Independent Auditors' Report and Financial Statements

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INDEPENDENT AUDITORS' REPORT

To the Participating Governments of
EASTERN CARIBBEAN CENTRAL BANK

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Eastern Caribbean Central Bank ("the Bank"), which comprise the statement of financial position as at 31 March 2019, the statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 March 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the ethical requirements that are relevant to our audit of the financial statements in Barbados, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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INDEPENDENT AUDITORS' REPORT, continued

To the Participating Governments of
EASTERN CARIBBEAN CENTRAL BANK

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report 2019 but does not include the financial statements and our auditors' report thereon. The Annual Report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

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INDEPENDENT AUDITORS' REPORT, continued

To the Participating Governments of
EASTERN CARIBBEAN CENTRAL BANK

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

INDEPENDENT AUDITORS' REPORT, continued

To the Participating Governments of
EASTERN CARIBBEAN CENTRAL BANK

Auditors' Responsibilities for the Audit of the Financial Statements, continued

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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Chartered Accountants
Bridgetown, Barbados
12 June 2019

STATEMENT OF FINANCIAL POSITION

Expressed in Eastern Caribbean Dollars

As at 31 March 2019

	Notes	31 March 2019 $	31 March 2018 $
Assets			
Foreign assets			
Regional and foreign currencies		**104,789,886**	68,773,676
Balances with other central banks	5	**14,237,270**	6,223,088
Balances with foreign banks	5	**52,946**	64,548
Money market instruments and money at call	6	**1,942,645,394**	1,508,844,830
Financial assets at fair value through profit or loss	13	**95,713**	656,871
Foreign investment securities	9	**2,785,672,676**	3,157,667,399
		4,847,493,885	4,742,230,412
Domestic assets			
Cash and balances with local banks		**2,691,622**	3,221,502
Term deposits	7	**6,539,012**	7,748,428
Domestic investment securities	9	**624,186**	624,186
Participating governments' securities	10	**60,168,839**	83,189,928
Participating governments' advances	11	**43,596,201**	43,330,371
Accounts receivable and prepaid expenses	12	**21,615,626**	24,933,169
Investments in associated undertakings using the equity method	14	**18,969,389**	17,470,403
Intangible assets	15	**4,459,054**	2,519,909
Property and equipment	16	**131,129,326**	135,814,044
Pension asset	22	**23,573,000**	26,948,000
		313,366,255	345,799,940
Total Assets		**5,160,860,140**	5,088,030,352
Liabilities			
Demand and deposit liabilities - domestic	17	**4,828,900,876**	4,861,299,250
Demand and deposit liabilities - foreign	18	**40,689,413**	10,425,453
Financial liabilities at fair value through profit or loss	20	**33,769**	219,130
IMF government general resource accounts	19	**1,198,864**	1,162,925
Total Liabilities		**4,870,822,922**	4,873,106,758
Equity			
General reserve		**155,929,693**	120,456,442
Other reserves	21	**134,107,525**	94,467,152
Total Equity		**290,037,218**	214,923,594
Total Liabilities and Equity		**5,160,860,140**	5,088,030,352

Approved for issue by the Board of Directors on 12 June 2019 and signed on its behalf by:

Governor

Director, Accounting Department

The notes on pages 65 to 172 are an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS

Expressed in Eastern Caribbean Dollars — For the Year Ended 31 March 2019

	Notes	2019 $	2018 $
Interest income	26	**107,402,279**	73,214,304
Interest expense	26	**(5,626,041)**	(2,538,217)
Net interest income		**101,776,238**	70,676,087
Commission income – foreign transactions		**9,905,668**	10,127,117
Commission income – other transactions		**3,904,157**	2,878,988
Loss on disposal of investment securities	9	**(11,299,073)**	(6,258,867)
(Loss) gain on foreign exchange		**(512,288)**	445,252
Other income	27	**4,499,834**	6,085,848
Operating income		**108,274,536**	83,954,425
Salaries, pensions and other staff benefits	28	**32,908,913**	30,301,359
Currency expenses		**8,419,588**	7,926,068
Amortisation	15	**470,448**	1,270,631
Depreciation	16	**5,575,880**	5,080,073
Administrative and general expenses	30	**28,397,879**	30,049,518
Net impairment losses on financial assets	29	**1,547,786**	-
Operating expenses		**77,320,494**	74,627,649
Operating profit		**30,954,042**	9,326,776
Share of net profit of associates	14	**1,725,886**	1,438,502
Net profit for the year		**32,679,928**	10,765,278

The notes on pages 65 to 172 are an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Expressed in Eastern Caribbean Dollars For the Year Ended 31 March 2019

	2019 $	2018 $
Net profit for the year	**32,679,928**	10,765,278
Other comprehensive income:		
Items that will never be reclassified subsequently to profit or loss		
Re-measurement losses on defined benefit pension plan	**(4,354,000)**	(415,000)
Revaluation adjustment (note 16)	**-**	10,401,633
Items that are or may be subsequently reclassified to profit or loss		
Net change in fair value of investment securities at FVOCI	**47,015,466**	-
Net change in fair value of available-for-sale financial assets	**-**	(27,996,170)
Other comprehensive income (loss) for the year	**42,661,466**	(18,009,537)
Total comprehensive income (loss) for the year	**75,341,394**	(7,244,259)

The notes on pages 65 to 172 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

Expressed in Eastern Caribbean Dollars

For the Year Ended 31 March 2019

	Accumulated Surplus $	General Reserve $	Capital Reserve $	Revaluation Reserve: Properties $	Financial Assets at FVOCI reserve $	Export Credit Guarantee Fund $	Self-Insurance Reserve Fund $	Pension Reserve $	Total $
Balance, 31 March 2018	-	**120,456,442**	**6,537,928**	**92,507,945**	**(45,288,213)**	**1,808,877**	**11,952,615**	**26,948,000**	**214,923,594**
Adjustment on adoption of IFRS 9	-	(698,700)	-	-	470,930	-	-	-	(227,770)
Restated balance at 1 April 2018	-	**119,757,742**	**6,537,928**	**92,507,945**	**(44,817,283)**	**1,808,877**	**11,952,615**	**26,948,000**	**214,695,824**
Net profit for the year	32,679,928	-	-	-	-	-	-	-	32,679,928
Re-measurement losses on defined benefit pension plan (note 22)	-	-	-	-	-	-	-	(4,354,000)	(4,354,000)
Net change in fair value of investment securities and money market instruments at FVOCI	-	-	-	-	47,015,466	-	-	-	47,015,466
Total comprehensive income	32,679,928	-	-	-	47,015,466	-	-	(4,354,000)	75,341,394
Allocation to general reserve	(30,996,106)	30,996,106	-	-	-	-	-	-	-
Allocation to pension reserve (note 21)	(979,000)	-	-	-	-	-	-	979,000	-
Allocation to self-insurance reserve fund (note 21)	(704,822)	-	-	-	-	-	704,822	-	-
Transfer of revaluation gain on disposal of property and equipment	-	5,175,845	-	(5,175,845)	-	-	-	-	-
Balance, 31 March 2019	-	**155,929,693**	**6,537,928**	**87,332,100**	**2,198,183**	**1,808,877**	**12,657,437**	**23,573,000**	**290,037,218**

The notes on pages 65 to 172 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY...*continued*

Expressed in Eastern Caribbean Dollars

For the Year Ended 31 March 2019

	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, 31 March 2017	**-**	**111,106,309**	**6,537,928**	**82,106,312**	**(17,292,043)**	**1,808,877**	**11,390,470**	**26,510,000**	**222,167,853**
Net profit for the year	10,765,278	-	-	-	-	-	-	-	10,765,278
Revaluation adjustment (note 16)	-	-	-	10,401,633	-	-	-	-	10,401,633
Re-measurement losses on defined benefit pension plan (note 22)	-	-	-	-	-	-	-	(415,000)	(415,000)
Net change in fair value of investment securities and money market instruments	-	-	-	-	(27,996,170)	-	-	-	(27,996,170)
Total comprehensive loss	10,765,278	-	-	10,401,633	(27,996,170)	-	-	(415,000)	(7,244,259)
Allocation to general reserve	(9,350,133)	9,350,133	-	-	-	-	-	-	-
Allocation to pension reserve (note 21)	(853,000)	-	-	-	-	-	-	853,000	-
Allocation to self- insurance reserve fund (note 21)	(562,145)	-	-	-	-	-	562,145	-	-
Balance, 31 March 2018	**-**	**120,456,442**	**6,537,928**	**92,507,945**	**(45,288,213)**	**1,808,877**	**11,952,615**	**26,948,000**	**214,923,594**

The notes on pages 65 to 172 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

Expressed in Eastern Caribbean Dollars — For the Year Ended 31 March 2019

	2019 $	2018 $
Cash flows from operating activities		
Net profit for the year	**32,679,928**	10,765,278
Adjustments for:		
Depreciation	**5,575,880**	5,080,073
Amortisation	**470,448**	1,270,631
Loss on disposal of investment securities	**11,299,073**	6,258,867
Share of profit of associates	**(1,725,886)**	(1,438,502)
Effect of changes in market value of money market instruments	**(15,185)**	99,950
Net pension cost during the year	**1,242,000**	1,353,000
Loss (gain) on disposal of property and equipment	**1,289,744**	(36,548)
Net recoveries and write-offs on impaired receivables	**(1,450,560)**	(75,131)
Net impairment losses on financial assets	**1,547,786**	-
Interest income	**(107,402,279)**	(73,214,304)
Interest expense	**5,626,041**	2,538,217
Cash flows used in operations before changes in operating assets and liabilities	**(50,863,010)**	(47,398,469)
Changes in operating assets and liabilities		
Decrease in term deposits	**1,176,469**	2,293,965
Decrease in money market instruments	**25,681,397**	10,353,379
Decrease (increase) in participating governments' securities	**22,278,352**	(9,733,823)
Increase in participating governments' advances	**(515,995)**	(2,582,143)
Decrease in accounts receivable and prepaid expenses	**3,294,426**	3,959,132
Decrease (increase) in financial assets at FVTPL	**561,158**	(517,687)
Decrease in financial liabilities at FVTPL	**(185,361)**	(482,273)
Contributions to pension scheme	**(2,221,000)**	(2,206,000)
(Decrease) increase in demand and deposit liabilities - domestic and foreign	**(2,505,166)**	123,783,012
Increase in IMF government general resource accounts	**35,939**	29,481
Cash (used in) from operations before interest	**(3,262,791)**	77,498,574
Interest paid	**(5,255,289)**	(2,236,637)
Interest received	**106,376,636**	70,543,915
Net cash from operating activities	**97,858,556**	145,805,852
Cash flows from investing activities		
Purchase of property and equipment	**(5,900,906)**	(4,283,741)
Purchase of intangible assets	**(2,409,593)**	(1,980,970)
Proceeds from disposal of property and equipment	**3,720,000**	57,240
Proceeds from disposal of foreign investment securities	**2,910,885,695**	3,797,434,225
Purchase of foreign investment securities	**(2,502,549,823)**	(4,048,130,233)
Receipt of ordinary shares in SWIFT	**(78,205)**	-
Receipt of ordinary shares in ECSE	**(274,190)**	-
Dividends received from associates	**501,090**	501,090
Net cash from (used in) investing activities	**403,894,068**	(256,402,389)
Net increase (decrease) in cash and cash equivalents	**501,752,624**	(110,596,537)
Cash and cash equivalents, beginning of year	**1,171,960,866**	1,282,557,403
Cash and cash equivalents, end of year (note 25)	**1,673,713,490**	1,171,960,866

The notes on pages 65 to 172 are an integral part of these financial statements.

1. Incorporation and principal activity

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

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

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

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

2. Summary of significant accounting policies

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

a) Basis of preparation

The financial statements have been prepared in accordance with the provisions of the Eastern Caribbean Central Bank Agreement Act 1983 and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The financial statements have been prepared under the historical cost convention, except for the following:

- Financial assets measured at fair value through other comprehensive income;
- Financial assets and liabilities measured at fair value through profit or loss;
- Available-for-sale financial assets (applicable prior to 1 April 2018);
- Land and buildings measured at fair value.

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

The financial statements were authorised for issue by the Board of Directors on 12 June 2019.

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

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

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

(i) Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the annual financial statements for the year ended 31 March 2018, except for the adoption of new Standards and interpretations described below.

Effective 1 April 2018, the Bank applied for the first time certain Standards and Amendments, which are effective for annual periods beginning on or after 1 January 2018. The Bank has not early adopted any other Standard, interpretation or amendment that has been issued but is not yet effective. The nature and the impact of each new Standard or amendment are described below:

IFRS 9 'Financial Instruments'

In July 2014, the IASB issued IFRS 9 '*Financial Instruments'*, the Standard that replaced IAS 39 for annual periods beginning on or after 1 January 2018, with early adoption permitted.

The Bank has adopted the requirements of IFRS 9 '*Financial Instruments'* effective 1 April 2018. The adoption of IFRS 9 has resulted in changes in our accounting policies for recognition, classification and measurement of financial assets and liabilities and impairment of financial assets.

The classification and measurement, and impairment requirements, are applied retrospectively by adjusting the opening equity at the date of initial application, 1 April 2018. As permitted by IFRS 9, the Bank has not restated comparatives for 2018 for financial instruments in the scope of IFRS 9. Differences and adjustments to the carrying amounts of financial assets and liabilities from the adoption of IFRS 9 at the date of initial application have been recognised directly in general reserve as of 1 April 2018 and are disclosed in Note 31.

Changes to classification and measurement of financial instruments

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). IFRS 9 requires all financial assets, except for equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics. The Standard eliminates the previous IAS 39 categories of held-to-maturity, available-for-sale and loans and receivables.

IFRS 9 will also allow entities to continue to irrevocably designate instruments that qualify for amortised cost or fair value through OCI instruments as FVTPL, if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Equity instruments that are not held for trading may be irrevocably designated as FVOCI, with no subsequent reclassification of gains or losses to the statement of profit or loss.

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

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

(i) Changes in accounting policies and disclosures*....continued*

IFRS 9 'Financial Instruments'*...continued*

Changes to classification and measurement of financial instruments*....continued*

The Bank's classification of its financial assets and liabilities is explained in Note 8. The quantitative impact of applying IFRS 9 as at 1 April 2018, is disclosed in the transition disclosures in Note 31.

Changes to impairment of financial assets

The adoption of IFRS 9 has fundamentally changed the Bank's accounting for impairment of financial assets by replacing the "incurred loss" model under IAS 39 with a forward looking "expected credit loss" (ECL) approach. IFRS 9 requires the Bank to record an allowance for ECLs for financial assets measured at amortised cost and FVOCI. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination.

Details of the Bank's impairment modelling are disclosed below. The quantitative impact of applying IFRS 9 as at 1 April 2018 is disclosed in Note 31.

Transition to IFRS 9

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below:

- Comparative periods have not been restated. Differences in carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognised in reserves as at 1 April 2018. As such, the information presented for 2018 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2019 under IFRS 9.
- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application, 1 April 2018:
  - The determination of business model within which a financial asset is held;
  - The designation and revocation of previous designations of certain financial assets and liabilities as measured at FVTPL; and
  - The designation of certain investments in equity instruments not held for trading at FVOCI.
- If a debt security had a low credit risk at the date of initial application of IFRS 9, the Bank assumes that the credit risk on the asset had not increased significantly since its initial recognition.

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

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

(i) Changes in accounting policies and disclosures*....continued*

IFRS 15 'Revenue from Contracts with Customers'

On 1 April 2018, the Bank adopted IFRS 15 '*Revenue from Contracts with Customers'* (effective for annual reporting periods beginning on or after 1 January 2018). IFRS 15 defines principles for recognising revenue and is applicable to all contracts with customers. IFRS 15 applies to nearly all contracts with customers; the main exceptions are leases, financial instruments and insurance contracts. However, interest and fee income integral to financial instruments and leases continues to fall outside the scope of IFRS 15 and is guided by the other applicable Standards (such as IFRS 9 *Financial Instruments* and IFRS 16 *Leases*). Revenue under IFRS 15 must be recognised as goods and services are transferred, to the extent that the transferor anticipates entitlement to goods and services. The Standard also specifies a comprehensive set of disclosure requirements regarding the nature, extent and timing as well as any uncertainty of revenue and corresponding cash flows with customers.

The adoption of IFRS 15 did not impact the timing or amount of fee and commission income from contracts with customers and the related assets and liabilities recognised by the Bank. Accordingly, the impact on the comparative information is limited to new disclosure requirements.

IFRIC 22 *Foreign Currency Transactions and Advance Consideration*

IFRIC Interpretation 22 is effective for annual reporting periods beginning on or after 1 January 2018. The interpretation clarifies how to determine the date of transaction for the exchange rate to be used on initial recognition of a related asset, expense or income where an entity pays or receives consideration in advance for foreign currency-denominated contracts.

For a single payment or receipt, the date of the transaction should be the date on which the entity initially recognises the non-monetary asset or liability arising from the advance consideration. If there are multiple payments or receipts for one item, a date of transaction should be determined as above for each payment or receipt.

Entities can choose to apply the interpretation:

- retrospectively for each period presented;
- prospectively to items in scope that are initially recognised on or after the beginning of the reporting period in which the interpretation is first applied; or
- prospectively from the beginning of a prior reporting period presented as comparative information.

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

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

Standards, interpretations and amendments to published Standards that are not yet effective and have not been early adopted

At the date of authorisation of these financial statements, certain new Standards, interpretations and amendments to existing Standards have been issued but are not yet effective. The Bank has not early adopted any of these in preparing these financial statements. These Standards, interpretations and amendments to existing Standards will be adopted when they become effective.

