

## ECFH 2022 HALF YEAR REPORT TO SHAREHOLDERS

The East Caribbean Financial Holding Company (ECFH) delivered another profitable performance for the half year ended June 30, 2022, despite a challenging economic environment. The international economy and financial markets have experienced extraordinary challenges including high inflation, interest rate hikes and persistent supply chain issues, which have adversely impacted the overall half year financial performance of the Group. However, the Group continues to fulfill its vision - "Strong. Secure and Profitable."

The Group remained focused on creating stability, by exercising discipline in the execution of its strategy to drive growth, to enhance operational efficiency, to create greater shareholder value and to enhance the customer experience. Digitization continues to take center stage in the delivery of services to customers. As part of this focus, Bank of Saint Lucia launched BOSL Digital, a digital client onboarding platform for loans, accounts and convenience banking services, supported by a dedicated digital services team.

The Group continues to work on the development of the "BOSL My SME Portal", scheduled to be launched in the fourth quarter. The portal, designed to support new and existing small and medium enterprises (SMEs), is an online repository and networking platform, providing access to key resources with the opportunity to participate in a network ecosystem, showcasing other service offerings. As part of our thrust to support a cleaner, greener economy, BOSL Sustainable Solutions was launched to finance renewable and energy efficient systems. The Group continues to implement key growth initiatives including the expansion of its credit card business and the establishment of a Mutual Fund. At the center of all these efforts, is the investment in the Group's most valuable asset, its people, which remains paramount. The Bank recently completed a comprehensive corporate succession plan, while efforts are ongoing for the launch of Bank of Saint Lucia University (BOSLU) with the enrollment of the first inaugural courses expected in the latter part of 2022.

### Overview of Financial Performance

Net income was \$10.8M for the first six months ending June 30, 2022, down 15% or \$1.9M from \$12.7M, for the same period last year. This was due largely to the impact of increased operating costs geared towards improving operating capacity and driving business growth. Net interest income was \$23.9M, an increase of \$1.9M or 9% over the six months ending June, 30 2021. This was largely attributed to the reduced interest expense stemming from long term debt repayments and reduced rate offering on certificate of deposits. Non-interest income of \$26M, was down \$1.5M or 5% from \$27.4M over the six months to June 2021. The adverse impact of unrealized losses on investments held at fair value through profit and loss more than offset increased fee income. Provisions for impairment losses on loans and investments was \$0.68M, down \$1.1M compared to \$1.8M for the comparative 2021 period. This was the result of enhanced loan quality from an improved macro-economic environment and prudent credit risk management practices.

Non-interest expenses were \$36.5M, an increase of \$3.8M or 12% over the same period last year. This was largely related to the increase in costs to support business growth. Other noteworthy increases related to depreciation of the new HVAC equipment, increased utilities due to higher fuel charges and the return to office of remote work employees and the general increase in prices. The Group's Balance Sheet assets grew over the six month period moving from \$2.44B in December 2021 to \$2.53B, an increase of \$82.1M or 3.4%. This was largely driven by an \$80.2M growth in customer deposits from \$2.03B in December 2021 to \$2.11B at 30th June 2022, signaling continued customer confidence. Basic earnings per share was 44 cents compared to 51 cents for the comparative period in 2021. The net loan portfolio grew by \$34.6M since December 2021, evidenced by growth in corporate and overdraft portfolios, while Non-Performing Loans have declined \$1.4M since December 2021. The non-performing loan ratio also declined from 11.8% at December 2021 to 11.7% at June 2022. Balance sheet provisions have declined \$1.2M since December from \$86.3M to \$85.1M because of improved loan quality and net write offs against provisions following the sale of loans.

Investments recorded a decline of \$25.9M from December 2021 due to the impact of fair value losses recorded for the six-months to date. The bond market has seen bond prices falling, as the Federal Reserve attempts to control inflation by increasing its benchmark interest rates. As inflation reduces, investors are likely to place funds in longer term bonds which should result in increased bond prices as investors diversify their portfolios. This is expected to redound to increased market value of our portfolio and consequently a reversal of some of the unrealized losses recorded to date. The unrealized losses on investments have led to a net reduction of \$31.2M in the Group's total equity from \$276.3M at December 31, 2021. The net decline in equity represents after tax profits of \$10.8M for the period and \$42M unrealized losses on investments held at fair value through other comprehensive income. The Group continues to hold strong levels of liquidity as reported cash and cash equivalents of \$419M represented an increase of \$44.8M or 12% from December 2021. Capital adequacy remains at a comfortable level of 21% at the half year moving from 20.6% at December 2021.

