

THESE LISTING PARTICULARS HAVE BEEN PREPARED SOLELY FOR THE PURPOSES OF ADMITTING THE SECURITIES TO LISTING ON THE LUXEMBOURG STOCK EXCHANGE AND TRADING ON THE EURO MTF MARKET

LISTING PARTICULARS

dated 18 December 2019

of

The Government of Barbados

(the “Issuer”)

relating to its

U.S.\$530,595,100.00 aggregate principal amount of 6.500% bonds due 2029 (the “2029 Bonds”) and U.S.\$32,481,500.00 aggregate principal amount of 6.500% bonds due 2021 (the “PDI Bonds” and together with the 2029 Bonds, the “New Bonds”)

Issue Price of New Bonds: 100 per cent.

On 11 December 2019, the Issuer issued the 2029 Bonds and the PDI Bonds pursuant to a trust deed entered into on 11 December 2019 between the Issuer and The Bank of New York Mellon as trustee. The New Bonds were issued in connection with certain invitations and consent solicitations announced by the Issuer on 5 November 2019 (the “**Exchange Offer**”).

A notice relating to the results of the Exchange Offer is attached as Annex A. Certain information relating to New Bonds, including the terms and conditions, risk factors, and important notices relating to eligible offerees and resale restrictions are included in each of the invitation memoranda relating to the Exchange Offer annexed to these Listing Particulars as Annex B through Annex F (the “**Invitation Memoranda**”).

2029 Bonds

Rule 144A Debt Security Codes:

ISIN:	US067070AH54
Common Code:	209377349
CUSIP:	067070 AH5

Regulation S Debt Security Codes:

ISIN:	USP48864AQ80
Common Code:	209377381
CUSIP:	P48864 AQ8

PDI Bonds

Rule 144A Debt Security Codes:

ISIN:	US067070AJ11
Common Code:	209377420
CUSIP:	067070 AJ1

Regulation S Debt Security Codes:

ISIN:	USP48864AR63
Common Code:	209377438
CUSIP:	P48864 AR6

The New Bonds have not been, and will not be, registered under the U.S. Securities Act of 1933 (as amended, the “**Securities Act**”) or the securities laws of any other jurisdiction. Unless they are registered, the New Bonds may be offered only in transactions that are exempt from registration under the Securities Act or the securities law of any other jurisdiction. Accordingly, the New Bonds are being offered only to: (i) “qualified institutional buyers” pursuant to Rule 144A under the Securities Act or (ii) persons outside the United States in reliance on Regulation S of the Securities Act that, if located within a member state of the European Economic Area, are “qualified investors” as defined in Regulation (EU) 1129/2017 (the “**Prospectus Regulation**”). For further details about eligible offerees and resale restrictions, see “Notice to Investors” in the relevant Invitation Memoranda.

The New Bonds will be listed on the Luxembourg Stock Exchange and admitted to trading on the Euro MTF market. Luxembourg Stock Exchange’s approval of the New Bonds is only provided on the parts of the Invitation Memoranda relating to the issuance of the New Bonds and their listing and admission to trading. These Listing Particulars constitute a prospectus for the purposes of Part IV of the Luxembourg law on prospectuses for securities dated 16 July 2019. These Listing Particulars do not constitute a prospectus within the meaning of the Prospectus Regulation and no such prospectus has been or will be prepared in connection with the New Bonds.

Among other indebtedness, securities with the following ISINs were listed on the Luxembourg Stock Exchange prior to the exchange: USP48864AC94, USP48864AD77 and USP48864AF26.

The issuance of the New Bonds was authorised pursuant to Resolution No.22/2019 under section 3(1) of the External Loan Act, Cap. 94D.

The Issuer accepts responsibility for the information contained in the Listing Particulars. To the best of the knowledge of the Issuer, which has taken all reasonable care to ensure that such is the case, the information contained in the Listing Particulars is in accordance with the facts and does not omit anything likely to affect the import of such information.

Issuer LEI: 529900UD1KUUS4SFD905

ANNEX A

NOT FOR DISTRIBUTION IN OR INTO OR TO ANY PERSON LOCATED OR RESIDENT IN ANY JURISDICTION WHERE THE DISTRIBUTION OF THIS DOCUMENT WOULD BE UNLAWFUL. THESE MATERIALS ARE NOT AN OFFER FOR SALE OF THE SECURITIES IN THE UNITED STATES. SECURITIES MAY NOT BE SOLD IN THE UNITED STATES ABSENT REGISTRATION OR AN EXEMPTION FROM REGISTRATION UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED. THE GOVERNMENT OF BARBADOS DOES NOT INTEND TO REGISTER ANY PORTION OF THE SECURITIES OFFERING IN THE UNITED STATES OR TO CONDUCT A PUBLIC OFFERING OF SECURITIES IN THE UNITED STATES. NOT FOR DISTRIBUTION IN THE UNITED STATES.



MINISTRY OF FINANCE, ECONOMIC AFFAIRS & INVESTMENT

Press Release

For Immediate Release

29 November 2019

Barbados announces results of its Exchange Offer for its US Dollar-Denominated Commercial Debt

Bridgetown, Barbados:

The Government of Barbados (the “**Government**”) announced today the results of the relevant invitations and consent solicitations announced on 5 November 2019 in respect (a) three series of English law-governed U.S. dollar bonds issued by the Government in an aggregate principal amount of U.S.\$540 million, (b) certain Barbados law-governed U.S. dollar bonds issued by the Barbados Transport Board, Barbados Agricultural Management Co. Ltd and the Government and (c) a U.S.\$225 million credit agreement.

The English Law Bond Invitation

The 2021 Eurobonds

The Government has received consents or tenders for exchange from holders of approximately U.S.\$133,072,000.00 face amount of English law-governed 7.25% bonds due 2021 issued by the Government, representing 88.71% of the outstanding bonds. At the bondholder meeting, 99.20% of the votes cast thereon approved the relevant extraordinary resolutions. The Government has confirmed that it intends to accept the consents received and the extraordinary resolutions have therefore become binding on all holders of such bonds. The settlement of the new bonds and delivery of cash consideration is scheduled to occur on 11 December 2019, subject to the

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pending distribution arrangement as described in the invitation memorandum relating to such bonds.

The 2022 Eurobonds

The Government has received consents or tenders for exchange from holders of approximately U.S.\$186,331,000.00 face amount of English law-governed 7.00% bonds due 2022 issued by the Government, representing 93.17% of the outstanding bonds. At the bondholder meeting, 100% of the votes cast thereon approved the relevant extraordinary resolutions. The Government has confirmed that it intends to accept the consents received and the extraordinary resolutions have therefore become binding on all holders of such bonds. The settlement of the new bonds and delivery of cash consideration is scheduled to occur on 11 December 2019, subject to the pending distribution arrangement as described in the invitation memorandum relating to such bonds.

The 2035 Eurobonds

The Government has received consents or tenders for exchange from holders of approximately U.S.\$183,198,000.00 face amount of English law-governed 6.625% bonds due 2035 issued by the Government, representing 96.42% of the outstanding face amount of these bonds. At the bondholder meeting, 100% of the votes cast thereon approved the relevant extraordinary resolutions. The Government has confirmed that it intends to accept the consents received and the extraordinary resolutions have therefore become binding on all holders of such bonds. The settlement of the new bonds and delivery of cash consideration is scheduled to occur on 11 December 2019, subject to the pending distribution arrangement as described in the invitation memorandum relating to such bonds.

Total Consideration for the Eurobonds

The consideration to be delivered in relation to the English law bond invitations is as follows:

Old bonds	Aggregate principal amount of 2029 Bonds	Aggregate principal amount of PDI Bonds	Cash consideration
7.25% bonds due 2021	U.S.\$116,238,200.00	U.S.\$7,112,900.00	U.S.\$1,078,950.00
7.00% bonds due 2022	U.S.\$153,068,600.00	U.S.\$9,370,600.00	U.S.\$1,420,800.00
6.625% bonds due 2035	U.S.\$146,021,400.00	U.S.\$8,940,500.00	U.S.\$1,355,270.00

The Barbados Law Bond Invitations

The Barbados Transport Board Bonds

The Government has received tenders for exchange from holders of approximately U.S.\$11,000,000.00 face amount of Barbados law-governed Fixed Rate Non-Callable Guaranteed Bonds 2007-2022 issued by the Barbados Transport Board (the “**Transport Board Bonds**”), representing 100% of the outstanding face amount of these bonds. The settlement of the new bonds and delivery of cash consideration is scheduled to occur on 11 December 2019.

The Barbados Agricultural Management Company Bonds

The Government has received tenders for exchange from holders of approximately U.S.\$25,000,000.00 face amount of Barbados law-governed Fixed Rate Non-Callable Guaranteed Bonds 2007-2022 issued by Barbados Agricultural Management Co. Ltd (the “**BAMC Bonds**”), representing 100% of the outstanding face amount of these bonds. The settlement of the new bonds and delivery of cash consideration is scheduled to occur on 11 December 2019.

The 2019 Barbados Law Bonds

The Government has received tenders for exchange of approximately U.S.\$34,170,000.00 face amount of Barbados law-governed Barbados law-governed Class B Fixed Rate Bonds due 2019 issued by the Government (the “**2019 Bonds**”), representing 85.43% of the outstanding face amount of these bonds. At the bondholder meeting, 100% of the votes cast thereon approved the relevant extraordinary resolutions. The Government has confirmed that it intends to accept the consents received and the extraordinary resolutions have therefore become binding on all holders of such bonds. The settlement of the new bonds and delivery of cash consideration is scheduled to occur on 11 December 2019, subject to the pending distribution arrangement as described in the invitation memorandum relating to such bonds.

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Total Consideration for the Barbados Law Bond Invitations

The consideration to be delivered in relation to the Barbados law bond invitations is as follows:

Old bonds	Aggregate principal amount of 2029 Bonds	Aggregate principal amount of PDI Bonds	Cash consideration
Transport Board Bonds	U.S.\$8,333,900.00	U.S.\$510,400.00	U.S.\$77,352.00
BAMC Bonds	U.S.\$18,979,000.00	U.S.\$1,162,500.00	U.S.\$176,150.00
2019 Bonds	U.S.\$6,639,900.00	U.S.\$405,500.00	U.S.\$61,638.00

The Loan Invitation

Barbados has also received tenders for exchange and consents to the proposed amendments of approximately U.S.\$92,125,000.00 aggregate face amount, or 100%, of its loans under a U.S.\$225 million credit agreement dated 13 December 2013 between, among others, the Government and Credit Suisse AG, Cayman Islands Branch as administrative agent.

As a result, the requisite level of consents have been obtained pursuant to the terms of the credit agreement and the Government has confirmed that it intends to accept the proposed consents and waivers to the credit agreement. The settlement of the new bonds and delivery of cash consideration is scheduled to occur on 11 December 2019.

The consideration to be delivered in relation to the loan invitation is as follows:

Aggregate principal amount of 2029 Bonds	Aggregate principal amount of PDI Bonds	Cash consideration
U.S.\$81,314,100.00	U.S.\$4,979,100.00	U.S.\$754,780.13

Total New Issuances and Cash Consideration

In respect of the various exchanges referred to above, the aggregate principal amount of 2029 Bonds to be delivered on closing will be approximately U.S.\$530,595,100.00, the aggregate principal amount of PDI Bonds to be delivered on closing will be approximately U.S.\$32,481,500.00 and the total net cash consideration (after deduction of U.S.\$2,575,000.00

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by the settlement facility agent to pay the costs and expenses of the external creditors committee) to be delivered on closing will be approximately U.S.\$4,924,940.12.

In the event the settlement dates referred to above change, the Government will notify the relevant creditors accordingly.

Further information

Information concerning the invitations may be obtained from the Exchange and Information Agent:

Lucid Issuer Services Limited
Tankerton Works
12 Argyle Walk
London WC1H 8HA
United Kingdom
Telephone +44 20 7704 0880
Attention: Arlind Bytyqi / Thomas Choquet
Email: barbados@lucid-is.com
www.lucid-is.com/barbados

* * * *

Disclaimer

This communication is not an offer or a solicitation of offers to exchange any securities. The invitations are being made solely by the relevant invitation memoranda in connection with the invitations referred to above. The distribution of materials relating to the invitations, and the transactions contemplated by the invitations, may be restricted by law in certain jurisdictions. If materials relating to the invitations come into your possession, you are required by the Government of Barbados to inform yourself of and to observe all of these restrictions. The materials relating to the invitations do not constitute, and may not be used in connection with, an offer or solicitation in any place where such exchange offers or solicitations are not permitted by law.

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED STATES

The new bonds have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”), or the securities laws of any other jurisdiction. The new bonds will be offered in the United States only to qualified institutional buyers pursuant to Rule 144A under the Securities Act and to persons outside the United States in compliance with Regulation S under the Securities Act.

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Barbados is making the exchange offer in reliance on exemptions from the registration requirements of the Securities Act. These exemptions apply to offers and sales of securities that do not involve a public offering. The new bonds have not been recommended by any U.S. or non-U.S. securities authorities, and these authorities have not determined that this invitation memorandum is accurate or complete. Any representation to the contrary is a criminal offence.

NOTICE TO PROSPECTIVE INVESTORS IN THE EUROPEAN ECONOMIC AREA

In any member state of the European Economic Area (an “**EEA Member State**”), this communication and the invitation memoranda referred to above are only addressed to, and is only directed at, qualified investors within the meaning of Regulation (EU) 1129/2017 (the “**Prospectus Regulation**”).

This communication and the invitation memoranda referred to above have been prepared on the basis that all offers of the new bonds in any EEA Member State will be made pursuant to an exemption under the Prospectus Regulation, from the requirement to produce a prospectus for offers of the new bonds. Accordingly any person making or intending to make any offer within the European Economic Area of the new bonds which are the subject of the placement contemplated in this communication or the invitation memoranda referred to above should only do so in circumstances in which no obligation arises for Barbados to produce a prospectus for such offer. Barbados has not authorised, nor does it authorise, the making of any offer of the new bonds through any financial intermediary or in circumstances in which an obligation arises for Barbados to publish a prospectus for the offer.

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED KINGDOM

This communication and the invitation memoranda referred to above are only being distributed to and are only directed at (i) persons who are outside the United Kingdom or (ii) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “**Order**”) or (iii) high net worth companies, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as “relevant persons”). The new bonds are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire the new bonds will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or the invitation memoranda referred to above or any of their contents.

ANNEX B

Barbados-Law Bonds Invitation Memorandum

IMPORTANT NOTICE

THE ATTACHED INVITATION MEMORANDUM DOES NOT CONSTITUTE A PROSPECTUS WITHIN THE MEANING OF EU REGULATION 2017/1129 (THE “PROSPECTUS REGULATION”), AND NO SUCH PROSPECTUS HAS BEEN OR WILL BE PREPARED IN CONNECTION WITH THE INVITATION. THE ATTACHED INVITATION MEMORANDUM HAS NOT BEEN REVIEWED OR APPROVED BY ANY COMPETENT AUTHORITY OF ANY MEMBER STATE OF THE EUROPEAN ECONOMIC AREA.

THE DISTRIBUTION OF THE ATTACHED INVITATION MEMORANDUM IN CERTAIN JURISDICTIONS MAY BE RESTRICTED BY LAW. SEE THE ISSUE AND RESALE RESTRICTIONS. PERSONS INTO WHOSE POSSESSION THE ATTACHED INVITATION MEMORANDUM COMES ARE REQUIRED BY BARBADOS TO INFORM THEMSELVES ABOUT, AND TO OBSERVE, ANY SUCH RESTRICTIONS.

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the attached invitation memorandum and you are therefore required to read this disclaimer carefully before accessing, reading or making any other use of the attached invitation memorandum. By accessing the attached invitation memorandum, you shall be deemed to agree (in addition to giving the representations below) to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from Barbados or Lucid Issuer Services Limited, as information agent and exchange agent, as a result of such access. Terms used in this notice and defined in the attached invitation memorandum are used herein as so defined.

THIS ELECTRONIC TRANSMISSION DOES NOT CONTAIN OR CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO EXCHANGE, BUY OR SUBSCRIBE FOR SECURITIES TO OR FROM ANY PERSON IN ANY JURISDICTION TO WHOM OR IN WHICH SUCH OFFER OR SOLICITATION IS UNLAWFUL.

THE EXCHANGE OFFER DESCRIBED THEREIN IS DIRECTED, AND NEW BONDS DESCRIBED THEREIN WILL BE ISSUED, ONLY TO HOLDERS OF ELIGIBLE CLAIMS (AS DEFINED IN THE INVITATION MEMORANDUM): (A)(I) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH REGULATION S OR (II) WITHIN THE UNITED STATES IN PRIVATE TRANSACTIONS PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE UNITED STATES SECURITIES ACT OF 1933 (THE “**SECURITIES ACT**”) THAT ARE QUALIFIED INSTITUTIONAL BUYERS PURSUANT TO RULE 144A UNDER THE SECURITIES ACT; AND (B) “**QUALIFIED INVESTORS**” AS DEFINED IN THE PROSPECTUS REGULATION IF THEY ARE LOCATED WITHIN A MEMBER STATE OF THE EUROPEAN ECONOMIC AREA (EACH AN “**ELIGIBLE HOLDER**”), UNLESS BARBADOS IN ANY INSTANCE OTHERWISE AGREES.

THE RECIPIENT MAY NOT FORWARD OR DISTRIBUTE THE ATTACHED INVITATION MEMORANDUM IN WHOLE OR IN PART TO ANY OTHER PERSON OR REPRODUCE THE ATTACHED INVITATION MEMORANDUM IN ANY MANNER WHATSOEVER AND ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE ATTACHED INVITATION MEMORANDUM IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS INSTRUCTION MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

Confirmation of your representation: In order to be eligible to view the attached invitation memorandum or make an investment decision with respect to the invitation by Barbados pursuant to the invitation memorandum to holders of Eligible Claims to offer to exchange their Eligible Claims for the Consideration and, all as defined and further described in the attached invitation memorandum you must be an Eligible Holder and otherwise be able to participate lawfully in the Invitation on the terms and subject to the conditions set out in the attached invitation memorandum, including the jurisdictional restrictions set out on page 129 (the “**Jurisdictional Restrictions**”). The

attached invitation memorandum was provided to you at your request, and by accessing the attached invitation memorandum, you shall be deemed to have represented to Barbados that:

- (i) you are a holder or a beneficial owner of Eligible Claims; and
- (ii) you consent to delivery of the attached invitation memorandum by electronic transmission.

The attached invitation memorandum has been provided to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission, and consequently none of Barbados, the sender of the invitation memorandum, nor any person who is an official or a director, officer, employee, agent or affiliate of any such person, accepts any liability or responsibility whatsoever in respect of any difference between the actual invitation memorandum and the version you have.

You are also reminded that the attached invitation memorandum has been provided to you on the basis that you are a person into whose possession the attached invitation memorandum may be lawfully delivered in accordance with (i) the laws of the jurisdiction in which you are located or resident and (ii) the Jurisdictional Restrictions, and you may not, nor are you authorised to, deliver the attached invitation memorandum to any other person.

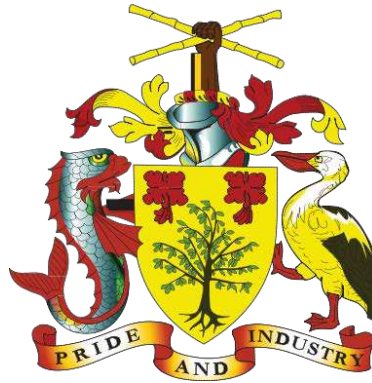
Any materials relating to the Invitation do not constitute, and may not be used in connection with, any form of offer or solicitation in any place where such offers or solicitations are not permitted by law.

The attached invitation memorandum contains important information which should be read carefully before any decision is made with respect to the Invitation. If any holder of Eligible Claims is in any doubt as to the action it should take, such holder of Eligible Claims should seek its own financial advice, including as to any tax consequences, from its stockbroker, bank manager, legal adviser, accountant or other independent financial adviser. Any investor whose Eligible Claims are held on its behalf by a broker, dealer, bank, custodian, trust company or other nominee must contact such entity if it wishes to participate in the Invitation with respect to its Eligible Claims.

Barbados-Law Bonds Invitation Memorandum

The date of this invitation memorandum is 5 November 2019. The invitation described herein will expire at 5:00 p.m. (New York City time) on 22 November 2019, unless extended or earlier terminated.

INVITATION MEMORANDUM



Invitation by

the Government of Barbados

to holders of the Eligible Claims (as defined below) to offer to exchange (such invitation and any resulting exchange, the “*Exchange Offer*”)

Fixed Rate Non-Callable Guaranteed Bonds 2007 – 2022 issued by Transport Board (the “*Transport Board Bonds*”); and

Fixed Rate Non-Callable Guaranteed Bonds 2007 – 2022 issued by Barbados Agricultural Management Co. Ltd (the “*BAMC Bonds*” and together with the Transport Board Bonds, the “*Eligible Claims*”)

for

U.S. Dollar 6.500% Bonds due 2029 (the “*2029 Bonds*”) plus U.S. Dollar 6.500% Bonds due 2021 (the “*PDI Bonds*” and, together with the 2029 Bonds, the “*New Bonds*”) plus the 2019 Exchange Cash Consideration (as defined below and, together with the New Bonds, the “*Consideration*”)

THE INVITATION TO OFFER TO EXCHANGE ELIGIBLE CLAIMS IS ONLY BEING DIRECTED TO “ELIGIBLE HOLDERS” (AS DEFINED BELOW).

Barbados reserves the right, at its sole discretion, to either accept or reject all tenders.

The New Bonds will be general, direct, unconditional, unsubordinated and unsecured obligations of Barbados and will rank *pari passu*, without preference among themselves, with all other unsecured External Indebtedness (as defined in “Terms and Conditions of the 2029 Bonds” and “Terms and Conditions of the PDI Bonds”) of Barbados, from time to time outstanding, provided, however, that Barbados shall have no obligation to effect equal or rateable payment(s) at any time with respect to any such other External Indebtedness and, in particular, shall have no obligation to pay other External Indebtedness at the same time or as a condition of paying sums due on the New Bonds and vice versa. The New Bonds will be backed by the full faith and credit of Barbados.

The Exchange Offer expires at 5:00 p.m. (New York City time) on 22 November 2019, unless extended by Barbados.

The New Bonds will be issued pursuant to a trust deed (the “*Trust Deed*”) with The Bank of New York Mellon, as trustee for the bondholders (the “*Trustee*”) and will be governed by English law.

An investment in the New Bonds involves a high degree of risk. See “Risk Factors” beginning on page 18 of this invitation memorandum.

The New Bonds have not been, and will not be, registered under the U.S. Securities Act of 1933 (as amended, the “*Securities Act*”) or the securities laws of any other jurisdiction. Unless they are registered, the New Bonds may be offered only in transactions that are exempt from registration under the Securities Act or the securities law of any other jurisdiction. Accordingly, the New Bonds are being offered only to: (i) “qualified institutional buyers” pursuant to Rule 144A under the Securities Act or (ii) persons outside the United States in reliance on Regulation S of the Securities Act that, if located within a member state of the European Economic Area (an “*EEA Member State*”), are “qualified investors” as defined in Regulation (EU) 1129/2017 (the “*Prospectus Regulation*”) (each, an “*Eligible Holder*”). For further details about eligible offerees and resale restrictions, see “Notice to Investors.”

Delivery of the Consideration is expected to be made on 11 December 2019. The New Bonds will be delivered in book-entry form through the facilities of The Depository Trust Company. Barbados intends to apply to admit the New Bonds to listing on the Luxembourg Stock Exchange and to trading on the Euro MTF market.

MAP OF BARBADOS

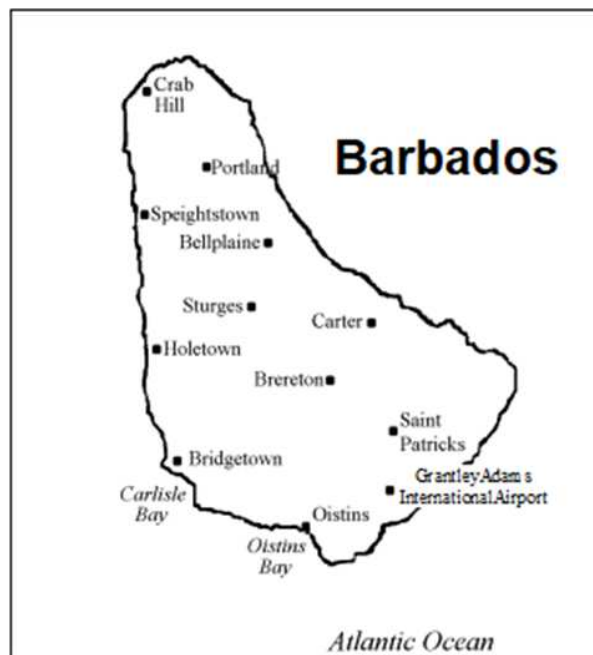
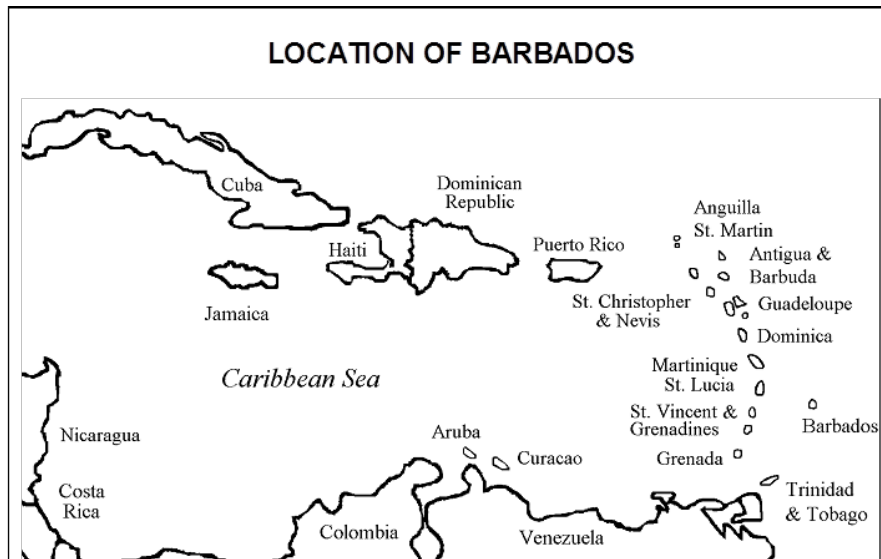


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No dealer, salesperson or other person is authorised to give any information or to represent anything not contained in this invitation memorandum. You must not rely on any unauthorised information or representations. This invitation memorandum is an invitation to exchange only the Eligible Claims for the Consideration as described in this invitation memorandum and only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this invitation memorandum is current only as of this date.

This invitation memorandum and the forms of transfer (each, a “*Transfer Certificate*”) attached as Exhibit 1 hereto are referred to as the “*Invitation Materials*.” The transactions contemplated by the Invitation Materials are referred to as the “*Invitation*.”

In this invitation memorandum, references to “*we*,” the “*Government*” or “*Barbados*” are to the Government of Barbados. References to the “*Exchange Agent*” are to Lucid Issuer Services Limited, as exchange agent for the Invitation; references to the “*Information Agent*” are to Lucid Issuer Services Limited, as information agent for the Invitation; references to the “*Settlement Facilitation Agent*” are to The Bank of New York Mellon, in its capacity as settlement facilitation agent for the Invitation; and references to the “*Trustee*” are to The Bank of New York Mellon, in its capacity as trustee under the Trust Deed for the New Bonds. References to the “*Agency Agreement*” are to the agency agreement for the New Bonds. References to the “*Old Bonds Trustee*” are to Alexandria Trust Corporation (successor to Courtyard Trustees Ltd), as trustee for the Eligible Claims.

Barbados is furnishing the Invitation Materials to you solely for use in the context of the Invitation. After having made all reasonable inquiries, Barbados confirms that:

- the information contained in this invitation memorandum is true and correct in all material respects and is not misleading in any material respect as of the date of this invitation memorandum;
- it holds the opinions and intentions expressed in this invitation memorandum;
- it has not omitted other material facts, the omission of which makes this invitation memorandum as a whole misleading as of the date of this invitation memorandum; and
- it accepts responsibility for the information it has provided in this invitation memorandum.

Barbados has not authorised the making or provision of any representation or information regarding Barbados or the New Bonds to you other than as contained in this invitation memorandum. Any such representation or information should not be relied upon as having been authorised by Barbados or any of its instrumentalities. Barbados does not assume responsibility for information other than as provided in this invitation memorandum. Neither the delivery of this invitation memorandum nor any aspect of the Invitation shall, under any circumstances, imply that there has been no change in the condition (financial or other) of Barbados since the date of this invitation memorandum.

You should not consider this invitation memorandum as a recommendation by Barbados that you should participate in the Invitation. In making an investment decision, you must rely on your own examination and evaluation of Barbados and the terms of the Invitation, including the merits and risks involved. You should consult your own advisors as needed to make your investment decision and as to whether you are legally permitted to acquire the New Bonds in the Exchange Offer under applicable legal investment or similar laws or regulations.

The distribution of the Invitation Materials and the offering, sale and delivery of the New Bonds in certain jurisdictions is restricted by law. Barbados requires that you and anyone who receives the Invitation Materials inform themselves about and observe such restrictions. The Invitation Materials do not constitute, and may not be used for or in connection with, an offer to, or solicitation by, anyone in any jurisdiction in which such offer or solicitation would be unlawful. The Invitation is not being made to, and tenders will not be accepted from, owners of Eligible Claims in jurisdictions in which the Invitation or acceptance thereof would constitute a violation of the securities or blue sky laws of that jurisdiction. For more information, see “Jurisdictional Restrictions” in this invitation memorandum.

The New Bonds will be subject to restrictions on resale under applicable law. See “Notice to Investors” in this invitation memorandum. By participating in the Invitation, you will be deemed to have represented and warranted to the effect set forth in, and agreed to, all the provisions contained in that section of this invitation memorandum.

You must comply with all applicable laws and regulations in force in any jurisdiction in which you tender Eligible Claims in exchange for the Consideration or possess or distribute this invitation memorandum. You must obtain any consent, approval or permission you require for the purchase, offer or sale of the New Bonds under the laws and regulations in force in any applicable jurisdiction to which you are subject, or in which you make such purchases, offers or sales. Barbados shall not have any responsibility therefor.

Barbados reserves the right, at its sole discretion, to cancel the Invitation or reject any Transfer Certificate, in whole or in part, for any reason.

Tenders of all Eligible Claims may only be made by the means described in the “Tender Procedures” section of this invitation memorandum.

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED STATES

Barbados is making the Exchange Offer in reliance on exemptions from the registration requirements of the Securities Act. These exemptions apply to offers and sales of securities that do not involve a public offering. The New Bonds have not been recommended by any U.S. or non-U.S. securities authorities and these authorities have not determined that this invitation memorandum is accurate or complete. Any representation to the contrary is a criminal offence.

NOTICE TO PROSPECTIVE INVESTORS IN THE EUROPEAN ECONOMIC AREA

In any EEA Member State, this communication is only addressed to, and is only directed at, qualified investors within the meaning of the Prospectus Regulation.

This invitation memorandum has been prepared on the basis that all offers of the New Bonds in any EEA Member State will be made pursuant to an exemption under the Prospectus Regulation, from the requirement to produce a prospectus for offers of the New Bonds. Accordingly any person making or intending to make any offer within the EEA of the New Bonds which are the subject of the placement contemplated in this invitation memorandum should only do so in circumstances in which no obligation arises for Barbados to produce a prospectus for such offer. Barbados has not authorised, nor does it authorise, the making of any offer of the New Bonds through any financial intermediary or in circumstances in which an obligation arises for Barbados to publish a prospectus for the offer.

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED KINGDOM

This communication is only being distributed to and is only directed at (i) persons who are outside the United Kingdom or (ii) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “*Order*”) or (iii) high net worth companies, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as “*relevant persons*”). The New Bonds are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire the New Bonds will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

PRESENTATION OF CERTAIN INFORMATION

Economic and financial data and statistical information included in this invitation memorandum are based on the latest official data and information available at the date hereof. Economic and financial data and statistical information provided in this invitation memorandum may be subsequently revised in accordance with the ongoing maintenance by Barbados of such data and information, and Barbados is not obligated to distribute such revised data and information to any investor. Economic and financial data and statistical information for 2016, 2017 and 2018 may, in particular, be subject to revision. In addition, some economic and financial data and statistical information for 2019 presented herein are estimates based on the latest available data.

Unless indicated to the contrary, estimates in this invitation memorandum are estimates of the Central Bank of Barbados (the “*Central Bank*”) or the Ministry of Finance of Barbados (the “*Ministry of Finance*”). Barbados operates on a fiscal year beginning 1 April and ending 31 March. References to a year (e.g., “2018”) refer to the relevant calendar year ended 31 December, and references to a fiscal year or FY (e.g., “FY 2017/18”) refer to Barbados’ fiscal year ending 31 March.

References to the “*Government*” exclude the state-owned enterprises (“*SOEs*”) of Barbados. See “The Economy—State-Owned Enterprises.”

Unless otherwise indicated, all information in this invitation memorandum is given as of the date of this invitation memorandum or as of the most recently available date.

Gross domestic product, which we refer to in this invitation memorandum as “*GDP*,” is a measure of the total value of final products and services produced in a country in a specific year. Nominal GDP measures the total value of final production in current prices. Real GDP measures the total value of final production in constant prices of a particular year, thus allowing historical GDP comparisons that exclude the effects of inflation. Under the 1993 System of National Accounts, GDP figures may be calculated at nominal market prices or constant market prices of a particular year. Unless otherwise indicated, all GDP figures in this invitation memorandum are presented at real market prices based upon constant 2010 prices and ratios of debt, balance of payment indicators and fiscal performance indicators to GDP are computed using nominal GDP figures. Nominal GDP at market prices was U.S.\$5,086.7 million in 2018 as compared to U.S.\$4,978.2 million in 2017. The ratio of Government debt, excluding operational arrears, to GDP is referred to as the “*debt to GDP ratio*.”

In this invitation memorandum, GDP per capita is calculated at basic prices, which is nominal GDP at market prices less net taxes on products plus financial intermediary services indirectly measured, divided by the median population.

In this invitation memorandum, all references to “*BDS\$*” and “*Barbados dollars*” are to the lawful currency of Barbados; all references to “*U.S. dollars*” and “*U.S.\$*” are to the lawful currency of the United States of America; and all references to “*Euro*” and “*€*” are to the lawful currency of participating member states of the European Union that have the euro as their lawful currency in accordance with the legislation of the European Union relating to Economic and Monetary Union. Barbados publishes external economy information, such as external debt and goods and services exported, in U.S. dollars. All international currencies, such as external debt denominated in Euro, are translated into U.S. dollars. Barbados publishes domestic economy information in Barbados dollars. The Barbados dollar currently is fixed to the U.S. dollar at an exchange rate of BDS\$2.00 to U.S.\$1.00 and, solely for the convenience of the reader, Barbados dollar figures are translated into U.S. dollars at such rate in this invitation memorandum. This translation should not be construed as a representation that any such amounts have been, would have been or could be converted at this or any other exchange rate.

The inflation rate provides an aggregate measure of the rate of change in the prices of goods and services in the economy. Barbados measures the inflation rate by the per cent. change between two periods in the index of retail prices, which we refer to in this invitation memorandum as the “*IRP*,” unless otherwise specified. The *IRP* is based on a basket of goods and services identified by the Barbados Statistical Service that reflects the pattern of consumption of the majority of Barbados households. The price for each good and service that makes up the basket is weighted according to its relative importance in order to calculate the *IRP*. The annual average per cent. change in the *IRP* is calculated by comparing the average of the aggregate 12 months indices of a given year against the average of the aggregate 12 months indices for the immediately preceding calendar year.

Barbados participates in the International Monetary Fund’s (the “*IMF*”) General Data Dissemination System (the “*GDDS*”) which provides a framework for Barbados to enhance its statistical capacity, especially for macroeconomic statistics. It also provides for comprehensive information on Barbados’ statistical production and dissemination practises to be posted on the *IMF*’s Dissemination Standards Bulletin Board. The *GDDS* framework also includes precise guidelines for countries to use when publishing reserves data.

GOVERNING LAW AND ENFORCEMENT OF CLAIMS

Barbados is a foreign sovereign state. Consequently, it may be difficult for you to obtain or enforce judgments of courts in the United States, England or elsewhere against Barbados.

The New Bonds and the Trust Deed will be governed by and construed in accordance with English law.

In the Trust Deed and the New Bonds, Barbados will irrevocably submit to the non-exclusive jurisdiction of any federal court in the Southern District of New York or any state court in the Borough of Manhattan, the City of New York, any court of England and any competent court in Barbados over any suit, action or proceeding against Barbados or its properties, assets or revenues with respect to the New Bonds or the Trust Deed.

Barbados will waive, to the fullest extent permitted under applicable law, any objection to any action arising out of or in connection with the New Bonds or the Trust Deed in such courts whether on the grounds of venue, residence or domicile or on the ground that the proceedings have been brought in an inconvenient forum.

Except as provided below, in respect of any action arising out of or in connection with the New Bonds Barbados will irrevocably waive and agree, to the fullest extent permitted by applicable law, not to plead any immunity (sovereign or otherwise): (A) from the jurisdiction of the courts of England ; and (B) from attachment or execution of its assets or property in the courts of England save in respect of: (i) assets and property located in Barbados; (ii) premises and property of Barbados' diplomatic and consular missions; (iii) assets and property of Barbados outside Barbados and not used for a commercial purpose; (iv) assets, property and reserves of the Central Bank of Barbados; (v) assets and property of a military character or under the control of a military authority or defence agency of Barbados; or (vi) assets and property forming part of the cultural heritage of Barbados.

In respect of any action arising out of or in connection with the New Bonds Barbados will irrevocably waive and agree, to the fullest extent permitted by applicable law, not to plead any immunity (sovereign or otherwise): (A) from the jurisdiction of any federal court in the Southern District of New York or any state court in the Borough of Manhattan, The City of New York; and (B) from any action or proceedings to enforce judgment against: (i) reserves of the Central Bank of Barbados; (ii) property located in Barbados; (iii) property located in or outside Barbados that provides an essential public service; (iv) property of Barbados, its government agencies or other governmental entities relating to the performance of the budget; (v) property entitled to privileges and immunities of the Vienna Convention on Diplomatic Relations of 1961 and the Vienna Convention on Consular Relations of 1963; (vi) property of a diplomatic, governmental or consular mission of Barbados; (vii) taxes, duties, levies, assessments, royalties or any other governmental charges imposed by Barbados; (viii) property of a military character or under the control of a military authority or defence agency of Barbados; (ix) property forming part of the cultural heritage of Barbados; or (x) assets and property of Barbados outside Barbados not used for a commercial purpose. Without limiting the generality of the foregoing, Barbados will agree that such waivers shall have the fullest scope permitted under the U.S. Foreign Sovereign Immunities Act of 1976, except as provided below. Barbados reserves the right to plead sovereign immunity under any applicable law, including, without limitation, the U.S. Foreign Sovereign Immunities Act of 1976, with respect to actions brought against it under U.S. federal securities laws or any state securities laws. In the absence of a waiver of sovereign immunity by Barbados in such a securities law-based action, it would not be possible to obtain a U.S. judgment in such an action unless a court were to determine that Barbados is not entitled to sovereign immunity under the U.S. Foreign Sovereign Immunities Act of 1976 with respect to such action.

A final and conclusive judgment against Barbados for the payment of a definite sum of money rendered by a federal court in the Southern District of New York or a state court in the Borough of Manhattan, the City of New York will not be enforceable in Barbados unless an action is brought in the High Court of Barbados to register such judgment. The High Court of Barbados will recognise and enforce a final and conclusive judgment of the federal court in the Southern District of New York or a state court in the Borough of Manhattan, the City of New York under common law principles, provided that: (A) in the case of a judgment in personam: (i) the original court was a court of competent jurisdiction according to the rules of conflict of laws; (ii) the judgment was not obtained by fraud; (iii) the recognition or enforcement of the judgment would not be contrary to the public policy of Barbados; (iv) the judgment was not obtained in proceedings which were contrary to natural justice; (v) the judgement is for a definite sum of money (other than a sum payable in respect of taxes or penalties); (vi) it is final, conclusive and determines the rights and liabilities of the parties to judgment so as to be res judicata where pronounced; and (vii) such judgment has not been satisfied; (B) in the case of a judgment in rem relating to movables, that the movables were located in the country of the original court at the time of the proceedings; and (C) in the case of a judgment in rem relating to immovable property, that the immovable property was located in the country of the original court at the time of the proceedings.

A final judgment against Barbados for the payment of a definite sum of money rendered by a court in the United Kingdom will not be enforceable in Barbados unless registered in the High Court of Barbados in accordance with the provisions of the Foreign and Commonwealth Judgments (Reciprocal Enforcement) Act, Cap. 201 (the “FCJA”). No judgment shall be ordered to be registered by the High Court of Barbados pursuant to the FCJA where it determines that: (a) the original court acted without jurisdiction; (b) the defendant/judgment debtor, being a person who was neither carrying on business nor ordinarily resident within the jurisdiction of the English court, did not voluntarily appear or otherwise submit or agree to submit to the jurisdiction of that court; (c) the judgment debtor, being the defendant in the proceedings, was not duly served with the process of the English court and did not appear, notwithstanding that he or she was ordinarily resident or was carrying on business within the jurisdiction of that court or agreed to submit to the jurisdiction of that court; (d) the judgment was obtained by fraud; (e) the judgment debtor satisfies the Barbadian court either that an appeal is pending or that he or she is entitled to and intends to appeal, against the judgment; or (f) the judgment was in respect of a cause of action which, for reasons of public policy or for some other similar reason, could not have been entertained by the High Court of Barbados.

The High Court of Barbados shall not order the registration of a judgment or may set aside a judgement rendered by a court in the United Kingdom where the provisions of the FCJA are not satisfied.

The registration of a judgment may be set aside if it is determined by the High Court of Barbados that the matter in dispute in the proceedings in the original court had, prior to the date of the judgment in the original court, been the subject of a final and conclusive judgment by a court having jurisdiction of the matter.

FORWARD-LOOKING STATEMENTS

This invitation memorandum includes forward-looking statements that reflect Barbados' current views with respect to future events. The words "*expects*," "*intends*," "*anticipates*," "*believes*," "*projects*," "*estimates*" and similar expressions identify forward-looking statements. These forward-looking statements are based upon estimates and assumptions made by Barbados or its officials that, although believed to be reasonable, are subject to certain known and unknown risks and uncertainties. These risks and uncertainties include, among others, the following:

- political, economic and other conditions in Barbados and globally;
- actual rates of growth, if any, for GDP and other economic indicators of Barbados in any relevant year or other period;
- the financial condition of Barbados;
- Barbados' ability to increase Government revenues or reduce expenditures;
- changes in interest rates or exchange rates;
- a reduction in the foreign currency reserves of Barbados;
- legislative, regulatory or administrative initiatives affecting businesses, financial institutions and foreign investment in Barbados;
- the financial condition and liquidity of banks and other financial institutions in Barbados;
- climatic or geological occurrences;
- declines in tourism;
- trade and tariff policies of Barbados' trading partners;
- receipt of bilateral and multilateral donor financing;
- Barbados' ability to execute its comprehensive debt management strategy;
- prevailing conditions in domestic international and multilateral lending markets and domestic and international capital markets, which may affect Barbados' ability to finance budgetary requirements and to refinance outstanding debt and other obligations; and
- other factors identified in this invitation memorandum.

All forward-looking statements contained in this invitation memorandum are qualified in their entirety by such factors. You are cautioned not to place undue reliance on these forward-looking statements. Barbados disclaims any obligation or undertaking to update publicly or to revise any forward-looking statement contained in this invitation memorandum, whether as a result of new information, future events or otherwise. Future circumstances could cause actual results to differ materially from historical results or those anticipated.

SUMMARY

This summary highlights information contained in this invitation memorandum and may not contain all of the information that may be important to you. You should read this summary along with the more detailed information elsewhere in this invitation memorandum.

The following selected economic indicators of Barbados do not purport to be complete and are qualified in their entirety by, and are subject to, the detailed information appearing elsewhere in this invitation memorandum.

Table No. 1
Selected Economic Information

	Year ended 31 December⁽¹⁾				
	2014	2015	2016	2017	2018
	<i>(In millions of U.S. dollars, except as otherwise indicated)</i>				
Real Sector					
Nominal GDP at market prices.....	4,696.3	4,715.0	4,830.0	4,978.15	5,086.7
GDP per capita at basic prices.....	14,696.8	14,824.7	15,029.6	15,390.2	15,687.2
Real GDP increase (decrease) (%) ...	(0.0)	2.4	2.6	0.6	(0.4)
Unemployment rate (%)	12.3	11.3	9.7	10.0	10.1
Consumer inflation (%)	1.8	(1.1)	1.5	4.5	3.7
Balance of Payments					
Merchandise trade balance	(857.6)	(737.3)	(707.5)	(717.0)	(734.0)
Merchandise exports	794.0	799.9	833.0	803.1	764.9
Merchandise imports	1,652.2	1,537.2	1,540.5	1,520.2	1,498.9
Services balance	639.2	659.1	754.1	787.1	842.0
Exports of services	1,101.7	1,153.5	1,248.8	1,295.7	1,362.8
Imports of services	462.5	494.4	494.6	507.0	520.8
Current account	(430.3)	(289.2)	(207.3)	(190.5)	(172.2)
Current account (% of nominal GDP)	(9.2)	(6.0)	(4.2)	(3.9)	(3.4)
Capital account (% of nominal GDP)	(0.2)	(0.2)	(0.1)	(0.0)	0.5
Overall balance.....	(49.4)	(32.3)	(119.0)	(114.3)	293.8
Government⁽²⁾					
Fiscal balance (% of nominal GDP) ..	(8.0)	(8.2)	(5.5)	(4.6)	0.3
Revenue	1,141.8	1,194.1	1,279.9	1,371.9	1,011
Expenditure	1,634.1	1,546.0	1,651.0	1,627.9	995.3
Foreign financing (% of nominal GDP)	0.1	0.3	(1.7)	(1.8)	3.5
Domestic financing (% of nominal GDP)	7.4	8.9	7.1	6.1	(3.8)
Government Debt					
<i>External⁽³⁾</i>					
External debt	1,440.1	1,428.4	1,427.0	1,400.9	1,546.6
External debt (% of nominal GDP) ..	30.7	30.2	29.5	28.1	31.0

	Year ended 31 December ⁽¹⁾				
	2014	2015	2016	2017	2018
<i>(In millions of U.S. dollars, except as otherwise indicated)</i>					
<i>Domestic</i> ⁽³⁾					
Domestic debt.....	4,251.9	4,640.2	5,216.3	5,375.4	4,623.6
Domestic debt (% of nominal GDP)	90.5	98.2	107.8	107.7	90.1
Debt service payments	623.8	739.1	796.8	783.7	492.0
Amortisation.....	300.5	401.1	434.7	405.1	258.9
Interest.....	323.4	338.1	362.1	378.6	233.1
External Liquidity (Monetary Authorities)					
Net International Reserves (NIR)	430.9	410.7	287.5	167.4	416.3
Gross International reserves (GIR) ..	471.3	439.0	319.9	205.7	499.6
Gross International Reserves (in weeks of goods and services)	11.6	11.2	8.2	5.3	12.9
Tourism					
Long stay arrivals (thousands)	519.6	591.9	631.5	661.2	678.5
Cruise ship arrivals (thousands)	557.9	586.6	594.1	681.2	615.0
Hotel occupancy room rate (%).....	n.a.	68.6	68.4	67.9	66.2
Tourist spending.....	886.8	927.8	1,020.0	1,061.1	1,157.8

(1) Information is presented on a calendar year basis, other than Government information.

(2) Government information is presented on a fiscal year basis (starting 1 April in the year of the relevant column and ending 31 March in the subsequent year).

(3) Excludes arrears and includes Central Government direct debt.

Source: Central Bank of Barbados

THE INVITATION

This summary highlights information contained in this invitation memorandum and may not contain all of the information that may be important to you. You should read this summary along with the more detailed description of the New Bonds in “Terms and Conditions of the 2029 Bonds” and “Terms and Conditions of the PDI Bonds.”

Issuer.....	Government of Barbados
The Invitation.....	<p>The Invitation expires at 5:00 p.m. (New York City time) on 22 November 2019, unless extended by Barbados at its sole discretion. We refer to the date on which the Exchange Offer expires as the “<i>Expiration Date</i>.”</p> <p>See “Expected Timetable of Events.”</p>
The Exchange Offer.....	<p>Barbados is inviting Eligible Holders to offer to exchange their Eligible Claims for the Consideration on the terms and subject to the conditions set forth in this invitation memorandum.</p> <p>The expected settlement date is 11 December 2019. We refer to the date on which the Consideration will be delivered in exchange for tendered Eligible Claims as the “<i>Closing Date</i>.”</p> <p>Issuance of the New Bonds has been or will be authorised by a resolution of the Parliament of Barbados pursuant to Section 3 of the External Loan Act Cap. 94D (the “<i>External Loan Act</i>”).</p>
Consideration to be Received for Eligible Claims Tendered	<p>If you are an Eligible Holder, you may offer to exchange:</p> <ul style="list-style-type: none"> • For each U.S.\$1,000.00 principal amount of Transport Board Bonds inclusive of all accrued but unpaid interest thereon for (i) net cash consideration of U.S.\$7.032 (the “<i>Transport Board Bonds Cash Consideration</i>”); (ii) U.S.\$757.63 principal amount of 2029 Bonds; and (iii) U.S.\$46.40 principal amount of PDI Bonds. • For each U.S.\$1,000.00 principal amount of your BAMC Bonds inclusive of all accrued but unpaid interest thereon for (i) net cash consideration of U.S.\$7.046 (the “<i>BAMC Bonds Cash Consideration</i>”); (ii) U.S.\$759.16 principal amount of 2029 Bonds; and (iii) U.S.\$46.50 principal amount of PDI Bonds. <p>The Transport Board Bonds Cash Consideration and the BAMC Bonds Cash Consideration are together referred to as the “<i>2019 Exchange Cash Consideration</i>”.</p> <p>Interest on the New Bonds will commence accruing on 1 October 2019. Participating creditors in the Invitation and the Parallel Exchanges will authorise and instruct the Settlement Facilitation Agent to make the relevant pro rata deduction from the gross 2019 Exchange Cash Consideration and the relevant gross cash consideration under the Parallel Exchanges (as defined below), as the case may be, to which the relevant creditors may be eligible to pay the costs and expenses of the external creditors committee in an aggregate amount equal to U.S.\$2,575,000. The</p>

net 2019 Exchange Cash Consideration referred to above includes a deduction of a pro rata amount to pay the costs and expenses of the external creditors committee in an aggregate amount equal to U.S.\$2,575,000.

See “Terms of the Invitation—Consideration to Be Received for Eligible Claims Tendered.”

Tendering Eligible Claims	A description of the procedures for executing and delivering a Transfer Certificate can be found in “Terms of the Invitation and Tender Procedures” in this invitation memorandum.
Irrevocability	Once delivered to the Exchange Agent, a valid copy of the Transfer Certificate is irrevocable and may not be withdrawn unless Barbados agrees otherwise.
Jurisdictional Restrictions on the Invitation.....	Barbados is making the Invitation only in jurisdictions where and to the extent it is legal to make the Invitation. See “Jurisdictional Restrictions.”
Exchange Agent.....	Lucid Issuer Services Limited
Information Agent	Lucid Issuer Services Limited
Settlement Facilitation Agent	The Bank of New York Mellon
Risk Factors	An investment in the New Bonds involves a high degree of risk. Before deciding to tender your Eligible Claims in exchange for the relevant Consideration, you should read carefully all of the information contained in this invitation memorandum, including, in particular, “Risk Factors” beginning on page 18 of this invitation memorandum.
Further Information	Any questions or requests for assistance concerning the Invitation may be directed to the Information Agent at their telephone number on the back cover page of this invitation memorandum.

THE NEW BONDS

New Issue	Eligible Claims held by Eligible Holders may be tendered for exchange for the relevant Consideration on the terms set out in this invitation memorandum.
Currency	The New Bonds will be denominated for purposes of both interest (if any) and principal in U.S. dollars.
Interest Rate	For the 2029 Bonds: 6.500% per annum from 1 October 2019 to but excluding 1 October 2029. For the PDI Bonds: 6.500% per annum from 1 October 2019 to but excluding 1 February 2021.
Interest Payment Dates	For the 2029 Bonds: Each 1 April and 1 October, commencing on 1 April 2020 For the PDI Bonds: 1 October 2020 and 1 February 2021.
Final Maturity Date.....	For the 2029 Bonds: 1 October 2029 For the PDI Bonds: 1 February 2021
Amortisations.....	For the 2029 Bonds: Barbados shall, to the extent not previously redeemed, purchased or cancelled, redeem the 2029 Bonds such that the aggregate principal amount of 2029 Bonds (when expressed as a percentage of the outstanding principal amount of the 2029 Bonds as of 1 January 2025) is equal to or less than the following amounts on the indicated dates:

<u>Principal Payment Date</u>	<u>Percentage of Relevant Principal Amount</u>
1 April 2025:	90.00%
1 October 2025:	80.00%
1 April 2026:	70.00%
1 October 2026:	60.00%
1 April 2027:	50.00%
1 October 2027:	40.00%
1 April 2028:	30.00%
1 October 2028:	20.00%
1 April 2029:	10.00%
1 October 2029:	0.00%

See “Terms and Conditions of the 2029 Bonds—Redemption and Purchase of Bonds.”

For the PDI Bonds: Barbados shall, to the extent not previously

	redeemed, purchased or cancelled, redeem the PDI Bonds in two instalments of U.S.\$30,000,000 on 1 October 2020 and U.S.\$2,500,000 on 1 February 2021.
Open Market Repurchase.....	Barbados may at any time acquire the New Bonds at any price in the open market or otherwise. See “Terms and Conditions of the 2029 Bonds—Redemption and Purchase of Bonds” and “Terms and Conditions of the PDI Bonds—Redemption and Purchase of Bonds.”
Optional Redemption.....	For the 2029 Bonds: Not applicable. For the PDI Bonds: Barbados may at any time on one or more occasions redeem the PDI Bonds. See “Terms and Conditions of the PDI Bonds—Redemption and Purchase of Bonds.”
Principal Reinstatement.....	For the 2029 Bonds, if any amount of principal or interest falling due under the 2029 Bonds on or prior to Cut-Off Date (as defined in the Terms and Conditions of the 2029 Bonds) is not paid on the scheduled due date, and such default is not cured by the date falling 30 days after the expiration of the grace period for such payment, Barbados will issue new 2029 Bonds to holders of 2029 Bonds on a <i>pro rata</i> basis which represent 33.33% of the outstanding principal amount of the 2029 Bonds as of the date of the original issuance of the 2029 Bonds. See “Terms and Conditions of the 2029 Bonds—Payments—Principal Reinstatement”. For the PDI Bonds: Not applicable.
Most Favoured Creditor.....	For the 2029 Bonds: Barbados shall not enter into any arrangement to pay or to settle any Specified Indebtedness (as defined in the Terms and Conditions of the 2029 Bonds) issued on or prior to 1 January 2019 (unless such payment is made in compliance with and in accordance with the terms of a final, non-appealable court order or arbitral award) on terms more favourable to the holders thereof (in a net present value sense, where present value is calculated using a constant 12% discount rate) than the terms offered in this invitation memorandum to holders of Eligible Claims or the invitation memoranda dated on or about the date of this invitation memorandum in respect of the Parallel Exchanges, without simultaneously making those more favourable terms available to each Holder. For the PDI Bonds: Not applicable.
Modifications.....	The New Bonds will contain provisions regarding future modifications to their terms, under which Barbados may amend the payment provisions of each series of New Bonds and other reserved matters listed in the Trust Deed with the consent of the holders of: (1) with respect to a single series of bonds, more than 75% of the aggregate principal amount of the outstanding bonds of such series; (2) with respect to two or more series of bonds, if certain “uniformly applicable” requirements are met, more than 75% of the aggregate principal amount of the outstanding bonds of all series affected by the proposed modification, taken in the aggregate; or (3) with respect to two or more series of bonds, more than 66 ⅔% of the aggregate principal amount of the outstanding bonds of all series affected by the

proposed modification, taken in the aggregate, and more than 50% of the aggregate principal amount of the outstanding bonds of each series affected by the proposed modification, taken individually.

These provisions are described in “Terms and Conditions of the 2029 Bonds—Meetings and Modifications” and “Terms and Conditions of the PDI Bonds—Meetings and Modifications.”

Ranking.....	The New Bonds will be general, direct, unconditional, unsubordinated and unsecured obligations of Barbados. The New Bonds of each series will rank <i>pari passu</i> , without preference among themselves, with all other unsecured External Indebtedness (as defined in the Terms and Conditions of the New Bonds) of Barbados, from time to time outstanding, <i>provided, however</i> , that Barbados shall have no obligation to effect equal or rateable payment(s) at any time with respect to any such other External Indebtedness and, in particular, shall have no obligation to pay other External Indebtedness at the same time or as a condition of paying sums due on the New Bonds and vice versa.
Further Issuances	Barbados may, without the consent of the holders, create and issue further debt securities having the same terms and conditions as the 2029 Bonds and/or PDI Bonds (including as to their modification) so long as the additional debt securities are consolidated and form a single series with such series of New Bonds, provided that such additional Bonds do not have, for purposes of U.S. federal income taxation (regardless of whether any holders of such notes are subject to U.S. federal laws), a greater amount of original issue discount than the Bonds have as of the date of issuance of such additional Bonds.
Constitutive Document	The New Bonds will be issued under a Trust Deed.
Withholding Tax	Barbados will make all payments on the New Bonds without withholding or deducting any Barbadian taxes, unless required by law. If Barbadian law requires Barbados to withhold or deduct taxes, Barbados will pay holders of New Bonds, subject to certain exceptions, additional amounts to provide the equivalent of full payment to the holders. See “Terms and Conditions of the 2029 Bonds—Taxation” and “Terms and Conditions of the PDI Bonds—Taxation.”
Negative Pledge Covenant.....	Barbados may not create or permit to exist any security interest (with the exception of certain permitted security interests) on its properties, assets or revenues to secure Public External Indebtedness (as defined in the Terms and Conditions of the New Bonds) unless Barbados also causes such security interest to secure equally and rateably the obligations of Barbados with respect to each series of New Bonds.
Natural Disaster Clause	For the 2029 Bonds, following the occurrence of certain events under Barbados’ insurance contract with CCRIF SPC before 1 October 2027, Barbados may elect to defer payments on the 2029 Bonds. Holders of at least 50 per cent. in aggregate principal amount of the 2029 Bonds then Outstanding may direct the Trustee to block such deferral. These provisions are described in “Terms and Conditions of the 2029 Bonds—Natural Disaster Clause.”

	For the PDI Bonds: Not applicable.
Creditors Committee.....	For the 2029 Bonds: Holders of at least 25 per cent. of the aggregate principal amount of the outstanding 2029 Bonds may under certain circumstances appoint a committee to represent such holders. See “Terms and Conditions of the 2029 Bonds—Holders’ Committee”.
	For the PDI Bonds: Not applicable.
Events of Default; Acceleration.....	<p>The following events, as described in more detail in the Trust Deed, among others, shall be Events of Default:</p> <ul style="list-style-type: none"> • Failure to pay any amount of principal or interest (if any) in respect of such series of New Bonds (with a 30-day grace period); • Failure by Barbados to observe or perform any of its other obligations provided in the Trust Deed, the Agency Agreement or the Conditions in respect of such series of New Bonds (with a 60-day grace period); • Cross-acceleration, failure by Barbados to pay any amount of principal or interest or failure by Barbados to pay any amount payable by it under a guarantee in respect of an aggregate principal amount of at least U.S.\$20,000,000 (or its equivalent in any other currency or currencies) of Relevant External Indebtedness; • Moratorium or suspension of payments in respect of an aggregate principal amount of at least U.S.\$20,000,000 (or its equivalent in any other currency or currencies) of Relevant External Indebtedness; • Any writ, execution, attachment or similar process against the assets of Barbados in connection with any judgment for the payment of Indebtedness after the Issue Date in excess of U.S.\$25,000,000 (or its equivalent in other currencies) which remains unsatisfied, undischarged and in effect for 60 days, unless contested; • Invalidity of such series of New Bonds or the Trust Deed; or • Failure to maintain membership in, or be eligible to use the resources of, the IMF (with a 30-day grace period).
Enforcement.....	Following the occurrence of an Event of Default, the power to enforce the relevant series of New Bonds shall reside with the Trustee under the Trust Deed, unless the Trustee, having become bound so to proceed under the Trust Deed, fails to do so within 60 days and the failure is continuing.
Governing Law	The New Bonds and the Trust Deed will be governed by English law. Barbados will submit to the non-exclusive jurisdiction of U.S. federal and New York State courts in the Borough of Manhattan, The City of

	New York, any court of England and any competent court in Barbados.
Restrictions on Resale.....	The New Bonds have not been registered under the Securities Act and will be subject to restrictions on resale under applicable law. See “Notice to Investors.” The New Bonds will be subject to contractual transfer restrictions.
Listing.....	Barbados intends to apply to admit the New Bonds to listing on the Luxembourg Stock Exchange and to trading on the Euro MTF market.
Denomination	New Bonds will be issued in denominations of U.S.\$100 and integral multiples of U.S.\$100 in excess thereof.
Form and Settlement.....	Barbados will issue the New Bonds in the form of one or more fully registered global securities, without interest coupons attached, registered in the name of Cede & Co. as nominee for DTC and will deposit such global securities on or before the Closing Date with a custodian for DTC.
Trustee, Registrar, Transfer Agent and Paying Agent for New Bonds	The Bank of New York Mellon
Luxembourg Listing Agent.....	The Bank of New York Mellon SA/NV, Luxembourg Branch

RISK FACTORS

An investment in the New Bonds involves a significant degree of risk. Investors are urged to read carefully the entirety of this invitation memorandum and to note, in particular, the following considerations.

Risks of Not Participating in the Invitation

Possible Failure of the Invitation

If the Invitation described herein is not completed for any reason, Barbados projects that it will not have the resources to continue the debt servicing of Eligible Claims on the existing terms of those instruments. Eligible Claims could therefore remain in payment default for an indefinite period of time, and Barbados cannot predict whether, or when, it may be able to implement a successful debt management programme affecting those instruments. In addition, Barbados does not expect to offer the 2019 Exchange Cash Consideration to holders of Eligible Claims in any future debt management exercise.

Risks of Participating in the Invitation

Future Residual Financing Gaps

For the four fiscal years from FY2012/13 to FY2015/16, Barbados experienced an average fiscal deficit of 8.9% of GDP. While there was an improvement in FY2016/17 to 5.5% of GDP, the fiscal deficit remained high in FY 2017/18 at 4.6% of GDP. In FY2018/19, Barbados' fiscal deficit was 0.5% of GDP.

If Barbados were to experience a sustained worsening of its fiscal balance, future financing gaps may exist even once the debt relief implied by the Invitation described herein is fully taken into account. If future residual financing gaps do materialise, Barbados' ability to service the New Bonds could be adversely affected.

Future Access to Financing

Barbados may be unable to meet future debt service obligations out of current revenues and it may have to rely, in part, on additional financing from the domestic and international capital markets (or multilateral or bilateral sources) in order to do so. In the future, Barbados may not be able or willing to access such markets or sources of funding, and Barbados' ability to service its public debt, including the New Bonds, may be adversely affected.

Potential Challenges to Barbados' Payments on the New Bonds

Holders of other debt instruments of Barbados may attempt to attach, enjoin or otherwise challenge Barbados' payments on the New Bonds. Creditors of other sovereign debtors have, in recent years, used litigation tactics in an effort to attach or interrupt payments made by those sovereign debtors to, among others, holders of bonds and other creditors who have agreed to a debt restructuring and accepted new securities in an exchange offer. Barbados may become subject to suits to collect on defaulted Eligible Claims or other indebtedness. Barbados cannot assure you that a creditor will not attempt to interfere, through an attachment of assets, injunction, temporary restraining order or otherwise, with payments made under the New Bonds.

No Established Market for the New Bonds

The New Bonds will be a new issuance of securities without established trading markets. Barbados cannot predict the extent to which investor interest will lead to the development of an active trading market for the New Bonds or how liquid those markets may become. Barbados intends to apply to admit the New Bonds to listing on the Luxembourg Stock Exchange and to trading on the Euro MTF market. No assurance can be given as to the liquidity of the trading market for the New Bonds. If an active trading market for the New Bonds fails to develop or continue, this failure could adversely affect the trading price of the New Bonds.

Collective Action Clauses

The New Bonds will contain provisions regarding acceleration and voting on amendments, modifications and waivers, which are commonly referred to as “*collective action clauses*.” Under these provisions, the terms of the New Bonds may be amended, including the maturity date, interest rate and other payment terms, without your consent. See “Terms and Conditions of the 2029 Bonds—Meetings and Modifications” and “Terms and Conditions of the PDI Bonds—Meetings and Modifications.”

Risks Relating to Barbados

Ongoing Debt Crisis

Barbados is currently in payment default under several categories of its debt obligations, and international reserve levels were U.S.\$499.6 million as of 31 December 2018, compared to average international reserve levels of U.S.\$362.3 million from 2015 to 2017. There is no assurance that the Invitation described in this invitation memorandum and any other debt management exercises conducted in parallel with the Invitation will succeed in restoring and maintaining macro-economic stability and debt sustainability. A worsening of international financial or economic conditions, including a slowdown in growth or recessionary conditions in Barbados’ trading partners or main tourism markets or the emergence of a new financial crisis, could have adverse effects on Barbados’ economy, on its financial condition and on its ability to service its debt.

Economic, Political or Social Conditions

Barbados is an emerging market economy, and investing in securities of emerging markets issuers involves special risks. These risks include the possibility of economic, political or social instability that may be caused by many different factors, including the following:

- high interest rates;
- declines in the economic activity of major trading partners;
- inflation;
- exchange controls;
- wage and price controls;
- financial crises in other emerging market countries that can have a contagion effect on investor appetite for emerging market securities as a class;

- changes in governmental economic, tax, social or other policies; and
- the imposition of trade barriers.

Any of these factors, as well as volatility in the markets for securities similar to the New Bonds, may adversely affect the liquidity of, and the trading market for, the New Bonds.

Fixed Exchange Rate

Since 7 July 1976, Barbados has maintained a fixed exchange rate of BDS\$2.00/U.S.\$1.00. See “Financial System—Exchange Controls and Foreign Exchange Rates.” Barbados’ ability to continue its fixed exchange rate will be significantly affected by its level of international monetary reserves in the future. If circumstances force Barbados to abandon its fixed exchange rate policy in the future, the cost of servicing Barbados’ external debt (including the New Bonds) and Eligible Claims not exchanged could escalate sharply, possibly forcing Barbados into another round of debt restructuring.

Climatic or Geological Occurrences

Barbados is an island nation located in an active geologic zone and in one of the most hurricane-prone regions of the world. Barbados may experience extreme rainfall and hurricanes between June and November and may, at irregular and unpredictable intervals, suffer the effects of earthquakes. Of the numerous expected consequences of global climate change, increases in atmospheric temperature, sea level rise and changes in weather patterns could have a material adverse effect on Barbados.

The Barbadian economy is heavily reliant on revenue from its tourism, which could be negatively affected by a major climatic or geological occurrence.

Reliance on the International Business and Financial Services and Tourism Sectors

The Barbadian economy is heavily reliant on revenue derived from the international business and financial services and tourism sectors.

The international business and financial services sector is dependent on global economic conditions and international taxation initiatives and would likely be negatively affected by a reduction in corporate taxes paid by offshore banks, insurance companies and international business companies operating in Barbados and a decline in new licences issued to international firms.

The tourism sector accounted for approximately 15.8%, 15.6% and 15.3% of total real GDP for 2018, 2017 and 2016, respectively, and is heavily dependent on visitors from the United States, the United Kingdom and Canada, which collectively accounted for 75.4% of long stay tourism arrivals in 2018. Other sectors of the Barbadian economy, including construction, wholesale and retail trade, manufacturing and non-sugar agriculture production are also heavily dependent upon the tourism sector.

A decline in the international business and financial services sector or the tourism sector would adversely affect real GDP growth and Barbados’ revenue collection, fiscal balance, foreign exchange earnings and international reserve balances and may impact Barbados’ ability to make payments on the New Bonds.

Parliament Action

The Barbadian Parliament has approved the Government's budget for FY 2019/20, and the current administration is committed to moving ahead vigorously with its reconstruction plan. The debt management exercise described in this invitation memorandum is an important component of that plan. Governmental budgets (including appropriations for the servicing of external debt) require annual approval by the Barbadian Parliament. Barbados cannot provide assurances that the Barbadian Parliament will, in the future, appropriate amounts sufficient to maintain full debt service on the New Bonds.

EXPECTED TIMETABLE OF EVENTS

The following summarises the anticipated time schedule for the Invitation assuming, among other things, that the Expiration Date is not extended. This summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information appearing elsewhere in this invitation memorandum.

<u>Date</u>	<u>Action</u>
Tuesday 5 November 2019	<i>Commencement Date of Exchange Offer</i> Issuance of press release announcing the Invitation and distribution of the invitation memorandum describing the terms of the Invitation.
Friday 22 November at 5:00 p.m. (New York City time).....	<i>Expiration Date and Time</i> The deadline for holders of Eligible Claims to deliver executed Transfer Certificates, as described in this invitation memorandum.
Thursday 28 November 2019.....	<i>Announcement Date</i> Barbados will announce on this date or as soon as possible thereafter the results of the Invitation.
Wednesday 11 December 2019.....	<i>Closing Date</i> On this date, or as soon as possible thereafter, the Consideration will be delivered. Barbados may amend the Closing Date so that the Closing Date aligns with the closing dates for the Parallel Exchanges (as defined below). Barbados will announce any change in the Closing Date as soon as practicable. No additional consideration will be paid in the event of any change in the expected Closing Date.

Barbados may, at its own discretion, extend the Invitation past the originally scheduled Expiration Date. As a result of any such extension, the Invitation Period, the Announcement Date and/or the Closing Date, as applicable, may be extended accordingly.

TERMS OF THE INVITATION AND TENDER PROCEDURES

Barbados is inviting owners of Eligible Claims to offer to exchange, on the terms and subject to the conditions of this invitation memorandum, their Eligible Claims for the Consideration. Each such tender for exchange is referred to as a “tender.”

Purpose of the Invitation

The Invitation has been designed to adjust Barbados’ debt service profile and, in conjunction with its comprehensive fiscal adjustment and debt management strategy, including the parallel invitation to offer to exchange (a) U.S.\$540,000,000 of Barbados’ outstanding international bonds, (b) U.S.\$225,000,000 of Barbados’ outstanding loans; (c) Class B Fixed Rate Bonds due 2019 issued by the Government of Barbados (ISIN XS0441235255); and (d) Class B Fixed Rate Bonds due 2019 issued by the Government of Barbados in definitive form (together, the “*Parallel Exchanges*”), make its debt profile more sustainable.

The Exchange Offer

Barbados hereby invites each Eligible Holder to offer to exchange their Eligible Claims for the Consideration upon the terms and subject to the conditions contained in this invitation memorandum and the Transfer Certificates.

Consideration to be Received for Eligible Claims Tendered

If you are an Eligible Holder of Transport Board Bonds, subject to the procedures and requirements herein, you may offer to exchange each U.S.\$1,000.00 principal amount of your Transport Board Bonds (including all accrued but unpaid interest thereon) for: (i) net Transport Board Bonds Cash Consideration of U.S.\$7.032; (ii) U.S.\$757.63 principal amount of 2029 Bonds; and (iii) U.S.\$46.40 principal amount of PDI Bonds.

If you are an Eligible Holder of BAMC Bonds, subject to the procedures and requirements herein, you may offer to exchange each U.S.\$1,000.00 principal amount of your BAMC Bonds (including all accrued but unpaid interest thereon) for: (i) net BAMC Bonds Cash Consideration of U.S.\$7.046; (ii) U.S.\$759.16 principal amount of 2029 Bonds; and (iii) U.S.\$46.50 principal amount of PDI Bonds.

Interest on the New Bonds will commence accruing on 1 October 2019. Participating creditors in the Invitation and the Parallel Exchanges will authorise and instruct the Settlement Facilitation Agent to make the relevant pro rata deduction from the gross 2019 Exchange Cash Consideration and the relevant gross cash consideration under the Parallel Exchanges, as the case may be, to which the relevant creditors may be eligible to pay the costs and expenses of the external creditors committee in an aggregate amount equal to U.S.\$2,575,000. The net 2019 Exchange Cash Consideration referred to above includes a deduction of a pro rata amount to pay the costs and expenses of the external creditors committee in an aggregate amount equal to U.S.\$2,575,000.

Documentation of New Bonds

The New Bonds will be issued under a Trust Deed with The Bank of New York Mellon, as Trustee for the bondholders and will be governed by English law. The New Bonds will form a single series with the bonds to be issued pursuant to the Parallel Exchanges, if consummated.

Barbados will post a substantially final draft of the Trust Deed and the Agency Agreement on the offer website hosted by the Information Agent at: www.lucid-is.com/barbados (the “*Offer Website*”) by not later than 10 days after the Commencement Date of the Invitation.

Rounding

To determine the amount of New Bonds that will be delivered in exchange for a specific tender, the principal amount resulting from the application of the exchange ratio to the principal amount of the Eligible Claim tendered will be rounded down to the nearest U.S.\$100 so that it can be exchanged in integrals of U.S.\$100 face amount of the New Bonds. This rounded amount will be the principal amount of New Bonds received, and no additional cash will be paid in lieu of any principal amount of New Bonds not received as a result of rounding down.

Payments of net 2019 Exchange Cash Consideration will be rounded to the nearest U.S.\$0.01, with U.S.\$0.005 rounded upwards.

Effect of Transfer Certificate

The execution and delivery to the Exchange Agent of a Transfer Certificate in respect of your tendered Eligible Claims by you will constitute a binding agreement between you and Barbados, upon the terms and subject to the conditions of the Exchange Offer described herein and in the Transfer Certificate. The acceptance of the Invitation by you will constitute your agreement to:

- (1) deliver good and marketable title to the tendered Eligible Claim, free and clear of any and all liens, restrictions, mortgages, charges, pledges, security interests, encumbrances or rights of any kind of third parties; and
- (2) deliver to the Government of Barbados the original of the bond certificates governed by the laws of Barbados in respect of such tendered Eligible Claims prior to the Closing Date.

On the Closing Date, the New Bonds and the net 2019 Exchange Cash Consideration will be delivered in exchange for validly tendered Eligible Claims.

Expiration; Extensions; Amendments; Termination

For purposes of the Invitation, the term “Expiration Date” means 5:00 p.m., New York City time, on 22 November 2019, subject to Barbados’ right to extend such date and time in its absolute discretion, in which case the Expiration Date means the latest date and time to which the Invitation is extended.

Barbados reserves the right, in its absolute discretion, to (i) extend the Invitation, (ii) terminate the Invitation, or (iii) amend the Invitation.

Any extension, amendment or termination of the Invitation by Barbados will be followed as promptly as practicable by an announcement of such extension, amendment or termination.

Permitted Amendments

By submitting an Exchange and Amendment Agreement to the Exchange Agent, each tendering Eligible Holder authorises the Exchange Agent to agree with Barbados to the making of the following:

- any minor, technical, administrative or corrective amendments to any of the Invitation Materials or the New Bonds;
- any extension of the Expiration Date, the Announcement Date or the Closing Date as contemplated above; and
- any waiver by Barbados, in its sole discretion, of the provision of any of the representations, warranties or undertakings set out in this invitation memorandum or the Exchange and Amendment Agreement by an Eligible Holder,

in each case, prior to the completion of the Transaction (collectively, the “*Permitted Amendments*”).

Material Amendment of the Invitation

Any term of this invitation memorandum (including any term of the New Bonds) may be amended and any Transfer Certificate is submitted to the Exchange Agent prior to that amendment shall remain valid; *provided that*, if any amendment is made which is not a Permitted Amendment (such amendment, a “*Relevant Amendment*”), Barbados will post a notification of such amendment on the Offer Website. If a notification of a Relevant Amendment is posted by Barbados within three business days of the Expiration Date, the Expiration Date will be automatically extended to the date falling three business days after the date of such notification.

Eligible Holders who have tendered their Eligible Claims prior to notification of a Relevant Amendment on the Offer Website will be entitled to revoke any Transfer Certificate submitted by them by notice to the Exchange Agent prior to the Expiration Date, as extended. In the absence of notice to the contrary prior to the Expiration Date, Eligible Holders who have tendered their Eligible Claims will be deemed to have accepted the Relevant Amendments.

Any Eligible Holders who deliver a Transfer Certificate after a Relevant Amendment is posted on the Offer Website will be deemed to accept the Invitation on the terms of this invitation memorandum as amended by the Relevant Amendment.

Termination

Barbados may, in its absolute discretion but subject to applicable laws, terminate the Invitation at any time prior to the Closing Date (including, for the avoidance of doubt, after the Expiration Date). Any Transfer Certificate delivered prior to such termination shall immediately cease to have any further force or effect.

In the event of non-acceptance and/or revocation and/or termination of the Invitation, any bond certificates delivered to the Government of Barbados in connection with the tender of Eligible Claims will be returned without expense to the tendering holder as promptly as practicable after the non-acceptance, revocation or termination, as applicable.

Transfer Certificate; Representations, Warranties and Covenants of Holders of Eligible Claims

Upon the submission of the Transfer Certificate, you will, subject to the terms and conditions of the Transfer Certificate and the Invitation generally, agree to:

- (1) unilaterally, irrevocably and unconditionally discharge and release all right, title and interest in and to, and any and all claims in respect of or arising or having arisen as a result of your status as a holder of Eligible Claims tendered thereby, such that thereafter you shall have no contractual or other rights or claims in law or equity against Barbados or any fiduciary, trustee, fiscal agent or other person connected with or arising under, from, or in connection with, the Eligible Claims;
- (2) waive any and all rights with respect to your holdings in the Eligible Claims tendered thereby; and
- (3) deliver to the Government of Barbados the bond certificates in respect of such tendered Eligible Claims prior to the Closing Date.

In addition, you will be deemed to represent, warrant and agree that:

- (1) you have received the invitation memorandum and have reviewed and accept the terms of the Invitation as set forth in the invitation memorandum;
- (2) you are assuming all the risks inherent in participation in the Invitation and have undertaken all the appropriate analysis of the implications of the Invitation without reliance on Barbados, the Exchange Agent, the Old Bonds Trustee or the Trustee and agents for the New Bonds;
- (3) you are the beneficial owner (as defined below) of, or a duly authorised representative of one or more such beneficial owners of, the Eligible Claims tendered thereby and you have full power and authority to execute the Transfer Certificate from a person or entity having such power and authority;
- (4) you are acquiring the New Bonds issued in the Invitation in the ordinary course of your business;
- (5) you are not prohibited by any law or policy from participating in the Invitation;
- (6) Eligible Claims being tendered thereby were owned as of the date of tender, free and clear of any liens, mortgages, pledges, charges, claims, encumbrances, interests and restrictions of any kind;
- (7) you will not sell, mortgage, charge, pledge, hypothecate or otherwise encumber or transfer any Eligible Claims tendered thereby from the date of the Transfer Certificate and agree that any purported sale, mortgage, charge, pledge, hypothecation or other encumbrance or transfer will be void and of no effect;
- (8) Barbados has not made any statement, representation or warranty, express or implied, to you with respect to Barbados or the offer or sale of any New Bonds, other than the information that has been included in the invitation memorandum, including the information incorporated herein by reference (and as supplemented to the Expiration

Date), and any information you desire concerning Barbados, the New Bonds or any other matter relevant to your decision to acquire the New Bonds (including a copy of the invitation memorandum) is or has been made available to you;

- (9) none of the Exchange Agent, Old Bonds Trustee, Trustee, Information Agent or agent for the New Bonds or any person acting on behalf of any of the foregoing has made any statement, representation or warranty, express or implied, to you with respect to Barbados or the offer or sale of any New Bonds or the accuracy or completeness of this invitation memorandum;
- (10) the execution and delivery of the Transfer Certificate shall constitute an undertaking to execute any further documents and give any further assurances that may be required in connection with any of the foregoing, in each case on and subject to the terms and conditions set out or referred to in this invitation memorandum;
- (11) the submission of the Transfer Certificate to the Exchange Agent shall, subject to the terms and conditions of the Invitation generally, constitute the irrevocable appointment of the Exchange Agent as your attorney and agent, and an irrevocable instruction to such attorney and agent to complete and execute all or any form(s) of transfer and other document(s) (including any document to effect the discharge and cancellation of all right, title and interest in or relating to the Eligible Claims) at the discretion of such attorney and agent in relation to the Eligible Claims tendered thereby in favour of Barbados or such other person or persons as Barbados may direct and to deliver such form(s) of transfer and other document(s) in the attorney's and agent's discretion and to execute all such other documents and to do all such other acts and things as may be in the opinion of such attorney or agent necessary or expedient for the purpose of, or in connection with, the acceptance of the Invitation, and to cancel or extinguish such Eligible Claims;
- (12) the terms and conditions of the Invitation shall be deemed to be incorporated in, and form a part of, the Transfer Certificate, which shall be read and construed accordingly;
- (13) you authorise and instruct the Settlement Facilitation Agent to make the relevant pro rata deduction from the 2019 Exchange Cash Consideration to which you may be eligible to pay the costs and expenses of the external creditors committee in an aggregate amount equal to U.S.\$2,575,000;
- (14) you are not acting on behalf of someone who cannot truthfully and completely make the foregoing representations; and
- (15) Barbados and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

Each Eligible Holder that executes a Transfer Certificate will also be deemed to represent, warrant and agree as set forth under "Notice to Investors."

The representations, warranties and agreements of an Eligible Holder tendering Eligible Claims shall be deemed to be repeated and reconfirmed on, and as of, the Expiration Date and the Closing Date. For purposes of this invitation memorandum, the "beneficial owner" of any Eligible Claim shall mean any holder that exercises sole investment discretion with respect to such Eligible Claim.

Procedures for Tendering

Eligible Holders that wish to accept the Invitation must submit valid copies of the Transfer Certificate, including the Annex thereto, to the Exchange Agent in respect of those Eligible Claims prior to the Expiration Date, followed by the submission of the original of the duly and validly completed Transfer Certificate and Annex thereto. Eligible Holders must also deliver the original of the bond certificates in respect of tendered Eligible Claims to Barbados prior to the Closing Date.

Once delivered to the Exchange Agent, a valid copy of the Transfer Certificate is irrevocable and may not be withdrawn, subject only to a Relevant Amendment of the terms of the Invitation as described above in “Material Amendments of the Invitation,” unless Barbados agrees otherwise. Transfer Certificates will become void if the Invitation is terminated or lapses on the terms of this invitation memorandum, or if the Invitation otherwise fails to become effective.

Proper Execution and Delivery of Transfer Certificate

A Transfer Certificate must be notarized. No alternative, conditional, irregular or contingent tenders will be accepted. By executing a Transfer Certificate, the tendering Eligible Holders waive any right to receive any notice of the acceptance for exchange of their Eligible Claims. The Exchange Agent will, where practicable, confirm good receipt and processing of the Transfer Certificate.

To receive the New Bonds on the Closing Date, a holder must complete the DTC Account Details in Part A of the Annex of the Transfer Certificate. To receive the net 2019 Exchange Cash Consideration, a holder must complete the account details in Part B of the Annex of the Transfer Certificate.

All questions as to the validity, form, eligibility (including time of receipt) and acceptance for exchange of any tendered Eligible Claims pursuant to any of the procedures described above, and the form and validity (including time of receipt of notices of withdrawal) of all documents will be determined by us in our sole discretion, which determination will be final and binding. We reserve the absolute right to reject any or all tenders of any Eligible Claims determined by us not to be in proper form or if the acceptance of, or exchange of, such Eligible Claims may, in the opinion of our counsel, give rise to a breach or violation of applicable laws, rules or regulations. We also reserve the right to waive defects in any tender that we are legally permitted to waive. Unless waived, any irregularities in connection with tenders must be cured within such time as we shall determine. A waiver of any defect or irregularity with respect to the tender of one Eligible Claim in respect of one Eligible Claim shall not constitute a waiver of the same or any other defect or irregularity with respect to the tender of any other Eligible Claim unless we expressly otherwise so provide. Your tender will not be deemed to have been validly made until all defects or irregularities in your tender have been cured or waived. Neither we nor the Exchange Agent nor any other person or entity is under any duty to give notification of any defects or irregularities in any tender of any Eligible Claims, or will incur any liability for failure to give any such notification. Please send all materials to the Exchange Agent and not to us.

Irrevocability; No Withdrawal Rights

Once delivered to the Exchange Agent, a valid copy of the Transfer Certificate is irrevocable and may not be withdrawn, subject only to a Relevant Amendment of the terms of the Invitation as described above in “Material Amendments of the Invitation,” unless Barbados agrees otherwise.

If Barbados terminates the Invitation without accepting any tenders for exchange, all tenders for exchange, including delivered Transfer Certificate, shall automatically be deemed to be withdrawn and cancelled.

Transfer Certificates will become void if the Invitation is terminated or lapses on the terms of this invitation memorandum, or if the Invitation otherwise fails to become effective.

Acceptance of Eligible Claims for Exchange; Delivery of Consideration

On the Closing Date, the New Bonds and the net 2019 Exchange Cash Consideration, both in accordance with the terms and conditions of the Invitation, if it is consummated, will be delivered in book-entry form through DTC, in the case of the New Bonds, and to the relevant bank account specified by each tendering Eligible Holder in Part B of the relevant Transfer Certificate, in the case of the net 2019 Exchange Cash Consideration.

Barbados will be deemed to have accepted validly tendered Eligible Claims when, and if, Barbados has given oral or written notice thereof to the Exchange Agent. Subject to the terms and conditions of the Invitation, delivery of the Consideration will be made by the Settlement Facilitation Agent on the Closing Date upon receipt of such notice. The Exchange Agent will act as agent for tendering holders of the Eligible Claims for the purpose of receiving Eligible Claims and transmitting the Consideration. If any tendered Eligible Claims are not accepted for any reason, any bond certificates delivered to the Government of Barbados in connection with the tender of such unaccepted Eligible Claims will be returned without expense to the tendering holder as promptly as practicable after the expiration or termination of the Invitation.

Offering Restrictions

You are not eligible to participate in the Exchange Offer unless you are:

- (1) either:
 - a. a “qualified institutional buyer” (as defined in Rule 144A under the Securities Act) and are acquiring the New Bonds for our own account or for the account of another qualified institutional buyer; or
 - b. acquiring the New Bonds in an offshore transaction in accordance with Regulation S under the Securities Act;
- (2) if you are located within an EEA Member State, you are a “qualified investor” as defined in the Prospectus Regulation;
- (3) if you are located in the UK, a relevant person (as this term is defined in “Notice to Prospective Investors in the United Kingdom”); and
- (4) otherwise permitted under the laws and regulations of any other jurisdiction applicable to you, including, without limitation, as set forth in “Jurisdictional Restrictions,” to receive and review the Invitation Materials and to participate in the Exchange Offer.

For a description of certain restrictions on resale of the New Bonds, see “Notice to Investors” in this invitation memorandum.

Business Day

The term “*business day*” for the Invitation means any day except a Saturday, Sunday or any other day on which commercial banks in New York City, London or Barbados are required or authorised by law to close.

Exchange Agent

In connection with the Invitation, Barbados has retained Lucid Issuer Services Limited to act as Exchange Agent, which will receive customary fees for its services. Barbados has agreed to reimburse the Exchange Agent for its respective out-of-pocket expenses and to indemnify it against certain liabilities. No fees or commissions have been or will be paid by Barbados to any broker, dealer or other person, other than the Exchange Agent in connection with the Invitation.

Information Agent

In connection with the Invitation, Barbados has retained Lucid Issuer Services Limited to act as Information Agent. Questions and requests for assistance or additional copies of this invitation memorandum may be directed to the Information Agent at its address and telephone number set forth on the back cover of this invitation memorandum.

Fees and Expenses

We have not retained any dealer-manager in connection with the Invitation, and we will not make any payments to brokers, dealers or other persons soliciting acceptances of the Invitation. We will, however, pay the Exchange Agent fees for its services and will reimburse it for its related out-of-pocket expenses.

Holders who exchange their Eligible Claims will not be obligated to pay any transfer taxes. If, however, a transfer tax is imposed for any reason other than the exchange of Eligible Claims in connection with the Invitation, then the holder must pay the amount of any transfer taxes due, whether imposed on the registered holder or any other persons. If the holder does not submit satisfactory evidence of payment of these taxes or exemption from them with a Transfer Certificate, the amount of these transfer taxes will be billed directly to the tendering holder.

Available Information

Certain information relating to Barbados is, or will be, available on the Offer Website and may be of significance to Eligible Holders in deciding whether to submit a Transfer Certificate.

Holders of Eligible Claims wishing to access the Offer Website will be required to accept certain terms and conditions in relation to, among other things, confidentiality and the use of the information contained on the Offer Website and as are more fully set out on the Offer Website. Holders that participate in the Invitation and elect not to access such information will be deemed to represent that it, either alone or together with its representatives and/or advisers, has such knowledge, sophistication and experience in business and financial matters so as to be capable of evaluating the merits and risks of the prospective investment in the Consideration, and has so evaluated the merits and risks of such investment without reliance on Barbados, the Exchange Agent, the Old Bonds Trustee or the trustee and agents for the New Bonds. The holder will also be deemed to represent that it assumes and is able to bear the economic risk of an investment in the Consideration and is able to afford a complete loss of such investment.

Holders of Eligible Claims who do not have access to the Offer Website may obtain the documents posted on the Offer Website via email or other means from the Information Agent subject to providing a completed certification in the form delivered to them by the Information Agent (i) representing that they are an Eligible Holder, (ii) representing that they are the beneficial owner of an Eligible Claim, indicating the amount of Eligible Claims that are beneficially owned and (iii) agreeing to keep all information contained on the Offer Website confidential and subject to verification by the Old Bonds Trustee that such certificate is being provided on behalf of a *bona fide* direct or indirect holder of a beneficial interest in an Eligible Claims.

The Invitation Materials, including this invitation memorandum and related documents, may not be distributed, forwarded or transmitted to any person in any jurisdiction.

Lucid Issuer Services Limited, in its capacity as Information Agent and Exchange Agent, can be contacted at:

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RECENT DEVELOPMENTS

The Economic Situation

Macroeconomic stability in Barbados has been challenged by high fiscal deficits and public debt. In recent years, the size of the deficit and the high level of public debt have been constraints on growth. For the most part, efforts to reduce the fiscal gap, primarily through heavy taxation adjustments, did not achieve the desired budget neutrality.

The unfolding of the global recession in 2007 cast a long shadow on the economic fortunes of Barbados over the last ten years. As global demand conditions weakened, the domestic economic performance of Barbados was challenged over several years, reaching its lowest point of growth in 2009 with a contraction of 4.9%. Subsequently, economic growth remained relatively stagnant. This gave rise to lower fiscal revenues, increased deficits and a burgeoning debt portfolio, which made it difficult for the Government to provide adequate and swift policy responses to the prevailing risks, in order to induce a positive turnaround in economic conditions. As a result, the gross public sector debt to GDP ratio at the end of 2017 climbed to an unsustainable 147.8%, up from 60% in 2007.

Falling risk appetite amongst external and domestic investors weakened economic fundamentals to adequately buffer against the reverberating shock waves of the global financial crisis, causing Barbados' recession to be deep and protracted. Due to anaemic economic growth coupled with large and increasing fiscal deficits and debt levels, the international credit rating agencies lowered Barbados' sovereign rating from 'A-' in 2003, one of the highest in the developing world, to 'Caa3' in 2017.

On 1 June 2018, the Government announced that an in-depth review of Barbados' fiscal and external liquidity situation identified and quantified substantial arrears that were not previously included in headline public debt figures, revising estimates of Government arrears upwards to U.S.\$820.0 million (including U.S.\$230.6 million owed to the National Insurance Scheme (the "NIS") and U.S.\$237.5 million owed by the Barbados Revenue Authority (the "BRA") to Barbadians and individual companies). When the previously unpublished arrears amounts were added, the total debt to GDP ratio was revised upward to 175.0% as of 31 May 2018.

In addition, gross international reserves stood at U.S.\$249.4 million, or 6.9 weeks of import cover, as of 31 May 2018, compared to U.S.\$747.2 million, or 15.1 weeks of import cover, as of 31 December 2008.

Though Barbados expects a fiscal surplus for FY 2018/19, Barbados' fiscal deficit was high in recent years, down from approximately 9.0% of GDP in FY 2015/16 to approximately 4.6% of GDP in FY 2017/18. From 2008 to 2018, the fiscal deficit averaged 6.4% of GDP.

The slow implementation of necessary reforms coupled with heavy fiscal consolidation efforts contributed to the decline in economic growth from 2.6% in 2016 to 0.8% in 2017. This downward revision also reflected a slowdown in growth in the tourism sector, which, despite recording increased tourist arrivals, saw a reduction in the average length of stay. Economic growth estimates at the beginning of 2018 continued to be sluggish, expanding by an estimated 0.8% in the first six months of 2018, compared to 1.6% during the first six months of 2017.

At the end of the FY 2017/18, foreign financed project inflows were insufficient to offset foreign loan payments of U.S.\$146.4 million. As a result, the fiscal deficit was mainly financed by commercial banks, which provided funding equal to just over 2.6% of GDP. This funding from commercial banks was due to an increase in the stipulated securities reserve requirement for commercial banks, from 10.0%

of domestic deposits as set in 2007 to 20.0%, announced by the Central Bank on 1 November 2017 and effective 1 January 2018. Central Bank financing declined to 1.0% of GDP in FY 2017/18, compared to 8.1% of GDP in FY 2016/17. Private non-bank entities also reduced their exposure to the Government.

During 2018, the financial sector remained stable and had above-normal levels of capital adequacy and liquidity. These trends were driven in part by on-going weak growth in credit to the private sector, despite a relatively benign interest rate environment. While the weighted average deposit and loan rates remained effectively unchanged, the average mortgage rate continued to decline, reaching 5.4% as of December 2018, compared to 5.6% as of the end of 2017.

In November 2018, Barbados received a ratings upgrade from Standard and Poor's on its long- and short-term local currency debt to B-/B from SD/SD with a stable currency outlook. Improvements in the current ratings are dependent upon the Government's ability to meet its fiscal targets and reform agenda which impacts positively investor confidence and economic growth. No new borrowing on the capital markets is anticipated over the next four years as Barbados is committed to achieving its debt-to-GDP target.

For further detail on the general economic and public finance performance of Barbados, see "The Economy" and "Public Finance."

Barbados Economic Recovery and Transformation Plan

Due to the challenging outlook for the Barbadian economy, on 1 June 2018, the Government announced the need for decisive action to place public finances on a sustainable path in an effort to alter the trajectory of international reserves and create the conditions for strong, sustainable growth. To follow up on the 1 June 2018 announcement, the Government announced the Barbados Economic Recovery and Transformation Plan (the "*BERTP*") on 11 June 2018.

The BERTP is expected to consist of the following three phases:

- Phase one (first three months) includes: (i) the imposition of user fees for both domestic and international users at Barbados Tourism Marketing, Inc., Barbados Tourism Product, Inc. and Sanitation Services Authority, in order to take these three statutory corporations off of Barbados' main bank account (the "*Consolidated Fund*", which is a deposit account into which all revenues of Barbados are to be deposited), and at Queen Elizabeth Hospital (the "*QEH*"), in order to take the QEH partially off the Consolidated Fund, which is expected to account for a total reduction in expenditures of approximately U.S.\$25.0 million; and (ii) a review of tax revenue to impose more effective taxes, increase compliance and broaden the base of domestic and foreign tax payers to reduce the fiscal deficit in FY 2018/19;
- Phase two (months three to twelve) includes: (i) a review of Government departments and SOEs with the aim of reducing expenditures, including through mergers and divestment; (ii) a review of the international business framework in light of the inclusion of Barbados on the list of jurisdictions subject to close monitoring for tax purposes by the European Union; and (iii) measures to boost growth, as discussed below;
- Phase three (month twelve and onward) includes: continued review and analysis of SOEs and departments of the Government.

The combined effect of the three phases is expected to reduce expenditures and raise revenues by a combined amount of approximately U.S.\$115.0 million.

Medium-Term Fiscal Strategy

As part of the BERTP, Barbados' medium-term fiscal strategy is designed to put the deficit and debt on a sustainable footing while: (i) building reserves; (ii) restoring and accelerating growth through increased public sector efficiencies and special economic zones; (iii) investing in critical public infrastructure, such as sewage, sanitation and transport; and (iv) providing social protection for the most vulnerable, such as the elderly poor, unemployed youth and the working poor.

Over the medium term, Barbados will focus on achieving fiscal surpluses and decreasing the amount of debt outstanding. The mini-budget announced in June 2018 lays out the path to cutting the budget deficit in half by the end of FY 2018/19. The overall public sector deficit declined from 4.6% of GDP in FY 2017/18 to 0.5% of GDP in FY 2018/19. The fiscal and debt adjustments are expected to reduce the debt to GDP ratio from 147.8% as of 31 December 2017 to 60% by FY 2033/34.

The medium-term fiscal strategy aims to achieve a debt to GDP ratio of 60.0% by FY 2033/34. To achieve this goal, Barbados expects to move to a primary fiscal surplus of 6.0% of GDP by FY 2019/20 and maintain that fiscal surplus until FY 2024/25, moderating it slowly as intermediate debt to GDP targets are reached.

Additionally, Barbados is conducting a comprehensive, consensual debt restructuring. The debt restructuring aims to address the severe challenges presented by current debt service commitments and, in conjunction with the corrective economic and fiscal measures, to place public debt on a more sustainable footing. For more information on the debt restructuring, see "Debt Strategy" below.

In addition to the fiscal and debt measures, Barbados will also pursue structural reforms to improve the supply of labour and training, improve the speed, cost, predictability and transparency of government procurement and make it generally easier and cheaper to do business in Barbados. The Government expects that these measures will enable Barbados to convert potential investment projects to active investments, increasing the potential GDP growth towards 3.5%. Given that structural reforms can take significant time to design, implement and bear fruit, the Government has not assumed the success of any of these structural reforms in its strategy to reach a debt to GDP ratio of 60.0% by FY 2033/34.

Overall, the fiscal consolidation measures will be underpinned by: (i) core structural reforms; (ii) strategic expenditure management, particularly within SOEs, (iii) SOE reforms, including through improvement of SOE governance and through mergers and discontinuation of certain entities, to reduce transfers given to SOEs; and (iv) strengthened fiscal institutions, with a goal of facilitating business through the use of advanced technologies while entrenching fiscal discipline.

Summary of Select Strategies

Barbados plans to:

- adjust the pace and composition of the fiscal adjustment through comprehensive tax and public financial management reform;
- promote and foster greater transparency, fiscal discipline and prudence in the management of Government affairs;
- conduct a comprehensive debt restructuring programme;

- reduce outstanding arrears between the Government and other agencies through settlements negotiated by the established Arrears Unit;
- introduce stronger oversight, improved reporting, cost reduction and revenue enhancement, including a review of all tariffs and user fees charged by the SOEs that are to be reformed under the BERTP;
- improve SOE management and efficiency through performance-based budgeting and waste and duplication reduction;
- improve the Public Investment Management Framework (the “*PIMF*”); and
- engage in a comprehensive expenditure review.

IMF Programme

In addition to the BERTP, the Government requested from the IMF: (i) liquidity support for international reserves, (ii) an assessment of the BERTP and (iii) discussions regarding the debt restructuring.

On 1 October 2018, the IMF announced the approval by its Executive Board of a four-year extended arrangement (the “*Extended Arrangement*”) under the Extended Fund Facility (the “*EFF*”) for Barbados for approximately U.S.\$290.0 million, or 220% of Barbados’ quota in the IMF. The approval of this programme allowed for the immediate disbursement of approximately U.S.\$49.0 million. The Extended Arrangement, which is complemented by the fiscal and debt adjustment measures, aims to help Barbados restore debt sustainability, strengthen its external position and improve growth prospects.

The IMF published its first review of Barbados under the Extended Arrangement on 24 June 2019. Barbados met all quantitative performance criteria and indicative targets for March 2019. The review outlines that six structural benchmarks were met and the remaining four benchmarks were implemented with minor delays. The review notes the swift progress Barbados has made since mid-2018 in addressing economic vulnerabilities, including a significant increase in international reserves, the completion of the domestic debt restructuring and ongoing reform of SOEs, the customs department, public pensions and the Central Bank of Barbados Act Cap.323C.

Debt Strategy

In June 2018, as a consequence of critically low levels of international reserves, unsustainably high levels of public indebtedness, poor growth and major failings in public infrastructure and social safety nets that undermined Barbados’ ability to service its external debt, the Government announced its intention to seek the cooperation of its domestic and external creditors in a comprehensive restructuring of its public debt. The Invitation described in this invitation memorandum is a key part of Barbados’ debt management programme.

The following summarises Barbados’ proposed treatment of its different types of indebtedness. See “Public Debt” for a list of Barbados’ outstanding debt.

The extent and terms of the debt restructuring have been designed so as to not endanger financial stability within the economy.

Domestic Debt

Barbados Dollar–Denominated Instrument and Arrears

On 1 June 2018, Barbados announced that it would endeavour to make scheduled domestic interest payments on Barbados dollar-denominated debt, but the domestic creditors were asked to roll over principal maturities until restructuring agreements were concluded. In addition, on 27 June 2018, the Ministry of Finance announced a moratorium on Treasury Bill auctions.

On 7 September 2018, Barbados launched an exchange offer for holders of Barbados dollar-denominated debt, including Treasury Bills and Treasury Notes and Debentures, issued or contracted by Barbados, certain state-owned enterprises and certain other entities that receive transfers from the Government budget (the “*Domestic Exchange Offer*”). The launch of the Domestic Exchange Offer followed three months of extensive consultations between Barbados and representatives of the several creditors and creditor groups that would be affected by the debt restructuring, including Barbados’ banks, its insurance companies, the NIS and the Central Bank.

In the Domestic Exchange Offer, Barbados offered to exchange existing Barbados dollar-denominated instruments for various series of new instruments, with the eligibility for each new instrument depending on the holder and instrument type. A summary of the offer is available at: <http://gisbarbados.gov.bb/blog/bbd-debt-exchangeoffer-summary/>.

With the launch of the Domestic Exchange Offer, Barbados announced the suspension of interest payments on Barbados-dollar denominated instruments. All interest falling due and accruing through 30 September 2018 will be capitalised and added to the principal amount of new instruments offered in the exchange. Interest on the new instruments accrued retroactively from 30 September 2018.

On 30 October 2018, Barbados announced that holders of 97% of the aggregate principal amount of all outstanding Barbados dollar-denominated debt eligible to participate in the Domestic Exchange Offer accepted the offer, including holders of SOE debts guaranteed by the Government, as described below. Pursuant to the Debt Holder (Approval of Debt Restructuring) Act, 2018, all claims eligible to participate in the Domestic Exchange Offer were restructured in accordance with the terms of the offer.

Domestic Debt Instruments and Arrears of SOEs and Guaranteed Claims

Barbados has given guarantees of various indebtedness of SOEs and certain entities that receive transfers from the Government budget. Barbados’ approach to the debts owed by SOEs and other entities to commercial creditors has been focused on drawing a distinction between those entities that were not financially viable in the absence of budgetary transfers from the Government and those that were deemed to be self-sufficient on the basis of their own operations.

For self-sufficient SOEs and government-supported entities, creditors of these entities released the Government guarantees with the SOE obligor remaining unchanged pursuant to the Domestic Exchange Offer. Debts of self-sufficient SOEs were not otherwise altered or reprofiled.

For non-self-sufficient SOEs and government-supported entities, the Government assumed these debts and restructured the debts on the same terms as Barbados dollar-denominated Government bonds and Debentures in the Domestic Exchange Offer, as described above.

External Debt

Commercial Loans and External Bond Indebtedness

Due to Barbados' international reserve position and the Central Bank's projections for further declines, Barbados ceased servicing all of its external commercial loans and external bond indebtedness on 1 June 2018.

Pursuant to this Invitation, on 5 November 2019 Barbados has launched this Invitation to holders of Eligible Claims to offer to exchange their Eligible Claims for the Consideration as described herein. In parallel, also on 5 November 2019 Barbados launched an invitation to offer to exchange (a) U.S.\$540,000,000 of Barbados' outstanding international bonds, (b) U.S.\$225,000,000 of Barbados' outstanding loans; (c) Class B Fixed Rate Bonds due 2019 issued by the Government of Barbados (ISIN XS0441235255); and (d) Class B Fixed Rate Bonds due 2019 issued by the Government of Barbados in definitive form, each as described more fully in the invitation memoranda relating to the Parallel Exchanges. The launch of the invitations is in furtherance of the Government's 1 June 2018 announcement of its intention to seek a comprehensive restructuring of Barbados' debt, including the Domestic Exchange Offer, and follows many months of good faith discussions with the Barbados creditors' committee.

USD-Denominated, Barbados Law Governed Claims

Separately from this Invitation and the Parallel Exchanges, Barbados intends to invite holders of certain USD-denominated, Barbados law governed claims to exchange those instruments for new Barbados dollar-denominated instruments.

Bilateral and Multilateral Indebtedness

Bilateral and multilateral claims have been serviced on time.

BARBADOS

History

The Arawaks were the first known inhabitants of Barbados, all of whom had departed Barbados by the time British colonists first settled at Holetown on the west coast of the island in 1627. Ten years later, sugar cane was introduced to the island. Barbados became the first British territory to establish large sugar cane plantations. Barbados remained a British colony until 1966, when independence from the United Kingdom was granted by the Barbados Independence Act 1966. Barbados is a member of the Commonwealth of Nations, a voluntary association of 53 sovereign states. Since independence, Barbados has experienced political stability.

Geography and Population

Barbados is the most easterly of the Caribbean islands, situated approximately 300 miles off the north coast of South America. The island comprises a total landmass of 166 square miles. The topography is relatively flat and composed mostly of coral. The highest point on the island is Mount Hillaby, at 336 metres (1,104 feet) above sea level. The climate is tropical, tempered by trade winds, with daytime temperatures typically in the range of 80 to 85 degrees Fahrenheit (27 to 29 degrees Celsius). A cool, dry period between December and March is followed by a warmer, rainy period from April to November. Barbados is located in an active geologic zone and in one of the most hurricane-prone regions of the world.

Between the population census in 2000 and the latest census in 2010, Barbados' population increased at an average annual rate of approximately 0.34%. According to the World Bank, the estimated total population of Barbados was 285,719 as of 31 December 2017, an increase of 2.84% compared to 277,821 as of the 2010 population census.

The World Bank estimated that 68% of Barbados' population lived in rural areas in 2010, an increase of 2 percentage points compared to 2000, while 32% of the population lived in urban areas.

Bridgetown, the capital of Barbados and the country's largest urban centre, is situated on the southwest coast of the island and, with its surrounding areas, had a population of approximately 89,630 as of the 2010 census.

Based on the World Bank's data, the country's population density is estimated at approximately 664.5 persons per square kilometre, compared to an average population density of 17.9 for small states in the Caribbean, as classified by the World Bank.

English is the official language of Barbados.

The Constitution of Barbados (the "*Constitution*") provides for religious freedom. Over one hundred religious denominations, predominantly Christian, are represented in Barbados.

Infrastructure

Barbados' infrastructure includes a road network of over 980 miles, including a multi-lane highway extending from the airport at the southeast of Barbados to the seaport on the west coast. Electricity and water are available in most households and a modern telecommunications network infrastructure is currently operated by telecommunications network providers, including Cable & Wireless (Barbados) Ltd. (trading as Flow) and Digicel (Barbados) Ltd.

Social Development

Barbados is generally classified as a middle-income developing country.

The following table sets forth the latest selective comparative statistics published by the International Bank for Reconstruction and Development (the “*World Bank*”) and the United Nations Development Programme (the “*UNDP*”) for Barbados and other countries in the Caribbean.

Table No. 2
Selected Social Development Indicators (2016)

	<u>Barbados</u>	<u>Grenada</u>	<u>Trinidad and Tobago</u>	<u>St. Lucia</u>	<u>Saint Vincent and the Grenadines</u>	<u>Saint Kitts and Nevis</u>	<u>Jamaica</u>	<u>Bahamas</u>
Per capita GDP ⁽¹⁾ ..	15,891.63	9,841.76	16,352.11	9,364.82	6,982.26	16,596.83	4,883.86	30,260.31
Infant mortality rate ⁽²⁾	12.3	16.0	18.5	13.3	16.6	9.3	13.5	6.1
Life Expectancy at birth ⁽³⁾	75.906	73.659	70.673	75.496	73.179	71.337	75.97	75.675
Human Development Index Rank.....	58	75	69	90	99	72	97	54
Average Years of Schooling ⁽⁴⁾	9.2	n.a.	10.6	n.a.	n.a.	n.a.	13.2	12.8

n.a. = Not available.

- (1) Figures are in U.S. dollars adjusted for purchasing power parity. Per capita GDP for Barbados will not match Barbados’ per capita GDP shown elsewhere in this document but is used here to provide a consistent basis for inter-country comparisons.
- (2) Infant mortality per 1,000 live births.
- (3) Figures as of 2002 for Dominica and Saint Kitts and Nevis.
- (4) Figures as of 2013.

Source: *World Bank*

For many years, Barbados has emphasised the development of its human resources, resulting in a literate and trained labour force. The 2009 Human Development Report UNDP study ranked Barbados 37th in overall quality of life (based on 2007 UNDP human development index values) and estimated its literacy rate at 99.7% as of 2017.

The Barbados educational system is modelled on the British system, and children are legally required to attend school up to the age of sixteen. Three levels of public education are available in Barbados, including a campus of the University of the West Indies (the “*UWI*”) located at Cave Hill. Education is funded almost entirely by the Government, from primary school to the undergraduate level and the Government contributes to the costs of the UWI. The fees paid by Barbadian citizens attending the Cave Hill campus are nominal.

Healthcare

Healthcare in Barbados is funded almost entirely by the Government. Free treatment for citizens and permanent residents of Barbados is provided at Barbados' largest hospital, Queen Elizabeth Hospital in Bridgetown, which provides a variety of medical services. Barbados' second largest hospital, Bayview, is private and charges patients for services. Barbados has a number of smaller district medical clinics, some of which also provide dental services. The standard of healthcare is high compared to other developing and Caribbean countries, and limited Government funding is also available for overseas treatment. In addition to Bayview, there are a number of other private medical clinics on the island. The Government has acted promptly to establish healthcare and prevention programmes and has received U.S.\$15.0 million and U.S.\$35.0 million in 2003 and 2009, respectively, from the World Bank under the HIV/AIDS phase 1 and phase 2 loan programmes.

Immigration

The Immigration Act of Barbados grants foreign residents in Barbados who can evidence ability to support themselves and their dependents the status of immigrant in the first instance and, upon application five years thereafter, the status of permanent resident. Barbados' immigration policy is focused on maintaining and strengthening the Government's economic base, ensuring the safety and security of the Barbadian people and embracing internationally accepted levels of governance.

Form of Government

General

Barbados' current form of government was established by the Constitution, which took effect pursuant to the Barbados Independence Act in 1966. The Constitution was founded on the British Westminster model of parliamentary democracy and provides that Barbados' Government comprises the elected House of Assembly and an appointed Senate. The Constitution also guarantees certain fundamental rights and freedoms.

Amendments to the Constitution can be passed either: (i) by a simple majority of each house of parliament or (ii), in the case of changes to certain fundamental provisions, including those relating to citizenship, fundamental rights and freedoms of the individual, the judicature, public service, national finance and certain provisions relating to the Governor General and Parliament, by a two-thirds majority of each house of Parliament. There is no requirement that constitutional amendments be approved by a referendum.

As part of the Commonwealth of Nations, Queen Elizabeth II of the United Kingdom is the head of state of Barbados and is officially titled Queen of Barbados. Queen Elizabeth II is represented in Barbados by a Governor General, who is appointed on the recommendation of the Prime Minister of Barbados (the "*Prime Minister*"). The constitutional functions of the Governor General are, in most cases, of formal or ceremonial nature.

There is no local or municipal government on the island.

Legislature Branch

The Parliament, unless dissolved earlier, continues for five years from the date of the most recent general election. The Constitution provides for an Electoral and Boundaries Commission, which directs and supervises the determination of the number, sizes and boundaries of constituencies, the registration of

voters and the conduct of elections in every constituency. Barbados is currently divided into thirty constituencies.

Barbados' House of Assembly consists of thirty members elected in accordance with the provisions of the Constitution and the Representation of the People Act Cap. 12.

Of the twenty-one seats in the Senate, twelve are appointed by the Prime Minister, seven are appointed by the Governor-General and two by the leader of the opposition.

Since independence in 1966, two parties, the Barbados Labour Party (the “BLP”) and the Democratic Labour Party (the “DLP”), have dominated politics in Barbados. The DLP held the majority in the House of Assembly during the decade after Barbados' independence, then BLP controlled the House of Assembly for the following two terms from 1976-1986. In 1986, the DLP, once again, held the majority, until 1994 when the balance shifted in favour of the BLP. The BLP maintained its majority in the House of Assembly until the DLP won twenty out of the thirty seats in 2008. In the recent 2018 election, the BLP won a sweeping victory, capturing all thirty seats in the House of Assembly. Other active parties include the United Progressive Party (the “UPP”), Solutions Barbados (“SB”) and three others.

The present government, which was formed by the BLP and is led by Prime Minister Mia Amor Mottley, came to office in 2018. As of the date of this invitation memorandum the BLP has 29 seats in Parliament and the opposition holds one seat. Under the Constitution, the next general election in Barbados is required to take place no later than August 2023 but can be called sooner by the Prime Minister.

Executive Branch

The Prime Minister is appointed by the Governor General as the member of the House of Assembly best able, in the judgment of the Governor General, to command the confidence of a majority of the House of Assembly.

The Constitution provides for a cabinet consisting of the Prime Minister and not fewer than five other ministers (the “Cabinet”). As of the date of this invitation memorandum, the Government led by the Prime Minister is supported by 25 Ministers.

The Cabinet is the principal organ for the formulation and implementation of government policy. It is charged by the Constitution with the general direction and control of the Government and is collectively responsible to the Parliament. Members of the Cabinet are appointed by the Governor General on the advice of the Prime Minister. The Constitution further provides that there shall be a leader of the opposition, also appointed by the Governor General.

Judicial Branch

The judicial system of Barbados is based on the English common-law system and is comprised of a four-level court structure. Among the three domestic courts, there are Magistrates' Courts, which serve as courts of summary jurisdiction. The other two domestic courts, the Court of Appeal and the High Court, are collectively referred to as the Supreme Court of Barbados. The High Court consists of a civil, criminal and family division, and judges of the High Court may sit in any division. Appeals of Magistrates' Court and High Court decisions are heard in the Court of Appeal, which exercises both criminal and civil jurisdiction. Final appeals are made to the Caribbean Court of Justice (the “CCJ”), a Caribbean Community (“CARICOM”) institution based in Trinidad and Tobago. Barbados is currently

one of four CARICOM Member States, along with Belize, Dominica and Guyana, that recognise the CCJ as their final appellate court.

Foreign Affairs, International Organisations and International Economic Cooperation

Barbados has diplomatic ties with 107 countries. Barbados is a member of the United Nations, the Commonwealth of Nations, CARICOM, the Caribbean Development Bank (the “CDB”), the Regional Security System (the “RSS”), the Association of Caribbean States (the “ACS”), the African, Caribbean and Pacific Group of States (the “ACP”), the Alliance of Small Island States (the “AOSIS”), the Caribbean Disaster Emergency Management Agency (the “CDEMA”), the United Nations Economic Commission for Latin America and the Caribbean, the Caribbean Tourism Organization, Inter-American Development Bank, International Criminal Police Organization (“*Interpol*”), the Latin American and the Caribbean Economic System (“*SELA*”), Non-Aligned Movement (“*NAM*”), the Organization of American States (the “OAS”) and the International Criminal Court.

Barbados has been recognised by most members of the United Nations and maintains diplomatic missions in the United States, Canada, the United Kingdom, Belgium, Switzerland, China, Cuba, Brazil and Venezuela.

A resident High Commissioner (distinct from the Governor General, who represents the British monarch) represents the United Kingdom in Barbados. There are also various other members of the United Nations with Embassies, High Commissions and Consulates in Barbados.

THE ECONOMY

General

Barbados is a small, diversified, service-based economy with an educated workforce, solid social and economic infrastructure and a historically stable growth performance due in part to high levels of human development and continued political stability. The economy is driven by private enterprise with the Government playing a crucial role in the provision of social services and physical infrastructure. According to the United Nations, Barbados' GDP per capita was U.S.\$15,687.20 in 2018, compared to an average of U.S.\$11,697.00 for select CARICOM member countries.¹

Gross Domestic Product

The following table sets forth the rate of growth of real GDP by economic sector for the years indicated.

Table No. 3
Real GDP Growth by Sector⁽¹⁾

	2014	2015	2016	2017	2018
	<i>(per cent change against prior year)</i>				
Traded sector	(0.3)	6.5	6.0	3.4	3.9
Sugar	(16.2)	(19.9)	(29.0)	59.0	12.0
Non-sugar agriculture and fishing.....	(1.6)	1.6	0.2	(5.3)	14.9
Manufacturing	(4.3)	4.8	(1.3)	1.6	0.5
Tourism	1.9	7.8	9.8	4.6	4.2
Non-traded sector	0.1	1.3	1.7	(0.2)	(1.7)
Mining and quarrying.....	39.1	29.9	(13.2)	25.6	2.4
Electricity, gas and water	0.2	(1.8)	0.7	(1.9)	(0.3)
Construction	1.4	(1.2)	(2.6)	2.1	(6.4)
Wholesale and retail trade ⁽²⁾	(3.8)	3.4	(1.0)	(3.7)	(3.8)
Government services	(6.8)	(3.3)	(1.1)	0.1	(1.6)
Transportation, storage and communications.....	3.5	0.6	9.5	(1.8)	(2.6)
Business and other services ⁽³⁾	2.1	3.0	1.6	(0.8)	(0.2)
Total	(0.0)	2.4	2.6	0.6	(0.4)

(1) Based on GDP calculated in constant 2010 Barbados dollars (U.S. dollar equivalent).

(2) Includes establishments engaged in wholesale and retail merchandising (such as restaurants, artisanal shops, grocery markets, general tourism and beach products) and the sale of items produced by the manufacturing sector (such as electronic components, chemicals, garments and textiles, paint, paper products, furniture, edible oils, soap and food products).

(3) Includes international business and financial services, other businesses and data and information technology services.

Source: Barbados Statistical Service

¹ The CARICOM countries are The Bahamas, Jamaica, Trinidad and Tobago, Guyana, Belize, Haiti and the Eastern Caribbean Currency Union.

The following table sets forth the composition of Barbados' of real GDP by economic sector, in U.S. dollars and in percentage terms, for the periods indicated.

Table No. 4
Real GDP by Sector⁽¹⁾

	%	2014	%	2015	%	2016	%	2017	%	2018	%
<i>(In millions U.S. dollars and as a percentage of total GDP)</i>											
Traded sector	21.4	820.2	22.3	873.1	23.0	925.4	23.6	956.6	23.6	930.7	23.3
Sugar	0.1	3.0	0.1	2.4	0.0	1.7	0.1	2.7	0.1	3.0	0.1
Non-sugar agriculture and fishing.....	1.4	51.9	1.3	52.7	1.3	52.8	1.2	50.1	1.2	57.5	1.4
Manufacturing..	6.1	234.4	6.3	245.7	6.0	242.6	6.1	246.4	6.1	247.7	6.1
Tourism	13.9	530.9	14.6	572.4	15.6	628.3	16.2	657.4	16.2	685.2	17.0
Non-trade sector .	78.6	3,009.4	77.7	3,050.0	77.0	3,100.6	76.4	3,095.1	76.4	3,041.9	75.4
Mining and quarrying	0.4	14.4	0.5	18.7	0.4	16.2	0.5	20.4	0.5	20.9	0.5
Electricity, gas and water	2.9	110.7	2.8	108.7	2.7	109.5	2.7	107.4	2.7	107.1	2.7
Construction	6.6	250.8	6.3	247.8	6.0	241.4	6.1	246.5	6.1	230.8	5.7
Wholesale and retail trade ⁽²⁾	10.0	383.7	10.1	396.9	9.8	392.9	9.3	378.5	9.3	364.1	9.0
Government services.....	11.7	447.0	11.0	432.3	10.6	427.4	10.6	427.8	10.6	420.9	10.4
Transportation, storage and communications	12.6	483.5	12.4	486.3	13.2	532.6	12.9	522.8	12.9	509.0	12.6
Business and other Services ⁽³⁾	34.4	1,319.3	34.6	1,359.2	34.3	1,380.6	34.4	1,391.8	34.4	1,389.1	34.4
Total.....		3,829.6		3,923.2		4,026.0		4,051.7		4,035.3	

Note: Numbers may not total due to rounding.

(1) Based on GDP calculated in constant 2010 Barbados dollars (U.S. Dollar equivalent).

(2) Includes establishments engaged in wholesale and retail merchandising (such as restaurants, artisanal shops, grocery markets, general tourism and beach products) and the sale of items produced by the manufacturing sector (such as electronic components, chemicals, garments and textiles, paint, paper products, furniture, edible oils, soap and food products).

(3) Includes international business and financial services, other businesses and data and information technology services.

Source: Barbados Statistical Service

The strength of private investment enabled the Barbados economy to achieve an average real GDP growth rate of 2.9% per annum between 1993 and 2000, while the population size remained relatively unchanged. In 2001, the Barbados economy contracted by an estimated 2.3% as a result of the depressed world economy and the negative consequences of the 11 September 2001 terrorist attack, which temporarily weakened the performance of the tourism sector. From 2002 through 2008, the Barbados economy registered average real GDP growth of 2.2%, as the tourism sector recovered and new private sector investment was registered. Between 2008 and 2018, real GDP declined on average by 2.4%, particularly in 2009 when real GDP fell by 7.2% in the wake of the global economic and financial

crisis. The economy saw a modest recovery between 2014-2017 as real growth averaged 1.4% due primarily to strong tourism growth.

In 2018, the Barbadian economy contracted by 0.4%, compared to marginal growth of 0.6% in 2017, primarily due to the impact of tighter fiscal policy and a slowdown in the tourism and construction sectors during the second half of the year. The Barbadian economy continued to face challenging macroeconomic conditions during 2018 given the increased risks created by declining international reserves, the threat of rising international oil prices and limited access to new financing for the Government. The Government implemented initiatives to address these challenging economic conditions through an intensification of fiscal consolidation efforts and structural reforms aimed at stimulating economic growth.

Business and other services (of which international business and financial services are the principal components), tourism, and transportation, storage and communications are the main sectors of the Barbados economy, accounting for approximately 34.4%, 17.0% and 12.6% of real GDP in 2018, respectively. These three sectors are also Barbados' largest sources of foreign-exchange earnings and corporate tax revenue and, tourism in particular, contribute to other areas of the Barbadian economy, particularly, wholesale and retail trade and construction.

Principal Sectors of the Economy

Tourism

Tourism is a very important sector of the Barbadian economy. In addition to its year-round warm Caribbean climate and white sandy beaches, Barbados offers a unique array of tourist attractions that distinguishes the island as an up-market destination, particularly for heritage, cultural and sport tourism, and attracted 678,538 visitors in 2018. On 25 June 2011, Historic Bridgetown and its Garrison was designated a UNESCO World Heritage site.

From 2014 to 2018, the tourism sector accounted for an average of approximately 15% of total real GDP and approximately 66% of traded sector real GDP. In 2018, tourism contributed U.S.\$685.5 million to real GDP, equivalent to 68.9% of traded sector real GDP and 17.0% of total real GDP, compared to U.S.\$657.4 million, 68.7% and 16.2% in 2017, respectively.

Tourism activity also contributes significantly to Barbados' foreign exchange earnings, accounting for spending of U.S.\$1,157.8 million in 2018, U.S.\$1,061.1 million in 2017 and U.S.\$1,020.1 million in 2016. The tourism sector also has multiplier or spill-over effects on other economic sectors, in particular, construction and wholesale and retail trade, and contributes to tourism-related private sector economic investment.

The following tables set out selected statistics relating to the tourism sector for the years indicated.

Table No. 5
Key Tourism Indicators

	Year ended 31 December				
	2014	2015	2016	2017	2018
Tourism real GDP (% change).....	1.9	7.8	9.8	4.6	4.2
Tourist arrivals (in thousands)	519.6	591.9	631.5	661.3	678.5
United Kingdom.....	186.8	214.2	218.6	217.4	220.7
United States	118.5	148.1	168.9	188.5	204.2
Canada.....	65.8	74.6	78.9	85.1	86.5
CARICOM	78.7	88.0	99.7	102.9	102.8
Other	69.7	67.2	65.3	67.3	64.3
Average length of stay (nights)*	9.2	9.0	8.8	8.7	8.6
Hotel room occupancy rate (%)	n.a.	68.6	68.4	67.9	66.2
Cruise ship passengers (in thousands)	557.9	586.6	594.1	681.2	615.0
Estimated tourist spending (in millions of U.S.\$).....	868.6	927.8	1,020.0	1,061.1	1157.8

* Excludes people staying at the homes of friends or relatives or people who stay in apartments or villas, which are not, for these purposes, recognised accommodation.

n.a. = Not available.

Source: Barbados Statistical Service and Central Bank of Barbados

The country of origin for tourist visitors to Barbados has changed over the last 30 years. The main source of visitors was Canada in the 1970s, the United States in the 1980s and the United Kingdom in the 1990s and over the last two decades.

With the exception of the UK and North American markets, declines in tourist arrivals were recorded from other traditional source markets in 2018. Arrivals from the United States, Canada and the United Kingdom rose by an estimated 8.3%, 1.6% and 1.5%, respectively compared to 2017, mainly due to increased flights and associated marketing in these markets. In 2018, visitors from the United States and Canada accounted for 30.1% and 12.7% of long-stay arrivals, while the United Kingdom and CARICOM accounted for 36.6% and 15.2% of long-stay arrivals, respectively.

The following table provides information regarding air service to and from Barbados as of 31 December 2018 by principal tourist departure city.

Table No. 6
Air Services to and from Barbados

Location	Air Service Provider
New York	American Airlines Jet Blue Airways
Miami	American Airlines
London	British Airways Virgin Atlantic Thomas Cook Airlines
Montreal	Air Canada
Toronto	Air Canada West Jet Airlines
Germany	Condor Airlines
Latin America	Copa Airlines

Source: Barbados Tourism Marketing Incorporated

Barbados also serves as a port of call for the following major cruise operators, among others: Princess Cruises, Royal Caribbean Cruise Lines, Carnival Cruise Lines, Norwegian Cruise Lines and Disney Cruise Lines.

Cruise ship passengers reached 614,993 in 2018, a decline of 9.7%, compared to growth of 14.7% in 2017 when there were increased cruise ship calls. Cruise ship passenger arrivals increased during 2016 and 2015 by 1.3% and 5.2%, respectively.

As of end of December 2018, total tourist accommodation, which includes registered hotels, villas and guest houses, in Barbados was approximately 6,573 rooms.

The tourism sector in Barbados has traditionally been dominated by luxury hotels on the west coast, such as the Sandy Lane Hotel, Glitter Bay and the Royal Pavilion. There are also ongoing projects and plans to develop major hotel projects on the east and west coasts and in Bridgetown, including the Sandals Beaches, Hyatt Hotel and the Wyndham Resort.

The Barbados Tourism Marketing Incorporated (the “BTMI”) aims to maintain market diversity by targeting niche markets in addition to the traditional markets of the United States, Canada and other CARICOM countries. The BTMI also seeks to enter new markets in Brazil and other South American countries and to bolster Barbados’ profile in Germany and other European nations. Although the BTMI intends to continue to focus primarily on the luxury market, its aim is to develop the upper-end of the budget market in a complementary manner. This aim will be pursued through improvements to all classes of hotels, an increase in the number of available rooms for visitors, improvements to infrastructure and a variety of events and recreational facilities for different tourist segments.

Business and Other Services

Business and other services comprises of international business and financial services, insurance, other businesses and data and information technology services. In 2018, this sector represented 34.4% of real GDP, as compared to an average of 34.4% of real GDP over the 2014-2017 period.

International Business and Financial Services

International business and financial services are the principal components of the general businesses, financial and other services sector. Historically, the international business and financial services encompasses international business companies, international banks, exempt insurance companies and exempt insurance management companies, and societies with restricted liability, as discussed in more detail in “–Banking” and “–Insurance” below. The international business and financial services sector benefits from the well-educated, skilled labour and modern telecommunications facilities available in Barbados.

The international business and financial services sector generates revenue primarily through collection of corporate taxes and, to a lesser extent, on government fees for new licences.

International Business Companies

An important key component of the business and other services sector is licensing under the International Business Companies Act 1991-24 (the “*IBCA*”). Pursuant to the previous IBCA, international business companies (“*IBCs*”) conducted activities other than insurance-related and banking-related business. These permitted activities include manufacturing, marketing and global management services. During 2018, 237 new IBC licences were issued, a reduction from the 293 issued in 2017 and 346 in 2016.

Effective January 2019, all domestic and international business companies operating in Barbados will become regular Barbadian companies. This change in the corporate tax system was accomplished in December 2018 when the Barbados Government repealed several laws, including the International Business Companies (IBC) Act and the International Societies with Restricted Liability (ISRL) Act. These Acts previously made provisions for licensed entities to be taxed at corporate rates ranging between 0.25% and 2.5%, depending on the level of their respective profits. Currently, all IBC’s and ISRLs became regular Barbados companies and entities and can conduct business locally, regionally, and internationally, under corporate tax rates of between 1% and 5.5%.

The following table sets forth the number of new licences in international business and financial services for the years indicated.

Table No. 7
New Licences Issued in International Business and Financial Services *

	Year ended 31 December				
	2014	2015	2016	2017	2018
International Business Companies	442	365	346	293	237
Exempt Insurance Companies.....	11	10	9	12	7
Exempt Insurance Management Companies	1	3	1	1	1
Societies with Restricted Liabilities.....	30	38	117	59	56
International Banks	2	0	0	0	0
Total.....	486	416	473	365	302

* The information included herein relates to new licences issued only and not to the continued existence or operating status of the relevant entities.

Source: Central Bank of Barbados, Ministry of International Business and International Transport

International Banking

Banking institutions licensed under the previous International Financial Services Act are a key component of the international business and financial services sector. International banks in Barbados accept deposits, sell and place foreign securities and provide loans to businesses abroad. They also accept foreign currencies, securities and other overseas property in trust. From 2014 to 2018, the number of international banks in Barbados declined from 40 in 2014 to 22 in 2018. This decrease in the number of international banks was mainly due to a reduction in the tax incentives available to these companies resulting from changes to the Canadian tax system.

The International Financial Services Act, which previously governed the operations of international banks, was repealed and the Financial Institutions Act amended to require the licencing of institutions conducting business that generates solely foreign currency. There will be four classes of licences under the amended Financial Institutions Act: Class 1 —commercial banks; Class 2 — trust companies, finance companies, merchant banks, and money or value transmission service providers; Class 3 —financial holding companies; and Class 4 —foreign currency earning banks.

Insurance

The insurance segment includes life insurance, exempt insurance and exempt insurance management companies. Exempt insurance companies (“EICs”) are incorporated under the Companies Act of Barbados and must apply for a licence under the 1983 Exempt Insurance Act. EICs’ activities are restricted to risks and premiums originating outside Barbados. EICs include underwriters, brokers, agents, dealers or salesmen. EICs are licensed, regulated and supervised by the Financial Services Commission (the “FSC”). In 2015, three additional exempt insurance companies were registered, and only two additional companies were registered in the ensuing two-year period from 2016 to 2017.

To converge all corporate tax rates to avoid the categorisation of being a preferential tax regime, Barbados repealed the Exempt Insurance Act. As of 1 January 2019, all insurance entities now come under the Insurance (Amendment) Act, 2018-52, providing for three classes of licence. Class 1 includes insurance companies insuring related-party risks. Class 1 licensees pay a licence fee and are subject to 0 per cent. tax. Class 2 includes all other insurance companies that insure or reinsure risks of third parties. Class 2 licensees are taxed at a rate of 2 per cent. on taxable income. Class 3 includes insurance intermediaries, insurance management companies and insurance holding companies. Class 3 licensees are also taxed at 2 per cent. on taxable income.

International Tax Treaty Network

Barbados has established a treaty network to capitalise on the economic growth of its principal trading partners and enhance its appeal as destination for foreign direct investment. Barbados has double tax agreements with Austria, Botswana, Canada, CARICOM, China, Cuba, Finland, Malta, Mauritius, Mexico, the Netherlands, Norway, Seychelles, Sweden, Switzerland, the UK, the USA, and Venezuela. There is also a regional double taxation agreement amongst the member states of CARICOM. Barbados also has bilateral investment treaties with the United Kingdom, Mauritius, Venezuela, Germany, Switzerland, Italy, Cuba, Canada and China.

Manufacturing

The manufacturing sector accounted for 6.1% of real GDP in 2018, on par with the output share in 2017 and an average of 6.1% for the period from 2014 to 2016. The manufacturing sector in Barbados comprises mainly of light industry, including production of electronic components, chemicals, garments

and textiles, paint, paper products, furniture, edible oils, soap and processed food products. The main agro-industries are sugar products and rum distilling.

Output in the manufacturing sector increased by 0.5% in 2018, compared with growth of 1.6% in 2017, primarily due to lower production of beverages and tobacco, food processing and chemical products.

The Government continues to support the manufacturing sector's modernisation of existing plants, reduction in unit production costs and increases in productivity. The Government encourages manufacturers to restructure and diversify their production systems and to discard outdated plant and equipment to be able to compete internationally. Through the Barbados Investment and Development Corporation (the "*BIDC*"), the Government provides a technical assistance programme for activities relating to plant upgrading, product design and training.

A key by-product of the sugarcane industry in Barbados is rum, which has been manufactured and distilled on the island for over 300 years. Mount Gay Rum, which is majority-owned by Remy Martin, and Cockspur Fine Rum, ESA Field and Four Square Spiced Rum, which are all locally-owned, have distilleries in Barbados that produce rum for domestic and export markets. The principal export markets are Canada, the United States, the United Kingdom and the European Union. Barbados exported U.S.\$39.9 million of rum in 2018, compared to U.S.\$42.0 million in 2017 and an average of U.S.\$38.8 million from 2014 to 2016.

Agriculture and Fishing

Agriculture and fishing, and in particular sugar, have historically played a larger role in the Barbados economy. However, in recent decades, agriculture accounts for a relatively small proportion of real GDP, 1.4% of real GDP in 2018, which is on par with the average share of 1.3% from 2014 to 2017.

The following table shows the production of selected agricultural products for the years indicated.

Table No. 8
Production of Selected Agricultural Products

	Year ended 31 December				
	2014	2015	2016	2017	2018
Sugar cane ⁽¹⁾	15.6	10.4	7.0	10.1	11.6
Poultry ⁽²⁾	14,391.9	16,134.1	14,896.8	15,805.3	16,465.6
Milk ⁽²⁾	3,724.5	3,920.6	3,412.0	3,646.6	3,599.5

(1) Thousands of tonnes.

(2) Thousands of kilograms.

Source: Central Bank of Barbados, Barbados Sugar Producers Association Inc., Pine Hill Dairy Sugar

Sugar

Although sugar production accounted for less than 1% of real GDP in 2018, the sugar industry generates important foreign exchange earnings. Sugar plantations also reduce soil erosion, preserve a rural society and provide significant employment. Sugar production in 2018 was 11.6 thousand tonnes, compared to 10.1 thousand tonnes in 2017, and an average production level of 11.0 thousand tonnes from 2014 to 2016.

Over the past two decades, profitability of the sugar industry has been in chronic decline, resulting in a decrease of land under sugar cultivation, but the Government has continued its efforts to restructure and preserve the industry.

Non-Sugar Agriculture and Fishing

The non-sugar subsector of agriculture and fishing includes vegetable and root crops, fruit, livestock, cotton and fishing. In 2018, non-sugar agriculture output accounted for 1.4% of real GDP, marginally above the average share of real GDP over the 2014 to 2017 period. The historical performance of this sub-sector tends to fluctuate, partially due to its sensitivity to weather conditions.

Wholesale and Retail Trade

The wholesale and retail trade sector encompasses, among other things, restaurants, artisanal shops, grocery markets, department stores, general tourism and beach products and the sale of items produced by the manufacturing sector, including electronic components, chemicals, garments and textiles, paint, paper products, furniture, edible oils, soap and food products.

Wholesale and retail trade accounted for approximately 9.0% of total real GDP in 2018 and 9.3% in 2017, which was lower than the average of 9.9% of total real GDP from 2014 to 2016. Wholesale and retail trade fell by 3.8% in 2018, after contracting by 3.7% in 2017, principally due to the implementation of fiscal consolidation measures, including higher indirect taxes, which had a dampening impact on aggregate spending and economic activity.

Construction

Construction accounted for 5.7% of total real GDP in 2018, 6.1% of total real GDP in 2017 and an average of 6.3% of total real GDP from 2014 to 2016. Construction activity declined by an estimated 6.4% in 2018, following an increase of 2.1% in 2017 and an average decline of 0.8% from 2014 to 2016. The contraction of the construction sector was due primarily to a significant slowdown in both private and public building and infrastructure projects and delayed tourism-related projects.

Energy and Utilities

Energy

In 2018, Barbados produced approximately 218,300 barrels of crude oil domestically, compared to 233,500 barrels in 2017 and an average of 238,300 barrels from 2014 to 2016. Domestic production provides for approximately one-third of domestic consumption.

The Barbados National Oil Company Limited (the “BNOCL”), a statutory corporation, operates the oil and gas industry of Barbados and is monitored by the Energy Division. In 1996, BNOCL executed a 25-year production sharing agreement with Waggoner (Barbados) Ltd. whereby Waggoner (Barbados) Ltd. provides assistance in developing oil and gas resources, and developing challenging reservoirs in particular, in exchange for a majority of any incremental production provided from its development programmes and an equal voice in developing and implementing the joint venture’s operating plans.

Commercial processing of crude oil took place in Barbados from 1974 to early 1998 when the island’s only refinery was closed. Barbados previously exported its crude oil to Trinidad and Tobago for refining.

Utilities

The main state-owned public utility enterprises in Barbados are the Barbados Water Authority and the National Petroleum Corporation, which supplies natural gas. Barbados Light and Power Company Limited and FLOW (Barbados) Limited, are privately-owned utility enterprises and are regulated by the Fair Trading Commission.

Barbados has a modern telecommunications network infrastructure, with the latest digital technology and fibre optics systems, which are currently operated by the telecommunications network providers FLOW (Barbados) Limited and Digicel (Barbados) Ltd.

The Fair Trading Commission, established by the Fair Trading Commission Act, 2001-31, oversees utility regulation, consumer protection, and fair competition matters.

State-Owned Enterprises

As of 31 December 2018, the Government owned equity in the following entities:

Table No. 9
Enterprises Wholly- and Partially-Owned by the Government

100% Ownership	Partial Ownership
Arlington House Museum	Insurance Corporation of Barbados
Barbados Accreditation Council	LIAT Ltd.
Barbados Agricultural Credit Trust Ltd.	Southern Golf & Country Club
Barbados Agricultural Development and Marketing Corporation	Hotels & Resorts Ltd.
Barbados Agricultural Management Co. Ltd.	Enterprise Growth Fund Ltd
Barbados Cane Industry Corporation	Southern Meats Ltd
Barbados Community College Board of Management	Barbados Flour Mills
Barbados Concorde Experience	Barbados Agency for Micro Enterprise
Barbados Conference Services Ltd.	Development Ltd.
Barbados Deposit Insurance Corporation	
Barbados International Business Promotion Corporation	
Barbados Investment and Development Corporation	
Barbados National Oil Company Ltd	
Barbados National Standards Institution	
Barbados National Terminal Company Ltd.	
Barbados National Trust	
Barbados Ports Inc.	
Barbados Revenue Authority	
Barbados Tourism Investment Incorporated	
Barbados Tourism Marketing Incorporated	
Barbados Tourism Product Authority	
Barbados Vocational Training Board	
Barbados Water Authority	
Bush Hill Tourism Trust	
Caribbean Agricultural Research & Development Institute	
Caribbean Aircraft Handling Co. Ltd.	
Caribbean Airways International Ltd.	
Caribbean Broadcasting Corporation	
Caves of Barbados Limited	
Child Care Board	
Community Legal Services Commission	
Fair Trading Commission	
Financial Services Commission	
Grantley Adams International Airport Inc.	
Gymnasium Ltd.	
Kensington Oval Management Inc.	
National Assistance Board	
National Conservation Commission	
National Council on Substance Abuse	
National Cultural Foundation	

National Housing Corporation
 National Insurance Board
 National Petroleum Corporation
 National Sports Council
 Needhams Point Development Inc.
 Needhams Point Holdings Ltd.
 New Life Investment Company Inc.
 Queen Elizabeth Hospital
 Resolution Life Assurance Company Ltd.
 Rural Development Commission
 Sanitation Service Authority
 Student Revolving Loan Fund Management Committee
 Technical and Vocational Education and Training
 Council
 Transport Authority
 Transport Board
 Urban Development Commission

Employment and Labour

Employment

Barbados' average rate of unemployment for 2018 was approximately 10.1%, slightly higher than the comparable average rate for 2017. During the period 2014 to 2018, Barbados' labour force was approximately 144,600 persons and, on average, 128,900 persons were employed.

The following table sets forth the labour force size and unemployment data for the years indicated.

Table No. 10
Labour Force and Employment

	Year ended 31 December				
	2014	2015	2016	2017	2018
Labour force.....	142,200	144,600	147,200	144,300	142,500
% of adult population	63.9	65.1	66.5	65.4	64.8
Employed persons.....	124,700	128,200	132,900	129,900	128,100
% of labour force.....	87.7	88.7	90.3	90.0	89.9
Unemployed persons ⁽¹⁾	17,500	16,400	14,300	14,400	14,400
% of labour force.....	12.3	11.3	9.7	10.0	10.1

(1) To be considered unemployed, a person must be 15 years of age or over but less than 65 years, who is not currently working but who is willing, able and available to work and who has sought work within the preceding three months.

Source: Barbados Statistical Service

Unemployment benefits are paid by the NIS, a statutory corporation with a board of directors comprising representatives of the Government, the private sector and trade unions. The NIS operates a compulsory contributory unemployment scheme for persons employed in the private sector aged sixteen to sixty-seven. Permanent government employees and self-employed individuals are not eligible to unemployment benefits and not required to contribute. To receive benefits, an individual must have been

actively insured for at least thirty-two weeks and made at least twenty contributions in the three consecutive quarters ending with the quarter, or the quarter before, the individual became unemployed. If eligible, an individual receives unemployment benefits equivalent to 60% of his or her average insurable weekly earnings for a maximum of 26 weeks in a continuous period of unemployment or for an aggregate of 26 weeks in the 52 weeks immediately before the current week of unemployment.

Pensions

Private and public sector pensions in Barbados are paid by the NIS. The 15th Actuarial Review of the National Insurance Fund was undertaken to determine if the social security system in Barbados is operating on sound financial and actuarial bases and if the NIS provides adequate level of social security protection. The main findings were that the number of NIS contributors in 2014 declined sharply to its lowest level since 1998, while pay-outs for all pension-type benefits increased. As at December 2014, total National Insurance Fund (the “NIF”) reserves were \$4.7 billion, 8 times the expenditure in 2014. Outstanding contributions totalled \$224 million and the ratio of contributors to pensioners was 3.0 and is projected to fall to 2.3 by 2034. The Pensions Act provides for: (i) a 10% increase in contributions to the NIS for four consecutive years, (ii) the basing of contributory pensions on an average of the best five of the final fifteen years of a person’s contributions, (iii) indexing of NIS insurable earnings, (iv) an increase in the pensionable age from 65 to 67 over the period from 1 January 2006 to 1 January 2018 and (v) the introduction of flexible retirement/pensionable ages, with reduced pension benefits available as early as age 60 and a deferred pension with increased benefits of 6.0% per year for each year that a person works past the current pensionable age of 67 years, up to age 70. A revised law on pensions is expected in mid to late June 2019.

Trade Unions

The main trade unions in Barbados are (i) the Barbados Workers Union, representing public and private sector workers, (ii) the National Union of Public Workers, (iii) the Barbados Union of Teachers, (iv) the Barbados Secondary Teachers Union and (v) the Congress of Trade Unions and Staff Associations, which represents the interests of affiliate staff associations including the Police Association, the Fire Service Association, the Prison Officers Association and the Barbados Registered Nurses Association. In the last decade, there has been one major strike in Barbados.

Since 1993, the Government, representatives from the private sector and the main trade unions have agreed on successive protocols that provide parameters for sustainable wage policies in the economy. In each protocol, the signatories have reaffirmed their commitment to industrial harmony, continued collaboration and consultation. They also pledge to create a modern, efficient economy, establish some equilibrium between prices and wages, achieve a greater degree of inclusiveness and distribute the benefits of economic growth fairly and equitably.

FINANCIAL SYSTEM

Central Bank of Barbados

The Central Bank was established by Act of Parliament on 2 May 1972 and is governed by a Board of Directors, the members of which are appointed by the Minister of Finance. The Central Bank undertakes all of the traditional central bank functions, including the issuance of currency, management of net foreign assets and supervision of commercial banks and non-bank financial institutions. As the monetary authority of Barbados, the Central Bank is empowered to fix reserve requirements for commercial banks and implement other monetary policies.

The Central Bank also has responsibility for arranging the Government's capital market borrowings and monetary and financial sector development in the domestic economy through a number of financing schemes, including the export credit guarantee scheme and through the Industrial Credit Fund (the "*ICF*"). The export credit guarantee scheme covers pre-shipment financing requirements and post-shipment credit risks. Under the scheme, the Central Bank typically agrees to guarantee a commercial bank loan up to 80% of amounts advanced to an exporter to finance firm orders. Credit risks after shipment may be insured for up to 90% of gross invoice value. The ICF provides medium and long-term credit to productive enterprises operating mainly in the private sector through qualified financial institutions.

Financial Sector Supervision

Anti-Money Laundering

The Central Bank, along with other competent authorities in Barbados, has the responsibility to implement measures to combat money laundering and the financing of terrorism in Barbados and has issued Anti-Money Laundering/Combating the Financing of Terrorism ("*AML/CFT*") guidelines applicable to all commercial banks and non-bank financial institutions under its supervision. Other prudential supervisors, including the FSC and the Ministry of International Business and Industry, have also issued guidelines.

The Anti-Money Laundering Authority (the "*Authority*") was established under Section 8 of the Money Laundering and Financing of Terrorism (Prevention and Control) Act, 2011-23 (the "*MLFTA*"). The Authority was established to oversee the National AML/CFT framework and to supervise financial institutions in an effort to prevent money laundering and terrorist financing.

The administrative and supervisory functions of the Authority are carried out by the Financial Intelligence Unit (the "*FIU*") in accordance with Section 9(1) of the MLFTA. The FIU is responsible for the day-to-day work of the Authority and is the central, national agency responsible for collecting, analysing and disseminating suspicious and unusual transaction reports. AML/CFT guidelines were issued to designated non-financial businesses and professionals. In addition, a Financial Crimes Investigative Unit (the "*FCIU*") has been established within the Royal Barbados Police Force to investigate reports referred to it by the Authority.

In addition, Barbados plays an integral role in the Caribbean Financial Action Task Force (the "*CFATF*"), which aims to achieve effective implementation of, and compliance with, the FATF Recommendations to prevent and control money laundering and to counter the financing of terrorism and proliferation of weapons. The CFATF carries out its mandate primarily through a mutual evaluation process of member countries. Barbados assumed chairmanship of the CFATF for the second time in November 2018.

The CFATF's Fourth Round Mutual Evaluations process is underway, and five of the twenty-five member countries have been issued their reports. Barbados' Fourth Round Mutual Evaluation Report was issued in February 2018, and Barbados is committed to and is currently in the process of addressing the findings identified by the CFATF assessment team.

Commercial Banks, Non-Bank Financial Institutions and Foreign Currency Earning Banks

The Central Bank regulates and supervises commercial banks, non-bank financial institutions and foreign currency earning banks in Barbados. Prior to 1 January 2019, the International Financial Services Act (the "IFSA") regulated the operations of international banks. Effective 1 January 2019, international banks previously licensed under IFSA will be deemed to be foreign currency earning banks under the amended Financial Institutions Act Cap. 324 A as provided under Section 34 of the Financial Institutions (Amendment) Act 2018. All licensees are subject to several enforceable guidelines on corporate governance and key risk areas such as credit risk, liquidity risk and operational risk management.

The regulation and supervision of onshore and foreign currency earning banks (formerly international banks) largely reflect the Core Principles for Effective Banking Supervision. The Central Bank introduced a risk-based approach to supervision in 2007 and all licensees are subject to ongoing monitoring and risk-based onsite inspections.

Credit Unions and Insurance Companies

Non-bank financial institutions, including credit unions and insurance companies, are regulated by the FSC.

The Central Bank, as part of its consolidated supervision framework, has carried out joint inspections with the FSC in collaboration with the Authority of money service providers and the Barbados Automated Clearing House Services Inc.

Financial Sector Assessment Programme

The financial services sector in Barbados is also subject to the Financial Sector Assessment Programme (the "FSAP") conducted by the IMF. The last assessment was conducted in October 2013, and the report was issued in February 2014. The main findings of the report were that Barbados has a relatively well-developed financial system, including a large offshore sector. The onshore system is dominated by large, regionally active commercial banks. Banking services to the population are also provided by the credit union sector. With the weakening in its fiscal situation and growth prospects, Barbados faced macroeconomic vulnerabilities, which impacted the credit quality of domestic banks and credit unions.

Banking and Financial Institutions

Over the past five years, the Barbados financial system has expanded, on average 3% per year. As of 31 December 2018, total assets of the financial sector were reported as U.S.\$12.9 billion, representing approximately 251% of GDP.

The financial system is dominated by five commercial banks, which collectively hold 49.7% of total financial sector assets as of 31 December 2018. Commercial banks are followed by insurance companies, which hold 16.6% of total financial sector assets. Pension plans, mutual funds, credit unions and finance, trust and mortgage companies each accounted for less than 10% of the financial system's assets.

Cross-border linkages and international interconnectedness are key features of Barbados' financial landscape. Commercial banking is operated exclusively by foreign-owned banks. Barbados' major insurance companies operate both regionally and internationally, and the finance, trust and mortgage companies are subsidiaries either of other financial institutions or of other conglomerates.

The Barbados Deposit Insurance Corporation (the “*BDIC*”) was established in 2007 to provide insurance coverage up to \$25,000 on domestic currency accounts for depositors at commercial banks and finance and trust companies. The BDIC is intended to boost depositor confidence and contribute to the soundness and stability of the financial system.

The following table sets forth the number of entities in each category of the financial sector as well as each category's assets as a percentage of total financial sector assets for the years indicated.

Table No. 11
Structure of the Barbados Financial System

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Number of:					
Commercial Banks	6	5	5	5	5
Finance, Trust and Mortgage.....	12	13	13	13	12
Credit Unions	35	34	34	33	33
Insurance Companies	23	21	24	23	22
Pension Plans.....	304	300	303	310	279
Mutual Funds.....	20	19	16	16	23
Assets as a Percentage of Total Financial System Assets:					
Commercial Banks	54.5%	54.5%	53.6%	52.9%	51.3%
Finance, Trust and Mortgage.....	7%	7.1%	6.3%	6.3%	4.1%
Credit Unions	7.7%	7.9%	8.2%	8.7%	9.7%
Insurance Companies	13.4%	13.8%	14.6%	14.7%	17.0%
Pension Plans.....	9.2%	8.9%	9%	8.8%	9.4%
Mutual Funds.....	8.2%	7.9%	8.3%	8.7%	8.5%

Source: Central Bank of Barbados and Financial Services Commission

While commercial banks remain the dominant segment of the financial sector, the credit union segment has grown in importance in recent years and increased its penetration into the domestic credit and deposit markets from the provision of 16.9% of total credit in 2014 to 21.0% in 2018. In addition, credit unions have expanded their holdings of deposits in the financial system from 14.1% of total deposits in 2014 to 18.4% in 2018.

The following table sets forth the distribution of credit to the non-financial private sector, broken down by category of financial institution for the years indicated.

Table No. 12
Credit to the Non-Financial Private Sector by Financial Institutions

	2014	2015	2016	2017	2018
	<i>(In millions of U.S. dollars)</i>				
Commercial Banks.....	2,660	2,680	2,703	2,795	2885
Credit Unions	677	721	774	823	858
Finance, Trust and Mortgage Companies	485	479	463	455	342
Insurance Companies	170	164	161	167	
Total.....	3,992	4,044	4,101	4,240	4,084

Source: Central Bank of Barbados and Financial Services Commission

The following table sets forth the distribution of domestic deposits at financial institutions, broken down by category of financial institution for the years indicated.

Table No. 13
Domestic Deposits at Financial Institutions

	2014	2015	2016	2017	2018
	<i>(In millions of U.S. dollars)</i>				
Commercial Banks.....	3,974	4,267	4,236	4,308	4,308
Credit Unions	730	794	867	949	1,047
Finance, Trust and Mortgage Companies	473	482	415	427	328
Total	5,177	5,367	5,549	5,612	5,683
Currency in Circulation with the Public	341.2	331.6	362.2	372.8	389.6

Source: Central Bank of Barbados and Financial Services Commission

Domestic deposits at commercial banks grew marginally during 2018, as higher deposits placed at commercial banks by credit unions and other financial institutions were offset by a decline in the deposits of private individuals, reflecting the impact of the slowdown in the domestic economy. In 2018, liquidity in the banking system remained high. As of 31 December 2018, the excess liquidity ratio, which is defined as the ratio of excess cash and excess securities held at the central bank to total domestic deposits, stood at 16.5%, an increase from 14.1% as of 31 December 2017. In addition to private sector financial institutions, the Government provides low-cost financing to Barbadians for various purposes, including educational loans through the Student Revolving Loan Fund and loans to micro-enterprises and venture capital through the Barbados Agency for Micro Enterprise Development Ltd (FundAccess) and the Enterprise Growth Fund Ltd, respectively.

Monetary Policy

Exchange Controls and Foreign Exchange Rates

Since 7 July 1976, Barbados has maintained a fixed exchange rate of BDS\$2.00/U.S.\$1.00. The maintenance of the fixed exchange rate forms the anchor of Barbados' macroeconomic policy, which is supported by an exchange control regime primarily on capital account transactions. Under the Exchange Control Act, Cap. 71, the Minister of Finance has authority for the fixed exchange rate and designated the Exchange Control Authority, which delegates the exchange rate authority to the Central Bank. Exchange controls are intended to reduce uncertainty in the foreign exchange market and facilitate the orderly repatriation of foreign investment flows and the remittance of profits without disruption in the foreign exchange market.

In the early 1990s, the Central Bank gradually began liberalising its monetary policy, including the gradual loosening of exchange controls related to specific current account transactions up to prescribed limits. In addition, authorised dealers, which are commercial banks, trust companies and any institution licensed by the Exchange Control Authority to buy and sell foreign currency in Barbados, were granted delegated authority to undertake certain transactions on behalf of the Central Bank. This delegated authority is documented in the Exchange Control Circulars, which provide guidance to authorised dealers on the various exchange control matters. The Central Bank's policy of gradual loosening of the exchange control regime has abated in recent years, as the weak economic performance of the domestic economy dampened confidence, which could have contributed to a slowdown in foreign exchange flows.

Liquidity and Interest Rates

In 2006, the Central Bank introduced a foreign currency reserve requirement for commercial banks and, in 2009, the Central Bank also implemented a local reserve requirement for non-banking financial institutions registered under Part III of the Financial Institutions Act 1996-16.

In 2017, the Central Bank increased the securities reserve requirement ratio of commercial banks in three stages from 10% to 20%. This was subsequently lowered to 17.5% in November 2018. The market-determined Treasury Bill rate stabilised around 3% for 2016 and 2017 but subsequently fell to 0.5% in 2018, primarily due to the impact of the domestic debt exchange programme.

Interest Rates

In April 2015, the Central Bank announced its decision to discontinue the setting of the minimum savings deposit rate on individuals and non-profit organisations and to allow all interest rates to be market-determined. This policy stance led to sharp reductions in commercial bank deposit interest rates. Although there was a slowing in deposit growth following this announcement, liquidity, as measured by the excess liquidity ratio, in the banking sector remained elevated and reached 16.5% as of December 2018.

The following table sets forth selected interest rates for the years indicated.

Table No. 14
Interest Rates

	2014	2015	2016	2017	2018
			(per annum)		
Excess Liquidity Ratio	6.7%	10.6%	14.5%	14.1%	16.2%
Treasury Bill Rate	2.6%	1.8%	3.1%	3.2%	0.5%
Deposit Rates					
Minimum Deposit Rate ⁽¹⁾	2.5%	0.5%	0.2%	0.0%	0.0%
Weighted Deposit Rate	2.5%	0.4%	0.3%	0.2%	0.1%
Loan Rates					
Prime	7.7% - 8.1%	7.7% - 8.1%	7.7% - 8.1%	4.0% - 8.1%	4.0% - 8.1%
Average Lending	7.1%	6.8%	6.7%	6.6%	6.5%
Central Bank Discount	7.0%	7.0%	7.0%	7.0%	7.0%

(1) Market-determined from 2015.

Source: Central Bank of Barbados

Inflation

The Government believes that its commitment to a fixed exchange rate, as discussed under “—Exchange Controls and Foreign Exchange Rates,” has enabled the Barbados economy to maintain relatively low inflation rates.

In 2018, the average annualised inflation rate was approximately 3.7%, a decrease of 0.8 percentage points compared with the inflation rate in 2017, primarily due to the impact of the elimination of the National Social Responsibility levy, an indirect tax on imported goods and domestically produced manufactured goods, and the fact that international oil prices, although remaining high, reduced slightly during the latter half of the year.

Capital Markets

Barbados has a small but growing capital market. Government short- and medium-term debt instruments represent the principal instruments available to investors. See “Public Debt—Debt Statistics—Domestic Debt”. Most of the activity in these instruments takes place on the primary market, but commercial banks are able to manage their liquidity primarily through the buying and selling of Treasury Bills and through trades with the Central Bank.

As part of Barbados’ debt management programme, on 27 June 2018 the Ministry of Finance announced a moratorium on Treasury Bill auctions, which remains in place as of the date hereof. See “Recent Developments—Debt Strategy” for more information.

Stock Exchanges

The Barbados Stock Exchange (the “BSE”), formerly the Securities Exchange of Barbados, was re-incorporated on 2 August 2001 with the passage of the Securities Act 2001-13 (the “*Securities Act*”), which also enabled the establishment of the Barbados Securities Commission (the “*Commission*”), which on 1 April 2011, was subsumed by the FSC. The Commission is responsible for the regulation of

Barbados' capital markets, including all public companies, whether listed or not. The BSE is the only authorised stock exchange involved in the listing and trading of equity and debt securities in Barbados.

In addition, the International Securities Market (the “*ISM*”) is a trading platform established by the BSE for the purpose of trading international securities. The ISM is structured to operate as a separate market of the BSE, with a separate set of rules applied to membership, trading, clearing and settlement and listing of international securities.

In 2004, the Jamaica Stock Exchange, the Trinidad & Tobago Stock Exchange and the BSE signed a memorandum of understanding with the objective of developing an integrated system for the operation of the three exchanges and a common platform for the trading and settlement of transactions on these exchanges.

FOREIGN TRADE AND BALANCE OF PAYMENTS

Foreign Trade

Foreign Trade Performance

Barbados is not a significant merchandise exporter and has historically maintained large merchandise trade deficits. In 2018, Barbados' merchandise trade deficit was estimated at U.S.\$734.0 million, compared to a deficit of U.S.\$717.0 million in 2017 and an average trade deficit of U.S.\$767.5 million over the period 2014-2016. The marginal increase in the trade deficit in 2018 reflects primarily lower exports of manufactured goods compared to the decline in non-fuel imports.

Due to the small size of the domestic market, the focus of Barbados' export policy emphasises light industry with export potential, such as medical supplies, chemicals, electronic components, leather items, wooden furniture, electro-mechanical goods, sporting goods and quality apparel. Tax concessions and other incentives are also in place to encourage export manufacturing.

The following table sets forth Barbados' merchandise exports and imports for the years indicated.

Table No. 15
Exports and Imports

	Year ended 31 December				
	2014	2015	2016	2017	2018
	<i>(In millions of U.S. dollars)</i>				
Total domestic exports⁽¹⁾	269.7	243.2	252.3	254.8	255.1
Sugar	9.1	3.6	3.5	6.8	0.2
Rum	39.4	38.1	38.8	42.0	39.9
Electrical components	8.3	8.5	7.5	7.9	8.1
Chemicals	36.8	37.0	36.1	36.3	40.1
Other food and beverages	41.8	38.6	41.8	39.9	28.2
All other	134.4	117.3	124.5	122.1	138.5
Total imports⁽²⁾	1,739.1	1,618.1	1,621.5	1,600.2	1577.7
Consumer goods	690.9	688.1	742.7	689.9	667.2
Capital goods	264.9	288.9	287.7	269.8	237.2
Intermediate goods	776.6	634.0	584.8	635.2	668.2
Miscellaneous	6.8	7.1	6.3	5.3	5.2

(1) Exports are presented on a free-on-board basis ("FOB").

(2) Imports are presented on a cost, insurance and freight basis ("CIF").

Source: Central Bank of Barbados

Domestic exports of manufactured goods increased slightly by U.S.\$0.3 million in 2018, principally due to higher exports of chemical products and other manufacturing goods which rose by U.S.\$3.8 million and U.S.\$16.4 million, respectively. In contrast, exports of food and beverages, bulk raw sugar and rum decreased by U.S.\$11.7 million, U.S.\$6.6 million and U.S.\$2.1 million, respectively.

The following tables show the direction of trade for the periods indicated.

Table No. 16
Exports by Destination⁽¹⁾⁽²⁾

	Year ended 31 December				
	2014	2015	2016	2017	2018
	<i>(In millions of U.S. dollars)</i>				
USA	78.5	155.2	174.7	123.0	101.7
Canada	11.6	8.7	9.1	8.7	12.7
UK.....	16.7	14.0	16.2	15.9	8.4
CARICOM.....	168.6	156.4	160.8	161.3	167.2
Other countries.....	199.0	148.6	156.0	176.5	158.5
Total.....	474.4	482.9	516.8	485.4	448.5

(1) Includes goods imported for re-export.

(2) Exports are presented on a FOB basis.

Source: Barbados Statistical Service

Table No. 17
Imports by Origin⁽¹⁾⁽²⁾

	Year ended 31 December				
	2014	2015	2016	2017	2018
	<i>(In millions of U.S. dollars)</i>				
USA	562.1	574.0	590.4	574.1	534.2
Canada	40.8	38.2	36.6	38.0	33.5
UK.....	69.5	68.2	78.3	64.5	65.1
CARICOM.....	433.6	343.5	285.9	348.3	339.3
Other countries.....	633.1	594.1	630.3	575.3	605.7
Total.....	1,739.1	1,618.1	1,621.5	1,600.2	1577.9

(1) Includes goods imported for re-export. CIF means “Cost Insurance and Freight”.

(2) Imports are presented on a CIF basis.

Source: Barbados Statistical Service

During 2018, total imports of goods decreased by 1.4%, following a decline of 1.3% in 2017. Imports from the United States and Canada both declined in 2018 compared to 2017 by 7.0% and 11.8%, respectively. Imports from the UK and other countries rose by 0.9% and 5.3%, respectively, representing a reversal after contractions of 17.7% and 8.7%, respectively, during 2017.

In 2018, exports to Canada and CARICOM countries, of which Trinidad and Tobago accounted for a significant portion, increased by 46.0% and 3.7%, respectively, compared to the exports to these countries compared to 2017. In contrast, exports to the United States and the UK both declined by 17.3% and 47.2%, respectively, in 2018.

Trade Policy and Reform

Barbados has gradually liberalised its trade policy, both independently and in accordance with the agreements of the World Trade Organization (the “WTO”), with the primary aim of increasing the competitiveness of Barbados’ exports by opening up domestic production to foreign competition.

Barbados’ principal trade policy reforms over the past several decades include:

(i) liberalisation of the import-licencing regime on a selected number of extra-regional imports and a change from licencing regimes to tariffs agreed within the WTO. Certain goods remain subject to licencing for health and safety reasons. The elimination of import duties is subject to Barbados' obligations under the Revised Treaty of Chaguaramas. Prior authorisation must be secured from the CARICOM Council for Trade and Economic Development (the "*COTED*") for some products.

(ii) adherence to the rules regarding the Common External Tariff (the "*CET*") imposed by CARICOM countries on goods imported from non-CARICOM countries. The maximum CET rate for manufactured goods is currently 20% and the maximum rate on agricultural imports is 40%. Any changes to the CET, including the application of rates higher or lower than the CET, must be approved by the COTED.

(iii) the reduction of duties imposed on imports from third countries is possible through negotiated trading arrangements between CARICOM and those third countries. CARICOM has such arrangements with Venezuela, Colombia, the Dominican Republic, Cuba, Costa Rica and the European Union.

(iv) taking advantage of non-reciprocal preferential arrangements offered by third countries. The United States allows the duty-free entry of a large number of products from some Caribbean countries, including Barbados, under the Caribbean Basin Economic Recovery Act (the "*CBERA*"). This waiver ends 31 December 2019. There is also a similar arrangement with Canada under the Caribbean-Canada Trade Agreement ("*CARIBCAN*"). *CARIBCAN* expires 31 December 2023.

Barbados benefits from the use of the Special Safeguard Provision under Article 3 of the WTO Agreement on Agriculture, which was instituted in September 2000. The Special Agricultural Safeguard (the "*SSG*") is a tool that allows certain developing countries to raise tariffs temporarily to deal with import surges or price falls. The SSG protects domestic agricultural production and allows for the maintenance of a level of food security following the removal of the import licencing system in 1995.

Barbados recognises the importance of intellectual property protections for the future of Barbados' international business sector. The Copyright Act, enacted in February 1998, fulfils Barbados' obligations under the WTO Agreement on Trade Related Aspects of Intellectual Property Rights ("*TRIPS*"). Barbados' Trade Marks Act and Patents Act was also amended in 1998 to become TRIPS compliant. Since 2001, Barbados has been in full compliance with its WTO and World Intellectual Property Organisation commitments with respect to its intellectual property legislation.

In 2006, the common organisation of the sugar market in the European Union was overhauled to achieve greater simplification and market orientation for the European Union's sugar policy. As a result, quotas were gradually removed and guaranteed prices were gradually reduced for sugar exports from Barbados to the European Union and limits on sugar imports into Barbados were also gradually removed.

The WTO Doha Development Round is still relevant to Barbados' trade policy, and the Economic Partnership Agreement was signed in October 2008 in Barbados. The waiver to extend the CARICOM-Canada Free Trade Agreement has been extended until 2023. CARICOM is currently engaged in enhancing its existing trading agreements with the Dominican Republic, Costa Rica, Cuba and Colombia. Discussions have also commenced for the negotiation of a successor arrangement to the Cotonou Partnership Agreement, which governs relations between the African, Caribbean and Pacific Group of States and the European Union.

Under the terms of the CARICOM Single Market and Economy (the "*CSME*"), member states of CARICOM are committed to facilitating the rights of establishment, the provision of services, the free

trade in goods, and free movement of people and capital across the region. This may have implications for the exchange control regime, as member states are prevented from introducing new restrictions and are also obligated to remove all restrictions within the parameters of a defined programme. However, pursuant to Article 43 of The Revised Treaty of Chaguaramas Establishing CARICOM, in the event of balance of payments and external financial difficulties, member states are permitted to adopt certain restrictions to address these difficulties.

Balance of Payments

The balance of payments is a system of recording all of a country's resident economic transactions with the rest of the world over a one-year period. In 2018, Barbados recorded a balance of payments deficit (as determined by the change in the gross international reserves) of U.S.\$293.8 million, compared with a deficit of U.S.\$114.3 million in 2017 and an average deficit of U.S.\$66.9 million over the three-year period of 2014 to 2016.

The following table sets forth Barbados' balance of payments for the years indicated. Barbados calculates its balance of payment figures in accordance with the Sixth Edition of the IMF's Manual on Balance of Payments dated November 2013.

Table No. 18
Balance of Payments

	Year ended 31 December				
	2014	2015	2016	2017	2018
	<i>(in millions of U.S. dollars)</i>				
Current account.....	(430.3)	(289.2)	(207.3)	(190.3)	(172.2)
Merchandise trade balance	(857.6)	(737.3)	(707.5)	(717.0)	(734.0)
Exports*	794.0	799.9	833.0	803.1	764.9
Imports*	1,652.2	1,537.2	1,540.5	1,520.2	1498.9
Services (net).....	639.2	659.1	754.1	787.1	842.0
Tourism.....	841.1	899.2	989.6	1,027.6	1085.5
Other	(201.9)	(240.1)	(235.4)	(239.2)	(243.5)
Investment Income (net).....	(197.4)	(212.9)	(221.4)	(223.9)	(239.8)
Transfers (net)	(14.5)	2.0	(35.5)	(38.0)	(40.5)
Capital Account	(8.3)	(8.2)	(2.8)	(1.2)	25.4
Capital transfers	(8.3)	(8.2)	(2.8)	(1.2)	(3.0)
Acquisition/disposal of non-produced, non-financial assets	0.0	0.0	0.0	0.0	28.4
Financial Account	372.8	221.2	42.1	43.2	443.8
Long term	364.2	225.4	80.5	88.3	456.0
Public sector.....	48.0	(35.6)	(85.6)	(67.5)	225.5
Private sector.....	316.0	261.0	166.0	155.7	230.5
Short-term	8.6	(4.3)	(38.4)	(45.1)	(12.2)
Errors and omissions.....	16.5	44.0	49.0	34.0	3.2
Balance for official financing	(49.4)	(32.3)	(119.0)	(114.3)	293.8
Change in gross international reserves (decreases)	49.4	32.3	119.0	114.3	(293.8)

* Exports and imports are FOB and CIF, respectively, but have been adjusted for balance of payments presentation.

Source: Central Bank of Barbados and Barbados Statistical Service

External Current Account

Barbados' external current account position is heavily dependent on earnings from services, particularly tourism. Since 2014, the external current account deficit has declined on average by 19.7%, mainly because of contractions in total non-fuel imports of goods coupled with higher foreign exchange earnings from tourism.

In 2018, Barbados registered an external current account deficit of U.S.\$172.2 million, compared with a deficit of U.S.\$190.3 million for 2017, as a result of lower purchases of non-fuel imports and higher tourism foreign exchange earnings which together outweighed the increase in the value of fuel imports. The growth in tourism earnings was primarily due to the increased long-stay tourist arrivals from the major source markets, including the United States, the United Kingdom and Canada.

Financial Account

Barbados has recorded surpluses in its financial account since 1996. In 2018, the financial account registered a significantly higher surplus of U.S.\$443.8 million, primarily reflecting public sector inflows for policy-based and project loans from international financial institutions. The improvement in long-term public sector inflows during 2018 contrasts sharply with the previous three years' average decline of U.S.\$62.9 million. In contrast, private sector financial inflows increased by U.S.\$74.8 million in 2018, following an increase of U.S.\$10.3 million in 2017 and an average of U.S.\$247.6 million in the preceding three years.

In 2018, the decline in foreign amortisation payments and higher multilateral loan disbursements to the Government contributed to an increase of U.S.\$225.5 million in net public sector inflows. The increase in net private sector inflows was fuelled by the improved performance in the foreign exchange market, coupled with other inflows from non-residents.

Gross International Reserves

In 2018, the gross international reserves rose by U.S.\$293.8 million to reach U.S.\$499.6 million as of 31 December 2018, in contrast to a decline of U.S.\$114.3 million during 2017. From 2014 to 2016, gross international reserves averaged U.S.\$410.1 million. The improvement in the stock of gross international reserves in 2018 pushed the import cover for goods and services to 12.9 weeks, compared to 5.3 weeks at the end of 2017 and an average of 10.3 weeks for the period 2014 to 2016. The desired benchmark import cover for goods and services is twelve weeks.

The following table sets forth liquid international reserves and gross international reserves for the years indicated.

Table No. 19
Liquid International Reserves and Gross International Reserves

Year ended 31 December				
2014	2015	2016	2017	2018
<i>(In millions of U.S. dollars)</i>				

Net International Reserves (NIR)	430.9	410.7	287.5	167.4	416.3
Foreign Currency Liabilities of Monetary Authorities	40.4	28.3	32.4	38.3	83.3
Gross International Reserves (GIR)	471.3	439.0	319.9	205.7	499.6
Import Cover (in weeks of goods and services) ..	11.6	11.2	8.2	5.3	12.9

Source: Central Bank of Barbados

The foreign assets of the Central Bank and the Government are invested largely in U.S. dollars in a range of approved investments and institutions. The U.S. dollar is the principal currency in which foreign receipts are earned and in which foreign debt is denominated. See “Public Debt—Debt Statistics—External Debt.”

Foreign Investment

The economy of Barbados is the beneficiary of private foreign investment, particularly in its hotel sub-sector and ancillary services. See “Principal Sectors of the Economy—Tourism”. All investment by non-residents registered with the Central Bank are entitled to repatriation of capital, capital gains, dividends, profits and interest brought into Barbados. The Central Bank permits the repatriation of the original investment amount, dividends, profits and interest. It also allows the repatriation of capital gains but retains the right to stagger transfers over a reasonable period of time.

Foreign companies are being targeted for direct investment in Barbados by Invest Barbados, an economic development entity responsible for securing and promoting sustainable foreign direct investment and which also services export businesses in order to increase employment, promote technology and skills transfers, foreign exchange and tax revenues. Further, the BIDC is a government agency that promotes business development in Barbados, with particular emphasis on manufacturing and small businesses. The BIDC helps manufacturers find new markets for their products through advertising, seminars, journals and direct mail media. It has representative offices in New York, Miami, Toronto and London and works closely with the Barbadian High Commissions in foreign markets. The BIDC helps promote new products, such as speciality foods, including fresh fruits and vegetables and hot chili sauces, high quality garments, reproduction of period furniture and local arts and crafts.

PUBLIC FINANCE

Overview

The Government's budget process is set out in the Constitution, the Financial Management and Audit Act, 2007-2018 and the Financial Management and Audit (Financial) Rules, 2011, which provide the financial rules and guidelines for the administration of public sector entities. The budget process involves the participation and co-ordination of all Government ministries and agencies. The Ministry responsible for Finance prepares the Draft Estimates of Revenue and Expenditures (which constitute the budget of the Government, the "*Estimates*") and is responsible for presenting the Estimates to the House of Assembly in March each year. Both houses of Parliament must approve the Estimates before the end of March; the fiscal year begins 1 April. The Estimates constitute the published public sector fiscal accounts.

The Estimates are based on existing tax rates and projections of non-tax revenue by the various Government ministries. If the Minister of Finance wishes to alter the tax rates, or to make strategic adjustments to the level of expenditure, past practise is to announce these changes in a Financial Statement and Budgetary Proposal (the "*Financial Statement*"). The Financial Statement must be approved by the Cabinet and Parliament. Following the introduction of the value added tax (VAT) in 1997, the publication of a Financial Statement has taken place between August and December, but there is no statutory obligation to present a Financial Statement.

The budget estimates for SOEs are approved initially by their respective boards of directors. The budget estimates are then forwarded to the relevant ministry for each enterprise. If an SOE requires supporting funds from the Government, a request is included in the ministry's own request to the Ministry of Finance for an additional budgetary allocation. Changes to the annual approved SOE allocation generally require the approval of the Cabinet and Parliament. For a description of the principal SOEs, see "The Economy—State-Owned Enterprises".

Revenues and expenditures of the Government do not incorporate the full revenues and expenditures of SOEs. The Government's accounts capture only its current and capital transfers to specified SOEs. Dividends from SOEs, if any, are recorded as non-tax revenue.

The Accountant General's functions include maintaining certain accounts held by the Treasury, as well as reporting to Parliament on those accounts and on Government funds, such as the Consolidated Fund. See "Public Debt—Overview".

Fiscal Policy

For the four fiscal years from 2012/13 to 2015/16, the fiscal deficit averaged 8.9% of GDP. While there was an improvement in FY 2016/17 and 2017/18, the fiscal deficit remained at a level challenging to finance—approximately 4.6% of GDP for FY 2017/18. The high deficit year over year is attributable mainly to underperformance in revenue in addition to the transfers to SOEs and the cost of debt service.

In March 2019, Parliament adopted the FY2019/20 budget, which targets a primary surplus of 6% of GDP.

In an effort to reverse the trend on large fiscal deficits, the Government has embarked on the BERTP. The BERTP will be conducted in three phases and will involve a combination of: (i) promotion of economic growth without an over reliance on tax concessions or subsidies, (ii) restructuring of public

debt to sustainable levels, and (iii) significant fiscal consolidation. For more information on the BERTP, see “Recent Developments—Barbados Economic Recovery and Transformation Plan”.

Public finances improved during the first half of FY 2018/19 due to improved tax collections, the impact of reduced debt service payments and increased expenditure restraint.

Revenues and Expenditures

Government revenues are derived from a mix of direct and indirect taxes, including payroll levies and taxes on incomes and profits, property, goods and services and imports. As part of its tax reform, in June 2018 the Government introduced a suite of budgetary revenue measures that are intended to alter the incidence of taxation and provide earmarked funding for some state-owned enterprises.

Recurring current expenditures include wages and salaries, goods and services, debt service costs (domestic and foreign) and current transfers. Capital expenditures include acquisitions of property, capital formation and capital transfers.

The following table sets forth Government revenues and expenditures by economic classification for the fiscal years indicated.

Table No. 20
Government Revenues and Expenditures

	2013/14	2014/15	2015/16	2016/17	2017/18 ⁽¹⁾	2018/19 ⁽¹⁾
Tax revenue.....	1,094.8	1,111.5	1,214.9	1,303.8	1,341.5	1,375.0
Income and profit	317.2	333.0	361.8	396.8	398.5	441.7
Levies	40.6	41.8	17.9	74.7	80.0	37.0
Property	65.5	82.1	93.8	67.7	68.8	80.6
Goods and services.....	568.9	537.2	620.6	637.3	679.7	703.3
Import duties	96.8	111.9	115.8	122.6	109.3	106.9
Stamp duties	5.8	5.5	5.0	4.7	5.2	5.4
Grant Income	0	28.7	9.1	4.4	11.0	0.05
Non-tax revenue.....	47.0	53.9	55.9	63.7	70.6	79.8
Total revenue	1,141.8	1,194.1	1,279.9	1,371.9	1,423.1	1,454.8
Current expenditure	1,562.1	1,459.5	1,542.7	1,525.2	1,561.9	1,413.1
Wages and salaries	435.9	401.8	393.6	392.3	391.1	405.9
Goods and services.....	191.1	170.8	220.6	192.7	182.1	178.1
Interest.....	304.3	326.9	336.3	369.5	382.4	192.4
Foreign	67.6	82.6	81.9	84.2	84.0	24.0
Domestic	236.7	244.3	254.4	285.3	298.4	168.4
Current transfers.....	630.8	560.0	592.2	570.7	606.3	636.75
Capital expenditure	72.0	86.5	108.3	102.7	74.5	92.5
Net Lending	0	0	0	0	0	0
Total expenditure	1,634.1	1,546.0	1,651.0	1,627.9	1,636.4	1,505.6
Fiscal balance.....	(492.3)	(351.9)	(371.1)	(256.0)	(213.3)	(50.8)
Fiscal balance (as % of nominal GDP).....	(11.1)	(8.0)	(8.2)	(5.5)	(4.6)	(0.5)

(1) Estimated figures.

Source: Accountant General, Ministry of Finance and Barbados Revenue Authority

The following table sets forth the per cent change of Government revenues and expenditures by economic classification for the fiscal years indicated.

Table No. 21
Government Revenues and Expenditures Differential

	Fiscal year				
	2014/15	2015/16	2016/17	2017/18	2018/19
	<i>(per cent change against previous fiscal year)</i>				
Tax revenue.....	1.5	9.3	7.3	2.9	2.5
Income and profit.....	5.0	8.6	9.7	0.4	10.8
Levies.....	3.0	(57.2)	317.3	7.1	(53.7)
Property.....	25.3	14.3	(27.8)	1.6	17.1
Goods and services.....	(5.6)	15.5	2.7	6.7	3.5
Import duties.....	15.6	3.5	(6.0)	(10.8)	(2.2)
Stamp duties.....	(5.2)	(9.1)	(51.6)	10.6	3.8
Grant Income.....	100.0	(68.3)	14.0	150.0	(99.5)
Non-tax revenue.....	14.7	3.7	(36.5)	10.8	13.0
Total revenue.....	4.6	7.2	7.2	3.7	2.2
Current expenditure.....	(16.6)	5.7	(1.1)	2.4	(9.5)
Wages and salaries.....	(7.8)	(2.0)	(0.3)	(0.3)	3.8
Goods and services.....	(10.6)	29.2	(12.6)	(5.5)	(2.2)
Interest.....	7.4	2.9	9.9	3.5	(49.7)
Foreign.....	22.2	(0.8)	9.4	(0.2)	(71.4)
Domestic.....	3.2	4.1	12.1	4.6	(43.6)
Current transfers.....	11.2	5.8	(3.6)	6.2	5.0
Capital expenditure.....	20.1	25.2	(5.2)	(27.5)	24.2
Net Lending.....	N/A	N/A	N/A	N/A	N/A
Total expenditure.....	(5.4)	6.8	(1.4)	0.5	(8.0)
Fiscal balance.....	(28.5)	5.5	(31.0)	(16.7)	(76.2)
Fiscal balance (as % of nominal GDP)....	(27.9)	2.5	(32.9)	(16.4)	(89.13)

N/A = Not available.

Source: Accountant General, Ministry of Finance and Barbados Revenue Authority

Revenues

The BRA was established on 1 April 2014 following the consolidation of Barbados' various revenue collecting agencies, including the Inland Revenue Department, the VAT Division and the collecting functions of the Barbados Licencing Authority. The objectives of the BRA include adopting a more aggressive approach to the collection of taxes, non-tax revenue and arrears through increased use of technology, compliance audits and cost-efficient approaches to revenue collection.

From FY 2014/15 to FY 2015/16, total Government revenues grew at an average of 5.9% per annum, principally due to increases in revenue from income tax, property tax and import duties. This trend continued with an increase of approximately 3.7% during FY 2017/18 following an increase of 7.2% during FY 2016/17. The increase for FY 2017/18 was primarily due to increases in national social

responsibility levy due to the increase in rates, corporation tax and excise duties, which were partially offset by decreases in import duties, withholding tax and other special receipts. There was no significant change to the revenue from VAT compared to FY 2016/17. For FY 2018/19, total Government revenue grew by 2.2%, reflecting the impact of a boost in corporation tax intake as several new firms in the international business sector paid taxes for the first time. In addition, the foreign exchange fee introduced in 2017 and some of the new taxes introduced in the mid-year budget contributed to this increase. There was, however, a significant decline in revenue from levies and grant income, which decreased by 53.7% and 99.5% respectively.

Taxation Revenue

In Barbados, direct taxes are levied on incomes, corporations and property. Although most goods and services are subject to VAT, certain goods and services are exempt from VAT and certain goods and services are subject to subsidiary duties and fees, including excise duties. Imports are subject to import taxes, and imports originating from a non-CARICOM countries are subject to the CET. Other principal tax revenues include land tax, property transfer tax and certain taxes on insurance premiums, on life insurance companies' invested income and on bank assets. There are no capital gains or inheritance taxes in Barbados.

Residents of Barbados are generally subject to tax on worldwide income, and non-residents are taxed only on income derived in Barbados. Companies and other corporate bodies that are resident in Barbados are subject to corporation tax, and non-resident companies are only being taxable to the extent that they carry out a business in Barbados through a branch or agency and in respect of income directly or indirectly attributable to that branch or agency. In addition, there is a 10% tax on profits remitted by an office, branch or agency of a non-resident company engaged in trade or business in Barbados.

Beginning 1 January 2019, Barbados became one of the first countries in the world to converge its local and international corporate tax rates. All corporate entities in Barbados, except those that will be grandfathered, will be taxed according to the following rates based on a sliding scale: up to U.S.\$0.5 million of taxable income at 5.5%; between U.S.\$0.5 and U.S.\$10 million of taxable income at 3.0%; between U.S.\$10 and U.S.\$15 million of taxable income at 2.5% and over U.S.\$15 million of taxable income at 1.0%. This reform of Barbados' 40-year old tax regime makes its tax system globally competitive, while bringing the country in line with the Organization for Economic Cooperation and Development's Base Erosion and Profit Shifting (BEPS) initiative. The broad-based change in tax policy is aimed at reducing taxes on work and productivity, while placing the tax burden on consumption and wealth, and it is expected to be revenue neutral.

As a result of Barbados' tax reforms, on 17 May 2019, the European Council moved Barbados from the European Union's list of non-cooperative tax jurisdictions to the list of jurisdictions that have undertaken sufficient commitments to reform their tax policies.

Income from Barbados Government securities except savings bonds is taxed at 12.5%. Interest payable on the New Bonds to non-resident beneficial owners of the New Bonds will not be subject to any withholding tax. See "Taxation—Barbados Tax Considerations."

Expenditures

Total Government expenditures have fluctuated over the past five fiscal years. In FY 2018/19, expenditures decreased 8.0% after increasing 0.5% in FY 2017/18 and 6.8% in FY 2015/16. There were decreases of 1.4% in FY 2016/17 and 5.4% in FY 2014/15. The decrease in FY 2018/19 was primarily attributed to decreases in goods and services and interest payments, partially offset by an increase in

capital expenditures. The suspension of external and domestic commercial debt service contributed to the decrease in interest expense.

Current expenditures decreased by 9.5% in FY 2018/19. This was again attributable mainly to decreases in goods and services and interest payments. Goods and services decreased further by 2.2% in FY 2018/19, after decreasing by 5.5% in FY 2017/18. For the last three years decreases in goods and services averaged 6.8%. Interest payments decreased by 49.7% in FY 2018/19 after increasing on average 5.4% between FY 2017/15 to FY 2017/18 due mainly to the debt restructuring undertaken during the financial year.

Capital expenditure increased by 24.2% in FY 2018/19 compared to a decrease of 27.5% in FY 2017/18 and 5.2% in 2016/17. For FY 2013/14 to FY 2015/16, capital expenditures increased an average of 32.4%.

The following tables set forth total Government expenditures by functional classification for the fiscal years indicated.

Table No. 22
Government Expenditures

	Fiscal year				
	2014/15	2015/16	2016/17	2017/18	2018/19 ⁽¹⁾⁽²⁾
	<i>(in millions of U.S. dollars)</i>				
General public service.....	276.2	133.6	64.9	1013.4	398.9
Defence	33.1	35.6	39.1	39.7	35.1
Education	261.5	252.8	248.8	250.3	284.4
Health.....	166.5	163.1	157.9	160.2	162.1
Social security and welfare	175.6	185.9	182.9	187.1	202.1
Housing.....	71.9	130.9	88.5	85.7	82.4
Other social services	0.00	0.00	0.00	0.00	0.00
Economic services ⁽³⁾	214.6	230.9	239.1	187.7	210.9
Other	98.6	97.6	104.1	105.2	129.5
Public order and safety.....	19.8	21.2	23.4	34.5	25.1
Recreation, culture and religion.....	52.9	64.2	55.2	60.0	79.7
Environmental protection.....	1370.7	1,315.8	1203.9	2,123.8	1610.2
Total expenditures.....	276.2	133.6	64.9	1013.4	398.9

(1) Estimated figures.

(2) FY 2018/19 taken from the Revised Estimates of Expenditure.

(3) Includes trade, industry, agriculture, roads, civil aviation, tourism, lands and surveys and labour.

Source: Ministry of Finance Estimates of Expenditure and Revenue, Central Bank of Barbados, Accountant General

Table No. 23
Government Expenditures

	Fiscal year				
	2014/15	2015/16	2016/17	2017/18	2018/19 ⁽¹⁾⁽²⁾
	<i>(per cent change against previous fiscal year)</i>				
General public service.....	(3.5)	(51.6)	(51.4)	1,461.5	(60.6)
Defence	(1.2)	7.8	9.8	(1.5)	(9.1)
Education	5.6	(3.3)	(1.6)	3.0	10.9
Health.....	(20.5)	2.1	(3.1)	0.8	1.8
Social security and welfare	19.0	5.9	(1.6)	12.2	(1.6)
Housing.....	17.6	81.9	(32.4)	10.6	4.1
Other social services ⁽³⁾	(100.0)	0.0	0.0	0.0	0.0
Economic services ⁽⁴⁾	(4.9)	7.6	3.7	(2.8)	(9.3)
Other	0.0	1.0	6.6	13.0	10.1
Public order and safety.....	0.0	6.7	10.5	41.4	(24.1)
Recreation, culture and religion.....	0.0	21.2	(14.1)	13.2	27.6
Environmental protection.....	(30.4)	(4.0)	(8.5)	76.4	(24.2)
Total expenditures.....	(3.5)	(51.6)	(51.4)	1,461.5	(60.6)

(1) Estimated figures.

(2) FY 2018/19 taken from the Revised Estimates of Expenditure.

(3) Includes culture, sports, parks and beaches.

(4) Includes trade, industry, agriculture, roads, civil aviation, tourism, lands and surveys and labour.

Source: Ministry of Finance Estimates of Expenditure and Revenue, Central Bank of Barbados, Accountant General

In terms of functional expenditure, the most significant categories over the five year period were education, economic services, social security and welfare and health.

Total expenditure decreased by 24.2% in FY 2018/19 after increasing by 76.4% in FY 2017/18. This was attributable mainly to decreases in general public service, defence, economic services and recreation, culture and religion, which decreased by 60.6%, 9.1%, 9.3% and 24.1% respectively. During the five year period, expenditure decreased from 30.4% to 8.5% between FY 2014/15 and FY2016/17 but increased significantly in FY 2017/18 due to the increase in general public service.

Education and economic services were the two most consistent components of expenditure for the period, averaging 17% and 14.2% of the total over the five year period. Education absorbed an estimated 17.7% and 11.8% of the budget respectively in FY 2018/19 and 2017/18, reflecting Government's continued emphasis on providing access to free, high quality education up to tertiary level for all citizens.

During FY 2018/19, it is estimated that the Government spent 13.1% of its budget on economic services such as civil aviation, tourism, trade, industries, labour and land and surveys (as compared to 8.8% for FY 2017/18), demonstrating the Government's effort in preparing Barbados for the challenges of a global economy. Among organisations benefitting from these outlays were Caves of Barbados and the Urban Development Commission. Better ancillary tourism services are also partly responsible for the increase in spending on economic services.

Spending on social security and welfare was estimated at 12.5% of overall spending in FY 2018/19, compared to 8.8% in FY 2017/18. In 1997, the poverty alleviation programme was introduced and comprises a number of measures, including the creation of a social investment fund ("SIF") and the

establishment and funding of urban and rural development commissions. The SIF funds a rural enterprise fund and an urban enterprise fund, as well as other community-based economic facilities.

At present, Barbados has an extensive, though somewhat inefficient, public transportation system on the island. The Government is looking at ways to improve the current system, including the restructuring of the Transport Board, the upgrading of the bus fleet and the provision of incentives for companies willing to provide insurance to this sector. The Government has allocated modest funding in connection with significant improvements in its traffic management infrastructure that will regulate the transportation system.

Barbados is in the process of developing programme budgeting in order to focus on results to be achieved rather than inputs. However, under the existing budget framework, a distinction is made between “statutory” or committed expenditures and “non-statutory” or discretionary expenditures. The public debt of Barbados, all costs related to that debt, the emoluments of established posts in the public service, pensions, leave passages and certain other minor expenditures are considered committed claims or “statutory” charges on the Government. All other Government expenditures are considered discretionary.

Consolidated Fund

The Constitution provides for the establishment of a consolidated fund (the “*Consolidated Fund*”) into which, subject to applicable provisions of law, all revenues for Barbados are to be paid to meet Government expenditures and obligations. The Minister of Finance must, before the end of each fiscal year (which runs from 1 April to the following 31 March), prepare and lay before the House of Assembly annual estimates of revenue and expenditure for public services for the succeeding fiscal year. The Constitution further provides that debt obligations of Barbados, including the interest and redemption monies on that debt, and the costs, charges and expenses incidental to the management of that debt (including the sinking fund required to be established for the repayment of all public external debt), are by law charged on the Consolidated Fund. See “Public Debt—Overview”.

PUBLIC DEBT

Overview

On 1 June 2018, Barbados, for the first time in its history, announced the suspension of both principal and interest payments due on debts owed to external commercial creditors. This extraordinary action was taken as a result of a number of factors which included critically low levels of international reserves, unsustainably high levels of public indebtedness and poor economic growth.

In connection with the comprehensive restructuring of Barbados' public debt, the Government engaged the services of financial and legal advisors to assist with conducting the restructuring and began consultations to seek the cooperation of its domestic and external creditors.

The suspension of debt payments affected all categories of external debt, exclusive of debt from official sources, and remains in force until restructuring agreements are concluded.

Barbados launched the Domestic Exchange Offer on 7 September 2018 to restructure approximately BD\$11.9 billion (equivalent to U.S.\$5.95 billion) in domestic claims on Government and the public sector. The domestic debt restructuring was successfully concluded in mid-November with a participation rate of 97%.

