

## Report On Subsidiaries



**Bank of Saint Lucia**  
ALL THE BANK YOU NEED

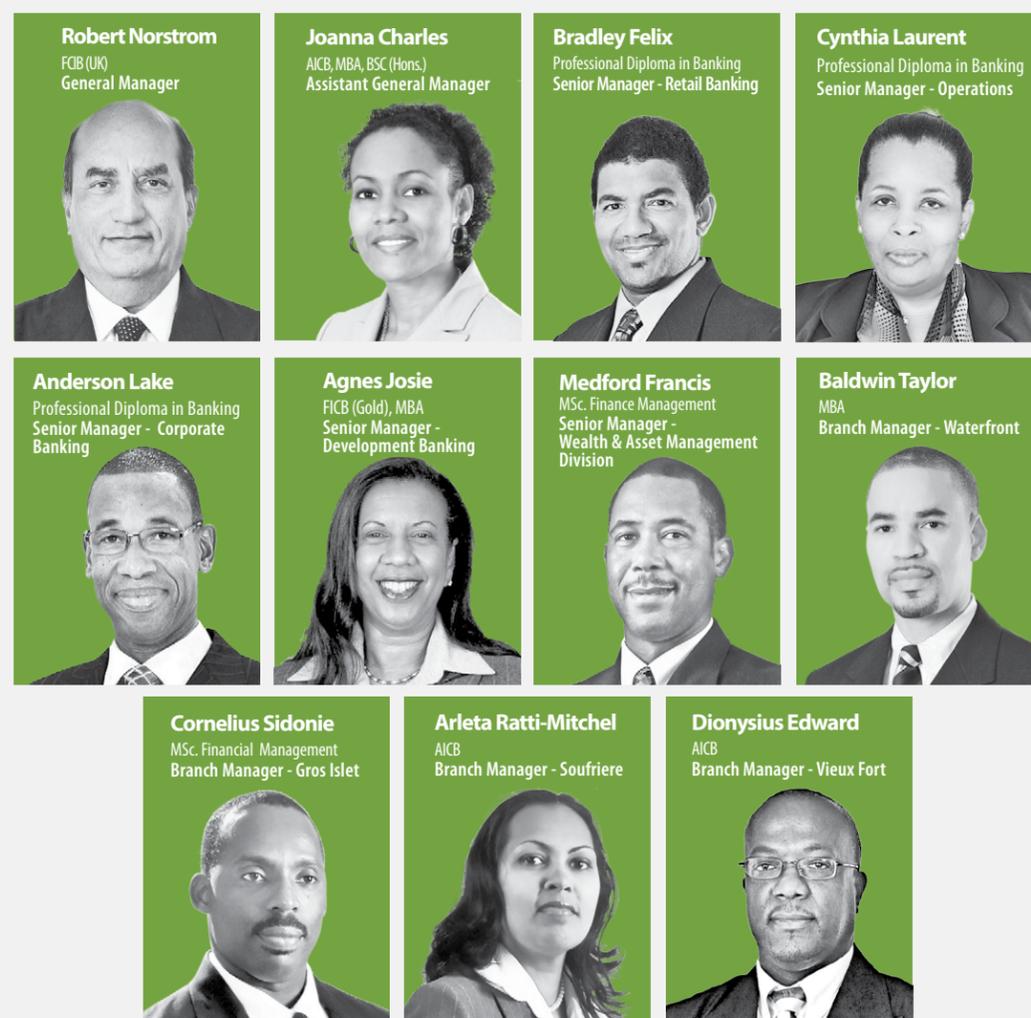
### BOARD OF DIRECTORS

Victor Eudoxie – Chairman  
Hildreth Alexander  
Issac Anthony  
Lennox Timm

Llewelyn Gill  
Lisle Chase  
Lennox Timm  
Jacqueline Quamina

Terrence Farrell  
Robert Norstrom

### [ profile of senior management ]



### Bank of Saint Lucia Limited

#### Balance Sheet

As of December 31, 2011

(expressed in Eastern Caribbean dollars)

	2011 \$	2010 \$
<b>Assets</b>		
Cash and balances with Central Bank	101,078,541	88,978,591
Treasury bills	–	6,889,524
Deposits with other banks	50,838,321	59,167,355
Deposits with non-bank financial institutions	478,861	2,319,511
Financial assets held for trading	3,912,845	6,681,142
Loans and receivables - loans and advances to customers	1,119,231,504	1,073,684,510
- bonds	2,566,111	2,566,111
Investment securities - held-to-maturity	10,866,454	24,150,139
- available-for-sale	220,683,996	189,554,101
Pledged assets	96,951,468	66,971,915
Due from related parties	263,941,533	250,889,598
Property and equipment	8,118,650	8,422,604
Other assets	34,624,781	19,834,769
Income tax recoverable	2,719,431	2,074,977
Deferred tax asset	8,994,203	5,832,126
<b>Total assets</b>	<b>1,925,006,699</b>	<b>1,808,016,973</b>
<b>Liabilities</b>		
Deposits from banks	53,672,390	33,865,846
Due to customers	1,202,797,827	1,086,781,533
Other funding instruments	286,337,719	259,886,772
Borrowed funds	120,546,806	147,669,117
Other liabilities	11,306,807	14,807,223
<b>Total liabilities</b>	<b>1,674,661,549</b>	<b>1,543,010,491</b>
<b>Equity</b>		
Share capital	188,918,745	188,918,745
Reserves	72,314,883	72,220,347
Unrealised loss on investments	(4,497,706)	(924,535)
Retained earnings	(6,390,772)	4,791,925
<b>Total equity</b>	<b>250,345,150</b>	<b>265,006,482</b>
<b>Total liabilities and equity</b>	<b>1,925,006,699</b>	<b>1,808,016,973</b>

