



CENTRAL BANK
OF BARBADOS

LIVING THE LEGACY

2021 ANNUAL REPORT

TABLE OF CONTENTS

LETTER OF TRANSMITTAL	5
CORPORATE PROFILE	7
GOVERNOR'S MESSAGE	9-10
BOARD OF DIRECTORS	11
SENIOR MANAGEMENT	12
OTHER SENIOR OFFICERS	13
1. CORPORATE GOVERNANCE	15
Board of Directors	
Executive Committee	
Legislative Reform	
Risk Management	
2. MACROECONOMIC DEVELOPMENTS	18
External Sector	
Public Finances	
Financial Sector	



3. CENTRAL BANK OPERATIONS	22
Financial Regulation	
Foreign Exchange Operations	
Money, Credit and Capital Markets	
Currency and Payment Systems	
Information Technology	
Digital Transformation	
Plant Maintenance	
People and Programmes	
Corporate Outreach	
4. PUBLICATIONS AND PAPERS	37
5. ADOPTION OF FINANCIAL STATEMENTS	38
6. FINANCIAL STATEMENTS AND REPORTS	40



CENTRAL BANK OF BARBADOS

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cleviston.haynes@centralbank.org.bb

March 30, 2022

The Hon. Mia Amor Mottley, Q.C., M.P.
Prime Minister, Minister of Finance,
Economic Affairs and Investment
Government Headquarters
Bay Street
ST. MICHAEL

Dear Prime Minister:

In accordance with Section 68(3) of the Central Bank of Barbados Act, 2020-30, I have the honour on behalf of the Board of Directors to submit to you in your capacity as Minister of Finance, the Bank's Annual Accounts for the year ended December 31, 2021 as certified by the External Auditors, together with the Report on the Bank's operations during 2021.

Sincerely,

Cleviston L. Haynes
Governor

Encs.

centralbank.org.bb





CORPORATE PROFILE

The Central Bank of Barbados (“the Bank”) was established by an Act of Parliament in 1972. In December 2020, a new Act governing the operations of the Bank, the Central Bank of Barbados Act, 2020, was passed in the Parliament of Barbados, which prescribes two objectives for the organisation. The primary objective is to maintain the value of the Barbados currency and the secondary objective is to promote financial stability that is conducive to the orderly and sustained economic development of Barbados.

MISSION STATEMENT

To foster an economic and financial environment conducive to sustainable economic growth and development.

OUR VISION

To create and maintain an institution of world class excellence.

OUR VALUES



Leadership and Innovation

We will nurture creativity, seek out new ideas, embrace change and execute our tasks efficiently and on a timely basis. We will listen to, inspire, and motivate our stakeholders. We will promote critical and strategic thinking and nimbleness to achieve high performance.



Governance

We commit to adhere to the structures and policies approved by the Board in order to inform, direct, and monitor the organisation's activities towards the achievement of our objectives.



Integrity and Transparency

We acknowledge that our performance, success and reputation hinge on the highest standards of ethical behaviour. We, therefore, promise to provide open communication and to be consistent in our application of policies across the organisation. We will always practise honesty and fiscal responsibility in all of our undertakings as a way of building trust among our stakeholders and garnering public support for our policy initiatives.



Accountability

We will, in all our actions, demonstrate timeliness, openness and accuracy with our work, information, and data. We will ensure the safety and security of all assets and resources under our responsibility, so as to engender the confidence of all our constituents.



Respect and Empathy

We will recognise everyone's value and worth in the workplace, genuinely listening to and considering their points of view. We will be sensitive to each other's thoughts and experiences.



Team Spiritedness

We commit to engendering a caring spirit in the workplace where staff are supportive of and collaborate with each other to achieve objectives. We will encourage enthusiasm in all our endeavours and bring a positive attitude to our Mission, Vision and Values.



GOVERNOR'S MESSAGE

Cleviston L. Haynes
GOVERNOR

During 2021, the Barbados economy registered a mild recovery from the sharp contraction in the previous year. The persistence of the COVID-19 virus, the disruption of global supply chains, and rising import prices, particularly for energy products, tempered the economic recovery and contributed to higher domestic prices. There were encouraging signs of a revival of activity in the tourism industry during the second half of the year, and there was also evidence of an improving labour market. The international reserves continued to grow, buoyed by Government's policy-based borrowing to meet financing needs caused by the relaxation in fiscal policy.

The Bank is optimistic that the recovery will gain momentum this year. However, there are significant downside risks, including the potential for the emergence of new strains of the virus and for heightened geopolitical risks to dampen the recovery of the tourism sector. The expected implementation of delayed large-scale tourism projects, as well as planned upgrades to Government's infrastructure should boost domestic economic activity.

The financial system remains profitable and well-capitalised as non-performing loans stabilised during the year. Commercial banks and credit unions offered customers financing options to adapt to the tepid economic environment, while most of the moratoria schemes were phased out. The build-up of excess liquidity at the Bank by commercial banks continued to rise despite the low interest rate environment, reflecting the continued softness in credit demand. As a result, monetary policy remained unchanged.

Financial Performance

The Bank has reached an agreement with the Ministry of Finance, Economic Affairs, and Investment on the parameters of a gradual recapitalisation of its balance sheet. The plan takes account of its impact on the public finances and, in the short term, relies on the contribution of the Bank's annual earnings. In 2021, the Bank realised a net income of \$2.8 million, compared to \$24 million the previous year. The weaker performance largely reflects adjustments for exceptional items, including foreign exchange valuation losses.

Organisational Achievements

The Bank continued to adapt to the unusual circumstances occasioned by the COVID-19 pandemic, with much of our staff continuing to work either remotely or in a hybrid manner. Nevertheless, we continued to fulfil our mandate and provide our many services, including regulating the financial sector, making debt payments, maintaining a steady supply of currency in circulation, and completing timely approvals of foreign exchange applications.

At the same time, we made significant progress on several new initiatives, among them our online portal for foreign currency applications, which will allow us to better serve our publics, as well as upgrades to the real time gross settlement (RTGS) and automated clearing house (ACH) systems, both of which will assist in the modernisation of Barbados' payment system.

The shift from the Caribbean Integrated Financial Services Incorporated (CARIFS) to the Visa and Mastercard platforms resulted in an increase in user fees for debit card transactions, leading the Bank to intervene to limit the charges to ensure these services remained accessible to all members of the public.

With the passage of the Fair Credit Reporting Act, the Bank has assumed responsibility for overseeing credit reporting activities in Barbados. This new legislation is intended to regulate the activities of credit bureaus and standardise practices in the industry with the aim of making it easier for qualified persons to access credit.

Despite the limited opportunities for in-person activities, the Bank maintained its robust public outreach programme. During the year, we hosted numerous seminars for members of the financial sector, continued to host our revamped Caribbean Economic Forum, and welcomed Nobel laureate Professor Esther Duflo as our Sir Winston Scott Memorial Lecturer. More generally, we continued to grow our presence on social media, which will allow us to reach a broader swathe of the public.

Internally, we accelerated the pace of digital transformation, while strengthening our governance and risk management frameworks. We continued to maintain and upgrade the Bank's physical infrastructure despite the challenges and damages caused by the La Soufrière volcanic ashfall and Hurricane Elsa.

Our achievements during these trying times are a testament to the diligence and commitment of our staff.

Looking Ahead to 2022

In the coming year, we will continue this work while turning our attention to new projects. In late 2022, the Bank will introduce a redesigned series of banknotes with enhanced security features. The notes, which will be printed on a polymer substrate, are intended to make the national currency more difficult to replicate, but easier to authenticate.



Staff, including former Governor Dr. Marion Williams (right), mark the Bank's 20th anniversary in 1992. The Bank celebrates its golden anniversary in 2022.

Additionally, the Bank celebrates its 50th anniversary in 2022. This is a significant milestone that warrants reflection on the strong foundation that was created by our first Governor, Sir Courtney Blackman, who, sadly, passed away in 2021. It is a foundation that each successive Governor has built upon as they strove to see us fulfil our vision of becoming and maintaining an institution of world class excellence.

Our golden anniversary also serves as both an opportunity for us to celebrate our achievements over the past five decades and an inspiration to continue working to achieve our objectives while adhering to our values. It is a reminder that we must approach our work with the same steadfast resolve and commitment that have brought us this far. It is also a call to action to continue transforming and evolving so that we can better serve Barbados. It is a recognition that the Central Bank of Barbados can honour its past while looking to the future. We wish to be a beacon for excellence in public service by educating our stakeholders and strengthening communication and engagement as we continue to **live the legacy**.

BOARD OF DIRECTORS



Cleviston Haynes
Governor
M.A. (Econ.)



Vere Brathwaite
B.Sc., LL.B



Trevor Campbell
M.A.



Ian Carrington
M.P.A.



Simon Naitram
Ph.D.



Professor Justin Robinson
Ph.D.



Joseph Ward
B.Sc., FCA

SENIOR MANAGEMENT



Cleviston Haynes
Governor
M.A. (Econ.)



Alwyn Jordan
Deputy Governor
M.Sc.



Pamela Arthur
Director, Human Resources
M.Sc.



Anton Belgrave
Director, Research and
Economic Analysis
M.A. (Econ), FRM



Charles Briggs
Director, Facilities Management
M.B.A., C.Eng.



Ian Collymore
Director, Foreign Exchange
and Export Credits
M.Sc.



Michelle Doyle
Advisor to the Governor
MPhil, CFA



Elson Gaskin
Secretary to the Board
LL.B, L.E.C, M.B.A, M.I.C.B.S, J.P.



Octavia Gibson
Director, Currency and
Payments Oversight
M.Sc., PMP, J.P.



Cheryl Greenidge
Director, Bank Supervision
M.B.A.



Heather Moore-Bernard
Director (Ag.), Strategic Planning
and Risk Management
M.B.A



Philmore Thorne
Financial Controller (Ag.)
M.B.A, F.C.C.A, FCA



Steve Vaughn
Chief Internal Auditor
M.B.A, F.C.C.A, FCA, C.I.A.



Julia Weekes
Director, Banking
and Investments
B.Sc., CFA



Ian Wood
Director, Management
Information Systems
M.Sc., CISA, CISM, CRISC

OTHER SENIOR OFFICERS

Debbie Briggs

Deputy Director
Banking and Investments
B.Sc., F.C.C.A., FCA

Novaline Brewster

Chief, Corporate Communications
M.Sc., J.P.

Terry Burke

Chief Information Security Officer
Management Information Systems
B.Sc., CISA, CISM, CISSP, CRISC

Jennifer Clarke-Murrell

Deputy Director
Bank Supervision
M.Sc.

Sadie Dixon

Legal Counsel
LL.B., LL.M. L.E.C.

Darrin Downes

Deputy Director
Foreign Exchange and Export Credits
M.A. (Econ.), LL.B., L.E.C.

Roger Gumbs

Deputy Financial Controller (Ag.)
B.Sc., C.G.A., C.F.S.A.

Josephine Haywood

Deputy Director
Management Information Systems
B.Sc., C.G.A., CISA

Tamara Hurley

Deputy Director
Bank Supervision
M.B.A.

Alexis Lescott

Deputy Director (Ag.)
Research and Economic Analysis
M.Sc.

Shari Lorde Richards

Deputy Director
Bank Supervision
M.Sc.

Alvon Moore

Deputy Director (Ag.)
Currency and Payments Oversight
M.Sc.

Sheryl Peter-Kirton

Chief, Digital Programming
Digital Transformation Unit
M.Sc.

Angela Skeete

Chief, Information Services
Research and Economic Analysis
M.A.



1 CORPORATE GOVERNANCE

Board of Directors

The Board of Directors of the Bank (“the Board”), pursuant to Section 12 of the *Central Bank of Barbados Act, 2020* of the Laws of Barbados, has been entrusted with responsibility for the oversight of the executive management of the Bank as exercised by the Executive Committee.

The Board’s functions and powers as defined under the Act are:

- to approve the budget of the Bank and oversee its execution;
- to approve the allocation of profits to special reserves;
- to consider and approve the annual audited accounts and the financial statements of the Bank;
- to define the organisation of the Bank and the general policy that regulates the powers and duties of its employees, including the framework for recruitment, promotions and the exercise of disciplinary control;
- to appoint and dismiss the Chief Internal Auditor of the Bank;
- to adopt the external auditor selection and rotation policy and appoint and dismiss the external auditor of the Bank upon the recommendation of the Audit Committee;
- to oversee the system of financial reporting, risk management, and internal controls of the Bank;
- to carry out any ancillary powers which relate to its oversight role;
- to request to be furnished with information from the Bank which it requires to carry out its oversight functions;
- to adopt the accounting policies and procedures of the Bank, which are in accordance with the internationally recognised accounting standards;
- to make by-laws that regulate the conduct of the business of the Bank;
- to make regulations and issue orders for the purpose of giving effect to the provisions of the Act; and
- the power to appoint committees for the purpose of exercising any of its functions.

Composition of the Board

The Board of the Bank consists of the Governor as Chairman, the Director of Finance and Economic Affairs, and five other Directors who are required to be persons of recognised experience in the areas of law, economics, finance, and business.

The members of the Board of Directors, apart from the Governor, are Professor Justin Robinson, Mr. Trevor Campbell, Dr. Simon Naitram, Ms. Vere Brathwaite, Mr. Joseph Ward and Mr. Ian Carrington, the Director of Finance and Economic Affairs, who is the *ex officio* member.

The Bank Secretary, Mr. Elson Gaskin, is the officer chiefly responsible for Board administration. Statutorily, there are two Deputy Governors of the Bank, who may attend all Board meetings, but are only entitled to vote if, in the absence or disability of the Governor, one of them is chairing a Board meeting. At December 31, 2021 one post of Deputy Governor was vacant.

Meetings of the Board

The Board is statutorily mandated to meet as often as the business of the Bank requires, but not less frequently than 10 times in each year. Not more than two months must elapse between one meeting of the Board and the next meeting.

Four Directors, of whom one must be the Governor, or in the case of his absence or disability a Deputy Governor, form a quorum at any meeting, and decisions are adopted by a simple majority of the votes of the members present. In the event of an equality of votes, the Chairman may exercise a second or casting vote.

The Bank’s by-laws provide for regular meetings for which no notice is necessary and for special meetings to be convened at the written request of the Governor or any two Directors. In the latter case, however, notice is required.

The Board met in 11 regular sessions in 2021. For the majority of the year, owing to the ongoing COVID-19 pandemic, meetings were held remotely, but seamlessly. Among the matters considered in the year under review were macroeconomic developments, monetary and financial policy, the administrative budget, human resource issues, governance policies, strategic planning, and other periodic reporting.

Sub-Committees of the Board

There is one sub-committee of the Board, namely the Audit Committee. Pursuant to the aforementioned new Bank Act, the Audit Committee has been given statutory recognition.

The Audit Committee addresses matters pertaining to the internal and external audit functions of the Bank, including reviewing the draft audited financial statements in conjunction with the external auditors prior to the Board's approval. The Audit Committee comprises Mr. Joseph Ward (Chairman), Ms. Vere Brathwaite, and Professor Justin Robinson. It should be noted that all members are non-executive Directors.

The committee's mandate has been expanded to include risk management. As a result, a new Audit Committee Charter, which includes the risk functions, was approved and adopted in 2021.

Apart from the Audit Committee, a member of the Board, in the person of Dr. Simon Naitram, also sits on the Committee of Management of the Staff Pension Fund.

During the year under review, the Audit Committee met five times.

Governance Policies

In keeping with the objective to enhance organisational governance, the Board adopted policies related to the prevention of the Bank being used for money laundering and for standards of conduct by staff. These standards build on the foundational principles that are set out in the *Central Bank of Barbados Act, 2020*.

Executive Committee

The Executive Committee consists of the Governor and two Deputy Governors. The Governor also chairs the Executive Committee.

The Executive Committee's responsibilities include:

- the executive management of the Bank;
- the formulation, adoption, and implementation of the policies of the Bank, including monetary policy and financial stability policy;
- the formulation, implementation, and adoption of Board policies;
- the management of the international reserves in accordance with the risk management and internal control framework as approved by the Board;
- the rules for the reproduction of legal tender banknotes and the details of the exchange of legal tender banknotes, including the rules for the replacement of damaged legal tender banknotes;
- the requirements and conditions for the management and access to the clearing and payment system;
- making regulations in relation to the functions and powers which it exercises under the *Central Bank of Barbados Act*; and
- such other powers and duties as stated within the Act which are not explicitly allocated to the Board.

The Executive Committee is empowered to delegate its functions and powers where such delegation is not inconsistent with the provisions of the Bank's enabling Act.

The Executive Committee is statutorily mandated to meet as often as the business of the Bank requires. The Committee submits quarterly reports to the Board.

The deliberations of the Committee focused on the Bank's core responsibilities related to safeguarding the stability of the fixed exchange rate and the stability of the financial system. During the year, it also addressed other matters, including the interchange fees on debit cards and their impact on the clients of commercial banks and credit unions, codes of governance for various aspects of the Bank's operations, an anti-money laundering (AML) policy and the general administration of the Bank.

Legislative Reform

During the year, the Bank piloted a number of legislative priorities. The first, the *National Payment System Bill* and its supporting regulations, required an amendment to the *Bills of Exchange Act* and the preparation of additional legislation to establish a Financial Services Tribunal.

The National Payment System Act 2021 was passed in February 2021 and is awaiting proclamation. The drafts of the *National Payment System (Clearing and Settlement) Regulations and National Payment System (Electronic Payment Service Providers) Regulations* are expected to be completed in the first quarter of 2022.

The *Bills of Exchange (Amendment) Act 2021* was likewise passed in February 2021 and its commencement date was March 3, 2021.

The *Financial Services Tribunal Bill* remains under discussion and is expected to be passed into law early in 2022. This Bill creates the appropriate jurisdiction to hear and determine consumer complaints and to address specific market conduct issues within the financial sector.

Another major piece of legislation was the Fair Credit Reporting Bill, which provides for an Act of Parliament to oversee and regulate credit bureaus and promote the development of a fair credit reporting system in Barbados. The Bill was passed in both the House of Assembly and Senate in December 2021.

Risk Management

The Bank undertook several initiatives to strengthen its risk management during 2021. The Bank requested Deutsche Bundesbank, Germany's central bank, to perform an independent External Quality Assessment (EQA) of the Bank's Internal Audit function. The EQA commenced in the fourth quarter of 2021 and the final report is expected to be issued by early in 2022.

The Bank contracted an external audit firm to provide Information Technology (IT) audit services, which included the development of a risk-based IT audit plan and the performance of IT audits over the three-year period 2022 to 2024.

The Bank's Internal Audit department continued to perform assurance and consulting audits on various operations in the Bank. Completed reports were issued to the heads of the relevant operations, senior management, and the Audit Committee.

In addition, reporting by the Chief Internal Auditor to senior management and the Audit Committee was enhanced to conform with Institute of Internal Auditors (IIA) Standards and the *Central Bank of Barbados Act, 2020*.

To further strengthen risk management, the Bank initiated an enterprise risk management programme designed to ensure its risks are identified, assessed, evaluated and treated on an enterprise-wide basis. In this regard, risk management forms a central plank of the Bank's 2022-24 Strategic Plan, the theme of which is "Transforming Our Bank: Understanding and Mitigating its Risks".

As part of the risk management programme, the Bank sought to enhance its business continuity programme. This proved essential in light of the challenges created by the clean-up of the ashfall that followed the eruption of the La Soufrière volcano in St. Vincent and the impact of Hurricane Elsa.

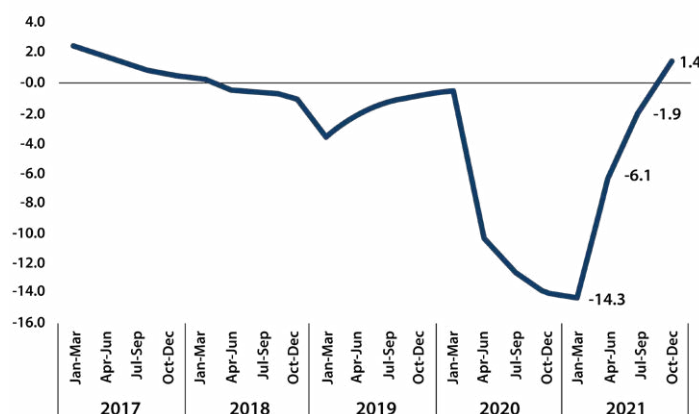
2 MACROECONOMIC DEVELOPMENTS

Despite the continuing impact of the COVID-19 pandemic, the Barbados economy showed signs of a mild recovery during 2021. Real economic activity is estimated to have increased by 1.4 percent, following signs of a rebound in tourist arrivals in the latter half of the year and modest growth in the manufacturing, wholesale and retail, and business and other services sectors.

The tourism sector registered an overall decline in activity, notwithstanding strong growth in long-stay tourist arrivals in the fourth quarter, primarily from the United Kingdom and United States. The improved market shares of these destinations contrasted with the slow recovery of the Canadian and Caribbean markets, as regional travel was hindered by reduced airlift and the absence of traditional cultural and sporting activities.

Increased economic activity contributed to a reduction in the unemployment rate to 10.9 percent at the end of 2021, compared to 13.6 percent at the end of the same period in 2020. As a result, unemployment claims registered during the year were significantly lower

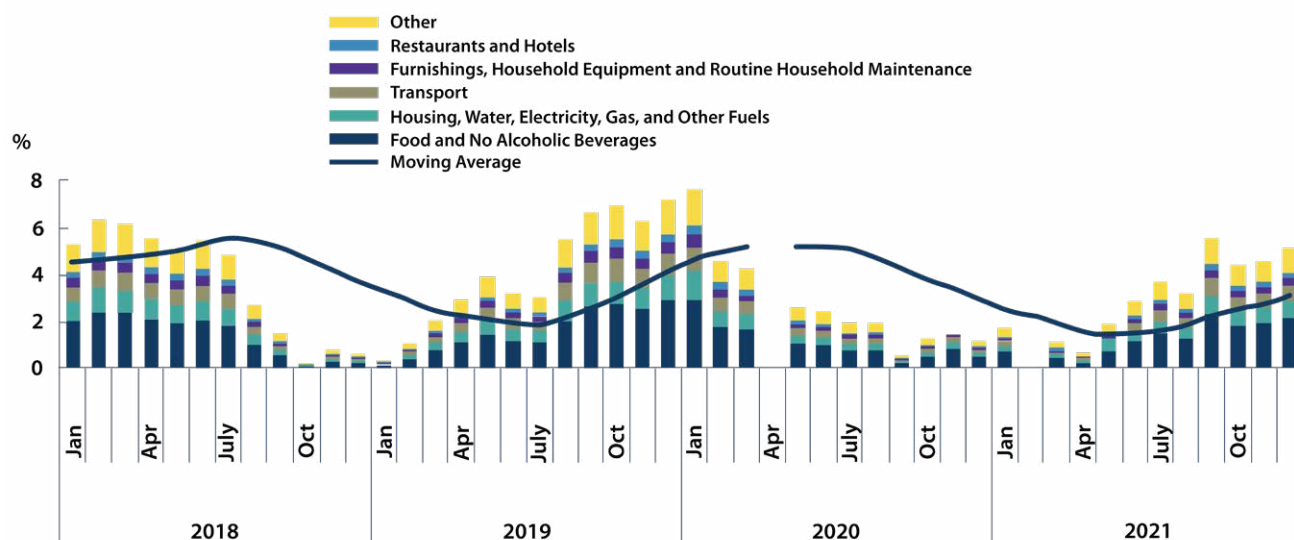
Figure 1: Quarterly Cumulative GDP Growth



Source: Barbados Statistical Service and Central Bank of Barbados

than during the onset of the COVID-19 pandemic in 2020. The moving-average rate of inflation stood at 3.1 percent at the end of December, the combined result of escalating shipping costs, disrupted supply chains, and increases in global food and oil prices. The higher inflation rate reflected increases in the prices of meats and vegetables, as well as the price of gasoline, diesel, and electricity.

