

ECFH Group June 2014 Half Year Performance Review Chairman's Statement

During the first six months of 2014 the Board and Management of the ECFH Group continued to focus on stabilizing the Group's operations during what continued to be difficult domestic markets in Saint Lucia and Saint Vincent. There are encouraging signs of growth in the world's largest economies and the hope is that this growth can be sustained and begin to filter down to the small economies of the Region.

Good corporate governance forms the foundation of any successful business and work continued on implementing changes required towards ensuring that the Group and its subsidiaries achieve the highest possible standards in this area. The progress already made allows us to be confident that losses of the scale of those experienced by Bank of Saint Lucia Limited (BOSL) in recent years will not arise from new lending activities. The work on institutional strengthening and risk management improvements which commenced in 2013 have enhanced the collection and recovery processes in 2014 and this has led to a reduction in the pace of the re-classification of loans to non-performing status. Significant progress is also being made towards disposal of the largest of the non-performing loans which once complete, will result in significant improvement in the quality of the bank's assets.

The Group's Total Assets at June 2014 amounted to \$3,653M, compared to \$3,724M in December 2013. Depositor's funds have held steady, with growth in both domestic markets and resultant strong liquidity.

The Group is reporting a half year profit after tax of \$1.3M despite the critical review of the lending portfolio of BOSL resulting in some additional loan loss provisioning related to reducing property values. The total provisioning cost for the Group was \$15.3M. Operating costs reduced considerably, by 9% from \$53.6M to \$49.0M for the half year. This reduction is across the board in staff costs as well as other operating costs. BOSL's capital adequacy remains well within the regulatory requirement.

The Bank of St. Vincent and the Grenadines (BOSVG) performed well. The bank had very low levels of loan loss provisioning and improved interest income to increase its profit to \$4.1M, an increase of 23% over the first half of 2013.

Bank of Saint Lucia International Limited's half year profit of \$4.4M was a reduction of 12% compared to the first half of 2013, with the impact of lower interest rates being only partially compensated by increased fee income and reduced costs.

ECFH Global Investment Solutions Limited, the brokerage subsidiary, was able to turn its increased fee income into a 63% increase in profit.

The results for the first half of 2014 have shown signs of improvement however, in spite of this, the Board, in maintaining prudent management of the capital of the Group, has not declared an interim dividend. The Board is encouraged that the strategies implemented to turn the Group around are working. The strengthening of the banking subsidiaries remains a priority over the longer term and this includes the preservation of capital in the difficult economic climate.

Lisle Chase
Chairman

Estherlita Cumberbatch
Corporate Secretary



SETTING A NEW COURSE FOR A BRIGHTER DAY



5th Floor, Financial Centre Building
P.O. Box 1860, 1 Bridge Street, Castries, Saint Lucia, W.I.
Telephone: (758) 456-6000 Fax: (758) 456-6702
Email: ecfh@candw.lc

Parent Company of:

Bank of Saint Lucia Limited

Bank of Saint Lucia
International Limited

EC Global Insurance
Company Limited

ECFH Global Investment
Solutions Limited

Bank of St. Vincent
& the Grenadines Limited



ECFH

East Caribbean Financial Holding Company Limited

Enriching Lives

HALF-YEAR
PERFORMANCE
REVIEW
2014



SETTING A NEW COURSE FOR A BRIGHTER DAY



EAST CARIBBEAN FINANCIAL HOLDING COMPANY LIMITED
Interim Consolidated Balance Sheet
As at June 30, 2014

(expressed in thousands of Eastern Caribbean dollars)

	(Unaudited) June 30 2014 \$'000	(Audited) December 31 2013 \$'000	(Unaudited) June 30 2013 \$'000
Assets			
Cash and balances with Central Bank	243,956	166,613	233,937
Due from other banks	701,391	845,536	821,672
Trading financial assets	20,620	13,860	25,595
Deposits with non-bank financial institutions	3,642	1,605	4,467
Treasury bills	6,476	5,981	0
Originated loans - Loans & Advances to customers	1,822,262	1,868,728	1,851,576
- Bonds	10,031	10,033	10,031
Investments securities - held to maturity	60,792	53,755	61,031
- available-for-sale	526,321	468,710	451,960
Pledged assets	23,281	41,026	41,710
Due from reinsurers	3,953	4,692	4,647
Due from insurance agents, brokers and policyholders	1,571	2,352	3,774
Investment in associated undertaking	10,339	9,612	8,031
Property plant and equipment & intangibles	145,129	156,481	159,228
Investment Properties	15,215	15,215	15,302
Other assets	41,282	43,090	48,749
Income tax recoverable	4,355	4,591	4,415
Deferred tax asset	5,188	5,188	6,870
Retirement Benefit Asset	7,268	7,268	3,482
Total assets	3,653,072	3,724,336	3,756,477
Liabilities			
Deposits from banks	106,379	108,872	105,876
Due to customers	3,024,125	3,046,471	2,814,423
Other funding instruments	23,449	26,328	286,125
Borrowings	203,964	213,125	226,400
Preference shares	4,150	4,150	4,150
Due to reinsurers	3,202	1,284	2,447
Insurance Claims and Deferred Revenue	7,192	9,018	8,023
Other liabilities	11,467	54,099	41,476
Dividends Payable	277	278	569
Total Liabilities	3,384,205	3,463,625	3,489,489
Shareholders' equity			
Share capital	170,081	170,081	170,081
Contributed capital	3,289	1,118	4,118
Unrealized Gain / (loss) on investments	2,589	-5,346	(8,574)
Revaluation reserve	13,855	13,855	13,855
Reserves	152,986	154,297	148,240
Retained earnings	(123,323)	(123,280)	(119,785)
Profit for the period after taxes	(634)	(96)	10,769
Parent shareholders' equity	218,843	210,629	218,704
Minority Interest	50,023	50,082	48,283
Total equity and liabilities	3,653,071	3,724,336	3,756,476

