

# **SECURITIES ACT 2001**

## **SECURITIES (ACCOUNTING AND FINANCIAL REPORTS) RULES**

### **NO. 1 OF 2008**

IN EXERCISE of the powers conferred on it by sections 98, 161 (a) and 162 of the Securities Act 2001, the Commission makes the following procedural rules and specifies the form of annual reports and periodic reports to be filed by reporting issuers.

### **CITATION AND COMMENCEMENT**

1. These Rules may be cited as the Securities (Accounting and Financial Reports) Rules No.1 of 2008 and shall come into force on the date prescribed by the Commission.

### **INTERPRETATION**

2. In these rules:

*'Commission'* means the Eastern Caribbean Securities Regulatory Commission

*'Reporting Issuer'* refers to reporting issuers as described in section 97 of the Securities Act.

*'Securities Act'* means the Securities Act 2001.

### **ANNUAL REPORTS**

3. **Annual report to be submitted to the Commission**

- (1) All reporting issuer shall within one hundred and twenty days after the end of its financial year file with the Commission a copy of its annual report. Included in this report shall be the financial statements, financial statement schedules, exhibits and all other papers and documents.
- (2) At the request of the reporting issuer the Commission may, from time to time, extend the period within which such reporting issuer is, in accordance with the provisions of the Securities Act 2001, obliged to furnish any document or information.
- (3) The annual report shall be in Form ECSRC – K as specified in Schedule 1. It must contain the information specified in paragraphs 1-14 of Schedule 1.

### **QUARTERLY REPORTS**

4. **Quarterly Reports to be submitted to the Commission**

- (1) A reporting issuer whose securities are listed on a securities exchange licensed by the Commission, or whose securities are determined, by the Commission, to be publicly traded, shall file with the Commission, a quarterly financial report within thirty days of the end of each of the first three quarters of the financial year. Included in this report shall be the financial statement schedules, exhibits and all other papers and documents.
- (2) At the request of the reporting issuer the Commission may, from time to time, extend the period within which such reporting issuer is, in accordance with the provisions of the Securities Act 2001, obliged to furnish any document or information.
- (3) This report shall be in Form ECSRC – Q as specified in Schedule 2. It must contain the information specified in paragraphs 1-8 of Schedule 2.

## **5. Notification of Material Change**

- (1) A reporting issuer shall within seven days of the occurrence of a material change, file with the Commission a notification of material change, where such change occurs in the affairs of the issuer.
- (2) The reporting issuer shall submit to the Commission along with the notification, supporting documents including financial statements, reports, exhibits and other documents as necessary.
- (3) The notification of change must be in the Form ECSRC – MC set out in Schedule 3.
- (4) The issuer should notify the Commission of all material change(s) in its affairs which shall be deemed to include:
  - (a) Changes in control of reporting issuer;
  - (b) Acquisition or disposal of assets of reporting issuer;
  - (c) Bankruptcy of reporting issuer;
  - (d) Change of reporting issuer's Auditor, Attorney or Banker;
  - (e) Change in directorate of reporting issuer;
  - (f) Resignation of Directors of reporting issuer;
  - (g) Alteration of the reporting issuer's constitution;
  - (h) Changes or proposed changes in the capital structure of reporting issuer; and
  - (i) Change in rights attaching to a class of securities of reporting issuer.

## **6. Disclosure of Financial Information to Holders of Securities**

- (1) A reporting issuer shall within one hundred and twenty days after the end of its financial year forward to each holder of its securities an annual audited financial statement.
- (2) The financial statement must contain the information contained in Schedule 4.

7. The Securities (Accounting and Financial Reports) Rules No. 1 of 2002 is repealed.

**INSTRUCTIONS FOR COMPLETION OF THE FORM -  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

**THESE INSTRUCTIONS ARE INTENDED FOR FORMS ECSRC-K (ITEM 10) AND ECSRC-Q (ITEM 2)**

The Management's Discussion and Analysis (MD&A) should disclose sufficient information to enable investors to judge:

1. The quality of earnings;
2. The likelihood that past performance is indicative of future performance; and
3. The issuer's general financial condition and outlook.

It should disclose information over and above that which is provided in the management accounts and should not be merely a description of the movements in the financial statements in narrative form or an otherwise uninformative series of technical responses. It should provide management's perspective of the company that enables investors to view the business from the vantage point of management.

The discussion should focus on aspects such as liquidity; capital resources; changes in financial condition; results of operations; material trends and uncertainties and measures taken or to be taken to address unfavourable trends; key performance indicators; and non-financial indicators.

### **Overview**

2014 showed signs of recovery globally however growth in the OECS was more constrained than the Global average at about 1%. As the global economies strengthen, regional exports and tourist arrivals are expected to improve in the OECS in the coming years.

ECFH performance improved with the Group recording a pre-tax profit of \$17.4 million in 2014 compared to \$6.3 million in the previous year. Bank of Saint Lucia International Limited (BOSLIL) recorded healthy profit of US\$3.2 million in 2014; whilst all other subsidiaries ECFH Global Investments Limited (EGIS), Bank of St. Vincent & the Grenadines Limited (BOSVG) and Bank of Saint Lucia Limited (BOSL) also contributed positively to the Group's profit. Notably BOSL moved back into profitability recording a modest profit of \$3.8 million in 2014.

