

## ECFH 2018 HALF YEAR REPORT TO SHAREHOLDERS

### Management Discussion and Analysis

Following on from a successful 2017 financial year end, we have delivered strong results for the first half of 2018. The East Caribbean Financial Holding Company (ECFH) has directed its focus to the achievement of its 2018-2020 strategic plan with the theme "Repositioning for the Future". The strategic priorities are to: (1) Sustain Profitability (2) Enhance Customer Value, (3) Achieve Operational Excellence and (4) Achieve Intangible Asset Development. The half year results reflect improved efficiencies in several areas including cost containment and the management of net interest spreads. Some further success was realized with reducing the high levels of NPLs which continue to shadow the banking sector. The uncertainties in the economic environment continue to be a threat to the banking sector. ECFH remains cautious, adopting strong underwriting practices and close monitoring through continuous engagement with customers.

ECFH recorded a 2018 half year post-tax profit of \$13.5M which is a significant improvement from \$4M reported for the comparative period, June 2017. The results reflect the performance of its sole subsidiary, Bank of Saint Lucia Limited (BOSL).

BOSL achieved an improved capital position of 19% which is 11% above the regulatory minimum level of 8%.

Total assets grew to \$2.160 billion from \$2.118 billion reported at December 2017.

The balance sheet growth was attributed to increased customer deposits during the six month period. The loan portfolio contracted by \$42M from December 2017 but this was tempered by increases in the investment portfolio of \$67M.

The improved profitability of BOSL was achieved through relatively stronger performance in net interest income and other income categories. Growth in other income includes enhanced recovery income and rental income.

Operating expenses increased by 2% over the same period last year due to additional cost from maintaining a defined benefit pension scheme and increases in software licenses. The Bank has, however, been successful in reducing other costs.

Provision for loan loss impairment was \$3.8M lower than the comparative period due to the current high levels of provision to NPLs taken in previous years and close monitoring of the loan portfolio to avert further deterioration.

The requirements of IFRS 9 were not applied for the Half Year 2018, however the model has been built, and some refinements are required for its finalization. We do not anticipate an adverse impact arising from the implementation of IFRS 9 on the financial statements at year end.

The Board and Management remain resolute regarding the implementation of the Strategic objectives for the period 2018-2020 geared towards sustaining profitability. The priorities will remain focused on addressing the central issues including, aggressive loan recovery and continuous improvement in asset quality, cost reduction, employee engagement and change management. ECFH remains cognizant and vigilant in order to avert the external threats inherent in the sector such as de-risking and correspondent banking relationships, AML and threats of natural disasters.



**Andre Chastanet**  
Chairman



**Estherlita Cumberbatch**  
Corporate Secretary

# EAST CARIBBEAN FINANCIAL HOLDING COMPANY LIMITED

## Half Year Performance Review 2018



East Caribbean Financial Holding Company Limited

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East Caribbean Financial Holding Company Limited

**EAST CARIBBEAN FINANCIAL HOLDING COMPANY LIMITED**  
**Interim Consolidated Balance Sheet**  
**As at June 30, 2018**

(expressed in thousands of Eastern Caribbean dollars)

