Eastern Caribbean Central Bank

Annual Report 2014/2015

The EC Currency Turns 50 on 6 October 2015

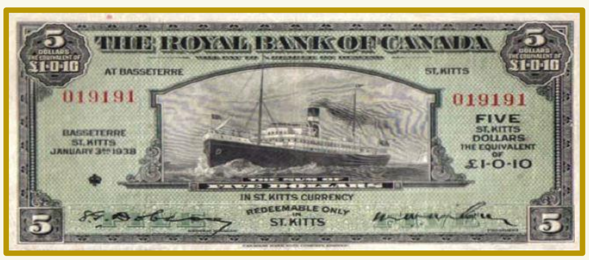
Celebrating the Journey

The history of the EC Currency and the Eastern Caribbean Central Bank (ECCB) embodies the story of the coming of age of the eight ECCB member countries. Together, the EC Currency and the ECCB have contributed to the growth, prosperity and self-determination of the people of the Eastern Caribbean Currency Union (ECCU). Let us therefore take a journey into the currency's history.

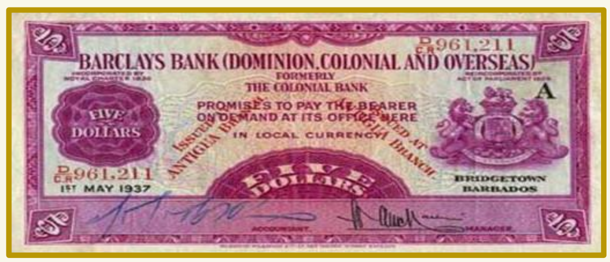
Early 1900s – 1940s

British and Canadian Banks

Bank Notes were issued in the early 1900s by British and Canadian Banks. The Royal Bank of Canada (RBC) acquired its first branch in the British Caribbean in 1910 in Port of Spain, Trinidad after opening a branch in London. RBC soon spread throughout the British territories and was established in St Kitts and Nevis in 1915.



Bank note from the Royal Bank of Canada dated 3 January 1938



Bank note from Barclays Bank (Dominion, Colonial and Overseas) formerly the Colonial Bank dated 1 May 1937

In the 1940s, bank notes issued by British and Canadian banks circulated freely throughout the British territories.

The 1950s

British Caribbean Currency Board

The British Caribbean Currency Board (BCCB) was established in 1950 and had the sole right to issue currency in Barbados, British Guiana, the Leeward Islands, the Windward Islands and Trinidad and Tobago. The first British Caribbean currency notes were issued on 1 August 1951 and British Caribbean coins on 15 November 1955.

British Caribbean Currency Notes

REPORT AND STATEMENT OF ACCOUNTS

For the Financial Year Ended 31 March 2015

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Coins and banknote that are no longer legal tender but can be exchanged for face value at the Eastern Caribbean Central Bank

Eastern Caribbean Central Bank

8 June 2015

Sirs

In accordance with Article 48(1) of the Eastern Caribbean Central Bank Agreement 1983, I have the honour to transmit herewith the Bank's Annual Report for the year ended 31 March 2015 and a Statement of the Bank's accounts as at that date, duly certified by the Auditors.

I am,
Your Obedient Servant

K Dwight Venner
GOVERNOR

The Honourable Hubert Hughes
Chief Minister
ANGUILLA

The Honourable Gaston Browne
Prime Minister
ANTIGUA AND BARBUDA

The Honourable Roosevelt Skerrit
Prime Minister
COMMONWEALTH OF DOMINICA

Dr The Right Honourable Keith Mitchell
Prime Minister
GRENADA

The Honourable Donaldson Romeo
Premier
MONTSERRAT

Dr The Honourable Timothy Harris
Prime Minister
ST KITTS AND NEVIS

The Honourable Dr Kenny D Anthony
Prime Minister
SAINT LUCIA

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

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MISSION STATEMENT

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

VISION STATEMENT

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

MONETARY COUNCIL

As at 31 March 2015

The Hon Hubert Hughes
Anguilla

Dr The Hon Ralph Gonsalves
St Vincent and the Grenadines
Chairman

The Hon Gaston Browne
Antigua and Barbuda

The Hon Roosevelt Skerrit
Commonwealth of Dominica

Dr The Right Hon Keith Mitchell
Grenada

The Hon Donaldson Romeo
Montserrat

Dr The Hon Timothy Harris
St Kitts and Nevis

The Hon Dr Kenny D Anthony
Saint Lucia

BOARD OF DIRECTORS

As at 31 March 2015

Mrs Kathleen Rogers
Anguilla

The Hon Sir K Dwight Venner
Chairman

Mr Trevor Brathwaite
Deputy Governor

Mr Whitfield Harris Jr
Antigua and Barbuda

Mrs Rosamund Edwards
Commonwealth of Dominica

Mr Timothy Antoine
Grenada

Mrs Lindorna Brade
Montserrat

His Excellency Wendell Lawrence
St Kitts and Nevis

Mr Francis Fontenelle
Saint Lucia

Mr Maurice Edwards
St Vincent and the Grenadines

CORPORATE INFORMATION

As at 31 March 2015

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

CORPORATE INFORMATION

As at 31 March 2015

MANAGEMENT TEAM *(cont…)*

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

ADVISERS

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

CORPORATE INFORMATION

As at 31 March 2015

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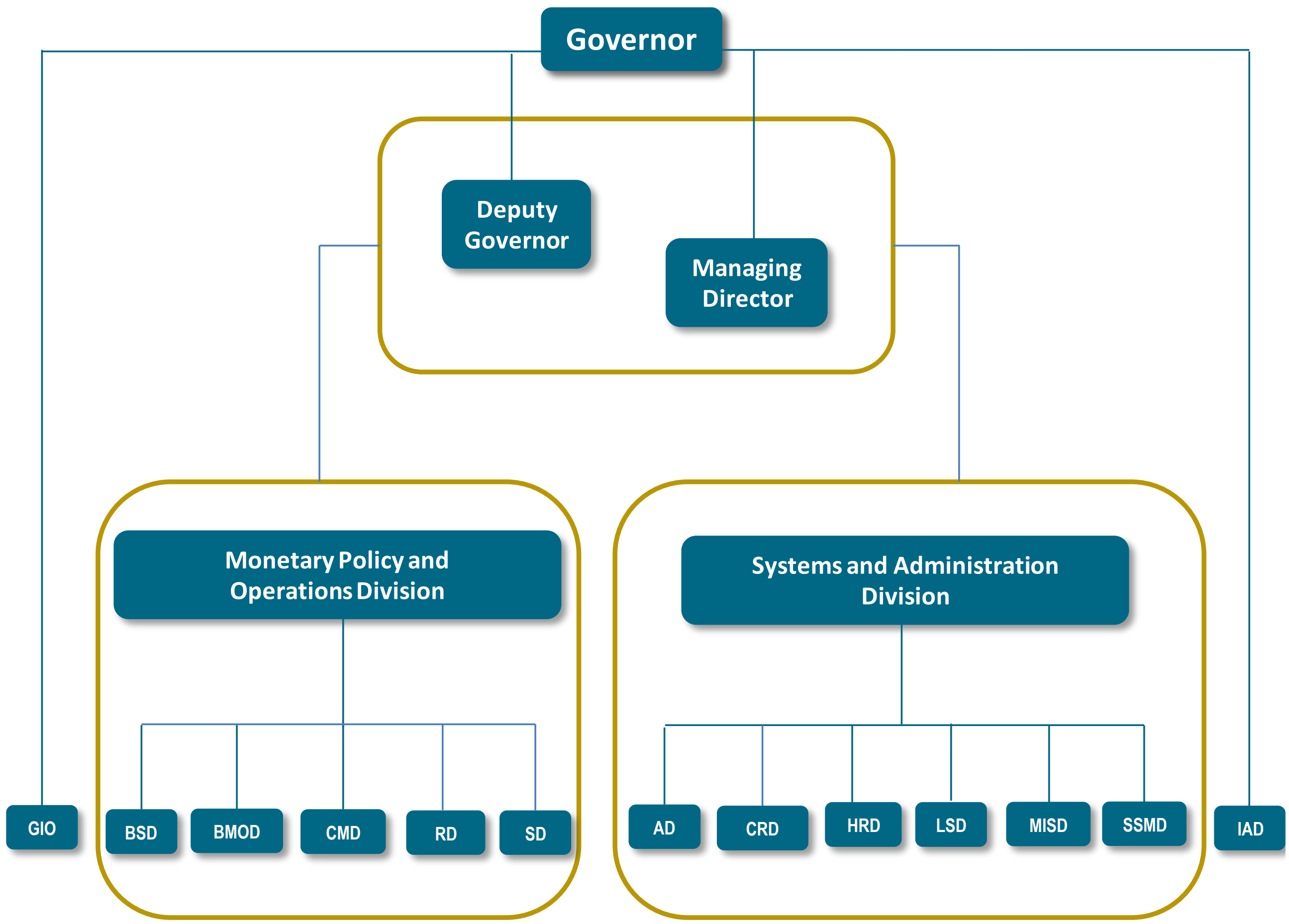
ORGANISATIONAL CHART

As at 31 March 2015



KEY:

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

KEY:

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

Highlights of the Year

- The ECCB, in collaboration with the ECCU commercial banks and the Eastern Caribbean Automated Clearing House Services Incorporated (ECACHSI), completed Phase I of the implementation of the Eastern Caribbean Automated Clearing House (ECACH) in the ECCU member countries on 18 March 2015.

- At its 81st Meeting, held on 24 February 2015, the Monetary Council agreed to reduce the minimum savings deposit rate from 3.0 per cent to 2.0 per cent.

- The Bank launched its first fully integrated and automated statistical solution on 15 December 2014. The system supports web-based technology and encompasses the collection, processing, storage and dissemination of statistical data.

- The Bank's 'OneTouch" vision became a reality on 20 October 2014 with the implementation of Stage II of its Systems Applications and Products for Data Processing (SAP) Enterprise Resource Planning (ERP) Solution. Banking functionalities were migrated from older systems to the integrated SAP technology.

View highlights from 1983 - 2013

FOREWORD

Banking and Development in the Eastern Caribbean Currency Union

Governor of the ECCB
The Honourable Sir K Dwight Venner

The global crisis and its impact on the commercial banking sector in the Eastern Caribbean Currency Union (ECCU) have raised fundamental issues for the member countries which could affect their development for years to come. The structural characteristics of these economies, namely, their extremely small size, openness and vulnerability to external shocks and natural disasters, the seasonality of the main productive sector, tourism, and the direct link between the business cycles of their main trading partners and their own economic performance, have been exposed and exacerbated by this crisis.

The commercial banking sector is the dominant sector in the financial system and its sheer size, in relation to the output of the economies and amount of government revenues and expenditures, makes it a critical factor in our economic system. The banking sector is the major mobilizer of savings, with savings deposits totalling \$8.5 billion at 31 March 2015. Loans and advances of \$13.4 billion were extended by commercial banks as at that same date. The banking sector also operates the payments system in which approximately \$2.8 billion is processed in cheques every month, with the average number of cheques being 736,000.

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The current status of the banking sector is that it can be considered as stable but fragile. The number of non-performing loans is now significantly above the ECCB benchmark of 5.0 per cent of the loan portfolio, and the capital of many banks has been considerably reduced. On the other hand, there has been a significant increase in excess reserves, as well as the net foreign assets of the banks. This has been due to a combination of factors, including the number of non-performing loans, the tightening of underwriting standards and the weak performance of the economies.

The conclusion that one can draw from both the basic structural characteristics and the current situation in the banking sector, as outlined above, is that there is a fundamental misalignment of these factors which does not make the situation conducive to rapid growth and sustainable development. This can be explained by the historical conditions under which commercial banking developed in the region and our seeming inability to

In the currency union, the establishment of local banks played an important role in providing access to three important sectors of the economy, namely, the governments, the small and medium sized industries and the emerging middle class who needed mortgage financing

effect fundamental changes in the banking and financial systems after the countries gained independence.

Commercial banks first came to the region to service the plantation economies which were the predominant form of economic organisation. They facilitated the export of the staple crop and the importation of the consumption, intermediate and capital goods needed for the production of the staple. The banks were originally from the United Kingdom, which was the metropolitan center for trade under the colonial system, and were followed by banks from Canada where a trade had developed for the export of molasses in exchange for imports of wheat and cod fish. It was not until the advent of the Canadian banks that a retail banking model came into existence, which suggests that the local population and even the local merchants, who did not operate large distribution firms, were not serviced by the banking system.

In the post-independence era, Caribbean governments attempted to develop the banking and financial system by establishing monetary authorities in the form of central banks, development banks, which were then in vogue to supply long term capital to new businesses, and stock exchanges to supply equity. The fundamental problem however was that the commercial banks controlled most of the loanable funds raised domestically and their business model was the Anglo Saxon model geared towards short term funding for working capital secured by collateral and inventories. The approach to this problem in many countries, including the Caribbean, was largely dependent on the ideology of the political regimes at the time. The more left wing regimes engaged in nationalisation, with others favouring localisation through domestic shareholding, and the establishment of stand-alone local banks.

In the currency union, the establishment of local banks played an important role in providing access to three important sectors of the economy, namely, the governments, the small and medium sized industries and the emerging middle class who needed mortgage financing. That had the important consequence of providing competition to the foreign banks which forced them to also make financing available to these groups. The proliferation of banks however led to serious over-banking in the sector, as each country in the currency union was a separate jurisdiction. The result was that the numbers ballooned to a total of 40 banks to serve a population of just over 600,000. This fragmentation and fractionalisation is also present in the insurance and credit union sectors where the numbers total 161 insurance entities and 50 credit unions.

Two factors must be taken into consideration in moving forward; firstly, the fragility of the banking system which was exposed by the crisis and secondly, the fact that the existing banking model has not been particularly conducive to facilitating sustainable growth. We now have a chance to stabilise and restructure the banking system and to follow a deliberate path of financial sector development compatible with the growth and development objectives of our member countries.

The two types of commercial banks in our system, foreign and national, will have to be looked at separately and specifically to align their operations to the needs of our member countries. In doing so, it is vital to recognise the evolution of banking systems in different countries which followed different paths, and to note some general commonalities which have been observed over time.

Two typologies have emerged. One is the Anglo Saxon type of banking referred to earlier, which is prevalent in the United Kingdom, the United States and Canada and which we inherited. The other is the system of universal banking which is prevalent in the European continent and Japan. The former draws a clear divide between banking and the connection with the private sector, while the latter is characterised by banks holding equity in and being closely connected with the operations of private sector entities.

The fundamental problem in the ECCU region is the lack of equity and long-term capital for existing and startup firms which is a major impediment to their development. Many firms in our jurisdiction are overburdened with debt before they begin their operations and are under constant pressure to repay debt. This limits the operations of the private sector to strictly commercial activities with a quick turnover. Other activities outside of this commercial sphere are high risk and do not meet the criteria for lending by decidedly risk-averse institutions. We are therefore faced with the challenge of the risk averse institutions being in possession of most of the loanable funds. Since these loanable funds are mainly in the form of savings deposits, this naturally leads to the creation of a self-perpetuating risk averse system.

We now have a chance to stabilise and restructure the banking system and to follow a deliberate path of financial sector development compatible with the growth and development objectives of our member countries

Several other factors compound this situation:

- Most of the national banks have weak capital positions and are incapable of absorbing losses from their loan portfolios.
- Their risk management and credit review and management systems are not geared to dealing with loans to the productive sectors.
- The absence of a credit bureau precludes them from getting the type of information necessary to make good lending decisions.
- The legal and administrative impediments to realising the collateral pledged against delinquent loans raise the risks that banks face.
- The size of the market in each country leads to concentration of lending and increased risks.

There is an urgent need, through appropriate policies, to change the incentive structures for banks to reduce their risk averse nature and to strengthen their risk management skills

The evolution of banks over time in all countries has involved amalgamations, mergers and acquisitions. This has proven to be much easier than growing organically, especially where markets are small. This has been the experience in the currency union with both foreign and local banks. Barclays Bank and CIBC have merged to form CIBC FirstCaribbean International Bank Limited, while the Royal Bank of Canada (RBC) acquired RBTT Bank Limited. These entities already had branches in the currency union. The next phase for the foreign banks, as a response to the global crisis and the downturn in economic activity, has been a process of rationalisation through the closing of branches and the laying-off of staff.

The governments have responded to the structural problems of size by upgrading the OECS Treaty of Basseterre to provide for an economic union with a single financial and economic space. This will provide the environment for consolidation of both financial and real sector entities as well as the operations of governments by making possible the achievement of economies of scale and scope in production, marketing, distribution and public administration. The national banks have the most to gain through these new arrangements as new configurations will be necessary to improve their competitive positions. On the flip side they have the most to lose as their competitive positions would be severely eroded if they remain as stand-alone entities in separate islands within a single financial and economic space.

The question of what kind of business and banking model will be the most appropriate to the currency union needs to be carefully thought through. It is my view that the pure Anglo Saxon model will not work for the currency union, especially with small, undercapitalised banks in single countries with limited markets. There is an obvious need for consolidation and recapitalisation. This will make for stronger, more competitive banks but will not solve the risk averse issue and the allocation problem which is so anti-developmental. There is an urgent need, through appropriate policies, to change the incentive structures for banks to reduce their risk averse nature and to strengthen their risk management skills.

The consolidation and restructuring process for banks, which is underway, must be followed by the deliberate effort to create and upgrade money and capital market institutions to complement the new banking entities. The following elements are of critical importance:

1. The Eastern Caribbean Securities Exchange (ECSE) should be given significant support to attract new firms to list so that more saving and investment opportunities would be available to our citizens and a channel for equity financing would be opened up.
2. The Eastern Caribbean Home Mortgage Bank (ECHMB) must have a wider remit to support the very critical residential housing market.
3. The Eastern Caribbean Enterprise Fund (ECEF) should be given both financial and

technical resources to provide equity and business advice to new and existing firms in the export sector.

4. The Eastern Caribbean Unit Trust (ECUT) should be established to provide a wider range of saving opportunities for the population as a whole.
5. The insurance industry should be purposely restructured to provide high quality and reliable products and services to the currency union. There must be a process of consolidation and restructuring to create a consolidated fit-for-purpose industry which serves the objective of managing risk instead of being a risk itself.
6. Credit Unions, which are important socioeconomic institutions and which are growing in systemic importance with their increasing size, must also go through a process of consolidation and restructuring.
7. A Credit Bureau needs to be established as was alluded to earlier.
8. The importance of development banks must be carefully thought through. They also illustrate the issue of lack of critical mass and the limitations of national markets. The case for a single development bank in the currency union can be made as part of the new paradigm for financial sector development.
9. The need for a Deposit Insurance Corporation in the post-crisis period is clearly justified and will be acted on.

The practical challenge would be to bring these elements together in an environment which is still oriented towards national institutions but operating within a competitive international sphere in which technology has trumped the established ways of doing business and made the concept of "national" somewhat impractical. In short, we are now in 2015, well into what is now being described as the new normal.

The global crisis has led to a more stringent regulatory regime for the financial sector worldwide. On the one hand, all countries must make every effort to move towards the adoption of the new rules and regulations. On the other hand, they must, as a matter of urgency, develop their domestic money and capital markets to insulate them, to whatever degree is possible. They must then, in addition to meeting the international regulatory requirements, both make alliances with global institutions and establish institutions of their own in the major financial centers where they have a presence through their diaspora. These would not be full service institutions but fit-for-purpose entities to provide correspondent relationships, gather information, arrange investment projects and service the diaspora.

The global crisis has led to a more stringent regulatory regime for the financial sector worldwide

The single space provides the wider environment to accomplish some of these goals. It provides the opportunity for establishing a professional and rigorous regulatory framework to meet international standards which is a sine qua non for participating in the international financial system. It is also the basis on which the commercial banking system can

The new Banking Act is the evidence of a fundamental recognition of the need for a new regime in our financial system

be reformed by restructuring the national banks and leveraging the foreign banks into greater alignment with the region's growth and development objectives.