Figure 2: Retail Price Index



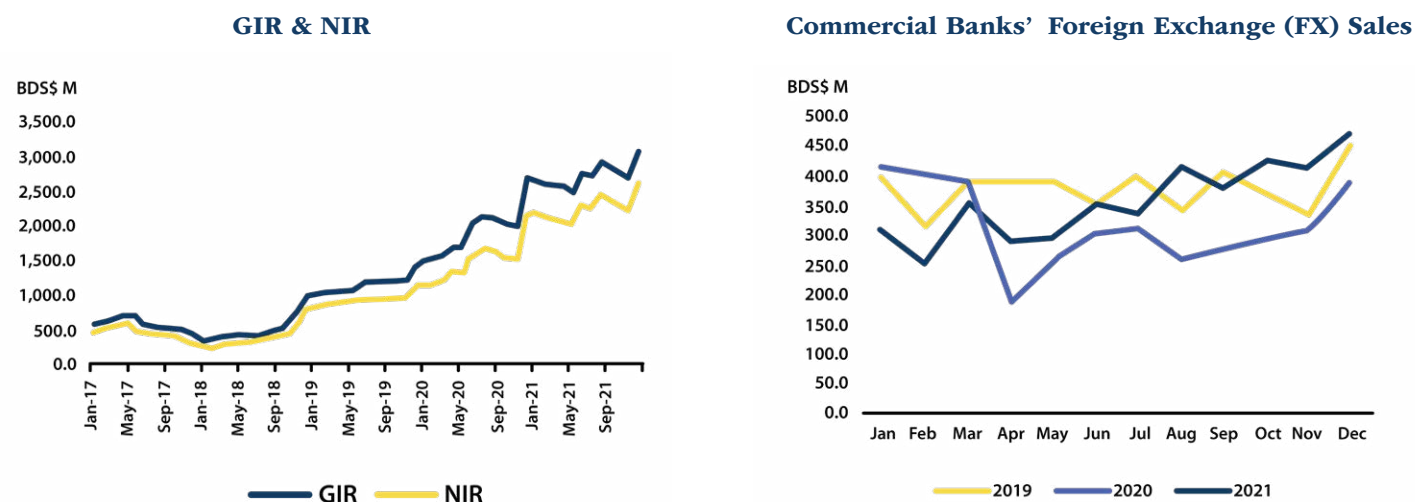
Source: Barbados Statistical Service

External Sector

The stock of gross international reserves (GIR) rose by \$391.4 million during 2021 to \$3,062.3 million. This increase was driven primarily by policy-based related borrowing of \$758 million from multilateral financial lending institutions and proceeds from the new IMF SDR allocation. The continued build-up of international reserves over the past 42 months has resulted in an import reserve cover equivalent to 40 weeks of imports of goods and services.

The external current account deficit widened significantly, owing to reduced earnings from tourism, higher imports, income payments, and a weak export performance. The surge in imports reflected a significant increase of imported fuel prices, as the average international price of fuel per barrel rose by 63 percent, in line with rising global oil prices. Exports of goods contracted on account of lower exports of chemicals and machinery and transport, which outweighed growth in exports of food and beverages, especially rum.

Figure 3: Gross International Reserves (GIR) & Net International Reserves (NIR) and Foreign Exchange (FX) Sales



Source: Central Bank of Barbados

Public Finances

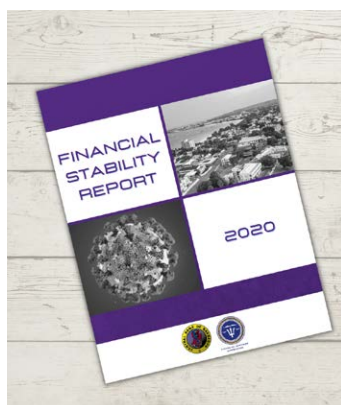
The fiscal deficit recorded for the first three quarters of FY2021/22 stood at \$221 million while the primary fiscal balance was \$51 million in surplus. Total revenue recovered partially, expanding by \$116 million during the review period, owing primarily to growth in VAT receipts and increases in collections of personal income tax and excise taxes. These increases were off-set by the \$153 million decline in corporate income tax intake as the 2020 gains due to one-off payments from foreign currency earning companies, normalised.

Non-interest expenditure rose by \$203 million as Government continued to address the challenges posed by COVID-19 and the severe climatic events experienced during the financial year. Outlays for goods and services absorbed one-third of the expenditure increase, partly to cover the volcanic ashfall clean-up, persons displaced by Hurricane Elsa, the employment of various short-term contract workers, and the costs of the national beautification

programme. Additionally, the partial recapitalisation of the NIS, financing of supplies and materials related to managing the pandemic, and higher spending on property maintenance were contributing factors to higher outlays.

The Government continued to rely on external funding from multilateral lending institutions to address the financing needs created by the COVID-19 induced relaxation of fiscal policy. New policy-based loans of approximately 2.5 percent of GDP during the fourth quarter of the year supplemented the funds received in the preceding nine-month period. The debt-to-GDP ratio, which had risen sharply in 2020 and in the first quarter of 2021, principally because of the fall in nominal GDP, stabilised on the strength of the emerging recovery in economic activity. At year-end, the public debt ratio was equivalent to 136.3 percent, marginally lower than the comparable ratio at the end of 2020. With the reliance on policy-based loans, the share of external debt accounted for 33.9 percent of total debt, while the domestic debt stock continued to fall post-debt restructuring.

Financial Sector



The 2020 Financial Stability Report, a joint publication of the Bank and the Financial Services Commission, revealed that Barbados' financial system remained stable despite the challenges created by the COVID-19 pandemic.

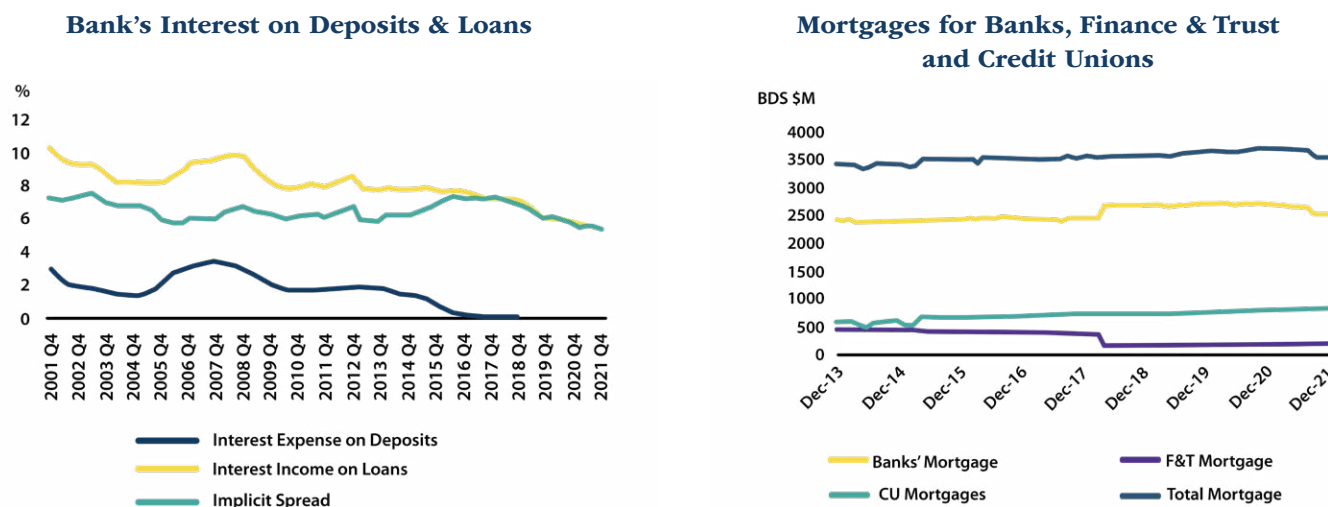
The financial sector was stable throughout 2021, despite the challenges posed by the global pandemic. Capitalisation of the banking system remained at 16.3 percent as the profitability of banks strengthened. With overall declining credit demand and interest rates on deposits and loans at historically low levels, net interest income contributed less to profitability. The recovery in the return on assets was partly due to the stabilisation of the non-performing

loans ratio, which has resulted in lower loan provision expenses and increased reliance on fees and commissions. At year-end, a small share of loans

remained under moratoria, principally in the real estate and tourism sectors, as financial institutions continued to provide loan restructuring options to clients.

Domestic-currency deposits grew by 4.0 percent, compared to a 5.6 percent increase during the previous year. Banks and credit unions continued to accumulate excess liquidity amid Government's counter-cyclical spending to offset the negative economic fallout from COVID-19. The loan-to-deposit ratios of banks and credit unions fell further, but the build-up of liquidity at the Bank slowed, with the excess cash holdings of commercial banks reaching 26.7 percent of domestic-currency deposits, compared to 22.8 percent one year earlier. Foreign-currency accounts, which represented approximately 6.4 percent of total deposits, rose, the result of higher foreign currency holdings of the real estate, tourism, and household sectors.

Figure 4: Banks' Interest and Mortgages for Banks, Finance & Trust and Credit Unions



Source: Central Bank of Barbados

Credit to the non-financial private sector by deposit-taking institutions fell by 1.2 percent, on par with that recorded in 2020. Lending by commercial banks declined by 2.7 percent, but there were modest increases by other institutions. The reduction in commercial bank lending was mainly reflected in personal loans for mortgages and credit cards. Total credit card balances outstanding to the personal sector fell by 13.9 percent, a deeper decline than the

9.8 percent in 2020. This reduction was the result of repayments outpacing the growth in new credit extended, as consumers continued to reduce short-term credit balances throughout the year. However, there were increases in credit to the business sector, particularly for utilities, and the tourism and distributive sectors were the main recipients of working capital financing.

Table 1: Leading Economic Indicators

	2016	2017	2018	2019	2020 ^(p)	2021 ^(e)
Nominal GDP (\$ Million) ¹	9,665.6	9,963.2	10,194.6	10,608.3	9,379.1	9,801.6
Real Growth (%)	2.7	0.6	(1.0)	(0.7)	(14.0)	1.4
Inflation (%) ²	1.5	4.5	3.7	4.1	2.9	3.2
Avg. Unemployment (%) ³	9.7	10.0	10.1	10.1	17.9**	10.9
Gross International Reserves (\$ Million)	639.8	411.3	999.6	1,481.0	2,660.7	3,058.8
Gross International Reserves Cover (Weeks)	8.2	5.3	12.8	18.6	40.7	40.0
BoP Current Account (% of GDP)	(4.3)	(3.8)	(4.4)	(2.8)	(5.9)	(13.3)
Total Imports of Goods (% of GDP)	31.9	30.5	29.3	29.3	30.3	32.4
Travel Credits (% of GDP)	21.5	21.7	21.8	24.4	12.3	11.7
Financial Account (\$ Millions)	84.2	86.4	887.6	792.7	1,652.1	1,538.6
Gross Public Sector Debt (% of GDP)	150.5	148.9	123.6	118.0	136.6	136.3
External Debt Service to Curr. Acct. Cred.	6.4	8.3	4.9	3.6	9.0	7.4
Treasury-Bill Rate	3.1	3.2	0.5	0.5	0.5	0.5
Implicit Deposit Rate	0.3	0.1	0.09	0.07	0.04	0.05
Implicit Loan Rate	7.5	7.4	7.1	6.2	5.7	5.4
Excess Cash Ratio	15.7	14.2	16.1	18.5	22.8	25.2
Private Sector Credit Growth (%)	1.5	3.2	0.4	0.9	(1.2)	(1.2)
Private Sector Credit (% of GDP)	81.7	81.8	80.2	77.8	86.9	85.9
Domestic Currency Deposits (% of GDP)	114.8	112.7	111.5	109.6	131.0	130.5
Fiscal Year	2016/17	2017/18	2018/19	2019/20	2020/21	
Fiscal Balance (% of GDP)	(5.3)	(4.6)	(0.3)	3.6	(4.7)	
Primary Balance (% of GDP)	2.2	3.2	3.5	6.0	(1.0)	
Interest (% of GDP)	7.5	7.7	3.7	2.3	3.8	
Fiscal Current Account (% of GDP)	(3.0)	(2.8)	1.6	5.4	(1.7)	
Revenue (% of GDP)	27.8	28.8	29.2	28.0	28.3	
Expenditure (% of GDP)	33.1	33.3	29.5	24.4	33.0	
<i>Non-interest Expenditure (% of GDP)</i>	25.6	25.6	25.7	22.1	29.3	
<i>Capital Expenditure (% of GDP)</i>	2.3	1.7	1.9	1.8	3.0	
Gov't Interest Payments (% of Revenue)	26.9	26.9	12.9	8.4	13.4	

^(p) - Provisional

^(e) - Estimate

¹ - Central Bank of Barbados and Barbados Statistical Service

² - Twelve Month Moving Average

³ - Four Quarter Moving Average

** - Data as at September 2020

3 CENTRAL BANK OPERATIONS

Financial Regulation

The number of licensed financial institutions under supervision by the Bank decreased by three to 35 in 2021. One merchant bank and three foreign currency earning banks completed the winding-up process

during the year. One commercial bank was licensed and is expected to commence operations in mid-2022, while three financial holding companies, formerly licensed under the International Financial Services Act, Cap. 325, completed their transition to Part IIIA of the Financial Institutions Act, Cap. 324A (FIA).

Table 2: Licensed Financial Institutions

Type of Institution	2015	2016	2017	2018	2019	2020	2021
Domestic							
<i>Commercial Banks</i>	5	5	5	5	5	5	6
<i>Financial Holding Companies</i>	1	1	1	1	1	1	4
<i>Part III Companies</i>	13	13	14	12	9	8	7
<i>Money or Value Transmission Service Providers</i>	0	0	0	0	0	3	3
Total Domestic	19	19	20	18	15	17	20
<i>Foreign Currency Earning Banks</i>	28	25	25	24	22	21	15
Total Licensed Institutions	47	44	45	42	37	38	35

Source: Central Bank of Barbados

Supervisory Framework

The regulation and supervision of institutions licensed under the FIA remained a critical element of the Bank's mandate to maintain and promote financial stability. The inspection process concentrated on money-laundering/financing of terrorism (ML/FT) risk, credit risk, and corporate governance. The Bank continued to monitor the impact of the COVID-19 pandemic on the banking sector and revised its temporary arrangements to allow licensees to adjust to the prolonged weakening of economic activity.

The Bank further enhanced its anti-money laundering/combating the financing of terrorism (AML/CFT) supervisory framework and updated its AML/CFT guidelines in light of updates to the Financial Action Task Force (FATF) Recommendations and Guidance, amendments to the Companies Act, Cap 308 in relation to beneficial ownership, and the need for

additional clarity in some areas. The 2nd Enhanced Follow-Up Report and Technical Compliance Re-Rating issued by the Caribbean Financial Action Task Force in February 2021 noted that Barbados had made good progress in addressing the technical compliance deficiencies identified in the 4th Round Mutual Evaluation. Accordingly, Barbados received re-ratings for 13 recommendations, and no areas were rated non-compliant.

The Bank continued to play a leading technical and coordinating role at the national level in an effort to remove Barbados from the FATF list of jurisdictions under increased monitoring. There was also engagement of other national AML/CFT stakeholders to ensure a collaborative approach to strengthening the regulatory and supervisory framework.

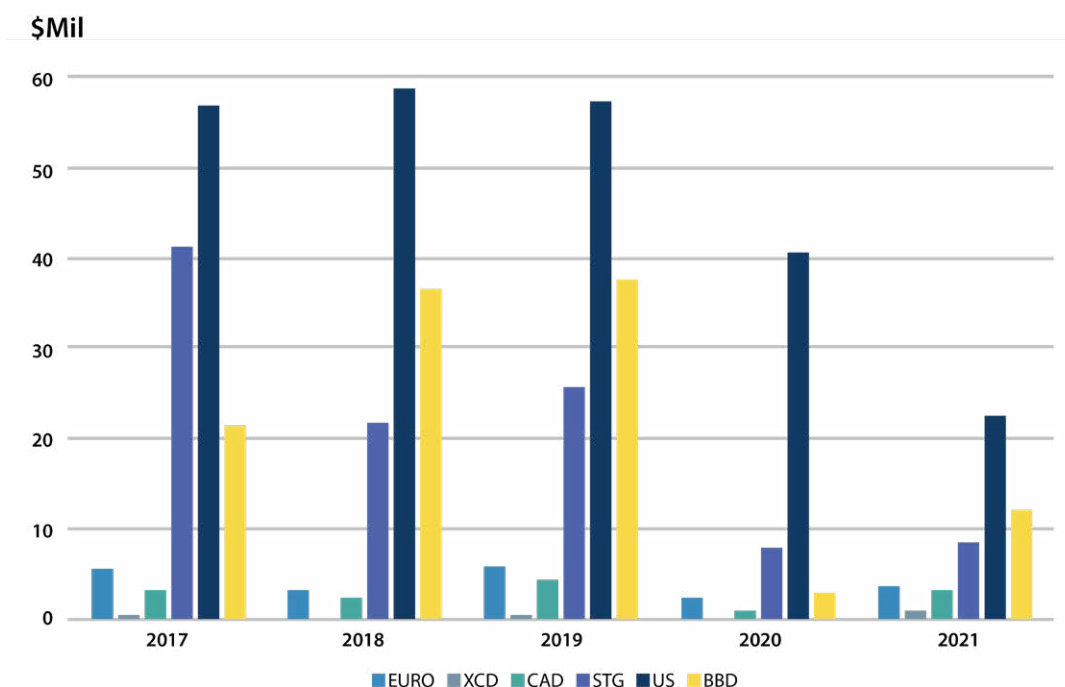
Foreign Exchange Operations

The Bank's gross foreign exchange position strengthened further during the year. This continued improvement largely reflected the result of the receipt of policy-based loan funding and taxes paid by foreign currency-earning firms outweighing the increased sales of foreign currency to authorised dealers and Government. Net purchases of foreign currency by Government stood at \$459 million, including \$274 million for debt service payments. Foreign currency sales to authorised foreign exchange dealers stood at \$469 million, compared to \$72 million in 2020.

The Bank completed five repatriations of foreign currencies in 2021, contributing \$39.5 million to the holdings of international reserves, compared to \$56 million for the previous year. Sales of Barbados dollars abroad rose four-fold, a direct result of higher visitor arrivals in the latter half of the year, particularly from the United Kingdom. However, demand for Barbados dollars remained well below pre-COVID levels.

Online submission of foreign exchange applications continued throughout the year, and authorised foreign exchange dealers processed more foreign exchange transactions under delegated authority without reference to the Bank.

Figure 5: Repatriations by Currency: 2017-2021



Source: Central Bank of Barbados

Forex Online

In December 2021, the Bank introduced the web-based application Forex Online for the submission and approval of foreign exchange applications using the Foreign Currency Form (Not for Imports). Authorised foreign exchange dealers, including Money or Value Transfer Services, were able to successfully test and participate in the rollout of the new online portal. In addition, key stakeholders, residents and non-residents were permitted access to submit and complete applications as the Bank initiated a soft launch.

The official commencement of this new online system, which is intended to improve the processing of the Foreign Currency (Not for Imports) application forms, was January 3, 2022. The Bank plans in due course to update the Forex Online portal to include other foreign exchange applications, including the Periodic Payment Form and the Form FC 1 (Imports Only). A similar initiative will also be adopted to track foreign investments remitted to Barbados in due course.

Money, Credit, and Capital Markets

Government Bond Market

The Bank continued to focus on ensuring the payment of debt service on Government of Barbados restructured bonds and facilitating transfers and secondary market transactions.

The new issuances of \$65.6 million represented final settlement of outstanding arrears owed by Government. Redemptions of debt included payments to the NIS to assist with obligations for unemployment and severance payments to members affected by the COVID-19 pandemic.

In April 2021, bondholders of the Needham's Point Holdings Limited issue agreed to the cancellation of those bonds, totalling \$83.8 million, and their exchange for bonds with similar terms as Government's Series B bonds.

BOSS Bonds

The Barbados Optional Savings Scheme (BOSS) continued during 2021 with the final bonds for the programme being issued in December. During the year, BOSS bond issues totalled \$55.7 million, with an average monthly issue size of \$4.6 million. At December 31, 2021, total bonds issued for the BOSS programme were \$83.8 million and were held by credit unions, insurance companies, pension plans, and individuals, as well as employees of the public service and state-owned enterprises.

Treasury Notes

On December 1, 2021, the Bank issued a \$125 million Barbados Government Treasury Note on behalf of the Government to assist with the financing of the economic recovery from the COVID-19 pandemic. This is an amortising security over a five-year term at an interest rate of 4.25 percent per annum. At the end of the year, subscriptions amounting to \$29.0 million were held by institutional investors and individuals. No bonds were held by the Bank at the end of the year.

Savings Bonds Issues

No new savings bonds issues were offered to the public in 2021. Certificates presented during the year for redemption or early surrender totalled \$28.4 million. Savings bonds certificates of previously matured issues not yet presented for redemption totalled \$38.7 million at December 31, 2021.

Enhanced Credit Guarantee Fund

In February 2021, the contributions to the Enhanced Credit Guarantee Fund (ECGF) totalled \$70 million, which represents the full disbursement amount of the loan funding. Therefore, no new guarantees were issued under the programme during the year. At the end of the year, there were 65 guarantees outstanding with a maximum liability of \$35.5 million.

