Eastern Caribbean Central Bank

Annual Report 2013/2014

Eastern Caribbean Central Bank
Strengthening Financial Stability

Resolution Strategy for Strengthening ECCU Financial System

Consolidation of Banks and Insurance Companies

Harmonised Legislation

Consolidated Regulation and Supervision

Single Economic and Financial Space

REPORT AND STATEMENT OF ACCOUNTS

For the Financial Year Ended 31 March 2014

Eastern Caribbean Central Bank

6 June 2014

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 period ended 31 March 2014 and a Statement of the Bank's accounts as at that date, duly certified by the Auditors.

I am,
Your Obedient Servant

K Dwight Venner
GOVERNOR

The Honourable Hubert Hughes
Chief Minister
ANGUILLA

The Honourable Reuben T Meade
Premier
MONTSERRAT

The Honourable Dr Baldwin Spencer
Prime Minister
ANTIGUA AND BARBUDA

The Right Honourable Dr Denzil L Douglas
Prime Minister
ST KITTS AND NEVIS

The Honourable Roosevelt Skerrit
Prime Minister
COMMONWEALTH OF DOMINICA

The Honourable Dr Kenny D Anthony
Prime Minister
SAINT LUCIA

Dr the Right Honourable Keith Mitchell
Prime Minister
GRENADA

Dr The Honourable Ralph Gonsalves
Prime Minister
ST VINCENT AND THE GRENADINES

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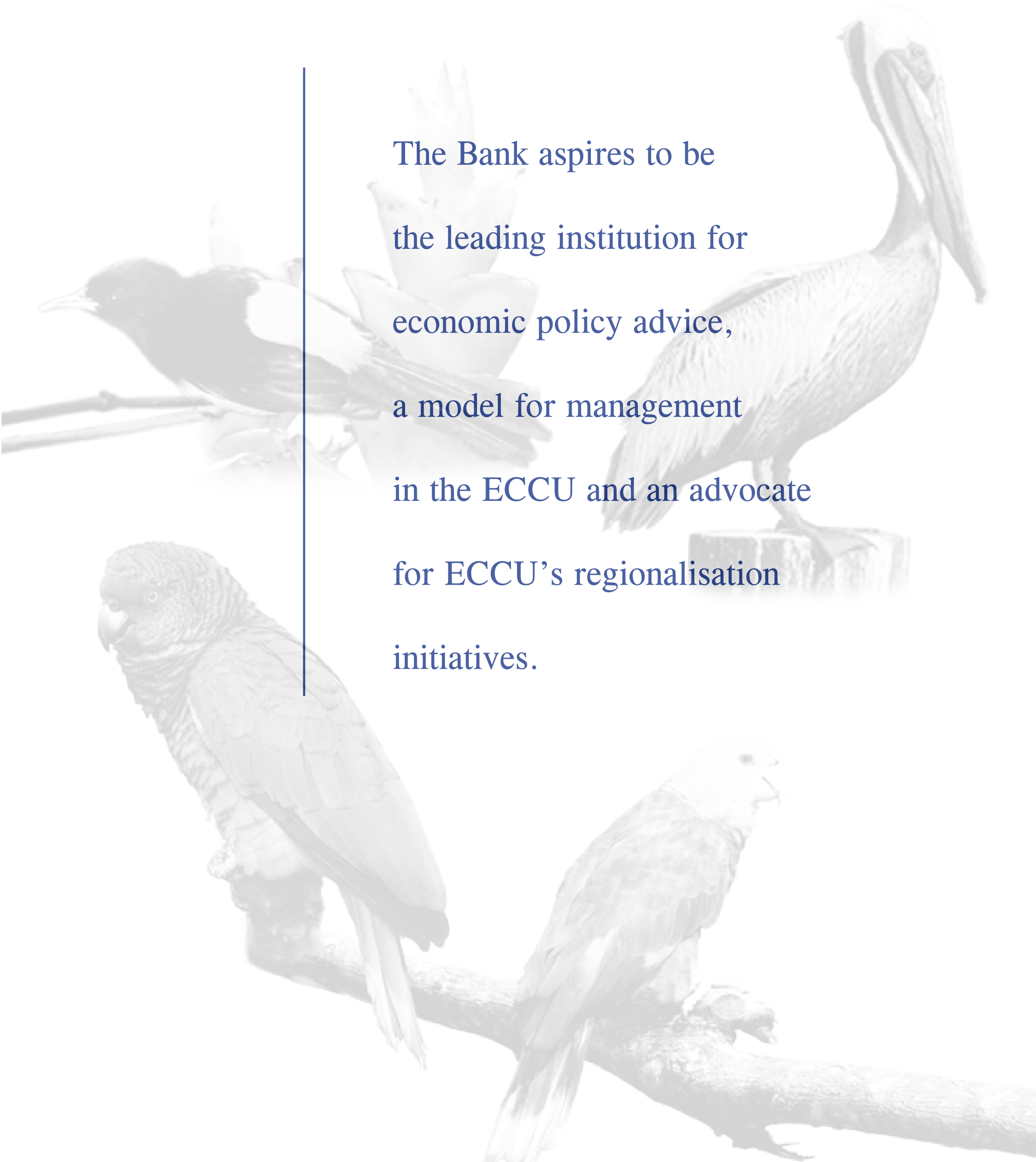
MISSION STATEMENT

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.

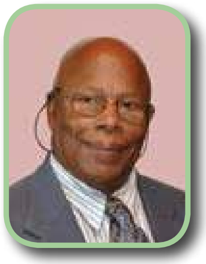
VISION STATEMENT



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

MONETARY COUNCIL

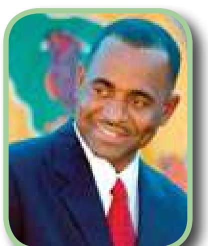
As at 31 March 2014



The Hon Hubert Hughes
Anguilla

The Hon Dr Kenny D Anthony
Saint Lucia
Chairman

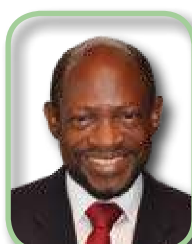
The Hon Harold Lovell
Antigua and Barbuda



The Hon Roosevelt Skerrit
Commonwealth of Dominica

Dr The Right Hon Keith Mitchell
Grenada

The Hon Reuben T Meade
Montserrat



The Right Hon Dr Denzil L Douglas
St Kitts and Nevis

Dr The Hon Ralph Gonsalves
St Vincent and the Grenadines

BOARD OF DIRECTORS

As at 31 March 2014

Mrs Kathleen Rogers
Anguilla

The Hon Sir K Dwight Venner
Chairman

Mr Trevor Brathwaite
Deputy Governor

Mr Whitfield Harris Jr
Antigua and Barbuda

Mrs Rosamund Edwards
Commonwealth of Dominica

Mr Timothy Antoine
Grenada

Mrs Lindorna Brade
Montserrat

His Excellency Wendell Lawrence
St Kitts and Nevis

Dr Reginald Darius
Saint Lucia

Mr Maurice Edwards
St Vincent and the Grenadines

CORPORATE INFORMATION

As at 31 March 2014

EXECUTIVE COMMITTEE	The Honourable Sir K Dwight Venner	Governor
	Mr Trevor Brathwaite	Deputy Governor
	Mrs Jennifer Nero	Managing Director
MANAGEMENT TEAM		
Corporate Relations Department (CRD)	Mrs Ingrid O'Loughlin	Senior Director
	Ms Annette Stevens	Deputy Director
Governor's Immediate Office (GIO)	Ms Laurel Bain	Senior Director
Management Information Systems Department (MISD)	Mr Wayne Myers	Senior Director
	Mrs Cindy Parris-Gilbert	Deputy Director
Accounting Department (AD)	Mrs Yvonne Jean-Smith	Director
	Mr Senator Samuel	Deputy Director
Banking and Monetary Operations Department (BMOD)	Mrs Jacqueline Lawrence	Director
	Mr Niall Pistana	Deputy Director
	Mr Alex Straun	Deputy Director
Bank Supervision Department (BSD)	Mr Kennedy Byron	Director
	Mrs Allison Crossman	Deputy Director
	Ms Alousia Faisal	Deputy Director
	Mr Christopher Louard	Deputy Director
	Mrs Laurel Seraphin Bedford	Deputy Director
Currency Management Department (CMD)	Mrs Pamella Osborne	Director
	Mr Rosbert Humphrey	Deputy Director
Human Resources Department (HRD)	Mrs Norma Hanley-Pemberton	Director
	Ms Jolene Francis	Deputy Director
Internal Audit Department (IAD)	Mrs Raquel Leonce	Director
	Mrs Maria Cumberbatch	Deputy Director
Legal Services Department (LSD)	Mrs Merlese O'Loughlin	Director
	Ms Gillian Skerritt	Deputy Director

CORPORATE INFORMATION

As at 31 March 2014

MANAGEMENT TEAM *(cont…)*

Research Department (RD)	Ms Karen Williams	Director
	Mr Hamilton Stephen	Deputy Director
	Mr Rohan Stowe	Deputy Director
	Mrs Patricia Welsh-Haynes	Deputy Director
Statistics Department (SD)	Mrs Térèsa Smith	Director
	Mrs Seana Benjamin-Mack	Deputy Director
	Ms Juletta Jeffers	Deputy Director
	Ms Leah Sahely	Deputy Director
Support Services Management Department (SSMD)	Ms Sharmyn Powell	Director
	Mrs Beverley Edwards-Gumbs	Deputy Director

ADVISERS

Governor’s Immediate Office (GIO)	Ms Elizabeth Tempro	Senior Adviser
	Ms Maria Barthelmy	Adviser
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Banking and Monetary Operations Department (BMOD)	Mr Lincoln Gilbert	Adviser
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Bank Supervision Department (BSD)	Mr Hudson Carr	Adviser
	Ms Brontie Duncan	Adviser
	Mr Denzil James	Adviser
Corporate Relations Department (CRD)	Ms Sybil Welsh	Adviser
Management Information Systems Department (MISD)	Mr Humphrey Magloire	Adviser
Statistics Department (SD)	Mrs Hazel Corbin	Adviser
	Mr John Venner	Adviser

CORPORATE INFORMATION

As at 31 March 2014

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ORGANISATIONAL CHART

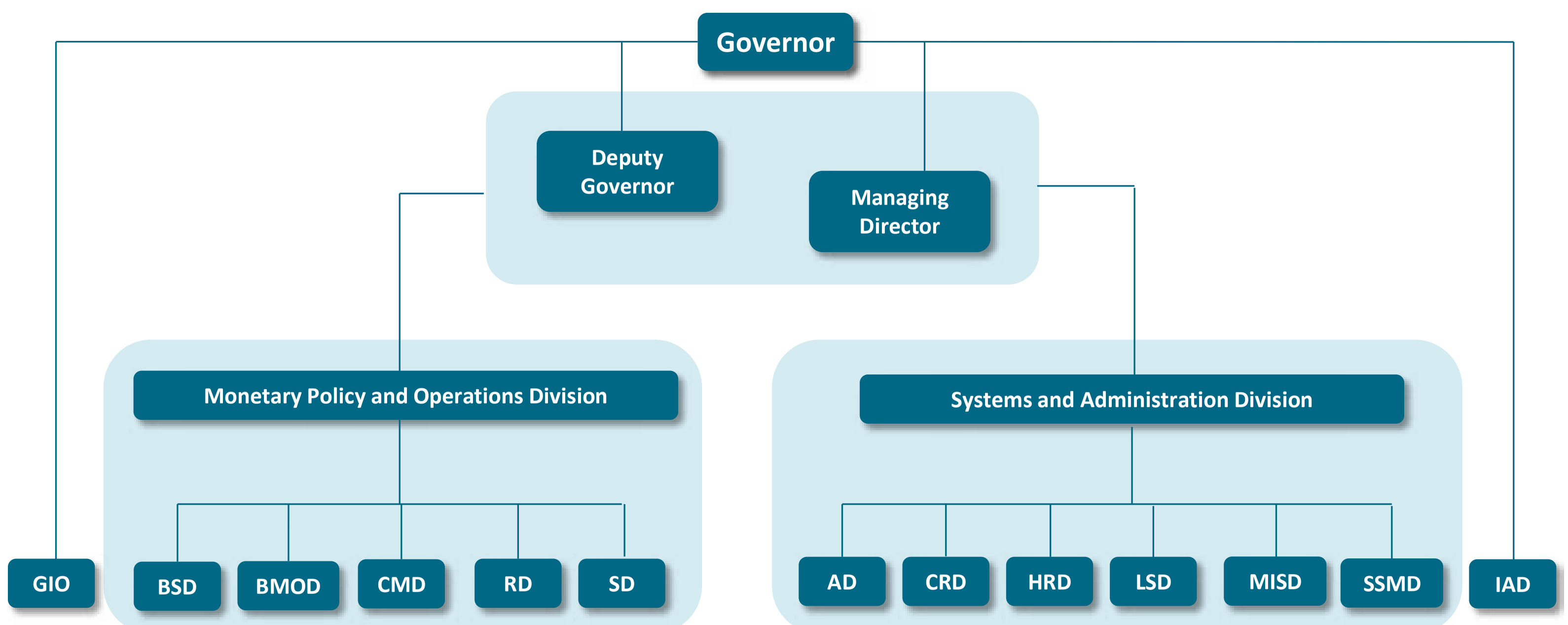
31 March 2014

KEY:

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

KEY:

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



CONTENTS

Celebrating 30 Years

Signing of the ECCB Agreement 5 July 1983: L-R: Hon Lester Bird - Deputy Prime Minister, Antigua and Barbuda; Hon Maurice Bishop - Prime Minister, Grenada; Hon John Osborne - Chief Minister, Montserrat; Mr Cecil Jacobs - Governor, ECCB; Mr Vaughn Lewis - Director General - OECS; Hon Dame Eugenia Charles - Prime Minister, Commonwealth of Dominica; Hon Kennedy Simmons - Prime Minister, St Kitts and Nevis; Hon John Compton - Prime Minister, Saint Lucia; Hon Milton Cato - Prime Minister, St Vincent and the Grenadines. Anguilla became a full member of the ECCB on 1 April 1987.

FOREWORD

The Arithmetic of Economic Development in the ECCU

Governor of the ECCB
The Honourable Sir K Dwight Venner

One of the fundamental issues affecting the economic development of the member states of the ECCU is that of critical mass. This concept can be defined as the number of inputs, of which there must be a minimum that will ensure the viability of an entity, whether it is in the public or private sector. At the heart of this issue are the structural characteristics of these countries, that is, they are very small, both in terms of population and physical size; they are open; and they are extremely vulnerable to external shocks and natural disasters. They are also significantly affected by the cyclical fluctuations experienced by their main trading partners, the United States of America, the United Kingdom, the European Union, and Canada. In addition, the member countries' economies are affected by the seasonality of their main export sectors, namely, agriculture and tourism.

The arithmetic of development can be illustrated by an analysis of three major statistical data sets, namely, the population census, the national accounts, and the balance of payments.

The arithmetic starts with the demographics of each country and its impact on consumption and production, imports and exports, and the possibilities for sustainable growth and development.

The arithmetic of development can be illustrated by an analysis of three major statistical data sets, namely, the population census, the national accounts, and the balance of payments

The population census allows us to define and identify the economically active population and its capacity, both actual and potential, to drive the economy through the activities of production and consumption, savings and investment, management of the public and private sectors, and the provision of administrative and social services. The economically active population can be derived by subtracting the dependents, (those 17years and under and those 70 and over), from the total population and making adjustments for the number of underemployed and unemployed persons as well as the skill levels and the health status of the overall population. The building of schools and houses as well as health facilities should be guided by the numbers which are thrown up by the census, which illustrates how important this data set is for planning and the development of our societies.

The national accounts allow us to measure the growth of our economies and the distribution of the rewards to the various factors of production, namely, interest, wages, rent and profits to capital, labour, land, and entrepreneurship, respectively. It also measures how expenditure is distributed between private consumption, business investment, government, exports and imports. The gross domestic product is affected by the size of the economically active

The resolution of this fundamental issue of creating the critical mass necessary to facilitate sustained growth and development will be, given our current circumstances, the turning point for our countries

population, as is the balance of payments, which measures the flow of goods and services between our countries and others, that is, our imports and exports.

The structural characteristics of our economies as outlined above, small, open and vulnerable are made more obvious by these statistical measurements and highlight the importance of critical mass and the arithmetic of development. Critical mass affects the operations of both the public and private sectors as both the tax base, which is a function of the economically active citizens, both as producers and consumers, and the domestic market, which is a function of the purchasing power of these economically active citizens, are extremely limited. For the government, the challenge is how to increase the tax base or the absolute amount of taxes collected; while for the private sector, it is how does it expand markets by exporting to other countries.

A careful analysis of these statistical measurements in conjunction with an audit of our human and physical resources will give us a notion of what economists refer to as, our production possibilities frontier, that is, the point beyond which it is impossible to expand production without adding more resources and using additional knowledge. The resolution of this fundamental issue of creating the critical mass necessary to facilitate sustained growth and development will be, given our current circumstances, the turning point for our countries.

The report of the World Bank Commission on Growth and Development (2008) notes that sustained high growth is not an "economic miracle"; it can be explained and is attainable for developing countries utilising the right mix of "ingredients". Among the necessary, though not sufficient, "ingredients" for development for the ECCU countries which must be considered are the following:

1. The constitutional and political regimes
2. The sociocultural environment
3. The policy framework and architecture
4. The administrative and technical capacity
5. The actual and potential human and natural resources at our disposal.

A careful analysis of the above would give us a fairly clear understanding of the possible constraints on our development prospects, in both qualitative and quantitative terms, and suggest the trade-offs and options for sustained development which are available to us.

Our approach to the development challenges facing us has been to conceive two models. The first, the Input-Consumption-Default model tries to explain the current situation while the second, the Aggregation-Coordination-Productivity model attempts to outline a framework which could lead to sustained growth and development.

The elements of the Input-Consumption-Default model can be explained as follows below. With respect to the input element, there has been a reasonably high level of inputs into the economies of the member countries in the form of foreign direct investment, foreign aid and technical assistance, foreign loans, remittances, and export proceeds over the last three decades, but there has been at the same time, a secular decline in the rate of economic growth. This has been mainly attributed to a fall in productivity, an argument which is quite plausible, but a number of other factors have also contributed to this decline. Among these are:

- the imbalance in the allocation of these resources to consumption as opposed to investment;
- the low returns on these resources (inputs), whether they were utilised for consumption or investment purposes, in the public or private sectors;
- the absence of interrelationships between these inputs, whether in one country or between countries, which increased costs significantly and affected the input/output ratios; and
- the very low multiplier effects of these inputs because of silo arrangements and the absence of a structured approach to the coordination of policy formulation and execution.

In summary, the region has been fixated on the inputs of resources but not necessarily on the cost and scale of the outputs. This can be attributed to three factors:

1. the limited availability and sophistication of measurement tools;
2. the significant gaps in appropriate, accurate and timely statistics; and
3. the absence of synchronisation of the macro and micro economic policies which impact economic growth.

The consumption element of the model presents a monumental challenge to our development. It is evident that our economies and financial systems are overwhelmingly oriented towards consumption activities. This of course has a historical basis, as our plantation economies were structured so that all of the domestic resources were organised to produce the export staple, which meant that all consumer, intermediate and capital goods had to be imported. Development implies a rebalancing of this economic structure but this has been impeded by the small size of the economies, which in isolation do not provide much space for diversification.

In modern times two other factors have compounded and exacerbated this problem.

First, we are geographically located in close proximity to the United States of America, the most advanced economy in the world which has long ago arrived at the stage of mass consumption. The productive capacity of that country allows it to have a consumption level of approximately 70 per cent of GDP. The demonstration effect on our countries is marked in our consumption patterns. There is nothing inherently wrong with this, except the fact that the USA went through an industrial revolution to arrive at this stage of mass consumption. Our economies have not reached a comparable level. The lack of development of our economies and the lure of improved circumstances in the United States have led to a very high rate of outward migration, particularly of the more enterprising and qualified citizens.

The second factor relates to the reality of living in very democratic societies with competitive multiparty electoral systems. In such systems, political parties in the run-up to elections, make promises which may or may not be credible when consideration is given to the resources at our disposal.

These two factors and the structural and arithmetic issue of size poses two fundamental challenges to our policy makers and the societies as a whole. Firstly, how can expectations in these very small and open states and economies be managed to support the development programmes? Secondly, how can growth that is sustainable be achieved to satisfy the legitimate needs of our societies, given the resources at our disposal?

The third element of the model, the default factor, speaks to the methodology or processes for arriving at our policies and decisions in light of the very real and objective circumstances which confront us. The policies which were in existence in the colonial and pre-independence periods have been difficult to shake off, given the historical nature of our development, the structural characteristics of our economies and the trend towards globalization. The policies which we have had to adopt in many cases have been by default, as a result of being insisted upon by such agencies as the World Bank and the IMF and/or donor agencies, imitation of initiatives in other countries, either to the left or the right in the ideological firmament, or to entice foreign investors. Independent decisions have come about either during crises or in open defiance of the established wisdom from abroad.

With populations ranging from 5,000 to 170,000, scale economies are lacking in both the public and private sectors

One can only conclude that the policy framework and architecture and the administrative and technical capacity have not been sufficiently developed, the statistical platform too limited, and the institutional and governance arrangements not advanced enough to exercise the requisite control over our policy making to move from a relatively passive and constrained approach to a more innovative one. The need for more intellectual and technical resources to be allocated to this task is becoming more compelling, but this must be complemented with a determined effort to develop the executive capacity to effectively implement the new policies.

The global crisis has ruthlessly exposed and exacerbated the fragility of the structural features of our economies, but has also given us the chance to move to a new paradigm with which to achieve the sustainable development of our economies and societies. The model which addresses this new paradigm is the Aggregation-Coordination-Productivity model. This model identifies the issue of critical mass as a central factor, along with the coordination of policies within and between countries and the vital factor of productivity.

The OECS economic union provides the opportunity to increase the population base by addition because of the creation of a single economic and financial space

Aggregation directly addresses the critical mass issue. With populations ranging from 5,000 to 170,000, scale economies are lacking in both the public and private sectors. With respect to the public sector, given the size of the economically active population, the level of per capita incomes, the size and profitability levels of the private sector, the incentives which are given by the governments and the capacity of the revenue agencies, the question becomes: Is enough revenue being collected to meet all the demands on the state? With respect to the private sector, the question is: Are the domestic markets large enough, that is, in terms of number of people and per capita incomes, to make most businesses profitable?

The financial sector is also a victim of arithmetic with 40 commercial banks, 161 insurance entities, and 67 credit unions serving a total population of only 630,000. In the commercial banking sector, our studies have shown that efficiency in the banks' operations is constrained by the small market size in which they operate. In comparison to the other larger countries in CARICOM and other low and middle income countries, the ECCU member countries have more bank branches per hundred thousand adults. The ECCU bank cost to income ratios were almost 20 per cent higher than in the comparator countries while their earnings ratios were significantly lower. There is an obvious need for some form of consolidation and scale maximisation in the financial sector if it is to be a viable player in the economic transformation of the region.

The arithmetic simply does not add up and the lack of economic growth in the last four years has clearly illustrated this point. The situation can be put in the form of a question which is so simple that it may be thought of almost as a 'trick' question. If "too small" is a problem, how do we solve it? The obvious answer is to increase it, hence the need for aggregation! The countries of the OECS have intuitively answered this question since the demise of the West Indies Federation by opting for closer integration arrangements among themselves. They have done this by way of two Treaties which have been passed in the legislatures of their countries, becoming as it were, the law of the land. There is now an urgent need to implement these treaties to address the aggregation issue which is a necessary, though not a sufficient answer to our problems. The OECS economic union provides the opportunity to increase the population base by addition because of the creation of a single economic and financial space. There must also be a very purposeful and strategic approach to actively including our diasporas, increasing the size of the tourist industry, and attracting talented people to our countries.

The single financial and economic space, through a process of aggregation, can lead to the following advantages:

- economies of scale and scope in production, marketing, distribution and public administration;

- the spreading of risks across a wider geographic space as well as sectorally; and
- the capacity to negotiate more effectively with third countries, external private sector entities as well as the international financial institutions.

