

**Schedule 2
FORM ECSRC – OR**

(Select One)

QUARTERLY FINANCIAL REPORT for the period ended 31 March 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:

Rolf Phillips

Signature




Date 30 April 2024

Name of Director:

Marcus Joseph

Signature



Date 30 April 2024

Name of Chief Financial Officer:

Ketha Auguste

Signature



Date 30 April 2024

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 Group produced another strong first quarter performance in a continued challenged operating environment. The Group's robust and well diversified balance sheet is a source of strength for clients while we continue to execute our strategy. Despite the global challenges including geopolitical tensions, the persistent inflation, and the expectation of a recession in the US economy, the Group remains resilient. We continue to monitor these developments for any impact on our region and the bank in order to take timely action required to protect the interest of our stakeholders.

The continued high interest rates on investment securities including money market funds, on the international market, continues to augur well for the Group and we recorded a significant increase in interest income over the comparative period of 2023. Our unrealised loss on investments reported at fair value through other comprehensive income increased at March 2024 from December 2023 as the anticipated reduction in the Federal Reserve Fund rate has not materialised and rates remain at historic high levels.

As previously indicated, despite the challenges, the Group reported a strong performance this quarter. Our balance sheet was reported at \$3.2B at the end of March 2024 an increase of \$180M from December 2023 audited results. This was driven by an increase of \$270.4M in customer deposits and partially offset by a reduction of \$93.1M in other liabilities. Liquidity remained strong as we ended the quarter with \$268.2M in balances with banks and other financial institutions.

Net loans and overdrafts recorded an increase of \$15.7M from December 2023 mainly due to an increase in customer overdraft balances partially offset by customer loan repayments.

At March 31, 2024 return on assets and return on equity were 2.31% and 19.49% respectively a decrease from December 2023 performance of 2.65% and 23.68% respectively. When compared to March 31, 2023, ROA increased from 2.04% and ROE decreased 19.71%.

Loans to deposit continue to lag last year's ratio and the benchmark rate. The Group's recorded loans to deposit ratio at March 2024 was 35.1% versus 40.3% at March 2023 and a benchmark of 75% - 85%. The non-performing loans ratio at March 2024 was 8.8% versus 10.9% at March 2023 representing an improvement in the ratio. The performance however remains above the benchmark of 5%. We continue to work at improving our asset quality.

Investments reduced by \$19.3M as sale and maturities of investments outpaced investment of new funds.

Regulatory capital was reported at \$438.2M this quarter and the ratio moved from 19.3% at December 2023 to 21.3% this quarter.

We are confident that along with our strong and well diversified balance sheet, the strategic initiatives implemented this year to introduce more sophisticated products, improve service delivery and our strengthened human resources cement our position as a market leader and places us at the forefront to meet our customers' lifelong financial needs and to secure long term sustained value for the company.

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 three months ended March 31, 2024, we noted an increase in liquidity driven by customer deposits, settlements of other liabilities by creditors and net investment maturities and sales. Cash with banks and non-bank financial institutions increased by \$268.2M or 33.5% from December 2023. Investments of \$931.2M fell short of the December balance of \$950.4M. At March 31, 2024, excess liquidity held with the regulator stood at \$216.4M.

Within the investment portfolio, the Group also maintains liquid investments to meet funding needs. We anticipate that in the ensuing periods, the excess liquidity will be reduced as the banking subsidiary has a number of loans in the pipeline. At March 2024, un-drawn commitments increased from \$124.4M at December 31, 2023 to \$147.5M at March 31, 2024.

The Group's liquidity is also enhanced by a significant investment portfolio. At March 2024, investments of \$931.2M decreased by a net of \$19.3M from December 2023. The reduction was due to higher levels of sales and maturities when compared to new investments. The funds received from matured investments are primarily held in interest bearing accounts. The Group's investments are held in securities of varying duration to ensure availability of liquidity when required. At March 31, 2024, the average maturity and duration of the investment portfolio is 2.661 and 2.204 with approximately 63% of the portfolio maturing within 3 years. Similarly, 61% of the portfolio falls in the 0-3 duration bucket.

Given that 77.41% 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 (certificates of deposits) which can be disposed of in the event of liquidity needs. The volatility in the markets and the continued increase high interest rates continues to impact our portfolio of investments measured at fair value. Consequently, the unrealised loss on FVOCI investments at March 2024 was \$25.4M being a marginal decrease from the \$24.9M recorded at December 2023.

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.

