

ECFH 2023 HALF YEAR REPORT TO SHAREHOLDERS

We continued to see the benefits of a well-diversified business model and strong balance sheet. Our various service offerings delivered strong revenues for the first half of 2023. The performance was underpinned by the positive impact of higher US benchmark rates, robust global and local economic growth and consequential growth in the bank's loan portfolio.

The Group remains keenly focused on the disciplined execution of its strategy aimed at driving sustainable value for all our stakeholders. We are committed to enhanced customer satisfaction with a focus on digital transformation, sustainable business growth through diversification and cost optimization and development of our human resources. Since its launch in late 2021, our Digital branch has produced good results and we continue to improve on this service. To this end, we are in the process of customizing a Customer Relationship Management (CRM) solution which will allow us to reach our customers in a more efficient manner, further simplify and digitize online account opening and improve overall response and processing times. We also continue to upgrade our ATM fleet with the adoption of intelligent ATMs at all our BOSL branches. A key focus for us also has been our use of data analytics in driving business and our investment in this area is also delivering results. Our Card business continues to grow and will benefit from the launch of our new BOSL prepaid Visa cards during this year. Our much-anticipated Mutual Fund and Trading desk is now scheduled to launch in the fourth quarter of 2023.

We finalized wage negotiations with our employees' bargaining agents for two trienniums (May 2019-April 2025) and all outstanding amounts have been paid to our employees. Additionally, in June 2023, we paid dividends of 50 cents per share to our shareholders based on the company's performance for the year ended December 31, 2022.

We are on the final year of our three-year strategic plan and are currently in the process of developing and improving our purpose driven strategic priorities for the period 2024/2026.

Overview of Financial Performance

The Group recorded net income growth of 161% to \$28.2 million for the half year ended June 30, 2023, compared to \$10.8 million in the prior year. This was led by a 52% or \$12.4 million improvement in net interest income, coupled with a strong 51% or \$13.3 million increase in non-interest income. The Bank enjoyed improved performance in almost every revenue area when compared to the same period in 2022. Interest income from loans was recorded at \$3.5 million or 14% above the comparative period of 2022 driven by loan growth and interest from investments and bank deposits was up \$8.9M or 72% from June 2022 primarily due to the benefits of higher international interest rates. Foreign exchange income experienced a 30% or \$1.3 million increase from higher levels of foreign currency flows. Net gain on investments at fair value through profit or loss was up 273.5% or \$8.1 million, as equity markets have gained. This was due largely to anticipated productivity gains to be derived from the shift towards artificial intelligence as well as general improvement in company earnings performance and growth potential. Bad debt recovery was also up 55% or \$2 million year on year.

The Group also recorded an increase of 20% or \$7.3 million in operating expenses including staff costs year on year. This was largely driven by retroactive payment to staff on conclusion of negotiations with the employees' bargaining agents.

Asset quality continues to improve as the Group recorded a recovery of provisions on both loans and investments. Year on year, provision recovery was up 181.6% or \$1.6 million and 172.9% or \$395 thousand for loans and investments, respectively. Total assets were reported at \$2.8B at the end of June 2023 an increase of 4.6% or \$123M from December 2022's audited results, largely driven by continued deposit growth which has supported our strong liquidity levels. Our balance sheet remains strong with capital adequacy ratio for the banking subsidiary reported at 20.8% an improvement from 19.6% at December 2022.

The Group's loan portfolio grew by \$39.4 million (net) for the six-month period which was largely reflected in our Corporate Banking Division. The investment portfolio balances remained largely unchanged from the year end as new excess liquidity driven from \$92.2 million growth in customer deposits, were diverted to short term money markets funds and certificates of deposit to benefit from the higher rates on the shorter side of the yield curve.

At June 30, 2023, return on assets and return on equity were 2.08% and 19.36% respectively, an increase from the December 2022 performance of 1.6% and 14.8%, respectively. These ratios have been impacted by significantly higher profit after tax in 2023. Shareholders' equity increased \$33.3 million from December 2022. This was driven primarily by the profit of \$28.2 million for the six-month ended June 30, 2023 and by a reduction of \$5.1 million in unrealized losses on assets at fair value through Other Comprehensive Income.

We are encouraged by the performance to date and the Group will continue to pursue its strategic initiatives to create further value for its various stakeholders.

We thank our committed employees, loyal customers, patient shareholders and all other stakeholders for the continued support which have contributed to the robust financial results for the half year.


