

Schedule 2
FORM ECSRC – OR

(Select One)

☒ **QUARTERLY FINANCIAL REPORT** for the period ended 30 June 2024
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:

Medford Francis



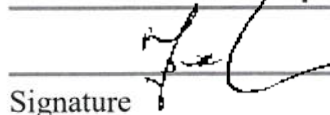
Signature

31 July 2024

Date

Name of Director:

Marcus Joseph



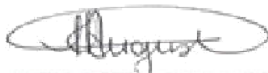
Signature

31 July 2024

Date

Name of Chief Financial Officer:

Ketha Auguste



Signature

31 July 2024

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 East Caribbean Financial Holding Company (ECFH) delivered another strong half year results, underscoring the benefits of our diversified operations and dedication of our team to deliver growth. The Group therefore, continues to prove its resilience and keep to its vision of being strong, secure and profitable. We remain focused on our strategy and to this end, major accomplishments were realised in the half year. We have increased our technology initiative spend this year as we continue to believe that digitization will be a major aspect of the way financial institutions deliver services to customers. To this end, we continue to prepare ourselves for this transformation by our investments in digital platforms. We therefore continue work on the implementation of a customer relationship management software which we intend to implement before the end of the third quarter. This software is expected to enhance the way in which we interact with and manage our customer relationships including facilitating our customers to access more of the Bank's services without the need to visit a physical branch location. We are currently enhancing our digital branch operations for greater efficiency. We have projects focused around artificial intelligence and one such initiative is the introduction of a chatbot in our customer contact center to address standard customer queries. More AI focused projects will be undertaken in the ensuing year in our Customer Relationship Management (CRM) software.

The Balance Sheet of the Group grew over the six months period moving from \$3.0B in December 2023 to \$3.2B at June 2024 being an increase of \$262.2M or 8.84%. This growth was driven primarily by customer deposits which moved from \$2.4B in December 2023 to \$2.8B in June 2024 (increase of \$371.9M) signaling our customer's continued confidence in the Group.

The productive loan portfolio has grown \$53.0M since December fueled by growth in the retail loan portfolio. We are currently pursuing a number of promising prospects which we anticipate will come to fruition by the end of the financial year, thereby giving a substantial boost to our loan portfolio. In addition to the prospects, at June 2024, undrawn commitments stood at over \$117M. The NPL portfolio declined \$12.4M from December 2023 due to recovery of loans which were previously non-productive. The NPL ratio also reduced from 9.2% in December 2023 to 7.5% at June 2024. While the ratio remains above the regulatory requirement of 5%, it is trending in the right direction. As we continue the execution of our strategy to reduce NPL, we aim to meet the regulatory requirement by the end of the financial year. The balance sheet provisions have declined \$6.2M due to recovery of two substantial non-productive credits and general improvement in credit quality.

Our newly launched BOSL Fund Management Company (BFMC) which focuses on wealth management continues to make strides in that segment of the market.

Our growth for the first half of the year was propelled by our deposit growth which was utilised in the pursuit of new investment opportunities and meet loan disbursements. The deposit growth resulted both from new customer accounts and increased volumes from existing customers.

The investments portfolio recorded a net increase of \$54.0M. We hold significant investments in short term instruments and our current focus is on re-balancing the portfolio, placing longer term securities to lock in the existing favorable rates before the Federal Reserve commences its rate cuts as inflation starts coming down.

Our Balance Sheet remains strong and well diversified. We continue to place emphasis on superior customer service and place our customers at the center of everything that we do. This should result in an improvement in our customer service score, strengthen our customer loyalty and attract new customers all across our business lines.

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

For the first half of the year, liquidity remained strong with \$988.8M recorded in balances with our regulator, other banks and non-bank financial institutions. This represents an increase of 23.6% from December 2023. The increase in customer deposits has been the source of this increased funding. In addition, we maintain a portfolio of highly marketable investment securities which can easily be disposed should a liquidity need arise. We continue to balance the need to hold liquid assets to meet the bank's operation and pursuit of high-level returns on assets. To this end, we pay particular attention to our investment maturity profile and duration. At June 2024, approximately 57% of our investment portfolio matures within three years and 92% within ten years. Approximately 63% of the portfolio falls within the 0-3 year duration bucket. The average duration and effective maturity of the portfolio is 2.344 and 2.967 years respectively.

Shareholders' equity for the half year increased by 6.9% over December 2023 driven by our strong net earnings performance for the six-month period of \$38.4M after allocation for tax. This was partially offset by dividend payments of \$14.7M to our valued shareholders for the financial year end 2023. Our capital remains strong with CET 1 at \$309.2M with a corresponding ratio of 16.3% and total qualifying capital of \$387.3M and a ratio of 20.4%. Risk weighted assets was reported at \$1.9B which was a reduction from December 2023 as we moved from Basel 1 and adopted Basel 11/111 in June 2024. This had a significant impact on the risk weighted investments. Under Basel 1, all investments are assigned the same risk weight of 100%. Under Basel 11/111, the risk weights assigned to investments is dependent on the credit risk of the security and credit risk mitigation strategies in place for the security. The risk weightings therefore range from 20% to 100%.

Our capital strength allows us to deliver value for all our stakeholders. Both ratios remain above our regulatory requirement.

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.

