

**ANNUAL
REPORT
2021**



| Letter of Transmittal

31st July 2022

The Hon. Mia Amor Mottley
Minister of Finance and Economic Affairs,
Government Headquarters
Bay Street



Dear Minister:

In accordance with Section 15 (1) of the Deposit Insurance Act 2006-29, I have the honour to submit to you the Annual Report of the Barbados Deposit Insurance Corporation including the Auditors' reports on the Financial Statements of the Corporation and the Deposit Insurance Fund, and the Report on discharge of the Corporation's Functions in respect of the year ended December 2021.

Yours sincerely

A handwritten signature in black ink, appearing to read 'J. Payne'.

James M. Payne
Deputy Chairman

| Table of Contents

| | |
|----------------------------------------|----|
| Letter Of Transmittal..... | 1 |
| Table Of Contents..... | 3 |
| Mandate And Goals Of The BDIC..... | 4 |
| Abbreviations..... | 5 |
| Glossary Of Terms..... | 6 |
| Deposit Insurance..... | 8 |
| General Report..... | 9 |
| Corporate Information..... | 10 |
| Operating Environment..... | 14 |
| Financial And Statistical Summary..... | 22 |

MANDATE AND GOALS OF THE BDIC

The mandate of the Barbados Deposit Insurance Corporation is to:

Provide deposit insurance and contribute to the stability of the financial system for the benefit of depositors while minimising its exposure to loss.

The goals of the Barbados Deposit Insurance Corporation are:

To protect small depositors from the risk of loss within the banking system in the event of institutional or systemic failure.

To contribute to ensuring the soundness and stability of the financial system as the primary provider of deposit insurance within the country.

| ABBREVIATIONS

| | |
|----------------------------------------|------|
| Barbados Deposit Insurance Corporation | BDIC |
| Central Bank of Barbados | CBB |
| Deposit Insurer | DI |
| Deposit Insurance Act | DIA |
| Deposit Insurance Fund | DIF |
| The Financial Services Commission | FSC |
| Gross Domestic Product | GDP |
| International Monetary Fund | IMF |
| Ministry of Finance | MOF |

GLOSSARY OF TERMS

Coverage limit

The maximum payment the BDIC can make to depositors in respect of a deposit or a deposit category as prescribed under the Deposit Insurance Act.

Deposit

A sum of money paid to a member institution on terms under which it is repayable with or without interest or a premium, and either on a demand or at a time or in circumstances agreed. However, it does not include money which is related to the provision of property or services or the giving of security.

Deposit Insurance Act (DIA)

The Act of Parliament establishing the BDIC and setting out its powers and functions.

Deposit Insurance Fund (DIF)

A fund established under the Deposit Insurance Act on behalf of depositors. It ordinarily comprises the net cumulative reinvested assets derived from premiums collected from Member Institutions, other injections such as capital contributions, and income on invested assets, less amounts expended to administer the Fund, including payments to depositors, from time to time.

Deposit Insurance Fund Ratio

The DIF expressed as a percentage of the Total Insured Deposits.

Deposit Insurance Premium

The amount levied on Member Institutions for injection into the DIF in accordance with the requirements of the DIA.

Depositor

A person entitled, or prospectively entitled to a deposit or portion of a deposit whether made by him or not.

Insurable Deposits

Amounts received or held by a Member Institution from or on behalf of a depositor, other than certain ineligible items pursuant to provisions of the DIA, such as foreign currency accounts, a deposit from another Member Institution, or a deposit from a statutory body or authority or government corporation.

| **GLOSSARY OF TERMS** *Cont'd*

Insured Deposit

That portion of insurable deposits that is within the coverage limit prescribed under the Deposit Insurance Act, 2006-29.

Member Institutions

Financial institutions which, by virtue of their deposit taking activities, are members of a Fund established by BDIC in accordance with the Deposit Insurance Act.

Premium Assessment Rate

Rate prescribed by the Minister of Finance after consultation with the Corporation to determine deposit insurance premium to be levied on deposits of Member Institutions.

Resolution

A plan for liquidating, disposal and/or management of assets of an Institution with a view to resolving its obligations to depositors, creditors, and other stakeholders in an orderly and efficient manner.

DEPOSIT INSURANCE

What is covered?

Under the Barbados deposit insurance system, deposits held at member institutions are covered. Depositors are guaranteed protection for their deposits up to a maximum of \$25,000, per depositor or category of depositor per institution. Joint accounts and Trust Accounts are treated as separate deposit categories

What is not covered?

In accordance with the Barbados Deposit Insurance Act, 2006-29, subsection 50(2), deposit insurance coverage is not extended to foreign currency deposits, letters of credit, standby letters of credit or instruments of a similar nature. Interbank deposits and deposits from affiliates are also not eligible for coverage under the scheme.

GENERAL REPORT THE DISCHARGE OF THE CORPORATION'S FUNCTIONS

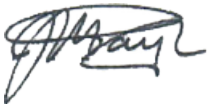


The year 2021 evidenced the Corporation's resilience to the destabilizing challenges of the COVID crisis. During this period the Office was kept in functional mode, albeit with a reduced level of direct personal contact, and implicitly the practical comfort of virtual meetings for health and safety reasons. It is inevitable that such modus operandi would impact preferred avenues for interpersonal contact and the Corporation's interface with its stakeholders.

A mitigating factor is that the Corporation was not alone in the manner it faced the crisis and would likely have registered no significant benefits in adopting alternative risk-prone approaches.

It may also be that general pre-occupation with measures to control the downside of the Pandemic may have diverted or diluted closer attention to economic or Industry-specific factors warranting special attention of the Corporation. In this regard there is little evidence to indicate unusual pressures or need for precautionary action which the Corporation failed to attend to during the period.

However, in 2021 BDIC re-affirmed an urgent need to rationalize Investment Policy and upgrade its Human Resources complement so as to be a position to take on the asset management and stakeholder responsibilities that underlie its fiduciary role. These commitments have not matured into sufficiently actionable measures to achieve desired objectives as of the fiscal year-end.



James M. Payne
Deputy Chairman

CORPORATE INFORMATION

The Barbados Deposit Insurance Corporation (BDIC) was established on June 8, 2007, by an Act of Parliament – Deposit Insurance Act 2006-29 (DIA). The BDIC provides insurance for domestic deposits¹, up to a prescribed limit, at member institutions (currently licensed under the Financial Institutions Act (FIA), Cap. 324A). The prescribed limit is currently \$25,000 and is distributed on a per-bank, per-depositor, per-deposit category basis.

