Eastern Caribbean Central Bank

Annual Report 2010/2011

Sea Ports of the Eastern Caribbean Currency Union (ECCU)

ANGUILLA

Blowing Point Passenger Terminal, located in the village of Blowing Point, is the number one port of entry for visitors, excursionists and day-trippers to the island. Visitor arrivals average 900 to 1000 daily. The port, which was upgraded in July 2007, now has three 80 ft wharves instead of one. There are two passenger wharves, arrival and departure, and a maintenance and services wharf. The port is home to 13 local ferries, and more than 20 charter boats provide shuttle service from the port to the Juliana Airport in St Maarten.

COMMONWEALTH OF DOMINICA

The **Roseau Cruise Ship Berth** was built in 1995 on the Dame Eugenia Charles Boulevard, to provide a dedicated facility for the docking of cruise ships. The berth located in the capital Roseau, complements the facility at the Deep Water Harbour at Woodbridge Bay. The area where the berth was built is also home to the Dominica Museum, the General Post Office, the Royal Bank of Canada, the High Court and Registry, the Fort Young Hotel, the Garraway Hotel, and the Ferry Terminal.

ANTIGUA AND BARBUDA

The **Heritage Quay Pier** was built in 1989, and its unique finger-shaped pier stretching 1,600 ft in length allows berthing of two or more cruise ships simultaneously. In 1995, the Nevis Street Pier, also 1,600 ft long, was added and both piers can accommodate 10,000 passengers at one time. In the peak year of 2009, both piers transited 711,000 passengers, who enjoyed the luxury of disembarking from the ship into the duty free shopping area.

GRENADA

Construction of the **Cruise Port**, which is located on Melville Street, St George's, started in 2004. It can accommodate two to three vessels simultaneously and is designed with the most modern class of cruise ship in mind. The port is capable of berthing vessels of up to 980 ft with drafts in excess of nine metres. The 300-metre-long jetty is capable of accommodating two voyager class cruise ships, the largest size after Queen Mary II and has already withstood the onslaught of a Category 4 hurricane. A Cruise Welcome Centre, located at the northern end of the quay, houses duty free shops and restaurants. The port also provides bus and taxi transfer of passengers to waiting tours as well as a jetty for water taxis.

REPORT AND STATEMENT OF ACCOUNTS

For the Financial Year Ended 31 March 2011

Eastern Caribbean Central Bank

6 June 2011

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 2011 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, KBE
GOVERNOR

The Honourable Hubert Hughes
Chief Minister
ANGUILLA

The Honourable Baldwin Spencer
Prime Minister
ANTIGUA AND BARBUDA

The Honourable Roosevelt Skerrit
Prime Minister
COMMONWEALTH OF DOMINICA

The Honourable Tillman Thomas
Prime Minister
GRENADA

The Honourable Reuben T Meade
Chief Minister
MONTSERRAT

Dr The Honourable Denzil Douglas
Prime Minister
ST KITTS AND NEVIS

The Honourable Stephenson King
Prime Minister
SAINT LUCIA

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

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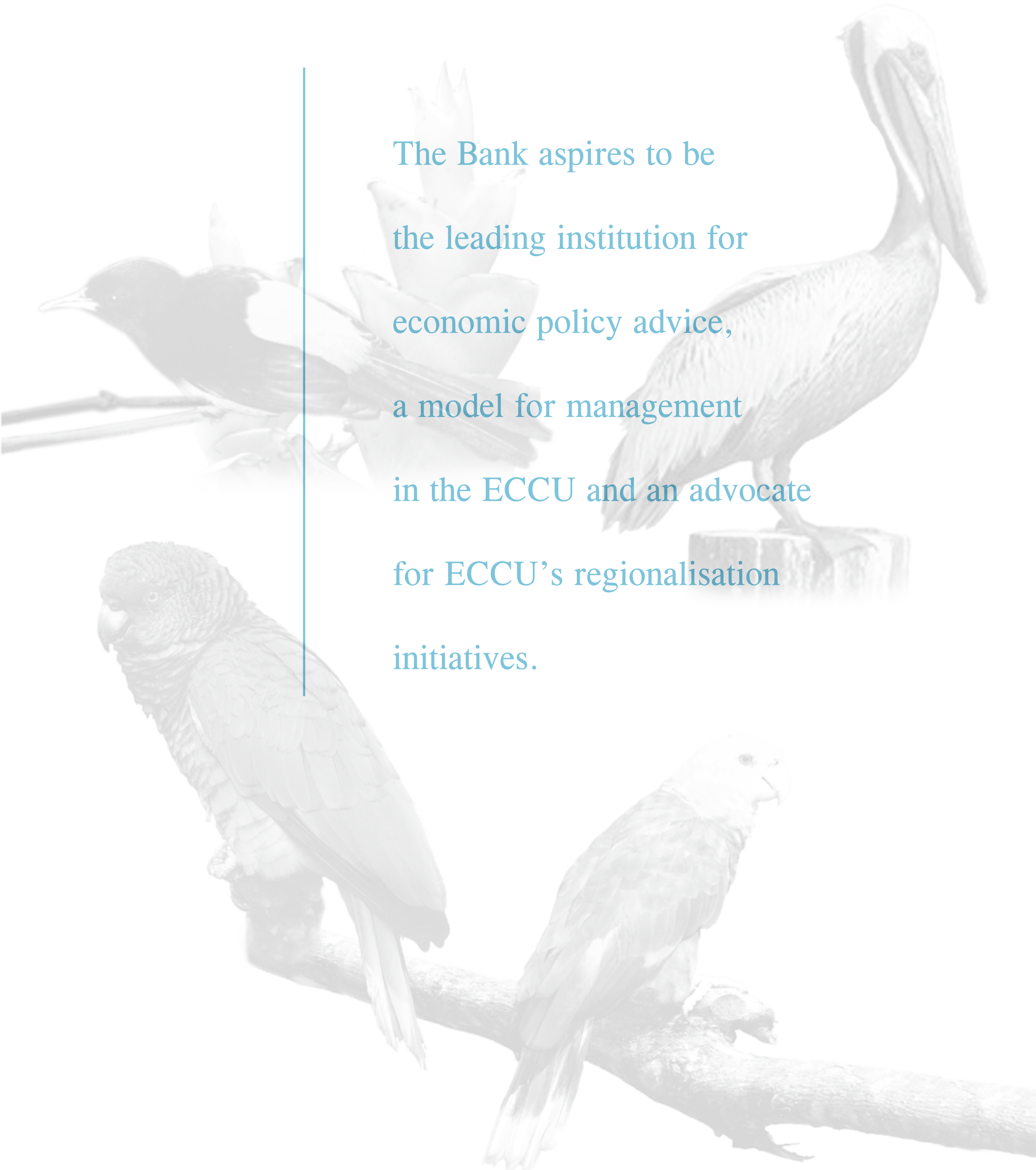
E-mail: info@eccb-centralbank.org • Website: www.eccb-centralbank.org
SWIFT: ECCBKN

MISSION STATEMENT

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

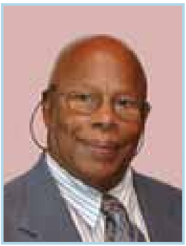
VISION STATEMENT



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

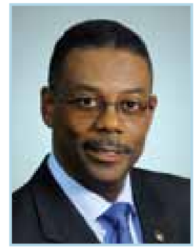
MONETARY COUNCIL

As at 31 March 2011



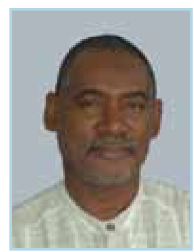
The Hon Hubert Hughes
Anguilla

The Hon V Nazim Burke
Grenada
Chairman



The Hon Harold Lovell
Antigua and Barbuda

The Hon Roosevelt Skerrit
Commonwealth of Dominica



The Hon Reuben T Meade
Montserrat

Dr the Hon Denzil L Douglas
St Kitts and Nevis

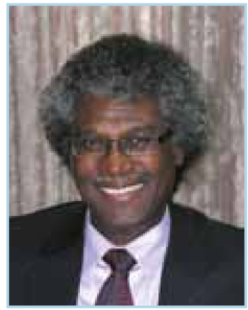
The Hon Stephenson King
Saint Lucia

Dr the Hon Ralph Gonsalves
St Vincent and the Grenadines

BOARD OF DIRECTORS

As at 31 March 2011

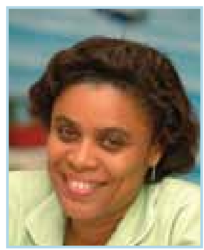
Kathleen Rogers
Anguilla



K Dwight Venner, KBE
Chairman

Trevor Brathwaite
Deputy Governor

Whitfield Harris Jr
Antigua and Barbuda



Rosamund Edwards
Commonwealth of Dominica

Timothy Antoine
Grenada

Lindorna Brade
Montserrat

H E Wendell Lawrence
St Kitts and Nevis

Isaac Anthony
Saint Lucia

Maurice Edwards
St Vincent and the Grenadines

CORPORATE INFORMATION

As at 31 March 2011

EXECUTIVE COMMITTEE	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
Governor's Immediate Office (GIO)	Ms Laurel Bain	Senior Director
Management Information Systems Department (MISD)	Mr Wayne Myers	Senior Director
Accounting Department (AD)	Mrs Yvonne Jean-Smith	Director
Banking and Monetary Operations Department (BMOD)	Mrs Jacqueline Lawrence	Director
	Mr Alex Straun	Deputy Director
	Mrs Patricia Welsh-Haynes	Deputy Director
Bank Supervision Department (BSD)	Mr Kennedy Byron	Director
	Mrs Allison Crossman	Deputy Director
	Mrs Jessica Ferdinand-Phipps	Deputy Director
	Mrs Laurel Seraphin-Bedford	Deputy Director
Currency Management Department (CMD)	Ms Sharmyn Powell	Director
	Mr Rosbert Humphrey	Deputy Director
Financial and Enterprise Development Department (FEDD)	Mr Denzil James	Director
	Mr Daniel Arthurton	Deputy Director
Human Resources Department (HRD)	Ms Lilian Polydore	Director
	Mrs Norma Hanley-Pemberton	Deputy Director
Internal Audit Department (IAD)	Ms Raquel Huggins	Director
	Mrs Maria Cumberbatch	Deputy Director
Legal Services Department (LSD)	Mrs Merlese O'Loughlin	Director
Research Department (RD)	Ms Karen Williams	Director
	Mr Hamilton Stephen	Deputy Director
	Mr Rohan Stowe	Deputy Director

CORPORATE INFORMATION

As at 31 March 2011

MANAGEMENT TEAM *(cont…)*

Statistics Department (SD)	Mrs Térèsa Smith Mrs Seana Benjamin-Mack Mr Carl Greaux Ms Juletta Jeffers Ms Leah Sahely	Director Deputy Director Deputy Director Deputy Director Deputy Director
Support Services Management Department (SSMD)	Mrs Pamella Osborne Mrs Adriana Carter Mrs Beverley Edwards-Gumbs Mr Vincent DeFreitas	Director Deputy Director Deputy Director Deputy Director

ADVISERS

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

CORPORATE INFORMATION

As at 31 March 2011

RESIDENT REPRESENTATIVES

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

ORGANISATIONAL CHART

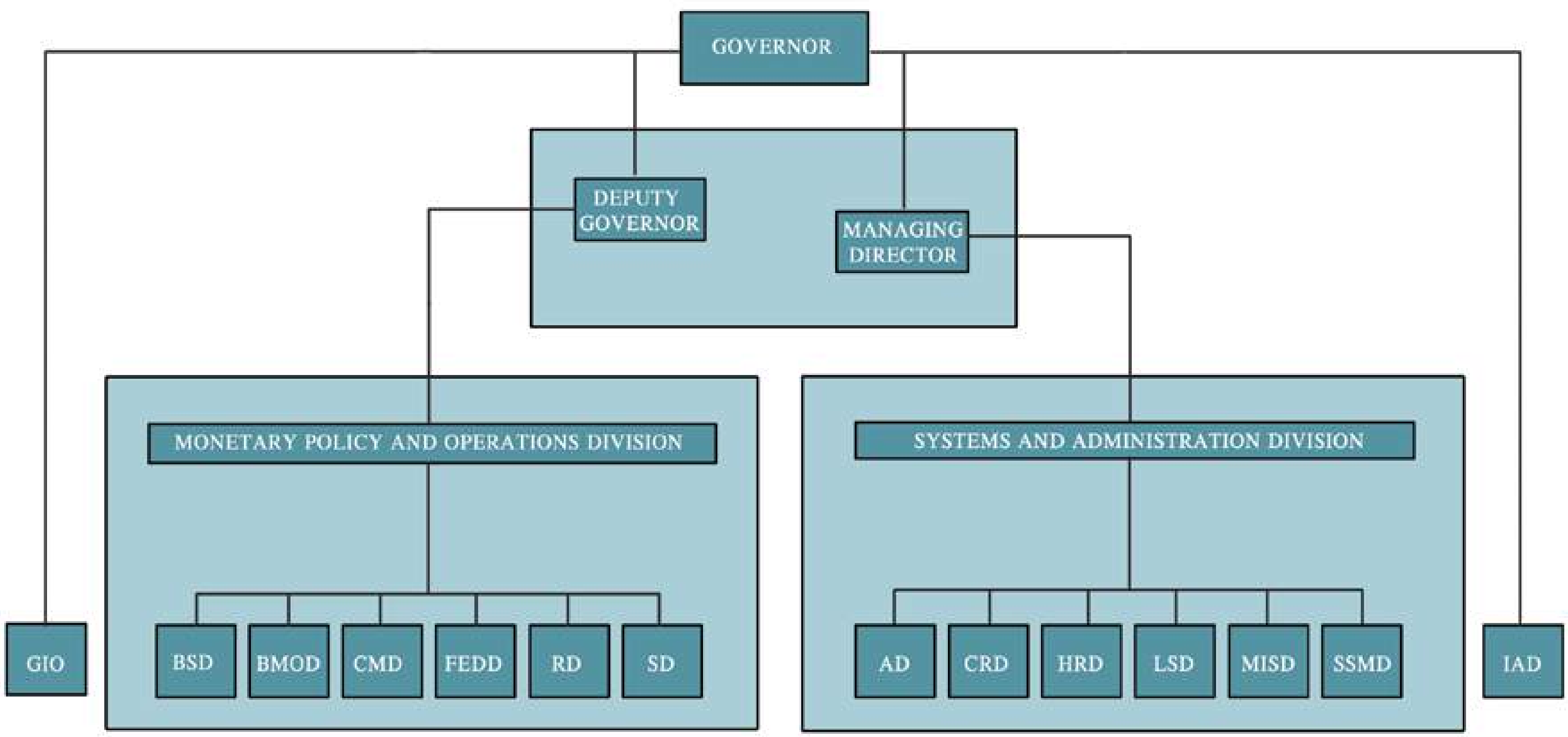
31 MARCH 2011

KEY:

BSD	Bank Supervision Department
BMOD	Banking and Monetary Operations Department
CMD	Currency Management Department
FEDD	Financial and Enterprise Development 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

Transforming the Economies of the ECCU: A Strategic Approach

The member countries of the Eastern Caribbean Currency Union (ECCU) have reached individual and collective turning points in their economic history.

As the situation now presents itself, there are two explicit tail risks and one significant opportunity which now confront them.

The tail risks are:

- The occurrence of major external shocks; and
- The possibility of one or more devastating natural disasters.

With respect to the external shocks, it is clear that the economies have not yet recovered from the global recession, with the accumulated contraction over the 2009/2010 period averaging 10 per cent of GDP. This has had a significant impact on profit levels and government revenues, and public debt levels have increased after a decline over the period 2005 – 2008. The economies would have to grow, on average, by about 5 per cent over the next two years to reach pre-crisis levels of activity.

The international economy, and particularly the US economy, has not yet shown signs of a robust recovery. Indeed, one of the major tail risks would be a reversal in the progress made by the international economy due to the developments in the geographic areas outlined below.

In Europe, the problems in the peripheral countries, Greece, Ireland, and Portugal have impacted the financial markets and the Euro, which is the second most important international currency after the US dollar.

The European Union being the largest single trading bloc in the international system, could place a significant drag on the performance of the international economy, with its increasing sovereign debt and the fragility of the banking system.

Japan has had a series of natural disasters which is already having an impact on the international economy in several important areas.

- Capital and currency markets have been affected, Tokyo being one of the major international financial centers;
- Japan's place in the supply chain for inputs into the automotive and electronic industries has affected production in several countries; and
- The insurance sector will be significantly affected due to the scale of the disasters in Japan following others which had occurred in other countries. The impact will be felt in the cost of reinsurance which will spread internationally.

The American economy has still not fully recovered due to the high levels of unemployment, the large domestic debt, the stalemate in addressing the fiscal deficit, and the slow recovery of the housing sector.

The emerging economies which had recovered fairly quickly are now facing spurts in inflation due to the steep rise in commodity prices and are now trying to contain the rate of growth.

All of these factors working together could lead to another downturn, which poses serious difficulties for our small, open, fragile and vulnerable economies which have not yet moved into recovery mode.

Another economic tail risk could be the tremendous spike in oil prices which would raise domestic prices in the critical areas of consumption, intermediate and capital goods. Food prices are also on the rise and the combination of these two developments could put a major squeeze on the economies.

The other major daunting probability is the occurrence of one or two major hurricanes during the upcoming season. The passage of hurricane Tomas in 2010 and its impact on Saint Lucia and St Vincent and the Grenadines, followed by a major rainstorm in St Vincent and the Grenadines in early 2011 are recent reminders of the setbacks which can result from natural disasters.

The countries are however, presented with a unique opportunity which springs from the inability of the current economic model, the Input-Consumption-Default (ICD) Model, explained in last year's foreword, to generate sustainable growth of 6 to 7 per cent of GDP. The crisis and the possibility of downside tail risks provide the socio-economic and political environment to move to a new model which could engender a process of sustained and increased growth and employment.

This opportunity can be taken because the currency union has the advantage of existing institutional arrangements which have served the countries well. What is required is a strategic and sequenced approach to the achievement of goals which are carefully defined and measurable. The first step in this approach will be to lay out a vision of desirable outcomes. This must then be followed by an analysis of the current threats to the stability of the economic and financial systems of the currency union.

The threats emanate from three sources - the national, the regional and the international environment, but are, in many instances interrelated. It is only by a deep understanding of these threats and their capacity to undermine the ability to grow in a sustainable way, that the justification for the new model can be comprehensively and successfully communicated to civil society and the body politic.

The ECCU Eight Point Stabilisation and Growth Programme, agreed to by member countries to address the fall-out from the crisis, is in the process of being converted to a sequenced action plan which will be the blueprint for achieving the goals and objectives of the ECCU. This will require a slight reformulation of the programme as set out below.

Points 1, 2 and 3 of the programme, namely, financial programming, fiscal reform and debt management, must be seen as the critical adjustment elements and require clear targets and deliberate actions. Annual technical boot camps are being held with public sector officials to update continuously the financial programmes and to expand the expertise in this area. Fiscal reform in the member countries has advanced to the stage where fiscal targets have been set for 2011 and will be reviewed continuously on an annual basis to ensure the achievement of a debt to GDP ratio of 60 per cent by 2020.

The third commission established by the ECCB's Monetary Council, that is, the Public Expenditure

Review Commission, has begun its work and will report by October 2011. The work of this Commission, along with that of the previous two, namely, the Tax Reform and Administration Commission and the Pension and Pension Administration Reform Commission, will produce a body of work and recommended policies which will lay the ground work for fiscal policy well into the future.

Debt management, in the currency union, has been given increased focus with the agreement to establish a Ministerial Sub-Committee on Debt which will facilitate timely decision making by the Monetary Council in respect of issues relevant to debt sustainability. In addition, a Task Force on Debt, Growth and Development has been established with membership from the countries of the ECCU, the ECCB, the OECS Secretariat, the Caribbean Development Bank (CDB), the International Monetary Fund (IMF), the World Bank and the International Finance Corporation (IFC).

Points 6, 7 and 8 of the Eight Point Programme, which focus on financial sector stability, amalgamation of the indigenous banks and rationalisation, development and regulation of insurance companies, involve a major overhaul of the financial sector taking as an underlying objective, the creation of a single financial space. Vital parts of the financial safety net will be a regulatory and supervisory regime which covers the entire space complemented by a resolution mechanism and a deposit insurance scheme.

