

ANNUAL
REPORT
2020



Letter of Transmittal

30th September 2021

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 2020.

Yours sincerely



James M. Payne
Deputy Chairman

Table of Contents

Letter Of Transmittal	1
Mandate And Goals Of The BDIC	4
Abbreviations	5
Glossary Of Term	6
Deposit Insurance	8
General Report On The Discharge Of The Corporation's Functions	9
Corporate Information	10
Operating Environment	14
Financial And Statistical Summary	20
Independent Auditors' Report	23

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 TERM *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 ON THE DISCHARGE OF THE CORPORATION'S FUNCTIONS



The year was marked by continued dislocation attributable to the COVID-19 Health scare which impacted normal events and developments throughout the economy. The dampening effects were evident in the unprecedented rate of unemployment, business activity, and income generating opportunities, altering or otherwise frustrating economic and social progress in virtually every sector. Suspension of school openings, the incidence of restrictions on gatherings to expedite routine affairs, and the necessity of measures to limit person-on-person contact were perennial features of the societal landscape.

BDIC felt this pervasive force not only in the reduced volume of interactions affecting its various stakeholders, but particularly in the sense of the impaired ability to pursue many of the initiatives that were charted to guide corporate activity. Of particular concern has been our inability to fill the position of CEO and to complete various rationalisations of an Investment Policy in the interest of the Funds under the Corporation's control. Pursuit of these initiatives has extended into the year 2021.

In the meantime, BDIC discharged its Statutory functions in pursuit of its Mandate to provide Insurance Protection in respect of deposits at Member Institutions in the Banking and Finance Sector. The long-awaited extension of these functions to deposits at Credit Unions did not materialize during the year, and arrangements to achieve this end are still in progress. The Board exercised its vigil over the affairs of the Corporation, through regular and virtual meetings, round robin communications and interface with Operational management in the normal course of business.

Our relationships with our Regional and International counterparts in the area of Deposit Insurance continued amidst the turmoil of COVID -19 and we are excited by the prospect of an improved framework to take us forward in the coming years.

A handwritten signature in black ink, appearing to read 'J. Payne', written in a cursive style.

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.

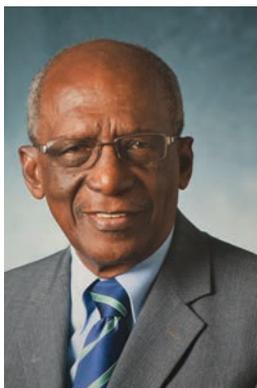
BOARD OF DIRECTORS

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 2020



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. At present Justice Inniss is the President of Parent Education for Development in Barbados, (PAREDOS), and Chairman of the Financial Services Commission Appeals Tribunal.

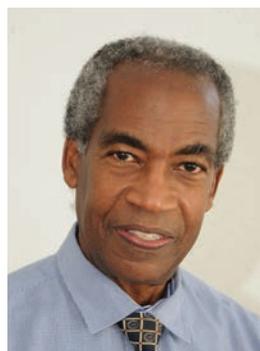
CORPORATE INFORMATION *Cont'd*



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.



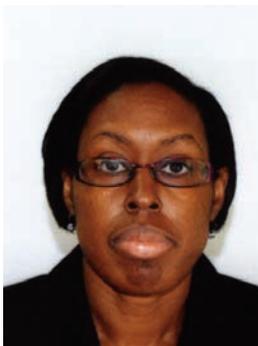
John Jones
Director

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

	2016	2017	2018	2019	2020
GDP Growth Rate (%)	2.6	0.6	-0.5	-1.3	-18.0
Inflation Rate (%)	1.5	4.5	3.7	4.1	3.0
Average Unemployment Rate (%)	11.3	10.0	10.1	10.1	13.6
Gross Public Sector Debt/GDP (%)	99.9	148.4	125.4	118.0	142.3
Gross International Reserves (BDS \$M)	639.8	411.3	999.6	1,481.0	2,660.7
	2016/17	2017/18	2018/19	2019/20p	2020/21
Fiscal Balance to GDP (%)	-5.3	-4.6	-0.3	3.6	-5.0

p – Provisional

Source: The Central Bank of Barbados' Review of Economic Performance: January to March 2021

