

East Caribbean Financial Holding
Company Limited

Consolidated Financial Statements
December 31, 2002
(expressed in Eastern Caribbean dollars)

East Caribbean Financial Holding Company Limited

Consolidated Balance Sheet

As of December 31, 2002

(expressed in Eastern Caribbean dollars)

	2002	2001
	\$	\$
Assets		
Cash and balances with Central Bank (note 4)	45,056,605	44,196,220
Due from other banks (note 5)	49,485,953	16,203,091
Deposits with non- bank financial institution	11,591,585	10,385,354
Treasury bills (note 6)	11,279,000	11,279,000
Loans and advances to customers (note 7)	571,641,229	602,200,862
Investment securities – held-to-maturity (note 9)	123,870,722	66,441,703
– available-for-sale (note 9)	1,222,852	1,222,852
Property, plant and equipment (note 10)	42,196,671	41,020,016
Other assets (note 11)	12,988,532	17,325,827
Investment properties (note 12)	9,435,141	9,470,851
Income tax recoverable	2,234,768	–
Retirement benefit asset (note 13)	2,554,681	2,404,656
Total assets	883,557,739	822,150,432
Liabilities		
Customers' deposits (note 14)	603,471,722	546,816,170
Borrowings (note 15)	162,203,596	150,388,829
Other liabilities (note 16)	16,651,288	22,915,773
Dividends payable	1,643,987	963,784
Income tax payable	–	435,640
Deferred tax liabilities (note 27)	834,230	880,067
Total liabilities	784,804,823	722,400,263
Minority interest (note 17)	1,247,011	1,234,988
Shareholders' equity		
Share capital	46,481,819	43,563,996
Contributed capital	1,525,472	1,525,472
Reserves	42,211,776	40,315,114
Retained earnings	7,286,838	13,110,599
Total shareholders' equity	97,505,905	98,515,181
Total equity and liabilities	883,557,739	822,150,432

Approved by the Board of Directors on March 31, 2003



Director



Director

East Caribbean Financial Holding Company Limited

Consolidated Statement of Changes in Shareholders' Equity

For the year ended December 31, 2002

(expressed in Eastern Caribbean dollars)

	2002 \$	2001 \$
Share capital		
Ordinary shares (note 18)		
At beginning of year	29,913,996	40,691,166
Issued during the year	2,917,823	2,872,830
Converted to preference shares	—	(13,650,000)
Converted from preference shares	<u>750,000</u>	<u>—</u>
At end of year	<u>33,581,819</u>	<u>29,913,996</u>
Preference shares (note 18)		
At beginning of year	13,650,000	—
Shares on application	—	13,650,000
Converted from ordinary shares	<u>(750,000)</u>	<u>—</u>
At end of year	<u>12,900,000</u>	<u>13,650,000</u>
Total share capital	<u>46,481,819</u>	<u>43,563,996</u>
Contributed capital (note 34)		
At beginning and end of year	<u>1,525,472</u>	<u>1,525,472</u>
Reserves		
General reserve (note 20)		
At beginning of year	17,398,016	16,028,681
Transferred from retained earnings	<u>982,085</u>	<u>1,369,335</u>
At end of year	<u>18,380,101</u>	<u>17,398,016</u>
Statutory reserve (note 21)		
At beginning of year	19,761,390	18,136,874
Transferred from retained earnings	<u>701,425</u>	<u>1,624,516</u>
At end of year	<u>20,462,815</u>	<u>19,761,390</u>
Capital reserve (note 22)		
At beginning of year	—	1,780,114
Transferred to retained earnings	<u>—</u>	<u>(1,780,114)</u>
At end of year	<u>—</u>	<u>—</u>
Special reserve (note 23)		
At beginning of year	751,052	751,052
Transferred from retained earnings	<u>63,127</u>	<u>—</u>
At end of year	<u>814,179</u>	<u>751,052</u>
Retirement benefit reserve (note 35)		
At beginning of year	2,404,656	—
Transfer from retained earnings	<u>150,025</u>	<u>2,404,656</u>
At end of year	<u>2,554,681</u>	<u>2,404,656</u>
Total reserves, end of year	<u>42,211,776</u>	<u>40,315,114</u>

East Caribbean Financial Holding Company Limited
 Consolidated Statement of Changes in Shareholders' Equitycontinued
 For the year ended December 31, 2002

(expressed in Eastern Caribbean dollars)

	2002 \$	2001 \$
Retained earnings		
As previously reported	13,912,070	10,506,905
Change in accounting policy	–	(6,041,859)
IAS 19 transitional adjustment (note 13)	–	2,157,499
Tax effect of IAS 19 transitional adjustment (note 27)	<u>(801,471)</u>	<u>(719,094)</u>
As restated	13,110,599	5,903,451
Net income for the year	3,507,384	13,803,706
Transfer to general reserve	(982,085)	(1,369,335)
Transfer to statutory reserve	(701,425)	(1,624,516)
Transfer from capital reserve	–	1,780,114
Transfer to special reserve	(63,127)	–
Transfer to retirement benefit reserve (note 35)	(150,025)	(2,404,656)
Dividends on ordinary shares (note 19)	(6,531,483)	(2,500,415)
Dividends on preference shares (note 18)	<u>(903,000)</u>	<u>(477,750)</u>
At end of year	<u>7,286,838</u>	<u>13,110,599</u>
Shareholders' equity, end of year	<u>97,505,905</u>	<u>98,515,181</u>

East Caribbean Financial Holding Company Limited

Consolidated Statement of Income

For the year ended December 31, 2002

(expressed in Eastern Caribbean dollars)