The capacity of the financial space to accommodate banks and insurance companies so that they will have the ability to be profitable will be an important issue. The quality, safety and soundness of the institutions which are licensed will have to be a major policy issue for the authorities.

Point 4 of the Eight Point Programme addresses the need to raise the formulation and implementation of public sector investment programmes to entirely new standards critical for the resumption of sustainable growth. Three types of projects are seen as necessary:

1. Off-the-shelf projects to provide economic stimulus, employment and important facilities at the local level;
2. Major infrastructural works which will underpin the capacity for medium to long term growth; and
3. Currency union wide projects which will facilitate the integration of the economies of the member countries and create the single financial and economic space as set out in the new OECS Economic Union treaty.

Point 5 of the Eight Point Programme speaks to the construction of adequate social safety nets at the national and currency union levels. These safety nets will be required to address the plight of the indigent and the elderly, as well as have the capacity to retrain and re-orient those on the margins of society for entry and re-entry into the labour force.

Finally, a critical addition to the ECCU Eight Point Stabilisation and Growth Programme is the addition of a specific approach. This will involve, as cited in the foreword to the 2009/2010 Annual Report, a specific growth target which will inform the strategy for achieving it. The rate of growth which is necessary to achieve the transformation of the economies of the ECCU is in the region of 7 per cent on an annual basis, sustained over the next decade. An appropriate policy must therefore be developed based on the Aggregation-Coordination-Output Model, an alternative model which was also cited in last year's foreword.

Three critical instruments are necessary to carry through the process successfully.

These are:

1. The political and institutional framework provided by the Economic Union;
2. The modernisation of the public sector at the national and currency union levels to provide the technical and administrative capacity to implement the needed policies and strategies; and
3. An ECCU stability and growth facility to finance the adjustment and restructuring of the economic and financial systems of the currency union.

These are the policies, systems and strategies which are necessary to transform the current economic systems into flexible, resilient and competitive entities capable of providing vastly improved standards of living and quality of life for the citizens of the ECCU.

K. Dwight Venner

K Dwight Venner
Governor

REVIEW OF PERFORMANCE

The year 2010/2011 was another challenging one for the ECCB and its member governments as the global financial and economic crisis continued to impact the ECCU.

During the year, the work of the Bank was again guided by its mandate as stated 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.

Particular emphasis was placed on matters related to financial sector stability and macroeconomic stabilisation, as efforts to address the impact of the global economic and financial crisis continued. The Bank collaborated with the member governments of the Eastern Caribbean Currency Union (ECCU) to implement and monitor policies and programmes under the rubric of the ECCU Eight Point Stabilisation and Growth Programme, which they agreed to in the previous financial year.

Financial sector stability was addressed through work associated with the implementation of Points 6, 7 and 8 of the ECCU Eight Point Stabilisation and Growth Programme, namely: Financial Sector Safety Nets, Amalgamation of the Indigenous Commercial Banks, and Rationalisation, Development and Regulation of the Insurance Sector. The Bank strengthened the regulatory framework and collaborated with member countries to develop programmes for the rationalisation, recapitalisation and regulation of the financial system.

The Bank supported the member countries with their programmes for macroeconomic stabilisation through the implementation of Points 1, 2 and 3 of the ECCU Eight Point Stabilisation and Growth Programme, namely: Financial Programmes, Fiscal Reform Programmes and Debt Management Programmes. Technical support was provided to member countries in the development of financial programmes and the establishment of fiscal targets. The Bank supported the work of the Commission on Pension and Pension Administration Reform appointed by the Monetary Council as part of a comprehensive programme for improving the efficiency of government expenditures. The Debt Management Advisory Service (DMAS) at the Bank, which is sponsored by the Canadian International Development Agency (CIDA), coordinated the provision of technical assistance to strengthen debt management capabilities in the member countries of the currency union.

MONETARY STABILITY

Monetary Policy

During 2010, the ECCU continued to be challenged by the lingering effects of the global economic and financial crisis. Despite some gains in the real, financial and fiscal sectors, significant challenges remained, including poor growth prospects and the risk of further deterioration in the financial and fiscal sectors.

Throughout the year, the monetary policy imperative remained the preservation of the currency exchange arrangements and the facilitation of balanced growth and development among member states. Preservation of the exchange rate arrangements requires a sufficiency of foreign reserves to back the domestic currency and bolster confidence. The statutory minimum in this regard is 60.0 per cent, while a higher prudential operating limit is set at 80.0 per cent. The weak external environment contributed to a decline in trade and investment flows; however the impact on the foreign reserves was moderated by an increase in official financing. Consequently, the backing ratio increased to 95.53 per cent at 31 March 2011, from 93.93 per cent at 31 March 2010, remaining well above statutory and prudential limits.

Real output in the ECCU contracted for the second consecutive year in 2010, falling by 1.8 per cent, following the 5.4 per cent decline in 2009. The decline was associated with persistent weak external demand and a reduction in domestic investment. As such, major sectors, which depend on foreign consumption and investment flows, such as construction and transport and communications, continued to decline. There was a measure of improvement in the hotels and restaurants sector. Stay-over visitor arrivals rose by 3.5 per cent, having contracted by 11.8 per cent during 2009. However, this recovery was not broad-based as five member countries continued to record declines in stay-over visitor arrivals.

Liquidity challenges in the commercial banking sector persisted throughout 2010. The ratio of liquid assets to total deposits, plus liquid liabilities fell to 27.2 per cent from 29.6 per cent at the end of 2009, while the ratio of liquid assets to total assets fell to 20.0 per cent, from 22.3 per cent a year earlier.

The aforementioned developments and the general state of uncertainty, in respect of economic activity and near-term prospects, resulted in the Bank maintaining a neutral monetary policy stance. As such, the ECCB's main policy rates, the minimum savings rate and the central bank discount rate, were maintained at 3.0 per cent and 6.5 per cent respectively throughout 2010.

A return to positive growth is anticipated for 2011 as economic activity is projected to increase by 2.2 per cent. The eventual out-turn will depend to a large extent on spill-over effects from the global recovery as well as deliberate policy initiatives in the domestic and regional economies. Government financing requirements are expected to remain relatively high as revenues are projected to recover slowly. Further, inflationary pressures are expected to intensify as global commodity prices, particularly oil and food, are on a sharp upward trajectory. Monetary and credit conditions are expected to ease as the economic recovery gathers momentum.

Reserve Management

Pessimism regarding the outlook for the US economy, prevalent in the earlier part of the year, gave way to some optimism, as better-than-expected US economic indicators and the promise of additional fiscal stimulus improved investor sentiment. However, market participants remained cognisant that the US economic recovery would face challenges as the housing and job markets remained a drag on the economy. As conditions in the US economy stabilised, US Treasury prices declined. However, the unfolding of the European sovereign debt crisis encouraged investors to increase their holdings in US Treasuries. Despite the uncertainty surrounding the US Treasury market, the ECCB continued to achieve its reserves management objectives of preservation of capital, meeting liquidity needs and outperforming the customised benchmark. Given the increased inflow of US dollars to member governments from international and regional institutions, the Bank's foreign reserves liquidity portfolio grew, maintaining above-trend totals.

The Bank successfully accomplished the goal of rebalancing the ECCB Customised Benchmark to a duration of two (2) years, ensuring that the risk tolerance level of the Bank was preserved. In addition, the global custodian function was reviewed to ensure that the foreign reserves assets continued to be held in a safe and efficient manner.

Currency Management

The Bank maintained its focus on ensuring an adequate supply of currency notes and coins to meet the demands of ECCU member countries during the year. The Bank also continued its efforts to maintain a high quality of currency in circulation and minimise the circulation of counterfeit notes.

As at 31 March 2011, the value of currency in circulation was EC$759.22 million. Banknotes accounted for EC$680.92 million or 89.69 per cent, while coins in circulation amounted to EC$78.30 million or 10.31 per cent. The aggregate currency in circulation at the end of the financial year reflected an increase of EC$5.29 million (0.70 per cent) above the total in the previous financial year.

In June 2010, the Bank in collaboration with De La Rue, hosted an "Expert Witness" training course. The objective of the course was to increase the pool of certified expert witnesses across the ECCU to aid in executing its mandate to reduce the circulation of counterfeit EC notes. Fifteen (15) participants from across the ECCU, with the exception of Anguilla, received certification as expert witnesses. In addition, four (4) ECCB staff members were certified as trainers to deliver future courses and confer certification as expert witnesses.

During the year, the Bank successfully negotiated a partnership arrangement with De La Rue for the upgrading of the Currency Management Solution, which was first implemented in April 2008. The initial testing of the upgraded software commenced in March 2011 and implementation is scheduled for 15 July 2011. The new version of the software is expected to realise added efficiencies to the overall currency management function.

FINANCIAL SECTOR STABILITY

During 2010/2011, the Bank's efforts focused on:

- *Promoting the implementation of an enhanced integrated regulatory and supervisory framework for the financial system of the ECCU, with a view to advancing the safety, soundness, solvency and reliability of the entire system.*
- *Conducting enhanced regulation and*

supervision of institutions licensed under the Banking Act; and maintaining the integrity of the banking system.

Supervision

The Bank's approach to addressing the challenges confronting the ECCU financial system is encapsulated in Points 6, 7 and 8 of the ECCU Eight Point Stabilisation and Growth Programme. These are Financial Safety Net Programmes, Amalgamation of the Indigenous Commercial Banks and Rationalisation, Development and Regulation of the Insurance Sector.

From a macro-prudential level, efforts continued towards the enhancement of the regulatory and supervisory framework of the ECCU financial system. These included the drafting of enabling legislation for the credit union and insurance sectors, capacity building, especially within the non-banking financial sectors, and the implementation of the necessary apparatus for information-sharing and integrated supervision/regulation of the system. Significant achievements included a Memorandum of Understanding between members of the Regulatory Oversight Committee (ROC) to facilitate the committee's effective functioning and the administration of funding from the World Bank for strengthening the non-bank financial sector.

The Bank's role in co-ordinating the work of the Monetary Council's Ministerial Sub-Committees and ancillary Core and Technical Committees of Regulators, for the insurance, credit union, banking and international services sectors, was pivotal to financial system stability.

The Bank played an integral role in the smooth transition of the Bank of Antigua Limited to a new entity, The Eastern Caribbean Amalgamated Bank Ltd (ECAB), which commenced operations in October 2010. The Bank continued to work closely with member governments, regional regulators and the Government of Trinidad and Tobago for a speedy resolution to the fall-out from the collapse of the British American Insurance Company Limited and the Colonial Life Insurance Company (Trinidad) Limited.

In its efforts to enhance consolidated supervision, the Bank strengthened its supervisory relationships with foreign and regional regulators.

Banking Services

Risk mitigating and liquidity support mechanisms were monitored, based on regional and international developments, to ensure financial sector stability in the ECCU. Towards this end, the Bank (i) developed a framework for the introduction of a repurchase facility to enhance liquidity support to the commercial banks; (ii) developed a liquidity monitoring and forecasting model; and (iii) forged greater networking relationships with its clients through quarterly teleconferences, thus enhancing its intelligence gathering framework.

The Bank continued its efforts to enhance its role as banker to participating governments through the hosting of a two-day seminar for member governments on International Public Sector Accounting Standards (IPSAS).

Payments System

During the year, the Bank:

- *Improved liquidity risk management in the cheque clearing system through the implementation of advanced notification and a debit cap of $150,000.00.*
- *Partnered with the Eastern Caribbean Securities Exchange (ECSE) to implement Delivery versus Payment (DvP) in the Securities Clearance and Settlement System.*
- *In conjunction with the commercial banks, made significant progress towards the establishment of an Automated Clearing House (ACH) for the ECCU.*

Legal Services

During the period under review the Bank continued to provide legal services in the exercise of its mandate under the *Eastern Caribbean Central Bank Agreement 1983* and the *Banking Act*.

In furtherance of the initiative to develop and implement the necessary crisis management and resolution tools to address weak banks, the Bank has drafted the incorporation documents to facilitate the establishment of a company which will facilitate the realignment and restructuring of the financial sector.

The Bank continues to work closely with member governments in the identification and removal of legal impediments to the establishment of a single financial and economic space. In that regard, the Bank has proposed, and held discussions on a conceptual framework inclusive of a legislative action plan to bring about the single financial space.

During the period under review, 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.

89th Meeting of the Committee on International Monetary Law of the International Law Association (MOCOMILA) 12 – 13 November 2010.

MONEY AND CAPITAL MARKET DEVELOPMENT

During the year, the Bank's efforts focused on:

- *Promoting the development and integration of the ECCU money and capital markets.*
- *Facilitating the development of institutions that can respond to the financing and logistics needs of emerging businesses.*
- *Facilitating an enabling environment for business development.*

The mandate guiding the ECCB's pursuit of money and capital market development is entrenched in the ECCB Agreement, Article 4(3) which states that one of the purposes of the Bank is: *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*.

Markets

During the financial year 2010/2011, the Bank continued to expand and deepen the efficiency of the Eastern Caribbean Securities Market (ECSM). This objective was pursued through strategic and collaborative alliances with various stakeholders to facilitate the efficient mobilisation of productive resources for balanced growth, financial stability and to effect monetary policy.

After years of steady growth, activity on the Regional Governments Securities Market (RGSM) declined during the financial year 2010/2011. This was reflected in fewer auctions, twenty-nine (29), as opposed to forty-two (42) in 2009/2010. Additionally, the number of bonds issued declined to five (5) from seven (7). Consequently, the value of securities issued contracted by 27.4 per cent ($233.4 million) to $618.0 million.

Participating governments which issued 91-day Treasury bills were able to lower their debt servicing costs, as the average weighted interest rate on those instruments declined to 4.93 per cent from 5.69 per cent. The contraction in the average weighted interest rate was due in part to an improvement in liquidity conditions and the growth in demand for these securities.

The secondary market for government securities experienced a 21.7 per cent contraction, ($2.3 million) to $8.4 million, in the value of trades. This was as a result of the decline in the number of trades from thirty (30) to twenty-seven (27). The downturn in activity was related to the growth of the broker repurchasing market and the decline in new bond issues by participating governments.

The Bank benefited from a Caribbean Regional Technical Assistance Centre (CARTAC) sponsored consultancy and report titled, "Reviewing the Regional Government Securities Market and Recommendations for Improving its Performance". The report will form the basis for collaborative initiatives with the various stakeholders geared towards broadening and deepening the primary and secondary markets for government securities in the ECCU.

Institutions

Eastern Caribbean Enterprise Fund

Development work continued on the refinement of the proposed structure of the Eastern Caribbean Enterprise Fund (ECEF). The company's board of directors approved a three-component fund structure as defined by the Business Model Plan. This involves a Growth Fund, Small and Medium Sized Enterprise Development Fund (SMEDF) and Technical Assistance Fund (TAF). Additionally, the Commonwealth Secretariat has committed to the provision of the first Chief Executive Officer/Fund Manager for the initial operationalisation and development phase of the ECEF. The Bank also continued its engagement of various key regional and international institutions on the capitalisation of the Fund.

OECS Distribution and Transportation Company

During the year, the board of the OECS Distribution and Transportation Company (ODTC) retained the services of a consultant to develop a five-year strategic plan. The business plan was prepared within the context of the ODTC business model as a third party logistic company. In preparation for the imminent operationalisation of the company, a promotion and marketing strategy was developed in tandem with a capitalisation plan.

Other Initiatives

The Bank continued its collaboration with key stakeholder organisations, such as the International Finance Corporation (IFC), on the promotion and development of the private sector with respect to enhancing and enabling business competitiveness. The Bank played a critical role in facilitating the establishment of the OECS Business Council which comprises the respective national Chambers of Industry and Commerce as representative organisations. Investment and entrepreneurship culture was also promoted through initiatives such as the Junior Achievement Programmes, the ECCB savings and investment courses and other programmes which fall under the Bank's public education and awareness initiatives.

THE BASIS OF POLICY

Research

In 2010/2011, the Bank's research programme focused on four priority areas, namely: (i) Financial Stability; (ii) Fiscal/Debt Sustainability; (iii) Monetary Operations; and (iv) Financial and Real Sector Growth and Development.

The following papers were completed: (i) Factors Determining Commercial Bank Lending Rates in the ECCU; (ii) The Fiscal and Growth Effects of Hurricane Tomas: A Preliminary Analysis of the Impact on Saint Lucia and St Vincent and the Grenadines; (iii) The Nexus between Competition, Efficiency and Bank Soundness in the ECCU Banking Sector; (iv) Credit Booms and Their Effects on Financial Stability; (v) A Dynamic Factor Model for Current Quarter Estimates of Economic Activity in the ECCU; and (vi) A Critical Assessment of the Theoretical Framework of the IMF Adjustment Programmes.

Work also commenced on the following: (i) 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); (ii) The Development of a System of Trigger Points for Weak Banks; (iii) Reserve Requirement as an Instrument of Monetary Policy; and (iv) The Role of Public and Private Investment in Achieving Targeted Growth Rates in the ECCU.

The Bank was represented at the Central Bank of Barbados' Annual Review Seminar in July 2010, and at the University of the West Indies' (Mona Campus) 12th Annual Sir Arthur Lewis Institute for Social and Economic Studies (SALISES) Conference in March 2011.

Economic Surveillance

Monitor 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 assessment missions of Poverty Reduction and Growth Facility (PRGF) arrangements in Grenada and the second review of the IMF's Standby Arrangement (SBA) with Antigua and Barbuda. The Bank also conducted its annual familiarisation missions to member countries. The mission sought to assess current socio-economic conditions.

The Bank coordinated and hosted an ECCU Mini-Boot Camp for officials of member governments to facilitate the development of quarterly fiscal targets. Technical assistance was also provided through various external and networking meetings, seminars and conferences.

Information – Storage and Dissemination

During the year, various modules of the automated library system became operational and tasks are now being performed online. A database of the Bank's inactive records has also been created and is updated regularly.

Statistics

During the year the Bank focused its efforts in the area of statistics on (i) collaborating with member countries in the rebasing of the National Accounts and Consumer Price Indices (CPI); (ii) finalising the Debt Management Performance Assessments (DeMPAs) under the Debt Management Advisory Services (DMAS) project; and (iii) developing prudential returns for non-bank financial institutions. Work also continued during the year on enhancing the internal processes at the Bank to ensure data quality.

Rebasing the National Accounts and Consumer Price Indices

The Bank provided technical support to the ECCU member countries in the completion of revisions to the national accounts statistics and the consumer price indices (CPI). The Gross Domestic Product (GDP) series, which was rebased from 1990 to 2006, now provides more detail by industrial activity and includes expanded coverage of services that were not previously captured. Enhanced economic surveys, additional administrative data and improved estimation procedures were also utilised. The revised CPI now reflects a basket of goods and services that is more representative of consumption patterns, in particular, the growing importance of aggregates such as rent and owners' imputed rents, mobile phones, computers and health insurance. The ECCU rebased national accounts and the revised CPI were launched on 15 December 2010.

Debt Management

The Canadian International Development Agency (CIDA) sponsored Canada-Eastern Caribbean Debt Management Advisory Service (DMAS), which was established at the ECCB during the financial year 2009/2010, continued to pursue its goal of providing support to member countries in building their debt management capabilities.

The DMAS staff collaborated with member countries in the preparation of debt portfolio reviews, which formed the basis for crafting debt restructuring options. In addition, Debt Management Performance Assessments (DeMPAs) were completed for Anguilla, the Commonwealth of Dominica, Saint Lucia and St Vincent and the Grenadines. The assessments for Antigua and Barbuda, Grenada and St Kitts and Nevis were completed by the World Bank, prior to the establishment of the DMAS. No assessment was completed for Montserrat due to their limited debt. The DeMPA would provide baseline data for assessing the debt management performance over time. In order to increase knowledge and build skills in debt management, the following training programmes were facilitated for officials from member countries: (i) United Nations Institute for Training and Research (UNITAR) E-Learning course in effective public debt management; (ii) Debt Sustainability Analysis (DSA); (iii) Sovereign Debt and Risk Management; (iv) Commonwealth Secretariat Debt Recording and Management System (CS-DRMS) for IT Administrators.

