

## ECFH GROUP JUNE 2011 HALF-YEAR PERFORMANCE REVIEW

The ECFH Group performance for the first half of 2011 continued to reflect the effects of the challenging global economic climate. Recovery has been slow in the United States and Europe and this is impacting on the economies of the region and Saint Lucia which are heavily dependent on the tourism sector.

The Group has continued to strive for financial stability maintaining a strong capital base and liquidity; and for revenue diversification both geographically and through its varied business lines. The Group's recently acquired subsidiary, Bank of St. Vincent and the Grenadines, has completed its rebranding and is now in a better position to achieve its full potential in contributing to increased shareholder value.

A prudent approach to loan loss provisioning remains necessary in the current environment of low economic growth and this has had an impact on the half year financial results. Additionally, the high liquidity in the financial system and relatively low demand for borrowing have put pressure on interest margins and have restricted growth in profitability.

Despite the generally weak business environment, the Group's Total Assets grew by \$1.4 billion (or 63%) over June 2010. A little over \$700 million of this relates to the assets of the newly acquired St. Vincent subsidiary and the rest relates to the Group's domestic and offshore banking business. Profit after Tax for the six month period to June 2011 was \$13.2 million, down \$2.0 million or 13% from last year. The operating results reflect a favourable performance by the newly acquired subsidiary and improved performance in the Group's smaller subsidiaries, but some of these gains were offset by an increase in loan loss provisioning. Annualised pre-tax Return on Assets and Return on Equity were 0.8% and 6.8% respectively, and diluted earnings per share were down from \$0.60 at half year 2010 to \$0.46 at June 2011. The Group's share price remained fairly stable throughout the year at around \$13, representing a market capitalisation of \$329 million at June 2011.

The recovery of the international economy continues to falter although there is growth in a number of developing countries. Economic performance in the more developed economies is however much weaker; in particular, the United States and Europe which are, of course, the most important trading partners for the Region. An improvement in the business environment is not expected for the remainder of 2011.

The Board of Directors is pleased to declare an interim dividend of ten (10) cents per share (fifteen (15) cents in 2010) to all shareholders on record at 23rd September, 2011. The interim dividend pay-out which amounts to \$2.5 million in total will be made in October 2011.



Victor Eudoxie  
CHAIRMAN



Estherlita Cumberbatch  
CORPORATE SECRETARY



East Caribbean Financial Holding Company

*Enriching Lives*

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#### Parent Company of:

Bank of Saint Lucia Limited	EC Global Insurance Company Limited
Bank of Saint Lucia International Limited	Mortgage Finance Company of Saint Lucia Limited
ECFH Global Investment Solutions Limited	Property Holding & Development Company of Saint Lucia Limited
Bank of Saint Vincent and the Grenadines Limited	