The coordination of policies and production activities is also critical to our development. Major economic and financial challenges such as those with which we are presently confronted can only be successfully dealt with by major policy initiatives. This requires a policy framework and architecture as well as administrative and technical capacity which match the challenges. Given the current level of capacity at the national level, the coordination of efforts at both the national and OECS levels is necessary to successfully meet these challenges. A coordinated regional and national effort is also required to treat with and coordinate the inputs by the IMF, the World Bank and other external agencies. The payoff from such coordination would be extremely significant, given the limitations on our resources.

Productivity has been identified as one of the major reasons for the decline in growth in the ECCU. The productivity issue can in fact be tied to the arithmetic of critical mass. The high unit cost of government, given the tax base to government expenditure; the small domestic market for the private sector, the high energy and food costs, and the skill sets of the economically active population, all combine to put a drag on productivity.

There is a necessity to experiment with the numbers in order to get a sense of our possibilities under different numerical scenarios. If a 5 per cent rate of growth is what is required to address our problems, then what are we required to do to achieve this? What sector is most likely to deliver this rate and what would be the impact on the other sectors? Would it have a Dutch Disease effect, that is, putting prices and wages out of alignment or could it have a significant linkage effect by drawing other sectors up?

We have a very practical example of where policy and reality interface. Upon completion of the international airport in St Vincent and the Grenadines, the ECCU countries will have five international airports. Since these cannot be supported by the domestic populations which do not have the required critical mass, then a major industry must emerge to do this. This clearly must be the tourist industry. We are therefore faced with the question of causality, or, to put it another way, which comes first, the international airport or the tourist industry, that is, in the form of hotel rooms? It is clear that easy access is a major pre-condition for a viable tourist industry and is within the control of the government, while hotels are not and must be provided by the private sector.

This then allows us to conduct scenarios in accordance with arithmetic principles. For example, at present we attract, on average, one million stay-over visitors each year to the ECCU, what would be the impact of two million? The following questions should be asked:

1. Would this number give us a 5 per cent rate of growth?
2. Would it raise the level of agricultural output to feed the increased numbers?

3. Would the domestic cultural industries develop with these increased numbers?
4. Could this lead to an increased export outlet for agribusinesses and other manufacturing enterprises?
5. What would be the downside effects on the environment, on prices and the cost of living?
6. What would be the social challenges that could accompany this expansion in a particular industry?
7. These questions all pertain to socioeconomic and arithmetic issues which we will have to address sooner rather than later.

We are at a critical point in our economic history as we try to restructure, rebalance and transform our economies to achieve a sustained level of economic growth which would reduce the level of unemployment, particularly among the youth; provide quality jobs for those about to enter the labour force; reduce poverty to socially acceptable levels; maintain and enhance our human development indices, and construct a new socioeconomic arrangement that continuously improves our standard of living and quality of life.

This will not happen by osmosis but will require the underpinning of an honest and constructive approach to the underlying and fundamental issues which confront our societies in order to ensure our advancement to a higher plane of socioeconomic development. The intellectual and practical efforts which are required to ascend to this level will be substantial. This means that it will not happen tomorrow but will evolve and advance as more and more actors in our society, across all sectors, become involved in a more rational and problem solving approach to our extant problems.

In conclusion, it is necessary to point out what should be fairly obvious. We have constructed in the OECS and the ECCU working arrangements of regional integration and functional cooperation which have underpinned our survival and progress, but we have not fully exploited the benefits of these arrangements. The arithmetic of these benefits is incontestable but not likely to be taken up if there is not an overriding philosophy about what we are and want to be as a collective body. This is the task of politics in its most pristine sense and the responsibility of civil society to define an understanding of a future that we can aspire to and thus put in the hard work and discipline to get us there. After all, it should be obvious by now that isolation is not an option in an increasingly globalised world.

K Dwight Venner
Governor

REVIEW OF PERFORMANCE

The financial year 2013/2014 was another challenging one for the Eastern Caribbean Central Bank and its member governments. The countries continued to grapple with the low growth phenomenon in the currency union and the global economy and this had a major negative impact on government finances, public sector debt, unemployment and the financial sector.

The work of the Bank continued to be guided by its mandate as prescribed in Article 4 of the ECCB Agreement Act 1983 as follows:

i. To regulate the availability of money and credit;
ii. To promote and maintain monetary stability;
iii. 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;
iv. To actively promote through means consistent with its other objectives the economic development of the territories of the Participating Governments.

In recognition of the current challenges being faced by the region, the Bank focused its activities during the year on:

- enhancing the resilience of the financial sector;
- supporting member governments' efforts at prudent debt management and fiscal reform; and
- promoting policies and programmes aimed at fostering sustained and balanced economic growth and development.

The Bank finalised the vision for the financial sector in the context of the implementation of the provisions of the Revised Treaty of Basseterre and the need to transform the ECCU economies to facilitate self-sustained growth

During the year, the Bank finalised the vision for the financial sector in the context of the implementation of the provisions of the Revised Treaty of Basseterre and the need to transform the ECCU economies to facilitate self-sustained growth. The Bank continued to implement the *Strategy for the Resolution of the Financial Sector* with technical assistance from the World Bank and the International Monetary Fund (IMF) and was engaged in a number of activities geared towards restructuring and transforming the sector. These included taking steps in collaboration with the indigenous banks towards the establishment of a single indigenous bank for the currency union; strengthening the legal framework for the financial sector; and reforming the regulatory and supervisory framework of the financial system.

The Bank collaborated with the member countries on the strengthening of the institutional framework for policy making and the implementation of the fiscal reform and debt management programmes. Support was provided to member countries during the conduct of a diagnosis of the policy units, which was undertaken with technical assistance from CARTAC.

The prevailing economic circumstances did not compromise the domestic currency, which remains adequately backed with foreign reserves

The Bank continued to provide technical support to member countries to strengthen their debt management capacity through the Debt Management Advisory Service (DMAS) unit at the ECCB, which is sponsored by the Department of Foreign affairs, Trade and Development (DFATD) of Canada.

In light of the development challenges confronting the currency union, the Bank, in association with the OECS Business Council, held consultations with private sector representatives from across the region in a deliberate attempt to advance the creation of a dynamic and competitive private sector, capable of performing a major role in the development process.

In a similar vein, the Monetary Council of the Bank engaged the public service unions from the currency union at an historic meeting during which the current economic environment; the impact of wages, prices, employment and productivity on government operations; and the role which public service unions could play in the context of the development needs of the ECCU, were discussed.

MONETARY STABILITY

Monetary Policy

Monetary and price stability were sustained in the ECCU member countries during 2013. This is premised on the strength of the exchange rate and the subdued rate of inflation in the ECCU. These economic fundamentals facilitated a suitable environment for growth in the money aggregates. Credit growth has however, been affected by the higher unemployment levels and lower consumer and business confidence. In this regard, money and credit aggregates and the economic and financial environment were continually assessed to determine the likelihood of any changes to the monetary policy rates.

The prevailing economic circumstances did not compromise the domestic currency, which remains adequately backed with foreign reserves. The backing ratio averaged 94.98 per cent during 2013, significantly above the statutory limit of 60.0 per cent and the prudential operating limit of 80.0 per cent. Additionally, inflationary pressures were contained as the inflation rate fell to 0.8 per cent at end-December 2013 from 2.9 per cent at end-December 2012. Consequently, monetary conditions eased over the review period. The stock of broad money rose by 4.9 per cent during 2013 compared with an increase of 3.9 per cent in the prior year, supported by steady growth in bank deposits (Chart 1).

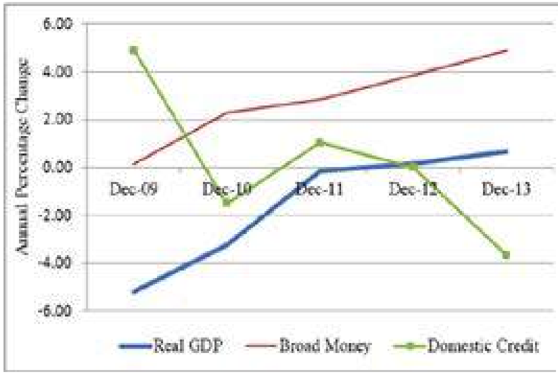


CHART 1

Monetary policy assessments were mainly concerned with the decline in credit during 2013. Credit fell by 3.7 per cent over the year, exacerbated by the slowdown in economic activity and lower private sector spending. To alleviate the credit constraint, the Bank examined the efficacy of the discount rate for easing the cost of capital for borrowers. Other monetary policy tools that were considered included the minimum savings deposit rate and the reserve requirement ratio. Real Gross Domestic Product (GDP) growth is provisionally estimated at 0.7 per cent for 2013 and forecasted at 1.9 per cent for 2014, partly attributable to the increase in construction activity and developments in the agricultural sector.

In addition, a sustained recovery in the advanced countries would likely lead to an improvement in stay-over visitor arrivals to the ECCU. Financial sector weaknesses would have contributed to the tightened credit conditions during 2013. The Bank sought to alleviate those tensions through its comprehensive resolution strategy for the financial sector. The objectives are to improve capital and liquidity buffers, strengthen risk management frameworks and increase the scale and scope of the sector. Additionally, the advancement of the single financial space and the consequent consolidation of financial units across the region would facilitate further financial deepening, increased cross-border financial flows and possibly further interest rate convergence amongst member countries. These developments should improve the transmission of monetary policy in the region.

The advancement of the single financial space and the consequent consolidation of the financial sector would facilitate further financial deepening

Reserve Management

The ECCB foreign reserve portfolio is benchmarked against US Treasuries hence, the performance of the foreign reserve assets was dependent on the performance of the US economy and the US Treasury market. The year was characterised by moderate improvements in the US economy with some strength in the labour, housing, and manufacturing sectors. US Treasury yields rose and prices fell as market participants factored in a reduction of asset purchases by the US Federal Reserve (Fed) under its Quantitative Easing (QE) programme. The Fed's announcement in December 2013 that it would reduce its asset purchases under its QE programme beginning January 2014, affirmed market expectations.

The ECCB continued to satisfy its reserve management objectives of preservation of capital, meeting liquidity needs and outperforming the Bank's customised benchmark, despite an ensuing decline in bond prices. The duration of the ECCB's Customised Benchmark was rebalanced to two (2) years in keeping with the risk tolerance prescribed by the Board of Directors.

For the third consecutive year, the Bank transferred funds from the lower yielding liquidity portfolio to the higher yielding core tranche.

A review of the performance of the Bank's portfolio managers was conducted and revealed that they performed in accordance with the investment guidelines. The money managers' performance was deemed satisfactory and the Bank decided to retain their services for a further three years. The custodian's performance review is on-going.

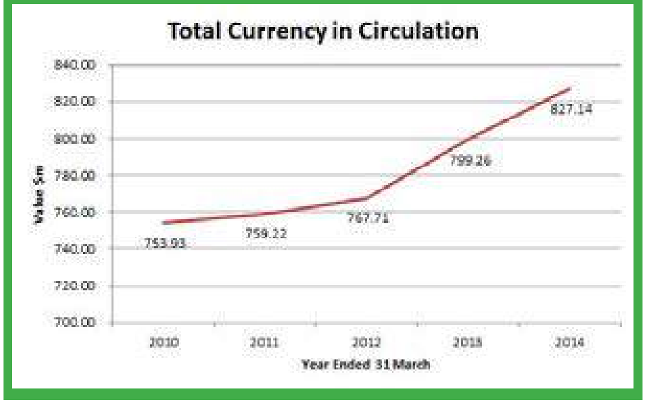
Currency Management

During the period under review, the Currency Management Department focused on its main objectives which included:

1. Maintaining the integrity of the EC dollar by ensuring the availability of an adequate supply of high quality notes and coins;
2. Repatriating foreign currency notes in a timely manner;
3. Facilitating the redemption and issue of EC notes and coins to commercial banks.

As at 31 March 2014, currency in circulation stood at \$827.14 million compared to \$799.26 million a year ago. This figure represents banknotes in the amount of \$739.52 million or 89.41 per cent, while coins in circulation amounted to \$87.62 million or 10.59 per cent. The increase in currency in circulation which was recorded as at 31 March 2014, was consistent with the increasing trend over the last five years as depicted in Chart II.

Chart II



The department also continued to purchase foreign currency notes from commercial banks throughout the ECCU, the main one being United States Dollars (USD). Other currencies purchased were Great Britain Pound (GBP), Canadian Dollar (CAD) and the European Currency (Euro). For the period under review, total USD purchases increased by approximately 0.63 per cent over the prior period. An indication of the movement in US notes purchased over a five year period is shown in Chart III.

Chart III

Work continued with the Enterprise Cash Management Inventory Supplies Accounting (ECM-ISA) solution in an attempt to complete full implementation in all territories. This was successfully undertaken over the period March to June 2013. With the implementation of this solution, commercial banks now have the ability to log on to a secure website and place their orders for EC notes and coins, as well as indicate their intention to redeem local or foreign currencies.

Training in the use of the ECM-ISA software was conducted in each territory, facilitated by staff of the Currency Management Department. Staff of the department also benefitted from a refresher training that was facilitated by De La Rue, supplier of the EC banknotes, over the period 3 – 7 February 2014. The focus of the training was the Business Intelligence and Banknote Life Cycle components of the ECM-ISA solution. It was geared at exploring the benefits to be derived from the utilisation of the Business Intelligence component of the solution, such as Banknote Lifecycle, Banknotes in Circulation, Banknotes Issued and Redeemed, and Stock Balances.

FINANCIAL SECTOR STABILITY

During the year under review, the Bank's efforts remained focused on safeguarding financial stability in the ECCU. To this end, the ECCB made significant progress in effecting points 6, 7 and 8 of the ECCU Eight Point Stabilisation and Growth Programme as follows:

- Point 6 – Development of financial safety net programmes;
- Point 7 – Amalgamation of the indigenous commercial banks; and
- Point 8 – Rationalisation, development and regulation of the insurance sector.

During the year under review, the Bank's efforts remained focused on safeguarding financial stability in the ECCU

The Technical Assistance Programmes, being provided by the IMF and the World Bank, for *Strengthening the Resilience of the ECCU Financial System* were operationalised during the year. The IMF and World Bank resolution consultants commenced work in August and September 2013 by providing technical assistance and advisory services to the ECCB in developing a comprehensive strategic framework for the establishment of the Eastern Caribbean Asset Management Company. The bank supervision consultant commenced work in September 2013 with the main objective being the implementation of a reform programme for financial system safety, soundness, efficiency, and stability and the strengthening of the supervisory tools and capacity of the Bank.

Work on the establishment of the enabling legal and regulatory environment to support an advanced credit reporting system in ECCU member territories reached an advanced stage; and efforts continue towards the establishment of the credit bureau. The ECCB facilitated the establishment of the ECCU Credit Bureau Legal and Regulatory Working Group whose mandate is to review and provide comments on the draft legislation and regulations. The Working Group, which comprises representatives from the local bankers' associations, the Caribbean Confederation of Credit Unions, Attorney General Chambers of the ECCU member territories and the ECCB, has completed the review of the draft OECS Harmonised Credit Reporting Bill and Regulations. The Working Group, the ECCB and the International Finance Corporation (IFC) are also working towards finalising the legislative package for submission to the Attorneys General and subsequent passage in the respective Parliaments of ECCB member countries.

With the approval of the Monetary Council, on 12 August 2013, the ECCB assumed exclusive control of the National Bank of Anguilla Ltd and the Caribbean Commercial Bank (Anguilla) Ltd, under the special emergency powers in Part IIA, Article 5B of the Schedule to the ECCB Agreement Act 1983.

The purpose of the intervention was to protect depositors and creditors and maintain confidence in the banking sector. Conservators were engaged as part of the Technical Assistance Programme with the specific mandate to provide technical assistance and advisory services to the ECCB, towards the stabilisation and restructuring of the banks.

The ECCB also continues to manage the affairs of ABI Bank since assuming control of its affairs on 22 July 2011, and is facilitating the process of transitioning the bank to new owners.

The ECCB coordinated the establishment of the ECCU Working Group on the United States Foreign Account Tax Compliance Act (FATCA). The

The ECCB facilitated discussions of the Amalgamation Steering Committee which comprises representatives from ECCU indigenous banks

Working Group, which comprises national and regional regulators, and industry and government representatives, worked towards implementing a FATCA compliance framework for the region. The establishment of the Basel II Implementation Steering Committee also demonstrates the Bank's commitment to acceding to international conventions and accords. The Committee is charged with determining the applicability of the provisions of the Basel II Capital Accord to the ECCU.

The Bank continued to pursue a coordinated resolution strategy in addressing the challenges in the financial system as outlined in the *Strategy for Strengthening the Resilience of the Financial System in the ECCU*. Point 7 of the ECCU Eight Point Stabilisation and Growth Programme speaks specifically to a vision for the commercial banking sector, particularly the amalgamation of indigenous commercial banks within the context of the growth and development of the region.

Towards this end, the ECCB facilitated discussions of the Amalgamation Steering Committee, which comprises representatives from indigenous banks across the ECCU, with the objective of examining and making recommendations on specific components of the restructuring process. Three supporting committees: the Strategic Outlook Committee, the

Front Row L-R: ECCB Executive Committee (Deputy Governor - 2nd, Governor Venner 4th and Managing Director - 7th) with representatives of ECCU indigenous banks following their first face-to-face discussion on the amalgamation of ECCU indigenous banks, which was held at the ECCB Headquarters, St Kitts and Nevis on 23 November 2013.

Operational Restructuring Committee and the Financial Restructuring Committee, were also established.

The Monetary Council approved the establishment of the Eastern Caribbean Financial Services Commission (ECFSC) as the single regional non-bank regulator to regulate and supervise the insurance sector, based on international best practices.

The Council also approved the drafting of the ECFSC Agreement and a new insurance bill. The Core Committee on Insurance, in collaboration with the ECCB, spearheaded work in this regard. Over the period 11 to 12 February 2014, a workshop attended by the respective Attorneys General and insurance regulators was convened to discuss the results of the consultation on the insurance legislation and draft agreement for the establishment of the ECFSC.

The Bank continues to monitor developments in the credit union sector, as voluntary amalgamation within this sector is on-going.

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:

Governor of the ECCB (Front Row: 3rd from left) with Attorneys General and insurance regulators who attended the Eastern Caribbean Financial Services Commission (ECFSC) workshop on the ECFSC Agreement and new Insurance Bill from 11 - 12 February 2014.

The Bank pursued a work programme aimed at strengthening the resilience of the ECCU financial sector through an improved legal and regulatory framework

- Continued to enhance its role as fiscal agent to member governments and provided advice and support on issues related to cash flow management;
- Provided the necessary liquidity support to the financial system;
- Continued its efforts to reduce settlement risk and improve the quality of service provided through its management of the Regional Government Securities Market (RGSM) operations.

Payments System

Over the review period, the Bank continued its effort to modernise the payment system to facilitate the realisation of the single financial space. During the year, the Bank, in collaboration with the commercial banks and the Automated Clearing House (ACH) Operator:

- Ensured that the technical and operational upgrades required in each commercial bank to enable full integration with the ACH were completed;
- Developed a comprehensive Operating Procedures Manual; and
- Facilitated End to End User Acceptance Testing by all commercial banks.

The progress made towards the implementation of the ACH is geared towards a successful launch of Phase I of the project in 2014.

Legal Services

Legislative Agenda

Eastern Caribbean Central Bank Agreement and Banking Act

During 2013/2014, the Bank pursued a work programme aimed at strengthening the resilience of the ECCU financial sector through an improved legal and regulatory framework. To that end, two technical missions provided advice on the Bank's legislative proposals for the banking sector: an IMF technical team assisted with the review of the ECCB Agreement, Banking Act and Subsidiary Legislation; and a technical team from the World Bank reviewed a draft Asset Management Corporation Agreement and Bill prepared by the Bank.

Credit Bureau Legislation and Foreclosure Laws

The Bank assisted with the review of a Credit Reporting Bill and draft Credit Reporting Regulations for the development of a credit bureau for the ECCU. In addition, the Bank spearheaded the establishment of a Foreclosure Committee to assist with the development of uniform foreclosure laws for the ECCU. The Committee was formally constituted with membership as follows:

- OECS Bar Association
- ECCU Bankers Association
- Registrars of Land - Antigua and Barbuda, Grenada, St Kitts and Nevis, Saint Lucia
- Eastern Caribbean Central Bank

- OECS Secretariat/Commission
- Attorney General's Chambers - Montserrat
- Financial Secretary - Commonwealth of Dominica
- World Bank Consultant

Foreign Account Tax Compliance Act (FATCA)
The Bank, through its membership on the FATCA Legal Sub-committee, assisted with the preparation of the Foreign Account Tax Compliance Act (United States Of America) (Implementation And Enforcement of Inter-Governmental Agreement) Bill. This is in keeping with the Monetary Council's decision to pursue an Inter-Governmental Agreement with the Government of the United States and would facilitate the industry's compliance with FATCA.

Eastern Caribbean Automated Clearing House Rules
The Payment System (Eastern Caribbean Automated Clearing House System) Rules were finalised for publication in member territories.

Institutional Arrangements
The Ministerial Subcommittee on Banking endorsed the establishment of a Legislative Committee comprising ECCU Attorneys General to advise the Bank on the advancement of its legislative agenda and to generally facilitate the movement of proposed legislation through the legislative process. In keeping with an enabling legislative framework, the Monetary Council approved the establishment of a National Working Group in each ECCB member territory to serve as the technical arm of the Legislative Committee of Attorneys General.

MONEY AND CAPITAL MARKET DEVELOPMENT

Markets

During the 2013/2014 financial year, the Bank's efforts were geared toward facilitating member governments' access to funding from the Regional Government Securities Market (RGSM). However, the number of securities auctioned declined to 50 from 54 in the previous financial year. Notwithstanding, most of the member governments were able to benefit from lower borrowing costs as the weighted average rate of the 91-day Treasury bill declined to 4.08 per cent from 4.17 per cent.

The weighted average rate on the seven-year bonds increased by 25 basis points (bps) from 6.75 per cent in 2012/2013 to 7.0 per cent as at 31 March 2014.

Institutions

Eastern Caribbean Enterprise Fund (ECEF)

The Eastern Caribbean Enterprise Fund (ECEF) is a key component in the Bank's strategy for development of money and capital markets in the ECCU. The ECEF is envisioned to be a significant mobiliser of financing to support the further development of the private sector in the region. It will complement the services of existing financial intermediaries by assisting with filling the current gap with respect to the availability of requisite financing and technical support for the private sector. These services include: venture capital, equity financing, technical assistance and advisory services.

During the financial year, the ECCB continued to provide support to the ECEF in its efforts to become fully operational. This entailed the finalisation of the business model which provides the framework for the development and full implementation of the business strategies, policies and procedures for the institution.

Analyses and evaluation were also conducted on pipeline companies that were identified based on the diagnostic undertaken in the previous year. It is envisaged that efforts to capitalise the entity would intensify over the next financial year which would facilitate full operationalisation and investment in the targeted pipeline companies.

THE BASIS OF POLICY

Research

In 2013/2014, the Bank's research programme focused on four policy themes, namely:

i. Growth;
ii. Financial Stability, Consolidation and Development;
iii. Fiscal and Debt Sustainability; and
iv. Monetary Policy in a Quasi-Currency Board.

The following papers were completed to inform the policy decisions of the Bank's management, the Board of Directors and the Monetary Council:

- *Adoption of the US Gulf Coast Prices as the Benchmark for Fuel Products in the ECCU: A Regional Approach*;
- *On Exchange Rates: Choices, Facts and Consequences*;
- *A Critical Review of the Minimum Savings Rate as a Monetary Policy Tool*;
- *Green Book - ECCU Country Reports*;
- *Gold Book - Anecdotal Report on the Salient Issues Affecting the Countries of the ECCU*;
- *Blue Book - On Exchange Rates, Choices, Facts and Consequences; A Critical Review of the Minimum Savings Rate as a Monetary Policy Tool; and Financial Stability Report as at 30 April 2013*.
- *Exchange Rate Devaluation: A Comparative Analysis; and*
- *A Review of the Fiscal Adjustment Framework in the Eastern Caribbean Currency Union (ECCU): An Assessment of the Feasibility of the 2020 Target*.