Table 2: Selected Prudential Ratios

Commercial Banks	2016	2017	2018	2019	2020
Solvency Indicators					
Capital Adequacy Ratio (CAR)	17.0	17.0	13.8	13.5	16.0
Liquidity Indicators					
Loan to deposit ratio (%)	63.7	64.4	63.0	61.7	57.1
Liquid assets, % of total assets	31.5	29.7	21.4	23.1	25.2
Credit Risk Indicators (%)					
Total assets (growth rate)	3.7	1.3	(6.0)	1.3	2.4
Non-performing loans ratio	8.6	7.7	7.4	6.6	7.3
Profitability Indicators					
Return on Average Assets (12-month)	1.5	1.3	(0.2)	0.7	0.8

Source: Central Bank of Barbados

OPERATING ENVIRONMENT *Cont'd*

Table 3: Selected Prudential Ratios (cont'd)

Non-Banks	2016	2017	2018	2019	2020
Solvency Indicator					
Capital Adequacy Ratio (percent)	36.2	38.8	21.8	18.6	19.0
Liquidity indicators					
Loan to deposit ratio (percent)	110.0	104.1	98.2	99.1	103.0
Liquid assets, percent of total assets	14.7	16.6	11.6	10.8	10.6
Credit Risk Indicators					
Asset Growth	(6.8)	2.4	(35.4)	(2.0)	(0.5)
Non-performing Loans Ratio (percent)	9.5	9.4	8.4	11.3	11.7
Profitability Indicators					
Return on Average Assets (12-month)	1.4	1.2	(0.4)	1.7	0.7