In April 2021, the Government borrowed an additional sum of USD \$30 million from the Inter-American Development Bank to execute the Global Credit Programme for Safeguarding the Productive Sectors and Employment. It was established to provide support to small and medium-sized enterprises in response to the crisis caused by the COVID-19 pandemic by providing partial credit guarantees to enterprises seeking financing through eligible intermediary financial institutions.

During the year, seven financial institutions accessed the programme, seeking coverage for loans provided to 39 businesses. As of December 31, 42 guarantees were approved, totalling \$22.5 million. In addition, foreign currency disbursements of \$19.6 million were received.

Thirteen small and medium-sized enterprises used collateral support provided under the credit guarantee scheme. At year-end, 15 guarantees were outstanding with a maximum liability of \$1.5 million and total supported credits of \$2.2 million.

There were no outstanding liabilities for insurance business under the Export Credit Insurance, nor any guarantees outstanding under the Export Finance Guarantee at year-end.

Industrial Credit Fund

Weak demand for credit and persistently high liquidity in the banking sector continued to impact the performance of the Industrial Credit Fund. With no loan applications received or disbursements made, the loan portfolio declined to \$1.1 million due solely to regular loan repayments being made.

Housing Credit Fund

The Housing Credit Fund remained inactive during the year, as no loan approvals or disbursements were made. Furthermore, outstanding loans were all fully repaid during the year.

Table 3: Indicators of ICF Operations

Indicators (in BDS \$Millions)	2018	2019	2020	2021 ^(p)
Principal Repayments	1.1	0.7	0.8	0.7
Loans Outstanding	3.3	2.6	1.8	1.1

Source: Central Bank of Barbados

Table 4: Indicators of HCF Operations

Indicators (in BDS \$Millions)	2018	2019	2020	2021 ^(p)
Principal Repayments	6.6	17.1	3.4	40.2
Loans Outstanding	60.7	43.6	40.2	-

Source: Central Bank of Barbados

Currency and Payment Systems

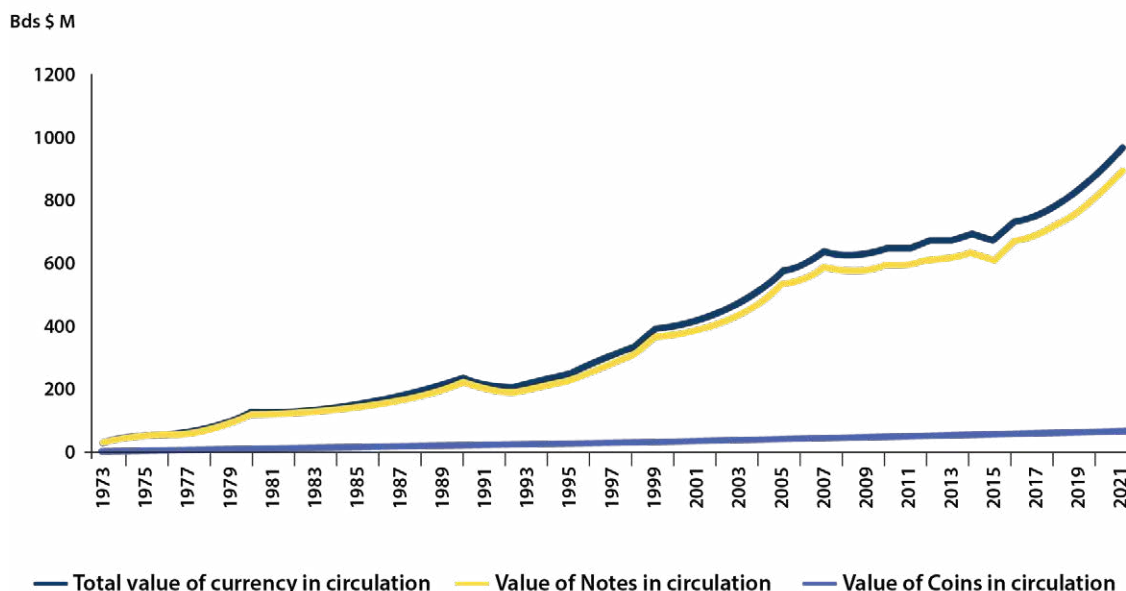
Currency in Circulation

In 2021, currency in circulation continued to trend upwards, increasing to \$960 million, the equivalent of 9.8 percent of GDP. This compares to 9.4 percent of GDP in 2020.

Banknotes in circulation grew by \$67.6 million to \$889.8 million, while coins in circulation rose by \$2.0 million to \$70.0 million.

¹ Currency in circulation is dictated by two factors: currency issued to the public and currency redeemed. The amount of currency issued is determined by the demands of the public. Currency deposited is a function of the commercial banks' reserve requirements, insurance limits, and forecast requirements for cash. The Central Bank also instructs that notes unfit for circulation are deposited and destroyed. Circulation increases when issues exceed deposits and decreases when deposits are more than issues at any point in time. Currency in circulation as at December 31, 2021 equals currency in circulation as at December 31, 2020 plus issues to the public during 2021 minus deposits to the Central Bank during 2021.

Figure 6: Value of Currency in Circulation: 1973-2021



Source: Central Bank of Barbados

Counterfeit Deterrence

Fifty-five (55) counterfeit banknotes were removed from circulation during 2021, compared to 107 in the previous year. The \$100 note continued to be the most targeted denomination, accounting for almost half of the counterfeit notes recorded.

Despite the low incidence of counterfeiting, the Bank has continued to be pro-active, adopting a three-pronged approach to mitigating the threat of counterfeiting: public education, cooperation with law enforcement, and security feature upgrades.

The Bank's long-running Know Your Money training programme for the public was for a second year hampered by the COVID-19 pandemic as the prevalence of remote working meant that only four onsite training sessions for businesses were conducted.

Numismatic Programme

In honour of Barbados' 55th anniversary of independence and its transition to a republic, the Bank released a limited-edition fine silver National Day coin. The coin, which has a face value of \$55 and features the gold-plated image of the Pride of Barbados flower, was minted by the Osbourn Coinage Mint and has an issue limit of 2,500.

The Bank's royalty programme continued to perform well, and during the year royalties from the minting of numismatic coins increased.



The Bank's limited-edition fine silver and gold-plated coin commemorating Barbados' transition to a republic featured the image of the Pride of Barbados flower.

Payments

With the passage of the National Payment Systems Act in 2021, the Bank assumed full supervision for the national payments landscape. Consequently, the mandate of the Currency Division was broadened, resulting in the creation of a new Currency and Payments Oversight Department.

The department will, *inter alia*, oversee the licensing and supervision of entities operating in the payments space and has responsibility for continuous monitoring of payment system activity and ensuring

the system runs smoothly. In addition, it will conduct periodic assessments of the payment system against the Core Principles for Systemically Important Payment Systems, and its work will be supported by a Payments Council, which will serve as an advisory body to the Bank.

The Bank also continued its work on enhancing the payments infrastructure. Preparatory work for the new RTGS System was completed during the year, and implementation of the application was completed in January 2022. The upgrade to the ACH continued to experience delays, but the Bank and two commercial banks were able to effect real time transactions before year-end.

These enhancements should benefit entities engaged in digital and mobile payment services, with new non-bank entities expressing an interest in providing retail payment solutions in a regulated environment.

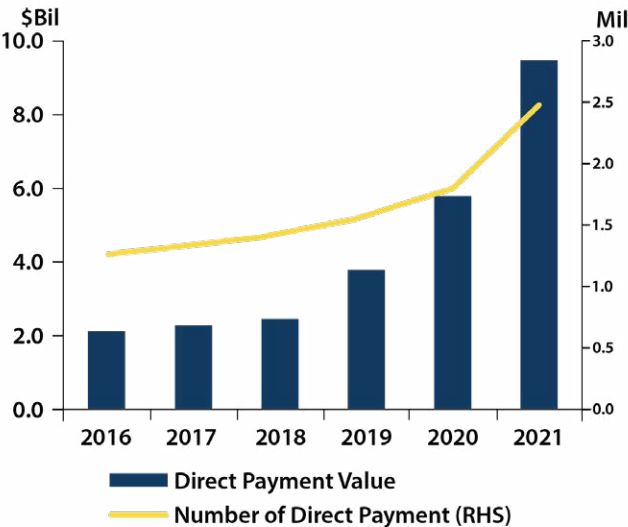
Other initiatives were concentrated on the accompanying regulations to the Act and on creating a pricing framework for financial institutions as

they transitioned their debit card services from the CARIFS system to the VISA and MasterCard networks. In response to public concerns about the impact of rising costs for cardholders and merchants, the Bank intervened, resulting in an adjustment to the interchange fees financial institutions charge each other and merchant discount rates. The Bank will keep these fees under review.

Payment System Activity

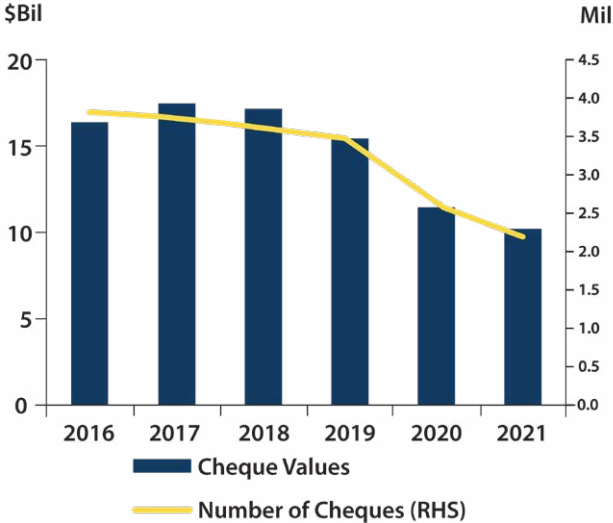
The value of transactions processed through the ACH system rose by 14.1 percent during 2021. This growth was the result of a 62.5 percent increase in direct payments to \$9.5 billion, as the Government and businesses increased usage of electronic payment methods. In contrast, cheque payments, which are also processed through the ACH, continued to decline, with the value of processed cheques falling by 10.6 percent to \$10.2 billion

Figure 7: Direct Payments



Source: Central Bank of Barbados

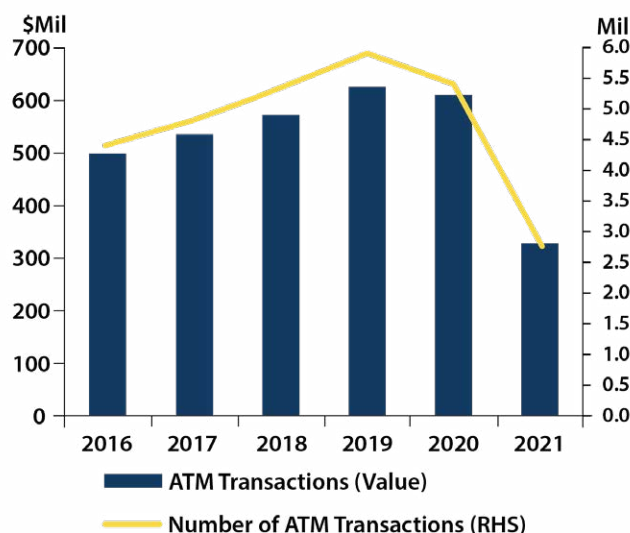
Figure 8: Cheque Transactions



With the transition away from CARIFS, point-of-sale and automated teller machine (ATM) transactions processed by Barbados Automated Clearing House Services Incorporated (BACSHI) fell during the latter half of 2021. This represented a continued decline, as during the first six months of the year, they also

fell by 21.8 percent and 18.6 percent, respectively, highlighting reduced consumer demand during Barbados’ second wave of COVID-19 combined with some commercial banks’ early switchover to the Visa debit platform.

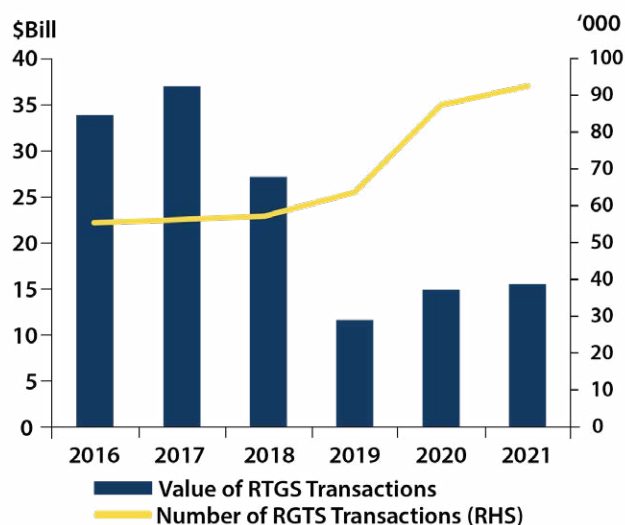
Figure 9: Point-of-Sale Transactions



Source: Central Bank of Barbados

The volume and value of transactions processed through the RTGS system grew by 5.6 percent and 4.9 percent, respectively. This increase was driven by more taxes being remitted to the Government through RTGS.

Figure 11 : RTGS Transactions



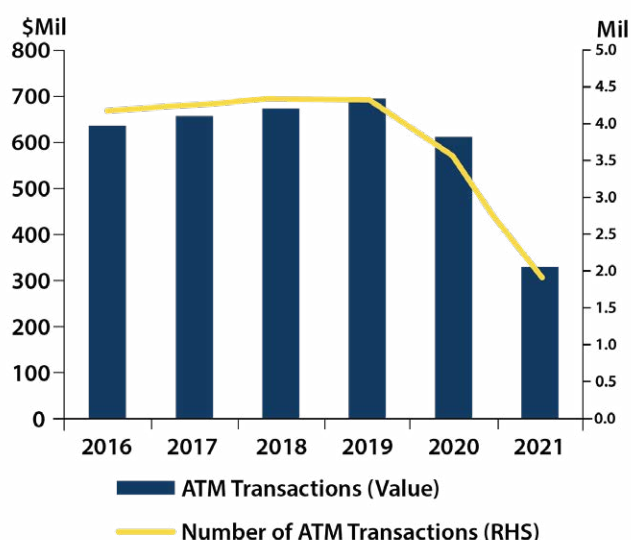
Source: Central Bank of Barbados

Information Technology

The continuing effect of the COVID-19 pandemic has led to a wider review of the business processes within the Bank's digital and technological environment.

The Bank continued its work with Government to complete the 18-month BOSS programme. Work also

Figure 10: ATM Transactions



progressed on the new Real Time ACH, RTGS, and Forex Online applications, with the Real Time ACH being implemented in November 2021, and the RTGS scheduled to be fully implemented by mid-January 2022.

The disaster recovery posture was examined, and included projects to ensure the replication and high availability of the critical Real Time ACH application and the deployment of a new backup and recovery solution, which is at an advanced stage and will be completed in the first quarter of 2022.

The upgrade of the integrated telephone system was completed, which allowed the Bank's operational staff to maintain internal and public communications in the remote work environment.

During the year, the Bank recognised the need to develop a more integrated technology framework that included embedding cybersecurity into the design of solutions and services, thus better securing the current working environment and the Bank's assets.

Managing cybersecurity-related threats in the Bank remained a major priority and was part of the Bank's strategy to reduce its cyber risk exposure and maintain a healthy cybersecurity risk appetite. A number of tools were implemented or upgraded and consultancies employed to improve the Bank's ability to predict, prevent, detect, and respond to cyber threats. These initiatives will be ongoing into 2022.

In addition, the Bank has started a number of strategic initiatives that include cloud adoption, ICT strategy development, and alignment of its operational policies and procedures with ISO 27001/2 standards and the Centre for Internet Security (CIS) security controls.

Digital Transformation

The Bank continued to adjust its business processes and coordinated enterprise-wide digital transformation and training initiatives to improve efficiency. This was achieved through engagement with and feedback from staff. These initiatives raised awareness about the Bank's efforts to create a culture of innovation and of the need for business strategies that are sufficiently responsive to keep pace with the myriad of changes.

The Bank has made significant strides on its digital transformation journey, which include:

- (a) implementing the Bank's official electronic signature platform;
- (b) preparatory work for the implementation of an Enterprise Content Management (ECM) system to revamp the capture, storage, and sharing of the Bank's information assets (in 2022 and beyond);
- (c) advancing business process modelling and re-engineering through the development of workflow diagrams to represent some of the Bank's current business processes;
- (d) coordinating training and benchmarking efforts around data culture, data governance and data classification;
- (e) establishing a Data Governance Council to oversee initiatives of the Bank's data governance programme and developing an appropriate data classification scheme for the Bank.

During the year, the Bank began to upgrade its records management and archival applications to complement its virtual services and to integrate to the Bank's digital transformation.

The Bank's visitor management system was also upgraded, with the introduction of an automated system that improves efficiency and allows for better tracking and record keeping.

Plant Maintenance

The Tom Adams Financial Centre sustained minor damage from Hurricane Elsa, while the ashfall from

the eruption of the La Soufrière volcano impaired some of the Bank's equipment, necessitating repairs beyond the planned upgrades for the year.

The Bank continued its thrust towards becoming a greener organisation with the installation of additional photovoltaic panels on the roof of the Frank Collymore Hall. It is in the process of attaining certification from the Government Electrical Engineering Department so the system can be reconnected to the Barbados Light and Power Company's grid. Panels at Newlands, the Governor's residence, were also replaced, and a new solar inverter was installed.

People and Programmes

Maintaining a sense of community has become even more important since the start of the COVID pandemic, as many members of staff continue to work remotely. The Bank has therefore increased both its communications channels and the frequency with which it uses them.

The Bank issued internal daily public service announcements (PSAs) via WhatsApp and email to share information on Government's and the Bank's COVID-19 protocols and other public health matters, and to alert staff about pandemic-related press conferences to ensure they had access to up-to-date information from credible sources, an initiative that has garnered positive feedback.

During the hurricane season, the Bank used WhatsApp notifications to keep staff abreast of approaching systems and also provided tips and information about resources. Throughout the passing of Hurricane Elsa, the Bank shared updates from official sources with staff, several of whom had lost power.

The daily PSAs were also used to issue reminders about cybersecurity, branding, and to inform them of upcoming Bank events, as well as new Bank policies and programmes.

The intranet functioned as a hub where staff could find information about the Bank's policies, strategic plan, and operations. In addition to hard news, it also featured human-interest content such as articles about staff members' milestone anniversaries, their children's academic and other successes, and tributes to staff members and retirees who passed away.

The AfterShow podcast was rolled out in September. This medium is primarily designed to educate staff about how the Bank sets out to achieve its strategic objectives, especially in the context of the new Central Bank of Barbados Act, in addition to other supporting legislation and Bank policies.

Admins Celebration

On Administrative Professionals Day, the Bank organised an online event celebrating its administrative assistants. The half-day event included tributes from their managers, games, and motivational speeches.

Internship Programme

The Bank’s summer internship programme continued in 2021, albeit on a limited scale. During their three-month stint, the interns participated in two educational sessions, one where they learned more about the institution and had an ask-him-anything conversation with the Governor, and the other focusing on the organisation’s two objectives – maintaining the peg and promoting financial stability – with the emphasis placed on why these are important, how the Bank accomplishes them, and why it should matter to the average Barbadian.

Their experiences were chronicled as part of a “[Learning on the Job](#)” series, which highlighted some of the interns and their journey at the Bank.

Thank-a-Thon

To pay tribute to the staff for their efforts during another challenging year, the Bank organised a virtual thank-a-thon and Christmas party that featured messages from the Bank’s management to their departments and entertainment by popular artistes.

Staff Welfare

With the COVID-19 pandemic still prevailing and the majority of staff continuing to work remotely, the Bank sought to reinforce its commitment to the importance of health and safety issues. This was achieved through a number of events aligned with the National Workplace Wellness Policy that were hosted throughout the year as well as during Occupational Health and Safety Week.

Virtual presentations were made to staff by Harold Oxley, Ergonomics and Environmental Specialist, on “Ergonomics in Focus” and “Environmental Wellness,” and Jeanetta Waithe, Employee Assistance Programme

Counsellor, Network Services, on “Striving Towards Wellness: Navigating the Uncertainty of Change.”

In addition, the Bank’s gym trainers provided in-gym and virtual training sessions to assist staff in maintaining proper work-life balance, which has become even more critical given the challenges being experienced during this time.

The Bank also sought to reconnect with retirees as they continued to adjust to the changing environment. The Governor hosted a virtual reunion for the retirees at which they reminisced about their time at the Bank and provided updates on their retirement plans.

Appointments

Eight persons joined the Bank during the year, including Ian Wood, Director, Management Information Systems and Heather Moore-Bernard, Deputy Director, Strategic Planning and Risk Management. Nine persons left, among them seven retirements, one resignation and, regrettably, one death. At year-end, the staff complement stood at 260 of which 218 were permanent employees.

During the year the Bank bade farewell to seven longstanding members of staff who retired:

Retirees	Years of Service
Janice Marshall	45
Wilma Belgrave	41
Peter Rochester	38
Hartley Jordan	33
Ronald Grant	31
Sylfred Ramsey	25
Janette Carter	23

Promotions

During the year, Octavia Gibson was appointed as Director, Currency and Payments Oversight and three persons were appointed to the level of Deputy Director: Jennifer Clarke-Murrell and Shari Lorde Richards (Bank Supervision) and Terry Burke (Management Information Systems). A number of other officers were also promoted:

Name	New Position	Department
Simone Forrester	Senior Examiner	Bank Supervision
Hope Husbands	Senior Examiner	Bank Supervision
Paulette Gibbons	Services Manager	Facilities Management
Alicia Bascombe	Senior Communications Officer I	Governor's Office
Roxanne Hinds	Senior Administrative Assistant	Governor's Office
Sharon Layne	Senior Currency Officer	Currency and Payments Oversight
Tia Greenidge	Examiner	Bank Supervision
Pia Parris	Communications Officer	Governor's Office
Rosita Pinder	Currency Officer	Currency and Payments Oversight
Tonya Rock	Examiner	Bank Supervision
Dwayne Smith	Technical Services Officer	Facilities Management
Alicia Wardrobe-Haynes	Senior Security Officer	Governor's Office

Education and Certification

Several staff members enhanced their qualifications during the year, including Sherri Bishop, M.Sc. in Integrated Marketing Communications; Lisa Brathwaite Phillips, M.Sc. in Financial and Business Economics with Distinction; and Shakera Williams, M.Sc. in Tourism and Event Management. Other staff members also completed various certificate programmes.