Within the single space the major challenges would be the creation of synergies between organisations and markets, and developing appropriate financial instruments for different types of firms. With respect to synergies, the relationships among strong commercial banks, both national and foreign, the consolidated development bank and the ECEF are critical. The ECEF would supply equity, the development bank, long term capital on reasonable terms with a moratorium, and the commercial banks working capital. This would be bundled with technical assistance and other critical facilitatory arrangements including factoring and leasing, export credit and insurance, and broker/dealership services.

The final challenge facing the ECCU member countries in their development thrust is the critical task of developing a domestic private sector that is regionally and internationally competitive and capable of generating foreign exchange inflows and creating quality jobs. While foreign direct investment is important, it cannot replace a dynamic domestic private sector. In fact, the countries can maximise the benefits from foreign direct investment if there is a vibrant domestic sector to interact with the foreign investors. Indeed, this type of private sector is also an attraction for foreign investment.

The new Banking Act is the evidence of a fundamental recognition of the need for a new regime in our financial system. It symbolises the need for a more rigorous and legally supported arrangement for the regulation of commercial banks which, as was noted earlier, are the dominant institutions in the ECCU financial sector. It also acknowledges the need for reduced fragmentation in our financial system which would provide the economies of scale and scope to lower costs and increase the viability of financial products. In addition, it provides the opportunity for a structural reorientation of the lending portfolios of banks towards the productive sectors of the economies. It is therefore fair to say that, with the new Banking Act, we have finally entered a new era in the banking and financial history of the ECCU which is expected to see the creation of a banking and financial system that is more aligned with the growth and development objectives of the member countries.

K. Dwight Venner

K Dwight Venner
Governor

REVIEW OF PERFORMANCE

The financial year 2014/2015, although challenging, represented a turning point in many ways for the Central Bank and its member countries. With moderate economic recovery in the global economy, the currency union experienced marginal growth and improvements in the fiscal performance of some of the member countries. However, debt levels remained elevated and the growth rate was not adequate to reduce the level of unemployment significantly. The vulnerabilities in the financial sector persisted. However, programmes commenced for the reform of the sector which would lay the foundation for the development of a strong and resilient financial sector.

The work of the Central Bank continued to be guided by its mandate as set out in Article 4 of the ECCB Agreement 1983 (as amended) as follows:

i. To regulate the availability of money and credit;
ii. To promote and maintain monetary stability;
iii. To promote credit and exchange conditions and a sound financial structure conducive to the balanced growth and development of the economies of the territories of the Participating Governments; and
iv. To actively promote through means consistent with its other objectives the economic development of the territories of the Participating Governments.

In keeping with this mandate and, in addressing the challenges confronting the currency union, the activities of the Bank focused on:

- Resolving the challenges in the banking sector and implementing programmes for reforming the financial sector;

To support the implementation of the Resolution Strategy, the Bank drafted amendments to the ECCB Agreement Act and the Banking Act to strengthen the regulatory process

- Collaborating with member countries to improve debt management and providing support for the fiscal reform programmes; and
- Collaborating with the OECS Commission and the private sector to promote policies and programmes aimed at fostering balanced and sustained economic growth and development.

During the year, the Bank was engaged in the implementation of the *Comprehensive Resolution Strategy for Strengthening the Resilience of the Financial System*, with technical support from the International Monetary Fund (IMF), The World Bank and the Caribbean Development Bank (CDB). The Bank undertook a diagnosis of the commercial banking sector in the form of stress tests and credit portfolio reviews and that was followed by Asset Quality Reviews (AQRs). A Dynamic Modelling exercise would complete the diagnostic activities.

To support the implementation of the Resolution Strategy, the Bank drafted amendments to the ECCB Agreement and the Banking Act to strengthen the regulatory process. The Bank also prepared the Asset Management Company Legislation to establish the Eastern Caribbean Asset Management Company (ECAMC) for the purchase and management of non-performing loans. In addition, the Bank prepared rules and guidelines for property appraisers and for

Monetary and exchange conditions in the countries of the Eastern Caribbean Currency Union (ECCU) remained stable in 2014, primarily influenced by the continued resilience of the exchange rate

the establishment of an appraisal institute, which are intended to improve the property appraisal process for collateral in the commercial banks.

During the year, the Bank supported the initiative of the national banks to consolidate their operations to achieve economies of scale and, in particular, research undertaken to facilitate the integration of the national banks.

As part of the Fiscal Reform Programme, the Monetary Council assessed the debt target of 60.0 per cent of GDP to be achieved by 2020 and, in light of the weak growth performance, approved the extension of the target date to 2030. The Council also agreed that member governments should consolidate their fiscal operations to facilitate the achievement of the target. As part of the fiscal consolidation programme, the Bank continued to provide technical support to member countries to strengthen their debt management capacity through the Debt Management Advisory Service (DMAS) unit at the ECCB. The Unit is sponsored by the Department of Foreign Affairs, Trade and Development (DFATD) of Canada.

In promoting the growth and development of member countries, the Bank supported the OECS Business Council as the representative body of the private sector in the currency union. During the year, the interim Board of the Business Council was transitioned into a permanent Board. The Business Council is expected to coordinate the programmes for the development of a dynamic and competitive private sector and a viable export sector. In support of the growth initiatives, the Bank continued to coordinate the assessment of the investment climate through The World Bank's 'Doing Business' Project.

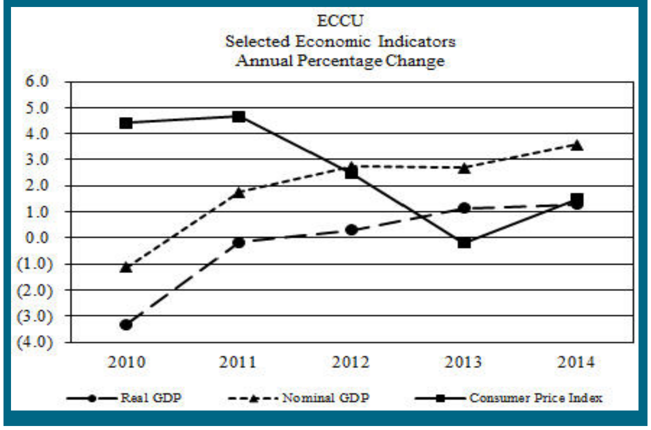
Given the critical role of the public sector in facilitating growth and development, the Bank continued to consult with the public sector unions on wages, prices and productivity particularly in their review of the wage negotiation process and the structure and operations of the public sector.

MONETARY STABILITY

Monetary Policy

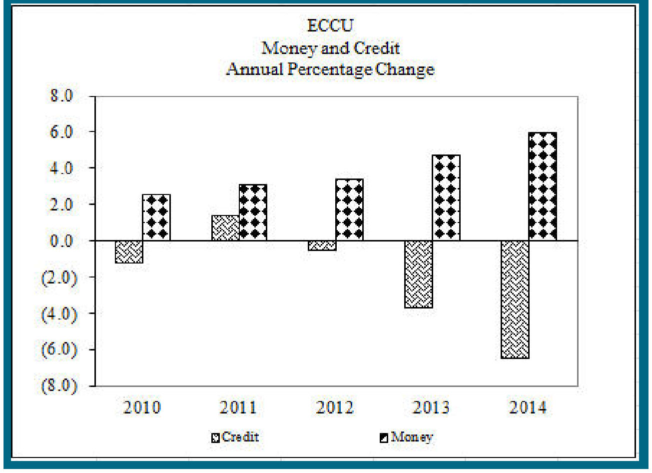
Monetary and exchange conditions in the countries of the Eastern Caribbean Currency Union (ECCU) remained stable in 2014, primarily influenced by the continued resilience of the exchange rate. The integrity of the fixed exchange rate arrangement was not compromised, as the currency continued to be adequately supported by foreign reserves. The foreign reserves to demand liabilities (backing) ratio averaged 95.94 per cent during 2014, comfortably above the statutory and operational limits of 60.0 per cent and 80.0 per cent respectively. The fixed exchange rate contributed to low and stable inflation, providing an enabling environment for sustainable growth and development. Consumer prices rose by 1.5 per cent during 2014, compared to a decline of 0.2 per cent in the previous year. Real Gross Domestic Product (GDP) is provisionally estimated to have risen by 1.3 per cent, up from 1.1 per cent in 2013. The growth outturn for 2014 reflected positive contributions from hotels and restaurants, transport and storage, and the agriculture, livestock and forestry sectors (Chart I).

Chart I



The stock of broad money expanded by 5.9 per cent during 2014, compared with an increase of 4.7 per cent during the previous year. In contrast, domestic credit declined by 6.5 per cent, reflecting in part a tightening of lending terms and conditions by commercial banks, loan write-offs, elevated credit and market risks, and the slow pace of the economic recovery (Chart II).

Chart II



The divergence between money and credit aggregates remained a central policy concern in monetary policy assessments. The focal point of discussion was the efficacy of utilising the Bank's traditional monetary policy tools, such as the minimum savings rate, the reserve requirement and the discount rate to leverage available financial resources to fund economic growth and development. In that regard, the Monetary Council, at its 81st Meeting on 24 February 2015, reduced the Minimum Savings Rate from 3.0 to 2.0 per cent. It is anticipated that the reduction, supported by moral suasion, will encourage commercial banks to increase the availability of credit to ECCU firms and households, thus relaxing the credit constraint. The Bank's discount rate was maintained at 6.5 per cent.

The forecasted improvement in economic activity in the countries of the main trading partners of the ECCU in 2015 and 2016 is expected to result in an increase in trade and financial flows, easing monetary and credit conditions and supporting an expansion in domestic activity.

The ECCB continued to satisfy its reserve management objectives of preservation of capital and meeting liquidity needs

Real GDP in the ECCU is projected to expand by 2.4 per cent in 2015 and 2.5 per cent in 2016. It is anticipated that the resolution and consolidation of the banking system and a deepening of the single financial space will facilitate improvements in both the transmission of monetary policy and the efficient utilisation of foreign inflows to the ECCU.

Reserve Management

The performance of the Bank's foreign reserve assets is dependent on the performance of the US economy and the US Treasury market. The ECCB foreign reserve portfolio remained benchmarked against US Treasuries. The year was characterised by continued improvement in the US economy especially in the labour and manufacturing sectors. A dramatic decline in the price of crude oil spurred a significant decline in prices and inflation expectations. Shorter-dated US Treasury yields rose and prices fell as market participants factored in the sustained improvement in the US economy amid the end of the US Federal Reserve's Quantitative Easing (QE) programme. However, longer-dated US Treasury yields fell and prices rose, given the benign inflation outlook.

The ECCB continued to satisfy its reserve management objectives of preservation of capital and meeting liquidity needs. The duration of the ECCB's customised benchmark was rebalanced to two (2) years, ensuring that the risk tolerance of the Bank was preserved. A review of the performance of the Bank's global custodian was completed to determine if the institution continued to meet the required standards in terms of the asset custody function. The performance of the custodian was deemed satisfactory and the Bank decided to retain its services for a further three years.

For the fourth consecutive year, the Bank transferred funds from the lower yielding liquidity tranche to the higher yielding core tranche of the foreign reserves portfolio, as the total foreign reserves liquidity tranche maintained above-trend balances.

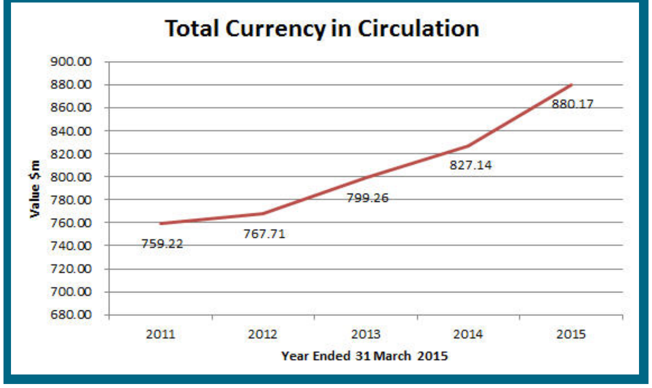
Currency Management

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

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

As at 31 March 2015, the value of currency in circulation was EC\$880.17 million. Banknotes accounted for \$787.96 million or 89.53 per cent, while coins in circulation amounted to \$92.21 million or 10.47 per cent. The aggregate currency in circulation at the end of the financial year reflected an increase of EC\$53.03 million (6.41 per cent) over the total in the previous year. The increase in currency in circulation was consistent with the increasing trend over the last five (5) years as depicted in Chart III.

Chart III



At its 81st Meeting held on 24 February 2015, the Monetary Council took the decision to withdraw the one and two cent coins from circulation. In keeping with that decision, effective 1 July 2015, the ECCB will no longer issue the coins to the commercial banks.

During the new financial year, the ECCB will engage in dialogue with the various stakeholders to discuss and formulate a plan for the withdrawal of the coins.

FINANCIAL SECTOR STABILITY

In support of its role to maintain the stability and integrity of the ECCU financial system, the ECCB augmented its efforts towards the implementation of an enhanced regulatory and supervisory framework through the on-going implementation of the *ECCU Eight Point Stabilisation and Growth Programme*, and execution of the *Comprehensive Resolution Strategy for Strengthening the Resilience of the ECCU Financial System*.

The ECCB continued to manage the affairs of the ABI Bank Limited, the National Bank of Anguilla Ltd and the Caribbean Commercial Bank (Anguilla) Ltd, which were intervened under the special emergency powers in Part IIA, Article 5B of the Schedule to the ECCB Agreement Act 1983. The purpose of the interventions was to protect depositors and creditors and maintain confidence in the banking sector. During the year, the Bank advanced its work towards the orderly resolution of those institutions, to ensure that depositors and creditors were protected. The resolution process is expected to mitigate the potential for heightened contagion risks and result in the stability of the overall financial system.

The Bank embarked on a number of initiatives aimed at resolving the challenges in the banking sector, including a programme of on-site credit risk reviews for selected commercial banks. The Bank also expended significant effort in the following areas:

- Facilitating independent assessments of the banking sector, including the conduct of an Asset Quality Review (AQR) and a process of Dynamic Modelling; and
- Continued support for the national banks towards consolidation within the sector.

The Bank further advanced the coordination efforts for the implementation of a compliance framework for the United States Foreign Account Tax Compliance Act (FATCA)

As part of the Technical Assistance Programme for Strengthening the Resilience of the ECCU Financial System, which is being facilitated by the IMF and The World Bank, the ECCB enhanced the streamlining of its offsite assessment procedures, on-site examination processes and supervisory framework, through the update of policies, guidelines and regulations.

The ECCB also sought to strengthen its legislative tools and to this end, received assistance through the Technical Assistance Programme, towards drafting amendments to the ECCB Agreement; a revised Banking Act; revised foreclosure legislation and legislation for the operationalisation of an Eastern Caribbean Asset Management Corporation (ECAMC). The ECCB Monetary Council agreed to the establishment of the ECAMC to serve the primary purpose of managing impaired assets within the context of the exercise of the ECCB's special emergency powers or during the course of regulation and supervision of challenged banks.

Additionally, the ECCB, with assistance from a Subcommittee of Appraisers of the ECCU Commercial Banks, spearheaded the formation of the Eastern Caribbean Appraisal Institute (ECAI). The need for the institute arose due to the absence of standards and a uniform approach towards the conduct of appraisals in the region.

The Bank further advanced the coordination efforts for the implementation of a compliance framework for the United States Foreign Account Tax Compliance Act (FATCA). Work on establishing the framework progressed in the individual member countries, managed by the respective Ministries of Finance. Additionally, work on the establishment of the enabling legal and regulatory environment to support an advanced credit reporting system in ECCU countries was nearing completion. The ECCB collaborated with the International Finance Corporation (IFC) to host credit bureau sensitisation workshops for member countries with the aim of increasing industry awareness of credit reporting and credit bureaus.

The ECCB continued to collaborate with regional counterparts on financial stability matters through its membership and participation in various groupings including the Regulatory Oversight Committee, the Caribbean Group of Banking Supervisors, and the Association of Banking Supervisors of the Americas. The Bank also participated in the work of the Regional Financial Stability Coordinating Council, which was established to manage specific regional financial stability projects, in response to the effects of the global economic and financial crisis.

Banking Services

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

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

Payments System

The Bank moved forward with its efforts to modernise the payment system to facilitate the realisation of the single financial space by collaborating with the commercial banks and the Eastern Caribbean Automated Clearing House Services Incorporated (ECACHSI). The first phase of the implementation of the Eastern Caribbean Automated Clearing House (ECACH) was completed successfully in the ECCB member countries. The ECACH will offer customers the benefit of having their cheques settled within a shorter timeframe and cheques drawn on a commercial bank in one participating country but processed at a commercial bank in another participating country will be cleared in the same timeframe as cheques drawn and processed at commercial banks in the same country.

The Bank also continued to ensure that the communication, settlement and back office functions of the Banking and Monetary Operations Department were executed with precision in order to minimise the inherent risks.

The first phase of the implementation of the Eastern Caribbean Automated Clearing House (ECACH) was completed successfully in the ECCB member countries

Legal Services

Legislative Agenda

The Bank made significant strides in pursuing its Legislative Reform Programme aimed at strengthening the resilience of the ECCU financial sector. Following consultations with the Attorneys General and Financial Secretaries of the participating governments, the Monetary Council approved the following pieces of legislation for submission to the respective governments for passage:

1. *Amendment to the Eastern Caribbean Central Bank Agreement* - Consistent with the basic principles on dealing with banks facing challenges, the framework on a ‘going concern’ resolution vis-à-vis a weak financial institution (emergency powers), Part IIA of the Agreement, has been augmented by including, by reference,

the enhanced resolution framework in the Banking Bill.

2. *Revised Banking Bill* – New provisions have been designed to maintain the soundness and stability of the financial system and to facilitate the establishment of a single financial space in the sub-region consistent with the Revised Treaty of Basseterre establishing the Organisation of the Eastern Caribbean States Economic Union. Specifically, the Basel Committee's Core Principles of Effective Banking Supervision have been incorporated to enhance the Central Bank's cadre of corrective measures where there are regulatory violations or where depositors are threatened. In addition, the licensing authority for commerical banks has been transferred to the ECCB.
3. *Eastern Caribbean Asset Management Corporation Agreement and Bill* - To facilitate the resolution of banks facing challenges, an agreement for the establishment of the Eastern Caribbean Asset Management Corporation (ECAMC) as a statutory entity was also prepared. The ECAMC will be established as a regional asset management vehicle for the purpose of acquiring, managing, and disposing of problem assets of approved financial institutions.

Institutional Arrangements

The Foreclosure Committee, constituted by membership from: OECS Bar Association; ECCU Bankers Association; Registrars of Land in Antigua and Barbuda, Grenada, St Kitts and Nevis and Saint Lucia; the ECCB; the OECS Commission; Attorney General's Chambers, Montserrat; Financial Secretary, Commonwealth of Dominica; and a consultant from The World Bank, conducted a review of the existing Foreclosure Legislation in the ECCU. The ultimate aim of the review was to assess the extent to which critical legislative, administrative and business practices can be made uniform and reformed to improve efficiencies in the process for land ownership and disposal of mortgage collateral in the context of a single financial space. The latter is critical to the smooth functioning of the commercial banking system.

The Committee has submitted a comprehensive report for approval by the Monetary Council, advocating uniformity of the laws on land ownership and mortgages and the development of efficient practices and procedures for the realisation of mortgage collateral within a single financial space.

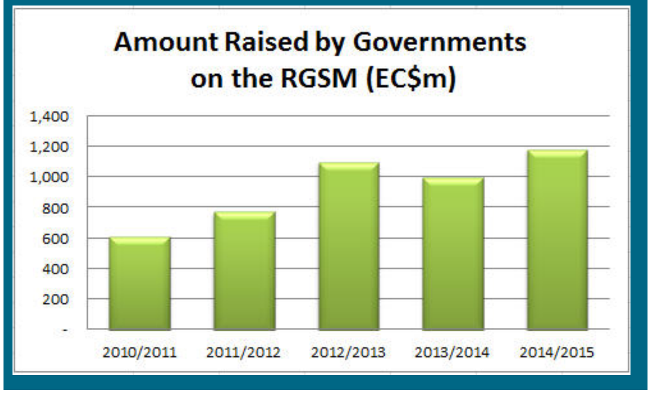
MONEY AND CAPITAL MARKET DEVELOPMENT

The ECCB, as fiscal agent to member governments, continued to support the operations and development of the Regional Government Securities Market (RGSM) as a major source of financing for member governments. Staff of the debt units in the respective ECCU countries received training in various aspects of the RGSM under the CANEC-DMAS Project.

