

MANAGEMENT DISCUSSION AND ANALYSIS

The first half of 2019 has brought about many successes for the East Caribbean Financial Holding Company Limited (ECFH), enabling the company to deliver another strong financial performance for the period. The Bank continues to work assiduously to achieve its strategic objectives for the 2019-2021 period, focusing on operational excellence, enhanced customer value and intangible asset development. ECFH recorded significant improvements in a number of key operational areas including cost containment, asset quality management, treasury management and strengthened human resource capacity. While non-performing loans remain high, the Bank recorded a reduction in this portfolio through aggressive monitoring and follow up of delinquencies. Additionally, the Bank realized improved recovery income from bad debts. Loan underwriting practices and processes are continuously reviewed to ensure that they remain robust, relevant and effective. Management and the Board also continue to adopt pragmatic strategies to ensure that the Bank continues to grow in the existing competitive loan environment.

During the review period, the financial position of the Bank improved as reflected by total asset growth of 3.6%, moving from \$2.2B in December 2018 to \$2.3B in June 2019. The growth was fueled by increased customer deposits of \$60M and was also underpinned by a strong performance in the investment portfolio which expanded from \$712M in December 2018 to \$735M in June 2019. The investment portfolio also benefited from the upswing in the financial market resulting in fair value gains of \$10M since December 2018. At the same time, the Bank's financial position was tempered by the contraction of the loan portfolio by \$15.6M or 1.8% since December 2018.

ECFH recorded enhanced profitability levels as post-tax profits increased by \$4.1M or 30.7% to \$17.6M compared to the prior period. This was mainly attributed to improved performance by BOSL through its stringent management of interest spreads, improvement in recovery income and gains on investment securities. The improved position will assist in addressing the accumulated deficit sustained in earlier years.

ECFH showed improved efficiency in its operations. The operating efficiency ratio improved from 59.4% to 55.7% as a result of a stronger growth in operating revenue of \$5.4M compared to the growth in operating expenses of \$0.9M. Impairment provisions for loans and investments decreased by \$467k or 7.1% over the same period last year.

ECFH continues to build on its strong capital base, its regulated entity BOSL achieving a capital adequacy position of 20.8% compared to 19.67% at December 2018. This is well above the regulatory requirement of 8%.

ECFH will also continue to pursue its strategy in ensuing years to ensure sustained profitability, increased shareholder value and improvement in asset quality. To this end, the focus will remain on achieving the priorities set out in the 2019/2021 Strategic plan including improving corporate governance and risk management mechanisms, human resource development and customer centric services.