	2002 \$	2001 \$
Interest income (note 24)	68,351,009	66,893,082
Interest expense (note 24)	<u>34,776,172</u>	<u>30,803,718</u>
Net interest income	33,574,837	36,089,364
Other income (note 25)	<u>10,121,806</u>	<u>10,814,789</u>
Operating income	43,696,643	46,904,153
Provision for loan impairment, net (note 8)	12,853,540	3,545,423
Other operating expenses (note 26)	<u>25,954,998</u>	<u>25,086,783</u>
Income for the year before finance charges and taxation	4,888,105	18,271,947
Finance charges	<u>1,073,361</u>	<u>1,224,145</u>
Income for the year before taxation	3,814,744	17,047,802
Taxation (note 27)	<u>295,249</u>	<u>3,224,008</u>
Net income before minority interest	3,519,495	13,823,794
Minority interest (note 17)	<u>12,111</u>	<u>20,088</u>
Net income for the year	<u>3,507,384</u>	<u>13,803,706</u>
Earnings per share (note 28)		
- basic	<u>0.24</u>	<u>1.33</u>
- diluted	<u>0.26</u>	<u>1.21</u>

East Caribbean Financial Holding Company Limited

Consolidated Statement of Cash Flows

For the year ended December 31, 2002

(expressed in Eastern Caribbean dollars)

	2002 \$	2001 \$
Cash flows from operating activities		
Income for the year before taxation	3,814,744	17,047,802
Adjustments for:		
Depreciation	2,479,606	1,921,234
Gain on disposal of property, plant and equipment	(36,984)	(43,342)
Unrealised exchange loss/(gain)	1,034,488	(17,192)
Provisions for loan impairment, net	12,853,540	3,545,423
Interest income	(68,264,528)	(66,893,082)
Interest expense	34,776,172	30,803,718
Cash flows before changes in operating assets and liabilities	(13,342,962)	(13,635,439)
Increase in mandatory deposits with Central Bank	(2,307,268)	(3,645,977)
Decrease/(increase) in loans and advances to customers	17,706,093	(50,232,466)
Decrease/(increase) in other assets	4,511,943	(4,809,483)
Increase in customers' deposits	56,655,552	58,172,159
(Decrease)/increase in other liabilities	(6,677,372)	1,316,396
Cash from/(used in) operations	56,545,986	(12,834,810)
Income tax paid	(3,011,494)	(3,533,473)
Interest received	67,939,855	63,898,001
Interest paid	(34,363,373)	(29,951,531)
Net cash from operating activities	87,110,974	17,578,187
Cash flows from investing activities		
(Purchase)/maturity of investment securities	(57,429,019)	8,443,071
Purchase of treasury bills	–	(8,159,600)
Purchase of property, plant and equipment	(3,674,691)	(6,669,498)
Proceeds from disposal of property, plant and equipment	91,124	114,771
Net cash used in investing activities	(61,012,586)	(6,271,256)
Cash flows from financing activities		
Proceeds from issuance of shares	2,917,823	2,872,830
Dividends paid to group shareholders	(6,754,280)	(7,254,245)
Proceeds from issuance of bonds	15,500,000	5,500,000
Proceeds from borrowings	6,497,784	5,320,927
Repayment of borrowings	(11,217,505)	(5,108,451)
Net cash from financing activities	6,943,822	1,331,061
Increase in cash and cash equivalents	33,042,210	12,637,992
Cash and cash equivalents – beginning of year	45,912,422	33,274,430
Cash and cash equivalents – end of year (note 29)	78,954,632	45,912,422

East Caribbean Financial Holding Company Limited

Notes to Consolidated Financial Statements

December 31, 2002

(expressed in Eastern Caribbean dollars)

1 Corporate status

East Caribbean Financial Holding Company Limited (the "Company") was formed pursuant to an Agreement for Amalgamation ("Agreement") dated March 31, 2001, between National Commercial Bank of Saint Lucia Limited (NCB), a company incorporated in Saint Lucia and continued under the Companies Act of Saint Lucia No. 19 of 1996 and Saint Lucia Development Bank (SLDB) a company reincorporated under the same Act. Under the terms of Agreement the companies agreed to amalgamate in accordance with the provisions of the Companies Act No. 19 of 1996 from July 1, 2001 and to continue as one company as at the date of the Certificate of Amalgamation. The Certificate of Amalgamation was issued on June 30, 2001.

In addition to compliance with the Companies Act of Saint Lucia, the Group is subject to the provision of the Banking Act of Saint Lucia No. 7 of 1991.

The principal activity of the Group is the provision of financial services. The registered office and principal place of business of the company is located at No.1 Bridge Street, Castries, St. Lucia.

The company is listed on the Eastern Caribbean Securities Exchange.

2 Summary of accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below:

Basis of preparation

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards and under the historical cost convention, as modified by the revaluation of available-for-sale securities and financial assets.

During the year the Group adopted IAS 19 – Employee Benefits. The effects of adopting this standard is summarised in the consolidated statement of changes in shareholders' equity and further information is disclosed in the accounting policy note relating to employee benefits and in note 13.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions actual results ultimately may differ from those estimates.

Group accounts

Subsidiaries, which are those companies in which the Group, directly or indirectly, has power to govern the financial and operating policies, are consolidated (note 32).

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured at the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition, plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the fair value of the net assets of the subsidiary acquired is recorded as goodwill. Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated, unrealized losses are also eliminated unless cost cannot be recovered. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

East Caribbean Financial Holding Company Limited

Notes to Consolidated Financial Statements

December 31, 2002

(expressed in Eastern Caribbean dollars)

2 Summary of accounting policies...continued

Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than 90 days maturity from the date of acquisition including: cash on hand and balances with the Central Bank, due from other banks and deposits with non-bank financial institution.

Originated loans and provisions for loan impairment

Loans originated by the Group by providing money directly to the borrower at draw down are categorised as loans originated by the Group and are carried at cost. Third party expenses, such as legal fees, incurred in securing a loan are treated as part of the cost of the transaction.

All loans and advances are recognised when cash is advanced to borrowers.

A provision for loan impairment is established if there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of loans. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted at the original interest rate of the loan.

The loan loss provision also covers losses where there is objective evidence that probable losses are present in components of the loan portfolio at the balance sheet date. These have been estimated based upon historical patterns of losses in each component, the credit ratings allocated to the borrowers and reflecting the current economic climate in which the borrowers operate. When a loan is uncollectable, it is written off against the related provision for impairment; subsequent recoveries are credited to provision for loan impairment in the income statement.