BOARD OF DIRECTORS

Section 4 (1) of the Deposit Insurance Act 2006-29, makes provision for the establishment of a Board of Directors of the Corporation which shall be responsible for the policy direction of the BDIC.

The Board is appointed for a minimum of three (3) years and comprises seven (7) members including one Chairman, one Deputy Chairman and one other independent member, all of whom are appointed by the Minister of Finance as provided for in the DIA.

The remaining members of the Board are ex-officio directors: The Governor of the Central Bank of Barbados, the Director of the Bank Supervision Department of the Central Bank of Barbados, a representative of the Ministry of Finance and the Chief Executive Officer of the Corporation.

Board Members in 2021



Winston LeRoy Inniss, Q.C.
Chairman

Mr. Justice Inniss is a Queen's Counsel who has practised as an Attorney-at-Law since 1978 and a past President of the Barbados Bar Association.

In 2001, he became a judge of the High Court in Barbados and served until his retirement in 2006. Since then, he has been a Legal Consultant on Employment Law to several organizations. He has also been engaged in mediation and arbitration, both in Barbados and overseas.

Justice Inniss retired from the Board in May 2021.

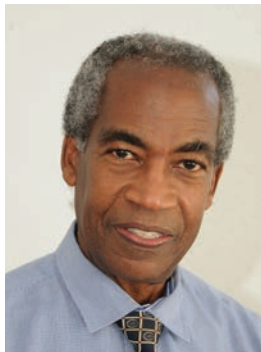
CORPORATE INFORMATION *Cont'd*



James M. Payne, CA
Deputy Chairman

Mr. Payne has several years of service in Government and the Private Sector. His professional experience in accounting, finance and tax advisory services covered a variety of clients as a Partner in a major international accounting firm for over two decades. In addition, Mr. Payne is a member of the Institute of Chartered Accountants in Ontario Canada He is a past President and Council member of the Institute of Chartered Accountants of Barbados.

He is also a graduate of the University of the West Indies (UWI) and the University of Windsor, Canada.



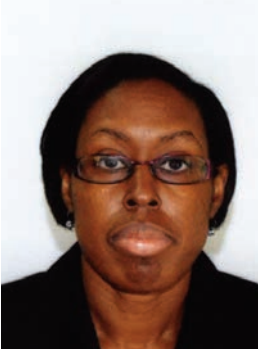
John Jones
Director

Mr. John A. Jones is a former Insurance Executive with more than forty (40) years of experience in the local general insurance industry.

A Fellow of The Chartered Insurance Institute of London (FCII), Mr. Jones played an active role in the affairs of the local market. At the institutional level, he served on the Steering Committee which was set-up in 1980 to establish the Insurance Institute of Barbados, of which he would become a founding member and later, President (1985-1986). He is also a former President of the General Insurance Association of Barbados (1984-1986). His contribution extended to several of the sub-committees related to both of these organizations.

Mr. Jones' service and contribution to the wider community has been facilitated largely by his long-standing involvement as a Rotarian. He is a Past President of The Rotary Club of Barbados, South (1991-1992) and a Past Assistant District Governor (2000-2001) Rotary International - District 7030. He has held directorships in a number of insurance companies. He is currently an Executive Steward of the Barbados Turf Club.

CORPORATE INFORMATION *Cont'd*



Nancy Headley
Director

Mrs. Nancy Headley has worked in the Public Service for the past twenty-four (24) years. She has worked with the Ministry of Finance for the last 16 years, first in the capacity of Chief Budget Analyst and then as Deputy Permanent Secretary with direct responsibility for the Budget Section and the Debt Unit. Mrs. Headley is now the Permanent Secretary, Finance in the Ministry of Finance and Economic Affairs. Mrs. Headley holds a Master's degree in Economics and Finance from the University of Lancaster. She is also a Fellow of the Association of Chartered Certified Accountants.



Cleviston Haynes
Director

Mr. Cleviston Haynes, the Governor, Central Bank of Barbados, is a graduate of the University of the West Indies and the University of Western Ontario.

He joined the Central Bank in 1980 as an Economist and has served the Bank in several capacities, including Chief Economist, Adviser to the Governor, Director, Bank Supervision Department and most recently as Deputy Governor.

Mr. Haynes formerly represented the Bank on the board of the Barbados Stock Exchange, and previously was also a member of the Anti-Money Laundering Authority of Barbados. He also served as Technical Assistant to the Executive Director for Canada, Ireland and the Caribbean on the Executive Board of the International Monetary Fund (IMF) during the period 1987-1989.

He is Chairman of the Regional Financial Stability Coordinating Council (RFSCC) which is responsible for the preparation of the Caribbean Regional Financial Stability Report.

Mr. Haynes has authored a number of academic papers in local and international publications, including papers on monetary policy and financial sector issues, and debt management in the Barbados economy.

CORPORATE INFORMATION *Cont'd*



Cheryl Greenidge
Director

Mrs. Greenidge became a board member in June 2018, replacing Mrs. Marlene Bayne who retired from the Central Bank at the end of May.

Mrs. Cheryl Greenidge is the Director (Ag.) of the Bank Supervision Department of the Central Bank of Barbados. She is a career central banker and previously worked in the Banking & Currency Department and the International Financial Services Inspection Unit.

Mrs. Greenidge was a member of the Bank's Task Force formed in response to initiatives by the Financial Stability Board, Organization for Economic Co-operation and Development and the Financial Action Task Force. She represents the Bank at various regional and international fora, including the Caribbean Group of Banking Supervisors and the Association of Banking Supervisors for the Americas.

Mrs. Greenidge plays a leading role on the Anti-Money Laundering Authority; and represents Barbados on the Steering Group of the Caribbean Financial Action Task Force (CFATF) and several of its Working Groups.

She is a trained CFATF Financial Expert and a graduate of the University of the West Indies, holding a M.B.A in Finance from the University of Manchester.

AUDITORS

Steven R. Payne & Co.

BANKERS

Central Bank of Barbados

CORPORATE ADDRESS

The Barbados Deposit Insurance Corporation is located on Level 5, Tom Adams Financial Centre, Spry Street, Bridgetown.