IFRS 16 *'Leases'*

IFRS 16, *'Leases'* (effective for annual reporting periods beginning on or after 1 January 2019 with earlier application permitted if IFRS 15, *'Revenue from Contracts with Customers'*, is also applied). This Standard replaces the current guidance in IAS 17 and is a far reaching change in accounting by lessees in particular. The new Standard does not significantly change the accounting for leases for lessors.

Under IAS 17, lessees were required to make a distinction between a finance lease (on-balance sheet) and an operating lease (off-balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts.

The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new Standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The adoption of this Standard will not have a significant impact on the Bank.

Amendments to IAS 19 - Plan Amendment, Curtailment or Settlement

"Amendments to IAS 19" (effective for annual reporting periods beginning on or after 1 January 2019). The amendments to IAS 19 clarify the accounting for defined benefit plan amendments, curtailments and settlements. The amendments confirm that entities must:

- calculate the current service cost and net interest for the remainder of the reporting period after a plan amendment, curtailment or settlement by using the updated assumptions from the date of the change.
- any reduction in a surplus should be recognised immediately in profit or loss either as part of past service cost, or as a gain or loss on settlement. In other words, a reduction in a surplus must be recognised in profit or loss even if that surplus was not previously recognised because of the impact of the asset ceiling.
- separately recognise any changes in the asset ceiling through other comprehensive income.

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

b) Associates

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

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

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

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

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

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

c) Fair value measurement

The Bank measures financial instruments, such as investment securities, certain money market instruments and derivatives at fair value at each financial reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

When measuring fair value, an entity uses the assumptions that market participants would use when pricing the asset or the liability under current market conditions, including assumptions about risk.

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

c) Fair value measurement*....continued*

As a result, an entity's intention to hold an asset or to settle or otherwise fulfil a liability is not relevant when measuring fair value.

IFRS 13 requires that the fair value of a liability or equity instrument of the entity be determined under the assumption that the instrument would be transferred on the measurement date, but would remain outstanding. Accordingly, the fair value of a liability must take account of non-performance risk, including the entity's own credit risk.

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

When one is available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, the Bank uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described in note 3(g).

d) Use of judgments and estimates

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Bank's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

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

e) Foreign currency translation

Functional and presentation currency

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

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

e) Foreign currency translation*....continued*

Transactions and balances

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

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

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

f) Comparative information

The Bank's financial statements provide comparative information in respect of the preceding period for all amounts reported in the current period. Except when an IFRS permits or requires otherwise, comparative information shall be disclosed in respect of the preceding period for all amounts reported in the financial statements. Comparative information has been amended where necessary to ensure consistency with the current period.

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

g) Financial assets and financial liabilities

Policy applicable from 1 April 2018

(i) Initial Measurement of financial assets and liabilities

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

(ii) Measurement categories of financial assets and liabilities

Effective 1 April 2018, the Bank classifies its financial assets based on the Bank's business model for managing the assets and the assets' contractual cash flow characteristics. The three classification and measurement categories under IFRS 9 are as follows:

- Amortised cost;
- Fair value through other comprehensive income (FVOCI); and
- Fair value through profit or loss (FVTPL).

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

A debt financial asset is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis. All other equity investments are classified as measured at FVTPL.

In addition, on initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

g) Financial assets and financial liabilities*....continued*

Policy applicable from 1 April 2018*....continued*

Prior to 1 April 2018, the Bank classified its financial assets as loans and receivables (amortised cost), held for trading (fair value through profit or loss), available-for-sale (fair value through OCI) or held-to-maturity (amortised cost).

Financial liabilities are measured at amortised cost and FVTPL.

(iii) Business model assessment

Business model assessment entails a determination of the way financial assets are managed in order to generate cash flows. There are three business models available under IFRS 9:

- Hold to collect: it is intended to hold the asset to maturity to earn interest, collecting repayments of principal and interest form the counterparty.
- Hold to collect and sell: this model is similar to the hold to collect model, except that the entity elects to sell some or all of the assets before maturity as circumstances change or to hold the assets for liquidity purposes.
- Other: all those models that do not meet the 'hold to collect' or 'hold to collect and sell' qualifying criteria.

The assessment of business model requires judgement based on facts and circumstances at the date of initial application. The business model is not assessed on an instrument by instrument basis, but at a higher level of aggregated portfolios per instrument type and is based on observable factors.

The Bank determines its business model at the portfolio level (foreign reserves and domestic assets portfolios) as this best reflects the way the Bank manages its financial assets to achieve its business objective. The Bank's business model assessment considers the following qualitative and observable factors:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolios are evaluated and reported to the Bank's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how asset managers of the business are compensated (e.g. whether compensation is based on the fair value of the asset managed or the contractual cash flows collected); and

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

g) **Financial assets and financial liabilities***....continued*

Policy applicable from 1 April 2018*....continued*

(iii) Business model assessment*....continued*

- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

(iv) Assessment of whether contractual cash flows are solely payments of principal and interest

The second criteria in the classification process is the Bank's assessment of the contractual terms of financial assets to determine whether they meet the solely payments of principal and interest (SPPI) test. Contractual cash flows that represent solely payments of principal and interest on the principal amount outstanding are consistent with basic lending arrangements.

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and the credit risk associated with the principal amount outstanding during a particular period of time. It can also include consideration for other basic lending risks (e.g. liquidity risk) and costs (e.g. administrative costs) associated with holding the financial asset for a particular period of time, and a profit margin that is consistent with a basic lending arrangement.

If a financial asset is held in either a 'Hold to Collect' or a 'Hold to Collect and Sell' business model, then assessment to determine whether contractual cash flows are solely payments of principal and interest on the principal amount outstanding at initial recognition is required to determine the classification. The SPPI test is performed on an individual instrument basis.

In assessing whether the contractual cash flows are SPPI, the Bank considers whether the contractual terms of the financial asset contain a term that could change the timing or amount of contractual cash flows arising over the life of the instrument which could affect whether the instrument is considered to meet the SPPI test. If the SPPI test is failed, such financial assets are measured at FVTPL with interest earned recognised in other interest income.

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

g) Financial assets and financial liabilities*....continued*

Policy applicable from 1 April 2018*....continued*

(v) Debt instruments measured at amortised cost

Debt instruments are measured at amortised cost if they are held within a business model whose objective is to hold for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. After initial measurement, debt instruments in this category are carried at amortised cost. Interest income on these instruments is recognised in interest income using the effective interest rate method. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial asset to the gross carrying amount of a financial asset. Amortised cost is calculated by taking into account any discount or premium on acquisition, transaction costs and fees that are an integral part of the effective interest rate.

Impairment on debt instruments measured at amortised cost is calculated using the expected credit loss approach. Loans and debt securities measured at amortised cost are presented net of the allowance for credit losses (ACL) in the statement of financial position.

(vi) Debt instruments measured at FVOCI

Effective 1 April 2018, the Bank measures debt investment securities at FVOCI when both of the following categories are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets; and

- The contractual terms of the financial asset meet the SPPI test.

These instruments comprise assets that had previously been classified as debt available-for-sale investment securities under IAS 39.

FVOCI debt investment securities are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains and losses are recognised in profit or loss in the same manner as for financial assets measured at amortised cost. On de-recognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

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

g) Financial assets and financial liabilities*....continued*

Policy applicable from 1 April 2018*....continued*

(vii) Equity instruments

Equity instruments are classified into one of the following measurement categories:

- Fair value through profit or loss (FVTPL); or
- Designated at fair value through other comprehensive income (FVOCI).

Equity instruments measured at Fair value through profit or loss (FVTPL)

Equity instruments are measured at FVTPL, unless an election is made to designate them at FVOCI upon purchase, with transaction costs recognised immediately in profit or loss. Subsequent to initial recognition the changes in fair value are recognised in the statement of profit or loss. Equity instruments at FVTPL are primarily assets held for trading.

Equity instruments measured at FVOCI (designated)

At initial recognition, there is an irrevocable option for the Bank to classify non-trading equity instruments at FVOCI. This election is used for certain equity investments held for strategic or longer term investment purposes. This election is made on an instrument-by-instrument basis and is not available for equity instruments that are held for trading purposes. Gains and losses on these instruments including when derecognised/sold are recorded in OCI and are not subsequently reclassified to the statement of profit or loss. As such, there is no specific impairment requirement. Dividends received are recorded in profit or loss. Any transaction costs incurred upon purchase of the security are added to the cost basis of the security and are not reclassified to profit or loss on sale of the security.

At the date of initial application of IFRS 9, the Bank made an irrevocable election to classify its equity instruments at FVOCI when they are not held for trading as these investments are expected to be held for the long-term and for strategic purposes. Such classification is determined on an instrument by instrument basis. Gains and losses on these equity instruments are never recycled to the Statement of profit or loss. Dividends are recognised in profit or loss. Equity instruments at FVOCI are not subject to impairment assessment.

(viii) Financial assets at FVTPL

Groups of financial assets for which the business model is other than held to collect and held to collect and sell are measured at FVTPL from the date of initial application of IFRS 9.

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

g) Financial assets and financial liabilities*....continued*

Policy applicable from 1 April 2018*....continued*

(ix) Impairment of financial assets

The adoption of IFRS 9 has fundamentally changed the Bank's accounting for impairment losses on financial assets by replacing IAS 39's incurred loss approach with the forward-looking three-stage expected credit loss (ECL) approach. IFRS 9 requires the Bank to record ECLs on all financial assets measured at amortised cost or FVOCI.

Effective 1 April 2018, the Bank conducted ECL assessment for the following categories of financial assets:

- Financial assets measured at amortised cost; and
- Financial assets measured at FVOCI.

Equity investment securities are not subject to impairment testing under IFRS 9.

The Bank measures loss allowances at an amount equal to 12-month ECL on the following:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition.

The Bank considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

Expected credit loss impairment model

IFRS 9 introduces a three-stage approach to impairment of financial assets. The ECL allowance is based on credit losses expected to arise over the life of the asset (the lifetime expected credit loss), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss.

The Bank's policies for determining if there has been a significant increase in credit risk are set out in Note 3. The 12-month ECL is the portion of lifetime ECL that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both lifetime and 12-month expected credit losses are calculated on either an individual basis or a collective basis, depending on the size and nature of the underlying portfolio of financial instruments.

The Bank has established a policy to perform an assessment of whether a financial instrument's credit risk has increased significantly since initial recognition, at the end of each reporting period. This is undertaken by considering the change in the risk of default occurring over the remaining life of the financial instrument.

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

g) Financial assets and financial liabilities*....continued*

Policy applicable from 1 April 2018*....continued*

(ix) Impairment of financial assets*....continued*

Expected credit loss impairment model*....continued*

Based on the above process, the Bank classifies its financial assets into Stage 1, Stage 2 and Stage 3, as described below:

Stage 1: 12 months ECL
The Bank assesses ECLs on financial assets where there has not been a significant increase in credit risk since initial recognition and that were not credit impaired upon origination. When financial assets are first recognised and continue to perform in accordance with the contractual terms and conditions at initial recognition, the Bank recognises a loss allowance based on 12 months ECLs. This represents the portion of lifetime expected credit losses from default events that are expected within 12 months of the reporting date.

Stage 2: Lifetime ECL – not credit impaired
The Bank collectively assesses ECLs on exposures where there has been a significant increase in credit risk since initial recognition but are not credit impaired. For these exposures, the Bank recognises as a collective provision a lifetime ECL (i.e. reflecting the remaining lifetime of the financial asset).

Stage 3: Lifetime ECL – credit impaired
The Bank identifies, both collectively and individually, ECLs on those exposures that are assessed as credit impaired based on whether one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. For exposures that have become credit impaired, a lifetime ECL is recognised and interest revenue is calculated by applying the effective interest rate to the amortised cost (net of provision) rather than the gross carrying amount. If the asset is no longer credit impaired, then the calculation of the interest income reverts to the gross basis.

Financial instruments within the scope of the impairment requirements of IFRS 9 are classified into one of the above three stages. Unless purchased or originated credit impaired, newly originated assets are classified as Stage 1 and remain in that stage unless there is considered to have been a significant increase in credit risk since initial recognition, at which point the asset is reclassified to Stage 2.

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

g) Financial assets and financial liabilities*....continued*

Policy applicable from 1 April 2018*....continued*

(ix) Impairment of financial assets*....continued*

Measurement of expected credit losses (ECL)

The Bank derives ECLs from probability-weighted estimates of expected loss, and are measured as follows:

- Financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls over the expected life of the financial asset discounted by the effective interest rate. The cash shortfall is the difference between the cash flows due to the Bank in accordance with the contract and the cash flows that the Bank expects to receive.

- Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows discounted by the effective interest rate.

The mechanics of the ECL calculations are outlined below and the key elements are as follows:

PD – The Probability of Default (PD) is an estimate of the likelihood of default over a given period of time. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio. The concept of PDs is further explained in Note 3.

EAD – The Exposure at Default (EAD) is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

LGD – The Loss Given Default (LGD) is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

When estimating the ECLs, the Bank considers among other factors the risk rating category and aging of the financial asset. Each of these is associated with different PDs, EADs and LGDs.

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

g) Financial assets and financial liabilities*....continued*

Policy applicable from 1 April 2018*....continued*

(ix) Impairment of financial assets*....continued*

Measurement of expected credit losses (ECL) *....continued*

The mechanics of the ECL method are summarised below:

Stage 1
The 12 months ECL is calculated as the portion of the lifetime expected credit losses that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Bank calculates the 12 months ECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD.

Stage 2
When a financial asset has shown a significant increase in credit risk since origination, the Bank records an allowance for the lifetime expected credit losses. The mechanics are similar to those explained above, but PDs and LGDs are estimated over the lifetime of the instrument. The LGDs are derived as explained under Stage 3 for loans and using Global Credit Loss tables for traded investments and modified with management overlays when not traded.

Stage 3
For financial assets considered credit-impaired, the Bank recognises the lifetime expected credit losses for these financial assets. The method is similar to that for Stage 2 assets, with the PD set at 100%. In most instances, LGDs are determined on an individual loan/advance or investment basis, including discounting the expected cash flows at the original EIR. Stage 3 LGDs are grouped by similar types to provide percentage averages to be applied for Stage 1 and Stage 2 loans.

In limited circumstances within the Bank, where portfolios were small and the products homogenous with minimal history of defaults, a simplified ECL approach was applied and staged based on the sovereign proxy rating.

Financial instruments within the scope of the impairment requirements of IFRS 9 are classified into one of the above three stages. Unless purchased or originated credit impaired, newly originated assets are classified as Stage 1 and remain in that stage unless there is considered to have been a significant increase in credit risk since initial recognition, at which point the asset is reclassified to Stage 2.

Purchased or originated credit-impaired (POCI) assets are Financial Instruments that are credit-impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit adjusted effective interest rate. Expected credit losses are recognised to the extent that there is a subsequent change where ECLs are calculated based on lifetime expected credit loss. Once the Financial Asset is recognised as POCI, it retains this status until derecognised.

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

g) Financial assets and financial liabilities*....continued*

Policy applicable from 1 April 2018*....continued*

(ix) Impairment of financial assets*....continued*

Measurement of expected credit losses (ECL) *....continued*

Macroeconomic factors

The Standard also requires incorporation of macroeconomic factors in models for ECLs. In its models, the Bank utilises an automated solution which incorporates an assessment of a broad range of forward-looking economic information as possible inputs, such as: GDP growth, unemployment rates and interest rates. The results of the assessment however failed to reveal meaningful relationships between the Bank's historical loss and the economic inputs and as such economic inputs were not utilised in the models used for calculating ECLs.

The Standard recognises that the inputs and models used for calculating expected credit losses may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays may be made as temporary adjustments using expert credit judgment. The Bank therefore in an effort to make adjustments for management overlays, adjusted the stage two loans for the likelihood of migration to stage three and the severity or the extent of the provisions required when these loans migrate to stage three.

Incorporation of forward looking information

IFRS 9 requires the incorporation of forward looking information in the estimation of expected credit losses for each stage and the assessment of significant increases in credit risk. It considers information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information requires significant judgement.

Definition of default

The Bank considers a financial asset to be in default as a result of one or more loss events that occurred after the date of initial recognition of the instrument and the loss event has a negative impact on the estimated future cash flows of the instrument that can be reliably estimated. This includes events that indicate:

- significant financial difficulty of the borrower or issuer;
- default or delinquency in interest or principal payments;
- high probability of the borrower entering a phase of bankruptcy or a financial reorganization;
- measurable decrease in the estimated future cash flows from the loan or the underlying assets that secure the loan;
- The restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise.

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

g) Financial assets and financial liabilities*....continued*

Policy applicable from 1 April 2018*....continued*

(ix) Impairment of financial assets*....continued*

Measurement of expected credit losses (ECL) *....continued*

Definition of default*....continued*

A counterparty is classified as defaulted at the latest when payments of interest, principal or fees are overdue for more than 90 days or when bankruptcy, fraud, insolvency proceedings or enforced liquidation have commenced or there is other evidence that payment obligations will not be fully met. The determination of whether a financial asset is credit-impaired focuses on default risk, without taking into consideration the effects of credit risk mitigations such as collateral or guarantees.

A financial asset is classified as credit-impaired if the counterparty has defaulted and/or the instrument is purchased or originated credit-impaired.

The Bank considers that default has occurred and classifies the financial asset as credit impaired when it is more than 90 days past due.

Credit-impaired financial assets

At each reporting date, the Bank assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit-impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Significant increase in credit risk

A significant increase in credit risk is defined as a significant increase in the probability of a default occurring since initial recognition. When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Bank considers both quantitative and qualitative information and analysis based on historical experience and credit risk assessment. As a backstop, the Bank considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due.