CIDA/ECCB/IMF/WORLD BANK sponsored Debt Sustainability Workshop 12-16 July, 2010 ECCB Headquarters, St Kitts and Nevis

Development of Prudential Returns for Non-Bank Financial Institutions

The ECCB, in collaboration with the CARTAC and various regulatory agencies within the ECCU, completed the development of new reporting forms in 2010. The new prudential returns formed part of an initiative to strengthen the regulatory and supervisory structure of non-bank financial institutions operating in the ECCU. The reporting forms covered: other deposit-taking institutions, credit unions, money services, trust companies, insurance companies, offshore companies, and building and loan societies.

SUPPORT FOR ECONOMIC DEVELOPMENT

Conferences and Seminars

The 21st Annual Commercial Bank Conference was held during the period 4 - 5 November 2010 under the theme "The Role of the Commercial Banking Sector in Growth and Development". Representatives from commercial banks discussed the impediments to growth and highlighted avenues that could be explored to foster growth and development in the region.

As a precursor to the conference, the 15th Sir Arthur Lewis Memorial Lecture was held on 3 November, 2010. The lecture was delivered by Dr Michael Clemens, Senior Fellow, Migration and Development Initiative at the Centre for Global Development. He focused on the topic, "The Fall of the Final Mercantilism: Labour Mobility in the Caribbean and the World". Dr Clemens' presentation highlighted the effects of international migration on people from and in developing countries.

Dr Michael Clemens, Senior Fellow, Migration and Development Initiative at the Centre for Global Development, delivering the 15th Sir Arthur Lewis Memorial Lecture

In honour of the memory of Sir Arthur Lewis, the renowned Saint Lucian Economist and 1979 Nobel Laureate, the second book award was presented to the Antigua State College. This award will be presented annually to a state college in the ECCU member countries on an alphabetical rotational basis. The Anguilla Community College was the first recipient of the award.

Consultation

During the financial year, the Bank held consultative meetings with Financial Secretaries, Attorneys General, the Regional Debt Coordinating Committee (RDCC), the Banking Committee, Heads of ECCU Policy Units and Financial Sector Regulators.

The meetings focused on the development of appropriate monetary and fiscal policies to address the issues of fiscal reform and debt management as tenets of the ECCU Eight Point Stabilisation and Growth Programme; enhancement of regulatory and supervisory frameworks for strengthening the banking sector; harmonisation of enabling legislation for the creation of a single financial space; and the adoption of best practices consistent with international standards.

Networking

The networking fora convened during the year, provided avenues for information gathering on existing economic and financial conditions in member countries, and opportunities for the Bank to lend support to the member governments through its policy advisory function. The significant highlights were as follows:

- Training courses in debt management in all member countries.
- Capacity building sessions on the implementation of cash flow management systems with the assistance of CARTAC.
- A mini boot camp to establish a mechanism for annual and quarterly fiscal targets and to develop a system for monitoring and reporting on targets.
- Roundtable discussions with the IMF and the World Bank.
- The rebasing of National Accounts and the Consumer Price Index (CPI) statistics for all member countries.
- Training projects aimed at strengthening the Institute of Chartered Accountants of the Eastern Caribbean (ICAEC) and the accountability of the non-bank financial sector.

ICAEC Council (front row) and branch representatives together with ECCB officials including Managing Director, Mrs Jennifer Nero (back row, far left)

Public Education/Public Relations

Cognisant that a well informed and engaged citizenry is the most important asset of the region, the ECCB continued to place on its list of priorities, the ongoing engagement of the public on the work of the Bank as well as financial and economic issues that impact the region and its people.

ECCU Economic Review Presentation

The performance and prospects of the ECCU were presented in the 2010 ECCU Economic Review presentation by Sir K Dwight Venner, Governor on 20 January 2011. He highlighted the challenges the region faced due to the effects of the global economic and financial crisis and the resultant impact on the region's economic performance. In addition, the Governor noted the collective approach taken by member governments in consultation with the ECCB to implement strategies aimed at improving fiscal prudence and debt management.

Immediately following the presentation, the public engaged the Governor on the region's progress and prospects for sustainable growth. As a follow-up to the presentation, radio discussions and school visits were held in the eight ECCU member countries which allowed for more persons to share their views on the region's economic performance. This level of public engagement by the Bank initiated in 2005, has been instrumental in enhancing the public's knowledge of economic issues. The survey conducted on the night of the presentation revealed that 84 per cent of respondents indicated that the presentation improved their understanding of the economic performance of the ECCU; and 79 per cent indicated that the presentation provided them with a better understanding of the factors critical to achieving economic growth and transformation in the region.

Governor Venner presenting The 2010 ECCU Economic Review

School Programmes

The ECCB Primary School Mentorship Programme gained strides in nurturing the young minds of the region through discussions on financial and economic concepts. The programme is conducted in the eight member countries of the ECCU with the adoption of one school in each country. The ECCB collaborated with financial partners to conduct interactive sessions with the students. The sessions were designed to make learning fun and to assist with the students' academic and social development.

Commenting on the programme, Mr Gregory Julius, Principal, Brades Primary School, Montserrat said, "I am an advocate of the topics as they complement the Social Studies curriculum and help in cementing the teaching process."

The current programme consists of 750 students from across the Eastern Caribbean Currency Union.

ECCB Savings and Investment Courses

The impact of the global crisis was felt by the households of the region as they grappled with the effects of the rising cost of living on their current incomes. In the search for answers, individuals enrolled in the ECCB Savings and Investment Course in Personal Financial Management to arm themselves with the knowledge and tools necessary to achieve financial prudence. Throughout the currency union, 10 courses were completed with a total of 342 graduates. To date, 2,045 persons have graduated from the course.

As a follow-up to the Personal Financial Management module, the ECCB piloted the Entrepreneurship module of the course in St Kitts and Nevis. The participants were exposed to the rudiments of conceiving a business idea, creating a business plan and starting and managing a business from a theoretical and practical standpoint. As a result of the course, three businesses were licensed and launched.

Participants described the course as "meaningful", "interesting", "worthwhile", "challenging" and "memorable". One graduate testified that, "As a result of the knowledge gained from the course, I was able to expand my business."

The coordinators will continue to monitor the journey of these businesses to determine the long term success. The course will be extended to the other seven member countries in September 2011.

Workshops and Seminars

The success of a public education programme depends on the availability of facilitators to conduct the sessions. Recognising this, the ECCB hosted two Trainer of Trainers Workshops on Money Management. The target audiences were representatives from youth groups, community groups, churches and financial institutions in St Kitts and Nevis. The aim was to equip participants with tools and techniques necessary to facilitate effective learning through energetic and engaging presentations.

The workshops emphasised a participant-centered approach to learning and the importance of using multiple training techniques to create maximum learning effectiveness. Techniques included role play, case studies, group discussions, visual aids, games, songs, music, drama and storytelling.

Participants commended the ECCB for hosting the workshop, noting the usefulness of the tools and techniques in creating a lively, engaging and informative training forum. They gave the commitment to engage in public education initiatives in their communities.

Similar workshops are scheduled to take place in the other seven ECCB member territories in April 2011.

Pilot Trainer of Trainers Workshop in Money Management with representatives from financial institutions St Kitts and Nevis 30 March, 2011

Financial Information Month

Each year, the Eastern Caribbean Central Bank collaborates with member governments, financial institutions, private sector bodies, the media and community-based groups to plan and implement the activities for Financial Information Month.

In 2010, the month was celebrated under the theme "*Make Your Dreams a Reality…Save and Invest Wisely*" with emphasis on goal setting and financial planning. The message of the theme was reinforced in the following activities that were executed in member countries:

- A declaration speech delivered by the Minister for Finance to launch the month.
- School visits, library exhibitions, and financial symposia targeting the region's youth. The aim was to enhance their understanding of financial issues so that they would be in a better position to make wise financial decisions.
- Discussions with business houses, community groups and churches on the importance of saving, selecting suitable investments and retirement planning. The sessions reinforced the importance of implementing practical money management techniques for the achievement of financial freedom.
- Newspaper articles written by representatives of partnering financial institutions and printed in local newspapers in each member country. The articles were also used as the basis for radio and television discussion programmes.
- A "Dreams to Reality" contest which gave citizens the opportunity to share their financial success stories of how wise money management helped to turn their dreams into reality. Mr Selwyn Foster of Grenada captured the first place award by realising his dream of owning a night club and a pig farm; Mr Clinton Dore of St Kitts and Nevis placed second for owning his dream home; and Mrs Joan Stapleton-Pemberton of St Kitts and Nevis placed third for earning a solid education while raising two children on her own.

News Releases and Publications

In recognition of the importance of communicating regularly with the ECCU public, the Bank disseminated forty (40) news releases and five (5) communiqués during the financial year. This was in keeping with the need to encourage healthy and open dialogue on the Bank's agenda with all stakeholders.

The Bank's Annual Report also serves as an avenue for public engagement on the role and functions of the Bank. As an information tool, it reports on the Bank's stewardship to member governments and the people of the region by highlighting its performance, objectives and future direction.

A major part of the Bank's public education programme is the feedback received from the citizenry. Feedback is actively sought from the public through face to face engagements with the media, dialogue at public fora and surveys. These help with the enhancement and delivery of programmes, making them more suitable for public consumption.

Community Outreach

The ECCB's commitment to community outreach is enshrined in its public awareness programmes targeting the citizens of the region.

OECS Essay Competition

Youths, ages 14 - 19, of the ECCU continued to utilise the OECS Essay Competition as an avenue to stimulate their learning and improve their level of critical thinking. A total of 328 students submitted essays. The essays exhibited a higher level of analytical and argumentative skills than previous years.

The winners of the 2010 OECS Essay Competition were as follows:

RESULTS	STUDENT	COUNTRY
1st	Khalin Nisbett Charlestown Secondary School	St Kitts and Nevis
2nd	Chaim Walters Gingerland Secondary School	St Kitts and Nevis
3rd	Karishma Dhera Montserrat Secondary School	Montserrat

Recognition was given to students who captured the title of "best essay" in each member country as follows:

NAME	SCHOOL	COUNTRY
Clemvio Hodge	Albena Lake-Hodge Comprehensive	Anguilla
Kiana Barnes	Antigua Girls High School	Antigua and Barbuda
Nickel Cuffy	Dominica Community High School	Commonwealth of Dominica
Donna Walker	St Joseph Convent, Grenville	Grenada
Karishma Dhera	Montserrat Secondary School	Montserrat
Khalin Nisbett	Charlestown Secondary School	St Kitts and Nevis
Chezaul Walker	St Vincent Grammar School	St Vincent and the Grenadines

As part of the effort to provide students with the avenue to gather information and to give them a better understanding of topics for the 2011 competition, the Bank hosted a regional videoconference with secondary school students throughout the ECCU on 23 February. The discussion focused on issues related to the OECS financial markets and economy. Two hundred and ninety (290) students particpated in the videoconference.

The topics for the 2011 OECS Essay Competition are:

- Are we doing enough to promote sustainable use of our local products and natural resources and in so doing promote self-sufficiency in the OECS?
- The role of entrepreneurship and private sector development in the growth of the region's economies: What is being done and what more can be done to facilitate the growth of entrepreneurship and private sector development in the region?
- The impact of the global economic crisis on developing countries. What lessons should OECS member countries take from this experience?
- Financial markets play a key role in the development of the economies of the OECS. Discuss.
- In order for the OECS countries to attain sustainable economic growth, the region must shift its emphasis to new knowledge creation, research and development, and entrepreneurship.
- What steps can OECS governments take to improve the global competitiveness of the OECS tourism industry?

OECS/ECCB Under 23 Netball Tournament

The sponsorship of the OECS/ECCB Under 23 Netball Tournament forms part of the Bank's commitment to the development of netball in the ECCU and the promotion of excellence in sports among young females of the region.

In 2010, the tournament was hosted by St Vincent and the Grenadines under the theme "Sporting Wise Financial Choices". The netballers were engaged in a developmental session which provided insights into the formulation of personal financial mission statements.

Team Grenada emerged champions of the 2010 tournament by seizing the title from team St Kitts, the 2009 champions.

Team Grenada - Champions of the 2010 OECS/ECCB Under 23 Netball Tournament

Best Corporate Citizen Award Among ECCU Commercial Banks

The Bank continued to recognise commercial banks for their invaluable contribution to the development of the communities in which they operate. Thirteen (13) banks participated in the competition and submitted entries on the initiatives they undertook to reach out and give back to the community.

The Bank of Saint Lucia Limited captured the overall award of ECCU Best Corporate Citizen for 2010 having received the Good Corporate Citizen awards in the areas of (i) Educational Development, (ii) Environmental Awareness (iii) Cultural Development and (iv) Financial Education and Empowerment. The Republic Bank (Grenada) Ltd captured the Good Corporate Citizen Awards for (i) Community Outreach and Social Services and (ii) Customer Service, while ScotiaBank Antigua received the Good Corporate Citizen Award for Sports.

THE BANK'S FINANCES

Financial Objectives

The Bank achieved its primary objective of maintaining total expenditure to income earned on Foreign Assets below 100 per cent. At the end of the 2010/2011 financial year the ratio was 81.5 per cent.

Consolidated Statement of Financial Position

As at 31 March 2011 the Bank's Total Assets stood at $2,832.5m, an increase of $256.1m (9.9%) when compared to the position last year.

Foreign Assets increased by $282.6m (12.8%) to $2,485.5m primarily due to inflows of grants and loans to member governments from international institutions. The reinvestment of gains on the sale of foreign securities held within the ECCB's foreign reserve portfolio also contributed to this increase.

Domestic Assets decreased by $26.5m (7.1%). The significant movements in that category were reported in Loans and Receivables – Participating Governments' Advances and Accounts Receivable and Prepaid Expenses. Loans and Receivables – Participating Governments' Advances declined by $17.7m (26.8%) as the Bank's extension of credit to member governments at the end of the financial year was less than that at the end of the previous year. The decline of $8.6m (29.2%) in Accounts Receivable and Prepaid Expenses was mainly due to a decline in Prepaid Currency Cost which resulted from expensing the cost related to currency notes and coins issued during the period.

Total Liabilities expanded by $256.2m (10.9%) over the year. The most significant increase in that category was an increase in Commercial Banks' Reserve Balances of $275.7m (23.0%). This increase was moderated by decreases of $14.8m (31.4%) in the Participating Governments' Fiscal Reserve Tranche I Accounts and $12.0m (18.0%) in the Participating Governments' Call Accounts as a result of utilisation of funds by the participating governments.

Total Equity remained relatively unchanged at $225.7m, however, significant movements were reflected in the Unrealised Holding Gain Account which decreased by $10.0m as a result of weakening in the US bond market. On the other hand, the General Reserve increased by $9.0m (7.6%) due to allocation from profit to increase the General Reserve to 5.0% of Demand Liabilities in compliance with the ECCB Agreement Act 1983 – Article 6(3).

Consolidated Statement of Income

The consolidated net income for the year under review was $22.6m, a decrease of $14.5m (39.1%) from the previous year's net income of $37.1m. The decline in net income was mainly attributed to decreases of $8.8m in Interest Income and $4.6m in Other Income. The decrease in Interest Income was due to a lower average interest earned on foreign securities and money market instruments in the foreign reserve portfolio.

THE BANK'S INTERNAL MANAGEMENT

Risk Management

During the financial year 2010/2011, the Bank engaged in activities geared at mitigating or minimising risks. The monitoring of activities throughout the institution provided reasonable assurance that controls continued to be effective and that the institution was achieving its objectives in an effective and efficient manner.

Reviews were conducted on new and upgraded systems, processes and procedures geared towards improving the operations at the Currency Management Department (CMD) and the Human Resource Department (HRD). The Bank developed a framework for the assessment of the services provided by its custodian. A review of the performance and the rebalancing of the ECCB Customised benchmark for the period January 2009 to February 2010 were also completed.

During the financial year, the Bank administered a tendering process for the selection of the services of External Auditors for the triennium 2011-2013. The process consisted of three phases: (i) the ratings of the proposals, (ii) the review of the rated proposals, and (iii) the due diligence exercise.

The Bank concluded a full review and recalculation of the overtime payments to all staff. The re-computation of social security and other related charges for the period under review was included in the recalculation.

Information Technology and Security

During the year, projects to further increase productivity and efficiencies through automation of manual systems and enhancement of existing automated systems throughout the Bank were implemented.

Upgrade of the Bank's Document Management and Filing System

The main components of the Bank's Document Management and Filing system were upgraded as follows:

- Hummingbird DM to eDOCS 5.3
- Microsoft Office to 2010 version
- Adobe Acrobat to version 9.0

Upgrade of the Bank's External Email Gateway

The Bank commenced the upgrading of its external email gateway to increase efficiency in the following areas: security, directory data services, anti-spam and anti-spyware, and content filtering.

Generate Statements via SWIFT

The Bank is also in the process of implementing the dissemination of client statements via SWIFT[1] using the T24 Banking application.

Upgrade of the Bank's Electronic Communication System

The Bank has upgraded its communication system from Microsoft Exchange 2007 to Microsoft Exchange 2010 in an effort to simplify the process of systems disaster recovery. The migration facilitates a more reliable and faster recovery process while reducing the complexity of delivering business continuity.

Human Resource Management

HR Automation

Over the past year, the Bank invested significant resources in the upgrade and automation of its Human Resource Information System (HRIS) and payroll functions which were carried out by the Human Resource and Accounting Departments respectively. Being cognisant that the human resource is a key factor in any organisation and that it is important to have readily available data to make informed decisions, the Executive Committee of the Bank gave its firm support to the integration of the two functions and decided that a new system would be procured and fully managed by the Human Resource Department (HRD).

Collaborative research and analyses were undertaken to ensure that the new system met the operational needs of the Bank. The Bank purchased the 2Interact Integrated Payroll and HR software and has completed the implementation of the payroll module. It is expected that with the full implementation of the system, which includes recruitment and performance management modules, there will be increased efficiency in the HR and payroll services and functions of the Bank.

Performance Management

In the continued effort towards improvement in the area of performance management, the Bank conducted detailed reviews and analyses of the annual performance appraisals. Consequently, the HRD conducted targeted training that focused on writing job standards, gathering and documenting performance data, and addressing development gaps.

Capacity Building

In the Bank's endeavour to develop staff professional and personal efficiency, capacity building focused on developing competency in Spanish.

The capacity building programme also placed emphasis on developing management's effectiveness and perspectives through the study of carefully selected texts including: *Outliers* by Malcolm Gladwell, *Seat of the Soul* by Gary Zukav and *The Immortal Life of Henrietta Lacks* by Rebecca Skloot.

The Bank's Executive partnered with the HRD in facilitating round table discussions at the monthly Management and Leadership Development sessions on topics including:

- Effective Leadership Strategies in the Workplace

[1]Society for Worldwide Interbank Financial Telecommunication.

- The Role of Managers in Managing Staff Morale
- Time Management
- Meetings Protocol

Staff Benefits

During the year, the Bank continued its efforts to provide valuable benefits and health and wellness programmes to its staff. The Bank's Group Life and Health Insurance plan was renewed with Sagicor Life Inc and a Health and Safety Policy, which caters to workplace health and the use of safety equipment, was implemented.

As at 31 March 2011, the Bank's staff complement was two hundred and fifteen (215).

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 2010/2011. We thank them all.

MAJOR ACTIVITIES IN THE YEAR AHEAD

MONETARY STABILITY

Reserve Management

The Bank will continue to manage the ECCU's foreign reserves to achieve the broad objectives set out in the ECCB Agreement (1983). The Bank will:

- Transfer funds from the lower yielding liquidity portfolio to the higher yielding core foreign reserves;
- Conduct the annual rebalancing of the ECCB Customised Benchmark to continue to preserve the risk tolerance level of the Bank;
- Explore options for enhancing its analytical and monitoring tools for the foreign reserve portfolio.

Currency Management

The main objectives for the year will include:

- Maintaining the integrity of the EC dollar by ensuring an adequate supply of quality notes and coins and continuously minimising the circulation of counterfeit notes through increased awareness and training of key personnel in the public and private sectors;
- Repatriation of foreign currency notes purchased from commercial banks in an efficient and effective manner;
- The issuance of a commemorative coin in recognition of the official launch of the OECS Economic Union.
- Full implementation of the upgraded Currency Management Software.

FINANCIAL SECTOR STABILITY

Supervision

The Bank will continue to focus on:

- Risk assessment of the ECCU financial system.
- Regulation and supervision of the ECCU banking system;
- Provision of an enhanced regulatory and supervisory framework for the financial system.