Overall, the Bank's Balance Sheet remains strong and well diversified, which is critical in navigating the volatility stemming from the current fear and uncertainty in the market. Notwithstanding the negative impact of the bond and equity market, the overall Group financial performance reflects an improving earnings capacity, with rising interest rates driving strong growth in net interest margins. Preserving stakeholders' interest, while navigating this challenging economic environment, remain high on the Bank's agenda. BOSL remains grateful for and committed to its loyal customers, shareholders and supportive staff.

  
Rolf Phillips  
Managing Director

  
Estherita Cumberbatch  
Corporate Secretary



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**HALF YEAR PERFORMANCE REPORT**

EAST CARIBBEAN FINANCIAL HOLDING COMPANY LIMITED  
Interim Consolidated Balance Sheet  
As at June 30, 2022  
(expressed in thousands of Eastern Caribbean Dollars)

	(Unaudited) June 30 2022 \$'000	(Audited) Dec 31 2021 \$'000	(Unaudited) June 30 2021 \$'000	12mths Change %
<b>Assets</b>				
Cash and balances with Central Bank	310,790	270,955	263,073	18%
Due from other banks	239,814	241,410	217,132	10%
Financial assets held for trading	26,178	13,954	13,680	91%
Deposits with non-bank financial institutions	31,437	18,074	39,027	-19%
Treasury bills	4,283	1,727	2,787	54%
Loans & Advances to customers	838,545	803,904	816,980	3%
Investments securities	824,700	865,388	816,892	1%
Pledged assets	872	903	4,783	-82%
Investment in associated undertaking	64,620	64,620	63,982	1%
Property plant and equipment & intangibles	52,612	52,147	51,220	3%
Right of use leased asset	787	1,050	264	198%
Investment Properties	28,019	28,019	30,987	-10%
Other assets	75,520	54,149	48,897	54%
Income tax recoverable	8,590	8,382	7,873	0%
Retirement Benefit Asset	19,569	19,569	19,235	2%
<b>Total assets</b>	<b>2,526,336</b>	<b>2,444,251</b>	<b>2,396,812</b>	<b>5%</b>
<b>Liabilities</b>				
Deposits from banks	27,352	27,586	29,602	-8%
Due to customers	2,105,321	2,025,162	1,949,429	8%
Other funding instruments	882	876	4,856	-82%
Borrowings	45,694	52,178	58,632	-22%
Preference shares	4,150	4,150	4,150	0%
Other liabilities	95,156	54,489	73,891	29%
Lease Liability	796	1,050	271	194%
Dividends Payable	-	581	291	0%
Deferred tax liabilities	1,911	1,911	1,511	0%
<b>Total Liabilities</b>	<b>2,281,262</b>	<b>2,167,983</b>	<b>2,122,633</b>	<b>7%</b>
<b>Shareholders' equity</b>				
Share capital	170,081	170,081	170,081	0%
Contributed capital	1,118	1,118	1,118	0%
Fair value through OCI reserve	(35,936)	6,094	14,100	-355%
Revaluation reserve	13,855	13,855	13,855	0%
Reserves	174,684	174,664	172,593	1%
Accumulated deficit	(89,544)	(112,799)	(110,298)	-19%
Profit for the period after taxes	10,816	23,255	12,730	-15%
<b>Parent shareholders' equity</b>	<b>245,074</b>	<b>276,268</b>	<b>274,179</b>	<b>-11%</b>
<b>Total equity and liabilities</b>	<b>2,526,336</b>	<b>2,444,251</b>	<b>2,396,812</b>	<b>5%</b>

EAST CARIBBEAN FINANCIAL HOLDING COMPANY LIMITED  
Interim Consolidated Statement of Income  
For the six month period ended June 30, 2022  
(expressed in thousands of Eastern Caribbean Dollars)

