

**Schedule 3  
FORM ECSRC - Q**

**(Select One)**

Quarterly Report  
For the period ended September 30, 2009

or

TRANSITION REPORT \_\_\_\_\_  
**(Applicable where there is a change in reporting issuer's financial year)**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Issuer Registration Number: ECFH 28062001SL

East Caribbean Financial Holding Company Limited  
(Exact name of reporting issuer as specified in its charter)

Saint Lucia  
(Territory or jurisdiction of incorporation)

No. 1 Bridge Street, Castries St. Lucia  
(Address of principal executive Offices)

(Reporting issuer's:

Telephone number (including area code): 758-456-6000

Fax number: 758-456-6702

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

N/A

(Former name, former address and former financial year, if changed since last report)

(Provide information stipulated in paragraphs 1 to 8 hereunder)

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.

<b>CLASS</b>	<b>NUMBER</b>
Preference Shares	1,080,000
Ordinary Shares	24,215,589

### **SIGNATURES**

Name of Chief Executive Officer:

Name of Director:

Robert  
Norstrom

Victor  
Eudoxie

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Signature

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Signature

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Date

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Date

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

### **1. Financial Statements**

Provide quarterly Financial Statements in accordance with International Accounting Standards. The format of the financial statements should be similar to those provided with the registration statement. Include the following:

- (a) (Condensed Balance Sheet as of the end of the most recent financial year and just concluded quarter.
- (b) Condensed Statement of Income for the interim three, six and nine months of the current financial year and corresponding period in the previous financial year.
- (c) Condensed Statement of Cash Flows for the interim three, six and nine months of the current financial year and the corresponding period in the previous financial year.
- (d) Examples of financial data items to be included in constructing financial statements for various types of businesses are provided in Parts A-D. These items are meant to serve as guidelines only.
- (e) By way of *Notes to Condensed Financial Statements*, provide explanation of items in the financial statements and indicate any deviations from generally accepted accounting practices.

### **2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

Discuss reporting issuer's financial condition, changes in financial condition and results of operations during the reporting period. Discussion of material changes should be from the end of the preceding financial year to the date of the most recent interim quarterly report. The broad areas of discussions should centre around liquidity, capital resources and results of operations. Discussions of liquidity and capital resources may be combined whenever the two topics are interrelated.

#### **(a) Liquidity**

Identify any known trends or commitments, demands, events that will result in or that are reasonably likely to result in the reporting 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.

Generally liquidity remains tight with the recent events at Bank of Antigua and CLICO exacerbating the challenges fuelled by the Global economic situation.

Ongoing fund raising initiatives include the placement of a Bank of Saint Lucia Limited \$100M fixed rate note with in the Regional market. To date we have raised approx \$32 million dollars and the final tranche is expected to be floated during the month of October. The Group has also recently restructured the suite of deposit products and have embarked on a deposit raising campaign with the intention to raise approx. \$60 million dollars by year end.

**(b) Capital Resources**

Describe the reporting 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. Describe any material trends, favourable or unfavourable in the reporting issuer's capital resources and any expected change in mix. The discussion should consider changes between equity, debt and any off-balance sheet financing arrangements.

The major capital expenditure to be undertaken by the Group is the construction of a new building in the north of the island and construction should commence during the month of November 2009. Funding has been secured from the \$45 million bond issue during the last quarter of 2007 which was raised to refinance then existing loans and to fund the building referred to above.

With respect to changes in the capital mix as discussed above the Group has floated a \$100M fixed rate note with a remaining \$70 million to be raised. Apart from the fixed rate note we do not anticipate any significant change in the mix of the capital resources during the ensuing period.

**(c) Results of Operation.**

Describe 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 indicate the extent the income was so affected. Describe any known trends or uncertainties that have had or that the

reporting issuer reasonably expects will have a material favourable or unfavourable impact on net sales or revenues or income from continuing operations. If the reporting issuer knows of events that will cause a material change in the relationship between costs and revenues (such as price increases, costs of labour or materials), the changes in relationship should be disclosed.

NPAT for the third quarter of the year was recorded at \$10.7 million a 23% increase over the previous quarter. NPAT for the month of September was recorded below budget by 4.7% but was ahead of last month by 20%. The cumulative profit after tax was recorded both below budget and last year by 12% and 14% respectively. Profits for the month of September was the highest recorded since March reflecting a positive sign of improvements in profits

Cumulative net profit after tax at September 30, 2009 was recorded at 12% below budget due to negative variances mainly in revenue areas i.e. interest income, commission & fees, forex income. In comparison cumulative NPAT was 14% below last year as a result of; interest margin (5% < last year), staff cost (8% > last year), operating expenses (3% > than last year) and provisions for loan losses (305% > than last year). On the brighter side, all categories of non-interest income were recorded higher than last year. The gap between total revenue recorded in 2008 compared to 2009 is showing signs of improvement. This month saw an improvement in performance which is anticipated to be maintained throughout the remainder of the year. Most economies are in a recovery mode and according to the IMF; the forecast for global economic growth in 2010 has risen from 2.5% in July to 3.1%-hopefully this will also impact on the local economy

### **3. Disclosure of 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.

#### Credit Risk

Credit risk is determined to be the largest single risk faced by the ECFH Group. At September 30, 2009, credit activity (loans and investments) amounted to approximately 80% of total assets.