Significant work was also undertaken on the following papers:

- *Money and Credit Conditions in Growth Cycles in the ECCU; and*
- *Review of ECCB Government Credit Facilities: Issues and Options*.

The Bank was represented at the 11th Meeting of OECS Council of Tourism Ministers held in April 2013. The meeting focused on two (2) key areas, namely (i) Implementation of the Common Tourism Policy; and (ii) Facilitation of Ease of Travel within The OECS. The meeting also received presentations on: The OECS Yachting Agenda and the OECS Sustainable Tourism Project. The Bank was also represented at the CARICOM/OECS Preparatory Meeting for the 9th World Trade Organisation (WTO) Ministerial Conference (MC9) in October 2013 where senior trade officials and other stakeholders from CARICOM discussed pertinent CARICOM Doha Development Agenda (DDA) issues to prepare member countries for more effective participation in the (MC9), scheduled to be held in Bali 3 to 6 December 2014.

The Bank participated in the 33rd Central Bank of Barbados Annual Review Seminar in July 2013 and presented the paper: *Collective Investment Schemes as Alternatives for Small Investors in the ECCU*. The paper explored the region's financial deepening process by empirically examining the impact of interest rates and risk in the savings and investment decisions of ECCU households using a combination of co-integration techniques. In addition, two papers titled: *Determinants of Commercial Banks' Liquidity; and The Nexus Between Economic Growth, Public Investment and Debt Sustainability*, were delivered at the 45th Annual Conference for the Caribbean Centre for Money and Finance in October 2013. The theme of the conference was, "Financial Stability, Debt and Economic Growth."

In January 2013, the Bank published on its website, the first volume of its Working Paper Series. The three documents included in that volume were: *Financial Stability in the ECCU: Developing Early Warning Systems and a Financial Stability Index; Commercial Lending Rates in the ECCU* and *The Nexus Between Competition, Efficiency and Bank Soundness in the ECCU Banking Sector*. For the year in review, three other volumes were published, namely: Volumes 2 and 3 and a Special Edition Working Paper Series highlighting the work of the 2013 University of the West Indies summer interns at the Bank.

Economic Surveillance

The economic surveillance and intelligence gathering function of the Bank is concentrated in the Research Department. The main objective of the economic surveillance responsibility is to monitor developments in member territories and disseminate macroeconomic data and information via the publication of quarterly reviews and annual reports. In addition, technical assistance is provided to member governments in their preparation for missions of international organisations, for example the IMF and the International Bank for Reconstruction and Development (IBRD) (World Bank); and policy papers relating to stabilisation and macroeconomic issues in member territories are prepared.

During the financial year under review, the Bank made significant progress in fulfilling its surveillance mandate through the successful execution of a number of work programme initiatives. Major activities included: the preparation of annual and quarterly economic and financial reviews for 2013; and participation in IMF staff visits and Article IV consultations to Antigua and Barbuda, the Commonwealth of Dominica, St Kitts and Nevis and Saint Lucia.

In addition, the Bank participated in an IMF staff visit to Grenada to negotiate the broad principles of a possible Stand-by Arrangement (SBA) and participated in the IMF fifth, sixth, seventh and eighth SBA review missions to St Kitts and Nevis and 10th SBA Review Mission to Antigua and Barbuda.

Some notable activities included: the completion of Annual Assessment Missions to determine the socio-economic conditions in member countries; the provision of technical assistance through various external and networking meetings, seminars and conferences and the completion of missions to facilitate the development of Medium-Term Debt Strategies (MTDS)

In collaboration with the World Bank, the Bank also participated in consultations with member countries on the development of an OECS Regional Partnership Strategy (RPS) for 2014 to 2019, as well as, the launching of the Caribbean Growth Forum (CGF) chapters for all member countries. Other notable activities included: the completion of Annual Assessment Missions to determine the socio-economic conditions in member countries; the provision of technical assistance through various external and networking meetings, seminars and conferences and the completion of missions to facilitate the development of Medium-Term Debt Strategies (MTDS).

Statistics

Prudential Returns

A three-day workshop with commercial banks was held at the ECCB Headquarters in St Kitts and Nevis over the period 11 – 13 June 2013. At that workshop, the ECCB discussed the changes to the forms for prudential returns and classification of financial institutions and financial instruments; explained the purpose of the changes and their connection to the monetary and financial statistics and other macroeconomic accounts; and discussed issues related to the implementation of the revised returns. The sessions were interactive and participants were open with their concerns regarding the implementation of the changes. The ECCB

Participants of the three-day workshop with commercial banks to discuss the changes to the forms for prudential returns, ECCB Headquarters, St Kitts and Nevis, 11 - 13 June 2013.

The Bank continued to work with member countries on the implementation of the 2008 System of National Accounts and supporting statistics

updated the returns and manual of instructions based on feedback received from the banks. The proposed date for implementation of the revised returns is February 2015.

Implementation of 2008 System of National Accounts (2008 SNA)

The Bank continued to work with member countries on the implementation of the 2008 System of National Accounts and supporting statistics. This is a global initiative that was mandated by the United Nations Statistical Commission. The ECCB has a major coordinating role in ensuring that the harmonised approach adopted by the member countries in the compilation of their national accounts is maintained for the implementation of the 2008 SNA.

In this regard, an Implementation Plan for the 2008 SNA was prepared and circulated to member states at the end of March 2014 for feedback and approval. This was a necessary step in formulating a multi-year statistical programme for economic statistics aimed at moving to the 2008 SNA. A workshop on the 2008 SNA Implementation will be held in May 2014 and will provide capacity building to the national accounts statisticians from the member countries.

Revision of the Balance of Payments (BOP) Survey Forms

During the financial year 2013/2014, the Bank reviewed and revised the Balance of Payments (BOP) survey forms in line with the BOP Manual Sixth Edition (BPM6). This edition incorporates the collection of stock financial data that are needed for the International Investment Position (IIP). Some of this data were not collected on previous survey forms.

The forms were supplemented with additional questions for trade in services and the Extended Balance of Payments (EBOPS) both for revenue and expenditure items. A review of the foreign direct investment forms for other countries in the region as well as further afield, including the USA, was conducted with the aim of ensuring that the appropriate questions were incorporated, particularly for investment income and the financial account. It is expected that the revised forms will be used in the 2015 BOP survey.

STATISTICAL ENTERPRISE SOLUTION

Statistical Analysis System, SAS, was selected by the ECCB as its new statistical enterprise solution. The solution provides a statistical system that supports web-based technology and covers collection, processing, storing and disseminating of data. Phase I, which focuses on monetary and financial statistics, commenced in August 2013 and is expected to be completed by the end of the first half of 2014.

Debt Management Advice and Capacity Building

The Bank, through the Canada-Eastern Caribbean Debt Management Advisory Service (CANEC-

Deputy Governor of the ECCB, Mr Trevor Brathwaite (inset) with ECCU debt officers and the facilitators who participated in the Commonwealth Secretariat Debt Recording and Monitoring System (CS-DRMS) workshop held at the Marriott Hotel, St Kitts and Nevis in November 2013.

DMAS) project, sponsored by the Department of Foreign Affairs, Trade and Development (DFATD) Canada, continued to provide support to ECCU member countries through its training and technical assistance programme on debt management. During the financial year 2013/2014, training in Negotiation Techniques for Sources of Finance continued with in-country workshops in Anguilla, Antigua and Barbuda, Saint Lucia and St Vincent and the Grenadines. A wider cross-section of stakeholders involved in policy decisions on debt, including officers from some of the statutory bodies and legal affairs departments, participated in the workshops, which were facilitated by the Crown Agents.

The Bank, through the DMAS project, also continued to provide technical support to the member countries in the development of medium term debt management strategies (MTDS). In this regard, during the 2013/2014 financial year, technical support was provided to Anguilla, the Commonwealth of Dominica, Saint Lucia and St Vincent and the Grenadines in preparing their MTDS. Technical assistance was provided to Antigua and Barbuda in the 2012/2013 financial year to develop its MTDS. The MTDS for the Commonwealth of Dominica and Antigua and Barbuda were tabled in Parliament; and that for the Commonwealth of Dominica was subsequently published on the government's website.

To assist the countries with accurately capturing and monitoring their debt, workshops were held to build capacity in the Commonwealth Secretariat Debt Recording and Monitoring System (CS-DRMS). The first workshop, which was held in July 2013, targeted new users and debt officers who had not received

Training in Negotiation Techniques for Sources of Finance continued with in-country workshops in Anguilla, Antigua and Barbuda, Saint Lucia and St Vincent and the Grenadines

official training in the software. The second workshop was held in November 2013 and was geared towards the more experienced users of the system. The latter workshop sought to introduce debt officers to the functionalities of a new version of the CS-DRMS software which is scheduled for release in 2014.

The DFATD has approved a 'no cost' extension of the CANEC/DMAS project from October 2014 to June 2017 to facilitate further provision of capacity building in the ECCU.

SUPPORT FOR ECONOMIC DEVELOPMENT

Conferences, Seminars and Workshops

24th Annual Conference with Commercial Banks

In the face of the persistent global economic crisis, the economic and financial situation in the sub-region continued to be challenging, hence the need for discussions to develop and implement solutions. The 24th Annual Conference with Commercial Banks created a forum for such discussions. Held under the theme, "Towards a New Financial Architecture for the Eastern Caribbean Currency Union (ECCU)", the conference convened from 6 – 8 November 2013 with participants representing commercial banks and non-bank financial institutions from the eight ECCB member countries. The representatives were afforded the opportunity to attend various sessions which covered the topics:

- Stabilisation – Mitigating Potential Systemic Risk in the ECCU commercial banking sector;
- Consolidation – Reforming the structure of the ECCU financial sector; and
- Development – Toward the establishment of an investment and development financial architecture (IDFA) for the ECCU.

The Bank recognises consultative, networking and knowledge development initiatives as key components of strengthening its capacity and development. In support of this Bank hosted and staff was represented at several regional and international seminars and workshops. During the year, the Bank also convened several meetings with its networking and consultative partners. The meetings provided opportunities for the ECCB to enhance collaboration with

Representatives from ECCU commercial banks and Non-Bank Financial Institutions in session at the 24th Annual Conference with Commercial Banks held at the ECCB Headquarters, St Kitts and Nevis from 6 - 8 November 2013.

Governor Venner responds to questions from the audience during the interactive session of the 2013 ECCU Economic Review Presentation on 28 January 2014. In the audience, front row, R-L: Managing Director of the ECCB - Mrs Jennifer Nero, Govenor General of St Kitts and Nevis - His Excellency Sir Edmund Lawrence and Minister of Tourism, St Kitts and Nevis - Hon Richard Skerritt.

member governments and the stakeholders in the financial sector in support of its policy advisory role.

Public Education/Public Relations

The ECCB public education programme is designed to arm the citizens of the currency union with the knowledge, skills and techniques to address the number of challenges faced in the current information age and to mobilise public discussion on economic and financial matters.

ECCU Economic Review Presentation

On 28 January 2014, the Governor reported on the performance of the economy of the Eastern Caribbean Currency Union (ECCU) in 2013 and the initiatives that were being taken to stimulate and sustain economic growth in the ECCU.

The review was preceded by an expression of heartfelt sympathy to the people of St Vincent and the Grenadines, Saint Lucia and the Commonwealth of Dominica, who were affected by the low level trough during the Christmas season. The Governor's presentation and subsequent discussion, which is one of the principal events on the Bank's public education calendar, focused on economic developments in 2013, the main challenges and accomplishments of the currency union over the year and the top priorities for the ECCU over the next three years.

Financial Information Month 2013

Financial Information Month (FIM) is a regional financial, economic, business and entrepreneurial education campaign which has been executed in the Eastern Caribbean Currency Union (ECCU) since 2002. FIM is observed in October with a range of activities through the collaborative efforts of the ECCB,

ECCU member governments, financial and academic institutions, the media, other private and public sector institutions and community based groups.

The 2013 FIM logo which highlighted the slogan: "Reshaping Our Future, Starting Now", underscored the view that the task of reshaping our future to ensure the ECCU's long term success requires new thinking, new ideas and new actions to forge ahead in an increasingly complex global economy.

Stakeholder Capacity Building Initiatives

In an effort to continue the education of the ECCU citizens on economic, business and financial matters, the ECCB conducted various workshops, seminars and presentations under its public education umbrella throughout the year. The sessions, which targeted media practitioners, financial and private sector institutions, and secondary school teachers, served as avenues to arm attendees with the knowledge and skills to deal with the challenges presented by the region's changing economic environment.

Financial and Business Training

In its efforts to continue to build capacity in financial and business issues, the ECCB developed training programmes in personal financial management, entrepreneurship and small business management which were launched in 2003, 2010 and 2012 respectively. These programmes incorporate a practical, interactive and participatory approach to training.

To date there have been 2,649 graduates emerging from 80 cohorts of the ECCB Saving and Investment course. The ECCB Entrepreneurship course and the Small Business Management Workshops, which have now been institutionalised in five of the eight ECCU member countries produced 153 graduates and 94 graduates respectively since their inception.

The ECCU Mentorship School Programme

One of the ECCB's initiatives to reach out to the youth of the ECCU is the ECCB Primary School Mentorship Programme which was launched in 2007. During the 2013/2014 financial year, ECCB representatives as well as guest facilitators engaged 608 students and their teachers from eight primary schools across the ECCU in discussions and interactive activities about general financial and economic concepts.

News Releases and Other Publications

The need for effective communication and interaction with pertinent stakeholders remains paramount on the Bank's agenda. To maintain healthy and open dialogue, the Bank disseminated news releases on its various activities during the financial year.

Other public education and awareness activities included:

- Presentations to schools and parents of students, business houses, and community groups on the role and functions of the ECCB and on general financial and economic issues.
- Publication of the monthly financial newsletter *Your Financial News* distributed to participants

and graduates of ECCB courses, as well as public and private sector networking partners. Some of the articles addressed credit management, superior customer service and personal finances.

Community Outreach

The community outreach initiatives undertaken by the Bank are designed to exemplify the Bank's commitment to investing effort in the currency union and its people. The public outreach and awareness programmes are targeted at citizens of the ECCU with the hope of fostering development.

18th Sir Arthur Lewis Memorial Lecture

Dr Neville Duncan, Professor Emeritus, Sir Arthur Lewis Institute of Social and Economic Research at the University of the West Indies, captured the attention of those present at the 18th Sir Arthur Lewis Memorial Lecture when he delivered his lecture titled: "Awesomeness in Troublesome Times: The New Industrial Revolution and the Workforce in the Eastern Caribbean." Over 300 guests attended the lecture, which was held on 6 November 2013 at the Sir Cecil Jacobs Auditorium, ECCB Headquarters, St Kitts and Nevis.

Following the lecture, Dr Duncan presented the 5th Annual Sir Arthur Lewis Memorial Book Award, in honour of the memory of Sir Arthur Lewis, to the Montserrat Community College on behalf of the ECCB.

Dr Neville Duncan presents the 18th Sir Arthur Lewis Memorial Lecture at the ECCB Headquarters, 6 November 2013.

Best Corporate Citizen Award

Each year the ECCB recognises the commercial bank that demonstrates outstanding contributions to the social development and overall well-being of the people and communities which it serves by presenting the Best Corporate Citizen Awards Among ECCU Commercial Banks. 2013 marked the 17th year since the ECCB has been presenting the award. Nine commercial banks from across the ECCU submitted entries which were assessed in the following categories: Community Outreach and Social Services; Cultural Development; Customer Service; Educational Development; Environmental Awareness; Financial Education and Empowerment and Sports.

The Republic Bank (Grenada) Ltd was the recipient of the 2013 Best Corporate Citizen Award Among Commercial Banks and received Good Corporate Citizen Awards for Customer Service, Sports, and Environmental Awareness.

Good Corporate Citizen Awards were also presented to the following banks:

- National Bank of Dominica, Ltd – Cultural Development and Community Outreach and Social Services;
- Grenada Cooperative Bank Ltd – Educational Development; and
- Bank of Nova Scotia, Antigua and Barbuda – Financial Education and Empowerment.

OECS Essay Competition

Since 1996, the ECCB has sponsored the OECS Essay Competition which is intended to evoke the views and perceptions of students from across the currency union on current economic, financial and social issues. The competition is also aimed at broadening the knowledge base of the region's youth as it pertains to current events.

One hundred and thirty-two (132) students from schools across the ECCU submitted entries for the 2013 competition. The topics addressed opportunities for the youth through entrepreneurship, agriculture as a booster to the OECS economy and the benefits of the OECS Economic Union.

In the age 14 - 16 category, the Montserrat Secondary School captured first place, while the Washington Archibald High School, St Kitts and Nevis and the Saint Lucia Seventh-Day Adventist Academy won second and third places respectively. In the age 17 - 19 category, the Sir Arthur Lewis Community College, Saint Lucia placed first. The Charlestown Secondary

ECCB Marks 30^{th} Anniversary

The ECCB celebrated its 30^{th} Anniversary on 1 October 2013. Commemoration of that milestone began with the Governor's anniversary message to staff. In his message, the Governor reminded staff that as the Central Bank of the Eastern Caribbean Currency Union (ECCU) region they must hold fast to the Bank's mission, *"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 the member states"*. He emphasised the importance of teamwork, working smart, exercising good judgement and going the extra mile in the completion of tasks. The Governor also expressed his sincere appreciation to the management and staff for the great contribution they were making to fulfil the Bank's mandate, particularly in these challenging times.

School and Nevis Sixth Form College, St Kitts and Nevis won second and third places along with the award for the most entries.

The 2014 competition was launched in November 2013. Students will present discourse on the following topics:

1. How can the current OECS Education system be restructured to prepare young people to fulfill their aspirations?
2. Young people's consistent engagement with social media has the potential for advancing or stifling their advancement.
3. Developing the creative talents of the young people of the OECS is critical to the advancement of the creative arts industry in the OECS.

OECS/ECCB Under 23 Netball Tournament

In addition to its dedication to enhancing the currency union's financial and economic status, the Bank for the past 23 years has demonstrated its belief in the importance of sports to the social and physical development of the region's young women by sponsoring the OECS/ECCB Under-23 Netball Tournament. The 2013 tournament was held in Antigua and Barbuda from 6 to 11 July. Team St Vincent and the Grenadines captured the winning trophy for the 14th time since the tournament was launched in 1991.The other six teams which participated in the tournament were: Antigua and Barbuda, the Commonwealth of Dominica, Grenada, Montserrat, St Kitts and Nevis and Saint Lucia. The 2014 tournament will be held in Saint Lucia.

Team St Vincent and the Grenadines, 2013 OECS/ECCB Under23 Netball Champions. Since the inception of the tournament in 1991, Team SVG has captured the championship trophy 14 times.

THE BANK'S FINANCES

Consolidated Statement of Financial Position

As at 31 March 2014 the Bank's Total Assets stood at $3,897.4m, an increase of $188.6m (5.09 per cent) when compared to the position last year.

Foreign Assets increased by $218.0m (6.63 per cent) due to inflows of grants and loans to member governments from international institutions and the purchase of foreign and regional currency notes from commercial banks. The reinvestment of income on foreign assets also contributed to the increase.

Domestic Assets decreased by $29.4m (7.0%). The decline was primarily due to a decrease of $24.6m (23.18%) in advances to Participating Governments, as member governments repaid short-term loans during the period. There was also a reduction of $5.9m (5.39%) in Participating Governments' Securities. Graph IV shows the trend in the ECCB's foreign assets from 2010 to 2014.

Chart IV

Total Liabilities expanded by $212.10m (6.14%) over the year. The most significant increases in that category were reported in Commercial Banks' reserve balances, $293.37m (13.20%) and Currency in Circulation, $27.95m (3.50%). These increases were tempered by a reduction of $65.72m (73.36%) in the British American Liquidity Support Fund.

Total Equity decreased by $23.46m (9.24%), mainly as a result of a decrease of $24.55m (119.35%) in the market value of foreign securities as the US Bond market weakened over the financial year. There was also a decline of $9.22m (6.77%) in the General Reserve as funds were utilised to partially cover the Bank's net loss of $17.97m. The effect of these decreases were moderated by an increase of $10.32m (142.21%) in the Pension Fund Reserve due to the recording of actuarial gains on the Bank's defined benefit pension fund in accordance with International Financial Reporting Standards.

Consolidated Statement of Loss

The consolidated net loss for the year under review totalled $17.97m, a decrease of $22.77m (473.78%) compared to the previous year's net income of $4.81m. Operating Income for the period under review was $22.67m (30.47%) less than the previous year. This was attributable to a reduction of $23.86m (100.59%) in gains on sale of foreign securities held in the ECCB's foreign reserve portfolio. The performance of the Bank's foreign reserve assets is dependent on the performance of the US economy and the US Treasury market. During the year there was a moderate improvement in the US economy and

US Treasury yields rose and prices fell as market participants factored in a reduction of asset purchases by the US Federal Reserve (Fed). The increase in market yields and ensuing decline in bond prices resulted in a reduction in gains on the sale of foreign securities. The effect of the reduction in Operating Income was tempered by a decrease of $0.24m (0.33%) in Operating Expenses. Chart IV shows the movement in the consolidated profit/loss for the period 2010 to 2014.

Chart V

THE BANK'S INTERNAL MANAGEMENT

Risk Management

In keeping with the Internal Audit Department's (IAD) approved three-year strategic plan for the period 2011/2012 to 2013/2014, the audit of the Bank Supervision Department (BSD) was conducted. The IAD sought to provide the Bank's management with reasonable assurance that the risks in the BSD were adequately managed in an effective control environment, complemented by efficient operational procedures.

On-going audits of the Systems Applications Products Enterprise Resource Planning (SAP–ERP) environment were also conducted. The audits focussed on specific areas in the Human Resource Management, Procurement, Payroll and Accounting modules. The department also provided consultancy support to the implementation of the financial statements reporting platform in SAP-ERP.

The IAD continued its effort to be proactive in its approach to adding value by providing oversight to the implementation of major information technology systems in the Bank. The main effort during the review period was directed towards the second stage of the SAP project, which includes the banking and Treasury management modules.

To support the ECCB's quest for heightened risk management throughout the institution, the Bank's risk management framework was revised to take into consideration the changing operating and risk environment. Risk questionnaires were also issued to the Heads of Departments to determine the level of risk awareness within, not only their individual departments, but also the entire organisation in the changing environment. The questionnaire focussed on the new operating environment using the SAP-ERP, underscoring efficiencies gained, lessons learnt and risks and controls anticipated.

The ECCB implemented a new security solution in keeping with its security system vision of creating "A safe and secure working environment facilitated by a non-intrusive, fully integrated and robust security system

Information Technology and Security

SAP ERP Implementation – Stage II

The Bank commenced implementation of Stage II of the SAP Enterprise Resource Planning (SAP-ERP) Solution in February 2014. The modules to be implemented in this Stage are: Treasury Risk Management (TRM), In-House Cash (IHC) and Bank Communication Management (BCM) as part of the Financial Supply Change Management (FSCM) component of SAP. The Bank's current banking application, T24 would be replaced on completion of this stage of the SAP implementation.

With the addition of the Bank's banking functionalities to the integrated SAP solution, further efficiencies would be realised in the preparation of the Bank's financial statements.

Security Solution

The ECCB implemented a new security solution in keeping with its security system vision of creating "A safe and secure working environment facilitated by a non-intrusive, fully integrated and robust security system."

This new system is totally internet protocol (IP) based with a centralised Closed Circuit Television (CCTV) Management Module, which has multi-level redundancy and is more robust than its predecessor. The new system has an integrated access control package which ensures that ECCB staff and external persons are reliably accounted for through video and access control points upon entering the Bank's premises. This was further complemented with a mustering solution that will be used to deliver accurate reporting of employees and guest locations during an evacuation.

The security solution is also capable of streaming video from any of the ECCB Agency Offices CCTV systems when necessary.

The security solution has allowed the Bank to bring four separate security systems: Access control, CCTV, alarm monitoring and intercom, onto a single platform, with increased reliability, efficiency and functionality.