Statutory and other regulatory loan loss reserve requirements exceeding these amounts are dealt with in the general banking reserve as an appropriation of retained earnings.

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to the loan loss provision account.

Investment securities

Investment securities are classified into the following two categories: held-to-maturity and available-for-sale assets. Investments with fixed maturity where management has both the intent and the ability to hold to maturity are classified as held-to-maturity. Investment securities intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices are classified as available-for-sale. Management determines the appropriate classification of its investments at the time of the purchase.

Investment securities are initially recognised at cost (which includes transaction costs). Held-to-maturity investments are carried at amortised rates using the interest rates in effect, less any provision for impairment. Available-for-sale financial assets are subsequently re-measured at fair value based on quoted bid prices. For unquoted investments in an inactive market, in the absence of any impairment, amortised cost is used as a reasonable estimate of fair value. Unrealised gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognised in the income statement.

East Caribbean Financial Holding Company Limited

Notes to Consolidated Financial Statements

December 31, 2002

(expressed in Eastern Caribbean dollars)

2 Summary of accounting policies...continued

Investment securities...continued

A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount. The amount of the impairment loss for assets carried at amortised cost is calculated as the difference between the assets' carrying amount and the present value of expected future cash flows discounted at the financial instrument's original effective interest rate. By comparison, the recoverable amounts of an instrument measured at fair value is the present value of expected future cash flows discounted at the current market rate of interest for a similar financial asset. Interest earned whilst holding investment securities is reported as interest income.

All purchases and sales of investment securities are recognised at trade date, which is the date that the Group commits to purchase or sell assets. Derivative instruments are not utilised.

Property, plant and equipment

Property, plant and equipment are recorded at historical cost less accumulated depreciation.

Depreciation and amortisation are calculated on the straight-line method to write-off the cost of depreciable assets to their residual values over their estimated useful lives as follows:

Buildings	2%
Leasehold improvements	2%
Motor vehicles	20%
Office furniture & equipment	10% - 15%
Computer equipment & software	33 1/3%

Property, plant and equipment are periodically reviewed for impairment. When the carrying amount of an asset is greater than the recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with carrying amount and are included in operating income.

Repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing assets will flow to the Group. Major renovations are depreciated over the remaining useful life of the related asset.

Investment properties

Investment properties are shown at cost, less accumulated depreciation. Depreciation on buildings is calculated at 2% on the straight-line method which is considered adequate to write off the cost of the assets over their estimated useful lives.

Property that is being constructed or developed for future use as investment property is classified as work-in-progress in property, plant and equipment and stated at cost until construction or development is complete at which time it is reclassified and subsequently accounted for as investment property.

East Caribbean Financial Holding Company Limited

Notes to Consolidated Financial Statements

December 31, 2002

(expressed in Eastern Caribbean dollars)

2 Summary of accounting policies...continued

Borrowings

Borrowings are recognised initially at "cost" being their issue proceeds net of transaction costs incurred. Subsequently, borrowings are stated at amortised cost.

Deferred income taxes

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

The principal temporary differences arise from depreciation of property, plant and equipment and their tax base, tax losses carried forward and pension gains. The rates enacted or substantially enacted at the balance sheet date are used to determine deferred income tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Income tax payable on profits, based on the applicable tax law is recognised as an expense in the period in which profits arise. The tax effect of income tax losses available to carry forward are recognised as an asset when it is probable that future taxable profits will be available which these losses can be utilised against.

Guarantees and letters of credit

Guarantees and letters of credit comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most guarantees and letters of credit be settled simultaneously with the reimbursement from the customers. Guarantees and letters of credit are accounted for as off-balance sheet transactions and are disclosed as contingent liabilities and commitments.

Share capital

(i) Share issue costs

Incremental costs directly attributable to the issue of new shares, other than on a business combination, are deducted from equity net of any related income taxes.

(ii) Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are declared. Dividends for the year which are declared after the balance sheet date are dealt with in the subsequent event note (note 36).

(iii) Preference shares

Preference shares which are convertible to ordinary shares are classified as equity. The resulting dividends are recognised in the period they fall due.

Interest income and expense

Interest income and expense are recognised in the income statement for all interest bearing instruments on an accrual basis using effective interest rates. Interest income includes coupons earned on fixed income investment and accrued discount and premium on treasury bills. When loans become doubtful of collection, they are written down to their recoverable amounts and interest income is thereafter recognised based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount.

East Caribbean Financial Holding Company Limited

Notes to Consolidated Financial Statements

December 31, 2002

(expressed in Eastern Caribbean dollars)

2 Summary of accounting policies...continued

Other income

Commission income is recognised when received. Loan fees are recognised on income when earned.

Translation of foreign currencies

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

All translation differences on debt securities and other monetary financial assets measured at fair value are included in foreign exchange gains and losses.

Retirement benefits

The company contributes to a defined benefit pension plan for all monthly paid employees. A defined benefit plan defines an amount of pension benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation. The assets of the plan are held separately. The pension plan is funded by payments from employees and the company, taking account of the recommendations of independent qualified actuaries who carry out a full valuation of the plan once every three years.

The valuation method used is the projected unit credit method. Under this method the cost of providing pensions is charged to the income statement so as to spread the regular cost over the service lives of employees in accordance with the advice of the qualified actuaries. The pension obligation is measured as the present value of the estimated future cash outflows using interest rates of government securities which have terms to maturity approximating the terms of the related liability. Actuarial gains and losses are recognised using the "corridor" approach. Any actuarial gains and losses (arising from both defined benefit obligations and any related plan assets) which fall outside of the higher of 10% of the present value of the defined benefit obligation or 10% of the fair value of plan assets, is amortised over a 5-year period.

It is the policy of the Group to maintain a retirement benefit reserve at an amount equal to the retirement benefit asset (notes 13 and 35).

Financial instruments

Financial instruments carried on the balance sheet include cash resources, investment securities, loans and advances to customers, customers' deposits and borrowed funds. The particular recognition methods adopted are disclosed in the individual policy statement associated with each item.

Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in the presentation in the current year.