DISCOVERING  
NEW FRONTIERS

HALF-YEAR  
PERFORMANCE REVIEW

2011

# ECFH GROUP JUNE 2011 HALF-YEAR PERFORMANCE REVIEW

## 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 2011 \$'000	(Unaudited) June 30 2010 \$'000	12 months Change %
<b>Assets</b>				
Cash and balances with Central Bank	298,157	212,649	172,583	73%
Due from other banks	668,575	642,480	142,335	370%
Trading financial assets	9,456	9,842	26,915	-65%
Deposits with non-bank financial institutions	883	2,320	1,028	-14%
Treasury bills	9,401	15,958	7,038	34%
Originated loans - Loans & Advances to customers	1,800,430	1,725,382	1,305,277	38%
- Bonds	29,649	29,655	6,159	381%
Investments securities - held to maturity	94,759	85,034	36,763	158%
- available-for-sale	310,282	290,207	267,330	16%
Pledged assets	96,097	63,469	65,773	46%
Due from reinsurers	7,441	10,418	5,774	29%
Due from insurance agents, brokers and policyholders	1,878	1,921	1,552	21%
Investment in associated undertaking	12,665	12,665	6,512	94%
Property plant and equipment & intangibles	135,237	120,465	78,160	73%
Investment Properties	13,923	13,923	11,218	24%
Other assets	51,479	32,579	40,681	27%
Income tax recoverable	3,069	3,673	0	0%
Deferred tax asset	4,799	4,799	0	0%
Retirement Benefit Asset	3,556	3,556	3,467	3%
<b>Total assets</b>	<b>3,551,736</b>	<b>3,280,994</b>	<b>2,178,565</b>	<b>63%</b>
<b>Liabilities</b>				
Deposits from banks	34,228	45,503	14,409	138%
Due to customers	2,518,285	2,318,304	1,334,345	89%
Other funding instruments	281,277	255,419	232,513	21%
Borrowings	250,441	207,177	188,583	33%
Due to reinsurers	2,767	1,355	3,661	-24%
Insurance Claims and Deferred Revenue	11,889	14,978	10,023	19%
Other liabilities	51,322	47,439	33,112	55%
Dividends Payable	284	291	0	0%
Income Tax Payable	0	0	1,139	-100%
Deferred tax liabilities	0	0	3,260	-100%
<b>Total liabilities</b>	<b>3,150,493</b>	<b>2,890,466</b>	<b>1,821,045</b>	<b>73%</b>
<b>Shareholders' equity</b>				
Share capital	174,231	174,231	174,231	0%
Contributed capital	3,118	3,118	3,118	0%
Unrealized loss on investments	630	(544)	(945)	-167%
Revaluation reserve	13,855	13,855	13,855	0%
Reserves	142,358	142,358	139,393	2%
Retained earnings	10,358	14,028	11,687	-11%
Profit for the period after taxes	11,895	0	15,214	-22%
<b>Parent shareholders' equity</b>	<b>356,445</b>	<b>347,046</b>	<b>356,553</b>	<b>-0%</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>	<b>63%</b>

## East Caribbean Financial Holding Company Limited Interim Consolidated Statement of Income For the six month period ended June 30, 2011

(in thousands of Eastern Caribbean Dollars)

	(Unaudited) 6 months to June 30, 2011 \$'000	(Audited) 12 months to December 31, 2010 \$'000	(Unaudited) 6 months to June 30, 2010 \$'000	12 months Change %
Interest income	89,025	138,034	66,633	34%
Interest expense	41,741	63,090	29,297	42%
Net interest income	<b>47,284</b>	<b>74,944</b>	<b>37,336</b>	27%
Other income	21,015	41,602	15,252	38%
Operating income	<b>68,299</b>	<b>116,546</b>	<b>52,588</b>	<b>30%</b>
Provision for loan impairment	7,458	32,629	723	932%
Other operating expenses	45,617	77,466	33,920	34%
<b>Profit for the year before taxation</b>	<b>15,224</b>	<b>6,451</b>	<b>17,945</b>	<b>-15%</b>
Provision for Tax	2,013	(3,239)	2,709	-26%
<b>Profit for the period</b>	<b>13,211</b>	<b>9,690</b>	<b>15,236</b>	<b>-13%</b>
<b>Attributable to:</b>				
- Equity holders	11,895	9,522	15,214	
- Minority interest	1,316	168	22	
<b>Profit for the period</b>	<b>13,211</b>	<b>9,690</b>	<b>15,236</b>	
<b>Earnings per share</b>				
- basic	<b>EC\$0.48</b>	EC\$0.38	EC\$0.62	
- diluted	<b>EC\$0.46</b>	EC\$0.37	EC\$0.60	

## East Caribbean Financial Holding Company Limited Interim Consolidated Statement of Cash Flows For the six month period ended June 30, 2011

(in thousands of Eastern Caribbean Dollars)