On 1 October 2018, the IMF announced the approval by its Executive Board of the four-year Extended Arrangement for Barbados for approximately U.S.\$290 million, or 220% of Barbados' quota in the IMF.

For more information on the Domestic Exchange Offer and the Extended Arrangement, see "Recent Developments—IMF Programme" and "Recent Developments—Debt Strategy—Domestic Debt."

Subsequently, Barbados has begun to access additional funding from official sources, including the Inter-American Development Bank and the Caribbean Development Bank.

Existing Legislative Framework

The Government's authorisation to create and issue external debt instruments is pursuant to the External Loan Act Cap. 94D (the "*External Loan Act*"). The Constitution provides for the establishment of the Consolidated Fund into which, subject to applicable provisions of law, all revenues of Barbados are to be deposited. In addition, debt obligations of Barbados, including interest on the debt, sinking fund payments and redemption monies on debt and costs, charges and expenses incidental to the management of debt are to be withdrawn from the Consolidated Fund. Under the External Loan Act, statutory sinking funds are set aside for the redemption of each issue of securities and are invested in domestic and foreign securities. The External Loan Act provides for semi-annual payments to be made into the statutory sinking funds in such amounts as are approved by resolution of Parliament.

The Government is authorised to contract and issue Barbados dollar-denominated debt instruments up to a maximum of approximately U.S.\$5.3 billion pursuant to the Local Loans Act Cap. 98 and a maximum of approximately U.S.\$0.8 billion under the Treasury Bills and Tax Certificates Act, Cap. 106. In addition, the Financial Management and Audit (Amendment) Act, 2018 authorises the Government to borrow up to 7.5% of net receipts of estimated revenue for the financial year.

On 29 October 2018 the Debt Holder (Approval of Debt Restructuring) Act was passed to facilitate the Domestic Exchange Offer. The Dematerialisation of Government Securities Act, 2018 was also passed, which made provision for the dematerialised issuance of Government's domestic debt effective 26 October 2018.

Debt Statistics

The domestic debt exchange resulted in loans, Treasury Bills, Treasury Notes and Debentures being exchanged for a new series of amortising bonds.

The following table sets forth total debt, both public and private, outstanding for the years indicated.

Table No. 24
External and Domestic Debt of the Public and Private Sectors

	Year ended 31 March				
	2015	2016	2017	2018	2019
	<i>(In millions of U.S. dollars)</i>				
Total External Debt	3,270.8	3,288.7	3,221.3	3,167.0	3,326.7
Government.....	1,423.7	1,487.4	1,463.1	1,372.5	1,539.8*
Short Term					
Loans	25.0	0	15.0	0	0
Long-term	1,398.7	1,487.4	1,448.1	1,372.5	1,539.8
International Bonds	623.9	612.4	602.9	580.7	580.7
Loans	774.7	875.0	845.2	791.8	959.1
Government guaranteed	144.5	79.2	70.1	65.0	46.4
Private Sector	1,702.6	1,722.1	1,688.1	1,729.5	1,740.5
Total Domestic Debt	4,836.9	5,256.5	5,619.8	5,931.2	4,609.7
Government.....	4,274.3	4,825.1	5,243.5	5,507.8	4,609.7
Short Term	1,351.3	1,559.8	1,869.2	2,132.2	299.2
Treasury Bills.....	1,236.1	1,454.9	1,756.1	1,987.5	247.6
Overdraft	115.2	104.9	113.2	144.8	51.6
Long-term.....	2,923.1	3,265.3	3,374.2	3,375.5	4,310.6
Savings Bonds & Tax Cert.....	49.4	78.0	90.5	83.5	71.6
Loans	111.9	125.4	122.2	120.4	0
Bonds	48.9	85.2	82.5	185.9	50.9
Debentures & T-Notes	2,712.9	2,976.7	3,079.0	2,985.8	0
Bonds (restructured).....	0	0	0	0	4,188.1
Government Guaranteed	562.6	431.3	376.3	423.4	0

* Excludes arrears and penalties resulting from the external debt suspension.

Source: Ministry of Finance, Economic Affairs and Investment and Central Bank of Barbados, as at 31 March 2019

Debt to GDP Ratio

In addressing its high and unsustainable debt to GDP ratio, Barbados embarked on a multi-pronged economic reform programme which includes fiscal consolidation, corrective economic measures and debt restructuring to stabilise public finances and create conditions for sustained economic growth. BERTP, which is supported by the IMF, has, as its long-term anchor, a public sector debt to GDP target of 60% by FY 2033/34, a reduction from 147.8% of GDP as of December 31, 2017. This target is consistent with accepted international norms.

The Government debt to GDP ratio as of 31 March 2019 stood at approximately 121.1% compared to 147.7% at 31 March 2018. The decrease is primarily attributed to the Domestic Exchange Offer, which included a write-off of approximately U.S.\$1.5 billion in debt held by the Central Bank and the NIS.

The following table sets forth the Government's debt to GDP ratio for the financial years indicated.

Table No. 25
Debt to GDP Ratio

2015	136.4%
2016	144.4%
2017	147.8%
2018	147.7%
2019	121.1%

Source: Ministry of Finance, Economic Affairs and Investment, as at 31 March 2019

Domestic Debt

Traditionally, Barbados issued local currency debt through Treasury Bills, Savings Bonds, commercial bank loans, Debentures and Treasury Notes and other securities. The NIS, the Central Bank and commercial banks are the principal holders of Government instruments.

As of 31 March 2019, domestic debt represented approximately 74.4% of the Government's debt portfolio, compared to approximately 80.1% as of 31 March 2018. The write-offs in the Domestic Exchange Offer primarily accounted for the reduction in the share of domestic debt in the portfolio.

The following table sets forth the composition of domestic debt as of the dates indicated.

Table No. 26
Composition of Domestic Debt

Domestic Debt	31 March 2019	31 March 2018
	<i>(In millions of U.S. dollars)</i>	
Treasury Bills	247.5	1,987.5
Overdraft	51.6	144.8
Savings Bonds & Tax Certificates	71.6	83.5
Loans	0	120.4
Bonds.....	50.9	185.9
Debentures and Treasury Notes.....	0	2,985.8
Bonds (restructured)	4,188.1	0

Source: Ministry of Finance, Economic Affairs and Investment, as at 31 March 2019

Total interest expense on domestic Government debt for FY2018/19 was approximately U.S.\$195.2 million, and the average interest cost of domestic debt was approximately 4.0%. Following the debt restructuring, Government's total domestic debt was U.S.\$4,609.7 million as of 31 March 2019 compared to U.S.\$5,507.8 million as of 31 March 2018, a decrease of 16.3%.

The following table sets forth Barbados' domestic debt amortisation amounts for the years indicated.

Table No. 27
Domestic Debt Amortisation

Instrument	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
	<i>(In millions of U.S. dollars)</i>									
Treasury Bills....	247.6	-	-	-	-	-	-	-	-	-
Overdraft.....	51.6	-	-	-	-	-	-	-	-	-
Savings Bonds & Tax Certificates	9.2	28.8	13.2	3.6	-	-	-	-	-	-
Bonds	-	-	-	-	0.31	-	-	-	-	13.2
Bonds (restructured).....	89.1	89.1	89.1	100.9	167.8	143.6	150.1	157.0	164.3	213.3

* Treasury Bills are assumed to be rolled annually.

Source: Ministry of Finance, Economic Affairs and Investment, as at 31 March 2019

External Debt

As of 31 March 2019, Government's external debt consisted primarily of loans from multilateral and bilateral sources, international bond issuances denominated mainly in U.S. dollars and other commercial facilities. Multilateral and bilateral borrowing accounted for approximately 42.0% and 6.6% of Government's external debt, respectively, while international bond issuances accounted for approximately 37.7% and other commercial facilities accounted for the remaining 13.7%.

Government's total external debt was U.S.\$1,539.8 million as of 31 March 2019 compared to U.S.\$1,372.5 million as of 31 March 2018, an increase of 12.2%.

As a result of the suspension of both principal and interest payments due on debts owed to external commercial creditors, interest expense on the Government's external debt for FY2018/19 was approximately U.S.\$21.3 million.

The following table sets forth details of the Government's international capital market issuances as of 31 March 2019.

Table No. 28
Government International Capital Market Issuances

Debt Instrument	Original principal Amount	Issue Date	Maturity
International Bonds			
7.80% Class B Bonds due 2019	U.S.\$40.0 million	2009	2019
7.25% Bonds due 2021	U.S.\$150.0 million	2001	2021
6.625% Bonds due 2035.....	U.S.\$190.0 million*	2005	2035
7.00% Bonds due 2022	U.S.\$200.0 million	2010	2022
Commercial Loans			
Credit Suisse AG, Cayman Islands Branch.....	U.S.\$150.0 million	2013	2018
Credit Suisse AG, Cayman Islands Branch.....	U.S.\$75.0 million	2014	2019

* The 6.625% Bonds due 2035 were first issued in 2005 for U.S.\$125 million and then reopened in 2006 for an additional U.S.\$65 million.

Source: Ministry of Finance, Economic Affairs and Investment, as at 31 March 2019

The following table sets forth the currency composition of Government's external debt outstanding for the years indicated.

Table No. 29
Government External Debt Outstanding by Currency

	Year ended 31 March				
	2015	2016	2017	2018	2019
	<i>(In millions of U.S. dollars)</i>				
U.S. Dollar	1,382.6	1,487.0	1,462.8	1,372.2	1,539.5
Pound Sterling	40.6	0	0.0	0.0	0.0
Euro	0.4	0.4	0.3	0.3	0.3
Total.....	1,423.7	1,487.4	1,463.1	1,372.5	1,539.8

Source: Ministry of Finance, Economic Affairs and Investment, as at 31 March 2019

The following table sets forth the composition by creditor of Government's outstanding external debt for the years indicated.

Table No. 30
Government External Debt by Creditor

	Year ended 31 March				
	2015	2016	2017	2018	2019
	<i>(In millions of U.S. dollars)</i>				
Total External	1,423.7	1,487.4	1,463.1	1,372.5	1,539.8
Multilateral	406.5	491.5	477.2	473.7	646.3
Caribbean Development	115.7	107.7	94.5	102.3	176.0
European Economic	0.4	0.4	0.3	0.3	0.3
Latin American Development Bank	-	85.0	85.0	84.3	81.6
International Bank for Reconstruction & Development	35.6	32.9	30.5	28.6	27.2
Inter-American Development	254.7	265.5	266.9	258.2	361.3
Bilateral	-	43.6	91.9	105.7	102.2
Citibank (EDC)*	-	43.6	57.9	63.8	60.3
EXIM Bank of China	-	-	34.0	41.9	41.9
Suppliers' Credit & Prison	143.3	135.3	127.6	120.3	118.5
International Bonds	623.9	612.4	602.9	580.7	580.7
Commercial Loans	250.0	204.6	163.5	92.1	92.1

* Export Development Canada

Source: Ministry of Finance, Economic Affairs and Investment, as at 31 March 2019

Annual debt service payments for the period ending 31 March are shown in the table below.

Table No. 31
Government Debt Service Payments
(In millions of U.S. dollars)

Year	Total amortisation	Total interest	Total debt service
2009	210.0	198.4	408.4
2010	169.4	217.4	386.8
2011	365.3	250.6	616.0
2012	165.2	265.4	430.7
2013	218.4	284.5	502.9
2014	275.8	304.3	580.1
2015	319.5	332.7	652.2
2016	408.6	336.0	744.6
2017	402.4	369.5	771.9
2018	480.7	382.6	863.3
2019	177.2	195.2	372.4

Source: Accountant General, as at 31 March 2019

Contingent Liabilities

At 31 March 2019, the Government's guaranteed contingent liabilities were approximately U.S.\$46.4 million compared to U.S.\$488.4 million at 31 March 2018. The reduction was a result of the release of the Government from its obligations as a guarantor or surety under any Barbados law-governed debt instruments and overdraft facilities issued or contracted by certain state-owned enterprises, public institutions and government supported entities as a condition of the acceptance of the Domestic Exchange Offer.

TERMS AND CONDITIONS OF THE 2029 BONDS

This section of this invitation memorandum sets forth the text of the Terms and Conditions of the 2029 Bonds. Barbados urges you to read the Trust Deed and the Agency Agreement for a complete description of Barbados' obligations and your rights as a holder of the 2029 Bonds. In subscribing for the 2029 Bonds, you will be deemed to be aware of the terms of the Trust Deed and Agency Agreement.

(1) GENERAL

These bonds due 1 October 2029 (the “*Bonds*”, which expression shall, in these Conditions, unless the context otherwise requires, include any further bonds issued and forming a single Series with the Bonds) are:

- (a) authorised and issued or to be issued by the Government of Barbados (“*Barbados*”) pursuant to the trust deed (the “*Trust Deed*”) made between Barbados and The Bank of New York Mellon (the “*Trustee*”, which expression shall include its successor(s)) as trustee for the Holders of the Bonds; and
- (b) constituted by the Trust Deed.

The Bonds shall be Debt Securities for the purposes of the Trust Deed. Terms used but not defined herein shall have the respective meanings given to them in the Trust Deed. The Holders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed applicable to them.

(2) FORM, DENOMINATION AND TITLE

- (a) Form and Denomination
 - (i) The Bonds are in fully registered form only, without interest coupons, in minimum denominations of U.S.\$100 and integral multiples of U.S.\$100 in excess thereof.
 - (ii) The Bonds will be represented by separate permanent global certificates (the “*Restricted Global Certificate*” and the “*Unrestricted Global Certificate*” and, together, the “*Global Certificates*”) which will both be deposited with the Registrar as custodian for The Depository Trust Company (“*DTC*”) and registered in the name of Cede & Co. as nominee of DTC. The Restricted Global Certificate will represent Bonds which are restricted securities within the meaning of Rule 144(a)(3) under the United States Securities Act of 1933, as amended (the “*Securities Act*”). Bonds sold in offshore transactions in reliance on Regulation S under the Securities Act will be represented by the Unrestricted Global Certificate. Interests in the Restricted Global Certificate will be exchangeable for interests in the Unrestricted Global Certificate and vice versa in the circumstances specified therein.
 - (iii) The Restricted Global Certificate will be exchanged in whole (but not in part) for duly authenticated and completed individual debt security certificates (“*Restricted Individual Certificates*”) and, if applicable, the Unrestricted Global Certificate will be exchanged in whole (but not in part) for duly authenticated and completed individual debt security certificates (“*Unrestricted Individual Certificates*” and, together with Restricted Individual Certificates and the Global Certificates, “*Certificates*”) if any of the following events occurs:

- (A) DTC notifies Barbados that it is no longer willing or able to discharge properly its responsibilities as depositary with respect to the Restricted Global Certificate or the Unrestricted Global Certificate, as the case may be, or ceases to be a clearing agency (as defined in the United States Securities Exchange Act of 1934, as amended), or is at any time no longer eligible to act as such, and Barbados is (in the case of DTC ceasing to be a depositary) unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of DTC; or
- (B) any Bond becomes immediately due and payable following the occurrence of an Event of Default (as defined in Condition (12)), is not duly redeemed (and the funds required for redemption are not available to the Registrar for the purpose of effecting such redemption or do not remain available for such purpose) by 5:00 p.m. (New York City time) on the thirtieth day after the time the Bonds become immediately due and payable and such Holder requests the Trustee to issue a Certificate.

(3) TITLE

(a)

- (i) The Registrar will maintain a register (the “*Register*”) in respect of the Bonds in accordance with the provisions of the Agency Agreement. In these Conditions the “*Holder*” of a Bond means the person in whose name such Bond is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof). A Certificate will be issued to each Holder in respect of its registered holding.
- (ii) The Holder of each Bond shall (except as otherwise required by applicable law or regulatory requirement) be treated as the absolute owner of such Bond for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest thereof or therein, any writing on the Certificate relating thereto (other than the completion of the form of transfer) or any notice of any previous loss or theft of such Certificate) and no person shall be liable for so treating such holder.

(b) Trust Deed

Each Holder of this Series of Bonds is entitled as a beneficiary of the trusts established under the Trust Deed in respect of Barbados’ covenants given to the Trustee pursuant to the Trust Deed including, without limitation, the covenant to pay set out in Clause 2 thereof. The Trustee holds the benefit of such covenants on trust for the Holders of this Series of Bonds and itself in accordance with the terms of the Trust Deed. Subject to the next sentence, only the Trustee may enforce the provisions of the Trust Deed and these Conditions. No Holder of the Bonds of this Series shall be entitled to (i) take any steps or action against Barbados to enforce the performance of any of the provisions of the Trust Deed, the Agency Agreement or these Conditions or (ii) take any other proceedings (including lodging an appeal in any proceedings) in respect of or concerning Barbados and arising out of or in connection with the Trust Deed, the Agency Agreement or these Conditions, in each case unless the Trustee, having become bound pursuant to the Trust Deed to take any such action, steps or proceedings, fails to do so within 60 days and such failure is continuing.

(4) STATUS OF THE BONDS AND NEGATIVE PLEDGE

(a) Status

The Bonds are the direct, unconditional and unsecured obligations of Barbados and rank and will rank *pari passu*, without preference among themselves, with all other unsecured External Indebtedness of Barbados, from time to time outstanding, *provided, however*, that Barbados shall have no obligation to effect equal or rateable payment(s) at any time with respect to any such other External Indebtedness and, in particular, shall have no obligation to pay other External Indebtedness at the same time or as a condition of paying sums due on the Bonds and vice versa.

(b) Negative Pledge

(i) So long as any Bond remains Outstanding, Barbados will not create or permit to subsist any Security Interest (other than a Permitted Security Interest) upon the whole or any part of its properties, assets or revenues, present or future, to secure any present or future Public External Indebtedness of Barbados without, in any such case, at the same time or prior thereto according to the Bonds (i) equally and rateably therewith, the same or equivalent Security Interest as is granted to or is outstanding in respect of such Public External Indebtedness or (ii) such other Security Interest or such guarantee, indemnity or other like obligation as is approved by the Holders by an Extraordinary Resolution.

(ii) In these Conditions:

(A) “*External Indebtedness*” means Indebtedness which is payable or may be paid (a) in a currency other than the currency of Barbados and (b) to a Person resident or having its principal place of business outside Barbados;

(B) “*Indebtedness*” means any obligation (whether present, future, actual or contingent) of any Person for the payment or repayment of money which has been borrowed or raised (including money raised by acceptances and leasing);

(C) “*Permitted Security Interest*” means:

1. any Security Interest upon any property or asset (and any revenues therefrom) to secure Public External Indebtedness of Barbados incurred for the purpose of financing the acquisition, development or construction of such property or asset (and any revenues therefrom) and any renewal or extension of any such Security Interest which is limited to the original property or asset (and revenues) covered thereby and which secures any renewal or extension of the original secured financing;
2. any Security Interest existing upon any property or asset (and any revenues therefrom) to secure Public External Indebtedness of Barbados at the time of its acquisition and any renewal or extension of any such Security Interest which is limited to the original property or asset (and revenues) covered thereby;

3. any Security Interest securing Public External Indebtedness incurred for the purpose of financing all or part of the costs of the acquisition, construction or development of a project, *provided* that (i) the holders of such Public External Indebtedness expressly agree to limit their recourse to the assets and revenues of such project as the principal source of repayment of such Public External Indebtedness and (ii) the property over which such Security Interest is granted consists solely of such assets and revenues or claims that arise from the operation, failure to meet specifications, failure to complete, exploitation, sale or loss of, or damage to, such assets;
 4. any Security Interest in existence as of 11 December 2019 (the “*Issue Date*”) and any renewal or extension thereof which secures only the original secured financing or the renewal or extension thereof; and
 5. any other Security Interest where the amount secured from time to time does not exceed U.S.\$20,000,000 or its equivalent in any other currency or currencies (calculated based on the prevailing exchange rate on the date of the provision of such Security Interest);
- (D) “*Person*” means any individual, company, corporation, firm, partnership, joint venture, association, organisation, government, state or agency of a state or government or other entity, whether or not having a separate legal personality;
- (E) “*Public External Indebtedness*” means External Indebtedness which (a) is publicly offered or privately placed in securities markets outside of Barbados, (b) is in the form of, or represented by, bonds, notes, debentures or similar transferable debt securities and (c) is, or is, at the time of issue, intended by Barbados to be, quoted, listed or ordinarily dealt in on any stock exchange, automated trading system or over-the-counter or other securities market outside of Barbados (including, without limiting the generality of the foregoing, securities eligible for resale pursuant to Rule 144A under the Securities Act (or any successor law or regulation of similar effect)); and
- (F) “*Security Interest*” means any mortgage, charge, pledge, lien (other than a lien arising by operation of law), hypothecation or other security interest or encumbrance, including, without limitation, any equivalent created or arising under the laws of Barbados.

(5) INTEREST

(a) Interest Rate and Interest Payment Dates

Barbados shall pay interest on the principal amount of each Bond at the rate of 6.500 per cent. per annum accruing from 1 October 2019 and ending on 1 October 2029.

Interest on the Bonds will be payable in arrear semi-annually on each 1 April and 1 October commencing on 1 April 2020 (each such date, an “*Interest Payment Date*”) calculated on the basis of a 360-day year composed of twelve 30-day months and will be payable to Holders of record as of 26 March and 25 September of each year (each, a “*Record Date*”).

(b) Interest Accrual

Barbados shall not be required to pay interest on a Bond from and including the due date for redemption of that Bond unless payment for redemption of such Bond is not made by Barbados on such date in which event the obligation of Barbados to pay interest shall continue as provided in the Trust Deed.

(6) REDEMPTION AND PURCHASE OF BONDS

(a) Mandatory Redemption

Barbados shall, to the extent not previously redeemed, purchased or cancelled as provided below, redeem the Bonds on the dates shown below (each, a “*Principal Payment Date*” and together with the Interest Payment Dates, the “*Payment Dates*”) in an amortisation amount such that the aggregate Outstanding Amount of the Bonds (as defined below) is equal to or less than the percentage of the Relevant Principal Amount (as defined below) shown opposite such Principal Payment Date (each an “*Amortisation Amount*”) payable as provided in Condition (7).

<u>Principal Payment Date</u>	<u>Percentage of Relevant Principal Amount</u>
1 April 2025:	90.00%
1 October 2025:	80.00%
1 April 2026:	70.00%
1 October 2026:	60.00%
1 April 2027:	50.00%
1 October 2027:	40.00%
1 April 2028:	30.00%
1 October 2028:	20.00%
1 April 2029:	10.00%
1 October 2029:	0.00%

For purposes of this Condition (6), “*Outstanding Amount*” means the aggregate principal amount of the Bonds outstanding on any Principal Payment Date (as defined below), as shown on the records of the Trustee less the amount of any further issue of Bonds (as permitted by Condition (16) below) that have been consolidated with the Bonds; and “*Relevant Principal Amount*” means the aggregate principal amount of the Bonds outstanding on 1 January 2025.

(b) Purchases

Barbados may at any time purchase or otherwise acquire Bonds at any price in the open market or otherwise.

(c) Cancellation

Any Bond purchased or otherwise acquired by Barbados may be held, reissued, resold or, at the option of Barbados on or after 1 October 2024, cancelled.

(7) PAYMENTS

(a) Payments in respect of the Bonds

Payments of principal and interest or other amounts payable to the Holders under the Bonds will be made to the Holders in the manner provided in, and in accordance with, the Trust Deed, *provided* always that in any event final discharge of the obligation to make payments due to the Holders will only occur on the receipt of such payments by the Holders or by the Trustee on behalf of the Holders.

(b) Payments subject to applicable laws

Payments in respect of the Bonds are subject in all cases to any fiscal or other laws and regulations applicable in the place of payment, but without prejudice to the denomination of the Bonds or the provisions of Condition (7)(a) or Condition (9).

(c) No commissions

No commissions or expenses shall be charged to the Holders in respect of any payments made in accordance with this Condition.

(d) Payment on Business Days

If any date for payment in respect of any Bond is not a business day, the Holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment.

In this paragraph, “business day” for the purposes of any payments made in connection with the Bonds means any day except Saturday, Sunday or any other day on which commercial banks in New York City, London or Bridgetown (or the city where the relevant paying or transfer agent is located) are required or authorised by law to close.

(e) Agents

The initial Paying Agent, Transfer Agent and Registrar and their respective initial offices are specified in the Agency Agreement. Barbados reserves the right at any time to vary or terminate the appointment of any Paying Agent, Transfer Agent or Registrar and to appoint additional or other Paying Agents, Transfer Agents or Registrars *provided* that:

- (i) Barbados will at all times maintain a Transfer Agent with a specified office in the Borough of Manhattan; and

- (ii) if any Series of Bonds are listed on a stock exchange and that stock exchange so requires, Barbados will maintain a paying agent in the region where the stock exchange is located for such Series.

Notice of any termination or appointment and of any changes in specified offices will be given to the Holders promptly by Barbados in accordance with Condition (15) and to the Trustee.

(f) Principal Reinstatement

If any amount of principal or interest falling due under the Bonds on or prior to the Cut-Off Date is not paid on the scheduled due date, and such default is not cured by the date falling 30 days after the expiration of the grace period for such payment (such date being referred to herein the “*Principal Reinstatement Date*”) Barbados shall issue to each Holder of the Bonds (as of the Principal Reinstatement Date) within 30 Business Days after the Principal Reinstatement Date on a pro rata basis an amount of additional Bonds (for each such Holder, a “*Principal Reinstatement*”) equal to 33.33% of the outstanding principal amount of the Bonds as of the Issue Date of the Bonds. The Principal Reinstatement Date shall be the record date for purposes of determining Holders who are entitled to receive such additional Bonds.

The “*Cut-Off Date*” for purposes of this Condition (7) means the latter of the date on which (a) the extended fund facility arrangement for Barbados (the “*Arrangement*”) approved by the Executive Board of the International Monetary Fund (the “*Executive Board*”) on 1 October 2018 shall have expired by its terms; and (b) any extended expiration date for the Arrangement approved by the Executive Board.

If a Principal Reinstatement occurs, Barbados shall (i) file a supplement with the Luxembourg Stock Exchange indicating the principal amount of Bonds issued in connection therewith, and the total principal amount of Bonds outstanding following such Principal Reinstatement and (ii) provide notice of such Principal Reinstatement to the Holders. Bonds issued following a Principal Reinstatement Date will be fungible with other Bonds. The Trust Deed contains instructions for Barbados to notify the Trustee of the Principal Reinstatement, and for the Trustee to instruct DTC to credit these additional Bonds to the account of each Participant holding Bonds Outstanding as of the Principal Reinstatement Date within 30 Business Days after the Principal Reinstatement Date. Nothing herein or in the Trust Deed shall require the Trustee to pro rate the additional Bonds among the beneficial owners thereof or the DTC participants therefor while the Bonds are represented by one or more Global Certificates, such proration to be solely the responsibility of DTC. Only one Principal Reinstatement Date may occur under the Bonds.

(8) NATURAL DISASTER CLAUSE

(a) Event

- (i) Following the occurrence of any Caribbean Earthquake Event, Caribbean Tropical Cyclone Event or Covered Area Rainfall Event, as defined in the CCRIF Policy (an “*Event*”) that occurs prior to 1 October 2027, in respect of which a Policy Payment has been made to Barbados, and subject to paragraph (iv) below, Barbados may elect to defer payment of the Deferred Payment Amounts on a Deferral Date. Any such Deferred Payment Amount shall remain outstanding and shall continue to accrue interest in accordance with paragraph (iii) below.
- (ii) Beginning with the next Payment Date following the relevant Deferral Period, each remaining principal amortisation of the Bonds will be increased by an amount equal to a pro rata portion of principal that is being deferred on the Deferral Date

and a pro rata portion of interest capitalised in accordance with paragraph (iii) below, in each case, taking into account the number of remaining principal amortisation payments of the Bonds.

- (iii) The portion of a Deferred Payment Amount that is comprised of interest will be capitalised and added to principal as each such interest payment falls due under the terms of the Bonds after the relevant Deferral Date. As such interest is converted into principal, the principal amount of the Bonds shall be increased in the amount of such deferred interest.
- (iv) Barbados shall be entitled to defer the Deferred Payment Amount following the occurrence of an Event only if all of the following conditions are satisfied: (A) the CCRIF Policy is in full force and effect and CCRIF has issued a written report confirming that the Event is an Insured Event in respect of which a Policy Payment has been made to Barbados; (B) since the Issue Date, neither of the Coverage Limit or the Exhaustion Point applicable to earthquakes, tropical cyclone or excess rainfall has been reduced, unless it has been reduced by CCRIF and CCRIF has declined a request submitted by Barbados to CCRIF to maintain such Coverage Limit or Exhaustion Point, as the case may be; and (C) the Policy Payment to Barbados resulting from the Event is greater than U.S.\$5 million in the case of a Caribbean Earthquake Event or Covered Area Rainfall Event or U.S.\$7.5 million in the case of a Caribbean Tropical Cyclone Event.

Upon electing to defer the Deferred Payment Amount, Barbados shall at its own expense provide notice thereof (a “*Deferral Claim*”) to the Holders in accordance with Condition (15), describing in reasonable detail the particulars of the Event giving rise to the right to make such Deferral Claim. Barbados shall be entitled to make no more than three Deferral Claims for the Bonds. Additionally, so long as the Bonds are held in DTC, Barbados will arrange through DTC’s Reorganization Services or other relevant corporate action service of DTC (unless DTC no longer provides such a relevant service) a notice describing in reasonable detail the particulars of the Event giving rise to the right to make such Deferral Claim and that the relevant Deferred Payment Amounts will be deferred on a Deferral Date unless Holders of at least 50 per cent. of the aggregate principal amount of the Bonds then Outstanding respond to the DTC notice by providing an affirmative consent to instruct the Trustee to issue a Blocking Notice during the Blocking Period. Upon receipt through DTC of such affirmative consent during the Blocking Period from Holders representing 50 per cent of the aggregate principal amount of the Bonds then Outstanding, the Trustee is directed to issue a Blocking Notice in accordance with paragraph (v) below (such process, a “*DTC Corporate Action Process*”).

- (v) The Holders of at least 50 per cent. of the aggregate principal amount of the Bonds then Outstanding may, at any time during a Blocking Period, direct the Trustee to issue a blocking notice to Barbados (a “*Blocking Notice*”), including through a DTC Corporate Action Process, if such is then available.
- (vi) For purposes of this Condition: “*Caribbean Earthquake Event*”, “*Caribbean Tropical Cyclone Event*”, “*Covered Area Rainfall Event*”, “*Coverage Limit*”, “*Exhaustion Point*”, “*Insured Event*”, “*Policy Payment*” and “*Rainfall Index Loss*” have the meanings given to such terms in the CCRIF Policy.

“*Blocking Period*” means the 15 day period starting on the date Barbados provides notice of a Deferral Claim to the Holders in accordance with paragraph (iv) of this Condition (8).

“*CCRIF*” means CCRIF SPC (formerly, the Caribbean Catastrophe Risk Insurance Facility), or any successor thereof, with whom the Government of Barbados has entered into the CCRIF Policy.

“*CCRIF Policy*” means the Parametric Insurance Contract dated 1 June 2018 which the Government of Barbados has entered into with CCRIF to insure against risks of earthquake, tropical cyclone and excess rainfall, including any documents incorporated by reference therein and any attachments, annexes, appendices or supplements thereto (including but not limited to the applicable coverage summary and associated loss curve data spreadsheet), as such CCRIF Policy may be amended or supplemented from time to time.

“*Deferral Claim*”, in respect of an Event, has the meaning given to such term in paragraph (iv) of this Condition.

“*Deferral Date*” means the Payment Date following the Blocking Period, provided that no Blocking Notice has been validly delivered to Barbados in respect of such Deferral Claim in accordance with paragraph (v) above.

“*Deferred Payment Amount*” means all principal amortisations and interest payments falling due on the Bonds for the consecutive two-year period immediately following the Deferral Date.

“*Deferral Period*” means the consecutive two-year period immediately following a Deferral Date.

“*Return Period (years)*” means the return period applicable to the Event as such term is used in the model and formulae detailed in the CCRIF Policy.

(9) TAXATION

- (a) All payments of interest and principal on the Bonds will be made by Barbados without withholding or deduction for, or on account of, any present or future taxes, levies or duties of whatever nature imposed, levied, collected or assessed by or on behalf of Barbados or any political subdivision or taxing authority thereof (“*Barbados Withholding Taxes*”), unless such withholding or deduction is required by law. In such event, Barbados will pay such additional amounts (“*Additional Amounts*”) as may be necessary in order that the net payment made in respect of the Bonds after such withholding or deduction for or on account of Barbados Withholding Taxes is not less than the amount that would have been receivable in respect of the Bonds in the absence of such withholding or deduction; *provided* that the foregoing obligation to pay Additional Amounts shall not apply to:
 - (i) any Barbados Withholding Taxes that would not have been imposed or levied on a Holder or beneficial owner of the Bonds but for the existence of any present or former connection between such Holder or beneficial owner and Barbados or any political subdivision thereof, including, without limitation, such Holder or beneficial owner (i) being or having been a citizen or resident thereof, (ii)

maintaining or having maintained an office, permanent establishment or branch therein, or (iii) being or having been present or engaged in trade or business therein, except for a connection solely arising from the mere ownership of, or receipt of payment under such Bonds;

- (ii) any Barbados Withholding Taxes imposed with respect to any Bond held by or on behalf of a Holder or beneficial owner who would not be liable for or subject to such Barbados Withholding Taxes by making a declaration of non-residence or other similar claim or exemption to the relevant tax authority if, after having been requested to make such a declaration or claim, such Holder or beneficial owner fails to do so; or
- (iii) any Barbados Withholding Taxes that would not have been so imposed but for the presentation by the Holder of such Bond for payment more than 30 days after the Relevant Date, except to the extent that the Holder thereof would have been entitled to such Additional Amount on the last day of such 30-day period.

(b) The “*Relevant Date*” in relation to any Bond means:

- (i) the due date for payment in respect thereof; or
- (ii) (if the full amount of the monies payable on such date has not been received by the Trustee or the Paying Agent on or prior to such due date) the date on which, the full amount of such monies having been so received, notice to that effect is duly given to the Holders in accordance with Condition (15) or individually.

(c) OID Reporting Requirement

If any Bonds are issued with original issue discount for U.S. federal income tax purposes, the following shall apply:

- (i) Barbados shall file with the Trustee (i) a written notice specifying the amount of original issue discount (including daily rates and accrual periods) accrued on the Bonds and (ii) such other specific information relating to such original issue discount, including, but not limited to, the issue date and yield to maturity of the Bonds, as necessary to satisfy the relevant reporting requirements under the U.S. Internal Revenue Code of 1986, as amended. Individual Bonds, if any, that are issued with original issue discount will bear a legend substantially to the following effect, unless Barbados determines otherwise in compliance with applicable law: THIS BOND HAS BEEN ISSUED WITH ORIGINAL ISSUE DISCOUNT FOR UNITED STATES FEDERAL INCOME TAX PURPOSES. This provision shall not apply with respect to any Bonds for which Barbados has filed IRS Form 8281 with the U.S. Internal Revenue Service. Barbados shall provide a copy of IRS Form 8281, if any, to the Trustee.
- (ii) Barbados shall provide the information described in Condition (9)(c)(i) above to the Trustee based on the lowest applicable issue price for the Bonds, as determined for U.S. federal income tax purposes. By its acceptance of the Bonds, a Holder will be required, to the extent relevant for U.S. federal income tax purposes, to report original issue discount on the Bonds in accordance with the original issue

discount information provided by Barbados to the Trustee pursuant to Condition (9)(c)(i) above.

- (iii) A Holder may request the information described in Condition (9)(c)(i) above in writing (together with such evidence as to the Holder's identity and beneficial entitlement to such Bonds as the Trustee may reasonably request or require) to the Trustee at 240 Greenwich St., 7E, New York, New York 10286, and the Trustee agrees to provide the same to such Holder to the extent the Trustee received such information from Barbados, *provided* that under no circumstances shall the Trustee be responsible for or incur any liability whatsoever to any persons as to the accuracy or correctness of such information provided by Barbados to the Trustee.

(10) PRESCRIPTION

Claims for principal and interest on the Bonds shall become void unless made within the period of five years from the Relevant Date.

(11) MOST FAVOURED CREDITOR

Barbados shall not enter into any arrangement to pay or to settle any Specified Indebtedness issued on or prior to 1 January 2019 (unless such payment is made in compliance with and in accordance with the terms of a final, non-appealable court order or arbitral award) on terms more favourable to the holder thereof (in a net present value sense, where present value is calculated using a constant 12% discount rate) than the terms offered in the invitation memoranda dated 5 November 2019 to the holders of 7.25% Bonds due 2021, 7.00% Bonds due 2022, or 6.625% Bonds due 2035 each issued by Barbados, U.S.\$150,000,000 outstanding loans due 18 December 2018, U.S.\$75,000,000 outstanding loans due 18 December 2019, Fixed Rate Non-Callable Guaranteed Bonds 2007 – 2022 issued by the Barbados Transport Board, Fixed Rate Non-Callable Guaranteed Bonds 2007 – 2022 issued by Barbados Agricultural Management Co. Ltd., Class B Fixed Rate Bonds due 2019 issued by the Government of Barbados in definitive form and Class B Fixed Rate Bonds due 2019 issued by the Government of Barbados (ISIN XS0441235255), without simultaneously making those more favourable terms available to each Holder.

For the purposes of this Condition, "*Specified Indebtedness*" means (a) any Public External Indebtedness of Barbados; and (b) any External Indebtedness of Barbados in the form of commercial loans (provided that any such commercial loan has an aggregate outstanding amount in excess of U.S.\$5,000,000 or its equivalent in another currency), in each case other than Indebtedness under the Correctional Facility Lease between Barbados and Barbados Correction Corporation originally dated 15 October 2007 (as amended).

(12) EVENTS OF DEFAULT

- (a) Events of Default

The following shall each constitute an "*Event of Default*":

- (i) Barbados fails to pay any amount of principal or interest in respect of the Bonds on the due date for payment thereof and such default continues for 30 days or more;
- (ii) Barbados defaults in the performance or observance of any of its other obligations under or in respect of the Trust Deed, the Agency Agreement or the Conditions of the Bonds and such default remains unremedied for 60 days after written notice

requiring such default to be remedied has been delivered to Barbados by any Holder or the Trustee;

- (iii) (A) any External Indebtedness incurred by Barbados after the Issue Date (aggregating U.S.\$20,000,000, or its equivalent in any other currency or currencies, or more) (“*Relevant External Indebtedness*”) becomes due and payable prior to its stated maturity as a result of acceleration of payment thereof following a default by Barbados; (B) any principal or interest on such Relevant External Indebtedness of Barbados is not paid on the due date after giving effect to any applicable grace period; or (C) Barbados fails to pay when due and called after giving effect to any applicable grace period any amount payable by it under any present or future guarantee of or indemnity relating to Relevant External Indebtedness of any Person;
- (iv) A moratorium or suspension of payments is agreed or declared by Barbados in respect of any Relevant External Indebtedness of Barbados;
- (v) Any writ, execution, attachment or similar process shall be levied against all or any substantial part of the assets of Barbados in connection with any judgment for the payment of money in respect of any Indebtedness incurred by Barbados after the Issue Date exceeding U.S.\$25,000,000 (or its equivalent in other currencies) and shall remain unsatisfied, undischarged and in effect for a period of 60 days without a stay of execution, unless such judgment is adequately bonded or is being contested in good faith by appropriate proceedings properly instituted and diligently conducted and, in either case, such process is not being executed against such assets;
- (vi) The validity of the Bonds, the Trust Deed, the Conditions or the Agency Agreement shall be contested by Barbados or any legislative, executive or judicial body or official of Barbados authorised and empowered (either singly or with another such body or official) in each case by law to do so, or Barbados shall deny any of its obligations under the Trust Deed, the Agency Agreement or the relevant Conditions of such Series of Bonds to any of the Holders (whether by a general suspension of payments or a moratorium on the payment of debt or otherwise);
- (vii) Any constitutional provision, treaty, convention, law, regulation, ordinance, decree, consent, approval, licence or other governmental or regulatory authority necessary to enable Barbados to make or perform its obligations under the Trust Deed, the Agency Agreement or the Conditions of such Series of Bonds, or for the validity or enforceability thereof, shall expire, be withheld, revoked, modified, terminated or otherwise cease to remain in full force and effect;
- (viii) Any law, rule or regulation is adopted in Barbados or any change in applicable law in Barbados is made which makes it unlawful for Barbados to comply with its obligations to pay amounts in accordance with Condition (7) in the event that Barbados shall be required to withhold or deduct any taxes, duties, assessments or governmental charges on payments of principal of, or interest on, the Bonds; or
- (ix) Barbados ceases to be a member of the International Monetary Fund (the “*IMF*”) or ceases to be eligible to utilise the resources of the IMF under the IMF Articles of Agreement and such cessation continues for 30 days.

(b) Acceleration and Rescission

If an Event of Default occurs and is continuing, then the Holders of at least 25 per cent. of the aggregate principal amount of the Bonds then Outstanding may direct the Trustee to give notice in writing (an “*Acceleration Notice*”) to Barbados that the Bonds are immediately due and payable, whereupon an amount equal to the aggregate principal amount of the Bonds then Outstanding together with accrued but unpaid interest if any to the date of repayment shall become immediately due and payable, unless the Event of Default has been remedied or waived prior to the receipt of the Acceleration Notice by Barbados.

The Holders of at least 50 per cent. of the aggregate principal amount of the Bonds then Outstanding may direct the Trustee to rescind an Acceleration Notice. Such rescission shall be made by giving notice in writing to Barbados, with a copy to the Trustee, whereupon such Acceleration Notice shall be rescinded and shall have no further effect and any amounts that had become immediately due and payable pursuant to such Acceleration Notice and had not been paid shall remain outstanding on the terms and conditions applicable prior to such Acceleration Notice and any Event of Default referred to in such Acceleration Notice or resulting from a failure to pay any amount that had become due and payable pursuant to such Acceleration Notice shall be irrevocably waived.

No such rescission shall affect any other or any subsequent Event of Default or any right of any Holder in relation thereto. Such rescission will be conclusive and binding on all Holders.

(13) ENFORCEMENT

Subject to the Trust Deed, the Trustee may or shall (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction by the relevant holders), if so requested in writing by Holders for the time being of at least 25 per cent. of the Bonds then Outstanding, take such proceedings against Barbados as it may think fit to enforce the provisions of the Bonds or the Trust Deed.

No Holder shall be entitled to proceed directly against Barbados by instituting any proceeding, judicial or otherwise, with respect to the Bonds or the Trust Deed, or for the appointment of a receiver or a trustee, or for any other remedy hereunder, unless the Trustee, having become bound so to proceed under the Trust Deed, fails to do so within 60 days and the failure shall be continuing.

(14) MEETINGS AND MODIFICATIONS

(a) General

The provisions relating to modifications as set out under Clause 19 of the Trust Deed and for convening meetings of Holders as set out in Schedule 4 of the Trust Deed shall apply to the Bonds, *provided* that, for the purposes of any proposal relating to, or proposed modification of, the Bonds of this Series only or any Multiple Series Aggregation – Single Limb Voting or Multiple Series Aggregation – Two Limb Voting, the Bonds shall be treated as a single Series and all reference to “*Series*” or “*Bonds*” shall be construed accordingly.

Any modification consented to or approved by the Holders of Bonds pursuant to this Condition (14) will be conclusive and binding on all Holders of the Bonds whether or not they have given such consent, and on all future Holders of the Bonds whether or not notation of such modification is made upon the Bonds. Any instrument given by or on behalf of any Holder of a Bond in connection with any consent to or approval of any such modification will be conclusive and binding on all subsequent Holders of that Bond.

(b) Convening a meeting of Holders

A meeting of Holders:

- (i) may be convened by Barbados or the Trustee at any time; and
- (ii) will be convened by Barbados or the Trustee if a meeting is requested in writing by the Holders of not less than 10 per cent. in principal amount of the Bonds then Outstanding.

(c) Non-Reserved Matters

Save as otherwise provided in the Trust Deed, any modification in relation to, or proposal relating to, any matter other than a Reserved Matter may be made if:

- (i) passed at a duly called meeting of Holders by a majority of more than 50 per cent. of the aggregate principal amount of the Bonds then Outstanding; or
- (ii) approved by a written resolution signed by or on behalf of a Holder or Holders of more than 50 per cent. of the aggregate principal amount of the Bonds then Outstanding.

(d) Reserved Matters

(i) Modification of this Series of Debt Securities Only

(A) In relation to a proposal that includes a Reserved Matter, any modification to the terms and conditions of, or any action with respect to, the Bonds may be made or taken if:

- 1. passed at a duly called meeting of Holders by a majority of at least 75 per cent. of the aggregate principal amount of the Bonds then Outstanding; or
- 2. approved by a written resolution signed by or on behalf of a Holder or Holders of at least 75 per cent. of the aggregate principal amount of the Bonds then Outstanding.

(ii) Multiple Series Aggregation – Single Limb Voting

(A) In relation to a proposal that includes a Reserved Matter, any modification to the terms and conditions of, or any action with respect to, two or more series of Debt Securities Capable of Aggregation; *provided* that the Uniformly Applicable condition is satisfied, may be made or taken if:

- 1. passed at a duly called meeting of Holders by a majority of at least 75 per cent. of the aggregate principal amount of the outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in the aggregate); or

2. approved by a written resolution signed by or on behalf of a Holder or Holders of at least 75 per cent. of the aggregate principal amount of the outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in the aggregate).

(B) The “*Uniformly Applicable*” condition will be satisfied if:

1. the holders of all affected series of Debt Securities Capable of Aggregation are invited to exchange, convert, or substitute their debt securities, on the same terms, for (i) the same new instrument or other consideration or (ii) a new instrument, new instruments or other consideration from an identical menu of instruments or other consideration; or
2. the amendments proposed to the terms and conditions of each affected series of Debt Securities Capable of Aggregation would, following implementation of such amendments, result in the amended instruments having identical provisions (other than provisions which are necessarily different, having regard to different currency of issuance).

(iii) Multiple Series Aggregation – Two Limb Voting

(A) In relation to a proposal that includes a Reserved Matter, any modification to the terms and conditions of, or any action with respect to, two or more series of Debt Securities Capable of Aggregation may be made or taken if:

1. passed at a duly called meeting of Holders by a majority of: (a) at least 66 $\frac{2}{3}$ per cent. of the aggregate principal amount of the outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in the aggregate); and (b) more than 50 per cent. of the aggregate principal amount of the outstanding debt securities in each affected series of Debt Securities Capable of Aggregation (taken individually); or
2. approved by a written resolution signed by or on behalf of a Holder or Holders of: (a) at least 66 $\frac{2}{3}$ per cent. of the aggregate principal amount of the outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in the aggregate); and (b) more than 50 per cent. of the aggregate principal amount of the outstanding debt securities in each affected series of Debt Securities Capable of Aggregation (taken individually).

“*Debt Securities Capable of Aggregation*” means those debt securities which include or incorporate by reference Schedule 4 (*Meetings of Holders; Written Resolutions*) and paragraph (I) (*Aggregation Agent; Aggregation Procedures*) of Schedule 4 of the Trust Deed or provisions substantially in those terms which provide for the debt securities which include such provisions to be capable of being aggregated for voting purposes with other series of debt securities.

(e) Binding Effect

A resolution duly passed at a meeting of Holders duly convened and held in accordance with the provisions of the Trust Deed, and a written resolution duly signed by the requisite majority of Holders, will be binding on all Holders and holders of each other affected series of Debt Securities Capable of Aggregation, whether or not they attended any meeting and whether or not they voted for or against the resolution or signed the written resolution.

(15) NOTICES

- (a) Notices to Holders will be valid if sent to them by first class mail (airmail if overseas) at their respective addresses on the Register or, as long as the Notes are listed on the Luxembourg Stock Exchange and traded on the Euro MTF market and the rules of the Luxembourg Stock Exchange so require, published in a leading newspaper having general circulation in Luxembourg or on the website of the Luxembourg Stock Exchange (<http://www.bourse.lu>). Any such notice shall be deemed to have been given, when required to be published in accordance with the rules of the Luxembourg Stock Exchange, on the date of such publication (or, if published more than once, on the first date on which publication is made) or, as the case may be, on the fourth day after the date of mailing.
- (b) Notices to Barbados to be given by any Holder shall be in writing and in English and given by lodging the same at the Ministry of Finance, Economic Affairs and Investment at the address below:

The Ministry of Finance, Economic Affairs and Investment
Government Headquarters
Bay Street
St. Michael, Barbados
Attention: Permanent Secretary (Finance)

(16) FURTHER ISSUES

Barbados shall be at liberty from time to time without the consent of the Holders to create and issue further bonds having terms and conditions the same as the Bonds or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with and increase the outstanding aggregate principal amount of the Bonds, provided that such additional Bonds do not have, for purposes of U.S. federal income taxation (regardless of whether any holders of such Bonds are subject to U.S. federal laws), a greater amount of original issue discount than the Bonds have as of the date of issuance of such additional Bonds.

(17) INDEMNIFICATION OF TRUSTEE

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from any obligation to take proceedings to enforce repayment unless indemnified and/or secured and/or prefunded to its satisfaction. The Trust Deed also contains provisions pursuant to which the Trustee is entitled *inter alia*, (i) to enter into business transactions with Barbados or any person or body corporate associated with the Government of Barbados and to act as trustee for the holders of any other securities issued by or relating to Barbados or any person or body corporate associated with the Government of Barbados, (ii) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Holders, and (iii) to retain

and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

(18) GOVERNING LAW

- (a) The Bonds and any non-contractual obligations arising out of or in connection with the Bonds shall be governed by and construed in accordance with the law of England.
- (b) Subject to Condition (18)(l), Barbados irrevocably and unconditionally agrees for the exclusive benefit of the Trustee that any federal court in the Southern District of New York or any state court in the Borough of Manhattan, The City of New York, any court of England and any competent court in Barbados (collectively referred to “*Specified Courts*”) shall have jurisdiction to settle any suit, action or proceeding against Barbados or its properties, assets or revenues arising out of or in connection with the Bonds or Barbados’ failure or alleged failure to perform any obligations under the Bonds (a “*Related Proceeding*”). Any proceeding against the Trustee arising out of or related to the Trust Deed or the Bonds shall be commenced solely in the courts of England. Barbados and the Holders, by their acceptance of the Bonds, agree to the foregoing and submit to the exclusive jurisdiction of any such court.
- (c) The Trustee may not initiate a Related Proceeding in any jurisdiction other than in the Specified Courts.
- (d) Barbados irrevocably appoints: (i) the High Commissioner of Barbados at 1 Great Russell St, Fitzrovia, London WC1B 3ND, UK to receive service of process in relation to any Related Proceeding in England, and (ii) the Consul General of Barbados at 820 2nd Ave, New York, NY 10017 to receive service of process in relation to any Related Proceeding in New York.
- (e) Barbados hereby irrevocably and unconditionally waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to Related Proceedings brought in a Specified Court whether on the grounds of venue, residence or domicile or on the ground that the Related Proceedings have been brought in an inconvenient forum (except for any Related Proceedings relating to the securities laws of the United States or any state thereof).
- (f) A final non-appealable judgment in any such Related Proceeding shall be conclusive and may be enforced in other jurisdictions by a suit upon such judgment or in any other manner provided by law.
- (g) Barbados hereby irrevocably waives, to the extent permitted by applicable law and international conventions, (a) any immunity from jurisdiction it may have in any Related Proceeding in the courts of England, and (b) except as provided below, any immunity from attachment or execution to which its assets or property might otherwise be entitled in any Related Proceeding in the courts of England, and agrees that it will not claim any such immunity in any such Related Proceeding.
- (h) Notwithstanding the foregoing, the above waiver shall not constitute a waiver of immunity from attachment or execution with respect to:
 - (i) any property of the Central Bank of Barbados,

- (ii) any property of Barbados located in the territory of Barbados,
 - (iii) any property located in or outside the territory of Barbados that provides an essential public service,
 - (iv) any property entitled to the privileges and immunities of the Vienna Convention on Diplomatic Relations of 1961 and the Vienna Convention on Consular Relations of 1963, including, but not limited to, property, premises and bank accounts used by the missions of Barbados,
 - (v) any property of a diplomatic, governmental or consular mission of Barbados,
 - (vi) taxes, duties, levies, assessments, royalties or any other governmental charges imposed by Barbados, including the right of Barbados to collect any such charges,
 - (vii) any property of a military character or under the control of a military authority or defence agency of Barbados,
 - (viii) property forming part of the cultural heritage of Barbados, or
 - (ix) property of Barbados outside Barbados not used for a commercial purpose.
- (i) For the purposes of this Condition (18), “*property*” includes, without limitation, assets, accounts, bank deposits, cash, revenues, securities and rights, including rights against third parties.
- (j) Subject to Condition (18)(l), to the extent that Barbados or any of its revenues, assets or properties shall be entitled, in any jurisdiction in which any federal court in the Southern District of New York or any state court in the Borough of Manhattan, The City of New York is located, in which any Related Proceeding may at any time be brought against it or any of its revenues, assets or properties, or in any jurisdiction in which any federal court in the Southern District of New York or any state court in the Borough of Manhattan, The City of New York is located in which any suit, action or proceeding may at any time be brought for the purpose of enforcing or executing any judgment issued in any Related Proceeding (a “*Related Judgment*”), to any immunity from suit, from the jurisdiction of any such court, from set-off, from attachment prior to a Related Judgment, from attachment in aid of execution of a Related Judgment, from execution of a Related Judgment or from any other legal or judicial process or remedy, and to the extent that in any such jurisdiction there shall be attributed such an immunity, Barbados irrevocably waives such immunity to the fullest extent permitted by the laws of such jurisdiction, including the United States Foreign Sovereign Immunities Act of 1976 (the “*Immunities Act*”) (and consents to the giving of any relief or the issue of any process in connection with any Related Proceeding or Related Judgment as permitted by applicable law, including the Immunities Act), *provided, however*, that such waiver shall not extend to and Barbados shall be immune in respect of and in relation to any suit, action or proceeding or enforcement of any Related Judgment against:
- (i) any property of the Central Bank of Barbados,
 - (ii) any property of Barbados located in the territory of Barbados,

- (iii) any property located in or outside the territory of Barbados that provides an essential public service,
 - (iv) any property entitled to the privileges and immunities of the Vienna Convention on Diplomatic Relations of 1961 and the Vienna Convention on Consular Relations of 1963, including, but not limited to, property, premises and bank accounts used by the missions of Barbados,
 - (v) any property of a diplomatic, governmental or consular mission of Barbados,
 - (vi) taxes, duties, levies, assessments, royalties or any other governmental charges imposed by Barbados, including the right of Barbados to collect any such charges,
 - (vii) any property of a military character or under the control of a military authority or defence agency of Barbados,
 - (viii) property forming part of the cultural heritage of Barbados, or
 - (ix) property of Barbados outside Barbados not used for a commercial purpose.
- (k) The foregoing constitutes a limited and specific waiver by Barbados solely for the purposes of the Trust Deed and the Bonds and under no circumstance shall it be construed as a general waiver by Barbados or a waiver with respect to proceedings unrelated to the Trust Deed or the Bonds.
- (l) Barbados reserves the right to plead sovereign immunity under the Immunities Act with respect to actions brought against it under the U.S. federal securities laws or any state securities laws and the appointment of an agent for service of process does not extend to such actions.

(19) HOLDERS' COMMITTEE

- (a) Appointment
- (i) Holders of at least 25 per cent. of the aggregate principal amount of the outstanding Bonds may, by notice in writing to Barbados (with a copy to the Trustee), appoint any person or persons as a committee to represent the interests of such holders (as well as the interests of any holders of outstanding Indebtedness of Barbados who wish to be represented by such a committee) if any of the following events has occurred:
 - (A) an Event of Default under Condition (12) (*Events of Default*);
 - (B) any public announcement by Barbados, to the effect that Barbados is seeking or intends to seek a rescheduling or restructuring of the Bonds (whether by amendment, exchange offer or otherwise); or
 - (C) with the agreement of Barbados, at a time when Barbados has reasonably reached the conclusion that its debt may no longer be sustainable whilst the Bonds or any other affected Indebtedness of Barbados is outstanding.

- (ii) Upon receipt of a written notice that a committee has been appointed in accordance with paragraph (a)(i) of this Condition (19) (*Holders' Committee*), and a certificate delivered pursuant to paragraph (d) of this Condition (19) (*Holders' Committee*), Barbados shall give notice of the appointment of such a committee to all Holders in accordance with Condition (15) (*Notices*) as soon as practicable after such written notice and such certificate are delivered to Barbados.

(b) Powers

Such committee in its discretion may, among other things:

- (i) engage legal advisers and financial advisers to assist it in representing the interests of the Holders;
- (ii) adopt such rules as it considers appropriate regarding its proceedings;
- (iii) enter into discussions with Barbados and/or other creditors of Barbados; and
- (iv) designate one or more members of the committee to act as the main point(s) of contact with Barbados and provide all relevant contact details to Barbados.

Except to the extent provided in this paragraph (b) of this Condition (19) (*Holders' Committee*), such committee shall not have the ability to exercise any powers or discretions which the Holders could themselves exercise.

(c) Engagement with the Committee and Provision of Information

- (i) Barbados shall:
 - (A) subject to paragraph (c)(ii) of this Condition (19) (*Holders' Committee*), engage with the committee in good faith;
 - (B) pay such fees and expenses of the committee (including, without limitation, fees and expenses of the committee's legal and financial advisers, if any) but only to the extent agreed in writing between Barbados and the committee, it being understood that nothing in this clause shall impose an obligation or expectation on Barbados to make any such payment without the prior agreement of Barbados; and
 - (C) provide the committee with information equivalent to that required under paragraph (g) (*Information*) of Schedule 4 of the Trust Deed and related proposals, if any, in each case as the same become available, subject to any applicable information disclosure policies, rules and regulations.
- (ii) If more than one committee has been appointed by holders of affected series of Bonds in accordance with the provisions of this Condition (19) (*Holders' Committee*) and/or equivalent provisions set out in the terms and conditions of any affected Indebtedness of Barbados, Barbados shall not be obliged to engage with such committees separately. Such committees may appoint a single steering group (to be comprised of representatives from such committees), whereupon Barbados shall engage with such steering group.

(d) Certification

Upon the appointment of a committee, the person or persons constituting such a committee (the “*Members*”) will provide a certificate to Barbados and to the Trustee signed by the authorised representatives of the Members, and Barbados and the Trustee may rely upon the terms of such certificate.

The certificate shall certify:

- (A) that the committee has been appointed;
- (B) the identity of the initial Members; and
- (C) that such appointment complies with the terms and conditions of the relevant bond documentation.

Promptly after any change in the identity of the Members, a new certificate which each of Barbados and the Trustee may rely on conclusively, will be delivered to Barbados and the Trustee identifying the new Members. Each of Barbados and the Trustee will assume that the membership of the committee has not changed unless and until it has received a new certificate.

The provisions of this paragraph (d) of this Condition (19) (*Holders’ Committee*) shall apply, mutatis mutandis, to any steering group appointed in accordance with paragraph (c)(ii) of this Condition (19) (*Holders’ Committee*).

TERMS AND CONDITIONS OF THE PDI BONDS

This section of this invitation memorandum sets forth the text of the Terms and Conditions of the PDI Bonds. Barbados urges you to read the Trust Deed and the Agency Agreement for a complete description of Barbados' obligations and your rights as a holder of the PDI Bonds. In subscribing for the PDI Bonds, you will be deemed to be aware of the terms of the Trust Deed and Agency Agreement.

(1) GENERAL

These bonds due 1 February 2021 (the “*Bonds*”, which expression shall, in these Conditions, unless the context otherwise requires, include any further bonds issued and forming a single Series with the Bonds) are:

- (a) authorised and issued or to be issued by the Government of Barbados (“*Barbados*”) pursuant to the trust deed (the “*Trust Deed*”) made between Barbados and The Bank of New York Mellon (the “*Trustee*”, which expression shall include its successor(s)) as trustee for the Holders of the Bonds; and
- (b) constituted by the Trust Deed.

The Bonds shall be Debt Securities for the purposes of the Trust Deed. Terms used but not defined herein shall have the respective meanings given to them in the Trust Deed. The Holders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed applicable to them.

(2) FORM, DENOMINATION AND TITLE

- (a) Form and Denomination
 - (i) The Bonds are in fully registered form only, without interest coupons, in minimum denominations of U.S.\$100 and integral multiples of U.S.\$100 in excess thereof.
 - (ii) The Bonds will be represented by separate permanent global certificates (the “*Restricted Global Certificate*” and the “*Unrestricted Global Certificate*” and, together, the “*Global Certificates*”) which will both be deposited with the Registrar as custodian for The Depository Trust Company (“*DTC*”) and registered in the name of Cede & Co. as nominee of DTC. The Restricted Global Certificate will represent Bonds which are restricted securities within the meaning of Rule 144(a)(3) under the United States Securities Act of 1933, as amended (the “*Securities Act*”). Bonds sold in offshore transactions in reliance on Regulation S under the Securities Act will be represented by the Unrestricted Global Certificate. Interests in the Restricted Global Certificate will be exchangeable for interests in the Unrestricted Global Certificate and vice versa in the circumstances specified therein.
 - (iii) The Restricted Global Certificate will be exchanged in whole (but not in part) for duly authenticated and completed individual debt security certificates (“*Restricted Individual Certificates*”) and, if applicable, the Unrestricted Global Certificate will be exchanged in whole (but not in part) for duly authenticated and completed individual debt security certificates (“*Unrestricted Individual Certificates*” and, together with Restricted Individual Certificates and the Global Certificates, “*Certificates*”) if any of the following events occurs:

- (A) DTC notifies Barbados that it is no longer willing or able to discharge properly its responsibilities as depositary with respect to the Restricted Global Certificate or the Unrestricted Global Certificate, as the case may be, or ceases to be a clearing agency (as defined in the United States Securities Exchange Act of 1934, as amended), or is at any time no longer eligible to act as such, and Barbados is (in the case of DTC ceasing to be a depositary) unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of DTC; or
- (B) any Bond becomes immediately due and payable following the occurrence of an Event of Default (as defined in Condition (12)), is not duly redeemed (and the funds required for redemption are not available to the Registrar for the purpose of effecting such redemption or do not remain available for such purpose) by 5:00 p.m. (New York City time) on the thirtieth day after the time the Bonds become immediately due and payable and such Holder requests the Trustee to issue a Certificate.

(3) TITLE

(a)

- (i) The Registrar will maintain a register (the “*Register*”) in respect of the Bonds in accordance with the provisions of the Agency Agreement. In these Conditions the “*Holder*” of a Bond means the person in whose name such Bond is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof). A Certificate will be issued to each Holder in respect of its registered holding.
- (ii) The Holder of each Bond shall (except as otherwise required by applicable law or regulatory requirement) be treated as the absolute owner of such Bond for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest thereof or therein, any writing on the Certificate relating thereto (other than the completion of the form of transfer) or any notice of any previous loss or theft of such Certificate) and no person shall be liable for so treating such holder.

(b) Trust Deed

Each Holder of this Series of Bonds is entitled as a beneficiary of the trusts established under the Trust Deed in respect of Barbados’ covenants given to the Trustee pursuant to the Trust Deed including, without limitation, the covenant to pay set out in Clause 2 thereof. The Trustee holds the benefit of such covenants on trust for the Holders of this Series of Bonds and itself in accordance with the terms of the Trust Deed. Subject to the next sentence, only the Trustee may enforce the provisions of the Trust Deed and these Conditions. No Holder of the Bonds of this Series shall be entitled to (i) take any steps or action against Barbados to enforce the performance of any of the provisions of the Trust Deed, the Agency Agreement or these Conditions or (ii) take any other proceedings (including lodging an appeal in any proceedings) in respect of or concerning Barbados and arising out of or in connection with the Trust Deed, the Agency Agreement or these Conditions, in each case unless the Trustee, having become bound pursuant to the Trust Deed to take any such action, steps or proceedings, fails to do so within 60 days and such failure is continuing.

(4) STATUS OF THE BONDS AND NEGATIVE PLEDGE

(a) Status

The Bonds are the direct, unconditional and unsecured obligations of Barbados and rank and will rank *pari passu*, without preference among themselves, with all other unsecured External Indebtedness of Barbados, from time to time outstanding, *provided, however*, that Barbados shall have no obligation to effect equal or rateable payment(s) at any time with respect to any such other External Indebtedness and, in particular, shall have no obligation to pay other External Indebtedness at the same time or as a condition of paying sums due on the Bonds and vice versa.

(b) Negative Pledge

- (i) So long as any Bond remains Outstanding, Barbados will not create or permit to subsist any Security Interest (other than a Permitted Security Interest) upon the whole or any part of its properties, assets or revenues, present or future, to secure any present or future Public External Indebtedness of Barbados without, in any such case, at the same time or prior thereto according to the Bonds (i) equally and rateably therewith, the same or equivalent Security Interest as is granted to or is outstanding in respect of such Public External Indebtedness or (ii) such other Security Interest or such guarantee, indemnity or other like obligation as is approved by the Holders by an Extraordinary Resolution.

(ii) In these Conditions:

- (A) “*External Indebtedness*” means Indebtedness which is payable or may be paid (a) in a currency other than the currency of Barbados and (b) to a Person resident or having its principal place of business outside Barbados;

- (B) “*Indebtedness*” means any obligation (whether present, future, actual or contingent) of any Person for the payment or repayment of money which has been borrowed or raised (including money raised by acceptances and leasing);

- (C) “*Permitted Security Interest*” means:

1. any Security Interest upon any property or asset (and any revenues therefrom) to secure Public External Indebtedness of Barbados incurred for the purpose of financing the acquisition, development or construction of such property or asset (and any revenues therefrom) and any renewal or extension of any such Security Interest which is limited to the original property or asset (and revenues) covered thereby and which secures any renewal or extension of the original secured financing;
2. any Security Interest existing upon any property or asset (and any revenues therefrom) to secure Public External Indebtedness of Barbados at the time of its acquisition and any renewal or extension of any such Security Interest which is limited to the original property or asset (and revenues) covered thereby;

3. any Security Interest securing Public External Indebtedness incurred for the purpose of financing all or part of the costs of the acquisition, construction or development of a project, *provided* that (i) the holders of such Public External Indebtedness expressly agree to limit their recourse to the assets and revenues of such project as the principal source of repayment of such Public External Indebtedness and (ii) the property over which such Security Interest is granted consists solely of such assets and revenues or claims that arise from the operation, failure to meet specifications, failure to complete, exploitation, sale or loss of, or damage to, such assets;
 4. any Security Interest in existence as of 11 December 2019 (the “*Issue Date*”) and any renewal or extension thereof which secures only the original secured financing or the renewal or extension thereof; and
 5. any other Security Interest where the amount secured from time to time does not exceed U.S.\$20,000,000 or its equivalent in any other currency or currencies (calculated based on the prevailing exchange rate on the date of the provision of such Security Interest);
- (D) “*Person*” means any individual, company, corporation, firm, partnership, joint venture, association, organisation, government, state or agency of a state or government or other entity, whether or not having a separate legal personality;
- (E) “*Public External Indebtedness*” means External Indebtedness which (a) is publicly offered or privately placed in securities markets outside of Barbados, (b) is in the form of, or represented by, bonds, notes, debentures or similar transferable debt securities and (c) is, or is, at the time of issue, intended by Barbados to be, quoted, listed or ordinarily dealt in on any stock exchange, automated trading system or over-the-counter or other securities market outside of Barbados (including, without limiting the generality of the foregoing, securities eligible for resale pursuant to Rule 144A under the Securities Act (or any successor law or regulation of similar effect)); and
- (F) “*Security Interest*” means any mortgage, charge, pledge, lien (other than a lien arising by operation of law), hypothecation or other security interest or encumbrance, including, without limitation, any equivalent created or arising under the laws of Barbados.

(5) INTEREST

(a) Interest Rate and Interest Payment Dates

Barbados shall pay interest on the principal amount of each Bond at the rate of 6.500 per cent. per annum accruing from 1 October 2019 and ending on 1 February 2021.

Interest on the Bonds will be payable in arrear on 1 October 2020 and 1 February 2021 (each such date, an “*Interest Payment Date*”) calculated on the basis of a 360-day year composed of twelve 30-day months and will be payable to Holders of record as of 25 September 2020 and 26 January 2021 (each, a “*Record Date*”).

(b) Interest Accrual

Barbados shall not be required to pay interest on a Bond from and including the due date for redemption of that Bond unless payment for redemption of such Bond is not made by Barbados on such date in which event the obligation of Barbados to pay interest shall continue as provided in the Trust Deed.

(6) REDEMPTION AND PURCHASE OF BONDS

(a) Mandatory Redemption

Barbados shall, to the extent not previously redeemed, purchased or cancelled as provided below, redeem the Bonds on the dates shown below (each, a “*Principal Payment Date*”) in an amortisation amount shown opposite such Principal Payment Date, payable as provided in Condition (7).

<u>Principal Payment Date</u>	<u>Amortisation Amount</u>
1 October 2020:	U.S.\$30,000,000
1 February 2021:	U.S.\$2,500,000

(b) Redemption at the option of Barbados

Barbados may on any one or more occasions redeem all or a part of the Bonds, upon not giving less than 30 nor more than 60 calendar days’ notice to the Holders and the Trustee in accordance with Condition (15), at a redemption price equal to 100 per cent of the principal amount thereof, together with interest accrued and unpaid to the date fixed for redemption.

(c) Purchases

Barbados may at any time purchase or otherwise acquire Bonds at any price in the open market or otherwise.

(d) Cancellation

Any Bond purchased or otherwise acquired by Barbados may be held, reissued, resold or, at the option of Barbados, cancelled.

(7) PAYMENTS

(a) Payments in respect of the Bonds

Payments of principal and interest or other amounts payable to the Holders under the Bonds will be made to the Holders in the manner provided in, and in accordance with, the Trust Deed, *provided* always that in any event final discharge of the obligation to make payments due to the Holders will only occur on the receipt of such payments by the Holders or by the Trustee on behalf of the Holders.

(b) Payments subject to applicable laws

Payments in respect of the Bonds are subject in all cases to any fiscal or other laws and regulations applicable in the place of payment, but without prejudice to the denomination of the Bonds or the provisions of Condition (7)(a) or Condition (9).

(c) No commissions

No commissions or expenses shall be charged to the Holders in respect of any payments made in accordance with this Condition.

(d) Payment on Business Days

If any date for payment in respect of any Bond is not a business day, the Holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment.

In this paragraph, “business day” for the purposes of any payments made in connection with the Bonds means any day except Saturday, Sunday or any other day on which commercial banks in New York City, London or Bridgetown (or the city where the relevant paying or transfer agent is located) are required or authorised by law to close.

(e) Agents

The initial Paying Agent, Transfer Agent and Registrar and their respective initial offices are specified in the Agency Agreement. Barbados reserves the right at any time to vary or terminate the appointment of any Paying Agent, Transfer Agent or Registrar and to appoint additional or other Paying Agents, Transfer Agents or Registrars *provided* that:

- (i) Barbados will at all times maintain a Transfer Agent with a specified office in the Borough of Manhattan; and
- (ii) if any Series of Bonds are listed on a stock exchange and that stock exchange so requires, Barbados will maintain a paying agent in the region where the stock exchange is located for such Series.

Notice of any termination or appointment and of any changes in specified offices will be given to the Holders promptly by Barbados in accordance with Condition (15) and to the Trustee.

(8) [INTENTIONALLY OMITTED]

(9) TAXATION

- (a) All payments of interest and principal on the Bonds will be made by Barbados without withholding or deduction for, or on account of, any present or future taxes, levies or duties of whatever nature imposed, levied, collected or assessed by or on behalf of Barbados or any political subdivision or taxing authority thereof (“*Barbados Withholding Taxes*”), unless such withholding or deduction is required by law. In such event, Barbados will pay such additional amounts (“*Additional Amounts*”) as may be necessary in order that the net payment made in respect of the Bonds after such withholding or deduction for or on account of Barbados Withholding Taxes is not less than the amount that would have been

receivable in respect of the Bonds in the absence of such withholding or deduction; *provided* that the foregoing obligation to pay Additional Amounts shall not apply to:

- (i) any Barbados Withholding Taxes that would not have been imposed or levied on a Holder or beneficial owner of the Bonds but for the existence of any present or former connection between such Holder or beneficial owner and Barbados or any political subdivision thereof, including, without limitation, such Holder or beneficial owner (i) being or having been a citizen or resident thereof, (ii) maintaining or having maintained an office, permanent establishment or branch therein, or (iii) being or having been present or engaged in trade or business therein, except for a connection solely arising from the mere ownership of, or receipt of payment under such Bonds;
 - (ii) any Barbados Withholding Taxes imposed with respect to any Bond held by or on behalf of a Holder or beneficial owner who would not be liable for or subject to such Barbados Withholding Taxes by making a declaration of non-residence or other similar claim or exemption to the relevant tax authority if, after having been requested to make such a declaration or claim, such Holder or beneficial owner fails to do so; or
 - (iii) any Barbados Withholding Taxes that would not have been so imposed but for the presentation by the Holder of such Bond for payment more than 30 days after the Relevant Date, except to the extent that the Holder thereof would have been entitled to such Additional Amount on the last day of such 30-day period.
- (b) The “*Relevant Date*” in relation to any Bond means:
- (i) the due date for payment in respect thereof; or
 - (ii) (if the full amount of the monies payable on such date has not been received by the Trustee or the Paying Agent on or prior to such due date) the date on which, the full amount of such monies having been so received, notice to that effect is duly given to the Holders in accordance with Condition (15) or individually.
- (c) **OID Reporting Requirement**

If any Bonds are issued with original issue discount for U.S. federal income tax purposes, the following shall apply:

- (i) Barbados shall file with the Trustee (i) a written notice specifying the amount of original issue discount (including daily rates and accrual periods) accrued on the Bonds and (ii) such other specific information relating to such original issue discount, including, but not limited to, the issue date and yield to maturity of the Bonds, as necessary to satisfy the relevant reporting requirements under the U.S. Internal Revenue Code of 1986, as amended. Individual Bonds, if any, that are issued with original issue discount will bear a legend substantially to the following effect, unless Barbados determines otherwise in compliance with applicable law: **THIS BOND HAS BEEN ISSUED WITH ORIGINAL ISSUE DISCOUNT FOR UNITED STATES FEDERAL INCOME TAX PURPOSES.** This provision shall not apply with respect to any Bonds for which Barbados has filed IRS Form 8281

with the U.S. Internal Revenue Service. Barbados shall provide a copy of IRS Form 8281, if any, to the Trustee.

- (ii) Barbados shall provide the information described in Condition (9)(c)(i) above to the Trustee based on the lowest applicable issue price for the Bonds, as determined for U.S. federal income tax purposes. By its acceptance of the Bonds, a Holder will be required, to the extent relevant for U.S. federal income tax purposes, to report original issue discount on the Bonds in accordance with the original issue discount information provided by Barbados to the Trustee pursuant to Condition (9)(c)(i) above.
- (iii) A Holder may request the information described in Condition (9)(c)(i) above in writing (together with such evidence as to the Holder's identity and beneficial entitlement to such Bonds as the Trustee may reasonably request or require) to the Trustee at 240 Greenwich St., 7E, New York, New York 10286, and the Trustee agrees to provide the same to such Holder to the extent the Trustee received such information from Barbados, *provided* that under no circumstances shall the Trustee be responsible for or incur any liability whatsoever to any persons as to the accuracy or correctness of such information provided by Barbados to the Trustee.

(10) PRESCRIPTION

Claims for principal and interest on the Bonds shall become void unless made within the period of five years from the Relevant Date.

(11) [INTENTIONALLY OMITTED]

(12) EVENTS OF DEFAULT

(a) Events of Default

The following shall each constitute an "*Event of Default*":

- (i) Barbados fails to pay any amount of principal or interest in respect of the Bonds on the due date for payment thereof and such default continues for 30 days or more;
- (ii) Barbados defaults in the performance or observance of any of its other obligations under or in respect of the Trust Deed, the Agency Agreement or the Conditions of the Bonds and such default remains unremedied for 60 days after written notice requiring such default to be remedied has been delivered to Barbados by any Holder or the Trustee;
- (iii) (A) any External Indebtedness incurred by Barbados after the Issue Date (aggregating U.S.\$20,000,000, or its equivalent in any other currency or currencies, or more) ("*Relevant External Indebtedness*") becomes due and payable prior to its stated maturity as a result of acceleration of payment thereof following a default by Barbados; (B) any principal or interest on such Relevant External Indebtedness of Barbados is not paid on the due date after giving effect to any applicable grace period; or (C) Barbados fails to pay when due and called after giving effect to any applicable grace period any amount payable by it under any present or future guarantee of or indemnity relating to Relevant External

Indebtedness of any Person;

- (iv) A moratorium or suspension of payments is agreed or declared by Barbados in respect of any Relevant External Indebtedness of Barbados;
- (v) Any writ, execution, attachment or similar process shall be levied against all or any substantial part of the assets of Barbados in connection with any judgment for the payment of money in respect of any Indebtedness incurred by Barbados after the Issue Date exceeding U.S.\$25,000,000 (or its equivalent in other currencies) and shall remain unsatisfied, undischarged and in effect for a period of 60 days without a stay of execution, unless such judgment is adequately bonded or is being contested in good faith by appropriate proceedings properly instituted and diligently conducted and, in either case, such process is not being executed against such assets;
- (vi) The validity of the Bonds, the Trust Deed, the Conditions or the Agency Agreement shall be contested by Barbados or any legislative, executive or judicial body or official of Barbados authorised and empowered (either singly or with another such body or official) in each case by law to do so, or Barbados shall deny any of its obligations under the Trust Deed, the Agency Agreement or the relevant Conditions of such Series of Bonds to any of the Holders (whether by a general suspension of payments or a moratorium on the payment of debt or otherwise);
- (vii) Any constitutional provision, treaty, convention, law, regulation, ordinance, decree, consent, approval, licence or other governmental or regulatory authority necessary to enable Barbados to make or perform its obligations under the Trust Deed, the Agency Agreement or the Conditions of such Series of Bonds, or for the validity or enforceability thereof, shall expire, be withheld, revoked, modified, terminated or otherwise cease to remain in full force and effect;
- (viii) Any law, rule or regulation is adopted in Barbados or any change in applicable law in Barbados is made which makes it unlawful for Barbados to comply with its obligations to pay amounts in accordance with Condition (7) in the event that Barbados shall be required to withhold or deduct any taxes, duties, assessments or governmental charges on payments of principal of, or interest on, the Bonds; or
- (ix) Barbados ceases to be a member of the International Monetary Fund (the “IMF”) or ceases to be eligible to utilise the resources of the IMF under the IMF Articles of Agreement and such cessation continues for 30 days.

(b) Acceleration and Rescission

If an Event of Default occurs and is continuing, then the Holders of at least 25 per cent. of the aggregate principal amount of the Bonds then Outstanding may direct the Trustee to give notice in writing (an “*Acceleration Notice*”) to Barbados that the Bonds are immediately due and payable, whereupon an amount equal to the aggregate principal amount of the Bonds then Outstanding together with accrued but unpaid interest if any to the date of repayment shall become immediately due and payable, unless the Event of Default has been remedied or waived prior to the receipt of the Acceleration Notice by Barbados.

The Holders of at least 50 per cent. of the aggregate principal amount of the Bonds then Outstanding may direct the Trustee to rescind an Acceleration Notice. Such rescission shall be made by giving notice in

writing to Barbados, with a copy to the Trustee, whereupon such Acceleration Notice shall be rescinded and shall have no further effect and any amounts that had become immediately due and payable pursuant to such Acceleration Notice and had not been paid shall remain outstanding on the terms and conditions applicable prior to such Acceleration Notice and any Event of Default referred to in such Acceleration Notice or resulting from a failure to pay any amount that had become due and payable pursuant to such Acceleration Notice shall be irrevocably waived.

No such rescission shall affect any other or any subsequent Event of Default or any right of any Holder in relation thereto. Such rescission will be conclusive and binding on all Holders.

(13) ENFORCEMENT

Subject to the Trust Deed, the Trustee may or shall (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction by the relevant holders), if so requested in writing by Holders for the time being of at least 25 per cent. of the Bonds then Outstanding, take such proceedings against Barbados as it may think fit to enforce the provisions of the Bonds or the Trust Deed.

No Holder shall be entitled to proceed directly against Barbados by instituting any proceeding, judicial or otherwise, with respect to the Bonds or the Trust Deed, or for the appointment of a receiver or a trustee, or for any other remedy hereunder, unless the Trustee, having become bound so to proceed under the Trust Deed, fails to do so within 60 days and the failure shall be continuing.

(14) MEETINGS AND MODIFICATIONS

(a) General

The provisions relating to modifications as set out under Clause 19 of the Trust Deed and for convening meetings of Holders as set out in Schedule 4 of the Trust Deed shall apply to the Bonds, *provided* that, for the purposes of any proposal relating to, or proposed modification of, the Bonds of this Series only or any Multiple Series Aggregation – Single Limb Voting or Multiple Series Aggregation – Two Limb Voting, the Bonds shall be treated as a single Series and all reference to “*Series*” or “*Bonds*” shall be construed accordingly.

Any modification consented to or approved by the Holders of Bonds pursuant to this Condition (14) will be conclusive and binding on all Holders of the Bonds whether or not they have given such consent, and on all future Holders of the Bonds whether or not notation of such modification is made upon the Bonds. Any instrument given by or on behalf of any Holder of a Bond in connection with any consent to or approval of any such modification will be conclusive and binding on all subsequent Holders of that Bond.

(b) Convening a meeting of Holders

A meeting of Holders:

- (i) may be convened by Barbados or the Trustee at any time; and
- (ii) will be convened by Barbados or the Trustee if a meeting is requested in writing by the Holders of not less than 10 per cent. in principal amount of the Bonds then Outstanding.

(c) Non-Reserved Matters

Save as otherwise provided in the Trust Deed, any modification in relation to, or proposal relating to, any matter other than a Reserved Matter may be made if:

- (iii) passed at a duly called meeting of Holders by a majority of more than 50 per cent. of the aggregate principal amount of the Bonds then Outstanding; or
- (iv) approved by a written resolution signed by or on behalf of a Holder or Holders of more than 50 per cent. of the aggregate principal amount of the Bonds then Outstanding.

(d) Reserved Matters

(i) Modification of this Series of Debt Securities Only

- (A) In relation to a proposal that includes a Reserved Matter, any modification to the terms and conditions of, or any action with respect to, the Bonds may be made or taken if:
 - 1. passed at a duly called meeting of Holders by a majority of at least 75 per cent. of the aggregate principal amount of the Bonds then Outstanding; or
 - 2. approved by a written resolution signed by or on behalf of a Holder or Holders of at least 75 per cent. of the aggregate principal amount of the Bonds then Outstanding.

(ii) Multiple Series Aggregation – Single Limb Voting

- (A) In relation to a proposal that includes a Reserved Matter, any modification to the terms and conditions of, or any action with respect to, two or more series of Debt Securities Capable of Aggregation; *provided* that the Uniformly Applicable condition is satisfied, may be made or taken if:
 - 1. passed at a duly called meeting of Holders by a majority of at least 75 per cent. of the aggregate principal amount of the outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in the aggregate); or
 - 2. approved by a written resolution signed by or on behalf of a Holder or Holders of at least 75 per cent. of the aggregate principal amount of the outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in the aggregate).
- (B) The “*Uniformly Applicable*” condition will be satisfied if:
 - 1. the holders of all affected series of Debt Securities Capable of Aggregation are invited to exchange, convert, or substitute their debt securities, on the same terms, for (i) the same new instrument or other consideration or (ii) a new instrument, new instruments

or other consideration from an identical menu of instruments or other consideration; or

2. the amendments proposed to the terms and conditions of each affected series of Debt Securities Capable of Aggregation would, following implementation of such amendments, result in the amended instruments having identical provisions (other than provisions which are necessarily different, having regard to different currency of issuance).

(iii) Multiple Series Aggregation – Two Limb Voting

(A) In relation to a proposal that includes a Reserved Matter, any modification to the terms and conditions of, or any action with respect to, two or more series of Debt Securities Capable of Aggregation may be made or taken if:

1. passed at a duly called meeting of Holders by a majority of: (a) at least 66 $\frac{2}{3}$ per cent. of the aggregate principal amount of the outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in the aggregate); and (b) more than 50 per cent. of the aggregate principal amount of the outstanding debt securities in each affected series of Debt Securities Capable of Aggregation (taken individually); or
2. approved by a written resolution signed by or on behalf of a Holder or Holders of: (a) at least 66 $\frac{2}{3}$ per cent. of the aggregate principal amount of the outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in the aggregate); and (b) more than 50 per cent. of the aggregate principal amount of the outstanding debt securities in each affected series of Debt Securities Capable of Aggregation (taken individually).

“Debt Securities Capable of Aggregation” means those debt securities which include or incorporate by reference Schedule 4 (*Meetings of Holders; Written Resolutions*) and paragraph (l) (*Aggregation Agent; Aggregation Procedures*) of Schedule 4 of the Trust Deed or provisions substantially in those terms which provide for the debt securities which include such provisions to be capable of being aggregated for voting purposes with other series of debt securities.

(e) Binding Effect

A resolution duly passed at a meeting of Holders duly convened and held in accordance with the provisions of the Trust Deed, and a written resolution duly signed by the requisite majority of Holders, will be binding on all Holders and holders of each other affected series of Debt Securities Capable of Aggregation, whether or not they attended any meeting and whether or not they voted for or against the resolution or signed the written resolution.

(15) NOTICES

- (a) Notices to Holders will be valid if sent to them by first class mail (airmail if overseas) at their respective addresses on the Register or, as long as the Notes are listed on the

Luxembourg Stock Exchange and traded on the Euro MTF market and the rules of the Luxembourg Stock Exchange so require, published in a leading newspaper having general circulation in Luxembourg or on the website of the Luxembourg Stock Exchange (<http://www.bourse.lu>). Any such notice shall be deemed to have been given, when required to be published in accordance with the rules of the Luxembourg Stock Exchange, on the date of such publication (or, if published more than once, on the first date on which publication is made) or, as the case may be, on the fourth day after the date of mailing.

- (b) Notices to Barbados to be given by any Holder shall be in writing and in English and given by lodging the same at the Ministry of Finance, Economic Affairs and Investment at the address below:

The Ministry of Finance, Economic Affairs and Investment
Government Headquarters
Bay Street
St. Michael, Barbados
Attention: Permanent Secretary (Finance)

(16) FURTHER ISSUES

Barbados shall be at liberty from time to time without the consent of the Holders to create and issue further bonds having terms and conditions the same as the Bonds or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with and increase the outstanding aggregate principal amount of the Bonds, provided that such additional Bonds do not have, for purposes of U.S. federal income taxation (regardless of whether any holders of such Bonds are subject to U.S. federal laws), a greater amount of original issue discount than the Bonds have as of the date of issuance of such additional Bonds.

(17) INDEMNIFICATION OF TRUSTEE

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from any obligation to take proceedings to enforce repayment unless indemnified and/or secured and/or prefunded to its satisfaction. The Trust Deed also contains provisions pursuant to which the Trustee is entitled *inter alia*, (i) to enter into business transactions with Barbados or any person or body corporate associated with the Government of Barbados and to act as trustee for the holders of any other securities issued by or relating to Barbados or any person or body corporate associated with the Government of Barbados, (ii) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Holders, and (iii) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

(18) GOVERNING LAW

- (a) The Bonds and any non-contractual obligations arising out of or in connection with the Bonds shall be governed by and construed in accordance with the law of England.
- (b) Subject to Condition (18)(l), Barbados irrevocably and unconditionally agrees for the exclusive benefit of the Trustee that any federal court in the Southern District of New York or any state court in the Borough of Manhattan, The City of New York, any court of England and any competent court in Barbados (collectively referred to “*Specified Courts*”)

shall have jurisdiction to settle any suit, action or proceeding against Barbados or its properties, assets or revenues arising out of or in connection with the Bonds or Barbados' failure or alleged failure to perform any obligations under the Bonds (a "*Related Proceeding*"). Any proceeding against the Trustee arising out of or related to the Trust Deed or the Bonds shall be commenced solely in the courts of England. Barbados and the Holders, by their acceptance of the Bonds, agree to the foregoing and submit to the exclusive jurisdiction of any such court.

- (c) The Trustee may not initiate a Related Proceeding in any jurisdiction other than in the Specified Courts.
- (d) Barbados irrevocably appoints: (i) the High Commissioner of Barbados at 1 Great Russell St, Fitzrovia, London WC1B 3ND, UK to receive service of process in relation to any Related Proceeding in England, and (ii) the Consul General of Barbados at 820 2nd Ave, New York, NY 10017 to receive service of process in relation to any Related Proceeding in New York.
- (e) Barbados hereby irrevocably and unconditionally waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to Related Proceedings brought in a Specified Court whether on the grounds of venue, residence or domicile or on the ground that the Related Proceedings have been brought in an inconvenient forum (except for any Related Proceedings relating to the securities laws of the United States or any state thereof).
- (f) A final non-appealable judgment in any such Related Proceeding shall be conclusive and may be enforced in other jurisdictions by a suit upon such judgment or in any other manner provided by law.
- (g) Barbados hereby irrevocably waives, to the extent permitted by applicable law and international conventions, (a) any immunity from jurisdiction it may have in any Related Proceeding in the courts of England, and (b) except as provided below, any immunity from attachment or execution to which its assets or property might otherwise be entitled in any Related Proceeding in the courts of England, and agrees that it will not claim any such immunity in any such Related Proceeding.
- (h) Notwithstanding the foregoing, the above waiver shall not constitute a waiver of immunity from attachment or execution with respect to:
 - (i) any property of the Central Bank of Barbados,
 - (ii) any property of Barbados located in the territory of Barbados,
 - (iii) any property located in or outside the territory of Barbados that provides an essential public service,
 - (iv) any property entitled to the privileges and immunities of the Vienna Convention on Diplomatic Relations of 1961 and the Vienna Convention on Consular Relations of 1963, including, but not limited to, property, premises and bank accounts used by the missions of Barbados,
 - (v) any property of a diplomatic, governmental or consular mission of Barbados,

- (vi) taxes, duties, levies, assessments, royalties or any other governmental charges imposed by Barbados, including the right of Barbados to collect any such charges,
 - (vii) any property of a military character or under the control of a military authority or defence agency of Barbados,
 - (viii) property forming part of the cultural heritage of Barbados, or
 - (ix) property of Barbados outside Barbados not used for a commercial purpose.
- (i) For the purposes of this Condition (18), “*property*” includes, without limitation, assets, accounts, bank deposits, cash, revenues, securities and rights, including rights against third parties.
- (j) Subject to Condition (18)(l), to the extent that Barbados or any of its revenues, assets or properties shall be entitled, in any jurisdiction in which any federal court in the Southern District of New York or any state court in the Borough of Manhattan, The City of New York is located, in which any Related Proceeding may at any time be brought against it or any of its revenues, assets or properties, or in any jurisdiction in which any federal court in the Southern District of New York or any state court in the Borough of Manhattan, The City of New York is located in which any suit, action or proceeding may at any time be brought for the purpose of enforcing or executing any judgment issued in any Related Proceeding (a “*Related Judgment*”), to any immunity from suit, from the jurisdiction of any such court, from set-off, from attachment prior to a Related Judgment, from attachment in aid of execution of a Related Judgment, from execution of a Related Judgment or from any other legal or judicial process or remedy, and to the extent that in any such jurisdiction there shall be attributed such an immunity, Barbados irrevocably waives such immunity to the fullest extent permitted by the laws of such jurisdiction, including the United States Foreign Sovereign Immunities Act of 1976 (the “*Immunities Act*”) (and consents to the giving of any relief or the issue of any process in connection with any Related Proceeding or Related Judgment as permitted by applicable law, including the Immunities Act), *provided, however*, that such waiver shall not extend to and Barbados shall be immune in respect of and in relation to any suit, action or proceeding or enforcement of any Related Judgment against:
- (i) any property of the Central Bank of Barbados,
 - (ii) any property of Barbados located in the territory of Barbados,
 - (iii) any property located in or outside the territory of Barbados that provides an essential public service,
 - (iv) any property entitled to the privileges and immunities of the Vienna Convention on Diplomatic Relations of 1961 and the Vienna Convention on Consular Relations of 1963, including, but not limited to, property, premises and bank accounts used by the missions of Barbados,
 - (v) any property of a diplomatic, governmental or consular mission of Barbados,
 - (vi) taxes, duties, levies, assessments, royalties or any other governmental charges imposed by Barbados, including the right of Barbados to collect any such charges,

- (vii) any property of a military character or under the control of a military authority or defence agency of Barbados,
 - (viii) property forming part of the cultural heritage of Barbados, or
 - (ix) property of Barbados outside Barbados not used for a commercial purpose.
- (k) The foregoing constitutes a limited and specific waiver by Barbados solely for the purposes of the Trust Deed and the Bonds and under no circumstance shall it be construed as a general waiver by Barbados or a waiver with respect to proceedings unrelated to the Trust Deed or the Bond.
- (l) Barbados reserves the right to plead sovereign immunity under the Immunities Act with respect to actions brought against it under the U.S. federal securities laws or any state securities laws and the appointment of an agent for service of process does not extend to such actions.

BOOK-ENTRY SETTLEMENT AND CLEARANCE

Global New Bonds

DTC, Euroclear Bank S.A./N.V., or Euroclear, and Clearstream, Luxembourg are under no obligation to perform or continue to perform the procedures described below, and they may modify or discontinue them at any time. Neither Barbados nor the trustee for the New Bonds will be responsible for DTC's, Euroclear's or Clearstream, Luxembourg's performance of their obligations under their rules and procedures. Additionally, neither Barbados nor the trustee will be responsible for the performance by direct or indirect participants of their obligations under their rules and procedures.

The New Bonds will initially be issued to investors in global form, the ownership and transfer of which are recorded in computerised book-entry accounts, eliminating the need for physical movement of New Bonds. Barbados refers to the intangible Bonds represented by a global New Bond as “book-entry” New Bonds.

Barbados will deposit any global New Bond it issues with a clearing system or its nominee. The global New Bond will be registered in the name of the clearing system or its nominee or common depositary. Unless a global New Bond is exchanged for certificated securities, as discussed below under “—Certificated Securities,” it may not be transferred, except as a whole among the clearing system, its nominees or common depositaries and their successors. Clearing systems include DTC in the United States and Euroclear and Clearstream, Luxembourg in Europe.

Clearing systems process the clearance and settlement of book-entry New Bonds for their direct participants. A “direct participant” is a bank or financial institution that has an account with a clearing system. The clearing systems act only on behalf of their direct participants, who in turn act on behalf of indirect participants. An “indirect participant” is a bank or financial institution that gains access to a clearing system by clearing through or maintaining a relationship with a direct participant. Euroclear and Clearstream, Luxembourg are connected to each other by a direct link and participate in DTC through their New York depositaries, which act as links between the clearing systems. These arrangements permit you to hold book-entry New Bonds through participants in any of these systems, subject to applicable securities laws.

If you wish to purchase book-entry New Bonds, you must either be a direct participant or make your purchase through a direct or indirect participant. Investors who purchase book-entry New Bonds will hold them in an account at the bank or financial institution acting as their direct or indirect participant.

When you hold New Bonds in this manner, you must rely on the procedures of the institutions through which you hold your New Bonds to exercise any of the rights granted to holders. This is because the legal obligations of Barbados and the trustee run only to the registered owner of the global New Bond, which will be the relevant clearing system or its nominee or common depositary. For example, once Barbados arranges for payments to be made to the registered holder, Barbados will no longer be liable for the amounts so paid on the security, even if you do not receive it. In practise, the clearing systems will pass along any payments or notices they receive from Barbados to their participants, which will pass along the payments to you. In addition, if you desire to take any action which a holder of a New Bond is entitled to take, then the clearing system would authorise the participant through which you hold your book-entry New Bonds to take such action, and the participant would then either authorise you to take the action or would act for you on your instructions. The transactions between you, the participants and the clearing systems

will be governed by customer agreements, customary practises and applicable laws and regulations, and not by any legal obligation of Barbados.

As an owner of book-entry New Bonds represented by a global New Bond, you will also be subject to the following restrictions:

- you will not be entitled to (a) receive physical delivery of the New Bonds in certificated form or (b) have any of the New Bonds registered in your name, except under the circumstances described below under “—Certificated Securities”;
- you may not be able to transfer or sell your New Bonds to some insurance companies and other institutions that are required by law to own their New Bonds in certificated form;
- you may not be able to pledge your New Bonds in circumstances where certificates must be physically delivered to the creditor or the beneficiary of the pledge in order for the pledge to be effective; and
- none of Barbados, the trustee, any paying agent, any registrar or any agent of Barbados or the trustee shall have any responsibility or obligation to any beneficial owner in a global New Bond, or participant or other person with respect to the accuracy of the records of the relevant clearing system or its nominee or common depositary, with respect to any ownership interest in the New Bonds or with respect to the delivery to any participant, beneficial owner or other person of any notice (including any notice of redemption) or the payment of any amount, under or with respect to such New Bonds. All notices and communications to be given to the holders and all payments to be made to holders under the New Bonds and the Trust Deed will be given or made only to or upon the order of the registered holders (which shall be the relevant clearing system or its nominee or common depositary in the case of the global New Bond). The rights of beneficial owners in the global New Bond shall be exercised only through the relevant clearing system or its nominee or common depositary subject to the applicable procedures. Barbados, the trustee, any paying agent, any registrar and any agent of Barbados or the trustee shall be entitled to rely and shall be fully protected in relying upon information furnished by the relevant clearing system or its nominee or common depositary with respect to its members, participants and any beneficial owners. Barbados, the trustee, any paying agent, any registrar and any agent of Barbados or the trustee shall be entitled to deal with the relevant clearing system or its nominee or common depositary, that is the registered holder of any global New Bond for all purposes relating to such global New Bond (including the payment of principal and premium, if any, and additional amounts, if any, and the giving of instructions or directions by or to the owner or holder of a beneficial ownership interest in such global New Bond) as the sole holder of such global New Bond and shall have no obligations to the beneficial owners thereof. None of Barbados, the trustee, any paying agent, any registrar or any agent of Barbados or the trustee shall have any responsibility or liability for any acts or omissions of the relevant clearing system or its nominee or common depositary with respect to such global New Bond, for the records of any such depositary, including records in respect of beneficial ownership interests in respect of any such global New Bond, for any transactions between the relevant clearing system or its nominee or common depositary and any participant or between or among the relevant clearing system or its nominee or

common depository, any such participant and/or any holder or owner of a beneficial interest in such global New Bond, or for any transfers of beneficial interests in any such global New Bond.

The Clearing System

The following description reflects Barbados' understanding of the current rules and procedures of DTC, Euroclear and Clearstream, Luxembourg. Barbados has obtained the information in this section from sources it believes to be reliable, including from DTC, Euroclear and Clearstream, Luxembourg. These systems could change their rules and procedures at any time, and Barbados takes no responsibility for their actions.

It is important for you to establish at the time of the trade where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date, i.e., the date specified by the purchaser and seller on which the price of the New Bonds is fixed.

When book-entry New Bonds are to be transferred from a DTC seller to a Euroclear or Clearstream, Luxembourg purchaser, the purchaser must first send instructions to Euroclear or Clearstream, Luxembourg through a participant at least one business day prior to the settlement date. Euroclear or Clearstream, Luxembourg will then instruct its New York depository to receive the New Bonds and make payment for them. On the Closing Date, the New York depository will make payment to the DTC participant through which the seller holds its New Bonds, which will make payment to the seller, and the New Bonds will be credited to the New York depository's account. After settlement has been completed, Euroclear or Clearstream, Luxembourg will credit the New Bonds to the account of the participant through which the purchaser is acting. This New Bonds credit will appear the next day, European time, after the settlement date, but will be back-valued to the value date, which will be the preceding day if settlement occurs in New York. If settlement is not completed on the intended value date, the New Bonds credit and cash debit will instead be valued at the actual settlement date.

A participant in Euroclear or Clearstream, Luxembourg, acting for the account of a purchaser of New Bonds, will need to make funds available to Euroclear or Clearstream, Luxembourg in order to pay for the New Bonds on the value date. The most direct way of doing this is for the participant to preposition funds (i.e., have funds in place at Euroclear or Clearstream, Luxembourg before the value date), either from cash on hand or existing lines of credit. The participant may require the purchaser to follow these same procedures.

When book-entry New Bonds are to be transferred from a Euroclear or Clearstream, Luxembourg seller to a DTC purchaser, the seller must first send instructions to and preposition the New Bonds with Euroclear or Clearstream, Luxembourg through a participant at least one business day prior to the settlement date. Euroclear or Clearstream, Luxembourg will then instruct its New York depository to credit the book-entry New Bonds to the account of the DTC participant through which the purchaser is acting and to receive payment in exchange. The payment will be credited to the account of the Euroclear or Clearstream, Luxembourg participant through which the seller is acting on the following day, but the receipt of the cash proceeds will be back-valued to the value date, which will be the preceding day if settlement occurs in New York. If settlement is not completed on the intended value date, the receipt of the cash proceeds and New Bonds debit will instead be valued at the actual settlement date.

Certificated Securities

Barbados will issue New Bonds in certificated registered form only if:

- DTC notifies Barbados at any time that it is unwilling or unable to continue as depositary for the global New Bonds of that series, or it is no longer eligible to act as such, and Barbados is unable to locate a qualified successor depositary within 90 days; or
- certain other events provided in the Trust Deed occur.

LISTING AND LISTING AGENT

Barbados intends to apply to admit the New Bonds to listing on the Luxembourg Stock Exchange and to trading on the Euro MTF market. The Luxembourg Listing Agent is The Bank of New York Mellon SA/NV, Luxembourg Branch, Vertigo Building, Polaris, 2-4 rue Eugène Ruppert, L-2453 Luxembourg. Copies of Barbados's trust deed and the forms of the New Bonds will be made available for inspection during normal business hours on any day except Saturday, Sunday and public holidays at the offices of the Luxembourg Listing Agent for so long as the New Bonds are listed on the Luxembourg Stock Exchange and traded on the Euro MTF market and the rules of the Luxembourg Stock Exchange so require.

NOTICE TO INVESTORS

The distribution of this invitation memorandum is restricted by law in certain jurisdictions. Persons into whose possession this offering memorandum comes are required by Barbados to inform themselves of and to observe any of these restrictions.

This invitation memorandum does not constitute, and may not be used in connection with, an offer or solicitation by anyone in any jurisdiction in which an offer or solicitation is not authorised or in which the person making an offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make an offer or solicitation. Neither Barbados nor the Exchange Agent accepts any responsibility for any violation by any person of the restrictions applicable in any jurisdiction.

The New Bonds will be subject to the following restrictions on transfer. Holders of New Bonds are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of their New Bonds. By acquiring New Bonds, holders will be deemed to have made the following acknowledgments, representations to and agreements with Barbados:

1. You acknowledge that:
 - a. the New Bonds have not been registered under the Securities Act or the securities laws of any other jurisdiction and are being offered for resale in transactions that do not require registration under the Securities Act or the securities laws of any other jurisdiction; and
 - b. unless so registered, the New Bonds may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or any other applicable securities laws, and in each case in compliance with the conditions for transfer set forth below;
2. You represent that you are not an affiliate (as defined in Rule 144 under the Securities Act) of Barbados and you are not acting on behalf of Barbados and that either:
 - a. you are a “*qualified institutional buyer*” (as defined in Rule 144A under the Securities Act) and are acquiring the New Bonds for your own account or for the account of another qualified institutional buyer; or
 - b. you are purchasing the New Bonds in an offshore transaction in accordance with Regulation S under the Securities Act;
3. You represent that, if you are in any EEA Member State, you are a “qualified investor” as defined in the Prospectus Regulation;
4. You represent that, if you are located in the UK, you are a relevant person (as this term is defined in “Notice to Prospective Investors in the United Kingdom”);
5. You agree on your own behalf and on behalf of any investor account for which you are purchasing New Bonds, and each subsequent holder of New Bonds by its acceptance of the New Bonds will agree, that the New Bonds may be offered, sold or otherwise transferred only:

- a. to Barbados;
 - b. inside the United States to a qualified institutional buyer (as defined in Rule 144A) in compliance with Rule 144A under the Securities Act;
 - c. outside the United States in compliance with Rule 903 or 904 under the Securities Act;
 - d. pursuant to a registration statement that has been declared effective under the Securities Act;
 - e. in any other jurisdiction in compliance with local securities laws;
6. You acknowledge that Barbados and the trustee for the New Bonds reserve the right to require, in connection with any offer, sale or other transfer of New Bonds, the delivery of written certifications and/or other information satisfactory to Barbados and the trustee as to compliance with the transfer restrictions referred to above;
 7. You agree to deliver to each person to whom you transfer New Bonds, notice of any restrictions on transfer of such New Bonds;
 8. You acknowledge that each New Bond offered to “qualified institutional buyers” in the United States under Rule 144A of the Securities Act will contain a legend substantially to the following effect:

THIS BOND HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), AND MAY NOT BE SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. EACH PURCHASER OF THIS BOND IS HEREBY NOTIFIED THAT THE SELLER OF THIS BOND MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER.

THIS BOND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (A)(1) TO A PERSON WHO THE TRANSFEROR REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT ACQUIRING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QUALIFIED INSTITUTIONAL BUYERS IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (2) OUTSIDE THE UNITED STATES PURSUANT TO THE TERMS AND CONDITIONS OF REGULATION S UNDER THE SECURITIES ACT OR (3) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND OTHER JURISDICTIONS.

THIS BOND AND ANY RELATED DOCUMENTATION MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME TO MODIFY THE RESTRICTIONS ON REALES AND OTHER TRANSFERS OF THIS BOND TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTISES RELATING TO THE RESALE OR TRANSFER OF RESTRICTED SECURITIES GENERALLY.

THE HOLDER OF THIS BOND SHALL BE DEEMED BY THE ACCEPTANCE OF THIS BOND TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT.

THIS LEGEND CAN ONLY BE REMOVED AT THE OPTION OF BARBADOS.

9. You acknowledge that Barbados and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations, warranties and agreements. You agree that if any of the acknowledgments, representations or warranties deemed to have been made by your purchase of New Bonds is no longer accurate, you shall promptly notify Barbados and the Exchange Agent. If you are acquiring any New Bonds as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each of those accounts and that you have full power to make the foregoing acknowledgments, representations, warranties and agreements on behalf of each account.

TAXATION

Investors are urged to consult their own tax advisors in determining the tax consequences of holding bonds, including the application to their particular circumstances of the tax considerations discussed below, as well as the application of state, local, foreign or other tax laws.

Barbados Tax Considerations

An order has been made under the Duties, Taxes and Other Payments (Exemption) Act Cap. 67B that there shall be exempt from the payment of all duties, taxes and imposts, among other things: (i) the securities and the instruments effecting the issue of the New Bonds; and (ii) the interest that becomes payable on any amount outstanding under the New Bonds or any part thereof borrowed by way of the issue of the New Bonds. In addition, the Minister of Finance has given his approval that: (a) the New Bonds are exempt from all taxes and stamp duties; (b) all payments of interest on the New Bonds will be exempt from all taxes; and (c) the excess of the principal amount of any New Bond over its issue price will be treated as interest by the Revenue Commissioner – Barbados Revenue Authority.

United States Taxation

If you are subject to taxation in the United States, you should consult your own tax advisors concerning United States tax considerations. Holders of the New Bonds may contact the Ministry of Finance of Barbados to obtain the issue price, amount of original issue discount and the yield to maturity of the New Bonds for U.S. federal income tax purposes. Contact information may be found on the back cover of this invitation memorandum.

Other Jurisdictions

If you are subject to taxation in any other jurisdiction, you should consult your own tax advisor concerning tax considerations under laws and regulations of such jurisdiction.

JURISDICTIONAL RESTRICTIONS

The distribution of the Invitation Materials is restricted by law in certain jurisdictions. Persons into whose possession the Invitation Material comes are required by Barbados to inform themselves of and to observe any of these restrictions.

The Invitation Materials do not constitute, and may not be used in connection with, an invitation or solicitation by anyone in any jurisdiction in which an offer or solicitation is not authorised or in which the person making an offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make an offer or solicitation. Barbados does not accept any responsibility for any violation by any person of the restrictions applicable in any jurisdiction.

European Economic Area

An offer to the public of any New Bonds which are the subject of the invitation memorandum (the “*Securities*”) may not be made in an EEA Member State, except that an offer to the public may be made at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation.

United States

See jurisdictional restrictions set forth under “Notice to Investors.”

OFFICIAL STATEMENTS

Information in this invitation memorandum whose source is identified as a publication of Barbados or the Central Bank of Barbados or one of their respective agencies or instrumentalities relies on the authority of such publication as a public official document of Barbados. All other information contained in this invitation memorandum is included as an official public statement made on the authority of the Minister of Finance in his official capacity as such.

LEGAL MATTERS

Certain matters of U.S. federal and New York state and English law will be passed upon for Barbados by Cleary Gottlieb Steen & Hamilton LLP, U.S. and English law counsel to Barbados.

Certain matters of Barbados law will be passed upon for Barbados by the Solicitor General to the Government.

As to matters of Barbados law, Cleary Gottlieb Steen & Hamilton LLP may rely on the opinion of the Solicitor General to the Government.

GENERAL INFORMATION

Due Authorisation

On or prior to the Closing Date, the Parliament of Barbados, pursuant to Section 3 of the External Loan Act, will authorise the issuance of and the payments of all amounts due under the New Bonds.

Litigation

Significant legal proceedings against the Government are summarised below.

Barrack Construction Limited v. National Housing Corporation

On 13 August 1998, the National Housing Corporation, a statutory corporation, contracted Barrack Construction Limited (“*Barrack*”) to construct a five story office complex at Warrens, St. Michael. During the construction process, a dispute arose between the parties which caused certain delays in construction and the deduction of liquidated damages by the National Housing Corporation from the contractual construction costs.

The dispute was submitted to arbitration and, in a written decision dated 7 September 2006, the arbitrator found in favour of Barrack. The arbitrator awarded Barrack BDS\$34.5 million, with interest. The arbitrator made a further order in writing dated 28 September 2006 as to costs in which Barrack was awarded BDS\$5.8 million. The Government made an application to the Supreme Court of Barbados to set aside the award of the arbitrator. The High Court of Barbados gave leave to Barrack to enforce the award of the arbitrator, including the award as to costs.

The High Court further ordered on 28 January 2010 that final charging orders be imposed on the Warrens Office Complex in St. Michael and other lands of the National Housing Corporation located in St. Philip. By subsequent proceedings in the High Court, Barrack sought delivery of possession of the properties subject to the charging orders, the sale thereof to satisfy the judgment obligation and payment of reasonable rents for the Government’s occupation of the Warrens Office Complex. The judgment obligation was approximately BDS\$61 million as of 8 February 2010.

Barrack’s damages have been paid in full.

On 7 February 2018, the Master of the High Court ruled that Dr Sir Richard Cheltenham, K.A., Q.C., J.P., attorney-at-law for Barrack, was entitled to interest at the rate of 8% per annum on his costs from the date of the decision to the date of payment. This sum, which remains outstanding to Dr Sir Richard Cheltenham, K.A., Q.C., J.P. has been calculated to be BDS\$6,783,093.00 as of 19 February 2019.

Dr Sir Trevor Carmichael K.A. Q.C. and Mr Douglas Trotman, Attorney-at-Law, who both also made court appearances on behalf of Barrack, are also expected to submit claims to the Crown but these have not yet been received.

Lagan Construction Limited vs. the Barbados Tourism Investment Inc. and the Attorney-General.

Lagan Construction Limited claims that the Barbados Tourism Investment Inc. breached an implied, preliminary or collateral contract that it had entered into with Lagan Construction Limited for a Build Own Lease Transfer (BOLT) project for the Pierhead Marina Bridgetown (the Project)

which was evidenced by documents dated, inter alia, 17 July 2006 and 13 November 2009, from the Barbados Tourism Investment Inc. to Lagan Construction Ltd. As a consequence of the alleged breach of contract Lagan Construction Limited claims to have suffered loss and damage and seeks compensation against the Barbados Tourism Inc. as follows:

- (a) general damages for breach of contract and/or loss of a chance in the sum of U.S.\$28,105,807.00;
- (b) special damages in the sum of U.S.\$346,444.00, representing Lagan Construction Limited's bid and related costs;
- (c) interest pursuant to section 35 (1) of the Supreme Court of Judicature Act, Chapter 117A of the Laws of Barbados;
- (d) costs; and
- (e) such further or other relief as the court may deem just.

Lagan Construction Limited seeks compensation from the Attorney-General also for:

- (a) damages for procuring breach of contract between Lagan Construction Limited and Barbados Tourism Investment Inc.;
- (b) damages for intentionally causing loss to Lagan Construction Limited by unlawful means;
- (c) damages for misfeasance in public office;
- (d) aggravated and/or exemplary damages for misfeasance in public office;
- (e) interest pursuant to section 35 (1) of the Supreme Court of Judicature Act, Cap. 117A of the Laws of Barbados; and
- (f) costs.

Alpha Incorporated vs. The Attorney-General

In September 1994, after public tender, Alpha Incorporated was awarded a contract for the supply, installation, maintenance and operation of parking metres in the Bridgetown area. The tender was awarded subject to the enactment of appropriate or necessary legislation. No action was taken to fulfil the contract until about January 1996 when the relevant Ministry advised the contractor to proceed with the importation of the necessary equipment for the installation and operation of the parking metres. Alpha Incorporated proceeded to procure, though not import, the necessary equipment sometime in 1996. A written agreement for such supply, installation, maintenance and operation of parking metres was entered into between the Government and Alpha Incorporated on 15 September 1996. However, the enabling legislation was never enacted and the parking metres were never installed.

In September 2013, a revised claim in the amount of BDS\$8,685,293.33, was submitted. Negotiations to settle this matter are on-going between the Government and Alpha Incorporated.

Patricia Gibbs et al vs The Attorney General

On the 12 December 2014, an action was filed by ten claimants seeking, inter alia, damages for an undisclosed amount under the Accident Compensation (Reform) Act. This action, which was brought against the Attorney-General and three other defendants, alleges that the negligence of the defendants resulted in the death of five persons when their apartment building at Arch Cot, St. Michael collapsed on the 28 August 2007. The claimants are claiming as alleged dependents of the deceased.

Cornerstone Development Inc. vs. Comptroller of Customs, the Attorney-General

In March 2011, the Comptroller of Customs demanded from Cornerstone Development Inc. payment of BDS\$136,880.40 Value Added Tax for services it had been engaged to perform for a third party. As a result of non-payment, the Comptroller of Customs gave instructions for a freeze order on bank accounts held by Cornerstone Development Inc.

In July 2011, Cornerstone Development Inc. filed a judicial review application challenging the lawfulness of the actions taken by the Comptroller of Customs. In 2017, Cornerstone Development Inc. submitted to the Solicitor General a claim for damages in the amount of BDS\$10 million.

Cage Barbados Inc. vs. Joseph Best Comptroller of Customs et al

Cage Barbados Inc. imports and operates in Barbados Video Lottery Terminals (“VLTs”). The VLTs have been classified by the Comptroller of Customs as “*gaming machines*” for the purposes of the Betting and Gaming Duties Act. As such, the VLTs would be subject to the duties payable in respect of gaming machines under the Betting and Gaming Duties Order, 2008.

In September 2010, Cage Barbados Inc. sought judicial review of the Comptroller of Customs’ decision to deny entry into Barbados of a number of its VLTs and the seizure of a number of its VLTs located in Barbados. In addition, Cage Barbados Inc. has alleged that the imposition of a 20% “*tax*” is ultra vires, null, void and in breach of Cage Barbados Inc.’s legitimate expectations.

The claim submitted by the Cage Barbados Inc. for damages amounts to approximately BDS\$94 million.

Trinidad Cement Limited, Arawak Cement Company Limited vs. the State of Barbados

Trinidad Cement Limited and its subsidiary Arawak Cement Limited are engaged in the business of manufacturing and distributing cement. The cement is distributed in Barbados and other countries in the Caribbean. There is a Common External Tariff (“*CET*”) that is applicable to imports of cement to Barbados from countries outside of CARICOM.

In 2015, Rock Hard Cement Limited began distributing cement in Barbados. On 4 July 2018, Trinidad Cement Company Limited and Arawak Cement Limited filed an originating application with the Caribbean Court of Justice claiming economic loss in the amount of approximately BDS\$36 million and alleging that the type of cement distributed by Rock Hard Cement Limited, which is imported from countries outside of CARICOM, has been improperly classified and that the CET which is being applied is incorrect. In addition, the applicable alleges that the actions taken by the Government authorising an alteration of the CET did not follow the correct procedure. Leave has been given by the Caribbean Court of Justice for Rock Hard Cement

Limited to be joined as an intervenor in the application. Further, Rock Hard Cement Limited has filed its own action at the Caribbean Court of Justice against the Government and CARICOM. Rock Hard Cement Limited has also filed an action in the Barbados High Court against the Government.

St. Philip Land Limited (in Liquidation) vs. the Attorney-General

In 2010, the Government compulsorily acquired land situated at Bushy Park, St. Philip owned by St. Philip Land Limited. In July 2011, St. Philip Land Limited submitted a claim for compensation in the amount of approximately BDS\$53 million. St. Philip Land Limited subsequently filed a claim in 2012 asking the court to determine the amount of compensation to be paid for the compulsory acquisition of its property.

Attorney-General and Fiton Technologies

In 2004, the Government and Fiton Technologies Corp. entered into an agreement for the remediation by Fiton Technologies Corp. of an area of Government land that formerly housed the operation of an oil refinery. The contract price was U.S.\$71.4 million.

When a dispute arose between the parties in respect of payment, Fiton Technologies Corp. gave notice that it wished the matter to go to arbitration and filed an action seeking inter alia an order in respect of the arbitrator to be appointed. The matter has not yet been heard by an arbitrator.

3S Structural Steel Solutions LLC & 3S (Barbados) SRL Vs The Attorney General

The Government and 3S Structural Steel Solutions LLC (“3S LLC”), by Memoranda of Understanding dated 5 September 2005 and 26 July 2006, agreed that 3S (Barbados) SRL (“3S”) would design and carry out certain road works along the ‘ABC Highway’ in Barbados, supply and install a traffic synchronisation system and undertake a traffic study review for the city of Bridgetown.

The plaintiffs, 3S LLC, filed suit in the Supreme Court of Barbados on 22 May 2009, claiming wrongful termination and/or repudiation of the engagement by the Government and claiming damages in the amount of BDS\$35,751,979.01 and interest at 8% per annum. This claim includes payments to subcontractors who have instituted legal proceedings against 3S LLC.

A defence and counterclaim has been filed on behalf of the Attorney General. The Attorney General alleged abandonment and/or repudiation of the contract by the plaintiffs, as well as improperly executed works. The proceedings have reached the interlocutory and document request stage of trial.

**TRANSFER CERTIFICATE
(TRANSPORT BOARD BONDS)**

To: Transport Board (the Corporation as "Issuer")
 Alexandria Trust Corporation *as successor to Courtyard Trustees Ltd.* (the "Trustee")
 RBC Merchant Bank (Caribbean) Limited (the "Registrar")

From: [Name of Transferor] (the "Transferor")
 _____ (the "Transferee")²

Dated: _____, 2019

Subject: US\$11,000,000 Fixed Rate Non-Callable Guaranteed Bonds 2007-2022 issued by the Issuer (the "Bonds")

1. We refer to the Trust Deed dated as of 29 March 2007 between the Issuer and the Trustee (the "Trust Deed") and the invitation memorandum dated 5 November 2019 (the "*Invitation Memorandum*"). Capitalised terms used but not otherwise defined in this Transfer Certificate shall have the same meaning given to them under the Trust Deed.
2. This Transfer Certificate relates to US\$_____ in principal amount of the Bonds that are held and registered in the name of the Transferor (the "Relevant Bonds").
3. This Transfer Certificate constitutes a transfer instrument in writing under Section 32.03 (*Transfer of Bonds*) of the Trust Deed.
4. By virtue of the acceptance of tender of the offer made by the Government of Barbados to exchange certain new instruments for the Relevant Bonds pursuant to and in accordance with the terms of the Invitation Memorandum, the Transferor (being the registered and beneficial holder of the Relevant Bonds) **HEREBY ASSIGNS AND TRANSFERS** the Relevant Bonds to the Transferee and **HEREBY ASSIGNS AND TRANSFERS** to the Transferee of all rights, title and interest in the Relevant Bonds.
5. The Transfer of the Relevant Bonds is made without recourse to the Transferor and without further warranty by the Transferor.
6. The Registrar is hereby directed to record the name of the Transferee as the registered and beneficial holder of the Relevant Bonds as of the date hereof in the Register maintained under the Trust Deed.
7. This Transfer Certificate may be executed in any number of counterparts and this has the same effect as if the signatures on the counterparts were on a single copy of this Transfer Certificate.
8. **THIS TRANSFER CERTIFICATE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF BARBADOS.**

IN WITNESS WHEREOF the Transferor with full authority has executed and delivered this document as a deed effective as of the Transfer Date referenced above.

[Name of Transferor]

SEAL

per: _____
 Name: _____
 Title: _____

per: _____
 Name: _____
 Title: _____

² **Leave the name of the Transferee blank.** If the Relevant Bonds are accepted for exchange by the Government of Barbados, the name of the Transferee will be filled in on the Closing Date and the transfer will become effective on such date. If the Relevant Bonds are not accepted for exchange by the Government of Barbados, this Transfer Certificate will be destroyed.

Agreed and Accepted:

[NAME OF TRANSFEREE] in its capacity as Transferee

SEAL

per: _____
Name: _____
Title: _____

per: _____
Name: _____
Title: _____

ALEXANDRIA TRUST CORPORATION in its capacity as Trustee under the Trust Deed, by execution hereof, hereby acknowledges receipt of this fully executed Transfer Certificate and hereby acknowledges its approval of the form of same in accordance with Section 32.03 (Transfer of Bonds) of the Trust Deed.

per: _____
Name: _____
Title: _____

per: _____
Name: _____
Title: _____

Date of receipt:

RBC MERCHANT BANK (CARIBBEAN) LIMITED in its capacity as Registrar under the Trust Deed by execution hereof hereby acknowledges its receipt of this fully executed Transfer Certificate, confirms that the transfer of the Relevant Bonds registered in the Register as of the date noted above.

SEAL

per: _____
Name: _____
Title: _____

per: _____
Name: _____
Title: _____

Date of receipt:

**ANNEX TO TRANSFER CERTIFICATE (TRANSPORT BOARD BONDS):
ACCOUNT DETAILS**

Part A

Eligible Holders electing to exchange Eligible Claims for New Bonds must complete the table below with the information of the DTC account to which the New Bonds should be credited.

Name of direct participant within DTC:		
Clearing system number of direct participant:		
Contact at direct participant who will be responsible for matching Consideration delivery: Name: E-mail: Telephone (with international dialling code):		
Sub-account number at direct participant (if available):		
Applicable offering exemption (<i>tick one box only</i>):	<input type="checkbox"/> Regulation S	<input type="checkbox"/> Rule 144A

Part B

Eligible Holders electing to exchange Eligible Claims for New Bonds must complete the table below with the information of the account to which the net Transport Board Bonds Cash Consideration should be credited.

Intermediary (if applicable)	
SWIFT Address:	
Account with Institution:	
SWIFT Address:	
Beneficiary Institution Name & SWIFT:	
Account Number:	
Reference:	

**TRANSFER CERTIFICATE
(BAMC BONDS)**

To: Barbados Agricultural Management Co. Ltd. (the Company as "Issuer")
Alexandria Trust Corporation *as successor to Courtyard Trustees Ltd.* (the "Trustee")
RBC Merchant Bank (Caribbean) Limited (the "Registrar")

From: [Name of Transferor] (the "Transferor")
_____ (the "Transferee")³

Dated: _____, 2019

Subject: US\$25,000,000 Fixed Rate Non-Callable Guaranteed Bonds 2007-2022 issued by the Issuer (the "Bonds")

1. We refer to the Trust Deed dated as of April 12, 2007 between the Issuer and the Trustee (the "Trust Deed"). Capitalised terms used but not otherwise defined in this Transfer Certificate shall have the same meaning given to them under the Trust Deed.
2. This Transfer Certificate relates to US\$_____ in principal amount of the Bonds that are held and registered in the name of the Transferor (the "Relevant Bonds").
3. This Transfer Certificate constitutes a transfer instrument in writing under Section 32.03 (*Transfer of Bonds*) of the Trust Deed.
4. By virtue of the acceptance of tender of the offer made by the Government of Barbados to exchange certain new instruments for the Relevant Bonds, the Transferor (being the registered and beneficial holder of the Relevant Bonds) **HEREBY ASSIGNS AND TRANSFERS** the Relevant Bonds to the Transferee and **HEREBY ASSIGNS AND TRANSFERS** to the Transferee of all rights, title and interest in the Relevant Bonds.
5. The Transfer of the Relevant Bonds is made without recourse to the Transferor and without further warranty by the Transferor.
6. The Registrar is hereby directed to record the name of the Transferee as the registered and beneficial holder of the Relevant Bonds as of the date hereof in the Register maintained under the Trust Deed.
7. This Transfer Certificate may be executed in any number of counterparts and this has the same effect as if the signatures on the counterparts were on a single copy of this Transfer Certificate.
8. **THIS TRANSFER CERTIFICATE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF BARBADOS.**

IN WITNESS WHEREOF the Transferor with full authority has executed and delivered this document as a deed effective as of the Transfer Date referenced above.

[Name of Transferor]

SEAL

per: _____
Name: _____
Title: _____

per: _____
Name: _____
Title: _____

³ **Leave the name of the Transferee blank.** If the Relevant Bonds are accepted for exchange by the Government of Barbados, the name of the Transferee will be filled in on the Closing Date and the transfer will become effective on such date. If the Relevant Bonds are not accepted for exchange by the Government of Barbados, this Transfer Certificate will be destroyed.

Agreed and Accepted:

[NAME OF TRANSFEREE] in its capacity as Transferee

SEAL

per: _____
Name: _____
Title: _____

per: _____
Name: _____
Title: _____

ALEXANDRIA TRUST CORPORATION in its capacity as Trustee under the Trust Deed, by execution hereof, hereby acknowledges receipt of this fully executed Transfer Certificate and hereby acknowledges its approval of the form of same in accordance with Section 32.03 (Transfer of Bonds) of the Trust Deed.

per: _____
Name: _____
Title: _____

per: _____
Name: _____
Title: _____

Date of receipt:

RBC MERCHANT BANK (CARIBBEAN) LIMITED in its capacity as Registrar under the Trust Deed by execution hereof hereby acknowledges its receipt of this fully executed Transfer Certificate, confirms that the transfer of the Relevant Bonds registered in the Register as of the date noted above.

SEAL

per: _____
Name: _____
Title: _____

per: _____
Name: _____
Title: _____

Date of receipt:

**ANNEX TO TRANSFER CERTIFICATE (BAMC BONDS):
ACCOUNT DETAILS**

Part A

Eligible Holders electing to exchange Eligible Claims for New Bonds must complete the table below with the information of the DTC account to which the New Bonds should be credited.

Name of direct participant within DTC:		
Clearing system number of direct participant:		
Contact at direct participant who will be responsible for matching Consideration delivery: Name: E-mail: Telephone (with international dialling code):		
Sub-account number at direct participant (if available):		
Applicable offering exemption (<i>tick one box only</i>):	<input type="checkbox"/> Regulation S	<input type="checkbox"/> Rule 144A

Part B

Eligible Holders electing to exchange Eligible Claims for New Bonds must complete the table below with the information of the account to which the net BAMC Bonds Cash Consideration should be credited.

Intermediary (if applicable)	
SWIFT Address:	
Account with Institution:	
SWIFT Address:	
Beneficiary Institution Name & SWIFT:	
Account Number:	
Reference:	

GOVERNMENT OF BARBADOS

The Ministry of Finance
Government Headquarters Bay Street
St. Michael
Barbados

**TRUSTEE, PAYING AGENT, TRANSFER
AGENT AND
REGISTRAR**

The Bank of New York Mellon
240 Greenwich St. – 7E
New York, New York 10286
United States of America

SETTLEMENT FACILITATION AGENT

The Bank of New York Mellon
111 Sanders Creek Parkway
East Syracuse, New York 13057
Attention:
CT_Reorg_Unit_Inquires@bnymellon.com

**EXCHANGE AGENT AND
INFORMATION AGENT**

Lucid Issuer Services Limited

Tankerton Works
12 Argyle Walk
London WC1H 8HA
United Kingdom
Telephone +44 20 7704 0880
Attention: Arlind Bytyqi / Thomas Choquet
Email: barbados@lucid-is.com
Website: www.lucid-is.com/barbados

FINANCIAL ADVISORS TO BARBADOS

White Oak Advisory Ltd

54 Baker Street
London W1U 7BU
United Kingdom

LEGAL ADVISERS TO BARBADOS

AS TO ENGLISH AND U.S. LAW

Cleary Gottlieb Steen & Hamilton LLP

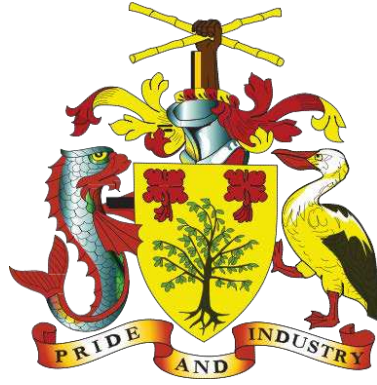
2 London Wall Place,
London
EC2Y 5AU
United Kingdom

LEGAL ADVISERS TO THE TRUSTEE

AS TO ENGLISH LAW

Clifford Chance LLP

10 Upper Bank Street
London
E14 5JJ
United Kingdom



ANNEX C

Definitive Scotia Bond Invitation Memorandum

IMPORTANT NOTICE

THE ATTACHED INVITATION MEMORANDUM DOES NOT CONSTITUTE A PROSPECTUS WITHIN THE MEANING OF EU REGULATION 2017/1129 (THE “PROSPECTUS REGULATION”), AND NO SUCH PROSPECTUS HAS BEEN OR WILL BE PREPARED IN CONNECTION WITH THE INVITATION. THE ATTACHED INVITATION MEMORANDUM HAS NOT BEEN REVIEWED OR APPROVED BY ANY COMPETENT AUTHORITY OF ANY MEMBER STATE OF THE EUROPEAN ECONOMIC AREA.

THE DISTRIBUTION OF THE ATTACHED INVITATION MEMORANDUM IN CERTAIN JURISDICTIONS MAY BE RESTRICTED BY LAW. SEE THE ISSUE AND RESALE RESTRICTIONS. PERSONS INTO WHOSE POSSESSION THE ATTACHED INVITATION MEMORANDUM COMES ARE REQUIRED BY BARBADOS TO INFORM THEMSELVES ABOUT, AND TO OBSERVE, ANY SUCH RESTRICTIONS.

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the attached invitation memorandum, and you are therefore required to read this disclaimer carefully before accessing, reading or making any other use of the attached invitation memorandum. By accessing the attached invitation memorandum, you shall be deemed to agree (in addition to giving the representations below) to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from Barbados or Lucid Issuer Services Limited, as information agent and exchange agent, as a result of such access. Terms used in this notice and defined in the attached invitation memorandum are used herein as so defined.

THIS ELECTRONIC TRANSMISSION DOES NOT CONTAIN OR CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO EXCHANGE, BUY OR SUBSCRIBE FOR SECURITIES TO OR FROM ANY PERSON IN ANY JURISDICTION TO WHOM OR IN WHICH SUCH OFFER OR SOLICITATION IS UNLAWFUL.

THE EXCHANGE OFFER DESCRIBED THEREIN IS DIRECTED, AND NEW BONDS DESCRIBED THEREIN WILL BE ISSUED, ONLY TO HOLDERS OF ELIGIBLE CLAIMS (AS DEFINED IN THE INVITATION MEMORANDUM): (A)(I) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH REGULATION S OR (II) WITHIN THE UNITED STATES IN PRIVATE TRANSACTIONS PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE UNITED STATES SECURITIES ACT OF 1933 (THE “SECURITIES ACT”) THAT ARE QUALIFIED INSTITUTIONAL BUYERS PURSUANT TO RULE 144A UNDER THE SECURITIES ACT; AND (B) “QUALIFIED INVESTORS” AS DEFINED IN THE PROSPECTUS REGULATION IF THEY ARE LOCATED WITHIN A MEMBER STATE OF THE EUROPEAN ECONOMIC AREA (EACH AN “ELIGIBLE HOLDER”), UNLESS BARBADOS IN ANY INSTANCE OTHERWISE AGREES.

THE RECIPIENT MAY NOT FORWARD OR DISTRIBUTE THE ATTACHED INVITATION MEMORANDUM IN WHOLE OR IN PART TO ANY OTHER PERSON OR REPRODUCE THE ATTACHED INVITATION MEMORANDUM IN ANY MANNER WHATSOEVER AND ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE ATTACHED INVITATION MEMORANDUM IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS INSTRUCTION MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

Confirmation of your representation: In order to be eligible to view the attached invitation memorandum or make an investment decision with respect to the invitation by Barbados pursuant to the invitation memorandum to holders of Eligible Claims to (i) offer to exchange their Eligible Claims for the Consideration and/or (ii) consent to Extraordinary Resolutions in respect of their Eligible Claims, where applicable, all as further described in the attached invitation memorandum you must (A) in the case of the Exchange Offer, be an Eligible Holder or (B) in the case of the Consent Solicitation, be able to participate in the Consent Solicitation as a holder of Eligible Claims, and, in each case, otherwise be able to participate lawfully in the Invitation on the terms and subject to the conditions set out in the attached invitation memorandum, including the jurisdictional restrictions set out on page 139 (the “**Jurisdictional**

Restrictions”). The attached invitation memorandum was provided to you at your request, and by accessing the attached invitation memorandum, you shall be deemed to have represented to Barbados that:

- (i) you are a holder or a beneficial owner of Eligible Claims; and
- (ii) you consent to delivery of the attached invitation memorandum by electronic transmission.

The attached invitation memorandum has been provided to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission, and consequently none of Barbados, the sender of the invitation memorandum, nor any person who is an official or a director, officer, employee, agent or affiliate of any such person, accepts any liability or responsibility whatsoever in respect of any difference between the actual invitation memorandum and the version you have.

You are also reminded that the attached invitation memorandum has been provided to you on the basis that you are a person into whose possession the attached invitation memorandum may be lawfully delivered in accordance with (i) the laws of the jurisdiction in which you are located or resident and (ii) the Jurisdictional Restrictions, and you may not, nor are you authorised to, deliver the attached invitation memorandum to any other person.

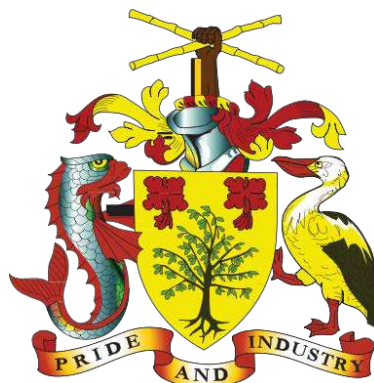
Any materials relating to the Invitation do not constitute, and may not be used in connection with, any form of offer or solicitation in any place where such offers or solicitations are not permitted by law.

The attached invitation memorandum contains important information which should be read carefully before any decision is made with respect to the Invitation. If any holder of Eligible Claims is in any doubt as to the action it should take, such holder of Eligible Claims should seek its own financial advice, including as to any tax consequences, from its stockbroker, bank manager, legal adviser, accountant or other independent financial adviser. Any investor whose Eligible Claims are held on its behalf by a broker, dealer, bank, custodian, trust company or other nominee must contact such entity if it wishes to participate in the Invitation with respect to its Eligible Claims.

Definitive Scotia Bond Invitation Memorandum

The date of this invitation memorandum is 5 November 2019. The exchange offer described herein will expire at 5:00 p.m. (New York City time) on 22 November 2019, unless extended or earlier terminated.

INVITATION MEMORANDUM



**Invitation by
the Government of Barbados
to holders of the Eligible Claims (as defined below) to offer to exchange (such invitation and any
resulting exchange, the “Exchange Offer”)**

Class B Fixed Rate Bonds due 2019 issued by the Government of Barbados
in definitive form (the “*Eligible Claims*”)

for

U.S. Dollar 6.500% Bonds due 2029 (the “*2029 Bonds*”) plus U.S. Dollar 6.500% Bonds due 2021 (the
“*PDI Bonds*” and, together with the 2029 Bonds, the “*New Bonds*”) plus the 2019 Exchange Cash
Consideration (as defined below and, together with the New Bonds, the “*Consideration*”)

Barbados is also soliciting consents from holders of the Eligible Claims (the “*Consent Solicitation*” and, together with the Exchange Offer, the “*Invitation*”) in favour of an extraordinary resolution mandatorily exchanging the Eligible Claims for the relevant Consideration (an “*Extraordinary Resolution*”). In connection with tendering Eligible Claims for exchange, a holder of such Eligible Claims also irrevocably (subject to the termination of the Invitation by Barbados or the rejection of such written proxy by Barbados, all as described further herein) appoints and instructs the Exchange Agent as its proxy to attend any meeting convened in respect of the Eligible Claims and vote in favour of the Extraordinary Resolution relating to such Eligible Claims (the “*Tender and Consent Option*”), as further described under “Terms of the Invitation—The Consent Solicitation.” Holders who do not wish to tender their Eligible Claims or who are not Eligible Holders may vote, or appoint a proxy to vote, on the Extraordinary Resolution pursuant to the Consent Solicitation (the “*Consent Only Option*”), as described herein, or alternatively, pursuant to Schedule 2 of the trust deed relating to the Eligible Claims.

**THE INVITATION TO OFFER TO EXCHANGE ELIGIBLE CLAIMS IS ONLY BEING
DIRECTED TO ELIGIBLE HOLDERS. THE INVITATION TO PARTICIPATE IN THE
CONSENT SOLICITATION IS BEING MADE TO ALL HOLDERS OF ELIGIBLE CLAIMS.**

**Holders should note that, if the exchange the Eligible Claims is approved by an
Extraordinary Resolution passed by the holders the Eligible Claims in accordance with the Terms
and Conditions, then the entirety the Eligible Claims (even those held by non-tendering or**

non-voting holders and inclusive of all accrued but unpaid interest) will be exchanged for the relevant Consideration, pursuant to Schedule 2 of the trust deed relating to the Eligible Claims. In that event, Eligible Claims held by holders who do not participate in the Exchange Offer will be exchanged for New Bonds plus the net 2019 Exchange Cash Consideration. Holders who have not certified their status as an Eligible Holder will receive Substitute Consideration (as defined below) pursuant to the Pending Distribution Arrangement as described herein. If such an exchange is not approved by the requisite holders of the Eligible Claims, Barbados reserves the right, at its sole discretion, to either accept or reject all tenders of the Eligible Claims. See “Risk of Modification of Certain Eligible Claims” in “Risk Factors” below.

The New Bonds will be general, direct, unconditional, unsubordinated and unsecured obligations of Barbados and will rank *pari passu*, without preference among themselves, with all other unsecured External Indebtedness (as defined in “Terms and Conditions of the 2029 Bonds” and “Terms and Conditions of the PDI Bonds”) of Barbados, from time to time outstanding, *provided, however*, that Barbados shall have no obligation to effect equal or rateable payment(s) at any time with respect to any such other External Indebtedness and, in particular, shall have no obligation to pay other External Indebtedness at the same time or as a condition of paying sums due on the New Bonds and vice versa. The New Bonds will be backed by the full faith and credit of Barbados.

The Exchange Offer expires at 5:00 p.m. (New York City time) on 22 November 2019, unless extended by Barbados.

The New Bonds will be issued pursuant to a trust deed (the “*Trust Deed*”) with The Bank of New York Mellon, as trustee for the bondholders (the “*Trustee*”) and will be governed by English law.

An investment in the New Bonds involves a high degree of risk. See “Risk Factors” beginning on page 19 of this invitation memorandum.

The New Bonds have not been, and will not be, registered under the U.S. Securities Act of 1933 (as amended, the “*Securities Act*”) or the securities laws of any other jurisdiction. Unless they are registered, the New Bonds may be offered only in transactions that are exempt from registration under the Securities Act or the securities law of any other jurisdiction. Accordingly, the New Bonds are being offered only to: (i) “qualified institutional buyers” pursuant to Rule 144A under the Securities Act or (ii) persons outside the United States in reliance on Regulation S of the Securities Act that, if located within a member state of the European Economic Area (an “*EEA Member State*”), are “qualified investors” as defined in Regulation (EU) 1129/2017 (the “*Prospectus Regulation*”) (each, an “*Eligible Holder*”). For further details about eligible offerees and resale restrictions, see “Notice to Investors.”

Delivery of the Consideration is expected to be made on 11 December 2019. The New Bonds will be delivered in book-entry form through the facilities of The Depository Trust Company. Barbados intends to apply to admit the New Bonds to listing on the Luxembourg Stock Exchange and to trading on the Euro MTF market.

If the Eligible Claims you hold are held through Euroclear or Clearstream and are not held in the form of Definitive Bonds, please contact the Information Agent for the relevant Invitation Memorandum.

MAP OF BARBADOS

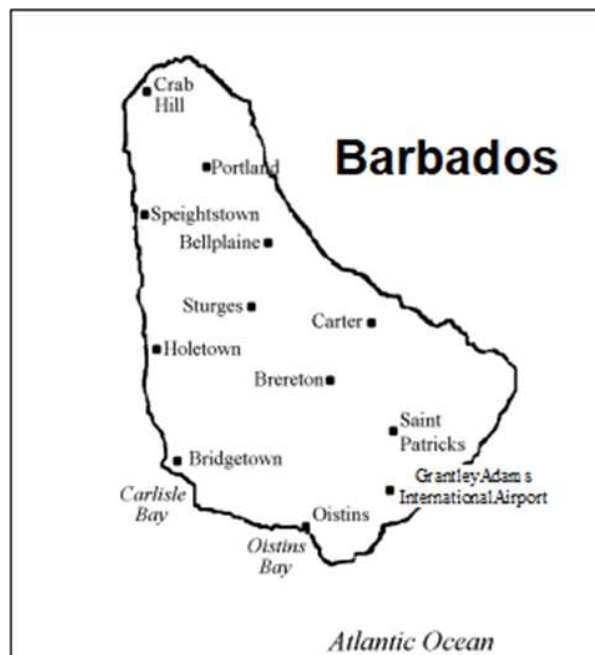
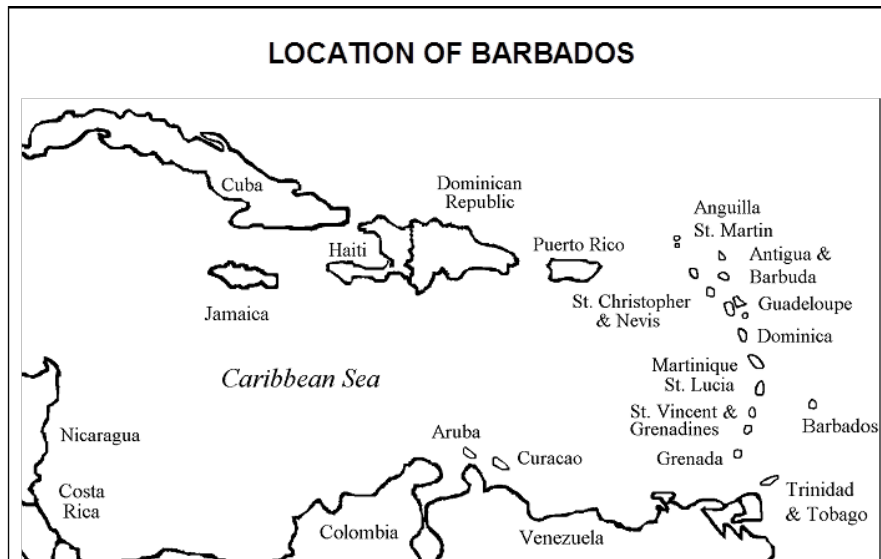


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No dealer, salesperson or other person is authorised to give any information or to represent anything not contained in this invitation memorandum. You must not rely on any unauthorised information or representations. This invitation memorandum is an invitation to exchange only the Eligible Claims for the Consideration as described in this invitation memorandum and only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this invitation memorandum is current only as of this date.

In accordance with normal practice, no agent expresses any opinion as to the merits of the Exchange Offer (which it was not involved in negotiating). It has, however, authorised it to be stated that, on the basis of the information set out in the Invitation Materials, it has no objection to the Extraordinary Resolution referred to above being submitted to the Holders for their consideration. No agent has, however, been involved in formulating the Exchange Offer or the Extraordinary Resolution or any of the documents being entered into to give effect to the Exchange Offer and the Extraordinary Resolution and makes no representation whatsoever in relation to the Exchange Offer or the Extraordinary Resolution or any of the information set out in this invitation memorandum. Accordingly, the agents urge Holders who are in any doubt as to the impact of the implementation of the Extraordinary Resolution or the Exchange Offer to seek their own independent legal and financial advice.

This invitation memorandum, the Proxy Appointment Form (the “*Proxy Appointment Form*”) attached as Exhibit 1 hereto, the form of notice of bondholder meetings (the “*Notice of Bondholder Meetings*”) attached as Exhibit 2 hereto and the form of transfer (the “*Transfer Certificate*”) attached as Exhibit 3 hereto are referred to as the “*Invitation Materials*.” The transactions contemplated by the Invitation Materials are referred to as the “*Invitation*.”

In this invitation memorandum, references to “*we*,” the “*Government*” or “*Barbados*” are to the Government of Barbados. References to the “*Exchange Agent*” are to Lucid Issuer Services Limited, as exchange agent for the Invitation; references to the “*Information Agent*” are to Lucid Issuer Services Limited, as information agent for the Invitation; references to the “*Settlement Facilitation Agent*” are to The Bank of New York Mellon, in its capacity as settlement facilitation agent for the Invitation; and references to the “*Trustee*” are to The Bank of New York Mellon, in its capacity as trustee under the Trust Deed for the New Bonds. References to the “*Agency Agreement*” are to the agency agreement for the New Bonds. References to the “*Old Bonds Trust Deed*” are to the trust deed for the Eligible Claims.

Barbados is furnishing the Invitation Materials to you solely for use in the context of the Invitation. After having made all reasonable inquiries, Barbados confirms that:

- the information contained in this invitation memorandum is true and correct in all material respects and is not misleading in any material respect as of the date of this invitation memorandum;
- it holds the opinions and intentions expressed in this invitation memorandum;
- it has not omitted other material facts, the omission of which makes this invitation memorandum as a whole misleading as of the date of this invitation memorandum; and
- it accepts responsibility for the information it has provided in this invitation memorandum.

Barbados has not authorised the making or provision of any representation or information regarding Barbados or the New Bonds to you other than as contained in this invitation memorandum.

Any such representation or information should not be relied upon as having been authorised by Barbados or any of its instrumentalities. Barbados does not assume responsibility for information other than as provided in this invitation memorandum. Neither the delivery of this invitation memorandum nor any aspect of the Invitation shall, under any circumstances, imply that there has been no change in the condition (financial or other) of Barbados since the date of this invitation memorandum.

You should not consider this invitation memorandum as a recommendation by Barbados that you should participate in the Invitation. In making an investment decision, you must rely on your own examination and evaluation of Barbados and the terms of the Invitation, including the merits and risks involved. You should consult your own advisors as needed to make your investment decision and as to whether you are legally permitted to acquire the New Bonds in the Exchange Offer under applicable legal investment or similar laws or regulations.

The distribution of the Invitation Materials and the offering, sale and delivery of the New Bonds in certain jurisdictions is restricted by law. Barbados requires that you and anyone who receives the Invitation Materials inform themselves about and observe such restrictions. The Invitation Materials do not constitute, and may not be used for or in connection with, an offer to, or solicitation by, anyone in any jurisdiction in which such offer or solicitation would be unlawful. The Invitation is not being made to, and consents and tenders will not be accepted from, owners of Eligible Claims in jurisdictions in which the Invitation or acceptance thereof would constitute a violation of the securities or blue sky laws of that jurisdiction. For more information, see “Jurisdictional Restrictions” in this invitation memorandum.

The New Bonds will be subject to restrictions on resale under applicable law. See “Notice to Investors” in this invitation memorandum. By participating in the Invitation, you will be deemed to have represented and warranted to the effect set forth in, and agreed to, all the provisions contained in that section of this invitation memorandum.

You must comply with all applicable laws and regulations in force in any jurisdiction in which you tender Eligible Claims in exchange for the Consideration or possess or distribute this invitation memorandum. You must obtain any consent, approval or permission you require for the purchase, offer or sale of the New Bonds under the laws and regulations in force in any applicable jurisdiction to which you are subject, or in which you make such purchases, offers or sales. Barbados shall not have any responsibility therefor.

Barbados reserves the right, at its sole discretion, to cancel the Invitation or reject any Transfer Certificate or Proxy Appointment Form, in whole or in part, for any reason.

Tenders of all Eligible Claims may only be made by the means described in the “Tender Procedures” section of this invitation memorandum.

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED STATES

Barbados is making the Exchange Offer in reliance on exemptions from the registration requirements of the Securities Act. These exemptions apply to offers and sales of securities that do not involve a public offering. The New Bonds have not been recommended by any U.S. or non-U.S. securities authorities, and these authorities have not determined that this invitation memorandum is accurate or complete. Any representation to the contrary is a criminal offence.

NOTICE TO PROSPECTIVE INVESTORS IN THE EUROPEAN ECONOMIC AREA

In any EEA Member State, this communication is only addressed to, and is only directed at, qualified investors within the meaning of the Prospectus Regulation.

This invitation memorandum has been prepared on the basis that all offers of the New Bonds in any EEA Member State will be made pursuant to an exemption under the Prospectus Regulation, from the requirement to produce a prospectus for offers of the New Bonds. Accordingly any person making or intending to make any offer within the EEA of the New Bonds which are the subject of the placement contemplated in this invitation memorandum should only do so in circumstances in which no obligation arises for Barbados to produce a prospectus for such offer. Barbados has not authorised, nor does it authorise, the making of any offer of the New Bonds through any financial intermediary or in circumstances in which an obligation arises for Barbados to publish a prospectus for the offer.

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED KINGDOM

This communication is only being distributed to and is only directed at (i) persons who are outside the United Kingdom or (ii) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “*Order*”) or (iii) high net worth companies, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as “*relevant persons*”). The New Bonds are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire the New Bonds will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

PRESENTATION OF CERTAIN INFORMATION

Economic and financial data and statistical information included in this invitation memorandum are based on the latest official data and information available at the date hereof. Economic and financial data and statistical information provided in this invitation memorandum may be subsequently revised in accordance with the ongoing maintenance by Barbados of such data and information, and Barbados is not obligated to distribute such revised data and information to any investor. Economic and financial data and statistical information for 2016, 2017 and 2018 may, in particular, be subject to revision. In addition, some economic and financial data and statistical information for 2019 presented herein are estimates based on the latest available data.

Unless indicated to the contrary, estimates in this invitation memorandum are estimates of the Central Bank of Barbados (the “*Central Bank*”) or the Ministry of Finance of Barbados (the “*Ministry of Finance*”). Barbados operates on a fiscal year beginning 1 April and ending 31 March. References to a year (e.g., “2018”) refer to the relevant calendar year ended 31 December, and references to a fiscal year or FY (e.g., “FY 2017/18”) refer to Barbados’ fiscal year ending 31 March.

References to the “*Government*” exclude the state-owned enterprises (“*SOEs*”) of Barbados. See “The Economy—State-Owned Enterprises.”

Unless otherwise indicated, all information in this invitation memorandum is given as of the date of this invitation memorandum or as of the most recently available date.

Gross domestic product, which we refer to in this invitation memorandum as “*GDP*,” is a measure of the total value of final products and services produced in a country in a specific year. Nominal GDP measures the total value of final production in current prices. Real GDP measures the total value of final production in constant prices of a particular year, thus allowing historical GDP comparisons that exclude the effects of inflation. Under the 1993 System of National Accounts, GDP figures may be calculated at nominal market prices or constant market prices of a particular year. Unless otherwise indicated, all GDP figures in this invitation memorandum are presented at real market prices based upon constant 2010 prices and ratios of debt, balance of payment indicators and fiscal performance indicators to GDP are computed using nominal GDP figures. Nominal GDP at market prices was U.S.\$5,086.7 million in 2018 as compared to U.S.\$4,978.2 million in 2017. The ratio of Government debt, excluding operational arrears, to GDP is referred to as the “*debt to GDP ratio*.”

In this invitation memorandum, GDP per capita is calculated at basic prices, which is nominal GDP at market prices less net taxes on products plus financial intermediary services indirectly measured, divided by the median population.

In this invitation memorandum, all references to “*BDS\$*” and “*Barbados dollars*” are to the lawful currency of Barbados; all references to “*U.S. dollars*” and “*U.S.\$*” are to the lawful currency of the United States of America; and all references to “*Euro*” and “*€*” are to the lawful currency of participating member states of the European Union that have the euro as their lawful currency in accordance with the legislation of the European Union relating to Economic and Monetary Union. Barbados publishes external economy information, such as external debt and goods and services exported, in U.S. dollars. All international currencies, such as external debt denominated in Euro, are translated into U.S. dollars. Barbados publishes domestic economy information in Barbados dollars. The Barbados dollar currently is fixed to the U.S. dollar at an exchange rate of BDS\$2.00 to U.S.\$1.00 and, solely for the convenience of the reader, Barbados dollar figures are translated into U.S. dollars at such rate in this invitation memorandum. This translation should not be construed as a representation that any such amounts have been, would have been or could be converted at this or any other exchange rate.

The inflation rate provides an aggregate measure of the rate of change in the prices of goods and services in the economy. Barbados measures the inflation rate by the per cent. change between two periods in the index of retail prices, which we refer to in this invitation memorandum as the “*IRP*,” unless otherwise specified. The *IRP* is based on a basket of goods and services identified by the Barbados Statistical Service that reflects the pattern of consumption of the majority of Barbados households. The price for each good and service that makes up the basket is weighted according to its relative importance in order to calculate the *IRP*. The annual average per cent. change in the *IRP* is calculated by comparing the average of the aggregate 12 months indices of a given year against the average of the aggregate 12 months indices for the immediately preceding calendar year.

Barbados participates in the International Monetary Fund’s (the “*IMF*”) General Data Dissemination System (the “*GDDS*”) which provides a framework for Barbados to enhance its statistical capacity, especially for macroeconomic statistics. It also provides for comprehensive information on Barbados’ statistical production and dissemination practises to be posted on the *IMF*’s Dissemination Standards Bulletin Board. The *GDDS* framework also includes precise guidelines for countries to use when publishing reserves data.

GOVERNING LAW AND ENFORCEMENT OF CLAIMS

Barbados is a foreign sovereign state. Consequently, it may be difficult for you to obtain or enforce judgments of courts in the United States, England or elsewhere against Barbados.

The New Bonds and the Trust Deed will be governed by and construed in accordance with English law.

In the Trust Deed and the New Bonds, Barbados will irrevocably submit to the non-exclusive jurisdiction of any federal court in the Southern District of New York or any state court in the Borough of Manhattan, the City of New York, any court of England and any competent court in Barbados over any suit, action or proceeding against Barbados or its properties, assets or revenues with respect to the New Bonds or the Trust Deed.

Barbados will waive, to the fullest extent permitted under applicable law, any objection to any action arising out of or in connection with the New Bonds or the Trust Deed in such courts whether on the grounds of venue, residence or domicile or on the ground that the proceedings have been brought in an inconvenient forum.

Except as provided below, in respect of any action arising out of or in connection with the New Bonds, Barbados will irrevocably waive and agree, to the fullest extent permitted by applicable law, not to plead any immunity (sovereign or otherwise): (A) from the jurisdiction of the courts of England; and (B) from attachment or execution of its assets or property in the courts of England save in respect of: (i) assets and property located in Barbados; (ii) premises and property of Barbados' diplomatic and consular missions; (iii) assets and property of Barbados outside Barbados and not used for a commercial purpose; (iv) assets, property and reserves of the Central Bank of Barbados; (v) assets and property of a military character or under the control of a military authority or defence agency of Barbados; or (vi) assets and property forming part of the cultural heritage of Barbados.

In respect of any action arising out of or in connection with the New Bonds Barbados will irrevocably waive and agree, to the fullest extent permitted by applicable law, not to plead any immunity (sovereign or otherwise): (A) from the jurisdiction of any federal court in the Southern District of New York or any state court in the Borough of Manhattan, The City of New York; and (B) from any action or proceedings to enforce judgment against: (i) reserves of the Central Bank of Barbados; (ii) property located in Barbados; (iii) property located in or outside Barbados that provides an essential public service; (iv) property of Barbados, its government agencies or other governmental entities relating to the performance of the budget; (v) property entitled to privileges and immunities of the Vienna Convention on Diplomatic Relations of 1961 and the Vienna Convention on Consular Relations of 1963; (vi) property of a diplomatic, governmental or consular mission of Barbados; (vii) taxes, duties, levies, assessments, royalties or any other governmental charges imposed by Barbados; (viii) property of a military character or under the control of a military authority or defence agency of Barbados; (ix) property forming part of the cultural heritage of Barbados; or (x) assets and property of Barbados outside Barbados not used for a commercial purpose. Without limiting the generality of the foregoing, Barbados will agree that such waivers shall have the fullest scope permitted under the U.S. Foreign Sovereign Immunities Act of 1976, except as provided below. Barbados reserves the right to plead sovereign immunity under any applicable law, including, without limitation, the U.S. Foreign Sovereign Immunities Act of 1976, with respect to actions brought against it under U.S. federal securities laws or any state securities laws. In the absence of a waiver of sovereign immunity by Barbados in such a securities law-based action, it would not be possible to obtain a U.S. judgment in such an action unless a court were to determine that Barbados is not entitled to sovereign immunity under the U.S. Foreign Sovereign Immunities Act of 1976 with respect to such action.

A final and conclusive judgment against Barbados for the payment of a definite sum of money rendered by a federal court in the Southern District of New York or a state court in the Borough of Manhattan, the City of New York will not be enforceable in Barbados unless an action is brought in the High Court of Barbados to register such judgment. The High Court of Barbados will recognise and enforce a final and conclusive judgment of the federal court in the Southern District of New York or a state court in the Borough of Manhattan, the City of New York under common law principles, provided that: (A) in the case of a judgment in personam: (i) the original court was a court of competent jurisdiction according to the rules of conflict of laws; (ii) the judgment was not obtained by fraud; (iii) the recognition or enforcement of the judgment would not be contrary to the public policy of Barbados; (iv) the judgment was not obtained in proceedings which were contrary to natural justice; (v) the judgement is for a definite sum of money (other than a sum payable in respect of taxes or penalties); (vi) it is final, conclusive and determines the rights and liabilities of the parties to judgment so as to be *res judicata* where pronounced; and (vii) such judgment has not been satisfied; (B) in the case of a judgment in rem relating to movables, that the movables were located in the country of the original court at the time of the proceedings; and (C) in the case of a judgment in rem relating to immovable property, that the immovable property was located in the country of the original court at the time of the proceedings.

A final judgment against Barbados for the payment of a definite sum of money rendered by a court in the United Kingdom will not be enforceable in Barbados unless registered in the High Court of Barbados in accordance with the provisions of the Foreign and Commonwealth Judgments (Reciprocal Enforcement) Act, Cap. 201 (the “*FCJA*”). No judgment shall be ordered to be registered by the High Court of Barbados pursuant to the *FCJA* where it determines that: (a) the original court acted without jurisdiction; (b) the defendant/judgment debtor, being a person who was neither carrying on business nor ordinarily resident within the jurisdiction of the English court, did not voluntarily appear or otherwise submit or agree to submit to the jurisdiction of that court; (c) the judgment debtor, being the defendant in the proceedings, was not duly served with the process of the English court and did not appear, notwithstanding that he or she was ordinarily resident or was carrying on business within the jurisdiction of that court or agreed to submit to the jurisdiction of that court; (d) the judgment was obtained by fraud; (e) the judgment debtor satisfies the Barbadian court either that an appeal is pending or that he or she is entitled to and intends to appeal, against the judgment; or (f) the judgment was in respect of a cause of action which, for reasons of public policy or for some other similar reason, could not have been entertained by the High Court of Barbados.

The High Court of Barbados shall not order the registration of a judgment or may set aside a judgement rendered by a court in the United Kingdom where the provisions of the *FCJA* are not satisfied.

The registration of a judgment may be set aside if it is determined by the High Court of Barbados that the matter in dispute in the proceedings in the original court had, prior to the date of the judgment in the original court, been the subject of a final and conclusive judgment by a court having jurisdiction of the matter.

FORWARD-LOOKING STATEMENTS

This invitation memorandum includes forward-looking statements that reflect Barbados' current views with respect to future events. The words "*expects*," "*intends*," "*anticipates*," "*believes*," "*projects*," "*estimates*" and similar expressions identify forward-looking statements. These forward-looking statements are based upon estimates and assumptions made by Barbados or its officials that, although believed to be reasonable, are subject to certain known and unknown risks and uncertainties. These risks and uncertainties include, among others, the following:

- political, economic and other conditions in Barbados and globally;
- actual rates of growth, if any, for GDP and other economic indicators of Barbados in any relevant year or other period;
- the financial condition of Barbados;
- Barbados' ability to increase Government revenues or reduce expenditures;
- changes in interest rates or exchange rates;
- a reduction in the foreign currency reserves of Barbados;
- legislative, regulatory or administrative initiatives affecting businesses, financial institutions and foreign investment in Barbados;
- the financial condition and liquidity of banks and other financial institutions in Barbados;
- climatic or geological occurrences;
- declines in tourism;
- trade and tariff policies of Barbados' trading partners;
- receipt of bilateral and multilateral donor financing;
- Barbados' ability to execute its comprehensive debt management strategy;
- prevailing conditions in domestic international and multilateral lending markets and domestic and international capital markets, which may affect Barbados' ability to finance budgetary requirements and to refinance outstanding debt and other obligations; and
- other factors identified in this invitation memorandum.

All forward-looking statements contained in this invitation memorandum are qualified in their entirety by such factors. You are cautioned not to place undue reliance on these forward-looking statements. Barbados disclaims any obligation or undertaking to update publicly or to revise any forward-looking statement contained in this invitation memorandum, whether as a result of new information, future events or otherwise. Future circumstances could cause actual results to differ materially from historical results or those anticipated.

SUMMARY

This summary highlights information contained in this invitation memorandum and may not contain all of the information that may be important to you. You should read this summary along with the more detailed information elsewhere in this invitation memorandum.

The following selected economic indicators of Barbados do not purport to be complete and are qualified in their entirety by, and are subject to, the detailed information appearing elsewhere in this invitation memorandum.

Table No. 1
Selected Economic Information

	Year ended 31 December ⁽¹⁾				
	2014	2015	2016	2017	2018
<i>(In millions of U.S. dollars, except as otherwise indicated)</i>					
Real Sector					
Nominal GDP at market prices.....	4,696.3	4,715.0	4,830.0	4,978.15	5,086.7
GDP per capita at basic prices.....	14,696.8	14,824.7	15,029.6	15,390.2	15,687.2
Real GDP increase (decrease) (%) ...	(0.0)	2.4	2.6	0.6	(0.4)
Unemployment rate (%)	12.3	11.3	9.7	10.0	10.1
Consumer inflation (%)	1.8	(1.1)	1.5	4.5	3.7
Balance of Payments					
Merchandise trade balance	(857.6)	(737.3)	(707.5)	(717.0)	(734.0)
Merchandise exports	794.0	799.9	833.0	803.1	764.9
Merchandise imports	1,652.2	1,537.2	1,540.5	1,520.2	1,498.9
Services balance	639.2	659.1	754.1	787.1	842.0
Exports of services	1,101.7	1,153.5	1,248.8	1,295.7	1,362.8
Imports of services	462.5	494.4	494.6	507.0	520.8
Current account	(430.3)	(289.2)	(207.3)	(190.5)	(172.2)
Current account (% of nominal GDP)	(9.2)	(6.0)	(4.2)	(3.9)	(3.4)
Capital account (% of nominal GDP)	(0.2)	(0.2)	(0.1)	(0.0)	0.5
Overall balance.....	(49.4)	(32.3)	(119.0)	(114.3)	293.8
Government⁽²⁾					
Fiscal balance (% of nominal GDP) ..	(8.0)	(8.2)	(5.5)	(4.6)	0.3
Revenue	1,141.8	1,194.1	1,279.9	1,371.9	1,011
Expenditure	1,634.1	1,546.0	1,651.0	1,627.9	995.3
Foreign financing (% of nominal GDP)	0.1	0.3	(1.7)	(1.8)	3.5
Domestic financing (% of nominal GDP)	7.4	8.9	7.1	6.1	(3.8)
Government Debt					
<i>External⁽³⁾</i>					
External debt	1,440.1	1,428.4	1,427.0	1,400.9	1,546.6
External debt (% of nominal GDP) ..	30.7	30.2	29.5	28.1	31.0

	Year ended 31 December ⁽¹⁾				
	2014	2015	2016	2017	2018
<i>(In millions of U.S. dollars, except as otherwise indicated)</i>					
<i>Domestic</i> ⁽³⁾					
Domestic debt.....	4,251.9	4,640.2	5,216.3	5,375.4	4,623.6
Domestic debt (% of nominal GDP)	90.5	98.2	107.8	107.7	90.1
Debt service payments	623.8	739.1	796.8	783.7	492.0
Amortisation.....	300.5	401.1	434.7	405.1	258.9
Interest.....	323.4	338.1	362.1	378.6	233.1
External Liquidity (Monetary Authorities)					
Net International Reserves (NIR)	430.9	410.7	287.5	167.4	416.3
Gross International reserves (GIR) ..	471.3	439.0	319.9	205.7	499.6
Gross International Reserves (in weeks of goods and services)	11.6	11.2	8.2	5.3	12.9
Tourism					
Long stay arrivals (thousands)	519.6	591.9	631.5	661.2	678.5
Cruise ship arrivals (thousands)	557.9	586.6	594.1	681.2	615.0
Hotel occupancy room rate (%).....	n.a.	68.6	68.4	67.9	66.2
Tourist spending.....	886.8	927.8	1,020.0	1,061.1	1,157.8

(1) Information is presented on a calendar year basis, other than Government information.

(2) Government information is presented on a fiscal year basis (starting 1 April in the year of the relevant column and ending 31 March in the subsequent year).

(3) Excludes arrears and includes Central Government direct debt.

Source: Central Bank of Barbados

THE INVITATION

This summary highlights information contained in this invitation memorandum and may not contain all of the information that may be important to you. You should read this summary along with the more detailed description of the New Bonds in “Terms and Conditions of the 2029 Bonds” and “Terms and Conditions of the PDI Bonds.”

Issuer.....	Government of Barbados
The Invitation.....	<p>The Invitation is comprised of the Exchange Offer and the Consent Solicitation. The invitation to participate in the Consent Solicitation is being made to all holders of Eligible Claims. The invitation to participate in the Exchange Offer is only being directed to Eligible Holders.</p> <p>The Exchange Offer expires at 5:00 p.m. (New York City time) on 22 November 2019, unless extended by Barbados at its sole discretion. We refer to the date on which the Exchange Offer expires as the “<i>Exchange Offer Expiration Date</i>.”</p> <p>All proxies must be delivered pursuant to the Consent Only Option by 5:00 p.m. (New York City time) on 25 November 2019, unless extended by Barbados at its sole discretion. We refer to the date by which proxies must be delivered pursuant to the Consent Only Option as the “<i>Voting Deadline</i>.”</p> <p>See “Expected Timetable of Events.”</p>
The Exchange Offer.....	<p>Barbados is inviting Eligible Holders to offer to exchange their Eligible Claims for the Consideration on the terms and subject to the conditions set forth in this invitation memorandum.</p> <p>The expected settlement date is 11 December 2019. We refer to the date on which the Consideration will be delivered in exchange for tendered Eligible Claims as the “<i>Closing Date</i>.”</p> <p>Issuance of the New Bonds has been or will be authorised by a resolution of the Parliament of Barbados pursuant to Section 3 of the External Loan Act Cap. 94D (the “<i>External Loan Act</i>”).</p>
Consideration to be Received for Eligible Claims Tendered	<p>If you are an Eligible Holder, you may offer to exchange your Eligible Claims in the Exchange Offer inclusive of all accrued but unpaid interest thereon for the consideration described below:</p> <ul style="list-style-type: none"> • for each U.S.\$10,000.00 principal amount of the Eligible Claims: (i) net 2019 Exchange Cash Consideration of U.S.\$71.911; (ii) U.S.\$7,747.60 principal amount of 2029 Bonds; and (iii) U.S.\$474.54 principal amount of PDI Bonds. <p>We refer to the cash consideration amounts to be received in exchange for accepted tenders of Eligible Claims as the “<i>2019 Exchange Cash Consideration</i>”.</p>

Interest on the New Bonds will commence accruing on 1 October 2019. Participating creditors in the Invitation and the Parallel Exchanges will authorise and instruct the Settlement Facilitation Agent to make the relevant pro rata deduction from the gross 2019 Exchange Cash Consideration and the relevant gross cash consideration under the Parallel Exchanges (as defined below), as the case may be, to which the relevant creditors may be eligible to pay the costs and expenses of the external creditors committee in an aggregate amount equal to U.S.\$2,575,000. The net 2019 Exchange Cash Consideration referred to above includes a deduction of a pro rata amount to pay the costs and expenses of the external creditors committee in an aggregate amount equal to U.S.\$2,575,000.

See “Terms of the Invitation—Consideration to Be Received for Eligible Claims Tendered.”

The Consent Solicitation.....

Barbados is also soliciting consents from holders of the Eligible Claims in favour of an “Extraordinary Resolution” to sanction an exchange of all the bonds for the relevant Consideration.

Holders who do not wish to tender their Eligible Claims or who are not Eligible Holders may appoint a proxy to vote on the Extraordinary Resolution pursuant to the Consent Solicitation or, alternatively, pursuant to Schedule 2 of the trust deed relating to the Eligible Claims.

If the Extraordinary Resolution is approved with respect to the Eligible Claims, Eligible Claims held by holders who do not participate in the Exchange Offer will be exchanged for the New Bonds plus the net 2019 Exchange Cash Consideration and holders of Eligible Claims who have not certified their status as an Eligible Holder will receive Substitute Consideration instead of New Bonds pursuant to the Pending Distribution Arrangement. See “Tender Procedures—Pending Distribution Arrangement.”

Tendering Eligible Claims

A description of the procedures for executing and delivering a Transfer Certificate can be found in “Tender Procedures” in this invitation memorandum.

Delivering Proxies via a Proxy Appointment Form.....

In connection with tenders of Eligible Claims for exchange, a holder must also deliver a duly completed and executed Proxy Appointment Form to the Exchange Agent irrevocably (subject to the termination of the Invitation by Barbados or the rejection of such Proxy Appointment Form by Barbados, all as described further herein) appointing and instructing the Exchange Agent as its proxy to attend any meeting convened in respect of the Eligible Claims and vote in favour of the Extraordinary Resolution relating to such Eligible Claims.

Holders who do not wish to tender their Eligible Claims or who are not Eligible Holders may appoint a proxy to consent to and vote in favour of, reject and vote against or abstain from voting on the relevant Extraordinary Resolution by submitting a duly completed and executed Proxy Appointment Form to the Exchange Agent prior to the Voting Deadline.

A description of the procedures for submitting Proxy Appointment Form can be found in “Tender Procedures” in this invitation memorandum.

Jurisdictional Restrictions on the Invitation.....

Barbados is making the Invitation only in jurisdictions where and to the extent it is legal to make the Invitation. See “Jurisdictional Restrictions.”

Without limiting the generality of the preceding paragraph, only Eligible Holders may participate in the Exchange Offer. All holders of Eligible Claims may participate in the Consent Solicitation subject to the terms described herein.

Exchange Agent.....

Lucid Issuer Services Limited

Information Agent

Lucid Issuer Services Limited

Settlement Facilitation Agent

The Bank of New York Mellon

Risk Factors

An investment in the New Bonds involves a high degree of risk. Before deciding to tender your Eligible Claims in exchange for the relevant Consideration, you should read carefully all of the information contained in this invitation memorandum, including, in particular, “Risk Factors” beginning on page 19 of this invitation memorandum.

Further Information

Any questions or requests for assistance concerning the Invitation may be directed to the Information Agent at their telephone number on the back cover page of this invitation memorandum.

THE NEW BONDS

New Issue	Eligible Claims held by Eligible Holders may be tendered for exchange for the relevant Consideration on the terms set out in this invitation memorandum. If the exchange of the Eligible Claims is approved by an “Extraordinary Resolution” passed by the holders of the Eligible Claims, then the entirety of the Eligible Claims will be exchanged for the relevant Consideration.
Currency	The New Bonds will be denominated for purposes of both interest (if any) and principal in U.S. dollars.
Interest Rate	For the 2029 Bonds: 6.500% per annum from 1 October 2019 to but excluding 1 October 2029. For the PDI Bonds: 6.500% per annum from 1 October 2019 to but excluding 1 February 2021.
Interest Payment Dates	For the 2029 Bonds: Each 1 April and 1 October, commencing on 1 April 2020 For the PDI Bonds: 1 October 2020 and 1 February 2021.
Final Maturity Date.....	For the 2029 Bonds: 1 October 2029 For the PDI Bonds: 1 February 2021
Amortisations.....	For the 2029 Bonds: Barbados shall, to the extent not previously redeemed, purchased or cancelled, redeem the 2029 Bonds such that the aggregate principal amount of 2029 Bonds (when expressed as a percentage of the outstanding principal amount of the 2029 Bonds as of 1 January 2025) is equal to or less than the following amounts on the indicated dates:

<u>Principal Payment Date</u>	<u>Percentage of Relevant Principal Amount</u>
1 April 2025:	90.00%
1 October 2025:	80.00%
1 April 2026:	70.00%
1 October 2026:	60.00%
1 April 2027:	50.00%
1 October 2027:	40.00%
1 April 2028:	30.00%
1 October 2028:	20.00%
1 April 2029:	10.00%
1 October 2029:	0.00%

See “Terms and Conditions of the 2029 Bonds—Redemption and

	<p>Purchase of Bonds.”</p> <p>For the PDI Bonds: Barbados shall, to the extent not previously redeemed, purchased or cancelled, redeem the PDI Bonds in two instalments of U.S.\$30,000,000 on 1 October 2020 and U.S.\$2,500,000 on 1 February 2021.</p>
Open Market Repurchase.....	<p>Barbados may at any time acquire the New Bonds at any price in the open market or otherwise. See “Terms and Conditions of the 2029 Bonds—Redemption and Purchase of Bonds” and “Terms and Conditions of the PDI Bonds—Redemption and Purchase of Bonds.”</p>
Optional Redemption.....	<p>For the 2029 Bonds: Not applicable.</p> <p>For the PDI Bonds: Barbados may at any time on one or more occasions redeem the PDI Bonds. See “Terms and Conditions of the PDI Bonds—Redemption and Purchase of Bonds.”</p>
Principal Reinstatement	<p>For the 2029 Bonds, if any amount of principal or interest falling due under the 2029 Bonds on or prior to Cut-Off Date (as defined in the Terms and Conditions of the 2029 Bonds) is not paid on the scheduled due date, and such default is not cured by the date falling 30 days after the expiration of the grace period for such payment, Barbados will issue new 2029 Bonds to holders of 2029 Bonds on a <i>pro rata</i> basis which represent 33.33% of the outstanding principal amount of the 2029 Bonds as of the date of the original issuance of the 2029 Bonds. See “Terms and Conditions of the 2029 Bonds—Payments—Principal Reinstatement”.</p> <p>For the PDI Bonds: Not applicable.</p>
Most Favoured Creditor.....	<p>For the 2029 Bonds: Barbados shall not enter into any arrangement to pay or to settle any Specified Indebtedness (as defined in the Terms and Conditions of the 2029 Bonds) issued on or prior to 1 January 2019 (unless such payment is made in compliance with and in accordance with the terms of a final, non-appealable court order or arbitral award) on terms more favourable to the holders thereof (in a net present value sense, where present value is calculated using a constant 12% discount rate) than the terms offered in this invitation memorandum to holders of Eligible Claims or the invitation memoranda dated on or about the date of this invitation memorandum in respect of the Parallel Exchanges, without simultaneously making those more favourable terms available to each Holder.</p> <p>For the PDI Bonds: Not applicable.</p>
Modifications	<p>The New Bonds will contain provisions regarding future modifications to their terms, under which Barbados may amend the payment provisions of each series of New Bonds and other reserved matters listed in the Trust Deed with the consent of the holders of: (1) with respect to a single series of bonds, more than 75% of the aggregate principal amount of the outstanding bonds of</p>

such series; (2) with respect to two or more series of bonds, if certain “uniformly applicable” requirements are met, more than 75% of the aggregate principal amount of the outstanding bonds of all series affected by the proposed modification, taken in the aggregate; or (3) with respect to two or more series of bonds, more than 66 ²/₃% of the aggregate principal amount of the outstanding bonds of all series affected by the proposed modification, taken in the aggregate, and more than 50% of the aggregate principal amount of the outstanding bonds of each series affected by the proposed modification, taken individually.

These provisions are described in “Terms and Conditions of the 2029 Bonds—Meetings and Modifications” and “Terms and Conditions of the PDI Bonds—Meetings and Modifications.”

Ranking.....	The New Bonds will be general, direct, unconditional, unsubordinated and unsecured obligations of Barbados. The New Bonds of each series will rank <i>pari passu</i> , without preference among themselves, with all other unsecured External Indebtedness (as defined in the Terms and Conditions of the New Bonds) of Barbados, from time to time outstanding, <i>provided, however</i> , that Barbados shall have no obligation to effect equal or rateable payment(s) at any time with respect to any such other External Indebtedness and, in particular, shall have no obligation to pay other External Indebtedness at the same time or as a condition of paying sums due on the New Bonds and vice versa.
Further Issuances	Barbados may, without the consent of the holders, create and issue further debt securities having the same terms and conditions as the 2029 Bonds and/or PDI Bonds (including as to their modification) so long as the additional debt securities are consolidated and form a single series with such series of New Bonds, provided that such additional Bonds do not have, for purposes of U.S. federal income taxation (regardless of whether any holders of such notes are subject to U.S. federal laws), a greater amount of original issue discount than the Bonds have as of the date of issuance of such additional Bonds.
Constitutive Document	The New Bonds will be issued under a Trust Deed.
Withholding Tax.....	Barbados will make all payments on the New Bonds without withholding or deducting any Barbadian taxes, unless required by law. If Barbadian law requires Barbados to withhold or deduct taxes, Barbados will pay holders of New Bonds, subject to certain exceptions, additional amounts to provide the equivalent of full payment to the holders. See “Terms and Conditions of the 2029 Bonds—Taxation” and “Terms and Conditions of the PDI Bonds—Taxation.”
Negative Pledge Covenant.....	Barbados may not create or permit to exist any security interest (with the exception of certain permitted security interests) on its properties, assets or revenues to secure Public External Indebtedness (as defined in the Terms and Conditions of the New Bonds) unless Barbados also causes such security interest to

	secure equally and rateably the obligations of Barbados with respect to each series of New Bonds.
Natural Disaster Clause	<p>For the 2029 Bonds, following the occurrence of certain events under Barbados’ insurance contract with CCRIF SPC before 1 October 2027, Barbados may elect to defer payments on the 2029 Bonds. Holders of at least 50 per cent. in aggregate principal amount of the 2029 Bonds then Outstanding may direct the Trustee to block such deferral. These provisions are described in “Terms and Conditions of the 2029 Bonds—Natural Disaster Clause.”</p> <p>For the PDI Bonds: Not applicable.</p>
Creditors Committee.....	<p>For the 2029 Bonds: Holders of at least 25 per cent. of the aggregate principal amount of the outstanding 2029 Bonds may under certain circumstances appoint a committee to represent such holders. See “Terms and Conditions of the 2029 Bonds—Holders’ Committee”.</p> <p>For the PDI Bonds: Not applicable.</p>
Events of Default; Acceleration.....	<p>The following events, as described in more detail in the Trust Deed, among others, shall be Events of Default:</p> <ul style="list-style-type: none"> • Failure to pay any amount of principal or interest (if any) in respect of such series of New Bonds (with a 30-day grace period); • Failure by Barbados to observe or perform any of its other obligations provided in the Trust Deed, the Agency Agreement or the Conditions in respect of such series of New Bonds (with a 60-day grace period); • Cross-acceleration, failure by Barbados to pay any amount of principal or interest or failure by Barbados to pay any amount payable by it under a guarantee in respect of an aggregate principal amount of at least U.S.\$20,000,000 (or its equivalent in any other currency or currencies) of Relevant External Indebtedness; • Moratorium or suspension of payments in respect of an aggregate principal amount of at least U.S.\$20,000,000 (or its equivalent in any other currency or currencies) of Relevant External Indebtedness; • Any writ, execution, attachment or similar process against the assets of Barbados in connection with any judgment for the payment of Indebtedness after the Issue Date in excess of U.S.\$25,000,000 (or its equivalent in other currencies) which remains unsatisfied, undischarged and in effect for 60 days, unless contested;

	<ul style="list-style-type: none"> • Invalidity of such series of New Bonds or the Trust Deed; or • Failure to maintain membership in, or be eligible to use the resources of, the IMF (with a 30-day grace period).
Enforcement.....	Following the occurrence of an Event of Default, the power to enforce the relevant series of New Bonds shall reside with the Trustee under the Trust Deed, unless the Trustee, having become bound so to proceed under the Trust Deed, fails to do so within 60 days and the failure is continuing.
Governing Law	The New Bonds and the Trust Deed will be governed by English law. Barbados will submit to the non-exclusive jurisdiction of U.S. federal and New York State courts in the Borough of Manhattan, The City of New York, any court of England and any competent court in Barbados.
Restrictions on Resale.....	The New Bonds have not been registered under the Securities Act and will be subject to restrictions on resale under applicable law. See “Notice to Investors.” The New Bonds will be subject to contractual transfer restrictions.
Listing.....	Barbados intends to apply to admit the New Bonds to listing on the Luxembourg Stock Exchange and to trading on the Euro MTF market.
Denomination	New Bonds will be issued in denominations of U.S.\$100 and integral multiples of U.S.\$100 in excess thereof.
Form and Settlement.....	Barbados will issue the New Bonds in the form of one or more fully registered global securities, without interest coupons attached, registered in the name of Cede & Co. as nominee for DTC and will deposit such global securities on or before the Closing Date with a custodian for DTC.
Trustee, Registrar, Transfer Agent and Paying Agent for New Bonds	The Bank of New York Mellon
Luxembourg Listing Agent.....	The Bank of New York Mellon SA/NV, Luxembourg Branch

RISK FACTORS

An investment in the New Bonds involves a significant degree of risk. Investors are urged to read carefully the entirety of this invitation memorandum and to note, in particular, the following considerations.

Risks of Not Participating in the Invitation

Possible Failure of the Invitation

If the Invitation described herein is not completed for any reason, Barbados projects that it will not have the resources to continue the debt servicing of Eligible Claims on the existing terms of those instruments. Eligible Claims could therefore remain in payment default for an indefinite period of time, and Barbados cannot predict whether, or when, it may be able to implement a successful debt management programme affecting those instruments. In addition, Barbados does not expect to offer the 2019 Exchange Cash Consideration to holders of Eligible Claims in any future debt management exercise.

Risk of Modification of Certain Eligible Claims

Schedule 2 of the Old Bonds Trust Deed for the Eligible Claims permits a specified supermajority of holders of the Eligible Claims to approve an Extraordinary Resolution sanctioning the exchange of all of the Eligible Claims for New Bonds on the terms set out in this invitation memorandum. Accordingly, if the requisite supermajority voting threshold under the Eligible Claims is reached in connection with the Invitation, the result will be a mandatory exchange of *all* Eligible Claims for New Bonds, including bonds held by holders that did not tender in the exchange or vote at the bondholders' meeting. In that event, Eligible Claims held by holders who have not participated in the Exchange Offer will be exchanged for the Consideration. If a holder has failed to certify its status as an Eligible Holder, such holder will receive Substitute Consideration in lieu of New Bonds, see "Tender Procedures—Pending Distribution Arrangement". If such an exchange is *not* approved by the requisite holders of the Eligible Claims, Barbados reserves the right, at its sole discretion, to accept or reject all tenders of the Eligible Claims.

Illiquidity

Any remaining Eligible Claims not tendered in the Invitation may become illiquid, and this may adversely affect the market value of those remaining Eligible Claims. Moreover, there may be no active trading market or published secondary market price quotations for any remaining Eligible Claims.

Risks of Participating in the Invitation

Future Residual Financing Gaps

For the four fiscal years from FY2012/13 to FY2015/16, Barbados experienced an average fiscal deficit of 8.9% of GDP. While there was an improvement in FY2016/17 to 5.5% of GDP, the fiscal deficit remained high in FY 2017/18 at 4.6% of GDP. In FY2018/19, Barbados' fiscal deficit was 0.5% of GDP.

If Barbados were to experience a sustained worsening of its fiscal balance, future financing gaps may exist even once the debt relief implied by the Invitation described herein is fully taken into account. If future residual financing gaps do materialise, Barbados' ability to service the New Bonds could be adversely affected.

Future Access to Financing

Barbados may be unable to meet future debt service obligations out of current revenues and it may have to rely, in part, on additional financing from the domestic and international capital markets (or multilateral or bilateral sources) in order to do so. In the future, Barbados may not be able or willing to access such markets or sources of funding, and Barbados' ability to service its public debt, including the New Bonds, may be adversely affected.

Potential Challenges to Barbados' Payments on the New Bonds

Holders of other debt instruments of Barbados may attempt to attach, enjoin or otherwise challenge Barbados' payments on the New Bonds. Creditors of other sovereign debtors have, in recent years, used litigation tactics in an effort to attach or interrupt payments made by those sovereign debtors to, among others, holders of bonds and other creditors who have agreed to a debt restructuring and accepted new securities in an exchange offer. Barbados may become subject to suits to collect on defaulted Eligible Claims or other indebtedness. Barbados cannot assure you that a creditor will not attempt to interfere, through an attachment of assets, injunction, temporary restraining order or otherwise, with payments made under the New Bonds.

No Established Market for the New Bonds

The New Bonds will be a new issuance of securities without established trading markets. Barbados cannot predict the extent to which investor interest will lead to the development of an active trading market for the New Bonds or how liquid those markets may become. Barbados intends to apply to admit the New Bonds to listing on the Luxembourg Stock Exchange and to trading on the Euro MTF market. No assurance can be given as to the liquidity of the trading market for the New Bonds. If an active trading market for the New Bonds fails to develop or continue, this failure could adversely affect the trading price of the New Bonds.

Collective Action Clauses

The New Bonds will contain provisions regarding acceleration and voting on amendments, modifications and waivers, which are commonly referred to as "*collective action clauses*." Under these provisions, the terms of the New Bonds may be amended, including the maturity date, interest rate and other payment terms, without your consent. See "Terms and Conditions of the 2029 Bonds—Meetings and Modifications" and "Terms and Conditions of the PDI Bonds—Meetings and Modifications."

Effect of Extraordinary Resolutions on holders who reject and vote against the Extraordinary Resolutions

Holders of Eligible Claims who reject and vote against the Extraordinary Resolutions in relation to such Eligible Claims will, if such Extraordinary Resolutions are declared effective, be bound by the relevant Extraordinary Resolutions. To receive the Consideration, such holders will need to deliver a valid certificate in the form attached to the notice of settlement instructions to be delivered by Barbados if an Extraordinary Resolution is passed (a "*Delivery Certificate*") certifying as to their status as Eligible Holders to the Exchange Agent within 90 days of the Closing Date, as described below under "Tender Procedures—Pending Distribution Arrangement". Holders who do not deliver a Delivery Certificate, or who are not Eligible Holders ("*Ineligible Holders*"), will receive the Substitute Consideration.

Effect of Extraordinary Resolutions on persons who are not Eligible Holders

If a holder of Eligible Claims is an Ineligible Holder or does not participate in the Exchange Offer and fails to deliver a Delivery Certificate, such holder of Eligible Claims will be subject to the Pending Distribution Arrangement. Depending on market conditions, the volume of New Bonds sold or other developments, the Substitute Consideration such holder of Eligible Claims will receive pursuant to the Pending Distribution Arrangement may be less than the aggregate nominal value of the New Bonds such holder of Eligible Claims would have received pursuant to the Invitation and may not be available until after the Closing Date. Barbados will not be obligated to pay any amount other than, or additional to, the Substitute Consideration.

Risks Relating to Barbados

Ongoing Debt Crisis

Barbados is currently in payment default under several categories of its debt obligations, and international reserve levels were U.S.\$499.6 million as of 31 December 2018, compared to average international reserve levels of U.S.\$362.3 million from 2015 to 2017. There is no assurance that the Invitation described in this invitation memorandum and any other debt management exercises conducted in parallel with the Invitation will succeed in restoring and maintaining macro-economic stability and debt sustainability. A worsening of international financial or economic conditions, including a slowdown in growth or recessionary conditions in Barbados' trading partners or main tourism markets or the emergence of a new financial crisis, could have adverse effects on Barbados' economy, on its financial condition and on its ability to service its debt.

Economic, Political or Social Conditions

Barbados is an emerging market economy, and investing in securities of emerging markets issuers involves special risks. These risks include the possibility of economic, political or social instability that may be caused by many different factors, including the following:

- high interest rates;
- declines in the economic activity of major trading partners;
- inflation;
- exchange controls;
- wage and price controls;
- financial crises in other emerging market countries that can have a contagion effect on investor appetite for emerging market securities as a class;
- changes in governmental economic, tax, social or other policies; and
- the imposition of trade barriers.

Any of these factors, as well as volatility in the markets for securities similar to the New Bonds, may adversely affect the liquidity of, and the trading market for, the New Bonds.

Fixed Exchange Rate

Since 7 July 1976, Barbados has maintained a fixed exchange rate of BDS\$2.00/U.S.\$1.00. See “Financial System—Exchange Controls and Foreign Exchange Rates.” Barbados’ ability to continue its fixed exchange rate will be significantly affected by its level of international monetary reserves in the future. If circumstances force Barbados to abandon its fixed exchange rate policy in the future, the cost of servicing Barbados’ external debt (including the New Bonds) and Eligible Claims not exchanged could escalate sharply, possibly forcing Barbados into another round of debt restructuring.

Climatic or Geological Occurrences

Barbados is an island nation located in an active geologic zone and in one of the most hurricane-prone regions of the world. Barbados may experience extreme rainfall and hurricanes between June and November and may, at irregular and unpredictable intervals, suffer the effects of earthquakes. Of the numerous expected consequences of global climate change, increases in atmospheric temperature, sea level rise and changes in weather patterns could have a material adverse effect on Barbados.

The Barbadian economy is heavily reliant on revenue from its tourism, which could be negatively affected by a major climatic or geological occurrence.

Reliance on the International Business and Financial Services and Tourism Sectors

The Barbadian economy is heavily reliant on revenue derived from the international business and financial services and tourism sectors.

The international business and financial services sector is dependent on global economic conditions and international taxation initiatives and would likely be negatively affected by a reduction in corporate taxes paid by offshore banks, insurance companies and international business companies operating in Barbados and a decline in new licences issued to international firms.

The tourism sector accounted for approximately 15.8%, 15.6% and 15.3% of total real GDP for 2018, 2017 and 2016, respectively, and is heavily dependent on visitors from the United States, the United Kingdom and Canada, which collectively accounted for 75.4% of long stay tourism arrivals in 2018. Other sectors of the Barbadian economy, including construction, wholesale and retail trade, manufacturing and non-sugar agriculture production are also heavily dependent upon the tourism sector.

A decline in the international business and financial services sector or the tourism sector would adversely affect real GDP growth and Barbados’ revenue collection, fiscal balance, foreign exchange earnings and international reserve balances and may impact Barbados’ ability to make payments on the New Bonds.

Parliament Action

The Barbadian Parliament has approved the Government’s budget for FY 2019/20, and the current administration is committed to moving ahead vigorously with its reconstruction plan. The debt management exercise described in this invitation memorandum is an important component of that plan. Governmental budgets (including appropriations for the servicing of external debt) require annual approval by the Barbadian Parliament. Barbados cannot provide assurances that the Barbadian Parliament will, in the future, appropriate amounts sufficient to maintain full debt service on the New Bonds.

EXPECTED TIMETABLE OF EVENTS

The following summarises the anticipated time schedule for the Invitation assuming, among other things, that the Exchange Offer Expiration Date and/or the Voting Deadline are not extended. This summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information appearing elsewhere in this invitation memorandum.

<u>Date</u>	<u>Action</u>
Tuesday 5 November 2019	<i>Commencement Date of Exchange Offer and Consent Solicitation</i> Issuance of press release announcing the Invitation and distribution of the invitation memorandum describing the terms of the Invitation.
Tuesday 5 November 2019	<i>Bondholder Meetings Called</i> Issuance of the Notice of Bondholder Meeting for the Eligible Claims.
Friday 22 November 2019 at 5:00 p.m. (New York City time)	<i>Exchange Offer Expiration Date and Time</i> The deadline for holders of Eligible Claims to deliver executed Transfer Certificates, as described in this invitation memorandum.
Monday 25 November 2019 at 5:00 p.m. (New York City time)	<i>Voting Deadline</i> The deadline for receipt by the Exchange Agent of valid Proxy Appointment Form from holders of Eligible Claims wishing to participate in the Consent Solicitation. The specific time and date of the deadline for the Eligible Claims will be set out in the applicable Notice of Bondholder Meeting.
Wednesday 27 November 2019	<i>Bondholder Meetings</i> Meetings of holders of the Eligible Claims will be held with respect to the Invitation at 4:00 p.m. (London time) at the offices of Cleary Gottlieb Steen & Hamilton LLP, 2 London Wall Place, London EC2Y 5AU, United Kingdom.
Thursday 28 November 2019.....	<i>Announcement Date</i> Barbados will announce on this date or as soon as possible thereafter the results of the Invitation.
Wednesday 11 December 2019.....	<i>Closing Date</i> On this date, or as soon as possible thereafter, the Consideration will be delivered to holders whose tenders were accepted pursuant to the Exchange Offer.
Wednesday 11 March 2020 at 5:00 p.m. (New York City time)	<i>Expiry of the Holding Period</i> The deadline for Uncertified Holders (as defined below) to deliver completed Delivery Certificates, as described in this invitation memorandum.

