

ECFH 2021 HALF YEAR REPORT TO THE SHAREHOLDERS

The first six months of the year signaled a partial economic rebound and increased business activity, with expected revenues increasing over levels seen last year. All sectors of the economy are now fully opened and visitor arrivals to the island continue to increase. St. Lucia continues with the roll out of the vaccine, albeit at a lower than expected rate given the reluctance of the general population to vaccinate.

New and highly contagious mutated strains of COVID-19 coupled with the slow pace of vaccine coverage, raises concern over the prospects for near term local and global economic recovery. The International Monetary Fund (IMF), in its April 2021 World Economic Outlook, projects that the global economy will grow 6% in 2021, moderating to 4.4% in 2022, however high uncertainty surrounds this outlook. Significant progress has been made towards fulfilling the Group's 2021-2023 Strategic Plan initiatives, which has set the pace for growth. The focus has been on supporting the Bank's performance through non-traditional banking activities including growth of the Brokerage business, soon to be further enforced by the establishment of a trade desk and mutual fund.

The Group continued to pursue technological development and greater customer accessibility. In that vein, upgraded its online and mobile banking platform, which now offers customers the flexibility in performing banking services such as wire transfers and peer to peer payments without visiting a physical branch location. The Group undertook a geographic expansion of its ATM network. Outdated ATMs are now being upgraded to tap-enabled machines, coupled with the introduction of smart ATMs which facilitate straight through customer cash deposits. Customer security remains at the fore and investments continue in migrating our debit cards from magstripe to the safer, EMV compliant contactless cards. Other technological improvements and digitization initiatives are in train for the second half of 2021, in pursuit of the strategic objective of enhanced customer value.

The strong well diversified balance sheet and business lines have assisted in ensuring the Group remained resilient throughout the pandemic. The Bank continues to carefully manage risk and remains cautious about the potential impact of the pandemic on its business.

Profit before tax of \$15M at June 2021 was an improvement over the 2020 comparative period of \$1.8M as an economic recovery seems to be underway. The improvement was largely against the backdrop of a reduction of 90% or \$15.5M in impairment charges on loans and investments due to the upfront recognition of increased credit risk in the prior year. This negated significant additional provisions in the current year, and reflected an improvement in the macro-economic conditions. Growth of 11% or \$2.8M in other income contributed to the improved performance driven by realized and unrealized gains on investments as well as higher bad debt recovery income.

Net Interest Income declined by 18% or \$5M, as low interest rates continue to challenge revenue on the investments and loan portfolios. Interest expense rose by 6% or \$804k, driven by increased customer deposits and premium expense on investments. Total operating expenses including staff costs were largely on par with the prior period. The efficiency ratio worsened as the reductions in net interest income strained operating income without an offsetting reduction in operating cost. As previously mentioned, the interest rate environment continues to be a challenge and must be cautiously navigated to ensure that optimal earnings are obtained from customers' funds and shareholder wealth, preserved.

Total assets grew 4% from \$2.31B at June 2020 to \$2.4B at June 2021. At December 2020, total assets were \$2.34B. This represents an increase of \$58.2M and \$83.3M from the December and June 2020 positions respectively. This increase is reflective of strong client relationships and continued liquidity driven primarily by increased customer deposits of \$47.6M and \$59.5M at December and June 2020 respectively.

Net loans increased by \$17.7M from December 2020 with growth in the productive loan portfolio of \$23.6M while the non-productive loan portfolio (NPL) reduced by \$4.0M. The level of provisions to NPL loans increased from 77% at June and December 2020 to 82% in June 2021 due mainly to an increase in provisions for loan losses and to a lesser extent, a reduction in the NPL. This additional reserve places the Group in a more comfortable position to absorb portfolio shocks.

The Group remains optimistic about the future, and financing has been approved for a number of corporate projects and efforts are continuing to drive its support of SME lending through the partnership with the Eastern Caribbean Partial Credit Guarantee Company (ECPCGC), in support of a business-led economic recovery.

Investments have grown by \$97.3M and \$118.3M from December and June 2020 as the Group remains highly liquid and pursues opportunities to earn some income from otherwise idle funds. The capital adequacy of the Bank remains strong at 22.3% from 20.99% in December 2020. The improvement can be attributed primarily to the increased profit at June 2021. Return on asset and return on equity were 1.08% and 9.44% respectively compared to 0.14% and 1.38% at June 2020.

While the evidence of partial recovery is encouraging, the Group remains cognizant of the potential for further impact of the pandemic on its operations and remains committed to cost consciousness and undertaking sound investments in the interest of its stakeholders.

Protecting and supporting customers, employees and the community and preserving stakeholder interest, while navigating this challenging environment, remain top priorities. The Group remains very grateful to its committed staff and loyal customers for their continued support throughout the pandemic.

The Group's 2020/2021 Strategic theme "Sustained Profitability Through Innovation" is based on the plan of ensuring that it delivers growth by improving the experiences of customers and satisfying the needs of its stakeholders.