The number of auctions on the RGSM increased to 56 during the financial year compared with 50 in the preceding year as governments relied more on the regional market for short and long term financing.

The amount raised, by the participating governments on the RGSM, increased by $181.8 million (18.2 per cent) to $1.2 billion in 2014/2015 (Chart IV). The value of Treasury bills increased by $128.5 million to $926.4 million; bonds rose by $53.9 million. The Bid to Cover Ratio (value of bids divided by the value of securities issued) increased to 123 from 121.

Chart IV



The strengthening of the RGSM was reflected in the Government of Saint Lucia issuing the first security with a maturity of over 10 years. The instrument was a 15-year bond that was fully subscribed at a rate of 7.95 per cent.

The increase in investor appetite led to a decline in coupon rates across the various tenors issued by the governments on the RGSM. As a result there was a downward shift in the ECCU weighted average yield curve. The ECCU weighted average rate on 91-day Treasury bills declined to 3.65 per cent from 4.08 per cent, while the rate on 180-day Treasury bills fell to 5.42 per cent from 6.00 per cent. The weighted average rate on five-year bonds fell by 48 basis points (bps) to 6.69 per cent, while the weighted average rate on the 10-year bond declined by 25 bps.

Institutions

Eastern Caribbean Enterprise Fund (ECEF)

The Eastern Caribbean Enterprise Fund (ECEF) remains a key component of the Bank's strategy for development of money and capital markets in the ECCU. The ECEF is envisioned to be a significant mobiliser of financial resources for the private sector in the region. It will complement the services of existing financial intermediaries by filling the gap with respect to access and availability of financial resources to propel growth in the ECCU.

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

Further analyses and evaluations were conducted on additional pipeline companies that were identified based on the earlier diagnostic and new market entrants. Efforts to capitalise the entity over the financial year were advanced with consultations with key strategic partners.

The ECCB assisted the Business Council in the finalisation of its Strategic Plan which will guide the Council in its operations and goals.

The OECS Business Council (OBC)

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

During the financial year, the ECCB assisted the Business Council in the finalisation of its Strategic Plan which will guide the Council in its operations and goals. The Council has formally introduced itself to the OECS Commission and the CARICOM Secretariat and met with regional and international stakeholders and partners. The Council provided input into the OECS Regional Partnership Strategy (RPS) of The World Bank and was charged with some responsibility for The World Bank's Caribbean Growth Forum initiative in the member states.

During the financial period, the Council established its permanent Board of Directors, with Mr Gordon Charles of Saint Lucia, as Chairman, and embarked on plans to establish its operations protocols.

THE BASIS OF POLICY

RESEARCH

The research programme for 2014/2015 revolved around the Bank's four main policy themes:

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

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

a. The Three-pronged Growth Strategy: An Elaboration;
b. Federal Reserve Tapering and Foreign Assets;
c. The Impact of the Global Financial Crisis on ECCU Households: An Initial Analysis;
d. Gold Book – ECCU Anecdotal Report: Energy Developments – A Comparative Analysis of Electricity Markets in the ECCU;
e. Blue Book – The Minimum Savings Rate as an Instrument of Monetary Policy;
f. Benefits of the ECCU Exchange Arrangements; and
g. The Adoption of the Mount Belvieu and US Gulf Coast Price Benchmarks for Fuel Products in the ECCU.

Additionally, the following research papers contributed to an enhanced understanding of the economic environment of ECCU member states, and as such created valuable information which can provide support to policy deliberations:

- An Examination of Interest Rate Convergence in the ECCU Banking Sector;
- Towards a Policy on Foreign Direct Investment within the Context of OECS Economic Union;
- Convergence and Macroeconomic Adjustment;
- The Tourism-Growth Link in the ECCU: Evidence from Panel Co-integration;
- The Investment Paradox;
- The Stock Market and Macroeconomic Variables: Evidence from the ECCU; and
- Foreign Demand, Exports and Diversification.

The Bank presented papers at two external conferences during the year: (i) the 34th Central Bank of Barbados Review Seminar and (ii) the 46th Annual Monetary Studies Conference organised by the Caribbean Centre for Money and Finance (CCMF). A paper titled: "The Impact of Natural Disasters on Public Debt Accumulation in Selected ECCU Countries", was presented at the Central Bank of Barbados Review Seminar. The paper examined the impact of natural disasters on ECCU economies, and proposed that severe disasters led to an increase in the public Debt to GDP Ratio. A study on "Macro-financial Linkages in the ECCU" was delivered at the Annual Monetary Studies Conference.

Two volumes of the ECCB Working Paper Series were published on the Bank's website during the period. The first volume, published in June 2014, include three papers:

1. A Critical Assessment of the Theoretical Framework of IMF Adjustment Programmes;
2. Accommodations, Occupancy Rates and ECCU Tourism Development; and
3. Has the Credit-GDP Relationship Changed?

The second volume was a Special Edition Working Paper Series, featuring the work of the 2014 University of the West Indies summer interns. The papers in that volume are:

- Trade Policy in the ECCU and Implications for Competitiveness: Assessing the Viability of the Canada-Caricom FTA;
- Exploring Opportunities for ECCU Tourism: Looking Toward the Emerging Economies; and
- Specialisation vs Diversification: The Implications for Economic Growth in the ECCU.

Economic Surveillance

The economic surveillance and intelligence gathering function of the Bank is concentrated in the Research Department, executed primarily through the Country Economist Unit. The main objective of the economic surveillance function is to monitor developments in member countries and disseminate macro data and information via the publication of quarterly reviews and annual reports. In addition, technical assistance is provided to member governments in their preparation for missions of international organisations, such as the IMF and The World Bank, and in the preparation of policy papers relating to fiscal and debt stabilisation issues in member countries.

In fulfilment of its surveillance mandate, the Bank prepared and published four economic and financial reviews for 2014 - three quarterly and one annual.

In addition, the Bank assisted Grenada in developing its "Home Grown Adjustment Programme" which facilitated the signing of the Extended Credit Facility arrangement with the IMF on 26 June 2014. The Bank remains engaged in this process and is represented on the National Monitoring Committee, and has participated in the official reviews conducted by the IMF. The Bank also participated in the IMF's staff visits and Article IV consultations to Antigua and Barbuda, St Kitts and Nevis, St Vincent and the Grenadines and Saint Lucia. The missions to St Kitts and Nevis mainly involved the completion of the final set of reviews for the 36-month Stand-By Arrangement (SBA) which was approved on 27 July 2011, while the one to Antigua and Barbuda focused on the Post Programme Monitoring discussions.

In collaboration with the World Bank, the Bank also participated in the OECS Regional Partnership Strategy (RPS) consultations which were held in three member countries; the Commonwealth of Dominica, Antigua and Barbuda and Grenada over the period 29 to 31 January 2014, as well as, the Caribbean Growth Forum First Accountability Workshops held in St Vincent and the Grenadines and Saint Lucia. Other notable accomplishments included; participation in the Center for Latin American Monetary Studies (CEMLA) missions to Grenada and Saint Lucia, where the main objectives were the assessment of debt sustainability issues and the development of a comprehensive debt relief strategy. Further technical assistance was provided to all member countries through various networking meetings, seminars and conferences.

The Bank will continue to work towards adjusting the surveillance system to meet new demands brought on by a changing economic landscape. This will involve strengthening the human capacity in the requisite Units, both at the Bank and in member countries, through upgrading their diagnostic and forecasting skill sets and also formalising the institutional arrangements across the currency union.

Information Storage and Dissemination

Statistics

The core deliverables of the Statistics Department are (i) Debt Management Advice and Capacity Building; (ii) Banking and Balance of Payments Statistics based on international standards; and (iii) Facilitation of effective and efficient statistical systems.

Debt Management Advice and Capacity Building

Through continued funding from the Department of Foreign Affairs, Trade and Development (DFATD) Canada, the Bank was able to extend its support to member countries in the area of debt management through the Canada-Eastern Caribbean Debt Management Advisory Service (CANEC-DMAS) Project. The CANEC-DMAS Project was originally scheduled to conclude in October 2014 but the DFATD approved an extension of the project to June 2017.

Training and technical assistance were provided to member countries to build capacity in some of the core areas of debt management such as: Debt Sustainability Analyses (DSA); formulation of Medium Term Debt

Management Strategies (MTDS); preparation of debt portfolio reviews; and debt data compilation. Particular emphasis was placed on the utilisation of debt management tools and the importance of ensuring that they are used in tandem with each other to guide policy decisions in the countries.

In collaboration with CEMLA, work was also undertaken in the area of debt relief and sustainability analysis. A regional workshop on debt analysis was held from 1 to 10 October 2014, followed by the preparation of national debt relief strategies by the countries which will in turn feed into a regional strategy for debt relief and debt sustainability. Case studies were also conducted on three countries – Antigua and Barbuda, Grenada and Saint Lucia.

Improvement in the management of debt statistics continued to be a focus during the year. In collaboration with the Commonwealth Secretariat, technical assistance was provided to member countries in upgrading their systems to a new version of the Commonwealth Secretariat Debt Recording and Management System (CS-DRMS) – the debt software used by the ECCU countries. This upgraded version of CS-DRMS, which was released in 2014 is expected to be a powerful and invaluable tool for managing public debt in many countries based on internationally regarded sound practices and a country specific environment. This therefore required that some countries merge their external and domestic databases that were housed in the previous version of the software as well as upgrade all pre-existing databases to this new version. Assistance was provided in testing the software and addressing issues related to the merger and upload of the new version. New servers were also provided to Anguilla and Antigua and Barbuda to facilitate this process.

ECCB Resident Representative, Anguilla
Ms Marilyn Bartlett-Richardson presents server to representatives of Anguilla Debt Unit

ECCB Resident Representative, Antigua and Barbuda
Mr Albert Lockhart presents server to representative of Antigua and Barbuda Debt Unit

Given the need for development of domestic markets and diversification of debt portfolios in the current environment, officers from the debt management units participated in a one-week workshop designed to expose staff to the role and functions of the RGSM in order to improve the efficiency in the management and operations of the market. To provide hands-on experience in the market, the CANEC-DMAS Project funded a one-week attachment of a debt officer from the Commonwealth of Dominica to the Debt and Investment Unit in Saint Lucia, given the Unit's experience with the RGSM. In addition, officers from the debt management units participated in an E-Learning course with the Jamaica Stock Exchange E-Campus on "Fundamentals of the Capital Market".

Banking and Balance of Payments Based on International Standards

Prudential Returns

The ECCB held two videoconferences with commercial banks on 11 July and 16 October 2014, to discuss the progress made to implement the revised prudential returns, which was scheduled for implementation in February 2015. Most of the banks have commenced work on updating their systems, while others are in the discussion phase with their software providers. The date for implementation of the revised prudential returns has been deferred to early 2016, to ensure that both the ECCB and the commercial banks have the appropriate software/systems in place to accommodate the transition. During the period 17 to 28 November 2014, a team from the IMF's Monetary and Financial Statistics Department visited the ECCB to provide technical assistance to staff in the compilation of monetary data and financial soundness indicators for the ECCU utilising the revised prudential returns.

Revision of the Balance of Payments Survey Forms

The Bank completed the revision of the Balance of Payments (BOP) survey instruments in line with the IMF Balance of Payments Manual, Sixth Edition. The updated survey instruments now incorporate the collection of stock financial data that are needed for the completion of the International Investment Position (IIP). The survey instruments were supplemented with additional questions related to trade in services and the Extended Balance of Payments (EBOPS) both for revenue and expenditure items.

The Caribbean Regional Technical Assistance Centre (CARTAC) provided technical and financial support for the BOP revision exercise in 2014/2015. The programme for finalising the survey instruments included meetings with the CARTAC External Sector Statistics Adviser in June and September 2014, to discuss the forms; and with the ECCU Central Statistics Offices in November 2014 to solicit feedback. In the first quarter of 2015, training missions were conducted in all member countries where the revised survey instruments were introduced to respondents. It is expected that the revised survey instruments would be utilised in the 2015 BOP compilation process.

Facilitation of Effective and Efficient Statistical Systems

National Accounts Statistics

A workshop was held in December 2014 to enhance the technical knowledge and skills of officers in the National Statistical Offices to apply the 2008 System of National Accounts (SNA) concepts and definitions in the compilation of national accounts. The workshop also sought to reinforce the officers' capacity to produce key national accounts statistics consistent with international standards.

The ECCB went live with Phase I of the new SAS Statistical Enterprise Solution on 15 December 2014. The solution provides a statistical system that supports web-based technology and covers collection, processing, storing and the dissemination of data

The Implementation Plan and Statement of Strategy for the 2008 SNA were finalised with member states. Work continued on expanding the scope and coverage of the national accounts during the year. Tables were prepared on the Rest of the World Accounts and the GDP Series were back-casted to 1977, maintaining consistency and providing a longer time series to study changes in the economy over time.

Statistical Enterprise Solution

The ECCB went live with Phase I of the new SAS Statistical Enterprise Solution on 15 December 2014. The solution provides a statistical system that supports web-based technology and covers collection, processing, storing and the dissemination of data. Phase I of the implementation focused on monetary and financial statistics. Commercial banks can now submit prudential returns to ECCB through a secure web portal and are no longer required to submit hard copies of the data. The public also has access via the Online Statistical Interactive Database to data previously available via the Economic and Financial Review and the Financial Statistics Yearbook.

SUPPORT FOR ECONOMIC DEVELOPMENT

Conferences, Seminars and Workshops

25th Annual Conference with Commercial Banks

Participants at the 25th Annual Conference with Commercial Banks held from 6 - 7 November 2014 at the ECCB Headquarters St Kitts and Nevis

The conference was held from 6 - 7 November 2014 under the theme, "The Evolution and Role of the Commercial Banking Sector in the ECCU and its Impact on Growth and Development." Over 50 representatives from commercial banks and non-bank financial institutions from the eight ECCB member countries attended. The topics covered included:

- ***Historical Perspective on the Evolution of Banking in the ECCU*** by Mr Marius St Rose, Chairman, Resolution Trust Corporation Limited.

- ***Current Developments and Challenges in the Banking Sector in the ECCU*** by Ms Jovica Williams, Bank Examiner, ECCB.
- ***Future Role for Commercial Banks in the Development of the ECCU*** by Dr Wilbert Bascom, President, Bascom Consulting Inc.

Networking, Consultative and Special Meetings

As part of its holistic approach to actively promote economic development within the ECCU, the ECCB, in addition to the regular meetings with its networking and consultation groups, convened the following meetings:

- Special Meeting with Senior Officials of Indigenous Commercial Banks;
- Retreat and Meetings of ECCU Indigenous Banks;
- Meetings with Ministers for Finance with the International Monetary Fund, The World Bank and the Caribbean Development Bank;
- Meeting of the Monetary Council and the ECCU Public Service Unions; and
- Retreat of the ECCU Financial Secretaries and the ECCB Board of Directors.

Public Education/Public Relations

The ECCB public education programme is an avenue for the Bank to build and nurture strong networks with private and public sector institutions and individuals across the region.

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

Financial Information Month 2014

Financial Information Month (FIM), initiated by the ECCB in 2002, is observed every October with a full schedule of educational and fun-filled activities.

The theme for Financial Information Month (FIM) 2014 was “Soar to Succeed”. The theme emphasised that one has to go beyond the ordinary commitment, vision, skills, efforts and actions in order to succeed.

Soar To Succeed
FINANCIAL INFORMATION MONTH OCTOBER 2014

The Fourth Annual Business Symposium and Innovation Forum hosted in collaboration with FIM partners throughout the ECCU was one of the featured events. Over 300 attendees from the eight ECCB member countries were afforded the opportunity to participate in the event which provided a medium for the exchange of ideas and perspectives and suggestions for practical solutions to address business growth in the sub-region. The topics addressed were as follows:

- ***Moving Business Capability Forward*** by Marguerite Orane, Strategy Consultant and Coach, Canada;

- ***Business Networking – Pooling Ideas and Finances to Achieve Global Competitiveness*** by Mr Melvin Edwards, Regional Business Consultant and international credit union specialist, Saint Lucia; and
- ***Bouncing Back From Set Backs and Failure,*** a panel discussion led by Mr Neil Owen, Director of Sales and New Business Development, Consolidated Systems and Supplies, St Kitts and Nevis and Mr Lennox Lampkin, Farmer and Former Managing Director of the Chamber of Industry and Commerce, St Vincent and the Grenadines.

FIM forms part of the ECCU public education programme which is coordinated by the ECCB in collaboration with over 140 FIM partners across the ECCU including financial institutions, government ministries, the media and community groups.

Stakeholder Capacity Building Initiatives

The ECCB conducted workshops, seminars and presentations on a wide array of topics which were designed to help build capacity through various avenues. The following were conducted:

- Youth symposium on Business Innovation Workshop for High School Students;
- Train the Trainers Workshop for Financial Practitioners on Competitiveness in the Financial Services Sector;
- Train the Trainers Workshop for Teachers on Business Competitiveness; and
- Customer Relationship Management Workshop for financial service providers hosted in partnership with Quintessence Consulting and Arcos Technologies Inc.

Financial and Business Training

In June 2014, the ECCB piloted the Small Business Workshop Part II with a view to continuing to enhance the competitiveness of micro and small business owners in the region. The workshop, which focuses on Business Innovation, Best Practices, Competitiveness and ICT, complements its predecessor in providing practical, real-world information on how to build a successful, profitable and dynamic small business.

Part I of the workshop was launched in 2012 and focused on Business Planning, Creative Thinking, Marketing and Financial Management.

Additionally, throughout the financial year the ECCB, in collaboration with key stakeholders, made several media presentations that serve as platforms to engage, inform and educate the public on financial, business, economic and entrepreneurial matters. Those initiatives played a valuable role in the continued development of the framework and architecture of the region’s economic system.

The ECCU Mentorship School Programme

A new initiative, the Grade Six Transition Session, was implemented as part of the ECCU Primary School Mentorship Programme. The session was held via videoconference and allowed the Grade Six students from across the ECCU to interact with each other. It also provided them with information and skills geared at preparing them for the secondary school environment; sharpening their social skills and enhancing their knowledge of the ECCU financial system.

The Mentorship Programme is executed in one primary school in each of the eight ECCB member countries. Officers from the ECCB along with guest facilitators engaged over 800 students and their teachers weekly in discussions and interactive activities related to general financial and economic concepts.

News Releases and Other Publications

As part of its annual agenda, the Bank provided information to the public on its activities, policies and programmes through the dissemination of news releases, events for the media and the publication of the monthly newsletter “Your Financial News”. Some of the articles addressed cyber security, business networking and the development of a competitive workforce.

Community Outreach

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

Dr Peter Blair Henry Delivering the 19^{th} Sir Arthur Lewis Memorial Lecture on 5 November 2014

19^{th} Sir Arthur Lewis Memorial Lecture

Dr Peter Blair Henry, Dean of New York University’s Leonard N Stern School of Business presented the 19^{th} Sir Arthur Lewis Memorial Lecture at the Sir Cecil Jacobs Auditorium, ECCB Headquarters on 5 November 2014.

Dr Henry holds a PhD in economics and served as a consultant to the Governors of the Bank of Jamaica and the ECCB. His research at the ECCB contributed to the intellectual foundation for establishing the first securities exchange in the ECCU Area.

Dr Henry spoke on the theme: “Capital and Labour in the 21^{st} Century: A Cautionary Tale.” He focused on the on-going relevance of Sir Arthur Lewis’s work as it relates to labour in the 21^{st} century and the two simultaneous, but otherwise seemingly unrelated, trends: the coming boom in the working age population of developing countries and creeping anti-capitalist sentiment.