### **Business Structure and Corporate Governance**

In 2014 ECFH disposed of the controlling interest in EC Global Insurance Limited, retaining a 20% shareholding interest. Future involvement in the insurance market will be via BOSL's role as an agent of EC Global Insurance Company. The 2014 Income Statement includes income of \$0.8M in respect of trading up to the disposal date in September.

We are pleased to report that Corporate Governance of the Group was very effective during the year under review. All critical subcommittees of the board met on a regular basis, and the reports on their deliberations were received by the board in a timely manner.

In 2014 the Board of Directors participated in a facilitated ECFH Corporate Governance training aimed at reflecting on our governance philosophy and model of practice; familiarizing the Board with its role, functions and processes as a governing body; and appreciating the value of governance evaluations for continuous improvement and development of Directors. This was a useful session and is expected to aid the Board in delivering stakeholder and shareholder value.

### **Strategy and Future Direction**

In the past year the Group focused on turnaround strategies in particular for BOSL. The ECFH Board and Management focused aggressively on the strategic direction of the Group, and with the input of all subsidiary boards, developed a three-year Strategic Plan, 2015-2017.

The strategy adopted will return the group to sustainable profit and in so doing rebuild shareholder value. The strategy adopted is focused on restoring ECFH to a conservative and sustainable risk profile; safeguarding capital adequacy; and will return the Group to a sustainable profit, in and so doing rebuild shareholder value.

A critical component of the strategy requires a culture shift at all levels of the organization and employees are already buying into the changes. We are moving towards the development of a culture of performance and accountability by rewarding productivity and performance excellence in line with our values and the achievement of targets.

The future for ECFH looks encouraging. Having cleaned up the loan portfolios over the last three years, we do not anticipate loan loss provisions will be as severe in the future. This is not to say that we will not be forced to recognise losses in the future as these are part of banking business. With strong corporate governance, a conservative risk appetite and an improved performance culture, we are confident that ECFH will become the premier financial institution within the OECS over the next two to three years.

The ECFH board of directors has not recommended the payment of a dividend for financial year 2014 although the Group has made a profit. The board is focused on rebuilding capital which was severely eroded in the period of losses for BOSL.

### **Liquidity and Capital Resources**

Provide a narrative explanation of the following (but not limited to):

- i) The reporting issuer's financial condition covering aspects such as liquidity, capital resources, changes in financial condition and results of operations.
- ii) Any known trends, demands, commitments, events or uncertainties that will result in, or that are reasonably likely to result in, the issuer's liquidity increasing or decreasing in any material way. If a deficiency is identified, indicate the course of action that the reporting issuer has taken or proposes to take to remedy the deficiency.
- iii) The issuer's internal and external sources of liquidity, and any material unused sources of liquid assets.

- iv) Provisions contained in financial guarantees or commitments, debt or lease agreements or other arrangements that could trigger a requirement for an early payment, additional collateral support, changes in terms, acceleration of maturity, or the creation of an additional financial obligation such as adverse changes in the issuer's financial ratios, earnings, cash flows or stock price or changes in the value of underlying, linked or indexed assets.
- v) Circumstances that could impair the issuer's ability to continue to engage in transactions that have been integral to historical operations or are financially or operationally essential or that could render that activity commercially impracticable such as the inability to maintain a specified level of earnings, earnings per share, financial ratios or collateral.
- vi) Factors specific to the issuer and its markets that the issuer expects will affect its ability to raise short-term and long-term financing, guarantees of debt or other commitment to third parties, and written options on non-financial assets.
- vii) The relevant maturity grouping of assets and liabilities based on the remaining period at the balance sheet date to the contractual maturity date. Commentary should provide information about effective periods and the way the risks associated with different maturity and interest profiles are managed and controlled.
- viii) The issuer's material commitments for capital expenditures as of the end of the latest fiscal period, and indicate the general purposes of such commitments and the anticipated source of funds needed to fulfil such commitments.
- ix) Any known material trends, favorable or unfavorable, in the issuer's capital resources, including any expected material changes in the mix and relative cost of capital resources, considering changes between debt, equity and any off-balance sheet financing arrangements.

The Group's liquidity risk is monitored by the Asset/ Liability Committee (ALCO). Liquidity management is always given strict attention to ensure that all scheduled obligations are met. During the year, the banking subsidiaries consistently met the regulatory reserve requirements. The banking subsidiaries generally experienced excess liquidity with the growth in deposits, the decreased demand for loans and reduced supply of quality loan and investment opportunities.

The Group has centralized governance oversight over issues related to investments for all subsidiaries. New investment proposals are subjected to appropriate risk analysis to ensure that only good quality investments in line with the respective Investment Policies are booked. Volatility in the investment portfolio is monitored on an ongoing basis, both internally and by external investment managers.

## Off Balance Sheet Arrangements

Provide a narrative explanation of the following (but not limited to):

- i) Disclosures concerning transactions, arrangements and other relationships with unconsolidated entities or other persons that are reasonably likely to materially affect liquidity or the availability of, or requirements for capital resources.

