

**Schedule 3**  
**FORM ECSRC - Q**

Quarterly Report  
For the period ended June 30, 2011

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	830,000
Ordinary Shares	24,465,589

### **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.

The Group continues to experience high levels of liquidity. This is reflected in Cash Balances that are significantly higher than the December 2010 comparatives. The improved liquidity is due to the growth in levels of Customer Deposits held by the Group's banking subsidiaries and limited demand for loans. There has been some progress during the 2<sup>nd</sup> Quarter towards placement of the excess liquidity in sufficiently secure investments but yield continues to be a challenge as does concern over international market volatility.

Additional customer deposits held by the Offshore banking subsidiary, Bank of St Lucia International Ltd, which have increased considerably in value since 2010, are not necessarily expected to be long term in nature and are deposited with other banks rather than placed in longer term investments.

**(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 Group's major items of Capital expenditure during the year relate to new administrative buildings in St. Lucia and St. Vincent. Construction is ongoing on a building in the North of St. Lucia which will be occupied by the offshore banking, investment banking and brokerage subsidiaries and is scheduled for completion later in the year. A new administrative building has been acquired in St. Vincent to replace the existing rented premises. The latter is being funded in part by borrowings as was the acquisition of NCB St. Vincent (now trading as the Bank of St Vincent and the Grenadines). The impact of this has been a slight rise (33%) in the overall level of Group borrowings. A one year note issued by the largest subsidiary, Bank of St. Lucia Ltd, matures towards the end of the year and in Q1 of 2011. The rollover strategy for this is as yet undecided.

**(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.

The major change in the Group's operations during the last year came from the acquisition of a controlling interest in the Bank of St Vincent & the Grenadines (formerly NCB St. Vincent). This has brought about significant increases in Total Group Assets, Income and Expenses. Resources are now being focused on integrating the new subsidiary within the ECFH Group. The bank's new brand was launched successfully in Quarter 2 and the administrative offices will shortly be re-located to the recently acquired Reigate Building in Kingstown.

Prudent accounting necessitated further loan loss provisioning by Bank of St. Lucia in Quarter 2.

### **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.

## **RISK MANAGEMENT REPORT AS AT JUNE 30, 2011**

### **Credit Risk**

As at June 30, 2011, the credit portfolio of the ECFH Group comprised 15,898 loans and 1,288 overdrafts with an outstanding balance of \$1.85 billion. This represented an increase of 5% or \$82 million over the December 2010 portfolio balance of 1.77 billion mainly due to the purchase of loans from ECHMB by BOSVG and MFC, and \$547 million or 42% over the June 2010 balance of \$1.3 billion. The increase between June 2010 and June 2011 was due largely to the acquisition of NCB St Vincent.

The non-productive portfolio increased from \$141 million in December 2010 to \$224 million in June 2011 impacting the group's delinquency ratio which deteriorated to 12.1% in June 2011 from 7.9% in December 2010. The increase in the delinquency was due mainly to the

classification of the debt of \$71 million in the name of Premium Hotels Investors Inc. by BOSL. Both MFC and BOSVG reported increases of \$3 million each in their non-productive portfolio.

### **Investments**

The Group's investment portfolio was approximately \$971.7 million as at June 30, 2011 compared to \$932 million at December 31, 2010. The investing units continue to seek quality investments given the turbulent financial markets and the troubled economies. Interest rates continue to decline so the unrealized losses have reversed to gains indicating improvement in market prices.

### **Liquidity Risk**

During the period, BOSL was able to successfully maintain its ECCB liquidity reserves requirement while meeting its commitments.

The banking subsidiaries experienced excess liquidity with the decreased demands for loans and reduced supply of quality investment opportunities. There are challenges faced in the placement of excess funds. Liquidity risk for the period is assessed as low.

### **Operational Risk**

#### Business Continuity Plan (BCP)

1. May was designated as Safety Month throughout the ECFH Group in Saint Lucia. During the month earthquake drills were conducted for the first time at ECFH locations with the assistance of St. John's ambulance as NEMO was not responsive to our request for assistance
2. Other activities during Safety Month included quizzes, presentations on first Aid and CPR, presentations on other safety issues and tips sent out via email.
3. BOSVG, June 20-25 was designated Safety week. Senior Risk Analyst from ECFH travelled to St Vincent to assist with the activities as well as to assess BCP and operational risk issues in St Vincent. He also guided the earthquake evacuation drill at the locations.
4. The main objective of Safety Month and Safety Week was to heighten employee awareness of Health and Safety issues within the workplace and in their personal lives. The activities were well received by staff in Saint Lucia and St Vincent.
5. No additional work was done on development of BCPs for the units during the period
6. BCP test of the recovery sites at Gros Islet and Trinidad have been successfully completed.
7. A full simulation of the BOSLIL off-island recovery plan will be done before the year end. Some changes to the plan have to be ironed out such as possible accommodation from Republic Bank rather than working from a hotel.
8. The annual BCP exercises of the various plans have not yet been conducted owing to the staging of Safety Month.