Corporate Outreach

The Bank embraced the use of technology to continue its near 50-year-long tradition of promoting thought-leadership and educating its various publics about its role, function, mandate, and responsibilities.

Sir Winston Scott Memorial Lecture

The 46th edition of the Sir Winston Scott Memorial Lecture, the Bank's flagship public outreach event, took the format of a discussion between Governor Haynes and the special guest, Professor Esther Duflo, the Abdul Latif Jameel Professor of Poverty Alleviation and Development Economics in the Department of Economics at the Massachusetts Institute of Technology (MIT). Professor Duflo, who became the youngest person and only the second woman to win the Nobel prize for Economics in 2019 (alongside Abhijit Banerjee and Michael Kremer), spoke on the topic ["Radical Rethinking of How We Fight Global Poverty and Develop New Social Policies."](#)

Professor Duflo emphasised that there is no-one-size-fits-all approach to alleviating poverty, and explained how she uses randomised control trials or scientific experiments to derive solutions to address poverty internationally.

In the absence of in-person attendees, the Bank invited a number of Barbadians, including secondary school students, to form a virtual audience and to pose their questions to Professor Duflo. The event was broadcast on local media and on the Bank's social media channels.

Caribbean Economic Forum

The Caribbean Economic Forum series has become a key component of the Bank's public education efforts. The virtual format, which was first introduced in 2020, was continued, allowing the programme to host panellists from across the region and beyond.

The series' five episodes were broadcast on television stations across the region as well as livestreamed on the Bank's Facebook page and YouTube channel. One partner, One Caribbean TV, in a letter to the Bank commended its efforts and noted that, "these forums have provided our audiences throughout the Caribbean, in North America, and in the UK with added dimension on the economic situation in Barbados and across the region. The points of view presented have been both timely and informative."

Resilient Institutions and Why They Matter to Me

The 2021 [premiere](#) of the forum featured former Bank of Jamaica Governor Brian Wynter as well as IDB economists, Moisés J. Schwartz, the organisation's Manager of the Institutions for Development Sector, and Diether W. Beuermann, its Lead Economist in the Caribbean Country Department. Schwartz and Beuermann have co-authored a book on the importance of having strong institutions in the Caribbean.

Putting People at the Centre of Development in the Caribbean

The [second edition](#), held in June, focused on a new report by the CARICOM Commission that seeks to find a people-centred approach to post-COVID recovery. The panellists for that event were Professor Avinash Persaud, Special Envoy to Prime Minister the Honourable Mia Amor Mottley, who is the Chairman of the Commission; and Dr. Damien King, Executive Director of the Caribbean Policy Research Institute (CAPRI) along with Dr. Jan Yves Remy, then Deputy Director, Shridath Ramphal Centre for International Trade Law, Policy and Services.

Transitioning the Private Sector

In August, the spotlight was on [“Transitioning the Private Sector”](#), with the panellists being among the leading businessmen in the region: Adam Stewart, Group Executive Chairman of Sandals Resorts International; Anthony Ali, Chief Executive Officer of Goddard Enterprises Limited; and Anthony N. Sabga III, Group Chief Executive Officer of the Ansa McAl Group of Companies.

Among the discussion topics were the need for Caribbean businesses to focus on being internationally competitive rather than benchmarking themselves against others in the region; the need for a more regional approach to business; and the critical role of tourism even as countries seek to diversify their economies.



Host Toni Thorne (left), with Adam Stewart, Group Executive Chairman of Sandals Resorts International (left); Anthony N. Sabga III, Group CEO of the Ansa McAl Group of Companies (centre); and Anthony Ali, CEO of Goddard Enterprises Limited (right) during the August Caribbean Economic Forum.

From Inequality and Vulnerability to Prosperity for All

In October, the Bank collaborated with the organisers of UNCTAD 15 to host [“From Inequality and Vulnerability to Prosperity for All”](#) with a panel comprising Prime Minister, the Honourable Mia Amor Mottley; Ambassador Gail Mathurin, Director-General of the Office of Trade Negotiations at the CARICOM Secretariat; Isabelle Durant, Deputy Secretary-General of UNCTAD; Dr. Patrick Njoroge, Governor of the Central Bank of Kenya; and the Honourable Ryan Straughn, Minister in the Ministry of Finance.

Promoting Regional Economic Growth and Development

The final edition sought to build on the year's previous discussions to identify a pathway towards the ultimate goal of stronger economies, resilience, and more regional cooperation. [“Promoting Regional Economic Growth and Development”](#) featured Dr. the Honourable Nigel Clarke, Minister of Finance and the Public Service in Jamaica; Dr. Hyginus “Gene” Leon, President of the Caribbean Development Bank; Dr. Carla Barnett, Secretary-General of CARICOM; and Brian Louisy, Chairman of the Network of Caribbean Chambers of Commerce.

Domestic Financial Institutions Conference

Now in its twelfth year, the Domestic Financial Institutions Conference was originally a one-day event for officials from Barbados' financial sector. However, with the onset of the pandemic in 2020, it was transformed into a series of online sessions. This new format has allowed the Bank to not only explore each topic in more depth, but also to expand the reach of the events by opening them up to the public. The Bank hosted four sessions on a broad range of topical issues.

Increasing Household Investment in Renewable Energy

The first session explored the topic, “[Increasing Household Investment in Renewable Energy: How the Financial Sector Can Help](#)”, with panellists William Hinds, Head of the Energy Conservation and Renewable Energy Unit in the Ministry of Energy, Small Business, and Entrepreneurship; Aidan Rogers, 2nd Vice President of the Barbados Sustainable Energy Cooperative Society; Stacey Hem Lee, Manager, Retail Services (Broad Street) Republic Bank; and Randy Graham, CEO of Massy United Insurance. There were also interventions from Eric Smith, a householder who has invested in a renewable energy system, and Cori King, Manager of the Resource Centre at the Barbados Light and Power Company Limited.

Technology and Customer Service in the Financial Sector

In May, the Bank hosted a second discussion, “[Technology and Customer Service in the Financial Sector](#)”, led by panellists Paul Ashby, CEO of SigniaGlobe Financial; George Thomas, Deputy Chief Information Officer at CIBC FirstCaribbean International Bank; and Colin Daniel, Principal Consultant at Strategic Consulting and Advisory Services.

Navigating Risk in the Financial Sector

Two representatives of local financial institutions, Patrick McKenna, Chief Risk Officer at CIBC FirstCaribbean and Laverne Derrick-Watson, Risk Manager at Barbados Public Workers Cooperative Credit Union; along with Gayle Marshall, Director, Risk Analytics at the Financial Services Commission made up the panel for the [July session](#) of the Domestic Financial Institutions Conference.

The event focused primarily on what were identified as the two biggest challenges confronting the sector: credit risk (in light of increased unemployment and financial difficulties resulting from the COVID-19 pandemic) and cybersecurity risk. For the latter part of the discussion, they were joined by cybersecurity consultant Dwight Robinson.

Financial Fraud in Barbados

The final instalment of the series was held in October, covering on this occasion “[Financial Fraud in Barbados](#).”

During the 90-minute discussion, which attracted

almost 300 online participants, Kirk Tait, Director of the Financial Intelligence Unit; Kester Guy, CEO of the Financial Services Commission; Jennifer Clarke-Murrell, Deputy Director, Bank Supervision at the Central Bank; and Inspector (Ag.) Sonia Thompson of the Barbados Police Service answered questions about the prevalence of financial fraud, and whether financial regulators and law enforcement have the know-how to tackle the novel types of scams that continue to emerge.

Tait shared the findings of a report that his organisation compiled, which showed that there has actually been a decrease in fraud during the COVID pandemic relative to the previous year, while Guy acknowledged that keeping up with the increasingly more sophisticated nature of financial fraud is a challenge, noting, however, that regulators are actively working to increase their capacity to manage the situation.

Annual Review Seminar

The 41st Annual Review Seminar was held at the end of July under the theme “Pursuing Resilience in the Shadow of COVID: Overcoming the Pandemic’s Economic Fallout.” The online format allowed for increased participation, including presentations from as far afield as the UK.

A highlight of the four-day event was the keynote discussion, “[Rebuilding Economies for the Future: Opportunities for Resilience Through Diversification](#)”.



The 41st Annual Review Seminar was hosted virtually.

The panel comprised representatives from a multilateral agency – the Caribbean Development Bank’s Director of the Economics Department, Ian Durant – the regional private sector – Massy Group CEO Gervase Warner – and the Central Bank – Advisor to the Governor Michelle Doyle. During the 90-minute forum, the three sought to define what “building back better” would look like for the region,

and indeed whether this was possible in the short-term; debated the region’s approach to financial regulation; and discussed other topical issues such as debt, digital transformation, and digital currencies.

Frank Collymore Literary Endowment (FCLE) Awards

The annual Frank Collymore Literary Endowment Competition was launched in the last quarter of 2021. This 24th edition saw 73 entries, 11 of which were

from overseas-based writers, including one from Switzerland.

For the second year, the pandemic affected the staging of the awards ceremony. However, in early 2022, the Bank was able to host an in-person, albeit scaled-down event, which featured readings from the short-listed candidates and a memorable feature address by Jamaican poet, essayist, and blogger Professor Kei Miller.

Frank Collymore Literary Endowment Awards Winners (January 2022)				
Prize	Amount	Artiste	Entry	Genre
1 st		Not Awarded		
2 nd	\$5,000	Ronald Williams	“The Fall of Autumn Leaves”	Prose Fiction
3 rd (joint winner)	\$3,000	Gloria Eastmond	“In Gran’s Backyard”	Poetry
3 rd (joint winner)	\$3,000	Derek Thorpe	“A Conspiracy of Kites”	Prose Fiction
Prime Minister’s Award (sponsored by the Ministry of Culture)		Natassia Rambarran	“Journey to the Hyphen”	Poetry

The show was livestreamed on the Bank’s social media channels.

Fish and Dragon Festival

The Fish and Dragon Festival, which celebrates diplomatic relations between Barbados and China, was also held as a [virtual event](#). The Bank collaborated with the Embassy of the People’s Republic of China in Barbados to coordinate, market, and broadcast the event.

Quarterly Press Conferences

With the spike in COVID cases at the beginning of the year, the Bank reverted to the format first used in April 2020 for its January [press conference](#), and this continued throughout the year, with members of the media joining the event to pose their questions via video conference. Members of the public were also invited to submit their questions to the Governor via email, Facebook, or WhatsApp.

As is now the norm, the press conference was livestreamed on the Bank’s website, YouTube channel, and Facebook page, and on several occasions was carried live on CBC TV8.

Key takeaways and other economic indicators were later shared as infographics on the Bank’s social media platforms.

The Role of Trade in Global Public Goods

To close off the year, the Bank hosted a discussion between Dr. Ngozi Okonjo-Iweala, Director-General of the World Trade Organisation and Dr. Hyginus “Gene” Leon, President of the Caribbean Development Bank entitled [“The Role of Trade in Global Public Goods.”](#)



Dr. Ngozi Okonjo-Iweala, Director-General of the World Trade Organisation (right) and Dr. Gene Leon, President of the Caribbean Development Bank (centre) during a discussion hosted by Dr. Jan Yves Remy (left), Director of the Shridath Ramphal Centre for International Trade Law, Policy and Services.

Host Dr. Jan Yves Remy, Director of the Shridath Ramphal Centre for International Trade Law, Policy and Services, centred the conversation on the nexus between trade and some of the topical issues affecting the region, including public health, climate change, and food security.

The event was broadcast live on CBC TV8 and livestreamed on the Bank's social media channels.

Financial Stability Report

The 2020 Financial Stability Report, a joint publication between the Bank and the Financial Services Commission that analyses the soundness of Barbados' financial system, was published in mid-September. Following its publication, the Bank worked to educate the public about the findings of the report by breaking it down into segments and sharing them individually, creating infographics, and making it the subject of several episodes of the Bank's CBB 101 television series.

CBB 101

In October, the Bank launched CBB 101, an educational series that seeks to explain what it does, why it does it, and how it impacts the average Barbadian.

Airing weekly on the Bank's Facebook page and YouTube channel, as well as on CBC TV8, the programme sought to explain how the Bank works to achieve its two main objectives, [maintaining the value](#) of Barbados' currency and promoting [financial stability](#), including how [international reserves](#), [borrowing](#), and the Central Bank of Barbados' [financing of Government](#) affect the former, and how measures aimed at anti-money laundering and combatting the financing of terrorism ([AML/CFT](#)) contribute to the latter.

The series also took a deep dive into the 2020 Financial Stability Report, with episodes that explored both the financial sector [positives](#) and [challenges](#) revealed in the report. The performances of the [commercial banking sector](#) and [finance and trust companies](#) were discussed, as was the importance and findings of [stress tests](#). There were also episodes that focused on the changing [payments](#) landscape and the role of data.

The series' two final episodes explained the inner workings of the Bank and how the new Central Bank of Barbados Act, passed in 2020, has increased its autonomy. Barbadians welcomed the series and commended the Bank for embarking on the initiative to help them better grasp economic and financial issues.

Speeches

Governor Haynes had a number of speaking engagements in 2021, as organisations continue to seek the Bank's perspective on how the pandemic has affected the economy and the approaches that will be necessary for a strong and sustainable recovery.

During the year, he was the featured speaker at events for the Barbados Association of Insurance and Financial Advisors ([BARAIFA](#)), [Eckler](#), and the Barbados Hotel and Tourism Association ([BHTA](#)). He also delivered opening remarks for the Bank's first [Domestic Financial Institutions Conference session](#), and its [Annual Review Seminar](#).

Social Media

The Bank continues to use social media as a key channel for engaging with the broader public.

Events such as the Caribbean Economic Forum and the quarterly press conferences are now routinely livestreamed on the Bank's Facebook page and YouTube channel, while others, like the Domestic Financial Institutions Conference and the Annual Review Seminar's keynote discussion are shared for viewing on demand.

This long-form content is also repurposed into shorter excerpts and other forms of snackable content appropriate for these platforms. Complex publications, such as the quarterly economic press release and the Financial Stability Report are broken down and their content shared in the form of infographics and other user-friendly posts.

Social media is also used to promote the Bank's events and other activities.

Enhancements to the Frank Collymore Hall's Venues Increase Their Utility

Conceived as the Bank's gift to the people of Barbados, a place for – in the words of its first Governor, Sir Courtney Blackman – “lovers of drama, dance, calypso, jazz, gospel music, and the classics to share the pleasures of these arts,” the Frank Collymore Hall continues to offer support for and promotion of the arts. It, along with the Courtney Blackman Grande Salle and the Church Village Green, has provided significant opportunities for cultural enrichment, artistic expression and appreciation to the Barbadian public.

Due to the ongoing pandemic, the Bank's entertainment venues were closed to live audiences for much of 2021, so the Hall was transformed into a recording studio during the national pause.

In addition, the Bank used this time of drastically reduced activity to implement several projects pertaining to the facility.

Its cold cathode lighting system was restored to 100 percent operation, the main air conditioning ducts were fully replaced, and measures undertaken to protect this work from future damage while adding storage space. Climate control for the lighting operator's area was improved, and the sound system was removed and the installation of a new, state of the art system commenced.

These upgrades now enable the Hall to offer itself as a prime large space recording venue with in-house resources for direct recording to an industry standard system along with enhanced live performance sound reinforcement. In addition, recordings done anywhere in the world can be imported into the system as raw files and the sound booth be used as a “live mix” facility. When the system is fully commissioned early in 2022, this will add another layer to the Hall's offerings.

On a smaller scale, the functional capabilities of the Courtney Blackman Grande Salle have also been improved. A new control board and cable pathways were installed, leading to significantly enhanced audio capabilities. In addition, a modular 24-seat conference microphone system and on-desk power points have been added. This, along with the expansion of the skill set of the Hall's staff and cross-training of a number of other Bank staff in the use of the new systems, increases the Grande Salle's capacity for small event and conference audio.

4

PUBLICATIONS AND PAPERS

Publications 2021

Alleyne, Laron, and Jones, Julian. 2021. "The Impact of Climate Change on Select Agriculture Production in a Water Scarce Country." *Journal of Development Policy and Practice* 7 (1): 112-136. doi:10.1177/24551333211051826.

Phillips, Lisa Brathwaite "Financial Knowledge and Retirement Planning in Barbados". CBB Working Paper No. WP/21/4

Thompson, Shekira, and Moore, Winston. 2021 "Expanding Central Bank Tool Kits: Credit Guarantee Schemes in a Small Island Developing State." CBB Working Paper No. WP/21/3

Book Reviews 2021

Shekira Thompson 2021. "Economic Instruments for a Low Carbon Society."

5 ADOPTION OF THE FINANCIAL STATEMENTS

Adoption of the Annual Consolidated Financial Statements 2021

The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (IFRS).

The Bank has recorded an accumulated deficit of \$1,613 million as at December 31, 2021. This deficit was caused by significant non-recurring restructuring costs of \$1,693 million.

Management has concluded that the going concern assumption is appropriate for the Bank. The Bank continues to perform its statutory purpose and management has reasonable expectations that the Bank will continue to be profitable and generate cash flows to meet its operating requirements over 12 months from the reporting date.

Government, the sole shareholder, with the Bank has developed a gradual approach to recapitalisation:

- a) Maintaining the status quo to organically grow capital through profits with no capital being injected into the Bank in the near to medium term and
- b) In approximately seven years, there is a gradual recapitalisation of authorised capital based on a predetermined payment plan.

Management has concluded that the consolidated financial statements fairly present the Bank's consolidated financial position, financial performance and cash flow, and that it has complied with IFRS.

Consolidated Statement of Financial Position

Total assets increased by \$442 million to reach \$4,029 million. The overall value of the reserve of external assets increased by \$149 million representing inflows under the IMF-EFF and other inflows from international funding agencies. Notes and coins in circulation increased by \$70 million and commercial banks' deposits at the Bank increased by \$521 million, reflecting the continued liquidity in the banking system. Local assets increased by \$51 million

reflecting the increase in advance to Government during the year.

IMF assets increased by \$242 million due to an increase in allocations by the IMF.

The Bank's liabilities related to SDRs increased from \$177 million to \$437 million due to increased SDR allocation. Government deposits with the Bank decreased by \$413 million.

The net capital and deficit increased from an overall deficit of \$1,562 million to \$1,590 million due primarily to unrealised losses on securities of \$41 million offset by a retirement benefit adjustment of \$10.1 million and net income of \$2.8 million for the year.

Consolidated Statement of Income and Comprehensive Loss

The Bank continued its risk-averse approach to securities management and accordingly, investments are not held to maximise earnings but to maintain economic stability and support Government policy.

Income before foreign exchange gains and losses increased from \$72.3 million to \$74.2 million. A reduction of \$3.9 million in realised gains on sale of foreign securities was offset by an increase in commissions and fees of \$5.0 million.

However total income decreased by \$14 million, the result of a loss of \$10.7 million on foreign exchange compared to a gain of \$5.1 million in 2020.

Operating Expenses

Total expenses increased by \$7.2 million to \$60.7 million. Operating expenses before credit losses and recovery/write off of fixed assets increased to \$60.0 million compared with \$57.6 million in 2020. Administrative expenses increased by \$2.4 million partly because of additional property maintenance due to the climatic events incurred in 2021 while the increased interest cost of \$1.2 million relates mainly to interest on the Extended Fund Facility.

Credit losses totalling \$2.0 million were incurred as compared to a recovery of \$8.5 million in 2020 and there was a recovery on fixed assets of \$1.3 million compared to a write off of \$4.3 million in 2020.

Other Comprehensive Loss

The Bank recorded a loss of \$41.1 million in unrealised losses arising on the market revaluation of the foreign assets portfolio.

Net Results for the Year

The Bank recorded a net operating profit of \$2.8 million for the year and a total comprehensive loss of \$28.1 million.

Approved Financial Statements

Annexed to this report are the Independent Auditor's Report, Consolidated Statement of Financial Position as at December 31, 2021, the Consolidated Statement of Income and Consolidated Comprehensive Loss, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows and explanatory notes to the consolidated financial statements.

On March 10, 2022 the Board of Directors, on recommendation from the Audit Committee, approved the Consolidated Financial Statements for the year ended December 31, 2021 and the explanatory notes to the Consolidated Financial Statements.



CENTRAL BANK OF BARBADOS

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2021

TABLE OF CONTENTS

CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2021

Independent Auditor's Report	42-44
Consolidated Statement of Financial Position	45-46
Consolidated Statement of Income and Comprehensive Income	47
Consolidated Statement of Changes in Equity	48
Consolidated Statement of Cash Flows	49-50
Notes to Consolidated Financial Statements	51-106



Independent auditor's report

To the Board of Directors of Central Bank of Barbados

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Central Bank of Barbados (the Bank) and its subsidiaries (together 'the Group') as at December 31, 2021, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at December 31, 2021;
- the consolidated statement of income and comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Other information

The Directors are responsible for the other information. The other information comprises the annual report for the year ended December 31, 2021 (but does not include the consolidated financial statements and our auditor's report thereon).

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

PricewaterhouseCoopers SRL, The Financial Services Centre, Bishop's Court Hill, P.O. Box 111, St. Michael, BB14004, Barbados, West Indies
T: (246) 626 6700, F: (246) 436 1275, www.pwc.com/bb

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the 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.

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

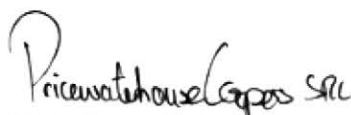


- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Other matter

This report is made solely to the Bank's board of directors, as a body, in accordance with Section 67 of the Central Bank of Barbados 2020-30 Act. Our audit work has been undertaken so that we might state to the Bank's board of directors those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law and subject to any enactment or rule of law to the contrary, we do not accept or assume responsibility to anyone other than the Bank and the Bank's board of directors as a body, for our audit work, for this report, or for the opinion we have formed.


Bridgetown, Barbados
March 30, 2022

Consolidated Statement of Financial Position

As at December 31, 2021

(Expressed in BDS \$'000)

ASSETS

	NOTES	2021	2020
RESERVE OF EXTERNAL ASSETS:*			
Balances Held Abroad	3	613,754	1,000,845
Foreign Notes and Coins		12,220	15,272
Foreign Securities	4	2,138,633	1,599,469
		<u>2,764,607</u>	<u>2,615,586</u>
International Monetary Fund:			
Reserve Tranche	5	35,646	34,801
Holdings of Special Drawing Rights	5	262,036	20,463
		<u>297,682</u>	<u>55,264</u>
Total Reserve of External Assets		<u>3,062,289</u>	<u>2,670,850</u>
LOCAL ASSETS:			
Securities:			
Barbados Government Treasury Bills	6	207,220	208,841
Barbados Government Debentures	6	419,645	423,247
		<u>626,865</u>	<u>632,088</u>
Fixed Deposits	7	10,140	10,140
		<u>637,005</u>	<u>642,228</u>
Advances:			
Government	8	189,805	135,340
Investment in Associate	9	12,343	12,200
Other Investments	9	1,306	1,306
Property, Plant and Equipment	10 (a)	100,019	99,517
Right of use Asset	10 (b)	757	996
Other Assets	11	24,831	24,445
Retirement Benefit Asset	19	1,079	-
		<u>967,145</u>	<u>916,032</u>
Total Assets		<u>4,029,434</u>	<u>3,586,882</u>

* includes cash and cash equivalents of \$405,760 (2020 - \$714,237).