Barbados may, at its own discretion, extend the Exchange Offer Expiration Date and/or the Voting Deadline past the originally scheduled Exchange Offer Expiration Date and Voting Deadline. In addition, a Bondholder Meeting may be dissolved for want of quorum and stand adjourned for between

28 and 42 days. As a result of any such extension or adjournment, the Announcement Date and/or the Closing Date, as applicable, may be extended accordingly.

TERMS OF THE INVITATION

Barbados is inviting owners of Eligible Claims to offer to exchange, on the terms and subject to the conditions of this invitation memorandum, their Eligible Claims for the relevant Consideration. Barbados is also soliciting written proxies from the holders of Eligible Claims instructing the Exchange Agent as its proxy to vote on the Extraordinary Resolutions. Each such offer to exchange is referred to as a “*tender*,” and each such written proxy is referred to as a “*consent*.”

Purpose of the Invitation

The Invitation has been designed to adjust Barbados’ debt service profile and, in conjunction with its comprehensive fiscal adjustment and debt management strategy, including the parallel invitation to offer to exchange (a) U.S.\$540,000,000 of Barbados’ outstanding international bonds, (b) U.S.\$225,000,000 of Barbados’ outstanding loans; (c) Fixed Rate Non-Callable Guaranteed Bonds 2007-2022 issued by the Barbados Transport Board and Fixed Rate Non-Callable Guaranteed Bonds 2007 – 2022 issued by Barbados Agricultural Management Co. Ltd.; and (d) Class B Fixed Rate Bonds due 2019 issued by the Government of Barbados (ISIN XS0441235255) (together, the “*Parallel Exchanges*”), make its debt profile sustainable.

The Exchange Offer

Barbados hereby invites each Eligible Holder to offer to exchange their Eligible Claims for the Consideration upon the terms and subject to the conditions contained in this invitation memorandum and Transfer Certificate.

Consideration to be Received for Eligible Claims Tendered

If you are an Eligible Holder, subject to the procedures and requirements herein, you may offer to exchange your Eligible Claims (including all accrued but unpaid interest thereon) for the following consideration:

- for each U.S.\$10,000.00 principal amount of the Eligible Claims: (i) net 2019 Exchange Cash Consideration of U.S.\$71.911; (ii) U.S.\$7,747.60 principal amount of 2029 Bonds; and (iii) U.S.\$474.54 principal amount of PDI Bonds.

Interest on the New Bonds will commence accruing on 1 October 2019. Participating creditors in the Invitation and the Parallel Exchanges will authorise and instruct the Settlement Facilitation Agent to make the relevant pro rata deduction from the gross 2019 Exchange Cash Consideration and the relevant gross cash consideration under the Parallel Exchanges, as the case may be, to which the relevant creditors may be eligible to pay the costs and expenses of the external creditors committee in an aggregate amount equal to U.S.\$2,575,000. The net 2019 Exchange Cash Consideration referred to above includes a deduction of a pro rata amount to pay the costs and expenses of the external creditors committee in an aggregate amount equal to U.S.\$2,575,000.

Subject to their eligibility to receive New Bonds in the form of Restricted Global Certificates and Unrestricted Global Certificates (each as defined in the Trust Deed), Eligible Holders may select to tender Eligible Claims in exchange for New Bonds in the form of either Restricted Global Certificates or Unrestricted Global Certificates in respect of their Eligible Claims.

Documentation of New Bonds

The New Bonds will be issued under a Trust Deed with The Bank of New York Mellon, as Trustee for the bondholders and will be governed by English law. The New Bonds will form a single series with the bonds to be issued pursuant to the Parallel Exchanges, if consummated.

Barbados will post a substantially final draft of the Trust Deed and the Agency Agreement on the offer website hosted by the Information Agent at: www.lucid-is.com/barbados (the “*Offer Website*”) by not later than 10 days after the Commencement Date of the Invitation.

Rounding

To determine the amount of New Bonds that will be delivered in exchange for a specific tender, the principal amount resulting from the application of the exchange ratio to the principal amount of the Eligible Claim tendered will be rounded down to the nearest U.S.\$100 so that it can be exchanged in integrals of U.S.\$100 face amount of the New Bonds. This rounded amount will be the principal amount of New Bonds received, and no additional cash will be paid in lieu of any principal amount of New Bonds not received as a result of rounding down.

Payments of net 2019 Exchange Cash Consideration will be rounded to the nearest U.S.\$0.01, with U.S.\$0.005 rounded upwards.

The Consent Solicitation

Subject to the terms and conditions of the Invitation, Barbados is soliciting consents from the holders of Eligible Claims to vote on the Extraordinary Resolutions. For the avoidance of doubt, to tender an Eligible Claim in the Exchange Offer, an Eligible Holder must also submit a Proxy Appointment Form to appoint the Exchange Agent to attend any meeting convened under the Eligible Claims and to consent to and vote in favour of the relevant Extraordinary Resolution mandatorily exchanging all Eligible Claims for the relevant Consideration (or the Substitute Consideration at a later date upon a failure by a holder of Eligible Claims to deliver a Delivery Certificate).

Holders who do not wish to tender their Eligible Claims or who are not Eligible Holders may vote, or appoint a proxy to vote, on the Extraordinary Resolution pursuant to the Consent Solicitation, as described herein, or alternatively, pursuant to Schedule 2 of the trust deed relating to the Eligible Claims.

The Notice of Bondholder Meetings have been given to the holders of Eligible Claims in accordance with the respective terms of the Old Bonds Trust Deed on the date of this invitation memorandum or will be given as promptly as practicable thereafter, in accordance with the terms of the Eligible Claims.

Barbados is not soliciting any consents pursuant to the Consent Solicitation from any holders of Eligible Claims in any jurisdiction in which the making of the Consent Solicitation would not be in compliance with the laws of such jurisdiction. Each holder of Eligible Claims who comes into possession of this invitation memorandum must inform itself about and comply with all applicable laws and regulations in force in any jurisdiction in which it holds Eligible Claims. The restrictions affecting Barbados are without prejudice to the right of holders of Eligible Claims in any such jurisdiction to appoint a proxy to attend and vote at any meeting in accordance with the relevant terms and conditions of the Eligible Claims it holds, subject to applicable law.

If Barbados obtains the requisite majority, as set forth in the applicable Old Bonds Trust Deed, required to pass an Extraordinary Resolution relating to the Eligible Claims and decides to declare the Extraordinary Resolution effective, the entirety of the Eligible Claims (including those held by non-tendering or non-voting holders) will be exchanged for the relevant Consideration. In that event, Eligible Claims held by holders who did not participate in the Exchange Offer will be exchanged for the Consideration. Holders who did not participate in the Exchange Offer and do not certify their status as an Eligible Holder by submitting a Delivery Certificate will receive Substitute Consideration pursuant to the Pending Distribution Arrangement as described herein. If such an exchange is not approved by the requisite holders of the Eligible Claims, Barbados reserves the right, at its sole discretion, to either accept or reject all tenders of the Eligible Claims.

Irrevocability; No Withdrawal Rights

Once delivered to the Exchange Agent, a Transfer Certificate or Proxy Appointment Form is irrevocable and may not be withdrawn, subject only to a Relevant Amendment of the terms of the Invitation as described above in “Material Amendments of the Invitation,” unless Barbados agrees otherwise.

If Barbados terminates the Invitation without accepting any tenders for exchange, all tenders for exchange, including delivered Transfer Certificate or Proxy Appointment Form, shall automatically be deemed to be withdrawn and cancelled.

Transfer Certificates will become void if the Invitation is terminated or lapses on the terms of this invitation memorandum, or if the Invitation otherwise fails to become effective.

Representations, Warranties and Undertakings of Holders Participating in the Invitation

See “Tender Procedures” in this invitation memorandum.

Business Day

The term “*business day*” for the Invitation means any day except a Saturday, Sunday or any other day on which commercial banks in New York City, London or Barbados are required or authorised by law to close.

TENDER PROCEDURES

General

In order to participate in the Invitation, you must validly tender your Eligible Claims or submit your written proxy, as applicable, to the Exchange Agent as described below. It is your responsibility to validly tender your Eligible Claims and deliver your written proxy and original bond certificate or, if your Eligible Claims are held by a custodial entity, such as a bank, broker, dealer, trust company or other nominee, to ensure that such entity validly tenders your Eligible Claims and/or delivers your written proxy, as applicable, on your behalf, as described below.

In connection with a tender to exchange Eligible Claims, holders will be approving an Extraordinary Resolution to exchange the entirety of the Eligible Claims for the Consideration on the terms set out in this invitation memorandum. If the Extraordinary Resolution is approved in accordance with the Old Bonds Trust Deed for the Eligible Claims, the entirety of the Eligible Claims (including those held by non-tendering or non-voting holders) will be exchanged for the relevant Consideration (or the Substitute Consideration at a later date upon a failure by a holder of Eligible Claims to deliver a Delivery Certificate).

By submitting a written proxy with respect to the Extraordinary Resolution relating to the relevant Eligible Claims, a holder of Eligible Claims irrevocably (subject to the termination of the Invitation by Barbados or the rejection of such Proxy Appointment Form by Barbados, all as described further herein) appoints and instructs the Exchange Agent as its proxy to attend any bondholders' meeting and to vote in favour of, reject and vote against or abstain from voting on the relevant Extraordinary Resolution. Following the declaration of effectiveness by Barbados of the Extraordinary Resolutions in relation to the Eligible Claims, and conditional on such event, all outstanding Eligible Claims (including Eligible Claims not tendered for exchange in the Exchange Offer and those with respect to which holders rejected or voted against the relevant Extraordinary Resolution) will on the Closing Date be exchanged for the relevant Consideration as described in the Notice of Bondholder Meeting relating to the Eligible Claims, and Eligible Holders will receive the relevant Consideration on or shortly after the Closing Date and Ineligible Holders will receive the Substitute Consideration at a later date.

The terms of the Extraordinary Resolution relating to the Eligible Claims and the procedures to be followed by the holders, including the date of any bondholder meeting, where applicable, are set forth in the applicable Notice of Bondholder Meeting. For the avoidance of doubt, in the event that an Extraordinary Resolution is passed in relation to the Eligible Claims, any Eligible Holders that tendered and provided a valid written proxy via a Proxy Appointment Form and certified as to their status as Eligible Holders will not be required to give any further instructions in order to receive the relevant Consideration.

We have not provided guaranteed delivery procedures in conjunction with the Invitation or under this invitation memorandum or any other materials provided therewith. Holders must timely tender their Eligible Claims and submit their Proxy Appointment Form in accordance with the procedures set forth in this invitation memorandum.

If you have any questions regarding the process by which you can tender your Eligible Claims, you may contact the Information Agent at the phone number listed on the back cover of this invitation memorandum.

No one has been authorised to make a recommendation to holders of Eligible Claims as to whether to tender or refrain from tendering all or any portion of their Eligible Claims or to otherwise

participate in the Consent Solicitation pursuant to the Invitation. Holders of Eligible Claims must make their own decision whether to participate in the Invitation and, if so, the aggregate amount of Eligible Claims to tender, after reading this invitation memorandum and consulting with their advisors, if any, based on their own financial position and requirements.

Effect of Transfer Certificate

The execution and delivery to the Exchange Agent of a Transfer Certificate in respect of your tendered Eligible Claims by you will constitute a binding agreement between you and Barbados, upon the terms and subject to the conditions of the Exchange Offer described herein and in the Transfer Certificate. The acceptance of the Invitation by you will constitute your agreement to:

- (1) deliver good and marketable title to the tendered Eligible Claim, free and clear of any and all liens, restrictions, mortgages, charges, pledges, security interests, encumbrances or rights of any kind of third parties; and
- (2) deliver to the Government of Barbados the original of the bond certificates governed by the laws of Barbados in respect of such tendered Eligible Claims prior to the Closing Date.

On the Closing Date, the New Bonds and the net 2019 Exchange Cash Consideration will be delivered in exchange for validly tendered Eligible Claims.

Deadline for Participation in the Exchange Offer

You are responsible for arranging the valid and timely delivery of your Transfer Certificate, original bond certificate to the Government of Barbados and Proxy Appointment Form to the Exchange Agent. None of Barbados, the Information Agent, the Exchange Agent, any fiscal agent, registrar or other agent will be responsible for the submission of tenders or Proxy Appointment Form by holders to the Exchange Agent.

Eligible Claims that are validly tendered will be held to the order of the Exchange Agent until the Closing Date.

By submitting the Transfer Certificate, participating holders shall be deemed to have made the representations and warranties set forth herein to Barbados, the Information Agent and the Exchange Agent.

Submission of a Proxy Appointment Form

In addition to sending your Transfer Certificate at or before 5:00 p.m. (New York City time) on the Exchange Offer Expiration Date, an Eligible Holder wishing to tender Eligible Claims must, at or before 5:00 p.m. (New York City time) on the Voting Deadline, deliver, or arrange to be delivered, to the Exchange Agent, by e-mail or facsimile, a duly completed and executed Proxy Appointment Form.

A holder of Eligible Claims completing and submitting to the Exchange Agent a Proxy Appointment Form will, by so doing, irrevocably (subject to the termination of the Invitation by Barbados or the rejection of such Proxy Appointment Form by Barbados, all as described further herein) appoint and instruct the Exchange Agent as its proxy to attend any meeting (or adjourned meeting, if applicable) convened in respect of the Eligible Claims and vote in favour of the Extraordinary Resolution relating to such Eligible Claims.

By submitting a Proxy Appointment Form, participating holders will be making the representations and warranties set forth in the Proxy Appointment Form to Barbados, the Information Agent and the Exchange Agent.

Transfer Certificate; Acknowledgements, Representations, Warranties and Undertakings for the Exchange Offer

Upon the submission of the Transfer Certificate, you will, subject to the terms and conditions of the Transfer Certificate and the Invitation generally, you:

- (1) irrevocably surrender, assign and transfer to or upon the order of Barbados all right, title and interest in and to all the Eligible Claims tendered thereby;
- (2) waive any and all other rights with respect to the Eligible Claims tendered by you in the Exchange Offer (including without limitation, any existing or past defaults and their consequences in respect of such Eligible Claims and the agency agreement or trust deed, as applicable, under which such Eligible Claims were issued) and release and discharge Barbados and the fiscal agent for the Eligible Claims from any and all claims you may have now, or may have in the future, arising out of, or related to, such Eligible Claims, including, without limitation, any claims that you are entitled to receive additional principal or interest payments with respect to such Eligible Claims or to participate in any redemption or defeasance of such Eligible Claims; and
- (3) irrevocably appoint the Exchange Agent as your true and lawful agent and attorney in fact (with full knowledge that the Exchange Agent is also acting as agent of Barbados with respect to the tendered Eligible Claims with full power coupled with an interest) to:
 - present the Eligible Claims for transfer on the relevant security register; and
 - receive all benefits or otherwise exercise all rights of beneficial ownership of the Eligible Claims (except that the Exchange Agent will have no rights to or control over our funds, except, as our agent, for the Consideration for any tendered Eligible Claims that are exchanged by us), all in accordance with the terms of the Invitation.
- (4) Deliver to the Government of Barbados the original bond certificates in respect of such tendered Eligible Claims and deliver to the Exchange Agent the Transfer Certificate.

By delivering a Proxy Appointment Form in conjunction with the Transfer Certificate, you irrevocably appoint the Exchange Agent as your true and lawful agent and attorney-in-fact to:

- attend, act and vote for and in your name and on your behalf at the bondholders' meeting to occur prior to the Closing Date to consider proposed modifications to the terms and conditions of the Eligible Claims and the trust deed relating to the Eligible Claims that would have the effect of authorising the exchange of the Eligible Claims for the Consideration (including any reconvening of, or replacement for, such meeting), with full power of substitution as if the undersigned were present at such meeting;
- vote in favour of the proposed Extraordinary Resolution to approve the exchange of such Eligible Claims; and

- take all actions desirable to cause (i) certification that the requisite votes to approve such resolutions have been received and (ii) the execution and delivery by Barbados and the relevant fiscal agent of amendments implementing the proposed resolutions with respect to such Eligible Claims.

In addition by tendering Eligible Claims and delivering a Proxy Appointment Form you will be deemed to represent, warrant and agree that:

- (1) you have received the invitation memorandum and have reviewed and accept the terms of the Invitation as set forth in the invitation memorandum;
- (2) you are assuming all the risks inherent in participation in the Invitation and have undertaken all the appropriate analysis of the implications of the Invitation without reliance on Barbados, the Exchange Agent, the Old Bonds Trustee or the Trustee and agents for the New Bonds;
- (3) you are the beneficial owner (as defined below) of, or a duly authorised representative of one or more such beneficial owners of, the Eligible Claims tendered thereby and you have full power and authority to execute the Transfer Certificate from a person or entity having such power and authority;
- (4) you are acquiring the New Bonds issued in the Invitation in the ordinary course of your business;
- (5) you are not prohibited by any law or policy from participating in the Invitation;
- (6) Eligible Claims being tendered thereby were owned as of the date of tender, free and clear of any liens, mortgages, pledges, charges, claims, encumbrances, interests and restrictions of any kind;
- (7) you will not sell, mortgage, charge, pledge, hypothecate or otherwise encumber or transfer any Eligible Claims tendered thereby from the date of the Transfer Certificate and agree that any purported sale, mortgage, charge, pledge, hypothecation or other encumbrance or transfer will be void and of no effect;
- (8) Barbados has not made any statement, representation or warranty, express or implied, to you with respect to Barbados or the offer or sale of any New Bonds, other than the information that has been included in the invitation memorandum, including the information incorporated herein by reference (and as supplemented to the Expiration Date), and any information you desire concerning Barbados, the New Bonds or any other matter relevant to your decision to acquire the New Bonds (including a copy of the invitation memorandum) is or has been made available to you;
- (9) none of the Exchange Agent, Old Bonds Trustee, Trustee, Information Agent or agent for the New Bonds or any person acting on behalf of any of the foregoing has made any statement, representation or warranty, express or implied, to you with respect to Barbados or the offer or sale of any New Bonds or the accuracy or completeness of this invitation memorandum;
- (10) the execution and delivery of the Transfer Certificate and Proxy Appointment Form, shall constitute an undertaking to execute any further documents and give any further

assurances that may be required in connection with any of the foregoing, in each case on and subject to the terms and conditions set out or referred to in this invitation memorandum;

- (11) the submission of the Transfer Certificate to the Exchange Agent shall, subject to the terms and conditions of the Invitation generally, constitute the irrevocable appointment of the Exchange Agent as your attorney and agent, and an irrevocable instruction to such attorney and agent to complete and execute all or any form(s) of transfer and other document(s) (including any document to effect the discharge and cancellation of all right, title and interest in or relating to the Eligible Claims) at the discretion of such attorney and agent in relation to the Eligible Claims tendered thereby in favour of Barbados or such other person or persons as Barbados may direct and to deliver such form(s) of transfer and other document(s) in the attorney's and agent's discretion and to execute all such other documents and to do all such other acts and things as may be in the opinion of such attorney or agent necessary or expedient for the purpose of, or in connection with, the acceptance of the Invitation, and to cancel or extinguish such Eligible Claims;
- (12) all authority conferred or agreed to be conferred by your Transfer Certificate or delivery of a Proxy Appointment Form in the Invitation shall survive your death or incapacity and any of your obligations in relation to the Invitation shall be binding upon your heirs, executors, administrators, personal representatives, trustees in bankruptcy, legal representatives, successors and assigns;
- (13) the terms and conditions of the Invitation shall be deemed to be incorporated in, and form a part of, the Transfer Certificate and the Proxy Appointment Form, which shall be read and construed accordingly;
- (14) you authorise and instruct the Settlement Facilitation Agent to make the relevant pro rata deduction from the 2019 Exchange Cash Consideration to which you may be eligible to pay the costs and expenses of the external creditors committee in an aggregate amount equal to U.S.\$2,575,000;
- (15) you are not acting on behalf of someone who cannot truthfully and completely make the foregoing representations; and
- (16) Barbados and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

Each Eligible Holder that executes a Transfer Certificate and a Proxy Appointment Form will also be deemed to represent, warrant and agree as set forth under "Notice to Investors."

Procedures for Tendering

Eligible Holders that wish to accept the Invitation must submit valid copies of the Transfer Certificate, including the Annex thereto, to the Exchange Agent in respect of those Eligible Claims prior to the Expiration Date, followed by the submission of the original of the duly and validly completed Transfer Certificate and Annex thereto. Eligible Holders must also deliver the original of the bond certificates in respect of tendered Eligible Claims to Barbados prior to the Closing Date.

Once delivered to the Exchange Agent, a Transfer Certificate is irrevocable and may not be withdrawn, subject only to a Relevant Amendment of the terms of the Invitation as described above in "Material

Amendments of the Invitation,” unless Barbados agrees otherwise. Transfer Certificates will become void if the Invitation is terminated or lapses on the terms of this invitation memorandum, or if the Invitation otherwise fails to become effective.

Proper Execution and Delivery of Transfer Certificate

No alternative, conditional, irregular or contingent tenders will be accepted. By executing a Transfer Certificate, the tendering Eligible Holders waive any right to receive any notice of the acceptance for exchange of their Eligible Claims. The Exchange Agent will, where practicable, confirm good receipt and processing of the Transfer Certificate.

To receive the New Bonds on the Closing Date, a holder must complete the DTC Account Details in Part A of the Annex of the Transfer Certificate. To receive the net 2019 Exchange Cash Consideration, a holder must complete the account details in Part B of the Annex of the Transfer Certificate.

Participation in the Consent Solicitation

Participation via a Proxy Appointment Form

Eligible Holders who wish to tender their Eligible Claims must also appoint a proxy to consent to and vote in favour of the relevant Extraordinary Resolution by delivering, or arranging to be delivered, to the Exchange Agent, by e-mail or facsimile, a duly completed and executed Proxy Appointment Form at or before 5:00 p.m. (New York City time) on the Voting Deadline.

Holders who do not wish to tender their Eligible Claims or who are not Eligible Holders may appoint a proxy to consent to and vote in favour of, reject and vote against or abstain from voting on the relevant Extraordinary Resolution by delivering, or arranging to be delivered, to the Exchange Agent, by e-mail or facsimile, a duly completed and executed Proxy Appointment Form at or before 5:00 p.m. (New York City time) on the Voting Deadline.

Original copies of Proxy Appointment Form are not required.

A holder of Eligible Claims completing and submitting to the Exchange Agent a Proxy Appointment Form will, by so doing, irrevocably (subject to the termination of the Invitation by Barbados or the rejection of such Proxy Appointment Form by Barbados, all as described further herein) appoint and instruct the Exchange Agent as its proxy to attend any meeting convened in respect of the Eligible Claims and vote as specified in the Proxy Appointment Form with respect to the Extraordinary Resolution relating to such Eligible Claims.

By submitting a Proxy Appointment Form, participating holders will be making the representations and warranties set forth above and in the Proxy Appointment Form to Barbados, the Information Agent and the Exchange Agent.

Effect of a Valid Proxy Appointment Form; Acknowledgements, Representations, Warranties and Undertakings for the Consent Solicitation

By delivering a Proxy Appointment Form, you irrevocably appoint the Exchange Agent as your true and lawful agent and attorney-in-fact to:

- attend, act and vote for and in your name and on your behalf at the bondholders’ meeting to occur prior to the Closing Date to consider proposed modifications to the terms and

conditions of the Eligible Claims and the trust deed relating to the Eligible Claims that would have the effect of authorising the exchange of the Eligible Claims for the Consideration (including any reconvening of, or replacement for, such meeting), with full power of substitution as if the undersigned were present at such meeting;

- vote as specified in the Proxy Appointment Form in respect of the proposed Extraordinary Resolution relating to such Eligible Claims; and
- if selecting to approve the Extraordinary Resolution, take all actions desirable to cause (i) certification that the requisite votes to approve such resolutions have been received and (ii) the execution and delivery by Barbados and the relevant fiscal agent and registrar of amendments implementing the proposed resolutions with respect to such Eligible Claims, all in accordance with the terms and conditions of the Exchange Offer and related solicitations of authorisations as described in the invitation memorandum; the power of attorney granted in this paragraph shall be deemed to be irrevocable and coupled with an interest.

With respect to the Eligible Claims for which an Extraordinary Resolution successfully passes, if you have not certified to Barbados or the Exchange Agent that you are an Eligible Holder when you submitted your Proxy Appointment Form, to receive the Consideration you must provide a certification to Barbados and the Exchange Agent certifying that you are an Eligible Holder within the 90 day period described under “Pending Distribution Arrangement” below.

In addition by delivering a Proxy Appointment Form you will be deemed to represent, warrant and agree that:

- (1) you have received the invitation memorandum and have reviewed and accept the terms of the Invitation as set forth in the invitation memorandum;
- (2) you are assuming all the risks inherent in participation in the Consent Solicitation and have undertaken all the appropriate analysis of the implications of the Consent Solicitation without reliance on Barbados, the Exchange Agent, the fiscal agent for the Eligible Claims or the Trustee and agents for the New Bonds;
- (3) you are the beneficial owner (as defined below) of, or a duly authorised representative of one or more such beneficial owners of, all Eligible Claims in respect of which it participates in the Consent Solicitation;
- (4) you are not prohibited by any law or policy from participating in the Invitation;
- (5) the Eligible Claims in respect of which you participate in the Consent Solicitation have not been purchased and are not held by (or on behalf of) Barbados or the Central Bank of Barbados;
- (6) you will not sell or transfer any Eligible Claims represented by your submitted Proxy Appointment Form from the date of the Proxy Appointment Form until the date of the relevant bondholder meetings and you agree that any purported sale or transfer will be void and of no effect;
- (7) Barbados has not made any statement, representation or warranty, express or implied, to you with respect to Barbados or the offer or sale of any New Bonds, other than the information that has been included in the invitation memorandum, including the

information incorporated herein by reference (and as supplemented to the Exchange Offer Expiration Date), and any information you desire concerning Barbados, the New Bonds or any other matter relevant to your decision to acquire the New Bonds (including a copy of the invitation memorandum) is or has been made available to you;

- (8) none of the Exchange Agent, the Information Agent, the fiscal agent for the Eligible Claims or the Trustee and agents for the New Bonds, or any person acting on behalf of any of the foregoing, has made any statement, representation or warranty, express or implied, to you with respect to Barbados or the offer or sale of any New Bonds or the accuracy or completeness of this invitation memorandum;
- (9) delivery of a duly executed Proxy Appointment Form shall constitute an undertaking to execute any further documents and give any further assurances that may be required in connection with any of the foregoing, in each case on and subject to the terms and conditions set out or referred to in this invitation memorandum;
- (10) all authority conferred or agreed to be conferred by your delivery of a Proxy Appointment Form in the Invitation shall survive your death or incapacity and any of your obligations in relation to the Invitation shall be binding upon your heirs, executors, administrators, personal representatives, trustees in bankruptcy, legal representatives, successors and assigns;
- (11) the terms and conditions of the Invitation shall be deemed to be incorporated in, and form a part of, the Proxy Appointment Form which shall in each case be read accordingly;
- (12) you authorise and instruct the Settlement Facilitation Agent to make the relevant pro rata deduction from the 2019 Exchange Cash Consideration to which you may be eligible to pay the costs and expenses of the external creditors committee in an aggregate amount equal to U.S.\$2,575,000;
- (13) you are not acting on behalf of someone who cannot truthfully and completely make such representations; and
- (14) Barbados and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations, warranties and agreements.

Appointing Proxy under the Trust Deed

Holders of Old Bonds that do not submit a Proxy Appointment Form to the Exchange Agent before the Voting Deadline may appoint proxies by executing and delivering a form of proxy to the specified office of the Registrar not later than 48 hours before the time fixed for the meeting or, in the case of corporations, may appoint representatives by resolution of their directors or other governing body.

See the Notice of Bondholder Meetings for more information.

Determination of Validity

All questions as to the validity, form, eligibility (including time of receipt) and acceptance for exchange of any tendered Eligible Claims or consents pursuant to any of the procedures described above, and the form and validity (including time of receipt of notices of withdrawal) of all documents will be determined by us in our sole discretion, which determination will be final and binding. We reserve the

absolute right to reject any or all tenders of any Eligible Claims or consents determined by us not to be in proper form, or if the acceptance of, or exchange of, such Eligible Claims or consents may, in the opinion of our counsel, give rise to a breach or violation of applicable laws, rules or regulations. We also reserve the right to waive defects in any tender or consent that we are legally permitted to waive. Unless waived, any irregularities in connection with tenders or consents must be cured within such time as we shall determine. A waiver of any defect or irregularity with respect to the tender of one Eligible Claim or consent in respect of one Eligible Claim shall not constitute a waiver of the same or any other defect or irregularity with respect to the tender of, or consent in respect of, any other Eligible Claim unless we expressly otherwise so provide. Your tender or consent will not be deemed to have been validly made until all defects or irregularities in your tender or consent have been cured or waived. Neither we nor the Exchange Agent nor any other person or entity is under any duty to give notification of any defects or irregularities in any tender of, or consent in respect of, any Eligible Claims, or will incur any liability for failure to give any such notification. Please send all materials to the Exchange Agent and not to us.

Irrevocability; No Withdrawal Rights

Once delivered to the Exchange Agent, a Transfer Certificate is irrevocable and may not be withdrawn, subject only to a Relevant Amendment of the terms of the Invitation as described above in “Material Amendments of the Invitation,” unless Barbados agrees otherwise.

If Barbados terminates the Invitation without accepting any tenders for exchange, all tenders for exchange, including delivered Transfer Certificate, shall automatically be deemed to be withdrawn and cancelled.

Transfer Certificates will become void if the Invitation is terminated or lapses on the terms of this invitation memorandum, or if the Invitation otherwise fails to become effective.

Expiration; Extensions; Amendments; Termination

For purposes of the Invitation, the term “*Exchange Offer Expiration Date*” means 5:00 p.m., New York City time, on 22 November 2019, subject to Barbados’ right to extend such date and time in its absolute discretion, in which case the Exchange Offer Expiration Date means the latest date and time to which the Exchange Offer is extended.

For purposes of the Invitation, the term “*Voting Deadline*” means 5:00 p.m., New York City time, on 25 November 2019, subject to Barbados’ right to extend such date and time in its absolute discretion, in which case the Voting Deadline means the latest date and time to which the Consent Only Option is extended.

Barbados reserves the right, in its absolute discretion, to (i) extend the Invitation, (ii) terminate the Invitation or (iii) amend the Invitation.

Any extension, amendment or termination of the Invitation by Barbados will be followed as promptly as practicable by an announcement of such extension, amendment or termination.

Permitted Amendments

By participating in the Invitation, each holder authorises the Exchange Agent to agree with Barbados to the making of the following:

- any minor, technical, administrative or corrective amendments to any of the Invitation Materials or the New Bonds;
- any extension of the Exchange Offer Expiration Date, the Voting Deadline, the Announcement Date or the Closing Date as contemplated above; and
- any waiver by Barbados, in its sole discretion, of the provision of any of the representations set out in this invitation memorandum,

in each case, prior to the completion of the Invitation (collectively, the “*Permitted Amendments*”).

Material Amendment of the Invitation

Any term of this invitation memorandum (including any term of the New Bonds) may be amended, and any tender and consent submitted to the Exchange Agent prior to that amendment shall remain valid; *provided* that, if any amendment is made which is not a Permitted Amendment (such amendment, a “*Relevant Amendment*”), Barbados will post a notification of such amendment on the Offer Website. If a Relevant Amendment is posted on the Offer Website within three business days of the Exchange Offer Expiration Date, the Exchange Offer Expiration Date will be automatically extended to the date falling three business days after the date of such notification and the Voting Deadline will be automatically extended by the same number of days.

In the absence of notice to the contrary prior to the Exchange Offer Expiration Date, Eligible Holders who have tendered their Eligible Claims or submitted Proxy Appointment Form will be deemed to have accepted the Relevant Amendments.

Any Eligible Holder who delivers a Transfer Certificate and/or consent via a Proxy Appointment Form after a Relevant Amendment is posted on the Offer Website will be deemed to accept the Invitation on the terms of this invitation memorandum as amended by the Relevant Amendment.

Termination

Barbados may, in its absolute discretion but subject to applicable laws, terminate the Invitation at any time prior to the Closing Date (including, for the avoidance of doubt, after the Exchange Offer Expiration Date). Any Transfer Certificate or consent delivered prior to such termination shall immediately cease to have any further force or effect.

In the event of non-acceptance and/or revocation and/or termination of the Invitation, any bond certificates delivered to the Government of Barbados in connection with the tender of Eligible Claims will be returned without expense to the tendering holder as promptly as practicable after the non-acceptance, revocation or termination, as applicable. If the Invitation is then re-instated, you would then be required to send your original bond certificate to the Government of Barbados.

Pending Distribution Arrangement

If Barbados obtains the requisite majority, as set forth in the applicable Old Bonds Trust Deed, required to pass an Extraordinary Resolution relating to the Eligible Claims and decides to declare the Extraordinary Resolution effective, the entirety of the Eligible Claims will be exchanged for the relevant Consideration.

In that event, the relevant Consideration to which holders of Eligible Claims who have not certified as to their status as Eligible Holders (each an “*Uncertified Holder*”) prior to 5:00 p.m. (New York City time) on the Exchange Offer Expiration Date are entitled pursuant to the terms of the Invitation will be deposited to an account of Barbados with the Settlement Facilitation Agent, where such Consideration will be held (the “*Pending Distribution Arrangement*”) until the earlier of: (i) such time as such holder validly delivers a Delivery Certificate to the Exchange Agent, and (ii) the date falling 90 days after the Closing Date.

Uncertified Holders may submit, or arrange to have submitted, a Delivery Certificate to the Exchange Agent certifying as to their status as either Eligible Holders or Ineligible Holders during the 90 days after the Closing Date (the “*Holding Period*”).

We refer to the consideration to be received by Ineligible Holders and other Uncertified Holders who do not validly certify as to their status as Eligible Holders during the Holding Period under the Pending Distribution Arrangement as the “*Substitute Consideration*.”

Eligible Holders

Upon receipt by the Exchange Agent of a valid Delivery Certificate certifying as to an Uncertified Holder’s status as an Eligible Holder, the Exchange Agent will promptly instruct the Settlement Facilitation Agent to deliver, and, as soon as practicable thereafter, the Settlement Facilitation Agent will deliver the relevant Consideration to which such holder is entitled in accordance with the instructions contained in the Delivery Certificate on behalf of the holder.

Ineligible Holders

Upon receipt by the Exchange Agent of a valid Delivery Certificate certifying as to an Uncertified Holder’s status as an Ineligible Holder, Barbados or an agent or broker appointed by Barbados, as the case may be, shall sell such New Bonds to which such holder is entitled pursuant to the terms of the Invitation in one or more sale transactions at any time following receipt of such holder’s Delivery Certificate. The price, terms, timing and manner of such sale will be on the best terms reasonably available at the time using a transparent open market process and shall be for cash. Neither Barbados nor any such agent or broker will have any liability for any loss or alleged loss arising from such sale or a failure to procure any purchaser for such New Bonds (or any of them).

The proceeds of such sales (net of the costs of sale including the fees of any agent, broker, marketing agent, placement agent or underwriter appointed in relation to the sales and any taxes and provisions for tax on sale or as a result of the Pending Distribution Arrangement) (the “*Net Cash Proceeds*”) plus the net 2019 Exchange Cash Consideration to which such Ineligible Holder is entitled pursuant to the terms of the Invitation Memorandum will be delivered in accordance with the instructions contained in the Delivery Certificate on behalf of such holder as soon as reasonable practicable thereafter.

Failure to Deliver a Delivery Certificate

In the event that an Uncertified Holder fails to deliver a Delivery Certificate during the Holding Period, Barbados or an agent or broker appointed by Barbados, as the case may be, shall sell such New Bonds to which such holder is entitled pursuant to the terms of the Invitation in a sale at any time following the expiry of the Holding Period. The price, terms, timing and manner of such sale will be on the best terms reasonably available at the time using a transparent open market process and shall be for cash. Neither Barbados nor any such agent or broker will have any liability for any loss or alleged loss arising from such sale or a failure to procure any purchaser for such New Bonds (or any of them).

The Net Cash Proceeds will be held for the benefit of such holders of the Eligible Claims until such time as sales of all such Consideration have been effected. The pro rata shares of such Net Cash Proceeds plus the net 2019 Exchange Cash Consideration to which such Ineligible Holder is entitled pursuant to the terms of the Invitation Memorandum will be delivered to the relevant holders of Eligible Claims entitled to such consideration as soon as practicable thereafter. If the relevant holders have not provided bank account details up until the date falling 45 days after the expiry of the Holding Period, the remaining Net Cash Proceeds plus the 2019 Cash Consideration shall be returned to Barbados.

Depending on market conditions, the volume of New Bonds sold or other developments, the Net Cash Proceeds may be less than the face value of the New Bonds due to such holder and will not be available until after the expiry of Holding Period. Barbados will not be obligated to pay any amount other than, or additional to, the Net Cash Proceeds, and payment of the Net Cash Proceeds will fully and finally discharge Barbados's obligation to deliver the relevant Consideration to the relevant holders of Eligible Claims.

None of Barbados, the Exchange Agent, the Information Agent, the Settlement Facilitation Agent or the Trustee will be responsible for any errors, delays in processing or systemic breakdowns or other failure in the delivery of the relevant Consideration by any securities intermediary with respect to such Eligible Claims to a holder, and no additional amounts will be payable to any holder in the event of any delay in such delivery.

Questions and requests for assistance in connection with the Pending Distribution Arrangement may be directed to the Information Agent at its address and telephone number set forth on the back cover of this invitation memorandum.

Offering Restrictions

You are not eligible to participate in the Exchange Offer unless you are:

(1) either:

- a. a "qualified institutional buyer" (as defined in Rule 144A under the Securities Act) and are acquiring the New Bonds for our own account or for the account of another qualified institutional buyer; or
- b. acquiring the New Bonds in an offshore transaction in accordance with Regulation S under the Securities Act;

(2) if you are located within an EEA Member State, you are a "qualified investor" as defined in the Prospectus Regulation;

- (3) if you are located in the UK, a relevant person (as this term is defined in “Notice to Prospective Investors in the United Kingdom”); and
- (4) otherwise permitted under the laws and regulations of any other jurisdiction applicable to you, including, without limitation, as set forth in “Jurisdictional Restrictions,” to receive and review the Invitation Materials and to participate in the Exchange Offer.

For a description of certain restrictions on resale of the New Bonds, see “Notice to Investors” in this invitation memorandum.

Exchange Agent

In connection with the Invitation, Barbados has retained Lucid Issuer Services Limited to act as Exchange Agent, which will receive customary fees for its services. Barbados has agreed to reimburse the Exchange Agent for its respective out-of-pocket expenses and to indemnify it against certain liabilities. No fees or commissions have been or will be paid by Barbados to any broker, dealer or other person, other than the Exchange Agent in connection with the Invitation.

Information Agent

In connection with the Invitation, Barbados has retained Lucid Issuer Services Limited to act as Information Agent. Questions and requests for assistance or additional copies of this invitation memorandum may be directed to the Information Agent at its address and telephone number set forth on the back cover of this invitation memorandum.

Delivery of Original Certificates

Original bond certificates to be delivered to the Government in accordance with the procedures set out in this invitation memorandum should be marked for the attention of the Permanent Secretary at the Ministry of Finance, Government Headquarters, Bay Street, St. Michael, Barbados.

Fees and Expenses

We have not retained any dealer-manager in connection with the Invitation, and we will not make any payments to brokers, dealers or other persons soliciting acceptances of the Invitation. We will, however, pay the Exchange Agent fees for its services and will reimburse it for its related out-of-pocket expenses. Holders who exchange their Eligible Claims will not be obligated to pay any transfer taxes. If, however, a transfer tax is imposed for any reason other than the exchange of Eligible Claims in connection with the Invitation, then the holder must pay the amount of any transfer taxes due, whether imposed on the registered holder or any other persons. If the holder does not submit satisfactory evidence of payment of these taxes or exemption from them, the amount of these transfer taxes will be billed directly to the tendering holder.

Available Information

Certain information relating to the Invitation is, or will be, available on the Offer Website and may be of significance to Eligible Holders in deciding whether to participate in the Invitation.

Holders of Eligible Claims wishing to access the Offer Website will be required to accept certain terms and conditions in relation to, among other things, confidentiality and the use of the information contained on the Offer Website and as are more fully set out on the Offer Website.

Holders of Eligible Claims who do not have access to the Offer Website may obtain the documents posted on the Offer Website via email or other means from the Information Agent subject to providing a completed certification in the form delivered to them by the Information Agent (i) representing that they are the beneficial owner of an Eligible Claim, indicating the amount of Eligible Claims that are beneficially owned and (ii) agreeing to keep all information contained on the Offer Website confidential and subject to verification by the Information Agent that such certificate is being provided on behalf of a *bona fide* direct or indirect holder of a beneficial interest in an Eligible Claims.

The Invitation Materials, including this invitation memorandum and related documents, may not be distributed, forwarded or transmitted to any person in any jurisdiction.

Lucid Issuer Services Limited, in its capacity as Information Agent and Exchange Agent, can be contacted at:

Lucid Issuer Services Limited
Tankerton Works
12 Argyle Walk
London WC1H 8HA
United Kingdom
Telephone +44 20 7704 0880
Attention: Arlind Bytyqi / Thomas Choquet
Email: barbados@lucid-is.com
Website: www.lucid-is.com/barbados

RECENT DEVELOPMENTS

The Economic Situation

Macroeconomic stability in Barbados has been challenged by high fiscal deficits and public debt. In recent years, the size of the deficit and the high level of public debt have been constraints on growth. For the most part, efforts to reduce the fiscal gap, primarily through heavy taxation adjustments, did not achieve the desired budget neutrality.

The unfolding of the global recession in 2007 cast a long shadow on the economic fortunes of Barbados over the last ten years. As global demand conditions weakened, the domestic economic performance of Barbados was challenged over several years, reaching its lowest point of growth in 2009 with a contraction of 4.9%. Subsequently, economic growth remained relatively stagnant. This gave rise to lower fiscal revenues, increased deficits and a burgeoning debt portfolio, which made it difficult for the Government to provide adequate and swift policy responses to the prevailing risks, in order to induce a positive turnaround in economic conditions. As a result, the gross public sector debt to GDP ratio at the end of 2017 climbed to an unsustainable 147.8%, up from 60% in 2007.

Falling risk appetite amongst external and domestic investors weakened economic fundamentals to adequately buffer against the reverberating shock waves of the global financial crisis, causing Barbados' recession to be deep and protracted. Due to anaemic economic growth coupled with large and increasing fiscal deficits and debt levels, the international credit rating agencies lowered Barbados' sovereign rating from 'A-' in 2003, one of the highest in the developing world, to 'Caa3' in 2017.

On 1 June 2018, the Government announced that an in-depth review of Barbados' fiscal and external liquidity situation identified and quantified substantial arrears that were not previously included in headline public debt figures, revising estimates of Government arrears upwards to U.S.\$820.0 million (including U.S.\$230.6 million owed to the National Insurance Scheme (the "NIS") and U.S.\$237.5 million owed by the Barbados Revenue Authority (the "BRA") to Barbadians and individual companies). When the previously unpublished arrears amounts were added, the total debt to GDP ratio was revised upward to 175.0% as of 31 May 2018.

In addition, gross international reserves stood at U.S.\$249.4 million, or 6.9 weeks of import cover, as of 31 May 2018, compared to U.S.\$747.2 million, or 15.1 weeks of import cover, as of 31 December 2008.

Though Barbados expects a fiscal surplus for FY 2018/19, Barbados' fiscal deficit was high in recent years, down from approximately 9.0% of GDP in FY 2015/16 to approximately 4.6% of GDP in FY 2017/18. From 2008 to 2018, the fiscal deficit averaged 6.4% of GDP.

The slow implementation of necessary reforms coupled with heavy fiscal consolidation efforts contributed to the decline in economic growth from 2.6% in 2016 to 0.8% in 2017. This downward revision also reflected a slowdown in growth in the tourism sector, which, despite recording increased tourist arrivals, saw a reduction in the average length of stay. Economic growth estimates at the beginning of 2018 continued to be sluggish, expanding by an estimated 0.8% in the first six months of 2018, compared to 1.6% during the first six months of 2017.

At the end of the FY 2017/18, foreign financed project inflows were insufficient to offset foreign loan payments of U.S.\$146.4 million. As a result, the fiscal deficit was mainly financed by commercial banks, which provided funding equal to just over 2.6% of GDP. This funding from commercial banks was due to an increase in the stipulated securities reserve requirement for commercial banks, from 10.0%

of domestic deposits as set in 2007 to 20.0%, announced by the Central Bank on 1 November 2017 and effective 1 January 2018. Central Bank financing declined to 1.0% of GDP in FY 2017/18, compared to 8.1% of GDP in FY 2016/17. Private non-bank entities also reduced their exposure to the Government.

During 2018, the financial sector remained stable and had above-normal levels of capital adequacy and liquidity. These trends were driven in part by on-going weak growth in credit to the private sector, despite a relatively benign interest rate environment. While the weighted average deposit and loan rates remained effectively unchanged, the average mortgage rate continued to decline, reaching 5.4% as of December 2018, compared to 5.6% as of the end of 2017.

In November 2018, Barbados received a ratings upgrade from Standard and Poor's on its long- and short-term local currency debt to B-/B from SD/SD with a stable currency outlook. Improvements in the current ratings are dependent upon the Government's ability to meet its fiscal targets and reform agenda which impacts positively investor confidence and economic growth. No new borrowing on the capital markets is anticipated over the next four years as Barbados is committed to achieving its debt-to-GDP target.

For further detail on the general economic and public finance performance of Barbados, see "The Economy" and "Public Finance."

Barbados Economic Recovery and Transformation Plan

Due to the challenging outlook for the Barbadian economy, on 1 June 2018, the Government announced the need for decisive action to place public finances on a sustainable path in an effort to alter the trajectory of international reserves and create the conditions for strong, sustainable growth. To follow up on the 1 June 2018 announcement, the Government announced the Barbados Economic Recovery and Transformation Plan (the "*BERTP*") on 11 June 2018.

The BERTP is expected to consist of the following three phases:

- Phase one (first three months) includes: (i) the imposition of user fees for both domestic and international users at Barbados Tourism Marketing, Inc., Barbados Tourism Product, Inc. and Sanitation Services Authority, in order to take these three statutory corporations off of Barbados' main bank account (the "*Consolidated Fund*", which is a deposit account into which all revenues of Barbados are to be deposited), and at Queen Elizabeth Hospital (the "*QEH*"), in order to take the QEH partially off the Consolidated Fund, which is expected to account for a total reduction in expenditures of approximately U.S.\$25.0 million; and (ii) a review of tax revenue to impose more effective taxes, increase compliance and broaden the base of domestic and foreign tax payers to reduce the fiscal deficit in FY 2018/19;
- Phase two (months three to twelve) includes: (i) a review of Government departments and SOEs with the aim of reducing expenditures, including through mergers and divestment; (ii) a review of the international business framework in light of the inclusion of Barbados on the list of jurisdictions subject to close monitoring for tax purposes by the European Union; and (iii) measures to boost growth, as discussed below;
- Phase three (month twelve and onward) includes: continued review and analysis of SOEs and departments of the Government.

The combined effect of the three phases is expected to reduce expenditures and raise revenues by a combined amount of approximately U.S.\$115.0 million.

Medium-Term Fiscal Strategy

As part of the BERTP, Barbados' medium-term fiscal strategy is designed to put the deficit and debt on a sustainable footing while: (i) building reserves; (ii) restoring and accelerating growth through increased public sector efficiencies and special economic zones; (iii) investing in critical public infrastructure, such as sewage, sanitation and transport; and (iv) providing social protection for the most vulnerable, such as the elderly poor, unemployed youth and the working poor.

Over the medium term, Barbados will focus on achieving fiscal surpluses and decreasing the amount of debt outstanding. The mini-budget announced in June 2018 lays out the path to cutting the budget deficit in half by the end of FY 2018/19. The overall public sector deficit declined from 4.6% of GDP in FY 2017/18 to 0.5% of GDP in FY 2018/19. The fiscal and debt adjustments are expected to reduce the debt to GDP ratio from 147.8% as of 31 December 2017 to 60% by FY 2033/34.

The medium-term fiscal strategy aims to achieve a debt to GDP ratio of 60.0% by FY 2033/34. To achieve this goal, Barbados expects to move to a primary fiscal surplus of 6.0% of GDP by FY 2019/20 and maintain that fiscal surplus until FY 2024/25, moderating it slowly as intermediate debt to GDP targets are reached.

Additionally, Barbados is conducting a comprehensive, consensual debt restructuring. The debt restructuring aims to address the severe challenges presented by current debt service commitments and, in conjunction with the corrective economic and fiscal measures, to place public debt on a more sustainable footing. For more information on the debt restructuring, see "Debt Strategy" below.

In addition to the fiscal and debt measures, Barbados will also pursue structural reforms to improve the supply of labour and training, improve the speed, cost, predictability and transparency of government procurement and make it generally easier and cheaper to do business in Barbados. The Government expects that these measures will enable Barbados to convert potential investment projects to active investments, increasing the potential GDP growth towards 3.5%. Given that structural reforms can take significant time to design, implement and bear fruit, the Government has not assumed the success of any of these structural reforms in its strategy to reach a debt to GDP ratio of 60.0% by FY 2033/34.

Overall, the fiscal consolidation measures will be underpinned by: (i) core structural reforms; (ii) strategic expenditure management, particularly within SOEs, (iii) SOE reforms, including through improvement of SOE governance and through mergers and discontinuation of certain entities, to reduce transfers given to SOEs; and (iv) strengthened fiscal institutions, with a goal of facilitating business through the use of advanced technologies while entrenching fiscal discipline.

Summary of Select Strategies

Barbados plans to:

- adjust the pace and composition of the fiscal adjustment through comprehensive tax and public financial management reform;
- promote and foster greater transparency, fiscal discipline and prudence in the management of Government affairs;
- conduct a comprehensive debt restructuring programme;

- reduce outstanding arrears between the Government and other agencies through settlements negotiated by the established Arrears Unit;
- introduce stronger oversight, improved reporting, cost reduction and revenue enhancement, including a review of all tariffs and user fees charged by the SOEs that are to be reformed under the BERTP;
- improve SOE management and efficiency through performance-based budgeting and waste and duplication reduction;
- improve the Public Investment Management Framework (the “*PIMF*”); and
- engage in a comprehensive expenditure review.

IMF Programme

In addition to the BERTP, the Government requested from the IMF: (i) liquidity support for international reserves, (ii) an assessment of the BERTP and (iii) discussions regarding the debt restructuring.

On 1 October 2018, the IMF announced the approval by its Executive Board of a four-year extended arrangement (the “*Extended Arrangement*”) under the Extended Fund Facility (the “*EFF*”) for Barbados for approximately U.S.\$290.0 million, or 220% of Barbados’ quota in the IMF. The approval of this programme allowed for the immediate disbursement of approximately U.S.\$49.0 million. The Extended Arrangement, which is complemented by the fiscal and debt adjustment measures, aims to help Barbados restore debt sustainability, strengthen its external position and improve growth prospects.

The IMF published its first review of Barbados under the Extended Arrangement on 24 June 2019. Barbados met all quantitative performance criteria and indicative targets for March 2019. The review outlines that six structural benchmarks were met and the remaining four benchmarks were implemented with minor delays. The review notes the swift progress Barbados has made since mid-2018 in addressing economic vulnerabilities, including a significant increase in international reserves, the completion of the domestic debt restructuring and ongoing reform of SOEs, the customs department, public pensions and the Central Bank of Barbados Act Cap.323C.

Debt Strategy

In June 2018, as a consequence of critically low levels of international reserves, unsustainably high levels of public indebtedness, poor growth and major failings in public infrastructure and social safety nets that undermined Barbados’ ability to service its external debt, the Government announced its intention to seek the cooperation of its domestic and external creditors in a comprehensive restructuring of its public debt. The Invitation described in this invitation memorandum is a key part of Barbados’ debt management programme.

The following summarises Barbados’ proposed treatment of its different types of indebtedness. See “Public Debt” for a list of Barbados’ outstanding debt.

The extent and terms of the debt restructuring have been designed so as to not endanger financial stability within the economy.

Domestic Debt

Barbados Dollar–Denominated Instrument and Arrears

On 1 June 2018, Barbados announced that it would endeavour to make scheduled domestic interest payments on Barbados dollar-denominated debt, but the domestic creditors were asked to roll over principal maturities until restructuring agreements were concluded. In addition, on 27 June 2018, the Ministry of Finance announced a moratorium on Treasury Bill auctions.

On 7 September 2018, Barbados launched an exchange offer for holders of Barbados dollar-denominated debt, including Treasury Bills and Treasury Notes and Debentures, issued or contracted by Barbados, certain state-owned enterprises and certain other entities that receive transfers from the Government budget (the “*Domestic Exchange Offer*”). The launch of the Domestic Exchange Offer followed three months of extensive consultations between Barbados and representatives of the several creditors and creditor groups that would be affected by the debt restructuring, including Barbados’ banks, its insurance companies, the NIS and the Central Bank.

In the Domestic Exchange Offer, Barbados offered to exchange existing Barbados dollar-denominated instruments for various series of new instruments, with the eligibility for each new instrument depending on the holder and instrument type. A summary of the offer is available at: <http://gisbarbados.gov.bb/blog/bbd-debt-exchangeoffer-summary/>.

With the launch of the Domestic Exchange Offer, Barbados announced the suspension of interest payments on Barbados-dollar denominated instruments. All interest falling due and accruing through 30 September 2018 will be capitalised and added to the principal amount of new instruments offered in the exchange. Interest on the new instruments accrued retroactively from 30 September 2018.

On 30 October 2018, Barbados announced that holders of 97% of the aggregate principal amount of all outstanding Barbados dollar-denominated debt eligible to participate in the Domestic Exchange Offer accepted the offer, including holders of SOE debts guaranteed by the Government, as described below. Pursuant to the Debt Holder (Approval of Debt Restructuring) Act, 2018, all claims eligible to participate in the Domestic Exchange Offer were restructured in accordance with the terms of the offer.

Domestic Debt Instruments and Arrears of SOEs and Guaranteed Claims

Barbados has given guarantees of various indebtedness of SOEs and certain entities that receive transfers from the Government budget. Barbados’ approach to the debts owed by SOEs and other entities to commercial creditors has been focused on drawing a distinction between those entities that were not financially viable in the absence of budgetary transfers from the Government and those that were deemed to be self-sufficient on the basis of their own operations.

For self-sufficient SOEs and government-supported entities, creditors of these entities released the Government guarantees with the SOE obligor remaining unchanged pursuant to the Domestic Exchange Offer. Debts of self-sufficient SOEs were not otherwise altered or reprofiled.

For non-self-sufficient SOEs and government-supported entities, the Government assumed these debts and restructured the debts on the same terms as Barbados dollar-denominated Government bonds and Debentures in the Domestic Exchange Offer, as described above.

External Debt

Commercial Loans and External Bond Indebtedness

Due to Barbados' international reserve position and the Central Bank's projections for further declines, Barbados ceased servicing all of its external commercial loans and external bond indebtedness on 1 June 2018.

Pursuant to this Invitation, on 5 November 2019 Barbados has launched this Invitation to holders of Eligible Claims to offer to exchange their Eligible Claims for the Consideration as described herein. In parallel, also on 5 November 2019 Barbados launched an invitation to offer to exchange (a) U.S.\$540,000,000 of Barbados' outstanding international bonds, (b) U.S.\$225,000,000 of Barbados' outstanding loans; (c) Fixed Rate Non-Callable Guaranteed Bonds 2007-2022 issued by the Barbados Transport Board and Fixed Rate Non-Callable Guaranteed Bonds 2007 – 2022 issued by Barbados Agricultural Management Co. Ltd.; and (d) Class B Fixed Rate Bonds due 2019 issued by the Government of Barbados (ISIN XS0441235255), each as described more fully in the invitation memoranda relating to the Parallel Exchanges. The launch of the invitations is in furtherance of the Government's 1 June 2018 announcement of its intention to seek a comprehensive restructuring of Barbados' debt, including the Domestic Exchange Offer, and follows many months of good faith discussions with the Barbados creditors' committee.

USD-Denominated, Barbados Law Governed Claims

Separately from this Invitation and the Parallel Exchanges, Barbados intends to invite holders of certain USD-denominated, Barbados law governed claims to exchange those instruments for new Barbados dollar-denominated instruments.

Bilateral and Multilateral Indebtedness

Bilateral and multilateral claims have been serviced on time.

BARBADOS

History

The Arawaks were the first known inhabitants of Barbados, all of whom had departed Barbados by the time British colonists first settled at Holetown on the west coast of the island in 1627. Ten years later, sugar cane was introduced to the island. Barbados became the first British territory to establish large sugar cane plantations. Barbados remained a British colony until 1966, when independence from the United Kingdom was granted by the Barbados Independence Act 1966. Barbados is a member of the Commonwealth of Nations, a voluntary association of 53 sovereign states. Since independence, Barbados has experienced political stability.

Geography and Population

Barbados is the most easterly of the Caribbean islands, situated approximately 300 miles off the north coast of South America. The island comprises a total landmass of 166 square miles. The topography is relatively flat and composed mostly of coral. The highest point on the island is Mount Hillaby, at 336 metres (1,104 feet) above sea level. The climate is tropical, tempered by trade winds, with daytime temperatures typically in the range of 80 to 85 degrees Fahrenheit (27 to 29 degrees Celsius). A cool, dry period between December and March is followed by a warmer, rainy period from April to November. Barbados is located in an active geologic zone and in one of the most hurricane-prone regions of the world.

Between the population census in 2000 and the latest census in 2010, Barbados' population increased at an average annual rate of approximately 0.34%. According to the World Bank, the estimated total population of Barbados was 285,719 as of 31 December 2017, an increase of 2.84% compared to 277,821 as of the 2010 population census.

The World Bank estimated that 68% of Barbados' population lived in rural areas in 2010, an increase of 2 percentage points compared to 2000, while 32% of the population lived in urban areas.

Bridgetown, the capital of Barbados and the country's largest urban centre, is situated on the southwest coast of the island and, with its surrounding areas, had a population of approximately 89,630 as of the 2010 census.

Based on the World Bank's data, the country's population density is estimated at approximately 664.5 persons per square kilometre, compared to an average population density of 17.9 for small states in the Caribbean, as classified by the World Bank.

English is the official language of Barbados.

The Constitution of Barbados (the "*Constitution*") provides for religious freedom. Over one hundred religious denominations, predominantly Christian, are represented in Barbados.

Infrastructure

Barbados' infrastructure includes a road network of over 980 miles, including a multi-lane highway extending from the airport at the southeast of Barbados to the seaport on the west coast. Electricity and water are available in most households and a modern telecommunications network infrastructure is currently operated by telecommunications network providers, including Cable & Wireless (Barbados) Ltd. (trading as Flow) and Digicel (Barbados) Ltd.

Social Development

Barbados is generally classified as a middle-income developing country.

The following table sets forth the latest selective comparative statistics published by the International Bank for Reconstruction and Development (the “*World Bank*”) and the United Nations Development Programme (the “*UNDP*”) for Barbados and other countries in the Caribbean.

Table No. 2
Selected Social Development Indicators (2016)

	<u>Barbados</u>	<u>Grenada</u>	<u>Trinidad and Tobago</u>	<u>St. Lucia</u>	<u>Saint Vincent and the Grenadines</u>	<u>Saint Kitts and Nevis</u>	<u>Jamaica</u>	<u>Bahamas</u>
Per capita GDP ⁽¹⁾ ..	15,891.63	9,841.76	16,352.11	9,364.82	6,982.26	16,596.83	4,883.86	30,260.31
Infant mortality rate ⁽²⁾	12.3	16.0	18.5	13.3	16.6	9.3	13.5	6.1
Life Expectancy at birth ⁽³⁾	75.906	73.659	70.673	75.496	73.179	71.337	75.97	75.675
Human Development Index Rank.....	58	75	69	90	99	72	97	54
Average Years of Schooling ⁽⁴⁾	9.2	n.a.	10.6	n.a.	n.a.	n.a.	13.2	12.8

n.a. = Not available.

- (1) Figures are in U.S. dollars adjusted for purchasing power parity. Per capita GDP for Barbados will not match Barbados’ per capita GDP shown elsewhere in this document but is used here to provide a consistent basis for inter-country comparisons.
- (2) Infant mortality per 1,000 live births.
- (3) Figures as of 2002 for Dominica and Saint Kitts and Nevis.
- (4) Figures as of 2013.

Source: *World Bank*

For many years, Barbados has emphasised the development of its human resources, resulting in a literate and trained labour force. The 2009 Human Development Report UNDP study ranked Barbados 37th in overall quality of life (based on 2007 UNDP human development index values) and estimated its literacy rate at 99.7% as of 2017.

The Barbados educational system is modelled on the British system, and children are legally required to attend school up to the age of sixteen. Three levels of public education are available in Barbados, including a campus of the University of the West Indies (the “*UWI*”) located at Cave Hill. Education is funded almost entirely by the Government, from primary school to the undergraduate level and the Government contributes to the costs of the UWI. The fees paid by Barbadian citizens attending the Cave Hill campus are nominal.

Healthcare

Healthcare in Barbados is funded almost entirely by the Government. Free treatment for citizens and permanent residents of Barbados is provided at Barbados' largest hospital, Queen Elizabeth Hospital in Bridgetown, which provides a variety of medical services. Barbados' second largest hospital, Bayview, is private and charges patients for services. Barbados has a number of smaller district medical clinics, some of which also provide dental services. The standard of healthcare is high compared to other developing and Caribbean countries, and limited Government funding is also available for overseas treatment. In addition to Bayview, there are a number of other private medical clinics on the island. The Government has acted promptly to establish healthcare and prevention programmes and has received U.S.\$15.0 million and U.S.\$35.0 million in 2003 and 2009, respectively, from the World Bank under the HIV/AIDS phase 1 and phase 2 loan programmes.

Immigration

The Immigration Act of Barbados grants foreign residents in Barbados who can evidence ability to support themselves and their dependents the status of immigrant in the first instance and, upon application five years thereafter, the status of permanent resident. Barbados' immigration policy is focused on maintaining and strengthening the Government's economic base, ensuring the safety and security of the Barbadian people and embracing internationally accepted levels of governance.

Form of Government

General

Barbados' current form of government was established by the Constitution, which took effect pursuant to the Barbados Independence Act in 1966. The Constitution was founded on the British Westminster model of parliamentary democracy and provides that Barbados' Government comprises the elected House of Assembly and an appointed Senate. The Constitution also guarantees certain fundamental rights and freedoms.

Amendments to the Constitution can be passed either: (i) by a simple majority of each house of parliament or (ii), in the case of changes to certain fundamental provisions, including those relating to citizenship, fundamental rights and freedoms of the individual, the judicature, public service, national finance and certain provisions relating to the Governor General and Parliament, by a two-thirds majority of each house of Parliament. There is no requirement that constitutional amendments be approved by a referendum.

As part of the Commonwealth of Nations, Queen Elizabeth II of the United Kingdom is the head of state of Barbados and is officially titled Queen of Barbados. Queen Elizabeth II is represented in Barbados by a Governor General, who is appointed on the recommendation of the Prime Minister of Barbados (the "*Prime Minister*"). The constitutional functions of the Governor General are, in most cases, of formal or ceremonial nature.

There is no local or municipal government on the island.

Legislature Branch

The Parliament, unless dissolved earlier, continues for five years from the date of the most recent general election. The Constitution provides for an Electoral and Boundaries Commission, which directs and supervises the determination of the number, sizes and boundaries of constituencies, the registration of

voters and the conduct of elections in every constituency. Barbados is currently divided into thirty constituencies.

Barbados' House of Assembly consists of thirty members elected in accordance with the provisions of the Constitution and the Representation of the People Act Cap. 12.

Of the twenty-one seats in the Senate, twelve are appointed by the Prime Minister, seven are appointed by the Governor-General and two by the leader of the opposition.

Since independence in 1966, two parties, the Barbados Labour Party (the “BLP”) and the Democratic Labour Party (the “DLP”), have dominated politics in Barbados. The DLP held the majority in the House of Assembly during the decade after Barbados' independence, then BLP controlled the House of Assembly for the following two terms from 1976-1986. In 1986, the DLP, once again, held the majority, until 1994 when the balance shifted in favour of the BLP. The BLP maintained its majority in the House of Assembly until the DLP won twenty out of the thirty seats in 2008. In the recent 2018 election, the BLP won a sweeping victory, capturing all thirty seats in the House of Assembly. Other active parties include the United Progressive Party (the “UPP”), Solutions Barbados (“SB”) and three others.

The present government, which was formed by the BLP and is led by Prime Minister Mia Amor Mottley, came to office in 2018. As of the date of this invitation memorandum the BLP has 29 seats in Parliament and the opposition holds one seat. Under the Constitution, the next general election in Barbados is required to take place no later than August 2023 but can be called sooner by the Prime Minister.

Executive Branch

The Prime Minister is appointed by the Governor General as the member of the House of Assembly best able, in the judgment of the Governor General, to command the confidence of a majority of the House of Assembly.

The Constitution provides for a cabinet consisting of the Prime Minister and not fewer than five other ministers (the “Cabinet”). As of the date of this invitation memorandum, the Government led by the Prime Minister is supported by 25 Ministers.

The Cabinet is the principal organ for the formulation and implementation of government policy. It is charged by the Constitution with the general direction and control of the Government and is collectively responsible to the Parliament. Members of the Cabinet are appointed by the Governor General on the advice of the Prime Minister. The Constitution further provides that there shall be a leader of the opposition, also appointed by the Governor General.

Judicial Branch

The judicial system of Barbados is based on the English common-law system and is comprised of a four-level court structure. Among the three domestic courts, there are Magistrates' Courts, which serve as courts of summary jurisdiction. The other two domestic courts, the Court of Appeal and the High Court, are collectively referred to as the Supreme Court of Barbados. The High Court consists of a civil, criminal and family division, and judges of the High Court may sit in any division. Appeals of Magistrates' Court and High Court decisions are heard in the Court of Appeal, which exercises both criminal and civil jurisdiction. Final appeals are made to the Caribbean Court of Justice (the “CCJ”), a Caribbean Community (“CARICOM”) institution based in Trinidad and Tobago. Barbados is currently

one of four CARICOM Member States, along with Belize, Dominica and Guyana, that recognise the CCJ as their final appellate court.

Foreign Affairs, International Organisations and International Economic Cooperation

Barbados has diplomatic ties with 107 countries. Barbados is a member of the United Nations, the Commonwealth of Nations, CARICOM, the Caribbean Development Bank (the “CDB”), the Regional Security System (the “RSS”), the Association of Caribbean States (the “ACS”), the African, Caribbean and Pacific Group of States (the “ACP”), the Alliance of Small Island States (the “AOSIS”), the Caribbean Disaster Emergency Management Agency (the “CDEMA”), the United Nations Economic Commission for Latin America and the Caribbean, the Caribbean Tourism Organization, Inter-American Development Bank, International Criminal Police Organization (“*Interpol*”), the Latin American and the Caribbean Economic System (“*SELA*”), Non-Aligned Movement (“*NAM*”), the Organization of American States (the “OAS”) and the International Criminal Court.

Barbados has been recognised by most members of the United Nations and maintains diplomatic missions in the United States, Canada, the United Kingdom, Belgium, Switzerland, China, Cuba, Brazil and Venezuela.

A resident High Commissioner (distinct from the Governor General, who represents the British monarch) represents the United Kingdom in Barbados. There are also various other members of the United Nations with Embassies, High Commissions and Consulates in Barbados.

THE ECONOMY

General

Barbados is a small, diversified, service-based economy with an educated workforce, solid social and economic infrastructure and a historically stable growth performance due in part to high levels of human development and continued political stability. The economy is driven by private enterprise with the Government playing a crucial role in the provision of social services and physical infrastructure. According to the United Nations, Barbados' GDP per capita was U.S.\$15,687.20 in 2018, compared to an average of U.S.\$11,697.00 for select CARICOM member countries.¹

Gross Domestic Product

The following table sets forth the rate of growth of real GDP by economic sector for the years indicated.

Table No. 3
Real GDP Growth by Sector⁽¹⁾

	2014	2015	2016	2017	2018
	<i>(per cent change against prior year)</i>				
Traded sector	(0.3)	6.5	6.0	3.4	3.9
Sugar	(16.2)	(19.9)	(29.0)	59.0	12.0
Non-sugar agriculture and fishing.....	(1.6)	1.6	0.2	(5.3)	14.9
Manufacturing	(4.3)	4.8	(1.3)	1.6	0.5
Tourism	1.9	7.8	9.8	4.6	4.2
Non-traded sector	0.1	1.3	1.7	(0.2)	(1.7)
Mining and quarrying.....	39.1	29.9	(13.2)	25.6	2.4
Electricity, gas and water	0.2	(1.8)	0.7	(1.9)	(0.3)
Construction	1.4	(1.2)	(2.6)	2.1	(6.4)
Wholesale and retail trade ⁽²⁾	(3.8)	3.4	(1.0)	(3.7)	(3.8)
Government services	(6.8)	(3.3)	(1.1)	0.1	(1.6)
Transportation, storage and communications.....	3.5	0.6	9.5	(1.8)	(2.6)
Business and other services ⁽³⁾	2.1	3.0	1.6	(0.8)	(0.2)
Total	(0.0)	2.4	2.6	0.6	(0.4)

(1) Based on GDP calculated in constant 2010 Barbados dollars (U.S. dollar equivalent).

(2) Includes establishments engaged in wholesale and retail merchandising (such as restaurants, artisanal shops, grocery markets, general tourism and beach products) and the sale of items produced by the manufacturing sector (such as electronic components, chemicals, garments and textiles, paint, paper products, furniture, edible oils, soap and food products).

(3) Includes international business and financial services, other businesses and data and information technology services.

Source: Barbados Statistical Service

¹ The CARICOM countries are The Bahamas, Jamaica, Trinidad and Tobago, Guyana, Belize, Haiti and the Eastern Caribbean Currency Union.

The following table sets forth the composition of Barbados' of real GDP by economic sector, in U.S. dollars and in percentage terms, for the periods indicated.

Table No. 4
Real GDP by Sector⁽¹⁾

	%	2014	%	2015	%	2016	%	2017	%	2018	%
<i>(In millions U.S. dollars and as a percentage of total GDP)</i>											
Traded sector	21.4	820.2	22.3	873.1	23.0	925.4	23.6	956.6	23.6	930.7	23.3
Sugar	0.1	3.0	0.1	2.4	0.0	1.7	0.1	2.7	0.1	3.0	0.1
Non-sugar agriculture and fishing.....	1.4	51.9	1.3	52.7	1.3	52.8	1.2	50.1	1.2	57.5	1.4
Manufacturing..	6.1	234.4	6.3	245.7	6.0	242.6	6.1	246.4	6.1	247.7	6.1
Tourism	13.9	530.9	14.6	572.4	15.6	628.3	16.2	657.4	16.2	685.2	17.0
Non-trade sector .	78.6	3,009.4	77.7	3,050.0	77.0	3,100.6	76.4	3,095.1	76.4	3,041.9	75.4
Mining and quarrying	0.4	14.4	0.5	18.7	0.4	16.2	0.5	20.4	0.5	20.9	0.5
Electricity, gas and water	2.9	110.7	2.8	108.7	2.7	109.5	2.7	107.4	2.7	107.1	2.7
Construction	6.6	250.8	6.3	247.8	6.0	241.4	6.1	246.5	6.1	230.8	5.7
Wholesale and retail trade ⁽²⁾	10.0	383.7	10.1	396.9	9.8	392.9	9.3	378.5	9.3	364.1	9.0
Government services.....	11.7	447.0	11.0	432.3	10.6	427.4	10.6	427.8	10.6	420.9	10.4
Transportation, storage and communications	12.6	483.5	12.4	486.3	13.2	532.6	12.9	522.8	12.9	509.0	12.6
Business and other Services ⁽³⁾	34.4	1,319.3	34.6	1,359.2	34.3	1,380.6	34.4	1,391.8	34.4	1,389.1	34.4
Total.....		3,829.6		3,923.2		4,026.0		4,051.7		4,035.3	

Note: Numbers may not total due to rounding.

(1) Based on GDP calculated in constant 2010 Barbados dollars (U.S. Dollar equivalent).

(2) Includes establishments engaged in wholesale and retail merchandising (such as restaurants, artisanal shops, grocery markets, general tourism and beach products) and the sale of items produced by the manufacturing sector (such as electronic components, chemicals, garments and textiles, paint, paper products, furniture, edible oils, soap and food products).

(3) Includes international business and financial services, other businesses and data and information technology services.

Source: Barbados Statistical Service

The strength of private investment enabled the Barbados economy to achieve an average real GDP growth rate of 2.9% per annum between 1993 and 2000, while the population size remained relatively unchanged. In 2001, the Barbados economy contracted by an estimated 2.3% as a result of the depressed world economy and the negative consequences of the 11 September 2001 terrorist attack, which temporarily weakened the performance of the tourism sector. From 2002 through 2008, the Barbados economy registered average real GDP growth of 2.2%, as the tourism sector recovered and new private sector investment was registered. Between 2008 and 2018, real GDP declined on average by 2.4%, particularly in 2009 when real GDP fell by 7.2% in the wake of the global economic and financial

crisis. The economy saw a modest recovery between 2014-2017 as real growth averaged 1.4% due primarily to strong tourism growth.

In 2018, the Barbadian economy contracted by 0.4%, compared to marginal growth of 0.6% in 2017, primarily due to the impact of tighter fiscal policy and a slowdown in the tourism and construction sectors during the second half of the year. The Barbadian economy continued to face challenging macroeconomic conditions during 2018 given the increased risks created by declining international reserves, the threat of rising international oil prices and limited access to new financing for the Government. The Government implemented initiatives to address these challenging economic conditions through an intensification of fiscal consolidation efforts and structural reforms aimed at stimulating economic growth.

Business and other services (of which international business and financial services are the principal components), tourism, and transportation, storage and communications are the main sectors of the Barbados economy, accounting for approximately 34.4%, 17.0% and 12.6% of real GDP in 2018, respectively. These three sectors are also Barbados' largest sources of foreign-exchange earnings and corporate tax revenue and, tourism in particular, contribute to other areas of the Barbadian economy, particularly, wholesale and retail trade and construction.

Principal Sectors of the Economy

Tourism

Tourism is a very important sector of the Barbadian economy. In addition to its year-round warm Caribbean climate and white sandy beaches, Barbados offers a unique array of tourist attractions that distinguishes the island as an up-market destination, particularly for heritage, cultural and sport tourism, and attracted 678,538 visitors in 2018. On 25 June 2011, Historic Bridgetown and its Garrison was designated a UNESCO World Heritage site.

From 2014 to 2018, the tourism sector accounted for an average of approximately 15% of total real GDP and approximately 66% of traded sector real GDP. In 2018, tourism contributed U.S.\$685.5 million to real GDP, equivalent to 68.9% of traded sector real GDP and 17.0% of total real GDP, compared to U.S.\$657.4 million, 68.7% and 16.2% in 2017, respectively.

Tourism activity also contributes significantly to Barbados' foreign exchange earnings, accounting for spending of U.S.\$1,157.8 million in 2018, U.S.\$1,061.1 million in 2017 and U.S.\$1,020.1 million in 2016. The tourism sector also has multiplier or spill-over effects on other economic sectors, in particular, construction and wholesale and retail trade, and contributes to tourism-related private sector economic investment.

The following tables set out selected statistics relating to the tourism sector for the years indicated.

Table No. 5
Key Tourism Indicators

	Year ended 31 December				
	2014	2015	2016	2017	2018
Tourism real GDP (% change).....	1.9	7.8	9.8	4.6	4.2
Tourist arrivals (in thousands)	519.6	591.9	631.5	661.3	678.5
United Kingdom.....	186.8	214.2	218.6	217.4	220.7
United States	118.5	148.1	168.9	188.5	204.2
Canada.....	65.8	74.6	78.9	85.1	86.5
CARICOM	78.7	88.0	99.7	102.9	102.8
Other	69.7	67.2	65.3	67.3	64.3
Average length of stay (nights)*	9.2	9.0	8.8	8.7	8.6
Hotel room occupancy rate (%)	n.a.	68.6	68.4	67.9	66.2
Cruise ship passengers (in thousands)	557.9	586.6	594.1	681.2	615.0
Estimated tourist spending (in millions of U.S.\$).....	868.6	927.8	1,020.0	1,061.1	1157.8

* Excludes people staying at the homes of friends or relatives or people who stay in apartments or villas, which are not, for these purposes, recognised accommodation.

n.a. = Not available.

Source: Barbados Statistical Service and Central Bank of Barbados

The country of origin for tourist visitors to Barbados has changed over the last 30 years. The main source of visitors was Canada in the 1970s, the United States in the 1980s and the United Kingdom in the 1990s and over the last two decades.

With the exception of the UK and North American markets, declines in tourist arrivals were recorded from other traditional source markets in 2018. Arrivals from the United States, Canada and the United Kingdom rose by an estimated 8.3%, 1.6% and 1.5%, respectively compared to 2017, mainly due to increased flights and associated marketing in these markets. In 2018, visitors from the United States and Canada accounted for 30.1% and 12.7% of long-stay arrivals, while the United Kingdom and CARICOM accounted for 36.6% and 15.2% of long-stay arrivals, respectively.

The following table provides information regarding air service to and from Barbados as of 31 December 2018 by principal tourist departure city.

Table No. 6
Air Services to and from Barbados

Location	Air Service Provider
New York	American Airlines Jet Blue Airways
Miami	American Airlines
London	British Airways Virgin Atlantic Thomas Cook Airlines
Montreal	Air Canada
Toronto	Air Canada West Jet Airlines
Germany	Condor Airlines
Latin America	Copa Airlines

Source: Barbados Tourism Marketing Incorporated

Barbados also serves as a port of call for the following major cruise operators, among others: Princess Cruises, Royal Caribbean Cruise Lines, Carnival Cruise Lines, Norwegian Cruise Lines and Disney Cruise Lines.

Cruise ship passengers reached 614,993 in 2018, a decline of 9.7%, compared to growth of 14.7% in 2017 when there were increased cruise ship calls. Cruise ship passenger arrivals increased during 2016 and 2015 by 1.3% and 5.2%, respectively.

As of end of December 2018, total tourist accommodation, which includes registered hotels, villas and guest houses, in Barbados was approximately 6,573 rooms.

The tourism sector in Barbados has traditionally been dominated by luxury hotels on the west coast, such as the Sandy Lane Hotel, Glitter Bay and the Royal Pavilion. There are also ongoing projects and plans to develop major hotel projects on the east and west coasts and in Bridgetown, including the Sandals Beaches, Hyatt Hotel and the Wyndham Resort.

The Barbados Tourism Marketing Incorporated (the “BTMI”) aims to maintain market diversity by targeting niche markets in addition to the traditional markets of the United States, Canada and other CARICOM countries. The BTMI also seeks to enter new markets in Brazil and other South American countries and to bolster Barbados’ profile in Germany and other European nations. Although the BTMI intends to continue to focus primarily on the luxury market, its aim is to develop the upper-end of the budget market in a complementary manner. This aim will be pursued through improvements to all classes of hotels, an increase in the number of available rooms for visitors, improvements to infrastructure and a variety of events and recreational facilities for different tourist segments.

Business and Other Services

Business and other services comprises of international business and financial services, insurance, other businesses and data and information technology services. In 2018, this sector represented 34.4% of real GDP, as compared to an average of 34.4% of real GDP over the 2014-2017 period.

International Business and Financial Services

International business and financial services are the principal components of the general businesses, financial and other services sector. Historically, the international business and financial services encompasses international business companies, international banks, exempt insurance companies and exempt insurance management companies, and societies with restricted liability, as discussed in more detail in “–Banking” and “–Insurance” below. The international business and financial services sector benefits from the well-educated, skilled labour and modern telecommunications facilities available in Barbados.

The international business and financial services sector generates revenue primarily through collection of corporate taxes and, to a lesser extent, on government fees for new licences.

International Business Companies

An important key component of the business and other services sector is licensing under the International Business Companies Act 1991-24 (the “*IBCA*”). Pursuant to the previous IBCA, international business companies (“*IBCs*”) conducted activities other than insurance-related and banking-related business. These permitted activities include manufacturing, marketing and global management services. During 2018, 237 new IBC licences were issued, a reduction from the 293 issued in 2017 and 346 in 2016.

Effective January 2019, all domestic and international business companies operating in Barbados will become regular Barbadian companies. This change in the corporate tax system was accomplished in December 2018 when the Barbados Government repealed several laws, including the International Business Companies (IBC) Act and the International Societies with Restricted Liability (ISRL) Act. These Acts previously made provisions for licensed entities to be taxed at corporate rates ranging between 0.25% and 2.5%, depending on the level of their respective profits. Currently, all IBC’s and ISRLs became regular Barbados companies and entities and can conduct business locally, regionally, and internationally, under corporate tax rates of between 1% and 5.5%.

The following table sets forth the number of new licences in international business and financial services for the years indicated.

Table No. 7
New Licences Issued in International Business and Financial Services *

	Year ended 31 December				
	2014	2015	2016	2017	2018
International Business Companies	442	365	346	293	237
Exempt Insurance Companies.....	11	10	9	12	7
Exempt Insurance Management Companies	1	3	1	1	1
Societies with Restricted Liabilities.....	30	38	117	59	56
International Banks	2	0	0	0	0
Total.....	486	416	473	365	302

* The information included herein relates to new licences issued only and not to the continued existence or operating status of the relevant entities.

Source: Central Bank of Barbados, Ministry of International Business and International Transport

International Banking

Banking institutions licensed under the previous International Financial Services Act are a key component of the international business and financial services sector. International banks in Barbados accept deposits, sell and place foreign securities and provide loans to businesses abroad. They also accept foreign currencies, securities and other overseas property in trust. From 2014 to 2018, the number of international banks in Barbados declined from 40 in 2014 to 22 in 2018. This decrease in the number of international banks was mainly due to a reduction in the tax incentives available to these companies resulting from changes to the Canadian tax system.

The International Financial Services Act, which previously governed the operations of international banks, was repealed and the Financial Institutions Act amended to require the licencing of institutions conducting business that generates solely foreign currency. There will be four classes of licences under the amended Financial Institutions Act: Class 1 —commercial banks; Class 2 — trust companies, finance companies, merchant banks, and money or value transmission service providers; Class 3 —financial holding companies; and Class 4 —foreign currency earning banks.

Insurance

The insurance segment includes life insurance, exempt insurance and exempt insurance management companies. Exempt insurance companies (“EICs”) are incorporated under the Companies Act of Barbados and must apply for a licence under the 1983 Exempt Insurance Act. EICs’ activities are restricted to risks and premiums originating outside Barbados. EICs include underwriters, brokers, agents, dealers or salesmen. EICs are licensed, regulated and supervised by the Financial Services Commission (the “FSC”). In 2015, three additional exempt insurance companies were registered, and only two additional companies were registered in the ensuing two-year period from 2016 to 2017.

To converge all corporate tax rates to avoid the categorisation of being a preferential tax regime, Barbados repealed the Exempt Insurance Act. As of 1 January 2019, all insurance entities now come under the Insurance (Amendment) Act, 2018-52, providing for three classes of licence. Class 1 includes insurance companies insuring related-party risks. Class 1 licensees pay a licence fee and are subject to 0 per cent. tax. Class 2 includes all other insurance companies that insure or reinsure risks of third parties. Class 2 licensees are taxed at a rate of 2 per cent. on taxable income. Class 3 includes insurance intermediaries, insurance management companies and insurance holding companies. Class 3 licensees are also taxed at 2 per cent. on taxable income.

International Tax Treaty Network

Barbados has established a treaty network to capitalise on the economic growth of its principal trading partners and enhance its appeal as destination for foreign direct investment. Barbados has double tax agreements with Austria, Botswana, Canada, CARICOM, China, Cuba, Finland, Malta, Mauritius, Mexico, the Netherlands, Norway, Seychelles, Sweden, Switzerland, the UK, the USA, and Venezuela. There is also a regional double taxation agreement amongst the member states of CARICOM. Barbados also has bilateral investment treaties with the United Kingdom, Mauritius, Venezuela, Germany, Switzerland, Italy, Cuba, Canada and China.

Manufacturing

The manufacturing sector accounted for 6.1% of real GDP in 2018, on par with the output share in 2017 and an average of 6.1% for the period from 2014 to 2016. The manufacturing sector in Barbados comprises mainly of light industry, including production of electronic components, chemicals, garments

and textiles, paint, paper products, furniture, edible oils, soap and processed food products. The main agro-industries are sugar products and rum distilling.

Output in the manufacturing sector increased by 0.5% in 2018, compared with growth of 1.6% in 2017, primarily due to lower production of beverages and tobacco, food processing and chemical products.

The Government continues to support the manufacturing sector's modernisation of existing plants, reduction in unit production costs and increases in productivity. The Government encourages manufacturers to restructure and diversify their production systems and to discard outdated plant and equipment to be able to compete internationally. Through the Barbados Investment and Development Corporation (the "*BIDC*"), the Government provides a technical assistance programme for activities relating to plant upgrading, product design and training.

A key by-product of the sugarcane industry in Barbados is rum, which has been manufactured and distilled on the island for over 300 years. Mount Gay Rum, which is majority-owned by Remy Martin, and Cockspur Fine Rum, ESA Field and Four Square Spiced Rum, which are all locally-owned, have distilleries in Barbados that produce rum for domestic and export markets. The principal export markets are Canada, the United States, the United Kingdom and the European Union. Barbados exported U.S.\$39.9 million of rum in 2018, compared to U.S.\$42.0 million in 2017 and an average of U.S.\$38.8 million from 2014 to 2016.

Agriculture and Fishing

Agriculture and fishing, and in particular sugar, have historically played a larger role in the Barbados economy. However, in recent decades, agriculture accounts for a relatively small proportion of real GDP, 1.4% of real GDP in 2018, which is on par with the average share of 1.3% from 2014 to 2017.

The following table shows the production of selected agricultural products for the years indicated.

Table No. 8
Production of Selected Agricultural Products

	Year ended 31 December				
	2014	2015	2016	2017	2018
Sugar cane ⁽¹⁾	15.6	10.4	7.0	10.1	11.6
Poultry ⁽²⁾	14,391.9	16,134.1	14,896.8	15,805.3	16,465.6
Milk ⁽²⁾	3,724.5	3,920.6	3,412.0	3,646.6	3,599.5

(1) Thousands of tonnes.

(2) Thousands of kilograms.

Source: Central Bank of Barbados, Barbados Sugar Producers Association Inc., Pine Hill Dairy Sugar

Sugar

Although sugar production accounted for less than 1% of real GDP in 2018, the sugar industry generates important foreign exchange earnings. Sugar plantations also reduce soil erosion, preserve a rural society and provide significant employment. Sugar production in 2018 was 11.6 thousand tonnes, compared to 10.1 thousand tonnes in 2017, and an average production level of 11.0 thousand tonnes from 2014 to 2016.

Over the past two decades, profitability of the sugar industry has been in chronic decline, resulting in a decrease of land under sugar cultivation, but the Government has continued its efforts to restructure and preserve the industry.

Non-Sugar Agriculture and Fishing

The non-sugar subsector of agriculture and fishing includes vegetable and root crops, fruit, livestock, cotton and fishing. In 2018, non-sugar agriculture output accounted for 1.4% of real GDP, marginally above the average share of real GDP over the 2014 to 2017 period. The historical performance of this sub-sector tends to fluctuate, partially due to its sensitivity to weather conditions.

Wholesale and Retail Trade

The wholesale and retail trade sector encompasses, among other things, restaurants, artisanal shops, grocery markets, department stores, general tourism and beach products and the sale of items produced by the manufacturing sector, including electronic components, chemicals, garments and textiles, paint, paper products, furniture, edible oils, soap and food products.

Wholesale and retail trade accounted for approximately 9.0% of total real GDP in 2018 and 9.3% in 2017, which was lower than the average of 9.9% of total real GDP from 2014 to 2016. Wholesale and retail trade fell by 3.8% in 2018, after contracting by 3.7% in 2017, principally due to the implementation of fiscal consolidation measures, including higher indirect taxes, which had a dampening impact on aggregate spending and economic activity.

Construction

Construction accounted for 5.7% of total real GDP in 2018, 6.1% of total real GDP in 2017 and an average of 6.3% of total real GDP from 2014 to 2016. Construction activity declined by an estimated 6.4% in 2018, following an increase of 2.1% in 2017 and an average decline of 0.8% from 2014 to 2016. The contraction of the construction sector was due primarily to a significant slowdown in both private and public building and infrastructure projects and delayed tourism-related projects.

Energy and Utilities

Energy

In 2018, Barbados produced approximately 218,300 barrels of crude oil domestically, compared to 233,500 barrels in 2017 and an average of 238,300 barrels from 2014 to 2016. Domestic production provides for approximately one-third of domestic consumption.

The Barbados National Oil Company Limited (the “BNOCL”), a statutory corporation, operates the oil and gas industry of Barbados and is monitored by the Energy Division. In 1996, BNOCL executed a 25-year production sharing agreement with Waggoner (Barbados) Ltd. whereby Waggoner (Barbados) Ltd. provides assistance in developing oil and gas resources, and developing challenging reservoirs in particular, in exchange for a majority of any incremental production provided from its development programmes and an equal voice in developing and implementing the joint venture’s operating plans.

Commercial processing of crude oil took place in Barbados from 1974 to early 1998 when the island’s only refinery was closed. Barbados previously exported its crude oil to Trinidad and Tobago for refining.

Utilities

The main state-owned public utility enterprises in Barbados are the Barbados Water Authority and the National Petroleum Corporation, which supplies natural gas. Barbados Light and Power Company Limited and FLOW (Barbados) Limited, are privately-owned utility enterprises and are regulated by the Fair Trading Commission.

Barbados has a modern telecommunications network infrastructure, with the latest digital technology and fibre optics systems, which are currently operated by the telecommunications network providers FLOW (Barbados) Limited and Digicel (Barbados) Ltd.

The Fair Trading Commission, established by the Fair Trading Commission Act, 2001-31, oversees utility regulation, consumer protection, and fair competition matters.

State-Owned Enterprises

As of 31 December 2018, the Government owned equity in the following entities:

Table No. 9
Enterprises Wholly- and Partially-Owned by the Government

100% Ownership	Partial Ownership
Arlington House Museum	Insurance Corporation of Barbados
Barbados Accreditation Council	LIAT Ltd.
Barbados Agricultural Credit Trust Ltd.	Southern Golf & Country Club
Barbados Agricultural Development and Marketing Corporation	Hotels & Resorts Ltd.
Barbados Agricultural Management Co. Ltd.	Enterprise Growth Fund Ltd
Barbados Cane Industry Corporation	Southern Meats Ltd
Barbados Community College Board of Management	Barbados Flour Mills
Barbados Concorde Experience	Barbados Agency for Micro Enterprise Development Ltd.
Barbados Conference Services Ltd.	
Barbados Deposit Insurance Corporation	
Barbados International Business Promotion Corporation	
Barbados Investment and Development Corporation	
Barbados National Oil Company Ltd	
Barbados National Standards Institution	
Barbados National Terminal Company Ltd.	
Barbados National Trust	
Barbados Ports Inc.	
Barbados Revenue Authority	
Barbados Tourism Investment Incorporated	
Barbados Tourism Marketing Incorporated	
Barbados Tourism Product Authority	
Barbados Vocational Training Board	
Barbados Water Authority	
Bush Hill Tourism Trust	
Caribbean Agricultural Research & Development Institute	
Caribbean Aircraft Handling Co. Ltd.	
Caribbean Airways International Ltd.	
Caribbean Broadcasting Corporation	
Caves of Barbados Limited	
Child Care Board	
Community Legal Services Commission	
Fair Trading Commission	
Financial Services Commission	
Grantley Adams International Airport Inc.	
Gymnasium Ltd.	
Kensington Oval Management Inc.	
National Assistance Board	
National Conservation Commission	
National Council on Substance Abuse	
National Cultural Foundation	

National Housing Corporation
 National Insurance Board
 National Petroleum Corporation
 National Sports Council
 Needhams Point Development Inc.
 Needhams Point Holdings Ltd.
 New Life Investment Company Inc.
 Queen Elizabeth Hospital
 Resolution Life Assurance Company Ltd.
 Rural Development Commission
 Sanitation Service Authority
 Student Revolving Loan Fund Management Committee
 Technical and Vocational Education and Training
 Council
 Transport Authority
 Transport Board
 Urban Development Commission

Employment and Labour

Employment

Barbados' average rate of unemployment for 2018 was approximately 10.1%, slightly higher than the comparable average rate for 2017. During the period 2014 to 2018, Barbados' labour force was approximately 144,600 persons and, on average, 128,900 persons were employed.

The following table sets forth the labour force size and unemployment data for the years indicated.

Table No. 10
Labour Force and Employment

	Year ended 31 December				
	2014	2015	2016	2017	2018
Labour force.....	142,200	144,600	147,200	144,300	142,500
% of adult population.....	63.9	65.1	66.5	65.4	64.8
Employed persons.....	124,700	128,200	132,900	129,900	128,100
% of labour force.....	87.7	88.7	90.3	90.0	89.9
Unemployed persons ⁽¹⁾	17,500	16,400	14,300	14,400	14,400
% of labour force.....	12.3	11.3	9.7	10.0	10.1

(1) To be considered unemployed, a person must be 15 years of age or over but less than 65 years, who is not currently working but who is willing, able and available to work and who has sought work within the preceding three months.

Source: Barbados Statistical Service

Unemployment benefits are paid by the NIS, a statutory corporation with a board of directors comprising representatives of the Government, the private sector and trade unions. The NIS operates a compulsory contributory unemployment scheme for persons employed in the private sector aged sixteen to sixty-seven. Permanent government employees and self-employed individuals are not eligible to unemployment benefits and not required to contribute. To receive benefits, an individual must have been actively insured for at least thirty-two weeks and made at least twenty contributions in the three

consecutive quarters ending with the quarter, or the quarter before, the individual became unemployed. If eligible, an individual receives unemployment benefits equivalent to 60% of his or her average insurable weekly earnings for a maximum of 26 weeks in a continuous period of unemployment or for an aggregate of 26 weeks in the 52 weeks immediately before the current week of unemployment.

Pensions

Private and public sector pensions in Barbados are paid by the NIS. The 15th Actuarial Review of the National Insurance Fund was undertaken to determine if the social security system in Barbados is operating on sound financial and actuarial bases and if the NIS provides adequate level of social security protection. The main findings were that the number of NIS contributors in 2014 declined sharply to its lowest level since 1998, while pay-outs for all pension-type benefits increased. As at December 2014, total National Insurance Fund (the “NIF”) reserves were \$4.7 billion, 8 times the expenditure in 2014. Outstanding contributions totalled \$224 million and the ratio of contributors to pensioners was 3.0 and is projected to fall to 2.3 by 2034. The Pensions Act provides for: (i) a 10% increase in contributions to the NIS for four consecutive years, (ii) the basing of contributory pensions on an average of the best five of the final fifteen years of a person’s contributions, (iii) indexing of NIS insurable earnings, (iv) an increase in the pensionable age from 65 to 67 over the period from 1 January 2006 to 1 January 2018 and (v) the introduction of flexible retirement/pensionable ages, with reduced pension benefits available as early as age 60 and a deferred pension with increased benefits of 6.0% per year for each year that a person works past the current pensionable age of 67 years, up to age 70. A revised law on pensions is expected in mid to late June 2019.

Trade Unions

The main trade unions in Barbados are (i) the Barbados Workers Union, representing public and private sector workers, (ii) the National Union of Public Workers, (iii) the Barbados Union of Teachers, (iv) the Barbados Secondary Teachers Union and (v) the Congress of Trade Unions and Staff Associations, which represents the interests of affiliate staff associations including the Police Association, the Fire Service Association, the Prison Officers Association and the Barbados Registered Nurses Association. In the last decade, there has been one major strike in Barbados.

Since 1993, the Government, representatives from the private sector and the main trade unions have agreed on successive protocols that provide parameters for sustainable wage policies in the economy. In each protocol, the signatories have reaffirmed their commitment to industrial harmony, continued collaboration and consultation. They also pledge to create a modern, efficient economy, establish some equilibrium between prices and wages, achieve a greater degree of inclusiveness and distribute the benefits of economic growth fairly and equitably.

FINANCIAL SYSTEM

Central Bank of Barbados

The Central Bank was established by Act of Parliament on 2 May 1972 and is governed by a Board of Directors, the members of which are appointed by the Minister of Finance. The Central Bank undertakes all of the traditional central bank functions, including the issuance of currency, management of net foreign assets and supervision of commercial banks and non-bank financial institutions. As the monetary authority of Barbados, the Central Bank is empowered to fix reserve requirements for commercial banks and implement other monetary policies.

The Central Bank also has responsibility for arranging the Government's capital market borrowings and monetary and financial sector development in the domestic economy through a number of financing schemes, including the export credit guarantee scheme and through the Industrial Credit Fund (the "*ICF*"). The export credit guarantee scheme covers pre-shipment financing requirements and post-shipment credit risks. Under the scheme, the Central Bank typically agrees to guarantee a commercial bank loan up to 80% of amounts advanced to an exporter to finance firm orders. Credit risks after shipment may be insured for up to 90% of gross invoice value. The ICF provides medium and long-term credit to productive enterprises operating mainly in the private sector through qualified financial institutions.

Financial Sector Supervision

Anti-Money Laundering

The Central Bank, along with other competent authorities in Barbados, has the responsibility to implement measures to combat money laundering and the financing of terrorism in Barbados and has issued Anti-Money Laundering/Combating the Financing of Terrorism ("*AML/CFT*") guidelines applicable to all commercial banks and non-bank financial institutions under its supervision. Other prudential supervisors, including the FSC and the Ministry of International Business and Industry, have also issued guidelines.

The Anti-Money Laundering Authority (the "*Authority*") was established under Section 8 of the Money Laundering and Financing of Terrorism (Prevention and Control) Act, 2011-23 (the "*MLFTA*"). The Authority was established to oversee the National AML/CFT framework and to supervise financial institutions in an effort to prevent money laundering and terrorist financing.

The administrative and supervisory functions of the Authority are carried out by the Financial Intelligence Unit (the "*FIU*") in accordance with Section 9(1) of the MLFTA. The FIU is responsible for the day-to-day work of the Authority and is the central, national agency responsible for collecting, analysing and disseminating suspicious and unusual transaction reports. AML/CFT guidelines were issued to designated non-financial businesses and professionals. In addition, a Financial Crimes Investigative Unit (the "*FCIU*") has been established within the Royal Barbados Police Force to investigate reports referred to it by the Authority.

In addition, Barbados plays an integral role in the Caribbean Financial Action Task Force (the "*CFATF*"), which aims to achieve effective implementation of, and compliance with, the FATF Recommendations to prevent and control money laundering and to counter the financing of terrorism and proliferation of weapons. The CFATF carries out its mandate primarily through a mutual evaluation process of member countries. Barbados assumed chairmanship of the CFATF for the second time in November 2018.

The CFATF's Fourth Round Mutual Evaluations process is underway, and five of the twenty-five member countries have been issued their reports. Barbados' Fourth Round Mutual Evaluation Report was issued in February 2018, and Barbados is committed to and is currently in the process of addressing the findings identified by the CFATF assessment team.

Commercial Banks, Non-Bank Financial Institutions and Foreign Currency Earning Banks

The Central Bank regulates and supervises commercial banks, non-bank financial institutions and foreign currency earning banks in Barbados. Prior to 1 January 2019, the International Financial Services Act (the "IFSA") regulated the operations of international banks. Effective 1 January 2019, international banks previously licensed under IFSA will be deemed to be foreign currency earning banks under the amended Financial Institutions Act Cap. 324 A as provided under Section 34 of the Financial Institutions (Amendment) Act 2018. All licensees are subject to several enforceable guidelines on corporate governance and key risk areas such as credit risk, liquidity risk and operational risk management.

The regulation and supervision of onshore and foreign currency earning banks (formerly international banks) largely reflect the Core Principles for Effective Banking Supervision. The Central Bank introduced a risk-based approach to supervision in 2007 and all licensees are subject to ongoing monitoring and risk-based onsite inspections.

Credit Unions and Insurance Companies

Non-bank financial institutions, including credit unions and insurance companies, are regulated by the FSC.

The Central Bank, as part of its consolidated supervision framework, has carried out joint inspections with the FSC in collaboration with the Authority of money service providers and the Barbados Automated Clearing House Services Inc.

Financial Sector Assessment Programme

The financial services sector in Barbados is also subject to the Financial Sector Assessment Programme (the "FSAP") conducted by the IMF. The last assessment was conducted in October 2013, and the report was issued in February 2014. The main findings of the report were that Barbados has a relatively well-developed financial system, including a large offshore sector. The onshore system is dominated by large, regionally active commercial banks. Banking services to the population are also provided by the credit union sector. With the weakening in its fiscal situation and growth prospects, Barbados faced macroeconomic vulnerabilities, which impacted the credit quality of domestic banks and credit unions.

Banking and Financial Institutions

Over the past five years, the Barbados financial system has expanded, on average 3% per year. As of 31 December 2018, total assets of the financial sector were reported as U.S.\$12.9 billion, representing approximately 251% of GDP.

The financial system is dominated by five commercial banks, which collectively hold 49.7% of total financial sector assets as of 31 December 2018. Commercial banks are followed by insurance companies, which hold 16.6% of total financial sector assets. Pension plans, mutual funds, credit unions and finance, trust and mortgage companies each accounted for less than 10% of the financial system's assets.

Cross-border linkages and international interconnectedness are key features of Barbados' financial landscape. Commercial banking is operated exclusively by foreign-owned banks. Barbados' major insurance companies operate both regionally and internationally, and the finance, trust and mortgage companies are subsidiaries either of other financial institutions or of other conglomerates.

The Barbados Deposit Insurance Corporation (the “BDIC”) was established in 2007 to provide insurance coverage up to \$25,000 on domestic currency accounts for depositors at commercial banks and finance and trust companies. The BDIC is intended to boost depositor confidence and contribute to the soundness and stability of the financial system.

The following table sets forth the number of entities in each category of the financial sector as well as each category's assets as a percentage of total financial sector assets for the years indicated.

Table No. 11
Structure of the Barbados Financial System

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Number of:					
Commercial Banks	6	5	5	5	5
Finance, Trust and Mortgage.....	12	13	13	13	12
Credit Unions	35	34	34	33	33
Insurance Companies	23	21	24	23	22
Pension Plans.....	304	300	303	310	279
Mutual Funds.....	20	19	16	16	23
Assets as a Percentage of Total Financial System Assets:					
Commercial Banks	54.5%	54.5%	53.6%	52.9%	51.3%
Finance, Trust and Mortgage.....	7%	7.1%	6.3%	6.3%	4.1%
Credit Unions	7.7%	7.9%	8.2%	8.7%	9.7%
Insurance Companies	13.4%	13.8%	14.6%	14.7%	17.0%
Pension Plans.....	9.2%	8.9%	9%	8.8%	9.4%
Mutual Funds.....	8.2%	7.9%	8.3%	8.7%	8.5%

Source: Central Bank of Barbados and Financial Services Commission

While commercial banks remain the dominant segment of the financial sector, the credit union segment has grown in importance in recent years and increased its penetration into the domestic credit and deposit markets from the provision of 16.9% of total credit in 2014 to 21.0% in 2018. In addition, credit unions have expanded their holdings of deposits in the financial system from 14.1% of total deposits in 2014 to 18.4% in 2018.

The following table sets forth the distribution of credit to the non-financial private sector, broken down by category of financial institution for the years indicated.

Table No. 12
Credit to the Non-Financial Private Sector by Financial Institutions

	2014	2015	2016	2017	2018
	<i>(In millions of U.S. dollars)</i>				
Commercial Banks.....	2,660	2,680	2,703	2,795	2885
Credit Unions	677	721	774	823	858
Finance, Trust and Mortgage Companies	485	479	463	455	342
Insurance Companies	170	164	161	167	
Total.....	3,992	4,044	4,101	4,240	4,084

Source: Central Bank of Barbados and Financial Services Commission

The following table sets forth the distribution of domestic deposits at financial institutions, broken down by category of financial institution for the years indicated.

Table No. 13
Domestic Deposits at Financial Institutions

	2014	2015	2016	2017	2018
	<i>(In millions of U.S. dollars)</i>				
Commercial Banks.....	3,974	4,267	4,236	4,308	4,308
Credit Unions	730	794	867	949	1,047
Finance, Trust and Mortgage Companies	473	482	415	427	328
Total	5,177	5,367	5,549	5,612	5,683
Currency in Circulation with the Public	341.2	331.6	362.2	372.8	389.6

Source: Central Bank of Barbados and Financial Services Commission

Domestic deposits at commercial banks grew marginally during 2018, as higher deposits placed at commercial banks by credit unions and other financial institutions were offset by a decline in the deposits of private individuals, reflecting the impact of the slowdown in the domestic economy. In 2018, liquidity in the banking system remained high. As of 31 December 2018, the excess liquidity ratio, which is defined as the ratio of excess cash and excess securities held at the central bank to total domestic deposits, stood at 16.5%, an increase from 14.1% as of 31 December 2017. In addition to private sector financial institutions, the Government provides low-cost financing to Barbadians for various purposes, including educational loans through the Student Revolving Loan Fund and loans to micro-enterprises and venture capital through the Barbados Agency for Micro Enterprise Development Ltd (FundAccess) and the Enterprise Growth Fund Ltd, respectively.

Monetary Policy

Exchange Controls and Foreign Exchange Rates

Since 7 July 1976, Barbados has maintained a fixed exchange rate of BDS\$2.00/U.S.\$1.00. The maintenance of the fixed exchange rate forms the anchor of Barbados' macroeconomic policy, which is supported by an exchange control regime primarily on capital account transactions. Under the Exchange Control Act, Cap. 71, the Minister of Finance has authority for the fixed exchange rate and designated the Exchange Control Authority, which delegates the exchange rate authority to the Central Bank. Exchange controls are intended to reduce uncertainty in the foreign exchange market and facilitate the orderly repatriation of foreign investment flows and the remittance of profits without disruption in the foreign exchange market.

In the early 1990s, the Central Bank gradually began liberalising its monetary policy, including the gradual loosening of exchange controls related to specific current account transactions up to prescribed limits. In addition, authorised dealers, which are commercial banks, trust companies and any institution licensed by the Exchange Control Authority to buy and sell foreign currency in Barbados, were granted delegated authority to undertake certain transactions on behalf of the Central Bank. This delegated authority is documented in the Exchange Control Circulars, which provide guidance to authorised dealers on the various exchange control matters. The Central Bank's policy of gradual loosening of the exchange control regime has abated in recent years, as the weak economic performance of the domestic economy dampened confidence, which could have contributed to a slowdown in foreign exchange flows.

Liquidity and Interest Rates

In 2006, the Central Bank introduced a foreign currency reserve requirement for commercial banks and, in 2009, the Central Bank also implemented a local reserve requirement for non-banking financial institutions registered under Part III of the Financial Institutions Act 1996-16.

In 2017, the Central Bank increased the securities reserve requirement ratio of commercial banks in three stages from 10% to 20%. This was subsequently lowered to 17.5% in November 2018. The market-determined Treasury Bill rate stabilised around 3% for 2016 and 2017 but subsequently fell to 0.5% in 2018, primarily due to the impact of the domestic debt exchange programme.

Interest Rates

In April 2015, the Central Bank announced its decision to discontinue the setting of the minimum savings deposit rate on individuals and non-profit organisations and to allow all interest rates to be market-determined. This policy stance led to sharp reductions in commercial bank deposit interest rates. Although there was a slowing in deposit growth following this announcement, liquidity, as measured by the excess liquidity ratio, in the banking sector remained elevated and reached 16.5% as of December 2018.

The following table sets forth selected interest rates for the years indicated.

Table No. 14
Interest Rates

	2014	2015	2016	2017	2018
			(per annum)		
Excess Liquidity Ratio	6.7%	10.6%	14.5%	14.1%	16.2%
Treasury Bill Rate	2.6%	1.8%	3.1%	3.2%	0.5%
Deposit Rates					
Minimum Deposit Rate ⁽¹⁾	2.5%	0.5%	0.2%	0.0%	0.0%
Weighted Deposit Rate	2.5%	0.4%	0.3%	0.2%	0.1%
Loan Rates					
Prime	7.7% - 8.1%	7.7% - 8.1%	7.7% - 8.1%	4.0% - 8.1%	4.0% - 8.1%
Average Lending	7.1%	6.8%	6.7%	6.6%	6.5%
Central Bank Discount	7.0%	7.0%	7.0%	7.0%	7.0%

(1) Market-determined from 2015.

Source: Central Bank of Barbados

Inflation

The Government believes that its commitment to a fixed exchange rate, as discussed under “—Exchange Controls and Foreign Exchange Rates,” has enabled the Barbados economy to maintain relatively low inflation rates.

In 2018, the average annualised inflation rate was approximately 3.7%, a decrease of 0.8 percentage points compared with the inflation rate in 2017, primarily due to the impact of the elimination of the National Social Responsibility levy, an indirect tax on imported goods and domestically produced manufactured goods, and the fact that international oil prices, although remaining high, reduced slightly during the latter half of the year.

Capital Markets

Barbados has a small but growing capital market. Government short- and medium-term debt instruments represent the principal instruments available to investors. See “Public Debt—Debt Statistics—Domestic Debt”. Most of the activity in these instruments takes place on the primary market, but commercial banks are able to manage their liquidity primarily through the buying and selling of Treasury Bills and through trades with the Central Bank.

As part of Barbados’ debt management programme, on 27 June 2018 the Ministry of Finance announced a moratorium on Treasury Bill auctions, which remains in place as of the date hereof. See “Recent Developments—Debt Strategy” for more information.

Stock Exchanges

The Barbados Stock Exchange (the “BSE”), formerly the Securities Exchange of Barbados, was re-incorporated on 2 August 2001 with the passage of the Securities Act 2001-13 (the “*Securities Act*”), which also enabled the establishment of the Barbados Securities Commission (the “*Commission*”), which on 1 April 2011, was subsumed by the FSC. The Commission is responsible for the regulation of

Barbados' capital markets, including all public companies, whether listed or not. The BSE is the only authorised stock exchange involved in the listing and trading of equity and debt securities in Barbados.

In addition, the International Securities Market (the “*ISM*”) is a trading platform established by the BSE for the purpose of trading international securities. The ISM is structured to operate as a separate market of the BSE, with a separate set of rules applied to membership, trading, clearing and settlement and listing of international securities.

In 2004, the Jamaica Stock Exchange, the Trinidad & Tobago Stock Exchange and the BSE signed a memorandum of understanding with the objective of developing an integrated system for the operation of the three exchanges and a common platform for the trading and settlement of transactions on these exchanges.

FOREIGN TRADE AND BALANCE OF PAYMENTS

Foreign Trade

Foreign Trade Performance

Barbados is not a significant merchandise exporter and has historically maintained large merchandise trade deficits. In 2018, Barbados' merchandise trade deficit was estimated at U.S.\$734.0 million, compared to a deficit of U.S.\$717.0 million in 2017 and an average trade deficit of U.S.\$767.5 million over the period 2014-2016. The marginal increase in the trade deficit in 2018 reflects primarily lower exports of manufactured goods compared to the decline in non-fuel imports.

Due to the small size of the domestic market, the focus of Barbados' export policy emphasises light industry with export potential, such as medical supplies, chemicals, electronic components, leather items, wooden furniture, electro-mechanical goods, sporting goods and quality apparel. Tax concessions and other incentives are also in place to encourage export manufacturing.

The following table sets forth Barbados' merchandise exports and imports for the years indicated.

Table No. 15
Exports and Imports

	Year ended 31 December				
	2014	2015	2016	2017	2018
	<i>(In millions of U.S. dollars)</i>				
Total domestic exports⁽¹⁾	269.7	243.2	252.3	254.8	255.1
Sugar	9.1	3.6	3.5	6.8	0.2
Rum	39.4	38.1	38.8	42.0	39.9
Electrical components	8.3	8.5	7.5	7.9	8.1
Chemicals	36.8	37.0	36.1	36.3	40.1
Other food and beverages	41.8	38.6	41.8	39.9	28.2
All other	134.4	117.3	124.5	122.1	138.5
Total imports⁽²⁾	1,739.1	1,618.1	1,621.5	1,600.2	1577.7
Consumer goods	690.9	688.1	742.7	689.9	667.2
Capital goods	264.9	288.9	287.7	269.8	237.2
Intermediate goods	776.6	634.0	584.8	635.2	668.2
Miscellaneous	6.8	7.1	6.3	5.3	5.2

(1) Exports are presented on a free-on-board basis ("FOB").

(2) Imports are presented on a cost, insurance and freight basis ("CIF").

Source: Central Bank of Barbados

Domestic exports of manufactured goods increased slightly by U.S.\$0.3 million in 2018, principally due to higher exports of chemical products and other manufacturing goods which rose by U.S.\$3.8 million and U.S.\$16.4 million, respectively. In contrast, exports of food and beverages, bulk raw sugar and rum decreased by U.S.\$11.7 million, U.S.\$6.6 million and U.S.\$2.1 million, respectively.

The following tables show the direction of trade for the periods indicated.

Table No. 16
Exports by Destination⁽¹⁾⁽²⁾

	Year ended 31 December				
	2014	2015	2016	2017	2018
	<i>(In millions of U.S. dollars)</i>				
USA	78.5	155.2	174.7	123.0	101.7
Canada	11.6	8.7	9.1	8.7	12.7
UK.....	16.7	14.0	16.2	15.9	8.4
CARICOM.....	168.6	156.4	160.8	161.3	167.2
Other countries.....	199.0	148.6	156.0	176.5	158.5
Total.....	474.4	482.9	516.8	485.4	448.5

(1) Includes goods imported for re-export.

(2) Exports are presented on a FOB basis.

Source: Barbados Statistical Service

Table No. 17
Imports by Origin⁽¹⁾⁽²⁾

	Year ended 31 December				
	2014	2015	2016	2017	2018
	<i>(In millions of U.S. dollars)</i>				
USA	562.1	574.0	590.4	574.1	534.2
Canada	40.8	38.2	36.6	38.0	33.5
UK.....	69.5	68.2	78.3	64.5	65.1
CARICOM.....	433.6	343.5	285.9	348.3	339.3
Other countries.....	633.1	594.1	630.3	575.3	605.7
Total.....	1,739.1	1,618.1	1,621.5	1,600.2	1577.9

(1) Includes goods imported for re-export. CIF means “Cost Insurance and Freight”.

(2) Imports are presented on a CIF basis.

Source: Barbados Statistical Service

During 2018, total imports of goods decreased by 1.4%, following a decline of 1.3% in 2017. Imports from the United States and Canada both declined in 2018 compared to 2017 by 7.0% and 11.8%, respectively. Imports from the UK and other countries rose by 0.9% and 5.3%, respectively, representing a reversal after contractions of 17.7% and 8.7%, respectively, during 2017.

In 2018, exports to Canada and CARICOM countries, of which Trinidad and Tobago accounted for a significant portion, increased by 46.0% and 3.7%, respectively, compared to the exports to these countries compared to 2017. In contrast, exports to the United States and the UK both declined by 17.3% and 47.2%, respectively, in 2018.

Trade Policy and Reform

Barbados has gradually liberalised its trade policy, both independently and in accordance with the agreements of the World Trade Organization (the “WTO”), with the primary aim of increasing the competitiveness of Barbados’ exports by opening up domestic production to foreign competition.

Barbados’ principal trade policy reforms over the past several decades include:

(i) liberalisation of the import-licencing regime on a selected number of extra-regional imports and a change from licencing regimes to tariffs agreed within the WTO. Certain goods remain subject to licencing for health and safety reasons. The elimination of import duties is subject to Barbados' obligations under the Revised Treaty of Chaguaramas. Prior authorisation must be secured from the CARICOM Council for Trade and Economic Development (the "*COTED*") for some products.

(ii) adherence to the rules regarding the Common External Tariff (the "*CET*") imposed by CARICOM countries on goods imported from non-CARICOM countries. The maximum CET rate for manufactured goods is currently 20% and the maximum rate on agricultural imports is 40%. Any changes to the CET, including the application of rates higher or lower than the CET, must be approved by the COTED.

(iii) the reduction of duties imposed on imports from third countries is possible through negotiated trading arrangements between CARICOM and those third countries. CARICOM has such arrangements with Venezuela, Colombia, the Dominican Republic, Cuba, Costa Rica and the European Union.

(iv) taking advantage of non-reciprocal preferential arrangements offered by third countries. The United States allows the duty-free entry of a large number of products from some Caribbean countries, including Barbados, under the Caribbean Basin Economic Recovery Act (the "*CBERA*"). This waiver ends 31 December 2019. There is also a similar arrangement with Canada under the Caribbean-Canada Trade Agreement ("*CARIBCAN*"). *CARIBCAN* expires 31 December 2023.

Barbados benefits from the use of the Special Safeguard Provision under Article 3 of the WTO Agreement on Agriculture, which was instituted in September 2000. The Special Agricultural Safeguard (the "*SSG*") is a tool that allows certain developing countries to raise tariffs temporarily to deal with import surges or price falls. The SSG protects domestic agricultural production and allows for the maintenance of a level of food security following the removal of the import licencing system in 1995.

Barbados recognises the importance of intellectual property protections for the future of Barbados' international business sector. The Copyright Act, enacted in February 1998, fulfils Barbados' obligations under the WTO Agreement on Trade Related Aspects of Intellectual Property Rights ("*TRIPS*"). Barbados' Trade Marks Act and Patents Act was also amended in 1998 to become TRIPS compliant. Since 2001, Barbados has been in full compliance with its WTO and World Intellectual Property Organisation commitments with respect to its intellectual property legislation.

In 2006, the common organisation of the sugar market in the European Union was overhauled to achieve greater simplification and market orientation for the European Union's sugar policy. As a result, quotas were gradually removed and guaranteed prices were gradually reduced for sugar exports from Barbados to the European Union and limits on sugar imports into Barbados were also gradually removed.

The WTO Doha Development Round is still relevant to Barbados' trade policy, and the Economic Partnership Agreement was signed in October 2008 in Barbados. The waiver to extend the CARICOM-Canada Free Trade Agreement has been extended until 2023. CARICOM is currently engaged in enhancing its existing trading agreements with the Dominican Republic, Costa Rica, Cuba and Colombia. Discussions have also commenced for the negotiation of a successor arrangement to the Cotonou Partnership Agreement, which governs relations between the African, Caribbean and Pacific Group of States and the European Union.

Under the terms of the CARICOM Single Market and Economy (the "*CSME*"), member states of CARICOM are committed to facilitating the rights of establishment, the provision of services, the free

trade in goods, and free movement of people and capital across the region. This may have implications for the exchange control regime, as member states are prevented from introducing new restrictions and are also obligated to remove all restrictions within the parameters of a defined programme. However, pursuant to Article 43 of The Revised Treaty of Chaguaramas Establishing CARICOM, in the event of balance of payments and external financial difficulties, member states are permitted to adopt certain restrictions to address these difficulties.

Balance of Payments

The balance of payments is a system of recording all of a country's resident economic transactions with the rest of the world over a one-year period. In 2018, Barbados recorded a balance of payments deficit (as determined by the change in the gross international reserves) of U.S.\$293.8 million, compared with a deficit of U.S.\$114.3 million in 2017 and an average deficit of U.S.\$66.9 million over the three-year period of 2014 to 2016.

The following table sets forth Barbados' balance of payments for the years indicated. Barbados calculates its balance of payment figures in accordance with the Sixth Edition of the IMF's Manual on Balance of Payments dated November 2013.

Table No. 18
Balance of Payments

	Year ended 31 December				
	2014	2015	2016	2017	2018
	<i>(in millions of U.S. dollars)</i>				
Current account.....	(430.3)	(289.2)	(207.3)	(190.3)	(172.2)
Merchandise trade balance	(857.6)	(737.3)	(707.5)	(717.0)	(734.0)
Exports*	794.0	799.9	833.0	803.1	764.9
Imports*	1,652.2	1,537.2	1,540.5	1,520.2	1498.9
Services (net).....	639.2	659.1	754.1	787.1	842.0
Tourism.....	841.1	899.2	989.6	1,027.6	1085.5
Other	(201.9)	(240.1)	(235.4)	(239.2)	(243.5)
Investment Income (net).....	(197.4)	(212.9)	(221.4)	(223.9)	(239.8)
Transfers (net)	(14.5)	2.0	(35.5)	(38.0)	(40.5)
Capital Account	(8.3)	(8.2)	(2.8)	(1.2)	25.4
Capital transfers	(8.3)	(8.2)	(2.8)	(1.2)	(3.0)
Acquisition/disposal of non-produced, non-financial assets	0.0	0.0	0.0	0.0	28.4
Financial Account	372.8	221.2	42.1	43.2	443.8
Long term	364.2	225.4	80.5	88.3	456.0
Public sector.....	48.0	(35.6)	(85.6)	(67.5)	225.5
Private sector.....	316.0	261.0	166.0	155.7	230.5
Short-term	8.6	(4.3)	(38.4)	(45.1)	(12.2)
Errors and omissions.....	16.5	44.0	49.0	34.0	3.2
Balance for official financing	(49.4)	(32.3)	(119.0)	(114.3)	293.8
Change in gross international reserves (decreases)	49.4	32.3	119.0	114.3	(293.8)

* Exports and imports are FOB and CIF, respectively, but have been adjusted for balance of payments presentation.

Source: Central Bank of Barbados and Barbados Statistical Service

External Current Account

Barbados' external current account position is heavily dependent on earnings from services, particularly tourism. Since 2014, the external current account deficit has declined on average by 19.7%, mainly because of contractions in total non-fuel imports of goods coupled with higher foreign exchange earnings from tourism.

In 2018, Barbados registered an external current account deficit of U.S.\$172.2 million, compared with a deficit of U.S.\$190.3 million for 2017, as a result of lower purchases of non-fuel imports and higher tourism foreign exchange earnings which together outweighed the increase in the value of fuel imports. The growth in tourism earnings was primarily due to the increased long-stay tourist arrivals from the major source markets, including the United States, the United Kingdom and Canada.

Financial Account

Barbados has recorded surpluses in its financial account since 1996. In 2018, the financial account registered a significantly higher surplus of U.S.\$443.8 million, primarily reflecting public sector inflows for policy-based and project loans from international financial institutions. The improvement in long-term public sector inflows during 2018 contrasts sharply with the previous three years' average decline of U.S.\$62.9 million. In contrast, private sector financial inflows increased by U.S.\$74.8 million in 2018, following an increase of U.S.\$10.3 million in 2017 and an average of U.S.\$247.6 million in the preceding three years.

In 2018, the decline in foreign amortisation payments and higher multilateral loan disbursements to the Government contributed to an increase of U.S.\$225.5 million in net public sector inflows. The increase in net private sector inflows was fuelled by the improved performance in the foreign exchange market, coupled with other inflows from non-residents.

Gross International Reserves

In 2018, the gross international reserves rose by U.S.\$293.8 million to reach U.S.\$499.6 million as of 31 December 2018, in contrast to a decline of U.S.\$114.3 million during 2017. From 2014 to 2016, gross international reserves averaged U.S.\$410.1 million. The improvement in the stock of gross international reserves in 2018 pushed the import cover for goods and services to 12.9 weeks, compared to 5.3 weeks at the end of 2017 and an average of 10.3 weeks for the period 2014 to 2016. The desired benchmark import cover for goods and services is twelve weeks.

The following table sets forth liquid international reserves and gross international reserves for the years indicated.

Table No. 19
Liquid International Reserves and Gross International Reserves

	Year ended 31 December				
	2014	2015	2016	2017	2018
	<i>(In millions of U.S. dollars)</i>				
Net International Reserves (NIR)	430.9	410.7	287.5	167.4	416.3
Foreign Currency Liabilities of Monetary Authorities	40.4	28.3	32.4	38.3	83.3
Gross International Reserves (GIR)	471.3	439.0	319.9	205.7	499.6
Import Cover (in weeks of goods and services) ..	11.6	11.2	8.2	5.3	12.9

Source: Central Bank of Barbados

The foreign assets of the Central Bank and the Government are invested largely in U.S. dollars in a range of approved investments and institutions. The U.S. dollar is the principal currency in which foreign receipts are earned and in which foreign debt is denominated. See “Public Debt—Debt Statistics—External Debt.”

Foreign Investment

The economy of Barbados is the beneficiary of private foreign investment, particularly in its hotel sub-sector and ancillary services. See “Principal Sectors of the Economy—Tourism”. All investment by non-residents registered with the Central Bank are entitled to repatriation of capital, capital gains, dividends, profits and interest brought into Barbados. The Central Bank permits the repatriation of the original investment amount, dividends, profits and interest. It also allows the repatriation of capital gains but retains the right to stagger transfers over a reasonable period of time.

Foreign companies are being targeted for direct investment in Barbados by Invest Barbados, an economic development entity responsible for securing and promoting sustainable foreign direct investment and which also services export businesses in order to increase employment, promote technology and skills transfers, foreign exchange and tax revenues. Further, the BIDC is a government agency that promotes business development in Barbados, with particular emphasis on manufacturing and small businesses. The BIDC helps manufacturers find new markets for their products through advertising, seminars, journals and direct mail media. It has representative offices in New York, Miami, Toronto and London and works closely with the Barbadian High Commissions in foreign markets. The BIDC helps promote new products, such as speciality foods, including fresh fruits and vegetables and hot chili sauces, high quality garments, reproduction of period furniture and local arts and crafts.

PUBLIC FINANCE

Overview

The Government's budget process is set out in the Constitution, the Financial Management and Audit Act, 2007-2018 and the Financial Management and Audit (Financial) Rules, 2011, which provide the financial rules and guidelines for the administration of public sector entities. The budget process involves the participation and co-ordination of all Government ministries and agencies. The Ministry responsible for Finance prepares the Draft Estimates of Revenue and Expenditures (which constitute the budget of the Government, the "*Estimates*") and is responsible for presenting the Estimates to the House of Assembly in March each year. Both houses of Parliament must approve the Estimates before the end of March; the fiscal year begins 1 April. The Estimates constitute the published public sector fiscal accounts.

The Estimates are based on existing tax rates and projections of non-tax revenue by the various Government ministries. If the Minister of Finance wishes to alter the tax rates, or to make strategic adjustments to the level of expenditure, past practise is to announce these changes in a Financial Statement and Budgetary Proposal (the "*Financial Statement*"). The Financial Statement must be approved by the Cabinet and Parliament. Following the introduction of the value added tax (VAT) in 1997, the publication of a Financial Statement has taken place between August and December, but there is no statutory obligation to present a Financial Statement.

The budget estimates for SOEs are approved initially by their respective boards of directors. The budget estimates are then forwarded to the relevant ministry for each enterprise. If an SOE requires supporting funds from the Government, a request is included in the ministry's own request to the Ministry of Finance for an additional budgetary allocation. Changes to the annual approved SOE allocation generally require the approval of the Cabinet and Parliament. For a description of the principal SOEs, see "The Economy—State-Owned Enterprises".

Revenues and expenditures of the Government do not incorporate the full revenues and expenditures of SOEs. The Government's accounts capture only its current and capital transfers to specified SOEs. Dividends from SOEs, if any, are recorded as non-tax revenue.

The Accountant General's functions include maintaining certain accounts held by the Treasury, as well as reporting to Parliament on those accounts and on Government funds, such as the Consolidated Fund. See "Public Debt—Overview".

Fiscal Policy

For the four fiscal years from 2012/13 to 2015/16, the fiscal deficit averaged 8.9% of GDP. While there was an improvement in FY 2016/17 and 2017/18, the fiscal deficit remained at a level challenging to finance—approximately 4.6% of GDP for FY 2017/18. The high deficit year over year is attributable mainly to underperformance in revenue in addition to the transfers to SOEs and the cost of debt service.

In March 2019, Parliament adopted the FY2019/20 budget, which targets a primary surplus of 6% of GDP.

In an effort to reverse the trend on large fiscal deficits, the Government has embarked on the BERTP. The BERTP will be conducted in three phases and will involve a combination of: (i) promotion of economic growth without an over reliance on tax concessions or subsidies, (ii) restructuring of public

debt to sustainable levels, and (iii) significant fiscal consolidation. For more information on the BERTP, see “Recent Developments—Barbados Economic Recovery and Transformation Plan”.

Public finances improved during the first half of FY 2018/19 due to improved tax collections, the impact of reduced debt service payments and increased expenditure restraint.

Revenues and Expenditures

Government revenues are derived from a mix of direct and indirect taxes, including payroll levies and taxes on incomes and profits, property, goods and services and imports. As part of its tax reform, in June 2018 the Government introduced a suite of budgetary revenue measures that are intended to alter the incidence of taxation and provide earmarked funding for some state-owned enterprises.

Recurring current expenditures include wages and salaries, goods and services, debt service costs (domestic and foreign) and current transfers. Capital expenditures include acquisitions of property, capital formation and capital transfers.

The following table sets forth Government revenues and expenditures by economic classification for the fiscal years indicated.

Table No. 20
Government Revenues and Expenditures

	2013/14	2014/15	2015/16	2016/17	2017/18 ⁽¹⁾	2018/19 ⁽¹⁾
Tax revenue.....	1,094.8	1,111.5	1,214.9	1,303.8	1,341.5	1,375.0
Income and profit	317.2	333.0	361.8	396.8	398.5	441.7
Levies	40.6	41.8	17.9	74.7	80.0	37.0
Property	65.5	82.1	93.8	67.7	68.8	80.6
Goods and services.....	568.9	537.2	620.6	637.3	679.7	703.3
Import duties	96.8	111.9	115.8	122.6	109.3	106.9
Stamp duties	5.8	5.5	5.0	4.7	5.2	5.4
Grant Income	0	28.7	9.1	4.4	11.0	0.05
Non-tax revenue.....	47.0	53.9	55.9	63.7	70.6	79.8
Total revenue	1,141.8	1,194.1	1,279.9	1,371.9	1,423.1	1,454.8
Current expenditure	1,562.1	1,459.5	1,542.7	1,525.2	1,561.9	1,413.1
Wages and salaries	435.9	401.8	393.6	392.3	391.1	405.9
Goods and services.....	191.1	170.8	220.6	192.7	182.1	178.1
Interest.....	304.3	326.9	336.3	369.5	382.4	192.4
Foreign	67.6	82.6	81.9	84.2	84.0	24.0
Domestic	236.7	244.3	254.4	285.3	298.4	168.4
Current transfers.....	630.8	560.0	592.2	570.7	606.3	636.75
Capital expenditure	72.0	86.5	108.3	102.7	74.5	92.5
Net Lending	0	0	0	0	0	0
Total expenditure	1,634.1	1,546.0	1,651.0	1,627.9	1,636.4	1,505.6
Fiscal balance.....	(492.3)	(351.9)	(371.1)	(256.0)	(213.3)	(50.8)
Fiscal balance (as % of nominal GDP).....	(11.1)	(8.0)	(8.2)	(5.5)	(4.6)	(0.5)

(1) Estimated figures.

Source: Accountant General, Ministry of Finance and Barbados Revenue Authority

The following table sets forth the per cent change of Government revenues and expenditures by economic classification for the fiscal years indicated.

Table No. 21
Government Revenues and Expenditures Differential

	Fiscal year				
	2014/15	2015/16	2016/17	2017/18	2018/19
	<i>(per cent change against previous fiscal year)</i>				
Tax revenue.....	1.5	9.3	7.3	2.9	2.5
Income and profit.....	5.0	8.6	9.7	0.4	10.8
Levies.....	3.0	(57.2)	317.3	7.1	(53.7)
Property.....	25.3	14.3	(27.8)	1.6	17.1
Goods and services.....	(5.6)	15.5	2.7	6.7	3.5
Import duties.....	15.6	3.5	(6.0)	(10.8)	(2.2)
Stamp duties.....	(5.2)	(9.1)	(51.6)	10.6	3.8
Grant Income.....	100.0	(68.3)	14.0	150.0	(99.5)
Non-tax revenue.....	14.7	3.7	(36.5)	10.8	13.0
Total revenue.....	4.6	7.2	7.2	3.7	2.2
Current expenditure.....	(16.6)	5.7	(1.1)	2.4	(9.5)
Wages and salaries.....	(7.8)	(2.0)	(0.3)	(0.3)	3.8
Goods and services.....	(10.6)	29.2	(12.6)	(5.5)	(2.2)
Interest.....	7.4	2.9	9.9	3.5	(49.7)
Foreign.....	22.2	(0.8)	9.4	(0.2)	(71.4)
Domestic.....	3.2	4.1	12.1	4.6	(43.6)
Current transfers.....	11.2	5.8	(3.6)	6.2	5.0
Capital expenditure.....	20.1	25.2	(5.2)	(27.5)	24.2
Net Lending.....	N/A	N/A	N/A	N/A	N/A
Total expenditure.....	(5.4)	6.8	(1.4)	0.5	(8.0)
Fiscal balance.....	(28.5)	5.5	(31.0)	(16.7)	(76.2)
Fiscal balance (as % of nominal GDP)....	(27.9)	2.5	(32.9)	(16.4)	(89.13)

N/A = Not available.

Source: Accountant General, Ministry of Finance and Barbados Revenue Authority

Revenues

The BRA was established on 1 April 2014 following the consolidation of Barbados' various revenue collecting agencies, including the Inland Revenue Department, the VAT Division and the collecting functions of the Barbados Licencing Authority. The objectives of the BRA include adopting a more aggressive approach to the collection of taxes, non-tax revenue and arrears through increased use of technology, compliance audits and cost-efficient approaches to revenue collection.

From FY 2014/15 to FY 2015/16, total Government revenues grew at an average of 5.9% per annum, principally due to increases in revenue from income tax, property tax and import duties. This trend continued with an increase of approximately 3.7% during FY 2017/18 following an increase of 7.2% during FY 2016/17. The increase for FY 2017/18 was primarily due to increases in national social

responsibility levy due to the increase in rates, corporation tax and excise duties, which were partially offset by decreases in import duties, withholding tax and other special receipts. There was no significant change to the revenue from VAT compared to FY 2016/17. For FY 2018/19, total Government revenue grew by 2.2%, reflecting the impact of a boost in corporation tax intake as several new firms in the international business sector paid taxes for the first time. In addition, the foreign exchange fee introduced in 2017 and some of the new taxes introduced in the mid-year budget contributed to this increase. There was, however, a significant decline in revenue from levies and grant income, which decreased by 53.7% and 99.5% respectively.

Taxation Revenue

In Barbados, direct taxes are levied on incomes, corporations and property. Although most goods and services are subject to VAT, certain goods and services are exempt from VAT and certain goods and services are subject to subsidiary duties and fees, including excise duties. Imports are subject to import taxes, and imports originating from a non-CARICOM countries are subject to the CET. Other principal tax revenues include land tax, property transfer tax and certain taxes on insurance premiums, on life insurance companies' invested income and on bank assets. There are no capital gains or inheritance taxes in Barbados.

Residents of Barbados are generally subject to tax on worldwide income, and non-residents are taxed only on income derived in Barbados. Companies and other corporate bodies that are resident in Barbados are subject to corporation tax, and non-resident companies are only being taxable to the extent that they carry out a business in Barbados through a branch or agency and in respect of income directly or indirectly attributable to that branch or agency. In addition, there is a 10% tax on profits remitted by an office, branch or agency of a non-resident company engaged in trade or business in Barbados.

Beginning 1 January 2019, Barbados became one of the first countries in the world to converge its local and international corporate tax rates. All corporate entities in Barbados, except those that will be grandfathered, will be taxed according to the following rates based on a sliding scale: up to U.S.\$0.5 million of taxable income at 5.5%; between U.S.\$0.5 and U.S.\$10 million of taxable income at 3.0%; between U.S.\$10 and U.S.\$15 million of taxable income at 2.5% and over U.S.\$15 million of taxable income at 1.0%. This reform of Barbados' 40-year old tax regime makes its tax system globally competitive, while bringing the country in line with the Organization for Economic Cooperation and Development's Base Erosion and Profit Shifting (BEPS) initiative. The broad-based change in tax policy is aimed at reducing taxes on work and productivity, while placing the tax burden on consumption and wealth, and it is expected to be revenue neutral.

As a result of Barbados' tax reforms, on 17 May 2019, the European Council moved Barbados from the European Union's list of non-cooperative tax jurisdictions to the list of jurisdictions that have undertaken sufficient commitments to reform their tax policies.

Income from Barbados Government securities except savings bonds is taxed at 12.5%. Interest payable on the New Bonds to non-resident beneficial owners of the New Bonds will not be subject to any withholding tax. See "Taxation—Barbados Tax Considerations."

Expenditures

Total Government expenditures have fluctuated over the past five fiscal years. In FY 2018/19, expenditures decreased 8.0% after increasing 0.5% in FY 2017/18 and 6.8% in FY 2015/16. There were decreases of 1.4% in FY 2016/17 and 5.4% in FY 2014/15. The decrease in FY 2018/19 was primarily attributed to decreases in goods and services and interest payments, partially offset by an increase in

capital expenditures. The suspension of external and domestic commercial debt service contributed to the decrease in interest expense.

Current expenditures decreased by 9.5% in FY 2018/19. This was again attributable mainly to decreases in goods and services and interest payments. Goods and services decreased further by 2.2% in FY 2018/19, after decreasing by 5.5% in FY 2017/18. For the last three years decreases in goods and services averaged 6.8%. Interest payments decreased by 49.7% in FY 2018/19 after increasing on average 5.4% between FY 2017/15 to FY 2017/18 due mainly to the debt restructuring undertaken during the financial year.

Capital expenditure increased by 24.2% in FY 2018/19 compared to a decrease of 27.5% in FY 2017/18 and 5.2% in 2016/17. For FY 2013/14 to FY 2015/16, capital expenditures increased an average of 32.4%.

The following tables set forth total Government expenditures by functional classification for the fiscal years indicated.

Table No. 22
Government Expenditures

	Fiscal year				
	2014/15	2015/16	2016/17	2017/18	2018/19 ⁽¹⁾⁽²⁾
	<i>(in millions of U.S. dollars)</i>				
General public service.....	276.2	133.6	64.9	1013.4	398.9
Defence	33.1	35.6	39.1	39.7	35.1
Education	261.5	252.8	248.8	250.3	284.4
Health.....	166.5	163.1	157.9	160.2	162.1
Social security and welfare	175.6	185.9	182.9	187.1	202.1
Housing.....	71.9	130.9	88.5	85.7	82.4
Other social services	0.00	0.00	0.00	0.00	0.00
Economic services ⁽³⁾	214.6	230.9	239.1	187.7	210.9
Other	98.6	97.6	104.1	105.2	129.5
Public order and safety.....	19.8	21.2	23.4	34.5	25.1
Recreation, culture and religion.....	52.9	64.2	55.2	60.0	79.7
Environmental protection.....	1370.7	1,315.8	1203.9	2,123.8	1610.2
Total expenditures.....	276.2	133.6	64.9	1013.4	398.9

(1) Estimated figures.

(2) FY 2018/19 taken from the Revised Estimates of Expenditure.

(3) Includes trade, industry, agriculture, roads, civil aviation, tourism, lands and surveys and labour.

Source: Ministry of Finance Estimates of Expenditure and Revenue, Central Bank of Barbados, Accountant General

Table No. 23
Government Expenditures

	Fiscal year				
	2014/15	2015/16	2016/17	2017/18	2018/19 ⁽¹⁾⁽²⁾
	<i>(per cent change against previous fiscal year)</i>				
General public service.....	(3.5)	(51.6)	(51.4)	1,461.5	(60.6)
Defence	(1.2)	7.8	9.8	(1.5)	(9.1)
Education	5.6	(3.3)	(1.6)	3.0	10.9
Health.....	(20.5)	2.1	(3.1)	0.8	1.8
Social security and welfare	19.0	5.9	(1.6)	12.2	(1.6)
Housing.....	17.6	81.9	(32.4)	10.6	4.1
Other social services ⁽³⁾	(100.0)	0.0	0.0	0.0	0.0
Economic services ⁽⁴⁾	(4.9)	7.6	3.7	(2.8)	(9.3)
Other	0.0	1.0	6.6	13.0	10.1
Public order and safety.....	0.0	6.7	10.5	41.4	(24.1)
Recreation, culture and religion.....	0.0	21.2	(14.1)	13.2	27.6
Environmental protection.....	(30.4)	(4.0)	(8.5)	76.4	(24.2)
Total expenditures.....	(3.5)	(51.6)	(51.4)	1,461.5	(60.6)

(1) Estimated figures.

(2) FY 2018/19 taken from the Revised Estimates of Expenditure.

(3) Includes culture, sports, parks and beaches.

(4) Includes trade, industry, agriculture, roads, civil aviation, tourism, lands and surveys and labour.

Source: Ministry of Finance Estimates of Expenditure and Revenue, Central Bank of Barbados, Accountant General

In terms of functional expenditure, the most significant categories over the five year period were education, economic services, social security and welfare and health.

Total expenditure decreased by 24.2% in FY 2018/19 after increasing by 76.4% in FY 2017/18. This was attributable mainly to decreases in general public service, defence, economic services and recreation, culture and religion, which decreased by 60.6%, 9.1%, 9.3% and 24.1% respectively. During the five year period, expenditure decreased from 30.4% to 8.5% between FY 2014/15 and FY2016/17 but increased significantly in FY 2017/18 due to the increase in general public service.

Education and economic services were the two most consistent components of expenditure for the period, averaging 17% and 14.2% of the total over the five year period. Education absorbed an estimated 17.7% and 11.8% of the budget respectively in FY 2018/19 and 2017/18, reflecting Government's continued emphasis on providing access to free, high quality education up to tertiary level for all citizens.

During FY 2018/19, it is estimated that the Government spent 13.1% of its budget on economic services such as civil aviation, tourism, trade, industries, labour and land and surveys (as compared to 8.8% for FY 2017/18), demonstrating the Government's effort in preparing Barbados for the challenges of a global economy. Among organisations benefitting from these outlays were Caves of Barbados and the Urban Development Commission. Better ancillary tourism services are also partly responsible for the increase in spending on economic services.

Spending on social security and welfare was estimated at 12.5% of overall spending in FY 2018/19, compared to 8.8% in FY 2017/18. In 1997, the poverty alleviation programme was introduced and comprises a number of measures, including the creation of a social investment fund ("SIF") and the

establishment and funding of urban and rural development commissions. The SIF funds a rural enterprise fund and an urban enterprise fund, as well as other community-based economic facilities.

At present, Barbados has an extensive, though somewhat inefficient, public transportation system on the island. The Government is looking at ways to improve the current system, including the restructuring of the Transport Board, the upgrading of the bus fleet and the provision of incentives for companies willing to provide insurance to this sector. The Government has allocated modest funding in connection with significant improvements in its traffic management infrastructure that will regulate the transportation system.

Barbados is in the process of developing programme budgeting in order to focus on results to be achieved rather than inputs. However, under the existing budget framework, a distinction is made between “statutory” or committed expenditures and “non-statutory” or discretionary expenditures. The public debt of Barbados, all costs related to that debt, the emoluments of established posts in the public service, pensions, leave passages and certain other minor expenditures are considered committed claims or “statutory” charges on the Government. All other Government expenditures are considered discretionary.

Consolidated Fund

The Constitution provides for the establishment of a consolidated fund (the “*Consolidated Fund*”) into which, subject to applicable provisions of law, all revenues for Barbados are to be paid to meet Government expenditures and obligations. The Minister of Finance must, before the end of each fiscal year (which runs from 1 April to the following 31 March), prepare and lay before the House of Assembly annual estimates of revenue and expenditure for public services for the succeeding fiscal year. The Constitution further provides that debt obligations of Barbados, including the interest and redemption monies on that debt, and the costs, charges and expenses incidental to the management of that debt (including the sinking fund required to be established for the repayment of all public external debt), are by law charged on the Consolidated Fund. See “Public Debt—Overview”.

PUBLIC DEBT

Overview

On 1 June 2018, Barbados, for the first time in its history, announced the suspension of both principal and interest payments due on debts owed to external commercial creditors. This extraordinary action was taken as a result of a number of factors which included critically low levels of international reserves, unsustainably high levels of public indebtedness and poor economic growth.

In connection with the comprehensive restructuring of Barbados' public debt, the Government engaged the services of financial and legal advisors to assist with conducting the restructuring and began consultations to seek the cooperation of its domestic and external creditors.

The suspension of debt payments affected all categories of external debt, exclusive of debt from official sources, and remains in force until restructuring agreements are concluded.

Barbados launched the Domestic Exchange Offer on 7 September 2018 to restructure approximately BD\$11.9 billion (equivalent to U.S.\$5.95 billion) in domestic claims on Government and the public sector. The domestic debt restructuring was successfully concluded in mid-November with a participation rate of 97%.

On 1 October 2018, the IMF announced the approval by its Executive Board of the four-year Extended Arrangement for Barbados for approximately U.S.\$290 million, or 220% of Barbados' quota in the IMF.

For more information on the Domestic Exchange Offer and the Extended Arrangement, see "Recent Developments—IMF Programme" and "Recent Developments—Debt Strategy—Domestic Debt."

Subsequently, Barbados has begun to access additional funding from official sources, including the Inter-American Development Bank and the Caribbean Development Bank.

Existing Legislative Framework

The Government's authorisation to create and issue external debt instruments is pursuant to the External Loan Act Cap. 94D (the "*External Loan Act*"). The Constitution provides for the establishment of the Consolidated Fund into which, subject to applicable provisions of law, all revenues of Barbados are to be deposited. In addition, debt obligations of Barbados, including interest on the debt, sinking fund payments and redemption monies on debt and costs, charges and expenses incidental to the management of debt are to be withdrawn from the Consolidated Fund. Under the External Loan Act, statutory sinking funds are set aside for the redemption of each issue of securities and are invested in domestic and foreign securities. The External Loan Act provides for semi-annual payments to be made into the statutory sinking funds in such amounts as are approved by resolution of Parliament.

The Government is authorised to contract and issue Barbados dollar-denominated debt instruments up to a maximum of approximately U.S.\$5.3 billion pursuant to the Local Loans Act Cap. 98 and a maximum of approximately U.S.\$0.8 billion under the Treasury Bills and Tax Certificates Act, Cap. 106. In addition, the Financial Management and Audit (Amendment) Act, 2018 authorises the Government to borrow up to 7.5% of net receipts of estimated revenue for the financial year.

On 29 October 2018 the Debt Holder (Approval of Debt Restructuring) Act was passed to facilitate the Domestic Exchange Offer. The Dematerialisation of Government Securities Act, 2018 was also passed, which made provision for the dematerialised issuance of Government's domestic debt effective 26 October 2018.

Debt Statistics

The domestic debt exchange resulted in loans, Treasury Bills, Treasury Notes and Debentures being exchanged for a new series of amortising bonds.

The following table sets forth total debt, both public and private, outstanding for the years indicated.

Table No. 24
External and Domestic Debt of the Public and Private Sectors

	Year ended 31 March				
	2015	2016	2017	2018	2019
	<i>(In millions of U.S. dollars)</i>				
Total External Debt	3,270.8	3,288.7	3,221.3	3,167.0	3,326.7
Government.....	1,423.7	1,487.4	1,463.1	1,372.5	1,539.8*
Short Term					
Loans	25.0	0	15.0	0	0
Long-term	1,398.7	1,487.4	1,448.1	1,372.5	1,539.8
International Bonds	623.9	612.4	602.9	580.7	580.7
Loans	774.7	875.0	845.2	791.8	959.1
Government guaranteed	144.5	79.2	70.1	65.0	46.4
Private Sector	1,702.6	1,722.1	1,688.1	1,729.5	1,740.5
Total Domestic Debt	4,836.9	5,256.5	5,619.8	5,931.2	4,609.7
Government.....	4,274.3	4,825.1	5,243.5	5,507.8	4,609.7
Short Term	1,351.3	1,559.8	1,869.2	2,132.2	299.2
Treasury Bills.....	1,236.1	1,454.9	1,756.1	1,987.5	247.6
Overdraft	115.2	104.9	113.2	144.8	51.6
Long-term.....	2,923.1	3,265.3	3,374.2	3,375.5	4,310.6
Savings Bonds & Tax Cert.....	49.4	78.0	90.5	83.5	71.6
Loans	111.9	125.4	122.2	120.4	0
Bonds	48.9	85.2	82.5	185.9	50.9
Debentures & T-Notes	2,712.9	2,976.7	3,079.0	2,985.8	0
Bonds (restructured).....	0	0	0	0	4,188.1
Government Guaranteed	562.6	431.3	376.3	423.4	0

* Excludes arrears and penalties resulting from the external debt suspension.

Source: Ministry of Finance, Economic Affairs and Investment and Central Bank of Barbados, as at 31 March 2019

Debt to GDP Ratio

In addressing its high and unsustainable debt to GDP ratio, Barbados embarked on a multi-pronged economic reform programme which includes fiscal consolidation, corrective economic measures and debt restructuring to stabilise public finances and create conditions for sustained economic growth. BERTP, which is supported by the IMF, has, as its long-term anchor, a public sector debt to GDP target of 60% by FY 2033/34, a reduction from 147.8% of GDP as of December 31, 2017. This target is consistent with accepted international norms.

The Government debt to GDP ratio as of 31 March 2019 stood at approximately 121.1% compared to 147.7% at 31 March 2018. The decrease is primarily attributed to the Domestic Exchange Offer, which included a write-off of approximately U.S.\$1.5 billion in debt held by the Central Bank and the NIS.

The following table sets forth the Government's debt to GDP ratio for the financial years indicated.

Table No. 25
Debt to GDP Ratio

2015	136.4%
2016	144.4%
2017	147.8%
2018	147.7%
2019	121.1%

Source: Ministry of Finance, Economic Affairs and Investment, as at 31 March 2019

Domestic Debt

Traditionally, Barbados issued local currency debt through Treasury Bills, Savings Bonds, commercial bank loans, Debentures and Treasury Notes and other securities. The NIS, the Central Bank and commercial banks are the principal holders of Government instruments.

As of 31 March 2019, domestic debt represented approximately 74.4% of the Government's debt portfolio, compared to approximately 80.1% as of 31 March 2018. The write-offs in the Domestic Exchange Offer primarily accounted for the reduction in the share of domestic debt in the portfolio.

The following table sets forth the composition of domestic debt as of the dates indicated.

Table No. 26
Composition of Domestic Debt

Domestic Debt	31 March 2019	31 March 2018
	<i>(In millions of U.S. dollars)</i>	
Treasury Bills	247.5	1,987.5
Overdraft	51.6	144.8
Savings Bonds & Tax Certificates	71.6	83.5
Loans	0	120.4
Bonds.....	50.9	185.9
Debentures and Treasury Notes.....	0	2,985.8
Bonds (restructured)	4,188.1	0

Source: Ministry of Finance, Economic Affairs and Investment, as at 31 March 2019

Total interest expense on domestic Government debt for FY2018/19 was approximately U.S.\$195.2 million, and the average interest cost of domestic debt was approximately 4.0%. Following the debt restructuring, Government's total domestic debt was U.S.\$4,609.7 million as of 31 March 2019 compared to U.S.\$5,507.8 million as of 31 March 2018, a decrease of 16.3%.

The following table sets forth Barbados' domestic debt amortisation amounts for the years indicated.

Table No. 27
Domestic Debt Amortisation

Instrument	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
	<i>(In millions of U.S. dollars)</i>									
Treasury Bills....	247.6	-	-	-	-	-	-	-	-	-
Overdraft.....	51.6	-	-	-	-	-	-	-	-	-
Savings Bonds & Tax Certificates	9.2	28.8	13.2	3.6	-	-	-	-	-	-
Bonds	-	-	-	-	0.31	-	-	-	-	13.2
Bonds (restructured).....	89.1	89.1	89.1	100.9	167.8	143.6	150.1	157.0	164.3	213.3

* Treasury Bills are assumed to be rolled annually.

Source: Ministry of Finance, Economic Affairs and Investment, as at 31 March 2019

External Debt

As of 31 March 2019, Government's external debt consisted primarily of loans from multilateral and bilateral sources, international bond issuances denominated mainly in U.S. dollars and other commercial facilities. Multilateral and bilateral borrowing accounted for approximately 42.0% and 6.6% of Government's external debt, respectively, while international bond issuances accounted for approximately 37.7% and other commercial facilities accounted for the remaining 13.7%.

Government's total external debt was U.S.\$1,539.8 million as of 31 March 2019 compared to U.S.\$1,372.5 million as of 31 March 2018, an increase of 12.2%.

As a result of the suspension of both principal and interest payments due on debts owed to external commercial creditors, interest expense on the Government's external debt for FY2018/19 was approximately U.S.\$21.3 million.

The following table sets forth details of the Government's international capital market issuances as of 31 March 2019.

Table No. 28
Government International Capital Market Issuances

Debt Instrument	Original principal Amount	Issue Date	Maturity
International Bonds			
7.80% Class B Bonds due 2019	U.S.\$40.0 million	2009	2019
7.25% Bonds due 2021	U.S.\$150.0 million	2001	2021
6.625% Bonds due 2035.....	U.S.\$190.0 million*	2005	2035
7.00% Bonds due 2022	U.S.\$200.0 million	2010	2022
Commercial Loans			
Credit Suisse AG, Cayman Islands Branch.....	U.S.\$150.0 million	2013	2018
Credit Suisse AG, Cayman Islands Branch.....	U.S.\$75.0 million	2014	2019

* The 6.625% Bonds due 2035 were first issued in 2005 for U.S.\$125 million and then reopened in 2006 for an additional U.S.\$65 million.

Source: Ministry of Finance, Economic Affairs and Investment, as at 31 March 2019

The following table sets forth the currency composition of Government's external debt outstanding for the years indicated.

Table No. 29
Government External Debt Outstanding by Currency

	Year ended 31 March				
	2015	2016	2017	2018	2019
	<i>(In millions of U.S. dollars)</i>				
U.S. Dollar	1,382.6	1,487.0	1,462.8	1,372.2	1,539.5
Pound Sterling	40.6	0	0.0	0.0	0.0
Euro	0.4	0.4	0.3	0.3	0.3
Total.....	1,423.7	1,487.4	1,463.1	1,372.5	1,539.8

Source: Ministry of Finance, Economic Affairs and Investment, as at 31 March 2019

The following table sets forth the composition by creditor of Government's outstanding external debt for the years indicated.

Table No. 30
Government External Debt by Creditor

	Year ended 31 March				
	2015	2016	2017	2018	2019
	<i>(In millions of U.S. dollars)</i>				
Total External	1,423.7	1,487.4	1,463.1	1,372.5	1,539.8
Multilateral	406.5	491.5	477.2	473.7	646.3
Caribbean Development	115.7	107.7	94.5	102.3	176.0
European Economic	0.4	0.4	0.3	0.3	0.3
Latin American Development Bank	-	85.0	85.0	84.3	81.6
International Bank for Reconstruction & Development	35.6	32.9	30.5	28.6	27.2
Inter-American Development	254.7	265.5	266.9	258.2	361.3
Bilateral	-	43.6	91.9	105.7	102.2
Citibank (EDC)*	-	43.6	57.9	63.8	60.3
EXIM Bank of China	-	-	34.0	41.9	41.9
Suppliers' Credit & Prison	143.3	135.3	127.6	120.3	118.5
International Bonds	623.9	612.4	602.9	580.7	580.7
Commercial Loans	250.0	204.6	163.5	92.1	92.1

* Export Development Canada

Source: Ministry of Finance, Economic Affairs and Investment, as at 31 March 2019

Annual debt service payments for the period ending 31 March are shown in the table below.

Table No. 31
Government Debt Service Payments
(In millions of U.S. dollars)

Year	Total amortisation	Total interest	Total debt service
2009	210.0	198.4	408.4
2010	169.4	217.4	386.8
2011	365.3	250.6	616.0
2012	165.2	265.4	430.7
2013	218.4	284.5	502.9
2014	275.8	304.3	580.1
2015	319.5	332.7	652.2
2016	408.6	336.0	744.6
2017	402.4	369.5	771.9
2018	480.7	382.6	863.3
2019	177.2	195.2	372.4

Source: Accountant General, as at 31 March 2019

Contingent Liabilities

At 31 March 2019, the Government's guaranteed contingent liabilities were approximately U.S.\$46.4 million compared to U.S.\$488.4 million at 31 March 2018. The reduction was a result of the release of the Government from its obligations as a guarantor or surety under any Barbados law-governed debt instruments and overdraft facilities issued or contracted by certain state-owned enterprises, public institutions and government supported entities as a condition of the acceptance of the Domestic Exchange Offer.

TERMS AND CONDITIONS OF THE 2029 BONDS

This section of this invitation memorandum sets forth the text of the Terms and Conditions of the 2029 Bonds. Barbados urges you to read the Trust Deed and the Agency Agreement for a complete description of Barbados' obligations and your rights as a holder of the 2029 Bonds. In subscribing for the 2029 Bonds, you will be deemed to be aware of the terms of the Trust Deed and Agency Agreement.

(1) GENERAL

These bonds due 1 October 2029 (the “*Bonds*”, which expression shall, in these Conditions, unless the context otherwise requires, include any further bonds issued and forming a single Series with the Bonds) are:

- (a) authorised and issued or to be issued by the Government of Barbados (“*Barbados*”) pursuant to the trust deed (the “*Trust Deed*”) made between Barbados and The Bank of New York Mellon (the “*Trustee*”, which expression shall include its successor(s)) as trustee for the Holders of the Bonds; and
- (b) constituted by the Trust Deed.

The Bonds shall be Debt Securities for the purposes of the Trust Deed. Terms used but not defined herein shall have the respective meanings given to them in the Trust Deed. The Holders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed applicable to them.

(2) FORM, DENOMINATION AND TITLE

- (a) Form and Denomination
 - (i) The Bonds are in fully registered form only, without interest coupons, in minimum denominations of U.S.\$100 and integral multiples of U.S.\$100 in excess thereof.
 - (ii) The Bonds will be represented by separate permanent global certificates (the “*Restricted Global Certificate*” and the “*Unrestricted Global Certificate*” and, together, the “*Global Certificates*”) which will both be deposited with the Registrar as custodian for The Depository Trust Company (“*DTC*”) and registered in the name of Cede & Co. as nominee of DTC. The Restricted Global Certificate will represent Bonds which are restricted securities within the meaning of Rule 144(a)(3) under the United States Securities Act of 1933, as amended (the “*Securities Act*”). Bonds sold in offshore transactions in reliance on Regulation S under the Securities Act will be represented by the Unrestricted Global Certificate. Interests in the Restricted Global Certificate will be exchangeable for interests in the Unrestricted Global Certificate and vice versa in the circumstances specified therein.
 - (iii) The Restricted Global Certificate will be exchanged in whole (but not in part) for duly authenticated and completed individual debt security certificates (“*Restricted Individual Certificates*”) and, if applicable, the Unrestricted Global Certificate will be exchanged in whole (but not in part) for duly authenticated and completed individual debt security certificates (“*Unrestricted Individual Certificates*” and, together with Restricted Individual Certificates and the Global Certificates, “*Certificates*”) if any of the following events occurs:

- (A) DTC notifies Barbados that it is no longer willing or able to discharge properly its responsibilities as depositary with respect to the Restricted Global Certificate or the Unrestricted Global Certificate, as the case may be, or ceases to be a clearing agency (as defined in the United States Securities Exchange Act of 1934, as amended), or is at any time no longer eligible to act as such, and Barbados is (in the case of DTC ceasing to be a depositary) unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of DTC; or
- (B) any Bond becomes immediately due and payable following the occurrence of an Event of Default (as defined in Condition (12)), is not duly redeemed (and the funds required for redemption are not available to the Registrar for the purpose of effecting such redemption or do not remain available for such purpose) by 5:00 p.m. (New York City time) on the thirtieth day after the time the Bonds become immediately due and payable and such Holder requests the Trustee to issue a Certificate.

(3) TITLE

(a)

- (i) The Registrar will maintain a register (the “*Register*”) in respect of the Bonds in accordance with the provisions of the Agency Agreement. In these Conditions the “*Holder*” of a Bond means the person in whose name such Bond is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof). A Certificate will be issued to each Holder in respect of its registered holding.
- (ii) The Holder of each Bond shall (except as otherwise required by applicable law or regulatory requirement) be treated as the absolute owner of such Bond for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest thereof or therein, any writing on the Certificate relating thereto (other than the completion of the form of transfer) or any notice of any previous loss or theft of such Certificate) and no person shall be liable for so treating such holder.

(b) Trust Deed

Each Holder of this Series of Bonds is entitled as a beneficiary of the trusts established under the Trust Deed in respect of Barbados’ covenants given to the Trustee pursuant to the Trust Deed including, without limitation, the covenant to pay set out in Clause 2 thereof. The Trustee holds the benefit of such covenants on trust for the Holders of this Series of Bonds and itself in accordance with the terms of the Trust Deed. Subject to the next sentence, only the Trustee may enforce the provisions of the Trust Deed and these Conditions. No Holder of the Bonds of this Series shall be entitled to (i) take any steps or action against Barbados to enforce the performance of any of the provisions of the Trust Deed, the Agency Agreement or these Conditions or (ii) take any other proceedings (including lodging an appeal in any proceedings) in respect of or concerning Barbados and arising out of or in connection with the Trust Deed, the Agency Agreement or these Conditions, in each case unless the Trustee, having become bound pursuant to the Trust Deed to take any such action, steps or proceedings, fails to do so within 60 days and such failure is continuing.

(4) STATUS OF THE BONDS AND NEGATIVE PLEDGE

(a) Status

The Bonds are the direct, unconditional and unsecured obligations of Barbados and rank and will rank *pari passu*, without preference among themselves, with all other unsecured External Indebtedness of Barbados, from time to time outstanding, *provided, however*, that Barbados shall have no obligation to effect equal or rateable payment(s) at any time with respect to any such other External Indebtedness and, in particular, shall have no obligation to pay other External Indebtedness at the same time or as a condition of paying sums due on the Bonds and vice versa.

(b) Negative Pledge

(i) So long as any Bond remains Outstanding, Barbados will not create or permit to subsist any Security Interest (other than a Permitted Security Interest) upon the whole or any part of its properties, assets or revenues, present or future, to secure any present or future Public External Indebtedness of Barbados without, in any such case, at the same time or prior thereto according to the Bonds (i) equally and rateably therewith, the same or equivalent Security Interest as is granted to or is outstanding in respect of such Public External Indebtedness or (ii) such other Security Interest or such guarantee, indemnity or other like obligation as is approved by the Holders by an Extraordinary Resolution.

(ii) In these Conditions:

(A) “*External Indebtedness*” means Indebtedness which is payable or may be paid (a) in a currency other than the currency of Barbados and (b) to a Person resident or having its principal place of business outside Barbados;

(B) “*Indebtedness*” means any obligation (whether present, future, actual or contingent) of any Person for the payment or repayment of money which has been borrowed or raised (including money raised by acceptances and leasing);

(C) “*Permitted Security Interest*” means:

1. any Security Interest upon any property or asset (and any revenues therefrom) to secure Public External Indebtedness of Barbados incurred for the purpose of financing the acquisition, development or construction of such property or asset (and any revenues therefrom) and any renewal or extension of any such Security Interest which is limited to the original property or asset (and revenues) covered thereby and which secures any renewal or extension of the original secured financing;
2. any Security Interest existing upon any property or asset (and any revenues therefrom) to secure Public External Indebtedness of Barbados at the time of its acquisition and any renewal or extension of any such Security Interest which is limited to the original property or asset (and revenues) covered thereby;

3. any Security Interest securing Public External Indebtedness incurred for the purpose of financing all or part of the costs of the acquisition, construction or development of a project, *provided* that (i) the holders of such Public External Indebtedness expressly agree to limit their recourse to the assets and revenues of such project as the principal source of repayment of such Public External Indebtedness and (ii) the property over which such Security Interest is granted consists solely of such assets and revenues or claims that arise from the operation, failure to meet specifications, failure to complete, exploitation, sale or loss of, or damage to, such assets;
 4. any Security Interest in existence as of 11 December 2019 (the “*Issue Date*”) and any renewal or extension thereof which secures only the original secured financing or the renewal or extension thereof; and
 5. any other Security Interest where the amount secured from time to time does not exceed U.S.\$20,000,000 or its equivalent in any other currency or currencies (calculated based on the prevailing exchange rate on the date of the provision of such Security Interest);
- (D) “*Person*” means any individual, company, corporation, firm, partnership, joint venture, association, organisation, government, state or agency of a state or government or other entity, whether or not having a separate legal personality;
- (E) “*Public External Indebtedness*” means External Indebtedness which (a) is publicly offered or privately placed in securities markets outside of Barbados, (b) is in the form of, or represented by, bonds, notes, debentures or similar transferable debt securities and (c) is, or is, at the time of issue, intended by Barbados to be, quoted, listed or ordinarily dealt in on any stock exchange, automated trading system or over-the-counter or other securities market outside of Barbados (including, without limiting the generality of the foregoing, securities eligible for resale pursuant to Rule 144A under the Securities Act (or any successor law or regulation of similar effect)); and
- (F) “*Security Interest*” means any mortgage, charge, pledge, lien (other than a lien arising by operation of law), hypothecation or other security interest or encumbrance, including, without limitation, any equivalent created or arising under the laws of Barbados.

(5) INTEREST

(a) Interest Rate and Interest Payment Dates

Barbados shall pay interest on the principal amount of each Bond at the rate of 6.500 per cent. per annum accruing from 1 October 2019 and ending on 1 October 2029.

Interest on the Bonds will be payable in arrear semi-annually on each 1 April and 1 October commencing on 1 April 2020 (each such date, an “*Interest Payment Date*”) calculated on the basis of a 360-day year composed of twelve 30-day months and will be payable to Holders of record as of 26 March and 25 September of each year (each, a “*Record Date*”).

(b) Interest Accrual

Barbados shall not be required to pay interest on a Bond from and including the due date for redemption of that Bond unless payment for redemption of such Bond is not made by Barbados on such date in which event the obligation of Barbados to pay interest shall continue as provided in the Trust Deed.

(6) REDEMPTION AND PURCHASE OF BONDS

(a) Mandatory Redemption

Barbados shall, to the extent not previously redeemed, purchased or cancelled as provided below, redeem the Bonds on the dates shown below (each, a “*Principal Payment Date*” and together with the Interest Payment Dates, the “*Payment Dates*”) in an amortisation amount such that the aggregate Outstanding Amount of the Bonds (as defined below) is equal to or less than the percentage of the Relevant Principal Amount (as defined below) shown opposite such Principal Payment Date (each an “*Amortisation Amount*”) payable as provided in Condition (7).

<u>Principal Payment Date</u>	<u>Percentage of Relevant Principal Amount</u>
1 April 2025:	90.00%
1 October 2025:	80.00%
1 April 2026:	70.00%
1 October 2026:	60.00%
1 April 2027:	50.00%
1 October 2027:	40.00%
1 April 2028:	30.00%
1 October 2028:	20.00%
1 April 2029:	10.00%
1 October 2029:	0.00%

For purposes of this Condition (6), “*Outstanding Amount*” means the aggregate principal amount of the Bonds outstanding on any Principal Payment Date (as defined below), as shown on the records of the Trustee less the amount of any further issue of Bonds (as permitted by Condition (16) below) that have been consolidated with the Bonds; and “*Relevant Principal Amount*” means the aggregate principal amount of the Bonds outstanding on 1 January 2025.

(b) Purchases

Barbados may at any time purchase or otherwise acquire Bonds at any price in the open market or otherwise.

(c) Cancellation

Any Bond purchased or otherwise acquired by Barbados may be held, reissued, resold or, at the option of Barbados on or after 1 October 2024, cancelled.

(7) PAYMENTS

(a) Payments in respect of the Bonds

Payments of principal and interest or other amounts payable to the Holders under the Bonds will be made to the Holders in the manner provided in, and in accordance with, the Trust Deed, *provided* always that in any event final discharge of the obligation to make payments due to the Holders will only occur on the receipt of such payments by the Holders or by the Trustee on behalf of the Holders.

(b) Payments subject to applicable laws

Payments in respect of the Bonds are subject in all cases to any fiscal or other laws and regulations applicable in the place of payment, but without prejudice to the denomination of the Bonds or the provisions of Condition (7)(a) or Condition (9).

(c) No commissions

No commissions or expenses shall be charged to the Holders in respect of any payments made in accordance with this Condition.

(d) Payment on Business Days

If any date for payment in respect of any Bond is not a business day, the Holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment.

In this paragraph, “business day” for the purposes of any payments made in connection with the Bonds means any day except Saturday, Sunday or any other day on which commercial banks in New York City, London or Bridgetown (or the city where the relevant paying or transfer agent is located) are required or authorised by law to close.

(e) Agents

The initial Paying Agent, Transfer Agent and Registrar and their respective initial offices are specified in the Agency Agreement. Barbados reserves the right at any time to vary or terminate the appointment of any Paying Agent, Transfer Agent or Registrar and to appoint additional or other Paying Agents, Transfer Agents or Registrars *provided* that:

- (i) Barbados will at all times maintain a Transfer Agent with a specified office in the Borough of Manhattan; and

- (ii) if any Series of Bonds are listed on a stock exchange and that stock exchange so requires, Barbados will maintain a paying agent in the region where the stock exchange is located for such Series.

Notice of any termination or appointment and of any changes in specified offices will be given to the Holders promptly by Barbados in accordance with Condition (15) and to the Trustee.

(f) Principal Reinstatement

If any amount of principal or interest falling due under the Bonds on or prior to the Cut-Off Date is not paid on the scheduled due date, and such default is not cured by the date falling 30 days after the expiration of the grace period for such payment (such date being referred to herein the “*Principal Reinstatement Date*”) Barbados shall issue to each Holder of the Bonds (as of the Principal Reinstatement Date) within 30 Business Days after the Principal Reinstatement Date on a pro rata basis an amount of additional Bonds (for each such Holder, a “*Principal Reinstatement*”) equal to 33.33% of the outstanding principal amount of the Bonds as of the Issue Date of the Bonds. The Principal Reinstatement Date shall be the record date for purposes of determining Holders who are entitled to receive such additional Bonds.

The “*Cut-Off Date*” for purposes of this Condition (7) means the latter of the date on which (a) the extended fund facility arrangement for Barbados (the “*Arrangement*”) approved by the Executive Board of the International Monetary Fund (the “*Executive Board*”) on 1 October 2018 shall have expired by its terms; and (b) any extended expiration date for the Arrangement approved by the Executive Board.

If a Principal Reinstatement occurs, Barbados shall (i) file a supplement with the Luxembourg Stock Exchange indicating the principal amount of Bonds issued in connection therewith, and the total principal amount of Bonds outstanding following such Principal Reinstatement and (ii) provide notice of such Principal Reinstatement to the Holders. Bonds issued following a Principal Reinstatement Date will be fungible with other Bonds. The Trust Deed contains instructions for Barbados to notify the Trustee of the Principal Reinstatement, and for the Trustee to instruct DTC to credit these additional Bonds to the account of each Participant holding Bonds Outstanding as of the Principal Reinstatement Date within 30 Business Days after the Principal Reinstatement Date. Nothing herein or in the Trust Deed shall require the Trustee to pro rate the additional Bonds among the beneficial owners thereof or the DTC participants therefor while the Bonds are represented by one or more Global Certificates, such proration to be solely the responsibility of DTC. Only one Principal Reinstatement Date may occur under the Bonds.

(8) NATURAL DISASTER CLAUSE

(a) Event

- (i) Following the occurrence of any Caribbean Earthquake Event, Caribbean Tropical Cyclone Event or Covered Area Rainfall Event, as defined in the CCRIF Policy (an “*Event*”) that occurs prior to 1 October 2027, in respect of which a Policy Payment has been made to Barbados, and subject to paragraph (iv) below, Barbados may elect to defer payment of the Deferred Payment Amounts on a Deferral Date. Any such Deferred Payment Amount shall remain outstanding and shall continue to accrue interest in accordance with paragraph (iii) below.
- (ii) Beginning with the next Payment Date following the relevant Deferral Period, each remaining principal amortisation of the Bonds will be increased by an amount equal to a pro rata portion of principal that is being deferred on the Deferral Date

and a pro rata portion of interest capitalised in accordance with paragraph (iii) below, in each case, taking into account the number of remaining principal amortisation payments of the Bonds.

- (iii) The portion of a Deferred Payment Amount that is comprised of interest will be capitalised and added to principal as each such interest payment falls due under the terms of the Bonds after the relevant Deferral Date. As such interest is converted into principal, the principal amount of the Bonds shall be increased in the amount of such deferred interest.
- (iv) Barbados shall be entitled to defer the Deferred Payment Amount following the occurrence of an Event only if all of the following conditions are satisfied: (A) the CCRIF Policy is in full force and effect and CCRIF has issued a written report confirming that the Event is an Insured Event in respect of which a Policy Payment has been made to Barbados; (B) since the Issue Date, neither of the Coverage Limit or the Exhaustion Point applicable to earthquakes, tropical cyclone or excess rainfall has been reduced, unless it has been reduced by CCRIF and CCRIF has declined a request submitted by Barbados to CCRIF to maintain such Coverage Limit or Exhaustion Point, as the case may be; and (C) the Policy Payment to Barbados resulting from the Event is greater than U.S.\$5 million in the case of a Caribbean Earthquake Event or Covered Area Rainfall Event or U.S.\$7.5 million in the case of a Caribbean Tropical Cyclone Event.

Upon electing to defer the Deferred Payment Amount, Barbados shall at its own expense provide notice thereof (a “*Deferral Claim*”) to the Holders in accordance with Condition (15), describing in reasonable detail the particulars of the Event giving rise to the right to make such Deferral Claim. Barbados shall be entitled to make no more than three Deferral Claims for the Bonds. Additionally, so long as the Bonds are held in DTC, Barbados will arrange through DTC’s Reorganization Services or other relevant corporate action service of DTC (unless DTC no longer provides such a relevant service) a notice describing in reasonable detail the particulars of the Event giving rise to the right to make such Deferral Claim and that the relevant Deferred Payment Amounts will be deferred on a Deferral Date unless Holders of at least 50 per cent. of the aggregate principal amount of the Bonds then Outstanding respond to the DTC notice by providing an affirmative consent to instruct the Trustee to issue a Blocking Notice during the Blocking Period. Upon receipt through DTC of such affirmative consent during the Blocking Period from Holders representing 50 per cent of the aggregate principal amount of the Bonds then Outstanding, the Trustee is directed to issue a Blocking Notice in accordance with paragraph (v) below (such process, a “*DTC Corporate Action Process*”).

- (v) The Holders of at least 50 per cent. of the aggregate principal amount of the Bonds then Outstanding may, at any time during a Blocking Period, direct the Trustee to issue a blocking notice to Barbados (a “*Blocking Notice*”), including through a DTC Corporate Action Process, if such is then available.
- (vi) For purposes of this Condition: “*Caribbean Earthquake Event*”, “*Caribbean Tropical Cyclone Event*”, “*Covered Area Rainfall Event*”, “*Coverage Limit*”, “*Exhaustion Point*”, “*Insured Event*”, “*Policy Payment*” and “*Rainfall Index Loss*” have the meanings given to such terms in the CCRIF Policy.

“*Blocking Period*” means the 15 day period starting on the date Barbados provides notice of a Deferral Claim to the Holders in accordance with paragraph (iv) of this Condition (8).

“*CCRIF*” means CCRIF SPC (formerly, the Caribbean Catastrophe Risk Insurance Facility), or any successor thereof, with whom the Government of Barbados has entered into the CCRIF Policy.

“*CCRIF Policy*” means the Parametric Insurance Contract dated 1 June 2018 which the Government of Barbados has entered into with CCRIF to insure against risks of earthquake, tropical cyclone and excess rainfall, including any documents incorporated by reference therein and any attachments, annexes, appendices or supplements thereto (including but not limited to the applicable coverage summary and associated loss curve data spreadsheet), as such CCRIF Policy may be amended or supplemented from time to time.

“*Deferral Claim*”, in respect of an Event, has the meaning given to such term in paragraph (iv) of this Condition.

“*Deferral Date*” means the Payment Date following the Blocking Period, provided that no Blocking Notice has been validly delivered to Barbados in respect of such Deferral Claim in accordance with paragraph (v) above.

“*Deferred Payment Amount*” means all principal amortisations and interest payments falling due on the Bonds for the consecutive two-year period immediately following the Deferral Date.

“*Deferral Period*” means the consecutive two-year period immediately following a Deferral Date.

“*Return Period (years)*” means the return period applicable to the Event as such term is used in the model and formulae detailed in the CCRIF Policy.

(9) TAXATION

- (a) All payments of interest and principal on the Bonds will be made by Barbados without withholding or deduction for, or on account of, any present or future taxes, levies or duties of whatever nature imposed, levied, collected or assessed by or on behalf of Barbados or any political subdivision or taxing authority thereof (“*Barbados Withholding Taxes*”), unless such withholding or deduction is required by law. In such event, Barbados will pay such additional amounts (“*Additional Amounts*”) as may be necessary in order that the net payment made in respect of the Bonds after such withholding or deduction for or on account of Barbados Withholding Taxes is not less than the amount that would have been receivable in respect of the Bonds in the absence of such withholding or deduction; *provided* that the foregoing obligation to pay Additional Amounts shall not apply to:
 - (i) any Barbados Withholding Taxes that would not have been imposed or levied on a Holder or beneficial owner of the Bonds but for the existence of any present or former connection between such Holder or beneficial owner and Barbados or any political subdivision thereof, including, without limitation, such Holder or beneficial owner (i) being or having been a citizen or resident thereof, (ii)

maintaining or having maintained an office, permanent establishment or branch therein, or (iii) being or having been present or engaged in trade or business therein, except for a connection solely arising from the mere ownership of, or receipt of payment under such Bonds;

- (ii) any Barbados Withholding Taxes imposed with respect to any Bond held by or on behalf of a Holder or beneficial owner who would not be liable for or subject to such Barbados Withholding Taxes by making a declaration of non-residence or other similar claim or exemption to the relevant tax authority if, after having been requested to make such a declaration or claim, such Holder or beneficial owner fails to do so; or
- (iii) any Barbados Withholding Taxes that would not have been so imposed but for the presentation by the Holder of such Bond for payment more than 30 days after the Relevant Date, except to the extent that the Holder thereof would have been entitled to such Additional Amount on the last day of such 30-day period.

(b) The “*Relevant Date*” in relation to any Bond means:

- (i) the due date for payment in respect thereof; or
- (ii) (if the full amount of the monies payable on such date has not been received by the Trustee or the Paying Agent on or prior to such due date) the date on which, the full amount of such monies having been so received, notice to that effect is duly given to the Holders in accordance with Condition (15) or individually.

(c) OID Reporting Requirement

If any Bonds are issued with original issue discount for U.S. federal income tax purposes, the following shall apply:

- (i) Barbados shall file with the Trustee (i) a written notice specifying the amount of original issue discount (including daily rates and accrual periods) accrued on the Bonds and (ii) such other specific information relating to such original issue discount, including, but not limited to, the issue date and yield to maturity of the Bonds, as necessary to satisfy the relevant reporting requirements under the U.S. Internal Revenue Code of 1986, as amended. Individual Bonds, if any, that are issued with original issue discount will bear a legend substantially to the following effect, unless Barbados determines otherwise in compliance with applicable law: THIS BOND HAS BEEN ISSUED WITH ORIGINAL ISSUE DISCOUNT FOR UNITED STATES FEDERAL INCOME TAX PURPOSES. This provision shall not apply with respect to any Bonds for which Barbados has filed IRS Form 8281 with the U.S. Internal Revenue Service. Barbados shall provide a copy of IRS Form 8281, if any, to the Trustee.
- (ii) Barbados shall provide the information described in Condition (9)(c)(i) above to the Trustee based on the lowest applicable issue price for the Bonds, as determined for U.S. federal income tax purposes. By its acceptance of the Bonds, a Holder will be required, to the extent relevant for U.S. federal income tax purposes, to report original issue discount on the Bonds in accordance with the original issue

discount information provided by Barbados to the Trustee pursuant to Condition (9)(c)(i) above.

- (iii) A Holder may request the information described in Condition (9)(c)(i) above in writing (together with such evidence as to the Holder's identity and beneficial entitlement to such Bonds as the Trustee may reasonably request or require) to the Trustee at 240 Greenwich St., 7E, New York, New York 10286, and the Trustee agrees to provide the same to such Holder to the extent the Trustee received such information from Barbados, *provided* that under no circumstances shall the Trustee be responsible for or incur any liability whatsoever to any persons as to the accuracy or correctness of such information provided by Barbados to the Trustee.

(10) PRESCRIPTION

Claims for principal and interest on the Bonds shall become void unless made within the period of five years from the Relevant Date.

(11) MOST FAVOURED CREDITOR

Barbados shall not enter into any arrangement to pay or to settle any Specified Indebtedness issued on or prior to 1 January 2019 (unless such payment is made in compliance with and in accordance with the terms of a final, non-appealable court order or arbitral award) on terms more favourable to the holder thereof (in a net present value sense, where present value is calculated using a constant 12% discount rate) than the terms offered in the invitation memoranda dated 5 November 2019 to the holders of 7.25% Bonds due 2021, 7.00% Bonds due 2022, or 6.625% Bonds due 2035 each issued by Barbados, U.S.\$150,000,000 outstanding loans due 18 December 2018, U.S.\$75,000,000 outstanding loans due 18 December 2019, Fixed Rate Non-Callable Guaranteed Bonds 2007 – 2022 issued by the Barbados Transport Board, Fixed Rate Non-Callable Guaranteed Bonds 2007 – 2022 issued by Barbados Agricultural Management Co. Ltd., Class B Fixed Rate Bonds due 2019 issued by the Government of Barbados in definitive form and Class B Fixed Rate Bonds due 2019 issued by the Government of Barbados (ISIN XS0441235255), without simultaneously making those more favourable terms available to each Holder.

For the purposes of this Condition, "*Specified Indebtedness*" means (a) any Public External Indebtedness of Barbados; and (b) any External Indebtedness of Barbados in the form of commercial loans (provided that any such commercial loan has an aggregate outstanding amount in excess of U.S.\$5,000,000 or its equivalent in another currency), in each case other than Indebtedness under the Correctional Facility Lease between Barbados and Barbados Correction Corporation originally dated 15 October 2007 (as amended).

(12) EVENTS OF DEFAULT

- (a) Events of Default

The following shall each constitute an "*Event of Default*":

- (i) Barbados fails to pay any amount of principal or interest in respect of the Bonds on the due date for payment thereof and such default continues for 30 days or more;
- (ii) Barbados defaults in the performance or observance of any of its other obligations under or in respect of the Trust Deed, the Agency Agreement or the Conditions of the Bonds and such default remains unremedied for 60 days after written notice

requiring such default to be remedied has been delivered to Barbados by any Holder or the Trustee;

- (iii) (A) any External Indebtedness incurred by Barbados after the Issue Date (aggregating U.S.\$20,000,000, or its equivalent in any other currency or currencies, or more) (“*Relevant External Indebtedness*”) becomes due and payable prior to its stated maturity as a result of acceleration of payment thereof following a default by Barbados; (B) any principal or interest on such Relevant External Indebtedness of Barbados is not paid on the due date after giving effect to any applicable grace period; or (C) Barbados fails to pay when due and called after giving effect to any applicable grace period any amount payable by it under any present or future guarantee of or indemnity relating to Relevant External Indebtedness of any Person;
- (iv) A moratorium or suspension of payments is agreed or declared by Barbados in respect of any Relevant External Indebtedness of Barbados;
- (v) Any writ, execution, attachment or similar process shall be levied against all or any substantial part of the assets of Barbados in connection with any judgment for the payment of money in respect of any Indebtedness incurred by Barbados after the Issue Date exceeding U.S.\$25,000,000 (or its equivalent in other currencies) and shall remain unsatisfied, undischarged and in effect for a period of 60 days without a stay of execution, unless such judgment is adequately bonded or is being contested in good faith by appropriate proceedings properly instituted and diligently conducted and, in either case, such process is not being executed against such assets;
- (vi) The validity of the Bonds, the Trust Deed, the Conditions or the Agency Agreement shall be contested by Barbados or any legislative, executive or judicial body or official of Barbados authorised and empowered (either singly or with another such body or official) in each case by law to do so, or Barbados shall deny any of its obligations under the Trust Deed, the Agency Agreement or the relevant Conditions of such Series of Bonds to any of the Holders (whether by a general suspension of payments or a moratorium on the payment of debt or otherwise);
- (vii) Any constitutional provision, treaty, convention, law, regulation, ordinance, decree, consent, approval, licence or other governmental or regulatory authority necessary to enable Barbados to make or perform its obligations under the Trust Deed, the Agency Agreement or the Conditions of such Series of Bonds, or for the validity or enforceability thereof, shall expire, be withheld, revoked, modified, terminated or otherwise cease to remain in full force and effect;
- (viii) Any law, rule or regulation is adopted in Barbados or any change in applicable law in Barbados is made which makes it unlawful for Barbados to comply with its obligations to pay amounts in accordance with Condition (7) in the event that Barbados shall be required to withhold or deduct any taxes, duties, assessments or governmental charges on payments of principal of, or interest on, the Bonds; or
- (ix) Barbados ceases to be a member of the International Monetary Fund (the “*IMF*”) or ceases to be eligible to utilise the resources of the IMF under the IMF Articles of Agreement and such cessation continues for 30 days.

(b) Acceleration and Rescission

If an Event of Default occurs and is continuing, then the Holders of at least 25 per cent. of the aggregate principal amount of the Bonds then Outstanding may direct the Trustee to give notice in writing (an “*Acceleration Notice*”) to Barbados that the Bonds are immediately due and payable, whereupon an amount equal to the aggregate principal amount of the Bonds then Outstanding together with accrued but unpaid interest if any to the date of repayment shall become immediately due and payable, unless the Event of Default has been remedied or waived prior to the receipt of the Acceleration Notice by Barbados.

The Holders of at least 50 per cent. of the aggregate principal amount of the Bonds then Outstanding may direct the Trustee to rescind an Acceleration Notice. Such rescission shall be made by giving notice in writing to Barbados, with a copy to the Trustee, whereupon such Acceleration Notice shall be rescinded and shall have no further effect and any amounts that had become immediately due and payable pursuant to such Acceleration Notice and had not been paid shall remain outstanding on the terms and conditions applicable prior to such Acceleration Notice and any Event of Default referred to in such Acceleration Notice or resulting from a failure to pay any amount that had become due and payable pursuant to such Acceleration Notice shall be irrevocably waived.

No such rescission shall affect any other or any subsequent Event of Default or any right of any Holder in relation thereto. Such rescission will be conclusive and binding on all Holders.

(13) ENFORCEMENT

Subject to the Trust Deed, the Trustee may or shall (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction by the relevant holders), if so requested in writing by Holders for the time being of at least 25 per cent. of the Bonds then Outstanding, take such proceedings against Barbados as it may think fit to enforce the provisions of the Bonds or the Trust Deed.

No Holder shall be entitled to proceed directly against Barbados by instituting any proceeding, judicial or otherwise, with respect to the Bonds or the Trust Deed, or for the appointment of a receiver or a trustee, or for any other remedy hereunder, unless the Trustee, having become bound so to proceed under the Trust Deed, fails to do so within 60 days and the failure shall be continuing.

(14) MEETINGS AND MODIFICATIONS

(a) General

The provisions relating to modifications as set out under Clause 19 of the Trust Deed and for convening meetings of Holders as set out in Schedule 4 of the Trust Deed shall apply to the Bonds, *provided* that, for the purposes of any proposal relating to, or proposed modification of, the Bonds of this Series only or any Multiple Series Aggregation – Single Limb Voting or Multiple Series Aggregation – Two Limb Voting, the Bonds shall be treated as a single Series and all reference to “*Series*” or “*Bonds*” shall be construed accordingly.

Any modification consented to or approved by the Holders of Bonds pursuant to this Condition (14) will be conclusive and binding on all Holders of the Bonds whether or not they have given such consent, and on all future Holders of the Bonds whether or not notation of such modification is made upon the Bonds. Any instrument given by or on behalf of any Holder of a Bond in connection with any consent to or approval of any such modification will be conclusive and binding on all subsequent Holders of that Bond.

(b) Convening a meeting of Holders

A meeting of Holders:

- (i) may be convened by Barbados or the Trustee at any time; and
- (ii) will be convened by Barbados or the Trustee if a meeting is requested in writing by the Holders of not less than 10 per cent. in principal amount of the Bonds then Outstanding.

(c) Non-Reserved Matters

Save as otherwise provided in the Trust Deed, any modification in relation to, or proposal relating to, any matter other than a Reserved Matter may be made if:

- (i) passed at a duly called meeting of Holders by a majority of more than 50 per cent. of the aggregate principal amount of the Bonds then Outstanding; or
- (ii) approved by a written resolution signed by or on behalf of a Holder or Holders of more than 50 per cent. of the aggregate principal amount of the Bonds then Outstanding.

(d) Reserved Matters

(i) Modification of this Series of Debt Securities Only

(A) In relation to a proposal that includes a Reserved Matter, any modification to the terms and conditions of, or any action with respect to, the Bonds may be made or taken if:

- 1. passed at a duly called meeting of Holders by a majority of at least 75 per cent. of the aggregate principal amount of the Bonds then Outstanding; or
- 2. approved by a written resolution signed by or on behalf of a Holder or Holders of at least 75 per cent. of the aggregate principal amount of the Bonds then Outstanding.

(ii) Multiple Series Aggregation – Single Limb Voting

(A) In relation to a proposal that includes a Reserved Matter, any modification to the terms and conditions of, or any action with respect to, two or more series of Debt Securities Capable of Aggregation; *provided* that the Uniformly Applicable condition is satisfied, may be made or taken if:

- 1. passed at a duly called meeting of Holders by a majority of at least 75 per cent. of the aggregate principal amount of the outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in the aggregate); or

2. approved by a written resolution signed by or on behalf of a Holder or Holders of at least 75 per cent. of the aggregate principal amount of the outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in the aggregate).

(B) The “*Uniformly Applicable*” condition will be satisfied if:

1. the holders of all affected series of Debt Securities Capable of Aggregation are invited to exchange, convert, or substitute their debt securities, on the same terms, for (i) the same new instrument or other consideration or (ii) a new instrument, new instruments or other consideration from an identical menu of instruments or other consideration; or
2. the amendments proposed to the terms and conditions of each affected series of Debt Securities Capable of Aggregation would, following implementation of such amendments, result in the amended instruments having identical provisions (other than provisions which are necessarily different, having regard to different currency of issuance).

(iii) Multiple Series Aggregation – Two Limb Voting

(A) In relation to a proposal that includes a Reserved Matter, any modification to the terms and conditions of, or any action with respect to, two or more series of Debt Securities Capable of Aggregation may be made or taken if:

1. passed at a duly called meeting of Holders by a majority of: (a) at least $66\frac{2}{3}$ per cent. of the aggregate principal amount of the outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in the aggregate); and (b) more than 50 per cent. of the aggregate principal amount of the outstanding debt securities in each affected series of Debt Securities Capable of Aggregation (taken individually); or
2. approved by a written resolution signed by or on behalf of a Holder or Holders of: (a) at least $66\frac{2}{3}$ per cent. of the aggregate principal amount of the outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in the aggregate); and (b) more than 50 per cent. of the aggregate principal amount of the outstanding debt securities in each affected series of Debt Securities Capable of Aggregation (taken individually).

“*Debt Securities Capable of Aggregation*” means those debt securities which include or incorporate by reference Schedule 4 (*Meetings of Holders; Written Resolutions*) and paragraph (I) (*Aggregation Agent; Aggregation Procedures*) of Schedule 4 of the Trust Deed or provisions substantially in those terms which provide for the debt securities which include such provisions to be capable of being aggregated for voting purposes with other series of debt securities.

(e) Binding Effect

A resolution duly passed at a meeting of Holders duly convened and held in accordance with the provisions of the Trust Deed, and a written resolution duly signed by the requisite majority of Holders, will be binding on all Holders and holders of each other affected series of Debt Securities Capable of Aggregation, whether or not they attended any meeting and whether or not they voted for or against the resolution or signed the written resolution.