IFRS 9 also requires that (other than for purchased or originated credit impaired financial instruments) if a significant increase in credit risk that had taken place since initial recognition, has reversed by a subsequent reporting period then the loss allowance reverts from lifetime ECL to 12-month.

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

g) Financial assets and financial liabilities*....continued*

Policy applicable from 1 April 2018*....continued*

(ix) Impairment of financial assets*....continued*

Measurement of expected credit losses (ECL) *....continued*

Write-offs

The write-off of a financial asset is a derecognition event. Loans and the related impairment losses are written off, either partially or in full, when there is no realistic prospect of recovery. Where loans are secured, they are generally written off after receipt of any proceeds from the realization of collateral. In circumstances where the net realizable value of any collateral has been determined and there is no reasonable expectation of further recovery, write-off may be earlier.

A counterparty is classified as defaulted at the latest when payments of interest, principal or fees are overdue for more than 90 days or when bankruptcy, fraud, insolvency proceedings or enforced liquidation have commenced or there is other evidence that payment obligations will not be fully met. The determination of whether a Financial Instrument is credit-impaired focuses on default risk, without taking into consideration the effects of credit risk mitigations such as collateral or guarantees. An instrument is classified as credit-impaired if the counterparty is defaulted and/or the instrument is POCI.

Presentation of allowance for ECL

Loss allowances for ECL are presented in the statement of financial position as follows:

- Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- Debt instruments measured at fair value through OCI - the ECLs are not recognised in the statement of financial position because the carrying amounts of these assets remain their fair values. However, the loss allowance is disclosed and is recognised in the fair value reserve in equity with a corresponding charge to the statement of profit or loss. The accumulated loss recognised in OCI is recycled to profit or loss upon derecognition of the financial assets.

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

g) Financial assets and financial liabilities*....continued*

Accounting policies applied to financial assets and liabilities prior to 1 April 2018

Financial assets

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

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

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

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

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

(ii) Loans and receivables

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

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

2. Summary of significant accounting policies*c*

g) Financial assets and financial liabilities*....continued*

Accounting policies applied to financial assets and liabilities prior to 1 April 2018*...continued*

Financial assets*...continued*

(iii) Available-for-sale financial assets

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

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

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

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

(iv) Recognition

All purchases and sales of investment securities are recognised at settlement date (date when the trade is recognised/recorded in the system), which is the date that the asset is delivered to or by the Bank.

(v) Derecognition

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

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

g) Financial assets and financial liabilities*...continued*

Accounting policies applied to financial assets and liabilities prior to 1 April 2018*...continued*

Financial liabilities

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

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

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

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

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

(ii) Other liabilities measured at amortised cost

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

(iii) Derecognition

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

Determination of fair value of financial assets and liabilities

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

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

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

g) Financial assets and financial liabilities*...continued*

Accounting policies applied to financial assets and liabilities prior to 1 April 2018*...continued*

Determination of fair value of financial assets and liabilities*…continued*

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

Classes of financial instruments

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

Financial assets are grouped as follows:

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

Financial liabilities are grouped as follows:

(1) Financial liabilities at fair value through profit or loss, being financial liabilities held for trading - derivatives (non-hedging).
(2) Financial liabilities at amortised cost being deposit balances from member banks, participating governments and other liabilities and payables.

Impairment of financial assets

(a) Assets carried at amortised cost

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

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

g) Financial assets and financial liabilities*...continued*

Accounting policies applied to financial assets and liabilities prior to 1 April 2018*...continued*

Impairment of financial assets*....continued*

(a) Assets carried at amortised cost….continued

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

i. significant financial difficulty of the issuer or obligor;

ii. a breach of contract, such as a default or delinquency in interest or principal payments;

iii. the Bank granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;

iv. it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

v. the disappearance of an active market for that financial asset because of financial difficulties; or

vi. observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:

- adverse changes in the payment status of borrowers in the group; or
- national or local economic conditions that correlate with defaults on the assets in the group.

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

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

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

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

g) Financial assets and financial liabilities*...continued*

Accounting policies applied to financial assets and liabilities prior to 1 April 2018*...continued*

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 or other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

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

Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist. Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the Bank and their magnitude).

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

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

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

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

g) Financial assets and financial liabilities*...continued*

Accounting policies applied to financial assets and liabilities prior to 1 April 2018*...continued*

Impairment of financial assets*...continued*

(b) Assets classified as available-for-sale

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

h) Offsetting financial instruments

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

i) Derivative financial instruments

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

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

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

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

j) 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.

k) Property and equipment and depreciation

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

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

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

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

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

Buildings	2.63% to 14.29%
Equipment	6.67% to 20%
Furniture and office equipment	10% to 20%
Motor vehicles	14.29% to 20%
Land improvements	10%
Building improvements	10%
Computer systems	20% to 33.33%

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

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

k) Property and equipment and depreciation*....continued*

Property 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 and equipment were impaired as at 31 March 2019 (2018: Nil).

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

l) Intangible assets

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

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

m) Impairment of non-financial assets

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

n) 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.

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

n) Provisions*....continued*

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.

o) Other liabilities and payables

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

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

p) Revenue recognition

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

Interest income and expense

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

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

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

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

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

p) Revenue recognition*....continued*

Interest income and expense*....continued*

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.

Other income

Licence fees due under the Banking Act, are fixed and non-cancellable and are recorded in profit or loss when due. Income from banking licence fees are reported in the statement of profit or loss in the 'other income' grouping.

q) Leases

The leases entered into by the Bank are primarily operating leases. The total payments made under operating leases are charged to the statement of profit or loss 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.

(i) Operating leases

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

(ii) Finance leases

Leases of property 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.

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

q) Leases*....continued*

(ii) Finance leases*....continued*

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

r) Employee benefits

Staff pension plan

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

An asset or liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets. An approximate value of the defined benefit obligation is calculated every year by independent actuaries using the projected unit credit method based on detailed calculations carried out for the most recent triennial funding valuation.

Under this method, the cost of providing pensions is charged to the statement of profit or loss 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 recognised immediately in other comprehensive income. Past-service costs are recognised immediately in the statement of profit or loss.

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

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

r) Employee benefits*...continued*

Prepaid employee short term benefit

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

s) General reserve

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

For the year ended 31 March 2019 an amount of $30,996,106 was allocated to General Reserves. In 2018, an amount of $9,350,133 was transferred to General Reserves. At 31 March 2019, the general reserve ratio stood at 3.20% (2018: 2.47%), which is 1.80% (2018: 2.53%) below the 5% target.

t) Foreign reserve assets

Under Article 24 (2) of the Eastern Caribbean Central Bank Agreement Act 1983, the Bank is required to maintain a reserve of external assets not less than 60% of its notes and coins in circulation, and other demand liabilities. The percentage of foreign reserve assets to demand liabilities at 31 March 2019 was 99.54% (2018: 97.34%).

u) Commemorative coins

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

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

v) Taxation

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

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

3. Financial risk management

a) Introduction and overview

Risk is inherent in the Bank's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. 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. In executing its duties as a central bank, there are significant inherent risks which the Bank faces, both at the macro and micro levels of its operations. These risks arise primarily through the Bank's execution of its reserve management function, the provision of banking services to governments and commercial banks and from the broad areas of monetary policy, financial sector stability, management of the payment system and the daily operational tasks undertaken to support these functions.

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.

3. Financial risk management*...continued*

b) Risk Management Structure

Board Audit and Risk Committee

The Board Audit and Risk Committee (BARC) assists the Board in relation to the oversight of risk and the Bank's financial and reporting processes. The BARC reviews the Bank's risk appetite in line with strategy, identifies and monitors risk exposure and the risk management infrastructure, oversees the implementation of strategy to address risk, and assesses the strength and effectiveness of the risk management and internal control framework. Additionally, the BARC monitors the integrity of the financial statements and is responsible for governance around both the Internal Audit and Enterprise Risk Management functions and reports back to the Board. The BARC reviews the effectiveness of the policies, procedures and systems in place related to, among others, operational risks, compliance, Information Technology (IT) and internal security (including cyber-security).

Executive Management

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 Board approves the written policies for overall risk management as well as specific policies relating to the reserve management function. Additionally, the provision of banking services is governed by policy decisions of the Board of Directors.

Office of Risk Management

The Chief Risk Officer (CRO) has responsibility for designing and implementing an Enterprise Risk Management Framework to enhance the Bank's risk management function. The CRO reports on risk matters to the Executive Committee and the Board Audit and Risk Committee. In addition, the CRO is responsible for the independent review of risk management and the controls environment, the results of which are reported to the Board Audit and Risk Committee.

Internal Audit Department

The Internal Audit department is responsible for providing assurance that the Bank's risk management, internal control and corporate governance processes are adequately designed and operating effectively. The Internal Audit department discusses the results of all assessments with executive management, and reports its findings and recommendations to the Board Audit and Risk Committee. The Internal Audit Department also monitors the departments' implementation of audit recommendations and reports progress to the Executive Committee and the BARC.

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

3. Financial risk management*...continued*

c) Credit risk

The Bank takes on exposure to credit risk, which is the risk that a customer, client or market counterparty will fail to fulfil their contractual obligations resulting in a financial loss to the Bank. 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.

The Bank manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical, industry, product and currency concentrations, and by monitoring exposures in relation to such limits. Credit risk is important to the Bank's business; management therefore carefully manages its exposure to credit risk.

There were no material changes in credit risk management practice at the Bank as a consequence of the application of IFRS 9.

(i) Impairment of financial assets

The Bank has three types of financial assets that are subject to the expected credit loss model:

- Debt investments carried at FVOCI;
- Debt investments carried at amortised cost;
- Accounts receivable.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Debt investment securities at FVOCI

All of the Bank's debt investments at FVOCI are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months expected credit losses. Foreign investment securities measured at fair value through other comprehensive income (FVOCI) include listed securities.

Management considers 'low credit risk' for listed securities to be an investment grade credit rating with at least one major rating agency.

Debt investment securities at Amortised Cost

Other debt instruments (including unlisted participating government securities) are considered to be low credit risk as they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

3. Financial risk management*...continued*

c) Credit risk*....continued*

(i) Impairment of financial assets*....continued*

Accounts receivables

The Bank applies the IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for all trade receivables and contract assets. Receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Bank, and a failure to make contractual payments for a period of greater than 120 days past due. Impairment losses on receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Impairment assessment

Financial asset provisions are reviewed quarterly in accordance with internal guidelines and recommended provisions arising out of the assessment are recorded. Non-performing debts recommended for write-off are also reviewed annually and action taken in accordance with prescribed guidelines.

Default and recovery

The Bank considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in cases when the borrower becomes 90 days past due on its contractual payments. As a part of a qualitative assessment of whether a counterparty is in default, the Bank also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Bank considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate.

It is the Bank's policy to consider a financial instrument as 'recovered' and therefore re-classified out of Stage 3 when none of the default criteria (as set out in Note 2(g) above) have been present. The decision whether to reclassify an asset as Stage 2 or Stage 1 once recovered depends on the updated rating or credit grade at the time of recovery.

Investment securities

PDs and LGDs for traded instruments were based on the global credit ratings assigned to the instruments or the country for sovereign exposures. PDs and LGDs for non-traded instruments were based on one notch below the credit rating of the sovereign in which the instrument is issued or on proxy ratings where they existed. Management applied judgemental overlays on local debt instruments. EAD equals the amortised security balance plus accrued interest.

3. Financial risk management*...continued*

c) Credit risk*....continued*

(i) Impairment of financial assets*....continued*

Cash and cash equivalents

Balances with other central banks, balances with foreign banks, cash and balances with local banks and term deposits are short term funds and the Bank therefore considers the risk of default to be very low. These facilities are highly liquid and without restriction and based on management's review of the underlying instruments the ECL on these instruments were determined to be zero.

Significant increase in credit risk

The Bank continuously monitors foreign and domestic financial assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12-month ECL or lifetime ECL, the Bank assesses whether there has been a significant increase in credit risk since initial recognition. The Bank applies credit rating scale to determine whether there has been a significant increase in credit risk. Credit risk is deemed to have increased significantly if the credit rating on foreign investment securities moved from investment grade to standard grade as set out in Note 3(c) (ii).

When estimating ECLs on a collective basis for a group of similar assets, the Bank applies the same principles for assessing whether there has been a significant increase in credit risk since initial recognition.

3. Financial risk management*...continued*

c) Credit risk*....continued*

(ii) Credit quality of financial assets

The credit quality of financial assets is managed by the Bank through external credit ratings used in ECL calculations. The table below shows internal and external grades used in ECL calculating.

Rating Levels	Moody's Rating	Description of grade
1	Aaa	Investment grade
2	Aa1	
3	Aa2	
4	Aa3	
5	A1	
6	A2	
7	A3	
8	Baa1	Standard grade
9	Baa2	
10	Baa3	
11	Ba1	
12	Ba2	
13	Ba3	
14	B1	
15	B2	
16	B3	
17	B	
18	Caa1	Low grade
19	Caa2	
20	Caa3	
21	Ca	
22	C	Default

3. Financial risk management*...continued*

c) Credit risk*...continued*

Credit risk measurement and mitigation policies

Investment securities and money market instruments and money at call

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

The investment policy and guidelines 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 recognised rating agency for its international investments. The Bank further manages this risk by ensuring that business is only conducted with its approved banks and by monitoring those banks' deposit ratings via rating agencies. The global custodian is also monitored daily and periodically reviewed.

The table below presents an analysis of the Bank's foreign debt securities (note 9) and money market instruments and money at call (note 6) by rating agency designation at 31 March 2019 and 31 March 2018, based on Moody's or equivalent:

Foreign securities

Rated (Moody's) **Foreign debt securities**	**2019** **$**	**2018** **$**
Aaa	**2,395,812,133**	2,707,929,718
Aa1	**131,401,688**	137,364,748
Aa2	**177,995,735**	217,818,408
Aa3	**67,260,725**	81,829,901
	2,772,470,281	3,144,942,775

Unrated	**2019** **$**	**2018** **$**
Domestic equity securities	**624,186**	624,186
	624,186	624,186

3. Financial risk management*...continued*

c) Credit risk*...continued*

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

Investment securities and money market instruments and money at call…continued

Money market instruments and money at call

Rated (Moody's) **Commercial paper, certificate of deposits and term deposits**	**2019** **$**	**2018** **$**
Aa1	**157,570,445**	112,185,069
Aa2	**311,802,797**	352,981,269
Aa3	**364,313,178**	576,820,154
A1	**211,961,263**	293,096,936
	1,045,647,683	1,335,083,428

Unrated	**2019** **$**	**2018** **$**
Money at call	**889,980,077**	168,020,340
Term deposits	**3,339,782**	3,339,782
	893,319,859	171,360,122

Participating governments advances

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

Due from local banks

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

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

c) **Credit risk***...continued*

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

Credit risk exposure relating to the financial assets in the statement of financial position:

As at 31 March

Assets	**2019 $**	**2018 $**
Foreign assets		
Balances with other central banks	**14,237,270**	6,223,088
Balances with foreign banks	**52,946**	64,548
Money market instruments and money at call	**1,942,645,394**	1,508,844,830
Financial assets at fair value through profit or loss	**95,713**	656,871
Foreign investment securities	**2,785,672,676**	3,157,667,399
	4,742,703,999	4,673,456,736
Domestic assets		
Cash and balances with local banks	**2,691,622**	3,221,502
Term deposits	**6,539,012**	7,748,428
Participating governments' securities	**60,168,839**	83,189,928
Participating governments' advances	**43,596,201**	43,330,371
Accounts receivable	**7,210,395**	12,848,670
Domestic investment securities	**624,186**	624,186
	120,830,255	150,963,085
Total on-balance sheet credit risk	**4,863,534,254**	4,824,419,821

3. Financial risk management*...continued*

c) Credit risk*...continued*

Credit risk exposure relating to financial assets off the statement of financial position:

	2019 $	2018 $
Eastern Caribbean Securities Exchange Limited undertaking and guarantee	**2,000,000**	4,874,845
	2,000,000	4,874,845
Total credit exposure	**4,865,534,254**	4,829,294,666

The above table represents a worst case scenario of credit risk exposure as at 31 March 2019 and 2018 without taking account of any collateral held or other credit enhancements attached.

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

As depicted in the table above, 57.3% (2018 – 65.4%) of the total maximum exposure is derived from foreign investment securities and 39.9% (2018 – 31.2%) represents money market instruments and money at call.

3. Financial risk management...*continued*

c) 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 31 March 2019. In this table, the Bank has allocated exposure to regions based on the country of domicile of the counterparties.

