking Relationship
- 3 The Group Structure
- 4 Corporate Profile
- 5 ECFH Group Financial Highlights: 2005 2009
- 6 Chairman's Review
- 8 Corporate Governance
- 9 Profile of Directors
- 11 Directors' Report
- 12 Group Managing Director's Report
- 14 Corporate Social Responsibility
- 16 Profile of ECFH Senior Management
- 17 Management Discussion & Analysis
- **18** Risk Management Report
- 20 Historical Financial Performance Ratios (2005 2009)
- 21 Subsidiary Reports:
  - Bank of Saint Lucia Limited (pages 21–25)
  - Bank of Saint Lucia International Limited (pages 26 27)
  - ECFH Global Investment Solutions Limited (page 28 29)
  - EC Global Insurance Company Limited (pages 30 31)
  - Property Holding & Development Company of Saint Lucia Limited (page 32)
  - Mortgage Finance Company of Saint Lucia Limited (page 33)
- 34 Financial Reporting Responsibility
- 35 Audited Financial Statements for ECFH Group 2009

## NOTICE OF THE NINTH ANNUAL MEETING

Notice is hereby given that the Ninth 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 Wednesday, June 2nd 2010, at 5:00 p.m., for the following purposes:

- 1. To receive the Audited Financial Statements of the Company for the year ended December 31, 2009, and the Report of the Auditors
- 2. To receive the Report of Directors
- 3. To sanction Dividends paid for the twelve-month period ended December 31, 2009
- 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 3rd 2010 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**

#### East Caribbean Financial Holding Company Limited

Registered Office and Postal Address: P. O. Box 1860 # 1 Bridge Street Castries, Saint Lucia, West Indies

Email Address: ecfh@candw.lc Website Address: www.ecfh.com Telephone Number: (758) 456-6000 Fax Number: (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

#### **AFFILIATIONS**

Member of: Caribbean Association of Indigenous 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

#### **SUBSIDIARIES**

#### Bank of Saint Lucia Limited # 1 Bridge Street P.O. Box 1862 Tel: (758) 456-6000 Fax: (758) 456-6720 Castries, Saint Lucia, West Indies Email: info@bankofsaintlucia.com Website: www.bankofsaintlucia.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 Website: 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) 456-6733 Email: customerservice@ecfhglobalinvestments.com Website: www.ecfhglobalinvestments.com

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 Financial Services Supervisory Unit – Saint Lucia Registrar of Insurance – Saint Lucia

#### Correspondent Banks For Bank of Saint Lucia Limited and Bank Of Saint Lucia International Limited

#### OECS

Antigua Commercial Bank Limited St. Mary's & Thames Streets P.O. Box 95 St. John's Antigua

#### Bank of Antigua Limited P.O. Box 315 St. John's Antigua

Bank of Nevis Limited P. O. Box 450 Charlestown Nevis Eastern Caribbean Central Bank P.O. Box 89 Basseterre St. Kitts National Bank of Dominica Limited 64 Hillsborough Street Roseau Dominica National Commercial Bank (SVG) Limited P.O. Box 880 Kingstown St. Vincent

> 2 SECURING YOUR FINANCIAL FUTURE

#### 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 Website: 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

#### 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 Website: www.prodevslu.com

#### **EXTERNAL AUDITORS**

**PriceWaterhouseCoopers** Chartered Accountants P.O. Box 195 Castries, Saint Lucia

#### **OWNERSHIP**

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

Percentage

#### Republic Bank of Grenada Limited NCB House, Grande Anse P.O. Box 57 St. George's Grenada

St. Kitts, Nevis, Anguilla National Bank Limited Church Street P. O. Box 343 Basseterre St. Kitts ... Correspondent Banks continued

#### REGIONAL

Barbados National Bank Inc. Broad Street Bridgetown Barbados

**Citibank (Trinidad & Tobago) Ltd.** 59 Independence Square Port of Spain Trinidad and Tobago

**First Citizens Bank Limited** Treasury & International Trade Center P.O. Box 718 Port of Spain Trinidad and Tobago

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 and Tobago

RBTT Bank Caribbean Ltd.

3rd Floor, Royal Court 19-21 Park Street Port of Spain Trinidad and Tobago **Republic Bank of Guyana Ltd.** Guyana Post Office Corporation North Road & Savage Street Georgetown Guyana

**RBC** Dominion Securities Inc.

P.O. Box 1095 GT 24 Shedden Rd, 4th Floor Grand Cayman Cayman Islands

#### **INTERNATIONAL**

Bank of America N.A. 100 SE 2nd Street, 30th Floor Miami, Florida USA

Bank of New York 101 Barclay Street 6E New York NY 10286 USA

#### CitiBank N. A.

111 Wall Street New York NY 10286 USA

Crown Agents Financial Services Limited St. Nicholas House St. Nicholas Road, Sutton Surrey SM1 1EL United Kingdom

#### Lloyds TSB Bank Plc

UK International Operations 11 Monument Street London EC3R 8JU United Kingdom

**Toronto Dominion Bank** International Centre, Toronto 55 King St. W & Bay Street Toronto, Ontario M5K 1A2 Canada

LGT Investment Management (Asia) Limited

Suite 4203, Two Exchange Square 8 Connaught Place G.P.O. Box 13398 Central Hong Kong Hong Kong

Dominick Company AG, Private bank Mittelstrasse 14 P.O. Box CH 8034 Zurich Switzerland

Banque Cramer & Cie SA 5-7 Rue Général Dufour 211 Geneva 11 Switzerland

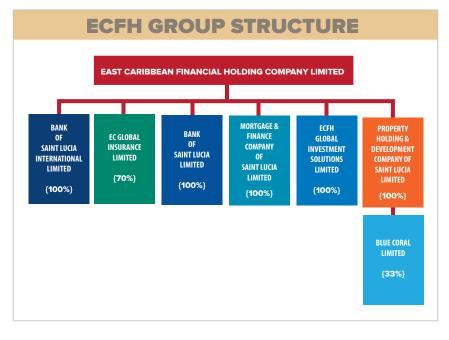
The Hong Kong & Shanghai Banking Corporation Ltd. Level 10, HSBC Main Building 1 Queen's Road Central Hong Kong

#### ING Belgium SA/NV Avenue Marnix 24

B-1000 Brussels Belgium

#### Bred Banque

Populaire Logistique Comptable 8181A Avenue De Generale de-Gaulle 9400 Creteil France





## **ECFH CORPORATE PROFILE**

Name of Company	Business	Period Established	Capitalization 2009 EC \$M	Balance Sheet Assets 2009 EC \$M	Principal Officer
East Caribbean Financial Holding Company Limited	Group Parent Holding Company	2001	217.7	273.1	Esther Browne
Bank of Saint Lucia Limited	Universal Banking – Retail, Commercial, Corporate, Development, Investment	2001	255.3	1,762.0	Robert Norstrom
Mortgage Finance Company of Saint Lucia Limited	Residential Mortgage Financing	2001	21.5	224.9	Joanna Charles
Property Holding Management & Development Company of Saint Lucia Limited	Real Estate Holding , Management and Development	2001	43.3	98.4	Elizabeth Bousquet
EC Global Insurance Company Limited	General Insurance	2004	3.1	14.0	Leathon Khan
Bank of Saint Lucia International Limited	Private and/or Offshore Banking	2004	18.6	354.8	Ryan Devaux
ECFH Global Investment Solutions Limited	Brokerage and Merchant Banking	2008	1.6	4.4	Carla Morton-Campbell



# East Caribbean Financial Group Financial Highlights

	2009	2008	2007	2006	2005
	EC\$000	EC\$000	EC\$000	EC\$000	EC\$000
Income Statement					
Interest Income	129,848	136,414	126,874	105,426	84,510
- Interest Expense	53,120	52,385	53,565	41,376	33,381
= Net Interest Income	76,728	84,029	73,309	64,050	51,129
+ Other Income net	35,102	31,118	30,421	24,053	18,422
= Operating Income	111,830	115,147	103,730	88,103	69,552
- Staff Costs	33,284	30,496	29,633	26,459	23,397
- Administrative costs	32,839	32,196	23,459	21,980	16,127
- Provisions	5,888	1,008	1,396	1,181	1,316
= Net Income before Taxes	39,819	51,447	49,242	38,483	28,712
- Taxes	13,721	4,561	4,998	3,517	1,203
+/(-) Minority Interest	(160)	(30)	15	166	258
= Net Income after Taxes	25,938	46,856	44,259	35,132	27,767
Balance Sheet					
Cash and Balances with Central Bank	76,604	82,859	58,753	63,601	62,349
+ Investments	575,657	541,802	740,525	543,545	451,915
+ Loans	1,314,827	1,231,689	1,103,303	886,333	680,776
+ Other	202,194	185,694	106,103	84,385	134,385
= Total Assets	2,169,282	2,042,044	2,008,684	1,577,864	1,329,424
Deposits	1,281,283	1,248,395	1,308,042	1,163,075	1,011,980
+ Borrowings	231,909	194,861	133,216	139,213	141,209
+ Other Liabilities	311,566	263,102	249,135	101,602	30,228
+ Capital	344,524	335,686	318,291	173,974	146,008
= Total Liabilities and Capital	2,169,282	2,042,044	2,008,684	1,577,864	1,329,424
Other Information					
Return on Equity	7.7%	14.3%	18.0%	22.0%	20.5%
Return on Assets	1.2%	2.3%	2.5%	2.4%	2.39
Dividend Payout	46.7%	51.1%	53.6%	42.0%	39.8%
Book Value of Ordinary Shares	13.97	13.77	13.17	11.04	9.82
Average Market Value of Ordinary shares	13.09	14.20	11.74	9.40	7.8
Earnings per Ordinary Share	1.06	1.94	2.25	2.42	2.06
Dividends per Ordinary Share	0.50	1.00	1.00	1.00	0.80
Provisions as % of Portfolio	1.7%	1.9%	2.4%	3.4%	5.8%
Provisions as % of Non-performing portfolio	24.8%	34.8%	33.8%	33.2%	34.5%



# CHAIRMAN'S Review

"The sluggish local economy has impacted the Banking sector resulting in a slowdown in the demand for loans, increases in arrears and delinguency and a fall in revenue. Given this scenario and the continued commitment by ECFH to its customers and shareholders to rise above all odds, we have chosen the theme **"Securing Your Financial** Future."

