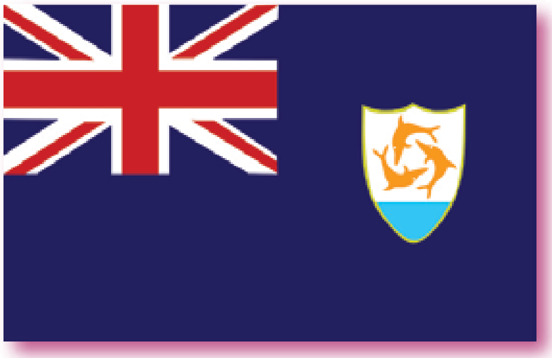
Eastern Caribbean Central Bank

Annual Report 2012/2013

Flags of the Eastern Caribbean Currency Union

ANGUILLA



Anguilla's national flag is a combination of the "three dolphins" and the Union Jack flags. It has a dark blue background with the Union flag filling the upper quarter and the national seal in the centre of the fly end. The shield is divided horizontally with the white at the top, turquoise blue at the bottom and three orange dolphins in the centre of the white. The Union flag symbolises the island's colonial status. The three orange dolphins represent strength and endurance. The turquoise blue signifies the Caribbean Sea, faith, youth and hope. The white stands for peace and tranquility.

ANTIGUA AND BARBUDA

The seven point golden sun symbolises the dawn of a new era. Red symbolises the lifeblood of the slave forefathers and the dynamism of the people. Blue represents hope. Black represents the soil and African heritage. The gold, blue and white symbolise Antigua and Barbuda's tourist attractions – the sun, sea and sand. The 'V' depicts victory at last!

THE COMMONWEALTH OF DOMINICA

The flag consists of a circular emblem of red bearing a Sisserou parrot *(Amazona Imperialis)* standing on a twig encircled by ten lime green stars. This is superimposed on three vertical and three horizontal stripes of yellow, black and white forming a triple-coloured cross against a forest green background which symbolises the country's verdant forest and the lushness of the island. The triple-coloured cross represents the Trinity of God; the parrot, the national bird, is a symbol of flight toward greater heights and fulfillment of aspiration; and the ten stars represent the ten parishes, each with equal status thus, the equality of the people. The red central emblem symbolises the country's commitment to social justice.

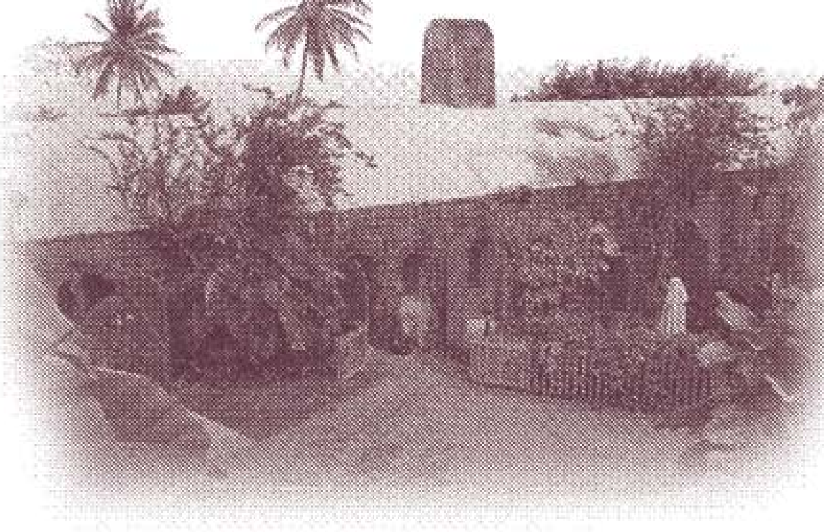
GRENADA

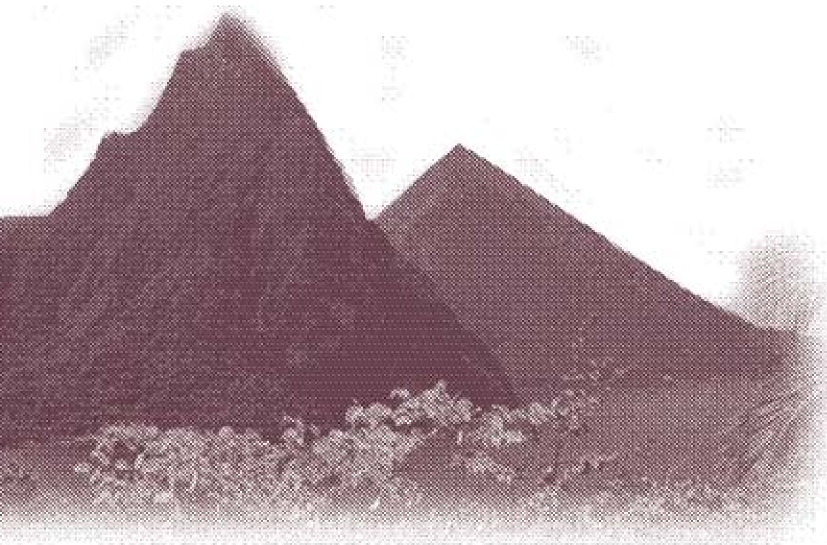
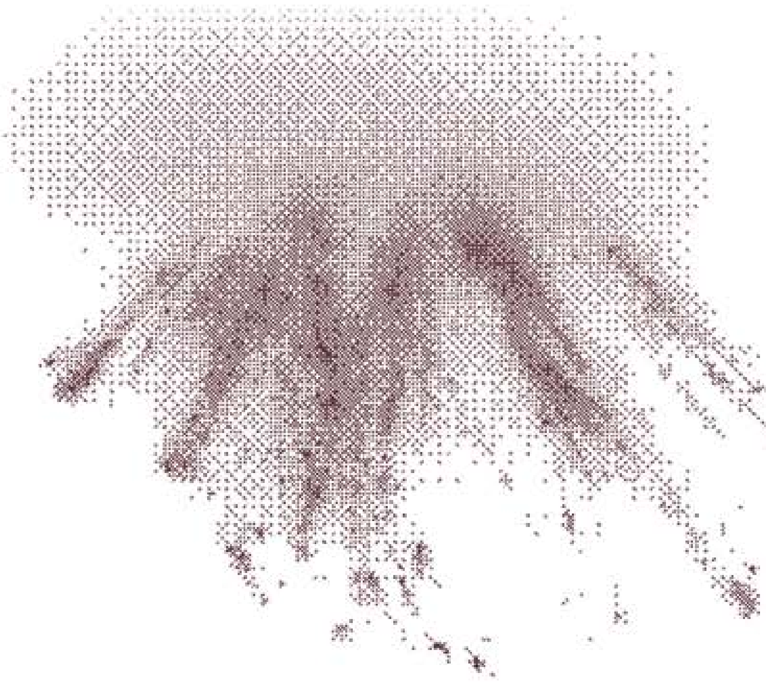
Red represents fervour, courage and vitality. The red border represents dedication to preserve harmony and unity of spirit. Gold symbolises wisdom and the warm sunshine. Green represents the lush vegetation and agriculture. The yellow star on the red disc symbolises the capital city of St George's and the other six stars are for the remaining six parishes and the sister islands of Carriacou and Petit Martinique. There is a nutmeg on the hoist, which represents the nation's most important export or economic crop.

Eastern Caribbean Central Bank

REPORT AND STATEMENT OF ACCOUNTS

For the Financial Year Ended 31 March 2013

Eastern Caribbean Central Bank

7 June 2013

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 2013 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

Dr The Honourable 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

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

MISSION STATEMENT

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

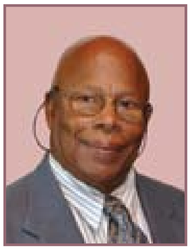
VISION STATEMENT

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

MONETARY COUNCIL

As at 31 March 2013

The Right Hon Dr Denzil L Douglas
St Kitts and Nevis
Chairman

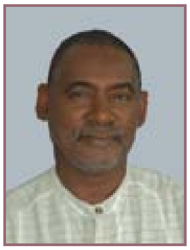


The Hon Hubert Hughes
Anguilla

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

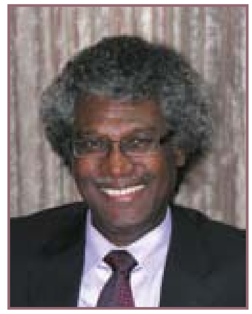
Dr The Hon Kenny D Anthony
Saint Lucia

Dr The Hon Ralph Gonsalves
St Vincent and the Grenadines

BOARD OF DIRECTORS

As at 31 March 2013

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 2013

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 2013

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 Adriana Carter	Deputy Director
	Mrs Beverley Edwards-Gumbs	Deputy Director
	Mr Vincent DeFreitas	Deputy Director

ADVISERS

Governor's Immediate Office (GIO)	Ms Elizabeth Tempro	Senior Adviser
	Ms Maria Barthelmy	Adviser
	Mr Daniel Arthurton	Adviser
Banking and Monetary Operations Department (BMOD)	Mr Lincoln Gilbert	Adviser
	Ms Allison Stephen	Adviser
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 2013

RESIDENT REPRESENTATIVES

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ST VINCENT AND THE GRENADINES

Telephone: 784 456 1413
Facsimile: 784 456 1412
E-mail: eccbnetwork@vincysurf.com

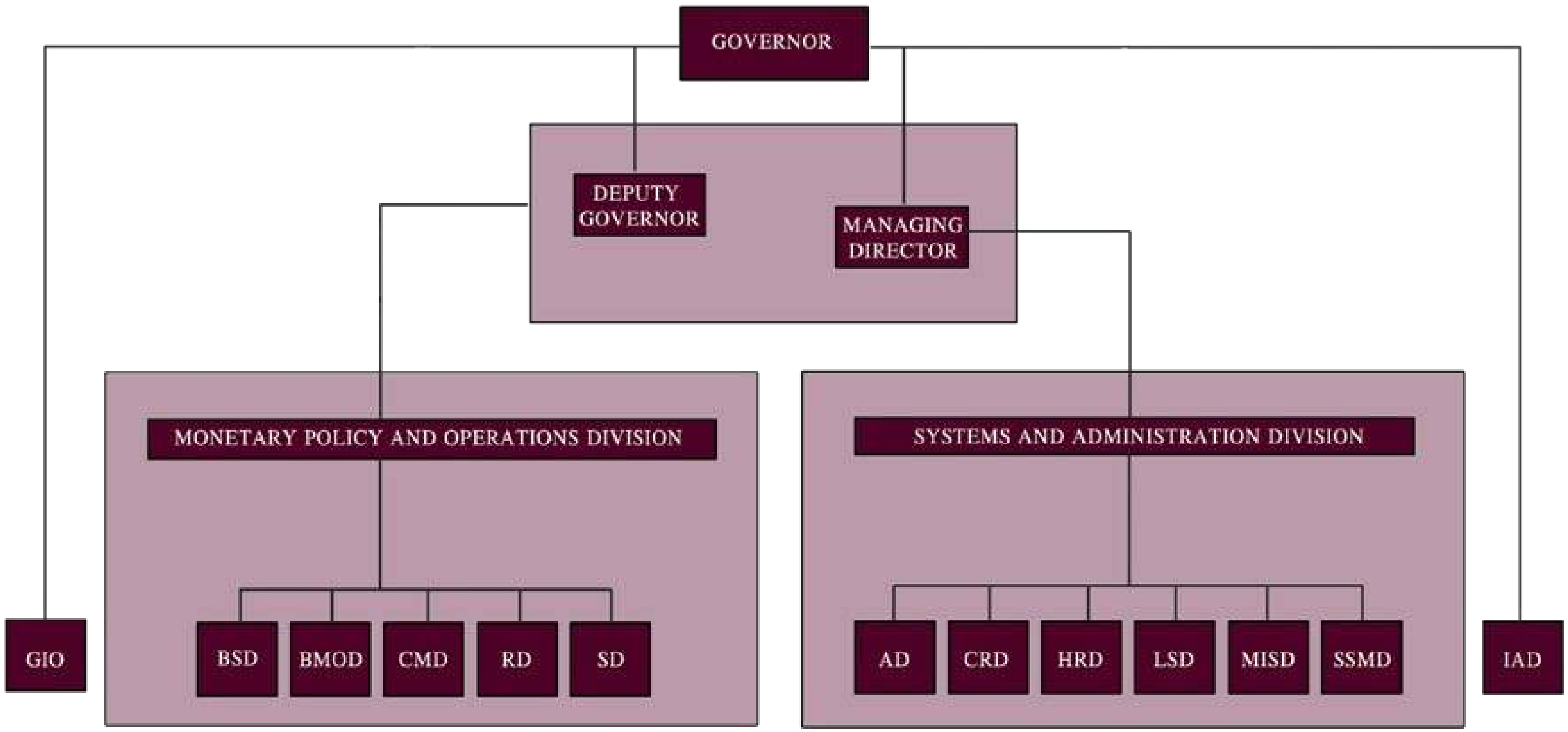
ORGANISATIONAL CHART
31 MARCH 2013

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

FOREWORD

ECCU at the Crossroads:

Charting A New Trajectory for Economic Growth and Structural Transformation


The Honourable Sir K Dwight Venner
Governor

The countries of the Eastern Caribbean Currency Union now have to cope with some of the most challenging economic and financial challenges they have had to face since their attainment of independence. They must now make some fundamental choices about the road ahead as they move to address these challenges.

A quick and cursory look at the economic history of these islands reveals three distinct periods, namely:

1. OECS 1.0 which dates from the time of Universal Adult Suffrage to Independence;
2. OECS 2.0 from independence to the global recession;
3. OECS 3.0 from the global recession going forward for the next 15 to 20 years.

The reason for this division of time takes into consideration the period of colonialism and the movement for independence within the wider regional community. This is the period of the West Indian federation and its failure resulting in single state independence for the countries of the region.

This was followed by a period of independence in which international economic conditions and domestic policies have had a constraining impact on economic growth and structural transformation.

We are now at the crossroads as the global crisis has exposed and exacerbated the structural deficiencies of our economies. The question and challenge now facing us is what new paradigms in the political and economic spheres we should now adopt to meet the existential challenges ahead of us.

The structural issues which characterise our economies have been spelt out in three words, Small, Open and Vulnerable. In the case of the ECCU countries, small refers to micro states with very limited land space and populations. Openness is characterised by a very high ratio of trade (exports and imports) to gross domestic product. Vulnerability translates to the impact of external shocks such as global recessions, increases in commodity prices of imports, increased interest rates, and natural disasters on the economies of these countries.

The responses to both the global crisis and the fundamental structural characteristics of these economies have evolved over time in the ECCU and have been now concretely expressed in three instruments:

1. The Economic Union Treaty;
2. The Eight Point Stabilisation and Growth Programme; and
3. A Work Programme Coordination Initiative at the national, currency union, and international levels.

The three instruments address the structural issues in a very focused way starting with the Economic Union treaty.

The treaty has as its rationale, a single economic and financial space, which would be politically and economically managed to achieve the stated objectives of:

- Growth and Competitiveness;
- Reduction of Unemployment;
- Reduction of Poverty;
- Maintenance of the United Nations Human Development Indices; and
- Socioeconomic Transformation of the Countries

The single financial space and the aggregation of resources provides a basis for reducing unit costs and improving the allocation of those resources to more productive uses. The governance structure of the policy framework facilitates the management of such resources in a way that potentially leads to higher and more competitive outputs.

The trick will be to assign functions to the level of government, national or regional where they would be most effective.

The policy mix to arrive at better outcomes in the face of major challenges requires that the purpose, institutional arrangements and cadre of staff assigned to policy issues is of the highest calibre. The nature of the issues facing us at both the regional and national levels is of such a nature that we have to assign the requisite resources to achieve the expected outcomes.

The issue in its most concrete form involves moving from a situation of a secular decline in growth over the last three decades to a quantum leap in output to regain the losses of the past four years and to reverse the growth trend to arrive at a new output trajectory.

This will have to be a deliberate and managed process in which the resources available for the process will have to be allocated, the policies which are necessary are coordinated, and there is a specific output level which is targeted.

This leads to what can be termed a three-pronged approach:

1. The first element involves the design of a Programme which addresses income and employment generation, using external concessional resources, which acts as stimulus and social safety net. This must be complemented by an adjustment Programme as set out in points 1, 2 and 3 of the Eight Point Stabilisation and Growth Programme, that is, financial programming, fiscal reform, and debt management. The level of effort in the adjustment Programme must reverse the trend in the debt to GDP ratio through fiscal measures aimed at reversing the trends in revenue and expenditure.

   Another necessary element of the adjustment must be the stability, consolidation and development of the financial sector. The current financial system is fragmented and operates at high unit costs and does not have the depth of capital or the risk management capabilities for the reallocation of financial resources from consumption and non-trade able activities to tradeable export competitive areas. The financial system also requires more depth, breadth, and resilience to provide a wider range of institutions and products to mobilise savings and allocate them more efficiently to the productive sectors.

2. The second element in the strategy would be an assessment of the possibility of identifying what could be a lead transformational sector which has the comparative advantage that can be turned into a competitive advantage with the capacity to effective form linkages with other sectors thus making them more competitive. This would seem to be a fairly logical way to proceed given the lack of initial resources and the lack of expertise to manage a broad portfolio of sectors at this point. This argument goes back to the "big push" argument of the early development economists (Rosenstein-Rodan) and the new approach to industrial policy which is now being advocated by a number of economists. It would seem on the surface that a restructured and properly managed and regulated tourist industry could play this role. This is interesting territory for exploration as our development to date has not had the benefit of an industrial revolution in the historical sense and one posits the question of the impact of such a missing element in our development. Sir Arthur Lewis argued for the Industrialisation of the West Indies in his 1950 article. This did not come to pass. However, the countries of Asia notably Taiwan and Singapore, which is the same size as Saint Lucia, used this model to reach advanced economy status. The question is, can tourism fill this missing link for us if properly organised? This matter will have to be investigated in depth and from this particular angle.

3. The third prong involves a cluster of projects at the national and regional level which can be termed "the great modernisations of the currency union (Chinese style)". These cover the following:
   i. Transportation;
   ii. Energy;
   iii. Environment;
   iv. Education and skills training;
   v. Research and Development;
   vi. Information Technology; and
   vii. Governance

The critical approach to this process as we have stressed repeatedly is coordination at all levels. In a resource scarce situation, which is a constant for us, and faced with a severe external crisis, coordination is a sine qua non for survival and progress. The Economic Union Treaty provides the legal and political underpinnings for coordination as in public administration and business organisation this factor looms large.

Three scenarios confront us in the current environment and as we look to the future:

1. No change in our current policies and economic arrangements and a continuation of the situation in the external economies;
2. A change in our policies and economic arrangements but no change in the external environment;
3. Changes in both areas.

The first scenario is a very bleak one and can only result in continued low growth. The second is very logical as it accepts and sends two signals, namely:

1. that we have to accept that we have no control over the environment but there are domestic matters over which we have some control and need to exercise it; and
2. that we need to make the point to the international community that we are capable and willing to make the necessary adjustments to stabilise and restart the growth process in our countries.

We need to address our relations with the international community and economy in a very focused way that is to access resources from the rest of the world for the appropriate purposes and on the appropriate terms. Again this will require the skill and commitment as well as the necessary critical mass of political and technical teams to successfully attain our objectives.

In conclusion, it is fair to say that we have entered a new and challenging phase of our development and we will have to put in a proportionate effort to realise our objectives. We have recognised and set out our instruments both legally and politically. The test will be our commitment, discipline and perseverance in their implementation.

K. Dwight Venner

K Dwight Venner
Governor

REVIEW OF PERFORMANCE

The Bank accelerated its efforts towards the implementation of the requirements for the single financial space in the currency union.

During the 2012/2013 financial year, the Bank continued to focus on its mandate of maintaining monetary and financial sector stability, ensuring the availability of money and credit; developing the ECCU's money and capital markets; and promoting the development of the member countries. This was consistent with the purposes of the Bank as set out 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.