OPERATING ENVIRONMENT

MACRO-ECONOMIC ENVIRONMENT

Table 1: Macro-economic Indicators

| | 2017 | 2018 | 2019 | 2020 ^p | 2021 ^e |
|----------------------------------------|---------|---------|---------|-------------------|-------------------|
| GDP Growth Rate (%) | 0.6 | -1.0 | -0.7 | -14.0 | 1.4 |
| Inflation Rate (%) | 4.5 | 3.7 | 4.1 | 3.0 | 3.2 |
| Average Unemployment Rate (%) | 10.0 | 10.1 | 10.1 | 17.9** | 12.4* |
| Gross Public Sector Debt/GDP (%) | 148.4 | 125.4 | 118.0 | 136.3 | 136.3 |
| Gross International Reserves (BDS \$M) | 411.3 | 999.6 | 1,481.0 | 2,660.7 | 3,058.8 |
| | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 |
| Fiscal Balance to GDP (%) | -5.3 | -4.6 | -0.3 | 3.6 | -4.7 |

p – Provisional

e – estimate

* - Data as at September 2021

** Data as at September 2020 Source: The Central Bank of Barbados' Review of Economic Performance: January to December 2021

Table 2: Selected Prudential Ratios

| Commercial Banks | 2017 | 2018 | 2019 | 2020 | 2021 |
|-------------------------------------|------|-------|------|------|------|
| Solvency Indicators | | | | | |
| Capital Adequacy Ratio (CAR) | 17.0 | 13.8 | 13.5 | 16.0 | 21.1 |
| Liquidity Indicators | | | | | |
| Loan to deposit ratio (%) | 64.4 | 63.0 | 61.7 | 57.1 | 53.0 |
| Liquid assets, % of total assets | 29.7 | 21.4 | 23.1 | 25.2 | 42.2 |
| Credit Risk Indicators (%) | | | | | |
| Total assets (growth rate) | 1.3 | (6.0) | 1.3 | 2.4 | 4.0 |
| Non-performing loans ratio | 7.7 | 7.4 | 6.6 | 7.3 | 7.3 |
| Profitability Indicators | | | | | |
| Return on Average Assets (12-month) | 1.3 | (0.2) | 0.7 | 0.8 | 1.1 |

Source: Central Bank of Barbados

OPERATING ENVIRONMENT *Cont'd*

Table 3: Selected Prudential Ratios (cont'd)

| Non-Banks | 2017 | 2018 | 2019 | 2020 | 2021 |
|-------------------------------------|-------|--------|-------|-------|-------|
| Solvency Indicators | | | | | |
| Capital Adequacy Ratio (CAR) | 38.8 | 21.8 | 18.6 | 19.0 | 10.6 |
| Liquidity Indicators | | | | | |
| Loan to deposit ratio (%) | 104.1 | 98.2 | 99.1 | 103.0 | 101.1 |
| Liquid assets, % of total assets | 16.6 | 11.6 | 10.8 | 10.6 | 11.8 |
| Credit Risk Indicators (%) | | | | | |
| Total assets (growth rate) | 2.4 | (35.4) | (2.0) | (0.5) | 4.1 |
| Non-performing loans ratio | 9.4 | 8.4 | 11.3 | 11.7 | 16.1 |
| Profitability Indicators | | | | | |
| Return on Average Assets (12-month) | 1.2 | (0.4) | 1.7 | 0.7 | 1.0 |

Source: Central Bank of Barbados

Asset Growth and Composition

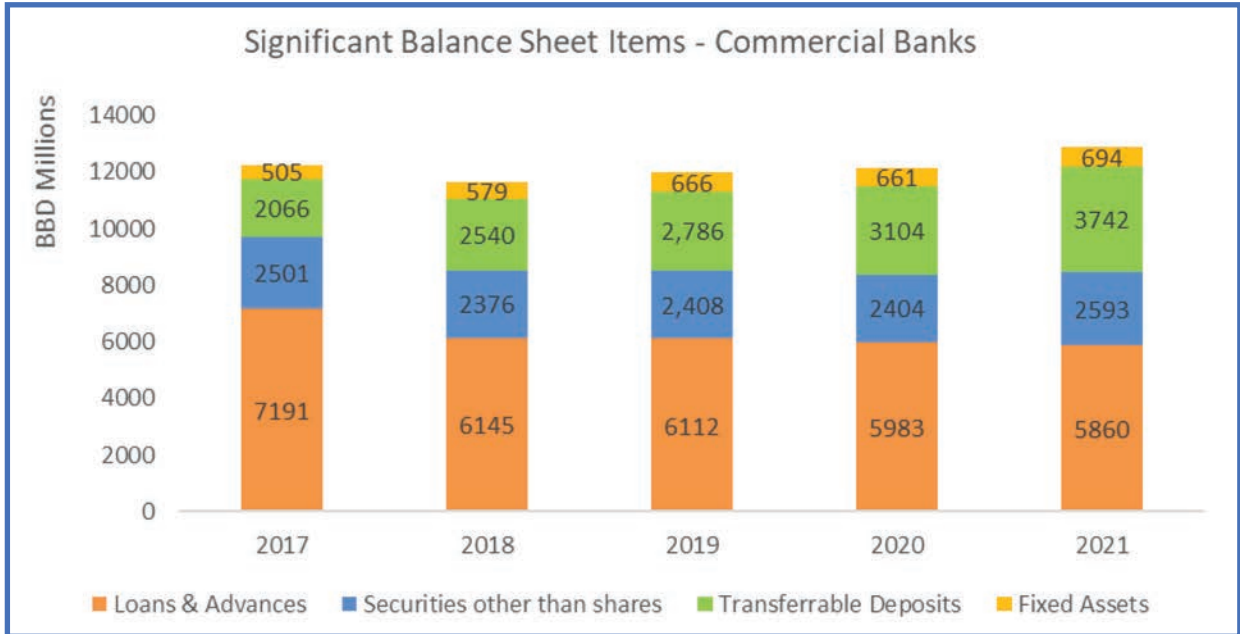
During 2021, total assets of the deposit-taking sector grew \$0.57 billion or 4.0%. Commercial bank assets increased by approximately \$0.53 billion (4.0%) over the 12-month period primarily due to an increase in reserves held by the Central Bank.

The asset base of the deposit-taking non-banks was approximately \$1.03 billion as at December 31st, 2021, representing an increase of approximately \$40.32 million or 0.3% during the 2021 calendar year.

As at December 31st, 2021 the commercial banking sector's share of total assets stood at 93.0% while deposit-taking non-banks accounted for the remaining 7.0% compared to 93.1% and 6.9% respectively in the corresponding period for the previous year.