ECFH is not reliant on Off Balance Sheet arrangements. As a Group incorporating banking subsidiaries it has a small (relative to the Balance Sheet) value in Bankers' Acceptances, undrawn overdrafts and undisbursed loans but these are in the normal course of business at levels that are presently in line with averages in recent years

- ii) The extent of the issuer's reliance on off-balance sheet arrangements should be described fully and clearly where those entities provide financing, liquidity, market or credit risk support, or expose the issuer to liability that is not reflected on the face of the financial statements.
- iii) Off-balance sheet arrangements such as their business purposes and activities, their economic substance, the key terms and conditions of any commitments, the initial on-going relationship with the issuer and its affiliates and the potential risk exposures resulting from its contractual or other commitments involving the off-balance sheet arrangements.
- iv) The effects on the issuer's business and financial condition of the entity's termination if it has a finite life or it is reasonably likely that the issuer's arrangements with the entity may be discontinued in the foreseeable future.

### Liquidity:

The Group's liquidity levels continued to be very strong in 2014. The liquidity of both of the Group's domestic banking subsidiaries, Bank of Saint Lucia Limited and Bank of Saint Vincent and the Grenadines Limited remained at high levels and did not show the usual seasonal signs of reduction. Furthermore, the Group's offshore banking subsidiary continued to attract large deposits. Liquidity levels demonstrate continued customer confidence in the Group.

### Capital Resources:

The Group's Capital Ratios remained stable in 2014, reflecting profits earned by the Bank of Saint Vincent and the Grenadines Limited and Bank of Saint Lucia International Limited. Group Capital also benefited from unrealised gains on internationally traded investments caused by increased market values. There are no material commitments for capital expenditure other than commitments related to the normal expenditure of running the business.

## Results of Operations

In discussing results of operations, issuers should highlight the company's products and services, facilities and future direction. There should be a discussion of operating considerations and unusual events, which have influenced results for the reporting period. Additionally, any trends or uncertainties that might materially affect operating results in the future should be discussed.

Provide a narrative explanation of the following (but not limited to):

- i) Any unusual or infrequent events or transactions or any significant economic changes that materially affected the amount of reported income from continuing operations and, in each case, the extent to which income was so affected.
- ii) Significant components of revenues or expenses that should, in the company's judgment, be described in order to understand the issuer's results of operations.
- iii) Known trends or uncertainties that have had or that the issuer reasonably expects will have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations.
- iv) Known events that will cause a material change in the relationship between costs and revenues (such as price increases, costs of labour or materials), and changes in relationships should be disclosed.
- v) The extent to which material increases in net sales or revenues are attributable to increases in prices or to increases in the volume or amount of goods or services being sold or to the introduction of new products or services.
- vi) Matters that will have an impact on future operations and have not had an impact in the past.
- vii) Matters that have had an impact on reported operations and are not expected to have an impact upon future operations
- viii) Off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships that have or are reasonably likely to have a current or future effect on the registrant's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.
- ix) Performance goals, systems and, controls,



**Schedule 1**

**FORM ECSRC – K**

**ANNUAL REPORT PURSUANT TO SECTION 98 OF THE SECURITIES ACT OF 2001**

For the financial year ended December 31, 2014

Issuer Registration number

ECFH28062001SL

East Caribbean Financial Holding Company Limited

(Exact name of reporting issuer as specified in its charter)

Saint Lucia

(Territory of incorporation)

No. 1 Bridge Street P.O. Box 1860 Castries, Saint Lucia

(Address of principal office)

Reporting issuer's:

Telephone number (including area code): 1-759-456-6000

Fax number: 1-758-456-6702

Email address: ecfh@candw.lc

(Provide information stipulated in paragraphs 1 to 14 hereunder)

Indicate whether the reporting issuer has filed all reports required to be filed by Sections 98 of the Securities Act of 2001 during the preceding 12 months

Yes       

No   X  

Indicate the number of outstanding shares of each of the reporting issuer's classes of common stock, as of the date of completion of this report.

CLASS	NUMBER
Ordinary	24,465,589
Preference	830,000

The ECFH Group enjoyed a profitable year. The primary focus remains obtaining maximum recovery on the previously provisioned non-performing loan portfolio of Bank of Saint Lucia Limited and to this end the Bank was successful in disposing of collateral securing the largest of these loans. This served to improve the Bank's Loans to Deposits ratio, bringing it well within prudential guidelines.

Management also continues to direct attention towards ensuring collection of payments on performing loans to ensure that transfers to the non-performing classification can be minimised in the future and towards ensuring that there is clear guidance on the levels of risk acceptable to the Group in its future lending activities. All of this ties in with the Group's "safe and sound" strategy. The Group has suffered reduced income due to poor demand for loans and the continuing low interest rate environment which has affected investment income but cost reductions (both cost of funds and operational costs) have assisted in partially offsetting the impact of this.

## SIGNATURES

A Director, the Chief Executive Officer and Chief Financial Officer of the company shall sign this Annual Report on behalf of the company. By so doing each certifies that he has made diligent efforts to verify the material accuracy and completeness of the information herein contained.

The Chief Financial Officer by signing this form is hereby certifying that the financial statements submitted fairly state the company's financial position and results of operations, or receipts and disbursements, as of the dates and period(s) indicated. The Chief Financial Officer further certifies that all financial statements submitted herewith are prepared in accordance with International Accounting Standards consistently applied (except as stated in the notes thereto) and (with respect to year-end figures) including all adjustments necessary for fair presentation under the circumstances.