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#### **Economic Perspective**

The global economic challenges which began in 2008 intensified during 2009. Many of the key nations of the world experienced significant declines in growth and high levels of unemployment.

The world recession was brought closer to home when, on the regional scene, some key developments impacted the financial sector, including a run on the Bank of Antigua and the collapse of British American and CLICO Insurance Companies. This prompted the Eastern Caribbean Currency Union (ECCU) to advance the cause of regional economic union and to develop an Eight Point Stabilisation and Growth Programme, the components of which include fiscal reform, debt management and public sector investment programmes, social and financial safety net programmes, amalgamation of the Indigenous Commercial Banks and rationalisation, development and regulation of the Insurance sector.

Given the global and regional economic conditions in 2009, Saint Lucia experienced reduced tourism arrivals, a decline in the Manufacturing, Agriculture and Construction sectors, and reduced Government revenue. The sluggish local economy has impacted the Banking sector resulting in a slowdown in the demand for loans, increases in arrears and delinquency and a fall in revenue.

Given this scenario and the continued commitment by ECFH to its customers and shareholders to rise above all odds, we have chosen the theme "Securing Your Financial Future" as the theme for the 2009 Annual Report.

#### **Group Performance**

The East Caribbean Financial Holding Company Limited (ECFH) performed well during what was overall a very tough year globally, regionally and domestically. A net profit before tax was recorded at \$39.8M.

Victor Eudoxie Chairman "In order to maintain its position as the largest financial institution listed on the Eastern Caribbean Securities Exchange (ECSE), the Group continued to pursue a number of key strategic initiatives planned for its respective subsidiaries."

The Group was severely impacted by an increase in bad debts with the consequent increase of provisions that had to be made.

Further impacting net profits for 2009 was the result of a five year tax assessment by the Inland Revenue Department covering the income years 2004-2008 which required an additional payment of \$8.9M for the five year period, an average of \$1.78M per year required to be booked in 2009.

#### Strategic Initiatives

In order to maintain its position as the largest financial institution listed on the Eastern Caribbean Securities Exchange (ECSE), the Group continued to pursue a number of key strategic initiatives planned for its respective subsidiaries. This is necessary if the Group is to take advantage of the opportunities which lie ahead as economic conditions improve.

Bank of Saint Lucia established a new Business Centre in Rodney Bay. Bank of Saint Lucia International Limited (BOSLIL) established operations in South America forming BOSLIL Sudamérica. Property Holding & Development Company Limited (ProDev) completed all preparatory work on a new building in Gros Islet.

The Group began work on regional market expansion through ECFH Global Investment Solutions Limited, the Brokerage and Merchant Banking arm of the Group, and Bank of Saint Lucia's Wealth & Asset Management Division. Exploratory work was also conducted on expanding the Group's insurance business within the region, which is expected to come to fruition in 2010.

#### Corporate Social Responsibility

Given the challenging economic times, the Group views its corporate social responsibility as having immense significance to the well being of the communities within which we operate and conduct our business. Unwavering support continued for our flagship initiatives such as the Centre for Adult Rehabilitation & Education (C.A.R.E), the National Community Foundation, the Holy Family Children's Home and adult literacy programmes such as the National Enrichment and Learning Programme.

During 2009, new programmes included work with the Solid Waste Management Authority, the St. Lucia National Trust and the Saint Lucia School of Music.

Worthy of note is also the \$300,000 contribution made towards the rebuilding of St. Jude's Hospital. Once again it was a pleasure to have Bank of Saint Lucia capture the ECCB's 2009 Good Corporate Citizen Awards for Educational Development and Financial Education and Empowerment.

"The world recession is slowing down and although we are not fully through its impact, we recognize that we have already been through the worst of it and survived well. This gives us confidence that we will have positive growth in all our subsidiaries in 2010."

#### Looking Forward

We look forward to 2010 and beyond with cautious optimism, despite the continuing challenges we anticipate. We encourage new Government initiatives that will stimulate the economy, and provide employment yet manage inflation. Furthermore, we hope to see Government action taken to remove Saint Lucia from the OECD list of "grey" countries.

The world recession is slowing down and although we are not fully through its impact, we recognize that we have already been through the worst of it and survived well. This gives us confidence that we will have positive growth in all our subsidiaries in 2010.

#### Acknowledgments

In closing, I take this opportunity to thank the Board of Directors for its support and guidance in these difficult times. It is indeed in the most demanding times that quality governance at Board level is most critically needed.

I thank our customers and shareholders for the continued confidence in the ECFH Group. We will continue to work diligently and efficiently at securing your financial future.

Finally, I also want to take the opportunity to thank the Management and Staff of ECFH and all its subsidiaries for their dedication and commitment in 2009. We still have much to achieve in 2010 so we need to stay focused on the overall vision of this organization.

7 SECURING YOUR FINANCIAL FUTURE

## **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 who govern the affairs of the Group. It sets policy 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, 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. No one individual has unrestricted powers of decision making. The roles of Chairman and Group Managing Director cannot be exercised by the same individual.

To facilitate accountability and transparency, no one individual or group of individuals dominates the decision making process.

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.

#### Subsidiary Boards

The ECFH Board should 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.

• 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 should 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 Board is delegated to the Asset Liability Management Committee, which is chaired by 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

NG YOUR FINANCIAL FUTURE processes, the Group's processes for monitoring compliance with applicable laws 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:

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

#### Credit Committee

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

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

#### Governance Committee

This Committee assists the Board in fulfilling its responsibilities in providing for qualified board succession and for promoting the integrity of the Company through the establishment of appropriate corporate governance principles. The Committee is comprised of the following members:

- Victor Eudoxie Chairman
- Leonard Lewis
- Emma Hippolyte
- Cadie St. Rose Albertini
- Isaac Anthony

# Profile of DIRECTORS

#### FROM LEFT TO RIGHT:

#### Victor Eudoxie

Profession Substantive Position Board Member since Appointed by Nationality

: Retired Banker : Chairman

: July 1997 : Government of Saint Lucia : Saint Lucian

#### **Robert Norstrom**

Profession Qualification Substantive Position Board Member since **Executive Director** Nationality

#### **Jacqueline Quamina**

Profession Qualification Substantive Position

Board Member since Appointed by

- : Attorney at Law : LLB, MA, MBA : Group General Counsel/Corporate Secretary Republic Bank
- : March 2004

: Republic Bank of Trinidad & Tobago

: October 2004 : ECFH : Trinidadian

: Banker

#### Henry Mangal Profession

: Group Managing Director

Qualification Substantive Position **Board Member since** Elected by Nationality

#### : Management : Bsc. Accounting, Msc. Strategic Leadership : Management Consultant : October 1999 : Ordinary Shareholders

: Saint Lucian

9

: Associate & Fellow – Chartered Institute of Bankers, (UK)

- SECURING YOUR FINANCIAL FUTURE



#### FROM LEFT TO RIGHT:

#### **Isaac Anthony**

Profession	•	Accounting & Finance
Oualification		Bsc. Accounting, MBA
		Permanent Secretary,
		Ministry of Finance/ Director of Finance
		Director of Finance
Board Member since	:	March 2007
Appointed by	:	Government of Saint Lucia
Nationality	:	Saint Lucian

#### Margaret George

Profession : Agriculturist Qualification : Bsc Agriculture Education Substantive Position : Managing Director, Agri Sales & Services Board Member since : July 2009 Appointed by : OECS Bank Group

#### Cadie St. Rose-Albertini

Profession	: Attorney at Law	P
Qualification	: LLB (Hons), L.E.C., LLM	0
Substantive Position	: Senior Legal Counsel/	Si
	Corporate Secretary –	
	National Insurance Corporation	B
Board Member since	: May 2007	A
Appointed by	: National Insurance Corporation	N
Nationality	: Saint Lucian	IN

#### **Hildreth Alexander**

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

#### Lisle Chase

Profession Qualification Substantive Position Board Member since Appointed by Nationality	<ul> <li>Accountant</li> <li>FCCA, CA</li> <li>CEO- Financial Centre Corporation</li> <li>June 2008</li> <li>Ordinary Shareholders</li> <li>Saint Lucian</li> </ul>
<u> </u>	

#### George L. Lewis

Profession	:	Engineer
Qualification	:	B.Sc, MS Petroleum
		Engineering
Substantive Position	:	Director-Republic Bank
		of Trinidad & Tobago
Board Member since	:	January 2004
Appointed by	:	Republic Bank of
		Trinidad & Tobago
Vationality	:	Trinidadian

#### Emma Hippolyte

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

> 10 SECURING YOUR FINANCIAL FUTURE

# DIRECTORS' Report

Your Directors have pleasure in submitting their Report for the Financial Year ended December 31, 2009.