Banking Services

The Bank will continue to monitor regional and international developments to ensure that adequate risk mitigating and liquidity support mechanisms are in place to maintain financial stability in the ECCU. As part of the effort, the Bank will:

- Implement the Repurchase (Repo) Facility to enhance liquidity support to the commercial banks and deepen trading of government securities.
- Continue to enhance market intelligence to inform policy development. This will include the continued enhancement of information and data collection methods and the forging of greater networking relationships with the Bank's clients.
- Continue to explore appropriate monetary policy tools that can be utilised to influence monetary and credit conditions.

Payments System

The Bank will:

- Strengthen the legal framework for the payment system through the implementation

of regulations, procedures and policies for the Large Value Funds Transfer System;
- Implement a robust Payment System Oversight Framework for the ECCU Payment System;
- Collaborate with the Payments Council and other stakeholders to implement the Automated Clearing House (ACH); and
- Maximise investment in technology to achieve operational efficiency and an integrated and efficient payment system infrastructure.

Legal Services

For the ensuing year, the Legal Services Department intends to:
- Continue to work closely with member governments towards the completion of a seamless integrated financial services regulatory framework;
- Assist with the advancement of plans to operationalise the vehicle through which realignment and restructuring of the financial sector in the ECCU will take place;
- Continue to work closely with member governments on the identification and removal of legal impediments to the establishment of a single financial and economic space;
- Undertake work on the development of Credit Bureau Legislation.

MONEY AND CAPITAL MARKETS DEVELOPMENT

During 2011/2012, the Bank will:
- Broaden and deepen the primary and secondary markets for government securities;
- Facilitate the operationalisation of the Eastern Caribbean Enterprise Fund (ECEF) and the OECS Distribution and Transportation Company (ODTC).
- Facilitate and advocate for an environment which will enable business development and competitiveness.

THE BASIS OF POLICY

Research

The Bank's research programme will focus on:
- Research work on financial stability issues; fiscal and debt sustainability; money and credit; and growth and development in small, open economies.
- Financial programming as a tool for macroeconomic analysis and policy prescription.
- A growth diagnostic study of member countries.

Statistics

During 2011/2012, the Bank will:
- Provide debt management advice and capacity building to member governments;
- Compile and disseminate banking and balance of payments statistics, based on international standards; and
- Facilitate efficient and effective statistical systems at the ECCB and in member countries.

SUPPORT FOR ECONOMIC DEVELOPMENT

Conferences and Seminars

The Bank will host the following conferences:
- 16th Sir Arthur Lewis Memorial Lecture on 2 November 2011.

- 22nd Annual Commercial Banks Conference during 3-4 November 2011.

Corporate Relations

The Bank will:

- Continue to conduct needs assessments to inform the design and development of public education programmes catering to the diverse needs of various target groups.
- Deepen the relationship with media houses and financial institutions in the region by implementing training programmes and workshops on general economic and financial issues.
- Continue to network with strategic partners in the public and private sectors to identify opportunities for joint collaboration.
- Enhance the Savings and Investment Course in Personal Financial Management by incorporating realistic case studies in the course material and implementing new learning techniques for practical engagement.
- Replicate the Entrepreneurship module, that was piloted in St Kitts and Nevis, in the other seven ECCU member countries. The objective is to cultivate and nurture entrepreneurial abilities among the people of the region.
- Coordinate trainer of trainers workshops with community groups, youth leaders, educators and financial practitioners throughout the region.
- Make greater use of the videoconferencing facilities as a means of enhancing the existing communication platform to facilitate regional training sessions, workshops and seminars.

THE BANK'S FINANCES

For the 2011/2012 financial year, the Bank will place continued emphasis on containing expenditure in line with the income on foreign assets.

THE BANK'S INTERNAL MANAGEMENT

Risk Management

For the upcoming financial year the Bank's main activities will focus on:

- Monitoring activities, particularly those relevant to the functional areas most susceptible to financial and reputation risk;
- Bank wide risk assessment and a Long Term Strategic Plan for the Internal Audit Department;
- Audits and spot checks of specific processes within the Bank that are assessed as high risk;
- Implementation of a monitoring framework for the ECCB Pension Fund.

Information Technology and Security

The Bank will continue to increase productivity and efficiencies through the following IT programmes:

- Upgrading of the ECCB's Banking System from T24 version R08 to R10.
- Implementing a Disaster Recovery Solution.
- Implementing an Automated Clearing House (ACH) for the ECCU.
- Implementing an Automated Budgeting and Procurement System.
- Upgrading of the Bank's Currency Management Solution to the new Central Bank version released by De La Rue.

Human Resource Management

The Bank's main objectives for 2011/2012 are the:

- Effective utilisation of the new 2Interact Integrated Payroll and HRIS;
- Implementation of the recruitment and performance management modules in the new HRIS to enhance the efficiency and effectiveness of the functions;
- Enhancement of the Human Resource Department's performance analysis capabilities in an effort to guide staff development and training.

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 the critical factor in achieving the Bank's mandate and maintaining regional and international credibility.

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

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

The corporate governance framework is guided by the following:

- The ECCB Agreement, 1983;
- The corporate governance principles for the Organisation of Eastern Caribbean States (OECS);
- The legal and regulatory framework of the ECCU member countries;
- 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 and the Board of Directors are the highest decision-making bodies of the Bank.

Monetary Council

The Monetary Council comprises the eight Ministers for Finance of the ECCB participating governments. Provision is made in the ECCB Agreement for each minister to designate an Alternate to serve on the Council in his absence. The chairmanship of the Council is rotated annually among member countries in alphabetical order. The current chairman is the Honourable Nazim Burke, Minister for Finance, Grenada. He will hand over the chairmanship in July 2011 to the Council Member for Montserrat. There were no changes to the membership of the Monetary Council during the year under review.

Article 7 (2) of the ECCB Agreement states, "The Council shall meet not less than twice each [calendar] year to receive from the Governor, the Bank's report on monetary and credit conditions and to provide directives and guidelines on matters of monetary and credit policy to the Bank and for such other purposes as are prescribed under this Agreement." During 2010, the Council met for three regular meetings – 5 March, 16 July and 22 October, and a special meeting on 2 September.

During the year, the Council, along with Heads of Government of the ECCU, also engaged in a roundtable consultation with the Deputy Managing

Director of the International Monetary Fund (IMF) to discuss issues related to growth, adjustment and integration in the ECCU/OECS.

In addition, the four Ministerial Sub-Committees of the Monetary Council: Insurance, Banking, Credit Unions and International Finance Services, met several times via videoconference in preparation for the various Council meetings which took place in the year.

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 10 Directors. Eight of the Directors, one from each of the eight member countries, are appointed by the Monetary Council on the recommendation of the respective participating government. They are appointed for terms not exceeding three years and are eligible for re-appointment in accordance with Article 9 (2) of the ECCB Agreement. The Governor, the Chairman of the Board, and the Deputy Governor are Executive Directors. They are appointed for a period not exceeding five years and are eligible for re-appointment. In August 2010, Mrs Lindorna Brade, Budget Director, Ministry of Finance, Montserrat replaced Mr Vincent Placide as Montserrat's representative on the Board.

The Board meets at least once every quarter; five appointed Directors at any meeting constitute a quorum. In addition to meeting five times for the financial year 2010 – 2011, a Board Retreat was held in January 2011.

Three sub-committees have been established to 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, he is responsible to the Board for the implementation of the Bank's policies and the day to day management of the institution. He attends all meetings of the Monetary Council.

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

The Deputy Governor

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

RISK MANAGEMENT AND INTERNAL CONTROL

The Board Audit Committee 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 11 directors head the 14 departments of the Bank, and they are responsible for ensuring that the departmental objectives are met and that the Bank's policies and procedures are executed efficiently and effectively.

The Internal Audit Department (IAD) 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 IAD 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 selected auditor 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, using the approach recommended for central banks by the IMF in its "Code of Good Practices on Transparency in Monetary and Financial Policies."

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.

In an effort to ensure continued compliance with the IFRS, the Bank is committed to the ongoing professional development of its officers who prepare the financial statements. To this end, the Bank facilitated the participation of the Deputy Director of the Accounting Department in the Annual Institute of Chartered Accountants Conference of the Caribbean which was held in the Bahamas in June 2010.

The Bank also conducts an annual review of all amendments and revisions to the IFRS and ensures that relevant updates are reflected in its 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
- The ECCB's 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 IAD 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. During the year the Bank piloted the entrepreneurship module of its

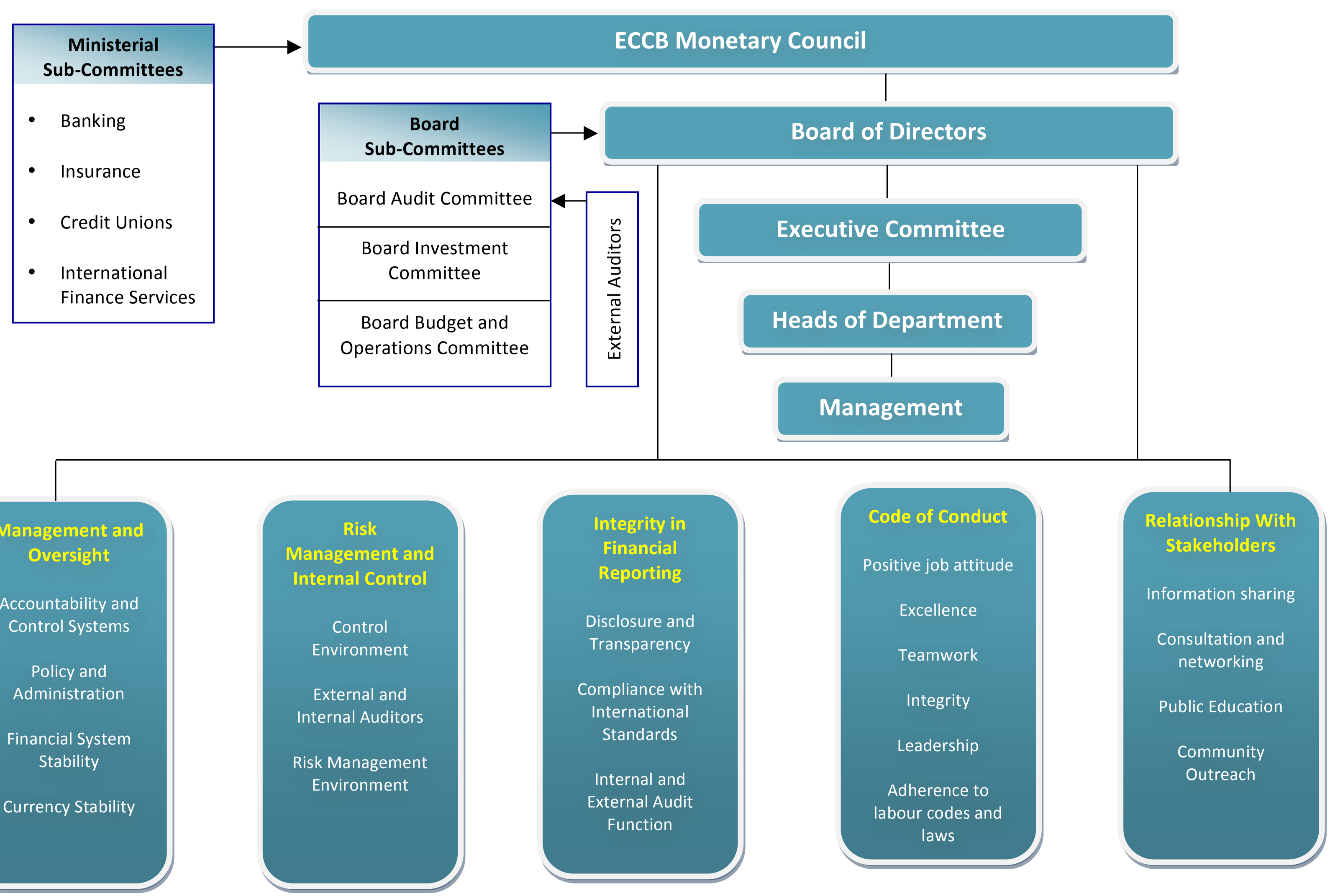
Savings and Investment Course which it launched in 2003 and marked the 20th anniversary as the official sponsor of the OECS/ECCB Under-23 Netball Tournament.

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

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.

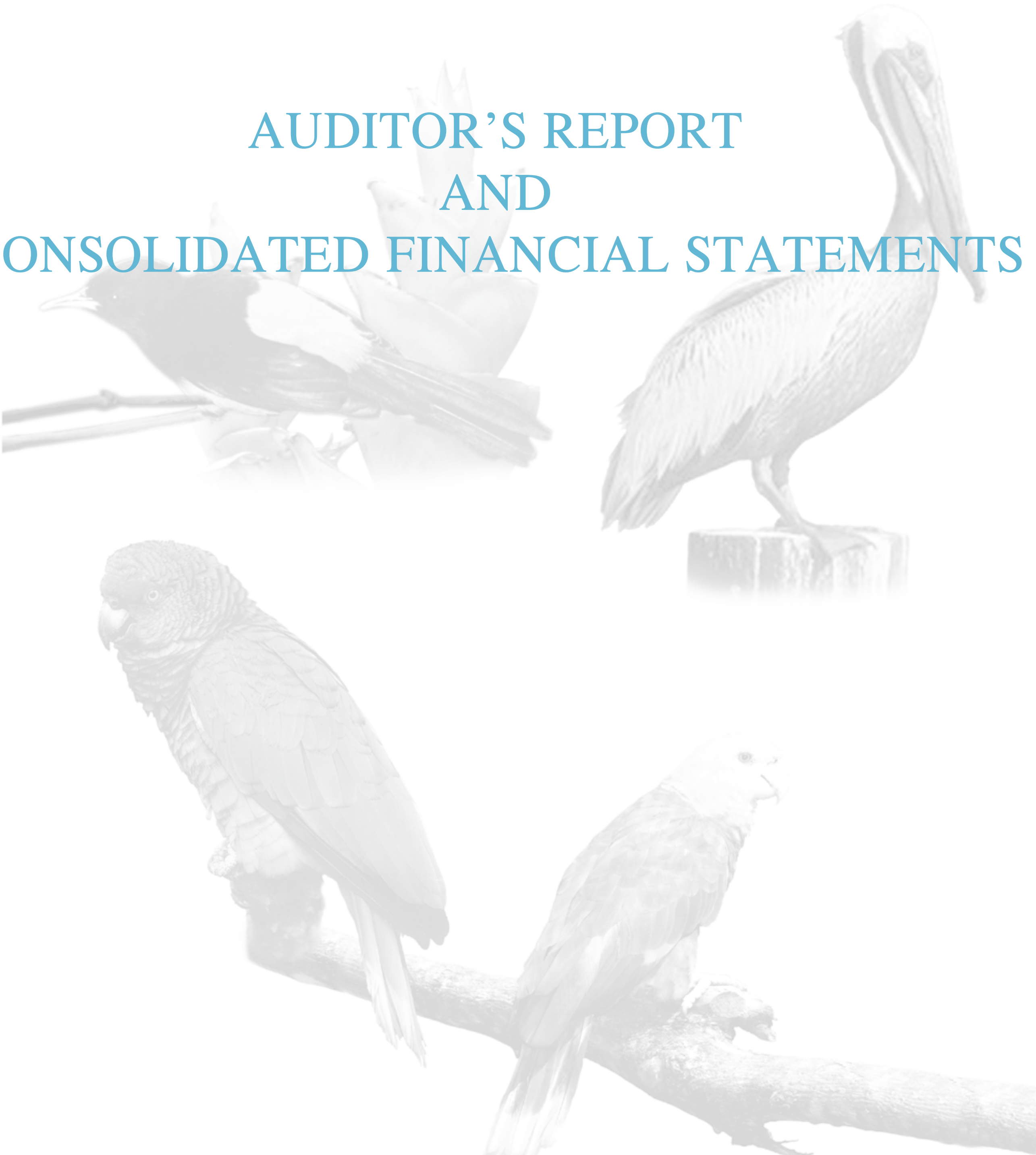
1983 - The Bank Supervision Department was established in late 1983. The Department's operations were centred on the powers granted to the Bank under Article 3(2) of the Central Bank Agreement to regulate banking business on behalf of and in collaboration with participating governments; and also Article 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



Independent Auditors' Report

To the Participating Governments
Eastern Caribbean Central Bank

We have audited the accompanying consolidated financial statements of the **Eastern Caribbean Central Bank** which comprise the consolidated statement of financial position as of March 31, 2011, 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 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 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 whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the 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 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, these consolidated financial statements present fairly, in all material respects, the financial position of the **Eastern Caribbean Central Bank** as of March 31, 2011 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers

Chartered Accountants
June 9, 2011
Basseterre, St. Kitts

PricewaterhouseCooopers, Cnr. Bank Street & W. Independence Sq., P.O. Box 1038, Basseterre, St. Kitts, West Indies
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(expressed in Eastern Caribbean dollars) As of March 31, 2011

	2011 $	2010 $
Assets		
Foreign assets		
Regional and foreign currencies	**48,737,840**	102,271,805
Balances with other central banks (note 4)	**22,332,604**	18,069,018
Balances with foreign banks (note 4)	**315,834**	686,096
Money market instruments and money at call (note 5)	**1,261,516,712**	750,507,558
Financial assets held for trading (note 12)	**364,411**	3,268,631
Available for sale - foreign investment securities (note 8)	**1,125,453,927**	1,301,561,538
Available for sale - regional investment securities (note 8)	**26,759,164**	26,503,124
	2,485,480,492	2,202,867,770
Domestic assets		
Cash and balances with local banks	**513,724**	213,907
Due from local banks	**4,625**	3,609,615
Term deposits (note 6)	**12,725,118**	11,565,688
Available for sale – domestic investment securities (note 8)	**270,000**	270,000
Loans and receivables – participating governments' securities (note 9)	**117,473,052**	117,449,036
Loans and receivables – participating governments' advances (note 10)	**48,438,400**	66,136,107
Accounts receivable and prepaid expenses (note 11)	**20,860,154**	29,444,229
Investments in associated undertakings using the equity method (note 13)	**12,573,320**	8,470,468
Intangible assets (note 14)	**451,074**	315,766
Property, plant and equipment (note 15)	**117,795,604**	120,393,337
Pension asset (note 22)	**15,908,000**	15,666,000
	347,013,071	373,534,153
Total assets	**2,832,493,563**	2,576,401,923
Liabilities		
Demand liabilities – domestic (note 16)	**2,595,647,112**	2,344,044,109
Demand liabilities – foreign (note 17)	**1,911,636**	1,157,051
Financial liabilities held for trading (note 20)	**4,435,480**	357,202
IMF government general resource accounts (note 18)	**1,084,658**	1,013,787
Other liabilities and payables (note 19)	**3,687,104**	4,012,523
Total liabilities	**2,606,765,990**	2,350,584,672
Equity		
General reserve	**127,167,980**	118,157,983
Other reserves (note 21)	**98,559,593**	107,659,268
Total equity	**225,727,573**	225,817,251
Total liabilities and equity	**2,832,493,563**	2,576,401,923

The notes on pages 51 to 121 are an integral part of these consolidated financial statements.