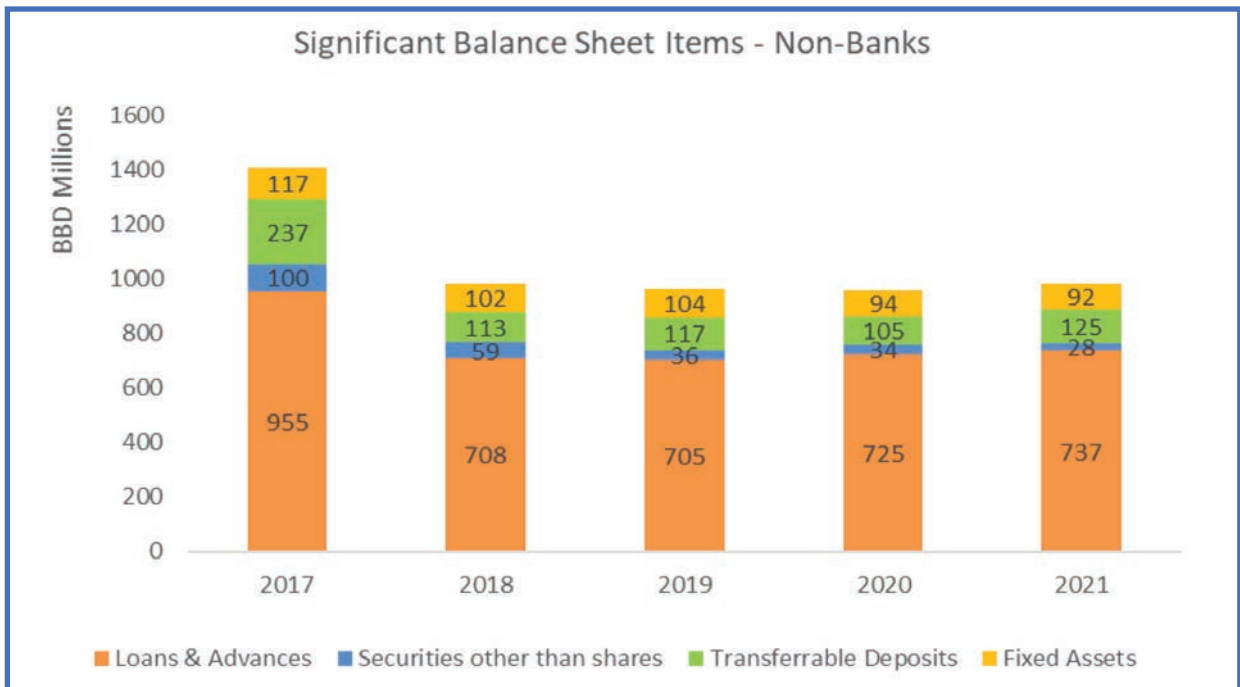
OPERATING ENVIRONMENT *Cont'd*

Figure 1. Major Asset Composition of Commercial Banks as at December 31, 2021



Source: Central Bank of Barbados

Figure 2. Major Asset Composition of Non-Banks as at December 31, 2021



Source: Central Bank of Barbados

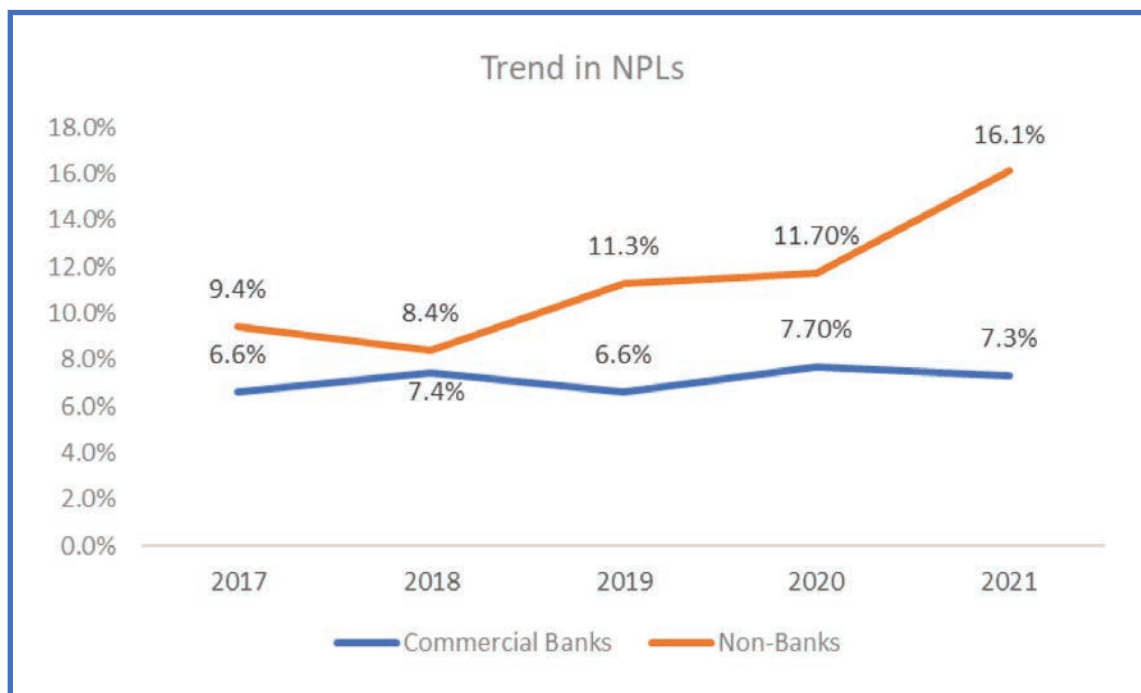
OPERATING ENVIRONMENT *Cont'd*

Asset Quality

As at December 31st, 2021, the asset quality of the deposit-taking sector as measured by the aggregate Non-Performing Loan (NPL) ratio, continued to be driven by the non-bank deposit-taking sector and stood at 8.3%. This represented a moderate deterioration in asset quality over the 12-month period of approximately sixty (60) basis points, reflecting an increase in aggregate NPLs and a decline in the aggregate loan book. To illustrate, over the period under review aggregate NPLs of the deposit-taking sector grew by \$29.07 million or 5.6% to \$548.80 million while aggregate loans declined \$111.25 million or 1.7% to \$6.60 billion.

Over the period under review, total commercial bank NPLs declined \$5.24 million to stand at approximately \$430.04 million, while total non-bank NPLs grew \$34.31 million or 6.6% to \$118.76 million. Figure 3 below depicts the 12-month trend in the NPL ratios of both the commercial bank and non-bank deposit-taking sectors for the period 2017 to 2021.

