

**Schedule 2
FORM ECSRC – OR**

(Select One)

QUARTERLY FINANCIAL REPORT for the period ended 30th June 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 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:

Bernard La Corbiniere

B La Corbiniere

Signature

31st July, 2018

Date

Name of Director:

[Handwritten Signature]

Signature

31st July 2018

Date

Name of Chief Financial Officer:

Ketha Auguste

[Handwritten Signature]

Signature

31, July, 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

Following on from a successful 2017 financial year end, we have delivered strong results for the first half of 2018. The Group focused on the achievement of its 2018-2020 strategic plan with the theme "Repositioning for the Future". The strategic priorities are to: (1) sustain profitability (2) enhance customer value, (3) achieve operational excellence and (4) achieve intangible asset Development. The half year results reflect improved efficiencies in several areas including cost containment and the management of net interest spreads. Some further success was realized with reducing the high levels of NPLs which continue to persist in the banking sector. The uncertainties in the economic environment continue to be a threat to the banking sector. The Group remains cautious, adopting strong underwriting practices and close monitoring through continuous engagement with customers.

The proceeds from divestment of BOSVG and BOSLIL have allowed the Group to focus on its core business and improve its capital adequacy level to 19%, well above the regulatory minimum level of 8%.

Total assets grew to \$2.160 billion from \$2.118 billion reported at December 2017.

The balance sheet growth was attributed to increased customer deposits during the six month period. The loan portfolio contracted by \$42M from December 2017 but this was tempered by increases in the investment portfolio of \$67M.

The Group recorded a 2018 half year post-tax profit of \$13.5M which is a significant improvement from \$4M reported for the comparative period, June 2017. The results reflect the performance of its sole subsidiary, Bank of Saint Lucia Limited (BOSL).

The improved profitability of BOSL was achieved through relatively stronger performance in net interest income and other income categories. Growth in other income includes enhanced recovery income and rental income. Operating expenses increased by 2% over the same period last year due to the additional cost of maintaining a defined benefit pension scheme and increases in software licenses. The Group has, however, been successful in reducing other costs.

Provision for loan loss impairment was \$3.8M lower than the comparative period due to the high levels of provision to NPLs taken in previous years and close monitoring of the loan portfolio to avert further deterioration. The Group did not apply the requirements of IFRS 9 for the Half Year to June 2018. Although the model has been built, some refinements are required for its finalization and we do not anticipate an adverse impact on the financial statements at year end.

The Board and Management remain resolute regarding the implementation of the Strategic objectives for the period 2018-2020, which are geared towards sustaining profitability. The priorities will remain focused on addressing the central issues, including aggressive loan recovery and continuous improvement in asset quality, cost reduction, employee engagement and change management. The Group remains vigilant in order to avert the external threats inherent in the sector such as de-risking and corresponding banking relationships, AML and threats of natural disasters.

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

High Liquidity levels within the group persists, driven by increased deposit levels and low loan growth. In addition to excess liquidity arising from the proceeds from the disposals of Bank of Saint Vincent and the Grenadines Limited in June 2017 and Bank of Saint Lucia International in March 2017.

Some of the excess liquidity has been utilised via placements on short term certificate of deposits and investments on the regional and international markets.

A portfolio of readily traded instruments is maintained to ensure that these investments can be readily liquidated should adverse changes in ,arket conditions arise. The investments are regularly monitored to ensure they adhere to the investment guidelines of the Group.

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.

N/A

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 recorded pretax profit of \$15.8M was a reflection of the performance of its sole subsidiary Bank of St. Lucia. This was largely attributed to a 15% improvement in net interest income from the prior year as a result of the growth in the investment portfolio and a general reduction in the cost of funds.

This was partially offset by a reduction in interest income on loans arising from the contraction in the productive loan portfolio. Loan recovery income has surpassed the similar period last year by 35%, most of which is attributable to judicial sales. Foreign exchange income is short of last year by 17%, largely due to a reduction in euro flows. Fee and commission income increased by 5% above the prior year driven by increased merchant and brokerage activity.

Loan loss expense of \$6.6M was 59% below last year because of a reduction in the levels of loans transferred to non-performing status during the year.

The Bank has shown some success in the strategies implemented to contain cost, as total operating expenses showed a 1.32% decline from the previous year.