#### CONSOLIDATED FINANCIAL RESULTS & DIVIDENDS

Profit attributed to Shareho	olders	26.1
Transfer to Statutory Reser	ve	(9.9)
Transfers to General Reserv		(3.2)
Transfer to East Caribbean		(- )
Student Loan Guarantee Fu	und	(0.3)
D 1		12.7
Dividends		
Ordinary Interim – 25 cents per share		( )
-		6.0
Preference		0.4
Minority Interest		0.2
Ordinary Final - 25 cents pe	er share	6.0
Transfer to Retained Earn	ings	0.1
	2009	2008
Share Capital		
Ordinary	168.8	167.6
Preference	5.4	6.6
Contributed Capital /		
Other General Reserves	71.4	61.7
Statutory Reserves	80.3	70.4
Adjusted Retained Earnings		10.2

#### **Directors**

In accordance with the OECS Banks Shareholder Group Agreement, Director Margaret George, appointed in July 2009 to replace Mr. Reuben Deubry as a representative of the OECS Banks Shareholder Group, will retire from the Board by rotation at the close of the Annual General Meeting.

In accordance with Section 4.4 of the Bye Laws, Emma Hippolyte, Hildreth Alexander and Henry Mangal retire from the Board and being eligible offer themselves for re-election for a further term. Victor Eudoxie and Isaac Anthony appointed by the Government of Saint Lucia and Cadie St.Rose-Albertini appointed by the National Insurance Corporation retire by rotation and being eligible offer themselves for re-appointment.

#### Directors' Interest

2009

EC\$M

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

Director	Beneficial Interest
Cadie St.Rose -Albertini	845
Emma Hippolyte	39,008
George L. Lewis	3,186
Henry Mangal	2,000
Hildreth Alexander	200
Isaac Anthony	4,739
Jacqueline Quamina	2,500
Lisle Chase	Nil
Margaret George	Nil
Robert Norstrom	11,500
Victor Eudoxie	1,610

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.

## Substantial Interests in Share Capital as at December 31, 2009

#### Preference Shares:

National Insurance Corporation -100% of the issued and outstanding shares totalling 1,080,000.

#### Ordinary Shares:

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

#### Sharebolders Relations

The shares of East Caribbean Financial Holding Company Limited (ECFH) have been listed on the Eastern Caribbean Securities Exchange (ECSE) from October19, 2001. As a result, all shares are traded on the Exchange, and records maintained by them in accordance with the regulations of the Exchange. A total number of 111,709 shares were traded at an average price of \$13.09 per share during the 2009 financial year.

As the issuer of the shares, 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 Saint Lucia, bringing the total number of scholarships granted to date to eight. The scholarships would be awarded annually on the basis of the students obtaining the highest scores at the Common Entrance Examinations.

#### **Auditors**

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 the one Annual Meeting until the next Annual Meeting.

11 SECURING YOUR FINANCIAL FUTURE

# GROUP MANAGING DIRECTOR'S Review

#### **Overview**

The state of affairs of the global economy has impacted on the economies of the region and Saint Lucia is no exception. Disposable income and Government revenue have decreased impacting on capital projects, economic development and employment levels during 2009.

The major impact of the economic events on East Caribbean Financial Holding Company Limited (ECFH), has been seen mainly through its largest subsidiary Bank of Saint Lucia Limited where in the area of credit risk many customers have experienced debt servicing problems.

The international investment climate caused investors to adopt a very cautious approach to investments, taking positions in near cash securities, resulting in the narrowing of spreads. This weakening of investor confidence has particularly impacted on the 2009 performance of Bank of Saint Lucia International Limited (BOSLIL).

#### Group Performance

Despite the challenging year, 2009 proved to be yet another successful one for the Group. ECFH continues to be the leading financial institution listed on the Eastern Caribbean Securities Exchange Limited (ECSE) with an average share price of \$13.09 during the 2009 financial year but ending the year at \$14.95. The Group is very well capitalized with a combination of ordinary

and preference shares. The Group's balance sheet is strong at \$2.2 billion in total assets, while customer deposits amounted to \$1.3 billion and total equity stood at \$344 million.

Bank of Saint Lucia continues to meet its regulatory requirements for liquidity, and ECFH is considering injecting additional capital to further strengthen the Bank's Tier 1 Capital.

#### Strategic Initiatives

ECFH continues to have strong relations with key international funding agencies including Caribbean Development Bank, European Investment Bank and International Finance Corporation. Our relationship with the International Finance Corporation was further developed in 2009 with assistance provided particularly in the areas of SME and Risk Management, including market risk assessments and stress testing of liquidity and capital adequacy.

> "Despite the challenging year, 2009 proved to be yet another successful one for the Group."

In April 2009, Bank of Saint Lucia International (BOSLIL) expanded its operations into South America, through the formation of a market research and business development company in Uruguay, BOSLIL Sudamérica S.A. To launch the new company, **BOSLIL Sudamérica S.A.** sponsored two major events in Uruguay and these were very well received. The full potential of this strategic initiative is expected to be realized in the near future.

Robert Norstrom Group Managing Director "Training and development continues to be a priority for the Group in order to build leadership capacity and maintain competitive advantage."

The two new investment banking entities established in 2008, ECFH Global Investment Solutions Limited (ECFH Global Investments) and Bank of Saint Lucia Wealth & Asset Management (WAM), settled down in 2009 with good business growth and profitability recorded. WAM was able to increase its asset base while enhancing its organizational processes while ECFH Global Investments was able to raise significant funds by successfully arranging issues for the Government of Anguilla, Government of Saint Lucia, Eastern Caribbean Home Mortgage Bank (ECHMB) and Bank of Saint Lucia.

ECFH is now poised for greater expansion into the regional market and efforts are expected to intensify in 2010 with promising strategic partnerships in some of the islands. Bank of Saint Lucia and the ECFH Group have played a major role in assisting with stabilizing the Bank of Antigua which experienced a run on its deposits in February 2009.

EC Global Insurance Company Limited continues to steadily build profitability, and market share, domestically. With the developments in the region in 2009 which saw the collapse of well known insurance companies, the Group is reviewing its regional strategies in the general insurance business, and it is anticipated that in 2010 a strategic alliance will be formed with partners in the region.

Construction of the new building in Gros Islet did not proceed according to plan in 2009. However, this initiative remains a high priority and is expected to get underway in the first quarter of 2010. This will meet one of the major goals of the Property Holding & Development Company of Saint Lucia Limited (ProDev), with the building scheduled for completion by the end of 2011.

#### **Operational Initiatives**

The Group gave priority to some key operational initiatives in 2009 in an effort to enhance service delivery to customers.

The Automated Loans Processing System has proved very challenging but it is anticipated that the new system will be in place by the 3rd quarter of 2010, and will considerably improve loan processing, customer service and reduce the credit risk to Bank of Saint Lucia.

During the year the Group undertook several information management and technology initiatives including network security enhancements and a Group-wide upgrade of bandwidth. The latter has resulted in a vast improvement in our customer service delivery, both internally and externally. A major beneficiary of these initiatives are the Bank's credit and debit card services and Points-of-Sale management. A wireless Point-of-Sale service, "SWIPE on the Go," was introduced and it is expected that mobile banking and American Express credit cards will soon be added to our suite of convenience products.

Currently, the Group is streamlining its accounting and reporting systems. Much progress has been made on this project which, when completed, will eliminate

> 13 SECURING YOUR FINANCIAL FUTURE

the manual procedures in reporting of the Group's results, and will reduce the time and cost of preparing financial statements. It is anticipated that this initiative will be fully implemented by May 2010.

With the aim of improving customer service at Bank of Saint Lucia branches, work has continued on the Centralized Support Unit (CSU) project which will centralize all back office processes for the Bank, allowing branch officers to concentrate more on sales and customer service.

In June 2009, Bank of Saint Lucia, in response to the needs of business customers in the north of the island, established the Rodney Bay Business Centre (RBBC). To date the response has been very positive and we continue to streamline this service to meet the needs of our business customers, not only in Rodney Bay but in the wider northern region.

In the area of Insurance during the period under review, EC Global Insurance introduced a sales executive structure in order to increase market share and to improve customer service. We anticipate that the full impact of the sales team will be more effectively felt in the coming year. The Company also established an agency arrangement with Bank of Saint Lucia to help in improving its service delivery.

#### Human Resources & Industrial Relations

In March 2009, the executive management team was restructured with a view to strengthening leadership, streamlining decision making and promoting greater partnerships and collaboration across the Group. To this end, a new position of General Manager, Group Strategic Development and Expansion was created, and Mr. Nestor Alfred joined the Group, with overall responsibility for the subsidiary companies Bank of Saint Lucia International (BOSLIL), EC Global Insurance Company Limited, ECFH Global Investment Solutions Limited and Property Holding & Development Company of Saint Lucia, along with the Wealth & Asset Management Division (WAM) of Bank of Saint Lucia. The position of General Manager, Group Corporate Services was also created with Ms. Esther Browne retaining responsibility for the ECFH departments that serve the rest of the Group including Finance and Planning (inclusive of Asset & Liability Management and Group Investment), IMTS, Marketing & Corporate Communications, Credit Risk, Administration & Security, Risk Management and Compliance and HR Administration.

The process of fostering organizational culture change was further advanced in 2009 with the introduction of Transformational Coaching concepts as a means of strengthening the organization's performance management framework. This approach works in tandem with performance measures and other related initiatives to support the strategic focus of sales and service.