Source: Central Bank of Barbados

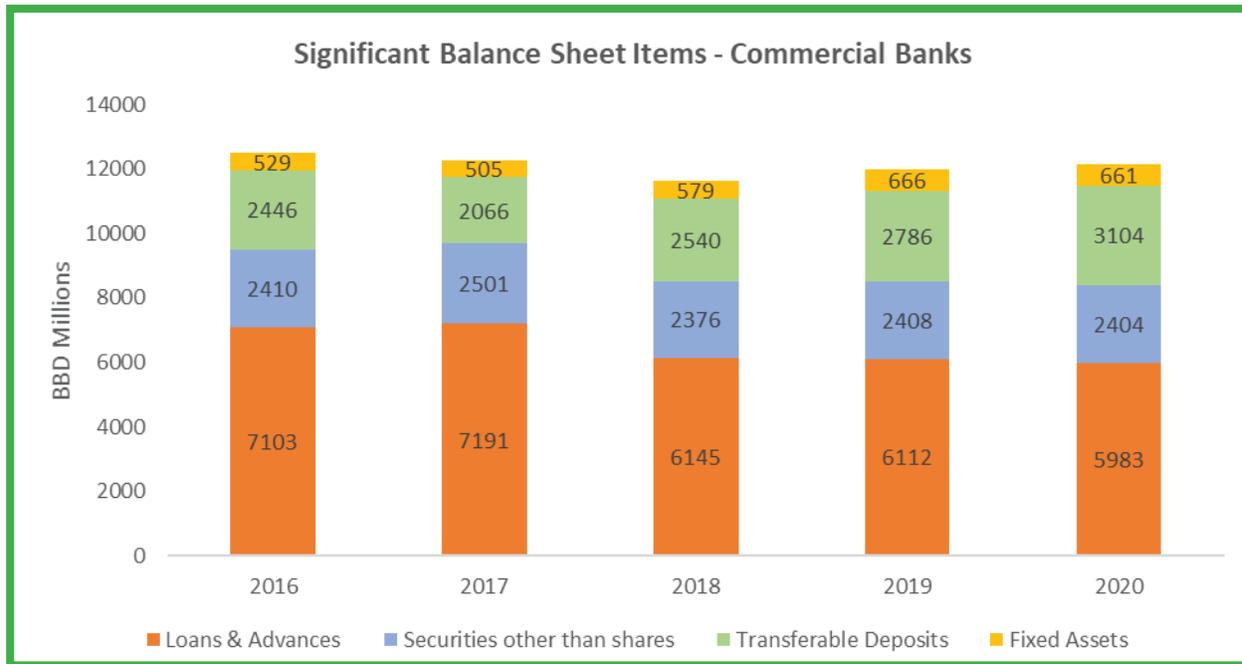
Asset Growth and Composition

During 2020, total assets of the deposit-taking institutions stood at \$14.24 billion, an increase of \$0.30 billion, which represented a rise of 2.2%. Commercial banks continued to be the dominant segment as they held \$13.25 billion of total assets, which was equivalent to a market share of 93.0%.

The commercial banks registered asset growth of 2.4%, while the non-banks experienced a contraction of 0.5%. Figures 1 & 2 below illustrate the significant asset items held by both deposit-taking market segments and their movement over the last five (5) years.

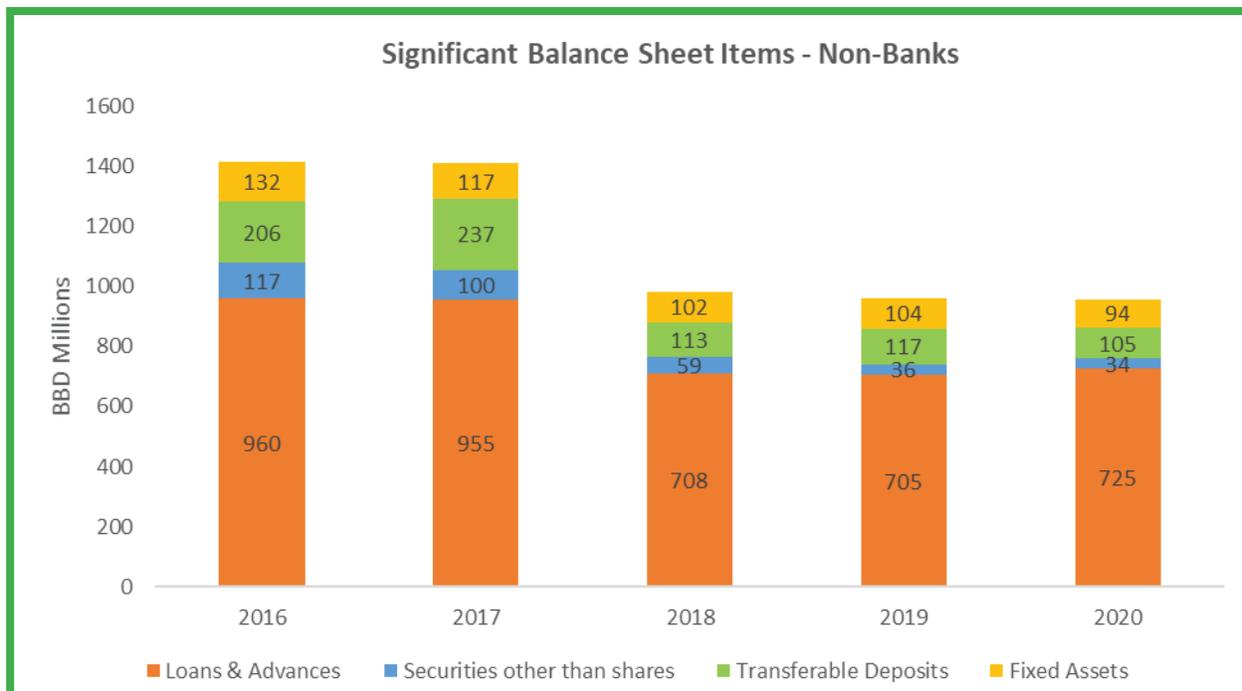
OPERATING ENVIRONMENT *Cont'd*

Figure 1. Major Asset Composition of Commercial Banks as at December 31, 2020



Source: Central Bank of Barbados

Figure 2. Major Asset Composition of Non-Banks as at December 31, 2020



Source: Central Bank of Barbados

OPERATING ENVIRONMENT *Cont'd*

Loans & Advances remained the principal asset, accounting for 47.1% of the combined assets of both segments, despite an overall decline of 1.6% from December 2019. The non- bank sector achieved loan growth of 2.8%, while the commercial banks saw a falloff in lending of 2.1%. Transferable deposits remained the second largest asset allocation, accounting for 22.5% of total assets.