Following the Lecture, Dr Peter Blair Henry presented the 6th Annual Sir Arthur Lewis Memorial Book Award to the Clarence Fitzroy Bryant College, St Kitts and Nevis on behalf of the ECCB.

Best Corporate Citizen Award

Hadyn Gittens, General Manager - Bank of Saint Lucia Ltd receives 2014 Best Corporate Citizen Award Rotating Plaque from Mrs Jean Nisbette-Bodie, Principal of the Irish Town Primary School - ECCB's Mentorship School in St Kitts and Nevis

The Bank of Saint Lucia Ltd was the recipient of the 2014 Best Corporate Citizen Award Among Commercial Banks. The bank was also awarded Good Corporate Citizen Awards for Educational Development, Environmental Awareness, Cultural Development and Customer Service. Good Corporate Citizen Awards were also presented to the 1st National Bank St Lucia Ltd for Financial Education and Empowerment, and Sports; and the National Bank of Dominica Ltd for Community Outreach and Social Services.

Since 1997, the ECCB has been presenting the Best Corporate Citizens Awards (BCCA) Among Commercial Banks in the ECCU in recognition of the banks' commitment to the overall well-being of the people they serve.

Entries are assessed in the following categories: Community Outreach and Social Services; Cultural Development; Customer Service; Educational Development; Environmental Awareness; Financial Education and Empowerment and Sports.

OECS Essay Competition

The OECS Essay Competition which the ECCB has been administering since 1996, is another example of the Bank's commitment to youth development within the ECCU. The OECS Essay Competition is intended to elicit the perspectives and perceptions of ECCU students on current economic, financial and social issues. The competition is also aimed at enlightening the region's youth on current affairs.

Three hundred and forty-six (346) students aged 14 to 19, from schools across the ECCU submitted entries for the 2014 competition. The topics addressed restructuring of the OECS education system, young people's engagement with social media and developing the creative talents of young people.

The 2015 competition was launched in December 2014. Students will present discourse on how mass media influence young people's ideas, choices and social development; do the current policies regarding students' use of cell phones at school need to be revised; and whether good character is more important than academic qualifications for young people who aspire to be political leaders in the OECS.

OECS/ECCB Under-23 Netball Tournament

In 2014 the ECCB collaborated with the OECS Commission and the Saint Lucia Netball Association to host the 24th OECS/ECCB Under 23 Netball Tournament in Saint Lucia from 27 June to 3 July.

The ECCB has been the official sponsor of the tournament since 1991, exhibiting its commitment to the physical and social development of the region's young women and its strong belief in regional integration.

Team Saint Lucia captured the winning trophy, snatching it from team St Vincent and the Grenadines which had won 14 times since the tournament was launched in 1991. The other teams which competed for the championship trophy were: Antigua and Barbuda, The Commonwealth of Dominica, Grenada, Montserrat and St Kitts and Nevis.

Team Saint Lucia, 2015 OECS/ECCB Under 23 Netball Champs pose with the Honourable Shawn Edward, Minister for Youth Development and Sports

THE BANK'S FINANCES

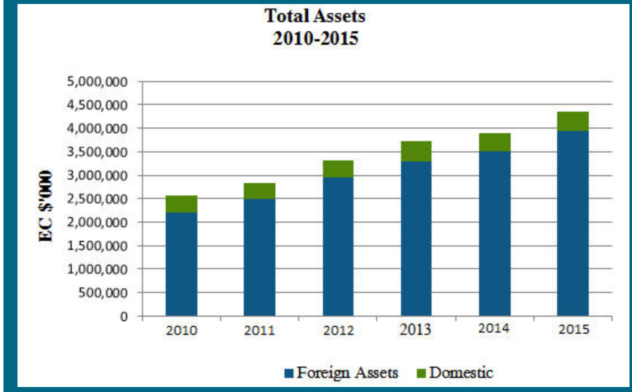
Financial Objectives

Consolidated Statement of Financial Position

As at 31 March 2015 the Bank's Total Assets stood at $4,346.3 million, an increase of $448.9 million (11.52 per cent) when compared to the position last year.

Foreign Assets increased by $441.3 million (12.58 per cent) due to inflows of grants and loans to member governments from international institutions and the purchase of foreign and regional currency notes from commercial banks. The reinvestment of income on foreign assets and gains on the sale of foreign securities held within the ECCB's foreign reserve portfolio also contributed to the increase. Chart V shows the trend in the Bank's total assets from 2010 to 2015.

Chart V



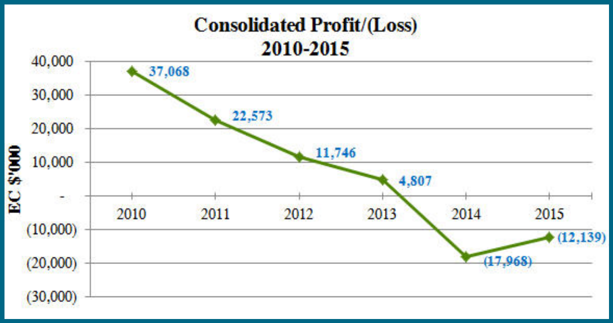
Domestic Assets increased by $7.6 million (1.96 per cent). The significant movements in that category were reported in Accounts Receivable and Prepaid Expenses and; Property, Plant and Equipment. Accounts Receivable and Prepaid Expenses increased by $13.1 million (63.49 per cent) as a result of an increase in prepaid currency costs. Property, Plant and Equipment expanded by $7.9 million (6.30 per cent) due to the revaluation of the Bank's property in accordance with International Financial Reporting Standards (IFRS). The increase was tempered by a decline of $14.0 million (17.20 per cent) in advances to Participating Governments, as member governments repaid short-term loans during the period. There was also a reduction of $3.7 million (3.52 per cent) in Participating Governments' Securities.

Total Liabilities expanded by $425.1 million (11.59 per cent) over the year. The most significant increases in this category were reported in Commercial Banks' Reserve balances, $188.3 million, Bankers' Collateral accounts, $147.6 million, Participating Governments' Call accounts, $56.8 million and Currency in Circulation, $53.0 million.

Total Equity increased by $23.8 million (10.33 per cent), mainly as a result of an increase of $21.5 million in the market value of foreign securities as the US Bond market strengthened over the financial year. There was also an increase of $11.6 million (16.45 per cent) in Revaluation Reserve due to revaluation of the Bank's property as at 31 March 2015. The effects of these increases were moderated by a decline of $12.0 million (9.48 per cent) in the General Reserve as funds were utilised to cover the Bank's net loss.

Chart VI shows the movement in consolidated profit/(loss) for the period 2010 to 2015.

Chart VI



Consolidated Statement of Income or Loss

The consolidated net loss for the year under review totalled $12.1 million, a decrease of $5.8 million (32.44 per cent) compared to the previous year's net loss of $17.9 million. The performance of the Bank's foreign reserve assets continued to be impacted negatively as international interest rates remained at historical lows. Operating Income for the period under review was $4.9 million (9.42 per cent) more than the previous year. This was mainly attributable to an increase of $7.7 million in realised gains on sale of foreign securities. Also contributing to the reduction in the net loss was a decrease of $1.0 million (1.35 per cent) in Operating Expenses.

THE BANK'S INTERNAL MANAGEMENT

Risk Management

The Internal Audit Department (IAD) provided significant support geared towards the successful implementation of Stage II of the Systems Applications and Products for Data Processing-Enterprise Resource Planning System (SAP-ERP) project given its critical nature. This phase resulted in the implementation of the banking Modules: In-house Cash, Treasury Risk Management and Bank Communication. On going audits of the SAP–ERP environment were also conducted. The audits focused on specific areas in the Human Resource Management module.

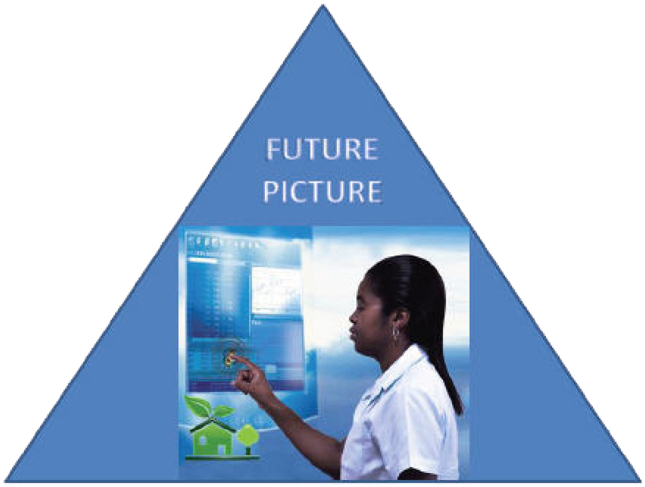
The IAD also provided oversight and consultancy support to other departments that implemented new systems; mainly the Security Solution and the Statistical Enterprise Solution, to ensure that they have robust controls and sound audit trail architecture.

The risk questionnaire issued to the Heads of Departments (HODs) during the year assessed their awareness of risks in the operating environment and ability to be change agents.

Information Technology and Security

SAP Core Banking Solution Implementation

The ECCB staff are now experiencing the Bank's "One Touch" vision which became a reality on 20 October 2014 with the implementation of the final stage of the SAP Enterprise Resource Planning (ERP) Solution.



That milestone has made evident the transformation of the technological platform of the Bank into an automated operational environment. As part of the process, the ECCB's banking functionalities were migrated to SAP with the use of the In-House Cash (IHC), Treasury and Risk Management (TRM), Bank Communication Management (BCM) and Payment Transaction System (PTS) modules affording users a more efficient and fully automated experience.

The ECCB is committed to continuing the innovation wave as it realises the information technology vision of "a fully automated operational environment supported by a virtualised platform ensuring 24/7 availability of information systems".

SAS Statistical Enterprise Solution Implementation

As noted earlier, the ECCB implemented the first phase of the Statistical Enterprise Solution (SES) on 15 December 2014 which focused on Monetary and Financial Statistics.

This new system is based on current technology using Statistical Analysis Software (SAS) which provides advanced analytics, business intelligence, data management, and predictive analytics. The solution also provides a web based secure portal for the ECCU commercial banks to submit their prudential returns as well as an Online Statistical Interactive Database for the public to access the ECCU's Monetary and Financial Statistics. SAS data can be published in HTML, PDF, Excel and other formats using the Output Delivery System. The SAS software suite has over 200 components including Basic Procedures and Data Management, Statistical Analysis, Graphics and Presentation, Econometrics and Time Series Analysis, Data Mining, Applications Facility and Interactive Matrix Language.

Human Resource Management

Human Resource Role

The Human Resource Department (HRD) executed its deliverables for the year in review based on its mission to provide exemplary human resource services to management and staff.

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

1. Recruiting and developing staff;
2. Encouraging a value centered highly motivated workforce;
3. Coordinating and implementing a select cadre of world class benefits;
4. Promoting high quality performance measured by the overall attainment of the Bank's mission; and
5. Managing payroll and other staff services.

Recruitment

Particular emphasis was placed on recruitment and selection of staff for the Bank Supervision and Research Departments. Given the ongoing global dynamics in these areas, this focus was necessary to ensure that staffing levels within these departments were optimal at all times to allow for the effective delivery of monitoring the financial and economic sectors of the ECCU and providing the technical input to inform the Central Bank's policy recommendations.

Staffing

As at 31 March 2015, the Bank's staff complement was two hundred and six (206).

Acknowledgements

The continued commitment of management and staff to fulfil the directives provided by the ECCB Monetary Council and Board of Directors was reflected in the Bank's performance during 2014/2015. We thank them all.

ACTIVITIES IN THE YEAR AHEAD

MONETARY STABILITY

Reserve Management

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

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

Currency Management

During the year, the Currency Management Department will:

- Focus on the withdrawal of the one and two cent coins from circulation including: engaging in discussions with the relevant stakeholders to ensure a seamless transition, implementing a public education campaign, and instituting a rounding system for the settlement of cash transactions in lieu of issuing the one and two cent coins as change.
- Propose for circulation, a limited quantity of painted commemorative circulation $1 coins in observance of the 50th Anniversary of the Eastern Caribbean Currency Authority (ECCA) banknotes. The coins should be issued in October 2015 as a part of the 2015 Financial Information Month (FIM) activities and should not be redeemed once issued.

FINANCIAL STABILITY

Bank Supervision

The Bank will continue to:

- Engage in policy development towards ensuring systemic stability and the efficacy of the enhanced regulatory and supervisory framework for the ECCU financial system;
- Monitor threats to financial system stability and implement resolutions, or measures to mitigate risk, at both the institutional and market levels;
- Execute the comprehensive resolution strategy and technical assistance programme for strengthening the resilience of the ECCU financial system;
- Implement an effective resolution mechanism comprising financial safety nets, including deposit insurance and the operationalisation of the ECAMC; and
- Facilitate the modernisation of the financial system by encouraging amalgamation of the national banks, credit unions and insurance companies.

Banking Services

The Bank will continue to improve the service it provides to its clients by monitoring regional and international developments to ensure that adequate risk mitigating and liquidity support mechanisms are in place to maintain financial stability in the Eastern Caribbean Currency Union by:

- Providing the necessary liquidity support to the financial system;
- Focusing on the further development of the Automated Clearing House;
- Exploring ways in which it can enhance its role as Fiscal Agent to member governments, particularly as it relates to the RGSM;
- Collaborating with member governments to develop a cohesive action plan for public sector financial management; and
- Facilitate member governments' enhancements of their cash management practices.

Payments Systems

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

- Strengthening the governance framework for the payment system through the implementation of regulations, procedures and policies for the payment system in general with a view to further tighten its internal controls, thus making them more robust;
- Collaborate with the Eastern Caribbean Automated Clearing House Services Incorporated (ECACHSI) and other stakeholders to develop the second phase of the Automated Clearing House (ACH) which will facilitate electronic payments; and
- Begin work on a third phase of the ECACH implementation which will facilitate the clearing and settlement of local USD cheques.

Legal Services

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

- Pursue the comprehensive legislative agenda for strengthening the resilience of the financial sector; and
- Provide legal support in the management and resolution of ABI Bank Ltd, NBA, and CCB.

MONEY AND CAPITAL MARKET DEVELOPMENT

During the financial year 2015/2016 the following will be undertaken:

- Collaborating with development partners to expand the investor base and strengthen investor relations as part of the process of further strengthening the market for longer dated securities.

THE BASIS OF POLICY

Research

The Bank will continue to fulfil its policy objectives during the upcoming financial year by:

- Conducting applied research on financial sector stability and resolution, fiscal and debt sustainability, growth and development, and monetary policy in a quasi-currency board arrangement;
- Disseminating selected research work through the Working Paper Series published on the Bank's website;

- Executing standard work programme activities which involve the production of the Annual Economic and Financial Review for 2014 and the Quarterly Economic and Financial Reviews for 2015, participate in technical missions to member states and provide advice on policy matters through the production of policy briefs and sector work;
- Preparing joint reports for the member countries using the Financial Programming and Debt Sustainability Analysis Reporting Framework;
- Participating in a CARTAC Sponsored Boot Camp, during May 2015;
- Assisting the member countries in the preparation and implementation of fiscal and debt management programmes; and
- Working closely with the Bank Supervision Department in the implementation of the Bank Resolution Strategy aimed at strengthening the financial sector.

Statistics

Some areas of focus for the DMAS Project in the upcoming financial year are:

- Standardisation of Public Debt Statistics in the ECCU;
- Upgraded Debt Databases and training on the new version of the CS-DRMS software;
- Regional Strategy for Debt Relief and Debt Sustainability; and
- Continued utilisation of debt management tools such as Medium Term Debt Strategies, Debt Portfolio Reviews and Debt Sustainability Analyses.

During the financial year 2015/2016 the following will be undertaken:

- Implementing Phase II of the SAS Statistical Enterprise Solution which will focus on incorporating the revised commercial bank prudential returns and will expand the database to include data submitted by the non-bank financial institutions regulated by the ECCB; and
- Implementing the recommendations of the 2008 SNA that are applicable to the ECCU and rebasing the national accounts commencing with the move to ISIC Rev 4, which is a newer classification system for the national accounts statistics.

SUPPORT FOR ECONOMIC DEVELOPMENT

Conferences and Seminars

The Bank will host the following conferences:

- 20th Sir Arthur Lewis Memorial Lecture on 4 November 2015
- 26th Annual Commercial Banks Conference during 5-6 November 2015
- OECS Essay Competition Regional Discussion

Corporate Relations

The Bank will:

- Expand networks, deepen collaboration with partners and develop stakeholder relationships through training and the development of initiatives;

- Augment capacity building among teachers, financial institutions and the media through Train the Trainers workshops focusing on economic, financial and business issues; and
- Continue its Public Education Programme with the schools through its primary school mentorship programme and secondary schools initiatives including the annual OECS Essay Competition.

THE BANK'S FINANCES

For the 2015/2016 financial year, the Accounting Department will continue to:

- Place emphasis on improving operating efficiency in an effort to contain expenditure;
- Focus on strengthening the accounting framework and controls environment, thus ensuring financial results continue to be reported fairly in accordance with International Financial Reporting Standards; and
- Institute and ensure policies and procedures improve efficiencies in operations.

THE BANK'S INTERNAL MANAGEMENT

Risk Management

For the upcoming financial year, 2015/2016, the IAD will focus on:

- Preparation of the department's strategic plan for the five-year period 2015 to 2020;
- The redesign of audit programmes for operational departments whose processes were revamped as a result of the implementation of stage II of the SAP-ERP system;
- Continued assessment of the effectiveness of the policy departments in supporting the Bank's objective to produce timely and effective policy advice to member governments;
- Follow-up audit of the Bank Supervision Department;
- Preparation for an external quality assessment of the department; and
- Oversight of the implementation of the Bank's Resolution Strategy to ensure that execution is aligned with the approved strategy and that the overall goals and objectives are achieved.

Information Technology and Security

During the financial year 2015/2016 the following will be undertaken:

- Implementation of Phase II of the SAS Statistical Enterprise Solution, which will focus on incorporating the revised commercial bank prudential returns, and expand the database to include data submitted by the non-bank financial institutions regulated by the ECCB;

- Implementation of the Disaster Recovery and Business Continuity Cloud Based Solution which will improve the Bank's business recovery capability. Implementation of an IP Telephony Solution which will improve the communication capability within the Bank and across the ECCU.

Human Resource Management

In the upcoming year, the HRD will focus on the following objectives:

- Development and implemention of proactive and effective Human Resource Strategies;
- Continued capacity building and cross training to ensure peak utilisation of the HR component of the Enterprise Resource Planning SAP system; and
- Fostering ongoing employee professional development based on recommended interventions to address noted and expected performance gaps and developmental needs.

CORPORATE GOVERNANCE FRAMEWORK

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

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

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

The corporate governance framework is guided by the following:

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

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

Management and Oversight

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

Monetary Council

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

The Chairmanship of the Council is rotated annually among member countries in alphabetical order. The current Chairman is Dr The Honourable Ralph Gonsalves, Council Member for St Vincent and the Grenadines. He assumed office on 25 July 2014 following the Handing Over Ceremony. Prime Minister Gonsalves will transfer the chairmanship of the Council to the Member for Anguilla in July 2015.

During the year, three new members were appointed to the Council:

1. The Honourable Gaston Browne – Antigua and Barbuda
2. The Honourable Donaldson Romeo – Montserrat
3. Dr The Honourable Timothy Harris – St Kitts and Nevis

Incoming Chairman of the ECCB Monetary Council delivers Incoming Speech during the Handing Over Ceremony in St Vincent and the Grenadines on 25 July 2014

Governor Venner (Front Row - right) and Members of the ECCB Monetary Council following the Handing Over Ceremony for the Change in Chairmanship of the Council held in St Vincent and the Grenadines on 25 July 2014
Front Row L-R - Honourable Hubert Hughes - Anguilla, Dr The Right Honourable Keith Mitchell - Grenada, Dr The Honourable Ralph Gonsalves - St Vincent and the Grenadines, Back Row L-R: Honourable Reuben Meade - Montserrat, Hon Roosevelt Skerrit - Commonwealth of Dominica, Honourable Dr Kenny Anthony - Saint Lucia, Honourable Gaston Browne - Antigua and Barbuda

Article 7 (2) of the ECCB Agreement states, "The Council shall meet not less than twice each [calendar] year to receive from the Governor the Bank's report on monetary and credit conditions and to provide directives and guidelines on matters of monetary and credit policy to the Bank and for such other purposes as are prescribed under this Agreement." During the financial year, the Council met for three regular meetings on 25 July 2014, 31 October 2014 and 24 February 2015.