See accompanying notes to accounts.

Consolidated Statement of Financial Position

As at December 31, 2021

(Expressed in BDS \$'000)

LIABILITIES, CAPITAL AND DEFICIT

	NOTES	2021	2020
LIABILITIES:			
Notes and Coins in Circulation	12	959,709	890,001
Deposits:			
Government		408,363	820,908
Banks		3,150,050	2,628,897
Financial Institutions		1,289	2,190
Other		216,159	194,231
	13	3,775,861	3,646,226
Other Liabilities:			
Allocation of Special Drawing Rights	14	436,815	176,911
Loan - International Monetary Fund	14	394,091	384,744
Retirement Benefit Obligation	19	-	13,456
Lease Liability	10(b)	787	1,010
Other	15	52,398	36,623
		884,091	612,744
Total Liabilities		5,619,661	5,148,971
CAPITAL AND DEFICIT:			
Authorised capital: BDS\$25,000,000			
Paid up capital: Government of Barbados	16	25,000	25,000
Contributed Surplus	16	1,555	1,555
Fair Value Reserve	16	(13,797)	27,309
Retirement Benefit Reserve	19	(20,857)	(30,981)
Accumulated Deficit		(1,613,280)	(1,613,423)
General Reserve	16	31,152	28,451
Net Capital and Deficit		(1,590,227)	(1,562,089)
		4,029,434	3,586,882

See accompanying notes to accounts.

Approved on behalf of the Board of Directors on March 10, 2022

..... Governor

..... Financial Controller (Ag.)

Consolidated Statement of Income and Comprehensive Income

For the year ended December 31, 2021

(Expressed in BDS \$'000)

	NOTES	2021	2020
INCOME:			
Interest:			
Treasury Bills		7,469	7,848
Advances		7,056	5,215
Deposits		633	2,209
Securities		43,959	42,244
		59,117	57,516
Commissions and Fees		12,496	7,515
Other Income	18	1,922	1,987
Share of profit of associate		143	764
Net (loss) gain on FX currency revaluation		(10,749)	5,122
(Loss) gain on disposal of fixed assets		(7)	19
Premiums		19	22
Gain on Sale of Foreign Securities		564	4,499
Earnings before interest costs, operating costs and impairment charges		63,505	77,444
EXPENSES:			
Administrative		16,032	13,596
Claims		269	84
Depreciation	10	5,579	5,913
Interest		7,384	6,184
Minting of Coins		1,372	522
Printing of Notes		1,289	1,474
Retirement Benefits	19	3,198	3,523
Salaries and Allowances		24,800	25,894
(Recovery) Write off of Fixed Assets		(1,311)	4,342
Write off of Other Assets		-	422
Credit Loss Expense (Recovery)	21	2,049	(8,530)
Total Expenses		60,661	53,424
Net income for the year		2,844	24,020
Other Comprehensive Income:			
Unrealised (losses) gains on Securities at FVOCI		(41,106)	20,373
Retirement Benefit adjustment	19	10,124	(313)
Total other comprehensive (loss) income		(30,982)	20,060
Total Comprehensive (loss) income for the year		(28,138)	44,080

See accompanying notes to accounts.

Consolidated Statement of Changes in Equity

For the year ended December 31, 2021

(Expressed in BDS \$'000)

	Paid up Capital	Contributed Surplus	Fair Value Reserve	Retirement Benefit Reserve	Accumulated Deficit	General Reserve	Total
Balance brought forward							
– January 1, 2020	2,000	10,055	6,936	(30,668)	(1,619,492)	25,000	(1,606,169)
Net Income for the Year	-	-	-	-	24,020	-	24,020
Transfer to Paid up Capital (Note 16)	23,000	(8,500)	-	-	(14,500)	-	-
Transfer to General Reserve (Note 16)	-	-	-	-	(3,451)	3,451	-
Fair value adjustment	-	-	20,373	-	-	-	20,373
Pension adjustment	-	-	-	(313)	-	-	(313)
Balance carried forward							
– December 31, 2020	25,000	1,555	27,309	(30,981)	(1,613,423)	28,451	(1,562,089)
Net profit for the Year	-	-	-	-	2,844	-	2,844
Fair value adjustment	-	-	(41,106)	-	-	-	(41,106)
Pension adjustment	-	-	-	10,124	-	-	10,124
Transfer to General Reserve (Note 16)	-	-	-	-	(2,701)	2,701	-
Balance carried forward							
– December 31, 2021	25,000	1,555	(13,797)	(20,857)	(1,613,280)	31,152	(1,590,227)

See accompanying notes to accounts.

Consolidated Statement of Cash Flows

For the year ended December 31, 2021

(Expressed in BDS \$000)

	NOTES	2021	2020 (revised see note 23)
Cash flows from operating activities			
Net Income for the year		2,844	24,020
<i>Adjustments for:</i>			
Depreciation		5,579	5,714
Loss (gain) on sale of fixed assets		7	(19)
Share of profit of associate		(143)	(764)
Retirement benefit adjustment		(4,411)	(4,169)
Net unrealized loss on FX currency revaluation		12,266	5,744
(Recovery) write off of fixed assets		(1,311)	4,342
Credit loss expense (recovery)		2,049	(8,530)
Write off of other assets		-	422
Operating profit before working capital changes		16,880	26,760
Decrease (increase) in short term deposits		81,666	(261,667)
(Increase) decrease in other assets		(386)	2,374
Net increase in foreign securities	4	(580,382)	(691,063)
Decrease in reserve tranche		-	682
(Increase) decrease in holdings of special drawing rights		(247,649)	8,678
Net decrease in local securities		5,223	3,986
Net (increase) decrease in government advances		(54,465)	57,065
Increase in deposits		129,635	907,319
Increase in other liabilities		15,775	20,197
Decrease in lease liability		(223)	-
Net cash from (used in) operating activities		(633,926)	74,331
Cash flows from investing activities			
Purchase of fixed assets	10a	(5,849)	(3,052)
Proceeds from sale of fixed assets		-	19
Net cash used in investing activities		(5,849)	(3,033)
Cash flows from investing activities			
Increase in notes and coins in circulation		69,708	61,315
Increase (decrease) in allocation of special drawing rights		261,590	(5,022)
Proceeds from loan – International Monetary Fund		-	88,010
Net cash used in investing activities		331,298	144,303
Net (decrease) increase in cash and cash equivalents		(308,477)	215,601
Cash and cash equivalents at beginning of year		714,237	498,636

Consolidated Statement of Cash Flows

For the year ended December 31, 2021

(Expressed in BDS \$000)

	<u>NOTES</u>	<u>2021</u>	<u>2020</u> (revised see note 23)
Cash and cash equivalents at end of year		405,760	714,237
Cash and cash equivalents comprise:			
Current Account and Short-Term Deposits	3	393,540	698,965
Foreign Notes and Coins		12,220	15,272
		405,760	714,237

See accompanying notes to accounts.

Notes to Consolidated Financial Statements

December 31, 2021

(Expressed in BDS \$'000)

1. BUSINESS OF THE CENTRAL BANK

The Central Bank of Barbados (the “Bank”) was incorporated under the Central Bank of Barbados Act CAP 323C (the former Act) and is responsible for the administration of the Financial Institutions Act, CAP 324A.

On December 14, 2020, Parliament of Barbados repealed and replaced the former Act with the Central Bank of Barbados Act 2020-30 (“the new Act”). The purpose of the new Act is to strengthen the Bank’s governance and independence while maintaining accountability. Another purpose of the new Act is to ensure the compliance of the Bank with internationally recognised accounting standards and other related matters.

The Bank is domiciled in Barbados and its registered office is the Tom Adams Financial Centre, Spry Street, Bridgetown, Barbados. The sole shareholder of the Bank is the Government of Barbados (“Government”).

These statements represent the consolidated financial statements of the Bank and its subsidiaries (collectively, the “Bank”) for the year ended December 31, 2021.

The primary objective of the Bank as set out in the new Act is to maintain the value of the currency. The secondary objective is to promote financial stability which is conducive to the orderly and sustained economic development of Barbados.

The Bank has recorded negative capital and reserves of \$1,590,227 as at December 31, 2021. This deficit was caused primarily by significant non-recurring costs in 2018 of \$1,693,255, which included the first time implementation of IFRS9 and restructuring costs reflecting statutory initiatives of Government, namely the write off of Advances to Government under the Financial Management and Audit (Amendment) Act and the institution of a debt exchange which resulted in the derecognition of Government treasury bills and debentures under the Debt Holder (Approval of Debt Restructuring) Act.

The deficit does not affect the Bank’s ability to carry out its statutory purpose and management has reasonable expectations that the Bank will be profitable and generate cash flows to meet its operating requirements over the twelve months from the reporting date.

Management has concluded that the consolidated financial statements fairly present the Bank’s consolidated financial position, financial performance and cash flow, and that it has complied with International Financial Reporting Standards (IFRS). There are no pending legal or regulatory proceedings against the Bank that may, if successful, result in claims that are unlikely to be satisfied; and no changes in legislation or government policy is expected to adversely affect the Bank. The Bank may only be wound-up by an Act of Parliament and the sole shareholder in conjunction with the Bank, has developed a recapitalization plan under the conditionality of an International Monetary Fund – Extended Fund Facility (IMF-EFF).

The Government has also met and surpassed all quantitative targets associated with the IMF-EFF which include certain fixed deficit thresholds, reserve levels and debt limits.

In December 2019, S&P raised its long and short-term foreign currency holdings ratings for Barbados to ‘B-/B’ from ‘SD/SD’ and assigned ‘B-’ foreign currency issue ratings to the foreign currency debt delivered in the exchange. This rating has remain unchanged.

Notes to Consolidated Financial Statements

December 31, 2021

(Expressed in BDS \$000)

1. BUSINESS OF THE CENTRAL BANK, continued

On September 15, 2020, the Governor General announced in the 'Throne Speech' at the State opening of Parliament that the Government will modify existing Credit Funds held on the books of the Bank with the aim to create an Industrial Transformation Fund. This proposal aligns with discussions that the Bank has had with the International Monetary Fund to divest itself of what are perceived as "quasi-fiscal" activities that might result in financial losses to the Bank. Additionally, the new Act mandates that the divestment happens within two years of its issuance. The Bank has not yet determined the nature or timing of the divestment.

In November 2020 the Bank consulted with an IMF mission team to discuss recapitalisation. The purpose of the mission was to analyze the Bank's revenue generating capacity and capital needs to achieve policy solvency in the near to medium term through a government recapitalization plan. Subsequently the Cabinet at its meeting on June 24, 2021 approved a gradual approach to the recapitalization of the Bank with Government:

- a) Maintaining the status quo to organically grow capital through profits with no capital being injected into the Bank in the near to medium term and
- b) In approximately seven years, there is a gradual recapitalization of authorized capital based on a predetermined payment plan.

Management has assessed the effect of Covid-19 on its operations and have concluded that there is no significant impact on the Bank's ability to operate as a going concern or meet its operating objectives as mentioned earlier.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Preparation

The consolidated financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The consolidated financial statements comprise the consolidated statements of financial position, income and comprehensive income, changes in equity, cash flows and related notes.

The consolidated financial statements have been prepared on the historical cost basis of accounting, modified to include financial assets that are carried at fair value. The measurement of certain foreign securities is considered as "fair value through other comprehensive income (FVOCI)" under IFRS 9 with the resulting unrealised gains or losses carried forward in the consolidated Statement of Financial Position.

b) Basis of Consolidation

These consolidated financial statements comprise the financial statements of the Bank and its wholly owned subsidiaries which are the Credit Guarantee Scheme for Small Business and the Export Credit Insurance & Guarantee Scheme. The financial statements of the Bank's subsidiaries are prepared for the same reporting year as the Bank. All intra-group balances, transactions, income and expenses are eliminated in full.

Notes to Consolidated Financial Statements

December 31, 2021

(Expressed in BDS \$'000)

2. SIGNIFICANT ACCOUNTING POLICIES, continued

b) Basis of Consolidation, continued

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 50% of net assets. 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. Control is achieved where the Bank has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Non-controlling interests represent the portion of profit or loss and net assets of subsidiaries not owned, directly or indirectly, by the Bank. Currently, there are no non-controlling interests as the subsidiaries being consolidated are owned 100% by the Bank.

Prior to December 14, 2020, the former Act empowered the Bank, with the approval of the Minister of Finance, to acquire, hold and sell shares or other securities of any statutory body or company registered under the Companies Act for the purpose of promoting the development of a money or securities market or for financing the economic development of Barbados. The Bank has interests in a number of institutions – the Industrial Credit Fund, the Barbados Stock Exchange, the Barbados Deposit Insurance Scheme and the Barbados Automated Clearing House Services Incorporated.

Except for The Barbados Deposit Insurance Corporation (BDIC), the Bank has a minority financial interest in the entities noted above. The BDIC was established for the protection of depositors in the domestic financial system. While the share capital was paid up by the Bank, the BDIC was always conceived to be a separate and independent institution with its own mandate and operates as such. The financial statements of the BDIC have not been consolidated, as the Bank is deemed not to have control over this institution as the majority of Board members are appointed by the Ministry of Finance. The Bank's exposure is limited to the extent of its investment.

c) Investment in Associate

An associate is an entity over which the Bank has significant influence but not control, generally accompanied by a shareholding of between 20% and 50% of the voting rights. Investment in associate is accounted for by the equity method of accounting and is initially recognised at cost.

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

Notes to Consolidated Financial Statements

December 31, 2021

(Expressed in BDS \$000)

2. SIGNIFICANT ACCOUNTING POLICIES, continued

c) Investment in Associate, continued

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 in the consolidated statement of income and comprehensive income.

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.

The Bank's investment in the Industrial Credit Fund is 13.3% and it has been classified as an associate because the Bank exhibits significant influence over its operations. Specifically, the Bank executes the day to day management of the Fund including determination of policy. The Bank's exposure is limited to the extent of its investment.

d) Leases

Bank as a Lessee

The Bank assesses whether a contract is or contains a lease, at inception of the contract. The Bank recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Bank recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease.

Lease payments included in the measurement of the lease liability comprise fixed lease payments. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Bank remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

The lease term, payments or lease contract is modified.

The Bank did not make any such adjustments during the periods presented.

Notes to Consolidated Financial Statements

December 31, 2021

(Expressed in BDS \$000)

2. SIGNIFICANT ACCOUNTING POLICIES, continued

d) Leases, continued

Bank as a Lessee, continued

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Bank incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Bank expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Bank applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

Bank as a lessor:

Leases in which the Bank does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the Consolidated Statement of Income and Comprehensive Income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased assets and recognised over the lease term on the same basis as rental income.

e) Financial Instruments: Initial Recognition

Date of Recognition

Financial assets and liabilities, with the exception of advances and deposits, are initially recognized on the settlement date, which is the date that an asset is delivered to or by the Bank. This includes regular trades, purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Advances and deposits are recognized when funds are transferred to the customers' accounts.

Initial Measurement of Financial Instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments.

Notes to Consolidated Financial Statements

December 31, 2021

(Expressed in BDS \$'000)

2. SIGNIFICANT ACCOUNTING POLICIES, continued

e) Financial Instruments: Initial Recognition, continued

Initial Measurement of Financial Instruments, continued

Financial instruments are initially measured at their fair value except in the case of financial assets and financial liabilities recorded at Fair Value through the Profit and Loss (FVPL). Transaction costs are added to, or subtracted from this amount. Trade receivables are measured at the transaction price. When the fair value of financial instruments at initial recognition differs from the transaction price, the Bank accounts for the Day 1 profit or loss.

Day 1 Profit or Loss

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Bank recognizes the difference between the transaction price and fair value in income. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognized in profit or loss when the inputs become observable, or when the instrument is derecognized.

Measurement Categories of Financial Assets and Liabilities

The Bank classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortised cost
- Fair Value through Other Comprehensive Income (FVOCI)
- Fair Value through Profit or Loss (FVPL)

The Bank may designate financial instruments at FVPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies between assets and related liabilities.

f) Financial Assets and Liabilities

Balances Held Abroad, Advances and Financial Investments at Amortised Cost

The Bank only measures balances held abroad, advances and other financial investments at amortised cost if both of the following conditions are met:

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

Notes to Consolidated Financial Statements

December 31, 2021

(Expressed in BDS \$'000)

2. SIGNIFICANT ACCOUNTING POLICIES, continued

f) Financial Assets and Liabilities, continued

The details of these conditions are outlined below:

Business Model Assessment

The Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Bank's business model is assessed both on an instrument-by-instrument basis and at a higher level of portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel.
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.
- The expected frequency, value and timing of sales are also important aspects of the Bank's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

SPPI Test

As a second step of its classification process the Bank assesses the contractual terms of financial assets to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To perform the SPPI assessment, the Bank applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

Notes to Consolidated Financial Statements

December 31, 2021

(Expressed in BDS \$000)

2. SIGNIFICANT ACCOUNTING POLICIES, continued

g) Debt Instruments at FVOCI

The Bank applies the new category under IFRS 9 of debt instruments measured at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets.
- The contractual terms of the financial asset meet the SPPI test.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in Other Comprehensive Income ("OCI"). Interest income and foreign exchange gains and losses are recognised in profit or loss in the same manner as for financial assets measured at amortised cost. Where the Bank holds more than one investment in the same security, they are deemed to be disposed of on a first-in first-out basis. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

h) Equity Instruments at FVOCI

Upon initial recognition, the Bank elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of Equity under IAS 32 Financial Instruments: Presentation and are not held for trading.

Gains and losses on these equity instruments are never recycled to profit. Dividends are recognised in profit or loss as other operating income when the right of the payment has been established, except when the Bank benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.

i) Borrowed Funds

After initial measurement, borrowed funds are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on borrowed funds, and costs that are an integral part of the effective interest rate.

j) Financial Assets and Financial Liabilities at FVPL

Financial assets and financial liabilities in this category are those that are not held for trading and have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. Management only designates an instrument at FVPL upon initial recognition when one of the following criteria are met.

Such designation is determined on an instrument-by-instrument basis:

- The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis, or;

Notes to Consolidated Financial Statements

December 31, 2021

(Expressed in BDS \$'000)

2. SIGNIFICANT ACCOUNTING POLICIES, continued

j) Financial Assets and Financial Liabilities at FVPL, continued

- The assets or liabilities are part of a group, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, or;
- The assets or liabilities contain one or more embedded derivatives, unless they do not significantly modify the cash flows that would otherwise be required by the contract, or it is clear with little or no analysis when a similar instrument is first considered that separation of the embedded derivative(s) is prohibited.

Financial assets and financial liabilities at FVPL are recorded in the consolidated statement of financial position at fair value.

Changes in fair value are recorded in profit or loss. Interest earned or incurred on instruments designated at FVPL is accrued in interest income or interest expense, respectively, using the Effective Interest Rate (EIR), taking into account any discount/premium and qualifying costs being an integral part of the transaction. Interest earned on assets mandatorily required to be measured at FVPL is recorded using contractual interest rate. Dividend income from equity instruments measured at FVPL is recorded in profit or loss as other operating income when the right to the payment has been established.

k) Reclassification of Financial Assets and Liabilities

The Bank does not reclassify its financial assets subsequent to their initial recognition, except in the period after the Bank changes its business model for managing financial assets. Financial liabilities are never reclassified.

l) Derecognition of Financial Assets and Liabilities

Derecognition due to Substantial Modification of Terms and Conditions

The Bank derecognises a financial asset when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new instrument, with the difference realised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised instruments are classified as Stage 1 for ECL measurement purposes, unless the new instrument is deemed to be purchased or originated credit impaired (POCI).

When assessing whether or not to derecognise the Bank considers the following factors:

- Change in counterparty.
- If the modification is such that the instrument would no longer meet the SPPI criterion.

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Bank records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

Notes to Consolidated Financial Statements

December 31, 2021

(Expressed in BDS \$000)

2. SIGNIFICANT ACCOUNTING POLICIES, continued

1) Derecognition of Financial Assets and Liabilities, continued

Derecognition Other than for Substantial Modification

Financial Assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired. The Bank also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The Bank has transferred the financial asset if, and only if, either:

- The Bank has transferred its contractual rights to receive cash flows from the financial asset,
- Or
- It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement.

The Bank does not have pass-through arrangements.

A transfer only qualifies for derecognition if either:

- The Bank has transferred substantially all the risks and rewards of the asset,
- Or
- The Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

The Bank considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Bank has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Bank's continuing involvement, in which case, the Bank also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained.

Notes to Consolidated Financial Statements

December 31, 2021

(Expressed in BDS \$'000)

2. SIGNIFICANT ACCOUNTING POLICIES, continued

l) Derecognition of Financial Assets and Liabilities, continued

Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability.

The difference between the carrying value of the original financial liability and the consideration paid is recognised in the consolidated statement of income and comprehensive income.

m) Impairment of Financial Assets

Overview of the ECL principles

The Bank records an allowance for ECL on all loans and other debt financial assets not held at FVPL. Equity instruments are not subject to impairment under IFRS 9.

Overview of the ECL principles, continued

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL).

The 12mECL is the portion of LTECLs that represents the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Bank considers at the end of each reporting period, whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Bank allocates its assets into Stage 1, Stage 2, Stage 3 and Purchased or originated credit impaired (POCI), as described below:

- Stage 1: When assets are first recognised, the Bank recognises an allowance based on 12mECLs. Stage 1 assets also include facilities where the credit risk has improved and the asset has been reclassified from Stage 2.

Notes to Consolidated Financial Statements

December 31, 2021

(Expressed in BDS \$'000)

2. SIGNIFICANT ACCOUNTING POLICIES, continued

m) Impairment of Financial Assets, continued

Overview of the ECL principles, continued

- Stage 2: When an asset has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. Stage 2 assets also include facilities where the credit risk has improved and the asset has been reclassified from Stage 3.
- Stage 3: Assets considered credit-impaired. The Bank records an allowance for the LTECLs.

