

**EAST CARIBBEAN FINANCIAL HOLDING COMPANY LIMITED**  
**SUMMARY CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 31 December 2015 (expressed in Eastern Caribbean dollars)



**CHAIRMAN'S STATEMENT**

The East Caribbean Financial Holding Company Limited (ECFH) presents financial results for the year ended December 31, 2015. In spite of improvements in net interest and other operating income, ECFH (the Group) returned a loss of \$5.7 million. The provisions taken against loan impairments from its legacy non-productive loans (NPLs) within the largest subsidiary, Bank of Saint Lucia Limited (BOSL) resulted in the reported bottom-line net loss. All other subsidiaries of the Group recorded profits.

BOSL reported a loss of \$19.6 million, mainly due to further loan impairment provisions of \$37.3 million. The provisions were made primarily as a result of the continuing decline in values of real estate collateralizing the non-productive loans and the challenges experienced in disposing of the collateral assets. The local foreclosure laws inhibit timely disposal of assets and until this is addressed, banks in Saint Lucia will continue to have difficulty removing the NPLs from their loan portfolios. These challenges are coupled with the fact that the domestic economy remains under pressure.

As a consequence, we have acknowledged the immediate need to adjust the value of the Bank's loan assets, to levels more consistent with their current income generating capacity. The impact of the incremental provisioning resulted in a significant negative turnaround in the performance of BOSL in the second half of the year.

The issue of significant non-performing loans is one that plagues all banks operating in the region. In so far as the indigenous banks in the OECS are concerned, the recent establishment of a region wide Asset Management company with the necessary statutory and other requisite capacities to assume these non-performing portfolios provides an opportunity for this protracted problem to be fully addressed in the current year.

As we move ahead with the advancement of operating cost containment measures in the coming months, we can be assured that the potential for a speedy return to a state of sustainable profitability will be substantially enhanced.

Lisle Chase | CHAIRMAN | March 21, 2016

**REPORT OF THE INDEPENDENT AUDITORS ON THE SUMMARY FINANCIAL STATEMENTS**

**To the Shareholders of East Caribbean Financial Holding Company Limited**

The accompanying summary consolidated financial statements, which comprise the summary consolidated statement of financial position as at 31 December 2015, and the summary consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, are derived from the audited consolidated financial statements of East Caribbean Financial Holding Company Limited and its subsidiaries (the "Group") for the year ended 31 December 2015. We expressed an unmodified audit opinion on those consolidated financial statements in our report dated 21 March 2016. Those consolidated financial statements and the condensed consolidated financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on those consolidated financial statements.

The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the summary consolidated financial statements, therefore, is not a substitute for reading the audited financial statements of the Group.

**Management's Responsibility for the Summary Financial Statements**

Management is responsible for the preparation of a summary of the audited consolidated financial statements on the basis of their established criteria as described in Note 1.

**Auditor's Responsibility**

Our responsibility is to express an opinion on the summary consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810, "Engagements to Report on Summary Financial Statements."

**Opinion**

In our opinion, the summary consolidated financial statements derived from the audited consolidated financial statements of the Group for the year ended 31 December 2015 are consistent, in all material respects, with those financial statements, on the basis of management's established criteria as described in Note 1.

St. Lucia | March 21, 2016

**SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	2015 \$'000	2014 \$'000
<b>Assets</b>		
Cash, balances with Central Bank and due from banks	1,054,836	1,049,646
Investment Securities	807,389	671,772
Loans and receivables	1,677,612	1,780,743
Property and equipment	144,997	147,127
Investment properties	4,627	6,790
Other assets	84,029	66,928
<b>Total assets</b>	<b>3,773,490</b>	<b>3,723,006</b>
<b>Liabilities</b>		
Due to customers	3,332,350	3,235,180
Borrowings	116,646	152,883
Other liabilities	72,820	65,262
<b>Total liabilities</b>	<b>3,521,816</b>	<b>3,453,325</b>
<b>Equity</b>		
Share capital	170,081	170,081
Reserves	30,683	50,861
<b>Attributable to the Company's equity holders</b>	<b>200,764</b>	<b>220,942</b>
Non - controlling interests	50,910	48,739
<b>Total equity</b>	<b>251,674</b>	<b>269,681</b>
<b>Total liabilities and equity</b>	<b>3,773,490</b>	<b>3,723,006</b>

