

Schedule 2
FORM ECSRC – OR

(Select One)

☒ **QUARTERLY FINANCIAL REPORT** for the period ended 30 September 2023
Pursuant to Section 98(2) of the Securities Act, 2001

OR

☐ **TRANSITION REPORT**
for the transition period from _____ to _____
Pursuant to Section 98(2) of the Securities Act, 2001
(Applicable where there is a change in reporting issuer's financial year)

Issuer Registration Number: ECFH 17102016LC

East Caribbean Financial Holding Company Limited
(Exact name of reporting issuer as specified in its charter)

Saint Lucia

(Territory or jurisdiction of incorporation)

No. 1 Bridge Street, Castries St. Lucia

(Address of principal executive Offices)

(Reporting issuer's:

Telephone number (including area code): 758-456-6000

Fax number:

758-456-6702

Email address:

estherlita.cumberbatch@ecfh.com

(Former name, former address and former financial year, if changed since last report)

(Provide information stipulated in paragraphs 1 to 8 hereunder)

Indicate the number of outstanding shares of each of the reporting issuer's classes of common stock, as of the date of completion of this report. _____

CLASS	NUMBER
Preference	830,000
Ordinary	24,465,589

SIGNATURES

A Director, the Chief Executive Officer and Chief Financial Officer of the company shall sign this Annual Report on behalf of the company. By so doing each certifies that he has made diligent efforts to verify the material accuracy and completeness of the information herein contained.

The Chief Financial Officer by signing this form is hereby certifying that the financial statements submitted fairly state the company's financial position and results of operations, or receipts and disbursements, as of the dates and period(s) indicated. The Chief Financial Officer further certifies that all financial statements submitted herewith are prepared in accordance with International Accounting Standards consistently applied (except as stated in the notes thereto) and (with respect to year-end figures) including all adjustments necessary for fair presentation under the circumstances.

Name of Chief Executive Officer:

Rolf Phillips

Signature

30th October 2023

Date

Name of Director:

Marcus Joseph

Signature

30th October 2023

Date

Name of Chief Financial Officer:

Ketha Auguste

Signature

30th October 2023

Date

INFORMATION TO BE INCLUDED IN FORM ECSRC-OR

1. Financial Statements

Provide Financial Statements for the period being reported in accordance with International Accounting Standards. The format of the financial statements should be similar to those provided with the registration statement. Include the following:

- (a) Condensed Balance Sheet as of the end of the most recent financial year and just concluded reporting period.
- (b) Condensed Statement of Income for the just concluded reporting period and the corresponding period in the previous financial year along with interim three, six and nine months of the current financial year and corresponding period in the previous financial year.
- (c) Condensed Statement of Cash Flows for the just concluded reporting period and the corresponding period in the previous financial year along with the interim three, six and nine months of the current financial year and the corresponding period in the previous financial year.
- (d) By way of *Notes to Condensed Financial Statements*, provide explanation of items in the financial statements and indicate any deviations from generally accepted accounting practices.

2. Management's Discussion and Analysis of Financial Condition and Results of Operation.

Discuss the reporting issuer's financial condition covering aspects such as liquidity, capital resources, changes in financial condition and results of operations during the reporting period. Discussions of liquidity and capital resources may be combined whenever the two topics are interrelated. Discussion of material changes should be from the end of the preceding financial year to the date of the most recent interim report.

The Management's Discussion and Analysis should disclose sufficient information to enable investors to judge:

1. The quality of earnings;
2. The likelihood that past performance is indicative of future performance; and
3. The issuer's general financial condition and outlook.

It should disclose information over and above that which is provided in the management accounts and should not be merely a description of the movements in the financial statements in narrative form or an otherwise uninformative series of technical responses. It should provide management's perspective of the company that enables investors to view the business from the vantage point of management.

The discussion should focus on aspects such as liquidity; capital resources; changes in financial condition; results of operations; material trends and uncertainties and measures

taken or to be taken to address unfavourable trends; key performance indicators; and non-financial indicators.