During the year, the Bank sought to ensure financial stability through the continuation of work associated with the implementation of the ECCU Eight Point Stabilisation and Growth Programme, particularly in the areas of financial sector safety nets; the amalgamation of indigenous commercial banks; and the coordination of work related to the rationalisation, development and regulation of the insurance sector.

The Bank accelerated its efforts towards the implementation of the requirements for the single financial space in the currency union. The ECCB continued to promote and implement measures to enhance the regulatory and supervisory framework of the financial system. These included efforts to facilitate the passage of enabling legislation and capacity building for the non-bank sector, particularly, the cooperatives and insurance sectors, and the implementation of more appropriate mechanisms for information sharing. This is in line with the agreed integrated approach to supervision and consistent with the vision for the single financial space.

In collaboration with the Caribbean Development Bank (CDB), the World Bank and the International Monetary Fund (IMF), the Bank continued to contribute to the work of the Task Force on the ECCU Financial System and developed a comprehensive strategy for strengthening the resilience of the financial system in the ECCU. Technical assistance, funded by the Department for International Development (DFID) and the Canadian International Development Agency (CIDA), was secured through the World Bank and the IMF respectively, for the implementation of this strategy.

At the 73rd meeting of the ECCB Monetary Council held on 29 June 2012, a two-pronged approach was approved to deal with the challenges confronting the banking sector as follows:

i. a structural component that addresses the fundamental and underlying issues; and
ii. a pre-emptive component that addresses the immediate challenges affecting the banking sector.

During the year, the Bank continued to provide support to the member governments in the areas of fiscal reform and debt management guided by the ECCU Eight Point Stabilisation and Growth Programme.

During the year, the Bank continued to provide support to the member governments in the areas of fiscal reform and debt management guided by the ECCU Eight Point Stabilisation and Growth Programme. The Monetary Council received the final report from the Public Expenditure Review Commission and was apprised of the major recommendations from the Commission for a sustainable fiscal model that would contribute to a solution for the expenditure challenges being faced by ECCU member governments. This report, along with the previously submitted reports from the Commission on Tax and Tax Administration Reform and the Commission on Pension and Pension Administration Reform, would be considered in the context of the OECS Economic Union, and would form the basis for the implementation of the fiscal reform programmes in the member countries.

Through the CIDA sponsored Debt Management Advisory Services (DMAS) Unit at the ECCB, member governments received technical assistance to strengthen their debt management capacity. In this regard, all member countries have completed Debt Sustainability Analyses and some countries have commenced the preparation of Debt Management Strategies. Consistent with the objective to reduce the debt to GDP ratio to 60.0 per cent by 2020, the Bank provided support to member countries on initiatives for debt restructuring and debt relief. It is the intention that the fiscal reform programmes and the debt management strategies would be integrated into the fiscal frameworks of member countries to facilitate the implementation of the financial programming element of the ECCU Eight Point Stabilisation and Growth Programme.

During the year, regular engagements were also held with private sector representative groups in the ECCU with a focus on the establishment of an OECS Business Council.

Consistent with the purpose of promoting the development of member countries, the Bank continued its collaboration with key stakeholder organisations such as the International Finance Corporation (IFC), on the promotion and development of the ECCU private sector with the objective of enhancing and enabling business competitiveness. During the year, regular engagements were also held with private sector representative groups in the ECCU with a focus on the establishment of an OECS Business Council.

Further steps were taken during the year towards the operationalisation of the OECS Distribution and Transportation Company (ODTC) which is being developed and promoted as a third party logistics company with the potential to significantly enhance efficiencies in the transportation and distribution of goods across the OECS member countries. Work also commenced on the development of a website for the company and the Board of Directors engaged prospective shareholders for capitalisation of the company.

MONETARY STABILITY

Monetary Policy

In 2012, economic activity in the ECCU remained depressed, reflecting a less than favourable external environment and some discretionary policy tightening on the domestic front. Preliminary data indicate that economic activity in the ECCU contracted for a fourth consecutive year, although the pace of contraction slowed relative to the average for the previous three years. Real GDP is estimated to have declined by 0.2 per cent, compared with an average contraction in the previous three years (2009-2011) of 2.2 per cent. This performance came against the backdrop of uneven growth and uncertainties in the global economy with major trading countries such as the USA recording moderate growth, still below pre-crisis levels. On the domestic front, some member governments, already faced with the reality of limited fiscal space to implement meaningful stimulus programmes, had to consolidate further in an attempt to achieve medium to long term sustainability targets and to preserve the credibility of the fixed exchange rate regime.

The monetary arrangement gives primacy to the objective of price stability through the anchor of the fixed exchange rate regime. Notwithstanding the weak performance of the real economy, the fixed exchange rate arrangement was not compromised as the domestic currency remained adequately backed by the foreign reserves in the system, with the backing ratio being comfortably above the prescribed norms. The backing ratio averaged 96.0 per cent during 2012, well above the statutory minimum 60.0 per cent and the higher prudential operating limit of 80.0 per cent.

The achievement of the primary monetary goal requires not only the availability of reserves to ensure convertibility of the currency at the fixed rate, but also a sound and stable financial system and the maintenance of sustainable fiscal and debt policies. During 2012, the financial system as a whole remained liquid and solvent and the payment system continued to function smoothly, despite a number of country and institution specific challenges. Liquidity and capital levels remained above historical norms and the weighted average lending rate fell. In addition, no adjustments were made to the key administered rates, namely the minimum savings deposit rate and the Central Bank's discount rate, which remained at 3.0 per cent and 6.5 per cent respectively. However, credit extended to the private sector continued to be sluggish and there was some worsening of asset quality at some banks, attributed mainly to the contraction in economic activity.

The forecast is for a mild recovery in real economic activity in the ECCU in the near-term, driven by improvements in the external environment. Real

GDP is expected to increase by 1.5 per cent in 2013 on account of heightened activity in major sectors such as, hotels and restaurants and construction, with the momentum expected to carry over into 2014. This return to positive growth is expected to improve the fiscal operations of member countries, particularly their short-term liquidity challenges as revenue collections improve. In addition, monetary and credit conditions are expected to ease as the economic recovery gathers pace and the monetary policy stance in advanced countries remains accommodating.

The Bank in continuing to fulfil its mandate will be focusing on preservation of the fixed exchange rate arrangement, ensuring a liquid and sound financial system, and supporting growth and development initiatives in member states. To this end a strategic approach will be utilised, anchored in the Revised Treaty of Basseterre and focusing on the operationalisation of the OECS Economic Union and the creation of the single financial and economic space. The following key challenges will be addressed over the near to medium term:

- Resolving weak financial institutions;
- Enhancing crisis preparedness and contingency plans;
- Strengthening the regulatory and supervisory framework, with the focus not only on banks but also on the non-bank financial institutions; and
- Developing and implementing the appropriate legal and regulatory framework to facilitate the operationalisation of the single financial space.

Reserve Management

The year was characterised by a sub-par and uneven economic recovery in the US amid bouts of uncertainty regarding the prospect of US fiscal austerity and the sovereign debt crisis in Europe. US Treasury yields declined and prices rose as investors continued to demand the most liquid assets in light of the uncertainty.

The ECCB continued to achieve its reserve management objectives of preservation of capital, meeting liquidity needs and outperforming the Bank's customised benchmark. The duration of the ECCB's customised benchmark was rebalanced to two (2) years as planned, ensuring that the risk tolerance of the Bank was preserved. For the second consecutive year, the Bank transferred funds from the lower yielding liquidity tranche to the higher yielding core tranche as the total foreign reserves liquidity portfolio maintained above trend totals. A review of the approved country list contained in the Core and Liquidity Tranche Investment Guidelines was completed during the year to ensure that the list remained reflective of the risk tolerance established by the ECCB Board of Directors.

Currency Management

As at 31 March 2013, the value of currency in circulation was $799.26 million. Banknotes accounted for $715.14 million or 89.48 per cent, while coins in circulation amounted to $84.12 million or 10.52 per cent. The aggregate currency in circulation at the end of the financial year reflected an increase of $31.55 million (4.11 per cent) above the total in the previous financial year.

During the year, the Bank continued to fulfill its mission to ensure that the public in the ECCU member territories had an adequate supply of quality currency notes and coins in the denominations that best suit their needs. In this regard, a new issue of banknotes with braille features depicting a cricketing theme, with the exception of the $5 note was circulated, the aim of which was to facilitate ease of recognition among the blind population in the ECCU.

The Bank also continued to effectively and efficiently execute its objectives, with emphasis on:

- Maintaining the integrity of the EC dollar and ensuring an adequate supply of quality notes and coins for issue to commercial banks;
- Facilitating the redemption of EC notes from commercial banks;
- Repatriating foreign currency notes in a timely manner.

Work continued during the latter part of the review period to ensure that the Enterprise Cash Management Inventory Supplies Accounting (ECM-ISA), the Bank's Currency Vault Management solution was fully implemented in two member countries, namely: The Commonwealth of Dominica and Antigua and Barbuda[1]. This software, which will be utilised to conduct weekly currency transactions throughout the ECCU, seeks to deliver control, reinforce security, and enhance efficiency through:

- Process efficiencies;
- Significant reduction in manual operations (less hard copy reports);
- Enhanced analysis and reporting on operational activities (real time reporting);
- Serial number tracking which tracks the note by the serial number from its first place of issue to the last;
- Enhanced banknote lifecycle reporting, including banknote longevity. This is a measure of how long banknotes last in circulation until they are determined unfit for re-issue.

The implementation process included training of all end users. During the implementation phase, ECCB Agency Office staff and ECCB Agent Bank Custodians were afforded the opportunity to observe the automated process relating to the issue and redemption of currency.

Training in the use and application of the ECM-ISA software was facilitated by the Currency Management Department (CMD) staff where the key areas of focus were: Currency Orders, Currency Reception, and Currency Transfers.

FINANCIAL SECTOR STABILITY

During the year under review, the ECCB continued to spearhead various initiatives to ensure the safety, soundness, solvency and reliability of institutions licensed under the Banking Act, and the maintenance of the integrity of the financial system of the Eastern Caribbean Currency Union (ECCU). The Bank made progress in facilitating the implementation of the following aspects of the ECCU Eight Point Stabilisation and Growth Programme:

- Point 6 - Development of financial safety net programmes;

[1]ECM-ISA will be implemented in all member countries by 30 June 2013.

Progress was made towards the establishment of a credit bureau for the ECCU as part of a CIDA-funded project.

- Point 7 - Amalgamation of the indigenous commercial banks; and
- Point 8 - Rationalisation, development and regulation of the insurance sector.

Work continued towards the further enhancement of the supervisory framework, the modernisation of the legal and regulatory framework, and the reconstitution of the Resolution Trust Corporation (RTC) as a statutory body. Intervention strategies were proposed for licensees. These were aimed at minimising/eliminating regulatory risks and promoting transparency and accuracy in their accounting and reporting systems.

The Bank made significant progress in the administration of the World Bank Grant for Strengthening Accountability of the Non-bank Financial Sector Project. This project provides technical support for strengthening the regulatory and supervisory capacity of the Single Regulatory Units (SRUs) in member countries, thus enhancing the stability of the local non-bank financial institutions and the overall ECCU financial system. Major achievements included the development of medium-term business plans for the SRUs and specialised training for national regulators and industry practitioners.

The Monetary Council established a Task Force on the ECCU Financial System with the expressed mandate of conducting a comprehensive review of the entire ECCU financial system. In this regard, a technical assistance programme commenced in January 2013 towards the pursuit of a coordinated resolution strategy to strengthen and ensure the continued resilience of the ECCU financial system.

Progress was made towards the establishment of a credit bureau for the ECCU as part of a CIDA-funded project. The requisite legislation is being drafted. In addition, the ECCB collaborated with the International Finance Corporation (IFC) to host a one-day Caribbean Credit Reporting Conference in July 2012.

On the approval of the Monetary Council, the ECCB, on 22 July 2011, assumed exclusive control of the ABI Bank Limited, under the special emergency powers in Part IIA, Article 5B of the Schedule to the Eastern Caribbean Central Bank Agreement Act, CAP 142 of the Laws of Antigua and Barbuda. The purpose of the intervention was to protect depositors and creditors and maintain confidence in the banking sector. The ECCB continued to manage the affairs of ABI Bank and will continue to transition the bank to new owners.

The Bank also continued to facilitate the work of the Core Committee on Insurance. Efforts are on-going and include the development of a regulatory framework for the sector and the resolution of British American Insurance Company (BAICO)/Colonial Life Insurance Company (CLICO) matters.

Banking Services

During the year, the Bank, in fulfilling its mandate to maintain financial stability continued to 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:

- Facilitated the maintenance of financial stability by providing the necessary liquidity support to the financial system;
- Established liquidity support arrangements for the clearing house including a collateralisation policy and lender of last resort services aimed at managing liquidity and credit risks in the clearing system;
- Managed the operations of the Regional Governments Securities Market (RGSM) to support member governments' increased participation on the market; and
- Continued to provide advice and support to member governments on issues related to cash flow management and their preparations for the implementation of the International Public Sector Accounting Standards (IPSAS).

Payments System

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

- Implemented the ACH's infrastructure and governance arrangements including the software solution and the operating rules and procedures;
- Facilitated User Acceptance Testing of the ACH solution and hands-on user training; and
- Conducted certification testing of the ACH's integration with the commercial banks' systems.

Legal Services

During 2012/2013, the ECCB undertook research to explore mechanisms, which would facilitate the cross border operation of a mortgage collateral system within the context of a single financial space. It is anticipated that this body of work would serve as a platform for the development of the mortgage credit market within and across borders.

In its continued effort to establish a single financial space within the context of the Organisation of Eastern Caribbean States (OECS) Economic Union, the Bank participated in the 7th Meeting of the OECS Chief Parliamentary Counsel. The meeting reviewed the proposed legislation to amend the Companies Act and the Alien Landholding Regulations in the OECS member states in order to remove the legal impediments to the rights of establishment.

In response to the United States (US) government enacted Foreign Account Tax Compliance Act (FATCA) the Bank undertook a legislative audit to determine the extent to which laws relating to confidentiality and taxation within the Eastern Caribbean Currency Union would be impacted.

The 2012/2013 financial year was the most active in the 10-year history of the Regional Government Securities Market (RGSM).

MONEY AND CAPITAL MARKET DEVELOPMENT

During the year, the Bank continued its efforts towards the further development and integration of money and capital markets in the Eastern Caribbean Currency Union (ECCU).

The heightened level of activity also provided increased investment opportunities to institutional investors and the public.

Markets

The 2012/2013 financial year was the most active in the 10-year history of the Regional Government Securities Market (RGSM). Fifty-four (54) securities were auctioned on the regional market, an increase of fifteen (15) or 39.00 per cent compared with the previous year. This reflected the growing importance of the RGSM in the economic and financial landscape of the ECCU as participating governments increasingly relied on the regional market to secure funding during a period when public finances were adversely affected by the global recession. The heightened level of activity also provided increased investment opportunities to institutional investors and the public.

The number of bonds issued on the market increased by five (5) to nine (9) as some governments sought funding to undertake their capital investment programmes. Accordingly, the value of bonds increased from $130.0m to $282.0m. Three governments were responsible for the increase in the number of long term securities, namely: Saint Lucia, St Vincent and the Grenadines and the Commonwealth of Dominica, which issued a bond on the RGSM for the first time in November 2012. The range of long term instruments widened as governments issued in four different tenors (4-year, 7-year, 8-year and 10-year). However, the majority of the securities issued during the financial year were on the short end of the market reflecting the current appetite of investors in the currency union. The number of Treasury bills increased by ten (10) to forty-five (45) mainly due to the policy of the governments to favour market financing over the utilisation of bank overdrafts.

Member governments benefited from a reduction in their borrowing cost as the average interest rate on the 91-day Treasury bills declined by 41 basis points (bps) to 4.167 per cent during the financial year.

Member governments benefited from a reduction in their borrowing cost as the average interest rate on the 91-day Treasury bills declined by 41 basis points (bps) to 4.167 per cent during the financial year. This development was mainly related to a high level of liquidity in the banking system, an absence of alternative investment assets and low yields being offered on bank deposits. In the case of the Commonwealth of Dominica, Saint Lucia and St Vincent and the Grenadines, rates dropped below the 3.0 per cent level of the minimum rate on savings deposits at commercial banks in February and March 2013. Meanwhile, the weighted average yield on the 10-year bonds fell by 15 bps to 7.330 per cent. Activity on the secondary market remained low during the financial year.

Institutions

Eastern Caribbean Enterprise Fund (ECEF)

Since its establishment in March 2012, supported by funding from the Commonwealth Secretariat and the ECCB, the ECEF has been involved in the preparation of the Private Placement Offering Document for raising the initial share capital of the company. The management team also continued its efforts in analysing the pipeline companies selected from the primary diagnostics list to determine their priority placement for assistance from the ECEF.

The ECEF is expected to form a critical component of the development and financial architecture for the ECCU by mobilising and allocating financial and technical resources for promoting the growth and transformation of private sector enterprises in the region.

Efforts to operationalise the ECEF fully are expected to intensify during the next financial year. Management is expected to be actively engaged in discussions with development and financial institutions within the ECCU geared towards establishing strategic partnerships in the provision of technical and financial assistance to private sector enterprises. It is also anticipated that there would be an aggressive promotional engagement of national, regional and international stakeholders for capitalisation of the ECEF.

THE BASIS OF POLICY

Research

In 2012/2013, the Bank's research programme continued to be focused on four policy themes, namely: (i) Growth and Development; (ii) Fiscal/Debt Sustainability; (iii) Financial Stability; and (iv) Money and Credit.

The following papers were completed to inform the policy decisions of the Bank's management, the Board of Directors and the Monetary Council:
(i) Growth Diagnostics: An Application to the ECCU; (ii) Collective Investment Schemes as Alternatives for Small Investors in the ECCU; (iii) An Analysis of the Energy Sector in the ECCU: Issues and Recommendations; (iv) Debt Evolution and Debt Limits for the ECCU (v) Towards an Interest Rates Policy Framework for the ECCU and (vi) The Discount Rate as an Instrument of Monetary Policy in the ECCU.

Work also advanced on the following papers: *(i) External Imbalances and Long-run Development; (ii) An Analysis of the Demand and Supply of Money* *and Credit in the ECCU in the Context of the Reporting Requirements of Article 7(2) of the ECCB Agreement Act and (iii) The Growth Effects of Fiscal Policy in the ECCU.*

The Bank was represented at the Joint Meeting of OECS Ministers of Tourism and Civil Aviation in February 2012 where a concept paper on transportation policy was presented. At the meeting, discussions on the way forward focussed on the following issues: (*i*) *Implementation of the San Juan Accord; (ii) The OECS Air Transport Policy Framework; and (iii) Areas for Joint Action/Collaboration Among Member Territories*[2].

Two papers titled: *"Forecasting Non-performing Loans in the Eastern Caribbean Region"* and *"Credit Booms and Their Implications for Financial Stability in the ECCU"* were delivered at the 32nd Annual International Symposium on Forecasting in June 2012 and the VIII Workshop of the Latin American Financial Network (LFN) in September 2012 respectively. The Bank also served as a discussant at the LFN workshop and the Expert Group Meeting on Development Paths in the Caribbean held in June 2012. The paper on non-performing loans provided a useful forecasting method which can be used in the assessment of financial stability. With regard to the paper on credit booms, the central message was that while encouraging credit growth is necessary for the well functioning of the economy, rapid credit growth needs to be monitored very closely since a credit bust can lead to some fragility within the financial sector. Therefore, the main recommendation of the paper was the development of tools which are robust enough to deal with credit booms while recognising that no policy tool is a panacea for the ills stemming from credit booms, and any form of intervention will entail costs and distortions, the relevance of which will depend on the characteristics and institutions of individual countries.

The Bank's research work was made accessible to the wider public as a result of the commencement of its online working paper series.