The Group's delinquency level is continuously monitored and significant efforts have been made to reduce the non-productive portfolio including work-outs, write-off and sale

of selective non- performing loans. The ratio of non-productive loans to total loans was 6.52% at June 30, 2009 compared to 6.21% at June 30, 2008. Efforts are ongoing to attain the international benchmark of 5%.

The Group continued to monitor the quality of loans being approved, conducting credit risk reviews on all lending over a stipulated dollar value and analysis on loans approved to ensure general compliance with approved credit risk management guidelines. Reviews of the quality and performance of the credit portfolio are undertaken on a regular basis to identify trends and concentrations and take corrective action as necessary.

Investment policies have been approved by the Board for all subsidiaries. All investments are subjected to risk reviews prior to approval.

### Market Risk

To improve its management of market risk, the ECFH has secured the assistance of the International Finance Corporation (IFC). This is part of an IFC consultancy to restructure the ECFH Risk Management Department to better manage risk. To this end, a financial risk analyst has been recruited.. The IFC will be assisting the Risk Management unit with relevant training and development of systems for monitoring and measuring market risk

Additionally, the portfolio of investments is continually monitored for changes in value of instruments and circumstances of institutions with which the Group conducts business. Investments are subject to market valuations where appropriate and instruments are marked to market in keeping with IFRS.

### 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 significant exposure during the period under review. The ECFH Board has approved Guidelines for Foreign Exchange Transactions. These guidelines stipulate the terms and conditions relating to foreign exchange transactions and trading

### Operational Risk

The ECFH Group is in the advanced stage of reviewing its current BCP plans in house. The Group continues to stage annual evacuation drills for staff and undertakes BCP tests for all members of all teams identified in the Business continuity plans.

Card fraud is one area to which the domestic bank is exposed. In the last 9 months we have seen the increased use of fraudulent cards at ATMs. These cards are not issued by any of the banks operating locally but by international banks. We have responded by changing the hardware of all ATM machines to make it more difficult for criminals to

use our machines to perpetrate fraud. All banks operating locally are working with police to reduce the use of their ATMs for fraudulent purposes. The local bankers association has developed posters to sensitize customers about the proper way to use their cards to reduce the possibility that their information can be stolen

### Liquidity Risk

The Group's liquidity risk is monitored on a regular basis by the Internal Liquidity Committee and the Group Asset/Liability Committee. The ECFH Liquidity Management Committee meets on a more frequent basis than the ALCO to monitor and better manage the Group's liquidity. Liquidity in the domestic banking sector of St. Lucia tightened and interest rate spreads narrowed. At May 31, 2009, the loans to deposits ratio for the domestic sector narrowed slightly. Liquidity levels at the ECFH were relatively stable for the first 9 months of the 2009.

The Group dealt with the liquidity challenges through a restructuring of the balance sheet including securitization, raising deposit levels and establishing new lines of credit with both regional and international financial institutions. Careful liquidity management ensured that the regulatory reserve requirement was always met by the domestic bank and that Capital Adequacy Ratios remained above minimum levels. The Liquidity policy and associated liquidity contingency plans were developed and approved by the Board.

### Reputation Risk

Reputation risk is the risk that negative publicity regarding the Group's business practices will lead to a loss of revenue or litigation. 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.

## **4. Legal Proceedings.**

A legal proceeding need only be reported in the ECSRC - Q filed for the quarter in which it first became a reportable event and in subsequent quarterly reports in which there have been material developments. Subsequent Form ECSRC - Q filings in the same financial year in which a legal proceeding or a material development is reported should reference

any previous reports in that year. Where proceedings have been terminated during the period covered by the report, provide similar information, including the date of termination and a description of the disposition thereof with respect to the reporting issuer and its subsidiaries.

**There were no legal proceedings during the quarter.**

**5. 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

There were no changes in Securities and Use of Proceeds using the quarter.

- (b) Report any working capital restrictions and other limitations upon the payment of dividends.

There were no working capital restrictions and other limitations upon the payment of dividends during the quarter.

**6. 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.

## **7. Submission of Matters to a Vote of Security Holders.**

If any matter was submitted during the period covered by this report to a vote of security holders, through the solicitation of proxies or otherwise, furnishes 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 decision was taken otherwise than at a meeting of such security holders.

There was no matter submitted to shareholders through meetings during the period.

## **8. 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 - Q report.

We wish to report that Mrs. Margaret George, a director from National Bank of Dominica was appointed as a director on the Board on July 12, 2009 replacing Reuben Deubry as the representative of the OECS Bank Group.

## **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