At March 2024, the Group reported a deficit of \$9.9M from December 31, 2023 and income before tax of \$20.9M which effectively eliminates the deficit as at said period. This is a significant accomplishment for the Group and we will continue to execute our strategy to ensure we retain this positive position.

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 March 31 2024, these stood at \$175.2M when compared with \$169.9M in March 2023 and \$178.9M at December 2023. The portfolio lost one customer in 2024 due to centralization of management of the institution's fixed income assets.

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 net income before tax of \$20.9M for the three months ended March 31, 2024. This represents an increase of 29.7% over the comparative period in 2023. Net interest income of \$20.2M came in above last years' comparative figure of \$17.2M by 17.1%. Interest income from loans of \$13.4M is a slight reduction of \$122.9k from the comparative period of 2023. Interest expense recorded an increase of 6% over the 2023 period despite the increase in customer deposits of 16.2% over March 2023. The increase in deposits was driven primarily by larger corporate deposits which attract little to no interest.

Interest income from investments and bank deposits experienced an increase of \$3.4M or 33.5% from March 2023 driven primarily by the increase in funds held with other banks to benefit from the historic high Federal Funds Rate over the past year. The Group took deliberate decisions to utilise some of its excess funds to place on deposit with other financial institutions at the attractive rates. The Group still holds significant idle cash and we expect to place these funds into more productive use either through loans, deposits or purchase of fixed income securities to lock in the rates before the Federal Reserve commences its rate reduction cycle. We anticipate that we will continue to enjoy these rates for the next year as the market is predicting fewer rate cuts in 2024 than initially expected. We continue to monitor the situation as it unfolds.

The Group reported an unrealized gain on securities held at fair value through profit or loss of \$2.8M which is comparable to March 2022. The volatility in the markets continue and we therefore continue to monitor the performance of our investment securities as any unfavorable event in the market has the potential to erode the unrealized gains recorded to date.

We continue to see significant uptick in our card and commission oriented business and for the first three months of the year, net fee and commission income recorded an increase of \$4.7M or 66.7% above last year.

Other income of \$8.3M decreased by \$1.7M compared to March 2023 with the largest contributor to the reduction being recovery income where we recorded a decrease of 47.4%. A number of our planned recovery initiatives have not been realised but we anticipate that as the year progresses, these plans will come to fruition.

For the three months ended March 31, 2024, we recorded a net recovery of \$1.3M on impairment provisions on loans and investments. This is primarily due to a reduction in provision for loan losses and a recovery for investments.

While we continue to exercise prudent cost management, our operating expenses are above March 2023 by 13.9% as we have incurred expenses to support new business initiatives as well as rising inflation.

We remain committed to increasing our profitability over time with a view to eliminating our retained deficit.

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.

Financial Risk Highlights

The Bank's Financial Risks as it relates to Core Business activities remained stable during the last quarter of 2023, that is, Credit, Liquidity and Market Risk. In particular, the Bank's NPL Ratio made further improvements and continued to further decline towards the Prudential benchmark of 5%. At December 31, 2023, the ratio stood at 9% (9.5% in the previous quarter) and is projected to continue to decrease in 2024.

BOSL's Credit portfolio decreased over the last quarter, in comparison to the rapid growth in the Investment portfolio for the same period, notwithstanding, Loans and Investments contributed greatly to the Bank's profits for 2023 with the Interest Income generated. As part of the bank's strategic initiatives for 2024 to 2026, prioritization will be given to driving loan campaigns and Increasing the credit portfolio.

Liquidity buffers were effectively managed to maintain a sound risk profile; within regulatory limits and a profitable performance. Liquidity ratios remained significantly above the minimum prudential benchmarks, indicative of high level of assets to withstand potential liquidity shocks. These excesses were also recorded when the ratios were adjusted to exclude obligations related to pledged assets.

The Bank also recorded solid capital, with the Capital Adequacy Ratio far exceeding the minimum regulatory requirement. The capital management strategy of the Bank seeks to ensure that sufficient quality and quantity of capital is maintained to finance growth, and comply with both regulatory requirements and market expectations. In an effort to achieve this, the Bank maintains robust capital adequacy controls.

Operational Risks Highlights

Within the last quarter, the Bank continued to work towards maintaining its risk posture as it relates to Regulatory Risk, Compliance Risk and Information Security Risk and has prioritised maintaining strong internal controls and a robust operational risk framework, in an effort to safeguard the Bank and satisfy Regulatory requirements.

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.

None.