

**Schedule 2
FORM ECSRC – OR**

(Select One)

QUARTERLY FINANCIAL REPORT for the period ended March 2020
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: ecfh@candw.lc

(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 Shares | 830,000 |
| Ordinary Shares | 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

SIGNED AND CERTIFIED

Signature

30th April 2020

Date

Name of Director:

Llewellyn Gill

SIGNED AND CERTIFIED

Signature

30th April 2020

Date

Name of Chief Financial Officer:

Ketha Auguste

SIGNED AND CERTIFIED

Signature

30th April 2020

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

In December 2019, reports of a flu-like virus emanating from the Chinese city of Wuhan were first reported. The virus now named Covid-19 has altered the global economy and caused many countries to cease operations in several industries.

Saint Lucia, with a heavy reliance on Tourism and its linkages to all other sectors is being significantly challenged. Apart from hotel closures, restaurants and entertainment activities as well as retail and distribution services will all be curtailed resulting in significant loss of employment. To date, the country has had to endure a total shut down and partial shutdowns since March 2020. These shutdowns have had a significant impact on the economy as many businesses have been forced to close temporarily. The Government has announced a relief program to assist citizens who have lost their jobs and businesses impacted by COVID-19.

Financial institutions have had to provide moratoriums and other covid-19 relief programs to customers. This will undoubtedly affect the performance of the Group.

Despite the challenges above, the Group reported a profit at March 31, 2020 of \$7.4M compared to \$6.9M at March 31, 2019. Assets grew from \$2.23B in December 2019 to \$2.25B at March 2020 which represents a \$20.1M or 1% increase.

Return on assets was reported at 1.33% compared to 2019 when ROA was 1.23%. Return on equity however decreased from 14.01% in 2019 to 11.93% in 2020.

Total loans net of provisions continue to reduce moving from \$838.7M at December 31, 2019 to \$834.4M. Customer deposits stood at \$1,829.5M at March 2020 compared to \$1,931.9M at March 2019. Non-performing loans to total loans net of provisions stood at 10.21% at March 2020 compared to 11.35 at March 2019.

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

Despite the threats from the global pandemic - COVID-19, liquidity for the first quarter of 2020 remained relatively. It is anticipated that the Group's cash position will be affected in the coming months as the island continues to be impacted by COVID-19.

Cash and cash equivalents at March 2020 stood at \$499.5M a 13% increase from the December 2019 position but a 3% reduction from the March 2019 position. Given the reduction in the Federal funds rates to counter the impact of the current global pandemic, interest rates on our US Dollar certificate of deposits have reduced significantly. BOSL anticipates significant withdrawals by government and statutory bodies in light of the stabilization plans to assist in combating the economic impacts of the corona virus COVID 19 and as has been redeeming its certificate of deposits as they mature. This is to ensure funds are readily available to meet funding needs when and as they become due during these uncertain times.

Investments stood at \$699.5M and \$728.9M at March 2020 and December 2019 respectively. This was due in part to disposals and reductions in the market value of internationally traded investments. The portfolio recorded losses of \$11.3M since December due to sentiments of investors to hold cash instead of investing in the equity or bond markets. The Bank has taken a decision to place all proceeds from maturities on shorter term instruments for liquidity purposes. Despite these challenges, the Group remains highly liquid to meet obligations as they become due.

Obligations to customers stood at \$1,888.6M at March 2020 an increase of \$17.7M (1%) over December 2019. The increase stems from savings deposits which form the Group's core deposits. Deposits from Government and statutory organizations have reduced at March 2020 as Government supported by statutory organizations deal with the impact of COVID-19.

The bank's excess reserve with the ECCB at March 2020 stood at \$59.8M up from the December 2020 position of \$20.8M. During the latter part of 2019, significant withdrawals were made by government to meet funding needs.

The capital adequacy ratio was 22.5% down from 22.7% in December 2019 but up from the March 2019 position of 19.7%.

The Group continues to monitor its liquidity daily to identify any adverse trends as the world continues to grapple with the novel Coronavirus - covid-19.

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 March 31, 2020 stood at \$126.4M an increase of \$13M (11.5%) over the 2019 balance of \$113.4M. Assets under management consists primarily of pension fund assets being managed by the investment unit of the bank.

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's performance at March 2020 has been slightly below budget but above the same period last year. At March 2020, the Group reported profits after projected tax of \$7.4M up from the 2019 position at March of \$6.9M.

Net interest income stood at \$14.3M and \$14.9M at March 2020 and 2019 respectively. Interest income on loans is below by \$471K as a result of declining interest rates in response to the market. Interest expense however experienced an increase of \$149.2k above March 2019 due to higher than expected interest on savings deposits and the retirement investment accounts.

Fee income of \$6.8M is higher than the comparative period in 2019 by \$1.0M or 18%. This was due to higher commissions earned by the card and insurance businesses of the Group.

Foreign exchange gains were below last year by \$706.1k or 25% due primarily to a reduction in the level of activity compared to last year.

At March 2020, the Group recorded a net loss on investments of \$487.7K compared to a gain of \$18.8k in March 2019. The net loss included realized gains of \$860K and \$1.4M unrealized loss. This unrealised loss was primarily recorded in March 2020 due to a reduction in the Federal funds rate, fears arising from the COVID-19 pandemic and the oil war between Russia and Iran. This prompted investors to sell securities. A reduction in the federal funds rate typically would create demand for fixed income instruments and result in an increase in the price of these instruments. However, the threat emanating from the possible oil war and the global pandemic, resulted in consumer behaviour contrary to expectations leading to significant losses in the stock markets and by extension the price of the securities held by the Group.