POCI: POCI assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

For financial assets for which the Bank has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a partial derecognition of the financial asset.

The Bank calculates ECLs based on probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The Calculation of ECLs

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

- PD - The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the financial instrument has not been previously derecognised and is still in the portfolio.
- EAD - The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
- LGD - The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

Notes to Consolidated Financial Statements

December 31, 2021

(Expressed in BDS \$'000)

2. SIGNIFICANT ACCOUNTING POLICIES, continued

m) Impairment of Financial Assets, continued

The Calculation of ECLs, continued

The maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Bank has the legal right to call it earlier. The mechanics of the ECL method are summarised below:

- Stage 1: The 12mECL is calculated as the portion of LTECLs that represents the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Bank calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR.
- Stage 2: When an asset has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. The mechanics are similar to those explained above, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.
- Stage 3: For assets considered credit-impaired, the Bank recognises the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.
- POCI: assets are financial assets that are credit impaired on initial recognition. The Bank only recognises the cumulative changes in lifetime ECLs since initial recognition, based on a probability-weighting scenario, discounted by the credit adjusted EIR.
- Financial Guarantee: The Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the income statement, and the ECL provision. For this purpose, the Bank estimates ECL based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The shortfalls are discounted by the risk-adjusted interest rate relevant to the exposure.

Significant increase in credit risk

In assessing whether the credit risk on a financial asset has increased significantly since initial recognition, the Bank compares the risk of a default occurring on the financial asset as at the reporting date with the risk as at the date of initial recognition. The Bank considers many factors when assessing a financial asset for a significant increase in credit risk, including but not limited to 1) an actual or expected significant deterioration in the financial asset's credit rating; 2) significant deterioration in external market indicators of credit risk for a financial asset; or 3) existing or forecast adverse changes in the business, financial, regulatory, technological or economic environment of the counterparty that results in a significant decrease in the counterparty's ability to meet its debt obligations.

Notes to Consolidated Financial Statements

December 31, 2021

(Expressed in BDS \$'000)

2. SIGNIFICANT ACCOUNTING POLICIES, continued

m) Impairment of Financial Assets, continued

Significant increase in credit risk, continued

In certain cases, the Bank may consider that events identified in the definition of default are a significant increase in credit risk as opposed to a true default. In making this assessment, the Bank considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

As a consequence of COVID19 management has re-assessed the carrying values of its assets and determined that any adjustments to ECLs would be insignificant.

Definition of default

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

- significant financial difficulty of the borrower or issuer;
- default, in the case of debt instruments or 90 days past due delinquency on loans, in contractual, interest or principal payments;
- high probability of the borrower entering a phase of bankruptcy or a financial reorganization;
- measurable decrease in the estimated future cash flows from the loan or the underlying assets that secure the loan;
- The restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise

Debt Instruments Measured at Fair Value through Other Comprehensive Income

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to the profit and loss upon derecognition of the assets.

Purchased or Originated Credit Impaired Financial Assets (POCI)

For POCI financial assets, the Bank only recognises the cumulative changes in LTECL since initial recognition in the loss allowance.

Notes to Consolidated Financial Statements

December 31, 2021

(Expressed in BDS \$'000)

2. SIGNIFICANT ACCOUNTING POLICIES, continued

m) Impairment of Financial Assets, continued

Forward Looking Information

In its ECL models, the Bank relies on a broad range of forward-looking information as economic inputs, which may include:

- GDP growth
- Consumer price index and inflation
- Interest rates

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

Collateral Valuation

To mitigate its credit risks on financial assets, the Bank seeks to use collateral, where possible. The collateral comes in various forms, such as letters of credit/guarantees, real estate and other non-financial assets. Collateral, unless repossessed, is not recorded on the Bank's statement of financial position. However, the fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and re-assessed on an annual basis.

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

n) Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

Notes to Consolidated Financial Statements

December 31, 2021

(Expressed in BDS \$'000)

2. SIGNIFICANT ACCOUNTING POLICIES, continued

n) Revenue Recognition, continued

Interest Income

For financial instruments measured at amortized cost and other interest-bearing financial assets interest income is recorded using the EIR. EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income on purchased or originated credit impaired financial assets is measured using credit – adjusted EIR.

Commission, Fees and Other Income

Commission, fees and other income are accounted for on an accrual basis. Commissions represent charges on foreign currency transactions processed on behalf of customers and is based on a percentage of the transaction value.

Dividends

Dividend income is recognized when the Bank's right to receive the payment is established.

o) Foreign Currencies

The Bank's consolidated financial statements are presented in Barbados dollars, which is also the functional currency.

Transactions and Balances

Transactions in foreign currencies are initially recorded by the Bank's entities at their respective functional currency spot rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognized in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in OCI or profit or loss are also recognized in OCI or profit or loss, respectively).

Notes to Consolidated Financial Statements

December 31, 2021

(Expressed in BDS \$'000)

2. SIGNIFICANT ACCOUNTING POLICIES, continued

p) Property, Plant and Equipment

All property and equipment are stated at historical cost less accumulated depreciation, with the exception of land which is not depreciated. Historical cost includes expenditures that are directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or are 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. All other repairs and maintenance are charged to the Consolidated Statement of Income and Comprehensive Income during the financial period in which they are incurred.

Depreciation on all property, plant and equipment is computed on the straight line method at rates considered adequate to write-off the cost of depreciable assets, less salvage, over their useful lives.

The annual rates used are:

Freehold buildings	1% - 5%
Furniture and equipment	10% - 25%
Vehicles	20%

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. The asset's recoverable amount is the higher of the asset's fair value less costs to sell and the value in use.

Gains and losses on disposal of property, plant and equipment are determined by reference to its carrying amount and are taken into account in determining net loss or gain on disposal.

q) Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

r) Balances Held Abroad and cash equivalents

Balances held abroad in the statement of financial position comprise cash at banks and short-term deposits with an original contractual maturity of six months or less. Cash equivalents for the purposes of the statement of cash flows are comprised of foreign notes and coins, cash at bank and short-term deposits with an original maturity of 3 months or less. Short term Advances to Government are not considered cash equivalents due to the nature of these amounts.

Notes to Consolidated Financial Statements

December 31, 2021

(Expressed in BDS \$000)

2. SIGNIFICANT ACCOUNTING POLICIES, continued

s) Provisions

Provisions are recognised when the Bank has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Bank expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the Consolidated Statement of Income and Comprehensive Income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

t) Pensions Benefits

The Bank operates a defined benefit pension scheme for its eligible employees. The assets of the plan are held in a separately administered fund, established by the 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. The pension asset or liability 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 consolidated statement of income and comprehensive income so as to spread the regular cost over the service lives of employees in accordance with the advice of qualified actuaries who carry out a full valuation of the plan every three years.

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

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized immediately in OCI. Past-service costs are recognised immediately in the consolidated statement of income and comprehensive income. The pension plan is funded by payments from the Bank, taking into account the recommendations of independent qualified actuaries. Employees were allowed to make additional voluntary contributions up to June 2019.

The cost of the defined benefit pension plan and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Notes to Consolidated Financial Statements

December 31, 2021

(Expressed in BDS \$'000)

2. SIGNIFICANT ACCOUNTING POLICIES, continued

t) Pensions Benefits, continued

IFRIC 14 states that the limit on the measurement of a defined benefit asset may cause a minimum funding requirement to be onerous. Normally, a requirement to make contributions to a plan would not affect the measurement of the defined benefit asset or liability. This is because the contributions, once paid, will become plan assets and so the additional net liability is nil. However, a minimum funding requirement may give rise to a liability if the required contributions will not be available to the entity once they have been paid. As a result, the minimum funding requirements need to be considered in the determination of the net balance sheet position and an onerous liability may be applicable. Based on the most recent funding valuation report as at December 31, 2021, the Scheme is not fully funded on both going concern and solvency bases. As such, a statutory minimum funding requirement exists at the measurement date.

u) Significant Accounting Judgements and Estimates

The preparation of consolidated financial statements in conformity with IFRS requires management to make certain significant estimates and judgements that affect amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from these estimates.

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 estimates and judgements 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.

Impairment Losses on Financial Assets

The measurement of impairment losses both under IFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Bank's ECL calculations are outputs of models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Bank's credit grading model, which assigns a PD to the individual grades.
- The Bank's criteria for assessing if there has been a significant increase in credit risk, and therefore allowances for financial assets should be measured on a LTECL basis and the qualitative assessment.
- Development of ECL models, including the various formulas and the choice of inputs.
- Determination of associations between macroeconomic scenarios, economic inputs such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs.

Notes to Consolidated Financial Statements

December 31, 2021

(Expressed in BDS \$'000)

2. SIGNIFICANT ACCOUNTING POLICIES, continued

u) Significant Accounting Judgements and Estimates, continued

Impairment Losses on Financial Assets, continued

- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

It has been the Bank's policy to regularly review its models in the context of actual loss experience and adjust when necessary. Also see Note 21.

IMF Loan Valuation

Management considers the current IMF loan to be within the normal course of the IMF's financing to Central Banks and is considered to be at market rate. Management therefore assumes that funding is under market related conditions as required.

v) International Monetary Fund (IMF) Related Balances

The Bank transacts with the IMF in its own right rather than as the depository of the Government. All transactions between the Bank and the IMF have been included in these consolidated financial statements on that basis.

The Bank records the quota with the IMF as an asset and the amount payable to the IMF for quota is recorded as a liability of the Bank. The cumulative allocation of Special Drawing Rights (SDRs) by the IMF is treated as a liability. All the IMF related assets and liabilities are recognized at amortised cost using the effective interest rate method. Exchange gains and losses arising on revaluation of IMF assets and liabilities at the exchange rate applying at reporting date as published by the IMF are recognised in the consolidated statement of income and comprehensive Income.

The Bank also Guarantees repayment of certain loans received by the Government from the IMF.

w) Notes and Coins in Circulation

Currency issued by the Bank represents a claim on the Bank in favour of the holder. The liability for Currency in Circulation is recorded at face value in the consolidated statement of financial position.

x) Trust and Custodial Activities

Amounts administered by the Bank under custodial and administration arrangements totaled \$20,832 in 2021 (\$19,537 in 2020).

\$20,832 (2020: \$19,537) of these amounts have been redeposited with the Bank. Also see Note 13.

Notes to Consolidated Financial Statements

December 31, 2021

(Expressed in BDS \$000)

2. SIGNIFICANT ACCOUNTING POLICIES, continued

y) New and revised standards and interpretations

The Bank applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021. The Bank has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Covid-19-related Rent Concessions – Amendments to IFRS 16

As a result of the COVID-19 pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. In May 2020, the IASB made an amendment to IFRS 16 Leases which provides lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concessions as variable lease payments in the period in which they are granted.

Entities applying the practical expedients must disclose this fact, whether the expedient has been applied to all qualifying rent concessions or, if not, information about the nature of the contracts to which it has been applied, as well as the amount recognised in profit or loss arising from the rent concessions.

The relief was originally limited to reduction in lease payments that were due on or before 30 June 2021. However, the IASB subsequently extended this date to 30 June 2022.

If a lessee already applied the original practical expedient, it is required to continue to apply it consistently, to all lease contracts with similar characteristics and in similar circumstances, using the subsequent amendment. If a lessee did not apply the original practical expedient to eligible lease concessions, it is prohibited from applying the expedient in the 2021 amendment.

However, if a lessee has not yet established an accounting policy on applying (or not) the practical expedient to eligible lease concessions, it can still decide to do so. These amendments had no impact on the consolidated financial statements of the Bank.

Interest Rate Benchmark Reform Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

In August 2020, the IASB made amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 to address the issues that arise during the reform of an interest rate benchmark rate, including the replacement of one benchmark with an alternative one.

The Phase 2 amendments provide the following reliefs:

- When changing the basis for determining contractual cash flows for financial assets and liabilities (including lease liabilities), the reliefs have the effect that the changes, that are necessary as a direct consequence of IBOR reform and which are considered economically equivalent, will not result in an immediate gain or loss in the income statement.

Notes to Consolidated Financial Statements

December 31, 2021

(Expressed in BDS \$000)

2. SIGNIFICANT ACCOUNTING POLICIES, continued

y) New and revised standards and interpretations, continued

Interest Rate Benchmark Reform Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, continued

- The hedge accounting reliefs will allow most IAS 39 or IFRS 9 hedge relationships that are directly affected by IBOR reform to continue. However, additional ineffectiveness might need to be recorded.

Affected entities need to disclose information about the nature and extent of risks arising from IBOR reform to which the entity is exposed, how the entity manages those risks, and the entity's progress in completing the transition to alternative benchmark rates and how it is managing that transition.

Given the pervasive nature of IBOR-based contracts, the reliefs could affect companies in all industries. These amendments had no impact on the consolidated financial statements of the Bank.

Property, Plant and Equipment: Proceeds before intended use – Amendments to IAS 16

The amendment to IAS 16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment.

Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities. These amendments had no impact on the consolidated financial statements of the Bank.

Reference to the Conceptual Framework – Amendments to IFRS 3

Minor amendments were made to IFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognised at the acquisition date. These amendments had no impact on the consolidated financial statements of the Bank.

Onerous Contracts – Cost of Fulfilling a Contract Amendments to IAS 37

The amendment to IAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract. These amendments had no impact on the consolidated financial statements of the Bank.

Notes to Consolidated Financial Statements

December 31, 2021

(Expressed in BDS \$'000)

2. SIGNIFICANT ACCOUNTING POLICIES, continued

y) New and revised standards and interpretations, continued

Annual Improvements to IFRS 2018–2020

The following improvements were finalised in May 2020:

- IFRS 9 *Financial Instruments* – clarifies which fees should be included in the 10% test for derecognition of financial liabilities.
- IFRS 16 *Leases* – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.
- IFRS 1 *First-time Adoption of International Financial Reporting Standards* – allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.
- IAS 41 *Agriculture* – removal of the requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.

These amendments had no impact on the consolidated financial statements of the Bank.

Classification of Liabilities as Current or Non-current – Amendments to IAS 1

The narrow-scope amendments to IAS 1 *Presentation of Financial Statements* clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability.

The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity.

They must be applied retrospectively in accordance with the normal requirements in IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. These amendments had no impact on the consolidated financial statements of the Bank.

Disclosure of Accounting Policies– Amendments to IAS 1 and IFRS Practice Statement 2

The IASB amended IAS 1 to require entities to disclose their *material* rather than their *significant* accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information.

Notes to Consolidated Financial Statements

December 31, 2021

(Expressed in BDS \$000)

2. SIGNIFICANT ACCOUNTING POLICIES, continued

y) New and revised standards and interpretations, continued

Disclosure of Accounting Policies– Amendments to IAS 1 and IFRS Practice Statement 2, continued

To support this amendment, the IASB also amended IFRS Practice Statement 2 *Making Materiality Judgements* to provide guidance on how to apply the concept of materiality to accounting policy disclosures. These amendments had no impact on the consolidated financial statements of the Bank.

Definition of Accounting Estimates– Amendments to IAS 8

The amendment to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period. These amendments had no impact on the consolidated financial statements of the Bank.

Sale or contribution of assets between an investor and its associate or joint venture – Amendments to IFRS 10 and IAS 28

The IASB has made limited scope amendments to IFRS 10 *Consolidated financial statements* and IAS 28 *Investments in associates and joint ventures*.

The amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business' (as defined in IFRS 3 *Business Combinations*).

Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor's interests in the associate or joint venture. The amendments apply prospectively.

In December 2015 the IASB decided to defer the application date of this amendment until such time as the IASB has finalised its research project on the equity method. These amendments had no impact on the consolidated financial statements of the Bank.

There are no other new or amended IFRS's or IFRIC interpretations that are not yet effective that would be applicable and expected to have a material impact on the Bank.

Notes to Consolidated Financial Statements

December 31, 2021

(Expressed in BDS \$'000)

3. BALANCES HELD ABROAD

Balances held abroad comprise:

	2021	2020
Current accounts	88,110	325,224
Short-term deposits due 3 months or less	300,000	369,000
Accrued Income	5,430	4,741
	393,540	698,965
Short-term Deposits due between 3 and 6 months	220,214	301,880
	613,754	1,000,845

Current accounts and short-term deposits with foreign banks earn interest at rates varying between 0.02% and 0.35% (2020: 0.07% and 0.59%).

4. FOREIGN SECURITIES

Foreign Securities at fair value comprise:

	2021		2020	
	Amortized Cost/Original Cost	Fair Value	Amortized Cost/Original Cost	Fair Value
Debt Securities at FVOCI:				
Bonds/Debentures - Regional	13,040	11,987	13,162	11,622
Bonds/Debentures - Other	2,140,992	2,126,333	1,560,338	1,587,534
	2,154,032	2,138,320	1,573,500	1,599,156
Equities Securities at FVOCI:				
Equities	286	313	286	313
	2,154,318	2,138,633	1,573,786	1,599,469

A cumulative net unrealised loss of \$13,797 (2020: gain \$27,309) arose on the revaluation of Securities and is included in OCI. Included in Bonds/Debentures is a 12- month ECL provision of \$1,428 (2020: \$1,540) on regional securities. This represents a decrease in ECL by \$112 (2020: increase \$131).

Bonds/Debentures earn interest at rates varying between 0.25% and 5.50% (2020: 0.12% and 5.50%) and mature between 3 months and 48 years (2020: 3 months and 49 years).

Notes to Consolidated Financial Statements

December 31, 2021

(Expressed in BDS \$'000)

5. IMF ASSETS

	2021	2020
Reserve tranche	35,646	34,801
Holdings of Special Drawing Rights	262,036	20,463
Total IMF assets	297,682	55,264

The Reserve Tranche and Holdings of Special Drawing Rights pertain to the value of SDRs at December 31, 2021.

The balances held at December 31, 2021 amounted to SDR 12,663 (2020: SDR12,663) and SDR 93,088 (2020: SDR 7,446), respectively. The rate of translation of SDRs to Barbados dollars at December 31, 2021 is BDS\$1 = SDR 0.355248 (2020: BDS\$1 = SDR 0.363878).

Holding of Special Drawing Rights

The holding of SDRs is potentially a claim on the freely usable currencies of IMF members, in that holders of SDRs can exchange their SDRs for these currencies. The SDRs value as a reserve asset derives from the commitments of members to hold and accept SDRs, and to honor various obligations connected with the operation of the SDR system. The IMF ensures that the SDRs claim on free usable currencies is being honored in two ways: by designating IMF members with a strong external position to purchase SDRs from members with weak external positions, and through the arrangement of voluntary exchanges between participating members in a managed market.

On August 2, 2021 the IMF Board of Governors approved a general Allocation of SDRs for its members in order to boost liquidity at a time of unprecedented crisis. The SDR allocation increase will benefit all members, address the long-term global need for reserves, build confidence, and foster the resilience and stability of the global economy. It will particularly help the most vulnerable countries struggling to cope with the impact of the COVID-19 crisis.

As a result, on August 23, 2021 Barbados' Allocations increased by 90,574,000 SDRs, thereby increasing the Holdings of Special Drawing Rights and Allocations of Special Drawing Rights by a similar amount. See allocations at note 14.

IMF assets have no fixed terms of repayment and earned interest at rates varying between 0.05% and 0.13% (2020: rates varying between 0.05% and 0.75%).

Notes to Consolidated Financial Statements

December 31, 2021

(Expressed in BDS \$'000)

6. LOCAL SECURITIES

Amounts comprise debt securities at amortised cost:

	2021		2020	
	Nominal Value	Amortized Cost	Nominal Value	Amortized Cost
Barbados Government Treasury Bills	209,644	207,220	209,644	208,841
Barbados Government Debentures – Series H	414,440	415,100	414,440	418,772
Barbados Government Debentures – Series B	4,969	4,545	4,969	4,475
	629,053	626,865	629,053	632,088

On June 1, 2018, the Government announced its intention to restructure its public debt. Debt payments to foreign creditors would be suspended and payments to domestic creditors would be made on a best-effort basis while the Government finalised a comprehensive economic reform plan. Pursuant to a comprehensive debt restructuring agreement between the domestic creditors and the Government, under the Debt Holder (Approval of Debt Restructuring) Act on October 31, 2018 the Bank derecognized (i) Treasury Bills measured at amortised cost with a value of \$1,529,543 and (ii) debentures measured at amortised cost with a value of \$415,773 and recognised (i) Treasury Bills with a nominal value of \$209,644 measured at originated credit impaired costs/fair value of \$207,220 and (ii) debentures with a nominal value of \$419,409 measured at original credit impaired cost/fair value of \$419,646.

The average yield on Treasury Bills during the year was 3.50% (2020: 3.50%). The average yield on Debentures was 6.90% (2020: 6.83%).

The POCI Credit Impaired Lifetime ECL on local securities is \$22,041 (2020: \$21,856). This represents an increase in ECL of \$185 (2020: increase of \$8,661). Also see Note 21.

7. FIXED DEPOSITS

Fixed deposits bear interest rates varying between 0.01% and 0.60% (2020: 0.01% and 0.75%) and have an original maturity date of more than ninety days to a year.

8. ADVANCES TO GOVERNMENT

	2021	2020
Advances to Government	189,805	135,340

Notes to Consolidated Financial Statements

December 31, 2021

(Expressed in BDS \$'000)

8. ADVANCES TO GOVERNMENT, continued

The balance outstanding represents such advances made by the Bank and are within the authorized statutory limit. The advances earned interest at rate of 3.50% (2020: 3.50%). See further description at Note 21.

The limit in force was \$228,293 from January to March 2021 and \$220,600 from April to December 2021 based on the new Act.

The limit in force was \$228,684 from January to March 2020 and \$228,293 from April to December 2020 based on the former Act.

There were no instances where the limit was breached in the years ended December 31, 2021 and 2020.

9. INVESTMENTS

Investment in Associate

The Bank has a 13.3% interest in the Industrial Credit Fund Loan Number 2260 BAR. The purpose of the credit fund is to assist borrowers in financing productive facilities and resources in Barbados as well as contribute to the economic development of the country. The Industrial Credit Fund Loan Number 2260 BAR is accounted for using the equity method in the consolidated financial statements.

The following table illustrates the summarised financial information of the investment in the Industrial Credit Fund Loan Number 2260 BAR:

	2021	2020
Assets	92,805	92,147
Liabilities	203	415
Equity	92,602	91,732
Revenue	2,200	1,856
Profit	1,074	560
Contributed Surplus	5,185	5,185
Bank carrying amount of the investment	12,343	12,200

The Bank's interest has been determined on the basis of unaudited financial statements of the Fund as the timing of receipt of the audited financial statements are after the finalization of the Bank's accounts.

The entity had no contingent liabilities or capital commitments as at December 31, 2021 and 2020.

