

**Schedule 2
FORM ECSRC-OR**

(Select One)

QUARTERLY FINANCIAL REPORT for the period ended 30, June 2023

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)

(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 issuers classes of common stock, as of the date of completion of this report 2.

CLASS	NUMBER
Preference	830000
Ordinary	24465589

SIGNATURES

A Director, the Chief Executive Officer and Chief Financial Officer of the company shall sign this Annual Report on behalf of the company. By so doing each certifies that he has made diligent efforts to verify the material accuracy and completeness of the information herein contained.

The Chief Financial Officer by signing this form is hereby certifying that the financial statements submitted fairly state the company's financial position and results of operations, or receipts and disbursements, as of the dates and period(s) indicated. The Chief Financial Officer further certifies that all financial statements submitted herewith are prepared in accordance with International Accounting Standards consistently applied (except as stated in the notes thereto) and (with respect to year-end figures) including all adjustments necessary for fair presentation under the circumstances.

Name of Chief Executive Officer:

Rolf Phillips



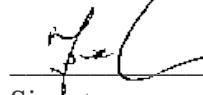
Signature:

31 July 2023

Date

Name of Director:

Marcus Joseph



Signature:

31 July 2023

Date

Name of Chief Financial Officer:

Ketha Auguste



Signature

31 July 2023

Date

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:

1. Condensed Balance Sheet as of the end of the most recent financial year and just concluded reporting period.
2. 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.
3. 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.
4. By way of *Notes to Condensed Financial Statements*, provide explanation of items in the financial statements and indicate any deviations from generally accepted accounting practices.

2. Management's Discussion and Analysis of Financial Condition and Results of Operation.

Discuss the reporting issuer's financial condition covering aspects such as liquidity, capital resources, changes in financial condition and results of operations during the reporting period. Discussions of liquidity and capital resources may be combined whenever the two topics are interrelated. Discussion of material changes should be from the end of the preceding financial year to the date of the most recent interim report.

The Management's Discussion and Analysis should disclose sufficient information to enable investors to judge:

1. The quality of earnings;
2. The likelihood that past performance is indicative of future performance; and
3. The issuer's general financial condition and outlook.

It should disclose information over and above that which is provided in the management accounts and should not be merely a description of the movements in the financial statements in narrative form or an otherwise uninformative series of technical responses. It should provide management's perspective of the company that enables investors to view the business from the vantage point of management.

The discussion should focus on aspects such as liquidity; capital resources; changes in financial condition; results of operations; material trends and uncertainties and measures taken or to be taken to address unfavourable trends; key performance indicators; and non-financial indicators.

General Discussion and Analysis of Financial Condition

The Group produced strong operating results in the second quarter of 2023. The performance benefited from high international benchmark rates, improved economic indicators, continued loan quality and initiatives undertaken to drive sustainable profits.

Our balance sheet assets was reported at \$2.8B at the end of June 2023 an increase of \$123M from December 2022's audited results. This was driven by an increase of \$92.2M in customer deposits and net repayment of loans by customers. Liquidity remained strong as we ended the quarter with \$570M in balances with banks and other financial institutions.

The Group's loan portfolio grew by \$39.4M (net) in loans, overdrafts and credit cards from December 2022. The Group's investment portfolio of \$1B has surpassed the loan portfolio which now stands as \$900.3M. The Bank currently has several loan prospects which is expected to result in an increase in the loan portfolio.

At June 30, 2023, return on assets and return on equity were 2.08% and 19.36% respectively; an increase from the December 2022 performance of 1.6% and 14.8% respectively. These ratios have been impacted by significantly higher profit after tax in 2023.

Loans to deposit continue to lag last year's ratio and the benchmark rate. The Group's recorded loans to deposit ratio at June 2023 was 42.01% versus 43.88%, at June 2022 and a benchmark of 75% - 85%. The non-performing loans ratio at June 2023 was 10.1% versus 11.75% at June 2022 representing an improvement in the ratio. The performance however remains significantly adverse to the benchmark of 5%.

Total qualifying capital of the Banking subsidiary was reported at \$395.7M this quarter and the capital adequacy ratio moved from 19.2% at December 2022, 20.2% at March to 20.8% this quarter. As the international markets continue to improve, unrealised losses from investments at Fair Value through Other Comprehensive Income continue to improve with a recorded loss position of \$38.8M. This is an improvement of \$5.1M at June 2023 from December 2022 but a slight deterioration of 1.9% from March 2023.

Liquidity and Capital Resources

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

- i. The reporting issuer's financial condition covering aspects such as liquidity, capital resources, changes in financial condition and results of operations.
- ii. Any known trends, demands, commitments, events or uncertainties that will result in, or that are reasonably likely to result in, the issuer's liquidity increasing or decreasing in any material way. If a deficiency is identified, indicate the course of action that the reporting issuer has taken or proposes to take to remedy the deficiency.