Approved for issue by the Board of Directors on June 6, 2011

K. Dwight Venner ______ Governor ______ Director – Accounting Department

CONSOLIDATED STATEMENT OF INCOME

(expressed in Eastern Caribbean dollars) | For the year ended March 31, 2011

	2011 $	2010 $
Interest income	**39,864,964**	48,659,501
Interest expense	**(148,344)**	(213,031)
Net interest income (note 26)	**39,716,620**	48,446,470
Commission income – foreign transactions	**12,712,274**	12,267,671
Commission income – other transactions	**2,191,142**	2,530,077
Gain on disposal of available for sale securities (note 8)	**22,211,170**	23,625,062
Other income (note 27)	**6,335,594**	10,905,088
Operating income	**83,166,800**	97,774,368
Salaries, pensions and other staff benefits (note 28)	**27,533,306**	27,852,118
Currency expenses	**8,691,302**	9,569,636
Losses on foreign exchange	**1,297,448**	2,026,030
Amortisation (note 14)	**306,122**	200,496
Depreciation (note 15)	**4,085,881**	4,018,253
Administrative and general expenses (note 29)	**18,999,262**	18,005,017
Operating expenses	**60,913,321**	61,671,550
Operating profit	**22,253,479**	36,102,818
Share of profit of associates (note 13)	**319,182**	965,344
Profit for the year	**22,572,661**	37,068,162

The notes on pages 51 to 121 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, 2011

	2011 $	2010 $
Profit for the year	**22,572,661**	37,068,162
Other comprehensive income:		
Net change in fair value of available for sale financial assets	**(10,022,013)**	(23,107,858)
Total comprehensive income for year	**12,550,648**	13,960,304

The notes on pages 51 to 121 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, 2011

	2011 $	2010 $
Cash flows from operating activities		
Operating profit for the year	**22,253,479**	36,102,818
Items not affecting cash		
Depreciation	**4,085,881**	4,018,253
Amortisation	**306,122**	200,496
Gain on disposal of property, plant and equipment	**(1,200)**	–
Derecognition and disposals of property, plant and equipment	**–**	168,540
Derecognition and disposals of intangible assets	**–**	6,254
Effect of changes in market value of money market instruments	**145,445**	324,762
Pension (credit) debit	**(242,000)**	173,000
Interest income	**(39,864,964)**	(48,659,501)
Interest expense	**148,344**	213,031
Cash flows used in operations before changes in operating assets and liabilities	**(13,168,893)**	(7,452,347)
Changes in operating assets and liabilities		
Increase in term deposits	**(1,136,828)**	(1,050,708)
Increase in money market instruments	**(155,350,244)**	(65,303,305)
Decrease (increase) in loans and receivables – participating governments' securities	**3,500,000**	(87,951,815)
Decrease in loans and receivables – participating governments' advances	**17,426,119**	48,070,012
Decrease (increase) in accounts receivable and prepaid expenses	**8,584,075**	(5,028,596)
Decrease (increase) in financial assets held for trading	**2,904,220**	(3,164,373)
Increase (decrease) in financial liabilities held for trading	**4,078,278**	(5,429,670)
Increase in demand liabilities – domestic and foreign	**252,357,270**	221,859,667
Increase (decrease) in IMF government general resource accounts	**70,871**	(3,473)
Decrease in other liabilities and payables	**(325,419)**	(470,315)
Cash from operations before interest	**118,939,449**	94,075,077
Interest paid	**(148,025)**	(308,884)
Interest received	**37,542,345**	47,680,564
Net cash from operating activities	**156,333,769**	141,446,757
Cash flows from (used in) investing activities		
Purchase of property, plant and equipment	**(1,488,148)**	(1,204,242)
Purchase of intangible assets	**(441,430)**	(209,180)
Proceeds from disposal of property, plant and equipment	**1,200**	–
Disposal of available for sale – foreign investment securities	**1,204,183,070**	973,185,675
Purchase of available for sale – foreign investment securities	**(1,039,083,847)**	(1,134,142,517)
Purchase of available for sale – regional investment securities	**(26,759,164)**	(26,503,124)
Disposal of available for sale – regional investment securities	**26,503,124**	26,413,557
Purchase of additional shares in associate company – ECHMB	**(4,189,920)**	(2,500,000)
Purchase of shares in associate company – ODTC	**–**	(10)
Dividend received from associates	**406,250**	250,000
Net cash from (used in) investing activities	**159,131,135**	(164,709,841)

CONSOLIDATED STATEMENT OF CASH FLOWS...*continued*

(expressed in Eastern Caribbean dollars) For the year ended March 31, 2011

	2011 $	2010 $
Cash flows (used in) financing activities		
Portion of current year's profit distributed to participating governments	**(12,640,326)**	(36,464,801)
Net cash used in financing activities	**(12,640,326)**	(36,464,801)
Net increase (decrease) in cash and cash equivalents	**302,824,578**	(59,727,885)
Cash and cash equivalents, beginning of year	**740,366,212**	800,094,097
Cash and cash equivalents, end of year (note 25)	**1,043,190,790**	740,366,212

The notes on pages 51 to 121 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, 2011

	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, 2010	**–**	**118,157,983**	**6,537,928**	**55,033,681**	**19,851,554**	**1,808,877**	**8,761,228**	**15,666,000**	**225,817,251**
Profit for the year	22,572,661	–	–	–	–	–	–	–	22,572,661
Depreciation in Market value of investment securities and money market instruments (note 21)	–	–	–	–	(10,022,013)	–	–	–	(10,022,013)
Total comprehensive income	22,572,661	–	–	–	(10,022,013)	–	–	–	12,550,648
Allocation to general reserve	(9,009,997)	9,009,997	–	–	–	–	–	–	–
Allocation (to) from pension reserve (note 21)	(242,000)	–	–	–	–	–	–	242,000	–
Allocation (to) from fiscal tranche I (note 16)	(7,584,196)	–	–	–	–	–	–	–	(7,584,196)
Allocation (to) from fiscal reserve tranche II (note 16)	(5,056,130)	–	–	–	–	–	–	–	(5,056,130)
Allocation (to) from self insurance reserve fund (note 21)	(680,338)	–	–	–	–	–	680,338	–	–
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**

The notes on pages 51 to 121 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, 2011

	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, 2009	–	**118,156,131**	**6,537,928**	**55,033,681**	**42,959,412**	**1,808,877**	**7,986,719**	**15,839,000**	**248,321,748**
Profit for the year	37,068,162	–	–	–	–	–	–	–	37,068,162
Depreciation in Market value of investment securities and money market instruments (note 21)	–	–	–	–	(23,107,858)	–	–	–	(23,107,858)
Total comprehensive income	37,068,162	–	–	–	(23,107,858)	–	–	–	13,960,304
Allocation to general reserve	(1,852)	1,852	–	–	–	–	–	–	–
Allocation (to) from pension reserve (note 21)	173,000	–	–	–	–	–	–	(173,000)	–
Allocation (to) from fiscal tranche I (note 16)	(21,878,881)	–	–	–	–	–	–	–	(21,878,881)
Allocation (to) from fiscal reserve tranche II (note 16)	(14,585,920)	–	–	–	–	–	–	–	(14,585,920)
Allocation (to) from self insurance reserve fund (note 21)	(774,509)	–	–	–	–	–	774,509	–	–
Balance, March 31, 2010	–	**118,157,983**	**6,537,928**	**55,033,681**	**19,851,554**	**1,808,877**	**8,761,228**	**15,666,000**	**225,817,251**

The notes on pages 51 to 121 are an integral part of these consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2011

1 Incorporation and principal activity

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

The Caribbean Assets and Liabilities Management Services Limited is established to acquire and take over all or any of the assets and liabilites 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 ECCB together with CALMS Limited is hereafter referred to as 'the Bank'.

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 IASB. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of property, available-for-sale financial assets, financial assets and financial liabilities held at fair value through profit and loss and all derivative contracts which have been measured at fair value.

The consolidated financial statements comprise the consolidated statements of income and comprehensive income, presented as two separate statements, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flow and the explanatory notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2 Significant accounting policies...*continued*

a) Basis of preparation ... *continued*

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(j).

Standards, amendments and interpretations effective on or after 1 January 2010

The following new standards, amendments and interpretations issued but not effective for financial periods on or after January 2010 are relevant to the Bank:

- IFRS 9, 'Financial instruments', issued in November 2009. This standard is the first step in the process to replace IAS 39, 'Financial instruments: recognition and measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the Bank's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption.

  The Bank is yet to assess IFRS 9's full impact. However, initial indications are that it may affect the Bank's accounting for its debt available-for-sale financial assets, as IFRS 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss. In the current reporting period no such gains/losses were recorded in other comprehensive income.

- IAS 24 (revised), 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. IAS 24 (revised) is mandatory for periods beginning on or after January 1, 2011. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transaction with the government and other government-related entities. The Bank will apply the revised standard during the financial period 1 April 2011 to 31 March 2012.

- IFRIC 14 (amendment), 'Prepayments of a minimum funding requirement' (amendments to IFRIC 14). The amendments correct an unintended consequence of IFRIC 14, 'IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct this. The amendments are effective for annual periods beginning 1 January 2011. Earlier application is permitted. The amendments should be applied retrospectively to the earliest comparative period presented. The bank will consider the impact of these amendments for the financial reporting year commencing on 1 April, 2011.

The Bank did not early-adopt any new or amended standards in 2011.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2011

2 Significant accounting policies...*continued*

b) Basis of consolidation

These consolidated financial statements include the accounts of the Bank and its wholly-owned subsidiary, Caribbean Assets and Liabilities Management Services Limited (CALMS). The consolidated 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 is recognised in reserves.

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.

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.

For summarised financial information on the Bank's associates accounted for using the equity method, see note 13.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2011

2 Significant accounting policies*...continued*

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 Bank operates (the "functional currency"). The consolidated financial statements are presented in Eastern Caribbean dollars, which is the Bank'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.

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.

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.

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.

The Bank classifies financial assets into the following three categories: fair value through profit and loss; loans and receivables; and available-for-sale securities. 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 and loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets. They are recognized in the consolidated statement of financial position as "Financial assets held for trading".

Financial instruments included in this category are recognized initially at fair value; transaction costs are taken directly to the consolidated statement of income. Gains and losses arising from changes in fair value are included

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2011

2 Significant accounting policies...*continued*

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

directly in the consolidated statement of income. The instruments are derecognized when the rights to receive cash flows have expired or the Bank has transferred substantially all the risks and rewards of ownership and the transfer qualifies for derecognition.

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

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.

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

Available-for-sale financial assets are subsequently carried at fair value. The fair values of quoted investments in active markets are based on current bid prices. However, investments in unimpaired equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are carried at cost. 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 the consolidated statement of comprehensive income is recognised in the consolidated statement of income. However, 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.

Financial liabilities

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2011

2 Significant accounting policies*...continued*

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

Financial liabilities*...continued*

(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 and 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.

(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) Determination of fair value

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market 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.

(iv) 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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2011

2 Significant accounting policies...*continued*

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

Financial liabilities...*continued*

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 are derecognised when they have been redeemed or otherwise extinguished.

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 – derivatives (non-hedging).
(2) Loans and receivables being balances with foreign banks, money market instruments and money at call, treasury bills, balances with local banks, loans and advances to member banks and participating governments.
(3) Available-for-sale financial assets being debt and equity investment securities (listed and unlisted).

Financial liabilities are grouped as follows:

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

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 fair value of derivatives are recorded in the consolidated statement of income.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2011

2 Significant accounting policies...*continued*

h) Impairment of financial assets

(a) Assets carried at amortised cost

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

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

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

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2011

2 Significant accounting policies ... *continued*

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

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

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

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e., on the basis of the Bank's grading process that considers asset type, industry, geographical location, collateral type, past-due status and 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 date of the consolidated statement of financial position 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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2011

2 Significant accounting policies ... *continued*

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

(b) Assets classified as available-for-sale...continued

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.

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 and 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. 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	2.44% to 10%
Building enhancements	10%
Furniture and office equipment	10% to 20%
Motor vehicles	20%
Land improvements	20%
Computer systems	33.33%

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

Property, plant and equipment are periodically reviewed for impairment or when indicators exist that there may be impairment. When the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. No property, plant and equipment were impaired as at March 31, 2011 (2010: nil).

Gains and losses on the disposal of property, plant and equipment are determined by comparing proceeds with carrying amount and are taken into account in determining operating profit. Repairs and renewals are charged to the consolidated statement of income during the financial period in which the expenditure is incurred.

Land and buildings were revalued as at March 31, 2009 based on independent valuations. The revaluation was performed by independent professional valuators, Cooper Kauffman Ltd. Revaluations are carried out with sufficient regularity to ensure that the carrying value of land and buildings approximates fair value.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2011

2 Significant accounting policies ... *continued*

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 date of the consolidated statement of financial position, 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. No non-financial assets were impaired for financial year ended March 31, 2011.

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.

n) Other liabilities and payables

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2011

2 Significant accounting policies ... *continued*

o) Revenue recognition

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2011

2 Significant accounting policies ... *continued*

p) Leases...*continued*

Finance leases...*continued*

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.

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.

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) Employee benefits

Staff pension plan

The Bank operates a defined benefit pension scheme for all 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 date of the consolidated statement of financial position 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.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2011

2 Significant accounting policies ... *continued*

q) Employee benefits...*continued*

Staff pension plan...*continued*

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.

r) 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 percent 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 percent 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 percent but not more than ten percent of the Bank's demand liabilities".

For the year ending March 31, 2011 $9,009,783 was allocated from net profit to bring the general reserve ratio to the five percent requirement.

s) 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, 2011 was 95.53% (2010: 93.93%).

t) Commemorative coins

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

u) 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2011

2 Significant accounting policies ... *continued*

u) Taxation...*continued*

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, is exempt from corporation and other taxes for a period of ten years commencing October 19, 2001.

3 Financial risk management

a) Introduction and Overview

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

The activities of the Bank require the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. These risks arise primarily through the Bank's execution of its reserve management function and the provision of banking services to governments and commercial banks. The Bank's aim is therefore to achieve an appropriate balance between risk and the objectives of its reserve management function which are; i) preservation of capital, ii) meeting liquidity requirements and iii) realizing a satisfactory return. It also seeks to minimise potential adverse effects on the Bank's financial performance.

The Bank's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Bank regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practices. In addition, the Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their role and obligations.

The management of the Bank has the responsibility to ensure that efficient and effective risk management mechanisms are in place including reporting to various executive committees. Key to the management of risk within the context of the reserve management function is the reserve management framework which embodies the Bank's risk tolerance. Included in this framework are the investment guidelines which establish the parameters within which the reserve management function is executed. The provision of banking services is governed by policy decisions of the Board of Directors.

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2011

3 Financial risk management...*continued*

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
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.

The credit ratings information as of March 31, 2011 and March 31, 2010 indicate that the investment securities within the Bank's investment portfolio, on average are rated AAA under Standards & Poor's and Aaa under Moody's.

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.

Advances to commercial 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, 2011

3 Financial risk management...*continued*

b) Credit risk

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

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

	2011 $	2010 $
As at March 31, 2011		
Assets		
Foreign assets		
Regional and foreign currencies	**48,737,840**	102,271,805
Balances with other central banks	**22,332,604**	18,069,018
Balances with foreign banks	**315,834**	686,096
Money market instruments and money at call	**1,261,516,712**	750,507,558
Financial assets held for trading	**364,411**	3,268,631
Available for sale – foreign investment securities	**1,125,453,927**	1,301,561,538
Available for sale – regional investment securities	**26,759,164**	26,503,124
	2,485,480,492	2,202,867,770
Domestic assets		
Cash and balances with local banks	**513,724**	213,907
Due from local banks	**4,625**	3,609,615
Term deposits	**12,725,118**	11,565,688
Available for sale – domestic investment securities	**270,000**	270,000
Loans and receivables – participating governments' securities	**117,473,052**	117,449,036
Loans and receivables – participating governments' advances	**48,438,400**	66,136,107
Accounts receivable and prepaid expenses	**20,860,155**	29,444,229
Investments in associated undertakings using the equity method	**12,573,319**	8,470,468
Intangible assets	**451,074**	315,766
Property, plant and equipment	**117,795,604**	120,393,337
Pension asset	**15,908,000**	15,666,000
	347,013,071	373,534,153
Total assets	**2,832,493,563**	2,576,401,923

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

	2011 $	2010 $
Export credit guarantee scheme	**304,474**	304,474
Eastern Caribbean Securities Exchange Limited undertaking and guarantee	**4,874,845**	4,874,845
	5,179,319	5,179,319

The above table represents a worse case scenario of credit risk exposure as at March 31, 2011 and 2010 without taking account of any collateral held or other credit enhancements attached.

For on-balance sheet 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, 2011. In this table, the Bank has allocated exposure to regions based on the country of domicile of the counterparties.

Geographical concentration of assets

	Eastern Caribbean Currency Union $	**United States of America and Canada $**	**Europe and other territories $**	**Regional states $**	**Total $**
As of March 31, 2011					
Regional and foreign currencies	–	34,035,443	13,382,772	1,319,625	48,737,840
Balances with other central banks	–	856,858	694,142	20,781,604	22,332,604
Balances with foreign banks	–	315,834	–	–	315,834
Money market instruments and money at call	–	354,701,881	906,814,831	–	1,261,516,712
Financial assets held for trading	–	110,211	–	254,200	364,411
Available for sale – foreign investment securities	–	594,558,793	530,895,134	–	1,125,453,927
Available for sale – regional investment securities	–	–	–	26,759,164	26,759,164
Balances with local banks	513,724	–	–	–	513,724
Due from local banks	4,625	–	–	–	4,625
Term deposits – domestic	12,725,118	–	–	–	12,725,118
Loans and receivables – participating governments' securities	117,473,052	–	–	–	117,473,052
Loans and receivables – participating governments' advances	48,438,400	–	–	–	48,438,400
Accounts receivable	7,260,290	–	–	–	7,260,290
Available for sale domestic investment securities	–	–	270,000	–	270,000
	186,415,209	**984,579,020**	**1,452,056,879**	**49,114,593**	**2,672,165,701**

3 **Financial risk management** … *continued*

b) **Credit risk**….*continued*

Geographical concentration of assets…*continued*

	Eastern Caribbean Currency Union $	United States of America and Canada $	Regional states $	Europe and other territories $	Total $
As of March 31, 2010					
Regional and foreign currencies	–	70,785,001	3,873,555	27,613,249	102,271,805
Balances with other central banks	–	859,568	16,595,770	613,680	18,069,018
Balances with foreign banks	–	686,096	–	–	686,096
Money market instruments and money at call	–	104,101,387	–	646,406,171	750,507,558
Financial assets held for trading	–	3,142	–	3,265,489	3,268,631
Available for sale – foreign investment securities	–	696,600,784	–	604,960,754	1,301,561,538
Available for sale – regional investment securities	–	–	26,503,124	–	26,503,124
Balances with local banks	213,907	–	–	–	213,907
Due from local banks	3,609,615	–	–	–	3,609,615
Term deposits – domestic	11,565,688	–	–	–	11,565,688
Loans and receivables – participating governments’ securities	117,449,036	–	–	–	117,449,036
Loans and receivables – participating governments’ advances	66,136,107	–	–	–	66,136,107
Accounts receivable	10,819,142	–	–	–	10,819,142
Available for sale – domestic investment securities	–	–	270,000	–	270,000
	209,793,495	**873,035,978**	**47,242,449**	**1,282,859,343**	**2,412,931,265**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2011

3 Financial risk management … *continued*

c) Market Risk

The Bank is exposed to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. The Bank's reserve management mandate permits investment in a number of instruments. The Bank is exposed to general and specific market movements and volatility of market rates and prices such as interest rates, credit spreads and foreign exchange rates. The Bank 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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2011

3 Financial risk management ... *continued*

d) 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:

	2011	**2010**
	%	**%**
Foreign Assets		
Money market instruments and money at call	**0.25**	0.34
Available for sale – foreign investment securities	**2.73**	3.20
Domestic Assets		
Balances with local banks	**0.05**	0.04
Due from local banks	**6.50**	6.50
Term deposits	**2.50**	2.50
Loans and receivables – participating governments' securities	**5.41**	5.41
Loans and receivables – participating governments' advances	**6.50**	6.50
Liabilities		
Term deposits, call accounts and government operating accounts	**0.06**	0.06
Demand liabilities – foreign	**0.07**	0.03

As the Bank's investments in foreign securities are locked in at fixed interest rates, the exposure to 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, 2011, if interest rates were to move by 25 basis points, profit for the year would have been $3.15M (2010: $1.88M) lower or higher.

3 Financial risk management … *continued*

d) 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.

