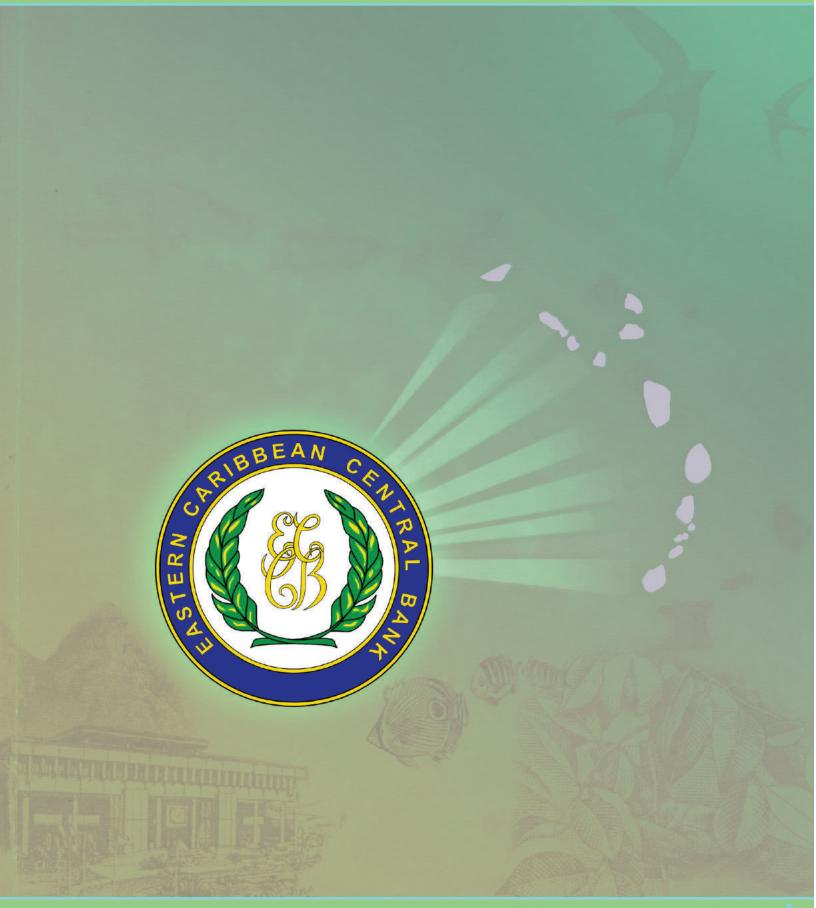
Eastern Caribbean Central Bank



REPORT AND STATEMENT OF ACCOUNTS



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ECCB Mantra - STAR

The ECCB mantra depicts a celebration of the core values of the Bank; a change in the Bank's culture; and a call to collective action for all staff.





Eastern Caribbean Central Bank

10 June 2016

Sirs

In accordance with Article 48(1) of the Eastern Caribbean Central Bank Agreement 1983, I have the honour to transmit herewith the Bank's Annual Report for the year ended 31 March 2016 and a Statement of the Bank's accounts as at that date, duly certified by the Auditors.

I am,

Your Obedient Servant

Timothy N. J. Antoine

GOVERNOR

The Honourable Victor F Banks

Chief Minister

ANGUILLA

The Honourable Gaston Browne

Prime Minister

ANTIGUA AND BARBUDA

The Honourable Roosevelt Skerrit

Prime Minister

COMMONWEALTH OF DOMINICA

The Honourable Dr Kenny D Anthony

The Honourable Donaldson Romeo

Dr The Honourable Timothy Harris

Prime Minister

Premier

MONTSERRAT

Prime Minister

ST KITTS AND NEVIS

SAINT LUCIA

Dr The Right Honourable Keith Mitchell

Prime Minister

GRENADA

Dr The Honourable Ralph Gonsalves

Prime Minister

ST VINCENT AND THE GRENADINES

Tel: (869) 465-2537 • Fax: (869) 465-9562/1051

E-mail: info@eccb-centralbank.org • Website: www.eccb-centralbank.org

SWIFT: ECCBKN

MISSION STATEMENT

To maintain the stability of the EC dollar and the integrity of the banking system in order to facilitate the balanced growth and development of member states

VISION STATEMENT

The Bank aspires to be the leading institution for economic policy advice, a model for management in the ECCU and an advocate for the ECCU's regionalisation initiatives

Tribute to the Honourable Sir K Dwight Venner

Governor - ECCB: December 1989 to November 2015

If ever there were a man who gave of his best, then surely you are that man

If ever a man were respected by his peers, then surely that man is you

Your drive inspired our courage

And taught us never to quit

Your voice inspired sweet laughter

We never grew weary of your wit

We cherish your contribution to the region, more than bars of gold

And your wisdom and vision – more than earth's riches untold

We will not let your legacy
wither
Like a flower stripped of its
hue
For we will always and forever
consider
All that you did, and will

continue to do.

~ Laurel Seraphin Bedford







BIOGRAPHY

Governor of the Eastern Caribbean Central Bank Timothy N. J. Antoine



Mr. Timothy N. J. Antoine, a national of Grenada, assumed duties as the third Governor of the Eastern Caribbean Central Bank (ECCB) on 1 February 2016.

He is an economist and development practitioner by training, experience and passion.

Before taking up the position of Governor, Mr. Antoine served as Director for Grenada on the ECCB Board of Directors for the periods: 2002 to October 2005 and January 2008 to January 2016.

Mr. Antoine's 22-year tenure with the Government of Grenada was spent in the Ministry of Finance where he began as a Planning Officer in 1993 and rapidly moved up the ranks to Senior Economist before being appointed Permanent Secretary, serving in that position for the periods August 1999 to October 2005 and January 2008 to January 2016.

From November 2005 to November 2007, he served as Advisor to the Executive Director for Canada, Ireland and the Caribbean in the World Bank Group and was based in Washington D.C. In that role, he offered analyses and advice on various development policies and projects and was a strong advocate for the interests of the Caribbean and small States.

He was a Part-Time Lecturer in Economics and Development at St George's University from 1999-2000.

Mr. Antoine has also contributed to the development of the OECS and wider Caribbean in various ways including serving on several local, regional and international boards and committees including:

- Chairman, Grenada's Homegrown Programme Monitoring Committee
- Chairman, Grenada Authority for the Regulation of Financial Institutions
- Chairman, Investment Committee, Grenada National Insurance Board
- Chairman, Governance Reform Committee, Board of Directors, Caribbean Development Bank
- Director, Board of Directors, CARICOM Development Fund
- Director, Caribbean Catastrophe Risk Insurance Facility
- Chairman, ECCU Technical Core Committee on Insurance

Mr. Antoine, holds a MSc Degree in Social Policy and Planning in Development Countries from the London School of Economics and a BSc Degree in Economics with Management from the University of the West Indies. He has also received training from the Small Countries Financial Management Centre in the Isle of Man and training in Negotiations at the Said International School of Business, Oxford University. He also has a Certificate in Project Cycle Management from the Caribbean Development Bank (CDB).

Other passions include: reading, music, speaking with youth and sports.

Mr. Antoine is a man of deep faith. He has served as Chairman of the Board of the St George's Bible Holiness Church.

He is married to Charmaine Antoine nee Rouse. They have two daughters: Chereece and Yaana.

Monetary Council



The Hon Gaston Browne **Antigua and Barbuda**



The Hon Victor F Banks
Anguilla
Chairman



The Hon Roosevelt Skerrit Commonwealth of Dominica



Dr The Right Hon Keith Mitchell **Grenada**



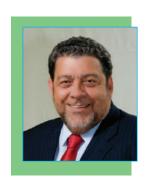
The Hon Donaldson Romeo Montserrat



Dr The Hon Timothy Harris
St Kitts and Nevis



The Hon Dr Kenny D Anthony
Saint Lucia



Dr The Hon Ralph Gonsalves
St Vincent and the Grenadines

BOARD OF DIRECTORS



Mr Timothy N. J. Antoine Chairman



Mr Trevor Brathwaite

Deputy Governor



Mrs Kathleen Rogers
Anguilla



Mr Whitfield Harris Jr Antigua and Barbuda



Mrs Rosamund Edwards

Commonwealth of Dominica



Dr Wayne Sandiford **Grenada**



Mrs Lindorna Brade Montserrat



Mrs Hilary Hazel

St Kitts and Nevis



Mr Francis Fontenelle
Saint Lucia



Mr Maurice Edwards
St Vincent and the Grenadines

CORPORATE INFORMATION

EXECUTIVE COMMITTEE	Mr Timothy N. J. Antoine Mr Trevor Brathwaite Mrs Jennifer Nero	Governor Deputy Governor Managing Director
MANAGEMENT TEAM		
Corporate Relations Department (CRD)	Mrs Ingrid O'Loughlin Mrs Shermalon Kirby-Gordon	Senior Director Deputy Director
Governor's Immediate Office (GIO)	Ms Laurel Bain	Senior Director
Management Information Systems Department (MISD)	Mr Wayne Myers Mrs Cindy Parris-Gilbert	Senior Director Deputy Director
Accounting Department (AD)	Mr Senator Samuel Mr Norman Sabaroche	Director Deputy Director
Banking and Monetary Operations Department (BMOD)	Mrs Yvonne Jean-Smith Mr Niall Pistana Mr Alex Straun	Director Deputy Director Deputy Director
Bank Supervision Department (BSD)	Mr Kennedy Byron Mrs Allison Crossman Mrs Laurel Seraphin Bedford	Director Deputy Director Deputy Director
Currency Management Department (CMD)	Mrs Maria Cumberbatch Mr Rosbert Humphrey	Director Deputy Director
Human Resources Department (HRD)	Mrs Norma Hanley-Pemberton Ms Jolene Francis	Director Deputy Director
Internal Audit Department (IAD)	Mrs Raquel Leonce Mr Aldrin Phipps	Director Deputy Director
Legal Services Department (LSD)	Mrs Merlese O'Loughlin Ms Gillian Skerritt	Director Deputy Director

CORPORATE INFORMATION

As at 31 March 2016

MANAGEMENT TEAM (cont'd...)

Research Department	Ms Karen Williams	Director
(RD)	Mr Hamilton Stephen	Deputy Director
	Ms Patricia Welsh	Deputy Director
		- 1
Statistics Department	Mrs Térèsa Smith	Director
(SD)	Mrs Seana Benjamin-Mack	Deputy Director
	Ms Juletta Jeffers	Deputy Director
	Ms Leah Sahely	Deputy Director
	1.10 Louis Sunoty	2 op any 2 mouton
Support Services Management	Ms Sharmyn Powell	Director
Department (SSMD)	Mrs Beverley Edwards-Gumbs	Deputy Director
C CP COLLET		_
ADVISERS		
Governor's Immediate Office	Ms Elizabeth Tempro	Senior Adviser
(GIO)	Ms Maria Barthelmy	Adviser
	Mr Rohan Stowe	Adviser
Banking and Monetary Operations Department (BMOD)	Ms Allison Stephen	Adviser
Bank Supervision Department	Mr Hudson Carr	Adviser
(BSD)	Ms Sharon Welcome	Adviser
	Mr Shawn Williams	Adviser
Corporate Relations Department (CRD)	Ms Sybil Welsh	Adviser
Management Information Systems Department (MISD)	Mr Humphrey Magloire	Adviser
Statistics Department	Mrs Hazel Corbin	Adviser
(SD)	Mr John Venner	Adviser
(SD)	IVII JUIIII V CIIIICI	AUVISCI

CORPORATE INFORMATION

As at 31 March 2016

RESIDENT REPRESENTATIVES

Ms Marilyn Bartlett-Richardson

ECCB Agency Office P O Box 1385 The Valley ANGUILLA

Telephone: 264 497 5050 Facsimile: 264 497 5150

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Mr Albert Lockhart

ECCB Agency Office P O Box 741

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Facsimile: 268 462 2490
E-mail: eccbanu@candw.ag

Ms Sherma John

ECCB Agency Office

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Roseau

COMMONWEALTH OF DOMINICA

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ECCB Agency Office Monckton Street St George's GRENADA

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E-mail: eccbgnd@spiceisle.com

Mrs Claudette Weekes

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Brades

MONTSERRAT

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E-mail: eccbmni@candw.ms

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Facsimile: 758 453 6022
E-mail: eccbslu@candw.lc

Mrs Elritha Miguel

ECCB Agency Office

P O Box 839

Frenches House, Frenches

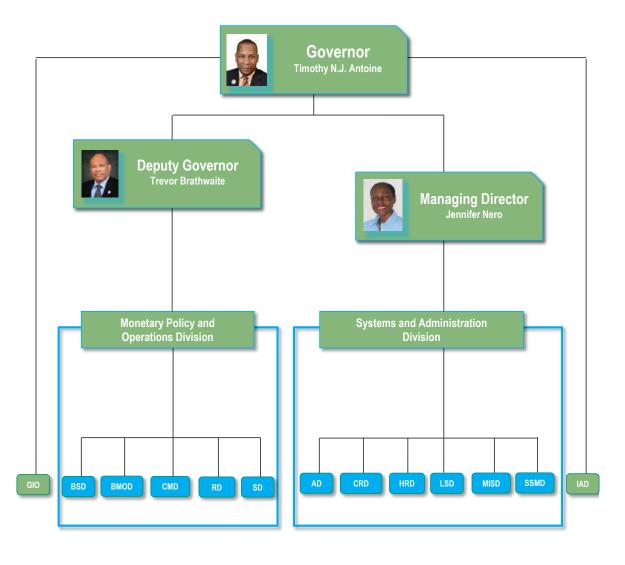
Kingstown

ST VINCENT AND THE GRENADINES

Telephone: 784 456 1413 Facsimile: 784 456 1412

E-mail: eccbnetwork@vincysurf.com

Organisational Chart



KEY:	
GIO BSD BMOD CMD RD SD	Governor's Immediate Office Bank Supervision Department Banking and Monetary Operations Department Currency Management Department Research Department Statistics Department

KEY:	
AD	Accounting Department
CRD	Corporate Relations Department
HRD	Human Resource Department
LSD	Legal Services Department
MISD	Management Information Systems Department
SSMD	Support Services Management Department
IAD	Internal Audit Department

Highlights of the Year

In accordance with Article 5E (2)(b) of the ECCB Agreement, the ECCB relinquished control of the ABI Bank Limited with effect from 27 November 2015.

The ECCB had assumed control of the ABI Bank Limited on 22 July 2011 in accordance with its emergency powers set out in Part IIA of the Eastern Caribbean Central Bank Agreement 1983 (as amended) set out as a schedule of the Eastern Caribbean Central Bank Agreement Act. Cap.142 (as amended) in the laws of Antigua and Barbuda.

- Effective 1 December 2015, the Honourable Sir K Dwight Venner, the second Governor of the ECCB, retired after 26 years of distinguished service to the Bank. In recognition of his long and yeoman service to the Bank and by extension, the ECCB member countries, at its 84th Meeting the ECCB Monetary Council established a Committee to identify an appropriate manner to honour Sir Dwight's legacy.
- On 1 February 2016, the ECCB welcomed Mr Timothy N. J. Antoine as its third Governor. Mr Antoine, a former Permanent Secretary in the Ministry of Finance, Grenada, has significant regulatory experience having served as a member of the ECCB Board of Directors for 12 years and as Chairman of the Grenada Authority for Regulation of Financial Institutions for seven years. On his first day in office Governor Antoine shared his vision for the ECCU and the ECCB: A *New Vision For A New Era*: 2016 2020 and Beyond.

Foreword

A New Vision for a New Era: 2016 - 2020 and Beyond

It is my high honour and distinct privilege to serve the people of our region as Governor of the ECCB.



On 1 February 2016, I assumed office as the Governor of the ECCB, succeeding the Honourable Sir K Dwight Venner who was at the helm of ECCB for 26 years. Sir Dwight's contribution to the ECCB and our region is colossal and his legacy is secure.

It is my high honour and distinct privilege to serve the people of our region as Governor of the ECCB. The ECCB has made, and is now being positioned to make an even bigger contribution to the Currency Union through the pursuit of our purposes under Article 4 of the ECCB Agreement Act (1983):

- a. to regulate the availability of money and credit;
- b. to promote and maintain monetary stability;
- c. to promote credit and exchange conditions and a sound financial structure conducive to the balanced growth and development of the economies of the territories of the Participating

Governments; and

d. to actively promote through means consistent with its objectives the economic development of the territories of the Participating Governments.

The financial year 2015/2016 could be considered a turning point in the history of the ECCB and its member countries. The international economy was recovering from the financial and economic crisis and recorded growth of 3.1 per cent in 2015. The member countries of the ECCB were gradually emerging from the crisis and GDP growth slowly improved from 1.6 per cent in 2013 to an average of 2.7 per cent in 2014 and 2015. At the same time, the debt to GDP ratio of ECCB member governments decreased from 81.7 per cent in 2014 to 76.0 per cent in 2015 and the financial stability indicators such as liquidity, capital adequacy and profitability began to improve.

Over the next two years, global growth is projected to average 3.5 per cent with increased activity expected in advanced economies, emerging markets and developing countries. The USA, our main trading partner, is likely to remain resilient and grow on average by 2.6 per cent over the period. The outlook for the Eastern Caribbean Currency Union (ECCU) is therefore positive with expectations of growth of 3.0 per cent in the medium term which would impact positively on the fiscal accounts and the financial sector.

Notwithstanding the positive forecast, the Bank is actively addressing external threats and challenges to the ECCU by developing strategies to mitigate their impact. These threats include:

- Less than potential growth influenced by slow growth in external economies;
- 2. Financial sector developments relating to the termination of correspondent banking relations and adherence to FATF, FATCA and CRS;
- 3. The possibility of a fall-off in the Citizen by Investment (CBI) flows;
- 4. The economic recession in Trinidad and Tobago;
- 5. Future rise in oil prices; and
- 6. The impact on the tourism sector of the opening up of relations between Cuba and the USA.

During the 2015/16 financial year, the Bank continued to focus on maintaining a stable financial system. A new Banking Act, which seeks to strengthen the framework for the regulation and supervision of banking business, was enacted. The Act addresses the ownership structures for licensed financial institutions, the licensing of financial holding companies and corporate governance of licensed financial institutions; and the establishment of a framework for the official

The Bank is actively addressing external threats and challenges to the ECCU by developing strategies to mitigate their impact.

administration of licensed financial institutions and the movement to a Single Financial Space.

Utilising the new Banking Act, the Central Bank successfully resolved the ABI Bank Ltd in Antigua and Barbuda and relinquished control of the bank effective 27 November 2015. During the financial year, the Central Bank further accelerated its efforts towards the resolution of the National Bank of Anguilla Ltd and the Caribbean Commercial Bank (Anguilla) Ltd.

In light of the BAICO/CLICO debacle and the linkages between the banking and non-bank financial institutions, the Central Bank continued to support efforts aimed at strengthening the non-bank financial sector and, in particular, the establishment of a regional regulator, the Eastern Caribbean Financial Services Commission (ECFSC) for the regulation and supervision of the non-bank financial institutions.

To support rising living standards for the citizens of the region, the financial system must be capable of providing credit to the productive sectors. In recognition of the importance of private sector investment to the growth and development of the currency union, the Bank initiated a project to undertake a diagnosis of the financial system with respect to financing for development. The project is expected to identify gaps In recognition of the importance of private sector investment to the growth and development of the currency union, the Bank initiated a project to undertake a diagnosis of the financial system with respect to financing for development.

in the system which would be followed by a strategy to strengthen the money and capital markets to provide financing to the private sector and, in particular, small and medium size enterprises.

In recognition of these developments and to chart a way forward, I articulated a vision styled "New Vision for a New Era: 2016 – 2020 and Beyond" which was endorsed by the Monetary Council on 13 February 2016.

The elements of the Vision are:

- Maintaining a strong EC dollar;
- Delivering comprehensive oversight of the financial system that encourages the development of strong and resilient financial institutions including indigenous banks;
- Monitoring credible and effective fiscal rules;
- Providing thought leadership and influential policy advice to member countries to elevate growth, development and employment;
- Enhancing our effectiveness through higher

- levels of transparency and accountability; and
- Continuous learning, business improvement and sharing with key stakeholders.

The Vision is anchored on maintaining a strong EC dollar. However, cognisant of the international environment and the challenges in the currency union, the strategic priorities for the ECCB are:

- 1. Financial Stability;
- 2. Fiscal and Debt Sustainability;
- 3. Growth, Competitiveness and Employment; and
- 4. Organisational Effectiveness.

In the area of financial stability, the Bank will seek to develop a strong and resilient financial system with well capitalised commercial banks and a macroprudential policy framework which focuses on mitigating systemic risk in the financial system.

The financial sector must be capable of providing adequate financial resources to the productive sectors. In this regard, the Bank would pursue the initiatives geared towards the further diversification and development of the financial system within the context of the Single Economic and Financial Space.

In collaboration with the World Bank and with support from the Financial Sector Reform and Strengthening Initiative (FIRST), a strategy and implementation plan for a more diversified financial system in the currency union will be developed. A diagnostic of the financial and economic structure of the ECCU will be completed and will be accompanied by an action plan to inform the implementation of a financial architecture that will facilitate diversification, including capital market development and access to finance by Micro, Small and Medium Enterprises (MSMEs). This project is

In recognition of the strong link between fiscal performance and the maintenance of the strong EC dollar, the Bank will continue to support programmes geared towards maintaining sustainable fiscal and debt levels over the medium term.

supported by the programme with the Savings Bank Foundation for International Cooperation (SBFIC) which seeks to support the strengthening of the financial sector and improving access to financial services by MSMEs. These efforts are designed to address a number of major challenges and gaps that impede financial intermediation and, in particular, access to finance.

In recognition of the strong link between fiscal performance and the maintenance of the strong EC dollar, the Bank will continue to support programmes geared towards maintaining sustainable fiscal and debt levels over the medium term. The Bank will continue to work with member governments to achieve the targeted Debt to GDP ratio of 60.0 per cent by 2030. In tandem with this target, the Bank has recommended that member governments enact "fiscal responsibility" legislation and set interim targets.

In pursuing the priority of growth, competitiveness and employment, the Bank will partner with the OECS Commission to improve the business climate and strengthen the private sector to operate within the OECS Single Economic and Financial Space. It is anticipated that the improved investment climate will facilitate improvement in the ease of doing business ranking, resulting in higher growth rates and a reduction in unemployment.

Internally, the ECCB will also strengthen its organisational effectiveness. We envisage an institution that serves the region based on our core values of **Service Excellence**, **Teamwork**, **Accountability** and **Results** which we term our **STAR** Mantra. In implementing this, the Bank will enhance its organisational efficiency through active engagement of stakeholders, providing thoughtful and influential policy advice, strengthening the governance arrangements and returning the Bank to profitability.

We are particularly pleased to report that the ECCB will launch a weekly podcast, *ECCB Connects* in April 2016. The programme will seek to inform the public on its operations and of activities being undertaken by the Bank. We have commissioned a redesign of our website to provide more useful information about the Bank and the region to our stakeholders.

In presenting the Annual Report, I wish to thank the Monetary Council of the ECCB, the Board of Directors, management and staff for reposing their confidence in me to serve as Governor as we embark on a new era for the ECCB.

Timothy N. J. Antoine

Governor

REVIEW OF PERFORMANCE

The activities of the ECCB during the financial year 2015/2016 reflected the Bank's statutory mandate, as prescribed in Article 4 of the ECCB Agreement Act 1983 (Amended) and centered around three key strategic areas: 1) Financial Sector Stability, 2) Fiscal and Debt Sustainability, and 3) Growth and Development.

The activities depicted the services and functions of the Bank to fulfil its role as a banker to the governments and commercial banks; guardian of the payments, settlement and clearance systems; and provider of technical and statistical support services.

The relatively weak global growth performance, uncertainty in international financial markets characterised by low interest rates, together with a number of domestic macro-economic and financial issues, provided a challenging environment for the execution of the Bank's work programme. Notwithstanding the challenging macroeconomic and financial landscape, the Bank achieved some important work programme milestones, particularly with respect to preserving the strong EC dollar policy and reducing vulnerabilities in the financial sector.

Economic growth in the currency union was positive in 2015, albeit at a moderate pace. On balance, fiscal performances improved, driven by higher tax revenues and an increase in flows associated with the Citizen by Investment programme. As a result, there was a reduction in the debt stock although it remained relatively high in some member states. The Bank also made significant advances in providing policy advice to member states, through its evidence-based research work.

Notwithstanding the challenging macroeconomic and financial landscape, the Bank achieved some important work programme milestones, particularly with respect to preservation of the strong EC dollar policy and reducing vulnerabilities in the financial sector.

One of the primary responsibilities of the ECCB is the management of monetary policy which is organised around the maintenance of a fixed exchange rate for the common currency, the EC dollar, which is pegged to the US dollar. In this respect, reserve management is critical for ensuring preservation of capital and meeting liquidity needs for Balance of Payments transactions. Over the review period, the foreign reserve portfolio performed positively and monetary and credit conditions remained stable. During the year, the backing ratio averaged well above 90.0 per cent, significantly higher than the statutory and operational benchmarks of 60.0 per cent and 80.0 per cent respectively, and financial markets remained liquid. However, concerns about the stagnation in credit growth prompted the Monetary Council to reduce the statutory Minimum Savings Rate to 2.0 per cent from 3.0 per cent, effective 1 May 2015.

In collaboration with international financial institutions, the Bank was able to achieve some major targets in its attempt to improve the regulatory and supervisory framework for licensed financial institutions in the The Bank also pursued development of the financial sector in order to facilitate improvements in the financing of the private sector, in the context of a Single Economic and Financial Space.

currency union. Those included:

- Enactment of an amended ECCB Agreement Act
 1983 in all member states with improved powers
 and tools for intervening in licensed institutions;
- Enactment of a new Banking Act and new legislation for the operationalisation of an Eastern Caribbean Asset Management Corporation (ECAMC) for the management of non-performing assets in each member territory;
- Resolution of the ABI Bank Ltd which was under conservatorship;
- Development of a strategy for addressing the threats posed to access of correspondent banking services by ECCU banks, as a result of de-risking initiatives by major international banks; and
- Facilitating the finalisation of plans to ensure that member states are in compliance with regulatory requirements for the Foreign Account Tax Compliance Act (FATCA) by the extended deadline date of September 2016.

The Bank also pursued development of the financial sector in order to facilitate improvements in the financing of the private sector, in the context of a Single Economic and Financial Space. The World Bank's FIRST project and The Savings Bank Foundation for International Cooperation (SBFIC) initiative are expected to provide a comprehensive diagnosis of the financial system, with respect to access, depth and efficiency.

