

ECFH 2017 HALF YEAR REPORT TO SHAREHOLDERS

Introduction

During the first half of 2017, East Caribbean Financial Holding Company Limited (ECFH) continued with the implementation of the restructuring initiatives that commenced in the latter part of the 2016 financial year. As outlined in our 2016 Annual Report, the central focus of the approved initiatives was the restoration of the core capital, reducing the high level of non-productive loans and improving efficiency in the operations of Bank of Saint Lucia Limited (BOSL).

In the move towards the attainment of the aforementioned objective of addressing the critical issues in BOSL, the Group successfully concluded the divestment of Bank of Saint Lucia International (BOSLIL) in March 2017. Subsequent to this, the divestment of a portion of the shares in the Bank of Saint Vincent and the Grenadines (BOSVG) was completed with the sale of 31% to the Government of St. Vincent and the Grenadines. ECFH currently retains 20% shares in BOSVG following the conclusion of the transaction on 30 June 2017.

While there was a loss on the sale of BOSLIL most of which was provided for in the previous financial year, a gain of approximately \$1M was recognized on the divestment of the 31% ownership interest in BOSVG.

The proceeds from the divestment of BOSLIL and BOSVG yielded an aggregate amount of \$66M which was injected as capital into BOSL resulting in a marked improvement in the capital adequacy ratio of the Bank to 15.9% as at 30 June 2017, well above the regulatory minimum level of 8%.

Financial Performance for the half year ended 30 June 2017

There was a significant improvement in the performance of ECFH for the first half of the financial year when compared to both the comparative period for 2016 and the audited 2016 year-end figures. Profit after tax was \$4.0M compared to a loss of (\$18.8M) for the similar period in 2016 and a loss of (\$112M) for the year ended 31 December 2016. This turnaround in the overall profitability of the Group is attributable to the general improvement in the year to date performance of BOSL. The Bank recorded an after-tax profit of \$6.8M compared to a loss (\$24.2M) for the period ended 30 June 2016 and (\$111M) for the year ended 31 December 2016.

The improved profitability of BOSL was achieved through relatively stronger performance in net interest income and other income categories. Notable improvements were achieved in fee income, foreign exchange gains and loan recovery income. With regard to the expense categories, there were substantial reductions in the areas of loan loss provisions and operating expenses resulting mainly from the implementation of the restructuring initiatives referred to above.

The Bank of St. Vincent & the Grenadines recorded a loss (\$2.4M) for the first six months of the financial year compared to a profit of \$5.0M for the similar period in 2016 and \$4.9M for the year ended 31 December 2016. The decline in profitability was due mainly to increased provisions for loan losses during the period.

Conclusion

As we approach the second half of the financial year, the Board of Directors and Management remain committed to continuing the implementation of the initiatives geared specifically towards stabilizing the performance of BOSL. The priorities will remain focused on addressing the central issues including, aggressive loan recovery, continuous improvement in asset quality, cost reduction, employee engagement and change management. We also need to remain focused on the key environmental issues regarding de-risking and correspondent banking relationships; and the pending changes in the accounting standards for loan loss provisioning with the transition to IFRS 9 in 2018.


Andre Chastanet
Chairman


Estherlita Cumberbatch
Corporate Secretary

EAST CARIBBEAN FINANCIAL HOLDING COMPANY LIMITED

Half Year Performance Review 2017



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EAST CARIBBEAN FINANCIAL HOLDING COMPANY LIMITED
Consolidated Balance Sheet
As at June 30, 2017

(expressed in thousands of Eastern Caribbean dollars)