Geographical concentration of financial assets

	Eastern Caribbean Currency Union $	United States of America and Canada $	Europe and other territories $	Regional states $	Total $
As of 31 March 2019					
Balances with other central banks	-	795,723	403,035	13,038,512	14,237,270
Balances with foreign banks	-	52,946	-	-	52,946
Money market instruments and money at call	-	1,183,825,992	758,819,402	-	1,942,645,394
Financial assets at fair value through profit or loss	-	11,225	84,488	-	95,713
Foreign investment securities	-	1,725,635,246	1,060,037,430	-	2,785,672,676
Balances with local banks	2,691,622	-	-	-	2,691,622
Term deposits – domestic	6,539,012	-	-	-	6,539,012
Participating governments' securities	60,168,839	-	-	-	60,168,839
Participating governments' advances	43,596,201	-	-	-	43,596,201
Accounts receivable	7,210,395	-	-	-	7,210,395
Domestic investment securities	-	-	-	624,186	624,186
	120,206,069	**2,910,321,132**	**1,819,344,355**	**13,662,698**	**4,863,534,254**

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

c) **Credit risk**...*continued*

Geographical concentration of financial assets...*continued*

As of 31 March 2018	Eastern Caribbean Currency Union $	United States of America and Canada $	Europe and other territories $	Regional states $	Total $
Balances with other central banks	-	902,597	227,742	5,092,749	6,223,088
Balances with foreign banks	-	64,548	-	-	64,548
Money market instruments and money at call	-	836,194,830	672,650,000	-	1,508,844,830
Financial assets held for trading	-	-	656,871	-	656,871
Available-for-sale - foreign investment securities	-	1,954,382,259	1,203,285,140	-	3,157,667,399
Balances with local banks	3,221,502	-	-	-	3,221,502
Term deposits – domestic	7,748,428	-	-	-	7,748,428
Loans and receivables - participating governments' securities	83,189,928	-	-	-	83,189,928
Loans and receivables - participating governments' advances	43,330,371	-	-	-	43,330,371
Accounts receivable	12,848,670	-	-	-	12,848,670
Available-for-sale - domestic investment securities	-	-	-	624,186	624,186
	150,338,899	2,791,544,234	1,876,819,753	5,716,935	4,824,419,821

3. Financial risk management*...continued*

d) Market risk

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

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

i) Interest rate risk

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

	2019 %	**2018 %**
Foreign Assets		
Money market instruments and money at call	**2.24**	1.29
Foreign investment securities	**1.86**	1.54
Domestic Assets		
Balances with local banks	**0.00**	0.00
Due from local banks	**6.50**	6.50
Term deposits	**2.50**	2.50
Participating governments' securities	**4.54**	4.54
Participating governments' advances	**6.50**	6.50
Liabilities		
Term deposits, call accounts and government operating accounts	**1.89**	0.98
Demand and deposit liabilities - foreign	**1.93**	1.05

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

d) Market risk...*continued*

i) Interest rate risk…continued

As the Bank's investments in foreign securities are locked in at fixed interest rates, the exposure to cash flow and fair value interest rate risk is limited to investments in money market instruments and money at call for which rates vary with market movements. As at 31 March 2019, if interest rates were to move by 25 basis points, profit for the year would have been $4.86M (2018: $3.77M) lower or higher.

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

As of 31 March 2019	Up to 1 month $	1 to 3 months $	3 months to 1 year $	1 to 5 years $	Over 5 years $	Non-Interest bearing $	Total $
Financial assets							
Balances with other central banks	-	-	-	-	-	14,237,270	14,237,270
Balances with foreign banks	-	-	-	-	-	52,946	52,946
Money market instruments and money at call	1,448,725,411	105,890,702	388,029,281	-	-	-	1,942,645,394
Financial assets at fair value through profit or loss	91,502	4,211	-	-	-	-	95,713
Foreign investment securities	35,420,445	82,183,086	486,816,833	1,764,478,803	416,695,304	78,205	2,785,672,676
Balances with local banks	2,691,622	-	-	-	-	-	2,691,622
Term deposits - domestic	351,854	568,494	5,618,664	-	-	-	6,539,012
Participating governments' securities	-	-	6,762,905	31,639,124	21,766,810	-	60,168,839
Participating governments' advances	15,102,644	-	28,493,557	-	-	-	43,596,201
Accounts receivable	16,186	32,715	132,224	218,037	23,052	6,788,181	7,210,395
Domestic investment securities	-	-	-	-	-	624,186	624,186
	1,502,399,664	**188,679,208**	**915,853,464**	**1,796,335,964**	**438,485,166**	**21,780,788**	**4,863,534,254**

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

d)Market risk...*continued*

i) Interest rate risk...continued

As of 31 March 2019	Up to 1 month $	1 to 3 months $	3months to 1 year $	1 to 5 years $	Over 5 years $	Non-Interest bearing $	Total $
Financial liabilities							
Demand and deposit liabilities - domestic	243,343,044	-	-	-	-	4,585,557,832	4,828,900,876
Demand and deposit liabilities - foreign	-	-	-	-	-	40,689,413	40,689,413
Financial liabilities at FVTPL	-	-	-	-	-	33,769	33,769
IMF Government general resource accounts	-	-	-	-	-	1,198,864	1,198,864
	243,343,044	**-**	-	-	-	**4,627,479,878**	**4,870,822,922**
Total interest repricing gap, 31 March 2019	**1,259,056,620**	**188,679,208**	**915,853,464**	**1,796,335,964**	**438,485,166**	**(4,605,699,090)**	**(7,288,668)**

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

d) **Market risk**...*continued*

i) *Interest rate risk...continued*

As of 31 March 2018	Up to 1 month $	1 to 3 months $	3 months to 1 year $	1 to 5 years $	Over 5 years $	Non-Interest bearing $	Total $
Financial assets							
Balances with other central banks	-	-	-	-	-	6,223,088	6,223,088
Balances with foreign banks	-	-	-	-	-	64,548	64,548
Money market instruments and money at call	748,046,508	346,606,717	414,191,605	-	-	-	1,508,844,830
Financial assets held for trading	656,871	-	-	-	-	-	656,871
Available-for-sale - foreign investment securities	40,752,540	267,561,670	345,458,136	1,992,315,309	511,579,744	-	3,157,667,399
Balances with local banks	3,221,502	-	-	-	-	-	3,221,502
Term deposits - domestic	816,878	1,541,490	5,390,060	-	-	-	7,748,428
Loans and receivables - participating governments' securities	5,280,307	10,799,938	8,003,172	30,569,192	28,537,319	-	83,189,928
Loans and receivables - participating governments' advances	22,493,593	-	20,836,778	-	-	-	43,330,371
Accounts receivable	15,391	31,124	140,057	278,409	30,111	12,353,578	12,848,670
Available-for-sale - domestic investment securities	-	-	-	-	-	624,186	624,186
	821,283,590	**626,540,939**	**794,019,808**	**2,023,162,910**	**540,147,174**	**19,265,400**	**4,824,419,821**

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

d) **Market risk**...*continued*

i) Interest rate risk...continued

As of 31 March 2018	Up to 1 month $	1 to 3 months $	3months to 1 year $	1 to 5 years $	Over 5 years $	Non-Interest bearing $	Total $
Financial liabilities							
Demand and deposit liabilities - domestic	154,889,244	-	-	-	-	4,706,410,006	4,861,299,250
Demand and deposit liabilities - foreign	-	-	-	-	-	10,425,453	10,425,453
Financial liabilities held for trading	-	-	-	-	-	219,130	219,130
IMF Government general resource accounts	-	-	-	-	-	1,162,925	1,162,925
	154,889,244	**-**	**-**	**-**	**-**	**4,718,217,514**	**4,873,106,758**
Total interest repricing gap, 31 March 2018	**666,394,346**	**626,540,939**	**794,019,808**	**2,023,162,910**	**540,147,174**	**(4,698,952,114)**	**(48,686,937)**

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.

Foreign investment securities

The Bank's investment guidelines require that all non-US dollar securities be hedged back to the US dollar. As of 31 March 2019, the non-US securities in the foreign securities portfolio was nil. As of 31 March 2018, the foreign securities portfolio included Euro securities of $84.3M. The investment managers have entered into forward contracts to sell the non-USD positions forward on a periodic rolling basis. All gains and losses arising from currency revaluation of these assets and the forward contracts are reported in the statement of profit or loss as they occur.

Regional and foreign currencies

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

The Bank's exposure to foreign exchange risk is limited to the minimum balances held on non-USD demand accounts and investment in non-USD foreign securities. As at 31 March 2019, if exchange rates were to move by 5 per cent, profit for the year would have been $0.02M (2018: $0.02M) lower or higher and the net statement of financial position balance would have been nil (2018: $4.2M) 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 of 31 March 2019:

	Eastern Caribbean Dollar $	United States Dollar $	British Pound $	Euro $	Other $	Total $
Financial assets						
Balances with other central banks	-	13,733,746	403,034	-	100,490	14,237,270
Balances with foreign banks	-	52,946	-	-	-	52,946
Money market instruments and money at call	-	1,942,644,911	-	-	483	1,942,645,394
Financial assets at fair value through profit or loss	-	-	27,633	56,855	11,225	95,713
Foreign investment securities	-	2,785,672,676	-	-	-	2,785,672,676
Balances with local banks	2,691,622	-	-	-	-	2,691,622
Term deposits – domestic	6,539,012	-	-	-	-	6,539,012
Participating governments' securities	60,168,839	-	-	-	-	60,168,839
Participating governments' advances	43,596,201	-	-	-	-	43,596,201
Accounts receivable	7,210,395	-	-	-	-	7,210,395
Domestic investment securities	624,186	-	-	-	-	624,186
	120,830,255	**4,742,104,279**	**430,667**	**56,855**	**112,198**	**4,863,534,254**
Financial liabilities						
Demand and deposit liabilities – domestic	4,828,900,876	-	-	-	-	4,828,900,876
Demand and deposit liabilities – foreign	40,669,102	20,311	-	-	-	40,689,413
IMF government general resource accounts	1,198,864	-	-	-	-	1,198,864
Financial liabilities at fair value through profit or loss	-	-	6,055	19,932	7,782	33,769
	4,870,768,842	**20,311**	**6,055**	**19,932**	**7,782**	**4,870,822,922**
Net assets (liabilities)	**(4,749,938,587)**	**4,742,083,968**	**424,612**	**36,923**	**104,416**	**(7,288,668)**

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 31 March 2018:

	Eastern Caribbean Dollar $	United States Dollar $	British Pound $	Euro $	Other $	Total $
Financial assets						
Balances with other central banks	-	5,890,906	227,742	-	104,440	6,223,088
Balances with foreign banks	-	64,548	-	-	-	64,548
Money market instruments and money at call	-	1,508,844,306	-	-	524	1,508,844,830
Financial assets held for trading	-	-	333	656,538	-	656,871
Available-for-sale – foreign investment securities	-	3,073,401,604	-	84,265,795	-	3,157,667,399
Balances with local banks	3,221,502	-	-	-	-	3,221,502
Term deposits – domestic	7,748,428	-	-	-	-	7,748,428
Loans and receivables – participating governments' securities	83,189,928	-	-	-	-	83,189,928
Loans and receivables – participating governments' advances	43,330,371	-	-	-	-	43,330,371
Accounts receivable	12,848,670	-	-	-	-	12,848,670
Available-for-sale – domestic investment securities	624,186	-	-	-	-	624,186
	150,963,085	**4,588,201,364**	**228,075**	**84,922,333**	**104,964**	**4,824,419,821**
Financial liabilities						
Demand and deposit liabilities – domestic	4,861,299,250	-	-	-	-	4,861,299,250
Demand and deposit liabilities – foreign	9,823,772	601,681	-	-	-	10,425,453
IMF government general resource accounts	1,162,925	-	-	-	-	1,162,925
Financial liabilities held for trading	-	45	54,664	146,784	17,637	219,130
	4,872,285,947	**601,726**	**54,664**	**146,784**	**17,637**	**4,873,106,758**
Net assets (liabilities)	**(4,721,322,862)**	**4,587,599,638**	**173,411**	**84,775,549**	**87,327**	**(48,686,937)**

3. Financial risk management...*continued*

f) Liquidity risk

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

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

- Daily monitoring of balances on the Bank's call accounts to ensure that adequate funds are available to meet current and future requirements.
- Projections of cash inflows and outflows based on historical trends.
- Laddering of money market instruments in the liquidity tranche to ensure that adequate funds are available to meet current liquidity needs.
- Assets held to manage liquidity risk include balances with other central banks, balances with foreign banks, money market instruments and money at call, financial assets at fair value through profit or loss, foreign investment securities, balances with local banks and due from local banks. At the reporting date, the Bank held $4,745,395,621 (2018: $4,676,678,238) of these instruments that are expected to readily generate cash inflows.

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

The table below analyses assets and liabilities of the Bank into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The resulting liquidity gap does not pose any significant risk to the Bank. Based on the nature of the financial liabilities which principally comprise of bankers current accounts (note 17) and is categorized in the up to 1-month grouping, payouts to commercial banks in the short term are unlikely as these commercial banks are required to maintain with the Bank a reserve equivalent to 6% of their total deposit liabilities.

3. Financial risk management...*continued*

f) Liquidity risk...*continued*

Maturities of liabilities and assets, 31 March 2019	Up to 1 month $	1 to 3 months $	3 months to 1 year $	1 to 5 years $	Over 5 years $	Total $
Financial Liabilities						
Demand and deposit liabilities – domestic	4,828,900,876	-	-	-	-	4,828,900,876
Demand and deposit liabilities – foreign	40,689,413	-	-	-	-	40,689,413
Financial liabilities at fair value through profit or loss	17,342	16,427	-	-	-	33,769
IMF government general resource accounts	1,198,864	-	-	-	-	1,198,864
	4,870,806,495	**16,427**	**-**	**-**	**-**	**4,870,822,922**
Financial Assets						
Balances with other central banks	14,237,270	-	-	-	-	14,237,270
Balances with foreign banks	52,946	-	-	-	-	52,946
Money market instruments and money at call	1,448,725,411	105,890,702	388,029,281	-	-	1,942,645,394
Financial assets at fair value through profit or loss	91,502	4,211	-	-	-	95,713
Foreign investment securities	35,420,445	82,183,086	486,895,038	1,764,478,803	416,695,304	2,785,672,676
Balances with local banks	2,691,622	-	-	-	-	2,691,622
Term deposits – domestic	351,854	568,494	5,618,664	-	-	6,539,012
Participating governments' securities	-	-	6,762,905	31,639,124	21,766,810	60,168,839
Participating governments' advances	15,102,644	-	28,493,557	-	-	43,596,201
Accounts receivable	5,301,812	32,715	132,224	264,396	1,479,248	7,210,395
Domestic investment securities	-	-	-	-	624,186	624,186
	1,521,975,506	**188,679,208**	**915,931,669**	**1,796,382,323**	**440,565,548**	**4,863,534,254**
Net liquidity gap, 31 March 2019	**(3,348,830,989)**	**188,662,781**	**915,931,669**	**1,796,382,323**	**440,565,548**	**(7,288,668)**

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

f) **Liquidity risk**...*continued*

Maturities of liabilities and assets, 31 March 2018	Up to 1 month $	1 to 3 months $	3 months to 1 year $	1 to 5 years $	Over 5 years $	Total $
Financial Liabilities						
Demand and deposit liabilities – domestic	4,861,299,250	-	-	-	-	4,861,299,250
Demand and deposit liabilities – foreign	10,425,453	-	-	-	-	10,425,453
Financial liabilities held for trading	219,130	-	-	-	-	219,130
IMF government general resource accounts	1,162,925	-	-	-	-	1,162,925
	4,873,106,758	**-**	**-**	**-**	**-**	**4,873,106,758**
Financial Assets						
Balances with other central banks	6,223,088	-	-	-	-	6,223,088
Balances with foreign banks	64,548	-	-	-	-	64,548
Money market instruments and money at call	748,046,508	346,606,717	414,191,605	-	-	1,508,844,830
Financial assets held for trading	656,871	-	-	-	-	656,871
Available-for-sale – foreign investment securities	40,752,540	267,561,670	345,458,136	1,992,315,309	511,579,744	3,157,667,399
Balances with local banks	3,221,502	-	-	-	-	3,221,502
Term deposits – domestic	816,878	1,541,490	5,390,060	-	-	7,748,428
Loans and receivables – participating governments' securities	5,280,307	10,799,938	8,003,172	30,569,192	28,537,319	83,189,928
Loans and receivables – participating governments' advances	22,493,593	-	20,836,778	-	-	43,330,371
Accounts receivable	7,991,192	31,125	140,057	278,409	4,407,887	12,848,670
Available-for-sale – domestic investment securities	-	-	-	-	624,186	624,186
	835,547,027	**626,540,940**	**794,019,808**	**2,023,162,910**	**545,149,136**	**4,824,419,821**
Net liquidity gap, 31 March 2018	**(4,037,559,731)**	**626,540,940**	**794,019,808**	**2,023,162,910**	**545,149,136**	**(48,686,937)**

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 31 March 2019

Derivatives held for trading (forward contracts)

	0-3 months	**3-6 months**	**Total**
Foreign exchange derivatives			
- Outflow	(5,711,262)	-	(5,711,262)
- Inflow	15,871,379	-	15,871,379

At 31 March 2018

Derivatives held for trading (forward contracts)

	0-3 months	**3-6 months**	**Total**
Foreign exchange derivatives			
- Outflow	(53,997,190)	-	(53,997,190)
- Inflow	45,277,428	-	45,277,428

3. Financial risk management*...continued*

g) Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). The fair value of a liability must take account of non-performance risk, including the entity's own credit risk.

Determination of Fair Value

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

- Short-term financial assets and liabilities: The carrying value of these financial assets and liabilities is a reasonable estimate of their fair value because of the short maturity of these instruments. Short-term financial assets are comprised of regional and foreign currencies, balances with other central banks, balances with foreign banks, money market instruments and money at call, treasury bills, balances with local banks, due from participating governments, interest receivable, and accounts receivable. Short-term financial liabilities are comprised of demand and deposit liabilities – domestic and foreign, interest payable and certain other liabilities.

- Long-term loans and receivables: The estimated fair value of long-term loans and receivables is based on discounted cash flows using prevailing market interest rates for debts with similar credit risk and remaining terms to maturity. Some of the financial assets included in participating governments' securities and accounts receivable are long term.