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 Managing Director


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 Corporate Secretary



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EAST CARIBBEAN FINANCIAL HOLDING COMPANY LIMITED
Interim Consolidated Balance Sheet
As at June 30, 2023
(expressed in thousands of Eastern Caribbean Dollars)

	(Unaudited) June 30 2023 \$'000	(Audited) Dec 31 2022 \$'000	(Unaudited) June 30 2022 \$'000	12mths Change %
Assets				
Cash and balances with Central Bank	263,688	245,455	310,790	-15%
Due from other banks	298,590	223,147	239,814	25%
Financial assets held for trading	48,645	15,360	26,178	86%
Deposits with non-bank financial institutions	15,126	30,314	31,437	-52%
Treasury bills	0	1,787	4,283	100%
Loans & Advances to customers	900,384	860,980	838,545	7%
Investments securities	953,336	983,554	824,700	16%
Pledged assets	-	-	872	100%
Investment in associated undertaking	66,340	66,639	64,620	3%
Property plant and equipment & intangibles	68,556	66,692	52,612	30%
Right of use leased asset	1,213	1,456	787	54%
Investment Properties	31,748	31,748	28,019	13%
Other assets	112,587	105,896	75,520	49%
Income tax recoverable	632	4,731	8,590	-%
Retirement Benefit Asset	14,612	14,612	19,569	-25%
Total assets	2,775,457	2,652,371	2,526,336	10%
Liabilities				
Deposits from banks	21,752	22,696	27,352	-20%
Due to customers	2,314,766	2,222,567	2,105,321	10%
Other funding instruments	0	-	882	-100%
Borrowings	32,758	39,246	45,694	-28%
Preference shares	4,150	4,150	4,150	0%
Other liabilities	91,028	85,793	95,156	-4%
Lease Liability	1,258	1,500	796	58%
Dividends Payable	291	291	-	-
Income Tax Payable	-	-	-	-
Deferred tax liabilities	1,400	1,400	1,911	0%
Total Liabilities	2,467,403	2,377,643	2,281,262	8%
Shareholders' equity				
Share capital	170,081	170,081	170,081	-
Contributed capital	1,118	1,118	1,118	-
Fair value through OCI reserve	(38,797)	(43,895)	(35,936)	8%
Revaluation reserve	26,428	26,428	13,855	91%
Reserves	183,044	183,016	174,684	5%
Accumulated deficit	(62,020)	(103,685)	(89,544)	-31%
Profit for the period after taxes	28,200	41,665	10,816	161%
Parent shareholders' equity	308,054	274,728	245,074	26%
Total equity and liabilities	2,775,457	2,652,371	2,526,336	10%

EAST CARIBBEAN FINANCIAL HOLDING COMPANY LIMITED
Interim Consolidated Statement of Income
For the six month period ended June 30, 2023
(expressed in thousands of Eastern Caribbean Dollars)

	(Unaudited) 6 mths to Jun 30, 2023 \$'000	(Audited) 12 mths to Dec 31, 2022 \$'000	(Unaudited) 6 mths to Jun 30, 2021 \$'000	12mths Change %
Continuing Operations				
Interest income	49,496	80,167	37,138	33%
Interest expense	13,141	26,748	13,190	0%
Net interest income	36,355	53,419	23,948	52%
Other income	39,242	63,631	25,964	51%
Operating income	75,597	117,050	49,912	51%
Impairment loss - loans & investments	(1,365)	(11,029)	680	-301%
Other operating expenses	43,785	79,027	36,507	20%
Profit for the period before taxation and dividends	33,177	49,052	12,725	161%
Dividends on preference Shares	-	291	-	-
Provision for income tax	4,977	7,096	1,909	161%
Profit for the period	28,200	41,665	10,816	161%
Earnings per share				
- basic	1.15	1.70	0.44	
- diluted	1.11	1.65	0.42	

EAST CARIBBEAN FINANCIAL HOLDING COMPANY LIMITED
Interim Consolidated Statement of Changes in Equity
For the six month period ended June 30, 2023
(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 2022							
Total comprehensive income for the year	170,081	1,118	174,664	26,428	6,094	(91,060)	287,325
Transfers to reserves	-	-	-	-	(49,989)	37,371	(12,618)
Contributions withdrawn	-	-	8,331	-	-	(8,331)	-
Dividends	-	-	21	-	-	-	21
Balance at 31 December 2022	170,081	1,118	183,016	26,428	(43,895)	(62,020)	274,728
Balance at 1 January 2023	170,081	1,118	183,016	26,428	(43,895)	(62,020)	274,728
Total comprehensive income for the period	-	-	-	-	5,098	28,200	33,298
Contributions SLGF	-	-	28	-	-	-	28
Balance at 30 June 2023	170,081	1,118	183,044	26,428	(38,797)	(33,820)	308,054

EAST CARIBBEAN FINANCIAL HOLDING COMPANY LIMITED
Interim Consolidated Statement of Cash Flows
For the six month period ended June 30, 2023
(expressed in thousands of Eastern Caribbean Dollars)

	(Unaudited) 6 mths to June 30, 2023 \$'000	(Audited) 12 mths to Dec 31, 2022 \$'000	(Unaudited) 6 mths to June 30, 2022 \$'000
Operating Activities			
- Profit after income tax	28,200	41,665	10,816
- Adjustments for items not affecting cash, changes in non-cash working capital components and other items, net	(4,928)	9,697	45,485
Cash flows from operating activities	23,272	51,362	56,301
Cash flows used in investing activities	37,813	(178,575)	(4,607)
Cash flows used in financing activities	(6,310)	(13,235)	(6,898)
Net increase in cash and cash equivalents	54,775	(140,448)	44,796
Cash and cash equivalents at beginning of period	234,157	374,605	374,605
Cash and cash equivalents at end of period	288,932	234,157	419,401