East Caribbean Financial Holding Company Limited

Notes to Consolidated Financial Statements

December 31, 2002

(expressed in Eastern Caribbean dollars)

3 Financial risk management

Strategy in using financial instruments

By its nature, the Group's activities are principally related to the use of financial instruments. The Group accepts deposits from customers at fixed and floating rates and for various periods and seeks to earn above average interest margins by investing these funds in high quality assets. The Group seeks to increase these margins by consolidating short-term funds and lending for longer periods at higher rates whilst maintaining sufficient liquidity to meet all claims that may fall due.

The Group also seeks to raise its interest margins by obtaining above average margins, net of provisions, through lending to commercial and retail borrowers with a range of credit standing. Such exposures involve not just on balance sheet loans and advances but the Group also enters into guarantees and other commitments such as letters of credit and other bonds.

Credit risk

The Group takes on exposure to credit risk which is the risk that a counterparty will be unable to pay amounts in full when due. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees.

Credit related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipment of goods to which they relate and therefore carry less risk than a direct borrowing.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

East Caribbean Financial Holding Company Limited

Notes to Consolidated Financial Statements

December 31, 2002

(expressed in Eastern Caribbean dollars)

3 Financial risk management...continued

Geographical and sectoral concentrations of assets and liabilities

The Group operates mainly in St. Lucia.

Economic sector risk concentrations within the customer loan portfolio were as follows:

	2002		2001	
	\$	%	\$	%
	(000's)		(000's)	
Agriculture	22,709	3.62	24,395	3.75
Tourism	62,008	9.90	80,231	12.34
Manufacture	13,355	2.13	14,119	2.17
Education	57,076	9.11	46,675	7.18
Distribution and commerce	62,201	9.93	47,699	7.34
Financial services	5,274	0.84	3,107	0.48
Government	29,190	4.66	64,728	9.96
Professional services	41,153	6.57	40,003	6.15
Infrastructural, Utilities and Transportation	53,209	8.49	43,613	6.73
Personal housing	169,070	26.98	168,975	25.99
Other consumer	<u>111,404</u>	<u>17.77</u>	<u>116,427</u>	<u>17.91</u>
Total before deduction of provision for impairment and unearned interest	<u>626,649</u>		<u>649,972</u>	

Currency risk

The Group takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board of Directors sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily. The Group's exposure to currency risk is minimal since most of its assets and liabilities in foreign currencies are held in United States dollars. The Eastern Caribbean dollar is tied to the United States dollar.

Interest rate risk

The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The Board of Directors sets limits on the level of mismatch of interest rate repricing that may be undertaken.

Liquidity risk

The Group is exposed to daily cash calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan draw downs, and guarantees. The Group does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The Board of Directors sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of interbank and other borrowing facilities that should be place to cover withdrawals at unexpected levels of demand.

The table below analyses assets and liabilities of the Group into relevant maturity groupings based on the remaining period at balance sheet date to the contractual maturity date.

East Caribbean Financial Holding Company Limited

Notes to Consolidated Financial Statements

December 31, 2002

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3 Financial risk management...continued

Maturities of assets and liabilities

	1 Year \$	1-5 Years \$	Over 5 years \$	Total \$
At December 31, 2002				
Assets				
Cash and balances with Central Bank	45,056,605	–	–	45,056,605
Due from other banks	49,485,953	–	–	49,485,953
Deposits with non-bank financial institution	11,591,585	–	–	11,591,585
Treasury bills	3,119,400	8,159,600	–	11,279,000
Loans and advances to customers	78,668,379	151,703,304	341,269,546	571,641,229
Investment securities:				
- held-to-maturity	43,928,229	27,485,379	52,457,114	123,870,722
- available-for-sale	1,132,852	90,000	–	1,222,852
Income tax recoverable	2,234,768	–	–	2,234,768
Other assets	13,068,813	3,735,913	50,370,299	67,175,025
Total assets	248,286,584	191,174,196	444,096,959	883,557,739
Liabilities				
Customers' deposits	593,020,179	10,451,543	–	603,471,722
Borrowings	8,069,266	67,151,891	86,982,439	162,203,596
Other liabilities	16,651,288	–	–	16,651,288
Dividends payable	1,643,987	–	–	1,643,987
Deferred tax liabilities	(17,245)	–	851,475	834,230
Total liabilities	619,367,475	77,603,434	87,833,914	784,804,823
Net liquidity gap	(371,080,891)	113,570,762	356,263,045	98,752,916
As at December 31, 2001				
Total assets	220,341,454	123,914,682	478,375,904	822,632,040
Total liabilities	571,204,344	60,125,514	91,552,013	722,881,871
Net liquidity gap	(350,862,890)	63,789,168	386,823,891	99,750,169

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Group. It is unusual for banks ever to be completely matched since business transacted is often of uncertain term and of difference types. An unmatched position potentially enhances profitability, but also increases the risk of losses.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Group and its exposure to changes in interest rates and exchange rates.

East Caribbean Financial Holding Company Limited

Notes to Consolidated Financial Statements

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(expressed in Eastern Caribbean dollars)

3 Financial risk management...continued

Maturities of assets and liabilities...continued

Liquidity requirements to support calls under guarantees and standby letters of credit are considerably less than the amount of the commitment because the Group does not generally expect the third party to draw funds under the agreement. The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

Fair values of financial assets and liabilities

Fair value amounts represent estimates of the consideration that would currently be agreed upon between knowledgeable willing parties who are under no compulsion to act and is best evidenced by a quoted market value, if one exists. The following methods and assumptions were used to estimate the fair value of financial instruments.

The fair values of cash resources, other assets and liabilities, cheques and other items in transit and due to other banks are assumed to approximate their carrying values due to their short term nature. The fair value of off balance sheet commitments are also assumed to approximate the amounts disclosed in note 31 due to their short term nature.

The fair values of securities are assumed to be equal to the estimated market value. The fair values of unquoted securities are estimated at book value which is not significantly different from their carrying values.