General Discussion and Analysis of Financial Condition

The third quarter ended September 30, 2023 was another strong quarter for the East Caribbean Financial Holding Company (ECFH) Group or The Group. The Group delivered \$11M in net income before tax for the quarter. This represents growth over the same quarter in 2022 of 45% and an increase of 118% over 2022 for the first 9 months of the year.

We also recorded growth in our Balance Sheet as assets grew by \$50M or 1.8% in the third quarter and by \$173.1M or 6.5% for the nine-month period. This increase in assets was driven by an increase in customer deposits of \$80.2M this quarter and by \$172.4M or 7.8% for the nine-month period. The Group continues to record high liquidity with balances with Central Bank and banking and non-banking financial institutions of \$715.2M at September 2023 from the \$569.9M at June 2023 - an increase of \$145.2M or 25.5% and an increase of 43.3% for the nine month period ended September 2023.

Loan growth was reported at 3.3% from December 2022 however, a reduction of 1.2% was recorded for the quarter due primarily to the net customer repayments for the quarter. There was a marginal increase of \$706.9k (1%) in provisions for loan losses for the quarter as fewer loans are migrating to non-productive. Consequently, the ratio of provisions to non-performing loans at September 30, 2023 was 76.87% from 73.12% the previous quarter. The ratio was impacted by the reduction of 4% in the non productive loan portfolio for the quarter. The ratio of non-productive loans to total loans reduced to 9.8% from 10.1% at the end of the previous quarter. While the ratio is trending in the right direction, it remains above the benchmark of 5%. As the quality of the loans in the portfolio improves, we expect to see further improvements in this ratio. Loans to deposit was reported at 40.17% a reduction from last quarter's ratio of 42.01%.

At September 30, 2023, return on assets and return on equity were 1.83% and 17.36% respectively representing a decrease from June's performance of 2.08% and 19.36% respectively, and 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. The reduction in the quarter's return on assets was impacted by a higher rate of increase in assets than net income. Return on equity recorded a reduction for the quarter due primarily to payment of dividends of 50 cents per share to shareholders and an increase in unrealised loss on investments measured at FVOCI for the quarter. This resulted in an increase of 0.2% in retained deficit from June 2023.

Total qualifying capital of the Banking subsidiary was reported at \$373.1M and capital adequacy of 18.9% this quarter compared to \$395.7M and 19.2% last quarter. We continue to record high levels of unrealised losses and this was reported at \$42.1M; an increase from the position at June 2023 of \$38.8M.

We continue to monitor activity in the global economy very closely for possible impact on the financial position of the Group. At the same time, we continue to push forward with our strategic initiatives as we head to the final quarter of the financial year.

Liquidity and Capital Resources

Provide a narrative explanation of the following (but not limited to):

- i) The reporting issuer's financial condition covering aspects such as liquidity, capital resources, changes in financial condition and results of operations.
- ii) Any known trends, demands, commitments, events or uncertainties that will result in, or that are reasonably likely to result in, the issuer's liquidity increasing or decreasing in any material way. If a deficiency is identified, indicate the course of action that the reporting issuer has taken or proposes to take to remedy the deficiency.
- iii) The issuer's internal and external sources of liquidity and any material unused sources of liquid assets.
- iv) Provisions contained in financial guarantees or commitments, debt or lease agreements or other arrangements that could trigger a requirement for an early payment, additional collateral support, changes in terms, acceleration of maturity, or the creation of an additional financial obligation such as adverse changes in the issuer's financial ratios, earnings, cash flows or stock price or changes in the value of underlying, linked or indexed assets.

- v) Circumstances that could impair the issuer's ability to continue to engage in transactions that have been integral to historical operations or are financially or operationally essential or that could render that activity commercially impracticable such as the inability to maintain a specified level of earnings, earnings per share, financial ratios or collateral.
- vi) Factors specific to the issuer and its markets that the issuer expects will affect its ability to raise short-term and long-term financing, guarantees of debt or other commitment to third parties, and written options on non-financial assets.
- vii) The relevant maturity grouping of assets and liabilities based on the remaining period at the balance sheet date to the contractual maturity date. Commentary should provide information about effective periods and the way the risks associated with different maturity and interest profiles are managed and controlled.
- viii) The issuer's material commitments for capital expenditures as of the end of the latest fiscal period, and indicate the general purposes of such commitments and the anticipated source of funds needed to fulfil such commitments.
- ix) Any known material trends, favorable or unfavorable, in the issuer's capital resources, including any expected material changes in the mix and relative cost of capital resources, considering changes between debt, equity and any off-balance sheet financing arrangements.

