

**Schedule 2
FORM ECSRC – OR**

(Select One)

QUARTERLY FINANCIAL REPORT for the period ended 30th September 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: 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 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

29th October 2020

Date

Name of Director:

Llewellyn Gill

SIGNED AND CERTIFIED

Signature

29th October 2020

Date

Name of Chief Financial Officer:

Ketha Auguste

SIGNED AND CERTIFIED

Signature

29th October 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

COVID-19 continues to impact the East Caribbean Financial Holding Company Ltd. For the quarter ended September 30, 2020, the Group recorded a profit of \$1.7M to bring the profit before tax for the 9-month period to \$3.5M. The performance for the comparative 2019 period resulted in profit before tax of \$34M.

The Bank continues to support its customers in navigating these unprecedented times by providing liquidity support in the form of loan moratoriums for over 3000 clients. To date, these moratoriums are in excess of EC\$364M. The bank has also given concessions in the form of waivers for late fees and late charges on loans.

The Group recorded an increase in loan loss provisions and this reflects the negative economic outlook and increased credit risk from the significant levels of loan moratoriums. Despite the significant loan moratoriums and the reduced financial performance, the Bank's capital remains well above the minimum requirement with BOSL - the sole subsidiary reporting a capital adequacy of 23.3%. The Bank's liquidity remains strong as an increase in customer deposits over the December 2019 period have been recorded.

The Group's assets have reduced marginally from the December 2019 position recording \$2,226.8M in September 2020 and \$2,230.7 at December 2019. There are a number of proposed projects on island which are expected to provide a boost to the loan portfolio for the ensuing quarter and into the new financial year.

Investments increased from \$724M in December 2019 to \$737 in September 2020 an increase of \$13M (1.8%) in an effort to generate income for the significant idle funds held with the Central Bank. In making investment decisions, consideration must be given to the possibility of significant customer withdrawals as we continue to deal with the impact of COVID-19 and cash flow needs for individuals and companies may become even greater. Therefore, funds will be placed in securities that are cash or near cash and can be easily liquidated should the need arise.

Return on assets and return on equity were reported at 0.18% and 1.57% respectively in September 2020 and 1.73% and 18.67% in September 2019 reflecting the significant reduction in net income in 2020.

As the Group continues to navigate this turbulent period, we remain committed to meeting our strategic objectives in order to enhance shareholder value and provide the required support to our customers to ensure they also are able to navigate the challenges brought on by COVID-19.

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 the Group remains relatively high. Excess funds at September 2020 stood at \$131.7M compared to \$20.8M at December 2019.

At September 2020, customer deposits stood at \$1,815M compared to \$1,869M in September 2019; a reduction of \$54.2M or 2.9%. However, the balance at September 2020 was a marginal increase of \$2M over the December 2019 position of \$1,813M.

At January 2020, the Group held EC\$183M in liquidity support certificates of deposits with other financial institutions. This has reduced to \$35M at September 2020 as certificates of deposits were liquidated at the onset of the pandemic to meet unforeseen liquidity needs.

For the quarter ended September 30, 2020, BOSL utilized EC\$33.9M of new funds for investments in an effort to utilize some of the idle funds. Despite this, liquidity remains high and we continue to explore opportunities to generate returns while continuously remaining mindful of the Bank's risk appetite.

Cash and cash equivalents at September 2020 stood at \$465M and at \$443M at December 2019. This represents a \$22M or 5.1% increase.

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.

At September 30, 2020, assets under management amounted to \$135M compared to \$125M at September 2019. The assets under management consists primarily of pension fund assets being managed on behalf of third parties.

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

As at September 30, 2020, the Bank reported before tax profits of \$3.5M. This represents a significant reduction of \$30M from the same period last year. This performance is reflective of the current recessionary environment, widespread job losses and depressed economic sector.

The reduction in profits derives primarily from reduced interest income on loans (reduction of \$3M) and investments (reduction of \$3M) as the Bank's loan portfolio continues to decline. In addition, average interest rates on loans continue to decline as the competitive environment continues to place downward pressure on interest rates.

