CENTRAL BANK
OF BARBADOS

THE CHANGING FACE OF CENTRAL BANKING

2019

ANNUAL REPORT

ABOUT THE COVER

Like many sectors and industries, central banking is undergoing a transformation. The increasing complexity of regulation, innovations in payment systems, and the ever-greater interconnectedness of global economies, mean that central banks must evolve to remain relevant, credible, and effective.

The cover of our 2019 Annual Report reflects this evolution. The colour blue, so often associated with digital transformation symbolises our commitment to embracing change both in technology and in attitude. The image of the Tom Adams Financial Centre, a prominent feature of Barbados' landscape, highlights our dedication to being a leader in our nation's development, and binary code represents our reliance on data to offer sound advice.

CENTRAL BANK OF BARBADOS

2019 ANNUAL REPORT

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ACKNOWLEDGEMENTS

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LETTER OF TRANSMITTAL

CENTRAL BANK OF BARBADOS
www.centralbank.org.bb

Cleviston L. Haynes, M.A. (Econ.)
Governor

Tom Adams Financial Centre
P.O. Box 1016, Spry Street
Bridgetown BB11126, Barbados, W.I.

March 30, 2020

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 52(2) of the Central Bank of Barbados Act, Cap 323C, Laws of Barbados, I have the honour to submit to you in your capacity as Minister of Finance, the Bank's Annual Accounts for the year ended December 31, 2019 as certified by the External Auditors in accordance with Section 51 of the Act, together with the Report on its operations during 2019.

The original of the Auditor's Report and Certificate was forwarded to you with my letter of March 26, 2020.

Sincerely

CORPORATE PROFILE

The Central Bank of Barbados, set up by the government in 1972 as a statutory organisation, is responsible for:

- regulating the issue, supply, availability and international exchange of money
- promoting monetary stability
- promoting a sound financial structure
- fostering development of the money and capital markets
- fostering credit and exchange conditions 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 & maintain an institution of world-class excellence.

OUR VALUES

LEADERSHIP & 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, influence 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 & TRANSPARENCY

We acknowledge that our performance, success and reputation hinge on the highest standard of ethical behaviour. We therefore promise to provide open communication and to be consistent in our application of policies across the organisation. We will be honest and fiscally responsible 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 & EMPATHY

We will recognize 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.

PRIORITIES

1. Promote macroeconomic stability through sound economic analysis, monetary policy formulation and influence on national economic policies.

2. Promote a stable and resilient financial system and provide for the effective regulation and supervision of institutions regulated by the Bank.

3. Modernize the payments system and provide efficient currency services.

4. Enhance the efficiency of money and capital markets.

5. Strengthen the governance of the Central Bank in accordance with international standards.

6. Strengthen the Bank's strategic planning and risk management functions and enhance the management of organisational risks.

7. Implement a digital transformation strategy to improve organisational efficiency and deliver better business value.

GOVERNOR'S MESSAGE

Cleviston L. Haynes
GOVERNOR

Economic Outlook

Barbados' economic performance in 2019 was encouraging. The international reserves recovered to almost 19 weeks of import cover, while the public finances strengthened, as Government was on target to achieve a primary surplus equivalent to 6 percent of GDP for FY2019/20. Government completed negotiations with the external commercial creditors, complementing the 2018 domestic debt restructuring and enabling a further reduction in public sector debt. Standard and Poor's raised its credit rating on the country's debt in December to B-.

However, economic activity remained subdued, partly because of the delayed implementation of major foreign investment projects. Furthermore, depressed activity in the fishing and non-agricultural sectors and higher prices for services of some state-owned enterprises pushed up the inflation rate.

The gains in 2019 presaged further improvements in 2020. However, the effects of the coronavirus (COVID – 19) on global travel, supply chains and employment threaten these prospects. Government has proposed measures to mitigate the impact on local small and medium sized enterprises but the expected sharp reduction in visitor arrivals over the first half of 2020 and resulting job losses, are likely to delay a recovery in economic activity.

Monetary Policy

During 2019, the Bank did not adjust monetary policy given the already low interest rate environment. The Bank has had to alter its stance in the wake of COVID – 19 developments and it will continue to monitor closely developments in both the domestic and international environment to determine if further changes are needed.

Exchange controls were eased to allow residents to open foreign currency accounts in Barbados and to access increases in foreign exchange for travel purposes. Further liberalisation of controls occurred in the first quarter of 2020.

Financial Stability

Banks remained liquid as they were cautious in their lending, but the sector returned to profitability after the significant losses incurred in 2018 as a result of the Government's domestic debt write-down and the implementation of International Financial Reporting Standard (IFRS) 9. Asset quality indicators improved and the banking sector remained well capitalised.

Central Bank Act

A revised Central Bank Act will replace the existing legislation during 2020. This new Act represents the most significant change ever to the Bank's governing legislation and focuses on the framework for the Bank's internal governance, financing of Government and the requirements for capitalising the institution. The revised Act also clarifies the role and functions of the Bank, and strengthens the Bank's authority to collect timely information to fulfil its mandate.

Financial Performance

After a difficult 2018, in which the Bank experienced a significant write-down of its holdings of Government debt, adversely affecting its capital position, the Bank's financial performance improved in 2019. The increase in foreign reserves raised earnings from its external assets, compensating for a reduction in its income from domestic securities. Despite the increase in operating expenditure the Bank was able to return to profitability. A recapitalisation plan for the Bank will be developed during 2020.

We have prepared this year's financial statements in compliance with International Financial Reporting Standards. The major changes relate to incorporation of the Bank's pension plan and the consolidation of the Bank's subsidiaries and associated entities.

Organisational Developments

The year 2019 was extremely challenging for the Bank's staff, particularly for those deeply involved in the economic adjustment programme. On behalf of the Board of Directors, I thank management and staff for their dedication and commitment over the year and I look forward to their continued cooperation.

Governor Cleviston Haynes (right) in discussion with Edward Clarke, Chairman of the Barbados Private Sector Agency, during the 2019 Week of Excellence seminar held in the Courtney Blackman Grande Salle.

The coming year will be equally challenging. We will accelerate our efforts to use technology to modernise our processes. We will continue to enhance governance and risk management, including strengthening our business continuity planning and mitigating our cyber-security risks.

We will upgrade the Real Time Gross Settlement (RTGS) system and provide access to credit unions to the Automated Clearing House (ACH) to enhance the efficiency of the payments system. We anticipate the passage of new payments and credit reporting legislation that will enable the establishment of new supervisory regimes to support these areas of activity.

As we strengthen our human resources capabilities to address the changing economic environment, we will focus on performance measurement and management. We will not achieve our goals without the commitment of everyone. Therefore, as we pursue our vision to be "an institution of world-class excellence", we will continue to collaborate and communicate with all our stakeholders.

BOARD OF DIRECTORS

TREVOR CAMPBELL
M.A.

GOVERNOR CLEVISTON HAYNES
M.A. (Econ.)

PROFESSOR NLANDU MAMINGI
Ph.D.

PROFESSOR JUSTIN ROBINSON
Ph.D.

IAN CARRINGTON
M.P.A

JOSEPH WARD
B.Sc., FCA

(seated, from left) Trevor Campbell, Governor Cleviston Haynes and Professor Nlandu Mamingi;
(standing, from left) Professor Justin Robinson, Ian Carrington and Joseph Ward.

SENIOR MANAGEMENT

(front row, from left) Michelle Doyle-Lowe, Janice Marshall, Alwyn Jordan, Governor Cleviston Haynes, Elson Gaskin, Julia Weekes and Celeste Wood. (back row, from left) Steve Vaughn, Cheryl Greenidge, Anton Belgrave, Peter Rochester, Charles Briggs, Ian Collymore, Pamela Arthur, and Philmore Thorne.

CLEVISTON HAYNES
Governor,
M.A. (Econ.)

MICHAEL D. CARRINGTON
Deputy Governor (Ag.),
M.B.A., F.C.C.A.

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-LOWE
Advisor to Governor,
M.Phil, CFA

ELSON GASKIN
Secretary to the Board,
LL.B, L.E.C., M.B.A.,
M.I.C.B.S., JP

CHERYL GREENIDGE
Director, Bank Supervision,
M.B.A.

JANICE D. MARSHALL
Director, Strategic Planning
and Risk Management,
M.B.A.

PETER ROCHESTER
Director, Management
Information Systems (Ag.),
M.B.A.

PHILMORE THORNE
Financial Controller (Ag.),
M.B.A., F.C.C.A., FCA

STEVE A. VAUGHN
Director, Internal Audit,
F.C.C.A., C.I.A.

JULIA A. WEEKES
Director, Banking, Currency
and Investments,
B.Sc., CFA

CELESTE J. WOOD
Advisor to Governor,
M.Sc., M.B.A.

OTHER SENIOR OFFICERS

WILMA BELGRAVE
Deputy Director, Foreign Exchange and Export Credits
B.Sc., ACIS

DEBBIE BRIGGS
Deputy Director, Banking, Currency & Investments
B.Sc., F.C.C.A

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

JENNIFER CLARKE-MURRELL
Deputy Director,
Bank Supervision (Ag.)
M.Sc.

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

DARRIN DOWNES
Chief Economist, Research and Economic Analysis
M.A. (ECON.), LL.B., L.E.C.

OCTAVIA GIBSON
Deputy Director, Banking, Currency & Investments
M.Sc., PMP, J.P.

ROGER GUMBS
Deputy Financial Controller (Ag.)
C.G.A, C.F.S.A.

VINCENT GROSVENOR
Deputy Director,
Management Information Systems (Ag.)
M.Sc.

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

TAMARA HURLEY
Deputy Director,
Bank Supervision
M.B.A

HARTLEY JORDAN
Deputy Director,
Facilities Management
M.B.A.

SHARI LORDE RICHARDS
Deputy Director,
Bank Supervision (Ag.)
M.Sc.

SHERYL A. PETER-KIRTON
Deputy Director,
Research & Economic Analysis
M.Sc.

ANGELA SKEETE
Chief,
Information Services,
Research & Economic Analysis
M.A.

1. CORPORATE GOVERNANCE

Board Matters

The Board of Directors of the Bank has been entrusted, pursuant to Section 10 of the Central Bank of Barbados Act Cap. 323C of the Laws of Barbados, with the overall responsibility for the policy and general administration of the Bank. The Board is empowered by the Act to make by-laws regulating the conduct of the Bank's business and may also make regulations and issue orders for the purpose of giving effect to the provisions of the Act.

The Board has delegated some of this responsibility to the Governor and senior officers of the Bank, who are tasked with the daily responsibility of executing the policies established by the Board.

It is expected that by 2020, the Bank will be governed by a new piece of enabling legislation, which will positively impact its governance. In this regard, a significant amount of work was undertaken to develop the draft legislation during 2019.

Composition of the Board

The Central Bank of Barbados Act provides for a Board consisting 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. As at end-December 2019, the non-executive members of the Board of Directors were: Professor Justin Robinson, Trevor Campbell, Professor Nlandu Mamingi, Joseph Ward and Ian Carrington, the Director of Finance and Economic Affairs, who is the ex officio member. There was one vacancy.

The Bank Secretary, Elson Gaskin, is the officer chiefly responsible for Board administration. The two Deputy Governors of the Bank also 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. On October 1, 2019, Alwyn Jordan commenced his tenure as Deputy Governor and Michael Carrington continued to act in the second Deputy Governor post.

Sub-Committees of the Board

There is one sub-committee of the Board, namely the Audit Committee, which comprises Joseph Ward (Chairman), Trevor Campbell and Professor Justin Robinson; all non-executive Directors. Under its mandate, the Committee has responsibility for reviewing the financial statements of the bank with management and the external auditors, the overall operations of the internal audit department, the performance of the external audit and the adequacy of the internal systems of control in the Bank.

During the year under review, the Audit Committee met four times and was active in discussions with management and the external auditors regarding the planning and implementation of full IFRS for the 2019 financial statements. The Committee also reviewed the operations of the Internal Audit department, with a view to maximizing its efficiency and these efforts will continue into 2020. In 2019, it was agreed that the Audit Committee's mandate would be expanded to include Risk Management and the committee is in the process of updating the mandate accordingly.

In addition, a member of the Board, in the person of Professor Nlandu Mamingi, also sits on the Committee of Management of the Staff Pension Fund.

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 ten 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 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 2019, in addition to one special meeting. Among the matters considered in the year under review were economic developments and monetary policy, the administrative budget, human resource issues, strategic planning, and other periodic reporting.

Internal Audit

Assurance and consulting audits across several business units were conducted, and the reports communicated to the Audit Committee of the Board and Senior Management. Under the terms of the International Monetary Fund's (IMF) Extended Fund Facility (EFF), semi-annual reviews are also included in the work performed by Internal Audit each year. In compliance with this requirement, two reviews of Programme Monetary Data, reported by the Central Bank to the IMF, were performed in 2019.

Other audits performed included a review of the Straight Through Processing (STP) system which centralises data from the financial industry and audits of various operations of the Human Resources, Accounts, Bank Supervision, Facilities Management and Currency Departments. There was also a follow-up to the SWIFT Customer Security Programme review conducted in 2018.

Work is ongoing on the development of a Quality Assurance and Improvement Programme (QAIP) recommended by the International Institute of Internal Auditors (IIA).

Strategic Planning and Risk Management

The new Strategic Planning and Risk Management Unit was established in the Governor's Office at the beginning of the year, in order to coordinate the efforts of the various departments in meeting the targets outlined in the 2019 to 2021 Strategic Plan.

In order to facilitate the compilation of information and updating of targets related to the plan, an enterprise performance management system was acquired and is being utilised, with an initial focus on Strategic Management and Project Management. Both modules will facilitate greater coordination, and improved monitoring and reporting across the Bank. The new Unit also has responsibility for automating the project management process and in this regard, CAMMS, an integrated, systems-driven suite of products, was selected to help drive these initiatives. The rollout of an enterprise risk management framework is also planned, which will involve the CAMMS Risk tool.

Business units have begun to report on their performance on a quarterly basis, against targets set at the beginning of the year. The Unit's work to date reflects a significant transformation in how the Bank plans and tracks strategic performance, as it was instrumental in developing the Bank's Strategic Plan. In addition, the Unit was instrumental in educating management and staff in the area of digital transformation.

Policies to ensure quality financial management and the ongoing financial health of the Bank continue to be ramped up and, as a result, there has been implementation of new financial rules, new procurement rules, and adherence to International Financial Reporting Standards.

In the area of information protection, as part of the Bank's defensive security arsenal, security patches and antivirus definitions were continuously applied to the ICT environment to mitigate the burgeoning threat of malware prevalent in the execution of financial fraud, disruption and mischief. Mandatory information security awareness training has become a feature of the Bank's ICT environment and a successful programme, engaging staff at all levels, was completed during the year.

Safety and Shutdown Officers and others charged with responding in the event of emergency or hazardous situations benefitted from training in cardio-pulmonary resuscitation and fire safety.

Pamela Arthur, Director, Human Resources; Celeste Wood, Adviser to the Governor and Jennifer Clarke-Murrell, Deputy Director, Bank Supervision (Ag.), discuss aspects of the 2019-2021 Strategic Plan during a senior management retreat.

Business Continuity

On an ongoing basis, services and upgrades to equipment used within the Tom Adams Financial Centre (TAFC) are mirrored at the hot site to facilitate a smooth transition of operations in emergency situations. Provisions for contingent electricity and water requirements are in place and a comprehensive upgrade of the air-conditioning system protecting the on-site servers is in progress to effectively handle protracted run time conditions. The most recent failover simulation in October confirmed the Bank's ability to continue key business processes, as well as successfully revert operations back to the Bank's headquarters, without any loss of functionality.

This capability was underscored in November, when the back-up power systems at the TAFC performed admirably during the island-wide power outages, as the Bank realised a seamless switchover to its auxiliary electrical supply. As a result, the air conditioning facilities and potable water supplies continued without any disruption to the Bank's business operations for the entire two-day period.

The Bank also introduced an internal WhatsApp notification system to communicate with staff in the event of an emergency or other extraordinary event. The system was called into action for the first time in August, when it was used to inform staff about the closure and reopening of the Bank due to Tropical Storm Dorian, and to provide updates on the system's location and strength. Participation in these broadcasts is voluntary at this stage, but management will seek to extend participation in the coming year.

2. MACROECONOMIC DEVELOPMENTS

Overview

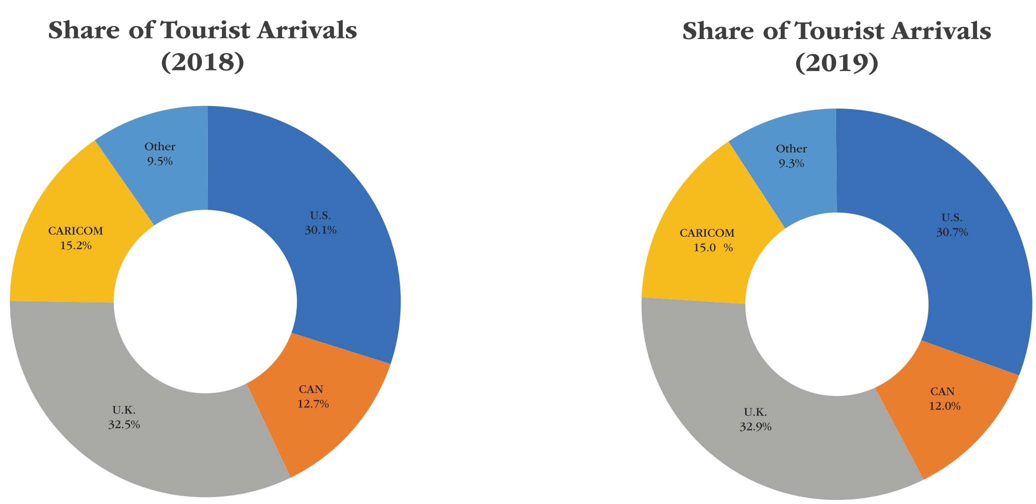
The Barbadian economy declined marginally during 2019, as the effects of Government's fiscal adjustment were felt fully during the 12-month period and the delay of several large to medium scale foreign investment projects, slowed activity in the construction sector. However, the performance of the tourism sector improved over the review period, reflecting gains in visitor arrivals from the two major markets.

The successful conclusion of the external debt restructuring exercise resulted in an upgrade of Barbados' sovereign credit rating to B-, which aided in securing additional multilateral financing and improving investor confidence. The stock of external reserves was buttressed by the drawdown of two IMF loan disbursements of over $190.0 million, as well as a $150 million policy-based loan from the CDB. At end-December, the Gross International Reserves represented an estimated 18.6 weeks of imports, compared to the international benchmark of 12 weeks. These achievements also reflected the Government's attainment of all the macroeconomic targets under the BERT programme during the year.

Real Sector

Preliminary data suggest that economic activity declined by 0.1 percent during 2019, as the negative outturn registered in the non-traded and manufacturing sectors offset the gains generated in tourism activity. Tourism value-added increased by 3.4 percent, with long-stay arrivals growing by an estimated 5.1 percent over the period. The increase in visitor arrivals was particularly strong from the United States and the United Kingdom source markets, which together account for two-thirds of total stopover visitors. However, the performances of the Canadian market remained weak throughout the year. In addition cruise visitors grew by approximately 1.6 percent, vis-à-vis a 0.8 percent decline in the prior year.