The estimated fair values of loans reflect changes in interest rates that have occurred since the loans were originated and is determined by discounting contractual future cash flows, over the remaining term to maturity, at current interest rates. The estimated fair values of loans is not significantly different from their carrying values.

The estimated fair value of deposits with no stated maturity, which includes non-interest bearing deposits is the amount repayable on demand. Deposits payable on a fixed date are at rates which reflect market conditions and are assumed to have fair values which approximate carrying values

4 Cash and balances with Central Bank

	2002 \$	2001 \$
Cash in hand	11,257,310	9,086,875
Balances with Central Bank other than mandatory deposits	<u>6,619,784</u>	<u>10,237,102</u>
Included in cash and cash equivalents (note 29)	17,877,094	19,323,977
Mandatory deposits with Central Bank	<u>27,179,511</u>	<u>24,872,243</u>
	<u>45,056,605</u>	<u>44,196,220</u>

Mandatory reserve deposits are not available to finance the Group's day-to-day operations. Balances with Central Bank are non-interest bearing.

East Caribbean Financial Holding Company Limited

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5 Due from other banks

	2002 \$	2001 \$
Items in the course of collection	5,171,162	6,880,848
Placements with other banks	10,807,266	9,100,957
Interest bearing deposits	<u>33,507,525</u>	<u>221,286</u>
Included in cash and cash equivalents (note 29)	<u>49,485,953</u>	<u>16,203,091</u>

The weighted average effective interest at December 31, 2002 was 2.42% (2001 – 0.26%).

6 Treasury bills

	2002 \$	2001 \$
Treasury bills	<u>11,279,000</u>	<u>11,279,000</u>

Treasury bills are debt securities issued by the government of St. Lucia for terms of nine months to five years. The weighted average effective interest rate on bills at December 31, 2002 was 7% (2001 – 7%). Amounts totalling \$8,118,800 (2001 - \$8,118,800) have been pledged to the Central Bank to secure the Group's on going borrowings on the inter-bank market.

7 Loans and advances to customers

	2002 \$	2001 \$
Demand loans	250,315,702	284,268,419
Mortgage loans	125,344,543	135,715,929
Discount loans	53,584,347	60,511,925
Non-productive loans	129,373,150	97,107,970
Staff loans	17,252,360	17,718,651
Overdrafts	36,480,539	49,427,146
Non-productive overdrafts	<u>14,299,197</u>	<u>5,222,486</u>
	626,649,838	649,972,526
Unearned interest on discount loans	(13,143,906)	(14,500,830)
Provision for loan impairment (note 8)	<u>(41,864,703)</u>	<u>(33,270,834)</u>
	<u>571,641,229</u>	<u>602,200,862</u>

The weighted average effective interest rate on productive loans was 10.50% (2001 – 12.24%).

East Caribbean Financial Holding Company Limited

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8 Provision for impairment

Movement in provision for impairment is as follows:

	2002 \$	2001 \$
At beginning of the year	33,270,834	31,091,315
Written off during the year	(4,259,671)	(1,365,904)
Provision for loan impairment, net	<u>12,853,540</u>	<u>3,545,423</u>
At end of year	<u>41,864,703</u>	<u>33,270,834</u>

9 Investment securities

	2002 \$	2001 \$
Securities held-to-maturity		
Debt securities at amortised cost		
- Unlisted	123,870,722	66,441,703
Securities available-for-sale		
Equity securities at fair value		
- Unlisted	<u>1,222,852</u>	<u>1,222,852</u>
	<u>125,093,574</u>	<u>67,664,555</u>

The weighted average effective interest rate on debt securities at December 31, 2002 was 6.0% (2001 – 5.5%).

East Caribbean Financial Holding Company Limited

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10 Property, plant and equipment

	Land & buildings \$	Leasehold improvements \$	Motor Vehicles \$	Office furniture & equipment \$	Computer equipment & software \$	Work-in- progress \$	Total \$
At December 31, 2001							
Cost	37,799,584	1,906,475	1,157,063	7,333,258	8,589,568	–	56,785,948
Accumulated depreciation	(1,240,789)	(1,676,780)	(714,909)	(4,220,581)	(7,912,873)	–	(15,765,932)
Net book amount	<u>36,558,795</u>	<u>229,695</u>	<u>442,154</u>	<u>3,112,677</u>	<u>676,695</u>	<u>–</u>	<u>41,020,016</u>
Year ended December 31, 2002							
Opening net book amount	36,558,795	229,695	442,154	3,112,677	676,695	–	41,020,016
Additions in the year	–	39,235	–	615,496	1,886,401	1,133,559	3,674,691
Disposals in the year	–	–	(53,978)	(162)	–	–	(54,140)
Transfers in the year	–	–	–	(36,959)	36,959	–	–
Depreciation charge	(645,031)	(128,108)	(164,378)	(785,918)	(720,461)	–	(2,443,896)
Closing net book amount	<u>35,913,764</u>	<u>140,822</u>	<u>223,798</u>	<u>2,905,134</u>	<u>1,879,594</u>	<u>1,133,559</u>	<u>42,196,671</u>
At December 31, 2002							
Cost	37,799,584	1,945,710	850,174	7,906,169	10,512,928	1,133,559	60,148,124
Accumulated depreciation	(1,885,820)	(1,804,888)	(626,376)	(5,001,035)	(8,633,334)	–	(17,951,453)
Net book amount	<u>35,913,764</u>	<u>140,822</u>	<u>223,798</u>	<u>2,905,134</u>	<u>1,879,594</u>	<u>1,133,559</u>	<u>42,196,671</u>

East Caribbean Financial Holding Company Limited
Notes to Consolidated Financial Statements
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11 Other assets

	2002 \$	2001 \$
Accounts receivable	516,374	589,726
Interest receivable	7,649,347	7,324,674
Others	4,085,125	5,606,074
Prepaid expenses	385,777	104,104
Stationery and supplies	351,909	249,098
Items in transit	-	3,452,151
	<u>12,988,532</u>	<u>17,325,827</u>

12 Investment properties

	Land and buildings \$	Total \$
At December 31, 2001		
Cost	9,488,706	9,488,706
Accumulated depreciation	<u>(17,855)</u>	<u>(17,855)</u>
Net book amount	<u>9,470,851</u>	<u>9,470,851</u>
Year ended December 31, 2002		
Opening net book amount	9,470,851	9,470,851
Depreciation charge for the year	<u>(35,710)</u>	<u>(35,710)</u>
Closing net book amount	<u>9,435,141</u>	<u>9,435,141</u>
At December 31, 2002		
Cost	9,488,706	9,488,706
Accumulated depreciation	<u>(53,565)</u>	<u>(53,565)</u>
Net book amount	<u>9,435,141</u>	<u>9,435,141</u>

The fair value of investment properties at December 31, 2002 was \$11,980,355.