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 accounts for one of the key 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 Bank and creating a robust risk management culture. In order to further enhance the risk culture within the organisation, internal training programmes were conducted and shall continue during 2018, along with the review of policies and procedures, and the revision of job descriptions of all risk owners to define key risk responsibilities towards improving accountability.

The Bank, through the Risk Management and Audit Sub-Committees of the Board, reviewed and actioned 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 are credit, operational, liquidity, and market risks. Risk ratings were reduced for Credit Risk in the Investment Portfolio, Market risk, Operational risk and Reputational risk, on account of various factors. 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 30 June 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 has adopted major initiatives towards enhancing the credit portfolio, which created improvements in this portfolio in 2017. The loan loss provisioning and write-off policy was further revised and applied accordingly. Efforts continue towards strengthening underwriting, training staff, clearly defining the Bank's Credit Risk appetite, and operating in line with the Credit Risk Management Prudential guidelines of the ECCB. Further, keen attention was paid to concentration risks, sectorial limits, and the process of loan origination, approval and administration.

Operational Risk
The Bank remained vulnerable to operational risk, which emanates from both its internal and external environments. The Caribbean region is highly susceptible to natural disasters, more specifically hurricanes and earthquakes. The Bank arranged tests of its Disaster Recovery Sites and facilitated Business Continuity training programs prior to the start of the 2018 hurricane season. 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 any losses emanating from its operations, and successfully reported and improvement in this regard.

Correspondent banking risks remained the largest operational risk faced by the Group as the practice of de-risking persisted globally by international banks. However, the Bank received commendations from the Correspondent Banks regarding its Compliance policies and keen attention to KYC. All efforts will continue to be applied 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.

The Annual Meeting of Shareholders was held on May 17, 2018.

- (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.

The other matters voted upon at the meeting were as follows:

1. To consider and adopt the Report of the Auditors and the Audited Financial Statements for the year ended December 31, 2017
2. To consider and adopt the Report of Directors
3. To Appoint Auditors and authorize Directors to fix their remuneration

- (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

East Caribbean Financial Holding Company Limited
Interim Consolidated Statement of Changes in Equity
For the six month period ended June 30, 2018

(expressed in thousands of Eastern Caribbean dollars)

	Ordinary Shares \$'000	Contributed Capital \$'000	Reserves \$'000	Revaluation Surplus \$'000	Unrealised gain / (loss) on investments \$'000	Retained Earnings \$'000	Total \$'000	Non- controlling Interest \$'000	Total Equity \$'000
Balance at 1 January 2017	170,081	1,118	163,567	13,855	(793)	(254,104)	93,724	51,858	145,582
Total comprehensive income for the year	-	-	-	-	7,810	37,510	45,320	-	45,320
Transfers to reserves	-	-	14,324	-	-	(14,324)	-	-	-
Contributions to student loan guarantee fund	-	3000	6,529	-	-	-	9,529	-	9,529
Disposal of subsidiary	-	-	-	-	-	-	-	(51,858)	(51,858)
Balance at 31 December 2017	170,081	4,118	184,420	13,855	7,017	(230,918)	148,573	0	148,573
Balance at 1 January 2018	170,081	4,118	184,420	13,855	7,017	(230,918)	148,573	-	148,573
Total comprehensive income for the period	-	-	-	-	(6,873)	13,490	6,617	-	6,617
Disposal of Subsidiary	-	-	-	-	-	-	-	-	-
Contributions withdrawn	-	(3,000)	(6,963)	-	-	-	(9,963)	-	(9,963)
Balance at 30 June 2018	170,081	1,118	177,457	13,855	144	(217,428)	145,227	0	145,227

East Caribbean Financial Holding Company Limited

Interim Consolidated Balance Sheet

As at June 30, 2018

(expressed in thousands of Eastern Caribbean dollars)