Figure 1: Share of Tourist Arrivals by Source Market (January-December)



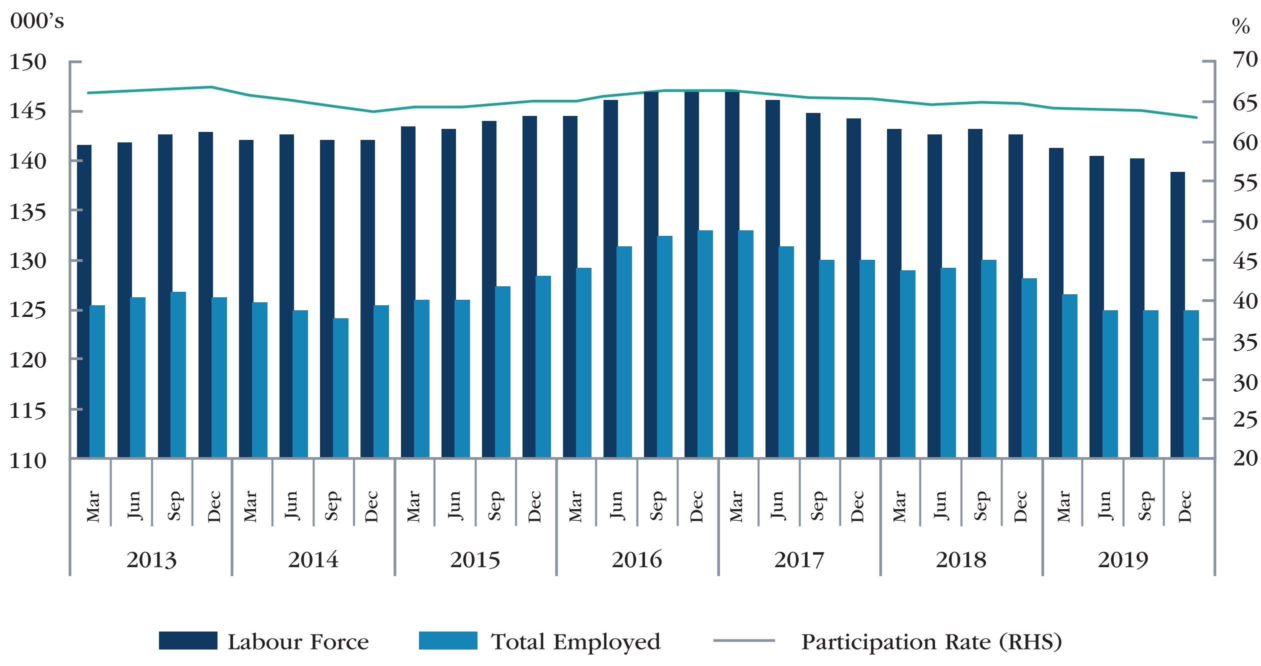
Source: Barbados Statistical Service and Central Bank of Barbados

––Non-sugar agriculture contracted by five percent over the period, due to severe drought conditions which impacted the performance of milk production and led farmers to grow more drought-resistant crops during the latter part of the year. Chicken production also declined by over two percent but this loss was compensated with an increase in imports. Moreover, the prolonged delay in the commencement of several key tourism-investment projects resulted in construction activity falling for the second consecutive year, by approximately 2.8 percent, after a 6.4 percent decline in 2018.

With regard to the labour market, the average unemployment rate for 2019 remained at 10.1 percent. However, the labour force participation rate continued to contract.

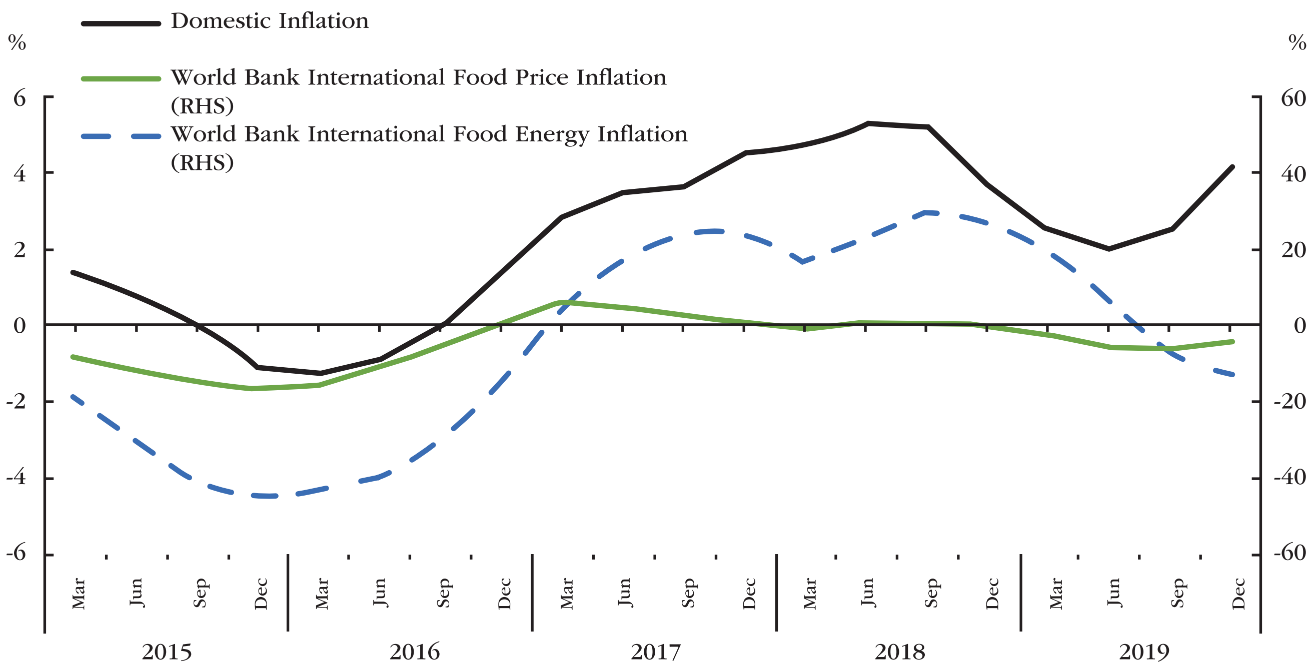
During the first half of the year, domestic inflation was tempered by the abolition of the National Social Responsibility Levy (NSRL) in July 2018, as well as the fall in international energy and food prices. However, the relatively benign domestic price environment was disrupted by the impact of persistent drought conditions, which led to an increase in domestic food prices. As a result, the 12-month rate of inflation rose by 0.4 percentage points to 4.1 percent at the end of 2019.

Figure 2: Labour Force Trends



Source: Barbados Statistical Service

Figure 3: 12-Month Moving Average Inflation



Source: Barbados Statistical Service, Central Bank of Barbados and World Bank Indicators

External Sector

International Reserves

At end-December, the Gross International Reserves (GIR) stood at $1.48 billion—the highest level recorded in almost five years—as the receipt of policy-based loan proceeds, along with an improvement in foreign exchange earnings from the services sector, contributed to the robust build-up during the year. As a result, the international benchmark for the import reserve cover of 12 weeks was surpassed, as the GIR represented 18.6 weeks of imports at end-December.

The current account deficit narrowed by $118 million to $285 million, representing 2.7 percent of GDP over the review period. This outturn was mainly driven by an expansion in travel credits due to the opening of an offshore medical tertiary institution and robust tourism activity. In contrast, the merchandise trade balance contracted by $10 million, reflecting a modest increase in total imports, as gains in both intermediate and capital goods, outstripped the decline in consumer goods. Intermediate goods imports rose by $32 million, reflecting increases in imports of fuel and construction materials, while capital goods rose by $47 million, owing mainly to an expansion in the machinery component. However, consumer goods contracted by $73 million, following a decline of $45 million during the previous year. This development was attributed to declines in imports of toiletries, clothing and pharmaceuticals, which outweighed the increase in imports of food and beverages. Further, domestic exports decreased marginally, in contrast to a flat performance in 2018.

Lower capital inflows for the public sector, resulted in a fall of $95 million in the financial account to approximately $793 million. Net long-term public inflows were $388 million, $103 million lower than the comparable period of 2018, and reflected a reduction of policy loans of $200 million and reduced project funds. Despite the reduction from 2018, public inflows benefited from a CDB policy loan, further IMF financing, and project financing. In addition, public sector debt amortisation payments declined by $41 million to an estimated $133 million.

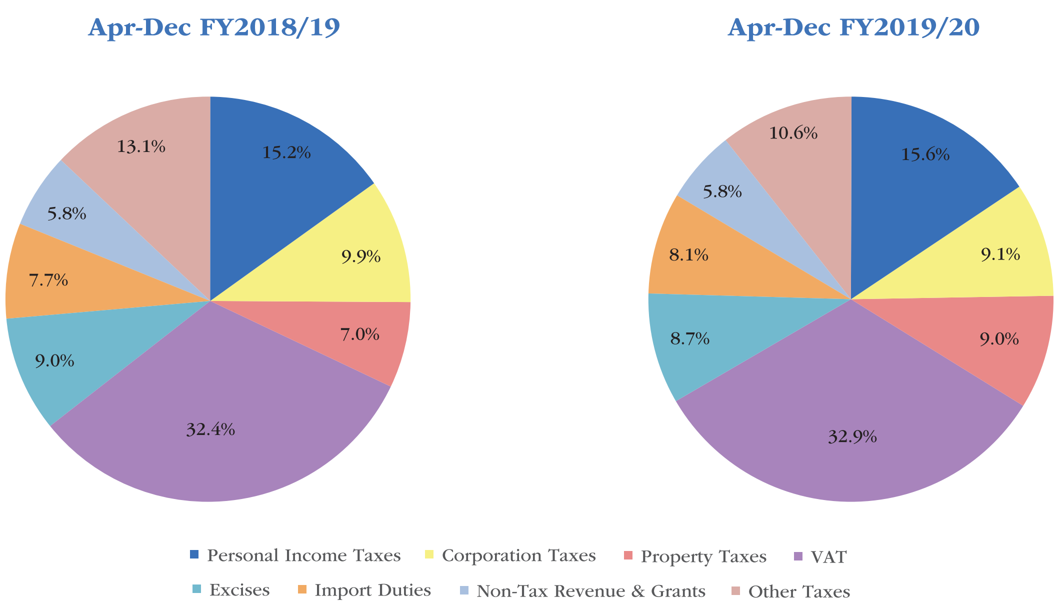
Public Finances

The fiscal reforms enacted under the BERT programme in the prior period, were sustained in FY2019/20, as the country recorded a fiscal and primary surplus of 3.1 percent and 4.9 percent of GDP, respectively, at the end of December 2019. During this period, total revenues increased by 3.8 percent over the previous fiscal year. The majority of the gain was driven by a 34.4 percent climb in property taxes, following a hike in land tax rates and a 6.6 percent advance in personal income taxes. However, corporation tax receipts declined by 4.0 percent, partly because of the recognition of losses from the Government's 2018 debt restructuring which contributed to lower corporate profits.

Expanded value-added tax (VAT) receipts and import duties contributed to higher indirect tax revenues, as an increase in domestic sales resulted in a $36 million uptick in the VAT intake, while import duties expanded by $16 million.

Other indirect tax collections advanced by $26 million, mainly due to a $35 million increase in the fuel tax, as well as the implementation of the room rate levy and direct tourism product levy, which accounted for a combined gain of $13 million in receipts. However, these gains were counteracted by the repeal of the NSRL which resulted in a $49 million fall in receipts. In addition, increased non-tax collections also added to the revenue intake, as the fee imposed on foreign exchange transactions accounted for an intake of approximately $58 million, overshadowing declines in other fees over the period.

Figure 4: Revenue Shares

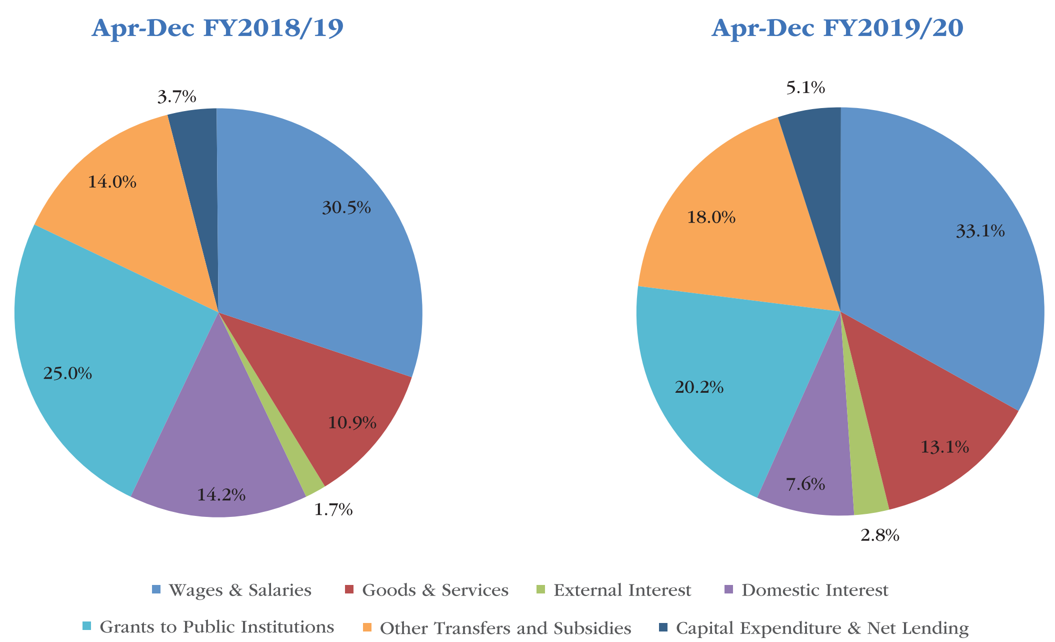


Source: Ministry of Finance

Government's commitment to reducing its spending, culminated in a 9.8 percent decline in current expenditures over the first nine months of the fiscal year to approximately 17 percent of GDP. The improvement was aided by a decline in interest expenses of approximately 39.9 percent ($126 million), mainly due to the 2018 debt restructuring programme. Grants to public institutions also fell by 26.2 percent ($130 million), as the Government was able to accrue savings from restructuring the debt obligations of various state-owned entities (SOEs). In addition, there were reduced transfers to the Queen Elizabeth Hospital (QEH), as well as the removal of budgeted outlays to the Sanitation Service Authority and the Barbados Tourism Management Inc. The reduction in transfers to these entities, reflected the implementation of the Health Service Contribution, the Garbage & Sewage Contribution and the Airline Travel and Tourism Development Fee, which generated approximately $45 million, $52 million, and $54 million, respectively.

The increase in non-contributory pensions, as well as the recommencement of payments relating to gratuities, led to a 20 percent advance in grants to individuals. However, wages and salaries remained flat, while the purchase of new buses and trucks, as well as transfers relating to the Barbados Water Supply Network Upgrade Project contributed to a $25 million expansion in capital expenditure.

Figure 5: Expenditure Shares



Source: Ministry of Finance

TABLE 1: ECONOMIC INDICATORS

	2015	2016	2017	2018	2019[(e)]
Nominal GDP ($ Million)[1]	9,430.0	9,660.0	9,956.3	10,173.4	10,414.7
Real Growth (%)	2.4	2.6	0.6	(0.4)	(0.1)
Inflation (%)[2]	(1.1)	1.5	4.5	3.7	4.1
Avg. Unemployment (%)[3]	11.3	9.7	10.0	10.1	10.1
Gross International Reserves ($ Million)	878.0	639.8	411.3	999.3	1,478.5
Gross International Reserves Cover, Weeks	11.2	8.2	5.3	12.8	18.6
BoP Current Account (% of GDP)	(6.1)	(4.3)	(3.8)	(4.0)	(2.7)
Total Imports of Goods (% of GDP)	32.6	31.9	30.5	29.5	29.5
Travel Credits (% of GDP)	20.1	21.5	21.7	22.4	25.0
Financial Account ($ Millions)	442.3	84.2	86.4	887.6	792.7
Gross Public Sector Debt[4] (% of GDP)	144.2	151.2	148.4	126.3	120.0
External Debt Service Ratio	9.5	8.0	8.3	4.9	3.6
Treasury-Bill Rate	1.8	3.1	3.2	0.5	0.5
Average Deposit Rate	0.4	0.3	0.2	0.2	0.2
Average Loan Rate	6.8	6.7	6.6	6.7	6.4
Excess Cash Ratio	10.6	14.5	14.0	15.2	18.4
Private Sector Credit Growth (%)[5]	1.6	1.5	3.2	0.3	0.7
Private Sector Credit (% of GDP)[5]	82.5	81.7	81.9	80.4	79.1
Domestic Currency Deposits (% of GDP)[5]	113.8	114.9	112.7	111.7	111.2

Fiscal Year	2016/17	20117/18	2018/19	Apr-Dec 2018/19	Apr-Dec 2019/20[(e)]
Fiscal Deficit/Surplus (% of GDP)	(5.3)	(4.6)	(0.3)	0.7	3.1
Primary Balance (% of GDP)	2.2	3.2	3.5	3.8	4.9
Interest (% of GDP)	7.5	7.8	3.8	3.1	1.8
Fiscal Current Account (% of GDP)	(3.0)	(2.8)	1.6	1.4	3.9
Revenue (% of GDP)	27.8	28.8	29.3	20.2	20.4
Expenditure (% of GDP)	33.1	33.4	29.6	19.5	17.3
Non-interest Expenditure (% of GDP)	25.6	25.7	25.9	16.4	15.5
Capital Expenditure (% of GDP)	2.3	1.7	1.9	0.7	0.9
Gov't Interest Payments (% of Revenue)	26.9	26.9	12.9	15.3	8.9

(e) - Estimate
1 - Central Bank of Barbados and Barbados Statistical Service
2 - Twelve Month Moving Average
3 - Four Quarter Moving Average
4 - Gross Public Sector Debt = Gross Central Government Debt + Other Public Sector Debt
5 - Based on consolidated data for deposit-taking institutions (Commercial Banks, Finance & Trust Companies and Credit Unions) and does not include credit to the non-residents

Public Debt and Financing

Over the fiscal year, the Central Bank's net financing to the Government totalled $122 million, as the Government reduced its outstanding debt obligations, inclusive of payments to ResLife policyholders and domestic arrears, through the use of the overdraft facility as well as via the drawdown of some of its deposits at the Central Bank. In addition, Government received approximately $124 million in net foreign financing, which reflected policy loans from the CDB and project funds. The majority of project funds were related to the Water Supply Network Upgrade, Road Rehabilitation, Skills for the Future and Renewable Energy projects.

The external commercial debt restructuring negotiations became effective December 11, 2019. Revised terms included an upfront cash payment by the Government of US$7.5 million and the issuance of two bonds of US$32.5 million and US$530.0 million, due 2021 and 2029, which are to be repaid over a two-year and ten-year period, respectively. At the end of December, the debt-to- GDP ratio stood at approximately 120 percent of GDP, compared to 126 percent recorded in 2018.

The Barbados Economic Recovery and Transformation Programme (BERT)

In 2019, Government sustained its efforts to implement the BERT programme, designed to strengthen the public finances, reduce public sector indebtedness and rebuild the foreign exchange reserves. The Bank worked closely with the Ministry of Finance to effectively implement the programme and all quantitative performance criteria and indicative targets were met. This enabled the Bank to secure Balance of Payments (BOP) financing from the IMF and the Government to receive a new policy-based loan from the CDB to support the programme.

In addition, in October, the Government and the Barbados External Creditor Committee mutually agreed on terms to convert outstanding US dollar-denominated debt into new bonds. The agreement included a reduction in the initial principal and accrued interest expenses, as well as climate change clauses related to the new bonds. This followed the suspension of external commercial debt payments in June 2018 and complements the domestic debt restructuring completed the previous year.

Fiscal consolidation remains central to the programme and the effort was supported by tracking the daily cash flows and balances of Government's operations against monthly targets. In addition, a monthly Joint Economic Group (JEG) meeting was held, including senior officials from the Ministry of Finance, the Bank and other relevant government agencies. The work of the JEG is supported by Fiscal and Debt Technical Working Groups. These meetings were important for monitoring sectoral developments, building forecasts, increasing the level of information sharing and for ensuring that swift measures were in place to address any impending shortfalls that could jeopardise the attainment of targets under the IMF programme.

A BERT Monitoring Committee—which is an independent committee comprising individuals from the Social Partnership and Domestic Barbados Creditors Group—has also been established to track the progress of Government in meeting the commitments set under the Memorandum of Economic and Financial Policies, which was agreed under the IMF's EFF.

Financial System

During 2019, the overall stability of the financial system improved when compared to the performance in the previous year, which was adversely impacted by the implementation of the IFRS 9 Accounting Standard and the domestic debt restructuring.

Financial Intermediation, Money Supply and Interest Rates

Credit to the non-financial private sector by deposit-taking institutions grew marginally, mainly due to increases in loans to utilities, hotels, restaurants, distribution, transportation, storage and communication sectors.