Economic Surveillance

Monitoring the Economic Performance of the ECCU Member Countries

The Bank continued to monitor and provide support to member countries through regular surveillance and independent policy advice. Activities included the preparation of annual and quarterly economic and financial reviews, and participation in International Monetary Fund (IMF) staff visits and Article IV consultations to ECCU member countries. In particular, the Bank participated in the Joint World Bank/IMF Mission to Grenada and the reviews of the IMF Stand-by Arrangements with St Kitts and Nevis and Antigua and Barbuda. The Bank also conducted its annual assessment missions to assess socio-economic conditions in member countries. Technical assistance was also provided through various external and networking meetings, seminars and conferences.

[2] 1. Impact of taxes and duties on regional airfares; 2. The possibilities of removing some of the security checks at OECS airports, in collaboration with ECCAA; 3. The standardisation of visa requirement across the islands; 4. Joint marketing and securing airlift; and 5. Drafting of a comprehensive OECS Air Transport Policy document.

A registry of financial institutions in the Eastern Caribbean Currency Union (ECCU) was completed and the Bank also enhanced its stress-testing framework while continuing to provide stress-testing reports to internal and external clients, including the IMF.

Information – Storage and Dissemination

During the year, activities under the digitisation project continued with the creation of a database of staff research papers to facilitate faster retrieval. In addition, the Bank's research work was made accessible to the wider public as a result of the commencement of its online working paper series.

Statistics

The ECCB completed the revisions to the commercial bank prudential returns and the manual of instructions in keeping with international reporting standards. The revised returns and manual were circulated to the commercial banks in March 2013. A registry of financial institutions in the Eastern Caribbean Currency Union (ECCU) was completed and the Bank also enhanced its stress-testing framework while continuing to provide stress-testing reports to internal and external clients, including the IMF. The Bank provided technical input to the Financial Action Task Force which included participants from the World Bank, IMF and the CDB.

Debt Management Advice and Capacity Building

The Bank, through the Canada-Eastern Caribbean Debt Management Advisory Service (CAN-EC DMAS) project, sponsored by the Canadian International Development Agency (CIDA), continued to provide support to the ECCU member countries through its training and technical assistance programme on debt management. The member countries received training in the Evaluation of Sources of Finance through a regional workshop held at the ECCB Headquarters in St Kitts and Nevis over the period 23 to 27 July 2012. That was followed by in-country training workshops in the Commonwealth of Dominica and Grenada on negotiation techniques for sources of finance. The in-country sessions allowed for participation by a wider cross-section of persons involved in policy decisions on debt, including officers from some of the statutory bodies and the ministries of legal affairs. Consultants from Crown Agents, a United Kingdom based development entity, conducted the sessions. Those training events were geared towards building capacity in loan evaluation and negotiation for personnel involved in contracting government debt and issuing guarantees.

The Bank continued to work towards the enhancement of sound debt management practices in the region through the provision of technical assistance to the ECCU member countries. In-country technical assistance was provided in undertaking and updating Debt Sustainability Analyses (DSA), Medium Term Debt Management Strategies (MTDS) and validation of the Commonwealth Secretariat Recording and Debt Management System (CS-DRMS). Technical support on the MTDS was provided to Antigua and

The Bank also made progress during the financial year 2012/2013 in identifying a new statistical enterprise solution.

Barbuda and Saint Lucia during the financial year. Following the capacity building on the DSA, which was delivered to all member countries in the previous financial year, the support from the Bank in this area during the 2012/2013 financial year was directed towards updating the DSA to feed into the countries' macro-economic frameworks.

To ensure the safe storage of loan instruments, fire proof filing cabinets were donated to the member countries[3]. Scanners were also provided to facilitate soft copy storage of loan instruments in CS-DRMS. Additionally, the upgrade of information technology systems through new servers donated to Grenada, St Kitts and Nevis and St Vincent and the Grenadines are expected to improve the systems' functions and ultimately the debt data storage capabilities.

The Bank monitored the Debt Management Performance Assessment (DeMPA) Action Plan to measure improvements in the indicators and to identify where further assistance was required. The DeMPA methodology was developed by the World Bank and is used for assessing performance through a comprehensive set of indicators.

The Bank also made progress during the financial year 2012/2013 in identifying a new statistical enterprise solution. The solution will provide a fully integrated, web-based, interactive statistical system that will see changes in the way data providers submit data to the ECCB and modifications in the way data respondents access data from the Bank.

SUPPORT FOR ECONOMIC DEVELOPMENT

Conferences, Seminars and Workshops

23rd Annual Conference with Commercial Banks

The ECCB hosted the 23rd Annual Conference with Commercial Banks from 8 – 9 November 2012 under the theme: *"Financial Sector Stability: A Prerequisite for Growth"*. The conference attendees, who included representatives from commercial banks and non-bank financial institutions operating within the ECCU, engaged in discussions on the effectiveness and efficiency of regulation and supervision and the importance of a strong financial system as a prerequisite for sustainable growth in the ECCU.

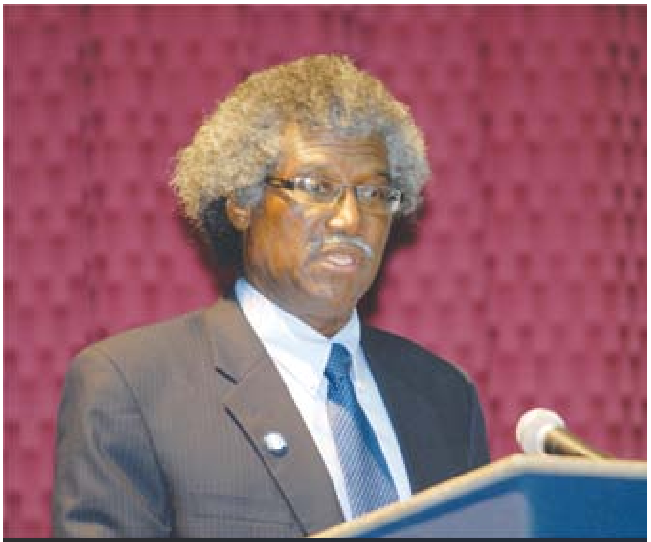
17th Sir Arthur Lewis Memorial Lecture

The 17th Sir Arthur Lewis Memorial Lecture was held on 7 November 2012 and featured Dr Simon B Jones-Hendrickson, Professor of Economics, College of Liberal Arts and Social Science, University of the Virgin Islands. Dr Jones-Hendrickson delivered the lecture titled: "*Contesting Destinies in a W Arthur Lewis Framework*"[4]. Dr Jones-Hendrickson also presented the 4th Annual Sir Arthur Lewis Memorial Book Award in honour of the memory of Sir Arthur

[3] Excluding Montserrat whose debt data is managed by the ECCB

[4] The lecture by Dr Simon Jones-Hendrickson can be found on the ECCB's website: www.eccb-centralbank.org

Lewis to the T A Marryshow Community College in Grenada. The award, which is valued at EC$2,700, is presented annually by country in alphabetical order to a selected college in the respective ECCU member country.



The Honourable Sir K Dwight Venner presents his introductory remarks at the 17th Sir Arthur Lewis Memorial Lecture on 7 November 2012.

Best Corporate Citizen Award

The Best Corporate Citizen Award among ECCU Commercial Banks was also presented at the Sir Arthur Lewis Memorial Lecture. The award, launched in 1997, also recognises as good corporate citizens, the banks that were adjudged to have executed their corporate social responsibilities at the highest level in the following areas: Community Outreach and Social Services; Cultural Development; Customer Service; Educational Development; Environmental Awareness; Financial Education and Empowerment and Sports.

The Bank of Saint Lucia received the 2012 ECCU Best Corporate Citizen Award Among Commercial Banks and was also the recipient of Good Corporate Citizen Awards for Community Outreach and Social Services, Educational Development, and Sports.

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

- National Bank of Dominica, Ltd – Cultural Development and Customer Service
- Republic Bank (Grenada) Ltd – Environmental Awareness and Financial Education and Empowerment

Dr Simon Jones-Hendrickson delivers the 17th Sir Arthur Lewis Memorial Lecture "Contesting Destinies in a W Arthur Lewis Framework", 7 November 2012.

Other seminars and workshops held were:

- A United Nations-Economic Commission for Latin America and the Caribbean (UN-ECLAC) workshop on International Comparison Programme (ICP) 2011 Round from 26 to 30 March. The workshop was organised jointly by the UN-ECLAC, the Caribbean Regional Technical Assistance Centre (CARTAC) and CARICOM, and was hosted by the ECCB.

- A World Bank Strategic Business Plan Workshop from 16 - 17 April. The workshop formed part of the overall Strategic Business Plan Project with the objective of developing a business plan for the individual Single Regulatory Units in member countries.
- A CARTAC seminar on government finance statistics, linkages with the system of national accounts and public finance management which took place from 16 to 27 April. The seminar emphasised the importance of aligning the reporting of fiscal data with the Government Finance Statistics Manual (GFSM) 2001 presentation and issues of linkages between national accounts and government finance statistics.
- An Eastern Caribbean Automated Clearing House (ECACH) Rules Workshop was held from 18 to 20 June and focussed on finalising the rules that would govern the operations of the Automated Clearing House (ACH).
- A Risk Management and Corporate Governance Workshop was held in Antigua and Barbuda from 5 to 6 July and was facilitated by the ECCB, IFC and ECSE. An overview of the ECCU Corporate Governance Initiatives and the ECCB's Corporate Governance Handbook for Directors were addressed.
- A five-day Credit Union Supervisory Workshop was hosted by the ECCB from 21 - 25 January for regulators of the Single Regulatory Units (SRUs). The workshop was one of the deliverables of a consultancy for the development of a supervision manual and the training of regulators from across the ECCU.
- A workshop on International Financial Reporting Standards (IFRS) for Non-Bank Financial Institutions (NBFIs) was held from 25 February to 1 March. The objectives of the workshop were to enhance IFRS capacity in the NBFI sector in the Caribbean; strengthen the audit and regulation of the NBFIs in the region; and provide a forum for interaction, sharing of experiences and discussion of common issues in relation to the application, audit and regulation of IFRS reporting of the NBFIs in the region.

Networking and Consultative Meetings

During the year, the ECCB held networking and consultative meetings to facilitate information sharing on existing economic and financial conditions in the ECCU member countries. The meetings also provided opportunities for collaboration with member governments in support of the Bank's policy advisory role. Meetings were held during the year with the following networking and consultative groups:

- Financial Secretaries
- Joint Financial Secretaries and Attorneys General

- Joint Accountants General/Directors of Budget and Audit
- Directors of Statistics
- Directors of Social Security Systems
- ECCU Heads of Policy Units
- Joint Comptrollers of Inland Revenue and Customs
- Banking Committee
- Special Meeting with Senior Officials of Indigenous Commercial Banks

Public Education/Public Relations

The ECCU Public Education Programme is designed to arm the citizens of the currency union with the knowledge, skills and techniques to address the many challenges being faced in the new global economy. In addition to fulfilling its facilitatory role in promoting economic growth, the Bank continued to establish and nurture strong networks with private and public sector institutions and individuals across the region through this programme.

ECCU Economic Review Presentation

One of the pivotal components of the public education programme is the Governor's annual review of the ECCU economy.

In his presentation of the 2012 ECCU Economic Review on 29 January 2013, Governor Venner addressed four key issues: the current realities in the ECCU; the vision for the future of the currency union; what had been done to help the region meet the challenges of the on-going global economic and financial crisis; and what needed to be done to help guarantee hope for the current and future generations of the currency union[5].

Immediately following the presentation, a cross-section of residents from the eight ECCB member countries had the opportunity to engage the Governor in discussions via videoconference technology on the issues ranging from the rise in cost of air travel to unemployment, education and training in the ECCU.

Governor Venner responds to the audience's questions that were fielded to him during his presentation of the 2012 ECCU Economic Review. The Right Honourable Dr Denzil L Douglas, Prime Minister of St Kitts and Nevis and Chairman of the ECCB Monetary Council for 2012/2013 (front-row-right) attended the presentation which was transmitted across a regional audience via videoconference technology on 29 January 2013.

[5] The Governor's presentation of the 2012 ECCU Economic Review can be found on the ECCB's website: www.eccb-centralbank.org

Financial Information Month 2012

Financial Information Month (FIM) is observed every October since 2001 with the objective of continuing the process of educating the region's citizens on the basics of personal financial management and consumer skills.

In 2012, the ECCB, in collaboration with financial institutions, the Ministries of Education and Finance and the media, planned and implemented various FIM initiatives under the theme: *Challenge Yourself. Innovate-Compete-Succeed!* The theme challenged citizens of the Eastern Caribbean Currency Union (ECCU) to rethink and retool business processes and models which could lead to a more competitive and viable region in a global economy that demands sophistication, efficiency and innovation.

Residents of each member country of the ECCU were afforded the opportunity to participate in the FIM activities which were coordinated by the ECCB and its fellow collaborators. These activities included:

- A declaration speech delivered by the respective Ministers for Finance or their alternates in member countries of the ECCU to launch the month.
- A business symposium for 4th and 5th form students held on 11 October via videoconference; 323 students from across the ECCU participated in the symposium.
- A business symposium and innovation forum held on 17 October via videoconference; 259 persons from the public and private sectors from across the ECCU attended the session.
- A business innovation contest which sought to challenge the creativity and business knowledge of ECCU secondary school and sixth form college students; 157 entries were submitted.
- Media programmes which included newspaper articles written by representatives of partnering financial institutions, business and financial tips aired on radio stations and radio discussion programmes.
- School visits and other initiatives targeting the region's youth.
- Discussions with businesses, community groups and churches.
- Financial Fitness walkathons which were organised to bring FIM partner institutions and the public together in a fun and healthy setting which provided networking and relationship building opportunities.
- A Financial Information Month song and video.

Some of the regional participants of the Business Symposium and Innovation Forum held on 17 October 2012. Inset - Entrepreneurs and Presenters of the Symposium: Mr Julian Hall at the podium with Mr Andre Harding (right) and Mr Richard Boon (left) seated at the head table.

Financial partners interacting with customers at their booths as part of the financial fairs held during FIM 2012.

Other activities included:

- A charity outreach initiative conducted in Grenada, Saint Lucia and St Kitts and Nevis where food baskets, funds and other essential items were delivered to the less fortunate by ECCB staff and the participating FIM partner institutions across the currency union.
- Financial fairs held in Grenada and St Vincent and the Grenadines where financial institutions had the opportunity to exhibit their products and interact with customers. The steel band from the primary school which is involved in the ECCU Mentorship Programme in St Vincent and the Grenadines was featured at the fair.
- An innovation contest among technical institutes and a cultural entrepreneurship show which featured entrepreneurs in the various arts such as dance, music and drama were held in St Vincent and the Grenadines.

The ECCB continued to collaborate with private and public sector institutions in various capacity building initiatives in response to the changing needs of the region.

Workshops and Seminars

In pursuit of its mission to strengthen the understanding of ECCU citizens in economic, business and financial areas, the ECCB continued to collaborate with private and public sector institutions in various capacity building initiatives in response to the changing needs of the region.

ECCU Consultation on Entrepreneurship

The Entrepreneurship Consultation, conducted on 17 April 2012 by the ECCB, was an integral part of the process of forging partnerships and increasing collaboration with key ECCU organisations to advance entrepreneurship development. The consultation resulted in:

1. **The production of a green paper on entrepreneurship development in the ECCU circulated to all stakeholders.** This paper provides a framework for addressing gaps and improving entrepreneurship development and by extension economic growth in the ECCU.
2. **The development the ECCB Small Business Management Workshops.** The workshops seek to provide training in key areas to meet the specialised needs of small business owners in the following areas - business planning and operational efficiency; business assessments and adjustments, creative thinking and problem solving, sales and negotiations techniques, and financial management. The desired result is the enhancement of business competitiveness by expanding their economic possibilities and by extension exerting a positive influence on economic growth. During the financial year, 44 small business owners in St Kitts and Nevis benefitted from these workshops which were piloted in collaboration with the Manufacturing Division of the St Kitts and Nevis Chamber of Industry and Commerce. Similar workshops will be implemented in the other ECCU member countries throughout 2013.
3. **The incorporation and promotion of business mentorship in entrepreneurship training initiatives.** The purpose of the mentorship programme is to provide an opportunity for graduates of the ECCB Entrepreneurship Course, who are pursuing a business venture, to develop a mentoring relationship with astute business persons who are willing to share their insights and knowledge. The mentors were chosen based on their abilities to offer advice; provide a window into today's business realities within a specific industry sector; share experiences; and provide business guidance. Additionally, it is expected that the mentors would draw on their business networks to assist the participants with the development of their business ideas.

The Bank continued its efforts to improve and strengthen media practitioners' knowledge about the work of the ECCB and financial matters through the hosting of workshops for ECCU media practitioners.

Financial and Economic Workshops for Media Practitioners

The Bank shares the view that a media that is well versed in financial and economic matters is integral to a region's development. In support of this, the Bank continued its efforts to improve and strengthen media practitioners' knowledge about the work of the ECCB and financial matters through the hosting of workshops for ECCU media practitioners.

On 26 September 2012, the Bank hosted 116 ECCU secondary school teachers at a Train the Trainers workshop.

This year's training focused on:

- Bank interest rates in the ECCU;
- Bank supervision and regulation in the ECCU; and
- Financial sector stability and the ECCU Eight Point Stabilisation and Growth Programme

Train the Trainers Workshop for ECCU Secondary School Teachers

The ECCB aims to positively impact the schools' curricula throughout the ECCU by providing teachers with tools and techniques which they can subsequently take to the classroom. On 26 September 2012, the Bank hosted 116 ECCU secondary school teachers at a Train the Trainers workshop. The workshop provided information, practical skills and insights on how to more effectively teach young people about business and money management matters and focused on practical techniques and strategies.

Train the Trainers Workshop for Financial Practitioners

Cognisant of the current challenges faced by households and businesses, the ECCB continued to engage financial institutions on appropriate and effective strategies that can be devised to respond to their customers' evolving needs, while at the same time positively impacting their institutions' goals and performance objectives. On 29 November 2012, 101 participants from financial institutions across the ECCU participated in a training forum designed to further drive improvements in the design and delivery of financial services in a recessionary economy.

Over 290 students aged 14 to 19 from the eight ECCB member countries engaged in discussions via videoconference on youth unemployment, the future viability of agriculture in the OECS and the benefits of the OECS Economic Union.

Regional Seminar on Economic Issues

As an advocate for the advancement of economic and financial education of the ECCU citizenry, the ECCB continued its efforts at engaging the youth on matters that address growth and development of the currency union. Each year since 1996, the Bank has sponsored the OECS Essay Competition and carries out various activities aimed at familiarising the students with the selected topics. On 14 February 2013, over 290 students aged 14 to 19 from the eight ECCB member countries engaged in discussions via videoconference on youth unemployment, the future viability of agriculture in the OECS and the benefits of the OECS Economic Union. The discussion included facilitators and discussants who sought to augment the students' critical thinking and expose them to techniques for organising their ideas and presenting strong, logical arguments in essay writing. It also gave students the opportunity to interactively exchange their ideas and increase their understanding of ECCU economic issues, challenges and opportunities and their role in national and regional development.

ECCB Savings and Investment and Entrepreneurship Courses

To date, there are 2,495 graduates emerging from 75 cohorts of the ECCB Saving and Investment course.

The ECCB Savings and Investments and Entrepreneurship Courses launched in 2003 and 2010 respectively are designed as practical, interactive and participatory courses which culminate in the development of personal financial mission statements, financial goals, savings and investment strategies, debt management strategies, business ideas and business plans.

To date, there are 2,495 graduates emerging from 75 cohorts of the ECCB Saving and Investment Course, while the ECCB Entrepreneurship Course, institutionalised in five of the eight ECCU member countries so far, has 164 graduates from the 7 cohorts held since its inception.

As part of the Bank's effort to add value to the Entrepreneurship Course, the business mentorship programme, one of the key results of the ECCU Consultation on Entrepreneurship, was launched in St Kitts and Nevis and Antigua and Barbuda and will be incorporated in the other member territories where the course is being held.