**Bank of Saint Lucia Limited**  
Statement of Income  
**For the year ended December 31, 2011**  
(expressed in Eastern Caribbean dollars)

	2011 \$	2010 \$
<b>Interest income</b>	<b>117,129,233</b>	115,809,606
<b>Interest expense</b>	<b>(58,135,171)</b>	(55,725,641)
<b>Net interest income</b>	<b>58,994,062</b>	60,083,965
<b>Fee and commission income</b>	<b>15,656,333</b>	14,389,243
<b>Dividend income</b>	<b>84,140</b>	84,140
<b>Net foreign exchange trading income</b>	<b>8,971,028</b>	8,417,895
<b>Other gains</b>	<b>1,355,071</b>	881,291
<b>Operating expenses</b>	<b>(61,190,207)</b>	(59,626,907)
<b>Impairment losses on available for sale investments</b>	<b>(8,727,651)</b>	(874,806)
<b>Impairment losses on loans and advances</b>	<b>(27,793,014)</b>	(30,344,527)
<b>Loss before income tax</b>	<b>(12,650,238)</b>	(6,989,706)
<b>Income tax recovery</b>	<b>3,162,077</b>	4,521,017
<b>Loss for the year</b>	<b>(9,488,161)</b>	(2,468,689)
<b>Loss per share</b>	<b>(6.9)</b>	(1.84)

THE BANK'S LIQUIDITY REMAINED STRONG THROUGHOUT THE YEAR AND IT MET ALL ITS COMMITMENTS TO ECCB IN RESPECT OF ITS RESERVE ACCOUNT.

### Overall Performance

Bank of Saint Lucia recorded a net loss after tax of \$9.5 million; however total assets grew by 6.5% in 2011 to \$1.93 billion.

The performance of the Bank was affected mainly by the provision for impairment on loans, particularly lendings in the tourism sector, and regional bond investments, as the local and regional economies continued to experience difficulties with little recovery in 2011. It should be noted however that the Mortgage Finance Company of Saint Lucia recorded a net profit after tax \$5.8 million in 2011 and as this subsidiary will be integrated into the Bank of Saint Lucia by the middle of 2012 we expect an improvement in the Bank's results. This merger would involve an increase in the Bank's capital base in excess of \$20 million.

The Bank's loan portfolio registered a 6.4% increase up from the 3.7% growth recorded in 2010. The strongest growth was registered in overdrafts which grew by 16% followed by corporate loans at 7% and retail loans at 3%. The land loan promotion undertaken during 2010 was repeated during the year and contributed an increase of \$15 million to the portfolio. Non-performing loans increased to \$168.3 million, approximately 14% of the total loans portfolio, the main impact being in the tourism sector. With the high level of non-performing loans, interest income would also have been impacted. In 2012 particular attention will be placed on the credit portfolio of the Bank of Saint Lucia, working with borrowers to ensure that the loans portfolio does not deteriorate further.

Non-interest revenue increased by 10% compared to the previous year. This was due largely to a 9% increase in fee and commission income and a 54% increase in realized gains on investments.

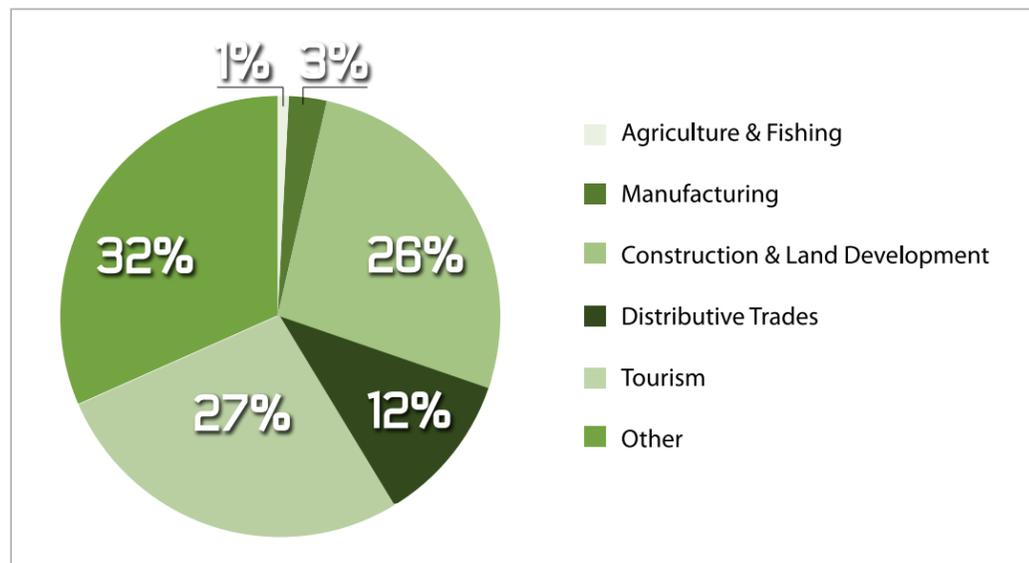
Bank of Saint Lucia's overall cost increased in 2011 by 2.6%. In 2012 emphasis will continue on ensuring that operating cost remains well managed.