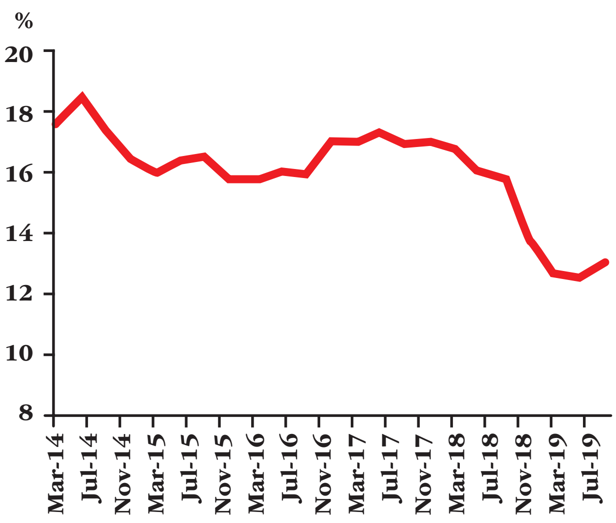
Domestic currency deposits grew by 2.4 percent, driven by a build-up in the balances of other financial corporations, private sector companies and Government. In contrast, foreign-currency balances fell by 0.4 percent, relative to a sharp 20.3 percent decline in the prior year.

The weighted average deposit rate of 0.2 percent was virtually unchanged from 2018, while the weighted average loan rate declined by 30 basis points to 6.4 percent, relative to the prior period.

Capital and Liquidity

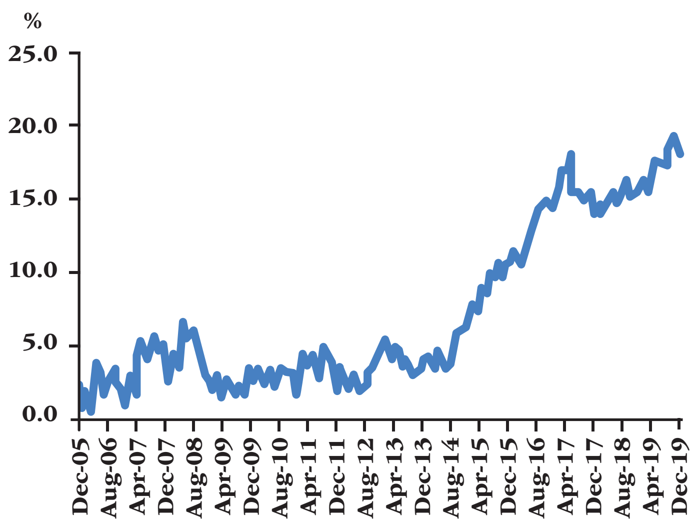
After a gradual decline over the past year, the banking sector registered a slight uptick in its capital adequacy ratio to 13.5 percent of risked-weighted assets at year-end 2019. Additionally, liquidity in the banking sector remained high, with the sector reporting an excess cash ratio of 18.4 percent at year-end.

Figure 6: Capital Adequacy Ratios of Banks



Source: Central Bank of Barbados

Figure 7: Banking Sector Liquidity Indicators



Profitability

Although still low, preliminary data suggests that profitability in the banking sector showed signs of improvement in 2019, with a return on average assets ratio of 0.5 percent, compared to a slight loss of 0.2 percent one year earlier. Despite a small fall-off in net interest income, profitability was boosted by a reduction in non-interest expense, which was 38 percent lower than in 2018, due namely to a decline in provisions being expensed during the year.

Credit Quality

In 2018, Government debt owed to the banking industry was classified as in default, following the announcement of plans to restructure their outstanding obligations. This development, along with the implementation of IFRS 9, led to a spike in the non-performing loan (NPL) ratio to 11.2 percent. On completion of the domestic debt exchange, these claims were reclassified to investment securities. Accordingly the NPLs contracted sharply, with an industry average of 7.1 percent of total loans as at December 2019.

Figure 8: Banks' Return on Average Assets Ratio

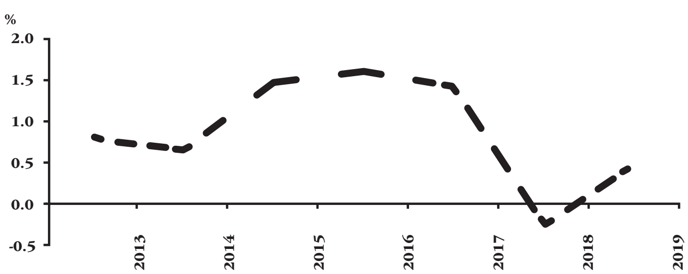
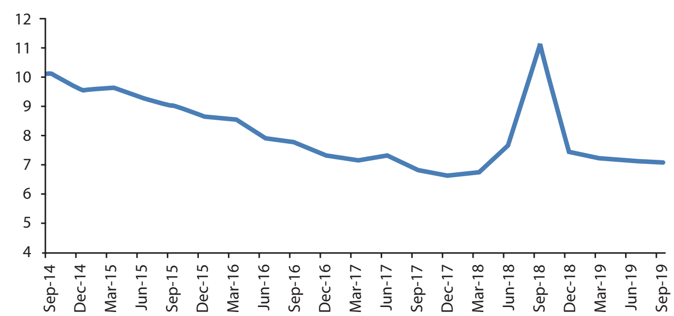


Figure 9: Banks' Non-Performing Loan Ratio



Source: Central Bank of Barbados

3. CENTRAL BANK OPERATIONS

3.1 FOREIGN EXCHANGE OPERATIONS

Trading in Foreign Exchange

In 2019, the Bank registered a second successive year of a build-up in the gross international reserves. The value of transactions with government fell as lower debt service payments reduced sales of foreign exchange by the Bank while smaller purchases reflected the drawdown of only one policy-based loan compared to two the previous year. However, the Bank was again a net purchaser of foreign exchange from the banking system, complementing the increased borrowings from the IMF. There was little demand by banks for foreign exchange from the Bank but lower sales to the Bank reduced net purchases from $339 million to $292 million.

Repatriation of Foreign Currency

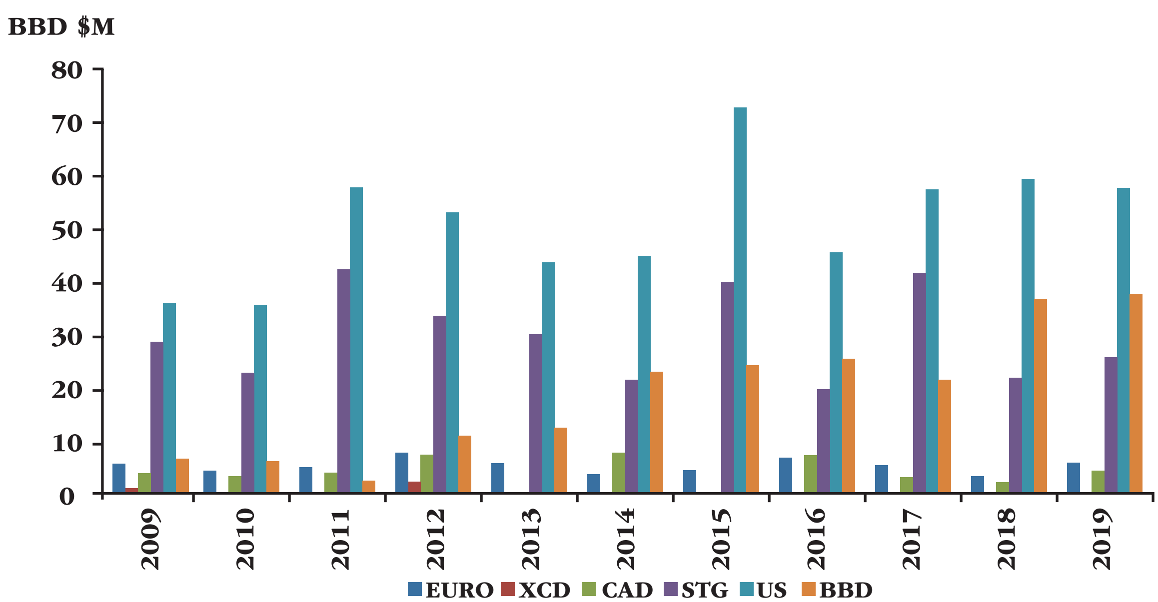
Proceeds from the sale of foreign currency and Barbados dollars abroad help to boost the Bank's foreign reserves available for investment. During the year, the Bank completed 13 repatriations of foreign currency, equivalent to BBD $95.0 million, an increase of BBD $8.0 million over the value of foreign notes repatriated in 2018. Barbados dollars sold abroad amounted to BBD $38.0 million, similar to the amount sold during 2018.

Investments in Foreign Reserves

The growth in international reserves enabled the Bank to diversify the foreign reserves portfolio from a primarily dominant money market portfolio at the end of 2018, to one which was well diversified across the fixed income high credit quality space at the end of 2019.

During the year, the portfolio recorded increased income levels across the asset classes. Despite lower average interest rates in 2019 relative to the previous period,

Figure 10: Repatriation of Currency



Source: Central Bank of Barbados

income earned on the money market portfolio was higher, reflecting the growth in the short-term instruments held within the liquidity tranche of the portfolio.

The in-house managed portfolio saw income earnings for 2019 tripling that of the previous year, owing to the expansion in the portfolio base and the enhanced diversification of fixed income securities held within the portfolio. Further, the externally managed portfolios saw an increase in market value amid the reduction in yields and posted an aggregate return of 2.2 percent for 2019. Nevertheless, towards the latter half of the year, the lowering of the federal funds target rate by the Federal Open Markets Committee (FOMC) on three occasions, each by 25 basis points, provided challenges for reinvesting maturing money market instruments at lower rates and for purchasing eligible securities for inclusion in the in-house and externally managed portfolios.

Exchange Controls

During the year, new policy guidelines for exchange control operations were drafted and submitted to the Government for approval. As a result, new circulars on travel facilities and foreign currency accounts were produced, providing clarity in areas not previously addressed. Other revised circulars were issued early in 2020 and featured several modifications to the existing regime, including: consolidation of several circulars, clarification of the definition of residents and non-residents, increases in the delegated limits for profit remittances, and other expansions in the approval limits for authorised dealers.

Expansion in the Access by Locals to Foreign Currency Accounts

In May, the Central Bank announced that from August 2, 2019, members of the public could maintain foreign currency accounts without restriction once there is compliance with commercial banks' Know Your Customer (KYC/AML) guidelines. The accounts are intended to facilitate external transactions, such as payments for goods and services, rather than accessing foreign currency from the domestic system. Violations could result in the foreign currency account being closed.

This new Government-initiated regime replaced the previous guidelines which required domestic entities to surrender 70 percent of foreign exchange inflows to the banking system and/or established caps on the amount of foreign currency that could be held in an account. Since there is no conversion from foreign currency to Barbados dollars, the 2 percent Foreign Exchange Fee does not apply to transactions executed from these accounts.

These accounts should be funded by foreign currency inflows from external sources such as investments, remittances, exports of goods and services and sales of assets to overseas-based entities. Authorised dealers could potentially see a decrease in the amount of foreign currency purchased from their clients as surplus funds are diverted to these accounts, but this is expected to be balanced by the subsequent reduction in demand as entities such as businesses utilise these funds to facilitate their overseas transactions.

Ultimately, the new regime is designed to reduce administrative bottlenecks as it relates to domestic entities gaining access to foreign currency, which should improve the ease of doing business. It should also provide opportunities for authorised dealers to market new and innovative services to their clients, based on these foreign currency accounts.

This measure is part of the Bank's efforts to gradually liberalise its exchange controls, while maintaining the necessary safeguards to ensure the stability of the fixed exchange rate regime.

3.2 MONEY, CREDIT AND CAPITAL MARKETS

Government Bond Market

During 2019, the Bank maintained its focus on ensuring the timely payment of debt service on Government's restructured bonds while facilitating execution of transfers and secondary market transactions which totalled $7.9m.

There was no new primary issuance of securities, but the main change in the stock of debt, apart from amortisation payments, reflected the conversion of state-owned arrears to debt and the revised treatment of policyholders under the Resolution Life Assurance and New Life Investment Company Inc. (ResLife) programme. Under the Government of Barbados' debt restructuring programme, ResLife policy holders were issued $381.6 million of the Series G bonds but effective July 1, 2019 these policy holders received a combination of cash and Series B and I bonds in the amounts of approximately $166.6 million and $149.7 million, respectively.

Savings Bond Issues

No new savings bonds issues were offered to the public. Certificates presented during the year for redemption or early surrenders, totalled $12.3 million at the end of 2019. In addition, savings bonds certificates of matured issues not yet presented for the repayment of redemption proceeds, totalled $13.6 million at end-December, 2019.

Enhanced Credits and Guarantees

The Enhanced Credit Guarantee Fund recorded an increase in the number of guarantees issued, although the value declined modestly. A total of 33 guarantees valued at $15.1 million were approved, compared to 24 guarantees amounting to $15.8 million in the prior period. In addition, foreign currency capital contributions totalling $16.1 million were received during the year, bringing the cumulative amount for the project to $55.2 million at December 31, 2019.

The number of small and medium-sized enterprises using the collateral support provided under the credit guarantee scheme totalled 35 during the year. At year-end, there were 37 guarantees outstanding with a maximum liability of $3.2 million, with the total supported credits amounting to $4.3 million.

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

Industrial Credit Fund

A weak demand for credit and the high liquidity in the banking sector continued to impact the performance of the Industrial Credit Fund, with no loan applications being received and no disbursements made. The balance of long-standing loans approved but undisbursed of $11.6 million was written-off during the year and, with the receipt of the regular loan repayments, the loan portfolio declined to $2.6 million as at December 31, 2019.

Housing Credit Fund

The level of inactivity in the Housing Credit Fund (HCF) continued during fiscal year 2019, as no loan approvals or disbursements were made during the period. As a result of the early repayment of loans totalling $17.1 million, including the early repayment of $11.6 million, the balance of loans outstanding decreased significantly to $43.6 million at year-end.

Table 2: Indicators of ICF Operations

(BBD $Millions)

INDICATORS	2016	2017	2018	2019(P)
Principal Repayments	12.9	6.7	1.1	0.7
Loans Outstanding	11.1	4.4	3.3	2.6

(p) provisional

Table 3: Key Indicators of HCF Operations

(BBD $Millions)

INDICATORS	2016	2017	2018	2019(P)
Principal Repayments	8.1	13.5	6.6	17.1
Loans Outstanding	80.8	67.3	60.7	43.6

(p) provisional

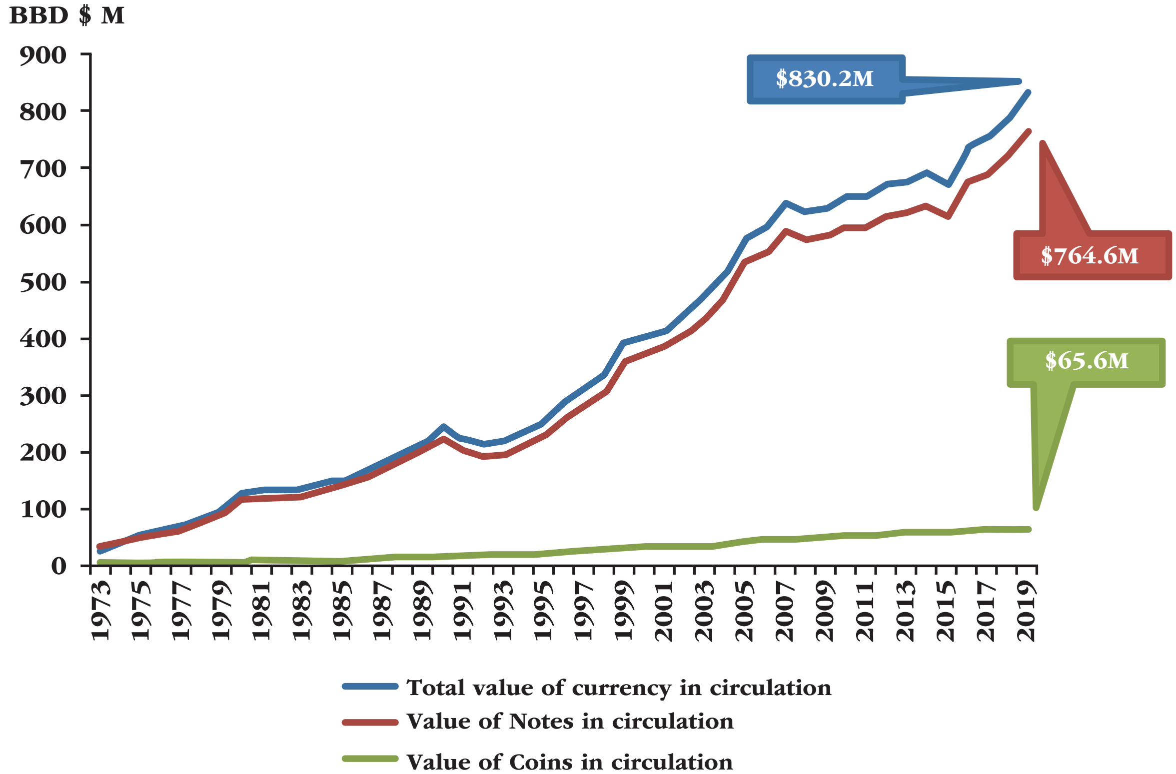
3.3 CURRENCY AND PAYMENT SYSTEMS

Currency Operations

Despite the increasing utilisation of electronic forms of payments, cash continued to play an important role in the payment system. Cash as a percentage of GDP moved from 7.7 percent in 2018 to 8.0 percent by the end of 2019.

The value of currency in circulation rose to $830.2 million, a gain of $45.1 million over the previous year. In this regard, the value of banknotes grew by $42.8 million, while coins expanded by $2.3 million. The growth in banknotes partly reflects increased purchases of local currency by institutions abroad.

Figure 11: Value Of Currency In Circulation



Source: Central Bank of Barbados

Issues & Deposits

There was a decline in both the issuance and the deposits of banknotes in 2019, in contrast to significant increases in the prior period. During the year, currency issued to the public declined by $16.0 million, compared to a $90.0 million increase in 2018. In contrast, currency deposited with the Central Bank decreased by $24.0 million in 2019, a reversal from the $76.0 million gain in the previous period.

Counterfeit Deterrence

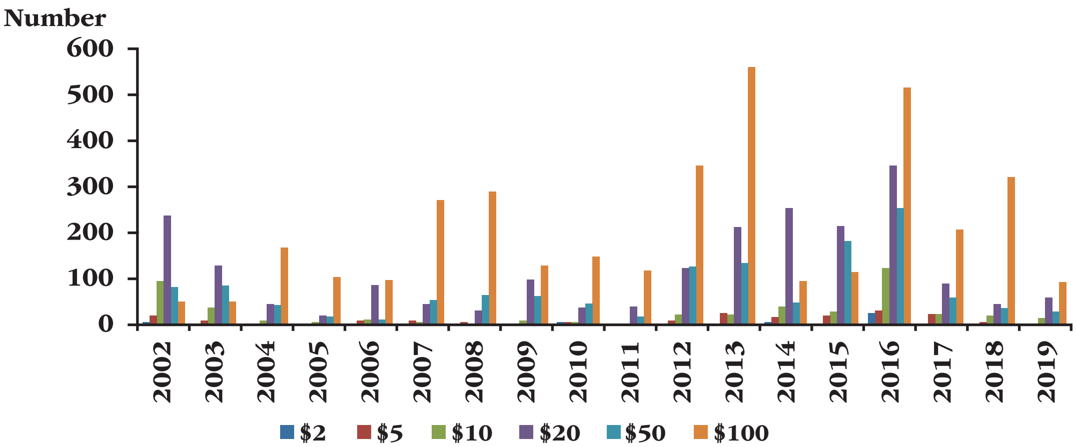
The Bank continued to offer "Know Your Money" training to the public, and conducted 51 training sessions in 2019, up from the 32 sessions carried out during the previous year. An initiative during the final quarter included businesses that had been previously targeted by counterfeiters, and this received an overwhelming response. The training was widespread, embracing community groups and organisations, government departments, hotels, tour guides, supermarkets and money transfer agencies.

There was heightened collaboration with the Royal Barbados Police Force and the Bank continued to authenticate suspect banknotes seized in criminal cases, provide counterfeit detection equipment and prepare statements as necessary. The Bank also assisted members of the general public who brought suspect notes into the Bank for authentication.