Human Resource Management

Human Resource Role

As a response to the increasing complexities in the financial sector, focus was placed on increasing the staffing capabilities in bank supervision. The Human Resource Department (HRD) also continued its role in managing staff to engender effective and productive contributions towards accomplishing the Bank's goals and objectives.

This role encompassed:

1. Fostering a positive workplace culture;
2. Encouraging staff development through training and capacity building;
3. Emphasising quality performance through on-going review and assessment; and
4. The management of payroll, staff services and benefits.

HR Automation – SAP ERP

The Human Resource Department commenced use of the Performance Management module of the integrated Enterprise Resource Planning, SAP software by entering the appraisals for the year 2013. The module allowed for timely, efficient and transparent processing of performance feedback to staff. The requirement of self-assessments afforded all staff to provide feedback on their own performance for the review period.

Acknowledgements

The continued commitment of management and staff to fulfil the directives provided by the ECCB Monetary Council and Board of Directors was reflected in the Bank's performance during 2013/2014. We thank them all.

MAJOR ACTIVITIES IN THE YEAR AHEAD

MONETARY STABILITY

Reserve Management

The Bank will continue to manage its foreign reserves to achieve the broad objectives set out in the ECCB Agreement (1983). As part of fulfilling these objectives, the Bank will:

- Assess the lower yielding liquidity portfolio to determine if funds should be transferred to the higher yielding core tranche;
- Review the performance of the Bank's brokers; and
- Conduct the annual rebalancing of the ECCB Customised Benchmark to continue to preserve the risk tolerance of the Bank.

Currency Management

During the year 2014/15, the department will:

- upgrade the ECM-ISA Web Application which will allow clients to modify orders and delete existing redemptions before final submission to the ECCB.
- continue to focus its efforts into the full utilisation of the ECM ISA software which will improve efficiency in operations.

FINANCIAL SECTOR STABILITY

Bank Supervision

The Bank will:

- Continue to incorporate models for early warning and risk profiling in its supervisory framework to effectively discharge its regulatory and supervisory responsibilities and mitigate risks to the financial system;
- Work towards implementing reforms with regard to the Banking Act and revised/proposed prudential guidelines and regulations;
- Continue to execute the Technical Assistance Programme for strengthening the resilience of the ECCU financial system;
- Continue to coordinate the work of the ECCU Working Group on FATCA towards the full implementation of the compliance framework;
- Continue to coordinate the work of the Basel II Implementation Steering Committee;
- Work in collaboration with the Core Committee on Insurance towards the establishment of the ECFSC; and
- Continue to encourage the consolidation and amalgamation of the indigenous banks, credit unions and insurance companies.

Banking Services

As banker to member governments and commercial banks, the ECCB will focus on:

- Facilitating the maintenance of financial stability by providing the necessary liquidity support to the financial system;
- Exploring ways in which it can enhance its role as Fiscal Agent to member governments particularly as it relates to the RGSM;
- Collaborating with member governments to develop a cohesive action plan for public sector financial management.

Payments System

- For the upcoming year the Bank will continue its payment system improvement initiatives in the following areas:
- Collaborate with the Eastern Caribbean Automated Clearing House Services Incorporated (ECACHSI) and other stakeholders to launch the first phase of the Automated Clearing House (ACH) which includes image exchange of cheques;
- Begin work on the second phase of the ACH implementation which will facilitate electronic payments; and
- Implement a new Banking Application to support the Large Value Funds Transfer System. The new application will result in improved settlement efficiency thus facilitating the functional realisation of a single financial space.

Legal Services

For the year ahead, the Bank intends to continue to:

- Pursue the comprehensive legislative agenda for strengthening the resilience of the financial sector;
- Provide legal support for the resolution of ABI Bank Ltd, NBA Ltd, and CCB (Anguilla) Ltd; and
- Work along with member governments and industry stakeholders to secure completion of the framework for compliance with FATCA.

MONEY AND CAPITAL MARKET DEVELOPMENT

During the financial year 2014/2015 the Bank will focus on:

- Conducting further research on the establishment of a Primary Dealer System (PDS) in the Eastern Caribbean market;
- Assisting member governments in expanding the investor base and improving investor relations.

THE BASIS OF POLICY

Research

During 2014/2015, the Bank will continue to fulfill its policy objectives by focusing on:

- Conducting research work on financial stability issues, fiscal and debt sustainability and growth and competitiveness in small open economies;
- Executing standard work programme activities which involve the production of the Annual Economic and Financial Review for 2013 and the quarterly Economic and Financial Reviews for 2014; participate in technical missions to member states and provide advice on policy matters through the production of policy briefs and sector work.
- Continue to post on the Bank's website, the working paper series which contains selected research work undertaken by the Bank.
- Preparing joint reports for the member countries

using the Financial Programming and Debt Sustainability Analysis Reporting Framework.

Statistics

During the financial year 2014/2015 the following will be undertaken:

- Implementation of Phase II of the SAS Statistical Enterprise Solution, which will focus on the macroeconomic accounts.
- Further enhancements of the revised BOP forms based on feedback from ECCU member countries and the CARTAC.
- Technical support to member countries in the implementation of 2008 SNA.

SUPPORT FOR ECONOMIC DEVELOPMENT

Conferences and Seminars

The Bank will host the following conferences:

- 19th Sir Arthur Lewis Memorial Lecture on 5 November 2014
- 25th Annual Commercial Banks Conference during 6 to 7 November 2014

Corporate Relations

The Bank will:

- Continue to enhance the public's understanding of the Bank's role and functions.
- Expand networks, deepen collaborative partnerships and develop stakeholder relationships though consultation, information dissemination, training, and other initiatives.
- Augment capacity building among teachers, financial institutions, church and community leaders, and the media through "Train the Trainers" workshops focusing on economic, financial, entrepreneurship and enterprise issues.
- Continue its Public Education Programme with the schools through its primary school mentorship programme and secondary schools initiatives including the annual OECS Essay Competition and the ECCU Business Innovation Contest.
- Expand small business capacity building initiatives in response to the changing economic landscape and the challenges posed to the survival and competitiveness of the sector.

THE BANK'S FINANCES

For the 2014/2015 financial year, the Bank will continue to place emphasis on improving operating efficiency in an effort to contain expenditure.

THE BANK'S INTERNAL MANAGEMENT

Risk Management

For the upcoming financial year, 2014/15, the Internal Audit Department will focus on:

- The effectiveness of the Research Department in supporting the Bank's objective to produce timely and effective policy advice to member governments.
- The redesign of audit programmes for operational departments whose processes were

revamped as a result of the implementation of the SAP-ERP system.

- On-going audits of the SAP-ERP system with respect to Human Resource Management, Payroll, Procurement, Accounting, Budgeting and Fixed Assets and Inventory Management.
- Oversight of new systems implementations to ensure that they have robust controls and sound audit trail architecture.

Information Technology and Security

The Bank will continue to undertake efforts aimed at realising its vision of a fully automated operational environment to further increase productivity and efficiencies through:

- Continued implementation of SAP ERP Stage II;
- Continued implementation of a Statistical Enterprise Solution; and
- The implementation of a new security solution in the ECCB Agency Offices in the member countries.

Human Resource Management

For the upcoming year, the Human Resource Department will seek to attain the following objectives:

- The implementation of the Recruitment Module of the integrated Enterprise Resource Planning, SAP software;
- Continued training and development in the use of the Enterprise Resource Planning, SAP software;
- Continued enhancement of the Human Resource Management strategies in relation to job fit.

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 a 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;
- The ECCB's Transparency Practices for Monetary Policy: 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 is the highest decision-making body 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 is the Honourable Dr Kenny D Anthony, Council Member for Saint Lucia. He assumed office on 4 September 2013 following the Handing Over Ceremony. Prime Minister Anthony will transfer the chairmanship of the Council to the Council Member for St Vincent and the Grenadines in July 2014.

Incoming Chairman of the ECCB Monetary Council, Council Member for Saint Lucia, the Honourable Dr Kenny D Anthony delivers his Incoming Speech during the Handing Over Ceremony in Saint Lucia on 4 September 2013

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 2 August 2013, 12 November 2013 and 14 February 2014. Given the Bank's focus on financial stability, growth, fiscal consolidation and debt management, the Council also met for two special meetings on 15 April 2013 and 4 September 2013; and on 15 February 2014, the Council held its first ever meeting with representatives of the ECCU Public Service Unions.

The Ministerial Subcommittees of the Monetary Council on Banking, Credit Unions, International Finance Services, Insurance and Debt all met during the year via videoconference to address issues related to the respective sectors.

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 upon the recommendation of the respective Participating Government. They are appointed for terms not exceeding three years and are eligible for re-appointment 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.

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 sub-committees assist with the work of the Board. They are the:

- Board Audit Committee;
- Board Investment Committee; and
- Budget and Operations Committee.

The Governor

The Governor serves as chairman of the Board of Directors. As chief executive of the Bank, the Governor is responsible to the Board for the implementation of the Bank's policies and the day-to-day management of the Bank. 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.

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 of the Governor.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board Audit Committee, currently chaired by His Excellency Wendell Lawrence, Board Member for St Kitts and Nevis, plays a major role in the management of risk and internal controls. In fulfilling its mandate the Committee consults with the Bank's officers, external auditor or outside counsel as it deems necessary.

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 ten directors head the thirteen departments of the Bank. 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. The selected auditor serves for a three-year term and can be reappointed for two additional consecutive terms. The auditing firm of KPMG was appointed as the new external auditors on 1 April 2013 replacing PricewaterhouseCoopers which served for the previous three terms.

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 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
- Energy Management Policy

Human Resource Management

The Bank is subject to the labour codes and laws of each of its member country. 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

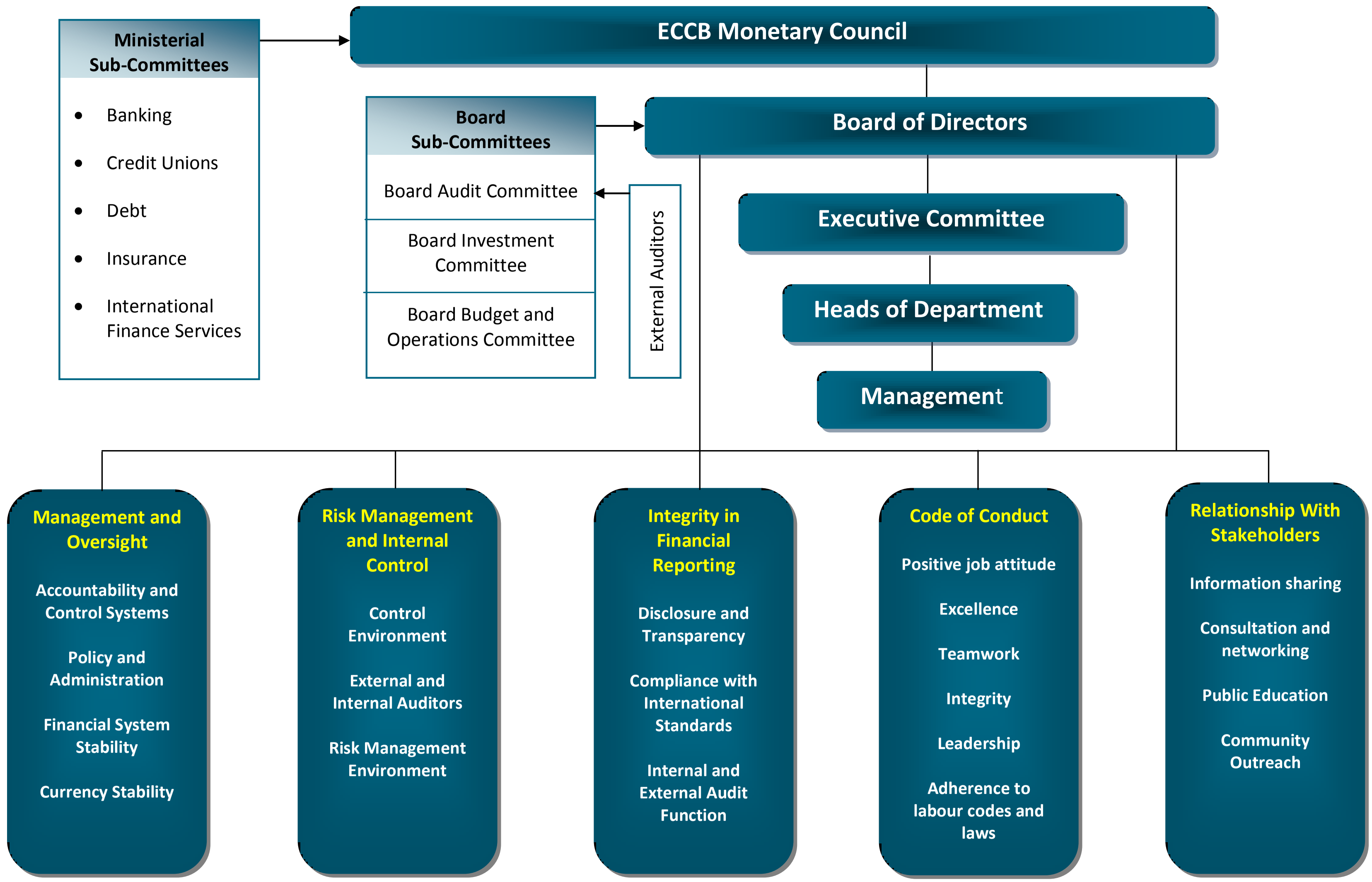
The Bank seeks to exchange quality information and opinions with its stakeholders through a range of scheduled consultative meetings and discussions on areas an array of issues that are of interest to the currency union. The stakeholders facilitate the consultative and networking process as well as coordinate,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

In pursuit of the Monetary Council's decision that the consolidation of the indigenous banking sector into a single indigenous bank should be given due consideration as a viable option, the Bank held a Retreat with the chairmen and managers of the ECCU indigenous banks on 23 November 2013. The retreat sought to:

1. obtain consensus on the vision for the single indigenous bank for the ECCU;
2. establish the institutional arrangements to facilitate the creation of the single indigenous bank; and
3. solicit suggestions for the development of a roadmap to the creation of the single indigenous bank for the ECCU.

Corporate Governance Framework



CHRONOLOGY OF THE EASTERN CARIBBEAN CENTRAL BANK

2013

1 October marked the ECCB's 30th anniversary.

On 12 August 2013, the ECCB, after due consultation with the Monetary Council, was directed to exercise the powers conferred on it by Part IIA, Article 5B of the ECCB Agreement Act 1983, and assumed control of the two indigenous banks which operate in Anguilla - the Caribbean Commercial Bank (Anguilla) Ltd (CCB) and the National Bank of Anguilla Ltd (NBA).

2012

The Bank implemented Stage I of the Systems Applications and Products for Data Processing (SAP) Enterprise Resource Planning (ERP) Solution on 5 November 2012. The solution is an integrated and interactive application that will realise improvements and greater efficiency throughout the Bank. The modules implemented in that stage were: Budget Control System (BCS), Financial Accounting (FI), Human Capital Management (HCM) including Payroll, Manager Self Service (MSS), Employee Self Service (ESS), and Materials Management (MM) for Procurement.

In January, the ECCB issued an eight-dollar commemorative coin in recognition of the establishment of the OECS Economic Union. The coin features the flags of eight of the member countries of the Economic Union on the reverse side and the effigy of Her Majesty Queen Elizabeth the Second on the obverse side.

2011

A $2 circulation coin, issued by the ECCB in October marked 10 years of Financial Information Month in the ECCU. The coin features the engraving of Queen Elizabeth the Second on the obverse side. The reverse side displays the 2011 Financial Information Month logo, which depicts a tree growing from the palm of two hands with coins and the theme: "Grow Your Savings". The issue of this coin was limited to two million (2,000,000) pieces.

On July, following consultations with the Government of Antigua and Barbuda, the Board of Directors of the ABI Bank Ltd and the banking community in the currency union, the ECCB was directed by the Monetary Council to exercise the powers conferred on it by Part IIA, Article 5B of the ECCB Agreement Act 1983 and assumed control of the ABI Bank Ltd.

2010

On 15 December, the member countries of the Eastern Caribbean Currency Union (ECCU) simultaneously launched their rebased National Accounts and Consumer Price Index (CPI) across the region via videoconference from the ECCB Headquarters and Agency Offices.

On 7 December, the Bank collaborated with the World Bank to launch two projects geared towards strengthening the Institute of Chartered Accountants of the Eastern Caribbean (ICAEC) and the accountability of the non-bank financial sector. These projects form part of ECCB's commitment to regional advancement for sustainable growth and development.

Over the period 12 – 13 November, the Bank hosted the 89th Meeting of the Committee on International Monetary Law of the International Law Association (MOCOMILA) over the period 12 – 13 November 2010. Participants of the meeting included Committee Members from the European Central Bank, the Federal Reserve Bank of New York, and Central Banks across the globe, and eminent scholars from the Americas, Europe, and Asia. The Attorney General of St Kitts and Nevis, President of the OECS Bar Association, Executive members of the St Kitts and Nevis Bar Association also attended the meeting.

In October 2010, the Bank played an integral role in the transition of the Bank of Antigua Ltd to a new entity, the Eastern Caribbean Amalgamated Bank Ltd (ECAB), which commenced operations on 18 October.

Over the period May 2010 – February 2011, the Entrepreneurship module of the ECCB Savings and Investment Course was successfully piloted in St Kitts and Nevis.

2009

On 29 December the New OECS Economic Union Treaty was initialled by the Heads of Government of the ECCU countries at the Eastern Caribbean Central Bank Headquarters.

On 29 December, the Heads of Government signed the ECCU Eight Point Stabilisation and Growth Programme at the Bank's Headquarters.

On 23 July the first regional interactive discussion with ECCU Heads of Government, ECCB Monetary Council and the OECS Economic Union Task Force took place via videoconference, on the OECS Economic Union and ECCU Eight Point Stabilisation and Growth Programme, in order to update the public on the efforts that were being made to respond to the global economic and financial crisis facing the region.

On 29 May the Integrated Currency Management Solution was approved on delivery of the working product to the Bank from the De La Rue.

On 20 February, the ECCB exercised its emergency powers under Part IIA of the ECCB Agreement 1983 (as amended), to assume control of the Bank of Antigua Ltd (BoA). The Monetary Council approved the establishment of a new management company – the Eastern Caribbean Amalgamated Financial Company Limited – to carry on the operations of the BoA on 23 February.

On 26 January, Straight Through Processing (STP) was successfully implemented into the payment system.

2008

Effective 15 December the Bank's organisational structure was changed from three Divisions to two Divisions, namely:

- Systems and Administration
- Monetary Policy and Operations

On 1 October the Bank celebrated 25 years of its existence. The occasion was subsequently marked with a church service, a cultural evening and islands' night, an anniversary dinner, a commemorative coin and an anniversary magazine.

On 3 August, the ECCU mourned the passing of the Bank's first Governor, Sir Cecil Albert Jacobs, MBE, CBE, who retired from that position in 1989.

2007

On 7 September, the ECCU mourned the passing of the Council Member for Saint Lucia, the late Sir John Compton. Sir John was one of seven signatories to the Agreement establishing the ECCB in

1983. He served as a Council Member from 1984 -1996, and from January 2007 until his death.

On 4 August, the Bank upgraded its banking system from Globus to T24, in preparation for the implementation of Straight Through Processing (STP).

In July, the Bank published a booklet entitled *Transparency Practices for Monetary Policy at the ECCB,* adopting the approach recommended by the International Monetary Fund in its Code of Good Practices on Transparency in Monetary and Financial Policies.

On 10 July, the ECCB launched a compilation of 60 selected speeches by Governor Venner, entitled *A Development Agenda for the Caribbean: Financial and Economic Approaches*. The book provides readers with insights on the ECCB's internal policymaking and institutional development initiatives; the economic and social situation in the ECCU with prospects and required actions for advancement; and a situational analysis and prospects for Caribbean economies.

2006

On 13 November, the ECCB launched the book *Economic Theory and Development Options for the Caribbean – The Sir Arthur Lewis Memorial Lectures 1996-2005.* The lecture series was started in 1996 to honour the Nobel Laureate, a pioneer of Development Economics, whose picture appears on the EC$100 note.

The Bank published a Handbook for Bank Directors to provide directors of boards of banks with easily accessible and practical guidance in performing their duties, in line with good corporate governance practices.

In April, the ECCB Governor was appointed a member of the Commission on Growth and Development established by the World Bank. The independent high level commission comprises leading practitioners from government, businesses and the policymaking arena. Its purpose is to deepen the understanding of economic growth for development and poverty reduction.

On 1 April, Mr Trevor Brathwaite assumed office as the ECCB's second Deputy Governor.

2005

The Bank completed a major restructuring exercise aimed at improving the efficiency of the organisation. A new Statistics Department was established.

Effective 31 March, the first Deputy Governor of the Bank, Mr Errol N Allen retired after thirty-one (31) years of distinguished service to the Bank and its predecessor institution, the East Caribbean Currency Authority. The Monetary Council agreed to name the building housing the Executive Dining Room and Staff Cafeteria and Facilities at the Bank's Headquarters in honour of Mr Allen, in recognition of his long and yeoman service to the Bank.

The Bank and the Eastern Caribbean Securities Exchange (ECSE) took the lead in promoting good corporate governance standards within the region. In March, the Bank and the ECSE hosted the 2nd Caribbean Corporate Governance Forum.

In January, the Governor, for the first time, presented and led an interactive discussion across the Bank's member countries on the performance of the ECCU economy in 2004.

2004

The Bank celebrated its 21st Anniversary on 1 October.

On 22 July, the Board of Directors agreed to the removal of the guarantee on daily foreign exchange rates for the pound sterling and the Canadian dollar, but directed the Bank to provide indicative rates to the commercial banks for buying and selling these currencies, and to monitor the situation. The Board also agreed to mandate that the commercial banks publish their foreign exchange rates.

In March, the final instalment was repaid on the special deposit liability facility extended by the ECCB to participating governments in 1984.

2003

On 18 July, the Monetary Council announced a 50 basis point cut to 6.5 per cent in the discount rate as a means of signalling to the commercial banks the central bank's desire for interest rates to fall.

2002

The Bank completed a major restructuring exercise intended to increase the efficiency and effectiveness of its operations. The restructuring resulted in an adjustment in the Bank's organisational structure to reflect the main functional activities, namely Governance, Policy and Operations, and Administration.

The Regional Government Securities Market (RGSM) was launched on 20 November. The RGSM is a fully integrated regional primary and secondary market for government securities.

Effective 1 September, the ECCB reduced the administered minimum rate on savings deposits from 4 per cent to 3 per cent.

In July the ECCB Auditorium was renamed the Sir Cecil Jacobs Auditorium in honour of the Bank's first Governor.

2001

On 26 October, the Monetary Council announced a 100 basis point cut to 7 per cent in the discount rate. The move was aimed at stimulating economic activity in the aftermath of 11 September.

The Eastern Caribbean Securities Market (ECSM) was launched on 19 October. The ECSM comprises the Eastern Caribbean Securities Exchange, the Eastern Caribbean Central Securities Depository and the Eastern Caribbean Central Securities Registry. The ECSM is the first fully electronic regional securities market in the western hemisphere.

Effective 15 October, the Bank established a bulletin board service through which commercial banks could trade funds on the interbank market. The new arrangement replaced the brokerage service provided by the ECCB since 1985.

2000

The Monetary Council approved the draft Eastern Caribbean Securities Regulatory Commission Agreement, and sanctioned ECCB share-ownership of 30 per cent of the Eastern Caribbean Securities Exchange at EC$3.0 million.

1999

The official Opening Ceremony of the ECCB Auditorium and Conference Centre was held on 8 October. The auditorium seats 500 persons and is used as a national and regional centre for conferences, seminars and cultural performances.

The Monetary Council approved the Guidelines for the Regulation of the Offshore Financial Services Sector on 30 July, in accordance with Article 41 of the Eastern Caribbean Central Bank Agreement 1983.

1998 The Banking and Operations Department was split into two - the Banking and Monetary Operations Department and the Accounting and Currency Department.

1997 The ground breaking ceremony for phase II of the ECCB Headquarters building project, which involved the construction of new office buildings, an auditorium and a cafeteria/staff facility, was held on 16 September.

