

**Schedule 2
FORM ECSRC – OR**

(Select One)

QUARTERLY FINANCIAL REPORT for the period ended September 2018
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:

Bernard La Corbiniere

SIGNED AND CERTIFIED

30th October 2018

Date

Name of Director:

Marcus Joseph

SIGNED AND CERTIFIED

30th October 2018

Date

Name of Chief Financial Officer:

Ketha Auguste

SIGNED AND CERTIFIED

30th October 2018

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

A profit before tax for the period ended September 30, 2018 of \$27.8M which represents 179% above the same period last year. The primary contributing factors to this performance include an increase in investment and bank deposit income of approximately 26% over prior year, bad debts recovery increased by \$3.7M or 74% and a reduction of 31% in loan impairment provisions. The bank also realized a decrease of 11% in interest expense. Loan income grew by only 3% over the same period last year.

Total assets grew by \$196.8M or 9.8% over September 2017 and by \$80.6M or 4% since December 2017. The bank continues to experience high liquidity with an increase in cash and cash equivalents of \$83.6M or 22% from September 2017 and by \$21.9M or 5% since December 2017. The bank continues to experience challenges with growth in the loan portfolio as the productive loan portfolio at September 2018 was almost equivalent to that in the same period last year and a decrease of 2.6% or \$20.8M from the December 2017 position. The non-productive position also experienced a decline from the September 2017 position of 39% and a 29.7% decrease from the December 2017 position. The improvement in the non-productive position resulted from loans written off of \$19.2M and student loans of \$22.7M transferred to off balance sheet as a result of funds paid by government to regularize the portfolio. Loan provisions are below last year although the bank has not implemented the requirements of IFRS9. The implementation however is not expected to have an adverse impact on loan impairment provisions.

Investments continue to increase fueled by the increased liquidity experiencing a 29% increase since September 2017 and 26% since December 2017.

The improvement in net income resulted in an improvement in the ROA and ROE to 1.46% and 20.68% respectively, compared to .53% and 4.75% at September 30, 2017.

The loans to deposits ratio continues to experience a decline moving from 56.79% in September 2017 to 48.32% in 2018 due to low demand for loans. The NPL/Total Loans ratio however continues to improve from 19.1% to 12.64%. This was impacted by significant write-off of loans, recovery of loan funds previously written off and receipt of funds from the Government of St. Lucia which were applied against the student loans guaranteed by the government.

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 continues to be high which has resulted in an increase in cash and cash equivalents and other investments of 22% and 29% respectively from September 2017.

Customer and bank deposits increased collectively by 149.8M or 8% year on year from some \$1.8B in 2017 to \$1.9B in 2018 while loans net of impairment provisions decreased by \$45.8M or 5%.

The liquidity position of the regulated entity Bank of Saint Lucia Limited (BOSL) shows an excess of \$106M over the regulatory reserve requirement at September 30, 2018. This excess therefore represent funds which are currently earning little to no return for the bank and as such focus continues to be on growth of the loan portfolio and in the interim, finding suitable investments in order to generate some level of income with the excess funds.

The capital adequacy ratio of the regulated entity Bank of Saint Lucia Limited shows a modest improvement from the December 2017 audited position of 18.03% to 18.50% at September 30, 2018. This position is in excess of regulatory benchmark of 8%.

Off Balance Sheet Arrangements

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

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

Off balance sheet items consist of investments managed on behalf of clients. At September 30, 2018 and 2017, the bank had a total of \$96.9M and \$92M respectively of off balance sheet assets under management. At September 2018, one of the off balance sheet portfolios was reduced to nil and 85% of the funds under management represent various organizations' staff pension funds.

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

Overall a net income before tax of \$27.8 at the end of September 2018 was reported when compared to \$9.9M in 2017. Increases in investment income and bank deposits of \$3.7M or 26%, loan recovery income of \$3.7M or 74% coupled with a reduction of 11% in interest expense and loan impairment provisions contributed to the overall performance. Interest income on loans and advances also increased marginally by 3% over September 2017.

Operating expenses remain comparable year on year with a negligible increase of 1%.

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.

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 continues to include adherence to the Risk Appetite of the group 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 Risk and Compliance Officers, to ensure that all applicable duties were assigned and addressed. The Bank also continued to maximize the input of the internally appointed Compliance Champions, who have been supporting 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. Efforts continue 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. The two main risks as at 31 October 2018 are as follows:

Credit Risk

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

Operational Risk

The Group 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 Bank continues to pay keen attention to strengthening internal controls to mitigate against the possibility of fraud and cyber crime. The bank has been successful in this regard by undertaking various tests from external agents, as well as obtaining additional insurance coverage specific to Cyber Risk.

Correspondent banking risks remained the largest operational risk faced by the Bank, as the practice of de-risking persisted globally by international banks. All efforts will continue towards ensuring a high level of comfort with the quality of customers on boarded and transactions facilitated, towards maintaining strong relationships with Correspondent Banks.

Remaining risks remain medium to low and stable.

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.

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.