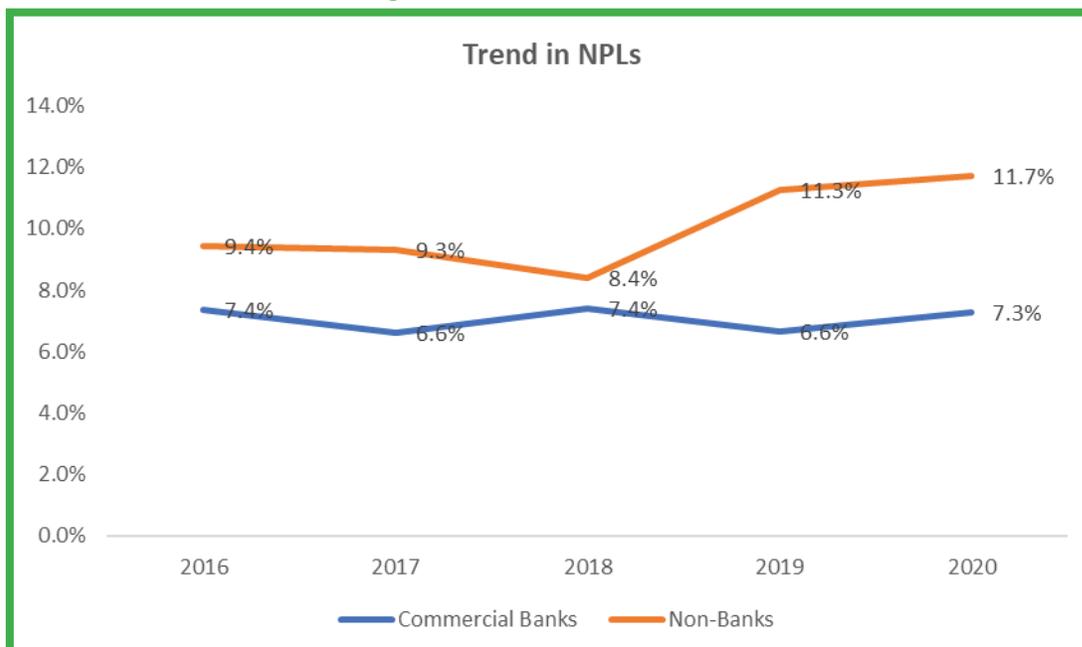
Asset Quality

The effects of the protracted closures in the hotel sector in 2020 were felt particularly in the wholesale, retail, and business services sectors, which reported significant dampening of demand. This also spilled over to the labour market where there was a surge in unemployment claims, as business firms sought to contain costs by reducing employment and/or introducing shorter working hours.

These circumstances contributed to a deterioration in asset quality in the deposit taking sector, as measured by the non-performing loan (NPL) ratio. Aggregate NPLs rose by 7.2% to \$0.52 billion, and constituted 7.7% of aggregate loans, an increase of 60 basis points. Figure 3 depicts the trend in NPLs in each segment.

With respect to the commercial banks, NPLs increased by 7.3% to \$0.44 billion and were reflected mainly in the distribution sector and personal lending. Among the non-banks, where the preponderance is towards personal loans, NPLs climbed by 6.4%.

Figure 3. Trend in NPL Ratios



Source: Central Bank of Barbados

OPERATING ENVIRONMENT *Cont'd*

Deposit Base and Liquidity

Aggregate deposits stood at \$11.19 billion as at December 31, 2020, a growth of \$0.56 billion or 5.3%, and remained the primary source of funding for the sector. Deposits at commercial banks drove this increase, as their deposit base grew by 5.9% to reach \$10.49 billion, accounting for 93.7% of the aggregate deposits, compared to 93.2% as at December 31, 2019. Conversely, the non-banks, which only offer time deposits, recorded a decline of 2.9% to total \$0.70 billion. Figure 4 outlines the trend in aggregate deposit growth over the last five (5) years.