The ECCU Primary School Mentorship Programme

ECCB representatives as well as guest facilitators engaged the eight hundred and thirty-two (832) students and their teachers in discussions and interactive activities about general financial and economic concepts.

The ECCU Primary School Mentorship Programme, which began in 2007, is administered in eight primary schools, one from each member country. The initiative involves students from grade 4 to grade 6 and was designed to ensure that the students are mentored for their last three years at the primary school level.

During the 2012/2013 financial year, ECCB representatives as well as guest facilitators engaged eight hundred and thirty-two (832) students and their teachers in discussions and interactive activities about general financial and economic concepts. In addition to the academic aspect, the students are taught group dynamics during team exercises; self-confidence while participating in interactive activities and presentations; problem solving; and how to think innovatively.

News Releases and Other Publications

Being cognisant of the importance of effective communication and the need to interface with all stakeholders, the Bank disseminated news releases and communiqués on its various activities during the financial year.

Other public education and awareness initiatives included:

- Presentations to schools and parents of students, business houses, community groups and churches on the role and functions of the ECCB and on general financial and economic issues;
- Production of a monthly financial newsletter "Your Financial News" distributed to participants and graduates of ECCB courses, as well as public and private sector networks; and
- Media and other programmes on the ECCB's role in safeguarding financial stability in the ECCU and advancing economic growth through institutional development and strengthening.

In an effort to continuously improve its public education programme, the Bank sought feedback from the public through face-to-face engagements with the media, dialogue at public fora, seminars and surveys.

Community Outreach

The ECCB's community outreach programmes embody the Bank's commitment to contributing to the development of the people of the currency union.

Three hundred and twenty (320) students, aged 14 to 19, from schools across the ECCU submitted entries for the 2012 competition.

OECS Essay Competition

The ECCB-sponsored OECS Essay Competition, which highlights current economic, financial and social issues, is aimed at broadening the knowledge base of the region's youth as it pertains to current events. Launched in 1996, the competition is geared towards encouraging and stimulating dialogue among the youth on issues that affect the citizens of the ECCU member countries. Three hundred and twenty (320) students, aged 14 to 19, from schools across the ECCU submitted entries for the 2012 competition.

Age 14 to 16

RESULTS	STUDENT	COUNTRY / SCHOOL
1st	Tiffannie Skerritt	**Montserrat** – Montserrat Secondary School
2nd	Andy Scott	**Grenada** - Grenada Seventh Day Adventist Comprehensive School
3rd	Candace Green	**St Kitts and Nevis** - Washington Archibald High School

Age 17 to 19

RESULTS	STUDENT	COUNTRY / SCHOOL
1st	Al Flemming	**St Kitts and Nevis** - Charlestown Secondary and Nevis Sixth Form College
2nd	Tashaun Williams	**St Kitts and Nevis** - Washington Archibald High School
3rd	Theon Tross	**St Kitts and Nevis** - Charlestown Secondary and Nevis Sixth Form College

The Antigua Girls High School, Antigua and Barbuda submitted the most entries.

OECS/ECCB Under 23 Netball Tournament

For the past 22 years the ECCB has been demonstrating its belief in the importance of sports to the social and physical development of the young women in the currency union by sponsoring the OECS/ECCB Under-23 Netball Tournament. Each year, the Bank collaborates with the OECS Secretariat to stage the tournament in association with the designated host country netball association.

The far-reaching impact of this tournament continues to add value to the region in various ways including:

- Empowerment of young women;
- A motivational factor for individuals leaving the secondary school environment but who still have the desire to continue playing the sport;
- Better prepared national teams as coaches gauge the skills and talents of potential national players from the under-23 pool;
- An opportunity to discover and be informed about the other islands in the sub-region;
- The forging of relationships and the opportunity to network among the young women; and
- Economic benefits for the countries where the tournaments are held.

In 2012, the tournament was held in Grenada from 6 to 12 July. Seven teams competed for the championship trophy: Antigua and Barbuda, the Commonwealth of Dominica, Grenada, Montserrat, St Kitts and Nevis, Saint Lucia and St Vincent and the Grenadines. Team Montserrat returned to the tournament after an absence of over seventeen (17) years. St Vincent and the Grenadines emerged as the winners of the 2012 championship trophy. Team SVG has won the tournament 13 times since 1991.

Mrs Linda Felix-Berkerley, ECCB Resident Representative Grenada (right) with the St Vincent and the Grenadines 2012 OECS/ECCB Under 23 Netball Tournament Winning Team.

THE BANK'S FINANCES

Consolidated Statement of Financial Position

As at 31 March 2013 the Bank's Total Assets stood at $3,717.6m, an increase of $395.6m (11.91 per cent) when compared with the position last year.

Foreign Assets increased by $338.2m (11.46 per cent) due to inflows of grants and loans to member governments from international institutions and receipt of funds for the British American Liquidity Support Fund. The reinvestment of income on foreign assets and gains on the sale of foreign securities held within the ECCB's foreign reserve portfolio also contributed to the increase.

Domestic Assets increased by $57.4m (15.48 per cent). The expansion was primarily due to an increase of $62.3m (142.14 per cent) in Due from Participating Governments, as member governments increased the usage of the overdraft facility during the period. This increase was tempered by a reduction of $8.6m (7.23 per cent) in Participating Governments' Securities.

Total Liabilities expanded by $396.9m (12.98 per cent) over the year. The most significant increases in that category were reported in Commercial Banks' Reserve Balances, $322.48m, Currency in Circulation, $31.5m and Government Securities Account, $18.2m.

Total Equity decreased by $1.3m (0.50 per cent), mainly as a result of a decrease of $4.6m in the market value of foreign securities as the US Bond market weakened over the financial year. The effect of this decrease was moderated by allocations from net income of $2.7m to the General Reserve and $0.8m to the Self Insurance Reserve Fund.

Consolidated Statement of Income

The consolidated net income for the year under review totalled $5.2m, a decrease of $6.5m (55.64 per cent) compared to the previous year's net income of $11.7m. Operating Income for the period under review was $3.0m (3.83 per cent) less than the previous year. This was attributable to a decrease in interest income. The decline in interest income resulted from a reduction in income from the Bank's foreign reserve portfolio as international interest rates remained at historical lows. Also contributing to the decrease in net income was an increase of $3.6m (5.41 per cent) in Operating Expenses.

THE BANK'S INTERNAL MANAGEMENT

Risk Management

In accordance with the three-year strategic plan that was approved for the period 2011/2012 to 2013/2014, one of the key areas of focus of the Internal Audit Department (IAD), was the provision of the implementation of the Systems Applications Products Enterprise Resource Planning (SAP-ERP) Solution. Activities were centred on ensuring that the system had adequate controls and a robust audit trail architecture to meet the requirements of the Bank's risk management infrastructure. In addition, through the assignment of dedicated staff to the SAP-ERP project, the department gained knowledge of the system to be able to conduct post implementation and on-going audits.

The IAD also performed an audit of the Agency Offices, conducted a survey and an analysis of the services provided to the commercial banks and the participating governments by the Banking and

Monetary Operations Department and commenced on-going audits of the new SAP-ERP system. Additionally, the department enhanced its Reserve Management Compliance Monitoring and Reporting Function through the automation of some of its processes.

To enhance the awareness of risk issues by the Bank's departments, bi-annual risk questionnaires focused on corporate governance as well as on the risks and controls associated with the SAP-ERP system were issued to the Heads of Department of the Bank. Heads of Department also met with the Board of Directors in January 2013 to discuss the risk environment of the departments and provided assurance to the Board that adequate controls were in place to mitigate the perceived risks.

Information Technology and Security

The following projects were undertaken during the 2012/2013 financial year to further increase productivity and efficiencies through automation of manual systems and enhancement of existing automated systems throughout the Bank:

Virtualisation of the ECCB's Network Infrastructure

The Management Information System Department completed about 90.0 per cent of the project to virtualise the Bank's server infrastructure. The main aim of this project is to reduce the cost of information technology (IT) systems while increasing their availability. The virtualisation hardware consists of the latest blade server and Fibre Channel Storage technologies. The expected benefits to be derived from the use of this hardware include:

- Reduction in costs by increasing energy efficiency in the areas of cooling and power.
- Reduction in costs by requiring less hardware with server consolidation.
- Improvement in business continuity capabilities through improved 24-hour availability.

SAP ERP Implementation – Stage I

The Bank implemented Stage I of the SAP Enterprise Resource Planning (SAP-ERP) Solution on 5 November 2012. The solution is an integrated and interactive application that will realise improvements

Members of the SAP-ERP Implementation Team Stage I in a typical meeting to discuss the fine details of migrating to the integrated system.

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.

HR Automation – SAP ERP

The Human Resource Department commenced use of the human resource components (Payroll and Time Management, Human Capital Management and Employee Self Service) of the integrated Enterprise Resource Planning, SAP software in November 2012. The introduction of this system to the Human Resource Department's work programme linked, for the first time, all of the functions required for payroll processing, and subsequently reduced the time required for effecting key payroll related tasks performed in the department.

The recruitment and performance management modules of the SAP-ERP system will be finalised in 2013. This will result in the realisation of a fully integrated system which will enhance the department's ability to use efficient technological methods to achieve its core deliverables.

Human Resource Management

During the fiscal year 2012/2013 the Human Resource Department (HRD) continued its mandate to strengthen the Bank's business processes through the effective management of the Bank's human capital.

The ECCB maintained its drive to provide dedicated time and resources to the professional and personal development of its staff through weekly capacity building sessions.

This role encompassed:

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

Recruitment

Twenty-four (24) positions were filled at the Bank's headquarters over the review period. All new hires were exposed to a comprehensive orientation process introducing them to the Bank, their respective department and the St Kitts and Nevis community. The departmental orientation ensured that the new staff were equipped to undertake assigned tasks following a reasonable transitional period. Other key departments were also involved in the general orientation of the new recruits to facilitate a smooth transition into the workplace and a successful outcome for confirmation to their posts at the end of the probationary period.

Capacity Building

The ECCB maintained its drive to provide dedicated time and resources to the professional and personal development of its staff through weekly capacity building sessions.

The Bank also continued its group development by designating exercises which focussed on team-building and networking. These sessions enhanced the lines of communication among staff with similar functionalities and provided a platform for the sharing of knowledge and expertise in order to strengthen the Bank's output.

Over the year, staff members with the support of the Executive Committee and management, undertook a number of capacity building sessions, using traditional and non-traditional delivery methods. The seminar series coordinated by the Research Department provided a forum for intellectual discourse on a plethora of timely and relevant socio-economic issues. The ECCB's Spanish Vibes programme continued to enhance participants' multilingual capabilities to equip them with a necessary skill for operating in a diversified global environment.

Intraregional Central Bank Games

The Eastern Caribbean Central Bank (ECCB) fielded a full and energetic slate for the 9th Intraregional Central Bank Games which was hosted by the Bank of Jamaica in Kingston, Jamaica from 5 – 9 April 2012.

The delegation, led by the ECCB Managing Director, Mrs Jennifer Nero, comprised 35 staff members: five team managers and 30 athletes, who competed in football, cricket, darts, scrabbles, netball, basketball, table tennis and volleyball.

The Honourable Sir K Dwight Venner, Governor (far left) and Managing Director, Mrs Jennifer Nero (far right) with the Bank's Administrative Professionals who had prepared a display of the transformation of the administrative profession as part of their group development for Administrative Professional's Day 2012.

With heightened team spirit, fierce competitiveness and spewing with confidence, Team ECCB exhibited true sportsmanship throughout the games. After trailing in seventh place during most of the games, the team's determination propelled it to fourth position at the end of the games. The overwhelming rise in the ranking was attributed to the astounding performance of the cricket team which successfully defended its four-year hold on the championship title and the football team's aggressive battle with the Bank of Jamaica (BOJ) which earned it second place in that discipline.

Topping an exciting week of fun and sports, the ECCB was recorded as the first central bank to be the recipient of two male MVPs for the same ICBG games - Mr Marlon Davis and Mr Exzaver Nias.

The ECCB's Team to the 9th Intraregional Central Bank Games worked hard and displayed a level of enthusiasm, discipline, dedication and camaraderie of which the Bank can be proud. The team's slogan was "ECCB Charge up!"

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 2012/2013. We thank them all.

The Managing Director, Mrs Jennifer Nero (2nd row from back, 4th from right) led the ECCB's Team to the 9th Intraregional Central Bank Games in Jamaica from 5 to 9 April 2012.

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:

- Review the performance of the Bank's money managers, brokers and global custodian; and
- Conduct the annual rebalancing of the ECCB Customised Benchmark to continue to preserve the risk tolerance level of the Bank.

Currency Management

The main objectives for the year will include:

- Full implementation of the Currency Vault Management Solution [ECM-ISA] application in all ECCB member countries;
- Effective, efficient and analytical reporting through the use of ECM-ISA; and
- Comprehensive 'Know Your Money' seminars for cash handlers, which will include the EC Dollar and all foreign currencies with which the ECCB member countries trade.

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.
- Prepare a Financial Stability Report as part of its macro-prudential analysis and reporting to assess the risks to financial stability that could emanate from regional and international economic conditions, the payments and settlements system and developments in regional and international capital markets.
- Continue to engage in policy development and where applicable, propose new or revised legislation, regulations, and guidelines based on international standards and current best practices, towards enhanced integrated regulation and supervision to support systemic stability.
- Continue to facilitate the modernisation of the financial system through the implementation of Points 6, 7 and 8 of the ECCU Eight Point Stabilisation and Growth Programme by promoting the restructuring of the financial sector, coordinating the work of the Task Force on the ECCU Financial System and spearheading the technical assistance programme for strengthening the resilience of the ECCU financial system.

Banking Services

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

- Continuing to explore ways in which it can enhance its role as fiscal agent to member governments;
- Collaborating with member governments to develop a cohesive action plan for improving effectiveness and efficiency in the areas of cash

flow management and public sector accounting;
- Developing appropriate business continuity and contingency arrangements for the Large Value Payment System.

Payments System

For the upcoming year, the Bank will continue its payment system improvement initiatives in the following areas by:

- Collaborating with the Eastern Caribbean Automated Clearing House Services Incorporated (ECACHSI) and other stakeholders to launch the Automated Clearing House (ACH) starting with image exchange of cheques followed by electronic funds transfers;
- Conducting an ACH public awareness and education campaign; and
- Implementing 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 provide legal support for the resolution of the ABI Bank Ltd;
- Work along with member governments and industry stakeholders in the development of the legal infrastructure which would facilitate compliance with FATCA; and
- Finalise the ECACH Rules for publication.

MONEY AND CAPITAL MARKETS DEVELOPMENT

During 2013/2014, the Bank will focus on:

- Conducting further research on the development of the secondary market for government securities;
- Promoting the regular issuance of securities by the member governments with a wide range of tenors; and
- Assisting the participating governments to improve the investor climate.

THE BASIS OF POLICY

Research

The Bank will continue to fulfil its policy objectives in the upcoming financial year, focusing on:

- Conducting research work on financial stability issues; fiscal and debt sustainability; money and credit; and growth and development in small open economies;
- Preparing joint reports for the member countries using the Financial Programming and Debt Sustainability Analysis Reporting Framework;
- Posting on the Bank’s website briefs on the annual assessment mission to the member countries; and
- Preparing money and credit indicators for the ECCU.

Statistics

During the upcoming year the following will be undertaken:

- A three-day workshop during the period 11 to 13 June 2013 at ECCB Headquarters to discuss the changes to commerical bank's prudential returns, the classification of financial institutions/instruments and public non-financial corporations, and related issues. A pilot test of the new returns will be completed during the latter half of 2013 followed by the implementation of the new returns;
- Vendor selection and implementation of the new statistical enterprise solution is expected to be completed by the end of 2013; and
- In-country training workshops on Negotiation Techniques for Sources of Finance for Antigua and Barbuda, St Kitts and Nevis, Saint Lucia and St Vincent and the Grenadines.

SUPPORT FOR ECONOMIC DEVELOPMENT

Conferences and Seminars

The Bank will host the following conferences:

- 18th Sir Arthur Lewis Memorial Lecture on 6 November 2013
- 24th Annual Commercial Banks Conference during 7 to 8 November 2013

Corporate Relations

The Bank will:

- Expand networks, deepen collaborative partners and develop stakeholder relationships though training and the development of initiatives throughout the ECCU; and
- Augment capacity building among teachers through Train the Trainers workshops focusing on economic, financial and business issues.

THE BANK'S FINANCES

For the 2013/2014 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

The Internal Audit Department will continue to concentrate on:

- Providing advice on risk management;
- Providing assurance on internal control;
- Providing consultancy services to departments; and
- Alerting management to weaknesses that could result in loss, fraud or any other undesired effect.

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:

- The implementation of SAP ERP Stage II;
- The implementation of a Statistical Enterprise Solution; and
- The implementation of a new security solution.

Human Resource Management

The Bank's main objectives for 2013/2014 include:

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

THE ECCB'S 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.

Left to Right: The Right Honourable Dr Denzil L Douglas, Council Member for St Kitts and Nevis and Incoming Chairman for 2012/2013, The Honourable Sir K Dwight Venner, Governor, ECCB, The Honourable Reuben Meade, Council Member for Montserrat and Outgoing Chairman at the Handing Over Ceremony of the ECCB Monetary Council in St Kitts and Nevis, 29 June 2012.

The Chairmanship of the Council is rotated annually among member countries in alphabetical order. The current Chairman for 2012/2013, the Right Honourable Dr Denzil L Douglas, Council Member for St Kitts and Nevis assumed office on 29 June 2012 following the handing over in chairmanship from the out-going Chairman, the Honourable Reuben Meade, Council Member for Montserrat. In July 2013, Prime Minister Douglas will transfer the chairmanship of the Council to Dr the Honourable Kenny D Anthony, Council Member for Saint Lucia. In February 2013, the Right Honourable Dr Keith Mitchell replaced the Honourable Nazim Burke as the Council Member for Grenada.

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." In 2012, the Council convened three regular meetings on 10 February, 29 June and 26 October and two special meetings on 14 January and 12 November.

The Ministerial Sub-committees of the Monetary Council on Banking, Credit Unions, International Finance Services, Insurance and Debt met during the year via videoconference to address issues related to the respective areas and the strengthening of the ECCU financial system.

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. During the year, Dr Reginald Darius replaced Mr Isaac Anthony as the Board Member for Saint Lucia.

The Board meets at least once every quarter in a calendar year. Five appointed Directors at any meeting constitute a quorum. In 2012, the Board held 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 and the auditor selected serves for three years.

