

# GROUP MANAGING DIRECTOR'S REPORT



## OVERVIEW

2007 was a year of considerable achievement for the ECFH Group and all of its subsidiaries despite the challenges of a stringent liquidity situation that characterized the marketplace. We focused on strengthening our core values, creating greater value for all our stakeholders. During the year the Group paid attention to improving operations in both product and service delivery, whilst at the same time building stronger synergies amongst its affiliates. The success of these initiatives was manifested in the outstanding financial results for 2007 and the noticeable improvement in our customer satisfaction ratings.

The Group recorded strong balance sheet and profits growth for 2007 with assets at the end of the year exceeding \$2 billion compared to \$1.6 billion last year, and profits before tax and profit sharing for the year reaching \$51 million compared to \$40 million last year; before tax and profit sharing. Loans increased to \$1.1 billion from \$886 million in 2006 and deposits grew to \$1.4 billion as against \$1.2 billion last year. All subsidiaries recorded improved performances.

Despite these commendable results, the Group reinforced its commitment to its Vision Statement of global expansion and approved new business models for the Bank of Saint Lucia International Limited, E.C. Global Insurance Limited and the Investment Banking Division of the Bank of Saint Lucia Limited. These initiatives will reduce the Group's geographical risk, and further diversify its revenue base with an anticipated increase in its overseas income.

In the local market, the Group has identified a demand for quality middle income housing and its property development company ProDev has been working with professionals in the construction industry to find solutions for meeting this market need at affordable prices.

The Group's Mortgage Finance Company with a loans portfolio of \$222 million has to date been substantially financed by the Bank of Saint Lucia. The Group has decided that this subsidiary will have to raise more of its funding from the market. This will provide investors with an opportunity to diversify their portfolios with wider spreads in maturities. The branding of the Group's Mortgage Finance Company is an initiative that will be executed in 2008.

A major portion of the proceeds of the parent company's Additional Public Offering of \$100 million was allocated to the Bank of Saint Lucia, which allowed it to increase its lending capacity, ease its liquidity, and strengthen its Balance Sheet to deal more effectively with residual bad debts which have now dropped to below 7%. The remainder of the capital raised now allows the Group to adequately capitalize its other subsidiaries as the need arises.

## STRATEGIC PARTNERSHIPS

There were two significant relationships developed with the Group during the year which highlights the growing confidence in this Group by larger international financial institutions. The French development bank, Agence Française de Développement (AFD), entered into an agreement with the Bank of Saint Lucia Limited to provide funding for a student loan scheme that allows young Saint Lucians to train in French territories with emphasis in technical areas. This appropriately supplements the existing Student Loan Scheme managed by the Bank.

The other is the agreement between the International Finance Corporation (IFC) and the Bank of Saint Lucia Limited to provide Trade Financing facilities to accommodate at advantageous costs the foreign trade activity of local businesses. One of the advantages to the Bank and its customers from this arrangement is the extensive increase in the number of its correspondent banks worldwide. We expect the relationship with the IFC to develop in other areas including financing of small and medium sized enterprises and Corporate and Development financing.

## PRODUCTS AND SERVICES

Although we are satisfied that the Group's range of products remain very competitive, we continue to assess customers' needs with the view to introducing new products or comprehensively enhancing existing products to adequately satisfy those needs. In that regard, we improved our International Debit Card services and re-branded our Credit Cards as Bank of Saint Lucia's Credit Card. These cards will contribute substantially to the international visibility of the Bank of Saint Lucia Limited. We will also be expanding our Card Services in 2008 under a new business model to allow customers more value-added benefits and convenience. The ATM and Points of Sale network was expanded further to provide more convenient locations as well as underpin our commitment to providing 24 hour banking services. Expansion will continue in 2008.

The Investment Banking Division continues to develop a varied range of investment products facilitating improved yields and varied maturities. The Department successfully floated Government paper on the secondary market, a welcome impetus for the Regional Government Securities Market, and is working with some companies intending to list their shares on the regional stock exchange. The end results of these efforts will facilitate the expansion of the regional capital market.

The latest independent survey of our customer service has indicated an improvement over last year's results with the Group again achieving superior ranking for its contribution to youth development, education, sports, national development and financial literacy.

To more effectively support our marketing and public relations efforts,

a reorganized Marketing Department with responsibility for customer service, complaints management and corporate communications has been put in place under new management.

## OPERATIONS

The Group remains committed to process enhancements, with the main objectives being to improve customer service and reduce operating costs. In 2008, we intend to change our loans processing, account opening procedures and customer account statement management in an effort to maximize efficiencies.

Our Business Continuity Plan, which the Group developed over the past two years, was successfully tested by the events of Hurricane Dean when planning and execution of the retrieval of accounting data to ensure early resumption of service to customers.

## HUMAN RESOURCES & INDUSTRIAL RELATIONS

The Group continued to provide extensive training, both local and overseas, with expenditure of approximately \$1.5 million. Union/Management relations continue to be cordial. However, negotiations for a new industrial agreement have taken longer than anticipated and at year-end have remained outstanding. Both parties continue efforts to resolve the outstanding matters.

## ACKNOWLEDGEMENTS

I thank the Boards of Directors of the parent company and subsidiaries for their guidance, and the staff and management for their support and commitment. The contributions of all were the basis for the excellence of the Group's performance.

I thank our shareholders and customers for the goodwill which they demonstrated to us throughout the year, and our strategic partners who gave us the benefit of their expertise.