The Ministerial Subcommittees of the Monetary Council on Banking, and Fiscal and Debt met during the year via videoconference to address issues related to the respective sectors.

Board of Directors

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

The Board consists of ten Directors. Eight of the Directors, one from each of the eight territories, are appointed by the Monetary Council on the recommendation of the respective Participating Government. They are appointed for terms not exceeding three years and are eligible for re-appointment in accordance with Article 9 (2) of the ECCB Agreement. The Governor and the Deputy Governor are Executive Directors. They are appointed for a period not exceeding five years and are eligible for re-appointment. During the year, Mr Francis Fontenelle was appointed as the new Board Member for Saint Lucia.

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

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

- Board Audit Committee;
- Board Investment Committee;
- Budget and Personnel Committee; and
- Monetary Policy and Fiscal Coordination.

The Governor

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

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

The Deputy Governor

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

Risk Managment and Internal Control

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

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

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

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

External Auditors

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

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

Integrity and Financial Reporting

Disclosure and Transparency

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

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

Compliance with International Financial Reporting Standards

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

Code of Conduct

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

- The Eastern Caribbean Central Bank Corporate Governance Charter;
- Media Relations Policy;
- Information Systems and Security Policy;
- Eastern Caribbean Staff Regulations;
- Training and Staff Development Policy;
- The ECCB's Guide – Protocol, Diplomacy and Etiquette;
- The ECCB's Guide – Effective Communication;
- The ECCB's Guide – Successful Meetings and Events Management; and
- Energy Management Policy.

Human Resource Management

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

Relationship with Stakeholders

Corporate Social Responsibility

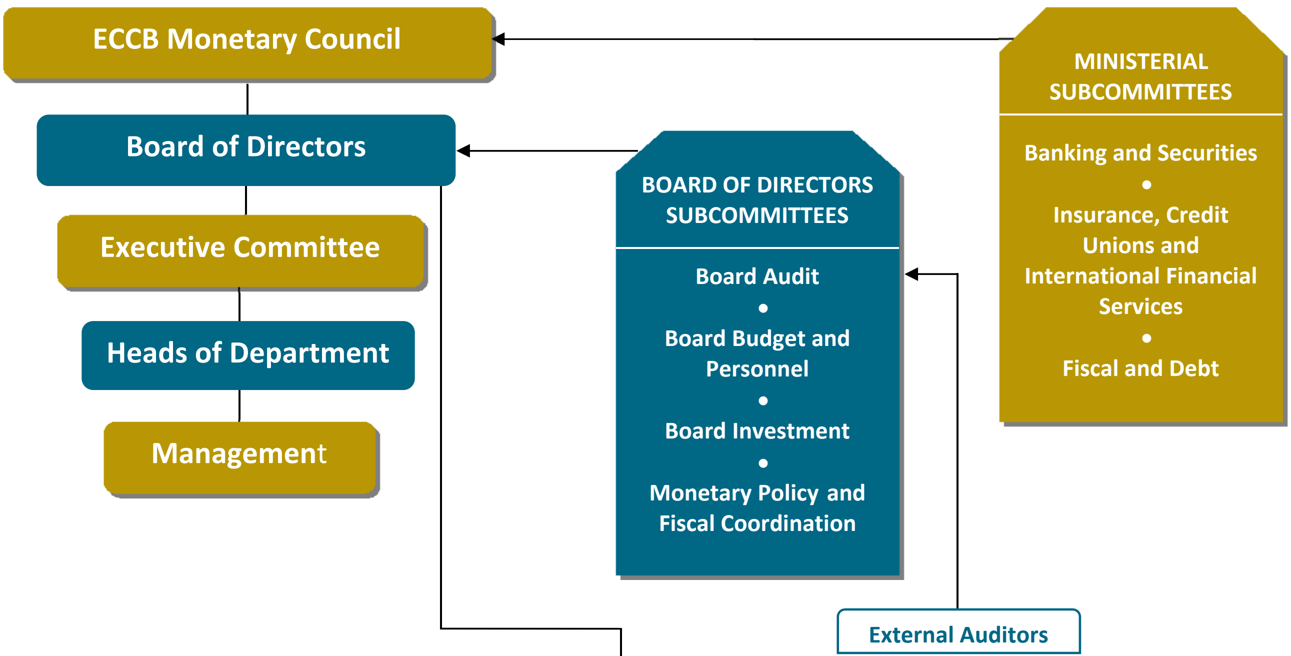
The ECCB recognises its corporate social responsibility to the people of the region, a responsibility that is enshrined in its mandate to promote a sound financial structure conducive to the balanced growth and development of its member states [Article 4(3) of the ECCB Agreement, 1983]. The Bank's execution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

Stakeholder Involvement

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

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

CORPORATE GOVERNANCE FRAMEWORK



Management and Oversight	• Accountability and Control Systems • Policy and Administration • Financial System Stability • Currency Stability
Risk Management and Internal Control	• Control Environment • External and Internal Auditors • Risk Management Environment
Integrity in Financial Reporting	• Disclosure and Transparency • Compliance with International Standards • Internal and External Audit Function
Code of Conduct	• Positive Job Attitude • Excellence • Teamwork • Integrity • Leadership • Adherence to labour codes and laws
Relationship with Stakeholders	• Information sharing • Consultation and networking • Public Education • Community Outreach

AUDITORS' REPORT
AND
CONSOLIDATED FINANCIAL STATEMENTS

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Antigua

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INDEPENDENT AUDITORS' REPORT

To the Participating Governments of
EASTERN CARIBBEAN CENTRAL BANK

We have audited the accompanying consolidated financial statements of Eastern Caribbean Central Bank and its subsidiary ("the Bank"), which comprise the consolidated statement of financial position as at March 31, 2015, the consolidated statements of income or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Bank as at March 31, 2015, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG

Chartered Accountants
June 8, 2015

Antigua and Barbuda

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(expressed in Eastern Caribbean dollars) As of March 31, 2015

	Notes	March 31, 2015 $	March 31, 2014 $
Assets			
Foreign assets			
Regional and foreign currencies		**33,464,613**	37,749,069
Balances with other central banks	4	**13,034,602**	5,080,129
Balances with foreign banks	4	**73,225**	86,165
Money market instruments and money at call	5	**1,357,560,282**	1,175,024,739
Financial assets held for trading	12	**4,495,651**	1,388,227
Available-for-sale - foreign investment securities	8	**2,539,942,707**	2,287,942,394
		3,948,571,080	3,507,270,723
Domestic assets			
Cash and balances with local banks		**2,464,446**	2,049,083
Due from local banks		**9,572,418**	9,569,363
Term deposits	6	**11,022,652**	11,533,371
Available-for-sale - domestic investment securities	8	**421,686**	421,686
Loans and receivables - participating governments' securities	9	**100,225,950**	103,878,763
Loans and receivables - participating governments' advances	10	**67,490,727**	81,510,157
Accounts receivable and prepaid expenses	11	**33,765,445**	20,653,079
Investments in associated undertakings using the equity method	13	**15,471,257**	14,911,744
Intangible assets	14	**4,291,175**	3,372,882
Property, plant and equipment	15	**132,530,418**	124,673,483
Pension asset	21	**20,517,000**	17,572,000
		397,773,174	390,145,611
Total Assets		**4,346,344,254**	3,897,416,334
Liabilities			
Demand and deposit liabilities - domestic	16	**4,088,664,679**	3,660,997,177
Demand and deposit liabilities - foreign	17	**884,599**	772,956
Financial liabilities held for trading	19	**1,566,227**	4,207,943
IMF government general resource accounts	18	**1,087,376**	1,085,333
Total Liabilities		**4,092,202,881**	3,667,063,409
Equity			
General reserve		**114,891,311**	126,926,236
Other reserves	20	**139,250,062**	103,426,689
Total Equity		**254,141,373**	230,352,925
Total Liabilities and Equity		**4,346,344,254**	3,897,416,334

Approved for issue by the Board of Directors on June 8, 2015.

K. Dwight Venner
_______________ Governor _______________ Director - Accounting Department

The notes on pages 50 to 129 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME OR LOSS

(expressed in Eastern Caribbean dollars) For the year ended March 31, 2015

	Notes	2015 $	2014 $
Interest income	25	**37,164,958**	35,256,303
Interest expense	25	**(1,881)**	(5,569)
Net interest income		**37,163,077**	35,250,734
Commission income – foreign transactions		**8,767,735**	9,719,199
Commission income – other transactions		**2,230,075**	2,229,258
Gain (loss) on disposal of available-for-sale securities	8	**7,570,215**	(140,936)
Other income	26	**870,656**	4,668,692
Operating income		**56,601,758**	51,726,947
Salaries, pensions and other staff benefits	27	**28,896,972**	30,849,274
Currency expenses		**9,725,775**	8,791,543
Losses on foreign exchange		**1,650,912**	3,720,937
Amortisation	14	**1,433,209**	974,986
Depreciation	15	**4,459,623**	4,489,425
Administrative and general expenses	28	**23,801,825**	22,100,481
Operating expenses		**69,968,316**	70,926,646
Operating loss		**(13,366,558)**	(19,199,699)
Share of profit of associates	13	**1,227,633**	1,231,878
Net loss for the year		**(12,138,925)**	(17,967,821)

The notes on pages 50 to 129 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(expressed in Eastern Caribbean dollars) For the year ended March 31, 2015

	2015 $	2014 $
Net loss for the year	**(12,138,925)**	(17,967,821)
Other comprehensive income:		
Items that will never be reclassified subsequently to profit or loss		
Actuarial gains on defined benefit pension plan	**3,049,000**	11,291,000
Revaluation adjustment	**11,598,841**	-
Items that are or may be subsequently reclassified to profit or loss		
Net change in fair value of available-for-sale financial assets	**21,279,532**	(24,553,404)
Total comprehensive income/(loss) for the year	**23,788,448**	(31,230,225)

The notes on pages 50 to 129 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

(expressed in Eastern Caribbean dollars) For the year ended March 31, 2015

	2015 $	2014 $
Cash flows from operating activities		
Net loss for the year	**(12,138,925)**	(17,967,821)
Items not affecting cash		
Depreciation	**4,459,623**	4,489,425
Amortisation	**1,433,209**	974,986
(Gain) loss on disposal of available-for-sale securities	**(7,570,215)**	140,936
Share of profit of associates	**(1,227,633)**	(1,231,878)
(Gain) loss on disposal of property, plant and equipment	**(1,596)**	1,092,357
Effect of changes in market value of money market instruments	**(220,115)**	348,690
Net pension cost during the year	**2,423,000**	3,365,000
Conversion of expense to investment in associate	**-**	(20,000)
Interest income	**(37,164,958)**	(35,256,303)
Interest expense	**1,881**	5,569
Cash flows used in operations before changes in operating assets and liabilities	**(50,005,729)**	(44,059,039)
Changes in operating assets and liabilities		
Decrease in term deposits	**503,024**	1,010,085
Decrease (increase) in money market instruments	**67,437,795**	(74,225,088)
Decrease in loans and receivables - participating governments' securities	**5,653,965**	5,485,122
Decrease in loans and advances - participating governments' advances	**14,019,430**	24,600,141
(Increase) decrease in accounts receivable and prepaid expenses	**(13,112,366)**	7,329,594
(Increase) decrease in financial assets held for trading	**(3,107,424)**	3,266,744
(Decrease) increase in financial liabilities held for trading	**(2,641,716)**	1,929,713
Contribution to pension scheme	**(2,319,000)**	(2,391,000)
Increase in demand and deposit liabilities - domestic and foreign	**427,779,181**	212,761,016
Increase (decrease) in IMF government general resource accounts	**2,043**	(2,093)
Decrease in other liabilities and payables	**-**	(2,584,867)
Cash from operations before interest	**444,209,203**	133,120,328
Interest paid	**(1,916)**	(5,582)
Interest received	**34,879,515**	36,866,737
Net cash from operating activities	**479,086,802**	169,981,483
Cash flows from investing activities		
Purchase of property, plant and equipment	**(732,122)**	(3,167,882)
Purchase of intangible assets	**(2,351,502)**	(1,763,224)
Proceeds from disposal of property, plant and equipment	**16,000**	4,500
Proceeds from disposal of available-for-sale securities	**4,071,884,951**	4,512,036,647
Purchase of available-for-sale - foreign investment securities	**(4,294,537,603)**	(4,826,763,581)
Dividends received from associates	**668,120**	668,120
Net cash used in investing activities	**(225,052,156)**	(318,985,420)

The notes on pages 50 to 129 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS…*Continued*

(expressed in Eastern Caribbean dollars) For the year ended March 31, 2015

	2015 $	2014 $
Cash flows from financing activities		
Portion of current year's loss funded by participating governments	-	7,773,929
Net cash from financing activities	-	7,773,929
Net increase (decrease) in cash and cash equivalents	**254,034,646**	(141,230,008)
Cash and cash equivalents, beginning of year	**1,094,576,724**	1,235,806,732
Cash and cash equivalents, end of year (note 24)	**1,348,611,370**	1,094,576,724

The notes on pages 50 to 129 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(expressed in Eastern Caribbean dollars) For the year ended March 31, 2015

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

The notes on pages 50 to 129 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(expressed in Eastern Caribbean dollars)

For the year ended March 31, 2015

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

The notes on pages 50 to 129 are an integral part of these consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2015

1. Incorporation and principal activity

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

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

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

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

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2015

2. Summary of significant accounting policies

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

a) Basis of preparation

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

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

The consolidated financial statements were authorised for issue by the Board of Directors on 8 June 2015.

b) Basis of consolidation

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

Subsidiaries

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2015

2. Summary of significant accounting policies*…continued*

b) Basis of consolidation*…continued*

Associates

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

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

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

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

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

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

c) New and revised accounting standards and interpretations

Standards, interpretations and amendments to existing standards effective during the current year

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2015

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

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

Standards, interpretations and amendments to existing standards effective during the current year*...continued*

- IAS 32 - 'Financial Instruments: Disclosure and Presentation' (Amendments) - Offsetting Financial Assets and Financial Liabilities (effective 1 January 2014). The amendments provide application guidance to address inconsistencies identified in applying some of the offsetting rules. The amendments clarify some of the requirements for offsetting financial asset and financial liabilities on the statement of financial position. The amendments do not change the current offsetting model in IAS 32, which requires an entity to offset a financial asset and financial liability in the statement of financial position only when the entity currently has a legally enforceable right of set-off and intends either to settle the asset and liability on a net basis or to realise the asset and settle the liability simultaneously.

  The amendments clarify the meaning of the phrase 'currently has a legally enforceable right to set-off' by stating that the right of set off must be available today and not be contingent on a future event and must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) the event of default and (iii) the event of insolvency or bankruptcy. The amendments also clarify that gross settlement mechanisms (such as through a clearing house) with features that both (i) eliminate credit and liquidity risk and (ii) process receivables and payables in a single settlement process, are effectively equivalent to net settlement; they would therefore satisfy the IAS 32 criterion in these instances. There was no material impact on the Bank from adoption of the amended standard during the year.

- Amendments to IFRS 10, IFRS 12 and IAS 27, 'Investment Entities' (IFRS 10 - Consolidated Financial Statements, IFRS 12 – Disclosure of Interests in Other Entities, IAS 27 - Separate Financial Statements) (effective 1 January 2014). These amendments apply to an investment entity. The amendment to IFRS 10 defines an investment entity and introduces an exemption from consolidation. The amendment to IFRS 12 also introduces disclosures that an investment entity is required to make.

  The amendments apply to investments in subsidiaries, joint ventures and associates held by a reporting entity that meets the definition of an investment entity. The amendment introduced a definition of an investment entity as an entity that (i) obtains funds from investors for the purpose of providing them with investment management services, (ii) commits to its investors that its business purpose is to invest funds solely for capital appreciation or investment income and (iii) measures and evaluates its investments on a fair value basis. An investment entity is required to account for its subsidiaries at fair value through profit or loss, and to consolidate only those subsidiaries that provide services that are related to the entity's investment activities. IFRS 12 was amended to introduce new disclosures, including any significant judgements made in determining whether an entity is an investment entity and information about financial or other support to an unconsolidated subsidiary, whether intended or already provided to the subsidiary. There was no material impact on the Bank from adoption of the amended standards during the year.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2015

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

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

Standards, interpretations and amendments to existing standards effective during the current year...*continued*

- IAS 36 - 'Impairment of Assets' (Amendments) - Recoverable Amount Disclosures for Non-Financial Assets – (effective 1 January 2014). The amendments clarify the disclosure requirements in respect of fair value less costs of disposal. The amendments require disclosure of additional information about the fair value measurement of impaired assets when the recoverable amount is based on fair value less costs of disposal. The amendments also require disclosure of information about the discount rates that have been used when the recoverable amount is based on fair value less costs of disposal using a present value technique. The amendments harmonise disclosure requirements between value in use and fair value less costs of disposal. There was no material impact on the Bank from the adoption of these amendments during the year.

- IAS 39 'Financial Instruments: Recognition and Measurement' (Amendments) - (effective 1 January 2014). Under IAS 39, an entity is required to discontinue hedge accounting for a derivative that has been designated as a hedging instrument where the derivative is novated to a central counterparty; this is because the original derivative no longer exists. The new derivative with the central counterparty is recognised at the time of the novation. As a result, the amendment to IAS 39 provides relief from discontinuing hedge accounting when novation of a hedging instrument to a central counterparty meets specified criteria. There was no material impact on the Bank from the adoption of these amendments during the year.

- IFRIC 21 - Levies (effective 1 January 2014). IFRIC 21 sets out the accounting for an obligation to pay a levy that is not income tax. IFRIC 21 is applicable to all levies other than outflows that are within the scope of other standards (e.g. IAS 12) and fines or other penalties for breaches of legislation. Levies are imposed by governments in accordance with legislation. The interpretation clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation.

Standards, amendments and interpretations issued but not yet effective

Certain new standards, amendments and interpretations of existing standards have been issued and are effective for annual periods beginning on or after 1 January, 2015 or later periods and have not been early adopted by the Bank. The Bank is currently assessing the impact of adopting these standards, amendments and interpretations and has determined that the following may be relevant to its operations.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2015

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

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

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

- IFRS 9, 'Financial Instruments' (effective 1 January 2018). In July 2014, the IASB issued IFRS 9 which is the comprehensive standard to replace IAS 39 'Financial Instruments: Recognition and Measurement', and includes requirements for classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting. Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL). Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income. The Bank is still assessing the potential impact of adoption and whether it should consider early adoption.

- IAS 16, 'Property, Plant and Equipment' and IAS 38, 'Intangible Assets' (Amendments) - Clarification of Acceptable Methods of Depreciation and Amortisation, (effective 1 January 2016). In these amendments, the IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.

- IAS 19 'Employee Benefits' (Amendment) (effective 1 July 2014). This amendment clarifies the application of IAS 19, 'Employee benefits' (2011) – referred to as 'IAS 19R', to plans that require employees or third parties to contribute towards the cost of benefits. The amendment does not affect the accounting for voluntary contributions. The amendment allows entities to recognise employee contributions as a reduction in the service cost in the period in which the related employee service is rendered, instead of attributing the contributions to the periods of service, if the amount of the employee contributions is independent of the number of years of service. The amendment will allow (but not require) many entities to continue accounting for employee contributions using their existing accounting policy, rather than spreading them over the employees' working lives.

- IAS 27, 'Separate Financial Statements' (effective 1 January 2016). The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2015

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

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

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

The Bank did not early-adopt any new or amended standards for the year ended March 31, 2015.