- iii. The issuer's internal and external sources of liquidity and any material unused sources of liquid assets
- iv. Provisions contained in financial guarantees or commitments, debt or lease agreements or other arrangements that could trigger a requirement for an early payment, additional collateral support, changes in terms, acceleration of maturity, or the creation of an additional financial obligation such as adverse changes in the issuer's financial ratios, earnings, cash flows or stock price or changes in the value of underlying, linked or indexed assets.
- v. Circumstances that could impair the issuer's ability to continue to engage in transactions that have been integral to historical operations or are financially or operationally essential or that could render that activity commercially impracticable such as the inability to maintain a specified level of earnings, earnings per share, financial ratios or collateral.
- vi. Factors specific to the issuer and its markets that the issuer expects will affect its ability to raise short-term and long-term financing, guarantees of debt or other commitment to third parties, and written options on non-financial assets.
- vii. The relevant maturity grouping of assets and liabilities based on the remaining period at the balance sheet date to the contractual maturity date. Commentary should provide information about effective periods and the way the risks associated with different maturity and interest profiles are managed and controlled.
- viii. The issuer's material commitments for capital expenditures as of the end of the latest fiscal period, and indicate the general purposes of such commitments and the anticipated source of funds needed to fulfil such commitments.
- ix. Any known material trends, favorable or unfavorable, in the issuer's capital resources, including any expected material changes in the mix and relative cost of capital resources, considering changes between debt, equity and any off-balance sheet financing arrangements.

Discussion of Liquidity and Capital Resources

For the six month period ended June 30, 2023, the Group recorded an increase of \$92.2M in customer deposits and this contributed to the cash position, growth in investments and loans. Cash and deposits with banks and non-bank financial institutions stood at \$569.9M an increase of \$71M or 14.2% from December 2022. Net investment securities increased by 1.1% from December 2022. The investment portfolio has a duration and average maturity profile of 2.3 and 2.9 with over 30% having a duration and average maturity of 0-1 years.

Shareholders' equity increased \$33.3M from December 2022. This was driven primarily by the profit of \$28.2M for the six-month ended June 30, 2023 and by a reduction of \$5.1M in unrealised losses on assets at fair value through OCI.

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 offbalance sheet arrangements.

iv) The effects on the issuer's business and financial condition of the entity's termination if it has a finite life or it is reasonably likely that the issuer's arrangements with the entity may be discontinued in the foreseeable future.

Off balance sheet arrangements comprise primarily of pension fund assets under management. At June 30 2023, these stood at \$172.2M when compared with \$148.9M in 2022.
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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 generated \$14.5M (106.1%) in net income for the quarter ended June 30, 2023. The year-over-year net income growth of 160.7% was led by a 51.8% improvement in net interest income, coupled with a strong 56% increase in Other income. The Bank enjoyed improved performance in almost every revenue item when compared to the same period in 2022. Interest income from loans was recorded at \$3.5M or 14% above the comparative period of 2022 and interest from investments and bank deposits was up \$8.9M or 72% from June 2022. This is reflective of the increasing interest rate environment. Fee and commission income including foreign exchange income experienced a 8.2% increase, net gain on investments at fair value through profit or loss was up 273.5%, as the volatility in the markets continue. Bad debt recoveries was also up 55% year on year.

The Group also recorded an increase in operating expenses including staff costs for the quarter of 13.2% over the first quarter of 2023. Year on year, an increase of 18.1% was recorded in operating expenses. This included retroactive payment to staff on conclusion of negotiations with the employees' representatives.

Asset quality continues to improve as the Group recorded a recovery of provisions on both loans and investments. A recovery of 171.7% and 150% were recorded for loans and investments respectively for the quarter and year on year, provision recovery was up 181.6% and 172.9% for loans and investments.

We are encouraged by the performance to date and the Group will continue to pursue its strategic initiatives to create further value for its various stakeholders.

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.

For the period ended June 30, 2023, the Material Risk Factors with the highest Residual Risk Scores continues to be as follow:

- Regulatory Risk - HIGH
- Compliance Risk - MEDIUM
- People & Culture Risk - MEDIUM
- Credit Risk - MEDIUM

While Operational Risk, which includes Information Security Risk, received an overall residual risk rating of Medium. It should be highlighted that Information Security Risk, the sub component of Operational Risk, received a Residual Risk rating of High. The key reasons for this include:

- The Bank has not fully met all the requirements of the new ECCB Prudential Standard on ‘Technology Risk Management’ , which came into effect in January 2023. Thus, the Bank is currently in breach.
- In addition, the current Disaster Recovery System of the Bank does not facilitate backups for all of the Bank's core banking software. Accordingly, in the event of a disaster, the risk exists that all systems may not be operational and is of key importance as over 75% of transactions occur via online payment systems

Regulatory Risk and Compliance Risk were rated at High and Medium respectively, due to the fact that BOSL is not fully compliant with the ‘Technology Risk Management’ prudential standard and the preliminary findings of the Risk Based ECCB Prudential Audit which highlighted that RMCS does not have a documented Operations Manual guiding its processes. In addition, the Bank continues to experience breaches of internal policies and procedures.

Credit Risk and People & Culture Risk remain at Medium due to

- Gaps in Knowledge and Competence of Staff (People and Culture Risk)
- Persistent NPL ratio above the ECCB Benchmark (Credit Risk)

The Bank continues to monitor the above risks and the progress of the treatment plans.

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 are no legal proceedings to be reported.

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.

N/A

(b) 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 installment, 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 installment, state the amount of the default and the total arrears on the date of filing this report.

There has been none.

(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.

There has been none.

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.

Special Meeting

(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.

Directors Elected

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Directors Elected

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(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.

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

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(e) Relevant details of any matter where a decision was taken otherwise than at a meeting of such security holders.

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8. Other Information.

The reporting issuer may, at its option, report under this item any information, not previously reported in a Form ECSRC – MC report (used to report material changes), with respect to which information is not otherwise called for by this form, provided that the material change occurred within seven days of the due date of the Form ECSRC-OR report. If disclosure of such information is made under this item, it need not be repeated in a Form ECSRC – MC report which would otherwise be required to be filed with respect to such information or in a subsequent Form ECSRC – OR report.

None