

ECFH 2020 HALF YEAR REPORT TO THE SHAREHOLDERS

Despite a positive start to the year, the Bank's half-year results were dominated by the negative impact of the novel Coronavirus (COVID-19) which was declared a global pandemic in March, 2020. In addition to the health effects and pressure on health systems, the economic and social impact in advanced, as well as developing countries have been devastating. According to the International Monetary Fund, in its June 2020 World Economic Outlook, the COVID-19 pandemic has had a more negative impact on economic activity in the first half of 2020 than anticipated. The IMF now projects that the global economy will shrink by 4.9 percent in 2020 and anticipates a more gradual recovery than previously forecasted.

The ECCB projects that the OECS will contract between 5 percent and 20 percent in 2020 accompanied by a sharp rise in unemployment. In Saint Lucia, the initial positive growth for 2020 that was based on strong tourist arrivals in January and February is now negated by the expected impact of the COVID-19 pandemic. The economic shutdown that was necessary to contain the spread of the virus and limit the adverse effects has effectively hamstrung the tourism industry and depressed economic activity across all sectors, including the financial services industry where pressures in other sectors are ultimately manifested.

During the challenging period that followed, the resultant widespread job losses, we supported over 3,000 of our customers by providing liquidity relief in the form of loan moratoria. Waivers were also provided on late fees and charges on loan payments for those who were eligible. Extensive steps taken to protect employees and customers included enhanced cleaning and sanitizing, provision of personal protective equipment and the erection of wellness barriers and social distancing markings.

Reflective of the current recessionary environment, the Bank's profit after tax of \$1.5M for the half year is 91% or \$16.1M below the \$17.6M recorded for the comparative period in 2019. This decline in profits derives principally from increased provisions of \$10.9 million for expected credit losses associated with the loan portfolio. The increased provisions are the result of the negative economic outlook and increased credit risk arising from the significant levels of moratoria provided to our customers. Application of the new International Financial Reporting Standard IFRS 9 resulted in the increase in the level of provisioning to non-performing loans from 70% in December 2019 to 77% for the 2020 half year.

Other factors contributing to the reduction in profits for the half year were a \$3.6M decrease in net interest income that is attributable to a reduction in interest income on investments and higher interest expense from increased deposit levels. The reduction of \$5.3M in other income was attributed to the complete shutdown of business at the early onset of reported COVID-19 cases in Saint Lucia and the general slowdown of economic activity thereafter. Overall, the Bank's efficiency ratio deteriorated as the drop in operating income far surpassed the reduction of \$896K in operating costs.


Although the negative impact of COVID-19 on the Bank's financial performance is evident, there are some positive indicators. The Bank has benefited from a diversified balance sheet that softened the financial impact arising out of the loan loss provisioning. Total assets grew by \$83M between December 2019 and June 2020, fuelled by an increase in deposits of \$76.6M which largely reflects depositor confidence in the Bank. However, the net loan portfolio contracted by \$15.6M partly due to increased loan loss provisions and an increased competitive environment which has been further compounded by low demand brought about by COVID-19. However, there are a number of pipeline prospects which are expected to boost the loan portfolio before the end of the year. Investment balances remained relatively flat as the focus shifted to stock piling liquid funds for potential liquidity needs arising out of COVID 19.

Despite austerity measures necessitated by the adverse financial performance, the Bank's capital and liquidity remains strong. The capital base improved further with BOSL achieving a capital adequacy position of 24.8% compared to 22.7% at December 2019, well above the regulatory requirement of 8%.

In this difficult time, the focus is on the balancing act of supporting customers, protecting staff, supporting the community and preserving the interests of all stakeholders. The fact that business continuity was not significantly hampered was a good test of our resilience. The theme of our 2019 Annual Report, "The Future is Now", encapsulates our strategic priority of enhancing our digital footprint, which is even more relevant given the realities brought about by COVID-19. Out of necessity, some aspects of banking operations will change forever but these changes will be for the better. To this end, the Bank has made significant progress in technological advancements aimed at improving efficiency and customer satisfaction.

As we continue to cautiously navigate this difficult and uncertain environment, we remain committed to meeting the needs of our staff, loyal customers, shareholders, and other stakeholders, to whom we extend our thanks for their unwavering support at this time.


Frank V Myers
Chairman


Estherlita Cumberbatch
Corporate Secretary



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HALF YEAR PERFORMANCE REVIEW

EAST CARIBBEAN FINANCIAL HOLDING COMPANY LIMITED

Interim Consolidated Balance Sheet

As at June 30, 2020

(expressed in thousands of Eastern Caribbean Dollars)