Training and development continues to be a priority for the Group in order to build leadership capacity and maintain competitive advantage.

Plans are in place for a major staff rally for early 2010 to motivate staff and chart the way forward for another challenging year ahead.

#### **Acknowledgements**

I would like to sincerely thank the Boards of Directors of ECFH and all its subsidiaries, management and all staff of the entire ECFH Group for their unwavering support during 2009.

The entire Group remains committed to providing a quality service and satisfying the financial needs of all whom we serve and in so doing, securing the financial future.

# corporate Social responsibility



CARE students happy to receive ECFH donation

The Group, in 2009, spent more on its philanthropic commitments than the previous year and deepened its involvement in key areas of its corporate social responsibility programme particularly in the areas of the environment and culture. ECFH contributed well over \$800,000 to a plethora of projects and initiatives all aimed at engendering the holistic development of our people through education, sport, culture, environmental awareness and community building.

#### Education

In addition to honouring its annual commitment to flagship educational initiatives such as the Centre for Adolescent Renewal and Education (CARE) and adult literacy programmes run by The People's Workshop and the National Enrichment Learning Programme (NELP), ECFH and its subsidiaries undertook several initiatives to enrich the educational experience of the nation's youth.

Quite significantly, ECFH ventured into the area of musical education when it established a scholarship programme for less privileged but talented students to attend the Saint Lucia School of Music. The \$10,000 annual donation allows 10 students from primary and secondary schools across the island to attend the School for one year.

The Group also contributed to education by enhancing the physical facilities of a number of schools including a renovated drinking water station for the Entrepot Secondary School, a Troy Bilt tiller, a vital piece of equipment for the Saint Mary's College purchased by the Group for the Agricultural Science programme, and a projector for the

#### 14 CURING YOUR FINANCIAL FUTURE

#### "ECFH

contributed over \$800,000 to a plethora of projects and initiatives aimed at engendering the development of our people through education, sport, culture, environmental awareness and community building."



People's Workshop Adult Literacy facilitators hard at work

the foreign language laboratory of the Sir Ira Simmons Secondary School.

#### Sport

Sport continued to receive generous attention as a key element of ECFH's corporate social responsibility programme. In addition to its annual support of events such as the HelpAge Senior Games and the Vieux Fort Football tournaments, the Group made significant contributions to sporting events of a regional nature, giving local athletes from various sporting disciplines much needed exposure and experience.

Early in the year, ECFH contributed \$10,000 towards Saint Lucia's hosting of the CARIFTA Games that were hailed as the most successful games in the history of the



Sharing a victorious moment in the ECFH sponsored CFC Youth Football League

event. The Group went on to give similar financial support to the island's hosting of the World Volleyball Qualifiers and the OECS Cycling Championship, an event that was won by Saint Lucia. The martial arts also received support when ECFH assisted the Saint Lucia Shotokan Karate Association to host the 8th Annual International Karate Championship and Symposium.

In collaboration with the Castries Football Council, the Group established a youth football league for the Castries basin. This extremely successful inaugural league attracted over 14 clubs and teams, with over 100 goals scored throughout the competition. ECFH also assisted several national teams to attend overseas tournaments, including the Saint Lucia Netball Association which participated in the Under 16 Netball Competition in Jamaica.

#### Culture

ECFH emphasized the developmental aspect of the cultural initiatives that it supported in 2009. Bank of Saint Lucia donated \$10,000 to the Cultural Development Foundation (CDF) for the King and Queen of the Bands competition in both the Junior and Senior categories.

The cultural art forms of dance and poetry were also encouraged with the Group assisting two of the island's leading dance troupes, Christylights Dance Academy and the Silver Shadow Performing Arts Academy. The Network for Empowerment developed a novel concept entitled "Wordeos" which are video presentations of poems by local writers. Bank of Saint Lucia sponsored the production of one of these videos featuring a local poet who writes in creole. Relatedly, the promotion of creole culture and heritage received the Bank's customary support via its collaboration with the Folk Research Centre (FRC) to host the annual La Wenn Kweyol Competition as part of Jounen Kweyol celebrations. The Bank added to this support by purchasing \$1,500 worth of the booklet, "The Flower Festivals of Saint Lucia", for distribution to the island's libraries and schools so that students can learn of this indigenous tradition.

Additionally, Bank of Saint Lucia continued its support of local musical talent via its financial contribution to TEMPEST, an organization dedicated to the development of young musicians. It also gave its usual substantial contribution to the Saint Lucia Jazz Festival with the bulk of that support going to Jazz in the South.

#### Environmental Awareness

2009 saw ECFH deepening its commitment to fostering environmental awareness and conservation. In partnership with the Saint Lucia National Trust, the Group undertook several activities including the hosting of the first ever Youth Environment Forum. The Forum's objective was to educate young Saint Lucians (7-18 years old) on the importance of environmental preservation so that they can become advocates for this cause in their schools and communities. ECFH also assisted the Trust to facilitate the first ever Citizens Consultation on Climate Change. The Consultation gathered the views of Saint Lucians on this issue which were then included in the discussions at the Global Conference on Climate Change that took place in Copenhagen in December.

Bank of Saint Lucia also teamed up with the Saint Lucia Solid Waste Management Authority to launch the Clean Schools, Healthy Schools Campaign, the aim of which is to improve the environmental standards and waste management practices of 10 primary and secondary schools across the island.

## *Charitable Causes & Community Development*

In 2009, ECFH ensured that it continued to respond to the needs of the less privileged

and situations of urgent crisis. The Group committed \$300,000 to the St. Jude's Hospital Rebuilding Fund after that hospital suffered a major fire in early September 2009. Further, the staff of the Bank of Saint Lucia's Vieux Fort branch donated \$5,000 of their personal funds to the rebuilding effort.

The Group supported other entities' fundraising efforts such as the National Community Foundation through its annual support of \$25,000. ECFH also increased this year's contribution of \$5,000 to the Holy Family Children's Home by over \$1,000 via its support of the Home's fundraising dinner. Other organizations that benefitted included the Saint Lucia Blind Welfare Association, the Rotary Club of Saint Lucia and the Lions Club of Castries. The Group also assisted community organizations such as the Laborie Development Foundation and the Canaries Community Foundation with financial contributions to their respective activities that sought to foster the socioeconomic development of those communities.

On a national level, the Group participated in the National Independence Exhibition celebrating Saint Lucia's 30th Anniversary of Independence by hosting a booth and sharing financial information with visitors. Finally, ECFH made a major contribution of \$10,000 towards the construction of a Rodney Bay Police substation that is expected to improve the level of security for visitors and businesses of that area.

#### *Financial Literacy*

2009 was a particularly significant year for ECFH's financial literacy efforts due to the global financial downturn that took hold in that year. All its financial literacy initiatives including its weekly television programme, Money Matters and newspaper column, Money Talks, focused on helping citizens to cope with the impact of the downturn. Topics such as Debt Management and Weathering the Recession were discussed and during Financial Information Month, ECFH sponsored a radio drama series on how to make wise financial choices.

# **Profile of SENIOR MANAGEMENT**



Front Row: Left to right. **Robert Norstrom** FCIB (UK) Group Managing Director – ECFH

**Esther Browne** M. Sc Finance General Manager -Group Corporate Services **Nestor Alfred** MBA **General Manager** – Group Strategic Development & Expansion

**Beverly Henry** MBA Financial Services Senior Manager – Credit Risk

Andrea St. Rose LLB (Hons.), CA, CGA, FCIS, CFE, MBA

Internal Audit Consultant

Back Row: Left to right.

Maria Fowell M. Sc. Marketing Senior Manager -Marketing & Corporate Communications Jenni Killam M. Sc. HRM Senior Manager – Human Resource Management, Development & Training

Estherlita Cumberbatch ACIS, LLB **Corporate Secretary** 

Donna Matthew MBA Senior Manager -Risk Management & Compliance

Gordon Cochrane BA, CA. Group Financial Controller

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

16 SECURING YOUR FINANCIAL FUTURE

# Management discussion & analysis

#### **Overview**

The difficulties experienced in 2008 which originated with the sub-prime mortgage crisis in the United States in 2007 continued to dominate the financial services industry in 2009. Caribbean economies suffered from the effects of recession and some long established regional financial institutions came under severe pressure. These factors presented the Group with unprecedented challenges and there was a considerable impact on trading results.

The Group's response to these challenges has, however, been very encouraging. Careful adherence to prudent investment and lending policies and tight control over operating costs and liquidity have ensured that the Group and its subsidiaries achieved stability in spite of the exceptionally difficult market environment. A strong business foundation, together with a highly regarded brand in Saint Lucia and the wider Region, should ensure that the Group is well positioned to take advantage of economic recovery in general and the re-generation of activities in the Caribbean financial services industry in particular.

#### **Results of Operations**

The Group's pre-tax profitability declined by 23% for the financial year ended December 2009. This must, however, be assessed in the context of the current environment which was once again characterized by uncertainty and declining economic growth.

Interest income from loans exceeded the previous year by 4.7%. However, interest income from investment reduced by 52.7%.

The decline was due to a further rebalancing of the investment portfolio to more secure investments paying lower rates and, by extension, preserving capital. Total incomedecreased by 1.8%, at a lower rate than expenses which increased by 7.3%. The increase in expenses was influenced mainly by the requirement to increase provisioning for loan losses by \$4.9m. Interest expenses rose by 1.4% over 2008 and increases in staff and administrative expenses continued to be tightly controlled, increasing by 4.8% over 2008.