Name of Chief Executive Officer:

Esther Brown-Weekes



Signature

8.5.15

Date

Name of Director:

Lisle Chase



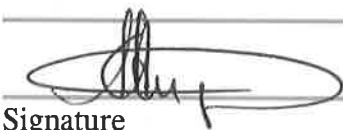
Signature

8-5-2015

Date

Name of Chief Financial Officer:

Gordon Cochrane



Signature

8.5.15

Date

## **INFORMATION TO BE INCLUDED IN THE REPORT**

### **1. Business.**

Provide a description of the developments in the main line of business including accomplishments and future plans. The discussion of the development of the reporting issuer's business need only include developments since the beginning of the financial year for which this report is filed.

#### **Overview**

The global environment for banks remains quite challenging, although it is anticipated that the long-awaited economic recovery now being seen in North America, will soon be reflected in the OECS Region. For the ECFH Group, 2014 can be described as a year of recovery with some of the changes commenced in 2013 now beginning to pay off.

At the end of 2014 Bank of Saint Lucia (BOSL) was able to return to a profitable position. The Bank continues to reduce credit risk through the process of improving the quality of its loan portfolio, acting to remove non-performing loans from the Balance Sheet while ensuring that new lending is carried out prudently. Bank of St. Vincent and the Grenadines and Bank of St. Lucia International have both continued to produce steady profits for the Group and ECFH Global Investment Solutions had its most successful year to date and is now making a meaningful contribution to Group profitability.

#### **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 reviews the Group's strategies, financial objectives, operating plans and plans for management succession. The Board meets every month and other meetings are held as necessary.

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 the Group Managing Director who 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.

### **Strategic Initiatives**

In the past year the Group focused on turnaround strategies in particular for BOSL. The ECFH Board and Management focused aggressively on the strategic direction of the Group, and with the input of all subsidiary boards, developed a three-year Strategic Plan, 2015-2017.

The strategy adopted will return the group to sustainable profit and in so doing rebuild shareholder value. The strategy adopted is focused on restoring ECFH to a conservative and sustainable risk profile; safeguarding capital adequacy; and will return the Group to a sustainable profit, in and so doing rebuild shareholder value.

We remain committed to support, engage and encourage our employees. A critical component of our strategy requires a culture shift at all levels of the organization and employees are already buying into the changes. We are moving towards the development of a culture of performance and accountability by rewarding productivity and performance excellence in line with our values and the achievement of targets.

The future for ECFH looks encouraging. Having cleaned up the loan portfolios over the last three years, we do not anticipate loan loss provisions will be as severe in the future. This is not to say that we will not be forced to recognise losses in the future as these are part of banking business. With strong corporate governance, a conservative risk appetite and an improved performance culture, ECFH will become the premier financial institution within the OECS over the next two to three years.

The ECFH board of directors has not recommended the payment of a dividend for financial year 2014 although the Group has made a profit. The board is focused on rebuilding capital which was severely eroded in the period of losses for BOSL.

## 2. Properties.

Provide a list of properties owned by the reporting entity, detailing the productive capacity and future prospects of the facilities. Identify properties acquired or disposed of since the beginning of the financial year for which this report is filed.

### Estimated Reconstruction Cost

Building 1 - Financial Centre, Castries	-	71,790 sq. ft. -	\$ 39,160,000
Building 2 - Bank of St Lucia, Gros Islet	-	9,636 sq. ft. -	\$ 4,720,000
Building 3 - ECFH Building, Gros Islet	-	30,193 sq. ft. -	\$ 31,133,310
Building 4 - Massade Archives, Gros Islet	-	5,230 sq. ft. -	\$ 1,403,000
Building 5 - Bank of St Lucia, Vieux Fort	-	6,886 sq. ft. -	\$ 2,875,000
Building 6 - Bank of St Lucia, Soufriere	-	5,215 sq. ft. -	\$ 2,035,000
<i>Building 6 is being sold to the Soufriere Foundation for \$1.400,000.</i>			
Building 7 - New Bank of St Lucia, Soufriere	-	6,947 sq. ft.-	\$ 3,060,000
Building 8 - EC Global, Castries	- Sold May 2014		
Building 9 - St Lucia Development Bank, Castries	-	15,690 sq. ft.-	\$ 7,940,000

No properties were acquired during the year and all properties are being used for the Group's business except the ECFH Building in Gros-Islet where two floors remain vacant and efforts are being made to obtain tenants.

## 3. Legal Proceedings.

Furnish information on any proceedings that were commenced or were terminated during the current financial year. Information should include date of commencement or termination of proceedings. Also include a description of the disposition thereof with respect to the reporting issuer and its subsidiaries.

There were no legal proceedings during the financial year.

## 4. Submission of Matters to a Vote of Security Holders.

If any matter was submitted during the financial year covered by this report to a vote of security holders, through the solicitation of proxies or otherwise, furnish the following information:

- (a) The date of the meeting and whether it was an annual or special meeting.

- (b) If the meeting involved the election of directors, the name of each director elected at the meeting and the name of each other director whose term of office as a director continued after the meeting.
- (c) A brief description of each other matter voted upon at the meeting and state the number of votes cast for or against as well as the number of abstentions as to each such matter, including a separate tabulation with respect to each nominee for office.
- (d) A description of the terms of any settlement between the registrant and any other participant.