Figure 3. Trend in NPL Ratios



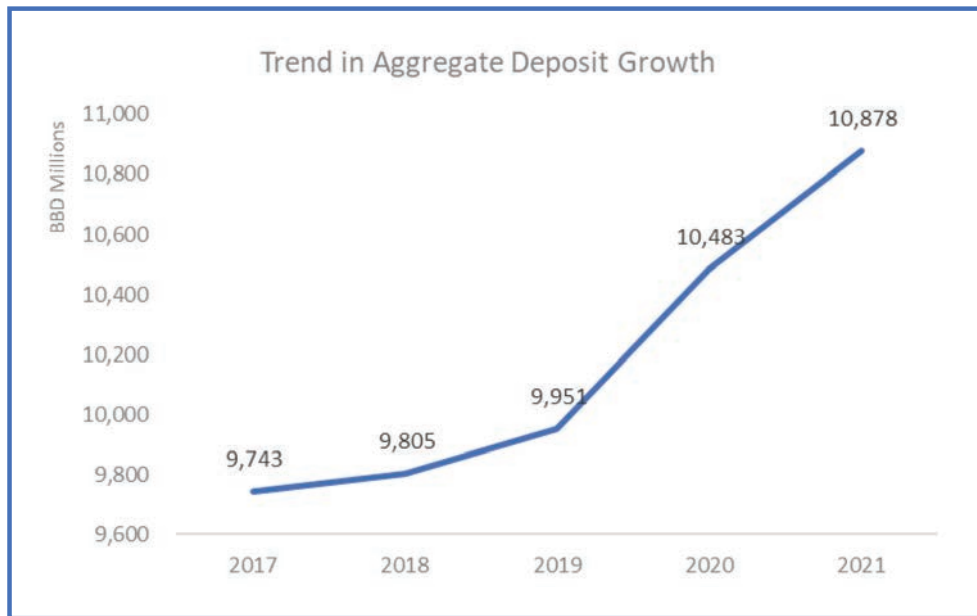
Source: Central Bank of Barbados

OPERATING ENVIRONMENT *Cont'd*

Deposit Base & Liquidity

Deposits remained the primary source of funding for the sector and totaled \$10.88 billion as at December 31st, 2021. Total deposits in the sector increased during 2021 by approximately \$395.41 million or 3.8%. Commercial banks continued to hold the majority of these deposits, accounting for 93.6% of deposits within the sector at December 31st, 2021 compared to 93.4% for the corresponding period in the previous year.

Figure 4. Deposit Growth



Source: Central Bank of Barbados

Profitability

Aggregate net income for the deposit-taking sector for the calendar year 2021 was approximately \$159.91 million, representing an increase from the prior year of \$50.92 million or 46.7%.

The improved financial performance of the deposit-taking sector in 2021 was heavily influenced by the decline in provisions for bad and doubtful debts which fell \$94.18 million or 87.5%. The commercial banking sector recorded net income of \$149.87 primarily attributable to an increase in revenue from fees and commissions payable of \$22.45 million or 20.0%; coupled with a reduction in provisions for bad and doubtful debts of \$93.42 million or 92.9%. The non-bank deposit-taking sector recorded net income of \$10.04 million, representing an increase of \$2.61 million or 2.4% resulting from a decline in operating expenses.

Despite the overall performance of the deposit-taking sector, one commercial bank and one non-bank recorded marginal losses.

Capital Adequacy

The deposit-taking sector remained well capitalised at the end of 2021, with an aggregate Capital Adequacy Ratio (CAR) of 12.0%, representing a decline of 230 basis points. Aggregate CAR for the

OPERATING ENVIRONMENT *Cont'd*

commercial banking sector was 21.1% and ranged from 15.3% to 24.3% while that for the non-bank deposit-taking sector was 10.6%, ranging between 10.4% to 31.2%.

DEPOSIT INSURANCE FUND

Pursuant to Section 24 subsections (1) and (3) of the Deposit Insurance Act 2006-29 (DIA), Member Institutions are required to pay the BDIC a given percentage of their deposit balances as insurance premiums, one half of which is payable on or before the 15th of February each year and the balance on or before July 15th of the following year.

There were no claims on the Fund during the year, and all comprehensive income has boosted fund assets and related investments.

Table 3: Total Estimated Insurable Deposits (\$'000) December 31, 2017 - 2021

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|------------------|-------------------|-------------------|-------------------|------------------|------------------|
| Commercial Banks | 9,940,087 | 9,740,636 | 9,240,053 | 9,084,168 | 8,836,108 |
| Non-banks | 667,555 | 713,576 | 710,860 | 720,379 | 906,843 |
| Total | 10,607,643 | 10,454,212 | 9,950, 913 | 9,804,546 | 9,742,951 |

Table 4: DIF Ratio as at December 31, 2020, and December 31, 2021

| | 2021 | | 2020 | |
|----------------------------------|-----------|------|-----------|------|
| | (\$'000) | (%) | (\$'000) | (%) |
| Commercial Banks | 2,912,184 | 97.0 | 1,908,959 | 95.0 |
| Non-banks | 84,670 | 3.00 | 90,676 | 5.00 |
| Total Estimated Insured deposits | 2,996,855 | 100 | 1,999,635 | 100 |
| Deposit Insurance Fund (*) | 78,799 | - | 69,858 | - |
| DIF Ratio | - | 2.63 | - | 3.49 |

FINANCIAL AND STATISTICAL SUMMARY

Table 5: Summary Revenue and Expense Items for the Last Three Years

| | 2021 | 2020 | 2019 |
|----------------------------------------------------|--------|--------|--------|
| Selected Balance Sheet Items (BD\$ '000) | | | |
| Cash | 20,914 | 14,885 | 9,106 |
| DIF | 78,799 | 69,858 | 61,338 |
| Investments | 58,954 | 55,994 | 53,246 |
| Liabilities | 66 | 27 | 24 |
| Selected Income Statement Items (BD\$ '000) | | | |
| Total Income | 9,337 | 8,922 | 8,521 |
| Premium Income | 5,227 | 5,016 | 4,811 |
| Interest Earned on Investments | 4,110 | 3,906 | 3,709 |
| Operating Expenses | 396 | 402 | 486 |
| Modification loss on investments | - | - | - |
| Total comprehensive (loss)/Income | 8,941 | 8,520 | 8,034 |

Table 6: Members of the Deposit Insurance Fund 2019 - 2021

| | 2021 | 2020 | 2019 |
|-----------------------------------------------------------|------|------|------|
| Commercial Banks (Part II Companies) | 5 | 5 | 5 |
| Domestic Trust and Finance Companies (Part III companies) | 6 | 6 | 6 |
| Total number of Member Institutions | 11 | 11 | 11 |

Commercial Banks (Part II companies)

1. CIBC FirstCaribbean International Bank (Barbados) Ltd.
2. First Citizens Bank (Barbados) Limited
3. RBC Royal Bank (Barbados) Limited
4. Republic Bank (Barbados) Limited
5. Scotiabank (Barbados) Limited

FINANCIAL AND STATISTICAL SUMMARY *Cont'd*

Other Deposit-Taking Institutions (Part III companies)

1. Ascendancy Finance (Barbados) Limited
2. Capita Financial Services Inc.
3. Citicorp Merchant Bank Ltd.
4. Ansa Merchant Bank & Trust (Barbados) Limited
5. RF Merchant Bank & Trust (Barbados) Limited
6. SigniaGlobe Financial Group Inc.