A total of 189 counterfeit banknotes were removed from circulation during the year, a sharp decline when compared to the 421 in 2018. The $100 note was the most frequently counterfeited, with 92 notes, representing 48 percent of all counterfeits recorded. Of the other counterfeited denominations, 57 were $20s, 26 were $50s, 13 were $10s, and there was one $5 note. No counterfeit $2 notes were removed from circulation.

Octavia Gibson, Deputy Director, Currency, assists students of the Graydon Sealy Secondary School during one of the Bank's "Know Your Money" training sessions.

Figure 12: Denomination Of Counterfeit Notes



Source: Central Bank of Barbados

Numismatic Programme

A total of 33 contracts were signed for legal tender commemorative coins during 2019, as part of the Central Bank's royalty arrangements[1]. The themes of the coins ranged from religious to nature-related and sports.

At the end of 2019, approval was given for the issue of a commemorative circulation coin in salute of the "We Gatherin' Barbados 2020" celebrations.

Payments

In 2019, the Bank, in conjunction with Government and the banking sector initiated discussions on modernising the payments system. This is intended to lead to reduced use of cheques and cash and to the increased use of electronic transactions. This creates the potential for new players to enter the payments landscape and at year-end, the Bank was working on draft legislation to establish a regulatory framework for payments.

Already evidence of reduced issuance of cheques was reflected in the value of cheque payments processed through Barbados' Automated Clearing House (ACH) system which fell by 9.2 percent to $15.6 billion, compared to a 1 percent decline in 2018. Simultaneously, the value of direct payments through the ACH grew significantly to $3.7 billion, as some payments previously made by cheque, such as NIS benefits and tax refunds, were now remitted via these means.

The value of point-of-sale (POS) payments totalled $626 million, representing an increase of 9.3 percent over the 2018 level. In addition, the value of transactions through the Automated Teller Machines (ATM) rose by 3.4 percent to $697.7 million, although the number of transactions declined by 0.5 percent.

Figure 13: Cheque Transactions

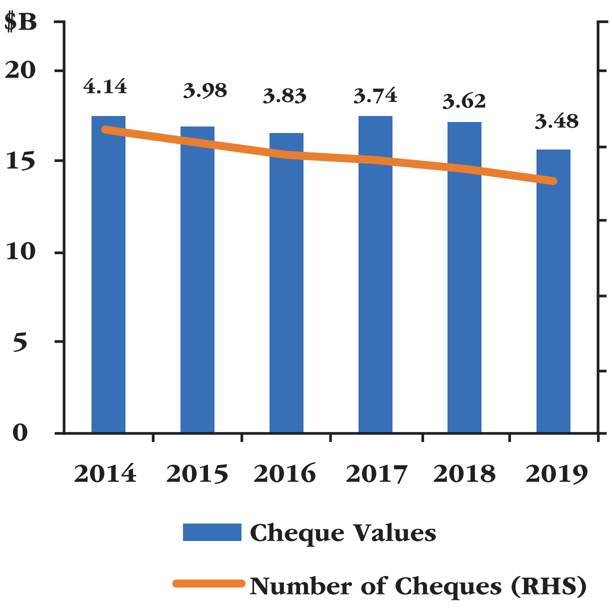
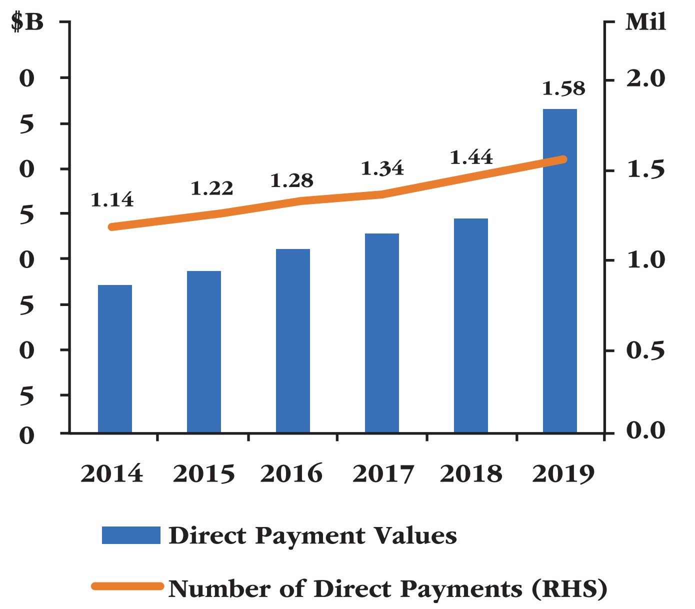


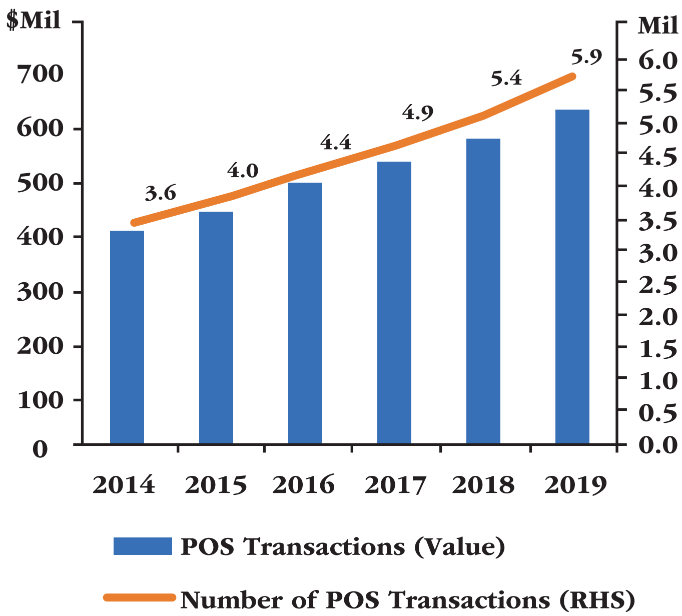
Figure 14: Direct Payments



Source: Central Bank of Barbados

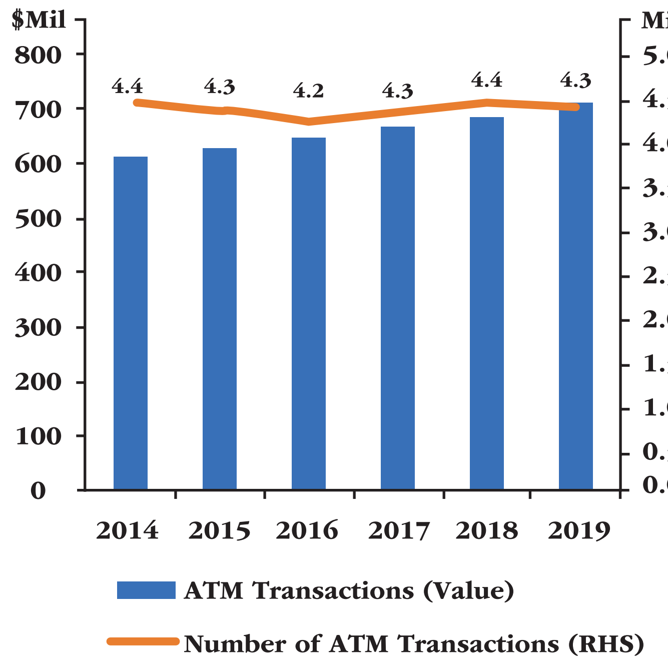
[1] Royalty arrangements are contracts between the issuing authority (Central Bank) and collector marketing organisations or mints for the production and distribution of legal tender commemorative coins abroad. Royalty programmes present an opportunity for the Central Bank as an issuing partner, to receive a guaranteed royalty payment for every coin struck or sold. There is no risk for the issuing authority in terms of production, cost, marketing, sale, distribution or storage of the coins produced.

Figure 15: Point-Of-Sale Transactions



Source: Central Bank of Barbados

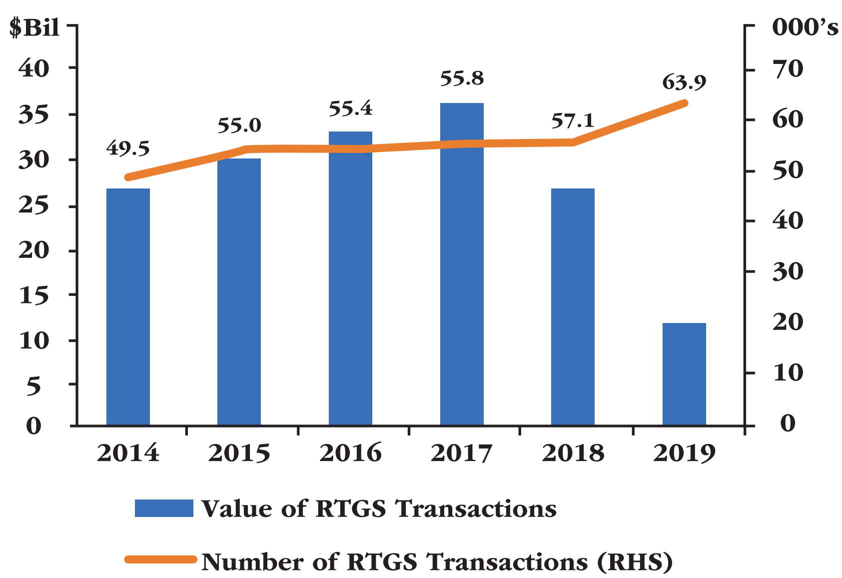
Figure 16: ATM Transactions



Source: Central Bank of Barbados

The total value of transactions processed through the Real Time Gross Settlement (RTGS) system fell by 56.8 percent, even though the number of transactions increased by 12.1 percent. This slide in average value per transaction continues to be driven by a lack of investment related payments as activity on the primary and secondary markets remained subdued. Other transactions, which were small in monetary nature, increased in volume.

Figure 17: RTGS Transactions



3.4 PROPERTY MANAGEMENT

The Bank maintains five distinct properties, namely the Tom Adams Financial Centre (TAFC), Newlands (Governor's Residence), Church Village Green (CVG), the Exchange Interactive Centre, and its hot-site. During the year, increasing attention was paid to mitigating risks from the environment, safeguarding the Bank's core business processes, keeping the building's infrastructure current, and reducing operating costs.

One of the Bank's priorities is to ensure a healthy and safe environment for staff, tenants and customers. To this end, improvements were made to the air-conditioning system, resulting in greater operational efficiencies and reduced complaints due to temperature fluctuations.

Implementation of a new building management system was advanced, enabling more of the building's equipment and mechanical systems to be remotely managed. New software was also acquired to improve the plant asset management (PAM) system which, once implemented in 2020, will result in improved efficiencies in the recording and maintenance of the Bank's operational assets.

In addition, Phase 2 of the photovoltaic solar panels on the Frank Collymore Hall's roof was undertaken, and the systematic replacement of existing lamps and fixtures with LED alternatives for better quality lighting and energy efficiencies continued.

There were several major renovation projects during the year and, due to the age of the Exchange Interactive Centre building, a series of repairs to the façade and improvements to the interior were undertaken. There were also upgrades to the telephone and security systems, and it is envisaged that ongoing maintenance will be required in the future, in order for the structure to continue operating in its capacity as a museum.

A versatile performing arts facility, the Frank Collymore Hall undergoes a comprehensive annual maintenance programme.

3.5 INFORMATION TECHNOLOGY

The Bank's information communications and technology (ICT) infrastructure benefitted from upgrades to both hardware and software. The use of automated workflows also increased, thus reducing the manual intervention in many applications.

Wireless coverage has been improved through the Tom Adams Financial Centre, resulting in increased capacity for streaming services required for events hosted by the Bank, its clients and tenants.

The Bank is represented on the Cybersecurity Information Sharing Group (CISG) formed amongst regional central banks, and contributed to the development of a cyber security strategy framework for Barbados, headed by the Organization of American States (OAS) and hosted by the Government of Barbados. The Bank also participated in a Government-initiated cyber-resilience exercise. However, while the institution recorded one of the top two passing grades and was shown to be well on track with its cybersecurity programme, work in this area will continue. Computer operations were improved through a comprehensive programme designed to boost productivity, performance and security. In addition, the development of a web application was finalised which will, over the near-term, facilitate the submission and processing of exchange control applications. Key operating areas have already been modified in anticipation of the online system, which will positively impact the "ease of doing business" in Barbados.

An initiative of the Bank's Central Data Management Unit, CBBWEBSTATS, was established in August. As a result, the online statistical databases are now more intuitive and user-friendly. New features include page listing all recently uploaded files, a comprehensive summary of all variables housed on the website, and enhanced search and download facilities.

Members of staff were recognised for successfully completing in-house cybersecurity training organised by the Management Information Systems (MIS) Department.

3.6 BANKING SUPERVISION

The number of licensed financial institutions supervised by the Bank continued to contract, declining by five to 37. Among the Part III licensees, one completed the winding-up process, two amalgamated and another merged with its commercial banking parent. Two foreign currency earning banks completed the winding-up process during the year. In terms of supervision, the risk-based onsite examination programme focused primarily on money-laundering/financing of terrorism (ML/FT) risk and corporate governance.

Table 4: Licensed Financial Institutions

Type of Institution	2011	2012	2013	2014	2015	2016	2017	2018	2019
Domestic									
Commercial Banks	7	6	6	6	5	5	5	5	5
Bank Holding Company	1	1	1	1	1	1	1	1	1
Part III Companies	13	12	12	12	13	13	14	12	9
Total Domestic	21	19	19	19	19	19	20	18	15
Foreign Currency Earning Banks	45	46	40	36	28	25	25	24	22
Total Licensed Institutions	66	65	59	55	47	44	45	42	37

Supervisory Framework

The regulation and supervision of institutions licensed under the Financial Institutions Act (FIA), Cap. 324A, remained a critical element of the Bank's mandate to maintain and promote financial stability. During the year there was ongoing refinement of the supervisory framework and the Bank processed licence and other applications, enhanced the risk profiles of licensees through offsite surveillance and risk-based onsite inspections and issued supervisory guidelines under the FIA. The Bank also provided non-objections to the appointments of 14 directors and two executive officers, determining that they were fit and proper persons to be associated with institutions licensed under the FIA.

The revised legislative framework under FIA became effective January 1, 2019. A change to the Act grants the Bank authority to impose penalties, where a licensee fails to comply with a guideline or a directive under the Act.

During the year, the Bank continued to improve its regulatory framework in response to emerging global developments, issuing six guidelines on its website in 2019 in Basel II, AML/CFT and credit risk.

AML/CFT Supervision

In response to the Barbados Mutual Evaluation Report (MER) released in 2018 by the Caribbean Financial Action Task Force (CFATF), the country developed a collaborative National Action Plan to address the findings of the report. The Bank joined with all other competent authorities to participate in a second comprehensive national risk assessment (NRA) exercise, and a suite of key legislative amendments were passed. The resulting changes strengthened the national AML/CFT framework and, by extension, informed revisions to the AML/CFT Guidelines and supervisory practices. Guidelines were revised for other prudentially regulated financial institutions by their respective supervisors, as well as for Designated

Non-Financial Businesses and Professions. Consequently, Barbados is on track to significantly heighten its level of technical compliance with the FATF Recommendations.

As part of the national effort to strengthen the AML/CFT framework in accordance with the FATF Recommendations, the Bank was charged with implementing amendments to the FIA related to provisions for the supervision of Money or Value Transfer Service (MVTS) providers under Part III of the Act. By the end of the year, the Bank had received three applications for licensing from existing players in the sector.

De-risking, or the loss of correspondent banking relationships (CBRs), continued to be a key area of focus for the Bank and discussions continued at both the regional and international levels. While the rate of terminations has slowed, the Bank continued to monitor financial institutions' ability to maintain CBRs in order to ensure the smooth flow of financial transactions from and within the economy.

Regulatory Sandbox

In 2018, the Bank and the Financial Services Commission (FSC) launched the Regulatory Sandbox (Sandbox), which affords businesses the opportunity to test the viability of financial/FinTech products and services being offered in a live but controlled environment, while simultaneously allowing the Bank and the FSC to gain a better understanding of their risks and make further determinations on whether existing regulations are sufficient.

One local company participated in the sandbox, and after acquiring an understanding of the risks associated with the entity's e-payment solution, the Regulatory Review Panel was satisfied that the technology worked for the range of activities tested and that the technology would therefore be eligible for regulation under the pending payments legislation. Several entities have since expressed an interest in participating in the sandbox to test their technologies in the delivery of various types of products and services. At year-end, one of these applications was still under review.

3.7 PEOPLE AND PROGRAMMES

The year under review saw progress being made toward the Bank's strategic Human Resources goal of, *"engendering a caring spirit in the workplace, where staff are supportive of and collaborate with each other to achieve objectives."* In this regard, there were several initiatives designed to energise, motivate and engage staff and facilitate a high quality of service and product delivery.

Over the year, there was a renewed thrust toward improving internal communications among staff, and both quantitative and qualitative research was undertaken to determine the issues which staff felt warranted communication, and the preferred medium of communication. The results of the survey and feedback from focus groups were later published, and several of the suggestions were implemented including the provision of weekly updates on important developments via the Bank's Intranet.

The maintenance of a sound industrial relations climate continued to be a priority and quarterly meetings with the Barbados Workers Union's internal representatives were held.

The in-house wellness programme maintained a focus on health, safety and wellness throughout the year, providing regularly scheduled visits by a nurse, nutritionist and representatives of the medical insurance scheme. Healthy eating demonstrations were organised, and guidance provided for dieting, exercising and maintaining healthy goals. Significant upgrades were also made to a range of equipment provided in the staff gym.

Several staff members participated in a number of domestic, regional and international conferences and workshops during the year that were designed to boost their technical skills. Other training and development programmes were organised to strengthen public speaking and presentation techniques, improve leadership skills, and enhance the hospitality services offered during meetings and business events.

Education and Certification

Some staff members also completed further education programmes. These included: Shane Browne, Bachelor of Science, Accounting and Finance; Dale Christie Bourne, MBA, Events Management; Desmore Corbin, Associate Degree in Applied Science, Mechanical Engineering; Sharon Darlington, Bachelor of Science, Management Studies (Special); Rasheena Jones, Bachelor of Science, Accounting and Finance; Tiffani Smith, Bachelor of Science, Accounting and Finance; Steve Vaughn, MBA, while other persons received various types of certificates.

Staff Movements

Over the year, five persons joined the Bank's permanent establishment and two resigned. Eleven of the Bank's long-serving Staff retired during the year including Kaytrude Linel Franklin, Angela Griffith, Yvonne Parris and Clovene Roach who each gave yeoman service for over 40 years. Other retirees included Edgar Clarke, Grenville Cumberbatch, Sophia Cumberbatch, Sonja Gooding, Deborah Griffith, Beverley Manning, and Francine Wickham-Jacobs. At year-end, the staff complement stood at 236. Of these the majority (215) were permanent employees. While twelve members were promoted throughout the year.

In the Research and Economics Analysis department, Laron Alleyne and Nichelle Yearwood were promoted to the position of Senior Economists, while Julian Jones and Sheraline Millington were promoted to the position of Economic Statisticians. In the Bank Supervision Department, Donna Barrow and Runako Brathwaite were promoted to the position of Senior Examiner, while Shaunnette Alleyne was promoted to the position of Administrative Assistant. Cheryl Howard-Bartlett was promoted to the position of Senior Accounting Officer in the Accounts Department and Arlene Estwick was promoted to the position of Strategy Officer in the Strategic Planning and Risk Management department. In the Banking, Currency and Investments Department, Toni Sandiford was promoted to the position of Senior Banking Officer. Stephanie Bowen was promoted to the position of Human Resources Officer in the Human Resources Department, and Keisha Gibson was promoted to the position of Administrative Assistant in the Foreign Exchange and Export Credits Department.

Staff benefitted from a demonstration of healthy meal preparation techniques, organised by the Human Resources Department.

3.8 CORPORATE OUTREACH

Quarterly Press Conferences

Beyond offering its technical expertise to Government, the Bank focused heavily on informing and educating Barbadians about the economy and how it works and, in this regard, quarterly economic reviews were complemented by a press conference.