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

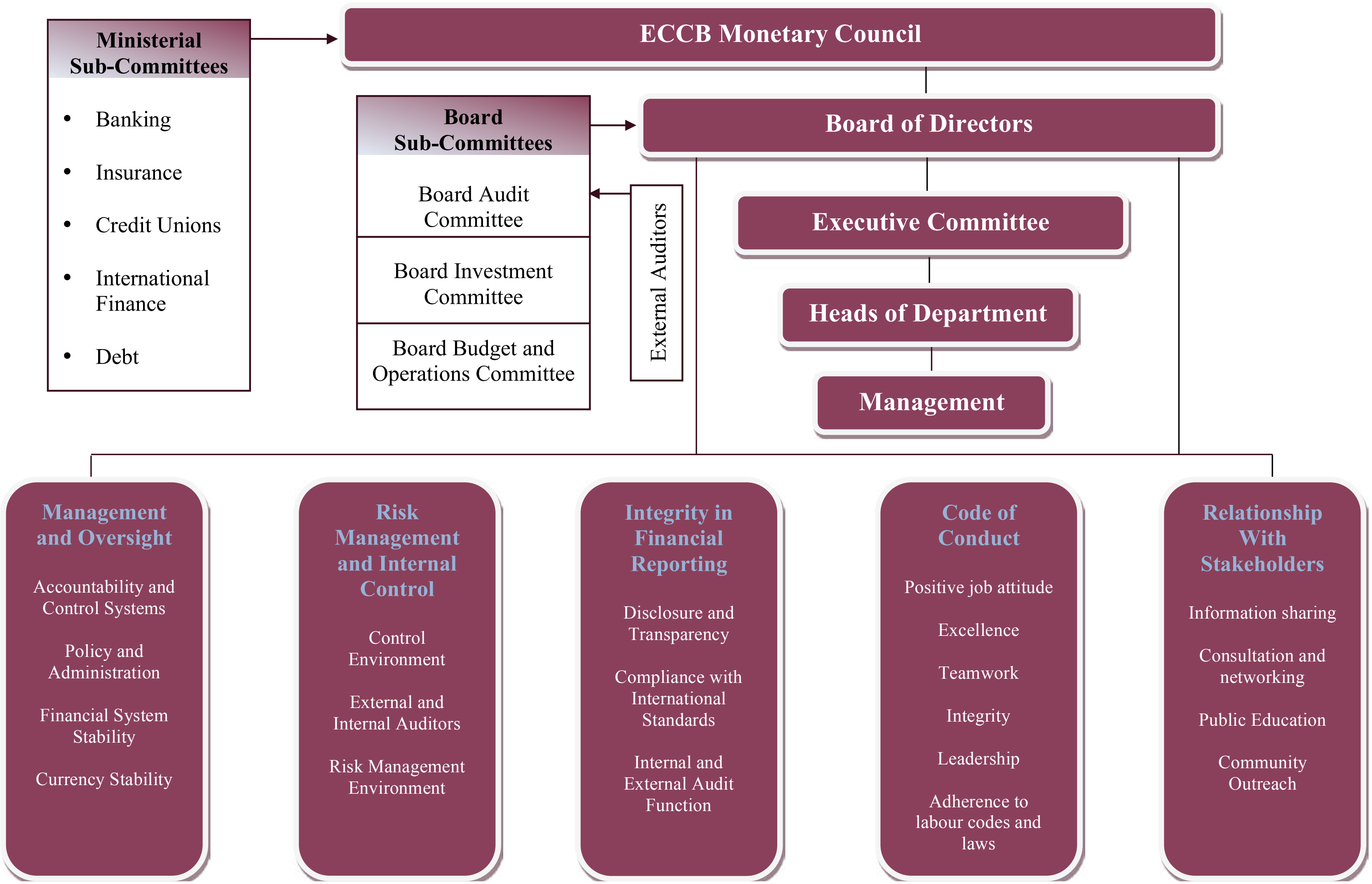
The ECCB recognises its corporate social responsibility to the people of the region, a responsibility that is enshrined in its mandate to promote a sound financial structure conducive to the balanced growth and development of its member states [Article 4(3) of the ECCB Agreement, 1983]. The Bank's execution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

ECCB Corporate Governance Framework



CHRONOLOGY OF THE EASTERN CARIBBEAN CENTRAL BANK

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 22 July, following the ECCB's consultations with the Government of Antigua and Barbuda, the Board of Directors of the ABI Bank 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 Limited.

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. The course is intended to inspire more persons to consider entrepreneurship as a possible goal and promote best business practices among small business owners. The course covers four broad areas (i) Business (ii) Marketing (iii) Finance and (iv) Management. It is anticipated that the course will be rolled out in the other ECCB member countries commencing the 2011/2012 financial year.

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.

- The ECCU Eight Point Stabilisation and Growth Programme was signed by the Heads of Government of the ECCU at a working session on 29 December at the Bank's Headquarters.

- A two-week Boot Camp was held at the Bank from 7 – 18 September to develop a coherent and consistent strategy for the implementation of the ECCU Eight Point Stabilisation and Growth Programme to address the effects of the global financial and economic crisis on the ECCU member countries. The collaborating agencies were: Government of Spain, CIDA, CDB, CARTAC, CARICOM/CARIFORUM, DFID, EU, IMF, OECS, UNDP and World Bank.

- 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.

- The Integrated Currency Management Solution was approved on 29 May 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) where stability had come under serious threat. 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. This banking application electronically captures, transfers and processes payment instructions, significantly reducing the processing time and settlement risk in the large value payment system.

2008 - Effective 15 December the Bank's organisational structure was changed from three Divisions of four Departments each, to two Divisions, namely :

- Systems and Administration
- Monetary Policy and Operations with six Departments each.

- 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. Sir Cecil was appointed Managing Director of the Eastern Caribbean Currency Authority in 1973, first Governor of the ECCB in 1983 and 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$100.00 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.

- On 16 February, the ECCB opened the OECS/ECCU Exhibition Centre at the Bank's Headquarters. The objective of the exhibition centre is to give tangible expression to the concept of an ECCU domain. A photographic display depicting the region's unsung heroes in their daily lives is the focal point.

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. The staff members attended a special church service and staged a concert to commemorate the event.

- 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. Under the facility, the ECCB assumed the member governments' special deposit liabilities to commercial banks in an arrangement through which the amounts would be repaid over a 15-year period following a 5-year grace period.

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.

- The Monetary Council approved the establishment of a Private Sector Consultative Group (PSCG), to allow for the inclusion of a private sector perspective in economic policy formulation, at the regional level. The inaugural meeting of the PSCG took place on 10-11 July at the ECCB Headquarters in St Kitts.

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 Bank established the Financial and Enterprise Development Unit by merging the Export Credit Unit and the Money and Capital Market Development Unit.

- 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.

- The Bank established a Monetary Policy Unit, a Money and Capital Market Development Unit and an administrative, Policy Co-ordination and Evaluation Unit in January.

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.

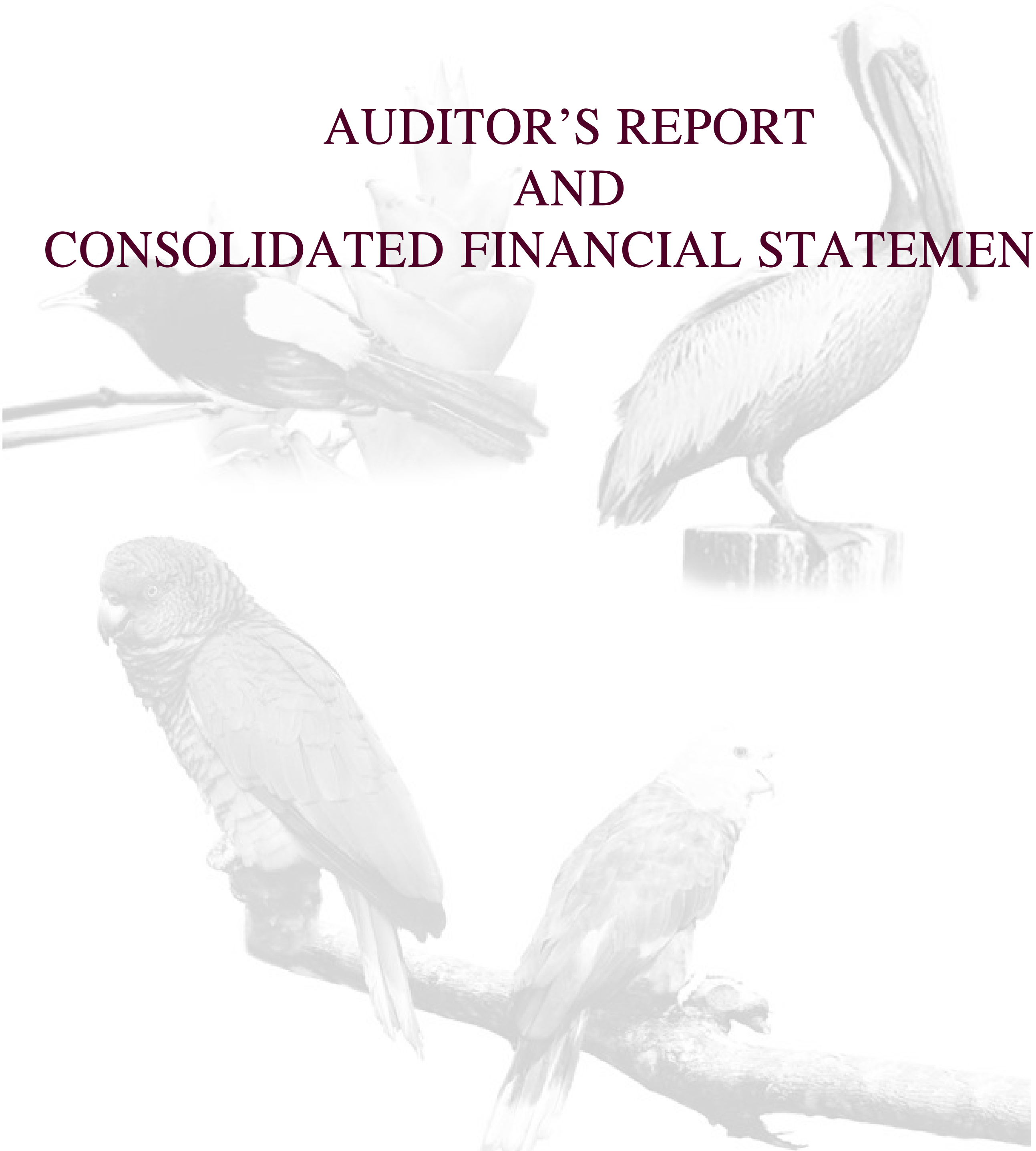
1983 - The Bank Supervision Department was established in late 1983. The Department's operations were centred on the powers granted to the Bank under Article 3(2) of the Central Bank Agreement to regulate banking business on behalf of and in collaboration with participating governments; and also Article 35(1) which specifically gives the Bank the right to require financial institutions to open their books for inspection to verify compliance with the directives issued.

- 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
Eastern Caribbean Central Bank

We have audited the accompanying consolidated financial statements of **Eastern Caribbean Central Bank and its subsidiary** which comprise the consolidated statement of financial position as of March 31, 2013, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated 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 controls as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these 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 ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 the auditors' judgement, 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, the auditors 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 policies 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 **Eastern Caribbean Central Bank** and its subsidiary as of March 31, 2013 and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers

Chartered Accountants
June 10, 2013
Basseterre, St. Kitts

PricewaterhouseCooopers, Cnr. Bank Street & W. Independence Sq., P.O. Box 1038, Basseterre, St. Kitts, West Indies
T: (869) 466-8200, F: (869) 466-9822, www.pwc.com/kn

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(expressed in Eastern Caribbean dollars) As of March 31, 2013

	2013	2012
	$	$
Assets		
Foreign assets		
Regional and foreign currencies	**49,815,568**	37,527,638
Balances with other central banks (note 4)	**16,145,939**	22,421,331
Balances with foreign banks (note 4)	**66,746**	194,820
Money market instruments and money at call (note 5)	**1,219,235,867**	1,345,789,037
Financial assets held for trading (note 12)	**4,654,971**	2,980,951
Available for sale – foreign investment securities (note 8)	**1,999,321,938**	1,515,368,312
Available for sale – regional investment securities (note 8)	**–**	26,796,345
	3,289,241,029	2,951,078,434
Domestic assets		
Cash and balances with local banks	**1,042,995**	228,712
Due from local banks	**10,353,079**	11,097,795
Term deposits (note 6)	**12,560,851**	12,605,274
Available for sale – domestic investment securities (note 8)	**421,686**	421,686
Loans and receivables – participating governments' securities (note 9)	**109,796,751**	118,348,619
Loans and receivables – participating governments' advances (note 10)	**106,110,298**	43,821,289
Accounts receivable and prepaid expenses (note 11)	**27,982,673**	23,919,001
Investments in associated undertakings using the equity method (note 13)	**14,327,986**	13,419,922
Intangible assets (note 14)	**2,584,644**	201,046
Property, plant and equipment (note 15)	**127,091,882**	130,638,747
Pension asset (note 22)	**16,127,000**	16,267,000
	428,399,845	370,969,091
Total assets	**3,717,640,874**	3,322,047,525
Liabilities		
Demand and deposit liabilities – domestic (note 16)	**3,429,520,242**	3,049,647,025
Demand and deposit liabilities – foreign (note 17)	**19,488,888**	3,002,366
Financial liabilities held for trading (note 20)	**2,278,230**	1,720,603
IMF government general resource accounts (note 18)	**1,087,426**	1,090,956
Other liabilities and payables (note 19)	**2,584,867**	2,584,867
Total liabilities	**3,454,959,653**	3,058,045,817
Equity		
General reserve	**136,146,128**	133,469,855
Other reserves (note 21)	**126,535,093**	130,531,853
Total equity	**262,681,221**	264,001,708
Total liabilities and equity	**3,717,640,874**	3,322,047,525

The notes on pages 60 to 134 are an integral part of these consolidated financial statements.

Approved for issue by the Board of Directors on June 7, 2013

K. Dwight Venner Governor ________ Director – Accounting Department

CONSOLIDATED STATEMENT OF INCOME

(expressed in Eastern Caribbean dollars)

For the year ended March 31, 2013

	2013 $	2012 $
Interest income	**34,866,130**	40,309,021
Interest expense	**(55,951)**	(50,597)
Net interest income (note 26)	**34,810,179**	40,258,424
Commission income – foreign transactions	**9,388,759**	10,491,321
Commission income – other transactions	**2,115,225**	2,097,836
Gain on disposal of available for sale securities (note 8)	**23,715,668**	19,265,888
Other income (note 27)	**4,363,324**	5,246,362
Operating income	**74,393,155**	77,359,831
Salaries, pensions and other staff benefits (note 28)	**30,251,063**	27,911,208
Currency expenses	**8,815,729**	8,361,669
Losses on foreign exchange	**4,210,243**	4,375,783
Amortisation (note 14)	**481,668**	330,835
Depreciation (note 15)	**4,734,920**	4,261,125
Administrative and general expenses (note 29)	**22,265,619**	21,888,366
Operating expenses	**70,759,242**	67,128,986
Operating profit	**3,633,913**	10,230,845
Share of profit of associates (note 13)	**1,576,184**	1,514,722
Profit for the year	**5,210,097**	11,745,567

The notes on pages 60 to 134 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(expressed in Eastern Caribbean dollars) For the year ended March 31, 2013

	2013 $	2012 $
Profit for the year	**5,210,097**	11,745,567
Other comprehensive income:		
Net change in fair value of available for sale financial assets	**(4,627,255)**	15,370,704
Revaluation adjustment (note 15)	–	15,473,790
Total comprehensive income for the year	**582,842**	42,590,061

The notes on pages 60 to 134 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, 2013

	2013 $	2012 $
Cash flows from operating activities		
Profit for the year	**5,210,097**	11,745,567
Items not affecting cash		
Depreciation	**4,734,920**	4,261,125
Amortisation	**481,668**	330,835
Gain on disposal of available for sale - securities	**(23,715,668)**	(19,265,888)
Share of profits of associates	**(1,576,184)**	(1,514,722)
Gain on disposal of property, plant and equipment	**(10,000)**	–
Derecognition and disposals of property, plant and equipment	**–**	175
Effect of changes in market value of money market instruments	**(389,027)**	(14,331)
Net pension cost during the year	**2,519,000**	1,836,000
Interest income	**(34,866,130)**	(40,309,021)
Interest expense	**55,951**	50,597
Cash flows used in operations before changes in operating assets and liabilities	**(47,555,373)**	(42,879,663)
Changes in operating assets and liabilities		
Decrease in term deposits	**46,297**	116,082
Decrease in money market instruments	**83,305,103**	145,903,918
Decrease in loans and receivables - participating governments' securities	**2,351,189**	1,604,000
(Increase) decrease in loans and advances - participating governments' advances	**(62,289,009)**	4,617,111
Increase in accounts receivable and prepaid expenses	**(4,063,672)**	(3,058,836)
Increase in financial assets held for trading	**(1,674,020)**	(2,616,540)
Increase (decrease) in financial liabilities held for trading	**557,627**	(2,714,877)
Contribution to pension scheme	**(2,379,000)**	(2,195,000)
Decrease in demand and deposit liabilities - domestic and foreign	**396,360,821**	455,090,329
(Decrease) increase in IMF government general resource accounts	**(3,530)**	6,298
Decrease in other liabilities and payables	**–**	(1,102,237)
Cash from operations before interest	**364,656,433**	552,770,585
Interest paid	**(57,033)**	(50,284)
Interest received	**39,402,506**	35,957,000
Net cash from operating activities	**404,001,906**	588,677,301
Cash flows from investing activities		
Purchase of property, plant and equipment	**(1,188,055)**	(1,630,652)
Purchase of intangible assets	**(2,865,266)**	(80,807)
Proceeds from disposal of property, plant and equipment	**10,000**	–
Proceeds from disposal of available for sale	**3,011,618,899**	1,789,557,146
Purchase of available for sale - foreign investment securities	**(3,447,526,058)**	(2,116,127,416)
Purchase of available for sale - regional investment securities	**–**	(26,796,345)
Purchase of additional shares - Caribbean Credit Rating Agency	**–**	(151,686)
Purchase of shares in ECEF	**–**	(10)
Dividend received from associates	**668,120**	668,120
Net cash used in investing activities	**(439,282,360)**	(354,561,650)

CONSOLIDATED STATEMENT OF CASH FLOWS...*continued*

(expressed in Eastern Caribbean dollars)

For the year ended March 31, 2013

	2013 $	2012 $
Cash flows from financing activities		
Portion of current year's profit distributed to participating governments	**(1,903,329)**	(4,315,926)
Net cash used in financing activities	**(1,903,329)**	(4,315,926)
Net (decrease) increase in cash and cash equivalents	**(37,183,783)**	229,799,725
Cash and cash equivalents, beginning of year	**1,272,990,515**	1,043,190,790
Cash and cash equivalents, end of year (note 25)	**1,235,806,732**	1,272,990,515

The notes on pages 60 to 134 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, 2013

	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 $
Balance, March 31, 2012	–	133,469,855	6,537,928	70,507,471	25,200,245	1,808,877	10,210,332	16,267,000	264,001,708
Profit for the year	5,210,097	–	–	–	–	–	–	–	5,210,097
Depreciation in fair value of investment securities and money market instruments (note 21)	–	–	–	–	(4,627,255)	–	–	–	(4,627,255)
Total comprehensive income	5,210,097	–	–	–	(4,627,255)	–	–	–	582,842
Allocation to general reserve	(2,676,273)	2,676,273	–	–	–	–	–	–	–
Allocation (to) from pension reserve (note 21)	140,000	–	–	–	–	–	–	(140,000)	–
Allocation (to) from fiscal tranche I (note 16)	(1,141,997)	–	–	–	–	–	–	–	(1,141,997)
Allocation (to) from fiscal reserve tranche II (note 16)	(761,332)	–	–	–	–	–	–	–	(761,332)
Allocation (to) from self-insurance reserve fund (note 21)	(770,495)	–	–	–	–	–	770,495	–	–
Balance, March 31, 2013	–	136,146,128	6,537,928	70,507,471	20,572,990	1,808,877	10,980,827	16,127,000	262,681,221

The notes on pages 60 to 134 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, 2013

	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 $
Balance, March 31, 2011	**–**	**127,167,980**	**6,537,928**	**55,033,681**	**9,829,541**	**1,808,877**	**9,441,566**	**15,908,000**	**225,727,573**
Profit for the year	**11,745,567**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**11,745,567**
Increase in fair value of properties	**–**	**–**	**–**	**15,473,790**	**–**	**–**	**–**	**–**	**15,473,790**
Appreciation in fair value of investment securities and money market instruments (note 21)	**–**	**–**	**–**	**–**	**15,370,704**	**–**	**–**	**–**	**15,370,704**
Total comprehensive income	**11,745,567**	**–**	**–**	**15,473,790**	**15,370,704**	**–**	**–**	**–**	**42,590,061**
Allocation to general reserve	**(6,301,875)**	**6,301,875**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Allocation (to) from pension reserve (note 21)	**(359,000)**	**–**	**–**	**–**	**–**	**–**	**–**	**359,000**	**–**
Allocation (to) from fiscal tranche I (note 16)	**(2,589,556)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(2,589,556)**
Allocation (to) from fiscal reserve tranche II (note 16)	**(1,726,370)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,726,370)**
Allocation (to) from self-insurance reserve fund (note 21)	**(768,766)**	**–**	**–**	**–**	**–**	**–**	**768,766**	**–**	**–**
Balance, March 31, 2012	**–**	**133,469,855**	**6,537,928**	**70,507,471**	**25,200,245**	**1,808,877**	**10,210,332**	**16,267,000**	**264,001,708**

The notes on pages 60 to 134 are an integral part of these consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2013

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 and Eastern Caribbean Enterprise Fund (ECEF). 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 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 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 Bank holds 100% of the share capital of the ECEF – 1 share at a cost of $10. The principal activity of the company is to carry on business as a provider of capital, financial advisory services, technical assistance and general financial services in the territories of the participating governments of the ECCB Agreement Act 1983.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2013

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 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.