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SUSTAINING PROFITABILITY THROUGH INNOVATION

HALF YEAR PERFORMANCE REPORT

EAST CARIBBEAN FINANCIAL HOLDING COMPANY LIMITED
Interim Consolidated Balance Sheet
As at June 30, 2021
(expressed in thousands of Eastern Caribbean Dollars)

	(Unaudited) June 30 2021 \$'000	(Audited) Dec 31 2020 \$'000	(Unaudited) June 30 2020 \$'000	12mths Change %
Assets				
Cash and balances with Central Bank	263,073	258,761	316,925	-17%
Due from other banks	217,132	216,447	195,436	11%
Financial assets held for trading	13,680	9,487	20,650	-34%
Deposits with non-bank financial institutions	39,027	101,896	35,859	9%
Treasury bills	2,787	10,804	13,773	-80%
Loans & Advances to customers	816,980	799,318	823,147	-1%
Investments securities	816,892	719,635	698,603	17%
Pledged assets	4,783	8,352	7,981	-40%
Investment in associated undertaking	63,982	63,981	58,576	9%
Property plant and equipment & intangibles	51,220	49,611	46,729	10%
Right of use leased asset	264	528	793	-67%
Investment Properties	30,987	30,987	31,955	-3%
Other assets	48,897	39,692	35,784	37%
Income tax recoverable	7,873	9,920	5,024	0%
Deferred tax asset	-	-	7,228	0%
Retirement Benefit Asset	19,235	19,235	15,032	28%
Total assets	2,396,812	2,338,654	2,313,495	4%
Liabilities				
Deposits from banks	29,602	35,281	49,994	-41%
Due to customers	1,949,429	1,901,810	1,889,897	3%
Other funding instruments	4,856	8,107	8,053	-40%
Borrowings	58,632	60,008	61,481	-5%
Preference shares	4,150	4,150	4,150	0%
Other liabilities	73,891	61,528	47,814	55%
Lease Liability	271	539	800	-66%
Dividends Payable	291	291	291	0%
Deferred tax liabilities	1,511	1,511	-	0%
Total Liabilities	2,122,633	2,073,225	2,062,480	3%
Shareholders' equity				
Share capital	170,081	170,081	170,081	0%
Contributed capital	1,118	1,118	1,118	0%
Fair value through OCI reserve	14,100	18,099	12,071	17%
Revaluation reserve	13,855	13,855	13,855	0%
Reserves	172,593	172,574	217,499	-21%
Accumulated deficit	(110,298)	(117,714)	(165,131)	-33%
Profit for the period after taxes	12,730	7,416	1,522	737%
Parent shareholders' equity	274,179	265,429	251,015	9%
Total equity and liabilities	2,396,812	2,338,654	2,313,495	4%

EAST CARIBBEAN FINANCIAL HOLDING COMPANY LIMITED
Interim Consolidated Statement of Income
For the six month period ended June 30, 2021
(expressed in thousands of Eastern Caribbean Dollars)

	(Unaudited) 6 mths to Jun 30, 2021 \$'000	(Audited) 12 mths to Dec 31, 2020 \$'000	(Unaudited) 6 mths to Jun 30, 2020 \$'000	12mths Change %
Continuing Operations				
Interest income	36,993	79,130	41,146	-10%
Interest expense	14,985	28,721	14,181	6%
Net interest income	22,008	50,409	26,965	-18%
Other income	27,414	63,396	24,623	11%
Operating income	49,422	113,805	51,588	-4%
Impairment loss - loans & investments	1,748	28,698	16,985	-90%
Other operating expenses	32,697	70,821	32,813	0%
Profit for the period before taxation and dividends	14,977	14,286	1,790	737%
Dividends on preference Shares	-	291	-	0%
Provision for income tax	2,247	6,579	268	738%
Profit for the period	12,730	7,416	1,522	736%
Earnings per share				
- basic	0.51	0.30	0.06	
- diluted	0.50	0.29	0.05	

EAST CARIBBEAN FINANCIAL HOLDING COMPANY LIMITED
Interim Consolidated Statement of Changes in Equity
For the six month period ended June 30, 2021
(expressed in thousands of Eastern Caribbean Dollars)

	Ordinary Shares \$'000	Contributed Capital \$'000	Reserves \$'000	Revaluation Surplus \$'000	Fair value through OCI securities	Accumulated Deficit \$'000	Total Equity \$'000
Balance at 1 January 2020							
Total comprehensive income for the year	170,081	1,118	219,520	13,855	7,304	(161,050)	250,828
Transfers to reserves	-	-	-	-	10,795	9,895	20,690
Contributions withdrawn	-	-	(46,973)	-	-	46,973	-
Dividends	-	-	27	-	-	-	27
	-	-	-	-	-	(6,116)	(6,116)
Balance at 31 December 2020	170,081	1,118	172,574	13,855	18,099	(110,298)	265,429
Balance at 1 January 2021	170,081	1,118	172,574	13,855	18,099	(110,298)	265,429
Total comprehensive income for the period	-	-	-	-	(3,999)	12,730	8,731
Dividends	-	-	-	-	-	-	-
Transfer from reserves	-	-	-	-	-	-	-
Contributions SLGF	-	-	19	-	-	-	19
	-	-	-	-	-	-	-
Balance at 30 June 2021	170,081	1,118	217,499	13,855	14,100	(97,568)	274,179

EAST CARIBBEAN FINANCIAL HOLDING COMPANY LIMITED
Interim Consolidated Statement of Cash Flows
For the six month period ended June 30, 2021
(expressed in thousands of Eastern Caribbean Dollars)

	(Unaudited) 6 mths to June 30, 2021 \$'000	(Audited) 12 mths to Dec 31, 2020 \$'000	(Unaudited) 6 mths to June 30, 2020 \$'000
Operating Activities			
- Profit after income tax	12,730	7,416	1,522
- Adjustments for items not affecting cash, changes in non-cash working capital components and other items, net	26,849	269,147	189,610
Cash flows from operating activities	39,579	276,563	191,132
Cash flows used in investing activities	(102,618)	(20,916)	(1,390)
Cash flows used in financing activities	(1,319)	(10,149)	(8,467)
Net (decrease) /increase in cash and cash equivalents	(64,358)	245,498	181,275
Cash and cash equivalents at beginning of period	431,724	186,226	186,226
Cash and cash equivalents at end of period	367,366	431,724	367,501