Discussion of Liquidity and Capital Resources

Liquidity for ECFH continues to be strong. At September 30, 2023, the Group reported cash and cash equivalents held with the Central Bank and bank and non-bank financial institutions of \$715.2M an increase of 43.3% (216.2) from December 2022 and an increase of 25.5% (\$142.2M) for the quarter ended September 2023. This was driven primarily by increases in customer deposits and early redemption of a significant bond by the issuer.

The Group's liquidity is also enhanced by a significant investment portfolio. At September 2023, investments of \$905.8M decreased by a net of \$93.1M from December 2022 and by \$103.7M (10.3%) from the June quarter. The reduction was partly to the early redemption of a bond in the quarter. The Group's investments are held in securities of varying duration to ensure availability of liquidity when required. At September 30, 2023, the average maturity and duration of the investment portfolio is 2.933 and 2.436 with 63% of the portfolio maturing within 3 years. Similarly, 61% of the portfolio falls in the 0-3 duration bucket. Given that 68% of the investments are held in investment grade securities, we do not anticipate significant difficulty disposing of same if an urgent need for liquidity arises barring any black swan event. Additionally, the funds are held in equity securities, fixed income securities, mutual funds and regular time deposits with other financial institutions. We also maintain a portfolio of investment securities which can be disposed of in the event of liquidity needs. The volatility in the markets, the continued increase in interest rates and the Fed's hawkish stance continues to impact our portfolio of investments measured at fair value. Consequently, the unrealised loss on FVOCI investments at September 30, 2023 was at \$42.1M being a marginal decrease from the \$43.9M recorded at December 2023 but an increase of \$3.3M from the June 2023 quarter.

While liquidity remains high, we remain ever mindful that international interest rates remain high with no definitive direction by the Federal Reserve regarding possible period for the commencement of rate reductions. We therefore continue to monitor our liquidity for potential impacts of these high interest rates. a possible the Federal Reserve of the increases in interest rates by the Federal reserve and the potential impact of these rate increases on our liquidity.

At September 30, 2023, the Group continues to report a deficit. Despite the deficit, the Group remains well capitalised and its ratio remains above the benchmark of 8%.

Off Balance Sheet Arrangements

Provide a narrative explanation of the following (but not limited to):

- i) Disclosures concerning transactions, arrangements and other relationships with unconsolidated entities or other persons that are reasonably likely to materially affect liquidity or the availability of, or requirements for capital resources.
- ii) The extent of the issuer's reliance on off-balance sheet arrangements should be described fully and clearly where those entities provide financing, liquidity, market or credit risk support, or expose the issuer to liability that is not reflected on the face of the financial statements.
- iii) Off-balance sheet arrangements such as their business purposes and activities, their economic substance, the key terms and conditions of any commitments, the initial on-going relationship with the issuer and its affiliates and the potential risk exposures resulting from its contractual or other commitments involving the off-balance sheet arrangements.
- iv) The effects on the issuer's business and financial condition of the entity's termination if it has a finite life or it is reasonably likely that the issuer's arrangements with the entity may be discontinued in the foreseeable future.

Off balance sheet arrangements comprise primarily of pension fund assets under management. At September 30, 2023, these stood at \$173.1M when compared with \$163.4M in 2022.

Results of Operations

In discussing results of operations, issuers should highlight the company's products and services, facilities and future direction. There should be a discussion of operating considerations and unusual events, which have influenced results for the reporting period. Additionally, any trends or uncertainties that might materially affect operating results in the future should be discussed.