1996 In October, the Bank commissioned the World Bank and the Commonwealth Secretariat to undertake a study of the payments system with a view to identifying and creating a framework for an effective payments system.

In September, the Bank commissioned the World Bank to undertake a review of the OECS financial sector. This involved assessing the institutional infrastructure and scope of financial institutions, and determining the measures required for developing and deepening money and capital markets and creating a single financial space.

The Eastern Caribbean Institute of Banking was launched on 7 July, in Grenada.

In August, the Bank lowered its official discount rate from 9 per cent to 8 per cent, as a means of stimulating investment activity.

The first Annual General Meeting of the shareholders of ECHMB was held at the ECCB Headquarters on 16 March.

1995 The Bank entered into negotiations with the Caribbean Development Bank (CDB) and the Inter-American Development Bank (IDB) for funding via the Multilateral Investment Fund (MIF) for technical assistance in establishing the Over-The-Counter Call Exchange, and developing uniform securities legislation and a central securities depository.

The Bank surveyed the government securities market and facilitated an IMF mission to review the market and prepare proposals for the further development of the primary and secondary markets for government securities.

The Bloomberg System was installed at the ECCB on 16 October to provide economic, financial and political information on all market sectors on a 24-hour basis.

On 25 June, Mr K Dwight Venner, Governor of the ECCB, was appointed Chairman of the first Board of Directors of the ECHMB.

1994 The ECCB issued prudential guidelines governing large credit exposures and money laundering to all supervised banks during the year. These guidelines were based on the principles enunciated by the Basle Committee on International Banking Supervision.

The Bank moved into its new headquarters building in August. The headquarters was officially opened on 29 October.

In September the Eastern Caribbean Home Mortgage Bank (ECHMB) was formally established as a legal entity, following ratification of the ECHMB Agreement by seven of the eight territories.

ECCB spearheaded the implementation of the Eastern Caribbean Economic Management Project (ECEMP) sponsored by the Canadian International Development Agency (CIDA). There were two components to the project: (i) the restructuring and computerisation of the inland revenue departments in member territories, and (ii) enhancing the financial management functions of the accountant general departments.

1993 A new series of notes was put into circulation in October to coincide with the 10th anniversary of the Bank.

In June, under the Special Emergency Powers, the ECCB came to the assistance of the Bank of Montserrat which ran into difficulties. Certain non-performing loans and advances were bought by the Caribbean Assets and Liabilities Management Services (CALMS) Ltd, a private company established by the ECCB. The purchase was effected by CALMS issuance of a 20-year interest bearing promissory note.

In early April the Central Bank reduced its discount rate from 10 per cent to 9 per cent. This was done in an effort to encourage banks to reduce their lending rates following the emergence of a large spread between their lending and deposit rates.

1992 A ground-breaking ceremony for the new ECCB Headquarters building at Bird Rock took place on 21 November.

1991 A uniform Banking Act to provide for the regulation of banking business was passed by the legislative assembly of the eight member territories. This Act gives the Central Bank direct authority to examine financial institutions.

ECCB Agency Offices were established in Montserrat on 4 March, in Anguilla on 23 May and in Antigua and Barbuda on 15 June.

1990 An ECCB Agency Office was established in St Vincent and the Grenadines on 1 April.

1989 Mr K Dwight Venner succeeded Mr Jacobs as Governor of the ECCB from 1 December.

An ECCB Agency Office was established in the Commonwealth of Dominica on 1 November.

The first Governor of the ECCB, Mr Cecil Jacobs, OBE, retired in September after many years of service to the Bank and its predecessor, the East Caribbean Currency Authority.

Work commenced on the development of a Computer Enhanced Balance of Payments Estimation System (CEBOPS), with assistance from the Canadian International Development Agency (CIDA).

ECCB ceased to issue the $1.00 note which was replaced by the $1.00 coin.

1988 A revised Pre-Shipment Finance Guarantee (PSFG) scheme and a new Post-Shipment Discounting Guarantee (PSDG) scheme became operational in September.

ECCB spearheaded the installation of the Commonwealth Secretariat Debt Recording and Management System (CS-DRMS) in some of the member countries.

In January, ECCB established a market for discounting and rediscounting treasury bills. An initial amount of $20 million at face value was made available from the Bank's portfolio.

1987

An ECCB Agency Office was established in Saint Lucia on 1 October.

The coded $5.00 and $20.00 notes were introduced on 8 April.

The Government of Anguilla became a full member of the ECCB on 1 April.

1986

The coded $1.00 note was introduced on 1 August, and the $100.00 note on 5 December.

An official interbank market was established in March. It provided an opportunity for banks to invest funds held in current account balances as well as to recycle liquidity among the territories.

1985

Commercial banks were required to pay a minimum rate of 4 per cent interest on savings deposits, effective January. Prior to this, the rate on savings deposits in some member countries was as low as 2.5 per cent.

1984

An ECCB Agency Office, the first to be established, was opened in Grenada on 1 November.

The $10.00 bill, the first in a series of coded notes to replace the series issued under the ECCA, was introduced on 15 November. Country codes were assigned to the new series of notes.

An Infrastructure for Productive Investment Project (IPIP) was established in August. The Bank entered into an agreement with the United States Agency for International Development (USAID) to provide commercial banks with access to long-term funds to finance commercial loans to private sector developers of industrial properties. The Bank was responsible for co-ordinating the project and monitoring the use of project funds to ensure that developers adhered to acceptable construction standards and practices.

An Export Credit and Guarantee Department was established on 1 July, with the purpose of promoting exports from the Eastern Caribbean. An Export Finance Guarantee Scheme was introduced to provide preshipment insurance for exporters.

All commercial banks were required to disclose to their customers and the ECCB, the effective rates of interest charged on loans given by them.

All banks operating in more than one territory were required to maintain separate accounts at the ECCB for their respective territorial operations, effective 30 April.

The ECCB assumed the member governments' special deposit liabilities to commercial banks under an arrangement whereby the amounts would be repaid by the member governments over a 15-year period following a 5-year grace period.

ECCB required all commercial banks operating in the currency union to hold with it minimum reserves at the level of 6 per cent of their deposit liabilities, effective 30 April. Prior to this, commercial banks operating in most of the territories were required to hold special deposits at the treasury of their respective government.

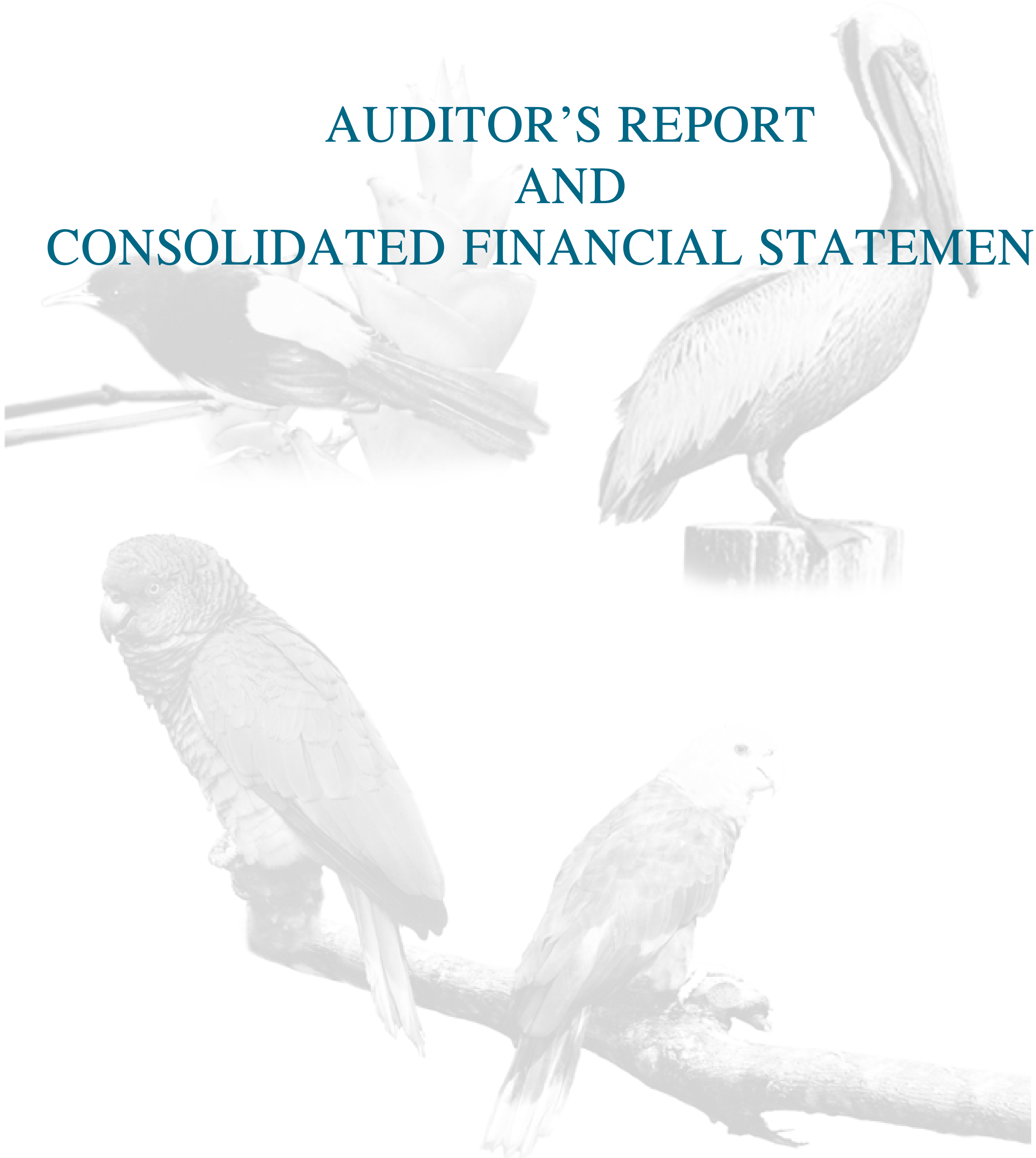
The first meeting of the Monetary Council, established in accordance with Article 7 of the Eastern Caribbean Central Bank Agreement, was held on 20 January.

1983 The first meeting of the ECCB Board of Directors was held on 5 October.

The ECCB came into being on 1 October as successor to the East Caribbean Currency Authority, following the enactment of enabling legislation by the respective governments.

The Agreement to establish the Eastern Caribbean Central Bank (ECCB) was signed on 5 July by the governments of Antigua and Barbuda, The Commonwealth of Dominica, Grenada, Montserrat, St Kitts and Nevis, Saint Lucia, and St Vincent and the Grenadines.

AUDITOR'S REPORT
AND
CONSOLIDATED FINANCIAL STATEMENTS



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INDEPENDENT AUDITORS' REPORT

To the Participating Governments of
EASTERN CARIBBEAN CENTRAL BANK

We have audited the accompanying consolidated financial statements of Eastern Caribbean Central Bank and its subsidiary ("the Bank"), which comprise the consolidated statement of financial position as at March 31, 2014, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the year ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

The consolidated financial statements of the Bank as at and for the year ended March 31, 2013 were audited by another auditor who expressed an unqualified opinion on those statements on June 10, 2013.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of the Bank as at March 31, 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG

Chartered Accountants
June 16, 2014
Antigua and Barbuda

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(expressed in Eastern Caribbean dollars)

As of March 31, 2014

	March 31, 2014	Restated March 31, 2013	Restated April 1,2012
	$	**$**	**$**
Assets			
Foreign assets			
Regional and foreign currencies	**37,749,069**	49,815,568	37,527,638
Balances with other central banks (note 4)	**5,080,129**	16,145,939	22,421,331
Balances with foreign banks (note 4)	**86,165**	66,746	194,820
Money market instruments and money at call (note 5)	**1,175,024,739**	1,219,235,867	1,345,789,037
Financial assets held for trading (note 12)	**1,388,227**	4,654,971	2,980,951
Available for sale – foreign investment securities (note 8)	**2,287,942,394**	1,999,321,938	1,515,368,312
Available for sale – regional investment securities	**-**	-	26,796,345
	3,507,270,723	3,289,241,029	2,951,078,434
Domestic assets			
Cash and balances with local banks	**2,049,083**	1,042,995	228,712
Due from local banks	**9,569,363**	10,353,079	11,097,795
Term deposits (note 6)	**11,533,371**	12,560,851	12,605,274
Available for sale – domestic investment securities (note 8)	**421,686**	421,686	421,686
Loans and receivables – participating governments' securities (note 9)	**103,878,763**	109,796,751	118,348,619
Loans and receivables – participating governments' advances (note 10)	**81,510,157**	106,110,298	43,821,289
Accounts receivable and prepaid expenses (note 11)	**20,653,079**	27,982,673	23,919,001
Investments in associated undertakings using the equity method (note 13)	**14,911,744**	14,327,986	13,419,922
Intangible assets (note 14)	**3,372,882**	2,584,644	201,046
Property, plant and equipment (note 15)	**124,673,483**	127,091,882	130,638,747
Pension asset (note 22)	**17,572,000**	7,255,000	11,599,000
	390,145,611	419,527,845	366,301,091
Total Assets	**3,897,416,334**	3,708,768,874	3,317,379,525
Liabilities			
Demand and deposit liabilities – domestic (note 16)	**3,660,997,177**	3,429,520,242	3,049,647,025
Demand and deposit liabilities – foreign (note 17)	**772,956**	19,488,888	3,002,366
Financial liabilities held for trading (note 20)	**4,207,943**	2,278,230	1,720,603
IMF government general resource accounts (note 18)	**1,085,333**	1,087,426	1,090,956
Other liabilities and payables (note 19)	**-**	2,584,867	2,584,867
Total Liabilities	**3,667,063,409**	3,454,959,653	3,058,045,817
Equity			
General reserve	**126,926,236**	136,146,128	133,469,855
Other reserves (note 21)	**103,426,689**	117,663,093	125,863,853
Total Equity	**230,352,925**	253,809,221	259,333,708
Total Liabilities and Equity	**3,897,416,334**	3,708,768,874	3,317,379,525

The notes on pages 59 to 136 are an integral part of these consolidated financial statements.

Approved for issue by the Board of Directors on June 6, 2014

K. Dwight Venner Governor ______ Director – Accounting Department

CONSOLIDATED STATEMENT OF LOSS

(expressed in Eastern Caribbean dollars) For the year ended March 31, 2014

	2014 $	Restated 2013 $
Interest income (note 26)	**35,256,303**	34,866,130
Interest expense (note 26)	**(5,569)**	(55,951)
Net interest income	**35,250,734**	34,810,179
Commission income – foreign transactions	**9,719,199**	9,388,759
Commission income – other transactions	**2,229,258**	2,115,225
(Loss) gain on disposal of available for sale securities (note 8)	**(140,936)**	23,715,668
Other income (note 27)	**4,668,692**	4,363,324
Operating income	**51,726,947**	74,393,155
Salaries, pensions and other staff benefits (note 28)	**30,849,274**	30,654,063
Currency expenses	**8,791,543**	8,815,729
Losses on foreign exchange	**3,720,937**	4,210,243
Amortisation (note 14)	**974,986**	481,668
Depreciation (note 15)	**4,489,425**	4,734,920
Administrative and general expenses (note 29)	**22,100,481**	22,265,619
Operating expenses	**70,926,646**	71,162,242
Operating (loss) profit	**(19,199,699)**	3,230,913
Share of profit of associates (note 13)	**1,231,878**	1,576,184
(Loss) profit for the year	**(17,967,821)**	4,807,097

The notes on pages 59 to 136 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

(expressed in Eastern Caribbean dollars)

For the year ended March 31, 2014

	2014 $	Restated 2013 $
(Loss) Profit for the year	**(17,967,821)**	4,807,097
Other comprehensive loss:		
Items that will not be reclassified subsequently to profit or loss		
Actuarial gains (losses) on defined benefit pension plan	**11,291,000**	(3,801,000)
Items that may be subsequently reclassified to profit or loss		
Net change in fair value of available for sale financial assets	**(24,553,404)**	(4,627,255)
Total comprehensive loss for the year	**(31,230,225)**	(3,621,158)

The notes on pages 59 to 136 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

(expressed in Eastern Caribbean dollars) For the year ended March 31, 2014

	2014 $	Restated 2013 $
Cash flows from operating activities		
(Loss) profit for the year	**(17,967,821)**	4,807,097
Items not affecting cash		
Depreciation	**4,489,425**	4,734,920
Amortisation	**974,986**	481,668
Loss (gain) on disposal of available-for-sale-securities	**140,936**	(23,715,668)
Share of profits of associates	**(1,231,878)**	(1,576,184)
Loss (gain) on disposal of property, plant and equipment	**1,092,357**	(10,000)
Effect of changes in market value of money market instruments	**348,690**	(389,027)
Net pension cost during the year	**3,365,000**	2,922,000
Conversion of expense to investment in associate	**(20,000)**	–
Interest income	**(35,256,303)**	(34,866,130)
Interest expense	**5,569**	55,951
Cash flows used in operations before changes in operating assets and liabilities	**(44,059,039)**	(47,555,373)
Changes in operating assets and liabilities		
Decrease in term deposits	**1,010,085**	46,297
(Increase) decrease in money market instruments	**(74,225,088)**	83,305,103
Decrease in loans and receivables-participating governments' securities	**5,485,122**	2,351,189
Decrease (increase) in loans and advances - participating governments' advances	**24,600,141**	(62,289,009)
Decrease (increase) in accounts receivable and prepaid expenses	**7,329,594**	(4,063,672)
Decrease (increase) in financial assets held for trading	**3,266,744**	(1,674,020)
Increase in financial liabilities held for trading	**1,929,713**	557,627
Contribution to pension scheme	**(2,391,000)**	(2,379,000)
Increase in demand and deposit liabilities - domestic and foreign	**212,761,016**	396,360,821
Decrease in IMF government general resource accounts	**(2,093)**	(3,530)
Decrease in other liabilities and payables	**(2,584,867)**	–
Cash from operations before interest	**133,120,328**	364,656,433
Interest paid	**(5,582)**	(57,033)
Interest received	**36,866,737**	39,402,506
Net cash from operating activities	**169,981,483**	404,001,906
Cash flows from investing activities		
Purchase of property, plant and equipment	**(3,167,882)**	(1,188,055)
Purchase of intangible assets	**(1,763,224)**	(2,865,266)
Proceeds from disposal of property, plant and equipment	**4,500**	10,000
Proceeds from disposal of available for sale securities	**4,512,036,647**	3,011,618,899
Purchase of available for sale – foreign investment securities	**(4,826,763,581)**	(3,447,526,058)
Dividend received from associates	**668,120**	668,120
Net cash used in investing activities	**(318,985,420)**	(439,282,360)

The notes on pages 59 to 136 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS…*continued*

(expressed in Eastern Caribbean dollars)

For the year ended March 31, 2014

	2014 $	2013 $
Cash flows from financing activities		
Portion of current year's loss funded by or (profit distributed) to participating governments	**7,773,929**	(1,903,329)
Net cash from (used in) financing activities	**7,773,929**	(1,903,329)
Net decrease in cash and cash equivalents	**(141,230,008)**	(37,183,783)
Cash and cash equivalents, beginning of year	**1,235,806,732**	1,272,990,515
Cash and cash equivalents, end of year (note 25)	**1,094,576,724**	1,235,806,732

The notes on pages 59 to 136 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(expressed in Eastern Caribbean dollars) For the year ended March 31, 2014

	Accumulated (Deficit) $	General Reserve $	Capital Reserve $	Revaluation Reserve: Properties $	Revaluation Reserve: Available for Sale Securities $	Export Credit Guarantee Fund $	Self-Insurance Reserve Fund $	Pension Reserve $	Total $
Balance, March 31, 2013 As restated	**–**	**136,146,128**	**6,537,928**	**70,507,471**	**20,572,990**	**1,808,877**	**10,980,827**	**7,255,000**	**253,809,221**
Loss for the year	(17,967,821)	–	–	–	–	–	–	–	(17,967,821)
Actuarial gains on defined benefit pension plan	–	–	–	–	–	–	–	11,291,000	11,291,000
Net change in fair value of investment securities and money market instruments (note 21)	–	–	–	–	(24,553,404)	–	–	–	(24,553,404)
Total comprehensive income	(17,967,821)	–	–	–	(24,553,404)	–	–	11,291,000	(31,230,225)
Allocation from general reserve	9,219,892	(9,219,892)	–	–	–	–	–	–	–
Allocation from pension reserve (note 21)	974,000	–	–	–	–	–	–	(974,000)	–
Allocation from fiscal tranche I (note 16)	7,773,929	–	–	–	–	–	–	–	7,773,929
Balance, March 31, 2014	**–**	**126,926,236**	**6,537,928**	**70,507,471**	**(3,980,414)**	**1,808,877**	**10,980,827**	**17,572,000**	**230,352,925**

The notes on pages 59 to 136 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(expressed in Eastern Caribbean dollars) For the year ended March 31, 2014

	Accumulated Surplus $	General Reserve $	Capital Reserve $	Revaluation Reserve: Properties $	Revaluation Reserve: Available for Sale Securities $	Export Credit Guarantee Fund $	Self-Insurance Reserve Fund $	Pension Reserve $	Total $
(As restated) Balance, March 31, 2012	**–**	**133,469,855**	**6,537,928**	**70,507,471**	**25,200,245**	**1,808,877**	**10,210,332**	**11,599,000**	**259,333,708**
Profit for the year (As restated)	4,807,097	–	–	–	–	–	–	–	4,807,097
Actuarial losses on defined benefit pension plan	–	–	–	–	–	–	–	(3,801,000)	(3,801,000)
Net change in fair value of investment securities and money market instruments (note 21)	–	–	–	–	(4,627,255)	–	–	–	(4,627,255)
Total comprehensive income	4,807,097	–	–	–	(4,627,255)	–	–	(3,801,000)	(3,621,158)
Allocation to general reserve	(2,676,273)	2,676,273	–	–	–	–	–	–	–
Allocation from pension reserve (note 21) (As restated)	543,000	–	–	–	–	–	–	(543,000)	–
Allocation to fiscal tranche I (note 16)	(1,141,997)	–	–	–	–	–	–	–	(1,141,997)
Allocation to fiscal reserve tranche II (note 16)	(761,332)	–	–	–	–	–	–	–	(761,332)
Allocation to self-insurance reserve fund (note 21)	(770,495)	–	–	–	–	–	770,495	–	–
Balance, March 31, 2013 (As restated)	**–**	**136,146,128**	**6,537,928**	**70,507,471**	**20,572,990**	**1,808,877**	**10,980,827**	**7,255,000**	**253,809,221**

The notes on pages 59 to 136 are an integral part of these consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2014

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 of the territories of the Participating Governments.

The Participating Governments include the Government of Anguilla, Antigua and Barbuda, the 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.

The ECCB owns 100% of its subsidiaries: Caribbean Assets and Liabilities Management Services (CALMS) Limited. CALMS Limited was incorporated on May 24, 1993 as a Private Company under the provisions of the Companies Act Cap 335 of the Revised Laws of the Federation of St. Christopher and Nevis. The Company has been re-registered in most of the territories of the Participating Governments of the Eastern Caribbean Central Bank Agreement Act 1983 (as amended).

CALMS Limited is established to acquire and take over all or any of the assets and liabilities of any company or institution engaged in banking business in the territories of Participating Governments to the Eastern Caribbean Central Bank Agreement Act 1983 or any other government and realize these assets through recovery, sale or by any other means. The Company commenced trading activities on May 24, 1993.

The ECCB together with CALMS Limited is hereafter referred to as "ECCB" or the "Bank".

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars)

March 31, 2014

2 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the consolidated 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 consolidated 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 consolidated 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.

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 consolidated financial statements were authorised for issue by the Board of Directors on 6 June 2014.

b) Basis of consolidation

These consolidated financial statements include the accounts of the Bank and its wholly-owned subsidiary, CALMS Limited. The consolidation principles are unchanged from the previous year.

Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Bank has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Bank controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Bank. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between the Bank and its subsidiary are eliminated. Unrealised gains and losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. The accounting policies of the subsidiary have been changed where necessary to ensure consistency with the policies adopted by the Bank.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2014

2 Summary of significant accounting policies...*continued*

b) Basis of consolidation...*continued*

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 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 consolidated 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 consolidated statement of income or loss.

c) New and revised accounting standards and interpretations

Standards and interpretations adopted

The following standards, amendments and interpretations became effective in 2013 and are relevant to the Bank:

- Amendment to IAS 1 'Financial statements presentation' regarding other comprehensive income or loss. The main change resulting from this amendment is a requirement for the Bank to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). As a result of the amendments to IAS 1, the Bank has modified the presentation of items in OCI. Comparative information has been represented accordingly.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2014

2 Summary of significant accounting policies...*continued*

c) New and revised accounting standards and interpretations...*continued*

Standards and interpretations adopted*...continued*

- Amendment to IFRS 7 Disclosure: Offsetting Financial Assets and Financial Liabilities includes disclosure requirements for financial instruments which were off set and the net amount reported on the Statement of financial position.

- IFRS 10, Consolidated financial statements' build on existing principles by identifying the concept of control as the determining factor in whether any entity should be included within the consolidated financial statements of the parent company.

- IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

- IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs.

- IAS 19, 'Employee benefits' was amended in June 2011. The impact on the Bank is as follows. The corridor approach was eliminated and all actuarial gains and losses recognised in other comprehensive income or loss as they occur; all past service costs are recognised immediately; and interest cost and expected return on plan assets were replaced with a net interest amount. As a result of IAS 19 (2011), the Bank has changed its accounting policy with respect to the basis for determining the income or expense related to its defined benefit plan. Under IAS 19 (2011), the Bank determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Consequently, the net interest on the net defined benefit liability (asset) now comprises: interest cost on the defined benefit obligation, interest income on plan assets and interest on the effect on the asset ceiling. Previously, the Bank determined interest income on plan assets based on their long-term rate of expected return.

  The quantitative impact of the change is presented in Note 30.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2014

2 Summary of significant accounting policies...*continued*

c) New and revised accounting standards and interpretations...*continued*

Standards, amendments and interpretations issued but not yet effective

The following standard, amendments and interpretations have been issued and are mandatory for the accounting periods beginning after January 1, 2014 or later periods and are expected to be relevant to the Bank.

- IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and amended in October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. The standard is not applicable until at least January 1, 2018. The Bank will assess IFRS 9's impact prior to implementation.

- Amendments to IAS 32, Financial Instruments: Presentation on asset and liability offsetting aims to address inconsistencies in current practice when applying the offsetting criteria for Financial Instruments. Clarification is provided on the meaning of 'currently has a legally enforceable right of set-off' and that some gross settlement systems may be considered equivalent to net settlement. The amendments are not applicable until January 1, 2014.

The Bank did not early-adopt any new or amended standards for the year ended March 31, 2014. There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Bank.

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

d) Use of judgments and estimates

Functional and presentation currency

In preparing these consolidated 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 consolidated financial statements are disclosed in note 3(i).

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2014

2 Summary of significant accounting policies...*continued*

e) Foreign currency translation

Functional and presentation currency

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the ECCB operates (the "functional currency"). The consolidated 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 consolidated 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 consolidated 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.

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 consolidated 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2014

2 Summary of significant accounting policies...*continued*

f) Financial assets and liabilities...*continued*

Financial assets...*continued*

(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 consolidated 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 consolidated statement of income or loss. Gains and losses arising from changes in fair value are included directly in the consolidated 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 holder may not recover substantially all its initial investment, other than because of credit deterioration. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period.

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

(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 and 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2014

2 Summary of significant accounting policies...*continued*

f) Financial assets and liabilities...*continued*

Financial assets...*continued*

(iii) Available-for-sale financial assets...continued
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 consolidated statement of income or loss. Dividends on available-for-sale equity instruments are recognised in the consolidated 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).

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.

(ii) Other liabilities measured at amortised cost
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 consolidated statement of financial position as 'Financial liabilities held for trading'.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2014

2 Summary of significant accounting policies...*continued*

f) Financial assets and liabilities...*continued*

Financial liabilities...*continued*

(ii) Other liabilities measured at amortised cost...continued
Gains and losses arising from changes in fair value of financial liabilities classified as held for trading are included in the consolidated statement of income or loss.

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. 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 balances with foreign banks, money market instruments and money at call, due from local banks, 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).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2014

2 Summary of significant accounting policies ... *continued*

g) Classes of financial instruments ... *continued*

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 consolidated statement of financial position when there is a 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. Changes in the fair value of the Bank's derivative instruments are recognised immediately in the consolidated statement of comprehensive income. 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2014

2 Summary of significant accounting policies … *continued*

j) Impairment of financial assets … *continued*

(a) Assets carried at amortised cost … continued

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.

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. 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2014

2 Summary of significant accounting policies ... *continued*

j) Impairment of financial assets ... *continued*

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

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). 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 consolidated statement of income 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 consolidated statement of income or loss, is removed from equity and recognised in the consolidated 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 consolidated statement of income or loss, the impairment loss is reversed through the consolidated statement of income or loss. Impairment losses recognised in the consolidated statement of income or loss on equity instruments are not reversed through the consolidated statement of income or loss.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2014

2 Summary of significant accounting policies ... *continued*

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.

l) Property, plant, equipment and depreciation

Property, plant and equipment are stated at historical cost or revalued amount less accumulated depreciation. 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 on 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	10.00% to 20.00%
Motor vehicles	20.00%
Land improvements	20.00%
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, 2014 (2013: nil).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2014

2 Summary of significant accounting policies … *continued*

l) Property, plant, equipment and depreciation … *continued*

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.

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 cost 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2014

2 Summary of significant accounting policies … *continued*

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.

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 consolidated statement of income 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 consolidated statement of income on a straight-line basis over the period of the lease.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2014

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 consolidated statement of income 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 consolidated statement of income 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 consolidated 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.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2014

2 Summary of significant accounting policies … *continued*

s) Employee benefits…*continued*

Staff pension plan…*continued*

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised immediately in other comprehensive income or loss. Past-service costs are recognised immediately in the consolidated 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 consolidated 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 5.0 per cent 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 5.0 per cent 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, 2014 an amount of $9,219,892 was transferred from the General Reserves to partially cover the deficit position of the Bank. In 2013, an amount of $2,676,273 was allocated to General Reserves. At March 31, 2014, the general reserve ratio stood at 3.46 per cent (2013: 4.0 per cent) which is 1.54 per cent (2013: 1.0 per cent) below the maximum limit of 5 per cent.

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 60.0 per cent of its notes and coins in circulation, and other demand liabilities. The percentage of foreign reserve assets to demand liabilities at March 31, 2014 was 95.68 per cent (2013: 95.31 per cent).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2014

2 Summary of significant accounting policies ... *continued*

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 consolidated statement of income.

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. The Bank's subsidiary, CALMS Limited is also 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"), is exempt from corporation and other taxes. By letter dated May 27, 2003, ECSE was granted a ten-year (10) tax holiday from corporation and other taxes. On May 24, 2012, the Company applied for a further ten-year (10) tax holiday. In the opinion of the Director of ECSE, there should be no hindrance to the approval of this exemption.

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.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2014

3 Financial risk management... *continued*

a) Introduction and Overview... *continued*

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. 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2014

3 Financial risk management... *continued*

b) Credit risk... *continued*

Credit risk measurement and mitigation policies... *continued*

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, 2014 and March 31 2013, based on Moody's or equivalent:

March 31 2013, based on Moody's or equivalent:

Available-for-sale-securities

	2014	2013
Rated (Moody's)		
Foreign securities	**$**	**$**
Aaa	**2,105,240,347**	1,852,677,555
Aa	**170,938,040**	133,816,927
	2,276,178,387	1,986,494,482

	2014	2013
Unrated		
	$	**$**
Domestic securities	**421,686**	421,686
	421,686	421,686

Money market instruments and money at call

	2014	2013
Rated (Moody's)		
Commercial paper	**$**	**$**
A - 1	**295,985,184**	285,286,095

Unrated	2014	2013
	$	**$**
Money at call	**330,118,404**	520,848,141
Term deposits	**548,818,698**	412,902,463
	878,937,102	933,750,604

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2014

3 Financial risk management... *continued*

b) Credit risk... *continued*

Credit risk measurement and mitigation policies... *continued*

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.

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

Credit risk exposure relating to on-statement of financial position assets is as follows:

	2014 $	2013 $
As at March 31, 2014		
Assets		
Foreign assets		
Balances with other central banks	**5,080,129**	16,145,939
Balances with foreign banks	**86,165**	66,746
Money market instruments and money at call	**1,175,024,739**	1,219,235,867
Financial assets held for trading	**1,388,227**	4,654,971
Available for sale – foreign investment securities	**2,287,942,394**	1,999,321,938
	3,469,521,654	3,239,425,461
Domestic assets		
Cash and balances with local banks	**2,049,083**	1,042,995
Due from local banks	**9,569,363**	10,353,079
Term deposits	**11,533,371**	12,560,851
Loans and receivables – participating governments' securities	**103,878,763**	109,796,751
Loans and receivables – participating governments' advances	**81,510,157**	106,110,298
Accounts receivable	**6,710,091**	6,916,847
Available for sale – domestic securities	**421,686**	421,686
	215,672,514	247,202,507
Total on statement of financial position credit risk	**3,685,194,168**	3,486,627,968

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2014

3 Financial risk management ... *continued*

b) Credit risk... *continued*

Credit risk exposure relating to off-statement of financial position assets is as follows:

	2014	2013
	$	$
Eastern Caribbean Securities Exchange Limited undertaking and guarantee	**4,874,845**	4,874,845
Total credit exposure	**3,690,069,013**	3,491,502,813

The above table represents a worst case scenario of credit risk exposure as at March 31, 2014 and 2013 without taking account of any collateral held or other credit enhancements attached.

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

3. **Financial risk management**...*continued*

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

The following table breaks down the Bank's main credit exposure at the carrying amounts, as categorised by geographical regions as of March 31, 2014. In this table, the Bank has allocated exposure to regions based on the country of domicile of the counterparties.

Geographical concentration of financial assets

	Eastern Caribbean Currency Union $	United States of America and Canada $	Europe and other territories $	Regional states $	Total $
As of March 31, 2014					
Balances with other central banks	–	682,900	713,919	3,683,310	5,080,129
Balances with foreign banks	–	86,165	–	–	86,165
Money market instruments and money at call	–	425,672,060	749,352,679	–	1,175,024,739
Financial assets held for trading	–	1,388,227	–	–	1,388,227
Available for sale – foreign investment securities	–	1,306,514,364	981,428,030	–	2,287,942,394
Balances with local banks	2,049,083	–	–	–	2,049,083
Due from local banks	9,569,363	–	–	–	9,569,363
Term deposits – domestic	11,533,371	–	–	–	11,533,371
Loans and receivables – participating governments' securities	103,878,763	–	–	–	103,878,763
Loans and receivables – participating governments' advances	81,510,157	–	–	–	81,510,157
Accounts receivable	6,710,091	–	–	–	6,710,091
Available for sale – domestic investments securities	–	–	–	421,686	421,686
	215,250,828	**1,734,343,716**	**1,731,494,628**	**4,104,996**	**3,685,194,168**

3. **Financial risk management**...*continued*

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, 2013					
Balances with other central banks	–	884,327	655,024	14,606,588	16,145,939
Balances with foreign banks	–	66,746	–	–	66,746
Money market instruments and money at call	–	682,700,152	536,535,715	–	1,219,235,867
Financial assets held for trading	–	366,068	4,288,903	–	4,654,971
Available for sale – foreign investment securities	–	1,080,690,858	918,631,080	–	1,999,321,938
Balances with local banks	1,042,995	–	–	–	1,042,995
Due from local banks	10,353,079	–	–	–	10,353,079
Term deposits – domestic	12,560,851	–	–	–	12,560,851
Loans and receivables – participating governments' securities	109,796,751	–	–	–	109,796,751
Loans and receivables – participating governments' advances	106,110,298	–	–	–	106,110,298
Accounts receivable	6,916,847	–	–	–	6,916,847
Available for sale – domestic investments securities	-	-	-	421,686	421,686
	246,780,821	**1,764,708,151**	**1,460,110,722**	**15,028,274**	**3,486,627,968**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2014

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. To manage market risk derivative financial instrument are established to hedge the Bank's exposure to foreign exchange fluctuations 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:

	2014	2013
	%	%
Foreign Assets		
Money market instruments and money at call	**0.19**	0.37
Available for sale – foreign investment securities	**1.89**	2.26
Domestic Assets		
Balances with local banks	**0.08**	0.06
Due from local banks	**6.50**	6.50
Term deposits	**2.50**	2.50
Loans and receivables – participating governments' securities	**5.42**	5.39
Loans and receivables – participating governments' advances	**6.50**	6.50
Liabilities		
Term deposits, call accounts and government operating accounts	**-**	0.05
Demand and deposits liabilities – foreign	**-**	0.05

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, 2014, if interest rates were to move by 25 basis points, profit for the year would have been $2.94M (2013: $3.05M) lower or higher.

3. Financial risk management...*continued*

c) Market risk...*continued*

i) Interest rate risk...continued

The table below summarises the Bank's exposure to interest rate risks. It includes the Bank's financial instruments, categorised by the earlier of contractual repricing or maturity dates.

As of March 31, 2014	Up to 1 month $	1 to 3 months $	3 months to 1 year $	1 to 5 years $	Over 5 years $	Non- Interest bearing $	Total $
Financial assets							
Balances with other central banks	–	–	–	–	–	5,080,129	5,080,129
Balances with foreign banks	–	–	–	–	–	86,165	86,165
Money market instruments and money at call	710,919,876	329,208,674	134,896,189	–	–	–	1,175,024,739
Financial assets held for trading	724,302	663,925	–	–	–	–	1,388,227
Available for sale – foreign investment securities	32,903,631	80,505,693	406,658,873	1,604,138,923	163,735,274	–	2,287,942,394
Balances with local banks	2,049,083	–	–	–	–	–	2,049,083
Due from local banks	9,569,363	–	–	–	–	–	9,569,363
Term deposits – domestic	1,210,608	1,913,700	8,409,063	–	–	–	11,533,371
Loans and receivables – participating governments' securities	–	8,982,384	46,492	8,028,239	86,821,648	–	103,878,763
Loans and receivables – participating governments' advances	74,981,219	6,528,938	–	–	–	–	81,510,157
Accounts receivable	31,075	42,293	218,146	1,065,911	169,820	5,182,846	6,710,091
Available for sale – domestic investments securities	–	–	–	–	–	421,686	421,686
	832,389,157	**427,845,607**	**550,228,763**	**1,613,233,073**	**250,726,742**	**10,770,826**	**3,685,194,168**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. Financial risk management*...continued*

c) Market risk*...continued*

i) Interest rate risk...continued

As of March 31, 2014	Up to 1month $	1 to 3 months $	3 months to year $	1 to 5 years $	Over 5 years $	Non- Interest bearing $	Total $
Financial liabilities							
Demand and deposit liabilities – domestic	101,672,563	–	–	–	–	3,559,324,614	3,660,997,177
Demand and deposit liabilities – foreign	–	–	–	–	–	772,956	772,956
Financial liabilities held for trading	–	–	–	–	–	4,207,943	4,207,943
IMF Government general resource accounts	–	–	–	–	–	1,085,333	1,085,333
	101,672,563	–	–	–	–	3,565,390,846	3,667,063,409
Total interest repricing gap, March 31, 2014	**730,716,594**	**427,845,607**	**550,228,763**	**1,613,233,073**	**250,726,742**	**(3,554,620,020)**	**18,130,759**

3. **Financial risk management**...*continued*

c) **Market risk**...*continued*

i) *Interest rate risk...continued*

As of March 31, 2013	Up to 1 month $	1 to 3 months $	3 months to 1 year $	1 to 5 years $	Over 5 years $	Non- Interest bearing $	Total $
Financial assets							
Balances with other central banks	–	–	–	–	–	16,145,939	16,145,939
Balances with foreign banks	–	–	–	–	–	66,746	66,746
Money market instruments and money at call	932,248,584	226,332,989	60,654,294	–	–	–	1,219,235,867
Financial assets held for trading	3,208,934	1,428,861	17,176	–	–	–	4,654,971
Available for sale – foreign investment securities	18,458,566	89,205,950	368,501,046	1,249,408,194	273,748,182	–	1,999,321,938
Balances with local banks	1,042,995	–	–	–	–	–	1,042,995
Due from local banks	10,353,079	–	–	–	–	–	10,353,079
Term deposits – domestic	1,695,517	1,993,352	8,871,982	–	–	–	12,560,851
Loans and receivables – participating governments' securities	294,184	9,008,111	46,492	8,884,918	91,563,046	–	109,796,751
Loans and receivables – participating governments' advances	62,113,028	25,121,114	18,876,156	–	–	–	106,110,298
Accounts receivable	38,730	53,419	271,489	1,216,120	362,601	4,974,488	6,916,847
Available for sale – domestic investments securities	–	–	–	–	–	421,686	421,686
	1,029,453,617	**353,143,796**	**457,238,635**	**1,259,509,232**	**365,673,829**	**21,608,859**	**3,486,627,968**

3 **Financial risk management**...*continued*

c) **Market risk**...*continued*

i) Interest rate risk... continued

As of March 31, 2013	Up to 1month $	1 to 3 months $	3 months to 1 year $	1 to 5 years $	Over 5 years $	Non- Interest bearing $	Total $
Financial liabilities							
Demand and deposit liabilities – domestic	3,427,900,242	1,620,000	–	–	–	–	3,429,520,242
Demand and deposit liabilities – foreign	–	–	–	–	–	19,488,888	19,488,888
Financial liabilities held for trading	–	–	–	–	–	2,278,230	2,278,230
IMF Government general resource accounts	–	–	–	–	–	1,087,426	1,087,426
Other liabilities and payables	–	–	–	–	–	2,584,867	2,584,867
	3,427,900,242	1,620,000	–	–	–	25,439,411	3,454,959,653
Total interest repricing gap, March 31, 2013	**(2,398,446,625)**	**351,523,796**	**457,238,635**	**1,259,509,232**	**365,673,829**	**(3,830,552)**	**31,668,315**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2014

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, 2014, the foreign securities portfolio included Australian securities of $70.6M. As at March 31, 2013, the foreign securities portfolio included Australian securities of $94.6M, New Zealand securities of $46.4M, Euro securities of $13.0M, Swedish Krona securities of $10.5M and Danish Krone securities of $9.3M. 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 consolidated 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, 2014, if exchange rates were to move by 5 per cent, profit for the year would have been $0.2M (2013: $0.2M) lower or higher and the net on-balance sheet financial position would have been $3.4M (2013: $10.1M) 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 at March 31, 2014.

	Eastern Caribbean Dollar $	United States Dollar $	British Pound $	Euro $	Other $	Total $
Financial assets						
Balances with other central banks	–	4,244,060	713,919	–	122,150	5,080,129
Balances with foreign banks	–	86,165	–	–	–	86,165
Money market instruments and money at call	–	1,174,288,081	4,128	4,183	728,347	1,175,024,739
Financial assets held for trading	–	1,388,227				1,388,227
Available for sale – foreign investment securities	–	2,216,460,894	–		71,481,500	2,287,942,394
Balances with local banks	2,049,083	–	–	–	–	2,049,083
Due from local banks	9,569,363	–	–	–	–	9,569,363
Term deposits – domestic	11,533,371	–	–	–	–	11,533,371
Loans and receivables – participating governments' securities	103,878,763	–	–	–	–	103,878,763
Loans and receivables – participating governments' advances	81,510,157	–	–	–	–	81,510,157
Accounts receivable	6,710,091	–	–	–	–	6,710,091
Available for sale – domestic investments securities	421,686	–	–	–	–	421,686
	215,672,514	**3,396,467,427**	**718,047**	**4,183**	**72,331,997**	**3,685,194,168**
Financial liabilities						
Demand and deposit liabilities – domestic	3,660,997,177	–	–	–	–	3,660,997,177
Demand and deposit liabilities – foreign	674,893	98,063	–	–	–	772,956
IMF government general resource accounts	1,085,333	–				1,085,333
Financial liabilities held for trading	–	–	25,689	157,123	4,025,131	4,207,943
	3,662,757,403	98,063	25,689	157,123	4,025,131	3,667,063,409
Net on-statement of financial position	**(3,447,084,889)**	**3,396,369,364**	**692,358**	**(152,940)**	**68,306,866**	**18,130,759**

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, 2013:

	Eastern Caribbean Dollar $	United States Dollar $	British Pound $	Euro $	Other $	Total $
Financial assets						
Balances with other central banks	–	15,358,055	655,024	–	132,860	16,145,939
Balances with foreign banks	–	66,746	–	–	–	66,746
Money market instruments and money at call	–	1,196,107,157	6,955,951	15,522,270	650,489	1,219,235,867
Financial assets held for trading	–	272,078	1,548,861	1,420,476	1,413,556	4,654,971
Available for sale – foreign investment securities	–	1,823,739,238	–	13,119,282	162,463,418	1,999,321,938
Balances with local banks	1,042,995	–	–	–	–	1,042,995
Due from local banks	10,353,079	–	–	–	–	10,353,079
Term deposits – domestic	12,560,851	–	–	–	–	12,560,851
Loans and receivables – participating governments' securities	109,796,751	–	–	–	–	109,796,751
Loans and receivables – participating governments' advances	106,110,298	–	–	–	–	106,110,298
Accounts receivable	6,916,847	–	–	–	–	6,916,847
Available for sale – domestic investments securities	421,686	–	–	–	–	421,686
	247,202,507	**3,035,543,274**	**9,159,836**	**30,062,028**	**164,660,323**	**3,486,627,968**
Financial liabilities						
Demand and deposit liabilities – domestic	3,429,520,242	–	–	–	–	3,429,520,242
Demand and deposit liabilities – foreign	662,839	18,826,049	–	–	–	19,488,888
IMF government general resource accounts	1,087,426	–				1,087,426
Financial liabilities held for trading	–	735,129	45,563	11,402	1,486,136	2,278,230
Other liabilities and payables	2,584,867	–	–	–	–	2,584,867
	3,433,855,374	19,561,178	45,563	11,402	1,486,136	3,454,959,653
Net on-statement of financial position	**(3,186,652,867)**	**3,015,982,096**	**9,114,273**	**30,050,626**	**163,174,187**	**31,668,315**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2014

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 $3,481,140,100 (2013: $3,250,821,535) 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 is unlikely as these commercial banks are required to maintain with the Bank a reserve equivalent to 6.0 per cent of their total deposit liabilities.