	Up to 1month $	1 to 3 months $	3 months to 1 year $	1 to 5 years $	Over 5 years $	Non- Interest bearing $	Total $
Financial assets							
Regional and foreign currencies	–	–	–	–	–	48,737,840	48,737,840
Balances with other central banks	–	–	–	–	–	22,332,604	22,332,604
Balances with foreign banks	315,834	–	–	–	–	–	315,834
Money market instruments and money at call	114,880,799	856,716,100	289,919,813	–	–	–	1,261,516,712
Financial assets held for trading	80,937	283,474	–	–	–	–	364,411
Available for sale – foreign investment securities	23,906,425	32,702,892	125,661,619	725,965,899	217,217,092	–	1,125,453,927
Available for sale – regional investment securities	–	–	26,759,164	–	–	–	26,759,164
Balances with local banks	513,724	–	–	–	–	–	513,724
Due from local banks	4,625	–	–	–	–	–	4,625
Term deposits – domestic	1,477,172	2,725,688	8,224,018	298,240	–	–	12,725,118
Loans and receivables – participating governments' securities	3,149,231	5,999,696	7,668,791	100,655,334	–	–	117,473,052
Loans and receivables – participating governments' advances	48,438,400	–	–	–	–	–	48,438,400
Accounts receivable	50,780	68,570	362,264	1,432,616	763,010	4,583,050	7,260,290
Available for sale – domestic investment securities	–	–	–	–	–	270,000	270,000
	192,817,927	**898,496,420**	**458,595,669**	**828,352,089**	**217,980,102**	**75,923,494**	**2,672,165,701**

3 Financial risk management … *continued*

d) Interest rate risk… *continued*

	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 liabilities – domestic	108,344,548	2,700,000	–	–	–	2,484,602,564	**2,595,647,112**
Demand liabilities – foreign	928,283	–	–	–	–	983,353	**1,911,636**
Financial liabilities held for trading	–	–	–	–	–	4,435,480	**4,435,480**
IMF Government general resource accounts	–	–	–	–	–	1,084,658	**1,084,658**
Other liabilities and payables	–	–	–	–	–	3,687,104	**3,687,104**
	109,272,831	**2,700,000**	**–**	**–**	**–**	**2,494,793,159**	**2,606,765,990**
Total interest repricing gap, March 31, 2011	**83,545,096**	**895,796,420**	**458,595,669**	**828,352,089**	**217,980,102**	**(2,418,869,665)**	**65,399,711**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management … *continued*

d) Interest rate risk… *continued*

	Up to 1month $	1 to 3 months $	3 months to 1 year $	1 to 5 years $	Over 5 years $	Non- Interest bearing $	Total $
Financial assets							
Regional and foreign currencies	–	–	–	–	–	102,271,805	102,271,805
Balances with other central banks	–	–	–	–	–	18,069,018	18,069,018
Balances with foreign banks	686,096	–	–	–	–	–	686,096
Money market instruments and money at call	336,511,677	279,461,873	134,534,008	–	–	–	750,507,558
Financial assets held for trading	1,846,669	1,421,962	–	–	–	–	3,268,631
Available for sale – foreign investment securities	15,480,649	11,716,286	127,340,799	912,799,127	234,224,677	–	1,301,561,538
Available for sale – regional investment securities	–	–	26,503,124	–	–	–	26,503,124
Balances with local banks	213,907	–	–	–	–	–	213,907
Due from local banks	3,609,615	–	–	–	–	–	3,609,615
Term deposits – domestic	1,533,610	1,603,995	8,428,083	–	–	–	11,565,688
Loans and receivables – participating governments' securities	3,148,769	6,047,815	5,942,645	98,569,807	3,740,000	–	117,449,036
Loans and receivables – participating governments' advances	66,136,107	–	–	–	–	–	66,136,107
Accounts receivable	41,942	83,884	377,477	1,675,480	1,015,159	7,625,200	10,819,142
Available for sale – domestic investment securities	–	–	–	–	–	270,000	270,000
Total financial assets	429,209,041	300,335,815	303,126,136	1,013,044,414	238,979,836	128,236,023	2,412,931,265
Financial liabilities							
Demand liabilities – domestic	141,775,375	2,700,000	–	–	–	2,199,568,734	2,344,044,109
Demand liabilities – foreign	166,606	–	–	–	–	990,445	1,157,051
Financial liabilities held for trading	–	–	–	–	–	357,202	357,202
IMF Government general resource accounts	–	–	–	–	–	1,013,787	1,013,787
Other liabilities and payables	–	–	325,419	–	–	3,687,104	4,012,523
	141,941,981	**2,700,000**	**325,419**	–	–	**2,205,617,272**	**2,350,584,672**
Total interest repricing gap, March 31, 2010	**287,267,060**	**297,635,815**	**302,800,717**	**1,013,044,414**	**238,979,836**	**(2,077,381,249)**	**62,346,593**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2011

3 Financial risk management … *continued*

e) 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, 2011 the foreign securities portfolio included Euro securities totalling $45.8M (2010: $111.0M), Pound Sterling securities $18.5M (2010: $9.0M) and other currencies $46.7M (2010: $0). 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 HSBC New York 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, 2011, if exchange rates were to move by 5 per cent, profit for the year would have been $0.06M (2010: $0.1M) lower or higher and the net on-balance sheet financial position would have been $6.9M (2010: $8.0M) lower or higher.

3 Financial risk management … *continued*

e) Currency risk…*continued*

The table below analyses assets and liabilities of the bank into the respective currency positions as at the statement of financial condition date:

	Eastern Caribbean Dollar $	United States Dollar $	British Pound $	Euro $	Other $	Total $
Financial assets						
Regional and foreign currencies	–	33,370,083	3,599,160	9,744,260	2,024,337	48,737,840
Balances with other central banks	–	21,499,207	694,142	–	139,255	22,332,604
Balances with foreign banks	–	315,834	–	–	–	315,834
Money market instruments and money at call	–	1,251,668,642	223,178	9,600,922	23,970	1,261,516,712
Financial assets held for trading	–	43,452	320,959	–	–	364,411
Available for sale – foreign investment securities	–	1,013,454,386	18,554,565	46,447,633	46,997,343	1,125,453,927
Available for sale – regional investment securities	–	26,759,164	–	–	–	26,759,164
Balances with local banks	513,724	–	–	–	–	513,724
Due from local banks	4,625	–	–	–	–	4,625
Term deposits – domestic	12,725,118	–	–	–	–	12,725,118
Loans and receivables – participating governments' securities	117,473,052	–	–	–	–	117,473,052
Loans and receivables – participating governments' advances	48,438,400	–	–	–	–	48,438,400
Accounts receivable	7,260,290	–	–	–	–	7,260,290
Available for sale – domestic investments securities	270,000	–	–	–	–	270,000
	186,685,209	**2,347,110,768**	**23,392,004**	**65,792,815**	**49,184,905**	**2,672,165,701**
Financial liabilities						
Demand liabilities – domestic	2,595,647,112	–	–	–	–	2,595,647,112
Demand liabilities – foreign	825,261	1,086,375	–	–	–	1,911,636
Financial liabilities held for trading	–	9	128,012	2,960,030	1,347,429	4,435,480
IMF government general resource accounts	1,084,658	–	–	–	–	1,084,658
Other liabilities and payables	3,687,104	–	–	–	–	3,687,104
	2,601,244,135	1,086,384	128,012	2,960,030	1,347,429	2,606,765,990
Net on-balance sheet financial position	**(2,414,558,926)**	**2,346,024,384**	**23,263,992**	**62,832,785**	**47,837,476**	**65,399,711**

3 Financial risk management … *continued*

e) Currency risk…*continued*

The table below analyses assets and liabilities of the bank into the respective currency positions as of March 31, 2010:

	Eastern Caribbean Dollar $	United States Dollar $	British Pound $	Euro $	Other $	Total $
Financial assets						
Regional and foreign currencies	–	68,708,493	7,347,468	20,247,964	5,967,880	102,271,805
Balances with other central banks	–	17,323,860	613,680	–	131,478	18,069,018
Balances with foreign banks	–	686,096	–	–	–	686,096
Money market instruments and money at call	–	749,402,645	–	1,104,913	–	750,507,558
Financial assets held for trading	–	2,853	636,198	2,629,291	289	3,268,631
Available for sale – foreign investment securities	–	1,180,019,112	9,032,812	112,509,614	–	1,301,561,538
Available for sale – regional investment securities	–	26,503,124	–	–	–	26,503,124
Balances with local banks	213,907	–	–	–	–	213,907
Due from local banks	3,609,615	–	–	–	–	3,609,615
Term deposits – domestic	11,565,688	–	–	–	–	11,565,688
Loans and receivables – participating governments' securities	117,449,036	–	–	–	–	117,449,036
Loans and receivables – participating governments' advances	66,136,107	–	–	–	–	66,136,107
Accounts receivable and prepaid expenses	10,819,142	–	–	–	–	10,819,142
Available for sale – domestic investments securities	270,000	–	–	–	–	270,000
	210,063,495	**2,042,646,183**	**17,630,158**	**136,491,782**	**6,099,647**	**2,412,931,265**
Financial liabilities						
Demand liabilities – domestic	2,344,044,109	–	–	–	–	2,344,044,109
Demand liabilities – foreign	394,471	762,580	–	–	–	1,157,051
Financial liabilities held for trading	–	222,805	52,357	31,847	50,193	357,202
IMF government general resource accounts	1,013,787	–	–	–	–	1,013,787
Other liabilities and payables	3,687,104	325,419	–	–	–	4,012,523
	2,349,139,471	1,310,804	52,357	31,847	50,193	2,350,584,672
Net on-balance sheet financial position	**(2,139,075,976)**	**2,041,335,379**	**17,577,801**	**136,459,935**	**6,049,454**	**62,346,593**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2011

3 Financial risk management … *continued*

f) Liquidity risk

Liquidity risk arises when the Bank fails to adequately manage its reserves in order to provide 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.

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 statement of financial position date to the contractual maturity date:

3 Financial risk management … *continued*

f) Liquidity risk…*continued*

Maturities of liabilities and assets, March 31, 2011	Up to 1 month $	1 to 3 months $	3 months to 1 year $	1 to 5 years $	Over 5 years $	Total $
Liabilities						
Demand liabilities – domestic	2,592,441,058	2,700,000	–	492,784	13,270	2,595,647,112
Demand liabilities – foreign	1,911,636	–	–	–	–	1,911,636
Financial liabilities held for trading	4,358,915	76,565	–	–	–	4,435,480
IMF Government general resource accounts	1,084,658	–	–	–	–	1,084,658
Other liabilities and payables	–	–	–	3,687,104	–	3,687,104
Total liabilities	**2,599,796,267**	**2,776,565**	**–**	**4,179,888**	**13,270**	**2,606,765,990**
Assets						
Regional and foreign currencies	48,737,840	–	–	–	–	48,737,840
Balances with other central banks	22,332,604	–	–	–	–	22,332,604
Balances with foreign banks	315,834	–	–	–	–	315,834
Money market instruments and money at call	114,880,799	856,716,100	289,919,813	–	–	1,261,516,712
Financial asset held for trading	80,937	283,474	–	–	–	364,411
Available for sale – foreign investment securities	23,906,425	32,702,892	125,661,619	725,965,899	217,217,092	1,125,453,927
Available for sale – regional investment securities	–	–	26,759,164	–	–	26,759,164
Balances with local banks	513,724	–	–	–	–	513,724
Due from local banks	4,625	–	–	–	–	4,625
Term deposits – domestic	1,477,172	2,725,688	8,224,018	298,240	–	12,725,118
Loans and receivables – participating governments’ securities	3,149,231	5,999,696	7,668,791	100,655,334	–	117,473,052
Loans and receivables – participating governments’ advances	48,438,400	–	–	–	–	48,438,400
Accounts receivable	402,130	70,047	362,264	2,364,365	4,061,484	7,260,290
Available for sale – domestic investment securities	–	–	–	–	270,000	270,000
Total assets	**264,239,721**	**898,497,897**	**458,595,669**	**829,283,838**	**221,548,576**	**2,672,165,701**
Net liquidity gap, March 31, 2011	**(2,335,556,546)**	**895,721,332**	**458,595,669**	**825,103,950**	**221,535,306**	**65,399,711**

3 **Financial risk management** … *continued*

f) Liquidity risk…*continued*

Maturities of liabilities and assets, March 31, 2010	Up to 1month $	1 to 3 months $	3 months to 1 year $	1 to 5 years $	Over 5 years $	Total $
Liabilities						
Demand liabilities – domestic	2,341,343,883	2,700,226	–	–	–	2,344,044,109
Demand liabilities – foreign	1,157,051	–	–	–	–	1,157,051
Financial liabilities held for trading	134,628	222,574	–	–	–	357,202
IMF Government general resource accounts	1,013,787	–	–	–	–	1,013,787
Other liabilities and payables	–	–	325,419	3,687,104	–	4,012,523
Total liabilities	**2,343,649,349**	**2,922,800**	**325,419**	**3,687,104**	**–**	**2,350,584,672**
Assets						
Regional and foreign currencies	102,271,805	–	–	–	–	102,271,805
Balances with other central banks	18,069,018	–	–	–	–	18,069,018
Balances with foreign banks	686,096	–	–	–	–	686,096
Money market instruments and money at call	336,511,677	279,461,873	134,534,008	–	–	750,507,558
Financial assets held for trading	1,846,669	1,421,962	–	–	–	3,268,631
Available for sale – foreign investment securities	15,480,649	11,716,286	127,340,799	912,799,127	234,224,677	1,301,561,538
Available for sale – regional investment securities	–	–	26,503,124	–	–	26,503,124
Balances with local banks	213,907	–	–	–	–	213,907
Due from local banks	3,609,615	–	–	–	–	3,609,615
Term deposits – domestic	1,533,610	1,603,995	8,428,083	–	–	11,565,688
Loans and receivables – participating governments’ securities	3,148,769	6,047,815	5,942,645	98,569,807	3,740,000	117,449,036
Loans and receivables – participating governments’ advances	66,136,107	–	–	–	–	66,136,107
Accounts receivable	247,481	415,164	1,872,625	4,004,554	4,279,318	10,819,142
Available for sale – domestic investment securities	–	–	–	–	270,000	270,000
Total assets	**549,755,403**	**300,667,095**	**304,621,284**	**1,015,373,488**	**242,513,995**	**2,412,931,265**
Net liquidity gap, March 31, 2010	(1,793,893,946)	297,744,295	304,295,865	1,011,686,384	242,513,995	62,346,593

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2011

3 Financial risk management ... *continued*

f) 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, 2011	0-3 months
Derivatives held for trading (forward contracts)	
Foreign exchange derivatives	
- Outflow	4,435,480
- Inflow	364,411

At March 31, 2010	0-3 months
Derivatives held for trading (forward contracts)	
Foreign exchange derivatives	
- Outflow	357,202
- Inflow	3,268,361

g) 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.

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 liabilities – domestic and foreign, interest payable and certain other liabilities.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2011

3 Financial risk management ... *continued*

g) Fair value...*continued*

- Available for sale - foreign investment securities
- Available for sale - regional investment securities

Fair value is calculated using a discounted cash flow model based on a current yield curve appropriate for the remaining term to maturity.

- Loans and receivables - participating governments' securities

Fair value is based on quoted market prices or broker/dealer price quotations. Where these are not available, the estimated fair value of loans and receivables represents the discounted amount of estimated future cash flow expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2011

3 Financial risk management … *continued*

g) Fair value … *continued*

	Carrying value 2011 $	Carrying value 2010 $	Fair value 2011 $	Fair value 2010 $
Financial assets				
Regional and foreign currencies	**48,737,840**	102,271,805	**48,737,840**	102,271,805
Balances with foreign banks	**315,834**	686,096	**315,834**	686,096
Balances with other central banks	**22,332,604**	18,069,018	**22,332,604**	18,069,018
Money market instruments and money at call	**1,261,243,693**	750,379,986	**1,261,516,712**	750,507,558
Financial assets held for trading	**364,411**	3,268,631	**364,411**	3,268,631
Available for sale – foreign investment securities	**1,115,887,218**	1,281,827,768	**1,125,453,927**	1,301,561,538
Available for sale – regional investment securities	**26,759,164**	26,503,124	**26,759,164**	26,503,124
Balances with local banks	**513,724**	213,907	**513,724**	213,907
Due from local banks	**4,625**	3,609,615	**4,625**	3,609,615
Term deposits – domestic	**12,725,118**	11,565,688	**12,725,118**	11,565,688
Loans and receivables – participating governments' securities	**117,473,052**	117,449,036	**128,894,461**	128,870,446
Loans and receivables – participating governments' advances	**48,438,400**	66,136,107	**48,438,400**	66,136,107
Accounts receivable	**7,260,290**	10,819,142	**7,260,290**	10,819,142
Available for sale – domestic investment securities	**270,000**	270,000	**270,000**	270,000
	2,662,325,973	2,393,069,923	**2,653,587,110**	2,424,352,675
Financial liabilities				
Demand liabilities – domestic	**2,595,647,112**	2,344,044,109	**2,595,647,112**	2,344,044,109
Demand liabilities – foreign	**1,911,636**	1,157,051	**1,911,636**	1,157,051
Financial liabilities held for trading	**4,435,480**	357,202	**4,435,480**	357,202
IMF government general resource accounts	**1,084,658**	1,013,787	**1,084,658**	1,013,787
Other liabilities and payables	**3,687,104**	4,012,523	**3,687,104**	4,012,523
	2,606,765,990	2,350,584,672	**2,606,765,990**	2,350,584,672

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2011

3 Financial risk management ... *continued*

g) Fair value ... *continued*

Fair Value Hierarchy:

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techiniques 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 indentical assets and liabilities. This level includes equity securities and debt instruments listed on exchanges.

- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

- Level 3: Inputs for the assets or liabilities that are not based on observable market data. This level includes equity investments and debt instruments with significant unobservable components.

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

The following table presents the Bank's financial assets and liabilities that are measured at fair value at 31 March, 2011:

	Level 1	Level 2	Level 3
Financial assets			
Money market instruments and money at call	1,261,516,712	–	–
Financial assets held for trading	364,411	–	–
Available for sale – foreign investment securities	1,125,453,927		
Available for sale – regional investment securities	–	26,759,164	–
Available for sale – domestic investment securities	–	–	270,000
	2,387,335,050	**26,759,164**	**270,000**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2011

3 Financial risk management ... *continued*

g) Fair value ... *continued*

Fair Value Hierarchy: ... *continued*

	Level 1	Level 2	Level 3
Financial liabilities			
Financial liabilities held for trading	–	4,435,480	–
	–	**4,435,480**	**–**

h) Capital risk management

The Bank's objectives when managing capital are to:

- Safeguard the Bank's ability to continue as a going concern
- Manage and safeguard the value of the Eastern Caribbean currency, and
- 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 2r). Reserve was $127,167,980 (2010: $118,157,983) at March 31, 2011 and 2010, respectively.

i) 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2011

3 Financial risk management ... *continued*

i) Operational risk...*continued*

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
- 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.

j) Critical accounting estimates and judgements

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 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 obligations.

The assumption 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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2011

3 Financial risk management ... *continued*

j) Critical accounting estimates and judgements...*continued*

Estimated pension obligation...continued

pension obligations. The Bank considers the interest rates of high-quality instruments that are denominated in the currency in which the benefits will be paid and that have terms maturity approximating the terms of the related pension liability.

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

Were the discount rate used for the Net Present Value of the Pension Plan to differ by 10% from management's estimates, the defined benefit obligation for benefits would be estimated at $467 lower or $467 higher.

Impairment of equity investments

The Bank determines that equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgement. In making this judgement, the Bank evaluates among other factors, the future cash flows of the investment. As at March 31, 2011 the Bank held equity investments of $12,843,320 (2010: $8,740,468).

4 Balances with other central banks and foreign banks

	2011 $	2010 $
Balances with other central banks		
Balances with Regional central banks	**20,781,604**	16,595,769
Balances with European central banks	**694,142**	613,680
Balances with North American central banks	**856,858**	859,569
Total balances with other central banks	**22,332,604**	18,069,018
Balances with foreign banks		
Current accounts denominated in United States dollars	**315,834**	686,096
Total balances with foreign banks	**315,834**	686,096
Current	**22,648,438**	18,755,114

These balances are non-interest bearing.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2011

5 Money market instruments and money at call

By currency	2011 $	2010 $
Balances denominated in United States dollars	**1,251,301,408**	748,923,929
Balances denominated in Canadian dollars	**9**	–
Balances denominated in Pound Sterling	**223,178**	–
Balances denominated in European currency	**9,600,922**	1,104,913
Balances denominated in Japanese Yen currency	**23,961**	–
	1,261,149,478	750,028,842
Interest receivable	**367,234**	478,716
Total money market instruments and money at call	**1,261,516,712**	750,507,558

By financial instrument type	2011 $	2010 $
Money market instruments maturing in less than ninety days:		
Money at call	**268,824,933**	72,506,663
Commercial paper	**212,036,528**	167,757,680
Term deposits	**490,424,702**	375,251,428
Included in cash and cash equivalents (note 25)	**971,286,163**	615,515,771
By financial instruments type		
Money market instruments maturing after ninety days:		
Commercial paper	**182,040,199**	71,396,296
Term deposits	**107,823,116**	63,116,775
	289,863,315	134,513,071
Interest receivable	**367,234**	478,716
Total money market instruments and money at call	**1,261,516,712**	750,507,558

Money market instruments include commercial paper purchased at discounts and term deposits with interest rates ranging from 0.23% to 0.71% (2010: 0.14% to 1.20%).