Approved by the Board of Directors on 21 March 2016:

Director

Director

**SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	Ordinary shares \$'000	Reserves \$'000	Total \$'000	Non-con- trolling interests \$'000	Total equity \$'000
<b>Balance at 1 January 2014</b>	170,081	40,548	210,629	50,082	260,711
Total comprehensive income for the year	-	10,746	10,746	1,446	12,192
Transfers from reserves and net capital contributions	-	(433)	(433)	(2,789)	(3,222)
<b>Balance at 31 December 2014</b>	<b>170,081</b>	<b>50,861</b>	<b>220,942</b>	<b>48,739</b>	<b>269,681</b>
<b>Balance at 1 January 2015</b>	170,081	50,861	220,942	48,739	269,681
Total comprehensive income for the year	-	(16,758)	(16,758)	2,906	(13,852)
Transfers from reserves and net capital contributions	-	(3,420)	(3,420)	(735)	(4,155)
<b>Balance at 31 December 2015</b>	<b>170,081</b>	<b>30,683</b>	<b>200,764</b>	<b>50,910</b>	<b>251,674</b>

**SUMMARY CONSOLIDATED STATEMENT OF INCOME**

	2015 \$'000	2014 \$'000
<b>Continuing operations</b>		
Net interest income	91,086	85,032
Other operating income	59,987	59,677
Impairment losses	(45,009)	(20,431)
Operating expenses	(109,671)	(108,372)
Share of profit in associates	2,231	1,794
Dividends on preference shares	(291)	(291)
(Loss)/ profit for the year before income tax	(1,667)	17,409
Income tax expense	(4,045)	(7,158)
(Loss)/ profit for the year from continuing operations	(5,712)	10,251
<b>Discontinued operation</b>		
Profit from discontinued operations	-	813
<b>Profit for the year</b>	<b>(5,712)</b>	<b>11,064</b>
<b>Attributable to:</b>		
Equity holders of the Company	(8,583)	9,548
- Non-controlling interests	2,871	1,516
<b>Profit for the year</b>	<b>(5,712)</b>	<b>11,064</b>
Earnings per share for earnings attributable to the equity holders of the Company during the year:		
- basic	(0.35)	0.39
- diluted	(0.34)	0.38

**SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	2015 \$'000	2014 \$'000
(Loss)/ profit for the year	(5,712)	11,064
<b>Other comprehensive (loss)/ income</b>		
Unrealised loss on available for sale investments	(5,201)	(29)
Re-measurement gains on defined benefit pension plan (net of tax)	(2,939)	1,157
<b>Total comprehensive (loss)/ profit for the year</b>	<b>(13,852)</b>	<b>12,192</b>
<b>Total comprehensive (loss)/ income attributable to:</b>		
Equity holders of the company	(16,758)	10,746
Non-controlling interests	2,906	1,446
	(13,852)	12,192

**SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS**

	2015 \$'000	2014 \$'000
Net cash from operating activities and net FX movement in investments	192,406	212,321
Net cash used in investing activities	(133,392)	(122,913)
Net cash used in financing activities	(40,973)	(62,488)
<b>Increase in cash and cash equivalents</b>	<b>18,041</b>	<b>26,920</b>
Cash and cash equivalents at beginning of year	916,132	889,212
<b>Cash and cash equivalents at end of year</b>	<b>934,173</b>	<b>916,132</b>

**NOTES TO THE SUMMARY FINANCIAL STATEMENTS**

Note 1. Basis of Preparation:

The summary consolidated financial statements are prepared in accordance with criteria developed by management. Under management's established criteria, management discloses the summary consolidated statement of financial position, summary consolidated statement of income, summary consolidated statement of comprehensive income, summary consolidated statement of changes in equity and summary consolidated statement of cash flows. These summary financial statements are derived from the audited consolidated financial statements of East Caribbean Financial Holding Company Limited and its subsidiaries for the year ended 31 December 2015.

These summary consolidated financial statements have been prepared in accordance with the accounting policies set out in "Note 2" of the 31 December 2015 audited financial statements consistently applied from period to period. Any new Accounting Standards or interpretations which became effective in this financial year have had no material impact on the Group. The areas of critical accounting estimate and judgment as disclosed in "Note 4" of the 31 December 2015 audited financial statements, have also remained unchanged.