Fiscal and debt sustainability initiatives were focused on providing technical support and policy advice to member states in the implementation of programmes aimed at achieving the 60.0 per cent Debt to GDP target by 2030. To this end, the Bank, in collaboration with the Caribbean Technical Assistance Centre (CARTAC) held an ECCU Fiscal Framework Boot Camp, which developed scenario-based strategies for countries to achieve the 60.0 per cent Debt to GDP ratio by 2030. Member states were also given support, through the Canadian-funded Debt Management Advisory Service (DMAS) Unit at the ECCB, in the development of Medium Term Debt Strategies.

The Bank acknowledges that high and sustained private sector driven growth is needed to significantly improve key macroeconomic indicators such as the unemployment rate, the fiscal and debt balances and overall standard of living of ECCU citizens. To this end, the Bank has been instrumental in the establishment of the OECS Business Council and in undertaking research to address structural and institutional impediments affecting growth in member states.

Improving corporate relations, especially strengthening relationships with key stakeholders and citizens of the region, was also a major work programme activity. That was achieved through a set of targeted community outreach programmes, such as the OECS Essay Competition, Best Corporate Citizen Award Among ECCU Commercial Banks and sponsorship of the OECS Under-23 Netball Tournament.

The appointment of the new Governor, has ushered in a new era for the Bank. It is expected that the Bank will continue to deliver on its core mandate which is to preserve the fixed exchange rate regime and ensure the stability of the financial system. To this end, financial sector stability; fiscal and debt sustainability; and improving growth, competitiveness and employment will remain as strategic priorities for the formulation of the 2016/2017 work programme. In addition, emphasis will be placed on improving organisational and operational effectiveness and transparency, with a view to restoring the profitability of the Bank and enhancing relationships with the citizens of the region.

MONETARY STABILITY

MONETARY POLICY

Monetary and exchange conditions in the ECCU member states remained stable in 2015, primarily influenced by the continued resilience of the exchange rate peg. The integrity of the fixed exchange rate arrangement was not compromised, as the currency continued to be adequately supported by foreign reserves and positive domestic growth. The foreign reserves to demand liabilities or the backing ratio, averaged 96.45 per cent during 2015, comfortably above the statutory and operational limits of 60.0 per cent and 80.0 per cent respectively.

RESERVE MANAGEMENT

The ECCB foreign reserve portfolio performed positively over the period under review. Since the portfolio is benchmarked against US Treasuries, its performance was largely dictated by yield and price movements in the US treasury market. Support for

higher yields and lower prices occurred late in 2015 when the Federal Reserve increased the policy rate to a range of 0.25 to 0.50 per cent from a range of 0 to 0.25 per cent. However, yields tumbled and prices rose following historic volatility in Chinese financial markets and a continued decline in crude oil prices during the early months of 2016. Those events caused market expectations for further interest rate increases by the Federal Reserve to subside.

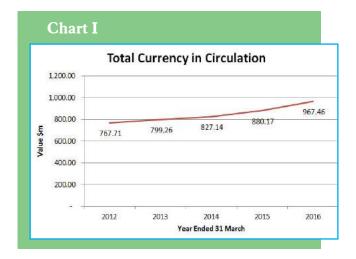
In the management of the foreign reserve portfolio, the ECCB continued to satisfy its reserve management objectives of preserving capital and meeting liquidity needs. The duration of the ECCB's Customised Benchmark was rebalanced to two years in keeping with the risk tolerance prescribed by the ECCB Board of Directors. The increase in the value of the ECCB's nominal base of foreign reserve assets made it possible for the Bank to transfer funds from the lower yielding liquidity tranche to the higher yielding core tranche of the foreign reserve portfolio.

CURRENCY MANAGEMENT

The main focus of the Currency Management Department is to ensure that the public in the ECCB member territories has adequate quantity and quality of notes and coins in denominations which best suit their needs.

As at 31 March 2016, currency in circulation stood at \$967.46 million compared with \$880.17m a year ago. The figure represents banknotes in the amount of \$871.92m (90.12 per cent), while coins in circulation amounted to \$95.54m (9.88 per cent). Currency in circulation reached the billion dollar mark in the week of 25 December 2015. The increase in currency in

circulation over the last five years is depicted in the graph below.



Withdrawal of the 1 Cent and 2 Cent Coins

The Bank took a decision to withdraw the 1-cent and 2-cent coins from circulation effective 1 July 2015. The main reasons for the withdrawal were:

- Low redemption of the coins;
- The cost of production exceeded the face value of the two denominations;
- Low purchasing power of the coins; and
- Low perceived value by the public.

A rounding process, up or down to the nearest 5-cent increment, was introduced for settlement of cash transactions involving the 1-cent and 2-cent coins.

As at 31 March 2016, a total of 33,600,000 1-cent coins and 14,220,000 2-cent coins had been withdrawn from circulation.

Painted Commemorative Circulation \$1 Coin

To commemorate the 50th Anniversary of the Eastern Caribbean Currency Authority (ECCA) banknotes, the Bank commissioned the Royal Canadian Mint to produce a limited edition of one million painted commemorative circulation \$1 coins (multi-ply nickel plated steel).

The coins are the exact shape and size of the existing circulation \$1 coin and bear some of the features of the ECCA \$1 banknote. The obverse carries the usual Ian Rank-Broadley (IRB) portrait of Queen Elizabeth II.

This product used pad printing technology which represents the next step in the evolution of painted coins, with a greater resistance to wear and tear. The painted coins comprise the second set of coins in the world to be minted using this technology, and the first in the western and northern hemisphere.

The coins were distributed to the commercial banks for issuance to the public in October 2015 and were not redeemed once they were issued.



FINANCIAL SECTOR STABILITY

The concept of financial system stability refers to the resilience of the financial system to risks, as evidenced by the strength of the EC dollar, efficiency of the payments and settlement system, a general show of public confidence and improvements in liquidity.

The financial system continued to be challenged by the relatively low level of economic activity in some member territories; market structure constraints which refer to small size and growing competition; compliance with regulatory requirements such as the United States (US) Foreign Account Tax Compliance Act (FATCA) and recent de-risking initiatives by large correspondent banks. Credit risk was considered as one of the major threats to financial stability, given the high level of non-performing assets at the commercial banks. The potential for contagion remained high within the ECCU financial system, given the small population size of the region.

Regulation and supervision of the banking sector remained a priority for the ECCB with a concentration on the resolution of intervened banks. In that regard, the ECCB continued to execute its duties in relation to the conduct of offsite and onsite risk assessments of licensed institutions.

In November 2015, the ECCB successfully resolved the ABI Bank Ltd, through the execution of a Purchase and Assumption Agreement with the Eastern Caribbean Amalgamated Bank Ltd (ECAB). The resolution strategy involved the full protection of depositors and the transfer of selected assets and liabilities to ECAB.

Enhancements to the regulatory and supervisory framework continued through the implementation of the ECCU's Eight Point Stabilisation and Growth Programme and execution of the Comprehensive Resolution Strategy for Strengthening the Resilience of the ECCU Financial System.

Additionally, the ECCB partnered with the IMF and The World Bank to implement initiatives to strengthen the financial system through the provision of technical assistance. One of the areas of focus was the strengthening of the ECCU's legislative tools. To this end, a new Banking Act was commenced in most of the member countries and new legislation for the operationalisation of an Eastern Caribbean Asset Management Corporation (ECAMC) for the management of non-performing assets was passed in each member territory.

An initial deadline of 30 September 2015 was proposed for compliance with FATCA. However, the United States Internal Revenue Service revised the timeline to 30 September 2016. To date, four member territories have signed Inter-Governmental Agreements with the US and two have enacted FATCA legislation.

In November 2015, the ECCB successfully resolved the ABI Bank Ltd, through the execution of a Purchase and Assumption Agreement with the Eastern Caribbean Amalgamated Bank Ltd (ECAB).

In July 2015, the Monetary Council approved the establishment of the ECCU Credit Bureau. The ECCB, in collaboration with the International Finance Corporation (IFC) and the Canadian Department for Foreign Affairs, Trade and Development, successfully hosted a series of credit bureau sensitisation workshops aimed at increasing stakeholders' awareness of the use of credit bureaus, credit reporting legislation and the ECCU Credit Bureau Project. The main participants at the workshops included representatives from financial institutions, the Ministries of Finance, the Single Regulatory Units and utilities and telecommunications companies.

Banking Services

During the year, the Bank, in fulfilling its mandate to maintain financial stability, increased its focus on its role as banker to member governments and commercial banks in accordance with Parts VIII and IX of the ECCB Agreement Act (1983). Towards this end, the Bank:

- 1. Provided the necessary liquidity support to the financial system;
- Focused on further development of the Automated Clearing House;
- Explored ways to enhance its role as fiscal agent to member governments particularly as it related to the Regional Government Securities Market (RGSM);
- 4. Collaborated with member governments to develop a cohesive action plan for public sector financial management; and
- 5. Facilitated member governments' enhancements of their cash management operations.

PAYMENT SYSTEM

In collaboration with commercial banks and the Eastern Caribbean Automated Clearing House Services Incorporated (ECACHSI), the Bank commenced the second phase of the Eastern Caribbean Automated Clearing House (ECACH) project. The second phase is the Electronic Funds Transfer (EFT) phase which, upon completion, will create the platform to enable participants to develop products to facilitate payments that facilitate:

- Consumer to Consumer, example: Rent and Remittances;
- Consumer to Company, example: Taxes and Utilities;
- Company to Consumer, example: Payroll and Social Security; and
- Company to Company, example: Loans and Investments.

Efforts continued to ensure that communication, settlement and back office functions were executed with precision in order to minimise risks.

LEGISLATIVE SERVICES

Legislative Agenda

The Bank increased its efforts to complete the implementation of the Legislative Reform Programme aimed at strengthening the resilience of the ECCU financial sector; and the development of the single financial and economic space. The Bank realised traction on the following pieces of legislation:

Banking Act – The Banking Act 2015 was enacted by the eight Participating Governments and commenced in seven of the eight member territories. The Act transfers licensing authority for banks to the Central

Bank and ushers in a single banking space in the Eastern Caribbean Currency Union.

Amendment to the Eastern Caribbean Central Bank Agreement - As at 31 March 2016, five of the eight Participating Governments had issued the statutory order to give effect to the amendment to the Agreement.

Eastern Caribbean Asset Management Corporation Agreement and Bill – Seven of the eight Participating Governments have passed the enabling legislation for the establishment of the Eastern Caribbean Asset Management Corporation (ECAMC). The ECAMC will facilitate the resolution of weak banks on a regional level by acting as an asset management vehicle for problem assets of approved financial institutions.

Eastern Caribbean Central Bank (Withdrawal from Circulation of One-Cent and Two-Cent Coins)
Regulations, 2015 - On 1 July 2015, the Bank, by regulation, called in the one-cent and two-cent coins it had issued for the purpose of withdrawing the coins from circulation as assessments showed that they were under-utilised and expensive to produce. The Regulations, made by the Bank, in exercise of the powers granted to it under Articles 8, 20 and 45 of the Eastern Caribbean Central Bank Agreement, have been published by all Participating Governments.

Regulatory

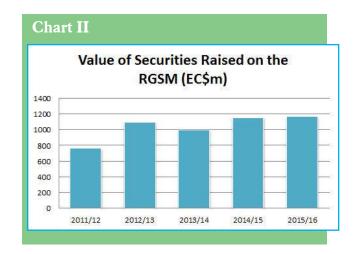
The Bank concluded the resolution of ABI Bank Ltd and continues to pursue the implementation strategy for the resolution of the Caribbean Commercial Bank (Anguilla) Ltd (CCB) and National Bank of Anguilla Ltd (NBA).

MONEY AND CAPITAL MARKET DEVELOPMENT

The Bank, in collaboration with two Canadian Government funded projects and the IMF, hosted a workshop on formulating investor relations programmes in February 2016. Staff from the debt units in all the member countries attended the workshop which provided a platform for the development of their own Investor Relations Programme in an effort to expand the investor base for government securities.

Five of the member governments: Antigua and Barbuda, the Commonwealth of Dominica, Grenada, Saint Lucia and St Vincent and the Grenadines, continued to utilise the RGSM to meet part of their financing needs. The five governments issued a total of 55 securities on the RGSM during the financial year – the same number as in the preceding year. The number of Treasury bill auctions increased to 47 from 46, while the number of bonds declined to eight from nine. That reflected the continued appetite of investors for short-dated government securities compared to medium and longer term instruments. All, but one, of the securities issued on the RGSM in the current financial year were denominated in local currency, as was the case in the preceding financial year.

During the year, the value of securities issued by the Participating Governments on the RGSM increased by \$115.3m (1.3 per cent) to \$1,172m, which represented the highest level of activity recorded on the RGSM since its inception in November 2002 (See Chart II). The main investors continued to be the commercial banks. However, there was significant growth in the participation of businesses and households.



The increased demand for Treasury bills led to a decline in short term yields which was the main contributing factor to the steepening of the weighted average yield curve for the ECCU. Yields on 180-day and 365-day Treasury bills fell by 104 basis points (bps) to 4.36 per cent and 5.17 per cent respectively. Yields on 91-day Treasury bills remained virtually unchanged at 3.67 per cent. Yields in the two to four-year segment were higher, while yields in the five to 10-year segment of the yield curve remained relatively stable.

OECS BUSINESS COUNCIL (OBC)

The OECS Business Council (OBC), which was incorporated in St Kitts and Nevis in 2012, was established to serve as a representative body for the private sector in the OECS.

During the year, the ECCB continued to provide administrative and technical support to the Business Council. The Council met with officials from the OECS Commission and the ECCB in July 2015 at the ECCB Headquarters for a private sector retreat, from which a precise action plan emerged to guide the OBC in its operations and goals. To inform the discussion,

the OECS Vision Priorities and the ECCB Vision for the Financial Sector Development were presented. Some of the matters addressed at the retreat were: the ease of doing business, transportation, energy, public private partnerships and the OECS Business Council Secretariat.

The OBC currently meets monthly to address outstanding matters, advocate on private sector issues and to deliberate on ways to further assist the private sector in the region. The discussions have focused mainly on air and sea transportation. The OBC has established networks, represented the private sector at regional meetings and has commissioned a website as part of its outreach agenda.

The Council continues to work on the following objectives, as outlined in its strategic plan:

- 1. To institutionalise a business model which will establish sectorial and national focal points and a sustainable value added regional secretariat;
- 2. To be the major advocate for the private sector in offering options and recommendations of policy advice to the governments of member states;
- To develop a cohesive and inclusive approach for an economically competitive private sector by transforming the business ecosystem incrementally at the firm, sector, industry, national and regional levels;
- To utilise available technologies to facilitate easy and cost effective communication to promote and market, provide business development, trade facilitation, benchmarking, and certification and accreditation services;
- To develop the entrepreneurial ecosystem across the OECS in harmony with the OECS Economic Union's agenda through close collaboration



OECS Business Council: Back Row L-R: Head of OECS Commission's Export Development Unit - Vincent Philbert; Anguilla Director - Carlton Pickering; Montserrat Director - Norman Cassell; Commonwealth of Dominica Director - Achille Joseph; St Vincent and the Grenadines Director - Anthony Regisford. Seated L-R: Antigua and Barbuda Director - Julianne Jarvis; Then Governor of the ECCB - Hon Sir K Dwight Venner; President and Saint Lucia Director - Gordon Charles; Director General, OECS Commission - Dr Didacus Jules; Grenada Director - Aine Brathwaite

with the OECS Secretariat, the ECCB and other relevant technical regional organisations; and

6. To become a financially sustainable entity.

THE BASIS OF POLICY

RESEARCH

The research programme for 2015/2016 was centered on the Bank's four main policy themes:

- Monetary Policy in a Quasi-Currency Board;
- Financial Stability;
- Fiscal and Debt Sustainability; and
- Growth and Development.

The following papers were initiated and/or completed during the period, to inform policy discussions by the Bank's management, the Board of Directors, and the Monetary Council:

- a. Assessing Fiscal Convergence in the ECCU;
- b. Contingent Liability in the ECCU: A Case for a Fiscal Risk Management Framework for Member Governments;
- c. Aligning the ECCU Financial System with Private Sector Growth - A Financing Architecture for Growth-Oriented Firms;
- d. Policies for Engendering a More Dynamic Private Sector in the ECCU;
- e. Conditions for a Sustainable Manufacturing Sector in the ECCU: Beyond Fiscal Incentives;
- f. Making Fiscal Policy Credible A Case Study of Antigua and Barbuda;

- g. Risk and Capital Adequacy: A Preliminary Examination of ECCU Indigenous Banks;
- h. Towards a Policy on Foreign Direct Investment Within the Context of the OECS Economic Union;
- i. Implications of Recent Mergers and Acquisitions for the ECCU Telecommunications Sector;
- j. Survey of the ECCU Real Estate Market: The Case of St Kitts and Nevis;
- k. The Role of Brazil in Regional Trade;
- l. Will the Legalisation of Marijuana Worldwide be a Boon for the Regional Agricultural Sector? An Exploratory Analysis;
- m. An Analysis of Labour Markets in the ECCU: A Policy Perspective;
- n. Sovereign Wealth Funds: A Model for Citizenship by Investment Programmes in the ECCU;
- o. Developing an Index of Tourism Competitiveness for the ECCU;
- p. Furthering Agricultural Development Through Information and Communication Technologies;
- q. Micro, Small and Medium Enterprise Development: Is It Really a Matter of Finance?;
- r. Monetary Policy Transmission: How Has Quantitative Easing Impacted the ECCU?;
- s. Network Topology of the Payments System; and
- t. The Effects of Fiscal Consolidation on Short Term Growth in the ECCU.

The Bank participated in two external conferences during the year: the 35th Central Bank of Barbados Review Seminar, and the 47th Annual Monetary Studies Conference organised by the Caribbean Centre for Money and Finance (CCMF). A paper titled: *Towards a Policy on Foreign Direct Investment (FDI) Within the Context of the OECS Economic Union*, was presented

at the Central Bank of Barbados Review Seminar. The paper examined the broad foreign direct investment policy framework of the ECCU member countries and highlighted some of the key deficiencies. Further, it endorsed the need for a more holistic approach to FDI including closer integration with the key sectors of the economy as well as greater regional coordination and harmonisation of FDI policies. A study on *Risk and Capital Adequacy: A Preliminary Examination of ECCU Indigenous Banks* was presented at the Annual Monetary Studies Conference. The paper examined and found a positive relationship between capital levels of indigenous commercial banks and risk, pointing to the need for the Central Bank to conduct closer examination of banks' portfolio changes.

Two volumes of the ECCB Working Paper Series were published on the Bank's website. The first volume featured a paper on the topic: *The Role of Brazil in Regional Trade*. The second volume was a Special Edition Working Paper Series, featuring the work of the 2015 University of the West Indies summer interns. The papers in the volume are: (i) Modelling Tourism Demand From Major International Markets: The Case of Antigua and Barbuda; (ii) Crowdfunding: Its Potential for Stimulating Financial Development in the ECCU; (iii) Measuring Productivity of Commercial Banks in the ECCU: A DEA-Based Malmquist Index Approach; and (iv) The Effectiveness of Fiscal Consolidation in Achieving Debt Reduction.

ECONOMIC SURVEILLANCE

The main objective of economic surveillance is to monitor developments in member territories and disseminate macro data and information via the publication of quarterly reviews and annual reports. In addition, technical assistance is provided to member governments in their preparations for missions of international organisations, for example, the IMF and IBRD (The World Bank), and through prepared policy papers relating to fiscal and debt stabilisation issues in member territories.

The Bank continued to fulfill its economic surveillance mandate through the preparation and publication of three quarterly and an annual economic and financial review for 2015. In addition, the Bank was significantly involved in a mission to the Commonwealth of Dominica during the period 30 September 2015 to 7 October 2015, in response to a request by the authorities following the passage of tropical storm Erika. Assistance was provided in examining the impact of the storm on the government's finances and revising the forecast for the medium term as a result of the storm. The Bank has remained engaged in this process. Three officers represented the Bank at the Development Partners' Conference for Dominica which was held on 16 November 2015 to inform the donor community of the government's continued efforts at recovery and areas of need. Economists from the Research Department also participated in the IMF's Article IV consultations to Antigua and Barbuda, Saint Lucia, and St Vincent and the Grenadines and the IMF Fourth Review of the Extended Credit Facility (ECF) and Article IV Consultation to Grenada. The Bank also participated in the second meeting of the OECS Economic Affairs Council held in June 2015 and the second IFC Workshop on Tax Expenditure Analysis held in September 2015.

Other notable accomplishments included: participation in the 62nd meeting of the OECS Authority; ECCU Fiscal Framework Boot Camp sponsored by the

CARTAC, where the main objectives were to expedite the implementation of the Monetary Council's decision in an effort to facilitate the continued balanced growth and development of all the member territories and to develop capacity within the member countries in order to have suitably adapted financial programmes for fiscal stability; and familiarisation missions to Montserrat and St Vincent and the Grenadines. Further technical assistance was provided to all member countries through various networking meetings, seminars and conferences.

Information Storage and Dissemination

Statistics

Commercial Banks' Prudential Returns

The ECCB incorporated the recommendations from the monetary and financial statistics (MFS) technical assistance mission conducted by the IMF's Statistics Department on the revised prudential returns. However, the date for implementation of the revised prudential returns has been further deferred to 2017 to ensure that requirements based on the New Banking Act and the implementation of the BASEL II capital adequacy framework are incorporated.

External Sector Statistics Compiled Using the IMF Balance of Payments and International Investment Position Statistics, Sixth Edition (IMF BPM6)

The Bank launched the revised Balance of Payments (BOP) survey instruments and completed the Excelbased medium used for compilation of the statistics. The exercise allowed BOP compilers to make necessary methodological changes and revisions aimed at improving external sector statistics in the ECCU.

EASTERN CARIBBEAN CENTRAL BANK

Over the period June to December 2015, preliminary balance of payments, international investment position and trade in services statistics were compiled for the member countries, the ECCU and the ECCB. The Caribbean Regional Technical Assistance Centre (CARTAC) provided technical and financial support towards the revision exercise in 2015. The programme for finalising the estimates included two workshops of two-week's duration with the CARTAC External Sector Statistics (ESS) Adviser during August to October 2015 and a review seminar with ECCU BOP Compilers in October 2015 to discuss countryspecific results and solicit feedback on challenges with the new processes for the compilation of external sector statistics. The external sector statistics were released to the public in January 2016, accompanied by a technical note which outlined some of the major changes in the accounts.

The comments received from the CARTAC ESS Adviser and ECCU BOP compilers prompted another round of revisions to the BOP survey instruments and the Excel-based data entry medium used for compilation of the external sector statistics.

The Bank launched the revised Balance of Payments (BOP) survey instruments and completed the Excel-based medium used for compilation of the statistics.

Canada-Eastern Caribbean Debt Management Advisory Service (CANEC-DMAS) Project

The ECCB remained committed to helping ECCU countries address the debt issues within the region. The Bank, through the Canada-Eastern Caribbean Debt Management Advisory Service (CANEC-DMAS) Project, advanced its capacity building initiatives on debt management. The CANEC-DMAS Project, which is funded by the Government of Canada through an agreement with Global Affairs Canada (formerly CIDA), has been providing training and technical assistance to the ECCU countries since November 2009.

One of the objectives of the training provided through the CANEC-DMAS Project is to create a pool of experts in debt management who can be utilised to provide training and technical assistance throughout the ECCU, even past the project's end date of June 2017. Throughout the year, the Bank has, with the complete support of the ECCU member governments, included cross border participation from ECCU officers in country specific missions.

Throughout the year, member countries received assistance with updating the core debt management tools needed to plan, analyse, monitor and forecast their debt requirements adequately. The ECCB continued to provide training and technical assistance on key debt tools such as Medium Term Debt Management Strategies (MTDS), Debt Sustainability Analyses (DSA), and Debt Portfolio Reviews (DPR).

Debt managers from the ECCU countries also received training on The World Bank revised Debt Management Performance Assessment (DeMPA) Toolkit during a Trainer of Trainers workshop held from 20 - 24 July

2015. The objective of the workshop was to update officers on the changes to the toolkit. The World Bank DeMPA methodology provides a process by which countries can gauge the improvements in their debt management practices against international standards.

With the release of the new Commonwealth Secretariat Debt Recording and Monitoring System (CS-DRMS) Version 2.0 in August 2014, there was a focus on CS-DRMS in-country training to assist countries with understanding the changes to the system and to facilitate the upgrade process in the 2015/2016 financial year. Hands-on training on the upgraded system was also conducted at the ECCB for new officers in the Debt Management Units (DMU). The CS-DRMS is the main debt software used by all the ECCU countries to record and monitor their debt obligations.

One of the initiatives used to prepare new officers for debt management responsibilities in their countries was the introduction of an attachment programme. Grenada was the first country to benefit from the programme with a five-week attachment of Rhesa Findley from Grenada's DMU to the CANEC-DMAS Unit of the ECCB in October 2015. The attachment allowed the officer to be immersed in some of the core debt management activities undertaken as part of the DMU's operations.

The Bank continued to utilise the available technology by facilitating not only in-country training and technical assistance but by providing the necessary capacity building through online programmes. During the year ECCU officers benefitted from online training from the United Nations Institute for Training and Research (UNITAR) on Basic Public Debt Management, Effective Public Debt Management and Negotiating

Financial Transactions. Courses were also completed with the Jamaica Stock Exchange E-Campus on Credit Risk Management: Loans and Bonds and Market Risk and Middle Office Management.

Workshops on debt restructuring were also provided pro bono by debt experts from White Oak Advisory, which had been instrumental in recent sovereign debt restructuring in the Caribbean. The workshops focused on the technicalities of debt restructuring such as the tipping point from a debt sustainability perspective to the negotiations with the various creditor groups. Worshops on Capital Market Development and Investor Relations were also conducted, in collaboration with the IMF/Canada Debt Programme.



Debt Analyst, Ministry of Finance Grenada -Rhesa Findley (first from left), with Adviser, ECCB - John Venner and Economic Statistician, DMAS - Corrine Telfer-James.

The Statistical Enterprise Solution (SES)

Commercial banks continue to submit the prudential returns to ECCB through a secure web portal powered by SAS. Since the implementation of the Statistical Enterprise Solution (SES), commercial banks have been receiving email alerts for submission of the monthly, quarterly and annual prudential returns. This new feature provides the banks with a copy of the explanations on variances submitted and an audit of when the forms are successfully or unsuccessfully submitted, including dates and times of submission or attempts to submit. This was a request made by some banks and the ECCB was pleased to be able to add this new feature to the data submission process. During the financial year, other enhancements were made to the SES and internal users of the SES accessed the data, through pre-defined reports and/or directly through SAS.