(15) NOTICES

- (a) Notices to Holders will be valid if sent to them by first class mail (airmail if overseas) at their respective addresses on the Register or, as long as the Notes are listed on the Luxembourg Stock Exchange and traded on the Euro MTF market and the rules of the Luxembourg Stock Exchange so require, published in a leading newspaper having general circulation in Luxembourg or on the website of the Luxembourg Stock Exchange (<http://www.bourse.lu>). Any such notice shall be deemed to have been given, when required to be published in accordance with the rules of the Luxembourg Stock Exchange, on the date of such publication (or, if published more than once, on the first date on which publication is made) or, as the case may be, on the fourth day after the date of mailing.
- (b) Notices to Barbados to be given by any Holder shall be in writing and in English and given by lodging the same at the Ministry of Finance, Economic Affairs and Investment at the address below:

The Ministry of Finance, Economic Affairs and Investment
Government Headquarters
Bay Street
St. Michael, Barbados
Attention: Permanent Secretary (Finance)

(16) FURTHER ISSUES

Barbados shall be at liberty from time to time without the consent of the Holders to create and issue further bonds having terms and conditions the same as the Bonds or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with and increase the outstanding aggregate principal amount of the Bonds, provided that such additional Bonds do not have, for purposes of U.S. federal income taxation (regardless of whether any holders of such Bonds are subject to U.S. federal laws), a greater amount of original issue discount than the Bonds have as of the date of issuance of such additional Bonds.

(17) INDEMNIFICATION OF TRUSTEE

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from any obligation to take proceedings to enforce repayment unless indemnified and/or secured and/or prefunded to its satisfaction. The Trust Deed also contains provisions pursuant to which the Trustee is entitled *inter alia*, (i) to enter into business transactions with Barbados or any person or body corporate associated with the Government of Barbados and to act as trustee for the holders of any other securities issued by or relating to Barbados or any person or body corporate associated with the Government of Barbados, (ii) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Holders, and (iii) to retain

and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

(18) GOVERNING LAW

- (a) The Bonds and any non-contractual obligations arising out of or in connection with the Bonds shall be governed by and construed in accordance with the law of England.
- (b) Subject to Condition (18)(l), Barbados irrevocably and unconditionally agrees for the exclusive benefit of the Trustee that any federal court in the Southern District of New York or any state court in the Borough of Manhattan, The City of New York, any court of England and any competent court in Barbados (collectively referred to “*Specified Courts*”) shall have jurisdiction to settle any suit, action or proceeding against Barbados or its properties, assets or revenues arising out of or in connection with the Bonds or Barbados’ failure or alleged failure to perform any obligations under the Bonds (a “*Related Proceeding*”). Any proceeding against the Trustee arising out of or related to the Trust Deed or the Bonds shall be commenced solely in the courts of England. Barbados and the Holders, by their acceptance of the Bonds, agree to the foregoing and submit to the exclusive jurisdiction of any such court.
- (c) The Trustee may not initiate a Related Proceeding in any jurisdiction other than in the Specified Courts.
- (d) Barbados irrevocably appoints: (i) the High Commissioner of Barbados at 1 Great Russell St, Fitzrovia, London WC1B 3ND, UK to receive service of process in relation to any Related Proceeding in England, and (ii) the Consul General of Barbados at 820 2nd Ave, New York, NY 10017 to receive service of process in relation to any Related Proceeding in New York.
- (e) Barbados hereby irrevocably and unconditionally waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to Related Proceedings brought in a Specified Court whether on the grounds of venue, residence or domicile or on the ground that the Related Proceedings have been brought in an inconvenient forum (except for any Related Proceedings relating to the securities laws of the United States or any state thereof).
- (f) A final non-appealable judgment in any such Related Proceeding shall be conclusive and may be enforced in other jurisdictions by a suit upon such judgment or in any other manner provided by law.
- (g) Barbados hereby irrevocably waives, to the extent permitted by applicable law and international conventions, (a) any immunity from jurisdiction it may have in any Related Proceeding in the courts of England, and (b) except as provided below, any immunity from attachment or execution to which its assets or property might otherwise be entitled in any Related Proceeding in the courts of England, and agrees that it will not claim any such immunity in any such Related Proceeding.
- (h) Notwithstanding the foregoing, the above waiver shall not constitute a waiver of immunity from attachment or execution with respect to:
 - (i) any property of the Central Bank of Barbados,

- (ii) any property of Barbados located in the territory of Barbados,
 - (iii) any property located in or outside the territory of Barbados that provides an essential public service,
 - (iv) any property entitled to the privileges and immunities of the Vienna Convention on Diplomatic Relations of 1961 and the Vienna Convention on Consular Relations of 1963, including, but not limited to, property, premises and bank accounts used by the missions of Barbados,
 - (v) any property of a diplomatic, governmental or consular mission of Barbados,
 - (vi) taxes, duties, levies, assessments, royalties or any other governmental charges imposed by Barbados, including the right of Barbados to collect any such charges,
 - (vii) any property of a military character or under the control of a military authority or defence agency of Barbados,
 - (viii) property forming part of the cultural heritage of Barbados, or
 - (ix) property of Barbados outside Barbados not used for a commercial purpose.
- (i) For the purposes of this Condition (18), “*property*” includes, without limitation, assets, accounts, bank deposits, cash, revenues, securities and rights, including rights against third parties.
- (j) Subject to Condition (18)(l), to the extent that Barbados or any of its revenues, assets or properties shall be entitled, in any jurisdiction in which any federal court in the Southern District of New York or any state court in the Borough of Manhattan, The City of New York is located, in which any Related Proceeding may at any time be brought against it or any of its revenues, assets or properties, or in any jurisdiction in which any federal court in the Southern District of New York or any state court in the Borough of Manhattan, The City of New York is located in which any suit, action or proceeding may at any time be brought for the purpose of enforcing or executing any judgment issued in any Related Proceeding (a “*Related Judgment*”), to any immunity from suit, from the jurisdiction of any such court, from set-off, from attachment prior to a Related Judgment, from attachment in aid of execution of a Related Judgment, from execution of a Related Judgment or from any other legal or judicial process or remedy, and to the extent that in any such jurisdiction there shall be attributed such an immunity, Barbados irrevocably waives such immunity to the fullest extent permitted by the laws of such jurisdiction, including the United States Foreign Sovereign Immunities Act of 1976 (the “*Immunities Act*”) (and consents to the giving of any relief or the issue of any process in connection with any Related Proceeding or Related Judgment as permitted by applicable law, including the Immunities Act), *provided, however*, that such waiver shall not extend to and Barbados shall be immune in respect of and in relation to any suit, action or proceeding or enforcement of any Related Judgment against:
- (i) any property of the Central Bank of Barbados,
 - (ii) any property of Barbados located in the territory of Barbados,

- (iii) any property located in or outside the territory of Barbados that provides an essential public service,
 - (iv) any property entitled to the privileges and immunities of the Vienna Convention on Diplomatic Relations of 1961 and the Vienna Convention on Consular Relations of 1963, including, but not limited to, property, premises and bank accounts used by the missions of Barbados,
 - (v) any property of a diplomatic, governmental or consular mission of Barbados,
 - (vi) taxes, duties, levies, assessments, royalties or any other governmental charges imposed by Barbados, including the right of Barbados to collect any such charges,
 - (vii) any property of a military character or under the control of a military authority or defence agency of Barbados,
 - (viii) property forming part of the cultural heritage of Barbados, or
 - (ix) property of Barbados outside Barbados not used for a commercial purpose.
- (k) The foregoing constitutes a limited and specific waiver by Barbados solely for the purposes of the Trust Deed and the Bonds and under no circumstance shall it be construed as a general waiver by Barbados or a waiver with respect to proceedings unrelated to the Trust Deed or the Bonds.
- (l) Barbados reserves the right to plead sovereign immunity under the Immunities Act with respect to actions brought against it under the U.S. federal securities laws or any state securities laws and the appointment of an agent for service of process does not extend to such actions.

(19) HOLDERS' COMMITTEE

- (a) Appointment
- (i) Holders of at least 25 per cent. of the aggregate principal amount of the outstanding Bonds may, by notice in writing to Barbados (with a copy to the Trustee), appoint any person or persons as a committee to represent the interests of such holders (as well as the interests of any holders of outstanding Indebtedness of Barbados who wish to be represented by such a committee) if any of the following events has occurred:
 - (A) an Event of Default under Condition (12) (*Events of Default*);
 - (B) any public announcement by Barbados, to the effect that Barbados is seeking or intends to seek a rescheduling or restructuring of the Bonds (whether by amendment, exchange offer or otherwise); or
 - (C) with the agreement of Barbados, at a time when Barbados has reasonably reached the conclusion that its debt may no longer be sustainable whilst the Bonds or any other affected Indebtedness of Barbados is outstanding.

- (ii) Upon receipt of a written notice that a committee has been appointed in accordance with paragraph (a)(i) of this Condition (19) (*Holders' Committee*), and a certificate delivered pursuant to paragraph (d) of this Condition (19) (*Holders' Committee*), Barbados shall give notice of the appointment of such a committee to all Holders in accordance with Condition (15) (*Notices*) as soon as practicable after such written notice and such certificate are delivered to Barbados.

(b) Powers

Such committee in its discretion may, among other things:

- (i) engage legal advisers and financial advisers to assist it in representing the interests of the Holders;
- (ii) adopt such rules as it considers appropriate regarding its proceedings;
- (iii) enter into discussions with Barbados and/or other creditors of Barbados; and
- (iv) designate one or more members of the committee to act as the main point(s) of contact with Barbados and provide all relevant contact details to Barbados.

Except to the extent provided in this paragraph (b) of this Condition (19) (*Holders' Committee*), such committee shall not have the ability to exercise any powers or discretions which the Holders could themselves exercise.

(c) Engagement with the Committee and Provision of Information

- (i) Barbados shall:
 - (A) subject to paragraph (c)(ii) of this Condition (19) (*Holders' Committee*), engage with the committee in good faith;
 - (B) pay such fees and expenses of the committee (including, without limitation, fees and expenses of the committee's legal and financial advisers, if any) but only to the extent agreed in writing between Barbados and the committee, it being understood that nothing in this clause shall impose an obligation or expectation on Barbados to make any such payment without the prior agreement of Barbados; and
 - (C) provide the committee with information equivalent to that required under paragraph (g) (*Information*) of Schedule 4 of the Trust Deed and related proposals, if any, in each case as the same become available, subject to any applicable information disclosure policies, rules and regulations.
- (ii) If more than one committee has been appointed by holders of affected series of Bonds in accordance with the provisions of this Condition (19) (*Holders' Committee*) and/or equivalent provisions set out in the terms and conditions of any affected Indebtedness of Barbados, Barbados shall not be obliged to engage with such committees separately. Such committees may appoint a single steering group (to be comprised of representatives from such committees), whereupon Barbados shall engage with such steering group.

(d) Certification

Upon the appointment of a committee, the person or persons constituting such a committee (the “*Members*”) will provide a certificate to Barbados and to the Trustee signed by the authorised representatives of the Members, and Barbados and the Trustee may rely upon the terms of such certificate.

The certificate shall certify:

- (A) that the committee has been appointed;
- (B) the identity of the initial Members; and
- (C) that such appointment complies with the terms and conditions of the relevant bond documentation.

Promptly after any change in the identity of the Members, a new certificate which each of Barbados and the Trustee may rely on conclusively, will be delivered to Barbados and the Trustee identifying the new Members. Each of Barbados and the Trustee will assume that the membership of the committee has not changed unless and until it has received a new certificate.

The provisions of this paragraph (d) of this Condition (19) (*Holders’ Committee*) shall apply, mutatis mutandis, to any steering group appointed in accordance with paragraph (c)(ii) of this Condition (19) (*Holders’ Committee*).

TERMS AND CONDITIONS OF THE PDI BONDS

This section of this invitation memorandum sets forth the text of the Terms and Conditions of the PDI Bonds. Barbados urges you to read the Trust Deed and the Agency Agreement for a complete description of Barbados' obligations and your rights as a holder of the PDI Bonds. In subscribing for the PDI Bonds, you will be deemed to be aware of the terms of the Trust Deed and Agency Agreement.

(1) GENERAL

These bonds due 1 February 2021 (the “*Bonds*”, which expression shall, in these Conditions, unless the context otherwise requires, include any further bonds issued and forming a single Series with the Bonds) are:

- (a) authorised and issued or to be issued by the Government of Barbados (“*Barbados*”) pursuant to the trust deed (the “*Trust Deed*”) made between Barbados and The Bank of New York Mellon (the “*Trustee*”, which expression shall include its successor(s)) as trustee for the Holders of the Bonds; and
- (b) constituted by the Trust Deed.

The Bonds shall be Debt Securities for the purposes of the Trust Deed. Terms used but not defined herein shall have the respective meanings given to them in the Trust Deed. The Holders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed applicable to them.

(2) FORM, DENOMINATION AND TITLE

- (a) Form and Denomination
 - (i) The Bonds are in fully registered form only, without interest coupons, in minimum denominations of U.S.\$100 and integral multiples of U.S.\$100 in excess thereof.
 - (ii) The Bonds will be represented by separate permanent global certificates (the “*Restricted Global Certificate*” and the “*Unrestricted Global Certificate*” and, together, the “*Global Certificates*”) which will both be deposited with the Registrar as custodian for The Depository Trust Company (“*DTC*”) and registered in the name of Cede & Co. as nominee of DTC. The Restricted Global Certificate will represent Bonds which are restricted securities within the meaning of Rule 144(a)(3) under the United States Securities Act of 1933, as amended (the “*Securities Act*”). Bonds sold in offshore transactions in reliance on Regulation S under the Securities Act will be represented by the Unrestricted Global Certificate. Interests in the Restricted Global Certificate will be exchangeable for interests in the Unrestricted Global Certificate and vice versa in the circumstances specified therein.
 - (iii) The Restricted Global Certificate will be exchanged in whole (but not in part) for duly authenticated and completed individual debt security certificates (“*Restricted Individual Certificates*”) and, if applicable, the Unrestricted Global Certificate will be exchanged in whole (but not in part) for duly authenticated and completed individual debt security certificates (“*Unrestricted Individual Certificates*” and, together with Restricted Individual Certificates and the Global Certificates, “*Certificates*”) if any of the following events occurs:

- (A) DTC notifies Barbados that it is no longer willing or able to discharge properly its responsibilities as depositary with respect to the Restricted Global Certificate or the Unrestricted Global Certificate, as the case may be, or ceases to be a clearing agency (as defined in the United States Securities Exchange Act of 1934, as amended), or is at any time no longer eligible to act as such, and Barbados is (in the case of DTC ceasing to be a depositary) unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of DTC; or
- (B) any Bond becomes immediately due and payable following the occurrence of an Event of Default (as defined in Condition (12)), is not duly redeemed (and the funds required for redemption are not available to the Registrar for the purpose of effecting such redemption or do not remain available for such purpose) by 5:00 p.m. (New York City time) on the thirtieth day after the time the Bonds become immediately due and payable and such Holder requests the Trustee to issue a Certificate.

(3) TITLE

(a)

- (i) The Registrar will maintain a register (the “*Register*”) in respect of the Bonds in accordance with the provisions of the Agency Agreement. In these Conditions the “*Holder*” of a Bond means the person in whose name such Bond is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof). A Certificate will be issued to each Holder in respect of its registered holding.
- (ii) The Holder of each Bond shall (except as otherwise required by applicable law or regulatory requirement) be treated as the absolute owner of such Bond for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest thereof or therein, any writing on the Certificate relating thereto (other than the completion of the form of transfer) or any notice of any previous loss or theft of such Certificate) and no person shall be liable for so treating such holder.

(b) Trust Deed

Each Holder of this Series of Bonds is entitled as a beneficiary of the trusts established under the Trust Deed in respect of Barbados’ covenants given to the Trustee pursuant to the Trust Deed including, without limitation, the covenant to pay set out in Clause 2 thereof. The Trustee holds the benefit of such covenants on trust for the Holders of this Series of Bonds and itself in accordance with the terms of the Trust Deed. Subject to the next sentence, only the Trustee may enforce the provisions of the Trust Deed and these Conditions. No Holder of the Bonds of this Series shall be entitled to (i) take any steps or action against Barbados to enforce the performance of any of the provisions of the Trust Deed, the Agency Agreement or these Conditions or (ii) take any other proceedings (including lodging an appeal in any proceedings) in respect of or concerning Barbados and arising out of or in connection with the Trust Deed, the Agency Agreement or these Conditions, in each case unless the Trustee, having become bound pursuant to the Trust Deed to take any such action, steps or proceedings, fails to do so within 60 days and such failure is continuing.

(4) STATUS OF THE BONDS AND NEGATIVE PLEDGE

(a) Status

The Bonds are the direct, unconditional and unsecured obligations of Barbados and rank and will rank *pari passu*, without preference among themselves, with all other unsecured External Indebtedness of Barbados, from time to time outstanding, *provided, however*, that Barbados shall have no obligation to effect equal or rateable payment(s) at any time with respect to any such other External Indebtedness and, in particular, shall have no obligation to pay other External Indebtedness at the same time or as a condition of paying sums due on the Bonds and vice versa.

(b) Negative Pledge

(i) So long as any Bond remains Outstanding, Barbados will not create or permit to subsist any Security Interest (other than a Permitted Security Interest) upon the whole or any part of its properties, assets or revenues, present or future, to secure any present or future Public External Indebtedness of Barbados without, in any such case, at the same time or prior thereto according to the Bonds (i) equally and rateably therewith, the same or equivalent Security Interest as is granted to or is outstanding in respect of such Public External Indebtedness or (ii) such other Security Interest or such guarantee, indemnity or other like obligation as is approved by the Holders by an Extraordinary Resolution.

(ii) In these Conditions:

(A) “*External Indebtedness*” means Indebtedness which is payable or may be paid (a) in a currency other than the currency of Barbados and (b) to a Person resident or having its principal place of business outside Barbados;

(B) “*Indebtedness*” means any obligation (whether present, future, actual or contingent) of any Person for the payment or repayment of money which has been borrowed or raised (including money raised by acceptances and leasing);

(C) “*Permitted Security Interest*” means:

1. any Security Interest upon any property or asset (and any revenues therefrom) to secure Public External Indebtedness of Barbados incurred for the purpose of financing the acquisition, development or construction of such property or asset (and any revenues therefrom) and any renewal or extension of any such Security Interest which is limited to the original property or asset (and revenues) covered thereby and which secures any renewal or extension of the original secured financing;
2. any Security Interest existing upon any property or asset (and any revenues therefrom) to secure Public External Indebtedness of Barbados at the time of its acquisition and any renewal or extension of any such Security Interest which is limited to the original property or asset (and revenues) covered thereby;

3. any Security Interest securing Public External Indebtedness incurred for the purpose of financing all or part of the costs of the acquisition, construction or development of a project, *provided* that (i) the holders of such Public External Indebtedness expressly agree to limit their recourse to the assets and revenues of such project as the principal source of repayment of such Public External Indebtedness and (ii) the property over which such Security Interest is granted consists solely of such assets and revenues or claims that arise from the operation, failure to meet specifications, failure to complete, exploitation, sale or loss of, or damage to, such assets;
 4. any Security Interest in existence as of 11 December 2019 (the “*Issue Date*”) and any renewal or extension thereof which secures only the original secured financing or the renewal or extension thereof; and
 5. any other Security Interest where the amount secured from time to time does not exceed U.S.\$20,000,000 or its equivalent in any other currency or currencies (calculated based on the prevailing exchange rate on the date of the provision of such Security Interest);
- (D) “*Person*” means any individual, company, corporation, firm, partnership, joint venture, association, organisation, government, state or agency of a state or government or other entity, whether or not having a separate legal personality;
- (E) “*Public External Indebtedness*” means External Indebtedness which (a) is publicly offered or privately placed in securities markets outside of Barbados, (b) is in the form of, or represented by, bonds, notes, debentures or similar transferable debt securities and (c) is, or is, at the time of issue, intended by Barbados to be, quoted, listed or ordinarily dealt in on any stock exchange, automated trading system or over-the-counter or other securities market outside of Barbados (including, without limiting the generality of the foregoing, securities eligible for resale pursuant to Rule 144A under the Securities Act (or any successor law or regulation of similar effect)); and
- (F) “*Security Interest*” means any mortgage, charge, pledge, lien (other than a lien arising by operation of law), hypothecation or other security interest or encumbrance, including, without limitation, any equivalent created or arising under the laws of Barbados.

(5) INTEREST

(a) Interest Rate and Interest Payment Dates

Barbados shall pay interest on the principal amount of each Bond at the rate of 6.500 per cent. per annum accruing from 1 October 2019 and ending on 1 February 2021.

Interest on the Bonds will be payable in arrear on 1 October 2020 and 1 February 2021 (each such date, an “*Interest Payment Date*”) calculated on the basis of a 360-day year composed of twelve 30-day months and will be payable to Holders of record as of 25 September 2020 and 26 January 2021 (each, a “*Record Date*”).

(b) Interest Accrual

Barbados shall not be required to pay interest on a Bond from and including the due date for redemption of that Bond unless payment for redemption of such Bond is not made by Barbados on such date in which event the obligation of Barbados to pay interest shall continue as provided in the Trust Deed.

(6) REDEMPTION AND PURCHASE OF BONDS

(a) Mandatory Redemption

Barbados shall, to the extent not previously redeemed, purchased or cancelled as provided below, redeem the Bonds on the dates shown below (each, a “*Principal Payment Date*”) in an amortisation amount shown opposite such Principal Payment Date, payable as provided in Condition (7).

<u>Principal Payment Date</u>	<u>Amortisation Amount</u>
1 October 2020:	U.S.\$30,000,000
1 February 2021:	U.S.\$2,500,000

(b) Redemption at the option of Barbados

Barbados may on any one or more occasions redeem all or a part of the Bonds, upon not giving less than 30 nor more than 60 calendar days’ notice to the Holders and the Trustee in accordance with Condition (15), at a redemption price equal to 100 per cent of the principal amount thereof, together with interest accrued and unpaid to the date fixed for redemption.

(c) Purchases

Barbados may at any time purchase or otherwise acquire Bonds at any price in the open market or otherwise.

(d) Cancellation

Any Bond purchased or otherwise acquired by Barbados may be held, reissued, resold or, at the option of Barbados, cancelled.

(7) PAYMENTS

(a) Payments in respect of the Bonds

Payments of principal and interest or other amounts payable to the Holders under the Bonds will be made to the Holders in the manner provided in, and in accordance with, the Trust Deed, *provided* always that in any event final discharge of the obligation to make payments due to the Holders will only occur on the receipt of such payments by the Holders or by the Trustee on behalf of the Holders.

(b) Payments subject to applicable laws

Payments in respect of the Bonds are subject in all cases to any fiscal or other laws and regulations applicable in the place of payment, but without prejudice to the denomination of the Bonds or the provisions of Condition (7)(a) or Condition (9).

(c) No commissions

No commissions or expenses shall be charged to the Holders in respect of any payments made in accordance with this Condition.

(d) Payment on Business Days

If any date for payment in respect of any Bond is not a business day, the Holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment.

In this paragraph, “business day” for the purposes of any payments made in connection with the Bonds means any day except Saturday, Sunday or any other day on which commercial banks in New York City, London or Bridgetown (or the city where the relevant paying or transfer agent is located) are required or authorised by law to close.

(e) Agents

The initial Paying Agent, Transfer Agent and Registrar and their respective initial offices are specified in the Agency Agreement. Barbados reserves the right at any time to vary or terminate the appointment of any Paying Agent, Transfer Agent or Registrar and to appoint additional or other Paying Agents, Transfer Agents or Registrars *provided* that:

- (i) Barbados will at all times maintain a Transfer Agent with a specified office in the Borough of Manhattan; and
- (ii) if any Series of Bonds are listed on a stock exchange and that stock exchange so requires, Barbados will maintain a paying agent in the region where the stock exchange is located for such Series.

Notice of any termination or appointment and of any changes in specified offices will be given to the Holders promptly by Barbados in accordance with Condition (15) and to the Trustee.

(8) [INTENTIONALLY OMITTED]

(9) TAXATION

- (a) All payments of interest and principal on the Bonds will be made by Barbados without withholding or deduction for, or on account of, any present or future taxes, levies or duties of whatever nature imposed, levied, collected or assessed by or on behalf of Barbados or any political subdivision or taxing authority thereof (“*Barbados Withholding Taxes*”), unless such withholding or deduction is required by law. In such event, Barbados will pay such additional amounts (“*Additional Amounts*”) as may be necessary in order that the net payment made in respect of the Bonds after such withholding or deduction for or on account of Barbados Withholding Taxes is not less than the amount that would have been

receivable in respect of the Bonds in the absence of such withholding or deduction; *provided* that the foregoing obligation to pay Additional Amounts shall not apply to:

- (i) any Barbados Withholding Taxes that would not have been imposed or levied on a Holder or beneficial owner of the Bonds but for the existence of any present or former connection between such Holder or beneficial owner and Barbados or any political subdivision thereof, including, without limitation, such Holder or beneficial owner (i) being or having been a citizen or resident thereof, (ii) maintaining or having maintained an office, permanent establishment or branch therein, or (iii) being or having been present or engaged in trade or business therein, except for a connection solely arising from the mere ownership of, or receipt of payment under such Bonds;
 - (ii) any Barbados Withholding Taxes imposed with respect to any Bond held by or on behalf of a Holder or beneficial owner who would not be liable for or subject to such Barbados Withholding Taxes by making a declaration of non-residence or other similar claim or exemption to the relevant tax authority if, after having been requested to make such a declaration or claim, such Holder or beneficial owner fails to do so; or
 - (iii) any Barbados Withholding Taxes that would not have been so imposed but for the presentation by the Holder of such Bond for payment more than 30 days after the Relevant Date, except to the extent that the Holder thereof would have been entitled to such Additional Amount on the last day of such 30-day period.
- (b) The “*Relevant Date*” in relation to any Bond means:
- (i) the due date for payment in respect thereof; or
 - (ii) (if the full amount of the monies payable on such date has not been received by the Trustee or the Paying Agent on or prior to such due date) the date on which, the full amount of such monies having been so received, notice to that effect is duly given to the Holders in accordance with Condition (15) or individually.
- (c) **OID Reporting Requirement**

If any Bonds are issued with original issue discount for U.S. federal income tax purposes, the following shall apply:

- (i) Barbados shall file with the Trustee (i) a written notice specifying the amount of original issue discount (including daily rates and accrual periods) accrued on the Bonds and (ii) such other specific information relating to such original issue discount, including, but not limited to, the issue date and yield to maturity of the Bonds, as necessary to satisfy the relevant reporting requirements under the U.S. Internal Revenue Code of 1986, as amended. Individual Bonds, if any, that are issued with original issue discount will bear a legend substantially to the following effect, unless Barbados determines otherwise in compliance with applicable law: **THIS BOND HAS BEEN ISSUED WITH ORIGINAL ISSUE DISCOUNT FOR UNITED STATES FEDERAL INCOME TAX PURPOSES.** This provision shall not apply with respect to any Bonds for which Barbados has filed IRS Form 8281

with the U.S. Internal Revenue Service. Barbados shall provide a copy of IRS Form 8281, if any, to the Trustee.

- (ii) Barbados shall provide the information described in Condition (9)(c)(i) above to the Trustee based on the lowest applicable issue price for the Bonds, as determined for U.S. federal income tax purposes. By its acceptance of the Bonds, a Holder will be required, to the extent relevant for U.S. federal income tax purposes, to report original issue discount on the Bonds in accordance with the original issue discount information provided by Barbados to the Trustee pursuant to Condition (9)(c)(i) above.
- (iii) A Holder may request the information described in Condition (9)(c)(i) above in writing (together with such evidence as to the Holder's identity and beneficial entitlement to such Bonds as the Trustee may reasonably request or require) to the Trustee at 240 Greenwich St., 7E, New York, New York 10286, and the Trustee agrees to provide the same to such Holder to the extent the Trustee received such information from Barbados, *provided* that under no circumstances shall the Trustee be responsible for or incur any liability whatsoever to any persons as to the accuracy or correctness of such information provided by Barbados to the Trustee.

(10) PRESCRIPTION

Claims for principal and interest on the Bonds shall become void unless made within the period of five years from the Relevant Date.

(11) [INTENTIONALLY OMITTED]

(12) EVENTS OF DEFAULT

(a) Events of Default

The following shall each constitute an "*Event of Default*":

- (i) Barbados fails to pay any amount of principal or interest in respect of the Bonds on the due date for payment thereof and such default continues for 30 days or more;
- (ii) Barbados defaults in the performance or observance of any of its other obligations under or in respect of the Trust Deed, the Agency Agreement or the Conditions of the Bonds and such default remains unremedied for 60 days after written notice requiring such default to be remedied has been delivered to Barbados by any Holder or the Trustee;
- (iii) (A) any External Indebtedness incurred by Barbados after the Issue Date (aggregating U.S.\$20,000,000, or its equivalent in any other currency or currencies, or more) ("*Relevant External Indebtedness*") becomes due and payable prior to its stated maturity as a result of acceleration of payment thereof following a default by Barbados; (B) any principal or interest on such Relevant External Indebtedness of Barbados is not paid on the due date after giving effect to any applicable grace period; or (C) Barbados fails to pay when due and called after giving effect to any applicable grace period any amount payable by it under any present or future guarantee of or indemnity relating to Relevant External

Indebtedness of any Person;

- (iv) A moratorium or suspension of payments is agreed or declared by Barbados in respect of any Relevant External Indebtedness of Barbados;
- (v) Any writ, execution, attachment or similar process shall be levied against all or any substantial part of the assets of Barbados in connection with any judgment for the payment of money in respect of any Indebtedness incurred by Barbados after the Issue Date exceeding U.S.\$25,000,000 (or its equivalent in other currencies) and shall remain unsatisfied, undischarged and in effect for a period of 60 days without a stay of execution, unless such judgment is adequately bonded or is being contested in good faith by appropriate proceedings properly instituted and diligently conducted and, in either case, such process is not being executed against such assets;
- (vi) The validity of the Bonds, the Trust Deed, the Conditions or the Agency Agreement shall be contested by Barbados or any legislative, executive or judicial body or official of Barbados authorised and empowered (either singly or with another such body or official) in each case by law to do so, or Barbados shall deny any of its obligations under the Trust Deed, the Agency Agreement or the relevant Conditions of such Series of Bonds to any of the Holders (whether by a general suspension of payments or a moratorium on the payment of debt or otherwise);
- (vii) Any constitutional provision, treaty, convention, law, regulation, ordinance, decree, consent, approval, licence or other governmental or regulatory authority necessary to enable Barbados to make or perform its obligations under the Trust Deed, the Agency Agreement or the Conditions of such Series of Bonds, or for the validity or enforceability thereof, shall expire, be withheld, revoked, modified, terminated or otherwise cease to remain in full force and effect;
- (viii) Any law, rule or regulation is adopted in Barbados or any change in applicable law in Barbados is made which makes it unlawful for Barbados to comply with its obligations to pay amounts in accordance with Condition (7) in the event that Barbados shall be required to withhold or deduct any taxes, duties, assessments or governmental charges on payments of principal of, or interest on, the Bonds; or
- (ix) Barbados ceases to be a member of the International Monetary Fund (the “IMF”) or ceases to be eligible to utilise the resources of the IMF under the IMF Articles of Agreement and such cessation continues for 30 days.

(b) Acceleration and Rescission

If an Event of Default occurs and is continuing, then the Holders of at least 25 per cent. of the aggregate principal amount of the Bonds then Outstanding may direct the Trustee to give notice in writing (an “*Acceleration Notice*”) to Barbados that the Bonds are immediately due and payable, whereupon an amount equal to the aggregate principal amount of the Bonds then Outstanding together with accrued but unpaid interest if any to the date of repayment shall become immediately due and payable, unless the Event of Default has been remedied or waived prior to the receipt of the Acceleration Notice by Barbados.

The Holders of at least 50 per cent. of the aggregate principal amount of the Bonds then Outstanding may direct the Trustee to rescind an Acceleration Notice. Such rescission shall be made by giving notice in

writing to Barbados, with a copy to the Trustee, whereupon such Acceleration Notice shall be rescinded and shall have no further effect and any amounts that had become immediately due and payable pursuant to such Acceleration Notice and had not been paid shall remain outstanding on the terms and conditions applicable prior to such Acceleration Notice and any Event of Default referred to in such Acceleration Notice or resulting from a failure to pay any amount that had become due and payable pursuant to such Acceleration Notice shall be irrevocably waived.

No such rescission shall affect any other or any subsequent Event of Default or any right of any Holder in relation thereto. Such rescission will be conclusive and binding on all Holders.

(13) ENFORCEMENT

Subject to the Trust Deed, the Trustee may or shall (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction by the relevant holders), if so requested in writing by Holders for the time being of at least 25 per cent. of the Bonds then Outstanding, take such proceedings against Barbados as it may think fit to enforce the provisions of the Bonds or the Trust Deed.

No Holder shall be entitled to proceed directly against Barbados by instituting any proceeding, judicial or otherwise, with respect to the Bonds or the Trust Deed, or for the appointment of a receiver or a trustee, or for any other remedy hereunder, unless the Trustee, having become bound so to proceed under the Trust Deed, fails to do so within 60 days and the failure shall be continuing.

(14) MEETINGS AND MODIFICATIONS

(a) General

The provisions relating to modifications as set out under Clause 19 of the Trust Deed and for convening meetings of Holders as set out in Schedule 4 of the Trust Deed shall apply to the Bonds, *provided* that, for the purposes of any proposal relating to, or proposed modification of, the Bonds of this Series only or any Multiple Series Aggregation – Single Limb Voting or Multiple Series Aggregation – Two Limb Voting, the Bonds shall be treated as a single Series and all reference to “*Series*” or “*Bonds*” shall be construed accordingly.

Any modification consented to or approved by the Holders of Bonds pursuant to this Condition (14) will be conclusive and binding on all Holders of the Bonds whether or not they have given such consent, and on all future Holders of the Bonds whether or not notation of such modification is made upon the Bonds. Any instrument given by or on behalf of any Holder of a Bond in connection with any consent to or approval of any such modification will be conclusive and binding on all subsequent Holders of that Bond.

(b) Convening a meeting of Holders

A meeting of Holders:

- (i) may be convened by Barbados or the Trustee at any time; and
- (ii) will be convened by Barbados or the Trustee if a meeting is requested in writing by the Holders of not less than 10 per cent. in principal amount of the Bonds then Outstanding.

(c) Non-Reserved Matters

Save as otherwise provided in the Trust Deed, any modification in relation to, or proposal relating to, any matter other than a Reserved Matter may be made if:

- (iii) passed at a duly called meeting of Holders by a majority of more than 50 per cent. of the aggregate principal amount of the Bonds then Outstanding; or
 - (iv) approved by a written resolution signed by or on behalf of a Holder or Holders of more than 50 per cent. of the aggregate principal amount of the Bonds then Outstanding.
- (d) Reserved Matters
 - (i) Modification of this Series of Debt Securities Only
 - (A) In relation to a proposal that includes a Reserved Matter, any modification to the terms and conditions of, or any action with respect to, the Bonds may be made or taken if:
 - 1. passed at a duly called meeting of Holders by a majority of at least 75 per cent. of the aggregate principal amount of the Bonds then Outstanding; or
 - 2. approved by a written resolution signed by or on behalf of a Holder or Holders of at least 75 per cent. of the aggregate principal amount of the Bonds then Outstanding.
 - (ii) Multiple Series Aggregation – Single Limb Voting
 - (A) In relation to a proposal that includes a Reserved Matter, any modification to the terms and conditions of, or any action with respect to, two or more series of Debt Securities Capable of Aggregation; *provided* that the Uniformly Applicable condition is satisfied, may be made or taken if:
 - 1. passed at a duly called meeting of Holders by a majority of at least 75 per cent. of the aggregate principal amount of the outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in the aggregate); or
 - 2. approved by a written resolution signed by or on behalf of a Holder or Holders of at least 75 per cent. of the aggregate principal amount of the outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in the aggregate).
 - (B) The “*Uniformly Applicable*” condition will be satisfied if:
 - 1. the holders of all affected series of Debt Securities Capable of Aggregation are invited to exchange, convert, or substitute their debt securities, on the same terms, for (i) the same new instrument or other consideration or (ii) a new instrument, new instruments or other consideration from an identical menu of instruments or other consideration; or

2. the amendments proposed to the terms and conditions of each affected series of Debt Securities Capable of Aggregation would, following implementation of such amendments, result in the amended instruments having identical provisions (other than provisions which are necessarily different, having regard to different currency of issuance).

(iii) Multiple Series Aggregation – Two Limb Voting

- (A) In relation to a proposal that includes a Reserved Matter, any modification to the terms and conditions of, or any action with respect to, two or more series of Debt Securities Capable of Aggregation may be made or taken if:
1. passed at a duly called meeting of Holders by a majority of: (a) at least 66 $\frac{2}{3}$ per cent. of the aggregate principal amount of the outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in the aggregate); and (b) more than 50 per cent. of the aggregate principal amount of the outstanding debt securities in each affected series of Debt Securities Capable of Aggregation (taken individually); or
 2. approved by a written resolution signed by or on behalf of a Holder or Holders of: (a) at least 66 $\frac{2}{3}$ per cent. of the aggregate principal amount of the outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in the aggregate); and (b) more than 50 per cent. of the aggregate principal amount of the outstanding debt securities in each affected series of Debt Securities Capable of Aggregation (taken individually).

“*Debt Securities Capable of Aggregation*” means those debt securities which include or incorporate by reference Schedule 4 (*Meetings of Holders; Written Resolutions*) and paragraph (l) (*Aggregation Agent; Aggregation Procedures*) of Schedule 4 of the Trust Deed or provisions substantially in those terms which provide for the debt securities which include such provisions to be capable of being aggregated for voting purposes with other series of debt securities.

(e) Binding Effect

A resolution duly passed at a meeting of Holders duly convened and held in accordance with the provisions of the Trust Deed, and a written resolution duly signed by the requisite majority of Holders, will be binding on all Holders and holders of each other affected series of Debt Securities Capable of Aggregation, whether or not they attended any meeting and whether or not they voted for or against the resolution or signed the written resolution.

(15) NOTICES

- (a) Notices to Holders will be valid if sent to them by first class mail (airmail if overseas) at their respective addresses on the Register or, as long as the Notes are listed on the Luxembourg Stock Exchange and traded on the Euro MTF market and the rules of the Luxembourg Stock Exchange so require, published in a leading newspaper having general circulation in Luxembourg or on the website of the Luxembourg Stock Exchange

(<http://www.bourse.lu>). Any such notice shall be deemed to have been given, when required to be published in accordance with the rules of the Luxembourg Stock Exchange, on the date of such publication (or, if published more than once, on the first date on which publication is made) or, as the case may be, on the fourth day after the date of mailing.

- (b) Notices to Barbados to be given by any Holder shall be in writing and in English and given by lodging the same at the Ministry of Finance, Economic Affairs and Investment at the address below:

The Ministry of Finance, Economic Affairs and Investment
Government Headquarters
Bay Street
St. Michael, Barbados
Attention: Permanent Secretary (Finance)

(16) FURTHER ISSUES

Barbados shall be at liberty from time to time without the consent of the Holders to create and issue further bonds having terms and conditions the same as the Bonds or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with and increase the outstanding aggregate principal amount of the Bonds, provided that such additional Bonds do not have, for purposes of U.S. federal income taxation (regardless of whether any holders of such Bonds are subject to U.S. federal laws), a greater amount of original issue discount than the Bonds have as of the date of issuance of such additional Bonds.

(17) INDEMNIFICATION OF TRUSTEE

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from any obligation to take proceedings to enforce repayment unless indemnified and/or secured and/or prefunded to its satisfaction. The Trust Deed also contains provisions pursuant to which the Trustee is entitled *inter alia*, (i) to enter into business transactions with Barbados or any person or body corporate associated with the Government of Barbados and to act as trustee for the holders of any other securities issued by or relating to Barbados or any person or body corporate associated with the Government of Barbados, (ii) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Holders, and (iii) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

(18) GOVERNING LAW

- (a) The Bonds and any non-contractual obligations arising out of or in connection with the Bonds shall be governed by and construed in accordance with the law of England.
- (b) Subject to Condition (18)(l), Barbados irrevocably and unconditionally agrees for the exclusive benefit of the Trustee that any federal court in the Southern District of New York or any state court in the Borough of Manhattan, The City of New York, any court of England and any competent court in Barbados (collectively referred to “*Specified Courts*”) shall have jurisdiction to settle any suit, action or proceeding against Barbados or its properties, assets or revenues arising out of or in connection with the Bonds or Barbados’ failure or alleged failure to perform any obligations under the Bonds (a “*Related*

Proceeding”). Any proceeding against the Trustee arising out of or related to the Trust Deed or the Bonds shall be commenced solely in the courts of England. Barbados and the Holders, by their acceptance of the Bonds, agree to the foregoing and submit to the exclusive jurisdiction of any such court.

- (c) The Trustee may not initiate a Related Proceeding in any jurisdiction other than in the Specified Courts.
- (d) Barbados irrevocably appoints: (i) the High Commissioner of Barbados at 1 Great Russell St, Fitzrovia, London WC1B 3ND, UK to receive service of process in relation to any Related Proceeding in England, and (ii) the Consul General of Barbados at 820 2nd Ave, New York, NY 10017 to receive service of process in relation to any Related Proceeding in New York.
- (e) Barbados hereby irrevocably and unconditionally waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to Related Proceedings brought in a Specified Court whether on the grounds of venue, residence or domicile or on the ground that the Related Proceedings have been brought in an inconvenient forum (except for any Related Proceedings relating to the securities laws of the United States or any state thereof).
- (f) A final non-appealable judgment in any such Related Proceeding shall be conclusive and may be enforced in other jurisdictions by a suit upon such judgment or in any other manner provided by law.
- (g) Barbados hereby irrevocably waives, to the extent permitted by applicable law and international conventions, (a) any immunity from jurisdiction it may have in any Related Proceeding in the courts of England, and (b) except as provided below, any immunity from attachment or execution to which its assets or property might otherwise be entitled in any Related Proceeding in the courts of England, and agrees that it will not claim any such immunity in any such Related Proceeding.
- (h) Notwithstanding the foregoing, the above waiver shall not constitute a waiver of immunity from attachment or execution with respect to:
 - (i) any property of the Central Bank of Barbados,
 - (ii) any property of Barbados located in the territory of Barbados,
 - (iii) any property located in or outside the territory of Barbados that provides an essential public service,
 - (iv) any property entitled to the privileges and immunities of the Vienna Convention on Diplomatic Relations of 1961 and the Vienna Convention on Consular Relations of 1963, including, but not limited to, property, premises and bank accounts used by the missions of Barbados,
 - (v) any property of a diplomatic, governmental or consular mission of Barbados,
 - (vi) taxes, duties, levies, assessments, royalties or any other governmental charges imposed by Barbados, including the right of Barbados to collect any such charges,

- (vii) any property of a military character or under the control of a military authority or defence agency of Barbados,
 - (viii) property forming part of the cultural heritage of Barbados, or
 - (ix) property of Barbados outside Barbados not used for a commercial purpose.
- (i) For the purposes of this Condition (18), “*property*” includes, without limitation, assets, accounts, bank deposits, cash, revenues, securities and rights, including rights against third parties.
- (j) Subject to Condition (18)(l), to the extent that Barbados or any of its revenues, assets or properties shall be entitled, in any jurisdiction in which any federal court in the Southern District of New York or any state court in the Borough of Manhattan, The City of New York is located, in which any Related Proceeding may at any time be brought against it or any of its revenues, assets or properties, or in any jurisdiction in which any federal court in the Southern District of New York or any state court in the Borough of Manhattan, The City of New York is located in which any suit, action or proceeding may at any time be brought for the purpose of enforcing or executing any judgment issued in any Related Proceeding (a “*Related Judgment*”), to any immunity from suit, from the jurisdiction of any such court, from set-off, from attachment prior to a Related Judgment, from attachment in aid of execution of a Related Judgment, from execution of a Related Judgment or from any other legal or judicial process or remedy, and to the extent that in any such jurisdiction there shall be attributed such an immunity, Barbados irrevocably waives such immunity to the fullest extent permitted by the laws of such jurisdiction, including the United States Foreign Sovereign Immunities Act of 1976 (the “*Immunities Act*”) (and consents to the giving of any relief or the issue of any process in connection with any Related Proceeding or Related Judgment as permitted by applicable law, including the Immunities Act), *provided, however*, that such waiver shall not extend to and Barbados shall be immune in respect of and in relation to any suit, action or proceeding or enforcement of any Related Judgment against:
- (i) any property of the Central Bank of Barbados,
 - (ii) any property of Barbados located in the territory of Barbados,
 - (iii) any property located in or outside the territory of Barbados that provides an essential public service,
 - (iv) any property entitled to the privileges and immunities of the Vienna Convention on Diplomatic Relations of 1961 and the Vienna Convention on Consular Relations of 1963, including, but not limited to, property, premises and bank accounts used by the missions of Barbados,
 - (v) any property of a diplomatic, governmental or consular mission of Barbados,
 - (vi) taxes, duties, levies, assessments, royalties or any other governmental charges imposed by Barbados, including the right of Barbados to collect any such charges,
 - (vii) any property of a military character or under the control of a military authority or defence agency of Barbados,

- (viii) property forming part of the cultural heritage of Barbados, or
- (ix) property of Barbados outside Barbados not used for a commercial purpose.
- (k) The foregoing constitutes a limited and specific waiver by Barbados solely for the purposes of the Trust Deed and the Bonds and under no circumstance shall it be construed as a general waiver by Barbados or a waiver with respect to proceedings unrelated to the Trust Deed or the Bond.
- (l) Barbados reserves the right to plead sovereign immunity under the Immunities Act with respect to actions brought against it under the U.S. federal securities laws or any state securities laws and the appointment of an agent for service of process does not extend to such actions.

BOOK-ENTRY SETTLEMENT AND CLEARANCE

Global New Bonds

DTC, Euroclear Bank S.A./N.V. (“Euroclear”), or Euroclear, and Clearstream, Luxembourg (“Clearstream”) are under no obligation to perform or continue to perform the procedures described below, and they may modify or discontinue them at any time. Neither Barbados nor the trustee for the New Bonds will be responsible for DTC’s, Euroclear’s or Clearstream, Luxembourg’s performance of their obligations under their rules and procedures. Additionally, neither Barbados nor the trustee will be responsible for the performance by direct or indirect participants of their obligations under their rules and procedures.

The New Bonds will initially be issued to investors in global form, the ownership and transfer of which are recorded in computerised book-entry accounts, eliminating the need for physical movement of New Bonds. Barbados refers to the intangible Bonds represented by a global New Bond as “book-entry” New Bonds.

Barbados will deposit any global New Bond it issues with a clearing system or its nominee. The global New Bond will be registered in the name of the clearing system or its nominee or common depositary. Unless a global New Bond is exchanged for certificated securities, as discussed below under “—Certificated Securities,” it may not be transferred, except as a whole among the clearing system, its nominees or common depositaries and their successors. Clearing systems include DTC in the United States and Euroclear and Clearstream, Luxembourg in Europe.

Clearing systems process the clearance and settlement of book-entry New Bonds for their direct participants. A “*direct participant*” is a bank or financial institution that has an account with a clearing system. The clearing systems act only on behalf of their direct participants, who in turn act on behalf of indirect participants. An “*indirect participant*” is a bank or financial institution that gains access to a clearing system by clearing through or maintaining a relationship with a direct participant. Euroclear and Clearstream, Luxembourg are connected to each other by a direct link and participate in DTC through their New York depositaries, which act as links between the clearing systems. These arrangements permit you to hold book-entry New Bonds through participants in any of these systems, subject to applicable securities laws.

If you wish to purchase book-entry New Bonds, you must either be a direct participant or make your purchase through a direct or indirect participant. Investors who purchase book-entry New Bonds will hold them in an account at the bank or financial institution acting as their direct or indirect participant.

When you hold New Bonds in this manner, you must rely on the procedures of the institutions through which you hold your New Bonds to exercise any of the rights granted to holders. This is because the legal obligations of Barbados and the trustee run only to the registered owner of the global New Bond, which will be the relevant clearing system or its nominee or common depositary. For example, once Barbados arranges for payments to be made to the registered holder, Barbados will no longer be liable for the amounts so paid on the security, even if you do not receive it. In practice, the clearing systems will pass along any payments or notices they receive from Barbados to their participants, which will pass along the payments to you. In addition, if you desire to take any action which a holder of a New Bond is entitled to take, then the clearing system would authorise the participant through which you hold your book-entry New Bonds to take such action, and the participant would then either authorise you to take the action or would act for you on your instructions. The transactions between you, the participants and the

clearing systems will be governed by customer agreements, customary practises and applicable laws and regulations, and not by any legal obligation of Barbados.

As an owner of book-entry New Bonds represented by a global New Bond, you will also be subject to the following restrictions:

- you will not be entitled to (a) receive physical delivery of the New Bonds in certificated form or (b) have any of the New Bonds registered in your name, except under the circumstances described below under “—Certificated Securities”;
- you may not be able to transfer or sell your New Bonds to some insurance companies and other institutions that are required by law to own their New Bonds in certificated form;
- you may not be able to pledge your New Bonds in circumstances where certificates must be physically delivered to the creditor or the beneficiary of the pledge in order for the pledge to be effective; and
- none of Barbados, the trustee, any paying agent, any registrar or any agent of Barbados or the trustee shall have any responsibility or obligation to any beneficial owner in a global New Bond, or participant or other person with respect to the accuracy of the records of the relevant clearing system or its nominee or common depositary, with respect to any ownership interest in the New Bonds or with respect to the delivery to any participant, beneficial owner or other person of any notice (including any notice of redemption) or the payment of any amount, under or with respect to such New Bonds. All notices and communications to be given to the holders and all payments to be made to holders under the New Bonds and the Trust Deed will be given or made only to or upon the order of the registered holders (which shall be the relevant clearing system or its nominee or common depositary in the case of the global New Bond). The rights of beneficial owners in the global New Bond shall be exercised only through the relevant clearing system or its nominee or common depositary subject to the applicable procedures. Barbados, the trustee, any paying agent, any registrar and any agent of Barbados or the trustee shall be entitled to rely and shall be fully protected in relying upon information furnished by the relevant clearing system or its nominee or common depositary with respect to its members, participants and any beneficial owners. Barbados, the trustee, any paying agent, any registrar and any agent of Barbados or the trustee shall be entitled to deal with the relevant clearing system or its nominee or common depositary, that is the registered holder of any global New Bond for all purposes relating to such global New Bond (including the payment of principal and premium, if any, and additional amounts, if any, and the giving of instructions or directions by or to the owner or holder of a beneficial ownership interest in such global New Bond) as the sole holder of such global New Bond and shall have no obligations to the beneficial owners thereof. None of Barbados, the trustee, any paying agent, any registrar or any agent of Barbados or the trustee shall have any responsibility or liability for any acts or omissions of the relevant clearing system or its nominee or common depositary with respect to such global New Bond, for the records of any such depositary, including records in respect of beneficial ownership interests in respect of any such global New Bond, for any transactions between the relevant clearing system or its nominee or common depositary and any participant or between or among the relevant clearing system or its nominee or common depositary, any such participant and/or any holder or owner of a beneficial interest in such global New Bond, or for any transfers of beneficial interests in any such global New Bond.

The Clearing System

The following description reflects Barbados' understanding of the current rules and procedures of DTC, Euroclear and Clearstream, Luxembourg. Barbados has obtained the information in this section from sources it believes to be reliable, including from DTC, Euroclear and Clearstream, Luxembourg. These systems could change their rules and procedures at any time, and Barbados takes no responsibility for their actions.

It is important for you to establish at the time of the trade where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date, i.e., the date specified by the purchaser and seller on which the price of the New Bonds is fixed.

When book-entry New Bonds are to be transferred from a DTC seller to a Euroclear or Clearstream, Luxembourg purchaser, the purchaser must first send instructions to Euroclear or Clearstream, Luxembourg through a participant at least one business day prior to the settlement date. Euroclear or Clearstream, Luxembourg will then instruct its New York depositary to receive the New Bonds and make payment for them. On the Closing Date, the New York depositary will make payment to the DTC participant through which the seller holds its New Bonds, which will make payment to the seller, and the New Bonds will be credited to the New York depositary's account. After settlement has been completed, Euroclear or Clearstream, Luxembourg will credit the New Bonds to the account of the participant through which the purchaser is acting. This New Bonds credit will appear the next day, European time, after the settlement date, but will be back-valued to the value date, which will be the preceding day if settlement occurs in New York. If settlement is not completed on the intended value date, the New Bonds credit and cash debit will instead be valued at the actual settlement date.

A participant in Euroclear or Clearstream, Luxembourg, acting for the account of a purchaser of New Bonds, will need to make funds available to Euroclear or Clearstream, Luxembourg in order to pay for the New Bonds on the value date. The most direct way of doing this is for the participant to preposition funds (i.e., have funds in place at Euroclear or Clearstream, Luxembourg before the value date), either from cash on hand or existing lines of credit. The participant may require the purchaser to follow these same procedures.

When book-entry New Bonds are to be transferred from a Euroclear or Clearstream, Luxembourg seller to a DTC purchaser, the seller must first send instructions to and preposition the New Bonds with Euroclear or Clearstream, Luxembourg through a participant at least one business day prior to the settlement date. Euroclear or Clearstream, Luxembourg will then instruct its New York depositary to credit the book-entry New Bonds to the account of the DTC participant through which the purchaser is acting and to receive payment in exchange. The payment will be credited to the account of the Euroclear or Clearstream, Luxembourg participant through which the seller is acting on the following day, but the receipt of the cash proceeds will be back-valued to the value date, which will be the preceding day if settlement occurs in New York. If settlement is not completed on the intended value date, the receipt of the cash proceeds and New Bonds debit will instead be valued at the actual settlement date.

Certificated Securities

Barbados will issue New Bonds in certificated registered form only if:

- DTC notifies Barbados at any time that it is unwilling or unable to continue as depositary for the global New Bonds of that series, or it is no longer eligible to act as such, and Barbados is unable to locate a qualified successor depositary within 90 days; or
- certain other events provided in the Trust Deed occur.

LISTING AND LISTING AGENT

Barbados intends to apply to admit the New Bonds to listing on the Luxembourg Stock Exchange and to trading on the Euro MTF market. The Luxembourg Listing Agent is The Bank of New York Mellon SA/NV, Luxembourg Branch, Vertigo Building, Polaris, 2-4 rue Eugène Ruppert, L-2453 Luxembourg. Copies of Barbados's trust deed and the forms of the New Bonds will be made available for inspection during normal business hours on any day except Saturday, Sunday and public holidays at the offices of the Luxembourg Listing Agent for so long as the New Bonds are listed on the Luxembourg Stock Exchange and traded on the Euro MTF market and the rules of the Luxembourg Stock Exchange so require.

NOTICE TO INVESTORS

The distribution of this invitation memorandum is restricted by law in certain jurisdictions. Persons into whose possession this offering memorandum comes are required by Barbados to inform themselves of and to observe any of these restrictions.

This invitation memorandum does not constitute, and may not be used in connection with, an offer or solicitation by anyone in any jurisdiction in which an offer or solicitation is not authorised or in which the person making an offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make an offer or solicitation. Neither Barbados nor the Exchange Agent accepts any responsibility for any violation by any person of the restrictions applicable in any jurisdiction.

The New Bonds will be subject to the following restrictions on transfer. Holders of New Bonds are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of their New Bonds. By acquiring New Bonds, holders will be deemed to have made the following acknowledgments, representations to and agreements with Barbados:

1. You acknowledge that:
 - a. the New Bonds have not been registered under the Securities Act or the securities laws of any other jurisdiction and are being offered for resale in transactions that do not require registration under the Securities Act or the securities laws of any other jurisdiction; and
 - b. unless so registered, the New Bonds may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or any other applicable securities laws, and in each case in compliance with the conditions for transfer set forth below;
2. You represent that you are not an affiliate (as defined in Rule 144 under the Securities Act) of Barbados and you are not acting on behalf of Barbados and that either:
 - a. you are a “*qualified institutional buyer*” (as defined in Rule 144A under the Securities Act) and are acquiring the New Bonds for your own account or for the account of another qualified institutional buyer; or
 - b. you are purchasing the New Bonds in an offshore transaction in accordance with Regulation S under the Securities Act;
3. You represent that, if you are in any EEA Member State, you are a “*qualified investor*” as defined in the Prospectus Regulation;
4. You represent that, if you are located in the UK, you are a relevant person (as this term is defined in “Notice to Prospective Investors in the United Kingdom”);
5. You agree on your own behalf and on behalf of any investor account for which you are purchasing New Bonds, and each subsequent holder of New Bonds by its acceptance of the New Bonds will agree, that the New Bonds may be offered, sold or otherwise transferred only:
 - a. to Barbados;

- b. inside the United States to a qualified institutional buyer (as defined in Rule 144A) in compliance with Rule 144A under the Securities Act;
 - c. outside the United States in compliance with Rule 903 or 904 under the Securities Act;
 - d. pursuant to a registration statement that has been declared effective under the Securities Act;
 - e. in any other jurisdiction in compliance with local securities laws;
6. You acknowledge that Barbados and the trustee for the New Bonds reserve the right to require, in connection with any offer, sale or other transfer of New Bonds, the delivery of written certifications and/or other information satisfactory to Barbados and the trustee as to compliance with the transfer restrictions referred to above;
 7. You agree to deliver to each person to whom you transfer New Bonds notice of any restrictions on transfer of such New Bonds;
 8. You acknowledge that each New Bond offered to “*qualified institutional buyers*” in the United States under Rule 144A of the Securities Act will contain a legend substantially to the following effect:

THIS BOND HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), AND MAY NOT BE SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. EACH PURCHASER OF THIS BOND IS HEREBY NOTIFIED THAT THE SELLER OF THIS BOND MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER.

THIS BOND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (A)(1) TO A PERSON WHO THE TRANSFEROR REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT ACQUIRING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QUALIFIED INSTITUTIONAL BUYERS IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (2) OUTSIDE THE UNITED STATES PURSUANT TO THE TERMS AND CONDITIONS OF REGULATION S UNDER THE SECURITIES ACT OR (3) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND OTHER JURISDICTIONS.

THIS BOND AND ANY RELATED DOCUMENTATION MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME TO MODIFY THE RESTRICTIONS ON REALES AND OTHER TRANSFERS OF THIS BOND TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO THE RESALE OR TRANSFER OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THIS BOND SHALL

BE DEEMED BY THE ACCEPTANCE OF THIS BOND TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT.

THIS LEGEND CAN ONLY BE REMOVED AT THE OPTION OF BARBADOS.

9. You acknowledge that Barbados and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations, warranties and agreements. You agree that if any of the acknowledgments, representations or warranties deemed to have been made by your purchase of New Bonds is no longer accurate, you shall promptly notify Barbados and the Exchange Agent. If you are acquiring any New Bonds as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each of those accounts and that you have full power to make the foregoing acknowledgments, representations, warranties and agreements on behalf of each account.

TAXATION

Investors are urged to consult their own tax advisors in determining the tax consequences of holding bonds, including the application to their particular circumstances of the tax considerations discussed below, as well as the application of state, local, foreign or other tax laws.

Barbados Tax Considerations

An order has been made under the Duties, Taxes and Other Payments (Exemption) Act Cap. 67B that there shall be exempt from the payment of all duties, taxes and imposts, among other things: (i) the securities and the instruments effecting the issue of the New Bonds; and (ii) the interest that becomes payable on any amount outstanding under the New Bonds or any part thereof borrowed by way of the issue of the New Bonds. In addition, the Minister of Finance has given his approval that: (a) the New Bonds are exempt from all taxes and stamp duties; (b) all payments of interest on the New Bonds will be exempt from all taxes; and (c) the excess of the principal amount of any New Bond over its issue price will be treated as interest by the Revenue Commissioner – Barbados Revenue Authority.

United States Taxation

If you are subject to taxation in the United States, you should consult your own tax advisors concerning United States tax considerations. Holders of the New Bonds may contact the Ministry of Finance of Barbados to obtain the issue price, amount of original issue discount and the yield to maturity of the New Bonds for U.S. federal income tax purposes. Contact information may be found on the back cover of this invitation memorandum.

Other Jurisdictions

If you are subject to taxation in any other jurisdiction, you should consult your own tax advisor concerning tax considerations under laws and regulations of such jurisdiction.

JURISDICTIONAL RESTRICTIONS

The distribution of the Invitation Materials is restricted by law in certain jurisdictions. Persons into whose possession the Invitation Material comes are required by Barbados to inform themselves of and to observe any of these restrictions.

The Invitation Materials do not constitute, and may not be used in connection with, an invitation or solicitation by anyone in any jurisdiction in which an offer or solicitation is not authorised or in which the person making an offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make an offer or solicitation. Barbados does not accept any responsibility for any violation by any person of the restrictions applicable in any jurisdiction.

European Economic Area

An offer to the public of any New Bonds which are the subject of the invitation memorandum (the “*Securities*”) may not be made in an EEA Member State, except that an offer to the public may be made at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation.

United States

See jurisdictional restrictions set forth under “Notice to Investors.”

OFFICIAL STATEMENTS

Information in this invitation memorandum whose source is identified as a publication of Barbados or the Central Bank of Barbados or one of their respective agencies or instrumentalities relies on the authority of such publication as a public official document of Barbados. All other information contained in this invitation memorandum is included as an official public statement made on the authority of the Minister of Finance in his official capacity as such.

LEGAL MATTERS

Certain matters of U.S. federal and New York state and English law will be passed upon for Barbados by Cleary Gottlieb Steen & Hamilton LLP, U.S. and English law counsel to Barbados.

Certain matters of Barbados law will be passed upon for Barbados by the Solicitor General to the Government.

As to matters of Barbados law, Cleary Gottlieb Steen & Hamilton LLP may rely on the opinion of the Solicitor General to the Government.

GENERAL INFORMATION

Due Authorisation

On or prior to the Closing Date, the Parliament of Barbados, pursuant to Section 3 of the External Loan Act, will authorise the issuance of and the payments of all amounts due under the New Bonds.

Litigation

Significant legal proceedings against the Government are summarised below.

Barrack Construction Limited v. National Housing Corporation

On 13 August 1998, the National Housing Corporation, a statutory corporation, contracted Barrack Construction Limited (“*Barrack*”) to construct a five story office complex at Warrens, St. Michael. During the construction process, a dispute arose between the parties which caused certain delays in construction and the deduction of liquidated damages by the National Housing Corporation from the contractual construction costs.

The dispute was submitted to arbitration and, in a written decision dated 7 September 2006, the arbitrator found in favour of Barrack. The arbitrator awarded Barrack BDS\$34.5 million, with interest. The arbitrator made a further order in writing dated 28 September 2006 as to costs in which Barrack was awarded BDS\$5.8 million. The Government made an application to the Supreme Court of Barbados to set aside the award of the arbitrator. The High Court of Barbados gave leave to Barrack to enforce the award of the arbitrator, including the award as to costs.

The High Court further ordered on 28 January 2010 that final charging orders be imposed on the Warrens Office Complex in St. Michael and other lands of the National Housing Corporation located in St. Philip. By subsequent proceedings in the High Court, Barrack sought delivery of possession of the properties subject to the charging orders, the sale thereof to satisfy the judgment obligation and payment of reasonable rents for the Government’s occupation of the Warrens Office Complex. The judgment obligation was approximately BDS\$61 million as of 8 February 2010.

Barrack’s damages have been paid in full.

On 7 February 2018, the Master of the High Court ruled that Dr Sir Richard Cheltenham, K.A., Q.C., J.P., attorney-at-law for Barrack, was entitled to interest at the rate of 8% per annum on his costs from the date of the decision to the date of payment. This sum, which remains outstanding to Dr Sir Richard Cheltenham, K.A., Q.C., J.P. has been calculated to be BDS\$6,783,093.00 as of 19 February 2019.

Dr Sir Trevor Carmichael K.A. Q.C. and Mr Douglas Trotman, Attorney-at-Law, who both also made court appearances on behalf of Barrack, are also expected to submit claims to the Crown but these have not yet been received.

Lagan Construction Limited vs. the Barbados Tourism Investment Inc. and the Attorney-General.

Lagan Construction Limited claims that the Barbados Tourism Investment Inc. breached an implied, preliminary or collateral contract that it had entered into with Lagan Construction Limited for a Build Own Lease Transfer (BOLT) project for the Pierhead Marina Bridgetown (the Project) which was

evidenced by documents dated, inter alia, 17 July 2006 and 13 November 2009, from the Barbados Tourism Investment Inc. to Lagan Construction Ltd. As a consequence of the alleged breach of contract Lagan Construction Limited claims to have suffered loss and damage and seeks compensation against the Barbados Tourism Inc. as follows:

- (a) general damages for breach of contract and/or loss of a chance in the sum of U.S.\$28,105,807.00;
- (b) special damages in the sum of U.S.\$346,444.00, representing Lagan Construction Limited's bid and related costs;
- (c) interest pursuant to section 35 (1) of the Supreme Court of Judicature Act, Chapter 117A of the Laws of Barbados;
- (d) costs; and
- (e) such further or other relief as the court may deem just.

Lagan Construction Limited seeks compensation from the Attorney-General also for:

- (a) damages for procuring breach of contract between Lagan Construction Limited and Barbados Tourism Investment Inc.;
- (b) damages for intentionally causing loss to Lagan Construction Limited by unlawful means;
- (c) damages for misfeasance in public office;
- (d) aggravated and/or exemplary damages for misfeasance in public office;
- (e) interest pursuant to section 35 (1) of the Supreme Court of Judicature Act, Cap. 117A of the Laws of Barbados; and
- (f) costs.

Alpha Incorporated vs. The Attorney-General

In September 1994, after public tender, Alpha Incorporated was awarded a contract for the supply, installation, maintenance and operation of parking metres in the Bridgetown area. The tender was awarded subject to the enactment of appropriate or necessary legislation. No action was taken to fulfil the contract until about January 1996 when the relevant Ministry advised the contractor to proceed with the importation of the necessary equipment for the installation and operation of the parking metres. Alpha Incorporated proceeded to procure, though not import, the necessary equipment sometime in 1996. A written agreement for such supply, installation, maintenance and operation of parking metres was entered into between the Government and Alpha Incorporated on 15 September 1996. However, the enabling legislation was never enacted and the parking metres were never installed.

In September 2013, a revised claim in the amount of BDS\$8,685,293.33, was submitted. Negotiations to settle this matter are on-going between the Government and Alpha Incorporated.

Patricia Gibbs et al vs The Attorney General

On the 12 December 2014, an action was filed by ten claimants seeking, inter alia, damages for an undisclosed amount under the Accident Compensation (Reform) Act. This action, which was brought against the Attorney-General and three other defendants, alleges that the negligence of the defendants resulted in the death of five persons when their apartment building at Arch Cot, St. Michael collapsed on the 28 August 2007. The claimants are claiming as alleged dependents of the deceased.

Cornerstone Development Inc. vs. Comptroller of Customs, the Attorney-General

In March 2011, the Comptroller of Customs demanded from Cornerstone Development Inc. payment of BDS\$136,880.40 Value Added Tax for services it had been engaged to perform for a third party. As a result of non-payment, the Comptroller of Customs gave instructions for a freeze order on bank accounts held by Cornerstone Development Inc.

In July 2011, Cornerstone Development Inc. filed a judicial review application challenging the lawfulness of the actions taken by the Comptroller of Customs. In 2017, Cornerstone Development Inc. submitted to the Solicitor General a claim for damages in the amount of BDS\$10 million.

Cage Barbados Inc. vs. Joseph Best Comptroller of Customs et al

Cage Barbados Inc. imports and operates in Barbados Video Lottery Terminals (“VLTs”). The VLTs have been classified by the Comptroller of Customs as “*gaming machines*” for the purposes of the Betting and Gaming Duties Act. As such, the VLTs would be subject to the duties payable in respect of gaming machines under the Betting and Gaming Duties Order, 2008.

In September 2010, Cage Barbados Inc. sought judicial review of the Comptroller of Customs’ decision to deny entry into Barbados of a number of its VLTs and the seizure of a number of its VLTs located in Barbados. In addition, Cage Barbados Inc. has alleged that the imposition of a 20% “*tax*” is ultra vires, null, void and in breach of Cage Barbados Inc.’s legitimate expectations.

The claim submitted by the Cage Barbados Inc. for damages amounts to approximately BDS\$94 million.

Trinidad Cement Limited, Arawak Cement Company Limited vs. the State of Barbados

Trinidad Cement Limited and its subsidiary Arawak Cement Limited are engaged in the business of manufacturing and distributing cement. The cement is distributed in Barbados and other countries in the Caribbean. There is a Common External Tariff (“*CET*”) that is applicable to imports of cement to Barbados from countries outside of CARICOM.

In 2015, Rock Hard Cement Limited began distributing cement in Barbados. On 4 July 2018, Trinidad Cement Company Limited and Arawak Cement Limited filed an originating application with the Caribbean Court of Justice claiming economic loss in the amount of approximately BDS\$36 million and alleging that the type of cement distributed by Rock Hard Cement Limited, which is imported from countries outside of CARICOM, has been improperly classified and that the CET which is being applied is incorrect. In addition, the applicable alleges that the actions taken by the Government authorising an alteration of the CET did not follow the correct procedure. Leave has been given by the Caribbean Court of Justice for Rock Hard Cement Limited to be joined as an intervenor in the application. Further, Rock Hard Cement Limited has filed its own action at the Caribbean Court of Justice against the Government

and CARICOM. Rock Hard Cement Limited has also filed an action in the Barbados High Court against the Government.

St. Philip Land Limited (in Liquidation) vs. the Attorney-General

In 2010, the Government compulsorily acquired land situated at Bushy Park, St. Philip owned by St. Philip Land Limited. In July 2011, St. Philip Land Limited submitted a claim for compensation in the amount of approximately BDS\$53 million. St. Philip Land Limited subsequently filed a claim in 2012 asking the court to determine the amount of compensation to be paid for the compulsory acquisition of its property.

Attorney-General and Fiton Technologies

In 2004, the Government and Fiton Technologies Corp. entered into an agreement for the remediation by Fiton Technologies Corp. of an area of Government land that formerly housed the operation of an oil refinery. The contract price was U.S.\$71.4 million.

When a dispute arose between the parties in respect of payment, Fiton Technologies Corp. gave notice that it wished the matter to go to arbitration and filed an action seeking inter alia an order in respect of the arbitrator to be appointed. The matter has not yet been heard by an arbitrator.

3S Structural Steel Solutions LLC & 3S (Barbados) SRL Vs The Attorney General

The Government and 3S Structural Steel Solutions LLC (“3S LLC”), by Memoranda of Understanding dated 5 September 2005 and 26 July 2006, agreed that 3S (Barbados) SRL (“3S”) would design and carry out certain road works along the ‘ABC Highway’ in Barbados, supply and install a traffic synchronisation system and undertake a traffic study review for the city of Bridgetown.

The plaintiffs, 3S LLC, filed suit in the Supreme Court of Barbados on 22 May 2009, claiming wrongful termination and/or repudiation of the engagement by the Government and claiming damages in the amount of BDS\$35,751,979.01 and interest at 8% per annum. This claim includes payments to subcontractors who have instituted legal proceedings against 3S LLC.

A defence and counterclaim has been filed on behalf of the Attorney General. The Attorney General alleged abandonment and/or repudiation of the contract by the plaintiffs, as well as improperly executed works. The proceedings have reached the interlocutory and document request stage of trial.

PROXY APPOINTMENT FORM

GOVERNMENT OF BARBADOS
("Barbados")

Proxy Appointment Form

For use in connection with the meeting (the "**Meeting**")
of the holders of the outstanding

Class B Fixed Rate Bonds due 2019 issued by the Government of Barbados
(the "**Eligible Claims**")

convened for 4:00 p.m. (London time) on Wednesday 27 November 2019 at the offices of Cleary
Gottlieb Steen and Hamilton LLP, 2 London Wall Place,
London EC2Y 5AU, United Kingdom

and any adjourned such Meeting

This Proxy Appointment Form should be completed, signed and delivered to Lucid Issuer Services Limited (the "**Exchange Agent**") by email at barbados@lucid-is.com or fax at +44 20 3004 1590 to appoint a proxy to attend and vote at the Meeting or adjourned Meeting. This Proxy Appointment Form will be accepted if received by the Exchange Agent on or prior to 5:00 p.m. (New York City time) on 25 November 2019 (the "**Voting Deadline**").

For holders participating in the Exchange Offer, a Proxy Appointment Form may be revoked, for any reason, at any time prior to 5:00 p.m. (New York City time) on 22 November 2019 (the "**Exchange Offer Expiration Date**"). For holders participating in the Consent Only Option, a Proxy Appointment Form may be revoked, for any reason, at any time prior to 5:00 p.m. (New York City time) on the Voting Deadline.

Capitalised terms used but not defined in this Proxy Appointment Form shall have the meanings given to them in the Invitation Memorandum in respect of the Eligible Claims dated 5 November 2019.

We hereby certify that:

- (1) Eligible Claims of the aggregate principal amount specified below were held by us at 5:00 p.m. (New York City time) on 25 November 2019, being the Record Date for the purposes of the Meeting:

Principal Amount of Notes: U.S.\$_____

- (2) The undersigned has full power and authority to deliver this Proxy Appointment Form and represents, warrants and agrees as set forth in “Tender Procedures—Participation in the Consent Solicitation—Effect of a Valid Proxy Appointment Form; Acknowledgements, Representations, Warranties and Undertakings for the Consent Solicitation” in the Invitation Memorandum.

SECTIONS (3) AND (4) TO BE COMPLETED BY ELIGIBLE HOLDERS WHO DO NOT WISH TO ATTEND AND VOTE AT THE MEETING BUT WHO WISH TO APPOINT LUCID ISSUER SERVICES LIMITED’S EMPLOYEES TO ACT AS THEIR PROXY AND ATTEND THE MEETING ON THEIR BEHALF

- (3) We appoint an employee of the Exchange Agent nominated by it to act as our proxy and to attend the Meeting on our behalf and to cast the votes in respect of the Notes described below in the manner set out below.
- (4) We hereby direct our proxy to vote as follows:

If you wish to participate in the Exchange Offer and have submitted, or will submit, a tender of your Eligible Claims, please tick this box to indicate that you would like the proxy to vote in favour of the Extraordinary Resolution in respect of your tendered Eligible Claims: ☐

If you do not wish to participate in the Exchange Offer and have not submitted, and will not submit a tender, please indicate whether you would like the proxy to vote in favour of or against, or to abstain from, the Extraordinary Resolution in respect of your Eligible Claims by ticking the appropriate box:

☐ IN FAVOUR OF ☐ AGAINST ☐ ABSTAIN

SECTION (5) TO BE COMPLETED ELIGIBLE HOLDERS WHO WISH TO ATTEND AND VOTE AT THE MEETING OR APPOINT SOMEONE ELSE OTHER THAN LUCID ISSUER SERVICES LIMITED TO DO SO ON THEIR BEHALF

- (5) We hereby appoint the below mentioned person to act as our proxy to attend the Meeting on our behalf and to cast the votes in respect of the Eligible Claims held by us (as certified in paragraph (1) above) in the manner in which we instruct them.

Name of Authorised Individual or Proxy: _____

ID or Passport Number: _____

Issuing State: _____

[Signature page follows]

Signed by a duly authorised officer on behalf of the Eligible Holder

Name of Eligible Holder: _____

Date: _____

NOTICE OF BONDHOLDER MEETINGS

THIS NOTICE IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR OWN INDEPENDENT PROFESSIONAL ADVISERS IMMEDIATELY.

NOTICE OF MEETING Government of Barbados

in respect of the

Class B Fixed Rate Bonds due 2019 issued by the Government of Barbados

(the “**Old Bonds**”)

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of Schedule 2 (*Provisions for Meetings of Bondholders*) to the trust deed relating to the Old Bonds and made between the Government of Barbados acting through the Minister of Finance (“**Barbados**”) and BNY Corporate Trustee Services Limited, as trustee (the “**Trustee**”) and Scotia Trust and Merchant Bank Trinidad and Tobago Limited, as registrar (the “**Registrar**”), (the “**Trust Deed**”), Barbados has convened a meeting of the holders (the “**Bondholders**”) of the Old Bonds (the “**Meeting**”) to be held on Wednesday 27 November 2019 at the offices of Cleary Gottlieb Steen & Hamilton LLP, 2 London Wall Place, London EC2Y 5AU, United Kingdom, at 4:00 p.m. (London time) for the purpose of considering and, if thought fit, passing the resolution set out below which will be proposed as an Extraordinary Resolution in accordance with the provisions of the Trust Deed. If within fifteen minutes after such time the quorum specified in the Trust Deed is not present, the Meeting will be adjourned until such date (not less than 28 clear days nor more than 42 clear days later) and time and place as the chair may decide. Bondholders may appoint proxies not later than (except in the case of a form of proxy) 48 hours before the time of the Meeting but not thereafter or, in the case of corporations, may appoint representatives by resolution of their directors or other governing body.

Unless the context otherwise requires, terms used in this notice and defined in the Trust Deed or the invitation memorandum published by Barbados relating, *inter alia*, to the Old Bonds in definitive form dated on or about the date hereof as amended or supplemented from time to time (the “**Definitive Scotia Bond Invitation Memorandum**”) or the invitation memorandum published by Barbados relating, *inter alia*, to the Old Bonds in global form dated on or about the date hereof as amended or supplemented from time to time (the “**Global Scotia Bond Invitation Memorandum**”, together with the Definitive Scotia Bond Invitation Memorandum, the “**Invitation Memoranda**”) are used herein as so defined.

EXTRAORDINARY RESOLUTION

“THAT THIS MEETING (the “**Meeting**”) of the holders (the “**Bondholders**”) of the Class B Fixed Rate Bonds due 2019 (the “**Old Bonds**”) issued by Government of Barbados (“**Barbados**”) HEREBY:

- (1) assents to and sanctions the exchange of the Old Bonds (the “**Exchange**”), in accordance with the terms of the Invitation Memoranda, as follows:

- (i) Each U.S.\$10,000 principal amount of Old Bonds validly tendered by Bondholders who participate in the Exchange Offer (as defined and described in the Invitation Memoranda) and accepted for exchange by the Barbados will be exchanged for (i) net cash consideration of U.S.\$71.911 to be paid on the Closing Date (the “**2019 Exchange Cash Consideration**”); (ii) U.S.\$7,747.60 principal amount of 2029 Bonds (the “**2029 Bonds**”); and (iii) U.S.\$474.54 principal amount of PDI Bonds (the “**PDI Bonds**” and, together with the 2029 Bonds, the “**New Bonds**”). The 2019 Exchange Cash Consideration together with the New Bonds are referred to herein as the “**Consideration**.” The costs and expenses incurred by the external creditors committee in connection with the negotiation and implementation of the Exchange Offer and the Parallel Exchanges (each as defined in the Invitation Memoranda) in an aggregate amount equal to U.S.\$2,575,000 will be deducted by The Bank of New York Mellon, as settlement facilitation agent (the “**Settlement Facilitation Agent**”) from the aggregate cash payment amount made to participating holders under the Exchange Offer and the Parallel Exchanges. The net 2019 Exchange Cash Consideration referred to above includes a deduction of a pro rata amount to pay the costs and expenses of the external creditors committee in an aggregate amount equal to U.S.\$2,575,000.
- (ii) Each U.S.\$10,000.00 principal amount of Old Bonds held by Bondholders who did not participate in the Exchange Offer or whose tenders pursuant to the Exchange Offer were not accepted for exchange by Barbados (each, an “**Uncertified Holder**”) will be exchanged for the Consideration, which will be deposited to an account of Barbados with the Settlement Facilitation Agent, where such Consideration will be held until the earlier of: (i) such time as such Bondholder if the Old Bonds are in global form, validly elects through Euroclear or Clearstream to be delivered the Consideration, if this Extraordinary Resolution is passed; (ii) such time as such Bondholder if the Old Bonds are in definitive form, validly delivers a valid certificate in the form attached to the notice of settlement instructions to be delivered by Barbados if this Extraordinary Resolution is passed (a “**Delivery Certificate**”) to Lucid Issuer Services Limited, as exchange agent (the “**Exchange Agent**”); and (iii) the date falling 90 days after the Closing Date (as defined in the Invitation Memoranda) (the “**Holding Period**”) (collectively, the “**Pending Distribution Arrangement**”).

Upon:

- (a) the election through Euroclear or Clearstream certifying an Uncertified Holder’s status (the “**Election Instructions**”); or
- (b) receipt by the Exchange Agent of a valid Delivery Certificate certifying as to an Uncertified Holder’s status,

as an Eligible Holder (as defined and further described in the Invitation Memoranda), the Exchange Agent shall promptly instruct the Settlement Facilitation Agent to deliver, and, as soon as practicable thereafter, the Settlement Facilitation Agent shall deliver the Consideration to which such Bondholder is entitled in accordance with the Election Instructions or Delivery Certificate (as applicable) on behalf of the Bondholder.

Upon:

- (a) election through the Election Instructions; or

- (b) receipt by the Exchange Agent of a valid Delivery Certificate certifying as to an Uncertified Holder's status,

as an Ineligible Holder (as defined and further described in the Invitation Memoranda), Barbados or an agent or broker appointed by Barbados, as the case may be, shall sell such New Bonds to which such holder is entitled in one or more sale transactions at any time following receipt of such Bondholder's Election Instructions. The price, terms, timing and manner of such sale will be on the best terms reasonably available at the time using a transparent open market process and shall be for cash. Neither Barbados nor any such agent or broker will have any liability for any loss or alleged loss arising from such sale or a failure to procure any purchaser for such New Bonds (or any of them). The proceeds of such sales (net of the costs of sale including the fees of any agent, broker, marketing agent, placement agent or underwriter appointed in relation to the sales and any taxes and provisions for tax on sale or as a result of the Pending Distribution Arrangement) (the "**Net Cash Proceeds**") plus the net 2019 Exchange Cash Consideration to which such Bondholder is entitled shall be delivered in accordance with the Election Instructions or Delivery Certificate (as applicable) on behalf of the Bondholder as soon as reasonable practicable thereafter.

In the event that an Uncertified Holder fails to provide Election Instructions or Delivery Certificate during the Holding Period, Barbados or an agent or broker appointed by Barbados, as the case may be, shall sell such New Bonds to which such Bondholder is entitled in a sale at any time following the expiry of the Holding Period. The price, terms, timing and manner of such sale will be on the best terms reasonably available at the time using a transparent open market process and shall be for cash. Neither Barbados nor any such agent or broker will have any liability for any loss or alleged loss arising from such sale or a failure to procure any purchaser for such New Bonds (or any of them). The Net Cash Proceeds will be held for the benefit of such holders of the Eligible Claims until such time as sales of all such Consideration have been effected. The pro rata shares of such Net Cash Proceeds plus the net 2019 Exchange Cash Consideration to which such Bondholder is entitled will be delivered to either (a) the relevant Direct Participants in Euroclear or Clearstream (as defined in the Global Scotia Bond Invitation Memorandum) on behalf of the Bondholders entitled to such consideration as soon as practicable thereafter, or (b) in the case of the Old Bonds in definitive form only; the Bondholders entitled to such consideration as soon as practicable thereafter;

- (2) sanctions every abrogation, modification, compromise or arrangement in respect of the rights of Bondholders appertaining to the Old Bonds involving, resulting from or affected by the Exchange, whether or not such rights arise under the terms and conditions of the Old Bonds;
- (3) authorises, directs, requests and empowers the Trustee, Registrar and Agents to concur in the Exchange and to concur in, and to execute and do, all such other deeds, instruments, acts and things as may be necessary or appropriate to carry out and give effect to this resolution and to implement the Exchange; and
- (4) discharges and exonerates each Trustee, Registrar and Agent from any liability it may have or may in the future have under the Trust Deed, Agency Agreement or the Old Bonds in respect of any act or omission in connection with the Exchange, its implementation or this resolution."

Subject to the Extraordinary Resolution having been duly passed and the conditions set out therein being met, the Extraordinary Resolution will become effective on the Closing Date.

In accordance with normal practice, none of the Trustee, Registrar and Agent expresses any opinion as to the merits of the Exchange (which it was not involved in negotiating). None of the Trustee, Registrar and Agent has been involved in formulating the Exchange or the Extraordinary Resolution or any of the documents being entered into to give effect to the Exchange and the Extraordinary Resolution and makes no representation whatsoever in relation to the Exchange or the Extraordinary Resolution or any of the information set out in the Invitation Materials or this Notice. Accordingly, the Trustee, Registrar and Agents urge holders who are in any doubt as to the impact of the implementation of the Extraordinary Resolution or the Exchange to seek their own independent legal and financial advice.

Background

Barbados is inviting holders of Eligible Claims, including the Old Bonds, to exchange their holdings of Eligible Claims for the Consideration pursuant to the Exchange Offer, all as more fully described in the Invitation Memoranda. Barbados is soliciting consents to approve the Extraordinary Resolution above approving the exchange of the Old Bonds for the Consideration. Further information regarding the Invitation and certain risk factors relating to the Invitation and the New Bonds are set out in the Invitation Memoranda, a copy of which is available as indicated below.

Documents Available for Inspection

Bondholders may inspect copies of the documents set out below, which will also be available at the Meeting, at the specified office of the Exchange Agent set out at the end of this Notice:

- (1) the Trust Deed;
- (2) this Notice of Meeting; and
- (3) as soon as practicable hereafter, the Invitation Memoranda (subject to the relevant jurisdictional restrictions), a draft of the trust deed constituting the New Bonds, including the terms and conditions of the New Bonds, and the related agency agreement for the New Bonds.

General

The attention of Bondholders is particularly drawn to the quorum required for the Meeting which is set out in “*Voting and Quorum and Other Matters*” below. Having regard to such requirements, Bondholders are strongly urged either to attend the Meeting or to take steps to be represented at the Meeting, as described below, as soon as possible.

Bondholders may vote in relation to the Extraordinary Resolution at the Meeting (or any adjourned Meeting) by complying with the procedures set out in the Invitation Memoranda or the procedures set out below by either:

Appointment via Participation Instructions

Holders of Old Bonds in global form can submit a Participation Instructions as described in the Global Scotia Bond Invitation Memorandum before the Voting Deadline and this will appoint the Exchange Agent as their proxy.

Appointment Proxy Form

Holders of Old Bonds in definitive form may appoint proxies by executing and delivering a form of proxy in accordance with the Definitive Scotia Bond Invitation Memorandum and sent to the Exchange Agent not later than 48 hours before the time fixed for the meeting or, in the case of corporations, may appoint representatives by resolution of their directors or other governing body.

Appointing Proxy under the Trust Deed

Holders of Old Bonds that do not submit a Participation Instructions as described in the Invitation Memoranda before the Voting Deadline may appoint proxies by executing and delivering a form of proxy in accordance with the terms of the Trust Deed to the specified office of the Registrar not later than 48 hours before the time fixed for the meeting or, in the case of corporations, may appoint representatives by resolution of their directors or other governing body.

Voting and Quorum and Other Matters

In accordance with the terms and conditions of the Old Bonds, two or more persons present holding Old Bonds or being proxies and holding or representing in the aggregate at least two thirds of the principal amount of the Old Bonds for the time being outstanding shall constitute a quorum for considering the proposed Extraordinary Resolution. If a quorum is not present at the Meeting, the Meeting shall stand adjourned for such period being not fewer than 28 days nor more than 42 days, and at such time and place as the chair may decide, and at such adjourned meeting the quorum shall be two or more persons present holding Old Bonds or being proxies and holding or representing in the aggregate at least one third of the principal amount of the Old Bonds for the time being outstanding. No business may be transacted in the absence of a quorum unless the requisite quorum is present when the Meeting (or any adjourned meeting) is called to order.

Pursuant to the terms and conditions of the Old Bonds, at a Meeting (or any adjourned meeting) of holders of the Old Bonds where a quorum is present as described above, the proposed Extraordinary Resolution will be effectively passed if passed by holders or their proxies entitled to vote representing in the aggregate of not less than 75 per cent. of the votes cast.

The Exchange will only become effective if the conditions for the effectiveness of the Exchange have been met or waived by Barbados (as set out in the Invitation Memoranda). See “The Invitation” in the Invitation Memoranda. If the Extraordinary Resolutions are passed at the Meeting (or any adjourned meeting) and the Exchange is made effective by Barbados, they will be binding on all holders of the Old Bonds, whether or not they are present at the Meeting and whether or not they otherwise consented to the adoption of the Extraordinary Resolution.

Further Information

Any questions relating to any matter relating to the Exchange Offer or the voting process should be addressed to the Information Agent as follows:

Exchange Agent and Information Agent:

Lucid Issuer Services Limited

Tankerton Works
12 Argyle Walk
London WC1H 8HA
United Kingdom
Telephone +44 20 7704 0880
Attention: Arlind Bytyqi / Thomas Choquet
Email: barbados@lucid-is.com
Website: www.lucid-is.com/barbados

The Trustee for the Old Bonds is:

BNY Corporate Trustee Services Limited

One Canada Square
London
E14 5AL
United Kingdom

The Registrar for the Old Bonds is:

Scotia Trust and Merchant Bank Trinidad and Tobago Limited

Scotia Centre,
Cor. Park & Richmond Streets,
Port of Spain
Trinidad & Tobago

This notice is given by:

The Government of Barbados

The Ministry of Finance
Government Headquarters Bay Street
St. Michael
Barbados

5 November 2019

**TRANSFER CERTIFICATE
SCOTIA BONDS**

To: The Government of Barbados acting through the Minister of Finance (the Company as "Issuer")
BNY Corporate Trustee Services Limited (the "Trustee")
Scotia Trust and Merchant Bank Trinidad and Tobago Limited (the "Registrar")

From: [Name of Transferor] (the "Transferor")
_____ (the "Transferee")²

Dated: _____, 2019

Subject: Class B Fixed Rate Bonds due 2019 issued by the Issuer in definitive form (the "Bonds")

-
1. We refer to the Trust Deed dated as of August 6, 2019 between the Issuer and the Trustee (the "Trust Deed"). Capitalised terms used but not otherwise defined in this Transfer Certificate shall have the same meaning given to them under the Trust Deed.
 2. This Transfer Certificate relates to US\$_____ in principal amount of the Bonds that are held and registered in the name of the Transferor (the "Relevant Bonds").
 3. This Transfer Certificate constitutes a transfer instrument in writing under Section 3.00 of the Trust Deed.
 4. By virtue of the acceptance of tender of the offer made by the Government of Barbados to exchange certain new instruments for the Relevant Bonds, the Transferor (being the registered and beneficial holder of the Relevant Bonds) **HEREBY ASSIGNS AND TRANSFERS** the Relevant Bonds to the Transferee and **HEREBY ASSIGNS AND TRANSFERS** to the Transferee of all rights, title and interest in the Relevant Bonds.
 5. The Transfer of the Relevant Bonds is made without recourse to the Transferor and without further warranty by the Transferor.
 6. The Registrar is hereby directed to record the name of the Transferee as the registered and beneficial holder of the Relevant Bonds as of the date hereof in the Register maintained under the Trust Deed.
 7. This Transfer Certificate may be executed in any number of counterparts and this has the same effect as if the signatures on the counterparts were on a single copy of this Transfer Certificate.
 8. THIS TRANSFER CERTIFICATE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF BARBADOS.

IN WITNESS WHEREOF the Transferor with full authority has executed and delivered this document as a deed effective as of the Transfer Date referenced above.

[Name of Transferor]

SEAL

per: _____
Name:
Title:

per: _____
Name:
Title:

² **Leave the name of the Transferee blank.** If the Relevant Bonds are accepted for exchange by the Government of Barbados, the name of the Transferee will be filled in on the Closing Date and the transfer will become effective on such date. If the Relevant Bonds are not accepted for exchange by the Government of Barbados, this Transfer Certificate will be destroyed.

Agreed and Accepted:

[NAME OF TRANSFEREE] in its capacity as Transferee

SEAL

per: _____
Name: _____
Title: _____

per: _____
Name: _____
Title: _____

BNY CORPORATE TRUSTEE SERVICES LIMITED in its capacity as Trustee under the Trust Deed,
by execution hereof, hereby acknowledges receipt of this fully executed Transfer Certificate.

per: _____
Name: _____
Title: _____

per: _____
Name: _____
Title: _____

Date of receipt:

SCOTIA TRUST AND MERCHANT BANK TRINIDAD AND TOBAGO LIMITED in its capacity as
Registrar under the Trust Deed by execution hereof hereby acknowledges its receipt of this fully executed Transfer
Certificate, confirms that the transfer of the Relevant Bonds registered in the Register as of the date noted above.

SEAL

per: _____
Name: _____
Title: _____

per: _____
Name: _____
Title: _____

Date of receipt:

**ANNEX TO TRANSFER CERTIFICATE (DEFINITIVE SCOTIA BONDS):
ACCOUNT DETAILS**

Part A

Eligible Holders electing to exchange Eligible Claims for New Bonds must complete the table below with the information of the DTC account to which the New Bonds should be credited.

Name of direct participant within DTC:		
Clearing system number of direct participant:		
Contact at direct participant who will be responsible for matching Consideration delivery: Name: E-mail: Telephone (with international dialling code):		
Sub-account number at direct participant (if available):		
Applicable offering exemption (<i>tick one box only</i>):	<input type="checkbox"/> Regulation S	<input type="checkbox"/> Rule 144A

Part B

Eligible Holders electing to exchange Eligible Claims for New Bonds must complete the table below with the information of the account to which the Definitive Scotia Bonds Cash Consideration should be credited.

Intermediary (if applicable)	
SWIFT Address:	
Account with Institution:	
SWIFT Address:	
Beneficiary Institution Name & SWIFT:	
Account Number:	
Reference:	

GOVERNMENT OF BARBADOS

The Ministry of Finance
Government Headquarters Bay Street
St. Michael
Barbados

**TRUSTEE, PAYING AGENT, TRANSFER
AGENT AND
REGISTRAR**

The Bank of New York Mellon
240 Greenwich St. – 7E
New York, New York 10286
United States of America

SETTLEMENT FACILITATION AGENT

The Bank of New York Mellon
111 Sanders Creek Parkway
East Syracuse, New York 13057
Attention:

CT_Reorg_Unit_Inquires@bnymellon.com

**EXCHANGE AGENT AND
INFORMATION AGENT
Lucid Issuer Services Limited**

Tankerton Works
12 Argyle Walk
London WC1H 8HA
United Kingdom
Telephone +44 20 7704 0880
Attention: Arlind Bytyqi / Thomas Choquet
Email: barbados@lucid-is.com
Website: www.lucid-is.com/barbados

FINANCIAL ADVISORS TO BARBADOS

White Oak Advisory Ltd

54 Baker Street
London W1U 7BU
United Kingdom

**LEGAL ADVISERS TO BARBADOS
AS TO ENGLISH AND U.S. LAW**

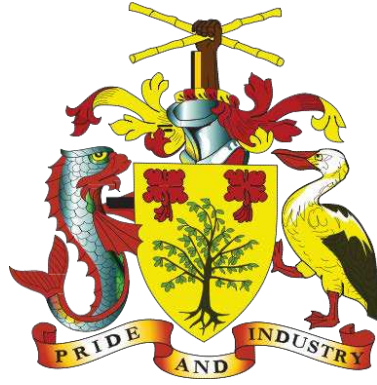
Cleary Gottlieb Steen & Hamilton LLP

2 London Wall Place,
London
EC2Y 5AU
United Kingdom

**LEGAL ADVISERS TO THE TRUSTEE
AS TO ENGLISH LAW**

Clifford Chance LLP

10 Upper Bank Street
London
E14 5JJ
United Kingdom



ANNEX D

Bond Invitation Memorandum

IMPORTANT NOTICE

THE ATTACHED INVITATION MEMORANDUM DOES NOT CONSTITUTE A PROSPECTUS WITHIN THE MEANING OF EU REGULATION 2017/1129 (THE “PROSPECTUS REGULATION”), AND NO SUCH PROSPECTUS HAS BEEN OR WILL BE PREPARED IN CONNECTION WITH THE INVITATION. THE ATTACHED INVITATION MEMORANDUM HAS NOT BEEN REVIEWED OR APPROVED BY ANY COMPETENT AUTHORITY OF ANY MEMBER STATE OF THE EUROPEAN ECONOMIC AREA.

THE DISTRIBUTION OF THE ATTACHED INVITATION MEMORANDUM IN CERTAIN JURISDICTIONS MAY BE RESTRICTED BY LAW. SEE THE ISSUE AND RESALE RESTRICTIONS. PERSONS INTO WHOSE POSSESSION THE ATTACHED INVITATION MEMORANDUM COMES ARE REQUIRED BY BARBADOS TO INFORM THEMSELVES ABOUT, AND TO OBSERVE, ANY SUCH RESTRICTIONS.

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the attached invitation memorandum, and you are therefore required to read this disclaimer carefully before accessing, reading or making any other use of the attached invitation memorandum. By accessing the attached invitation memorandum, you shall be deemed to agree (in addition to giving the representations below) to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from Barbados or Lucid Issuer Services Limited, as information agent and exchange agent, as a result of such access. Terms used in this notice and defined in the attached invitation memorandum are used herein as so defined.

THIS ELECTRONIC TRANSMISSION DOES NOT CONTAIN OR CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO EXCHANGE, BUY OR SUBSCRIBE FOR SECURITIES TO OR FROM ANY PERSON IN ANY JURISDICTION TO WHOM OR IN WHICH SUCH OFFER OR SOLICITATION IS UNLAWFUL.

THE EXCHANGE OFFER DESCRIBED THEREIN IS DIRECTED, AND NEW BONDS DESCRIBED THEREIN WILL BE ISSUED, ONLY TO HOLDERS OF ELIGIBLE CLAIMS (AS DEFINED IN THE INVITATION MEMORANDUM): (A)(I) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH REGULATION S OR (II) WITHIN THE UNITED STATES IN PRIVATE TRANSACTIONS PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE UNITED STATES SECURITIES ACT OF 1933 (THE “SECURITIES ACT”) THAT ARE QUALIFIED INSTITUTIONAL BUYERS PURSUANT TO RULE 144A UNDER THE SECURITIES ACT; AND (B) “QUALIFIED INVESTORS” AS DEFINED IN THE PROSPECTUS REGULATION IF THEY ARE LOCATED WITHIN A MEMBER STATE OF THE EUROPEAN ECONOMIC AREA (EACH AN “ELIGIBLE HOLDER”), UNLESS BARBADOS IN ANY INSTANCE OTHERWISE AGREES.

THE RECIPIENT MAY NOT FORWARD OR DISTRIBUTE THE ATTACHED INVITATION MEMORANDUM IN WHOLE OR IN PART TO ANY OTHER PERSON OR REPRODUCE THE ATTACHED INVITATION MEMORANDUM IN ANY MANNER WHATSOEVER AND ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE ATTACHED INVITATION MEMORANDUM IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS INSTRUCTION MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

Confirmation of your representation: In order to be eligible to view the attached invitation memorandum or make an investment decision with respect to the invitation by Barbados pursuant to the invitation memorandum to holders of Eligible Claims to (i) offer to exchange their Eligible Claims for the Consideration and/or (ii) consent to Extraordinary Resolutions in respect of their Eligible Claims, where applicable, all as further described in the attached invitation memorandum you must (A) in the case of the Exchange Offer, be an Eligible Holder or (B) in the case of the Consent Solicitation, be able to participate in the Consent Solicitation as a holder of Eligible Claims, and, in each case, otherwise be able to participate lawfully in the Invitation on the terms and subject to the conditions set out in the attached invitation memorandum, including the jurisdictional restrictions set out on page 142 (the “**Jurisdictional**

Restrictions”). The attached invitation memorandum was provided to you at your request, and by accessing the attached invitation memorandum, you shall be deemed to have represented to Barbados that:

- (i) you are a holder or a beneficial owner of Eligible Claims; and
- (ii) you consent to delivery of the attached invitation memorandum by electronic transmission.

The attached invitation memorandum has been provided to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission, and consequently none of Barbados, the sender of the invitation memorandum, nor any person who is an official or a director, officer, employee, agent or affiliate of any such person, accepts any liability or responsibility whatsoever in respect of any difference between the actual invitation memorandum and the version you have.

You are also reminded that the attached invitation memorandum has been provided to you on the basis that you are a person into whose possession the attached invitation memorandum may be lawfully delivered in accordance with (i) the laws of the jurisdiction in which you are located or resident and (ii) the Jurisdictional Restrictions, and you may not, nor are you authorised to, deliver the attached invitation memorandum to any other person.

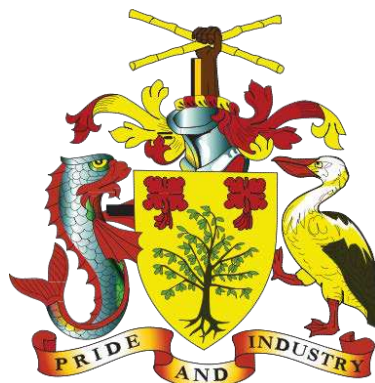
Any materials relating to the Invitation do not constitute, and may not be used in connection with, any form of offer or solicitation in any place where such offers or solicitations are not permitted by law.

The attached invitation memorandum contains important information which should be read carefully before any decision is made with respect to the Invitation. If any holder of Eligible Claims is in any doubt as to the action it should take, such holder of Eligible Claims should seek its own financial advice, including as to any tax consequences, from its stockbroker, bank manager, legal adviser, accountant or other independent financial adviser. Any investor whose Eligible Claims are held on its behalf by a broker, dealer, bank, custodian, trust company or other nominee must contact such entity if it wishes to participate in the Invitation with respect to its Eligible Claims.

Bond Invitation Memorandum

The date of this invitation memorandum is 5 November 2019. The exchange offer described herein will expire at 5:00 p.m. (New York City time) on 22 November 2019, unless extended or earlier terminated.

INVITATION MEMORANDUM



**Invitation by
the Government of Barbados
to holders of the Eligible Claims (as defined below) to offer to exchange (such invitation and any
resulting exchange, the “Exchange Offer”)**

7.25% Bonds due 2021 (CUSIP 067070AC6 and P48864AC9; ISIN US067070AC67 and USP48864AC94) (the “2021 Old Bonds”);
7.00% Bonds due 2022 (CUSIP 067070AF9 and P48864AD7; ISIN US067070AF98 and USP48864AD77) (the “2022 Old Bonds”); and
6.625% Bonds due 2035 (CUSIP 067070AD4 and P48864AF2; ISIN US067070AD41 and USP48864AF26) (the “2035 Old Bonds” and, collectively with the 2021 Old Bonds and the 2022 Old Bonds, “Eligible Claims”)

for

U.S. Dollar 6.500% Bonds due 2029 (the “2029 Bonds”) plus U.S. Dollar 6.500% Bonds due 2021 (the “PDI Bonds” and, together with the 2029 Bonds, the “New Bonds”) plus the 2019 Exchange Cash Consideration (as defined below and, together with the New Bonds, the “Consideration”)

Barbados is also soliciting consents from holders of each series of Eligible Claims (the “Consent Solicitation” and, together with the Exchange Offer, the “Invitation”) in favour of an extraordinary resolution mandatorily exchanging the Eligible Claims of that series for the relevant Consideration (an “Extraordinary Resolution”). In connection with tendering Eligible Claims for exchange, a holder of such Eligible Claims also irrevocably (subject to the expiration of the Withdrawal Period (as defined below), the termination of the Invitation by Barbados or the rejection of such written proxy by Barbados, all as described further herein) appoints and instructs the Exchange Agent as its proxy to attend any meeting convened in respect of the relevant series of Eligible Claims and vote in favour of the Extraordinary Resolution relating to such Eligible Claims (the “Tender and Consent Option”), as further described under “Terms of the Invitation—The Consent Solicitation.” Holders who do not wish to tender their Eligible Claims or who are not Eligible Holders may vote, or appoint a proxy to vote, on the Extraordinary Resolution pursuant to the Consent Solicitation (the “Consent Only Option”), as described herein, or alternatively, pursuant to Schedule 6 of the agency agreement relating to that series of Eligible Claims.

THE INVITATION TO OFFER TO EXCHANGE ELIGIBLE CLAIMS IS ONLY BEING DIRECTED TO ELIGIBLE HOLDERS. THE INVITATION TO PARTICIPATE IN THE CONSENT SOLICITATION IS BEING MADE TO ALL HOLDERS OF ELIGIBLE CLAIMS.

Holders should note that, if the exchange of a series of Eligible Claims is approved by an Extraordinary Resolution passed by the holders of that series in accordance with the Terms and Conditions of that series, then the entirety of such series (even those held by non-tendering or non-voting holders and inclusive of all accrued but unpaid interest) will be exchanged for the relevant Consideration, pursuant to Schedule 6 of the agency agreement relating to that series of Eligible Claims. In that event, Eligible Claims held by holders who do not participate in the Exchange Offer will be exchanged for New Bonds plus the net 2019 Exchange Cash Consideration. Holders who have not certified their status as an Eligible Holder by tendering through the Automatic Tender Offer Program (ATOP) system of DTC will receive Substitute Consideration (as defined below) pursuant to the Pending Distribution Arrangement as described herein. If such an exchange is not approved by the requisite holders of a series of Eligible Claims, Barbados reserves the right, at its sole discretion, to either accept or reject all tenders of such series. See “Risk of Modification of Certain Eligible Claims” in “Risk Factors” below.

The New Bonds will be general, direct, unconditional, unsubordinated and unsecured obligations of Barbados and will rank *pari passu*, without preference among themselves, with all other unsecured External Indebtedness (as defined in “Terms and Conditions of the 2029 Bonds” and “Terms and Conditions of the PDI Bonds”) of Barbados, from time to time outstanding, *provided, however*, that Barbados shall have no obligation to effect equal or rateable payment(s) at any time with respect to any such other External Indebtedness and, in particular, shall have no obligation to pay other External Indebtedness at the same time or as a condition of paying sums due on the New Bonds and vice versa. The New Bonds will be backed by the full faith and credit of Barbados.

A holder of an Eligible Claim held by a custodial entity (such as a bank, broker, dealer, trust company or other nominee) may only participate in the Exchange Offer if it instructs that custodial entity to tender its Eligible Claim on its behalf pursuant to the procedures of that custodial entity. Holders of Eligible Claims held in The Depository Trust Company (DTC) may only participate in the Exchange Offer by using ATOP.

Holders of Eligible Claims should be aware that the bank, broker, dealer, trust company or other nominee through which they hold their Eligible Claims may have earlier deadlines for taking action pursuant to the Invitation, and, accordingly, holders are urged to contact their bank, broker, dealer, trust company or other nominee to determine any additional deadline that may have been established for taking action in relation to the Invitation. See “Tender Procedures.”

A holder of an Eligible Claim may withdraw tenders of Eligible Claims and accompanying consents at any time prior to the Exchange Offer Expiration Date (as defined below) and may withdraw consents pursuant to the Consent Only Option at any time prior to the Voting Deadline (as defined below).

The Exchange Offer expires at 5:00 p.m. (New York City time) on 22 November 2019, unless extended by Barbados.

The New Bonds will be issued pursuant to a trust deed (the “*Trust Deed*”) with The Bank of New York Mellon, as trustee for the bondholders (the “*Trustee*”) and will be governed by English law.

An investment in the New Bonds involves a high degree of risk. See “Risk Factors” beginning on page 20 of this invitation memorandum.

The New Bonds have not been, and will not be, registered under the U.S. Securities Act of 1933 (as amended, the “*Securities Act*”) or the securities laws of any other jurisdiction. Unless they are registered, the New Bonds may be offered only in transactions that are exempt from registration under the Securities Act or the securities law of any other jurisdiction. Accordingly, the New Bonds are being offered only to: (i) “qualified institutional buyers” pursuant to Rule 144A under the Securities Act or (ii) persons outside the United States in reliance on Regulation S of the Securities Act that, if located within a member state of the European Economic Area (an “*EEA Member State*”), are “qualified investors” as defined in Regulation (EU) 1129/2017 (the “*Prospectus Regulation*”) (each, an “*Eligible Holder*”). For further details about eligible offerees and resale restrictions, see “Notice to Investors.”

Delivery of the Consideration is expected to be made on 11 December 2019. The New Bonds will be delivered in book-entry form through the facilities of The Depository Trust Company. Barbados intends to apply to admit the New Bonds to listing on the Luxembourg Stock Exchange and to trading on the Euro MTF market.

MAP OF BARBADOS

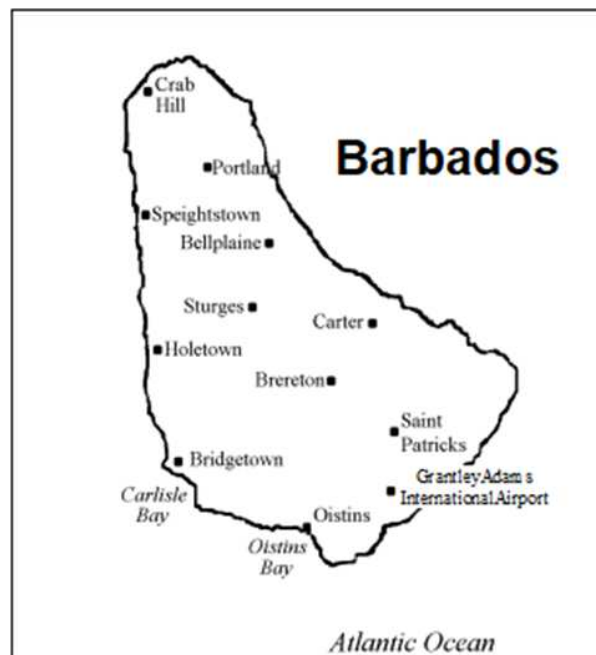
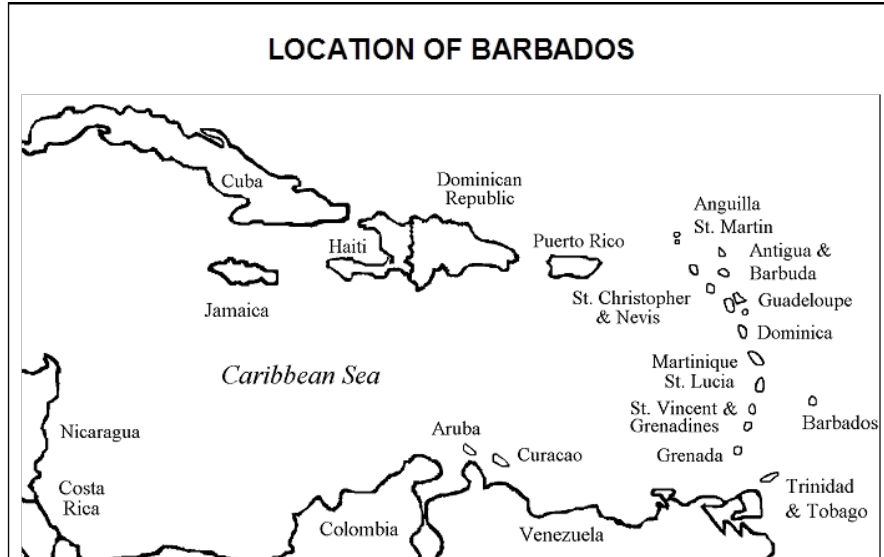


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No dealer, salesperson or other person is authorised to give any information or to represent anything not contained in this invitation memorandum. You must not rely on any unauthorised information or representations. This invitation memorandum is an invitation to exchange only the Eligible Claims for the Consideration as described in this invitation memorandum and only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this invitation memorandum is current only as of this date.

In accordance with normal practice, no agent expresses any opinion as to the merits of the Exchange Offer (which it was not involved in negotiating). It has, however, authorised it to be stated that, on the basis of the information set out in the Invitation Materials, it has no objection to the Extraordinary Resolution referred to above being submitted to the Holders for their consideration. No agent has, however, been involved in formulating the Exchange Offer or the Extraordinary Resolution or any of the documents being entered into to give effect to the Exchange Offer and the Extraordinary Resolution and makes no representation whatsoever in relation to the Exchange Offer or the Extraordinary Resolution or any of the information set out in this invitation memorandum. Accordingly, the agents urge Holders who are in any doubt as to the impact of the implementation of the Extraordinary Resolution or the Exchange Offer to seek their own independent legal and financial advice.

This invitation memorandum, the form of sub-proxy (the “*Form of Sub-Proxy*”) attached as Exhibit 1 hereto and the forms of notice of bondholder meetings (the “*Notice of Bondholder Meetings*”) attached as Exhibit 2 hereto are referred to as the “*Invitation Materials*.” The transactions contemplated by the Invitation Materials are referred to as the “*Invitation*.”

In this invitation memorandum, references to “*we*,” the “*Government*” or “*Barbados*” are to the Government of Barbados. References to the “*Exchange Agent*” are to Lucid Issuer Services Limited, as exchange agent for the Invitation; references to the “*Information Agent*” are to Lucid Issuer Services Limited, as information agent for the Invitation; references to the “*Settlement Facilitation Agent*” are to The Bank of New York Mellon, in its capacity as settlement facilitation agent for the Invitation; and references to the “*Trustee*” are to The Bank of New York Mellon, in its capacity as trustee under the Trust Deed for the New Bonds. References to the “*Agency Agreement*” are to the agency agreement for the New Bonds. References to the “*Old Bonds Agency Agreements*” are to the agency agreement for each series of Eligible Claims.

Barbados is furnishing the Invitation Materials to you solely for use in the context of the Invitation. After having made all reasonable inquiries, Barbados confirms that:

- the information contained in this invitation memorandum is true and correct in all material respects and is not misleading in any material respect as of the date of this invitation memorandum;
- it holds the opinions and intentions expressed in this invitation memorandum;
- it has not omitted other material facts, the omission of which makes this invitation memorandum as a whole misleading as of the date of this invitation memorandum; and
- it accepts responsibility for the information it has provided in this invitation memorandum.

Barbados has not authorised the making or provision of any representation or information regarding Barbados or the New Bonds to you other than as contained in this invitation memorandum.

Any such representation or information should not be relied upon as having been authorised by Barbados or any of its instrumentalities. Barbados does not assume responsibility for information other than as provided in this invitation memorandum. Neither the delivery of this invitation memorandum nor any aspect of the Invitation shall, under any circumstances, imply that there has been no change in the condition (financial or other) of Barbados since the date of this invitation memorandum.

You should not consider this invitation memorandum as a recommendation by Barbados that you should participate in the Invitation. In making an investment decision, you must rely on your own examination and evaluation of Barbados and the terms of the Invitation, including the merits and risks involved. You should consult your own advisors as needed to make your investment decision and as to whether you are legally permitted to acquire the New Bonds in the Exchange Offer under applicable legal investment or similar laws or regulations.

The distribution of the Invitation Materials and the offering, sale and delivery of the New Bonds in certain jurisdictions is restricted by law. Barbados requires that you and anyone who receives the Invitation Materials inform themselves about and observe such restrictions. The Invitation Materials do not constitute, and may not be used for or in connection with, an offer to, or solicitation by, anyone in any jurisdiction in which such offer or solicitation would be unlawful. The Invitation is not being made to, and consents and tenders will not be accepted from, owners of Eligible Claims in jurisdictions in which the Invitation or acceptance thereof would constitute a violation of the securities or blue sky laws of that jurisdiction. For more information, see “Jurisdictional Restrictions” in this invitation memorandum.

The New Bonds will be subject to restrictions on resale under applicable law. See “Notice to Investors” in this invitation memorandum. By participating in the Invitation, you will be deemed to have represented and warranted to the effect set forth in, and agreed to, all the provisions contained in that section of this invitation memorandum.

You must comply with all applicable laws and regulations in force in any jurisdiction in which you tender Eligible Claims in exchange for the Consideration or possess or distribute this invitation memorandum. You must obtain any consent, approval or permission you require for the purchase, offer or sale of the New Bonds under the laws and regulations in force in any applicable jurisdiction to which you are subject, or in which you make such purchases, offers or sales. Barbados shall not have any responsibility therefor.

Barbados reserves the right, at its sole discretion, to cancel the Invitation or reject any tender or Form of Sub-Proxy, in whole or in part, for any reason.

Tenders of all Eligible Claims may only be made by the means described in the “Tender Procedures” section of this invitation memorandum.

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED STATES

Barbados is making the Exchange Offer in reliance on exemptions from the registration requirements of the Securities Act. These exemptions apply to offers and sales of securities that do not involve a public offering. The New Bonds have not been recommended by any U.S. or non-U.S. securities authorities, and these authorities have not determined that this invitation memorandum is accurate or complete. Any representation to the contrary is a criminal offence.

NOTICE TO PROSPECTIVE INVESTORS IN THE EUROPEAN ECONOMIC AREA

In any EEA Member State, this communication is only addressed to, and is only directed at, qualified investors within the meaning of the Prospectus Regulation.

This invitation memorandum has been prepared on the basis that all offers of the New Bonds in any EEA Member State will be made pursuant to an exemption under the Prospectus Regulation, from the requirement to produce a prospectus for offers of the New Bonds. Accordingly any person making or intending to make any offer within the EEA of the New Bonds which are the subject of the placement contemplated in this invitation memorandum should only do so in circumstances in which no obligation arises for Barbados to produce a prospectus for such offer. Barbados has not authorised, nor does it authorise, the making of any offer of the New Bonds through any financial intermediary or in circumstances in which an obligation arises for Barbados to publish a prospectus for the offer.

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED KINGDOM

This communication is only being distributed to and is only directed at (i) persons who are outside the United Kingdom or (ii) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “*Order*”) or (iii) high net worth companies, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as “*relevant persons*”). The New Bonds are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire the New Bonds will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

PRESENTATION OF CERTAIN INFORMATION

Economic and financial data and statistical information included in this invitation memorandum are based on the latest official data and information available at the date hereof. Economic and financial data and statistical information provided in this invitation memorandum may be subsequently revised in accordance with the ongoing maintenance by Barbados of such data and information, and Barbados is not obligated to distribute such revised data and information to any investor. Economic and financial data and statistical information for 2016, 2017 and 2018 may, in particular, be subject to revision. In addition, some economic and financial data and statistical information for 2019 presented herein are estimates based on the latest available data.

Unless indicated to the contrary, estimates in this invitation memorandum are estimates of the Central Bank of Barbados (the “*Central Bank*”) or the Ministry of Finance of Barbados (the “*Ministry of Finance*”). Barbados operates on a fiscal year beginning 1 April and ending 31 March. References to a year (e.g., “2018”) refer to the relevant calendar year ended 31 December, and references to a fiscal year or FY (e.g., “FY 2017/18”) refer to Barbados’ fiscal year ending 31 March.

References to the “*Government*” exclude the state-owned enterprises (“*SOEs*”) of Barbados. See “The Economy—State-Owned Enterprises.”

Unless otherwise indicated, all information in this invitation memorandum is given as of the date of this invitation memorandum or as of the most recently available date.

Gross domestic product, which we refer to in this invitation memorandum as “*GDP*,” is a measure of the total value of final products and services produced in a country in a specific year. Nominal GDP measures the total value of final production in current prices. Real GDP measures the total value of final production in constant prices of a particular year, thus allowing historical GDP comparisons that exclude the effects of inflation. Under the 1993 System of National Accounts, GDP figures may be calculated at nominal market prices or constant market prices of a particular year. Unless otherwise indicated, all GDP figures in this invitation memorandum are presented at real market prices based upon constant 2010 prices and ratios of debt, balance of payment indicators and fiscal performance indicators to GDP are computed using nominal GDP figures. Nominal GDP at market prices was U.S.\$5,086.7 million in 2018 as compared to U.S.\$4,978.2 million in 2017. The ratio of Government debt, excluding operational arrears, to GDP is referred to as the “*debt to GDP ratio*.”

In this invitation memorandum, GDP per capita is calculated at basic prices, which is nominal GDP at market prices less net taxes on products plus financial intermediary services indirectly measured, divided by the median population.

In this invitation memorandum, all references to “*BDS\$*” and “*Barbados dollars*” are to the lawful currency of Barbados; all references to “*U.S. dollars*” and “*U.S.\$*” are to the lawful currency of the United States of America; and all references to “*Euro*” and “*€*” are to the lawful currency of participating member states of the European Union that have the euro as their lawful currency in accordance with the legislation of the European Union relating to Economic and Monetary Union. Barbados publishes external economy information, such as external debt and goods and services exported, in U.S. dollars. All international currencies, such as external debt denominated in Euro, are translated into U.S. dollars. Barbados publishes domestic economy information in Barbados dollars. The Barbados dollar currently is fixed to the U.S. dollar at an exchange rate of BDS\$2.00 to U.S.\$1.00 and, solely for the convenience of the reader, Barbados dollar figures are translated into U.S. dollars at such rate in this invitation memorandum. This translation should not be construed as a representation that any such amounts have been, would have been or could be converted at this or any other exchange rate.

The inflation rate provides an aggregate measure of the rate of change in the prices of goods and services in the economy. Barbados measures the inflation rate by the per cent. change between two periods in the index of retail prices, which we refer to in this invitation memorandum as the “*IRP*,” unless otherwise specified. The *IRP* is based on a basket of goods and services identified by the Barbados Statistical Service that reflects the pattern of consumption of the majority of Barbados households. The price for each good and service that makes up the basket is weighted according to its relative importance in order to calculate the *IRP*. The annual average per cent. change in the *IRP* is calculated by comparing the average of the aggregate 12 months indices of a given year against the average of the aggregate 12 months indices for the immediately preceding calendar year.

Barbados participates in the International Monetary Fund’s (the “*IMF*”) General Data Dissemination System (the “*GDDS*”) which provides a framework for Barbados to enhance its statistical capacity, especially for macroeconomic statistics. It also provides for comprehensive information on Barbados’ statistical production and dissemination practises to be posted on the *IMF*’s Dissemination Standards Bulletin Board. The *GDDS* framework also includes precise guidelines for countries to use when publishing reserves data.

GOVERNING LAW AND ENFORCEMENT OF CLAIMS

Barbados is a foreign sovereign state. Consequently, it may be difficult for you to obtain or enforce judgments of courts in the United States, England or elsewhere against Barbados.

The New Bonds and the Trust Deed will be governed by and construed in accordance with English law.

In the Trust Deed and the New Bonds, Barbados will irrevocably submit to the non-exclusive jurisdiction of any federal court in the Southern District of New York or any state court in the Borough of Manhattan, the City of New York, any court of England and any competent court in Barbados over any suit, action or proceeding against Barbados or its properties, assets or revenues with respect to the New Bonds or the Trust Deed.

Barbados will waive, to the fullest extent permitted under applicable law, any objection to any action arising out of or in connection with the New Bonds or the Trust Deed in such courts whether on the grounds of venue, residence or domicile or on the ground that the proceedings have been brought in an inconvenient forum.

Except as provided below, in respect of any action arising out of or in connection with the New Bonds, Barbados will irrevocably waive and agree, to the fullest extent permitted by applicable law, not to plead any immunity (sovereign or otherwise): (A) from the jurisdiction of the courts of England; and (B) from attachment or execution of its assets or property in the courts of England save in respect of: (i) assets and property located in Barbados; (ii) premises and property of Barbados' diplomatic and consular missions; (iii) assets and property of Barbados outside Barbados and not used for a commercial purpose; (iv) assets, property and reserves of the Central Bank of Barbados; (v) assets and property of a military character or under the control of a military authority or defence agency of Barbados; or (vi) assets and property forming part of the cultural heritage of Barbados.

In respect of any action arising out of or in connection with the New Bonds Barbados will irrevocably waive and agree, to the fullest extent permitted by applicable law, not to plead any immunity (sovereign or otherwise): (A) from the jurisdiction of any federal court in the Southern District of New York or any state court in the Borough of Manhattan, The City of New York; and (B) from any action or proceedings to enforce judgment against: (i) reserves of the Central Bank of Barbados; (ii) property located in Barbados; (iii) property located in or outside Barbados that provides an essential public service; (iv) property of Barbados, its government agencies or other governmental entities relating to the performance of the budget; (v) property entitled to privileges and immunities of the Vienna Convention on Diplomatic Relations of 1961 and the Vienna Convention on Consular Relations of 1963; (vi) property of a diplomatic, governmental or consular mission of Barbados; (vii) taxes, duties, levies, assessments, royalties or any other governmental charges imposed by Barbados; (viii) property of a military character or under the control of a military authority or defence agency of Barbados; (ix) property forming part of the cultural heritage of Barbados; or (x) assets and property of Barbados outside Barbados not used for a commercial purpose. Without limiting the generality of the foregoing, Barbados will agree that such waivers shall have the fullest scope permitted under the U.S. Foreign Sovereign Immunities Act of 1976, except as provided below. Barbados reserves the right to plead sovereign immunity under any applicable law, including, without limitation, the U.S. Foreign Sovereign Immunities Act of 1976, with respect to actions brought against it under U.S. federal securities laws or any state securities laws. In the absence of a waiver of sovereign immunity by Barbados in such a securities law-based action, it would not be possible to obtain a U.S. judgment in such an action unless a court were to determine that Barbados is not entitled to sovereign immunity under the U.S. Foreign Sovereign Immunities Act of 1976 with respect to such action.

A final and conclusive judgment against Barbados for the payment of a definite sum of money rendered by a federal court in the Southern District of New York or a state court in the Borough of Manhattan, the City of New York will not be enforceable in Barbados unless an action is brought in the High Court of Barbados to register such judgment. The High Court of Barbados will recognise and enforce a final and conclusive judgment of the federal court in the Southern District of New York or a state court in the Borough of Manhattan, the City of New York under common law principles, provided that: (A) in the case of a judgment in personam: (i) the original court was a court of competent jurisdiction according to the rules of conflict of laws; (ii) the judgment was not obtained by fraud; (iii) the recognition or enforcement of the judgment would not be contrary to the public policy of Barbados; (iv) the judgment was not obtained in proceedings which were contrary to natural justice; (v) the judgement is for a definite sum of money (other than a sum payable in respect of taxes or penalties); (vi) it is final, conclusive and determines the rights and liabilities of the parties to judgment so as to be res judicata where pronounced; and (vii) such judgment has not been satisfied; (B) in the case of a judgment in rem relating to movables, that the movables were located in the country of the original court at the time of the proceedings; and (C) in the case of a judgment in rem relating to immovable property, that the immovable property was located in the country of the original court at the time of the proceedings.

A final judgment against Barbados for the payment of a definite sum of money rendered by a court in the United Kingdom will not be enforceable in Barbados unless registered in the High Court of Barbados in accordance with the provisions of the Foreign and Commonwealth Judgments (Reciprocal Enforcement) Act, Cap. 201 (the “FCJA”). No judgment shall be ordered to be registered by the High Court of Barbados pursuant to the FCJA where it determines that: (a) the original court acted without jurisdiction; (b) the defendant/judgment debtor, being a person who was neither carrying on business nor ordinarily resident within the jurisdiction of the English court, did not voluntarily appear or otherwise submit or agree to submit to the jurisdiction of that court; (c) the judgment debtor, being the defendant in the proceedings, was not duly served with the process of the English court and did not appear, notwithstanding that he or she was ordinarily resident or was carrying on business within the jurisdiction of that court or agreed to submit to the jurisdiction of that court; (d) the judgment was obtained by fraud; (e) the judgment debtor satisfies the Barbadian court either that an appeal is pending or that he or she is entitled to and intends to appeal, against the judgment; or (f) the judgment was in respect of a cause of action which, for reasons of public policy or for some other similar reason, could not have been entertained by the High Court of Barbados.

The High Court of Barbados shall not order the registration of a judgment or may set aside a judgement rendered by a court in the United Kingdom where the provisions of the FCJA are not satisfied.

The registration of a judgment may be set aside if it is determined by the High Court of Barbados that the matter in dispute in the proceedings in the original court had, prior to the date of the judgment in the original court, been the subject of a final and conclusive judgment by a court having jurisdiction of the matter.

FORWARD-LOOKING STATEMENTS

This invitation memorandum includes forward-looking statements that reflect Barbados' current views with respect to future events. The words "*expects*," "*intends*," "*anticipates*," "*believes*," "*projects*," "*estimates*" and similar expressions identify forward-looking statements. These forward-looking statements are based upon estimates and assumptions made by Barbados or its officials that, although believed to be reasonable, are subject to certain known and unknown risks and uncertainties. These risks and uncertainties include, among others, the following:

- political, economic and other conditions in Barbados and globally;
- actual rates of growth, if any, for GDP and other economic indicators of Barbados in any relevant year or other period;
- the financial condition of Barbados;
- Barbados' ability to increase Government revenues or reduce expenditures;
- changes in interest rates or exchange rates;
- a reduction in the foreign currency reserves of Barbados;
- legislative, regulatory or administrative initiatives affecting businesses, financial institutions and foreign investment in Barbados;
- the financial condition and liquidity of banks and other financial institutions in Barbados;
- climatic or geological occurrences;
- declines in tourism;
- trade and tariff policies of Barbados' trading partners;
- receipt of bilateral and multilateral donor financing;
- Barbados' ability to execute its comprehensive debt management strategy;
- prevailing conditions in domestic international and multilateral lending markets and domestic and international capital markets, which may affect Barbados' ability to finance budgetary requirements and to refinance outstanding debt and other obligations; and
- other factors identified in this invitation memorandum.

All forward-looking statements contained in this invitation memorandum are qualified in their entirety by such factors. You are cautioned not to place undue reliance on these forward-looking statements. Barbados disclaims any obligation or undertaking to update publicly or to revise any forward-looking statement contained in this invitation memorandum, whether as a result of new information, future events or otherwise. Future circumstances could cause actual results to differ materially from historical results or those anticipated.

SUMMARY

This summary highlights information contained in this invitation memorandum and may not contain all of the information that may be important to you. You should read this summary along with the more detailed information elsewhere in this invitation memorandum.

The following selected economic indicators of Barbados do not purport to be complete and are qualified in their entirety by, and are subject to, the detailed information appearing elsewhere in this invitation memorandum.

Table No. 1
Selected Economic Information

	Year ended 31 December⁽¹⁾				
	2014	2015	2016	2017	2018
<i>(In millions of U.S. dollars, except as otherwise indicated)</i>					
Real Sector					
Nominal GDP at market prices.....	4,696.3	4,715.0	4,830.0	4,978.15	5,086.7
GDP per capita at basic prices.....	14,696.8	14,824.7	15,029.6	15,390.2	15,687.2
Real GDP increase (decrease) (%) ...	(0.0)	2.4	2.6	0.6	(0.4)
Unemployment rate (%)	12.3	11.3	9.7	10.0	10.1
Consumer inflation (%)	1.8	(1.1)	1.5	4.5	3.7
Balance of Payments					
Merchandise trade balance	(857.6)	(737.3)	(707.5)	(717.0)	(734.0)
Merchandise exports	794.0	799.9	833.0	803.1	764.9
Merchandise imports	1,652.2	1,537.2	1,540.5	1,520.2	1,498.9
Services balance	639.2	659.1	754.1	787.1	842.0
Exports of services	1,101.7	1,153.5	1,248.8	1,295.7	1,362.8
Imports of services	462.5	494.4	494.6	507.0	520.8
Current account	(430.3)	(289.2)	(207.3)	(190.5)	(172.2)
Current account (% of nominal GDP)	(9.2)	(6.0)	(4.2)	(3.9)	(3.4)
Capital account (% of nominal GDP)	(0.2)	(0.2)	(0.1)	(0.0)	0.5
Overall balance.....	(49.4)	(32.3)	(119.0)	(114.3)	293.8
Government⁽²⁾					
Fiscal balance (% of nominal GDP) ..	(8.0)	(8.2)	(5.5)	(4.6)	0.3
Revenue	1,141.8	1,194.1	1,279.9	1,371.9	1,011
Expenditure	1,634.1	1,546.0	1,651.0	1,627.9	995.3
Foreign financing (% of nominal GDP)	0.1	0.3	(1.7)	(1.8)	3.5
Domestic financing (% of nominal GDP)	7.4	8.9	7.1	6.1	(3.8)
Government Debt					
<i>External⁽³⁾</i>					
External debt	1,440.1	1,428.4	1,427.0	1,400.9	1,546.6
External debt (% of nominal GDP) ..	30.7	30.2	29.5	28.1	31.0

	Year ended 31 December ⁽¹⁾				
	2014	2015	2016	2017	2018
<i>(In millions of U.S. dollars, except as otherwise indicated)</i>					
<i>Domestic</i> ⁽³⁾					
Domestic debt.....	4,251.9	4,640.2	5,216.3	5,375.4	4,623.6
Domestic debt (% of nominal GDP)	90.5	98.2	107.8	107.7	90.1
Debt service payments	623.8	739.1	796.8	783.7	492.0
Amortisation.....	300.5	401.1	434.7	405.1	258.9
Interest.....	323.4	338.1	362.1	378.6	233.1
External Liquidity (Monetary Authorities)					
Net International Reserves (NIR)	430.9	410.7	287.5	167.4	416.3
Gross International reserves (GIR) ..	471.3	439.0	319.9	205.7	499.6
Gross International Reserves (in weeks of goods and services)	11.6	11.2	8.2	5.3	12.9
Tourism					
Long stay arrivals (thousands)	519.6	591.9	631.5	661.2	678.5
Cruise ship arrivals (thousands)	557.9	586.6	594.1	681.2	615.0
Hotel occupancy room rate (%).....	n.a.	68.6	68.4	67.9	66.2
Tourist spending.....	886.8	927.8	1,020.0	1,061.1	1,157.8

(1) Information is presented on a calendar year basis, other than Government information.

(2) Government information is presented on a fiscal year basis (starting 1 April in the year of the relevant column and ending 31 March in the subsequent year).

(3) Excludes arrears and includes Central Government direct debt.

Source: Central Bank of Barbados

THE INVITATION

This summary highlights information contained in this invitation memorandum and may not contain all of the information that may be important to you. You should read this summary along with the more detailed description of the New Bonds in “Terms and Conditions of the 2029 Bonds” and “Terms and Conditions of the PDI Bonds.”

Issuer.....	Government of Barbados
The Invitation.....	<p>The Invitation is comprised of the Exchange Offer and the Consent Solicitation. The invitation to participate in the Consent Solicitation is being made to all holders of Eligible Claims. The invitation to participate in the Exchange Offer is only being directed to Eligible Holders.</p> <p>The Exchange Offer expires at 5:00 p.m. (New York City time) on 22 November 2019, unless extended by Barbados at its sole discretion. We refer to the date on which the Exchange Offer expires as the “<i>Exchange Offer Expiration Date</i>.”</p> <p>All proxies must be delivered pursuant to the Consent Only Option by 5:00 p.m. (New York City time) on 25 November 2019, unless extended by Barbados at its sole discretion. We refer to the date by which proxies must be delivered pursuant to the Consent Only Option as the “<i>Voting Deadline</i>.”</p> <p>See “Expected Timetable of Events.”</p>
The Exchange Offer.....	<p>Barbados is inviting Eligible Holders to offer to exchange their Eligible Claims for the Consideration on the terms and subject to the conditions set forth in this invitation memorandum.</p> <p>The expected settlement date is 11 December 2019. We refer to the date on which the Consideration will be delivered in exchange for tendered Eligible Claims as the “<i>Closing Date</i>.”</p> <p>Issuance of the New Bonds has been or will be authorised by a resolution of the Parliament of Barbados pursuant to Section 3 of the External Loan Act Cap. 94D (the “<i>External Loan Act</i>”).</p>
Consideration to be Received for Eligible Claims Tendered	<p>If you are an Eligible Holder, subject to the procedures and requirements herein, you may offer to exchange your Eligible Claims (including all accrued but unpaid interest thereon) for the following consideration:</p> <ul style="list-style-type: none"> • for each U.S.\$1,000.00 principal amount of 2021 Old Bonds: (i) net 2019 Exchange Cash Consideration of U.S.\$7.193; (ii) U.S.\$774.98 principal amount of 2029 Bonds; and (iii) U.S.\$47.47 principal amount of PDI Bonds. • for each U.S.\$1,000.00 principal amount of 2022 Old Bonds: (i) net 2019 Exchange Cash Consideration of U.S.\$7.104; and (ii) U.S.\$765.37 principal amount of 2029

Bonds; and (iii) U.S.\$46.88 principal amount of PDI Bonds.

- for each U.S.\$1,000.00 principal amount of 2035 Old Bonds: (i) net 2019 Exchange Cash Consideration of U.S.\$7.133; and (ii) U.S.\$768.55 principal amount of 2029 Bonds; and (iii) U.S.\$47.07 principal amount of PDI Bonds.

We refer to the cash consideration amounts to be received in exchange for accepted tenders of Eligible Claims as the “*2019 Exchange Cash Consideration*”.

Interest on the New Bonds will commence accruing on 1 October 2019. Participating creditors in the Invitation and the Parallel Exchanges will authorise and instruct the Settlement Facilitation Agent to make the relevant pro rata deduction from the gross 2019 Exchange Cash Consideration and the relevant gross cash consideration under the Parallel Exchanges (as defined below), as the case may be, to which the relevant creditors may be eligible to pay the costs and expenses of the external creditors committee in an aggregate amount equal to U.S.\$2,575,000. The net 2019 Exchange Cash Consideration referred to above includes a deduction of a pro rata amount to pay the costs and expenses of the external creditors committee in an aggregate amount equal to U.S.\$2,575,000.

See “Terms of the Invitation—Consideration to Be Received for Eligible Claims Tendered.”

The Consent Solicitation.....

Barbados is also soliciting consents from holders of each series of Eligible Claims in favour of an “Extraordinary Resolution” to sanction an exchange of all the bonds in that series for the relevant Consideration.

Holders who do not wish to tender their Eligible Claims or who are not Eligible Holders may appoint a proxy to vote on the Extraordinary Resolution pursuant to the Consent Solicitation or, alternatively, pursuant to Schedule 6 of the agency agreement relating to that series of Eligible Claims.

If the Extraordinary Resolution is approved with respect to a series of Eligible Claims, Eligible Claims of that series held by holders who do not participate in the Exchange Offer will be exchanged for the New Bonds plus the net 2019 Exchange Cash Consideration and holders of Eligible Claims of that series who have not certified their status as an Eligible Holder will receive Substitute Consideration instead of New Bonds pursuant to the Pending Distribution Arrangement. See “Tender Procedures— Pending Distribution Arrangement.”

Tendering Eligible Claims through
ATOP.....

If you wish to participate in the Exchange Offer you must instruct the custodial entity, such as a bank, broker, dealer, trust company or other nominee, holding your Eligible Claims to tender your Eligible Claims pursuant to the procedures of that custodial entity. Eligible Claims

held in DTC must be tendered in the Exchange Offer using DTC's ATOP system.

A description of the procedures for submitting tenders via ATOP can be found in "Tender Procedures" in this invitation memorandum.

Delivering Proxies via a Form of Sub-Proxy

In connection with tenders of Eligible Claims for exchange via ATOP, a holder must also deliver a duly completed and executed Form of Sub-Proxy to the Exchange Agent irrevocably (subject to the expiration of the Withdrawal Period, the termination of the Invitation by Barbados or the rejection of such Form of Sub-Proxy by Barbados, all as described further herein) appointing and instructing the Exchange Agent as its proxy to attend any meeting convened in respect of the relevant series of Eligible Claims and vote in favour of the Extraordinary Resolution relating to such Eligible Claims.

Holders who do not wish to tender their Eligible Claims or who are not Eligible Holders may appoint a proxy to consent to and vote in favour of, reject and vote against or abstain from voting on the relevant Extraordinary Resolution by submitting a duly completed and executed Form of Sub-Proxy to the Exchange Agent prior to the Voting Deadline.

A description of the procedures for submitting Forms of Sub-Proxy can be found in "Tender Procedures" in this invitation memorandum.

Withdrawal Rights

Any tender and accompanying Form of Sub-Proxy may be withdrawn, for any reason, at any time prior to 5:00 p.m. (New York City time) on the Exchange Offer Expiration Date. Barbados will, if necessary, extend the Exchange Offer Expiration Date so that there will be at least three business days (as defined in "Terms of the Invitation" below) remaining on the Exchange Offer should there be any material changes to the terms of the Invitation. After such Exchange Offer Expiration Date, as so extended, tenders and accompany Forms of Sub-Proxy shall become irrevocable.

Any consent delivered pursuant to the Consent Only Option may be withdrawn, for any reason, at any time prior to 5:00 p.m. (New York City time) on the Voting Deadline. If the Exchange Offer Expiration Date is extended, the Voting Deadline will be automatically extended by the same number of days. After such Voting Deadline, as so extended, consents delivered pursuant to the Consent Only Option shall become irrevocable.

The period between the date of this invitation memorandum and the deadline for withdrawing tenders and/or Forms of Sub-Proxy, as applicable, is referred to herein as the "*Withdrawal Period*."

A description of the procedures for withdrawing tenders and consents can be found in "Terms of the Invitation—Irrevocability; Withdrawal Rights" in this invitation memorandum.

Jurisdictional Restrictions on the Invitation.....

Barbados is making the Invitation only in jurisdictions where and to

the extent it is legal to make the Invitation. See “Jurisdictional Restrictions.”

Without limiting the generality of the preceding paragraph, only Eligible Holders may participate in the Exchange Offer. All holders of Eligible Claims may participate in the Consent Solicitation subject to the terms described herein.

Exchange Agent.....	Lucid Issuer Services Limited
Information Agent	Lucid Issuer Services Limited
Settlement Facilitation Agent	The Bank of New York Mellon
Risk Factors	An investment in the New Bonds involves a high degree of risk. Before deciding to tender your Eligible Claims in exchange for the relevant Consideration, you should read carefully all of the information contained in this invitation memorandum, including, in particular, “Risk Factors” beginning on page 20 of this invitation memorandum.
Further Information	Any questions or requests for assistance concerning the Invitation may be directed to the Information Agent at their telephone number on the back cover page of this invitation memorandum.

THE NEW BONDS

New Issue	Eligible Claims held by Eligible Holders may be tendered for exchange for the relevant Consideration on the terms set out in this invitation memorandum. If the exchange of a series of Eligible Claims is approved by an “Extraordinary Resolution” passed by the holders of that series of Eligible Claims, then the entirety of such series will be exchanged for the relevant Consideration.
Currency	The New Bonds will be denominated for purposes of both interest (if any) and principal in U.S. dollars.
Interest Rate	For the 2029 Bonds: 6.500% per annum from 1 October 2019 to but excluding 1 October 2029. For the PDI Bonds: 6.500% per annum from 1 October 2019 to but excluding 1 February 2021.
Interest Payment Dates	For the 2029 Bonds: Each 1 April and 1 October, commencing on 1 April 2020 For the PDI Bonds: 1 October 2020 and 1 February 2021.
Final Maturity Date.....	For the 2029 Bonds: 1 October 2029 For the PDI Bonds: 1 February 2021
Amortisations.....	For the 2029 Bonds: Barbados shall, to the extent not previously redeemed, purchased or cancelled, redeem the 2029 Bonds such that the aggregate principal amount of 2029 Bonds (when expressed as a percentage of the outstanding principal amount of the 2029 Bonds as of 1 January 2025) is equal to or less than the following amounts on the indicated dates:

<u>Principal Payment Date</u>	<u>Percentage of Relevant Principal Amount</u>
1 April 2025:	90.00%
1 October 2025:	80.00%
1 April 2026:	70.00%
1 October 2026:	60.00%
1 April 2027:	50.00%
1 October 2027:	40.00%
1 April 2028:	30.00%
1 October 2028:	20.00%
1 April 2029:	10.00%
1 October 2029:	0.00%

See “Terms and Conditions of the 2029 Bonds—Redemption and

	<p>Purchase of Bonds.”</p> <p>For the PDI Bonds: Barbados shall, to the extent not previously redeemed, purchased or cancelled, redeem the PDI Bonds in two instalments of U.S.\$30,000,000 on 1 October 2020 and U.S.\$2,500,000 on 1 February 2021.</p>
Open Market Repurchase.....	<p>Barbados may at any time acquire the New Bonds at any price in the open market or otherwise. See “Terms and Conditions of the 2029 Bonds—Redemption and Purchase of Bonds” and “Terms and Conditions of the PDI Bonds—Redemption and Purchase of Bonds.”</p>
Optional Redemption.....	<p>For the 2029 Bonds: Not applicable.</p> <p>For the PDI Bonds: Barbados may at any time on one or more occasions redeem the PDI Bonds. See “Terms and Conditions of the PDI Bonds—Redemption and Purchase of Bonds.”</p>
Principal Reinstatement	<p>For the 2029 Bonds, if any amount of principal or interest falling due under the 2029 Bonds on or prior to Cut-Off Date (as defined in the Terms and Conditions of the 2029 Bonds) is not paid on the scheduled due date, and such default is not cured by the date falling 30 days after the expiration of the grace period for such payment, Barbados will issue new 2029 Bonds to holders of 2029 Bonds on a <i>pro rata</i> basis which represent 33.33% of the outstanding principal amount of the 2029 Bonds as of the date of the original issuance of the 2029 Bonds. See “Terms and Conditions of the 2029 Bonds—Payments—Principal Reinstatement”.</p> <p>For the PDI Bonds: Not applicable.</p>
Most Favoured Creditor.....	<p>For the 2029 Bonds: Barbados shall not enter into any arrangement to pay or to settle any Specified Indebtedness (as defined in the Terms and Conditions of the 2029 Bonds) issued on or prior to 1 January 2019 (unless such payment is made in compliance with and in accordance with the terms of a final, non-appealable court order or arbitral award) on terms more favourable to the holders thereof (in a net present value sense, where present value is calculated using a constant 12% discount rate) than the terms offered in this invitation memorandum to holders of Eligible Claims or the invitation memoranda dated on or about the date of this invitation memorandum in respect of the Parallel Exchanges, without simultaneously making those more favourable terms available to each Holder.</p> <p>For the PDI Bonds: Not applicable.</p>
Modifications	<p>The New Bonds will contain provisions regarding future modifications to their terms, under which Barbados may amend the payment provisions of each series of New Bonds and other reserved matters listed in the Trust Deed with the consent of the holders of: (1) with respect to a single series of bonds, more than 75% of the aggregate principal amount of the outstanding bonds of</p>

such series; (2) with respect to two or more series of bonds, if certain “uniformly applicable” requirements are met, more than 75% of the aggregate principal amount of the outstanding bonds of all series affected by the proposed modification, taken in the aggregate; or (3) with respect to two or more series of bonds, more than 66 ²/₃% of the aggregate principal amount of the outstanding bonds of all series affected by the proposed modification, taken in the aggregate, and more than 50% of the aggregate principal amount of the outstanding bonds of each series affected by the proposed modification, taken individually.

These provisions are described in “Terms and Conditions of the 2029 Bonds—Meetings and Modifications” and “Terms and Conditions of the PDI Bonds—Meetings and Modifications.”

Ranking.....	The New Bonds will be general, direct, unconditional, unsubordinated and unsecured obligations of Barbados. The New Bonds of each series will rank <i>pari passu</i> , without preference among themselves, with all other unsecured External Indebtedness (as defined in the Terms and Conditions of the New Bonds) of Barbados, from time to time outstanding, <i>provided, however</i> , that Barbados shall have no obligation to effect equal or rateable payment(s) at any time with respect to any such other External Indebtedness and, in particular, shall have no obligation to pay other External Indebtedness at the same time or as a condition of paying sums due on the New Bonds and vice versa.
Further Issuances	Barbados may, without the consent of the holders, create and issue further debt securities having the same terms and conditions as the 2029 Bonds and/or PDI Bonds (including as to their modification) so long as the additional debt securities are consolidated and form a single series with such series of New Bonds, provided that such additional Bonds do not have, for purposes of U.S. federal income taxation (regardless of whether any holders of such notes are subject to U.S. federal laws), a greater amount of original issue discount than the Bonds have as of the date of issuance of such additional Bonds.
Constitutive Document	The New Bonds will be issued under a Trust Deed.
Withholding Tax.....	Barbados will make all payments on the New Bonds without withholding or deducting any Barbadian taxes, unless required by law. If Barbadian law requires Barbados to withhold or deduct taxes, Barbados will pay holders of New Bonds, subject to certain exceptions, additional amounts to provide the equivalent of full payment to the holders. See “Terms and Conditions of the 2029 Bonds—Taxation” and “Terms and Conditions of the PDI Bonds—Taxation”.
Negative Pledge Covenant.....	Barbados may not create or permit to exist any security interest (with the exception of certain permitted security interests) on its properties, assets or revenues to secure Public External Indebtedness (as defined in the Terms and Conditions of the New Bonds) unless Barbados also causes such security interest to

	secure equally and rateably the obligations of Barbados with respect to each series of New Bonds.
Natural Disaster Clause	<p>For the 2029 Bonds, following the occurrence of certain events under Barbados’ insurance contract with CCRIF SPC before 1 October 2027, Barbados may elect to defer payments on the 2029 Bonds. Holders of at least 50 per cent. in aggregate principal amount of the 2029 Bonds then Outstanding may direct the Trustee to block such deferral. These provisions are described in “Terms and Conditions of the 2029 Bonds—Natural Disaster Clause.”</p> <p>For the PDI Bonds: Not applicable.</p>
Creditors Committee.....	<p>For the 2029 Bonds: Holders of at least 25 per cent. of the aggregate principal amount of the outstanding 2029 Bonds may under certain circumstances appoint a committee to represent such holders. See “Terms and Conditions of the 2029 Bonds—Holders’ Committee”.</p> <p>For the PDI Bonds: Not applicable.</p>
Events of Default; Acceleration.....	<p>The following events, as described in more detail in the Trust Deed, among others, shall be Events of Default:</p> <ul style="list-style-type: none"> • Failure to pay any amount of principal or interest (if any) in respect of such series of New Bonds (with a 30-day grace period); • Failure by Barbados to observe or perform any of its other obligations provided in the Trust Deed, the Agency Agreement or the Conditions in respect of such series of New Bonds (with a 60-day grace period); • Cross-acceleration, failure by Barbados to pay any amount of principal or interest or failure by Barbados to pay any amount payable by it under a guarantee in respect of an aggregate principal amount of at least U.S.\$20,000,000 (or its equivalent in any other currency or currencies) of Relevant External Indebtedness; • Moratorium or suspension of payments in respect of an aggregate principal amount of at least U.S.\$20,000,000 (or its equivalent in any other currency or currencies) of Relevant External Indebtedness; • Any writ, execution, attachment or similar process against the assets of Barbados in connection with any judgment for the payment of Indebtedness after the Issue Date in excess of U.S.\$25,000,000 (or its equivalent in other currencies) which remains unsatisfied, undischarged and in effect for 60 days, unless contested;

	<ul style="list-style-type: none"> • Invalidity of such series of New Bonds or the Trust Deed; or • Failure to maintain membership in, or be eligible to use the resources of, the IMF (with a 30-day grace period).
Enforcement.....	Following the occurrence of an Event of Default, the power to enforce the relevant series of New Bonds shall reside with the Trustee under the Trust Deed, unless the Trustee, having become bound so to proceed under the Trust Deed, fails to do so within 60 days and the failure is continuing.
Governing Law	The New Bonds and the Trust Deed will be governed by English law. Barbados will submit to the non-exclusive jurisdiction of U.S. federal and New York State courts in the Borough of Manhattan, The City of New York, any court of England and any competent court in Barbados.
Restrictions on Resale.....	The New Bonds have not been registered under the Securities Act and will be subject to restrictions on resale under applicable law. See “Notice to Investors.” The New Bonds will be subject to contractual transfer restrictions.
Listing.....	Barbados intends to apply to admit the New Bonds to listing on the Luxembourg Stock Exchange and to trading on the Euro MTF market.
Denomination	New Bonds will be issued in denominations of U.S.\$100 and integral multiples of U.S.\$100 in excess thereof.
Form and Settlement.....	Barbados will issue the New Bonds in the form of one or more fully registered global securities, without interest coupons attached, registered in the name of Cede & Co. as nominee for DTC and will deposit such global securities on or before the Closing Date with a custodian for DTC.
Trustee, Registrar, Transfer Agent and Paying Agent for New Bonds	The Bank of New York Mellon
Luxembourg Listing Agent.....	The Bank of New York Mellon SA/NV, Luxembourg Branch

RISK FACTORS

An investment in the New Bonds involves a significant degree of risk. Investors are urged to read carefully the entirety of this invitation memorandum and to note, in particular, the following considerations.

Risks of Not Participating in the Invitation

Possible Failure of the Invitation

If the Invitation described herein is not completed for any reason, Barbados projects that it will not have the resources to continue the debt servicing of Eligible Claims on the existing terms of those instruments. Eligible Claims could therefore remain in payment default for an indefinite period of time, and Barbados cannot predict whether, or when, it may be able to implement a successful debt management programme affecting those instruments. In addition, Barbados does not expect to offer the 2019 Exchange Cash Consideration to holders of Eligible Claims in any future debt management exercise.

Risk of Modification of Certain Eligible Claims

Schedule 6 of the Old Bonds Agency Agreement for each series of Eligible Claims permits a specified supermajority of holders of such series to approve an Extraordinary Resolution sanctioning the exchange of all of the bonds of such series for New Bonds on the terms set out in this invitation memorandum. Accordingly, if the requisite supermajority voting threshold under a series of Eligible Claims is reached in connection with the Invitation, the result will be a mandatory exchange of *all* bonds of the applicable series for New Bonds, including bonds held by holders that did not tender in the exchange or vote at the bondholders' meeting. In that event, Eligible Claims held by holders who have not participated in the Exchange Offer will be exchanged for the Consideration. If a holder has failed to certify its status as an Eligible Holder, such holder will receive Substitute Consideration in lieu of New Bonds, see "Tender Procedures—Pending Distribution Arrangement". If such an exchange is *not* approved by the requisite holders of a series of Eligible Claims, Barbados reserves the right, at its sole discretion, to accept or reject all tenders of such series.

Illiquidity

Any remaining Eligible Claims not tendered in the Invitation may become illiquid, and this may adversely affect the market value of those remaining Eligible Claims. Moreover, there may be no active trading market or published secondary market price quotations for any remaining Eligible Claims.

Risks of Participating in the Invitation

Future Residual Financing Gaps

For the four fiscal years from FY2012/13 to FY2015/16, Barbados experienced an average fiscal deficit of 8.9% of GDP. While there was an improvement in FY2016/17 to 5.5% of GDP, the fiscal deficit remained high in FY 2017/18 at 4.6% of GDP. In FY2018/19, Barbados' fiscal deficit was 0.5% of GDP.

If Barbados were to experience a sustained worsening of its fiscal balance, future financing gaps may exist even once the debt relief implied by the Invitation described herein is fully taken into account.

If future residual financing gaps do materialise, Barbados' ability to service the New Bonds could be adversely affected.

Future Access to Financing

Barbados may be unable to meet future debt service obligations out of current revenues and it may have to rely, in part, on additional financing from the domestic and international capital markets (or multilateral or bilateral sources) in order to do so. In the future, Barbados may not be able or willing to access such markets or sources of funding, and Barbados' ability to service its public debt, including the New Bonds, may be adversely affected.

Potential Challenges to Barbados' Payments on the New Bonds

Holders of other debt instruments of Barbados may attempt to attach, enjoin or otherwise challenge Barbados' payments on the New Bonds. Creditors of other sovereign debtors have, in recent years, used litigation tactics in an effort to attach or interrupt payments made by those sovereign debtors to, among others, holders of bonds and other creditors who have agreed to a debt restructuring and accepted new securities in an exchange offer. Barbados may become subject to suits to collect on defaulted Eligible Claims or other indebtedness. Barbados cannot assure you that a creditor will not attempt to interfere, through an attachment of assets, injunction, temporary restraining order or otherwise, with payments made under the New Bonds.

No Established Market for the New Bonds

The New Bonds will be a new issuance of securities without established trading markets. Barbados cannot predict the extent to which investor interest will lead to the development of an active trading market for the New Bonds or how liquid those markets may become. Barbados intends to apply to admit the New Bonds to listing on the Luxembourg Stock Exchange and to trading on the Euro MTF market. No assurance can be given as to the liquidity of the trading market for the New Bonds. If an active trading market for the New Bonds fails to develop or continue, this failure could adversely affect the trading price of the New Bonds.

Collective Action Clauses

The New Bonds will contain provisions regarding acceleration and voting on amendments, modifications and waivers, which are commonly referred to as "*collective action clauses*." Under these provisions, the terms of the New Bonds may be amended, including the maturity date, interest rate and other payment terms, without your consent. See "Terms and Conditions of the 2029 Bonds—Meetings and Modifications" and "Terms and Conditions of the PDI Bonds—Meetings and Modifications."

Effect of Extraordinary Resolutions on holders who reject and vote against the Extraordinary Resolutions

Holders of Eligible Claims who reject and vote against the Extraordinary Resolutions in relation to such Eligible Claims will, if such Extraordinary Resolutions are declared effective, be bound by the relevant Extraordinary Resolutions. To receive the Consideration, such holders will need to deliver a valid certificate in the form attached to the notice of settlement instructions to be delivered by Barbados if an Extraordinary Resolution is passed (a "*Delivery Certificate*") certifying as to their status as Eligible Holders to the Exchange Agent within 90 days of the Closing Date, as described below under "Tender Procedures—Pending Distribution Arrangement". Holders who do not deliver a Delivery Certificate, or who are not Eligible Holders ("*Ineligible Holders*"), will receive the Substitute Consideration.

Effect of Extraordinary Resolutions on persons who are not Eligible Holders

If a holder of Eligible Claims is an Ineligible Holder or does not participate in the Exchange Offer and fails to deliver a Delivery Certificate, such holder of Eligible Claims will be subject to the Pending Distribution Arrangement. Depending on market conditions, the volume of New Bonds sold or other developments, the Substitute Consideration such holder of Eligible Claims will receive pursuant to the Pending Distribution Arrangement may be less than the aggregate nominal value of the New Bonds such holder of Eligible Claims would have received pursuant to the Invitation and may not be available until after the Closing Date. Barbados will not be obligated to pay any amount other than, or additional to, the Substitute Consideration.

Risks Relating to Barbados

Ongoing Debt Crisis

Barbados is currently in payment default under several categories of its debt obligations, and international reserve levels were U.S.\$499.6 million as of 31 December 2018, compared to average international reserve levels of U.S.\$362.3 million from 2015 to 2017. There is no assurance that the Invitation described in this invitation memorandum and any other debt management exercises conducted in parallel with the Invitation will succeed in restoring and maintaining macro-economic stability and debt sustainability. A worsening of international financial or economic conditions, including a slowdown in growth or recessionary conditions in Barbados' trading partners or main tourism markets or the emergence of a new financial crisis, could have adverse effects on Barbados' economy, on its financial condition and on its ability to service its debt.

Economic, Political or Social Conditions

Barbados is an emerging market economy, and investing in securities of emerging markets issuers involves special risks. These risks include the possibility of economic, political or social instability that may be caused by many different factors, including the following:

- high interest rates;
- declines in the economic activity of major trading partners;
- inflation;
- exchange controls;
- wage and price controls;
- financial crises in other emerging market countries that can have a contagion effect on investor appetite for emerging market securities as a class;
- changes in governmental economic, tax, social or other policies; and
- the imposition of trade barriers.

Any of these factors, as well as volatility in the markets for securities similar to the New Bonds, may adversely affect the liquidity of, and the trading market for, the New Bonds.

Fixed Exchange Rate

Since 7 July 1976, Barbados has maintained a fixed exchange rate of BDS\$2.00/U.S.\$1.00. See “Financial System—Exchange Controls and Foreign Exchange Rates.” Barbados’ ability to continue its fixed exchange rate will be significantly affected by its level of international monetary reserves in the future. If circumstances force Barbados to abandon its fixed exchange rate policy in the future, the cost of servicing Barbados’ external debt (including the New Bonds) and Eligible Claims not exchanged could escalate sharply, possibly forcing Barbados into another round of debt restructuring.

Climatic or Geological Occurrences

Barbados is an island nation located in an active geologic zone and in one of the most hurricane-prone regions of the world. Barbados may experience extreme rainfall and hurricanes between June and November and may, at irregular and unpredictable intervals, suffer the effects of earthquakes. Of the numerous expected consequences of global climate change, increases in atmospheric temperature, sea level rise and changes in weather patterns could have a material adverse effect on Barbados.

The Barbadian economy is heavily reliant on revenue from its tourism, which could be negatively affected by a major climatic or geological occurrence.

Reliance on the International Business and Financial Services and Tourism Sectors

The Barbadian economy is heavily reliant on revenue derived from the international business and financial services and tourism sectors.

The international business and financial services sector is dependent on global economic conditions and international taxation initiatives and would likely be negatively affected by a reduction in corporate taxes paid by offshore banks, insurance companies and international business companies operating in Barbados and a decline in new licences issued to international firms.

The tourism sector accounted for approximately 15.8%, 15.6% and 15.3% of total real GDP for 2018, 2017 and 2016, respectively, and is heavily dependent on visitors from the United States, the United Kingdom and Canada, which collectively accounted for 75.4% of long stay tourism arrivals in 2018. Other sectors of the Barbadian economy, including construction, wholesale and retail trade, manufacturing and non-sugar agriculture production are also heavily dependent upon the tourism sector.

A decline in the international business and financial services sector or the tourism sector would adversely affect real GDP growth and Barbados’ revenue collection, fiscal balance, foreign exchange earnings and international reserve balances and may impact Barbados’ ability to make payments on the New Bonds.

Parliament Action

The Barbadian Parliament has approved the Government’s budget for FY 2019/20, and the current administration is committed to moving ahead vigorously with its reconstruction plan. The debt management exercise described in this invitation memorandum is an important component of that plan. Governmental budgets (including appropriations for the servicing of external debt) require annual approval by the Barbadian Parliament. Barbados cannot provide assurances that the Barbadian Parliament will, in the future, appropriate amounts sufficient to maintain full debt service on the New Bonds.

EXPECTED TIMETABLE OF EVENTS

The following summarises the anticipated time schedule for the Invitation assuming, among other things, that the Exchange Offer Expiration Date and/or the Voting Deadline are not extended. This summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information appearing elsewhere in this invitation memorandum.

<u>Date</u>	<u>Action</u>
Tuesday 5 November 2019	<i>Commencement Date of Exchange Offer and Consent Solicitation</i> Issuance of press release announcing the Invitation and distribution of the invitation memorandum describing the terms of the Invitation.
Tuesday 5 November 2019	<i>Bondholder Meetings Called</i> Issuance of the Notice of Bondholder Meeting for each series of Eligible Claims.
Friday 22 November 2019 at 5:00 p.m. (New York City time)	<i>Exchange Offer Expiration Date and Time</i> The deadline for holders of Eligible Claims to deliver completed tenders via ATOP, as described in this invitation memorandum. Eligible Holders should check with their agents, brokers, custodians or other agents how far in advance of this time instructions need to be delivered.
Monday 25 November 2019 at 5:00 p.m. (New York City time)	<i>Voting Deadline</i> The deadline for receipt by the Exchange Agent of valid Forms of Sub-Proxy from holders of Eligible Claims wishing to participate in the Exchange Offer and from holders wishing to participate in the Consent Solicitation. The specific time and date of the deadline for the relevant series of Eligible Claims will be set out in the applicable Notice of Bondholder Meeting. Holders should check with their agents, brokers, custodians or other agents how far in advance of this date instructions need to be delivered.
Wednesday 27 November 2019	<i>Bondholder Meetings</i> Meetings of holders of each series of Eligible Claims will be held with respect to the Invitation at the times specified below at the offices of Cleary Gottlieb Steen & Hamilton LLP, 2 London Wall Place, London EC2Y 5AU, United Kingdom. For the 2021 Old Bonds: 1:00 p.m., (London time) For the 2035 Old Bonds: 2:00 p.m., (London time) For the 2022 Old Bonds: 3:00 p.m., (London time)
Thursday 28 November 2019.....	<i>Announcement Date</i> Barbados will announce on this date or as soon as possible thereafter the results of the Invitation.

Wednesday 11 December 2019.....	<p><i>Closing Date</i></p> <p>On this date, or as soon as possible thereafter, the Consideration will be delivered to holders whose tenders were accepted pursuant to the Exchange Offer.</p>
<p>Wednesday 11 March 2020 at 5:00 p.m. (New York City time)</p>	<p><i>Expiry of the Holding Period</i></p> <p>The deadline for Uncertified Holders (as defined below) to deliver completed Delivery Certificates, as described in this invitation memorandum.</p>

Barbados may, at its own discretion, extend the Exchange Offer Expiration Date and/or the Voting Deadline past the originally scheduled Exchange Offer Expiration Date and Voting Deadline. In addition, a Bondholder Meeting may be dissolved for want of quorum and stand adjourned for between 14 and 42 days. As a result of any such extension or adjournment, the Announcement Date and/or the Closing Date, as applicable, may be extended accordingly.

TERMS OF THE INVITATION

Barbados is inviting owners of Eligible Claims to offer to exchange, on the terms and subject to the conditions of this invitation memorandum, their Eligible Claims for the relevant Consideration. Barbados is also soliciting written proxies from the holders of Eligible Claims instructing the Exchange Agent as its proxy to vote on the Extraordinary Resolutions. Each such offer to exchange is referred to as a “*tender*,” and each such written proxy is referred to as a “*consent*.”

Purpose of the Invitation

The Invitation has been designed to adjust Barbados’ debt service profile and, in conjunction with its comprehensive fiscal adjustment and debt management strategy, including the parallel invitation to offer to exchange (a) U.S.\$225,000,000 of Barbados’ outstanding loans; (b) Fixed Rate Non-Callable Guaranteed Bonds 2007-2022 issued by the Barbados Transport Board and Fixed Rate Non-Callable Guaranteed Bonds 2007 – 2022 issued by Barbados Agricultural Management Co. Ltd.; (c) Class B Fixed Rate Bonds due 2019 issued by the Government of Barbados (ISIN XS0441235255); and (d) Class B Fixed Rate Bonds due 2019 issued by the Government of Barbados in definitive form (together, the “*Parallel Exchanges*”), make its debt profile sustainable.

The Exchange Offer

Barbados hereby invites each Eligible Holder to offer to exchange their Eligible Claims for the Consideration upon the terms and subject to the conditions contained in this invitation memorandum.

Consideration to be Received for Eligible Claims Tendered

If you are an Eligible Holder, subject to the procedures and requirements herein, you may offer to exchange your Eligible Claims (including all accrued but unpaid interest thereon) for the following consideration:

- for each U.S.\$1,000.00 principal amount of 2021 Old Bonds: (i) net 2019 Exchange Cash Consideration of U.S.\$7.193; (ii) U.S.\$774.98 principal amount of 2029 Bonds; and (iii) U.S.\$47.47 principal amount of PDI Bonds.
- for each U.S.\$1,000.00 principal amount of 2022 Old Bonds: (i) net 2019 Exchange Cash Consideration of U.S.\$7.104; and (ii) U.S.\$765.37 principal amount of 2029 Bonds; and (iii) U.S.\$46.88 principal amount of PDI Bonds.
- for each U.S.\$1,000.00 principal amount of 2035 Old Bonds: (i) net 2019 Exchange Cash Consideration of U.S.\$7.133; and (ii) U.S.\$768.55 principal amount of 2029 Bonds; and (iii) U.S.\$47.07 principal amount of PDI Bonds.

Interest on the New Bonds will commence accruing on 1 October 2019. Participating creditors in the Invitation and the Parallel Exchanges will authorise and instruct the Settlement Facilitation Agent to make the relevant pro rata deduction from the gross 2019 Exchange Cash Consideration and the relevant gross cash consideration under the Parallel Exchanges, as the case may be, to which the relevant creditors may be eligible to pay the costs and expenses of the external creditors committee in an aggregate amount equal to U.S.\$2,575,000. The net 2019 Exchange Cash Consideration referred to above includes a deduction of a pro rata amount to pay the costs and expenses of the external creditors committee in an aggregate amount equal to U.S.\$2,575,000.

Subject to their eligibility to receive New Bonds in the form of Restricted Global Certificates and Unrestricted Global Certificates (each as defined in the Trust Deed), Eligible Holders may select to tender Eligible Claims in exchange for New Bonds in the form of either Restricted Global Certificates or Unrestricted Global Certificates, regardless of whether they tender Eligible Claims held in the form of Restricted Global Note Certificates or Unrestricted Global Note Certificates (each as defined in the Old Bonds Agency Agreements) in respect of their Eligible Claims.

Documentation of New Bonds

The New Bonds will be issued under a Trust Deed with The Bank of New York Mellon, as Trustee for the bondholders and will be governed by English law. The New Bonds will form a single series with the bonds to be issued pursuant to the Parallel Exchanges, if consummated.

Barbados will post a substantially final draft of the Trust Deed and the Agency Agreement on the offer website hosted by the Information Agent at: www.lucid-is.com/barbados (the “*Offer Website*”) by not later than 10 days after the Commencement Date of the Invitation.

Rounding

To determine the amount of New Bonds that will be delivered in exchange for a specific tender, the principal amount resulting from the application of the exchange ratio to the principal amount of the Eligible Claim tendered will be rounded down to the nearest U.S.\$100 so that it can be exchanged in integrals of U.S.\$100 face amount of the New Bonds. This rounded amount will be the principal amount of New Bonds received, and no additional cash will be paid in lieu of any principal amount of New Bonds not received as a result of rounding down.

Payments of net 2019 Exchange Cash Consideration will be rounded to the nearest U.S.\$0.01, with U.S.\$0.005 rounded upwards.

Offering Restrictions

You are not eligible to participate in the Exchange Offer unless you are:

- (1) either:
 - a. a “*qualified institutional buyer*” (as defined in Rule 144A under the Securities Act) and are acquiring the New Bonds for our own account or for the account of another qualified institutional buyer; or
 - b. acquiring the New Bonds in an offshore transaction in accordance with Regulation S under the Securities Act;
- (2) if you are located within an EEA Member State, a “*qualified investor*” as defined in the Prospectus Regulation;
- (3) if you are located in the UK, a relevant person (as this term is defined in “Notice to Prospective Investors in the United Kingdom”); and
- (4) otherwise permitted under the laws and regulations of any other jurisdiction applicable to you, including, without limitation, as set forth in “Jurisdictional Restrictions,” to receive and review the Invitation Materials and to participate in the Exchange Offer.

For a description of certain restrictions on resale of the New Bonds, see “Notice to Investors” in this invitation memorandum.

The Consent Solicitation

Subject to the terms and conditions of the Invitation, Barbados is soliciting consents from the holders of Eligible Claims to vote on the Extraordinary Resolutions. For the avoidance of doubt, to tender an Eligible Claim in the Exchange Offer, an Eligible Holder must also submit a Form of Sub-Proxy to appoint the Exchange Agent to attend any meeting convened under the relevant series of Eligible Claims and to consent to and vote in favour of the relevant Extraordinary Resolution mandatorily exchanging all Eligible Claims of that series for the relevant Consideration (or the Substitute Consideration at a later date upon a failure by a holder of Eligible Claims to deliver a Delivery Certificate).

Holders who do not wish to tender their Eligible Claims or who are not Eligible Holders may vote, or appoint a proxy to vote, on the Extraordinary Resolution pursuant to the Consent Solicitation, as described herein, or alternatively, pursuant to Schedule 6 of the agency agreement relating to that series of Eligible Claims.

The Notice of Bondholder Meetings have been given to the holders of Eligible Claims in accordance with the respective terms of the Old Bonds Agency Agreements on the date of this invitation memorandum or will be given as promptly as practicable thereafter, in accordance with the terms of the relevant series of Eligible Claims.

Barbados is not soliciting any consents pursuant to the Consent Solicitation from any holders of Eligible Claims in any jurisdiction in which the making of the Consent Solicitation would not be in compliance with the laws of such jurisdiction. Each holder of Eligible Claims who comes into possession of this invitation memorandum must inform itself about and comply with all applicable laws and regulations in force in any jurisdiction in which it holds Eligible Claims. The restrictions affecting Barbados are without prejudice to the right of holders of Eligible Claims in any such jurisdiction to appoint a proxy to attend and vote at any meeting in accordance with the relevant terms and conditions of the Eligible Claims it holds, subject to applicable law.

If Barbados obtains the requisite majority, as set forth in the applicable Old Bonds Agency Agreement, required to pass an Extraordinary Resolution relating to a series of Eligible Claims and decides to declare the Extraordinary Resolution effective, the entirety of such series (including those held by non-tendering or non-voting holders) will be exchanged for the relevant Consideration. In that event, Eligible Claims held by holders who did not participate in the Exchange Offer will be exchanged for the Consideration. Holders who did not participate in the Exchange Offer and do not certify their status as an Eligible Holder by submitting a Delivery Certificate will receive Substitute Consideration pursuant to the Pending Distribution Arrangement as described herein. If such an exchange is not approved by the requisite holders of a series of Eligible Claims, Barbados reserves the right, at its sole discretion, to either accept or reject all tenders of such series.

Irrevocability; Withdrawal Rights

Any tender and accompanying Form of Sub-Proxy may be withdrawn, for any reason, at any time prior to 5:00 p.m. (New York City time) on the Exchange Offer Expiration Date. Barbados will, if necessary, extend the Exchange Offer Expiration Date so that there will be at least three business days (as defined below) remaining on the Exchange Offer if any material changes are made to the terms of the Invitation. Thereafter, tenders and accompanying Forms of Sub-Proxy shall become irrevocable.

Any Form of Sub-Proxy delivered pursuant to the Consent Only Option may be withdrawn, for any reason, at any time prior to 5:00 p.m. (New York City time) on the Voting Deadline. After the Voting Deadline, all Forms of Sub-Proxy shall become irrevocable.

In addition, if Barbados terminates the Invitation without accepting any tenders for exchange, all tenders for exchange and delivered Forms of Sub-Proxy shall automatically be deemed to be withdrawn and cancelled.

Representations, Warranties and Undertakings of Holders Participating in the Invitation

See “Tender Procedures” in this invitation memorandum.

Business Day

The term “*business day*” for the Invitation means any day except a Saturday, Sunday or any other day on which commercial banks in New York City, London or Barbados are required or authorised by law to close.

TENDER PROCEDURES

General

In order to participate in the Invitation, you must validly tender your Eligible Claims or submit your written proxy, as applicable, to the Exchange Agent as described below. It is your responsibility to validly tender your Eligible Claims and/or deliver your written proxy, as applicable, or, if your Eligible Claims are held by a custodial entity, such as a bank, broker, dealer, trust company or other nominee, to ensure that such entity validly tenders your Eligible Claims and/or delivers your written proxy, as applicable, on your behalf, as described below.

We have the right to waive any defects. However, we are not required to waive any defects and are not required to notify you of defects in your tender.

Any holder whose Eligible Claims are registered in the name of a broker, dealer, commercial bank, trust company or other nominee and who wishes to participate in the Invitation should contact such holder promptly and instruct such holder to tender Eligible Claims and/or deliver a written proxy, as applicable, on such holder's behalf. Participating holders will not be required to pay any fees or commissions to Barbados or the Exchange Agent in connection with the Invitation. If your Eligible Claims are held through a broker or other nominee who tenders such Eligible Claims on your behalf, your broker or nominee may charge you a commission for doing so. You should consult with your broker or nominee to determine whether any charges will apply. Holders whose Eligible Claims are held by a custodial entity such as a broker, dealer, commercial bank, trust company or other nominee should be aware that such nominee may have deadlines other than the deadlines specified in this invitation memorandum for such nominees to be advised of the action that you wish them to take with respect to your Eligible Claims.

In connection with a tender to exchange Eligible Claims, holders will be approving an Extraordinary Resolution to exchange the entirety of such series of Eligible Claims for the Consideration on the terms set out in this invitation memorandum. If the Extraordinary Resolution is approved in accordance with the Old Bonds Agency Agreement for a given series of Eligible Claims, the entirety of such series (including those held by non-tendering or non-voting holders) will be exchanged for the relevant Consideration (or the Substitute Consideration at a later date upon a failure by a holder of Eligible Claims to deliver a Delivery Certificate).

By submitting a written proxy with respect to the Extraordinary Resolution relating to the relevant Eligible Claims, a holder of Eligible Claims irrevocably (subject to the expiration of the Withdrawal Period, the termination of the Invitation by Barbados or the rejection of such Form of Sub-Proxy by Barbados, all as described further herein) appoints and instructs the Exchange Agent as its proxy to attend any bondholders' meeting and to vote in favour of, reject and vote against or abstain from voting on the relevant Extraordinary Resolution. Following the declaration of effectiveness by Barbados of the Extraordinary Resolutions in relation to any series of Eligible Claims, and conditional on such event, all outstanding Eligible Claims of such series (including Eligible Claims of such series not tendered for exchange in the Exchange Offer and those with respect to which holders rejected or voted against the relevant Extraordinary Resolution) will on the Closing Date be exchanged for the relevant Consideration as described in the Notice of Bondholder Meeting relating to the applicable series, and Eligible Holders will receive the relevant Consideration on or shortly after the Closing Date and Ineligible Holders will receive the Substitute Consideration at a later date.

The terms of the Extraordinary Resolution relating to each series of Eligible Claims and the procedures to be followed by the holders, including the date of any bondholder meeting, where

applicable, are set forth in the applicable Notice of Bondholder Meeting. For the avoidance of doubt, in the event that an Extraordinary Resolution is passed in relation to any series of Eligible Claims, any Eligible Holders of that series that tendered via ATOP and provided a valid written proxy via a Form of Sub-Proxy and certified as to their status as Eligible Holders will not be required to give any further instructions in order to receive the relevant Consideration. The exchange of Eligible Claims for the Consideration shall occur in DTC by crediting the applicable Consideration to the account in which the relevant Eligible Claims were held.

We have not provided guaranteed delivery procedures in conjunction with the Invitation or under this invitation memorandum or any other materials provided therewith. Holders must timely tender their Eligible Claims and submit their Forms of Sub-Proxy in accordance with the procedures set forth in this invitation memorandum.

If you have any questions regarding the process by which you can tender your Eligible Claims, you may contact the Information Agent at the phone number listed on the back cover of this invitation memorandum.

No one has been authorised to make a recommendation to holders of Eligible Claims as to whether to tender or refrain from tendering all or any portion of their Eligible Claims or to otherwise participate in the Consent Solicitation pursuant to the Invitation. Holders of Eligible Claims must make their own decision whether to participate in the Invitation and, if so, the aggregate amount of Eligible Claims to tender, after reading this invitation memorandum and consulting with their advisors, if any, based on their own financial position and requirements.

Procedures for Participating in the Exchange Offer

Participation via ATOP

Beneficial ownership of the Eligible Claims held in book-entry form generally represents an interest in a global certificate representing such Eligible Claim that is registered in the name of a clearing system or such clearing system's nominee. These beneficial interests may be held directly if you have an account as a participant in the relevant clearing system, or indirectly through participants, such as securities brokers and dealers, that have an account with the relevant clearing system. We refer to institutions that have an account with the relevant clearing system as "*Direct Participants*" in such system.

Barbados has designated DTC as the designated clearing system for purposes of the Invitation. Barbados has made special arrangements with DTC that will allow DTC to deliver tenders received on behalf of participating holders directly to the Exchange Agent.

Book-Entry Delivery; ATOP Procedures

Direct Participants in DTC must electronically transmit their acceptance of the Exchange Offer through DTC's ATOP, for which the transaction will be eligible. To effectively participate in the Invitation, you must instruct DTC (if you are a Direct Participant in DTC), or arrange to have a Direct Participant in DTC provide instructions to DTC on your behalf, to make a book-entry transfer of your tendered Eligible Claims to the Exchange Agent's DTC account, in accordance with DTC procedures for such transfers. In addition to electronically transmitting their acceptance in this way, DTC participants must also submit a Form of Sub-Proxy, as described below under "—Submission of a Form of Sub-Proxy."

In accordance with ATOP procedures, DTC will then verify the acceptance of the Exchange Offer and send an agent's message (as hereinafter defined) to the Exchange Agent for its acceptance. An "agent's message" is a message transmitted by DTC, received by the Exchange Agent and forming part of the book-entry confirmation, which states that DTC has received an express acknowledgement from you that you have received the Invitation Materials, including the representations and warranties in the invitation memorandum, and agree to be bound by the terms of this invitation memorandum (including the acknowledgements, consents to collective action, representations, warranties and undertakings in this invitation memorandum) and that Barbados may enforce such agreement against you.

Eligible Claims that are validly tendered and not validly withdrawn will be held to the order of the Exchange Agent until the Closing Date.

None of Barbados, the Information Agent, the Exchange Agent, any fiscal agent, registrar or other agent will be responsible for ensuring that any acceptance of the Exchange Offer is submitted to or accepted by DTC or for ensuring that the book-entry transfer into the Exchange Agent's DTC account is effected.

By submitting a tender via ATOP, participating holders, and the relevant Direct Participant on their behalf, shall be deemed to have made the representations and warranties set forth herein to Barbados, the Information Agent and the Exchange Agent.

Submission of a Form of Sub-Proxy

In addition to electronically transmitting your acceptance of the Exchange Offer through DTC's ATOP at or before 5:00 p.m. (New York City time) on the Exchange Offer Expiration Date, an Eligible Holder wishing to tender Eligible Claims must, at or before 5:00 p.m. (New York City time) on the Voting Deadline, deliver, or arrange to be delivered, to the Exchange Agent, by e-mail or facsimile, a duly completed and executed Form of Sub-Proxy.

A Form of Sub-Proxy may only be submitted by a Direct Participant in DTC.

A holder of Eligible Claims completing and submitting to the Exchange Agent a Form of Sub-Proxy will, by so doing, irrevocably (subject to the expiration of the Withdrawal Period, the termination of the Invitation by Barbados or the rejection of such Form of Sub-Proxy by Barbados, all as described further herein) appoint and instruct the Exchange Agent as its proxy to attend any meeting (or adjourned meeting, if applicable) convened in respect of the relevant series of Eligible Claims and vote in favour of the Extraordinary Resolution relating to such Eligible Claims.

By submitting a Form of Sub-Proxy, participating holders will be making the representations and warranties set forth in the Form of Sub-Proxy to Barbados, the Information Agent and the Exchange Agent.

Blocking of Bonds and Restrictions on Transfer

By delivering a valid tender via ATOP, Eligible Holders agree that their Eligible Claims will be blocked in the relevant account at DTC until the earlier of (i) the date on which the relevant tender is validly revoked, including their automatic revocation on the termination of the Invitation, in accordance with the terms of the Invitation and (ii) the Closing Date. This will prevent you from being able to transfer your relevant Eligible Claims to third parties.

Deadline for Participation in the Exchange Offer

For your tender to be effective, a Direct Participant in DTC must electronically submit your acceptance of the Exchange Offer through ATOP on your behalf and your tendered Eligible Claims must be transferred to the Exchange Agent's DTC account no later than 5:00 p.m. (New York City time) on the Exchange Offer Expiration Date and the Exchange Agent must receive your duly completed and executed Form of Sub-Proxy (which must be submitted by a Direct Participant in DTC) no later than 5:00 p.m. (New York City time) on the Voting Deadline. DTC will not submit to the Exchange Agent any tenders received after the Exchange Offer Expiration Date, and if your tendered Eligible Claims are not transferred into the Exchange Agent's DTC account prior to 5:00 p.m. (New York City time) on the Exchange Offer Expiration Date and the Exchange Agent has not received your duly completed and executed Form of Sub-Proxy prior to 5:00 p.m. (New York City time) on the Voting Deadline, your tender will be deemed invalid.

You are responsible for arranging the valid and timely delivery of your tender and Form of Sub-Proxy to the Exchange Agent. None of Barbados, the Information Agent, the Exchange Agent, any fiscal agent, registrar or other agent will be responsible for the submission of tenders or Forms of Sub-Proxy by:

- holders (or brokers, dealers, banks, trust companies, trustees or other custodians on their behalf) to Direct Participants in DTC;
- Direct Participants (whether on their own behalf or on behalf of holders who are not Direct Participants) to DTC; or
- DTC to the Exchange Agent.

Delivery of documents to a custodian, Direct Participant or clearing system (including DTC) does not constitute delivery to the Exchange Agent and is not sufficient for an effective tender. Barbados can offer no assurance that any custodian, Direct Participant or clearing system (including DTC) will follow the procedures outlined above for purposes of effecting your tender of Eligible Claims, as these procedures are entirely within such parties' discretion.

Effect of a Valid Tender; Acknowledgements, Representations, Warranties and Undertakings for the Exchange Offer

Subject to and effective upon the acceptance for exchange, and exchange, of Eligible Claims tendered thereby, by tendering Eligible Claims using ATOP, you:

- (1) irrevocably surrender, assign and transfer to or upon the order of Barbados all right, title and interest in and to all the Eligible Claims tendered thereby;
- (2) waive any and all other rights with respect to the Eligible Claims tendered by you in the Exchange Offer (including without limitation, any existing or past defaults and their consequences in respect of such Eligible Claims and the agency agreement or trust deed, as applicable, under which such Eligible Claims were issued) and release and discharge Barbados and the fiscal agent for each series of Eligible Claim from any and all claims you may have now, or may have in the future, arising out of, or related to, such Eligible Claims, including, without limitation, any claims that you are entitled to receive additional principal or interest payments with respect to such Eligible Claims or to participate in any redemption or defeasance of such Eligible Claims; and

- (3) irrevocably appoint the Exchange Agent as your true and lawful agent and attorney in fact (with full knowledge that the Exchange Agent is also acting as agent of Barbados with respect to the tendered Eligible Claims with full power coupled with an interest) to:
- present the Eligible Claims for transfer on the relevant security register; and
 - receive all benefits or otherwise exercise all rights of beneficial ownership of the Eligible Claims (except that the Exchange Agent will have no rights to or control over our funds, except, as our agent, for the Consideration for any tendered Eligible Claims that are exchanged by us), all in accordance with the terms of the Invitation.

By delivering a Form of Sub-Proxy in conjunction with a tender via ATOP, you irrevocably appoint the Exchange Agent as your true and lawful agent and attorney-in-fact to:

- attend, act and vote for and in your name and on your behalf at the bondholders' meeting to occur prior to the Closing Date to consider proposed modifications to the terms and conditions of the Eligible Claims and the agency agreements relating to that series of Eligible Claims that would have the effect of authorising the exchange of a series of Eligible Claims for the Consideration (including any reconvening of, or replacement for, such meeting), with full power of substitution as if the undersigned were present at such meeting;
- vote in favour of the proposed Extraordinary Resolution to approve the exchange of such Eligible Claims; and
- take all actions desirable to cause (i) certification that the requisite votes to approve such resolutions have been received and (ii) the execution and delivery by Barbados and the relevant fiscal agent of amendments implementing the proposed resolutions with respect to such Eligible Claims.

In addition, by tendering Eligible Claims and delivering a Form of Sub-Proxy you will be deemed to represent, warrant and agree that:

- (1) you have received the invitation memorandum and have reviewed and accept the terms of the Invitation as set forth in the invitation memorandum;
- (2) you are assuming all the risks inherent in participation in the Invitation and have undertaken all the appropriate analysis of the implications of the Invitation without reliance on Barbados, the Exchange Agent, the fiscal agent for each series of Eligible Claims or the Trustee and agents for the New Bonds;
- (3) you are the beneficial owner (as defined below) of, or a duly authorised representative of one or more such beneficial owners of, all Eligible Claims tendered by you and you have full power and authority to tender, sell, assign and transfer the Eligible Claims that you tender in the Invitation and to acquire any New Bonds issuable upon the exchange of such tendered Eligible Claims;
- (4) you are acquiring the New Bonds issued in the Invitation in the ordinary course of your business;

- (5) you are not prohibited by any law or policy from participating in the Invitation;
- (6) Eligible Claims being tendered thereby have not been purchased and are not held by (or on behalf of) Barbados or the Central Bank of Barbados;
- (7) Eligible Claims being tendered thereby were owned as of the date of tender, free and clear of any liens, mortgages, pledges, charges, claims, encumbrances, interests and restrictions of any kind;
- (8) you will not sell, mortgage, charge, pledge, hypothecate or otherwise encumber or transfer any Eligible Claims tendered from the date of the tender via ATOP and you agree that any purported sale, mortgage, charge, pledge, hypothecation or other encumbrance or transfer will be void and of no effect;
- (9) Barbados has not made any statement, representation or warranty, express or implied, to you with respect to Barbados or the offer or sale of any New Bonds, other than the information that has been included in the invitation memorandum, including the information incorporated herein by reference (and as supplemented to the Exchange Offer Expiration Date), and any information you desire concerning Barbados, the New Bonds or any other matter relevant to your decision to acquire the New Bonds (including a copy of the invitation memorandum) is or has been made available to you;
- (10) none of the Exchange Agent, the Information Agent, the fiscal agent for each series of Eligible Claim or the Trustee and agents for the New Bonds, or any person acting on behalf of any of the foregoing, has made any statement, representation or warranty, express or implied, to you with respect to Barbados or the offer or sale of any New Bonds or the accuracy or completeness of this invitation memorandum;
- (11) delivery of a tender via ATOP and delivery of a duly executed Form of Sub-Proxy shall constitute an undertaking to execute any further documents and give any further assurances that may be required in connection with any of the foregoing, in each case on and subject to the terms and conditions set out or referred to in this invitation memorandum;
- (12) the delivery of a tender via ATOP shall, subject to the terms and conditions of the Invitation generally, constitute the irrevocable appointment of the Exchange Agent as your attorney and agent, and an irrevocable instruction to such attorney and agent to complete and execute all or any form(s) of transfer and other document(s) (including any document to effect the exchange or the discharge and cancellation of all right, title and interest in or relating to the Eligible Claims) at the discretion of such attorney and agent in relation to the Eligible Claims tendered thereby in favour of Barbados or such other person or persons as Barbados may direct and to deliver such form(s) of transfer and other document(s) in the attorney's and agent's discretion and to execute all such other documents and to do all such other acts and things as may be in the opinion of such attorney or agent necessary or expedient for the purpose of, or in connection with, the acceptance of the Invitation, and to exchange, cancel or extinguish such Eligible Claims;
- (13) all authority conferred or agreed to be conferred by your tender or delivery of a Form of Sub-Proxy in the Invitation shall survive your death or incapacity and any of your obligations in relation to the Invitation shall be binding upon your heirs, executors,

administrators, personal representatives, trustees in bankruptcy, legal representatives, successors and assigns;

- (14) the terms and conditions of the Invitation shall be deemed to be incorporated in, and form a part of, the tender via ATOP and the Form of Sub-Proxy which shall in each case be read accordingly;
- (15) you authorise and instruct the Settlement Facilitation Agent to make the relevant pro rata deduction from the 2019 Exchange Cash Consideration to which you may be eligible to pay the costs and expenses of the external creditors committee in an aggregate amount equal to U.S.\$2,575,000;
- (16) you are not acting on behalf of someone who cannot truthfully and completely make such representations; and
- (17) Barbados and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations, warranties and agreements.

Each Eligible Holder that delivers a tender and an executed Form of Sub-Proxy will also be deemed to represent, warrant and agree as set forth under “Notice to Investors.”

Consequences of Failure to Properly Tender Eligible Claims in the Exchange Offer

We will deliver the relevant Consideration in exchange for Eligible Claims under the Invitation only after timely confirmation of book-entry transfer of the Eligible Claims into the Exchange Agent’s DTC account and timely receipt by the Exchange Agent of an agent’s message and a duly completed and executed Form of Sub-Proxy.

Therefore, holders of the Eligible Claims desiring to tender Eligible Claims in exchange for the relevant Consideration should allow sufficient time to ensure timely delivery. We are under no duty to give notification of defects or irregularities of tenders of Eligible Claims for exchange or waive any such defects or irregularities.

Participation in the Consent Solicitation

Participation via a Form of Sub-Proxy

Eligible Holders who wish to tender their Eligible Claims must also appoint a proxy to consent to and vote in favour of the relevant Extraordinary Resolution by delivering, or arranging to be delivered, to the Exchange Agent, by e-mail or facsimile, a duly completed and executed Form of Sub-Proxy at or before 5:00 p.m. (New York City time) on the Voting Deadline.

Holders who do not wish to tender their Eligible Claims or who are not Eligible Holders may appoint a proxy to consent to and vote in favour of, reject and vote against or abstain from voting on the relevant Extraordinary Resolution by delivering, or arranging to be delivered, to the Exchange Agent, by e-mail or facsimile, a duly completed and executed Form of Sub-Proxy at or before 5:00 p.m. (New York City time) on the Voting Deadline.

Original copies of Forms of Sub-Proxy are not required.

A Form of Sub-Proxy may only be submitted by a Direct Participant in DTC.

A holder of Eligible Claims completing and submitting to the Exchange Agent a Form of Sub-Proxy will, by so doing, irrevocably (subject to the expiration of the Withdrawal Period, the termination of the Invitation by Barbados or the rejection of such Form of Sub-Proxy by Barbados, all as described further herein) appoint and instruct the Exchange Agent as its proxy to attend any meeting convened in respect of the relevant series of Eligible Claims and vote as specified in the Form of Sub-Proxy with respect to the Extraordinary Resolution relating to such Eligible Claims.

By submitting a Form of Sub-Proxy, participating holders will be making the representations and warranties set forth above and in the Form of Sub-Proxy to Barbados, the Information Agent and the Exchange Agent.

Effect of a Valid Form of Sub-Proxy; Acknowledgements, Representations, Warranties and Undertakings for the Consent Solicitation

By delivering a Form of Sub-Proxy, you irrevocably appoint the Exchange Agent as your true and lawful agent and attorney-in-fact to:

- attend, act and vote for and in your name and on your behalf at the bondholders' meeting to occur prior to the Closing Date to consider proposed modifications to the terms and conditions of the Eligible Claims and the agency agreements relating to that series of Eligible Claims that would have the effect of authorising the exchange of a series of Eligible Claims for the Consideration (including any reconvening of, or replacement for, such meeting), with full power of substitution as if the undersigned were present at such meeting;
- vote as specified in the Form of Sub-Proxy in respect of the proposed Extraordinary Resolution relating to such Eligible Claims; and
- if selecting to approve the Extraordinary Resolution, take all actions desirable to cause (i) certification that the requisite votes to approve such resolutions have been received and (ii) the execution and delivery by Barbados and the relevant fiscal agent and registrar of amendments implementing the proposed resolutions with respect to such Eligible Claims, all in accordance with the terms and conditions of the Exchange Offer and related solicitations of authorisations as described in the invitation memorandum; the power of attorney granted in this paragraph shall be deemed to be irrevocable and coupled with an interest.