Money at call includes cash balances available to the Bank's money managers and funds held at the Federal Reserve Bank for the day to day operations of the Bank. These balances earned interest at rates ranging from 0.00% to 0.20% (2010: 0.01% to 0.25%) during the year.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2011

6 Term deposits

	2011 $	2010 $
Fixed Deposits:		
- Bank of Nova Scotia, St. Kitts	**4,358,564**	8,155,295
- FirstCaribbean International Bank, St. Kitts	**8,203,841**	3,270,282
	12,562,405	11,425,577
Interest receivable	**162,713**	140,111
Total term deposits	**12,725,118**	11,565,688
Current	**12,426,878**	11,565,688
Non-current	**298,240**	–
	12,725,118	11,565,688

The deposits held with Bank of Nova Scotia, St. Kitts (BNS) and FirstCaribbean International Bank – St. Kitts (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 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% (2010: 2.5%) per annum during the year.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2011

7a) Financial instruments by category

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

As of March 31, 2011	Loans and receivables $	Assets at fair value through profit and loss $	Available -for-sale $	Total $
Financial assets				
Regional and foreign currencies	48,737,840	–	–	48,737,840
Balances with other central banks	22,332,604	–	–	22,332,604
Balances with foreign banks	315,834	–	–	315,834
Money market instruments and money at call	867,439,985	–	394,076,727	1,261,516,712
Financial assets held for trading	–	364,411	–	364,411
Available for sale – foreign investment securities	–	–	1,125,453,927	1,125,453,927
Available for sale – regional investment securities	–	–	26,759,164	26,759,164
Balances with local banks	513,724	–	–	513,724
Due from local banks	4,625	–	–	4,625
Term deposits – domestic	12,725,118	–	–	12,725,118
Loans and receivables – participating governments' securities	117,473,052	–	–	117,473,052
Loans and receivables – participating governments' advances	48,438,400	–	–	48,438,400
Accounts receivable	7,260,290	–	–	7,260,290
Available for sale – domestic investment securities	–	–	270,000	270,000
	1,125,241,472	**364,411**	**1,546,559,818**	**2,672,165,701**

As of March 31, 2011	Liabilities at fair value through profit and loss $	Other financial liabilities $	Total $
Financial liabilities			
Demand liabilities – domestic	–	2,595,647,112	2,595,647,112
Demand liabilities – foreign	–	1,911,636	1,911,636
Derivative financial instrument – liability	4,435,480	–	4,435,480
IMF government general resource accounts	–	1,084,658	1,084,658
Other liabilities and payables	–	3,687,104	3,687,104
	4,435,480	**2,602,330,510**	**2,606,765,990**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2011

7a) Financial instruments by category … *continued*

As of March 31, 2010	Loans and receivables $	Assets at fair value through profit and loss $	Available -for-sale $	Total $
Financial assets				
Regional and foreign currencies	102,271,805	–	–	102,271,805
Balances with other central banks	18,069,018	–	–	18,069,018
Balances with foreign banks	686,096	–	–	686,096
Money market instruments and money at call	511,353,582	–	239,153,976	750,507,558
Financial assets held for trading	–	3,268,631	–	3,268,631
Available for sale – foreign investment securities	–	–	1,301,561,538	1,301,561,538
Available for sale – regional investment securities	–	–	26,503,124	26,503,124
Balances with local banks	213,907	–	–	213,907
Due from local banks	3,609,615	–	–	3,609,615
Term deposits – domestic	11,565,688	–	–	11,565,688
Loans and receivables – participating governments' securities	117,449,036	–	–	117,449,036
Loans and receivables – participating governments' advances	66,136,107	–	–	66,136,107
Accounts receivable	10,819,142	–	–	10,819,142
Available for sale – domestic investment securities	–	–	270,000	270,000
	842,173,996	**3,268,631**	**1,567,488,638**	**2,412,931,265**

As of March 31, 2010	Liabilities at fair value through profit and loss $	Other financial liabilities $	Total $
Financial liabilities			
Demand liabilities – domestic	–	2,344,044,109	2,344,044,109
Demand liabilities – foreign	–	1,157,051	1,157,051
Financial liabilities held for trading	357,202	–	357,202
IMF government general resource accounts	–	1,013,787	1,013,787
Other liabilities and payables	–	4,012,523	4,012,523
	357,202	**2,350,227,470**	**2,350,584,672**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2011

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.

Caribbean Information Credit Rating Agency Ltd. equity securities held by the Bank are not rated.

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, 2011

8 Available for sale: investment securities

	2011 $	2010 $
Domestic securities		
Equity securities		
Caribbean Information and Credit Rating Agency Services Ltd.		
100,000 ordinary shares of $2.70 each		
- unquoted, at cost	**270,000**	270,000
Regional securities		
Debt securities		
- unquoted, at fair value	**26,759,164**	26,503,124
Foreign securities		
Debt securities		
- quoted, at fair value	**1,116,333,181**	1,291,599,863
Interest receivable	**9,120,746**	9,961,675
Total foreign securities	**1,125,453,927**	1,301,561,538
Current	**209,030,100**	206,416,455
Non-current	**943,452,991**	1,121,918,207
	1,152,483,091	1,328,334,662

The movement in foreign investment securities may be summarised as follows:

	Available for sale $
Balance as of March 31, 2009	**1,154,075,641**
Additions	**1,134,142,517**
Disposals (sale and redemption)	**(973,185,675)**
Net loss transfer to equity	**(23,432,620)**
Balance as of March 31, 2010	**1,291,599,863**
Additions	**1,039,083,847**
Disposals (sale and redemption)	**(1,204,183,070)**
Net loss transfer to equity	**(10,167,459)**
Balance as of March 31, 2011	**1,116,333,181**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2011

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

Gains less losses from investment securities comprise:

	2011 $	2010 $
Net realised gains from disposal of available-for-sale financial assets	**22,211,170**	23,625,062

Available-for-sale foreign investment securities are denominated in the following currencies:

	2011 $	2010 $
Currency		
United States dollar	**1,005,399,277**	1,171,588,328
EURO currency	**45,760,913**	111,007,211
Pound sterling	**18,497,616**	9,004,324
Other currencies	**46,675,375**	–
	1,116,333,181	1,291,599,863

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2011

9 Loans and receivables: participating governments' securities

Participating governments' securities: Debentures

	Nominal value 2011 $	Amortised cost 2011 $	Nominal value 2010 $	Amortised cost 2010 $
Government of Antigua & Barbuda				
9% Debentures maturing 2011	**6,000,000**	**6,000,000**	6,000,000	6,000,000
Government of Dominica				
7% Debentures maturing 2012	**1,604,000**	**1,604,000**	1,604,000	1,604,000
Government of St. Kitts & Nevis				
5% Debentures maturing 2010	–	–	3,500,000	3,500,000
5% Debentures maturing 2016	**3,740,000**	**3,740,000**	3,740,000	3,740,000
	11,344,000	**11,344,000**	14,844,000	14,844,000
Interest receivable	–	**314,022**	–	367,878
Total participating governments' debentures	**11,344,000**	**11,658,022**	14,844,000	15,211,878

Participating governments' securities: Treasury note

	Nominal value 2011 $	Amortised cost 2011 $	Nominal value 2010 $	Amortised cost 2010 $
Government of Antigua & Barbuda				
3.5% Debentures maturing 2012	**90,965,807**	**90,965,807**	90,965,807	90,965,807
	90,965,807	**90,965,807**	90,965,807	90,965,807
Interest receivable	–	**5,949,526**	–	2,377,853
Total participating governments' treasury note	**90,965,807**	**96,915,333**	90,965,807	93,343,660

The Government of Antigua and Barbuda 3 year 3.5% treasury note maturing in 2012, resulted from the restructuring of the long-term advance that was granted in 2009. The long-term advance 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, 2011

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

Participating governments' securities: Treasury bills

	Nominal value 2011 $	Amortised cost 2011 $	Nominal value 2010 $	Amortised cost 2010 $
Treasury bill – Government of Grenada 6.52% treasury bill maturing 2011	**2,900,000**	**2,853,600**	2,900,000	2,853,600
Treasury bill – Government of Antigua and Barbuda – 7.02% treasury bill maturing 2011	**4,900,000**	**4,815,720**	4,900,000	4,815,720
Treasury bill – Government of Grenada – 6.52% treasury bill maturing 2011	**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	**–**	**88,937**	–	82,738
Total participating governments' treasury bills	**8,960,000**	**8,899,697**	8,960,000	8,893,498
Total participating governments' securities	**111,269,807**	**117,473,052**	114,769,807	117,449,036
Current		**16,817,718**		15,139,229
Non-current		**100,655,334**		102,309,807
		117,473,052		117,449,036

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2011

10 Loans and receivables: participating governments' advances

	2011 $	2010 $
Operating accounts:		
- Government of St. Kitts & Nevis	**20,720,969**	18,680,509
- Government of Grenada	**9,988,368**	12,917,341
- Government of St. Vincent & the Grenadines	**8,910,838**	4,161,131
- Government of Anguilla	**4,798,179**	8,515,765
- Government of Antigua & Barbuda	**4,004,512**	–
- Government of Montserrat	**15,534**	–
- Government of Saint Lucia	**–**	9,589,773
	48,438,400	53,864,519
Temporary advances:		
- Government of Anguilla	**–**	12,000,000
Interest receivable	**–**	271,588
	–	12,271,588
Total temporary advances	**48,438,400**	66,136,107
Current	**48,438,400**	66,136,107

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, 2011

11 Accounts receivable and prepaid expenses

	2011 $	2010 $
Prepaid expenses	**13,565,940**	18,451,449
Accounts receivable	**4,583,050**	7,625,200
Staff mortgage loans	**2,677,240**	3,193,942
Other assets	**33,924**	173,638
Total accounts receivable and prepaid expenses	**20,860,154**	29,444,229
Current	**10,249,625**	14,443,756
Non-current	**10,610,529**	15,000,473
	20,860,154	29,444,229

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 $917,264 (2010: $1,076,483) at the statement of financial position date. This amount is included in prepaid expenses.

12 Financial assets held for trading

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 fair value of derivatives are recorded in the statement of income.

The following is an analysis of the currency forwards held with positive fair value as at March 31, 2011:

Currency sold / purchase	Notional value of contracts	Notional value of contracts EC$ equivalent	Value date of contracts	Fair value of contracts $
USD	**(14,383,862)**	**(38,836,427)**	April 1, 4 & 29, May 9, 2011	**320,959**
GBP	**2,471,300**	**10,805,222**	April 28, 2011	**43,452**
		(28,031,205)		**364,411**
			Current	**364,411**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2011

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, 2010:

Currency sold / purchase	Notional value of contracts	Notional value of contracts EC$ equivalent	Value date of contracts	Fair value of contracts $
CAD	41,400	110,501	April 6, 2010	289
EUR	39,003,983	144,551,960	April 6, 8, 10 & 22 2010	2,629,291
GBP	4,644,420	19,521,911	April 6, May 10 2009	636,198
USD	138,477	(380,354)	April 1 & May 10,2009	2,853
		163,804,018		3,268,631
			Current	3,268,631

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% (2010: 25.4%) 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 $160 each of which 26,187 were acquired during the current financial year. 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% (2010: 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, 2011.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2011

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

The Bank's investments in associates are detailed below:

	2011 $	2010 $
Eastern Caribbean Home Mortgage Bank (ECHMB)		
Balance at beginning of year	**8,006,325**	4,821,923
Purchase during the year	**4,189,920**	2,500,000
Share of profit for the year	**196,339**	934,402
Dividend received in year	**(406,250)**	(250,000)
Balance at end of year	**11,986,334**	8,006,325
Eastern Caribbean Securities Exchange (ECSE)		
Balance at beginning of year	**464,133**	433,191
Share of profit for the year	**122,843**	30,942
Balance at end of year	**586,976**	464,133
OECS Distribution and Transportation Company (ODTC)		
Balance at beginning of year	**10**	–
Purchase during the year	**–**	10
Balance at the end of year	**10**	10
Total investments in associated undertakings	**12,573,320**	8,470,468
Non-current	**12,573,320**	8,470,468

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2011

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

The Bank's interest in its principal associates, both of which are unlisted, is as follows as of March 31, 2011:

Entity	Assets $	Revenues $	Liabilities $	Profit (loss) $	% Interest held $
ECHMB	**329,986,272**	**25,219,760**	**(280,778,141)**	**3,367,476**	**24.8**
ECSE	**10,028,345**	**2,330,630**	**(7,723,102)**	**398,840**	**30.8**

The Bank's interest in its principal associates, both of which are unlisted, is as follows as of March 31, 2010:

Entity	Assets $	Revenues $	Liabilities $	Profit (loss) $	% Interest held $
ECHMB	293,206,059	21,585,321	(263,103,704)	1,178,740	25.4
ECSE	6,367,457	2,043,798	(4,500,632)	100,463	30.8

The Bank's interest has been determined on the basis of the financial statements for these entities for the year ended March 31, 2010 and 2011 (unaudited).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2011

14 Intangible assets

	Computer software $
Year ended March 31, 2009	
Opening net book amount	431,492
Additions	17,600
Disposals	(187,892)
Amortisation write-back	187,892
Amortisation	(135,756)
Closing net book amount	313,336
At March 31, 2009	
Cost	8,386,987
Amortisation	(8,073,651)
Net book amount	313,336
Year ended March 31, 2010	
Opening net book amount	313,336
Additions	209,180
Disposals/derecognitions	(6,254)
Amortisation	(200,496)
Closing net book amount	315,766
At March 31, 2010	
Cost	8,589,915
Amortisation	(8,274,149)
Net book amount	315,766
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**
Amortisation	**(8,580,271)**
Net book amount	**451,074**

15 Property, plant and equipment

	Land $	Buildings $	Furniture and office equipment $	Computer systems $	Motor vehicles $	Capital work in progress $	Total $
At March 31, 2009							
Cost or valuation	24,018,000	94,283,000	18,158,162	7,258,398	871,900	1,099,192	145,688,652
Accumulated depreciation	–	–	(14,798,928)	(6,841,696)	(672,140)	–	(22,312,764)
Net book amount	**24,018,000**	**94,283,000**	**3,359,234**	416,702	**199,760**	**1,099,192**	**123,375,888**
Year ended March 31, 2010							
Opening net book amount	24,018,000	94,283,000	3,359,234	416,702	199,760	1,099,192	123,375,888
Transfers in (out)	–	–	1,034,569	–	–	(1,034,569)	–
Additions	–	–	646,193	209,947	–	348,102	1,204,242
Derecognition/disposals	–	–	(175,005)	(719,762)	–	–	(894,767)
Depreciation charge	–	(2,583,069)	(1,005,184)	(350,420)	(79,580)	–	(4,018,253)
Depreciation write-back	–	–	6,465	719,762	–	–	726,227
Closing net book amount	**24,018,000**	**91,699,931**	**3,866,272**	276,229	**120,180**	**412,725**	**120,393,337**
At March 31, 2010							
Cost or valuation	24,018,000	94,283,000	19,663,919	6,748,583	871,900	412,725	145,998,127
Accumulated depreciation	–	(2,583,069)	(15,797,647)	(6,472,354)	(751,720)	–	(25,604,790)
Net book amount	**24,018,000**	**91,699,931**	**3,866,272**	276,229	**120,180**	**412,725**	**120,393,337**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

15 Property, plant and equipment

	Land $	Buildings $	Furniture and office equipment $	Computer systems $	Motor vehicles $	Capital work in progress $	Total $
Year ended March 31, 2011							
Opening net book amount	24,018,000	91,699,931	3,866,272	276,229	120,180	412,725	120,393,337
Transfers in (out)	–	16,466	499,058	–	–	(515,524)	–
Additions	–	–	585,798	381,663	–	520,687	1,488,148
Derecognition/disposals	–	–	(57,343)	–	–	–	(57,343)
Depreciation charge	–	(2,584,716)	(1,102,344)	(333,441)	(65,380)	–	(4,085,881)
Depreciation write-back	–	–	57,343	–	–	–	57,343
Closing net book amount	**24,018,000**	**89,131,681**	**3,848,784**	**324,451**	**54,800**	**417,888**	**117,795,604**
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**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2011

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, 2011:

	Land $	Buildings $	Total $
Cost	**7,268,714**	**74,807,178**	**82,075,892**
Accumulated depreciation	**–**	**(23,100,476)**	**(23,100,476)**
Net book value	**7,268,714**	**51,706,702**	**58,975,416**

The following is the historical cost carrying amount of land and buildings carried at revalued amounts as of March 31, 2010:

	Land $	Buildings $	Total $
Cost	7,268,714	74,790,712	82,059,426
Accumulated depreciation	–	(20,515,760)	(20,515,760)
Net book value	7,268,714	54,274,952	61,543,666

The land and buildings were revalued by independent valuators, Cooper Kauffman Ltd in March of 2009. Valuations are based on the market value. The revaluation of the land and buildings categories as of March 31, 2009 resulted in a revaluation surplus of $14,892,417 which was credited to revaluation reserves.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2011

16 Demand liabilities – domestic

	2011 $	2010 $
Bankers' reserves – current accounts	**1,472,631,646**	1,196,929,085
Currency in circulation	**759,215,430**	753,934,695
Liquidity support fund – BAICO	**130,767,988**	131,278,987
Participating governments' fiscal reserve tranche II	**84,312,809**	79,256,679
Participating governments' call accounts	**54,329,800**	66,286,492
Participating governments' fiscal tranche I call accounts	**32,241,737**	47,024,629
Bankers' dormant accounts	**24,694,662**	20,949,213
Participating governments' operating accounts	**13,800,289**	18,293,038
Bankers' call accounts	**5,513,353**	2,337,982
Accounts payable, accruals and provisions	**4,078,323**	5,904,674
Bankers' fixed deposits	**2,700,000**	4,580,000
British Caribbean Currency Board coins in circulation	**2,572,199**	2,572,199
Participating governments' debt restructuring escrow accounts	**1,842,262**	2,216,080
Canada – Eastern Caribbean debt management advisory project	**1,615,581**	289,913
Commemorative coins in circulation	**1,379,972**	1,379,972
British Caribbean Currency Board residual fund	**833,628**	833,628
Participating governments' sinking fund call accounts	**826,293**	1,932,424
Participating governments' securities account	**822,150**	89,775
Participating governments' drug service accounts	**712,257**	1,444,598
IDF World Bank Projects	**492,784**	–
Eastern Caribbean Securities Registry account	**120,284**	6,070,400
Local governments' operating accounts	**36,490**	26,480
Statutory and legislative bodies' operating accounts	**33,634**	286,884
Unpresented cheques	**30,867**	78,963
Organisation of Eastern Caribbean States operating accounts	**17,812**	28,452
ECHMB operating accounts	**10,733**	18,317
OECS Distribution and Transportation Co Ltd	**13,270**	10
	2,595,646,253	2,344,043,569
Interest payable	**859**	540
Total demand liabilities – domestic	**2,595,647,112**	2,344,044,109
Current	**2,595,141,058**	2,344,044,109
Non-current	**506,054**	–
	2,595,647,112	2,344,044,109

During the year the following balances earned interest at rates ranging from 0.00% to 4.43% (2010: 0.00% - 3.03%) per annum: fiscal tranche I, bankers' call accounts and fixed deposits, participating governments and statutory bodies' fixed deposits and ECHMB operating accounts.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2011

16 Demand liabilities – domestic … *continued*

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 percent (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 $5,056,130 from profit was allocated to the fund for the current financial year (2010: $14,585,920).

	2011 $	2010 $
Balance at beginning of year	**79,256,679**	67,813,848
Withdrawal	**–**	(3,143,089)
Allocation from net income	**5,056,130**	14,585,920
Balance at end of year	**84,312,809**	79,256,679

Participating governments' fiscal tranche I call accounts

In accordance with the Bank's profit distribution policy, sixty percent (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 $7,584,196 from profit was allocated to the fund for the current financial year (2010: $21,878,881).