SUPPORT FOR ECONOMIC DEVELOPMENT

CONFERENCES, SEMINARS AND

WORKSHOPS

26th Annual Conference with Commercial Banks

The conference was held from 5 - 6 November 2015 under the theme, "Bank Soundness and Macro-Economic Stability." Over 40 representatives from commercial banks and non-bank financial institutions from the eight ECCB member countries attended. The topics covered included:

O Governance and Banking Crisis by Chief Executive Officer, Caribbean Information and Credit Rating Services Ltd, Wayne Dass.

- O Credit Risk and Bank Lending by Adviser, Bank Supervision Department, ECCB, Shawn Williams.
- O Sound Banking Systems and Economic Growth by Senior Director, Governor's Immediate Office, ECCB, Laurel Bain.

Public Education/Public Relations

Over the past year, the ECCB continued to initiate and implement programmes geared towards engendering the development of the people of the ECCU. The various components of the programme are designed to help to build capacity among various target groups within the ECCU by exposing them to fundamental economic and financial issues and how they can affect the growth of the sub-region.

Financial Information Month

Financial Information Month (FIM), initiated by the ECCB in 2002, is observed every October with a full calendar of educational and fun-filled activities. Last year, one of the key highlights of FIM was the 5th Annual Business Symposium and Innovation Forum hosted in collaboration with FIM partners throughout the ECCU. The symposium was held at the ECCB Headquarters on 8 October 2015 with transmission via videoconference to the other seven ECCB member countries and focused on business growth and financing innovation and entrepreneurship. The topics addressed were as follows:

- Leading Business Growth In the OECS...
 Managing Strategy Leading Change by Managing Director, Baron Foods Ltd, Saint Lucia, Ronald Ramjattan, OBE.
- Financing Entrepreneurship and Innovation in the OECS by Chief Executive Officer, Corporate Strategies Ltd, Jamaica, Aubyn Hill.

The 2015 FIM logo which highlighted the theme, LEAD - Learn, Empower, Achieve, Develop, was designed to inspire and challenge all citizens to LEAD in order to effect the change needed to spur financial, entrepreneurial, business and economic success at the personal and institutional levels.



Financial Information Month October 2015

Other FIM Regional Initiatives

As part of the FIM month of activities, the ECCB, in collaboration with its FIM partners hosted the following initiatives:

- 1. Declaration speeches by the Minister for Finance or his designate in each ECCB member country;
- 2. Regional financial and business workshops targeting media, teachers, community leaders and financial practitioners;
- 3. Schools contests and presentations to primary and secondary schools;
- 4. Newspaper articles;
- Radio and television programmes on financial, economic, business and entrepreneurial issues; and
- 6. Walkathons and exhibitions.

In addition to the above initiatives, charity programmes were carried out in various islands including a charity event targeting the Petite Savanne Primary School students who were displaced by the passing of the Tropical Storm Erika in the Commonwealth of Dominica.

Youth Development

In January 2016, the ECCB hosted the first Youth Lead Conference for secondary school students who reside in the ECCB member territories. The conference was designed to strengthen youth entrepreneurship and leadership initiatives in the ECCU and to provide an opportunity for sharing experiences that would inspire the region's youth to LEAD.

In keeping with the ECCB's thrust to foster integration among the OECS countries as one of the key components of the region's development, the conference also afforded the 300 students from 40 schools the opportunity to network with peers across the ECCB member countries.

Business Solutions Think Tank and Hackathon

The ECCB, in collaboration with Quintessence Consulting, e-Caribbean and other partners spearheaded the first OECS Business Solutions Think Tank and Hackathon over the period 13 – 15 August 2015. The forum sought to enrich, invigorate and strengthen business strategy through the development of the applications.

The Business Solutions Think Tank and Hackathon brought together 140 participants including youth, teachers, business owners, business associations' representatives, IT technocrats, thought leaders, and business professionals from across the ECCB member countries via videoconference to brainstorm and work on 11 prototype IT applications.



L-R: Managing Director, Quintessence
Consulting - Telojo Onu; CEO, I Gotem, St Kitts
and Nevis - Sharon Simmons; then Goveror of
the ECCB - Hon Sir K Dwight Venner;
Adviser, Corporate Relations Department, ECCB
- Sybil Welsh at opening ceremony for Business
Solutions Think Tank and Hackathon on
13 August 2015

The winners of The Business Solutions Think Tank and Hackathon were as follows:

- First Place: DigiCrops (Montserrat) an online marketplace which seeks to simplify the process of selling vegetables and other crops in the Caribbean by connecting farmers directly to buyers through the use of an 'app';
- Second Place: Clink(Cari-Link) (Antigua and Barbuda) - seeks to address the challenges and pressures facing small and medium enterprises within the OECS and across the wider Caribbean, particularly inter-island trade; and
- Third Place: EdConnector.ai (Anguilla) allows teachers to engage in direct dialogue with the parents of their students on issues related to the child's academic development.

Financial and Business Training

The ECCB continued to demonstrate its commitment to the development of the people it serves through its savings and investments courses; entrepreneurship courses; and small business workshops which were launched in 2003, 2010 and 2012 respectively. To

date there have been 2,786 graduates emerging from 84 cohorts of the ECCB Saving and Investment course while the ECCB Entrepreneurship course, which has now been institutionalised in the eight ECCB member countries has produced 303 graduates and 14 cohorts since its inception.

New Initiatives for Development of ECCU Financial Sector

Financial Sector Reform and Strengthening Initiative (FIRST)

The FIRST Initiative is a World Bank project which seeks to support the diversification of the financial system in the OECS. The key areas of focus are: access and depth, financial efficiency and financial stability.

The Savings Bank Foundation for International Cooperation (SBFIC) Project

The project seeks to support the strengthening of the financial sector and improvement of access to financial services in the Eastern Caribbean Currency Union (ECCU) by Micro, Small and Medium Enterprises (MSMEs) by (i) widening of loan services supply to private MSME; and (ii) strengthening of financial education for individuals and private MSME. The SBFIC is based in Germany.

The ECCU Mentorship School Programme

The ECCB Mentorship School Programme continued throughout the ECCB eight member countries. The over 800 participating students were engaged in lessons which covered the role and functions of the ECCB, the economy, Caribbean Trade and Culture and international relations.

The Grade 6 Transition Session, which was initiated in 2014, was held via videoconference affording the Grade 6 students from across the ECCU the opportunity to interact with each other while obtaining information to assist with developing their skills. The students also sharpened their social skills and enhanced their knowledge of the ECCU financial system.

The ECCU Mentorship Programme is executed in one primary school in each of the eight ECCB member countries.

News Releases and Other Publications

As part of its annual agenda, the Bank provided information to the public on its activities, policies and programmes through the dissemination of news releases, events for the media and the publication of the monthly newsletter, *Your Financial News*. The public was informed on: strengthening of the ECCU and the ECCU banking system; legislative reform; the Bank's public education and community outreach thrusts; and the new vision for the ECCB and the ECCU. Over the year, the *Your Financial News* newsletter focused on: entrepreneurship; business partnerships; growth and transformation; importance of insurance; and the LEAD Youth initiative.

Community Outreach

The key goal of the Bank's community outreach programmes is to foster development within the sub-region through capacity building, collaboration and information sharing.

20th Sir Arthur Lewis Memorial Lecture

Chief Economist for Latin America and the Caribbean at The World Bank, Augusto de la Torre, presented

the 20th Sir Arthur Lewis Memorial Lecture at the Sir Cecil Jacobs Auditorium, ECCB Headquarters on, 4 November 2015.



Augusto de la Torre delivers 20th Sir Arthur Lewis Memorial Lecture - 4 November 2015

The Lecture was delivered under the theme: "Caribbean Conundrum of Small Scale: Economic Development with Limited Supplies." In his presentation, de la Torre focused on the characteristics of the countries, challenges they face and the possible solutions for future growth and development.

Following the Lecture, de la Torre presented the 7th Annual Sir Arthur Lewis Memorial Book Award to the Sir Arthur Lewis Community College, Saint Lucia.

Best Corporate Citizen Award

The National Bank of Dominica Ltd was presented with the 2015 Best Corporate Citizen Award Among ECCU Commercial Banks on 4 November 2015 for its outstanding contribution to the overall development and welfare of the people of the Commonwealth of Dominica.



General Manager, National Bank of Dominica Ltd - Ellingworth Edwards, receives 2015 Best Corporate Citizen Award from Permanent Secretary, Ministry of Education, St Kitts and Nevis - Ionie Willet

The National Bank of Dominica Ltd also received the Good Corporate Citizen Awards for Educational Development and Cultural Development.

The other banks which received Good Corporate Citizen Awards were:

- Bank of Saint Lucia Ltd for Financial Education and Empowerment;
- Grenada Co-operative Bank Ltd for Environmental Awareness and Customer Service;
- Republic Bank (Grenada) Limited for Sports; and
- The Bank of Nova Scotia Antigua for Community Outreach and Social Services.

OECS Essay Competition

The OECS Essay Competition, which the ECCB has been sponsoring since 1996, is another example of the Bank's commitment to youth development within the ECCU. The competition, which has yielded over 2,500 essays since its inception, is intended to elicit

the perspectives and perceptions of ECCU students on current economic, financial and social issues. The competition is also aimed at enlightening the region's youth on current affairs.

Eighty-nine students aged 14 to 19, from schools across the ECCU submitted entries for the 2015 competition. The topics called for the students' views on the influence of mass media on the region's youth; the effects of cellphone policies at schools; and the importance of character and academic qualifications for young people aspiring to be political leaders in the OECS.

The 2016 competition was launched in November 2015. Participating students will select from topics which cover the following issues:

- O Corporate Governance
- O OECS Electoral Process
- Juvenile delinquency
- O Financial Management

OECS/ECCB Under-23 Netball Tournament



In 2015 the ECCB collaborated with the OECS Commission and the St Kitts and Nevis Netball

Association to host the 25th OECS/ECCB Under-23 Netball Tournament in St Kitts from 18 to 22 July. The ECCB has been the official sponsor of the tournament since 1991, exhibiting its commitment to the physical and social development of the region's young women and its strong belief in regional integration.

Team Grenada's fearless defence and accurate shooting earned them the championship trophy. The other six teams which participated in the tournament were: Antigua and Barbuda, The Commonwealth of Dominica, Montserrat, Saint Lucia, St Kitts and Nevis and St Vincent and the Grenadines.

In addition to the athletic aspect of the tournament, the teams had the opportunity to participate in a professional development session which focused on barriers to communication.

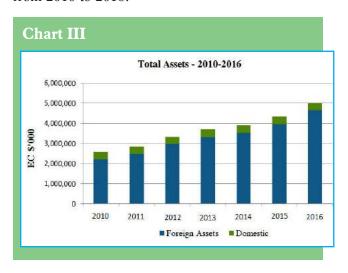
FINANCIAL PERFORMANCE

STATEMENT OF FINANCIAL POSITION

As at 31 March 2016, the Bank's Total Assets stood at \$5,004.4 million, an increase of \$658.0 million (15.14 per cent) when compared to the position in the previous year.

Foreign Assets increased by \$707.5 million (17.92 per cent) primarily due to the purchase of foreign and regional currency notes from commercial banks and inflows of loans and grants to member governments from international institutions. The reinvestment of income on foreign assets and gains on the sale of foreign securities held within the ECCB's foreign reserve portfolio also contributed to the increase.

Chart III shows the trend in the Bank's foreign assets from 2010 to 2016.



Domestic Assets decreased by \$49.5 million (12.44 The significant movements in that per cent). category were reported in Loans and Receivables -Participating Governments' Securities, Loans and Receivables - Participating Governments' Advances and Due from Local Banks. Loans and Receivables - Participating Governments' Securities declined by \$16.3 million (16.28 per cent) as member governments repaid debentures and the Bank reduced its holdings of member governments' Treasury Bills during the period. The decline of \$11.8 million (17.48 per cent) in Loans and Receivables - Participating Government Advances was due to a reduction in credit extended to member governments through the use of the overdraft facility during the period. The decrease of \$9.6 million in Due from Local Banks was attributed to a commercial bank repayment of the Lombard credit facility during the period.

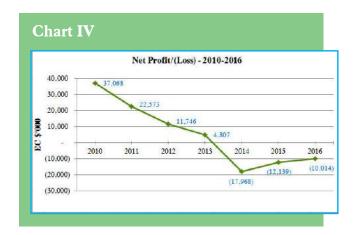
Total Liabilities expanded by \$669.3 million (16.36 per cent) over the year. The most significant increases in that category were reported in Commercial Banks'

Reserve balances - \$422.9 million, Participating Governments' Call accounts - \$128.5 million, Currency in Circulation - \$87.3 million and Bankers' Collateral accounts - \$16.5 million. Those increases were tempered by a reduction of \$28.1 million in Participating Governments' Securities account.

Total Equity decreased by \$11.3 million (4.46 per cent), mainly as a result of a decline of \$10.0 million in the General Reserve as funds were utilised to cover the Bank's net loss. There was also a decline of \$6.1 million (29.49 per cent) in the Pension Fund Reserve due to the recording of actuarial losses on the Bank's Defined Benefit Pension Fund in accordance with International Financial Reporting Standards (IFRS). The effects of those decreases were moderated by an increase of \$4.7 million (27.40 per cent) in the market value of foreign securities as the US Bond market strengthened over the financial year.

Statement of Income or Loss

The financial performance of the Bank was more favourable compared to the previous financial year. Notwithstanding the Federal Reserve's increase in the benchmark interest rate in December 2015, the performance of the Bank's foreign reserve assets continued to be impacted negatively as US interest rates remained at historical lows. Consequently, the net loss for the financial year was \$10.0 million, a decrease of \$2.1m (17.51 per cent) over the previous year's net loss of \$12.1 million. The reduction in net loss was primarily attributable to an increase of \$4.7 million in net interest income offset by an increase of \$3.2 million in operating expenses. Chart IV shows the movement in consolidated profit/(loss) for the period 2010 to 2016.



Operating income for the financial year increased by \$5.4 million (9.60 per cent) to \$62.0 million over the previous year. That was mainly attributable to increases in interest income from the Bank's foreign reserve portfolio, commission income on foreign transactions and the recording of income from banking licence fees under the provisions of the new Banking Act 2015.

Operating expenses of \$73.1 million increased by \$3.2 million (4.52 per cent) over the previous financial year. The increase was primarily due to an increase in Currency Expenses and an increase in Administrative and General Expenses mainly as a result of the recording of a provision for impairment loss on accounts receivable.

INTERNAL MANAGEMENT

Two of the major work programme activities for the year included the following external assessments:

- Quality Assurance Review (QAR) of Internal Audit Department (IAD); and
- 2. Review of the Bank's Risk Management Framework.

The Bank was subject to an Update Safeguards Assessment by the IMF. The results indicated that the Bank continued to maintain a governance framework that provides for independent oversight.

The assessments were geared at evaluating the Bank's internal auditing and risk management efforts in compliance with international standards and best practices. The assessments recognised the advanced stage of the Bank in those areas but highlighted the need to continue on the path of alignment with international best practices. In addition, the QAR of the IAD highlighted the need to relook some of the work the department was performing to ensure that there was no threat to its independence.

In addition, the Bank was subject to an Update Safeguards Assessment by the IMF. The results indicated that the Bank continued to maintain a governance framework that provides for independent oversight. Moreover, it was noted that transparency in financial reporting was maintained and the external audit mechanism was sound. The assessment however underscored the need for the Bank to reassess the IAD's involvement in certain operational activities.

A three-year strategic plan for the period 1 April 2016 to 31 March 2019 was prepared for the IAD. The plan utilised a risk based approach using the results of a Bank Wide Risk Assessment. The IAD's resources, as outlined in the plan, focused on assurance engagements covering all departments of the Bank over the three-year period.

The Internal Audit Charter was also reviewed to reflect the revised role of the IAD, the responsibilities of the Board Audit Committee and the requirements for a Quality Assurance Programme. In addition, a conflict of interest policy, in line with the Institute of Internal Auditing Standards, was developed for the department to complement the Charter.

Information Technology and Security

IP Telephony Project

During the year, the ECCB revamped its analog PBX telephone system with the implementation of a state-of-the-art IP telephony system. The ECCB can now truly boast 'one voice' because this system connects the Bank's over 200 employees in the eight member countries. Access to ECCB remote agency offices is just an extension away, allowing not only for ease of communication but also significant cost savings to the Bank. The new system also features enhanced teleconferencing, voicemail, caller ID and call accounting enabling users to be more efficient and productive in executing their duties. The staff has embraced the flexibility, connectivity and scalability that this new system brings.

Human Resource Development

HR Role

The Human Resource Department (HRD) continued to execute its deliverables to provide exemplary human resource services to the management and staff of the Bank.

EASTERN CARIBBEAN CENTRAL BANK

In implementing its core responsibilities and satisfying its stakeholders the HRD's role encompassed the following:

- 1. Recruiting and developing staff;
- Coordinating and implementing a select cadre of world class benefits;
- 3. Promoting high quality performance measured by the overall attainment of the Bank's mission; and
- 4. Managing the payroll and other staff services.

Recruitment

Recruitment was undertaken for the Research and Legal Departments. Given the on-going global dynamics and the revised banking laws, that focus was necessary to ensure that staffing levels within the departments were optimal at all times.

Training and Development

Approval was granted for 93 Management Initiated Training. The training areas addressed were mainly related to Statistics, Bank Supervision and Regulation and Macroeconomics. Staff also attended a number of regional meetings and conferences which focused on policy development.

Staffing

As at 31 March 2016, the Bank's staff complement was 203.

Areas of Focus For 2016/2017

MONETARY STABILITY

RESERVE MANAGEMENT

A review of the reserve management infrastructure will be initiated as the Bank strives to ensure that this critical function continues to utilise best practices.

The Bank will also:

- Assess the lower yielding liquidity portfolio to determine the most prudent stance for the optimisation of returns in keeping with the ECCB's risk tolerance parameters approved by the Board of Directors; and
- Conduct a comprehensive review of the performance of the Bank's global custodian, external portfolio managers and customised benchmark.

CURRENCY MANAGEMENT

The Currency Management Department will undertake initiatives to improve its operational efficiency. Its main thrust will be to acquire an upgraded banknote processing machine, and to improve its business relations with the commercial banks in the currency union.

FINANCIAL SECTOR STABILITY

BANK SUPERVISION

The Bank will:

• Advance its efforts to facilitate the

- modernisation of the financial system by encouraging amalgamation of the national banks, credit unions and insurance companies;
- Expedite efforts towards the amalgamation of the banking sectors in keeping with Point Seven of the ECCU Eight Point Stabilisation and Growth Programme;
- Engage in policy development towards ensuring systemic stability and the efficacy of the enhanced regulatory and supervisory framework for the ECCU financial system;
- Continue to execute the comprehensive resolution strategy and technical assistance programme for strengthening the resilience of the ECCU financial system;
- Implement an effective resolution mechanism comprising financial safety nets, including explicit deposit insurance and the operationalisation of the ECAMC; and
- Continue to monitor threats to financial system stability and implement resolutions, or measures to mitigate risk, at both the institutional and market levels.

Banking Services

The Bank will improve the service it provides to its clients and member governments with a view to maintaining financial stability through the provision of the necessary liquidity support to the financial system, by:

- Enhancing its role as fiscal agent on monetary and financial matters;
- Improving collaboration with a view to formulating an action plan for public sector

financial management; and

 Assisting with the improvement of cash management operations in keeping with international best practices.

PAYMENTS SYSTEMS

The Bank will advance its payment system improvement initiatives in the following areas:

- Strengthening the governance framework for the system through the implementation of policies and procedures with a view to further tighten internal controls and make them more robust; and
- Strengthening the collaboration with the Eastern Caribbean Automated Clearing House Services Incorporated (ECACHSI) and other stakeholders to develop the second phase of the Automated Clearing House (ACH) to facilitate electronic payments.

LEGAL SERVICES

The Bank intends to pursue the following initiatives in keeping with its vision for a strong and resilient financial system and for the development of the single financial and economic space:

- Resolution of the CCB and NBA:
- In collaboration with the International Finance Corporation (IFC), complete the finalisation of the Credit Reporting Bill and Regulations that will create a system for the fair reporting of consumer credit information within the single financial space; and
- In collaboration with the IMF, complete the Eastern Caribbean Appraisal Institute Agreement and Bill to facilitate the establishment of a professional institute for appraisers and the

harmonisation of standards and methodologies for the conduct of appraisals in the ECCU.

MONEY AND CAPITAL MARKET DEVELOPMENT

With the approval of the Regional Debt Coordinating Committee (RDCC), the Bank will continue to provide support to improve the efficiency of the RGSM. To this end the Bank, with the assistance of the Canadian-funded projects, will collaborate with the debt units in member states in the formulation and execution of investor relations programmes. This will involve specifically, the participation in road shows to promote the RGSM as well as the development of ECCU Public Sector Debt Website. These efforts will underpin the implementation of the Medium Term Debt Management Strategies (MTDS).

THE BASIS OF POLICY

RESEARCH

The Bank will:

- Conduct applied research on financial stability; fiscal and debt sustainability; and growth, competitiveness and employment; and
- Disseminate selected research work through the Working Paper Series and the Economic and Financial Reviews published on the Bank's website.

STATISTICS

 The second round of the external sector statistics survey would be conducted in 2016.
 An analysis of the two-year results will be

- conducted with a view to release more detailed information on the BPM6 series to the public;
- Update the commercial banks' prudential returns to incorporate the requirements of the New Banking Act and the BASEL II capital adequacy framework;
- Launch the publication of the Financial Soundness Indicators;
- Conduct training on Public-Private Partnership (PPP) Arrangements;
- Conduct training on the CS-DRMS Version
 2.0 for users;
- Conduct in-country MTDS training and technical assistance;
- Provide technical assistance on DSAs and Debt Portfolio Reviews (DPR);
- Conduct the second round Debt Management Performance Assessments (DeMPA);
- Work on International Capital Markets;
- Continue the attachment Programme for ECCU and ECCB officers; and
- Publish the inaugural Regional Debt Newsletter.

SUPPORT FOR ECONOMIC DEVELOPMENT

CONFERENCES AND SEMINARS

The Bank will host the following conferences:

- 21st Sir Arthur Lewis Memorial Lecture on 9 November 2016;
- 27th Annual Commercial Banks Conference over the period 10 -11 November 2016; and
- OECS Essay Competition Regional Discussion

CORPORATE RELATIONS

The Bank will:

- Expand networks, deepen collaborative partners and develop stakeholder relationships though training and the development of initiatives;
- Augment capacity building among teachers, financial institutions and the media through Train the Trainers workshops focusing on economic, financial and business issues; and
- Continue its public education programme with the schools through its primary school mentorship programme and secondary schools initiatives.

FINANCIAL PERFORMANCE

The Accounting Department will:

- Place emphasis on improving operating efficiency in an effort to contain expenditure;
- Focus its efforts on improving the Bank's accounting framework and controls environment, thereby ensuring financial results are reported fairly in accordance with International Financial Reporting Standards; and
- Institute and ensure policies and procedures improve efficiencies in operations.

INTERNAL MANAGEMENT

RISK MANAGEMENT

The operations of the IAD will be adjusted to a full assurance arrangement. The compliance monitoring for reserve management and the risk management

efforts performed by the IAD will be reassigned to other areas of the Bank to ensure that the independence of the IAD is maintained. The department will therefore focus on the following:

- Audit of the Human Resources Department's effectiveness in providing value added services to the Bank;
- Audit of the Agency Office operations in member countries, specifically as it relates to the issue and redemption of currency;
- Audit of the Research Department's effectiveness in producing timely and effective policy advice to member governments;
- Information Security audits focusing on high risk IT systems and processes; and
- Follow-up audit of the Bank Supervision Department.

Information Technology and

SECURITY

The following will be undertaken:

- Continue to enhance the SES to meet user needs:
- Launch of the new Online Statistical Interactive Database (OSID) which would include monetary and financial statistics for various frequencies from 1983 to current;
- Implement Phase II of the SAS Statistical Enterprise Solution which will focus on incorporating the revised commercial bank prudential returns and expanding the database to include data submitted by the non-bank financial institutions regulated by the ECCB and external sector statistics;
- Launch of a new website; and
- Upgrade of the SAP Solution.

HUMAN RESOURCE MANAGEMENT

The HRD will focus on the following objectives:

- Develop and implement proactive and effective Human Resource Strategies;
- Ensure that recruitment and staffing actions are executed with effectiveness to deliver strategic priorities;
- Foster on-going employee professional training and development based on recommended interventions to address noted and expected performance gaps and developmental needs; and
- Review human resource policies in tandem with international best practices.

Corporate Governance Framework

Good Corporate Governance is pivotal to the success of any institution, and the Eastern Caribbean Central Bank (ECCB) recognises this quality as the critical factor in achieving the Bank's mandate and maintaining regional and international credibility.

The Bank's corporate governance framework is built on the following pillars:

- 1. Solid foundation for management and oversight;
- 2. Sound risk management and internal control;
- 3. Integrity in financial reporting;
- 4. Ethical conduct; and
- 5. Reciprocal relationship with stakeholders.

The corporate governance framework is guided by the following:

- The ECCB Agreement, 1983;
- The corporate governance principles for the Organisation of Eastern Caribbean States (OECS);
- The legal and regulatory framework of the ECCU member countries; and
- Changes in local and international practices.

The framework seeks to encourage innovation through critical thinking and development through problem solving, to meet the Bank's objectives and to provide accountability and control systems commensurate with the associated risks.

Management and Oversight

In accordance with the ECCB Agreement 1983, the Monetary Council and the Board of Directors are the highest decision-making bodies of the Bank.

Monetary Council

The Monetary Council comprises the eight Ministers for Finance of the ECCB Participating Governments. Provision is made in the ECCB Agreement for each minister to designate an Alternate to serve on the Council in his absence.

The Chairmanship of the Council is rotated annually among member countries in alphabetical order. The current Chairman, the Honourable Victor F Banks, Council Member for Anguilla, assumed the chairmanship on 24 July 2015 following the Handing Over Ceremony to Mark the Change in the Chairmanship of the Monetary Council. Chief Minister Banks will transfer the chairmanship of the Monetary Council to the Honourable Gaston Browne, Council Member for Antigua and Barbuda in July 2016.

Article 7 (2) of the ECCB Agreement states, "The Council shall meet not less than twice each [calendar] year to receive from the Governor the Bank's report on monetary and credit conditions and to provide directives and guidelines on matters of monetary and credit policy to the Bank and for such other purposes as are prescribed under this Agreement." During the financial year, the Council met for three regular meetings on 24 July 2015, 6 November 2015 and 12 February 2016.

Board of Directors

The Board of Directors is responsible for the policy and general administration of the Bank. According to the ECCB Agreement Act, "The Board shall have power to make, alter or revoke regulations, notices and orders for the purpose of giving effect to the provisions of this Agreement." It makes recommendations to the Monetary Council on such matters as the external value of the EC dollar; the denomination, composition, form and design of the currency to be issued; the terms and conditions for temporary advances to participating governments; and interest rates. The Directors are required to consider the interests of all the members of the ECCU in their decision-making process.