Figure 4. Deposit Growth



Source: Central Bank of Barbados

The increase in aggregate deposits, combined with the reduction in overall lending, served to boost liquidity within the deposit taking sector, as measured by the loans-to-deposits ratio (LDR). LDR improved to 60.0% compared with 64.2% at the prior year end.

The expansion in liquidity was led by the commercial banks, with an LDR of 57.1% as at December 31, 2020, up from 61.7% recorded last year.

Profitability

For the year ending December 31, 2021, the deposit-taking sector recorded an aggregate net income of \$109.27 million representing an increase of 3.3% or \$3.53 million year-on-year. This was primarily attributed to the decline in tax expense of 95.8% or \$132.79 million and a reduction in other administrative expenses of 17.8% or \$54.13 million. Notwithstanding an overall decline in total revenue of 7.8% or \$59.16 million, the sharp reduction in tax expense resulted from a combination of deferred tax assets recognised by some licensees during the year and the reduction in the tax rate from 30% to 5.5%. Nevertheless, ROA for the sector remained unchanged year-on-year at 0.8%.

The commercial banking sector recorded a net income of \$102.07 million for the period, representing an increase of 12.8% or \$11.56 million year-on-year, driven by the reduction in tax expense of 97.1% or \$133.62 million and other administrative expenses of 19.2% of \$55.35 million. The largest contributors to the profitability in the commercial banking sector were BNS, FCIB and RBC recording profits of

OPERATING ENVIRONMENT *Cont'd*

\$28.47 million, \$28.49 million and \$29.04 million respectively. Despite the increased profitability, the ROA improved only marginally by 0.1 percentage points to 0.8% year-on-year due to the 2.2% or \$280.64 million increase in average assets.

The non-bank deposit taking sector recorded a net income for the period of \$7.20 million compared to \$15.23 million for the corresponding period in the previous year and representing a substantial reduction of 52.7% or \$8.03million. This reduction resulted from an increase in operating expenses year-on-year by 6.5% or \$1.84 million combined with a 25.8% or \$8.76 million decline in non-interest income. All licensees were profitable for the period except Citicorp (in the process of voluntary winding up) which recorded a net loss of \$1.84 million. However, SGFGI was the main driver of profitability for the sector, recording net income of \$5.72 million or 79.4% of the sector's profits. Given the significant reduction in profitability, the ROA for the non-bank deposit taking sector fell to 0.7%, compared to 1.7% for the corresponding period in the previous year.

Capital Adequacy

Licensees remained well capitalised as at December 31, 2020, measured by the capital adequacy ratios (CAR). CAR across the commercial banking sector ranged from 15.1% to 24.6% compared to 14.8% to 22.2% as at December 2019. CAR for the non-bank deposit-taking sector also remained above the regulatory minimum at the end of the period and ranged from 13.1% to 30.6% compared to 12.4% to 29.1% at December 2019.

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, 2016 - 2020

	2020	2019	2018	2017	2016	2015
Commercial Banks	9,740,636	9,240,053	9,084,168	8,836,108	8,821,499	8,481,501
Non-banks	713,576	710,860	720,379	906,843	873,371	993,114
Total	10,454,212	9,950,913	9,804,546	9,742,951	9,694,870	9,474,615

OPERATING ENVIRONMENT *Cont'd*

Table 4: DIF Ratio as at December 31, 2019 and December 31, 2020

	2020		2019	
	(\$'000)	(%)	(\$'000)	(%)
Commercial Banks	1,908,959	95.0	2,202,788	92.3
Non-banks	90,676	5.00	182,485	7.65
Total Estimated Insured deposits	1,999,635	100	2,385,273	100
Deposit Insurance Fund (*)	69,858	-	61,338	-
DIF Ratio	-	3.49	-	2.57