The consolidated financial statements comprise the consolidated statements of income and comprehensive income, presented as two separate statements and, the consolidated statements of financial position, changes in equity, cash flows and a summary of significant accounting policies and other explanatory notes.

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 preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Bank's accounting policies. 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).

New and amended standards adopted by the Bank
There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on April 1, 2012 that are relevant for the Bank.

Standards, amendments and interpretations issued but not yet effective
The following standards, amendments and interpretations have been issued and are mandatory for the accounting periods beginning after April 1, 2012 or later periods and are expected to be relevant to the Bank:

- Amendment to IAS 1 'Financial statements presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities 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). The amendments do not address which items are presented in OCI. This amendment is not expected to have a material impact on the Bank.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2013

2 Significant accounting policies...*continued*

a) Basis of preparation...*continued*

Standards, amendments and interpretations issued but not yet effective

- 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 January 1, 2015 but is available for early adoption. The Bank is yet to assess IFRS 9's impact.

- IAS 19, 'Employee benefits' was amended in June 2011. The impact on the Bank will be as follows: to eliminate the corridor approach and recognise all actuarial gains and losses in Other Comprehensive Income as they occur; to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit asset. The standard is not applicable until January 1, 2013 but is available for early adoption.

- 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. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Bank is yet to assess IFRS 10's full impact and intends to adopt IFRS 10 no later than the accounting period beginning on or after January 1, 2013.

- 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. The standard is not applicable until 1 January 1, 2013 but is available for early adoption. The Bank is yet to assess IFRS 12's full impact and intends to adopt IFRS 12 no later than the accounting period beginning on or after January 1, 2013.

- 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.

  The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The standard is not applicable until January 1, 2013 but is available for early adoption. The Bank is yet to assess IFRS 13's full impact and intends to adopt IFRS 13 no later than the accounting period beginning on or after January 1, 2013.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2013

2 Significant accounting policies...*continued*

a) Basis of preparation...*continued*

***Standards, amendments and interpretations issued but not yet effective**...continued*

The Bank did not early-adopt any new or amended standards for the year ended March 31, 2013. 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.

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.

Associates

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

The Bank's share of its associates' post-acquisition profits or losses is recognised in the statement of income, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2013

2 Significant accounting policies*...continued*

b) Basis of consolidation*...continued*

Associates ... continued

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.

c) 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. 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.

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

d) 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2013

2 Significant accounting policies*...continued*

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

Financial assets*...continued*

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

(i) Financial assets at fair value through profit and 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 recognised 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. Gains and losses arising from changes in fair value are included directly in the consolidated statement of income. The instruments are derecognised 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 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 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

2 Significant accounting policies*...continued*

d) 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, 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. Dividends on available-for-sale equity instruments are recognised in the consolidated statement of income 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.

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'.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2013

2 Significant accounting policies*...continued*

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

Financial liabilities*...continued*

(ii) Other liabilities measured at amortised cost

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

(iii) Derecognition

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

Determination of fair value of financial assets and liabilities

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

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. Indications that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

In cases when the fair value of unlisted equity instruments cannot be determined reliably, the instruments are carried at cost less impairment. 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.

e) 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, 2013

2 Significant accounting policies ... *continued*

e) 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.

(f) 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.

g) 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.

h) 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, 2013

2 Significant accounting policies ... *continued*

h) 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, 2013

2 Significant accounting policies ... *continued*

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2013

2 Significant accounting policies ... *continued*

i) 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.

j) 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 and shown as other reserves in shareholders' equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income 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%
Building enhancements	10.00%
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, 2013 (2012: nil).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2013

2 Significant accounting policies ... *continued*

j) Property, plant, equipment and depreciation ... *continued*

The Bank undertook a comprehensive review of its property, plant and equipment as at 31 October 2012 and retired fully depreciated items which were deemed obsolete and no longer in use.

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.

k) 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.

l) 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.

m) 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, 2013

2 Significant accounting policies ... *continued*

n) 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.

0) 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.

p) 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, 2013

2 Significant accounting policies … *continued*

p) 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.

q) 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.

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.

r) 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, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated every three years by independent actuaries using the projected unit credit method. 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, 2013

2 Significant accounting policies ... *continued*

r) Employee benefits...*continued*

Staff pension plan...*continued*

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to income over the employees' expected average remaining working lives, where these amounts represent an excess over the 10% corridor.

Past-service costs are recognised immediately in the statement of income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

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 over the expected service life of the relevant individual employees or the expected life of the relevant individual loans, whichever is shorter.

s) 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 five 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 five 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, 2013, an amount of $2,673,823 was allocated to General Reserves. At 31 March 2013, the general reserve ratio stood at 4.0% which is one percent below the five per cent requirement.

t) Foreign reserve assets

Under Article 24 (2) of the Eastern Caribbean Central Bank Agreement Act 1983, the Bank is required to maintain a reserve of external assets not less than 60% of its notes and coins in circulation, and other demand liabilities. The percentage of foreign reserve assets to demand liabilities at March 31, 2013 was 95.31% (2012: 96.63%).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2013

2 Significant accounting policies … *continued*

u) 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.

v) 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 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 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) realising 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.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2013

3 Financial risk management... *continued*

a) Introduction and Overview... *continued*

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, 2013

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, 2013 and March 31 2012, based on Moody's or its equivalent:

Available-for-sale-securities

	2013	2012
Rated (Moody's)		
Foreign securities	**$**	**$**
Aaa	**1,852,677,555**	1,436,938,004
Aa	**133,816,927**	67,375,534
	1,986,494,482	1,504,313,538

	2013	2012
Unrated		
	$	**$**
Regional securities	**–**	26,796,345
Domestic securities	**421,686**	421,686
	421,686	27,218,031

Money market instruments and money at call

	2013	2012
Rated (Moody's)		
Commercial paper	**$**	**$**
A - 1	**285,286,095**	404,697,247

Unrated	2013	2012
	$	**$**
Money at call	**520,848,141**	487,456,991
Term deposits	**412,902,463**	453,325,378
	933,750,604	940,782,369

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2013

3 Financial risk management... *continued*

b) Credit risk... *continued*

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

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:

	2013 $	2012 $
As at March 31, 2013		
Assets		
Foreign assets		
Balances with other central banks	**16,145,939**	22,421,331
Balances with foreign banks	**66,746**	194,820
Money market instruments and money at call	**1,219,235,867**	1,345,789,037
Financial assets held for trading	**4,654,971**	2,980,951
Available for sale – foreign investment securities	**1,999,321,938**	1,515,368,312
Available for sale – regional investment securities	**–**	26,796,345
	3,239,425,461	2,913,550,796
Domestic assets		
Cash and balances with local banks	**1,042,995**	228,712
Due from local banks	**10,353,079**	11,097,795
Term deposits	**12,560,851**	12,605,274
Loans and receivables – participating governments' securities	**109,796,751**	118,348,619
Loans and receivables – participating governments' advances	**106,110,298**	43,821,289
Accounts receivable	**6,916,847**	7,062,094
	246,780,821	193,163,783
Total on statement of financial position credit risk	**3,486,206,282**	3,106,714,579

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2013

3 Financial risk management ... *continued*

b) Credit risk... *continued*

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

	2013	2012
	$	$
Eastern Caribbean Securities Exchange Limited undertaking and guarantee	**4,874,845**	4,874,845
Total credit exposure	**3,491,081,127**	3,111,589,424

The above table represents a worst case scenario of credit risk exposure as at March 31, 2013 and 2012 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, 2013. 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, 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
	246,780,821	**1,764,708,151**	**1,460,110,722**	**14,606,588**	**3,486,206,282**

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, 2012					
Balances with other central banks	–	727,146	688,233	21,005,952	22,421,331
Balances with foreign banks	–	194,820	–	–	194,820
Money market instruments and money at call	–	540,927,214	804,861,823	–	1,345,789,037
Financial assets held for trading	–	2,980,951	–	–	2,980,951
Available for sale – foreign investment securities	–	829,799,644	685,568,668	–	1,515,368,312
Available for sale – regional investment securities	–	–	–	26,796,345	26,796,345
Balances with local banks	228,712	–	–	–	228,712
Due from local banks	11,097,795	–	–	–	11,097,795
Term deposits – domestic	12,605,274	–	–	–	12,605,274
Loans and receivables – participating governments' securities	118,348,619	–	–	–	118,348,619
Loans and receivables – participating governments' advances	43,821,289	–	–	–	43,821,289
Accounts receivable	7,062,094	–	–	–	7,062,094
	193,163,783	**1,374,629,775**	**1,491,118,724**	**47,802,297**	**3,106,714,579**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2013

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:

	2013	**2012**
	%	%
Foreign Assets		
Money market instruments and money at call	**0.37**	0.23
Available for sale – foreign investment securities	**2.26**	2.55
Available for sale – regional investment securities	**–**	0.90
Domestic Assets		
Balances with local banks	**0.06**	0.05
Due from local banks	**6.50**	6.50
Term deposits	**2.50**	2.50
Loans and receivables – participating governments' securities	**5.39**	5.21
Loans and receivables – participating governments' advances	**6.50**	6.50
Liabilities		
Term deposits, call accounts and government operating accounts	**0.05**	0.04
Demand and deposits liabilities – foreign	**0.05**	0.01

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, 2013, if interest rates were to move by 25 basis points, profit for the year would have been $3.05M (2012: $3.82M) 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, 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
	1,029,453,617	**353,143,796**	**457,238,635**	**1,259,509,232**	**365,673,829**	**21,187,173**	**3,486,206,282**

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**	**(4,252,238)**	**31,246,629**

3 Financial risk management … *continued*

c) Market risk … *continued*

i) Interest rate risk… continued

As of March 31, 2012	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	–	–	–	–	–	22,421,331	22,421,331
Balances with foreign banks	–	–	–	–	–	194,820	194,820
Money market instruments and money at call	923,276,606	289,143,027	133,369,404	–	–	–	1,345,789,037
Financial assets held for trading	–	–	–	–	–	2,980,951	2,980,951
Available for sale – foreign investment securities	28,724,599	21,210,083	277,257,460	863,895,404	324,280,766	–	1,515,368,312
Available for sale – regional investment securities	–	–	26,796,345	–	–	–	26,796,345
Balances with local banks	228,712	–	–	–	–	–	228,712
Due from local banks	11,097,795	–	–	–	–	–	11,097,795
Term deposits – domestic	1,364,692	2,490,206	8,750,376	–	–	–	12,605,274
Loans and receivables – participating governments' securities	24	9,280,550	100,185,187	3,428,571	5,454,287	–	118,348,619
Loans and receivables – participating governments' advances	33,157,683	–	10,663,606	–	–	–	43,821,289
Accounts receivable	42,273	57,175	275,957	1,975,564	542,550	4,168,575	7,062,094
	997,892,384	**322,181,041**	**557,298,335**	**869,299,539**	**330,277,603**	**29,765,677**	**3,106,714,579**

3 Financial risk management … *continued*

c) Market risk … *continued*

i) Interest rate risk… continued

As of March 31, 2012	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	84,149,030	2,700,000	–	–	–	2,962,797,995	3,049,647,025
Demand and deposit liabilities – foreign	–	–	–	–	–	3,002,366	3,002,366
Financial liabilities held for trading	–	–	–	–	–	1,720,603	1,720,603
IMF Government general resource accounts	–	–	–	–	–	1,090,956	1,090,956
Other liabilities and payables	–	–	–	–	–	2,584,867	2,584,867
	84,149,030	2,700,000	–	–	–	2,971,196,787	3,058,045,817
Total interest repricing gap, March 31, 2012	**913,743,354**	**319,481,041**	**557,298,335**	**869,299,539**	**330,277,603**	**(2,941,431,110)**	**48,668,762**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2013

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, 2013 the foreign securities portfolio included Australian securities of $94.6M (2012: $80.0M), New Zealand securities of $46.4M (2012: Nil), Euro securities of $13.0M (2012: $26.1M), Swedish Krona securities of $10.5M (2012: Nil) and Danish Krone securities of $9.3M (2012: Nil). The investment managers have entered into forward contracts to sell the non-USD positions forward on a periodic rolling basis. All gains and losses arising from currency revaluation of these assets and the forward contracts are reported in the statement of income 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, 2013, if exchange rates were to move by 5 per cent, profit for the year would have been $0.2M (2012: $0.2M) lower or higher and the net on-balance sheet financial position would have been $10.1M (2012: $5.8M) 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, 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**

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, 2012:

	Eastern Caribbean Dollar $	United States Dollar $	British Pound $	Euro $	Other $	Total $
Financial assets						
Balances with other central banks	–	21,597,558	688,233	–	135,540	22,421,331
Balances with foreign banks	–	194,820	–	–	–	194,820
Money market instruments and money at call	–	1,324,454,537	194,549	21,119,362	20,589	1,345,789,037
Financial assets held for trading	–	346,163	–	199,900	2,434,888	2,980,951
Available for sale – foreign investment securities	–	1,398,990,588	8,997,281	26,088,865	81,291,578	1,515,368,312
Available for sale – regional investment securities	–	26,796,345	–	–	–	26,796,345
Balances with local banks	228,712	–	–	–	–	228,712
Due from local banks	11,097,795	–	–	–	–	11,097,795
Term deposits – domestic	12,605,274	–	–	–	–	12,605,274
Loans and receivables – participating governments' securities	118,348,619	–	–	–	–	118,348,619
Loans and receivables – participating governments' advances	43,821,289	–	–	–	–	43,821,289
Accounts receivable	7,062,094	–	–	–	–	7,062,094
Available for sale – domestic investments securities	421,686	–	–	–	–	421,686
	193,585,469	**2,772,380,011**	**9,880,063**	**47,408,127**	**83,882,595**	**3,107,136,265**
Financial liabilities						
Demand and deposit liabilities – domestic	3,049,647,025	–	–	–	–	3,049,647,025
Demand and deposit liabilities – foreign	2,236,300	766,066	–	–	–	3,002,366
IMF government general resource accounts	1,090,956	–	–	–	–	1,090,956
Financial liabilities held for trading	–	8,451	249,146	1,402,441	60,565	1,720,603
Other liabilities and payables	2,584,867	–	–	–	–	2,584,867
	3,055,559,148	774,517	249,146	1,402,441	60,565	3,058,045,817
Net on-statement of financial position	**(2,861,973,679)**	**2,771,605,494**	**9,630,917**	**46,005,686**	**83,822,030**	**49,090,448**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2013

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 and regional investment securities, balances with local banks and due from local banks. At the reporting date, the Bank held $3,250,821,535 (2012:$2,924,877,303) 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% of their total deposit liabilities.

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
Total liabilities	**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
Total assets	**1,046,805,775**	**353,152,469**	**457,277,661**	**1,259,509,232**	**369,461,145**	**3,486,206,282**
Net liquidity gap, March 31, 2013	**(2,402,992,493)**	**347,991,084**	**457,277,661**	**1,259,509,232**	**369,461,145**	**31,246,629**

3 Financial risk management … *continued*

e) Liquidity risk…*continued*

Maturities of liabilities and assets, March 31, 2012	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	3,046,947,025	2,700,000	–	–	–	3,049,647,025
Demand and deposit liabilities – foreign	3,002,366	–	–	–	–	3,002,366
Financial liabilities held for trading	1,282,577	211,385	226,641	–	–	1,720,603
IMF Government general resource accounts	1,090,956	–	–	–	–	1,090,956
Other liabilities and payables	–	–	–	2,584,867	–	2,584,867
Total liabilities	**3,052,322,924**	**2,911,385**	**226,641**	**2,584,867**	**–**	**3,058,045,817**
Financial Assets						
Balances with other central banks	22,421,331	–	–	–	–	22,421,331
Balances with foreign banks	151,620	43,200	–	–	–	194,820
Money market instruments and money at call	923,276,606	289,143,027	133,369,404	–	–	1,345,789,037
Financial asset held for trading	2,437,731	502,335	40,885	–	–	2,980,951
Available for sale – foreign investment securities	28,724,599	21,210,083	277,257,460	863,895,404	324,280,766	1,515,368,312
Available for sale – regional investment securities	–	–	26,796,345	–	–	26,796,345
Balances with local banks	228,712	–	–	–	–	228,712
Due from local banks	11,097,795	–	–	–	–	11,097,795
Term deposits – domestic	1,364,692	2,490,206	8,750,376	–	–	12,605,274
Loans and receivables – participating government securities	24	9,280,550	100,185,187	3,428,571	5,454,287	118,348,619
Loans and receivables – participating governments' advances	33,157,683	–	10,663,606	–	–	43,821,289
Accounts receivable	685,670	71,151	338,849	1,975,564	3,990,860	7,062,094
Total assets	**1,023,546,463**	**322,740,552**	**557,402,112**	**869,299,539**	**333,725,913**	**3,106,714,579**
Net liquidity gap, March 31, 2012	**(2,028,776,461)**	**319,829,167**	**557,175,471**	**866,714,672**	**333,725,913**	**48,668,762**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2013

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, 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**

At March 31, 2012	0-3 months
Derivatives held for trading (forward contracts)	
Foreign exchange derivatives	
- Outflow	69,912,972
- Inflow	88,567,842

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	
	2013	**2012**	**2013**	**2012**
	$	**$**	**$**	**$**
Financial assets				
Balances with other central banks	**16,145,939**	22,421,331	**16,145,939**	22,421,331
Balances with foreign banks	**66,746**	194,820	**66,746**	194,820
Money market instruments and money at call	**933,949,772**	941,091,790	**933,949,772**	941,091,790
Balances with local banks	**1,042,995**	228,712	**1,042,995**	228,712
Due from local banks	**10,353,079**	11,097,795	**10,353,079**	11,097,795
Term deposits – domestic	**12,560,851**	12,605,274	**12,560,851**	12,605,274
Loans and receivables – participating governments' securities	**109,796,751**	118,348,619	**94,127,752**	117,875,588
Loans and receivables – participating governments' advances	**106,110,298**	43,821,289	**106,110,298**	43,821,289
Accounts receivable	**6,916,847**	7,062,094	**6,545,601**	6,670,648
	1,196,943,278	1,156,871,724	**1,180,903,033**	1,156,007,247
Financial liabilities				
Demand and deposit liabilities – domestic	**3,429,520,242**	3,049,647,025	**3,429,520,242**	3,049,647,025
Demand and deposit liabilities – foreign	**19,488,888**	3,002,366	**19,488,888**	3,002,366
IMF government general resource accounts	**1,087,426**	1,090,956	**1,087,426**	1,090,956
Other liabilities and payables	**2,584,867**	2,584,867	**2,584,867**	2,584,867
	3,452,681,423	3,056,325,214	**3,452,681,423**	3,056,325,214

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**		**Fair value**	
	2013	**2012**	**2013**	**2012**
	$	**$**	**$**	**$**
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 government securities and accounts receivables are long term.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2013

3 Financial risk management ... *continued*

f) Fair value...*continued*

(ii) Financial instruments 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 include 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, 2013:

	Level 1
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
	2,289,263,004

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2013

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, 2012:

	Level 1 $	Level 2 $
Financial assets		
Commercial paper	404,697,247	–
Financial assets held for trading	2,980,951	–
Available for sale – foreign investment securities	1,515,368,312	–
Available for sale – regional investment securities	–	26,796,345
	1,923,046,510	26,796,345

	Level 1 $
Financial liabilities	
Financial liabilities held for trading	1,720,603

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, 2013 the general reserve was $131,146,128 (2012: $133,469,855).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2013

3 Financial risk management … *continued*

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.