There was no settlement between the registrant and any other participant.

- (e) Relevant details of any matter where a decision was taken otherwise than at a meeting of such security holders.

The Annual Meeting of Shareholders of the company was held on June 12, 2014 and the following matters were tabled:

1. To consider and adopt the Report of the Auditors and the Audited Financial Statements of for the year ended December 31, 2013
2. To consider and adopt the Report of Directors
3. To sanction Dividends paid for the twelve-month period ended December 31, 2013
4. To appoint Auditors and authorize Directors to fix their remuneration
5. To elect Directors

**5. Market for Reporting issuer's Common Equity and Related Stockholder Matters.**

Furnish information regarding all equity securities of the reporting issuer sold by the reporting issuer during the period covered by the report.

All equity securities of the company were sold through Brokers of the ECSE in accordance with the rules of the Exchange

**6. Financial Statements and Selected Financial Data.**

Provide audited Financial Statements, Statement of Retained Earnings and Changes in Financial Position for the year ended. The relevant financial data items to be used in constructing the financial statements are provided in Parts A-D.

Include the following documents with the financial statement:

- (i) Auditor's report - Attached
- (ii) A balance sheet as of the end of each of the two most recent financial years - Attached
- (iii) Consolidated statements of income, statements of cash flows, and statements of other stockholders' equity for each of the two financial years preceding the date of the most recent audited balance sheet being filed - Attached
- (iv) Financial statements for the most recent financial year - Attached
- (v) Notes to Financial Statements - Attached

## **7. Disclosure About Risk Factors.**

Provide a discussion of the risk factors that may have an impact on the results from operations or on the financial conditions. Avoid generalised statements and only include factors that are unique to the company. Typical risk factors include untested products, cash flow and liquidity problems, dependence on a key supplier or customer, management inexperience, nature of business, absence of a trading market (specific to the securities of the reporting issuer), etc. Indicate if any risk factors have increased or decreased in the time interval between the previous and current filing.

The significant risks to which the Group is exposed include credit risk, liquidity risk, market risk, operational risk, foreign exchange risk, and reputation risk. The Group ensures that risk mitigation in any one area does not inadvertently increase exposure in other areas.

### **Governance**

The ECFH Group undertook a strategic planning exercise and devised a new "Safe and Sound" strategy. In keeping with the new strategic theme, the ECFH Group will increase its focus on all areas of risk management. The ECFH Board's Risk Committee provides oversight of the Group's risk profile and approves the risk management framework of ECFH and its subsidiaries within the context of the strategy determined by the Board. It will assist the ECFH Board in reviewing and monitoring aggregate risk levels and the quality of risk mitigation. The Risk Committee has approved risk appetite statements for the domestic banks within the Group and risk appetite statements are being developed for the other ECFH Subsidiaries.

### **Credit Risk**

During the period under review, the quality of loans approved were monitored, credit risk reviews were conducted on all lending over a stipulated dollar value and loans approved were analysed to ensure general compliance with approved credit risk management guidelines. Reviews of the quality and performance of the credit portfolio were undertaken by the Asset Liability Committee to identify trends and concentrations and take corrective action as necessary.



The level of non-productive loans to total loans continued to be challenging during the period under review. Significant efforts have been made to reduce the non-productive portfolio including work-outs, write-off, sale of select non-performing loans and receiverships. It is anticipated that the delinquency levels of BOSL will improve significantly during 2015.

### **Market Risk**

The Group is stepping up its efforts to manage market risks. To improve its management of market risk, the Group is using a financial risk simulation model to assess market and liquidity risks and to analyse various stress testing scenarios. Currently, the model focuses on the two largest banking institutions in the Group, Bank of Saint Lucia Limited and Bank of Saint Vincent and the Grenadines. It is the intention to expand the financial risk simulation model to include other subsidiaries of the ECFH Group.

### **Foreign Exchange Risk**

Growth in the offshore banking area has resulted in an increase in the number of foreign currencies being managed which means increased exposure to foreign exchange risk. Foreign exchange exposure is monitored on a regular basis by the respective business units as well as the Asset Liability Committee. There were no instances of unmanaged exposures during the period under review.

### **Operational Risk**

The Risk Management and Compliance Services have begun the process of developing and documenting a risk register for the ECFH Group. This exercise will make enterprise risk management more structured and effective throughout the group.

The Group complies with all Anti Money Laundering legislation and other related laws in all jurisdictions in which it operates. Plans are well advanced to stage an AML month to increase the level of awareness of the laws and challenges faced regarding AML.

With regards to FATCA, the ECFH Group was able to implement all of the requirements of FATCA by the stipulated time of July 1, 2014. All requirements for onboarding as required by FATCA were finalized during the second quarter of 2014. All staff members of the ECFH Group received FATCA related training prior to July 1, 2014. The Group is now in the process of updating the account details of our existing customers and preparing for reporting to the US Authorities via the respective Inland Revenue Departments.

### **Liquidity Risk**

The Group's liquidity risk is monitored by the Group Asset Liability Committee.

Careful liquidity management ensures that the regulatory reserve requirement is always met by the domestic banks and that Capital Adequacy Ratios remain above minimum levels. The Liquidity policy and associated liquidity contingency plans are in place.