East Caribbean Financial Holding Company Limited
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13 Retirement benefit asset

The amounts recognised in the transition to IAS 19 at January 1, 2001 are determined as follows:

	\$
Present value of funded obligation	6,763,360
Fair value of plan assets	<u>(9,348,533)</u>
	(2,585,173)
Unrecognised actuarial gains	<u>427,674</u>
	<u>(2,157,499)</u>

The amounts recognised in the balance sheet are determined as follows:

	2002 \$	2001 \$
Present value of funded obligation	10,105,724	8,332,401
Fair value of plan assets	<u>(12,354,361)</u>	<u>(11,080,145)</u>
	(2,248,637)	(2,747,744)
Unrecognised actuarial (losses)/gains	<u>(306,044)</u>	<u>343,088</u>
	<u>(2,554,681)</u>	<u>(2,404,656)</u>

The amounts recognised in the income statement are as follows:

	2002 \$	2001 \$
Current service cost	714,575	625,542
Interest cost	613,378	501,394
Expected return on plan assets	(801,969)	(681,702)
Net actuarial gains recognised in the year	<u>(68,617)</u>	<u>(85,535)</u>
	<u>457,367</u>	<u>359,699</u>

The actual return on plan assets was \$785,666 (2001 - \$1,040,409).

East Caribbean Financial Holding Company Limited
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13 Retirement benefit asset...continued

Movement in the liability recognised in the balance sheet:

	2002 \$	2001 \$
Net asset at start of year	(2,404,656)	(2,157,499)
Total expense as shown above	457,367	359,699
Contributions paid	<u>(607,392)</u>	<u>(606,856)</u>
Net asset at end of year	<u>(2,554,681)</u>	<u>(2,404,656)</u>

The principal actuarial assumptions used were as follows:

	2002 %	2001 %
Discount rate	7.00	7.00
Expected return on plan assets	7.00	7.00
Future promotional salary increases	3.00	3.00
Future inflationary salary increases	3.00	3.00

14 Customers' deposits

	2002 \$	2001 \$
Time deposits	331,996,696	316,468,585
Savings deposits	186,492,649	165,918,942
Demand deposits	<u>84,982,377</u>	<u>64,428,643</u>
	<u>603,471,722</u>	<u>546,816,170</u>

The weighted average effective interest rate on customers deposits was 4.58% (2001- 5.20%) per annum.

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15 Borrowings

	Interest rate	2002 \$	2001 \$
Loans			
Caribbean Development Bank	4.65%	69,036,814	65,802,209
National Insurance Corporation	6.81%	52,744,513	55,986,462
European Investment Bank	4%	7,169,406	7,011,047
Barbados Mutual Life Assurance	7.75%	7,000,000	7,000,000
IFAD/Government of Saint Lucia	4%	2,173,358	2,173,358
Republic Bank of China	5%	1,574,969	2,204,975
Eastern Caribbean Home Mortgage Bank	8%	–	2,000,000
Agence Francaise De Development	4%	1,504,536	1,710,778
FINCOR-Grenada	6%	–	1,000,000
		141,203,596	144,888,829
Bonds	8.13% (2001 – 8.36%)	21,000,000	5,500,000
		<u>162,203,596</u>	<u>150,388,829</u>

Certain of the above loans are secured by Government of Saint Lucia guarantees as well as securities held with respect to sub-loans made to customers under the various lines of credit. Security for loans issued to Property Development Holding Company of Saint Lucia Limited includes a first hypothecary obligation over the building and property known as the Financial Center which is located at #1 Bridge Street.

The bond issue matures in various periods ranging from September 21, 2006 to April 12, 2012.

16 Other liabilities

	2002 \$	2001 \$
Interest payable	10,044,105	9,631,306
Managers' cheques outstanding	3,477,245	4,877,759
Trade and other payables	2,264,873	4,674,747
Agency loans	200,488	3,487,936
Items in transit	614,052	–
Deferred rental income	50,525	244,025
	<u>16,651,288</u>	<u>22,915,773</u>

East Caribbean Financial Holding Company Limited
Notes to Consolidated Financial Statements
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17 Minority interest

	2002 \$	2001 \$
At beginning of year	1,234,988	-
Acquisition	20,000	-
Shares at cost	-	1,214,900
Share of net income of subsidiary	12,111	20,088
Dividend paid	(20,088)	-
	<u>1,247,011</u>	<u>1,234,988</u>

18 Share capital

	No. of Shares	2002 \$	No. of Shares	2001 \$
Ordinary shares				
Authorized:				
20,000,000 (2001- 20,000,000) ordinary shares				
Issued and fully paid:				
At beginning of year	10,421,716	29,913,996	13,070,821	40,691,166
Issued during the year	433,495	2,917,823	721,716	2,872,830
Converted to preference shares	-	-	(3,370,821)	(13,650,000)
Converted from preference shares	150,000	750,000	-	-
	<u>11,005,211</u>	<u>33,581,819</u>	<u>10,421,716</u>	<u>29,913,996</u>
At end of year				
7% Cumulative preference shares				
Authorized:				
11,550,000 (2001 – 11,550,000) preference shares				
Shares on application	2,730,000	13,650,000	2,730,000	13,650,000
Converted to ordinary shares	(150,000)	(750,000)	-	-
	<u>2,580,000</u>	<u>12,900,000</u>	<u>2,730,000</u>	<u>13,650,000</u>
At end of year				

The preference shares are non-voting and are to be converted to ordinary shares on transfer thereof. The company has imposed certain restrictions with respect to the number of preference shares that can be converted to ordinary shares in any one year.