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 program for new employees.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2013

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, 2013, the Bank held available for sale: investment securities of $1,999,743,624 (2012: $1,542,586,343). Quoted debt securities accounted for $1,986,494,482 (2012: $1,504,313,538). The value of available for sale securities which were trading below cost at March 31, 2013 was $225,386,018 (2012:$542,023,140) with total unrealised losses of $2,221,786 (2012: $3,238,160). 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, 2013

4 Balances with other central banks and foreign banks

	2013 $	2012 $
Balances with other central banks		
Balances with Regional central banks	**14,606,588**	21,005,952
Balances with North American central banks	**884,327**	727,146
Balances with European central banks	**655,024**	688,233
Total balances with other central banks	**16,145,939**	22,421,331
Balances with foreign banks		
Current accounts denominated in United States dollars	**66,746**	194,820
Current	**16,212,685**	22,616,151

These balances are non-interest bearing.

5 Money market instruments and money at call

By currency	2013 $	2012 $
Balances denominated in United States dollars	**1,195,907,991**	1,324,145,116
Balances denominated in Euro	**15,522,270**	21,119,362
Balances denominated in Pound Sterling	**6,955,951**	194,549
Balances denominated in Australian dollars	**3,654**	20,587
Balances denominated in Canadian dollars	**69,753**	2
Balances denominated in New Zealand dollar	**577,080**	–
	1,219,036,699	1,345,479,616
Interest receivable	**199,168**	309,421
Total money market instruments and money at call	**1,219,235,867**	1,345,789,037

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2013

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

By financial instrument type	2013 $	2012 $
Money market instruments maturing in less than ninety days:		
Money at call	**520,848,141**	487,456,991
Term deposits	**412,902,463**	442,735,385
Commercial paper	**224,631,801**	271,327,843
Included in cash and cash equivalents (note 25)	**1,158,382,405**	1,201,520,219
Money market instruments maturing after ninety days:		
Commercial paper	**60,654,294**	133,369,404
Term deposits	**–**	10,589,993
	60,654,294	143,959,397
Interest receivable	**199,168**	309,421
Total money market instruments and money at call	**1,219,235,867**	1,345,789,037

Money market instruments include commercial paper purchased at discounts and term deposits with interest rates ranging from 0.08% to 0.68% (2012: 0.06 % to 1.43%).

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 0.16% (2012: 0.00% to 0.25%) during the year.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2013

6 Term deposits

	2013 $	2012 $
Fixed Deposits:		
- Bank of Nova Scotia, St. Kitts	**8,243,004**	4,267,241
- CIBC FirstCaribbean International Bank, St. Kitts	**4,157,022**	8,179,082
	12,400,026	12,446,323
Interest receivable	**160,825**	158,951
Total term deposits	**12,560,851**	12,605,274
Current	**12,560,851**	12,605,274
Non-current	–	–
	12,560,851	12,605,274

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% (2012: 2.5%) per annum during the year.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2013

7a) Financial instruments by category

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

As of March 31, 2013	Loans and receivables $	Assets at fair value through profit and loss $	Available -for-sale $	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	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**

As of March 31, 2013	Liabilities at fair value through profit and loss $	Other financial liabilities $	Total $
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, 2013

7a) Financial instruments by category … *continued*

As of March 31, 2012	Loans and receivables $	Assets at fair value through profit and loss $	Available -for-sale $	Total $
Financial assets				
Balances with other central banks	22,421,331	–	–	22,421,331
Balances with foreign banks	194,820	–	–	194,820
Money market instruments and money at call	941,091,789	–	404,697,248	1,345,789,037
Financial assets held for trading	–	2,980,951	–	2,980,951
Available for sale – foreign investment securities	–	–	1,515,368,312	1,515,368,312
Available for sale – regional investment securities	–	–	26,796,345	26,796,345
Balances with local banks	228,712	–	–	228,712
Due from local banks	11,097,795	–	–	11,097,795
Term deposits – domestic	12,605,274	–	–	12,605,274
Loans and receivables – participating governments' securities	118,348,619	–	–	118,348,619
Loans and receivables – participating governments' advances	43,821,289	–	–	43,821,289
Accounts receivable	7,062,094	–	–	7,062,094
Available for sale – domestic investment securities	–	–	421,686	421,686
	1,156,871,723	**2,980,951**	**1,947,283,591**	**3,107,136,265**

As of March 31, 2012	Liabilities at fair value through profit and loss $	Other financial liabilities $	Total $
Financial liabilities			
Demand and deposit liabilities – domestic	–	3,049,647,025	3,049,647,025
Demand and deposit liabilities – foreign	–	3,002,366	3,002,366
Derivative financial instrument – liability	1,720,603	–	1,720,603
IMF government general resource accounts	–	1,090,956	1,090,956
Other liabilities and payables	–	2,584,867	2,584,867
	1,720,603	**3,056,325,214**	**3,058,045,817**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2013

7b) 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, 2013

8 Available for sale investment securities

	2013 $	2012 $
Domestic securities		
Equity securities		
Caribbean Information and Credit Rating Agency Services Ltd.		
156,180 (2012: 100,000) ordinary shares of $2.70 each		
- unquoted, at cost	**421,686**	421,686
Regional securities		
Debt securities		
- unquoted, at fair value	–	26,796,345
Foreign securities		
Debt securities		
- quoted, at fair value	**1,986,494,482**	1,504,313,538
Interest receivable	**12,827,456**	11,054,774
Total foreign securities	**1,999,321,938**	1,515,368,312
Total investment securities	**1,999,743,624**	1,542,586,343
Current	**476,165,562**	353,988,487
Non-current	**1,523,578,062**	1,188,597,856
	1,999,743,624	1,542,586,343

The movement in investment securities may be summarised as follows:

	Domestic Securities $	Foreign Investment Securities $	Regional Securities $
Balance as of March 31, 2011	270,000	1,116,333,181	26,759,164
Additions	151,686	2,116,127,416	26,796,345
Disposals (sale and redemption)	–	(1,743,532,094)	(26,759,164)
Net gain transfer to equity	–	34,650,923	–
Net (gain) transfer from equity	–	(19,265,888)	–
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 gain transfer to equity	–	19,477,440	
Net (gain) transfer from equity	–	(23,715,668)	–
Balance as of March 31, 2013	**421,686**	**1,986,494,482**	–

The Bank removed gains of $23,715,668 (2012: $19,265,888) from equity into the profit and loss.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2013

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

Gains less losses from investment securities comprise:

	2013 $	2012 $
Net realised gains from disposal of available-for-sale financial assets	**23,715,668**	19,265,888

9 Loans and receivables: participating governments' securities

Participating governments' securities: Debentures

	Nominal value 2013 $	Amortised cost 2013 $	Nominal value 2012 $	Amortised cost 2012 $
Government of Antigua & Barbuda				
9% Debentures maturing 2018	**5,144,918**	**5,144,918**	6,000,000	6,000,000
3.5% Debenture maturing 2027	**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
	98,354,618	**98,354,618**	9,740,000	9,740,000
Interest receivable	–	**2,293,842**	–	226,775
Total participating governments' debentures	**98,354,618**	**100,648,460**	9,740,000	9,966,775

Participating governments' securities: Treasury note

	Nominal value 2013 $	Amortised cost 2013 $	Nominal value 2012 $	Amortised cost 2012 $
Government of Antigua & Barbuda				
3.5% Debentures maturing 2012	–	–	90,965,807	90,965,807
Interest receivable	–	–	–	8,564,058
Total participating governments' treasury note	–	–	90,965,807	99,529,865

The Government of Antigua and Barbuda 15 year 3.5% treasury bond maturing in 2027, resulted from the restructuring of the 3 year treasury note in 2012. The treasury note arose as a direct 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, 2013

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

	Nominal value 2013 $	Amortised cost 2013 $	Nominal value 2012 $	Amortised cost 2012 $
Treasury bill – Government of Grenada 6.52% treasury bill maturing 2013	**2,900,000**	**2,853,600**	2,900,000	2,853,600
Treasury bill – Government of Antigua and Barbuda – 7.02% treasury bill maturing 2013	**4,900,000**	**4,815,720**	4,900,000	4,815,720
Treasury bill – Government of Grenada – 6.52% treasury bill maturing 2013	**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	**–**	**337,531**	–	41,219
Total participating governments' treasury bills	**8,960,000**	**9,148,291**	8,960,000	8,851,979
Total participating governments' securities	**107,314,618**	**109,796,751**	109,665,807	118,348,619
Current		8,854,107		114,608,619
Non-current		100,942,644		3,740,000
		109,796,751		118,348,619

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2013

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, 2011	11,344,000	90,965,807	8,810,760	111,120,567
Additions	–	–	–	–
Payment of principal	(1,604,000)	–	–	(1,604,000)
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**

10 Loans and receivables: participating governments' advances

	2013 $	2012 $
Operating accounts:		
- Government of St Lucia	**38,761,461**	–
- Government of Grenada	**8,076,102**	7,017,510
- Government of Anguilla	**7,932,448**	–
- Government of St Vincent and the Grenadines	**7,343,017**	7,766,274
	62,113,028	14,783,784
Temporary advances:		
- Government of Grenada	**25,750,962**	17,780,000
- Government of Antigua and Barbuda	**10,600,000**	10,600,000
- Government of St Vincent and the Grenadines	**7,087,643**	–
	43,438,605	28,350,000
Interest receivable	**558,665**	657,505
Total temporary advances	**43,997,270**	29,037,505
Total due from participating governments	**106,110,298**	43,821,289
Current	**106,110,298**	43,821,289
Non- current	**–**	–
	106,110,298	43,821,289

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, 2013

11 Accounts receivable and prepaid expenses

	2013 $	2012 $
Prepaid expenses	**21,052,173**	16,794,839
Accounts receivable	**4,974,488**	4,851,720
Staff mortgage loans	**1,942,359**	2,210,374
Other assets	**13,653**	62,068
Total accounts receivable and prepaid expenses	**27,982,673**	23,919,001
Current	**13,768,602**	10,587,889
Non-current	**14,214,071**	13,331,112
	27,982,673	23,919,001

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 $596,423 (2012: $696,070) at the statement of financial position date. This amount is included in prepaid expenses.

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 which a derivative contract is entered into and are subsequently remeasured at their fair value.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2013

12 Financial assets held for trading ... *continued*

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**

The following is an analysis of the currency forwards held with positive fair value as at March 31, 2012:

Currency sold / purchase	Notional value of contracts	Notional value of contracts EC$ equivalent	Value date of contracts	Fair value of contracts $
USD	(3,603,081)	(9,728,319)	April 11, & 03 & May 29, 2012	346,163
AUD	28,910,000	83,680,661	April 11, & 20, 2012	2,434,888
EUR	4,000,000	14,615,500	May 29 & June 16, 2012	199,900
		88,567,842		2,980,951
			Current	2,980,951

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2013

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 and exercising the Bank's emergency powers under the Agreement.

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% (2012: 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% (2012: 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 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 – 1 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, 2013.

The Bank's investments in associates are detailed below:

	2013 $	2012 $
Eastern Caribbean Home Mortgage Bank (ECHMB)		
Balance at beginning of year	**12,700,971**	11,986,334
Share of profit for the year	**1,419,954**	1,382,757
Dividend received in year	**(668,120)**	(668,120)
Balance at end of year	**13,452,805**	12,700,971
Eastern Caribbean Securities Exchange (ECSE)		
Balance at beginning of year	**718,941**	586,976
Share of profit for the year	**156,230**	131,965
Balance at end of year	**875,171**	718,941

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2013

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

	2013 $	2012 $
OECS Distribution and Transportation Company (ODTC)		
Balance at beginning of year	**10**	10
Balance at the end of year	**10**	10
Total investments in associated undertakings	**14,327,986**	13,419,922
Non-current	**14,327,986**	13,419,922

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	**330,249,805**	**(275,104,113)**	**24,401,175**	**5,725,622**	**24.8**
ECSE	**21,706,333**	**(18,076,046)**	**2,722,584**	**507,241**	**30.8**

The Bank's interest in its principal associates, both of which are unlisted, is as follows as of March 31, 2012:

Entity	Assets $	Liabilities $	Revenues $	Profit $	% Interest held $
ECHMB	329,387,942	(277,280,380)	25,547,822	5,602,215	24.8
ECSE	15,005,057	(11,844,803)	2,693,382	396,867	30.8

The Bank's interest has been determined on the basis of the financial statements for these entities for the years ended March 31, 2013 (unaudited) and 2012.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2013

14 Intangible assets

	Computer software $
Year ended March 31, 2011	
Opening net book amount	315,766
Additions	441,430
Amortisation	(306,122)
Closing net book amount	451,074
At March 31, 2011	
Cost	9,031,345
Accumulated amortisation	(8,580,271)
Net book amount	451,074
Year ended March 31, 2012	
Opening net book amount	451,074
Additions	80,807
Amortisation	(330,835)
Closing net book amount	201,046
At March 31, 2012	
Cost	9,112,152
Accumulated amortisation	(8,911,106)
Net book amount	201,046
Year ended March 31, 2013	
Opening net book amount	**201,046**
Additions	**2,865,266**
Amortisation	**(481,668)**
Closing net book amount	**2,584,644**
At March 31, 2013	
Cost	**11,977,418**
Accumulated amortisation	**(9,392,774)**
Net book amount	**2,584,644**

15 Property, plant and equipment

	Land $	Buildings $	Furniture and office equipment $	Computer systems $	Land Improvements $	Motor vehicles $	Capital work in progress $	Total $
At March 31, 2011								
Cost or valuation	24,018,000	94,299,466	20,691,432	7,130,246	–	871,900	417,888	147,428,932
Accumulated depreciation	–	(5,167,785)	(16,842,648)	(6,805,795)	–	(817,100)	–	(29,633,328)
Net book amount	**24,018,000**	**89,131,681**	**3,848,784**	**324,451**	**–**	**54,800**	**417,888**	**117,795,604**
Year ended March 31, 2012								
Opening net book amount	24,018,000	89,131,681	3,848,784	324,451	–	54,800	417,888	117,795,604
Transfers	276,246	–	407,686	–	63,767	–	(747,699)	–
Additions	–	–	261,638	694,625	5,294	–	669,095	1,630,652
Revaluation Adjustment	1,510,754	13,963,036	–	–	–	–	–	15,473,790
Derecognition/disposals	–	–	(19,236)	–	–	–	–	(19,236)
Depreciation charge	–	(2,584,717)	(1,131,224)	(428,723)	(69,061)	(47,400)	–	(4,261,125)
Depreciation write-back	–	–	19,062	–	–	–	–	19,062
Closing net book amount	**25,805,000**	**100,510,000**	**3,386,710**	**590,353**	**–**	**7,400**	**339,284**	**130,638,747**
At March 31, 2012								
Cost or valuation	25,805,000	100,510,000	21,341,520	7,824,871	69,061	871,900	339,284	156,761,636
Accumulated depreciation	–	–	(17,954,810)	(7,234,518)	(69,061)	(864,500)	–	(26,122,889)
Net book amount	**25,805,000**	**100,510,000**	**3,386,710**	**590,353**	**–**	**7,400**	**339,284**	**130,638,747**

On October 31, 2012, the Bank undertook a comprehensive review of its property, plant and equipment and retired fully depreciated items which were deemed obsolete and no longer in use.

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

	Land $	Buildings $	Furniture and office equipment $	Computer systems $	Land Improvements $	Motor vehicles $	Capital work in progress $	Total $
Year ended March 31, 2013								
Opening net book amount	25,805,000	100,510,000	3,386,710	590,353	–	7,400	339,284	130,638,747
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)
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
Closing net book amount	**25,805,000**	**97,482,945**	**2,597,849**	**887,170**	**–**	**–**	**318,918**	**127,091,882**
At March 31, 2013								
Cost or valuation	25,805,000	100,510,000	18,546,233	5,272,718	–	871,900	318,918	151,324,769
Accumulated depreciation	–	(3,027,055)	(15,948,384)	(4,385,548)	–	(871,900)	–	(24,232,887)
Net book amount	**25,805,000**	**97,482,945**	**2,597,849**	**887,170**	**–**	**–**	**318,918**	**127,091,882**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2013

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, 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 following is the historical cost carrying amount of land and buildings carried at revalued amounts as of March 31, 2012:

	Land $	Buildings $	Total $
Cost	7,544,960	74,807,178	82,352,138
Accumulated depreciation	–	(25,685,193)	(25,685,193)
Net book value	7,544,960	49,121,985	56,666,945

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, 2013

16 Demand liabilities – domestic

	2013 $	2012 $
Banker's balances - Current accounts	**2,222,362,488**	1,899,883,905
Currency in circulation	**799,194,511**	767,708,565
British American Liquidity Support	**89,594,429**	116,972,676
Participating governments' call accounts	**68,832,913**	57,538,816
Participating governments' fiscal reserve tranche II	**62,065,516**	56,639,179
Participating governments' current accounts	**46,100,000**	46,100,000
Bankers' dormant accounts	**32,095,520**	30,021,159
Participating governments' fiscal tranche I call accounts	**21,287,230**	27,432,700
Participating governments' securities account	**20,095,834**	1,894,875
Participating governments' operating accounts	**16,567,744**	16,769,589
BAICO Recapitalisation Holding Account	**9,380,121**	-
Participating governments' sinking fund call accounts	**8,339,878**	1,213,797
Bankers' call accounts	**7,449,850**	2,556,770
Accounts payable, accruals and provisions	**6,619,753**	5,642,433
Bankers Collateral account	**6,364,359**	-
British Caribbean Currency Board Coins in Circulation	**2,572,183**	2,572,199
Bankers' Fixed Deposits	**1,620,000**	2,700,000
Participating governments' drug service accounts	**1,448,225**	1,009,572
Commemorative coins in circulation	**1,380,392**	1,379,972
Resolution Trust Corporation	**1,236,534**	446,425
Eastern Caribbean Automated Clearing House	**1,123,361**	-
BAICO Policy Holder Assistance scheme holding	**969,921**	-
British Caribbean Currency Board Residual Fund	**833,628**	833,628
Canec Debt Management Advisory Services	**796,858**	798,161
Organisation of Eastern Caribbean States operating accounts	**429,553**	3,093,002
East Caribbean Securities Registry	**336,220**	166,518
ECHMB Operating accounts	**203,335**	10,003
Participating governments' debt restructuring escrow accounts	**99,429**	5,781,950
Local governments' operating accounts	**46,543**	12,092
Statutory and legislative bodies' operating accounts	**29,290**	50,516
OECS Distribution and Transportation	**26,358**	9,150
IDF World Bank Project	**18,025**	386,236
Eastern Caribbean Central Bank unpresented cheques	**150**	21,965
	3,429,520,151	3,049,645,853
Interest payable	**91**	1,172
Total demand and deposit liabilities – domestic	**3,429,520,242**	3,049,647,025
Current	**3,429,520,242**	3,049,647,025
Non-current	**–**	–
	3,429,520,242	3,049,647,025

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2013

16 Demand and deposit liabilities – domestic … *continued*

During the year the following balances earned interest at rates ranging from 0.01% to 0.06% (2012: 0.00% - 0.29%) 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. An amount of $761,332 from profit was allocated to the fund for the current financial year (2012: $1,726,370).

	2013 $	2012 $
Balance at beginning of year	**56,639,179**	84,312,809
Withdrawal	**–**	(10,000,000)
Loans to participating governments'	**(7,000,000)**	(19,400,000)
Loan Repayments	**11,665,005**	–
Allocation from net income	**761,332**	1,726,370
Balance at end of year	**62,065,516**	56,639,179

Participating governments' fiscal tranche I call accounts

In accordance with the Bank's profit distribution policy, sixty per cent (60%) of the annual share of distributable profits to member governments is transferred to the 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 $1,141,997 from profit was allocated to the fund for the current financial year (2012: $2,589,556).