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

g) **Fair value**....*continued*

(i) Financial instruments not measured at fair value

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

	Carrying value		Fair value	
	2019	2018	2019	2018
	$	$	$	$
Financial assets				
Balances with other central banks	**14,237,270**	6,223,088	**14,237,270**	6,223,088
Balances with foreign banks	**52,946**	64,548	**52,946**	64,548
Money market instruments and money at call	**893,319,859**	171,360,122	**893,319,859**	171,360,122
Balances with local banks	**2,691,622**	3,221,502	**2,691,622**	3,221,502
Term deposits – domestic	**6,539,012**	7,748,428	**6,539,012**	7,748,428
Participating governments' securities	**60,168,839**	83,189,928	**60,168,839**	83,189,928
Participating governments' advances	**43,596,201**	43,330,371	**43,596,201**	43,330,371
Accounts receivable	**7,210,395**	12,848,670	**7,210,395**	12,848,670
	1,027,816,144	327,986,657	**1,027,816,144**	327,986,657
Financial liabilities				
Demand and deposit liabilities – domestic	**4,828,900,876**	4,861,299,250	**4,828,900,876**	4,861,299,250
Demand and deposit liabilities – foreign	**40,689,413**	10,425,453	**40,689,413**	10,425,453
IMF government general resource accounts	**1,198,864**	1,162,925	**1,198,864**	1,162,925
	4,870,789,153	4,872,887,628	**4,870,789,153**	4,872,887,628
Off-balance sheet financial instruments				
Eastern Caribbean Securities Exchange Limited undertaking and guarantee	-	-	**2,000,000**	4,874,845

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 techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Bank's market assumptions. These two types of inputs have created the following fair value hierarchy:

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

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

The following table presents the Bank's financial assets and liabilities that are measured at fair value at 31 March 2019:

	Level 1 $	Level 2 $	Level 3 $
Financial assets			
Commercial paper	394,825,960	-	-
Certificate of deposits	252,787,723	-	-
Term deposits	398,034,000	-	3,398,107
Financial assets at fair value through profit or loss	-	95,713	-
Foreign investment securities	2,785,672,676	-	-
Domestic investment securities	-	-	624,186
	3,831,320,359	**95,713**	**4,022,293**

	Level 1 $	Level 2 $	Level 3 $
Financial liabilities			
Financial liabilities at fair value through profit or loss	-	33,769	-

3. Financial risk management*...continued*

g) Fair value*...continued*

Fair Value Hierarchy*...continued*

The following table presents the Bank's financial assets and liabilities that are measured at fair value at 31 March 2018:

	Level 1 $	Level 2 $	Level 3 $
Financial assets			
Commercial paper	544,740,740	-	-
Certificate of deposits	289,060,688	-	-
Term deposits	501,282,000	-	3,339,782
Financial assets held for trading	-	656,871	-
Available-for-sale – foreign investment securities	3,157,667,399	-	-
Available-for-sale – domestic investment securities	-	-	624,186
	4,492,750,827	656,871	3,963,968

	Level 1 $	Level 2 $	Level 3 $
Financial liabilities			
Financial liabilities held for trading	-	219,130	-

h) Capital risk management

The Bank's objectives when managing capital are:

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

The Bank manages capital through the maintenance of a general reserve according to prescribed guidelines as mandated in the ECCB Agreement Act 1983 (note 2t). As at 31 March 2019, the general reserve was $155,929,693 (2018: $$120,456,442).

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.

3. Financial risk management*...continued*

i) Operational risk*...continued*

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

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

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

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

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

3. Financial risk management*...continued*

j) Strategic Risk

The Bank has finalized its strategic plan which was launched in October 2017 to guide its operation over the period 2017-2021. This plan is hinged on four (4) basic pillars which reflect the purpose of the Bank, namely:

a. Financial sector stability and development;
b. Fiscal and debt sustainability;
c. Growth, competitiveness and employment; and
d. Organizational effectiveness.

It is recognised that effective delivery of the strategic initiatives as contained in the plan is heavily dependent on the supporting policies and operations which have attendant risks. These risks may be influenced by a wide range of internal and external factors, including an inappropriate use of resources or a fundamental change in the circumstances on which the assumptions were predicated. The Bank has therefore identified specific monitoring frameworks and reporting lines to minimize any negative impact of a perceived or actual failure to deliver on its strategic objectives.

4. Critical accounting estimates and judgements

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

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

Estimated pension obligation

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

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

4. Critical accounting estimates and judgements*....continued*

Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI requires the use of complex models and significant assumptions about future economic conditions and credit behaviour. Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is detailed in note 2.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- The Bank's criteria for determining if there has been a significant increase in credit risk to determine whether impairment allowances for financial assets should be measured on a lifetime expected losses basis;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking macroeconomic scenarios for each type of product or market and the associated ECL;
- Establishing groups of similar financial assets for the purposes of measuring ECL; and
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs.

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less cost of disposal is based on available data from binding sales transactions, conducted at arm's length for similar assets or observable market prices less incremental cost of disposing of the asset. The value in use calculation is based on a discounted cash flow (DCF) model. The recoverable amount is sensitive to the discount rate used for DCF model as well as the future cash inflows.

Fair value of financial instruments

For financial instruments, where recorded current market transactions or observable market data are not available at fair value using valuation techniques, fair value is determined using a valuation model that has been tested against prices or inputs to actual market transactions and using the Bank's best estimates of the most appropriate model assumptions.

Revaluation of land and buildings

The Bank measures its land and buildings at revalued amounts with changes in fair value being recognised in other comprehensive income. The Bank utilises independent valuation specialists to determine fair value of its land and buildings. The valuer uses judgment in the application of valuation techniques. Valuations are determined through the application of different valuation methods which are all sensitive to the underlying assumptions chosen.

5. Balances with other central banks and foreign banks

	2019 $	2018 $
Balances with other central banks		
Balances with Regional central banks	**13,038,512**	5,092,749
Balances with European central banks	**403,034**	227,742
Balances with North American central banks	**795,724**	902,597
Total balances with other central banks	**14,237,270**	6,223,088
Balances with foreign banks		
Current accounts denominated in United States dollars	**52,946**	64,548
Current	**14,290,216**	6,287,636

These balances are non-interest bearing.

6. Money market instruments and money at call

By currency	2019 $	2018 $
Balances denominated in United States dollars	**1,939,025,384**	1,506,443,026
Balances denominated in Australian dollars	**483**	524
	1,939,025,867	1,506,443,550
Interest receivable	**3,619,527**	2,401,280
Total money market instruments and money at call	**1,942,645,394**	1,508,844,830

By financial instrument type

Money market instruments maturing in less than ninety days:

	2019 $	2018 $
Money at call	**889,980,077**	168,020,340
Term deposits	**320,432,107**	504,621,782
Commercial paper	**105,036,350**	348,395,485
Certificate of deposits	**236,493,232**	72,640,445
Included in cash and cash equivalents (note 25)	**1,551,941,766**	1,093,678,052

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

Money market instruments maturing after ninety days:	2019 $	2018 $
Commercial paper	**289,789,611**	196,345,255
Term deposits	**81,000,000**	-
Certificate of deposits	**16,294,490**	216,420,243
	387,084,101	412,765,498
Interest receivable	**3,619,527**	2,401,280
Total money market instruments and money at call	**1,942,645,394**	1,508,844,830

Money market instruments include commercial paper purchased at discounts, term deposits and certificate of deposits with interest rates ranging from 0.00% to 2.80% (2018: 0.00% to 2.27%).

Money at call includes cash balances available to the Bank's money managers and funds held at the United States Federal Reserve Bank for the day to day operations of the Bank. These balances earned interest at rates ranging from 0.00 % to 2.5% (2018: 0.00 % to 0.18%) during the year.

7. Term deposits

	2019 **$**	**2018** **$**
Fixed Deposits:		
- Bank of Nova Scotia, St. Kitts	**6,467,655**	6,327,488
- CIBC First Caribbean International Bank, St. Kitts	**-**	1,316,636
	6,467,655	7,644,124
Interest receivable	**71,357**	104,304
Total term deposits	**6,539,012**	7,748,428
Current	**6,539,012**	7,748,428

The deposits held with Bank of Nova Scotia, St. Kitts (BNS) and CIBC FirstCaribbean International Bank – St. Kitts (CIBC/FCIB) are not available for use in the Bank's day-to-day operations. These balances are pledged as liquidity support for loans and advances issued by BNS and CIBC/FCIB to the Bank's employees, at rates that are relatively low in comparison to the normal market rates in the ECCU. These term deposits earned interest at rates of 2.5% (2018: 2.5%) per annum during the year.

8. Financial instruments

a) Classification of financial assets and liabilities

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The Bank's adoption of IFRS 9 *'Financial Instruments'* from 1 April 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in note 2(g) above.

On 1 April 2018 (the date of initial application of IFRS 9), the Bank's management has assessed which business models apply to the financial assets held by the Bank and has classified its financial instruments into the appropriate IFRS 9 classification and measurement categories.

(i) Financial assets measured at FVOCI

Foreign reserves assets

As at 1 April 2018, the Bank has assessed its liquidity and core foreign reserves portfolios, which had previously been classified as available-for-sale instruments and amortised cost under IAS 39.

Money market instruments

Money market instruments consists of commercial paper, certificate of deposits held in the Bank's foreign reserves core portfolio. Money market instruments also includes term deposits, which are held in the liquidity portfolio. The Bank has assessed its business model at the portfolio level as described in note 2 (g) (iii). As of 1 April 2018, the Bank concluded the following:

- Money market instruments held in the liquidity portfolio are managed within a business model as held to collect the contractual cash flows and meet the SPPI criteria.

- Money market instruments held in the core foreign reserves portfolio are managed within a business model of collecting contractual cash flows and selling the financial assets and meet the SPPI criteria.

Investment securities other than equity instruments

Foreign investment instruments are managed within a business model of collecting contractual cash flows and selling the financial assets and meet the SPPI criteria. Accordingly, these investments are classified and measured at FVOCI.

Equity investment instruments

The Bank has elected to irrevocably designate equity investment securities as fair value through other comprehensive income as permitted under IFRS 9. These securities were previously classified as available for sale under IAS 39.

8. Financial instruments....*continued*

a) Classification of financial assets and liabilities....*continued*

(ii) Financial assets measured at amortised cost

Money market instruments

As of 1 April 2018, the Bank concluded that money market instruments (term deposits) held in the liquidity portfolio are managed within a business model of held to collect the contractual cash flows and meet the SPPI criteria.

Domestic financial assets

Following the assessment, the Bank concluded that the financial assets in the domestic portfolio are managed within a business model to collect contractual cash flows and meet the SPPI criteria.

8. Financial instruments....*continued*

a) Classification of financial assets and liabilities....*continued*

The following table provides a reconciliation between line item in the statement of financial position and categories of financial instruments under IFRS 9:

Financial assets	Mandatorily at FVTPL	Designated at FVTPL	FVOCI - debt instruments	FVOCI - equity instruments	Amortised cost	Total carrying amount
Regional and foreign currencies	-	-	-	-	104,789,886	104,789,886
Balances with other central banks	-	-	-	-	14,237,270	14,237,270
Balances with foreign banks	-	-	-	-	52,946	52,946
Money market instruments and money at call	-	-	649,759,420	-	1,292,885,974	1,942,645,394
Financial Assets held for trading	95,713	-	-	-	-	95,713
Foreign investment securities	-	-	2,785,594,471	78,205	-	2,785,672,676
Cash and balances with local banks	-	-	-	-	2,691,622	2,691,622
Term Deposits	-	-	-	-	6,539,012	6,539,012
Domestic investment securities	-	-	-	624,186	-	624,186
Participating governments securities	-	-	-	-	60,168,839	60,168,839
Participating governments advances	-	-	-	-	43,596,201	43,596,201
Accounts receivable	-	-	-	-	7,210,395	7,210,395
Total Financial Assets	95,713	-	3,435,353,891	702,391	1,532,172,145	4,968,324,140
Demand Liabilities - domestic	-	-	-	-	4,828,900,876	4,828,900,876
Demand Liabilities - foreign	-	-	-	-	40,689,413	40,689,413
Financial Liabilities held for trading	33,769	-	-	-	-	33,769
IMF government general resource accounts	-	-	-	-	1,198,864	1,198,864
Total Financial Liabilities	33,769	-	-	-	4,870,789,153	4,870,822,922

8. Financial instruments*...continued*

b) Financial instruments by category

As of 31 March 2018	Loans and receivables $	Assets at fair value through profit or loss $	Available -for-sale $	Total $
Financial assets				
Balances with other central banks	6,223,088	-	-	**6,223,088**
Balances with foreign banks	64,548	-	-	**64,548**
Money market instruments and money at call	673,187,314	-	835,657,516	**1,508,844,830**
Financial assets held for trading	-	656,871	-	**656,871**
Available-for-sale - foreign investment securities	-	-	3,157,667,399	**3,157,667,399**
Balances with local banks	3,221,502	-	-	**3,221,502**
Term deposits - domestic	7,748,428	-	-	**7,748,428**
Loans and receivables - participating governments' securities	83,189,928	-	-	**83,189,928**
Loans and receivables - participating governments' advances	43,330,371	-	-	**43,330,371**
Accounts receivable	12,848,670	-	-	**12,848,670**
Available-for-sale - domestic investment securities	-	-	624,186	**624,186**
	829,813,849	**656,871**	**3,993,949,101**	**4,824,419,821**

As of 31 March 2018	Liabilities at fair value through profit or loss $	Other financial liabilities $	Total $
Financial liabilities			
Demand and deposit liabilities - domestic	-	4,861,299,250	**4,861,299,250**
Demand and deposit liabilities - foreign	-	10,425,453	**10,425,453**
Financial liabilities held for trading	219,130	-	**219,130**
IMF government general resource accounts	-	1,162,925	**1,162,925**
	219,130	**4,872,887,628**	**4,873,106,758**

8. Financial instruments*...continued*

c) Credit quality of financial assets

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

Investment securities

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.

Money market instruments and money at call

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.

Accounts receivable

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

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

9. Investment securities

	2019 $	2018 $
Foreign investment securities measured at fair value through other comprehensive income		
Debt securities		
- quoted, at fair value	**2,772,470,281**	-
Interest receivable	**13,124,190**	-
Total foreign securities at fair value through other comprehensive income	**2,785,594,471**	-
Equity securities designated at fair value through other comprehensive income		
Society for Worldwide Interbank Financial Telecommunication (SWIFT) 5 (2018: nil) ordinary shares of $15,641 each - unquoted	**78,205**	-
	78,205	-
Domestic investment securities		
Equity securities designated at fair value through other comprehensive income		
Caribbean Information and Credit Rating Agency Services Ltd. 156,180 (2018: 156,180) ordinary shares of $2.70 each - unquoted	**421,686**	-
Eastern Caribbean Automated Clearing House Services Inc. (2018: 20,500) ordinary shares of $10.00 each - unquoted	**202,500**	-
	624,186	-
Total investment securities at fair value through other comprehensive income	**2,786,296,862**	-
Current	**604,498,569**	-
Non-current	**2,181,798,293**	-
	2,786,296,862	-

Allowance for impairment losses on investment securities at FVOCI

The loss allowance on investment securities at FVOCI is recognised in other comprehensive income as the carrying amount of these investments is their fair value.

9. Investment securities*...continued*

Allowance for impairment losses on investment securities at FVOCI*...continued*

The following table shows the allowance for impairment losses on investment securities measured at FVOCI:

	2019				2018
	12-month ECL	Lifetime ECL not Credit-impaired	Lifetime ECL credit-impaired	Total	Total
Debt securities at FVOCI (2018: available-for-sale)					
Balance at 1 April 2018	470,930	-	-	470,930	-
Decrease in loss allowance recognised in profit or loss during the year	(131,800)	-	-	(131,800)	-
Balance at 31 March 2019	**339,130**	**-**	**-**	**339,130**	**-**

Available-for-sale investment securities	**2019 $**	**2018 $**
Domestic securities		
Equity securities		
Caribbean Information and Credit Rating Agency Services Ltd. 156,180 (2018: 156,180) ordinary shares of $2.70 each - unquoted, at cost		421,686
Eastern Caribbean Automated Clearing House Services Inc. (2018: 20,500) ordinary shares of $10.00 each - unquoted, at cost	-	202,500
	-	624,186
Foreign securities		
Debt securities		
- quoted, at fair value	-	3,144,942,775
Interest receivable	-	12,724,624
Total foreign securities	-	3,157,667,399
Total investment securities	-	3,158,291,585
Current	-	653,772,346
Non-current	-	2,504,519,239
	-	3,158,291,585

9. Investment securities*...continued*

The movement in investment securities may be summarised as follows:

	Domestic Securities $	Foreign Investment Securities $
Balance as of 31 March 2017	**624,186**	**2,928,601,754**
Additions	-	4,048,130,233
Disposals (sale and redemption)	-	(3,803,693,092)
Net gains transfer to equity	-	(34,354,987)
Net loss transfer from equity	-	6,258,867
Balance as of 31 March 2018	**624,186**	**3,144,942,775**
Additions	-	2,502,549,823
Disposals (sale and redemption)	-	(2,922,184,768)
Net gains transfer to equity	-	35,863,378
Net loss transfer from equity	-	11,299,073
Balance as of 31 March 2019	**624,186**	**2,772,470,281**

The Bank transferred losses of $11,299,073 (2018: losses of $6,258,867) from equity into the statement of profit or loss.