## **Reputation Risk**

The Group's reputation; particularly the trust afforded it by customers and counterparties can be irrevocably tarnished due to perceived or real breaches in its ability to conduct business securely and responsibly. In addition, the ECFH Group is responsible for risks associated with the activities of third-party service providers with which they contract.

All risks impact on reputation; therefore, maintaining reputation involves appropriately identifying, analyzing and managing risks that can adversely impact the Group's business. The Group continued to meet its corporate social responsibility encompassing involvement in local communities, employment practices, impact on the environment and sustainable economic and social development, while maintaining strong relationships with business partners. The Group has developed and adheres to a robust Anti-Money Laundering/Anti-Terrorist Financing policy as well as Corporate Governance policy for the Group. In developing these policies, best international practices were used. The Group has a very solid reputation and reputable image in the market place.

## **8. Changes in Securities and Use of Proceeds.**

- (a) Where the rights of the holders of any class of registered securities have been materially modified, give the title of the class of securities involved. State briefly the general effect of such modification upon the rights of holders of such securities.
- (b) Where the use of proceeds of a security issue is different from that which is stated in the registration statement, provide the following:
  - Offer opening date (provide explanation if different from date disclosed in the registration statement)
  - Offer closing date (provide explanation if different from date disclosed in the registration statement)
  - Name and address of underwriter(s)
  - Amount of expenses incurred in connection with the offer
  - Net proceeds of the issue and a schedule of its use
  - Payments to associated persons and the purpose for such payments
- (c) Report any working capital restrictions and other limitations upon the payment of dividends.

There were no changes in the rights of the holders of any class of Registered Securities and Use of Proceeds.

## **9. Defaults Upon Senior Securities.**

- (a) If there has been any material default in the payment of principal, interest, a sinking or purchase fund instalment, or any other material default not satisfied within 30 days, with respect to any indebtedness of the reporting issuer or any of its significant subsidiaries exceeding 5 percent of the total assets of the reporting issuer and its consolidated subsidiaries, identify the indebtedness. Indicate the nature of the default.

In the case of default in the payment of principal, interest, or a sinking or purchase fund instalment, state the amount of the default and the total arrears on the date of filing this report.

- (b) If any material arrears in the payment of dividends has occurred or if there has been any other material delinquency not satisfied within 30 days, give the title of the class and state the amount and nature of the arrears or delinquency.

There were no defaults upon Senior Securities and Dividends

## **10. Management's Discussion and Analysis of Financial Condition and Results of Operation.**

Discuss the reporting issuer's financial condition covering aspects such as liquidity, capital resources, changes in financial condition and results of operations during the financial year of the filing. Discussions of liquidity and capital resources may be combined whenever the two topics are interrelated.

This section should be completed as per instructions for completing the MD&A.

During 2014, the Board and management of all subsidiaries deliberated on the future strategy of the Group and established a safe and sound strategy for the period 2015-2017. The objective of the strategy is to restore ECFH to a conservative and sustainable risk profile while addressing the capital adequacy challenges and improving operational efficiency. The pillars of the strategy include capitalised, conservative risk, culture shift, cautious profitable growth, cost containment, customer intimacy and advocacy and committed employer/employee, identified to guide management and staff in achieving the objectives.

The strategic initiatives will be associated with key performance indicators to assist in improving productivity across the Group. Given strict adherence to this approach the Group's performance will continue to improve and return it to the levels of profitability.

### **Group Financial Analysis**

Group Profit before Tax increased to \$17.4M from \$6.3M in 2013. Interest Income from Loans and Investments was down 4.0% to \$162.9M, reflecting a reduction in the performing loan portfolios of the two domestic banks and the exceptionally low returns available from investments in international markets. On the positive side, the low interest rate environment also allowed for reductions in interest expense, by 4.4% to \$81.2M for the Group as a whole. Further reductions in the cost of funds is anticipated as the historically low level of interest rates is expected to continue through 2015.

Other income reduced by 10.6% (\$7.1M) but this reduction is due to exceptional gains on investments experienced in 2013. The underlying performance in income from fee and commission income on transactions and on foreign exchange related products was relatively strong.

The Group managed to contain its costs at below 2013 levels, with salary and staff costs reducing by 4.7% (\$2.2M) and minimal increases in other areas of operating expenditure.

Total Assets was virtually unchanged compared to December 2013 and stood at just over \$3.7B at December 2014. Deposits increased across the Group by \$73.0M, reflecting continuing customer confidence in the Group, and borrowings reduced by \$60.2M due to debt repayment.

### **Financial Analysis**

Reversing the \$8.8m loss made in 2013, BOSL reported a \$3.8M profit in 2014. Loan loss impairment provisions remained high, but the removal of the largest non-performing assets, the greatest contributor to the poor results of recent years, has improved the quality of the Balance Sheet and reduced the likelihood of similarly high levels of provisions in the future. Meanwhile the Bank has put considerable effort into improving its back office operations to increase efficiency. The Bank continues to focus on improving its internal processes and capacity to provide the foundation for future growth once economic conditions improve and demand for credit returns. Customer deposits grew considerably and this, together with the disposal of large loans, allowed the Bank to repay some of its borrowings as well as increase its investment portfolio and greatly enhance its liquid position.