Provide a narrative explanation of the following (but not limited to):

- i) Any unusual or infrequent events or transactions or any significant economic changes that materially affected the amount of reported income from continuing operations and, in each case, the extent to which income was so affected.
- ii) Significant components of revenues or expenses that should, in the company's judgment, be described in order to understand the issuer's results of operations.
- iii) Known trends or uncertainties that have had or that the issuer reasonably expects will have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations.
- iv) Known events that will cause a material change in the relationship between costs and revenues (such as price increases, costs of labour or materials), and changes in relationships should be disclosed.
- v) The extent to which material increases in net sales or revenues are attributable to increases in prices or to increases in the volume or amount of goods or services being sold or to the introduction of new products or services.
- vi) Matters that will have an impact on future operations and have not had an impact in the past.
- vii) Matters that have had an impact on reported operations and are not expected to have an impact upon future operations
- viii) Off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships that have or are reasonably likely to have a current or future effect on the registrant's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.
- ix) Performance goals, systems and, controls.

Overview of Results of Operations

The Group generated \$11M in net income before taxes for the quarter which represents 118% over the comparative period in 2022.

Net interest income was reported at 49% above the prior year due to a 15% increase from interest income on loans and a 66% increase on interest income on investments and bank deposits. An increase of 0.9% was reported in interest expense. The loan and investment portfolios have both experienced increases for the year to date which has resulted in higher income. Additionally, the Group recorded a 51 basis point increase in loan interest rates over September 2022. Similarly, the rising interest rates on the international market has resulted in increased interest income on investments and bank deposits as we have reinvested funds from matured securities at higher rates and we have also benefited from placing excess funds on short term term deposits with other banks at much higher rates. As such both our fixed income securities and term deposits have recorded increases in interest income.

While we have seen a significant increase in customer deposits, we have not recorded a corresponding increase in interest expense as a significant amount of the increases in customer deposits have stemmed from increases in our non-interest bearing demand deposits. Additionally, we continue to pay down on our borrowings which has resulted in a significant reduction in the high interest bearing bond.

Other contributors to the improvement in profitability over the prior year included an increase of 26.3% in net fee and trading income, 174.5% reduction in gain/loss on investments, in fact we recorded a gain of \$3.8M at September 2023 compared to a loss of \$5.1M at September 2022. An increase of 31.6% in recovery income. Provision for loan losses reduced by over 9000% as loan migration to NPL remains controlled signifying an improvement in the credit portfolio. Provision for credit losses on investments realised an increase of 68.6%. These gains were partially offset by increases in operating expenses of 19%.

The Group recorded an increase in efficiency moving from 68.7% in September 2022 to 56.9% in September 2023. At June 2023, efficiency was recorded at 53.84% which indicates that a reduction in efficiency was recorded for the third quarter. While generally efficiency remains adverse when compared to the benchmark of 50%, the ratio is currently trending in the right direction year on year.

We remain encouraged by the performance to date and continue to seek improved performance for our stakeholders while managing our risk exposure.

3. Disclosure about Risk Factors.

Provide a discussion of the risk factors that may have an impact on the results from operations or on the financial conditions. Avoid generalised statements. Typical risk factors include untested products, cash flow and liquidity problems, dependence on a key supplier or customer, management inexperience, nature of business, absence of a trading market (specific to the securities of the reporting issuer), etc. Indicate if any risk factors have increased or decreased in the time interval between the previous and current filing.

For the period ended September 30, 2023, the Material Risk Factors with the highest Residual Risk Scores continue to be as follows:

- Information Security Risk- HIGH
- Regulatory Risk - MEDIUM
- Compliance Risk - MEDIUM
- People & Culture Risk - MEDIUM
- Credit Risk - MEDIUM

There was a decline in overall Regulatory Risk, over the quarter due to the Bank's efforts of remedying the AML Regulatory deficiencies and achieving 'Satisfied' and 'Largely Satisfied' ratings in a significant number of the MOU items. This was confirmed by the findings of the follow up audit. BOSL's Regulatory Risk is expected to reduce further over the next quarter, as the Bank continues to work to compliance with ECCB's Technology Risk Standard. BOSL has amended and created new policies aimed at implementing the necessary procedures and controls to ensure compliance with the standard.