3. **Financial risk management**...*continued*

e) **Liquidity risk**...*continued*

Maturities of liabilities and assets, March 31, 2014	Up to 1 month $	1 to 3 months $	3 months to 1 year $	1 to 5 years $	Over 5 years $	Total $
Financial Liabilities						
Demand and deposit liabilities – domestic	3,660,997,177		–	–	–	**3,660,997,177**
Demand and deposit liabilities – foreign	772,956	–	–	–	–	**772,956**
Financial liabilities held for trading	1,643,797	2,564,146	–	–	–	**4,207,943**
IMF Government general resource accounts	1,085,333	–	–	–	–	**1,085,333**
	3,664,499,263	**2,564,146**	–	–	–	**3,667,063,409**
Financial Assets						
Balances with other central banks	5,080,129	–	–	–	–	5,080,129
Balances with foreign banks	86,165	–	–	–	–	86,165
Money market instruments and money at call	710,919,876	329,208,674	134,896,189	–	–	1,175,024,739
Financial assets held for trading	724,302	663,925	–	–	–	1,388,227
Available for sale – foreign investment securities	32,903,631	80,505,693	406,658,873	1,604,138,923	163,735,274	2,287,942,394
Balances with local banks	2,049,083	–	–	–	–	2,049,083
Due from local banks	9,569,363	–	–	–	–	9,569,363
Term deposits – domestic	1,210,608	1,913,700	8,409,063	–	–	11,533,371
Loans and receivables – participating government securities	–	8,982,384	46,492	8,028,239	86,821,648	103,878,763
Loans and receivables – participating governments' advances	74,981,219	6,528,938	–	–	–	81,510,157
Accounts receivable	608,085	374,099	432,057	1,065,912	4,229,938	6,710,091
Available for sale – domestic investments securities	–	–	–	–	421,686	421,686
	838,132,461	**428,177,413**	**550,442,674**	**1,613,233,074**	**255,208,546**	**3,685,194,168**
Net liquidity gap, March 31, 2014	**(2,826,366,802)**	**425,613,267**	**550,442,674**	**1,613,233,074**	**255,208,546**	**18,130,759**

3. Financial risk management...*continued*

e) Liquidity risk...*continued*

Maturities of liabilities and assets, March 31, 2013	Up to 1 month $	1 to 3 months $	3 months to 1 year $	1 to 5 years $	Over 5 years $	Total $
Financial Liabilities						
Demand and deposit liabilities – domestic	3,427,900,242	1,620,000	–	–	–	3,429,520,242
Demand and deposit liabilities – foreign	19,488,888	–	–	–	–	19,488,888
Financial liabilities held for trading	1,321,712	956,518	–	–	–	2,278,230
IMF Government general resource accounts	1,087,426	–	–	–	–	1,087,426
Other liabilities and payables	–	2,584,867	–	–	–	2,584,867
	3,449,798,268	**5,161,385**	**–**	**–**	**–**	**3,454,959,653**
Financial Assets						
Balances with other central banks	16,145,939	–	–	–	–	16,145,939
Balances with foreign banks	66,746	–	–	–	–	66,746
Money market instruments and money at call	932,248,584	226,332,989	60,654,294	–	–	1,219,235,867
Financial asset held for trading	3,208,934	1,428,861	17,176	–	–	4,654,971
Available for sale – foreign investment securities	18,458,566	89,205,950	368,501,046	1,249,408,194	273,748,182	1,999,321,938
Balances with local banks	1,042,995	–	–	–	–	1,042,995
Due from local banks	10,353,079	–	–	–	–	10,353,079
Term deposits – domestic	1,695,517	1,993,352	8,871,982	–	–	12,560,851
Loans and receivables – participating government securities	294,184	9,008,111	46,492	8,884,918	91,563,046	109,796,751
Loans and receivables – participating governments' advances	62,113,028	25,121,114	18,876,156	–	–	106,110,298
Accounts receivable	1,178,203	62,092	310,515	1,216,120	4,149,917	6,916,847
Available for sale – domestic investments securities	–	–	–	–	421,686	421,686
	1,046,805,775	**353,152,469**	**457,277,661**	**1,259,509,232**	**369,882,831**	**3,486,627,968**
Net liquidity gap, March 31, 2013	**(2,402,992,493)**	**347,991,084**	**457,277,661**	**1,259,509,232**	**369,882,831**	**31,668,315**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2014

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, 2014	**0-3 months**	**3-6 months**	**Total**
Derivatives held for trading (forward contracts)			
Foreign exchange derivatives			
- Outflow	**(132,561,575)**	–	**(132,561,575)**
- Inflow	**54,438,735**	–	**54,438,735**

At March 31, 2013	**0-3 months**	**3-6 months**	**Total**
Derivatives held for trading (forward contracts)			
Foreign exchange derivatives			
- Outflow	(185,042,483)	–	(185,042,483)
- Inflow	142,497,186	2,451,839	144,949,025

3. Financial risk management...*continued*

f) 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:

	Carrying value		Fair value	
	2014	**2013**	**2014**	**2013**
	$	**$**	**$**	**$**
Financial assets				
Balances with other central banks	**5,080,129**	16,145,939	**5,080,129**	16,145,939
Balances with foreign banks	**86,165**	66,746	**86,165**	66,746
Money market instruments and money at call	**879,039,546**	933,949,772	**879,039,546**	933,949,772
Balances with local banks	**2,049,083**	1,042,995	**2,049,083**	1,042,995
Due from local banks	**9,569,363**	10,353,079	**9,569,363**	10,353,079
Term deposits – domestic	**11,533,371**	12,560,851	**11,533,371**	12,560,851
Loans and receivables – participating governments' securities	**103,878,763**	109,796,751	**87,140,395**	94,127,752
Loans and receivables – participating governments' advances	**81,510,157**	106,110,298	**81,510,157**	106,110,298
Accounts receivable	**6,710,091**	6,916,847	**6,376,285**	6,545,601
	1,099,456,668	1,196,943,278	**1,082,384,494**	1,180,903,033
Financial liabilities				
Demand and deposit liabilities – domestic	**3,660,997,177**	3,429,520,242	**3,660,997,177**	3,429,520,242
Demand and deposit liabilities – foreign	**772,956**	19,488,888	**772,956**	19,488,888
IMF government general resource accounts	**1,085,333**	1,087,426	**1,085,333**	1,087,426
Other liabilities and payables	**–**	2,584,867	**–**	2,584,867
	3,662,855,466	3,452,681,423	**3,662,855,466**	3,452,681,423

3. **Financial risk management**...*continued*

f) **Fair value**...*continued*

(i) Financial instruments not measured at fair value…continued

Off-balance sheet financial instruments	**Carrying value 2014 $**	**Carrying value 2013 $**	**Fair value 2014 $**	**Fair value 2013 $**
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 instruments 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 receivables. 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2014

3 Financial risk management ... *continued*

f) Fair value...*continued*

(ii) Financial instruments not measured at fair value

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, 2014:

	Level 1 $	Level 3 $
Financial assets		
Commercial paper	295,985,184	–
Financial assets held for trading	1,388,227	–
Available for sale – foreign investment securities	2,287,942,394	–
Available for sale – domestic investment securities	–	421,686
	2,585,315,805	**421,686**

	Level 1 $	Level 3 $
Financial liabilities		
Financial liabilities held for trading	**4,207,943**	–

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2014

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 31 March, 2013:

	Level 1 $	Level 3 $
Financial assets		
Commercial paper	285,286,095	–
Financial assets held for trading	4,654,971	–
Available for sale – foreign investment securities	1,999,321,938	–
Available for sale – domestic investment securities	–	421,686
	2,289,263,004	**(421,686)**

	Level 1 $	Level 3 $
Financial liabilities		
Financial liabilities held for trading	**2,278,230**	–

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 2s). As at March 31, 2014 the general reserve was $126,926,236 (2013: $136,146,128).

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2014

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 of 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 programme 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2014

3 Financial risk management … *continued*

i) Critical accounting estimates and judgements

The Bank's financial statements and its financial result are influenced by accounting policies, assumptions, estimates and management judgement, which necessarily have to be made in the course of preparation of the consolidated financial statements. 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 Bank makes estimates and assumptions concerning the future. 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 pension asset.

The assumptions used in determining the net cost (income) for pensions include the discount rate. The Bank determines the appropriate discount 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.

Available for sale securities

As at March 31, 2014, the Bank held available for sale: investment securities of $2,288,364,080 (2013: 1,999,743,624). Quoted debt securities accounted for $2,276,178,387 (2013: $1,986,494,482). The value of available for sale securities which were trading below cost at March 31, 2014 was $1,080,853,730 (2013: $225,386,018) with total unrealised losses of $10,714,238 (2013: $2,221,786). Management considers these losses temporary.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2014

4. Balances with other central banks and foreign banks

	2014 $	2013 $
Balances with other central banks		
Balances with Regional central banks	**3,683,310**	14,606,588
Balances with European central banks	**713,919**	655,024
Balances with North American central banks	**682,900**	884,327
Total balances with other central banks	**5,080,129**	16,145,939
Balances with foreign banks		
Current accounts denominated in United States dollars	**86,165**	66,746
Current	**5,166,294**	16,212,685

These balances are non-interest bearing.

5. Money market instruments and money at call

By currency	2014 $	2013 $
Balances denominated in United States dollars	**1,174,185,638**	1,195,907,991
Balances denominated in Australian dollars	**585,834**	3,654
Balances denominated in New Zealand dollar	**140,317**	577,080
Balances denominated in Euro	**4,184**	15,522,270
Balances denominated in Pound Sterling	**4,128**	6,955,951
Balances denominated in Canadian dollars	**2,195**	69,753
	1,174,922,296	1,219,036,699
Interest receivable	**102,443**	199,168
Total money market instruments and money at call	**1,175,024,739**	1,219,235,867

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2014

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

By financial instrument type	2014 $	2013 $
Money market instruments maturing in less than ninety days:		
Money at call	**330,118,404**	520,848,141
Term deposits	**521,818,698**	412,902,463
Commercial paper	**188,105,813**	224,631,801
Included in cash and cash equivalents (note 25)	**1,040,042,915**	1,158,382,405
Money market instruments maturing after ninety days:		
Commercial paper	**107,879,381**	60,654,294
Term deposits	**27,000,000**	–
	134,879,381	60,654,294
Interest receivable	**102,443**	199,168
Total money market instruments and money at call	**1,175,024,739**	1,219,235,867

Money market instruments include commercial paper purchased at discounts and term deposits with interest rates ranging from 0.05% to 0.60% (2013: 0.08% to 0.68%).

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 0.15% (2013: 0.00% to 0.16%) during the year.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2014

6. Term deposits

	2014 $	2013 $
Fixed Deposits:		
- Bank of Nova Scotia, St. Kitts	**7,441,649**	8,243,004
- CIBC FirstCaribbean International Bank, St. Kitts	**3,948,292**	4,157,022
	11,389,941	12,400,026
Interest receivable	**143,430**	160,825
Total term deposits	**11,533,371**	12,560,851
Current	**11,533,371**	12,560,851

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% (2013: 2.5%) per annum during the year.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2014

7. Financial instruments

a) Financial instruments by category

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

	Loans and receivables $	Assets at fair value through profit and loss $	Available for sale $	Total $
As of March 31, 2014				
Financial assets				
Balances with other central banks	5,080,129	–	–	5,080,129
Balances with foreign banks	86,165	–	–	86,165
Money market instruments and money at call	879,039,545	–	295,985,194	1,175,024,739
Financial assets held for trading	–	1,388,227	–	1,388,227
Available for sale – foreign investment securities	–	–	2,287,942,394	2,287,942,394
Balances with local banks	2,049,083	–	–	2,049,083
Due from local banks	9,569,363	–	–	9,569,363
Term deposits – domestic	11,533,371	–	–	11,533,371
Loans and receivables – participating governments' securities	103,878,763	–	–	103,878,763
Loans and receivables – participating governments' advances	81,510,157	–	–	81,510,157
Accounts receivable	6,710,091	–	–	6,710,091
Available for sale- domestic investment securities	–	–	421,686	421,686
	1,099,456,667	**1,388,227**	**2,584,349,274**	**3,685,194,168**

	Liabilities at fair value through profit and loss $	Other financial liabilities $	Total $
As of March 31, 2014			
Financial liabilities			
Demand and deposit liabilities – domestic	–	3,660,997,177	3,660,997,177
Demand and deposit liabilities – foreign	–	772,956	772,956
Derivative financial instrument – liability	4,207,943	–	4,207,943
IMF government general resource accounts	–	1,085,333	1,085,333
	4,207,943	**3,662,855,466**	**3,667,063,409**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2014

7. Financial instruments...*continued*

a) Financial instruments by category...*continued*

	Loans and receivables $	Assets at fair value through profit and loss $	Available for sale $	Total $
As of March 31, 2013				
Financial assets				
Balances with other central banks	16,145,939	–	–	16,145,939
Balances with foreign banks	66,746	–	–	66,746
Money market instruments and money at call	933,949,772	–	285,286,095	1,219,235,867
Financial assets held for trading	–	4,654,971	–	4,654,971
Available for sale – foreign investment securities	–	–	1,999,321,938	1,999,321,938
Balances with local banks	1,042,995	–	–	1,042,995
Due from local banks	10,353,079	–	–	10,353,079
Term deposits – domestic	12,560,851	–	–	12,560,851
Loans and receivables – participating governments' securities	109,796,751	–	–	109,796,751
Loans and receivables – participating governments' advances	106,110,298	–	–	106,110,298
Accounts receivable	6,916,847	–	–	6,916,847
Available for sale – domestic investment securities	–	–	421,686	421,686
	1,196,943,278	**4,654,971**	**2,285,029,719**	**3,486,627,968**

	Liabilities at fair value through profit and loss $	Other financial liabilities $	Total $
As of March 31, 2013			
Financial liabilities			
Demand and deposit liabilities – domestic	–	3,429,520,242	3,429,520,242
Demand and deposit liabilities – foreign	–	19,488,888	19,488,888
Derivative financial instrument – liability	2,278,230	–	2,278,230
IMF government general resource accounts	–	1,087,426	1,087,426
Other liabilities and payables	–	2,584,867	2,584,867
	2,278,230	**3,452,681,423**	**3,454,959,653**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2014

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 A1/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.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2014

8. Available for sale investment securities

	2014 $	2013 $
Domestic securities		
Equity securities		
Caribbean Information and Credit Rating Agency Services Ltd.		
156,180 (2013: 156,180) ordinary shares of $2.70 each		
- unquoted, at cost	**421,686**	421,686
Foreign securities		
Debt securities		
- quoted, at fair value	**2,276,178,387**	1,986,494,482
Interest receivable	**11,764,007**	12,827,456
Total foreign securities	**2,287,942,394**	1,999,321,938
Total investment securities	**2,288,364,080**	1,999,743,624
Current	**520,489,883**	476,165,562
Non-current	**1,767,874,197**	1,523,578,062
	2,288,364,080	1,999,743,624

The movement in investment securities may be summarised as follows:

	Domestic Securities $	Foreign Investment Securities $	Regional Securities $
Balance as of March 31, 2012	**421,686**	**1,504,313,538**	**26,796,345**
Additions	–	3,447,526,058	–
Disposals (sale and redemption)	–	(2,961,106,886)	(26,796,345)
Net loss transfer from equity	–	19,477,440	
Net gain transfer to equity	–	(23,715,668)	–
Balance as of March 31, 2013	**421,686**	**1,986,494,482**	**–**
Additions	–	4,826,763,582	–
Disposals (sale and redemption)	–	(4,512,177,583)	
Net gain transfer to equity	–	(25,043,030)	–
Net loss transfer from equity	–	140,936	–
Balance as of March 31, 2014	**421,686**	**2,276,178,387**	–

The Bank removed losses of ($140,936) (2013: gain of $23,715,668) from equity into the consolidated statement of loss.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2014

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

Gains less losses from investment securities comprise:

	2014 $	2013 $
Net realised (losses) gains from disposal of available for sale financial assets	**(140,936)**	23,715,668

9. Loans and receivables: Participating governments' securities

a) Participating governments' securities: Debentures

	Nominal value 2014 $	Amortised cost 2014 $	Nominal value 2013 $	Amortised cost 2013 $
Government of Antigua & Barbuda				
9% Debentures maturing 2018	**4,288,239**	**4,288,239**	5,144,918	5,144,918
3.5% Debenture maturing 2027	**84,841,257**	**84,841,257**	89,469,700	89,469,700
Government of St. Kitts & Nevis				
5% Debentures maturing 2016	**3,740,000**	**3,740,000**	3,740,000	3,740,000
	92,869,496	**92,869,496**	98,354,618	98,354,618
Interest receivable	–	**2,154,983**	–	2,293,842
Total participating government's securities: Debentures	**92,869,496**	**95,024,479**	98,354,618	100,648,460

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2014

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

	Nominal value 2014 $	Amortised cost 2014 $	Nominal value 2013 $	Amortised cost 2013 $
b) Participating governments' securities: Treasury bills				
Treasury bills – Government of Grenada 6.52% treasury bill maturing 2014	**2,900,000**	**2,853,600**	2,900,000	2,853,600
Treasury bills – Government of Antigua and Barbuda – 7.02% treasury bill maturing 2014	**4,900,000**	**4,815,720**	4,900,000	4,815,720
Treasury bills – Government of Grenada – 6.52% treasury bill maturing 2014	**1,160,000**	**1,141,440**	1,160,000	1,141,440
	8,960,000	**8,810,760**	8,960,000	8,810,760
Interest receivable	**–**	**43,524**	–	337,531
Total participating governments' securities: treasury bills	**8,960,000**	**8,854,284**	8,960,000	9,148,291
Total participating governments' securities	**101,829,496**	**103,878,763**	107,314,618	109,796,751
Current		**8,855,259**		8,854,107
Non-current		**95,023,504**		100,942,644
		103,878,763		109,796,751

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2014

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

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

	Debentures $	Treasury Note $	Treasury Bills $	Total $
Balance as of March 31, 2012	**9,740,000**	**90,965,807**	**8,810,760**	**109,516,567**
Additions	89,469,700	–	–	89,469,700
Payment of principal	(855,082)	(1,496,107)	–	(2,351,189)
Redemption	–	(89,469,700)	–	(89,469,700)
Balance as of March 31, 2013	**98,354,618**	**–**	**8,810,760**	**107,165,378**
Payment of principal	(5,485,122)	–	–	(5,485,122)
Balance as of March 31, 2014	**92,869,496**	**–**	**8,810,760**	**101,680,256**

10. Loans and receivables: Participating governments' advances

	2014 $	2013 $
Operating accounts:		
- Government of Saint Lucia	**29,290,281**	38,761,461
- Government of Grenada	**12,356,778**	8,076,102
- Government of Anguilla	**9,794,937**	7,932,448
- Government of St. Vincent & the Grenadines	**9,335,235**	7,343,017
	60,777,231	62,113,028
Temporary advances:		
- Government of Grenada	**3,023,729**	25,750,962
- Government of Antigua and Barbuda	**6,500,000**	10,600,000
- Government of St Vincent and the Grenadines	**11,057,160**	7,087,643
	20,580,889	43,438,605
Interest receivable	**152,037**	558,665
Total temporary advances	**20,732,926**	43,997,270
Total due from participating governments' advances	**81,510,157**	106,110,298
Current	**81,510,157**	106,110,298

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2014

11. Accounts receivable and prepaid expenses

	2014 $	2013 $
Prepaid expenses	**13,942,988**	21,052,173
Accounts receivable	**5,182,846**	4,974,488
Staff mortgage loans	**1,527,245**	1,942,359
Other assets	**-**	13,653
Total accounts receivable and prepaid expenses	**20,653,079**	27,982,673
Current	**12,754,629**	13,768,602
Non-current	**7,898,450**	14,214,071
	20,653,079	27,982,673

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 $471,935 (2013: $596,423) at the statement of financial position date. This amount is included in prepaid expenses.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2014

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, 2014:

Currency sold /purchase	Notional value of contracts	Notional value of contracts EC$ equivalent	Value date of contracts	Fair value of contracts $
USD	**20,162,495**	**54,438,735**	April 01& 22, May 01 & 06, 2014	**1,388,227**
		54,438,735		**1,388,227**
		Current		**1,388,227**

The following is an analysis of the currency forwards held with positive fair value as at March 31, 2013:

Currency sold /purchase	Notional value of contracts	Notional value of contracts EC$ equivalent	Value date of contracts	Fair value of contracts $
USD	**8,276,870**	**22,347,549**	April 05,18 & 26, 2013	**272,078**
AUD	**1,323,000**	**3,727,061**	April 17, 2013	**1,229**
CHF	**2,000**	**5,760**	April, 2, 2013	**100**
CAD	**3,532,068**	**9,652,657**	April 5, 2013	**267,246**
EUR	**13,189,000**	**46,902,743**	April 02, 23, June 05, 2013	**1,420,476**
DKK	**25,267,998**	**12,250,551**	June 03, September 03, 2013	**561,575**
GBP	**6,344,166**	**27,521,244**	April 02, 17 & 18, 2013	**1,548,861**
NOK	**24,519,573**	**11,556,321**	May 24, 2013	**292,222**
SEK	**25,874,560**	**10,985,139**	May 3, 2013	**291,184**
		144,949,025		**4,654,971**
		Current		**4,654,971**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2014

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% (2013: 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% (2013: 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, 2014.

The Bank’s investments in associates are detailed below:

	2014 $	**2013 $**
Eastern Caribbean Home Mortgage Bank (ECHMB)		
Balance at beginning of year	**13,452,805**	12,700,971
Share of profit for the year	**1,081,772**	1,419,954
Dividend received in year	**(668,120)**	(668,120)
Balance at end of year	**13,866,457**	13,452,805
Eastern Caribbean Securities Exchange (ECSE)		
Balance at beginning of year	**875,171**	718,941
Share of profit for the year	**150,106**	156,230
Balance at end of year	**1,025,277**	875,171

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2014

13 Investments in associated undertakings using the equity method … *continued*

	2014 $	2013 $
OECS Distribution and Transportation Company (ODTC)		
Balance at beginning of year	**10**	10
Purchase during the year	**20,000**	–
Balance at the end of year	**20,010**	10
Total investments in associated undertakings	**14,911,744**	14,327,986
Non-current	**14,911,744**	14,327,986

The total share of profit of associates recognised in the consolidated statement of loss was $1,231,878 (2013: $1,576,184).