With respect to any series of Eligible Claims for which an Extraordinary Resolution successfully passes, if you have not certified to Barbados or the Exchange Agent that you are an Eligible Holder when you submitted your Form of Sub-Proxy, to receive the Consideration you must provide a certification to Barbados and the Exchange Agent certifying that you are an Eligible Holder within the 90 day period described under “—Pending Distribution Arrangement” below.

In addition by delivering a Form of Sub-Proxy you will be deemed to represent, warrant and agree that:

- (1) you have received the invitation memorandum and have reviewed and accept the terms of the Invitation as set forth in the invitation memorandum;
- (2) you are assuming all the risks inherent in participation in the Consent Solicitation and have undertaken all the appropriate analysis of the implications of the Consent

Solicitation without reliance on Barbados, the Exchange Agent, the fiscal agent for each series of Eligible Claims or the Trustee and agents for the New Bonds;

- (3) you are the beneficial owner (as defined below) of, or a duly authorised representative of one or more such beneficial owners of, all Eligible Claims in respect of which it participates in the Consent Solicitation;
- (4) you are not prohibited by any law or policy from participating in the Invitation;
- (5) the Eligible Claims in respect of which you participate in the Consent Solicitation have not been purchased and are not held by (or on behalf of) Barbados or the Central Bank of Barbados;
- (6) you will not sell or transfer any Eligible Claims represented by your submitted Form of Sub-Proxy from the date of the Form of Sub-Proxy until the date of the relevant bondholder meetings and you agree that any purported sale or transfer will be void and of no effect;
- (7) Barbados has not made any statement, representation or warranty, express or implied, to you with respect to Barbados or the offer or sale of any New Bonds, other than the information that has been included in the invitation memorandum, including the information incorporated herein by reference (and as supplemented to the Exchange Offer Expiration Date), and any information you desire concerning Barbados, the New Bonds or any other matter relevant to your decision to acquire the New Bonds (including a copy of the invitation memorandum) is or has been made available to you;
- (8) none of the Exchange Agent, the Information Agent, the fiscal agent for each series of Eligible Claim or the Trustee and agents for the New Bonds, or any person acting on behalf of any of the foregoing, has made any statement, representation or warranty, express or implied, to you with respect to Barbados or the offer or sale of any New Bonds or the accuracy or completeness of this invitation memorandum;
- (9) delivery of a duly executed Form of Sub-Proxy shall constitute an undertaking to execute any further documents and give any further assurances that may be required in connection with any of the foregoing, in each case on and subject to the terms and conditions set out or referred to in this invitation memorandum;
- (10) all authority conferred or agreed to be conferred by your delivery of a Form of Sub-Proxy in the Invitation shall survive your death or incapacity and any of your obligations in relation to the Invitation shall be binding upon your heirs, executors, administrators, personal representatives, trustees in bankruptcy, legal representatives, successors and assigns;
- (11) the terms and conditions of the Invitation shall be deemed to be incorporated in, and form a part of, the Form of Sub-Proxy which shall in each case be read accordingly;
- (12) you authorise and instruct the Settlement Facilitation Agent to make the relevant pro rata deduction from the 2019 Exchange Cash Consideration to which you may be eligible to pay the costs and expenses of the external creditors committee in an aggregate amount equal to U.S.\$2,575,000;

- (13) you are not acting on behalf of someone who cannot truthfully and completely make such representations; and
- (14) Barbados and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations, warranties and agreements.

Voting Certificates and Block Voting Instructions

Holders who do not wish to tender their Eligible Claims and who do not submit a Form of Sub-Proxy may either:

- (1) attend and vote at the Meeting (or any adjourned meeting) in person by producing at the Meeting (or any adjourned meeting) a valid voting certificate in respect of such Eligible Claim(s). In order to obtain a voting certificate, the holder must, no fewer than 48 hours before the Meeting (or any adjourned meeting) either (a) procure that its Eligible Claim(s) (not being Eligible Claims in respect of which a block voting instruction has been issued and is outstanding in respect of the Meeting or any adjourned meeting) are deposited with the Registrar or, (b) (if applicable), procure that its Eligible Claim(s) are (to the satisfaction of the Registrar) held to the order or under the control of the Exchange Agent or are blocked in an account with DTC, upon terms that the Eligible Claim(s) will not cease to be so deposited or held or blocked until the first to occur of:

- the conclusion of the Meeting (or any adjourned meeting); or
- the surrender of the voting certificate to the Registrar who issued the same.

A holder of Eligible Claims not wishing to attend and vote at the Meeting (or any adjourned meeting) in person may deliver its voting certificate(s) to a person who the holder wishes to attend and vote on its behalf. Such person shall be deemed, for all purposes in connection with the Meeting (or any adjourned meeting) to be the holder of the relevant Eligible Claim(s) and the holder of the Eligible Claim(s) shall be deemed for such purposes not to be the holder.

- (2) require that the Registrar issue a block voting instruction in respect of its Eligible Claim(s) (not being Eligible Claims in respect of which a voting certificate has been issued and is outstanding in respect of the Meeting or any adjourned meeting) by procuring that, no fewer than 48 hours before the Meeting (or any adjourned meeting), its Eligible Claim(s) are deposited with the Exchange Agent or (to the satisfaction of the Exchange Agent) are either held to the order or under the control of the Exchange Agent or are blocked in an account with DTC upon terms that the Eligible Claim(s) will not cease to be so deposited or held or blocked until the first to occur of:

- the conclusion of the Meeting (or any adjourned meeting); or
- the surrender to the Registrar no fewer than 48 hours before the time for the Meeting (or any adjourned meeting) of the receipt issued by such Exchange Agent in respect of each such deposited Eligible Claim that is to be released or (as the case may require) the Eligible Claim(s) ceasing with the agreement of the Exchange Agent to be held to its order or under its control and the giving of notice by the Exchange Agent to Barbados of any necessary amendment to the

block voting instruction, following which the Exchange Agent shall exclude the vote attributable to such Eligible Claim(s) from the block voting instruction.

The holder or a duly authorised person on behalf of the holder must direct the Exchange Agent on how its votes are to be cast. A block voting instruction will appoint one or more persons as proxy to vote at the Meeting (or any adjourned meeting).

See the Notice of Bondholder Meetings for more information.

Determination of Validity

All questions as to the validity, form, eligibility (including time of receipt) and acceptance for exchange of any tendered Eligible Claims or consents pursuant to any of the procedures described above, and the form and validity (including time of receipt of notices of withdrawal) of all documents will be determined by us in our sole discretion, which determination will be final and binding. We reserve the absolute right to reject any or all tenders of any Eligible Claims or consents determined by us not to be in proper form, or if the acceptance of, or exchange of, such Eligible Claims or consents may, in the opinion of our counsel, give rise to a breach or violation of applicable laws, rules or regulations. We also reserve the right to waive defects in any tender or consent that we are legally permitted to waive. Unless waived, any irregularities in connection with tenders or consents must be cured within such time as we shall determine. A waiver of any defect or irregularity with respect to the tender of one Eligible Claim or consent in respect of one Eligible Claim shall not constitute a waiver of the same or any other defect or irregularity with respect to the tender of, or consent in respect of, any other Eligible Claim unless we expressly otherwise so provide. Your tender or consent will not be deemed to have been validly made until all defects or irregularities in your tender or consent have been cured or waived. Neither we nor the Exchange Agent nor any other person or entity is under any duty to give notification of any defects or irregularities in any tender of, or consent in respect of, any Eligible Claims, or will incur any liability for failure to give any such notification. Please send all materials to the Exchange Agent and not to us.

Withdrawal of Tenders and Consents

Your tender of Eligible Claims and delivery of consents pursuant to the Invitation is irrevocable except as otherwise provided in this section. You may withdraw tenders of Eligible Claims and accompanying Forms of Sub-Proxy at any time prior to 5:00 p.m. (New York City time) on the Exchange Offer Expiration Date by transmitting to the Exchange Agent a withdrawal instruction via DTC in accordance with its standard procedures. Any Form of Sub-Proxy delivered pursuant to the Consent Only Option may be withdrawn, for any reason, at any time prior to 5:00 p.m. (New York City time) on the Voting Deadline. After the Voting Deadline, all Forms of Sub-Proxy shall become irrevocable.

All questions as to the validity of any withdrawal instruction (including time of receipt thereof) will be determined by us in our sole discretion, which determination will be final and binding. We reserve the absolute right to reject any or all withdrawal instructions determined by us not to be in proper form, or if the acceptance of which may, in the opinion of our counsel, be unlawful or not in accordance with the terms of the Invitation. We also reserve the right to waive any defects in any withdrawal instructions that we are legally permitted to waive. Unless waived, any irregularities in connection with withdrawal instructions must be cured prior to the withdrawal deadline. A waiver of any defect or irregularity with respect to withdrawal instructions with regard to one Eligible Claim shall not constitute a waiver of the same or any other defect or irregularity with respect to withdrawal instructions for any other Eligible Claim unless we expressly otherwise so provide.

Any withdrawal instruction will not be deemed to be valid until all defects or irregularities relating to such instruction have been cured or waived. Neither we nor the Exchange Agent nor any other person or entity is under any duty to give notification of any defects or irregularities in any withdrawal of any Eligible Claims or will incur any liability for failure to give any such notification. If you withdraw Eligible Claims, you will have the right to re-tender them prior to the Exchange Offer Expiration Date in accordance with the procedures described above for tendering outstanding Eligible Claims. If we amend or modify the terms of the Invitation or the information concerning the Invitation in a manner determined by us to constitute a material change to the holders, we will disseminate additional invitation materials and extend the period of the Invitation, including any withdrawal rights, to the extent required by law and as we determine necessary. An extension of the Exchange Offer Expiration Date or the Voting Deadline will not affect a holder's withdrawal rights, unless otherwise provided or as required by applicable law.

Any withdrawal instruction in relation to a validly submitted exchange instruction via ATOP does not automatically nullify the respective Form of Sub-Proxy pertaining to such exchange instruction. Holders who wish to also withdraw their delivered Form of Sub-Proxy must deliver withdrawal instructions in respect of such Form of Sub-Proxy to the Exchange Agent prior to 5:00 p.m. (New York City time) on the Exchange Offer Expiration Date.

Expiration; Extensions; Amendments; Termination

For purposes of the Invitation, the term “*Exchange Offer Expiration Date*” means 5:00 p.m., New York City time, on 22 November 2019, subject to Barbados’ right to extend such date and time in its absolute discretion, in which case the Exchange Offer Expiration Date means the latest date and time to which the Exchange Offer is extended.

For purposes of the Invitation, the term “*Voting Deadline*” means 5:00 p.m., New York City time, on 25 November 2019, subject to Barbados’ right to extend such date and time in its absolute discretion, in which case the Voting Deadline means the latest date and time to which the Consent Only Option is extended.

Barbados reserves the right, in its absolute discretion, to (i) extend the Invitation, (ii) terminate the Invitation or (iii) amend the Invitation.

Any extension, amendment or termination of the Invitation by Barbados will be followed as promptly as practicable by an announcement of such extension, amendment or termination.

Permitted Amendments

By participating in the Invitation, each holder authorises the Exchange Agent to agree with Barbados to the making of the following:

- any minor, technical, administrative or corrective amendments to any of the Invitation Materials or the New Bonds;
- any extension of the Exchange Offer Expiration Date, the Voting Deadline, the Announcement Date or the Closing Date as contemplated above; and
- any waiver by Barbados, in its sole discretion, of the provision of any of the representations set out in this invitation memorandum,

in each case, prior to the completion of the Invitation (collectively, the “*Permitted Amendments*”).

Material Amendment of the Invitation

Any term of this invitation memorandum (including any term of the New Bonds) may be amended, and any tender and consent submitted to the Exchange Agent prior to that amendment shall remain valid; *provided* that, if any amendment is made which is not a Permitted Amendment (such amendment, a “*Relevant Amendment*”), Barbados will post a notification of such amendment on the Offer Website. If a Relevant Amendment is posted on the Offer Website within three business days of the Exchange Offer Expiration Date, the Exchange Offer Expiration Date will be automatically extended to the date falling three business days after the date of such notification and the Voting Deadline will be automatically extended by the same number of days.

In the absence of notice to the contrary prior to the Exchange Offer Expiration Date, Eligible Holders who have tendered their Eligible Claims or submitted Forms of Sub-Proxy will be deemed to have accepted the Relevant Amendments.

Any Eligible Holder who delivers a tender via ATOP and/or consent via a Form of Sub-Proxy after a Relevant Amendment is posted on the Offer Website will be deemed to accept the Invitation on the terms of this invitation memorandum as amended by the Relevant Amendment.

Termination

Barbados may, in its absolute discretion but subject to applicable laws, terminate the Invitation at any time prior to the Closing Date (including, for the avoidance of doubt, after the Exchange Offer Expiration Date). Any tender or consent delivered prior to such termination shall immediately cease to have any further force or effect.

Pending Distribution Arrangement

If Barbados obtains the requisite majority, as set forth in the applicable Old Bonds Agency Agreement, required to pass an Extraordinary Resolution relating to a series of Eligible Claims and decides to declare the Extraordinary Resolution effective, the entirety of such series will be exchanged for the relevant Consideration.

In that event, the relevant Consideration to which holders of Eligible Claims of such series who have not certified as to their status as Eligible Holders by tendering via ATOP (each an “*Uncertified Holder*”) prior to 5:00 p.m. (New York City time) on the Exchange Offer Expiration Date are entitled pursuant to the terms of the Invitation will be deposited to an account of Barbados with the Settlement Facilitation Agent, where such Consideration will be held (the “*Pending Distribution Arrangement*”) until the earlier of: (i) such time as such holder validly delivers a Delivery Certificate to the Exchange Agent, and (ii) the date falling 90 days after the Closing Date.

Uncertified Holders may submit, or arrange to have submitted, a Delivery Certificate to the Exchange Agent certifying as to their status as either Eligible Holders or Ineligible Holders during the 90 days after the Closing Date (the “*Holding Period*”).

Only Direct Participants in DTC may submit Delivery Certificates. Each Uncertified Holder that is not a Direct Participant in DTC must arrange for the Direct Participant in DTC through which it held the relevant Eligible Claims to submit a Delivery Certificate on its behalf to the Exchange Agent.

Direct Participants in DTC who held Eligible Claims on behalf of more than one beneficial owner do not need to submit separate Delivery Certificates for each beneficial owner but may nonetheless do so.

We refer to the consideration to be received by Ineligible Holders and other Uncertified Holders who do not validly certify as to their status as Eligible Holders during the Holding Period under the Pending Distribution Arrangement as the “*Substitute Consideration*.”

Eligible Holders

Upon receipt by the Exchange Agent of a valid Delivery Certificate certifying as to an Uncertified Holder’s status as an Eligible Holder, the Exchange Agent will promptly instruct the Settlement Facilitation Agent to deliver, and, as soon as practicable thereafter, the Settlement Facilitation Agent will deliver the relevant Consideration to which such holder is entitled in accordance with the instructions contained in the Delivery Certificate on behalf of the holder.

Ineligible Holders

Upon receipt by the Exchange Agent of a valid Delivery Certificate certifying as to an Uncertified Holder’s status as an Ineligible Holder, Barbados or an agent or broker appointed by Barbados, as the case may be, shall sell such New Bonds to which such holder is entitled pursuant to the terms of the Invitation in one or more sale transactions at any time following receipt of such holder’s Delivery Certificate. The price, terms, timing and manner of such sale will be on the best terms reasonably available at the time using a transparent open market process and shall be for cash. Neither Barbados nor any such agent or broker will have any liability for any loss or alleged loss arising from such sale or a failure to procure any purchaser for such New Bonds (or any of them).

The proceeds of such sales (net of the costs of sale including the fees of any agent, broker, marketing agent, placement agent or underwriter appointed in relation to the sales and any taxes and provisions for tax on sale or as a result of the Pending Distribution Arrangement) (the “*Net Cash Proceeds*”) plus the net 2019 Exchange Cash Consideration to which such Ineligible Holder is entitled pursuant to the terms of the Invitation Memorandum will be delivered in accordance with the instructions contained in the Delivery Certificate on behalf of such holder as soon as reasonably practicable thereafter.

Failure to Deliver a Delivery Certificate

In the event that an Uncertified Holder fails to deliver a Delivery Certificate during the Holding Period, Barbados or an agent or broker appointed by Barbados, as the case may be, shall sell such New Bonds to which such holder is entitled pursuant to the terms of the Invitation in a sale at any time following the expiry of the Holding Period. The price, terms, timing and manner of such sale will be on the best terms reasonably available at the time using a transparent open market process and shall be for cash. Neither Barbados nor any such agent or broker will have any liability for any loss or alleged loss arising from such sale or a failure to procure any purchaser for such New Bonds (or any of them).

The Net Cash Proceeds will be held for the benefit of such holders of the Eligible Claims until such time as sales of all such Consideration have been effected. The pro rata shares of such Net Cash Proceeds plus the net 2019 Exchange Cash Consideration to which such Ineligible Holder is entitled pursuant to the terms of the Invitation Memorandum will be delivered to the relevant Direct Participants in DTC on behalf of the holders of Eligible Claims entitled to such consideration as soon as practicable thereafter.

Depending on market conditions, the volume of New Bonds sold or other developments, the Net Cash Proceeds may be less than the face value of the New Bonds due to such holder and will not be available until after the expiry of Holding Period. Barbados will not be obligated to pay any amount other than, or additional to, the Net Cash Proceeds, and payment of the Net Cash Proceeds will fully and finally

discharge Barbados's obligation to deliver the relevant Consideration to the relevant holders of Eligible Claims.

None of Barbados, the Exchange Agent, the Information Agent, the Settlement Facilitation Agent or the Trustee will be responsible for any errors, delays in processing or systemic breakdowns or other failure in the delivery of the relevant Consideration by any Direct Participant in DTC and/or any other securities intermediary with respect to such Eligible Claims to a holder, and no additional amounts will be payable to any holder in the event of any delay in such delivery.

Questions and requests for assistance in connection with the Pending Distribution Arrangement may be directed to the Information Agent at its address and telephone number set forth on the back cover of this invitation memorandum.

Exchange Agent

In connection with the Invitation, Barbados has retained Lucid Issuer Services Limited to act as Exchange Agent, which will receive customary fees for its services. Barbados has agreed to reimburse the Exchange Agent for its respective out-of-pocket expenses and to indemnify it against certain liabilities. No fees or commissions have been or will be paid by Barbados to any broker, dealer or other person, other than the Exchange Agent in connection with the Invitation.

Information Agent

In connection with the Invitation, Barbados has retained Lucid Issuer Services Limited to act as Information Agent. Questions and requests for assistance or additional copies of this invitation memorandum may be directed to the Information Agent at its address and telephone number set forth on the back cover of this invitation memorandum.

Holders of Eligible Claims or New Bonds may also contact their broker, dealer, custodian bank, depository, trust company or other nominee for assistance concerning the Invitation.

Fees and Expenses

We have not retained any dealer-manager in connection with the Invitation, and we will not make any payments to brokers, dealers or other persons soliciting acceptances of the Invitation. We will, however, pay the Exchange Agent fees for its services and will reimburse it for its related out-of-pocket expenses. Holders who exchange their Eligible Claims will not be obligated to pay any transfer taxes. If, however, a transfer tax is imposed for any reason other than the exchange of Eligible Claims in connection with the Invitation, then the holder must pay the amount of any transfer taxes due, whether imposed on the registered holder or any other persons. If the holder does not submit satisfactory evidence of payment of these taxes or exemption from them, the amount of these transfer taxes will be billed directly to the tendering holder.

Participating creditors in the Invitation and the Parallel Exchanges will authorise and instruct the Settlement Facilitation Agent to make the relevant pro rata deduction from the gross 2019 Exchange Cash Consideration and the relevant gross cash consideration under the Parallel Exchanges, as the case may be, to which the participating creditors (and, where applicable, non-participating creditors) may be eligible to pay the costs and expenses of the external creditors committee in an aggregate amount equal to U.S.\$2,575,000. The net 2019 Exchange Cash Consideration referred to in this invitation memorandum includes a deduction of a pro rata amount to pay the costs and expenses of the external creditors committee in an aggregate amount equal to U.S.\$2,575,000.

Available Information

Certain information relating to the Invitation is, or will be, available on the Offer Website and may be of significance to Eligible Holders in deciding whether to participate in the Invitation.

Holders of Eligible Claims wishing to access the Offer Website will be required to accept certain terms and conditions in relation to, among other things, confidentiality and the use of the information contained on the Offer Website and as are more fully set out on the Offer Website.

Holders of Eligible Claims who do not have access to the Offer Website may obtain the documents posted on the Offer Website via email or other means from the Information Agent subject to providing a completed certification in the form delivered to them by the Information Agent (i) representing that they are the beneficial owner of an Eligible Claim, indicating the amount of Eligible Claims that are beneficially owned and (ii) agreeing to keep all information contained on the Offer Website confidential and subject to verification by the Information Agent that such certificate is being provided on behalf of a *bona fide* direct or indirect holder of a beneficial interest in an Eligible Claims.

The Invitation Materials, including this invitation memorandum and related documents, may not be distributed, forwarded or transmitted to any person in any jurisdiction.

Lucid Issuer Services Limited, in its capacity as Information Agent and Exchange Agent, can be contacted at:

Lucid Issuer Services Limited
Tankerton Works
12 Argyle Walk
London WC1H 8HA
United Kingdom
Telephone +44 20 7704 0880
Attention: Arlind Bytyqi / Thomas Choquet
Email: barbados@lucid-is.com
Website: www.lucid-is.com/barbados

RECENT DEVELOPMENTS

The Economic Situation

Macroeconomic stability in Barbados has been challenged by high fiscal deficits and public debt. In recent years, the size of the deficit and the high level of public debt have been constraints on growth. For the most part, efforts to reduce the fiscal gap, primarily through heavy taxation adjustments, did not achieve the desired budget neutrality.

The unfolding of the global recession in 2007 cast a long shadow on the economic fortunes of Barbados over the last ten years. As global demand conditions weakened, the domestic economic performance of Barbados was challenged over several years, reaching its lowest point of growth in 2009 with a contraction of 4.9%. Subsequently, economic growth remained relatively stagnant. This gave rise to lower fiscal revenues, increased deficits and a burgeoning debt portfolio, which made it difficult for the Government to provide adequate and swift policy responses to the prevailing risks, in order to induce a positive turnaround in economic conditions. As a result, the gross public sector debt to GDP ratio at the end of 2017 climbed to an unsustainable 147.8%, up from 60% in 2007.

Falling risk appetite amongst external and domestic investors weakened economic fundamentals to adequately buffer against the reverberating shock waves of the global financial crisis, causing Barbados' recession to be deep and protracted. Due to anaemic economic growth coupled with large and increasing fiscal deficits and debt levels, the international credit rating agencies lowered Barbados' sovereign rating from 'A-' in 2003, one of the highest in the developing world, to 'Caa3' in 2017.

On 1 June 2018, the Government announced that an in-depth review of Barbados' fiscal and external liquidity situation identified and quantified substantial arrears that were not previously included in headline public debt figures, revising estimates of Government arrears upwards to U.S.\$820.0 million (including U.S.\$230.6 million owed to the National Insurance Scheme (the "NIS") and U.S.\$237.5 million owed by the Barbados Revenue Authority (the "BRA") to Barbadians and individual companies). When the previously unpublished arrears amounts were added, the total debt to GDP ratio was revised upward to 175.0% as of 31 May 2018.

In addition, gross international reserves stood at U.S.\$249.4 million, or 6.9 weeks of import cover, as of 31 May 2018, compared to U.S.\$747.2 million, or 15.1 weeks of import cover, as of 31 December 2008.

Though Barbados expects a fiscal surplus for FY 2018/19, Barbados' fiscal deficit was high in recent years, down from approximately 9.0% of GDP in FY 2015/16 to approximately 4.6% of GDP in FY 2017/18. From 2008 to 2018, the fiscal deficit averaged 6.4% of GDP.

The slow implementation of necessary reforms coupled with heavy fiscal consolidation efforts contributed to the decline in economic growth from 2.6% in 2016 to 0.8% in 2017. This downward revision also reflected a slowdown in growth in the tourism sector, which, despite recording increased tourist arrivals, saw a reduction in the average length of stay. Economic growth estimates at the beginning of 2018 continued to be sluggish, expanding by an estimated 0.8% in the first six months of 2018, compared to 1.6% during the first six months of 2017.

At the end of the FY 2017/18, foreign financed project inflows were insufficient to offset foreign loan payments of U.S.\$146.4 million. As a result, the fiscal deficit was mainly financed by commercial banks, which provided funding equal to just over 2.6% of GDP. This funding from commercial banks was due to an increase in the stipulated securities reserve requirement for commercial banks, from 10.0%

of domestic deposits as set in 2007 to 20.0%, announced by the Central Bank on 1 November 2017 and effective 1 January 2018. Central Bank financing declined to 1.0% of GDP in FY 2017/18, compared to 8.1% of GDP in FY 2016/17. Private non-bank entities also reduced their exposure to the Government.

During 2018, the financial sector remained stable and had above-normal levels of capital adequacy and liquidity. These trends were driven in part by on-going weak growth in credit to the private sector, despite a relatively benign interest rate environment. While the weighted average deposit and loan rates remained effectively unchanged, the average mortgage rate continued to decline, reaching 5.4% as of December 2018, compared to 5.6% as of the end of 2017.

In November 2018, Barbados received a ratings upgrade from Standard and Poor's on its long- and short-term local currency debt to B-/B from SD/SD with a stable currency outlook. Improvements in the current ratings are dependent upon the Government's ability to meet its fiscal targets and reform agenda which impacts positively investor confidence and economic growth. No new borrowing on the capital markets is anticipated over the next four years as Barbados is committed to achieving its debt-to-GDP target.

For further detail on the general economic and public finance performance of Barbados, see "The Economy" and "Public Finance."

Barbados Economic Recovery and Transformation Plan

Due to the challenging outlook for the Barbadian economy, on 1 June 2018, the Government announced the need for decisive action to place public finances on a sustainable path in an effort to alter the trajectory of international reserves and create the conditions for strong, sustainable growth. To follow up on the 1 June 2018 announcement, the Government announced the Barbados Economic Recovery and Transformation Plan (the "*BERTP*") on 11 June 2018.

The BERTP is expected to consist of the following three phases:

- Phase one (first three months) includes: (i) the imposition of user fees for both domestic and international users at Barbados Tourism Marketing, Inc., Barbados Tourism Product, Inc. and Sanitation Services Authority, in order to take these three statutory corporations off of Barbados' main bank account (the "*Consolidated Fund*", which is a deposit account into which all revenues of Barbados are to be deposited), and at Queen Elizabeth Hospital (the "*QEH*"), in order to take the QEH partially off the Consolidated Fund, which is expected to account for a total reduction in expenditures of approximately U.S.\$25.0 million; and (ii) a review of tax revenue to impose more effective taxes, increase compliance and broaden the base of domestic and foreign tax payers to reduce the fiscal deficit in FY 2018/19;
- Phase two (months three to twelve) includes: (i) a review of Government departments and SOEs with the aim of reducing expenditures, including through mergers and divestment; (ii) a review of the international business framework in light of the inclusion of Barbados on the list of jurisdictions subject to close monitoring for tax purposes by the European Union; and (iii) measures to boost growth, as discussed below;
- Phase three (month twelve and onward) includes: continued review and analysis of SOEs and departments of the Government.

The combined effect of the three phases is expected to reduce expenditures and raise revenues by a combined amount of approximately U.S.\$115.0 million.

Medium-Term Fiscal Strategy

As part of the BERTP, Barbados' medium-term fiscal strategy is designed to put the deficit and debt on a sustainable footing while: (i) building reserves; (ii) restoring and accelerating growth through increased public sector efficiencies and special economic zones; (iii) investing in critical public infrastructure, such as sewage, sanitation and transport; and (iv) providing social protection for the most vulnerable, such as the elderly poor, unemployed youth and the working poor.

Over the medium term, Barbados will focus on achieving fiscal surpluses and decreasing the amount of debt outstanding. The mini-budget announced in June 2018 lays out the path to cutting the budget deficit in half by the end of FY 2018/19. The overall public sector deficit declined from 4.6% of GDP in FY 2017/18 to 0.5% of GDP in FY 2018/19. The fiscal and debt adjustments are expected to reduce the debt to GDP ratio from 147.8% as of 31 December 2017 to 60% by FY 2033/34.

The medium-term fiscal strategy aims to achieve a debt to GDP ratio of 60.0% by FY 2033/34. To achieve this goal, Barbados expects to move to a primary fiscal surplus of 6.0% of GDP by FY 2019/20 and maintain that fiscal surplus until FY 2024/25, moderating it slowly as intermediate debt to GDP targets are reached.

Additionally, Barbados is conducting a comprehensive, consensual debt restructuring. The debt restructuring aims to address the severe challenges presented by current debt service commitments and, in conjunction with the corrective economic and fiscal measures, to place public debt on a more sustainable footing. For more information on the debt restructuring, see "Debt Strategy" below.

In addition to the fiscal and debt measures, Barbados will also pursue structural reforms to improve the supply of labour and training, improve the speed, cost, predictability and transparency of government procurement and make it generally easier and cheaper to do business in Barbados. The Government expects that these measures will enable Barbados to convert potential investment projects to active investments, increasing the potential GDP growth towards 3.5%. Given that structural reforms can take significant time to design, implement and bear fruit, the Government has not assumed the success of any of these structural reforms in its strategy to reach a debt to GDP ratio of 60.0% by FY 2033/34.

Overall, the fiscal consolidation measures will be underpinned by: (i) core structural reforms; (ii) strategic expenditure management, particularly within SOEs, (iii) SOE reforms, including through improvement of SOE governance and through mergers and discontinuation of certain entities, to reduce transfers given to SOEs; and (iv) strengthened fiscal institutions, with a goal of facilitating business through the use of advanced technologies while entrenching fiscal discipline.

Summary of Select Strategies

Barbados plans to:

- adjust the pace and composition of the fiscal adjustment through comprehensive tax and public financial management reform;
- promote and foster greater transparency, fiscal discipline and prudence in the management of Government affairs;
- conduct a comprehensive debt restructuring programme;

- reduce outstanding arrears between the Government and other agencies through settlements negotiated by the established Arrears Unit;
- introduce stronger oversight, improved reporting, cost reduction and revenue enhancement, including a review of all tariffs and user fees charged by the SOEs that are to be reformed under the BERTP;
- improve SOE management and efficiency through performance-based budgeting and waste and duplication reduction;
- improve the Public Investment Management Framework (the “*PIMF*”); and
- engage in a comprehensive expenditure review.

IMF Programme

In addition to the BERTP, the Government requested from the IMF: (i) liquidity support for international reserves, (ii) an assessment of the BERTP and (iii) discussions regarding the debt restructuring.

On 1 October 2018, the IMF announced the approval by its Executive Board of a four-year extended arrangement (the “*Extended Arrangement*”) under the Extended Fund Facility (the “*EFF*”) for Barbados for approximately U.S.\$290.0 million, or 220% of Barbados’ quota in the IMF. The approval of this programme allowed for the immediate disbursement of approximately U.S.\$49.0 million. The Extended Arrangement, which is complemented by the fiscal and debt adjustment measures, aims to help Barbados restore debt sustainability, strengthen its external position and improve growth prospects.

The IMF published its first review of Barbados under the Extended Arrangement on 24 June 2019. Barbados met all quantitative performance criteria and indicative targets for March 2019. The review outlines that six structural benchmarks were met and the remaining four benchmarks were implemented with minor delays. The review notes the swift progress Barbados has made since mid-2018 in addressing economic vulnerabilities, including a significant increase in international reserves, the completion of the domestic debt restructuring and ongoing reform of SOEs, the customs department, public pensions and the Central Bank of Barbados Act Cap.323C.

Debt Strategy

In June 2018, as a consequence of critically low levels of international reserves, unsustainably high levels of public indebtedness, poor growth and major failings in public infrastructure and social safety nets that undermined Barbados’ ability to service its external debt, the Government announced its intention to seek the cooperation of its domestic and external creditors in a comprehensive restructuring of its public debt. The Invitation described in this invitation memorandum is a key part of Barbados’ debt management programme.

The following summarises Barbados’ proposed treatment of its different types of indebtedness. See “Public Debt” for a list of Barbados’ outstanding debt.

The extent and terms of the debt restructuring have been designed so as to not endanger financial stability within the economy.

Domestic Debt

Barbados Dollar–Denominated Instrument and Arrears

On 1 June 2018, Barbados announced that it would endeavour to make scheduled domestic interest payments on Barbados dollar-denominated debt, but the domestic creditors were asked to roll over principal maturities until restructuring agreements were concluded. In addition, on 27 June 2018, the Ministry of Finance announced a moratorium on Treasury Bill auctions.

On 7 September 2018, Barbados launched an exchange offer for holders of Barbados dollar-denominated debt, including Treasury Bills and Treasury Notes and Debentures, issued or contracted by Barbados, certain state-owned enterprises and certain other entities that receive transfers from the Government budget (the “*Domestic Exchange Offer*”). The launch of the Domestic Exchange Offer followed three months of extensive consultations between Barbados and representatives of the several creditors and creditor groups that would be affected by the debt restructuring, including Barbados’ banks, its insurance companies, the NIS and the Central Bank.

In the Domestic Exchange Offer, Barbados offered to exchange existing Barbados dollar-denominated instruments for various series of new instruments, with the eligibility for each new instrument depending on the holder and instrument type. A summary of the offer is available at: <http://gisbarbados.gov.bb/blog/bbd-debt-exchangeoffer-summary/>.

With the launch of the Domestic Exchange Offer, Barbados announced the suspension of interest payments on Barbados-dollar denominated instruments. All interest falling due and accruing through 30 September 2018 will be capitalised and added to the principal amount of new instruments offered in the exchange. Interest on the new instruments accrued retroactively from 30 September 2018.

On 30 October 2018, Barbados announced that holders of 97% of the aggregate principal amount of all outstanding Barbados dollar-denominated debt eligible to participate in the Domestic Exchange Offer accepted the offer, including holders of SOE debts guaranteed by the Government, as described below. Pursuant to the Debt Holder (Approval of Debt Restructuring) Act, 2018, all claims eligible to participate in the Domestic Exchange Offer were restructured in accordance with the terms of the offer.

Domestic Debt Instruments and Arrears of SOEs and Guaranteed Claims

Barbados has given guarantees of various indebtedness of SOEs and certain entities that receive transfers from the Government budget. Barbados’ approach to the debts owed by SOEs and other entities to commercial creditors has been focused on drawing a distinction between those entities that were not financially viable in the absence of budgetary transfers from the Government and those that were deemed to be self-sufficient on the basis of their own operations.

For self-sufficient SOEs and government-supported entities, creditors of these entities released the Government guarantees with the SOE obligor remaining unchanged pursuant to the Domestic Exchange Offer. Debts of self-sufficient SOEs were not otherwise altered or reprofiled.

For non-self-sufficient SOEs and government-supported entities, the Government assumed these debts and restructured the debts on the same terms as Barbados dollar-denominated Government bonds and Debentures in the Domestic Exchange Offer, as described above.

External Debt

Commercial Loans and External Bond Indebtedness

Due to Barbados' international reserve position and the Central Bank's projections for further declines, Barbados ceased servicing all of its external commercial loans and external bond indebtedness on 1 June 2018.

Pursuant to this Invitation, on 5 November 2019 Barbados has launched this Invitation to holders of Eligible Claims to offer to exchange their Eligible Claims for the Consideration as described herein. In parallel, also on 5 November 2019 Barbados launched an invitation to offer to exchange (a) U.S.\$225,000,000 of Barbados' outstanding loans; (b) Fixed Rate Non-Callable Guaranteed Bonds 2007-2022 issued by the Barbados Transport Board and Fixed Rate Non-Callable Guaranteed Bonds 2007 – 2022 issued by Barbados Agricultural Management Co. Ltd.; (c) Class B Fixed Rate Bonds due 2019 issued by the Government of Barbados (ISIN XS0441235255); and (d) Class B Fixed Rate Bonds due 2019 issued by the Government of Barbados in definitive form, each as described more fully in the invitation memoranda relating to the Parallel Exchanges. The launch of the invitations is in furtherance of the Government's 1 June 2018 announcement of its intention to seek a comprehensive restructuring of Barbados' debt, including the Domestic Exchange Offer, and follows many months of good faith discussions with the Barbados creditors' committee.

USD-Denominated, Barbados Law Governed Claims

Separately from this Invitation and the Parallel Exchanges, Barbados intends to invite holders of certain USD-denominated, Barbados law governed claims to exchange those instruments for new Barbados dollar-denominated instruments.

Bilateral and Multilateral Indebtedness

Bilateral and multilateral claims have been serviced on time.

BARBADOS

History

The Arawaks were the first known inhabitants of Barbados, all of whom had departed Barbados by the time British colonists first settled at Holetown on the west coast of the island in 1627. Ten years later, sugar cane was introduced to the island. Barbados became the first British territory to establish large sugar cane plantations. Barbados remained a British colony until 1966, when independence from the United Kingdom was granted by the Barbados Independence Act 1966. Barbados is a member of the Commonwealth of Nations, a voluntary association of 53 sovereign states. Since independence, Barbados has experienced political stability.

Geography and Population

Barbados is the most easterly of the Caribbean islands, situated approximately 300 miles off the north coast of South America. The island comprises a total landmass of 166 square miles. The topography is relatively flat and composed mostly of coral. The highest point on the island is Mount Hillaby, at 336 metres (1,104 feet) above sea level. The climate is tropical, tempered by trade winds, with daytime temperatures typically in the range of 80 to 85 degrees Fahrenheit (27 to 29 degrees Celsius). A cool, dry period between December and March is followed by a warmer, rainy period from April to November. Barbados is located in an active geologic zone and in one of the most hurricane-prone regions of the world.

Between the population census in 2000 and the latest census in 2010, Barbados' population increased at an average annual rate of approximately 0.34%. According to the World Bank, the estimated total population of Barbados was 285,719 as of 31 December 2017, an increase of 2.84% compared to 277,821 as of the 2010 population census.

The World Bank estimated that 68% of Barbados' population lived in rural areas in 2010, an increase of 2 percentage points compared to 2000, while 32% of the population lived in urban areas.

Bridgetown, the capital of Barbados and the country's largest urban centre, is situated on the southwest coast of the island and, with its surrounding areas, had a population of approximately 89,630 as of the 2010 census.

Based on the World Bank's data, the country's population density is estimated at approximately 664.5 persons per square kilometre, compared to an average population density of 17.9 for small states in the Caribbean, as classified by the World Bank.

English is the official language of Barbados.

The Constitution of Barbados (the "*Constitution*") provides for religious freedom. Over one hundred religious denominations, predominantly Christian, are represented in Barbados.

Infrastructure

Barbados' infrastructure includes a road network of over 980 miles, including a multi-lane highway extending from the airport at the southeast of Barbados to the seaport on the west coast. Electricity and water are available in most households and a modern telecommunications network infrastructure is currently operated by telecommunications network providers, including Cable & Wireless (Barbados) Ltd. (trading as Flow) and Digicel (Barbados) Ltd.

Social Development

Barbados is generally classified as a middle-income developing country.

The following table sets forth the latest selective comparative statistics published by the International Bank for Reconstruction and Development (the “*World Bank*”) and the United Nations Development Programme (the “*UNDP*”) for Barbados and other countries in the Caribbean.

Table No. 2
Selected Social Development Indicators (2016)

	<u>Barbados</u>	<u>Grenada</u>	<u>Trinidad and Tobago</u>	<u>St. Lucia</u>	<u>Saint Vincent and the Grenadines</u>	<u>Saint Kitts and Nevis</u>	<u>Jamaica</u>	<u>Bahamas</u>
Per capita GDP ⁽¹⁾ ..	15,891.63	9,841.76	16,352.11	9,364.82	6,982.26	16,596.83	4,883.86	30,260.31
Infant mortality rate ⁽²⁾	12.3	16.0	18.5	13.3	16.6	9.3	13.5	6.1
Life Expectancy at birth ⁽³⁾	75.906	73.659	70.673	75.496	73.179	71.337	75.97	75.675
Human Development Index Rank.....	58	75	69	90	99	72	97	54
Average Years of Schooling ⁽⁴⁾	9.2	n.a.	10.6	n.a.	n.a.	n.a.	13.2	12.8

n.a. = Not available.

- (1) Figures are in U.S. dollars adjusted for purchasing power parity. Per capita GDP for Barbados will not match Barbados’ per capita GDP shown elsewhere in this document but is used here to provide a consistent basis for inter-country comparisons.
- (2) Infant mortality per 1,000 live births.
- (3) Figures as of 2002 for Dominica and Saint Kitts and Nevis.
- (4) Figures as of 2013.

Source: *World Bank*

For many years, Barbados has emphasised the development of its human resources, resulting in a literate and trained labour force. The 2009 Human Development Report UNDP study ranked Barbados 37th in overall quality of life (based on 2007 UNDP human development index values) and estimated its literacy rate at 99.7% as of 2017.

The Barbados educational system is modelled on the British system, and children are legally required to attend school up to the age of sixteen. Three levels of public education are available in Barbados, including a campus of the University of the West Indies (the “*UWI*”) located at Cave Hill. Education is funded almost entirely by the Government, from primary school to the undergraduate level and the Government contributes to the costs of the UWI. The fees paid by Barbadian citizens attending the Cave Hill campus are nominal.

Healthcare

Healthcare in Barbados is funded almost entirely by the Government. Free treatment for citizens and permanent residents of Barbados is provided at Barbados' largest hospital, Queen Elizabeth Hospital in Bridgetown, which provides a variety of medical services. Barbados' second largest hospital, Bayview, is private and charges patients for services. Barbados has a number of smaller district medical clinics, some of which also provide dental services. The standard of healthcare is high compared to other developing and Caribbean countries, and limited Government funding is also available for overseas treatment. In addition to Bayview, there are a number of other private medical clinics on the island. The Government has acted promptly to establish healthcare and prevention programmes and has received U.S.\$15.0 million and U.S.\$35.0 million in 2003 and 2009, respectively, from the World Bank under the HIV/AIDS phase 1 and phase 2 loan programmes.

Immigration

The Immigration Act of Barbados grants foreign residents in Barbados who can evidence ability to support themselves and their dependents the status of immigrant in the first instance and, upon application five years thereafter, the status of permanent resident. Barbados' immigration policy is focused on maintaining and strengthening the Government's economic base, ensuring the safety and security of the Barbadian people and embracing internationally accepted levels of governance.

Form of Government

General

Barbados' current form of government was established by the Constitution, which took effect pursuant to the Barbados Independence Act in 1966. The Constitution was founded on the British Westminster model of parliamentary democracy and provides that Barbados' Government comprises the elected House of Assembly and an appointed Senate. The Constitution also guarantees certain fundamental rights and freedoms.

Amendments to the Constitution can be passed either: (i) by a simple majority of each house of parliament or (ii), in the case of changes to certain fundamental provisions, including those relating to citizenship, fundamental rights and freedoms of the individual, the judicature, public service, national finance and certain provisions relating to the Governor General and Parliament, by a two-thirds majority of each house of Parliament. There is no requirement that constitutional amendments be approved by a referendum.

As part of the Commonwealth of Nations, Queen Elizabeth II of the United Kingdom is the head of state of Barbados and is officially titled Queen of Barbados. Queen Elizabeth II is represented in Barbados by a Governor General, who is appointed on the recommendation of the Prime Minister of Barbados (the "*Prime Minister*"). The constitutional functions of the Governor General are, in most cases, of formal or ceremonial nature.

There is no local or municipal government on the island.

Legislature Branch

The Parliament, unless dissolved earlier, continues for five years from the date of the most recent general election. The Constitution provides for an Electoral and Boundaries Commission, which directs and supervises the determination of the number, sizes and boundaries of constituencies, the registration of

voters and the conduct of elections in every constituency. Barbados is currently divided into thirty constituencies.

Barbados' House of Assembly consists of thirty members elected in accordance with the provisions of the Constitution and the Representation of the People Act Cap. 12.

Of the twenty-one seats in the Senate, twelve are appointed by the Prime Minister, seven are appointed by the Governor-General and two by the leader of the opposition.

Since independence in 1966, two parties, the Barbados Labour Party (the “BLP”) and the Democratic Labour Party (the “DLP”), have dominated politics in Barbados. The DLP held the majority in the House of Assembly during the decade after Barbados' independence, then BLP controlled the House of Assembly for the following two terms from 1976-1986. In 1986, the DLP, once again, held the majority, until 1994 when the balance shifted in favour of the BLP. The BLP maintained its majority in the House of Assembly until the DLP won twenty out of the thirty seats in 2008. In the recent 2018 election, the BLP won a sweeping victory, capturing all thirty seats in the House of Assembly. Other active parties include the United Progressive Party (the “UPP”), Solutions Barbados (“SB”) and three others.

The present government, which was formed by the BLP and is led by Prime Minister Mia Amor Mottley, came to office in 2018. As of the date of this invitation memorandum the BLP has 29 seats in Parliament and the opposition holds one seat. Under the Constitution, the next general election in Barbados is required to take place no later than August 2023 but can be called sooner by the Prime Minister.

Executive Branch

The Prime Minister is appointed by the Governor General as the member of the House of Assembly best able, in the judgment of the Governor General, to command the confidence of a majority of the House of Assembly.

The Constitution provides for a cabinet consisting of the Prime Minister and not fewer than five other ministers (the “Cabinet”). As of the date of this invitation memorandum, the Government led by the Prime Minister is supported by 25 Ministers.

The Cabinet is the principal organ for the formulation and implementation of government policy. It is charged by the Constitution with the general direction and control of the Government and is collectively responsible to the Parliament. Members of the Cabinet are appointed by the Governor General on the advice of the Prime Minister. The Constitution further provides that there shall be a leader of the opposition, also appointed by the Governor General.

Judicial Branch

The judicial system of Barbados is based on the English common-law system and is comprised of a four-level court structure. Among the three domestic courts, there are Magistrates' Courts, which serve as courts of summary jurisdiction. The other two domestic courts, the Court of Appeal and the High Court, are collectively referred to as the Supreme Court of Barbados. The High Court consists of a civil, criminal and family division, and judges of the High Court may sit in any division. Appeals of Magistrates' Court and High Court decisions are heard in the Court of Appeal, which exercises both criminal and civil jurisdiction. Final appeals are made to the Caribbean Court of Justice (the “CCJ”), a Caribbean Community (“CARICOM”) institution based in Trinidad and Tobago. Barbados is currently

one of four CARICOM Member States, along with Belize, Dominica and Guyana, that recognise the CCJ as their final appellate court.

Foreign Affairs, International Organisations and International Economic Cooperation

Barbados has diplomatic ties with 107 countries. Barbados is a member of the United Nations, the Commonwealth of Nations, CARICOM, the Caribbean Development Bank (the “CDB”), the Regional Security System (the “RSS”), the Association of Caribbean States (the “ACS”), the African, Caribbean and Pacific Group of States (the “ACP”), the Alliance of Small Island States (the “AOSIS”), the Caribbean Disaster Emergency Management Agency (the “CDEMA”), the United Nations Economic Commission for Latin America and the Caribbean, the Caribbean Tourism Organization, Inter-American Development Bank, International Criminal Police Organization (“Interpol”), the Latin American and the Caribbean Economic System (“SELA”), Non-Aligned Movement (“NAM”), the Organization of American States (the “OAS”) and the International Criminal Court.

Barbados has been recognised by most members of the United Nations and maintains diplomatic missions in the United States, Canada, the United Kingdom, Belgium, Switzerland, China, Cuba, Brazil and Venezuela.

A resident High Commissioner (distinct from the Governor General, who represents the British monarch) represents the United Kingdom in Barbados. There are also various other members of the United Nations with Embassies, High Commissions and Consulates in Barbados.

THE ECONOMY

General

Barbados is a small, diversified, service-based economy with an educated workforce, solid social and economic infrastructure and a historically stable growth performance due in part to high levels of human development and continued political stability. The economy is driven by private enterprise with the Government playing a crucial role in the provision of social services and physical infrastructure. According to the United Nations, Barbados' GDP per capita was U.S.\$15,687.20 in 2018, compared to an average of U.S.\$11,697.00 for select CARICOM member countries.¹

Gross Domestic Product

The following table sets forth the rate of growth of real GDP by economic sector for the years indicated.

Table No. 3
Real GDP Growth by Sector⁽¹⁾

	2014	2015	2016	2017	2018
	<i>(per cent change against prior year)</i>				
Traded sector	(0.3)	6.5	6.0	3.4	3.9
Sugar	(16.2)	(19.9)	(29.0)	59.0	12.0
Non-sugar agriculture and fishing.....	(1.6)	1.6	0.2	(5.3)	14.9
Manufacturing	(4.3)	4.8	(1.3)	1.6	0.5
Tourism	1.9	7.8	9.8	4.6	4.2
Non-traded sector	0.1	1.3	1.7	(0.2)	(1.7)
Mining and quarrying.....	39.1	29.9	(13.2)	25.6	2.4
Electricity, gas and water	0.2	(1.8)	0.7	(1.9)	(0.3)
Construction	1.4	(1.2)	(2.6)	2.1	(6.4)
Wholesale and retail trade ⁽²⁾	(3.8)	3.4	(1.0)	(3.7)	(3.8)
Government services	(6.8)	(3.3)	(1.1)	0.1	(1.6)
Transportation, storage and communications.....	3.5	0.6	9.5	(1.8)	(2.6)
Business and other services ⁽³⁾	2.1	3.0	1.6	(0.8)	(0.2)
Total	(0.0)	2.4	2.6	0.6	(0.4)

(1) Based on GDP calculated in constant 2010 Barbados dollars (U.S. dollar equivalent).

(2) Includes establishments engaged in wholesale and retail merchandising (such as restaurants, artisanal shops, grocery markets, general tourism and beach products) and the sale of items produced by the manufacturing sector (such as electronic components, chemicals, garments and textiles, paint, paper products, furniture, edible oils, soap and food products).

(3) Includes international business and financial services, other businesses and data and information technology services.

Source: Barbados Statistical Service

¹ The CARICOM countries are The Bahamas, Jamaica, Trinidad and Tobago, Guyana, Belize, Haiti and the Eastern Caribbean Currency Union.

The following table sets forth the composition of Barbados' of real GDP by economic sector, in U.S. dollars and in percentage terms, for the periods indicated.

Table No. 4
Real GDP by Sector⁽¹⁾

	%	2014	%	2015	%	2016	%	2017	%	2018	%
<i>(In millions U.S. dollars and as a percentage of total GDP)</i>											
Traded sector	21.4	820.2	22.3	873.1	23.0	925.4	23.6	956.6	23.6	930.7	23.3
Sugar	0.1	3.0	0.1	2.4	0.0	1.7	0.1	2.7	0.1	3.0	0.1
Non-sugar agriculture and fishing.....	1.4	51.9	1.3	52.7	1.3	52.8	1.2	50.1	1.2	57.5	1.4
Manufacturing..	6.1	234.4	6.3	245.7	6.0	242.6	6.1	246.4	6.1	247.7	6.1
Tourism	13.9	530.9	14.6	572.4	15.6	628.3	16.2	657.4	16.2	685.2	17.0
Non-trade sector .	78.6	3,009.4	77.7	3,050.0	77.0	3,100.6	76.4	3,095.1	76.4	3,041.9	75.4
Mining and quarrying	0.4	14.4	0.5	18.7	0.4	16.2	0.5	20.4	0.5	20.9	0.5
Electricity, gas and water	2.9	110.7	2.8	108.7	2.7	109.5	2.7	107.4	2.7	107.1	2.7
Construction	6.6	250.8	6.3	247.8	6.0	241.4	6.1	246.5	6.1	230.8	5.7
Wholesale and retail trade ⁽²⁾	10.0	383.7	10.1	396.9	9.8	392.9	9.3	378.5	9.3	364.1	9.0
Government services.....	11.7	447.0	11.0	432.3	10.6	427.4	10.6	427.8	10.6	420.9	10.4
Transportation, storage and communications	12.6	483.5	12.4	486.3	13.2	532.6	12.9	522.8	12.9	509.0	12.6
Business and other Services ⁽³⁾	34.4	1,319.3	34.6	1,359.2	34.3	1,380.6	34.4	1,391.8	34.4	1,389.1	34.4
Total.....		3,829.6		3,923.2		4,026.0		4,051.7		4,035.3	

Note: Numbers may not total due to rounding.

(1) Based on GDP calculated in constant 2010 Barbados dollars (U.S. Dollar equivalent).

(2) Includes establishments engaged in wholesale and retail merchandising (such as restaurants, artisanal shops, grocery markets, general tourism and beach products) and the sale of items produced by the manufacturing sector (such as electronic components, chemicals, garments and textiles, paint, paper products, furniture, edible oils, soap and food products).

(3) Includes international business and financial services, other businesses and data and information technology services.

Source: Barbados Statistical Service

The strength of private investment enabled the Barbados economy to achieve an average real GDP growth rate of 2.9% per annum between 1993 and 2000, while the population size remained relatively unchanged. In 2001, the Barbados economy contracted by an estimated 2.3% as a result of the depressed world economy and the negative consequences of the 11 September 2001 terrorist attack, which temporarily weakened the performance of the tourism sector. From 2002 through 2008, the Barbados economy registered average real GDP growth of 2.2%, as the tourism sector recovered and new private sector investment was registered. Between 2008 and 2018, real GDP declined on average by 2.4%, particularly in 2009 when real GDP fell by 7.2% in the wake of the global economic and financial

crisis. The economy saw a modest recovery between 2014-2017 as real growth averaged 1.4% due primarily to strong tourism growth.

In 2018, the Barbadian economy contracted by 0.4%, compared to marginal growth of 0.6% in 2017, primarily due to the impact of tighter fiscal policy and a slowdown in the tourism and construction sectors during the second half of the year. The Barbadian economy continued to face challenging macroeconomic conditions during 2018 given the increased risks created by declining international reserves, the threat of rising international oil prices and limited access to new financing for the Government. The Government implemented initiatives to address these challenging economic conditions through an intensification of fiscal consolidation efforts and structural reforms aimed at stimulating economic growth.

Business and other services (of which international business and financial services are the principal components), tourism, and transportation, storage and communications are the main sectors of the Barbados economy, accounting for approximately 34.4%, 17.0% and 12.6% of real GDP in 2018, respectively. These three sectors are also Barbados' largest sources of foreign-exchange earnings and corporate tax revenue and, tourism in particular, contribute to other areas of the Barbadian economy, particularly, wholesale and retail trade and construction.

Principal Sectors of the Economy

Tourism

Tourism is a very important sector of the Barbadian economy. In addition to its year-round warm Caribbean climate and white sandy beaches, Barbados offers a unique array of tourist attractions that distinguishes the island as an up-market destination, particularly for heritage, cultural and sport tourism, and attracted 678,538 visitors in 2018. On 25 June 2011, Historic Bridgetown and its Garrison was designated a UNESCO World Heritage site.

From 2014 to 2018, the tourism sector accounted for an average of approximately 15% of total real GDP and approximately 66% of traded sector real GDP. In 2018, tourism contributed U.S.\$685.5 million to real GDP, equivalent to 68.9% of traded sector real GDP and 17.0% of total real GDP, compared to U.S.\$657.4 million, 68.7% and 16.2% in 2017, respectively.

Tourism activity also contributes significantly to Barbados' foreign exchange earnings, accounting for spending of U.S.\$1,157.8 million in 2018, U.S.\$1,061.1 million in 2017 and U.S.\$1,020.1 million in 2016. The tourism sector also has multiplier or spill-over effects on other economic sectors, in particular, construction and wholesale and retail trade, and contributes to tourism-related private sector economic investment.

The following tables set out selected statistics relating to the tourism sector for the years indicated.

Table No. 5
Key Tourism Indicators

	Year ended 31 December				
	2014	2015	2016	2017	2018
Tourism real GDP (% change).....	1.9	7.8	9.8	4.6	4.2
Tourist arrivals (in thousands)	519.6	591.9	631.5	661.3	678.5
United Kingdom.....	186.8	214.2	218.6	217.4	220.7
United States	118.5	148.1	168.9	188.5	204.2
Canada.....	65.8	74.6	78.9	85.1	86.5
CARICOM	78.7	88.0	99.7	102.9	102.8
Other	69.7	67.2	65.3	67.3	64.3
Average length of stay (nights)*	9.2	9.0	8.8	8.7	8.6
Hotel room occupancy rate (%)	n.a.	68.6	68.4	67.9	66.2
Cruise ship passengers (in thousands)	557.9	586.6	594.1	681.2	615.0
Estimated tourist spending (in millions of U.S.\$).....	868.6	927.8	1,020.0	1,061.1	1157.8

* Excludes people staying at the homes of friends or relatives or people who stay in apartments or villas, which are not, for these purposes, recognised accommodation.

n.a. = Not available.

Source: Barbados Statistical Service and Central Bank of Barbados

The country of origin for tourist visitors to Barbados has changed over the last 30 years. The main source of visitors was Canada in the 1970s, the United States in the 1980s and the United Kingdom in the 1990s and over the last two decades.

With the exception of the UK and North American markets, declines in tourist arrivals were recorded from other traditional source markets in 2018. Arrivals from the United States, Canada and the United Kingdom rose by an estimated 8.3%, 1.6% and 1.5%, respectively compared to 2017, mainly due to increased flights and associated marketing in these markets. In 2018, visitors from the United States and Canada accounted for 30.1% and 12.7% of long-stay arrivals, while the United Kingdom and CARICOM accounted for 36.6% and 15.2% of long-stay arrivals, respectively.

The following table provides information regarding air service to and from Barbados as of 31 December 2018 by principal tourist departure city.

Table No. 6
Air Services to and from Barbados

Location	Air Service Provider
New York	American Airlines Jet Blue Airways
Miami	American Airlines
London	British Airways Virgin Atlantic Thomas Cook Airlines
Montreal	Air Canada
Toronto	Air Canada West Jet Airlines
Germany	Condor Airlines
Latin America	Copa Airlines

Source: Barbados Tourism Marketing Incorporated

Barbados also serves as a port of call for the following major cruise operators, among others: Princess Cruises, Royal Caribbean Cruise Lines, Carnival Cruise Lines, Norwegian Cruise Lines and Disney Cruise Lines.

Cruise ship passengers reached 614,993 in 2018, a decline of 9.7%, compared to growth of 14.7% in 2017 when there were increased cruise ship calls. Cruise ship passenger arrivals increased during 2016 and 2015 by 1.3% and 5.2%, respectively.

As of end of December 2018, total tourist accommodation, which includes registered hotels, villas and guest houses, in Barbados was approximately 6,573 rooms.

The tourism sector in Barbados has traditionally been dominated by luxury hotels on the west coast, such as the Sandy Lane Hotel, Glitter Bay and the Royal Pavilion. There are also ongoing projects and plans to develop major hotel projects on the east and west coasts and in Bridgetown, including the Sandals Beaches, Hyatt Hotel and the Wyndham Resort.

The Barbados Tourism Marketing Incorporated (the “BTMI”) aims to maintain market diversity by targeting niche markets in addition to the traditional markets of the United States, Canada and other CARICOM countries. The BTMI also seeks to enter new markets in Brazil and other South American countries and to bolster Barbados’ profile in Germany and other European nations. Although the BTMI intends to continue to focus primarily on the luxury market, its aim is to develop the upper-end of the budget market in a complementary manner. This aim will be pursued through improvements to all classes of hotels, an increase in the number of available rooms for visitors, improvements to infrastructure and a variety of events and recreational facilities for different tourist segments.

Business and Other Services

Business and other services comprises of international business and financial services, insurance, other businesses and data and information technology services. In 2018, this sector represented 34.4% of real GDP, as compared to an average of 34.4% of real GDP over the 2014-2017 period.

International Business and Financial Services

International business and financial services are the principal components of the general businesses, financial and other services sector. Historically, the international business and financial services encompasses international business companies, international banks, exempt insurance companies and exempt insurance management companies, and societies with restricted liability, as discussed in more detail in “–Banking” and “–Insurance” below. The international business and financial services sector benefits from the well-educated, skilled labour and modern telecommunications facilities available in Barbados.

The international business and financial services sector generates revenue primarily through collection of corporate taxes and, to a lesser extent, on government fees for new licences.

International Business Companies

An important key component of the business and other services sector is licensing under the International Business Companies Act 1991-24 (the “*IBCA*”). Pursuant to the previous *IBCA*, international business companies (“*IBCs*”) conducted activities other than insurance-related and banking-related business. These permitted activities include manufacturing, marketing and global management services. During 2018, 237 new *IBC* licences were issued, a reduction from the 293 issued in 2017 and 346 in 2016.

Effective January 2019, all domestic and international business companies operating in Barbados will become regular Barbadian companies. This change in the corporate tax system was accomplished in December 2018 when the Barbados Government repealed several laws, including the International Business Companies (*IBC*) Act and the International Societies with Restricted Liability (*ISRL*) Act. These Acts previously made provisions for licensed entities to be taxed at corporate rates ranging between 0.25% and 2.5%, depending on the level of their respective profits. Currently, all *IBC*’s and *ISRL*s became regular Barbados companies and entities and can conduct business locally, regionally, and internationally, under corporate tax rates of between 1% and 5.5%.

The following table sets forth the number of new licences in international business and financial services for the years indicated.

Table No. 7
New Licences Issued in International Business and Financial Services *

	Year ended 31 December				
	2014	2015	2016	2017	2018
International Business Companies	442	365	346	293	237
Exempt Insurance Companies.....	11	10	9	12	7
Exempt Insurance Management Companies	1	3	1	1	1
Societies with Restricted Liabilities.....	30	38	117	59	56
International Banks	2	0	0	0	0
Total.....	486	416	473	365	302

* The information included herein relates to new licences issued only and not to the continued existence or operating status of the relevant entities.

Source: Central Bank of Barbados, Ministry of International Business and International Transport

International Banking

Banking institutions licensed under the previous International Financial Services Act are a key component of the international business and financial services sector. International banks in Barbados accept deposits, sell and place foreign securities and provide loans to businesses abroad. They also accept foreign currencies, securities and other overseas property in trust. From 2014 to 2018, the number of international banks in Barbados declined from 40 in 2014 to 22 in 2018. This decrease in the number of international banks was mainly due to a reduction in the tax incentives available to these companies resulting from changes to the Canadian tax system.

The International Financial Services Act, which previously governed the operations of international banks, was repealed and the Financial Institutions Act amended to require the licencing of institutions conducting business that generates solely foreign currency. There will be four classes of licences under the amended Financial Institutions Act: Class 1 —commercial banks; Class 2 — trust companies, finance companies, merchant banks, and money or value transmission service providers; Class 3 —financial holding companies; and Class 4 —foreign currency earning banks.

Insurance

The insurance segment includes life insurance, exempt insurance and exempt insurance management companies. Exempt insurance companies (“EICs”) are incorporated under the Companies Act of Barbados and must apply for a licence under the 1983 Exempt Insurance Act. EICs’ activities are restricted to risks and premiums originating outside Barbados. EICs include underwriters, brokers, agents, dealers or salesmen. EICs are licensed, regulated and supervised by the Financial Services Commission (the “FSC”). In 2015, three additional exempt insurance companies were registered, and only two additional companies were registered in the ensuing two-year period from 2016 to 2017.

To converge all corporate tax rates to avoid the categorisation of being a preferential tax regime, Barbados repealed the Exempt Insurance Act. As of 1 January 2019, all insurance entities now come under the Insurance (Amendment) Act, 2018-52, providing for three classes of licence. Class 1 includes insurance companies insuring related-party risks. Class 1 licensees pay a licence fee and are subject to 0 per cent. tax. Class 2 includes all other insurance companies that insure or reinsure risks of third parties. Class 2 licensees are taxed at a rate of 2 per cent. on taxable income. Class 3 includes insurance intermediaries, insurance management companies and insurance holding companies. Class 3 licensees are also taxed at 2 per cent. on taxable income.

International Tax Treaty Network

Barbados has established a treaty network to capitalise on the economic growth of its principal trading partners and enhance its appeal as destination for foreign direct investment. Barbados has double tax agreements with Austria, Botswana, Canada, CARICOM, China, Cuba, Finland, Malta, Mauritius, Mexico, the Netherlands, Norway, Seychelles, Sweden, Switzerland, the UK, the USA, and Venezuela. There is also a regional double taxation agreement amongst the member states of CARICOM. Barbados also has bilateral investment treaties with the United Kingdom, Mauritius, Venezuela, Germany, Switzerland, Italy, Cuba, Canada and China.

Manufacturing

The manufacturing sector accounted for 6.1% of real GDP in 2018, on par with the output share in 2017 and an average of 6.1% for the period from 2014 to 2016. The manufacturing sector in Barbados comprises mainly of light industry, including production of electronic components, chemicals, garments

and textiles, paint, paper products, furniture, edible oils, soap and processed food products. The main agro-industries are sugar products and rum distilling.

Output in the manufacturing sector increased by 0.5% in 2018, compared with growth of 1.6% in 2017, primarily due to lower production of beverages and tobacco, food processing and chemical products.

The Government continues to support the manufacturing sector's modernisation of existing plants, reduction in unit production costs and increases in productivity. The Government encourages manufacturers to restructure and diversify their production systems and to discard outdated plant and equipment to be able to compete internationally. Through the Barbados Investment and Development Corporation (the "*BIDC*"), the Government provides a technical assistance programme for activities relating to plant upgrading, product design and training.

A key by-product of the sugarcane industry in Barbados is rum, which has been manufactured and distilled on the island for over 300 years. Mount Gay Rum, which is majority-owned by Remy Martin, and Cockspur Fine Rum, ESA Field and Four Square Spiced Rum, which are all locally-owned, have distilleries in Barbados that produce rum for domestic and export markets. The principal export markets are Canada, the United States, the United Kingdom and the European Union. Barbados exported U.S.\$39.9 million of rum in 2018, compared to U.S.\$42.0 million in 2017 and an average of U.S.\$38.8 million from 2014 to 2016.

Agriculture and Fishing

Agriculture and fishing, and in particular sugar, have historically played a larger role in the Barbados economy. However, in recent decades, agriculture accounts for a relatively small proportion of real GDP, 1.4% of real GDP in 2018, which is on par with the average share of 1.3% from 2014 to 2017.

The following table shows the production of selected agricultural products for the years indicated.

Table No. 8
Production of Selected Agricultural Products

	Year ended 31 December				
	2014	2015	2016	2017	2018
Sugar cane ⁽¹⁾	15.6	10.4	7.0	10.1	11.6
Poultry ⁽²⁾	14,391.9	16,134.1	14,896.8	15,805.3	16,465.6
Milk ⁽²⁾	3,724.5	3,920.6	3,412.0	3,646.6	3,599.5

(1) Thousands of tonnes.

(2) Thousands of kilograms.

Source: Central Bank of Barbados, Barbados Sugar Producers Association Inc., Pine Hill Dairy Sugar

Sugar

Although sugar production accounted for less than 1% of real GDP in 2018, the sugar industry generates important foreign exchange earnings. Sugar plantations also reduce soil erosion, preserve a rural society and provide significant employment. Sugar production in 2018 was 11.6 thousand tonnes, compared to 10.1 thousand tonnes in 2017, and an average production level of 11.0 thousand tonnes from 2014 to 2016.

Over the past two decades, profitability of the sugar industry has been in chronic decline, resulting in a decrease of land under sugar cultivation, but the Government has continued its efforts to restructure and preserve the industry.

Non-Sugar Agriculture and Fishing

The non-sugar subsector of agriculture and fishing includes vegetable and root crops, fruit, livestock, cotton and fishing. In 2018, non-sugar agriculture output accounted for 1.4% of real GDP, marginally above the average share of real GDP over the 2014 to 2017 period. The historical performance of this sub-sector tends to fluctuate, partially due to its sensitivity to weather conditions.

Wholesale and Retail Trade

The wholesale and retail trade sector encompasses, among other things, restaurants, artisanal shops, grocery markets, department stores, general tourism and beach products and the sale of items produced by the manufacturing sector, including electronic components, chemicals, garments and textiles, paint, paper products, furniture, edible oils, soap and food products.

Wholesale and retail trade accounted for approximately 9.0% of total real GDP in 2018 and 9.3% in 2017, which was lower than the average of 9.9% of total real GDP from 2014 to 2016. Wholesale and retail trade fell by 3.8% in 2018, after contracting by 3.7% in 2017, principally due to the implementation of fiscal consolidation measures, including higher indirect taxes, which had a dampening impact on aggregate spending and economic activity.

Construction

Construction accounted for 5.7% of total real GDP in 2018, 6.1% of total real GDP in 2017 and an average of 6.3% of total real GDP from 2014 to 2016. Construction activity declined by an estimated 6.4% in 2018, following an increase of 2.1% in 2017 and an average decline of 0.8% from 2014 to 2016. The contraction of the construction sector was due primarily to a significant slowdown in both private and public building and infrastructure projects and delayed tourism-related projects.

Energy and Utilities

Energy

In 2018, Barbados produced approximately 218,300 barrels of crude oil domestically, compared to 233,500 barrels in 2017 and an average of 238,300 barrels from 2014 to 2016. Domestic production provides for approximately one-third of domestic consumption.

The Barbados National Oil Company Limited (the “BNOCL”), a statutory corporation, operates the oil and gas industry of Barbados and is monitored by the Energy Division. In 1996, BNOCL executed a 25-year production sharing agreement with Waggoner (Barbados) Ltd. whereby Waggoner (Barbados) Ltd. provides assistance in developing oil and gas resources, and developing challenging reservoirs in particular, in exchange for a majority of any incremental production provided from its development programmes and an equal voice in developing and implementing the joint venture’s operating plans.

Commercial processing of crude oil took place in Barbados from 1974 to early 1998 when the island’s only refinery was closed. Barbados previously exported its crude oil to Trinidad and Tobago for refining.

Utilities

The main state-owned public utility enterprises in Barbados are the Barbados Water Authority and the National Petroleum Corporation, which supplies natural gas. Barbados Light and Power Company Limited and FLOW (Barbados) Limited, are privately-owned utility enterprises and are regulated by the Fair Trading Commission.

Barbados has a modern telecommunications network infrastructure, with the latest digital technology and fibre optics systems, which are currently operated by the telecommunications network providers FLOW (Barbados) Limited and Digicel (Barbados) Ltd.

The Fair Trading Commission, established by the Fair Trading Commission Act, 2001-31, oversees utility regulation, consumer protection, and fair competition matters.

State-Owned Enterprises

As of 31 December 2018, the Government owned equity in the following entities:

Table No. 9
Enterprises Wholly- and Partially-Owned by the Government

100% Ownership	Partial Ownership
Arlington House Museum	Insurance Corporation of Barbados
Barbados Accreditation Council	LIAT Ltd.
Barbados Agricultural Credit Trust Ltd.	Southern Golf & Country Club
Barbados Agricultural Development and Marketing Corporation	Hotels & Resorts Ltd.
Barbados Agricultural Management Co. Ltd.	Enterprise Growth Fund Ltd
Barbados Cane Industry Corporation	Southern Meats Ltd
Barbados Community College Board of Management	Barbados Flour Mills
Barbados Concorde Experience	Barbados Agency for Micro Enterprise Development Ltd.
Barbados Conference Services Ltd.	
Barbados Deposit Insurance Corporation	
Barbados International Business Promotion Corporation	
Barbados Investment and Development Corporation	
Barbados National Oil Company Ltd	
Barbados National Standards Institution	
Barbados National Terminal Company Ltd.	
Barbados National Trust	
Barbados Ports Inc.	
Barbados Revenue Authority	
Barbados Tourism Investment Incorporated	
Barbados Tourism Marketing Incorporated	
Barbados Tourism Product Authority	
Barbados Vocational Training Board	
Barbados Water Authority	
Bush Hill Tourism Trust	
Caribbean Agricultural Research & Development Institute	
Caribbean Aircraft Handling Co. Ltd.	
Caribbean Airways International Ltd.	
Caribbean Broadcasting Corporation	
Caves of Barbados Limited	
Child Care Board	
Community Legal Services Commission	
Fair Trading Commission	
Financial Services Commission	
Grantley Adams International Airport Inc.	
Gymnasium Ltd.	
Kensington Oval Management Inc.	
National Assistance Board	
National Conservation Commission	
National Council on Substance Abuse	
National Cultural Foundation	

National Housing Corporation
 National Insurance Board
 National Petroleum Corporation
 National Sports Council
 Needhams Point Development Inc.
 Needhams Point Holdings Ltd.
 New Life Investment Company Inc.
 Queen Elizabeth Hospital
 Resolution Life Assurance Company Ltd.
 Rural Development Commission
 Sanitation Service Authority
 Student Revolving Loan Fund Management Committee
 Technical and Vocational Education and Training
 Council
 Transport Authority
 Transport Board
 Urban Development Commission

Employment and Labour

Employment

Barbados' average rate of unemployment for 2018 was approximately 10.1%, slightly higher than the comparable average rate for 2017. During the period 2014 to 2018, Barbados' labour force was approximately 144,600 persons and, on average, 128,900 persons were employed.

The following table sets forth the labour force size and unemployment data for the years indicated.

Table No. 10
Labour Force and Employment

	Year ended 31 December				
	2014	2015	2016	2017	2018
Labour force.....	142,200	144,600	147,200	144,300	142,500
% of adult population.....	63.9	65.1	66.5	65.4	64.8
Employed persons.....	124,700	128,200	132,900	129,900	128,100
% of labour force.....	87.7	88.7	90.3	90.0	89.9
Unemployed persons ⁽¹⁾	17,500	16,400	14,300	14,400	14,400
% of labour force.....	12.3	11.3	9.7	10.0	10.1

(1) To be considered unemployed, a person must be 15 years of age or over but less than 65 years, who is not currently working but who is willing, able and available to work and who has sought work within the preceding three months.

Source: Barbados Statistical Service

Unemployment benefits are paid by the NIS, a statutory corporation with a board of directors comprising representatives of the Government, the private sector and trade unions. The NIS operates a compulsory contributory unemployment scheme for persons employed in the private sector aged sixteen to sixty-seven. Permanent government employees and self-employed individuals are not eligible to unemployment benefits and not required to contribute. To receive benefits, an individual must have been actively insured for at least thirty-two weeks and made at least twenty contributions in the three

consecutive quarters ending with the quarter, or the quarter before, the individual became unemployed. If eligible, an individual receives unemployment benefits equivalent to 60% of his or her average insurable weekly earnings for a maximum of 26 weeks in a continuous period of unemployment or for an aggregate of 26 weeks in the 52 weeks immediately before the current week of unemployment.

Pensions

Private and public sector pensions in Barbados are paid by the NIS. The 15th Actuarial Review of the National Insurance Fund was undertaken to determine if the social security system in Barbados is operating on sound financial and actuarial bases and if the NIS provides adequate level of social security protection. The main findings were that the number of NIS contributors in 2014 declined sharply to its lowest level since 1998, while pay-outs for all pension-type benefits increased. As at December 2014, total National Insurance Fund (the “*NIF*”) reserves were \$4.7 billion, 8 times the expenditure in 2014. Outstanding contributions totalled \$224 million and the ratio of contributors to pensioners was 3.0 and is projected to fall to 2.3 by 2034. The Pensions Act provides for: (i) a 10% increase in contributions to the NIS for four consecutive years, (ii) the basing of contributory pensions on an average of the best five of the final fifteen years of a person’s contributions, (iii) indexing of NIS insurable earnings, (iv) an increase in the pensionable age from 65 to 67 over the period from 1 January 2006 to 1 January 2018 and (v) the introduction of flexible retirement/pensionable ages, with reduced pension benefits available as early as age 60 and a deferred pension with increased benefits of 6.0% per year for each year that a person works past the current pensionable age of 67 years, up to age 70. A revised law on pensions is expected in mid to late June 2019.

Trade Unions

The main trade unions in Barbados are (i) the Barbados Workers Union, representing public and private sector workers, (ii) the National Union of Public Workers, (iii) the Barbados Union of Teachers, (iv) the Barbados Secondary Teachers Union and (v) the Congress of Trade Unions and Staff Associations, which represents the interests of affiliate staff associations including the Police Association, the Fire Service Association, the Prison Officers Association and the Barbados Registered Nurses Association. In the last decade, there has been one major strike in Barbados.

Since 1993, the Government, representatives from the private sector and the main trade unions have agreed on successive protocols that provide parameters for sustainable wage policies in the economy. In each protocol, the signatories have reaffirmed their commitment to industrial harmony, continued collaboration and consultation. They also pledge to create a modern, efficient economy, establish some equilibrium between prices and wages, achieve a greater degree of inclusiveness and distribute the benefits of economic growth fairly and equitably.

FINANCIAL SYSTEM

Central Bank of Barbados

The Central Bank was established by Act of Parliament on 2 May 1972 and is governed by a Board of Directors, the members of which are appointed by the Minister of Finance. The Central Bank undertakes all of the traditional central bank functions, including the issuance of currency, management of net foreign assets and supervision of commercial banks and non-bank financial institutions. As the monetary authority of Barbados, the Central Bank is empowered to fix reserve requirements for commercial banks and implement other monetary policies.

The Central Bank also has responsibility for arranging the Government's capital market borrowings and monetary and financial sector development in the domestic economy through a number of financing schemes, including the export credit guarantee scheme and through the Industrial Credit Fund (the "*ICF*"). The export credit guarantee scheme covers pre-shipment financing requirements and post-shipment credit risks. Under the scheme, the Central Bank typically agrees to guarantee a commercial bank loan up to 80% of amounts advanced to an exporter to finance firm orders. Credit risks after shipment may be insured for up to 90% of gross invoice value. The ICF provides medium and long-term credit to productive enterprises operating mainly in the private sector through qualified financial institutions.

Financial Sector Supervision

Anti-Money Laundering

The Central Bank, along with other competent authorities in Barbados, has the responsibility to implement measures to combat money laundering and the financing of terrorism in Barbados and has issued Anti-Money Laundering/Combating the Financing of Terrorism ("*AML/CFT*") guidelines applicable to all commercial banks and non-bank financial institutions under its supervision. Other prudential supervisors, including the FSC and the Ministry of International Business and Industry, have also issued guidelines.

The Anti-Money Laundering Authority (the "*Authority*") was established under Section 8 of the Money Laundering and Financing of Terrorism (Prevention and Control) Act, 2011-23 (the "*MLFTA*"). The Authority was established to oversee the National AML/CFT framework and to supervise financial institutions in an effort to prevent money laundering and terrorist financing.

The administrative and supervisory functions of the Authority are carried out by the Financial Intelligence Unit (the "*FIU*") in accordance with Section 9(1) of the MLFTA. The FIU is responsible for the day-to-day work of the Authority and is the central, national agency responsible for collecting, analysing and disseminating suspicious and unusual transaction reports. AML/CFT guidelines were issued to designated non-financial businesses and professionals. In addition, a Financial Crimes Investigative Unit (the "*FCIU*") has been established within the Royal Barbados Police Force to investigate reports referred to it by the Authority.

In addition, Barbados plays an integral role in the Caribbean Financial Action Task Force (the "*CFATF*"), which aims to achieve effective implementation of, and compliance with, the FATF Recommendations to prevent and control money laundering and to counter the financing of terrorism and proliferation of weapons. The CFATF carries out its mandate primarily through a mutual evaluation process of member countries. Barbados assumed chairmanship of the CFATF for the second time in November 2018.

The CFATF's Fourth Round Mutual Evaluations process is underway, and five of the twenty-five member countries have been issued their reports. Barbados' Fourth Round Mutual Evaluation Report was issued in February 2018, and Barbados is committed to and is currently in the process of addressing the findings identified by the CFATF assessment team.

Commercial Banks, Non-Bank Financial Institutions and Foreign Currency Earning Banks

The Central Bank regulates and supervises commercial banks, non-bank financial institutions and foreign currency earning banks in Barbados. Prior to 1 January 2019, the International Financial Services Act (the "IFSA") regulated the operations of international banks. Effective 1 January 2019, international banks previously licensed under IFSA will be deemed to be foreign currency earning banks under the amended Financial Institutions Act Cap. 324 A as provided under Section 34 of the Financial Institutions (Amendment) Act 2018. All licensees are subject to several enforceable guidelines on corporate governance and key risk areas such as credit risk, liquidity risk and operational risk management.

The regulation and supervision of onshore and foreign currency earning banks (formerly international banks) largely reflect the Core Principles for Effective Banking Supervision. The Central Bank introduced a risk-based approach to supervision in 2007 and all licensees are subject to ongoing monitoring and risk-based onsite inspections.

Credit Unions and Insurance Companies

Non-bank financial institutions, including credit unions and insurance companies, are regulated by the FSC.

The Central Bank, as part of its consolidated supervision framework, has carried out joint inspections with the FSC in collaboration with the Authority of money service providers and the Barbados Automated Clearing House Services Inc.

Financial Sector Assessment Programme

The financial services sector in Barbados is also subject to the Financial Sector Assessment Programme (the "FSAP") conducted by the IMF. The last assessment was conducted in October 2013, and the report was issued in February 2014. The main findings of the report were that Barbados has a relatively well-developed financial system, including a large offshore sector. The onshore system is dominated by large, regionally active commercial banks. Banking services to the population are also provided by the credit union sector. With the weakening in its fiscal situation and growth prospects, Barbados faced macroeconomic vulnerabilities, which impacted the credit quality of domestic banks and credit unions.

Banking and Financial Institutions

Over the past five years, the Barbados financial system has expanded, on average 3% per year. As of 31 December 2018, total assets of the financial sector were reported as U.S.\$12.9 billion, representing approximately 251% of GDP.

The financial system is dominated by five commercial banks, which collectively hold 49.7% of total financial sector assets as of 31 December 2018. Commercial banks are followed by insurance companies, which hold 16.6% of total financial sector assets. Pension plans, mutual funds, credit unions and finance, trust and mortgage companies each accounted for less than 10% of the financial system's assets.

Cross-border linkages and international interconnectedness are key features of Barbados' financial landscape. Commercial banking is operated exclusively by foreign-owned banks. Barbados' major insurance companies operate both regionally and internationally, and the finance, trust and mortgage companies are subsidiaries either of other financial institutions or of other conglomerates.

The Barbados Deposit Insurance Corporation (the “*BDIC*”) was established in 2007 to provide insurance coverage up to \$25,000 on domestic currency accounts for depositors at commercial banks and finance and trust companies. The BDIC is intended to boost depositor confidence and contribute to the soundness and stability of the financial system.

The following table sets forth the number of entities in each category of the financial sector as well as each category's assets as a percentage of total financial sector assets for the years indicated.

Table No. 11
Structure of the Barbados Financial System

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Number of:					
Commercial Banks	6	5	5	5	5
Finance, Trust and Mortgage.....	12	13	13	13	12
Credit Unions	35	34	34	33	33
Insurance Companies	23	21	24	23	22
Pension Plans.....	304	300	303	310	279
Mutual Funds.....	20	19	16	16	23
Assets as a Percentage of Total Financial System Assets:					
Commercial Banks	54.5%	54.5%	53.6%	52.9%	51.3%
Finance, Trust and Mortgage.....	7%	7.1%	6.3%	6.3%	4.1%
Credit Unions	7.7%	7.9%	8.2%	8.7%	9.7%
Insurance Companies	13.4%	13.8%	14.6%	14.7%	17.0%
Pension Plans.....	9.2%	8.9%	9%	8.8%	9.4%
Mutual Funds.....	8.2%	7.9%	8.3%	8.7%	8.5%

Source: Central Bank of Barbados and Financial Services Commission

While commercial banks remain the dominant segment of the financial sector, the credit union segment has grown in importance in recent years and increased its penetration into the domestic credit and deposit markets from the provision of 16.9% of total credit in 2014 to 21.0% in 2018. In addition, credit unions have expanded their holdings of deposits in the financial system from 14.1% of total deposits in 2014 to 18.4% in 2018.

The following table sets forth the distribution of credit to the non-financial private sector, broken down by category of financial institution for the years indicated.

Table No. 12
Credit to the Non-Financial Private Sector by Financial Institutions

	2014	2015	2016	2017	2018
	<i>(In millions of U.S. dollars)</i>				
Commercial Banks.....	2,660	2,680	2,703	2,795	2885
Credit Unions	677	721	774	823	858
Finance, Trust and Mortgage Companies	485	479	463	455	342
Insurance Companies	170	164	161	167	
Total.....	3,992	4,044	4,101	4,240	4,084

Source: Central Bank of Barbados and Financial Services Commission

The following table sets forth the distribution of domestic deposits at financial institutions, broken down by category of financial institution for the years indicated.

Table No. 13
Domestic Deposits at Financial Institutions

	2014	2015	2016	2017	2018
	<i>(In millions of U.S. dollars)</i>				
Commercial Banks.....	3,974	4,267	4,236	4,308	4,308
Credit Unions	730	794	867	949	1,047
Finance, Trust and Mortgage Companies	473	482	415	427	328
Total	5,177	5,367	5,549	5,612	5,683
Currency in Circulation with the Public	341.2	331.6	362.2	372.8	389.6

Source: Central Bank of Barbados and Financial Services Commission

Domestic deposits at commercial banks grew marginally during 2018, as higher deposits placed at commercial banks by credit unions and other financial institutions were offset by a decline in the deposits of private individuals, reflecting the impact of the slowdown in the domestic economy. In 2018, liquidity in the banking system remained high. As of 31 December 2018, the excess liquidity ratio, which is defined as the ratio of excess cash and excess securities held at the central bank to total domestic deposits, stood at 16.5%, an increase from 14.1% as of 31 December 2017. In addition to private sector financial institutions, the Government provides low-cost financing to Barbadians for various purposes, including educational loans through the Student Revolving Loan Fund and loans to micro-enterprises and venture capital through the Barbados Agency for Micro Enterprise Development Ltd (FundAccess) and the Enterprise Growth Fund Ltd, respectively.

Monetary Policy

Exchange Controls and Foreign Exchange Rates

Since 7 July 1976, Barbados has maintained a fixed exchange rate of BDS\$2.00/U.S.\$1.00. The maintenance of the fixed exchange rate forms the anchor of Barbados' macroeconomic policy, which is supported by an exchange control regime primarily on capital account transactions. Under the Exchange Control Act, Cap. 71, the Minister of Finance has authority for the fixed exchange rate and designated the Exchange Control Authority, which delegates the exchange rate authority to the Central Bank. Exchange controls are intended to reduce uncertainty in the foreign exchange market and facilitate the orderly repatriation of foreign investment flows and the remittance of profits without disruption in the foreign exchange market.

In the early 1990s, the Central Bank gradually began liberalising its monetary policy, including the gradual loosening of exchange controls related to specific current account transactions up to prescribed limits. In addition, authorised dealers, which are commercial banks, trust companies and any institution licensed by the Exchange Control Authority to buy and sell foreign currency in Barbados, were granted delegated authority to undertake certain transactions on behalf of the Central Bank. This delegated authority is documented in the Exchange Control Circulars, which provide guidance to authorised dealers on the various exchange control matters. The Central Bank's policy of gradual loosening of the exchange control regime has abated in recent years, as the weak economic performance of the domestic economy dampened confidence, which could have contributed to a slowdown in foreign exchange flows.

Liquidity and Interest Rates

In 2006, the Central Bank introduced a foreign currency reserve requirement for commercial banks and, in 2009, the Central Bank also implemented a local reserve requirement for non-banking financial institutions registered under Part III of the Financial Institutions Act 1996-16.

In 2017, the Central Bank increased the securities reserve requirement ratio of commercial banks in three stages from 10% to 20%. This was subsequently lowered to 17.5% in November 2018. The market-determined Treasury Bill rate stabilised around 3% for 2016 and 2017 but subsequently fell to 0.5% in 2018, primarily due to the impact of the domestic debt exchange programme.

Interest Rates

In April 2015, the Central Bank announced its decision to discontinue the setting of the minimum savings deposit rate on individuals and non-profit organisations and to allow all interest rates to be market-determined. This policy stance led to sharp reductions in commercial bank deposit interest rates. Although there was a slowing in deposit growth following this announcement, liquidity, as measured by the excess liquidity ratio, in the banking sector remained elevated and reached 16.5% as of December 2018.

The following table sets forth selected interest rates for the years indicated.

Table No. 14
Interest Rates

	2014	2015	2016	2017	2018
			(per annum)		
Excess Liquidity Ratio	6.7%	10.6%	14.5%	14.1%	16.2%
Treasury Bill Rate	2.6%	1.8%	3.1%	3.2%	0.5%
Deposit Rates					
Minimum Deposit Rate ⁽¹⁾	2.5%	0.5%	0.2%	0.0%	0.0%
Weighted Deposit Rate	2.5%	0.4%	0.3%	0.2%	0.1%
Loan Rates					
Prime	7.7% - 8.1%	7.7% - 8.1%	7.7% - 8.1%	4.0% - 8.1%	4.0% - 8.1%
Average Lending	7.1%	6.8%	6.7%	6.6%	6.5%
Central Bank Discount	7.0%	7.0%	7.0%	7.0%	7.0%

(1) Market-determined from 2015.

Source: Central Bank of Barbados

Inflation

The Government believes that its commitment to a fixed exchange rate, as discussed under “—Exchange Controls and Foreign Exchange Rates,” has enabled the Barbados economy to maintain relatively low inflation rates.

In 2018, the average annualised inflation rate was approximately 3.7%, a decrease of 0.8 percentage points compared with the inflation rate in 2017, primarily due to the impact of the elimination of the National Social Responsibility levy, an indirect tax on imported goods and domestically produced manufactured goods, and the fact that international oil prices, although remaining high, reduced slightly during the latter half of the year.

Capital Markets

Barbados has a small but growing capital market. Government short- and medium-term debt instruments represent the principal instruments available to investors. See “Public Debt—Debt Statistics—Domestic Debt”. Most of the activity in these instruments takes place on the primary market, but commercial banks are able to manage their liquidity primarily through the buying and selling of Treasury Bills and through trades with the Central Bank.

As part of Barbados’ debt management programme, on 27 June 2018 the Ministry of Finance announced a moratorium on Treasury Bill auctions, which remains in place as of the date hereof. See “Recent Developments—Debt Strategy” for more information.

Stock Exchanges

The Barbados Stock Exchange (the “BSE”), formerly the Securities Exchange of Barbados, was re-incorporated on 2 August 2001 with the passage of the Securities Act 2001-13 (the “*Securities Act*”), which also enabled the establishment of the Barbados Securities Commission (the “*Commission*”), which on 1 April 2011, was subsumed by the FSC. The Commission is responsible for the regulation of

Barbados' capital markets, including all public companies, whether listed or not. The BSE is the only authorised stock exchange involved in the listing and trading of equity and debt securities in Barbados.

In addition, the International Securities Market (the “*ISM*”) is a trading platform established by the BSE for the purpose of trading international securities. The ISM is structured to operate as a separate market of the BSE, with a separate set of rules applied to membership, trading, clearing and settlement and listing of international securities.

In 2004, the Jamaica Stock Exchange, the Trinidad & Tobago Stock Exchange and the BSE signed a memorandum of understanding with the objective of developing an integrated system for the operation of the three exchanges and a common platform for the trading and settlement of transactions on these exchanges.

FOREIGN TRADE AND BALANCE OF PAYMENTS

Foreign Trade

Foreign Trade Performance

Barbados is not a significant merchandise exporter and has historically maintained large merchandise trade deficits. In 2018, Barbados' merchandise trade deficit was estimated at U.S.\$734.0 million, compared to a deficit of U.S.\$717.0 million in 2017 and an average trade deficit of U.S.\$767.5 million over the period 2014-2016. The marginal increase in the trade deficit in 2018 reflects primarily lower exports of manufactured goods compared to the decline in non-fuel imports.

Due to the small size of the domestic market, the focus of Barbados' export policy emphasises light industry with export potential, such as medical supplies, chemicals, electronic components, leather items, wooden furniture, electro-mechanical goods, sporting goods and quality apparel. Tax concessions and other incentives are also in place to encourage export manufacturing.

The following table sets forth Barbados' merchandise exports and imports for the years indicated.

Table No. 15
Exports and Imports

	Year ended 31 December				
	2014	2015	2016	2017	2018
	<i>(In millions of U.S. dollars)</i>				
Total domestic exports⁽¹⁾	269.7	243.2	252.3	254.8	255.1
Sugar	9.1	3.6	3.5	6.8	0.2
Rum	39.4	38.1	38.8	42.0	39.9
Electrical components	8.3	8.5	7.5	7.9	8.1
Chemicals	36.8	37.0	36.1	36.3	40.1
Other food and beverages	41.8	38.6	41.8	39.9	28.2
All other	134.4	117.3	124.5	122.1	138.5
Total imports⁽²⁾	1,739.1	1,618.1	1,621.5	1,600.2	1577.7
Consumer goods	690.9	688.1	742.7	689.9	667.2
Capital goods	264.9	288.9	287.7	269.8	237.2
Intermediate goods	776.6	634.0	584.8	635.2	668.2
Miscellaneous	6.8	7.1	6.3	5.3	5.2

(1) Exports are presented on a free-on-board basis ("FOB").

(2) Imports are presented on a cost, insurance and freight basis ("CIF").

Source: Central Bank of Barbados

Domestic exports of manufactured goods increased slightly by U.S.\$0.3 million in 2018, principally due to higher exports of chemical products and other manufacturing goods which rose by U.S.\$3.8 million and U.S.\$16.4 million, respectively. In contrast, exports of food and beverages, bulk raw sugar and rum decreased by U.S.\$11.7 million, U.S.\$6.6 million and U.S.\$2.1 million, respectively.

The following tables show the direction of trade for the periods indicated.

Table No. 16
Exports by Destination⁽¹⁾⁽²⁾

	Year ended 31 December				
	2014	2015	2016	2017	2018
	<i>(In millions of U.S. dollars)</i>				
USA	78.5	155.2	174.7	123.0	101.7
Canada	11.6	8.7	9.1	8.7	12.7
UK.....	16.7	14.0	16.2	15.9	8.4
CARICOM.....	168.6	156.4	160.8	161.3	167.2
Other countries.....	199.0	148.6	156.0	176.5	158.5
Total.....	474.4	482.9	516.8	485.4	448.5

(1) Includes goods imported for re-export.

(2) Exports are presented on a FOB basis.

Source: Barbados Statistical Service

Table No. 17
Imports by Origin⁽¹⁾⁽²⁾

	Year ended 31 December				
	2014	2015	2016	2017	2018
	<i>(In millions of U.S. dollars)</i>				
USA	562.1	574.0	590.4	574.1	534.2
Canada	40.8	38.2	36.6	38.0	33.5
UK.....	69.5	68.2	78.3	64.5	65.1
CARICOM.....	433.6	343.5	285.9	348.3	339.3
Other countries.....	633.1	594.1	630.3	575.3	605.7
Total.....	1,739.1	1,618.1	1,621.5	1,600.2	1577.9

(1) Includes goods imported for re-export. CIF means “Cost Insurance and Freight”.

(2) Imports are presented on a CIF basis.

Source: Barbados Statistical Service

During 2018, total imports of goods decreased by 1.4%, following a decline of 1.3% in 2017. Imports from the United States and Canada both declined in 2018 compared to 2017 by 7.0% and 11.8%, respectively. Imports from the UK and other countries rose by 0.9% and 5.3%, respectively, representing a reversal after contractions of 17.7% and 8.7%, respectively, during 2017.

In 2018, exports to Canada and CARICOM countries, of which Trinidad and Tobago accounted for a significant portion, increased by 46.0% and 3.7%, respectively, compared to the exports to these countries compared to 2017. In contrast, exports to the United States and the UK both declined by 17.3% and 47.2%, respectively, in 2018.

Trade Policy and Reform

Barbados has gradually liberalised its trade policy, both independently and in accordance with the agreements of the World Trade Organization (the “WTO”), with the primary aim of increasing the competitiveness of Barbados’ exports by opening up domestic production to foreign competition.

Barbados’ principal trade policy reforms over the past several decades include:

(i) liberalisation of the import-licencing regime on a selected number of extra-regional imports and a change from licencing regimes to tariffs agreed within the WTO. Certain goods remain subject to licencing for health and safety reasons. The elimination of import duties is subject to Barbados' obligations under the Revised Treaty of Chaguaramas. Prior authorisation must be secured from the CARICOM Council for Trade and Economic Development (the "*COTED*") for some products.

(ii) adherence to the rules regarding the Common External Tariff (the "*CET*") imposed by CARICOM countries on goods imported from non-CARICOM countries. The maximum CET rate for manufactured goods is currently 20% and the maximum rate on agricultural imports is 40%. Any changes to the CET, including the application of rates higher or lower than the CET, must be approved by the COTED.

(iii) the reduction of duties imposed on imports from third countries is possible through negotiated trading arrangements between CARICOM and those third countries. CARICOM has such arrangements with Venezuela, Colombia, the Dominican Republic, Cuba, Costa Rica and the European Union.

(iv) taking advantage of non-reciprocal preferential arrangements offered by third countries. The United States allows the duty-free entry of a large number of products from some Caribbean countries, including Barbados, under the Caribbean Basin Economic Recovery Act (the "*CBERA*"). This waiver ends 31 December 2019. There is also a similar arrangement with Canada under the Caribbean-Canada Trade Agreement ("*CARIBCAN*"). *CARIBCAN* expires 31 December 2023.

Barbados benefits from the use of the Special Safeguard Provision under Article 3 of the WTO Agreement on Agriculture, which was instituted in September 2000. The Special Agricultural Safeguard (the "*SSG*") is a tool that allows certain developing countries to raise tariffs temporarily to deal with import surges or price falls. The SSG protects domestic agricultural production and allows for the maintenance of a level of food security following the removal of the import licencing system in 1995.

Barbados recognises the importance of intellectual property protections for the future of Barbados' international business sector. The Copyright Act, enacted in February 1998, fulfils Barbados' obligations under the WTO Agreement on Trade Related Aspects of Intellectual Property Rights ("*TRIPS*"). Barbados' Trade Marks Act and Patents Act was also amended in 1998 to become TRIPS compliant. Since 2001, Barbados has been in full compliance with its WTO and World Intellectual Property Organisation commitments with respect to its intellectual property legislation.

In 2006, the common organisation of the sugar market in the European Union was overhauled to achieve greater simplification and market orientation for the European Union's sugar policy. As a result, quotas were gradually removed and guaranteed prices were gradually reduced for sugar exports from Barbados to the European Union and limits on sugar imports into Barbados were also gradually removed.

The WTO Doha Development Round is still relevant to Barbados' trade policy, and the Economic Partnership Agreement was signed in October 2008 in Barbados. The waiver to extend the CARICOM-Canada Free Trade Agreement has been extended until 2023. CARICOM is currently engaged in enhancing its existing trading agreements with the Dominican Republic, Costa Rica, Cuba and Colombia. Discussions have also commenced for the negotiation of a successor arrangement to the Cotonou Partnership Agreement, which governs relations between the African, Caribbean and Pacific Group of States and the European Union.

Under the terms of the CARICOM Single Market and Economy (the "*CSME*"), member states of CARICOM are committed to facilitating the rights of establishment, the provision of services, the free

trade in goods, and free movement of people and capital across the region. This may have implications for the exchange control regime, as member states are prevented from introducing new restrictions and are also obligated to remove all restrictions within the parameters of a defined programme. However, pursuant to Article 43 of The Revised Treaty of Chaguaramas Establishing CARICOM, in the event of balance of payments and external financial difficulties, member states are permitted to adopt certain restrictions to address these difficulties.

Balance of Payments

The balance of payments is a system of recording all of a country's resident economic transactions with the rest of the world over a one-year period. In 2018, Barbados recorded a balance of payments deficit (as determined by the change in the gross international reserves) of U.S.\$293.8 million, compared with a deficit of U.S.\$114.3 million in 2017 and an average deficit of U.S.\$66.9 million over the three-year period of 2014 to 2016.

The following table sets forth Barbados' balance of payments for the years indicated. Barbados calculates its balance of payment figures in accordance with the Sixth Edition of the IMF's Manual on Balance of Payments dated November 2013.

Table No. 18
Balance of Payments

	Year ended 31 December				
	2014	2015	2016	2017	2018
	<i>(in millions of U.S. dollars)</i>				
Current account.....	(430.3)	(289.2)	(207.3)	(190.3)	(172.2)
Merchandise trade balance	(857.6)	(737.3)	(707.5)	(717.0)	(734.0)
Exports*	794.0	799.9	833.0	803.1	764.9
Imports*	1,652.2	1,537.2	1,540.5	1,520.2	1498.9
Services (net).....	639.2	659.1	754.1	787.1	842.0
Tourism.....	841.1	899.2	989.6	1,027.6	1085.5
Other	(201.9)	(240.1)	(235.4)	(239.2)	(243.5)
Investment Income (net).....	(197.4)	(212.9)	(221.4)	(223.9)	(239.8)
Transfers (net)	(14.5)	2.0	(35.5)	(38.0)	(40.5)
Capital Account	(8.3)	(8.2)	(2.8)	(1.2)	25.4
Capital transfers	(8.3)	(8.2)	(2.8)	(1.2)	(3.0)
Acquisition/disposal of non-produced, non-financial assets	0.0	0.0	0.0	0.0	28.4
Financial Account	372.8	221.2	42.1	43.2	443.8
Long term	364.2	225.4	80.5	88.3	456.0
Public sector.....	48.0	(35.6)	(85.6)	(67.5)	225.5
Private sector.....	316.0	261.0	166.0	155.7	230.5
Short-term	8.6	(4.3)	(38.4)	(45.1)	(12.2)
Errors and omissions.....	16.5	44.0	49.0	34.0	3.2
Balance for official financing	(49.4)	(32.3)	(119.0)	(114.3)	293.8
Change in gross international reserves (decreases)	49.4	32.3	119.0	114.3	(293.8)

* Exports and imports are FOB and CIF, respectively, but have been adjusted for balance of payments presentation.

Source: Central Bank of Barbados and Barbados Statistical Service

External Current Account

Barbados' external current account position is heavily dependent on earnings from services, particularly tourism. Since 2014, the external current account deficit has declined on average by 19.7%, mainly because of contractions in total non-fuel imports of goods coupled with higher foreign exchange earnings from tourism.

In 2018, Barbados registered an external current account deficit of U.S.\$172.2 million, compared with a deficit of U.S.\$190.3 million for 2017, as a result of lower purchases of non-fuel imports and higher tourism foreign exchange earnings which together outweighed the increase in the value of fuel imports. The growth in tourism earnings was primarily due to the increased long-stay tourist arrivals from the major source markets, including the United States, the United Kingdom and Canada.

Financial Account

Barbados has recorded surpluses in its financial account since 1996. In 2018, the financial account registered a significantly higher surplus of U.S.\$443.8 million, primarily reflecting public sector inflows for policy-based and project loans from international financial institutions. The improvement in long-term public sector inflows during 2018 contrasts sharply with the previous three years' average decline of U.S.\$62.9 million. In contrast, private sector financial inflows increased by U.S.\$74.8 million in 2018, following an increase of U.S.\$10.3 million in 2017 and an average of U.S.\$247.6 million in the preceding three years.

In 2018, the decline in foreign amortisation payments and higher multilateral loan disbursements to the Government contributed to an increase of U.S.\$225.5 million in net public sector inflows. The increase in net private sector inflows was fuelled by the improved performance in the foreign exchange market, coupled with other inflows from non-residents.

Gross International Reserves

In 2018, the gross international reserves rose by U.S.\$293.8 million to reach U.S.\$499.6 million as of 31 December 2018, in contrast to a decline of U.S.\$114.3 million during 2017. From 2014 to 2016, gross international reserves averaged U.S.\$410.1 million. The improvement in the stock of gross international reserves in 2018 pushed the import cover for goods and services to 12.9 weeks, compared to 5.3 weeks at the end of 2017 and an average of 10.3 weeks for the period 2014 to 2016. The desired benchmark import cover for goods and services is twelve weeks.

The following table sets forth liquid international reserves and gross international reserves for the years indicated.

Table No. 19
Liquid International Reserves and Gross International Reserves

	Year ended 31 December				
	2014	2015	2016	2017	2018
	<i>(In millions of U.S. dollars)</i>				
Net International Reserves (NIR)	430.9	410.7	287.5	167.4	416.3
Foreign Currency Liabilities of Monetary Authorities	40.4	28.3	32.4	38.3	83.3
Gross International Reserves (GIR)	471.3	439.0	319.9	205.7	499.6
Import Cover (in weeks of goods and services) ..	11.6	11.2	8.2	5.3	12.9

Source: Central Bank of Barbados

The foreign assets of the Central Bank and the Government are invested largely in U.S. dollars in a range of approved investments and institutions. The U.S. dollar is the principal currency in which foreign receipts are earned and in which foreign debt is denominated. See “Public Debt—Debt Statistics—External Debt.”

Foreign Investment

The economy of Barbados is the beneficiary of private foreign investment, particularly in its hotel sub-sector and ancillary services. See “Principal Sectors of the Economy—Tourism”. All investment by non-residents registered with the Central Bank are entitled to repatriation of capital, capital gains, dividends, profits and interest brought into Barbados. The Central Bank permits the repatriation of the original investment amount, dividends, profits and interest. It also allows the repatriation of capital gains but retains the right to stagger transfers over a reasonable period of time.

Foreign companies are being targeted for direct investment in Barbados by Invest Barbados, an economic development entity responsible for securing and promoting sustainable foreign direct investment and which also services export businesses in order to increase employment, promote technology and skills transfers, foreign exchange and tax revenues. Further, the BIDC is a government agency that promotes business development in Barbados, with particular emphasis on manufacturing and small businesses. The BIDC helps manufacturers find new markets for their products through advertising, seminars, journals and direct mail media. It has representative offices in New York, Miami, Toronto and London and works closely with the Barbadian High Commissions in foreign markets. The BIDC helps promote new products, such as speciality foods, including fresh fruits and vegetables and hot chili sauces, high quality garments, reproduction of period furniture and local arts and crafts.

PUBLIC FINANCE

Overview

The Government's budget process is set out in the Constitution, the Financial Management and Audit Act, 2007-2018 and the Financial Management and Audit (Financial) Rules, 2011, which provide the financial rules and guidelines for the administration of public sector entities. The budget process involves the participation and co-ordination of all Government ministries and agencies. The Ministry responsible for Finance prepares the Draft Estimates of Revenue and Expenditures (which constitute the budget of the Government, the "*Estimates*") and is responsible for presenting the Estimates to the House of Assembly in March each year. Both houses of Parliament must approve the Estimates before the end of March; the fiscal year begins 1 April. The Estimates constitute the published public sector fiscal accounts.

The Estimates are based on existing tax rates and projections of non-tax revenue by the various Government ministries. If the Minister of Finance wishes to alter the tax rates, or to make strategic adjustments to the level of expenditure, past practise is to announce these changes in a Financial Statement and Budgetary Proposal (the "*Financial Statement*"). The Financial Statement must be approved by the Cabinet and Parliament. Following the introduction of the value added tax (VAT) in 1997, the publication of a Financial Statement has taken place between August and December, but there is no statutory obligation to present a Financial Statement.

The budget estimates for SOEs are approved initially by their respective boards of directors. The budget estimates are then forwarded to the relevant ministry for each enterprise. If an SOE requires supporting funds from the Government, a request is included in the ministry's own request to the Ministry of Finance for an additional budgetary allocation. Changes to the annual approved SOE allocation generally require the approval of the Cabinet and Parliament. For a description of the principal SOEs, see "The Economy—State-Owned Enterprises".

Revenues and expenditures of the Government do not incorporate the full revenues and expenditures of SOEs. The Government's accounts capture only its current and capital transfers to specified SOEs. Dividends from SOEs, if any, are recorded as non-tax revenue.

The Accountant General's functions include maintaining certain accounts held by the Treasury, as well as reporting to Parliament on those accounts and on Government funds, such as the Consolidated Fund. See "Public Debt—Overview".

Fiscal Policy

For the four fiscal years from 2012/13 to 2015/16, the fiscal deficit averaged 8.9% of GDP. While there was an improvement in FY 2016/17 and 2017/18, the fiscal deficit remained at a level challenging to finance—approximately 4.6% of GDP for FY 2017/18. The high deficit year over year is attributable mainly to underperformance in revenue in addition to the transfers to SOEs and the cost of debt service.

In March 2019, Parliament adopted the FY2019/20 budget, which targets a primary surplus of 6% of GDP.

In an effort to reverse the trend on large fiscal deficits, the Government has embarked on the BERTP. The BERTP will be conducted in three phases and will involve a combination of: (i) promotion of economic growth without an over reliance on tax concessions or subsidies, (ii) restructuring of public

debt to sustainable levels, and (iii) significant fiscal consolidation. For more information on the BERTP, see “Recent Developments—Barbados Economic Recovery and Transformation Plan”.

Public finances improved during the first half of FY 2018/19 due to improved tax collections, the impact of reduced debt service payments and increased expenditure restraint.

Revenues and Expenditures

Government revenues are derived from a mix of direct and indirect taxes, including payroll levies and taxes on incomes and profits, property, goods and services and imports. As part of its tax reform, in June 2018 the Government introduced a suite of budgetary revenue measures that are intended to alter the incidence of taxation and provide earmarked funding for some state-owned enterprises.

Recurring current expenditures include wages and salaries, goods and services, debt service costs (domestic and foreign) and current transfers. Capital expenditures include acquisitions of property, capital formation and capital transfers.

The following table sets forth Government revenues and expenditures by economic classification for the fiscal years indicated.

Table No. 20
Government Revenues and Expenditures

	2013/14	2014/15	2015/16	2016/17	2017/18 ⁽¹⁾	2018/19 ⁽¹⁾
Tax revenue.....	1,094.8	1,111.5	1,214.9	1,303.8	1,341.5	1,375.0
Income and profit	317.2	333.0	361.8	396.8	398.5	441.7
Levies	40.6	41.8	17.9	74.7	80.0	37.0
Property	65.5	82.1	93.8	67.7	68.8	80.6
Goods and services.....	568.9	537.2	620.6	637.3	679.7	703.3
Import duties	96.8	111.9	115.8	122.6	109.3	106.9
Stamp duties	5.8	5.5	5.0	4.7	5.2	5.4
Grant Income	0	28.7	9.1	4.4	11.0	0.05
Non-tax revenue.....	47.0	53.9	55.9	63.7	70.6	79.8
Total revenue	1,141.8	1,194.1	1,279.9	1,371.9	1,423.1	1,454.8
Current expenditure	1,562.1	1,459.5	1,542.7	1,525.2	1,561.9	1,413.1
Wages and salaries	435.9	401.8	393.6	392.3	391.1	405.9
Goods and services.....	191.1	170.8	220.6	192.7	182.1	178.1
Interest.....	304.3	326.9	336.3	369.5	382.4	192.4
Foreign	67.6	82.6	81.9	84.2	84.0	24.0
Domestic	236.7	244.3	254.4	285.3	298.4	168.4
Current transfers.....	630.8	560.0	592.2	570.7	606.3	636.75
Capital expenditure	72.0	86.5	108.3	102.7	74.5	92.5
Net Lending	0	0	0	0	0	0
Total expenditure	1,634.1	1,546.0	1,651.0	1,627.9	1,636.4	1,505.6
Fiscal balance.....	(492.3)	(351.9)	(371.1)	(256.0)	(213.3)	(50.8)
Fiscal balance (as % of nominal GDP).....	(11.1)	(8.0)	(8.2)	(5.5)	(4.6)	(0.5)

(1) Estimated figures.

Source: Accountant General, Ministry of Finance and Barbados Revenue Authority

The following table sets forth the per cent change of Government revenues and expenditures by economic classification for the fiscal years indicated.

Table No. 21
Government Revenues and Expenditures Differential

	Fiscal year				
	2014/15	2015/16	2016/17	2017/18	2018/19
	<i>(per cent change against previous fiscal year)</i>				
Tax revenue.....	1.5	9.3	7.3	2.9	2.5
Income and profit.....	5.0	8.6	9.7	0.4	10.8
Levies.....	3.0	(57.2)	317.3	7.1	(53.7)
Property.....	25.3	14.3	(27.8)	1.6	17.1
Goods and services.....	(5.6)	15.5	2.7	6.7	3.5
Import duties.....	15.6	3.5	(6.0)	(10.8)	(2.2)
Stamp duties.....	(5.2)	(9.1)	(51.6)	10.6	3.8
Grant Income.....	100.0	(68.3)	14.0	150.0	(99.5)
Non-tax revenue.....	14.7	3.7	(36.5)	10.8	13.0
Total revenue.....	4.6	7.2	7.2	3.7	2.2
Current expenditure.....	(16.6)	5.7	(1.1)	2.4	(9.5)
Wages and salaries.....	(7.8)	(2.0)	(0.3)	(0.3)	3.8
Goods and services.....	(10.6)	29.2	(12.6)	(5.5)	(2.2)
Interest.....	7.4	2.9	9.9	3.5	(49.7)
Foreign.....	22.2	(0.8)	9.4	(0.2)	(71.4)
Domestic.....	3.2	4.1	12.1	4.6	(43.6)
Current transfers.....	11.2	5.8	(3.6)	6.2	5.0
Capital expenditure.....	20.1	25.2	(5.2)	(27.5)	24.2
Net Lending.....	N/A	N/A	N/A	N/A	N/A
Total expenditure.....	(5.4)	6.8	(1.4)	0.5	(8.0)
Fiscal balance.....	(28.5)	5.5	(31.0)	(16.7)	(76.2)
Fiscal balance (as % of nominal GDP)....	(27.9)	2.5	(32.9)	(16.4)	(89.13)

N/A = Not available.

Source: Accountant General, Ministry of Finance and Barbados Revenue Authority

Revenues

The BRA was established on 1 April 2014 following the consolidation of Barbados' various revenue collecting agencies, including the Inland Revenue Department, the VAT Division and the collecting functions of the Barbados Licencing Authority. The objectives of the BRA include adopting a more aggressive approach to the collection of taxes, non-tax revenue and arrears through increased use of technology, compliance audits and cost-efficient approaches to revenue collection.

From FY 2014/15 to FY 2015/16, total Government revenues grew at an average of 5.9% per annum, principally due to increases in revenue from income tax, property tax and import duties. This trend continued with an increase of approximately 3.7% during FY 2017/18 following an increase of 7.2% during FY 2016/17. The increase for FY 2017/18 was primarily due to increases in national social

responsibility levy due to the increase in rates, corporation tax and excise duties, which were partially offset by decreases in import duties, withholding tax and other special receipts. There was no significant change to the revenue from VAT compared to FY 2016/17. For FY 2018/19, total Government revenue grew by 2.2%, reflecting the impact of a boost in corporation tax intake as several new firms in the international business sector paid taxes for the first time. In addition, the foreign exchange fee introduced in 2017 and some of the new taxes introduced in the mid-year budget contributed to this increase. There was, however, a significant decline in revenue from levies and grant income, which decreased by 53.7% and 99.5% respectively.

Taxation Revenue

In Barbados, direct taxes are levied on incomes, corporations and property. Although most goods and services are subject to VAT, certain goods and services are exempt from VAT and certain goods and services are subject to subsidiary duties and fees, including excise duties. Imports are subject to import taxes, and imports originating from a non-CARICOM countries are subject to the CET. Other principal tax revenues include land tax, property transfer tax and certain taxes on insurance premiums, on life insurance companies' invested income and on bank assets. There are no capital gains or inheritance taxes in Barbados.

Residents of Barbados are generally subject to tax on worldwide income, and non-residents are taxed only on income derived in Barbados. Companies and other corporate bodies that are resident in Barbados are subject to corporation tax, and non-resident companies are only being taxable to the extent that they carry out a business in Barbados through a branch or agency and in respect of income directly or indirectly attributable to that branch or agency. In addition, there is a 10% tax on profits remitted by an office, branch or agency of a non-resident company engaged in trade or business in Barbados.

Beginning 1 January 2019, Barbados became one of the first countries in the world to converge its local and international corporate tax rates. All corporate entities in Barbados, except those that will be grandfathered, will be taxed according to the following rates based on a sliding scale: up to U.S.\$0.5 million of taxable income at 5.5%; between U.S.\$0.5 and U.S.\$10 million of taxable income at 3.0%; between U.S.\$10 and U.S.\$15 million of taxable income at 2.5% and over U.S.\$15 million of taxable income at 1.0%. This reform of Barbados' 40-year old tax regime makes its tax system globally competitive, while bringing the country in line with the Organization for Economic Cooperation and Development's Base Erosion and Profit Shifting (BEPS) initiative. The broad-based change in tax policy is aimed at reducing taxes on work and productivity, while placing the tax burden on consumption and wealth, and it is expected to be revenue neutral.

As a result of Barbados' tax reforms, on 17 May 2019, the European Council moved Barbados from the European Union's list of non-cooperative tax jurisdictions to the list of jurisdictions that have undertaken sufficient commitments to reform their tax policies.

Income from Barbados Government securities except savings bonds is taxed at 12.5%. Interest payable on the New Bonds to non-resident beneficial owners of the New Bonds will not be subject to any withholding tax. See "Taxation—Barbados Tax Considerations."

Expenditures

Total Government expenditures have fluctuated over the past five fiscal years. In FY 2018/19, expenditures decreased 8.0% after increasing 0.5% in FY 2017/18 and 6.8% in FY 2015/16. There were decreases of 1.4% in FY 2016/17 and 5.4% in FY 2014/15. The decrease in FY 2018/19 was primarily attributed to decreases in goods and services and interest payments, partially offset by an increase in

capital expenditures. The suspension of external and domestic commercial debt service contributed to the decrease in interest expense.

Current expenditures decreased by 9.5% in FY 2018/19. This was again attributable mainly to decreases in goods and services and interest payments. Goods and services decreased further by 2.2% in FY 2018/19, after decreasing by 5.5% in FY 2017/18. For the last three years decreases in goods and services averaged 6.8%. Interest payments decreased by 49.7% in FY 2018/19 after increasing on average 5.4% between FY 2017/15 to FY 2017/18 due mainly to the debt restructuring undertaken during the financial year.

Capital expenditure increased by 24.2% in FY 2018/19 compared to a decrease of 27.5% in FY 2017/18 and 5.2% in 2016/17. For FY 2013/14 to FY 2015/16, capital expenditures increased an average of 32.4%.

The following tables set forth total Government expenditures by functional classification for the fiscal years indicated.

Table No. 22
Government Expenditures

	Fiscal year				
	2014/15	2015/16	2016/17	2017/18	2018/19 ⁽¹⁾⁽²⁾
	<i>(in millions of U.S. dollars)</i>				
General public service.....	276.2	133.6	64.9	1013.4	398.9
Defence	33.1	35.6	39.1	39.7	35.1
Education	261.5	252.8	248.8	250.3	284.4
Health.....	166.5	163.1	157.9	160.2	162.1
Social security and welfare	175.6	185.9	182.9	187.1	202.1
Housing.....	71.9	130.9	88.5	85.7	82.4
Other social services	0.00	0.00	0.00	0.00	0.00
Economic services ⁽³⁾	214.6	230.9	239.1	187.7	210.9
Other	98.6	97.6	104.1	105.2	129.5
Public order and safety.....	19.8	21.2	23.4	34.5	25.1
Recreation, culture and religion.....	52.9	64.2	55.2	60.0	79.7
Environmental protection.....	1370.7	1,315.8	1203.9	2,123.8	1610.2
Total expenditures.....	276.2	133.6	64.9	1013.4	398.9

(1) Estimated figures.

(2) FY 2018/19 taken from the Revised Estimates of Expenditure.

(3) Includes trade, industry, agriculture, roads, civil aviation, tourism, lands and surveys and labour.

Source: Ministry of Finance Estimates of Expenditure and Revenue, Central Bank of Barbados, Accountant General

Table No. 23
Government Expenditures

	Fiscal year				
	2014/15	2015/16	2016/17	2017/18	2018/19 ⁽¹⁾⁽²⁾
	<i>(per cent change against previous fiscal year)</i>				
General public service.....	(3.5)	(51.6)	(51.4)	1,461.5	(60.6)
Defence	(1.2)	7.8	9.8	(1.5)	(9.1)
Education	5.6	(3.3)	(1.6)	3.0	10.9
Health.....	(20.5)	2.1	(3.1)	0.8	1.8
Social security and welfare	19.0	5.9	(1.6)	12.2	(1.6)
Housing.....	17.6	81.9	(32.4)	10.6	4.1
Other social services ⁽³⁾	(100.0)	0.0	0.0	0.0	0.0
Economic services ⁽⁴⁾	(4.9)	7.6	3.7	(2.8)	(9.3)
Other	0.0	1.0	6.6	13.0	10.1
Public order and safety.....	0.0	6.7	10.5	41.4	(24.1)
Recreation, culture and religion.....	0.0	21.2	(14.1)	13.2	27.6
Environmental protection.....	(30.4)	(4.0)	(8.5)	76.4	(24.2)
Total expenditures.....	(3.5)	(51.6)	(51.4)	1,461.5	(60.6)

(1) Estimated figures.

(2) FY 2018/19 taken from the Revised Estimates of Expenditure.

(3) Includes culture, sports, parks and beaches.

(4) Includes trade, industry, agriculture, roads, civil aviation, tourism, lands and surveys and labour.

Source: Ministry of Finance Estimates of Expenditure and Revenue, Central Bank of Barbados, Accountant General

In terms of functional expenditure, the most significant categories over the five year period were education, economic services, social security and welfare and health.

Total expenditure decreased by 24.2% in FY 2018/19 after increasing by 76.4% in FY 2017/18. This was attributable mainly to decreases in general public service, defence, economic services and recreation, culture and religion, which decreased by 60.6%, 9.1%, 9.3% and 24.1% respectively. During the five year period, expenditure decreased from 30.4% to 8.5% between FY 2014/15 and FY2016/17 but increased significantly in FY 2017/18 due to the increase in general public service.

Education and economic services were the two most consistent components of expenditure for the period, averaging 17% and 14.2% of the total over the five year period. Education absorbed an estimated 17.7% and 11.8% of the budget respectively in FY 2018/19 and 2017/18, reflecting Government's continued emphasis on providing access to free, high quality education up to tertiary level for all citizens.

During FY 2018/19, it is estimated that the Government spent 13.1% of its budget on economic services such as civil aviation, tourism, trade, industries, labour and land and surveys (as compared to 8.8% for FY 2017/18), demonstrating the Government's effort in preparing Barbados for the challenges of a global economy. Among organisations benefitting from these outlays were Caves of Barbados and the Urban Development Commission. Better ancillary tourism services are also partly responsible for the increase in spending on economic services.

Spending on social security and welfare was estimated at 12.5% of overall spending in FY 2018/19, compared to 8.8% in FY 2017/18. In 1997, the poverty alleviation programme was introduced and comprises a number of measures, including the creation of a social investment fund ("SIF") and the

establishment and funding of urban and rural development commissions. The SIF funds a rural enterprise fund and an urban enterprise fund, as well as other community-based economic facilities.

At present, Barbados has an extensive, though somewhat inefficient, public transportation system on the island. The Government is looking at ways to improve the current system, including the restructuring of the Transport Board, the upgrading of the bus fleet and the provision of incentives for companies willing to provide insurance to this sector. The Government has allocated modest funding in connection with significant improvements in its traffic management infrastructure that will regulate the transportation system.

Barbados is in the process of developing programme budgeting in order to focus on results to be achieved rather than inputs. However, under the existing budget framework, a distinction is made between “statutory” or committed expenditures and “non-statutory” or discretionary expenditures. The public debt of Barbados, all costs related to that debt, the emoluments of established posts in the public service, pensions, leave passages and certain other minor expenditures are considered committed claims or “statutory” charges on the Government. All other Government expenditures are considered discretionary.

Consolidated Fund

The Constitution provides for the establishment of a consolidated fund (the “*Consolidated Fund*”) into which, subject to applicable provisions of law, all revenues for Barbados are to be paid to meet Government expenditures and obligations. The Minister of Finance must, before the end of each fiscal year (which runs from 1 April to the following 31 March), prepare and lay before the House of Assembly annual estimates of revenue and expenditure for public services for the succeeding fiscal year. The Constitution further provides that debt obligations of Barbados, including the interest and redemption monies on that debt, and the costs, charges and expenses incidental to the management of that debt (including the sinking fund required to be established for the repayment of all public external debt), are by law charged on the Consolidated Fund. See “Public Debt—Overview”.

PUBLIC DEBT

Overview

On 1 June 2018, Barbados, for the first time in its history, announced the suspension of both principal and interest payments due on debts owed to external commercial creditors. This extraordinary action was taken as a result of a number of factors which included critically low levels of international reserves, unsustainably high levels of public indebtedness and poor economic growth.

In connection with the comprehensive restructuring of Barbados' public debt, the Government engaged the services of financial and legal advisors to assist with conducting the restructuring and began consultations to seek the cooperation of its domestic and external creditors.

The suspension of debt payments affected all categories of external debt, exclusive of debt from official sources, and remains in force until restructuring agreements are concluded.

Barbados launched the Domestic Exchange Offer on 7 September 2018 to restructure approximately BD\$11.9 billion (equivalent to U.S.\$5.95 billion) in domestic claims on Government and the public sector. The domestic debt restructuring was successfully concluded in mid-November with a participation rate of 97%.

On 1 October 2018, the IMF announced the approval by its Executive Board of the four-year Extended Arrangement for Barbados for approximately U.S.\$290 million, or 220% of Barbados' quota in the IMF.

For more information on the Domestic Exchange Offer and the Extended Arrangement, see "Recent Developments—IMF Programme" and "Recent Developments—Debt Strategy—Domestic Debt."

Subsequently, Barbados has begun to access additional funding from official sources, including the Inter-American Development Bank and the Caribbean Development Bank.

Existing Legislative Framework

The Government's authorisation to create and issue external debt instruments is pursuant to the External Loan Act Cap. 94D (the "*External Loan Act*"). The Constitution provides for the establishment of the Consolidated Fund into which, subject to applicable provisions of law, all revenues of Barbados are to be deposited. In addition, debt obligations of Barbados, including interest on the debt, sinking fund payments and redemption monies on debt and costs, charges and expenses incidental to the management of debt are to be withdrawn from the Consolidated Fund. Under the External Loan Act, statutory sinking funds are set aside for the redemption of each issue of securities and are invested in domestic and foreign securities. The External Loan Act provides for semi-annual payments to be made into the statutory sinking funds in such amounts as are approved by resolution of Parliament.

The Government is authorised to contract and issue Barbados dollar-denominated debt instruments up to a maximum of approximately U.S.\$5.3 billion pursuant to the Local Loans Act Cap. 98 and a maximum of approximately U.S.\$0.8 billion under the Treasury Bills and Tax Certificates Act, Cap. 106. In addition, the Financial Management and Audit (Amendment) Act, 2018 authorises the Government to borrow up to 7.5% of net receipts of estimated revenue for the financial year.

On 29 October 2018 the Debt Holder (Approval of Debt Restructuring) Act was passed to facilitate the Domestic Exchange Offer. The Dematerialisation of Government Securities Act, 2018 was also passed, which made provision for the dematerialised issuance of Government's domestic debt effective 26 October 2018.

Debt Statistics

The domestic debt exchange resulted in loans, Treasury Bills, Treasury Notes and Debentures being exchanged for a new series of amortising bonds.

The following table sets forth total debt, both public and private, outstanding for the years indicated.

Table No. 24
External and Domestic Debt of the Public and Private Sectors

	Year ended 31 March				
	2015	2016	2017	2018	2019
	<i>(In millions of U.S. dollars)</i>				
Total External Debt	3,270.8	3,288.7	3,221.3	3,167.0	3,326.7
Government.....	1,423.7	1,487.4	1,463.1	1,372.5	1,539.8*
Short Term					
Loans	25.0	0	15.0	0	0
Long-term	1,398.7	1,487.4	1,448.1	1,372.5	1,539.8
International Bonds	623.9	612.4	602.9	580.7	580.7
Loans	774.7	875.0	845.2	791.8	959.1
Government guaranteed	144.5	79.2	70.1	65.0	46.4
Private Sector	1,702.6	1,722.1	1,688.1	1,729.5	1,740.5
Total Domestic Debt	4,836.9	5,256.5	5,619.8	5,931.2	4,609.7
Government.....	4,274.3	4,825.1	5,243.5	5,507.8	4,609.7
Short Term	1,351.3	1,559.8	1,869.2	2,132.2	299.2
Treasury Bills.....	1,236.1	1,454.9	1,756.1	1,987.5	247.6
Overdraft	115.2	104.9	113.2	144.8	51.6
Long-term.....	2,923.1	3,265.3	3,374.2	3,375.5	4,310.6
Savings Bonds & Tax Cert.....	49.4	78.0	90.5	83.5	71.6
Loans	111.9	125.4	122.2	120.4	0
Bonds	48.9	85.2	82.5	185.9	50.9
Debentures & T-Notes	2,712.9	2,976.7	3,079.0	2,985.8	0
Bonds (restructured).....	0	0	0	0	4,188.1
Government Guaranteed	562.6	431.3	376.3	423.4	0

* Excludes arrears and penalties resulting from the external debt suspension.

Source: Ministry of Finance, Economic Affairs and Investment and Central Bank of Barbados, as at 31 March 2019

Debt to GDP Ratio

In addressing its high and unsustainable debt to GDP ratio, Barbados embarked on a multi-pronged economic reform programme which includes fiscal consolidation, corrective economic measures and debt restructuring to stabilise public finances and create conditions for sustained economic growth. BERTP, which is supported by the IMF, has, as its long-term anchor, a public sector debt to GDP target of 60% by FY 2033/34, a reduction from 147.8% of GDP as of December 31, 2017. This target is consistent with accepted international norms.

The Government debt to GDP ratio as of 31 March 2019 stood at approximately 121.1% compared to 147.7% at 31 March 2018. The decrease is primarily attributed to the Domestic Exchange Offer, which included a write-off of approximately U.S.\$1.5 billion in debt held by the Central Bank and the NIS.

The following table sets forth the Government's debt to GDP ratio for the financial years indicated.

Table No. 25
Debt to GDP Ratio

2015	136.4%
2016	144.4%
2017	147.8%
2018	147.7%
2019	121.1%

Source: Ministry of Finance, Economic Affairs and Investment, as at 31 March 2019

Domestic Debt

Traditionally, Barbados issued local currency debt through Treasury Bills, Savings Bonds, commercial bank loans, Debentures and Treasury Notes and other securities. The NIS, the Central Bank and commercial banks are the principal holders of Government instruments.

As of 31 March 2019, domestic debt represented approximately 74.4% of the Government's debt portfolio, compared to approximately 80.1% as of 31 March 2018. The write-offs in the Domestic Exchange Offer primarily accounted for the reduction in the share of domestic debt in the portfolio.

The following table sets forth the composition of domestic debt as of the dates indicated.

Table No. 26
Composition of Domestic Debt

Domestic Debt	31 March 2019	31 March 2018
	<i>(In millions of U.S. dollars)</i>	
Treasury Bills	247.5	1,987.5
Overdraft	51.6	144.8
Savings Bonds & Tax Certificates	71.6	83.5
Loans	0	120.4
Bonds.....	50.9	185.9
Debentures and Treasury Notes.....	0	2,985.8
Bonds (restructured)	4,188.1	0

Source: Ministry of Finance, Economic Affairs and Investment, as at 31 March 2019

Total interest expense on domestic Government debt for FY2018/19 was approximately U.S.\$195.2 million, and the average interest cost of domestic debt was approximately 4.0%. Following the debt restructuring, Government's total domestic debt was U.S.\$4,609.7 million as of 31 March 2019 compared to U.S.\$5,507.8 million as of 31 March 2018, a decrease of 16.3%.

The following table sets forth Barbados' domestic debt amortisation amounts for the years indicated.

Table No. 27
Domestic Debt Amortisation

Instrument	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
	<i>(In millions of U.S. dollars)</i>									
Treasury Bills.....	247.6	-	-	-	-	-	-	-	-	-
Overdraft.....	51.6	-	-	-	-	-	-	-	-	-
Savings Bonds & Tax Certificates	9.2	28.8	13.2	3.6	-	-	-	-	-	-
Bonds	-	-	-	-	0.31	-	-	-	-	13.2
Bonds (restructured).....	89.1	89.1	89.1	100.9	167.8	143.6	150.1	157.0	164.3	213.3

* Treasury Bills are assumed to be rolled annually.

Source: Ministry of Finance, Economic Affairs and Investment, as at 31 March 2019

External Debt

As of 31 March 2019, Government's external debt consisted primarily of loans from multilateral and bilateral sources, international bond issuances denominated mainly in U.S. dollars and other commercial facilities. Multilateral and bilateral borrowing accounted for approximately 42.0% and 6.6% of Government's external debt, respectively, while international bond issuances accounted for approximately 37.7% and other commercial facilities accounted for the remaining 13.7%.

Government's total external debt was U.S.\$1,539.8 million as of 31 March 2019 compared to U.S.\$1,372.5 million as of 31 March 2018, an increase of 12.2%.

As a result of the suspension of both principal and interest payments due on debts owed to external commercial creditors, interest expense on the Government's external debt for FY2018/19 was approximately U.S.\$21.3 million.

The following table sets forth details of the Government's international capital market issuances as of 31 March 2019.

Table No. 28
Government International Capital Market Issuances

Debt Instrument	Original principal Amount	Issue Date	Maturity
International Bonds			
7.80% Class B Bonds due 2019	U.S.\$40.0 million	2009	2019
7.25% Bonds due 2021	U.S.\$150.0 million	2001	2021
6.625% Bonds due 2035.....	U.S.\$190.0 million*	2005	2035
7.00% Bonds due 2022	U.S.\$200.0 million	2010	2022
Commercial Loans			
Credit Suisse AG, Cayman Islands Branch.....	U.S.\$150.0 million	2013	2018
Credit Suisse AG, Cayman Islands Branch.....	U.S.\$75.0 million	2014	2019

* The 6.625% Bonds due 2035 were first issued in 2005 for U.S.\$125 million and then reopened in 2006 for an additional U.S.\$65 million.

Source: Ministry of Finance, Economic Affairs and Investment, as at 31 March 2019

The following table sets forth the currency composition of Government's external debt outstanding for the years indicated.

Table No. 29
Government External Debt Outstanding by Currency

	Year ended 31 March				
	2015	2016	2017	2018	2019
	<i>(In millions of U.S. dollars)</i>				
U.S. Dollar	1,382.6	1,487.0	1,462.8	1,372.2	1,539.5
Pound Sterling	40.6	0	0.0	0.0	0.0
Euro	0.4	0.4	0.3	0.3	0.3
Total.....	1,423.7	1,487.4	1,463.1	1,372.5	1,539.8

Source: Ministry of Finance, Economic Affairs and Investment, as at 31 March 2019

The following table sets forth the composition by creditor of Government's outstanding external debt for the years indicated.

Table No. 30
Government External Debt by Creditor

	Year ended 31 March				
	2015	2016	2017	2018	2019
	<i>(In millions of U.S. dollars)</i>				
Total External	1,423.7	1,487.4	1,463.1	1,372.5	1,539.8
Multilateral	406.5	491.5	477.2	473.7	646.3
Caribbean Development	115.7	107.7	94.5	102.3	176.0
European Economic	0.4	0.4	0.3	0.3	0.3
Latin American Development Bank	-	85.0	85.0	84.3	81.6
International Bank for Reconstruction & Development	35.6	32.9	30.5	28.6	27.2
Inter-American Development	254.7	265.5	266.9	258.2	361.3
Bilateral	-	43.6	91.9	105.7	102.2
Citibank (EDC)*	-	43.6	57.9	63.8	60.3
EXIM Bank of China	-	-	34.0	41.9	41.9
Suppliers' Credit & Prison	143.3	135.3	127.6	120.3	118.5
International Bonds	623.9	612.4	602.9	580.7	580.7
Commercial Loans	250.0	204.6	163.5	92.1	92.1

* Export Development Canada

Source: Ministry of Finance, Economic Affairs and Investment, as at 31 March 2019

Annual debt service payments for the period ending 31 March are shown in the table below.

Table No. 31
Government Debt Service Payments
(In millions of U.S. dollars)

Year	Total amortisation	Total interest	Total debt service
2009	210.0	198.4	408.4
2010	169.4	217.4	386.8
2011	365.3	250.6	616.0
2012	165.2	265.4	430.7
2013	218.4	284.5	502.9
2014	275.8	304.3	580.1
2015	319.5	332.7	652.2
2016	408.6	336.0	744.6
2017	402.4	369.5	771.9
2018	480.7	382.6	863.3
2019	177.2	195.2	372.4

Source: Accountant General, as at 31 March 2019

Contingent Liabilities

At 31 March 2019, the Government's guaranteed contingent liabilities were approximately U.S.\$46.4 million compared to U.S.\$488.4 million at 31 March 2018. The reduction was a result of the release of the Government from its obligations as a guarantor or surety under any Barbados law-governed debt instruments and overdraft facilities issued or contracted by certain state-owned enterprises, public institutions and government supported entities as a condition of the acceptance of the Domestic Exchange Offer.

TERMS AND CONDITIONS OF THE 2029 BONDS

This section of this invitation memorandum sets forth the text of the Terms and Conditions of the 2029 Bonds. Barbados urges you to read the Trust Deed and the Agency Agreement for a complete description of Barbados' obligations and your rights as a holder of the 2029 Bonds. In subscribing for the 2029 Bonds, you will be deemed to be aware of the terms of the Trust Deed and Agency Agreement.

(1) GENERAL

These bonds due 1 October 2029 (the “*Bonds*”, which expression shall, in these Conditions, unless the context otherwise requires, include any further bonds issued and forming a single Series with the Bonds) are:

- (a) authorised and issued or to be issued by the Government of Barbados (“*Barbados*”) pursuant to the trust deed (the “*Trust Deed*”) made between Barbados and The Bank of New York Mellon (the “*Trustee*”, which expression shall include its successor(s)) as trustee for the Holders of the Bonds; and
- (b) constituted by the Trust Deed.

The Bonds shall be Debt Securities for the purposes of the Trust Deed. Terms used but not defined herein shall have the respective meanings given to them in the Trust Deed. The Holders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed applicable to them.

(2) FORM, DENOMINATION AND TITLE

- (a) Form and Denomination
 - (i) The Bonds are in fully registered form only, without interest coupons, in minimum denominations of U.S.\$100 and integral multiples of U.S.\$100 in excess thereof.
 - (ii) The Bonds will be represented by separate permanent global certificates (the “*Restricted Global Certificate*” and the “*Unrestricted Global Certificate*” and, together, the “*Global Certificates*”) which will both be deposited with the Registrar as custodian for The Depository Trust Company (“*DTC*”) and registered in the name of Cede & Co. as nominee of DTC. The Restricted Global Certificate will represent Bonds which are restricted securities within the meaning of Rule 144(a)(3) under the United States Securities Act of 1933, as amended (the “*Securities Act*”). Bonds sold in offshore transactions in reliance on Regulation S under the Securities Act will be represented by the Unrestricted Global Certificate. Interests in the Restricted Global Certificate will be exchangeable for interests in the Unrestricted Global Certificate and vice versa in the circumstances specified therein.
 - (iii) The Restricted Global Certificate will be exchanged in whole (but not in part) for duly authenticated and completed individual debt security certificates (“*Restricted Individual Certificates*”) and, if applicable, the Unrestricted Global Certificate will be exchanged in whole (but not in part) for duly authenticated and completed individual debt security certificates (“*Unrestricted Individual Certificates*” and, together with Restricted Individual Certificates and the Global Certificates, “*Certificates*”) if any of the following events occurs:

- (A) DTC notifies Barbados that it is no longer willing or able to discharge properly its responsibilities as depositary with respect to the Restricted Global Certificate or the Unrestricted Global Certificate, as the case may be, or ceases to be a clearing agency (as defined in the United States Securities Exchange Act of 1934, as amended), or is at any time no longer eligible to act as such, and Barbados is (in the case of DTC ceasing to be a depositary) unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of DTC; or
- (B) any Bond becomes immediately due and payable following the occurrence of an Event of Default (as defined in Condition (12)), is not duly redeemed (and the funds required for redemption are not available to the Registrar for the purpose of effecting such redemption or do not remain available for such purpose) by 5:00 p.m. (New York City time) on the thirtieth day after the time the Bonds become immediately due and payable and such Holder requests the Trustee to issue a Certificate.

(3) TITLE

(a)

- (i) The Registrar will maintain a register (the “*Register*”) in respect of the Bonds in accordance with the provisions of the Agency Agreement. In these Conditions the “*Holder*” of a Bond means the person in whose name such Bond is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof). A Certificate will be issued to each Holder in respect of its registered holding.
- (ii) The Holder of each Bond shall (except as otherwise required by applicable law or regulatory requirement) be treated as the absolute owner of such Bond for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest thereof or therein, any writing on the Certificate relating thereto (other than the completion of the form of transfer) or any notice of any previous loss or theft of such Certificate) and no person shall be liable for so treating such holder.

(b) Trust Deed

Each Holder of this Series of Bonds is entitled as a beneficiary of the trusts established under the Trust Deed in respect of Barbados’ covenants given to the Trustee pursuant to the Trust Deed including, without limitation, the covenant to pay set out in Clause 2 thereof. The Trustee holds the benefit of such covenants on trust for the Holders of this Series of Bonds and itself in accordance with the terms of the Trust Deed. Subject to the next sentence, only the Trustee may enforce the provisions of the Trust Deed and these Conditions. No Holder of the Bonds of this Series shall be entitled to (i) take any steps or action against Barbados to enforce the performance of any of the provisions of the Trust Deed, the Agency Agreement or these Conditions or (ii) take any other proceedings (including lodging an appeal in any proceedings) in respect of or concerning Barbados and arising out of or in connection with the Trust Deed, the Agency Agreement or these Conditions, in each case unless the Trustee, having become bound pursuant to the Trust Deed to take any such action, steps or proceedings, fails to do so within 60 days and such failure is continuing.

(4) STATUS OF THE BONDS AND NEGATIVE PLEDGE

(a) Status

The Bonds are the direct, unconditional and unsecured obligations of Barbados and rank and will rank *pari passu*, without preference among themselves, with all other unsecured External Indebtedness of Barbados, from time to time outstanding, *provided, however*, that Barbados shall have no obligation to effect equal or rateable payment(s) at any time with respect to any such other External Indebtedness and, in particular, shall have no obligation to pay other External Indebtedness at the same time or as a condition of paying sums due on the Bonds and vice versa.

(b) Negative Pledge

(i) So long as any Bond remains Outstanding, Barbados will not create or permit to subsist any Security Interest (other than a Permitted Security Interest) upon the whole or any part of its properties, assets or revenues, present or future, to secure any present or future Public External Indebtedness of Barbados without, in any such case, at the same time or prior thereto according to the Bonds (i) equally and rateably therewith, the same or equivalent Security Interest as is granted to or is outstanding in respect of such Public External Indebtedness or (ii) such other Security Interest or such guarantee, indemnity or other like obligation as is approved by the Holders by an Extraordinary Resolution.

(ii) In these Conditions:

(A) “*External Indebtedness*” means Indebtedness which is payable or may be paid (a) in a currency other than the currency of Barbados and (b) to a Person resident or having its principal place of business outside Barbados;

(B) “*Indebtedness*” means any obligation (whether present, future, actual or contingent) of any Person for the payment or repayment of money which has been borrowed or raised (including money raised by acceptances and leasing);

(C) “*Permitted Security Interest*” means:

1. any Security Interest upon any property or asset (and any revenues therefrom) to secure Public External Indebtedness of Barbados incurred for the purpose of financing the acquisition, development or construction of such property or asset (and any revenues therefrom) and any renewal or extension of any such Security Interest which is limited to the original property or asset (and revenues) covered thereby and which secures any renewal or extension of the original secured financing;
2. any Security Interest existing upon any property or asset (and any revenues therefrom) to secure Public External Indebtedness of Barbados at the time of its acquisition and any renewal or extension of any such Security Interest which is limited to the original property or asset (and revenues) covered thereby;

3. any Security Interest securing Public External Indebtedness incurred for the purpose of financing all or part of the costs of the acquisition, construction or development of a project, *provided* that (i) the holders of such Public External Indebtedness expressly agree to limit their recourse to the assets and revenues of such project as the principal source of repayment of such Public External Indebtedness and (ii) the property over which such Security Interest is granted consists solely of such assets and revenues or claims that arise from the operation, failure to meet specifications, failure to complete, exploitation, sale or loss of, or damage to, such assets;
 4. any Security Interest in existence as of 11 December 2019 (the “*Issue Date*”) and any renewal or extension thereof which secures only the original secured financing or the renewal or extension thereof; and
 5. any other Security Interest where the amount secured from time to time does not exceed U.S.\$20,000,000 or its equivalent in any other currency or currencies (calculated based on the prevailing exchange rate on the date of the provision of such Security Interest);
- (D) “*Person*” means any individual, company, corporation, firm, partnership, joint venture, association, organisation, government, state or agency of a state or government or other entity, whether or not having a separate legal personality;
- (E) “*Public External Indebtedness*” means External Indebtedness which (a) is publicly offered or privately placed in securities markets outside of Barbados, (b) is in the form of, or represented by, bonds, notes, debentures or similar transferable debt securities and (c) is, or is, at the time of issue, intended by Barbados to be, quoted, listed or ordinarily dealt in on any stock exchange, automated trading system or over-the-counter or other securities market outside of Barbados (including, without limiting the generality of the foregoing, securities eligible for resale pursuant to Rule 144A under the Securities Act (or any successor law or regulation of similar effect)); and
- (F) “*Security Interest*” means any mortgage, charge, pledge, lien (other than a lien arising by operation of law), hypothecation or other security interest or encumbrance, including, without limitation, any equivalent created or arising under the laws of Barbados.

(5) INTEREST

(a) Interest Rate and Interest Payment Dates

Barbados shall pay interest on the principal amount of each Bond at the rate of 6.500 per cent. per annum accruing from 1 October 2019 and ending on 1 October 2029.

Interest on the Bonds will be payable in arrear semi-annually on each 1 April and 1 October commencing on 1 April 2020 (each such date, an “*Interest Payment Date*”) calculated on the basis of a 360-day year composed of twelve 30-day months and will be payable to Holders of record as of 26 March and 25 September of each year (each, a “*Record Date*”).

(b) Interest Accrual

Barbados shall not be required to pay interest on a Bond from and including the due date for redemption of that Bond unless payment for redemption of such Bond is not made by Barbados on such date in which event the obligation of Barbados to pay interest shall continue as provided in the Trust Deed.

(6) REDEMPTION AND PURCHASE OF BONDS

(a) Mandatory Redemption

Barbados shall, to the extent not previously redeemed, purchased or cancelled as provided below, redeem the Bonds on the dates shown below (each, a “*Principal Payment Date*” and together with the Interest Payment Dates, the “*Payment Dates*”) in an amortisation amount such that the aggregate Outstanding Amount of the Bonds (as defined below) is equal to or less than the percentage of the Relevant Principal Amount (as defined below) shown opposite such Principal Payment Date (each an “*Amortisation Amount*”) payable as provided in Condition (7).

<u>Principal Payment Date</u>	<u>Percentage of Relevant Principal Amount</u>
1 April 2025:	90.00%
1 October 2025:	80.00%
1 April 2026:	70.00%
1 October 2026:	60.00%
1 April 2027:	50.00%
1 October 2027:	40.00%
1 April 2028:	30.00%
1 October 2028:	20.00%
1 April 2029:	10.00%
1 October 2029:	0.00%

For purposes of this Condition (6), “*Outstanding Amount*” means the aggregate principal amount of the Bonds outstanding on any Principal Payment Date (as defined below), as shown on the records of the Trustee less the amount of any further issue of Bonds (as permitted by Condition (16) below) that have been consolidated with the Bonds; and “*Relevant Principal Amount*” means the aggregate principal amount of the Bonds outstanding on 1 January 2025.

(b) Purchases

Barbados may at any time purchase or otherwise acquire Bonds at any price in the open market or otherwise.

(c) Cancellation

Any Bond purchased or otherwise acquired by Barbados may be held, reissued, resold or, at the option of Barbados on or after 1 October 2024, cancelled.

(7) PAYMENTS

(a) Payments in respect of the Bonds

Payments of principal and interest or other amounts payable to the Holders under the Bonds will be made to the Holders in the manner provided in, and in accordance with, the Trust Deed, *provided* always that in any event final discharge of the obligation to make payments due to the Holders will only occur on the receipt of such payments by the Holders or by the Trustee on behalf of the Holders.

(b) Payments subject to applicable laws

Payments in respect of the Bonds are subject in all cases to any fiscal or other laws and regulations applicable in the place of payment, but without prejudice to the denomination of the Bonds or the provisions of Condition (7)(a) or Condition (9).

(c) No commissions

No commissions or expenses shall be charged to the Holders in respect of any payments made in accordance with this Condition.

(d) Payment on Business Days

If any date for payment in respect of any Bond is not a business day, the Holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment.

In this paragraph, “business day” for the purposes of any payments made in connection with the Bonds means any day except Saturday, Sunday or any other day on which commercial banks in New York City, London or Bridgetown (or the city where the relevant paying or transfer agent is located) are required or authorised by law to close.

(e) Agents

The initial Paying Agent, Transfer Agent and Registrar and their respective initial offices are specified in the Agency Agreement. Barbados reserves the right at any time to vary or terminate the appointment of any Paying Agent, Transfer Agent or Registrar and to appoint additional or other Paying Agents, Transfer Agents or Registrars *provided* that:

- (i) Barbados will at all times maintain a Transfer Agent with a specified office in the Borough of Manhattan; and

- (ii) if any Series of Bonds are listed on a stock exchange and that stock exchange so requires, Barbados will maintain a paying agent in the region where the stock exchange is located for such Series.

Notice of any termination or appointment and of any changes in specified offices will be given to the Holders promptly by Barbados in accordance with Condition (15) and to the Trustee.

(f) Principal Reinstatement

If any amount of principal or interest falling due under the Bonds on or prior to the Cut-Off Date is not paid on the scheduled due date, and such default is not cured by the date falling 30 days after the expiration of the grace period for such payment (such date being referred to herein the “*Principal Reinstatement Date*”) Barbados shall issue to each Holder of the Bonds (as of the Principal Reinstatement Date) within 30 Business Days after the Principal Reinstatement Date on a pro rata basis an amount of additional Bonds (for each such Holder, a “*Principal Reinstatement*”) equal to 33.33% of the outstanding principal amount of the Bonds as of the Issue Date of the Bonds. The Principal Reinstatement Date shall be the record date for purposes of determining Holders who are entitled to receive such additional Bonds.

The “*Cut-Off Date*” for purposes of this Condition (7) means the latter of the date on which (a) the extended fund facility arrangement for Barbados (the “*Arrangement*”) approved by the Executive Board of the International Monetary Fund (the “*Executive Board*”) on 1 October 2018 shall have expired by its terms; and (b) any extended expiration date for the Arrangement approved by the Executive Board.

If a Principal Reinstatement occurs, Barbados shall (i) file a supplement with the Luxembourg Stock Exchange indicating the principal amount of Bonds issued in connection therewith, and the total principal amount of Bonds outstanding following such Principal Reinstatement and (ii) provide notice of such Principal Reinstatement to the Holders. Bonds issued following a Principal Reinstatement Date will be fungible with other Bonds. The Trust Deed contains instructions for Barbados to notify the Trustee of the Principal Reinstatement, and for the Trustee to instruct DTC to credit these additional Bonds to the account of each Participant holding Bonds Outstanding as of the Principal Reinstatement Date within 30 Business Days after the Principal Reinstatement Date. Nothing herein or in the Trust Deed shall require the Trustee to pro rate the additional Bonds among the beneficial owners thereof or the DTC participants therefor while the Bonds are represented by one or more Global Certificates, such proration to be solely the responsibility of DTC. Only one Principal Reinstatement Date may occur under the Bonds.

(8) NATURAL DISASTER CLAUSE

(a) Event

- (i) Following the occurrence of any Caribbean Earthquake Event, Caribbean Tropical Cyclone Event or Covered Area Rainfall Event, as defined in the CCRIF Policy (an “*Event*”) that occurs prior to 1 October 2027, in respect of which a Policy Payment has been made to Barbados, and subject to paragraph (iv) below, Barbados may elect to defer payment of the Deferred Payment Amounts on a Deferral Date. Any such Deferred Payment Amount shall remain outstanding and shall continue to accrue interest in accordance with paragraph (iii) below.
- (ii) Beginning with the next Payment Date following the relevant Deferral Period, each remaining principal amortisation of the Bonds will be increased by an amount equal to a pro rata portion of principal that is being deferred on the Deferral Date

and a pro rata portion of interest capitalised in accordance with paragraph (iii) below, in each case, taking into account the number of remaining principal amortisation payments of the Bonds.

- (iii) The portion of a Deferred Payment Amount that is comprised of interest will be capitalised and added to principal as each such interest payment falls due under the terms of the Bonds after the relevant Deferral Date. As such interest is converted into principal, the principal amount of the Bonds shall be increased in the amount of such deferred interest.
- (iv) Barbados shall be entitled to defer the Deferred Payment Amount following the occurrence of an Event only if all of the following conditions are satisfied: (A) the CCRIF Policy is in full force and effect and CCRIF has issued a written report confirming that the Event is an Insured Event in respect of which a Policy Payment has been made to Barbados; (B) since the Issue Date, neither of the Coverage Limit or the Exhaustion Point applicable to earthquakes, tropical cyclone or excess rainfall has been reduced, unless it has been reduced by CCRIF and CCRIF has declined a request submitted by Barbados to CCRIF to maintain such Coverage Limit or Exhaustion Point, as the case may be; and (C) the Policy Payment to Barbados resulting from the Event is greater than U.S.\$5 million in the case of a Caribbean Earthquake Event or Covered Area Rainfall Event or U.S.\$7.5 million in the case of a Caribbean Tropical Cyclone Event.

Upon electing to defer the Deferred Payment Amount, Barbados shall at its own expense provide notice thereof (a “*Deferral Claim*”) to the Holders in accordance with Condition (15), describing in reasonable detail the particulars of the Event giving rise to the right to make such Deferral Claim. Barbados shall be entitled to make no more than three Deferral Claims for the Bonds. Additionally, so long as the Bonds are held in DTC, Barbados will arrange through DTC’s Reorganization Services or other relevant corporate action service of DTC (unless DTC no longer provides such a relevant service) a notice describing in reasonable detail the particulars of the Event giving rise to the right to make such Deferral Claim and that the relevant Deferred Payment Amounts will be deferred on a Deferral Date unless Holders of at least 50 per cent. of the aggregate principal amount of the Bonds then Outstanding respond to the DTC notice by providing an affirmative consent to instruct the Trustee to issue a Blocking Notice during the Blocking Period. Upon receipt through DTC of such affirmative consent during the Blocking Period from Holders representing 50 per cent of the aggregate principal amount of the Bonds then Outstanding, the Trustee is directed to issue a Blocking Notice in accordance with paragraph (v) below (such process, a “*DTC Corporate Action Process*”).

- (v) The Holders of at least 50 per cent. of the aggregate principal amount of the Bonds then Outstanding may, at any time during a Blocking Period, direct the Trustee to issue a blocking notice to Barbados (a “*Blocking Notice*”), including through a DTC Corporate Action Process, if such is then available.
- (vi) For purposes of this Condition: “*Caribbean Earthquake Event*”, “*Caribbean Tropical Cyclone Event*”, “*Covered Area Rainfall Event*”, “*Coverage Limit*”, “*Exhaustion Point*”, “*Insured Event*”, “*Policy Payment*” and “*Rainfall Index Loss*” have the meanings given to such terms in the CCRIF Policy.

“*Blocking Period*” means the 15 day period starting on the date Barbados provides notice of a Deferral Claim to the Holders in accordance with paragraph (iv) of this Condition (8).

“*CCRIF*” means CCRIF SPC (formerly, the Caribbean Catastrophe Risk Insurance Facility), or any successor thereof, with whom the Government of Barbados has entered into the CCRIF Policy.

“*CCRIF Policy*” means the Parametric Insurance Contract dated 1 June 2018 which the Government of Barbados has entered into with CCRIF to insure against risks of earthquake, tropical cyclone and excess rainfall, including any documents incorporated by reference therein and any attachments, annexes, appendices or supplements thereto (including but not limited to the applicable coverage summary and associated loss curve data spreadsheet), as such CCRIF Policy may be amended or supplemented from time to time.

“*Deferral Claim*”, in respect of an Event, has the meaning given to such term in paragraph (iv) of this Condition.

“*Deferral Date*” means the Payment Date following the Blocking Period, provided that no Blocking Notice has been validly delivered to Barbados in respect of such Deferral Claim in accordance with paragraph (v) above.

“*Deferred Payment Amount*” means all principal amortisations and interest payments falling due on the Bonds for the consecutive two-year period immediately following the Deferral Date.

“*Deferral Period*” means the consecutive two-year period immediately following a Deferral Date.

“*Return Period (years)*” means the return period applicable to the Event as such term is used in the model and formulae detailed in the CCRIF Policy.

(9) TAXATION

- (a) All payments of interest and principal on the Bonds will be made by Barbados without withholding or deduction for, or on account of, any present or future taxes, levies or duties of whatever nature imposed, levied, collected or assessed by or on behalf of Barbados or any political subdivision or taxing authority thereof (“*Barbados Withholding Taxes*”), unless such withholding or deduction is required by law. In such event, Barbados will pay such additional amounts (“*Additional Amounts*”) as may be necessary in order that the net payment made in respect of the Bonds after such withholding or deduction for or on account of Barbados Withholding Taxes is not less than the amount that would have been receivable in respect of the Bonds in the absence of such withholding or deduction; *provided* that the foregoing obligation to pay Additional Amounts shall not apply to:
 - (i) any Barbados Withholding Taxes that would not have been imposed or levied on a Holder or beneficial owner of the Bonds but for the existence of any present or former connection between such Holder or beneficial owner and Barbados or any political subdivision thereof, including, without limitation, such Holder or beneficial owner (i) being or having been a citizen or resident thereof, (ii)

maintaining or having maintained an office, permanent establishment or branch therein, or (iii) being or having been present or engaged in trade or business therein, except for a connection solely arising from the mere ownership of, or receipt of payment under such Bonds;

- (ii) any Barbados Withholding Taxes imposed with respect to any Bond held by or on behalf of a Holder or beneficial owner who would not be liable for or subject to such Barbados Withholding Taxes by making a declaration of non-residence or other similar claim or exemption to the relevant tax authority if, after having been requested to make such a declaration or claim, such Holder or beneficial owner fails to do so; or
- (iii) any Barbados Withholding Taxes that would not have been so imposed but for the presentation by the Holder of such Bond for payment more than 30 days after the Relevant Date, except to the extent that the Holder thereof would have been entitled to such Additional Amount on the last day of such 30-day period.

(b) The “*Relevant Date*” in relation to any Bond means:

- (i) the due date for payment in respect thereof; or
- (ii) (if the full amount of the monies payable on such date has not been received by the Trustee or the Paying Agent on or prior to such due date) the date on which, the full amount of such monies having been so received, notice to that effect is duly given to the Holders in accordance with Condition (15) or individually.

(c) OID Reporting Requirement

If any Bonds are issued with original issue discount for U.S. federal income tax purposes, the following shall apply:

- (i) Barbados shall file with the Trustee (i) a written notice specifying the amount of original issue discount (including daily rates and accrual periods) accrued on the Bonds and (ii) such other specific information relating to such original issue discount, including, but not limited to, the issue date and yield to maturity of the Bonds, as necessary to satisfy the relevant reporting requirements under the U.S. Internal Revenue Code of 1986, as amended. Individual Bonds, if any, that are issued with original issue discount will bear a legend substantially to the following effect, unless Barbados determines otherwise in compliance with applicable law: THIS BOND HAS BEEN ISSUED WITH ORIGINAL ISSUE DISCOUNT FOR UNITED STATES FEDERAL INCOME TAX PURPOSES. This provision shall not apply with respect to any Bonds for which Barbados has filed IRS Form 8281 with the U.S. Internal Revenue Service. Barbados shall provide a copy of IRS Form 8281, if any, to the Trustee.
- (ii) Barbados shall provide the information described in Condition (9)(c)(i) above to the Trustee based on the lowest applicable issue price for the Bonds, as determined for U.S. federal income tax purposes. By its acceptance of the Bonds, a Holder will be required, to the extent relevant for U.S. federal income tax purposes, to report original issue discount on the Bonds in accordance with the original issue

discount information provided by Barbados to the Trustee pursuant to Condition (9)(c)(i) above.

- (iii) A Holder may request the information described in Condition (9)(c)(i) above in writing (together with such evidence as to the Holder's identity and beneficial entitlement to such Bonds as the Trustee may reasonably request or require) to the Trustee at 240 Greenwich St., 7E, New York, New York 10286, and the Trustee agrees to provide the same to such Holder to the extent the Trustee received such information from Barbados, *provided* that under no circumstances shall the Trustee be responsible for or incur any liability whatsoever to any persons as to the accuracy or correctness of such information provided by Barbados to the Trustee.

(10) PRESCRIPTION

Claims for principal and interest on the Bonds shall become void unless made within the period of five years from the Relevant Date.

(11) MOST FAVOURED CREDITOR

Barbados shall not enter into any arrangement to pay or to settle any Specified Indebtedness issued on or prior to 1 January 2019 (unless such payment is made in compliance with and in accordance with the terms of a final, non-appealable court order or arbitral award) on terms more favourable to the holder thereof (in a net present value sense, where present value is calculated using a constant 12% discount rate) than the terms offered in the invitation memoranda dated 5 November 2019 to the holders of 7.25% Bonds due 2021, 7.00% Bonds due 2022, or 6.625% Bonds due 2035 each issued by Barbados, U.S.\$150,000,000 outstanding loans due 18 December 2018, U.S.\$75,000,000 outstanding loans due 18 December 2019, Fixed Rate Non-Callable Guaranteed Bonds 2007 – 2022 issued by the Barbados Transport Board, Fixed Rate Non-Callable Guaranteed Bonds 2007 – 2022 issued by Barbados Agricultural Management Co. Ltd., Class B Fixed Rate Bonds due 2019 issued by the Government of Barbados in definitive form and Class B Fixed Rate Bonds due 2019 issued by the Government of Barbados (ISIN XS0441235255), without simultaneously making those more favourable terms available to each Holder.

For the purposes of this Condition, "*Specified Indebtedness*" means (a) any Public External Indebtedness of Barbados; and (b) any External Indebtedness of Barbados in the form of commercial loans (provided that any such commercial loan has an aggregate outstanding amount in excess of U.S.\$5,000,000 or its equivalent in another currency), in each case other than Indebtedness under the Correctional Facility Lease between Barbados and Barbados Correction Corporation originally dated 15 October 2007 (as amended).

(12) EVENTS OF DEFAULT

- (a) Events of Default

The following shall each constitute an "*Event of Default*":

- (i) Barbados fails to pay any amount of principal or interest in respect of the Bonds on the due date for payment thereof and such default continues for 30 days or more;
- (ii) Barbados defaults in the performance or observance of any of its other obligations under or in respect of the Trust Deed, the Agency Agreement or the Conditions of the Bonds and such default remains unremedied for 60 days after written notice

requiring such default to be remedied has been delivered to Barbados by any Holder or the Trustee;

- (iii) (A) any External Indebtedness incurred by Barbados after the Issue Date (aggregating U.S.\$20,000,000, or its equivalent in any other currency or currencies, or more) (“*Relevant External Indebtedness*”) becomes due and payable prior to its stated maturity as a result of acceleration of payment thereof following a default by Barbados; (B) any principal or interest on such Relevant External Indebtedness of Barbados is not paid on the due date after giving effect to any applicable grace period; or (C) Barbados fails to pay when due and called after giving effect to any applicable grace period any amount payable by it under any present or future guarantee of or indemnity relating to Relevant External Indebtedness of any Person;
- (iv) A moratorium or suspension of payments is agreed or declared by Barbados in respect of any Relevant External Indebtedness of Barbados;
- (v) Any writ, execution, attachment or similar process shall be levied against all or any substantial part of the assets of Barbados in connection with any judgment for the payment of money in respect of any Indebtedness incurred by Barbados after the Issue Date exceeding U.S.\$25,000,000 (or its equivalent in other currencies) and shall remain unsatisfied, undischarged and in effect for a period of 60 days without a stay of execution, unless such judgment is adequately bonded or is being contested in good faith by appropriate proceedings properly instituted and diligently conducted and, in either case, such process is not being executed against such assets;
- (vi) The validity of the Bonds, the Trust Deed, the Conditions or the Agency Agreement shall be contested by Barbados or any legislative, executive or judicial body or official of Barbados authorised and empowered (either singly or with another such body or official) in each case by law to do so, or Barbados shall deny any of its obligations under the Trust Deed, the Agency Agreement or the relevant Conditions of such Series of Bonds to any of the Holders (whether by a general suspension of payments or a moratorium on the payment of debt or otherwise);
- (vii) Any constitutional provision, treaty, convention, law, regulation, ordinance, decree, consent, approval, licence or other governmental or regulatory authority necessary to enable Barbados to make or perform its obligations under the Trust Deed, the Agency Agreement or the Conditions of such Series of Bonds, or for the validity or enforceability thereof, shall expire, be withheld, revoked, modified, terminated or otherwise cease to remain in full force and effect;
- (viii) Any law, rule or regulation is adopted in Barbados or any change in applicable law in Barbados is made which makes it unlawful for Barbados to comply with its obligations to pay amounts in accordance with Condition (7) in the event that Barbados shall be required to withhold or deduct any taxes, duties, assessments or governmental charges on payments of principal of, or interest on, the Bonds; or
- (ix) Barbados ceases to be a member of the International Monetary Fund (the “*IMF*”) or ceases to be eligible to utilise the resources of the IMF under the IMF Articles of Agreement and such cessation continues for 30 days.

(b) Acceleration and Rescission

If an Event of Default occurs and is continuing, then the Holders of at least 25 per cent. of the aggregate principal amount of the Bonds then Outstanding may direct the Trustee to give notice in writing (an “*Acceleration Notice*”) to Barbados that the Bonds are immediately due and payable, whereupon an amount equal to the aggregate principal amount of the Bonds then Outstanding together with accrued but unpaid interest if any to the date of repayment shall become immediately due and payable, unless the Event of Default has been remedied or waived prior to the receipt of the Acceleration Notice by Barbados.

The Holders of at least 50 per cent. of the aggregate principal amount of the Bonds then Outstanding may direct the Trustee to rescind an Acceleration Notice. Such rescission shall be made by giving notice in writing to Barbados, with a copy to the Trustee, whereupon such Acceleration Notice shall be rescinded and shall have no further effect and any amounts that had become immediately due and payable pursuant to such Acceleration Notice and had not been paid shall remain outstanding on the terms and conditions applicable prior to such Acceleration Notice and any Event of Default referred to in such Acceleration Notice or resulting from a failure to pay any amount that had become due and payable pursuant to such Acceleration Notice shall be irrevocably waived.

No such rescission shall affect any other or any subsequent Event of Default or any right of any Holder in relation thereto. Such rescission will be conclusive and binding on all Holders.

(13) ENFORCEMENT

Subject to the Trust Deed, the Trustee may or shall (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction by the relevant holders), if so requested in writing by Holders for the time being of at least 25 per cent. of the Bonds then Outstanding, take such proceedings against Barbados as it may think fit to enforce the provisions of the Bonds or the Trust Deed.

No Holder shall be entitled to proceed directly against Barbados by instituting any proceeding, judicial or otherwise, with respect to the Bonds or the Trust Deed, or for the appointment of a receiver or a trustee, or for any other remedy hereunder, unless the Trustee, having become bound so to proceed under the Trust Deed, fails to do so within 60 days and the failure shall be continuing.

(14) MEETINGS AND MODIFICATIONS

(a) General

The provisions relating to modifications as set out under Clause 19 of the Trust Deed and for convening meetings of Holders as set out in Schedule 4 of the Trust Deed shall apply to the Bonds, *provided* that, for the purposes of any proposal relating to, or proposed modification of, the Bonds of this Series only or any Multiple Series Aggregation – Single Limb Voting or Multiple Series Aggregation – Two Limb Voting, the Bonds shall be treated as a single Series and all reference to “*Series*” or “*Bonds*” shall be construed accordingly.

Any modification consented to or approved by the Holders of Bonds pursuant to this Condition (14) will be conclusive and binding on all Holders of the Bonds whether or not they have given such consent, and on all future Holders of the Bonds whether or not notation of such modification is made upon the Bonds. Any instrument given by or on behalf of any Holder of a Bond in connection with any consent to or approval of any such modification will be conclusive and binding on all subsequent Holders of that Bond.

(b) Convening a meeting of Holders

A meeting of Holders:

- (i) may be convened by Barbados or the Trustee at any time; and
- (ii) will be convened by Barbados or the Trustee if a meeting is requested in writing by the Holders of not less than 10 per cent. in principal amount of the Bonds then Outstanding.

(c) Non-Reserved Matters

Save as otherwise provided in the Trust Deed, any modification in relation to, or proposal relating to, any matter other than a Reserved Matter may be made if:

- (i) passed at a duly called meeting of Holders by a majority of more than 50 per cent. of the aggregate principal amount of the Bonds then Outstanding; or
- (ii) approved by a written resolution signed by or on behalf of a Holder or Holders of more than 50 per cent. of the aggregate principal amount of the Bonds then Outstanding.

(d) Reserved Matters

(i) Modification of this Series of Debt Securities Only

(A) In relation to a proposal that includes a Reserved Matter, any modification to the terms and conditions of, or any action with respect to, the Bonds may be made or taken if:

- 1. passed at a duly called meeting of Holders by a majority of at least 75 per cent. of the aggregate principal amount of the Bonds then Outstanding; or
- 2. approved by a written resolution signed by or on behalf of a Holder or Holders of at least 75 per cent. of the aggregate principal amount of the Bonds then Outstanding.

(ii) Multiple Series Aggregation – Single Limb Voting

(A) In relation to a proposal that includes a Reserved Matter, any modification to the terms and conditions of, or any action with respect to, two or more series of Debt Securities Capable of Aggregation; *provided* that the Uniformly Applicable condition is satisfied, may be made or taken if:

- 1. passed at a duly called meeting of Holders by a majority of at least 75 per cent. of the aggregate principal amount of the outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in the aggregate); or

2. approved by a written resolution signed by or on behalf of a Holder or Holders of at least 75 per cent. of the aggregate principal amount of the outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in the aggregate).

(B) The “*Uniformly Applicable*” condition will be satisfied if:

1. the holders of all affected series of Debt Securities Capable of Aggregation are invited to exchange, convert, or substitute their debt securities, on the same terms, for (i) the same new instrument or other consideration or (ii) a new instrument, new instruments or other consideration from an identical menu of instruments or other consideration; or
2. the amendments proposed to the terms and conditions of each affected series of Debt Securities Capable of Aggregation would, following implementation of such amendments, result in the amended instruments having identical provisions (other than provisions which are necessarily different, having regard to different currency of issuance).

(iii) Multiple Series Aggregation – Two Limb Voting

(A) In relation to a proposal that includes a Reserved Matter, any modification to the terms and conditions of, or any action with respect to, two or more series of Debt Securities Capable of Aggregation may be made or taken if:

1. passed at a duly called meeting of Holders by a majority of: (a) at least 66 $\frac{2}{3}$ per cent. of the aggregate principal amount of the outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in the aggregate); and (b) more than 50 per cent. of the aggregate principal amount of the outstanding debt securities in each affected series of Debt Securities Capable of Aggregation (taken individually); or
2. approved by a written resolution signed by or on behalf of a Holder or Holders of: (a) at least 66 $\frac{2}{3}$ per cent. of the aggregate principal amount of the outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in the aggregate); and (b) more than 50 per cent. of the aggregate principal amount of the outstanding debt securities in each affected series of Debt Securities Capable of Aggregation (taken individually).

“*Debt Securities Capable of Aggregation*” means those debt securities which include or incorporate by reference Schedule 4 (*Meetings of Holders; Written Resolutions*) and paragraph (I) (*Aggregation Agent; Aggregation Procedures*) of Schedule 4 of the Trust Deed or provisions substantially in those terms which provide for the debt securities which include such provisions to be capable of being aggregated for voting purposes with other series of debt securities.

(e) Binding Effect

A resolution duly passed at a meeting of Holders duly convened and held in accordance with the provisions of the Trust Deed, and a written resolution duly signed by the requisite majority of Holders, will be binding on all Holders and holders of each other affected series of Debt Securities Capable of Aggregation, whether or not they attended any meeting and whether or not they voted for or against the resolution or signed the written resolution.

(15) NOTICES

- (a) Notices to Holders will be valid if sent to them by first class mail (airmail if overseas) at their respective addresses on the Register or, as long as the Notes are listed on the Luxembourg Stock Exchange and traded on the Euro MTF market and the rules of the Luxembourg Stock Exchange so require, published in a leading newspaper having general circulation in Luxembourg or on the website of the Luxembourg Stock Exchange (<http://www.bourse.lu>). Any such notice shall be deemed to have been given, when required to be published in accordance with the rules of the Luxembourg Stock Exchange, on the date of such publication (or, if published more than once, on the first date on which publication is made) or, as the case may be, on the fourth day after the date of mailing.
- (b) Notices to Barbados to be given by any Holder shall be in writing and in English and given by lodging the same at the Ministry of Finance, Economic Affairs and Investment at the address below:

The Ministry of Finance, Economic Affairs and Investment
Government Headquarters
Bay Street
St. Michael, Barbados
Attention: Permanent Secretary (Finance)

(16) FURTHER ISSUES

Barbados shall be at liberty from time to time without the consent of the Holders to create and issue further bonds having terms and conditions the same as the Bonds or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with and increase the outstanding aggregate principal amount of the Bonds, provided that such additional Bonds do not have, for purposes of U.S. federal income taxation (regardless of whether any holders of such Bonds are subject to U.S. federal laws), a greater amount of original issue discount than the Bonds have as of the date of issuance of such additional Bonds.

(17) INDEMNIFICATION OF TRUSTEE

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from any obligation to take proceedings to enforce repayment unless indemnified and/or secured and/or prefunded to its satisfaction. The Trust Deed also contains provisions pursuant to which the Trustee is entitled *inter alia*, (i) to enter into business transactions with Barbados or any person or body corporate associated with the Government of Barbados and to act as trustee for the holders of any other securities issued by or relating to Barbados or any person or body corporate associated with the Government of Barbados, (ii) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Holders, and (iii) to retain

and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

(18) GOVERNING LAW

- (a) The Bonds and any non-contractual obligations arising out of or in connection with the Bonds shall be governed by and construed in accordance with the law of England.
- (b) Subject to Condition (18)(l), Barbados irrevocably and unconditionally agrees for the exclusive benefit of the Trustee that any federal court in the Southern District of New York or any state court in the Borough of Manhattan, The City of New York, any court of England and any competent court in Barbados (collectively referred to “*Specified Courts*”) shall have jurisdiction to settle any suit, action or proceeding against Barbados or its properties, assets or revenues arising out of or in connection with the Bonds or Barbados’ failure or alleged failure to perform any obligations under the Bonds (a “*Related Proceeding*”). Any proceeding against the Trustee arising out of or related to the Trust Deed or the Bonds shall be commenced solely in the courts of England. Barbados and the Holders, by their acceptance of the Bonds, agree to the foregoing and submit to the exclusive jurisdiction of any such court.
- (c) The Trustee may not initiate a Related Proceeding in any jurisdiction other than in the Specified Courts.
- (d) Barbados irrevocably appoints: (i) the High Commissioner of Barbados at 1 Great Russell St, Fitzrovia, London WC1B 3ND, UK to receive service of process in relation to any Related Proceeding in England, and (ii) the Consul General of Barbados at 820 2nd Ave, New York, NY 10017 to receive service of process in relation to any Related Proceeding in New York.
- (e) Barbados hereby irrevocably and unconditionally waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to Related Proceedings brought in a Specified Court whether on the grounds of venue, residence or domicile or on the ground that the Related Proceedings have been brought in an inconvenient forum (except for any Related Proceedings relating to the securities laws of the United States or any state thereof).
- (f) A final non-appealable judgment in any such Related Proceeding shall be conclusive and may be enforced in other jurisdictions by a suit upon such judgment or in any other manner provided by law.
- (g) Barbados hereby irrevocably waives, to the extent permitted by applicable law and international conventions, (a) any immunity from jurisdiction it may have in any Related Proceeding in the courts of England, and (b) except as provided below, any immunity from attachment or execution to which its assets or property might otherwise be entitled in any Related Proceeding in the courts of England, and agrees that it will not claim any such immunity in any such Related Proceeding.
- (h) Notwithstanding the foregoing, the above waiver shall not constitute a waiver of immunity from attachment or execution with respect to:
 - (i) any property of the Central Bank of Barbados,

- (ii) any property of Barbados located in the territory of Barbados,
 - (iii) any property located in or outside the territory of Barbados that provides an essential public service,
 - (iv) any property entitled to the privileges and immunities of the Vienna Convention on Diplomatic Relations of 1961 and the Vienna Convention on Consular Relations of 1963, including, but not limited to, property, premises and bank accounts used by the missions of Barbados,
 - (v) any property of a diplomatic, governmental or consular mission of Barbados,
 - (vi) taxes, duties, levies, assessments, royalties or any other governmental charges imposed by Barbados, including the right of Barbados to collect any such charges,
 - (vii) any property of a military character or under the control of a military authority or defence agency of Barbados,
 - (viii) property forming part of the cultural heritage of Barbados, or
 - (ix) property of Barbados outside Barbados not used for a commercial purpose.
- (i) For the purposes of this Condition (18), “*property*” includes, without limitation, assets, accounts, bank deposits, cash, revenues, securities and rights, including rights against third parties.
- (j) Subject to Condition (18)(l), to the extent that Barbados or any of its revenues, assets or properties shall be entitled, in any jurisdiction in which any federal court in the Southern District of New York or any state court in the Borough of Manhattan, The City of New York is located, in which any Related Proceeding may at any time be brought against it or any of its revenues, assets or properties, or in any jurisdiction in which any federal court in the Southern District of New York or any state court in the Borough of Manhattan, The City of New York is located in which any suit, action or proceeding may at any time be brought for the purpose of enforcing or executing any judgment issued in any Related Proceeding (a “*Related Judgment*”), to any immunity from suit, from the jurisdiction of any such court, from set-off, from attachment prior to a Related Judgment, from attachment in aid of execution of a Related Judgment, from execution of a Related Judgment or from any other legal or judicial process or remedy, and to the extent that in any such jurisdiction there shall be attributed such an immunity, Barbados irrevocably waives such immunity to the fullest extent permitted by the laws of such jurisdiction, including the United States Foreign Sovereign Immunities Act of 1976 (the “*Immunities Act*”) (and consents to the giving of any relief or the issue of any process in connection with any Related Proceeding or Related Judgment as permitted by applicable law, including the Immunities Act), *provided, however*, that such waiver shall not extend to and Barbados shall be immune in respect of and in relation to any suit, action or proceeding or enforcement of any Related Judgment against:
- (i) any property of the Central Bank of Barbados,
 - (ii) any property of Barbados located in the territory of Barbados,

- (iii) any property located in or outside the territory of Barbados that provides an essential public service,
 - (iv) any property entitled to the privileges and immunities of the Vienna Convention on Diplomatic Relations of 1961 and the Vienna Convention on Consular Relations of 1963, including, but not limited to, property, premises and bank accounts used by the missions of Barbados,
 - (v) any property of a diplomatic, governmental or consular mission of Barbados,
 - (vi) taxes, duties, levies, assessments, royalties or any other governmental charges imposed by Barbados, including the right of Barbados to collect any such charges,
 - (vii) any property of a military character or under the control of a military authority or defence agency of Barbados,
 - (viii) property forming part of the cultural heritage of Barbados, or
 - (ix) property of Barbados outside Barbados not used for a commercial purpose.
- (k) The foregoing constitutes a limited and specific waiver by Barbados solely for the purposes of the Trust Deed and the Bonds and under no circumstance shall it be construed as a general waiver by Barbados or a waiver with respect to proceedings unrelated to the Trust Deed or the Bonds.
- (l) Barbados reserves the right to plead sovereign immunity under the Immunities Act with respect to actions brought against it under the U.S. federal securities laws or any state securities laws and the appointment of an agent for service of process does not extend to such actions.

(19) HOLDERS' COMMITTEE

- (a) Appointment
- (i) Holders of at least 25 per cent. of the aggregate principal amount of the outstanding Bonds may, by notice in writing to Barbados (with a copy to the Trustee), appoint any person or persons as a committee to represent the interests of such holders (as well as the interests of any holders of outstanding Indebtedness of Barbados who wish to be represented by such a committee) if any of the following events has occurred:
 - (A) an Event of Default under Condition (12) (*Events of Default*);
 - (B) any public announcement by Barbados, to the effect that Barbados is seeking or intends to seek a rescheduling or restructuring of the Bonds (whether by amendment, exchange offer or otherwise); or
 - (C) with the agreement of Barbados, at a time when Barbados has reasonably reached the conclusion that its debt may no longer be sustainable whilst the Bonds or any other affected Indebtedness of Barbados is outstanding.

- (ii) Upon receipt of a written notice that a committee has been appointed in accordance with paragraph (a)(i) of this Condition (19) (*Holders' Committee*), and a certificate delivered pursuant to paragraph (d) of this Condition (19) (*Holders' Committee*), Barbados shall give notice of the appointment of such a committee to all Holders in accordance with Condition (15) (*Notices*) as soon as practicable after such written notice and such certificate are delivered to Barbados.

(b) Powers

Such committee in its discretion may, among other things:

- (i) engage legal advisers and financial advisers to assist it in representing the interests of the Holders;
- (ii) adopt such rules as it considers appropriate regarding its proceedings;
- (iii) enter into discussions with Barbados and/or other creditors of Barbados; and
- (iv) designate one or more members of the committee to act as the main point(s) of contact with Barbados and provide all relevant contact details to Barbados.

Except to the extent provided in this paragraph (b) of this Condition (19) (*Holders' Committee*), such committee shall not have the ability to exercise any powers or discretions which the Holders could themselves exercise.

(c) Engagement with the Committee and Provision of Information

- (i) Barbados shall:
 - (A) subject to paragraph (c)(ii) of this Condition (19) (*Holders' Committee*), engage with the committee in good faith;
 - (B) pay such fees and expenses of the committee (including, without limitation, fees and expenses of the committee's legal and financial advisers, if any) but only to the extent agreed in writing between Barbados and the committee, it being understood that nothing in this clause shall impose an obligation or expectation on Barbados to make any such payment without the prior agreement of Barbados; and
 - (C) provide the committee with information equivalent to that required under paragraph (g) (*Information*) of Schedule 4 of the Trust Deed and related proposals, if any, in each case as the same become available, subject to any applicable information disclosure policies, rules and regulations.
- (ii) If more than one committee has been appointed by holders of affected series of Bonds in accordance with the provisions of this Condition (19) (*Holders' Committee*) and/or equivalent provisions set out in the terms and conditions of any affected Indebtedness of Barbados, Barbados shall not be obliged to engage with such committees separately. Such committees may appoint a single steering group (to be comprised of representatives from such committees), whereupon Barbados shall engage with such steering group.

(d) Certification

Upon the appointment of a committee, the person or persons constituting such a committee (the “*Members*”) will provide a certificate to Barbados and to the Trustee signed by the authorised representatives of the Members, and Barbados and the Trustee may rely upon the terms of such certificate.

The certificate shall certify:

- (A) that the committee has been appointed;
- (B) the identity of the initial Members; and
- (C) that such appointment complies with the terms and conditions of the relevant bond documentation.

Promptly after any change in the identity of the Members, a new certificate which each of Barbados and the Trustee may rely on conclusively, will be delivered to Barbados and the Trustee identifying the new Members. Each of Barbados and the Trustee will assume that the membership of the committee has not changed unless and until it has received a new certificate.

The provisions of this paragraph (d) of this Condition (19) (*Holders’ Committee*) shall apply, mutatis mutandis, to any steering group appointed in accordance with paragraph (c)(ii) of this Condition (19) (*Holders’ Committee*).

TERMS AND CONDITIONS OF THE PDI BONDS

This section of this invitation memorandum sets forth the text of the Terms and Conditions of the PDI Bonds. Barbados urges you to read the Trust Deed and the Agency Agreement for a complete description of Barbados' obligations and your rights as a holder of the PDI Bonds. In subscribing for the PDI Bonds, you will be deemed to be aware of the terms of the Trust Deed and Agency Agreement.

(1) GENERAL

These bonds due 1 February 2021 (the “*Bonds*”, which expression shall, in these Conditions, unless the context otherwise requires, include any further bonds issued and forming a single Series with the Bonds) are:

- (a) authorised and issued or to be issued by the Government of Barbados (“*Barbados*”) pursuant to the trust deed (the “*Trust Deed*”) made between Barbados and The Bank of New York Mellon (the “*Trustee*”, which expression shall include its successor(s)) as trustee for the Holders of the Bonds; and
- (b) constituted by the Trust Deed.

The Bonds shall be Debt Securities for the purposes of the Trust Deed. Terms used but not defined herein shall have the respective meanings given to them in the Trust Deed. The Holders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed applicable to them.

(2) FORM, DENOMINATION AND TITLE

- (a) Form and Denomination
 - (i) The Bonds are in fully registered form only, without interest coupons, in minimum denominations of U.S.\$100 and integral multiples of U.S.\$100 in excess thereof.
 - (ii) The Bonds will be represented by separate permanent global certificates (the “*Restricted Global Certificate*” and the “*Unrestricted Global Certificate*” and, together, the “*Global Certificates*”) which will both be deposited with the Registrar as custodian for The Depository Trust Company (“*DTC*”) and registered in the name of Cede & Co. as nominee of DTC. The Restricted Global Certificate will represent Bonds which are restricted securities within the meaning of Rule 144(a)(3) under the United States Securities Act of 1933, as amended (the “*Securities Act*”). Bonds sold in offshore transactions in reliance on Regulation S under the Securities Act will be represented by the Unrestricted Global Certificate. Interests in the Restricted Global Certificate will be exchangeable for interests in the Unrestricted Global Certificate and vice versa in the circumstances specified therein.
 - (iii) The Restricted Global Certificate will be exchanged in whole (but not in part) for duly authenticated and completed individual debt security certificates (“*Restricted Individual Certificates*”) and, if applicable, the Unrestricted Global Certificate will be exchanged in whole (but not in part) for duly authenticated and completed individual debt security certificates (“*Unrestricted Individual Certificates*” and, together with Restricted Individual Certificates and the Global Certificates, “*Certificates*”) if any of the following events occurs:

- (A) DTC notifies Barbados that it is no longer willing or able to discharge properly its responsibilities as depositary with respect to the Restricted Global Certificate or the Unrestricted Global Certificate, as the case may be, or ceases to be a clearing agency (as defined in the United States Securities Exchange Act of 1934, as amended), or is at any time no longer eligible to act as such, and Barbados is (in the case of DTC ceasing to be a depositary) unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of DTC; or
- (B) any Bond becomes immediately due and payable following the occurrence of an Event of Default (as defined in Condition (12)), is not duly redeemed (and the funds required for redemption are not available to the Registrar for the purpose of effecting such redemption or do not remain available for such purpose) by 5:00 p.m. (New York City time) on the thirtieth day after the time the Bonds become immediately due and payable and such Holder requests the Trustee to issue a Certificate.

(3) TITLE

(a)

- (i) The Registrar will maintain a register (the “*Register*”) in respect of the Bonds in accordance with the provisions of the Agency Agreement. In these Conditions the “*Holder*” of a Bond means the person in whose name such Bond is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof). A Certificate will be issued to each Holder in respect of its registered holding.
- (ii) The Holder of each Bond shall (except as otherwise required by applicable law or regulatory requirement) be treated as the absolute owner of such Bond for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest thereof or therein, any writing on the Certificate relating thereto (other than the completion of the form of transfer) or any notice of any previous loss or theft of such Certificate) and no person shall be liable for so treating such holder.

(b) Trust Deed

Each Holder of this Series of Bonds is entitled as a beneficiary of the trusts established under the Trust Deed in respect of Barbados’ covenants given to the Trustee pursuant to the Trust Deed including, without limitation, the covenant to pay set out in Clause 2 thereof. The Trustee holds the benefit of such covenants on trust for the Holders of this Series of Bonds and itself in accordance with the terms of the Trust Deed. Subject to the next sentence, only the Trustee may enforce the provisions of the Trust Deed and these Conditions. No Holder of the Bonds of this Series shall be entitled to (i) take any steps or action against Barbados to enforce the performance of any of the provisions of the Trust Deed, the Agency Agreement or these Conditions or (ii) take any other proceedings (including lodging an appeal in any proceedings) in respect of or concerning Barbados and arising out of or in connection with the Trust Deed, the Agency Agreement or these Conditions, in each case unless the Trustee, having become bound pursuant to the Trust Deed to take any such action, steps or proceedings, fails to do so within 60 days and such failure is continuing.

(4) STATUS OF THE BONDS AND NEGATIVE PLEDGE

(a) Status

The Bonds are the direct, unconditional and unsecured obligations of Barbados and rank and will rank *pari passu*, without preference among themselves, with all other unsecured External Indebtedness of Barbados, from time to time outstanding, *provided, however*, that Barbados shall have no obligation to effect equal or rateable payment(s) at any time with respect to any such other External Indebtedness and, in particular, shall have no obligation to pay other External Indebtedness at the same time or as a condition of paying sums due on the Bonds and vice versa.

(b) Negative Pledge

(i) So long as any Bond remains Outstanding, Barbados will not create or permit to subsist any Security Interest (other than a Permitted Security Interest) upon the whole or any part of its properties, assets or revenues, present or future, to secure any present or future Public External Indebtedness of Barbados without, in any such case, at the same time or prior thereto according to the Bonds (i) equally and rateably therewith, the same or equivalent Security Interest as is granted to or is outstanding in respect of such Public External Indebtedness or (ii) such other Security Interest or such guarantee, indemnity or other like obligation as is approved by the Holders by an Extraordinary Resolution.

(ii) In these Conditions:

(A) “*External Indebtedness*” means Indebtedness which is payable or may be paid (a) in a currency other than the currency of Barbados and (b) to a Person resident or having its principal place of business outside Barbados;

(B) “*Indebtedness*” means any obligation (whether present, future, actual or contingent) of any Person for the payment or repayment of money which has been borrowed or raised (including money raised by acceptances and leasing);

(C) “*Permitted Security Interest*” means:

1. any Security Interest upon any property or asset (and any revenues therefrom) to secure Public External Indebtedness of Barbados incurred for the purpose of financing the acquisition, development or construction of such property or asset (and any revenues therefrom) and any renewal or extension of any such Security Interest which is limited to the original property or asset (and revenues) covered thereby and which secures any renewal or extension of the original secured financing;
2. any Security Interest existing upon any property or asset (and any revenues therefrom) to secure Public External Indebtedness of Barbados at the time of its acquisition and any renewal or extension of any such Security Interest which is limited to the original property or asset (and revenues) covered thereby;

3. any Security Interest securing Public External Indebtedness incurred for the purpose of financing all or part of the costs of the acquisition, construction or development of a project, *provided* that (i) the holders of such Public External Indebtedness expressly agree to limit their recourse to the assets and revenues of such project as the principal source of repayment of such Public External Indebtedness and (ii) the property over which such Security Interest is granted consists solely of such assets and revenues or claims that arise from the operation, failure to meet specifications, failure to complete, exploitation, sale or loss of, or damage to, such assets;
 4. any Security Interest in existence as of 11 December 2019 (the “*Issue Date*”) and any renewal or extension thereof which secures only the original secured financing or the renewal or extension thereof; and
 5. any other Security Interest where the amount secured from time to time does not exceed U.S.\$20,000,000 or its equivalent in any other currency or currencies (calculated based on the prevailing exchange rate on the date of the provision of such Security Interest);
- (D) “*Person*” means any individual, company, corporation, firm, partnership, joint venture, association, organisation, government, state or agency of a state or government or other entity, whether or not having a separate legal personality;
- (E) “*Public External Indebtedness*” means External Indebtedness which (a) is publicly offered or privately placed in securities markets outside of Barbados, (b) is in the form of, or represented by, bonds, notes, debentures or similar transferable debt securities and (c) is, or is, at the time of issue, intended by Barbados to be, quoted, listed or ordinarily dealt in on any stock exchange, automated trading system or over-the-counter or other securities market outside of Barbados (including, without limiting the generality of the foregoing, securities eligible for resale pursuant to Rule 144A under the Securities Act (or any successor law or regulation of similar effect)); and
- (F) “*Security Interest*” means any mortgage, charge, pledge, lien (other than a lien arising by operation of law), hypothecation or other security interest or encumbrance, including, without limitation, any equivalent created or arising under the laws of Barbados.

(5) INTEREST

(a) Interest Rate and Interest Payment Dates

Barbados shall pay interest on the principal amount of each Bond at the rate of 6.500 per cent. per annum accruing from 1 October 2019 and ending on 1 February 2021.

Interest on the Bonds will be payable in arrear on 1 October 2020 and 1 February 2021 (each such date, an “*Interest Payment Date*”) calculated on the basis of a 360-day year composed of twelve 30-day months and will be payable to Holders of record as of 25 September 2020 and 26 January 2021 (each, a “*Record Date*”).

(b) Interest Accrual

Barbados shall not be required to pay interest on a Bond from and including the due date for redemption of that Bond unless payment for redemption of such Bond is not made by Barbados on such date in which event the obligation of Barbados to pay interest shall continue as provided in the Trust Deed.

(6) REDEMPTION AND PURCHASE OF BONDS

(a) Mandatory Redemption

Barbados shall, to the extent not previously redeemed, purchased or cancelled as provided below, redeem the Bonds on the dates shown below (each, a “*Principal Payment Date*”) in an amortisation amount shown opposite such Principal Payment Date, payable as provided in Condition (7).