Other investments

The Bank has other investments in The Barbados Deposit Insurance Corporation, the Barbados Stock Exchange and the Barbados Automated Clearing House Services as follows:

Notes to Consolidated Financial Statements

December 31, 2021

(Expressed in BDS \$'000)

9. INVESTMENTS, continued

			2021	2020
	Type of Share	Number of Shares	Carrying Value	Carrying Value
Barbados Deposit Insurance Corporation (100%)	Common	1,000,000	1,000	1,000
Barbados Stock Exchange (1.1%)	Common	55,382	55	55
Barbados Automated Clearing House Services Incorporated (16.67%)	Common	250,560	251	251
Total			1,306	1,306

Investment in BDIC:

The Bank has a 100% interest in the BDIC which was established for the protection of depositors in the domestic financial system. See further description at Note 2(b).

The following table illustrates the summarised financial information of the investment in the BDIC:

	2021	2020
Assets	79,868	70,888
Liabilities	66	24
Equity	79,802	70,864
Revenue	9,337	8,633
Profit	8,944	8,243
Bank carrying amount of the investment	1,000	1,000

The entity had no contingent liabilities or capital commitments as at December 31, 2021 and 2020.

10.a PROPERTY, PLANT AND EQUIPMENT

	Freehold Buildings	Furniture and Equipment	Vehicles	Total
Cost:				
January 1, 2020	123,754	79,039	815	203,608
Additions	2,388	664	-	3,052
Disposal/write-offs	-	(4,342)	-	(4,342)
December 31, 2020	126,142	75,361	815	202,318

Notes to Consolidated Financial Statements

December 31, 2021

(Expressed in BDS \$'000)

10.a PROPERTY, PLANT AND EQUIPMENT, continued

	Freehold Buildings	Furniture and Equipment	Vehicles	Total
Additions	506	5,343	-	5,849
Disposals/write-offs	-	(393)	-	(393)
December 31, 2021	126,648	80,311	815	207,774
Accumulated Depreciation:				
January 1, 2020	36,292	60,272	523	97,087
Charge for the year	2,264	3,378	72	5,714
Eliminated on disposals	-	-	-	-
December 31, 2020	38,556	63,650	595	102,801
Charge for the year	2,085	3,183	72	5,340
Eliminated on disposals	-	(386)	-	(386)
December 31, 2021	40,641	66,447	667	107,755
Net Book Value:				
December 31, 2021	86,007	13,864	148	100,019
December 31, 2020	87,586	11,711	220	99,517

10.b LEASES

The Bank leases property to house its Hot-Site operations as part of its Business Continuity Framework. The lease is for 5 years with the option to renew.

(i) Amounts recognised in the consolidated statement of financial position:

	2021	2020
Right-of-use asset (Building)		
Balance brought forward	996	-
April 1, 2020 upon inception of lease	-	1,195
Depreciation	(239)	(199)
Balance carried forward	757	996
Lease Liability		
Balance brought forward	1,010	-
April 1, 2020 upon inception of lease	-	1,195
Lease payments	(223)	(185)
Balance carried forward	787	1,010

Notes to Consolidated Financial Statements

December 31, 2021

(Expressed in BDS \$'000)

10.b LEASES, continued

	2021	2020
(ii) Amounts recognised in Profit and loss		
Depreciation charge on right-of-use assets	239	199
Interest expense on lease liabilities	42	35

11. OTHER ASSETS

Other assets include:

	2021	2020
Accrued income	358	260
Cheques in process of collection	1,041	2,941
Prepayments	6,851	4,872
Staff Advances	15,560	15,477
Sundry Balances	1,021	895
	24,831	24,445

Staff advances represent mortgages and other loans provided to employees of the Bank. Staff advances earn interest at rates of 2%, 4% or 6%. The amounts are net of ECL provision of \$119 (2020: \$119).

At December 31 the following categories of advances exist:

	2021	2020
Mortgages	11,143	10,809
Motor Vehicles	1,618	1,610
Education	696	884
Other	2,222	2,293
Less: Expected credit loss	(119)	(119)
	15,560	15,477

12. NOTES AND COINS IN CIRCULATION

	2021	2020
Notes	889,752	822,246
Coins	69,957	67,755
	959,709	890,001

In accordance with Section 35 of the new Act, the Bank is the sole authority to issue currency notes and coins for circulation in Barbados. Bank notes and coins in circulation are non-interest bearing and are redeemable on demand.

Notes to Consolidated Financial Statements

December 31, 2021

(Expressed in BDS \$000)

12. NOTES AND COINS IN CIRCULATION, continued

At December 31, 2021, the nominal value of numismatic coins sold, totaled approximately \$11,546 (2020: \$11,520) and is excluded from 'Notes and Coins in Circulation'. The liability for face value redemptions usually represents the expected net cash outflows to be incurred by the Bank if all face value coins are redeemed. This includes the estimated costs of redemptions offset by the market value of the precious metal content of the redeemed coins.

13. DEPOSITS OF GOVERNMENT, BANKS, FINANCIAL INSTITUTIONS AND OTHER

	2021	2020
Government	408,363	820,908
Banks	3,150,050	2,628,897
Financial Institutions	1,289	2,190
Other	216,159	194,231
	<u>3,775,861</u>	<u>3,646,226</u>

Included in deposits are the following:

- Government deposits include amounts totaling \$20,832 (2020: \$19,537) which represents uninvested funds held on behalf of Government for which the Bank manages in a custodial capacity. Also see Note 2(y).
- Banks deposits include amount totaling \$575,592 (2020: \$516,525) maintained by applicable local financial institutions for the purpose of meeting the Statutory Reserve Requirements. The Bank pays interest on foreign deposits at the rate of 0.10% (2020: 0.10%).
- Other deposits include amounts due to related parties totaling \$97,039 (2020: \$62,322) which are unsecured, interest free with no fixed terms of repayment. Also see Note 18.

Other deposits also include amounts totaling \$18,248 (2020: \$22,726) on deposit from the Financial Services Commission which represent statutory deposits from insurance companies and abandoned property in the form of unclaimed matured insurance policies.

14. ALLOCATION OF SPECIAL DRAWING RIGHTS AND LOAN – INTERNATIONAL MONETARY FUND

	2021	2020
Allocation of Special Drawing Rights	<u>436,815</u>	<u>176,911</u>

This amount of SDR 154,948 (2020: SDR 64,374) represents the liability to the IMF in respect of Special Drawing Rights (SDRs) allocated by the Fund. This allocation does not change unless there are cancellations or further allocations. Additionally, further changes arise from currency revaluations. Also see description at Note 5.

Notes to Consolidated Financial Statements

December 31, 2021

(Expressed in BDS \$'000)

14.ALLOCATION OF SPECIAL DRAWING RIGHTS AND LOAN – INTERNATIONAL MONETARY FUND, continued

	2021	2020
IMF Loan (Extended Fund Facility)	394,091	384,744

The Extended Fund Facility (EFF) is a four-year facility provided by the IMF to support Balance of Payments and Government's economic reform and transformation agenda. The IMF approved the EFF of BDS \$580 million equivalent to SDR 208 million in October 2018. This amount is equivalent to 220% of the country's quota with the IMF. The first tranche amounting to SDR 35 million (equivalent to BDS\$101,000) was disbursed on October 1, 2018. During 2019 two tranches of SDR 35million (totaling BDS \$195,097) each were received. In June 2020 SDR 35 million (equivalent to BDS \$96,186) was received. In June 2020, the Bank and the IMF modified the terms of the EFF to allow the Fund to provide direct budget financing to the Government. As a result, the Fund advanced \$181,300 (66M SDR) and \$137,954 (48M SDR) to the Government in June and December 2020 respectively. See Note 17.

Also, in December 2020 , June 2021 and December 2021, the Bank was supposed to receive SDR 17 million (equivalent to BDS\$48,846, BDS\$49,098 and \$47,482 respectively) however these were provided as direct budget financing to the Government. The remaining amount is expected to be received in one tranche during 2022 provided that the Bank and Government satisfy certain predefined financial and monetary targets established by the Fund.

The interest rate applicable on the EFF comprises of the basic rate charge, which is equivalent to the SDR interest rate plus 100 basis points. The effective rate is 1.050% (2020: 1.080%). Credit outstanding over 187.5 % of quota is subject to a surcharge of 200 basis points.

The loan is expected to be repaid in tranches totaling \$213,466 (2020: \$152,294) between one and five years and tranches totaling \$180,625 (2020: \$232,450) after five years. Interest on the loan is expected to be paid in amounts totaling \$32,564 (2020: \$32,196) between one and five years and amounts totaling \$5,482 (2020: \$7,814) after five years.

15.OTHER

This amount comprises:

	2021	2020
Accounts Payable	4,841	3,949
Contribution Payable – UWI Fund re Chair in Banking	1,161	1,161
Domestic Clearing	7,210	1,900
Dormant Accounts (i)	35,491	24,268
Frank Collymore Literary Endowment Fund	1,000	1,000
Repayment Guarantee to IMF (ii)	1,973	-
Sundry Balances	722	4,345
	52,398	36,623

Notes to Consolidated Financial Statements

December 31, 2021

(Expressed in BDS \$000)

15. OTHER, continued

- (i) Dormant accounts comprise deposits made by Banks relating to abandoned property for which no activity was evidenced for a period of 10 years and said property is deposited with the Central Bank of Barbados in accordance with Section 88 (3) of the Financial Institutions Act, 1997-16. Under Section 90 the Bank shall pay these funds into the Consolidated Fund.

The Bank retains dormant amounts indefinitely unless requested by the Government.

- (ii) Balance represents the ECL provision on the Bank's Guarantee to the IMF with respect to certain government debt. See further description at 17 (c).

16. CAPITAL AND RESERVES (DEFICIT)

The Bank manages its Capital in compliance with the new Act.

The Bank's objectives when managing capital are:

- To safeguard the value of the Barbados Dollar
- To promote financial stability in Barbados
- To safeguard the Bank's ability to continue as a going concern.

The authorized capital of the Bank was 5,000 shares with no par value up to December 13, 2020. Shares of a value of \$2,000 are fully paid and have been issued to the Minister of Finance, who holds them on behalf of the Government. On implementation of the new Act, the authorized capital was increased to \$25,000. Paid up capital was subsequently increased to \$25,000 at December 31, 2020.

Profits, Losses and Distributable earnings

Section 9 (2) of the new Act states that the earnings available for distribution shall be determined by deducting from the distributable profits the total amount of all unrealised gains, if any.

Based on the above adjustment, the distributable profit for the year is as follows:

Distributable Profit:	2021	2020
Net Income for the year	2,844	24,020
(Less): Net gain on FX currency revaluation	-	(5,122)
Share of profit of Associate	(143)	(764)
Net profit from subsidiaries	-	(183)
Balance as at December 31:	2,701	17,951

Notes to Consolidated Financial Statements

December 31, 2021

(Expressed in BDS \$000)

16. CAPITAL AND RESERVES (DEFICIT), continued

The new Act further notes in Section 10 that where the Board approves financial statements that have been validated by an external auditor, the Bank shall allocate the distributable earnings in the following order:

- where the paid-up capital of the Bank does not equal its authorized capital, the paid-up capital shall be increased by the net profits of the Bank for every financial year until the paid-up capital of the Bank is equal to its authorized capital;
- where the sum of capital and general reserves do not equal 7.5 per cent of the total monetary liabilities of the Bank, 100 per cent of distributable earnings shall be credited to the general reserve account after provision is made for the matters set out in above;
- payment of any amounts necessary to liquidate notes issued by the Government;
- credit to special reserve accounts established pursuant to section 8(3) of Act;
- credit to or satisfaction of any claims of the Bank on the Government where such claims remain unpaid;
- transfer to the Consolidated Fund after the matters above have been satisfied.

The Bank shall not pay or distribute interim dividends.

No distribution shall be made out of the net profits of the Bank or its reserves except in accordance with certain subsections noted below.

No distribution of profits shall be made where, in the determination of the Board, the assets of the Bank would be less than the sum of the liabilities and capital after such distribution is made.

Where in a financial year the Bank incurs a net loss, the loss shall first be charged to the general reserve account and subsequently applied against the capital account.

The Bank transferred \$Nil (2020: \$14,500) from Distributable Profit to Paid Up Capital and \$2,701 (2020: \$3,451) to General reserves. The Bank also transferred \$8,500 from Contributed Surplus to Paid Up Capital in 2020.

Paid Up Capital

	2021	2020
Balance as at January 1:	25,000	2,000
Transfer from Contributed Surplus	-	8,500
Transfer from Distributable Profit	-	14,500
Balance as at December 31:	25,000	25,000

Notes to Consolidated Financial Statements

December 31, 2021

(Expressed in BDS \$'000)

16. CAPITAL AND RESERVES (DEFICIT), continued

General Reserve

The general reserve was accumulated out of net income and is consistent with the Section 8 of the new Act.

	2021	2020
Balance as at January 1:	28,451	25,000
Transfer from Distributable Profit	2,701	3,451
Balance as at December 31:	31,152	28,451

Contributed Surplus

	Land at Church Village	Share of loss from Associate	Forgiveness of Loan due to Associate	Total
Balance, as at December 31, 2019	8,500	(733)	2,288	10,055
Transfer to Paid Up Capital	(8,500)	-	-	(8,500)
Balance, as at December 31, 2021 and 2020	-	(733)	2,288	1,555

Land at Church Village

During 2017, the Government approved and conveyed to the Bank certain property at Church Village, Bridgetown which carried a valuation of \$8,500. This transaction was recorded as an increase to Contributed Surplus. During 2020 this amount was transferred to Paid Up Capital as it represented physical property transferred to the Bank.

Forgiveness of loan due to Associate

During 2018, a subsidiary received a forgiveness of debt totaling \$2,288 due to an Associate company as part of the directive from the Ministry of Finance that all state owned entities and public sector bodies write off debts due to each other. The amount has been recorded in other comprehensive income as it relates to a transaction between common controlled entities.

Share of contributed loss

During 2019 an amount totaling \$733 was recognised relating to the Bank's share of contributed loss from the Associate.

Fair Value Reserve

This amount relates to the cumulative unrealised gains or losses on securities at FVOCI.

Notes to Consolidated Financial Statements

December 31, 2021

(Expressed in BDS \$'000)

16. CAPITAL AND RESERVES (DEFICIT), continued

Retirement Benefit Reserve

This amount relates to the net cumulative actuarial gains/losses and plan asset experience gains/losses of the pension plan.

17. COMMITMENTS, CONTINGENCIES AND GUARANTEES

- (a) At December 31, 2021, the Bank had guaranteed settlements of approximately \$973 (2020: \$1,177) under the following scheme:

	2021		2020	
	Value of Original Contract	Outstanding Guarantees	Value of Original Contract	Outstanding Guarantees
Small Business Guarantee Fund	1,645	973	1,773	1,177

No claims were made on the Bank by the above fund.

- (b) Additionally, at December 31, 2021, the Bank had contracts for capital expenditure in the amount of \$794 (2020: \$1,883).
- (c) On June 12, 2020, the Bank and the Ministry of Finance, Economic Affairs and Investment (MOF) executed a Memorandum of Understanding (MOU) regarding the respective responsibilities in connection with the direct budget financing received under the Extended Fund Facility with the IMF. The MOU provides that in the event the MOF does not hold sufficient funds with the Bank to repay the IMF, the Bank will proceed with the due payment which would become a liability of the MOF to the Bank. At December 31, 2021 the amount outstanding by Government to the IMF was \$457,004 (2020: 360,011) The Bank has recognized an ECL of \$1,973 (2020: \$NIL) on this guarantee. See Note 21.
- (d) During the normal course of business, the Bank is subject to litigation in respect of certain claims made against it. There are no claims which are significant and require additional disclosure.

18. RELATED PARTIES

In the normal course of its operations, the Bank enters into transactions with related parties, and material transactions and balances are presented in these financial statements. See Note 13. Not all transactions between the Bank and government-related entities have been disclosed, as permitted by the partial exemption available to wholly-owned government entities in International Accounting Standard 24 Related Party Disclosures.

Notes to Consolidated Financial Statements

December 31, 2021

(Expressed in BDS \$'000)

18. RELATED PARTIES, continued

Other income includes management fees received as follows:

	<u>2021</u>	<u>2020</u>
Industrial Credit Fund	261	310
Housing Credit Fund	475	480
	<u>736</u>	<u>790</u>

The Bank also manages the Housing Credit Fund. The net assets and net loss disclosed in the Fund's unaudited financial statements are as follows:

			<u>2021</u>	<u>2020</u>
	Net Assets	Net Loss	Net Assets	Net Income
Managed Entity:				
Housing Credit Fund	131,474	(7,974)	140,275	58

The Bank provides funds-management, fiscal-agent and banking services to the Government of Barbados as set out in Part IX of the Act.

The Bank also provides management, investment and administrative support to the Bank's Pension Plan.

Key Management Personnel and Compensation

The key management personnel responsible for planning, directing and controlling the activities of the Bank are the members of the Board, Executive and other Senior Management.

The compensation of key management personnel is presented in the following table:

	<u>2021</u>	<u>2020</u>
Short-term employee benefits	6,057	6,065
Post-employment benefits	139	127
Directors' fees	72	60
Total compensation	<u>6,268</u>	<u>6,252</u>
	<u>2021</u>	<u>2020</u>
Staff advances to key management personnel total:	<u>3,186</u>	<u>3,059</u>

Notes to Consolidated Financial Statements

December 31, 2021

(Expressed in BDS \$'000)

19. RETIREMENT BENEFIT PLAN

The Central Bank of Barbados has established a non-contributory retirement plan for the benefit of its employees. The plan is a defined benefit plan. The assets of the plan are held in separate trust administered funds. A full actuarial valuation is obtained from an independent valuer at least every three years and a review is done annually. The most recent valuation was performed at December 31, 2021. The scheme is registered with the Financial Services Commission under the Occupational Pension Benefits Act, 2012.

a) The amounts recognized in the consolidated statement of financial position are as follows:

	2021	2020
Present value of defined benefit obligation	(145,874)	(147,843)
Additional liability (IFRIC 14)	-	(5,474)
	(145,874)	(153,317)
Fair value of plan assets	146,953	139,861
Net Asset (Liability) recognized in the consolidated statement of financial position	1,079	(13,456)

b) Reconciliation of amounts reported in the consolidated statement of financial position:

	2021	2020
Pension plan obligation, beginning of year	(13,456)	(17,312)
Net pension costs during the year	(3,198)	(3,523)
Re-measurements recognised in other comprehensive income	10,124	(313)
Contributions to pension scheme	7,609	7,692
Pension plan asset (obligation), end of year	1,079	(13,456)

c) The movement in the defined benefit obligation are as follows:

	2021	2020
Opening defined benefit obligation	153,317	153,982
Current service cost	2,270	2,297
Interest cost	11,251	11,529
Employee's contributions	43	-
Actuarial gains	(5,620)	(7,799)
Benefits paid	(9,914)	(9,291)
(Reduction of) additional liability (IFRIC 14)	(5,897)	2,375
Change in unrecognised asset ceiling	424	224
Closing defined benefit obligation	145,874	153,317

Notes to Consolidated Financial Statements

December 31, 2021

(Expressed in BDS \$'000)

19. RETIREMENT BENEFIT PLAN, continued

d) The defined benefit obligation is allocated between the Plan's members as follows:

	<u>2021</u>	<u>2020</u>
	%	%
Active members	42.91	44.17
Deferred members	6.49	7.03
Pensioners	50.60	48.80

The weighted average duration of the defined benefit obligation as at 31 December, 2021 was 12.58 (2020: 12.56) years. 99.54% of the value of benefits for active members were vested while 47.65% of the defined benefit obligation for active members was conditional on future salary increases.

e) Movement in fair value of plan assets:

Movement in the fair value of plan assets over the year is as follows:

	<u>2021</u>	<u>2020</u>
Fair value of plan assets at the start of the year	139,861	136,670
Interest Income	9,358	4,793
Employer contribution	7,609	7,692
Employee's contributions	43	-
Benefits paid	(9,914)	(9,291)
Expense allowance	(4)	(3)
Fair value of plan assets at the end of the year	<u>146,953</u>	<u>139,861</u>

f) The amount recognised in the consolidated statement of income:

	<u>2021</u>	<u>2020</u>
Current service cost	2,270	2,297
Net Interest on the net defined benefit asset	500	999
Administration expenses	4	3
Change in unrecognised asset ceiling	424	224
Total included in staff cost	<u>3,198</u>	<u>3,523</u>

Notes to Consolidated Financial Statements

December 31, 2021

(Expressed in BDS \$'000)

19. RETIREMENT BENEFIT PLAN, continued

g) The amounts recognised in other comprehensive loss:

	<u>2021</u>	<u>2020</u>
Experience gains	(5,770)	(7,799)
Assumption loss	150	-
Expected return on plan assets	10,751	10,530
Actual return on plan assets	(9,358)	(4,793)
(Reduction of) additional Liability (IFRIC 14)	(5,897)	2,375
	<u>(10,124)</u>	<u>313</u>

h) The Principal actuarial assumptions used:

	<u>2021</u>	<u>2020</u>
	%	%
Discount rate	8.25	7.75
Expected rate of future salary increases	6.25	5.75
Expected rate of future NIS ceiling increases	5.25	4.75
Expected rate of future pension increases	4.25	3.75
Expected rate of return on plan assets	8.25	7.75

Assumptions regarding future mortality are based on published mortality rates. The life expectancies underlying the value of the defined benefit obligation.

	<u>2021</u>	<u>2020</u>
	Years	Years
Life expectancy at age 60 for current pensions		
Male	25.03	24.94
Female	27.03	26.99
Life expectancy at age 60 for current members age 40 in years		
Male	26.60	26.53
Female	27.86	27.82

i) Plan assets are comprised as follows:

<i>Employers:</i>	<u>2021</u>	<u>2020</u>
Fixed income securities	77,567	78,944
Equity securities	61,610	52,455
Cash	1,280	1,429
Other assets	829	669
Total	<u>141,286</u>	<u>133,497</u>

Notes to Consolidated Financial Statements

December 31, 2021

(Expressed in BDS \$000)

19. RETIREMENT BENEFIT PLAN, continued

i) Plan assets are comprised as follows:, continued

<i>Employees:</i>	2021	2020
Fixed income securities	5,378	5,701
Equity securities	289	240
Cash	-	423
	<u>5,667</u>	<u>6,364</u>
Total	146,953	139,861

As at December 31, 2021 approximately 56.44% (2020: 60.52%) of the Plan was directly invested in Barbados Government Debentures and Treasury Bills. The Plan has amounts totalling \$292 (2020: \$1,852) at the Bank which are included in Other Deposits as per Note 13.