Gains less losses from investment securities comprise:

	2019 $	2018 $
Net realised losses from disposal of foreign investment securities	**11,299,073**	6,258,867

10. Participating governments' securities

Participating government securities measured at amortised cost

a) Participating governments' securities: Debentures

	Nominal value 2019 $	Amortised cost 2019 $	Nominal value 2018 $	Amortised cost 2018 $
Government of Antigua and Barbuda				
9% Debentures maturing 2018	**-**	**-**	857,579	857,579
3.5% Debenture maturing 2027	**59,106,510**	**59,106,510**	64,614,323	64,614,323
	59,106,510	**59,106,510**	65,471,902	65,471,902
Interest receivable	**-**	**1,379,153**	-	1,637,782
Total participating governments' securities: Debentures, gross	**59,106,510**	**60,485,663**	65,471,902	67,109,684
Less: allowance for impairment losses	**-**	**(316,824)**	-	-
Total participating governments' securities: Debentures, net	**59,106,510**	**60,168,839**	65,471,902	67,109,684

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

10. Participating governments' securities*...continued*

b) Participating governments' securities: Treasury bills

	Nominal value 2019 $	**Amortised cost 2019 $**	**Nominal value 2018 $**	**Amortised cost 2018 $**
Treasury bills - Government of Antigua and Barbuda treasury bill maturing 2018	-	-	16,200,000	15,912,960
	-	-	16,200,000	15,912,960
Interest receivable	-	-	-	167,284
Total participating governments' securities: treasury bills	-	-	16,200,000	16,080,244
Total participating governments' securities	**59,106,510**	**60,168,839**	81,671,902	83,189,928
Current		**6,762,905**		24,083,417
Non-current		**53,405,934**		59,106,511
		60,168,839		83,189,928

10. Participating governments' securities*...continued*

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

	Debentures $	Treasury Bills $	Total $
Balance as of 31 March 2017	**71,651,039**	-	**71,651,039**
Additions	-	15,912,960	15,912,960
Payment of principal	(6,179,137)	-	(6,179,137)
Balance as of 31 March 2018	**65,471,902**	**15,912,960**	**81,384,862**
Additions	-	-	-
Payment of principal	(6,365,392)	(15,912,960)	(22,278,352)
Balance as of 31 March 2019	**59,106,510**	**-**	**59,106,510**

11. Participating governments' advances

Participating government advances measured at amortised cost

	2019 $	2018 $
Operating accounts:		
- Government of Anguilla	**5,995,994**	14,724,971
- Government of St. Vincent and the Grenadines	**8,963,770**	6,014,404
- Government of Dominica	-	1,586,116
- Government of Grenada	-	-
	14,959,764	22,325,491
Interest receivable	**142,880**	168,102
Total operating accounts	**15,102,644**	22,493,593
Temporary advances		
- Government of St. Vincent and the Grenadines	**16,000,830**	20,719,108
- Government of Antigua and Barbuda	**12,600,000**	-
	28,600,830	20,719,108
Interest receivable	**9,581**	117,670
Total temporary advances	**28,610,411**	20,836,778
Less: allowance for impairment losses	**(116,854)**	
Total due from participating governments' advances	**43,596,201**	43,330,371
Current	**43,596,201**	43,330,371

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

12. Accounts receivable and prepaid expenses

	2019 $	2018 $
Accounts receivable	**7,991,277**	13,533,556
Staff mortgage loans	**422,214**	495,092
Prepaid expenses	**14,405,230**	12,084,499
	22,818,721	26,113,147
Less: Allowance for impairment on receivables	**(1,203,095)**	(1,179,978)
	21,615,626	24,933,169
Current	**12,669,300**	12,669,300
Non-current	**8,946,326**	12,263,869
	21,615,626	24,933,169

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 $93,176 (2018: $134,018) at the statement of financial position date. This amount is included in prepaid expenses.

The Bank's receivables have been assessed for indicators of impairment as required by IFRS 9. The Bank applies the IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for receivables. The Bank has assessed receivables for impairment at the individual asset level. The Bank wrote off receivables either partially or in full and any related allowance for impairment losses when there was no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Bank, and a failure to make contractual payments for a period of greater than 120 days past due. Write-offs are charged against previously established allowances for impairment losses and reduce the amount of the receivable.

Allowance for impairment on accounts receivable

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

	2019 $	2018 $
Balance, beginning of year	**1,179,978**	1,255,109
Amounts recovered during the year	**(13,138)**	(75,131)
Allowance during the year	**1,473,678**	-
Amounts written off during the year	**(1,437,423)**	-
Balance at end of year	**1,203,095**	1,179,978

13. Financial assets at fair value through profit or loss

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

The following is an analysis of the currency forwards held with positive fair value as at 31 March 2019:

Currency sold /purchased	Notional value of contracts	Notional value of contracts EC$ equivalent	Value date of contracts	Fair value of contracts $
CAD	**667,320**	**1,353,866**	8 April, 2019	**11,225**
EUR	**3,076,900**	**9,389,984**	9 April, 2019	**56,854**
GBP	**1,441,700**	**5,127,528**	8 April, 6 May, 2019	**27,634**
		15,871,378		**95,713**

The following is an analysis of the currency forwards held with positive fair value as at 31 March 2018

Currency sold /purchased	Notional value of contracts	Notional value of contracts EC$ equivalent	Value date of contracts	Fair value of contracts $
GBP	129,700	493,243	16 April, 2018	333
EUR	13,213,200	44,784,185	16 April/24 May, 2018	656,538
		45,277,428		656,871
		Current		656,871

14. Investments in associated undertakings using the equity method

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

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

Eastern Caribbean Home Mortgage Bank (ECHMB)
The Bank holds 24.8% (2018: 24.8%) of the share capital of the ECHMB – 25,000 Class "A" shares at a cost of $100 each and 41,812 Class "A" shares at a cost of $160 each. The Company was established as a vehicle to foster the development of the money market and secondary market for mortgages in the territories of the participating governments of the ECCB Agreement Act 1983.

Eastern Caribbean Securities Exchange (ECSE)
The Bank holds 32.74% (2018: 30.8%) of the share capital of the ECSE – 300,000 Class "A" shares at a cost of $10 each. The ECSE was established to enhance and increase investment opportunities, and to foster the development of a securities market in the territories of participating governments of the ECCB Agreement Act 1983. The Eastern Caribbean Central Securities Depository Limited (ECCSD) and Eastern Caribbean Central Securities Registry Limited (ECCSR) are both wholly owned subsidiaries of the ECSE.

Organisation of Eastern Caribbean States Distribution and Transportation Company (ODTC)
The Bank holds 20% of the share capital of the ODTC – 2,001 Class "A" shares at a cost of $10 each. The Company was established as a vehicle to foster the development of the distribution and transportation sector in the territories of the participating governments of the ECCB Agreement Act 1983. The company has not commenced operations as of 31 March 2019.

The Bank's investments in associates are detailed below:

	2019 $	2018 $
Eastern Caribbean Home Mortgage Bank (ECHMB)		
Balance at beginning of year	**14,979,466**	14,434,138
Share of profit for the year	**1,316,862**	1,046,418
Dividend received in year	**(501,090)**	(501,090)
Balance at end of year	**15,795,238**	14,979,466
Eastern Caribbean Securities Exchange (ECSE)		
Balance at beginning of year	**2,470,927**	2,078,843
Additional shares issued to ECCB during the year	**274,190**	-
Share of profit for the year	**409,024**	392,084
Balance at end of year	**3,154,141**	2,470,927

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

	2019 $	2018 $
OECS Distribution and Transportation Company (ODTC)		
Balance at beginning of year	**20,010**	20,010
Purchase during the year	**-**	-
Balance at end of year	**20,010**	20,010
Total investments in associated undertakings	**18,969,389**	17,470,403
Non-current	**18,969,389**	17,470,403

The total share of profit of associates recognised in the statement of profit or loss was $1,725,886 (2018: $1,438,502).

The Bank's interest in its principal associates, both of which are unlisted, is as follows as of 31 March 2019:

Entity	Assets $	Liabilities $	Revenues $	Profit $	% Interest held %
ECHMB	**265,802,954**	**(206,630,675)**	**13,262,909**	**5,309,928**	**24.80**
ECSE	**44,380,095**	**(33,696,381)**	**4,569,453**	**1,331,298**	**32.74**

The Bank's interest in its principal associates, both of which are unlisted, is as follows as of 31 March 2018:

Entity	Assets $	Liabilities $	Revenues $	Profit $	% Interest held %
ECHMB	261,901,804	(200,543,933)	11,708,543	4,215,836	24.80
ECSE	101,015,275	(91,662,859)	4,593,521	1,236,730	30.80

The Bank's interest has been determined on the basis of the unaudited financial statements for these entities as the timing for receipt of the audited financial statements is after the scheduled date for finalization of the ECCB's accounts. The 2018 comparatives represent audited financial results for these entities, which were not materially different to the unaudited amounts used in the preparation of the Bank's financial statements for the year ended 31 March 2018.

15. Intangible assets

	Computer software $
Cost	
Balance at April 1, 2017	17,174,244
Additions	1,980,970
Amortisation write-back	(847,465)
Balance at 31 March 2018	18,307,749
Balance at 1 April 2018	**18,307,749**
Additions	**2,409,593**
Balance at 31 March 2019	**20,717,342**
Accumulated amortisation	
Balance at April 1, 2017	15,364,674
Amortisation	1,270,631
Amortisation write-back	(847,465)
Balance at 31 March 2018	15,787,840
Balance at 1 April 2018	**15,787,840**
Amortisation	**470,448**
Balance at 31 March 2019	**16,258,288**
Net book value	
At 31 March 2017	1,809,570
At 31 March 2018	2,519,909
At 31 March 2019	**4,459,054**

16. Property and equipment

	Land $	Buildings $	Furniture and equipment $	Computer systems $	Land improvements $	Building improvements $	Motor vehicles $	Capital work in progress $	Total $
Cost									
Balance at April 1, 2017	25,932,000	102,153,391	23,165,754	6,405,015	50,582	-	971,372	649,829	159,327,943
Transfers	127,388	-	489,559	160,273	(47,638)	-	-	(729,582)	-
Additions	-	542,416	549,442	1,343,247	7,793	-	426,000	1,414,843	4,283,741
Revaluation Adjustment	40,612	10,361,021	-	-	-	-	-	-	10,401,633
Derecognition/disposals	-	-	(232,542)	(908,270)	-	-	(327,500)	-	(1,468,312)
Depreciation Write-back	-	(9,586,828)	-	-	(10,737)	-	-	-	(9,597,565)
Balance at 31 March 2018	**26,100,000**	**103,470,000**	**23,972,213**	**7,000,265**	**-**	**-**	**1,069,872**	**1,335,090**	**162,947,440**
Balance at 1 April 2018	26,100,000	103,470,000	23,972,213	7,000,265	-	-	1,069,872	1,335,090	162,947,440
Transfers	-	-	1,164,441	85,914	-	30,978	-	(1,281,333)	-
Additions	3,314,670	-	713,573	553,703	53,930	76,317	351,800	836,913	5,900,906
Derecognition/disposals	(2,540,000)	(2,560,000)	(6,163)	-	-	-	(177,000)	-	(5,283,163)
Balance at 31 March 2019	**26,874,670**	**100,910,000**	**25,844,064**	**7,639,882**	**53,930**	**107,295**	**1,244,672**	**890,670**	**163,565,183**

16. Property and equipment...*continued*

	Land $	Buildings $	Furniture and equipment $	Computer systems $	Land improvements $	Building improvements $	Motor vehicles $	Capital work in progress $	Total $
Accumulated depreciation									
Balance at April 1, 2017	-	6,390,160	20,033,163	5,936,561	4,885	-	733,739	-	33,098,508
Depreciation charge	-	3,196,669	1,439,293	333,198	5,852	-	105,061	-	5,080,073
Depreciation write-back on disposal	-	(9,586,829)	(232,542)	(908,269)	(10,737)	-	(306,808)	-	(11,045,185)
Balance at 31 March 2018	-	-	21,239,914	5,361,490	-	-	531,992	-	27,133,396
Balance at 1 April 2018	-	-	21,239,914	5,361,490	-	-	531,992	-	27,133,396
Depreciation charge	-	3,572,455	1,288,789	545,456	642	4,748	163,790	-	5,575,880
Depreciation write-back on disposal	-	(90,256)	(6,163)	-	-	-	(177,000)	-	(273,419)
Balance at 31 March 2019	-	3,482,199	22,522,540	5,906,946	642	4,748	518,782	-	32,435,857
Net book value									
At April 1, 2017	25,932,000	95,763,231	3,132,591	468,454	45,697	-	237,633	649,829	126,229,435
At 31 March 2018	26,100,000	103,470,000	2,732,299	1,638,775	-	-	537,880	1,335,090	135,814,044
At 31 March 2019	**26,874,670**	**97,427,801**	**3,321,524**	**1,732,936**	**53,288**	**102,547**	**725,890**	**890,670**	**131,129,326**

16. Property and equipment*...continued*

The following is the historical cost carrying amount of land and buildings carried at revalued amounts as of 31 March 2019:

	Land $	Buildings $	Total $
Cost	8,319,630	71,452,985	79,772,615
Accumulated depreciation	-	(47,347,071)	(47,347,071)
Net book value	8,319,630	24,105,914	32,425,544

The following is the historical cost carrying amount of land and buildings carried at revalued amounts as of 31 March 2018:

	Land $	Buildings $	Total $
Cost	7,544,960	74,012,985	81,557,945
Accumulated depreciation	-	(43,774,616)	(43,774,616)
Net book value	7,544,960	30,238,369	37,783,329

The land and buildings were revalued by independent valuators, DLG Consultants Limited in March of 2018. Valuations are based on the market value.

17. Demand and deposit liabilities - domestic

	2019 $	2018 $
Banker's balances - Current accounts	**2,910,948,594**	2,969,688,317
Currency in circulation	**1,140,799,340**	1,108,060,590
Bankers Collateral account	**217,770,179**	234,653,977
Participating governments' call accounts	**131,994,046**	130,222,853
Participating governments' operating accounts	**86,654,669**	57,609,555
Participating governments' fixed deposit accounts	**81,000,000**	-
Bankers' dormant accounts	**79,542,063**	66,921,621
Participating governments' fiscal reserve tranche II	**55,539,085**	64,241,922
Eastern Caribbean Securities Registry	**16,149,162**	76,673,421
Eastern Caribbean Asset Management Corporation	**14,437,800**	9,937,800
Participating governments' sinking fund call accounts	**12,201,056**	15,595,139
Organisation of Eastern Caribbean States operating accounts	**11,383,580**	230,956
Participating governments' drug service accounts	**8,776,592**	6,100,623
BAICO Recapitalisation Holding Account	**8,243,848**	8,243,848
Government of Antigua & Barbuda Recovery & Reconstruction Project	**7,835,463**	7,768,087
Participating governments' fiscal tranche I call accounts	**6,998,496**	6,869,358
Accounts payable, accruals and provisions	**6,802,188**	7,842,484
ECHMB Operating accounts	**6,440,613**	17,809
Eastern Caribbean Partial Credit Guarantee Corporation	**5,400,000**	5,400,000
Government of Antigua and Barbuda Road Infrastructure	**4,912,142**	11,248,780
British American Liquidity Support	**4,502,360**	5,165,684
Bankers' call accounts	**4,036,502**	1,882,505
British Caribbean Currency Board Coins in Circulation	**2,566,022**	2,566,026
Commemorative coins in circulation	**1,379,972**	1,379,972
British Caribbean Currency Board Residual Fund	**833,628**	833,628
Resolution Trust Corporation	**446,802**	1,566,541
Participating governments' debt restructuring escrow accounts	**291,718**	59,635,812
Eastern Caribbean Automated Clearing House	**206,144**	177,680
Statutory and legislative bodies' operating accounts	**67,132**	73,147
Local governments' operating accounts	**46,968**	46,564
OECS Distribution and Transportation	**22,380**	22,380
CANEC Debt Management Advisory Services	**-**	320,591
Demand and deposit liabilities – domestic	**4,828,228,544**	4,860,997,670
Interest Payable	**672,332**	301,580
Total demand and deposit liabilities - domestic	**4,828,900,876**	4,861,299,250
Current	**4,828,900,876**	4,861,299,250

17. Demand and deposit liabilities - domestic*...continued*

During the year the following balances earned interest at rates ranging from 0.59% to 2.52% (2018: 0.67% to 1.40%) per annum: fiscal tranche I, bankers' call accounts and fixed deposits, participating governments and statutory bodies' fixed deposits and ECHMB operating accounts.

Participating governments' fiscal reserve tranche II

The Monetary Council has approved the establishment of a fiscal reserve fund. In accordance with the Bank's profit distribution policy, forty per cent (40%) of the annual share of distributable profits to member governments is transferred to the participating governments' fiscal tranche II call account. There was no allocation from profit to the fund in the current financial year (2018: Nil).

	2019 $	2018 $
Balance at beginning of year	**64,241,922**	51,292,706
Contribution to Eastern Caribbean Asset Management Corporation	**(14,500,000)**	-
Loan repayments during the year	**5,797,163**	16,199,216
Hurricane Relief Grants	**-**	(3,250,000)
Balance at end of year	**55,539,085**	64,241,922

Participating governments' fiscal tranche I call accounts

These accounts earn interest at the prevailing call rate offered by the Bank and are readily accessible by the respective governments. There was no allocation from profit to the fund in the current financial year (2018: Nil).