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

d) Use of judgments and estimates

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

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

e) Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2015

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

e) Foreign currency translation...*continued*

Transactions and balances...*continued*

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

f) Financial assets and liabilities

Financial assets

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

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

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

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

(ii) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than: (a) those that the Bank upon initial recognition designates as available-for-sale; or (b) those for which the holder may not recover substantially all its initial investment, other than because of credit deterioration. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2015

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

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

Financial assets...*continued*

(ii) Loans and receivables: continued

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 consolidated statement of income or loss and is reported as "interest income". In the case of an impairment, the impairment loss is reported as a deduction from the carrying value of the loan and recognised in the consolidated statement of income or loss as "loan impairment charges".

(iii) Available-for-sale financial assets

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

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

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

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

(iv) Recognition

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

(v) Derecognition

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2015

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

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

Financial Liabilities

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

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2015

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

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

Determination of fair value of financial assests and liabilities...*continued*

In cases when the fair value of unlisted equity instruments cannot be determined reliably, the instruments are carried at cost less impairment. The fair value for loans and advances as well as liabilities to the Bank's customers is determined using a present value model on the basis of contractually agreed cash flows, taking into account credit quality, liquidity and costs.

g) Classes of financial instruments

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

Financial assets are grouped as follows:

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

Financial liabilities are grouped as follows:

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

h) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when, 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2015

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

i) Derivative financial instruments: *...continued*

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

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

j) Impairment of financial assets

(a) Assets carried at amortised cost

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

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

i. significant financial difficulty of the issuer or obligor;
ii. a breach of contract, such as a default or delinquency in interest or principal payments;
iii. the Bank granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;
iv. it is 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2015

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

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

(a) Assets carried at amortised cost…continued

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

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

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

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

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

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets and historical loss experience for assets with credit risk characteristics similar to those being evaluated. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2015

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

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

(a) Assets carried at amortised cost…continued

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

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

(b) Assets classified as available-for-sale

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

k) Cash and cash equivalents

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

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

l) Property, plant, equipment and depreciation

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2015

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

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

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

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

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

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

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

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

Property, plant and equipment are periodically reviewed for impairment or when indicators exist that there may be impairment. When the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. No property, plant and equipment were impaired as at March 31, 2015 (2014: Nil).

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2015

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

m) Intangible assets

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

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

n) Impairment of non-financial assets

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

o) Provisions

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2015

2. Summary of significant accounting policies…*continued*

p) Other liabilities and payables

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

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

q) Revenue recognition

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

Interest income and expense

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

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

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

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

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

Commissions' income

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2015

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

r) Leases

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

(ii) Finance leases

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

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

s) Employee benefits

Staff pension plan

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2015

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

s) Employee benefits*...continued*

Staff pension plan*...continued*

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

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

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

Prepaid employee short term benefit

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

t) General reserve

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

For the year ending March 31, 2015 an amount of $12,034,925 was transferred from the General Reserves to cover the deficit position of the Bank. In 2014, an amount of $9,219,892 was transferred from General Reserves to partially cover the deficit position of the Bank. At March 31, 2015, the general reserve ratio stood at 2.81% (2014: 3.46%) which is 2.19% (2014: 1.54%) below the 5% target.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2015

2. Summary of significant accounting policies…*continued*

u) Foreign reserve assets

Under Article 24 (2) of the Eastern Caribbean Central Bank Agreement Act 1983, the Bank is required to maintain a reserve of external assets not less than 60% of its notes and coins in circulation, and other demand liabilities. The percentage of foreign reserve assets to demand liabilities at March 31, 2015 was 96.52% (2014: 95.68%).

v) Commemorative coins

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

w) Taxation

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

In accordance with Section 5 sub-section (1) and (2) of the Eastern Caribbean Home Mortgage Bank ("ECHMB") Agreement Act, 1994 the ECHMB is exempt from stamp duties and corporation tax. The Bank's other associated company, the Eastern Caribbean Securities Exchange Limited ("ECSE"), is exempt from corporation and other taxes. By letter dated May 27, 2003, ECSE was granted a ten-year (10) tax holiday from corporation and other taxes. On May 24, 2012, the Company applied for a further ten-year (10) tax holiday. In the opinion of the Director of ECSE, there should be no hindrance to the approval of this exemption.

3. Financial risk management

a) Introduction and overview

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2015

3. Financial risk management…*continued*

a) Introduction and overview…*continued*

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

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

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

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

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

b) Credit risk

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

Credit risk measurement and mitigation policies

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2015

3. Financial risk management...*continued*

b) Credit risk...*continued*

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

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

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

The table below presents an analysis of the Bank's foreign debt securities (note 8) and money market instruments and money at call (note 5) by rating agency designation at March 31, 2015 and March 31, 2014, based on Moody's or equivalent:

Available-for-sale securities

	2015	2014
Rated (Moody's)		
Foreign securities	**$**	**$**
Aaa	**2,179,360,442**	2,105,240,347
Aa1	**209,441,928**	–
Aa3	**72,763,471**	–
A1	**66,335,060**	–
Aa	**-**	170,938,040
	2,527,900,901	2,276,178,387

	2015	2014
Unrated		
	$	**$**
Domestic securities	**421,686**	421,686
	421,686	421,686

Money market instruments and money at call

	2015	2014
Rated (Moody's)		
Commercial paper	**$**	**$**
A1	**130,909,815**	295,985,194
Aa3	**107,384,937**	-
Aa1	**13,498,427**	-
	251,793,179	295,985,194

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2015

3. Financial risk management...*continued*

b) Credit risk...*continued*

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

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

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

Unrated	**2015**	**2014**
	$	**$**
Money at call	**660,388,697**	330,118,404
Term deposits	**445,261,776**	548,818,698
	1,105,650,473	878,937,102

Loans and advances to participating governments

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

Due from local banks

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2015

3. Financial risk management…*continued*

b) Credit risk…*continued*

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

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

	2015 $	2014 $
As at March 31		
Assets		
Foreign assets		
Balances with other central banks	**13,034,602**	5,080,129
Balances with foreign banks	**73,225**	86,165
Money market instruments and money at call	**1,357,560,282**	1,175,024,739
Financial assets held for trading	**4,495,651**	1,388,227
Available-for-sale - foreign investment securities	**2,539,942,707**	2,287,942,394
	3,915,106,467	3,469,521,654
Domestic assets		
Cash and balances with local banks	**2,464,446**	2,049,083
Due from local banks	**9,572,418**	9,569,363
Term deposits	**11,022,652**	11,533,371
Loans and receivables - participating governments' securities	**100,225,950**	103,878,763
Loans and receivables - participating governments' advances	**67,490,727**	81,510,157
Accounts receivable	**7,063,523**	6,710,091
Available-for-sale - domestic investment securities	**421,686**	421,686
	198,261,402	215,672,514
Total on-balance sheet credit risk	**4,113,367,869**	3,685,194,168

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2015

3. Financial risk management...*continued*

b) Credit risk...*continued*

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

	2015 $	2014 $
Eastern Caribbean Securities Exchange Limited undertaking and guarantee	**4,874,845**	4,874,845
Total credit exposure	**4,118,242,714**	3,690,069,013

The above table represents a worst case scenario of credit risk exposure as at March 31, 2015 and 2014 without taking account of any collateral held or other credit enhancements attached.

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

3. Financial risk management…*continued*

b) Credit risk…*continued*

The following table breaks down the Bank's main credit exposure at the carrying amounts, as categorised by geographical regions as of March 31, 2015. In this table, the Bank has allocated exposure to regions based on the country of domicile of the counterparties.

Geographical concentration of financial assets

	Eastern Caribbean Currency Union $	United States of America and Canada $	Europe and other territories $	Regional states $	Total $
As of March 31, 2015					
Balances with other central banks	-	880,023	638,128	11,516,451	13,034,602
Balances with foreign banks	-	73,225	-	-	73,225
Money market instruments and money at call	-	1,105,531,508	252,028,774	-	1,357,560,282
Financial assets held for trading	-	1,265,515	3,230,136	-	4,495,651
Available-for-sale - foreign investment securities	-	1,543,882,575	996,060,132	-	2,539,942,707
Balances with local banks	2,464,446	-	-	-	2,464,446
Due from local banks	9,572,418	-	-	-	9,572,418
Term deposits – domestic	11,022,652	-	-	-	11,022,652
Loans and receivables - participating governments' securities	100,225,950	-	-	-	100,225,950
Loans and receivables - participating governments' advances	67,490,727	-	-	-	67,490,727
Accounts receivable	7,060,234	-	-	3,289	7,063,523
Available-for-sale - domestic investment securities	-	-	-	421,686	421,686
	197,836,427	**2,651,632,846**	**1,251,957,170**	**11,941,426**	**4,113,367,869**

(expressed in Eastern Caribbean dollars) March 31, 2015

3. Financial risk management...*continued*

b) Credit risk...*continued*

Geographical concentration of financial assets...*Continued*

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2015

3. Financial risk management...*continued*

c) Market Risk

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

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

(i) Interest rate risk

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

	2015	**2014**
	%	**%**
Foreign Assets		
Money market instruments and money at call	**0.25**	0.19
Available-for-sale - foreign investment securities	**1.82**	1.89
Domestic Assets		
Balances with local banks	**0.05**	0.08
Due from local banks	**6.50**	6.50
Term deposits	**2.50**	2.50
Loans and receivables - participating governments' securities	**5.45**	5.42
Loans and receivables - participating governments' advances	**6.50**	6.50
Liabilities		
Term deposits, call accounts and government operating accounts	-	-
Demand and deposit liabilities - foreign	-	-

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2015

3. Financial risk management...*continued*

c) Market Risk...*continued*

i) Interest rate risk...continued

As the Bank's investments in foreign securities are locked in at fixed interest rates, the exposure to cash flow and fair value interest rate risk is limited to investments in money market instruments and money at call for which rates vary with market movements. As at March 31, 2015, if interest rates were to move by 25 basis points, profit for the year would have been $3.39M (2014: $2.94M) lower or higher.

3. Financial risk management...*continued*

c) Market risk...*continued*

i) *Interest rate risk...continued*

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

As of March 31, 2015	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	-	-	-	-	-	13,034,602	13,034,602
Balances with foreign banks	-	-	-	-	-	73,225	73,225
Money market instruments and money at call	1,061,675,137	228,443,559	67,441,586	-	-	-	1,357,560,282
Financial assets held for trading	2,781,551	1,714,100	-	-	-	-	4,495,651
Available-for-sale - foreign investment securities	56,080,896	185,654,809	410,668,025	1,476,053,121	411,485,856	-	2,539,942,707
Balances with local banks	2,464,446	-	-	-	-	-	2,464,446
Due from local banks	9,572,418	-	-	-	-	-	9,572,418
Term deposits - domestic	1,124,762	1,828,287	8,069,603	-	-	-	11,022,652
Loans and receivables - participating governments' securities	-	10,993,296	3,740,000	3,430,314	82,062,340	-	100,225,950
Loans and receivables - participating governments' advances	50,000,314	5,054,843	12,435,570	-	-	-	67,490,727
Accounts receivable	25,836	35,217	183,670	790,725	59,864	5,968,211	7,063,523
Available-for-sale - domestic investment securities	-	-	-	-	-	421,686	421,686
	1,183,725,360	**433,724,111**	**502,538,454**	**1,480,274,160**	**493,608,060**	**19,497,724**	**4,113,367,869**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. Financial risk management...*continued*

c) Market risk...*continued*

i) Interest rate risk...continued

As of March 31, 2015	Up to 1 month $	1 to 3 months $	3 months to 1 year $	1 to 5 years $	Over 5 years $	Non- Interest bearing $	Total $
Financial liabilities							
Demand and deposit liabilities - domestic	168,692,681	–	–	–	–	3,919,971,998	4,088,664,679
Demand and deposit liabilities - foreign	–	–	–	–	–	884,599	884,599
Financial liabilities held for trading	–	–	–	–	–	1,566,227	1,566,227
IMF Government general resource accounts	–	–	–	–	–	1,087,376	1,087,376
	168,692,681	–	–	–	–	3,923,510,200	4,092,202,881
Total interest repricing gap, March 31, 2015	**1,015,032,679**	**433,724,111**	**502,538,454**	**1,480,274,160**	**493,608,060**	**(3,904,012,476)**	**21,164,988**

3. Financial risk management…*continued*

c) Market risk…*continued*

i) Interest rate risk…continued

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

3. Financial risk management...*continued*

c) Market risk...*continued*

i) Interest rate risk...continued

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2015

3. Financial risk management...*continued*

d) Currency risk

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

Available-for-sale – foreign investment securities
The Bank's investment guidelines require that all non-US dollar securities be hedged back to the US dollar. As of March 31, 2015, the foreign securities portfolio included Australian securities of $31.6M, Canadian securities of $8.7M and Euro securities of $33.1M. As of March 31, 2014, the foreign securities portfolio included Australian securities of $70.6M. The investment managers have entered into forward contracts to sell the non-USD positions forward on a periodic rolling basis. All gains and losses arising from currency revaluation of these assets and the forward contracts are reported in the consolidated statement of income or loss as they occur.

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

The Bank's exposure to foreign exchange risk is limited to the minimum balances held on non-USD demand accounts and investment in non-USD foreign securities. As at March 31, 2015, if exchange rates were to move by 5 per cent, profit for the year would have been $0.1M (2014: $0.2M) lower or higher and the net on-balance sheet financial position would have been $3.7M (2014: $3.4M) lower or higher.

3. Financial risk management…*continued*

d) Currency risk…*continued*

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

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

3. Financial risk management…*continued*

d) Currency risk…*continued*

The table below analyses assets and liabilities of the Bank into the respective currency positions as at March 31, 2014.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2015

3. Financial risk management...*continued*

e) Liquidity risk

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

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

- Daily monitoring of balances on the Bank's call accounts to ensure that adequate funds are available to meet current and future requirements.
- Projections of cash inflows and outflows based on historical trends.
- Laddering of money market instruments in the liquidity tranche to ensure that adequate funds are available to meet current liquidity needs.
- Assets held to manage liquidity risk include balances with other central banks, balances with foreign banks, money market instruments and money at call, financial assets held for trading, available-for-sale - foreign investment securities, balances with local banks and due from local banks. At the reporting date, the Bank held $3,927,143,331 (2014: $3,481,140,100) of these instruments that are expected to readily generate cash inflows.

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

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

3. Financial risk management…*continued*

e) Liquidity risk…*continued*

Maturities of liabilities and assets, March 31, 2015	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	4,088,664,679	–	–	–	–	4,088,664,679
Demand and deposit liabilities – foreign	884,599	–	–	–	–	884,599
Financial liabilities held for trading	1,566,227	–	–	–	–	1,566,227
IMF Government general resource accounts	1,087,376	–	–	–	–	1,087,376
	4,092,202,881	–	–	–	–	**4,092,202,881**
Financial Assets						
Balances with other central banks	13,034,602	–	–	–	–	13,034,602
Balances with foreign banks	73,225	–	–	–	–	73,225
Money market instruments and money at call	1,061,675,137	228,443,559	67,441,586	–	–	1,357,560,282
Financial assets held for trading	2,781,551	1,714,100	–	–	–	4,495,651
Available-for-sale – foreign investment securities	56,080,896	185,654,809	410,668,025	1,476,053,121	411,485,856	2,539,942,707
Balances with local banks	2,464,446	–	–	–	–	2,464,446
Due from local banks	9,572,418	–	–	–	–	9,572,418
Term deposits – domestic	1,124,762	1,828,287	8,069,603	–	–	11,022,652
Loans and receivables – participating governments' securities	–	10,993,296	3,740,000	3,430,314	82,062,340	100,225,950
Loans and receivables – participating governments' advances	50,000,314	5,054,843	12,435,570	–	–	67,490,727
Accounts receivable	644,337	282,691	884,512	790,725	4,461,258	7,063,523
Available-for-sale – domestic investment securities	–	–	–	–	421,686	421,686
	1,197,451,688	**433,971,585**	**503,239,296**	**1,480,274,160**	**498,431,140**	**4,113,367,869**
Net liquidity gap, March 31, 2015	**(2,894,751,193)**	**433,971,585**	**503,239,296**	**1,480,274,160**	**498,431,140**	**21,164,988**

3. Financial risk management…*continued*

e) Liquidity risk…*continued*

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2015

3. Financial risk management*...continued*

e) Liquidity risk*...continued*

Derivative cash flows

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

At March 31, 2015	0-3 months	3-6 months	Total
Derivatives held for trading (forward contracts)			
Foreign exchange derivatives			
- Outflow	**(54,816,169)**	–	**(54,816,169)**
- Inflow	**148,731,690**	–	**148,731,690**

At March 31, 2014	0-3 months	3-6 months	Total
Derivatives held for trading (forward contracts)			
Foreign exchange derivatives			
- Outflow	(132,561,575)	–	(132,561,575)
- Inflow	54,438,735	–	54,438,735

3. Financial risk management…*continued*

f) Fair value

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

(i) Financial instruments not measured at fair value

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

	Carrying value		Fair value	
	2015	**2014**	**2015**	**2014**
	$	**$**	**$**	**$**
Financial assets				
Balances with other central banks	**13,034,602**	5,080,129	**13,034,602**	5,080,129
Balances with foreign banks	**73,225**	86,165	**73,225**	86,165
Money market instruments and money at call	**1,105,767,103**	879,039,546	**1,105,767,103**	879,039,546
Balances with local banks	**2,464,446**	2,049,083	**2,464,446**	2,049,083
Due from local banks	**9,572,418**	9,569,363	**9,572,418**	9,569,363
Term deposits – domestic	**11,022,652**	11,533,371	**11,022,652**	11,533,371
Loans and receivables – participating governments' securities	**100,225,950**	103,878,763	**100,225,950**	87,140,395
Loans and receivables – participating governments' advances	**67,490,727**	81,510,157	**67,490,727**	81,510,157
Accounts receivable	**7,063,523**	6,710,091	**7,063,523**	6,376,285
	1,316,714,646	1,099,456,668	**1,316,714,646**	1,082,384,494
Financial liabilities				
Demand and deposit liabilities – domestic	**4,088,664,679**	3,660,997,177	**4,088,664,679**	3,660,997,177
Demand and deposit liabilities – foreign	**884,599**	772,956	**884,599**	772,956
IMF government general resource accounts	**1,087,376**	1,085,333	**1,087,376**	1,085,333
Other liabilities and payables	–	–	–	–
	4,090,636,654	3,662,855,466	**4,090,636,654**	3,662,855,466

3. Financial risk management...*continued*

f) Fair value...*continued*

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

Off-balance sheet financial instruments	**Carrying value 2015 $**	**2014 $**	**Fair value 2015 $**	**2014 $**
Eastern Caribbean Securities Exchange Limited undertaking and guarantee	–	–	**4,874,845**	4,874,845

Determination of Fair Value

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2015

3. Financial risk management...*continued*

f) Fair value...*continued*

Fair Value Hierarchy

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

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

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

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

	Level 1 $	Level 3 $
Financial assets		
Commercial paper	251,793,179	–
Financial assets held for trading	4,495,651	–
Available-for-sale – foreign investment securities	2,539,942,707	–
Available-for-sale – domestic investment securities	–	421,686
	2,796,231,537	**421,686**

	Level 1 $	Level 3 $
Financial liabilities		
Financial liabilities held for trading	**1,566,227**	**-**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2015

3. Financial risk management...*continued*

f) Fair value...*continued*

Fair Value Hierarchy...*continued*

The following table presents the Bank's financial assets and liabilities that are measured at fair value at March 31, 2014:

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

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

g) Capital risk management

The Bank's objectives when managing capital are:

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

The Bank manages capital through the maintenance of a general reserve according to prescribed guidelines as mandated in the ECCB Agreement Act 1983 (note 2t). As at March 31, 2015 the general reserve was $114,891,311 (2014: $126,926,236).

h) Operational risk

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2015

3. Financial risk management...*continued*

h) Operational risk...*continued*

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

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

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2015

3. Financial risk management...*continued*

i) Critical accounting estimates and judgements

The Bank's financial statements and its financial results are influenced by accounting policies, assumptions, estimates and management judgement, which necessarily have to be made in the course of preparation of the consolidated financial statements. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Bank makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimated pension obligation

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

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

Available-for-sale securities

As at March 31, 2015, the Bank held available-for-sale: investment securities of $2,540,364,393 (2014: $2,288,364,080). Quoted debt securities accounted for $2,527,900,901 (2014: $2,276,178,387). The value of available-for-sale securities which were trading below cost at March 31, 2015 was $443,664,508 (2014: $1,080,853,730) with total unrealised losses of $2,885,618 (2014: $10,714,238). Management considers these losses temporary.