	(Unaudited) June 30 2020 \$'000	(Audited) Dec 31 2019 \$'000	(Unaudited) June 30 2019 \$'000	12mths Change %
Assets				
Cash and balances with Central Bank	316,925	184,245	251,550	26%
Due from other banks	195,436	205,295	193,551	1%
Financial assets held for trading	20,650	21,368	9,698	113%
Deposits with non-bank financial institutions	35,859	53,026	52,175	-31%
Treasury bills	13,773	12,880	12,286	12%
Loans & Advances to customers	823,147	838,730	833,644	-1%
Investments securities	698,603	694,699	696,451	0%
Pledged assets	7,981	8,266	16,878	-53%
Investment in associated undertaking	58,576	59,986	54,239	8%
Property plant and equipment & intangibles	46,729	47,582	47,697	-2%
Right of use leased asset	793	1,057	-	-
Investment Properties	31,955	31,955	31,955	0%
Other assets	35,784	48,728	48,125	-26%
Income tax recoverable	5,024	644	2,234	0%
Deferred tax asset	7,228	7,228	4,000	81%
Retirement Benefit Asset	15,032	15,032	10,446	44%
Total assets	2,313,495	2,230,721	2,264,929	2%
Liabilities				
Deposits from banks	49,994	49,631	46,610	7%
Due to customers	1,889,897	1,813,271	1,881,623	0.4%
Other funding instruments	8,053	8,001	16,959	-53%
Borrowings	61,481	63,844	67,662	-9%
Preference shares	4,150	4,150	4,150	0%
Other liabilities	47,814	39,648	37,634	27%
Lease Liability	800	1,057	-	-
Dividends Payable	291	291	-	-
Total Liabilities	2,062,480	1,979,893	2,054,638	0%
Shareholders' equity				
Share capital	170,081	170,081	170,081	-
Contributed capital	1,118	1,118	1,118	-
Fair value through OCI reserve	12,071	7,304	11,114	9%
Revaluation reserve	13,855	13,855	13,855	-
Reserves	217,499	219,520	206,384	5%
Accumulated deficit	(165,131)	(216,041)	(209,889)	-21%
Profit for the period after taxes	1,522	54,991	17,628	-91%
Parent shareholders' equity	251,015	250,828	210,291	19%
Total equity and liabilities	2,313,495	2,230,721	2,264,929	2%

EAST CARIBBEAN FINANCIAL HOLDING COMPANY LIMITED

Interim Consolidated Statement of Income

For the six month period ended June 30, 2020

(expressed in thousands of Eastern Caribbean Dollars)

	(Unaudited) 6 mths to Jun 30, 2020 \$'000	(Audited) 12 mths to Dec 31, 2019 \$'000	(Unaudited) 6 mths to Jun 30, 2019 \$'000	12mths Change %
Continuing Operations				
Interest income	41,146	88,218	44,315	-7%
Interest expense	14,181	28,854	13,773	3%
Net interest income	26,965	59,364	30,542	-12%
Other income	24,623	72,579	29,962	-18%
Operating income	51,588	131,943	60,504	-15%
Impairment loss - loans & investments	16,985	6,470	6,091	179%
Other operating expenses	32,813	68,932	33,682	-3%
Profit for the period before taxation and dividends	1,790	56,541	20,732	-91%
Dividends on preference Shares	-	291	-	0%
Provision for income tax	268	1,259	3,104	-91%
Profit for the period	1,522	54,991	17,628	-91%
Earnings per share				
- basic	0.06	2.25	0.71	
- diluted	0.05	2.16	0.69	

EAST CARIBBEAN FINANCIAL HOLDING COMPANY LIMITED

Interim Consolidated Statement of Changes in Equity

For the six month period ended June 30, 2020

(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 2019							
Adjustment for share of Associate's IFRS 9 impact	170,081	1,118	206,377	13,855	1,040	(202,550)	189,921
	-	-	-	-	(7,650)	5,025	(2,625)
Adjusted balance as at January 01 2019	170,081	1,118	206,377	13,855	(6,610)	(197,525)	187,296
Total comprehensive income for the year	-	-	-	-	13,914	56,877	70,791
Transfers to reserves	-	-	13,062	-	-	(13,062)	-
Contributions withdrawn	-	-	81	-	-	-	81
Dividends	-	-	-	-	-	(7,340)	(7,340)
Balance at 31 December 2019	170,081	1,118	219,520	13,855	7,304	(161,050)	250,828
Balance at 1 January 2020	170,081	1,118	219,520	13,855	7,304	(161,050)	250,828
Total comprehensive income for the period	-	-	-	-	4,767	1,522	6,289
Dividends	-	-	-	-	-	(6,115)	(6,115)
Transfer from reserves	-	-	(2,034)	-	-	2,034	-
Contributions SLGF	-	-	13	-	-	-	13
Balance at 30 June 2020	170,081	1,118	217,499	13,855	12,071	(163,609)	251,015

EAST CARIBBEAN FINANCIAL HOLDING COMPANY LIMITED

Interim Consolidated Statement of Cash Flows

For the six month period ended June 30, 2020

(expressed in thousands of Eastern Caribbean Dollars)

	(Unaudited) 6 mths to June 30, 2020 \$'000	(Audited) 12 mths to Dec 31, 2019 \$'000	(Unaudited) 6 mths to June 30, 2019 \$'000
Operating Activities			
- Profit after income tax	1,522	54,991	17,628
- Adjustments for items not affecting cash, changes in non-cash working capital components and other items, net	189,610	(93,228)	83,690
Cash flows from operating activities	191,131	(38,237)	101,318
Cash flows used in investing activities	(1,390)	(17,637)	(3,588)
Cash flows used in financing activities	(8,467)	(15,515)	(11,771)
Net increase/ (decrease) in cash and cash equivalents	181,275	(71,389)	85,959
Cash and cash equivalents at beginning of period	186,226	257,615	249,963
Cash and cash equivalents at end of period	367,501	186,226	335,922