Llewelyn Gill
Interim Chairman

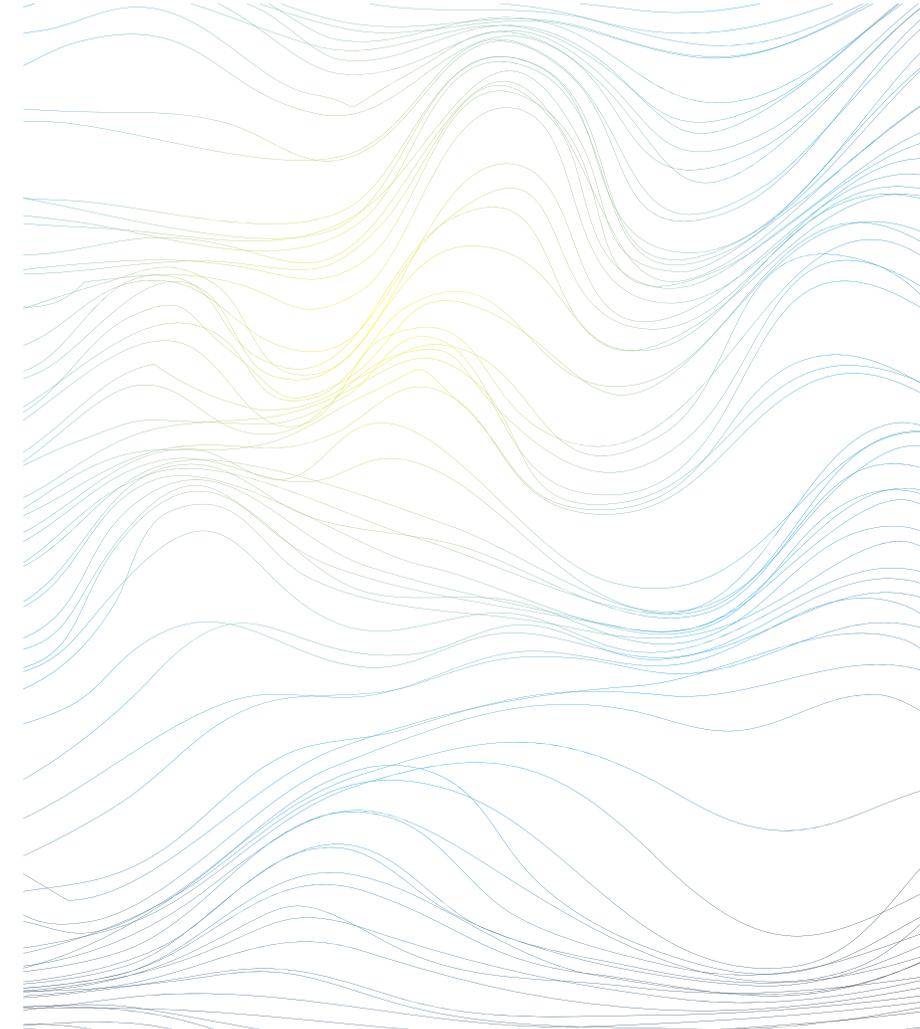
Estherlita Cumberbatch
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REPOSITIONING

FOR THE FUTURE



HALF YEAR PERFORMANCE REVIEW

EAST CARIBBEAN FINANCIAL HOLDING COMPANY LIMITED

Interim Consolidated Balance Sheet

As at June 30, 2019

(expressed in thousands of Eastern Caribbean dollars)

	(Unaudited)	(Audited)	(Unaudited)	
	Jun 30	Dec 31	Jun 30 12mths	
	2019	2018	2018 Change	
	\$'000	\$'000	\$'000	%
Assets				
Cash and balances with Central Bank	251,550	223,983	310,003	-19%
Due from other banks	193,551	159,565	147,729	31%
Financial assets held for trading	9,698	18,623	16,639	-42%
Deposits with non-bank financial institutions	52,175	33,437	23,171	125%
Treasury bills	12,286	17,409	19,647	-37%
Loans & Advances to customers	833,644	849,215	832,324	-
Investments securities	696,451	668,171	601,827	16%
Pledged assets	16,878	8,189	11,405	48%
Investment in associated undertaking	54,239	55,793	49,006	11%
Property plant and equipment & intangibles	47,697	46,453	47,719	-
Investment Properties	31,955	31,955	37,455	-15%
Other assets	48,125	56,206	43,867	10%
Income tax recoverable	2,234	3,777	3,335	-
Deferred tax asset	4,000	4,000	820	-
Retirement Benefit Asset	10,446	10,446	13,615	-23%
Total assets	2,264,929	2,187,222	2,158,562	5%
Liabilities				
Deposits from banks	46,610	55,845	41,496	12%
Due to customers	1,881,623	1,821,323	1,850,538	2%
Other funding instruments	16,959	7,953	11,533	47%
Borrowings	67,662	71,519	75,284	-10%
Preference shares	4,150	4,150	4,150	-
Other liabilities	37,634	35,930	30,043	25%
Dividends Payable	-	581	291	-
Total Liabilities	2,054,638	1,997,301	2,013,335	2%
Shareholders' equity				
Share capital	170,081	170,081	170,081	-
Contributed capital	1,118	1,118	1,118	-
Fair value through OCI reserve	11,114	1,040	144	7610%
Revaluation reserve	13,855	13,855	13,855	-
Reserves	206,384	206,377	177,457	16%
Accumulated deficit	(209,889)	(247,516)	(230,918)	-9%
Profit for the period after taxes	17,628	44,966	13,490	31%
Parent shareholders' equity	210,291	189,921	145,227	45%
Total equity and liabilities	2,264,929	2,187,222	2,158,562	5%