Assets under management at June 30, 2024 was reported at \$174.7M compared to \$172.2M at June 30, 2023.

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 reported strong results of operations for the first half of the year. Profit after tax was reported at \$38.4M an increase of 36.2% for the comparative period of 2023. Several factors contributed to the increased performance.

Net interest income was reported at \$44.5M in June 2024 an increase of 22.5% from June 2023. While we recorded a modest increase in June 2024 of \$12.2M in our productive loan portfolio over June 2023 interest income on loans and advances increased by only \$148k (0.5%) which signifies the continued downward pressure on rates as financial institutions continue their fight to gain market share. This has created a tightening interest rate environment. Interest income on investments and bank deposits increased by 40.4% as we utilize the liquidity from customer deposits to fund assets and store excess liquidity in interest bearing cash accounts, certificate of deposits and other investment securities. We remain cognizant of the intention of the US Federal Reserve Bank to reduce interest rates which will significantly reduce our earnings from excess liquidity, and as such, we are currently amending our investment strategy to invest more of our excess liquidity into more medium to long term securities to lock in the higher rates. Increase in interest expense was contained to 4.8% over June 2023 despite an increase in customer deposits of 19.3% over June 2023. The increase in customer deposits is driven significantly by non-interest-bearing customer demand deposits which has contributed to the containment of interest expense. Additionally, the Group repaid the 7.25% subordinated debt with the which also had a positive impact on interest cost.

Fee and commission income realized a 67.1% increase over the comparative 2023 period driven by card related fees and commissions and increased account maintenance fees. This was partially offset by lower income brokerage fee and commission income. Unrealized gains on investments held at FVP&L is \$1.3M lower than last year moving from a gain of \$5.1M in 2023 to \$3.9M in 2024. This reflects a 24.7% reduction from the prior year same period.

Our recovery income was also reported at below the prior year by 51.7% as all the planned recovery activities have not materialised.

Our lending portfolio continues to improve and testament to this is the write back of \$2.0M of provisions for the half year an improvement of 270.5%.

Operating costs increased \$3.7M or 20.3% driven by increased software licenses, maintenance expenses on premises and expenses incurred in pursuit of strategic initiatives. Our first half of the year performance highlights our ability to generate strong sustainable growth through strategic investments, innovation, customer centric initiatives and a commitment to a strong balance of risks and rewards.

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.

The Bank continues to develop its Risk Management Framework towards improving its risk oversight. These efforts have been supplemented through the completion of the Bank's first ICAAP, which serves to ensure that the Bank has adequate Capital to cover significant financial and non-financial risk. During the period, the key risk areas which are of higher concern to the Bank include:

- Information Security Risk
- Regulatory and Compliance Risk
- People & Culture Risk
- Credit Risk

With regard to Credit Risk, persistent progress is being made to reduce the Bank's NPL ratio, which now stands at 7.3%, coupled with a slight increase in the loan portfolio. BOSL maintained a strong capital adequacy position with all capital adequacy ratios (Tier 1 Capital to Risk Weighted Assets (RWA and Capital Adequacy Ratio) exceeding the regulatory requirements. This indicates that significant cushion exists to absorb potential losses and demonstrating a strengthening capital base.

BOSL continues to monitor the regulatory space and has amended some of its existing policies to capture requirements of the ECCB regulatory standards including the Technology Risk Standard and Related Party Transactions. As well, the Bank has been making significant strides in its efforts at documenting its Operational processes across key Business Units to adequately guide its processes, which will assist in reducing the numerous breaches to the existing policies and procedures which have been experienced.

Information Security Risk is being heavily monitored by the Bank and work continues through the updates to the existing Bank policies in respect of information security and the work which remains ongoing to implement procedures and control required by PCI-DSS and the ECCB Technology Risk Guidelines. Also active oversight and incident response is being performed by the Security Team to safeguard against exposure to information security breaches and the increased number of such incidents experienced by other LFIs within the region

The Bank continues to monitor the above risks and the progress of the remediation efforts.

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.

The Annual Meeting of Shareholders was held on May 26, 2024 and its agenda was as follows:

1. To consider and adopt the Report of Directors
2. To consider and adopt the Report of the Auditors and the Audited Financial Statements for the year ended December 31, 2023
3. To Sanction Dividends
4. To appoint Auditors and authorize Directors to fix their remuneration
5. To elect Directors

- (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.

One new Director was elected in the person of Crisy Laurent and the due diligence and ECCB approval is being awaited before the formal appointment.

Her CV is attached.

Stewart Haynes was reappointed for a further three year term.

- (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.

The matters voted upon were as follows:

1. The Report of Directors
2. The Report of the Auditors and the Audited Financial Statements for the year ended December 31, 2023
3. Sanction Dividends
4. The appointment of Auditors and authorize Directors to fix their remuneration
5. Election of Directors

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

There was no settlement between the registrant and any other participant.

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

8. Other Information.

The reporting issuer may, at its option, report under this item any information, not previously reported in a Form ECSRC – MC report (used to report material changes), with respect to which information is not otherwise called for by this form, provided that the material change occurred within seven days of the due date of the Form ECSRC-OR report. If disclosure of such information is made under this item, it need not be repeated in a Form ECSRC – MC report which would otherwise be required to be filed with respect to such information or in a subsequent Form ECSRC – OR report.