The reduction on interest income from investments is due principally to a reduction in value of certificates of deposits held with other financial institutions including the Central Bank. At January 2020, approximately \$183M was placed on short to medium term CDs. This has reduced to approximately \$35M at September 2020. The reduction became necessary for two primary reasons:

1. Interest rates were reduced to almost 0% by the Federal Reserve and as such on maturity of the Group's CDs, they were liquidated.
2. With the stalemate of the Hotel Industry, significant unemployment and moratoriums taken up by clients, CDS were liquidated as they matured in an effort to have adequate funds available to meet an anticipated increase in funding needs.

While the Group recorded an overall reduction of \$6M year on year in interest income, interest expense has increased putting additional pressure of net interest margin. With COVID-19 affecting all regional economies, customers have sought the safety of banks and have liquidated their investments in sovereign debt and transferred these funds to some of Bank of St. Lucia's higher interest paying accounts.

A year on year reduction of \$1M was recorded in net foreign exchange income and fee and commission income combined. Debt recovery of \$5M is also below last year's position of \$9M. These reductions were due to the complete shutdown of businesses at the onset of reported cases of COVID-19 in St. Lucia and the general slowdown of economic activity subsequently.

Provisions for loans is reported at \$12M above last years and is reflective of the increased credit risk arising from the significant levels of moratoria provided to our customers.

Staff cost is 22% above last year's position as provisions were recorded as possible settlement losses arising on the transfer of accumulated pension benefits from the existing defined benefit plan to the defined contribution plan.

Overall the Group's efficiency ratio deteriorated moving from 51.77% in 2019 to 67.07% in 2020 as the reduction in operating income of \$11M far exceeded the increase in operating costs of \$5M.

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 continues to be faced with heightened levels of risk associated with the global pandemic and the impact on the world economy and industries, specifically regarding credit and operational risks and the threats to earnings. However, the robustness of BOSL's risk management continues to safeguard the institution's ability to rebound from this shock. Work continued towards risk mitigation efforts, enhancing processes and procedures, and sensitizing staff of the risk appetite, risk tolerance and risk culture required within the organization.

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

Risk ratings of the aforementioned heightened risks of credit and operations remained stable at High, with mitigation efforts continuing by the various risk owners, support from the Risk Management and Compliance Services Department and assessments by the Internal Audit Department, towards strengthening the robustness of internal controls and the safety and soundness of the institution. Due to the data recorded and the unforeseen duration of the pandemic, Earnings performance was revised downwards from Satisfactory to Weak. The remaining risk areas were assessed as Medium. 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 for both depositors and borrowers remained low to medium.

The high risk ratings assigned to Credit and Operational Risks was as a result of the following:

Credit Risk

The current economic crisis along with the high level of overarching uncertainties, exacerbated an already high level of Credit Risk. This level of risk was evidenced by the high non-performing portfolio, NPL ratio significantly above the ECCB's tolerable limit of 5.0 percent at 10.0 percent, and tough foreclosure legislation restrictions. Moratoria were however made available to challenged credit customers, who have been impacted by this environment. Likewise, the Bank continued to strategize and adopt initiatives suitable to the current economic environment to pursue collections, whilst enhancing early warning signals and the quality of underwriting. Credit risk in the investment portfolio was also deemed high as 25.5 per cent of the investment portfolio was unrated by the three major credit rating agencies and 3.9 per cent of the portfolio was rated by these three agencies as non-investment grade. Efforts continue towards finalising an internal methodology for calculating a risk rating for the unrated exposures. Notwithstanding, the Bank continues to perform comprehensive assessments of these exposures and the associated risks of the entities and jurisdictions on a continuous basis, liquidating securities where the risk appears to be heightened.

Operational Risk

The Bank remained vulnerable to operational risks, which were heightened with the level of preventative measures and efficiency changes which had to be adopted to maximize service levels. 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.

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 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 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.

Not Applicable

- (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.

Not Applicable

- (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