Valuation of land and buildings

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2015

4. Balances with other central banks and foreign banks

	2015 $	2014 $
Balances with other central banks		
Balances with Regional central banks	**11,516,450**	3,683,310
Balances with European central banks	**638,129**	713,919
Balances with North American central banks	**880,023**	682,900
Total balances with other central banks	**13,034,602**	5,080,129
Balances with foreign banks		
Current accounts denominated in United States dollars	**73,225**	86,165
Current	**13,107,827**	5,166,294

These balances are non-interest bearing.

5. Money market instruments and money at call

By currency	2015 $	2014 $
Balances denominated in United States dollars	**1,345,626,151**	1,174,185,638
Balances denominated in Euro	**11,584,504**	4,184
Balances denominated in New Zealand dollars	**121,020**	140,317
Balances denominated in Australian dollars	**108,257**	585,834
Balances denominated in Pound Sterling	**3,665**	4,128
Balances denominated in Canadian dollars	**55**	2,195
	1,357,443,652	1,174,922,296
Interest receivable	**116,630**	102,443
Total money market instruments and money at call	**1,357,560,282**	1,175,024,739

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2015

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

By financial instrument type	2015 $	2014 $
Money market instruments maturing in less than ninety days:		
Money at call	**660,388,697**	330,118,404
Term deposits	**445,261,776**	521,818,698
Commercial paper	**184,351,593**	188,105,813
Included in cash and cash equivalents (note 24)	**1,290,002,066**	1,040,042,915
Money market instruments maturing after ninety days:		
Commercial paper	**67,441,586**	107,879,381
Term deposits	**–**	27,000,000
	67,441,586	134,879,381
Interest receivable	**116,630**	102,443
Total money market instruments and money at call	**1,357,560,282**	1,175,024,739

Money market instruments include commercial paper purchased at discounts and term deposits with interest rates ranging from 0.05% to 0.45% (2014: 0.05% to 0.60%).

Money at call includes cash balances available to the Bank's money managers and funds held at the United States Federal Reserve Bank for the day to day operations of the Bank. These balances earned interest at rates ranging from 0.00% to 0.13% (2014: 0.00% to 0.15%) during the year.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2015

6. Term deposits

	2015 $	2014 $
Fixed Deposits:		
- Bank of Nova Scotia, St. Kitts	**7,108,958**	7,441,649
- CIBC FirstCaribbean International Bank, St. Kitts	**3,777,959**	3,948,292
	10,886,917	11,389,941
Interest receivable	**135,735**	143,430
Total term deposits	**11,022,652**	11,533,371
Current	**11,022,652**	11,533,371

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% (2014: 2.5%) per annum during the year.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2015

7. Financial instruments

a) Financial instruments by category

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

	Loans and receivables $	Assets at fair value through profit or loss $	Available -for-sale $	Total $
As of March 31, 2015				
Financial assets				
Balances with other central banks	13,034,602	–	–	13,034,602
Balances with foreign banks	73,225	–	–	73,225
Money market instruments and money at call	1,105,767,103	–	251,793,179	1,357,560,282
Financial assets held for trading	–	4,495,651	–	4,495,651
Available-for-sale - foreign investment securities	–	–	2,539,942,707	2,539,942,707
Balances with local banks	2,464,446	–	–	2,464,446
Due from local banks	9,572,418	–	–	9,572,418
Term deposits - domestic	11,022,652	–	–	11,022,652
Loans and receivables - participating governments' securities	100,225,950	–	–	100,225,950
Loans and receivables - participating governments' advances	67,490,727	–	–	67,490,727
Accounts receivable	7,063,523	–	–	7,063,523
Available-for-sale - domestic investment securities	–	–	421,686	421,686
	1,316,714,646	**4,495,651**	**2,792,157,572**	**4,113,367,869**

	Liabilities at fair value through profit or loss $	Other financial liabilities $	Total $
As of March 31, 2015			
Financial liabilities			
Demand and deposit liabilities - domestic	–	4,088,664,679	4,088,664,679
Demand and deposit liabilities - foreign	–	884,599	884,599
Derivative financial instruments - liability	1,566,227	–	1,566,227
IMF government general resource accounts	–	1,087,376	1,087,376
	1,566,227	**4,090,636,654**	**4,092,202,881**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2015

7. Financial instruments…*continued*

a) Financial instruments by category…*continued*

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2015

7. Financial instruments…*continued*

b) Credit quality of financial assets

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

Available-for-sale financial assets

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

Loans and receivables

Cash at banks and money market instruments are held at approved financial institutions which have a minimum bank deposit rating of A1/P-1 Moody's or as measured by another international rating agency. These financial institutions must be incorporated in one of the approved countries listed in the Bank's Investment Guidelines. Other loans and receivables included in financial assets are not rated.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2015

8. Available-for-sale investment securities

	2015 $	2014 $
Domestic securities		
Equity securities		
Caribbean Information and Credit Rating Agency Services Ltd.		
156,180 (2014: 156,180) ordinary shares of $2.70 each		
- unquoted, at cost	**421,686**	421,686
Foreign securities		
Debt securities		
- quoted, at fair value	**2,527,900,901**	2,276,178,387
Interest receivable	**12,041,806**	11,764,007
Total foreign securities	**2,539,942,707**	2,287,942,394
Total investment securities	**2,540,364,393**	2,288,364,080
Current	**652,825,416**	520,489,883
Non-current	**1,887,538,977**	1,767,874,197
	2,540,364,393	2,288,364,080

The movement in investment securities may be summarised as follows:

	Domestic Securities $	Foreign Investment Securities $
Balance as of March 31, 2013	**421,686**	**1,986,494,482**
Additions	-	4,826,763,582
Disposals (sale and redemption)	-	(4,512,177,583)
Net loss transfer from equity	-	(25,043,030)
Net gain transfer to equity	-	140,936
Balance as of March 31, 2014	**421,686**	**2,276,178,387**
Additions	-	4,294,537,603
Disposals (sale and redemption)	-	(4,064,314,736)
Net gain transfer to equity	-	29,069,862
Net loss transfer from equity	-	(7,570,215)
Balance as of March 31, 2015	**421,686**	**2,527,900,901**

The Bank removed gains of $7,570,215 (2014: losses of ($140,936)) from equity into the consolidated statement of income or loss.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2015

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

Gains less losses from investment securities comprise:

	2015 $	2014 $
Net realised gains (losses) from disposal of available-for-sale financial assets	**7,570,215**	(140,936)

9. Loans and receivables: Participating governments' securities

a) Participating governments' securities: Debentures

	Nominal value 2015 $	Amortised cost 2015 $	Nominal value 2014 $	Amortised cost 2014 $
Government of Antigua & Barbuda				
9% Debentures maturing 2018	**3,430,314**	**3,430,314**	4,288,239	4,288,239
3.5% Debenture maturing 2027	**80,045,217**	**80,045,217**	84,841,257	84,841,257
Government of St. Kitts & Nevis				
5% Debentures maturing 2016	**3,740,000**	**3,740,000**	3,740,000	3,740,000
	87,215,531	**87,215,531**	92,869,496	92,869,496
Interest receivable	–	**3,114,535**	–	2,154,983
Total participating governments' securities: Debentures	**87,215,531**	**90,330,066**	92,869,496	95,024,479

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2015

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

b) Participating governments' securities: Treasury bills

	Nominal value 2015 $	Amortised cost 2015 $	Nominal value 2014 $	Amortised cost 2014 $
Treasury bills - Government of Grenada treasury bill maturing 2015	**2,900,000**	**2,853,600**	2,900,000	2,853,600
Treasury bills - Government of Antigua and Barbuda treasury bill maturing 2015	**4,900,000**	**4,815,720**	4,900,000	4,815,720
Treasury bills - Government of Grenada treasury bill maturing 2015	**1,160,000**	**1,141,440**	1,160,000	1,141,440
	8,960,000	**8,810,760**	8,960,000	8,810,760
Interest receivable	**–**	**1,085,124**	–	43,524
Total participating governments' securities: treasury bills	**8,960,000**	**9,895,884**	8,960,000	8,854,284
Total participating governments' securities	**96,175,531**	**100,225,950**	101,829,496	103,878,763
Current		**14,733,296**		8,855,259
Non-current		**85,492,654**		95,023,504
		100,225,950		103,878,763

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2015

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

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

	Debentures $	Treasury Bills $	Total $
Balance as of March 31, 2013	**98,354,618**	**8,810,760**	**107,165,378**
Additions	-	-	-
Payment of principal	(5,485,122)	-	(5,485,122)
Redemption	-	-	-
Balance as of March 31, 2014	**92,869,496**	**8,810,760**	**101,680,256**
Payment of principal	(5,653,965)	-	(5,653,965)
Balance as of March 31, 2015	**87,215,531**	**8,810,760**	**96,026,291**

10. Loans and receivables: Participating governments' advances

	2015 $	2014 $
Operating accounts:		
- Government of Grenada	**12,636,232**	12,356,778
- Government of Anguilla	**12,307,280**	9,794,937
- Government of Saint Lucia	**11,114,513**	29,290,281
- Government of St. Vincent & the Grenadines	**10,476,949**	9,335,235
- Government of Dominica	**107,144**	–
- Government of Montserrat	**18,053**	–
	46,660,171	60,777,231
Temporary advances:		
- Government of St. Vincent and the Grenadines	**12,402,440**	11,057,160
- Government of Grenada	**5,053,943**	3,023,729
- Government of Antigua and Barbuda	**2,978,302**	6,500,000
- Government of Dominica	**360,348**	–
	20,795,033	20,580,889
Interest receivable	**35,523**	152,037
Total temporary advances	**20,830,556**	20,732,926
Total due from participating governments' advances	**67,490,727**	81,510,157
Current	**67,490,727**	81,510,157

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2015

11. Accounts receivable and prepaid expenses

	2015 $	2014 $
Prepaid expenses	**26,701,922**	13,942,988
Accounts receivable	**5,968,211**	5,182,846
Staff mortgage loans	**1,095,312**	1,527,245
Total accounts receivable and prepaid expenses	**33,765,445**	20,653,079
Current	**11,618,713**	12,754,629
Non-current	**22,146,732**	7,898,450
	33,765,445	20,653,079

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 $328,414 (2014: $471,935) at the statement of financial position date. This amount is included in prepaid expenses.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2015

12. Financial assets held for trading

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

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

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2015

13. Investments in associated undertakings using the equity method

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

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

Eastern Caribbean Home Mortgage Bank (ECHMB)

The Bank holds 24.8% (2014: 24.8%) of the share capital of the ECHMB – 25,000 Class "A" shares at a cost of $100 each and 41,812 Class "A" shares at a cost of $160 each. The Company was established as a vehicle to foster the development of the money market and secondary market for mortgages in the territories of the participating governments of the ECCB Agreement Act 1983.

Eastern Caribbean Securities Exchange (ECSE)

The Bank holds 30.8% (2014: 30.8%) of the share capital of the ECSE – 300,000 Class "A" shares at a cost of $10 each. The ECSE was established to enhance and increase investment opportunities, and to foster the development of a securities market in the territories of participating governments of the ECCB Agreement Act 1983. The Eastern Caribbean Central Securities Depository Limited (ECCSD) and Eastern Caribbean Central Securities Registry Limited (ECCSR) are both wholly owned subsidiaries of the ECSE.

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

The Bank holds 20% of the share capital of the ODTC – 2,001 Class "A" shares at a cost of $10 each. The Company was established as a vehicle to foster the development of the distribution and transportation sector in the territories of the participating governments of the ECCB Agreement Act 1983. The company has not commenced operations as of March 31, 2015.

The Bank's investments in associates are detailed below:

	2015 $	2014 $
Eastern Caribbean Home Mortgage Bank (ECHMB)		
Balance at beginning of year	**13,866,457**	13,452,805
Share of profit for the year	**858,033**	1,081,772
Dividend received in year	**(668,120)**	(668,120)
Balance at end of year	**14,056,370**	13,866,457
Eastern Caribbean Securities Exchange (ECSE)		
Balance at beginning of year	**1,025,277**	875,171
Share of profit for the year	**369,600**	150,106
Balance at end of year	**1,394,877**	1,025,277

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2015

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

	2015 $	2014 $
OECS Distribution and Transportation Company (ODTC)		
Balance at beginning of year	**20,010**	10
Purchase during the year	–	20,000
Balance at end of year	**20,010**	20,010
Total investments in associated undertakings	**15,471,257**	14,911,744
Non-current	**15,471,257**	14,911,744

The total share of profit of associates recognised in the consolidated statement of loss was $1,227,633 (2014: $1,231,878).

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

Entity	Assets $	Liabilities $	Revenues $	Profit $	% Interest held %
ECHMB	**258,936,355**	**(201,310,782)**	**15,462,213**	**3,459,812**	**24.8**
ECSE	**31,118,446**	**(25,234,355)**	**3,646,126**	**1,224,259**	**30.8**

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

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

The Bank's interest has been determined on the basis of the financial statements for these entities for the years ended March 31, 2015 (unaudited) and 2014 (unaudited).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2015

14. Intangible assets

	Computer software $
Cost	
Balance at April 1, 2013	11,977,419
Additions	1,763,223
Balance at March 31, 2014	13,740,642
Balance at April 1, 2014	**13,740,642**
Additions	**2,351,502**
Balance at March 31, 2015	**16,092,144**
Accumulated amortisation	
Balance at April 1, 2013	9,392,774
Amortisation	974,986
Balance at March 31, 2014	10,367,760
Balance at April 1, 2014	**10,367,760**
Amortisation	**1,433,209**
Balance at March 31, 2015	**11,800,969**
Net book value	
At April 1, 2013	2,584,645
At March 31, 2014	3,372,882
At March 31, 2015	**4,291,175**

15. Property, plant and equipment

	Land $	Buildings $	Furniture and office equipment $	Computer systems $	Land improvements $	Motor vehicles $	Capital work in progress $	Total $
Cost								
Balance at April 1, 2013	25,805,000	100,510,000	18,546,233	5,272,718	-	871,900	318,918	151,324,769
Transfers	-	-	73,623	-	-	-	(73,623)	-
Additions	-	-	125,045	490,019	-	95,500	2,457,318	3,167,882
Derecognition/disposals	-	(1,350,000)	-	(34,196)	-	-	(4,000)	(1,388,196)
Balance at March 31, 2014	25,805,000	99,160,000	18,744,901	5,728,541	-	967,400	2,698,613	153,104,455
Balance at April 1, 2014	25,805,000	99,160,000	18,744,901	5,728,541	-	967,400	2,698,613	153,104,455
Transfers	10,753	-	2,425,445	-	(10,753)	-	(2,425,445)	-
Additions	-	-	486,404	203,781	10,753	-	31,184	732,122
Revaluation Adjustment	116,247	2,980,000	-	-	-	-	-	3,096,247
Derecognition/disposals	-	-	(465,428)	(229,375)	-	(242,000)	-	(936,803)
Balance at March 31, 2015	**25,932,000**	**102,140,000**	**21,191,322**	**5,702,947**	-	**725,400**	**304,352**	**155,996,021**

15. Property, plant and equipment…*continued*

	Land $	Buildings $	Furniture and office equipment $	Computer systems $	Land improvements $	Motor vehicles $	Capital work in progress $	Total $
Accumulated depreciation								
Balance at April 1, 2013	-	3,027,055	15,948,384	4,385,548	-	871,900	-	24,232,887
Depreciation charge	-	2,898,484	966,704	613,095	-	11,142	-	4,489,425
Depreciation write-back on disposal	-	(257,143)	-	(34,197)	-	-	-	(291,340)
Balance at March 31, 2014	-	5,668,396	16,915,088	4,964,446	-	883,042	-	28,430,972
Balance at April 1, 2014	-	5,668,396	16,915,088	4,964,446	-	883,042	-	28,430,972
Depreciation charge	-	2,834,197	1,072,696	533,630	-	19,100	-	4,459,623
Depreciation write-back on disposal	-	-	(465,428)	(214,971)	-	(242,000)	-	(922,399)
Revaluation adjustment	-	(8,502,593)	-	-	-	-	-	(8,502,593)
Balance at March 31, 2015	-	-	**17,522,356**	**5,283,105**	-	**660,142**	-	**23,465,603**
Net book value								
At April 1, 2013	25,805,000	97,482,945	2,597,849	887,170	-	-	318,918	127,091,882
At March 31, 2014	25,805,000	93,491,604	1,829,813	764,095	-	84,358	2,698,613	124,673,483
At March 31, 2015	**25,932,000**	**102,140,000**	**3,668,966**	**419,842**	-	**65,258**	**304,352**	**132,530,418**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2015

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

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

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

The following is the historical cost carrying amount of land and buildings carried at revalued amounts as of March 31, 2014:

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2015

16. Demand and deposit liabilities - domestic

	2015 $	2014 $
Banker's balances - Current accounts	**2,704,000,223**	2,515,731,160
Currency in circulation	**880,171,643**	827,141,223
Bankers Collateral account	**154,007,298**	6,364,359
Participating governments' call accounts	**123,429,515**	66,600,141
Participating governments' fiscal reserve tranche II	**67,979,568**	67,979,568
Bankers' dormant accounts	**44,075,850**	37,447,397
Participating governments' operating accounts	**33,603,044**	23,569,747
Participating governments' securities account	**28,115,243**	-
BAICO Recapitalisation Holding Account	**9,380,121**	9,380,121
Participating governments' fiscal tranche I call accounts	**7,313,939**	12,313,939
British American Liquidity Support	**6,874,183**	23,870,559
Eastern Caribbean Securities Registry	**5,301,835**	25,973
Participating governments' sinking fund call accounts	**5,039,385**	492,306
Accounts payable, accruals and provisions	**4,576,603**	5,239,744
British Caribbean Currency Board Coins in Circulation	**2,568,341**	2,568,601
Participating governments' drug service accounts	**2,546,758**	2,474,725
Bankers' call accounts	**2,129,243**	3,958,906
Bankers' Fixed Deposits	**1,620,000**	1,620,000
Commemorative coins in circulation	**1,379,972**	1,380,392
Canec Debt Management Advisory Services	**1,197,919**	519,911
BAICO Policy Holder Assistance scheme holding	**969,921**	969,921
British Caribbean Currency Board Residual Fund	**833,628**	833,628
Resolution Trust Corporation	**794,747**	1,265,023
Eastern Caribbean Automated Clearing House	**239,739**	35,623
Participating governments' debt restructuring escrow accounts	**167,332**	133,382
Statutory and legislative bodies' operating accounts	**123,478**	113,989
ECHMB Operating accounts	**118,019**	554,281
Local governments' operating accounts	**46,543**	46,543
Organisation of Eastern Caribbean States operating accounts	**36,651**	2,241,846
OECS Distribution and Transportation	**23,820**	24,090
Eastern Caribbean Central Bank unpresented cheques	**73**	-
Participating governments' current accounts	**-**	46,100,000
	4,088,664,634	3,660,997,098
Interest payable	**45**	79
Total demand and deposit liabilities – domestic	**4,088,664,679**	3,660,997,177
Current	**4,088,664,679**	3,660,997,177

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2015

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

During the year the following balances earned interest at rates ranging from 0.00% to 0.13% (2014: 0.01% to 0.07%) per annum: fiscal tranche I, bankers' call accounts and fixed deposits, participating governments and statutory bodies' fixed deposits and ECHMB operating accounts.

Participating governments' fiscal reserve tranche II

The Monetary Council has approved the establishment of a fiscal reserve fund. In accordance with the Bank's profit distribution policy, forty per cent (40%) of the annual share of distributable profits to member governments is transferred to the participating governments' fiscal tranche II call accounts. As the Bank recorded a net loss there was no transfer to the fund in the 2015 and 2014 financial years.