	2013 $	2012 $
Balance at beginning of year	**27,432,700**	32,241,737
Interest on account	**11,264**	1,406
Net withdrawals	**(7,298,731)**	(7,399,999)
Allocation from net income	**1,141,997**	2,589,556
Balance at end of year	**21,287,230**	27,432,700

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2013

17 Demand and deposit liabilities – foreign

	2013 $	2012 $
Caribbean Development Bank accounts	**39,455**	2,201,691
International Bank for Reconstruction and Development accounts	**662,839**	662,840
Caribbean Financial Services Corporation account	**24,315**	101,150
Other regional central banks and agency accounts	**21,981**	36,685
Due to foreign banks	**18,740,298**	–
Total demand and deposit liabilities – foreign	**19,488,888**	3,002,366
Current	**19,488,888**	3,002,366

These balances earned interest at rates ranging from 0.01% to 0.16% (2012: 0.01% to 0.15%) per annum during the year.

18 IMF government general resource accounts

	2013 $	2012 $
Saint Lucia	**434,596**	434,902
Antigua & Barbuda	**223,581**	226,148
Grenada	**133,106**	133,336
St. Kitts & Nevis	**106,146**	106,376
Commonwealth of Dominica	**94,759**	94,914
St. Vincent & the Grenadines	**95,238**	95,280
Total IMF government general resource accounts	**1,087,426**	1,090,956
Current	**1,087,426**	1,090,956

19 Other liabilities and payables

	2013 $	2012 $
Promissory note payable	**2,584,867**	2,584,867
Total other liabilities and payables	**2,584,867**	2,584,867
Current	**2,584,867**	2,584,867

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2013

19 Other liabilities and payables … *continued*

Promissory note payable

The promissory note is 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 is payable on or before June 30, 2013 in such amount as CALMS Ltd shall from time to time determine. Where CALMS Ltd defaults in the payment of any instalment due under this promissory note and that default shall continue for thirty days after notice from Bank of Montserrat Ltd to CALMS Ltd demanding payment then and in that event the balance of the principal of the promissory note and all accrued interest shall immediately become due and payable.

CALMS Ltd and Bank of Montserrat Ltd have formalised an agreement to discontinue accruing and paying the interest due on the promissory note payable to Bank of Montserrat Ltd in light of CALMS Ltd's right to reclaim from Bank of Montserrat Ltd all interest paid to it.

20 Financial liabilities held for trading

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 and 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 and 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, 2013

20 Financial liabilities held for trading … *continued*

The following is an analysis of the currency forwards held with negative fair value as of March 31, 2012:

Currency sold/ purchased	Notional value of contracts	Notional Value of contracts EC$ equivalent	Value date of contracts	Fair value of contracts $
AUD	879,000	**2,415,701**	April 11, 2012	**(54,552)**
CAD	310,200	**834,967**	April 27, 2012	**(5,924)**
CHF	4,000	**11,876**	April 27, 2012	**(89)**
EUR	12,838,850	**44,867,490**	April 10, 12,13,18 & 27, May 3 & July 12, 2012	**(1,402,441)**
GBP	5,320,870	**22,754,573**	April 03, & 27, May 03, 2012	**(249,146)**
USD	(359,865)	**(971,635)**	April 03 & 20, 2012	**(8,451)**
		69,912,972		**(1,720,603)**
			Current	**(1,720,603)**

21 Other reserves

	2013 $	2012 $
Property Plant and Equipment Revaluation reserve	**70,507,471**	70,507,471
Unrealised holding gain – investment securities	**20,703,330**	24,941,558
Pension reserve	**16,127,000**	16,267,000
Self-insurance reserve fund	**10,980,827**	10,210,332
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	**(130,340)**	258,687
Total reserves	**126,535,093**	130,531,853

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2013

21 Other Reserves... *continued*

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.

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 April 1, 2011	9,556,523	273,018	9,829,541
Revaluation of available-for-sale securities	34,650,923	(14,331)	34,636,592
Revaluation transfer to profit and loss on disposal of available-for-sale securities	(19,265,888)	–	(19,265,888)
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**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2013

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 December 31, 2009; it used the projected unit credit method, and showed that the fair value of the Fund's assets at December 31, 2009 represented 123% of the benefits that had accrued to members as at that date. The fair value of the Fund's assets at that time was $69.3 million (2006: $64.2 million) and the required future service contribution rate was 18.6% (2006: 17.7%) of pensionable salaries. The actuary performed a roll-forward of the valuation to March 31, 2013. The next detailed full valuation will be done at March 31, 2013 to coincide with the change in the financial year-end for the pension plan.

	2013 $	2012 $
The amounts recognised in the statement of financial position are as follows:		
Present value of pension obligation	**(74,668,000)**	(68,252,000)
Fair value of plan assets	**81,923,000**	79,851,000
Present value of over funded surplus	**7,255,000**	11,599,000
Unrecognised actuarial loss/(gain)	**8,872,000**	4,668,000
Net asset recognised in the statement of financial position	**16,127,000**	16,267,000

	2013 $	2012 $
Reconciliation of amount reported in the statement of financial position:		
Pension asset, beginning of year	**16,267,000**	15,908,000
Net pension costs during the year	**(2,519,000)**	(1,836,000)
Contributions to pension scheme	**2,379,000**	2,195,000
Pension asset, end of year	**16,127,000**	16,267,000

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).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2013

22 Pension asset…*continued*

	2013 $	2012 $
The movement in the defined benefit obligation over the year is as follows:		
Beginning of year	**68,252,000**	61,022,000
Current service cost	**3,829,000**	3,541,000
Interest cost	**4,722,000**	4,208,000
Contributions by plan participants	**595,000**	549,000
Actuarial loss/(gain)	**(928,000)**	973,000
Benefits paid	**(1,604,000)**	(1,858,000)
Expense allowance	**(198,000)**	(183,000)
	74,668,000	68,252,000
The movement in the fair value of plan assets of the year is as follows:		
Plan assets at start of year	**79,851,000**	78,493,000
Expected return on plan assets	**6,032,000**	5,913,000
Actuarial gain/(loss)	**(5,132,000)**	(5,258,000)
Employer contributions	**2,379,000**	2,195,000
Contributions by plan participants	**595,000**	549,000
Benefits paid	**(1,604,000)**	(1,858,000)
Expense allowance	**(198,000)**	(183,000)
	81,923,000	79,851,000
The amounts recognised in the statement of income are as follows:		
Current service cost	**3,829,000**	3,541,000
Interest on defined benefit obligation	**4,722,000**	4,208,000
Expected return on plan assets	**(6,032,000)**	(5,913,000)
Total expense included in staff costs (note 28)	**2,519,000**	1,836,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2013

22 Pension asset…*continued*

	2013 %	2012 %
The principal actuarial assumptions used were as follows:		
Discount rate at end of year	**7.0**	7.0
Expected return on plan assets at end of year	**7.5**	7.5
Future salary increases	**6.0**	6.0

	2013 $	2012 $
Expected return on plan assets	**6,032,000**	5,913,000
Actuarial (loss) /gain on plan assets	**(5,132,000)**	(5,258,000)
Actual return on plan assets	**900,000**	655,000

The plan experience history is as follows:

	2013 $	2012 $	2011 $	2010 $
Defined benefit obligation	**74,668,000**	**68,252,000**	61,022,000	56,998,000
Fair value of plan assets	**(81,923,000)**	**(79,851,000)**	(78,493,000)	(71,496,000)
Surplus	**(7,255,000)**	**(11,599,000)**	(17,471,000)	(14,498,000)
Experience adjustment on plan liabilities	**(928,000)**	**(973,000)**	(1,739,000)	(1,650,000)
Experience adjustment on plan assets	**(5,132,000)**	**(5,258,000)**	992,000	4,162,000

Expected Company contributions in the financial period April 1, 2013 to March 31, 2014 is $2.514 million.

Plan assets are comprised as follows:

	2013		2012	
	$	%	$	%
Equity instruments	**26,624,975**	32.5	15,823,764	19.8
Debt instruments	**25,641,899**	31.3	24,697,881	36.9
Other	**29,656,126**	36.2	39,329,355	43.3
	81,923,000	100.0	79,851,000	100.0

The largest proportion of assets is invested in debt instruments. The Plan does not directly hold any assets of the Bank.

Expected rate of return on assets is set by reference to estimated long-term returns on the plan's strategic asset allocation. Allowance is made for some excess performance from the plan’s equity portfolio.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2013

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.

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

	2013 $	2012 $
Receivables from participating governments		
Loans and receivables: participating governments' securities (note 9)	**109,796,751**	118,348,619
Loans and receivables: participating governments' advances (note 10)	**106,110,298**	43,821,289
Payables to participating governments (note 16)		
Participating governments' call accounts	**68,832,913**	57,538,816
Participating governments' fiscal reserve tranche II	**62,065,516**	56,639,179
Participating governments' current accounts	**46,100,000**	46,100,000
Participating governments' fiscal tranche I call accounts	**21,287,230**	27,432,700
Participating governments' securities account	**20,095,834**	1,894,875
Participating governments' operating accounts	**16,567,744**	16,769,589
Participating governments' sinking fund call accounts	**8,339,878**	1,213,797
Participating governments' drug service accounts	**1,448,225**	1,009,572
Participating governments' debt restructuring escrow accounts	**99,429**	5,781,950

Interest income earned on receivables during the year is $9,308,150 (2012: $8,544,428). The receivables carry interest rates of 3.5 % -9% (2012: 3.5% - 9 %) per annum.

Interest expense on payables during the year is $55,951 (2012: $44,385). The payables carry interest rates of 0.01% to 0.16% (2012: 0.01% - 0.15%) per annum.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2013

23 Related party transactions… *continued*

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:

	2013 $	2012 $
Staff mortgage loans		
Loans outstanding at beginning of year	**986,061**	1,122,396
Loans movement during the year	**(112,989)**	(136,335)
Loans outstanding at the end of year	**873,072**	986,061
Term deposits		
Bank of Nova Scotia, St. Kitts	**736,551**	776,068
CIBC FirstCaribbean International, St Kitts	**390,483**	400,000
	1,127,034	1,176,068

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 $37,287 (2012: $45,509). The loans carry an interest rate of 4% (2012: 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 $3,770,052 (2012: $3,833,392). The following is an analysis of these amounts:

	2013 $	2012 $
Salaries and other short-term employee benefits	**3,604,861**	3,485,020
Board of Directors' fees	**192,000**	192,000
Post-employment benefits	**166,091**	156,372
Total key management compensation	**3,962,952**	3,833,392

24 Contingencies and commitments

Capital commitments

At March 31, 2013 there were no commitments for capital expenditure.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2013

24 Contingencies and commitments…*continued*

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 $342,000,000 (2012: $282,000,000). The details are presented in the table below:

	2013 $	2012 $
Government of Antigua and Barbuda	**127,851,000**	123,525,000
Government of Saint Lucia	**52,921,000**	41,700,000
Government of St Kitts and Nevis	**44,020,000**	35,188,000
Government of St Vincent and the Grenadines	**28,653,000**	23,419,000
Government of Dominica	**28,052,000**	22,815,000
Government of Grenada	**27,830,000**	23,502,000
Government of Anguilla	**11,862,000**	9,578,000
Government of Montserrat	**2,811,000**	2,273,000
Total credit allocation	**324,000,000**	282,000,000

The undrawn commitments to participating governments for the current financial year is $102,870,000 (2012: $115,168,000). The details are presented in the table below:

	2013 $	2012 $
Government of St Kitts and Nevis	**36,460,000**	31,448,000
Government of Dominica	**21,176,000**	14,815,000
Government of Saint Lucia	**15,800,000**	41,700,000
Government of St Vincent and the Grenadines	**11,107,000**	9,870,000
Government of Grenada	**5,772,000**	5,590,000
Government of Anguilla	**4,979,000**	9,578,000
Government of Antigua and Barbuda	**4,743,000**	(106,000)
Government of Montserrat	**2,833,000**	2,273,000
Total undrawn commitments	**102,870,000**	115,168,000

Pending litigation

There is one pending legal claim against the Eastern Caribbean Central Bank (Central Bank) for which the likelihood of settlement appears remote.

Claim No. GDAHCV2001/0490 initiated by Capital Bank International Limited in 2001 is pending before the Grenada Supreme Court. The Claimant is seeking:

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2013

24 Contingencies and commitments... *continued*

Pending litigation ... *continued*

- 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.

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, 2012. At the year end the total funds advanced amounted to $2,874,845 (2012: $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, 2013 in an amount not expected to exceed $2,000,000 (2012: $2,000,000).

The above undertaking and guarantee will be reviewed on March 31, 2013 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, 2013 the commitment of the Bank was $810,000 (2012: $972,000).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2013

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 2013 and in aggregate are as follows:

	2013 $	2012 $
2013	–	699,012
2014	**694,836**	694,836
2015	**547,425**	547,425
2016	**514,613**	514,612
2017	**278,550**	-
Thereafter	**1,070,000**	1,130,000
Total operating leases	**3,105,424**	3,585,885

25 Cash and cash equivalents

	2013 $	2012 $
Money market instruments and money at call (note 5)	**1,158,382,405**	1,201,520,219
Regional and foreign currencies	**49,815,568**	37,527,638
Balances with other central banks (note 4)	**16,145,939**	22,421,331
Due from local banks	**10,353,079**	11,097,795
Balances with local banks	**1,042,995**	228,712
Balances with foreign banks (note 4)	**66,746**	194,820
Total cash and cash equivalents	**1,235,806,732**	1,272,990,515

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2013

26 Net interest income

	2013 $	2012 $
Interest income		
Available for sale: foreign investment securities	**20,683,948**	24,738,817
Other	**6,241,180**	2,332,863
Loans and receivables: participating governments' securities	**4,406,141**	8,307,352
Money market instruments and money at call	**3,534,861**	4,929,989
	34,866,130	40,309,021

	2013 $	2012 $
Interest expense		
Demand liabilities: domestic	**55,951**	50,567
Demand liabilities: foreign	**–**	30
	55,951	50,597
Net interest income	**34,810,179**	40,258,424

27 Other income

	2013 $	2012 $
Income from reserve requirement	**3,232,380**	4,284,719
Miscellaneous income	**717,683**	404,671
Pension fund administrative and management fees	**486,118**	456,749
Rental income	**63,386**	63,386
Gain on disposal of property, plant and equipment	**10,000**	–
(Loss)/gain on futures	**(146,243)**	36,837
Total other income	**4,363,324**	5,246,362

28 Salaries, pension and other staff benefits

	2013 $	2012 $
Salaries, wages and other benefits	**26,193,235**	24,736,545
Pension (note 22)	**2,519,000**	1,836,000
Social security	**969,058**	936,283
Vacation leave	**470,122**	277,663
Prepaid employee benefit	**99,648**	124,717
Total salaries, pension and other staff benefits	**30,251,063**	27,911,208

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2013

29 Administrative and general expenses

	2013 $	2012 $
General supplies and services	**6,574,347**	6,777,773
Professional and consulting fees	**4,217,218**	3,589,975
Utilities expenses	**3,199,524**	2,898,240
Travel tickets, accommodation and subsistence	**1,241,431**	1,130,347
Supervisory and regulatory expenses	**946,211**	1,852,637
Insurance expense	**874,782**	890,018
Training, recruitment and resettlement	**788,993**	545,036
Rental Expense	**698,605**	721,012
Telephone costs	**611,581**	611,199
Conference and meetings	**487,036**	534,591
Staff vacation grant	**425,872**	491,198
Repairs and maintenance	**384,323**	415,558
Contingencies	**346,415**	234,596
Contribution to ECSRC	**311,518**	-
Subscriptions and fees	**216,825**	230,435
Other staff expenses and amenities	**157,462**	164,541
Community outreach	**145,474**	134,580
Cafeteria subsidy	**141,477**	181,404
Advertising and promotion	**129,236**	158,157
Affiliate groups	**87,957**	87,958
Printing and postage	**78,178**	114,014
Special projects	**67,975**	36,184
Contribution to staff association	**63,443**	46,773
Directors' travel and subsistence	**49,070**	27,802
Legal fees	**19,893**	14,338
Commission and Brokerage Fees	**773**	-
Total administrative and general expenses	**22,265,619**	21,888,366

LIST OF COMMERCIAL BANKS MAINTAINING CLEARING ACCOUNTS WITH THE ECCB

As at 31 March 2013

ANGUILLA

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

ANTIGUA AND BARBUDA

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

COMMONWEALTH OF DOMINICA

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

GRENADA

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

MONTSERRAT

Bank of Montserrat Limited
RBC Royal Bank of Canada

ST KITTS AND NEVIS

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

SAINT LUCIA

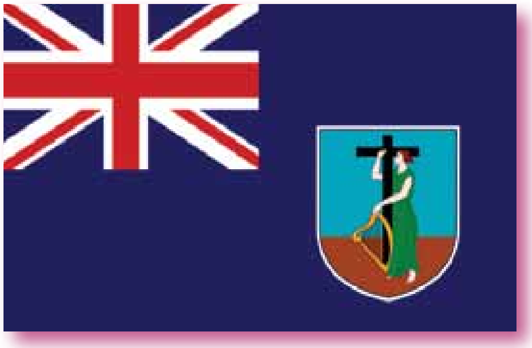
Bank of Nova Scotia
Bank of Saint Lucia Ltd
1st National Bank St Lucia Ltd
CIBC FirstCaribbean International Bank (Barbados) Ltd
RBTT Bank Caribbean Limited
RBC Royal Bank of Canada

ST VINCENT AND THE GRENADINES

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

Flags of the Eastern Caribbean Currency Union

MONTSERRAT



The flag of Montserrat consists of a dark blue base with a British Union Jack in the top left quarter. The country's coat of arms which dates from 1909, is centered on the right hand half of the flag. The coat of arms consists of a woman dressed in green, holding a cross and harp. The cross is symbolic of Christianity, while the harp and woman (Eren) depict Irish immigrants who settled on the island in 1632.

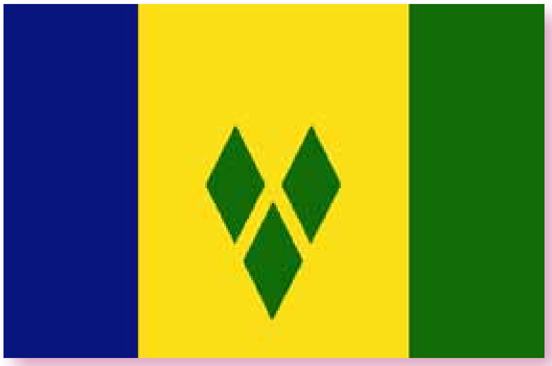
SAINT LUCIA

Cerulean blue represents fidelity and reflects the tropical sky and also the emerald surrounding waters – the Caribbean Sea and the Atlantic Ocean. Gold represents the prevailing sunshine in the Caribbean and prosperity. Black and white stand for the cultural influences – the white part: the white culture; the black part: the black culture. Two races living and working in unity. The design impresses the dominance of the Negro culture vis-à-vis that of Europe, against a background of sunshine and ever-blue sea. This is represented by the three triangles in the center of the flag, symbolising three pitons. The triangle, the shape of which is an isosceles triangle, is reminiscent of the island's famous twin Pitons at Soufriere, rising sheer out of the sea, towards the sky themselves, a symbol of the hope and aspirations of the people.

ST KITTS AND NEVIS

Green represents the fertile land. Yellow symbolises the year-round sunshine. Black represents the country's African heritage. Red is for the struggle from slavery, through colonialism to Independence. The two white stars on a black diagonal bar are symbols of hope and liberty.

ST VINCENT AND THE GRENADINES



The flag of St Vincent and the Grenadines has three vertical bands of blue (on the hoist side), gold (double width), and green. The gold band bears three green diamonds arranged in a "V" pattern in the centre. The green diamonds are shaped in a "V" for St Vincent and reflect the plural nature of the many islands of St Vincent and the Grenadines. The blue represents the sky and sea. The gold is for warmth, the bright spirit of the people and the golden sands of the Grenadines. The green represents the lush vegetation of St Vincent's agriculture and the enduring vitality of the people.

EASTERN CARIBBEAN CENTRAL BANK