<u>Principal Payment Date</u>	<u>Amortisation Amount</u>
1 October 2020:	U.S.\$30,000,000
1 February 2021:	U.S.\$2,500,000

(b) Redemption at the option of Barbados

Barbados may on any one or more occasions redeem all or a part of the Bonds, upon not giving less than 30 nor more than 60 calendar days’ notice to the Holders and the Trustee in accordance with Condition (15), at a redemption price equal to 100 per cent of the principal amount thereof, together with interest accrued and unpaid to the date fixed for redemption.

(c) Purchases

Barbados may at any time purchase or otherwise acquire Bonds at any price in the open market or otherwise.

(d) Cancellation

Any Bond purchased or otherwise acquired by Barbados may be held, reissued, resold or, at the option of Barbados, cancelled.

(7) PAYMENTS

(a) Payments in respect of the Bonds

Payments of principal and interest or other amounts payable to the Holders under the Bonds will be made to the Holders in the manner provided in, and in accordance with, the Trust Deed, *provided* always that in any event final discharge of the obligation to make payments due to the Holders will only occur on the receipt of such payments by the Holders or by the Trustee on behalf of the Holders.

(b) Payments subject to applicable laws

Payments in respect of the Bonds are subject in all cases to any fiscal or other laws and regulations applicable in the place of payment, but without prejudice to the denomination of the Bonds or the provisions of Condition (7)(a) or Condition (9).

(c) No commissions

No commissions or expenses shall be charged to the Holders in respect of any payments made in accordance with this Condition.

(d) Payment on Business Days

If any date for payment in respect of any Bond is not a business day, the Holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment.

In this paragraph, “business day” for the purposes of any payments made in connection with the Bonds means any day except Saturday, Sunday or any other day on which commercial banks in New York City, London or Bridgetown (or the city where the relevant paying or transfer agent is located) are required or authorised by law to close.

(e) Agents

The initial Paying Agent, Transfer Agent and Registrar and their respective initial offices are specified in the Agency Agreement. Barbados reserves the right at any time to vary or terminate the appointment of any Paying Agent, Transfer Agent or Registrar and to appoint additional or other Paying Agents, Transfer Agents or Registrars *provided* that:

- (i) Barbados will at all times maintain a Transfer Agent with a specified office in the Borough of Manhattan; and
- (ii) if any Series of Bonds are listed on a stock exchange and that stock exchange so requires, Barbados will maintain a paying agent in the region where the stock exchange is located for such Series.

Notice of any termination or appointment and of any changes in specified offices will be given to the Holders promptly by Barbados in accordance with Condition (15) and to the Trustee.

(8) [INTENTIONALLY OMITTED]

(9) TAXATION

- (a) All payments of interest and principal on the Bonds will be made by Barbados without withholding or deduction for, or on account of, any present or future taxes, levies or duties of whatever nature imposed, levied, collected or assessed by or on behalf of Barbados or any political subdivision or taxing authority thereof (“*Barbados Withholding Taxes*”), unless such withholding or deduction is required by law. In such event, Barbados will pay such additional amounts (“*Additional Amounts*”) as may be necessary in order that the net payment made in respect of the Bonds after such withholding or deduction for or on account of Barbados Withholding Taxes is not less than the amount that would have been

receivable in respect of the Bonds in the absence of such withholding or deduction; *provided* that the foregoing obligation to pay Additional Amounts shall not apply to:

- (i) any Barbados Withholding Taxes that would not have been imposed or levied on a Holder or beneficial owner of the Bonds but for the existence of any present or former connection between such Holder or beneficial owner and Barbados or any political subdivision thereof, including, without limitation, such Holder or beneficial owner (i) being or having been a citizen or resident thereof, (ii) maintaining or having maintained an office, permanent establishment or branch therein, or (iii) being or having been present or engaged in trade or business therein, except for a connection solely arising from the mere ownership of, or receipt of payment under such Bonds;
 - (ii) any Barbados Withholding Taxes imposed with respect to any Bond held by or on behalf of a Holder or beneficial owner who would not be liable for or subject to such Barbados Withholding Taxes by making a declaration of non-residence or other similar claim or exemption to the relevant tax authority if, after having been requested to make such a declaration or claim, such Holder or beneficial owner fails to do so; or
 - (iii) any Barbados Withholding Taxes that would not have been so imposed but for the presentation by the Holder of such Bond for payment more than 30 days after the Relevant Date, except to the extent that the Holder thereof would have been entitled to such Additional Amount on the last day of such 30-day period.
- (b) The “*Relevant Date*” in relation to any Bond means:
- (i) the due date for payment in respect thereof; or
 - (ii) (if the full amount of the monies payable on such date has not been received by the Trustee or the Paying Agent on or prior to such due date) the date on which, the full amount of such monies having been so received, notice to that effect is duly given to the Holders in accordance with Condition (15) or individually.
- (c) **OID Reporting Requirement**

If any Bonds are issued with original issue discount for U.S. federal income tax purposes, the following shall apply:

- (i) Barbados shall file with the Trustee (i) a written notice specifying the amount of original issue discount (including daily rates and accrual periods) accrued on the Bonds and (ii) such other specific information relating to such original issue discount, including, but not limited to, the issue date and yield to maturity of the Bonds, as necessary to satisfy the relevant reporting requirements under the U.S. Internal Revenue Code of 1986, as amended. Individual Bonds, if any, that are issued with original issue discount will bear a legend substantially to the following effect, unless Barbados determines otherwise in compliance with applicable law: **THIS BOND HAS BEEN ISSUED WITH ORIGINAL ISSUE DISCOUNT FOR UNITED STATES FEDERAL INCOME TAX PURPOSES.** This provision shall not apply with respect to any Bonds for which Barbados has filed IRS Form 8281

with the U.S. Internal Revenue Service. Barbados shall provide a copy of IRS Form 8281, if any, to the Trustee.

- (ii) Barbados shall provide the information described in Condition (9)(c)(i) above to the Trustee based on the lowest applicable issue price for the Bonds, as determined for U.S. federal income tax purposes. By its acceptance of the Bonds, a Holder will be required, to the extent relevant for U.S. federal income tax purposes, to report original issue discount on the Bonds in accordance with the original issue discount information provided by Barbados to the Trustee pursuant to Condition (9)(c)(i) above.
- (iii) A Holder may request the information described in Condition (9)(c)(i) above in writing (together with such evidence as to the Holder's identity and beneficial entitlement to such Bonds as the Trustee may reasonably request or require) to the Trustee at 240 Greenwich St., 7E, New York, New York 10286, and the Trustee agrees to provide the same to such Holder to the extent the Trustee received such information from Barbados, *provided* that under no circumstances shall the Trustee be responsible for or incur any liability whatsoever to any persons as to the accuracy or correctness of such information provided by Barbados to the Trustee.

(10) PRESCRIPTION

Claims for principal and interest on the Bonds shall become void unless made within the period of five years from the Relevant Date.

(11) [INTENTIONALLY OMITTED]

(12) EVENTS OF DEFAULT

(a) Events of Default

The following shall each constitute an "*Event of Default*":

- (i) Barbados fails to pay any amount of principal or interest in respect of the Bonds on the due date for payment thereof and such default continues for 30 days or more;
- (ii) Barbados defaults in the performance or observance of any of its other obligations under or in respect of the Trust Deed, the Agency Agreement or the Conditions of the Bonds and such default remains unremedied for 60 days after written notice requiring such default to be remedied has been delivered to Barbados by any Holder or the Trustee;
- (iii) (A) any External Indebtedness incurred by Barbados after the Issue Date (aggregating U.S.\$20,000,000, or its equivalent in any other currency or currencies, or more) ("*Relevant External Indebtedness*") becomes due and payable prior to its stated maturity as a result of acceleration of payment thereof following a default by Barbados; (B) any principal or interest on such Relevant External Indebtedness of Barbados is not paid on the due date after giving effect to any applicable grace period; or (C) Barbados fails to pay when due and called after giving effect to any applicable grace period any amount payable by it under any present or future guarantee of or indemnity relating to Relevant External

Indebtedness of any Person;

- (iv) A moratorium or suspension of payments is agreed or declared by Barbados in respect of any Relevant External Indebtedness of Barbados;
- (v) Any writ, execution, attachment or similar process shall be levied against all or any substantial part of the assets of Barbados in connection with any judgment for the payment of money in respect of any Indebtedness incurred by Barbados after the Issue Date exceeding U.S.\$25,000,000 (or its equivalent in other currencies) and shall remain unsatisfied, undischarged and in effect for a period of 60 days without a stay of execution, unless such judgment is adequately bonded or is being contested in good faith by appropriate proceedings properly instituted and diligently conducted and, in either case, such process is not being executed against such assets;
- (vi) The validity of the Bonds, the Trust Deed, the Conditions or the Agency Agreement shall be contested by Barbados or any legislative, executive or judicial body or official of Barbados authorised and empowered (either singly or with another such body or official) in each case by law to do so, or Barbados shall deny any of its obligations under the Trust Deed, the Agency Agreement or the relevant Conditions of such Series of Bonds to any of the Holders (whether by a general suspension of payments or a moratorium on the payment of debt or otherwise);
- (vii) Any constitutional provision, treaty, convention, law, regulation, ordinance, decree, consent, approval, licence or other governmental or regulatory authority necessary to enable Barbados to make or perform its obligations under the Trust Deed, the Agency Agreement or the Conditions of such Series of Bonds, or for the validity or enforceability thereof, shall expire, be withheld, revoked, modified, terminated or otherwise cease to remain in full force and effect;
- (viii) Any law, rule or regulation is adopted in Barbados or any change in applicable law in Barbados is made which makes it unlawful for Barbados to comply with its obligations to pay amounts in accordance with Condition (7) in the event that Barbados shall be required to withhold or deduct any taxes, duties, assessments or governmental charges on payments of principal of, or interest on, the Bonds; or
- (ix) Barbados ceases to be a member of the International Monetary Fund (the “IMF”) or ceases to be eligible to utilise the resources of the IMF under the IMF Articles of Agreement and such cessation continues for 30 days.

(b) Acceleration and Rescission

If an Event of Default occurs and is continuing, then the Holders of at least 25 per cent. of the aggregate principal amount of the Bonds then Outstanding may direct the Trustee to give notice in writing (an “*Acceleration Notice*”) to Barbados that the Bonds are immediately due and payable, whereupon an amount equal to the aggregate principal amount of the Bonds then Outstanding together with accrued but unpaid interest if any to the date of repayment shall become immediately due and payable, unless the Event of Default has been remedied or waived prior to the receipt of the Acceleration Notice by Barbados.

The Holders of at least 50 per cent. of the aggregate principal amount of the Bonds then Outstanding may direct the Trustee to rescind an Acceleration Notice. Such rescission shall be made by giving notice in

writing to Barbados, with a copy to the Trustee, whereupon such Acceleration Notice shall be rescinded and shall have no further effect and any amounts that had become immediately due and payable pursuant to such Acceleration Notice and had not been paid shall remain outstanding on the terms and conditions applicable prior to such Acceleration Notice and any Event of Default referred to in such Acceleration Notice or resulting from a failure to pay any amount that had become due and payable pursuant to such Acceleration Notice shall be irrevocably waived.

No such rescission shall affect any other or any subsequent Event of Default or any right of any Holder in relation thereto. Such rescission will be conclusive and binding on all Holders.

(13) ENFORCEMENT

Subject to the Trust Deed, the Trustee may or shall (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction by the relevant holders), if so requested in writing by Holders for the time being of at least 25 per cent. of the Bonds then Outstanding, take such proceedings against Barbados as it may think fit to enforce the provisions of the Bonds or the Trust Deed.

No Holder shall be entitled to proceed directly against Barbados by instituting any proceeding, judicial or otherwise, with respect to the Bonds or the Trust Deed, or for the appointment of a receiver or a trustee, or for any other remedy hereunder, unless the Trustee, having become bound so to proceed under the Trust Deed, fails to do so within 60 days and the failure shall be continuing.

(14) MEETINGS AND MODIFICATIONS

(a) General

The provisions relating to modifications as set out under Clause 19 of the Trust Deed and for convening meetings of Holders as set out in Schedule 4 of the Trust Deed shall apply to the Bonds, *provided* that, for the purposes of any proposal relating to, or proposed modification of, the Bonds of this Series only or any Multiple Series Aggregation – Single Limb Voting or Multiple Series Aggregation – Two Limb Voting, the Bonds shall be treated as a single Series and all reference to “*Series*” or “*Bonds*” shall be construed accordingly.

Any modification consented to or approved by the Holders of Bonds pursuant to this Condition (14) will be conclusive and binding on all Holders of the Bonds whether or not they have given such consent, and on all future Holders of the Bonds whether or not notation of such modification is made upon the Bonds. Any instrument given by or on behalf of any Holder of a Bond in connection with any consent to or approval of any such modification will be conclusive and binding on all subsequent Holders of that Bond.

(b) Convening a meeting of Holders

A meeting of Holders:

- (i) may be convened by Barbados or the Trustee at any time; and
- (ii) will be convened by Barbados or the Trustee if a meeting is requested in writing by the Holders of not less than 10 per cent. in principal amount of the Bonds then Outstanding.

(c) Non-Reserved Matters

Save as otherwise provided in the Trust Deed, any modification in relation to, or proposal relating to, any matter other than a Reserved Matter may be made if:

- (iii) passed at a duly called meeting of Holders by a majority of more than 50 per cent. of the aggregate principal amount of the Bonds then Outstanding; or
- (iv) approved by a written resolution signed by or on behalf of a Holder or Holders of more than 50 per cent. of the aggregate principal amount of the Bonds then Outstanding.

(d) Reserved Matters

(i) Modification of this Series of Debt Securities Only

- (A) In relation to a proposal that includes a Reserved Matter, any modification to the terms and conditions of, or any action with respect to, the Bonds may be made or taken if:
 - 1. passed at a duly called meeting of Holders by a majority of at least 75 per cent. of the aggregate principal amount of the Bonds then Outstanding; or
 - 2. approved by a written resolution signed by or on behalf of a Holder or Holders of at least 75 per cent. of the aggregate principal amount of the Bonds then Outstanding.

(ii) Multiple Series Aggregation – Single Limb Voting

- (A) In relation to a proposal that includes a Reserved Matter, any modification to the terms and conditions of, or any action with respect to, two or more series of Debt Securities Capable of Aggregation; *provided* that the Uniformly Applicable condition is satisfied, may be made or taken if:
 - 1. passed at a duly called meeting of Holders by a majority of at least 75 per cent. of the aggregate principal amount of the outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in the aggregate); or
 - 2. approved by a written resolution signed by or on behalf of a Holder or Holders of at least 75 per cent. of the aggregate principal amount of the outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in the aggregate).
- (B) The “*Uniformly Applicable*” condition will be satisfied if:
 - 1. the holders of all affected series of Debt Securities Capable of Aggregation are invited to exchange, convert, or substitute their debt securities, on the same terms, for (i) the same new instrument or other consideration or (ii) a new instrument, new instruments

or other consideration from an identical menu of instruments or other consideration; or

2. the amendments proposed to the terms and conditions of each affected series of Debt Securities Capable of Aggregation would, following implementation of such amendments, result in the amended instruments having identical provisions (other than provisions which are necessarily different, having regard to different currency of issuance).

(iii) Multiple Series Aggregation – Two Limb Voting

(A) In relation to a proposal that includes a Reserved Matter, any modification to the terms and conditions of, or any action with respect to, two or more series of Debt Securities Capable of Aggregation may be made or taken if:

1. passed at a duly called meeting of Holders by a majority of: (a) at least 66 $\frac{2}{3}$ per cent. of the aggregate principal amount of the outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in the aggregate); and (b) more than 50 per cent. of the aggregate principal amount of the outstanding debt securities in each affected series of Debt Securities Capable of Aggregation (taken individually); or
2. approved by a written resolution signed by or on behalf of a Holder or Holders of: (a) at least 66 $\frac{2}{3}$ per cent. of the aggregate principal amount of the outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in the aggregate); and (b) more than 50 per cent. of the aggregate principal amount of the outstanding debt securities in each affected series of Debt Securities Capable of Aggregation (taken individually).

“Debt Securities Capable of Aggregation” means those debt securities which include or incorporate by reference Schedule 4 (*Meetings of Holders; Written Resolutions*) and paragraph (l) (*Aggregation Agent; Aggregation Procedures*) of Schedule 4 of the Trust Deed or provisions substantially in those terms which provide for the debt securities which include such provisions to be capable of being aggregated for voting purposes with other series of debt securities.

(e) Binding Effect

A resolution duly passed at a meeting of Holders duly convened and held in accordance with the provisions of the Trust Deed, and a written resolution duly signed by the requisite majority of Holders, will be binding on all Holders and holders of each other affected series of Debt Securities Capable of Aggregation, whether or not they attended any meeting and whether or not they voted for or against the resolution or signed the written resolution.

(15) NOTICES

- (a) Notices to Holders will be valid if sent to them by first class mail (airmail if overseas) at their respective addresses on the Register or, as long as the Notes are listed on the

Luxembourg Stock Exchange and traded on the Euro MTF market and the rules of the Luxembourg Stock Exchange so require, published in a leading newspaper having general circulation in Luxembourg or on the website of the Luxembourg Stock Exchange (<http://www.bourse.lu>). Any such notice shall be deemed to have been given, when required to be published in accordance with the rules of the Luxembourg Stock Exchange, on the date of such publication (or, if published more than once, on the first date on which publication is made) or, as the case may be, on the fourth day after the date of mailing.

- (b) Notices to Barbados to be given by any Holder shall be in writing and in English and given by lodging the same at the Ministry of Finance, Economic Affairs and Investment at the address below:

The Ministry of Finance, Economic Affairs and Investment
Government Headquarters
Bay Street
St. Michael, Barbados
Attention: Permanent Secretary (Finance)

(16) FURTHER ISSUES

Barbados shall be at liberty from time to time without the consent of the Holders to create and issue further bonds having terms and conditions the same as the Bonds or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with and increase the outstanding aggregate principal amount of the Bonds, provided that such additional Bonds do not have, for purposes of U.S. federal income taxation (regardless of whether any holders of such Bonds are subject to U.S. federal laws), a greater amount of original issue discount than the Bonds have as of the date of issuance of such additional Bonds.

(17) INDEMNIFICATION OF TRUSTEE

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from any obligation to take proceedings to enforce repayment unless indemnified and/or secured and/or prefunded to its satisfaction. The Trust Deed also contains provisions pursuant to which the Trustee is entitled *inter alia*, (i) to enter into business transactions with Barbados or any person or body corporate associated with the Government of Barbados and to act as trustee for the holders of any other securities issued by or relating to Barbados or any person or body corporate associated with the Government of Barbados, (ii) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Holders, and (iii) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

(18) GOVERNING LAW

- (a) The Bonds and any non-contractual obligations arising out of or in connection with the Bonds shall be governed by and construed in accordance with the law of England.
- (b) Subject to Condition (18)(l), Barbados irrevocably and unconditionally agrees for the exclusive benefit of the Trustee that any federal court in the Southern District of New York or any state court in the Borough of Manhattan, The City of New York, any court of England and any competent court in Barbados (collectively referred to “*Specified Courts*”)

shall have jurisdiction to settle any suit, action or proceeding against Barbados or its properties, assets or revenues arising out of or in connection with the Bonds or Barbados' failure or alleged failure to perform any obligations under the Bonds (a "*Related Proceeding*"). Any proceeding against the Trustee arising out of or related to the Trust Deed or the Bonds shall be commenced solely in the courts of England. Barbados and the Holders, by their acceptance of the Bonds, agree to the foregoing and submit to the exclusive jurisdiction of any such court.

- (c) The Trustee may not initiate a Related Proceeding in any jurisdiction other than in the Specified Courts.
- (d) Barbados irrevocably appoints: (i) the High Commissioner of Barbados at 1 Great Russell St, Fitzrovia, London WC1B 3ND, UK to receive service of process in relation to any Related Proceeding in England, and (ii) the Consul General of Barbados at 820 2nd Ave, New York, NY 10017 to receive service of process in relation to any Related Proceeding in New York.
- (e) Barbados hereby irrevocably and unconditionally waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to Related Proceedings brought in a Specified Court whether on the grounds of venue, residence or domicile or on the ground that the Related Proceedings have been brought in an inconvenient forum (except for any Related Proceedings relating to the securities laws of the United States or any state thereof).
- (f) A final non-appealable judgment in any such Related Proceeding shall be conclusive and may be enforced in other jurisdictions by a suit upon such judgment or in any other manner provided by law.
- (g) Barbados hereby irrevocably waives, to the extent permitted by applicable law and international conventions, (a) any immunity from jurisdiction it may have in any Related Proceeding in the courts of England, and (b) except as provided below, any immunity from attachment or execution to which its assets or property might otherwise be entitled in any Related Proceeding in the courts of England, and agrees that it will not claim any such immunity in any such Related Proceeding.
- (h) Notwithstanding the foregoing, the above waiver shall not constitute a waiver of immunity from attachment or execution with respect to:
 - (i) any property of the Central Bank of Barbados,
 - (ii) any property of Barbados located in the territory of Barbados,
 - (iii) any property located in or outside the territory of Barbados that provides an essential public service,
 - (iv) any property entitled to the privileges and immunities of the Vienna Convention on Diplomatic Relations of 1961 and the Vienna Convention on Consular Relations of 1963, including, but not limited to, property, premises and bank accounts used by the missions of Barbados,
 - (v) any property of a diplomatic, governmental or consular mission of Barbados,

- (vi) taxes, duties, levies, assessments, royalties or any other governmental charges imposed by Barbados, including the right of Barbados to collect any such charges,
 - (vii) any property of a military character or under the control of a military authority or defence agency of Barbados,
 - (viii) property forming part of the cultural heritage of Barbados, or
 - (ix) property of Barbados outside Barbados not used for a commercial purpose.
- (i) For the purposes of this Condition (18), “*property*” includes, without limitation, assets, accounts, bank deposits, cash, revenues, securities and rights, including rights against third parties.
- (j) Subject to Condition (18)(l), to the extent that Barbados or any of its revenues, assets or properties shall be entitled, in any jurisdiction in which any federal court in the Southern District of New York or any state court in the Borough of Manhattan, The City of New York is located, in which any Related Proceeding may at any time be brought against it or any of its revenues, assets or properties, or in any jurisdiction in which any federal court in the Southern District of New York or any state court in the Borough of Manhattan, The City of New York is located in which any suit, action or proceeding may at any time be brought for the purpose of enforcing or executing any judgment issued in any Related Proceeding (a “*Related Judgment*”), to any immunity from suit, from the jurisdiction of any such court, from set-off, from attachment prior to a Related Judgment, from attachment in aid of execution of a Related Judgment, from execution of a Related Judgment or from any other legal or judicial process or remedy, and to the extent that in any such jurisdiction there shall be attributed such an immunity, Barbados irrevocably waives such immunity to the fullest extent permitted by the laws of such jurisdiction, including the United States Foreign Sovereign Immunities Act of 1976 (the “*Immunities Act*”) (and consents to the giving of any relief or the issue of any process in connection with any Related Proceeding or Related Judgment as permitted by applicable law, including the Immunities Act), *provided, however*, that such waiver shall not extend to and Barbados shall be immune in respect of and in relation to any suit, action or proceeding or enforcement of any Related Judgment against:
- (i) any property of the Central Bank of Barbados,
 - (ii) any property of Barbados located in the territory of Barbados,
 - (iii) any property located in or outside the territory of Barbados that provides an essential public service,
 - (iv) any property entitled to the privileges and immunities of the Vienna Convention on Diplomatic Relations of 1961 and the Vienna Convention on Consular Relations of 1963, including, but not limited to, property, premises and bank accounts used by the missions of Barbados,
 - (v) any property of a diplomatic, governmental or consular mission of Barbados,
 - (vi) taxes, duties, levies, assessments, royalties or any other governmental charges imposed by Barbados, including the right of Barbados to collect any such charges,

- (vii) any property of a military character or under the control of a military authority or defence agency of Barbados,
 - (viii) property forming part of the cultural heritage of Barbados, or
 - (ix) property of Barbados outside Barbados not used for a commercial purpose.
- (k) The foregoing constitutes a limited and specific waiver by Barbados solely for the purposes of the Trust Deed and the Bonds and under no circumstance shall it be construed as a general waiver by Barbados or a waiver with respect to proceedings unrelated to the Trust Deed or the Bond.
- (l) Barbados reserves the right to plead sovereign immunity under the Immunities Act with respect to actions brought against it under the U.S. federal securities laws or any state securities laws and the appointment of an agent for service of process does not extend to such actions.

BOOK-ENTRY SETTLEMENT AND CLEARANCE

Global New Bonds

DTC, Euroclear Bank S.A./N.V., or Euroclear, and Clearstream, Luxembourg are under no obligation to perform or continue to perform the procedures described below, and they may modify or discontinue them at any time. Neither Barbados nor the trustee for the New Bonds will be responsible for DTC's, Euroclear's or Clearstream, Luxembourg's performance of their obligations under their rules and procedures. Additionally, neither Barbados nor the trustee will be responsible for the performance by direct or indirect participants of their obligations under their rules and procedures.

The New Bonds will initially be issued to investors in global form, the ownership and transfer of which are recorded in computerised book-entry accounts, eliminating the need for physical movement of New Bonds. Barbados refers to the intangible Bonds represented by a global New Bond as “book-entry” New Bonds.

Barbados will deposit any global New Bond it issues with a clearing system or its nominee. The global New Bond will be registered in the name of the clearing system or its nominee or common depositary. Unless a global New Bond is exchanged for certificated securities, as discussed below under “—Certificated Securities,” it may not be transferred, except as a whole among the clearing system, its nominees or common depositaries and their successors. Clearing systems include DTC in the United States and Euroclear and Clearstream, Luxembourg in Europe.

Clearing systems process the clearance and settlement of book-entry New Bonds for their direct participants. A “*direct participant*” is a bank or financial institution that has an account with a clearing system. The clearing systems act only on behalf of their direct participants, who in turn act on behalf of indirect participants. An “*indirect participant*” is a bank or financial institution that gains access to a clearing system by clearing through or maintaining a relationship with a direct participant. Euroclear and Clearstream, Luxembourg are connected to each other by a direct link and participate in DTC through their New York depositaries, which act as links between the clearing systems. These arrangements permit you to hold book-entry New Bonds through participants in any of these systems, subject to applicable securities laws.

If you wish to purchase book-entry New Bonds, you must either be a direct participant or make your purchase through a direct or indirect participant. Investors who purchase book-entry New Bonds will hold them in an account at the bank or financial institution acting as their direct or indirect participant.

When you hold New Bonds in this manner, you must rely on the procedures of the institutions through which you hold your New Bonds to exercise any of the rights granted to holders. This is because the legal obligations of Barbados and the trustee run only to the registered owner of the global New Bond, which will be the relevant clearing system or its nominee or common depositary. For example, once Barbados arranges for payments to be made to the registered holder, Barbados will no longer be liable for the amounts so paid on the security, even if you do not receive it. In practice, the clearing systems will pass along any payments or notices they receive from Barbados to their participants, which will pass along the payments to you. In addition, if you desire to take any action which a holder of a New Bond is entitled to take, then the clearing system would authorise the participant through which you hold your book-entry New Bonds to take such action, and the participant would then either authorise you to take the action or would act for you on your instructions. The transactions between you, the participants and the clearing systems will be governed by customer agreements, customary practices and applicable laws and regulations, and not by any legal obligation of Barbados.

As an owner of book-entry New Bonds represented by a global New Bond, you will also be subject to the following restrictions:

- you will not be entitled to (a) receive physical delivery of the New Bonds in certificated form or (b) have any of the New Bonds registered in your name, except under the circumstances described below under “—Certificated Securities”;
- you may not be able to transfer or sell your New Bonds to some insurance companies and other institutions that are required by law to own their New Bonds in certificated form;
- you may not be able to pledge your New Bonds in circumstances where certificates must be physically delivered to the creditor or the beneficiary of the pledge in order for the pledge to be effective; and
- none of Barbados, the trustee, any paying agent, any registrar or any agent of Barbados or the trustee shall have any responsibility or obligation to any beneficial owner in a global New Bond, or participant or other person with respect to the accuracy of the records of the relevant clearing system or its nominee or common depositary, with respect to any ownership interest in the New Bonds or with respect to the delivery to any participant, beneficial owner or other person of any notice (including any notice of redemption) or the payment of any amount, under or with respect to such New Bonds. All notices and communications to be given to the holders and all payments to be made to holders under the New Bonds and the Trust Deed will be given or made only to or upon the order of the registered holders (which shall be the relevant clearing system or its nominee or common depositary in the case of the global New Bond). The rights of beneficial owners in the global New Bond shall be exercised only through the relevant clearing system or its nominee or common depositary subject to the applicable procedures. Barbados, the trustee, any paying agent, any registrar and any agent of Barbados or the trustee shall be entitled to rely and shall be fully protected in relying upon information furnished by the relevant clearing system or its nominee or common depositary with respect to its members, participants and any beneficial owners. Barbados, the trustee, any paying agent, any registrar and any agent of Barbados or the trustee shall be entitled to deal with the relevant clearing system or its nominee or common depositary, that is the registered holder of any global New Bond for all purposes relating to such global New Bond (including the payment of principal and premium, if any, and additional amounts, if any, and the giving of instructions or directions by or to the owner or holder of a beneficial ownership interest in such global New Bond) as the sole holder of such global New Bond and shall have no obligations to the beneficial owners thereof. None of Barbados, the trustee, any paying agent, any registrar or any agent of Barbados or the trustee shall have any responsibility or liability for any acts or omissions of the relevant clearing system or its nominee or common depositary with respect to such global New Bond, for the records of any such depositary, including records in respect of beneficial ownership interests in respect of any such global New Bond, for any transactions between the relevant clearing system or its nominee or common depositary and any participant or between or among the relevant clearing system or its nominee or common depositary, any such participant and/or any holder or owner of a beneficial interest in such global New Bond, or for any transfers of beneficial interests in any such global New Bond.

The Clearing System

The following description reflects Barbados’ understanding of the current rules and procedures of DTC, Euroclear and Clearstream, Luxembourg. Barbados has obtained the information in this section

from sources it believes to be reliable, including from DTC, Euroclear and Clearstream, Luxembourg. These systems could change their rules and procedures at any time, and Barbados takes no responsibility for their actions.

It is important for you to establish at the time of the trade where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date, i.e., the date specified by the purchaser and seller on which the price of the New Bonds is fixed.

When book-entry New Bonds are to be transferred from a DTC seller to a Euroclear or Clearstream, Luxembourg purchaser, the purchaser must first send instructions to Euroclear or Clearstream, Luxembourg through a participant at least one business day prior to the settlement date. Euroclear or Clearstream, Luxembourg will then instruct its New York depositary to receive the New Bonds and make payment for them. On the Closing Date, the New York depositary will make payment to the DTC participant through which the seller holds its New Bonds, which will make payment to the seller, and the New Bonds will be credited to the New York depositary's account. After settlement has been completed, Euroclear or Clearstream, Luxembourg will credit the New Bonds to the account of the participant through which the purchaser is acting. This New Bonds credit will appear the next day, European time, after the settlement date, but will be back-valued to the value date, which will be the preceding day if settlement occurs in New York. If settlement is not completed on the intended value date, the New Bonds credit and cash debit will instead be valued at the actual settlement date.

A participant in Euroclear or Clearstream, Luxembourg, acting for the account of a purchaser of New Bonds, will need to make funds available to Euroclear or Clearstream, Luxembourg in order to pay for the New Bonds on the value date. The most direct way of doing this is for the participant to preposition funds (i.e., have funds in place at Euroclear or Clearstream, Luxembourg before the value date), either from cash on hand or existing lines of credit. The participant may require the purchaser to follow these same procedures.

When book-entry New Bonds are to be transferred from a Euroclear or Clearstream, Luxembourg seller to a DTC purchaser, the seller must first send instructions to and preposition the New Bonds with Euroclear or Clearstream, Luxembourg through a participant at least one business day prior to the settlement date. Euroclear or Clearstream, Luxembourg will then instruct its New York depositary to credit the book-entry New Bonds to the account of the DTC participant through which the purchaser is acting and to receive payment in exchange. The payment will be credited to the account of the Euroclear or Clearstream, Luxembourg participant through which the seller is acting on the following day, but the receipt of the cash proceeds will be back-valued to the value date, which will be the preceding day if settlement occurs in New York. If settlement is not completed on the intended value date, the receipt of the cash proceeds and New Bonds debit will instead be valued at the actual settlement date.

Certificated Securities

Barbados will issue New Bonds in certificated registered form only if:

- DTC notifies Barbados at any time that it is unwilling or unable to continue as depositary for the global New Bonds of that series, or it is no longer eligible to act as such, and Barbados is unable to locate a qualified successor depositary within 90 days; or
- certain other events provided in the Trust Deed occur.

LISTING AND LISTING AGENT

Barbados intends to apply to admit the New Bonds to listing on the Luxembourg Stock Exchange and to trading on the Euro MTF market. The Luxembourg Listing Agent is The Bank of New York Mellon SA/NV, Luxembourg Branch, Vertigo Building, Polaris, 2-4 rue Eugène Ruppert, L-2453 Luxembourg. Copies of Barbados's trust deed and the forms of the New Bonds will be made available for inspection during normal business hours on any day except Saturday, Sunday and public holidays at the offices of the Luxembourg Listing Agent for so long as the New Bonds are listed on the Luxembourg Stock Exchange and traded on the Euro MTF market and the rules of the Luxembourg Stock Exchange so require.

NOTICE TO INVESTORS

The distribution of this invitation memorandum is restricted by law in certain jurisdictions. Persons into whose possession this offering memorandum comes are required by Barbados to inform themselves of and to observe any of these restrictions.

This invitation memorandum does not constitute, and may not be used in connection with, an offer or solicitation by anyone in any jurisdiction in which an offer or solicitation is not authorised or in which the person making an offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make an offer or solicitation. Neither Barbados nor the Exchange Agent accepts any responsibility for any violation by any person of the restrictions applicable in any jurisdiction.

The New Bonds will be subject to the following restrictions on transfer. Holders of New Bonds are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of their New Bonds. By acquiring New Bonds, holders will be deemed to have made the following acknowledgments, representations to and agreements with Barbados:

1. You acknowledge that:
 - a. the New Bonds have not been registered under the Securities Act or the securities laws of any other jurisdiction and are being offered for resale in transactions that do not require registration under the Securities Act or the securities laws of any other jurisdiction; and
 - b. unless so registered, the New Bonds may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or any other applicable securities laws, and in each case in compliance with the conditions for transfer set forth below;
2. You represent that you are not an affiliate (as defined in Rule 144 under the Securities Act) of Barbados and you are not acting on behalf of Barbados and that either:
 - a. you are a “*qualified institutional buyer*” (as defined in Rule 144A under the Securities Act) and are acquiring the New Bonds for your own account or for the account of another qualified institutional buyer; or
 - b. you are purchasing the New Bonds in an offshore transaction in accordance with Regulation S under the Securities Act;
3. You represent that, if you are in any EEA Member State, you are a “*qualified investor*” as defined in the Prospectus Regulation;
4. You represent that, if you are located in the UK, you are a relevant person (as this term is defined in “Notice to Prospective Investors in the United Kingdom”);
5. You agree on your own behalf and on behalf of any investor account for which you are purchasing New Bonds, and each subsequent holder of New Bonds by its acceptance of the New Bonds will agree, that the New Bonds may be offered, sold or otherwise transferred only:
 - a. to Barbados;

- b. inside the United States to a qualified institutional buyer (as defined in Rule 144A) in compliance with Rule 144A under the Securities Act;
 - c. outside the United States in compliance with Rule 903 or 904 under the Securities Act;
 - d. pursuant to a registration statement that has been declared effective under the Securities Act;
 - e. in any other jurisdiction in compliance with local securities laws;
6. You acknowledge that Barbados and the trustee for the New Bonds reserve the right to require, in connection with any offer, sale or other transfer of New Bonds, the delivery of written certifications and/or other information satisfactory to Barbados and the trustee as to compliance with the transfer restrictions referred to above;
 7. You agree to deliver to each person to whom you transfer New Bonds notice of any restrictions on transfer of such New Bonds;
 8. You acknowledge that each New Bond offered to “*qualified institutional buyers*” in the United States under Rule 144A of the Securities Act will contain a legend substantially to the following effect:

THIS BOND HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), AND MAY NOT BE SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. EACH PURCHASER OF THIS BOND IS HEREBY NOTIFIED THAT THE SELLER OF THIS BOND MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER.

THIS BOND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (A)(1) TO A PERSON WHO THE TRANSFEROR REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT ACQUIRING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QUALIFIED INSTITUTIONAL BUYERS IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (2) OUTSIDE THE UNITED STATES PURSUANT TO THE TERMS AND CONDITIONS OF REGULATION S UNDER THE SECURITIES ACT OR (3) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND OTHER JURISDICTIONS.

THIS BOND AND ANY RELATED DOCUMENTATION MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME TO MODIFY THE RESTRICTIONS ON REALES AND OTHER TRANSFERS OF THIS BOND TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO THE RESALE OR TRANSFER OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THIS BOND SHALL

BE DEEMED BY THE ACCEPTANCE OF THIS BOND TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT.

THIS LEGEND CAN ONLY BE REMOVED AT THE OPTION OF BARBADOS.

9. You acknowledge that Barbados and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations, warranties and agreements. You agree that if any of the acknowledgments, representations or warranties deemed to have been made by your purchase of New Bonds is no longer accurate, you shall promptly notify Barbados and the Exchange Agent. If you are acquiring any New Bonds as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each of those accounts and that you have full power to make the foregoing acknowledgments, representations, warranties and agreements on behalf of each account.

TAXATION

Investors are urged to consult their own tax advisors in determining the tax consequences of holding bonds, including the application to their particular circumstances of the tax considerations discussed below, as well as the application of state, local, foreign or other tax laws.

Barbados Tax Considerations

An order has been made under the Duties, Taxes and Other Payments (Exemption) Act Cap. 67B that there shall be exempt from the payment of all duties, taxes and imposts, among other things: (i) the securities and the instruments effecting the issue of the New Bonds; and (ii) the interest that becomes payable on any amount outstanding under the New Bonds or any part thereof borrowed by way of the issue of the New Bonds. In addition, the Minister of Finance has given his approval that: (a) the New Bonds are exempt from all taxes and stamp duties; (b) all payments of interest on the New Bonds will be exempt from all taxes; and (c) the excess of the principal amount of any New Bond over its issue price will be treated as interest by the Revenue Commissioner – Barbados Revenue Authority.

United States Taxation

If you are subject to taxation in the United States, you should consult your own tax advisors concerning United States tax considerations. Holders of the New Bonds may contact the Ministry of Finance of Barbados to obtain the issue price, amount of original issue discount and the yield to maturity of the New Bonds for U.S. federal income tax purposes. Contact information may be found on the back cover of this invitation memorandum.

Other Jurisdictions

If you are subject to taxation in any other jurisdiction, you should consult your own tax advisor concerning tax considerations under laws and regulations of such jurisdiction.

JURISDICTIONAL RESTRICTIONS

The distribution of the Invitation Materials is restricted by law in certain jurisdictions. Persons into whose possession the Invitation Material comes are required by Barbados to inform themselves of and to observe any of these restrictions.

The Invitation Materials do not constitute, and may not be used in connection with, an invitation or solicitation by anyone in any jurisdiction in which an offer or solicitation is not authorised or in which the person making an offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make an offer or solicitation. Barbados does not accept any responsibility for any violation by any person of the restrictions applicable in any jurisdiction.

European Economic Area

An offer to the public of any New Bonds which are the subject of the invitation memorandum (the “*Securities*”) may not be made in an EEA Member State, except that an offer to the public may be made at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation.

United States

See jurisdictional restrictions set forth under “Notice to Investors.”

OFFICIAL STATEMENTS

Information in this invitation memorandum whose source is identified as a publication of Barbados or the Central Bank of Barbados or one of their respective agencies or instrumentalities relies on the authority of such publication as a public official document of Barbados. All other information contained in this invitation memorandum is included as an official public statement made on the authority of the Minister of Finance in his official capacity as such.

LEGAL MATTERS

Certain matters of U.S. federal and New York state and English law will be passed upon for Barbados by Cleary Gottlieb Steen & Hamilton LLP, U.S. and English law counsel to Barbados.

Certain matters of Barbados law will be passed upon for Barbados by the Solicitor General to the Government.

As to matters of Barbados law, Cleary Gottlieb Steen & Hamilton LLP may rely on the opinion of the Solicitor General to the Government.

GENERAL INFORMATION

Due Authorisation

On or prior to the Closing Date, the Parliament of Barbados, pursuant to Section 3 of the External Loan Act, will authorise the issuance of and the payments of all amounts due under the New Bonds.

Litigation

Significant legal proceedings against the Government are summarised below.

Barrack Construction Limited v. National Housing Corporation

On 13 August 1998, the National Housing Corporation, a statutory corporation, contracted Barrack Construction Limited (“*Barrack*”) to construct a five story office complex at Warrens, St. Michael. During the construction process, a dispute arose between the parties which caused certain delays in construction and the deduction of liquidated damages by the National Housing Corporation from the contractual construction costs.

The dispute was submitted to arbitration and, in a written decision dated 7 September 2006, the arbitrator found in favour of Barrack. The arbitrator awarded Barrack BDS\$34.5 million, with interest. The arbitrator made a further order in writing dated 28 September 2006 as to costs in which Barrack was awarded BDS\$5.8 million. The Government made an application to the Supreme Court of Barbados to set aside the award of the arbitrator. The High Court of Barbados gave leave to Barrack to enforce the award of the arbitrator, including the award as to costs.

The High Court further ordered on 28 January 2010 that final charging orders be imposed on the Warrens Office Complex in St. Michael and other lands of the National Housing Corporation located in St. Philip. By subsequent proceedings in the High Court, Barrack sought delivery of possession of the properties subject to the charging orders, the sale thereof to satisfy the judgment obligation and payment of reasonable rents for the Government’s occupation of the Warrens Office Complex. The judgment obligation was approximately BDS\$61 million as of 8 February 2010.

Barrack’s damages have been paid in full.

On 7 February 2018, the Master of the High Court ruled that Dr Sir Richard Cheltenham, K.A., Q.C., J.P., attorney-at-law for Barrack, was entitled to interest at the rate of 8% per annum on his costs from the date of the decision to the date of payment. This sum, which remains outstanding to Dr Sir Richard Cheltenham, K.A., Q.C., J.P. has been calculated to be BDS\$6,783,093.00 as of 19 February 2019.

Dr Sir Trevor Carmichael K.A. Q.C. and Mr Douglas Trotman, Attorney-at-Law, who both also made court appearances on behalf of Barrack, are also expected to submit claims to the Crown but these have not yet been received.

Lagan Construction Limited vs. the Barbados Tourism Investment Inc. and the Attorney-General.

Lagan Construction Limited claims that the Barbados Tourism Investment Inc. breached an implied, preliminary or collateral contract that it had entered into with Lagan Construction Limited for a Build Own Lease Transfer (BOLT) project for the Pierhead Marina Bridgetown (the Project) which was

evidenced by documents dated, inter alia, 17 July 2006 and 13 November 2009, from the Barbados Tourism Investment Inc. to Lagan Construction Ltd. As a consequence of the alleged breach of contract Lagan Construction Limited claims to have suffered loss and damage and seeks compensation against the Barbados Tourism Inc. as follows:

- (a) general damages for breach of contract and/or loss of a chance in the sum of U.S.\$28,105,807.00;
- (b) special damages in the sum of U.S.\$346,444.00, representing Lagan Construction Limited's bid and related costs;
- (c) interest pursuant to section 35 (1) of the Supreme Court of Judicature Act, Chapter 117A of the Laws of Barbados;
- (d) costs; and
- (e) such further or other relief as the court may deem just.

Lagan Construction Limited seeks compensation from the Attorney-General also for:

- (a) damages for procuring breach of contract between Lagan Construction Limited and Barbados Tourism Investment Inc.;
- (b) damages for intentionally causing loss to Lagan Construction Limited by unlawful means;
- (c) damages for misfeasance in public office;
- (d) aggravated and/or exemplary damages for misfeasance in public office;
- (e) interest pursuant to section 35 (1) of the Supreme Court of Judicature Act, Cap. 117A of the Laws of Barbados; and
- (f) costs.

Alpha Incorporated vs. The Attorney-General

In September 1994, after public tender, Alpha Incorporated was awarded a contract for the supply, installation, maintenance and operation of parking metres in the Bridgetown area. The tender was awarded subject to the enactment of appropriate or necessary legislation. No action was taken to fulfil the contract until about January 1996 when the relevant Ministry advised the contractor to proceed with the importation of the necessary equipment for the installation and operation of the parking metres. Alpha Incorporated proceeded to procure, though not import, the necessary equipment sometime in 1996. A written agreement for such supply, installation, maintenance and operation of parking metres was entered into between the Government and Alpha Incorporated on 15 September 1996. However, the enabling legislation was never enacted and the parking metres were never installed.

In September 2013, a revised claim in the amount of BDS\$8,685,293.33, was submitted. Negotiations to settle this matter are on-going between the Government and Alpha Incorporated.

Patricia Gibbs et al vs The Attorney General

On the 12 December 2014, an action was filed by ten claimants seeking, inter alia, damages for an undisclosed amount under the Accident Compensation (Reform) Act. This action, which was brought against the Attorney-General and three other defendants, alleges that the negligence of the defendants resulted in the death of five persons when their apartment building at Arch Cot, St. Michael collapsed on the 28 August 2007. The claimants are claiming as alleged dependents of the deceased.

Cornerstone Development Inc. vs. Comptroller of Customs, the Attorney-General

In March 2011, the Comptroller of Customs demanded from Cornerstone Development Inc. payment of BDS\$136,880.40 Value Added Tax for services it had been engaged to perform for a third party. As a result of non-payment, the Comptroller of Customs gave instructions for a freeze order on bank accounts held by Cornerstone Development Inc.

In July 2011, Cornerstone Development Inc. filed a judicial review application challenging the lawfulness of the actions taken by the Comptroller of Customs. In 2017, Cornerstone Development Inc. submitted to the Solicitor General a claim for damages in the amount of BDS\$10 million.

Cage Barbados Inc. vs. Joseph Best Comptroller of Customs et al

Cage Barbados Inc. imports and operates in Barbados Video Lottery Terminals (“VLTs”). The VLTs have been classified by the Comptroller of Customs as “*gaming machines*” for the purposes of the Betting and Gaming Duties Act. As such, the VLTs would be subject to the duties payable in respect of gaming machines under the Betting and Gaming Duties Order, 2008.

In September 2010, Cage Barbados Inc. sought judicial review of the Comptroller of Customs’ decision to deny entry into Barbados of a number of its VLTs and the seizure of a number of its VLTs located in Barbados. In addition, Cage Barbados Inc. has alleged that the imposition of a 20% “*tax*” is ultra vires, null, void and in breach of Cage Barbados Inc.’s legitimate expectations.

The claim submitted by the Cage Barbados Inc. for damages amounts to approximately BDS\$94 million.

Trinidad Cement Limited, Arawak Cement Company Limited vs. the State of Barbados

Trinidad Cement Limited and its subsidiary Arawak Cement Limited are engaged in the business of manufacturing and distributing cement. The cement is distributed in Barbados and other countries in the Caribbean. There is a Common External Tariff (“*CET*”) that is applicable to imports of cement to Barbados from countries outside of CARICOM.

In 2015, Rock Hard Cement Limited began distributing cement in Barbados. On 4 July 2018, Trinidad Cement Company Limited and Arawak Cement Limited filed an originating application with the Caribbean Court of Justice claiming economic loss in the amount of approximately BDS\$36 million and alleging that the type of cement distributed by Rock Hard Cement Limited, which is imported from countries outside of CARICOM, has been improperly classified and that the CET which is being applied is incorrect. In addition, the applicable alleges that the actions taken by the Government authorising an alteration of the CET did not follow the correct procedure. Leave has been given by the Caribbean Court of Justice for Rock Hard Cement Limited to be joined as an intervenor in the application. Further, Rock Hard Cement Limited has filed its own action at the Caribbean Court of Justice against the Government

and CARICOM. Rock Hard Cement Limited has also filed an action in the Barbados High Court against the Government.

St. Philip Land Limited (in Liquidation) vs. the Attorney-General

In 2010, the Government compulsorily acquired land situated at Bushy Park, St. Philip owned by St. Philip Land Limited. In July 2011, St. Philip Land Limited submitted a claim for compensation in the amount of approximately BDS\$53 million. St. Philip Land Limited subsequently filed a claim in 2012 asking the court to determine the amount of compensation to be paid for the compulsory acquisition of its property.

Attorney-General and Fiton Technologies

In 2004, the Government and Fiton Technologies Corp. entered into an agreement for the remediation by Fiton Technologies Corp. of an area of Government land that formerly housed the operation of an oil refinery. The contract price was U.S.\$71.4 million.

When a dispute arose between the parties in respect of payment, Fiton Technologies Corp. gave notice that it wished the matter to go to arbitration and filed an action seeking inter alia an order in respect of the arbitrator to be appointed. The matter has not yet been heard by an arbitrator.

3S Structural Steel Solutions LLC & 3S (Barbados) SRL Vs The Attorney General

The Government and 3S Structural Steel Solutions LLC (“3S LLC”), by Memoranda of Understanding dated 5 September 2005 and 26 July 2006, agreed that 3S (Barbados) SRL (“3S”) would design and carry out certain road works along the ‘ABC Highway’ in Barbados, supply and install a traffic synchronisation system and undertake a traffic study review for the city of Bridgetown.

The plaintiffs, 3S LLC, filed suit in the Supreme Court of Barbados on 22 May 2009, claiming wrongful termination and/or repudiation of the engagement by the Government and claiming damages in the amount of BDS\$35,751,979.01 and interest at 8% per annum. This claim includes payments to subcontractors who have instituted legal proceedings against 3S LLC.

A defence and counterclaim has been filed on behalf of the Attorney General. The Attorney General alleged abandonment and/or repudiation of the contract by the plaintiffs, as well as improperly executed works. The proceedings have reached the interlocutory and document request stage of trial.

Schedule A to the
Invitation Memorandum

ELIGIBLE CLAIMS

Type of Claim	Date of Issue	Final Maturity	ISIN	CUSIP	Principal Amount as of 4 November 2019
7.25% Bonds due 2021	10 December 2001	15 December 2021	US067070AC67 USP48864AC94	067070AC6 P48864AC9	U.S.\$4,740,000 U.S.\$145,260,000
7.00% Bonds due 2022	4 August 2010	4 August 2022	US067070AF98 USP48864AD77	067070AF9 P48864AD7	U.S.\$22,573,000 U.S.\$177,427,000
6.625% Bonds due 2035	5 December 2005	5 December 2035	US067070AD41 USP48864AF26	067070AD4 P48864AF2	U.S.\$26,770,000 U.S.\$163,230,000

FORM OF SUB-PROXY

GOVERNMENT OF BARBADOS
("Barbados")

Form of Sub-Proxy

For use in connection with the meeting (the "**Meeting**")
of the holders of the outstanding

[7.25% Bonds due 2021 (CUSIP 067070AC6 and P48864AC9; ISIN US067070AC67 and USP48864AC94)] / [7.00% Bonds due 2022 (CUSIP 067070AF9 and P48864AD7; ISIN US067070AF98 and USP48864AD77)] / [6.625% Bonds due 2035 (CUSIP 067070AD4 and P48864AF2; ISIN US067070AD41 and USP48864AF26)] issued by Barbados (the "**Eligible Claims**")

convened for [1:00]/[2:00]/[3:00] p.m. (London time) on Wednesday 27 November 2019 at the offices of Cleary Gottlieb Steen and Hamilton LLP, 2 London Wall Place, London EC2Y 5AU, United Kingdom

and any adjourned such Meeting

(To be completed by a Direct Participant in DTC only)

This form of sub-proxy should be completed and signed by a Direct Participant in DTC and delivered to Lucid Issuer Services Limited (the "**Exchange Agent**") by email at barbados@lucid-is.com or fax at +44 20 3004 1590 to appoint a proxy to attend and vote at the Meeting or adjourned Meeting. This form of sub-proxy will be accepted if received by the Exchange Agent on or prior to 5:00 p.m. (New York City time) on 25 November 2019 (the "**Voting Deadline**").

For holders participating in the Exchange Offer, a sub-proxy may be revoked, for any reason, at any time prior to 5:00 p.m. (New York City time) on 22 November 2019 (the "**Exchange Offer Expiration Date**"). For holders participating in the Consent Only Option, a sub-proxy may be revoked, for any reason, at any time prior to 5:00 p.m. (New York City time) on the Voting Deadline.

Capitalised terms used but not defined in this sub-proxy shall have the meanings given to them in the Invitation Memorandum in respect of the Eligible Claims dated 5 November 2019.

We hereby certify that:

- (1) Eligible Claims of the aggregate principal amount specified below were held by the Direct Participant in DTC specified below at 5:00 p.m. (New York City time) on 25 November 2019, being the Record Date for the purposes of the Meeting:

Principal Amount of Notes: U.S.\$ _____

VOI Reference:² _____

- (2) The undersigned has full power and authority to deliver this sub-proxy and represents, warrants and agrees as set forth in “Tender Procedures—Participation in the Consent Solicitation—Effect of a Valid Form of Sub-Proxy; Acknowledgements, Representations, Warranties and Undertakings for the Consent Solicitation” in the Invitation Memorandum.

SECTIONS (3) AND (4) TO BE COMPLETED BY DIRECT PARTICIPANTS IN DTC WHO DO NOT WISH TO ATTEND AND VOTE AT THE MEETING BUT WHO WISH TO APPOINT LUCID ISSUER SERVICES LIMITED’S EMPLOYEES TO ACT AS THEIR PROXY AND ATTEND THE MEETING ON THEIR BEHALF

- (3) We appoint an employee of the Exchange Agent nominated by it to act as our sub-proxy and to attend the Meeting on our behalf and to cast the votes in respect of the Notes described below in the manner set out below.
- (4) We hereby direct our proxy to vote as follows:

If you wish to participate in the Exchange Offer and have submitted, or will submit, a tender of your Eligible Claims via ATOP, please tick this box to indicate that you would like the sub-proxy to vote in favour of the Extraordinary Resolution in respect of your tendered Eligible Claims: ☐

If you do not wish to participate in the Exchange Offer and have not submitted, and will not submit, a tender via ATOP, please indicate whether you would like the sub-proxy to vote in favour of or against, or to abstain from, the Extraordinary Resolution in respect of your Eligible Claims by ticking the appropriate box:

☐ IN FAVOUR OF ☐ AGAINST ☐ ABSTAIN

² When submitting a tender via the Depository Trust Company’s (“DTC”) Automated Tender Option Program (“ATOP”) together with a Form of Sub-Proxy, Direct Participants in DTC must ensure that the Form of Sub-Proxy clearly states the VOI reference of the relevant tender instruction which relates to the tender of the relevant Eligible Claims pursuant to the Invitation.

SECTION (5) TO BE COMPLETED BY DIRECT PARTICIPANTS IN DTC WHO WISH TO ATTEND AND VOTE AT THE MEETING OR APPOINT SOMEONE ELSE OTHER THAN LUCID ISSUER SERVICES LIMITED TO DO SO ON THEIR BEHALF

- (5) We hereby appoint the below mentioned person to act as our proxy to attend the Meeting on our behalf and to cast the votes in respect of the Eligible Claims held by us (as certified in paragraph (1) above) in the manner in which we instruct them.

Name of Authorised
Individual or Proxy: _____

ID or Passport Number: _____

Issuing State: _____

[Signature page follows]

Signed by a duly authorised officer on behalf of the Direct Participant in DTC

Name of Direct Participant
in DTC: _____

Date: _____

MEDALLION SIGNATURE GUARANTEE³

Authorised Signature of Guarantor:

Name of signatory:

Name of Firm:

Address:

Telephone Number with Area Code:

Date:

Place Seal Here

³ Note: Signatures on this Sub-Proxy need not be guaranteed by an Eligible Institution if the DTC Direct Participant has not completed Paragraphs (3) and (4) of this form of Sub-Proxy. A recognised participant in the Securities Transfer Agents Medallion Program, the New York Stock Exchange Medallion Signature Program or the Stock Exchanges Medallion Program is each an “Eligible Institution”.

NOTICE OF BONDHOLDER MEETINGS

THIS NOTICE IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR OWN INDEPENDENT PROFESSIONAL ADVISERS IMMEDIATELY.

NOTICE OF MEETING Government of Barbados

in respect of the

U.S.\$150,000,000 7.25% Bonds due 2021 (the “Old Bonds”) issued by Barbados.

CUSIP: 067070AC6 and P48864AC9; ISIN: US067070AC67 and USP48864AC94

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of Schedule 6 (*Provisions for Meetings of Bondholders*) to the agency agreement relating to the Old Bonds and made between the Government of Barbados (“**Barbados**”) and Deutsche Bank Trust Company Americas, as registrar (the “**Registrar**”), fiscal agent, paying agent (the “**Paying Agent**”) and transfer agent (collectively, the “**Agents**”), (the “**Agency Agreement**”), Barbados has convened a meeting of the holders (the “**Bondholders**”) of the Old Bonds (the “**Meeting**”) to be held on Wednesday 27 November 2019 at the offices of Cleary Gottlieb Steen & Hamilton LLP, 2 London Wall Place, London EC2Y 5AU, United Kingdom, at 1:00 p.m. (London time) for the purpose of considering and, if thought fit, passing the resolution set out below which will be proposed as an Extraordinary Resolution in accordance with the provisions of the Agency Agreement. If within thirty minutes after such time the quorum specified in the Agency Agreement is not present, the Meeting will be adjourned until such date (not less than 14 clear days nor more than 42 clear days later) and time and place as the chair may decide. Bondholders may obtain voting certificates or appoint proxies not later than (except in the case of a form of proxy) 48 hours before the time of the Meeting but not thereafter or, in the case of corporations, may appoint representatives by resolution of their directors or other governing body.

Unless the context otherwise requires, terms used in this notice and defined in the Agency Agreement or invitation memorandum published by Barbados relating, *inter alia*, to the Old Bonds dated on or about the date hereof as amended or supplemented from time to time (the “**Invitation Memorandum**”) are used herein as so defined.

EXTRAORDINARY RESOLUTION

“THAT THIS MEETING (the “**Meeting**”) of the holders (the “**Bondholders**”) of the U.S.\$150,000,000 7.25 per cent. Bonds due 2021 (the “**Old Bonds**”) issued by Government of Barbados (“**Barbados**”) HEREBY:

- (1) assents to and sanctions the exchange of the Old Bonds, in accordance with the terms of the invitation memorandum published by Barbados relating, *inter alia*, to the Old Bonds dated on or about 5 November 2019 as amended or supplemented from time to time (the “**Invitation Memorandum**”), as follows:

- (i) Each U.S.\$1,000 principal amount of Old Bonds validly tendered by Bondholders who participate in the Exchange Offer (as defined and described in the Invitation Memorandum) and accepted for exchange by the Barbados will be exchanged for (i) net cash consideration of U.S.\$7.193 to be paid on the Closing Date (the “**2019 Exchange Cash Consideration**”); (ii) U.S.\$774.98 principal amount of 2029 Bonds (the “**2029 Bonds**”); and (iii) U.S.\$47.47 principal amount of PDI Bonds (the “**PDI Bonds**” and, together with the 2029 Bonds, the “**New Bonds**”). The 2019 Exchange Cash Consideration together with the New Bonds are referred to herein as the “**Consideration**.” Participating creditors in the Invitation and the Parallel Exchanges (each as defined in the Invitation Memorandum) authorise and instruct The Bank of New York Mellon, as settlement facilitation agent (the “**Settlement Facilitation Agent**”) to make the relevant pro rata deduction from the gross 2019 Exchange Cash Consideration and the relevant gross cash consideration under the Parallel Exchanges, as the case may be, to which the relevant creditors may be eligible to pay the costs and expenses of the external creditors committee in an aggregate amount equal to U.S.\$2,575,000. The net 2019 Exchange Cash Consideration referred to above includes a deduction of a pro rata amount to pay the costs and expenses of the external creditors committee in an aggregate amount equal to U.S.\$2,575,000.
- (ii) Each U.S.\$1,000.00 principal amount of Old Bonds held by Bondholders who did not participate in the Exchange Offer or whose tenders pursuant to the Exchange Offer were not accepted for exchange by Barbados (each, an “**Uncertified Holder**”) will be exchanged for the Consideration, which will be deposited to an account of Barbados with the Settlement Facilitation Agent, where such Consideration will be held until the earlier of: (i) such time as such Bondholder validly delivers a valid certificate in the form attached to the notice of settlement instructions to be delivered by Barbados if this Extraordinary Resolution is passed (a “**Delivery Certificate**”) to Lucid Issuer Services Limited, as exchange agent (the “**Exchange Agent**”), and (ii) the date falling 90 days after the Closing Date (as defined in the Invitation Memorandum) (the “**Holding Period**”) (collectively, the “**Pending Distribution Arrangement**”).

Upon receipt by the Exchange Agent of a valid Delivery Certificate certifying as to an Uncertified Holder’s status as an Eligible Holder (as defined and further described in the Invitation Memorandum), the Exchange Agent shall promptly instruct the Settlement Facilitation Agent to deliver, and, as soon as practicable thereafter, the Settlement Facilitation Agent shall deliver the Consideration to which such Bondholder is entitled in accordance with the instructions contained in the Delivery Certificate on behalf of the Bondholder.

Upon receipt by the Exchange Agent of a valid Delivery Certificate certifying as to an Uncertified Holder’s status as an Ineligible Holder (as defined and further described in the Invitation Memorandum), Barbados or an agent or broker appointed by Barbados, as the case may be, shall sell such New Bonds to which such holder is entitled in one or more sale transactions at any time following receipt of such Bondholder’s Delivery Certificate. The price, terms, timing and manner of such sale will be on the best terms reasonably available at the time using a transparent open market process and shall be for cash. Neither Barbados nor any such agent or broker will have any liability for any loss or alleged loss arising from such sale or a failure to procure any purchaser for such New Bonds (or any of them). The proceeds of such sales (net of the costs of sale including the fees of any agent, broker, marketing agent, placement agent or underwriter appointed in relation to the sales and any taxes and provisions for tax on sale or as a result of the

Pending Distribution Arrangement) (the “**Net Cash Proceeds**”) plus the net 2019 Exchange Cash Consideration to which such Bondholder is entitled shall be delivered in accordance with the instructions contained in the Delivery Certificate on behalf of such Bondholder as soon as reasonably practicable thereafter.

In the event that an Uncertified Holder fails to deliver a Delivery Certificate during the Holding Period, Barbados or an agent or broker appointed by Barbados, as the case may be, shall sell such New Bonds to which such Bondholder is entitled in a sale at any time following the expiry of the Holding Period. The price, terms, timing and manner of such sale will be on the best terms reasonably available at the time using a transparent open market process and shall be for cash. Neither Barbados nor any such agent or broker will have any liability for any loss or alleged loss arising from such sale or a failure to procure any purchaser for such New Bonds (or any of them). The Net Cash Proceeds will be held for the benefit of such holders of the Eligible Claims until such time as sales of all such Consideration have been effected. The pro rata shares of such Net Cash Proceeds plus the net 2019 Exchange Cash Consideration to which such Bondholder is entitled will be delivered to the relevant Direct Participants in DTC (as defined in the Invitation Memorandum) on behalf of the Bondholders entitled to such consideration as soon as practicable thereafter;

- (2) sanctions every abrogation, modification, compromise or arrangement in respect of the rights of Bondholders appertaining to the Old Bonds involving, resulting from or affected by the Exchange, whether or not such rights arise under the terms and conditions of the Old Bonds;
- (3) authorises, directs, requests and empowers the Agents to concur in the Exchange and to concur in, and to execute and do, all such other deeds, instruments, acts and things as may be necessary or appropriate to carry out and give effect to this resolution and to implement the Exchange; and
- (4) discharges and exonerates each Agent from any liability it may have or may in the future have under the Agency Agreement or the Old Bonds in respect of any act or omission in connection with the Exchange, its implementation or this resolution.”

Subject to the Extraordinary Resolution having been duly passed and the conditions set out therein being met, the Extraordinary Resolution will become effective on the Closing Date.

In accordance with normal practice, no Agent expresses any opinion as to the merits of the Exchange (which it was not involved in negotiating). It has, however, authorised it to be stated that, on the basis of the information set out in the Invitation Materials and in this Notice, it has no objection to the Extraordinary Resolution referred to above being submitted to the holders for their consideration. No Agent has, however, been involved in formulating the Exchange or the Extraordinary Resolution or any of the documents being entered into to give effect to the Exchange and the Extraordinary Resolution and makes no representation whatsoever in relation to the Exchange or the Extraordinary Resolution or any of the information set out in the Invitation Materials or this Notice. Accordingly, the Agents urge holders who are in any doubt as to the impact of the implementation of the Extraordinary Resolution or the Exchange to seek their own independent legal and financial advice.

Background

Barbados is inviting holders of Eligible Claims, including the Old Bonds, to exchange their holdings of Eligible Claims for the Consideration pursuant to the Exchange Offer, all as more fully described in the Invitation Memorandum. Barbados is soliciting consents to approve the Extraordinary

Resolution above approving the exchange of the Old Bonds for the Consideration. Further information regarding the Invitation and certain risk factors relating to the Invitation and the New Bonds are set out in the Invitation Memorandum, a copy of which is available as indicated below.

Documents Available for Inspection

Bondholders may inspect copies of the documents set out below, which will also be available at the Meeting, at the specified office of the Exchange Agent set out at the end of this Notice:

- (1) the Agency Agreement;
- (2) this Notice of Meeting; and
- (3) as soon as practicable hereafter, the Invitation Memorandum (subject to the relevant jurisdictional restrictions), a draft of the trust deed constituting the New Bonds, including the terms and conditions of the New Bonds, and the related agency agreement for the New Bonds.

General

The attention of Bondholders is particularly drawn to the quorum required for the Meeting which is set out in “—*Voting and Quorum and Other Matters*” below. Having regard to such requirements, Bondholders are strongly urged either to attend the Meeting or to take steps to be represented at the Meeting, as described below, as soon as possible.

Bondholders may vote in relation to the Extraordinary Resolution at the Meeting (or any adjourned Meeting) by complying with the procedures set out in section (A) or (B) below.

A) Forms of Sub-Proxy

Holders of Old Bonds who do not wish to participate in the Exchange Offer may appoint the Exchange Agent as proxy to consent to and vote in favour of, reject and vote against or abstain from voting on the Extraordinary Resolution at the Meeting by delivering, or arranging to be delivered, to the Exchange Agent, by e-mail or facsimile, a duly completed and executed Form of Sub-Proxy at or before 5:00 p.m. (New York City time) on 25 November 2019 (the “**Invitation Voting Deadline**”).

Eligible Holders wishing to participate in the Exchange Offer must, in addition to electronically transmitting their acceptance of the Exchange Offer through DTC’s ATOP at or before 5:00 p.m. (New York City time) on 22 November 2019 (the “**Exchange Offer Expiration Date**”), appoint the Exchange Agent as proxy to consent to and vote in favour of the Extraordinary Resolution at the Meeting by delivering, or arrange to be delivered, to the Exchange Agent, by e-mail or facsimile, a duly completed and executed Form of Sub-Proxy at or before the Voting Deadline.

A holder of Eligible Claims completing and submitting to the Exchange Agent a Form of Sub-Proxy will, by so doing, irrevocably (subject to the expiration of the Withdrawal Period (as defined below), the termination of the Invitation by Barbados or the rejection of such Form of Sub-Proxy by Barbados, all as described further in the Invitation Memorandum) appoint and instruct the Exchange Agent as its proxy to attend the Meeting (or any adjourned Meeting).

Beneficial ownership of the Old Bonds held in book-entry form generally represents an interest in a global certificate representing such Old Bond that is registered in the name of a clearing system or such clearing system’s nominee. These beneficial interests may be held directly if a Bondholder has an account

as a participant in the relevant clearing system, or indirectly through participants, such as securities brokers and dealers, that have an account with the relevant clearing system. This notice refers to institutions that have an account with the relevant clearing system as “direct participants” in such system. Only these direct participants may submit a Form of Sub-Proxy to the Exchange Agent.

If a Bondholder is not a direct participant, such Bondholder (or their broker, dealer, bank, trust company, trustee or other custodian on their behalf) must arrange for the direct participant through which such Bondholder holds their Old Bond(s) to submit a Form of Sub-Proxy on their behalf to the Exchange Agent. Bondholders whose Eligible Claims are held by a custodial entity such as a broker, dealer, commercial bank, trust company or other nominee should be aware that such nominee may have deadlines other than the deadlines specified in the invitation memorandum for such nominees to be advised of the action that the Bondholder wishes them to take with respect to their Old Bonds.

Original copies of Forms of Sub-Proxy are not required.

By submitting a Form of Sub-Proxy, participating holders will be making the representations and warranties set forth in the Form of Sub-Proxy to Barbados, the Information Agent and the Exchange Agent.

Any Form of Sub-Proxy submitted in connection with a tender pursuant to the Exchange Offer may be withdrawn, for any reason, at any time prior to 5:00 p.m. (New York City time) on the Exchange Offer Expiration Date. Barbados will, if necessary, extend the Exchange Offer Expiration Date so that there will be at least three business days (as defined in “Terms of the Invitation” below) remaining on the Exchange Offer should there be any material changes to the terms of the Invitation. After such Exchange Offer Expiration Date, as so extended, Forms of Sub-Proxy accompanying tenders shall become irrevocable.

Any consent delivered pursuant to the Consent Only Option may be withdrawn, for any reason, at any time prior to 5:00 p.m. (New York City time) on the Voting Deadline. If the Exchange Offer Expiration Date is extended, the Voting Deadline will be automatically extended by the same number of days. After such Voting Deadline, as so extended, consents delivered pursuant to the Consent Only Option shall become irrevocable.

The period between the date of the Invitation Memorandum and the deadline for withdrawing tenders and/or Forms of Sub-Proxy, as applicable, is referred to herein as the “*Withdrawal Period*.”

A description of the procedures for withdrawing Forms of Sub-Proxy can be found in the Invitation Memorandum under the heading “Terms of the Invitation—Irrevocability; Withdrawal Rights.”

B) Voting Certificates and Block Voting Instructions

Holders of Old Bonds that do not submit a Form of Sub-Proxy to the Exchange Agent before the Voting Deadline may either:

- (i) attend and vote at the Meeting (or any adjourned meeting) in person by producing at the Meeting (or any adjourned meeting) a valid voting certificate in respect of such Old Bond(s). In order to obtain a voting certificate, the holder must, no fewer than 48 hours before the Meeting (or any adjourned meeting) either (a) procure that its Old Bond(s) (not being Old Bonds in respect of which a block voting instruction has been issued and is outstanding in respect of the Meeting or any adjourned meeting) are deposited with the Registrar or, (b) if applicable, procure that its Old Bond(s) are, to the satisfaction of the

Registrar, held to the order or under the control of the Registrar or are blocked in an account with the Depository Trust Company, upon terms that the Old Bond(s) will not cease to be so deposited or held or blocked until the first to occur of:

- (a) the conclusion of the Meeting (or any adjourned meeting); or
- (b) the surrender of the voting certificate to the Registrar who issued the same.

A holder of Old Bonds not wishing to attend and vote at the Meeting (or any adjourned meeting) in person may deliver its voting certificate(s) to a person who the holder wishes to attend and vote on its behalf. Such person shall be deemed, for all purposes in connection with the Meeting (or any adjourned meeting) to be the holder of the relevant Old Bond(s) and the holder of the Old Bond(s) shall be deemed for such purposes not to be the holder.

- (ii) require that the Registrar issue a block voting instruction in respect of its Old Bond(s) (not being Old Bonds in respect of which a voting certificate has been issued and is outstanding in respect of the Meeting or any adjourned meeting) by procuring that, no fewer than 48 hours before the Meeting (or any adjourned meeting), its Old Bond(s) are deposited with the Registrar or (to the satisfaction of the Registrar) are either held to the order or under the control of the Registrar or are blocked in an account with the Depository Trust Company upon terms that the Old Bond(s) will not cease to be so deposited or held or blocked until the first to occur of:

- (a) the conclusion of the Meeting (or any adjourned meeting); or
- (b) the surrender to the Registrar no fewer than 48 hours before the time for the Meeting (or any adjourned meeting) of the receipt issued by such Registrar in respect of each such deposited Old Bond that is to be released or (as the case may require) the Old Bond(s) ceasing with the agreement of the Registrar to be held to its order or under its control and the giving of notice by the Registrar to Barbados of any necessary amendment to the block voting instruction, following which the Registrar shall exclude the vote attributable to such Old Bond(s) from the block voting instruction.

The holder or a duly authorised person on behalf of the holder must direct the Registrar on how its votes are to be cast. A block voting instruction will appoint one or more persons as proxy to vote at the Meeting (or any adjourned meeting).

Voting and Quorum and Other Matters

In accordance with the terms and conditions of the Old Bonds, two or more persons present holding Old Bonds or voting certificates or being proxies and holding or representing in the aggregate at least 75 per cent. in principal amount of the Old Bonds for the time being outstanding shall constitute a quorum for considering the proposed Extraordinary Resolution. If a quorum is not present at the Meeting, the Meeting shall stand adjourned for such period being not fewer than 14 days nor more than 42 days, and at such time and place as the chair may decide, and at such adjourned meeting the quorum shall be two or more persons present holding Old Bonds or voting certificates or being proxies and holding or representing in the aggregate at least 25 per cent. in principal amount of the Old Bonds for the time being outstanding. No business may be transacted in the absence of a quorum unless the requisite quorum is present when the Meeting (or any adjourned meeting) is called to order.

Pursuant to the terms and conditions of the Old Bonds, at a Meeting (or any adjourned meeting) of holders of the Old Bonds where a quorum is present as described above, the proposed Extraordinary Resolution will be effectively passed if passed by holders or their proxies entitled to vote representing in the aggregate of not less than 75 per cent. of the votes cast.

The Exchange will only become effective if the conditions for the effectiveness of the Exchange have been met or waived by Barbados (as set out in the Invitation Memorandum). See “The Invitation” in the Invitation Memorandum. If the Extraordinary Resolutions are passed at the Meeting (or any adjourned meeting) and the Exchange is made effective by Barbados, they will be binding on all holders of the Old Bonds, whether or not they are present at the Meeting and whether or not they otherwise consented to the adoption of the Extraordinary Resolution.

Further Information

Any questions relating to any matter relating to the Exchange Offer or the voting process should be addressed to the Information Agent as follows:

Exchange Agent and Information Agent

Lucid Issuer Services Limited

Tankerton Works

12 Argyle Walk

London WC1H 8HA

United Kingdom

Telephone +44 20 7704 0880

Attention: Arlind Bytyqi / Thomas Choquet

Email: barbados@lucid-is.com

Website: www.lucid-is.com/barbados

The Fiscal Agent, Paying Agent, Transfer Agent and Registrar for the Old Bonds is:

Deutsche Bank Trust Company Americas

Harborside Financial Center

100 Plaza One, MS: JCY03-0801

Jersey City, NJ 07311

United States of America

This notice is given by:

The Government of Barbados

The Ministry of Finance

Government Headquarters Bay Street

St. Michael

Barbados

5 November 2019

THIS NOTICE IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR OWN INDEPENDENT PROFESSIONAL ADVISERS IMMEDIATELY.

**NOTICE OF MEETING
Government of Barbados**

in respect of the

U.S.\$200,000,000 7.00% Bonds due 2022 (the “Old Bonds”) issued by Barbados.

CUSIP: 067070AF9 and P48864AD7; ISIN: US067070AF98 and USP48864AD77

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of Schedule 6 (*Provisions for Meetings of Bondholders*) to the agency agreement relating to the Old Bonds and made between the Government of Barbados (“**Barbados**”) and The Bank of New York Mellon, as registrar (the “**Registrar**”), fiscal agent, paying agent (the “**Paying Agent**”) and transfer agent (collectively, the “**Agents**”), (the “**Agency Agreement**”), Barbados has convened a meeting of the holders (the “**Bondholders**”) of the Old Bonds (the “**Meeting**”) to be held on Wednesday 27 November 2019 at the offices of Cleary Gottlieb Steen & Hamilton LLP, 2 London Wall Place, London EC2Y 5AU, United Kingdom, at 3:00 p.m. (London time) for the purpose of considering and, if thought fit, passing the resolution set out below which will be proposed as an Extraordinary Resolution in accordance with the provisions of the Agency Agreement. If within thirty minutes after such time the quorum specified in the Agency Agreement is not present, the Meeting will be adjourned until such date (not less than 14 clear days nor more than 42 clear days later) and time and place as the chair may decide. Bondholders may obtain voting certificates or appoint proxies not later than (except in the case of a form of proxy) 48 hours before the time of the Meeting but not thereafter or, in the case of corporations, may appoint representatives by resolution of their directors or other governing body.

Unless the context otherwise requires, terms used in this notice and defined in the Agency Agreement or invitation memorandum published by Barbados relating, *inter alia*, to the Old Bonds dated on or about the date hereof as amended or supplemented from time to time (the “**Invitation Memorandum**”) are used herein as so defined.

EXTRAORDINARY RESOLUTION

“THAT THIS MEETING (the “**Meeting**”) of the holders (the “**Bondholders**”) of the U.S.\$200,000,000 7.00% Bonds due 2022 (the “**Old Bonds**”) issued by Barbados HEREBY:

- (1) assents to and sanctions the exchange of the Old Bonds, in accordance with the terms of the invitation memorandum published by Barbados relating, *inter alia*, to the Old Bonds dated on or about 5 November 2019 as amended or supplemented from time to time (the “**Invitation Memorandum**”), as follows:
 - (i) Each U.S.\$1,000 principal amount of Old Bonds validly tendered by Bondholders who participate in the Exchange Offer (as defined and described in the Invitation Memorandum) and accepted for exchange by the Barbados will be exchanged for (i) net cash consideration of U.S.\$7.104 to be paid on the Closing Date (the “**2019 Exchange Cash Consideration**”); (ii) U.S.\$765.37 principal amount of 2029 Bonds (the “**2029**

Bonds"); and (iii) U.S.\$46.88 principal amount of PDI Bonds (the "**PDI Bonds**" and, together with the 2029 Bonds, the "**New Bonds**"). The 2019 Exchange Cash Consideration together with the New Bonds are referred to herein as the "**Consideration**." Participating creditors in the Invitation and the Parallel Exchanges (each as defined in the Invitation Memorandum) authorise and instruct The Bank of New York Mellon, as settlement facilitation agent (the "**Settlement Facilitation Agent**") to make the relevant pro rata deduction from the gross 2019 Exchange Cash Consideration and the relevant gross cash consideration under the Parallel Exchanges, as the case may be, to which the relevant creditors may be eligible to pay the costs and expenses of the external creditors committee in an aggregate amount equal to U.S.\$2,575,000. The net 2019 Exchange Cash Consideration referred to above includes a deduction of a pro rata amount to pay the costs and expenses of the external creditors committee in an aggregate amount equal to U.S.\$2,575,000.

- (ii) Each U.S.\$1,000.00 principal amount of Old Bonds held by Bondholders who did not participate in the Exchange Offer or whose tenders pursuant to the Exchange Offer were not accepted for exchange by Barbados (each, an "**Uncertified Holder**") will be exchanged for the Consideration, which will be deposited to an account of Barbados with the Settlement Facilitation Agent, where such Consideration will be held until the earlier of: (i) such time as such Bondholder validly delivers a valid certificate in the form attached to the notice of settlement instructions to be delivered by Barbados if this Extraordinary Resolution is passed (a "**Delivery Certificate**") to Lucid Issuer Services Limited, as exchange agent (the "**Exchange Agent**"), and (ii) the date falling 90 days after the Closing Date (as defined in the Invitation Memorandum) (the "**Holding Period**") (collectively, the "**Pending Distribution Arrangement**").

Upon receipt by the Exchange Agent of a valid Delivery Certificate certifying as to an Uncertified Holder's status as an Eligible Holder (as defined and further described in the Invitation Memorandum), the Exchange Agent shall promptly instruct the Settlement Facilitation Agent to deliver, and, as soon as practicable thereafter, the Settlement Facilitation Agent shall deliver the Consideration to which such Bondholder is entitled in accordance with the instructions contained in the Delivery Certificate on behalf of the Bondholder.

Upon receipt by the Exchange Agent of a valid Delivery Certificate certifying as to an Uncertified Holder's status as an Ineligible Holder (as defined and further described in the Invitation Memorandum), Barbados or an agent or broker appointed by Barbados, as the case may be, shall sell such New Bonds to which such holder is entitled in one or more sale transactions at any time following receipt of such Bondholder's Delivery Certificate. The price, terms, timing and manner of such sale will be on the best terms reasonably available at the time using a transparent open market process and shall be for cash. Neither Barbados nor any such agent or broker will have any liability for any loss or alleged loss arising from such sale or a failure to procure any purchaser for such New Bonds (or any of them). The proceeds of such sales (net of the costs of sale including the fees of any agent, broker, marketing agent, placement agent or underwriter appointed in relation to the sales and any taxes and provisions for tax on sale or as a result of the Pending Distribution Arrangement) (the "**Net Cash Proceeds**") plus the net 2019 Exchange Cash Consideration to which such Bondholder is entitled shall be delivered in accordance with the instructions contained in the Delivery Certificate on behalf of such Bondholder as soon as reasonably practicable thereafter.

In the event that an Uncertified Holder fails to deliver a Delivery Certificate during the Holding Period, Barbados or an agent or broker appointed by Barbados, as the case may be, shall sell such New Bonds to which such Bondholder is entitled in a sale at any time following the expiry of the Holding Period. The price, terms, timing and manner of such sale will be on the best terms reasonably available at the time using a transparent open market process and shall be for cash. Neither Barbados nor any such agent or broker will have any liability for any loss or alleged loss arising from such sale or a failure to procure any purchaser for such New Bonds (or any of them). The Net Cash Proceeds will be held for the benefit of such holders of the Eligible Claims until such time as sales of all such Consideration have been effected. The pro rata shares of such Net Cash Proceeds plus the net 2019 Exchange Cash Consideration to which such Bondholder is entitled will be delivered to the relevant Direct Participants in DTC (as defined in the Invitation Memorandum) on behalf of the Bondholders entitled to such consideration as soon as practicable thereafter;

- (2) sanctions every abrogation, modification, compromise or arrangement in respect of the rights of Bondholders appertaining to the Old Bonds involving, resulting from or affected by the Exchange, whether or not such rights arise under the terms and conditions of the Old Bonds;
- (3) authorises, directs, requests and empowers the Agents to concur in the Exchange and to concur in, and to execute and do, all such other deeds, instruments, acts and things as may be necessary or appropriate to carry out and give effect to this resolution and to implement the Exchange; and
- (4) discharges and exonerates each Agent from any liability it may have or may in the future have under the Agency Agreement or the Old Bonds in respect of any act or omission in connection with the Exchange, its implementation or this resolution.”

Subject to the Extraordinary Resolution having been duly passed and the conditions set out therein being met, the Extraordinary Resolution will become effective on the Closing Date.

In accordance with normal practice, no Agent expresses any opinion as to the merits of the Exchange (which it was not involved in negotiating). It has, however, authorised it to be stated that, on the basis of the information set out in the Invitation Materials and in this Notice, it has no objection to the Extraordinary Resolution referred to above being submitted to the holders for their consideration. No Agent has, however, been involved in formulating the Exchange or the Extraordinary Resolution or any of the documents being entered into to give effect to the Exchange and the Extraordinary Resolution and makes no representation whatsoever in relation to the Exchange or the Extraordinary Resolution or any of the information set out in the Invitation Materials or this Notice. Accordingly, the Agents urge holders who are in any doubt as to the impact of the implementation of the Extraordinary Resolution or the Exchange to seek their own independent legal and financial advice.

Background

Barbados is inviting holders of Eligible Claims, including the Old Bonds, to exchange their holdings of Eligible Claims for the Consideration pursuant to the Exchange Offer, all as more fully described in the Invitation Memorandum. Barbados is soliciting consents to approve the Extraordinary Resolution above approving the exchange of the Old Bonds for the Consideration. Further information regarding the Invitation and certain risk factors relating to the Invitation and the New Bonds are set out in the Invitation Memorandum, a copy of which is available as indicated below.

Documents Available for Inspection

Bondholders may inspect copies of the documents set out below, which will also be available at the Meeting, at the specified office of the Exchange Agent set out at the end of this Notice:

- (1) the Agency Agreement;
- (2) this Notice of Meeting; and
- (3) as soon as practicable hereafter, the Invitation Memorandum (subject to the relevant jurisdictional restrictions), a draft of the trust deed constituting the New Bonds, including the terms and conditions of the New Bonds, and the related agency agreement for the New Bonds.

General

The attention of Bondholders is particularly drawn to the quorum required for the Meeting which is set out in “—*Voting and Quorum and Other Matters*” below. Having regard to such requirements, Bondholders are strongly urged either to attend the Meeting or to take steps to be represented at the Meeting, as described below, as soon as possible.

Bondholders may vote in relation to the Extraordinary Resolution at the Meeting (or any adjourned Meeting) by complying with the procedures set out in section (A) or (B) below.

A) Forms of Sub-Proxy

Holders of Old Bonds who do not wish to participate in the Exchange Offer may appoint the Exchange Agent as proxy to consent to and vote in favour of, reject and vote against or abstain from voting on the Extraordinary Resolution at the Meeting by delivering, or arranging to be delivered, to the Exchange Agent, by e-mail or facsimile, a duly completed and executed Form of Sub-Proxy at or before 5:00 p.m. (New York City time) on 25 November 2019 (the “**Invitation Voting Deadline**”).

Eligible Holders wishing to participate in the Exchange Offer must, in addition to electronically transmitting their acceptance of the Exchange Offer through DTC’s ATOP at or before 5:00 p.m. (New York City time) on 22 November 2019 (the “**Exchange Offer Expiration Date**”), appoint the Exchange Agent as proxy to consent to and vote in favour of the Extraordinary Resolution at the Meeting by delivering, or arrange to be delivered, to the Exchange Agent, by e-mail or facsimile, a duly completed and executed Form of Sub-Proxy at or before the Voting Deadline.

A holder of Eligible Claims completing and submitting to the Exchange Agent a Form of Sub-Proxy will, by so doing, irrevocably (subject to the expiration of the Withdrawal Period (as defined below), the termination of the Invitation by Barbados or the rejection of such Form of Sub-Proxy by Barbados, all as described further in the Invitation Memorandum) appoint and instruct the Exchange Agent as its proxy to attend the Meeting (or any adjourned Meeting).

Beneficial ownership of the Old Bonds held in book-entry form generally represents an interest in a global certificate representing such Old Bond that is registered in the name of a clearing system or such clearing system’s nominee. These beneficial interests may be held directly if a Bondholder has an account as a participant in the relevant clearing system, or indirectly through participants, such as securities brokers and dealers, that have an account with the relevant clearing system. This notice refers to institutions that have an account with the relevant clearing system as “direct participants” in such system. Only these direct participants may submit a Form of Sub-Proxy to the Exchange Agent.

If a Bondholder is not a direct participant, such Bondholder (or their broker, dealer, bank, trust company, trustee or other custodian on their behalf) must arrange for the direct participant through which such Bondholder holds their Old Bond(s) to submit a Form of Sub-Proxy on their behalf to the Exchange Agent. Bondholders whose Eligible Claims are held by a custodial entity such as a broker, dealer, commercial bank, trust company or other nominee should be aware that such nominee may have deadlines other than the deadlines specified in the invitation memorandum for such nominees to be advised of the action that the Bondholder wishes them to take with respect to their Old Bonds.

Original copies of Forms of Sub-Proxy are not required.

By submitting a Form of Sub-Proxy, participating holders will be making the representations and warranties set forth in the Form of Sub-Proxy to Barbados, the Information Agent and the Exchange Agent.

Any Form of Sub-Proxy submitted in connection with a tender pursuant to the Exchange Offer may be withdrawn, for any reason, at any time prior to 5:00 p.m. (New York City time) on the Exchange Offer Expiration Date. Barbados will, if necessary, extend the Exchange Offer Expiration Date so that there will be at least three business days (as defined in “Terms of the Invitation” below) remaining on the Exchange Offer should there be any material changes to the terms of the Invitation. After such Exchange Offer Expiration Date, as so extended, Forms of Sub-Proxy accompanying tenders shall become irrevocable.

Any consent delivered pursuant to the Consent Only Option may be withdrawn, for any reason, at any time prior to 5:00 p.m. (New York City time) on the Voting Deadline. If the Exchange Offer Expiration Date is extended, the Voting Deadline will be automatically extended by the same number of days. After such Voting Deadline, as so extended, consents delivered pursuant to the Consent Only Option shall become irrevocable.

The period between the date of the Invitation Memorandum and the deadline for withdrawing tenders and/or Forms of Sub-Proxy, as applicable, is referred to herein as the “*Withdrawal Period*.”

A description of the procedures for withdrawing Forms of Sub-Proxy can be found in the Invitation Memorandum under the heading “Terms of the Invitation—Irrevocability; Withdrawal Rights.”

B) Voting Certificates and Block Voting Instructions

Holders of Old Bonds that do not submit a Form of Sub-Proxy to the Exchange Agent before the Voting Deadline may either:

- (i) attend and vote at the Meeting (or any adjourned meeting) in person by producing at the Meeting (or any adjourned meeting) a valid voting certificate in respect of such Old Bond(s). In order to obtain a voting certificate, the holder must, no fewer than 48 hours before the Meeting (or any adjourned meeting) either (a) procure that its Old Bond(s) (not being Old Bonds in respect of which a block voting instruction has been issued and is outstanding in respect of the Meeting or any adjourned meeting) are deposited with the Registrar or, (b) if applicable, procure that its Old Bond(s) are, to the satisfaction of the Registrar, held to the order or under the control of the Registrar or are blocked in an

account with the Depository Trust Company, upon terms that the Old Bond(s) will not cease to be so deposited or held or blocked until the first to occur of:

- (a) the conclusion of the Meeting (or any adjourned meeting); or
- (b) the surrender of the voting certificate to the Registrar who issued the same.

A holder of Old Bonds not wishing to attend and vote at the Meeting (or any adjourned meeting) in person may deliver its voting certificate(s) to a person who the holder wishes to attend and vote on its behalf. Such person shall be deemed, for all purposes in connection with the Meeting (or any adjourned meeting) to be the holder of the relevant Old Bond(s) and the holder of the Old Bond(s) shall be deemed for such purposes not to be the holder.

- (ii) require that the Registrar issue a block voting instruction in respect of its Old Bond(s) (not being Old Bonds in respect of which a voting certificate has been issued and is outstanding in respect of the Meeting or any adjourned meeting) by procuring that, no fewer than 48 hours before the Meeting (or any adjourned meeting), its Old Bond(s) are deposited with the Registrar or (to the satisfaction of the Registrar) are either held to the order or under the control of the Registrar or are blocked in an account with the Depository Trust Company upon terms that the Old Bond(s) will not cease to be so deposited or held or blocked until the first to occur of:

- (a) the conclusion of the Meeting (or any adjourned meeting); or
- (b) the surrender to the Registrar no fewer than 48 hours before the time for the Meeting (or any adjourned meeting) of the receipt issued by such Registrar in respect of each such deposited Old Bond that is to be released or (as the case may require) the Old Bond(s) ceasing with the agreement of the Registrar to be held to its order or under its control and the giving of notice by the Registrar to Barbados of any necessary amendment to the block voting instruction, following which the Registrar shall exclude the vote attributable to such Old Bond(s) from the block voting instruction.

The holder or a duly authorised person on behalf of the holder must direct the Registrar on how its votes are to be cast. A block voting instruction will appoint one or more persons as proxy to vote at the Meeting (or any adjourned meeting).

Voting and Quorum and Other Matters

In accordance with the terms and conditions of the Old Bonds, two or more persons present holding Old Bonds or voting certificates or being proxies and holding or representing in the aggregate at least 75 per cent. in principal amount of the Old Bonds for the time being outstanding shall constitute a quorum for considering the proposed Extraordinary Resolution. If a quorum is not present at the Meeting, the Meeting shall stand adjourned for such period being not fewer than 14 days nor more than 42 days, and at such time and place as the chair may decide, and at such adjourned meeting the quorum shall be two or more persons present holding Old Bonds or voting certificates or being proxies and holding or representing in the aggregate at least 25 per cent. in principal amount of the Old Bonds for the time being outstanding. No business may be transacted in the absence of a quorum unless the requisite quorum is present when the Meeting (or any adjourned meeting) is called to order.

Pursuant to the terms and conditions of the Old Bonds, at a Meeting (or any adjourned meeting) of holders of the Old Bonds where a quorum is present as described above, the proposed Extraordinary Resolution will be effectively passed if passed by holders or their proxies entitled to vote representing in the aggregate of not less than 75 per cent. of the votes cast.

The Exchange will only become effective if the conditions for the effectiveness of the Exchange have been met or waived by Barbados (as set out in the Invitation Memorandum). See “The Invitation” in the Invitation Memorandum. If the Extraordinary Resolutions are passed at the Meeting (or any adjourned meeting) and the Exchange is made effective by Barbados, they will be binding on all holders of the Old Bonds, whether or not they are present at the Meeting and whether or not they otherwise consented to the adoption of the Extraordinary Resolution.

Further Information

Any questions relating to any matter relating to the Exchange Offer or the voting process should be addressed to the Information Agent as follows:

Exchange Agent and Information Agent

Lucid Issuer Services Limited

Tankerton Works

12 Argyle Walk

London WC1H 8HA

United Kingdom

Telephone +44 20 7704 0880

Attention: Arlind Bytyqi / Thomas Choquet

Email: barbados@lucid-is.com

Website: www.lucid-is.com/barbados

The Fiscal Agent, Paying Agent, Transfer Agent and Registrar for the Old Bonds is:

The Bank of New York Mellon

240 Greenwich St. – 7E

New York, New York 10286

United States of America

This notice is given by:

The Government of Barbados

The Ministry of Finance

Government Headquarters Bay Street

St. Michael

Barbados

5 November 2019

THIS NOTICE IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR OWN INDEPENDENT PROFESSIONAL ADVISERS IMMEDIATELY.

**NOTICE OF MEETING
Government of Barbados**

in respect of the

U.S.\$190,000,000 6.625% Bonds due 2035 (the “Old Bonds”) issued by Barbados.

CUSIP: 067070AD4 and P48864AF2; ISIN: US067070AD41 and USP48864AF26

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of Schedule 6 (*Provisions for Meetings of Bondholders*) to the agency agreement relating to the Old Bonds and made between the Government of Barbados (“**Barbados**”) and Deutsche Bank Trust Company Americas, as registrar (the “**Registrar**”), fiscal agent, paying agent (the “**Paying Agent**”) and transfer agent (collectively, the “**Agents**”), (the “**Agency Agreement**”), Barbados has convened a meeting of the holders (the “**Bondholders**”) of the Old Bonds (the “**Meeting**”) to be held on 27 November 2019 at the offices of Cleary Gottlieb Steen & Hamilton LLP, 2 London Wall Place, London EC2Y 5AU, United Kingdom, at 2:00 p.m. (London time) for the purpose of considering and, if thought fit, passing the resolution set out below which will be proposed as an Extraordinary Resolution in accordance with the provisions of the Agency Agreement. If within thirty minutes after such time the quorum specified in the Agency Agreement is not present, the Meeting will be adjourned until such date (not less than 14 clear days nor more than 42 clear days later) and time and place as the chair may decide. Bondholders may obtain voting certificates or appoint proxies not later than (except in the case of a form of proxy) 48 hours before the time of the Meeting but not thereafter or, in the case of corporations, may appoint representatives by resolution of their directors or other governing body.

Unless the context otherwise requires, terms used in this notice and defined in the Agency Agreement or invitation memorandum published by Barbados relating, *inter alia*, to the Old Bonds dated on or about the date hereof as amended or supplemented from time to time (the “**Invitation Memorandum**”) are used herein as so defined.

EXTRAORDINARY RESOLUTION

“THAT THIS MEETING (the “**Meeting**”) of the holders (the “**Bondholders**”) of the U.S.\$190,000,000 6.625% Bonds due 2035 (the “**Old Bonds**”) issued by Barbados HEREBY:

- (1) assents to and sanctions the exchange of the Old Bonds, in accordance with the terms of the invitation memorandum published by Barbados relating, *inter alia*, to the Old Bonds dated on or about 5 November 2019 as amended or supplemented from time to time (the “**Invitation Memorandum**”), as follows:
 - (i) Each U.S.\$1,000 principal amount of Old Bonds validly tendered by Bondholders who participate in the Exchange Offer (as defined and described in the Invitation Memorandum) and accepted for exchange by the Barbados will be exchanged for (i) net cash consideration of U.S.\$7.133 to be paid on the Closing Date (the “**2019 Exchange Cash Consideration**”); (ii) U.S.\$768.55 principal amount of 2029 Bonds (the “**2029 Bonds**”); and (iii) U.S.\$47.07 principal amount of PDI Bonds (the “**PDI Bonds**” and,

together with the 2029 Bonds, the “**New Bonds**”). The 2019 Exchange Cash Consideration together with the New Bonds are referred to herein as the “**Consideration**.” Participating creditors in the Invitation and the Parallel Exchanges (each as defined in the Invitation Memorandum) authorise and instruct The Bank of New York Mellon, as settlement facilitation agent (the “**Settlement Facilitation Agent**”) to make the relevant pro rata deduction from the gross 2019 Exchange Cash Consideration and the relevant gross cash consideration under the Parallel Exchanges, as the case may be, to which the relevant creditors may be eligible to pay the costs and expenses of the external creditors committee in an aggregate amount equal to U.S.\$2,575,000. The net 2019 Exchange Cash Consideration referred to above includes a deduction of a pro rata amount to pay the costs and expenses of the external creditors committee in an aggregate amount equal to U.S.\$2,575,000.

- (ii) Each U.S.\$1,000.00 principal amount of Old Bonds held by Bondholders who did not participate in the Exchange Offer or whose tenders pursuant to the Exchange Offer were not accepted for exchange by Barbados (each, an “**Uncertified Holder**”) will be exchanged for the Consideration, which will be deposited to an account of Barbados with the Settlement Facilitation Agent, where such Consideration will be held until the earlier of: (i) such time as such Bondholder validly delivers a valid certificate in the form attached to the notice of settlement instructions to be delivered by Barbados if this Extraordinary Resolution is passed (a “**Delivery Certificate**”) to Lucid Issuer Services Limited, as exchange agent (the “**Exchange Agent**”), and (ii) the date falling 90 days after the Closing Date (as defined in the Invitation Memorandum) (the “**Holding Period**”) (collectively, the “**Pending Distribution Arrangement**”).

Upon receipt by the Exchange Agent of a valid Delivery Certificate certifying as to an Uncertified Holder’s status as an Eligible Holder (as defined and further described in the Invitation Memorandum), the Exchange Agent shall promptly instruct the Settlement Facilitation Agent to deliver, and, as soon as practicable thereafter, the Settlement Facilitation Agent shall deliver the Consideration to which such Bondholder is entitled in accordance with the instructions contained in the Delivery Certificate on behalf of the Bondholder.

Upon receipt by the Exchange Agent of a valid Delivery Certificate certifying as to an Uncertified Holder’s status as an Ineligible Holder (as defined and further described in the Invitation Memorandum), Barbados or an agent or broker appointed by Barbados, as the case may be, shall sell such New Bonds to which such holder is entitled in one or more sale transactions at any time following receipt of such Bondholder’s Delivery Certificate. The price, terms, timing and manner of such sale will be on the best terms reasonably available at the time using a transparent open market process and shall be for cash. Neither Barbados nor any such agent or broker will have any liability for any loss or alleged loss arising from such sale or a failure to procure any purchaser for such New Bonds (or any of them). The proceeds of such sales (net of the costs of sale including the fees of any agent, broker, marketing agent, placement agent or underwriter appointed in relation to the sales and any taxes and provisions for tax on sale or as a result of the Pending Distribution Arrangement) (the “**Net Cash Proceeds**”) plus the net 2019 Exchange Cash Consideration to which such Bondholder is entitled shall be delivered in accordance with the instructions contained in the Delivery Certificate on behalf of such Bondholder as soon as reasonably practicable thereafter.

In the event that an Uncertified Holder fails to deliver a Delivery Certificate during the Holding Period, Barbados or an agent or broker appointed by Barbados, as the case may be, shall sell such New Bonds to which such Bondholder is entitled in a sale at any time following the expiry of the Holding Period. The price, terms, timing and manner of such sale will be on the best terms reasonably available at the time using a transparent open market process and shall be for cash. Neither Barbados nor any such agent or broker will have any liability for any loss or alleged loss arising from such sale or a failure to procure any purchaser for such New Bonds (or any of them). The Net Cash Proceeds will be held for the benefit of such holders of the Eligible Claims until such time as sales of all such Consideration have been effected. The pro rata shares of such Net Cash Proceeds plus the net 2019 Exchange Cash Consideration to which such Bondholder is entitled will be delivered to the relevant Direct Participants in DTC (as defined in the Invitation Memorandum) on behalf of the Bondholders entitled to such consideration as soon as practicable thereafter;

- (2) sanctions every abrogation, modification, compromise or arrangement in respect of the rights of Bondholders appertaining to the Old Bonds involving, resulting from or affected by the Exchange, whether or not such rights arise under the terms and conditions of the Old Bonds;
- (3) authorises, directs, requests and empowers the Agents to concur in the Exchange and to concur in, and to execute and do, all such other deeds, instruments, acts and things as may be necessary or appropriate to carry out and give effect to this resolution and to implement the Exchange; and
- (4) discharges and exonerates each Agent from any liability it may have or may in the future have under the Agency Agreement or the Old Bonds in respect of any act or omission in connection with the Exchange, its implementation or this resolution.”

Subject to the Extraordinary Resolution having been duly passed and the conditions set out therein being met, the Extraordinary Resolution will become effective on the Closing Date.

In accordance with normal practice, no Agent expresses any opinion as to the merits of the Exchange (which it was not involved in negotiating). It has, however, authorised it to be stated that, on the basis of the information set out in the Invitation Materials and in this Notice, it has no objection to the Extraordinary Resolution referred to above being submitted to the holders for their consideration. No Agent has, however, been involved in formulating the Exchange or the Extraordinary Resolution or any of the documents being entered into to give effect to the Exchange and the Extraordinary Resolution and makes no representation whatsoever in relation to the Exchange or the Extraordinary Resolution or any of the information set out in the Invitation Materials or this Notice. Accordingly, the Agents urge holders who are in any doubt as to the impact of the implementation of the Extraordinary Resolution or the Exchange to seek their own independent legal and financial advice.

Background

Barbados is inviting holders of Eligible Claims, including the Old Bonds, to exchange their holdings of Eligible Claims for the Consideration pursuant to the Exchange Offer, all as more fully described in the Invitation Memorandum. Barbados is soliciting consents to approve the Extraordinary Resolution above approving the exchange of the Old Bonds for the Consideration. Further information regarding the Invitation and certain risk factors relating to the Invitation and the New Bonds are set out in the Invitation Memorandum, a copy of which is available as indicated below.

Documents Available for Inspection

Bondholders may inspect copies of the documents set out below, which will also be available at the Meeting, at the specified office of the Exchange Agent set out at the end of this Notice:

- (1) the Agency Agreement;
- (2) this Notice of Meeting; and
- (3) as soon as practicable hereafter, the Invitation Memorandum (subject to the relevant jurisdictional restrictions), a draft of the trust deed constituting the New Bonds, including the terms and conditions of the New Bonds, and the related agency agreement for the New Bonds.

General

The attention of Bondholders is particularly drawn to the quorum required for the Meeting which is set out in “—*Voting and Quorum and Other Matters*” below. Having regard to such requirements, Bondholders are strongly urged either to attend the Meeting or to take steps to be represented at the Meeting, as described below, as soon as possible.

Bondholders may vote in relation to the Extraordinary Resolution at the Meeting (or any adjourned Meeting) by complying with the procedures set out in section (A) or (B) below.

A) Forms of Sub-Proxy

Holders of Old Bonds who do not wish to participate in the Exchange Offer may appoint the Exchange Agent as proxy to consent to and vote in favour of, reject and vote against or abstain from voting on the Extraordinary Resolution at the Meeting by delivering, or arranging to be delivered, to the Exchange Agent, by e-mail or facsimile, a duly completed and executed Form of Sub-Proxy at or before 5:00 p.m. (New York City time) on 25 November 2019 (the “**Invitation Voting Deadline**”).

Eligible Holders wishing to participate in the Exchange Offer must, in addition to electronically transmitting their acceptance of the Exchange Offer through DTC’s ATOP at or before 5:00 p.m. (New York City time) on 22 November 2019 (the “**Exchange Offer Expiration Date**”), appoint the Exchange Agent as proxy to consent to and vote in favour of the Extraordinary Resolution at the Meeting by delivering, or arrange to be delivered, to the Exchange Agent, by e-mail or facsimile, a duly completed and executed Form of Sub-Proxy at or before the Voting Deadline.

A holder of Eligible Claims completing and submitting to the Exchange Agent a Form of Sub-Proxy will, by so doing, irrevocably (subject to the expiration of the Withdrawal Period (as defined below), the termination of the Invitation by Barbados or the rejection of such Form of Sub-Proxy by Barbados, all as described further in the Invitation Memorandum) appoint and instruct the Exchange Agent as its proxy to attend the Meeting (or any adjourned Meeting).

Beneficial ownership of the Old Bonds held in book-entry form generally represents an interest in a global certificate representing such Old Bond that is registered in the name of a clearing system or such clearing system’s nominee. These beneficial interests may be held directly if a Bondholder has an account as a participant in the relevant clearing system, or indirectly through participants, such as securities brokers and dealers, that have an account with the relevant clearing system. This notice refers to institutions that have an account with the relevant clearing system as “direct participants” in such system. Only these direct participants may submit a Form of Sub-Proxy to the Exchange Agent.

If a Bondholder is not a direct participant, such Bondholder (or their broker, dealer, bank, trust company, trustee or other custodian on their behalf) must arrange for the direct participant through which such Bondholder holds their Old Bond(s) to submit a Form of Sub-Proxy on their behalf to the Exchange Agent. Bondholders whose Eligible Claims are held by a custodial entity such as a broker, dealer, commercial bank, trust company or other nominee should be aware that such nominee may have deadlines other than the deadlines specified in the invitation memorandum for such nominees to be advised of the action that the Bondholder wishes them to take with respect to their Old Bonds.

Original copies of Forms of Sub-Proxy are not required.

By submitting a Form of Sub-Proxy, participating holders will be making the representations and warranties set forth in the Form of Sub-Proxy to Barbados, the Information Agent and the Exchange Agent.

Any Form of Sub-Proxy submitted in connection with a tender pursuant to the Exchange Offer may be withdrawn, for any reason, at any time prior to 5:00 p.m. (New York City time) on the Exchange Offer Expiration Date. Barbados will, if necessary, extend the Exchange Offer Expiration Date so that there will be at least three business days (as defined in “Terms of the Invitation” below) remaining on the Exchange Offer should there be any material changes to the terms of the Invitation. After such Exchange Offer Expiration Date, as so extended, Forms of Sub-Proxy accompanying tenders shall become irrevocable.

Any consent delivered pursuant to the Consent Only Option may be withdrawn, for any reason, at any time prior to 5:00 p.m. (New York City time) on the Voting Deadline. If the Exchange Offer Expiration Date is extended, the Voting Deadline will be automatically extended by the same number of days. After such Voting Deadline, as so extended, consents delivered pursuant to the Consent Only Option shall become irrevocable.

The period between the date of the Invitation Memorandum and the deadline for withdrawing tenders and/or Forms of Sub-Proxy, as applicable, is referred to herein as the “*Withdrawal Period*.”

A description of the procedures for withdrawing Forms of Sub-Proxy can be found in the Invitation Memorandum under the heading “Terms of the Invitation—Irrevocability; Withdrawal Rights.”

B) Voting Certificates and Block Voting Instructions

Holders of Old Bonds that do not submit a Form of Sub-Proxy to the Exchange Agent before the Voting Deadline may either:

- (i) attend and vote at the Meeting (or any adjourned meeting) in person by producing at the Meeting (or any adjourned meeting) a valid voting certificate in respect of such Old Bond(s). In order to obtain a voting certificate, the holder must, no fewer than 48 hours before the Meeting (or any adjourned meeting) either (a) procure that its Old Bond(s) (not being Old Bonds in respect of which a block voting instruction has been issued and is outstanding in respect of the Meeting or any adjourned meeting) are deposited with the Registrar or, (b) if applicable, procure that its Old Bond(s) are, to the satisfaction of the Registrar, held to the order or under the control of the Registrar or are blocked in an

account with the Depository Trust Company, upon terms that the Old Bond(s) will not cease to be so deposited or held or blocked until the first to occur of:

- (a) the conclusion of the Meeting (or any adjourned meeting); or
- (b) the surrender of the voting certificate to the Registrar who issued the same.

A holder of Old Bonds not wishing to attend and vote at the Meeting (or any adjourned meeting) in person may deliver its voting certificate(s) to a person who the holder wishes to attend and vote on its behalf. Such person shall be deemed, for all purposes in connection with the Meeting (or any adjourned meeting) to be the holder of the relevant Old Bond(s) and the holder of the Old Bond(s) shall be deemed for such purposes not to be the holder.

- (ii) require that the Registrar issue a block voting instruction in respect of its Old Bond(s) (not being Old Bonds in respect of which a voting certificate has been issued and is outstanding in respect of the Meeting or any adjourned meeting) by procuring that, no fewer than 48 hours before the Meeting (or any adjourned meeting), its Old Bond(s) are deposited with the Registrar or (to the satisfaction of the Registrar) are either held to the order or under the control of the Registrar or are blocked in an account with the Depository Trust Company upon terms that the Old Bond(s) will not cease to be so deposited or held or blocked until the first to occur of:

- (a) the conclusion of the Meeting (or any adjourned meeting); or
- (b) the surrender to the Registrar no fewer than 48 hours before the time for the Meeting (or any adjourned meeting) of the receipt issued by such Registrar in respect of each such deposited Old Bond that is to be released or (as the case may require) the Old Bond(s) ceasing with the agreement of the Registrar to be held to its order or under its control and the giving of notice by the Registrar to Barbados of any necessary amendment to the block voting instruction, following which the Registrar shall exclude the vote attributable to such Old Bond(s) from the block voting instruction.

The holder or a duly authorised person on behalf of the holder must direct the Registrar on how its votes are to be cast. A block voting instruction will appoint one or more persons as proxy to vote at the Meeting (or any adjourned meeting).

Voting and Quorum and Other Matters

In accordance with the terms and conditions of the Old Bonds, two or more persons present holding Old Bonds or voting certificates or being proxies and holding or representing in the aggregate at least 75 per cent. in principal amount of the Old Bonds for the time being outstanding shall constitute a quorum for considering the proposed Extraordinary Resolution. If a quorum is not present at the Meeting, the Meeting shall stand adjourned for such period being not fewer than 14 days nor more than 42 days, and at such time and place as the chair may decide, and at such adjourned meeting the quorum shall be two or more persons present holding Old Bonds or voting certificates or being proxies and holding or representing in the aggregate at least 25 per cent. in principal amount of the Old Bonds for the time being outstanding. No business may be transacted in the absence of a quorum unless the requisite quorum is present when the Meeting (or any adjourned meeting) is called to order.

Pursuant to the terms and conditions of the Old Bonds, at a Meeting (or any adjourned meeting) of holders of the Old Bonds where a quorum is present as described above, the proposed Extraordinary Resolution will be effectively passed if passed by holders or their proxies entitled to vote representing in the aggregate of not less than 75 per cent. of the votes cast.

The Exchange will only become effective if the conditions for the effectiveness of the Exchange have been met or waived by Barbados (as set out in the Invitation Memorandum). See “The Invitation” in the Invitation Memorandum. If the Extraordinary Resolutions are passed at the Meeting (or any adjourned meeting) and the Exchange is made effective by Barbados, they will be binding on all holders of the Old Bonds, whether or not they are present at the Meeting and whether or not they otherwise consented to the adoption of the Extraordinary Resolution.

Further Information

Any questions relating to any matter relating to the Exchange Offer or the voting process should be addressed to the Information Agent as follows:

Exchange Agent and Information Agent

Lucid Issuer Services Limited

Tankerton Works

12 Argyle Walk

London WC1H 8HA

United Kingdom

Telephone +44 20 7704 0880

Attention: Arlind Bytyqi / Thomas Choquet

Email: barbados@lucid-is.com

Website: www.lucid-is.com/barbados

The Fiscal Agent, Paying Agent, Transfer Agent and Registrar for the Old Bonds is:

Deutsche Bank Trust Company Americas

Harborside Financial Center

100 Plaza One, MS: JCY03-0801

Jersey City, NJ 07311

United States of America

This notice is given by:

The Government of Barbados

The Ministry of Finance

Government Headquarters Bay Street

St. Michael

Barbados

5 November 2019

GOVERNMENT OF BARBADOS

The Ministry of Finance
Government Headquarters Bay Street
St. Michael
Barbados

**TRUSTEE, PAYING AGENT, TRANSFER
AGENT AND
REGISTRAR**

The Bank of New York Mellon
240 Greenwich St. – 7E
New York, New York 10286
United States of America

SETTLEMENT FACILITATION AGENT

The Bank of New York Mellon
111 Sanders Creek Parkway
East Syracuse, New York 13057
Attention:

CT_Reorg_Unit_Inquires@bnymellon.com

**EXCHANGE AGENT AND
INFORMATION AGENT**

Lucid Issuer Services Limited

Tankerton Works
12 Argyle Walk
London WC1H 8HA
United Kingdom
Telephone +44 20 7704 0880
Attention: Arlind Bytyqi / Thomas Choquet
Email: barbados@lucid-is.com
Website: www.lucid-is.com/barbados

FINANCIAL ADVISORS TO BARBADOS

White Oak Advisory Ltd

54 Baker Street
London W1U 7BU
United Kingdom

LEGAL ADVISERS TO BARBADOS

AS TO ENGLISH AND U.S. LAW

Cleary Gottlieb Steen & Hamilton LLP

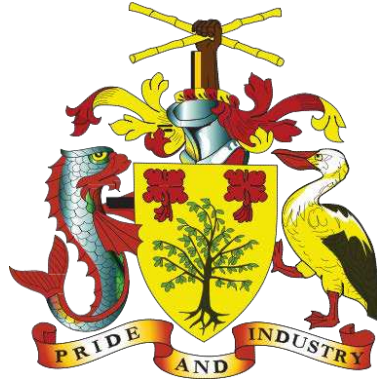
2 London Wall Place,
London
EC2Y 5AU
United Kingdom

LEGAL ADVISERS TO THE TRUSTEE

AS TO ENGLISH LAW

Clifford Chance LLP

10 Upper Bank Street
London
E14 5JJ
United Kingdom



ANNEX E

Global Scotia Bond Invitation Memorandum

IMPORTANT NOTICE

THE ATTACHED INVITATION MEMORANDUM DOES NOT CONSTITUTE A PROSPECTUS WITHIN THE MEANING OF EU REGULATION 2017/1129 (THE “PROSPECTUS REGULATION”), AND NO SUCH PROSPECTUS HAS BEEN OR WILL BE PREPARED IN CONNECTION WITH THE INVITATION. THE ATTACHED INVITATION MEMORANDUM HAS NOT BEEN REVIEWED OR APPROVED BY ANY COMPETENT AUTHORITY OF ANY MEMBER STATE OF THE EUROPEAN ECONOMIC AREA.

THE DISTRIBUTION OF THE ATTACHED INVITATION MEMORANDUM IN CERTAIN JURISDICTIONS MAY BE RESTRICTED BY LAW. SEE THE ISSUE AND RESALE RESTRICTIONS. PERSONS INTO WHOSE POSSESSION THE ATTACHED INVITATION MEMORANDUM COMES ARE REQUIRED BY BARBADOS TO INFORM THEMSELVES ABOUT, AND TO OBSERVE, ANY SUCH RESTRICTIONS.

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the attached invitation memorandum, and you are therefore required to read this disclaimer carefully before accessing, reading or making any other use of the attached invitation memorandum. By accessing the attached invitation memorandum, you shall be deemed to agree (in addition to giving the representations below) to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from Barbados or Lucid Issuer Services Limited, as information agent and exchange agent, as a result of such access. Terms used in this notice and defined in the attached invitation memorandum are used herein as so defined.

THIS ELECTRONIC TRANSMISSION DOES NOT CONTAIN OR CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO EXCHANGE, BUY OR SUBSCRIBE FOR SECURITIES TO OR FROM ANY PERSON IN ANY JURISDICTION TO WHOM OR IN WHICH SUCH OFFER OR SOLICITATION IS UNLAWFUL.

THE EXCHANGE OFFER DESCRIBED THEREIN IS DIRECTED, AND NEW BONDS DESCRIBED THEREIN WILL BE ISSUED, ONLY TO HOLDERS OF ELIGIBLE CLAIMS (AS DEFINED IN THE INVITATION MEMORANDUM): (A)(I) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH REGULATION S OR (II) WITHIN THE UNITED STATES IN PRIVATE TRANSACTIONS PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE UNITED STATES SECURITIES ACT OF 1933 (THE “SECURITIES ACT”) THAT ARE QUALIFIED INSTITUTIONAL BUYERS PURSUANT TO RULE 144A UNDER THE SECURITIES ACT; AND (B) “QUALIFIED INVESTORS” AS DEFINED IN THE PROSPECTUS REGULATION IF THEY ARE LOCATED WITHIN A MEMBER STATE OF THE EUROPEAN ECONOMIC AREA (EACH AN “ELIGIBLE HOLDER”), UNLESS BARBADOS IN ANY INSTANCE OTHERWISE AGREES.

THE RECIPIENT MAY NOT FORWARD OR DISTRIBUTE THE ATTACHED INVITATION MEMORANDUM IN WHOLE OR IN PART TO ANY OTHER PERSON OR REPRODUCE THE ATTACHED INVITATION MEMORANDUM IN ANY MANNER WHATSOEVER AND ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE ATTACHED INVITATION MEMORANDUM IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS INSTRUCTION MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

Confirmation of your representation: In order to be eligible to view the attached invitation memorandum or make an investment decision with respect to the invitation by Barbados pursuant to the invitation memorandum to holders of Eligible Claims to (i) offer to exchange their Eligible Claims for the Consideration and/or (ii) consent to Extraordinary Resolutions in respect of their Eligible Claims, where applicable, all as further described in the attached invitation memorandum you must (A) in the case of the Exchange Offer, be an Eligible Holder or (B) in the case of the Consent Solicitation, be able to participate in the Consent Solicitation as a holder of Eligible Claims, and, in each case, otherwise be able to participate lawfully in the Invitation on the terms and subject to the conditions set out in the attached invitation memorandum, including the jurisdictional restrictions set out on page 140 (the “**Jurisdictional**

Restrictions”). The attached invitation memorandum was provided to you at your request, and by accessing the attached invitation memorandum, you shall be deemed to have represented to Barbados that:

- (i) you are a holder or a beneficial owner of Eligible Claims; and
- (ii) you consent to delivery of the attached invitation memorandum by electronic transmission.

The attached invitation memorandum has been provided to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission, and consequently none of Barbados, the sender of the invitation memorandum, nor any person who is an official or a director, officer, employee, agent or affiliate of any such person, accepts any liability or responsibility whatsoever in respect of any difference between the actual invitation memorandum and the version you have.

You are also reminded that the attached invitation memorandum has been provided to you on the basis that you are a person into whose possession the attached invitation memorandum may be lawfully delivered in accordance with (i) the laws of the jurisdiction in which you are located or resident and (ii) the Jurisdictional Restrictions, and you may not, nor are you authorised to, deliver the attached invitation memorandum to any other person.

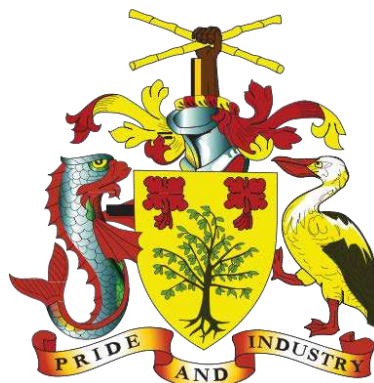
Any materials relating to the Invitation do not constitute, and may not be used in connection with, any form of offer or solicitation in any place where such offers or solicitations are not permitted by law.

The attached invitation memorandum contains important information which should be read carefully before any decision is made with respect to the Invitation. If any holder of Eligible Claims is in any doubt as to the action it should take, such holder of Eligible Claims should seek its own financial advice, including as to any tax consequences, from its stockbroker, bank manager, legal adviser, accountant or other independent financial adviser. Any investor whose Eligible Claims are held on its behalf by a broker, dealer, bank, custodian, trust company or other nominee must contact such entity if it wishes to participate in the Invitation with respect to its Eligible Claims.

Global Scotia Bond Invitation Memorandum

The date of this invitation memorandum is 5 November 2019. The exchange offer described herein will expire at 5:00 p.m. (New York City time) on 22 November 2019, unless extended or earlier terminated.

INVITATION MEMORANDUM



**Invitation by
the Government of Barbados
to holders of the Eligible Claims (as defined below) to offer to exchange (such invitation and any
resulting exchange, the “Exchange Offer”)**

Class B Fixed Rate Bonds due 2019 issued by the Government of Barbados (ISIN: XS0441235255) that are cleared through Euroclear or Clearstream and not held in the form of Definitive Bonds (the “*Eligible Claims*”)

for

U.S. Dollar 6.500% Bonds due 2029 (the “*2029 Bonds*”) plus U.S. Dollar 6.500% Bonds due 2021 (the “*PDI Bonds*” and, together with the 2029 Bonds, the “*New Bonds*”) plus the 2019 Exchange Cash Consideration (as defined below and, together with the New Bonds, the “*Consideration*”)

Barbados is also soliciting consents from holders of the Eligible Claims (the “*Consent Solicitation*” and, together with the Exchange Offer, the “*Invitation*”) in favour of an extraordinary resolution mandatorily exchanging the Eligible Claims for the relevant Consideration (an “*Extraordinary Resolution*”). By submitting Participation Instructions (as defined below) in connection with a tender of Eligible Claims for exchange, a holder of such Eligible Claims also irrevocably (subject to the expiration of the Withdrawal Period (as defined below), the termination of the Invitation by Barbados or the rejection of such written proxy by Barbados, all as described further herein) appoints and instructs the Exchange Agent as its proxy to attend any meeting convened in respect of the Eligible Claims and vote in favour of the Extraordinary Resolution relating to such Eligible Claims (the “*Tender and Consent Option*”), as further described under “Terms of the Invitation—The Consent Solicitation.” Holders who do not wish to tender their Eligible Claims or who are not Eligible Holders may submit Participation Instructions to vote, or appoint a proxy to vote, on the Extraordinary Resolution pursuant to the Consent Solicitation (the “*Consent Only Option*”), as described herein, or alternatively, pursuant to Schedule 2 of the trust deed relating to the Eligible Claims.

**THE INVITATION TO OFFER TO EXCHANGE ELIGIBLE CLAIMS IS ONLY BEING
DIRECTED TO ELIGIBLE HOLDERS. THE INVITATION TO PARTICIPATE IN THE
CONSENT SOLICITATION IS BEING MADE TO ALL HOLDERS OF ELIGIBLE CLAIMS.**

Holders should note that, if the exchange the Eligible Claims is approved by an Extraordinary Resolution passed by the holders the Eligible Claims in accordance with the Terms and Conditions, then the entirety the Eligible Claims (even those held by non-tendering or non-voting holders and inclusive of all accrued but unpaid interest) will be exchanged for the relevant Consideration, pursuant to Schedule 2 of the trust deed relating to the Eligible Claims. In that event, Eligible Claims held by holders who do not participate in the Exchange Offer will be exchanged for New Bonds plus the net 2019 Exchange Cash Consideration. Holders who have not certified their status as an Eligible Holder by tendering through Euroclear Bank S.A./N.V. (“Euroclear”), or Clearstream, Luxembourg (“Clearstream”) will receive Substitute Consideration (as defined below) pursuant to the Pending Distribution Arrangement as described herein. If such an exchange is not approved by the requisite holders of the Eligible Claims, Barbados reserves the right, at its sole discretion, to either accept or reject all tenders of the Eligible Claims. See “Risk of Modification of Certain Eligible Claims” in “Risk Factors” below.

The New Bonds will be general, direct, unconditional, unsubordinated and unsecured obligations of Barbados and will rank *pari passu*, without preference among themselves, with all other unsecured External Indebtedness (as defined in “Terms and Conditions of the 2029 Bonds” and “Terms and Conditions of the PDI Bonds”) of Barbados, from time to time outstanding, *provided, however*, that Barbados shall have no obligation to effect equal or rateable payment(s) at any time with respect to any such other External Indebtedness and, in particular, shall have no obligation to pay other External Indebtedness at the same time or as a condition of paying sums due on the New Bonds and vice versa. The New Bonds will be backed by the full faith and credit of Barbados.

A holder of an Eligible Claim held by a custodial entity (such as a bank, broker, dealer, trust company or other nominee) may only participate in the Exchange Offer if it instructs that custodial entity to tender its Eligible Claim on its behalf pursuant to the procedures of that custodial entity. Holders of Eligible Claims held in Euroclear or Clearstream may only participate in the Exchange Offer by using the procedure of Euroclear or Clearstream as set out in “Tender Procedures”.

Holders of Eligible Claims should be aware that the bank, broker, dealer, trust company or other nominee through which they hold their Eligible Claims may have earlier deadlines for taking action pursuant to the Invitation, and, accordingly, holders are urged to contact their bank, broker, dealer, trust company or other nominee to determine any additional deadline that may have been established for taking action in relation to the Invitation. See “Tender Procedures.”

A holder of an Eligible Claim may withdraw their Participation Instructions and accompanying consents at any time prior to the Exchange Offer Expiration Date (as defined below) and may withdraw consents pursuant to the Consent Only Option at any time prior to the Voting Deadline (as defined below).

The Exchange Offer expires at 5:00 p.m. (New York City time) on 22 November 2019, unless extended by Barbados.

The New Bonds will be issued pursuant to a trust deed (the “*Trust Deed*”) with The Bank of New York Mellon, as trustee for the bondholders (the “*Trustee*”) and will be governed by English law.

An investment in the New Bonds involves a high degree of risk. See “Risk Factors” beginning on page 19 of this invitation memorandum.

The New Bonds have not been, and will not be, registered under the U.S. Securities Act of 1933 (as amended, the “*Securities Act*”) or the securities laws of any other jurisdiction. Unless they are

registered, the New Bonds may be offered only in transactions that are exempt from registration under the Securities Act or the securities law of any other jurisdiction. Accordingly, the New Bonds are being offered only to: (i) “qualified institutional buyers” pursuant to Rule 144A under the Securities Act or (ii) persons outside the United States in reliance on Regulation S of the Securities Act that, if located within a member state of the European Economic Area (an “*EEA Member State*”), are “qualified investors” as defined in Regulation (EU) 1129/2017 (the “*Prospectus Regulation*”) (each, an “*Eligible Holder*”). For further details about eligible offerees and resale restrictions, see “Notice to Investors.”

Delivery of the Consideration is expected to be made on 11 December 2019. The New Bonds will be delivered in book-entry form through the facilities of The Depository Trust Company. Barbados intends to apply to admit the New Bonds to listing on the Luxembourg Stock Exchange and to trading on the Euro MTF market.

If the Eligible Claims you hold are not held through Euroclear or Clearstream (each, a “*Clearing System*”) and are held in the form of Definitive Bonds, please contact the Information Agent for the relevant Invitation Memorandum.

MAP OF BARBADOS

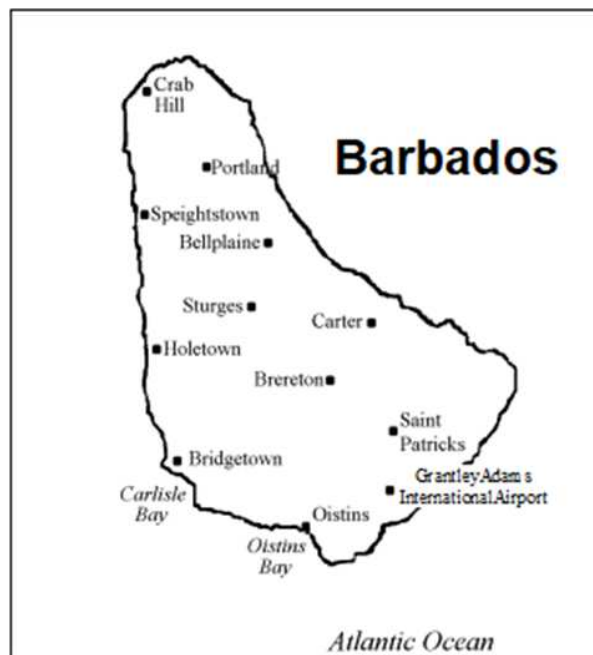
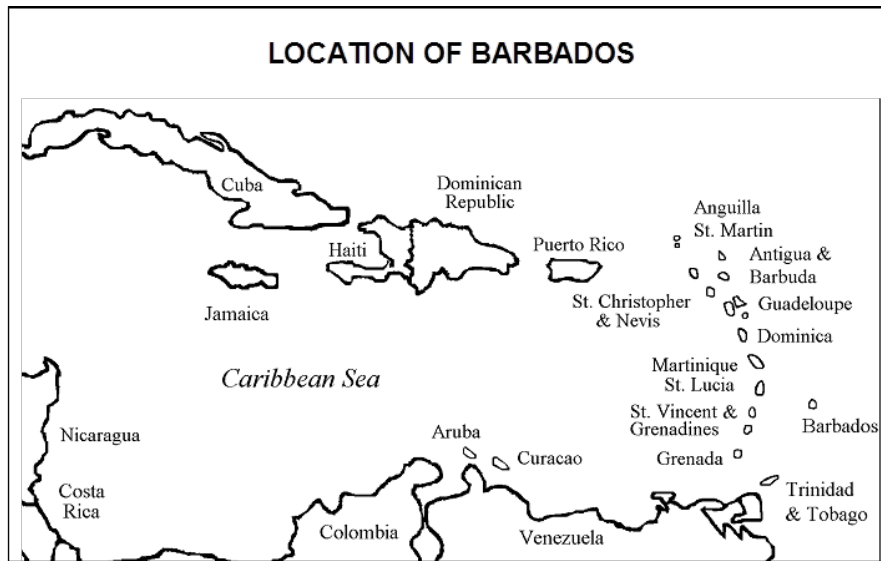


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No dealer, salesperson or other person is authorised to give any information or to represent anything not contained in this invitation memorandum. You must not rely on any unauthorised information or representations. This invitation memorandum is an invitation to exchange only the Eligible Claims for the Consideration as described in this invitation memorandum and only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this invitation memorandum is current only as of this date.

In accordance with normal practice, no agent expresses any opinion as to the merits of the Exchange Offer (which it was not involved in negotiating). It has, however, authorised it to be stated that, on the basis of the information set out in the Invitation Materials, it has no objection to the Extraordinary Resolution referred to above being submitted to the Holders for their consideration. No agent has, however, been involved in formulating the Exchange Offer or the Extraordinary Resolution or any of the documents being entered into to give effect to the Exchange Offer and the Extraordinary Resolution and makes no representation whatsoever in relation to the Exchange Offer or the Extraordinary Resolution or any of the information set out in this invitation memorandum. Accordingly, the agents urge Holders who are in any doubt as to the impact of the implementation of the Extraordinary Resolution or the Exchange Offer to seek their own independent legal and financial advice.

This invitation memorandum and the forms of notice of bondholder meetings (the “*Notice of Bondholder Meetings*”) attached as Exhibit 1 hereto are referred to as the “*Invitation Materials*.” The transactions contemplated by the Invitation Materials are referred to as the “*Invitation*.”

In this invitation memorandum, “*Participation Instruction*” means an instruction, as specified in a Clearing System Notice sent by the relevant Clearing System, for submission by Direct Participants to that Clearing System in accordance with its requirements, whereby holders of Eligible Claims held in that Clearing System indicate whether or not they wish to participate in the Invitation and specifying in addition to any information required by the Clearing System, (a) the principal amount of Eligible Claims for which the Participation Instruction is being submitted and whether (b)(i) (in the case of Eligible Holders) such Eligible Claims are being tendered for exchange (in which case the holder by so tendering shall have also instructed the Exchange Agent to consent to and vote in favour of the relevant Extraordinary Resolution) and (ii) (in the case of all holders of Eligible Claims) (x) the holder instructs the Exchange Agent to consent to and vote in favour of the relevant Extraordinary Resolution without tendering such Eligible Claims for exchange or (y) other than Eligible Holders who are also tendering their Eligible Claims, the holder instructs the Exchange Agent to vote against the relevant Extraordinary Resolution. A “*Clearing System Notice*” is the relevant notice sent to Direct Participants by the relevant Clearing Systems on or about the date of this invitation memorandum informing Direct Participants of the procedures to be followed in order to participate in the Invitation.

In this invitation memorandum, references to “*we*,” the “*Government*” or “*Barbados*” are to the Government of Barbados. References to the “*Exchange Agent*” are to Lucid Issuer Services Limited, as exchange agent for the Invitation; references to the “*Information Agent*” are to Lucid Issuer Services Limited, as information agent for the Invitation; references to the “*Settlement Facilitation Agent*” are to The Bank of New York Mellon, in its capacity as settlement facilitation agent for the Invitation; and references to the “*Trustee*” are to The Bank of New York Mellon, in its capacity as trustee under the Trust Deed for the New Bonds. References to the “*Agency Agreement*” are to the agency agreement for the New Bonds. References to the “*Old Bonds Trust Deed*” are to the trust deed for the Eligible Claims.

Barbados is furnishing the Invitation Materials to you solely for use in the context of the Invitation. After having made all reasonable inquiries, Barbados confirms that:

- the information contained in this invitation memorandum is true and correct in all material respects and is not misleading in any material respect as of the date of this invitation memorandum;
- it holds the opinions and intentions expressed in this invitation memorandum;
- it has not omitted other material facts, the omission of which makes this invitation memorandum as a whole misleading as of the date of this invitation memorandum; and
- it accepts responsibility for the information it has provided in this invitation memorandum.

Barbados has not authorised the making or provision of any representation or information regarding Barbados or the New Bonds to you other than as contained in this invitation memorandum. Any such representation or information should not be relied upon as having been authorised by Barbados or any of its instrumentalities. Barbados does not assume responsibility for information other than as provided in this invitation memorandum. Neither the delivery of this invitation memorandum nor any aspect of the Invitation shall, under any circumstances, imply that there has been no change in the condition (financial or other) of Barbados since the date of this invitation memorandum.

You should not consider this invitation memorandum as a recommendation by Barbados that you should participate in the Invitation. In making an investment decision, you must rely on your own examination and evaluation of Barbados and the terms of the Invitation, including the merits and risks involved. You should consult your own advisors as needed to make your investment decision and as to whether you are legally permitted to acquire the New Bonds in the Exchange Offer under applicable legal investment or similar laws or regulations.

The distribution of the Invitation Materials and the offering, sale and delivery of the New Bonds in certain jurisdictions is restricted by law. Barbados requires that you and anyone who receives the Invitation Materials inform themselves about and observe such restrictions. The Invitation Materials do not constitute, and may not be used for or in connection with, an offer to, or solicitation by, anyone in any jurisdiction in which such offer or solicitation would be unlawful. The Invitation is not being made to, and consents and tenders will not be accepted from, owners of Eligible Claims in jurisdictions in which the Invitation or acceptance thereof would constitute a violation of the securities or blue sky laws of that jurisdiction. For more information, see “Jurisdictional Restrictions” in this invitation memorandum.

The New Bonds will be subject to restrictions on resale under applicable law. See “Notice to Investors” in this invitation memorandum. By participating in the Invitation, you will be deemed to have represented and warranted to the effect set forth in, and agreed to, all the provisions contained in that section of this invitation memorandum.

You must comply with all applicable laws and regulations in force in any jurisdiction in which you tender Eligible Claims in exchange for the Consideration or possess or distribute this invitation memorandum. You must obtain any consent, approval or permission you require for the purchase, offer or sale of the New Bonds under the laws and regulations in force in any applicable jurisdiction to which you are subject, or in which you make such purchases, offers or sales. Barbados shall not have any responsibility therefor.

Barbados reserves the right, at its sole discretion, to cancel the Invitation or reject any tender, in whole or in part, for any reason.

Tenders of all Eligible Claims may only be made by the means described in the “Tender Procedures” section of this invitation memorandum.

Eligible Claims can only be tendered for exchange in the Exchange Offer and/or voted in the Consent Solicitation by delivery of a Participation Instruction in accordance with the procedures described in “Tender Procedures”. Holders of Eligible Claims delivering Participation Instructions with respect to such Eligible Claims in the Consent Solicitation will be irrevocably instructing the Exchange Agent (or its nominees) as their proxy to participate in any meeting convened in respect of the Eligible Claims and to consent to and vote in favour of the Extraordinary Resolution.

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED STATES

Barbados is making the Exchange Offer in reliance on exemptions from the registration requirements of the Securities Act. These exemptions apply to offers and sales of securities that do not involve a public offering. The New Bonds have not been recommended by any U.S. or non-U.S. securities authorities, and these authorities have not determined that this invitation memorandum is accurate or complete. Any representation to the contrary is a criminal offence.

NOTICE TO PROSPECTIVE INVESTORS IN THE EUROPEAN ECONOMIC AREA

In any EEA Member State, this communication is only addressed to, and is only directed at, qualified investors within the meaning of the Prospectus Regulation.

This invitation memorandum has been prepared on the basis that all offers of the New Bonds in any EEA Member State will be made pursuant to an exemption under the Prospectus Regulation, from the requirement to produce a prospectus for offers of the New Bonds. Accordingly any person making or intending to make any offer within the EEA of the New Bonds which are the subject of the placement contemplated in this invitation memorandum should only do so in circumstances in which no obligation arises for Barbados to produce a prospectus for such offer. Barbados has not authorised, nor does it authorise, the making of any offer of the New Bonds through any financial intermediary or in circumstances in which an obligation arises for Barbados to publish a prospectus for the offer.

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED KINGDOM

This communication is only being distributed to and is only directed at (i) persons who are outside the United Kingdom or (ii) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “*Order*”) or (iii) high net worth companies, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as “*relevant persons*”). The New Bonds are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire the New Bonds will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

PRESENTATION OF CERTAIN INFORMATION

Economic and financial data and statistical information included in this invitation memorandum are based on the latest official data and information available at the date hereof. Economic and financial data and statistical information provided in this invitation memorandum may be subsequently revised in accordance with the ongoing maintenance by Barbados of such data and information, and Barbados is not obligated to distribute such revised data and information to any investor. Economic and financial data and statistical information for 2016, 2017 and 2018 may, in particular, be subject to revision. In addition, some economic and financial data and statistical information for 2019 presented herein are estimates based on the latest available data.

Unless indicated to the contrary, estimates in this invitation memorandum are estimates of the Central Bank of Barbados (the “*Central Bank*”) or the Ministry of Finance of Barbados (the “*Ministry of Finance*”). Barbados operates on a fiscal year beginning 1 April and ending 31 March. References to a year (e.g., “2018”) refer to the relevant calendar year ended 31 December, and references to a fiscal year or FY (e.g., “FY 2017/18”) refer to Barbados’ fiscal year ending 31 March.

References to the “*Government*” exclude the state-owned enterprises (“*SOEs*”) of Barbados. See “The Economy—State-Owned Enterprises.”

Unless otherwise indicated, all information in this invitation memorandum is given as of the date of this invitation memorandum or as of the most recently available date.

Gross domestic product, which we refer to in this invitation memorandum as “*GDP*,” is a measure of the total value of final products and services produced in a country in a specific year. Nominal GDP measures the total value of final production in current prices. Real GDP measures the total value of final production in constant prices of a particular year, thus allowing historical GDP comparisons that exclude the effects of inflation. Under the 1993 System of National Accounts, GDP figures may be calculated at nominal market prices or constant market prices of a particular year. Unless otherwise indicated, all GDP figures in this invitation memorandum are presented at real market prices based upon constant 2010 prices and ratios of debt, balance of payment indicators and fiscal performance indicators to GDP are computed using nominal GDP figures. Nominal GDP at market prices was U.S.\$5,086.7 million in 2018 as compared to U.S.\$4,978.2 million in 2017. The ratio of Government debt, excluding operational arrears, to GDP is referred to as the “*debt to GDP ratio*.”

In this invitation memorandum, GDP per capita is calculated at basic prices, which is nominal GDP at market prices less net taxes on products plus financial intermediary services indirectly measured, divided by the median population.

In this invitation memorandum, all references to “*BDS\$*” and “*Barbados dollars*” are to the lawful currency of Barbados; all references to “*U.S. dollars*” and “*U.S.\$*” are to the lawful currency of the United States of America; and all references to “*Euro*” and “*€*” are to the lawful currency of participating member states of the European Union that have the euro as their lawful currency in accordance with the legislation of the European Union relating to Economic and Monetary Union. Barbados publishes external economy information, such as external debt and goods and services exported, in U.S. dollars. All international currencies, such as external debt denominated in Euro, are translated into U.S. dollars. Barbados publishes domestic economy information in Barbados dollars. The Barbados dollar currently is fixed to the U.S. dollar at an exchange rate of BDS\$2.00 to U.S.\$1.00 and, solely for the convenience of the reader, Barbados dollar figures are translated into U.S. dollars at such rate in this invitation memorandum. This translation should not be construed as a representation that any such amounts have been, would have been or could be converted at this or any other exchange rate.

The inflation rate provides an aggregate measure of the rate of change in the prices of goods and services in the economy. Barbados measures the inflation rate by the per cent. change between two periods in the index of retail prices, which we refer to in this invitation memorandum as the “*IRP*,” unless otherwise specified. The *IRP* is based on a basket of goods and services identified by the Barbados Statistical Service that reflects the pattern of consumption of the majority of Barbados households. The price for each good and service that makes up the basket is weighted according to its relative importance in order to calculate the *IRP*. The annual average per cent. change in the *IRP* is calculated by comparing the average of the aggregate 12 months indices of a given year against the average of the aggregate 12 months indices for the immediately preceding calendar year.

Barbados participates in the International Monetary Fund’s (the “*IMF*”) General Data Dissemination System (the “*GDDS*”) which provides a framework for Barbados to enhance its statistical capacity, especially for macroeconomic statistics. It also provides for comprehensive information on Barbados’ statistical production and dissemination practises to be posted on the *IMF*’s Dissemination Standards Bulletin Board. The *GDDS* framework also includes precise guidelines for countries to use when publishing reserves data.

GOVERNING LAW AND ENFORCEMENT OF CLAIMS

Barbados is a foreign sovereign state. Consequently, it may be difficult for you to obtain or enforce judgments of courts in the United States, England or elsewhere against Barbados.

The New Bonds and the Trust Deed will be governed by and construed in accordance with English law.

In the Trust Deed and the New Bonds, Barbados will irrevocably submit to the non-exclusive jurisdiction of any federal court in the Southern District of New York or any state court in the Borough of Manhattan, the City of New York, any court of England and any competent court in Barbados over any suit, action or proceeding against Barbados or its properties, assets or revenues with respect to the New Bonds or the Trust Deed.

Barbados will waive, to the fullest extent permitted under applicable law, any objection to any action arising out of or in connection with the New Bonds or the Trust Deed in such courts whether on the grounds of venue, residence or domicile or on the ground that the proceedings have been brought in an inconvenient forum.

Except as provided below, in respect of any action arising out of or in connection with the New Bonds, Barbados will irrevocably waive and agree, to the fullest extent permitted by applicable law, not to plead any immunity (sovereign or otherwise): (A) from the jurisdiction of the courts of England; and (B) from attachment or execution of its assets or property in the courts of England save in respect of: (i) assets and property located in Barbados; (ii) premises and property of Barbados' diplomatic and consular missions; (iii) assets and property of Barbados outside Barbados and not used for a commercial purpose; (iv) assets, property and reserves of the Central Bank of Barbados; (v) assets and property of a military character or under the control of a military authority or defence agency of Barbados; or (vi) assets and property forming part of the cultural heritage of Barbados.

In respect of any action arising out of or in connection with the New Bonds Barbados will irrevocably waive and agree, to the fullest extent permitted by applicable law, not to plead any immunity (sovereign or otherwise): (A) from the jurisdiction of any federal court in the Southern District of New York or any state court in the Borough of Manhattan, The City of New York; and (B) from any action or proceedings to enforce judgment against: (i) reserves of the Central Bank of Barbados; (ii) property located in Barbados; (iii) property located in or outside Barbados that provides an essential public service; (iv) property of Barbados, its government agencies or other governmental entities relating to the performance of the budget; (v) property entitled to privileges and immunities of the Vienna Convention on Diplomatic Relations of 1961 and the Vienna Convention on Consular Relations of 1963; (vi) property of a diplomatic, governmental or consular mission of Barbados; (vii) taxes, duties, levies, assessments, royalties or any other governmental charges imposed by Barbados; (viii) property of a military character or under the control of a military authority or defence agency of Barbados; (ix) property forming part of the cultural heritage of Barbados; or (x) assets and property of Barbados outside Barbados not used for a commercial purpose. Without limiting the generality of the foregoing, Barbados will agree that such waivers shall have the fullest scope permitted under the U.S. Foreign Sovereign Immunities Act of 1976, except as provided below. Barbados reserves the right to plead sovereign immunity under any applicable law, including, without limitation, the U.S. Foreign Sovereign Immunities Act of 1976, with respect to actions brought against it under U.S. federal securities laws or any state securities laws. In the absence of a waiver of sovereign immunity by Barbados in such a securities law-based action, it would not be possible to obtain a U.S. judgment in such an action unless a court were to determine that Barbados is not entitled to sovereign immunity under the U.S. Foreign Sovereign Immunities Act of 1976 with respect to such action.

A final and conclusive judgment against Barbados for the payment of a definite sum of money rendered by a federal court in the Southern District of New York or a state court in the Borough of Manhattan, the City of New York will not be enforceable in Barbados unless an action is brought in the High Court of Barbados to register such judgment. The High Court of Barbados will recognise and enforce a final and conclusive judgment of the federal court in the Southern District of New York or a state court in the Borough of Manhattan, the City of New York under common law principles, provided that: (A) in the case of a judgment in personam: (i) the original court was a court of competent jurisdiction according to the rules of conflict of laws; (ii) the judgment was not obtained by fraud; (iii) the recognition or enforcement of the judgment would not be contrary to the public policy of Barbados; (iv) the judgment was not obtained in proceedings which were contrary to natural justice; (v) the judgement is for a definite sum of money (other than a sum payable in respect of taxes or penalties); (vi) it is final, conclusive and determines the rights and liabilities of the parties to judgment so as to be res judicata where pronounced; and (vii) such judgment has not been satisfied; (B) in the case of a judgment in rem relating to movables, that the movables were located in the country of the original court at the time of the proceedings; and (C) in the case of a judgment in rem relating to immovable property, that the immovable property was located in the country of the original court at the time of the proceedings.

A final judgment against Barbados for the payment of a definite sum of money rendered by a court in the United Kingdom will not be enforceable in Barbados unless registered in the High Court of Barbados in accordance with the provisions of the Foreign and Commonwealth Judgments (Reciprocal Enforcement) Act, Cap. 201 (the “FCJA”). No judgment shall be ordered to be registered by the High Court of Barbados pursuant to the FCJA where it determines that: (a) the original court acted without jurisdiction; (b) the defendant/judgment debtor, being a person who was neither carrying on business nor ordinarily resident within the jurisdiction of the English court, did not voluntarily appear or otherwise submit or agree to submit to the jurisdiction of that court; (c) the judgment debtor, being the defendant in the proceedings, was not duly served with the process of the English court and did not appear, notwithstanding that he or she was ordinarily resident or was carrying on business within the jurisdiction of that court or agreed to submit to the jurisdiction of that court; (d) the judgment was obtained by fraud; (e) the judgment debtor satisfies the Barbadian court either that an appeal is pending or that he or she is entitled to and intends to appeal, against the judgment; or (f) the judgment was in respect of a cause of action which, for reasons of public policy or for some other similar reason, could not have been entertained by the High Court of Barbados.

The High Court of Barbados shall not order the registration of a judgment or may set aside a judgement rendered by a court in the United Kingdom where the provisions of the FCJA are not satisfied.

The registration of a judgment may be set aside if it is determined by the High Court of Barbados that the matter in dispute in the proceedings in the original court had, prior to the date of the judgment in the original court, been the subject of a final and conclusive judgment by a court having jurisdiction of the matter.

FORWARD-LOOKING STATEMENTS

This invitation memorandum includes forward-looking statements that reflect Barbados' current views with respect to future events. The words "*expects*," "*intends*," "*anticipates*," "*believes*," "*projects*," "*estimates*" and similar expressions identify forward-looking statements. These forward-looking statements are based upon estimates and assumptions made by Barbados or its officials that, although believed to be reasonable, are subject to certain known and unknown risks and uncertainties. These risks and uncertainties include, among others, the following:

- political, economic and other conditions in Barbados and globally;
- actual rates of growth, if any, for GDP and other economic indicators of Barbados in any relevant year or other period;
- the financial condition of Barbados;
- Barbados' ability to increase Government revenues or reduce expenditures;
- changes in interest rates or exchange rates;
- a reduction in the foreign currency reserves of Barbados;
- legislative, regulatory or administrative initiatives affecting businesses, financial institutions and foreign investment in Barbados;
- the financial condition and liquidity of banks and other financial institutions in Barbados;
- climatic or geological occurrences;
- declines in tourism;
- trade and tariff policies of Barbados' trading partners;
- receipt of bilateral and multilateral donor financing;
- Barbados' ability to execute its comprehensive debt management strategy;
- prevailing conditions in domestic international and multilateral lending markets and domestic and international capital markets, which may affect Barbados' ability to finance budgetary requirements and to refinance outstanding debt and other obligations; and
- other factors identified in this invitation memorandum.

All forward-looking statements contained in this invitation memorandum are qualified in their entirety by such factors. You are cautioned not to place undue reliance on these forward-looking statements. Barbados disclaims any obligation or undertaking to update publicly or to revise any forward-looking statement contained in this invitation memorandum, whether as a result of new information, future events or otherwise. Future circumstances could cause actual results to differ materially from historical results or those anticipated.

SUMMARY

This summary highlights information contained in this invitation memorandum and may not contain all of the information that may be important to you. You should read this summary along with the more detailed information elsewhere in this invitation memorandum.

The following selected economic indicators of Barbados do not purport to be complete and are qualified in their entirety by, and are subject to, the detailed information appearing elsewhere in this invitation memorandum.

Table No. 1
Selected Economic Information

	Year ended 31 December⁽¹⁾				
	2014	2015	2016	2017	2018
	<i>(In millions of U.S. dollars, except as otherwise indicated)</i>				
Real Sector					
Nominal GDP at market prices.....	4,696.3	4,715.0	4,830.0	4,978.15	5,086.7
GDP per capita at basic prices.....	14,696.8	14,824.7	15,029.6	15,390.2	15,687.2
Real GDP increase (decrease) (%) ...	(0.0)	2.4	2.6	0.6	(0.4)
Unemployment rate (%)	12.3	11.3	9.7	10.0	10.1
Consumer inflation (%)	1.8	(1.1)	1.5	4.5	3.7
Balance of Payments					
Merchandise trade balance	(857.6)	(737.3)	(707.5)	(717.0)	(734.0)
Merchandise exports	794.0	799.9	833.0	803.1	764.9
Merchandise imports	1,652.2	1,537.2	1,540.5	1,520.2	1,498.9
Services balance	639.2	659.1	754.1	787.1	842.0
Exports of services	1,101.7	1,153.5	1,248.8	1,295.7	1,362.8
Imports of services	462.5	494.4	494.6	507.0	520.8
Current account	(430.3)	(289.2)	(207.3)	(190.5)	(172.2)
Current account (% of nominal GDP)	(9.2)	(6.0)	(4.2)	(3.9)	(3.4)
Capital account (% of nominal GDP)	(0.2)	(0.2)	(0.1)	(0.0)	0.5
Overall balance.....	(49.4)	(32.3)	(119.0)	(114.3)	293.8
Government⁽²⁾					
Fiscal balance (% of nominal GDP) ..	(8.0)	(8.2)	(5.5)	(4.6)	0.3
Revenue	1,141.8	1,194.1	1,279.9	1,371.9	1,011
Expenditure	1,634.1	1,546.0	1,651.0	1,627.9	995.3
Foreign financing (% of nominal GDP)	0.1	0.3	(1.7)	(1.8)	3.5
Domestic financing (% of nominal GDP)	7.4	8.9	7.1	6.1	(3.8)
Government Debt					
<i>External⁽³⁾</i>					
External debt	1,440.1	1,428.4	1,427.0	1,400.9	1,546.6
External debt (% of nominal GDP) ..	30.7	30.2	29.5	28.1	31.0

	Year ended 31 December ⁽¹⁾				
	2014	2015	2016	2017	2018
<i>(In millions of U.S. dollars, except as otherwise indicated)</i>					
<i>Domestic</i> ⁽³⁾					
Domestic debt.....	4,251.9	4,640.2	5,216.3	5,375.4	4,623.6
Domestic debt (% of nominal GDP)	90.5	98.2	107.8	107.7	90.1
Debt service payments	623.8	739.1	796.8	783.7	492.0
Amortisation.....	300.5	401.1	434.7	405.1	258.9
Interest.....	323.4	338.1	362.1	378.6	233.1
External Liquidity (Monetary Authorities)					
Net International Reserves (NIR)	430.9	410.7	287.5	167.4	416.3
Gross International reserves (GIR) ..	471.3	439.0	319.9	205.7	499.6
Gross International Reserves (in weeks of goods and services)	11.6	11.2	8.2	5.3	12.9
Tourism					
Long stay arrivals (thousands)	519.6	591.9	631.5	661.2	678.5
Cruise ship arrivals (thousands)	557.9	586.6	594.1	681.2	615.0
Hotel occupancy room rate (%).....	n.a.	68.6	68.4	67.9	66.2
Tourist spending.....	886.8	927.8	1,020.0	1,061.1	1,157.8

(1) Information is presented on a calendar year basis, other than Government information.

(2) Government information is presented on a fiscal year basis (starting 1 April in the year of the relevant column and ending 31 March in the subsequent year).

(3) Excludes arrears and includes Central Government direct debt.

Source: Central Bank of Barbados

THE INVITATION

This summary highlights information contained in this invitation memorandum and may not contain all of the information that may be important to you. You should read this summary along with the more detailed description of the New Bonds in “Terms and Conditions of the 2029 Bonds” and “Terms and Conditions of the PDI Bonds.”

Issuer.....	Government of Barbados
The Invitation.....	<p>The Invitation is comprised of the Exchange Offer and the Consent Solicitation. The invitation to participate in the Consent Solicitation is being made to all holders of Eligible Claims. The invitation to participate in the Exchange Offer is only being directed to Eligible Holders.</p> <p>The Exchange Offer expires at 5:00 p.m. (New York City time) on 22 November 2019, unless extended by Barbados at its sole discretion. We refer to the date on which the Exchange Offer expires as the “<i>Exchange Offer Expiration Date</i>.”</p> <p>All Participation Instructions must be delivered pursuant to the Consent Only Option by 5:00 p.m. (New York City time) on 22 November 2019, unless extended by Barbados at its sole discretion. We refer to the date by which Participation Instructions must be delivered pursuant to the Consent Only Option as the “<i>Voting Deadline</i>.”</p> <p>See “Expected Timetable of Events.”</p>
The Exchange Offer.....	<p>Barbados is inviting Eligible Holders to offer to exchange their Eligible Claims for the Consideration on the terms and subject to the conditions set forth in this invitation memorandum.</p> <p>The expected settlement date is 11 December 2019. We refer to the date on which the Consideration will be delivered in exchange for tendered Eligible Claims as the “<i>Closing Date</i>.”</p> <p>Issuance of the New Bonds has been or will be authorised by a resolution of the Parliament of Barbados pursuant to Section 3 of the External Loan Act Cap. 94D (the “<i>External Loan Act</i>”).</p>
Consideration to be Received for Eligible Claims Tendered	<p>If you are an Eligible Holder, you may offer to exchange your Eligible Claims in the Exchange Offer inclusive of all accrued but unpaid interest thereon for the consideration described below:</p> <ul style="list-style-type: none"> • for each U.S.\$10,000.00 principal amount of the Eligible Claims: (i) net 2019 Exchange Cash Consideration of U.S.\$71.911; (ii) U.S.\$7,747.60 principal amount of 2029 Bonds; and (iii) U.S.\$474.54 principal amount of PDI Bonds. <p>We refer to the cash consideration amounts to be received in exchange for accepted tenders of Eligible Claims as the “<i>2019 Exchange Cash Consideration</i>”.</p>

Interest on the New Bonds will commence accruing on 1 October 2019. Participating creditors in the Invitation and the Parallel Exchanges will authorise and instruct the Settlement Facilitation Agent to make the relevant pro rata deduction from the gross 2019 Exchange Cash Consideration and the relevant gross cash consideration under the Parallel Exchanges (as defined below), as the case may be, to which the relevant creditors may be eligible to pay the costs and expenses of the external creditors committee in an aggregate amount equal to U.S.\$2,575,000. The net 2019 Exchange Cash Consideration referred to above includes a deduction of a pro rata amount to pay the costs and expenses of the external creditors committee in an aggregate amount equal to U.S.\$2,575,000.

See “Terms of the Invitation—Consideration to Be Received for Eligible Claims Tendered.”

The Consent Solicitation.....

Barbados is also soliciting consents from holders of the Eligible Claims in favour of an “Extraordinary Resolution” to sanction an exchange of all the bonds for the relevant Consideration.

Holders who do not wish to tender their Eligible Claims or who are not Eligible Holders may submit Participation Instructions to vote on the Extraordinary Resolution pursuant to the Consent Solicitation or, alternatively, appoint a proxy pursuant to Schedule 2 of the trust deed relating to the Eligible Claims.

If the Extraordinary Resolution is approved with respect to the Eligible Claims, Eligible Claims held by holders who do not participate in the Exchange Offer will be exchanged for the New Bonds plus the net 2019 Exchange Cash Consideration and holders of Eligible Claims who have not certified their status as an Eligible Holder will receive Substitute Consideration instead of New Bonds pursuant to the Pending Distribution Arrangement. See “Tender Procedures—Pending Distribution Arrangement.”

Tendering Eligible Claims through
Euroclear or Clearstream

If you wish to participate in the Exchange Offer you must instruct the custodial entity, such as a bank, broker, dealer, trust company or other nominee, holding your Eligible Claims to submit Participation Instructions to tender your Eligible Claims pursuant to the procedures of that custodial entity. Eligible Claims held in Euroclear or Clearstream must be tendered in the Exchange Offer using Euroclear or Clearstream’s systems.

A description of the procedures for submitting Participation Instructions via Euroclear and Clearstream can be found in “Tender Procedures” in this invitation memorandum.

Withdrawal Rights

Any Participation Instructions may be withdrawn, for any reason, at any time prior to 5:00 p.m. (New York City time) on the Exchange Offer Expiration Date. Barbados will, if necessary, extend the Exchange Offer Expiration Date so that there will be at least three business days (as defined in “Terms of the Invitation” below) remaining on the Exchange Offer should there be any material changes to the terms of the Invitation. After such Exchange Offer Expiration

Date, as so extended, Participation Instructions shall become irrevocable.

Any Participation Instructions delivered pursuant to the Consent Only Option may be withdrawn, for any reason, at any time prior to 5:00 p.m. (New York City time) on the Voting Deadline. If the Exchange Offer Expiration Date is extended, the Voting Deadline will be automatically extended by the same number of days. After such Voting Deadline, as so extended, Participation Instructions delivered pursuant to the Consent Only Option shall become irrevocable.

The period between the date of this invitation memorandum and the deadline for withdrawing Participation Instructions is referred to herein as the “*Withdrawal Period*.”

A description of the procedures for withdrawing Participation Instructions can be found in “Terms of the Invitation—Irrevocability; Withdrawal Rights” in this invitation memorandum.

Jurisdictional Restrictions on the
Invitation.....

Barbados is making the Invitation only in jurisdictions where and to the extent it is legal to make the Invitation. See “Jurisdictional Restrictions.”

Without limiting the generality of the preceding paragraph, only Eligible Holders may participate in the Exchange Offer. All holders of Eligible Claims may participate in the Consent Solicitation subject to the terms described herein.

Exchange Agent.....

Lucid Issuer Services Limited

Information Agent

Lucid Issuer Services Limited

Settlement Facilitation Agent

The Bank of New York Mellon

Risk Factors

An investment in the New Bonds involves a high degree of risk. Before deciding to tender your Eligible Claims in exchange for the relevant Consideration, you should read carefully all of the information contained in this invitation memorandum, including, in particular, “Risk Factors” beginning on page 19 of this invitation memorandum.

Further Information

Any questions or requests for assistance concerning the Invitation may be directed to the Information Agent at their telephone number on the back cover page of this invitation memorandum.

THE NEW BONDS

New Issue	Eligible Claims held by Eligible Holders may be tendered for exchange for the relevant Consideration on the terms set out in this invitation memorandum. If the exchange of the Eligible Claims is approved by an “Extraordinary Resolution” passed by the holders of the Eligible Claims, then the entirety of the Eligible Claims will be exchanged for the relevant Consideration.
Currency	The New Bonds will be denominated for purposes of both interest (if any) and principal in U.S. dollars.
Interest Rate	For the 2029 Bonds: 6.500% per annum from 1 October 2019 to but excluding 1 October 2029. For the PDI Bonds: 6.500% per annum from 1 October 2019 to but excluding 1 February 2021.
Interest Payment Dates	For the 2029 Bonds: Each 1 April and 1 October, commencing on 1 April 2020 For the PDI Bonds: 1 October 2020 and 1 February 2021.
Final Maturity Date.....	For the 2029 Bonds: 1 October 2029 For the PDI Bonds: 1 February 2021
Amortisations.....	For the 2029 Bonds: Barbados shall, to the extent not previously redeemed, purchased or cancelled, redeem the 2029 Bonds such that the aggregate principal amount of 2029 Bonds (when expressed as a percentage of the outstanding principal amount of the 2029 Bonds as of 1 January 2025) is equal to or less than the following amounts on the indicated dates:

<u>Principal Payment Date</u>	<u>Percentage of Relevant Principal Amount</u>
1 April 2025:	90.00%
1 October 2025:	80.00%
1 April 2026:	70.00%
1 October 2026:	60.00%
1 April 2027:	50.00%
1 October 2027:	40.00%
1 April 2028:	30.00%
1 October 2028:	20.00%
1 April 2029:	10.00%
1 October 2029:	0.00%

See “Terms and Conditions of the 2029 Bonds—Redemption and

	<p>Purchase of Bonds.”</p> <p>For the PDI Bonds: Barbados shall, to the extent not previously redeemed, purchased or cancelled, redeem the PDI Bonds in two instalments of U.S.\$30,000,000 on 1 October 2020 and U.S.\$2,500,000 on 1 February 2021.</p>
Open Market Repurchase.....	<p>Barbados may at any time acquire the New Bonds at any price in the open market or otherwise. See “Terms and Conditions of the 2029 Bonds—Redemption and Purchase of Bonds” and “Terms and Conditions of the PDI Bonds—Redemption and Purchase of Bonds.”</p>
Optional Redemption.....	<p>For the 2029 Bonds: Not applicable.</p> <p>For the PDI Bonds: Barbados may at any time on one or more occasions redeem the PDI Bonds. See “Terms and Conditions of the PDI Bonds—Redemption and Purchase of Bonds.”</p>
Principal Reinstatement	<p>For the 2029 Bonds, if any amount of principal or interest falling due under the 2029 Bonds on or prior to Cut-Off Date (as defined in the Terms and Conditions of the 2029 Bonds) is not paid on the scheduled due date, and such default is not cured by the date falling 30 days after the expiration of the grace period for such payment, Barbados will issue new 2029 Bonds to holders of 2029 Bonds on a <i>pro rata</i> basis which represent 33.33% of the outstanding principal amount of the 2029 Bonds as of the date of the original issuance of the 2029 Bonds. See “Terms and Conditions of the 2029 Bonds—Payments—Principal Reinstatement”.</p> <p>For the PDI Bonds: Not applicable.</p>
Most Favoured Creditor.....	<p>For the 2029 Bonds: Barbados shall not enter into any arrangement to pay or to settle any Specified Indebtedness (as defined in the Terms and Conditions of the 2029 Bonds) issued on or prior to 1 January 2019 (unless such payment is made in compliance with and in accordance with the terms of a final, non-appealable court order or arbitral award) on terms more favourable to the holders thereof (in a net present value sense, where present value is calculated using a constant 12% discount rate) than the terms offered in this invitation memorandum to holders of Eligible Claims or the invitation memoranda dated on or about the date of this invitation memorandum in respect of the Parallel Exchanges, without simultaneously making those more favourable terms available to each Holder.</p> <p>For the PDI Bonds: Not applicable.</p>
Modifications	<p>The New Bonds will contain provisions regarding future modifications to their terms, under which Barbados may amend the payment provisions of each series of New Bonds and other reserved matters listed in the Trust Deed with the consent of the holders of: (1) with respect to a single series of bonds, more than 75% of the aggregate principal amount of the outstanding bonds of</p>

such series; (2) with respect to two or more series of bonds, if certain “uniformly applicable” requirements are met, more than 75% of the aggregate principal amount of the outstanding bonds of all series affected by the proposed modification, taken in the aggregate; or (3) with respect to two or more series of bonds, more than 66 ²/₃% of the aggregate principal amount of the outstanding bonds of all series affected by the proposed modification, taken in the aggregate, and more than 50% of the aggregate principal amount of the outstanding bonds of each series affected by the proposed modification, taken individually.

These provisions are described in “Terms and Conditions of the 2029 Bonds—Meetings and Modifications” and “Terms and Conditions of the PDI Bonds—Meetings and Modifications.”

Ranking.....	The New Bonds will be general, direct, unconditional, unsubordinated and unsecured obligations of Barbados. The New Bonds of each series will rank <i>pari passu</i> , without preference among themselves, with all other unsecured External Indebtedness (as defined in the Terms and Conditions of the New Bonds) of Barbados, from time to time outstanding, <i>provided, however</i> , that Barbados shall have no obligation to effect equal or rateable payment(s) at any time with respect to any such other External Indebtedness and, in particular, shall have no obligation to pay other External Indebtedness at the same time or as a condition of paying sums due on the New Bonds and vice versa.
Further Issuances	Barbados may, without the consent of the holders, create and issue further debt securities having the same terms and conditions as the 2029 Bonds and/or PDI Bonds (including as to their modification) so long as the additional debt securities are consolidated and form a single series with such series of New Bonds, provided that such additional Bonds do not have, for purposes of U.S. federal income taxation (regardless of whether any holders of such notes are subject to U.S. federal laws), a greater amount of original issue discount than the Bonds have as of the date of issuance of such additional Bonds.
Constitutive Document	The New Bonds will be issued under a Trust Deed.
Withholding Tax.....	Barbados will make all payments on the New Bonds without withholding or deducting any Barbadian taxes, unless required by law. If Barbadian law requires Barbados to withhold or deduct taxes, Barbados will pay holders of New Bonds, subject to certain exceptions, additional amounts to provide the equivalent of full payment to the holders. See “Terms and Conditions of the 2029 Bonds—Taxation” and “Terms and Conditions of the PDI Bonds—Taxation.”
Negative Pledge Covenant.....	Barbados may not create or permit to exist any security interest (with the exception of certain permitted security interests) on its properties, assets or revenues to secure Public External Indebtedness (as defined in the Terms and Conditions of the New Bonds) unless Barbados also causes such security interest to

	secure equally and rateably the obligations of Barbados with respect to each series of New Bonds.
Natural Disaster Clause	<p>For the 2029 Bonds, following the occurrence of certain events under Barbados’ insurance contract with CCRIF SPC before 1 October 2027, Barbados may elect to defer payments on the 2029 Bonds. Holders of at least 50 per cent. in aggregate principal amount of the 2029 Bonds then Outstanding may direct the Trustee to block such deferral. These provisions are described in “Terms and Conditions of the 2029 Bonds—Natural Disaster Clause.”</p> <p>For the PDI Bonds: Not applicable.</p>
Creditors Committee.....	<p>For the 2029 Bonds: Holders of at least 25 per cent. of the aggregate principal amount of the outstanding 2029 Bonds may under certain circumstances appoint a committee to represent such holders. See “Terms and Conditions of the 2029 Bonds—Holders’ Committee”.</p> <p>For the PDI Bonds: Not applicable.</p>
Events of Default; Acceleration.....	<p>The following events, as described in more detail in the Trust Deed, among others, shall be Events of Default:</p> <ul style="list-style-type: none"> • Failure to pay any amount of principal or interest (if any) in respect of such series of New Bonds (with a 30-day grace period); • Failure by Barbados to observe or perform any of its other obligations provided in the Trust Deed, the Agency Agreement or the Conditions in respect of such series of New Bonds (with a 60-day grace period); • Cross-acceleration, failure by Barbados to pay any amount of principal or interest or failure by Barbados to pay any amount payable by it under a guarantee in respect of an aggregate principal amount of at least U.S.\$20,000,000 (or its equivalent in any other currency or currencies) of Relevant External Indebtedness; • Moratorium or suspension of payments in respect of an aggregate principal amount of at least U.S.\$20,000,000 (or its equivalent in any other currency or currencies) of Relevant External Indebtedness; • Any writ, execution, attachment or similar process against the assets of Barbados in connection with any judgment for the payment of Indebtedness after the Issue Date in excess of U.S.\$25,000,000 (or its equivalent in other currencies) which remains unsatisfied, undischarged and in effect for 60 days, unless contested;

	<ul style="list-style-type: none"> • Invalidity of such series of New Bonds or the Trust Deed; or • Failure to maintain membership in, or be eligible to use the resources of, the IMF (with a 30-day grace period).
Enforcement.....	Following the occurrence of an Event of Default, the power to enforce the relevant series of New Bonds shall reside with the Trustee under the Trust Deed, unless the Trustee, having become bound so to proceed under the Trust Deed, fails to do so within 60 days and the failure is continuing.
Governing Law	The New Bonds and the Trust Deed will be governed by English law. Barbados will submit to the non-exclusive jurisdiction of U.S. federal and New York State courts in the Borough of Manhattan, The City of New York, any court of England and any competent court in Barbados.
Restrictions on Resale.....	The New Bonds have not been registered under the Securities Act and will be subject to restrictions on resale under applicable law. See “Notice to Investors.” The New Bonds will be subject to contractual transfer restrictions.
Listing.....	Barbados intends to apply to admit the New Bonds to listing on the Luxembourg Stock Exchange and to trading on the Euro MTF market.
Denomination	New Bonds will be issued in denominations of U.S.\$100 and integral multiples of U.S.\$100 in excess thereof.
Form and Settlement.....	Barbados will issue the New Bonds in the form of one or more fully registered global securities, without interest coupons attached, registered in the name of Cede & Co. as nominee for DTC and will deposit such global securities on or before the Closing Date with a custodian for DTC.
Trustee, Registrar, Transfer Agent and Paying Agent for New Bonds	The Bank of New York Mellon
Luxembourg Listing Agent.....	The Bank of New York Mellon SA/NV, Luxembourg Branch

RISK FACTORS

An investment in the New Bonds involves a significant degree of risk. Investors are urged to read carefully the entirety of this invitation memorandum and to note, in particular, the following considerations.

Risks of Not Participating in the Invitation

Possible Failure of the Invitation

If the Invitation described herein is not completed for any reason, Barbados projects that it will not have the resources to continue the debt servicing of Eligible Claims on the existing terms of those instruments. Eligible Claims could therefore remain in payment default for an indefinite period of time, and Barbados cannot predict whether, or when, it may be able to implement a successful debt management programme affecting those instruments. In addition, Barbados does not expect to offer the 2019 Exchange Cash Consideration to holders of Eligible Claims in any future debt management exercise.

Risk of Modification of Certain Eligible Claims

Schedule 2 of the Old Bonds Trust Deed for the Eligible Claims permits a specified supermajority of holders of the Eligible Claims to approve an Extraordinary Resolution sanctioning the exchange of all of the Eligible Claims for New Bonds on the terms set out in this invitation memorandum. Accordingly, if the requisite supermajority voting threshold under the Eligible Claims is reached in connection with the Invitation, the result will be a mandatory exchange of *all* Eligible Claims for New Bonds, including bonds held by holders that did not tender in the exchange or vote at the bondholders' meeting. In that event, Eligible Claims held by holders who have not participated in the Exchange Offer will be exchanged for the Consideration. If a holder has failed to certify its status as an Eligible Holder, such holder will receive Substitute Consideration in lieu of New Bonds, see "Tender Procedures—Pending Distribution Arrangement". If such an exchange is *not* approved by the requisite holders of the Eligible Claims, Barbados reserves the right, at its sole discretion, to accept or reject all tenders of the Eligible Claims.

Illiquidity

Any remaining Eligible Claims not tendered in the Invitation may become illiquid, and this may adversely affect the market value of those remaining Eligible Claims. Moreover, there may be no active trading market or published secondary market price quotations for any remaining Eligible Claims.

Risks of Participating in the Invitation

Future Residual Financing Gaps

For the four fiscal years from FY2012/13 to FY2015/16, Barbados experienced an average fiscal deficit of 8.9% of GDP. While there was an improvement in FY2016/17 to 5.5% of GDP, the fiscal deficit remained high in FY 2017/18 at 4.6% of GDP. In FY2018/19, Barbados' fiscal deficit was 0.5% of GDP.

If Barbados were to experience a sustained worsening of its fiscal balance, future financing gaps may exist even once the debt relief implied by the Invitation described herein is fully taken into account. If future residual financing gaps do materialise, Barbados' ability to service the New Bonds could be adversely affected.

Future Access to Financing

Barbados may be unable to meet future debt service obligations out of current revenues and it may have to rely, in part, on additional financing from the domestic and international capital markets (or multilateral or bilateral sources) in order to do so. In the future, Barbados may not be able or willing to access such markets or sources of funding, and Barbados' ability to service its public debt, including the New Bonds, may be adversely affected.

Potential Challenges to Barbados' Payments on the New Bonds

Holders of other debt instruments of Barbados may attempt to attach, enjoin or otherwise challenge Barbados' payments on the New Bonds. Creditors of other sovereign debtors have, in recent years, used litigation tactics in an effort to attach or interrupt payments made by those sovereign debtors to, among others, holders of bonds and other creditors who have agreed to a debt restructuring and accepted new securities in an exchange offer. Barbados may become subject to suits to collect on defaulted Eligible Claims or other indebtedness. Barbados cannot assure you that a creditor will not attempt to interfere, through an attachment of assets, injunction, temporary restraining order or otherwise, with payments made under the New Bonds.

No Established Market for the New Bonds

The New Bonds will be a new issuance of securities without established trading markets. Barbados cannot predict the extent to which investor interest will lead to the development of an active trading market for the New Bonds or how liquid those markets may become. Barbados intends to apply to admit the New Bonds to listing on the Luxembourg Stock Exchange and to trading on the Euro MTF market. No assurance can be given as to the liquidity of the trading market for the New Bonds. If an active trading market for the New Bonds fails to develop or continue, this failure could adversely affect the trading price of the New Bonds.

Collective Action Clauses

The New Bonds will contain provisions regarding acceleration and voting on amendments, modifications and waivers, which are commonly referred to as "*collective action clauses*." Under these provisions, the terms of the New Bonds may be amended, including the maturity date, interest rate and other payment terms, without your consent. See "Terms and Conditions of the 2029 Bonds—Meetings and Modifications" and "Terms and Conditions of the PDI Bonds—Meetings and Modifications."

Effect of Extraordinary Resolutions on holders who reject and vote against the Extraordinary Resolutions

Holders of Eligible Claims who reject and vote against the Extraordinary Resolutions in relation to such Eligible Claims will, if such Extraordinary Resolutions are declared effective, be bound by the relevant Extraordinary Resolutions. To receive the Consideration, such holders will need to provide an election via Euroclear or Clearstream certifying their status (the "*Election Instructions*") within 90 days of the Closing Date, as described below under "Tender Procedures—Pending Distribution Arrangement". Holders who do not deliver Election Instructions, or who are not Eligible Holders ("*Ineligible Holders*"), will receive the Substitute Consideration.

Effect of Extraordinary Resolutions on persons who are not Eligible Holders

If a holder of Eligible Claims is an Ineligible Holder or does not participate in the Exchange Offer and fails to deliver Election Instructions, such holder of Eligible Claims will be subject to the Pending Distribution Arrangement. Depending on market conditions, the volume of New Bonds sold or other developments, the Substitute Consideration such holder of Eligible Claims will receive pursuant to the Pending Distribution Arrangement may be less than the aggregate nominal value of the New Bonds such holder of Eligible Claims would have received pursuant to the Invitation and may not be available until after the Closing Date. Barbados will not be obligated to pay any amount other than, or additional to, the Substitute Consideration.

Risks Relating to Barbados

Ongoing Debt Crisis

Barbados is currently in payment default under several categories of its debt obligations, and international reserve levels were U.S.\$499.6 million as of 31 December 2018, compared to average international reserve levels of U.S.\$362.3 million from 2015 to 2017. There is no assurance that the Invitation described in this invitation memorandum and any other debt management exercises conducted in parallel with the Invitation will succeed in restoring and maintaining macro-economic stability and debt sustainability. A worsening of international financial or economic conditions, including a slowdown in growth or recessionary conditions in Barbados' trading partners or main tourism markets or the emergence of a new financial crisis, could have adverse effects on Barbados' economy, on its financial condition and on its ability to service its debt.

Economic, Political or Social Conditions

Barbados is an emerging market economy, and investing in securities of emerging markets issuers involves special risks. These risks include the possibility of economic, political or social instability that may be caused by many different factors, including the following:

- high interest rates;
- declines in the economic activity of major trading partners;
- inflation;
- exchange controls;
- wage and price controls;
- financial crises in other emerging market countries that can have a contagion effect on investor appetite for emerging market securities as a class;
- changes in governmental economic, tax, social or other policies; and
- the imposition of trade barriers.

Any of these factors, as well as volatility in the markets for securities similar to the New Bonds, may adversely affect the liquidity of, and the trading market for, the New Bonds.

Fixed Exchange Rate

Since 7 July 1976, Barbados has maintained a fixed exchange rate of BDS\$2.00/U.S.\$1.00. See “Financial System—Exchange Controls and Foreign Exchange Rates.” Barbados’ ability to continue its fixed exchange rate will be significantly affected by its level of international monetary reserves in the future. If circumstances force Barbados to abandon its fixed exchange rate policy in the future, the cost of servicing Barbados’ external debt (including the New Bonds) and Eligible Claims not exchanged could escalate sharply, possibly forcing Barbados into another round of debt restructuring.

Climatic or Geological Occurrences

Barbados is an island nation located in an active geologic zone and in one of the most hurricane-prone regions of the world. Barbados may experience extreme rainfall and hurricanes between June and November and may, at irregular and unpredictable intervals, suffer the effects of earthquakes. Of the numerous expected consequences of global climate change, increases in atmospheric temperature, sea level rise and changes in weather patterns could have a material adverse effect on Barbados.

The Barbadian economy is heavily reliant on revenue from its tourism, which could be negatively affected by a major climatic or geological occurrence.

Reliance on the International Business and Financial Services and Tourism Sectors

The Barbadian economy is heavily reliant on revenue derived from the international business and financial services and tourism sectors.

The international business and financial services sector is dependent on global economic conditions and international taxation initiatives and would likely be negatively affected by a reduction in corporate taxes paid by offshore banks, insurance companies and international business companies operating in Barbados and a decline in new licences issued to international firms.

The tourism sector accounted for approximately 15.8%, 15.6% and 15.3% of total real GDP for 2018, 2017 and 2016, respectively, and is heavily dependent on visitors from the United States, the United Kingdom and Canada, which collectively accounted for 75.4% of long stay tourism arrivals in 2018. Other sectors of the Barbadian economy, including construction, wholesale and retail trade, manufacturing and non-sugar agriculture production are also heavily dependent upon the tourism sector.

A decline in the international business and financial services sector or the tourism sector would adversely affect real GDP growth and Barbados’ revenue collection, fiscal balance, foreign exchange earnings and international reserve balances and may impact Barbados’ ability to make payments on the New Bonds.

Parliament Action

The Barbadian Parliament has approved the Government’s budget for FY 2019/20, and the current administration is committed to moving ahead vigorously with its reconstruction plan. The debt management exercise described in this invitation memorandum is an important component of that plan. Governmental budgets (including appropriations for the servicing of external debt) require annual approval by the Barbadian Parliament. Barbados cannot provide assurances that the Barbadian Parliament will, in the future, appropriate amounts sufficient to maintain full debt service on the New Bonds.

EXPECTED TIMETABLE OF EVENTS

The following summarises the anticipated time schedule for the Invitation assuming, among other things, that the Exchange Offer Expiration Date and/or the Voting Deadline are not extended. This summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information appearing elsewhere in this invitation memorandum.

<u>Date</u>	<u>Action</u>
Tuesday 5 November 2019	<i>Commencement Date of Exchange Offer and Consent Solicitation</i> Issuance of press release announcing the Invitation and distribution of the invitation memorandum describing the terms of the Invitation.
Tuesday 5 November 2019	<i>Bondholder Meetings Called</i> Issuance of the Notice of Bondholder Meeting for the Eligible Claims.
Friday 22 November 2019 at 5:00 p.m. (New York City time)	<i>Exchange Offer Expiration Date and Time</i> The deadline for holders of Eligible Claims to deliver completed Participation Instructions in connection with the Exchange Offer via Euroclear or Clearstream, as described in this invitation memorandum. Eligible Holders should check with their agents, brokers, custodians or other agents how far in advance of this time Participation Instructions in connection with the Exchange Offer need to be delivered.
Friday 22 November 2019 at 5:00 p.m. (New York City time)	<i>Voting Deadline</i> The deadline for holders of Eligible Claims to deliver completed Participation Instructions in connection with the Consent Solicitation via Euroclear or Clearstream, as described in this invitation memorandum. Eligible Holders should check with their agents, brokers, custodians or other agents how far in advance of this time Participation Instructions in connection with the Consent Solicitation need to be delivered.
Wednesday 27 November 2019	<i>Bondholder Meetings</i> Meetings of holders of the Eligible Claims will be held with respect to the Invitation at 4:00 p.m. (London time) at the offices of Cleary Gottlieb Steen & Hamilton LLP, 2 London Wall Place, London EC2Y 5AU, United Kingdom.
Thursday 28 November 2019.....	<i>Announcement Date</i> Barbados will announce on this date or as soon as possible thereafter the results of the Invitation.
Wednesday 11 December 2019.....	<i>Closing Date</i> On this date, or as soon as possible thereafter, the Consideration will be delivered to holders whose tenders were accepted pursuant to the Exchange Offer.

Wednesday 11 March 2020 at 5:00 p.m.

(New York City time)

Expiry of the Holding Period

The deadline for Uncertified Holders (as defined below) to provide Election Instructions, as described in this invitation memorandum.

Barbados may, at its own discretion, extend the Exchange Offer Expiration Date and/or the Voting Deadline past the originally scheduled Exchange Offer Expiration Date and Voting Deadline. In addition, a Bondholder Meeting may be dissolved for want of quorum and stand adjourned for between 28 and 42 days. As a result of any such extension or adjournment, the Announcement Date and/or the Closing Date, as applicable, may be extended accordingly.

TERMS OF THE INVITATION

Barbados is inviting owners of Eligible Claims to submit Participation Instructions to offer to exchange, on the terms and subject to the conditions of this invitation memorandum, their Eligible Claims for the relevant Consideration. Barbados is also soliciting consent from the holders of Eligible Claims to submit Participation Instructions appointing and instructing the Exchange Agent as its proxy to vote on the Extraordinary Resolutions. Each such offer to exchange is referred to as a “*tender*,” and each such consent to vote on the Extraordinary Resolutions is referred to as a “*consent*.”

Purpose of the Invitation

The Invitation has been designed to adjust Barbados’ debt service profile and, in conjunction with its comprehensive fiscal adjustment and debt management strategy, including the parallel invitation to offer to exchange (a) U.S.\$540,000,000 of Barbados’ outstanding international bonds, (b) U.S.\$225,000,000 of Barbados’ outstanding loans; (c) Fixed Rate Non-Callable Guaranteed Bonds 2007–2022 issued by the Barbados Transport Board and Fixed Rate Non-Callable Guaranteed Bonds 2007–2022 issued by Barbados Agricultural Management Co. Ltd.; and (d) Class B Fixed Rate Bonds due 2019 issued by the Government of Barbados in definitive form (together, the “*Parallel Exchanges*”), make its debt profile sustainable.

The Exchange Offer

Barbados hereby invites each Eligible Holder to offer to exchange their Eligible Claims for the Consideration upon the terms and subject to the conditions contained in this invitation memorandum.

Consideration to be Received for Eligible Claims Tendered

If you are an Eligible Holder, subject to the procedures and requirements herein, you may offer to exchange your Eligible Claims (including all accrued but unpaid interest thereon) for the following consideration:

- for each U.S.\$10,000.00 principal amount of the Eligible Claims: (i) net 2019 Exchange Cash Consideration of U.S.\$71.911; (ii) U.S.\$7,747.60 principal amount of 2029 Bonds; and (iii) U.S.\$474.54 principal amount of PDI Bonds.

Interest on the New Bonds will commence accruing on 1 October 2019. Participating creditors in the Invitation and the Parallel Exchanges will authorise and instruct the Settlement Facilitation Agent to make the relevant pro rata deduction from the gross 2019 Exchange Cash Consideration and the relevant gross cash consideration under the Parallel Exchanges, as the case may be, to which the relevant creditors may be eligible to pay the costs and expenses of the external creditors committee in an aggregate amount equal to U.S.\$2,575,000. The net 2019 Exchange Cash Consideration referred to above includes a deduction of a pro rata amount to pay the costs and expenses of the external creditors committee in an aggregate amount equal to U.S.\$2,575,000.

Subject to their eligibility to receive New Bonds in the form of Restricted Global Certificates and Unrestricted Global Certificates (each as defined in the Trust Deed), Eligible Holders may select to tender Eligible Claims in exchange for New Bonds in the form of either Restricted Global Certificates or Unrestricted Global Certificates in respect of their Eligible Claims.

Documentation of New Bonds

The New Bonds will be issued under a Trust Deed with The Bank of New York Mellon, as Trustee for the bondholders and will be governed by English law. The New Bonds will form a single series with the bonds to be issued pursuant to the Parallel Exchanges, if consummated.

Barbados will post a substantially final draft of the Trust Deed and the Agency Agreement on the offer website hosted by the Information Agent at: www.lucid-is.com/barbados (the “*Offer Website*”) by not later than 10 days after the Commencement Date of the Invitation.

Rounding

To determine the amount of New Bonds that will be delivered in exchange for a specific tender, the principal amount resulting from the application of the exchange ratio to the principal amount of the Eligible Claim tendered will be rounded down to the nearest U.S.\$100 so that it can be exchanged in integrals of U.S.\$100 face amount of the New Bonds. This rounded amount will be the principal amount of New Bonds received, and no additional cash will be paid in lieu of any principal amount of New Bonds not received as a result of rounding down.

Payments of net 2019 Exchange Cash Consideration will be rounded to the nearest U.S.\$0.01, with U.S.\$0.005 rounded upwards.

Offering Restrictions

You are not eligible to participate in the Exchange Offer unless you are:

- (1) either:
 - a. a “*qualified institutional buyer*” (as defined in Rule 144A under the Securities Act) and are acquiring the New Bonds for our own account or for the account of another qualified institutional buyer; or
 - b. acquiring the New Bonds in an offshore transaction in accordance with Regulation S under the Securities Act;
- (2) if you are located within an EEA Member State, a “*qualified investor*” as defined in the Prospectus Regulation;
- (3) if you are located in the UK, a relevant person (as this term is defined in “Notice to Prospective Investors in the United Kingdom”); and
- (4) otherwise permitted under the laws and regulations of any other jurisdiction applicable to you, including, without limitation, as set forth in “Jurisdictional Restrictions,” to receive and review the Invitation Materials and to participate in the Exchange Offer.

For a description of certain restrictions on resale of the New Bonds, see “Notice to Investors” in this invitation memorandum.

The Consent Solicitation

Subject to the terms and conditions of the Invitation, Barbados is soliciting consents from the holders of Eligible Claims to vote on the Extraordinary Resolutions. For the avoidance of doubt, by

submitting Participation Instructions to tender an Eligible Claim in the Exchange Offer, an Eligible Holder will also be appointing and instructing the Exchange Agent to attend any meeting convened under the Eligible Claims and to consent to and vote in favour of the Extraordinary Resolutions mandatorily exchange all Eligible Claims for the relevant Consideration (or the Substitute Consideration at a later date upon a failure by a holder of Eligible Claims to provide Election Instructions).

Holders who do not wish to tender their Eligible Claims or who are not Eligible Holders may submit Participation Instructions to vote, or appoint a proxy to vote, on the Extraordinary Resolution pursuant to the Consent Solicitation, as described herein, or alternatively, pursuant to Schedule 2 of the trust deed relating to the Eligible Claims.

The Notice of Bondholder Meetings have been given to the holders of Eligible Claims in accordance with the respective terms of the Old Bonds Trust Deed on the date of this invitation memorandum or will be given as promptly as practicable thereafter, in accordance with the terms of the Eligible Claims.

Barbados is not soliciting any consents pursuant to the Consent Solicitation from any holders of Eligible Claims in any jurisdiction in which the making of the Consent Solicitation would not be in compliance with the laws of such jurisdiction. Each holder of Eligible Claims who comes into possession of this invitation memorandum must inform itself about and comply with all applicable laws and regulations in force in any jurisdiction in which it holds Eligible Claims. The restrictions affecting Barbados are without prejudice to the right of holders of Eligible Claims in any such jurisdiction to appoint a proxy to attend and vote at any meeting in accordance with the relevant terms and conditions of the Eligible Claims it holds, subject to applicable law.

If Barbados obtains the requisite majority, as set forth in the applicable Old Bonds Trust Deed, required to pass an Extraordinary Resolution relating to the Eligible Claims and decides to declare the Extraordinary Resolution effective, the entirety of the Eligible Claims (including those held by non-tendering or non-voting holders) will be exchanged for the relevant Consideration. In that event, Eligible Claims held by holders who did not participate in the Exchange Offer will be exchanged for the Consideration. Holders who did not participate in the Exchange Offer and do not certify their status as an Eligible Holder by providing Election Instructions will receive Substitute Consideration pursuant to the Pending Distribution Arrangement as described herein. If such an exchange is not approved by the requisite holders of the Eligible Claims, Barbados reserves the right, at its sole discretion, to either accept or reject all tenders of the Eligible Claims.

Irrevocability; Withdrawal Rights

Any Participation Instruction may be withdrawn, for any reason, at any time prior to 5:00 p.m. (New York City time) on the Exchange Offer Expiration Date. Barbados will, if necessary, extend the Exchange Offer Expiration Date so that there will be at least three business days (as defined below) remaining on the Exchange Offer if any material changes are made to the terms of the Invitation. Thereafter, tenders and Participation Instructions shall become irrevocable.

In addition, if Barbados terminates the Invitation without accepting any tenders for exchange, all Participation Instructions shall automatically be deemed to be withdrawn and cancelled.

Representations, Warranties and Undertakings of Holders Participating in the Invitation

See “Tender Procedures” in this invitation memorandum.

Business Day

The term “*business day*” for the Invitation means any day except a Saturday, Sunday or any other day on which commercial banks in New York City, London or Barbados are required or authorised by law to close.

TENDER PROCEDURES

General

In order to participate in the Invitation, you must validly submit Participation Instructions in order to tender or vote on your Eligible Claims as described below. It is your responsibility to validly submit Participation Instructions and tender or vote your Eligible Claims or, if your Eligible Claims are held by a custodial entity, such as a bank, broker, dealer, trust company or other nominee, to ensure that such entity validly tenders your Eligible Claims and/or delivers your consent, as applicable, on your behalf, as described below.

We have the right to waive any defects. However, we are not required to waive any defects and are not required to notify you of defects in your tender.

Any holder whose Eligible Claims are registered in the name of a broker, dealer, commercial bank, trust company or other nominee and who wishes to participate in the Invitation should contact such holder promptly and instruct such holder to submit Participation Instructions and tender Eligible Claims on such holder's behalf. Participating holders will not be required to pay any fees or commissions to Barbados or the Exchange Agent in connection with the Invitation. If your Eligible Claims are held through a broker or other nominee who submits Participation Instructions and tenders such Eligible Claims on your behalf, your broker or nominee may charge you a commission for doing so. You should consult with your broker or nominee to determine whether any charges will apply. Holders whose Eligible Claims are held by a custodial entity such as a broker, dealer, commercial bank, trust company or other nominee should be aware that such nominee may have deadlines other than the deadlines specified in this invitation memorandum for such nominees to be advised of the action that you wish them to take with respect to your Eligible Claims.

Eligible holders should note that: (i) each beneficial owner should submit (or arrange to have submitted on its behalf) a separate instruction in respect of such beneficial owner's Eligible Claims; and (ii) a beneficial owner must not submit (or arrange to have submitted on its behalf) more than one instruction in respect of any Eligible Claim.

Accordingly: (i) where an intermediary intends to submit instructions on behalf of multiple beneficial owners who hold their Eligible Claims through such intermediary, it must submit a separate Participation Instructions in respect of each beneficial owner; and (ii) if a beneficial owner submits (or arranges to have submitted on its behalf) more than one Participation Instruction in respect of its holding of particular Existing Notes, each such Participation Instruction will be invalid, and may be rejected by Barbados.