	(Unaudited) June 30 2018 \$'000	(Audited) December 31 2017 \$'000	(Unaudited) June 30 2017 \$'000	12mths Change %
<b>Assets</b>				
Cash and balances with Central Bank	310,003	347,950	255,894	21%
Due from other banks	147,729	96,632	189,289	-22%
Trading financial assets	16,639	19,642	20,544	-19%
Deposits with non-bank financial institutions	23,171	5,412	8,302	179%
Treasury bills	19,647	23,811	23,876	-18%
Loans & Advances to customers	832,324	874,051	870,035	-4%
Investments securities - held to maturity	153,501	120,049	91,558	68%
- available-for-sale	448,326	410,395	403,900	11%
Pledged assets	11,405	10,710	10,608	8%
Investment in associated undertaking	49,006	49,781	35,891	37%
Property plant and equipment & intangibles	47,719	46,978	46,732	2%
Investment Properties	37,455	37,455	37,188	1%
Other assets	44,918	55,336	80,778	-44%
Income tax recoverable	3,335	5,353	3,332	0%
Deferred tax asset	820	820	0	0%
Retirement Benefit Asset	13,615	13,615	10,627	28%
<b>Total assets</b>	<b>2,159,613</b>	<b>2,117,990</b>	<b>2,088,554</b>	<b>3%</b>
<b>Liabilities</b>				
Deposits from banks	41,496	43,298	49,393	-16%
Due to customers	1,858,413	1,799,588	1,809,817	3%
Other funding instruments	11,533	13,703	13,980	-18%
Borrowings	75,284	79,181	85,964	-12%
Preference shares	4,150	4,150	4,150	0%
Other liabilities	23,219	29,206	22,117	5%
Dividends Payable	291	291	0	0%
<b>Total Liabilities</b>	<b>2,014,386</b>	<b>1,969,417</b>	<b>1,985,421</b>	<b>1%</b>
<b>Shareholders' equity</b>				
Share capital	170,081	170,081	170,081	0%
Contributed capital	1,118	4,118	1,118	0%
Unrealized gain on investments	144	7,017	4,524	-97%
Revaluation reserve	13,855	13,855	13,855	0%
Reserves	177,457	184,420	163,614	8%
Retained earnings	(230,918)	(267,907)	(254,103)	-9%
Profit for the period after taxes	13,490	36,989	4,044	234%
<b>Parent shareholders' equity</b>	<b>145,227</b>	<b>148,573</b>	<b>103,133</b>	<b>41%</b>
<b>Total equity and liabilities</b>	<b>2,159,613</b>	<b>2,117,990</b>	<b>2,088,554</b>	<b>3%</b>

**EAST CARIBBEAN FINANCIAL HOLDING COMPANY LIMITED**  
**Interim Consolidated Statement of Income**  
**For the six month period ended June 30, 2018**

(expressed in thousands of Eastern Caribbean dollars)

	(Unaudited) 6 mths to June 30, 2018 \$'000	(Audited) 12 mths to December 31, 2017 \$'000	(Unaudited) 6 mths to June 30, 2017 \$'000	12mths Change %
<b>Continuing Operations</b>				
Interest income	42,106	80,503	40,439	4%
Interest expense	14,173	32,145	16,221	-13%
<b>Net interest income</b>	<b>27,933</b>	<b>48,358</b>	<b>24,218</b>	<b>15%</b>
Other income	27,221	59,916	25,694	6%
<b>Operating income</b>	<b>55,154</b>	<b>108,274</b>	<b>49,912</b>	<b>11%</b>
Impairment Loss - Loans & Investments	6,557	16,431	10,409	-37%
Other operating expenses	32,774	62,524	32,077	2%
<b>Profit for the period before taxation and dividends</b>	<b>15,823</b>	<b>29,319</b>	<b>7,426</b>	<b>113%</b>
Dividends on preference Shares	-	291	-	0%
Provision for income tax	2,333	(2,806)	1,149	103%
<b>Profit for the period</b>	<b>13,490</b>	<b>31,834</b>	<b>6,277</b>	<b>115%</b>
<b>Profit/(loss) for the year from discontinued operation</b>	-	683	(448)	
<b>Profit/(loss) on disposal of subsidiaries</b>	-	4,472	(1,785)	
<b>Profit for the period</b>	<b>13,490</b>	<b>36,989</b>	<b>4,044</b>	<b>234%</b>
<b>Earnings per share</b>				
- basic	<b>\$0.55</b>	<b>\$1.30</b>	<b>\$0.16</b>	
- diluted	<b>\$0.53</b>	<b>\$1.27</b>	<b>\$0.15</b>	

**EAST CARIBBEAN FINANCIAL HOLDING COMPANY LIMITED**  
**Interim Consolidated Statement of Cash Flows**  
**For the six month period ended June 30, 2018**

(expressed in thousands of Eastern Caribbean dollars)

	(Unaudited) 6 mths to June 30, 2018 \$'000	(Audited) 12 mths to December 31, 2017 \$'000	(Unaudited) 6 mths to June 30, 2017 \$'000
<b>Operating Activities</b>			
- Profit before income tax	15,823	34,474	7,426
- Adjustments for items not affecting cash, changes in non-cash working capital components and other items, net	24,962	81,865	91,839
<b>Cash flows from operating activities</b>	<b>40,785</b>	<b>116,339</b>	<b>99,265</b>
Cash flows used in investing activities	(2,941)	(600,268)	(562,023)
Cash flows used in financing activities	(13,860)	(5,500)	(7,929)
Net increase/(decrease) in cash and cash equivalents	23,984	(489,429)	(470,687)
Cash and cash equivalents at beginning of period	351,045	840,474	840,474
Cash and cash equivalents at end of period	375,029	351,045	369,787