	2015 $	2014 $
Balance at beginning of year	**67,979,568**	62,065,516
Loans to participating governments'	**-**	(10,600,000)
Loan Repayments	**-**	16,514,052
Allocation from net income	**-**	-
Balance at end of year	**67,979,568**	67,979,568

Participating governments' fiscal tranche I call accounts

These accounts earn interest at the prevailing call rate offered by the Bank and are readily accessible by the respective governments. There was no allocation by member governments from the fiscal reserve tranche I accounts to cover the deficit position in the current financial year. In 2014, an amount of $7,773,929 was provided by member governments from the fiscal reserve tranche I account to cover the deficit position.

	2015 $	2014 $
Balance at beginning of year	**12,313,939**	21,287,230
Interest on account	**-**	638
Net withdrawals	**(5,000,000)**	(1,200,000)
Allocation (to) net loss/ from net income	**-**	(7,773,929)
Balance at end of year	**7,313,939**	12,313,939

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2015

17. Demand and deposit liabilities - foreign

	2015 $	2014 $
International Bank for Reconstruction and Development accounts	**653,239**	653,239
Caribbean Development Bank accounts	**140,636**	21,655
Caribbean Financial Services Corporation account	**68,140**	28,884
Other regional central banks and agency accounts	**22,584**	69,178
Total demand and deposit liabilities - foreign	**884,599**	772,956
Current	**884,599**	772,956

These balances earned interest at rates ranging from 0.01% to 0.07% (2014: 0.01% to 0.07%) per annum during the year.

18. IMF government general resource accounts

	2015 $	2014 $
Saint Lucia	**434,593**	434,417
Antigua & Barbuda	**223,547**	222,066
Grenada	**133,101**	132,967
St. Kitts & Nevis	**106,142**	106,008
St. Vincent & the Grenadines	**95,235**	95,210
Commonwealth of Dominica	**94,758**	94,665
Total IMF government general resource accounts	**1,087,376**	1,085,333
Current	**1,087,376**	1,085,333

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2015

19. Financial liabilities held for trading

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

Currency sold/ purchased	Notional value of contracts	Notional value of contracts EC$ equivalent	Value date of contracts	Fair value of contracts $
USD	20,255,006	**54,688,517**	April 01 & 21, 2015	**1,565,173**
GBP	24,000	**94,764**	April 29, 2015	**982**
CAD	15,600	**32,888**	April 29, 2015	**72**
		54,816,169		**1,566,227**
			Current	**1,566,227**

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2015

20. Other reserves

	2015 $	2014 $
Property, plant and equipment revaluation reserve	**82,106,312**	70,507,471
Pension reserve	**20,517,000**	17,572,000
Unrealised holding gain (loss) - investment securities	**17,300,883**	(4,198,764)
Self-insurance reserve fund	**10,980,827**	10,980,827
Capital reserve	**6,537,928**	6,537,928
Export Credit Guarantee fund	**1,808,877**	1,808,877
Unrealised holding (loss) gain – money market instruments	**(1,765)**	218,350
Total reserves	**139,250,062**	103,426,689

Export Credit Guarantee fund

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

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

Capital reserve

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

Self-insurance reserve

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

Pension reserve

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2015

20. Other Reserves...*continued*

Revaluation Reserve: Available-for-sale investment securities

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

	Foreign investment securities $	Money market instruments $	Total $
Balance at March 31, 2013	20,703,330	(130,340)	20,572,990
Revaluation of available-for-sale securities	(25,043,030)	-	(25,043,030)
Revaluation transfer to profit or loss on disposal of available-for-sale securities	140,936	348,690	489,626
Balance at March 31, 2014	**(4,198,764)**	**218,350**	**(3,980,414)**
Revaluation of available-for-sale securities	29,069,862	-	29,069,862
Revaluation transfer to profit or loss on disposal of available-for-sale securities	(7,570,215)	(220,115)	(7,790,330)
Balance at March 31, 2015	**17,300,883**	**(1,765)**	**(17,299,118)**

21. Pension asset

The Bank contributes to a defined pension scheme covering substantially all full-time employees. The assets of the plan are held separately in an independent trustee administered fund. The pension scheme is valued every three years by a firm of independent qualified actuaries, Bacon Woodrow & de Souza Limited – Actuaries and Consultants. The latest available full valuation was at March 31, 2013; it used the projected unit credit method, and showed that the fair value of the Fund's assets at March 31, 2013 represented 107% of the benefits that had accrued to members as at that date. The fair value of the Fund's assets at that time was $89.4 million (2009: $69.3 million) and the required future service contribution rate was 20.2% (2009: 18.6%) of pensionable salaries. The actuary performed a roll-forward of the valuation to March 31, 2015. The next detailed full valuation will be done at March 31, 2016.

	2015 $	2014 $
The amounts recognised in the statement of financial position are as follows:		
Present value of pension obligation	**(79,173,000)**	(74,907,000)
Fair value of plan assets	**99,690,000**	92,479,000
Present value of over funded surplus	**20,517,000**	17,572,000
Net asset recognised in the statement of financial position	**20,517,000**	17,572,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2015

21. Pension asset...*continued*

	2015 $	2014 $
Reconciliation of amount reported in the statement of financial position:		
Pension asset, beginning of year	**17,572,000**	7,255,000
Net pension costs during the year	**(2,423,000)**	(3,365,000)
Re-measurements recognised in other comprehensive loss	**3,049,000**	11,291,000
Contributions to pension scheme	**2,319,000**	2,391,000
Pension asset, end of year	**20,517,000**	17,572,000

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).

	2015 $	2014 $
The movement in the defined benefit obligation over the year is as follows:		
Beginning of year	**74,907,000**	74,668,000
Current service cost	**3,554,000**	3,765,000
Interest cost	**5,151,000**	5,120,000
Contributions by plan participants	**580,000**	598,000
Actuarial gain	**(2,344,000)**	(6,144,000)
Benefits paid	**(2,675,000)**	(3,100,000)
	79,173,000	74,907,000

	2015 %	2014 %
The defined benefit obligation is allocated between the Plan's members as follows:		
Active and promoted members	**85.0**	85.0
Pensioners	**15.0**	15.0

	2015	2014
The weighted average duration of the defined benefit obligation at the year end	**16.4 years**	16.4 years

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2015

21. Pension asset...*continued*

	2015 $	2014 $
The movement in the fair value of plan assets over the year is as follows:		
Plan assets at start of year	**92,479,000**	81,923,000
Interest income	**6,475,000**	5,724,000
Return on Plan assets, excluding interest income	**705,000**	5,147,000
Employer contributions	**2,319,000**	2,391,000
Contributions by plan participants	**580,000**	598,000
Benefits paid	**(2,675,000)**	(3,100,000)
Expense allowance	**(193,000)**	(204,000)
	99,690,000	92,479,000

	2015 $	2014 $
The amounts recognised in the statement of income or loss are as follows:		
Current service cost	**3,554,000**	3,765,000
Net Interest on net defined benefit asset	**(1,324,000)**	(604,000)
Administration expenses	**193,000**	204,000
Total expense included in staff costs (note 27)	**2,423,000**	3,365,000

	2015 $	2014 $
The amounts recognised in other comprehensive loss were as follows:		
Experience losses	**3,049,000**	11,291,000
Total amount recognised in other comprehensive loss	**3,049,000**	11,291,000

	2015 %	2014 %
The principal actuarial assumptions used were as follows:		
Discount rate	**7.0**	7.0
Average individual salary increases	**6.0**	6.0

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2015

21. Pension asset…*continued*

Assumptions regarding future mortality are based on published mortality tables. The life expectancies underlying the value of the defined benefit obligation as at March 31, 2015 are as follows:

	2015	**2014**
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:

	2015	**2014**
	$	**$**
Developed market equities	**40,128,000**	32,106,000
EC Government issued nominal bonds and treasury bills	**13,257,000**	12,155,000
USD denominated bonds	**41,066,000**	32,005,000
XCD cash and cash equivalents	**2,768,000**	3,000,000
USD cash and cash equivalents	**3,158,000**	13,261,000
Net current assets	**(687,000)**	(48,000)
Fair value of Plan Assets at end of year	**99,690,000**	92,479,000

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

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

22. Related party balances and transactions

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

Participating Governments

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2015

22. Related party balances and transactions*…continued*

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

	2015 $	2014 $
Receivables from participating governments		
Loans and receivables: participating governments' securities (note 9)	**100,225,950**	103,878,763
Loans and receivables: participating governments' advances (note 10)	**67,490,727**	81,510,157
Payables to participating governments (note 16)		
Participating governments' call accounts	**123,429,515**	66,600,141
Participating governments' fiscal reserve tranche II	**67,979,568**	67,979,568
Participating governments' current accounts	**-**	46,100,000
Participating governments' fiscal tranche I call accounts	**7,313,938**	12,313,939
Participating governments' securities account	**28,115,243**	-
Participating governments' operating accounts	**33,603,044**	23,569,747
Participating governments' sinking fund call accounts	**5,039,385**	492,306
Participating governments' drug service accounts	**2,546,758**	2,474,725
Participating governments' debt restructuring escrow accounts	**167,332**	133,382

Interest income earned on receivables during the year was $9,352,891 (2014: $9,114,671). The receivables carry interest rates of 3.5% to 9% (2014: 3.5% to 9%) per annum.

Interest expense on payables during the year was $1,881 (2014: $5,569). The payables carry interest rates of 0.01% to 0.07% (2014: 0.01% to 0.07%) per annum.

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

	2015 $	2014 $
Staff mortgage loans		
Loans outstanding at beginning of year	**759,596**	873,072
Loans movement during the year	**(286,628)**	(113,476)
Loans outstanding at end of year	**472,968**	759,596
Term deposits		
Bank of Nova Scotia, St. Kitts	**654,481**	694,058
CIBC FirstCaribbean International, St Kitts	**370,270**	380,579
	1,024,751	1,074,637

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2015

22. Related party balances and transactions...*continued*

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

Interest income earned on loans and advances during the year was $20,978 (2014: $30,800). The loans carry an interest rate of 4% (2014: 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

The salaries, fees and benefits paid to the Board of Directors and key management personnel of the Bank during the year amounted to $4,060,003 (2014: $4,050,825). The following is an analysis of these amounts:

	2015	2014
	$	$
Salaries and other short-term employee benefits	**3,694,159**	3,690,820
Board of Directors' fees	**192,000**	192,000
Post-employment benefits	**173,844**	168,005
	4,060,003	4,050,825

23. Contingencies and commitments

Capital commitments

At March 31, 2015, there were no commitments for capital expenditure.

Credit extension to participating governments

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

The approved credit allocation to participating governments for the current financial year is $402,000,000 (2014: $364,560,000). The details are presented in the table below:

	2015	2014
	$	$
Government of Antigua and Barbuda	**122,306,000**	133,988,000
Government of Saint Lucia	**74,720,000**	60,377,000
Government of St Kitts and Nevis	**72,905,000**	53,554,000
Government of St Vincent and the Grenadines	**40,409,000**	34,399,000
Government of Dominica	**34,962,000**	31,497,000
Government of Grenada	**36,434,000**	32,822,000
Government of Anguilla	**16,548,000**	14,609,000
Government of Montserrat	**3,716,000**	3,314,000
Total credit allocation	**402,000,000**	364,560,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2015

23. Contingencies and commitments…*continued*

The undrawn commitments to participating governments for the current financial year amounts to $223,030,000 (2014: $167,812,000). The details are presented in the table below:

	2015 $	2014 $
Government of St Kitts and Nevis	**69,165,000**	51,691,000
Government of Saint Lucia	**63,624,000**	33,535,000
Government of Dominica	**34,495,000**	31,780,000
Government of Antigua and Barbuda	**17,812,000**	14,783,000
Government of St Vincent and the Grenadines	**17,572,000**	16,122,000
Government of Grenada	**12,357,000**	11,506,000
Government of Anguilla	**4,307,000**	5,031,000
Government of Montserrat	**3,698,000**	3,364,000
Total undrawn commitments	**223,030,000**	167,812,000

Pending litigation

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

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

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

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2015

23. Contingencies and commitments…*continued*

Pending litigation…*continued*

(2) Summons in a civil action No. 3:13-cv-00762-n between: the official Stanford Investors Committee, plaintiff, and Bank of Antigua, Eastern Caribbean Central Bank, Antigua Commercial Bank, St. Kitts Nevis Anguilla National Bank Ltd, Eastern Caribbean Financial Holdings Company Ltd, National Commercial Bank (SVG) Ltd, Eastern Caribbean Amalgamated Bank, and National Bank of Dominica Ltd, and Antigua and Barbuda, Defendants, is pending before the United States District Court for the Northern District of Texas, Dallas Division. The Plaintiff is seeking inter alia:

(i) An award of damages;

(ii) An order for the avoidance of fraudulent transfers;

(iii) An accounting as to the value of the Bank of Antigua.

(3) Claim No. ANUHCV2014/0518 Between: Sylvia O'Mard, Claimant/Applicant and ABI Bank Ltd, Eastern Caribbean Central Bank, the Defendants/Respondents. On 29 September 2014, Ms Sylvia O'Mard ("the Applicant") filed a fixed date claim against the ABI Bank Ltd, Eastern Caribbean Central Bank and Dwight Venner ("the Respondents"). The Applicant sought, among other things:

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

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

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

(iv) an order for restitution.

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

The Applicant has appealed the decision of the High Court.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2015

23. 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 March 31, 2015. At the year end the total funds advanced amounted to $2,874,845 (2014: $2,874,845). The last advance was during the financial year ended March 31, 2005.

- Guarantee cover of the budgeted shortfall projected in respect of the ECSE and its wholly-owned subsidiary companies for the fiscal year ending March 31, 2015 in an amount not expected to exceed $2,000,000 (2014: $2,000,000).

The above undertaking and guarantee will be reviewed on March 31, 2016 and are irrevocable before this date.

Contractual obligation

The Bank contracted the services of De La Rue (DLR) Cash Systems Inc. to supply onsite labour equipment maintenance and corrective equipment maintenance to keep the CPS 1200 System in good working order or to restore it to good working order as necessary. The total contract is US$600,000 and extends for a period of 120 months effective March 2008. As at March 31, 2015, the commitment of the Bank was $486,000 (2014: $648,000).

Leasehold obligation – operating leases

All agency offices operate out of leased premises with lease terms ranging from 2 to 33 1/3 years. Lease rentals payable on operating leases are expensed on a straight line basis over the term of the leases. Minimum lease payments subsequent to 2015 and in aggregate are as follows:

	2015	**2014**
	$	**$**
2015	–	708,907
2016	**662,887**	683,465
2017	**491,245**	448,106
2018	**290,020**	401,245
2019	**60,000**	–
Thereafter	**950,000**	1,010,000
Total minimum lease payments	**2,454,152**	3,251,723

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2015

24. Cash and cash equivalents

	2015 $	2014 $
Money market instruments and money at call (note 5)	**1,290,002,066**	1,040,042,915
Regional and foreign currencies	**33,464,613**	37,749,069
Balances with other central banks (note 4)	**13,034,602**	5,080,129
Due from local banks	**9,572,418**	9,569,363
Balances with local banks	**2,464,446**	2,049,083
Balances with foreign banks (note 4)	**73,225**	86,165
Total cash and cash equivalents	**1,348,611,370**	1,094,576,724

25. Net interest income

	2015 $	2014 $
Interest income		
Available-for-sale: foreign investment securities	**25,765,384**	24,094,955
Loans and receivables: participating governments' securities	**3,820,393**	4,232,313
Other	**6,573,579**	6,043,798
Money market instruments and money at call	**1,005,602**	885,237
	37,164,958	35,256,303

	2015 $	2014 $
Interest expense		
Demand liabilities: domestic	**1,881**	5,569
	1,881	5,569
Net interest income	**37,163,077**	35,250,734

26. Other income

	2015 $	2014 $
Income from reserve requirement	**2,339,053**	2,955,100
Pension fund administrative and management fees	**572,746**	530,687
Miscellaneous income	**246,640**	441,423
Rental income	**63,386**	63,386
Gain/(loss) on disposal of property, plant and equipment	**1,596**	(1,092,357)
Income from CALMS	**-**	1,938,651
Loss on futures	**(2,352,765)**	(168,198)
Total other income	**870,656**	4,668,692

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in Eastern Caribbean dollars) March 31, 2015

27. Salaries, pensions and other staff benefits

	2015 $	2014 $
Salaries, wages and other benefits	**25,420,099**	26,562,235
Pension (note 21)	**2,423,000**	3,365,000
Social security	**919,424**	967,812
Prepaid employee benefit	**76,060**	89,134
Vacation leave	**58,389**	(134,907)
Total salaries, pensions and other staff benefits	**28,896,972**	30,849,274

28. Administrative and general expenses

	2015 $	2014 $
General supplies and services	**7,297,771**	6,991,245
Professional and consulting fees	**5,723,211**	4,622,465
Utilities expenses	**2,941,225**	2,605,384
Travel tickets, accommodation and subsistence	**1,098,923**	817,166
Conference and meetings	**633,049**	807,508
Contribution to ECSRC	**786,598**	739,676
Rental Expense	**717,732**	710,361
Telephone costs	**656,991**	681,886
Supervisory and regulatory expenses	**283,109**	672,346
Contingencies	**301,725**	474,611
Staff vacation grant	**405,513**	466,023
Repairs and maintenance	**578,762**	461,946
Legal fees	**398,275**	401,294
Training, recruitment and resettlement	**269,013**	363,446
Insurance expense	**795,614**	318,804
Advertising and promotion	**86,720**	188,526
Other staff expenses and amenities	**199,388**	168,803
Cafeteria subsidy	**141,475**	132,302
Community outreach	**110,673**	123,890
Affiliate groups	**108,891**	102,825
Printing and postage	**65,199**	79,159
Special projects	**77,448**	57,087
Subscriptions and fees	**54,088**	53,601
Contribution to staff association	**59,632**	47,327
Directors' travel and subsistence	**10,800**	12,800
Total administrative and general expenses	**23,801,825**	22,100,481

LIST OF COMMERCIAL BANKS MAINTAINING CLEARING ACCOUNTS WITH THE ECCB

As at 31 March 2015

ANGUILLA

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

ANTIGUA AND BARBUDA

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

COMMONWEALTH OF DOMINICA

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

GRENADA

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

MONTSERRAT

Bank of Montserrat Limited
RBC Royal Bank of Canada

ST KITTS AND NEVIS

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

SAINT LUCIA

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

ST VINCENT AND THE GRENADINES

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

The EC Currency Turns 50 on 6 October 2015

Celebrating the Journey

The 1960s – 1970s

Eastern Caribbean Currency Authority

The Eastern Caribbean Currency Authority (ECCA) was established in 1965 as the successor to the British Caribbean Territories Currency Board (BCCB). The ECCA had the authority to manage a common currency for Barbados, The Leeward and Windward Islands (and Grenada from 1968). When Barbados withdrew its membership in 1974, ECCA moved its headquarters from Barbados to St Kitts. The first Eastern Caribbean Currency Authority notes were issued on 6 October 1965. From October 1965 to July 1976 the EC Currency was pegged to the pound sterling at a rate of EC$4.80 to £1.00. In July 1976, the peg was transferred to the US dollar at a parity of EC$2.70 to US$1.00.

Eastern Caribbean Currency Authority Notes

The 1980s - Present

Eastern Caribbean Central Bank

The Agreement to establish the Eastern Caribbean Central Bank (ECCB) was signed on 5 July 1983 by the Governments of Antigua and Barbuda, the Commonwealth of Dominica, Grenada, Montserrat, Saint Kitts and Nevis, Saint Lucia, and Saint Vincent and the Grenadines. The ECCB came into being on 1 October 1983, following the enactment of enabling legislation by the respective governments. Anguilla became a full member of the ECCB on 1 April 1987.

The first ECCB notes were issued on 15 November 1984 to commemorate the Bank's first anniversary.

EC $100.00 note – Series 1 (1984)

EC $10.00 note – Series 6 (2008)

Eastern Caribbean Central Bank
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