

**Schedule 3**  
**FORM ECSRC - Q**

**(Select One)**

Quarterly Report  
For the period ended March 31, 2011

or

TRANSITION REPORT \_\_\_\_\_  
**(Applicable where there is a change in reporting issuer's financial year)**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Issuer Registration Number: ECFH 28062001SL

East Caribbean Financial Holding Company Limited  
(Exact name of reporting issuer as specified in its charter)

Saint Lucia  
(Territory or jurisdiction of incorporation)

No. 1 Bridge Street, Castries St. Lucia  
(Address of principal executive Offices)

(Reporting issuer's:

Telephone number (including area code): 758-456-6000

Fax number: 758-456-6702

Email address: [ecfh@candw.lc](mailto:ecfh@candw.lc)

N/A

(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

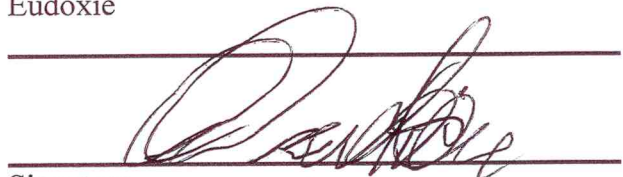
### SIGNATURES

Name of Chief Executive Officer:

Name of Director:

Robert  
Norstrom

Victor  
Eudoxie

Signature

Signature

Date

25/05/11

Date

25/06/11

## **INFORMATION TO BE INCLUDED IN THE REPORT**

### **1. Financial Statements**

Provide quarterly Financial Statements 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 quarter.
- (b) Condensed Statement of Income for the 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 interim three, six and nine months of the current financial year and the corresponding period in the previous financial year.
- (d) Examples of financial data items to be included in constructing financial statements for various types of businesses are provided in Parts A-D. These items are meant to serve as guidelines only.
- (e) 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 Operations**

Discuss reporting issuer's financial condition, changes in financial condition and results of operations during the reporting period. Discussion of material changes should be from the end of the preceding financial year to the date of the most recent interim quarterly report. The broad areas of discussions should centre around liquidity, capital resources and results of operations. Discussions of liquidity and capital resources may be combined whenever the two topics are interrelated.

#### **(a) Liquidity**

Identify any known trends or commitments, demands, events that will result in or that are reasonably likely to result in the reporting 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.

The Group is presently experiencing high levels of liquidity. This is reflected in Cash Balances that are significantly higher than last year's comparatives. The improved liquidity is due to the growth in levels of Customer Deposits held by the Group's banking subsidiaries, together with a continued shortage of good and well secured lending opportunities. Secure investment of excess funds is therefore in the forefront of management initiatives.

Additional customer deposits held by the Offshore banking subsidiary, Bank of St Lucia International Ltd, which have increased considerably in value since 2010, are not necessarily expected to be long term in nature and are deposited with other banks rather than placed in longer term investments.

(b) **Capital Resources**

Describe the reporting 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. Describe any material trends, favourable or unfavourable in the reporting issuer's capital resources and any expected change in mix. The discussion should consider changes between equity, debt and any off-balance sheet financing arrangements.

The Group's main focus for its Capital expenditure is in a new administrative building presently under construction in the North of St Lucia. The building will be occupied by the offshore banking and brokerage subsidiaries and is scheduled for completion later in the year. The Group's Borrowings and capital structure have remained fairly stable since March last year reflecting the repayment of a loan offset by additional issues of the Bank of St Lucia Note. No major changes in capital structure are anticipated in the near future.

(c) **Results of Operation.**

Describe 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 indicate the extent the income was so affected. Describe any known trends or uncertainties that have had or that the reporting issuer reasonably expects will have a material favourable or unfavourable impact on net sales or revenues or income from continuing

operations. If the reporting issuer knows of events that will cause a material change in the relationship between costs and revenues (such as price increases, costs of labour or materials), the changes in relationship should be disclosed.

The major change in the Group's operations has come from the recently acquired controlling interest in the Bank of St Vincent & the Grenadines (formerly NCB St. Vincent). This brought about significant increases in Total Group Assets, Income and Expenses. Resources are now being focused on integrating the new subsidiary within the ECFH Group. Major initiatives towards this include implementation of common policies and a comprehensive re-branding exercise. Changes are also anticipated in the office accommodation arrangements for the new subsidiary.

### **3. Disclosure of 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 and only include factors that are unique to the company. 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.

The ECFH Group continued to face challenges in 2010 and the first quarter of 2011 on both the international and domestic landscapes. This has led to increased exposures in some risk categories as well affecting the Group's earnings.

The significant risks to which the Group is exposed include credit risk, liquidity risk, market risk, operational risk, foreign exchange risk, and reputation risk. The Group ensures that risk mitigation in any one area does not inadvertently increase exposure in other areas.

#### **Credit Risk**

Credit risk is determined to be the largest single risk faced by the ECFH Group. At September 30, 2010, credit activity (loans and investments) amounted to approximately 86% of total assets. During the period under review, the Group continued to monitor the quality of loans being approved, conducting credit risk reviews on all lending over a stipulated dollar value and analysis on loans approved to ensure general compliance with approved credit risk management guidelines. Reviews of the quality and performance of the credit portfolio are undertaken on a regular basis to identify trends and concentrations and take corrective action as necessary. The Recoveries Committee continuously monitors and reviews delinquency levels.

Significant efforts have been made to reduce the non-productive portfolio including work-outs, write-off and sale of selective non-performing loans. The ratio of non-productive loans to total loans was 8.07% at March 31, 2011 compared to 7.67% at December 31, 2010. Efforts are ongoing to attain the international benchmark of 5%. While the ECFH Group continues to work with its client through these difficult times, the slow pace of economic recovery will make it difficult to contain the growth in the nonproductive portfolio in the next 12 months.

The investment portfolio showed significant signs of improvement both in terms of volume and but experienced declining yields. The first quarter of 2011 saw total assets under management grow by \$13.16M or 3.29%. This movement stemmed mainly from On-Balance sheet growth of 2.41%. There was a decline in the Off-balance sheet portfolios of 3.71% primarily as a result of instruments liquidated to fund the construction of the New Northern Financial Sector Building. Accordingly based on the respective portfolio values the weighted average yield of the various portfolios both on and off balance sheet as at the end of the first quarter of 2011 was 6.17%. This is down 11 basis points from the 6.28% recorded as at end-December, 2011 reflective of the extremely liquid conditions being experienced in the OECS market at this time.

#### Market Risk

The Group is stepping up its efforts to manage market risks. To improve its management of market risk, the ECFH Risk Management and Compliance Services is using a financial risk simulation model to assess market and liquidity risk and to provide stress testing scenarios. Currently, the model focuses only on Bank of Saint Lucia Limited but it is the intention to expand the financial risk simulation model to include other subsidiaries of the ECFH Group.

Additionally, the portfolio of investments is continually monitored for changes in value of instruments and circumstances of institutions with which the Group conducts business. Investments are subject to market valuations where appropriate and instruments are marked to market in keeping with IFRS.

#### Foreign Exchange Risk

Growth in the offshore banking area has resulted in an increase in the number of foreign currencies being managed which means increased exposure to foreign exchange risk. Foreign exchange exposure is monitored on a regular basis by the respective business units as well as the Asset Liability Committee. There were no instances of unmanaged significant exposure during the period under review.

#### Operational Risk

The island of St. Lucia was ravaged by hurricane Tomas and as a result of its Business Continuity plan, the Group was able to resume partial operations within 2 days and full operations within 2 weeks of the passage of hurricane Tomas. With the acquisition of