In order to reach the largest possible audience, the quarterly press conferences were livestreamed on the Bank's website, YouTube channel, and Facebook page, and later shared on its Twitter account. They were also broadcast live by local media outlets on two occasions. Graphics and infographics of key statistics and economic indicators were produced and shared on social media platforms, as well as short videoclips of the Governor's responses to questions. One feature introduced during the question and answer segment of the final press conference was the inclusion of questions posed by the public via social media.

Financial Stability Report

In July, the Bank collaborated with the Financial Services Commission (FSC) to publish the 2018 Financial Stability Report (FSR). Given the complexity of the report, the Bank embarked on a campaign to present a simplified version of the findings, also offering a special seminar for communications and marketing officers drawn from the sectors covered in the report.

The report included an overview of the economy, a breakdown of payment systems in Barbados, and reviewed the major financial segments (commercial banks, credit unions, insurance companies, deposit-taking trust and finance companies, mutual funds and pension funds). The results of stress tests conducted on a few of the sectors was also included. Individual sections such as those on payment systems, were repackaged as standalone articles for the website and social media channels, as were short summaries of the sections on commercial banks, credit unions and the insurance sector. These efforts appear to have borne fruit, as the report has been cited on numerous occasions by the media in their reporting of matters related to the financial sector.

The 2018 Financial Stability Report was launched during the Annual Review Seminar.

Summer Internships

The Bank continued its summer internship programme in 2019, hosting 17 interns. One of the special sessions organised helped them to better understand the role of the Bank, the functions of the different departments, and the meaning of key economic terms. An engaging *"Ask Him Anything"* session with the Governor was also organised, providing an opportunity for the interns to learn more about a typical day for the Governor of the Central Bank, and to benefit from his views on economic and social issues affecting the country.

The Bank once again sponsored a secondary school student to attend the four-week, residential Students Programme for Innovation in Science and Engineering (SPISE). The Bank's 2019 SPISE scholar was Mehmooda Piprawala, a 17-year-old Harrison College Student who aspires to be a biomedical engineer. Notably, Shane Maughn, the Bank's 2018 SPISE scholar, earned a Barbados Scholarship during the year.

Each summer, the Bank offers invaluable work experience to a cadre of young interns, placing them in key departments and service units across the Bank.

EVENTS

Health Check: Barbados' Financial Services Sector

The Bank and the FSC worked together to organise the roundtable discussion entitled, *"Health Check: Barbados' Financial Services Sector."* Featured speakers included the Bank's representative, Carlon Walkes and Melissa Burrowes of the FSC along with officials from The Barbados Bankers' Association, the Barbados Cooperative and Credit Union League, and the insurance sector. The event was livestreamed on the Bank's Facebook page and subsequently posted on its website and YouTube channel.

The Global Economy: A Kenyan Perspective

Dr. Patrick Njoroge, Governor of the Central Bank of Kenya, visited Barbados to hold two days of meetings with the Bank and government officials. Taking the opportunity to sensitise the public to the economy of Kenya, and more broadly of African nations, the seminar was organised under the theme, *"The Global Economy: A Kenyan Perspective."* The session was also livestreamed on the Bank's website and Facebook page.

Central Bank of Kenya Governor Dr. Patrick Njoroge, speaking during his two-day visit to Barbados.

Distinguished Visiting Fellow

Dr. Linda Tesar was the Bank's 6th Distinguished Visiting Fellow. During her two-week stay, Dr. Tesar, a professor of Economics at the University of Michigan and our first female Fellow, met with the Prime Minister, senior government officials, members of the social partnership, as well as representatives from the private sector. She also conducted sessions for the Bank's staff, members of the Barbados Economics Society (BES), and students at the University of the West Indies (UWI), Cave Hill campus. In an interview conducted by Novaline Brewster, the Bank's Chief of Corporate Communications, Dr. Tesar shared her thoughts on a number of global issues, and this was broadcast over regional television stations and posted on the Bank's social media pages.

The flagship event of the 2019 Distinguished Visiting Fellowship programme was the 90-minute Caribbean Economic Forum which focussed on the topic, *"In a World of Rising Debt, How Can Caribbean Countries Stay Afloat?"* The event was broadcast to more than a dozen countries in the region, as well as livestreamed on the Bank's Facebook page, YouTube channel, and website. Facebook viewers also participated in a live online discussion during the event, moderated by Dr. Simon Naitram, president of the BES, Dr. Ankie Scott-Joseph, lecturer in Economics at UWI, Cave Hill, and social commentator Krystle Howell. An event featuring Joseph Tesar, a specialist in biomass and the husband of Dr. Tesar, was also organised.

Domestic Financial Institutions Conference

The 10th Domestic Financial Institutions Conference was jointly organised by the Bank and the FSC. The conference featured a keynote panel discussion on the topic, *"Repositioning Barbados' Financial Sector"* as well as presentations and panel discussions on the economy, payment systems, the securities market, and de-risking as it relates to high-risk industries such as legalised marijuana and gaming. Normally an invitation-only event, an expanded audience was permitted for several of the sessions. More than 100 persons attended the conference, and feedback from participants was generally positive.

IMF Regional Economic Outlook

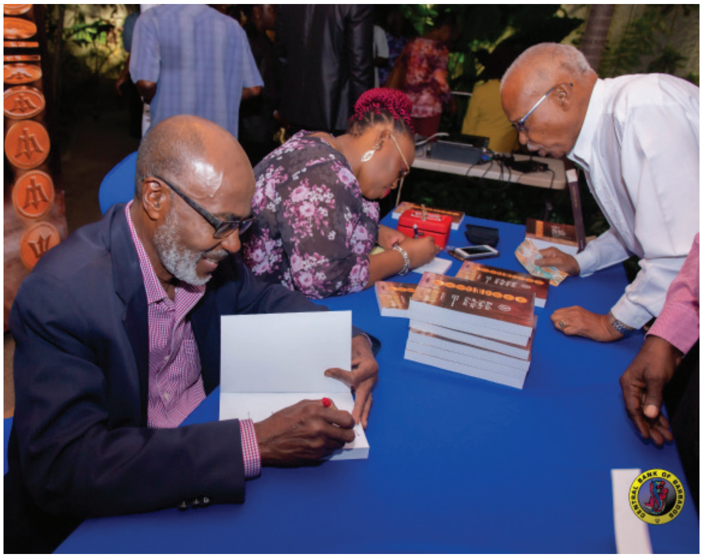
In response to a request from the IMF team visiting the island for Barbados' Article IV assessment and the second review of the BERT programme, the Bank joined with the Caribbean Regional Technical Assistance Centre (CARTAC) to host a presentation on the IMF's Regional Economic Outlook for Latin America and the Caribbean. The Bank arranged for the seminar to be recorded for later distribution to participants and for posting on its YouTube channel.

Sir Winston Scott Memorial Lecture

The 44th Sir Winston Scott Memorial Lecture featured Giza Gaspar Martins, former Chair of the Least Developed Countries Group who helped to negotiate the Paris Agreement on Climate Change. Martins delivered a well-received lecture on the topic *"Human Life is Not Negotiable: Why We Must Act Now on Climate Change."*

"Both Sides of the Coin"

Towards the end of the year, the Bank published a book chronicling its first 45 years of existence, entitled *"Both Sides of the Coin: The Story of the Central Bank of Barbados 1972-2017"*. The book was written by former Deputy Governor Harold Codrington, and was hailed as *"a skilfully-penned exclusive"* and a *"tour de force."* The launch event featured an informal conversation with the author as well as endorsements by former Governor Winston Cox, retired advisor Peter Whitehall, and a tribute from current member of staff, Angela Smith-Callender. The book was distributed to staff and is available in bookstores.



Harold Codrington, author of Both Sides of the Coin autographs copies of the book at its launch.

"Window to the World"

During the year, *"Window to the World"*, an exhibition of banknotes from more than 85 countries on six continents was mounted in the Exchange Interactive Centre in June. Visitors to the exhibits were exposed to the history, geography and culture of many countries.

Annual Review Seminar

The 39th Annual Review Seminar was held in July, entitled *"Critical Minds for Critical Times: Economic Research as a Building Block for Transformative Growth in the Caribbean"*. The three-day event began with a welcome address by Governor Cleviston Haynes, followed by the keynote address presented by the Deputy Director of the Economic Commission of Latin America and the Caribbean, Dr. Dillon Alleyne.

Dr. Alleyne's presentation gave a concise view of the new and ongoing challenges confronting Caribbean economies and measures that can mitigate the negative impacts of these changes. He analysed challenges such as disruptive technologies, stagnated economic growth due to crises such as natural disasters and climate change, as well as a high dependence on traditional sectors. Dr. Alleyne proposed a sustainable development path for each economic sector, suggesting the incorporation of increased levels of information and communication technology, knowledge generation, and innovation. The seminar closed with a technical workshop facilitated by Dr. Simon Naitram of the UWI that gave participants an opportunity to enhance their skills and knowledge in the area of machine learning.

Governor Cleviston Haynes (left) listens as Dr. Dillon Alleyne fields questions following the Annual Review Seminar keynote address.

Conference of Human Resource Managers

The Bank hosted the XXII Annual Conference of Human Resource Managers of Central Banks in the Caribbean Region. Championing the Bank's strategic plan priority to "implement a digital transformation strategy to improve organisational efficiency and deliver better business value," the department held discussions with its regional colleagues under the theme, "HR 4.0 – A Perfect Vision – 2020 and Beyond".

COMMITMENT TO THE ARTS

The Frank Collymore Hall continues to be instrumental in supporting and promoting the arts in this country. Along with the Courtney Blackman Grande Salle and the Church Village Green, these three venues have provided significant opportunities for cultural enrichment, artistic expression and appreciation to the Barbadian public. During the year, a series of free sunset and lunchtime concerts allowed the wider community to enjoy presentations of dance, theatre and music, ranging across the genres of classical, Latin, jazz and calypso.

The Central Bank Chorale held a number of performances during the year and joined with the Wesley Singers of Barbados to hold their annual Christmas Concert and also perform in the Church Village Green at the popular *"Christmas on the Green"* concert.

Youth Pan Project

The Bank continued to partner with the National Cultural Foundation to host the 18th edition of the four-week Youth Pan Project for persons aged 9 to 18 years. Adverse weather conditions forced the rescheduling of the Youth Pan Extravaganza, the culminating event normally held on the Church Village Green. As a result, a separate ceremony was later held to showcase the young pannists' new skills and honour this year's special awardees, Terry "Mexican" Arthur, for his mastery and promotion of the steel pan art form; and Clyde Chase, in recognition of his work with fledgling steel bands such as the *"Barbados All Stars"* in Barbadian communities in the U.K. during the early 1950s.

Crop Over Visual Arts Exhibition

Once again, the large number of pieces entered in the Crop Over Visual Arts Exhibition exceeded the capacity of the Grande Salle, and the viewing area was extended to include the Queen's Park Gallery. Artist Cy Hutchinson won two major awards, namely the Central Bank Governor's Award for "Primitive Modern #6" and the Central Bank Award of Excellence for his work entitled "Trying to Find."

Frank Collymore Literary Endowment (FCLE)

Since 1997, the Frank Collymore Literary Endowment Award has been the leading literary recognition scheme in Barbados. Every year, writers get to test their skills by submitting their work to rigorous reading by a panel of seasoned judges, and each time new discoveries are made. The 2019 competition attracted some 70 entries, up from the 44 received in the prior period. In an effort to more effectively accommodate the increased number of guests in attendance, the ceremony was moved from its traditional location in the Grande Salle, to the Frank Collymore Hall. The featured speaker for the Awards Ceremony was H. Nigel Thomas, an acclaimed Vincentian writer based in Montreal. Thomas also presented the annual FCLE masterclass workshop, offering advice on honing writing skills to achieve the greatest impact and widest appeal.

Along with readings from winning entries, the audience enjoyed an interpretation of Frank Collymore's 2008 piece, *"A Hymn to the Sea",* which was performed by the youthful dancers of Gentle Steps Academy, accompanied by a troupe from the Errol Barrow Centre for Creative Imagination. The composition of the Frank Collymore Literary Endowment (FCLE) Committee is also undergoing change, as longstanding members continue to retire from active involvement.

Governor Haynes (third from left) views the winning piece in the Cropover Visual Arts Exhibition, "Trying to Find", along with artist Cy Hutchinson (fourth from left) and Mrs. Haynes (right).

Frank Collymore Literary Endowment Winners (January, 2020)

Prize	Amount	Artiste	Entry	Category
1st Prize	$10,000 and award	Sharma Taylor	Hollow Calabash	Prose Fiction
2nd Prize	$6,000 and award	Claudia Clarke	Circle Square	Prose Fiction
3rd Prize	$4,000 and award	Anderson Lowe	Inside the Blackbelly Sheep	Prose Fiction
Prime Minister's Award (sponsored by Minister of Culture)		Anderson Lowe	Inside the Blackbelly Sheep	Prose Fiction
Honourable Mention	Certificate	Ingrid Persaud	So it Go	Prose Fiction
Honourable Mention	Certificate	Sarah Venable	The Tropic of Sweet and Sour	Prose Fiction

3.9 INTERNATIONAL OUTREACH

The Bank maintained close working relationships with other domestic regulators and stakeholders, participating in the second round of the Global Forum's Exchange of Information on Request Peer Review. Input was also made into the preparation of the first and second follow-up reports related to the Caribbean Financial Action Task Force's (CFATF) fourth round mutual evaluation report, which addressed various national issues.

Staff also participated in regional and international supervisory colleges, and engaged both regional and international regulators as part of the consolidated supervision framework.

In addition, the Bank continued to strengthen its ties with regional counterparts, participating in meetings of the various groups of central bankers in such areas as research, operations, human resources and security.

4. PUBLICATIONS AND PAPERS

Papers Presented at Conferences

Alleyne, Laron. *"The Volatility of Tourism Demand and Real Effective Rates: A Study of Barbados' Three Main Source Markets."* **Central Bank of Trinidad & Tobago Annual Research Review Seminar, June 27-28, 2019.**

Carter, Justin and Laron Alleyne. *"The Impact of Fiscal Policy on Private Consumption: A Relook at the Ricardian Equivalence."* **39th Central Bank of Barbados Annual Review Seminar, July 24-26, 2019.**

Carter, Justin and Laron Alleyne. *"The Impact of Fiscal Policy on Private Consumption: A Relook at the Ricardian Equivalence."* **51st Annual Monetary Studies Conference, November 19-21, 2019.**

Downes, Darrin and Rashada Lopez. *"Reduction in Cash Usage and the Rise in Digital Payment Methods: Trends, Opportunities and Challenges in Barbados."* **39th Central Bank of Barbados Annual Review Seminar, July 24-26, 2019.**

Grosvenor, Vincent, Runako Brathwaite, and Lisa Brathwaite-Phillips. *"Considerations for a Central Bank-Issued Digital Currency."* **39th Central Bank of Barbados Annual Review Seminar, July 24-26, 2019.**

Kinch, Christopher and Anton Belgrave. *"Estimating the Import Demand Function of Total Imports for Barbados."* **39th Central Bank of Barbados Annual Review Seminar, July 24-26, 2019.**

Lawrence, Nkenge. *"Agriculture: A Potential Engine for Growth in Barbados?"* **39th Central Bank of Barbados Annual Review Seminar, July 24-26, 2019.**

Lescott, Alexis, Laron Alleyne, and Dmitry Vasilyev. *"Estimating Barbados' External Output Gap and its Relationship with the Current Account."* **39th Central Bank of Barbados Annual Review Seminar, July 24-26, 2019.**

Lopez, Rashada, Lisa Brathwaite-Phillips, and Anton Belgrave. *"The Impact of Domestic Debt Restructuring on the Implicit Yield Curve: Evidence from Barbados."* **39th Central Bank of Barbados Annual Review Seminar, July 24-26, 2019.**

Naitram, Simon, and Justin Carter. *"Implementing Optimal Stabilisation Policy Under Fixed Exchange Rates."* **39th Central Bank of Barbados Annual Review Seminar, July 24-26, 2019.**

Persad, Gabriela, Winston Moore, and Christopher Kinch. *"As a Caribbean Investor, Does the Inclusion of Cryptocurrencies in a Portfolio Increase Diversification?"* **39th Central Bank of Barbados Annual Review Seminar, July 24-26, 2019.**

Stapleton, Nicholas, Tracy Maynard, and Christopher Kinch. *"An Analysis of the Recently Concluded Domestic Debt Restructuring."* **39th Central Bank of Barbados Annual Review Seminar, July 24-26, 2019.**

Stapleton, Nicholas, Tracy Maynard, and Christopher Kinch. *"An Analysis of the Recently Concluded Domestic Debt Restructuring."* **51st Annual Monetary Studies Conference, Eastern Caribbean Central Bank, November 19-21, 2019.**

Trotman, Richardo, Nlandu Mamingi, and Darrin Downes. *"Budget Deficits and Economic Growth in the Caribbean: A Panel Data Approach."* **39th Central Bank of Barbados Annual Review Seminar, July 24-26, 2019.**

Wilson, Karise, Winston Moore, and Christopher Kinch. *"Tax Revenue Implications of a 100 percent Renewable Energy Barbados."* **39th Central Bank of Barbados Annual Review Seminar, July 24-26, 2019.**

Book Review

Nicholas Stapleton. *"Fiscal Decentralisation and Budget Control"*, by Laura von Daniels. **CBB Book Review Series, 2019.**

5. ADOPTION OF ANNUAL CONSOLIDATED FINANCIAL STATEMENTS 2019

The Central Bank of Barbados Act CAP 323C, requires the Bank to promote the general well-being of the Barbados economy. In this respect, we seek to explain how the Bank uses its assets and liabilities to achieve its purpose. We also provide information on proposed changes to the Central Bank of Barbados' legislation and the financial reporting environment.

The consolidated financial statements of the Bank have been prepared in accordance with the measurement and recognition requirements of IFRS.

This is the first year that the Bank has adopted full IFRS and the significant effect on the financial statements are the following:

- Recognition and consolidation of subsidiaries and associates;
- Recognition of employee benefit asset or liability;
- Enhanced financial instruments disclosures presentation

The Bank has recorded an accumulated deficit of $1,619 million as at December 31, 2019. This deficit was caused by the adoption of IFRS 9 and significant non-recurring restructuring costs of $1,693 million, 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 programme. This resulted in the derecognition of Government Treasury bills and debentures under the Debt Holder (Approval of Debt Restructuring) Act.

The Bank continues to perform its statutory purpose and management has reasonable expectations that the Bank will continue to meet its operating requirements over twelve months from the reporting date.

Management has concluded that the consolidated financial statements fairly present the Bank's financial position, financial performance and cash flow and that it has complied with 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 are expected to adversely affect the Bank. The Bank may only be wound-up by an Act of Parliament and Government, the sole shareholder has pledged continued support to the Bank, including the development of a recapitalization plan by June 2020.

Consolidated Statement of Financial Position

The balance sheet increased by $568 million to reach $2,468 million. The reserve of external assets increased by $477 million representing inflows of $191 million under the IMF Extended Financing Facility, other inflows from international funding agencies and net purchases of foreign exchange from commercial banks. External debt service by government declined as Government only finalised and agreed the terms of the external commercial debt restructuring during the last quarter of 2019. Local assets increased by $91 million, reflecting the provision of Advances to the Government during the year.

Notes and coins in circulation increased by $45 million and commercial banks' deposits at the Bank increased by $217 million, reflecting the increased liquidity in the banking system. Government deposits with the Bank decreased by $78 million.

Consolidated Statement of Income and Comprehensive Income

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

Total income increased by $2.9 million partly because foreign exchange gains of $10 million arising from the appreciation of the Barbados dollar against the SDR and improved earnings on interest from deposits ($4.4 million) and securities ($6.0 million) offset the decrease in Treasury bill income of $19.8 million from the reduced Treasury bill holdings under the debt programme.

Other Comprehensive Income

The Bank also recorded unrealised gains of $11 million on the foreign securities' portfolio related to upturns in the international market. In addition, a positive adjustment was recorded on the pension plan, due to improved asset returns and positive experience gains.

Operating Expenses

Total recurring expenses increased by $5.6 million. Salaries and allowances decreased but retirement benefits rose by $5.6 million, as a result of the actuarial cost of supporting the the Bank's staff pension plan post the debt restructuring. The increased interest cost of $2.2 million, related mainly to interest on the IMF borrowings.