Bank of St. Vincent and the Grenadines maintained pre-tax profit at similar levels of 2013 mainly due to a significant tax payment related to prior year treatment of expenses associated with exempt income. Profit after tax was therefore considerably down on 2013 at \$3.1M. The Bank also increased its level of customer deposits and as a result significantly improved its liquidity ratios.

Bank of St. Lucia International once again grew its profits (by 18.5% from US\$2.7M to US\$3.2M). This was achieved through diversification in revenue generating business to focus more on fee and commission income. The International Bank's total assets reduced slightly as a result of this change in business emphasis.

ECFH Global Investment Solutions had a highly successful year, increasing pre-tax profit by 75.4% (\$1.8M) to \$3.2M. This represents a very successful continuation of its strategy to provide a professional and reliable service to its customers in the region.

### **Liquidity:**

The Group's liquidity levels continued to be very strong in the 4th Quarter of 2014. The liquidity of both of the Group's domestic banking subsidiaries, Bank of Saint Lucia Limited and Bank of Saint Vincent and the Grenadines Limited remained at high levels and did not show the usual seasonal signs of reduction. Furthermore, the Group's offshore banking subsidiary continued to attract large deposits. Liquidity levels demonstrate continued customer confidence in the Group.

### **Capital Resources:**

The Group's Capital Ratios remained stable in 2014, reflecting profits earned by the Bank of Saint Vincent and the Grenadines Limited and Bank of Saint Lucia International Limited. Group Capital also benefited from unrealised gains on internationally traded investments caused by

increased market values. There are no material commitments for capital expenditure other than commitments related to the normal expenditure of running the business.

**Results of Operation:**

The ECFH Group enjoyed a profitable 4th Quarter. The primary focus remains obtaining maximum recovery on the previously provisioned non-performing loan portfolio of Bank of Saint Lucia Limited and to this end the Bank was successful in disposing of collateral securing the largest of these loans. This served to improve the Bank's Loans to Deposits ratio, bringing it well within prudential guidelines. Management also continues to direct attention towards ensuring collection of payments on performing loans to ensure that transfers to the non-performing classification can be minimised in the future and towards ensuring that there is clear guidance on the levels of risk acceptable to the Group in its future lending activities. All of this ties in with the Group's "safe and sound" strategy. The Group has suffered reduced income due to poor demand for loans and the continuing low interest rate environment which has affected investment income but cost reductions (both cost of funds and operational costs) have assisted in partially offsetting the impact of this.

**11. Changes in and Disagreements With Auditors on Accounting and Financial Disclosure.**

Describe any changes in auditors or disagreements with auditors, if any, on financial disclosure.

There were no changes in auditors or disagreements with auditors on Accounting and Financial Disclosures.

**12. Directors and Executive Officers of the Reporting Issuer.**

Furnish biographical information on directors and executive officers indicating the nature of their expertise.

## **PROFILE OF DIRECTORS**

### **Lisle Chase**

Profession : Accountant  
Qualification : FCCA, CA  
Substantive Position : CEO- Financial Centre Corporation  
Board Member since : June 2008  
Appointed by : Ordinary Shareholders

### **Hildreth Alexander**

Profession : Management  
Qualification : MBA – Marketing, Accredited Director and Member - ICSA  
Substantive Position : Managing Director – St Lucia Employers Federation  
Board Member since : July 1997  
Elected by : Ordinary Shareholders

### **Terrence Farrell**

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

### **Reginald Darius**

Profession : Economist  
Qualification : MBA, PhD.  
Substantive Position : Permanent Secretary, Ministry of Finance/Director of Finance, St Lucia  
Board Member since : September 2012  
Appointed by : Government of St. Lucia

### **Trevor Louisy**

Profession : Management  
Qualification : BSc. Hons – Electrical Engineering  
Substantive Position : Managing Director – St Lucia Electricity Services Limited  
Board Member since : September 2014  
Appointed by : National Insurance Corporation  
Nationality : Saint Lucian

### **Lennox Timm**

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

### **Jacqueline Quamina**

Profession : Attorney At Law  
Qualification : LLB, MA, MBA  
Substantive Position : Group General Counsel/ Corporate Secretary, Republic Bank Limited

Board Member since : March 2004  
Appointed by : Republic Bank of Trinidad & Tobago Limited

**Jacqueline Emmanuel-Flood**

Profession : Director  
Qualifications : BSc. MSc. Accredited Director and member – ICSA  
Substantive Position : Managing Director – Trade Export Promotion Agency  
Board Member since : April 2012  
Appointed by : Ordinary Shareholders

**Omar Davis**

Profession : Accountant  
Qualifications : ACCA, Accredited Director and Member - ICSA  
Substantive Position : Financial & Management Consultant  
Board Member since : April 2012  
Appointed by : Ordinary Shareholders

**Martin Dorville**

Profession : Management  
Qualification : MBA, Marketing & Finance  
Substantive Position : Managing Director, Consolidated Foods Ltd.  
Board Member since : April 2014  
Appointed by : Government of St. Lucia

**Esther Browne -Weekes**

Profession : Banking and Finance  
Qualification : MSc. Finance, Accredited Director and Member - ICSA  
Substantive Position : Group Managing Director  
Board Member since : December 2012