20. TAXATION

The Bank is exempt from corporation tax in accordance with Section 72 (a) of the new Act.

21. FINANCIAL RISK MANAGEMENT

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 foster an economic and financial environment conducive to sustainable economic growth and development.

The Bank has exposure to the following risks from its use of financial instruments:

- Credit risk
- Currency risk
- Liquidity risk
- Interest rate risk
- Operational risk

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. It has established three committees for this purpose:

- (i) Investment Committee, which is responsible for providing oversight on the conversion of investment strategy into performance, risk exposure for the Bank's Foreign Reserves, financial structure, and performance of the portfolio and investments.
- (ii) Staff Advances Committee, which is responsible for evaluating and approving applications for staff loans.

Notes to Consolidated Financial Statements

December 31, 2021

(Expressed in BDS \$'000)

21. FINANCIAL RISK MANAGEMENT, continued

(iii) Audit Committee, which is responsible for monitoring compliance with the Bank's risk management policies and procedures and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank. The Audit Committee is assisted in these functions by the Internal Audit Department. This department undertakes both regular and ad hoc reviews of management controls and procedures, the results of which are reported to the Audit Committee.

The nature of the risks and manner in which they are measured and managed are as set out below:

Credit Risk

Credit risk is the risk of loss arising from a counter-party to a financial contract failing to discharge its obligations. This risk arises primarily from the Bank's foreign and local currency investment securities, balances held abroad, interest in funds managed by agents, Advances to Government and State-Owned Enterprises and other assets.

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

Foreign Securities and Balances Held Abroad

The Bank manages credit risk by placing limits on its holdings of securities issued or guaranteed by governments and international institutions. The investment guidelines, which are approved by the Board of Directors, and administered by the Investment Committee stipulates the limits on the level of credit risk by various factors. They also stipulate the minimum required ratings issued by rating agencies 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.

The Bank uses the credit ratings ascribed by Moody's Investor Services and Standard & Poor's Financial Services LLC and Fitch as its main criteria for assessing the creditworthiness of financial institutions and sovereigns. The Bank's foreign investments are restricted to market placements with financial institutions with minimum credit ratings of A.

Notes to Consolidated Financial Statements

December 31, 2021

(Expressed in BDS \$000)

21. FINANCIAL RISK MANAGEMENT, continued

Foreign Securities and Balances Held Abroad, continued

The table below presents an analysis of the Bank's foreign securities by rating agency designation at December 31, 2021 and December 31, 2020, based on Moody's or equivalent:

Foreign Securities:

	2021	2020
Rated (Moody's or S&P)		
AAA	1,072,230	883,241
AA+	836,278	566,143
A+	118,361	80,346
AA-	89,773	57,803
Aa2	9,690	-
	<u>2,126,332</u>	<u>1,587,533</u>
Unrated		
Regional Securities	12,301	11,936
	<u>12,301</u>	<u>11,936</u>
Total Foreign Securities	<u>2,138,633</u>	<u>1,599,469</u>

The Bank considers foreign securities with a S&P rating of 'A' or equivalent as High Grade and unrated regional securities not in default as standard grade. When a security, subsequent to purchase, ceases to be eligible under the S&P rating system the Investment manager shall divest the relevant investment on a best efforts basis as soon as possible.

Foreign securities are held in the following asset categories:

	2021	2020
Asset Backed Securities	101,908	75,795
Mortgage Backed Securities	31,318	9,357
Treasuries	223,100	326,256
Government Bonds	464,626	134,821
Supranational Bonds	531,888	455,531
Corporates	259,950	223,005
Agencies	515,430	370,267
Other	10,413	4,437
Total	<u>2,138,633</u>	<u>1,599,469</u>

Local Securities

These represent Government securities which were classified as POCI in 2018.

Prior to 2018, the Bank purchased treasury bills on the primary market through auctions managed by the Accountant General and the secondary market in order to provide liquidity to commercial banks. There were no such purchases in 2020 or 2021.

Notes to Consolidated Financial Statements

December 31, 2021

(Expressed in BDS \$000)

21. FINANCIAL RISK MANAGEMENT, continued

Local Securities, continued

Under the Central Bank of Barbados (Amendment) Act 2018, there was a limit on indebtedness to the Government on the holding of primary issue of securities. This amendment states that:

“The Bank may in any financial year purchase or otherwise acquire, on a primary issue, notes, bills, securities and other evidences of indebtedness issued or guaranteed by the Government, its institutions, agencies and statutory boards up to a nominal value of ten per cent of the estimated expenditure of the Government in that financial year, or such other percentage as the House of Assembly may from time to time by resolution approve”.

With the enactment of the new Act the Bank is prohibited by section 62 (1) and (3) with some exceptions from providing direct or indirect financing to Government or State-Owned entities. The Bank is also prohibited from purchasing securities from the Government or any Government Owned entities. According to section 62 (8) of the said Act, where by on enactment it is declared that a public emergency has arisen in Barbados, the Bank may purchase marketable securities issued by the Government or State-owned entities on the primary market.

The total amount of debt acquired as a result of public emergency shall be:

- limited to 3 per cent of Gross Domestic Product
- have a maximum maturity of 5 years
- be issued at prevailing market rates
- issued in cash only and;
- shall not be rolled over or renewed.

The limit on indebtedness was not breached during the year.

Advances to Government

Advances are based on approved statutory allocation limits. Requests for advances are reviewed to ensure that the amounts are within the approved allocated limits which are reviewed annually.

Advances to Government were based on the statutory limit under section 59 (2) of the Public Finance Management Act 2019 which stated that:

“Where the Minister responsible for Finance, in a Financial Year, when authorised by resolution of Parliament, for the purpose of meeting current requirements, borrows money from the Central Bank of Barbados by means of temporary advances the amount shall not exceed 7.5 per centum of the net receipts of the estimated revenue of the Government for that financial year”.

Notes to Consolidated Financial Statements

December 31, 2021

(Expressed in BDS \$'000)

21. FINANCIAL RISK MANAGEMENT, continued

Advances to Government, continued

As previously stated, on enactment of the new Act, temporary Advances are subject to the following conditions which will come into effect from the 2021 fiscal year:

- the total aggregate amount cannot exceed at any time 7.5 per cent of the annual average of the ordinary revenue of the Government for the 3 financial years immediately preceding for which accounts are available;
- repayment in cash only within 3 months after the end of the financial year of the Government;
- bear interest at a prevailing market rate;

It should also be noted that section 59 (2) of the Public Finance Management Act aforementioned has been repealed and 62 of the new Act is the sole statutory provision governing advances to Government.

Advances to Staff

Advances to staff are authorized under section 70 of the new Act and the Bank established a Staff Advances Committee, which is responsible for evaluating and approving applications for staff loans under the CBB (Terms and Conditions of Advances to Employees) Regulations, 2010.

Advances are based on Board approved allocation limits. Requests for advances are reviewed to ensure that the amounts are within the approved limits. The approved limits are reviewed annually. The Bank obtains the appropriate collateral as a risk mitigating tool when advances are issued.

Concentrations

The Bank is significantly exposed to credit risk arising from its transactions with the Government which mainly comprise of local securities and advances. These items represent approximately 20% (2020: 21%) of total assets.

The Consolidated Statement of Financial Position amounts represent the maximum exposure to credit risk before collateral or other credit enhancement items are considered.

Expected Credit Loss

The table below shows the ECL charges on financial instruments for the year recorded in the consolidated statement of income. For the purposes of the below table, the expected credit loss allocated to each stage includes the remeasurement of assets transferred from one stage to another, and movements between stages have been netted off. Derecognition and write-offs have been treated as movements in the ECL loss allowance and reconciliations and explanations in respect of the movement are provided in each asset class note.

Notes to Consolidated Financial Statements

December 31, 2021

(Expressed in BDS \$000)

21. FINANCIAL RISK MANAGEMENT, continued

2021	Note	Stage1	Stage2	Stage 3	POCI*	Total
January 1:		119	1,540	-	21,856	23,515
<i>Regional securities:</i>						
Changes in assumptions	4	-	(112)	-	-	(112)
<i>Repayment Guarantee to IMF:</i>						
Remeasurement	17(c)	1,976	-	-	-	1,976
<i>Local Securities:</i>						
Reversal	6	-	-	-	(155)	(155)
Unwinding of ECL/discount	6	-	-	-	(6,706)	(6,706)
Remeasurement	6	-	-	-	7,046	7,046
		1,976	(112)	-	185	2049
December 31:		2,095	1,428	-	22,041	24,564
2020	Note	Stage1	Stage2	Stage 3	POCI*	Total
January 1:		119	1,409	-	30,517	32,045
<i>Regional Securities:</i>						
Changes in assumptions	4	-	131	-	-	131
<i>Local Securities:</i>	6					
Reversal		-	-	-	(7,142)	(7,142)
Unwinding of ECL/discount		-	-	-	(9,725)	(9,725)
Remeasurement		-	-	-	8,206	8,206
		-	131	-	(8,661)	(8,530)
December 31:		119	1,540	-	21,856	23,515

* The ECL amounts disclosed for POCI instruments represent the embedded ECL recognised within the carrying value

Expected Credit Loss

Foreign securities are predominantly A rated as disclosed earlier in Note 21. Management has assessed that ECL as insignificant. There were no changes in between classification stages.

A one rate improvement in credit ratings will cause profit to increase by \$20,040 (2020: \$10,744). A one rate deterioration in credit ratings will cause profit to decrease by \$33,253 (2020: \$42,574).

Notes to Consolidated Financial Statements

December 31, 2021

(Expressed in BDS \$000)

21. FINANCIAL RISK MANAGEMENT, continued

Currency Risk

Currency risk is the risk that the market value of, or cash flow from, financial instruments will vary because of exchange rate fluctuations.

The Bank is exposed to fluctuations in the prevailing foreign currency exchange rates on transactions and balances denominated in currencies other than USD. Management seeks to manage this risk by monitoring the levels of exposure by currency. The main risk relates to balances held with the IMF in SDRs. See notes 5 and 14. The SDR serves as the unit of account for the IMF and its value is based on a basket of five major currencies: the euro, the US dollar, the British pound, the Japanese yen and the Chinese renminbi. SDRs are translated into Barbados dollar equivalents at rates provided by the Fund.

Notes to Consolidated Financial Statements

December 31, 2021

(Expressed in BDS \$'000)

21. FINANCIAL RISK MANAGEMENT, continued

Currency Risk, continued

As at December 31, 2021, the Bank's exposure to major currencies was as follows:

As at December 31, 2021

	US	GBP	CAD	EURO	BDS	SDR	OTHER	TOTAL
Assets								
Balances Held Abroad	573,265	1,419	1,258	32,248	-	-	5,564	613,754
Foreign Notes and Coins	7,465	3,632	398	604	-	-	121	12,220
Foreign Securities	2,138,633	-	-	-	-	-	-	2,138,633
IMF Related Assets	-	-	-	-	-	297,682	-	297,682
Barbados Government T-Bills	-	-	-	-	207,220	-	-	207,220
Barbados Government Debentures	-	-	-	-	419,645	-	-	419,645
Fixed Deposits	-	-	-	-	10,140	-	-	10,140
Government Advances	-	-	-	-	189,805	-	-	189,805
Other Assets	-	-	-	-	24,831	-	-	24,831
Total Assets	2,719,363	5,051	1,656	32,852	851,641	297,682	5,685	3,913,930
Liabilities								
Notes and Coins in Circulation	-	-	-	-	959,709	-	-	959,709
Government Deposits	-	-	-	-	408,363	-	-	408,363
Deposits of Banks	54,841	35	2,374	-	3,092,800	-	-	3,150,050
Deposits of Financial Institutions	-	-	-	-	-	1,289	-	1,289
Other Deposits	-	-	-	-	216,159	-	-	216,159
Allocation of Special Drawing Rights	-	-	-	-	-	436,815	-	436,815
IMF Loan	-	-	-	-	-	394,091	-	394,091
Lease Liability	-	-	-	-	787	-	-	787
Other Liabilities	-	-	-	-	52,398	-	-	52,398
Total Liabilities	54,841	35	2,374	-	4,730,216	832,195	-	5,619,661

Notes to Consolidated Financial Statements

December 31, 2021

(Expressed in BDS \$'000)

21. FINANCIAL RISK MANAGEMENT, continued

Currency Risk, continued

As at December 31, 2020, the Bank's exposure to major currencies in \$'000's was as follows:

As at December 31, 2020

Assets	US	GBP	CAD	EURO	BDS	SDR	OTHER	TOTAL
Balances Held Abroad	994,282	555	758	484	-	-	4,766	1,000,845
Foreign Notes and Coins	7,571	1,869	2,287	2,745	-	-	800	15,272
Foreign Securities	1,599,469	-	-	-	-	-	-	1,599,469
IMF Related Assets	-	-	-	-	-	55,264	-	55,264
Barbados Government T-Bills	-	-	-	-	208,841	-	-	208,841
Barbados Government Debentures	-	-	-	-	423,247	-	-	423,247
Fixed Deposits	-	-	-	-	10,140	-	-	10,140
Government Advances	-	-	-	-	135,340	-	-	135,340
Other Assets	-	-	-	-	24,445	-	-	24,445
Total Assets	2,601,322	2,424	3,045	3,229	802,013	55,264	5,566	3,472,863
Liabilities								
Notes and Coins in Circulation	-	-	-	-	890,001	-	-	890,001
Government Deposits	-	-	-	-	820,908	-	-	820,908
Deposits of Banks	57,722	35	2,377	-	2,568,763	-	-	2,628,897
Deposits of Financial Institutions	-	-	-	-	-	2,190	-	2,190
Other Deposits	-	-	-	-	194,231	-	-	194,231
Allocation of Special Drawing Rights	-	-	-	-	-	176,911	-	176,911
IMF Loan	-	-	-	-	-	384,744	-	384,744
Lease Liability	-	-	-	-	1,010	-	-	1,010
Other Liabilities	-	-	-	-	36,623	-	-	36,623
Total Liabilities	57,722	35	2,377	-	4,511,536	563,845	-	5,135, 515

Notes to Consolidated Financial Statements

December 31, 2021

(Expressed in BDS \$'000)

21. FINANCIAL RISK MANAGEMENT, continued

Currency Risk, continued

The following tables demonstrate the sensitivity of profit to a reasonably possible change in foreign exchange rates, with all other variables held constant.

Sensitivity of Profit in BDS '000s at December 31, 2021

	Effect on profit of 5% Increase	Effect on Profit of 5% Decrease
Assets		
EURO	1,643	(1,643)
GBP	253	(253)
CAD	83	(83)
SDR	14,884	(14,884)
Liabilities		
GBP	(2)	2
CAD	(119)	119
SDR	(41,610)	41,610

Sensitivity of Profit in BDS '000s at December 31, 2020

	Effect on profit of 5% Increase	Effect on Profit of 5% Decrease
Assets		
EURO	161	(161)
GBP	121	(121)
CAD	152	(152)
SDR	2,763	(2,763)
Liabilities		
GBP	(2)	2
CAD	(119)	119
SDR	(28,192)	28,192

Notes to Consolidated Financial Statements

December 31, 2021

(Expressed in BDS \$000)

21. FINANCIAL RISK MANAGEMENT, continued

Liquidity Risk

Liquidity risk is the risk that the Bank will not be able to meet its financial liabilities as they fall due. Prudent liquidity management requires maintaining sufficient cash and marketable securities, and ensuring the availability of funding through an adequate amount of committed standby credit facilities to meet commitments.

The Bank's exposure to liquidity risk to meet foreign liabilities, as an institution, is limited due to the amount owed to overseas creditors/lenders. Management of liquidity risk relates primarily to the availability of liquid foreign resources to sell to the Government and its State-Owned Enterprises to repay their suppliers and lenders.

The table below analyses assets and liabilities of the Bank into relevant maturity profiles based on the remaining period at the reporting date to the contractual maturity date.

	2021					
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	>5 years	Total
Foreign Currency Assets						
Balances Held Abroad	613,754	-	-	-	-	613,754
Foreign Notes and Coins	12,220	-	-	-	-	12,220
Foreign Securities	21,991	-	112,673	1,266,927	737,042	2,138,633
IMF Related Assets	297,682	-	-	-	-	297,682
Total Foreign Currency Assets	945,647	-	112,673	1,266,927	737,042	3,062,289
Local Currency Assets						
Barbados Government T-Bills	-	-	207,220	-	-	207,220
Barbados Government Debentures	-	-	-	-	419,645	419,645
Fixed Deposits	-	-	10,140	-	-	10,140
Government Advances	189,805	-	-	-	-	189,805
Other Assets	9,526	11	288	3,621	11,385	24,831
Total Local Currency Assets	199,331	11	217,648	3,621	431,030	851,641
Total Assets	1,144,978	11	330,321	1,270,548	1,168,072	3,913,930

Notes to Consolidated Financial Statements

December 31, 2021

(Expressed in BDS \$000)

21. FINANCIAL RISK MANAGEMENT, continued

Liquidity Risk, continued

	On demand	Less than 3 months	2021			Total
			3 to 12 months	1 to 5 years	>5 years	
Liabilities						
Notes and Coins in Circulation	959,709	-	-	-	-	959,709
Government Deposits	408,363	-	-	-	-	408,363
Deposits of Banks	3,150,050	-	-	-	-	3,150,050
Deposits of Financial Institutions	1,289	-	-	-	-	1,289
Other Deposits	216,159	-	-	-	-	216,159
Allocation of Special Drawing Rights	436,815	-	-	-	-	436,815
IMF Loan	-	-	-	246,030	186,107	432,137
Lease Liability	-	-	-	787	-	787
Other Liabilities	52,398	-	-	-	-	52,398
Total Liabilities	5,224,783	-	-	246,817	186,107	5,657,707

	2020					Total
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	>5 years	
Foreign Currency Assets						
Balances Held Abroad	1,000,845	-	-	-	-	1,000,845
Foreign Notes and Coins	15,272	-	-	-	-	15,272
Foreign Securities	12,067	43,733	84,227	1,067,299	392,143	1,599,469
IMF Related Assets	55,264	-	-	-	-	55,264
Total Foreign Currency Assets	1,083,448	43,733	84,227	1,067,299	392,143	2,670,850

Local Currency Assets						
Barbados Government T-Bills	-	-	208,841	-	-	208,841
Barbados Government Debentures	-	-	-	84,964	338,283	423,247
Fixed Deposits	-	-	10,140	-	-	10,140
Government Advances	135,340	-	-	-	-	135,340
Other Assets	9,215	2	238	4,012	10,978	24,445
Total Local Currency Assets	144,555	2	219,219	88,976	349,261	802,013
Total Assets	1,228,003	43,735	303,446	1,156,275	741,404	3,472,863

Notes to Consolidated Financial Statements

December 31, 2021

(Expressed in BDS \$'000)

21. FINANCIAL RISK MANAGEMENT, continued

Liquidity Risk, continued

	2020					
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	>5 years	Total
Liabilities						
Notes and Coins in Circulation	890,001	-	-	-	-	890,001
Government Deposits	820,908	-	-	-	-	820,908
Deposits of Banks	2,628,897	-	-	-	-	2,628,897
Deposits of Financial Institutions	2,190	-	-	-	-	2,190
Other Deposits	194,231	-	-	-	-	194,231
Allocation of Special Drawing Rights	176,911	-	-	-	-	176,911
IMF Loan	-	-	-	184,223	239,587	423,810
IMF Loan Commitment (note 17)	-	-	-	108,328	291,692	400,020
Lease Liability	-	-	-	1,010	-	1,010
Other Liabilities	36,623	-	-	-	-	36,623
Total Liabilities	4,749,761	-	-	293,561	531,279	5,574,601

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Bank's exposure to interest rate risk in the form of fluctuating cash flows is attributable to; Balances Held abroad, Foreign Securities, IMF related assets, Government Advances, other assets and also on its financial liabilities attributable to deposits, IMF related liabilities and the loan facility.

A 50 basis point change in interest rates would cause an inverse movement in income of \$2,266 (2020: \$2,227). In 2021, a 50 basis points increase in interest rates would cause other comprehensive income to decrease by \$32,465 and a 50 basis points decrease in interest rates would cause other comprehensive income to increase by \$32,185. In 2020, a 50 basis points increase in interest rates would cause other comprehensive income to decrease by \$14,975 and a 50 basis points decrease in interest rates would cause other comprehensive income to increase by \$21,471.

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.

Notes to Consolidated Financial Statements

December 31, 2021

(Expressed in BDS \$'000)

21. FINANCIAL RISK MANAGEMENT, continued

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 the Bank.

22. FAIR VALUE MEASUREMENT

Determination of fair value and fair value hierarchy

The Bank uses the following hierarchy for determining and disclosing their fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table provides the fair value measurement hierarchy of the Bank's assets and liabilities.

Fair value measurement hierarchy for assets and liabilities as at December 31, 2021:

	(Level 1)	(Level 2)	(Level 3)
Debt Securities at FVOCI	2,126,333	11,987	-
Equity Securities at FVOCI	-	-	313
	<u>2,126,333</u>	<u>11,987</u>	<u>313</u>

Fair value measurement hierarchy for assets and liabilities as at December 31, 2020:

	(Level 1)	(Level 2)	(Level 3)
Debt Securities at FVOCI	1,587,534	11,622	-
Equity Securities at FVOCI	-	-	313
	<u>1,587,534</u>	<u>11,622</u>	<u>313</u>

Notes to Consolidated Financial Statements

December 31, 2021

(Expressed in BDS \$000)

22. FAIR VALUE MEASUREMENT, continued

Fair value of financial instruments not carried at fair value

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements:

For financial assets and liabilities that are liquid or have a short-term maturity, it is assumed that the carrying amounts approximate to their fair value.

For all other financial instruments, it is assumed that the carrying amounts also approximate to their fair value, except as noted below:

Local Securities

	2021		2020	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Barbados Government Debentures	419,646	403,394	423,247	409,408

23. COMPARATIVES

Certain prior year comparatives have been reclassified to conform the current year's presentation.

- Government deposits contained an amount totaling \$4,627 that is now reclassified to Other Deposits.
- Other Liabilities contained an amount totaling \$65,591 that is now reclassified to Other Deposits.
- In the prior year Balances Held Abroad included Short term deposits of \$301,880 with original maturities greater than 3 months that did not meet the definition of cash and equivalents.

The statement of cash flow comparatives has been revised to remove these short term deposits from cash and equivalents and to include the related increase in short term deposits of \$301,880 within operating activities.



CENTRAL BANK OF BARBADOS
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ANNUAL REPORT

LIVING THE LEGACY