Results for the Year

The Bank recorded a profit of $15.3 million with total comprehensive income of $36 million for the year.

Adoption of Consolidated Financial Statements

Annexed to this report are the Independent Auditors' Report, Consolidated Statement of Financial Position as at December 31, 2019, the Consolidated Statement of Income and Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows and explanatory notes to the financial statements. On March 26, 2020, the Board of Directors, on recommendation from the Audit Committee, adopted the Consolidated Financial Statements for the year ended December 31, 2019 and explanatory notes to the Consolidated Financial Statements.

CONSOLIDATED FINANCIAL STATEMENTS AND REPORTS DECEMBER 31, 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the Central Bank of Barbados

Report on the Audit of the Consolidated Financial Statements

Opinion

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

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

Basis for Opinion

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.

KPMG

INDEPENDENT AUDITORS' REPORT, continued

To the Board of Directors of the Central Bank of Barbados, continued

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

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

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

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these 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 Bank's internal control.

KPMG

INDEPENDENT AUDITORS' REPORT, continued

To the Board of Directors of the Central Bank of Barbados, continued

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

- 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 Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- In addition, we read all the financial and nonfinancial information in the Annual Report to identify material inconsistencies with the audited consolidated financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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.

KPMG

Chartered Accountants
Bridgetown, Barbados
March 26, 2020

Consolidated Statement of Financial Position

December 31, 2019 with comparative figures for December 31, 2018 and January 1, 2018
(Expressed in BDS $000)

ASSETS

	NOTES	December 31, 2019	December 31, 2018	January 1, 2018
RESERVE OF EXTERNAL ASSETS:				
Balances Held Abroad	3	531,862	370,276	99,852
Foreign Notes and Coins		6,987	14,188	10,345
Foreign Securities	4	888,164	558,486	297,908
		1,427,013	942,950	408,105
International Monetary Fund:				
Reserve Tranche	5	34,994	36,314	34,622
Holdings of Special Drawing Rights	5	28,771	34,942	81,900
		63,765	71,256	116,522
Total Reserve of External Assets		1,490,778	1,014,206	524,627
LOCAL ASSETS:				
Securities:				
Barbados Government Treasury Bills	6	211,361	211,171	1,321,558
Barbados Government Debentures	6	416,052	417,936	547,880
		627,413	629,107	1,869,438
Fixed Deposits	7	10,140	10,140	10,140
		637,553	639,247	1,879,578
Advances:				
Government	8	192,405	81,862	269,910
Investment in Associate	9	11,436	12,713	15,421
Other Investments	9	1,306	1,306	1,306
Retirement Benefit Asset	19	-	-	8,623
Property, Plant and Equipment (Net)	10	106,521	107,856	108,007
Other Assets	11	28,237	43,213	81,941
Total Local Assets		977,458	886,197	2,364,786
		2,468,236	1,900,403	2,889,413

See accompanying notes to consolidated financial statements.

Consolidated Statement of Financial Position

December 31, 2019 with comparative figures for December 31, 2018 and January 1, 2018
(Expressed in BDS $000)

LIABILITIES, CAPITAL AND DEFICIT

	NOTES	December 31, 2019	December 31, 2018	January 1, 2018
LIABILITIES:				
Notes and Coins in Circulation	12	828,686	783,692	749,942
Deposits:				
Government		311,366	389,370	56,415
Banks		2,063,778	1,846,891	1,625,962
Financial Institutions		5,703	2,785	2,079
Other		49,968	59,661	37,755
	13	2,430,815	2,298,707	1,722,211
Other Liabilities:				
Allocation of Special Drawing Rights	14	179,418	186,189	177,509
Loan - International Monetary Fund	14	292,646	101,231	-
Loan - Other		-	-	105,000
Retirement Benefit Obligation	19	17,312	30,806	-
Other	15	325,528	142,660	146,414
		814,904	460,886	428,923
Total Liabilities		4,074,405	3,543,285	2,901,076
CAPITAL AND DEFICIT:				
Authorised capital: BDS$5,000				
Paid up capital: Government of Barbados	16	2,000	2,000	2,000
Contributed Surplus	16	10,055	10,055	8,500
Fair Value Reserve	4,16	6,936	(4,065)	(3,232)
Retirement Benefit Reserve	16,19	(30,668)	(41,115)	2,940
Accumulated Deficit		(1,619,492)	(1,634,757)	(46,871)
General Reserve	16	25,000	25,000	25,000
Net Capital and Deficit		(1,606,169)	(1,642,882)	(11,663)
		2,468,236	1,900,403	2,889,413

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board of Directors on March 26, 2020

……………………………………Governor ……………………………………Financial Controller (Ag.)

Consolidated Statement of Income and Comprehensive Income

For the year ended December 31, 2019 with comparative figures for 2018
(Expressed in BDS $000)

	NOTES	2019	2018
INCOME:			
Commissions and Fees		4,427	4,862
Discounts:			
Treasury Bills		9,264	29,110
Interest:			
Advances		3,740	7,030
Deposits		5,232	789
Securities		45,811	39,824
Other Income	18	1,754	1,495
Share of Profit (Loss) of Associate		1,463	(1,975)
Difference in Foreign Currency Exchange		7,225	(2,873)
Gain on Disposal of Fixed Assets		6	-
Premiums		25	25
Recoveries		298	266
Gain (Loss) on Sale of Foreign Securities		304	(1,900)
Total Income		79,549	76,653
EXPENSES:			
Administrative	24	16,192	17,658
Claims		135	466
Depreciation	10	5,121	4,886
Interest		5,269	3,050
Minting of Coins		678	489
Printing of Notes		2,144	2,046
Retirement Benefits	19	7,355	1,777
Salaries and Allowances	24	25,339	26,264
(Recovery) Impairment of Gov't Advances	8	(289)	292,849
Impairment of Other Assets	11	-	66,879
Impairment of Government Securities	6	931	1,248,175
Impairment of Foreign Securities	5	1,409	-
Total Expenses		64,284	1,664,539
Net Income (Loss) for the Year		15,265	(1,587,886)

See accompanying notes to consolidated financial statements.

Consolidated Statement of Income and Comprehensive Income (continued)

For the year ended December 31, 2019 with comparative figures for 2018

(Expressed in BDS $000)

	NOTES	2019	2018
OTHER COMPREHENSIVE INCOME (LOSS)			
Unrealised Gains (Losses) on Securities at FVOCI		11,001	(833)
Retirement Benefit Adjustment	19	10,447	(44,055)
Recovery of Loan Due to Associate	16	-	2,288
Share of Contributed Loss of Associate	16	-	(733)
Total Other Comprehensive Income (Loss)		21,448	(43,333)
Total Comprehensive Income (Loss) for the Year		36,713	(1,631,219)

See accompanying notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended December 31, 2019 with comparative figures for December 31, 2018 and January 1, 2018
(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, 2018	2,000	8,500	(3,232)	2,940	(46,871)	25,000	(11,663)
Fair value adjustment	-	-	(833)	-	-	-	(833)
Pension adjustment	-	-		(44,055)	-	-	(44,055)
Loss for the year	-	-	-	-	(1,587,886)	-	(1,587,886)
Recovery of loan due to Associate (Note 16)	-	2,288	-	-	-	-	2,288
Share of contributed loss of Associate	-	(733)	-	-	-	-	(733)
Balance carried forward – December 31, 2018	2,000	10,055	(4,065)	(41,115)	(1,634,757)	25,000	(1,642,882)
Income for the year	-	-	-	-	15,265	-	15,265
Fair value adjustment	-	-	11,001	-	-	-	11,001
Pension adjustment	-	-	-	10,447	-	-	10,447
Balance carried forward – December 31, 2019	2,000	10,055	6,936	(30,668)	(1,619,492)	25,000	(1,606,169)

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended December 31, 2019 with comparative figures for 2018
(Expressed in BDS $000)

	NOTES	2019	2018
Cash flows from operating activities			
Net Income (loss) for the year		15,265	(1,587,886)
Adjustments for:			
Depreciation		5,121	4,886
Gain on disposal of fixed assets		(6)	-
Share of (profit) loss of Associate		(1,463)	1,975
Dividends received		2,740	-
Retirement Benefit Adjustment		(3,047)	(4,626)
(Recovery) impairment of Government advances		(289)	292,849
Impairment of Government Securities		931	1,248,175
Impairment of Foreign Securities		1,409	-
Impairment of Other Assets		-	66,879
Operating profit before working capital changes		20,661	22,252
Decrease (increase) in other assets		14,976	(28,151)
Net increase in foreign securities	4	(320,086)	(261,411)
Decrease (increase) in Reserve Tranche		1,320	(1,692)
Decrease in Holdings of Special Drawing Rights		6,171	46,958
Net decrease (increase) in local securities		763	(7,844)
Net increase in government advances		(110,254)	(104,801)
Increase in deposits		132,108	576,496
Increase (decrease) in other liabilities		182,868	(1,466)
Net cash (used in) from operating activities		(71,472)	240,341
Cash flows from investing activities			
Purchase of fixed assets		(3,788)	(4,735)
Proceeds from sale of fixed assets		8	-
Net cash used in investing activities		(3,780)	(4,735)
Cash flows from financing activities			
Increase in notes and coins in circulation		44,994	33,750
(Decrease) increase in allocation of Special Drawing Rights		(6,771)	8,680
Proceeds from loan – International Monetary Fund		191,415	101,231
Decrease in loan – Other		-	(105,000)
Net cash from financing activities		229,637	38,661

Consolidated Statement of Cash Flows (continued)

For the year ended December 31, 2019 with comparative figures for 2018
(Expressed in BDS $000)

	NOTES	2019	2018
Net increase in cash and cash equivalents		154,385	274,267
Cash and cash equivalents at beginning of year		384,464	110,197
Cash and cash equivalents at end of year		538,849	384,464
Cash and cash equivalents comprise:			
Current Account Balances	3	531,862	370,276
Foreign Notes and Coins		6,987	14,188
		538,849	384,464

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

December 31, 2019
(Expressed in BDS $000)

1. BUSINESS OF THE CENTRAL BANK

The Central Bank of Barbados (the "Bank") is incorporated under the Central Bank of Barbados Act CAP 323C (the "CBB Act") and is responsible for the administration of the Financial Institutions Act, CAP 324A. 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 (the "Government").

These statements represent the consolidated financial statements of the Bank and its subsidiaries (collectively, the "Bank") for the year ended December 31, 2019.

The purpose of the Bank as set out in the CBB Act is to regulate the issue, supply, availability and international exchange of money, to promote monetary stability, to promote a sound financial structure, to foster the development of money and capital markets in Barbados; and to foster credit exchange conditions conducive to the orderly and sustained economic development of Barbados.

The Bank has recorded negative capital and reserves of $1,606,169 as at December 31, 2019. This deficit was caused primarily by significant non-recurring costs in 2018 of $1,693,255, which included the first time implementation of IFRS 9 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 expected to adversely affect the Bank. The Bank may only be wound-up by an Act of Parliament and the sole shareholder has pledged continued support to the Bank including the development of a recapitalization plan by June 2020 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 November 2018, the Government completed a domestic debt agreement which was very helpful in reducing economic uncertainty and have helped to put domestic debt on a clear downward trajectory, and in October 2019, the Government agreed to terms with its external creditor committee for the restructuring of its US dollar-denominated commercial debt and past due obligations and accrued interest as at October 01, 2019. In accordance with the agreement the Government issued new 2029 and past due interest bonds to the bond holders.

Notes to Consolidated Financial Statements

December 31, 2019
(Expressed in BDS $000)

1. BUSINESS OF THE CENTRAL BANK, continued

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.

In early 2020, the Bank will consult with the IMF mission to discuss recapitalisation. The purpose of the mission will be 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.

In addition, the Government is expected to enact amendments to a new CBB Act which will include provisions to regulate financing to Government. The draft Act restricts the total amounts of such advances and prescribes a clear repayment policy. The Act also prescribes the determination of profits available for distribution and a hierarchy on how such profits shall be distributed.

Notes to Consolidated Financial Statements

December 31, 2019

(Expressed in BDS $000)

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). These are the Bank's first consolidated financial statements prepared in accordance with IFRS and 'IFRS 1, *First-time Adoption of International Financial Reporting Standards* has been applied. The consolidated financial statements comprise the consolidated statements of financial position, income and comprehensive income, changes in equity, cash flows and related notes.

An explanation of how the transition to IFRS has affected the reported consolidated financial position, financial performance and cash flows of the Bank is provided in Note 23.

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.

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.

Notes to Consolidated Financial Statements

December 31, 2019
(Expressed in BDS $000)

2. SIGNIFICANT ACCOUNTING POLICIES, continued

b) Basis of Consolidation, continued

Subsidiaries, continued

The Central Bank Act empowers 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 Corporation and the Barbados Automated Clearing House Services Incorporated.

Except for the Barbados Deposit Insurance Corporation, the Bank has a minority financial interest in the entities noted above. The Barbados Deposit Insurance Corporation was established for the protection of depositors in the domestic financial system. While the share capital was paid up by the Bank, the Barbados Deposit Insurance Corporation was always conceived to be a separate and independent institution with its own mandate and operates as such. The financial statements of the Barbados Deposit Insurance Corporation have not been consolidated as the Bank is deemed not to have control over this institution.

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.

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.

Notes to Consolidated Financial Statements

December 31, 2019

(Expressed in BDS $000)

2. SIGNIFICANT ACCOUNTING POLICIES, continued

c) Investment in Associate, continued

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

The Bank's ownership interest 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.

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 presented as a separate line in the consolidated statement of financial position. 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.

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.

Notes to Consolidated Financial Statements

December 31, 2019

(Expressed in BDS $000)

2. SIGNIFICANT ACCOUNTING POLICIES, continued

d) Leases, continued

Bank as a Lessee, continued

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, unless those costs are incurred to produce inventories.

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 right-of-use assets are presented as a separate line in the consolidated statement of financial position.

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.

The Bank's leases are classified as short-term leases and leases of low-value assets. These leases do not transfer to the Bank substantially all of the risks and benefits incidental to ownership of the leased items. Lease payments are recognised as an expense in the consolidated statement of income and comprehensive income on a straight-line basis over the lease term.

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.

Notes to Consolidated Financial Statements

December 31, 2019
(Expressed in BDS $000)

2. SIGNIFICANT ACCOUNTING POLICIES, continued

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. 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

From January 1, 2018, 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
- FVOCI
- FVPL

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

Notes to Consolidated Financial Statements

December 31, 2019

(Expressed in BDS $000)

2. SIGNIFICANT ACCOUNTING POLICIES, continued

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.

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.

Notes to Consolidated Financial Statements

December 31, 2019

(Expressed in BDS $000)

2. SIGNIFICANT ACCOUNTING POLICIES, continued

f) Financial Assets and Liabilities, continued

SPPI Test, continued

'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.

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.

These instruments largely comprise assets that had previously been classified as financial investments available-for-sale under IAS 39.

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 Fair Value through Other Comprehensive Income (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.

Notes to Consolidated Financial Statements

December 31, 2019
(Expressed in BDS $000)

2. SIGNIFICANT ACCOUNTING POLICIES, continued

h) Equity Instruments at Fair Value through Other Comprehensive Income (FVOCI), continued

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 Fair Value through Profit or Loss (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;
- The liabilities are part of a group of financial liabilities, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, or;
- The liabilities or 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 transaction costs being an integral part of instrument. 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.

Notes to Consolidated Financial Statements

December 31, 2019

(Expressed in BDS $000)

2. SIGNIFICANT ACCOUNTING POLICIES, continued

k) Reclassification of Financial Assets and Liabilities

The Bank does not reclassify its financial assets subsequent to their initial recognition.

l) Derecognition of Financial Assets and Liabilities

Derecognition due to Substantial Modification of Terms and Conditions

The Bank derecognises a financial asset, such as advances, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new advance, 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 loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be purchased or originated credit impaired (POCI).

When assessing whether or not to derecognise advances, amongst others, 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.

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.

Notes to Consolidated Financial Statements

December 31, 2019
(Expressed in BDS $000)

2. SIGNIFICANT ACCOUNTING POLICIES, continued

l) Derecognition of Financial Assets and Liabilities, continued

Financial Assets, continued

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.

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 adoption of IFRS 9 has fundamentally changed the Bank's loss impairment method by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss ("ECL") approach. From January 1, 2018, the Bank has been recording the allowance for ECL for all loans and other debt financial assets not held at FVPL, in this section all referred to as 'financial instruments'. Equity instruments are not subject to impairment under IFRS 9.

Notes to Consolidated Financial Statements

December 31, 2019
(Expressed in BDS $000)

2. SIGNIFICANT ACCOUNTING POLICIES, continued

m) Impairment of Financial Assets, continued

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.

- 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.

Notes to Consolidated Financial Statements

December 31, 2019
(Expressed in BDS $000)

2. SIGNIFICANT ACCOUNTING POLICIES, continued

m) Impairment of Financial Assets, continued

Overview of the ECL principles, continued

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 facility 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.

  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.

Notes to Consolidated Financial Statements

December 31, 2019

(Expressed in BDS $000)

2. SIGNIFICANT ACCOUNTING POLICIES, continued

m) Impairment of Financial Assets, continued

The Calculation of ECLs, continued

- 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.

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 consolidated 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.

Forward Looking Information

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

- 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 consolidated financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

Notes to Consolidated Financial Statements

December 31, 2019

(Expressed in BDS $000)

2. SIGNIFICANT ACCOUNTING POLICIES, continued

m) Impairment of Financial Assets, continued

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.

n) Impairment of Non-Financial Assets

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

o) 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.

Interest Income

For all 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.

Commission, Fees and Other Income

Commission, fees and other income are accounted for on an accrual basis.

Notes to Consolidated Financial Statements

December 31, 2019

(Expressed in BDS $000)

2. SIGNIFICANT ACCOUNTING POLICIES, continued

o) Revenue Recognition, continued

Dividends

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

p) 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).

q) 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.

Notes to Consolidated Financial Statements

December 31, 2019
(Expressed in BDS $000)

2. SIGNIFICANT ACCOUNTING POLICIES, continued

q) Property, Plant and Equipment, continued

The annual rates used are:

Freehold buildings	3%
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.

r) 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.

s) Balances Held Abroad

Balances held abroad in the consolidated statement of financial position comprise cash at banks and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

t) 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.

Notes to Consolidated Financial Statements

December 31, 2019

(Expressed in BDS $000)

2. SIGNIFICANT ACCOUNTING POLICIES, continued

u) 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 other comprehensive income and comprehensive income. Past-service costs are recognised immediately OCI. The pension plan is funded by payments from employees and the Bank, taking into account the recommendations of independent qualified actuaries.

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.

v) 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.

Notes to Consolidated Financial Statements

December 31, 2019
(Expressed in BDS $000)

2. SIGNIFICANT ACCOUNTING POLICIES, continued

v) Significant Accounting Judgements and Estimates, continued

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.

Fair Value of Financial Instruments

Certain financial instruments are recorded at fair value using valuation techniques in which current market transactions or observable market data are not available. Their fair value is determined using a valuation model that has been tested against prices or inputs to actual market transactions and using the Bank's best estimates of the most appropriate model assumptions. Models are adjusted to reflect the spread for bid and ask prices to reflect costs to close out positions, counterparty credit, liquidity spread and limitations in the model.

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 complex 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 probability of default (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 Lifetime ECL (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, Exposure at Default (EADs) and Loss Given Default (LGDs).
- 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.

Notes to Consolidated Financial Statements

December 31, 2019
(Expressed in BDS $000)

2. SIGNIFICANT ACCOUNTING POLICIES, continued

w) 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.

x) 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.

y) Trust and Custodial Activities

Amounts administered by the Bank under custodial and administration arrangements are not included in these consolidated financial statements, as they do not form part of the consolidation financial statements of the Bank.

The amount totalled $190,452, in 2019 (2018: $342,719).

z) New and revised standards and interpretations

The Bank initially applied the following standards and amendments from January 1, 2019:

- *Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)*
- *IFRS 16, Leases*

Notes to Consolidated Financial Statements

December 31, 2019
(Expressed in BDS $000)

2. SIGNIFICANT ACCOUNTING POLICIES, continued

z) New and revised standards and interpretations, continued

Forthcoming Requirements

A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2019. However, the Bank has not applied the following new or amended standards in preparing these consolidated financial statements.