Dividends due and unpaid on the preference shares at year end amounted to \$903,000 (2001 - \$477,750).

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19 Dividends

	<u>2002</u>		<u>2001</u>	
	Dividends per share		Dividends per share	
	\$	\$	\$	\$
On ordinary shares				
Interim – relating to 2001	–	–	0.25	2,500,415
Final – relating to 2001	0.50	5,210,859	–	–
Interim – relating to 2002	0.12	<u>1,320,624</u>	–	<u>–</u>
		<u>6,531,483</u>		<u>2,500,415</u>

20 General reserve

It is the policy of the Group to maintain a general reserve for reinvestment in operations. Transfers to the reserve are based on 35% (2001 - 30%) of net income of Group consolidated net profit after transfers to statutory reserve.

21 Statutory reserve

This reserve is maintained in accordance with Section 14(1) of the Banking Act of St. Lucia No.7 of 1991, which requires that every licensed financial institution maintain a reserve fund and shall, out of its net profit of each year transfer to that fund a sum equal to not less than 20% of such profits whenever the amount of the fund is less than one hundred percent of the paid-up capital of the financial institution.

22 Capital reserve

This represents the assets less the liabilities of the Agricultural and Industrial Bank and the St. Lucia Housing Bank taken over as at February 24, 1981 under Section 38 of the Saint Lucia Development Bank Act, No. 22 of 1980.

23 Special reserve

The Finance Contract between the European Investment Bank ("EIB") and the former St. Lucia Development Bank, now assumed by Bank of Saint Lucia Limited, requires the Group to establish and maintain a special reserve. Annually, an amount as specified under Section 6.05 of the Contract is credited to the reserve.

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24 Net interest income

	2002 \$	2001 \$
Interest income		
Loans	60,956,624	59,457,232
Treasury bills and investment securities	7,187,553	6,826,061
Deposits with banks	<u>206,832</u>	<u>609,789</u>
	<u>68,351,009</u>	<u>66,893,082</u>
Interest expense		
Time deposits	18,426,173	16,724,831
Savings deposits	7,495,455	6,396,297
Demand deposits	403,962	1,012,585
Borrowings	8,444,880	6,660,357
Correspondent banks	<u>5,702</u>	<u>9,648</u>
	<u>34,776,172</u>	<u>30,803,718</u>
Net interest income	<u>33,574,837</u>	<u>36,089,364</u>

25 Other income

	2002 \$	2001 \$
Commissions and loan fees	5,962,231	5,080,766
Exchange earnings from foreign currency transactions	2,893,955	4,064,666
Other	267,390	-
Management fees	124,371	157,133
Rental	852,370	1,493,083
Dividends received	<u>21,489</u>	<u>19,141</u>
	<u>10,121,806</u>	<u>10,814,789</u>

26 Other operating expenses

	2002 \$	2001 \$
Staff costs (note 30)	14,961,007	13,592,223
Depreciation and amortisation of leasehold impairments	2,479,606	1,921,234
Merger expenses	-	1,880,776
Other expenses	<u>8,514,385</u>	<u>7,692,550</u>
	<u>25,954,998</u>	<u>25,086,783</u>

East Caribbean Financial Holding Company Limited

Notes to Consolidated Financial Statements

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27 Taxation

	2002 \$	2001 \$
Current	341,086	3,162,122
Deferred	<u>(45,837)</u>	<u>61,886</u>
	<u>295,249</u>	<u>3,224,008</u>

Tax on the Group's net income before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

	2002 \$	2001 \$
Income for the year before taxation	<u>3,814,744</u>	<u>17,047,802</u>
Tax calculated at the applicable tax rate of 33.33%	1,271,454	5,682,032
Tax effect of income not subject to tax	(1,472,997)	(3,379,735)
Tax effect of expenses not deductible for tax purposes	680,413	798,900
Application of available tax losses	(182,724)	(195,377)
Company losses not available for set off	-	184,508
Tax losses and timing differences not utilised	76,679	133,680
Prior year over accrual of deferred tax	<u>(77,576)</u>	<u>-</u>
	<u>295,249</u>	<u>3,224,008</u>

Deferred tax

The movement on the deferred liability account is as follows:

	2002 \$	2001 \$
Deferred income tax, beginning of year	880,067	99,087
IAS 19 transitional adjustment	-	719,094
Recovered expenses during the year, net	<u>(45,837)</u>	<u>61,886</u>
Deferred income tax, end of year	<u>834,230</u>	<u>880,067</u>

The movement deferred tax account is detailed as follows:

	2002 \$	2001 \$
Accelerated capital allowances	123,279	78,596
Fair value of pension assets	851,475	801,471
Unutilised tax losses	<u>(140,524)</u>	<u>-</u>
	<u>834,230</u>	<u>880,067</u>

The Group has unutilised tax losses of \$421,614. Unutilised tax losses may be carried forward and deducted against future taxable income within six years following the year in which the losses were incurred. The losses deducted are restricted to 50% of taxable income in any one year and expire in 2008.

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28 Earnings per share

Basic

The calculation of basic earnings per share is based on the net profit attributable to shareholders of \$2,604,384 (2001 - \$13,325,956) and 10,785,713 (2001 - 10,013,653) shares, being the weighted average number of ordinary shares in issue in each year.

Diluted

The calculation of diluted earnings per share is based on after tax earnings of \$3,507,384 (2001 - \$13,803,706) and 13,365,713 (2001 - 11,378,653) shares, being the weighted average number of shares in issue taking into account the preference shares had they been converted to ordinary shares.

29 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprises the following balances:

	2002	2001
	\$	\$
Cash and balances with Central Bank (note 4)	17,877,094	19,323,977
Due from other banks (note 5)	49,485,953	16,203,091
Deposits with non-bank financial institutions	<u>11,591,585</u>	<u>10,385,354</u>
	<u>78,954,632</u>	<u>45,912,422</u>

30 Staff cost

	2002	2001
	\$	\$
Salaries	11,700,145	11,070,861
Other staff cost	2,803,495	2,161,663
Pensions	<u>457,367</u>	<u>359,699</u>
	<u>14,961,007</u>	<u>13,592,223</u>

The average number of employees in 2002 was 270 (2001 - 264).