For the second successive year all subsidiaries recorded profits, reflecting the fact that the Group's newer businesses are now beginning to generate steady returns for shareholders.

% Change							
	2009         2008         2007         2006         2009         2008         2						
	\$ mil	\$ mil	\$ mil	\$ mil			
Income from loans & advances	107.4	102.6	89.4	74.0	4.68%	14.8%	20.8%
Income from investments	7.0	14.8	25.8	21.4	-52.70%	-42.6%	20.6%
Income from investment banking services	15.4	19.0	11.7	10.0	-18.95%	62.4%	17.0%
Non-interest income	36.9	33.3	30.4	24.1	10.81%	5.1%	26.0%
Total income	166.7	169.7	157.3	129.5	-1.77%	7.0%	21.4%
Total expenses	126.9	118.3	118.3	91	7.27%	8.2%	18.7%
Net income before taxes	39.8	51.4	49.2	38.5	-22.57%	4.5%	28.0%
Earnings per share (basic)	1.06	1.94	2.25	2.40	-	-	-

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 of 7% was above the desired level of 5% as non-performing loans increased by \$27 million during the year. Non-interest income to staff cost was recorded at 111% exceeding the benchmark of 100%. The Group's efficiency ratios were calculated at 64% with provisions and 59% without provisions for non-productive loans.

Analysis of Group Revenue	Dec. 09	Dec. 08	
Interest income	\$ mil	\$ mil	% Change
Interest from loans and advances	107,365	102,617	5%
Interest from investments	7,061	14,776	-52%
Interest from investment banking services	15,422	19,021	-19%
Total interest	129,848	136,414	-5%
Non-interest income			
Income from fees and commissions net	16,911	16,230	4%
Fees & commission from investment banking services	110	709	-84%
Income from FX gains, trading and commissions	10,151	8,863	15%
Net premium income	2,985	2,963	1%
Other income	6,720	4,538	48 %
Total non-interest income	36,877	33,303	11%
Total Revenue	166,725	169,717	-2%

#### Group Balance Sheet

The Group's asset base grew by \$127.2M (6.2%); this growth was achieved through careful management of the loan portfolio and prudent investment of surplus funds. During these difficult times it is critical that the quality of the loan portfolio is maintained

to ensure that the inevitable impairment losses are minimized.

The gross loan portfolio moved from \$1,255.3 million to \$1,338.19 million during the 2009 financial year, increasing by \$83 million.

	2009	2008	2007	2006
	\$ mil	\$ mil	\$ mil	\$ mil
Performing loans	1,244.13	1,187.8	1,050.4	831.6
Non-performing loans	94.06	67.4	80.0	94.7
Gross loans	1,338.19	1,255.3	1,130.4	926.3
Loan loss provisions	23.3	23.6	27.1	31.4
Non-performing loans to gross loans	7%	6%	7%	10%
Provisions to non-performing loans	25%	35%	34%	33%
Provisions to gross loans	2%	2%	2%	3%

Customer deposits increased by \$32.9 million and stood at \$1,281.3 million. This increase in deposits was largely due to continuing efforts

to encourage savers to bank with the Group through aggressive marketing of products and services.

Deposits	Dec. 09 \$ mil	Dec. 08 \$ mil
•	•	
Savings	428.9	410.5
Time deposits	434.7	434.6
Demand deposits	417.7	403.3
	1,281.3	1,248.4

Shareholders equity moved from \$335.7 million to \$344.5 million, an increase of 2.6%. Return on assets and equity moved from 2.3% and 14.3% in 2008 to 1.2% and to 7.7% in 2009, respectively.

18 SECURING YOUR FINANCIAL FUTURE

# risk management *Report*

Analyzing exposure to various risks and determining how best to handle such exposure remained an integral part of the Group's decision-making process throughout 2009. ECFH continues to operate an effective system for identifying, communicating and dealing with risks at an early stage, through detailed Board-approved Risk Management Policies. The aim is to identify the potential risks associated with business activities as early as possible, assess the possible consequences of their occurrence, and take suitable mitigation measures.

In 2009, the Group's Business Continuity Policy was revised while other risk policies were developed to govern fraud procedures, compliance risk and Bank of Saint Lucia investments. Some of the existing policies were also updated based on international best practices or regulatory requirements as necessary.

During 2009, the Group, with assistance from the International Finance Corporation (IFC) commenced work on restructuring and improving its risk management systems with the development of a Financial Simulation Model which will assist with stress testing and management of financial risks inclusive of liquidity risk and capital adequacy, as well as strategic planning and budgeting activities. The model is expected to be ready for implementation by the second quarter of 2010.



# "The effective management of credit risk will continue to be a critical component in the Group's overall approach to risk management."

The ECFH Group has in place a policy to govern compliance with anti-money laundering (AML) and counter terrorist financing legislation and international best practices. This policy which has a risk –based approach is strictly enforced groupwide. AML compliance is given high priority in daily operations as it can affect our correspondent banking relationships and other relationships that are critical to the Group's operations as well as incur penalties from regulators; all factors that can adversely affect reputation.

There is also a Compliance Policy that governs compliance risk management throughout the Group and compliance issues are reported to the Board on a quarterly basis. During the year under review there were no significant AML or compliance issues that impacted on the Group.

The following represented the significant areas of risk during the year: liquidity risk, credit risk, market risk, operational risk and reputation risk.

#### Liquidity Risk

The Group's liquidity risk is continuously monitored by the Asset/Liability Committee (ALCO). Liquidity challenges continued to affect the domestic banking sector during the period. However, the Group was able to effectively manage its liquidity requirements and all obligations were met as scheduled. Emphasis is placed on ensuring that excess funds are placed in good quality, low to moderate risk earning instruments. At December 31, 2009, the investment portfolio monitored by the committe amount to approximately \$426 million, compared to \$413 million at December 31, 2008. Of the total portfolio, 57% was invested in bonds, 29% was invested in liquid or near liquid instruments including money market accounts, treasury bills and CDs with the remainder invested in structured notes and equities. Saint Lucia Government securities were valued at \$100 million or 23% of the total portfolio, while investments held within the Eastern Caribbean Currency Union (ECCU) area comprised 47% of the portfolio.

#### Credit Risk

Loans represent the largest component of assets of the ECFH Group and given the economic challenges faced in 2009 credit risk management was vital in mitigating the loss potential arising from customers' inability to meet their obligations.

"The Group was able to effectively manage its liquidity requirements and all obligations were met as scheduled."

At December 31, 2009, loans and advances totalled \$1.3 billion with non-productive loans amounting to \$94 million or 7% of the total portfolio. The increase in the non-productive portfolio from a level of 5.7 % at December 2008 to 7% at December 2009, was attributed to the effects of the global and regional economic situation and their impact on the disposable income of borrowers. The international benchmark of 5% delinquency remains one of the strategic objectives of the Group and efforts will be intensified in the new financial year to move closer to that level.

Credit risk management begins at the loan origination stage and continues throughout the life of the loan. During the year there was special emphasis on quality in underwriting and adherence to policy guidelines. Periodic reviews of the portfolio were also undertaken to analyze trends and a sector concentration policy was developed to manage economic exposure. The effective management of credit risk will continue to be a critical component in the Group's overall approach to risk management.

#### Market & 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.

A Group Investment Committee was established during the period to act as the Investment Committee for all subsidiaries of the Group and address issues related to investments on a Group-wide basis and for each subsidiary, individually. The Committee reports to the Assets & Liabilities Committee (ALCO) and is chaired by the Group Managing Director. New investments are subjected to appropriate risk analysis and research to ensure that only quality investments are booked.

For the review period, foreign exchange risk was considered to be moderate and the Group was able to adequately manage its foreign exchange exposures. The ALCO continues to play a major role in monitoring the Group's foreign exchange exposure on a timely basis.

#### **Operational Risk**

Operational risk is relatively low for the Group. This type of 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.

During the year, the Group worked at implementing the recommendations from a 2008 Information Technology Security Audit resulting in significant improvement in the Group's network resilience.

The Group also implemented software for the management of its Business Continuity Programme during 2009. The system will also assist with the development and maintenance of business continuity plans for all units.