EAST CARIBBEAN FINANCIAL HOLDING COMPANY LIMITED

Interim Consolidated Statement of Income

For the six month period ended June 30, 2019

(expressed in thousands of Eastern Caribbean dollars)

	(Unaudited)	(Audited)	(Unaudited)	
	6 mths to	12 mths to	6 mths to	
	Jun 30, 2019	Dec 31, 2018	Jun 30, 2018	
	\$'000	\$'000	\$'000	%
Continuing Operations				
Interest income	44,315	84,157	42,106	5%
Interest expense	13,773	27,919	14,173	-3%
Net interest income	30,542	56,238	27,933	9%
Other income	29,962	62,597	27,221	10%
Operating income	60,504	118,835	55,154	10%
Impairment loss - loans & investments	6,090	8,920	6,557	-7%
Other operating expenses	33,682	64,304	32,774	3%
Profit for the period before taxation and dividends	20,732	45,611	15,823	31%
Dividends on preference Shares	-	291	-	-
Provision for income tax	3,104	355	2,333	33%
Profit for the period	17,628	44,966	13,490	31%
Earnings per share				
- basic	0.71	1.84	0.55	
- diluted	0.69	1.83	0.53	

EAST CARIBBEAN FINANCIAL HOLDING COMPANY LIMITED

Interim Consolidated Statement of Changes in Equity

For the six month period ended June 30, 2019

(expressed in thousands of Eastern Caribbean dollars)

	Ordinary Shares	Contributed Capital	Reserves	Revaluation Surplus	Unrealised gain/(loss) on investments	Fair value through OCI Reserves	Accumulated Deficit	Total Equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 January 2018	170,081	4,118	184,420	13,855	7,017	-	(230,918)	148,573
Changes on initial application of IFRS 9	-	-	16,599	-	(7,017)	8,282	(384)	17,480
Restated balance at 1 January 2018	170,081	4,118	201,019	13,855	-	8,282	(231,302)	166,053
Total comprehensive income for the year	-	-	-	-	-	(7,242)	41,131	33,889
Transfers to reserves	-	-	12,379	-	-	-	(12,379)	-
Contributions withdrawn	-	(3,000)	(7,021)	-	-	-	-	(10,021)
Balance at 31 December 2018	170,081	1,118	206,377	13,855	-	1,040	(202,550)	189,921
Balance at 1 January 2019	170,081	1,118	206,377	13,855	-	1,040	(202,550)	189,921
Total comprehensive income for the period	-	-	-	-	-	10,074	17,628	27,702
Dividends	-	-	-	-	-	-	(7,339)	(7,339)
Contributions SLGF	-	-	7	-	-	-	-	7
Balance at 30 June 2019	170,081	1,118	206,384	13,855	-	11,114	(192,261)	210,291

EAST CARIBBEAN FINANCIAL HOLDING COMPANY LIMITED

Interim Consolidated Statement of Cash Flows

For the six month period ended June 30, 2019

(expressed in thousands of Eastern Caribbean dollars)

	(Unaudited)	(Audited)	(Unaudited)
	6 mths to	12 mths to	6 mths to
	Jun 30, 2019	Dec 31, 2018	Jun 30, 2018
	\$'000	\$'000	\$'000
Operating Activities			
- Profit after income tax	17,628	44,966	13,490
- Adjustments for items not affecting cash, changes in non-cash working capital components and other items, net	83,690	15,290	27,295
Cash flows from operating activities	101,318	60,256	40,785
Cash flows used in investing activities	(3,588)	(143,655)	(2,941)
Cash flows used in financing activities	(11,771)	(17,683)	(13,860)
Net increase/(decrease) in cash and cash equivalents	85,959	(101,082)	23,984
Cash and cash equivalents at beginning of period	249,963	351,045	351,045
Cash and cash equivalents at end of period	335,922	249,963	375,029