Amendments to References to Conceptual Framework in IFRS Standards	Effective for annual periods beginning on or after January 1, 2020
Definition of a Business (Amendment to IFRS 3)	Effective for annual periods beginning on or after January 1, 2020
Definition of Material (Amendments to IAS 1 and IAS 8)	Effective for annual periods beginning on or after January 1, 2020
Sale of Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	Available for optional adoption/ effective date deferred indefinitely

3. BALANCES HELD ABROAD

Balances held abroad comprise:

	2019	2018
Current accounts	268,956	166,709
Short-term deposits	258,213	200,984
Accrued income	4,693	2,583
	531,862	370,276

Current accounts and short-term deposits with foreign banks earn interest at rates varying between 1.52% and 1.95% (2018: 2.12% and 2.92%) and all mature within 90 days of deposit.

Notes to Consolidated Financial Statements

December 31, 2019

(Expressed in BDS $000)

4. FOREIGN SECURITIES

Foreign securities comprise:

	2019		2018	
	Amortized Cost/Original Cost	**Fair Value**	**Amortized Cost/Original Cost**	**Fair Value**
Debt securities at fair value:				
Bonds/Debentures	882,350	887,851	562,265	558,173
Equity securities at fair value:				
Equities	286	313	286	313
	882,636	888,164	562,551	558,486

A cumulative net unrealised gain of $6,936 (2018: loss of $4,065) arose on the revaluation of securities and is included in OCI. Included in bonds/debentures is an ECL provision of $1,409 (2018: $Nil) on regional securities. This is recorded in the consolidated statement of income and comprehensive income.

Bonds/debentures earn interest at rates varying between 1.01% and 8.00%. (2018: 1.01% and 8.00%) and mature between 3 months and 49 years (2018: 3 months and 29 years).

5. IMF ASSETS

	2019	2018
Reserve tranche	34,994	36,314
Holdings of Special Drawing Rights	28,771	34,942
Total IMF assets	63,765	71,256

The Reserve Tranche and Holdings of Special Drawing Rights pertain to the value of SDRs at December 31, 2019.

Notes to Consolidated Financial Statements

December 31, 2019

(Expressed in BDS $000)

5. IMF ASSETS, continued

The balances held at December 31, 2019 amounted to SDR 12,555 (2018: SDR 12,555) and SDR 10,323 (2018: SDR 12,081), respectively. The rate of translation of SDRs to Barbados dollars at December 31, 2019 is BDS$1 = SDR 0.358795 (2018: BDS$1 = SDR 0.345745).

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.

IMF assets have no fixed terms of repayment and earned interest at rates varying between 0.76 % and 1.15 % (2018: rates varying between 0.76 % and 1.12 %).

6. LOCAL SECURITIES

Amounts comprise debt securities at amortised cost:

	2019		2018	
	Nominal Value	Amortized Cost	Nominal Value	Amortized Cost
Barbados Government				
Treasury Bills	209,644	211,361	209,644	211,171
Barbados Government Debentures	414,440	416,052	414,440	417,936
	624,084	627,413	624,084	629,107

Notes to Consolidated Financial Statements

December 31, 2019

(Expressed in BDS $000)

6. LOCAL SECURITIES, continued

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 $214,613 measured at originated credit impaired costs /fair value of $213,729 and (ii) debentures with a nominal value of $414,440 measured at original credit impaired cost/fair value of $424,344.

On initial recognition of the debentures, it was determined that the fair value approximated $424,344. As a result, the Bank recognised an increase in value of $9,904 which has been included in the loss/impairment of government securities in the consolidated statement of income and comprehensive income in 2018.

At January 1, 2018, the Bank recorded an impairment adjustment on initial application of IFRS 9 of $67,858. Additional impairment of $7,169 was recorded during 2018.

The average yield on treasury bills during the year was 3.50% (2018:3.28%). The average yield on debentures and Treasury Notes was 6.85% (2018:6.63%).

In 2018, the Bank recorded a total loss/impairment of $1,316,034 on government securities. Included in comprehensive loss is $1,248,175, which represented the loss on derecognition of government securities related to the debt exchange of $1,241,006 and the additional impairment recorded during 2018 of $7,169. An impairment amount of $67,858 on these securities is included in the opening IFRS 9 adjustment in equity in 2018.

During 2019, the ECL on local securities was increased by $931. This amount has been recorded in the consolidated statement of income and comprehensive income.

7. FIXED DEPOSITS

Fixed deposits bear interest rates varying between 0.01% and 0.75% (2018: 0.01% and 2.50%) and have an original maturity date of more than ninety days to a year.

Notes to Consolidated Financial Statements

December 31, 2019

(Expressed in BDS $000)

8. ADVANCES TO GOVERNMENT

	2019	2018
Advances to Government	192,405	81,862

Under the CBB Act, the Bank may make direct provisional advances to Government to finance expenditure authorised to be incurred out of the Consolidated Fund, provided that the total outstanding at any time shall not exceed an amount determined under Financial Management and Audit (Amendment) Act. 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% (2018: 2.65% and 3.50%). Also see Note 6.

At January 1, 2018, the Bank recorded an impairment adjustment on initial application of IFRS 9 of $15,440.

During 2018, the Bank derecognized advances to Government as provided under the Financial Management and Audit (Amendment) Act. Included in comprehensive loss for 2018 is $292,849 which represents the loss on derecognition of $292,560 and additional impairment recorded during the year of $289.

During 2019 the ECL on Advances to Government was reduced by $289. This amount has been recorded in the consolidated statement of income and comprehensive income.

The limit in force was $232,300 from January to March 2019 and $228,684 from April to December 2019. During 2018 the limit was $293,820 from January to May 30, 2018, $309,800 from May 31 to July 2018 and $232,800 from August to December 2018.

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 Loan Fund 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 Loan Fund:

Notes to Consolidated Financial Statements

December 31, 2019
(Expressed in BDS $000)

9. INVESTMENTS, continued

Investment in Associate, continued

	2019	2018
Total Equity	85,987	95,591
Bank carrying amount of the investment	11,436	12,713

The associate had no contingent liabilities or capital commitments as at December 31, 2019.

Other Investments

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

			2019	2018
	Type of Shares	Number of Shares	Carrying Value	Carrying Value
Barbados Deposit Insurance Corp (100%)	Common	1,000,000	1,000	1,000
Barbados Stock Exchange (1.1%)	Common	55,382	55	55
Barbados Automated Clearing House Services (16.67%)	Common	250,560	251	251
Total			1,306	1,306

Management is of the view that the fair values of these equity securities approximate fair values.

Notes to Consolidated Financial Statements

December 31, 2019

(Expressed in BDS $000)

10. PROPERTY, PLANT AND EQUIPMENT

	Freehold Buildings	Furniture and Equipment	Vehicles	Total
Cost:				
January 1, 2018	121,634	73,250	654	195,538
Additions	1,573	3,052	110	4,735
December 31, 2018	123,207	76,302	764	200,273
Additions	547	3,114	127	3,788
Disposal/write-offs	-	(377)	(76)	(453)
December 31, 2019	123,754	79,039	815	203,608
Accumulated Depreciation:				
January 1, 2018	32,503	54,483	545	87,531
Charge for the year	1,867	2,995	24	4,886
December 31, 2018	34,370	57,478	569	92,417
Charge for the year	1,922	3,170	29	5,121
Eliminated on disposals	-	(376)	(75)	(451)
December 31, 2019	36,292	60,272	523	97,087
Net Book Values:				
December 31, 2019	87,462	18,767	292	106,521
December 31, 2018	88,837	18,824	195	107,856
December 31, 2017	89,131	18,767	109	108,007

11. OTHER ASSETS

Other assets include:	2019	2018
Accrued income	120	9,158
Cheques in process of collection	5,401	6,795
Prepayments	5,821	7,558
Staff advances	16,045	17,897
Sundry balances	850	1,805
	28,237	43,213

Notes to Consolidated Financial Statements

December 31, 2019
(Expressed in BDS $000)

11. OTHER ASSETS, continued

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 provision of $119 (2018: $119).

At December 31 the following categories of advances exist:

	2019	2018
Mortgages	11,275	12,663
Motor Vehicles	1,538	1,829
Education	352	311
Other	2,999	3,213
Less: Provision for impairment	(119)	(119)
	16,045	17,897

At January 1, 2018 an impairment adjustment for IFRS 9 was recorded on the following: CRL Limited loan - $843 and New Life Insurance Company - $1,210.

During 2018, the Bank recorded impairment adjustments on the following: CRL Limited loan $8,157, New Life Insurance Company $44,516, accrued income due from Government $14,206, which were included in other assets.

As a result of the adjustments above an amount totaling $66,879 had been recorded in the consolidated statement of income and comprehensive income in 2018. There was no impairment recorded in 2019.

12. NOTES AND COINS IN CIRCULATION

	2019	2018
Notes	763,127	720,344
Coins	65,559	63,348
	828,686	783,692

Notes to Consolidated Financial Statements

December 31, 2019

(Expressed in BDS $000)

12. NOTES AND COINS IN CIRCULATION, continued

In accordance with Section 21 of the CBB 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.

At December 31, 2019, the nominal value of numismatic coins sold, totaled approximately $11,520 (2018: $10,700) and is excluded from 'Notes and Coins in Circulation'.

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

	2019	2018
Deposits	2,430,815	2,298,707

Included in the amount above are deposits in the amount of $492,338 (2018: $485,611) 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% (2018: 0.10%).

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

	2019	2018
Allocation of Special Drawing Rights	179,418	186,189

This amount of SDR 64,374 (2018: 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. Accordingly, changes arise from annual revaluations done by the Fund. Also see description at Note 5.

	2019	2018
IMF Loan (Extended Fund Facility)	292,646	101,231

Notes to Consolidated Financial Statements

December 31, 2019
(Expressed in BDS $000)

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

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 million) was disbursed on October 1, 2018. During 2019 two tranches of SDR 35 million (equivalent to BDS$195,097) each were received. The remaining amounts are expected to be received in five tranches over a period of two and a half years 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 1.740% (2018: 2.103%).

The loan is expected to be repaid in tranches totaling $81,328 (2018: $81,328) between one and five years and tranches totaling $211,318 (2018: $19,904) after five years.

15. OTHER

This amount comprises:

	2019	2018
Accounts Payable	2,861	3,181
Contribution Payable – UWI Fund re Chair in Banking	1,161	1,161
Deposit Insurance Company Accounts	9,115	3,638
Domestic Clearing	62,286	44,871
Dormant Accounts (i)	29,215	24,271
Frank Collymore Literary Endowment Fund	1,000	1,000
Housing Credit Fund General Account (iii)	34,201	15,585
Industrial Credit Fund (iii)	4,845	24,407
Redemption of Debentures Account	4,331	4,926
Sinking Fund Contribution Account(ii)	164,106	10,179
Staff Pension Fund (iii)	5,982	4,706
Sundry Balances	6,425	4,736
	325,528	142,661

Notes to Consolidated Financial Statements

December 31, 2019
(Expressed in BDS $000)

15. OTHER, continued

(i) Dormant accounts comprise:

	2019	2018
Banks – local and international (a)	17,343	13,225
Financial Services Commission (b)	11,872	11,046
	29,215	24,271

(a) Deposits made by Banks represent 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; and

(b) In accordance with the Financial Services Commission Act, this amount represents security deposits from insurance companies and abandoned property in the form of unclaimed matured insurance policies.

(ii) This account represents uninvested funds held on behalf of Government.

(iii) These amounts relate to deposits owing to related entities are unsecured, interest free and no fixed terms of repayment.

16. CAPITAL AND RESERVES (DEFICIT)

The Bank manages its capital in compliance with the Act.

The Bank's objectives when managing capital are:

- To safeguard the value of the Barbados Dollar
- To provide a base to support its developmental activities
- To safeguard the Bank's ability to continue as a going concern.

The authorized capital of the Bank is $5,000 shares with no par value. 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.

General Reserve

The general reserve was accumulated out of net income and is consistent with the Section 9, 1(b) of the CBB Act.

Notes to Consolidated Financial Statements

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(Expressed in BDS $000)

16. CAPITAL AND RESERVES (DEFICIT), continued

Contributed Surplus

	Land at Church Village	Share of loss from Associate	Recovery of Loan due to Associate	Total
Balance at January 1, 2018	8,500	-	-	8,500
Recovery of loan due Associate	-	-	2,288	2,288
Share of contributed loss of Associate	-	(733)	-	(733)
Balance at December 31, 2018 and 2019	8,500	(733)	2,288	10,055

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 has been recorded as an increase to Contributed Surplus.

Recovery 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 because it relates to a transaction between common controlled entities.

Share of contributed loss

During the year 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.

Retirement Benefit Reserve

This amount relates to the under or overfunded value of the pension plan.

Notes to Consolidated Financial Statements

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(Expressed in BDS $000)

17. COMMITMENTS AND CONTINGENCIES

(a) At December 31, 2019, the Bank had guaranteed settlement of approximately $1,557 (2018: $2,668) under the following schemes:

	2019		2018	
	Value of Original Contract	Outstanding Guarantees	Value of Original Contract	Outstanding Contract
Small Business Guarantee Fund	2,773	1,557	4,584	2,468
Trade receivables liquidity facility	-	-	200	200
	2,773	1,557	4,784	2,668

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

(b) Additionally, at December 31, 2019, the Bank had contracts for capital expenditure in the amount of $600 (2018: $2,520).

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. 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.

Other income includes management fees received as follows:

	2019	2018
Industrial Credit Fund	295	310
Housing Credit Fund	485	480
	780	790

A dividend of $2,740 (2018: $Nil) was received from an associated company.

Notes to Consolidated Financial Statements

December 31, 2019
(Expressed in BDS $000)

18. RELATED PARTIES, continued

At December 31, 2019, the Bank manages the Housing Credit Fund. The net assets and net income as disclosed in the Fund's unaudited financial statements are as follows:

	2019		2018	
	Net Assets	**Net Income**	**Net Assets**	**Net Income**
Managed Entity:				
Housing Credit Fund	138,725	764	137,840	1,641

The Bank provides funds-management, fiscal-agent and banking services to the Government as mandated by the CBB Act.

The Bank also provides management, investment and administrative support to the Central Bank of Barbados 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:

	2019	**2018**
Short-term employee benefits	5,617	6,188
Post-employment benefits	133	18
Directors' fees	60	60
Total compensation	5,810	6,266

Notes to Consolidated Financial Statements

December 31, 2019

(Expressed in BDS $000)

18. RELATED PARTIES, continued

	2019	2018
Staff advances related to key management amount to:	2,462	3,808

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 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:

	2019	2018
Present value of defined benefit obligation	(151,107)	(152,185)
Additional liability (IFRS14)	(2,875)	-
	153,982	152,185
Fair value of plan assets	136,670	121,379
Net Liability recognized in the consolidated statement of financial position	(17,312)	(30,806)

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

	2019	2018
(Pension plan obligation)/retirement benefit asset, beginning of year	(30,806)	8,623
Net pension costs during the year	(4,600)	(1,777)
Re-measurements recognised in other comprehensive income	10,447	(44,055)
Contributions to pension scheme	7,647	6,403
Pension plan obligation, end of year	(17,312)	(30,806)

Notes to Consolidated Financial Statements

December 31, 2019

(Expressed in BDS $000)

19. RETIREMENT BENEFIT PLAN, continued

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

	2019	2018
Opening defined benefit obligation	152,185	155,520
Current service cost	2,323	2,497
Interest cost	11,736	11,901
Employee's contributions	2,935	379
Actuarial gains	(8,964)	(8,814)
Benefits paid	(9,108)	(9,298)
Additional liability (IFRIC 14)	2,875	-
Closing defined benefit obligation	153,982	152,185

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

	2019	2018
	%	%
Active members	45.20	47.39
Deferred members	6.88	3.07
Pensioners	47.92	49.54

The weighted average duration of the defined benefit obligation as at 31 December, 2019 was 12.66 years (2018: 12.82 years). 99.95% of the value of benefits for active members were vested while 42.49% of the defined benefit obligation for active members was conditional on future salary increases.

Notes to Consolidated Financial Statements

December 31, 2019

(Expressed in BDS $000)

19. RETIREMENT BENEFIT PLAN, continued

e) Movement in fair value of plan assets:

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

	2019	2018
Fair value of plan assets at the start of the year	121,379	164,143
Interest income	13,823	(40,245)
Employer contribution	7,647	6,403
Employee's contributions	2,935	379
Benefits paid	(9,108)	(9,298)
Expense allowance	(6)	(3)
Fair value of plan assets at the end of the year	136,670	121,379

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

	2019	2018
Current service cost	2,323	2,497
Net interest on the net defined benefit asset	2,271	(723)
Administration expenses	6	3
Additional voluntary contribution	2,755	-
Total included in staff cost	7,355	1,777

g) The amounts recognised in other comprehensive loss:

	2019	2018
Experience gains	(8,964)	(8,814)
Expected return on plan assets	9,465	12,624
Actual return on plan assets	(13,823)	40,245
Additional liability (IFRIC 14)	2,875	-
	(10,447)	44,055

Notes to Consolidated Financial Statements

December 31, 2019

(Expressed in BDS $000)

19. RETIREMENT BENEFIT PLAN, continued

h) The Principal actuarial assumptions used:

	2019	2018
	%	%
Discount rate	7.75	7.75
Expected rate of future salary increases	5.75	5.75
Expected rate of future NIS ceiling increases	4.75	4.75
Expected rate of future pension increases	3.75	3.75
Expected rate of return on plan assets	7.75	7.75

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

	2019	2018
	Years	Years
Life expectancy at age 60 for current pensions		
Male	24.86	24.77
Female	26.94	26.90
Life expectancy at age 60 for current members age 40 in years		
Male	26.45	26.38
Female	27.78	27.74

As at December 31, 2019 approximately 57.95% (2018: 59.16%) of the Plan was directly invested in Barbados Government Debentures and Treasury Bills.

i) Plan assets are comprised as follows:

	2019	2018
Fixed income securities	79,206	71,813
Equity securities	50,750	43,435
Cash	5,840	4,160
Other assets	874	1,971
Total	136,670	121,379

Notes to Consolidated Financial Statements

December 31, 2019
(Expressed in BDS $000)

20. TAXATION

The Bank is exempt from corporation tax in accordance with Section 56 of the Central Bank of Barbados Act, Cap. 323C.

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.

(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 Board of Directors and the Audit Committee.

Notes to Consolidated Financial Statements

December 31, 2019
(Expressed in BDS $000)

21. FINANCIAL RISK MANAGEMENT, continued

Introduction and Overview, continued

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, 2019
(Expressed in BDS $000)

21. FINANCIAL RISK MANAGEMENT, continued

The table below presents an analysis of the Bank's foreign securities by rating agency designation at December 31, 2019 and December 31, 2018, based on Moody's or equivalent:

Foreign Securities:

	2019	2018
Rated (Moody's)		
AAA	619,723	472,461
AA+	190,903	69,985
A+	65,184	-
AA1	-	1,983
BAA3 (S&P:B)	165	193
	875,975	544,622
Unrated		
Regional Securities	12,189	13,864
Total Foreign Securities	888,164	558,486

The Bank considers foreign securities with a Moody's rating of Aaa to Baa3 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 Moody's rating system the Investment manager shall divest the relevant investment on a best efforts basis as soon as possible.

Local Securities

These represent Government securities which are classified as POCI in 2018. Management expects that this counterparty will meet its obligations.

The Bank purchases 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.

Under the Central Bank of Barbados (Amendment) Act 2018, there is 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".

Notes to Consolidated Financial Statements

December 31, 2019
(Expressed in BDS $000)

21. FINANCIAL RISK MANAGEMENT, continued

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 as based on the statutory limit under the Financial Management and Audit (Amendment) Act 2018 which states that:

"for the purpose of meeting the current requirements of the Consolidated Fund, the Minister may borrow by means of temporary advances from any bank or banks, money to an amount not exceeding 7.5% of the net receipts of the estimated revenue of the Government for that financial year".

Advances to Staff

Advances to staff are authorized under the CBB 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. All loans are paid up in accordance with the expected amortisation experience except for an insignificant amount which has been provided for.