The Board consists of ten Directors. Eight of the Directors, one from each of the eight territories, are appointed by the Monetary Council on the recommendation of the respective Participating Government. They are appointed for terms not exceeding three years and are eligible for reappointment in accordance with Article 9 (2) of the ECCB Agreement. The Governor and the Deputy Governor are Executive Directors. They are appointed for a period not exceeding five years and are eligible for re-appointment. Dr Wayne Sandiford replaced Timothy N. J. Antoine as the Director for Grenada with effect from 1 February 2016.

The Board meets at least once every quarter in a calendar year. Five appointed Directors at any meeting constitute a quorum. During the year, the Board convened for five meetings.

Three subcommittees assist with the work of the Board. They are the:

- Board Audit Committee:
- Board Investment Committee: and
- Budget and Personnel Committee.

The Governor

The Governor serves as chairman of the Board of Directors. As chief executive of the Bank, he is responsible to the Board for the implementation of the Bank's policies and the day to day management of the institution. He attends all meetings of the Monetary Council.

The Governor has the authority to act, contract and sign instruments and documents on behalf of the Bank, and may by resolution of, and to the extent deemed appropriate by the Board, delegate such authority to other officers.

Mr Timothy N. J. Antoine assumed duties as Governor of the Bank on 1 February 2016. Former Governor, the Honourable Sir K. Dwight Venner retired on 30 November 2015 after 26 years of service.

The Deputy Governor

The Deputy Governor supports the Governor in his duties, and exercises the powers, duties and responsibilities of the office during the absence or disability of the Governor.

RISK MANAGMENT AND INTERNAL CONTROL

The Board Audit Committee is fundamental to the management of risk and internal controls within the Bank. In fulfilling its mandate the Committee consults with the Bank's officers, external auditor or outside counsel as it deems necessary. The Committee is currently chaired by Mr Francis Fontenelle, Board Member for Saint Lucia.

The Executive Committee, which comprises the Governor, Deputy Governor and the Managing Director, has the overall responsibility for the internal controls and risk management of the Bank. This Committee guides the system of internal control and ensures that the Bank's policies are carried out by the various departments, each of which is headed by a senior director or a director.

Three senior directors and 10 directors head the 13 departments of the Bank, and they are responsible for ensuring that the departmental objectives are met and that the Bank's policies and procedures are executed efficiently and effectively.

The Internal Audit Department is critical to the Bank's management of risks; it monitors continuously, the operations of high-risk areas in the Bank. The Director of the Internal Audit Department is required to report any deficiencies in the Bank's system to the Board Audit Committee and to make recommendations to the Executive Committee and Heads of Department for the protection of the resources and the reputation of the Bank.

External Auditors

An external auditor is appointed by the Board of Directors from a list of auditors approved by the Monetary Council. The selection is done through a process of tendering and due diligence review and the auditor selected serves for three years. The auditing firm of KPMG was appointed on 1 April 2013 to serve as the external auditor for the Bank.

The external auditor conducts an annual audit to provide the assurance that the financial statements fairly represent the Bank's financial position, and reports to the Board Audit Committee on its findings and recommendations.

INTEGRITY AND FINANCIAL REPORTING

Disclosure and Transparency

In keeping with international standards, the Bank publishes its statement of assets and liabilities monthly and the audited annual financial statements by the end of June each year in accordance with statutory requirements.

Approved transparency practices for monetary policy at the ECCB are published on the Bank's website.

Compliance with International Financial Reporting Standards

The Bank has been in compliance with the International Financial Reporting Standards (IFRS) since the beginning of the 2004 financial year. These standards are issued by the International Accounting Standards Board (IASB) and are authoritative pronouncements on how transactions and events should be reflected in financial statements.

CODE OF CONDUCT

The Bank's overriding code of conduct is encapsulated in its value statement as follows: "The Bank values a results-focused approach in delivering timely, relevant and high quality output for the benefit of the people of the ECCU." The behaviour of management and staff is governed by various policy documents including:

- The Eastern Caribbean Central Bank Corporate Governance Charter;
- Media Relations Policy;

- Information Systems and Security Policy;
- Eastern Caribbean Staff Regulations;
- Training and Staff Development Policy;
- The ECCB's Guide Protocol, Diplomacy and Etiquette;
- The ECCB's Guide Effective Communication;
- The ECCB's Guide Successful Meetings and Events Management; and
- Energy Management Policy.

Human Resource Management

The Bank is subject to the labour codes and laws of each of its member countries. The oversight of the Bank's human resources is delegated to the Human Resource Department. The management of human resources is informed by polices and guidelines which conform to international conventions and standards pertaining to human rights, equal employment opportunity and working conditions. The Internal Audit Department helps to maintain the integrity of the human resource management process by ensuring the Bank complies with stipulated policies and procedures.

RELATIONSHIP WITH STAKEHOLDERS

Corporate Social Responsibility

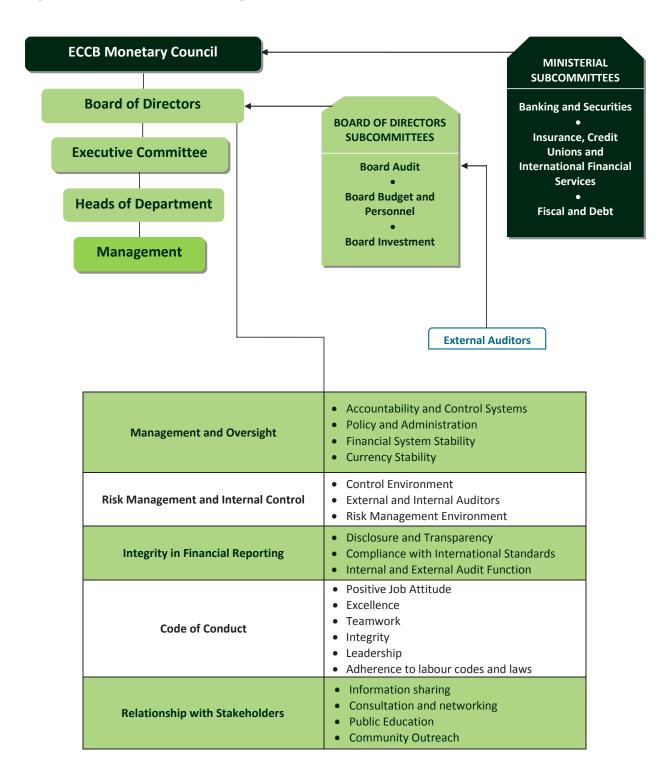
The ECCB recognises its corporate social responsibility to the people of the region, a responsibility that is enshrined in its mandate to promote a sound financial structure conducive to the balanced growth and development of its member states [Article 4(3) of the ECCB Agreement, 1983]. The Bank's execution of, and continued efforts to expand its public relations and community outreach programmes, embody this corporate social responsibility.

Stakeholder Involvement

The Bank seeks to exchange quality information and opinions with its stakeholders through a range of scheduled consultative meetings and discussions on an array of issues that are of interest to the currency union. The stakeholders facilitate the consultative and networking process as well as coordinate, discuss and provide feedback on operational, financial and legislative issues in the currency union.

Throughout the year, with the increased use of the videoconferencing facility, the Bank maintained frequent contact with its stakeholders and engaged in several meetings, thus enhancing the awareness and involvement of the people of the region in relevant economic and financial matters.

Corporate Governance Framework



AUDITORS' REPORT AND FINANCIAL STATEMENTS



KPMG Eastern Caribbean Cnr. Factory Road & Carnival Gardens P.O. Box 3109 St. John's Antigua Telephone 268 462 8868 268 462 8869 268 462 8992 Fax 268 462 8808 e-Mail kpmg@kpmg.ag

INDEPENDENT AUDITORS' REPORT

To the Participating Governments of EASTERN CARIBBEAN CENTRAL BANK

We have audited the accompanying financial statements of Eastern Caribbean Central Bank ("the Bank"), which comprise the statement of financial position as at March 31, 2016, the statements of income or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as at March 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Chartered Accountants June 10, 2016

Antigua and Barbuda

STATEMENT OF FINANCIAL POSITION

(expressed in Eastern Caribbean dollars)

As of March 31, 2016

	Notes	March 31, 2016 \$	March 31, 2015
Assets		•	•
Foreign assets			
Regional and foreign currencies		51,120,655	33,464,613
Balances with other central banks	4	4,926,288	13,034,602
Balances with foreign banks	4	77,071	73,225
Money market instruments and money at call	5	1,736,903,431	1,357,560,282
Financial assets held for trading	12	245,988	4,495,651
Available-for-sale - foreign investment securities	8 _	2,862,778,837	2,539,942,707
	_	4,656,052,270	3,948,571,080
Domestic assets			
Cash and balances with local banks		3,187,985	2,464,446
Due from local banks		-	9,572,418
Term deposits	6	10,070,538	11,022,652
Available-for-sale - domestic investment securities	8	421,686	421,686
Loans and receivables - participating governments' securities	9	83,912,190	100,225,950
Loans and receivables - participating governments' advances	10	55,692,292	67,490,727
Accounts receivable and prepaid expenses	11	32,712,209	33,765,445
Investments in associated undertakings using the equity method	13	16,048,046	15,471,257
Intangible assets	14	2,459,553	4,291,175
Property, plant and equipment	15	129,337,415	132,530,418
Pension asset	21	14,467,000	20,517,000
	_	348,308,914	397,773,174
Total Assets	_	5,004,361,184	4,346,344,254
Liabilities			
Demand and deposit liabilities - domestic	16	4,752,457,319	4,088,664,679
Demand and deposit liabilities - foreign	17	1,807,143	884,599
Financial liabilities held for trading	19	6,196,019	1,566,227
IMF government general resource accounts	18	1,083,238	1,087,376
Total Liabilities		4,761,543,719	4,092,202,881
Equity			
General reserve		104,867,765	114,891,311
Other reserves	20	137,949,700	139,250,062
Total Equity		242,817,465	254,141,373
Total Liabilities and Equity	_	5,004,361,184	4,346,344,254

Approved for issue by the Board of Directors on June 10, 2016

Governor Director - Accounting Department

STATEMENT OF INCOME OR LOSS

(expressed in Eastern Caribbean dollars)

For the year ended March 31, 2016

	Notes	2016 \$	2015 \$
Interest income	25	42,065,214	37,164,958
Interest expense	25	(161,353)	(1,881)
Net interest income		41,903,861	37,163,077
Commission income – foreign transactions		9,934,071	8,767,735
Commission income – other transactions		2,443,674	2,230,075
Gain on disposal of available-for-sale securities	8	3,314,912	7,570,215
Other income	26	4,440,874	870,656
Operating income	<u>-</u>	62,037,392	56,601,758
Salaries, pensions and other staff benefits Currency expenses Losses on foreign exchange Amortisation Depreciation Administrative and general expenses	27 14 15 28	28,652,765 10,746,467 1,060,461 2,032,661 4,724,840 25,912,079	28,896,972 9,725,775 1,650,912 1,433,209 4,459,623 23,801,825
Operating expenses	-	73,129,273	69,968,316
Operating loss		(11,091,881)	(13,366,558)
Share of profit of associates	13	1,077,879	1,227,633
Net loss for the year	-	(10,014,002)	(12,138,925)

STATEMENT OF COMPREHENSIVE INCOME

(expressed in Eastern Caribbean dollars)	For the year ended	d March 31, 2016
	2016 \$	2015 \$
Net loss for the year	(10,014,002)	(12,138,925)
Other comprehensive income:		
Items that will never be reclassified subsequently to profit or loss Actuarial (losses)/gains on defined benefit pension plan	(6,048,000)	3,049,000
Revaluation adjustment	-	11,598,841
Items that are or may be subsequently reclassified to profit or loss Net change in fair value of available-for-sale financial assets	4,749,638	21,279,532
Other comprehensive (loss)/income for the year	(1,298,362)	35,927,373
Total comprehensive (loss)/income for the year	(11,312,364)	23,788,448

STATEMENT OF CASH FLOWS

STATEMENT OF CASH I		
(expressed in Eastern Caribbean dollars)	For the year ende	ed March 31, 2016
	2016	2015
	\$	\$
Cash flows from operating activities Net loss for the year	(10,014,002)	(12,138,925)
•	(10,014,002)	(12,136,923)
Items not affecting cash	4.734.040	4.450.622
Depreciation Amortisation	4,724,840	4,459,623
Amortisation Gain on disposal of available-for-sale securities	2,032,661	1,433,209
Share of profit of associates	(3,314,912) (1,077,879)	(7,570,215) (1,227,633)
Gain on disposal of property, plant and equipment	(1,077,077)	(1,227,033) $(1,596)$
Effect of changes in market value of money market instruments	9,429	(220,115)
Net pension cost during the year	2,334,000	2,423,000
Impairment loss on financial assets	1,315,109	-, :==;;;;;
Gain on dissolution of subsidiary	(11,544)	-
Interest income	(42,065,214)	(37,164,958)
Interest expense	161,353	1,881
Cash flows used in operations before changes in operating assets and		
liabilities	(45,906,159)	(50,005,729)
Channel in a secretion a secretary of 10-1-1141		
Changes in operating assets and liabilities	942,801	503,024
Decrease in term deposits (Increase) decrease in money market instruments	(189,745,843)	67,437,795
Decrease in loans and receivables - participating governments'	(10),/43,043)	07,737,773
securities	13,994,990	5,653,965
Decrease in loans and receivables - participating governments'	10,771,770	2,022,702
advances	12,006,296	14,019,430
Increase in accounts receivable and prepaid expenses	(261,873)	(13,112,366)
Decrease (increase) in financial assets held for trading	4,249,663	(3,107,424)
Increase (decrease) in financial liabilities held for trading	4,629,792	(2,641,716)
Contributions to pension scheme	(2,332,000)	(2,319,000)
Increase in demand and deposit liabilities - domestic and foreign	664,715,229	427,779,181
(Decrease) increase in IMF government general resource accounts	(4,138)	2,043
Cash from operations before interest	462,288,758	444,209,203
Interest paid	(161,398)	(1,916)
Interest received	42,943,825	34,879,515
miorest received		31,073,010
Net cash from operating activities	505,071,185	479,086,802
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,531,837)	(732,122)
Purchase of intangible assets	(201,039)	(2,351,502)
Proceeds from disposal of property, plant and equipment		16,000
Proceeds from disposal of available-for-sale securities	4,722,641,095	4,071,884,951
Purchase of available-for-sale - foreign investment securities	(5,036,447,795)	(4,294,537,603)
Dividends received from associates	501,090	668,120
Net cash used in investing activities	(315,038,486)	(225,052,156)

STATEMENT OF CASH FLOWS...Continued

(expressed in Eastern Caribbean dollars)	For the year ended March 31, 2016
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	2016 \$	2015 \$
Net increase in cash and cash equivalents	190,032,699	254,034,646
Cash and cash equivalents, beginning of year	1,348,611,370	1,094,576,724
Cash and cash equivalents, end of year (note 24)	1,538,644,069	1,348,611,370

STATEMENT OF CHANGES IN EQUITY

For the year ended March 31, 2016

(expressed in Eastern Caribbean dollars)

242.817.465	14.467.000	1.808.877 10.980.827 14.467.000 242.817.465	1.808.877	22.048.756	82.106.312 22.048.756	6.537.928	- 104.867.765	'	Balance, March 31, 2016
1	(2,000)	1	ı	1	1	ı		2,000	Allocation from pension reserve (note 20)
(11,544)	'	1	•	1	'	1	(11,544)	•	Adjustment to general reserve arising from dissolution of subsidiary
ı	1	1	ı	1	ı	•	10,012,002 (10,012,002)	10,012,002	Allocation from general reserve
(11,312,364)	(6,048,000)	ı	1	4,749,638	1	1	,	(10,014,002)	Total comprehensive income
4,749,638	•	1	1	4,749,638	1	1		1	investment securities and money market instruments (note 20)
(6,048,000)	(6,048,000)	ı	1	1	1	•	ı	1	pension plan (note 21) Net chance in fair value of
(10,014,002)	1	1	1	1	1	1	•	(10,014,002)	Net loss for the year
254,141,373	20,517,000 254,141,373	10,980,827	1,808,877	82,106,312 17,299,118	82,106,312	6,537,928	- 114,891,311	'	Balance, March 31, 2015
Total \$	Pension Reserve \$	Export Credit Guarantee Self-Insurance Fund Reserve Fund \$	Export Credit Guarantee Fund	Revaluation Reserve: Available-for-Sale Securities	Revaluation Reserve: Properties	Capital Reserve \$	General Reserve	Accumulated (Deficit)	

The notes on pages 45 to 125 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

(expressed in Eastern Caribbean dollars)

	Accumulated (Deficit)	General Reserve	Capital Reserve	Revaluation Reserve: Properties	Revaluation Reserve: Available- -for-Sale Securities	Export Credit Guarantee Fund	Export Credit Guarantee Self-Insurance Fund Reserve Fund	Pension Reserve	Total
Balance, March 31, 2014	<i>9</i> € 1	\$ \$ - 126,926,236	\$ 6,537,928	\$ 70,507,471	\$ \$ 70,507,471 (3,980,414)	\$ 1,808,877	\$ 10,980,827	\$ 17,572,000	\$ \$ 17,572,000 230,352,925
Net loss for the year Increase in fair value of properties	(12,138,925)	1 1	1 1	11,598,841	1 1				(12,138,925) 11,598,841
Actuarial gains on defined benefit pension plan (note 21) Net change in fair value of	ı	ı	'		1	1	ı	3,049,000	3,049,000
investment securities and money market instruments (note 20)	1	•	1	1	21,279,532	•	•	•	21,279,532
Total comprehensive income	(12,138,925)		•	11,598,841	21,279,532	1		3,049,000	23,788,448
Allocation from general reserve	12,034,925	(12,034,925)	1	1	ı	•	1	1	1
Allocation from pension reserve (note 20)	104,000	ı	ı	ı	1	1	,	(104,000)	'
Balance, March 31, 2015	1	- 114,891,311	6,537,928	82,106,312 17,299,118	17,299,118	1,808,877	1,808,877 10,980,827	20,517,000	20,517,000 254,141,373

The notes on pages 45 to 125 are an integral part of these financial statements.

(expressed in Eastern Caribbean dollars)

March 31, 2016

1. Incorporation and principal activity

The Eastern Caribbean Central Bank ("ECCB" or "the Bank") was established under the Eastern Caribbean Central Bank Agreement Act 1983 (the "Act") on July 5, 1983 with the ratification of the Act by Governments participating in the Eastern Caribbean Currency Authority (the "Authority"). In accordance with Article 54(2) of the Act, the ECCB was formally established on October 1, 1983 on which date the Authority ceased to exist. Effective from that date, all the assets and liabilities of the Authority, together with all its rights and obligations that are consistent with the provisions of the Act were deemed to have been transferred to and vested in the Bank.

The principal activity of the ECCB is to issue, manage and safeguard the international value of the Eastern Caribbean currency, to regulate the availability of money and credit, to promote and maintain monetary stability and a sound financial structure, and to promote economic development in the territories of the Participating Governments.

The Participating Governments include the Government of Anguilla, Antigua and Barbuda, Commonwealth of Dominica, Grenada, Montserrat, St. Kitts and Nevis, Saint Lucia and St. Vincent and the Grenadines, which also compose the Eastern Caribbean Currency Union ("ECCU").

The primary office of the ECCB is at Bird Rock, Basseterre, St Kitts and its agency offices are located in the other seven member territories.

Effective 21 December 2015, Caribbean Assets and Liabilities Management Services (CALMS) Limited, a 100% owned subsidiary of the ECCB was wound up, pursuant to Section 147 of the Companies Act, 1996 of the Laws of St Christopher and Nevis. Refer to note 29 for additional information.

2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a) Basis of preparation

The financial statements have been prepared in accordance with the provisions of the Eastern Caribbean Central Bank Agreement Act 1983, International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations as issued by the International Accounting Standards Board (IASB). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, available-for-sale financial assets, and financial assets and financial liabilities held at fair value through profit or loss.

The accounting principles applied by the Bank for preparing its financial statements remained unchanged from the previous year.

(expressed in Eastern Caribbean dollars)

March 31, 2016

2. Summary of significant accounting policies...continued

a) **Basis of preparation** ...continued

On the statement of financial position, domestic assets and liabilities are those which are located within the Eastern Caribbean Currency Union, regional assets and liabilities are those which are located within other Caribbean territories and foreign assets and liabilities are those which are located outside of the Caribbean.

The financial statements were authorised for issue by the Board of Directors on 10 June 2016.

New, revised and amended standards and interpretations effective during the current year

Certain new standards, amendments to and interpretation of existing standards have been issued that became effective during the current financial year. The Bank has assessed the relevance of all such new standards, amendments and interpretations, and has adopted those which are relevant to its operations.

Annual Improvements to IFRSs 2010 - 2012 Cycle

The IASB annual improvements project for the 2010-2012 cycle resulted in amendments to the following standards which may be relevant to the Bank's operations. These amendments are effective for annual reporting periods beginning on or after 1 July 2014.

- IFRS 13, 'Fair value measurements' (Amendment). When IFRS 13 was published, certain paragraphs of IAS 39 and IFRS 9 were deleted as consequential amendments. This led to a concern that entities no longer had the ability to measure short-term receivables and payables at invoice amounts where the impact of not discounting is immaterial. The IASB has amended the basis for conclusions of IFRS 13 to clarify that it did not intend to remove the ability to measure short-term receivables and payables at invoice amounts in such cases.
- IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets' (Amendments). Both standards have been amended to clarify how the gross carrying amount and the accumulated depreciation/amortisation are treated where an entity uses the revaluation model. The carrying amount of the asset is to be restated to the revalued amount. The split between gross carrying amount and accumulated depreciation is treated in one of two ways:
 - a. The gross carrying amount is restated in a manner consistent with the revaluation of the carrying amount, and the accumulated depreciation/amortisation is adjusted to equal the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.
 - b. The accumulated depreciation/amortisation may be eliminated against the gross carrying amount of the asset.

(expressed in Eastern Caribbean dollars)

March 31, 2016

- 2. Summary of significant accounting policies...continued
 - a) Basis of preparation ... continued

New, revised and amended standards and interpretations effective during the current year... continued

Annual Improvements to IFRSs 2010 - 2012 Cycle...continued

• IAS 24, 'Related Party Disclosures' (Amendment) has been amended to extend the definition of 'related party' to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, the reporting entity is not required to disclose the compensation paid by the management entity to the management entity's employees or directors.

The amendments had no material impact on the Bank's financial statements.

New, revised and amended standards and interpretations issued but not yet effective

Certain new standards, amendments and interpretations of existing standards have been issued which are not yet effective for the current financial year and which the Bank has not early adopted. The Bank is currently assessing the impact of adopting these standards, amendments and interpretations and has determined that the following may be relevant to its operations:

- Amendment to IAS 1, 'Presentation of Financial Statements', (effective for annual periods beginning on or after 1 January 2016). This amendment forms part of the IASB's Disclosure Initiative, which explores how financial statement disclosures can be improved. It clarifies guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. The amendment also clarifies that the share of other comprehensive income (OCI) of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, classified between those items that will or will never be subsequently reclassified to profit or loss. The Bank is currently assessing the impact of adoption of the amendments on its financial statements.
- IAS 16, 'Property, Plant and Equipment' and IAS 38, 'Intangible Assets' (Amendments) Clarification of Acceptable Methods of Depreciation and Amortisation, (effective 1 January 2016). In these amendments, the IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The Bank does not expect any impact from the adoption of the amendments on its financial statements as it does not use revenue-based depreciation or amortisation methods.

(expressed in Eastern Caribbean dollars)

March 31, 2016

- 2. Summary of significant accounting policies...continued
 - a) Basis of preparation ...continued

New, revised and amended standards and interpretations issued but not yet effective... continued

• IFRS 9, 'Financial Instruments' (effective for annual periods beginning on or after 1 January 2018). In July 2014, the IASB issued IFRS 9 which is the comprehensive standard to replace IAS 39 'Financial Instruments: Recognition and Measurement', and includes requirements for classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.

Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL). Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect the asset's cash flows, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI.

Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.

IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging. The Bank is still assessing the potential impact of the adoption of IFRS 9.

(expressed in Eastern Caribbean dollars)

March 31, 2016

- 2. Summary of significant accounting policies...continued
 - a) Basis of preparation ... continued

New, revised and amended standards and interpretations issued but not yet effective...continued

- IFRS 15, 'Revenue from Contracts with Customers', (effective for annual periods beginning on or after 1 January 2018). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed.
- Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture, (effective for annual periods beginning on or after 1 January 2016). These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary.
- Amendments to IAS 27, 'Associates', (effective for annual periods beginning on or after 1
 January 2016). The amendments will allow entities to use the equity method to account for
 investments in subsidiaries, joint ventures and associates in their separate financial statements.
- Annual Improvements to IFRSs 2012-2014, contain amendments to certain standards and interpretations and are effective for annual periods beginning on or after 1 January 2016. The amendments impact the following standards:
 - IFRS 7, 'Financial Instruments: Disclosures' The amendment to IFRS 7 adds guidance
 to help management determine whether the terms of an arrangement to service a financial
 asset which has been transferred constitute continuing involvement, for the purposes of
 disclosures required by IFRS 7.
 - IAS 19, 'Employee Benefits', has been amended to clarify that high-quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid. Consequently, the depth of the market for high-quality corporate bonds should be assessed at the currency level and not the country level.

(expressed in Eastern Caribbean dollars)

March 31, 2016

2. Summary of significant accounting policies...continued

a) Basis of preparation ... continued

New, revised and amended standards and interpretations issued but not yet effective...continued

The Bank is currently assessing the impact that the future adoption of these new standards and amendments to existing standards will have on its financial statements.

The Bank did not early-adopt any new or amended standards for the year ended March 31, 2016.

Neither the Bank's member governments nor others have the power to amend the financial statements after issue.

b) Associates

Associates are all entities over which the Bank has significant influence but not control, generally accompanied by a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost.

The Bank's share of its associates' post-acquisition profits or losses is recognised in the statement of income or loss, and its share of post-acquisition movements in other comprehensive income or loss is recognised in other comprehensive income or loss with a corresponding adjustment to the carrying amount of the investment.

The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Bank's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Bank does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The Bank determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Bank calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit (loss) of associates' in the income statement.

Unrealised gains on transactions between the Bank and its associates are eliminated to the extent of the Bank's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. For the preparation of the financial statements, common accounting policies for similar transactions and other events in similar circumstances are used.

Dilution gains and losses in associates are recognised in the statement of income or loss.