EAST CARIBBEAN FINANCIAL HOLDING COMPANY LIMITED
Interim Consolidated Statement of Income
For the six month period ended June 30, 2014

(expressed in thousands of Eastern Caribbean dollars)

	(Unaudited) 6 mths to June 30, 2014 \$'000	(Audited) 12 mths to December 31, 2013 \$'000	(Unaudited) 6 mths to June 30, 2013 \$'000
Interest income	79,404	170,133	84,592
Interest expense	38,956	84,237	42,126
Net interest income	40,448	85,896	42,466
Other income	26,045	67,671	34,181
Operating income	66,493	153,567	76,647
Impairment Loss - Loans	15,255	39,954	9,623
Other operating expenses	48,973	107,475	53,589
Profit for the period before taxation and dividends	2,265	6,138	13,435
Dividends on preference Shares	0	291	0
Provision for tax	982	2,439	1,038
Profit for the period	1,283	3,408	12,397
Attributable to:			
- Equity holders	(634)	(96)	10,769
- Minority interest	1,917	3,504	1,628
Profit for the period	1,283	3,408	12,397
Earnings per share			
- basic	(\$0.03)	(\$5.13)	\$0.43
- diluted	(\$0.03)	(\$4.96)	\$0.42

EAST CARIBBEAN FINANCIAL HOLDING COMPANY LIMITED
Interim Consolidated Statement of Cash Flows
For the six month period ended June 30, 2014

(expressed in thousands of Eastern Caribbean dollars)

	(Unaudited) 6 mths to June 30, 2014 \$'000	(Audited) 12 mths to December 31, 2013 \$'000	(Unaudited) 6 mths to June 30, 2013 \$'000
Operating Activities			
- Profit before income tax	2,265	6,138	13,435
- Adjustments for items not affecting cash, changes in non-cash working capital components and other items, net	(74,100)	369,384	360,347
Cash flows from operating activities	(71,835)	375,522	373,782
Cash flows from investing activities	8,220	(5,419)	(3,048)
Cash flows from financing activities	(10,114)	4,155	42,703
Net (decrease) /increase in cash and cash equivalents	(73,729)	374,258	413,437
Cash and cash equivalents at beginning of period	889,212	514,954	514,953
Cash and cash equivalents at end of period	815,483	889,212	928,390

1. Accounting Policies

The accounting policies applied to these Interim Financial Statements are consistent with those policies applied in the Group's Financial Statements for the year ended 31 December 2013

2. Segment Analysis

The following Segment Analysis is prepared in accordance with IFRS 8:

	Domestic Banking \$000	Offshore banking \$000	Other \$000	Consolidation Adjustments \$000	Group \$000
6 months to June 30, 2014					
Profit Before Tax					
Net Interest Income	39,097	4,525	(3,175)	-	40,448
Net fee and commission income	12,468	2,485	1,478	(168)	16,264
Other Income	6,270	1,551	5,586	(3,626)	9,781
Impairment charge loans	(15,255)	-	-	-	(15,255)
Depreciation and amortization	(2,746)	(26)	(942)	(677)	(4,391)
Operating Expenses	(40,097)	(4,128)	(4,879)	4,521	(44,583)
Profit Before Taxation	(263)	4,408	(1,931)	50	2,265
Dividends on preference shares					
Share of profit of associates					
Income Tax	(716)	-	(266)	-	(982)
Profit for the period	(979)	4,408	(2,197)	50	1,283
Attributable to:					
Equity holders of the Company	(2,966)	4,408	(2,126)	50	(634)
Non-controlling interests	1,988	-	(71)	-	1,917
Profit for the period	(979)	4,408	(2,197)	50	1,283
Total Assets	2,852,501	824,087	365,508	(389,024)	3,653,073
Total Liabilities	2,613,849	780,868	112,892	(123,404)	3,384,205
6 months to June 30, 2013					
Profit Before Tax					
Net Interest Income	39,438	5,087	(2,174)	116	42,466
Net fee and commission income	12,100	1,638	1,030	(288)	14,481
Other Income	14,228	2,648	6,850	(4,025)	19,700
Impairment charge loans, investments and property	(9,623)	-	-	-	(9,623)
Depreciation and amortization	(2,730)	(28)	(994)	(442)	(4,194)
Operating Expenses	(45,876)	(4,357)	(3,358)	4,197	(49,394)
Profit Before Taxation	7,536	4,987	1,354	(442)	13,435
Dividends on preference shares					
Share of profit of associates					
Income Tax	(793)	-	(245)	-	(1,038)
Profit for the period	6,743	4,987	1,109	(442)	12,397
Attributable to:					
Equity holders of the Company	6,743	4,987	1,109	(442)	12,397
Non-controlling interests	-	-	-	-	-
Profit for the period	6,743	4,987	1,109	(442)	12,397
Total Assets	2,841,100	942,059	388,659	(415,341)	3,756,477
Total Liabilities	2,593,366	913,158	129,549	(146,584)	3,489,489