	2019 $	2018 $
Balance at beginning of year	**6,869,358**	8,012,380
Interest on account	**129,138**	65,978
Transfers	-	(1,209,000)
Balance at end of year	**6,998,496**	6,869,358

18. Demand and deposit liabilities - foreign

	2019 $	2018 $
Other regional central banks and agency accounts	**21,311**	602,663
International Bank for Reconstruction and Development accounts	**38,964,989**	9,129,830
Caribbean Development Bank accounts	**1,038,648**	394,801
Caribbean Financial Services Corporation account	**664,465**	298,159
Total demand and deposit liabilities - foreign	**40,689,413**	10,425,453
Current	**40,689,413**	10,425,453

These balances earned interest at rates ranging from 1.59% to 2.37% (2018: 0.44% to 0.75%) per annum during the year.

19. IMF government general resource accounts

	2019 $	2018 $
Saint Lucia	**434,111**	433,820
Antigua & Barbuda	**232,471**	221,634
Grenada	**169,295**	161,401
St. Kitts and Nevis	**126,054**	120,179
Commonwealth of Dominica	**118,611**	113,082
St. Vincent and the Grenadines	**118,322**	112,809
Total IMF government general resource accounts	**1,198,864**	1,162,925
Current	**1,198,864**	1,162,925

20. Financial liabilities at fair value through profit of loss

The following is an analysis of the currency forwards held with negative fair value as of 31 March 2019:

Currency sold/ purchased	Notional value of contracts	Notional value of contracts EC$ equivalent	Value date of contracts	Fair value of contracts $
CAD	550,300	1,100,352	8 April & 6 May, 2019	7,080
EUR	1,022,000	3,085,300	8 April, 2019	19,932
GBP	423,700	1,491,860	8 April, 2019	6,055
CHF	2,400	6,420	8 April, 2019	91
KWD	3,010	27,330	8 April, 2019	611
		5,711,262		33,769
			Current	33,769

The following is an analysis of the currency forwards held with negative fair value as of 31 March 2018:

Currency sold/ purchased	Notional value of contracts	Notional value of contracts EC$ equivalent	Value date of contracts	Fair value of contracts $
CAD	718,0000	1,485,547	16 April, 2018	17,637
EUR	14,440,000	48,134,093	16 April & 14 June, 2018	146,784
GBP	1,164,900	4,372,398	16 April, 2018	54,664
USD	567	5,152	3 April, 2018	45
		53,997,190		219,130
			Current	219,130

21. Other reserves

	2019 $	2018 $
Property and equipment revaluation reserve	**87,332,100**	92,507,945
Unrealised holding gain (loss) - investment securities	**1,980,612**	(45,520,969)
Pension reserve	**23,573,000**	26,948,000
Self-insurance reserve fund	**12,657,437**	11,952,615
Capital reserve	**6,537,928**	6,537,928
Export Credit Guarantee fund	**1,808,877**	1,808,877
Unrealised holding gain – money market instruments	**217,571**	232,756
Total reserves	**134,107,525**	94,467,152

Export Credit Guarantee fund

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

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

Capital reserve

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

Self-insurance reserve

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

Pension reserve

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

21. Other Reserves*...continued*

Revaluation Reserve: investment securities

The movements of the "Revaluation Reserve: investment securities" as a result of changes in the fair values are as follows:

	Foreign investment securities $	Money market instruments $	Total $
Balance at 31 March 2017	(17,424,849)	132,806	(17,292,043)
Revaluation of foreign securities	(34,354,987)	99,950	(34,255,037)
Revaluation transfer to profit or loss on disposal of foreign securities	6,258,867	-	6,258,867
Balance at 31 March 2018	(45,520,969)	232,756	(45,288,213)
Revaluation of foreign securities	**35,863,378**	**(15,185)**	**35,848,193**
Revaluation transfer to profit or loss on disposal of foreign securities	**11,299,073**	**-**	**11,299,073**
Impairment of investment securities at FVOCI	**339,130**	**-**	**339,130**
Balance at 31 March 2019	**1,980,612**	**217,571**	**2,198,183**

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 fund. The pension scheme is valued every three years by a firm of independent qualified actuaries, Bacon Woodrow & de Souza Limited – Actuaries and Consultants. The latest available full valuation was at 31 March 2016; it used the projected unit credit method, and showed that the fair value of the Fund's assets at 31 March 2016 represented 116% of the benefits that had accrued to members as at that date. The fair value of the Fund's assets at that time was $101.7 million (2013: $86.4 million) and the required future service contribution rate was 20.6% (2013: 20.2%) of pensionable salaries. The actuary performed a roll-forward of the valuation to 31 March 2019. The next detailed full valuation will be conducted as at 31 March 2019.

	2019 $	2018 $
The amounts recognised in the statement of financial position are as follows:		
Present value of pension obligation	**(88,090,000)**	(84,416,000)
Fair value of plan assets	**111,663,000**	111,364,000
Present value of over funded surplus	**23,573,000**	26,948,000
Net asset recognised in the statement of financial position	**23,573,000**	26,948,000

22. Pension asset*...continued*

	2019 $	2018 $
Reconciliation of amount reported in the statement of financial position:		
Pension asset, beginning of year	**26,948,000**	26,510,000
Net pension costs during the year	**(1,242,000)**	(1,353,000)
Re-measurements recognised in other comprehensive income	**(4,354,000)**	(415,000)
Contributions to pension scheme	**2,221,000**	2,206,000
Pension asset, end of year	**23,573,000**	26,948,000

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).

	2019 $	2018 $
The movement in the defined benefit obligation over the year is as follows:		
Beginning of year	**84,416,000**	79,144,000
Current service cost	**3,031,000**	3,020,000
Interest cost	**5,785,000**	5,446,000
Contributions by plan participants	**555,000**	551,000
Past service cost	-	85,000
Actuarial loss	**(2,091,000)**	(889,000)
Benefits paid	**(3,606,000)**	(2,941,000)
	88,090,000	84,416,000

The defined benefit obligation is allocated between the Plan's members as follows:	2019 %	2018 %
Active and promoted members	**77.0**	77.0
Deferred members	**0**	0
Pensioners	**23**	23.0

	2019	2018
The weighted average duration of the defined benefit obligation at the year end	**14.9 years**	14.9 years

33% of the benefits for active members are for those over age 55 and are vested.

33% of the defined benefit obligation for active members is conditional on future salary increases.

22. Pension asset*...continued*

	2019 $	2018 $
The movement in the fair value of plan assets over the year is as follows:		
Plan assets at start of year	**111,364,000**	105,654,000
Interest income	**7,760,000**	7,383,000
Return on Plan assets, excluding interest income	**(6,445,000)**	(1,304,000)
Employer contributions	**2,221,000**	2,206,000
Contributions by plan participants	**555,000**	551,000
Benefits paid	**(3,606,000)**	(2,941,000)
Expense allowance	**(186,000)**	(185,000)
	111,663,000	111,364,000

	2019 $	2018 $
The amounts recognised in the statement of profit or loss are as follows:		
Current service cost	**3,031,000**	3,020,000
Net interest on net defined benefit asset	**(1,975,000)**	(1,937,000)
Past service cost	**-**	85,000
Administration expenses	**186,000**	185,000
Total expense included in staff costs (note 28)	**1,242,000**	1,353,000

	2019 $	2018 $
The amounts recognised in other comprehensive loss were as follows:		
Experience losses	**(4,354,000)**	(415,000)
Total amount recognised in other comprehensive loss	**(4,354,000)**	(415,000)

		2018 %
The principal actuarial assumptions used were as follows:		
Discount rate	**7.0**	7.0
Average individual salary increases	**5.0**	5.0

22. Pension asset*...continued*

Assumptions regarding future mortality are based on published mortality tables. The life expectancies underlying the value of the defined benefit obligation as at 31 March 2018 are as follows:

	2019	2018
Life expectancy at age 60 for current pensioners in years		
Male	**21.0**	21.0
Female	**25.1**	25.1
Life expectancy at age 60 for current members age 40 in years		
Male	**21.4**	21.4
Female	**25.4**	25.4

Plan assets are comprised as follows:

	2019 $	2018 $
Developed market equities	**43,933,000**	46,337,000
EC Government issued nominal bonds and treasury bills	**10,709,000**	11,109,000
USD denominated bonds	**54,162,000**	54,229,000
USD cash and cash equivalents	**2,356,000**	4,407,000
Net current assets	**503,000**	(4,718,000)
Fair value of Plan Assets at end of year	**111,663,000**	111,364,000

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

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

23. Related party balances and transactions

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

Participating Governments

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

23. Related party balances and transactions…*continued*

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

	2019 $	2018 $
Receivables from participating governments		
Participating governments' securities (note 10)	**60,168,839**	83,189,928
Participating governments' advances (note 11)	**43,596,201**	43,330,371
Payables to participating governments (note 17)		
Participating governments' call accounts	**131,994,046**	130,222,853
Participating governments' fixed deposits accounts	**81,000,000**	-
Participating governments' fiscal reserve tranche II	**55,539,085**	64,241,922
Participating governments' operating accounts	**86,654,669**	57,609,555
Participating governments' sinking fund call accounts	**12,201,056**	15,595,139
Participating governments' fiscal tranche I call accounts	**6,998,496**	6,869,358
Participating governments' drug service accounts	**8,776,592**	6,100,623
Participating governments' debt restructuring escrow accounts	**291,718**	59,635,812

Interest income earned on receivables during the year was $5,893,815 (2018: $6,791,457). The receivables carry interest rates of 3.5% to 9% (2018: 3.5% to 9%) per annum.

Interest expense on payables during the year was $5,626,041 (2018: $2,538,217). The payables carry interest rates of 0.59% to 2.52% (2018: 0.67% to 1.40%) per annum.

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

	2019 $	2018 $
Staff mortgage loans		
Loans outstanding at beginning of year	**202,483**	284,570
Loans movement during the year	**(136,129)**	(82,087)
Loans outstanding at end of year	**66,354**	202,483
Term deposits		
Bank of Nova Scotia, St. Kitts	**1,130,299**	519,185
CIBC FirstCaribbean International, St Kitts	**-**	245,842
	1,130,299	765,027

The term deposit balance represents amounts pledged as liquidity support for loans issued by Scotiabank, St. Kitts and CIBC FirstCaribbean International, St Kitts to ECCB eligible employees (note 7).

23. Related party balances and transactions…*continued*

Interest income earned on loans and advances during the year was $4,098 (2018: $9,893). The loans carry an interest rate of 4% (2018: 4%) per annum. The repayment terms of the loans vary. The outstanding loans are primarily for mortgages and are secured by the mortgaged property.

Key management personnel compensation

The salaries, fees and benefits paid to the Board of Directors and key management personnel of the Bank during the year amounted to $3,663,285 (2018: $3,748,138). The following is an analysis of these amounts:

	2019	2018
	$	$
Salaries and other short-term employee benefits	**3,259,106**	3,361,638
Board of Directors' fees	**240,000**	239,500
Post-employment benefits	**164,179**	147,000
	3,663,285	3,748,138

24. Contingencies and commitments

Capital commitments

At 31 March 2019, commitments for capital expenditure was $5,028,860. (2018: $3,145,520).

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 $561,126,000 (2018: $563,605,000). The details are presented in the table below:

	2019	2018
	$	$
Government of Saint Lucia	**120,250,000**	122,801,000
Government of St Kitts and Nevis	**96,367,000**	109,114,000
Government of Antigua and Barbuda	**90,635,000**	95,043,000
Government of Commonwealth of Dominica	**81,560,000**	63,063,000
Government of Grenada	**76,544,000**	73,553,000
Government of St Vincent and the Grenadines	**67,469,000**	69,971,000
Government of Anguilla	**22,688,000**	24,176,000
Government of Montserrat	**5,613,000**	5,884,000
Total credit allocation	**561,126,000**	563,605,000

24. Contingencies and commitments...*continued*

Credit extension to participating governments...*continued*

The undrawn commitments to participating governments for the current financial year amounts to $452,705,000 (2018: $439,070,000). The details are presented in the table below:

	2019 $	2018 $
Government of Saint Lucia	**120,250,000**	122,801,000
Government of St Kitts and Nevis	**96,367,000**	109,114,000
Government of Commonwealth of Dominica	**81,560,000**	61,477,000
Government of Grenada	**76,544,000**	73,553,000
Government of St Vincent and the Grenadines	**39,984,000**	43,237,000
Government of Anguilla	**16,965,000**	9,451,000
Government of Antigua and Barbuda	**15,422,000**	13,553,000
Government of Montserrat	**5,613,000**	5,884,000
Total undrawn commitments	**452,705,000**	439,070,000

The Board has approved credit allocation to participating governments for the 2019/20 financial year in the amount of $581,943,000.

Pending Litigations

There are nine (9) pending legal claims against the Eastern Caribbean Central Bank (the "Central Bank") for which the likelihood of settlement appears remote.

1) **Claim No. GDAHCV2001/0490** initiated by Capital Bank International Limited in 2001 is pending before the Grenada Supreme Court.

The Claimant is seeking:

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

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

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

24. Contingencies and commitments*...continued*

Pending litigation*....continued*

2) **Claim No. ANUHCV2015/0518 BETWEEN**: Sylvia O'Mard (Claimant/Applicant) and ABI Bank Ltd, Eastern Caribbean Central Bank and Dwight Venner (the Defendants/Respondents). On September 28, 2015, Ms Sylvia O'Mard ("the Applicant") filed a fixed date claim against the ABI Bank Ltd, Eastern Caribbean Central Bank and Dwight Venner ("the Respondents"). The Applicant sought, among other things:

(i) A declaration that Article 5C(5)(a) of the Eastern Caribbean Central Bank Agreement is unconstitutional;

(ii) A declaration that the actions of the Respondents in failing to release funds due to the Applicant and held at the first-named Respondent amounted to a breach of the Applicant's constitutional rights;

(iii) An order for recovery of all sums demanded by the Applicant;

(iv) An order for restitution.

By Notice of Application filed on November 18, 2015 the Respondents applied to the Court for an Order declaring that the Court has no jurisdiction to try the claim as filed. The Court ordered a hearing of the Notice of Application including arguments in relation to the constitutionality of Article 5C(5)(a) of the Eastern Caribbean Central Bank Agreement on December 15, 2015. Following the hearing on December 15, 2015, the Court, on December 22, 2015, delivered its decision on the preliminary issue in favour of the Respondents dismissing the claim of the Applicant.

The Applicant appealed the decision of the High Court. On the hearing before the Court of Appeal on December 8, 2016, the Court ordered that the matter be remitted to the High Court with directions that the Attorney General be joined as a party and that a timetable be fixed by the High Court for the expeditious hearing of the matter. On 8 February 2019, directions were provided by the High Court for the Attorney General to be joined within fourteen (14) days and to be served with all pleadings. The matter was adjourned to 22 March 2019 for case management. On 22 March, the matter was further adjourned to July 2019.

3) **Claim No. AXAHCV2016/0051 BETWEEN**: SATAY LIMITED et al (Claimants) v MARTIN DINNING, HUDSON CARR, SHAWN WILLIAMS, ROBERT MILLER AND EASTERN CARIBBEAN CENTRAL BANK (Defendants). By claim filed on June 28, 2016 the Claimants claim against the Defendants for breach of fiduciary duty the sum of US$13,028,906.17.

By Notice of Application dated August 12, 2016, the 1st, 2nd, 3rd and 5th Defendants applied to the Court for a declaration that the Court has no jurisdiction to try the claim as filed. The Defendants' application contesting the court's jurisdiction was heard on October 13, 2016 and the Court gave directions for the filing of written submissions by both sides. Written submissions were filed by both sides. On February 22, 2017, the Court delivered its decision on the preliminary issue in favour of the Claimants.

24. Contingencies and commitments...*continued*

Pending litigation….*continued*

3) Claim No. AXAHCV2016/0051....*continued*

The Defendants filed application for leave to appeal that decision which was granted on April 11, 2017. The Claimants filed an application for extension of time and a counter-appeal. The Defendants filed an application to strike out the application on the basis that it was filed out of time and without the leave of the court. The Court ruled that the Claimants' documents were properly filed at the date of the Order being July 4, 2017.

The Court, subsequently, issued a Notice of Hearing for July 31, 2017 of the Defendants' application to strike out the counter-appeal, which was heard before the full Court of Appeal (CA) on October 23, 2017 in Anguilla. The Defendants' application was dismissed and costs of EC$5,000.00 were ordered to be paid by the Defendants.

The substantive appeal was heard the week of 30 April 2018. The Defendants' appeal was dismissed by the Court and the defense is due to be filed by 1 May 2019.

4) Case No. 16-01279-MG BETWEEN: NATIONAL BANK OF ANGUILLA (PRIVATE BANKING & TRUST) LTD (the Plaintiff) v. NATIONAL BANK OF ANGUILLA LTD (NBA), NATIONAL COMMERCIAL BANK OF ANTIGUA LTD (NCBA) AND EASTERN CARIBBEAN CENTRAL BANK (ECCB) (hereinafter collectively 'the Defendants').

The Plaintiff filed complaint on December 16, 2016 before the United States Bankruptcy Court Southern District of New York against the Defendants alleging breach of fiduciary duty and gross negligence and seeking judgment to, inter alia:

(a) avoid transfers of net new money in the amount of US$9.15m to NBA and other transfers to the NCBA and ECCB as actual or constructively fraudulent transfers;
(b) recover the value of avoidable transfers from the Defendants;
(c) avoid and recover NBA's transfers of its funds and assets to NCBA and net payment of US$13,837,233.30 to ECCB; and
(d) damages for breach of fiduciary duty and gross negligence by the ECCB.

On February 27, 2017 the Eastern Caribbean Central Bank filed a motion to dismiss on the basis of lack of subject matter jurisdiction, personal jurisdiction and forum non conveniens. On March 20, 2017 the Plaintiff filed an amended complaint. On April 27, 2017, the ECCB filed an amended motion to dismiss on the basis of lack of subject matter jurisdiction, personal jurisdiction and *forum non conveniens*.