The Bank's interest in its principal associates, both of which are unlisted, is as follows as of March 31, 2014:

Entity	**Assets $**	**Liabilities $**	**Revenues $**	**Profit $**	**% Interest held $**
ECHMB	**328,711,678**	**(271,858,464)**	**20,690,064**	**4,361,985**	**24.8**
ECSE	**26,948,440**	**(22,566,873)**	**2,908,324**	**487,356**	**30.8**

The Bank's interest in its principal associates, both of which are unlisted, is as follows as of March 31, 2013:

Entity	Assets $	Liabilities $	Revenues $	Profit $	% Interest held $
ECHMB	329,695,795	(274,517,039)	24,435,929	5,758,686	24.8
ECSE	22,404,987	(18,531,658)	2,944,252	713,075	30.8

The Bank's interest has been determined on the basis of the financial statements for these entities for the year ended March 31, 2014 (unaudited) and 2013.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2014

14. Intangible assets

	Computer software $
Cost	
Balance at April 1, 2012	9,112,152
Additions	2,865,267
Balance at March 31, 2013	11,977,419
Balance at April 1, 2013	**11,977,419**
Additions	**1,763,223**
Balance at March 31, 2014	**13,740,642**
Accumulated amortisation	
Balance at April 1, 2012	8,911,106
Amortisation	481,668
Balance at March 31, 2013	9,392,774
Balance at April 1, 2013	**9,392,774**
Amortisation	**974,986**
Balance at March 31, 2014	**10,367,760**
Net book value	
At April 1, 2012	201,046
At March 31, 2013	2,584,644
At, March 31, 2014	**3,372,882**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

15. Property, plant and equipment

	Land $	Buildings $	Furniture and office equipment $	Computer systems $	Land improvements $	Motor vehicles $	Capital work in progress $	Total $
Cost								
Balance at April 1, 2012	25,805,000	100,510,000	21,341,520	7,824,871	69,061	871,900	339,284	156,761,636
Transfers	–	–	64,714	–	–	–	(64,714)	–
Additions	–	–	208,820	934,887	–	–	44,348	1,188,055
Derecognition/disposals	–	–	(3,068,821)	(3,487,040)	–	–	–	(6,555,861)
Balance at March 31, 2013	25,805,000	100,510,000	18,546,233	5,272,718	69,061	871,900	318,918	151,393,830
Balance at April 1, 2013	25,805,000	100,510,000	18,546,233	5,272,718	69,061	871,900	318,918	151,393,830
Transfers	–	–	73,623	–	–	–	(73,623)	–
Additions	–	–	125,045	490,019	–	95,500	2,457,318	3,167,882
Derecognition/disposals	–	(1,350,000)	–	(34,196)	–	–	(4,000)	(1,388,196)
Balance at March 31, 2014	**25,805,000**	**99,160,000**	**18,744,901**	**5,728,541**	**69,061**	**967,400**	**2,698,613**	**153,173,516**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

15. Property, plant and equipment...*continued*

	Land $	Buildings $	Furniture and office equipment $	Computer systems $	Land improvement $	Motor vehicles $	Capital work in progress $	Total $
Accumulated depreciation								
Balance at April 1, 2012	–	–	17,954,810	7,234,518	69,061	864,500	–	26,122,889
Depreciation charge	–	3,027,055	1,062,395	638,070	–	7,400	–	4,734,920
Depreciation write-back on disposal	–	–	(3,068,821)	(3,487,040)	–	–	–	(6,555,861)
Balance at March 31, 2013	–	3,027,055	15,948,384	4,385,548	69,061	871,900	–	24,301,948
Balance at April 1, 2013	–	3,027,055	15,948,384	4,385,548	69,061	871,900	–	24,301,948
Depreciation charge	–	2,898,484	966,704	613,095	-	11,142	–	4,489,425
Depreciation write-back on disposal	–	(257,143)	–	(34,197)	-	–	–	(291,340)
Balance at March 31, 2014	–	**5,668,396**	**16,915,088**	**4,964,446**	**69,061**	**883,042**	–	**28,500,033**
Net book value								
At April 1, 2012	25,805,000	100,510,000	3,386,710	590,353	–	7,400	339,284	130,638,747
At March 31, 2013	25,805,000	97,482,945	2,597,849	887,170	–	–	318,918	127,091,882
At March 31, 2014	**25,805,000**	**93,491,604**	**1,829,813**	**764,095**	–	**84,358**	**2,698,613**	**124,673,483**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2014

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, 2014:

	Land $	Buildings $	Total $
Cost	**7,544,960**	**73,457,178**	**81,002,138**
Accumulated depreciation	**–**	**(31,353,589)**	**(31,353,589)**
Net book value	**7,544,960**	**42,103,589**	**49,648,549**

The following is the historical cost carrying amount of land and buildings carried at revalued amounts as of March 31, 2013:

	Land $	Buildings $	Total $
Cost	7,544,960	74,807,178	82,352,138
Accumulated depreciation	–	(28,712,248)	(28,712,248)
Net book value	7,544,960	46,094,930	53,639,890

The land and buildings were revalued by independent valuators, DLG Consultants Limited in March of 2012. Valuations are based on the market value. The revaluation of the land and buildings categories as of March 31, 2012 resulted in a revaluation surplus of $15,473,790 which was credited to revaluation reserves.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2014

16. Demand liabilities – domestic

	2014 $	2013 $
Banker's balances - Current accounts	**2,515,731,160**	2,222,362,488
Currency in circulation	**827,141,223**	799,194,511
Participating governments' fiscal reserve tranche II	**67,979,568**	62,065,516
Participating governments' call accounts	**66,600,141**	68,832,913
Participating governments' current accounts	**46,100,000**	46,100,000
Bankers' dormant accounts	**37,447,397**	32,095,520
British American Liquidity Support	**23,870,559**	89,594,429
Participating governments' operating accounts	**23,569,747**	16,567,744
Participating governments' fiscal tranche I call accounts	**12,313,939**	21,287,230
BAICO Recapitalisation Holding Account	**9,380,121**	9,380,121
Bankers Collateral account	**6,364,359**	6,364,359
Accounts payable, accruals and provisions	**5,239,744**	6,619,753
Bankers' call accounts	**3,958,906**	7,449,850
British Caribbean Currency Board Coins in Circulation	**2,568,601**	2,572,183
Participating governments' drug service accounts	**2,474,725**	1,448,225
Organisation of Eastern Caribbean States operating accounts	**2,241,846**	429,553
Bankers' Fixed Deposits	**1,620,000**	1,620,000
Commemorative coins in circulation	**1,380,392**	1,380,392
Resolution Trust Corporation	**1,265,023**	1,236,534
BAICO Policy Holder Assistance scheme holding	**969,921**	969,921
British Caribbean Currency Board Residual Fund	**833,628**	833,628
ECHMB Operating accounts	**554,281**	203,335
Canec Debt Management Advisory Services	**519,911**	796,858
Participating governments' sinking fund call accounts	**492,306**	8,339,878
Participating governments' debt restructuring escrow accounts	**133,382**	99,429
Statutory and legislative bodies' operating accounts	**113,989**	29,290
Local governments' operating accounts	**46,543**	46,543
Eastern Caribbean Automated Clearing House	**35,623**	1,123,361
East Caribbean Securities Registry	**25,973**	336,220
OECS Distribution and Transportation	**24,090**	26,358
IDF World Bank Project	**-**	18,025
Eastern Caribbean Central Bank unpresented cheques	**-**	150
Participating governments' securities account	**-**	20,095,834
	3,660,997,098	3,429,520,151
Interest payable	**79**	91
Total demand and deposit liabilities – domestic	**3,660,997,177**	3,429,520,242
Current	**3,660,997,177**	3,429,520,242

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2014

16. Demand and deposit liabilities – domestic*…continued*

During the year the following balances earned interest at rates ranging from 0.01% to 0.07% (2013: 0.01% to 0.16%) 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 fund in the current financial year. An amount of $761,332 from profit was allocated to the fund in the 2013 financial year.

	2014 $	2013 $
Balance at beginning of year	**62,065,516**	56,639,179
Loans to participating governments'	**(10,600,000)**	(7,000,000)
Loan Repayments	**16,514,052**	11,665,005
Allocation from net income	**-**	761,332
Balance at end of year	**67,979,568**	62,065,516

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. An amount of $7,773,939 was provided by member governments from the fiscal reserve tranche I accounts to cover the deficit position in the current financial year. In 2013, an amount of $1,141,997 from profit was allocated to the fund.

	2014 $	2013 $
Balance at beginning of year	**21,287,230**	27,432,700
Interest on account	**638**	11,264
Net withdrawals	**(1,200,000)**	(7,298,731)
Allocation (to) net loss/ from net income	**(7,773,929)**	1,141,997
Balance at end of year	**12,313,939**	21,287,230

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2014

17. Demand and deposit liabilities – foreign

	2014 $	2013 $
International Bank for Reconstruction and Development accounts	**653,239**	662,839
Other regional central banks and agency accounts	**69,178**	21,981
Caribbean Financial Services Corporation account	**28,884**	24,315
Caribbean Development Bank accounts	**21,655**	39,455
Due to foreign banks	**-**	18,740,298
Total demand and deposit liabilities – foreign	**772,956**	19,488,888
Current	**772,956**	19,488,888

These balances earned interest at rates ranging from 0.01% to 0.07% (2013: 0.01% to 0.16%) per annum during the year.

18. IMF government general resource accounts

	2014 $	2013 $
Saint Lucia	**434,417**	434,596
Antigua & Barbuda	**222,066**	223,581
Grenada	**132,967**	133,106
St. Kitts & Nevis	**106,008**	106,146
Commonwealth of Dominica	**94,665**	94,759
St. Vincent & the Grenadines	**95,210**	95,238
Total IMF government general resource accounts	**1,085,333**	1,087,426
Current	**1,085,333**	1,087,426

19. Other liabilities and payables

	2014 $	2013 $
Promissory note payable	**-**	2,584,867
Total other liabilities and payables	**-**	2,584,867
Current	**-**	2,584,867

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2014

19. Other liabilities and payables...*continued*

Promissory note payable

The promissory note was issued subject to the provisions of a Vesting Deed dated June 23, 1993 and made between the Bank of Montserrat Ltd of the one part, and CALMS Ltd on the other part. The promissory note was fully repaid in April 2013.

20. Financial liabilities held for trading

The following is an analysis of the currency forwards held with negative fair value as of March 31, 2014:

Currency sold/ purchased	Notional value of contracts	Notional value of contracts EC$ equivalent	Value date of contracts	Fair value of contracts $
AUD	39,450,400	**94,788,764**	April 22, May 01 & June 06, 2014	**3,568,974**
CAD	247,000	**593,535**	May 02, 2014	**9,885**
NZD	8,323,000	**19,017,914**	June 06, 2014	**446,254**
EUR	4,213,100	**15,529,512**	April 22 & May 02, 2014	**157,123**
GBP	590,300	**2,625,762**	May 02, 2014	**25,689**
CHF	2,000	**6,088**	May 02, 2014	**18**
		132,561,575		**4,207,943**
			Current	**4,207,943**

The following is an analysis of the currency forwards held with negative fair value as of March 31, 2013:

Currency sold/ purchased	Notional value of contracts	Notional value of contracts EC$ equivalent	Value date of contracts	Fair value of contracts $
AUD	34,227,670	**95,614,108**	April 17, 24 & 26 and May 02, 07 & 28, 2013	**777,857**
CAD	993,200	**2,606,953**	April 02 & 26, 2013	**32,179**
NZD	23,040,137	**51,452,208**	April 26 & May 17, 2013	**676,101**
EUR	714,600	**2,452,897**	April 26, 2013	**11,402**
GBP	1,124,500	**4,558,027**	April 02 & 26, 2013	**45,563**
USD	10,503,070	**28,358,290**	April 03, 17, 24 & 26 & May 24, 2013	**735,128**
		185,042,483		**2,278,230**
			Current	**2,278,230**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2014

21. Other reserves

	2014 $	Restated 2013 $
Property, plant and equipment revaluation reserve	**70,507,471**	70,507,471
Pension reserve (restated)	**17,572,000**	7,255,000
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 (loss) gain – money market instruments	**218,350**	(130,340)
Unrealised holding (loss) gain – investment securities	**(4,198,764)**	20,703,330
Total reserves	**103,426,689**	117,663,093

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 the amounts necessary to maintain a pension reserve equivalent to the pension asset.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2014

21. 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, 2012	24,941,558	258,687	25,200,245
Revaluation of available for sale securities	19,477,440	(389,027)	19,088,413
Revaluation transfer to profit and loss on disposal of available for sale securities	(23,715,668)	–	(23,715,668)
Balance at March 31, 2013	**20,703,330**	**(130,340)**	**20,572,990**
Revaluation of available for sale securities	(25,043,030)	-	(25,043,030)
Revaluation transfer to profit and loss on disposal of available for sale securities	140,936	348,690	489,626
Balance at March 31, 2014	**(4,198,764)**	**218,350**	**(3,980,414)**

22. 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 funds. 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 $89.4 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, 2014. The next detailed full valuation will be done at March 31, 2016.

	2014 $	(Restated) 2013 $
The amounts recognised in the statement of financial position are as follows:		
Present value of pension obligation	**(74,907,000)**	(74,668,000)
Fair value of plan assets	**92,479,000**	81,923,000
Present value of over funded surplus	**17,572,000**	7,255,000
Net asset recognised in the statement of financial position	**17,572,000**	7,255,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2014

22. Pension asset...*continued*

	2014 $	Restated 2013 $
Reconciliation of amount reported in the statement of financial position:		
Pension Asset at prior year end	-	16,267,000
Unrecognised loss charged to Pension Reserve	-	(4,668,000)
Pension asset, beginning of year	**7,255,000**	11,599,000
Net pension costs during the year	**(3,365,000)**	(2,922,000)
Re-measurements recognised in other comprehensive loss	**11,291,000**	(3,801,000)
Contributions to pension scheme	**2,391,000**	2,379,000
Pension asset, end of year	**17,572,000**	7,255,000

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).

	2014 $	Restated 2013 $
The movement in the defined benefit obligation over the year is as follows:		
Beginning of year	**74,668,000**	68,252,000
Current service cost	**3,765,000**	3,631,000
Interest cost	**5,120,000**	4,722,000
Contributions by plan participants	**598,000**	595,000
Actuarial gain	**(6,144,000)**	(928,000)
Benefits paid	**(3,100,000)**	(1,604,000)
	74,907,000	74,668,000

	2014 %	2013 %
The defined benefit obligation is allocated between the Plan's members as follows:		
Active and promoted members	85.0	85.0
Pensioners	15.0	15.0

	2014	2013
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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2014

22. Pension asset...*continued*

	2014 $	Restated 2013 $
The movement in the fair value of plan assets of the year is as follows:		
Plan assets at start of year	**81,923,000**	79,851,000
Interest income	**5,724,000**	5,629,000
Return on Plan assets, excluding interest income	**5,147,000**	(4,729,000)
Employer contributions	**2,391,000**	2,379,000
Contributions by plan participants	**598,000**	595,000
Benefits paid	**(3,100,000)**	(1,604,000)
Expense allowance	**(204,000)**	(198,000)
	92,479,000	81,923,000

	2014 $	Restated 2013 $
The amounts recognised in the statement of loss are as follows:		
Current service cost	**3,765,000**	3,631,000
Net Interest on net defined benefit asset	**(604,000)**	(907,000)
Administration expenses	**204,000**	198,000
Total expense included in staff costs (note 28)	**3,365,000**	2,922,000

	2014 $	Restated 2013 $
The amounts recognised in other comprehensive loss were as follows:		
Experience losses	**11,291,000**	3,801,000
Total amount recognised in other comprehensive loss	**11,291,000**	3,801,000

	2014 %	2013 %
The principal actuarial assumptions used were as follows:		
Discount rate	**7.0**	7.0
Average individual salary increases	**6.0**	6.0

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2014

22. 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, 2014 are as follows:

	2014	2013
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:

	2014	2013
	$	$
Developed market equities	32,106,000	26,584,000
EC Government issued nominal bonds and treasury bills	12,155,000	7,165,000
USD denominated bonds	32,005,000	21,662,000
XCD cash and cash equivalents	3,000,000	15,521,000
USD cash and cash equivalents	13,261,000	10,581,000
Net current assets	(48,000)	410,000
Fair value of Plan Assets at end of year	**92,479,000**	81,923,000

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.

23. Related party 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 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2014

23. Related party transactions…*continued*

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

	2014 $	2013 $
Receivables from participating governments		
Loans and receivables: participating governments' securities (note 9)	**103,878,763**	109,796,751
Loans and receivables: participating governments' advances (note 10)	**81,510,157**	106,110,298
Payables to participating governments (note 16)		
Participating governments' call accounts	**66,600,141**	68,832,913
Participating governments' fiscal reserve tranche II	**67,979,568**	62,065,516
Participating governments' current accounts	**46,100,000**	46,100,000
Participating governments' fiscal tranche I call accounts	**12,313,939**	21,287,230
Participating governments' securities account	**-**	20,095,834
Participating governments' operating accounts	**23,569,747**	16,567,744
Participating governments' sinking fund call accounts	**492,306**	8,339,878
Participating governments' drug service accounts	**2,474,725**	1,448,225
Participating governments' debt restructuring escrow accounts	**133,382**	99,429

Interest income earned on receivables during the year is $9,114,671(2013: $9,298,972). The receivables carry interest rates of 3.5% to 9% (2013: 3.5% to 9%) per annum.

Interest expense on payables during the year is $5,569 (2013: $55,951). The payables carry interest rates of 0.01% to 0.07% (2013: 0.01% to 0.16%) per annum.

Key management

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:

	2014 $	2013 $
Staff mortgage loans		
Loans outstanding at beginning of year	**873,072**	986,061
Loans movement during the year	**(113,476)**	(112,989)
Loans outstanding at the end of year	**759,596**	873,072
Term deposits		
Bank of Nova Scotia, St. Kitts	**694,058**	736,551
CIBC FirstCaribbean International, St Kitts	**380,579**	390,483
	1,074,637	1,127,034

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2014

23. Related party 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 is $30,800 (2013: $37,287). The loans carry an interest rate of 4% (2013: 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

The salaries, fees and benefits paid to the Board of Directors and key management personnel of the Bank during the year amounted to $4,050,825 (2013: $3,962,952). The following is an analysis of these amounts:

	2014	2013
	$	$
Salaries and other short-term employee benefits	**3,690,820**	3,604,861
Board of Directors' fees	**192,000**	192,000
Post-employment benefits	**168,005**	166,091
	4,050,825	3,962,952

24. Contingencies and commitments

Capital commitments

At March 31, 2014, there were no commitments for capital expenditure.

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 $364,560,000 (2013: $342,000,000). The details are presented in the table below:

	2014	2013
	$	$
Government of Antigua and Barbuda	**133,988,000**	127,851,000
Government of Saint Lucia	**60,377,000**	52,921,000
Government of St Kitts and Nevis	**53,554,000**	44,020,000
Government of St Vincent and the Grenadines	**34,399,000**	28,653,000
Government of Dominica	**31,497,000**	28,052,000
Government of Grenada	**32,822,000**	27,830,000
Government of Anguilla	**14,609,000**	11,862,000
Government of Montserrat	**3,314,000**	2,811,000
Total credit allocation	**364,560,000**	324,000,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2014

24. Contingencies and commitments...*continued*

The undrawn commitments to participating governments for the current financial year is $167,812,000 (2013: $102,870,000). The details are presented in the table below:

	2014 $	2013 $
Government of St Kitts and Nevis	**51,691,000**	36,460,000
Government of Dominica	**31,780,000**	21,176,000
Government of Saint Lucia	**33,535,000**	15,800,000
Government of St Vincent and the Grenadines	**16,122,000**	11,107,000
Government of Grenada	**11,506,000**	5,772,000
Government of Anguilla	**5,031,000**	4,979,000
Government of Antigua and Barbuda	**14,783,000**	4,743,000
Government of Montserrat	**3,364,000**	2,833,000
Total undrawn commitments	**167,812,000**	102,870,000

Pending litigation

There are two (2) 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

- An order directing the Central Bank to admit the Claimant immediately as a member of the Clearing House facility operating in Grenada.

The Court of Appeal had ordered that these remaining pending issues in the case are referred to Case Management for directions to be given by the High Court.

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 of 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2014

24. 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.

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, 2014. At the year end the total funds advanced amounted to $2,874,845 (2013: $2,874,845). The last advance was during the financial year ended March 31, 2005.

- Guarantee cover of the budgeted shortfall projected in respect of the ECSE and its wholly-owned subsidiary companies for the fiscal year ending March 31, 2014 in an amount not expected to exceed $2,000,000 (2013: $2,000,000).

The above undertaking and guarantee will be reviewed on March 31, 2014 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, 2014, the commitment of the Bank was $648,000 (2013: $810,000).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2014

24. Contingencies and commitments...*continued*

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. Minimum lease payments subsequent to 2014 and in aggregate are as follows:

	2014	**2013**
	$	**$**
2014	**-**	694,836
2015	**708,907**	547,425
2016	**683,465**	514,613
2017	**448,106**	278,550
2018	**401,245**	-
Thereafter	**1,010,000**	1,070,000
Total operating leases	**3,251,723**	3,105,424

25. Cash and cash equivalents

	2014	**2013**
	$	**$**
Money market instruments and money at call (note 5)	**1,040,042,915**	1,158,382,405
Regional and foreign currencies	**37,749,069**	49,815,568
Balances with other central banks (note 4)	**5,080,129**	16,145,939
Due from local banks	**9,569,363**	10,353,079
Balances with local banks	**2,049,083**	1,042,995
Balances with foreign banks (note 4)	**86,165**	66,746
Total cash and cash equivalents	**1,094,576,724**	1,235,806,732

26. Net interest income

	2014	**2013**
	$	**$**
Interest income		
Available for sale: foreign investment securities	**24,094,955**	20,683,948
Other	**6,043,798**	6,241,180
Loans and receivables: participating governments' securities	**4,232,313**	4,406,141
Money market instruments and money at call	**885,237**	3,534,861
	35,256,303	34,866,130

	2014	**2013**
	$	**$**
Interest expense		
Demand liabilities: domestic	**5,569**	55,951
	5,569	55,951
Net interest income	**35,250,734**	34,810,179

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2014

27. Other income

	2014 $	2013 $
Income from reserve requirement	**2,955,100**	3,232,380
Income from CALMS	**1,938,651**	-
Miscellaneous income	**441,423**	717,683
Pension fund administrative and management fees	**530,687**	486,118
Rental income	**63,386**	63,386
(Loss)/gain on disposal of property, plant and equipment	**(1,092,357)**	10,000
Loss on futures	**(168,198)**	(146,243)
Total other income	**4,668,692**	4,363,324

28. Salaries, pension and other staff benefits

	2014 $	2013 $ Restated
Salaries, wages and other benefits	**26,562,235**	26,193,235
Pension (note 22)	**3,365,000**	2,922,000
Social security	**967,812**	969,058
Vacation leave	**(134,907)**	470,122
Prepaid employee benefit	**89,134**	99,648
Total salaries, pension and other staff benefits	**30,849,274**	30,654,063

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2014

29. Administrative and general expenses

	2014 $	2013 $
General supplies and services	**6,991,245**	6,574,347
Professional and consulting fees	**4,622,465**	4,217,218
Utilities expenses	**2,605,384**	3,199,524
Travel tickets, accommodation and subsistence	**817,166**	1,241,431
Conference and meetings	**807,508**	487,036
Contribution to ECSRC	**739,676**	311,518
Rental Expense	**710,361**	698,605
Telephone costs	**681,886**	611,581
Supervisory and regulatory expenses	**672,346**	946,211
Contingencies	**474,611**	346,415
Staff vacation grant	**466,023**	425,872
Repairs and maintenance	**461,946**	384,323
Legal fees	**401,294**	19,893
Training, recruitment and resettlement	**363,446**	788,993
Insurance expense	**318,804**	874,782
Advertising and promotion	**188,526**	129,236
Other staff expenses and amenities	**168,803**	157,462
Cafeteria subsidy	**132,302**	141,477
Community outreach	**123,890**	145,474
Affiliate groups	**102,825**	87,957
Printing and postage	**79,159**	78,178
Special projects	**57,087**	67,975
Subscriptions and fees	**53,601**	216,825
Contribution to staff association	**47,327**	63,443
Directors' travel and subsistence	**12,800**	49,070
Commission and Brokerage Fees	**-**	773
Total administrative and general expenses	**22,100,481**	22,265,619

30. Impact of Changes in Accounting Policies

The impact of the adoption of the amendments to IAS 19 is as follows:

Consolidated Statement of Financial Position
April 1, 2012

	As previously reported $	As restated $
Pension Asset	16,267,000	11,599,000
Total Assets	**16,267,000**	**11,599,000**
Other Reserves	130,531,853	125,863,853
Total Equity	**130,531,853**	**125,863,853**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2014

30. Impact of Changes in Accounting Polices*...continued*

Consolidated Statement of Financial Position
March 31, 2013

	As previously reported $	As restated $
Pension Asset	16,127,000	7,255,000
Total Assets	**16,127,000**	7,255,000
Other Reserves	126,535,093	117,663,093
Total Equity	**126,535,093**	117,663,093

Consolidated Statement of Loss
March 31, 2013

	As previously reported $	As restated $
Operating Income	74,393,155	74,393,155
Salaries, pensions and other staff benefits	(30,251,063)	(30,654,063)
Other expenses	(40,508,179)	(40,508,179)
Share of profit of associates	1,576,184	1,576,184
Profit for the year	**5,210,097**	4,807,097

Consolidated Statement of Other Comprehensive Loss
March 31, 2013

	As previously reported $	As restated $
Profit for the year	5,210,097	4,807,097
Actuarial losses on defined benefit pension plan	-	(3,801,000)
Net change in fair value of available for sale financial assets	(4,627,255)	(4,627,255)
Total Comprehensive Income (Loss)	**582,842**	(3,621,158)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2014

30. Impact of Changes in Accounting Polices*...continued*

Consolidated Statement of Loss
March 31, 2014

	$
Increase in Salaries, pensions and other staff benefits	(974,000)
Increase in Loss for the year	974,000

Consolidated Statement of Other Comprehensive Loss
March 31, 2014

	$
Increase in Loss	974,000
Other Comprehensive Loss	
Items that will not be reclassified subsequently to Profit and Loss	
Actuarial gains on defined benefit pension plan	11,291,000
Decrease in Other Comprehensive Loss	(11,291,000)
Overall impact on total comprehensive loss	10,317,000

LIST OF COMMERCIAL BANKS MAINTAINING CLEARING ACCOUNTS WITH THE ECCB

As at 31 March 2014

ANGUILLA

Caribbean Commercial Bank (Anguilla) Ltd
CIBC FirstCaribbean International Bank (Barbados) Limited
National Bank of Anguilla Ltd
Scotiabank Anguilla Limited

ANTIGUA AND BARBUDA

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

COMMONWEALTH OF DOMINICA

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

GRENADA

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

MONTSERRAT

Bank of Montserrat Limited
RBC Royal Bank of Canada

ST KITTS AND NEVIS

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

SAINT LUCIA

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

ST VINCENT AND THE GRENADINES

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

Eastern Caribbean Central Bank

Promoting Economic Development and Balanced Growth

Collaboration with OECS Business Council

Financial and Business Training

Seminars

Public Education

Capacity Building

Research and Policy Advice

Consultations

Programmes in Schools