Table 7: Covered Deposits and Deposit Insurance Premiums 2019 - 2021

| Year | Insured Institutions | | | | Premium Revenue ('000) |
|------|----------------------|---------------------|-------------------------------------|------------------------------|------------------------|
| | Type | No. of institutions | Total Eligible Deposits (\$000,000) | Insured Deposits (\$000,000) | |
| | | | (a) | (b) | |
| 2021 | Bank | 5 | 9,940 | 2,912 | 4,970 |
| | Non-Bank | 6 | 668 | 85 | 334 |
| 2020 | Bank | 5 | 9,740 | 1,908 | 4,870 |
| | Non-Bank | 6 | 714 | 90 | 357 |
| 2019 | Bank | 5 | 9,291 | 2,202 | 4,450 |
| | Non-bank | 6 | 739 | 182 | 361 |

Audited
Financial Statements
2021



STEVEN R. PAYNE
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Suite G6, Welches Plaza, Welches, St. Michael, Barbados

Independent Auditors' Report

To the Directors of Barbados Deposit Insurance Corporation

Opinion

We have audited the consolidated financial statements of **Barbados Deposit Insurance Corporation**, which comprise the consolidated statement of financial position as at December 31, 2021, the consolidated statement of changes in equity, the consolidated statement of comprehensive income, the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards for Small and Medium-Sized Entities (IFRS for SMEs).

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 Corporation in accordance with ethical requirements that are relevant to our audit of the financial statements in Barbados, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 for SMEs and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Corporation'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 Corporation or to cease operations, or has no realistic alternative but to do so.

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



Auditors' Responsibilities for the Audit of the 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 financial statements.

A further description of the Auditors' responsibilities for the audit of the financial statements is located at the Institute of Chartered Accountants of Barbados' website at:

https://www.icab.bb/ICAB_Public/Resource_Library/Technical_and_Professional_Matters/Auditing/03_2016_illustrations_of_Auditors_Reports.aspx.

This description forms part of our auditor's report.

Other Matters

This report is made solely to the Directors of Barbados Deposit Insurance Corporation, as a body. To the full extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation and the Corporation's Directors as a body, for our audit work, for this report, or for the opinion we have formed.

.....
Steven R. Payne & Co.
Chartered Accountants

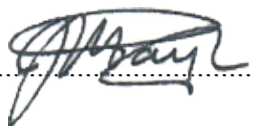
March 28, 2022
St. Michael, Barbados

Barbados Deposit Insurance Corporation
Consolidated statement of financial position as at December 31, 2021
(Expressed in Barbados dollars)

| | Notes | 2021 \$ | 2020 \$ |
|-------------------------------------|----------|--------------------------|--------------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and bank balances | 7 | 20,914,526 | 14,885,184 |
| | | <u>20,914,526</u> | <u>14,885,184</u> |
| Non-current assets | | | |
| Property, plant and equipment | 2(g) & 4 | 4,976 | 5,573 |
| Investment securities | 2(f) & 6 | 58,945,492 | 55,994,511 |
| | | <u>58,950,468</u> | <u>56,000,084</u> |
| Total assets | | <u>79,864,994</u> | <u>70,885,268</u> |
| LIABILITIES AND EQUITY | | | |
| Current liabilities | | | |
| Payables and accruals | | 65,620 | 26,886 |
| Total liabilities | | <u>65,620</u> | <u>26,886</u> |
| Equity | | | |
| Paid up capital | | 1,000,000 | 1,000,000 |
| Deposit Insurance Fund | | 78,799,374 | 69,858,382 |
| | | <u>79,799,374</u> | <u>70,858,382</u> |
| Total liabilities and equity | | <u>79,864,994</u> | <u>70,885,268</u> |

Approved by the Board of Directors on March 28th, 2022, and signed on its behalf by:

DEPUTY
CHAIRMAN.....



DIRECTOR.....



The accompanying notes form part of these consolidated financial statements.

Barbados Deposit Insurance Corporation
Consolidated statement of changes in equity for the year ended
December 31, 2021
(Expressed in Barbados dollars)

| | Paid Up Capital \$ | Deposit Insurance Fund \$ | Total \$ |
|--------------------------------------------|-----------------------------------|----------------------------------------------|---------------------|
| Balance at January 1, 2020 | 1,000,000 | 61,338,242 | 62,338,242 |
| Total comprehensive income for 2020 | - | 8,520,140 | 8,520,140 |
| Balance at December 31, 2020 | 1,000,000 | 69,858,382 | 70,858,382 |
| Total comprehensive income for 2021 | - | 8,940,992 | 8,940,992 |
| Balance at December 31, 2021 | 1,000,000 | 78,799,374 | 79,799,374 |

The accompanying notes form part of these consolidated financial statements.

Barbados Deposit Insurance Corporation
Consolidated statement of comprehensive income for the year ended
December 31, 2021
(Expressed in Barbados dollars)

| | Notes | 2021 \$ | 2020 \$ |
|------------------------------------------------|-------|-------------------------|-------------------------|
| Income | | | |
| Annual premiums | | 5,227,106 | 5,015,513 |
| Interest earned | | 4,110,097 | 3,906,854 |
| Total income | | <u>9,337,203</u> | <u>8,922,367</u> |
| Expenses | | | |
| General and administrative costs | 9 | (392,721) | (399,190) |
| Depreciation | | (3,490) | (3,037) |
| Total expenses | | <u>(396,211)</u> | <u>(402,227)</u> |
| Profit for the year | | <u>8,940,992</u> | <u>8,520,140</u> |
| Other comprehensive income | | <u>-</u> | <u>-</u> |
| Total comprehensive income for the year | | <u>8,940,992</u> | <u>8,520,140</u> |

The accompanying notes form part of these consolidated financial statements.