## **Risk Reviews**

RMD continued to review all contracts before being signed by the Group to ensure that the Group does not assume liabilities for which it is not prepared and in general to assess related risks and put mitigating measures in place. Similarly, review of new as well as some existing products/services continued.

## **Country Reviews and Investments**

- Reviews were conducted on specific investment products as requested by units such as WAM, ECFH Global investments and BOSLIL
- Country reviews were conducted for 11 countries and appropriate investment limits recommended Lithuania, Aruba, Australia, Barbados, Bermuda, Brazil, Cayman Islands, Chile, Croatia, India and Russia

## **ForEx Risk**

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

## **Compliance Risk**

AML Compliance activities are covered in the Compliance Report  
Policies

During the period the following policies were reviewed and approved by the Board:

- Correspondent Banks Policy
- Related Party Transactions Policy
- BOSVG Investment Policy

Work was done on the revision of the AML Policy which will be submitted to the board during the 3<sup>rd</sup> quarter.

## **Other Risk Areas**

There were no other significant adverse exposures in other risk areas.

### **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 arrear on the date of filing this report.

- (b) If any material arrear 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 arrear 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.

The Annual Meeting of Shareholders was held on June 30, 2011.

- (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.

While there was an agenda item for the election of Directors; however since no nominations were received, the retiring directors were re-appointed by shareholders.

- (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.

There were no matters voted upon by ballots.

- (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.

The matters voted upon were by a show of hands and were as follows:

1. To receive the Audited Financial Statements of the company for the year ended December 31, 2010 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, 2010
4. To appoint Auditors and authorise Directors to fix their remuneration

5. To elect Directors

**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.

## **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

# East Caribbean Financial Holding Company Limited

## Interim Consolidated Balance Sheet

As at June 30, 2011

(in thousands of Eastern Caribbean Dollars)

	(Unaudited) June 30 2011 \$'000	(Audited) December 31 2010 \$'000	(Unaudited) June 30 2010 \$'000
<b>Assets</b>			
Cash and balances with Central Bank	298,157	212,649	172,583
Due from other banks	668,575	642,480	142,335
Trading financial assets	9,456	9,842	26,915
Deposits with non-bank financial institutions	883	2,320	1,028
Treasury bills	9,401	15,958	7,038
Originated loans - Loans & Advances to customers	1,800,430	1,725,382	1,305,277
- Bonds	29,649	29,655	6,159
Investments securities - held to maturity	94,759	85,034	36,763
- available-for-sale	310,282	290,207	267,330
Pledged assets	96,097	63,469	65,773
Due from reinsurers	7,441	10,418	5,774
Due from insurance agents, brokers and policyholders	1,878	1,921	1,552
Investment in associated undertaking	12,665	12,665	6,512
Property plant and equipment & intangibles	135,237	120,465	78,160
Investment Properties	13,923	13,923	11,218
Other assets	51,479	32,579	40,681
Income tax recoverable	3,069	3,673	0
Deferred tax asset	4,799	4,799	0
Retirement Benefit Asset	3,556	3,556	3,467
<b>Total assets</b>	<b>3,551,736</b>	<b>3,280,994</b>	<b>2,178,565</b>
<b>Liabilities</b>			
Deposits from banks	34,228	45,503	14,409
Due to customers	2,518,285	2,318,304	1,334,345
Other funding instruments	281,277	255,419	232,513
Borrowings	250,441	207,177	188,583
Due to reinsurers	2,767	1,355	3,661
Insurance Claims and Deferred Revenue	11,889	14,978	10,023
Other liabilities	51,322	47,439	33,112
Dividends Payable	284	291	0
Income Tax Payable	0	0	1,139
Deferred tax liabilities	0	0	3,260
<b>Total liabilities</b>	<b>3,150,493</b>	<b>2,890,466</b>	<b>1,821,045</b>
<b>Shareholders' equity</b>			
Share capital	174,231	174,231	174,231
Contributed capital	3,118	3,118	3,118
Unrealized loss on investments	630	(544)	(945)



Revaluation reserve	13,855	13,855	13,855
Reserves	142,358	142,358	139,393
Retained earnings	10,358	14,028	11,687
Profit for the period after taxes	11,895	0	15,214
<b>Parent shareholders' equity</b>	<b>356,445</b>	<b>347,046</b>	<b>356,553</b>
<b>Minority Interest</b>	<b>44,798</b>	<b>43,482</b>	<b>967</b>
<b>Total equity and liabilities</b>	<b>3,551,736</b>	<b>3,280,994</b>	<b>2,178,565</b>

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12months  
Change  
%

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73%  
370%  
-65%  
-14%  
34%  
38%  
381%  
158%  
16%  
46%  
29%  
21%  
94%  
73%  
24%  
27%  
0%  
0%  
3%

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**63%**

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138%  
89%  
21%  
33%  
-24%  
19%  
55%  
0%  
-100%  
-100%

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**73%**

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0%  
0%  
-167%

0%  
2%  
-11%  
-22%

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**0%**

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**63%**