	2011 $	2010 $
Balance at beginning of year	**47,024,629**	40,940,260
Interest on account	**17,951**	8,889
Net withdrawals	**(22,385,039)**	(15,803,401)
Allocation from net income	**7,584,196**	21,878,881
Balance at end of year	**32,241,737**	47,024,629

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2011

17 Demand liabilities – foreign

	2011 $	2010 $
International Bank for Recognition and Development accounts	**662,841**	849,266
Caribbean Development Bank accounts	**927,313**	165,636
Caribbean Financial Services Corporation account	**225,601**	108,949
Other regional central banks and agency accounts	**95,881**	33,200
Total demand liabilities – foreign	**1,911,636**	1,157,051
Current	**1,911,636**	1,157,051

These balances earned interest at rates ranging from 0.01% to 0.11% (2010: 0.00% - 0.09%) per annum during the year.

18 IMF government general resource accounts

	2011 $	2010 $
Saint Lucia	**434,425**	434,368
Antigua & Barbuda	**230,038**	171,972
Grenada	**124,303**	111,631
St. Kitts & Nevis	**106,013**	105,973
Commonwealth of Dominica	**94,669**	94,641
St. Vincent & the Grenadines	**95,210**	95,202
Total IMF government general resource accounts	**1,084,658**	1,013,787
Current	**1,084,658**	1,013,787

19 Other liabilities and payables

	2011 $	2010 $
Promissory note payable	**3,687,104**	3,687,104
Long term loan payable – USAID	–	325,419
Total other liabilities and payables	**3,687,104**	4,012,523
Current	–	325,419
Non-current	**3,687,104**	3,687,104
	3,687,104	4,012,523

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2011

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.

Long term loan payable – USAID

Under the terms of a loan agreement dated August 30, 1984, between the Eastern Caribbean Central Bank (ECCB) and the Government of the United States of America, acting through the Agency for International Development (USAID), USAID agreed to lend to the ECCB up to US$12M (EC$32.4M) for on-lending through the medium of commercial banks operating in the ECCB territories to private developers of industrial estates and industrial factory shells. The termination date for the drawing down of the loan was June 30, 1988. The total amount disbursed prior to the termination date of the facility was US$1,876,942 (EC$5,067,744).

The ECCB repaid USAID the principal on February 12, 2011, (25 years from the date of the first disbursement of the loan) in approximately 41 equal instalments of principal and interest. The interest repaid was accrued at the rate of 2% per annum for 5 years following the first disbursement of the loan and at a rate of 3% per annum thereafter on the outstanding balance of principal and on any due and unpaid interest.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2011

20 Financial liabilities held for trading

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 fair value of derivatives are recorded in the consolidated statement of comprehensive income.

The following is an analysis of the currency forwards held with negative fair value as of March 31, 2011:

Currency sold/ purchased	Notional value of contracts	Notional value of contracts EC$ equivalent	Value date of contracts	Fair value of contracts $
CAD	20,983,904	**57,112,874**	April 1, 4, 19, 21, 27 & 28, 2011	**(1,329,398)**
CHF	13,340	**39,019**	April 28, 2011	**(333)**
EUR	21,067,183	**77,933,740**	April 28, 2011	**(2,960,030)**
GBP	4,826,372	**20,889,390**	April 28 & 29, May 9 & 19, 2011	**(128,012)**
YEN	417,200,000	**13,583,022**	May 24, 2011	**(17,698)**
USD	(22,239)	**(61,946)**	April 1, 2011	**(9)**
		169,496,099		**(4,435,480)**
			Current	**(4,435,480)**

The following is an analysis of the currency forwards held with negative fair value as of March 31, 2010:

Currency sold/ purchased	Notional value of contracts	Notional value of contracts EC$ equivalent	Value date of contracts	Fair value of contracts $
CAD	739,800	1,924,748	April 6 & 30, 2010	(49,803)
CHF	7,000	17,562	April 6, 2010	(390)
EUR	1,567,600	5,684,926	April 6, & 30, 2010	(31,847)
GBP	996,300	4,045,067	April 6, & 30, 2010	(52,357)
USD	(7,900,727)	(21,223,824)	April 6, May 10, 2010	(222,805)
		(9,551,521)		(357,202)
			Current	(357,202)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2011

21 Other reserves

	2011 $	2010 $
Revaluation reserve	**55,033,681**	55,033,681
Pension reserve	**15,908,000**	15,666,000
Unrealised holding gain/(loss) – foreign investment securities	**9,556,523**	19,723,982
Self insurance reserve fund	**9,441,566**	8,761,228
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	**273,018**	127,572
Total other reserves	**98,559,593**	107,659,268

Export Credit Guarantee fund

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

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

Capital reserve

The Monetary Council of the Central Bank approved the establishment of a building reserve fund towards the construction of a headquarters building. With the construction of the building completed, the Board of Directors agreed to treat the fund as a capital reserve. During the financial period ended March 31, 2008, the Board of Directors agreed to reclassify the capital reserve – building ($26,400,000) to general reserve as the purpose for which the appropriation was established had been fulfilled.

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

Self insurance reserve

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

Pension reserve

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2011

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 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.

	2011 $	2010 $
The amounts recognised in the statement of financial position are as follows:		
Present value of pension obligation	**(61,022,000)**	(56,998,000)
Fair value of plan assets	**78,493,000**	71,496,000
Present value of over funded obligations	**17,471,000**	14,498,000
Unrecognised actuarial (gain)/loss	**(1,563,000)**	1,168,000
Net asset recognised in the statement of financial position	**15,908,000**	15,666,000

	2011 $	2010 $
Reconciliation of amount reported in the statement of financial position:		
Pension asset, beginning of year	**15,666,000**	15,839,000
Net pension costs during the year	**(1,896,000)**	(2,314,000)
Contributions to pension scheme	**2,138,000**	2,141,000
Pension asset, end of year	**15,908,000**	15,666,000

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, 2011

22 Pension asset ... *continued*

	2011 $	2010 $
The movement in the defined benefit obligation over the year is as follows:		
Beginning of year	**56,998,000**	53,456,000
Current service cost	**3,359,000**	3,278,000
Interest cost	**3,922,000**	3,666,000
Contributions by plan participants	**535,000**	535,000
Actuarial loss	**(1,739,000)**	(1,650,000)
Benefits paid	**(1,964,000)**	(2,198,000)
Expense allowance	**(89,000)**	(89,000)
	61,022,000	56,998,000
The movement in the fair value of plan assets of the year is as follows:		
Plan assets at start of year	**71,496,000**	62,261,000
Expected return on plan assets	**5,385,000**	4,684,000
Actuarial gain (loss)	**992,000**	4,162,000
Employer contributions	**2,138,000**	2,141,000
Contributions by plan participants	**535,000**	535,000
Benefits paid	**(1,964,000)**	(2,198,000)
Expense allowance	**(89,000)**	(89,000)
	78,493,000	71,496,000
The amounts recognised in the statement of income are as follows:		
Current service cost	**3,359,000**	3,278,000
Interest on defined benefit obligation	**3,922,000**	3,666,000
Expected return on plan assets	**(5,385,000)**	(4,684,000)
Net actuarial loss recognised in the year	**–**	54,000
Total expense included in staff costs (note 28)	**1,896,000**	2,314,000

The principal actuarial assumptions used were as follows:	2011 %	2010 %
Discount rate at end of year	**7.0**	7.0
Expected return on plan assets at end of year	**6.0**	7.5
Future salary increases	**6.0**	6.0
Future pension increase	**–**	–

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2011

22 Pension asset…*continued*

The actual return on the plan assets is as follows:

	2011 $	2010 $
Expected return on plan assets	**5,385,000**	4,684,000
Actuarial (loss) /gain on plan assets	**992,000**	4,162,000
Actual return on plan assets	**6,377,000**	8,846,000

The plan experience history is as follows:

	2011 $	2010 $	2009 $	2008 $
Defined benefit obligation	**61,022,000**	**56,998,000**	53,456,000	50,105,000
Fair value of plan assets	**(78,493,000)**	**(71,496,000)**	(62,261,000)	(71,699,000)
Deficit	**(17,471,000)**	**(14,498,000)**	(8,805,000)	(21,594,000)
Experience adjustment on plan liabilities	**(1,739,000)**	**(1,650,000)**	(1,824,000)	200,000
Experience adjustment on plan assets	**992,000**	**4,162,000**	(15,439,000)	449,000

Plan assets are comprised as follows:

	2011		2010	
	$	%	$	%
Equity instruments	**26,766,113**	**34.1**	28,026,432	39.2
Debt instruments	**25,588,718**	**32.6**	26,525,016	37.1
Other	**26,138,169**	**33.3**	16,944,552	23.7
	78,493,000	**100.0**	71,496,000	100.0

23 Related party transactions

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

Participating Governments

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2011

23 Related party transactions… *continued*

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

	2011 $	2010 $
Receivables from participating governments		
Loans and receivables: participating governments' securities (note 9)	**117,473,052**	117,449,036
Loans and receivables: participating governments' advances (note 10)	**48,438,400**	66,136,107
Payables to participating governments (note 16)		
Participating governments' fiscal reserve tranche II	**84,312,809**	79,256,679
Participating governments' call accounts	**54,329,800**	66,286,492
Participating governments' fiscal tranche I call accounts	**32,241,737**	47,024,629
Participating governments' operating accounts	**13,800,289**	18,293,038
Participating governments' debt restructuring escrow accounts	**1,842,262**	2,216,080
Participating governments' sinking fund call accounts	**826,293**	1,932,424
Participating governments' drug service accounts	**712,257**	1,444,598
Participating governments' securities account	**822,150**	89,775

Interest income earned on receivables during the year is $8,512,901 (2010: $8,841,830). The receivables carry interest rates of 3.5% - 9% (2010: 3.5% - 9 %) per annum.

Interest expense on payables during the year is $131,081 (2010: $153,905). The payables carry interest rates of 0.01% to 0.11% (2010: 0.00% - 0.09%) per annum.

Key management and directors

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:

	2011 $	2010 $
Staff mortgage loans		
Loans outstanding at beginning of year	**1,293,515**	1,445,042
Loans movement during the year	**(171,119)**	(151,527)
Loans outstanding at the end of year	**1,122,396**	1,293,515
Term deposits		
Bank of Nova Scotia, St. Kitts	**783,114**	463,124

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2011

23 Related party transactions… *continued*

Interest income earned on loans and advances during the year is $33,168 (2010: $39,369). The loans carry an interest rate of 4% (2010: 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 and directors' compensation

The salaries, fees and benefits paid to the Board of Directors and key management personnel of the Bank during the year amounted to $4,054,268 (2010: $3,969,004). The following is an analysis of these amounts:

	2011 $	2010 $
Salaries and other short-term employee benefits	**3,713,310**	3,632,770
Post-employment benefits	**148,958**	144,234
Board of Directors' fees	**192,000**	192,000
Total key management compensation	**4,054,268**	3,969,004

24 Contingencies and commitments

Capital commitments

At March 31, 2011 there were no commitments for capital expenditure.

Credit extension to participating governments

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

The approved credit allocation to participating governments for the current financial year is $282,000,000 (2010: $244,800,000). The details are presented in the table below:

	2011 $	2010 $
Government of Antigua and Barbuda	**123,525,000**	123,126,000
Government of Saint Lucia	**41,700,000**	29,693,000
Government of St Kitts and Nevis	**35,188,000**	29,666,000
Government of Anguilla	**9,578,000**	20,971,000
Government of Grenada	**23,502,000**	19,710,000
Government of St.Vincent and the Grenadines	**23,419,000**	10,150,000
Government of Dominica	**22,815,000**	9,784,000
Government of Montserrat	**2,273,000**	1,700,000
Total credit allocation	**282,000,000**	244,800,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

24 Contingencies and commitments… *continued*

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 and is proceeding before the Grenada Supreme Court. The Claimant is seeking:

- A declaration that it is entitled to be admitted to the membership of the Clearing House facility established by the Central Bank pursuant to the provisions of the Eastern Caribbean Central Bank Act 1983; and

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

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

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

At the High Court hearing 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 and has also filed a petition before the court for the compulsory liquidation of the Bank.

Export credit guarantee scheme

The Bank is contingently liable for pre and post shipment credit given by financial institutions covered under the export credit guarantee scheme to manufacturers operating in its member territories. The contingent liability outstanding under this scheme at March 31, 2011 amounted to $304,474 (2010: $304,474).

Eastern Caribbean Securities Exchange Limited

Subsequent to March 31, 2011 the Eastern Caribbean Central 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 ECCB up to the year ending March 31, 2011. At the year end the total funds advanced amounted to $2,874,845 (2010: $2,874,845). The last advance was during the financial year ended March 31, 2005.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2011

24 Contingencies and commitments… *continued*

- 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, 2011 in an amount not expected to exceed $2,000,000.

The above undertaking and guarantee will be reviewed on March 31, 2012 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, 2011 the commitment of the Bank was $1,134,000 (2010: $1,296,000).

Leasehold obligation – operating leases

All agency offices operate out of leased premises with lease terms ranging from 2 to 33 1/3 years. Lease rentals payable on operating leases are expensed on a straight line basis over the term of the leases. Minimum lease payments for the 5 years subsequent to 2011 and in aggregate are as follows:

	2011 **$**	**2010** **$**
2011	**–**	492,300
2012	**415,200**	415,200
2013	**210,400**	210,400
2014	**183,750**	183,750
2015	**173,438**	183,750
2016	**60,000**	–
Thereafter	**1,190,000**	1,250,000
Total operating leases	**2,232,788**	2,735,400

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2011

25 Cash and cash equivalents

	2011 $	2010 $
Money market instruments and money at call (note 5)	**971,286,163**	615,515,771
Regional and foreign currencies	**48,737,840**	102,271,805
Balances with other central banks (note 4)	**22,332,604**	18,069,018
Due from local banks	**4,625**	3,609,615
Balances with foreign banks (note 4)	**315,834**	686,096
Balances with local banks	**513,724**	213,907
Total cash and cash equivalents	**1,043,190,790**	740,366,212

26 Net interest income

	2011 $	2010 $
Interest income		
Available for sale: foreign investment securities	**25,121,579**	34,132,429
Money market instruments and money at call	**5,059,372**	4,949,154
Loans and receivables: participating governments' securities	**5,130,707**	3,997,700
Other	**4,553,306**	5,580,218
	39,864,964	48,659,501

	2011 $	2010 $
Interest expense		
Demand liabilities: domestic	**140,999**	196,107
Demand liabilities: foreign	**818**	674
Other	**6,527**	16,250
	148,344	213,031
Net interest income	**39,716,620**	48,446,470

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2011

27 Other income

	2011 $	2010 $
Income from reserve requirement	**5,584,026**	7,128,543
Pension fund administrative and management fees	**452,165**	3,553,258
Miscellaneous income	**234,817**	159,901
Rental income	**63,386**	63,386
Gain on disposal of property, plant and equipment	**1,200**	–
Total other income	**6,335,594**	10,905,088

28 Salaries, pension and other staff benefits

	2011 $	2010 $
Salaries, wages and other benefits	**24,340,453**	24,335,099
Pension (note 22)	**1,896,000**	2,314,000
Social security	**940,429**	993,415
Prepaid employee benefit	**139,330**	142,135
Vacation leave	**217,094**	67,469
Total salaries, pension and other staff benefits	**27,533,306**	27,852,118

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2011

29 Administrative and general expenses

	2011 $	2010 $
General supplies and services	**6,549,125**	6,121,737
Professional and consulting fees	**3,099,678**	3,267,553
Utilities expenses	**1,957,255**	2,117,867
Travel tickets, accommodation and subsistence	**1,059,013**	1,042,737
Insurance expense	**1,037,708**	885,525
Contingencies	**796,907**	620,164
Rental expense	**722,047**	698,070
Training, recruitment and resettlement	**595,636**	178,587
Telephone costs	**586,539**	587,224
Conferences and meetings	**545,759**	385,193
Staff vacation grant	**446,213**	372,838
Repairs and maintenance	**430,305**	476,391
Subscriptions and fees	**213,457**	217,961
Other staff expenses and amenities	**195,890**	144,939
Cafeteria subsidy	**186,098**	191,822
Community outreach	**133,768**	112,308
Advertising and promotion	**116,342**	111,007
Printing and postage	**95,733**	87,804
Affiliate groups	**85,480**	85,480
Contribution to staff association	**56,824**	151,446
Special projects	**49,180**	70,066
Directors' travel and subsistence	**33,327**	52,568
Legal fees	**6,978**	25,730
Total administrative and general expenses	**18,999,262**	18,005,017

LIST OF COMMERCIAL BANKS MAINTAINING CLEARING ACCOUNTS WITH THE ECCB

As at 31 March 2011

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

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

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

GRENADA
FirstCaribbean International Bank (Barbados) Limited
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
FirstCaribbean International Bank (Barbados) Limited
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
FirstCaribbean International Bank (Barbados) Limited
RBTT Bank Caribbean Limited
RBC Royal Bank of Canada

ST VINCENT AND THE GRENADINES
FirstCaribbean International Bank (Barbados) Limited
Bank of St Vincent and the Grenadines Ltd
RBTT Bank Caribbean Limited
Bank of Nova Scotia

Sea Ports of the Eastern Caribbean Currency Union (ECCU)

MONTSERRAT

Port Little Bay was opened at the height of the volcanic activity in 1997 when the destruction of capital Plymouth rendered the main port in that location unusable. Since then Port Little Bay has evolved into a busy commercial area catering to container loads of cargo, the twice daily ferry service, local fishermen and the occassional visiting yacht. The Government of Montserrat plans to develop this harbour to accommodate the docking of larger boats and cruise liners in the port. The port facility also forms part of the design for the new town centre in Little Bay.

SAINT LUCIA

The balloon–shaped **Castries Habour** in Saint Lucia with its almost landlocked location, is one of the largest, finest and safest natural deepwater habours in the Caribbean. It is well sheltered and receives cruise ships up to 1,000 ft long, as well as cargo vessels and ferry boats.

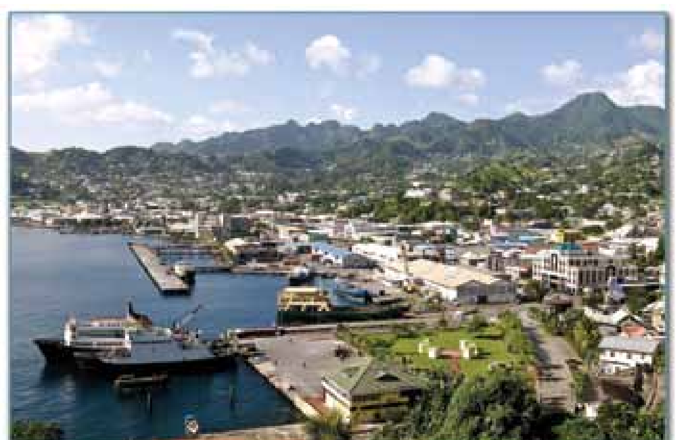
The inter-island ferry terminal provides fast ferry services daily between Saint Lucia and Martinque, and was designed to offer passengers the same level of comfort that can be found at an airport.

Cruise ships dock at Point Seraphine, to the north of the harbour, which is also a duty free shopping centre with taxi service and water taxi facilities to take passengers to the city centre.

ST KITTS AND NEVIS

Port Zante Cruise Pier is 1,100 ft long with a minimum depth of 28 ft. The pier can accommodate "Oasis" class cruise ships and is one of the few ports in the English-speaking Caribbean that can berth the world's largest cruise vessels. The **marina** is an integral element of Port Zante. The 36 slip marina is located at the western end of the property and offers a variety of berthing options to suit yachts of different sizes. These include regular slips which can comfortably accommodate vessels of up to 70 ft in length, and a 300 ft pier that can berth vessels up to 225 ft in length.

ST VINCENT AND THE GRENADINES



Port Kingstown located in the capital at Latitude 13˚9'1"N and Longitude 61˚13'5"W, is the chief port of St Vincent and the Grenadines. It is the gateway to the commercial seaborne trade of the country as well as a port of entry for tourists. There are regular services between St Vincent and the Grenadines and the major ports in North America, Europe and the Caribbean. The fleets of many international shipping companies also call at Port Kingstown, which handles a wide range of vessel traffic, from deepsea cargo liner services to inter-island ferries and cruise ships.