**SENIOR MANAGEMENT PROFILE**

**Esther Browne – MSc. Finance**  
Group Managing Director

**Victor Poyotte – MSc. BSc.**  
Senior Manager -Human Resources

**Gordon Cochrane – BA ,CA**  
Group Financial Controller

**Maria Fowell - MBA, MCMI (UK)**  
Senior Manager Marketing & Group Communications

**Lyndon Arnold - High Hons. Dip – Computer Programming & Analysis**  
Senior Manager Information Management and Technology Systems

**Estherlita Cumberbatch – Bsc Mgt Studies, FCIS, LLB**  
Corporate Secretary

**Christopher Louard - MBA**  
Senior Risk Manager

**Melissa Simon – Bsc, ACCA**  
Internal Audit Manager

**13. Other Information.**

The reporting issuer may, at its option, report under this item any information, not previously reported in a Form ECSRC - MC report (related to disclosure of material information), with respect to which information is not otherwise called for by this form. If disclosure of such information is made under this item, it need not be repeated in a Form ECSRC - MC report which would otherwise be required to be filed with respect to such information or in a subsequent Form ECSRC - K report.

**14. List of Exhibits**

List all exhibits, financial statements, and all other papers and documentation filed with this report.

Auditor's Report 2014  
Financial Statements for 2014  
Notes to Financial Statements for 2014



## **Part A**

### **Relevant Financial Data Items for Commercial and Industrial Companies**

#### **Item Descriptions**

- Cash and Cash Items
- Marketable securities
- Notes and Accounts Receivables-Trade
- Allowances for doubtful accounts
- Inventory
- Total Current Assets
- Intangible Assets
- Property Plant and Equipment
- Accumulated Depreciation
- Other Assets (explain)
- Total Assets
- Accounts Payable
- Total Current Liabilities
- Other Liabilities (explain)
- Bonds, mortgages and similar debt
- Preferred stock-mandatory redemption
- common stock
- other stockholder's equity
- Total liabilities and stockholder's equity
- net sales of tangible products
- total revenues
- cost of tangible goods sold
- total costs and expenses applicable to sales and revenues
- other costs and expenses
- provision for doubtful accounts and notes
- Interest and amortisation of debt discount
- Income before taxes and other items
- income tax expense
- income/loss continuing operations
- Discontinued operations
- extraordinary items
- Cumulative effect-changes in accounting principles
- net income or loss
- earnings per share -primary
- earnings per share - fully diluted

## **Part B**

### **Relevant Financial Data Items for Bank Holding Companies and Banks**

#### **Item Descriptions**

- Cash and due from banks
- interest bearing deposits
- Borrowings from the ECCB, Inter-bank Market activity and other bank borrowings
- trading account assets
- investment and mortgage backed securities held for sale
- Investments: to provide schedule of type, rates, maturity and place – (whether domestic/regional or foreign)
- loans
- allowances for losses
- Fixed Assets
- total assets
- other liabilities
- Total deposits
- short-term borrowings
- long-term debt
- preferred stock-mandatory redemption
- preferred stock-no mandatory redemption
- common stocks
- other stockholder's equity
- total liabilities and stockholder's equity
- contingent accounts
- interest and fees on loans
- interest and dividends on investments
- other interest income
- total interest income
- interest expense on deposits
- total interest expense
- net interest income
- provision for loan losses
- investment securities gains/losses
- other expenses
- income/loss before income tax
- income/loss before extraordinary items
- extraordinary items
- cumulative changes in accounting principles
- net income or loss
- earnings per share-primary
- earnings per share- fully diluted

## **Part C**

### **Relevant Financial Items for Broker-Dealers Holding Companies**

#### **Items Description**

- Cash and cash items
- receivables from brokers and dealers, customers and others
- securities purchased under resale agreements
- financial instruments owned
- fixed assets
- total assets
- short term borrowings including commercial paper
- payable to customers, brokers/dealers (including clearing brokers) and others
- securities sold under agreements to repurchase
- long-term debt
- preferred stock-mandatory redemption
- preferred stock - no mandatory redemption
- common stock
- other stockholder's equity
- total liabilities and stockholder's equity
- revenue from trading activities
- interest and dividends
- commissions
- interest expense
- other sources of revenue
- compensation and employee related expense
- income/loss before income tax
- income/loss before extraordinary items
- extraordinary items, less tax
- cumulative change in accounting principles
- net income or loss
- earnings per share- primary
- earnings per share - fully diluted

## **Part D**

### **Relevant Financial Data Items for Public Utility and Utility Holding Companies**

#### **Item Descriptions**

- total net utility plant
- other property and investments
- total current assets
- total deferred charges
- balancing amount for total assets
- total assets
- common stock
- capital surplus, paid in,
- retained earnings
- total common stockholders equity
- preferred stock subject to mandatory redemption
- preferred stock not subject to mandatory redemption
- long term debt, net
- short term notes
- notes payable
- commercial paper
- long term debt-- current portion
- preferred stock-- current portion
- obligation under capital leases
- obligation under capital leases--current portion
- balancing amount for capitalisation and liabilities
- total capitalisation and liabilities
- gross operating revenue
- other operating expense
- total operating expense
- operating income (loss)
- other income (loss), net
- income before interest charges
- total interest charges
- net income
- preferred stock dividends
- earnings available for common stock
- common stock dividends
- total annual interest charges on all bonds
- cash flow from operations
- earnings per share –primary
- earnings per share – fully diluted