By submitting Participation Instructions to tender for exchange any Eligible Claims, holders will also be approving an Extraordinary Resolution to exchange the entirety of the Eligible Claims for the Consideration on the terms set out in this invitation memorandum. If the Extraordinary Resolution is approved in accordance with the Old Bonds Trust Deed for the Eligible Claims, the entirety of the Eligible Claims (including those held by non-tendering or non-voting holders) will be exchanged for the relevant Consideration (or the Substitute Consideration at a later date upon a failure by a holder of Eligible Claims to provide Election Instructions).

By submitting Participation Instructions in connection with the Exchange Offer, a holder of Eligible Claims irrevocably (subject to the expiration of the Withdrawal Period or the termination of the

Invitation by Barbados) appoints and instructs the Exchange Agent as its proxy to attend any bondholders' meeting and to vote in favour of the relevant Extraordinary Resolution.

By submitting Participation Instructions in connection with the Consent Only Option, a holder of Eligible Claims irrevocably (subject to the expiration of the Withdrawal Period or the termination of the Invitation by Barbados) appoints and instructs the Exchange Agent as its proxy to attend any bondholders' meeting and to vote in favour of, reject and vote against or abstain from voting on the relevant Extraordinary Resolution. Following the declaration of effectiveness by Barbados of the Extraordinary Resolutions in relation to the Eligible Claims, and conditional on such event, all outstanding Eligible Claims (including Eligible Claims not tendered for exchange in the Exchange Offer and those with respect to which holders rejected or voted against the relevant Extraordinary Resolution) will on the Closing Date be exchanged for the relevant Consideration as described in the Notice of Bondholder Meeting relating to the Eligible Claims, and Eligible Holders will receive the relevant Consideration on or shortly after the Closing Date and Ineligible Holders will receive the Substitute Consideration at a later date.

The terms of the Extraordinary Resolution relating to the Eligible Claims and the procedures to be followed by the holders, including the date of any bondholder meeting, where applicable, are set forth in the Notice of Bondholder Meeting. For the avoidance of doubt, in the event that an Extraordinary Resolution is passed in relation to the Eligible Claims, any Eligible Holders that tendered via Euroclear or Clearstream and certified as to their status as Eligible Holders will not be required to give any further instructions in order to receive the relevant Consideration. The exchange of Eligible Claims for the Consideration shall occur in Euroclear or Clearstream by crediting the applicable Consideration to the account in which the relevant Eligible Claims were held.

We have not provided guaranteed delivery procedures in conjunction with the Invitation or under this invitation memorandum or any other materials provided therewith. Holders must submit their Participation Instructions timely in order to tender their Eligible Claims in accordance with the procedures set forth in this invitation memorandum.

If you have any questions regarding the process by which you can submit your Participation Instructions or tender your Eligible Claims, you may contact the Information Agent at the phone number listed on the back cover of this invitation memorandum.

No one has been authorised to make a recommendation to holders of Eligible Claims as to whether to tender or refrain from tendering all or any portion of their Eligible Claims or to otherwise participate in the Consent Solicitation pursuant to the Invitation. Holders of Eligible Claims must make their own decision whether to participate in the Invitation and, if so, the aggregate amount of Eligible Claims to tender, after reading this invitation memorandum and consulting with their advisors, if any, based on their own financial position and requirements.

Procedures for Participating in the Exchange Offer

Participation

Beneficial ownership of the Eligible Claims held in book-entry form generally represents an interest in a global certificate representing such Eligible Claim that is registered in the name of a clearing system or such clearing system's nominee. These beneficial interests may be held directly if you have an account as a participant in the relevant clearing system, or indirectly through participants, such as securities brokers and dealers, that have an account with the relevant clearing system. We refer to

institutions that have an account with the relevant clearing system as “*Direct Participants*” in such system.

Barbados has designated Euroclear and Clearstream as the designated clearing systems for purposes of the Invitation. Barbados has made special arrangements with Euroclear and Clearstream that will allow Euroclear and Clearstream to deliver tenders received on behalf of participating holders directly to the Exchange Agent.

Instructions

The offering of Eligible Claims for exchange by an Eligible Holder will be deemed to have occurred upon receipt by the Exchange Agent from Euroclear or Clearstream of a valid Participation Instruction submitted in accordance with the requirements of Euroclear or Clearstream. The receipt of such Participation Instruction by Euroclear or Clearstream will be acknowledged in accordance with the standard practices of Euroclear or Clearstream and will result in the blocking of the relevant Eligible Claim in the Eligible Holder’s account with Euroclear or Clearstream so that no transfers may be effected in relation to such Eligible Claims.

Eligible Holders must take the appropriate steps through Euroclear or Clearstream so that no transfers may be effected in relation to such blocked Eligible Claims at any time after the date of submission of such Participation Instruction in accordance with the requirements of Euroclear or Clearstream and the deadlines required by Euroclear or Clearstream. By blocking such Eligible Claim in Euroclear or Clearstream, each Direct Participant will be deemed to consent to have the relevant Clearing System provide details concerning such Direct Participant’s identity to the Exchange Agent (and for the Exchange Agent to provide such details to the Issuer and their legal advisers).

Deadline for Participation in the Exchange Offer

Only Direct Participants may submit Participation Instructions with respect to the Eligible Claims. Each Eligible Holder that is not a Direct Participant must, in order to participate in the Exchange Offer, arrange for the Direct Participant through which such Eligible Holder holds its Eligible Claim to submit a valid Participation Instruction, on its behalf to Euroclear or Clearstream before the deadlines specified by the relevant Euroclear or Clearstream.

You are responsible for arranging the valid and timely delivery of your Participation Instructions to the Exchange Agent. None of Barbados, the Information Agent, the Exchange Agent, any fiscal agent, registrar or other agent will be responsible for the submission of Participation Instructions or tenders by:

- holders (or brokers, dealers, banks, trust companies, trustees or other custodians on their behalf) to Direct Participants in Euroclear or Clearstream;
- Direct Participants (whether on their own behalf or on behalf of holders who are not Direct Participants) to Euroclear or Clearstream; or
- Euroclear or Clearstream to the Exchange Agent.

Delivery of documents to a custodian, Direct Participant or clearing system (including Euroclear or Clearstream) does not constitute delivery to the Exchange Agent and is not sufficient for an effective tender. Barbados can offer no assurance that any custodian, Direct Participant or clearing system (including Euroclear and Clearstream) will follow the procedures outlined above for purposes of effecting your tender of Eligible Claims, as these procedures are entirely within such parties’ discretion.

Eligible Claims that are validly tendered and not validly withdrawn will be held to the order of the Exchange Agent until the Closing Date.

By submitting instructions through Euroclear or Clearstream, participating holders, and the relevant Direct Participant on their behalf, shall be deemed to have made the representations and warranties set forth herein to Barbados, the Information Agent and the Exchange Agent.

Blocking of Bonds and Restrictions on Transfer

By delivering a valid Participation Instruction via Euroclear or Clearstream, Eligible Holders agree that their Eligible Claims will be blocked in the relevant account at Euroclear or Clearstream until the earlier of (i) the date on which the relevant tender is validly revoked, including their automatic revocation on the termination of the Invitation, in accordance with the terms of the Invitation and (ii) the Closing Date. This will prevent you from being able to transfer your relevant Eligible Claims to third parties.

Effect of a Valid Tender; Acknowledgements, Representations, Warranties and Undertakings for the Exchange Offer

Subject to and effective upon the acceptance for exchange, and exchange, of Eligible Claims tendered thereby, by submitting Participation Instructions and tendering Eligible Claims using Euroclear or Clearstream, you:

- (1) irrevocably surrender, assign and transfer to or upon the order of Barbados all right, title and interest in and to all the Eligible Claims tendered thereby;
- (2) waive any and all other rights with respect to the Eligible Claims tendered by you in the Exchange Offer (including without limitation, any existing or past defaults and their consequences in respect of such Eligible Claims and the agency agreement or trust deed, as applicable, under which such Eligible Claims were issued) and release and discharge Barbados and the fiscal agent for the Eligible Claims from any and all claims you may have now, or may have in the future, arising out of, or related to, such Eligible Claims, including, without limitation, any claims that you are entitled to receive additional principal or interest payments with respect to such Eligible Claims or to participate in any redemption or defeasance of such Eligible Claims;
- (3) you irrevocably appoint the Exchange Agent as your true and lawful agent and attorney-in-fact to:
 - attend, act and vote for and in your name and on your behalf at the bondholders' meeting to occur prior to the Closing Date to consider proposed modifications to the terms and conditions of the Eligible Claims and the agency agreements relating to the Eligible Claims that would have the effect of authorising the exchange of the Eligible Claims for the Consideration (including any reconvening of, or replacement for, such meeting), with full power of substitution as if the undersigned were present at such meeting;
 - vote in favour of the proposed Extraordinary Resolution to approve the exchange of such Eligible Claims; and
 - take all actions desirable to cause (i) certification that the requisite votes to approve such resolutions have been received and (ii) the execution and delivery by Barbados and the relevant fiscal agent of amendments implementing the proposed resolutions with respect

to such Eligible Claims; and

- (4) irrevocably appoint the Exchange Agent as your true and lawful agent and attorney in fact (with full knowledge that the Exchange Agent is also acting as agent of Barbados with respect to the tendered Eligible Claims with full power coupled with an interest) to:
 - present the Eligible Claims for transfer on the relevant security register; and
 - receive all benefits or otherwise exercise all rights of beneficial ownership of the Eligible Claims (except that the Exchange Agent will have no rights to or control over our funds, except, as our agent, for the Consideration for any tendered Eligible Claims that are exchanged by us), all in accordance with the terms of the Invitation.

In addition by submitting Participation Instructions and tendering Eligible Claims you will be deemed to represent, warrant and agree that:

- (1) you have received the invitation memorandum and have reviewed and accept the terms of the Invitation as set forth in the invitation memorandum;
- (2) you are assuming all the risks inherent in participation in the Invitation and have undertaken all the appropriate analysis of the implications of the Invitation without reliance on Barbados, the Exchange Agent, the fiscal agent for the Eligible Claims or the Trustee and agents for the New Bonds;
- (3) you are the beneficial owner (as defined below) of, or a duly authorised representative of one or more such beneficial owners of, all Eligible Claims tendered by you and you have full power and authority to tender, sell, assign and transfer the Eligible Claims that you tender in the Invitation and to acquire any New Bonds issuable upon the exchange of such tendered Eligible Claims;
- (4) you are acquiring the New Bonds issued in the Invitation in the ordinary course of your business;
- (5) you are not prohibited by any law or policy from participating in the Invitation;
- (6) Eligible Claims being tendered thereby have not been purchased and are not held by (or on behalf of) Barbados or the Central Bank of Barbados;
- (7) Eligible Claims being tendered thereby were owned as of the date of tender, free and clear of any liens, mortgages, pledges, charges, claims, encumbrances, interests and restrictions of any kind;
- (8) you will not sell, mortgage, charge, pledge, hypothecate or otherwise encumber or transfer any Eligible Claims tendered from the date of the tender via Euroclear or Clearstream and you agree that any purported sale, mortgage, charge, pledge, hypothecation or other encumbrance or transfer will be void and of no effect;
- (9) Barbados has not made any statement, representation or warranty, express or implied, to you with respect to Barbados or the offer or sale of any New Bonds, other than the information that has been included in the invitation memorandum, including the

information incorporated herein by reference (and as supplemented to the Exchange Offer Expiration Date), and any information you desire concerning Barbados, the New Bonds or any other matter relevant to your decision to acquire the New Bonds (including a copy of the invitation memorandum) is or has been made available to you;

- (10) none of the Exchange Agent, the Information Agent, the fiscal agent for the Eligible Claim or the Trustee and agents for the New Bonds, or any person acting on behalf of any of the foregoing, has made any statement, representation or warranty, express or implied, to you with respect to Barbados or the offer or sale of any New Bonds or the accuracy or completeness of this invitation memorandum;
- (11) delivery of a tender via Euroclear or Clearstream shall constitute an undertaking to execute any further documents and give any further assurances that may be required in connection with any of the foregoing, in each case on and subject to the terms and conditions set out or referred to in this invitation memorandum;
- (12) the delivery of a tender via Euroclear or Clearstream shall, subject to the terms and conditions of the Invitation generally, constitute the irrevocable appointment of the Exchange Agent as your attorney and agent, and an irrevocable instruction to such attorney and agent to complete and execute all or any form(s) of transfer and other document(s) (including any document to effect the exchange or the discharge and cancellation of all right, title and interest in or relating to the Eligible Claims) at the discretion of such attorney and agent in relation to the Eligible Claims tendered thereby in favour of Barbados or such other person or persons as Barbados may direct and to deliver such form(s) of transfer and other document(s) in the attorney's and agent's discretion and to execute all such other documents and to do all such other acts and things as may be in the opinion of such attorney or agent necessary or expedient for the purpose of, or in connection with, the acceptance of the Invitation, and to exchange, cancel or extinguish such Eligible Claims;
- (13) all authority conferred or agreed to be conferred by your tender in the Invitation shall survive your death or incapacity and any of your obligations in relation to the Invitation shall be binding upon your heirs, executors, administrators, personal representatives, trustees in bankruptcy, legal representatives, successors and assigns;
- (14) the terms and conditions of the Invitation shall be deemed to be incorporated in, and form a part of, the tender via Euroclear or Clearstream which shall be read accordingly;
- (15) you authorise and instruct the Settlement Facilitation Agent to make the relevant pro rata deduction from the 2019 Exchange Cash Consideration to which you may be eligible to pay the costs and expenses of the external creditors committee in an aggregate amount equal to U.S.\$2,575,000;
- (16) you are not acting on behalf of someone who cannot truthfully and completely make such representations; and
- (17) Barbados and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations, warranties and agreements.

Each Eligible Holder that delivers a Participation Instruction and tender will also be deemed to represent, warrant and agree as set forth under "Notice to Investors."

Consequences of Failure to Properly Tender Eligible Claims in the Exchange Offer

The receipt of an Exchange Instruction by Euroclear or Clearstream will constitute instructions to debit the securities account of the relevant Direct Participant on the Settlement Date in respect of all of the Eligible Claims that the relevant Eligible Holder has offered for exchange pursuant to the Exchange Offer, upon receipt by Euroclear or Clearstream of an instruction from the Exchange Agent for such Eligible Claim to be transferred to the specified account of the Issuer or its agent on its behalf and against credit of the relevant Eligible Claim and payment of the relevant Consideration by (or on behalf of) the Issuer subject to the automatic withdrawal of those instructions on the date of any termination of the Exchange Offer (including where such Eligible Claims are not accepted for exchange by the Issuer) or on the valid revocation of such instruction, in the circumstances in which such revocation is permitted as described in “Irrevocability; Withdrawal Rights”, and subject to acceptance of the Exchange Offer by the Issuer and all other conditions of the Exchange Offer.

Participation in the Consent Solicitation

Consent via Participation Instructions

Eligible Holders who wish to tender their Eligible Claims must also consent to and vote in favour of the relevant Extraordinary Resolution in the Participation Instructions.

Holders who do not wish to tender their Eligible Claims or who are not Eligible Holders may submit Participation Instructions in the Consent Only Option and appoint the Exchange Agent as its proxy to consent to and vote in favour of, reject and vote against or abstain from voting on the relevant Extraordinary Resolution by delivering, or arranging to be delivered, the relevant Participation Instructions by the Voting Deadline.

A holder of Eligible Claims submitting Participation Instructions in connection with the Consent Only Option will, by so doing, irrevocably (subject to the expiration of the Withdrawal Period and the termination of the Invitation by Barbados, all as described further herein) appoint and instruct the Exchange Agent as its proxy to attend any meeting convened in respect of the Eligible Claims and vote as specified in the Participation Instructions with respect to the Extraordinary Resolution relating to such Eligible Claims.

By submitting a Participation Instructions in connection with the Consent Only Option, you irrevocably appoint the Exchange Agent as your true and lawful agent and attorney-in-fact to:

- attend, act and vote for and in your name and on your behalf at the bondholders’ meeting to occur prior to the Closing Date to consider proposed modifications to the terms and conditions of the Eligible Claims and the trust deed relating to the Eligible Claims that would have the effect of authorising the exchange of the Eligible Claims for the Consideration (including any reconvening of, or replacement for, such meeting), with full power of substitution as if the undersigned were present at such meeting;
- vote as specified in the Participation Instructions in respect of the proposed Extraordinary Resolution relating to such Eligible Claims; and
- if selecting to approve the Extraordinary Resolution, take all actions desirable to cause (i) certification that the requisite votes to approve such resolutions have been received and (ii) the execution and delivery by Barbados and the relevant fiscal agent and registrar of amendments implementing the proposed resolutions with respect to such Eligible

Claims, all in accordance with the terms and conditions of the Exchange Offer and related solicitations of authorisations as described in the invitation memorandum; the power of attorney granted in this paragraph shall be deemed to be irrevocable and coupled with an interest.

With respect to the Eligible Claims for which an Extraordinary Resolution successfully passes, if you have not certified to Barbados or the Exchange Agent that you are an Eligible Holder when you submitted your Participation Instructions, to receive the Consideration you must provide a certification to Barbados and the Exchange Agent certifying that you are an Eligible Holder within the 90 day period described under “Pending Distribution Arrangement” below.

In addition by submitting a Participation Instructions in connection with the Consent Only Option, you will be deemed to represent, warrant and agree that:

- (1) you have received the invitation memorandum and have reviewed and accept the terms of the Invitation as set forth in the invitation memorandum;
- (2) you are assuming all the risks inherent in participation in the Consent Solicitation and have undertaken all the appropriate analysis of the implications of the Consent Solicitation without reliance on Barbados, the Exchange Agent, the trustee or registrar for the Eligible Claims or the Trustee and agents for the New Bonds;
- (3) you are the beneficial owner (as defined below) of, or a duly authorised representative of one or more such beneficial owners of, all Eligible Claims in respect of which it participates in the Consent Solicitation;
- (4) you are not prohibited by any law or policy from participating in the Invitation;
- (5) the Eligible Claims in respect of which you participate in the Consent Solicitation have not been purchased and are not held by (or on behalf of) Barbados or the Central Bank of Barbados;
- (6) you will not sell or transfer any Eligible Claims represented by your submitted Participation Instructions from the date of your submission until the date of the relevant bondholder meetings and you agree that any purported sale or transfer will be void and of no effect;
- (7) Barbados has not made any statement, representation or warranty, express or implied, to you with respect to Barbados or the offer or sale of any New Bonds, other than the information that has been included in the invitation memorandum, including the information incorporated herein by reference (and as supplemented to the Exchange Offer Expiration Date), and any information you desire concerning Barbados, the New Bonds or any other matter relevant to your decision to acquire the New Bonds (including a copy of the invitation memorandum) is or has been made available to you;
- (8) none of the Exchange Agent, the Information Agent, the trustee or registrar for the Eligible Claims or the Trustee and agents for the New Bonds, or any person acting on behalf of any of the foregoing, has made any statement, representation or warranty, express or implied, to you with respect to Barbados or the offer or sale of any New Bonds or the accuracy or completeness of this invitation memorandum;

- (9) delivery of your Participation Instructions shall constitute an undertaking to execute any further documents and give any further assurances that may be required in connection with any of the foregoing, in each case on and subject to the terms and conditions set out or referred to in this invitation memorandum;
- (10) all authority conferred or agreed to be conferred by your delivery of Participation Instructions in the Invitation shall survive your death or incapacity and any of your obligations in relation to the Invitation shall be binding upon your heirs, executors, administrators, personal representatives, trustees in bankruptcy, legal representatives, successors and assigns;
- (11) the terms and conditions of the Invitation shall be deemed to be incorporated in, and form a part of, the Participation Instructions which shall in each case be read accordingly;
- (12) you authorise and instruct the Settlement Facilitation Agent to make the relevant pro rata deduction from the 2019 Exchange Cash Consideration to which you may be eligible to pay the costs and expenses of the external creditors committee in an aggregate amount equal to U.S.\$2,575,000;
- (13) you are not acting on behalf of someone who cannot truthfully and completely make such representations; and
- (14) Barbados and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations, warranties and agreements.

Appointing Proxy under the Trust Deed

Holders of Old Bonds that do not submit a Participation Instruction before the Voting Deadline may appoint proxies by executing and delivering a form of proxy to the specified office of the Registrar not later than 48 hours before the time fixed for the meeting or, in the case of corporations, may appoint representatives by resolution of their directors or other governing body. See the Notice of Bondholder Meetings for more information.

Determination of Validity

All questions as to the validity, form, eligibility (including time of receipt) and acceptance for exchange of any tendered Eligible Claims or consents pursuant to any of the procedures described above, and the form and validity (including time of receipt of notices of withdrawal) of all documents will be determined by us in our sole discretion, which determination will be final and binding. We reserve the absolute right to reject any or all tenders of any Eligible Claims or consents determined by us not to be in proper form, or if the acceptance of, or exchange of, such Eligible Claims or consents may, in the opinion of our counsel, give rise to a breach or violation of applicable laws, rules or regulations. We also reserve the right to waive defects in any tender or consent that we are legally permitted to waive. Unless waived, any irregularities in connection with tenders or consents must be cured within such time as we shall determine. A waiver of any defect or irregularity with respect to the tender of one Eligible Claim or consent in respect of one Eligible Claim shall not constitute a waiver of the same or any other defect or irregularity with respect to the tender of, or consent in respect of, any other Eligible Claim unless we expressly otherwise so provide. Your tender or consent will not be deemed to have been validly made until all defects or irregularities in your tender or consent have been cured or waived. Neither we nor the Exchange Agent nor any other person or entity is under any duty to give notification of any defects or

irregularities in any tender of, or consent in respect of, any Eligible Claims, or will incur any liability for failure to give any such notification. Please send all materials to the Exchange Agent and not to us.

Withdrawal of Tenders and Consents

Your Participation Instructions and delivery of consents pursuant to the Invitation is irrevocable except as otherwise provided in this section. You may withdraw Participation Instructions at any time prior to 5:00 p.m. (New York City time) on the Exchange Offer Expiration Date by transmitting to the Exchange Agent a tender withdrawal instruction via Euroclear or Clearstream in accordance with their standard procedures. You may withdraw consents submitted in respect of any Participation Instructions at any time prior to 5:00 p.m. (New York City time) on the Voting Deadline by transmitting to the Exchange Agent a consent withdrawal instruction via Euroclear or Clearstream in accordance with their standard procedures.

All questions as to the validity of any withdrawal instruction (including time of receipt thereof) will be determined by us in our sole discretion, which determination will be final and binding. We reserve the absolute right to reject any or all withdrawal instructions determined by us not to be in proper form, or if the acceptance of which may, in the opinion of our counsel, be unlawful or not in accordance with the terms of the Invitation. We also reserve the right to waive any defects in any withdrawal instructions that we are legally permitted to waive. Unless waived, any irregularities in connection with withdrawal instructions must be cured prior to the withdrawal deadline. A waiver of any defect or irregularity with respect to withdrawal instructions with regard to one Eligible Claim shall not constitute a waiver of the same or any other defect or irregularity with respect to withdrawal instructions for any other Eligible Claim unless we expressly otherwise so provide.

Any withdrawal instruction will not be deemed to be valid until all defects or irregularities relating to such instruction have been cured or waived. Neither we nor the Exchange Agent nor any other person or entity is under any duty to give notification of any defects or irregularities in any withdrawal of any Participation Instructions or will incur any liability for failure to give any such notification. If you withdraw Participation Instructions, you will have the right to re-tender them prior to the Exchange Offer Expiration Date in accordance with the procedures described above for tendering outstanding Eligible Claims. If we amend or modify the terms of the Invitation or the information concerning the Invitation in a manner determined by us to constitute a material change to the holders, we will disseminate additional invitation materials and extend the period of the Invitation, including any withdrawal rights, to the extent required by law and as we determine necessary. An extension of the Exchange Offer Expiration Date or the Voting Deadline will not affect a holder's withdrawal rights, unless otherwise provided or as required by applicable law.

Expiration; Extensions; Amendments; Termination

For purposes of the Invitation, the term "*Exchange Offer Expiration Date*" means 5:00 p.m., New York City time, on 22 November 2019, subject to Barbados' right to extend such date and time in its absolute discretion, in which case the Exchange Offer Expiration Date means the latest date and time to which the Exchange Offer is extended.

For purposes of the Invitation, the term "*Voting Deadline*" means 5:00 p.m., New York City time, on 22 November 2019, subject to Barbados' right to extend such date and time in its absolute discretion, in which case the Voting Deadline means the latest date and time to which the Consent Only Option is extended.

Barbados reserves the right, in its absolute discretion, to (i) extend the Invitation, (ii) terminate the Invitation or (iii) amend the Invitation.

Any extension, amendment or termination of the Invitation by Barbados will be followed as promptly as practicable by an announcement of such extension, amendment or termination.

Permitted Amendments

By participating in the Invitation, each holder authorises the Exchange Agent to agree with Barbados to the making of the following:

- any minor, technical, administrative or corrective amendments to any of the Invitation Materials or the New Bonds;
- any extension of the Exchange Offer Expiration Date, the Voting Deadline, the Announcement Date or the Closing Date as contemplated above; and
- any waiver by Barbados, in its sole discretion, of the provision of any of the representations set out in this invitation memorandum,

in each case, prior to the completion of the Invitation (collectively, the “*Permitted Amendments*”).

Material Amendment of the Invitation

Any term of this invitation memorandum (including any term of the New Bonds) may be amended, and any tender and consent submitted to the Exchange Agent prior to that amendment shall remain valid; *provided* that, if any amendment is made which is not a Permitted Amendment (such amendment, a “*Relevant Amendment*”), Barbados will post a notification of such amendment on the Offer Website. If a Relevant Amendment is posted on the Offer Website within three business days of the Exchange Offer Expiration Date, the Exchange Offer Expiration Date will be automatically extended to the date falling three business days after the date of such notification and the Voting Deadline will be automatically extended by the same number of days.

In the absence of notice to the contrary prior to the Exchange Offer Expiration Date, Eligible Holders who have tendered their Eligible Claims or provided their consent will be deemed to have accepted the Relevant Amendments.

Any Eligible Holder who delivers a tender or consent via Euroclear or Clearstream after a Relevant Amendment is posted on the Offer Website will be deemed to accept the Invitation on the terms of this invitation memorandum as amended by the Relevant Amendment.

Termination

Barbados may, in its absolute discretion but subject to applicable laws, terminate the Invitation at any time prior to the Closing Date (including, for the avoidance of doubt, after the Exchange Offer Expiration Date). Any tender or consent delivered prior to such termination shall immediately cease to have any further force or effect.

Pending Distribution Arrangement

If Barbados obtains the requisite majority, as set forth in the applicable Old Bonds Trust Deed, required to pass an Extraordinary Resolution relating to the Eligible Claims and decides to declare the Extraordinary Resolution effective, the entirety of the Eligible Claims will be exchanged for the relevant Consideration.

In that event, the relevant Consideration to which holders of Eligible Claims who have not certified as to their status as Eligible Holders by tendering via Euroclear or Clearstream (each an “*Uncertified Holder*”) prior to 5:00 p.m. (New York City time) on the Exchange Offer Expiration Date are entitled pursuant to the terms of the Invitation will be deposited to an account of Barbados with the Settlement Facilitation Agent, where such Consideration will be held (the “*Pending Distribution Arrangement*”) until the earlier of: (i) such time as such holder validly provide Election Instructions, and (ii) the date falling 90 days after the Closing Date.

Uncertified Holders may submit, or arrange to have submitted, Election Instructions certifying as to their status as either Eligible Holders or Ineligible Holders during the 90 days after the Closing Date (the “*Holding Period*”).

Only Direct Participants in Euroclear or Clearstream may provide Election Instructions. Each Uncertified Holder that is not a Direct Participant in Euroclear or Clearstream must arrange for the Direct Participant in Euroclear or Clearstream through which it held the relevant Eligible Claims to Election Instructions on its behalf.

Direct Participants in Euroclear or Clearstream who held Eligible Claims on behalf of more than one beneficial owner do not need to provide separate Election Instructions for each beneficial owner but may nonetheless do so.

We refer to the consideration to be received by Ineligible Holders and other Uncertified Holders who do not validly certify as to their status as Eligible Holders during the Holding Period under the Pending Distribution Arrangement as the “*Substitute Consideration*.”

Eligible Holders

Upon receipt of Election Instructions certifying as to an Uncertified Holder’s status as an Eligible Holder, the Exchange Agent will promptly instruct the Settlement Facilitation Agent to deliver, and, as soon as practicable thereafter, the Settlement Facilitation Agent will deliver the relevant Consideration to which such holder is entitled in accordance with the provision of Election Instructions on behalf of the holder.

Ineligible Holders

Upon receipt of the Election Instructions certifying as to an Uncertified Holder’s status as an Ineligible Holder, Barbados or an agent or broker appointed by Barbados, as the case may be, shall sell such New Bonds to which such holder is entitled pursuant to the terms of the Invitation in one or more sale transactions at any time following receipt of such holder’s Election Instructions. The price, terms, timing and manner of such sale will be on the best terms reasonably available at the time using a transparent open market process and shall be for cash. Neither Barbados nor any such agent or broker will have any liability for any loss or alleged loss arising from such sale or a failure to procure any purchaser for such New Bonds (or any of them).

The proceeds of such sales (net of the costs of sale including the fees of any agent, broker, marketing agent, placement agent or underwriter appointed in relation to the sales and any taxes and provisions for tax on sale or as a result of the Pending Distribution Arrangement) (the “*Net Cash Proceeds*”) plus the net 2019 Exchange Cash Consideration to which such Ineligible Holder is entitled pursuant to the terms of the Invitation Memorandum will be delivered in accordance with the Election Instructions on behalf of such holder as soon as reasonably practicable thereafter.

Failure to provide Election Instructions

In the event that an Uncertified Holder fails to provide Election Instructions during the Holding Period, Barbados or an agent or broker appointed by Barbados, as the case may be, shall sell such New Bonds to which such holder is entitled pursuant to the terms of the Invitation in a sale at any time following the expiry of the Holding Period. The price, terms, timing and manner of such sale will be on the best terms reasonably available at the time using a transparent open market process and shall be for cash. Neither Barbados nor any such agent or broker will have any liability for any loss or alleged loss arising from such sale or a failure to procure any purchaser for such New Bonds (or any of them).

The Net Cash Proceeds will be held for the benefit of such holders of the Eligible Claims until such time as sales of all such Consideration have been effected. The pro rata shares of such Net Cash Proceeds plus the net 2019 Exchange Cash Consideration to which such Ineligible Holder is entitled pursuant to the terms of the Invitation Memorandum will be delivered to the relevant Direct Participants in Euroclear or Clearstream on behalf of the holders of Eligible Claims entitled to such consideration as soon as practicable thereafter.

Depending on market conditions, the volume of New Bonds sold or other developments, the Net Cash Proceeds may be less than the face value of the New Bonds due to such holder and will not be available until after the expiry of Holding Period. Barbados will not be obligated to pay any amount other than, or additional to, the Net Cash Proceeds, and payment of the Net Cash Proceeds will fully and finally discharge Barbados’s obligation to deliver the relevant Consideration to the relevant holders of Eligible Claims.

None of Barbados, the Exchange Agent, the Information Agent, the Settlement Facilitation Agent or the Trustee will be responsible for any errors, delays in processing or systemic breakdowns or other failure in the delivery of the relevant Consideration by any Direct Participant in Euroclear or Clearstream and/or any other securities intermediary with respect to such Eligible Claims to a holder, and no additional amounts will be payable to any holder in the event of any delay in such delivery.

Questions and requests for assistance in connection with the Pending Distribution Arrangement may be directed to the Information Agent at its address and telephone number set forth on the back cover of this invitation memorandum.

Exchange Agent

In connection with the Invitation, Barbados has retained Lucid Issuer Services Limited to act as Exchange Agent, which will receive customary fees for its services. Barbados has agreed to reimburse the Exchange Agent for its respective out-of-pocket expenses and to indemnify it against certain liabilities. No fees or commissions have been or will be paid by Barbados to any broker, dealer or other person, other than the Exchange Agent in connection with the Invitation.

Information Agent

In connection with the Invitation, Barbados has retained Lucid Issuer Services Limited to act as Information Agent. Questions and requests for assistance or additional copies of this invitation memorandum may be directed to the Information Agent at its address and telephone number set forth on the back cover of this invitation memorandum.

Holders of Eligible Claims or New Bonds may also contact their broker, dealer, custodian bank, depository, trust company or other nominee for assistance concerning the Invitation.

Fees and Expenses

We have not retained any dealer-manager in connection with the Invitation, and we will not make any payments to brokers, dealers or other persons soliciting acceptances of the Invitation. We will, however, pay the Exchange Agent fees for its services and will reimburse it for its related out-of-pocket expenses. Holders who exchange their Eligible Claims will not be obligated to pay any transfer taxes. If, however, a transfer tax is imposed for any reason other than the exchange of Eligible Claims in connection with the Invitation, then the holder must pay the amount of any transfer taxes due, whether imposed on the registered holder or any other persons. If the holder does not submit satisfactory evidence of payment of these taxes or exemption from them, the amount of these transfer taxes will be billed directly to the tendering holder.

Available Information

Certain information relating to the Invitation is, or will be, available on the Offer Website and may be of significance to Eligible Holders in deciding whether to participate in the Invitation.

Holders of Eligible Claims wishing to access the Offer Website will be required to accept certain terms and conditions in relation to, among other things, confidentiality and the use of the information contained on the Offer Website and as are more fully set out on the Offer Website.

Holders of Eligible Claims who do not have access to the Offer Website may obtain the documents posted on the Offer Website via email or other means from the Information Agent subject to providing a completed certification in the form delivered to them by the Information Agent (i) representing that they are the beneficial owner of an Eligible Claim, indicating the amount of Eligible Claims that are beneficially owned and (ii) agreeing to keep all information contained on the Offer Website confidential and subject to verification by the Information Agent that such certificate is being provided on behalf of a *bona fide* direct or indirect holder of a beneficial interest in an Eligible Claims.

The Invitation Materials, including this invitation memorandum and related documents, may not be distributed, forwarded or transmitted to any person in any jurisdiction.

Lucid Issuer Services Limited, in its capacity as Information Agent and Exchange Agent, can be contacted at:

Lucid Issuer Services Limited
Tankerton Works
12 Argyle Walk
London WC1H 8HA
United Kingdom
Telephone +44 20 7704 0880
Attention: Arlind Bytyqi / Thomas Choquet
Email: barbados@lucid-is.com
Website: www.lucid-is.com/barbados

RECENT DEVELOPMENTS

The Economic Situation

Macroeconomic stability in Barbados has been challenged by high fiscal deficits and public debt. In recent years, the size of the deficit and the high level of public debt have been constraints on growth. For the most part, efforts to reduce the fiscal gap, primarily through heavy taxation adjustments, did not achieve the desired budget neutrality.

The unfolding of the global recession in 2007 cast a long shadow on the economic fortunes of Barbados over the last ten years. As global demand conditions weakened, the domestic economic performance of Barbados was challenged over several years, reaching its lowest point of growth in 2009 with a contraction of 4.9%. Subsequently, economic growth remained relatively stagnant. This gave rise to lower fiscal revenues, increased deficits and a burgeoning debt portfolio, which made it difficult for the Government to provide adequate and swift policy responses to the prevailing risks, in order to induce a positive turnaround in economic conditions. As a result, the gross public sector debt to GDP ratio at the end of 2017 climbed to an unsustainable 147.8%, up from 60% in 2007.

Falling risk appetite amongst external and domestic investors weakened economic fundamentals to adequately buffer against the reverberating shock waves of the global financial crisis, causing Barbados' recession to be deep and protracted. Due to anaemic economic growth coupled with large and increasing fiscal deficits and debt levels, the international credit rating agencies lowered Barbados' sovereign rating from 'A-' in 2003, one of the highest in the developing world, to 'Caa3' in 2017.

On 1 June 2018, the Government announced that an in-depth review of Barbados' fiscal and external liquidity situation identified and quantified substantial arrears that were not previously included in headline public debt figures, revising estimates of Government arrears upwards to U.S.\$820.0 million (including U.S.\$230.6 million owed to the National Insurance Scheme (the "NIS") and U.S.\$237.5 million owed by the Barbados Revenue Authority (the "BRA") to Barbadians and individual companies). When the previously unpublished arrears amounts were added, the total debt to GDP ratio was revised upward to 175.0% as of 31 May 2018.

In addition, gross international reserves stood at U.S.\$249.4 million, or 6.9 weeks of import cover, as of 31 May 2018, compared to U.S.\$747.2 million, or 15.1 weeks of import cover, as of 31 December 2008.

Though Barbados expects a fiscal surplus for FY 2018/19, Barbados' fiscal deficit was high in recent years, down from approximately 9.0% of GDP in FY 2015/16 to approximately 4.6% of GDP in FY 2017/18. From 2008 to 2018, the fiscal deficit averaged 6.4% of GDP.

The slow implementation of necessary reforms coupled with heavy fiscal consolidation efforts contributed to the decline in economic growth from 2.6% in 2016 to 0.8% in 2017. This downward revision also reflected a slowdown in growth in the tourism sector, which, despite recording increased tourist arrivals, saw a reduction in the average length of stay. Economic growth estimates at the beginning of 2018 continued to be sluggish, expanding by an estimated 0.8% in the first six months of 2018, compared to 1.6% during the first six months of 2017.

At the end of the FY 2017/18, foreign financed project inflows were insufficient to offset foreign loan payments of U.S.\$146.4 million. As a result, the fiscal deficit was mainly financed by commercial banks, which provided funding equal to just over 2.6% of GDP. This funding from commercial banks was due to an increase in the stipulated securities reserve requirement for commercial banks, from 10.0%

of domestic deposits as set in 2007 to 20.0%, announced by the Central Bank on 1 November 2017 and effective 1 January 2018. Central Bank financing declined to 1.0% of GDP in FY 2017/18, compared to 8.1% of GDP in FY 2016/17. Private non-bank entities also reduced their exposure to the Government.

During 2018, the financial sector remained stable and had above-normal levels of capital adequacy and liquidity. These trends were driven in part by on-going weak growth in credit to the private sector, despite a relatively benign interest rate environment. While the weighted average deposit and loan rates remained effectively unchanged, the average mortgage rate continued to decline, reaching 5.4% as of December 2018, compared to 5.6% as of the end of 2017.

In November 2018, Barbados received a ratings upgrade from Standard and Poor's on its long- and short-term local currency debt to B-/B from SD/SD with a stable currency outlook. Improvements in the current ratings are dependent upon the Government's ability to meet its fiscal targets and reform agenda which impacts positively investor confidence and economic growth. No new borrowing on the capital markets is anticipated over the next four years as Barbados is committed to achieving its debt-to-GDP target.

For further detail on the general economic and public finance performance of Barbados, see "The Economy" and "Public Finance."

Barbados Economic Recovery and Transformation Plan

Due to the challenging outlook for the Barbadian economy, on 1 June 2018, the Government announced the need for decisive action to place public finances on a sustainable path in an effort to alter the trajectory of international reserves and create the conditions for strong, sustainable growth. To follow up on the 1 June 2018 announcement, the Government announced the Barbados Economic Recovery and Transformation Plan (the "*BERTP*") on 11 June 2018.

The BERTP is expected to consist of the following three phases:

- Phase one (first three months) includes: (i) the imposition of user fees for both domestic and international users at Barbados Tourism Marketing, Inc., Barbados Tourism Product, Inc. and Sanitation Services Authority, in order to take these three statutory corporations off of Barbados' main bank account (the "*Consolidated Fund*", which is a deposit account into which all revenues of Barbados are to be deposited), and at Queen Elizabeth Hospital (the "*QEH*"), in order to take the QEH partially off the Consolidated Fund, which is expected to account for a total reduction in expenditures of approximately U.S.\$25.0 million; and (ii) a review of tax revenue to impose more effective taxes, increase compliance and broaden the base of domestic and foreign tax payers to reduce the fiscal deficit in FY 2018/19;
- Phase two (months three to twelve) includes: (i) a review of Government departments and SOEs with the aim of reducing expenditures, including through mergers and divestment; (ii) a review of the international business framework in light of the inclusion of Barbados on the list of jurisdictions subject to close monitoring for tax purposes by the European Union; and (iii) measures to boost growth, as discussed below;
- Phase three (month twelve and onward) includes: continued review and analysis of SOEs and departments of the Government.

The combined effect of the three phases is expected to reduce expenditures and raise revenues by a combined amount of approximately U.S.\$115.0 million.

Medium-Term Fiscal Strategy

As part of the BERTP, Barbados' medium-term fiscal strategy is designed to put the deficit and debt on a sustainable footing while: (i) building reserves; (ii) restoring and accelerating growth through increased public sector efficiencies and special economic zones; (iii) investing in critical public infrastructure, such as sewage, sanitation and transport; and (iv) providing social protection for the most vulnerable, such as the elderly poor, unemployed youth and the working poor.

Over the medium term, Barbados will focus on achieving fiscal surpluses and decreasing the amount of debt outstanding. The mini-budget announced in June 2018 lays out the path to cutting the budget deficit in half by the end of FY 2018/19. The overall public sector deficit declined from 4.6% of GDP in FY 2017/18 to 0.5% of GDP in FY 2018/19. The fiscal and debt adjustments are expected to reduce the debt to GDP ratio from 147.8% as of 31 December 2017 to 60% by FY 2033/34.

The medium-term fiscal strategy aims to achieve a debt to GDP ratio of 60.0% by FY 2033/34. To achieve this goal, Barbados expects to move to a primary fiscal surplus of 6.0% of GDP by FY 2019/20 and maintain that fiscal surplus until FY 2024/25, moderating it slowly as intermediate debt to GDP targets are reached.

Additionally, Barbados is conducting a comprehensive, consensual debt restructuring. The debt restructuring aims to address the severe challenges presented by current debt service commitments and, in conjunction with the corrective economic and fiscal measures, to place public debt on a more sustainable footing. For more information on the debt restructuring, see "Debt Strategy" below.

In addition to the fiscal and debt measures, Barbados will also pursue structural reforms to improve the supply of labour and training, improve the speed, cost, predictability and transparency of government procurement and make it generally easier and cheaper to do business in Barbados. The Government expects that these measures will enable Barbados to convert potential investment projects to active investments, increasing the potential GDP growth towards 3.5%. Given that structural reforms can take significant time to design, implement and bear fruit, the Government has not assumed the success of any of these structural reforms in its strategy to reach a debt to GDP ratio of 60.0% by FY 2033/34.

Overall, the fiscal consolidation measures will be underpinned by: (i) core structural reforms; (ii) strategic expenditure management, particularly within SOEs, (iii) SOE reforms, including through improvement of SOE governance and through mergers and discontinuation of certain entities, to reduce transfers given to SOEs; and (iv) strengthened fiscal institutions, with a goal of facilitating business through the use of advanced technologies while entrenching fiscal discipline.

Summary of Select Strategies

Barbados plans to:

- adjust the pace and composition of the fiscal adjustment through comprehensive tax and public financial management reform;
- promote and foster greater transparency, fiscal discipline and prudence in the management of Government affairs;
- conduct a comprehensive debt restructuring programme;

- reduce outstanding arrears between the Government and other agencies through settlements negotiated by the established Arrears Unit;
- introduce stronger oversight, improved reporting, cost reduction and revenue enhancement, including a review of all tariffs and user fees charged by the SOEs that are to be reformed under the BERTP;
- improve SOE management and efficiency through performance-based budgeting and waste and duplication reduction;
- improve the Public Investment Management Framework (the “*PIMF*”); and
- engage in a comprehensive expenditure review.

IMF Programme

In addition to the BERTP, the Government requested from the IMF: (i) liquidity support for international reserves, (ii) an assessment of the BERTP and (iii) discussions regarding the debt restructuring.

On 1 October 2018, the IMF announced the approval by its Executive Board of a four-year extended arrangement (the “*Extended Arrangement*”) under the Extended Fund Facility (the “*EFF*”) for Barbados for approximately U.S.\$290.0 million, or 220% of Barbados’ quota in the IMF. The approval of this programme allowed for the immediate disbursement of approximately U.S.\$49.0 million. The Extended Arrangement, which is complemented by the fiscal and debt adjustment measures, aims to help Barbados restore debt sustainability, strengthen its external position and improve growth prospects.

The IMF published its first review of Barbados under the Extended Arrangement on 24 June 2019. Barbados met all quantitative performance criteria and indicative targets for March 2019. The review outlines that six structural benchmarks were met and the remaining four benchmarks were implemented with minor delays. The review notes the swift progress Barbados has made since mid-2018 in addressing economic vulnerabilities, including a significant increase in international reserves, the completion of the domestic debt restructuring and ongoing reform of SOEs, the customs department, public pensions and the Central Bank of Barbados Act Cap.323C.

Debt Strategy

In June 2018, as a consequence of critically low levels of international reserves, unsustainably high levels of public indebtedness, poor growth and major failings in public infrastructure and social safety nets that undermined Barbados’ ability to service its external debt, the Government announced its intention to seek the cooperation of its domestic and external creditors in a comprehensive restructuring of its public debt. The Invitation described in this invitation memorandum is a key part of Barbados’ debt management programme.

The following summarises Barbados’ proposed treatment of its different types of indebtedness. See “Public Debt” for a list of Barbados’ outstanding debt.

The extent and terms of the debt restructuring have been designed so as to not endanger financial stability within the economy.

Domestic Debt

Barbados Dollar–Denominated Instrument and Arrears

On 1 June 2018, Barbados announced that it would endeavour to make scheduled domestic interest payments on Barbados dollar-denominated debt, but the domestic creditors were asked to roll over principal maturities until restructuring agreements were concluded. In addition, on 27 June 2018, the Ministry of Finance announced a moratorium on Treasury Bill auctions.

On 7 September 2018, Barbados launched an exchange offer for holders of Barbados dollar-denominated debt, including Treasury Bills and Treasury Notes and Debentures, issued or contracted by Barbados, certain state-owned enterprises and certain other entities that receive transfers from the Government budget (the “*Domestic Exchange Offer*”). The launch of the Domestic Exchange Offer followed three months of extensive consultations between Barbados and representatives of the several creditors and creditor groups that would be affected by the debt restructuring, including Barbados’ banks, its insurance companies, the NIS and the Central Bank.

In the Domestic Exchange Offer, Barbados offered to exchange existing Barbados dollar-denominated instruments for various series of new instruments, with the eligibility for each new instrument depending on the holder and instrument type. A summary of the offer is available at: <http://gisbarbados.gov.bb/blog/bbd-debt-exchangeoffer-summary/>.

With the launch of the Domestic Exchange Offer, Barbados announced the suspension of interest payments on Barbados-dollar denominated instruments. All interest falling due and accruing through 30 September 2018 will be capitalised and added to the principal amount of new instruments offered in the exchange. Interest on the new instruments accrued retroactively from 30 September 2018.

On 30 October 2018, Barbados announced that holders of 97% of the aggregate principal amount of all outstanding Barbados dollar-denominated debt eligible to participate in the Domestic Exchange Offer accepted the offer, including holders of SOE debts guaranteed by the Government, as described below. Pursuant to the Debt Holder (Approval of Debt Restructuring) Act, 2018, all claims eligible to participate in the Domestic Exchange Offer were restructured in accordance with the terms of the offer.

Domestic Debt Instruments and Arrears of SOEs and Guaranteed Claims

Barbados has given guarantees of various indebtedness of SOEs and certain entities that receive transfers from the Government budget. Barbados’ approach to the debts owed by SOEs and other entities to commercial creditors has been focused on drawing a distinction between those entities that were not financially viable in the absence of budgetary transfers from the Government and those that were deemed to be self-sufficient on the basis of their own operations.

For self-sufficient SOEs and government-supported entities, creditors of these entities released the Government guarantees with the SOE obligor remaining unchanged pursuant to the Domestic Exchange Offer. Debts of self-sufficient SOEs were not otherwise altered or reprofiled.

For non-self-sufficient SOEs and government-supported entities, the Government assumed these debts and restructured the debts on the same terms as Barbados dollar-denominated Government bonds and Debentures in the Domestic Exchange Offer, as described above.

External Debt

Commercial Loans and External Bond Indebtedness

Due to Barbados' international reserve position and the Central Bank's projections for further declines, Barbados ceased servicing all of its external commercial loans and external bond indebtedness on 1 June 2018.

Pursuant to this Invitation, on 5 November 2019 Barbados has launched this Invitation to holders of Eligible Claims to offer to exchange their Eligible Claims for the Consideration as described herein. In parallel, also on 5 November 2019 Barbados launched an invitation to offer to exchange (a) U.S.\$540,000,000 of Barbados' outstanding international bonds, (b) U.S.\$225,000,000 of Barbados' outstanding loans; (c) Fixed Rate Non-Callable Guaranteed Bonds 2007-2022 issued by the Barbados Transport Board and Fixed Rate Non-Callable Guaranteed Bonds 2007 – 2022 issued by Barbados Agricultural Management Co. Ltd.; and (d) Class B Fixed Rate Bonds due 2019 issued by the Government of Barbados in definitive form, each as described more fully in the invitation memoranda relating to the Parallel Exchanges. The launch of the invitations is in furtherance of the Government's 1 June 2018 announcement of its intention to seek a comprehensive restructuring of Barbados' debt, including the Domestic Exchange Offer, and follows many months of good faith discussions with the Barbados creditors' committee.

USD-Denominated, Barbados Law Governed Claims

Separately from this Invitation and the Parallel Exchanges, Barbados intends to invite holders of certain USD-denominated, Barbados law governed claims to exchange those instruments for new Barbados dollar-denominated instruments.

Bilateral and Multilateral Indebtedness

Bilateral and multilateral claims have been serviced on time.

BARBADOS

History

The Arawaks were the first known inhabitants of Barbados, all of whom had departed Barbados by the time British colonists first settled at Holetown on the west coast of the island in 1627. Ten years later, sugar cane was introduced to the island. Barbados became the first British territory to establish large sugar cane plantations. Barbados remained a British colony until 1966, when independence from the United Kingdom was granted by the Barbados Independence Act 1966. Barbados is a member of the Commonwealth of Nations, a voluntary association of 53 sovereign states. Since independence, Barbados has experienced political stability.

Geography and Population

Barbados is the most easterly of the Caribbean islands, situated approximately 300 miles off the north coast of South America. The island comprises a total landmass of 166 square miles. The topography is relatively flat and composed mostly of coral. The highest point on the island is Mount Hillaby, at 336 metres (1,104 feet) above sea level. The climate is tropical, tempered by trade winds, with daytime temperatures typically in the range of 80 to 85 degrees Fahrenheit (27 to 29 degrees Celsius). A cool, dry period between December and March is followed by a warmer, rainy period from April to November. Barbados is located in an active geologic zone and in one of the most hurricane-prone regions of the world.

Between the population census in 2000 and the latest census in 2010, Barbados' population increased at an average annual rate of approximately 0.34%. According to the World Bank, the estimated total population of Barbados was 285,719 as of 31 December 2017, an increase of 2.84% compared to 277,821 as of the 2010 population census.

The World Bank estimated that 68% of Barbados' population lived in rural areas in 2010, an increase of 2 percentage points compared to 2000, while 32% of the population lived in urban areas.

Bridgetown, the capital of Barbados and the country's largest urban centre, is situated on the southwest coast of the island and, with its surrounding areas, had a population of approximately 89,630 as of the 2010 census.

Based on the World Bank's data, the country's population density is estimated at approximately 664.5 persons per square kilometre, compared to an average population density of 17.9 for small states in the Caribbean, as classified by the World Bank.

English is the official language of Barbados.

The Constitution of Barbados (the "*Constitution*") provides for religious freedom. Over one hundred religious denominations, predominantly Christian, are represented in Barbados.

Infrastructure

Barbados' infrastructure includes a road network of over 980 miles, including a multi-lane highway extending from the airport at the southeast of Barbados to the seaport on the west coast. Electricity and water are available in most households and a modern telecommunications network infrastructure is currently operated by telecommunications network providers, including Cable & Wireless (Barbados) Ltd. (trading as Flow) and Digicel (Barbados) Ltd.

Social Development

Barbados is generally classified as a middle-income developing country.

The following table sets forth the latest selective comparative statistics published by the International Bank for Reconstruction and Development (the “*World Bank*”) and the United Nations Development Programme (the “*UNDP*”) for Barbados and other countries in the Caribbean.

Table No. 2
Selected Social Development Indicators (2016)

	<u>Barbados</u>	<u>Grenada</u>	<u>Trinidad and Tobago</u>	<u>St. Lucia</u>	<u>Saint Vincent and the Grenadines</u>	<u>Saint Kitts and Nevis</u>	<u>Jamaica</u>	<u>Bahamas</u>
Per capita GDP ⁽¹⁾ ..	15,891.63	9,841.76	16,352.11	9,364.82	6,982.26	16,596.83	4,883.86	30,260.31
Infant mortality rate ⁽²⁾	12.3	16.0	18.5	13.3	16.6	9.3	13.5	6.1
Life Expectancy at birth ⁽³⁾	75.906	73.659	70.673	75.496	73.179	71.337	75.97	75.675
Human Development Index Rank.....	58	75	69	90	99	72	97	54
Average Years of Schooling ⁽⁴⁾	9.2	n.a.	10.6	n.a.	n.a.	n.a.	13.2	12.8

n.a. = Not available.

- (1) Figures are in U.S. dollars adjusted for purchasing power parity. Per capita GDP for Barbados will not match Barbados’ per capita GDP shown elsewhere in this document but is used here to provide a consistent basis for inter-country comparisons.
- (2) Infant mortality per 1,000 live births.
- (3) Figures as of 2002 for Dominica and Saint Kitts and Nevis.
- (4) Figures as of 2013.

Source: *World Bank*

For many years, Barbados has emphasised the development of its human resources, resulting in a literate and trained labour force. The 2009 Human Development Report UNDP study ranked Barbados 37th in overall quality of life (based on 2007 UNDP human development index values) and estimated its literacy rate at 99.7% as of 2017.

The Barbados educational system is modelled on the British system, and children are legally required to attend school up to the age of sixteen. Three levels of public education are available in Barbados, including a campus of the University of the West Indies (the “*UWI*”) located at Cave Hill. Education is funded almost entirely by the Government, from primary school to the undergraduate level and the Government contributes to the costs of the UWI. The fees paid by Barbadian citizens attending the Cave Hill campus are nominal.

Healthcare

Healthcare in Barbados is funded almost entirely by the Government. Free treatment for citizens and permanent residents of Barbados is provided at Barbados' largest hospital, Queen Elizabeth Hospital in Bridgetown, which provides a variety of medical services. Barbados' second largest hospital, Bayview, is private and charges patients for services. Barbados has a number of smaller district medical clinics, some of which also provide dental services. The standard of healthcare is high compared to other developing and Caribbean countries, and limited Government funding is also available for overseas treatment. In addition to Bayview, there are a number of other private medical clinics on the island. The Government has acted promptly to establish healthcare and prevention programmes and has received U.S.\$15.0 million and U.S.\$35.0 million in 2003 and 2009, respectively, from the World Bank under the HIV/AIDS phase 1 and phase 2 loan programmes.

Immigration

The Immigration Act of Barbados grants foreign residents in Barbados who can evidence ability to support themselves and their dependents the status of immigrant in the first instance and, upon application five years thereafter, the status of permanent resident. Barbados' immigration policy is focused on maintaining and strengthening the Government's economic base, ensuring the safety and security of the Barbadian people and embracing internationally accepted levels of governance.

Form of Government

General

Barbados' current form of government was established by the Constitution, which took effect pursuant to the Barbados Independence Act in 1966. The Constitution was founded on the British Westminster model of parliamentary democracy and provides that Barbados' Government comprises the elected House of Assembly and an appointed Senate. The Constitution also guarantees certain fundamental rights and freedoms.

Amendments to the Constitution can be passed either: (i) by a simple majority of each house of parliament or (ii), in the case of changes to certain fundamental provisions, including those relating to citizenship, fundamental rights and freedoms of the individual, the judicature, public service, national finance and certain provisions relating to the Governor General and Parliament, by a two-thirds majority of each house of Parliament. There is no requirement that constitutional amendments be approved by a referendum.

As part of the Commonwealth of Nations, Queen Elizabeth II of the United Kingdom is the head of state of Barbados and is officially titled Queen of Barbados. Queen Elizabeth II is represented in Barbados by a Governor General, who is appointed on the recommendation of the Prime Minister of Barbados (the "*Prime Minister*"). The constitutional functions of the Governor General are, in most cases, of formal or ceremonial nature.

There is no local or municipal government on the island.

Legislature Branch

The Parliament, unless dissolved earlier, continues for five years from the date of the most recent general election. The Constitution provides for an Electoral and Boundaries Commission, which directs and supervises the determination of the number, sizes and boundaries of constituencies, the registration of

voters and the conduct of elections in every constituency. Barbados is currently divided into thirty constituencies.

Barbados' House of Assembly consists of thirty members elected in accordance with the provisions of the Constitution and the Representation of the People Act Cap. 12.

Of the twenty-one seats in the Senate, twelve are appointed by the Prime Minister, seven are appointed by the Governor-General and two by the leader of the opposition.

Since independence in 1966, two parties, the Barbados Labour Party (the "*BLP*") and the Democratic Labour Party (the "*DLP*"), have dominated politics in Barbados. The DLP held the majority in the House of Assembly during the decade after Barbados' independence, then BLP controlled the House of Assembly for the following two terms from 1976-1986. In 1986, the DLP, once again, held the majority, until 1994 when the balance shifted in favour of the BLP. The BLP maintained its majority in the House of Assembly until the DLP won twenty out of the thirty seats in 2008. In the recent 2018 election, the BLP won a sweeping victory, capturing all thirty seats in the House of Assembly. Other active parties include the United Progressive Party (the "*UPP*"), Solutions Barbados ("*SB*") and three others.

The present government, which was formed by the BLP and is led by Prime Minister Mia Amor Mottley, came to office in 2018. As of the date of this invitation memorandum the BLP has 29 seats in Parliament and the opposition holds one seat. Under the Constitution, the next general election in Barbados is required to take place no later than August 2023 but can be called sooner by the Prime Minister.

Executive Branch

The Prime Minister is appointed by the Governor General as the member of the House of Assembly best able, in the judgment of the Governor General, to command the confidence of a majority of the House of Assembly.

The Constitution provides for a cabinet consisting of the Prime Minister and not fewer than five other ministers (the "*Cabinet*"). As of the date of this invitation memorandum, the Government led by the Prime Minister is supported by 25 Ministers.

The Cabinet is the principal organ for the formulation and implementation of government policy. It is charged by the Constitution with the general direction and control of the Government and is collectively responsible to the Parliament. Members of the Cabinet are appointed by the Governor General on the advice of the Prime Minister. The Constitution further provides that there shall be a leader of the opposition, also appointed by the Governor General.

Judicial Branch

The judicial system of Barbados is based on the English common-law system and is comprised of a four-level court structure. Among the three domestic courts, there are Magistrates' Courts, which serve as courts of summary jurisdiction. The other two domestic courts, the Court of Appeal and the High Court, are collectively referred to as the Supreme Court of Barbados. The High Court consists of a civil, criminal and family division, and judges of the High Court may sit in any division. Appeals of Magistrates' Court and High Court decisions are heard in the Court of Appeal, which exercises both criminal and civil jurisdiction. Final appeals are made to the Caribbean Court of Justice (the "*CCJ*"), a Caribbean Community ("*CARICOM*") institution based in Trinidad and Tobago. Barbados is currently

one of four CARICOM Member States, along with Belize, Dominica and Guyana, that recognise the CCJ as their final appellate court.

Foreign Affairs, International Organisations and International Economic Cooperation

Barbados has diplomatic ties with 107 countries. Barbados is a member of the United Nations, the Commonwealth of Nations, CARICOM, the Caribbean Development Bank (the “CDB”), the Regional Security System (the “RSS”), the Association of Caribbean States (the “ACS”), the African, Caribbean and Pacific Group of States (the “ACP”), the Alliance of Small Island States (the “AOSIS”), the Caribbean Disaster Emergency Management Agency (the “CDEMA”), the United Nations Economic Commission for Latin America and the Caribbean, the Caribbean Tourism Organization, Inter-American Development Bank, International Criminal Police Organization (“*Interpol*”), the Latin American and the Caribbean Economic System (“*SELA*”), Non-Aligned Movement (“*NAM*”), the Organization of American States (the “OAS”) and the International Criminal Court.

Barbados has been recognised by most members of the United Nations and maintains diplomatic missions in the United States, Canada, the United Kingdom, Belgium, Switzerland, China, Cuba, Brazil and Venezuela.

A resident High Commissioner (distinct from the Governor General, who represents the British monarch) represents the United Kingdom in Barbados. There are also various other members of the United Nations with Embassies, High Commissions and Consulates in Barbados.

THE ECONOMY

General

Barbados is a small, diversified, service-based economy with an educated workforce, solid social and economic infrastructure and a historically stable growth performance due in part to high levels of human development and continued political stability. The economy is driven by private enterprise with the Government playing a crucial role in the provision of social services and physical infrastructure. According to the United Nations, Barbados' GDP per capita was U.S.\$15,687.20 in 2018, compared to an average of U.S.\$11,697.00 for select CARICOM member countries.¹

Gross Domestic Product

The following table sets forth the rate of growth of real GDP by economic sector for the years indicated.

Table No. 3
Real GDP Growth by Sector⁽¹⁾

	2014	2015	2016	2017	2018
	<i>(per cent change against prior year)</i>				
Traded sector	(0.3)	6.5	6.0	3.4	3.9
Sugar	(16.2)	(19.9)	(29.0)	59.0	12.0
Non-sugar agriculture and fishing.....	(1.6)	1.6	0.2	(5.3)	14.9
Manufacturing	(4.3)	4.8	(1.3)	1.6	0.5
Tourism	1.9	7.8	9.8	4.6	4.2
Non-traded sector	0.1	1.3	1.7	(0.2)	(1.7)
Mining and quarrying.....	39.1	29.9	(13.2)	25.6	2.4
Electricity, gas and water	0.2	(1.8)	0.7	(1.9)	(0.3)
Construction	1.4	(1.2)	(2.6)	2.1	(6.4)
Wholesale and retail trade ⁽²⁾	(3.8)	3.4	(1.0)	(3.7)	(3.8)
Government services	(6.8)	(3.3)	(1.1)	0.1	(1.6)
Transportation, storage and communications.....	3.5	0.6	9.5	(1.8)	(2.6)
Business and other services ⁽³⁾	2.1	3.0	1.6	(0.8)	(0.2)
Total	(0.0)	2.4	2.6	0.6	(0.4)

(1) Based on GDP calculated in constant 2010 Barbados dollars (U.S. dollar equivalent).

(2) Includes establishments engaged in wholesale and retail merchandising (such as restaurants, artisanal shops, grocery markets, general tourism and beach products) and the sale of items produced by the manufacturing sector (such as electronic components, chemicals, garments and textiles, paint, paper products, furniture, edible oils, soap and food products).

(3) Includes international business and financial services, other businesses and data and information technology services.

Source: Barbados Statistical Service

¹ The CARICOM countries are The Bahamas, Jamaica, Trinidad and Tobago, Guyana, Belize, Haiti and the Eastern Caribbean Currency Union.

The following table sets forth the composition of Barbados' of real GDP by economic sector, in U.S. dollars and in percentage terms, for the periods indicated.

Table No. 4
Real GDP by Sector⁽¹⁾

	%	2014	%	2015	%	2016	%	2017	%	2018	%
<i>(In millions U.S. dollars and as a percentage of total GDP)</i>											
Traded sector	21.4	820.2	22.3	873.1	23.0	925.4	23.6	956.6	23.6	930.7	23.3
Sugar	0.1	3.0	0.1	2.4	0.0	1.7	0.1	2.7	0.1	3.0	0.1
Non-sugar agriculture and fishing.....	1.4	51.9	1.3	52.7	1.3	52.8	1.2	50.1	1.2	57.5	1.4
Manufacturing..	6.1	234.4	6.3	245.7	6.0	242.6	6.1	246.4	6.1	247.7	6.1
Tourism	13.9	530.9	14.6	572.4	15.6	628.3	16.2	657.4	16.2	685.2	17.0
Non-trade sector .	78.6	3,009.4	77.7	3,050.0	77.0	3,100.6	76.4	3,095.1	76.4	3,041.9	75.4
Mining and quarrying	0.4	14.4	0.5	18.7	0.4	16.2	0.5	20.4	0.5	20.9	0.5
Electricity, gas and water	2.9	110.7	2.8	108.7	2.7	109.5	2.7	107.4	2.7	107.1	2.7
Construction	6.6	250.8	6.3	247.8	6.0	241.4	6.1	246.5	6.1	230.8	5.7
Wholesale and retail trade ⁽²⁾	10.0	383.7	10.1	396.9	9.8	392.9	9.3	378.5	9.3	364.1	9.0
Government services.....	11.7	447.0	11.0	432.3	10.6	427.4	10.6	427.8	10.6	420.9	10.4
Transportation, storage and communications	12.6	483.5	12.4	486.3	13.2	532.6	12.9	522.8	12.9	509.0	12.6
Business and other Services ⁽³⁾	34.4	1,319.3	34.6	1,359.2	34.3	1,380.6	34.4	1,391.8	34.4	1,389.1	34.4
Total.....		3,829.6		3,923.2		4,026.0		4,051.7		4,035.3	

Note: Numbers may not total due to rounding.

(1) Based on GDP calculated in constant 2010 Barbados dollars (U.S. Dollar equivalent).

(2) Includes establishments engaged in wholesale and retail merchandising (such as restaurants, artisanal shops, grocery markets, general tourism and beach products) and the sale of items produced by the manufacturing sector (such as electronic components, chemicals, garments and textiles, paint, paper products, furniture, edible oils, soap and food products).

(3) Includes international business and financial services, other businesses and data and information technology services.

Source: Barbados Statistical Service

The strength of private investment enabled the Barbados economy to achieve an average real GDP growth rate of 2.9% per annum between 1993 and 2000, while the population size remained relatively unchanged. In 2001, the Barbados economy contracted by an estimated 2.3% as a result of the depressed world economy and the negative consequences of the 11 September 2001 terrorist attack, which temporarily weakened the performance of the tourism sector. From 2002 through 2008, the Barbados economy registered average real GDP growth of 2.2%, as the tourism sector recovered and new private sector investment was registered. Between 2008 and 2018, real GDP declined on average by 2.4%, particularly in 2009 when real GDP fell by 7.2% in the wake of the global economic and financial

crisis. The economy saw a modest recovery between 2014-2017 as real growth averaged 1.4% due primarily to strong tourism growth.

In 2018, the Barbadian economy contracted by 0.4%, compared to marginal growth of 0.6% in 2017, primarily due to the impact of tighter fiscal policy and a slowdown in the tourism and construction sectors during the second half of the year. The Barbadian economy continued to face challenging macroeconomic conditions during 2018 given the increased risks created by declining international reserves, the threat of rising international oil prices and limited access to new financing for the Government. The Government implemented initiatives to address these challenging economic conditions through an intensification of fiscal consolidation efforts and structural reforms aimed at stimulating economic growth.

Business and other services (of which international business and financial services are the principal components), tourism, and transportation, storage and communications are the main sectors of the Barbados economy, accounting for approximately 34.4%, 17.0% and 12.6% of real GDP in 2018, respectively. These three sectors are also Barbados' largest sources of foreign-exchange earnings and corporate tax revenue and, tourism in particular, contribute to other areas of the Barbadian economy, particularly, wholesale and retail trade and construction.

Principal Sectors of the Economy

Tourism

Tourism is a very important sector of the Barbadian economy. In addition to its year-round warm Caribbean climate and white sandy beaches, Barbados offers a unique array of tourist attractions that distinguishes the island as an up-market destination, particularly for heritage, cultural and sport tourism, and attracted 678,538 visitors in 2018. On 25 June 2011, Historic Bridgetown and its Garrison was designated a UNESCO World Heritage site.

From 2014 to 2018, the tourism sector accounted for an average of approximately 15% of total real GDP and approximately 66% of traded sector real GDP. In 2018, tourism contributed U.S.\$685.5 million to real GDP, equivalent to 68.9% of traded sector real GDP and 17.0% of total real GDP, compared to U.S.\$657.4 million, 68.7% and 16.2% in 2017, respectively.

Tourism activity also contributes significantly to Barbados' foreign exchange earnings, accounting for spending of U.S.\$1,157.8 million in 2018, U.S.\$1,061.1 million in 2017 and U.S.\$1,020.1 million in 2016. The tourism sector also has multiplier or spill-over effects on other economic sectors, in particular, construction and wholesale and retail trade, and contributes to tourism-related private sector economic investment.

The following tables set out selected statistics relating to the tourism sector for the years indicated.

Table No. 5
Key Tourism Indicators

	Year ended 31 December				
	2014	2015	2016	2017	2018
Tourism real GDP (% change).....	1.9	7.8	9.8	4.6	4.2
Tourist arrivals (in thousands)	519.6	591.9	631.5	661.3	678.5
United Kingdom.....	186.8	214.2	218.6	217.4	220.7
United States	118.5	148.1	168.9	188.5	204.2
Canada.....	65.8	74.6	78.9	85.1	86.5
CARICOM	78.7	88.0	99.7	102.9	102.8
Other	69.7	67.2	65.3	67.3	64.3
Average length of stay (nights)*	9.2	9.0	8.8	8.7	8.6
Hotel room occupancy rate (%)	n.a.	68.6	68.4	67.9	66.2
Cruise ship passengers (in thousands)	557.9	586.6	594.1	681.2	615.0
Estimated tourist spending (in millions of U.S.\$).....	868.6	927.8	1,020.0	1,061.1	1157.8

* Excludes people staying at the homes of friends or relatives or people who stay in apartments or villas, which are not, for these purposes, recognised accommodation.

n.a. = Not available.

Source: Barbados Statistical Service and Central Bank of Barbados

The country of origin for tourist visitors to Barbados has changed over the last 30 years. The main source of visitors was Canada in the 1970s, the United States in the 1980s and the United Kingdom in the 1990s and over the last two decades.

With the exception of the UK and North American markets, declines in tourist arrivals were recorded from other traditional source markets in 2018. Arrivals from the United States, Canada and the United Kingdom rose by an estimated 8.3%, 1.6% and 1.5%, respectively compared to 2017, mainly due to increased flights and associated marketing in these markets. In 2018, visitors from the United States and Canada accounted for 30.1% and 12.7% of long-stay arrivals, while the United Kingdom and CARICOM accounted for 36.6% and 15.2% of long-stay arrivals, respectively.

The following table provides information regarding air service to and from Barbados as of 31 December 2018 by principal tourist departure city.

Table No. 6
Air Services to and from Barbados

Location	Air Service Provider
New York	American Airlines Jet Blue Airways
Miami	American Airlines
London	British Airways Virgin Atlantic Thomas Cook Airlines
Montreal	Air Canada
Toronto	Air Canada West Jet Airlines
Germany	Condor Airlines
Latin America	Copa Airlines

Source: Barbados Tourism Marketing Incorporated

Barbados also serves as a port of call for the following major cruise operators, among others: Princess Cruises, Royal Caribbean Cruise Lines, Carnival Cruise Lines, Norwegian Cruise Lines and Disney Cruise Lines.

Cruise ship passengers reached 614,993 in 2018, a decline of 9.7%, compared to growth of 14.7% in 2017 when there were increased cruise ship calls. Cruise ship passenger arrivals increased during 2016 and 2015 by 1.3% and 5.2%, respectively.

As of end of December 2018, total tourist accommodation, which includes registered hotels, villas and guest houses, in Barbados was approximately 6,573 rooms.

The tourism sector in Barbados has traditionally been dominated by luxury hotels on the west coast, such as the Sandy Lane Hotel, Glitter Bay and the Royal Pavilion. There are also ongoing projects and plans to develop major hotel projects on the east and west coasts and in Bridgetown, including the Sandals Beaches, Hyatt Hotel and the Wyndham Resort.

The Barbados Tourism Marketing Incorporated (the “BTMI”) aims to maintain market diversity by targeting niche markets in addition to the traditional markets of the United States, Canada and other CARICOM countries. The BTMI also seeks to enter new markets in Brazil and other South American countries and to bolster Barbados’ profile in Germany and other European nations. Although the BTMI intends to continue to focus primarily on the luxury market, its aim is to develop the upper-end of the budget market in a complementary manner. This aim will be pursued through improvements to all classes of hotels, an increase in the number of available rooms for visitors, improvements to infrastructure and a variety of events and recreational facilities for different tourist segments.

Business and Other Services

Business and other services comprises of international business and financial services, insurance, other businesses and data and information technology services. In 2018, this sector represented 34.4% of real GDP, as compared to an average of 34.4% of real GDP over the 2014-2017 period.

International Business and Financial Services

International business and financial services are the principal components of the general businesses, financial and other services sector. Historically, the international business and financial services encompasses international business companies, international banks, exempt insurance companies and exempt insurance management companies, and societies with restricted liability, as discussed in more detail in “–Banking” and “–Insurance” below. The international business and financial services sector benefits from the well-educated, skilled labour and modern telecommunications facilities available in Barbados.

The international business and financial services sector generates revenue primarily through collection of corporate taxes and, to a lesser extent, on government fees for new licences.

International Business Companies

An important key component of the business and other services sector is licensing under the International Business Companies Act 1991-24 (the “*IBCA*”). Pursuant to the previous IBCA, international business companies (“*IBCs*”) conducted activities other than insurance-related and banking-related business. These permitted activities include manufacturing, marketing and global management services. During 2018, 237 new IBC licences were issued, a reduction from the 293 issued in 2017 and 346 in 2016.

Effective January 2019, all domestic and international business companies operating in Barbados will become regular Barbadian companies. This change in the corporate tax system was accomplished in December 2018 when the Barbados Government repealed several laws, including the International Business Companies (IBC) Act and the International Societies with Restricted Liability (ISRL) Act. These Acts previously made provisions for licensed entities to be taxed at corporate rates ranging between 0.25% and 2.5%, depending on the level of their respective profits. Currently, all IBC’s and ISRLs became regular Barbados companies and entities and can conduct business locally, regionally, and internationally, under corporate tax rates of between 1% and 5.5%.

The following table sets forth the number of new licences in international business and financial services for the years indicated.

Table No. 7
New Licences Issued in International Business and Financial Services *

	Year ended 31 December				
	2014	2015	2016	2017	2018
International Business Companies	442	365	346	293	237
Exempt Insurance Companies.....	11	10	9	12	7
Exempt Insurance Management Companies	1	3	1	1	1
Societies with Restricted Liabilities.....	30	38	117	59	56
International Banks	2	0	0	0	0
Total.....	486	416	473	365	302

* The information included herein relates to new licences issued only and not to the continued existence or operating status of the relevant entities.

Source: Central Bank of Barbados, Ministry of International Business and International Transport

International Banking

Banking institutions licensed under the previous International Financial Services Act are a key component of the international business and financial services sector. International banks in Barbados accept deposits, sell and place foreign securities and provide loans to businesses abroad. They also accept foreign currencies, securities and other overseas property in trust. From 2014 to 2018, the number of international banks in Barbados declined from 40 in 2014 to 22 in 2018. This decrease in the number of international banks was mainly due to a reduction in the tax incentives available to these companies resulting from changes to the Canadian tax system.

The International Financial Services Act, which previously governed the operations of international banks, was repealed and the Financial Institutions Act amended to require the licencing of institutions conducting business that generates solely foreign currency. There will be four classes of licences under the amended Financial Institutions Act: Class 1 —commercial banks; Class 2 — trust companies, finance companies, merchant banks, and money or value transmission service providers; Class 3 —financial holding companies; and Class 4 —foreign currency earning banks.

Insurance

The insurance segment includes life insurance, exempt insurance and exempt insurance management companies. Exempt insurance companies (“EICs”) are incorporated under the Companies Act of Barbados and must apply for a licence under the 1983 Exempt Insurance Act. EICs’ activities are restricted to risks and premiums originating outside Barbados. EICs include underwriters, brokers, agents, dealers or salesmen. EICs are licensed, regulated and supervised by the Financial Services Commission (the “FSC”). In 2015, three additional exempt insurance companies were registered, and only two additional companies were registered in the ensuing two-year period from 2016 to 2017.

To converge all corporate tax rates to avoid the categorisation of being a preferential tax regime, Barbados repealed the Exempt Insurance Act. As of 1 January 2019, all insurance entities now come under the Insurance (Amendment) Act, 2018-52, providing for three classes of licence. Class 1 includes insurance companies insuring related-party risks. Class 1 licensees pay a licence fee and are subject to 0 per cent. tax. Class 2 includes all other insurance companies that insure or reinsure risks of third parties. Class 2 licensees are taxed at a rate of 2 per cent. on taxable income. Class 3 includes insurance intermediaries, insurance management companies and insurance holding companies. Class 3 licensees are also taxed at 2 per cent. on taxable income.

International Tax Treaty Network

Barbados has established a treaty network to capitalise on the economic growth of its principal trading partners and enhance its appeal as destination for foreign direct investment. Barbados has double tax agreements with Austria, Botswana, Canada, CARICOM, China, Cuba, Finland, Malta, Mauritius, Mexico, the Netherlands, Norway, Seychelles, Sweden, Switzerland, the UK, the USA, and Venezuela. There is also a regional double taxation agreement amongst the member states of CARICOM. Barbados also has bilateral investment treaties with the United Kingdom, Mauritius, Venezuela, Germany, Switzerland, Italy, Cuba, Canada and China.

Manufacturing

The manufacturing sector accounted for 6.1% of real GDP in 2018, on par with the output share in 2017 and an average of 6.1% for the period from 2014 to 2016. The manufacturing sector in Barbados comprises mainly of light industry, including production of electronic components, chemicals, garments

and textiles, paint, paper products, furniture, edible oils, soap and processed food products. The main agro-industries are sugar products and rum distilling.

Output in the manufacturing sector increased by 0.5% in 2018, compared with growth of 1.6% in 2017, primarily due to lower production of beverages and tobacco, food processing and chemical products.

The Government continues to support the manufacturing sector's modernisation of existing plants, reduction in unit production costs and increases in productivity. The Government encourages manufacturers to restructure and diversify their production systems and to discard outdated plant and equipment to be able to compete internationally. Through the Barbados Investment and Development Corporation (the "*BIDC*"), the Government provides a technical assistance programme for activities relating to plant upgrading, product design and training.

A key by-product of the sugarcane industry in Barbados is rum, which has been manufactured and distilled on the island for over 300 years. Mount Gay Rum, which is majority-owned by Remy Martin, and Cockspur Fine Rum, ESA Field and Four Square Spiced Rum, which are all locally-owned, have distilleries in Barbados that produce rum for domestic and export markets. The principal export markets are Canada, the United States, the United Kingdom and the European Union. Barbados exported U.S.\$39.9 million of rum in 2018, compared to U.S.\$42.0 million in 2017 and an average of U.S.\$38.8 million from 2014 to 2016.

Agriculture and Fishing

Agriculture and fishing, and in particular sugar, have historically played a larger role in the Barbados economy. However, in recent decades, agriculture accounts for a relatively small proportion of real GDP, 1.4% of real GDP in 2018, which is on par with the average share of 1.3% from 2014 to 2017.

The following table shows the production of selected agricultural products for the years indicated.

Table No. 8
Production of Selected Agricultural Products

	Year ended 31 December				
	2014	2015	2016	2017	2018
Sugar cane ⁽¹⁾	15.6	10.4	7.0	10.1	11.6
Poultry ⁽²⁾	14,391.9	16,134.1	14,896.8	15,805.3	16,465.6
Milk ⁽²⁾	3,724.5	3,920.6	3,412.0	3,646.6	3,599.5

(1) Thousands of tonnes.

(2) Thousands of kilograms.

Source: Central Bank of Barbados, Barbados Sugar Producers Association Inc., Pine Hill Dairy Sugar

Sugar

Although sugar production accounted for less than 1% of real GDP in 2018, the sugar industry generates important foreign exchange earnings. Sugar plantations also reduce soil erosion, preserve a rural society and provide significant employment. Sugar production in 2018 was 11.6 thousand tonnes, compared to 10.1 thousand tonnes in 2017, and an average production level of 11.0 thousand tonnes from 2014 to 2016.

Over the past two decades, profitability of the sugar industry has been in chronic decline, resulting in a decrease of land under sugar cultivation, but the Government has continued its efforts to restructure and preserve the industry.

Non-Sugar Agriculture and Fishing

The non-sugar subsector of agriculture and fishing includes vegetable and root crops, fruit, livestock, cotton and fishing. In 2018, non-sugar agriculture output accounted for 1.4% of real GDP, marginally above the average share of real GDP over the 2014 to 2017 period. The historical performance of this sub-sector tends to fluctuate, partially due to its sensitivity to weather conditions.

Wholesale and Retail Trade

The wholesale and retail trade sector encompasses, among other things, restaurants, artisanal shops, grocery markets, department stores, general tourism and beach products and the sale of items produced by the manufacturing sector, including electronic components, chemicals, garments and textiles, paint, paper products, furniture, edible oils, soap and food products.

Wholesale and retail trade accounted for approximately 9.0% of total real GDP in 2018 and 9.3% in 2017, which was lower than the average of 9.9% of total real GDP from 2014 to 2016. Wholesale and retail trade fell by 3.8% in 2018, after contracting by 3.7% in 2017, principally due to the implementation of fiscal consolidation measures, including higher indirect taxes, which had a dampening impact on aggregate spending and economic activity.

Construction

Construction accounted for 5.7% of total real GDP in 2018, 6.1% of total real GDP in 2017 and an average of 6.3% of total real GDP from 2014 to 2016. Construction activity declined by an estimated 6.4% in 2018, following an increase of 2.1% in 2017 and an average decline of 0.8% from 2014 to 2016. The contraction of the construction sector was due primarily to a significant slowdown in both private and public building and infrastructure projects and delayed tourism-related projects.

Energy and Utilities

Energy

In 2018, Barbados produced approximately 218,300 barrels of crude oil domestically, compared to 233,500 barrels in 2017 and an average of 238,300 barrels from 2014 to 2016. Domestic production provides for approximately one-third of domestic consumption.

The Barbados National Oil Company Limited (the “BNOCL”), a statutory corporation, operates the oil and gas industry of Barbados and is monitored by the Energy Division. In 1996, BNOCL executed a 25-year production sharing agreement with Waggoner (Barbados) Ltd. whereby Waggoner (Barbados) Ltd. provides assistance in developing oil and gas resources, and developing challenging reservoirs in particular, in exchange for a majority of any incremental production provided from its development programmes and an equal voice in developing and implementing the joint venture’s operating plans.

Commercial processing of crude oil took place in Barbados from 1974 to early 1998 when the island’s only refinery was closed. Barbados previously exported its crude oil to Trinidad and Tobago for refining.

Utilities

The main state-owned public utility enterprises in Barbados are the Barbados Water Authority and the National Petroleum Corporation, which supplies natural gas. Barbados Light and Power Company Limited and FLOW (Barbados) Limited, are privately-owned utility enterprises and are regulated by the Fair Trading Commission.

Barbados has a modern telecommunications network infrastructure, with the latest digital technology and fibre optics systems, which are currently operated by the telecommunications network providers FLOW (Barbados) Limited and Digicel (Barbados) Ltd.

The Fair Trading Commission, established by the Fair Trading Commission Act, 2001-31, oversees utility regulation, consumer protection, and fair competition matters.

State-Owned Enterprises

As of 31 December 2018, the Government owned equity in the following entities:

Table No. 9
Enterprises Wholly- and Partially-Owned by the Government

100% Ownership	Partial Ownership
Arlington House Museum	Insurance Corporation of Barbados
Barbados Accreditation Council	LIAT Ltd.
Barbados Agricultural Credit Trust Ltd.	Southern Golf & Country Club
Barbados Agricultural Development and Marketing Corporation	Hotels & Resorts Ltd.
Barbados Agricultural Management Co. Ltd.	Enterprise Growth Fund Ltd
Barbados Cane Industry Corporation	Southern Meats Ltd
Barbados Community College Board of Management	Barbados Flour Mills
Barbados Concorde Experience	Barbados Agency for Micro Enterprise Development Ltd.
Barbados Conference Services Ltd.	
Barbados Deposit Insurance Corporation	
Barbados International Business Promotion Corporation	
Barbados Investment and Development Corporation	
Barbados National Oil Company Ltd	
Barbados National Standards Institution	
Barbados National Terminal Company Ltd.	
Barbados National Trust	
Barbados Ports Inc.	
Barbados Revenue Authority	
Barbados Tourism Investment Incorporated	
Barbados Tourism Marketing Incorporated	
Barbados Tourism Product Authority	
Barbados Vocational Training Board	
Barbados Water Authority	
Bush Hill Tourism Trust	
Caribbean Agricultural Research & Development Institute	
Caribbean Aircraft Handling Co. Ltd.	
Caribbean Airways International Ltd.	
Caribbean Broadcasting Corporation	
Caves of Barbados Limited	
Child Care Board	
Community Legal Services Commission	
Fair Trading Commission	
Financial Services Commission	
Grantley Adams International Airport Inc.	
Gymnasium Ltd.	
Kensington Oval Management Inc.	
National Assistance Board	
National Conservation Commission	
National Council on Substance Abuse	
National Cultural Foundation	

National Housing Corporation
 National Insurance Board
 National Petroleum Corporation
 National Sports Council
 Needhams Point Development Inc.
 Needhams Point Holdings Ltd.
 New Life Investment Company Inc.
 Queen Elizabeth Hospital
 Resolution Life Assurance Company Ltd.
 Rural Development Commission
 Sanitation Service Authority
 Student Revolving Loan Fund Management Committee
 Technical and Vocational Education and Training
 Council
 Transport Authority
 Transport Board
 Urban Development Commission

Employment and Labour

Employment

Barbados' average rate of unemployment for 2018 was approximately 10.1%, slightly higher than the comparable average rate for 2017. During the period 2014 to 2018, Barbados' labour force was approximately 144,600 persons and, on average, 128,900 persons were employed.

The following table sets forth the labour force size and unemployment data for the years indicated.

Table No. 10
Labour Force and Employment

	Year ended 31 December				
	2014	2015	2016	2017	2018
Labour force.....	142,200	144,600	147,200	144,300	142,500
% of adult population.....	63.9	65.1	66.5	65.4	64.8
Employed persons.....	124,700	128,200	132,900	129,900	128,100
% of labour force.....	87.7	88.7	90.3	90.0	89.9
Unemployed persons ⁽¹⁾	17,500	16,400	14,300	14,400	14,400
% of labour force.....	12.3	11.3	9.7	10.0	10.1

(1) To be considered unemployed, a person must be 15 years of age or over but less than 65 years, who is not currently working but who is willing, able and available to work and who has sought work within the preceding three months.

Source: Barbados Statistical Service

Unemployment benefits are paid by the NIS, a statutory corporation with a board of directors comprising representatives of the Government, the private sector and trade unions. The NIS operates a compulsory contributory unemployment scheme for persons employed in the private sector aged sixteen to sixty-seven. Permanent government employees and self-employed individuals are not eligible to unemployment benefits and not required to contribute. To receive benefits, an individual must have been actively insured for at least thirty-two weeks and made at least twenty contributions in the three

consecutive quarters ending with the quarter, or the quarter before, the individual became unemployed. If eligible, an individual receives unemployment benefits equivalent to 60% of his or her average insurable weekly earnings for a maximum of 26 weeks in a continuous period of unemployment or for an aggregate of 26 weeks in the 52 weeks immediately before the current week of unemployment.

Pensions

Private and public sector pensions in Barbados are paid by the NIS. The 15th Actuarial Review of the National Insurance Fund was undertaken to determine if the social security system in Barbados is operating on sound financial and actuarial bases and if the NIS provides adequate level of social security protection. The main findings were that the number of NIS contributors in 2014 declined sharply to its lowest level since 1998, while pay-outs for all pension-type benefits increased. As at December 2014, total National Insurance Fund (the “NIF”) reserves were \$4.7 billion, 8 times the expenditure in 2014. Outstanding contributions totalled \$224 million and the ratio of contributors to pensioners was 3.0 and is projected to fall to 2.3 by 2034. The Pensions Act provides for: (i) a 10% increase in contributions to the NIS for four consecutive years, (ii) the basing of contributory pensions on an average of the best five of the final fifteen years of a person’s contributions, (iii) indexing of NIS insurable earnings, (iv) an increase in the pensionable age from 65 to 67 over the period from 1 January 2006 to 1 January 2018 and (v) the introduction of flexible retirement/pensionable ages, with reduced pension benefits available as early as age 60 and a deferred pension with increased benefits of 6.0% per year for each year that a person works past the current pensionable age of 67 years, up to age 70. A revised law on pensions is expected in mid to late June 2019.

Trade Unions

The main trade unions in Barbados are (i) the Barbados Workers Union, representing public and private sector workers, (ii) the National Union of Public Workers, (iii) the Barbados Union of Teachers, (iv) the Barbados Secondary Teachers Union and (v) the Congress of Trade Unions and Staff Associations, which represents the interests of affiliate staff associations including the Police Association, the Fire Service Association, the Prison Officers Association and the Barbados Registered Nurses Association. In the last decade, there has been one major strike in Barbados.

Since 1993, the Government, representatives from the private sector and the main trade unions have agreed on successive protocols that provide parameters for sustainable wage policies in the economy. In each protocol, the signatories have reaffirmed their commitment to industrial harmony, continued collaboration and consultation. They also pledge to create a modern, efficient economy, establish some equilibrium between prices and wages, achieve a greater degree of inclusiveness and distribute the benefits of economic growth fairly and equitably.

FINANCIAL SYSTEM

Central Bank of Barbados

The Central Bank was established by Act of Parliament on 2 May 1972 and is governed by a Board of Directors, the members of which are appointed by the Minister of Finance. The Central Bank undertakes all of the traditional central bank functions, including the issuance of currency, management of net foreign assets and supervision of commercial banks and non-bank financial institutions. As the monetary authority of Barbados, the Central Bank is empowered to fix reserve requirements for commercial banks and implement other monetary policies.

The Central Bank also has responsibility for arranging the Government's capital market borrowings and monetary and financial sector development in the domestic economy through a number of financing schemes, including the export credit guarantee scheme and through the Industrial Credit Fund (the "*ICF*"). The export credit guarantee scheme covers pre-shipment financing requirements and post-shipment credit risks. Under the scheme, the Central Bank typically agrees to guarantee a commercial bank loan up to 80% of amounts advanced to an exporter to finance firm orders. Credit risks after shipment may be insured for up to 90% of gross invoice value. The ICF provides medium and long-term credit to productive enterprises operating mainly in the private sector through qualified financial institutions.

Financial Sector Supervision

Anti-Money Laundering

The Central Bank, along with other competent authorities in Barbados, has the responsibility to implement measures to combat money laundering and the financing of terrorism in Barbados and has issued Anti-Money Laundering/Combating the Financing of Terrorism ("*AML/CFT*") guidelines applicable to all commercial banks and non-bank financial institutions under its supervision. Other prudential supervisors, including the FSC and the Ministry of International Business and Industry, have also issued guidelines.

The Anti-Money Laundering Authority (the "*Authority*") was established under Section 8 of the Money Laundering and Financing of Terrorism (Prevention and Control) Act, 2011-23 (the "*MLFTA*"). The Authority was established to oversee the National AML/CFT framework and to supervise financial institutions in an effort to prevent money laundering and terrorist financing.

The administrative and supervisory functions of the Authority are carried out by the Financial Intelligence Unit (the "*FIU*") in accordance with Section 9(1) of the MLFTA. The FIU is responsible for the day-to-day work of the Authority and is the central, national agency responsible for collecting, analysing and disseminating suspicious and unusual transaction reports. AML/CFT guidelines were issued to designated non-financial businesses and professionals. In addition, a Financial Crimes Investigative Unit (the "*FCIU*") has been established within the Royal Barbados Police Force to investigate reports referred to it by the Authority.

In addition, Barbados plays an integral role in the Caribbean Financial Action Task Force (the "*CFATF*"), which aims to achieve effective implementation of, and compliance with, the FATF Recommendations to prevent and control money laundering and to counter the financing of terrorism and proliferation of weapons. The CFATF carries out its mandate primarily through a mutual evaluation process of member countries. Barbados assumed chairmanship of the CFATF for the second time in November 2018.

The CFATF's Fourth Round Mutual Evaluations process is underway, and five of the twenty-five member countries have been issued their reports. Barbados' Fourth Round Mutual Evaluation Report was issued in February 2018, and Barbados is committed to and is currently in the process of addressing the findings identified by the CFATF assessment team.

Commercial Banks, Non-Bank Financial Institutions and Foreign Currency Earning Banks

The Central Bank regulates and supervises commercial banks, non-bank financial institutions and foreign currency earning banks in Barbados. Prior to 1 January 2019, the International Financial Services Act (the "IFSA") regulated the operations of international banks. Effective 1 January 2019, international banks previously licensed under IFSA will be deemed to be foreign currency earning banks under the amended Financial Institutions Act Cap. 324 A as provided under Section 34 of the Financial Institutions (Amendment) Act 2018. All licensees are subject to several enforceable guidelines on corporate governance and key risk areas such as credit risk, liquidity risk and operational risk management.

The regulation and supervision of onshore and foreign currency earning banks (formerly international banks) largely reflect the Core Principles for Effective Banking Supervision. The Central Bank introduced a risk-based approach to supervision in 2007 and all licensees are subject to ongoing monitoring and risk-based onsite inspections.

Credit Unions and Insurance Companies

Non-bank financial institutions, including credit unions and insurance companies, are regulated by the FSC.

The Central Bank, as part of its consolidated supervision framework, has carried out joint inspections with the FSC in collaboration with the Authority of money service providers and the Barbados Automated Clearing House Services Inc.

Financial Sector Assessment Programme

The financial services sector in Barbados is also subject to the Financial Sector Assessment Programme (the "FSAP") conducted by the IMF. The last assessment was conducted in October 2013, and the report was issued in February 2014. The main findings of the report were that Barbados has a relatively well-developed financial system, including a large offshore sector. The onshore system is dominated by large, regionally active commercial banks. Banking services to the population are also provided by the credit union sector. With the weakening in its fiscal situation and growth prospects, Barbados faced macroeconomic vulnerabilities, which impacted the credit quality of domestic banks and credit unions.

Banking and Financial Institutions

Over the past five years, the Barbados financial system has expanded, on average 3% per year. As of 31 December 2018, total assets of the financial sector were reported as U.S.\$12.9 billion, representing approximately 251% of GDP.

The financial system is dominated by five commercial banks, which collectively hold 49.7% of total financial sector assets as of 31 December 2018. Commercial banks are followed by insurance companies, which hold 16.6% of total financial sector assets. Pension plans, mutual funds, credit unions and finance, trust and mortgage companies each accounted for less than 10% of the financial system's assets.

Cross-border linkages and international interconnectedness are key features of Barbados' financial landscape. Commercial banking is operated exclusively by foreign-owned banks. Barbados' major insurance companies operate both regionally and internationally, and the finance, trust and mortgage companies are subsidiaries either of other financial institutions or of other conglomerates.

The Barbados Deposit Insurance Corporation (the “BDIC”) was established in 2007 to provide insurance coverage up to \$25,000 on domestic currency accounts for depositors at commercial banks and finance and trust companies. The BDIC is intended to boost depositor confidence and contribute to the soundness and stability of the financial system.

The following table sets forth the number of entities in each category of the financial sector as well as each category's assets as a percentage of total financial sector assets for the years indicated.

Table No. 11
Structure of the Barbados Financial System

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Number of:					
Commercial Banks	6	5	5	5	5
Finance, Trust and Mortgage.....	12	13	13	13	12
Credit Unions	35	34	34	33	33
Insurance Companies	23	21	24	23	22
Pension Plans.....	304	300	303	310	279
Mutual Funds.....	20	19	16	16	23
Assets as a Percentage of Total Financial System Assets:					
Commercial Banks	54.5%	54.5%	53.6%	52.9%	51.3%
Finance, Trust and Mortgage.....	7%	7.1%	6.3%	6.3%	4.1%
Credit Unions	7.7%	7.9%	8.2%	8.7%	9.7%
Insurance Companies	13.4%	13.8%	14.6%	14.7%	17.0%
Pension Plans.....	9.2%	8.9%	9%	8.8%	9.4%
Mutual Funds.....	8.2%	7.9%	8.3%	8.7%	8.5%

Source: Central Bank of Barbados and Financial Services Commission

While commercial banks remain the dominant segment of the financial sector, the credit union segment has grown in importance in recent years and increased its penetration into the domestic credit and deposit markets from the provision of 16.9% of total credit in 2014 to 21.0% in 2018. In addition, credit unions have expanded their holdings of deposits in the financial system from 14.1% of total deposits in 2014 to 18.4% in 2018.

The following table sets forth the distribution of credit to the non-financial private sector, broken down by category of financial institution for the years indicated.

Table No. 12
Credit to the Non-Financial Private Sector by Financial Institutions

	2014	2015	2016	2017	2018
	<i>(In millions of U.S. dollars)</i>				
Commercial Banks.....	2,660	2,680	2,703	2,795	2885
Credit Unions	677	721	774	823	858
Finance, Trust and Mortgage Companies	485	479	463	455	342
Insurance Companies	170	164	161	167	
Total.....	3,992	4,044	4,101	4,240	4,084

Source: Central Bank of Barbados and Financial Services Commission

The following table sets forth the distribution of domestic deposits at financial institutions, broken down by category of financial institution for the years indicated.

Table No. 13
Domestic Deposits at Financial Institutions

	2014	2015	2016	2017	2018
	<i>(In millions of U.S. dollars)</i>				
Commercial Banks.....	3,974	4,267	4,236	4,308	4,308
Credit Unions	730	794	867	949	1,047
Finance, Trust and Mortgage Companies	473	482	415	427	328
Total	5,177	5,367	5,549	5,612	5,683
Currency in Circulation with the Public	341.2	331.6	362.2	372.8	389.6

Source: Central Bank of Barbados and Financial Services Commission

Domestic deposits at commercial banks grew marginally during 2018, as higher deposits placed at commercial banks by credit unions and other financial institutions were offset by a decline in the deposits of private individuals, reflecting the impact of the slowdown in the domestic economy. In 2018, liquidity in the banking system remained high. As of 31 December 2018, the excess liquidity ratio, which is defined as the ratio of excess cash and excess securities held at the central bank to total domestic deposits, stood at 16.5%, an increase from 14.1% as of 31 December 2017. In addition to private sector financial institutions, the Government provides low-cost financing to Barbadians for various purposes, including educational loans through the Student Revolving Loan Fund and loans to micro-enterprises and venture capital through the Barbados Agency for Micro Enterprise Development Ltd (FundAccess) and the Enterprise Growth Fund Ltd, respectively.

Monetary Policy

Exchange Controls and Foreign Exchange Rates

Since 7 July 1976, Barbados has maintained a fixed exchange rate of BDS\$2.00/U.S.\$1.00. The maintenance of the fixed exchange rate forms the anchor of Barbados' macroeconomic policy, which is supported by an exchange control regime primarily on capital account transactions. Under the Exchange Control Act, Cap. 71, the Minister of Finance has authority for the fixed exchange rate and designated the Exchange Control Authority, which delegates the exchange rate authority to the Central Bank. Exchange controls are intended to reduce uncertainty in the foreign exchange market and facilitate the orderly repatriation of foreign investment flows and the remittance of profits without disruption in the foreign exchange market.

In the early 1990s, the Central Bank gradually began liberalising its monetary policy, including the gradual loosening of exchange controls related to specific current account transactions up to prescribed limits. In addition, authorised dealers, which are commercial banks, trust companies and any institution licensed by the Exchange Control Authority to buy and sell foreign currency in Barbados, were granted delegated authority to undertake certain transactions on behalf of the Central Bank. This delegated authority is documented in the Exchange Control Circulars, which provide guidance to authorised dealers on the various exchange control matters. The Central Bank's policy of gradual loosening of the exchange control regime has abated in recent years, as the weak economic performance of the domestic economy dampened confidence, which could have contributed to a slowdown in foreign exchange flows.

Liquidity and Interest Rates

In 2006, the Central Bank introduced a foreign currency reserve requirement for commercial banks and, in 2009, the Central Bank also implemented a local reserve requirement for non-banking financial institutions registered under Part III of the Financial Institutions Act 1996-16.

In 2017, the Central Bank increased the securities reserve requirement ratio of commercial banks in three stages from 10% to 20%. This was subsequently lowered to 17.5% in November 2018. The market-determined Treasury Bill rate stabilised around 3% for 2016 and 2017 but subsequently fell to 0.5% in 2018, primarily due to the impact of the domestic debt exchange programme.

Interest Rates

In April 2015, the Central Bank announced its decision to discontinue the setting of the minimum savings deposit rate on individuals and non-profit organisations and to allow all interest rates to be market-determined. This policy stance led to sharp reductions in commercial bank deposit interest rates. Although there was a slowing in deposit growth following this announcement, liquidity, as measured by the excess liquidity ratio, in the banking sector remained elevated and reached 16.5% as of December 2018.

The following table sets forth selected interest rates for the years indicated.

Table No. 14
Interest Rates

	2014	2015	2016	2017	2018
			<i>(per annum)</i>		
Excess Liquidity Ratio	6.7%	10.6%	14.5%	14.1%	16.2%
Treasury Bill Rate	2.6%	1.8%	3.1%	3.2%	0.5%
Deposit Rates					
Minimum Deposit Rate ⁽¹⁾	2.5%	0.5%	0.2%	0.0%	0.0%
Weighted Deposit Rate	2.5%	0.4%	0.3%	0.2%	0.1%
Loan Rates					
Prime	7.7% - 8.1%	7.7% - 8.1%	7.7% - 8.1%	4.0% - 8.1%	4.0% - 8.1%
Average Lending	7.1%	6.8%	6.7%	6.6%	6.5%
Central Bank Discount	7.0%	7.0%	7.0%	7.0%	7.0%

(1) Market-determined from 2015.

Source: Central Bank of Barbados

Inflation

The Government believes that its commitment to a fixed exchange rate, as discussed under “— Exchange Controls and Foreign Exchange Rates,” has enabled the Barbados economy to maintain relatively low inflation rates.

In 2018, the average annualised inflation rate was approximately 3.7%, a decrease of 0.8 percentage points compared with the inflation rate in 2017, primarily due to the impact of the elimination of the National Social Responsibility levy, an indirect tax on imported goods and domestically produced manufactured goods, and the fact that international oil prices, although remaining high, reduced slightly during the latter half of the year.

Capital Markets

Barbados has a small but growing capital market. Government short- and medium-term debt instruments represent the principal instruments available to investors. See “Public Debt—Debt Statistics—Domestic Debt”. Most of the activity in these instruments takes place on the primary market, but commercial banks are able to manage their liquidity primarily through the buying and selling of Treasury Bills and through trades with the Central Bank.

As part of Barbados’ debt management programme, on 27 June 2018 the Ministry of Finance announced a moratorium on Treasury Bill auctions, which remains in place as of the date hereof. See “Recent Developments—Debt Strategy” for more information.

Stock Exchanges

The Barbados Stock Exchange (the “BSE”), formerly the Securities Exchange of Barbados, was re-incorporated on 2 August 2001 with the passage of the Securities Act 2001-13 (the “*Securities Act*”), which also enabled the establishment of the Barbados Securities Commission (the “*Commission*”), which on 1 April 2011, was subsumed by the FSC. The Commission is responsible for the regulation of

Barbados' capital markets, including all public companies, whether listed or not. The BSE is the only authorised stock exchange involved in the listing and trading of equity and debt securities in Barbados.

In addition, the International Securities Market (the “*ISM*”) is a trading platform established by the BSE for the purpose of trading international securities. The ISM is structured to operate as a separate market of the BSE, with a separate set of rules applied to membership, trading, clearing and settlement and listing of international securities.

In 2004, the Jamaica Stock Exchange, the Trinidad & Tobago Stock Exchange and the BSE signed a memorandum of understanding with the objective of developing an integrated system for the operation of the three exchanges and a common platform for the trading and settlement of transactions on these exchanges.

FOREIGN TRADE AND BALANCE OF PAYMENTS

Foreign Trade

Foreign Trade Performance

Barbados is not a significant merchandise exporter and has historically maintained large merchandise trade deficits. In 2018, Barbados' merchandise trade deficit was estimated at U.S.\$734.0 million, compared to a deficit of U.S.\$717.0 million in 2017 and an average trade deficit of U.S.\$767.5 million over the period 2014-2016. The marginal increase in the trade deficit in 2018 reflects primarily lower exports of manufactured goods compared to the decline in non-fuel imports.

Due to the small size of the domestic market, the focus of Barbados' export policy emphasises light industry with export potential, such as medical supplies, chemicals, electronic components, leather items, wooden furniture, electro-mechanical goods, sporting goods and quality apparel. Tax concessions and other incentives are also in place to encourage export manufacturing.

The following table sets forth Barbados' merchandise exports and imports for the years indicated.

Table No. 15
Exports and Imports

	Year ended 31 December				
	2014	2015	2016	2017	2018
	<i>(In millions of U.S. dollars)</i>				
Total domestic exports⁽¹⁾	269.7	243.2	252.3	254.8	255.1
Sugar	9.1	3.6	3.5	6.8	0.2
Rum	39.4	38.1	38.8	42.0	39.9
Electrical components	8.3	8.5	7.5	7.9	8.1
Chemicals	36.8	37.0	36.1	36.3	40.1
Other food and beverages	41.8	38.6	41.8	39.9	28.2
All other	134.4	117.3	124.5	122.1	138.5
Total imports⁽²⁾	1,739.1	1,618.1	1,621.5	1,600.2	1577.7
Consumer goods	690.9	688.1	742.7	689.9	667.2
Capital goods	264.9	288.9	287.7	269.8	237.2
Intermediate goods	776.6	634.0	584.8	635.2	668.2
Miscellaneous	6.8	7.1	6.3	5.3	5.2

(1) Exports are presented on a free-on-board basis ("FOB").

(2) Imports are presented on a cost, insurance and freight basis ("CIF").

Source: Central Bank of Barbados

Domestic exports of manufactured goods increased slightly by U.S.\$0.3 million in 2018, principally due to higher exports of chemical products and other manufacturing goods which rose by U.S.\$3.8 million and U.S.\$16.4 million, respectively. In contrast, exports of food and beverages, bulk raw sugar and rum decreased by U.S.\$11.7 million, U.S.\$6.6 million and U.S.\$2.1 million, respectively.

The following tables show the direction of trade for the periods indicated.

Table No. 16
Exports by Destination⁽¹⁾⁽²⁾

	Year ended 31 December				
	2014	2015	2016	2017	2018
	<i>(In millions of U.S. dollars)</i>				
USA	78.5	155.2	174.7	123.0	101.7
Canada	11.6	8.7	9.1	8.7	12.7
UK.....	16.7	14.0	16.2	15.9	8.4
CARICOM.....	168.6	156.4	160.8	161.3	167.2
Other countries.....	199.0	148.6	156.0	176.5	158.5
Total.....	474.4	482.9	516.8	485.4	448.5

(1) Includes goods imported for re-export.

(2) Exports are presented on a FOB basis.

Source: Barbados Statistical Service

Table No. 17
Imports by Origin⁽¹⁾⁽²⁾

	Year ended 31 December				
	2014	2015	2016	2017	2018
	<i>(In millions of U.S. dollars)</i>				
USA	562.1	574.0	590.4	574.1	534.2
Canada	40.8	38.2	36.6	38.0	33.5
UK.....	69.5	68.2	78.3	64.5	65.1
CARICOM.....	433.6	343.5	285.9	348.3	339.3
Other countries.....	633.1	594.1	630.3	575.3	605.7
Total.....	1,739.1	1,618.1	1,621.5	1,600.2	1577.9

(1) Includes goods imported for re-export. CIF means “Cost Insurance and Freight”.

(2) Imports are presented on a CIF basis.

Source: Barbados Statistical Service

During 2018, total imports of goods decreased by 1.4%, following a decline of 1.3% in 2017. Imports from the United States and Canada both declined in 2018 compared to 2017 by 7.0% and 11.8%, respectively. Imports from the UK and other countries rose by 0.9% and 5.3%, respectively, representing a reversal after contractions of 17.7% and 8.7%, respectively, during 2017.

In 2018, exports to Canada and CARICOM countries, of which Trinidad and Tobago accounted for a significant portion, increased by 46.0% and 3.7%, respectively, compared to the exports to these countries compared to 2017. In contrast, exports to the United States and the UK both declined by 17.3% and 47.2%, respectively, in 2018.

Trade Policy and Reform

Barbados has gradually liberalised its trade policy, both independently and in accordance with the agreements of the World Trade Organization (the “WTO”), with the primary aim of increasing the competitiveness of Barbados’ exports by opening up domestic production to foreign competition.

Barbados’ principal trade policy reforms over the past several decades include:

(i) liberalisation of the import-licencing regime on a selected number of extra-regional imports and a change from licencing regimes to tariffs agreed within the WTO. Certain goods remain subject to licencing for health and safety reasons. The elimination of import duties is subject to Barbados' obligations under the Revised Treaty of Chaguaramas. Prior authorisation must be secured from the CARICOM Council for Trade and Economic Development (the "*COTED*") for some products.

(ii) adherence to the rules regarding the Common External Tariff (the "*CET*") imposed by CARICOM countries on goods imported from non-CARICOM countries. The maximum CET rate for manufactured goods is currently 20% and the maximum rate on agricultural imports is 40%. Any changes to the CET, including the application of rates higher or lower than the CET, must be approved by the COTED.

(iii) the reduction of duties imposed on imports from third countries is possible through negotiated trading arrangements between CARICOM and those third countries. CARICOM has such arrangements with Venezuela, Colombia, the Dominican Republic, Cuba, Costa Rica and the European Union.

(iv) taking advantage of non-reciprocal preferential arrangements offered by third countries. The United States allows the duty-free entry of a large number of products from some Caribbean countries, including Barbados, under the Caribbean Basin Economic Recovery Act (the "*CBERA*"). This waiver ends 31 December 2019. There is also a similar arrangement with Canada under the Caribbean-Canada Trade Agreement ("*CARIBCAN*"). *CARIBCAN* expires 31 December 2023.

Barbados benefits from the use of the Special Safeguard Provision under Article 3 of the WTO Agreement on Agriculture, which was instituted in September 2000. The Special Agricultural Safeguard (the "*SSG*") is a tool that allows certain developing countries to raise tariffs temporarily to deal with import surges or price falls. The SSG protects domestic agricultural production and allows for the maintenance of a level of food security following the removal of the import licencing system in 1995.

Barbados recognises the importance of intellectual property protections for the future of Barbados' international business sector. The Copyright Act, enacted in February 1998, fulfils Barbados' obligations under the WTO Agreement on Trade Related Aspects of Intellectual Property Rights ("*TRIPS*"). Barbados' Trade Marks Act and Patents Act was also amended in 1998 to become TRIPS compliant. Since 2001, Barbados has been in full compliance with its WTO and World Intellectual Property Organisation commitments with respect to its intellectual property legislation.

In 2006, the common organisation of the sugar market in the European Union was overhauled to achieve greater simplification and market orientation for the European Union's sugar policy. As a result, quotas were gradually removed and guaranteed prices were gradually reduced for sugar exports from Barbados to the European Union and limits on sugar imports into Barbados were also gradually removed.

The WTO Doha Development Round is still relevant to Barbados' trade policy, and the Economic Partnership Agreement was signed in October 2008 in Barbados. The waiver to extend the CARICOM-Canada Free Trade Agreement has been extended until 2023. CARICOM is currently engaged in enhancing its existing trading agreements with the Dominican Republic, Costa Rica, Cuba and Colombia. Discussions have also commenced for the negotiation of a successor arrangement to the Cotonou Partnership Agreement, which governs relations between the African, Caribbean and Pacific Group of States and the European Union.

Under the terms of the CARICOM Single Market and Economy (the "*CSME*"), member states of CARICOM are committed to facilitating the rights of establishment, the provision of services, the free

trade in goods, and free movement of people and capital across the region. This may have implications for the exchange control regime, as member states are prevented from introducing new restrictions and are also obligated to remove all restrictions within the parameters of a defined programme. However, pursuant to Article 43 of The Revised Treaty of Chaguaramas Establishing CARICOM, in the event of balance of payments and external financial difficulties, member states are permitted to adopt certain restrictions to address these difficulties.

Balance of Payments

The balance of payments is a system of recording all of a country's resident economic transactions with the rest of the world over a one-year period. In 2018, Barbados recorded a balance of payments deficit (as determined by the change in the gross international reserves) of U.S.\$293.8 million, compared with a deficit of U.S.\$114.3 million in 2017 and an average deficit of U.S.\$66.9 million over the three-year period of 2014 to 2016.

The following table sets forth Barbados' balance of payments for the years indicated. Barbados calculates its balance of payment figures in accordance with the Sixth Edition of the IMF's Manual on Balance of Payments dated November 2013.

Table No. 18
Balance of Payments

	Year ended 31 December				
	2014	2015	2016	2017	2018
	<i>(in millions of U.S. dollars)</i>				
Current account.....	(430.3)	(289.2)	(207.3)	(190.3)	(172.2)
Merchandise trade balance	(857.6)	(737.3)	(707.5)	(717.0)	(734.0)
Exports*	794.0	799.9	833.0	803.1	764.9
Imports*	1,652.2	1,537.2	1,540.5	1,520.2	1498.9
Services (net).....	639.2	659.1	754.1	787.1	842.0
Tourism.....	841.1	899.2	989.6	1,027.6	1085.5
Other	(201.9)	(240.1)	(235.4)	(239.2)	(243.5)
Investment Income (net).....	(197.4)	(212.9)	(221.4)	(223.9)	(239.8)
Transfers (net)	(14.5)	2.0	(35.5)	(38.0)	(40.5)
Capital Account	(8.3)	(8.2)	(2.8)	(1.2)	25.4
Capital transfers	(8.3)	(8.2)	(2.8)	(1.2)	(3.0)
Acquisition/disposal of non-produced, non-financial assets	0.0	0.0	0.0	0.0	28.4
Financial Account	372.8	221.2	42.1	43.2	443.8
Long term	364.2	225.4	80.5	88.3	456.0
Public sector.....	48.0	(35.6)	(85.6)	(67.5)	225.5
Private sector.....	316.0	261.0	166.0	155.7	230.5
Short-term	8.6	(4.3)	(38.4)	(45.1)	(12.2)
Errors and omissions.....	16.5	44.0	49.0	34.0	3.2
Balance for official financing	(49.4)	(32.3)	(119.0)	(114.3)	293.8
Change in gross international reserves (decreases)	49.4	32.3	119.0	114.3	(293.8)

* Exports and imports are FOB and CIF, respectively, but have been adjusted for balance of payments presentation.

Source: Central Bank of Barbados and Barbados Statistical Service

External Current Account

Barbados' external current account position is heavily dependent on earnings from services, particularly tourism. Since 2014, the external current account deficit has declined on average by 19.7%, mainly because of contractions in total non-fuel imports of goods coupled with higher foreign exchange earnings from tourism.

In 2018, Barbados registered an external current account deficit of U.S.\$172.2 million, compared with a deficit of U.S.\$190.3 million for 2017, as a result of lower purchases of non-fuel imports and higher tourism foreign exchange earnings which together outweighed the increase in the value of fuel imports. The growth in tourism earnings was primarily due to the increased long-stay tourist arrivals from the major source markets, including the United States, the United Kingdom and Canada.

Financial Account

Barbados has recorded surpluses in its financial account since 1996. In 2018, the financial account registered a significantly higher surplus of U.S.\$443.8 million, primarily reflecting public sector inflows for policy-based and project loans from international financial institutions. The improvement in long-term public sector inflows during 2018 contrasts sharply with the previous three years' average decline of U.S.\$62.9 million. In contrast, private sector financial inflows increased by U.S.\$74.8 million in 2018, following an increase of U.S.\$10.3 million in 2017 and an average of U.S.\$247.6 million in the preceding three years.

In 2018, the decline in foreign amortisation payments and higher multilateral loan disbursements to the Government contributed to an increase of U.S.\$225.5 million in net public sector inflows. The increase in net private sector inflows was fuelled by the improved performance in the foreign exchange market, coupled with other inflows from non-residents.

Gross International Reserves

In 2018, the gross international reserves rose by U.S.\$293.8 million to reach U.S.\$499.6 million as of 31 December 2018, in contrast to a decline of U.S.\$114.3 million during 2017. From 2014 to 2016, gross international reserves averaged U.S.\$410.1 million. The improvement in the stock of gross international reserves in 2018 pushed the import cover for goods and services to 12.9 weeks, compared to 5.3 weeks at the end of 2017 and an average of 10.3 weeks for the period 2014 to 2016. The desired benchmark import cover for goods and services is twelve weeks.

The following table sets forth liquid international reserves and gross international reserves for the years indicated.

Table No. 19
Liquid International Reserves and Gross International Reserves

	Year ended 31 December				
	2014	2015	2016	2017	2018
	<i>(In millions of U.S. dollars)</i>				
Net International Reserves (NIR)	430.9	410.7	287.5	167.4	416.3
Foreign Currency Liabilities of Monetary Authorities	40.4	28.3	32.4	38.3	83.3
Gross International Reserves (GIR)	471.3	439.0	319.9	205.7	499.6
Import Cover (in weeks of goods and services) ..	11.6	11.2	8.2	5.3	12.9

Source: Central Bank of Barbados

The foreign assets of the Central Bank and the Government are invested largely in U.S. dollars in a range of approved investments and institutions. The U.S. dollar is the principal currency in which foreign receipts are earned and in which foreign debt is denominated. See “Public Debt—Debt Statistics—External Debt.”

Foreign Investment

The economy of Barbados is the beneficiary of private foreign investment, particularly in its hotel sub-sector and ancillary services. See “Principal Sectors of the Economy—Tourism”. All investment by non-residents registered with the Central Bank are entitled to repatriation of capital, capital gains, dividends, profits and interest brought into Barbados. The Central Bank permits the repatriation of the original investment amount, dividends, profits and interest. It also allows the repatriation of capital gains but retains the right to stagger transfers over a reasonable period of time.

Foreign companies are being targeted for direct investment in Barbados by Invest Barbados, an economic development entity responsible for securing and promoting sustainable foreign direct investment and which also services export businesses in order to increase employment, promote technology and skills transfers, foreign exchange and tax revenues. Further, the BIDC is a government agency that promotes business development in Barbados, with particular emphasis on manufacturing and small businesses. The BIDC helps manufacturers find new markets for their products through advertising, seminars, journals and direct mail media. It has representative offices in New York, Miami, Toronto and London and works closely with the Barbadian High Commissions in foreign markets. The BIDC helps promote new products, such as speciality foods, including fresh fruits and vegetables and hot chili sauces, high quality garments, reproduction of period furniture and local arts and crafts.

PUBLIC FINANCE

Overview

The Government's budget process is set out in the Constitution, the Financial Management and Audit Act, 2007-2018 and the Financial Management and Audit (Financial) Rules, 2011, which provide the financial rules and guidelines for the administration of public sector entities. The budget process involves the participation and co-ordination of all Government ministries and agencies. The Ministry responsible for Finance prepares the Draft Estimates of Revenue and Expenditures (which constitute the budget of the Government, the "*Estimates*") and is responsible for presenting the Estimates to the House of Assembly in March each year. Both houses of Parliament must approve the Estimates before the end of March; the fiscal year begins 1 April. The Estimates constitute the published public sector fiscal accounts.

The Estimates are based on existing tax rates and projections of non-tax revenue by the various Government ministries. If the Minister of Finance wishes to alter the tax rates, or to make strategic adjustments to the level of expenditure, past practise is to announce these changes in a Financial Statement and Budgetary Proposal (the "*Financial Statement*"). The Financial Statement must be approved by the Cabinet and Parliament. Following the introduction of the value added tax (VAT) in 1997, the publication of a Financial Statement has taken place between August and December, but there is no statutory obligation to present a Financial Statement.

The budget estimates for SOEs are approved initially by their respective boards of directors. The budget estimates are then forwarded to the relevant ministry for each enterprise. If an SOE requires supporting funds from the Government, a request is included in the ministry's own request to the Ministry of Finance for an additional budgetary allocation. Changes to the annual approved SOE allocation generally require the approval of the Cabinet and Parliament. For a description of the principal SOEs, see "The Economy—State-Owned Enterprises".

Revenues and expenditures of the Government do not incorporate the full revenues and expenditures of SOEs. The Government's accounts capture only its current and capital transfers to specified SOEs. Dividends from SOEs, if any, are recorded as non-tax revenue.

The Accountant General's functions include maintaining certain accounts held by the Treasury, as well as reporting to Parliament on those accounts and on Government funds, such as the Consolidated Fund. See "Public Debt—Overview".

Fiscal Policy

For the four fiscal years from 2012/13 to 2015/16, the fiscal deficit averaged 8.9% of GDP. While there was an improvement in FY 2016/17 and 2017/18, the fiscal deficit remained at a level challenging to finance—approximately 4.6% of GDP for FY 2017/18. The high deficit year over year is attributable mainly to underperformance in revenue in addition to the transfers to SOEs and the cost of debt service.

In March 2019, Parliament adopted the FY2019/20 budget, which targets a primary surplus of 6% of GDP.

In an effort to reverse the trend on large fiscal deficits, the Government has embarked on the BERTP. The BERTP will be conducted in three phases and will involve a combination of: (i) promotion of economic growth without an over reliance on tax concessions or subsidies, (ii) restructuring of public

debt to sustainable levels, and (iii) significant fiscal consolidation. For more information on the BERTP, see “Recent Developments—Barbados Economic Recovery and Transformation Plan”.

Public finances improved during the first half of FY 2018/19 due to improved tax collections, the impact of reduced debt service payments and increased expenditure restraint.

Revenues and Expenditures

Government revenues are derived from a mix of direct and indirect taxes, including payroll levies and taxes on incomes and profits, property, goods and services and imports. As part of its tax reform, in June 2018 the Government introduced a suite of budgetary revenue measures that are intended to alter the incidence of taxation and provide earmarked funding for some state-owned enterprises.

Recurring current expenditures include wages and salaries, goods and services, debt service costs (domestic and foreign) and current transfers. Capital expenditures include acquisitions of property, capital formation and capital transfers.

The following table sets forth Government revenues and expenditures by economic classification for the fiscal years indicated.

Table No. 20
Government Revenues and Expenditures

	2013/14	2014/15	2015/16	2016/17	2017/18 ⁽¹⁾	2018/19 ⁽¹⁾
Tax revenue.....	1,094.8	1,111.5	1,214.9	1,303.8	1,341.5	1,375.0
Income and profit	317.2	333.0	361.8	396.8	398.5	441.7
Levies	40.6	41.8	17.9	74.7	80.0	37.0
Property	65.5	82.1	93.8	67.7	68.8	80.6
Goods and services.....	568.9	537.2	620.6	637.3	679.7	703.3
Import duties	96.8	111.9	115.8	122.6	109.3	106.9
Stamp duties	5.8	5.5	5.0	4.7	5.2	5.4
Grant Income	0	28.7	9.1	4.4	11.0	0.05
Non-tax revenue.....	47.0	53.9	55.9	63.7	70.6	79.8
Total revenue	1,141.8	1,194.1	1,279.9	1,371.9	1,423.1	1,454.8
Current expenditure	1,562.1	1,459.5	1,542.7	1,525.2	1,561.9	1,413.1
Wages and salaries	435.9	401.8	393.6	392.3	391.1	405.9
Goods and services.....	191.1	170.8	220.6	192.7	182.1	178.1
Interest.....	304.3	326.9	336.3	369.5	382.4	192.4
Foreign	67.6	82.6	81.9	84.2	84.0	24.0
Domestic	236.7	244.3	254.4	285.3	298.4	168.4
Current transfers.....	630.8	560.0	592.2	570.7	606.3	636.75
Capital expenditure	72.0	86.5	108.3	102.7	74.5	92.5
Net Lending	0	0	0	0	0	0
Total expenditure	1,634.1	1,546.0	1,651.0	1,627.9	1,636.4	1,505.6
Fiscal balance.....	(492.3)	(351.9)	(371.1)	(256.0)	(213.3)	(50.8)
Fiscal balance (as % of nominal GDP).....	(11.1)	(8.0)	(8.2)	(5.5)	(4.6)	(0.5)

(1) Estimated figures.

Source: Accountant General, Ministry of Finance and Barbados Revenue Authority

The following table sets forth the per cent change of Government revenues and expenditures by economic classification for the fiscal years indicated.

Table No. 21
Government Revenues and Expenditures Differential

	Fiscal year				
	2014/15	2015/16	2016/17	2017/18	2018/19
	<i>(per cent change against previous fiscal year)</i>				
Tax revenue.....	1.5	9.3	7.3	2.9	2.5
Income and profit.....	5.0	8.6	9.7	0.4	10.8
Levies.....	3.0	(57.2)	317.3	7.1	(53.7)
Property.....	25.3	14.3	(27.8)	1.6	17.1
Goods and services.....	(5.6)	15.5	2.7	6.7	3.5
Import duties.....	15.6	3.5	(6.0)	(10.8)	(2.2)
Stamp duties.....	(5.2)	(9.1)	(51.6)	10.6	3.8
Grant Income.....	100.0	(68.3)	14.0	150.0	(99.5)
Non-tax revenue.....	14.7	3.7	(36.5)	10.8	13.0
Total revenue.....	4.6	7.2	7.2	3.7	2.2
Current expenditure.....	(16.6)	5.7	(1.1)	2.4	(9.5)
Wages and salaries.....	(7.8)	(2.0)	(0.3)	(0.3)	3.8
Goods and services.....	(10.6)	29.2	(12.6)	(5.5)	(2.2)
Interest.....	7.4	2.9	9.9	3.5	(49.7)
Foreign.....	22.2	(0.8)	9.4	(0.2)	(71.4)
Domestic.....	3.2	4.1	12.1	4.6	(43.6)
Current transfers.....	11.2	5.8	(3.6)	6.2	5.0
Capital expenditure.....	20.1	25.2	(5.2)	(27.5)	24.2
Net Lending.....	N/A	N/A	N/A	N/A	N/A
Total expenditure.....	(5.4)	6.8	(1.4)	0.5	(8.0)
Fiscal balance.....	(28.5)	5.5	(31.0)	(16.7)	(76.2)
Fiscal balance (as % of nominal GDP)....	(27.9)	2.5	(32.9)	(16.4)	(89.13)

N/A = Not available.

Source: Accountant General, Ministry of Finance and Barbados Revenue Authority

Revenues

The BRA was established on 1 April 2014 following the consolidation of Barbados' various revenue collecting agencies, including the Inland Revenue Department, the VAT Division and the collecting functions of the Barbados Licencing Authority. The objectives of the BRA include adopting a more aggressive approach to the collection of taxes, non-tax revenue and arrears through increased use of technology, compliance audits and cost-efficient approaches to revenue collection.

From FY 2014/15 to FY 2015/16, total Government revenues grew at an average of 5.9% per annum, principally due to increases in revenue from income tax, property tax and import duties. This trend continued with an increase of approximately 3.7% during FY 2017/18 following an increase of 7.2% during FY 2016/17. The increase for FY 2017/18 was primarily due to increases in national social

responsibility levy due to the increase in rates, corporation tax and excise duties, which were partially offset by decreases in import duties, withholding tax and other special receipts. There was no significant change to the revenue from VAT compared to FY 2016/17. For FY 2018/19, total Government revenue grew by 2.2%, reflecting the impact of a boost in corporation tax intake as several new firms in the international business sector paid taxes for the first time. In addition, the foreign exchange fee introduced in 2017 and some of the new taxes introduced in the mid-year budget contributed to this increase. There was, however, a significant decline in revenue from levies and grant income, which decreased by 53.7% and 99.5% respectively.

Taxation Revenue

In Barbados, direct taxes are levied on incomes, corporations and property. Although most goods and services are subject to VAT, certain goods and services are exempt from VAT and certain goods and services are subject to subsidiary duties and fees, including excise duties. Imports are subject to import taxes, and imports originating from a non-CARICOM countries are subject to the CET. Other principal tax revenues include land tax, property transfer tax and certain taxes on insurance premiums, on life insurance companies' invested income and on bank assets. There are no capital gains or inheritance taxes in Barbados.

Residents of Barbados are generally subject to tax on worldwide income, and non-residents are taxed only on income derived in Barbados. Companies and other corporate bodies that are resident in Barbados are subject to corporation tax, and non-resident companies are only being taxable to the extent that they carry out a business in Barbados through a branch or agency and in respect of income directly or indirectly attributable to that branch or agency. In addition, there is a 10% tax on profits remitted by an office, branch or agency of a non-resident company engaged in trade or business in Barbados.

Beginning 1 January 2019, Barbados became one of the first countries in the world to converge its local and international corporate tax rates. All corporate entities in Barbados, except those that will be grandfathered, will be taxed according to the following rates based on a sliding scale: up to U.S.\$0.5 million of taxable income at 5.5%; between U.S.\$0.5 and U.S.\$10 million of taxable income at 3.0%; between U.S.\$10 and U.S.\$15 million of taxable income at 2.5% and over U.S.\$15 million of taxable income at 1.0%. This reform of Barbados' 40-year old tax regime makes its tax system globally competitive, while bringing the country in line with the Organization for Economic Cooperation and Development's Base Erosion and Profit Shifting (BEPS) initiative. The broad-based change in tax policy is aimed at reducing taxes on work and productivity, while placing the tax burden on consumption and wealth, and it is expected to be revenue neutral.

As a result of Barbados' tax reforms, on 17 May 2019, the European Council moved Barbados from the European Union's list of non-cooperative tax jurisdictions to the list of jurisdictions that have undertaken sufficient commitments to reform their tax policies.

Income from Barbados Government securities except savings bonds is taxed at 12.5%. Interest payable on the New Bonds to non-resident beneficial owners of the New Bonds will not be subject to any withholding tax. See "Taxation—Barbados Tax Considerations."

Expenditures

Total Government expenditures have fluctuated over the past five fiscal years. In FY 2018/19, expenditures decreased 8.0% after increasing 0.5% in FY 2017/18 and 6.8% in FY 2015/16. There were decreases of 1.4% in FY 2016/17 and 5.4% in FY 2014/15. The decrease in FY 2018/19 was primarily attributed to decreases in goods and services and interest payments, partially offset by an increase in

capital expenditures. The suspension of external and domestic commercial debt service contributed to the decrease in interest expense.

Current expenditures decreased by 9.5% in FY 2018/19. This was again attributable mainly to decreases in goods and services and interest payments. Goods and services decreased further by 2.2% in FY 2018/19, after decreasing by 5.5% in FY 2017/18. For the last three years decreases in goods and services averaged 6.8%. Interest payments decreased by 49.7% in FY 2018/19 after increasing on average 5.4% between FY 2017/15 to FY 2017/18 due mainly to the debt restructuring undertaken during the financial year.

Capital expenditure increased by 24.2% in FY 2018/19 compared to a decrease of 27.5% in FY 2017/18 and 5.2% in 2016/17. For FY 2013/14 to FY 2015/16, capital expenditures increased an average of 32.4%.

The following tables set forth total Government expenditures by functional classification for the fiscal years indicated.

Table No. 22
Government Expenditures

	Fiscal year				
	2014/15	2015/16	2016/17	2017/18	2018/19 ⁽¹⁾⁽²⁾
	<i>(in millions of U.S. dollars)</i>				
General public service.....	276.2	133.6	64.9	1013.4	398.9
Defence	33.1	35.6	39.1	39.7	35.1
Education	261.5	252.8	248.8	250.3	284.4
Health.....	166.5	163.1	157.9	160.2	162.1
Social security and welfare	175.6	185.9	182.9	187.1	202.1
Housing.....	71.9	130.9	88.5	85.7	82.4
Other social services	0.00	0.00	0.00	0.00	0.00
Economic services ⁽³⁾	214.6	230.9	239.1	187.7	210.9
Other	98.6	97.6	104.1	105.2	129.5
Public order and safety.....	19.8	21.2	23.4	34.5	25.1
Recreation, culture and religion.....	52.9	64.2	55.2	60.0	79.7
Environmental protection.....	1370.7	1,315.8	1203.9	2,123.8	1610.2
Total expenditures.....	276.2	133.6	64.9	1013.4	398.9

(1) Estimated figures.

(2) FY 2018/19 taken from the Revised Estimates of Expenditure.

(3) Includes trade, industry, agriculture, roads, civil aviation, tourism, lands and surveys and labour.

Source: Ministry of Finance Estimates of Expenditure and Revenue, Central Bank of Barbados, Accountant General

Table No. 23
Government Expenditures

	Fiscal year				
	2014/15	2015/16	2016/17	2017/18	2018/19 ⁽¹⁾⁽²⁾
	<i>(per cent change against previous fiscal year)</i>				
General public service.....	(3.5)	(51.6)	(51.4)	1,461.5	(60.6)
Defence	(1.2)	7.8	9.8	(1.5)	(9.1)
Education	5.6	(3.3)	(1.6)	3.0	10.9
Health.....	(20.5)	2.1	(3.1)	0.8	1.8
Social security and welfare	19.0	5.9	(1.6)	12.2	(1.6)
Housing.....	17.6	81.9	(32.4)	10.6	4.1
Other social services ⁽³⁾	(100.0)	0.0	0.0	0.0	0.0
Economic services ⁽⁴⁾	(4.9)	7.6	3.7	(2.8)	(9.3)
Other	0.0	1.0	6.6	13.0	10.1
Public order and safety.....	0.0	6.7	10.5	41.4	(24.1)
Recreation, culture and religion.....	0.0	21.2	(14.1)	13.2	27.6
Environmental protection.....	(30.4)	(4.0)	(8.5)	76.4	(24.2)
Total expenditures.....	(3.5)	(51.6)	(51.4)	1,461.5	(60.6)

(1) Estimated figures.

(2) FY 2018/19 taken from the Revised Estimates of Expenditure.

(3) Includes culture, sports, parks and beaches.

(4) Includes trade, industry, agriculture, roads, civil aviation, tourism, lands and surveys and labour.

Source: Ministry of Finance Estimates of Expenditure and Revenue, Central Bank of Barbados, Accountant General

In terms of functional expenditure, the most significant categories over the five year period were education, economic services, social security and welfare and health.

Total expenditure decreased by 24.2% in FY 2018/19 after increasing by 76.4% in FY 2017/18. This was attributable mainly to decreases in general public service, defence, economic services and recreation, culture and religion, which decreased by 60.6%, 9.1%, 9.3% and 24.1% respectively. During the five year period, expenditure decreased from 30.4% to 8.5% between FY 2014/15 and FY2016/17 but increased significantly in FY 2017/18 due to the increase in general public service.

Education and economic services were the two most consistent components of expenditure for the period, averaging 17% and 14.2% of the total over the five year period. Education absorbed an estimated 17.7% and 11.8% of the budget respectively in FY 2018/19 and 2017/18, reflecting Government's continued emphasis on providing access to free, high quality education up to tertiary level for all citizens.

During FY 2018/19, it is estimated that the Government spent 13.1% of its budget on economic services such as civil aviation, tourism, trade, industries, labour and land and surveys (as compared to 8.8% for FY 2017/18), demonstrating the Government's effort in preparing Barbados for the challenges of a global economy. Among organisations benefitting from these outlays were Caves of Barbados and the Urban Development Commission. Better ancillary tourism services are also partly responsible for the increase in spending on economic services.

Spending on social security and welfare was estimated at 12.5% of overall spending in FY 2018/19, compared to 8.8% in FY 2017/18. In 1997, the poverty alleviation programme was introduced and comprises a number of measures, including the creation of a social investment fund ("SIF") and the

establishment and funding of urban and rural development commissions. The SIF funds a rural enterprise fund and an urban enterprise fund, as well as other community-based economic facilities.

At present, Barbados has an extensive, though somewhat inefficient, public transportation system on the island. The Government is looking at ways to improve the current system, including the restructuring of the Transport Board, the upgrading of the bus fleet and the provision of incentives for companies willing to provide insurance to this sector. The Government has allocated modest funding in connection with significant improvements in its traffic management infrastructure that will regulate the transportation system.

Barbados is in the process of developing programme budgeting in order to focus on results to be achieved rather than inputs. However, under the existing budget framework, a distinction is made between “statutory” or committed expenditures and “non-statutory” or discretionary expenditures. The public debt of Barbados, all costs related to that debt, the emoluments of established posts in the public service, pensions, leave passages and certain other minor expenditures are considered committed claims or “statutory” charges on the Government. All other Government expenditures are considered discretionary.

Consolidated Fund

The Constitution provides for the establishment of a consolidated fund (the “*Consolidated Fund*”) into which, subject to applicable provisions of law, all revenues for Barbados are to be paid to meet Government expenditures and obligations. The Minister of Finance must, before the end of each fiscal year (which runs from 1 April to the following 31 March), prepare and lay before the House of Assembly annual estimates of revenue and expenditure for public services for the succeeding fiscal year. The Constitution further provides that debt obligations of Barbados, including the interest and redemption monies on that debt, and the costs, charges and expenses incidental to the management of that debt (including the sinking fund required to be established for the repayment of all public external debt), are by law charged on the Consolidated Fund. See “Public Debt—Overview”.

PUBLIC DEBT

Overview

On 1 June 2018, Barbados, for the first time in its history, announced the suspension of both principal and interest payments due on debts owed to external commercial creditors. This extraordinary action was taken as a result of a number of factors which included critically low levels of international reserves, unsustainably high levels of public indebtedness and poor economic growth.

In connection with the comprehensive restructuring of Barbados' public debt, the Government engaged the services of financial and legal advisors to assist with conducting the restructuring and began consultations to seek the cooperation of its domestic and external creditors.

The suspension of debt payments affected all categories of external debt, exclusive of debt from official sources, and remains in force until restructuring agreements are concluded.

Barbados launched the Domestic Exchange Offer on 7 September 2018 to restructure approximately BD\$11.9 billion (equivalent to U.S.\$5.95 billion) in domestic claims on Government and the public sector. The domestic debt restructuring was successfully concluded in mid-November with a participation rate of 97%.

On 1 October 2018, the IMF announced the approval by its Executive Board of the four-year Extended Arrangement for Barbados for approximately U.S.\$290 million, or 220% of Barbados' quota in the IMF.

For more information on the Domestic Exchange Offer and the Extended Arrangement, see "Recent Developments—IMF Programme" and "Recent Developments—Debt Strategy—Domestic Debt."

Subsequently, Barbados has begun to access additional funding from official sources, including the Inter-American Development Bank and the Caribbean Development Bank.

Existing Legislative Framework

The Government's authorisation to create and issue external debt instruments is pursuant to the External Loan Act Cap. 94D (the "*External Loan Act*"). The Constitution provides for the establishment of the Consolidated Fund into which, subject to applicable provisions of law, all revenues of Barbados are to be deposited. In addition, debt obligations of Barbados, including interest on the debt, sinking fund payments and redemption monies on debt and costs, charges and expenses incidental to the management of debt are to be withdrawn from the Consolidated Fund. Under the External Loan Act, statutory sinking funds are set aside for the redemption of each issue of securities and are invested in domestic and foreign securities. The External Loan Act provides for semi-annual payments to be made into the statutory sinking funds in such amounts as are approved by resolution of Parliament.

The Government is authorised to contract and issue Barbados dollar-denominated debt instruments up to a maximum of approximately U.S.\$5.3 billion pursuant to the Local Loans Act Cap. 98 and a maximum of approximately U.S.\$0.8 billion under the Treasury Bills and Tax Certificates Act, Cap. 106. In addition, the Financial Management and Audit (Amendment) Act, 2018 authorises the Government to borrow up to 7.5% of net receipts of estimated revenue for the financial year.

On 29 October 2018 the Debt Holder (Approval of Debt Restructuring) Act was passed to facilitate the Domestic Exchange Offer. The Dematerialisation of Government Securities Act, 2018 was also passed, which made provision for the dematerialised issuance of Government's domestic debt effective 26 October 2018.

Debt Statistics

The domestic debt exchange resulted in loans, Treasury Bills, Treasury Notes and Debentures being exchanged for a new series of amortising bonds.

The following table sets forth total debt, both public and private, outstanding for the years indicated.

Table No. 24
External and Domestic Debt of the Public and Private Sectors

	Year ended 31 March				
	2015	2016	2017	2018	2019
	<i>(In millions of U.S. dollars)</i>				
Total External Debt	3,270.8	3,288.7	3,221.3	3,167.0	3,326.7
Government.....	1,423.7	1,487.4	1,463.1	1,372.5	1,539.8*
Short Term					
Loans	25.0	0	15.0	0	0
Long-term	1,398.7	1,487.4	1,448.1	1,372.5	1,539.8
International Bonds	623.9	612.4	602.9	580.7	580.7
Loans	774.7	875.0	845.2	791.8	959.1
Government guaranteed	144.5	79.2	70.1	65.0	46.4
Private Sector	1,702.6	1,722.1	1,688.1	1,729.5	1,740.5
Total Domestic Debt	4,836.9	5,256.5	5,619.8	5,931.2	4,609.7
Government.....	4,274.3	4,825.1	5,243.5	5,507.8	4,609.7
Short Term	1,351.3	1,559.8	1,869.2	2,132.2	299.2
Treasury Bills.....	1,236.1	1,454.9	1,756.1	1,987.5	247.6
Overdraft	115.2	104.9	113.2	144.8	51.6
Long-term.....	2,923.1	3,265.3	3,374.2	3,375.5	4,310.6
Savings Bonds & Tax Cert.....	49.4	78.0	90.5	83.5	71.6
Loans	111.9	125.4	122.2	120.4	0
Bonds	48.9	85.2	82.5	185.9	50.9
Debentures & T-Notes	2,712.9	2,976.7	3,079.0	2,985.8	0
Bonds (restructured).....	0	0	0	0	4,188.1
Government Guaranteed	562.6	431.3	376.3	423.4	0

* Excludes arrears and penalties resulting from the external debt suspension.

Source: Ministry of Finance, Economic Affairs and Investment and Central Bank of Barbados, as at 31 March 2019

Debt to GDP Ratio

In addressing its high and unsustainable debt to GDP ratio, Barbados embarked on a multi-pronged economic reform programme which includes fiscal consolidation, corrective economic measures and debt restructuring to stabilise public finances and create conditions for sustained economic growth. BERTP, which is supported by the IMF, has, as its long-term anchor, a public sector debt to GDP target of 60% by FY 2033/34, a reduction from 147.8% of GDP as of December 31, 2017. This target is consistent with accepted international norms.

The Government debt to GDP ratio as of 31 March 2019 stood at approximately 121.1% compared to 147.7% at 31 March 2018. The decrease is primarily attributed to the Domestic Exchange Offer, which included a write-off of approximately U.S.\$1.5 billion in debt held by the Central Bank and the NIS.

The following table sets forth the Government's debt to GDP ratio for the financial years indicated.

Table No. 25
Debt to GDP Ratio

2015	136.4%
2016	144.4%
2017	147.8%
2018	147.7%
2019	121.1%

Source: Ministry of Finance, Economic Affairs and Investment, as at 31 March 2019

Domestic Debt

Traditionally, Barbados issued local currency debt through Treasury Bills, Savings Bonds, commercial bank loans, Debentures and Treasury Notes and other securities. The NIS, the Central Bank and commercial banks are the principal holders of Government instruments.

As of 31 March 2019, domestic debt represented approximately 74.4% of the Government's debt portfolio, compared to approximately 80.1% as of 31 March 2018. The write-offs in the Domestic Exchange Offer primarily accounted for the reduction in the share of domestic debt in the portfolio.

The following table sets forth the composition of domestic debt as of the dates indicated.

Table No. 26
Composition of Domestic Debt

Domestic Debt	31 March 2019	31 March 2018
	<i>(In millions of U.S. dollars)</i>	
Treasury Bills	247.5	1,987.5
Overdraft	51.6	144.8
Savings Bonds & Tax Certificates	71.6	83.5
Loans	0	120.4
Bonds.....	50.9	185.9
Debentures and Treasury Notes.....	0	2,985.8
Bonds (restructured)	4,188.1	0

Source: Ministry of Finance, Economic Affairs and Investment, as at 31 March 2019

Total interest expense on domestic Government debt for FY2018/19 was approximately U.S.\$195.2 million, and the average interest cost of domestic debt was approximately 4.0%. Following the debt restructuring, Government's total domestic debt was U.S.\$4,609.7 million as of 31 March 2019 compared to U.S.\$5,507.8 million as of 31 March 2018, a decrease of 16.3%.

The following table sets forth Barbados' domestic debt amortisation amounts for the years indicated.

Table No. 27
Domestic Debt Amortisation

Instrument	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
	<i>(In millions of U.S. dollars)</i>									
Treasury Bills....	247.6	-	-	-	-	-	-	-	-	-
Overdraft.....	51.6	-	-	-	-	-	-	-	-	-
Savings Bonds & Tax Certificates	9.2	28.8	13.2	3.6	-	-	-	-	-	-
Bonds	-	-	-	-	0.31	-	-	-	-	13.2
Bonds (restructured).....	89.1	89.1	89.1	100.9	167.8	143.6	150.1	157.0	164.3	213.3

* Treasury Bills are assumed to be rolled annually.

Source: Ministry of Finance, Economic Affairs and Investment, as at 31 March 2019

External Debt

As of 31 March 2019, Government's external debt consisted primarily of loans from multilateral and bilateral sources, international bond issuances denominated mainly in U.S. dollars and other commercial facilities. Multilateral and bilateral borrowing accounted for approximately 42.0% and 6.6% of Government's external debt, respectively, while international bond issuances accounted for approximately 37.7% and other commercial facilities accounted for the remaining 13.7%.

Government's total external debt was U.S.\$1,539.8 million as of 31 March 2019 compared to U.S.\$1,372.5 million as of 31 March 2018, an increase of 12.2%.

As a result of the suspension of both principal and interest payments due on debts owed to external commercial creditors, interest expense on the Government's external debt for FY2018/19 was approximately U.S.\$21.3 million.

The following table sets forth details of the Government's international capital market issuances as of 31 March 2019.

Table No. 28
Government International Capital Market Issuances

Debt Instrument	Original principal Amount	Issue Date	Maturity
International Bonds			
7.80% Class B Bonds due 2019	U.S.\$40.0 million	2009	2019
7.25% Bonds due 2021	U.S.\$150.0 million	2001	2021
6.625% Bonds due 2035.....	U.S.\$190.0 million*	2005	2035
7.00% Bonds due 2022	U.S.\$200.0 million	2010	2022
Commercial Loans			
Credit Suisse AG, Cayman Islands Branch.....	U.S.\$150.0 million	2013	2018
Credit Suisse AG, Cayman Islands Branch.....	U.S.\$75.0 million	2014	2019

* The 6.625% Bonds due 2035 were first issued in 2005 for U.S.\$125 million and then reopened in 2006 for an additional U.S.\$65 million.

Source: Ministry of Finance, Economic Affairs and Investment, as at 31 March 2019

The following table sets forth the currency composition of Government's external debt outstanding for the years indicated.

Table No. 29
Government External Debt Outstanding by Currency

	Year ended 31 March				
	2015	2016	2017	2018	2019
	<i>(In millions of U.S. dollars)</i>				
U.S. Dollar	1,382.6	1,487.0	1,462.8	1,372.2	1,539.5
Pound Sterling	40.6	0	0.0	0.0	0.0
Euro	0.4	0.4	0.3	0.3	0.3
Total.....	1,423.7	1,487.4	1,463.1	1,372.5	1,539.8

Source: Ministry of Finance, Economic Affairs and Investment, as at 31 March 2019

The following table sets forth the composition by creditor of Government's outstanding external debt for the years indicated.

Table No. 30
Government External Debt by Creditor

	Year ended 31 March				
	2015	2016	2017	2018	2019
	<i>(In millions of U.S. dollars)</i>				
Total External	1,423.7	1,487.4	1,463.1	1,372.5	1,539.8
Multilateral	406.5	491.5	477.2	473.7	646.3
Caribbean Development	115.7	107.7	94.5	102.3	176.0
European Economic	0.4	0.4	0.3	0.3	0.3
Latin American Development Bank	-	85.0	85.0	84.3	81.6
International Bank for Reconstruction & Development	35.6	32.9	30.5	28.6	27.2
Inter-American Development	254.7	265.5	266.9	258.2	361.3
Bilateral	-	43.6	91.9	105.7	102.2
Citibank (EDC)*	-	43.6	57.9	63.8	60.3
EXIM Bank of China	-	-	34.0	41.9	41.9
Suppliers' Credit & Prison	143.3	135.3	127.6	120.3	118.5
International Bonds	623.9	612.4	602.9	580.7	580.7
Commercial Loans	250.0	204.6	163.5	92.1	92.1

* Export Development Canada

Source: Ministry of Finance, Economic Affairs and Investment, as at 31 March 2019

Annual debt service payments for the period ending 31 March are shown in the table below.

Table No. 31
Government Debt Service Payments
(In millions of U.S. dollars)

Year	Total amortisation	Total interest	Total debt service
2009	210.0	198.4	408.4
2010	169.4	217.4	386.8
2011	365.3	250.6	616.0
2012	165.2	265.4	430.7
2013	218.4	284.5	502.9
2014	275.8	304.3	580.1
2015	319.5	332.7	652.2
2016	408.6	336.0	744.6
2017	402.4	369.5	771.9
2018	480.7	382.6	863.3
2019	177.2	195.2	372.4

Source: Accountant General, as at 31 March 2019

Contingent Liabilities

At 31 March 2019, the Government's guaranteed contingent liabilities were approximately U.S.\$46.4 million compared to U.S.\$488.4 million at 31 March 2018. The reduction was a result of the release of the Government from its obligations as a guarantor or surety under any Barbados law-governed debt instruments and overdraft facilities issued or contracted by certain state-owned enterprises, public institutions and government supported entities as a condition of the acceptance of the Domestic Exchange Offer.

TERMS AND CONDITIONS OF THE 2029 BONDS

This section of this invitation memorandum sets forth the text of the Terms and Conditions of the 2029 Bonds. Barbados urges you to read the Trust Deed and the Agency Agreement for a complete description of Barbados' obligations and your rights as a holder of the 2029 Bonds. In subscribing for the 2029 Bonds, you will be deemed to be aware of the terms of the Trust Deed and Agency Agreement.

(1) GENERAL

These bonds due 1 October 2029 (the “*Bonds*”, which expression shall, in these Conditions, unless the context otherwise requires, include any further bonds issued and forming a single Series with the Bonds) are:

- (a) authorised and issued or to be issued by the Government of Barbados (“*Barbados*”) pursuant to the trust deed (the “*Trust Deed*”) made between Barbados and The Bank of New York Mellon (the “*Trustee*”, which expression shall include its successor(s)) as trustee for the Holders of the Bonds; and
- (b) constituted by the Trust Deed.

The Bonds shall be Debt Securities for the purposes of the Trust Deed. Terms used but not defined herein shall have the respective meanings given to them in the Trust Deed. The Holders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed applicable to them.

(2) FORM, DENOMINATION AND TITLE

- (a) Form and Denomination
 - (i) The Bonds are in fully registered form only, without interest coupons, in minimum denominations of U.S.\$100 and integral multiples of U.S.\$100 in excess thereof.
 - (ii) The Bonds will be represented by separate permanent global certificates (the “*Restricted Global Certificate*” and the “*Unrestricted Global Certificate*” and, together, the “*Global Certificates*”) which will both be deposited with the Registrar as custodian for The Depository Trust Company (“*DTC*”) and registered in the name of Cede & Co. as nominee of DTC. The Restricted Global Certificate will represent Bonds which are restricted securities within the meaning of Rule 144(a)(3) under the United States Securities Act of 1933, as amended (the “*Securities Act*”). Bonds sold in offshore transactions in reliance on Regulation S under the Securities Act will be represented by the Unrestricted Global Certificate. Interests in the Restricted Global Certificate will be exchangeable for interests in the Unrestricted Global Certificate and vice versa in the circumstances specified therein.
 - (iii) The Restricted Global Certificate will be exchanged in whole (but not in part) for duly authenticated and completed individual debt security certificates (“*Restricted Individual Certificates*”) and, if applicable, the Unrestricted Global Certificate will be exchanged in whole (but not in part) for duly authenticated and completed individual debt security certificates (“*Unrestricted Individual Certificates*” and, together with Restricted Individual Certificates and the Global Certificates, “*Certificates*”) if any of the following events occurs:

- (A) DTC notifies Barbados that it is no longer willing or able to discharge properly its responsibilities as depositary with respect to the Restricted Global Certificate or the Unrestricted Global Certificate, as the case may be, or ceases to be a clearing agency (as defined in the United States Securities Exchange Act of 1934, as amended), or is at any time no longer eligible to act as such, and Barbados is (in the case of DTC ceasing to be a depositary) unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of DTC; or
- (B) any Bond becomes immediately due and payable following the occurrence of an Event of Default (as defined in Condition (12)), is not duly redeemed (and the funds required for redemption are not available to the Registrar for the purpose of effecting such redemption or do not remain available for such purpose) by 5:00 p.m. (New York City time) on the thirtieth day after the time the Bonds become immediately due and payable and such Holder requests the Trustee to issue a Certificate.

(3) TITLE

(a)

- (i) The Registrar will maintain a register (the “*Register*”) in respect of the Bonds in accordance with the provisions of the Agency Agreement. In these Conditions the “*Holder*” of a Bond means the person in whose name such Bond is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof). A Certificate will be issued to each Holder in respect of its registered holding.
- (ii) The Holder of each Bond shall (except as otherwise required by applicable law or regulatory requirement) be treated as the absolute owner of such Bond for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest thereof or therein, any writing on the Certificate relating thereto (other than the completion of the form of transfer) or any notice of any previous loss or theft of such Certificate) and no person shall be liable for so treating such holder.

(b) Trust Deed

Each Holder of this Series of Bonds is entitled as a beneficiary of the trusts established under the Trust Deed in respect of Barbados’ covenants given to the Trustee pursuant to the Trust Deed including, without limitation, the covenant to pay set out in Clause 2 thereof. The Trustee holds the benefit of such covenants on trust for the Holders of this Series of Bonds and itself in accordance with the terms of the Trust Deed. Subject to the next sentence, only the Trustee may enforce the provisions of the Trust Deed and these Conditions. No Holder of the Bonds of this Series shall be entitled to (i) take any steps or action against Barbados to enforce the performance of any of the provisions of the Trust Deed, the Agency Agreement or these Conditions or (ii) take any other proceedings (including lodging an appeal in any proceedings) in respect of or concerning Barbados and arising out of or in connection with the Trust Deed, the Agency Agreement or these Conditions, in each case unless the Trustee, having become bound pursuant to the Trust Deed to take any such action, steps or proceedings, fails to do so within 60 days and such failure is continuing.

(4) STATUS OF THE BONDS AND NEGATIVE PLEDGE

(a) Status

The Bonds are the direct, unconditional and unsecured obligations of Barbados and rank and will rank *pari passu*, without preference among themselves, with all other unsecured External Indebtedness of Barbados, from time to time outstanding, *provided, however*, that Barbados shall have no obligation to effect equal or rateable payment(s) at any time with respect to any such other External Indebtedness and, in particular, shall have no obligation to pay other External Indebtedness at the same time or as a condition of paying sums due on the Bonds and vice versa.

(b) Negative Pledge

- (i) So long as any Bond remains Outstanding, Barbados will not create or permit to subsist any Security Interest (other than a Permitted Security Interest) upon the whole or any part of its properties, assets or revenues, present or future, to secure any present or future Public External Indebtedness of Barbados without, in any such case, at the same time or prior thereto according to the Bonds (i) equally and rateably therewith, the same or equivalent Security Interest as is granted to or is outstanding in respect of such Public External Indebtedness or (ii) such other Security Interest or such guarantee, indemnity or other like obligation as is approved by the Holders by an Extraordinary Resolution.

(ii) In these Conditions:

- (A) “*External Indebtedness*” means Indebtedness which is payable or may be paid (a) in a currency other than the currency of Barbados and (b) to a Person resident or having its principal place of business outside Barbados;

- (B) “*Indebtedness*” means any obligation (whether present, future, actual or contingent) of any Person for the payment or repayment of money which has been borrowed or raised (including money raised by acceptances and leasing);

- (C) “*Permitted Security Interest*” means:

1. any Security Interest upon any property or asset (and any revenues therefrom) to secure Public External Indebtedness of Barbados incurred for the purpose of financing the acquisition, development or construction of such property or asset (and any revenues therefrom) and any renewal or extension of any such Security Interest which is limited to the original property or asset (and revenues) covered thereby and which secures any renewal or extension of the original secured financing;
2. any Security Interest existing upon any property or asset (and any revenues therefrom) to secure Public External Indebtedness of Barbados at the time of its acquisition and any renewal or extension of any such Security Interest which is limited to the original property or asset (and revenues) covered thereby;

3. any Security Interest securing Public External Indebtedness incurred for the purpose of financing all or part of the costs of the acquisition, construction or development of a project, *provided* that (i) the holders of such Public External Indebtedness expressly agree to limit their recourse to the assets and revenues of such project as the principal source of repayment of such Public External Indebtedness and (ii) the property over which such Security Interest is granted consists solely of such assets and revenues or claims that arise from the operation, failure to meet specifications, failure to complete, exploitation, sale or loss of, or damage to, such assets;
 4. any Security Interest in existence as of 11 December 2019 (the “*Issue Date*”) and any renewal or extension thereof which secures only the original secured financing or the renewal or extension thereof; and
 5. any other Security Interest where the amount secured from time to time does not exceed U.S.\$20,000,000 or its equivalent in any other currency or currencies (calculated based on the prevailing exchange rate on the date of the provision of such Security Interest);
- (D) “*Person*” means any individual, company, corporation, firm, partnership, joint venture, association, organisation, government, state or agency of a state or government or other entity, whether or not having a separate legal personality;
- (E) “*Public External Indebtedness*” means External Indebtedness which (a) is publicly offered or privately placed in securities markets outside of Barbados, (b) is in the form of, or represented by, bonds, notes, debentures or similar transferable debt securities and (c) is, or is, at the time of issue, intended by Barbados to be, quoted, listed or ordinarily dealt in on any stock exchange, automated trading system or over-the-counter or other securities market outside of Barbados (including, without limiting the generality of the foregoing, securities eligible for resale pursuant to Rule 144A under the Securities Act (or any successor law or regulation of similar effect)); and
- (F) “*Security Interest*” means any mortgage, charge, pledge, lien (other than a lien arising by operation of law), hypothecation or other security interest or encumbrance, including, without limitation, any equivalent created or arising under the laws of Barbados.

(5) INTEREST

(a) Interest Rate and Interest Payment Dates

Barbados shall pay interest on the principal amount of each Bond at the rate of 6.500 per cent. per annum accruing from 1 October 2019 and ending on 1 October 2029.

Interest on the Bonds will be payable in arrear semi-annually on each 1 April and 1 October commencing on 1 April 2020 (each such date, an “*Interest Payment Date*”) calculated on the basis of a 360-day year composed of twelve 30-day months and will be payable to Holders of record as of 26 March and 25 September of each year (each, a “*Record Date*”).

(b) Interest Accrual

Barbados shall not be required to pay interest on a Bond from and including the due date for redemption of that Bond unless payment for redemption of such Bond is not made by Barbados on such date in which event the obligation of Barbados to pay interest shall continue as provided in the Trust Deed.

(6) REDEMPTION AND PURCHASE OF BONDS

(a) Mandatory Redemption

Barbados shall, to the extent not previously redeemed, purchased or cancelled as provided below, redeem the Bonds on the dates shown below (each, a “*Principal Payment Date*” and together with the Interest Payment Dates, the “*Payment Dates*”) in an amortisation amount such that the aggregate Outstanding Amount of the Bonds (as defined below) is equal to or less than the percentage of the Relevant Principal Amount (as defined below) shown opposite such Principal Payment Date (each an “*Amortisation Amount*”) payable as provided in Condition (7).

<u>Principal Payment Date</u>	<u>Percentage of Relevant Principal Amount</u>
1 April 2025:	90.00%
1 October 2025:	80.00%
1 April 2026:	70.00%
1 October 2026:	60.00%
1 April 2027:	50.00%
1 October 2027:	40.00%
1 April 2028:	30.00%
1 October 2028:	20.00%
1 April 2029:	10.00%
1 October 2029:	0.00%

For purposes of this Condition (6), “*Outstanding Amount*” means the aggregate principal amount of the Bonds outstanding on any Principal Payment Date (as defined below), as shown on the records of the Trustee less the amount of any further issue of Bonds (as permitted by Condition (16) below) that have been consolidated with the Bonds; and “*Relevant Principal Amount*” means the aggregate principal amount of the Bonds outstanding on 1 January 2025.

(b) Purchases

Barbados may at any time purchase or otherwise acquire Bonds at any price in the open market or otherwise.

(c) Cancellation

Any Bond purchased or otherwise acquired by Barbados may be held, reissued, resold or, at the option of Barbados on or after 1 October 2024, cancelled.

(7) PAYMENTS

(a) Payments in respect of the Bonds

Payments of principal and interest or other amounts payable to the Holders under the Bonds will be made to the Holders in the manner provided in, and in accordance with, the Trust Deed, *provided* always that in any event final discharge of the obligation to make payments due to the Holders will only occur on the receipt of such payments by the Holders or by the Trustee on behalf of the Holders.

(b) Payments subject to applicable laws

Payments in respect of the Bonds are subject in all cases to any fiscal or other laws and regulations applicable in the place of payment, but without prejudice to the denomination of the Bonds or the provisions of Condition (7)(a) or Condition (9).

(c) No commissions

No commissions or expenses shall be charged to the Holders in respect of any payments made in accordance with this Condition.

(d) Payment on Business Days

If any date for payment in respect of any Bond is not a business day, the Holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment.

In this paragraph, “business day” for the purposes of any payments made in connection with the Bonds means any day except Saturday, Sunday or any other day on which commercial banks in New York City, London or Bridgetown (or the city where the relevant paying or transfer agent is located) are required or authorised by law to close.

(e) Agents

The initial Paying Agent, Transfer Agent and Registrar and their respective initial offices are specified in the Agency Agreement. Barbados reserves the right at any time to vary or terminate the appointment of any Paying Agent, Transfer Agent or Registrar and to appoint additional or other Paying Agents, Transfer Agents or Registrars *provided* that:

- (i) Barbados will at all times maintain a Transfer Agent with a specified office in the Borough of Manhattan; and

- (ii) if any Series of Bonds are listed on a stock exchange and that stock exchange so requires, Barbados will maintain a paying agent in the region where the stock exchange is located for such Series.

Notice of any termination or appointment and of any changes in specified offices will be given to the Holders promptly by Barbados in accordance with Condition (15) and to the Trustee.

(f) Principal Reinstatement

If any amount of principal or interest falling due under the Bonds on or prior to the Cut-Off Date is not paid on the scheduled due date, and such default is not cured by the date falling 30 days after the expiration of the grace period for such payment (such date being referred to herein the “*Principal Reinstatement Date*”) Barbados shall issue to each Holder of the Bonds (as of the Principal Reinstatement Date) within 30 Business Days after the Principal Reinstatement Date on a pro rata basis an amount of additional Bonds (for each such Holder, a “*Principal Reinstatement*”) equal to 33.33% of the outstanding principal amount of the Bonds as of the Issue Date of the Bonds. The Principal Reinstatement Date shall be the record date for purposes of determining Holders who are entitled to receive such additional Bonds.

The “*Cut-Off Date*” for purposes of this Condition (7) means the latter of the date on which (a) the extended fund facility arrangement for Barbados (the “*Arrangement*”) approved by the Executive Board of the International Monetary Fund (the “*Executive Board*”) on 1 October 2018 shall have expired by its terms; and (b) any extended expiration date for the Arrangement approved by the Executive Board.

If a Principal Reinstatement occurs, Barbados shall (i) file a supplement with the Luxembourg Stock Exchange indicating the principal amount of Bonds issued in connection therewith, and the total principal amount of Bonds outstanding following such Principal Reinstatement and (ii) provide notice of such Principal Reinstatement to the Holders. Bonds issued following a Principal Reinstatement Date will be fungible with other Bonds. The Trust Deed contains instructions for Barbados to notify the Trustee of the Principal Reinstatement, and for the Trustee to instruct DTC to credit these additional Bonds to the account of each Participant holding Bonds Outstanding as of the Principal Reinstatement Date within 30 Business Days after the Principal Reinstatement Date. Nothing herein or in the Trust Deed shall require the Trustee to pro rate the additional Bonds among the beneficial owners thereof or the DTC participants therefor while the Bonds are represented by one or more Global Certificates, such proration to be solely the responsibility of DTC. Only one Principal Reinstatement Date may occur under the Bonds.

(8) NATURAL DISASTER CLAUSE

(a) Event

- (i) Following the occurrence of any Caribbean Earthquake Event, Caribbean Tropical Cyclone Event or Covered Area Rainfall Event, as defined in the CCRIF Policy (an “*Event*”) that occurs prior to 1 October 2027, in respect of which a Policy Payment has been made to Barbados, and subject to paragraph (iv) below, Barbados may elect to defer payment of the Deferred Payment Amounts on a Deferral Date. Any such Deferred Payment Amount shall remain outstanding and shall continue to accrue interest in accordance with paragraph (iii) below.
- (ii) Beginning with the next Payment Date following the relevant Deferral Period, each remaining principal amortisation of the Bonds will be increased by an amount equal to a pro rata portion of principal that is being deferred on the Deferral Date

and a pro rata portion of interest capitalised in accordance with paragraph (iii) below, in each case, taking into account the number of remaining principal amortisation payments of the Bonds.

- (iii) The portion of a Deferred Payment Amount that is comprised of interest will be capitalised and added to principal as each such interest payment falls due under the terms of the Bonds after the relevant Deferral Date. As such interest is converted into principal, the principal amount of the Bonds shall be increased in the amount of such deferred interest.
- (iv) Barbados shall be entitled to defer the Deferred Payment Amount following the occurrence of an Event only if all of the following conditions are satisfied: (A) the CCRIF Policy is in full force and effect and CCRIF has issued a written report confirming that the Event is an Insured Event in respect of which a Policy Payment has been made to Barbados; (B) since the Issue Date, neither of the Coverage Limit or the Exhaustion Point applicable to earthquakes, tropical cyclone or excess rainfall has been reduced, unless it has been reduced by CCRIF and CCRIF has declined a request submitted by Barbados to CCRIF to maintain such Coverage Limit or Exhaustion Point, as the case may be; and (C) the Policy Payment to Barbados resulting from the Event is greater than U.S.\$5 million in the case of a Caribbean Earthquake Event or Covered Area Rainfall Event or U.S.\$7.5 million in the case of a Caribbean Tropical Cyclone Event.

Upon electing to defer the Deferred Payment Amount, Barbados shall at its own expense provide notice thereof (a “*Deferral Claim*”) to the Holders in accordance with Condition (15), describing in reasonable detail the particulars of the Event giving rise to the right to make such Deferral Claim. Barbados shall be entitled to make no more than three Deferral Claims for the Bonds. Additionally, so long as the Bonds are held in DTC, Barbados will arrange through DTC’s Reorganization Services or other relevant corporate action service of DTC (unless DTC no longer provides such a relevant service) a notice describing in reasonable detail the particulars of the Event giving rise to the right to make such Deferral Claim and that the relevant Deferred Payment Amounts will be deferred on a Deferral Date unless Holders of at least 50 per cent. of the aggregate principal amount of the Bonds then Outstanding respond to the DTC notice by providing an affirmative consent to instruct the Trustee to issue a Blocking Notice during the Blocking Period. Upon receipt through DTC of such affirmative consent during the Blocking Period from Holders representing 50 per cent of the aggregate principal amount of the Bonds then Outstanding, the Trustee is directed to issue a Blocking Notice in accordance with paragraph (v) below (such process, a “*DTC Corporate Action Process*”).

- (v) The Holders of at least 50 per cent. of the aggregate principal amount of the Bonds then Outstanding may, at any time during a Blocking Period, direct the Trustee to issue a blocking notice to Barbados (a “*Blocking Notice*”), including through a DTC Corporate Action Process, if such is then available.
- (vi) For purposes of this Condition: “*Caribbean Earthquake Event*”, “*Caribbean Tropical Cyclone Event*”, “*Covered Area Rainfall Event*”, “*Coverage Limit*”, “*Exhaustion Point*”, “*Insured Event*”, “*Policy Payment*” and “*Rainfall Index Loss*” have the meanings given to such terms in the CCRIF Policy.

“*Blocking Period*” means the 15 day period starting on the date Barbados provides notice of a Deferral Claim to the Holders in accordance with paragraph (iv) of this Condition (8).

“*CCRIF*” means CCRIF SPC (formerly, the Caribbean Catastrophe Risk Insurance Facility), or any successor thereof, with whom the Government of Barbados has entered into the CCRIF Policy.

“*CCRIF Policy*” means the Parametric Insurance Contract dated 1 June 2018 which the Government of Barbados has entered into with CCRIF to insure against risks of earthquake, tropical cyclone and excess rainfall, including any documents incorporated by reference therein and any attachments, annexes, appendices or supplements thereto (including but not limited to the applicable coverage summary and associated loss curve data spreadsheet), as such CCRIF Policy may be amended or supplemented from time to time.

“*Deferral Claim*”, in respect of an Event, has the meaning given to such term in paragraph (iv) of this Condition.

“*Deferral Date*” means the Payment Date following the Blocking Period, provided that no Blocking Notice has been validly delivered to Barbados in respect of such Deferral Claim in accordance with paragraph (v) above.

“*Deferred Payment Amount*” means all principal amortisations and interest payments falling due on the Bonds for the consecutive two-year period immediately following the Deferral Date.

“*Deferral Period*” means the consecutive two-year period immediately following a Deferral Date.

“*Return Period (years)*” means the return period applicable to the Event as such term is used in the model and formulae detailed in the CCRIF Policy.

(9) TAXATION

- (a) All payments of interest and principal on the Bonds will be made by Barbados without withholding or deduction for, or on account of, any present or future taxes, levies or duties of whatever nature imposed, levied, collected or assessed by or on behalf of Barbados or any political subdivision or taxing authority thereof (“*Barbados Withholding Taxes*”), unless such withholding or deduction is required by law. In such event, Barbados will pay such additional amounts (“*Additional Amounts*”) as may be necessary in order that the net payment made in respect of the Bonds after such withholding or deduction for or on account of Barbados Withholding Taxes is not less than the amount that would have been receivable in respect of the Bonds in the absence of such withholding or deduction; *provided* that the foregoing obligation to pay Additional Amounts shall not apply to:
 - (i) any Barbados Withholding Taxes that would not have been imposed or levied on a Holder or beneficial owner of the Bonds but for the existence of any present or former connection between such Holder or beneficial owner and Barbados or any political subdivision thereof, including, without limitation, such Holder or beneficial owner (i) being or having been a citizen or resident thereof, (ii)

maintaining or having maintained an office, permanent establishment or branch therein, or (iii) being or having been present or engaged in trade or business therein, except for a connection solely arising from the mere ownership of, or receipt of payment under such Bonds;

- (ii) any Barbados Withholding Taxes imposed with respect to any Bond held by or on behalf of a Holder or beneficial owner who would not be liable for or subject to such Barbados Withholding Taxes by making a declaration of non-residence or other similar claim or exemption to the relevant tax authority if, after having been requested to make such a declaration or claim, such Holder or beneficial owner fails to do so; or
- (iii) any Barbados Withholding Taxes that would not have been so imposed but for the presentation by the Holder of such Bond for payment more than 30 days after the Relevant Date, except to the extent that the Holder thereof would have been entitled to such Additional Amount on the last day of such 30-day period.

(b) The “*Relevant Date*” in relation to any Bond means:

- (i) the due date for payment in respect thereof; or
- (ii) (if the full amount of the monies payable on such date has not been received by the Trustee or the Paying Agent on or prior to such due date) the date on which, the full amount of such monies having been so received, notice to that effect is duly given to the Holders in accordance with Condition (15) or individually.

(c) OID Reporting Requirement

If any Bonds are issued with original issue discount for U.S. federal income tax purposes, the following shall apply:

- (i) Barbados shall file with the Trustee (i) a written notice specifying the amount of original issue discount (including daily rates and accrual periods) accrued on the Bonds and (ii) such other specific information relating to such original issue discount, including, but not limited to, the issue date and yield to maturity of the Bonds, as necessary to satisfy the relevant reporting requirements under the U.S. Internal Revenue Code of 1986, as amended. Individual Bonds, if any, that are issued with original issue discount will bear a legend substantially to the following effect, unless Barbados determines otherwise in compliance with applicable law: THIS BOND HAS BEEN ISSUED WITH ORIGINAL ISSUE DISCOUNT FOR UNITED STATES FEDERAL INCOME TAX PURPOSES. This provision shall not apply with respect to any Bonds for which Barbados has filed IRS Form 8281 with the U.S. Internal Revenue Service. Barbados shall provide a copy of IRS Form 8281, if any, to the Trustee.
- (ii) Barbados shall provide the information described in Condition (9)(c)(i) above to the Trustee based on the lowest applicable issue price for the Bonds, as determined for U.S. federal income tax purposes. By its acceptance of the Bonds, a Holder will be required, to the extent relevant for U.S. federal income tax purposes, to report original issue discount on the Bonds in accordance with the original issue

discount information provided by Barbados to the Trustee pursuant to Condition (9)(c)(i) above.

- (iii) A Holder may request the information described in Condition (9)(c)(i) above in writing (together with such evidence as to the Holder's identity and beneficial entitlement to such Bonds as the Trustee may reasonably request or require) to the Trustee at 240 Greenwich St., 7E, New York, New York 10286, and the Trustee agrees to provide the same to such Holder to the extent the Trustee received such information from Barbados, *provided* that under no circumstances shall the Trustee be responsible for or incur any liability whatsoever to any persons as to the accuracy or correctness of such information provided by Barbados to the Trustee.

(10) PRESCRIPTION

Claims for principal and interest on the Bonds shall become void unless made within the period of five years from the Relevant Date.

(11) MOST FAVOURED CREDITOR

Barbados shall not enter into any arrangement to pay or to settle any Specified Indebtedness issued on or prior to 1 January 2019 (unless such payment is made in compliance with and in accordance with the terms of a final, non-appealable court order or arbitral award) on terms more favourable to the holder thereof (in a net present value sense, where present value is calculated using a constant 12% discount rate) than the terms offered in the invitation memoranda dated 5 November 2019 to the holders of 7.25% Bonds due 2021, 7.00% Bonds due 2022, or 6.625% Bonds due 2035 each issued by Barbados, U.S.\$150,000,000 outstanding loans due 18 December 2018, U.S.\$75,000,000 outstanding loans due 18 December 2019, Fixed Rate Non-Callable Guaranteed Bonds 2007 – 2022 issued by the Barbados Transport Board, Fixed Rate Non-Callable Guaranteed Bonds 2007 – 2022 issued by Barbados Agricultural Management Co. Ltd., Class B Fixed Rate Bonds due 2019 issued by the Government of Barbados in definitive form and Class B Fixed Rate Bonds due 2019 issued by the Government of Barbados (ISIN XS0441235255), without simultaneously making those more favourable terms available to each Holder.

For the purposes of this Condition, "*Specified Indebtedness*" means (a) any Public External Indebtedness of Barbados; and (b) any External Indebtedness of Barbados in the form of commercial loans (provided that any such commercial loan has an aggregate outstanding amount in excess of U.S.\$5,000,000 or its equivalent in another currency), in each case other than Indebtedness under the Correctional Facility Lease between Barbados and Barbados Correction Corporation originally dated 15 October 2007 (as amended).

(12) EVENTS OF DEFAULT

- (a) Events of Default

The following shall each constitute an "*Event of Default*":

- (i) Barbados fails to pay any amount of principal or interest in respect of the Bonds on the due date for payment thereof and such default continues for 30 days or more;
- (ii) Barbados defaults in the performance or observance of any of its other obligations under or in respect of the Trust Deed, the Agency Agreement or the Conditions of the Bonds and such default remains unremedied for 60 days after written notice

requiring such default to be remedied has been delivered to Barbados by any Holder or the Trustee;

- (iii) (A) any External Indebtedness incurred by Barbados after the Issue Date (aggregating U.S.\$20,000,000, or its equivalent in any other currency or currencies, or more) (“*Relevant External Indebtedness*”) becomes due and payable prior to its stated maturity as a result of acceleration of payment thereof following a default by Barbados; (B) any principal or interest on such Relevant External Indebtedness of Barbados is not paid on the due date after giving effect to any applicable grace period; or (C) Barbados fails to pay when due and called after giving effect to any applicable grace period any amount payable by it under any present or future guarantee of or indemnity relating to Relevant External Indebtedness of any Person;
- (iv) A moratorium or suspension of payments is agreed or declared by Barbados in respect of any Relevant External Indebtedness of Barbados;
- (v) Any writ, execution, attachment or similar process shall be levied against all or any substantial part of the assets of Barbados in connection with any judgment for the payment of money in respect of any Indebtedness incurred by Barbados after the Issue Date exceeding U.S.\$25,000,000 (or its equivalent in other currencies) and shall remain unsatisfied, undischarged and in effect for a period of 60 days without a stay of execution, unless such judgment is adequately bonded or is being contested in good faith by appropriate proceedings properly instituted and diligently conducted and, in either case, such process is not being executed against such assets;
- (vi) The validity of the Bonds, the Trust Deed, the Conditions or the Agency Agreement shall be contested by Barbados or any legislative, executive or judicial body or official of Barbados authorised and empowered (either singly or with another such body or official) in each case by law to do so, or Barbados shall deny any of its obligations under the Trust Deed, the Agency Agreement or the relevant Conditions of such Series of Bonds to any of the Holders (whether by a general suspension of payments or a moratorium on the payment of debt or otherwise);
- (vii) Any constitutional provision, treaty, convention, law, regulation, ordinance, decree, consent, approval, licence or other governmental or regulatory authority necessary to enable Barbados to make or perform its obligations under the Trust Deed, the Agency Agreement or the Conditions of such Series of Bonds, or for the validity or enforceability thereof, shall expire, be withheld, revoked, modified, terminated or otherwise cease to remain in full force and effect;
- (viii) Any law, rule or regulation is adopted in Barbados or any change in applicable law in Barbados is made which makes it unlawful for Barbados to comply with its obligations to pay amounts in accordance with Condition (7) in the event that Barbados shall be required to withhold or deduct any taxes, duties, assessments or governmental charges on payments of principal of, or interest on, the Bonds; or
- (ix) Barbados ceases to be a member of the International Monetary Fund (the “*IMF*”) or ceases to be eligible to utilise the resources of the IMF under the IMF Articles of Agreement and such cessation continues for 30 days.

(b) Acceleration and Rescission

If an Event of Default occurs and is continuing, then the Holders of at least 25 per cent. of the aggregate principal amount of the Bonds then Outstanding may direct the Trustee to give notice in writing (an “*Acceleration Notice*”) to Barbados that the Bonds are immediately due and payable, whereupon an amount equal to the aggregate principal amount of the Bonds then Outstanding together with accrued but unpaid interest if any to the date of repayment shall become immediately due and payable, unless the Event of Default has been remedied or waived prior to the receipt of the Acceleration Notice by Barbados.

The Holders of at least 50 per cent. of the aggregate principal amount of the Bonds then Outstanding may direct the Trustee to rescind an Acceleration Notice. Such rescission shall be made by giving notice in writing to Barbados, with a copy to the Trustee, whereupon such Acceleration Notice shall be rescinded and shall have no further effect and any amounts that had become immediately due and payable pursuant to such Acceleration Notice and had not been paid shall remain outstanding on the terms and conditions applicable prior to such Acceleration Notice and any Event of Default referred to in such Acceleration Notice or resulting from a failure to pay any amount that had become due and payable pursuant to such Acceleration Notice shall be irrevocably waived.

No such rescission shall affect any other or any subsequent Event of Default or any right of any Holder in relation thereto. Such rescission will be conclusive and binding on all Holders.

(13) ENFORCEMENT

Subject to the Trust Deed, the Trustee may or shall (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction by the relevant holders), if so requested in writing by Holders for the time being of at least 25 per cent. of the Bonds then Outstanding, take such proceedings against Barbados as it may think fit to enforce the provisions of the Bonds or the Trust Deed.

No Holder shall be entitled to proceed directly against Barbados by instituting any proceeding, judicial or otherwise, with respect to the Bonds or the Trust Deed, or for the appointment of a receiver or a trustee, or for any other remedy hereunder, unless the Trustee, having become bound so to proceed under the Trust Deed, fails to do so within 60 days and the failure shall be continuing.

(14) MEETINGS AND MODIFICATIONS

(a) General

The provisions relating to modifications as set out under Clause 19 of the Trust Deed and for convening meetings of Holders as set out in Schedule 4 of the Trust Deed shall apply to the Bonds, *provided* that, for the purposes of any proposal relating to, or proposed modification of, the Bonds of this Series only or any Multiple Series Aggregation – Single Limb Voting or Multiple Series Aggregation – Two Limb Voting, the Bonds shall be treated as a single Series and all reference to “*Series*” or “*Bonds*” shall be construed accordingly.

Any modification consented to or approved by the Holders of Bonds pursuant to this Condition (14) will be conclusive and binding on all Holders of the Bonds whether or not they have given such consent, and on all future Holders of the Bonds whether or not notation of such modification is made upon the Bonds. Any instrument given by or on behalf of any Holder of a Bond in connection with any consent to or approval of any such modification will be conclusive and binding on all subsequent Holders of that Bond.

(b) Convening a meeting of Holders

A meeting of Holders:

- (i) may be convened by Barbados or the Trustee at any time; and
- (ii) will be convened by Barbados or the Trustee if a meeting is requested in writing by the Holders of not less than 10 per cent. in principal amount of the Bonds then Outstanding.

(c) Non-Reserved Matters

Save as otherwise provided in the Trust Deed, any modification in relation to, or proposal relating to, any matter other than a Reserved Matter may be made if:

- (i) passed at a duly called meeting of Holders by a majority of more than 50 per cent. of the aggregate principal amount of the Bonds then Outstanding; or
- (ii) approved by a written resolution signed by or on behalf of a Holder or Holders of more than 50 per cent. of the aggregate principal amount of the Bonds then Outstanding.

(d) Reserved Matters

(i) Modification of this Series of Debt Securities Only

(A) In relation to a proposal that includes a Reserved Matter, any modification to the terms and conditions of, or any action with respect to, the Bonds may be made or taken if:

- 1. passed at a duly called meeting of Holders by a majority of at least 75 per cent. of the aggregate principal amount of the Bonds then Outstanding; or
- 2. approved by a written resolution signed by or on behalf of a Holder or Holders of at least 75 per cent. of the aggregate principal amount of the Bonds then Outstanding.

(ii) Multiple Series Aggregation – Single Limb Voting

(A) In relation to a proposal that includes a Reserved Matter, any modification to the terms and conditions of, or any action with respect to, two or more series of Debt Securities Capable of Aggregation; *provided* that the Uniformly Applicable condition is satisfied, may be made or taken if:

- 1. passed at a duly called meeting of Holders by a majority of at least 75 per cent. of the aggregate principal amount of the outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in the aggregate); or

2. approved by a written resolution signed by or on behalf of a Holder or Holders of at least 75 per cent. of the aggregate principal amount of the outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in the aggregate).

(B) The “*Uniformly Applicable*” condition will be satisfied if:

1. the holders of all affected series of Debt Securities Capable of Aggregation are invited to exchange, convert, or substitute their debt securities, on the same terms, for (i) the same new instrument or other consideration or (ii) a new instrument, new instruments or other consideration from an identical menu of instruments or other consideration; or
2. the amendments proposed to the terms and conditions of each affected series of Debt Securities Capable of Aggregation would, following implementation of such amendments, result in the amended instruments having identical provisions (other than provisions which are necessarily different, having regard to different currency of issuance).

(iii) Multiple Series Aggregation – Two Limb Voting

(A) In relation to a proposal that includes a Reserved Matter, any modification to the terms and conditions of, or any action with respect to, two or more series of Debt Securities Capable of Aggregation may be made or taken if:

1. passed at a duly called meeting of Holders by a majority of: (a) at least 66 $\frac{2}{3}$ per cent. of the aggregate principal amount of the outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in the aggregate); and (b) more than 50 per cent. of the aggregate principal amount of the outstanding debt securities in each affected series of Debt Securities Capable of Aggregation (taken individually); or
2. approved by a written resolution signed by or on behalf of a Holder or Holders of: (a) at least 66 $\frac{2}{3}$ per cent. of the aggregate principal amount of the outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in the aggregate); and (b) more than 50 per cent. of the aggregate principal amount of the outstanding debt securities in each affected series of Debt Securities Capable of Aggregation (taken individually).

“*Debt Securities Capable of Aggregation*” means those debt securities which include or incorporate by reference Schedule 4 (*Meetings of Holders; Written Resolutions*) and paragraph (I) (*Aggregation Agent; Aggregation Procedures*) of Schedule 4 of the Trust Deed or provisions substantially in those terms which provide for the debt securities which include such provisions to be capable of being aggregated for voting purposes with other series of debt securities.

(e) Binding Effect

A resolution duly passed at a meeting of Holders duly convened and held in accordance with the provisions of the Trust Deed, and a written resolution duly signed by the requisite majority of Holders, will be binding on all Holders and holders of each other affected series of Debt Securities Capable of Aggregation, whether or not they attended any meeting and whether or not they voted for or against the resolution or signed the written resolution.

(15) NOTICES

- (a) Notices to Holders will be valid if sent to them by first class mail (airmail if overseas) at their respective addresses on the Register or, as long as the Notes are listed on the Luxembourg Stock Exchange and traded on the Euro MTF market and the rules of the Luxembourg Stock Exchange so require, published in a leading newspaper having general circulation in Luxembourg or on the website of the Luxembourg Stock Exchange (<http://www.bourse.lu>). Any such notice shall be deemed to have been given, when required to be published in accordance with the rules of the Luxembourg Stock Exchange, on the date of such publication (or, if published more than once, on the first date on which publication is made) or, as the case may be, on the fourth day after the date of mailing.
- (b) Notices to Barbados to be given by any Holder shall be in writing and in English and given by lodging the same at the Ministry of Finance, Economic Affairs and Investment at the address below:

The Ministry of Finance, Economic Affairs and Investment
Government Headquarters
Bay Street
St. Michael, Barbados
Attention: Permanent Secretary (Finance)

(16) FURTHER ISSUES

Barbados shall be at liberty from time to time without the consent of the Holders to create and issue further bonds having terms and conditions the same as the Bonds or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with and increase the outstanding aggregate principal amount of the Bonds, provided that such additional Bonds do not have, for purposes of U.S. federal income taxation (regardless of whether any holders of such Bonds are subject to U.S. federal laws), a greater amount of original issue discount than the Bonds have as of the date of issuance of such additional Bonds.

(17) INDEMNIFICATION OF TRUSTEE

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from any obligation to take proceedings to enforce repayment unless indemnified and/or secured and/or prefunded to its satisfaction. The Trust Deed also contains provisions pursuant to which the Trustee is entitled *inter alia*, (i) to enter into business transactions with Barbados or any person or body corporate associated with the Government of Barbados and to act as trustee for the holders of any other securities issued by or relating to Barbados or any person or body corporate associated with the Government of Barbados, (ii) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Holders, and (iii) to retain

and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

(18) GOVERNING LAW

- (a) The Bonds and any non-contractual obligations arising out of or in connection with the Bonds shall be governed by and construed in accordance with the law of England.
- (b) Subject to Condition (18)(l), Barbados irrevocably and unconditionally agrees for the exclusive benefit of the Trustee that any federal court in the Southern District of New York or any state court in the Borough of Manhattan, The City of New York, any court of England and any competent court in Barbados (collectively referred to “*Specified Courts*”) shall have jurisdiction to settle any suit, action or proceeding against Barbados or its properties, assets or revenues arising out of or in connection with the Bonds or Barbados’ failure or alleged failure to perform any obligations under the Bonds (a “*Related Proceeding*”). Any proceeding against the Trustee arising out of or related to the Trust Deed or the Bonds shall be commenced solely in the courts of England. Barbados and the Holders, by their acceptance of the Bonds, agree to the foregoing and submit to the exclusive jurisdiction of any such court.
- (c) The Trustee may not initiate a Related Proceeding in any jurisdiction other than in the Specified Courts.
- (d) Barbados irrevocably appoints: (i) the High Commissioner of Barbados at 1 Great Russell St, Fitzrovia, London WC1B 3ND, UK to receive service of process in relation to any Related Proceeding in England, and (ii) the Consul General of Barbados at 820 2nd Ave, New York, NY 10017 to receive service of process in relation to any Related Proceeding in New York.
- (e) Barbados hereby irrevocably and unconditionally waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to Related Proceedings brought in a Specified Court whether on the grounds of venue, residence or domicile or on the ground that the Related Proceedings have been brought in an inconvenient forum (except for any Related Proceedings relating to the securities laws of the United States or any state thereof).
- (f) A final non-appealable judgment in any such Related Proceeding shall be conclusive and may be enforced in other jurisdictions by a suit upon such judgment or in any other manner provided by law.
- (g) Barbados hereby irrevocably waives, to the extent permitted by applicable law and international conventions, (a) any immunity from jurisdiction it may have in any Related Proceeding in the courts of England, and (b) except as provided below, any immunity from attachment or execution to which its assets or property might otherwise be entitled in any Related Proceeding in the courts of England, and agrees that it will not claim any such immunity in any such Related Proceeding.
- (h) Notwithstanding the foregoing, the above waiver shall not constitute a waiver of immunity from attachment or execution with respect to:
 - (i) any property of the Central Bank of Barbados,

- (ii) any property of Barbados located in the territory of Barbados,
 - (iii) any property located in or outside the territory of Barbados that provides an essential public service,
 - (iv) any property entitled to the privileges and immunities of the Vienna Convention on Diplomatic Relations of 1961 and the Vienna Convention on Consular Relations of 1963, including, but not limited to, property, premises and bank accounts used by the missions of Barbados,
 - (v) any property of a diplomatic, governmental or consular mission of Barbados,
 - (vi) taxes, duties, levies, assessments, royalties or any other governmental charges imposed by Barbados, including the right of Barbados to collect any such charges,
 - (vii) any property of a military character or under the control of a military authority or defence agency of Barbados,
 - (viii) property forming part of the cultural heritage of Barbados, or
 - (ix) property of Barbados outside Barbados not used for a commercial purpose.
- (i) For the purposes of this Condition (18), “*property*” includes, without limitation, assets, accounts, bank deposits, cash, revenues, securities and rights, including rights against third parties.
- (j) Subject to Condition (18)(l), to the extent that Barbados or any of its revenues, assets or properties shall be entitled, in any jurisdiction in which any federal court in the Southern District of New York or any state court in the Borough of Manhattan, The City of New York is located, in which any Related Proceeding may at any time be brought against it or any of its revenues, assets or properties, or in any jurisdiction in which any federal court in the Southern District of New York or any state court in the Borough of Manhattan, The City of New York is located in which any suit, action or proceeding may at any time be brought for the purpose of enforcing or executing any judgment issued in any Related Proceeding (a “*Related Judgment*”), to any immunity from suit, from the jurisdiction of any such court, from set-off, from attachment prior to a Related Judgment, from attachment in aid of execution of a Related Judgment, from execution of a Related Judgment or from any other legal or judicial process or remedy, and to the extent that in any such jurisdiction there shall be attributed such an immunity, Barbados irrevocably waives such immunity to the fullest extent permitted by the laws of such jurisdiction, including the United States Foreign Sovereign Immunities Act of 1976 (the “*Immunities Act*”) (and consents to the giving of any relief or the issue of any process in connection with any Related Proceeding or Related Judgment as permitted by applicable law, including the Immunities Act), *provided, however*, that such waiver shall not extend to and Barbados shall be immune in respect of and in relation to any suit, action or proceeding or enforcement of any Related Judgment against:
- (i) any property of the Central Bank of Barbados,
 - (ii) any property of Barbados located in the territory of Barbados,

- (iii) any property located in or outside the territory of Barbados that provides an essential public service,
 - (iv) any property entitled to the privileges and immunities of the Vienna Convention on Diplomatic Relations of 1961 and the Vienna Convention on Consular Relations of 1963, including, but not limited to, property, premises and bank accounts used by the missions of Barbados,
 - (v) any property of a diplomatic, governmental or consular mission of Barbados,
 - (vi) taxes, duties, levies, assessments, royalties or any other governmental charges imposed by Barbados, including the right of Barbados to collect any such charges,
 - (vii) any property of a military character or under the control of a military authority or defence agency of Barbados,
 - (viii) property forming part of the cultural heritage of Barbados, or
 - (ix) property of Barbados outside Barbados not used for a commercial purpose.
- (k) The foregoing constitutes a limited and specific waiver by Barbados solely for the purposes of the Trust Deed and the Bonds and under no circumstance shall it be construed as a general waiver by Barbados or a waiver with respect to proceedings unrelated to the Trust Deed or the Bonds.
- (l) Barbados reserves the right to plead sovereign immunity under the Immunities Act with respect to actions brought against it under the U.S. federal securities laws or any state securities laws and the appointment of an agent for service of process does not extend to such actions.

(19) HOLDERS' COMMITTEE

- (a) Appointment
- (i) Holders of at least 25 per cent. of the aggregate principal amount of the outstanding Bonds may, by notice in writing to Barbados (with a copy to the Trustee), appoint any person or persons as a committee to represent the interests of such holders (as well as the interests of any holders of outstanding Indebtedness of Barbados who wish to be represented by such a committee) if any of the following events has occurred:
 - (A) an Event of Default under Condition (12) (*Events of Default*);
 - (B) any public announcement by Barbados, to the effect that Barbados is seeking or intends to seek a rescheduling or restructuring of the Bonds (whether by amendment, exchange offer or otherwise); or
 - (C) with the agreement of Barbados, at a time when Barbados has reasonably reached the conclusion that its debt may no longer be sustainable whilst the Bonds or any other affected Indebtedness of Barbados is outstanding.