The Bank's liquidity remained strong throughout the year and it met all its commitments to ECCB in respect of its Reserve Account.

### Corporate & Development Banking

A total of 361 loans were administered by the division valued at \$666.4 million (excluding accrued interest) as at December 31, 2011. This represents an increase of 6.7% over the previous year. Of this total \$285.2 million or 42.8% were development loans, while \$381.2 million or 57.2% were corporate loans.

The most significant increases of the Corporate and Development loans portfolio were recorded in the construction and land development sector which grew by \$27.1 million and the professional and other services sectors which grew by \$3.3 million. Loans to the manufacturing sector increased by 5.5% to reach \$18.7 million, while Agriculture and fishing loans declined by 10%. Of the total Corporate and Development Banking loans portfolio, loans to the tourism sector accounted for \$181.5 million or 27% compared to \$177.1 million recorded in 2010.



Corporate & Development Loans by Economic Sector

### Student Loan Financing

In keeping with the Bank's goal to serve as a catalyst to foster growth and development in St. Lucia the Bank approved and disbursed 139 new loans to students studying in various fields of study within and out of the Caribbean. This takes the total number of persons currently benefiting from the student loan program to 1,806.

During the period under review, the Bank's student loan portfolio grew to approximately \$98.3 million, an increase of approximately \$8 million over the previous year. Much of that growth came from students studying with regional institutions or distance learning programmes.

### 2011 Initiatives

#### New Loans Processing System

The new electronic Loans Originating System (LOS) was completed in 2011 and would be fully implemented across the branch network in the first quarter of 2012. This new operating system provides greater efficiency in the loans process which will result in more timely decisions to the customer and to provide easier access to customer data.

#### New Products & Services

Bank of Saint Lucia continues to lead the way in the commercial banking market through product development. In July 2011 the Bank

launched an innovative education savings plan, Edu-Start. This new product is designed for the specific purpose of saving for an individual's post-secondary school education. It is an investment product managed by the Wealth & Asset Management Division. Edu-Start has been well received by the market and to date approximately 286 accounts have been opened.

Also in July, the Bank continued its leadership in Convenience Banking opening an Express Service at Mega J, the first facility of its kind to be made available on island, thus pioneering the concept of supermarket banking in Saint Lucia. This outlet offers most of the services of a conventional branch and has more convenient operating hours for shoppers and customers. The service has had great success since opening.

The Bank's extensive network of 27 ATM and cash dispensers recorded a 10% increase in the volume of transactions as at December 2011.

#### Card Services

The card service business continues to be profitable. There was a 16% increase in the number of credit cards issued in 2011 over the previous year, and a 40% increase in international debit cards issued in 2011 over 2010.

The Bank's point-of-sales network remains critical in the growth of the card services business. Several merchants are opting for the wireless product *Swipe on the Go!* resulting in the percentage of wireless machines to total

machines increasing from 19% in 2010 to 27% in 2011.

#### Wealth & Asset Management (WAM)

Despite the external challenges experienced in 2011 the Wealth & Asset Management division recorded an overall growth of deposits and repurchase agreements of 10%, from EC\$261.8 million at end of December 2010 to EC\$287.8 million at end of December 2011, with the greatest increase realized in the Guaranteed Investment Certificate accounts.

Total assets grew by 7.33% year-on year from EC\$368.1 million at end of Dec-2010 to EC\$395.1 million at end of Dec-2011.

Worthy of note is the increase of 9% in overall revenue generated from active investment management of portfolios which resulted in realized gains on disposal of EC\$1.5 million. This is an aspect of the division's work that will be increased over the coming years.

#### Service Excellence

In 2012 Bank of Saint Lucia will place emphasis on the strategic pillar of operational efficiency and the core value of service excellence. As part of a group-wide strategic plan, Bank of Saint Lucia will undertake an operational process review. This is expected to be completed by mid-year and will chart the way for other project initiatives with a view to reducing cost and providing the customer with an even better experience.