	(Unaudited) 6 mths to Jun 30, 2022 \$'000	(Audited) 12 mths to Dec 31, 2021 \$'000	(Unaudited) 6 mths to Jun 30, 2021 \$'000	12mths Change %
<b>Continuing Operations</b>				
Interest income	37,138	73,632	36,993	0%
Interest expense	13,190	27,881	14,985	-12%
<b>Net interest income</b>	<b>23,948</b>	<b>45,751</b>	<b>22,008</b>	<b>9%</b>
Other income	25,964	46,988	27,414	-5%
<b>Operating income</b>	<b>49,912</b>	<b>92,739</b>	<b>49,422</b>	<b>1%</b>
Impairment loss - loans & investments	680	5,703	1,748	-61%
Other operating expenses	36,507	61,164	32,697	12%
<b>Profit for the period before taxation and dividends</b>	<b>12,725</b>	<b>25,872</b>	<b>14,977</b>	<b>-15%</b>
Dividends on preference Shares	-	291	-	0%
Provision for income tax	1,909	2,326	2,247	-15%
<b>Profit for the period</b>	<b>10,816</b>	<b>23,255</b>	<b>12,730</b>	<b>-15%</b>
<b>Earnings per share</b>				
- basic	0.44	0.95	0.51	
- diluted	0.42	0.92	0.50	

EAST CARIBBEAN FINANCIAL HOLDING COMPANY LIMITED  
Interim Consolidated Statement of Changes in Equity  
For the six month period ended June 30, 2022  
(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
<b>Balance at 1 January 2021</b>							
Total comprehensive income for the year	170,081	1,118	172,574	13,855	18,099	(110,298)	265,429
Transfers to reserves	-	-	-	-	(12,005)	22,814	10,809
Contributions withdrawn	-	-	2,060	-	-	(2,060)	-
Dividends	-	-	30	-	-	-	30
	-	-	-	-	-	-	-
<b>Balance at 31 December 2021</b>	<b>170,081</b>	<b>1,118</b>	<b>174,664</b>	<b>13,855</b>	<b>6,094</b>	<b>(89,544)</b>	<b>276,268</b>
<b>Balance at 1 January 2022</b>	<b>170,081</b>	<b>1,118</b>	<b>174,664</b>	<b>13,855</b>	<b>6,094</b>	<b>(89,544)</b>	<b>276,268</b>
Total comprehensive income for the period	-	-	-	-	(42,030)	10,816	(31,214)
Dividends	-	-	-	-	-	-	-
Transfer from reserves	-	-	-	-	-	-	-
Contributions SLGF	-	-	20	-	-	-	20
	-	-	-	-	-	-	-
<b>Balance at 30 June 2022</b>	<b>170,081</b>	<b>1,118</b>	<b>174,684</b>	<b>13,855</b>	<b>(35,936)</b>	<b>(78,728)</b>	<b>245,074</b>

EAST CARIBBEAN FINANCIAL HOLDING COMPANY LIMITED  
Interim Consolidated Statement of Cash Flows  
For the six month period ended June 30, 2022  
(expressed in thousands of Eastern Caribbean Dollars)

	(Unaudited) 6 mths to June 30, 2022 \$'000	(Audited) 12 mths to Dec 31, 2021 \$'000	(Unaudited) 6 mths to June 30, 2021 \$'000
<b>Operating Activities</b>			
- Profit after income tax	10,816	23,255	12,730
- Adjustments for items not affecting cash, changes in non-cash working capital components and other items, net	45,485	90,444	26,849
<b>Cash flows from operating activities</b>	<b>56,301</b>	<b>113,699</b>	<b>39,579</b>
Cash flows used in investing activities	(4,607)	(163,173)	(102,618)
Cash flows used in financing activities	(6,898)	(7,645)	(1,319)
Net (decrease) /increase in cash and cash equivalents	44,796	(57,119)	(64,358)
<b>Cash and cash equivalents at beginning of period</b>	<b>374,605</b>	<b>431,724</b>	<b>431,724</b>
<b>Cash and cash equivalents at end of period</b>	<b>419,401</b>	<b>374,605</b>	<b>367,366</b>