	(Unaudited) June 30 2017 \$'000	(Audited) December 31 2016 \$'000	(Unaudited) June 30 2016 \$'000	12mths Change %
Assets				
Cash and balances with Central Bank	255,894	366,874	458,293	-44%
Due from other banks	189,289	227,992	733,784	-74%
Trading financial assets	20,544	18,600	20,457	-
Deposits with non-bank financial institutions	8,302	8,730	8,275	-
Treasury bills	23,876	33,828	25,736	-7%
Originated loans - Loans & Advances to customers	870,035	1,474,613	1,607,781	-46%
- Bonds	-	10,033	10,033	-100%
Investments securities - held to maturity	91,558	131,459	114,930	-20%
- available-for-sale	403,900	371,596	692,866	-42%
Pledged assets	10,608	21,367	11,796	-10%
Investment in associated undertaking	35,891	17,704	14,292	151%
Property plant and equipment & intangibles	46,732	138,279	150,331	-69%
Investment Properties	37,188	9,328	4,616	706%
Other assets	80,778	63,258	44,186	83%
Income tax recoverable	3,332	4,179	2,319	-
Deferred tax asset	-	-	3,896	-
Retirement Benefit Asset	10,627	10,627	7,897	35%
Asset of disposal group	-	740,644	-	-
Total assets	2,088,554	3,649,111	3,911,488	-47%
Liabilities				
Deposits from banks	49,393	85,901	89,614	-45%
Due to customers	1,809,817	2,441,886	3,386,334	-47%
Other funding instruments	13,980	13,839	15,197	-8%
Borrowings	85,964	139,710	98,995	-13%
Preference shares	4,150	4,150	4,150	-
Other liabilities	22,117	93,112	75,276	-71%
Dividends Payable	-	566	290	-
Deferred tax liability	-	298	-	-
Liabilities of disposal group	-	724,067	-	-
Total Liabilities	1,985,421	3,503,529	3,669,856	-46%
Shareholders' equity				
Share capital	170,081	170,081	170,081	-
Contributed capital	1,118	1,118	1,118	-
Unrealized Gain / (loss) on investments	4,525	(793)	1,710	165%
Revaluation reserve	13,855	13,855	13,855	-
Reserves	163,614	163,567	158,282	3%
Retained earnings	(254,102)	(139,891)	(134,201)	89%
Profit for the period after taxes	4,044	(114,213)	(21,188)	-119%
Parent shareholders' equity	103,133	93,724	189,657	-46%
Minority Interest	-	51,858	51,975	-100%
Total equity	103,133	145,582	241,632	-57%
Total equity and liabilities	2,088,554	3,649,111	3,911,488	-47%

EAST CARIBBEAN FINANCIAL HOLDING COMPANY LIMITED
Consolidated Statement of Income
For the six month period ended June 30, 2017

(expressed in thousands of Eastern Caribbean dollars)

	(Unaudited) 6 mths to June 30, 2017 \$'000	(Audited) 12 mths to December 31, 2016 \$'000	(Unaudited) 6 mths to June 30, 2016 \$'000	12mths Change %
Continuing Operations				
Interest income	40,439	76,981	41,012	-1%
Interest expense	16,221	35,490	18,163	-11%
Net interest income	24,218	41,491	22,849	6%
Other income	25,694	52,901	19,418	32%
Operating income	49,912	94,392	42,267	18%
Impairment Loss - Loans & Investments	10,409	128,782	32,500	-68%
Other operating expenses	32,077	67,293	34,374	-7%
Profit/(loss) for the period before taxation and dividends	7,426	(101,683)	(24,607)	-130%
Dividends on preference Shares	-	291	-	-
Provision for income tax	1,149	5,726	2,137	-46%
Profit/(loss) from continuing operations	6,277	(107,700)	(26,744)	-123%
(loss)/profit for the year from discontinued operation	(448)	11,358	7,984	-106%
Loss on disposal of subsidiaries	(1,785)	(15,453)	-	-
Profit/(loss) for the period	4,044	(111,795)	(18,760)	-122%
Attributable to:				
- Equity holders	4,044	(114,213)	(21,188)	
- Minority interest	-	2,418	2,428	
Profit for the period	4,044	(111,795)	(18,760)	
Earnings per share				
- basic	\$0.16	(\$4.33)	(\$0.87)	
- diluted	\$0.15	(\$4.19)	(\$0.84)	

EAST CARIBBEAN FINANCIAL HOLDING COMPANY LIMITED
Consolidated Statement of Cash Flows
For the six month period ended June 30, 2017

(expressed in thousands of Eastern Caribbean dollars)