(expressed in Eastern Caribbean dollars)

March 31, 2016

2. Summary of significant accounting policies...continued

c) Use of judgments and estimates

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Bank's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3(i).

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

d) Foreign currency translation

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the ECCB operates (the "functional currency"). The financial statements are presented in Eastern Caribbean dollars, which is the ECCB's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of income or loss. Changes in fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security.

Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in the carrying amount, except impairment, are recognised in other comprehensive income or loss.

All foreign exchange gains and losses recognised in the statement of income or loss are presented net. Foreign exchange gains and losses on other comprehensive income or loss items are presented in other comprehensive income or loss.

e) Comparative information

There have been no changes in presentation of the Bank's financial statements in the current year. The financial statements provide consolidated comparative information in respect of the previous period.

(expressed in Eastern Caribbean dollars)

March 31, 2016

2. Summary of significant accounting policies...continued

f) Financial assets and liabilities

Financial assets

In accordance with IAS 39, all financial assets and liabilities – which include derivative financial instruments – are recognised in the statement of financial position and measured in accordance with their assigned category.

The Bank allocates financial assets to the following three categories: financial assets at fair value through profit or loss; loans and receivables; and available-for-sale financial assets. Management determines the classification of its financial assets at initial recognition.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired or incurred principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedging instruments. Assets in this category are classified as current assets as they are expected to be settled within 12 months. They are recognized in the statement of financial position as "Financial assets held for trading".

Financial instruments included in this category are recognized initially at fair value; transaction costs are taken directly to the statement of income or loss. Gains and losses arising from changes in fair value are included directly in the statement of income or loss. The instruments are derecognized when the rights to receive cash flows have expired or the Bank has transferred substantially all the risks and rewards of ownership and the transfer qualifies for derecognition.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than: (a) those that the Bank upon initial recognition designates as available-for-sale; or (b) those for which the Bank may not recover substantially all its initial investment, other than because of credit deterioration.

Loans and receivables are initially recognised at fair value - which is the cash consideration to originate or purchase the loan including any transaction costs - and measured subsequently at amortised cost using the effective interest method. Interest on loans and receivables are included in the statement of income or loss and is reported as "interest income". In the case of impairment, the impairment loss is reported as a deduction from the carrying value of the loan and receivables and recognised in the statement of income or loss. Loans and receivables are measured at amortised cost.

(expressed in Eastern Caribbean dollars)

March 31, 2016

2. Summary of significant accounting policies...continued

f) Financial assets and liabilities...continued

Financial assets...continued

(iii) Available-for-sale financial assets

Available-for-sale investments are those to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, equity prices or exchange rates, or that are not classified as loans and receivables or financial assets at fair value through profit or loss. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

Available-for-sale financial assets are initially recognised at fair value, which is the cash consideration including any transaction costs. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Bank has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets are subsequently carried at fair value. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in other comprehensive income or loss, until the financial asset is derecognised or impaired. At this time, the cumulative gain or loss previously recognised in equity is reclassified to profit or loss.

Interest calculated using the effective interest method and foreign currency gains and losses on monetary assets classified as available-for-sale are recognised in the statement of income or loss. Dividends on available-for-sale equity instruments are recognised in the statement of income or loss when the entity's right to receive payment is established

(iv) Recognition

All purchases and sales of investment securities are recognised at settlement date, which is the date that the asset is delivered to or by the Bank.

(v) Derecognition

Financial assets are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred (that is, if substantially all the risks and rewards have not been transferred, the Bank tests control to ensure that continuing involvement on the basis of any retained powers of control does not prevent derecognition).

(expressed in Eastern Caribbean dollars)

March 31, 2016

2. Summary of significant accounting policies...continued

f) Financial assets and liabilities...continued

Financial liabilities

The Bank's financial liabilities are measured at either fair value through profit or loss or at amortised cost.

(i) Financial liabilities at fair value through profit or loss

This category is comprised of financial liabilities classified as held for trading, and financial liabilities designated by the Bank as at fair value through profit or loss upon initial recognition.

A financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking. Derivatives are also categorised as held for trading unless they are designated and effective as hedging instruments. Financial liabilities held for trading also include obligations to deliver financial assets borrowed by a short seller. Those financial instruments are recognised in the statement of financial position as "Financial liabilities held for trading".

Gains and losses arising from changes in fair value of financial liabilities classified as held for trading are included in the statement of income or loss.

(ii) Other liabilities measured at amortised cost

Financial liabilities that are not classified as fair value through profit or loss fall into this category and are measured at amortised cost. Financial liabilities measured at amortised cost are substantially comprised of: deposits from member banks and participating member governments' deposit accounts.

(iii) Derecognition

Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

Determination of fair value of financial assets and liabilities

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted bid prices or dealer price quotations. This includes quoted debt instruments on major exchanges.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. Indications that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions. In cases when the fair value of unlisted equity instruments cannot be determined reliably, the instruments are carried at cost less impairment.

(expressed in Eastern Caribbean dollars)

March 31, 2016

2. Summary of significant accounting policies...continued

f) Financial assets and liabilities...continued

Determination of fair value of financial assets and liabilities...continued

The fair value for loans and advances as well as liabilities to the Bank's customers is determined using a present value model on the basis of contractually agreed cash flows, taking into account credit quality, liquidity and costs.

g) Classes of financial instruments

The Bank classifies its financial instruments into classes that reflect the nature of information and take into account the characteristics of those financial instruments.

Financial assets are grouped as follows:

- (1) Financial assets at fair value through profit or loss, being financial assets held for trading.
- (2) Loans and receivables being cash, balances with foreign banks, money market instruments and money at call, due from local banks, accounts receivable, loans and receivables Participating Governments' securities and loans and receivables Participating Governments' advances.
- (3) Available-for-sale financial assets being debt and equity investment securities (listed and unlisted).

Financial liabilities are grouped as follows:

- (1) Financial liabilities at fair value through profit or loss, being financial liabilities held for trading derivatives (non-hedging).
- (2) Financial liabilities at amortised cost being deposit balances from member banks, participating governments and other liabilities and payables.
- (3) Commitments for future lending. There were none at the year end.

h) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when, and only when, there is a current legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

i) Derivative financial instruments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices in active markets including recent market transactions. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

(expressed in Eastern Caribbean dollars)

March 31, 2016

2. Summary of significant accounting policies...continued

i) Derivative financial instruments...continued

Changes in the fair value of the Bank's derivative instruments are recognised immediately in the statement of income or loss. None of the Bank's derivative instruments have been designated as hedging instruments and they all relate to currency forwards.

The best evidence of the fair value of a derivative at initial recognition is the transaction price (that is, the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (that is, without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets.

j) Impairment of financial assets

(a) Assets carried at amortised cost

The Bank assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset ('a loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Bank uses to determine that there is objective evidence of an impairment loss include:

- i. significant financial difficulty of the issuer or obligor;
- ii. a breach of contract, such as a default or delinquency in interest or principal payments;
- iii. the Bank granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;
- iv. it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- v. the disappearance of an active market for that financial asset because of financial difficulties; or
- vi. observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
 - adverse changes in the payment status of borrowers in the group; or
 - national or local economic conditions that correlate with defaults on the assets in the group.

(expressed in Eastern Caribbean dollars)

March 31, 2016

2. Summary of significant accounting policies...continued

j) Impairment of financial assets...continued

(a) Assets carried at amortised cost...continued

The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of income or loss. As a practical expedient, the Bank may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collaterised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e., on the basis of the Bank's grading process that considers asset type, industry, geographical location, collateral type, past-due status or other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets and historical loss experience for assets with credit risk characteristics similar to those being evaluated.

Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the Bank and their magnitude).

(expressed in Eastern Caribbean dollars)

March 31, 2016

2. Summary of significant accounting policies...continued

- j) Impairment of financial assets...continued
 - (a) Assets carried at amortised cost...continued

The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Bank to reduce any differences between loss estimates and actual loss experience.

When an asset is uncollectible, it is written off against the related provision for impairment. Such assets are written off after all necessary procedures have been completed and the amount of the loss has been determined.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtors' credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the statement of income or loss in impairment charge for credit losses.

(b) Assets classified as available-for-sale

The Bank assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the asset is impaired. If any such evidence of impairment exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the statement of income or loss, is removed from equity and recognised in the statement of income or loss. If in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the statement of income or loss, the impairment loss is reversed through the statement of income or loss. Impairment losses recognised in the statement of income or loss on equity instruments are not reversed through the statement of income or loss.

k) Cash and cash equivalents

Cash and cash equivalents comprise balances with original maturities of less than or equal to 90 days from the date of acquisition, including cash on hand, balances with other banks, short-term highly-liquid funds and investments.

Cash equivalents are subject to an insignificant risk of change in value.

(expressed in Eastern Caribbean dollars)

March 31, 2016

2. Summary of significant accounting policies...continued

l) Property, plant, equipment and depreciation

Property, plant and equipment are stated at historical cost or revalued amount less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Land and buildings are shown at fair value based on external independent valuations less subsequent depreciation for buildings. The revaluation was performed by independent professional valuers. Revaluations are carried out with sufficient regularity to ensure that the carrying value of land and buildings approximates fair value. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income or loss and shown as other reserves in shareholders' equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income or loss and debited against other reserves directly in equity; all other decreases are charged to the income statement.

Depreciation is calculated using the straight-line method at rates estimated to write down the cost or valuation of such assets to their residual values over their estimated useful lives as follows:

Buildings	2.63% to 14.29%
Furniture and office equipment	10% to 20%
Motor vehicles	20%
Land improvements	20%
Computer systems	33.33%

Land is not depreciated. Donated property is recorded at fair value at the time of receipt.

Property, plant and equipment are periodically reviewed for impairment or when indicators exist that there may be impairment. When the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. No property, plant and equipment were impaired as at March 31, 2016 (2015: Nil).

Gains and losses on the disposal of property, plant and equipment are determined by comparing proceeds with carrying amount and are taken into account in determining operating profit. When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

(expressed in Eastern Caribbean dollars)

March 31, 2016

2. Summary of significant accounting policies...continued

m) Intangible assets

Intangible assets are substantially comprised of acquired computer software programmes. These are capitalised on the basis of the cost incurred to acquire and bring to use the specific software. The Bank chooses to use the cost model for the measurement after recognition. These costs are amortised using the straight-line method on the basis of the expected useful life of three years. Generally, the identified intangible assets of the Bank have a definite useful life. Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

At each reporting date, intangible assets are reviewed for indications of impairment or changes in estimated future economic benefits. If such indications exist, the intangible assets are analysed to assess whether their carrying amount is fully recoverable. An impairment loss is recognised if the carrying amount exceeds the recoverable amount.

n) Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units). The impairment test also can be performed on a single asset when the fair value less costs to sell or the value in use can be determined reliably. Non-financial assets that suffer impairment are reviewed for possible reversal of the impairment at each reporting date.

o) Provisions

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

p) Other liabilities and payables

Other liabilities and payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. These are classified as current liabilities if payments are due within one year or less. If not, they are presented as non-current liabilities.

(expressed in Eastern Caribbean dollars)

March 31, 2016

2. Summary of significant accounting policies...continued

p) Other liabilities and payables...continued

Other liabilities and payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

q) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. The Bank recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Bank's activities, as described below.

Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognised within "interest income" and "interest expense" in the statement of income or loss for all instruments measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses.

The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest to discount the future cash flows for the purpose of measuring the impairment loss.

Commissions' income

Commissions are generally charged on transactions with commercial banks and other institutions except participating governments, and are generally recognised on an accrual basis when the service has been provided. Transactions that attract commissions include purchase and sale of foreign currency notes and balances and issue and redemption of Eastern Caribbean currency notes.

r) Leases

The leases entered into by the Bank are primarily operating leases. The total payments made under operating leases are charged to the statement of income or loss on a straight-line basis over the period of the lease.

(expressed in Eastern Caribbean dollars)

March 31, 2016

2. Summary of significant accounting policies...continued

r) Leases...continued

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

(i) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Payments, including pre-payments, made under operating leases (net of any incentives received from the lessor) are charged to the statement of income or loss on a straight-line basis over the period of the lease.

(ii) Finance leases

Leases of property, plant and equipment, where the Bank has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased asset or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding.

The corresponding rental obligations, net of finance charges, are included in payables. The interest element of the finance cost is charged to the statement of income or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

s) Employee benefits

Staff pension plan

The Bank operates a defined benefit pension scheme for its eligible employees. The assets of the plan are held in a single trustee administered fund, established by the Eastern Caribbean Central Bank. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The pension benefit is based on the final salary of the employee.

An asset or liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets. An approximate value of the defined benefit obligation is calculated every year by independent actuaries using the projected unit credit method based on detailed calculations carried out for the most recent triennial funding valuation. Under this method, the cost of providing pensions is charged to the statement of comprehensive income so as to spread the regular cost over the service lives of employees in accordance with the advice of qualified actuaries who carry out a full valuation of the plan every three years.

(expressed in Eastern Caribbean dollars)

March 31, 2016

2. Summary of significant accounting policies...continued

s) Employee benefits...continued

Staff pension plan...continued

The pension obligation is measured as the present value of the estimated future cash outflows using interest rates of long-term government bonds that are denominated in the currency in which the benefits will be paid, and which have terms to maturity approximating the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised immediately in other comprehensive income. Past-service costs are recognised immediately in the statement of income or loss.

The pension plan is funded by payments from employees and the Bank, taking into account the recommendations of independent qualified actuaries.

Prepaid employee short term benefit

The Bank facilitates loans to its staff at rates that are relatively low in comparison to the normal market rates in the Eastern Caribbean Currency Union (ECCU). These loans are recognised at fair value using a normal market rate, and the difference between the fair value and the consideration given to the employees is recorded as a pre-paid short term employee benefit. The pre-paid short-term employee benefit is amortised through the statement of income or loss over the expected service life of the relevant individual employees or the expected life of the relevant individual loans, whichever is shorter.

t) General reserve

The Eastern Caribbean Central Bank Agreement Act 1983 – Article 6(3) (as amended) provides that "if and so long as the general reserve is less than 5% of the Bank's demand liabilities at the end of a financial year in which net profits were earned the Bank shall allocate to the general reserve one half of such net profits or such smaller amount as will make that reserve equal to 5% of those liabilities; provided however that with the written agreement of each of the participating governments further allocation may be made to increase the general reserve beyond five per cent but not more than ten per cent of the Bank's demand liabilities."

For the year ending March 31, 2016 an amount of \$10,012,002 was transferred from the General Reserves to cover the deficit position of the Bank. In 2015, an amount of \$12,034,925 was transferred from General Reserves to cover the deficit position of the Bank. At March 31, 2016, the general reserve ratio stood at 2.21% (2015: 2.81%), which is 2.79% (2015: 2.19%) below the 5% target.

(expressed in Eastern Caribbean dollars)

March 31, 2016

2. Summary of significant accounting policies...continued

u) Foreign reserve assets

Under Article 24 (2) of the Eastern Caribbean Central Bank Agreement Act 1983, the Bank is required to maintain a reserve of external assets not less than 60% of its notes and coins in circulation, and other demand liabilities. The percentage of foreign reserve assets to demand liabilities at March 31, 2016 was 97.79% (2015: 96.52%).

v) Commemorative coins

The nominal value of commemorative coins sold is excluded from the balance of 'Notes and Coins in circulation' while the net proceeds from sales are included in the statement of income or loss.

w) Taxation

In accordance with Article 50 (8) (a) of the Eastern Caribbean Central Bank Agreement Act 1983, the Bank's income is exempt from any form of taxation.

In accordance with Section 5 sub-section (1) and (2) of the Eastern Caribbean Home Mortgage Bank ("ECHMB") Agreement Act, 1994 the ECHMB is exempt from stamp duties and corporation tax. The Bank's other associated company, the Eastern Caribbean Securities Exchange Limited ("ECSE") has applied to the Ministry of Finance for the renewal of its tax exempt status. The previous 10-year exemption expired in May 2013. The request for a further extension is yet to be granted by the Ministry of Finance.

3. Financial risk management

a) Introduction and overview

By its nature, the Bank's activities are principally related to the use of financial instruments. The strategy for using these financial instruments is embedded in the mission of the Bank to maintain the stability of the Eastern Caribbean Dollar and the integrity of the banking system in order to facilitate the balanced growth and development of member states.

The activities of the Bank require the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. These risks arise primarily through the Bank's execution of its reserve management function and the provision of banking services to governments and commercial banks.

The Bank's aim is therefore to achieve an appropriate balance between risk and the objectives of its reserve management function which are; i) preservation of capital, ii) meeting liquidity requirements and iii) realizing a satisfactory return. It also seeks to minimise potential adverse effects on the Bank's financial performance.

(expressed in Eastern Caribbean dollars)

March 31, 2016

3. Financial risk management...continued

a) Introduction and overview...continued

The Bank's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Bank regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practices.

In addition, the Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their role and obligations.

The management of the Bank has the responsibility to ensure that efficient and effective risk management mechanisms are in place including reporting to various executive committees. Key to the management of risk within the context of the reserve management function is the reserve management framework which embodies the Bank's risk tolerance.

Included in this framework are the investment guidelines which establish the parameters within which the reserve management function is executed. The provision of banking services is governed by policy decisions of the Board of Directors.

The Board approves the written policies for overall risk management as well as specific policies relating to the reserve management function. In addition, the Internal Audit Department is responsible for the independent review of risk management and the control environment, the results of which are reported to the Board Audit Committee.

The principal types of risks inherent in the Bank's reserve management activities are credit risk, liquidity risk, market risk and operational risk. Market risk includes currency risk, fair value interest rate risk, cash flow interest rate risk and other price risk.

b) Credit risk

The Bank takes on exposure to credit risk which is the risk that a counterparty will cause a financial loss to the Bank by failing to discharge an obligation. The Bank is exposed to credit risk primarily on account of its reserve management activities. These exposures arise mainly through investments in debt securities of international governments and agencies and domestic governments; and through lending to governments and commercial banks. Credit risk is important to the Bank's business; management therefore carefully manages its exposure to credit risk.

Credit risk measurement and mitigation policies

Available-for-sale investment securities and money market instruments and money at call

The Bank manages credit risk by placing limits on its exposure to governments, international institutions and U.S. government agencies. It places limits on the amount of risk accepted in relation to one borrower and country. Such risks are monitored on a revolving basis and subject to an annual or more frequent review.

(expressed in Eastern Caribbean dollars)

March 31, 2016

3. Financial risk management...continued

b) Credit risk...continued

Credit risk measurement and mitigation policies...continued

Available-for-sale investment securities and money market instruments and money at call... continued

The investment guidelines, which are approved by the Board of Directors, stipulate the limits on the level of credit risk by borrower, product, industry, sector and country. They also stipulate the minimum required ratings issued by Moody's or another recognized rating agency for its international investments. The Bank further manages this risk by ensuring that business is only conducted with its approved banks and by monitoring those banks' deposit ratings via rating agencies. The global custodian is also monitored daily and periodically reviewed.

The table below presents an analysis of the Bank's foreign debt securities (note 8) and money market instruments and money at call (note 5) by rating agency designation at March 31, 2016 and March 31, 2015, based on Moody's or equivalent:

Available-for-sale securities

	2016	2015
Rated (Moody's)		
Foreign securities	\$	\$
Aaa	2,489,565,430	2,179,360,442
Aa2	187,880,936	-
Aa1	84,600,423	209,441,928
Aa3	51,208,463	72,763,471
Aaae	31,085,654	-
A1	5,421,816	66,335,060
	2,849,762,722	2,527,900,901
	2016	2015
Unrated		
	\$	\$
Domestic securities	421,686	421,686
	421,686	421,686

(expressed in Eastern Caribbean dollars)

March 31, 2016

2015

2016

3. Financial risk management...continued

b) Credit risk...continued

Credit risk measurement and mitigation policies...continued

Available-for-sale investment securities and money market instruments and money at call... continued

Money	market	instruments	and	money	at call	

Rated (Moody's) Commercial paper and certificate of deposits	2010	_010
	\$	\$
P-1	395,025,907	-
A-1	26,996,049	_
A1	-	130,909,815
Aa3	-	107,384,937
Aal		13,498,427
	422,021,956	251,793,179

Unrated	2016	2015
	\$	\$
Money at call	686,165,930	660,388,697
Term deposits	628,331,613	445,261,776
	1,314,497,543	1,105,650,473

Loans and advances to participating governments

Advances are based on Board approved credit allocation limits. Requests for advances by governments are reviewed to ensure that the amounts are within the approved allocated limits. These approved limits are reviewed annually.

Due from local banks

Advances are granted to commercial banks in accordance with Part VIII, Article 31(2) and Part IIa, Article 5B of the ECCB Agreement Act 1983. Under Part VIII, Article 31(2), the borrowing bank must pledge collateral with the Central Bank and can only borrow ninety per cent of the collateral amount pledged.

(expressed in Eastern Caribbean dollars)

March 31, 2016

3. Financial risk management...continued

b) Credit risk...continued

Maximum exposure to credit risk before collateral held or other credit enhancements

Credit risk exposure relating to on-balance sheet assets is as follows:

	2016	2015
As at March 31	\$	\$
Assets		
Foreign assets		
Balances with other central banks	4,926,288	13,034,602
Balances with foreign banks	77,071	73,225
Money market instruments and money at call	1,736,903,431	1,357,560,282
Financial assets held for trading	245,988	4,495,651
Available-for-sale - foreign investment securities	2,862,778,837	2,539,942,707
· ·		
	4,604,931,615	3,915,106,467
Domestic assets		
Cash and balances with local banks	3,187,985	2,464,446
Due from local banks	- , · · , · · · -	9,572,418
Term deposits	10,070,538	11,022,652
Loans and receivables - participating governments' securities	83,912,190	100,225,950
Loans and receivables - participating governments' advances	55,692,292	67,490,727
Accounts receivable	6,644,699	7,063,523
Available-for-sale - domestic investment securities	421,686	421,686
	159,929,390	198,261,402
Total on-balance sheet credit risk	4,764,861,005	4,113,367,869

(expressed in Eastern Caribbean dollars)

March 31, 2016

- 3. Financial risk management...continued
 - b) Credit risk...continued

Credit risk exposure relating to off-balance sheet assets is as follows:

	2016 \$	2015 \$
Eastern Caribbean Securities Exchange Limited undertaking and guarantee	4,874,845	4,874,845
Total credit exposure	4,769,735,850	4,118,242,714

The above table represents a worst case scenario of credit risk exposure as at March 31, 2016 and 2015 without taking account of any collateral held or other credit enhancements attached.

For on-balance sheet assets, the exposures set out above are based on net carrying amounts as reported in the statement of financial position.

NOTES TO FINANCIAL STATEMENTS

Credit risk...continued **P**

Financial risk management...continued

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regions as of March 31, 2016. In this table, the Bank has allocated exposure to regions based on the country of domicile of The following table breaks down the Bank's main credit exposure at the carrying amounts, as categorised by geographical the counterparties.

Geographical concentration of financial assets

	Eastern Caribbean Currency Union S	United States of America and Canada	Europe and other territories	Regional states \$	Total \$
As of March 31, 2016					
Balances with other central banks	1	907,938	620,944	3,397,406	4,926,288
Money market instruments and money at call		963,669,208	773,234,223		1,736,903,431
Financial assets held for trading	1	245,988		,	245,988
Available-for-sale - foreign investment securities	•	1,807,407,234	1,055,371,603	1	2,862,778,837
Balances with local banks	3,187,985		1	1	3,187,985
Term deposits – domestic	10,070,538	•	•	•	10,070,538
Loans and receivables - participating governments' securities	83,912,190	•	•	•	83,912,190
Loans and receivables - participating governments' advances	55,692,292	•	•	•	55,692,292
Accounts receivable	6,644,699	•	•	1	6,644,699
Available-for-sale - domestic investment securities	1	1	1	421,686	421,686
1	159,507,704	159,507,704 2,772,307,439 1,829,226,770	1,829,226,770	3,819,092	4,764,861,005

4,113,367,869

11,941,426

2,651,632,846 1,251,957,170

197,836,427

NOTES TO FINANCIAL STATEMENTS

3. Financial risk management...continued

(expressed in Eastern Caribbean dollars)

b) **Credit risk**...continued

Geographical concentration of financial assets...continued

	Eastern Caribbean Currency Union \$	United States of America and Canada \$\$\$\$\$\$	Europe and other territories	Regional states	Total \$
As of March 31, 2015					
Balances with other central banks Ralances with foreign banks		880,023	638,128	11,516,451	13,034,602
Money market instruments and money at call	ı	1,105,531,508	252,028,774	1	1,357,560,282
Financial assets held for trading	•	1,265,515	3,230,136	•	4,495,651
Available-for-sale - foreign investment securities	•	1,543,882,575	996,060,132	1	2,539,942,707
Balances with local banks	2,464,446	1		•	2,464,446
Due from local banks	9,572,418	•		•	9,572,418
Term deposits – domestic	11,022,652	•	•	•	11,022,652
Loans and receivables - participating governments' securities	100,225,950	•	1	1	100,225,950
Loans and receivables - participating governments' advances	67,490,727	•			67,490,727
Accounts receivable	7,060,234	•		3,289	7,063,523
Available-for-sale - domestic investment securities	1	•	1	421,686	421,686

(expressed in Eastern Caribbean dollars)

March 31, 2016

3. Financial risk management...continued

c) Market Risk

The Bank is exposed to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. The Bank's reserve management mandate permits investment in a number of instruments. The Bank is exposed to general and specific market movements and volatility of market rates and prices such as interest rates, credit spreads and foreign exchange rates. The Bank enters into currency forward contracts to manage its exposure to fluctuations in foreign exchange rates for non-USD securities. The Bank also has a structured management process which entails the following:

- Careful monitoring of the international market and taking positions to achieve objectives
- Regular reporting to internal management committees and to the Board of Directors

i) Interest rate risk

The Bank invests in securities and money market instruments and maintains demand deposit accounts as a part of its normal course of business. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Interest rate risk is the risk of loss arising from changes in prevailing interest rates. The Bank manages this risk by monitoring interest rates daily, and seeks to minimize the exposure by devising a comprehensive risk assessment and tolerance strategy known as "Customised benchmarking". The effect of this tool is to reflect the risk tolerance level of the Bank and to measure the performance of portfolio managers. The table below analyses the effective interest rates for each class of financial asset and financial liability:

	2016	2015
	%	%
Foreign Assets		
Money market instruments and money at call	0.31	0.25
Available-for-sale - foreign investment securities	1.63	1.82
Domestic Assets		
Balances with local banks	0.01	0.05
	***-	
Due from local banks	6.50	6.50
Term deposits	2.50	2.50
Loans and receivables - participating governments' securities	5.63	5.45
Loans and receivables - participating governments' advances	6.50	6.50
Liabilities		
Term deposits, call accounts and government operating accounts	-	-
Demand and deposit liabilities - foreign	-	-

(expressed in Eastern Caribbean dollars)

March 31, 2016

- 3. Financial risk management...continued
 - c) Market Risk...continued
 - i) Interest rate risk...continued

As the Bank's investments in foreign securities are locked in at fixed interest rates, the exposure to cash flow and fair value interest rate risk is limited to investments in money market instruments and money at call for which rates vary with market movements. As at March 31, 2016, if interest rates were to move by 25 basis points, profit for the year would have been \$4.24M (2015: \$3.39M) lower or higher.