	(Unaudited) June 30 2018 \$'000	(Audited) December 31 2017 \$'000	(Unaudited) June 30 2017 \$'000	12mths Change %
Assets				
Cash and balances with Central Bank	310,003	347,950	255,894	21%
Due from other banks	147,729	96,632	189,289	-22%
Trading financial assets	16,639	19,642	20,544	-19%
Deposits with non-bank financial institutions	23,171	5,412	8,302	179%
Treasury bills	19,647	23,811	23,876	-18%
Loans & Advances to customers	832,324	874,051	870,035	-4%
Investments securities - held to maturity	153,501	120,049	91,558	68%
- available-for-sale	448,326	410,395	403,900	11%
Pledged assets	11,405	10,710	10,608	8%
Investment in associated undertaking	49,006	49,781	35,891	37%
Property plant and equipment & intangibles	47,719	46,978	46,732	2%
Investment Properties	37,455	37,455	37,188	1%
Other assets	44,918	55,336	80,778	-44%
Income tax recoverable	3,335	5,353	3,332	0%
Deferred tax asset	820	820	0	0%
Retirement Benefit Asset	13,615	13,615	10,627	28%
Total assets	2,159,613	2,117,990	2,088,554	3%
Liabilities				
Deposits from banks	41,496	43,298	49,393	-16%
Due to customers	1,858,413	1,799,588	1,809,817	3%
Other funding instruments	11,533	13,703	13,980	-18%
Borrowings	75,284	79,181	85,964	-12%
Preference shares	4,150	4,150	4,150	0%
Other liabilities	23,219	29,206	22,117	5%
Dividends Payable	291	291	0	0%
Deferred tax liability		0		
Total Liabilities	2,014,386	1,969,417	1,985,421	1%
Shareholders' equity				
Share capital	170,081	170,081	170,081	0%
Contributed capital	1,118	4,118	1,118	0%
Unrealized Gain / (loss) on investments	144	7,017	4,524	-97%
Revaluation reserve	13,855	13,855	13,855	0%
Reserves	177,457	184,420	163,614	8%
Retained earnings	(230,918)	(267,907)	(254,103)	-9%
Profit for the period after taxes	13,490	36,989	4,044	234%
Parent shareholders' equity	145,227	148,573	103,133	41%
Total equity and liabilities	2,159,613	2,117,990	2,088,554	3%

0

East Caribbean Financial Holding Company Limited
Interim Consolidated Statement of Income
For the six month period ended June 30, 2018

(expressed in thousands of Eastern Caribbean dollars)

	(Unaudited) 6 mths to June 30, 2018 \$'000	(Audited) 12 mths to December 31, 2017 \$'000	(Unaudited) 6 mths to June 30, 2017 \$'000	12mths Change %
Continuing Operations				
Interest income	42,106	80,503	40,439	4%
Interest expense	14,173	32,145	16,221	-13%
Net interest income	27,933	48,358	24,218	15%
Other income	27,221	59,916	25,694	6%
Operating income	55,154	108,274	49,912	11%
Impairment Loss - Loans & Investments	6,557	16,431	10,409	-37%
Other operating expenses	32,774	62,524	32,077	2%
Profit for the period before taxation and dividends	15,823	29,319	7,426	113%
Dividends on preference Shares	-	291	-	0%
Provision for income tax	2,333	(2,806)	1,149	103%
Profit for the period	13,490	31,834	6,277	115%
Profit/(loss) for the year from discontinued operation	-	683	(448)	
Profit/(loss) on disposal of subsidiary	-	4,472	(1,785)	
Profit for the period	13,490	36,989	4,044	234%
Earnings per share				
- basic	0.55	1.30	0.16	
- diluted	0.53	1.27	0.15	

East Caribbean Financial Holding Company Limited
Interim Consolidated Statement of Cash Flows
For the six month period ended June 30, 2018

(expressed in thousands of Eastern Caribbean Dollars)

	(Unaudited) 6 mths to June 30, 2018 \$'000	(Audited) 12 mths to December 31, 2017 \$'000	(Unaudited) 6 mths to June 30, 2017 \$'000
Operating Activities			
- Profit before income tax	15,823	34,474	7,426
- Adjustments for items not affecting cash, changes in non-cash working capital components and other items, net	24,962	81,865	91,839
Cash flows from operating activities	40,785	116,339	99,265
Cash flows used in investing activities	(2,941)	(600,268)	(562,023)
Cash flows used in financing activities	(13,860)	(5,500)	(7,929)
Net increase in cash and cash equivalents	23,984	(489,429)	(470,687)
Cash and cash equivalents at beginning of period	351,045	840,474	840,474
Cash and cash equivalents at end of period	375,029	351,045	369,787