The Group continued to aggressively pursue debt collection and at March 2020, bad debt recoveries stood at \$1.7M against \$1M at March 2019.

Provision for loan losses of \$1.5M at March 2020 is lower than the same period last year by \$2.2M or 59%. Fewer loans are migrating to non-performing status.

Operating expenses including staff costs of \$14.9M is above the comparable period in 2019 by \$1.4M. The increase stems from an increase of 285K in staff costs and \$1.1M in other operating expenses. The increased operating costs were largely driven by initiatives undertaken to improve the information technology infrastructure and general increase in activity.

The net profit before tax of \$8.7M reflects an increase over 2019's position of \$8.1M. The increase of \$637k or 8% was attributable to higher fee income, recoveries of bad debts, lower provisions. An increase in operating expenses and lower net interest income partially offset the increases.

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.

BOSL, similar to all global financial institutions, is exposed to some level of environmental and social risk through the local and global environment in which it operates, as well as its client base. If left unmanaged, these risks can lead to a decline in the health of the financial institution, along with its reputational image, costly litigation, or loss of revenue. As such, with the global pandemic and the implications on the world economy and industries, the robustness of BOSL's risk management continues to safeguard the ability of the institution to rebound from this shock. Risk management continued to play a key role in the Bank's activities, in line with the strategic objectives defined by the Bank for the period 2018 to 2020. The mitigation of risk continued to include adherence to the updated Risk Appetite Statement which was approved by the Board of Directors in December 2019 and creating a robust risk management culture.

During the quarter, work continued towards enhancing the risk culture within the organization through internal training programmes, review and updating of policies and procedures, and the revision of job descriptions of staff, to ensure that all Officers were consistently assessed for their risk and compliance efforts to safeguard the institution. The Bank also continued to maximize the input of the internally appointed Compliance Champions, who have provided keen support to the Risk and Compliance Department in sensitizing their respective Branches and Departments on adherence to internal controls, policies and procedures, in an attempt to further mitigate risks which BOSL is exposed to.

The Bank, through the Risk Management and Audit Sub-Committees of the Board, continued to review and action timely and comprehensive reports on risk assessments, risk monitoring, risk modification, risk avoidance and risk sharing. The Bank remains committed to maintaining rigid oversight of Risk and Compliance, and continues to address emerging risks in a timely manner.

The core risks to which the Bank is exposed include credit, operational, liquidity, and market risks, which were measured at various degrees from high to low, at the end of the quarter. Risk ratings remained stable for all risk areas, with efforts continuing within the various departments, with support from the Risk Management and Compliance Services Department towards strengthening the robustness of internal controls and the safety and soundness of the institution. No new products were introduced during the review period, and cash flow and liquidity remained above the internal benchmarks, whilst ensuring that the concentration risk within both depositors and borrowers remained low to medium. In addition, the Bank continues to enhance its stress testing and scenario testing efforts, towards timely recognition of potential shocks and weak areas of the Bank's balance sheet, with a view to strengthening all internal controls to protect the Bank in this regard. The collective efforts of the very experienced Senior Management team, resulted in satisfactory and medium risk ratings in most categories, with high risk ratings assigned to the following as at 30 April 2020:

Credit Risk in the Loan Portfolio

Credit risk remained a challenging area for the Bank, evidenced by the high non-performing portfolio. This was even more challenging in an environment of lackluster economic performance, coupled with the dated foreclosure legislation of Saint Lucia. The Bank continued to adopt major initiatives towards repayments for a significant portion of the non-performing loan portfolio and also enhancing the quality of underwriting.

Operational Risk

The Bank remained vulnerable to operational risk. However, internal controls were continuously reviewed and strengthened to mitigate against losses which would result from failed internal processes, people, systems or external events. The main threats in this regard were the inherent level of cyber risk and the challenges associated with Correspondent Banking Relationships in the Eastern Caribbean Currency Union. Notwithstanding, the Bank continued to employ stringent insurance measures and other third party relationships to complement its efforts for 24hour IT security. Similarly, compliance efforts were significant bank-wide, towards ensuring the satisfaction of all Correspondent Banks, regulators and other stakeholders, to further mitigate against this high level of inherent risk.

Interest Rate Risk

The potential for investment losses that result from a change in interest rates remains an ever-present factor with the conditions of the global environment. As such, daily continuous attention to the Bank's investment portfolio, are coupled with keen measures towards mitigating against potential losses, and taking timely action to limit the risk exposure of the organization.

Remaining risks are all provided with a high level of attention along with keen control measures.

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 were no legal proceedings during the quarter.

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.

There were no changes in securities and use of proceeds during the quarter.

(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 were no working capital restrictions and other limitations upon the payment of dividends during the quarter.

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 were no defaults upon Senior Securities.

- (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.

Not Applicable.

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.

There were no matters to a Vote of Security Holders through the solicitation of proxies submitted during the quarter.

- (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.

Not Applicable

- (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.

Not Applicable

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

There were 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.

Not Applicable.

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.

Not Applicable.