East Caribbean Financial Holding Company Limited

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31 Commitments

Loans and advances

As at the year end, loans and advances approved by the Group's but not yet disbursed, amounted to approximately \$58,943,324 (2001 - \$57,582,316).

Guarantees and letters of credit

The following table indicates the contractual amounts of the Group financial instruments that commit it to extend credit to customers.

	2002 \$	2001 \$
Guarantees and letters of credit	<u>7,743,200</u>	<u>11,861,193</u>

Contingency

Mortgage loans totalling \$23.4 million (2001 - \$21.4 million) were sold to the Eastern Caribbean Home Mortgage Bank (ECHMB). Under the terms of the agreement Bank of Saint Lucia Limited is obligated to indemnify ECHMB with respect to any default, loss or title deficiency occurring during the life of the loans secured or by the purchased mortgages. Amounts outstanding at December 31, 2002 totalled \$21,910,447 (2001 - \$19,718,339).

32 Principal subsidiary undertakings

	2002 Holding %	2001 Holding %
Bank of Saint Lucia Limited	100%	100%
Property Holding and Development Company of Saint Lucia Limited	89%	89%
Mortgage Finance Company of St. Lucia Limited	100%	100%
Island Legal & Trust Incorporated	67%	100%
Offshore Finance & Services Company of Saint Lucia Limited	100%	100%
St. Lucia Development & National Commercial Holding Limited	100%	100%

All holdings are in the ordinary share capital of the undertaking concerned. The companies noted above are all incorporated and domiciled in Saint Lucia.

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33 Related party transactions and balances

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party by making financial and operational decisions.

Interest income and interest expense with related parties were as follows:

	2002		2001	
	Income \$	Expense \$	Income \$	Expense \$
Government of Saint Lucia	3,076,933	5,252,136	4,332,568	5,948,468
Statutory bodies	3,943,075	4,643,760	4,797,722	6,452,066
Directors	25,381	29,638	128,159	8,852

At December 31, 2002, related parties had the following balances with the Group:

	2002		2001	
	Loans \$	Deposits \$	Loans \$	Deposits \$
Government of Saint Lucia	6,126,000	192,464,000	33,287,326	166,469,603
Statutory bodies	44,630,000	116,111,000	42,308,194	102,878,277
Directors	1,418,122	468,675	1,835,618	355,936

34 Contributed capital

In 1996 a subsidiary of the company, St. Lucia Development & National Commercial Holding Limited received a capital contribution from the Government of Saint Lucia in the sum of \$1,525,472. In 2003 a subsidiary Productive Equity Sector Fund Limited received a capital contribution of \$375,000 from National Insurance Corporation.

This company was established to take equity and quasi-equity (cumulative or ordinary preference shares or common shares) in start up and expansion projects that generate output, employment and foreign exchange in the productive sectors of agriculture (including fisheries and live stock), industry, tourism and other services and financially structured but feasible productive sector projects that would otherwise be discontinued.

35 Retirement benefit reserve

This is a non-distributable reserve. During the year \$150,025 (2001 - \$2,404,656) was transferred from retained earnings to the retirement benefit reserve account.

36 Subsequent event

At the meeting on March 31, 2003 the Board of Directors declared a bonus share issue of three (3) ordinary shares for every twenty (20) ordinary shares held by shareholders on record date of April 7, 2003.

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East Caribbean Financial Holding Company Limited

Additional Information to Consolidated Financial
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Additional Comments of Auditors

To the Shareholders of
East Caribbean Financial Holding Company Limited

The accompanying page is presented as additional information only. In this respect, it does not form part of the financial statements of East Caribbean Financial Holding Company Limited for the year ended December 31, 2002 and hence is excluded from the opinion expressed in our report dated March 31, 2003 to the shareholders on such financial statements. The information on this page has been subject to audit procedures only to the extent necessary to express an opinion on the financial statements of the company and, in our opinion, is fairly presented in all respects material to those financial statements.

Chartered Accountants

East Caribbean Financial Holding Company Limited
Consolidated Index to Additional Information
For the year ended December 31, 2002

(expressed in Eastern Caribbean dollars)

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East Caribbean Financial Holding Company Limited
Consolidated Schedule of General and Administrative Expenses
For the year ended December 31, 2002

(expressed in Eastern Caribbean dollars)

	2002	2001
	\$	\$
Salaries	11,700,145	11,070,861
Other staff costs	2,803,495	2,161,663
Depreciation	2,348,083	1,841,866
Utilities	987,350	1,089,309
Insurance	856,562	292,215
Repairs and maintenance	781,004	548,200
Stationery	746,248	721,443
Postage, telephone and telexes	713,674	611,660
Rent, rates and taxes	530,376	1,814,163
Miscellaneous	495,718	269,234
Pension	457,367	359,699
Advertising	451,658	223,385
Office expenses	405,769	333,812
Impairment of investment securities	382,660	–
Security expenses	312,816	293,778
Correspondent bank service charges	234,753	166,009
Audit fees and expenses	232,268	131,427
Donations	230,577	95,309
Travelling	203,668	178,441
Legal and professional fees	183,391	104,362
Other losses	179,692	37,905
Shareholders' meeting	169,731	103,075
Amortisation of leasehold improvements	131,524	79,368
Motor vehicles expenses	130,285	132,974
Bank and other licenses	93,897	178,575
Commitment fee	92,637	30,004
Directors' fees and expenses	86,273	94,700
Tills short	43,068	24,282
Gain on disposal of fixed assets	(36,984)	(43,342)
Entertainment	6,253	130,962
Subscriptions	1,040	21,345
Merger expenses	–	1,880,776
Loan insurance premium expense	–	64,907
Privatization cost	–	24,104
Sundry cost	–	12,826
Other expenses	–	7,486
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	25,954,998	25,086,783