FINANCIAL AND STATISTICAL SUMMARY

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

	2020	2019	2018
Selected Balance Sheet Items (BDS\$ '000)			
Cash	14,885	9,106	3,726
DIF	69,858	61,338	53,304
Investments	55,994	53,246	50,598
Liabilities	27	24	26
Selected Income Statement Items (BDS\$ '000)			
Total Income	8,922	8,521	9,039
Premium Income	5,016	4,811	4,736
Interest Earned on Investments	3,906	3,709	4,302
Operating Expenses	402	486	567
Modification loss on investments	-	-	26,676
Total comprehensive (loss)/Income	8,520	8,034	(18,204)

FINANCIAL AND STATISTICAL SUMMARY *Cont'd*

Table 6: Members of the Deposit Insurance Fund 2018 - 2020

	2020	2019	2018
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. The Bank of Nova Scotia

Other Deposit-Taking Institutions (Part III companies)

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

Table 7: Covered Deposits and Deposit Insurance Premiums 2018 - 2020

Year	Insured Institutions				Premium Revenue ('000)
	Type	No. of institutions	Total Eligible Deposits (\$000,000)	Insured Deposits (\$000,000)	
			(a)	(b)	
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
2018	Bank	5	9,084	1,874	4,320
	Non-bank	6	722	97	416

Audited
Financial Statements
2020



STEVEN R. PAYNE
BSc (Accts. and Econ.), FCCA, CA

 (246) 624-8167  (246) 624-8436  steven@srpandco.com
 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, 2020, 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, 2020, 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.

Steven R Payne & Co.

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

August 17, 2021
St. Michael, Barbados

Barbados Deposit Insurance Corporation
Consolidated statement of financial position as at December 31, 2020
(Expressed in Barbados dollars)

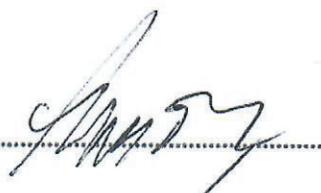
	Notes	2020 \$	2019 \$
ASSETS			
Current assets			
Cash and bank balances	7	14,885,184	9,106,843
		<u>14,885,184</u>	<u>9,106,843</u>
Non-current assets			
Property, plant and equipment	2(g) & 4	5,573	8,610
Investment securities	2(f) & 6	55,994,511	53,246,773
		<u>56,000,084</u>	<u>53,255,383</u>
Total assets		<u>70,885,268</u>	<u>62,362,226</u>
LIABILITIES AND EQUITY			
Current liabilities			
Payables and accruals		26,886	23,984
Total liabilities		<u>26,886</u>	<u>23,984</u>
Equity			
Paid up capital		1,000,000	1,000,000
Deposit Insurance Fund		69,858,382	61,338,242
		<u>70,858,382</u>	<u>62,338,242</u>
Total liabilities and equity		<u>70,885,268</u>	<u>62,362,226</u>

Approved by the Board of Directors on August 17, 2021, 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, 2020
(Expressed in Barbados dollars)

	Paid Up Capital \$	Deposit Insurance Fund \$	Total \$
Balance at January 1, 2019	1,000,000	53,304,106	54,304,106
Total comprehensive income for 2019	-	8,034,136	8,034,136
Balance at December 31, 2019	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

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, 2020
(Expressed in Barbados dollars)

	Notes	2020 \$	2019 \$
Income			
Annual premiums		5,015,513	4,811,303
Interest earned		3,906,854	3,709,670
Total income		<u>8,922,367</u>	<u>8,520,973</u>
Expenses			
General and administrative costs	9	(399,190)	(483,383)
Depreciation		(3,037)	(3,454)
Total expenses		<u>(402,227)</u>	<u>(486,837)</u>
Profit for the year		<u>8,520,140</u>	<u>8,034,136</u>
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u>8,520,140</u>	<u>8,034,136</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, 2020
(Expressed in Barbados dollars)