	(Unaudited) 6 months to June 30 2011 \$'000	(Audited) 12 months to December 31 2010 \$'000	(Unaudited) 6 months to June 30 2010 \$'000
<b>Operating Activities</b>			
- Profit before income tax	15,224	6,45	17,945
- Adjustments for items not affecting cash, changes in non-cash working capital components and other items, net	130,095	489,728	41,238
<b>Cash flows from operating activities</b>	<b>145,319</b>	<b>496,179</b>	<b>59,183</b>
Cash flows from investing activities	(73,562)	44,067	(33,230)
Cash flows from financing activities	38,664	(66,245)	(50,521)
Net increase /(decrease) in cash and cash equivalents	<b>95,197</b>	<b>467,550</b>	<b>(24,568)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>764,748</b>	<b>297,198</b>	<b>297,199</b>
<b>Cash and cash equivalents at end of period</b>	<b>859,945</b>	<b>764,748</b>	<b>272,631</b>

### 1. Accounting Policies

The accounting policies applied to these Interim Financial Statements are consistent with those policies applied in the Group's Financial Statements for the year ended 31st December 2010.

### 2. Segment analysis

The following Segment Analysis is prepared in accordance with IFRS 8

	Domestic Banking \$000	Other \$000	Consolidated Adjustments \$000	Group \$000
<b>6 months to June 30, 2011</b>				
<b>Profit Before Tax</b>				
Net Interest Income from external customers	42,704	4,580	0	47,284
Inter-segment net interest income	1,041	(1,531)	490	0
Provision for Loan Impairment	(7,458)	0	0	(7,458)
Net fee and commission income	9,967	1,316	0	11,283
Other Income	7,400	24,901	(22,571)	9,731
Operating Expenses	(43,238)	(19,651)	17,273	(45,616)
<b>Profit Before Taxation</b>	<b>10,416</b>	<b>9,617</b>	<b>(4,808)</b>	<b>15,224</b>
Provision for Tax	(1,243)	(770)	0	(2,013)
<b>Profit for the period</b>	<b>9,173</b>	<b>8,847</b>	<b>(4,808)</b>	<b>13,211</b>
<b>Attributable to:</b>				
- Equity holders of the Company				11,895
- Non-controlling interests				1,316
Profit for the period				13,211
<b>Total assets</b>	<b>2,969,382</b>	<b>1,260,607</b>	<b>(678,252)</b>	<b>3,551,736</b>
<b>Total liabilities</b>	<b>2,588,612</b>	<b>958,348</b>	<b>(396,466)</b>	<b>3,150,493</b>
	Domestic Banking \$000	Other \$000	Consolidated Adjustments \$000	Group \$000
<b>6 months to June 30, 2010</b>				
<b>Profit Before Tax</b>				
Net Interest Income from external customers	35,584	1,752	0	37,336
Inter-segment net interest income	(926)	179	747	0
Provision for Loan Impairment	(723)	0	0	(723)
Net fee and commission income	6,615	6,776	0	13,391
Other Income	4,808	18,247	(21,194)	1,861
Operating Expenses	(30,511)	(15,868)	12,459	(33,920)
<b>Profit Before Taxation</b>	<b>14,847</b>	<b>11,086</b>	<b>(7,988)</b>	<b>17,945</b>
Provision for Tax	(1,870)	(839)	0	(2,709)
<b>Profit for the period</b>	<b>12,977</b>	<b>10,247</b>	<b>(7,988)</b>	<b>15,236</b>
<b>Attributable to:</b>				
<b>Equity holders of the Company</b>				15,214
<b>Non-controlling interests</b>				22
<b>Profit for the period</b>				15,236
<b>Total assets</b>	<b>1,927,750</b>	<b>632,641</b>	<b>(381,826)</b>	<b>2,178,565</b>
<b>Total liabilities</b>	<b>1,633,299</b>	<b>368,869</b>	<b>(181,123)</b>	<b>1,821,045</b>

The Group's primary activity is Domestic Banking which contributes 69% of the net income and comprises the operations of subsidiary companies, Bank of Saint Lucia Limited, Mortgage Finance Company Limited and Bank of Saint Vincent and the Grenadines Limited. Group activities classified as "Other" are Insurance, Offshore, Property Development and Brokerage.