## **Historical Performance Financial Ratios**

(2005 – 2009)

		2009	2008	2007	2006	2005
	Efficiency Ratio without Provision	58.7%	55.0%	51.1%	55.0%	54.9%
EFFICIENCY	Efficiency Ratio with Provision	63.9%	55.9%	52.5%	56.3%	56.7%
	Net Profit per Staff	EC\$ 55,306	EC\$ 100,765	EC\$ 99,460	EC\$86,962	EC\$ 78,884
	Return on Equity	7.7%	14.3%	18.0%	22.0%	20.5%
PROFITABILITY	Return on Assets	1.2%	2.3%	2.5%	2.4%	2.3%
	Dividend Payout	46.7%	51.1%	53.6%	42.0%	39.8%
PORTFOI IO	Non-performing Loans					
QUALITY	as a % of Total Loans	7.0%	5.7%	7.0%	10.2%	16.9%
	Provision as a % of					
	Non-performing Loans	24.8%	34.8%	33.8%	33.2%	34.5%
	Tier 1 Capital/Deposits and Borrowings	22.8%	23.3%	22.1%	13.3%	12.7%
	Tier 1 Capital/Deposits	26.9%	26.9%	24.3%	14.9%	14.5%
CAPITALIZATION	Capital Adequacy	19.6%	17.2%	22.6%	17.5%	15.7%
	Largest Loan as % of Capital	19.5%	16.4%	15.1%	20.3%	16.1%
	Largest Loan/Total Loans	5.0%	4.4%	4.2%	3.8%	3.2%
	Three Largest Loans/Total Loans	12.3%	12.4%	9.8%	9.0%	6.4%
RISK	Ten Largest Loans/Total Loans	35.7%	21.3%	9.8%	9.0%	12.3%
MANAGEMENT	Largest Deposit/Total Deposits	2.7%	3.5%	2.1%	2.3%	0.7%
	Three Largest Depositors/Total Deposits	4.0%	5.4%	3.3%	3.8%	1.6%
	T en largest Deposits/Total Deposits	7.0%	7.5%	5.2%	6.3%	3.4%



# Report on subsidiaries

# **Profile of SENIOR MANAGEMENT**

# **Bank of Saint Lucia Limited**



21 SECURING YOUR FINANCIAL FUTURE

## Bank of Saint Lucia

BOARD OF DIRECTORS Victor Eudoxie – Chairman Hildreth Alexander Emma Hippolyte Henry Mangal Isaac Anthony Cadie St. Rose-Albertini Margaret George George L. Lewis Jacqueline Quamina Lisle Chase Robert Norstrom

#### Front Row: Left to right.

Robert Norstrom FCIB (UK) General Manager

Joanna Charles ACIB, BSc Financial Services, 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

Back Row: Left to right.

Mark Cadette BBA, CPA, Diploma in Advanced Banking Senior Manager – Wealth & Asset Management

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

Arleta Ratti - Mitchel Associate of Institute of Canadian Bankers -Branch Manager – Soufriere

Baldwin Taylor MBA Branch Manager – Waterfront

Cornelius Sidonie MSc Financial Management Branch Manager – Gros Islet

Dionysius Edward AICB Branch Manager – Vieux Fort

## Bank of Saint Lucia Limited

Balance Sheet As of December 31, 2009 (expressed in Eastern Caribbean dollars)

	2009	2008
	\$	\$
Assets		
Cash and balances with Central Bank	77,108,930	83,964,733
Treasury bills	6,914,185	16,398,169
Deposits with other banks	48,460,872	23,205,570
Deposits with non-bank financial institution	2,503,329	7,857,417
Financial assets held for trading	16,961,091	28,682,676
Loans and receivables - loans and advances to customers	1,060,756,173	995,010,399
- bonds	6,158,666	6,158,666
Investment securities - held-to-maturity	35,245,912	35,011,297
- available-for-sale	169,269,613	201,974,463
Pledged assets	60,773,488	51,843,988
Due from related parties	241,868,901	239,731,144
Property and equipment	9,208,736	7,502,106
Other assets	26,797,494	20,328,175
Income tax recoverable	0	2,992,180
Total assets	1,762,027,390	1,720,660,983
Liabilities		
Deposits from banks	36,044,377	3,234,241
Due to customers	990,647,986	1,041,864,201
Other funding instruments	222,309,352	210,178,406
Borrowed funds	195,016,693	145,674,184
Due to related party	31,255,412	30,258,672
Income tax payable	8,423,447	3,257,767
Other liabilities	22,828,321	28,950,097
Deferred tax liability	162,992	145,741
Total liabilities	1,506,688,580	1,463,563,309
Equity		
Share capital	172,918,673	172,918,673
Reserves	72,106,070	65,902,863
Fair value reserve	(5,060,824)	(8,793,647)
Retained earnings	15,374,891	27,069,785
Total equity	255,338,810	257,097,674
Total equity		

## Bank of Saint Lucia Limited

Statement of Income For the year ended December 31, 2009

(expressed in Eastern Caribbean dollars)

	2009 \$	2008 \$
Interest income	119,543,566	123,209,257
Interest expense	(52,443,289)	(51,946,695)
Net interest income	67,100,277	71,262,562
Fee and commission income	12,399,351	13,235,279
Dividend income	44,140	44,140
Net for eign exchange trading income	9,132,004	9,019,338
Other Gains	569,810	0
Operating expenses	(55,252,407)	(55,108,768)
Impairment losses on loans and advances	(5,888,381)	(1,007,610)
Operating profit	28,104,794	37,444,941
Profit before income tax	28,104,794	37,444,941
Income tax expense	(12,596,481)	(3,380,788)
Profit for the year	15,508,313	34,064,153
Earnings per share	11.95	26.24

# *"Given all the uncertainties of the financial crisis, Bank of Saint Lucia remains financially strong and stable."*

For the year ended December 2009, Bank of Saint Lucia recorded net profit before tax of \$28.1M, a major achievement in the economic environment but still a 25% reduction from \$37.4M in 2008. Net profit after tax was recorded at \$15.5M subsequent to a five-year tax assessment for the period 2004 to 2008 undertaken by Inland Revenue Department resulting in an average annual tax increase of \$1.78 million per year. The parent company ECFH is considering injecting further capital in 2010 to soften the impact of this additional tax expense.

For the year 2009, although operating expenses remained at a level similar to the previous year, net interest income decreased by 5.8% resulting in the overall reduction in net profit before tax for the year mainly due to the increase in non-performing loans by 18% from 2008 to 2009, and a decline in yields on investments.

Total assets stood at EC\$1.76 billion, a marginal increase from EC\$1.72 billion in 2008. Total liabilities moved from EC\$1.46 billion in 2008 to EC\$1.51 in 2009, with equity amounting to EC\$255.3M in 2009.

#### Retail Banking

Given the economic challenges experienced in the local environment, retail banking activities were severely challenged by increased delinquency in the loan portfolio during 2009. The Bank devoted a lot of time and effort in order to keep the situation under control, including workouts with customers, loan restructuring, sale of certain non-performing loans and write-offs. Nevertheless, non-performing loans increased to 7% of the total loan portfolio by the year end.

Liquidity continued to be tight within the banking system and great efforts were made at deposit raising, reflecting an increase in cost of funds. Although investment yields showed some signs of improvement in the later part of 2009, interest income on investments remained lower than anticipated. Despite all the uncertainties of the financial crisis, Bank of Saint Lucia remains financially strong and stable, with capital adequacy at 20%. Mid-year the Bank launched a new integrated corporate branding campaign - *Solid. Strong. Firmly Planted.* – delivered through a series of radio, television and print advertisements.

Consumer Loans were valued at \$87.8M at December 31, 2009.

The emphasis on service delivery to the small and medium-sized enterprises (SME) sector continued in 2009. With the assistance of the International Finance Corporation (IFC), the Bank was able to implement an analytical model to better assess lending proposals by SMEs. The Bank of Saint Lucia SME Unit, established towards the latter part of 2008, is now adequately staffed and equipped to handle lending as well as other product and service needs of SME clients.

"... the Bank will continue to employ prudence in its investing strategy and will seek to maximize investment returns with safety of capital."

The Bank of Saint Lucia Rodney Bay Business Centre opened its doors in June 2009 targeting the business customers in the area. The aim was to give these customers a dedicated place to conduct their daily banking while freeing up the Gros Islet Branch to better cater to the consumer and small and medium enterprise markets.

Convenience Banking Services continue to

be a priority for Bank of Saint Lucia. With over 20 ATM machines island-wide, the Bank further expanded its network of ATMs and cash dispensers with the newest location in 2009 at the Blue Coral Mall in Castries. In spite of all the other ATM locations within the Castries basin, this one has proven to be successful with significantly high traffic.

In October 2009, the Bank was the first to hit the market with the introduction of the new wireless point-of-sale service branded *Swipe on the Go!* This service is an ideal solution for the full spectrum of business enterprises ranging from event management companies putting on major shows in a variety of venues, to delivery service businesses that serve clients outside of regular business hours and larger commercial operations that have various outlet locations across the island. The market response to the product has been encouraging.

The Bank is currently working on the new Mobile Banking service to be introduced in the 1st quarter of 2010. In 2010, the emphasis on convenience banking services will continue and a new combined media campaign is expected to be launched during the 1st quarter of 2010.

#### Student Loan Financing

During the review period, the Bank's student loan portfolio grew by 13% to \$79M. A total of 278 loans were granted in 2009 taking the total number of student loans to 2,325, an increase of approximately 5% over the previous year.

Cognizant of the need to continue to develop our human resources to adequately deal with the many challenges of the global economy, Bank of Saint Lucia, along with the Government of Saint Lucia, continued with the support to the East Caribbean Student Loan Guarantee Fund which facilitated a number of students to pursuing studies at various universities in Cuba and at Grambling State University in Louisiana, USA.

To date, approximately 200 students are

24 SECURING YOUR FINANCIAL FUTURE

enrolled at Grambling State University pursuing a range of subject areas in the Arts, Business and Sciences. A final batch of students is due to leave during the next academic year. Given the large number of Saint Lucian students currently undergoing studies at that University, the Bank and the Government of Saint Lucia paid a courtesy visit to Grambling State University to meet with University officials and the students to ensure the needs of the students are being adequately met.

The Bank has also seen a growing number of students pursuing studies in various disciplines locally with Monroe College, and continues to facilitate their studies with that institution.

In keeping with the Bank's Mission "to be a catalyst for development", the Bank continues to play an active role in facilitating students to pursue studies within and outside of the region and continues to work assiduously with returning students who may find it difficult to gain employment in the current economic climate.

#### *Corporate & Development Financing*

Corporate and Development loans totalled 349 in number, valued at \$584.4M at December 31, 2009. This represents an increase of 16.2% over \$503.1M recorded in 2008. A total of 115 new loans totalling \$103.1M were disbursed during 2009 with an additional \$40.1M in undrawn commitments at year end.