**1. Accounting Policies**

The accounting policies applied to these Financial Statements are consistent with those policies applied in the Group's Financial Statements for the year ended 31 December 2017

**2. Segment Analysis**

The following Segment Analysis of continuing operations is prepared in accordance with IFRS-8.

	BOSL \$000	BOSL GINV \$000	Other \$000	Consolidation Adjustments \$000	Group \$000
<b>6 months to June 30, 2018</b>					
<b>Profit Before Tax</b>					
Net Interest Income	27,621	143	169	-	27,933
Net fee and commission income	13,354	2,267	-	-	15,621
Other Income	11,797	70	507	(774)	11,600
Impairment charge loans	(6,557)	-	-	-	(6,557)
Depreciation and amortization	(2,221)	(8)	-	-	(2,229)
Operating Expenses	(30,174)	(364)	(7)	-	(30,545)
<b>Profit Before Taxation</b>	<b>13,820</b>	<b>2,108</b>	<b>669</b>	<b>(774)</b>	<b>15,823</b>
Income Tax	(2,333)	-	-	-	(2,333)
<b>Profit for the period</b>	<b>11,487</b>	<b>2,108</b>	<b>669</b>	<b>(774)</b>	<b>13,490</b>
<b>Total Assets</b>	<b>2,176,630</b>	<b>24,867</b>	<b>294,294</b>	<b>(336,178)</b>	<b>2,159,613</b>
<b>Total Liabilities</b>	<b>2,012,291</b>	<b>8,137</b>	<b>91,977</b>	<b>(98,019)</b>	<b>2,014,386</b>

	BOSL \$000	BOSL GINV \$000	BOSVG Discontinued \$000	BOSLIL Discontinued \$000	Consolidation Other \$000	Adjustment for discontinued operations \$000	Group \$000
<b>6 months to June 30, 2017</b>							
<b>Profit Before Tax</b>							
Net Interest Income	23,968	126	15,997	1,648	124	-	24,218
Net fee and commission income	11,725	2,253	2,373	659	-	-	13,978
Other Income	11,145	92	2,701	76	1,780	(1,301)	11,716
Impairment charge loans, investments and property	(10,409)	-	(9,287)	-	-	-	(19,696)
Depreciation and amortization	(2,296)	-	(1,395)	(191)	-	-	(3,882)
Operating Expenses	(28,241)	(412)	(12,820)	(1,400)	(7)	(1,121)	(43,801)
<b>Profit/(Loss) Before Taxation</b>	<b>5,892</b>	<b>2,059</b>	<b>(2,431)</b>	<b>792</b>	<b>1,897</b>	<b>(2,422)</b>	<b>7,426</b>
Profit from discontinued operation	-	-	-	-	-	-	7,984
Income Tax	(1,149)	-	-	-	-	-	(1,149)
<b>Profit/(Loss) for the period</b>	<b>4,743</b>	<b>2,059</b>	<b>(2,431)</b>	<b>792</b>	<b>1,897</b>	<b>(2,422)</b>	<b>6,277</b>
Eloss from discontinued operation	-	-	-	-	-	-	(448)
Loss on disposal of subsidiary	-	-	-	-	(1,785)	-	(1,785)
<b>Profit/(Loss) for the period</b>	<b>4,743</b>	<b>2,059</b>	<b>(2,431)</b>	<b>792</b>	<b>112</b>	<b>(2,422)</b>	<b>4,044</b>
<b>Total Assets</b>	<b>2,123,957</b>	<b>18,970</b>	<b>-</b>	<b>-</b>	<b>296,272</b>	<b>(350,645)</b>	<b>2,088,554</b>
<b>Total Liabilities</b>	<b>1,983,843</b>	<b>6,804</b>	<b>-</b>	<b>-</b>	<b>90,428</b>	<b>(95,654)</b>	<b>1,985,421</b>