NOTES TO FINANCIAL STATEMENTS

11,088,806 4,764,861,005

1,330,501,074 408,625,654 744,415,853 1,681,245,347 588,984,271

Financial risk management...continued

Interest rate risk...continued Market risk...continued

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As of March 31, 2016	Up to 1 month 1 to 3 months \$	l to 3 months \$	3 months to 1 year \$	1 to 5 years	1 to 5 years Over 5 years	Non- Interest bearing \$	Total \$
Financial assets							
Balances with other central banks	1	1	1	1	1	4,926,288	4,926,288
Barances with foleign barns. Money market instruments and money at call	1.184.829.346	335,374,959	216.699.126	1 1			1,736,903,431
Financial assets held for trading	245,988	1	1	1	1	ı	245,988
Available-for-sale - foreign investment							
securities	113,323,458	70,228,060	489,145,167	489,145,167 1,677,962,767	512,119,385	ı	2,862,778,837
Balances with local banks	3,187,985			1		1	3,187,985
Term deposits - domestic	1,051,437	1,737,491	7,281,610	•	•	1	10,070,538
Loans and receivables - participating							
governments' securities	3,268,650	1,164,328	•	2,649,918	76,829,294	1	83,912,190
Loans and receivables - participating							
governments' advances	24,573,974	1	31,118,318	1	1	1	55,692,292
Accounts receivable	20,236	120,816	171,632	632,662	35,592	5,663,761	6,644,699
Available-for-sale - domestic investment							
Securities			•	1		121 686	121 686

NOTES TO FINANCIAL STATEMENTS

3. Financial risk management...continued

Market risk...continued

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i) Interest rate risk...continued

Total interest repricing gap, March 31, 2016 1,049,490,982 408,625,654 744,415,853 1,681,245,347 588,984,271 (4,469,444,821)

NOTES TO FINANCIAL STATEMENTS

19,497,724 4,113,367,869

502,538,454 1,480,274,160 493,608,060

1,183,725,360 433,724,111

Financial risk management...continued

3

Market risk...continued

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Interest rate risk...continued \vec{i}

As of March 31, 2015	Up to 1 month 1 to 3 months \$	1 to 3 months	3 months to 1 year	1 to 5 years	1 to 5 years Over 5 years	Non- Interest bearing \$	Total \$
Financial assets Balances with other central banks Balances with foreign banks				1 1		13,034,602 73,225	13,034,602
Money market instruments and money at call Financial assets held for trading Available-for-sale - foreign investment	1,061,675,137 2,781,551	228,443,559 1,714,100	67,441,586		1 1	1 1	1,357,560,282 4,495,651
securities Balances with local banks Due from local hanks	56,080,896 2,464,446 9,572,418	185,654,809	410,668,025	1,476,053,121	411,485,856		2,539,942,707 2,464,446 9,572,418
Term deposits - domestic Loans and receivables - participating	1,124,762	1,828,287	8,069,603	1 10000	- 070 00	ı	11,022,652
governments securines Loans and receivables - participating governments' advances Accounts receivable	50,000,314	5,054,843	3,740,000 12,435,570 183,670	5,430,514	62,002,340	5.968.211	67,490,727
Available-for-sale - domestic investment securities	1				1	421,686	421,686

NOTES TO FINANCIAL STATEMENTS

.continued
management
risk
Financial

Market risk...continued

i) Interest rate risk...continued

As of March 31, 2015	Up to 1 month \$	1 to 3 months	3 months to 1 year	3 months to 1 year 1 to 5 years \$	Over 5 years	Over Non-Interest years bearing \$	Total \$
Financial liabilities Demand and deposit liabilities - domestic	168,692,681	I	I	I	I	3,919,971,998	4,088
Demand and deposit liabilities - foreign	I	I	I	I	I	884,599	884,599
inancial liabilities held for trading	I	I	I	I	I	1,566,227	1,566,227
IMF Government general resource accounts	I	I	I	1	I	1,087,376	
	168,692,681	1	1	I	1	- 3,923,510,200 4,092,202,881	4,092,202,881

502,538,454 1,480,274,160 493,608,060 (3,904,012,476) Total interest repricing gap, March 31, 2015 1,015,032,679 433,724,111

(expressed in Eastern Caribbean dollars)

March 31, 2016

3. Financial risk management...continued

d) Currency risk

The Bank takes on exposure to fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. Management seeks to manage this risk by setting limits on the level of exposure by currency, which are monitored daily.

Available-for-sale – foreign investment securities

The Bank's investment guidelines require that all non-US dollar securities be hedged back to the US dollar. As of March 31, 2016, the foreign securities portfolio included Australian securities of \$32.1M and Euro securities of \$30.3M. As of March 31, 2015, the foreign securities portfolio included Australian securities of \$31.6M, Canadian securities of \$8.7M and Euro securities of \$33.1M. The investment managers have entered into forward contracts to sell the non-USD positions forward on a periodic rolling basis. All gains and losses arising from currency revaluation of these assets and the forward contracts are reported in the statement of income or loss as they occur.

Regional and foreign currencies

The Bank facilitates the repatriation of foreign currency notes collected by member banks during their normal course of operations. The notes are purchased from the commercial banks and shipped to Bank of America on a monthly basis. To manage the foreign currency risk of holding these notes, the Bank forward sells these notes on the same day of purchase for value on the date that the counterparty receives them.

The Bank's exposure to foreign exchange risk is limited to the minimum balances held on non-USD demand accounts and investment in non-USD foreign securities. As at March 31, 2016, if exchange rates were to move by 5 per cent, profit for the year would have been \$0.1M (2015: \$0.1M) lower or higher and the net on-balance sheet financial position would have been \$3.1M (2015: \$3.7M) lower or higher.

3. Financial risk management...continued

d) Currency risk...continued

The table below analyses assets and liabilities of the Bank into the respective currency positions as of March 31, 2016:

	Eastern Caribbean Dollar \$	United States Dollar \$	British Pound \$	Euro \$	Other \$	Total \$
Financial assets						
Balances with other central banks	I	4,201,129	620,944	I	104,215	4,926,288
Balances with foreign banks	ı	77,071	I	I	I	77,071
Money market instruments and money at call	ı	1,736,888,419	3,566	3	11,443	1,736,903,431
Financial assets held for trading	ı	245,819	169	I	I	245,988
Available-for-sale – foreign investment securities	I	2,799,627,416	I	30,594,689	32,556,732	2,862,778,837
Balances with local banks	3,187,985	I	I	I	I	3,187,985
Term deposits – domestic	10,070,538	I	I	I	I	10,070,538
Loans and receivables - participating governments' securities	83,912,190	I	I	I	I	83,912,190
Loans and receivables - participating governments' advances	55,692,292	I	I	I	I	55,692,292
Accounts receivable	6,644,699	I	I	I	I	6,644,699
Available-for-sale – domestic investment securities	421,686	I	I	I	I	421,686
	159,929,390	4,541,039,854	624,679	30,594,692	32,672,390	4,764,861,005
Financial liabilities						
Demand and deposit liabilities – domestic	4,752,457,319	I	I	I	I	4,752,457,319
Demand and deposit liabilities – foreign	808,340	998,803	I	I	I	1,807,143
IMF government general resource accounts	1,083,238	I	I	I	I	1,083,238
Financial liabilities held for trading	ı	2,429,175	44,921	1,107,384	2,614,539	6,196,019
	4,754,348,897	3,427,978	44,921	1,107,384	2,614,539	4,761,543,719
Net on-balance sheet	(4,594,419,507) 4,537,611,876	4,537,611,876	579,758	579,758 29,487,308	30,057,851	3,317,286

NOTES TO FINANCIAL STATEMENTS

Financial risk management...continued

3

d) Currency risk...continued

The table below analyses assets and liabilities of the Bank into the respective currency positions as of March 31, 2015:

	Eastern Caribbean Dollar	United States Dollar \$	British Pound \$	Euro \$	Other \$	Total \$
Financial assets						
Balances with other central banks	I	12,293,670	638,129	I	102,803	13,034,602
Balances with foreign banks	I	73,225	I	I	I	73,225
Money market instruments and money at call	I	1,345,742,781	3,665	11,584,504	229,332	1,357,560,282
Financial assets held for trading	ı	296	6,453	1,861,257	2,627,645	4,495,651
Available-for-sale – foreign investment securities	I	2,465,731,356	1	33,420,293	40,791,058	2,539,942,707
Balances with local banks	2,464,446	1	I	I	I	2,464,446
Due from local banks	9,572,418	I	I	I	I	9,572,418
Term deposits – domestic	11,022,650	I	I	I	I	11,022,652
Loans and receivables - participating governments' securities	100,225,952	I	I	I	I	100,225,950
Loans and receivables - participating governments' advances	67,490,727	I	I	I	I	67,490,727
Accounts receivable	7,063,523	I	I	I	I	7,063,523
Available-for-sale – domestic investment securities	421,686	I	1	1	1	421,686
	198,261,402	3,823,841,328	648,247	46,866,054	43,750,838	4,113,367,869
Financial liabilities						
Demand and deposit liabilities – domestic	4,088,664,679	I	I	I	I	4,088,664,679
Demand and deposit liabilities – foreign	862,985	21,614	I	I	I	884,599
IMF government general resource accounts	1,087,376	I	I	I	I	1,087,376
Financial liabilities held for trading	1,565,173	I	982	I	72	1,566,227
' '	4,092,180,213	21,614	985	1	72	4,092,202,881
Net on-balance sheet	(3,893,918,811) 3,823,819,714	3,823,819,714	647,265	46,866,054	43,750,766	21,164,988

(expressed in Eastern Caribbean dollars)

March 31, 2016

3. Financial risk management...continued

e) Liquidity risk

Liquidity risk is the risk that the Bank is unable to provide adequate liquidity support for the financial system to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. This would result in the Bank's failure to maintain monetary and financial stability. The Bank is exposed to daily calls on its available cash resources from overnight deposits, current accounts and maturing deposits. Liquidity is a key criterion in determining the composition of the Bank's foreign reserves portfolio. The liquidity tranche is closely monitored in accordance with a cash flow management policy. Additionally, there is consistent monitoring and checking for compliance with approved portfolio diversification, asset allocation and asset quality.

The liquidity management process forms part of the Bank's wider mandate for reserve management and is carried out in accordance with approved guidelines by the Reserve Management Committee and monitored by management. The liquidity tranche is comprised of highly marketable assets that can easily be liquidated to meet unexpected demands. The process entails the following:

- Daily monitoring of balances on the Bank's call accounts to ensure that adequate funds are available to meet current and future requirements.
- Projections of cash inflows and outflows based on historical trends.
- Laddering of money market instruments in the liquidity tranche to ensure that adequate funds are available to meet current liquidity needs.
- Assets held to manage liquidity risk include balances with other central banks, balances with foreign banks, money market instruments and money at call, financial assets held for trading, available-for-sale foreign investment securities, balances with local banks and due from local banks. At the reporting date, the Bank held \$4,608,119,600 (2015: \$3,927,143,331) of these instruments that are expected to readily generate cash inflows.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Bank and its exposure to changes in interest rates and exchange rates.

The table below analyses assets and liabilities of the Bank into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The resulting liquidity gap does not pose any significant risk to the Bank. Based on the nature of the financial liabilities which principally comprise of bankers current accounts (note 16) and is categorized in the up to 1 month grouping, payouts to commercial banks in the short term are unlikely as these commercial banks are required to maintain with the Bank a reserve equivalent to 6% of their total deposit liabilities.

Financial risk management...continued

3

NOTES TO FINANCIAL STATEMENTS

747,670,607 1,681,175,725 590,906,877

(3,424,753,280) 408,317,357

Net liquidity gap, March 31, 2016

e) Liquidity riskcontinued			•			
Maturities of liabilities and assets, March 31, 2016	Up to 1 month 1 to 3 months \$	1 to 3 months	3 months to 1 year \$	1 to 5 years	1 to 5 years Over 5 years \$	Total \$
Financial Liabilities Demond and denocit liabilities — domestic	4 752 457 310				l	4 752 457 310
Demand and deposit Habilities – doniesuc Demand and deposit Habilities – foreion	1,72,437,313	1 1			1 1	1.807.143
Financial liabilities held for trading	5,639,394	556,625	I	I	I	6,196,019
IMF Government general resource accounts	1,083,238		1	1	1	1,083,238
	4,760,987,094	556,625	I	I	1	4,761,543,719
Financial Assets						
Balances with other central banks	4,926,288	I	I	I	I	4,926,288
Balances with foreign banks	77,071	I	I	I	I	77,071
Money market instruments and money at call	1,184,829,346	335,374,959	216,699,126	I	I	1,736,903,431
Financial assets held for trading	245,988	I	I	I	I	245,988
Available-for-sale – foreign investment securities	113,323,458	70,228,060	489,145,167	489,145,167 1,677,962,767	512,119,385	2,862,778,837
Balances with local banks	3,187,985	107	1 201	I	I	3,187,985
Term deposits — domestic	1,051,43/	1,/3/,491	1,281,610	- 9EL CLS C	- 75 077 485	10,070,538
Loans and receivables – participating governments' advances	24,573,974	1	31.118.318		1	55,692,292
Accounts receivable	749,616	369,144	1,597,396	640,222	3,288,321	6,644,699
Available-for-sale – domestic investment securities		1		1	421,686	421,686
	1 336 233 814	408.873.982	747.670.607	747.670.607 1.681.175.725	590.906.877	4.764.861.005

3.	Financial risk managementcontinued						
e	Liquidity riskcontinued						
Maturiti	Maturities of liabilities and assets, March 31, 2015	Up to 1 month 1 to 3 months \$	1 to 3 months	3 months to 1 year	1 to 5 years	1 to 5 years Over 5 years	Total \$
Financis Demand	Financial Liabilities Demand and deposit liabilities – domestic	4.088.664,679	I	ı	I	ı	4,088,664,679
Demand	Demand and deposit liabilities – foreign	884,599	I	I	I	I	884,599
Financia	Financial liabilities held for trading	1,566,227	1	I	I	I	1,566,227
IMF Gov	IMF Government general resource accounts	1,087,376	1	1	I	I	1,087,376
		4,092,202,881	1	1	1	1	4,092,202,881
Financia	Financial Assets						
Balances	Balances with other central banks	13,034,602	ı	I	I	I	13,034,602
Balances	Balances with foreign banks	73,225	ı	I	I	I	73,225
Money n	Money market instruments and money at call	1,061,675,137	228,443,559	67,441,586	I	I	1,357,560,282
Financia	Financial assets held for trading	2,781,551	1,714,100	I	I	I	4,495,651
Availabl	Available-for-sale – foreign investment securities	56,080,896	185,654,809	410,668,025	410,668,025 1,476,053,121	411,485,856	2,539,942,707
Balances	Balances with local banks	2,464,446	I	I	I	I	2,464,446
Due fron	Due from local banks	9,572,418	I	I	I	I	9,572,418
Term de	Ferm deposits – domestic	1,124,762	1,828,287	8,069,603	I	I	11,022,652
Loans an	Loans and receivables - participating governments' securities	1	10,993,296	3,740,000	3,430,314	82,062,340	100,225,950
Loans an	Loans and receivables – participating governments' advances	50,000,314	5,054,843	12,435,570	I	I	67,490,727
Accounts	Accounts receivable	644,337	282,691	884,512	790,725	4,461,258	7,063,523
Available	Available-for-sale – domestic investment securities	I	ı	I	I	421.686	421.686

	1,197,451,688	433,971,585	503,239,296	1,197,451,688 433,971,585 503,239,296 1,480,274,160	498,431,140	4,113,36
Net liquidity gap, March 31, 2015	(2,894,751,193) 433,971,585 503,239,296 1,480,274,160	433,971,585	503,239,296	1,480,274,160	498,431,140	21,16

(expressed in Eastern Caribbean dollars)

March 31, 2016

- 3. Financial risk management...continued
 - e) Liquidity risk...continued

Derivative cash flows

The following table shows the derivative financial instruments (forward contracts) that will be settled on a gross basis into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are contractual undiscounted cash flows.

At March 31, 2016	0-3 months	3-6 months	Total
Derivatives held for trading (forward contracts)			
Foreign exchange derivatives - Outflow - Inflow	(113,867,798) 37,955,899	_ _ _	(113,867,798) 37,955,899
At March 31, 2015	0-3 months	3-6 months	Total
Derivatives held for trading (forward contracts)			
Foreign exchange derivatives - Outflow - Inflow	(54,816,169) 148,731,690	_ _	(54,816,169) 148,731,690

Financial risk management...continued ر

Fair value **(**)

Fair value is the arm's length consideration for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties, who are under no compulsion to act and is best evidenced by a quoted market price, if one exists.

(i) Financial instruments not measured at fair value

The table below summarises the carrying amounts and fair values of those financial assets and liabilities not presented in the Bank's statement of financial position at their fair value:

	Carry	Carrying value	Fair value	Jue -
	2016	2015	2016	2015
	€	€	€	9
Financial assets				
Balances with other central banks	4,926,288	13,034,602	4,926,288	13,034,602
Balances with foreign banks	77,071	73,225	77,071	73,225
Money market instruments and money at call	1,314,881,475	1,105,767,103	1,314,881,475	1,105,767,103
Balances with local banks	3,187,985	2,464,446	3,187,985	2,464,446
Due from local banks	1	9,572,418	I	9,572,418
Term deposits – domestic	10,070,538	11,022,652	10,070,538	11,022,652
Loans and receivables – participating governments' securities	83,912,190	100,225,950	83,912,190	100,225,950
Loans and receivables - participating governments' advances	55,692,292	67,490,727	55,692,292	67,490,727
Accounts receivable	6,644,699	7,063,523	6,644,699	7,063,523
	1,479,392,538	1,479,392,538 1,316,714,646	1,479,392,538 1,316,714,646	1,316,714,646
Financial liabilities				
Demand and deposit liabilities – domestic	4,752,457,319	4,088,664,679	4,752,457,319	4,088,664,679
Jemand and denocit liabilities = Toreign	7 7 / X	TOT TXX	7 / X	TOT TXX

Demand and deposit habilities – foreign IMF government general resource accounts

4,090,636,654

4,755,347,700

4,090,636,654

4,755,347,700

(expressed in Eastern Caribbean dollars)

March 31, 2016

- 3. Financial risk management...continued
 - f) Fair value...continued
 - (i) Financial instruments not measured at fair value...continued

	Carrying v	/alue	Fair	· value
Off-balance sheet financial instruments	2016	2015	2016	2015
	\$	\$	\$	\$
Eastern Caribbean Securities Exchange Limited undertaking				
and guarantee			4,874,845	4,874,845

Determination of Fair Value

The following methods and assumptions have been used to estimate the fair value of each class of financial instrument for which it is practical to estimate a value:

- Short-term financial assets and liabilities: The carrying value of these financial assets and liabilities is a reasonable estimate of their fair value because of the short maturity of these instruments. Short-term financial assets are comprised of regional and foreign currencies, balances with other central banks, balances with foreign banks, money market instruments and money at call, treasury bills, balances with local banks, due from participating governments, interest receivable, and accounts receivable. Short-term financial liabilities are comprised of demand and deposit liabilities domestic and foreign, interest payable and certain other liabilities.
- Long-term loans and receivables: The estimated fair value of long-term loans and receivables is based on discounted cash flows using prevailing market interest rates for debts with similar credit risk and remaining terms to maturity. Some of the financial assets included in participating governments' securities and accounts receivable are long term.

(expressed in Eastern Caribbean dollars)

March 31, 2016

3. Financial risk management...continued

f) Fair value...continued

Fair Value Hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Bank's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1: Quoted prices in active markets for identical assets and liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: Inputs for the assets or liabilities that are not based on observable market data. This level includes equity investments and debt instruments with significant unobservable components.

The hierarchy requires the use of observable market data when available. The Bank considers relevant and observable market prices in valuations where possible.

The following table presents the Bank's financial assets and liabilities that are measured at fair value at March 31, 2016:

	Level 1	Level 3
	\$	\$
Financial assets		
Commercial paper	381,521,788	_
Certificate of Deposits	40,500,168	_
Financial assets held for trading	245,988	_
Available-for-sale – foreign investment securities	2,862,778,837	_
Available-for-sale – domestic investment securities		421,686
	3,285,046,781	421,686
	Level 1	Level 3
	\$	\$
Financial liabilities		
Financial liabilities held for trading	6,196,019	

(expressed in Eastern Caribbean dollars)

March 31, 2016

3. Financial risk management...continued

f) Fair value...continued

Fair Value Hierarchy...continued

The following table presents the Bank's financial assets and liabilities that are measured at fair value at March 31, 2015:

	Level 1 \$	Level 3
Financial assets	Ψ	Ψ
Commercial paper	251,793,179	_
Financial assets held for trading	4,495,651	_
Available-for-sale – foreign investment securities	2,539,942,707	_
Available-for-sale – domestic investment securities		421,686
	2,796,231,537	421,686
	Level 1	Level 3
Financial liabilities	-	-
Financial liabilities held for trading	1,566,227	<u> </u>

g) Capital risk management

The Bank's objectives when managing capital are:

- Safeguard the Bank's ability to continue as a going concern
- Manage and safeguard the value of the Eastern Caribbean currency
- Maintain a strong capital base to support its developmental activities

The Bank manages capital through the maintenance of a general reserve according to prescribed guidelines as mandated in the ECCB Agreement Act 1983 (note 2t). As at March 31, 2016 the general reserve was \$104,867,765 (2015: \$114,891,311).

h) Operational risk

Operational risk is the risk of direct or indirect loss in both financial and non-financial terms arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure. It may also arise from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Bank's operations and are faced by all departments.

(expressed in Eastern Caribbean dollars)

March 31, 2016

3. Financial risk management...continued

h) **Operational risk**...continued

Managing operational risk in the Bank is seen as an integral part of day-to-day operations and management, which includes explicit consideration of both the opportunities and the risks of all business activities. The Bank's objective is to manage operational risk so as to balance an avoidance of financial losses and damage to the Bank's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to the management team of each department. This responsibility is supported by bank-wide corporate policies which describe the standard of conduct required of staff and specific internal control systems designed around the particular characteristics of various Bank activities.

Compliance with corporate policies and departmental control systems are managed by:

- Requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- Requirements for the reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Requirements for the periodic assessment of operational risks faced, and the adequacy of the controls and procedures to assess the risks identified;
- Development and periodic testing of contingency plans;
- Training and professional development;
- Ethical and business standards:
- Risk mitigation, including insurance where it is effective;
- Weekly reporting to the senior management/risk management committee;
- Quarterly management affirmation by each department's surveillance officer that corporate policies and departmental internal control systems have been complied with; and
- A structured induction program for new employees.

Compliance with the Bank's standards is supported by a programme of periodic reviews undertaken by the Internal Audit Department. The results of the internal audit reviews are discussed with the management of the department to which they relate and summaries are submitted to the Board Audit Committee and Executive Committee of the Bank.

(expressed in Eastern Caribbean dollars)

March 31, 2016

3. Financial risk management...continued

i) Critical accounting estimates and judgements

The Bank's financial statements and its financial results are influenced by accounting policies, assumptions, estimates and management judgement, which necessarily have to be made in the course of preparation of the financial statements. All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the applicable standard.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimated pension obligation

The present value of the retirement benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of the pension asset.

The assumptions used in determining the net cost (income) for pensions include the discount rate. The Bank determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash flows expected to be required to settle the pension obligations. The Bank considers the interest rates of high-quality instruments, normally long-term government bonds that are denominated in Eastern Caribbean currency which is the currency in which the benefits will be paid and that have terms of maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions.

Impairment of financial assets

In determining amounts recorded for impairment losses in the financial statements, management makes judgements regarding indicators of impairment, that is, whether there are indicators that there may be a measurable decrease in the estimated future cash receivables, for example, default and adverse economic conditions. Management also makes estimates of the likely estimated future cash flows of impaired receivables as well as the timing of such cash flows.

Available-for-sale securities

As at March 31, 2016, the Bank held available-for-sale investment securities of \$2,863,200,523 (2015: \$2,540,364,393). Quoted debt securities accounted for \$2,849,762,722 (2015: \$2,527,900,901). The value of available-for-sale securities which were trading below cost at March 31, 2016 was \$575,239,552 (2015: \$443,664,508) with total unrealised losses of \$652,582 (2015: \$2,885,618). Management considers these losses temporary.

(expressed in Eastern Caribbean dollars)

March 31, 2016

3. Financial risk management...continued

i) Critical accounting estimates and judgements...continued

Valuation of land and buildings

The Bank utilises professional valuers to determine the fair value of its properties. Valuations are determined through the application of different valuation methods which are all sensitive to the underlying assumptions chosen.

4. Balances with other central banks and foreign banks

G	2016	2015
	\$	\$
Balances with other central banks		
Balances with Regional central banks	3,397,406	11,516,450
Balances with European central banks	620,944	638,129
Balances with North American central banks	907,938	880,023
Total balances with other central banks	4,926,288	13,034,602
Balances with foreign banks		
Current accounts denominated in United States dollars	77,071	73,225
Current	5,003,359	13,107,827

These balances are non-interest bearing.

5. Money market instruments and money at call

	2016	2015	
By currency	\$	\$	
Balances denominated in United States dollars	1,736,504,487	1,345,626,151	
Balances denominated in Canadian dollars	9,858	55	
Balances denominated in Pound Sterling	3,566	3,665	
Balances denominated in Australian dollars	1,585	108,257	
Balances denominated in Euro	3	11,584,504	
Balances denominated in New Zealand dollars		121,020	
	1,736,519,499	1,357,443,652	
Interest receivable	383,932	116,630	
Total money market instruments and money at call	1,736,903,431	1,357,560,282	

(expressed in Eastern Caribbean dollars)

March 31, 2016

5. Money market instruments and money at call...continued

By financial instrument type	2016 \$	2015 \$
Money market instruments maturing in less than ninety days:		
Money at call Term deposits Commercial paper	686,165,930 559,724,959 233,441,181	660,388,697 445,261,776 184,351,593
Included in cash and cash equivalents (note 24)	1,479,332,070	1,290,002,066
Money market instruments maturing after ninety days:		
Commercial paper Term deposits Certificate of deposits	148,080,607 68,606,654 40,500,168	67,441,586 - -
	257,187,429	67,441,586
Interest receivable	383,932	116,630
Total money market instruments and money at call	1,736,903,431	1,357,560,282

Money market instruments include commercial paper purchased at discounts, term deposits and certificate of deposits with interest rates ranging from 0.01% to 0.91% (2015: 0.05% to 0.45%).