Development loans accounted for \$299M of the Corporate and Development Loans portfolio at December 31, 2009, while corporate loans accounted for \$285M.

Loans to the Tourism sector formed the largest concentration in the Corporate and Development Loan portfolio, with loans valued at \$251.6M or 43.9% of that portfolio. A total of \$203.9M in tourism loans were disbursed in United States Dollars.

Loans to the Manufacturing sector were

recorded at \$16.4M, an increase of 7.9% over \$15.2M recorded during the previous year. Agriculture and Fishing loans were recorded at \$4.2M. This represents an increase of 180% over \$1.5M recorded during the previous year.

Portfolio quality management continued to be a major area of focus. At the 2009 year end, the non-performing portfolio was 4.12% of that total portfolio. This is within the ECCB benchmark of 5%.

Corporate and Development Loans continue to make a significant contribution to Bank of Saint Lucia's profitability, accounting for 60.7% of the Bank's total profits for the year 2009.

#### Wealth & Asset Management

The Wealth & Asset Management Division (WAM) was faced with the challenges of the turbulence in securities markets brought on by the global financial meltdown and in the Caribbean, the collapse of the CL Financial Group. WAM adopted a capital preservation policy for its investments which negatively impacted yields. There was no significant loss of capital and as global financial and credit markets continue to stabilize, during the year we will continue to closely assess the investment options and make decisions based on quality research analysis.

Despite the heightened level of uncertainty that was present during 2009, the Division was able to put together a portfolio strategy in which assets under management achieved growth. In particular the Registered Retirement Investment Account portfolio experienced a 58% growth. WAM's Guaranteed Investment Certificate portfolio increased by 23.91% in 2009 over 2008, while the Repurchase Agreement portfolio increased by 10.17% over the same period.

Overall, assets under management grew by 26.78% over the previous year.

In order to address the operational needs of the Group, business work commenced on the introduction of Asset Arena, a new software system that allows for investment portfolio management and analysis of customer information. The new software is expected to run parallel with the existing system during the 1st quarter of 2010 with full implementation scheduled for the 2nd quarter.

For 2010, the Bank will continue to employ prudence in its investing strategy and will seek to maximize investment returns with safety of capital.

> "Corporate and Development Loans continue to make a significant contribution to Bank of Saint Lucia's profitability."

## Report on subsidiaries

Principal

BOARD OF DIRECTORS Marius St. Rose — Chairman Robert Norstrom Vern Gill Thecla Deterville George Lewis

James Wadham Nestor Alfred Estherlita Cumberbatch – Corporate <u>Secr</u>etary



Left to right:

Ryan Devaux Chartered Accountant – Chief Executive Officer

Arletta Huntley-Wells BSc., MBA, FCCA – Financial Controller

Gifta Dujon-Francois BSc., MICA – Compliance Manager

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

David Barron TEP – Director Business Development (Europe)



## Bank of Saint Lucia International Limited

IG YOUR FINANCIAL FUTURE

## "The Bank continued to improve its risk management processes and to make internal procedures more effective and efficient."

The year 2009 has been a challenging year for the offshore banking industry. The financial crisis gripping the interna-tional community moved closer to home with the collapse of CL Financial Group in Trinidad and some of its subsidiaries throughout the Caribbean, the Bank of Antigua, Millennium Bank in St. Vincent and the foreign currency ponzi schemes in Jamaica, impacting the reputation of the Caribbean banking sector. The collective actions by the international governments resulted in new requirements being placed on international offshore centres making it more difficult to compete, with the expectation that further resources will have to be devoted to the sector (as a jurisdiction) in order to survive.

Despite these challenges, the Bank's clients have appreciated the professionalism which it has consistently displayed, and with high levels of personalized service, has allowed Bank of Saint Lucia Inernational (BOSLIL) to continue earning their trust.

*Financial Highlights 2009* Total assets at December 31, 2009 of US\$131M (EC\$354M) increased by US\$20M (EC\$54M) relative to December 31, 2008. Customer deposits increased in line with the change in assets from US\$103M (EC\$278M) to US\$124M (EC\$335M). Despite the increase in assets, profitability decreased signifi-cantly, relative to fiscal 2008. Net income for the year ended December 31, 2009 was US\$379 thousand (EC\$1M) as compared to US\$1.43M (EC\$3.86M) for the year ended December 31, 2008. The most significant reason was the decline in global interest rates reducing the interest spread. In addition, the Bank has incurred significant expenditure in having a presence in new markets and in bringing on board experienced and trained personnel to develop those markets. These initiatives are very important for establishing the long-term growth potential of BOSLIL. The Bank operates in 16 currencies and manages its foreign exchange risk by ensuring that its

assets match liabilities (client deposits) in each currency.

Recently, correspondent banking relationships have been strengthened with the addition of ING to supplement the existing relationship with Lloyds Bank PLC.

BOSLIL maintained a very conservative balance sheet throughout the year with 50% 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 continued in 2009, investing in high quality bond portfolios that continued to yield positive results. These investment strategies will be offered directly to our clients via a mutual fund product in 2010, so that they too may benefit from that structure.

#### **Business** Development

Significant effort was placed on business development with our initiatives focused on Western Europe, South America and the Caribbean. One of the most significant initiatives was the launch of BOSLIL Sudamérica S.A., a market research and development company in Uruguay. To support this launch, BOSLIL Sudamérica S.A. sponsored two events which were attended by international guests and professionals from Uruguay. The events gave BOSLIL significant exposure in South America and have led to new business relationships. These are all part of the strategy for expanding our presence in South America which is expected to become a significant and lucrative market going forward. In addition, new relationships have been created in Europe and the Caribbean. The Preferred Professional Programme has been implemented.

#### **Operations**

The Bank continued to improve its risk management processes and to make internal procedures more effective and efficient, including a reduction in the opening time for a bank account. A risk

> 27 SECURING YOUR FINANCIAL FUTURE

rating framework for client accounts was developed and implemented. Relationships with the Bank's various investment partners remain strong, however efforts to add new relationships as a means of ensuring a diversified pool of investment managers continued. Continuing diversification of the Bank's portfolio and yield enhancement strategies will remain important in 2010.

#### **Bank of Saint Lucia International Limited Financial Statement Highlights** at December 31, 2009

	2009 US \$000	2008 US \$000
Assets		
Investments	127,766	108,247
Other	3,629	3,097
Total Assets	131,395	111,344
Liabilities and Equity		
Customer deposits	124,365	103,038
Other liabilities	145	2,891
Equity	6,885	5,415
Total Liabilities and Equity	131,395	111,344
Statement of Income		
Net Operating Income	3,188	3,575
Total Expenses	2,809	2,148
Net income	379	1,427



# *Report* on subsidiaries

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

Esther Browne Nestor Alfred Joanna Charles Estherlita Cumberbatch - Corporate Secretary





📀 🗲 🖛 Global Investment Solutions Limited

Carla Morton-Campbell Bsc. Economics & Mathematics (Upper Hons) Senior Manager & Registered Principal

"Building strong and mutually rewarding **customer relationships** remains critical to our future growth and success, both locally and regionally."

28

N<mark>G YOUR</mark> FINANCIAL FUTURE

"For the year 2010, the strategic focus will primarily be on regional market expansion, the development of new financial products and increased growth in the new lines of business."

#### 2009 Performance Review

The financial landscape in 2009 was a challenging one, characterized by declining interest rates, rising credit defaults, down-graded sovereign ratings, increased geo-political and reputational risks, and political and financial instability. Notwith-standing, 2009 proved to be an exciting and rewarding year for ECFH Global Investments.

The demands of the local, regional and international markets required a continuing focus on operational and cost efficiencies while pursuing an active investment strategy and remaining dedicated to the Company's core values - Service Excellence, Integrity, Innovation and Superior Financial Solutions.

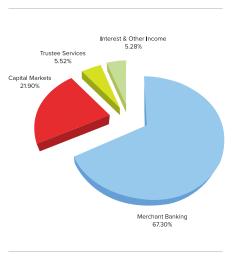
The year ending December 2009 was the company's first full year of trading and the growth trend at such an early stage in the Company's life was encouraging. Return on assets and return on equity stood at 16.4% and 33% respectively.

#### Lines of Business

While the Capital Market and Merchant Banking Services activities remained the two (2) major business lines for the company, the introduction of the Trustee business line, combined with the growth in interest and other income based on an active yet conservative investment strategy, served to further diversify gross revenue and reduce the company's level of business risk.

Accordingly, combined revenue from the Trustee business lines, together with interest and other income, contributed more than 10% to gross revenue in 2009, compared with less than 5% in 2008.

The Merchant Banking services unit remained the flagship line for the Company. Successful public and private issues were arranged for both sovereign and corporate clients, including the Government of Anguilla, the Government of Saint Lucia, Eastern Caribbean Home Mortgage Bank (ECHMB) and Bank of Saint Lucia Limited. The growth in the Capital Market services also reflected investors' demand for traded and listed securities within the OECS region, which remains one of the most active markets for trading debt securities.