	(Unaudited) 6 mths to June 30, 2017 \$'000	(Audited) 12 mths to December 31, 2016 \$'000	(Unaudited) 6 mths to June 30, 2016 \$'000
Operating Activities			
- Profit/(loss) before income tax	7,426	(101,683)	(24,607)
- Adjustments for items not affecting cash, changes in non-cash working capital components and other items, net	91,839	167,897	149,591
Cash flows from operating activities	99,265	66,214	124,984
Cash flows used in investing activities	(562,023)	(138,646)	(2,210)
Cash flows used in financing activities	(7,929)	(21,267)	(19,501)
Net decrease in cash and cash equivalents	(470,686)	(93,699)	103,274
Cash and cash equivalents at beginning of period	840,474	934,173	934,173
Cash and cash equivalents at end of period	369,788	840,474	1,037,447

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 2016

2. Segment Analysis

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

6 months to June 30, 2017 Profit/(Loss) Before Tax	Consolidation						Group \$000
	BOSL \$000	BOSVG \$000	BOSLIL \$000	Other \$000	Adjustments \$000	Adjustments \$000	
Net Interest Income	24,094	15,997	1,648	124	-	(17,645)	24,218
Net fee and commission income	13,979	2,373	659	-	-	(3,032)	13,979
Other Income	11,237	2,701	76	1,780	(1,301)	(2,776)	11,715
Impairment charge loans	(10,409)	(9,288)	-	-	-	9,287	(10,409)
Depreciation and amortization	(2,297)	(1,395)	(191)	-	-	1,587	(2,296)
Operating Expenses	(28,653)	(12,819)	(1,400)	(7)	(1,121)	14,218	(29,781)
Profit/(Loss) Before Taxation	7,951	(2,431)	792	1,897	(2,422)	1,639	7,426
Income Tax	(1,149)	-	-	-	-	-	(1,149)
Profit/(Loss) for the period	(6,802)	(2,431)	792	1,897	(2,422)	1,639	6,277
Loss from discontinued operation	-	-	-	-	-	(448)	(448)
Loss on disposal of subsidiaries	-	-	-	(1,785)	-	-	(1,785)
Profit/(Loss) for the period	6,802	(2,431)	792	112	(2,422)	1,191	4,044
Total Assets	2,142,927	-	-	296,272	(350,645)	-	2,088,554
Total Liabilities	1,990,647	-	-	90,428	(95,654)	-	1,985,421

6 months to June 30, 2016 Profit/(Loss) Before Tax	Consolidation							
	BOSL \$000	BOSVG \$000	BOSLIL \$000	GIS \$000	Other \$000	Adjustments \$000	Adjustments \$000	Group \$000
Net Interest Income	24,125	16,777	4,453	77	(1,353)	-	(21,230)	22,849
Net fee and commission income	110,726	3,682	2,456	2,520	-	(13)	(6,138)	13,233
Other Income	4,869	2,357	962	66	3,842	(2,593)	(3,319)	6,185
Impairment charge loans, investments and property	(32,500)	(435)	-	-	-	-	435	(32,500)
Depreciation and amortization	(1,051)	(1,457)	(572)	(9)	(1,670)	-	2,030	(2,730)
Operating Expenses	(33,611)	(14,135)	(5,390)	(623)	(728)	2,606	20,237	(31,643)
Profit/(Loss) Before Taxation	(27,442)	6,789	1,908	2,032	90	-	(7,984)	(24,607)
Profit from discontinued operation	-	-	-	-	-	-	7,984	7,984
Income Tax	-	(1,833)	-	(305)	-	-	-	(2,138)
Profit/(Loss) for the period	(27,442)	4,957	1,908	1,728	90	-	-	(18,760)
Attributable to:								
Equity holders of the Company	(27,442)	2,528	1,908	1,728	90	-	-	(21,188)
Non-controlling interests	-	2,428	-	-	-	-	-	2,428
Loss for the period	(27,442)	4,957	1,908	1,728	90	-	-	(18,760)
Total Assets	2,148,927	948,063	850,324	14,949	358,921	(409,696)	-	3,911,488
Total Liabilities	2,047,063	841,990	805,400	7,405	117,647	(149,649)	-	3,669,856