	Notes	2020 \$	2019 \$
Cash flows from operating activities:			
Total comprehensive income for the year		8,520,140	8,034,136
Adjustments for non-cash items during the year:			
Depreciation		3,037	3,454
Interest revenue accrued		(3,906,854)	(3,709,670)
		<u>4,616,323</u>	<u>4,327,920</u>
Changes in operating assets and liabilities:			
Increase/(decrease) in current liabilities		<u>2,902</u>	<u>(1,934)</u>
Net cash from operating activities		<u>4,619,225</u>	<u>4,325,986</u>
Cash flows from investing activities:			
Purchase of property, plant and equipment		-	(6,633)
Interest received		<u>1,159,116</u>	<u>1,159,116</u>
Net cash from investing activities		<u>1,159,116</u>	<u>1,152,483</u>
Increase in cash and cash equivalents for the year			
		5,778,341	5,478,469
Cash and cash equivalents - Beginning of year		<u>9,106,843</u>	<u>3,628,374</u>
Cash and cash equivalents - End of year		<u>14,885,184</u>	<u>9,106,843</u>
Cash and cash equivalents comprise:			
Cash and bank balances	7	<u>14,885,184</u>	<u>9,106,843</u>

The accompanying notes form part of these consolidated financial statements.



STEVEN R. PAYNE
BSc (Accts. and Econ.), FCCA, CA

(246) 624-8167 (246) 624-8436 steven@srpandco.com

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, 2020.

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, 2020, 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

August 17, 2021
St. Michael, Barbados

Barbados Deposit Insurance Corporation
Statement of the Deposit Insurance Fund for the year ended
December 31, 2020
(Expressed in Barbados dollars)

	2020	2019
	\$	\$
Fund balance at beginning of year	61,338,242	53,304,106
Total comprehensive income for the year	<u>8,520,140</u>	<u>8,034,136</u>
Fund balance at end of year	<u>69,858,382</u>	<u>61,338,242</u>

The accompanying notes form part of these consolidated financial statements.

Barbados Deposit Insurance Corporation

Notes to consolidated financial statements

December 31, 2020

(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, 2020

(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, 2020

(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 uncollectibility.

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, 2020

(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 BIDC 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, 2020

(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

	2020	2019
	\$	\$
Cost	119,859	119,859
Accumulated depreciation	<u>(114,286)</u>	<u>(111,249)</u>
Net Book Value	<u>5,573</u>	<u>8,610</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, 2020

(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

	2020	2019
	\$	\$
Gross Carrying Amount, start of year	<u>53,246,773</u>	<u>50,598,400</u>
Activity during the year:		
Interest accrued on investments	3,906,854	3,807,489
Interest received	<u>(1,159,116)</u>	<u>(1,159,116)</u>
	<u>2,747,738</u>	<u>2,648,373</u>
Gross Carrying Amount, end of year	<u>55,994,511</u>	<u>53,246,773</u>

Barbados Deposit Insurance Corporation
Notes to consolidated financial statements
December 31, 2020
(Expressed in Barbados dollars)

6. Investment securities continued

ii. Maturity Characteristics of Series D Bond

Five (5) - Year Settlement Periods	Prospective Contractual flows	
	2020	2019
	\$	\$
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
	50,598,400	50,598,400

Barbados Deposit Insurance Corporation

Notes to consolidated financial statements

December 31, 2020

(Expressed in Barbados dollars)

7. Cash and bank balances

	2020	2019
	\$	\$
Central Bank of Barbados	14,884,859	9,106,343
Cash on hand	325	500
	<u>14,885,184</u>	<u>9,106,843</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

	2020	2019
	\$	\$
Directors fees	52,800	52,800
Employment expenses	124,120	201,579
Professional fees	25,909	25,662
Other expenses	196,361	203,342
	<u>399,190</u>	<u>483,383</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.

Barbados Deposit Insurance Corporation
5th Floor Tom Adams Financial Centre
Bridgetown, Barbados
Phone: 1 246 435 2663 • Fax: 1 246 435 2545
Website: <http://www.bdic.org.bb>
E-mail: safety@bdic.org.bb