Information Security Risk reported a High Residual Risk rating due to:

- The insufficient policies, procedures and controls to treat with the requirements of the ECCB Technology Risk Guidelines.
- BOSL's exposure to information security breaches and the increased number of such incidents experienced by other LFIs within the region
- The risk of non-compliance with the Payment Card Industry Data Security Standard (PCI DSS). Should the Bank fail to gain certification, it would mean that BOSL does not have all the necessary controls in place to effectively mitigate and manage information management and electronic banking risks.
- Failure to fully implement a Cloud Based Disaster Recovery System that houses all of BOSL's core banking systems. The current DR site only hosts Core Director.

Compliance Risk, while still rated as Medium, the Bank has been making significant strides in its efforts at documenting its Operational processes across key Business Units to adequately guide its processes. In addition, the Bank continues to experience breaches of internal policies and procedures.

Credit Risk and People & Culture Risk remain at Medium due to

- Gaps in Knowledge and Competence of Staff (People and Culture Risk)
- Persistent NPL ratio above the ECCB Benchmark (Credit Risk)

The Bank continues to monitor the above risks and the progress of the treatment plans.

4. Legal Proceedings.

A legal proceeding need only be reported in the ECSRC – OR filed for the period in which it first became a reportable event and in subsequent interim reports in which there have been material developments. Subsequent Form ECSRC – OR filings in the same financial year in which a legal proceeding or a material development is reported should reference any previous reports in that year. Where proceedings have been terminated during the period covered by the report, provide similar information, including the date of termination and a description of the disposition thereof with respect to the reporting issuer and its subsidiaries.

There are no legal proceedings to be reported.

5. Changes in Securities and Use of Proceeds.

- (a) Where the rights of the holders of any class of registered securities have been materially modified, give the title of the class of securities involved. State briefly the general effect of such modification upon the rights of holders of such securities.

N/A

(a) Where the use of proceeds of a security issue is different from that which is stated in the registration statement, provide the following:

- Offer opening date (provide explanation if different from date disclosed in the registration statement)

- Offer closing date (provide explanation if different from date disclosed in the registration statement)

- Name and address of underwriter(s)

- Amount of expenses incurred in connection with the offer

- Net proceeds of the issue and a schedule of its use

- Payments to associated persons and the purpose for such payments

(c) Report any working capital restrictions and other limitations upon the payment of dividends.

There are no working capital restrictions and other limitations upon the payment of dividends

6. Defaults upon Senior Securities.

- (a) If there has been any material default in the payment of principal, interest, a sinking or purchase fund instalment, or any other material default not satisfied within 30 days, with respect to any indebtedness of the reporting issuer or any of its significant subsidiaries exceeding 5 per cent of the total assets of the reporting issuer and its consolidated subsidiaries, identify the indebtedness. Indicate the nature of the default. In the case of default in the payment of principal, interest, or a sinking or purchase fund instalment, state the amount of the default and the total arrears on the date of filing this report.

There has been none.

- (b) If any material arrears in the payment of dividends have occurred or if there has been any other material delinquency not satisfied within 30 days, give the title of the class and state the amount and nature of the arrears or delinquency.

There has been none.

7. Submission of Matters to a Vote of Security Holders.

If any matter was submitted to a vote of security holders through the solicitation of proxies or otherwise during the financial year covered by this report, furnish the following information:

- (a) The date of the meeting and whether it was an annual or special meeting.

None

- (b) If the meeting involved the election of directors, the name of each director elected at the meeting and the name of each other director whose term of office as a director continued after the meeting.

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- (c) A brief description of each other matter voted upon at the meeting and a statement of the number of votes cast for or against as well as the number of abstentions as to each such matter, including a separate tabulation with respect to each nominee for office.

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- (d) A description of the terms of any settlement between the registrant and any other participant.

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- (e) Relevant details of any matter where a decision was taken otherwise than at a meeting of such security holders.

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