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 33% (2018: 38%) 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.

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.

Notes to Consolidated Financial Statements

December 31, 2019

(Expressed in BDS $000)

21. FINANCIAL RISK MANAGEMENT, continued

Currency Risk, continued

As at December 31, 2019, the Bank's Exposure to major currencies in $000 was as follows:

	US	GBP	CAD	EURO	BDS	SDR	OTHER	TOTAL
Assets								
Balances Held Abroad	522,878	771	1,461	1,978	-	-	4,774	531,862
Foreign Notes and Coins	4,258	1,902	156	590	-	-	81	6,987
Foreign Securities	888,164	-	-	-	-	-	-	888,164
IMF Related Assets	-	-	-	-	-	63,765	-	63,765
Barbados Government T-Bills	-	-	-	-	211,361	-	-	211,361
Barbados Government Debentures	-	-	-	-	416,052	-	-	416,052
Fixed Deposits	-	-	-	-	10,140	-	-	10,140
Government Advances	-	-	-	-	192,405	-	-	192,405
Other Assets	-	-	-	-	28,237	-	-	28,237
Total Assets	1,415,300	2,673	1,617	2,568	858,195	63,765	4,855	2,348,973
Liabilities								
Notes and Coins in Circulation	-	-	-	-	828,686	-	-	828,686
Government Deposits	-	-	-	-	311,366	-	-	311,366
Deposits of Banks and Financial Institutions	43,572	34	2,323	-	2,017,850	5,702	-	2,069,481
Other Deposits	-	-	-	-	49,968	-	-	49,968
Allocation of Special Drawing Rights	-	-	-	-	-	179,418	-	179,418
IMF Loan	-	-	-	-	-	292,646	-	292,646
Other Liabilities	-	-	-	-	325,528	-	-	325,528
Total Liabilities	43,572	34	2,323	-	3,533,398	477,766	-	4,057,093

Notes to Consolidated Financial Statements

December 31, 2019

(Expressed in BDS $000)

21. FINANCIAL RISK MANAGEMENT, Continued

Currency Risk, continued

As at December 31, 2019, the Bank's Exposure to major currencies in $000 was as follows:

	US	GBP	CAD	EURO	BDS	SDR	OTHER	TOTAL
Assets								
Balances Held Abroad	364,608	602	951	543	-	-	3,572	370,276
Notes and Coins	4,225	5,650	1,687	2,488	-	-	138	14,188
Foreign Securities	558,486	-	-	-	-	-	-	558,486
IMF Related Assets	-	-	-	-	-	71,256	-	71,256
Barbados Government T-Bills	-	-	-	-	211,171	-	-	211,171
Barbados Government Debentures	-	-	-	-	417,936	-	-	417,936
Fixed Deposits	-	-	-	-	10,140	-	-	10,140
Government Advances	-	-	-	-	81,862	-	-	81,862
Other Assets	-	-	-	-	43,213	-	-	43,213
Total Assets	927,319	6,252	2,638	3,031	764,322	71,256	3,710	1,778,528
Liabilities								
Notes and Coins in Circulation	-	-	-	-	783,692	-	-	783,692
Government Deposits	-	-	-	-	389,370	-	-	389,370
Deposits of Banks and Financial Institutions	34,854	33	2,222	-	1,812,567	-	-	1,849,676
Other Deposits	-	-	-	-	59,661	-	-	59,661
Allocation of Special Drawing Rights	-	-	-	-	-	186,189	-	186,189
IMF Loan	-	-	-	-	-	101,231	-	101,231
Other Liabilities	-	-	-	-	142,661	-	-	142,661
Total Liabilities	34,854	33	2,222	-	3,187,951	287,420	-	3,512,480

Notes to Consolidated Financial Statements

December 31, 2019

(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, 2019

	Effect on profit of 5% Increase	Effect on Profit of 5% Decrease
Assets		
EURO	128	(128)
GBP	134	(134)
CAD	81	(81)
SDR	3,188	(3,188)
Liabilities		
GBP	(2)	2
CAD	(116)	116
SDR	(23,888)	23,888

Sensitivity of Profit in BDS ‘000s at December 31, 2018

	Effect on profit of 5% Increase	Effect on Profit of 5% Decrease
Assets		
EURO	152	(152)
GBP	312	(312)
CAD	132	(132)
SDR	3,563	(3,563)
Liabilities		
GBP	(2)	2
CAD	(111)	111
SDR	(14,371)	14,371

Notes to Consolidated Financial Statements

December 31, 2019

(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.

	2019					
	On demand	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**>5 years**	**Total**
Foreign Currency Assets						
Balances Held Abroad	531,862	-	-	-	-	531,862
Foreign Notes and Coins	6,987	-	-	-	-	6,987
Foreign Securities	12,189	69,816	71,940	368,445	365,774	888,164
IMF Related Assets	63,765	-	-	-	-	63,765
Total Foreign Currency Assets	614,803	69,816	71,940	368,445	365,774	1,490,778
Local Currency Assets						
Barbados Government T-Bills	-	-	211,361	-	-	211,361
Barbados Government Debentures	-	-	-	84,981	331,071	416,052
Fixed Deposit	-	-	10,140	-	-	10,140
Government Advances	192,405	-	-	-	-	192,405
Other Assets	12,317	89	308	4,092	11,431	28,237
Total Local Currency Assets	204,722	89	221,809	89,073	342,502	858,195
Total Assets	819,525	69,905	293,479	457,518	708,276	2,348,973

Notes to Consolidated Financial Statements

December 31, 2019

(Expressed in BDS $000)

21. FINANCIAL RISK MANAGEMENT, continued

Liquidity Risk, continued

	2019					
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Liabilities						
Notes and Coins in Circulation	828,686	-	-	-	-	828,686
Government Deposits	311,366	-	-	-	-	311,366
Other Deposits	49,968	-	-	-	-	49,968
Allocation of Special Drawing Rights	179,418	-	-	-	-	179,418
Deposits of Banks and Financial Institutions	2,069,481	-	-	-	-	2,069,481
IMF Loan	-	-	-	81,328	211,318	292,646
Other Liabilities	325,528	-	-	-	-	325,528
Total Liabilities	3,764,447	-	-	81,328	211,318	4,057,093

	2018					
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Foreign Currency Assets						
Balances Held Abroad	370,276	-	-	-	-	370,276
Foreign Notes and Coins	14,188	-	-	-	-	14,188
Foreign Securities	313	99,608	-	363,864	94,701	558,486
IMF Related Assets	71,256	-	-	-	-	71,256
Total Foreign Currency Assets	456,033	99,608	-	363,864	94,701	1,014,206

Notes to Consolidated Financial Statements

December 31, 2019

(Expressed in BDS $000)

21. FINANCIAL RISK MANAGEMENT, continued

Liquidity Risk, continued

	2018					
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Local Currency Assets						
Barbados Government T-Bills	-	-	211,171	-	-	211,171
Barbados Government Debentures	-	-	-	86,290	331,646	417,936
Fixed Deposit	-	-	10,140	-	-	10,140
Government Advances	81,862	-	-	-	-	81,862
Other Assets	25,352	22	444	4,424	12,971	43,213
Total Local Currency Assets	107,214	22	221,755	90,714	344,617	764,322
Total Assets	563,247	99,630	221,755	454,578	439,318	1,778,528
Liabilities						
Notes and Coins in Circulation	783,692	-	-	-	-	783,692
Government Deposits	389,370	-	-	-	-	389,370
Deposits of Banks and Financial Institutions	1,849,676	-	-	-	-	1,849,676
Other Deposits	59,661	-	-	-	-	59,661
Allocation of Special Drawing Rights	186,189	-	-	-	-	186,189
IMF Loan Facility	-	-	-	81,328	19,903	101,231
Other Liabilities	142,661	-	-	-	-	142,661
Total Liabilities	3,411,249	-	-	81,328	19,903	3,512,480

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.

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21. FINANCIAL RISK MANAGEMENT, continued

Interest Rate Risk, continued

A 50 basis point change in interest rates would cause an inverse movement in income of $2,657 (2018: $1,105). A 50 basis points increase in interest rates would cause other assets/liabilities to increase by $566 and a 50 basis points decrease in interest rates would cause other assets/liabilities to increase by $19,463. In 2018 a 50 basis point change would cause other assets/liabilities to vary by $6,141.

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.

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.

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22. FAIR VALUE MEASUREMENT, continued

Fair value measurement hierarchy for assets and liabilities as at December 31, 2019 ($000's):

	Level 1	Level 2	Level 3	Total
Debt Securities at FVOCI	887,851	-	-	887,851
Equity Securities at FVOCI	-	-	313	313
	887,851	-	313	888,164

Fair value measurement hierarchy for assets and liabilities as at December 31, 2018 ($000's):

	Level 1	Level 2	Level 3	Total
Debt Securities at FVOCI	558,173	-	-	558,173
Equity Securities at FVOCI	-	-	313	313
	558,173	-	313	558,486

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 consolidated financial statements:

Financial assets and liabilities with carrying values that approximate fair value

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.

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23. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Bank adopted IFRS for the annual period beginning on or after January 1, 2019. The consolidated financial statements for the year ended December 31, 2019 are the first annual financial statements that fully comply with IFRS, including the application of IFRS 1. IFRS 1 requires that comparative financial information be provided. As a result, the first day at which the Bank applied IFRS was as at January 1, 2018 (the Transition Date), and the consolidated opening IFRS statement of financial position was prepared as at this date. The Bank has retrospectively applied its IFRS accounting policies in the preparation of its opening IFRS consolidated statement of financial position as at January 1, 2018 and in the restatement of the 2018 comparative information.

Prior to the adoption of IFRS, the non-consolidated financial statements were prepared in accordance with the measurement and recognition requirements of IFRS with some limitations ("Adopted IFRS"). IFRS 1 requires the Bank to explain how the transition from Adopted IFRS to IFRS affects its consolidated statement of financial position, and consolidated statements of income and comprehensive income and cash flows and requires a reconciliation of its equity and total comprehensive income previously reported under Adopted IFRS to IFRS. This Note includes the reconciliations from Adopted IFRS to IFRS for the consolidated statement of financial position and total equity as at January 1, 2018 and for the consolidated statements of income and comprehensive income for the year ended December 31, 2018. These reconciliations are based on the IFRS accounting policies, optional exemptions and mandatory exceptions that the Bank has applied in its first annual IFRS consolidated financial statements.

The following sections are presented in this Note:

- IFRS consolidated statement of financial position and reconciliation to previously reported Adopted IFRS amounts
- IFRS consolidated statements of income and comprehensive income and reconciliation to previously reported Adopted IFRS amounts
- Differences in accounting policies

Notes to Consolidated Financial Statements

December 31, 2019

(Expressed in BDS $000)

23. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS, continued

Opening consolidated statement of financial position as at January 1:

	2019			2018			
	Existing Adopted IFRS	**IFRS adjustment**	**IFRS**	**Existing Adopted IFRS**	**IFRS adjustment**	**IFRS**	**Note**
Assets							
Balances Held Abroad	370,276	-	370,276	99,852	-	99,852	
Foreign Notes and Coins	14,188	-	14,188	10,345	-	10,345	
Foreign Securities	558,486	-	558,486	297,908	-	297,908	
	942,950	-	942,950	408,105		408,105	
International Monetary Fund:							
Reserve Tranche	36,314	-	36,314	34,622	-	34,622	
Holdings of Special Drawing Rights	34,942	-	34,942	81,900	-	81,900	
	71,256	-	71,256	116,522	-	116,522	
Total Reserve of External Assets	**1,014,206**	**-**	**1,014,206**	**524,627**	**-**	**524,627**	
Local Assets Securities:							
Barbados Government Treasury Bills	207,038	4,133	211,171	1,316,620	4,938	1,321,558	
Barbados Government Debentures	417,936	-	417,936	547,880	-	547,880	
Fixed Deposits	-	10,140	10,140	-	10,140	10,140	
	624,974	14,273	639,247	1,864,500	15,078	1,879,578	
Advances:							
Government	81,862	-	81,862	269,910	-	269,910	
Investment in Associate	-	12,714	12,714	-	15,421	15,421	2
Other Investments	-	1,306	1,306	-	1,306	1,306	1
Retirement Benefit Asset	-	-	-	-	8,623	8,623	3
Property and Equipment	107,856	-	107,856	108,007	-	108,007	
Other Assets	43,174	39	43,213	82,522	(581)	81,948	1
Total Local Assets	857,866	28,332	886,198	2,324,939	39,847	2,364,786	
	1,872,072		**1,900,404**	**2,849,566**		**2,889,413**	

Notes to Consolidated Financial Statements

December 31, 2019

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23. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS, continued

Opening consolidated statement of financial position as at January 1, continued:

	2019			2018			
	Existing Adopted IFRS	IFRS adjustment	IFRS	Existing Adopted IFRS	IFRS adjustment	IFRS	Note
Liabilities and Equity							
Notes and coins in circulation	783,692	-	783,692	749,942	-	749,942	
Deposits:							
Government	389,370	-	389,370	56,415	-	56,415	
Banks	1,846,891	-	1,846,891	1,625,962	-	1,625,962	
Financial Institutions	2,785	-	2,785	2,079	-	2,079	
Other	59,661	-	59,661	37,755	-	37,755	
	2,298,707	-	2,298,707	1,722,211	-	1,722,211	
Other liabilities							
Allocation of Special Drawing Rights	186,189	-	186,189	177,509	-	177,509	
Loan – IMF	101,231	-	101,231	-	-	-	
Loan – Other	-	-	-	100,000	5,000	105,000	
Retirement Benefit Obligation	-	30,806	30,806	-	-	-	3
Other Liabilities	145,061	(2,400)	142,661	149,255	(2,841)	146,414	1,5
	432,481	28,406	460,887	426,764	2,159	428,923	
	3,514,880		**3,543,286**	**2,898,917**		**2,901,076**	
Capital and Reserves							
Issued Capital	2,000	-	2,000	2,000	-	2,000	
Contributed Surplus	8,500	1,555	10,055	8,500	-	8,500	1
Fair Value Reserve	(4,065)	-	(4,065)	-	(3,232)	(3,232)	4
Retirement Benefit Reserve	-	(41,115)	(41,115)	-	2,940	2,940	3
Accumulated Deficit	(1,674,743)	39,986	(1,634,757)	(85,351)	38,480	(46,871)	1,2,3,5
General Reserve	25,000	-	25,000	25,000	-	25,000	
	(1,643,308)		**(1,642,882)**	**(49,851)**		**(11,663)**	

Notes to Consolidated Financial Statements

December 31, 2019

(Expressed in BDS $000)

23. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS, continued

IFRS consolidated statements of income and comprehensive income and reconciliation to previously reported Adopted IFRS amounts

Consolidated statement of comprehensive income as at December 31:

	2018			
	Existing Adopted IFRS	**IFRS adjustment**	**IFRS**	**Note**
Income				
Commissions and Fees	4,862	-	4,862	
Discounted Treasury Bills	28,932	178	29,110	1
Interest:				
Advances	6,927	103	7,030	1
Deposits	789	-	789	
Securities	39,824	-	39,824	
Other Income	1,495	-	1,495	
Share of loss of Associate	-	(1,975)	(1,975)	2
Difference in Foreign Currency Exchange	(2,873)	-	(2,873)	
Premiums	-	25	25	1
Recoveries	-	266	266	1
Loss on Sale of Foreign Securities	(1,900)	-	(1,900)	
Total Income	**78,056**	**(1,403)**	**76,653**	
Expenses				
Administrative Expenses	17,626	32	17,658	1
Claims	-	466	466	1
Depreciation	4,886	-	4,886	
Interest	3,050	-	3,050	
Minting of Coins	489	-	489	
Printing of Notes	2,046	-	2,046	
Retirement Benefits	6,403	(4,626)	1,777	3
Salaries and Allowances	25,926	338	26,264	5
Impairment of Government Advances	292,849	-	292,849	
Impairment of Other Assets	66,879	-	66,879	
Impairment of Government Securities	1,247,373	802	1,248,175	1
Total Expenses	**1,667,527**	**(2,988)**	**1,664,539**	
Income before Appropriation	**(1,589,471)**	**1,585**	**(1,587,886)**	

Notes to Consolidated Financial Statements

December 31, 2019

(Expressed in BDS $000)

23. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS, continued

Consolidated statement of comprehensive income as at December 31:

	2017			
	Existing Adopted IFRS	**IFRS adjustment**	**IFRS**	**Note**
Income				
Commissions and Fees	8,695	-	8,695	
Discount on Treasury Bills	38,139	168	38,307	1
Interest:				
Advances	8,799	-	8,799	
Deposits	168	110	278	1
Securities	39,401	-	39,401	
Other Income	2,988	-	2,988	
Share of profit of Associate	-	-	-	
Difference in Foreign Currency Exchange	1,170	-	1,170	
Premiums	-	31	31	1
Recoveries	-	276	276	1
Loss on Sale of Foreign Securities	(241)	-	(241)	
Investment Impairment Recovery	71	-	71	
Total Income	**99,190**	**585**	**99,775**	
Expenses				
Administrative Expenses	17,255	30	17,285	1
Claims	-	276	276	1
Depreciation	4,168	-	4,168	
Interest	275	-	275	
Minting of Coins	701	-	701	
Printing of Notes	1,316	-	1,316	
Retirement Benefits	1,466	135	1,601	3
Salaries and Allowances	27,096	170	27,266	5
Total Expenses	**52,277**	**611**	**52,888**	
Income before Appropriation	**46,913**	**(26)**	**46,887**	

Notes to Consolidated Financial Statements

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23. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS, continued

IFRS 1 Reconciliation of Equity

	2019	2018
Total Capital and reserves previous Adopted IFRS	**(1,617,506)**	**(1,643,308)**
Adjustments:		
Recognition of retirement benefit obligation/asset	(17,312)	(30,806)
Recognition of recovery of loan to Associate	2,288	2,288
Recognition of share of contributed loss of Associate	(733)	(733)
Recognition of accrued vacation pay	(1,846)	(1,934)
Recognition of Investment Cost	18,265	20,073
Recognition of share of accumulated profits of Associate	1,202	2,479
Recognition of accumulated earnings of subsidiaries	8,973	8,559
Decrease of other funds	500	500
IFRS Equity	**(1,606,169)**	**(1,642,882)**

The transition to IFRS resulting in the following changes to the accounting policies:

1. The results of operations and financial position of subsidiaries are consolidated. Under the previous Adopted IFRS these amounts were not consolidated and hence excluded from the Bank's financial statements. The initial investment was fully written to income on inception. The effects of the change are noted above.

2. The share of results of operations of the investment in associate are included in income. In addition, the Bank has recognised the investment in associate in the statement of financial position. Under the previous Adopted IFRS these amounts were not consolidated and hence excluded from the Bank's financial statements. The initial investment was fully written off to income on inception. The effects of the change are noted above.

3. Under the previous Adopted IFRS the Bank did not recognise its retirement benefit asset or liability in the financial statements. The amounts have now been recognised in accordance with IFRS. The effects of the change are noted above.

4. Under the previous Adopted IFRS unrealised revaluation gains and losses on foreign securities were presented in Other assets or Other funds. In accordance with IFRS the Bank has designated such assets as available-for-sale. As a result, the unrealised gains and losses are now presented in the appropriate reserve in equity.

5. Under the previous Adopted IFRS vacation pay in lieu of days not taken was not recognised. These amounts have now been recognised in accordance with IFRS.

24. COMPARATIVES

Certain comparative amounts have been reclassified to conform to the current year's presentation. In 2018, salaries and allowances included $1,925 related to staff welfare expenses. These amounts have been reclassified to administration expenses.

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25. SUBSEQUENT EVENTS

Certain impacts to public health conditions particular to the coronavirus disease 2019 (COVID-19) outbreak that occurred subsequent to year end may have a significant negative impact on the operations and profitability of the Bank. The extent of the impact to the financial performance of the Bank will depend on future developments, including but not limited to (i) the duration and spread of the outbreak, (ii) the restrictions and advisories, (iii) the effects on the financial markets, and (iv) the effects on the economy overall, all of which are highly uncertain and cannot be predicted. If the financial performance of the Bank is impacted because of these things for an extended period, the Bank's results may be materially adversely affected.

CENTRAL BANK OF BARBADOS

2019 ANNUAL REPORT

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