Money at call includes cash balances available to the Bank's money managers and funds held at the United States Federal Reserve Bank for the day to day operations of the Bank. These balances earned interest at rates ranging from 0.00% to 0.37% (2015: 0.00% to 0.13%) during the year.

(expressed in Eastern Caribbean dollars)

March 31, 2016

6. Term deposits

	2016 \$	2015 \$
Fixed Deposits:		
- Bank of Nova Scotia, St. Kitts	6,920,506	7,108,958
- CIBC FirstCaribbean International Bank, St. Kitts	3,023,610	3,777,959
	9,944,116	10,886,917
Interest receivable	126,422	135,735
Total term deposits	10,070,538	11,022,652
Current	10,070,538	11,022,652

The deposits held with Bank of Nova Scotia, St. Kitts (BNS) and CIBC FirstCaribbean International Bank – St. Kitts (CIBC/FCIB) are not available for use in the Bank's day-to-day operations. These balances are pledged as liquidity support for loans and advances issued by BNS and CIBC/FCIB to the Bank's employees, at rates that are relatively low in comparison to the normal market rates in the ECCU. These term deposits earned interest at rates of 2.5% (2015: 2.5%) per annum during the year.

(expressed in Eastern Caribbean dollars)

March 31, 2016

7. Financial instruments

a) Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

As of March 31, 2016	Loans and receivables \$	loss	Available -for-sale \$	Total \$
Financial assets Balances with other central banks Balances with foreign banks Manay market instruments and	4,926,288 77,071		_ _	4,926,288 77,071
Money market instruments and money at call Financial assets held for trading Available-for-sale - foreign investment	1,314,881,475	245,988	422,021,956 -	1,736,903,431 245,988
securities Balances with local banks Due from local banks	3,187,985	_	2,862,778,837	2,862,778,837 3,187,985
Term deposits - domestic Loans and receivables - participating governments' securities Loans and receivables - participating	10,070,538 83,912,190		_	10,070,538 83,912,190
governments' advances Accounts receivable Available-for-sale - domestic investment	55,692,292 6,644,699		- -	55,692,292 6,644,699
securities	1,479,392,538	245,988	421,686 3,285,222,479	421,686 4,764,861,005
As of March 31, 2016		Liabilities at fair value through profit or loss \$	Other financial liabilities \$	Total \$
Financial liabilities				
Demand and deposit liabilities - domestic Demand and deposit liabilities - foreign Financial liabilities held for trading IMF government general resource accounts		6,196,019 -	4,752,457,319 1,807,143 - 1,083,238	4,752,457,319 1,807,143 6,196,019 1,083,238
		6,196,019	4,755,347,700	4,761,543,719

(expressed in Eastern Caribbean dollars)

March 31, 2016

7. Financial instruments...continued

a) Financial instruments by category...continued

As of March 31, 2015	Loans and receivables \$	1	Available -for-sale \$	Total \$
Financial assets Balances with other central banks Balances with foreign banks	13,034,602 73,225		_ _	13,034,602 73,225
Money market instruments and money at call Financial assets held for trading Available-for-sale - foreign investment	1,105,767,103	4,495,651	251,793,179 -	1,357,560,282 4,495,651
securities Balances with local banks Due from local banks Term deposits - domestic	2,464,446 9,572,418 11,022,652	- - -	2,539,942,707	2,539,942,707 2,464,446 9,572,418 11,022,652
Loans and receivables - participating governments' securities Loans and receivables - participating	100,225,950	-	-	100,225,950
governments' advances Accounts receivable Available-for-sale - domestic investment securities	67,490,727 7,063,523	- -	421,686	67,490,727 7,063,523 421,686
	1,316,714,646	4,495,651	2,792,157,572	4,113,367,869
		Liabilities at fair value through profit or loss \$	Other financial liabilities \$	Total \$
As of March 31, 2015		•	*	4
Financial liabilities Demand and deposit liabilities - domestic Demand and deposit liabilities - foreign Financial liabilities held for trading IMF government general resource accounts		- 1,566,227 -	4,088,664,679 884,599 - 1,087,376	4,088,664,679 884,599 1,566,227 1,087,376
	-	1,566,227	4,090,636,654	4,092,202,881

(expressed in Eastern Caribbean dollars)

March 31, 2016

7. Financial instruments...continued

b) Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired are assessed using external credit ratings.

Available-for-sale financial assets

Foreign investment securities held by the Bank are debt of governments with a country rating of AA or better (by Moody's or equivalent), or debt that carries the unconditional guarantee of such governments, and included in the list of acceptable sovereign risks and debt of international institutions that are specifically listed in the Bank's Investment Guidelines. These securities are of superior credit quality and protection of interest and principal is considered high.

Loans and receivables

Cash at banks and money market instruments are held at approved financial institutions which have a minimum bank deposit rating of A-1/P-1 Moody's or as measured by another international rating agency. These financial institutions must be incorporated in one of the approved countries listed in the Bank's Investment Guidelines. Other loans and receivables included in financial assets are not rated.

Accounts receivable include amounts that are past due and for which the Bank has recognised a specific allowance for doubtful receivables after the assessment.

The Bank does not have any other financial assets that are past due or impaired.

(expressed in Eastern Caribbean dollars)

March 31, 2016

8. Available-for-sale investment securities

	2016 \$	2015 \$
Domestic securities	Φ	Ф
Equity securities Caribbean Information and Credit Rating Agency Services Ltd.		
156,180 (2015: 156,180) ordinary shares of \$2.70 each		
- unquoted, at cost	421,686	421,686
Foreign securities		
Debt securities		
- quoted, at fair value	2,849,762,722	2,527,900,901
Interest receivable	13,016,115	12,041,806
Total foreign securities	2,862,778,837	2,539,942,707
Total investment securities	2,863,200,523	2,540,364,393
Current	673,118,371	652,825,416
Non-current	2,190,082,152	1,887,538,977
	2,863,200,523	2,540,364,393

The movement in investment securities may be summarised as follows:

	Domestic Securities \$	Foreign Investment Securities \$
Balance as of March 31, 2014	421,686	2,276,178,387
Additions	-	4,294,537,603
Disposals (sale and redemption)	-	(4,064,314,736)
Net gain transfer to equity	-	29,069,862
Net gain transfer from equity	-	(7,570,215)
Balance as of March 31, 2015	421,686	2,527,900,901
Additions	-	5,036,447,795
Disposals (sale and redemption)	-	(4,719,326,183)
Net gain transfer to equity	-	8,055,121
Net gain transfer from equity		(3,314,912)
Balance as of March 31, 2016	421,686	2,849,762,722

The Bank transferred gains of \$3,314,912 (2015: gains of \$7,570,215) from equity into the statement of income or loss.

(expressed in Eastern Caribbean dollars)

March 31, 2016

8. Available-for-sale investment securities...continued

Gains less losses from investment securities comprise:

	2016	2015
	\$	\$
Net realised gains (losses) from disposal of available-for-sale		
financial assets	3,314,912	7,570,215

9. Loans and receivables: Participating governments' securities

a) Participating governments' securities: Debentures

	Nominal value 2016 \$	Amortised cost 2016	Nominal value 2015 \$	Amortised cost 2015
Government of Antigua and Barbuda				
9% Debentures maturing 2018	2,572,736	2,572,736	3,430,314	3,430,314
3.5% Debenture maturing 2027	75,077,485	75,077,485	80,045,217	80,045,217
Government of St. Kitts and Nevis 5% Debentures maturing 2016	_	_	3,740,000	3,740,000
	77,650,221	77,650,221	87,215,531	87,215,531
Interest receivable	_	1,828,990	_	3,114,535
Total participating governments' securities: Debentures	77,650,221	79,479,211	87,215,531	90,330,066

The Government of Antigua and Barbuda 15 year 3.5% treasury bond maturing in 2027 arose as a result of the liquidity support extended to Bank of Antigua Limited under emergency powers exercised by the Eastern Caribbean Central Bank on February 20, 2009.

(expressed in Eastern Caribbean dollars)

March 31, 2016

- 9. Loans and receivables: Participating governments' securities...continued
 - b) Participating governments' securities: Treasury bills

	Nominal value 2016 \$	Amortised cost 2016	Nominal value 2015 \$	Amortised cost 2015
Treasury bills - Government of Grenada treasury bill maturing 2015	_	_	2,900,000	2,853,600
Treasury bills - Government of Antigua and Barbuda treasury bill maturing 2016	3,300,000	3,239,640	4,900,000	4,815,720
Treasury bills - Government of Grenada treasury bill maturing 2016	1,160,000	1,141,440	1,160,000	1,141,440
	4,460,000	4,381,080	8,960,000	8,810,760
Interest receivable		51,899		1,085,124
Total participating governments' securities: treasury bills	4,460,000	4,432,979	8,960,000	9,895,884
Total participating governments' securities	82,110,221	83,912,190	96,175,531	100,225,950
Current				11-00-006
Non-current		6,261,969		14,733,296
	-	77,650,221	_	85,492,654
	_	83,912,190	_	100,225,950

(expressed in Eastern Caribbean dollars)

March 31, 2016

9. Loans and receivables: Participating governments' securities...continued

The movement in loans and receivables: participating governments' securities may be summarized as follows:

	Debentures \$	Treasury Bills \$	Total \$
Balance as of March 31, 2014	92,869,496	8,810,760	101,680,256
Payment of principal	(5,653,965)	-	(5,653,965)
Balance as of March 31, 2015	87,215,531	8,810,760	96,026,291
Payment of principal Reduction in Treasury Bill holdings	(9,565,310)	(4,429,680)	(9,565,310) (4,429,680)
Balance as of March 31, 2016	77,650,221	4,381,080	82,031,301

10. Loans and receivables: Participating governments' advances

	2016 \$	2015 \$
Operating accounts:		
- Government of Anguilla	13,229,963	12,307,280
- Government of Saint Lucia	7,846,082	11,114,513
- Government of Grenada	3,497,929	12,636,232
- Government of St. Vincent and the Grenadines	_	10,476,949
- Government of the Commonwealth of Dominica	_	107,144
- Government of Montserrat		18,053
	24,573,974	46,660,171
Temporary advances:		
- Government of St. Vincent and the Grenadines	25,252,606	12,402,440
- Government of Antigua and Barbuda	5,622,328	2,978,302
- Government of Grenada	_	5,053,943
- Government of the Commonwealth of Dominica	_	360,348
	30,874,934	20,795,033
Interest receivable	243,384	35,523
Total temporary advances	31,118,318	20,830,556
Total due from participating governments' advances	55,692,292	67,490,727
Current	55,692,292	67,490,727

Amounts due from participating governments for temporary advances and operating account overdraft balances are unsecured and usually accrue interest at 6.50% per annum.

(expressed in Eastern Caribbean dollars)

March 31, 2016

11. Accounts receivable and prepaid expenses

	2016 \$	2015 \$
Prepaid expenses Accounts receivable Staff mortgage loans	26,067,510 7,058,880 900,928 34,027,318	26,701,922 5,968,211 1,095,312 33,765,445
Provision for impairment of receivables	(1,315,109)	<u>-</u>
	32,712,209	33,765,445
Current	12,557,177	11,618,713
Non-current	20,155,032	22,146,732
	32,712,209	33,765,445

Staff mortgage loans accrue interest at a rate of 4% per annum and are secured by real estate property with variable repayment terms. As the loans are granted at a preferential interest rate, this has given rise to a short term employee benefit asset in the amount of \$261,227 (2015: \$328,414) at the statement of financial position date. This amount is included in prepaid expenses.

The Bank's receivables have been assessed for indicators of impairment. Accounts receivable include amounts that are past due for which the Bank has recognised a specific provision for impairment of receivables after the assessment. The provision for impairment of receivables is assessed by reference to collectability by conducting aging analysis and assessing the current financial condition of debtors.

An amount due from the Eastern Caribbean Enterprise Fund (ECEF) was found to be impaired following the receipt of a letter from the Board of Directors of the ECEF dated 7 April 2016 indicating that the operations of the company had been suspended. Accordingly, a provision for impairment of \$1,315,109 (2015: Nil) has been recorded. Such impairment loss was included in administrative and general expenses for the year ended 31 March 2016.

Reconciliation of provision for impairment on accounts receivable

The movement in provision for impairment on accounts receivable is as follows:

	2016 \$	2015 \$
Balance, beginning of year Provision during the year Amounts written off during the year	1,315,109	- - -
Balance, end of year	1,315,109	

(expressed in Eastern Caribbean dollars)

March 31, 2016

12. Financial assets held for trading

The Bank's derivatives relate to currency forwards. Currency forwards represent commitments to purchase foreign currency and are initially recognised at fair value on the date that a derivative contract is entered into and are subsequently remeasured at their fair value.

The following is an analysis of the currency forwards held with positive fair value as at March 31, 2016:

Currency sold	Notional value of	Notional value of contracts		Fair value of contracts
/purchased	contracts	EC\$ equivalent	Value date of contracts	\$
ĞВР	38,500	103,950	April 25, 2016	169
USD	14,019,240	37,851,949	April 4, 2016_	245,819
		37,955,899	-	245,988
		Current	_	245,988

The following is an analysis of the currency forwards held with positive fair value as at March 31, 2015:

Currency sold /purchased	Notional value of contracts	Notional value of contracts EC\$ equivalent	Value date of contracts	Fair value of contracts
AUD	22,378,739	47,205,128	April 21 & 23, 2015	1,362,331
CAD	20,798,900	45,214,276	April 05,18 & 29, 2015	1,265,219
			April 21 & 29, May 1, June 17 &	
EUR	18,165,191	54,557,557	22, 2015	1,861,257
GBP	414,700	1,660,865	April 29, 2015	6,453
CHF	22,400	62,267	April 29, 2015	95
USD	11,703	31,597	April 21, 2015_	296
		148,731,690	_	4,495,651
		Current	<u>-</u>	4,495,651

(expressed in Eastern Caribbean dollars)

March 31, 2016

13. Investments in associated undertakings using the equity method

Article 42 (1) of the Eastern Caribbean Central Bank Agreement Act 1983 empowers the Bank, with the approval of the Monetary Council, to administer or participate in corporations or schemes established for the purpose of promoting the development of money, capital or securities markets in the territories of participating governments.

Article 42 (2) of the Eastern Caribbean Central Bank Agreement Act 1983 authorises the Bank, with the approval of the Monetary Council, to subscribe to hold and sell shares of a corporation organised with the approval or under the authority of the participating governments for any of the purposes specified in Article 42 (1). The following are institutions which were established under Article 42 (1):

Eastern Caribbean Home Mortgage Bank (ECHMB)

The Bank holds 24.8% (2015: 24.8%) of the share capital of the ECHMB – 25,000 Class "A" shares at a cost of \$100 each and 41,812 Class "A" shares at a cost of \$160 each. The Company was established as a vehicle to foster the development of the money market and secondary market for mortgages in the territories of the participating governments of the ECCB Agreement Act 1983.

Eastern Caribbean Securities Exchange (ECSE)

The Bank holds 30.8% (2015: 30.8%) of the share capital of the ECSE – 300,000 Class "A" shares at a cost of \$10 each. The ECSE was established to enhance and increase investment opportunities, and to foster the development of a securities market in the territories of participating governments of the ECCB Agreement Act 1983. The Eastern Caribbean Central Securities Depository Limited (ECCSD) and Eastern Caribbean Central Securities Registry Limited (ECCSR) are both wholly owned subsidiaries of the ECSE.

Organisation of Eastern Caribbean States Distribution and Transportation Company (ODTC)

The Bank holds 20% of the share capital of the ODTC – 2,001 Class "A" shares at a cost of \$10 each. The Company was established as a vehicle to foster the development of the distribution and transportation sector in the territories of the participating governments of the ECCB Agreement Act 1983. The company has not commenced operations as of March 31, 2016.

The Bank's investments in associates are detailed below:

Eastern Caribbean Home Mortgage Bank (ECHMB)	2016 \$	2015 \$
Balance at beginning of year Share of profit for the year Dividend received in year	14,056,370 621,151 (501,090)	13,866,457 858,033 (668,120)
Balance at end of year	14,176,431	14,056,370
Eastern Caribbean Securities Exchange (ECSE)		
Balance at beginning of year Share of profit for the year	1,394,877 456,728	1,025,277 369,600
Balance at end of year	1,851,605	1,394,877

(expressed in Eastern Caribbean dollars)

March 31, 2016

13. Investments in associated undertakings using the equity method...continued

	2016 \$	2015 \$
OECS Distribution and Transportation Company (ODTC) Balance at beginning of year Purchase during the year	20,010	20,010
Balance at end of year	20,010	20,010
Total investments in associated undertakings	16,048,046	15,471,257
Non-current	16,048,046	15,471,257

The total share of profit of associates recognised in the statement of income or loss was \$1,077,879 (2015: \$1,227,633).

The Bank's interest in its principal associates, both of which are unlisted, is as follows as of March 31, 2016:

					% Interest
	Assets	Liabilities	Revenues	Profit	held
Entity	\$	\$	\$	\$	%
ECHMB	247,817,342	(189,703,739)	12,464,009	2,504,641	24.8
ECSE	48,405,423	(41,038,447)	4,232,161	1,482,883	30.8

The Bank's interest in its principal associates, both of which are unlisted, is as follows as of March 31, 2015:

Entity	Assets \$	Liabilities \$	Revenues \$	Profit \$	% Interest held %
ECHMB	257,814,842	(200,190,262)	15,494,813	3,458,819	24.8
ECSE	31,118,446	(25,234,354)	3,646,125	1,224,259	30.8

The Bank's interest has been determined on the basis of the unaudited financial statements for these entities as the timing for receipt of the audited numbers is after the scheduled date for finalization of the ECCB's accounts. The 2015 comparatives represent audited financial results for these entities, which were not materially different to the unaudited amounts used in the preparation of the Bank's financial statements for the year ended March 31, 2015.

(expressed in Eastern Caribbean dollars)

March 31, 2016

14. Intangible assets

	Computer software \$
Cost Balance at April 1, 2014 Additions	13,740,642 2,351,502
Balance at March 31, 2015	16,092,144
Balance at April 1, 2015 Additions	16,092,144 201,039
Balance at March 31, 2016	16,293,183
Accumulated amortisation Balance at April 1, 2014 Amortisation	10,367,760 1,433,209
Balance at March 31, 2015	11,800,969
Balance at April 1, 2015 Amortisation	11,800,969 2,032,661
Balance at March 31, 2016	13,833,630
Net book value At April 1, 2014	3,372,882
At March 31, 2015	4,291,175
At March 31, 2016	2,459,553

(expressed in Eastern Caribbean dollars)

Property, plant and equipment

15.

NOTES TO FINANCIAL STATEMENTS

ı	Land \$	Buildings \$	Furniture and office equipment \$	Computer systems im	omputer Land systems improvements \$	Motor vehicles \$	Capital work in progress	Total \$
Cost Balance at April 1, 2014 Transfers Additions Revaluation Adjustment Derecognition/disposals	25,805,000 10,753 - 116,247	99,160,000	18,744,901 2,425,445 486,404 - (465,428)	5,728,541 - 203,781 - (229,375)	(10,753) 10,753	967,400 - - (242,000)	2,698,613 (2,425,445) 31,184	153,104,455 - 732,122 3,096,247 (936,803)
Balance at March 31, 2015	25,932,000	25,932,000 102,140,000 21,191,322	21,191,322	5,702,947	ı	725,400	304,352	155,996,021
Balance at April 1, 2015 Transfers Additions Revaluation Adjustment Derecognition/disposals	25,932,000	102,140,000 13,391	21,191,322 804,994 512,497 - (5,661)	5,702,947 - 327,147	28,267	725,400	304,352 (846,652) 680,193	155,996,021 - 1,531,837 - (5,661)
Balance at March 31, 2016	25,932,000	25,932,000 102,153,391 22,503,152	22,503,152	6,030,094	28,267	737,400	137,893	137,893 157,522,197

(expressed in Eastern Caribbean dollars)

March 31, 2016

NOTES TO FINANCIAL STATEMENTS

continued
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15.

	Land \$	Buildings \$	Furniture and office equipment \$	Computer systems in \$	mputer Land systems improvements \$	Motor vehicles \$	Capital work in progress	Total \$
Accumulated depreciation								
Balance at April 1, 2014 Depreciation charge Depreciation write-back on disposal Revaluation adjustment	1 1 1 1	5,668,396 2,834,197 - (8.502.593)	16,915,088 1,072,696 (465,428)	4,964,446 533,630 (214,971)	1 1 1 1	883,042 19,100 (242,000)	1 1 1 1	28,430,972 4,459,623 (922,399) (8,502,593)
Balance at March 31, 2015	1	-	17,522,356	5,283,105	1	660,142	1	23,465,603
Balance at April 1, 2015 Depreciation charge Depreciation write-back on disposal	1 1 1	3,194,900	17,522,356 1,176,414 (5,661)	5,283,105 333,484 -	942	660,142 19,100 -	1 1 1	23,465,603 4,724,840 (5,661)
Balance at March 31, 2016	1	3,194,900	18,693,109	5,616,589	942	679,242	1	28,184,782
Net book value At April 1, 2014	25,805,000	93,491,604	1,829,813	764,095	1	84,358	2,698,613	2,698,613 124,673,483
At March 31, 2015	25,932,000	25,932,000 102,140,000	3,668,966	419,842	1	65,258	304,352	304,352 132,530,418
At March 31, 2016	25 932 000	98 958 491	3 810 043	413 505	27.375	58 158	137 893	137 893 129 337 415

(expressed in Eastern Caribbean dollars)

March 31, 2016

15. Property, plant and equipment...continued

The following is the historical cost carrying amount of land and buildings carried at revalued amounts as of March 31, 2016:

	Land \$	Buildings \$	Total \$
Cost	7,544,960	73,470,569	81,015,529
Accumulated depreciation		(37,382,687)	(37,382,687)
Net book value	7,544,960	36,087,882	43,632,842

The following is the historical cost carrying amount of land and buildings carried at revalued amounts as of March 31, 2015:

	Land \$	Buildings \$	Total \$
Cost	7,544,960	73,457,178	81,002,138
Accumulated depreciation		(34,187,787)	(34,187,787)
Net book value	7,544,960	39,269,391	46,814,351

The land and buildings were revalued by independent valuators, DLG Consultants Limited in March of 2015. Valuations are based on the market value. The revaluation of the land and buildings categories as of March 31, 2015 resulted in a revaluation surplus of \$11,598,841 which was credited to revaluation reserves.

(expressed in Eastern Caribbean dollars)

March 31, 2016

16. Demand and deposit liabilities - domestic

	2016	2015
	\$	\$
Banker's balances - Current accounts	3,126,923,225	2,704,000,223
Currency in circulation	967,457,653	880,171,643
Participating governments' call accounts	251,904,354	123,429,515
Bankers Collateral account	170,500,181	154,007,298
Participating governments' fiscal reserve tranche II	60,983,784	67,979,568
Bankers' dormant accounts	50,363,716	44,075,850
Participating governments' operating accounts	31,769,487	33,603,044
Eastern Caribbean Securities Registry	27,193,437	5,301,835
Participating governments' sinking fund call accounts	14,374,111	5,039,385
BAICO Recapitalisation Holding Account	8,243,848	9,380,121
Participating governments' fiscal tranche I call accounts	7,989,695	7,313,939
Accounts payable, accruals and provisions	6,544,444	4,576,603
British American Liquidity Support	6,202,219	6,874,183
ECHMB Operating accounts	4,430,454	118,019
Eastern Caribbean Asset Management Corporation	4,000,000	-
Participating governments' drug service accounts	3,806,137	2,546,758
British Caribbean Currency Board Coins in Circulation	2,568,338	2,568,341
Bankers' call accounts	2,311,478	2,129,243
Resolution Trust Corporation	1,545,023	794,747
Commemorative coins in circulation	1,379,972	1,379,972
British Caribbean Currency Board Residual Fund	833,628	833,628
Organisation of Eastern Caribbean States operating accounts	410,917	36,651
Eastern Caribbean Automated Clearing House	312,293	239,739
Participating governments' debt restructuring escrow accounts	184,306	167,332
Statutory and legislative bodies' operating accounts	110,676	123,478
Local governments' operating accounts	46,543	46,543
CANEC Debt Management Advisory Services	44,750	1,197,919
OECS Distribution and Transportation	22,650	23,820
Participating governments' securities account	-	28,115,243
Bankers' Fixed Deposits	-	1,620,000
BAICO Policy Holder Assistance scheme holding	-	969,921
Eastern Caribbean Central Bank unpresented cheques		73
	4,752,457,319	4,088,664,634
Interest payable		45
Total demand and deposit liabilities – domestic	4,752,457,319	4,088,664,679
Current	4,752,457,319	4,088,664,679

(expressed in Eastern Caribbean dollars)

March 31, 2016

16. Demand and deposit liabilities - domestic...continued

During the year the following balances earned interest at rates ranging from 0.01% to 0.23% (2015: 0.01% to 0.13%) per annum: fiscal tranche I, bankers' call accounts and fixed deposits, participating governments and statutory bodies' fixed deposits and ECHMB operating accounts.

Participating governments' fiscal reserve tranche II

The Monetary Council has approved the establishment of a fiscal reserve fund. In accordance with the Bank's profit distribution policy, forty per cent (40%) of the annual share of distributable profits to member governments is transferred to the participating governments' fiscal tranche II call accounts. As the Bank recorded a net loss there was no transfer to the fund in the 2016 and 2015 financial years.

	2016 \$	2015 \$
Balance at beginning of year Loans to participating governments Loan repayments during the year Allocation from net income	67,979,568 (10,000,000) 3,004,216	67,979,568 - - -
Balance at end of year	60,983,784	67,979,568

Participating governments' fiscal tranche I call accounts

These accounts earn interest at the prevailing call rate offered by the Bank and are readily accessible by the respective governments. There was no allocation by member governments from the fiscal reserve tranche I accounts to cover the deficit position in the current financial year.