The Court ordered that this matter and the matter listed at (6) below be heard jointly. The cases were heard on October 26, 2017 and on January 29, 2018 the Court ruled that both proceedings should be stayed pending the outcome of the litigation in Anguilla.

24. Contingencies and commitments*...continued*

Pending litigation….*continued*

5) **Claim No. AXA/HCV2017/0017 BETWEEN**: NATIONAL BANK OF ANGUILLA (PRIVATE BANKING & TRUST) (in administration); Caribbean Commercial Investment Bank Ltd (in administration) (Intended Applicants) and Chief Minister of Anguilla; Attorney General of Anguilla; Gary Moving (as Receiver of the National Bank of Anguilla and Caribbean Commercial Bank); Eastern Caribbean Central Bank (Intended Respondents).

The Intended Applicants have filed application for leave to apply for judicial review of various "decisions" made by the Intended Respondents concerning the implementation of the resolution strategy in respect of National Bank of Anguilla (NBA) and Caribbean Commercial Bank (CCB) including the appointment of the Receiver and the Receiver's actions including his transfer of certain assets and liabilities of NBA and CCB to National Commercial Bank of Anguilla. The application is scheduled to be heard on May 18, 2017.

Subsequently, the Intended Applicants filed an application for a stay of the application for leave to apply for judicial review referenced above until the conclusion of the US proceedings referenced in (5) and (7). On June 14, 2017 the matter was heard by the Court and the stay was granted pending final determination of US matters listed in (4) and (6).

6) **Case No. 17-01058 (SMB) BETWEEN:** CARIBBEAN COMMERCIAL INVESTMENT BANK LTD. ("CCIB") (the Plaintiff) v CARIBBEAN COMMERCIAL BANK (CCB), NATIONAL COMMERCIAL BANK OF ANGUILLA (NCBA) and THE EASTERN CARIBBEAN CENTRAL BANK (the Defendants).

The Complaint was filed May 1, 2017 before the United States Bankruptcy Court Southern District of New York against the Defendants alleging breach of fiduciary duty and gross negligence and seeking judgment, inter alia:

(a) Avoiding transfer of funds to CCB in the amount of at least US$4,481,394.62;
(b) for recovery of transfers to NCBA in an amount of not less than US$2,248,628.46 million;
(c) for recovery of transfers to ECCB of an amount
    (i) not less than US$28,673,612.01 during the two years prior to the Petition Date
    (ii) up to US$67,198,261.96 during the three years prior to the Petition Date
    (iii) up to US$70,023,261.96 during the Conservatorship Period
    (iv) up to US$87,933,896.76 during the six years prior to the Petition Date; and
(d) for damages for breach of fiduciary duty and gross negligence by the ECCB.

The Court ordered that this matter and the matter listed at (5) above be heard jointly. The cases were heard on October 26, 2017 and on January 29, 2018 the Court ruled that both proceedings should be stayed pending the outcome of the litigation in Anguilla.

24. Contingencies and commitments*...continued*

Pending litigation….*continued*

7) Case No. NEVHCV2-17/0124 BETWEEN: KEVIN HUGGINS (The Intended Applicant) v THE EASTERN CARIBBEAN CENTRAL BANK (The Intended Respondent).

On September 15, 2017, the Intended Applicant sought leave to file a Judicial Review Claim against the Intended Respondent to quash the purported decision of the Intended Respondent in relation to his fitness to serve on the Board of Directors of Bank of Nevis. The Intended Respondent filed submissions opposing the application. The matter was heard on December 10, 2017 and the court granted the Intended Applicant leave to apply for judicial review. The Applicant filed claim for judicial review on 8 November 2018 and the ECCB filed its response on 11 December 2018. The first hearing is scheduled for 14 May 2019.

8) Claim No. 56 of 2018 BETWEEN: FIRST ST VINCENT BANK LIMITED (Applicant) v EASTERN CARIBBEAN CENTRAL BANK (Respondent).

On April 9, 2018, the Applicant filed application for leave to apply for judicial review of the 'decision' of the Respondent imposing penalties of $34.7 million for 'alleged' breaches of the Banking Act of St Vincent of the Grenadines. The matter was heard on 19 July 2018 and a decision was granted in favour of the ECCB dismissing the Application. On 17 October 2018, the Applicant filed notice of appeal of the High Court's decision.

No income has been recorded pending the outcome of the claim.

9) Claim No. AXA/HCV 2016/0032 BETWEEN: NATIONAL BANK OF ANGUILLA (PRIVATE BANKING & TRUST) LTD (in administration), CARIBBEAN COMMERCIAL INVESTMENT BANK LTD. (in administration) (the Claimants) v. NATIONAL BANK OF ANGUILLA LTD (in receivership), CARIBBEAN COMMERCIAL BANK (in receivership), NATIONAL COMMERCIAL BANK OF ANGUILLA LTD (NCBA), EASTERN CARIBBEAN CENTRAL BANK (ECCB), MARTIN DINNING, HUDSON CARR, SHAWN WILLIAMS and ROBERT MILLER (hereinafter collectively 'the Defendants').

An amended claim filed by the Claimants on 28 August 2018 against the Defendants (and served on the Central Bank on 7 February 2019) seeks inter alia:

(a) a declaration of breach of fiduciary duty owed to the Claimants by 5th, 6th, 7th and 8th Defendants;

(b) a declaration that certain sums are held by the Defendants on trust for the Claimants;

(c) an order of account and inquiry of such sums in the possession of the Defendants;

(d) an order that the Defendants transfer to the Claimants any sums in the possession of the Defendant identified as part of the account and inquiry;

(e) compensation for breaches of fiduciary duty by 5th, 6th, 7th and 8th Defendants.

The defence is due to be filed by 15 May 2019.

24. Contingencies and commitments*...continued*

Eastern Caribbean Securities Exchange Limited

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

- An undertaking to postpone all claims in respect of present and future funds advanced to the Eastern Caribbean Securities Exchange Limited and its wholly-owned subsidiary companies by the Bank up to the year ending 31 March 2019. At the year end, the balance was nil (2018: $2,874,845). The last advance was during the financial year ended 31 March 2005.

- Guarantee cover in the event of a budgeted shortfall in respect of the ECSE and its wholly-owned subsidiary companies for the fiscal year ending 31 March 2019 in an amount not expected to exceed $2,000,000 (2018: $2,000,000).

The above undertaking and guarantee will be reviewed on 31 March 2020 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. The contract expired in February 2018. The Bank entered into a new contractual arrangement for an additional two years commencing from March, 2018. As at 31 March 2019, the commitment of the Bank was US$76,442 (2018: $90,340).

Leasehold obligation – operating leases

All agency offices operate out of leased premises with lease terms ranging from 1 to 5 years. Lease rentals payable on operating leases are expensed on a straight line basis over the term of the leases.

Minimum lease payments subsequent to 2019 and in aggregate are as follows:

	2019 **$**	**2018** **$**
2019	**994,745**	904,745
2020	**591,100**	397,500
2021	**209,280**	232,268
2022	**95,400**	235,350
2023	**-**	60,000
Thereafter	**-**	770,000
Total minimum lease payments	**1,890,525**	2,599,863

25. Cash and cash equivalents

	2019 $	2018 $
Money market instruments and money at call (note 6)	**1,551,941,766**	1,093,678,052
Regional and foreign currencies	**104,789,886**	68,773,676
Balances with other central banks (note 5)	**14,237,270**	6,223,088
Balances with local banks	**2,691,622**	3,221,502
Balances with foreign banks (note 5)	**52,946**	64,548
Total cash and cash equivalents	**1,673,713,490**	1,171,960,866

26. Net interest income

	2019 $	2018 $
Interest income		
Foreign investment securities	**64,102,291**	45,584,550
Money market instruments and money at call	**37,092,913**	20,372,986
Participating governments' securities	**3,298,956**	3,461,332
Other interest income	**2,908,119**	3,795,436
	107,402,279	73,214,304
Interest expense		
Demand liabilities: domestic	**5,626,041**	2,538,217
Net interest income	**101,776,238**	70,676,087

27. Other income

	2019 $	2018 $
Income from banking licence fees and penalties	**4,345,088**	4,479,000
Pension fund administrative and management fees	**667,887**	675,962
Miscellaneous income	**326,550**	515,440
Rental income	**300,000**	300,000
Gain on futures	**128,902**	78,898
(Loss) gain on disposal of property and equipment	**(1,289,744)**	36,548
Income from reserve requirement	**21,151**	-
Total other income	**4,499,834**	6,085,848

Rental income results from rental of office space to affiliate institutions ECHMB and ECSE, which are covered by leasehold rental contracts.

28. Salaries, pensions and other staff benefits

	2019 $	2018 $
Salaries, wages and other benefits	**30,150,259**	27,685,980
Pension (note 22)	**1,242,000**	1,353,000
Social security	**1,055,301**	983,865
Vacation leave	**417,164**	227,744
Prepaid employee benefit	**44,189**	50,770
Total salaries, pensions and other staff benefits	**32,908,913**	30,301,359

29. Net impairment losses on financial assets

During the financial year, the following (gains) losses were recognised in the statement of profit or loss in relation to impaired financial assets

	2019 $	2018 $
Loss allowance on individually impaired receivables (note 12)	**1,473,678**	-
Impairment losses on financial assets at amortised cost	**205,908**	-
Reversal of previous impairment losses on financial assets at FVOCI (note 9)	**(131,800)**	-
Net impairment losses on financial assets	**1,547,786**	-

30. Administrative and general expenses

	2019 $	2018 $
General supplies and services	**8,172,686**	7,550,167
Professional and consulting fees	**6,156,283**	7,438,370
Utilities expenses	**2,501,089**	2,565,648
Special projects	**1,951,920**	391,908
Training, recruitment and resettlement	**1,283,868**	1,521,487
Travel tickets, accommodation and subsistence	**1,223,223**	924,498
Conference and meetings	**1,034,943**	961,629
Rental expense	**996,895**	928,360
Telephone costs	**779,973**	796,570
Contribution to ECSRC	**764,415**	821,936
Insurance expense	**739,583**	714,218
Legal fees	**454,563**	1,941,821
Other staff expenses and amenities	**409,085**	360,208
Repairs and maintenance	**406,630**	591,098
Staff vacation grant	**360,697**	486,157
Subscriptions and fees	**262,275**	221,269
Community outreach	**218,072**	217,678
Advertising and promotion	**200,459**	134,271
Cafeteria subsidy	**198,396**	16,628
Contingencies	**104,734**	170,887
Affiliate groups	**73,941**	56,885
Contribution to staff association	**70,200**	25,430
Printing and postage	**20,449**	22,846
Directors' travel and subsistence	**13,500**	6,412
Impairment loss on financial assets	**-**	7,159
Contribution to intra-regional central bank games	**-**	1,175,978
Total administrative and general expenses	**28,397,879**	30,049,518

31. Transition to IFRS 9

The following table summarises the impact of adopting IFRS 9 on the Bank's statement of financial position as at 1 April 2018.

	IAS 39 Measurement Catetory	IFRS 9 Measurement Category	IAS 39 Carrying amount at 31 March 2018	IFRS 9 Reclassification	IFRS 9 Remeasurement including ECL	IFRS 9 Carrying amount at 1 April 2018
Regional and foreign currencies	Amortised Cost	Amortised Cost	68,773,676	-	-	68,773,676
Balances with other central banks	Amortised Cost	Amortised Cost	6,223,088	-	-	6,223,088
Balances with foreign banks	Amortised Cost	Amortised Cost	64,548	-	-	64,548
Money market instruments and money at call	Amortised Cost	Amortised Cost	673,187,314	-	-	673,187,314
Money market instruments	AFS (FVOCI)	FVOCI	835,657,516	-		835,657,516
Financial Assets held for trading	FVTPL	FVTPL	656,871	-	-	656,871
Available-for-sale foreign investment securities - AFS	AFS (FVOCI)	FVOCI	3,157,667,399	-		3,157,667,399
To foreign investment securities - FVOCI				(3,157,667,399)	-	(3,157,667,399)
			4,742,230,412	(3,157,667,399)		1,584,563,013
Foreign investment securities - FVOCI	-	FVOCI	-			-
From AFS foreign investment securities			-	3,157,667,399	(470,930)	3,157,196,469
			-	3,157,667,399	(470,930)	3,157,196,469
Cash and Balances with Local Banks	Amortised Cost	Amortised Cost	3,221,502	-	-	3,221,502
Term Deposits	Amortised Cost	Amortised Cost	7,748,428	-	-	7,748,428
Domestic investment securities - AFS	AFS (Cost)	FVOCI	624,186	-	-	624,186
To domestic investment securities - FVOCI				(624,186)	-	(624,186)
			624,186	(624,186)		-
Domestic investment securities - FVOCI	AFS (Cost)	FVOCI	-	-	-	-
From domestic investment securities - AFS			-	624,186	-	624,186
			-	624,186	-	624,186
Participating governments securities	Amortised Cost	Amortised Cost	83,189,928	-	(173,190)	83,016,738
Participating governments advances	Amortised Cost	Amortised Cost	43,330,371	-	(54,580)	43,275,791
Accounts receivable	Amortised Cost	Amortised Cost	12,848,670	-	-	12,848,670
Total Financial Assets			4,893,193,497	-	(698,700)	4,892,494,797
Liabilities						
Demand Liabilities - Domestic	Amortised Cost	Amortised Cost	4,861,299,250	-	-	4,861,299,250
Demand Liabilities - Foreign	Amortised Cost	Amortised Cost	10,425,453	-	-	10,425,453
Financial Liabilities held for trading	FVTPL	FVTPL	219,130	-	-	219,130
IMF Government General Resource Accounts	Amortised Cost	Amortised Cost	1,162,925	-	-	1,162,925
Total Financial Liabilities			4,873,106,758	-	-	4,873,106,758

The adoption of IFRS 9 had no impact on the Bank's financial liabilities.

31. Transition to IFRS 9….continued

The impact of transition to IFRS 9 on reserves at 1 April 2018 is as follows:

	General and other reserves
FVOCI reserve	
Closing balance under IAS 39 (31 March 2018)	(45,288,213)
Recognition of ECL under IFRS 9 for investment securities at FVOCI	470,930
Opening balance under IFRS 9 (1 April 2018)	(44,817,283)
General reserve	
Closing balance under IAS 39 (31 March 2018)	120,456,442
Recognition of IFRS 9 ECLs on FVOCI and amortised cost	(698,700)
Opening balance under IFRS 9 (1 April 2018)	119,757,742
Total change in equity due to adoption of IFRS 9	(227,770)

The following table reconciles the prior year's closing impairment allowance measured in accordance with IAS 39's incurred loss model to the new impairment allowance measured in accordance with IFRS 9's expected credit loss model at 1 April 2018:

Measurement category	Impairment loss under IAS 39 31 March 2018	Reclassification	Remeasurement	ECL under IFRS 9 1 April 2018
Available for sale financial assets under IAS 39/ financial assets at FVOCI under IFRS 9				
Foreign investment securities	-	-	470,930	470,930
	-	-	470,930	470,930
Loans and receivables under IAS 39/ financial assets at amortised cost under IFRS 9				
Domestic debt securities	-	-	227,770	227,770
Accounts receivable	1,179,978	-	-	1,179,978
	1,179,978	-	227,770	1,407,748
Total loss allowance	1,179,978	-	698,700	1,878,678

32. Events after the reporting period

In April 2019, the Bank arrived at an Agreement with the Eastern Caribbean Securities Exchange regarding a long outstanding receivable that was more than 365 days past due. Given the default rate on this receivable, the Bank took the decision to write-off 50 per cent of the receivable, which amounted to $1.47m. The ECSE agreed to issue additional ordinary shares together with redeemable cumulative preference shares to the ECCB to discharge of the remaining balance due to the ECCB.

LIST OF COMMERCIAL BANKS MAINTAINING CLEARING ACCOUNTS WITH THE ECCB

As at 31 March 2019

ANGUILLA

National Commercial Bank of Anguilla Ltd

Scotiabank Anguilla Limited

ANTIGUA AND BARBUDA

Antigua Commercial Bank

Caribbean Union Bank Ltd

CIBC FirstCaribbean International Bank (Barbados) Limited

Eastern Caribbean Amalgamated Bank

RBC Royal Bank of Canada

The Bank of Nova Scotia

COMMONWEALTH OF DOMINICA

CIBC FirstCaribbean International Bank (Barbados) Limited

National Bank of Dominica Ltd

RBC Royal Bank of Canada

The Bank of Nova Scotia

GRENADA

CIBC FirstCaribbean International Bank (Barbados) Limited

Grenada Co-operative Bank Ltd

RBTT Bank Grenada Limited

Republic Bank (Grenada) Limited

The Bank of Nova Scotia

MONTSERRAT

Bank of Montserrat Limited

RBC Royal Bank of Canada

ST KITTS AND NEVIS

Bank of Nevis Limited

CIBC FirstCaribbean International Bank (Barbados) Limited

RBC Royal Bank of Canada

RBTT Bank (SKN) Limited

St Kitts-Nevis-Anguilla National Bank Limited

The Bank of Nova Scotia

SAINT LUCIA

1st National Bank St Lucia Ltd

Bank of Saint Lucia Ltd

CIBC FirstCaribbean International Bank (Barbados) Limited

RBC Royal Bank of Canada

The Bank of Nova Scotia

ST VINCENT AND THE GRENADINES

Bank of St Vincent and the Grenadines Ltd

CIBC FirstCaribbean International Bank (Barbados) Limited

RBTT Bank Caribbean Limited

The Bank of Nova Scotia