Barbados Deposit Insurance Corporation
Consolidated statement of cash flows for the year ended
December 31, 2021
(Expressed in Barbados dollars)

| | Notes | 2021 \$ | 2020 \$ |
|-----------------------------------------------------------|-------|--------------------------|--------------------------|
| Cash flows from operating activities: | | | |
| Total comprehensive income for the year | | 8,940,992 | 8,520,140 |
| Adjustments for non-cash items during the year: | | | |
| Depreciation | | 3,490 | 3,037 |
| Interest revenue accrued | | <u>(4,110,097)</u> | <u>(3,906,854)</u> |
| | | 4,834,385 | 4,616,323 |
| Changes in operating assets and liabilities: | | | |
| Increase in current liabilities | | <u>38,734</u> | <u>2,902</u> |
| Net cash generated from operating activities | | <u>4,873,119</u> | <u>4,619,225</u> |
| Cash flows from investing activities: | | | |
| Net increase in investment securities | | (2,950,981) | (2,747,738) |
| Adjustment for interest accrued (not received) | | <u>4,110,097</u> | <u>3,906,854</u> |
| Reduction of investment securities for interest received | | 1,159,116 | 1,159,116 |
| Purchase of property, plant and equipment | | <u>(2,893)</u> | <u>-</u> |
| Net cash generated from investing activities | | <u>1,156,223</u> | <u>1,159,116</u> |
| Increase in cash and cash equivalents for the year | | | |
| | | 6,029,342 | 5,778,341 |
| Cash and cash equivalents - Beginning of year | | <u>14,885,184</u> | <u>9,106,843</u> |
| Cash and cash equivalents - End of year | | <u>20,914,526</u> | <u>14,885,184</u> |
| Cash and cash equivalents comprise: | | | |
| Cash and bank balances | 7 | <u>20,914,526</u> | <u>14,885,184</u> |

The accompanying notes form part of these consolidated financial statements.



STEVEN R. PAYNE
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Suite G6, Welches Plaza, Welches, St. Michael, Barbados

Independent Auditors' Report on The Deposit Insurance Fund To the Directors of Barbados Deposit Insurance Corporation

Opinion

In accordance with Section 15, 1(b) of the Deposit Insurance Act, 2006, we have audited the statement of the **Deposit Insurance Fund** of the Barbados Deposit Insurance Corporation for the year ended December 31, 2021.

In our opinion the statement of the Deposit Insurance Fund presents fairly, in all material respects, the financial position of the Fund as of December 31, 2021, and its financial performance for the year then ended in accordance with International Financial Reporting Standards for Small and Medium-Sized Entities (IFRS for SMEs).

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

Management is responsible for the preparation and fair presentation of the Fund in accordance with International Financial Reporting Standards for Small and Medium-Sized Entities, and for such internal control as management determines necessary to enable the preparation of the Fund that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibilities for the Audit of the Fund

Our objectives are to obtain reasonable assurance about whether the Fund is free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

.....
Steven R. Payne & Co.
Chartered Accountants

March 28, 2022
St. Michael, Barbados

Barbados Deposit Insurance Corporation
Statement of the Deposit Insurance Fund for the year ended
December 31, 2021
(Expressed in Barbados dollars)

| | 2021 | 2020 |
|------------------------------------------------|--------------------------|--------------------------|
| | \$ | \$ |
| Fund balance at beginning of year | 69,858,382 | 61,338,242 |
| Total comprehensive income for the year | <u>8,940,992</u> | <u>8,520,140</u> |
| Fund balance at end of year | <u>78,799,374</u> | <u>69,858,382</u> |

The accompanying notes form part of these consolidated financial statements.

Barbados Deposit Insurance Corporation

Notes to consolidated financial statements

December 31, 2021

(Expressed in Barbados dollars)

1. Incorporation and functions

The Barbados Deposit Insurance Corporation (BDIC) is an independent statutory body established under the Deposit Insurance Act 2006-29, which was proclaimed on June 8, 2007.

The functions of the corporation are:-

- a) To manage the Deposit Insurance Fund and to provide through that Fund, insurance up to the insured limit against the loss on insured deposits.
- b) To levy the initial contributions and premiums in relation to the Fund in accordance with the Act.
- c) To charge any fees necessary for the administration of the Act.
- d) To act as a liquidator or manager of member institutions in accordance with the Act.
- e) To facilitate the reorganization or takeover of a member institution pursuant to the Financial Institutions Act in appropriate circumstances.
- f) To carry out any other function that is necessary for the management of the Fund.

2. Significant accounting policies

a) Basis of preparation

These financial statements have been prepared in accordance with and comply with International Financial Reporting Standards for Small and Medium-Sized Entities (IFRS for SMEs), and have been prepared under the historical cost convention. Adjustments to historical costs are made as considered necessary to capture the value of transactions, having regard to the timing of related cash flows or the effects of terms that deviate from normal business and market conditions.

These financial statements cover activities of BDIC and the Deposit Insurance Fund and the related assets, liabilities, and operating results of the entity. Though the entities share no Parent/Subsidiary relationship or inter-locking equity interest in each other, consolidation is influenced by the close management and control exercised by the Corporation in carrying out its mandate to provide deposit protection insurance through the Fund, on behalf of the banking and finance sub-sector.

Barbados Deposit Insurance Corporation
Notes to consolidated financial statements
December 31, 2021
(Expressed in Barbados dollars)

2. Significant accounting policies (continued)

b) Use of estimates

The preparation of financial statements in conformity with IFRS for SMEs requires management to make policies and influence assumptions on which judgement is made on projections and estimates of related financial statement items and the timing of their disclosure. Although these estimates may be based on reasonable judgement and management's knowledge of current events, actual results could differ and the resulting variances may be material.

c) Premium income

Premiums are determined on the basis of applicable rates levied on average deposits held by member institutions at the end of each of the four quarters of the preceding calendar year. Premium income is recognized on the accrual basis and settlement terms for receipt of premiums require that members make two equal installments on February 15 and July 15 each year.

d) Cash and cash equivalents

Cash and cash equivalents consist of highly liquid investments with original maturities of twelve months or less and are carried in the statement of financial position at cost. For the purpose of the statement of cash flows, cash and cash equivalents comprise cash and bank balances.

e) Payables and accruals

Trade and other payables are stated at historical cost.

Barbados Deposit Insurance Corporation

Notes to consolidated financial statements

December 31, 2021

(Expressed in Barbados dollars)

2. Significant accounting policies (continued)

f) Investment securities

The Model adopted by the Corporation for Fund Investments involves:

- Holding financial assets to maturity, other than in exceptional circumstances in which disposal can be justified; and
- Relying on cash flows from interest and principal in the furtherance of deposit insurance objectives.

Such assets are not held for resale.

The Portfolio comprises financial assets arising from non-derivative financial instruments, primarily in Government of Barbados Debt Securities. When the Corporation becomes a party to the contractual provisions of a debt instrument it is measured at the transaction price. At subsequent reporting dates the instrument is measured at amortised cost using the effective interest rate method.

Under the amortised cost basis, the amount measured at initial recognition is adjusted for any reductions for impairment or un-collectability.