	2016	2015
	\$	\$
Balance at beginning of year	7,313,939	12,313,939
Interest on account	5,623	-
Transfers	670,133	-
Net withdrawals	-	(5,000,000)
Allocation (to) net loss/ from net income		
Balance at end of year	7,989,695	7,313,939

(expressed in Eastern Caribbean dollars)

March 31, 2016

17. Demand and deposit liabilities - foreign

	2016	2015	
	\$	\$	
Other regional central banks and agency accounts	999,774	22,584	
International Bank for Reconstruction and Development accounts	482,452	653,239	
Caribbean Development Bank accounts	303,622	140,636	
Caribbean Financial Services Corporation account	21,295	68,140	
Total demand and deposit liabilities - foreign	1,807,143	884,599	
Current	1,807,143	884,599	

These balances earned interest at rates ranging from 0.01% to 0.23% (2015: 0.01% to 0.07%) per annum during the year.

18. IMF government general resource accounts

	2016 \$	2015 \$
Saint Lucia	433,974	434,593
Antigua & Barbuda	204,550	223,547
Grenada	132,634	133,101
St. Vincent and the Grenadines	111,970	95,235
St. Kitts and Nevis	105,671	106,142
Commonwealth of Dominica	94,439	94,758
Total IMF government general resource accounts	1,083,238	1,087,376
Current	1,083,238	1,087,376

(expressed in Eastern Caribbean dollars)

March 31, 2016

19. Financial liabilities held for trading

The following is an analysis of the currency forwards held with negative fair value as of March 31, 2016:

Currency sold/ purchased	Notional value of contracts	Notional value of contracts EC\$ equivalent	Value date of contracts	Fair value of contracts
AUD	15,711,300	42,420,510	April 12, 2016	2,596,374
CAD	448,300	1,210,410	April 25, 2016	18,165
EUR	12,395,068	33,466,684	April 18 & 25, June 1, 2016	1,107,385
GBP	408,000	1,101,600	April 25, 2016	44,921
USD	1,587,407,000		April 4, 2016	2,429,174
	· · · · · · · · · · · · · · · · · · ·	113,867,798	•	6,196,019

The following is an analysis of the currency forwards held with negative fair value as of March 31, 2015:

Currency sold/ purchased	Notional value of contracts	Notional value of contracts EC\$ equivalent	Value date of contracts	Fair value of contracts
USD	20,255,006	54 688 517	April 01 & 21, 2016	1,565,173
GBP	24,000		April 29, 2016	982
CAD	15,600		April 29, 2016	72
		54,816,169	1	1,566,227
			Current	1,566,227

(expressed in Eastern Caribbean dollars)

March 31, 2016

20. Other reserves

	2016 \$	2015 \$
Property, plant and equipment revaluation reserve	82,106,312	82,106,312
Unrealised holding gain - investment securities	22,041,092	17,300,883
Pension reserve	14,467,000	20,517,000
Self-insurance reserve fund	10,980,827	10,980,827
Capital reserve	6,537,928	6,537,928
Export Credit Guarantee fund	1,808,877	1,808,877
Unrealised holding gain/(loss) – money market instruments	7,664	(1,765)
Total reserves	137,949,700	139,250,062

Export Credit Guarantee fund

Under Article 42 (1) of the Eastern Caribbean Central Bank Agreement Act 1983, the Bank is empowered to administer or participate in an export credit guarantee scheme. In exercise of this power, the Bank has assigned to one of its departments, the objective of providing pre-shipment export credit guarantees to commercial banks in respect of advances made to exporters from the Organisation of Eastern Caribbean States.

Article 42 (4) of the Eastern Caribbean Central Bank Agreement Act 1983 provides for the Bank to make discretionary contributions out of its profits towards a guarantee fund for administering the Export Credit Guarantee Scheme. The Board of Directors have agreed to maintain the fund at a minimum of \$1,000,000.

Capital reserve

Capital reserve includes the land (8.3568 acres) on which the Bank's headquarters (phase I and II) are constructed, which was donated by the Government of St. Kitts and Nevis. The land was independently valued at \$629,528 in 1991 for phase I and \$2,720,000 in 2001 for phase II. In 2003 the Government of St. Kitts and Nevis donated an additional 0.61 acres to the Bank, which has been independently valued at \$498,400. In 2005, the Government of St. Kitts and Nevis donated an additional 2 acres of land which has been independently valued at \$2,690,000.

Self-insurance reserve

The Board of Directors have agreed to appropriate annually to Self-insurance Reserve, from net income, such amount equivalent to the quoted premium from an insurance carrier, to cover potential catastrophe in respect of the Bank's headquarters buildings and full coverage for the other properties. It also agreed to a funded cap of 20% of the replacement value of the relevant buildings (determined by independent valuation).

Pension reserve

The Board of Directors have decided to make appropriations annually to or from net income for the amounts necessary to maintain a pension reserve equivalent to the pension asset.

(expressed in Eastern Caribbean dollars)

March 31, 2016

20. Other Reserves...continued

Revaluation Reserve: Available-for-sale investment securities

The movements of the "Revaluation Reserve: Available-for-sale securities" as a result of changes in the fair values are as follows:

	Foreign investment securities	Money market instruments \$	Total \$
Balance at March 31, 2014	(4,198,764)	218,350	(3,980,414)
Revaluation of available-for-sale securities Revaluation transfer to profit or loss on disposal of	29,069,862	-	29,069,862
available-for-sale securities	(7,570,215)	(220,115)	(7,790,330)
Balance at March 31, 2015	17,300,883	(1,765)	17,299,118
Revaluation of available-for-sale securities	8,055,121	-	8,055,121
Revaluation transfer to profit or loss on disposal of available-for-sale securities	(3,314,912)	9,429	(3,305,483)
Balance at March 31, 2016	22,041,092	7,664	22,048,756

21. Pension asset

The Bank contributes to a defined pension scheme covering substantially all full-time employees. The assets of the plan are held separately in an independent trustee administered fund. The pension scheme is valued every three years by a firm of independent qualified actuaries, Bacon Woodrow & de Souza Limited – Actuaries and Consultants. The latest available full valuation was at March 31, 2013; it used the projected unit credit method, and showed that the fair value of the Fund's assets at March 31, 2013 represented 107% of the benefits that had accrued to members as at that date. The fair value of the Fund's assets at that time was \$86.4 million (2009: \$69.3 million) and the required future service contribution rate was 20.2% (2009: 18.6%) of pensionable salaries. The actuary performed a roll-forward of the valuation to March 31, 2016. The next detailed full valuation as at March 31, 2016 is in progress.

	2016 \$	2015 \$
The amounts recognised in the statement of financial position are as follows:		
Present value of pension obligation Fair value of plan assets	(84,093,000) 98,560,000	(79,173,000) 99,690,000
Present value of over funded surplus	14,467,000	20,517,000
Net asset recognised in the statement of financial position	14,467,000	20,517,000

(expressed in Eastern Caribbean dollars)

March 31, 2016

21. Pension asset...continued

	2016	2015
	\$	\$
Reconciliation of amount reported in the statement of financial		
position:		
Pension asset, beginning of year	20,517,000	17,572,000
Net pension costs during the year	(2,334,000)	(2,423,000)
Re-measurements recognised in other comprehensive loss	(6,048,000)	3,049,000
Contributions to pension scheme	2,332,000	2,319,000
Pension asset, end of year	14,467,000	20,517,000

Effective April 1, 2007, the Bank adjusted its contribution to the Pension Fund from 16% to 12% to benefit from the current overfunded position of the pension fund and as prescribed by rule 4(3) of the Pension Fund Trust Deed and Rules (1992).

	2016 \$	2015 \$
The movement in the defined benefit obligation over the year is as follows:	-	7
Beginning of year Current service cost Interest cost Contributions by plan participants Actuarial gain Benefits paid	79,173,000 3,665,000 5,438,000 583,000 (1,754,000) (3,012,000)	74,907,000 3,554,000 5,151,000 580,000 (2,344,000) (2,675,000)
	84,093,000	79,173,000
The defined benefit obligation is allocated between the Plan's members as follows:	2016	2015 %
Active and promoted members Deferred members Pensioners	85.0 0 15.0	85.0 0 15.0
	2016	2015
The weighted average duration of the defined benefit obligation at the year end	16.4 years	16.4 years

24% of the benefits for active members are for those over age 55 and are vested.

40% of the defined benefit obligation for active members is conditional on future salary increases.

(expressed in Eastern Caribbean dollars)

March 31, 2016

21. Pension asset...continued

	2016	2015
The movement in the fair value of plan assets over the year is as follows:	\$	\$
Plan assets at start of year Interest income Return on Plan assets, excluding interest income Employer contributions Contributions by plan participants Benefits paid Expense allowance	99,690,000 6,968,000 (7,802,000) 2,332,000 583,000 (3,012,000) (199,000)	92,479,000 6,475,000 705,000 2,319,000 580,000 (2,675,000) (193,000)
The amounts recognised in the statement of income or loss are as follows:	2016 \$	2015 \$
Current service cost Net interest on net defined benefit asset Administration expenses	3,665,000 (1,530,000) 199,000	3,554,000 (1,324,000) 193,000
Total expense included in staff costs (note 27)	2,334,000	2,423,000
The emounts recognized in other comprehensive loss were	2016 \$	2015 \$
The amounts recognised in other comprehensive loss were as follows:		
Experience (losses)/gains	(6,048,000)	3,049,000
Total amount recognised in other comprehensive loss	(6,048,000)	3,049,000
	2016 %	2015 %
The principal actuarial assumptions used were as follows: Discount rate Average individual salary increases	7.0 6.0	7.0 6.0

(expressed in Eastern Caribbean dollars)

March 31, 2016

21. Pension asset...continued

Assumptions regarding future mortality are based on published mortality tables. The life expectancies underlying the value of the defined benefit obligation as at March 31, 2016 are as follows:

	2016	2015
Life expectancy at age 60 for current pensioners in years		
Male	21.0	21.0
Female	25.1	25.1
Life expectancy at age 60 for current members age 40 in years		
Male	21.4	21.4
Female	25.4	25.4
Plan assets are comprised as follows:		
1	2016	2015
	\$	\$
Developed market equities	40,398,000	40,128,000
EC Government issued nominal bonds		
and treasury bills	11,157,000	13,257,000
USD denominated bonds	42,353,000	41,066,000
XCD cash and cash equivalents	2,789,000	2,768,000
USD cash and cash equivalents	3,069,000	3,158,000
Net current assets	(1,206,000)	(687,000)
Fair value of Plan Assets at end of year	98,560,000	99,690,000

The largest proportion of assets is invested in debt instruments. Overseas equities in developed markets and USD denominated bonds have quoted prices in active markets. The value of the Eastern Caribbean government bonds are shown at their par values.

The Plan's assets are invested based on a strategy agreed with the Plan's Trustees. There are no asset-liability matching strategies used by the Plan.

22. Related party balances and transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. The Bank considers the participating governments, board of directors and key management personnel as related parties.

Participating Governments

The receivables from and payables to participating governments arise mainly from the Bank carrying out one of its key roles as banker to participating governments as provided for in part nine (ix) of the ECCB Agreement Act 1983.

(expressed in Eastern Caribbean dollars)

March 31, 2016

22. Related party balances and transactions...continued

The year end balances arising from transacting with participating governments are as follows:

	2016	2015
Receivables from participating governments	\$	•
Loans and receivables: participating governments' securities (note 9) Loans and receivables: participating governments' advances (note 10)	83,912,190 55,692,292	100,225,950 67,490,727
Payables to participating governments (note 16)		
Participating governments' call accounts	251,904,354	123,429,515
Participating governments' fiscal reserve tranche II	60,983,784	67,979,568
Participating governments' operating accounts	31,769,487	33,603,044
Participating governments' sinking fund call accounts	14,374,111	5,039,385
Participating governments' fiscal tranche I call accounts	7,989,695	7,313,939
Participating governments' drug service accounts	3,806,137	2,546,758
Participating governments' debt restructuring escrow accounts	184,306	167,332
Participating governments' securities account	-	28,115,243

Interest income earned on receivables during the year was \$7,131,302 (2015: \$9,352,891). The receivables carry interest rates of 3.5% to 9% (2015: 3.5% to 9%) per annum.

Interest expense on payables during the year was \$161,353 (2015: \$1,881). The payables carry interest rates of 0.01% to 0.23% (2015: 0.01% to 0.07%) per annum.

A number of transactions were entered into with related parties in the normal course of business. These include loans and other transactions. The volume of related party transactions and outstanding balances at the year-end are as follows:

	2016 \$	2015
Staff mortgage loans Loans outstanding at beginning of year Loans movement during the year	472,968 (98,005)	759,596 (286,628)
Loans outstanding at end of year	374,963	472,968
Term deposits Bank of Nova Scotia, St. Kitts CIBC FirstCaribbean International, St Kitts	612,129 642,335	654,481 370,270
	1,254,464	1,024,751

(expressed in Eastern Caribbean dollars)

March 31, 2016

2016

22. Related party balances and transactions...continued

The term deposit balance represents amounts pledged as liquidity support for loans issued by BNS, St. Kitts and CIBC FirstCaribbean International, St Kitts to ECCB eligible employees (note 6).

Interest income earned on loans and advances during the year was \$17,183 (2015: \$20,978). The loans carry an interest rate of 4% (2015: 4%) per annum. The repayment terms of the loans vary. The outstanding loans are primarily for mortgages and are secured by the mortgaged property.

Key management personnel compensation

The salaries, fees and benefits paid to the Board of Directors and key management personnel of the Bank during the year amounted to \$4,007,176 (2015: \$4,060,003). The following is an analysis of these amounts:

	2016	2015
	\$	\$
Salaries and other short-term employee benefits	3,664,525	3,694,159
Board of Directors' fees	192,000	192,000
Post-employment benefits	150,651	173,844
	4,007,176	4,060,003

23. Contingencies and commitments

Capital commitments

At March 31, 2016, there were no commitments for capital expenditure (2015: Nil).

Credit extension to participating governments

Article 40 (1) of the ECCB Agreement Act 1983 stipulates that "the Bank may, subject to such terms and conditions as the Board may prescribe, make temporary advances to each Participating Government to meet its seasonal needs...". This can take the form of ECCB's direct investment in government securities, overdrafts on operating accounts and temporary advances.

The approved credit allocation to participating governments for the current financial year is \$450,645,000 (2015: \$402,000,000). The details are presented in the table below:

	2016	2015
	\$	\$
Government of Antigua and Barbuda	115,430,000	122,306,000
Government of Saint Lucia	88,965,000	74,720,000
Government of St Kitts and Nevis	88,637,000	72,905,000
Government of St Vincent and the Grenadines	49,383,000	40,409,000
Government of Grenada	45,794,000	36,434,000
Government of Commonwealth of Dominica	39,740,000	34,962,000
Government of Anguilla	18,299,000	16,548,000
Government of Montserrat	4,397,000	3,716,000
Total credit allocation	450,645,000	402,000,000

(expressed in Eastern Caribbean dollars)

March 31, 2016

23. Contingencies and commitments...continued

Credit extension to participating governments...continued

The undrawn commitments to participating governments for the current financial year amounts to \$295,179,000 (2015: \$223,030,000). The details are presented in the table below:

	2016 \$	2015
		\$
Government of Saint Lucia	88,965,000	63,624,000
Government of St Kitts and Nevis	88,637,000	69,165,000
Government of Commonwealth of Dominica	39,740,000	34,495,000
Government of Grenada	35,841,000	12,357,000
Government of St Vincent and the Grenadines	16,285,000	17,572,000
Government of Antigua and Barbuda	16,245,000	17,812,000
Government of Anguilla	5,069,000	4,307,000
Government of Montserrat	4,397,000	3,698,000
Total undrawn commitments	295,179,000	223,030,000

Pending litigation

There are three (3) pending legal claims against the Eastern Caribbean Central Bank (the "Central Bank") for which the likelihood of settlement appears remote.

- (1) Claim No. GDAHCV2001/0490 initiated by Capital Bank International Limited in 2001 is pending before the Grenada Supreme Court. The Claimant is seeking:
 - A declaration that it is entitled to be admitted to the membership of the Clearing House facility established by the Central Bank pursuant to the provisions of the Eastern Caribbean Central Bank Act 1983; and
 - (ii) An order directing the Central Bank to admit the Claimant immediately as a member of the Clearing House facility operating in Grenada.

Although the Central Bank has at all times expressed its willingness to settle the matter on principled terms, if these could be agreed, the Claimant has rejected all settlement proposals to date.

At the High Court hearing of the case in September 2008, the court ordered that the trial of the matter be adjourned to a date to be fixed by the Registrar of the High Court on application by any of the parties to the matter. The Minister for Finance, in Grenada has since revoked the banking licence which was granted to Capital Bank International Limited, appointed a Receiver for the Bank and has also filed a petition before the court for the compulsory liquidation of the Bank.

(expressed in Eastern Caribbean dollars)

March 31, 2016

23. Contingencies and commitments...continued

Pending litigation...continued

- (2) Summons in a civil action (No. 3:13-cv-00762-n) between: the Official Stanford Investors Committee (Plaintiff) and Bank of Antigua, Eastern Caribbean Central Bank, Antigua Commercial Bank, St. Kitts-Nevis-Anguilla National Bank Ltd, Eastern Caribbean Financial Holdings Company Ltd, National Commercial Bank (SVG) Ltd, Eastern Caribbean Amalgamated Bank, and National Bank of Dominica Ltd, and Antigua and Barbuda (Defendants) is pending before the United States District Court for the Northern District of Texas, Dallas Division. The Plaintiff is seeking inter alia:
 - (i) An award of damages;
 - (ii) An order for the avoidance of fraudulent transfers;
 - (iii) An accounting as to the value of the Bank of Antigua.

On 26 March 2014, the Eastern Caribbean Central Bank ("the Bank") filed motion to have the matter dismissed for lack of subject matter jurisdiction and personal jurisdiction. The Plaintiff has filed its response to the motion to dismiss and the Bank has filed reply. The motion is now fully briefed and the parties await a ruling on that motion.

- (3) Claim No. ANUHCV2014/0518 Between: Sylvia O'Mard (Claimant/Applicant) and ABI Bank Ltd, EasternCaribbeanCentralBankandDwightVenner(theDefendants/Respondents). On29September2014, Ms Sylvia O'Mard ("the Applicant") filed a fixed date claim against the ABI Bank Ltd, Eastern Caribbean Central Bank and Dwight Venner ("the Respondents"). The Applicant sought, among other things:
 - (i) A declaration that Article 5C(5)(a) of the Eastern Caribbean Central Bank Agreement is unconstitutional;
 - (ii) A declaration that the actions of the Respondents in failing to release funds due to the Applicant and held at the first-named Respondent amounted to a breach of the Applicant's constitutional rights;
 - (iii) An order for recovery of all sums demanded by the Applicant;
 - (iv) An order for restitution.

By Notice of Application filed on 18 November 2014 the Respondents applied to the Court for an Order declaring that the Court has no jurisdiction to try the claim as filed. The Court ordered a hearing of the Notice of Application including arguments in relation to the constitutionality of Article 5C(5)(a) of the Eastern Caribbean Central Bank Agreement on 15 December 2014. Following the hearing on 15 December 2014, the Court, on 22 December 2014, delivered its decision on the preliminary issue in favour of the Respondents

(expressed in Eastern Caribbean dollars)

March 31, 2016

23. Contingencies and commitments...continued

Pending litigation...continued

The Applicant appealed the decision of the High Court. On the hearing before the Court of Appeal on 8 December 2015, the Court ordered that the matter be remitted to the High Court with directions that the Attorney General be joined as a party and that a timetable be fixed by the High Court for the expeditious hearing of the matter.

Eastern Caribbean Securities Exchange Limited

During the year, the Bank has given the following undertaking and guarantee in respect of the Eastern Caribbean Securities Exchange Limited ("ECSE"), a public limited company registered under the Laws of St. Christopher and Nevis:

- An undertaking to postpone all claims in respect of present and future funds advanced to the Eastern Caribbean Securities Exchange Limited and its wholly-owned subsidiary companies by the Bank up to the year ending March 31, 2016. At the year end, the total funds advanced amounted to \$2,874,845 (2015: \$2,874,845). The last advance was during the financial year ended March 31, 2005.
- Guarantee cover in the event of a budgeted shortfall in respect of the ECSE and its wholly-owned subsidiary companies for the fiscal year ending March 31, 2016 in an amount not expected to exceed \$2,000,000 (2015: \$2,000,000).

The above undertaking and guarantee will be reviewed on March 31, 2017 and are irrevocable before this date.

Contractual obligation

The Bank contracted the services of De La Rue (DLR) Cash Systems Inc. to supply onsite labour equipment maintenance and corrective equipment maintenance to keep the CPS 1200 System in good working order or to restore it to good working order as necessary. The total contract is US\$600,000 and extends for a period of 120 months effective March 2008. As at March 31, 2016, the commitment of the Bank was \$324,000 (2015: \$486,000).

Leasehold obligation – operating leases

All agency offices operate out of leased premises with lease terms ranging from 2 to 33 1/3 years. Lease rentals payable on operating leases are expensed on a straight line basis over the term of the leases.

(expressed in Eastern Caribbean dollars)

March 31, 2016

23. ${\bf Contingencies\ and\ commitments}... continued$

Leasehold obligation-operating leases... continued

Minimum lease payments subsequent to 2016 and in aggregate are as follows:

	2016	2015
	\$	\$
2016	-	662,887
2017	668,365	491,245
2018	391,540	290,020
2019	150,720	60,000
2020	150,720	-
Thereafter	890,000	950,000
Total minimum lease payments	2,251,345	2,454,152

Cash and cash equivalents 24.

	2016	2015
	\$	\$
Money market instruments and money at call (note 5)	1,479,332,070	1,290,002,066
Regional and foreign currencies	51,120,655	33,464,613
Balances with other central banks (note 4)	4,926,288	13,034,602
Balances with local banks	3,187,985	2,464,446
Balances with foreign banks (note 4)	77,071	73,225
Due from local banks	<u> </u>	9,572,418
Total cash and cash equivalents	1,538,644,069	1,348,611,370

25.

Net interest income		
	2016 \$	2015 \$
Interest income Available-for-sale: foreign investment securities Money market instruments and money at call Loans and receivables: participating governments' securities Other interest income	31,565,253 2,423,617 3,727,472 4,348,872	25,765,384 1,005,602 3,820,393 6,573,579
	42,065,214	37,164,958
T	2016 \$	2015 \$
Interest expense Demand liabilities: domestic	161,353	1,881
	161,353	1,881
Net interest income	41,903,861	37,163,077

(expressed in Eastern Caribbean dollars)

March 31, 2016

26. Other income

	2016 \$	2015 \$
Income from banking licence fees	2,280,000	_
Income from reserve requirement	1,552,460	2,339,053
Pension fund administrative and management fees	587,807	572,746
Miscellaneous income	268,975	246,640
Rental income	245,847	63,386
Gain on dissolution of subsidiary (note 29)	11,544	-
Gain on disposal of property, plant and equipment		1,596
Loss on futures	(505,759)	(2,352,765)
Total other income	4,440,874	870,656

27. Salaries, pensions and other staff benefits

	2016 \$	2015 \$
Salaries, wages and other benefits Pension (note 21) Social security Prepaid employee benefit Vacation leave	25,307,002 2,334,000 900,049 67,187 44,527	25,420,099 2,423,000 919,424 76,060 58,389
Total salaries, pensions and other staff benefits	28,652,765	28,896,972

(expressed in Eastern Caribbean dollars)

March 31, 2016

28. Administrative and general expenses

and the second s	2016 \$	2015 \$
General supplies and services	7,342,360	7,297,771
Professional and consulting fees	6,305,329	5,723,211
Utilities expenses	2,493,251	2,941,225
Impairment loss on financial assets	1,315,109	- · ·
Contribution to ECSRC	748,081	786,598
Legal fees	742,747	398,275
Rental Expense	728,422	717,732
Travel tickets, accommodation and subsistence	723,389	1,098,923
Insurance expense	709,364	795,614
Telephone costs	684,975	656,991
Conference and meetings	635,645	633,049
Supervisory and regulatory expenses	577,458	283,109
Staff vacation grant	411,343	405,513
Training, recruitment and resettlement	399,866	269,013
Special projects	381,350	77,448
Contingencies	377,634	301,725
Repairs and maintenance	280,296	578,762
Other staff expenses and amenities	244,051	199,388
Subscriptions and fees	194,141	54,088
Community outreach	178,625	110,673
Cafeteria subsidy	144,986	141,475
Advertising and promotion	108,844	86,720
Affiliate groups	73,051	108,891
Contribution to staff association	63,972	59,632
Directors' travel and subsistence	30,691	10,800
Printing and postage	17,099	65,199
Total administrative and general expenses	25,912,079	23,801,825

29. Dissolution of Subsidiary

Effective 21 December 2015, Caribbean Assets and Liabilities Management Services (CALMS) Limited, a 100% owned subsidiary of the ECCB was wound up. Accordingly, the Bank has derecognised related assets and liabilities of CALMS Ltd.

The below reconciliation shows the net assets of CALMS at the date of dissolution. The assets were represented by cash at bank, which was subsequently transferred to ECCB. The net assets represent the gain on dissolution of subsidiary of \$11,544 which is included in other income for the year ended March 31, 2016.

	2016
	\$
Assets	16,564
Liabilities	(5,000)
Share capital	(20)
Net assets	11,544

List of Commercial Banks Maintaining Clearing Accounts With the ECCB

As at 31 March 2016

ANGUILLA

Caribbean Commercial Bank (Anguilla) Ltd FirstCaribbean International Bank (Barbados) Limited National Bank of Anguilla Ltd The Bank of Nova Scotia

ANTIGUA AND BARBUDA

Antigua Commercial Bank Ltd Caribbean Union Bank Ltd FirstCaribbean International Bank (Barbados) Limited Eastern Caribbean Amalgamated Bank Ltd RBC Royal Bank of Canada The Bank of Nova Scotia

COMMONWEALTH OF DOMINICA

FirstCaribbean International Bank (Barbados) Limited National Bank of Dominica Ltd RBC Royal Bank of Canada The Bank of Nova Scotia

GRENADA

FirstCaribbean International Bank (Barbados) Limited Grenada Co-operative Bank Limited RBTT Bank Grenada Limited Republic Bank (Grenada) Limited The Bank of Nova Scotia

MONTSERRAT

Bank of Montserrat Ltd Royal Bank of Canada

ST KITTS AND NEVIS

Bank of Nevis Limited
FirstCaribbean International Bank (Barbados) Limited
RBTT Bank (SKN) Limited
Royal Bank of Canada
St Kitts-Nevis-Anguilla National Bank Limited
The Bank of Nova Scotia

SAINT LUCIA

1st National Bank St Lucia Limited
Bank of Saint Lucia Limited
FirstCaribbean International Bank (Barbados) Limited
RBC Royal Bank of Canada
The Bank of Nova Scotia

ST VINCENT AND THE GRENADINES

Bank of St Vincent and the Grenadines Limited FirstCaribbean International Bank (Barbados) Limited RBTT Bank Caribbean Limited - SVG The Bank of Nova Scotia



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