#### ECFH Global Investment Solutions Limited Financial Statement Highlights at December 31, 2009

	12 months	6 months
	2009 EC\$ 000	2008 EC\$ 000
Assets		
Investments	1,510	884
Other	2,843	310
Total Assets	4,353	1,194
Liabilities and Equity		
Liabilities	2,749	45
Equity	1,604	1,149
Total Liabilities & Equity	4,353	1,194
Statement of Income		
Fee & Commission Income	1,342	532
Other Income	82	27
Total Expenses	969	410
Net income after tax	455	149

#### Building Strategic Relationships

The 2009 performance of ECFH Global Investments reflects the commitment and support of our strategic partners and valued clients. Building strong and mutually rewarding customer relationships remains critical to our future growth and success, both locally and regionally. This, combined with a highly trained and motivated team, will continue to serve the Company in good stead.

#### Looking Forward

For the year 2010, the strategic focus will primarily be on regional market expansion, the development of new financial products and increased growth in the new lines of business. The Company will continue to build relationships with its strategic partners through web development, excellent customer service and provision of new products and services.

As the youngest subsidiary within the ECFH Group, the ECFH Global Investments branding remains a critical and integral part of defining its values and purpose. Towards this end, branding and image development will continue in both the local and regional markets.

> 29 SECURING YOUR FINANCIAL FUTURE



## Report on subsidiaries

Principal

**OFFICERS** 

**EC Global Insurance** 

**Company Limited** 

#### BOARD OF DIRECTORS:

Emma Hippolyte – ChairmanGrace BurnetteMarius St. RoseDidicus JulesHildreth AlexanderEsther BrowneThaddeus AntoineRobert NorstrorAndrew LevyEstherlita Cumb

30 JG YOUR FINANCIAL FUTURE Grace Burnette Didicus Jules Esther Browne Robert Norstrom Estherlita Cumberbatch - Corporate Secretary



Our Strength is on Your Side.

Leathon B. Khan B.Sc., ACII, Chartered Insurance Practitioner – Chief Executive Officer Anne Marie Herman

MSc Industrial Management, Licensed Casualty Adjuster – **Operations and Agencies Manager** 

**"The future** remains positive for EC Global **Insurance as the** Company continues to maintain high professional standards, quality customer care, and an aggressive brand awareness and marketing strategy."

# *"EC Global Insurance is continuing its innovative trend by developing new products to meet the changing needs of customers."*

#### *Highlights of* 2009 Financial Results

Total assets stood at EC\$14 million at the end of the reporting period, a marginal reduction from 2008. Underwriting surplus increased by 14% from the previous year to EC\$2.1 million. Other operating income inclusive of interest income grew by 71%. Operating expenses showed a modest increase of 9% to EC\$2.49 million. The growth in income exceeded expenses by 18% producing a net after tax profit of \$497,969, an increase of almost 400% over 2008.

#### Portfolio Performance

Gross premiums written for 2009 were EC\$10.26 million which was 7% below the 2008 premiums of EC\$11.02 million, with Property and Motor business remaining the top premium earners contributing 61% and 36% respectively.

Claims incurred for the period totalled EC\$1.46 million which was a 68% decline compared to 2008 with net claims showing a decrease of 36%. The lower than usual claims experienced in 2009 contributed significantly to the profits achieved at year end.

#### *Reinsurance Security*

EC Global Insurance remained firmly reinsured with a select panel of some of the industry's leading and highly rated reinsurance companies in Europe and the United States, being fully aware of the inherent catastrophe risks associated with the geographical location of the Eastern Caribbean.

# *Marketing Initiatives & Product Development*

EC Global Insurance is continuing its innovative trend by developing new products to meet the changing needs of customers. Through strategic partnerships with Bank of Saint Lucia and a number of motor dealers, very attractive motor insurance packages have been offered to the insuring public. A special offer designed exclusively for the many Shareholders of ECFH was launched in the last quarter. Soon to be launched are other innovative packages and products designed specifically for small business owners, young professionals and the newly retired. These new product offerings will join our recently revamped Angel Advantage policy, designed exclusively for female drivers and our market exclusive, CondoVilla Package.

The newly launched Bank of Saint Lucia Agency is expected to contribute to the Company's premium growth through service efficiencies and convenience to customers.

#### Sales Executives

During the period under review, EC Global Insurance introduced a team of professional Sales Executives who are now reaching new customers across the island. This team has produced very encouraging results to date and we expect this initiative will enhance policy holder service.

The future remains positive for EC Global Insurance as the Company continues to maintain high professional standards, quality customer care, and an aggressive brand awareness and marketing strategy. It remains on course in pursuit of its vision and its strategic corporate objectives and expects that it will grow even stronger as it rolls out its new initiatives for 2010.

#### **EC Global Insurance Limited** Financial Statement Highlights at December 31, 2009

	2009 EC\$ 000	2008 EC\$ 000
Assets		
Cash and Investments	6,390	5,780
Other	7,576	8,251
Total Assets	13,966	14,031
Liabilities and Equity		
Liabilities	10,853	11,416
Equity	3,113	2,615
Total Liabilities & Equity	13,966	14,031
Statement of Income		
Net Insurance Premium	2,111	1,856
Other Income	913	535
Total Expenses	2,526	2,291
Net income after tax	498	100



31 SECURING YOUR FINANCIAL FUTURE

#### Report on subsidiaries

BOARD OF DIRECTORS: Victor Eudoxie - Chairman Marius St. Rose Hildreth Alexander Emma Hippolyte Henry Mangal

Robert Norstrom Nestor Alfred Esther Browne <u>Estherlita Cumberb</u>atch - Corporate Secretary

Principal OFFICER Property Holding & Development Company Limited

Elizabeth Bousquet MSc Int. Construction Management & Engineering – Manager



The Property Holding and Development Company of Saint Lucia Limited (ProDev) continued to provide property development and maintenance services to the ECFH Group and other external tenants during 2009. Intra group rental income for 2009 represented 76% of gross rental of \$9.8 M whilst rental from external sources contributed 24%.

The Company recorded profit after tax of \$2.6M for the year 2009 compared with \$5M in 2008. Profit in 2008 included revaluation gains amounting to \$2.5M. The Company's total assets were recorded as \$98.4M at December 2009, down from \$99.8 in 2008. Total liabilities decreased to \$55.1M down from \$57.1 in 2008. This represents a decrease of 3.5%.

In support of its commitment to provide quality business and ancillary services to its tenants, ProDev spent \$680,917 on Repairs and Maintenance for 2009. This is a decline from \$692,336 at 1.6% from 2008.

In September 2008, ProDev signed Service Level Agreements (SLA) with all other ECFH subsidiaries. The SLAs give an indication of the responsibilities of both parties in service delivery and guide our approach in service delivery to our tenants.

In the first quarter of 2010, ProDev intends to take advantage of the property development market by constructing a new ECFH

Property Holding & Development Company Limited Financial Statement Highlights at December 31, 2009

	2009 000	2008 000
Assets	EC\$	EC\$
Investments properties	76,752	76,383
Investments	10,694	12,354
Other	10,990	11,103
Total Assets	98,436	99,840
Liabilities and Equity		
Long term loans	38,199	43,579
Other	16,946	13,526
Equity Liabilities	43,291	42,735
Total Liabilities & Equity	98,436	99,840
Income & Expenses		
Total Income and gains	11,103	12,861
Total Expenses	8,547	7,840
Net income after tax	2,556	5,021

Building at Massade, Gros Islet. This building would initially accommodate Bank of Saint Lucia International (BOSLIL), and Bank of Saint Lucia's Wealth and Asset Management Division (WAM), with space being made available to external tenants.

Pre-construction work was undertaken in 2009 and the project is scheduled to commence in February 2010. The construction of the new building is scheduled to be completed within 18 months.

32 FINANCIAL FUTURE

#### Report on subsidiaries

BOARD OF DIRECTORS Victor Eudoxie – Chairman Hildreth Alexander Emma Hippolyte Henry Mangal Issac Anthony Cadie St. Rose-Albertini

Margaret George George L. Lewis Jacqueline Quamina Lisle Chase Robert Norstrom

### Mortgage Finance Company of Saint Lucia Limited



The Mortgage Finance Company (MFC) recorded a relatively good performance in a challenging economic environment. At December 2009, total assets increased by 7% from \$209M in 2008 to \$225M in 2009. This was mainly due to the increase in the mortgage loan portfolio as customers continued borrowing for the construction and purchase of homes. Net income after tax was recorded at \$5.6M, consistent with that recorded in the previous year.

Despite the increase in the portfolio, credit risk increased for the Company with the non productive loan portfolio increasing to \$19M or 8% of the total portfolio. Loan loss provisions amounted to 2.8% of the total loan portfolio. Recovery efforts were enhanced with a proactive approach to collections to ensure that credit risk was maintained within comfortable limits.

In 2010, the Group will continue work on the consolidation of MFC and Bank of Saint Lucia which will allow greater flexibility for financing options and for efficiency of service delivery to mortgage customers.

#### Mortgage Finance Company of Saint Lucia Limited Financial Statement Highlights at

December 31, 2009

	2009 EC \$000	2008 EC \$000
Assets		
Loans & Advances	224,603	208,763
Other	321	601
Total Assets	224,924	209,364
Liabilities and Equity		
Customer Deposits	33,259	22,568
Borrowings	164,580	163,949
Other Liabilities	5,550	3,481
Equity	21,535	19,366
Total Liabilities and Equity	224,924	209,364
Income & Expenses		
Net Interest Income	7,551	7,740
Other Income	391	375
Total Expenses	2,373	2,627
Net income after tax	5,569	5,488

### 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 are 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's responsibility for financial reporting through an 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 MANAGING DIRECTOR

Bine

Esther Browne GENERAL MANAGER GROUP CORPORATE SERVICES

34 CURING YOUR FINANCIAL FUTURE