An impairment gain or loss reflects the difference between the asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. Impairment effects are included within the profit or loss component of the Statement of Comprehensive Income.

g) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation. Depreciation is provided on a straight-line basis at rates calculated to write off the cost of the assets over their estimated useful lives. The rates used are as follows:-

| | |
|---------------------|-------|
| Fixtures & fittings | - 10% |
| Office equipment | - 15% |
| Computer equipment | - 25% |

Carrying values are reviewed periodically to ascertain whether they are materially different from impaired value of the assets.

Barbados Deposit Insurance Corporation
Notes to consolidated financial statements
December 31, 2021
(Expressed in Barbados dollars)

2. Significant accounting policies (continued)

h) Interest earned

Interest earned is recognized in the statement of comprehensive income for all interest bearing instruments on an accrual basis.

i) Comparative information

Where necessary, certain comparative figures have been reclassified to conform to the current presentation.

j) Risk management

The corporation might be exposed to certain risks, classified as follows:-

- i) Insurance risks – the risks of loss associated with insuring deposits, including costs incurred in the event of an intervention in a failed or failing institution.
- ii) Credit risks – the risks arising from a failure by counter parties to honour their obligation causing a reduction of the amount of future cash inflows from financial assets on hand at the statement of financial position date.
- iii) Financial risks – the risks associated with managing the assets and liabilities of the Corporation, including those that appear on and off the statement of financial position.
- iv) Operational risks – the risks of loss resulting from inadequate or failed internal processes, people or systems, or from external events.
- v) Reputation risks – the risks of an event significantly affecting stakeholders’ perceived trust and confidence in the corporation, and which could result in financial or other loss to the corporation.

The BDIC Act establishes a Board of Directors, which is responsible for an appropriate governance structure for the management of such risks.

Barbados Deposit Insurance Corporation

Notes to consolidated financial statements

December 31, 2021

(Expressed in Barbados dollars)

2. Significant accounting policies (continued)

k) Contingent liabilities

A contingency is acknowledged when in management's judgement, an exposure is reasonably determinable with respect to a past event, commitment or contractual arrangement prior to or as of the current reporting date, and where the said exposure is not a direct liability of the Corporation at the latter date.

Management will exercise discretion as to disclosure of information pertaining to contingencies or as-yet-un-asserted claims which fall to be settled beyond the current reporting period.

The Board has determined that there are no contingency exposures worthy of Note disclosure at the current reporting date.

3. Taxation and Insurance Legislation

The Corporation and its managed Funds are exempt from the payment of corporation tax, stamp duty or any other impost and also from the provisions of the Insurance Act.

4. Property, plant and equipment

| | 2021 | 2020 |
|---------------------------------|---------------------|---------------------|
| | \$ | \$ |
| Cost | 122,751 | 119,859 |
| Accumulated depreciation | <u>(117,775)</u> | <u>(114,286)</u> |
| Net Book Value | <u>4,976</u> | <u>5,573</u> |

5. Central Bank of Barbados

A current account is maintained with the Central Bank to which is charged the cost of goods and services provided to the Barbados Deposit Insurance Corporation by the bank.

Barbados Deposit Insurance Corporation
Notes to consolidated financial statements
December 31, 2021
(Expressed in Barbados dollars)

6. Investment securities

In September of 2018, several financial instruments previously issued by the Government of Barbados were replaced by a single Series D Bond of equivalent face value but with revised terms, affecting repayment of principal and interest thereon. The Corporation adjusted Gross Carrying Amount (GCA) of its bond investment at amortized cost, having regard to the related effective interest rate (7.1%) and the prospective cash flows of the Series D Bond. This resulted in a restated GCA of \$50,598,400 and a modification loss of \$26,675,993 at date of debt restructuring. Further information on the investment is provided hereunder:

i. Continuity of Series D Bond

| | 2021 | 2020 |
|---------------------------------------------|--------------------------|--------------------------|
| | \$ | \$ |
| Gross Carrying Amount, start of year | <u>55,994,511</u> | <u>53,246,773</u> |
| Activity during the year: | | |
| Interest accrued on investments | 4,110,097 | 3,906,854 |
| Interest received | <u>(1,159,116)</u> | <u>(1,159,116)</u> |
| | <u>2,950,981</u> | <u>2,747,738</u> |
| Gross Carrying Amount, end of year | <u>58,945,492</u> | <u>55,994,511</u> |

Barbados Deposit Insurance Corporation
Notes to consolidated financial statements
December 31, 2021
(Expressed in Barbados dollars)

6. Investment securities continued

ii. Maturity Characteristics of Series D Bond

| Five (5) - Year Settlement Periods | Prospective Contractual flows | |
|------------------------------------------|----------------------------------|-------------------|
| | 2021 | 2020 |
| | \$ | \$ |
| 2019 - 2023 | 4,834,300 | 4,834,300 |
| 2024 - 2028 | 9,581,070 | 9,581,070 |
| 2029 - 2033 | 9,469,030 | 9,469,030 |
| 2034 - 2038 | 12,562,000 | 12,562,000 |
| 2039 - 2043 | 7,600,000 | 7,600,000 |
| 2044 - 2048 | 4,200,000 | 4,200,000 |
| 2049 - 2053 | 2,352,000 | 2,352,000 |
| | <u>50,598,400</u> | <u>50,598,400</u> |

Barbados Deposit Insurance Corporation
Notes to consolidated financial statements
December 31, 2021
(Expressed in Barbados dollars)

7. Cash and bank balances

| | 2021 | 2020 |
|--------------------------|--------------------------|--------------------------|
| | \$ | \$ |
| Central Bank of Barbados | 20,914,230 | 14,884,859 |
| Cash on hand | <u>296</u> | <u>325</u> |
| | <u>20,914,526</u> | <u>14,885,184</u> |

8. Paid up capital

Under Section 13, (1) of the Deposit Insurance Act, 2006, the capital of the corporation shall be a sum of not less than \$1,000,000 which shall be subscribed by the Central Bank.

9. General and administrative costs

| | 2021 | 2020 |
|---------------------|-----------------------|-----------------------|
| | \$ | \$ |
| Directors fees | 48,000 | 52,800 |
| Employment expenses | 131,609 | 124,120 |
| Professional fees | 20,563 | 25,909 |
| Other expenses | <u>192,549</u> | <u>196,361</u> |
| | <u>392,721</u> | <u>399,190</u> |

10. Subsequent events

Management has reviewed events in the post-balance sheet period and has determined that no developments have occurred that warrant retrospective adjustments to the financial statements or Note disclosure at the current reporting date.

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