- (ii) Upon receipt of a written notice that a committee has been appointed in accordance with paragraph (a)(i) of this Condition (19) (*Holders' Committee*), and a certificate delivered pursuant to paragraph (d) of this Condition (19) (*Holders' Committee*), Barbados shall give notice of the appointment of such a committee to all Holders in accordance with Condition (15) (*Notices*) as soon as practicable after such written notice and such certificate are delivered to Barbados.

(b) Powers

Such committee in its discretion may, among other things:

- (i) engage legal advisers and financial advisers to assist it in representing the interests of the Holders;
- (ii) adopt such rules as it considers appropriate regarding its proceedings;
- (iii) enter into discussions with Barbados and/or other creditors of Barbados; and
- (iv) designate one or more members of the committee to act as the main point(s) of contact with Barbados and provide all relevant contact details to Barbados.

Except to the extent provided in this paragraph (b) of this Condition (19) (*Holders' Committee*), such committee shall not have the ability to exercise any powers or discretions which the Holders could themselves exercise.

(c) Engagement with the Committee and Provision of Information

- (i) Barbados shall:
 - (A) subject to paragraph (c)(ii) of this Condition (19) (*Holders' Committee*), engage with the committee in good faith;
 - (B) pay such fees and expenses of the committee (including, without limitation, fees and expenses of the committee's legal and financial advisers, if any) but only to the extent agreed in writing between Barbados and the committee, it being understood that nothing in this clause shall impose an obligation or expectation on Barbados to make any such payment without the prior agreement of Barbados; and
 - (C) provide the committee with information equivalent to that required under paragraph (g) (*Information*) of Schedule 4 of the Trust Deed and related proposals, if any, in each case as the same become available, subject to any applicable information disclosure policies, rules and regulations.
- (ii) If more than one committee has been appointed by holders of affected series of Bonds in accordance with the provisions of this Condition (19) (*Holders' Committee*) and/or equivalent provisions set out in the terms and conditions of any affected Indebtedness of Barbados, Barbados shall not be obliged to engage with such committees separately. Such committees may appoint a single steering group (to be comprised of representatives from such committees), whereupon Barbados shall engage with such steering group.

(d) Certification

Upon the appointment of a committee, the person or persons constituting such a committee (the “*Members*”) will provide a certificate to Barbados and to the Trustee signed by the authorised representatives of the Members, and Barbados and the Trustee may rely upon the terms of such certificate.

The certificate shall certify:

- (A) that the committee has been appointed;
- (B) the identity of the initial Members; and
- (C) that such appointment complies with the terms and conditions of the relevant bond documentation.

Promptly after any change in the identity of the Members, a new certificate which each of Barbados and the Trustee may rely on conclusively, will be delivered to Barbados and the Trustee identifying the new Members. Each of Barbados and the Trustee will assume that the membership of the committee has not changed unless and until it has received a new certificate.

The provisions of this paragraph (d) of this Condition (19) (*Holders’ Committee*) shall apply, mutatis mutandis, to any steering group appointed in accordance with paragraph (c)(ii) of this Condition (19) (*Holders’ Committee*).

TERMS AND CONDITIONS OF THE PDI BONDS

This section of this invitation memorandum sets forth the text of the Terms and Conditions of the PDI Bonds. Barbados urges you to read the Trust Deed and the Agency Agreement for a complete description of Barbados' obligations and your rights as a holder of the PDI Bonds. In subscribing for the PDI Bonds, you will be deemed to be aware of the terms of the Trust Deed and Agency Agreement.

(1) GENERAL

These bonds due 1 February 2021 (the “*Bonds*”, which expression shall, in these Conditions, unless the context otherwise requires, include any further bonds issued and forming a single Series with the Bonds) are:

- (a) authorised and issued or to be issued by the Government of Barbados (“*Barbados*”) pursuant to the trust deed (the “*Trust Deed*”) made between Barbados and The Bank of New York Mellon (the “*Trustee*”, which expression shall include its successor(s)) as trustee for the Holders of the Bonds; and
- (b) constituted by the Trust Deed.

The Bonds shall be Debt Securities for the purposes of the Trust Deed. Terms used but not defined herein shall have the respective meanings given to them in the Trust Deed. The Holders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed applicable to them.

(2) FORM, DENOMINATION AND TITLE

- (a) Form and Denomination
 - (i) The Bonds are in fully registered form only, without interest coupons, in minimum denominations of U.S.\$100 and integral multiples of U.S.\$100 in excess thereof.
 - (ii) The Bonds will be represented by separate permanent global certificates (the “*Restricted Global Certificate*” and the “*Unrestricted Global Certificate*” and, together, the “*Global Certificates*”) which will both be deposited with the Registrar as custodian for The Depository Trust Company (“*DTC*”) and registered in the name of Cede & Co. as nominee of DTC. The Restricted Global Certificate will represent Bonds which are restricted securities within the meaning of Rule 144(a)(3) under the United States Securities Act of 1933, as amended (the “*Securities Act*”). Bonds sold in offshore transactions in reliance on Regulation S under the Securities Act will be represented by the Unrestricted Global Certificate. Interests in the Restricted Global Certificate will be exchangeable for interests in the Unrestricted Global Certificate and vice versa in the circumstances specified therein.
 - (iii) The Restricted Global Certificate will be exchanged in whole (but not in part) for duly authenticated and completed individual debt security certificates (“*Restricted Individual Certificates*”) and, if applicable, the Unrestricted Global Certificate will be exchanged in whole (but not in part) for duly authenticated and completed individual debt security certificates (“*Unrestricted Individual Certificates*” and, together with Restricted Individual Certificates and the Global Certificates, “*Certificates*”) if any of the following events occurs:

- (A) DTC notifies Barbados that it is no longer willing or able to discharge properly its responsibilities as depositary with respect to the Restricted Global Certificate or the Unrestricted Global Certificate, as the case may be, or ceases to be a clearing agency (as defined in the United States Securities Exchange Act of 1934, as amended), or is at any time no longer eligible to act as such, and Barbados is (in the case of DTC ceasing to be a depositary) unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of DTC; or
- (B) any Bond becomes immediately due and payable following the occurrence of an Event of Default (as defined in Condition (12)), is not duly redeemed (and the funds required for redemption are not available to the Registrar for the purpose of effecting such redemption or do not remain available for such purpose) by 5:00 p.m. (New York City time) on the thirtieth day after the time the Bonds become immediately due and payable and such Holder requests the Trustee to issue a Certificate.

(3) TITLE

(a)

- (i) The Registrar will maintain a register (the “*Register*”) in respect of the Bonds in accordance with the provisions of the Agency Agreement. In these Conditions the “*Holder*” of a Bond means the person in whose name such Bond is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof). A Certificate will be issued to each Holder in respect of its registered holding.
- (ii) The Holder of each Bond shall (except as otherwise required by applicable law or regulatory requirement) be treated as the absolute owner of such Bond for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest thereof or therein, any writing on the Certificate relating thereto (other than the completion of the form of transfer) or any notice of any previous loss or theft of such Certificate) and no person shall be liable for so treating such holder.

(b) Trust Deed

Each Holder of this Series of Bonds is entitled as a beneficiary of the trusts established under the Trust Deed in respect of Barbados’ covenants given to the Trustee pursuant to the Trust Deed including, without limitation, the covenant to pay set out in Clause 2 thereof. The Trustee holds the benefit of such covenants on trust for the Holders of this Series of Bonds and itself in accordance with the terms of the Trust Deed. Subject to the next sentence, only the Trustee may enforce the provisions of the Trust Deed and these Conditions. No Holder of the Bonds of this Series shall be entitled to (i) take any steps or action against Barbados to enforce the performance of any of the provisions of the Trust Deed, the Agency Agreement or these Conditions or (ii) take any other proceedings (including lodging an appeal in any proceedings) in respect of or concerning Barbados and arising out of or in connection with the Trust Deed, the Agency Agreement or these Conditions, in each case unless the Trustee, having become bound pursuant to the Trust Deed to take any such action, steps or proceedings, fails to do so within 60 days and such failure is continuing.

(4) STATUS OF THE BONDS AND NEGATIVE PLEDGE

(a) Status

The Bonds are the direct, unconditional and unsecured obligations of Barbados and rank and will rank *pari passu*, without preference among themselves, with all other unsecured External Indebtedness of Barbados, from time to time outstanding, *provided, however*, that Barbados shall have no obligation to effect equal or rateable payment(s) at any time with respect to any such other External Indebtedness and, in particular, shall have no obligation to pay other External Indebtedness at the same time or as a condition of paying sums due on the Bonds and vice versa.

(b) Negative Pledge

(i) So long as any Bond remains Outstanding, Barbados will not create or permit to subsist any Security Interest (other than a Permitted Security Interest) upon the whole or any part of its properties, assets or revenues, present or future, to secure any present or future Public External Indebtedness of Barbados without, in any such case, at the same time or prior thereto according to the Bonds (i) equally and rateably therewith, the same or equivalent Security Interest as is granted to or is outstanding in respect of such Public External Indebtedness or (ii) such other Security Interest or such guarantee, indemnity or other like obligation as is approved by the Holders by an Extraordinary Resolution.

(ii) In these Conditions:

(A) “*External Indebtedness*” means Indebtedness which is payable or may be paid (a) in a currency other than the currency of Barbados and (b) to a Person resident or having its principal place of business outside Barbados;

(B) “*Indebtedness*” means any obligation (whether present, future, actual or contingent) of any Person for the payment or repayment of money which has been borrowed or raised (including money raised by acceptances and leasing);

(C) “*Permitted Security Interest*” means:

1. any Security Interest upon any property or asset (and any revenues therefrom) to secure Public External Indebtedness of Barbados incurred for the purpose of financing the acquisition, development or construction of such property or asset (and any revenues therefrom) and any renewal or extension of any such Security Interest which is limited to the original property or asset (and revenues) covered thereby and which secures any renewal or extension of the original secured financing;
2. any Security Interest existing upon any property or asset (and any revenues therefrom) to secure Public External Indebtedness of Barbados at the time of its acquisition and any renewal or extension of any such Security Interest which is limited to the original property or asset (and revenues) covered thereby;

3. any Security Interest securing Public External Indebtedness incurred for the purpose of financing all or part of the costs of the acquisition, construction or development of a project, *provided* that (i) the holders of such Public External Indebtedness expressly agree to limit their recourse to the assets and revenues of such project as the principal source of repayment of such Public External Indebtedness and (ii) the property over which such Security Interest is granted consists solely of such assets and revenues or claims that arise from the operation, failure to meet specifications, failure to complete, exploitation, sale or loss of, or damage to, such assets;
 4. any Security Interest in existence as of 11 December 2019 (the “*Issue Date*”) and any renewal or extension thereof which secures only the original secured financing or the renewal or extension thereof; and
 5. any other Security Interest where the amount secured from time to time does not exceed U.S.\$20,000,000 or its equivalent in any other currency or currencies (calculated based on the prevailing exchange rate on the date of the provision of such Security Interest);
- (D) “*Person*” means any individual, company, corporation, firm, partnership, joint venture, association, organisation, government, state or agency of a state or government or other entity, whether or not having a separate legal personality;
- (E) “*Public External Indebtedness*” means External Indebtedness which (a) is publicly offered or privately placed in securities markets outside of Barbados, (b) is in the form of, or represented by, bonds, notes, debentures or similar transferable debt securities and (c) is, or is, at the time of issue, intended by Barbados to be, quoted, listed or ordinarily dealt in on any stock exchange, automated trading system or over-the-counter or other securities market outside of Barbados (including, without limiting the generality of the foregoing, securities eligible for resale pursuant to Rule 144A under the Securities Act (or any successor law or regulation of similar effect)); and
- (F) “*Security Interest*” means any mortgage, charge, pledge, lien (other than a lien arising by operation of law), hypothecation or other security interest or encumbrance, including, without limitation, any equivalent created or arising under the laws of Barbados.

(5) INTEREST

(a) Interest Rate and Interest Payment Dates

Barbados shall pay interest on the principal amount of each Bond at the rate of 6.500 per cent. per annum accruing from 1 October 2019 and ending on 1 February 2021.

Interest on the Bonds will be payable in arrear on 1 October 2020 and 1 February 2021 (each such date, an “*Interest Payment Date*”) calculated on the basis of a 360-day year composed of twelve 30-day months and will be payable to Holders of record as of 25 September 2020 and 26 January 2021 (each, a “*Record Date*”).

(b) Interest Accrual

Barbados shall not be required to pay interest on a Bond from and including the due date for redemption of that Bond unless payment for redemption of such Bond is not made by Barbados on such date in which event the obligation of Barbados to pay interest shall continue as provided in the Trust Deed.

(6) REDEMPTION AND PURCHASE OF BONDS

(a) Mandatory Redemption

Barbados shall, to the extent not previously redeemed, purchased or cancelled as provided below, redeem the Bonds on the dates shown below (each, a “*Principal Payment Date*”) in an amortisation amount shown opposite such Principal Payment Date, payable as provided in Condition (7).

<u>Principal Payment Date</u>	<u>Amortisation Amount</u>
1 October 2020:	U.S.\$30,000,000
1 February 2021:	U.S.\$2,500,000

(b) Redemption at the option of Barbados

Barbados may on any one or more occasions redeem all or a part of the Bonds, upon not giving less than 30 nor more than 60 calendar days’ notice to the Holders and the Trustee in accordance with Condition (15), at a redemption price equal to 100 per cent of the principal amount thereof, together with interest accrued and unpaid to the date fixed for redemption.

(c) Purchases

Barbados may at any time purchase or otherwise acquire Bonds at any price in the open market or otherwise.

(d) Cancellation

Any Bond purchased or otherwise acquired by Barbados may be held, reissued, resold or, at the option of Barbados, cancelled.

(7) PAYMENTS

(a) Payments in respect of the Bonds

Payments of principal and interest or other amounts payable to the Holders under the Bonds will be made to the Holders in the manner provided in, and in accordance with, the Trust Deed, *provided* always that in any event final discharge of the obligation to make payments due to the Holders will only occur on the receipt of such payments by the Holders or by the Trustee on behalf of the Holders.

(b) Payments subject to applicable laws

Payments in respect of the Bonds are subject in all cases to any fiscal or other laws and regulations applicable in the place of payment, but without prejudice to the denomination of the Bonds or the provisions of Condition (7)(a) or Condition (9).

(c) No commissions

No commissions or expenses shall be charged to the Holders in respect of any payments made in accordance with this Condition.

(d) Payment on Business Days

If any date for payment in respect of any Bond is not a business day, the Holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment.

In this paragraph, “business day” for the purposes of any payments made in connection with the Bonds means any day except Saturday, Sunday or any other day on which commercial banks in New York City, London or Bridgetown (or the city where the relevant paying or transfer agent is located) are required or authorised by law to close.

(e) Agents

The initial Paying Agent, Transfer Agent and Registrar and their respective initial offices are specified in the Agency Agreement. Barbados reserves the right at any time to vary or terminate the appointment of any Paying Agent, Transfer Agent or Registrar and to appoint additional or other Paying Agents, Transfer Agents or Registrars *provided* that:

- (i) Barbados will at all times maintain a Transfer Agent with a specified office in the Borough of Manhattan; and
- (ii) if any Series of Bonds are listed on a stock exchange and that stock exchange so requires, Barbados will maintain a paying agent in the region where the stock exchange is located for such Series.

Notice of any termination or appointment and of any changes in specified offices will be given to the Holders promptly by Barbados in accordance with Condition (15) and to the Trustee.

(8) [INTENTIONALLY OMITTED]

(9) TAXATION

- (a) All payments of interest and principal on the Bonds will be made by Barbados without withholding or deduction for, or on account of, any present or future taxes, levies or duties of whatever nature imposed, levied, collected or assessed by or on behalf of Barbados or any political subdivision or taxing authority thereof (“*Barbados Withholding Taxes*”), unless such withholding or deduction is required by law. In such event, Barbados will pay such additional amounts (“*Additional Amounts*”) as may be necessary in order that the net payment made in respect of the Bonds after such withholding or deduction for or on account of Barbados Withholding Taxes is not less than the amount that would have been receivable in respect of the Bonds in the absence of such withholding or deduction; *provided* that the foregoing obligation to pay Additional Amounts shall not apply to:

- (i) any Barbados Withholding Taxes that would not have been imposed or levied on a Holder or beneficial owner of the Bonds but for the existence of any present or former connection between such Holder or beneficial owner and Barbados or any political subdivision thereof, including, without limitation, such Holder or beneficial owner (i) being or having been a citizen or resident thereof, (ii) maintaining or having maintained an office, permanent establishment or branch therein, or (iii) being or having been present or engaged in trade or business therein, except for a connection solely arising from the mere ownership of, or receipt of payment under such Bonds;
 - (ii) any Barbados Withholding Taxes imposed with respect to any Bond held by or on behalf of a Holder or beneficial owner who would not be liable for or subject to such Barbados Withholding Taxes by making a declaration of non-residence or other similar claim or exemption to the relevant tax authority if, after having been requested to make such a declaration or claim, such Holder or beneficial owner fails to do so; or
 - (iii) any Barbados Withholding Taxes that would not have been so imposed but for the presentation by the Holder of such Bond for payment more than 30 days after the Relevant Date, except to the extent that the Holder thereof would have been entitled to such Additional Amount on the last day of such 30-day period.
- (b) The “*Relevant Date*” in relation to any Bond means:
- (i) the due date for payment in respect thereof; or
 - (ii) (if the full amount of the monies payable on such date has not been received by the Trustee or the Paying Agent on or prior to such due date) the date on which, the full amount of such monies having been so received, notice to that effect is duly given to the Holders in accordance with Condition (15) or individually.
- (c) **OID Reporting Requirement**

If any Bonds are issued with original issue discount for U.S. federal income tax purposes, the following shall apply:

- (i) Barbados shall file with the Trustee (i) a written notice specifying the amount of original issue discount (including daily rates and accrual periods) accrued on the Bonds and (ii) such other specific information relating to such original issue discount, including, but not limited to, the issue date and yield to maturity of the Bonds, as necessary to satisfy the relevant reporting requirements under the U.S. Internal Revenue Code of 1986, as amended. Individual Bonds, if any, that are issued with original issue discount will bear a legend substantially to the following effect, unless Barbados determines otherwise in compliance with applicable law: **THIS BOND HAS BEEN ISSUED WITH ORIGINAL ISSUE DISCOUNT FOR UNITED STATES FEDERAL INCOME TAX PURPOSES.** This provision shall not apply with respect to any Bonds for which Barbados has filed IRS Form 8281 with the U.S. Internal Revenue Service. Barbados shall provide a copy of IRS Form 8281, if any, to the Trustee.

- (ii) Barbados shall provide the information described in Condition (9)(c)(i) above to the Trustee based on the lowest applicable issue price for the Bonds, as determined for U.S. federal income tax purposes. By its acceptance of the Bonds, a Holder will be required, to the extent relevant for U.S. federal income tax purposes, to report original issue discount on the Bonds in accordance with the original issue discount information provided by Barbados to the Trustee pursuant to Condition (9)(c)(i) above.
- (iii) A Holder may request the information described in Condition (9)(c)(i) above in writing (together with such evidence as to the Holder's identity and beneficial entitlement to such Bonds as the Trustee may reasonably request or require) to the Trustee at 240 Greenwich St., 7E, New York, New York 10286, and the Trustee agrees to provide the same to such Holder to the extent the Trustee received such information from Barbados, *provided* that under no circumstances shall the Trustee be responsible for or incur any liability whatsoever to any persons as to the accuracy or correctness of such information provided by Barbados to the Trustee.

(10) PRESCRIPTION

Claims for principal and interest on the Bonds shall become void unless made within the period of five years from the Relevant Date.

(11) [INTENTIONALLY OMITTED]

(12) EVENTS OF DEFAULT

- (a) Events of Default

The following shall each constitute an "*Event of Default*":

- (i) Barbados fails to pay any amount of principal or interest in respect of the Bonds on the due date for payment thereof and such default continues for 30 days or more;
- (ii) Barbados defaults in the performance or observance of any of its other obligations under or in respect of the Trust Deed, the Agency Agreement or the Conditions of the Bonds and such default remains unremedied for 60 days after written notice requiring such default to be remedied has been delivered to Barbados by any Holder or the Trustee;
- (iii) (A) any External Indebtedness incurred by Barbados after the Issue Date (aggregating U.S.\$20,000,000, or its equivalent in any other currency or currencies, or more) ("*Relevant External Indebtedness*") becomes due and payable prior to its stated maturity as a result of acceleration of payment thereof following a default by Barbados; (B) any principal or interest on such Relevant External Indebtedness of Barbados is not paid on the due date after giving effect to any applicable grace period; or (C) Barbados fails to pay when due and called after giving effect to any applicable grace period any amount payable by it under any present or future guarantee of or indemnity relating to Relevant External Indebtedness of any Person;

- (iv) A moratorium or suspension of payments is agreed or declared by Barbados in respect of any Relevant External Indebtedness of Barbados;
- (v) Any writ, execution, attachment or similar process shall be levied against all or any substantial part of the assets of Barbados in connection with any judgment for the payment of money in respect of any Indebtedness incurred by Barbados after the Issue Date exceeding U.S.\$25,000,000 (or its equivalent in other currencies) and shall remain unsatisfied, undischarged and in effect for a period of 60 days without a stay of execution, unless such judgment is adequately bonded or is being contested in good faith by appropriate proceedings properly instituted and diligently conducted and, in either case, such process is not being executed against such assets;
- (vi) The validity of the Bonds, the Trust Deed, the Conditions or the Agency Agreement shall be contested by Barbados or any legislative, executive or judicial body or official of Barbados authorised and empowered (either singly or with another such body or official) in each case by law to do so, or Barbados shall deny any of its obligations under the Trust Deed, the Agency Agreement or the relevant Conditions of such Series of Bonds to any of the Holders (whether by a general suspension of payments or a moratorium on the payment of debt or otherwise);
- (vii) Any constitutional provision, treaty, convention, law, regulation, ordinance, decree, consent, approval, licence or other governmental or regulatory authority necessary to enable Barbados to make or perform its obligations under the Trust Deed, the Agency Agreement or the Conditions of such Series of Bonds, or for the validity or enforceability thereof, shall expire, be withheld, revoked, modified, terminated or otherwise cease to remain in full force and effect;
- (viii) Any law, rule or regulation is adopted in Barbados or any change in applicable law in Barbados is made which makes it unlawful for Barbados to comply with its obligations to pay amounts in accordance with Condition (7) in the event that Barbados shall be required to withhold or deduct any taxes, duties, assessments or governmental charges on payments of principal of, or interest on, the Bonds; or
- (ix) Barbados ceases to be a member of the International Monetary Fund (the “IMF”) or ceases to be eligible to utilise the resources of the IMF under the IMF Articles of Agreement and such cessation continues for 30 days.

(b) Acceleration and Rescission

If an Event of Default occurs and is continuing, then the Holders of at least 25 per cent. of the aggregate principal amount of the Bonds then Outstanding may direct the Trustee to give notice in writing (an “*Acceleration Notice*”) to Barbados that the Bonds are immediately due and payable, whereupon an amount equal to the aggregate principal amount of the Bonds then Outstanding together with accrued but unpaid interest if any to the date of repayment shall become immediately due and payable, unless the Event of Default has been remedied or waived prior to the receipt of the Acceleration Notice by Barbados.

The Holders of at least 50 per cent. of the aggregate principal amount of the Bonds then Outstanding may direct the Trustee to rescind an Acceleration Notice. Such rescission shall be made by giving notice in writing to Barbados, with a copy to the Trustee, whereupon such Acceleration Notice shall be rescinded and shall have no further effect and any amounts that had become immediately due and payable pursuant

to such Acceleration Notice and had not been paid shall remain outstanding on the terms and conditions applicable prior to such Acceleration Notice and any Event of Default referred to in such Acceleration Notice or resulting from a failure to pay any amount that had become due and payable pursuant to such Acceleration Notice shall be irrevocably waived.

No such rescission shall affect any other or any subsequent Event of Default or any right of any Holder in relation thereto. Such rescission will be conclusive and binding on all Holders.

(13) ENFORCEMENT

Subject to the Trust Deed, the Trustee may or shall (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction by the relevant holders), if so requested in writing by Holders for the time being of at least 25 per cent. of the Bonds then Outstanding, take such proceedings against Barbados as it may think fit to enforce the provisions of the Bonds or the Trust Deed.

No Holder shall be entitled to proceed directly against Barbados by instituting any proceeding, judicial or otherwise, with respect to the Bonds or the Trust Deed, or for the appointment of a receiver or a trustee, or for any other remedy hereunder, unless the Trustee, having become bound so to proceed under the Trust Deed, fails to do so within 60 days and the failure shall be continuing.

(14) MEETINGS AND MODIFICATIONS

(a) General

The provisions relating to modifications as set out under Clause 19 of the Trust Deed and for convening meetings of Holders as set out in Schedule 4 of the Trust Deed shall apply to the Bonds, *provided* that, for the purposes of any proposal relating to, or proposed modification of, the Bonds of this Series only or any Multiple Series Aggregation – Single Limb Voting or Multiple Series Aggregation – Two Limb Voting, the Bonds shall be treated as a single Series and all reference to “*Series*” or “*Bonds*” shall be construed accordingly.

Any modification consented to or approved by the Holders of Bonds pursuant to this Condition (14) will be conclusive and binding on all Holders of the Bonds whether or not they have given such consent, and on all future Holders of the Bonds whether or not notation of such modification is made upon the Bonds. Any instrument given by or on behalf of any Holder of a Bond in connection with any consent to or approval of any such modification will be conclusive and binding on all subsequent Holders of that Bond.

(b) Convening a meeting of Holders

A meeting of Holders:

- (i) may be convened by Barbados or the Trustee at any time; and
- (ii) will be convened by Barbados or the Trustee if a meeting is requested in writing by the Holders of not less than 10 per cent. in principal amount of the Bonds then Outstanding.

(c) Non-Reserved Matters

Save as otherwise provided in the Trust Deed, any modification in relation to, or proposal relating to, any matter other than a Reserved Matter may be made if:

- (iii) passed at a duly called meeting of Holders by a majority of more than 50 per cent. of the aggregate principal amount of the Bonds then Outstanding; or
 - (iv) approved by a written resolution signed by or on behalf of a Holder or Holders of more than 50 per cent. of the aggregate principal amount of the Bonds then Outstanding.
- (d) Reserved Matters
 - (i) Modification of this Series of Debt Securities Only
 - (A) In relation to a proposal that includes a Reserved Matter, any modification to the terms and conditions of, or any action with respect to, the Bonds may be made or taken if:
 - 1. passed at a duly called meeting of Holders by a majority of at least 75 per cent. of the aggregate principal amount of the Bonds then Outstanding; or
 - 2. approved by a written resolution signed by or on behalf of a Holder or Holders of at least 75 per cent. of the aggregate principal amount of the Bonds then Outstanding.
 - (ii) Multiple Series Aggregation – Single Limb Voting
 - (A) In relation to a proposal that includes a Reserved Matter, any modification to the terms and conditions of, or any action with respect to, two or more series of Debt Securities Capable of Aggregation; *provided* that the Uniformly Applicable condition is satisfied, may be made or taken if:
 - 1. passed at a duly called meeting of Holders by a majority of at least 75 per cent. of the aggregate principal amount of the outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in the aggregate); or
 - 2. approved by a written resolution signed by or on behalf of a Holder or Holders of at least 75 per cent. of the aggregate principal amount of the outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in the aggregate).
 - (B) The “*Uniformly Applicable*” condition will be satisfied if:
 - 1. the holders of all affected series of Debt Securities Capable of Aggregation are invited to exchange, convert, or substitute their debt securities, on the same terms, for (i) the same new instrument or other consideration or (ii) a new instrument, new instruments or other consideration from an identical menu of instruments or other consideration; or
 - 2. the amendments proposed to the terms and conditions of each affected series of Debt Securities Capable of Aggregation would,

following implementation of such amendments, result in the amended instruments having identical provisions (other than provisions which are necessarily different, having regard to different currency of issuance).

(iii) Multiple Series Aggregation – Two Limb Voting

(A) In relation to a proposal that includes a Reserved Matter, any modification to the terms and conditions of, or any action with respect to, two or more series of Debt Securities Capable of Aggregation may be made or taken if:

1. passed at a duly called meeting of Holders by a majority of: (a) at least 66 $\frac{2}{3}$ per cent. of the aggregate principal amount of the outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in the aggregate); and (b) more than 50 per cent. of the aggregate principal amount of the outstanding debt securities in each affected series of Debt Securities Capable of Aggregation (taken individually); or
2. approved by a written resolution signed by or on behalf of a Holder or Holders of: (a) at least 66 $\frac{2}{3}$ per cent. of the aggregate principal amount of the outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in the aggregate); and (b) more than 50 per cent. of the aggregate principal amount of the outstanding debt securities in each affected series of Debt Securities Capable of Aggregation (taken individually).

“Debt Securities Capable of Aggregation” means those debt securities which include or incorporate by reference Schedule 4 (*Meetings of Holders; Written Resolutions*) and paragraph (l) (*Aggregation Agent; Aggregation Procedures*) of Schedule 4 of the Trust Deed or provisions substantially in those terms which provide for the debt securities which include such provisions to be capable of being aggregated for voting purposes with other series of debt securities.

(e) Binding Effect

A resolution duly passed at a meeting of Holders duly convened and held in accordance with the provisions of the Trust Deed, and a written resolution duly signed by the requisite majority of Holders, will be binding on all Holders and holders of each other affected series of Debt Securities Capable of Aggregation, whether or not they attended any meeting and whether or not they voted for or against the resolution or signed the written resolution.

(15) NOTICES

- (a) Notices to Holders will be valid if sent to them by first class mail (airmail if overseas) at their respective addresses on the Register or, as long as the Notes are listed on the Luxembourg Stock Exchange and traded on the Euro MTF market and the rules of the Luxembourg Stock Exchange so require, published in a leading newspaper having general circulation in Luxembourg or on the website of the Luxembourg Stock Exchange (<http://www.bourse.lu>). Any such notice shall be deemed to have been given, when required to be published in accordance with the rules of the Luxembourg Stock Exchange,

on the date of such publication (or, if published more than once, on the first date on which publication is made) or, as the case may be, on the fourth day after the date of mailing.

- (b) Notices to Barbados to be given by any Holder shall be in writing and in English and given by lodging the same at the Ministry of Finance, Economic Affairs and Investment at the address below:

The Ministry of Finance, Economic Affairs and Investment
Government Headquarters
Bay Street
St. Michael, Barbados
Attention: Permanent Secretary (Finance)

(16) FURTHER ISSUES

Barbados shall be at liberty from time to time without the consent of the Holders to create and issue further bonds having terms and conditions the same as the Bonds or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with and increase the outstanding aggregate principal amount of the Bonds, provided that such additional Bonds do not have, for purposes of U.S. federal income taxation (regardless of whether any holders of such Bonds are subject to U.S. federal laws), a greater amount of original issue discount than the Bonds have as of the date of issuance of such additional Bonds.

(17) INDEMNIFICATION OF TRUSTEE

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from any obligation to take proceedings to enforce repayment unless indemnified and/or secured and/or prefunded to its satisfaction. The Trust Deed also contains provisions pursuant to which the Trustee is entitled *inter alia*, (i) to enter into business transactions with Barbados or any person or body corporate associated with the Government of Barbados and to act as trustee for the holders of any other securities issued by or relating to Barbados or any person or body corporate associated with the Government of Barbados, (ii) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Holders, and (iii) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

(18) GOVERNING LAW

- (a) The Bonds and any non-contractual obligations arising out of or in connection with the Bonds shall be governed by and construed in accordance with the law of England.
- (b) Subject to Condition (18)(l), Barbados irrevocably and unconditionally agrees for the exclusive benefit of the Trustee that any federal court in the Southern District of New York or any state court in the Borough of Manhattan, The City of New York, any court of England and any competent court in Barbados (collectively referred to “*Specified Courts*”) shall have jurisdiction to settle any suit, action or proceeding against Barbados or its properties, assets or revenues arising out of or in connection with the Bonds or Barbados’ failure or alleged failure to perform any obligations under the Bonds (a “*Related Proceeding*”). Any proceeding against the Trustee arising out of or related to the Trust Deed or the Bonds shall be commenced solely in the courts of England. Barbados and the

Holders, by their acceptance of the Bonds, agree to the foregoing and submit to the exclusive jurisdiction of any such court.

- (c) The Trustee may not initiate a Related Proceeding in any jurisdiction other than in the Specified Courts.
- (d) Barbados irrevocably appoints: (i) the High Commissioner of Barbados at 1 Great Russell St, Fitzrovia, London WC1B 3ND, UK to receive service of process in relation to any Related Proceeding in England, and (ii) the Consul General of Barbados at 820 2nd Ave, New York, NY 10017 to receive service of process in relation to any Related Proceeding in New York.
- (e) Barbados hereby irrevocably and unconditionally waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to Related Proceedings brought in a Specified Court whether on the grounds of venue, residence or domicile or on the ground that the Related Proceedings have been brought in an inconvenient forum (except for any Related Proceedings relating to the securities laws of the United States or any state thereof).
- (f) A final non-appealable judgment in any such Related Proceeding shall be conclusive and may be enforced in other jurisdictions by a suit upon such judgment or in any other manner provided by law.
- (g) Barbados hereby irrevocably waives, to the extent permitted by applicable law and international conventions, (a) any immunity from jurisdiction it may have in any Related Proceeding in the courts of England, and (b) except as provided below, any immunity from attachment or execution to which its assets or property might otherwise be entitled in any Related Proceeding in the courts of England, and agrees that it will not claim any such immunity in any such Related Proceeding.
- (h) Notwithstanding the foregoing, the above waiver shall not constitute a waiver of immunity from attachment or execution with respect to:
 - (i) any property of the Central Bank of Barbados,
 - (ii) any property of Barbados located in the territory of Barbados,
 - (iii) any property located in or outside the territory of Barbados that provides an essential public service,
 - (iv) any property entitled to the privileges and immunities of the Vienna Convention on Diplomatic Relations of 1961 and the Vienna Convention on Consular Relations of 1963, including, but not limited to, property, premises and bank accounts used by the missions of Barbados,
 - (v) any property of a diplomatic, governmental or consular mission of Barbados,
 - (vi) taxes, duties, levies, assessments, royalties or any other governmental charges imposed by Barbados, including the right of Barbados to collect any such charges,
 - (vii) any property of a military character or under the control of a military authority or defence agency of Barbados,

- (viii) property forming part of the cultural heritage of Barbados, or
 - (ix) property of Barbados outside Barbados not used for a commercial purpose.
- (i) For the purposes of this Condition (18), “*property*” includes, without limitation, assets, accounts, bank deposits, cash, revenues, securities and rights, including rights against third parties.
- (j) Subject to Condition (18)(l), to the extent that Barbados or any of its revenues, assets or properties shall be entitled, in any jurisdiction in which any federal court in the Southern District of New York or any state court in the Borough of Manhattan, The City of New York is located, in which any Related Proceeding may at any time be brought against it or any of its revenues, assets or properties, or in any jurisdiction in which any federal court in the Southern District of New York or any state court in the Borough of Manhattan, The City of New York is located in which any suit, action or proceeding may at any time be brought for the purpose of enforcing or executing any judgment issued in any Related Proceeding (a “*Related Judgment*”), to any immunity from suit, from the jurisdiction of any such court, from set-off, from attachment prior to a Related Judgment, from attachment in aid of execution of a Related Judgment, from execution of a Related Judgment or from any other legal or judicial process or remedy, and to the extent that in any such jurisdiction there shall be attributed such an immunity, Barbados irrevocably waives such immunity to the fullest extent permitted by the laws of such jurisdiction, including the United States Foreign Sovereign Immunities Act of 1976 (the “*Immunities Act*”) (and consents to the giving of any relief or the issue of any process in connection with any Related Proceeding or Related Judgment as permitted by applicable law, including the Immunities Act), *provided, however*, that such waiver shall not extend to and Barbados shall be immune in respect of and in relation to any suit, action or proceeding or enforcement of any Related Judgment against:
- (i) any property of the Central Bank of Barbados,
 - (ii) any property of Barbados located in the territory of Barbados,
 - (iii) any property located in or outside the territory of Barbados that provides an essential public service,
 - (iv) any property entitled to the privileges and immunities of the Vienna Convention on Diplomatic Relations of 1961 and the Vienna Convention on Consular Relations of 1963, including, but not limited to, property, premises and bank accounts used by the missions of Barbados,
 - (v) any property of a diplomatic, governmental or consular mission of Barbados,
 - (vi) taxes, duties, levies, assessments, royalties or any other governmental charges imposed by Barbados, including the right of Barbados to collect any such charges,
 - (vii) any property of a military character or under the control of a military authority or defence agency of Barbados,
 - (viii) property forming part of the cultural heritage of Barbados, or

- (ix) property of Barbados outside Barbados not used for a commercial purpose.
- (k) The foregoing constitutes a limited and specific waiver by Barbados solely for the purposes of the Trust Deed and the Bonds and under no circumstance shall it be construed as a general waiver by Barbados or a waiver with respect to proceedings unrelated to the Trust Deed or the Bond.
- (l) Barbados reserves the right to plead sovereign immunity under the Immunities Act with respect to actions brought against it under the U.S. federal securities laws or any state securities laws and the appointment of an agent for service of process does not extend to such actions.

BOOK-ENTRY SETTLEMENT AND CLEARANCE

Global New Bonds

DTC, Euroclear Bank S.A./N.V., or Euroclear, and Clearstream, Luxembourg are under no obligation to perform or continue to perform the procedures described below, and they may modify or discontinue them at any time. Neither Barbados nor the trustee for the New Bonds will be responsible for DTC's, Euroclear's or Clearstream, Luxembourg's performance of their obligations under their rules and procedures. Additionally, neither Barbados nor the trustee will be responsible for the performance by direct or indirect participants of their obligations under their rules and procedures.

The New Bonds will initially be issued to investors in global form, the ownership and transfer of which are recorded in computerised book-entry accounts, eliminating the need for physical movement of New Bonds. Barbados refers to the intangible Bonds represented by a global New Bond as “book-entry” New Bonds.

Barbados will deposit any global New Bond it issues with a clearing system or its nominee. The global New Bond will be registered in the name of the clearing system or its nominee or common depositary. Unless a global New Bond is exchanged for certificated securities, as discussed below under “—Certificated Securities,” it may not be transferred, except as a whole among the clearing system, its nominees or common depositaries and their successors. Clearing systems include DTC in the United States and Euroclear and Clearstream, Luxembourg in Europe.

Clearing systems process the clearance and settlement of book-entry New Bonds for their direct participants. A “*direct participant*” is a bank or financial institution that has an account with a clearing system. The clearing systems act only on behalf of their direct participants, who in turn act on behalf of indirect participants. An “*indirect participant*” is a bank or financial institution that gains access to a clearing system by clearing through or maintaining a relationship with a direct participant. Euroclear and Clearstream, Luxembourg are connected to each other by a direct link and participate in DTC through their New York depositaries, which act as links between the clearing systems. These arrangements permit you to hold book-entry New Bonds through participants in any of these systems, subject to applicable securities laws.

If you wish to purchase book-entry New Bonds, you must either be a direct participant or make your purchase through a direct or indirect participant. Investors who purchase book-entry New Bonds will hold them in an account at the bank or financial institution acting as their direct or indirect participant.

When you hold New Bonds in this manner, you must rely on the procedures of the institutions through which you hold your New Bonds to exercise any of the rights granted to holders. This is because the legal obligations of Barbados and the trustee run only to the registered owner of the global New Bond, which will be the relevant clearing system or its nominee or common depositary. For example, once Barbados arranges for payments to be made to the registered holder, Barbados will no longer be liable for the amounts so paid on the security, even if you do not receive it. In practice, the clearing systems will pass along any payments or notices they receive from Barbados to their participants, which will pass along the payments to you. In addition, if you desire to take any action which a holder of a New Bond is entitled to take, then the clearing system would authorise the participant through which you hold your book-entry New Bonds to take such action, and the participant would then either authorise you to take the action or would act for you on your instructions. The transactions between you, the participants and the clearing systems will be governed by customer agreements, customary practices and applicable laws and regulations, and not by any legal obligation of Barbados.

As an owner of book-entry New Bonds represented by a global New Bond, you will also be subject to the following restrictions:

- you will not be entitled to (a) receive physical delivery of the New Bonds in certificated form or (b) have any of the New Bonds registered in your name, except under the circumstances described below under “—Certificated Securities”;
- you may not be able to transfer or sell your New Bonds to some insurance companies and other institutions that are required by law to own their New Bonds in certificated form;
- you may not be able to pledge your New Bonds in circumstances where certificates must be physically delivered to the creditor or the beneficiary of the pledge in order for the pledge to be effective; and
- none of Barbados, the trustee, any paying agent, any registrar or any agent of Barbados or the trustee shall have any responsibility or obligation to any beneficial owner in a global New Bond, or participant or other person with respect to the accuracy of the records of the relevant clearing system or its nominee or common depositary, with respect to any ownership interest in the New Bonds or with respect to the delivery to any participant, beneficial owner or other person of any notice (including any notice of redemption) or the payment of any amount, under or with respect to such New Bonds. All notices and communications to be given to the holders and all payments to be made to holders under the New Bonds and the Trust Deed will be given or made only to or upon the order of the registered holders (which shall be the relevant clearing system or its nominee or common depositary in the case of the global New Bond). The rights of beneficial owners in the global New Bond shall be exercised only through the relevant clearing system or its nominee or common depositary subject to the applicable procedures. Barbados, the trustee, any paying agent, any registrar and any agent of Barbados or the trustee shall be entitled to rely and shall be fully protected in relying upon information furnished by the relevant clearing system or its nominee or common depositary with respect to its members, participants and any beneficial owners. Barbados, the trustee, any paying agent, any registrar and any agent of Barbados or the trustee shall be entitled to deal with the relevant clearing system or its nominee or common depositary, that is the registered holder of any global New Bond for all purposes relating to such global New Bond (including the payment of principal and premium, if any, and additional amounts, if any, and the giving of instructions or directions by or to the owner or holder of a beneficial ownership interest in such global New Bond) as the sole holder of such global New Bond and shall have no obligations to the beneficial owners thereof. None of Barbados, the trustee, any paying agent, any registrar or any agent of Barbados or the trustee shall have any responsibility or liability for any acts or omissions of the relevant clearing system or its nominee or common depositary with respect to such global New Bond, for the records of any such depositary, including records in respect of beneficial ownership interests in respect of any such global New Bond, for any transactions between the relevant clearing system or its nominee or common depositary and any participant or between or among the relevant clearing system or its nominee or common depositary, any such participant and/or any holder or owner of a beneficial interest in such global New Bond, or for any transfers of beneficial interests in any such global New Bond.

The Clearing System

The following description reflects Barbados’ understanding of the current rules and procedures of DTC, Euroclear and Clearstream, Luxembourg. Barbados has obtained the information in this section

from sources it believes to be reliable, including from DTC, Euroclear and Clearstream, Luxembourg. These systems could change their rules and procedures at any time, and Barbados takes no responsibility for their actions.

It is important for you to establish at the time of the trade where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date, i.e., the date specified by the purchaser and seller on which the price of the New Bonds is fixed.

When book-entry New Bonds are to be transferred from a DTC seller to a Euroclear or Clearstream, Luxembourg purchaser, the purchaser must first send instructions to Euroclear or Clearstream, Luxembourg through a participant at least one business day prior to the settlement date. Euroclear or Clearstream, Luxembourg will then instruct its New York depositary to receive the New Bonds and make payment for them. On the Closing Date, the New York depositary will make payment to the DTC participant through which the seller holds its New Bonds, which will make payment to the seller, and the New Bonds will be credited to the New York depositary's account. After settlement has been completed, Euroclear or Clearstream, Luxembourg will credit the New Bonds to the account of the participant through which the purchaser is acting. This New Bonds credit will appear the next day, European time, after the settlement date, but will be back-valued to the value date, which will be the preceding day if settlement occurs in New York. If settlement is not completed on the intended value date, the New Bonds credit and cash debit will instead be valued at the actual settlement date.

A participant in Euroclear or Clearstream, Luxembourg, acting for the account of a purchaser of New Bonds, will need to make funds available to Euroclear or Clearstream, Luxembourg in order to pay for the New Bonds on the value date. The most direct way of doing this is for the participant to preposition funds (i.e., have funds in place at Euroclear or Clearstream, Luxembourg before the value date), either from cash on hand or existing lines of credit. The participant may require the purchaser to follow these same procedures.

When book-entry New Bonds are to be transferred from a Euroclear or Clearstream, Luxembourg seller to a DTC purchaser, the seller must first send instructions to and preposition the New Bonds with Euroclear or Clearstream, Luxembourg through a participant at least one business day prior to the settlement date. Euroclear or Clearstream, Luxembourg will then instruct its New York depositary to credit the book-entry New Bonds to the account of the DTC participant through which the purchaser is acting and to receive payment in exchange. The payment will be credited to the account of the Euroclear or Clearstream, Luxembourg participant through which the seller is acting on the following day, but the receipt of the cash proceeds will be back-valued to the value date, which will be the preceding day if settlement occurs in New York. If settlement is not completed on the intended value date, the receipt of the cash proceeds and New Bonds debit will instead be valued at the actual settlement date.

Certificated Securities

Barbados will issue New Bonds in certificated registered form only if:

- DTC notifies Barbados at any time that it is unwilling or unable to continue as depositary for the global New Bonds of that series, or it is no longer eligible to act as such, and Barbados is unable to locate a qualified successor depositary within 90 days; or
- certain other events provided in the Trust Deed occur.

LISTING AND LISTING AGENT

Barbados intends to apply to admit the New Bonds to listing on the Luxembourg Stock Exchange and to trading on the Euro MTF market. The Luxembourg Listing Agent is The Bank of New York Mellon SA/NV, Luxembourg Branch, Vertigo Building, Polaris, 2-4 rue Eugène Ruppert, L-2453 Luxembourg. Copies of Barbados's trust deed and the forms of the New Bonds will be made available for inspection during normal business hours on any day except Saturday, Sunday and public holidays at the offices of the Luxembourg Listing Agent for so long as the New Bonds are listed on the Luxembourg Stock Exchange and traded on the Euro MTF market and the rules of the Luxembourg Stock Exchange so require.

NOTICE TO INVESTORS

The distribution of this invitation memorandum is restricted by law in certain jurisdictions. Persons into whose possession this offering memorandum comes are required by Barbados to inform themselves of and to observe any of these restrictions.

This invitation memorandum does not constitute, and may not be used in connection with, an offer or solicitation by anyone in any jurisdiction in which an offer or solicitation is not authorised or in which the person making an offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make an offer or solicitation. Neither Barbados nor the Exchange Agent accepts any responsibility for any violation by any person of the restrictions applicable in any jurisdiction.

The New Bonds will be subject to the following restrictions on transfer. Holders of New Bonds are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of their New Bonds. By acquiring New Bonds, holders will be deemed to have made the following acknowledgments, representations to and agreements with Barbados:

1. You acknowledge that:
 - a. the New Bonds have not been registered under the Securities Act or the securities laws of any other jurisdiction and are being offered for resale in transactions that do not require registration under the Securities Act or the securities laws of any other jurisdiction; and
 - b. unless so registered, the New Bonds may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or any other applicable securities laws, and in each case in compliance with the conditions for transfer set forth below;
2. You represent that you are not an affiliate (as defined in Rule 144 under the Securities Act) of Barbados and you are not acting on behalf of Barbados and that either:
 - a. you are a “*qualified institutional buyer*” (as defined in Rule 144A under the Securities Act) and are acquiring the New Bonds for your own account or for the account of another qualified institutional buyer; or
 - b. you are purchasing the New Bonds in an offshore transaction in accordance with Regulation S under the Securities Act;
3. You represent that, if you are in any EEA Member State, you are a “*qualified investor*” as defined in the Prospectus Regulation;
4. You represent that, if you are located in the UK, you are a relevant person (as this term is defined in “Notice to Prospective Investors in the United Kingdom”);
5. You agree on your own behalf and on behalf of any investor account for which you are purchasing New Bonds, and each subsequent holder of New Bonds by its acceptance of the New Bonds will agree, that the New Bonds may be offered, sold or otherwise transferred only:
 - a. to Barbados;

- b. inside the United States to a qualified institutional buyer (as defined in Rule 144A) in compliance with Rule 144A under the Securities Act;
 - c. outside the United States in compliance with Rule 903 or 904 under the Securities Act;
 - d. pursuant to a registration statement that has been declared effective under the Securities Act;
 - e. in any other jurisdiction in compliance with local securities laws;
6. You acknowledge that Barbados and the trustee for the New Bonds reserve the right to require, in connection with any offer, sale or other transfer of New Bonds, the delivery of written certifications and/or other information satisfactory to Barbados and the trustee as to compliance with the transfer restrictions referred to above;
 7. You agree to deliver to each person to whom you transfer New Bonds notice of any restrictions on transfer of such New Bonds;
 8. You acknowledge that each New Bond offered to “*qualified institutional buyers*” in the United States under Rule 144A of the Securities Act will contain a legend substantially to the following effect:

THIS BOND HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), AND MAY NOT BE SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. EACH PURCHASER OF THIS BOND IS HEREBY NOTIFIED THAT THE SELLER OF THIS BOND MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER.

THIS BOND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (A)(1) TO A PERSON WHO THE TRANSFEROR REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT ACQUIRING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QUALIFIED INSTITUTIONAL BUYERS IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (2) OUTSIDE THE UNITED STATES PURSUANT TO THE TERMS AND CONDITIONS OF REGULATION S UNDER THE SECURITIES ACT OR (3) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND OTHER JURISDICTIONS.

THIS BOND AND ANY RELATED DOCUMENTATION MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME TO MODIFY THE RESTRICTIONS ON REALES AND OTHER TRANSFERS OF THIS BOND TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO THE RESALE OR TRANSFER OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THIS BOND SHALL

BE DEEMED BY THE ACCEPTANCE OF THIS BOND TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT.

THIS LEGEND CAN ONLY BE REMOVED AT THE OPTION OF BARBADOS.

9. You acknowledge that Barbados and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations, warranties and agreements. You agree that if any of the acknowledgments, representations or warranties deemed to have been made by your purchase of New Bonds is no longer accurate, you shall promptly notify Barbados and the Exchange Agent. If you are acquiring any New Bonds as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each of those accounts and that you have full power to make the foregoing acknowledgments, representations, warranties and agreements on behalf of each account.

TAXATION

Investors are urged to consult their own tax advisors in determining the tax consequences of holding bonds, including the application to their particular circumstances of the tax considerations discussed below, as well as the application of state, local, foreign or other tax laws.

Barbados Tax Considerations

An order has been made under the Duties, Taxes and Other Payments (Exemption) Act Cap. 67B that there shall be exempt from the payment of all duties, taxes and imposts, among other things: (i) the securities and the instruments effecting the issue of the New Bonds; and (ii) the interest that becomes payable on any amount outstanding under the New Bonds or any part thereof borrowed by way of the issue of the New Bonds. In addition, the Minister of Finance has given his approval that: (a) the New Bonds are exempt from all taxes and stamp duties; (b) all payments of interest on the New Bonds will be exempt from all taxes; and (c) the excess of the principal amount of any New Bond over its issue price will be treated as interest by the Revenue Commissioner – Barbados Revenue Authority.

United States Taxation

If you are subject to taxation in the United States, you should consult your own tax advisors concerning United States tax considerations. Holders of the New Bonds may contact the Ministry of Finance of Barbados to obtain the issue price, amount of original issue discount and the yield to maturity of the New Bonds for U.S. federal income tax purposes. Contact information may be found on the back cover of this invitation memorandum.

Other Jurisdictions

If you are subject to taxation in any other jurisdiction, you should consult your own tax advisor concerning tax considerations under laws and regulations of such jurisdiction.

JURISDICTIONAL RESTRICTIONS

The distribution of the Invitation Materials is restricted by law in certain jurisdictions. Persons into whose possession the Invitation Material comes are required by Barbados to inform themselves of and to observe any of these restrictions.

The Invitation Materials do not constitute, and may not be used in connection with, an invitation or solicitation by anyone in any jurisdiction in which an offer or solicitation is not authorised or in which the person making an offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make an offer or solicitation. Barbados does not accept any responsibility for any violation by any person of the restrictions applicable in any jurisdiction.

European Economic Area

An offer to the public of any New Bonds which are the subject of the invitation memorandum (the “*Securities*”) may not be made in an EEA Member State, except that an offer to the public may be made at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation.

United States

See jurisdictional restrictions set forth under “Notice to Investors.”

OFFICIAL STATEMENTS

Information in this invitation memorandum whose source is identified as a publication of Barbados or the Central Bank of Barbados or one of their respective agencies or instrumentalities relies on the authority of such publication as a public official document of Barbados. All other information contained in this invitation memorandum is included as an official public statement made on the authority of the Minister of Finance in his official capacity as such.

LEGAL MATTERS

Certain matters of U.S. federal and New York state and English law will be passed upon for Barbados by Cleary Gottlieb Steen & Hamilton LLP, U.S. and English law counsel to Barbados.

Certain matters of Barbados law will be passed upon for Barbados by the Solicitor General to the Government.

As to matters of Barbados law, Cleary Gottlieb Steen & Hamilton LLP may rely on the opinion of the Solicitor General to the Government.

GENERAL INFORMATION

Due Authorisation

On or prior to the Closing Date, the Parliament of Barbados, pursuant to Section 3 of the External Loan Act, will authorise the issuance of and the payments of all amounts due under the New Bonds.

Litigation

Significant legal proceedings against the Government are summarised below.

Barrack Construction Limited v. National Housing Corporation

On 13 August 1998, the National Housing Corporation, a statutory corporation, contracted Barrack Construction Limited (“*Barrack*”) to construct a five story office complex at Warrens, St. Michael. During the construction process, a dispute arose between the parties which caused certain delays in construction and the deduction of liquidated damages by the National Housing Corporation from the contractual construction costs.

The dispute was submitted to arbitration and, in a written decision dated 7 September 2006, the arbitrator found in favour of Barrack. The arbitrator awarded Barrack BDS\$34.5 million, with interest. The arbitrator made a further order in writing dated 28 September 2006 as to costs in which Barrack was awarded BDS\$5.8 million. The Government made an application to the Supreme Court of Barbados to set aside the award of the arbitrator. The High Court of Barbados gave leave to Barrack to enforce the award of the arbitrator, including the award as to costs.

The High Court further ordered on 28 January 2010 that final charging orders be imposed on the Warrens Office Complex in St. Michael and other lands of the National Housing Corporation located in St. Philip. By subsequent proceedings in the High Court, Barrack sought delivery of possession of the properties subject to the charging orders, the sale thereof to satisfy the judgment obligation and payment of reasonable rents for the Government’s occupation of the Warrens Office Complex. The judgment obligation was approximately BDS\$61 million as of 8 February 2010.

Barrack’s damages have been paid in full.

On 7 February 2018, the Master of the High Court ruled that Dr Sir Richard Cheltenham, K.A., Q.C., J.P., attorney-at-law for Barrack, was entitled to interest at the rate of 8% per annum on his costs from the date of the decision to the date of payment. This sum, which remains outstanding to Dr Sir Richard Cheltenham, K.A., Q.C., J.P. has been calculated to be BDS\$6,783,093.00 as of 19 February 2019.

Dr Sir Trevor Carmichael K.A. Q.C. and Mr Douglas Trotman, Attorney-at-Law, who both also made court appearances on behalf of Barrack, are also expected to submit claims to the Crown but these have not yet been received.

Lagan Construction Limited vs. the Barbados Tourism Investment Inc. and the Attorney-General.

Lagan Construction Limited claims that the Barbados Tourism Investment Inc. breached an implied, preliminary or collateral contract that it had entered into with Lagan Construction Limited for a Build Own Lease Transfer (BOLT) project for the Pierhead Marina Bridgetown (the Project) which was

evidenced by documents dated, inter alia, 17 July 2006 and 13 November 2009, from the Barbados Tourism Investment Inc. to Lagan Construction Ltd. As a consequence of the alleged breach of contract Lagan Construction Limited claims to have suffered loss and damage and seeks compensation against the Barbados Tourism Inc. as follows:

- (a) general damages for breach of contract and/or loss of a chance in the sum of U.S.\$28,105,807.00;
- (b) special damages in the sum of U.S.\$346,444.00, representing Lagan Construction Limited's bid and related costs;
- (c) interest pursuant to section 35 (1) of the Supreme Court of Judicature Act, Chapter 117A of the Laws of Barbados;
- (d) costs; and
- (e) such further or other relief as the court may deem just.

Lagan Construction Limited seeks compensation from the Attorney-General also for:

- (a) damages for procuring breach of contract between Lagan Construction Limited and Barbados Tourism Investment Inc.;
- (b) damages for intentionally causing loss to Lagan Construction Limited by unlawful means;
- (c) damages for misfeasance in public office;
- (d) aggravated and/or exemplary damages for misfeasance in public office;
- (e) interest pursuant to section 35 (1) of the Supreme Court of Judicature Act, Cap. 117A of the Laws of Barbados; and
- (f) costs.

Alpha Incorporated vs. The Attorney-General

In September 1994, after public tender, Alpha Incorporated was awarded a contract for the supply, installation, maintenance and operation of parking metres in the Bridgetown area. The tender was awarded subject to the enactment of appropriate or necessary legislation. No action was taken to fulfil the contract until about January 1996 when the relevant Ministry advised the contractor to proceed with the importation of the necessary equipment for the installation and operation of the parking metres. Alpha Incorporated proceeded to procure, though not import, the necessary equipment sometime in 1996. A written agreement for such supply, installation, maintenance and operation of parking metres was entered into between the Government and Alpha Incorporated on 15 September 1996. However, the enabling legislation was never enacted and the parking metres were never installed.

In September 2013, a revised claim in the amount of BDS\$8,685,293.33, was submitted. Negotiations to settle this matter are on-going between the Government and Alpha Incorporated.

Patricia Gibbs et al vs The Attorney General

On the 12 December 2014, an action was filed by ten claimants seeking, inter alia, damages for an undisclosed amount under the Accident Compensation (Reform) Act. This action, which was brought against the Attorney-General and three other defendants, alleges that the negligence of the defendants resulted in the death of five persons when their apartment building at Arch Cot, St. Michael collapsed on the 28 August 2007. The claimants are claiming as alleged dependents of the deceased.

Cornerstone Development Inc. vs. Comptroller of Customs, the Attorney-General

In March 2011, the Comptroller of Customs demanded from Cornerstone Development Inc. payment of BDS\$136,880.40 Value Added Tax for services it had been engaged to perform for a third party. As a result of non-payment, the Comptroller of Customs gave instructions for a freeze order on bank accounts held by Cornerstone Development Inc.

In July 2011, Cornerstone Development Inc. filed a judicial review application challenging the lawfulness of the actions taken by the Comptroller of Customs. In 2017, Cornerstone Development Inc. submitted to the Solicitor General a claim for damages in the amount of BDS\$10 million.

Cage Barbados Inc. vs. Joseph Best Comptroller of Customs et al

Cage Barbados Inc. imports and operates in Barbados Video Lottery Terminals (“VLTs”). The VLTs have been classified by the Comptroller of Customs as “*gaming machines*” for the purposes of the Betting and Gaming Duties Act. As such, the VLTs would be subject to the duties payable in respect of gaming machines under the Betting and Gaming Duties Order, 2008.

In September 2010, Cage Barbados Inc. sought judicial review of the Comptroller of Customs’ decision to deny entry into Barbados of a number of its VLTs and the seizure of a number of its VLTs located in Barbados. In addition, Cage Barbados Inc. has alleged that the imposition of a 20% “*tax*” is ultra vires, null, void and in breach of Cage Barbados Inc.’s legitimate expectations.

The claim submitted by the Cage Barbados Inc. for damages amounts to approximately BDS\$94 million.

Trinidad Cement Limited, Arawak Cement Company Limited vs. the State of Barbados

Trinidad Cement Limited and its subsidiary Arawak Cement Limited are engaged in the business of manufacturing and distributing cement. The cement is distributed in Barbados and other countries in the Caribbean. There is a Common External Tariff (“*CET*”) that is applicable to imports of cement to Barbados from countries outside of CARICOM.

In 2015, Rock Hard Cement Limited began distributing cement in Barbados. On 4 July 2018, Trinidad Cement Company Limited and Arawak Cement Limited filed an originating application with the Caribbean Court of Justice claiming economic loss in the amount of approximately BDS\$36 million and alleging that the type of cement distributed by Rock Hard Cement Limited, which is imported from countries outside of CARICOM, has been improperly classified and that the CET which is being applied is incorrect. In addition, the applicable alleges that the actions taken by the Government authorising an alteration of the CET did not follow the correct procedure. Leave has been given by the Caribbean Court of Justice for Rock Hard Cement Limited to be joined as an intervenor in the application. Further, Rock Hard Cement Limited has filed its own action at the Caribbean Court of Justice against the Government

and CARICOM. Rock Hard Cement Limited has also filed an action in the Barbados High Court against the Government.

St. Philip Land Limited (in Liquidation) vs. the Attorney-General

In 2010, the Government compulsorily acquired land situated at Bushy Park, St. Philip owned by St. Philip Land Limited. In July 2011, St. Philip Land Limited submitted a claim for compensation in the amount of approximately BDS\$53 million. St. Philip Land Limited subsequently filed a claim in 2012 asking the court to determine the amount of compensation to be paid for the compulsory acquisition of its property.

Attorney-General and Fiton Technologies

In 2004, the Government and Fiton Technologies Corp. entered into an agreement for the remediation by Fiton Technologies Corp. of an area of Government land that formerly housed the operation of an oil refinery. The contract price was U.S.\$71.4 million.

When a dispute arose between the parties in respect of payment, Fiton Technologies Corp. gave notice that it wished the matter to go to arbitration and filed an action seeking inter alia an order in respect of the arbitrator to be appointed. The matter has not yet been heard by an arbitrator.

3S Structural Steel Solutions LLC & 3S (Barbados) SRL Vs The Attorney General

The Government and 3S Structural Steel Solutions LLC (“3S LLC”), by Memoranda of Understanding dated 5 September 2005 and 26 July 2006, agreed that 3S (Barbados) SRL (“3S”) would design and carry out certain road works along the ‘ABC Highway’ in Barbados, supply and install a traffic synchronisation system and undertake a traffic study review for the city of Bridgetown.

The plaintiffs, 3S LLC, filed suit in the Supreme Court of Barbados on 22 May 2009, claiming wrongful termination and/or repudiation of the engagement by the Government and claiming damages in the amount of BDS\$35,751,979.01 and interest at 8% per annum. This claim includes payments to subcontractors who have instituted legal proceedings against 3S LLC.

A defence and counterclaim has been filed on behalf of the Attorney General. The Attorney General alleged abandonment and/or repudiation of the contract by the plaintiffs, as well as improperly executed works. The proceedings have reached the interlocutory and document request stage of trial.

ELIGIBLE CLAIMS

<u>Type of Claim</u>	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>ISIN</u>
Class B 7.80% Bonds due 2019	6 August 2009	6 August 2019	XS0441235255

NOTICE OF BONDHOLDER MEETINGS

THIS NOTICE IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR OWN INDEPENDENT PROFESSIONAL ADVISERS IMMEDIATELY.

NOTICE OF MEETING Government of Barbados

in respect of the

Class B Fixed Rate Bonds due 2019 issued by the Government of Barbados

(the “**Old Bonds**”)

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of Schedule 2 (*Provisions for Meetings of Bondholders*) to the trust deed relating to the Old Bonds and made between the Government of Barbados acting through the Minister of Finance (“**Barbados**”) and BNY Corporate Trustee Services Limited, as trustee (the “**Trustee**”) and Scotia Trust and Merchant Bank Trinidad and Tobago Limited, as registrar (the “**Registrar**”), (the “**Trust Deed**”), Barbados has convened a meeting of the holders (the “**Bondholders**”) of the Old Bonds (the “**Meeting**”) to be held on Wednesday 27 November 2019 at the offices of Cleary Gottlieb Steen & Hamilton LLP, 2 London Wall Place, London EC2Y 5AU, United Kingdom, at 4:00 p.m. (London time) for the purpose of considering and, if thought fit, passing the resolution set out below which will be proposed as an Extraordinary Resolution in accordance with the provisions of the Trust Deed. If within fifteen minutes after such time the quorum specified in the Trust Deed is not present, the Meeting will be adjourned until such date (not less than 28 clear days nor more than 42 clear days later) and time and place as the chair may decide. Bondholders may appoint proxies not later than (except in the case of a form of proxy) 48 hours before the time of the Meeting but not thereafter or, in the case of corporations, may appoint representatives by resolution of their directors or other governing body.

Unless the context otherwise requires, terms used in this notice and defined in the Trust Deed or the invitation memorandum published by Barbados relating, *inter alia*, to the Old Bonds in definitive form dated on or about the date hereof as amended or supplemented from time to time (the “**Definitive Scotia Bond Invitation Memorandum**”) or the invitation memorandum published by Barbados relating, *inter alia*, to the Old Bonds in global form dated on or about the date hereof as amended or supplemented from time to time (the “**Global Scotia Bond Invitation Memorandum**”, together with the Definitive Scotia Bond Invitation Memorandum, the “**Invitation Memoranda**”) are used herein as so defined.

EXTRAORDINARY RESOLUTION

“THAT THIS MEETING (the “**Meeting**”) of the holders (the “**Bondholders**”) of the Class B Fixed Rate Bonds due 2019 (the “**Old Bonds**”) issued by Government of Barbados (“**Barbados**”) HEREBY:

- (1) assents to and sanctions the exchange of the Old Bonds (the “**Exchange**”), in accordance with the terms of the Invitation Memoranda, as follows:

- (i) Each U.S.\$10,000 principal amount of Old Bonds validly tendered by Bondholders who participate in the Exchange Offer (as defined and described in the Invitation Memoranda) and accepted for exchange by the Barbados will be exchanged for (i) net cash consideration of U.S.\$71.911 to be paid on the Closing Date (the “**2019 Exchange Cash Consideration**”); (ii) U.S.\$7,747.60 principal amount of 2029 Bonds (the “**2029 Bonds**”); and (iii) U.S.\$474.54 principal amount of PDI Bonds (the “**PDI Bonds**” and, together with the 2029 Bonds, the “**New Bonds**”). The 2019 Exchange Cash Consideration together with the New Bonds are referred to herein as the “**Consideration**.” The costs and expenses incurred by the external creditors committee in connection with the negotiation and implementation of the Exchange Offer and the Parallel Exchanges (each as defined in the Invitation Memoranda) in an aggregate amount equal to U.S.\$2,575,000 will be deducted by The Bank of New York Mellon, as settlement facilitation agent (the “**Settlement Facilitation Agent**”) from the aggregate cash payment amount made to participating holders under the Exchange Offer and the Parallel Exchanges. The net 2019 Exchange Cash Consideration referred to above includes a deduction of a pro rata amount to pay the costs and expenses of the external creditors committee in an aggregate amount equal to U.S.\$2,575,000.
- (ii) Each U.S.\$10,000.00 principal amount of Old Bonds held by Bondholders who did not participate in the Exchange Offer or whose tenders pursuant to the Exchange Offer were not accepted for exchange by Barbados (each, an “**Uncertified Holder**”) will be exchanged for the Consideration, which will be deposited to an account of Barbados with the Settlement Facilitation Agent, where such Consideration will be held until the earlier of: (i) such time as such Bondholder if the Old Bonds are in global form, validly elects through Euroclear or Clearstream to be delivered the Consideration, if this Extraordinary Resolution is passed; (ii) such time as such Bondholder if the Old Bonds are in definitive form, validly delivers a valid certificate in the form attached to the notice of settlement instructions to be delivered by Barbados if this Extraordinary Resolution is passed (a “**Delivery Certificate**”) to Lucid Issuer Services Limited, as exchange agent (the “**Exchange Agent**”); and (iii) the date falling 90 days after the Closing Date (as defined in the Invitation Memoranda) (the “**Holding Period**”) (collectively, the “**Pending Distribution Arrangement**”).

Upon:

- (a) the election through Euroclear or Clearstream certifying an Uncertified Holder’s status (the “**Election Instructions**”); or
- (b) receipt by the Exchange Agent of a valid Delivery Certificate certifying as to an Uncertified Holder’s status,

as an Eligible Holder (as defined and further described in the Invitation Memoranda), the Exchange Agent shall promptly instruct the Settlement Facilitation Agent to deliver, and, as soon as practicable thereafter, the Settlement Facilitation Agent shall deliver the Consideration to which such Bondholder is entitled in accordance with the Election Instructions or Delivery Certificate (as applicable) on behalf of the Bondholder.

Upon:

- (a) election through the Election Instructions; or

- (b) receipt by the Exchange Agent of a valid Delivery Certificate certifying as to an Uncertified Holder's status,

as an Ineligible Holder (as defined and further described in the Invitation Memoranda), Barbados or an agent or broker appointed by Barbados, as the case may be, shall sell such New Bonds to which such holder is entitled in one or more sale transactions at any time following receipt of such Bondholder's Election Instructions. The price, terms, timing and manner of such sale will be on the best terms reasonably available at the time using a transparent open market process and shall be for cash. Neither Barbados nor any such agent or broker will have any liability for any loss or alleged loss arising from such sale or a failure to procure any purchaser for such New Bonds (or any of them). The proceeds of such sales (net of the costs of sale including the fees of any agent, broker, marketing agent, placement agent or underwriter appointed in relation to the sales and any taxes and provisions for tax on sale or as a result of the Pending Distribution Arrangement) (the "**Net Cash Proceeds**") plus the net 2019 Exchange Cash Consideration to which such Bondholder is entitled shall be delivered in accordance with the Election Instructions or Delivery Certificate (as applicable) on behalf of the Bondholder as soon as reasonably practicable thereafter.

In the event that an Uncertified Holder fails to provide Election Instructions or Delivery Certificate during the Holding Period, Barbados or an agent or broker appointed by Barbados, as the case may be, shall sell such New Bonds to which such Bondholder is entitled in a sale at any time following the expiry of the Holding Period. The price, terms, timing and manner of such sale will be on the best terms reasonably available at the time using a transparent open market process and shall be for cash. Neither Barbados nor any such agent or broker will have any liability for any loss or alleged loss arising from such sale or a failure to procure any purchaser for such New Bonds (or any of them). The Net Cash Proceeds will be held for the benefit of such holders of the Eligible Claims until such time as sales of all such Consideration have been effected. The pro rata shares of such Net Cash Proceeds plus the net 2019 Exchange Cash Consideration to which such Bondholder is entitled will be delivered to either (a) the relevant Direct Participants in Euroclear or Clearstream (as defined in the Global Scotia Bond Invitation Memorandum) on behalf of the Bondholders entitled to such consideration as soon as practicable thereafter, or (b) in the case of the Old Bonds in definitive form only; the Bondholders entitled to such consideration as soon as practicable thereafter;

- (2) sanctions every abrogation, modification, compromise or arrangement in respect of the rights of Bondholders appertaining to the Old Bonds involving, resulting from or affected by the Exchange, whether or not such rights arise under the terms and conditions of the Old Bonds;
- (3) authorises, directs, requests and empowers the Trustee, Registrar and Agents to concur in the Exchange and to concur in, and to execute and do, all such other deeds, instruments, acts and things as may be necessary or appropriate to carry out and give effect to this resolution and to implement the Exchange; and
- (4) discharges and exonerates each Trustee, Registrar and Agent from any liability it may have or may in the future have under the Trust Deed, Agency Agreement or the Old Bonds in respect of any act or omission in connection with the Exchange, its implementation or this resolution."

Subject to the Extraordinary Resolution having been duly passed and the conditions set out therein being met, the Extraordinary Resolution will become effective on the Closing Date.

In accordance with normal practice, none of the Trustee, Registrar and Agent expresses any opinion as to the merits of the Exchange (which it was not involved in negotiating). None of the Trustee, Registrar and Agent has been involved in formulating the Exchange or the Extraordinary Resolution or any of the documents being entered into to give effect to the Exchange and the Extraordinary Resolution and makes no representation whatsoever in relation to the Exchange or the Extraordinary Resolution or any of the information set out in the Invitation Materials or this Notice. Accordingly, the Trustee, Registrar and Agents urge holders who are in any doubt as to the impact of the implementation of the Extraordinary Resolution or the Exchange to seek their own independent legal and financial advice.

Background

Barbados is inviting holders of Eligible Claims, including the Old Bonds, to exchange their holdings of Eligible Claims for the Consideration pursuant to the Exchange Offer, all as more fully described in the Invitation Memoranda. Barbados is soliciting consents to approve the Extraordinary Resolution above approving the exchange of the Old Bonds for the Consideration. Further information regarding the Invitation and certain risk factors relating to the Invitation and the New Bonds are set out in the Invitation Memoranda, a copy of which is available as indicated below.

Documents Available for Inspection

Bondholders may inspect copies of the documents set out below, which will also be available at the Meeting, at the specified office of the Exchange Agent set out at the end of this Notice:

- (1) the Trust Deed;
- (2) this Notice of Meeting; and
- (3) as soon as practicable hereafter, the Invitation Memoranda (subject to the relevant jurisdictional restrictions), a draft of the trust deed constituting the New Bonds, including the terms and conditions of the New Bonds, and the related agency agreement for the New Bonds.

General

The attention of Bondholders is particularly drawn to the quorum required for the Meeting which is set out in “*Voting and Quorum and Other Matters*” below. Having regard to such requirements, Bondholders are strongly urged either to attend the Meeting or to take steps to be represented at the Meeting, as described below, as soon as possible.

Bondholders may vote in relation to the Extraordinary Resolution at the Meeting (or any adjourned Meeting) by complying with the procedures set out in the Invitation Memoranda or the procedures set out below by either:

Appointment via Participation Instructions

Holders of Old Bonds in global form can submit a Participation Instructions as described in the Global Scotia Bond Invitation Memorandum before the Voting Deadline and this will appoint the Exchange Agent as their proxy.

Appointment Proxy Form

Holders of Old Bonds in definitive form may appoint proxies by executing and delivering a form of proxy in accordance with the Definitive Scotia Bond Invitation Memorandum and sent to the Exchange Agent not later than 48 hours before the time fixed for the meeting or, in the case of corporations, may appoint representatives by resolution of their directors or other governing body.

Appointing Proxy under the Trust Deed

Holders of Old Bonds that do not submit a Participation Instructions as described in the Invitation Memoranda before the Voting Deadline may appoint proxies by executing and delivering a form of proxy in accordance with the terms of the Trust Deed to the specified office of the Registrar not later than 48 hours before the time fixed for the meeting or, in the case of corporations, may appoint representatives by resolution of their directors or other governing body.

Voting and Quorum and Other Matters

In accordance with the terms and conditions of the Old Bonds, two or more persons present holding Old Bonds or being proxies and holding or representing in the aggregate at least two thirds of the principal amount of the Old Bonds for the time being outstanding shall constitute a quorum for considering the proposed Extraordinary Resolution. If a quorum is not present at the Meeting, the Meeting shall stand adjourned for such period being not fewer than 28 days nor more than 42 days, and at such time and place as the chair may decide, and at such adjourned meeting the quorum shall be two or more persons present holding Old Bonds or being proxies and holding or representing in the aggregate at least one third of the principal amount of the Old Bonds for the time being outstanding. No business may be transacted in the absence of a quorum unless the requisite quorum is present when the Meeting (or any adjourned meeting) is called to order.

Pursuant to the terms and conditions of the Old Bonds, at a Meeting (or any adjourned meeting) of holders of the Old Bonds where a quorum is present as described above, the proposed Extraordinary Resolution will be effectively passed if passed by holders or their proxies entitled to vote representing in the aggregate of not less than 75 per cent. of the votes cast.

The Exchange will only become effective if the conditions for the effectiveness of the Exchange have been met or waived by Barbados (as set out in the Invitation Memoranda). See “The Invitation” in the Invitation Memoranda. If the Extraordinary Resolutions are passed at the Meeting (or any adjourned meeting) and the Exchange is made effective by Barbados, they will be binding on all holders of the Old Bonds, whether or not they are present at the Meeting and whether or not they otherwise consented to the adoption of the Extraordinary Resolution.

Further Information

Any questions relating to any matter relating to the Exchange Offer or the voting process should be addressed to the Information Agent as follows:

Exchange Agent and Information Agent:

Lucid Issuer Services Limited

Tankerton Works
12 Argyle Walk
London WC1H 8HA
United Kingdom
Telephone +44 20 7704 0880
Attention: Arlind Bytyqi / Thomas Choquet
Email: barbados@lucid-is.com
Website: www.lucid-is.com/barbados

The Trustee for the Old Bonds is:

BNY Corporate Trustee Services Limited

One Canada Square
London
E14 5AL
United Kingdom

The Registrar for the Old Bonds is:

Scotia Trust and Merchant Bank Trinidad and Tobago Limited

Scotia Centre,
Cor. Park & Richmond Streets,
Port of Spain
Trinidad & Tobago

This notice is given by:

The Government of Barbados

The Ministry of Finance
Government Headquarters Bay Street
St. Michael
Barbados

5 November 2019

GOVERNMENT OF BARBADOS

The Ministry of Finance
Government Headquarters Bay Street
St. Michael
Barbados

**TRUSTEE, PAYING AGENT, TRANSFER
AGENT AND
REGISTRAR**

The Bank of New York Mellon
240 Greenwich St. – 7E
New York, New York 10286
United States of America

SETTLEMENT FACILITATION AGENT

The Bank of New York Mellon
111 Sanders Creek Parkway
East Syracuse, New York 13057
Attention:
CT_Reorg_Unit_Inquires@bnymellon.com

**EXCHANGE AGENT AND
INFORMATION AGENT
Lucid Issuer Services Limited**

Tankerton Works
12 Argyle Walk
London WC1H 8HA
United Kingdom
Telephone +44 20 7704 0880
Attention: Arlind Bytyqi / Thomas Choquet
Email: barbados@lucid-is.com
Website: www.lucid-is.com/barbados

FINANCIAL ADVISORS TO BARBADOS

White Oak Advisory Ltd

54 Baker Street
London W1U 7BU
United Kingdom

**LEGAL ADVISERS TO BARBADOS
AS TO ENGLISH AND U.S. LAW**

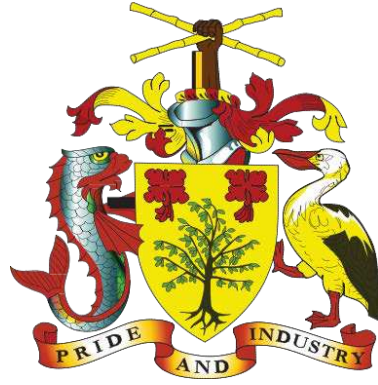
Cleary Gottlieb Steen & Hamilton LLP

2 London Wall Place,
London
EC2Y 5AU
United Kingdom

**LEGAL ADVISERS TO THE TRUSTEE
AS TO ENGLISH LAW**

Clifford Chance LLP

10 Upper Bank Street
London
E14 5JJ
United Kingdom



ANNEX F

Loan Invitation Memorandum

IMPORTANT NOTICE

THE ATTACHED INVITATION MEMORANDUM DOES NOT CONSTITUTE A PROSPECTUS WITHIN THE MEANING OF EU REGULATION 2017/1129 (THE “PROSPECTUS REGULATION”), AND NO SUCH PROSPECTUS HAS BEEN OR WILL BE PREPARED IN CONNECTION WITH THE INVITATION. THE ATTACHED INVITATION MEMORANDUM HAS NOT BEEN REVIEWED OR APPROVED BY ANY COMPETENT AUTHORITY OF ANY MEMBER STATE OF THE EUROPEAN ECONOMIC AREA.

THE DISTRIBUTION OF THE ATTACHED INVITATION MEMORANDUM IN CERTAIN JURISDICTIONS MAY BE RESTRICTED BY LAW. SEE THE ISSUE AND RESALE RESTRICTIONS. PERSONS INTO WHOSE POSSESSION THE ATTACHED INVITATION MEMORANDUM COMES ARE REQUIRED BY BARBADOS TO INFORM THEMSELVES ABOUT, AND TO OBSERVE, ANY SUCH RESTRICTIONS.

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the attached invitation memorandum, and you are therefore required to read this disclaimer carefully before accessing, reading or making any other use of the attached invitation memorandum. By accessing the attached invitation memorandum, you shall be deemed to agree (in addition to giving the representations below) to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from Barbados or Lucid Issuer Services Limited, as information agent and exchange agent, as a result of such access. Terms used in this notice and defined in the attached invitation memorandum are used herein as so defined.

THIS ELECTRONIC TRANSMISSION DOES NOT CONTAIN OR CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO EXCHANGE, BUY OR SUBSCRIBE FOR SECURITIES TO OR FROM ANY PERSON IN ANY JURISDICTION TO WHOM OR IN WHICH SUCH OFFER OR SOLICITATION IS UNLAWFUL.

THE EXCHANGE OFFER DESCRIBED THEREIN IS DIRECTED, AND NEW BONDS DESCRIBED THEREIN WILL BE ISSUED, ONLY TO HOLDERS OF ELIGIBLE CLAIMS (AS DEFINED IN THE INVITATION MEMORANDUM): (A)(I) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH REGULATION S OR (II) WITHIN THE UNITED STATES IN PRIVATE TRANSACTIONS PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE UNITED STATES SECURITIES ACT OF 1933 (THE “SECURITIES ACT”) THAT ARE QUALIFIED INSTITUTIONAL BUYERS PURSUANT TO RULE 144A UNDER THE SECURITIES ACT; AND (B) “QUALIFIED INVESTORS” AS DEFINED IN THE PROSPECTUS REGULATION IF THEY ARE LOCATED WITHIN A MEMBER STATE OF THE EUROPEAN ECONOMIC AREA (EACH AN “ELIGIBLE HOLDER”), UNLESS BARBADOS IN ANY INSTANCE OTHERWISE AGREES.

THE RECIPIENT MAY NOT FORWARD OR DISTRIBUTE THE ATTACHED INVITATION MEMORANDUM IN WHOLE OR IN PART TO ANY OTHER PERSON OR REPRODUCE THE ATTACHED INVITATION MEMORANDUM IN ANY MANNER WHATSOEVER AND ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE ATTACHED INVITATION MEMORANDUM IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS INSTRUCTION MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

Confirmation of your representation: In order to be eligible to view the attached invitation memorandum or make an investment decision with respect to the invitation by Barbados pursuant to the invitation memorandum to holders of Eligible Claims to (i) offer to exchange their Eligible Claims for the Consideration and (ii) consent to the Proposed Amendments, all as defined and further described in the attached invitation memorandum, you must be an Eligible Holder and otherwise be able to participate lawfully in the Invitation on the terms and subject to the conditions set out in the attached invitation memorandum, including the jurisdictional restrictions set out on page 132 (the

“**Jurisdictional Restrictions**”). The attached invitation memorandum was provided to you at your request, and by accessing the attached invitation memorandum, you shall be deemed to have represented to Barbados that:

- (i) you are a holder or a beneficial owner of Eligible Claims; and
- (ii) you consent to delivery of the attached invitation memorandum by electronic transmission.

The attached invitation memorandum has been provided to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission, and consequently none of Barbados, the sender of the invitation memorandum, nor any person who is an official or a director, officer, employee, agent or affiliate of any such person, accepts any liability or responsibility whatsoever in respect of any difference between the actual invitation memorandum and the version you have.

You are also reminded that the attached invitation memorandum has been provided to you on the basis that you are a person into whose possession the attached invitation memorandum may be lawfully delivered in accordance with (i) the laws of the jurisdiction in which you are located or resident and (ii) the Jurisdictional Restrictions and you may not, nor are you authorised to, deliver the attached invitation memorandum to any other person.

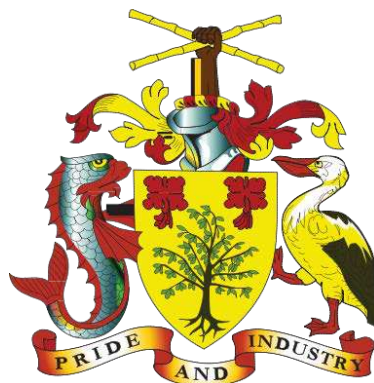
Any materials relating to the Invitation do not constitute, and may not be used in connection with, any form of offer or solicitation in any place where such offers or solicitations are not permitted by law.

The attached invitation memorandum contains important information which should be read carefully before any decision is made with respect to the Invitation. If any holder of Eligible Claims is in any doubt as to the action it should take, such holder of Eligible Claims should seek its own financial advice, including as to any tax consequences, from its stockbroker, bank manager, legal adviser, accountant or other independent financial adviser. Any investor whose Eligible Claims are held on its behalf by a broker, dealer, bank, custodian, trust company or other nominee must contact such entity if it wishes to participate in the Invitation with respect to its Eligible Claims.

Loan Invitation Memorandum

The date of this invitation memorandum is 5 November 2019. The invitation described herein will expire at 5:00 p.m. (New York City time) on 22 November 2019, unless extended or earlier terminated.

INVITATION MEMORANDUM



Invitation by

the Government of Barbados
to holders of the Eligible Claims (as defined below) to offer to exchange (such invitation and any resulting exchange, the “Exchange Offer”)

Eligible Claims (as defined below)

for

U.S. Dollar 6.500% Bonds due 2029 (the “2029 Bonds”) plus U.S. Dollar 6.500% Bonds due 2021 (the “PDI Bonds” and, together with the 2029 Bonds, the “New Bonds”) plus the 2019 Exchange Cash Consideration (as defined below and, together with the New Bonds, the “Consideration”)

Barbados is also soliciting consents from holders of Eligible Claims to amend or waive certain provisions of the credit agreement governing the U.S.\$150,000,000 outstanding loans due 18 December 2018 and the U.S.\$75,000,000 outstanding loans due 18 December 2019 (the “Eligible Claims”), dated 13 December 2013 (the “Credit Agreement”) between Barbados, the lenders party thereto and Credit Suisse AG, Cayman Islands Branch, as administrative agent (the “Administrative Agent”) to, among other things, delete all affirmative and negative covenants, including financial covenants and general undertakings and, subject to limited exceptions, events of default, as well as amend Barbados’ submission to jurisdiction, waiver of immunity and special waiver (the “Proposed Amendments”). By delivering an executed Exchange and Amendment Agreement (as defined below), a holder of the Eligible Claims also agrees to the Proposed Amendments pursuant to section 9.2(b) of the Credit Agreement with respect to such Eligible Claims, as further described under “Terms of the Invitation and Tender Procedures—The Consent Solicitation.”

THE INVITATION TO OFFER TO EXCHANGE ELIGIBLE CLAIMS IS ONLY BEING DIRECTED TO “ELIGIBLE HOLDERS” (AS DEFINED BELOW).

If the required consents to the Proposed Amendments are obtained, all holders of Eligible Claims will be bound by the Proposed Amendments, whether or not a holder delivered an executed Exchange and Amendment Agreement to the Exchange Agent. Regardless of whether the Proposed Amendments are consented to by the Required Lenders, Barbados reserves the right, at its sole

discretion, to either accept or reject all tenders. See “Impact of Proposed Amendments on the Credit Agreement” in “Risk Factors” below.

The New Bonds will be general, direct, unconditional, unsubordinated and unsecured obligations of Barbados and will rank *pari passu*, without preference among themselves, with all other unsecured External Indebtedness (as defined in “Terms and Conditions of the 2029 Bonds” and “Terms and Conditions of the PDI Bonds”) of Barbados, from time to time outstanding, provided, however, that Barbados shall have no obligation to effect equal or rateable payment(s) at any time with respect to any such other External Indebtedness and, in particular, shall have no obligation to pay other External Indebtedness at the same time or as a condition of paying sums due on the New Bonds and vice versa. The New Bonds will be backed by the full faith and credit of Barbados.

The Exchange Offer expires at 5:00 p.m. (New York City time) on 22 November] 2019, unless the Invitation period is extended by Barbados.

The New Bonds will be issued pursuant to a trust deed (the “*Trust Deed*”) with The Bank of New York Mellon, as trustee for the bondholders (the “*Trustee*”) and will be governed by English law.

An investment in the New Bonds involves a high degree of risk. See “Risk Factors” beginning on page 18 of this invitation memorandum.

The New Bonds have not been, and will not be, registered under the U.S. Securities Act of 1933 (as amended, the “*Securities Act*”) or the securities laws of any other jurisdiction. Unless they are registered, the New Bonds may be offered only in transactions that are exempt from registration under the Securities Act or the securities law of any other jurisdiction. Accordingly, the New Bonds are being offered only to: (i) “qualified institutional buyers” pursuant to Rule 144A under the Securities Act or (ii) persons outside the United States in reliance on Regulation S of the Securities Act that, if located within a member state of the European Economic Area (an “*EEA Member State*”), are “qualified investors” as defined in Regulation (EU) 1129/2017 (the “*Prospectus Regulation*”) (each, an “*Eligible Holder*”). For further details about eligible offerees and resale restrictions, see “Notice to Investors.”

Delivery of the Consideration is expected to be made on 11 December 2019. The New Bonds will be delivered in book-entry form through the facilities of The Depository Trust Company. Barbados intends to apply to admit the New Bonds to listing on the Luxembourg Stock Exchange and to trading on the Euro MTF market.

MAP OF BARBADOS

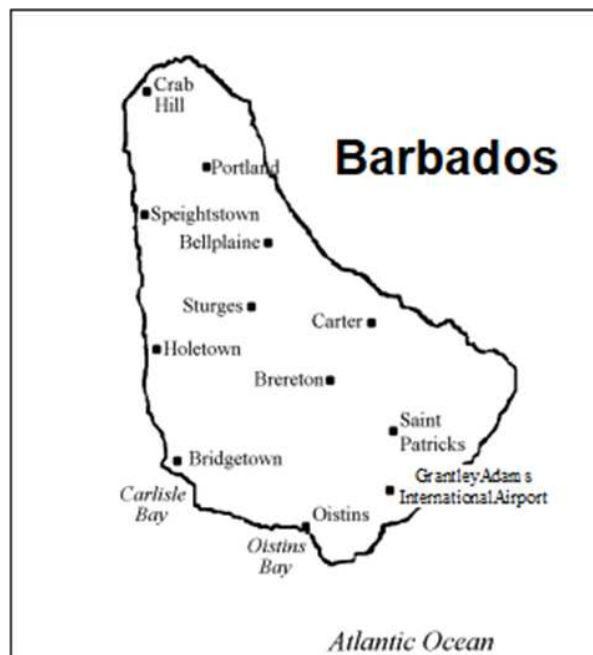
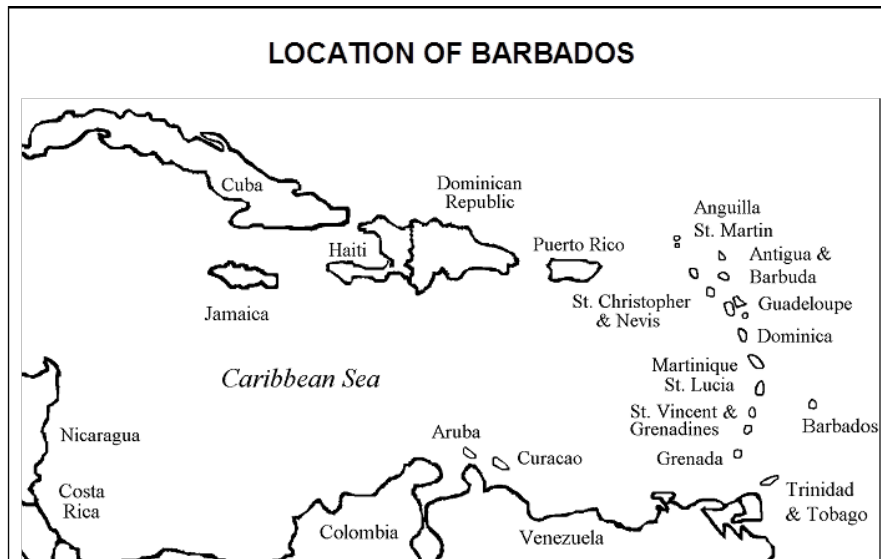


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No dealer, salesperson or other person is authorised to give any information or to represent anything not contained in this invitation memorandum. You must not rely on any unauthorised information or representations. This invitation memorandum is an invitation to exchange only the Eligible Claims for the Consideration as described in this invitation memorandum and only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this invitation memorandum is current only as of this date.

This invitation memorandum and the form of exchange and amendment agreement (the “*Exchange and Amendment Agreement*”) attached as Exhibit 1 hereto are referred to as the “*Invitation Materials*.” The transactions contemplated by the Invitation Materials are referred to as the “*Invitation*.”

In this invitation memorandum, references to “*we*,” the “*Government*” or “*Barbados*” are to the Government of Barbados. References to the “*Exchange Agent*” are to Lucid Issuer Services Limited, as exchange agent for the Invitation; references to the “*Information Agent*” are to Lucid Issuer Services Limited, as information agent for the Invitation; references to the “*Settlement Facilitation Agent*” are to The Bank of New York Mellon, in its capacity as settlement facilitation agent for the Invitation; and references to the “*Trustee*” are to The Bank of New York Mellon, in its capacity as trustee under the Trust Deed for the New Bonds. References to the “*Agency Agreement*” are to the agency agreement for the New Bonds. References to the “*Administrative Agent*” are to Credit Suisse AG, Cayman Islands Branch, as administrative agent under the Credit Agreement.

Barbados is furnishing the Invitation Materials to you solely for use in the context of the Invitation. After having made all reasonable inquiries, Barbados confirms that:

- the information contained in this invitation memorandum is true and correct in all material respects and is not misleading in any material respect as of the date of this invitation memorandum;
- it holds the opinions and intentions expressed in this invitation memorandum;
- it has not omitted other material facts, the omission of which makes this invitation memorandum as a whole misleading as of the date of this invitation memorandum; and
- it accepts responsibility for the information it has provided in this invitation memorandum.

Barbados has not authorised the making or provision of any representation or information regarding Barbados or the New Bonds to you other than as contained in this invitation memorandum. Any such representation or information should not be relied upon as having been authorised by Barbados or any of its instrumentalities. Barbados does not assume responsibility for information other than as provided in this invitation memorandum. Neither the delivery of this invitation memorandum nor any aspect of the Invitation shall, under any circumstances, imply that there has been no change in the condition (financial or other) of Barbados since the date of this invitation memorandum.

You should not consider this invitation memorandum as a recommendation by Barbados that you should participate in the Invitation. In making an investment decision, you must rely on your own examination and evaluation of Barbados and the terms of the Invitation, including the merits and risks involved. You should consult your own advisors as needed to make your investment decision and as to whether you are legally permitted to acquire the New Bonds in the Exchange Offer under applicable legal investment or similar laws or regulations.

The distribution of the Invitation Materials and the offering, sale and delivery of the New Bonds in certain jurisdictions is restricted by law. Barbados requires that you and anyone who receives the Invitation Materials inform themselves about and observe such restrictions. The Invitation Materials do not constitute, and may not be used for or in connection with, an offer to, or solicitation by, anyone in any jurisdiction in which such offer or solicitation would be unlawful. The Invitation is not being made to, and consents and tenders will not be accepted from, owners of Eligible Claims in jurisdictions in which the Invitation or acceptance thereof would constitute a violation of the securities or blue sky laws of that jurisdiction. For more information, see “Jurisdictional Restrictions” in this invitation memorandum.

The New Bonds will be subject to restrictions on resale under applicable law. See “Notice to Investors” in this invitation memorandum. By participating in the Invitation, you will be deemed to have represented and warranted to the effect set forth in, and agreed to, all the provisions contained in that section of this invitation memorandum.

You must comply with all applicable laws and regulations in force in any jurisdiction in which you tender Eligible Claims in exchange for the Consideration or possess or distribute this invitation memorandum. You must obtain any consent, approval or permission you require for the purchase, offer or sale of the New Bonds under the laws and regulations in force in any applicable jurisdiction to which you are subject, or in which you make such purchases, offers or sales. Barbados shall not have any responsibility therefor.

Barbados reserves the right, at its sole discretion, to cancel the Invitation or reject any Exchange and Amendment Agreement, in whole or in part, for any reason.

Tenders of all Eligible Claims may only be made by the means described in the “Tender Procedures” section of this invitation memorandum.

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED STATES

Barbados is making the Exchange Offer in reliance on exemptions from the registration requirements of the Securities Act. These exemptions apply to offers and sales of securities that do not involve a public offering. The New Bonds have not been recommended by any U.S. or non-U.S. securities authorities and these authorities have not determined that this invitation memorandum is accurate or complete. Any representation to the contrary is a criminal offence.

NOTICE TO PROSPECTIVE INVESTORS IN THE EUROPEAN ECONOMIC AREA

In any EEA Member State, this communication is only addressed to, and is only directed at, qualified investors within the meaning of the Prospectus Regulation.

This invitation memorandum has been prepared on the basis that all offers of the New Bonds in any EEA Member State will be made pursuant to an exemption under the Prospectus Regulation, from the requirement to produce a prospectus for offers of the New Bonds. Accordingly any person making or intending to make any offer within the EEA of the New Bonds which are the subject of the placement contemplated in this invitation memorandum should only do so in circumstances in which no obligation arises for Barbados to produce a prospectus for such offer. Barbados has not authorised, nor does it authorise, the making of any offer of the New Bonds through any financial intermediary or in circumstances in which an obligation arises for Barbados to publish a prospectus for the offer.

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED KINGDOM

This communication is only being distributed to and is only directed at (i) persons who are outside the United Kingdom or (ii) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “*Order*”) or (iii) high net worth companies, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as “*relevant persons*”). The New Bonds are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire the New Bonds will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

PRESENTATION OF CERTAIN INFORMATION

Economic and financial data and statistical information included in this invitation memorandum are based on the latest official data and information available at the date hereof. Economic and financial data and statistical information provided in this invitation memorandum may be subsequently revised in accordance with the ongoing maintenance by Barbados of such data and information, and Barbados is not obligated to distribute such revised data and information to any investor. Economic and financial data and statistical information for 2016, 2017 and 2018 may, in particular, be subject to revision. In addition, some economic and financial data and statistical information for 2019 presented herein are estimates based on the latest available data.

Unless indicated to the contrary, estimates in this invitation memorandum are estimates of the Central Bank of Barbados (the “*Central Bank*”) or the Ministry of Finance of Barbados (the “*Ministry of Finance*”). Barbados operates on a fiscal year beginning 1 April and ending 31 March. References to a year (e.g., “2018”) refer to the relevant calendar year ended 31 December, and references to a fiscal year or FY (e.g., “FY 2017/18”) refer to Barbados’ fiscal year ending 31 March.

References to the “*Government*” exclude the state-owned enterprises (“*SOEs*”) of Barbados. See “The Economy—State-Owned Enterprises.”

Unless otherwise indicated, all information in this invitation memorandum is given as of the date of this invitation memorandum or as of the most recently available date.

Gross domestic product, which we refer to in this invitation memorandum as “*GDP*,” is a measure of the total value of final products and services produced in a country in a specific year. Nominal GDP measures the total value of final production in current prices. Real GDP measures the total value of final production in constant prices of a particular year, thus allowing historical GDP comparisons that exclude the effects of inflation. Under the 1993 System of National Accounts, GDP figures may be calculated at nominal market prices or constant market prices of a particular year. Unless otherwise indicated, all GDP figures in this invitation memorandum are presented at real market prices based upon constant 2010 prices and ratios of debt, balance of payment indicators and fiscal performance indicators to GDP are computed using nominal GDP figures. Nominal GDP at market prices was U.S.\$5,086.7 million in 2018 as compared to U.S.\$4,978.2 million in 2017. The ratio of Government debt, excluding operational arrears, to GDP is referred to as the “*debt to GDP ratio*.”

In this invitation memorandum, GDP per capita is calculated at basic prices, which is nominal GDP at market prices less net taxes on products plus financial intermediary services indirectly measured, divided by the median population.

In this invitation memorandum, all references to “*BDS\$*” and “*Barbados dollars*” are to the lawful currency of Barbados; all references to “*U.S. dollars*” and “*U.S.\$*” are to the lawful currency of the United States of America; and all references to “*Euro*” and “*€*” are to the lawful currency of participating member states of the European Union that have the euro as their lawful currency in accordance with the legislation of the European Union relating to Economic and Monetary Union. Barbados publishes external economy information, such as external debt and goods and services exported, in U.S. dollars. All international currencies, such as external debt denominated in Euro, are translated into U.S. dollars. Barbados publishes domestic economy information in Barbados dollars. The Barbados dollar currently is fixed to the U.S. dollar at an exchange rate of BDS\$2.00 to U.S.\$1.00 and, solely for the convenience of the reader, Barbados dollar figures are translated into U.S. dollars at such rate in this invitation memorandum. This translation should not be construed as a representation that any such amounts have been, would have been or could be converted at this or any other exchange rate.

The inflation rate provides an aggregate measure of the rate of change in the prices of goods and services in the economy. Barbados measures the inflation rate by the per cent. change between two periods in the index of retail prices, which we refer to in this invitation memorandum as the “*IRP*,” unless otherwise specified. The *IRP* is based on a basket of goods and services identified by the Barbados Statistical Service that reflects the pattern of consumption of the majority of Barbados households. The price for each good and service that makes up the basket is weighted according to its relative importance in order to calculate the *IRP*. The annual average per cent. change in the *IRP* is calculated by comparing the average of the aggregate 12 months indices of a given year against the average of the aggregate 12 months indices for the immediately preceding calendar year.

Barbados participates in the International Monetary Fund’s (the “*IMF*”) General Data Dissemination System (the “*GDDS*”) which provides a framework for Barbados to enhance its statistical capacity, especially for macroeconomic statistics. It also provides for comprehensive information on Barbados’ statistical production and dissemination practises to be posted on the *IMF*’s Dissemination Standards Bulletin Board. The *GDDS* framework also includes precise guidelines for countries to use when publishing reserves data.

GOVERNING LAW AND ENFORCEMENT OF CLAIMS

Barbados is a foreign sovereign state. Consequently, it may be difficult for you to obtain or enforce judgments of courts in the United States, England or elsewhere against Barbados.

The New Bonds and the Trust Deed will be governed by and construed in accordance with English law.

In the Trust Deed and the New Bonds, Barbados will irrevocably submit to the non-exclusive jurisdiction of any federal court in the Southern District of New York or any state court in the Borough of Manhattan, the City of New York, any court of England and any competent court in Barbados over any suit, action or proceeding against Barbados or its properties, assets or revenues with respect to the New Bonds or the Trust Deed.

Barbados will waive, to the fullest extent permitted under applicable law, any objection to any action arising out of or in connection with the New Bonds or the Trust Deed in such courts whether on the grounds of venue, residence or domicile or on the ground that the proceedings have been brought in an inconvenient forum.

Except as provided below, in respect of any action arising out of or in connection with the New Bonds, Barbados will irrevocably waive and agree, to the fullest extent permitted by applicable law, not to plead any immunity (sovereign or otherwise): (A) from the jurisdiction of the courts of England; and (B) from attachment or execution of its assets or property in the courts of England save in respect of: (i) assets and property located in Barbados; (ii) premises and property of Barbados' diplomatic and consular missions; (iii) assets and property of Barbados outside Barbados and not used for a commercial purpose; (iv) assets, property and reserves of the Central Bank of Barbados; (v) assets and property of a military character or under the control of a military authority or defence agency of Barbados; or (vi) assets and property forming part of the cultural heritage of Barbados.

In respect of any action arising out of or in connection with the New Bonds Barbados will irrevocably waive and agree, to the fullest extent permitted by applicable law, not to plead any immunity (sovereign or otherwise): (A) from the jurisdiction of any federal court in the Southern District of New York or any state court in the Borough of Manhattan, The City of New York; and (B) from any action or proceedings to enforce judgment against: (i) reserves of the Central Bank of Barbados; (ii) property located in Barbados; (iii) property located in or outside Barbados that provides an essential public service; (iv) property of Barbados, its government agencies or other governmental entities relating to the performance of the budget; (v) property entitled to privileges and immunities of the Vienna Convention on Diplomatic Relations of 1961 and the Vienna Convention on Consular Relations of 1963; (vi) property of a diplomatic, governmental or consular mission of Barbados; (vii) taxes, duties, levies, assessments, royalties or any other governmental charges imposed by Barbados; (viii) property of a military character or under the control of a military authority or defence agency of Barbados; (ix) property forming part of the cultural heritage of Barbados; or (x) assets and property of Barbados outside Barbados not used for a commercial purpose. Without limiting the generality of the foregoing, Barbados will agree that such waivers shall have the fullest scope permitted under the U.S. Foreign Sovereign Immunities Act of 1976, except as provided below. Barbados reserves the right to plead sovereign immunity under any applicable law, including, without limitation, the U.S. Foreign Sovereign Immunities Act of 1976, with respect to actions brought against it under U.S. federal securities laws or any state securities laws. In the absence of a waiver of sovereign immunity by Barbados in such a securities law-based action, it would not be possible to obtain a U.S. judgment in such an action unless a court were to determine that Barbados is not entitled to sovereign immunity under the U.S. Foreign Sovereign Immunities Act of 1976 with respect to such action.

A final and conclusive judgment against Barbados for the payment of a definite sum of money rendered by a federal court in the Southern District of New York or a state court in the Borough of Manhattan, the City of New York will not be enforceable in Barbados unless an action is brought in the High Court of Barbados to register such judgment. The High Court of Barbados will recognise and enforce a final and conclusive judgment of the federal court in the Southern District of New York or a state court in the Borough of Manhattan, the City of New York under common law principles, provided that: (A) in the case of a judgment in personam: (i) the original court was a court of competent jurisdiction according to the rules of conflict of laws; (ii) the judgment was not obtained by fraud; (iii) the recognition or enforcement of the judgment would not be contrary to the public policy of Barbados; (iv) the judgment was not obtained in proceedings which were contrary to natural justice; (v) the judgement is for a definite sum of money (other than a sum payable in respect of taxes or penalties); (vi) it is final, conclusive and determines the rights and liabilities of the parties to judgment so as to be *res judicata* where pronounced; and (vii) such judgment has not been satisfied; (B) in the case of a judgment in rem relating to movables, that the movables were located in the country of the original court at the time of the proceedings; and (C) in the case of a judgment in rem relating to immovable property, that the immovable property was located in the country of the original court at the time of the proceedings.

A final judgment against Barbados for the payment of a definite sum of money rendered by a court in the United Kingdom will not be enforceable in Barbados unless registered in the High Court of Barbados in accordance with the provisions of the Foreign and Commonwealth Judgments (Reciprocal Enforcement) Act, Cap. 201 (the “*FCJA*”). No judgment shall be ordered to be registered by the High Court of Barbados pursuant to the *FCJA* where it determines that: (a) the original court acted without jurisdiction; (b) the defendant/judgment debtor, being a person who was neither carrying on business nor ordinarily resident within the jurisdiction of the English court, did not voluntarily appear or otherwise submit or agree to submit to the jurisdiction of that court; (c) the judgment debtor, being the defendant in the proceedings, was not duly served with the process of the English court and did not appear, notwithstanding that he or she was ordinarily resident or was carrying on business within the jurisdiction of that court or agreed to submit to the jurisdiction of that court; (d) the judgment was obtained by fraud; (e) the judgment debtor satisfies the Barbadian court either that an appeal is pending or that he or she is entitled to and intends to appeal, against the judgment; or (f) the judgment was in respect of a cause of action which, for reasons of public policy or for some other similar reason, could not have been entertained by the High Court of Barbados.

The High Court of Barbados shall not order the registration of a judgment or may set aside a judgement rendered by a court in the United Kingdom where the provisions of the *FCJA* are not satisfied.

The registration of a judgment may be set aside if it is determined by the High Court of Barbados that the matter in dispute in the proceedings in the original court had, prior to the date of the judgment in the original court, been the subject of a final and conclusive judgment by a court having jurisdiction of the matter.

FORWARD-LOOKING STATEMENTS

This invitation memorandum includes forward-looking statements that reflect Barbados' current views with respect to future events. The words "*expects*," "*intends*," "*anticipates*," "*believes*," "*projects*," "*estimates*" and similar expressions identify forward-looking statements. These forward-looking statements are based upon estimates and assumptions made by Barbados or its officials that, although believed to be reasonable, are subject to certain known and unknown risks and uncertainties. These risks and uncertainties include, among others, the following:

- political, economic and other conditions in Barbados and globally;
- actual rates of growth, if any, for GDP and other economic indicators of Barbados in any relevant year or other period;
- the financial condition of Barbados;
- Barbados' ability to increase Government revenues or reduce expenditures;
- changes in interest rates or exchange rates;
- a reduction in the foreign currency reserves of Barbados;
- legislative, regulatory or administrative initiatives affecting businesses, financial institutions and foreign investment in Barbados;
- the financial condition and liquidity of banks and other financial institutions in Barbados;
- climatic or geological occurrences;
- declines in tourism;
- trade and tariff policies of Barbados' trading partners;
- receipt of bilateral and multilateral donor financing;
- Barbados' ability to execute its comprehensive debt management strategy;
- prevailing conditions in domestic international and multilateral lending markets and domestic and international capital markets, which may affect Barbados' ability to finance budgetary requirements and to refinance outstanding debt and other obligations; and
- other factors identified in this invitation memorandum.

All forward-looking statements contained in this invitation memorandum are qualified in their entirety by such factors. You are cautioned not to place undue reliance on these forward-looking statements. Barbados disclaims any obligation or undertaking to update publicly or to revise any forward-looking statement contained in this invitation memorandum, whether as a result of new information, future events or otherwise. Future circumstances could cause actual results to differ materially from historical results or those anticipated.

SUMMARY

This summary highlights information contained in this invitation memorandum and may not contain all of the information that may be important to you. You should read this summary along with the more detailed information elsewhere in this invitation memorandum.

The following selected economic indicators of Barbados do not purport to be complete and are qualified in their entirety by, and are subject to, the detailed information appearing elsewhere in this invitation memorandum.

Table No. 1
Selected Economic Information

	Year ended 31 December⁽¹⁾				
	2014	2015	2016	2017	2018
<i>(In millions of U.S. dollars, except as otherwise indicated)</i>					
Real Sector					
Nominal GDP at market prices.....	4,696.3	4,715.0	4,830.0	4,978.15	5,086.7
GDP per capita at basic prices.....	14,696.8	14,824.7	15,029.6	15,390.2	15,687.2
Real GDP increase (decrease) (%) ...	(0.0)	2.4	2.6	0.6	(0.4)
Unemployment rate (%)	12.3	11.3	9.7	10.0	10.1
Consumer inflation (%)	1.8	(1.1)	1.5	4.5	3.7
Balance of Payments					
Merchandise trade balance	(857.6)	(737.3)	(707.5)	(717.0)	(734.0)
Merchandise exports	794.0	799.9	833.0	803.1	764.9
Merchandise imports	1,652.2	1,537.2	1,540.5	1,520.2	1,498.9
Services balance	639.2	659.1	754.1	787.1	842.0
Exports of services	1,101.7	1,153.5	1,248.8	1,295.7	1,362.8
Imports of services	462.5	494.4	494.6	507.0	520.8
Current account	(430.3)	(289.2)	(207.3)	(190.5)	(172.2)
Current account (% of nominal GDP)	(9.2)	(6.0)	(4.2)	(3.9)	(3.4)
Capital account (% of nominal GDP)	(0.2)	(0.2)	(0.1)	(0.0)	0.5
Overall balance.....	(49.4)	(32.3)	(119.0)	(114.3)	293.8
Government⁽²⁾					
Fiscal balance (% of nominal GDP) ..	(8.0)	(8.2)	(5.5)	(4.6)	0.3
Revenue	1,141.8	1,194.1	1,279.9	1,371.9	1,011
Expenditure	1,634.1	1,546.0	1,651.0	1,627.9	995.3
Foreign financing (% of nominal GDP)	0.1	0.3	(1.7)	(1.8)	3.5
Domestic financing (% of nominal GDP)	7.4	8.9	7.1	6.1	(3.8)
Government Debt					
<i>External⁽³⁾</i>					
External debt	1,440.1	1,428.4	1,427.0	1,400.9	1,546.6
External debt (% of nominal GDP) ..	30.7	30.2	29.5	28.1	31.0

	Year ended 31 December ⁽¹⁾				
	2014	2015	2016	2017	2018
<i>(In millions of U.S. dollars, except as otherwise indicated)</i>					
<i>Domestic</i> ⁽³⁾					
Domestic debt.....	4,251.9	4,640.2	5,216.3	5,375.4	4,623.6
Domestic debt (% of nominal GDP)	90.5	98.2	107.8	107.7	90.1
Debt service payments	623.8	739.1	796.8	783.7	492.0
Amortisation.....	300.5	401.1	434.7	405.1	258.9
Interest.....	323.4	338.1	362.1	378.6	233.1
External Liquidity (Monetary Authorities)					
Net International Reserves (NIR)	430.9	410.7	287.5	167.4	416.3
Gross International reserves (GIR) ..	471.3	439.0	319.9	205.7	499.6
Gross International Reserves (in weeks of goods and services)	11.6	11.2	8.2	5.3	12.9
Tourism					
Long stay arrivals (thousands)	519.6	591.9	631.5	661.2	678.5
Cruise ship arrivals (thousands)	557.9	586.6	594.1	681.2	615.0
Hotel occupancy room rate (%).....	n.a.	68.6	68.4	67.9	66.2
Tourist spending.....	886.8	927.8	1,020.0	1,061.1	1,157.8

(1) Information is presented on a calendar year basis, other than Government information.

(2) Government information is presented on a fiscal year basis (starting 1 April in the year of the relevant column and ending 31 March in the subsequent year).

(3) Excludes arrears and includes Central Government direct debt.

Source: Central Bank of Barbados

THE INVITATION

This summary highlights information contained in this invitation memorandum and may not contain all of the information that may be important to you. You should read this summary along with the more detailed description of the New Bonds in “Terms and Conditions of the 2029 Bonds” and “Terms and Conditions of the PDI Bonds.”

Issuer.....	Government of Barbados
The Invitation.....	<p>The Invitation is comprised of the Exchange Offer and the Consent Solicitation.</p> <p>The Exchange Offer expires at 5:00 p.m. (New York City time) on 22 November 2019, unless extended by Barbados at its sole discretion. We refer to the date on which the Exchange Offer expires as the “<i>Expiration Date</i>.”</p> <p>See “Expected Timetable of Events.”</p>
The Exchange Offer.....	<p>Barbados is inviting Eligible Holders to offer to exchange their Eligible Claims for the Consideration on the terms and subject to the conditions set forth in this invitation memorandum.</p> <p>The expected settlement date is 11 December 2019. We refer to the date on which the Consideration will be delivered in exchange for tendered Eligible Claims as the “<i>Closing Date</i>.”</p> <p>Issuance of the New Bonds has been or will be authorised by a resolution of the Parliament of Barbados pursuant to Section 3 of the External Loan Act Cap. 94D (the “<i>External Loan Act</i>”).</p>
Consideration to be Received for Eligible Claims Tendered	<p>If you are an Eligible Holder, you may offer to exchange each U.S.\$1,000.00 principal amount of your Eligible Claims inclusive of all accrued but unpaid interest thereon for (i) net cash consideration of U.S.\$8.193 (the “<i>2019 Exchange Cash Consideration</i>”); (ii) U.S.\$882.66 principal amount of 2029 Bonds; and (iii) U.S.\$54.06 principal amount of PDI Bonds.</p> <p>Interest on the New Bonds will commence accruing on 1 October 2019. Participating creditors in the Invitation and the Bond Exchanges will authorise and instruct the Settlement Facilitation Agent to make the relevant pro rata deduction from the gross 2019 Exchange Cash Consideration and the relevant gross cash consideration under the Bond Exchanges (as defined below), as the case may be, to which the relevant creditors may be eligible to pay the costs and expenses of the external creditors committee in an aggregate amount equal to U.S.\$2,575,000. The net 2019 Exchange Cash Consideration referred to above includes a deduction of a pro rata amount to pay the costs and expenses of the external creditors committee in an aggregate amount equal to U.S.\$2,575,000.</p> <p>See “Terms of the Invitation—Consideration to Be Received for Eligible Claims Tendered.”</p>

The Consent Solicitation.....	<p>Barbados is also soliciting consents from holders of Eligible Claims to the Proposed Amendments. Each executed Exchange and Amendment Agreement delivered by an Eligible Holder with respect to an Eligible Claim shall contain the holder's written consent to the Proposed Amendments.</p> <p>If the required consents to the Proposed Amendments are obtained, the amendments and waivers will take effect at the closing of the Exchange Offer on the Closing Date immediately prior to consummation of the Exchange Offer.</p>
Tendering Eligible Claims and Delivering Consents.....	A description of the procedures for executing and delivering Exchange and Amendment Agreements can be found in "Terms of the Invitation and Tender Procedures" in this invitation memorandum.
Irrevocability	Once delivered to the Exchange Agent, an Exchange and Amendment Agreement is irrevocable and may not be withdrawn unless Barbados agrees otherwise.
Jurisdictional Restrictions on the Invitation.....	Barbados is making the Invitation only in jurisdictions where and to the extent it is legal to make the Invitation. See "Jurisdictional Restrictions."
Exchange Agent.....	Lucid Issuer Services Limited
Information Agent	Lucid Issuer Services Limited
Settlement Facilitation Agent	The Bank of New York Mellon
Risk Factors	An investment in the New Bonds involves a high degree of risk. Before deciding to tender your Eligible Claims in exchange for the relevant Consideration, you should read carefully all of the information contained in this invitation memorandum, including, in particular, "Risk Factors" beginning on page 18 of this invitation memorandum.
Further Information	Any questions or requests for assistance concerning the Invitation may be directed to the Information Agent at their telephone number on the back cover page of this invitation memorandum.

THE NEW BONDS

New Issue	Eligible Claims held by Eligible Holders may be tendered for exchange for the relevant Consideration on the terms set out in this invitation memorandum.
Currency	The New Bonds will be denominated for purposes of both interest (if any) and principal in U.S. dollars.
Interest Rate	For the 2029 Bonds: 6.500% per annum from 1 October 2019 to but excluding 1 October 2029. For the PDI Bonds: 6.500% per annum from 1 October 2019 to but excluding 1 February 2021.
Interest Payment Dates	For the 2029 Bonds: Each 1 April and 1 October, commencing on 1 April 2020 For the PDI Bonds: 1 October 2020 and 1 February 2021.
Final Maturity Date.....	For the 2029 Bonds: 1 October 2029 For the PDI Bonds: 1 February 2021
Amortisations.....	For the 2029 Bonds: Barbados shall, to the extent not previously redeemed, purchased or cancelled, redeem the 2029 Bonds such that the aggregate principal amount of 2029 Bonds (when expressed as a percentage of the outstanding principal amount of the 2029 Bonds as of 1 January 2025) is equal to or less than the following amounts on the indicated dates:

<u>Principal Payment Date</u>	<u>Percentage of Relevant Principal Amount</u>
1 April 2025:	90.00%
1 October 2025:	80.00%
1 April 2026:	70.00%
1 October 2026:	60.00%
1 April 2027:	50.00%
1 October 2027:	40.00%
1 April 2028:	30.00%
1 October 2028:	20.00%
1 April 2029:	10.00%
1 October 2029:	0.00%

See “Terms and Conditions of the 2029 Bonds—Redemption and Purchase of Bonds.”

For the PDI Bonds: Barbados shall, to the extent not previously

	redeemed, purchased or cancelled, redeem the PDI Bonds in two instalments of U.S.\$30,000,000 on 1 October 2020 and U.S.\$2,500,000 on 1 February 2021.
Open Market Repurchase.....	Barbados may at any time acquire the New Bonds at any price in the open market or otherwise. See “Terms and Conditions of the 2029 Bonds—Redemption and Purchase of Bonds” and “Terms and Conditions of the PDI Bonds—Redemption and Purchase of Bonds.”
Optional Redemption.....	For the 2029 Bonds: Not applicable. For the PDI Bonds: Barbados may at any time on one or more occasions redeem the PDI Bonds. See “Terms and Conditions of the PDI Bonds—Redemption and Purchase of Bonds.”
Principal Reinstatement.....	For the 2029 Bonds, if any amount of principal or interest falling due under the 2029 Bonds on or prior to Cut-Off Date (as defined in the Terms and Conditions of the 2029 Bonds) is not paid on the scheduled due date, and such default is not cured by the date falling 30 days after the expiration of the grace period for such payment, Barbados will issue new 2029 Bonds to holders of 2029 Bonds on a <i>pro rata</i> basis which represent 33.33% of the outstanding principal amount of the 2029 Bonds as of the date of the original issuance of the 2029 Bonds. See “Terms and Conditions of the 2029 Bonds—Payments—Principal Reinstatement”. For the PDI Bonds: Not applicable.
Most Favoured Creditor.....	For the 2029 Bonds: Barbados shall not enter into any arrangement to pay or to settle any Specified Indebtedness (as defined in the Terms and Conditions of the 2029 Bonds) issued on or prior to 1 January 2019 (unless such payment is made in compliance with and in accordance with the terms of a final, non-appealable court order or arbitral award) on terms more favourable to the holders thereof (in a net present value sense, where present value is calculated using a constant 12% discount rate) than the terms offered in this invitation memorandum to holders of Eligible Claims or the invitation memoranda dated on or about the date of this invitation memorandum in respect of the Parallel Exchanges, without simultaneously making those more favourable terms available to each Holder. For the PDI Bonds: Not applicable.
Modifications.....	The New Bonds will contain provisions regarding future modifications to their terms, under which Barbados may amend the payment provisions of each series of New Bonds and other reserved matters listed in the Trust Deed with the consent of the holders of: (1) with respect to a single series of bonds, more than 75% of the aggregate principal amount of the outstanding bonds of such series; (2) with respect to two or more series of bonds, if certain “uniformly applicable” requirements are met, more than 75% of the aggregate principal amount of the outstanding bonds of all series affected by the proposed modification, taken in the aggregate; or (3) with respect to two or more series of bonds, more than 66 ² / ₃ % of the aggregate

principal amount of the outstanding bonds of all series affected by the proposed modification, taken in the aggregate, and more than 50% of the aggregate principal amount of the outstanding bonds of each series affected by the proposed modification, taken individually.

These provisions are described in “Terms and Conditions of the 2029 Bonds—Meetings and Modifications” and “Terms and Conditions of the PDI Bonds—Meetings and Modifications”.

Ranking.....	The New Bonds will be general, direct, unconditional, unsubordinated and unsecured obligations of Barbados. The New Bonds of each series will rank <i>pari passu</i> , without preference among themselves, with all other unsecured External Indebtedness (as defined in the Terms and Conditions of the New Bonds) of Barbados, from time to time outstanding, provided, however, that Barbados shall have no obligation to effect equal or rateable payment(s) at any time with respect to any such other External Indebtedness and, in particular, shall have no obligation to pay other External Indebtedness at the same time or as a condition of paying sums due on the New Bonds and vice versa.
Further Issuances	Barbados may, without the consent of the holders, create and issue further debt securities having the same terms and conditions as the 2029 Bonds and/or PDI Bonds (including as to their modification) so long as the additional debt securities are consolidated and form a single series with such series of New Bonds, provided that such additional Bonds do not have, for purposes of U.S. federal income taxation (regardless of whether any holders of such notes are subject to U.S. federal laws), a greater amount of original issue discount than the Bonds have as of the date of issuance of such additional Bonds.
Constitutive Document	The New Bonds will be issued under a Trust Deed.
Withholding Tax	Barbados will make all payments on the New Bonds without withholding or deducting any Barbadian taxes, unless required by law. If Barbadian law requires Barbados to withhold or deduct taxes, Barbados will pay holders of New Bonds, subject to certain exceptions, additional amounts to provide the equivalent of full payment to the holders. See “Terms and Conditions of the 2029 Bonds—Taxation” and “Terms and Conditions of the PDI Bonds—Taxation”.
Negative Pledge Covenant.....	Barbados may not create or permit to exist any security interest (with the exception of certain permitted security interests) on its properties, assets or revenues to secure Public External Indebtedness (as defined in the Terms and Conditions of the New Bonds) unless Barbados also causes such security interest to secure equally and rateably the obligations of Barbados with respect to each series of New Bonds.
Natural Disaster Clause	For the 2029 Bonds, following the occurrence of certain events under Barbados’ insurance contract with CCRIF SPC before 1 October 2027, Barbados may elect to defer payments on the 2029 Bonds. Holders of at least 50 per cent. in aggregate principal amount

	of the 2029 Bonds then Outstanding may direct the Trustee to block such deferral. These provisions are described in “Terms and Conditions of the 2029 Bonds—Natural Disaster Clause.”
	For the PDI Bonds: Not applicable.
Creditors Committee.....	For the 2029 Bonds: Holders of at least 25 per cent. of the aggregate principal amount of the outstanding 2029 Bonds may under certain circumstances appoint a committee to represent such holders. See “Terms and Conditions of the 2029 Bonds—Holders’ Committee”.
	For the PDI Bonds: Not applicable.
Events of Default; Acceleration.....	<p>The following events, as described in more detail in the Trust Deed, among others, shall be Events of Default:</p> <ul style="list-style-type: none"> • Failure to pay any amount of principal or interest (if any) in respect of such series of New Bonds (with a 30-day grace period); • Failure by Barbados to observe or perform any of its other obligations provided in the Trust Deed, the Agency Agreement or the Conditions in respect of such series of New Bonds (with a 60-day grace period); • Cross-acceleration, failure by Barbados to pay any amount of principal or interest or failure by Barbados to pay any amount payable by it under a guarantee in respect of an aggregate principal amount of at least U.S.\$20,000,000 (or its equivalent in any other currency or currencies) of Relevant External Indebtedness; • Moratorium or suspension of payments in respect of an aggregate principal amount of at least U.S.\$20,000,000 (or its equivalent in any other currency or currencies) of Relevant External Indebtedness; • Any writ, execution, attachment or similar process against the assets of Barbados in connection with any judgment for the payment of Indebtedness after the Issue Date in excess of U.S.\$25,000,000 (or its equivalent in other currencies) which remains unsatisfied, undischarged and in effect for 60 days, unless contested; • Invalidity of such series of New Bonds or the Trust Deed; or • Failure to maintain membership in, or be eligible to use the resources of, the IMF (with a 30-day grace period).
Enforcement.....	Following the occurrence of an Event of Default, the power to enforce the relevant series of New Bonds shall reside with the Trustee under the Trust Deed, unless the Trustee, having become

	bound so to proceed under the Trust Deed, fails to do so within 60 days and the failure is continuing.
Governing Law	The New Bonds and the Trust Deed will be governed by English law. Barbados will submit to the non-exclusive jurisdiction of U.S. federal and New York State courts in the Borough of Manhattan, The City of New York, any court of England and any competent court in Barbados.
Restrictions on Resale.....	The New Bonds have not been registered under the Securities Act and will be subject to restrictions on resale under applicable law. See “Notice to Investors.” The New Bonds will be subject to contractual transfer restrictions.
Listing.....	Barbados intends to apply to admit the New Bonds to listing on the Luxembourg Stock Exchange and to trading on the Euro MTF market.
Denomination	New Bonds will be issued in denominations of U.S.\$100 and integral multiples of U.S.\$100 in excess thereof.
Form and Settlement.....	Barbados will issue the New Bonds in the form of one or more fully registered global securities, without interest coupons attached, registered in the name of Cede & Co. as nominee for DTC and will deposit such global securities on or before the Closing Date with a custodian for DTC.
Trustee, Registrar, Transfer Agent and Paying Agent for New Bonds	The Bank of New York Mellon
Luxembourg Listing Agent.....	The Bank of New York Mellon SA/NV, Luxembourg Branch

RISK FACTORS

An investment in the New Bonds involves a significant degree of risk. Investors are urged to read carefully the entirety of this invitation memorandum and to note, in particular, the following considerations.

Risks of Not Participating in the Invitation

Possible Failure of the Invitation

If the Invitation described herein is not completed for any reason, Barbados projects that it will not have the resources to continue the debt servicing of Eligible Claims on the existing terms of those instruments. Eligible Claims could therefore remain in payment default for an indefinite period of time, and Barbados cannot predict whether, or when, it may be able to implement a successful debt management programme affecting those instruments. In addition, Barbados does not expect to offer the 2019 Exchange Cash Consideration to holders of Eligible Claims in any future debt management exercise.

Impact of Proposed Amendments on the Credit Agreement

If the required consents to the Proposed Amendments are obtained, on the Closing Date the Credit Agreement will be amended such that all affirmative covenants, negative covenants and, save for certain limited exceptions, all events of default will be deleted from the Credit Agreement. In addition, Barbados's submission to jurisdiction, waiver of immunity and special waiver will be amended. The rights of holders who do not tender their Eligible Claims and who remain invested in the Credit Agreement will be substantially different under the amended form of the Credit Agreement compared to under the existing Credit Agreement at the Final Grading Date (as defined in "Expected Timetable of Events").

Risks of Participating in the Invitation

Future Residual Financing Gaps

For the four fiscal years from FY2012/13 to FY2015/16, Barbados experienced an average fiscal deficit of 8.9% of GDP. While there was an improvement in FY2016/17 to 5.5% of GDP, the fiscal deficit remained high in FY 2017/18 at 4.6% of GDP. In FY2018/19, Barbados' fiscal deficit was 0.5% of GDP.

If Barbados were to experience a sustained worsening of its fiscal balance, future financing gaps may exist even once the debt relief implied by the Invitation described herein is fully taken into account. If future residual financing gaps do materialise, Barbados' ability to service the New Bonds could be adversely affected.

Future Access to Financing

Barbados may be unable to meet future debt service obligations out of current revenues and it may have to rely, in part, on additional financing from the domestic and international capital markets (or multilateral or bilateral sources) in order to do so. In the future, Barbados may not be able or willing to access such markets or sources of funding, and Barbados' ability to service its public debt, including the New Bonds, may be adversely affected.

Potential Challenges to Barbados' Payments on the New Bonds

Holders of other debt instruments of Barbados may attempt to attach, enjoin or otherwise challenge Barbados' payments on the New Bonds. Creditors of other sovereign debtors have, in recent years, used litigation tactics in an effort to attach or interrupt payments made by those sovereign debtors to, among others, holders of bonds and other creditors who have agreed to a debt restructuring and accepted new securities in an exchange offer. Barbados may become subject to suits to collect on defaulted Eligible Claims or other indebtedness. Barbados cannot assure you that a creditor will not attempt to interfere, through an attachment of assets, injunction, temporary restraining order or otherwise, with payments made under the New Bonds.

No Established Market for the New Bonds

The New Bonds will be a new issuance of securities without established trading markets. Barbados cannot predict the extent to which investor interest will lead to the development of an active trading market for the New Bonds or how liquid those markets may become. Barbados intends to apply to admit the New Bonds to listing on the Luxembourg Stock Exchange and to trading on the Euro MTF market. No assurance can be given as to the liquidity of the trading market for the New Bonds. If an active trading market for the New Bonds fails to develop or continue, this failure could adversely affect the trading price of the New Bonds.

Collective Action Clauses

The New Bonds will contain provisions regarding acceleration and voting on amendments, modifications and waivers, which are commonly referred to as "*collective action clauses*." Under these provisions, the terms of the New Bonds may be amended, including the maturity date, interest rate and other payment terms, without your consent. See "Terms and Conditions of the 2029 Bonds—Meetings and Modifications" and "Terms and Conditions of the PDI Bonds—Meetings and Modifications".

Risks Relating to Barbados

Ongoing Debt Crisis

Barbados is currently in payment default under several categories of its debt obligations, and international reserve levels were U.S.\$499.6 million as of 31 December 2018, compared to average international reserve levels of U.S.\$362.3 million from 2015 to 2017. There is no assurance that the Invitation described in this invitation memorandum and any other debt management exercises conducted in parallel with the Invitation will succeed in restoring and maintaining macro-economic stability and debt sustainability. A worsening of international financial or economic conditions, including a slowdown in growth or recessionary conditions in Barbados' trading partners or main tourism markets or the emergence of a new financial crisis, could have adverse effects on Barbados' economy, on its financial condition and on its ability to service its debt.

Economic, Political or Social Conditions

Barbados is an emerging market economy, and investing in securities of emerging markets issuers involves special risks. These risks include the possibility of economic, political or social instability that may be caused by many different factors, including the following:

- high interest rates;

- declines in the economic activity of major trading partners;
- inflation;
- exchange controls;
- wage and price controls;
- financial crises in other emerging market countries that can have a contagion effect on investor appetite for emerging market securities as a class;
- changes in governmental economic, tax, social or other policies; and
- the imposition of trade barriers.

Any of these factors, as well as volatility in the markets for securities similar to the New Bonds, may adversely affect the liquidity of, and the trading market for, the New Bonds.

Fixed Exchange Rate

Since 7 July 1976, Barbados has maintained a fixed exchange rate of BDS\$2.00/U.S.\$1.00. See “Financial System—Exchange Controls and Foreign Exchange Rates.” Barbados’ ability to continue its fixed exchange rate will be significantly affected by its level of international monetary reserves in the future. If circumstances force Barbados to abandon its fixed exchange rate policy in the future, the cost of servicing Barbados’ external debt (including the New Bonds) and Eligible Claims not exchanged could escalate sharply, possibly forcing Barbados into another round of debt restructuring.

Climatic or Geological Occurrences

Barbados is an island nation located in an active geologic zone and in one of the most hurricane-prone regions of the world. Barbados may experience extreme rainfall and hurricanes between June and November and may, at irregular and unpredictable intervals, suffer the effects of earthquakes. Of the numerous expected consequences of global climate change, increases in atmospheric temperature, sea level rise and changes in weather patterns could have a material adverse effect on Barbados.

The Barbadian economy is heavily reliant on revenue from its tourism, which could be negatively affected by a major climatic or geological occurrence.

Reliance on the International Business and Financial Services and Tourism Sectors

The Barbadian economy is heavily reliant on revenue derived from the international business and financial services and tourism sectors.

The international business and financial services sector is dependent on global economic conditions and international taxation initiatives and would likely be negatively affected by a reduction in corporate taxes paid by offshore banks, insurance companies and international business companies operating in Barbados and a decline in new licences issued to international firms.

The tourism sector accounted for approximately 15.8%, 15.6% and 15.3% of total real GDP for 2018, 2017 and 2016, respectively, and is heavily dependent on visitors from the United States, the United Kingdom and Canada, which collectively accounted for 75.4% of long stay tourism arrivals in

2018. Other sectors of the Barbadian economy, including construction, wholesale and retail trade, manufacturing and non-sugar agriculture production are also heavily dependent upon the tourism sector.

A decline in the international business and financial services sector or the tourism sector would adversely affect real GDP growth and Barbados' revenue collection, fiscal balance, foreign exchange earnings and international reserve balances and may impact Barbados' ability to make payments on the New Bonds.

Parliament Action

The Barbadian Parliament has approved the Government's budget for FY 2019/20, and the current administration is committed to moving ahead vigorously with its reconstruction plan. The debt management exercise described in this invitation memorandum is an important component of that plan. Governmental budgets (including appropriations for the servicing of external debt) require annual approval by the Barbadian Parliament. Barbados cannot provide assurances that the Barbadian Parliament will, in the future, appropriate amounts sufficient to maintain full debt service on the New Bonds.

EXPECTED TIMETABLE OF EVENTS

The following summarises the anticipated time schedule for the Invitation assuming, among other things, that the Expiration Date is not extended. This summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information appearing elsewhere in this invitation memorandum.

<u>Date</u>	<u>Action</u>
Tuesday 5 November 2019	<p><i>Commencement Date of Exchange Offer and Consent Solicitation</i></p> <p>Issuance of press release announcing the Invitation and distribution of the invitation memorandum describing the terms of the Invitation.</p>
Tuesday 5 November 2019	<p><i>Final Grading Date</i></p> <p>At the direction of Barbados, the Administrative Agent will not register transfers and assignments of ownership of Eligible Claims from the Final Grading Date to the Closing Date.</p>
Tuesday 5 November – Friday 22 November	<p><i>Invitation Period</i></p> <p>The Invitation is open during this period.</p>
Friday 22 November 2019 at 5:00 p.m. (New York City time).....	<p><i>Expiration Date and Time</i></p> <p>The deadline for holders of Eligible Claims to deliver executed Exchange and Amendment Agreements, as described in this invitation memorandum.</p>
Thursday 28 November 2019.....	<p><i>Announcement Date</i></p> <p>Barbados will announce on this date or as soon as possible thereafter the results of the Invitation.</p>
Wednesday 11 December 2019.....	<p><i>Closing Date</i></p> <p>On this date, or as soon as possible thereafter, the Consideration will be delivered. If the required consents to the Proposed Amendments are obtained, the amendments and waivers will take effect on the Closing Date. Barbados may amend the Closing Date so that the Closing Date aligns with the closing dates for the Bond Exchanges (as defined below). Barbados will announce any change in the Closing Date as soon as practicable. No additional consideration will be paid in the event of any change in the expected Closing Date.</p>

Barbados may, at its own discretion, extend the Invitation past the originally scheduled Expiration Date. As a result of any such extension, the Invitation Period, the Announcement Date and/or the Closing Date, as applicable, may be extended accordingly.

TERMS OF THE INVITATION AND TENDER PROCEDURES

Barbados is inviting owners of Eligible Claims to offer to exchange, on the terms and subject to the conditions of this invitation memorandum, their Eligible Claims for the Consideration. Barbados is also soliciting written consents from the holders of Eligible Claims to the Proposed Amendments. Each such tender for exchange is referred to as a “tender,” and each such written consent is referred to as a “consent.”

Purpose of the Invitation

The Invitation has been designed to adjust Barbados’ debt service profile and, in conjunction with its comprehensive fiscal adjustment and debt management strategy, including the parallel invitation to offer to exchange (a) U.S.\$540,000,000 of Barbados’ outstanding international bonds; (b) Fixed Rate Non-Callable Guaranteed Bonds 2007–2022 issued by the Barbados Transport Board and Fixed Rate Non-Callable Guaranteed Bonds 2007–2022 issued by Barbados Agricultural Management Co. Ltd.; (c) Class B Fixed Rate Bonds due 2019 issued by the Government of Barbados (ISIN XS0441235255); and (d) Class B Fixed Rate Bonds due 2019 issued by the Government of Barbados in definitive form (together, the “*Bond Exchanges*”), make its debt profile sustainable.

The Exchange Offer

Barbados hereby invites each Eligible Holder to offer to exchange their Eligible Claims for the Consideration upon the terms and subject to the conditions contained in this invitation memorandum and the Exchange and Amendment Agreement.

Consideration to be Received for Eligible Claims Tendered

If you are an Eligible Holder, subject to the procedures and requirements herein, you may offer to exchange each U.S.\$1,000.00 principal amount of your Eligible Claims (including all accrued but unpaid interest thereon) for: (i) net 2019 Exchange Cash Consideration of U.S.\$8.193; (ii) U.S.\$882.66 principal amount of 2029 Bonds; and (iii) U.S.\$54.06 principal amount of PDI Bonds.

Interest on the New Bonds will commence accruing on 1 October 2019. Participating creditors in the Invitation and the Bond Exchanges will authorise and instruct the Settlement Facilitation Agent to make the relevant pro rata deduction from the gross 2019 Exchange Cash Consideration and the relevant gross cash consideration under the Bond Exchanges, as the case may be, to which the relevant creditors may be eligible to pay the costs and expenses of the external creditors committee in an aggregate amount equal to U.S.\$2,575,000. The net 2019 Exchange Cash Consideration referred to above includes a deduction of a pro rata amount to pay the costs and expenses of the external creditors committee in an aggregate amount equal to U.S.\$2,575,000.

Subject to their eligibility to receive New Bonds in the form of Restricted Global Certificates and Unrestricted Global Certificates (each as defined in the Trust Deed), Eligible Holders may select to tender Eligible Claims in exchange for New Bonds in the form of either Restricted Global Certificates or Unrestricted Global Certificates in respect of their Eligible Claims.

Documentation of New Bonds

The New Bonds will be issued under a Trust Deed with The Bank of New York Mellon, as Trustee for the bondholders and will be governed by English law. The New Bonds will form a single series with the bonds to be issued pursuant to the Bond Exchanges, if consummated.

Barbados will post a substantially final draft of the Trust Deed and the Agency Agreement on the offer website hosted by the Information Agent at: www.lucid-is.com/barbados (the “Offer Website”) by not later than 10 days after the Commencement Date of the Invitation.

Rounding

To determine the amount of New Bonds that will be delivered in exchange for a specific tender, the principal amount resulting from the application of the exchange ratio to the principal amount of the Eligible Claim tendered will be rounded down to the nearest U.S.\$100 so that it can be exchanged in integrals of U.S.\$100 face amount of the New Bonds. This rounded amount will be the principal amount of New Bonds received, and no additional cash will be paid in lieu of any principal amount of New Bonds not received as a result of rounding down.

Payments of net 2019 Exchange Cash Consideration will be rounded to the nearest U.S.\$0.01, with U.S.\$0.005 rounded upwards.

The Consent Solicitation

Concurrently with the Exchange Offer, Barbados is soliciting certain consents and waivers to the Credit Agreement, referred to herein as the Proposed Amendments.

The Proposed Amendments

In accordance with section 9.2(b) of the Credit Agreement, the following consents and waivers from the Required Lenders (as defined in the Credit Agreement) constitute the Proposed Amendments:

- (1) the inclusion of the following definition in appropriate alphabetical order in section 1.1 of the Credit Agreement:

“First Amendment” means the First Amendment pursuant to the exchange and amendment agreement between the Borrower and the Lenders party thereto dated _____, 2019.
- (2) the amendment of the CAIPO definition contained in section 1.1 of the Credit Agreement, by amending and restating such definition in its entirety as follows:

“CAIPO” means the Corporate Affairs and Intellectual Property Office of Barbados.
- (3) The amendment of the definition of “Financing Documents” in Section 1.1 of the Credit Agreement, to add the words “the First Amendment,” after the words “collectively, this Agreement,”
- (4) the deletion of all affirmative covenants contained in Article V of the Credit Agreement, together with related definitions not otherwise used in the Credit Agreement;
- (5) the deletion of all negative covenants contained in Article VI of the Credit Agreement, together with related definitions not otherwise used in the Credit Agreement;
- (6) the deletion of the events of default contained in sections 7.1(b), (c), (e), (f), (g), (h), (i), (j), (k), (l), (m), (n), (o), (p), (q), (r) and (s) of the Credit Agreement, together with related definitions not otherwise used in the Credit Agreement;

- (7) the amendment of the event of default contained in section 7.1(d) of the Credit Agreement, by amending and restating such section in its entirety as follows:

“the Borrower shall fail to observe or perform any condition contained in Article IV and such failure, if capable of remedy, shall continue unremedied for a period of 30 or more days after notice thereof to the Borrower by the Administrative Agent; or”

- (8) the amendment of the submission to jurisdiction contained in section 9.9(b) of the Credit Agreement, by amending and restating such section in its entirety as follows:

“(b) Submission to Jurisdiction. The Borrower agrees that any suit, action or proceeding against the Borrower with respect to this Agreement, the other Financing Documents to which the Borrower is a party or any judgment against the Borrower entered by any court in respect thereof may be brought by the Administrative Agent only in respect of obligations owed by the Borrower to the Administrative Agent and, for the avoidance of doubt, not those owed to the Lenders, whether directly or indirectly, in the United States District Court for the Southern District of New York, in the Supreme Court of the State of New York sitting in New York County (including its Appellate Division), or in any other appellate court in the State of New York, and the Borrower hereby irrevocably submits to the non-exclusive jurisdiction of such courts for the purpose of any such suit, action, proceeding or judgment and expressly and irrevocably waives its right to any other jurisdiction that may apply by virtue of its present or future domicile or by any other reason.”

- (9) the amendment of the waiver of immunity contained in section 9.11 of the Credit Agreement, by amending and restating such section in its entirety as follows:

“Section 9.11 No Immunity. To the extent that the Borrower may be or become entitled, in any jurisdiction in which judicial proceedings may at any time be commenced with respect to this Agreement or any other Financing Document, to claim for itself or its properties, assets or revenues (except for properties of the public domain located in Barbados or dedicated to the purpose of an essential public service) any immunity from suit, court jurisdiction, attachment prior to judgment, attachment in aid of execution of a judgment, execution of a judgment or from any other legal process or remedy relating to its obligations under this Agreement or any other Financing Document, and to the extent that in any such jurisdiction there may be attributed such an immunity (whether or not claimed), the Borrower hereby irrevocably agrees not to claim and hereby irrevocably waives such immunity to the fullest extent permitted by the laws of such jurisdiction in any judicial proceedings commenced by the Administrative Agent only in respect of obligations owed by the Borrower to the Administrative Agent and, for the avoidance of doubt, not those owed to the Lenders, whether directly or indirectly. The Borrower agrees that the waivers set forth in this Section 9.11 will have the fullest extent permitted under the U.S. Foreign Sovereign Immunities Act of 1976 and are intended to be irrevocable and not subject to withdrawal for the purposes of such Act.”

and

- (10) the amendment of the special waiver contained in section 9.12 of the Credit Agreement, by amending and restating such section in its entirety as follows:

“Section 9.12 Special Waiver. To the extent that the Borrower may be entitled to the benefit of any provision of law requiring the Administrative Agent in any suit, action or proceeding brought by the Administrative Agent only in respect of obligations owed by the Borrower to the Administrative Agent and, for the avoidance of doubt, not those owed to the Lenders, whether directly or indirectly, in a court of Barbados or other jurisdiction arising out of or in connection with any of this Agreement, any other Financing Documents and the Transactions, to post security for litigation costs or otherwise post a performance bond or guarantee, or to take any similar action, the Borrower hereby irrevocably waives such benefit, in each case to the fullest extent now or hereafter permitted under the Laws of Barbados or, as the case may be, such other jurisdiction.”

Under the Credit Agreement, “Required Lenders” means, at any time, Lenders having 50.01% or more of the aggregate amount of the Commitments (as defined in the Credit Agreement) and of the aggregate unpaid principal amount of the Loans.

If the requisite level of consent is obtained, the Proposed Amendments shall become effective on the Closing Date immediately prior to consummation of the Exchange Offer.

An Exchange and Amendment Agreement validly delivered to the Exchange Agent by a holder of Eligible Claims will constitute consent to the Proposed Amendments by that holder of Eligible Claims.

The Credit Agreement after Implementation of the Proposed Amendments

If the required consents to the Proposed Amendments are obtained, the Credit Agreement will be amended such that all affirmative and negative covenants, including financial covenants and general undertakings and, subject to limited exceptions, events of default will be removed and Barbados’ submission to jurisdiction, waiver of immunity and special waiver will be amended.

The rights of holders who do not validly submit an Exchange and Amendment Agreement pursuant to the terms of the Invitation and, therefore, continue to hold Eligible Claims after the Closing Date, will be substantially different under the amended Credit Agreement compared to the existing Credit Agreement as of the Final Grading Date.

Final Grading Date

At the direction of Barbados, the Administrative Agent has notified Barbados that it does not intend to register transfers and assignments of ownership of Eligible Claims for the period from and including the Final Grading Date to and including the Closing Date.

Effect of Exchange and Amendment Agreement

The execution and delivery to the Exchange Agent of the Exchange and Amendment Agreement in respect of your tendered Eligible Claims by you will constitute a binding agreement between you and Barbados, upon Barbados’ countersignature, upon the terms and subject to the conditions of the Exchange Offer described herein and in the Exchange and Amendment Agreement. The acceptance of the Invitation by you will constitute your agreement to:

- (1) deliver good and marketable title to the tendered Eligible Claim, free and clear of any and all liens, restrictions, mortgages, charges, pledges, security interests, encumbrances or rights of any kind of third parties;

- (2) consent to the Proposed Amendments, as described in further detail above;
- (3) deliver to the Government of Barbados the original of the promissory notes governed by the laws of Barbados executed and delivered by Barbados pursuant to section 2.7 of the Credit Agreement (the “*Promissory Notes*”) in respect of such tendered Eligible Claims prior to the Closing Date; and
- (4) cancel the Promissory Notes in respect of such tendered Eligible Claims on the Closing Date.

On the Closing Date, the New Bonds and the net 2019 Exchange Cash Consideration will be delivered in exchange for validly tendered Eligible Claims and, if the required consents to the Proposed Amendments are obtained, the amendments and waivers will take effect immediately prior to the consummation of the exchange.

Expiration; Extensions; Amendments; Termination

For purposes of the Invitation, the term “Expiration Date” means 5:00 p.m., New York City time, on 22 November 2019, subject to Barbados’ right to extend such date and time in its absolute discretion, in which case the Expiration Date means the latest date and time to which the Invitation is extended.

Barbados reserves the right, in its absolute discretion, to (i) extend the Invitation, (ii) terminate the Invitation, or (iii) amend the Invitation.

Any extension, amendment or termination of the Invitation by Barbados will be followed as promptly as practicable by an announcement of such extension, amendment or termination.

Permitted Amendments

By submitting an Exchange and Amendment Agreement to the Exchange Agent, each tendering Eligible Holder authorises the Exchange Agent to agree with Barbados to the making of the following:

- any minor, technical, administrative or corrective amendments to any of the Invitation Materials or the New Bonds;
- any extension of the Expiration Date, the Announcement Date or the Closing Date as contemplated above; and
- any waiver by Barbados, in its sole discretion, of the provision of any of the representations, warranties or undertakings set out in this invitation memorandum or the Exchange and Amendment Agreement by an Eligible Holder,

in each case, prior to the completion of the Transaction (collectively, the “*Permitted Amendments*”).

Material Amendment of the Invitation

Any term of this invitation memorandum (including any term of the New Bonds) may be amended and any Exchange and Amendment Agreement submitted to the Exchange Agent prior to that amendment shall remain valid; *provided that*, if any amendment is made which is not a Permitted Amendment (such amendment, a “*Relevant Amendment*”), Barbados will post a notification of such amendment on the Offer Website. If a notification of a Relevant Amendment is posted by Barbados

within three business days of the Expiration Date, the Expiration Date will be automatically extended to the date falling three business days after the date of such notification.

Eligible Holders who have tendered their Eligible Claims prior to notification of a Relevant Amendment on the Offer Website will be entitled to revoke any Exchange and Amendment Agreement submitted by them by notice to the Exchange Agent prior to the Expiration Date, as extended. In the absence of notice to the contrary prior to the Expiration Date, Eligible Holders who have tendered their Eligible Claims will be deemed to have accepted the Relevant Amendments.

Any Eligible Holders who deliver Exchange and Amendment Agreements after a Relevant Amendment is posted on the Offer Website will be deemed to accept the Invitation on the terms of this invitation memorandum as amended by the Relevant Amendment.

Termination

Barbados may, in its absolute discretion but subject to applicable laws, terminate the Invitation at any time prior to the Closing Date (including, for the avoidance of doubt, after the Expiration Date). Any Exchange and Amendment Agreement delivered prior to such termination shall immediately cease to have any further force or effect.

In the event of non-acceptance and/or revocation and/or termination of the Invitation, any Promissory Notes delivered to the Government of Barbados in connection with the tender of Eligible Claims will be returned without expense to the tendering holder as promptly as practicable after the non-acceptance, revocation or termination, as applicable.

Exchange and Amendment Agreement; Representations, Warranties and Covenants of Holders of Eligible Claims

Upon the submission of the Exchange and Amendment Agreement, you will, subject to the terms and conditions of the Exchange and Amendment Agreement and the Invitation generally, agree to:

- (1) the Proposed Amendments;
- (2) immediately after the Proposed Amendments become effective, unilaterally, irrevocably and unconditionally discharge and release all right, title and interest in and to, and any and all claims in respect of or arising or having arisen as a result of your status as a holder of Eligible Claims tendered thereby, such that thereafter you shall have no contractual or other rights or claims in law or equity against Barbados or any fiduciary, trustee, fiscal agent or other person connected with or arising under, from, or in connection with, the Eligible Claims;
- (3) waive any and all rights with respect to your holdings in the Eligible Claims tendered thereby, including any existing, past or continuing Defaults (as defined in the Credit Agreement) and their consequences pursuant to the Credit Agreement;
- (4) grant the releases as provided in the Exchange and Amendment Agreement;
- (5) deliver to the Government of Barbados the Promissory Notes in respect of such tendered Eligible Claims prior to the Closing Date; and

- (6) cancel the Promissory Notes on the Closing Date or irrevocably instruct Barbados or its nominee to do the same.

In addition, you will be deemed to represent, warrant and agree that:

- (1) you have received the invitation memorandum and have reviewed and accept the terms of the Invitation as set forth in the invitation memorandum;
- (2) you are assuming all the risks inherent in participation in the Invitation and have undertaken all the appropriate analysis of the implications of the Invitation without reliance on Barbados, the Exchange Agent, the Administrative Agent under the Credit Agreement or the Trustee and agents for the New Bonds;
- (3) you are the beneficial owner (as defined below) of, or a duly authorised representative of one or more such beneficial owners of, the Eligible Claims tendered thereby and you have full power and authority to execute the Exchange and Amendment Agreement from a person or entity having such power and authority;
- (4) you are acquiring the New Bonds issued in the Invitation in the ordinary course of your business;
- (5) you are not prohibited by any law or policy from participating in the Invitation;
- (6) Eligible Claims being tendered thereby were owned as of the date of tender, free and clear of any liens, mortgages, pledges, charges, claims, encumbrances, interests and restrictions of any kind;
- (7) you will not sell, mortgage, charge, pledge, hypothecate or otherwise encumber or transfer any Eligible Claims tendered thereby from the date of the Exchange and Amendment Agreement and agree that any purported sale, mortgage, charge, pledge, hypothecation or other encumbrance or transfer will be void and of no effect;
- (8) Barbados has not made any statement, representation or warranty, express or implied, to you with respect to Barbados or the offer or sale of any New Bonds, other than the information that has been included in the invitation memorandum, including the information incorporated herein by reference (and as supplemented to the Expiration Date), and any information you desire concerning Barbados, the New Bonds or any other matter relevant to your decision to acquire the New Bonds (including a copy of the invitation memorandum) is or has been made available to you;
- (9) none of the Exchange Agent, Administrative Agent, Trustee, Information Agent or agent for the New Bonds or any person acting on behalf of any of the foregoing has made any statement, representation or warranty, express or implied, to you with respect to Barbados or the offer or sale of any New Bonds or the accuracy or completeness of this invitation memorandum;
- (10) the execution and delivery of the Exchange and Amendment Agreement shall constitute an undertaking to execute any further documents and give any further assurances that may be required in connection with any of the foregoing, in each case on and subject to the terms and conditions set out or referred to in this invitation memorandum;

- (11) the submission of the Exchange and Amendment Agreement to the Exchange Agent shall, subject to the terms and conditions of the Invitation generally, constitute the irrevocable appointment of the Exchange Agent as your attorney and agent, and an irrevocable instruction to such attorney and agent to complete and execute all or any form(s) of transfer and other document(s) (including any document to effect the discharge and cancellation of all right, title and interest in or relating to the Eligible Claims) at the discretion of such attorney and agent in relation to the Eligible Claims tendered thereby in favour of Barbados or such other person or persons as Barbados may direct and to deliver such form(s) of transfer and other document(s) in the attorney's and agent's discretion and to execute all such other documents and to do all such other acts and things as may be in the opinion of such attorney or agent necessary or expedient for the purpose of, or in connection with, the acceptance of the Invitation, and to cancel or extinguish such Eligible Claims;
- (12) the terms and conditions of the Invitation shall be deemed to be incorporated in, and form a part of, the Exchange and Amendment Agreement, which shall be read and construed accordingly;
- (13) you authorise and instruct the Settlement Facilitation Agent to make the relevant pro rata deduction from the 2019 Exchange Cash Consideration to which you may be eligible to pay the costs and expenses of the external creditors committee in an aggregate amount equal to U.S.\$2,575,000;
- (14) you are not acting on behalf of someone who cannot truthfully and completely make the foregoing representations; and
- (15) Barbados and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

Each Eligible Holder that executes the Exchange and Amendment Agreement will also be deemed to represent, warrant and agree as set forth under "Notice to Investors."

The representations, warranties and agreements of an Eligible Holder tendering Eligible Claims shall be deemed to be repeated and reconfirmed on, and as of, the Expiration Date and the Closing Date. For purposes of this invitation memorandum, the "beneficial owner" of any Eligible Claim shall mean any holder that exercises sole investment discretion with respect to such Eligible Claim.

Procedures for Tendering

Eligible Holders that wish to accept the Invitation must submit duly and validly completed Exchange and Amendment Agreement(s) to the Exchange Agent in respect of those Eligible Claims by email prior to the Expiration Date, submission of which by email is accepted by all parties to be valid acceptance by such Eligible Holder and, where applicable, deliver the original of the Promissory Notes in respect of tendered Eligible Claims to the Government of Barbados prior to the Closing Date. Eligible Holders who are unable to locate the Promissory Notes related to their Eligible Claims prior to the Closing Date must deliver a certificate with certain representations and undertakings. Barbados has the ability to waive defects in submissions or to seek information after the Expiration Date to complete incomplete submissions.

An original of each Exchange and Amendment Agreement should be delivered for reference purposes to the Exchange Agent via courier or post promptly (and, in any event, within three business

days) after the date of delivery of a copy by email. When submitting an Exchange and Amendment Agreement by email, an Eligible Holder must send the whole copy of the Exchange and Amendment Agreement, indicating that it is a duly signed execution version of such notice (although the failure to so indicate will not compromise the validity of the Exchange and Amendment Agreement).

Once delivered to the Exchange Agent, an Exchange and Amendment Agreement is irrevocable and may not be withdrawn, subject only to a Relevant Amendment of the terms of the Invitation as described above in “Material Amendments of the Invitation,” unless Barbados agrees otherwise. Exchange and Amendment Agreements will become void if the Invitation is terminated or lapses on the terms of this invitation memorandum, or if the Invitation otherwise fails to become effective.

Proper Execution and Delivery of Exchange and Amendment Agreement

No alternative, conditional, irregular or contingent tenders will be accepted. By executing the Exchange and Amendment Agreement (or facsimile thereof), the tendering Eligible Holders waive any right to receive any notice of the acceptance for exchange of their Eligible Claims. The Exchange Agent will, where practicable, confirm good receipt and processing of the Exchange and Amendment Agreement.

All questions as to the validity, form, eligibility (including time of receipt) and acceptance for exchange of any tendered Eligible Claims or consents pursuant to any of the procedures described above, and the form and validity (including time of receipt of notices of withdrawal) of all documents will be determined by us in our sole discretion, which determination will be final and binding. We reserve the absolute right to reject any or all tenders of any Eligible Claims or consents determined by us not to be in proper form, or if the acceptance of, or exchange of, such Eligible Claims or consents may, in the opinion of our counsel, give rise to a breach or violation of applicable laws, rules or regulations. We also reserve the right to waive defects in any tender or consent that we are legally permitted to waive. Unless waived, any irregularities in connection with tenders or consents must be cured within such time as we shall determine. A waiver of any defect or irregularity with respect to the tender of one Eligible Claim or consent in respect of one Eligible Claim shall not constitute a waiver of the same or any other defect or irregularity with respect to the tender of, or consent in respect of, any other Eligible Claim unless we expressly otherwise so provide. Your tender or consent will not be deemed to have been validly made until all defects or irregularities in your tender or consent have been cured or waived. Neither we nor the Exchange Agent nor any other person or entity is under any duty to give notification of any defects or irregularities in any tender of, or consent in respect of, any Eligible Claims, or will incur any liability for failure to give any such notification. Please send all materials to the Exchange Agent and not to us.

Cancellation and Delivery of Promissory Notes

In accordance with the terms and conditions of the Exchange and Amendment Agreement, all Promissory Notes in respect of tendered Eligible Claims will be automatically cancelled upon delivery of the Consideration to you on the Closing Date. By executing and delivering the Exchange and Amendment Agreement, you consent to the cancellation of the Promissory Notes in respect of your tendered Eligible Claims and agree to deliver such Promissory Notes to the Government of Barbados prior to the Closing Date. Eligible Holders who are unable to locate the Promissory Notes related to their Eligible Claims must deliver a certificate with certain representations and undertakings.

If an Eligible Holder wishes to tender less than the entire aggregate principal amount of Eligible Claims represented by its Promissory Notes delivered to the Government of Barbados in connection with the delivery of its Exchange and Amendment Agreement, such Eligible Holder must fill in the aggregate principal amount of its Eligible Claims that is to be tendered below its name on the signature page of the

Exchange and Amendment Agreement (a “*Partial Tender*”). In the case of a Partial Tender, as soon as practicable after the Closing Date, Barbados will execute and deliver to such holder a new Promissory Note evidencing principal amount of untendered Eligible Claims that was evidenced by the delivered Promissory Note.

Irrevocability; No Withdrawal Rights

Once delivered to the Exchange Agent, an Exchange and Amendment Agreement is irrevocable and may not be withdrawn, subject only to a Relevant Amendment of the terms of the Invitation as described above in “Material Amendments of the Invitation,” unless Barbados agrees otherwise.

If Barbados terminates the Invitation without accepting any tenders for exchange, all tenders for exchange, including delivered Exchange and Amendment Agreements, shall automatically be deemed to be withdrawn and cancelled.

Exchange and Amendment Agreements will become void if the Invitation is terminated or lapses on the terms of this invitation memorandum, or if the Invitation otherwise fails to become effective.

Acceptance of Eligible Claims for Exchange; Delivery of Consideration

On the Closing Date, the New Bonds and the net 2019 Exchange Cash Consideration, both in accordance with the terms and conditions of the Invitation, if it is consummated, will be delivered in book-entry form through DTC, in the case of the New Bonds, and to the relevant bank account specified by each tendering Eligible Holder in Schedule 2 of the Exchange and Amendment Agreement, in the case of the net 2019 Exchange Cash Consideration.

Barbados will be deemed to have accepted validly tendered Eligible Claims and properly given consents when, and if, Barbados has given oral or written notice thereof to the Exchange Agent. Subject to the terms and conditions of the Invitation, delivery of the Consideration will be made by the Settlement Facilitation Agent on the Closing Date upon receipt of such notice. The Exchange Agent will act as agent for tendering holders of the Eligible Claims for the purpose of receiving Eligible Claims and transmitting the Consideration. If any tendered Eligible Claims are not accepted for any reason, any Promissory Notes delivered to the Government of Barbados in connection with the tender of such unaccepted Eligible Claims will be returned without expense to the tendering holder as promptly as practicable after the expiration or termination of the Invitation.

Offering Restrictions

You are not eligible to participate in the Exchange Offer unless you are:

(1) either:

- a. a “qualified institutional buyer” (as defined in Rule 144A under the Securities Act) and are acquiring the New Bonds for our own account or for the account of another qualified institutional buyer; or
- b. acquiring the New Bonds in an offshore transaction in accordance with Regulation S under the Securities Act;

(2) if you are located within an EEA Member State, you are a “qualified investor” as defined in the Prospectus Regulation;

- (3) if you are located in the UK, a relevant person (as this term is defined in “Notice to Prospective Investors in the United Kingdom”); and
- (4) otherwise permitted under the laws and regulations of any other jurisdiction applicable to you, including, without limitation, as set forth in “Jurisdictional Restrictions,” to receive and review the Invitation Materials and to participate in the Exchange Offer.

For a description of certain restrictions on resale of the New Bonds, see “Notice to Investors” in this invitation memorandum.

Business Day

The term “*business day*” for the Invitation means any day except a Saturday, Sunday or any other day on which commercial banks in New York City, London or Barbados are required or authorised by law to close.

Exchange Agent

In connection with the Invitation, Barbados has retained Lucid Issuer Services Limited to act as Exchange Agent, which will receive customary fees for its services. Barbados has agreed to reimburse the Exchange Agent for its respective out-of-pocket expenses and to indemnify it against certain liabilities. No fees or commissions have been or will be paid by Barbados to any broker, dealer or other person, other than the Exchange Agent in connection with the Invitation.

Information Agent

In connection with the Invitation, Barbados has retained Lucid Issuer Services Limited to act as Information Agent. Questions and requests for assistance or additional copies of this invitation memorandum may be directed to the Information Agent at its address and telephone number set forth on the back cover of this invitation memorandum.

Delivery of Promissory Notes

Promissory Notes to be delivered to the Government in accordance with the procedures set out in this invitation memorandum should be marked for the attention of the Permanent Secretary at the Ministry of Finance, Government Headquarters, Bay Street, St. Michael, Barbados.

Fees and Expenses

We have not retained any dealer-manager in connection with the Invitation, and we will not make any payments to brokers, dealers or other persons soliciting acceptances of the Invitation. We will, however, pay the Exchange Agent fees for its services and will reimburse it for its related out-of-pocket expenses. Holders who exchange their Eligible Claims will not be obligated to pay any transfer taxes. If, however, a transfer tax is imposed for any reason other than the exchange of Eligible Claims in connection with the Invitation, then the holder must pay the amount of any transfer taxes due, whether imposed on the registered holder or any other persons. If the holder does not submit satisfactory evidence of payment of these taxes or exemption from them with the Exchange and Amendment Agreement, the amount of these transfer taxes will be billed directly to the tendering holder.

Available Information

Certain information relating to Barbados is, or will be, available on the Offer Website and may be of significance to Eligible Holders in deciding whether to submit an Exchange and Amendment Agreement.

Holders of Eligible Claims wishing to access the Offer Website will be required to accept certain terms and conditions in relation to, among other things, confidentiality and the use of the information contained on the Offer Website and as are more fully set out on the Offer Website. Holders that participate in the Invitation and elect not to access such information will be deemed to make the representation in paragraph (K) of the section of the Exchange and Amendment Agreement captioned “Representations and Warranties of the Consenting Lender.”

Holders of Eligible Claims who do not have access to the Offer Website may obtain the documents posted on the Offer Website via email or other means from the Information Agent subject to providing a completed certification in the form delivered to them by the Information Agent (i) representing that they are an Eligible Holder, (ii) representing that they are the beneficial owner of an Eligible Claim, indicating the amount of Eligible Claims that are beneficially owned and (iii) agreeing to keep all information contained on the Offer Website confidential and subject to verification by the Administrative Agent that such certificate is being provided on behalf of a *bona fide* direct or indirect holder of a beneficial interest in an Eligible Claims.

The Invitation Materials, including this invitation memorandum and related documents, may not be distributed, forwarded or transmitted to any person in any jurisdiction.

Lucid Issuer Services Limited, in its capacity as Information Agent and Exchange Agent, can be contacted at:

Lucid Issuer Services Limited
Tankerton Works
12 Argyle Walk
London WC1H 8HA
United Kingdom
Telephone +44 20 7704 0880
Attention: Arlind Bytyqi / Thomas Choquet
Email: barbados@lucid-is.com
Website: www.lucid-is.com/barbados

RECENT DEVELOPMENTS

The Economic Situation

Macroeconomic stability in Barbados has been challenged by high fiscal deficits and public debt. In recent years, the size of the deficit and the high level of public debt have been constraints on growth. For the most part, efforts to reduce the fiscal gap, primarily through heavy taxation adjustments, did not achieve the desired budget neutrality.

The unfolding of the global recession in 2007 cast a long shadow on the economic fortunes of Barbados over the last ten years. As global demand conditions weakened, the domestic economic performance of Barbados was challenged over several years, reaching its lowest point of growth in 2009 with a contraction of 4.9%. Subsequently, economic growth remained relatively stagnant. This gave rise to lower fiscal revenues, increased deficits and a burgeoning debt portfolio, which made it difficult for the Government to provide adequate and swift policy responses to the prevailing risks, in order to induce a positive turnaround in economic conditions. As a result, the gross public sector debt to GDP ratio at the end of 2017 climbed to an unsustainable 147.8%, up from 60% in 2007.

Falling risk appetite amongst external and domestic investors weakened economic fundamentals to adequately buffer against the reverberating shock waves of the global financial crisis, causing Barbados' recession to be deep and protracted. Due to anaemic economic growth coupled with large and increasing fiscal deficits and debt levels, the international credit rating agencies lowered Barbados' sovereign rating from 'A-' in 2003, one of the highest in the developing world, to 'Caa3' in 2017.

On 1 June 2018, the Government announced that an in-depth review of Barbados' fiscal and external liquidity situation identified and quantified substantial arrears that were not previously included in headline public debt figures, revising estimates of Government arrears upwards to U.S.\$820.0 million (including U.S.\$230.6 million owed to the National Insurance Scheme (the "NIS") and U.S.\$237.5 million owed by the Barbados Revenue Authority (the "BRA") to Barbadians and individual companies). When the previously unpublished arrears amounts were added, the total debt to GDP ratio was revised upward to 175.0% as of 31 May 2018.

In addition, gross international reserves stood at U.S.\$249.4 million, or 6.9 weeks of import cover, as of 31 May 2018, compared to U.S.\$747.2 million, or 15.1 weeks of import cover, as of 31 December 2008.

Though Barbados expects a fiscal surplus for FY 2018/19, Barbados' fiscal deficit was high in recent years, down from approximately 9.0% of GDP in FY 2015/16 to approximately 4.6% of GDP in FY 2017/18. From 2008 to 2018, the fiscal deficit averaged 6.4% of GDP.

The slow implementation of necessary reforms coupled with heavy fiscal consolidation efforts contributed to the decline in economic growth from 2.6% in 2016 to 0.8% in 2017. This downward revision also reflected a slowdown in growth in the tourism sector, which, despite recording increased tourist arrivals, saw a reduction in the average length of stay. Economic growth estimates at the beginning of 2018 continued to be sluggish, expanding by an estimated 0.8% in the first six months of 2018, compared to 1.6% during the first six months of 2017.

At the end of the FY 2017/18, foreign financed project inflows were insufficient to offset foreign loan payments of U.S.\$146.4 million. As a result, the fiscal deficit was mainly financed by commercial banks, which provided funding equal to just over 2.6% of GDP. This funding from commercial banks was due to an increase in the stipulated securities reserve requirement for commercial banks, from 10.0%

of domestic deposits as set in 2007 to 20.0%, announced by the Central Bank on 1 November 2017 and effective 1 January 2018. Central Bank financing declined to 1.0% of GDP in FY 2017/18, compared to 8.1% of GDP in FY 2016/17. Private non-bank entities also reduced their exposure to the Government.

During 2018, the financial sector remained stable and had above-normal levels of capital adequacy and liquidity. These trends were driven in part by on-going weak growth in credit to the private sector, despite a relatively benign interest rate environment. While the weighted average deposit and loan rates remained effectively unchanged, the average mortgage rate continued to decline, reaching 5.4% as of December 2018, compared to 5.6% as of the end of 2017.

In November 2018, Barbados received a ratings upgrade from Standard and Poor's on its long- and short-term local currency debt to B-/B from SD/SD with a stable currency outlook. Improvements in the current ratings are dependent upon the Government's ability to meet its fiscal targets and reform agenda which impacts positively investor confidence and economic growth. No new borrowing on the capital markets is anticipated over the next four years as Barbados is committed to achieving its debt-to-GDP target.

For further detail on the general economic and public finance performance of Barbados, see "The Economy" and "Public Finance."

Barbados Economic Recovery and Transformation Plan

Due to the challenging outlook for the Barbadian economy, on 1 June 2018, the Government announced the need for decisive action to place public finances on a sustainable path in an effort to alter the trajectory of international reserves and create the conditions for strong, sustainable growth. To follow up on the 1 June 2018 announcement, the Government announced the Barbados Economic Recovery and Transformation Plan (the "*BERTP*") on 11 June 2018.

The BERTP is expected to consist of the following three phases:

- Phase one (first three months) includes: (i) the imposition of user fees for both domestic and international users at Barbados Tourism Marketing, Inc., Barbados Tourism Product, Inc. and Sanitation Services Authority, in order to take these three statutory corporations off of Barbados' main bank account (the "*Consolidated Fund*", which is a deposit account into which all revenues of Barbados are to be deposited), and at Queen Elizabeth Hospital (the "*QEH*"), in order to take the QEH partially off the Consolidated Fund, which is expected to account for a total reduction in expenditures of approximately U.S.\$25.0 million; and (ii) a review of tax revenue to impose more effective taxes, increase compliance and broaden the base of domestic and foreign tax payers to reduce the fiscal deficit in FY 2018/19;
- Phase two (months three to twelve) includes: (i) a review of Government departments and SOEs with the aim of reducing expenditures, including through mergers and divestment; (ii) a review of the international business framework in light of the inclusion of Barbados on the list of jurisdictions subject to close monitoring for tax purposes by the European Union; and (iii) measures to boost growth, as discussed below;
- Phase three (month twelve and onward) includes: continued review and analysis of SOEs and departments of the Government.

The combined effect of the three phases is expected to reduce expenditures and raise revenues by a combined amount of approximately U.S.\$115.0 million.

Medium-Term Fiscal Strategy

As part of the BERTP, Barbados' medium-term fiscal strategy is designed to put the deficit and debt on a sustainable footing while: (i) building reserves; (ii) restoring and accelerating growth through increased public sector efficiencies and special economic zones; (iii) investing in critical public infrastructure, such as sewage, sanitation and transport; and (iv) providing social protection for the most vulnerable, such as the elderly poor, unemployed youth and the working poor.

Over the medium term, Barbados will focus on achieving fiscal surpluses and decreasing the amount of debt outstanding. The mini-budget announced in June 2018 lays out the path to cutting the budget deficit in half by the end of FY 2018/19. The overall public sector deficit declined from 4.6% of GDP in FY 2017/18 to 0.5% of GDP in FY 2018/19. The fiscal and debt adjustments are expected to reduce the debt to GDP ratio from 147.8% as of 31 December 2017 to 60% by FY 2033/34.

The medium-term fiscal strategy aims to achieve a debt to GDP ratio of 60.0% by FY 2033/34. To achieve this goal, Barbados expects to move to a primary fiscal surplus of 6.0% of GDP by FY 2019/20 and maintain that fiscal surplus until FY 2024/25, moderating it slowly as intermediate debt to GDP targets are reached.

Additionally, Barbados is conducting a comprehensive, consensual debt restructuring. The debt restructuring aims to address the severe challenges presented by current debt service commitments and, in conjunction with the corrective economic and fiscal measures, to place public debt on a more sustainable footing. For more information on the debt restructuring, see "Debt Strategy" below.

In addition to the fiscal and debt measures, Barbados will also pursue structural reforms to improve the supply of labour and training, improve the speed, cost, predictability and transparency of government procurement and make it generally easier and cheaper to do business in Barbados. The Government expects that these measures will enable Barbados to convert potential investment projects to active investments, increasing the potential GDP growth towards 3.5%. Given that structural reforms can take significant time to design, implement and bear fruit, the Government has not assumed the success of any of these structural reforms in its strategy to reach a debt to GDP ratio of 60.0% by FY 2033/34.

Overall, the fiscal consolidation measures will be underpinned by: (i) core structural reforms; (ii) strategic expenditure management, particularly within SOEs, (iii) SOE reforms, including through improvement of SOE governance and through mergers and discontinuation of certain entities, to reduce transfers given to SOEs; and (iv) strengthened fiscal institutions, with a goal of facilitating business through the use of advanced technologies while entrenching fiscal discipline.

Summary of Select Strategies

Barbados plans to:

- adjust the pace and composition of the fiscal adjustment through comprehensive tax and public financial management reform;
- promote and foster greater transparency, fiscal discipline and prudence in the management of Government affairs;
- conduct a comprehensive debt restructuring programme;

- reduce outstanding arrears between the Government and other agencies through settlements negotiated by the established Arrears Unit;
- introduce stronger oversight, improved reporting, cost reduction and revenue enhancement, including a review of all tariffs and user fees charged by the SOEs that are to be reformed under the BERTP;
- improve SOE management and efficiency through performance-based budgeting and waste and duplication reduction;
- improve the Public Investment Management Framework (the “*PIMF*”); and
- engage in a comprehensive expenditure review.

IMF Programme

In addition to the BERTP, the Government requested from the IMF: (i) liquidity support for international reserves, (ii) an assessment of the BERTP and (iii) discussions regarding the debt restructuring.

On 1 October 2018, the IMF announced the approval by its Executive Board of a four-year extended arrangement (the “*Extended Arrangement*”) under the Extended Fund Facility (the “*EFF*”) for Barbados for approximately U.S.\$290.0 million, or 220% of Barbados’ quota in the IMF. The approval of this programme allowed for the immediate disbursement of approximately U.S.\$49.0 million. The Extended Arrangement, which is complemented by the fiscal and debt adjustment measures, aims to help Barbados restore debt sustainability, strengthen its external position and improve growth prospects.

The IMF published its first review of Barbados under the Extended Arrangement on 24 June 2019. Barbados met all quantitative performance criteria and indicative targets for March 2019. The review outlines that six structural benchmarks were met and the remaining four benchmarks were implemented with minor delays. The review notes the swift progress Barbados has made since mid-2018 in addressing economic vulnerabilities, including a significant increase in international reserves, the completion of the domestic debt restructuring and ongoing reform of SOEs, the customs department, public pensions and the Central Bank of Barbados Act Cap.323C.

Debt Strategy

In June 2018, as a consequence of critically low levels of international reserves, unsustainably high levels of public indebtedness, poor growth and major failings in public infrastructure and social safety nets that undermined Barbados’ ability to service its external debt, the Government announced its intention to seek the cooperation of its domestic and external creditors in a comprehensive restructuring of its public debt. The Invitation described in this invitation memorandum is a key part of Barbados’ debt management programme.

The following summarises Barbados’ proposed treatment of its different types of indebtedness. See “Public Debt” for a list of Barbados’ outstanding debt.

The extent and terms of the debt restructuring have been designed so as to not endanger financial stability within the economy.

Domestic Debt

Barbados Dollar–Denominated Instrument and Arrears

On 1 June 2018, Barbados announced that it would endeavour to make scheduled domestic interest payments on Barbados dollar-denominated debt, but the domestic creditors were asked to roll over principal maturities until restructuring agreements were concluded. In addition, on 27 June 2018, the Ministry of Finance announced a moratorium on Treasury Bill auctions.

On 7 September 2018, Barbados launched an exchange offer for holders of Barbados dollar-denominated debt, including Treasury Bills and Treasury Notes and Debentures, issued or contracted by Barbados, certain state-owned enterprises and certain other entities that receive transfers from the Government budget (the “*Domestic Exchange Offer*”). The launch of the Domestic Exchange Offer followed three months of extensive consultations between Barbados and representatives of the several creditors and creditor groups that would be affected by the debt restructuring, including Barbados’ banks, its insurance companies, the NIS and the Central Bank.

In the Domestic Exchange Offer, Barbados offered to exchange existing Barbados dollar-denominated instruments for various series of new instruments, with the eligibility for each new instrument depending on the holder and instrument type. A summary of the offer is available at: <http://gisbarbados.gov.bb/blog/bbd-debt-exchangeoffer-summary/>.

With the launch of the Domestic Exchange Offer, Barbados announced the suspension of interest payments on Barbados-dollar denominated instruments. All interest falling due and accruing through 30 September 2018 will be capitalised and added to the principal amount of new instruments offered in the exchange. Interest on the new instruments accrued retroactively from 30 September 2018.

On 30 October 2018, Barbados announced that holders of 97% of the aggregate principal amount of all outstanding Barbados dollar-denominated debt eligible to participate in the Domestic Exchange Offer accepted the offer, including holders of SOE debts guaranteed by the Government, as described below. Pursuant to the Debt Holder (Approval of Debt Restructuring) Act, 2018, all claims eligible to participate in the Domestic Exchange Offer were restructured in accordance with the terms of the offer.

Domestic Debt Instruments and Arrears of SOEs and Guaranteed Claims

Barbados has given guarantees of various indebtedness of SOEs and certain entities that receive transfers from the Government budget. Barbados’ approach to the debts owed by SOEs and other entities to commercial creditors has been focused on drawing a distinction between those entities that were not financially viable in the absence of budgetary transfers from the Government and those that were deemed to be self-sufficient on the basis of their own operations.

For self-sufficient SOEs and government-supported entities, creditors of these entities released the Government guarantees with the SOE obligor remaining unchanged pursuant to the Domestic Exchange Offer. Debts of self-sufficient SOEs were not otherwise altered or reprofiled.

For non-self-sufficient SOEs and government-supported entities, the Government assumed these debts and restructured the debts on the same terms as Barbados dollar-denominated Government bonds and Debentures in the Domestic Exchange Offer, as described above.

External Debt

Commercial Loans and External Bond Indebtedness

Due to Barbados' international reserve position and the Central Bank's projections for further declines, Barbados ceased servicing all of its external commercial loans and external bond indebtedness on 1 June 2018.

Pursuant to this Invitation, on 5 November 2019 Barbados has launched this Invitation to holders of Eligible Claims to offer to exchange their Eligible Claims for the Consideration as described herein. In parallel, also on 5 November 2019 Barbados launched an invitation to offer to exchange (a) U.S.\$540,000,000 of Barbados' outstanding international bonds; (b) Fixed Rate Non-Callable Guaranteed Bonds 2007-2022 issued by the Barbados Transport Board and Fixed Rate Non-Callable Guaranteed Bonds 2007 – 2022 issued by Barbados Agricultural Management Co. Ltd.; (c) Class B Fixed Rate Bonds due 2019 issued by the Government of Barbados (ISIN XS0441235255); and (d) Class B Fixed Rate Bonds due 2019 issued by the Government of Barbados in definitive form, each as described more fully in the invitation memoranda relating to the Bond Exchanges. The launch of the invitations is in furtherance of the Government's 1 June 2018 announcement of its intention to seek a comprehensive restructuring of Barbados' debt, including the Domestic Exchange Offer, and follows many months of good faith discussions with the Barbados creditors' committee.

USD-Denominated, Barbados Law Governed Claims

Separately from this Invitation and the Bond Exchanges, Barbados intends to invite holders of certain USD-denominated, Barbados law governed claims to exchange those instruments for new Barbados dollar-denominated instruments.

Bilateral and Multilateral Indebtedness

Bilateral and multilateral claims have been serviced on time.

BARBADOS

History

The Arawaks were the first known inhabitants of Barbados, all of whom had departed Barbados by the time British colonists first settled at Holetown on the west coast of the island in 1627. Ten years later, sugar cane was introduced to the island. Barbados became the first British territory to establish large sugar cane plantations. Barbados remained a British colony until 1966, when independence from the United Kingdom was granted by the Barbados Independence Act 1966. Barbados is a member of the Commonwealth of Nations, a voluntary association of 53 sovereign states. Since independence, Barbados has experienced political stability.

Geography and Population

Barbados is the most easterly of the Caribbean islands, situated approximately 300 miles off the north coast of South America. The island comprises a total landmass of 166 square miles. The topography is relatively flat and composed mostly of coral. The highest point on the island is Mount Hillaby, at 336 metres (1,104 feet) above sea level. The climate is tropical, tempered by trade winds, with daytime temperatures typically in the range of 80 to 85 degrees Fahrenheit (27 to 29 degrees Celsius). A cool, dry period between December and March is followed by a warmer, rainy period from April to November. Barbados is located in an active geologic zone and in one of the most hurricane-prone regions of the world.

Between the population census in 2000 and the latest census in 2010, Barbados' population increased at an average annual rate of approximately 0.34%. According to the World Bank, the estimated total population of Barbados was 285,719 as of 31 December 2017, an increase of 2.84% compared to 277,821 as of the 2010 population census.

The World Bank estimated that 68% of Barbados' population lived in rural areas in 2010, an increase of 2 percentage points compared to 2000, while 32% of the population lived in urban areas.

Bridgetown, the capital of Barbados and the country's largest urban centre, is situated on the southwest coast of the island and, with its surrounding areas, had a population of approximately 89,630 as of the 2010 census.

Based on the World Bank's data, the country's population density is estimated at approximately 664.5 persons per square kilometre, compared to an average population density of 17.9 for small states in the Caribbean, as classified by the World Bank.

English is the official language of Barbados.

The Constitution of Barbados (the "*Constitution*") provides for religious freedom. Over one hundred religious denominations, predominantly Christian, are represented in Barbados.

Infrastructure

Barbados' infrastructure includes a road network of over 980 miles, including a multi-lane highway extending from the airport at the southeast of Barbados to the seaport on the west coast. Electricity and water are available in most households and a modern telecommunications network infrastructure is currently operated by telecommunications network providers, including Cable & Wireless (Barbados) Ltd. (trading as Flow) and Digicel (Barbados) Ltd.

Social Development

Barbados is generally classified as a middle-income developing country.

The following table sets forth the latest selective comparative statistics published by the International Bank for Reconstruction and Development (the “*World Bank*”) and the United Nations Development Programme (the “*UNDP*”) for Barbados and other countries in the Caribbean.

Table No. 2
Selected Social Development Indicators (2016)

	<u>Barbados</u>	<u>Grenada</u>	<u>Trinidad and Tobago</u>	<u>St. Lucia</u>	<u>Saint Vincent and the Grenadines</u>	<u>Saint Kitts and Nevis</u>	<u>Jamaica</u>	<u>Bahamas</u>
Per capita GDP ⁽¹⁾ ..	15,891.63	9,841.76	16,352.11	9,364.82	6,982.26	16,596.83	4,883.86	30,260.31
Infant mortality rate ⁽²⁾	12.3	16.0	18.5	13.3	16.6	9.3	13.5	6.1
Life Expectancy at birth ⁽³⁾	75.906	73.659	70.673	75.496	73.179	71.337	75.97	75.675
Human Development Index Rank.....	58	75	69	90	99	72	97	54
Average Years of Schooling ⁽⁴⁾	9.2	n.a.	10.6	n.a.	n.a.	n.a.	13.2	12.8

n.a. = Not available.

- (1) Figures are in U.S. dollars adjusted for purchasing power parity. Per capita GDP for Barbados will not match Barbados’ per capita GDP shown elsewhere in this document but is used here to provide a consistent basis for inter-country comparisons.
- (2) Infant mortality per 1,000 live births.
- (3) Figures as of 2002 for Dominica and Saint Kitts and Nevis.
- (4) Figures as of 2013.

Source: *World Bank*

For many years, Barbados has emphasised the development of its human resources, resulting in a literate and trained labour force. The 2009 Human Development Report UNDP study ranked Barbados 37th in overall quality of life (based on 2007 UNDP human development index values) and estimated its literacy rate at 99.7% as of 2017.

The Barbados educational system is modelled on the British system, and children are legally required to attend school up to the age of sixteen. Three levels of public education are available in Barbados, including a campus of the University of the West Indies (the “*UWI*”) located at Cave Hill. Education is funded almost entirely by the Government, from primary school to the undergraduate level and the Government contributes to the costs of the UWI. The fees paid by Barbadian citizens attending the Cave Hill campus are nominal.

Healthcare

Healthcare in Barbados is funded almost entirely by the Government. Free treatment for citizens and permanent residents of Barbados is provided at Barbados' largest hospital, Queen Elizabeth Hospital in Bridgetown, which provides a variety of medical services. Barbados' second largest hospital, Bayview, is private and charges patients for services. Barbados has a number of smaller district medical clinics, some of which also provide dental services. The standard of healthcare is high compared to other developing and Caribbean countries, and limited Government funding is also available for overseas treatment. In addition to Bayview, there are a number of other private medical clinics on the island. The Government has acted promptly to establish healthcare and prevention programmes and has received U.S.\$15.0 million and U.S.\$35.0 million in 2003 and 2009, respectively, from the World Bank under the HIV/AIDS phase 1 and phase 2 loan programmes.

Immigration

The Immigration Act of Barbados grants foreign residents in Barbados who can evidence ability to support themselves and their dependents the status of immigrant in the first instance and, upon application five years thereafter, the status of permanent resident. Barbados' immigration policy is focused on maintaining and strengthening the Government's economic base, ensuring the safety and security of the Barbadian people and embracing internationally accepted levels of governance.

Form of Government

General

Barbados' current form of government was established by the Constitution, which took effect pursuant to the Barbados Independence Act in 1966. The Constitution was founded on the British Westminster model of parliamentary democracy and provides that Barbados' Government comprises the elected House of Assembly and an appointed Senate. The Constitution also guarantees certain fundamental rights and freedoms.

Amendments to the Constitution can be passed either: (i) by a simple majority of each house of parliament or (ii), in the case of changes to certain fundamental provisions, including those relating to citizenship, fundamental rights and freedoms of the individual, the judicature, public service, national finance and certain provisions relating to the Governor General and Parliament, by a two-thirds majority of each house of Parliament. There is no requirement that constitutional amendments be approved by a referendum.

As part of the Commonwealth of Nations, Queen Elizabeth II of the United Kingdom is the head of state of Barbados and is officially titled Queen of Barbados. Queen Elizabeth II is represented in Barbados by a Governor General, who is appointed on the recommendation of the Prime Minister of Barbados (the "*Prime Minister*"). The constitutional functions of the Governor General are, in most cases, of formal or ceremonial nature.

There is no local or municipal government on the island.

Legislature Branch

The Parliament, unless dissolved earlier, continues for five years from the date of the most recent general election. The Constitution provides for an Electoral and Boundaries Commission, which directs and supervises the determination of the number, sizes and boundaries of constituencies, the registration of

voters and the conduct of elections in every constituency. Barbados is currently divided into thirty constituencies.

Barbados' House of Assembly consists of thirty members elected in accordance with the provisions of the Constitution and the Representation of the People Act Cap. 12.

Of the twenty-one seats in the Senate, twelve are appointed by the Prime Minister, seven are appointed by the Governor-General and two by the leader of the opposition.

Since independence in 1966, two parties, the Barbados Labour Party (the "*BLP*") and the Democratic Labour Party (the "*DLP*"), have dominated politics in Barbados. The DLP held the majority in the House of Assembly during the decade after Barbados' independence, then BLP controlled the House of Assembly for the following two terms from 1976-1986. In 1986, the DLP, once again, held the majority, until 1994 when the balance shifted in favour of the BLP. The BLP maintained its majority in the House of Assembly until the DLP won twenty out of the thirty seats in 2008. In the recent 2018 election, the BLP won a sweeping victory, capturing all thirty seats in the House of Assembly. Other active parties include the United Progressive Party (the "*UPP*"), Solutions Barbados ("*SB*") and three others.

The present government, which was formed by the BLP and is led by Prime Minister Mia Amor Mottley, came to office in 2018. As of the date of this invitation memorandum the BLP has 29 seats in Parliament and the opposition holds one seat. Under the Constitution, the next general election in Barbados is required to take place no later than August 2023 but can be called sooner by the Prime Minister.

Executive Branch

The Prime Minister is appointed by the Governor General as the member of the House of Assembly best able, in the judgment of the Governor General, to command the confidence of a majority of the House of Assembly.

The Constitution provides for a cabinet consisting of the Prime Minister and not fewer than five other ministers (the "*Cabinet*"). As of the date of this invitation memorandum, the Government led by the Prime Minister is supported by 25 Ministers.

The Cabinet is the principal organ for the formulation and implementation of government policy. It is charged by the Constitution with the general direction and control of the Government and is collectively responsible to the Parliament. Members of the Cabinet are appointed by the Governor General on the advice of the Prime Minister. The Constitution further provides that there shall be a leader of the opposition, also appointed by the Governor General.

Judicial Branch

The judicial system of Barbados is based on the English common-law system and is comprised of a four-level court structure. Among the three domestic courts, there are Magistrates' Courts, which serve as courts of summary jurisdiction. The other two domestic courts, the Court of Appeal and the High Court, are collectively referred to as the Supreme Court of Barbados. The High Court consists of a civil, criminal and family division, and judges of the High Court may sit in any division. Appeals of Magistrates' Court and High Court decisions are heard in the Court of Appeal, which exercises both criminal and civil jurisdiction. Final appeals are made to the Caribbean Court of Justice (the "*CCJ*"), a Caribbean Community ("*CARICOM*") institution based in Trinidad and Tobago. Barbados is currently

one of four CARICOM Member States, along with Belize, Dominica and Guyana, that recognise the CCJ as their final appellate court.

Foreign Affairs, International Organisations and International Economic Cooperation

Barbados has diplomatic ties with 107 countries. Barbados is a member of the United Nations, the Commonwealth of Nations, CARICOM, the Caribbean Development Bank (the “CDB”), the Regional Security System (the “RSS”), the Association of Caribbean States (the “ACS”), the African, Caribbean and Pacific Group of States (the “ACP”), the Alliance of Small Island States (the “AOSIS”), the Caribbean Disaster Emergency Management Agency (the “CDEMA”), the United Nations Economic Commission for Latin America and the Caribbean, the Caribbean Tourism Organization, Inter-American Development Bank, International Criminal Police Organization (“*Interpol*”), the Latin American and the Caribbean Economic System (“*SELA*”), Non-Aligned Movement (“*NAM*”), the Organization of American States (the “OAS”) and the International Criminal Court.

Barbados has been recognised by most members of the United Nations and maintains diplomatic missions in the United States, Canada, the United Kingdom, Belgium, Switzerland, China, Cuba, Brazil and Venezuela.

A resident High Commissioner (distinct from the Governor General, who represents the British monarch) represents the United Kingdom in Barbados. There are also various other members of the United Nations with Embassies, High Commissions and Consulates in Barbados.

THE ECONOMY

General

Barbados is a small, diversified, service-based economy with an educated workforce, solid social and economic infrastructure and a historically stable growth performance due in part to high levels of human development and continued political stability. The economy is driven by private enterprise with the Government playing a crucial role in the provision of social services and physical infrastructure. According to the United Nations, Barbados' GDP per capita was U.S.\$15,687.20 in 2018, compared to an average of U.S.\$11,697.00 for select CARICOM member countries.¹

Gross Domestic Product

The following table sets forth the rate of growth of real GDP by economic sector for the years indicated.

Table No. 3
Real GDP Growth by Sector⁽¹⁾

	2014	2015	2016	2017	2018
	<i>(per cent change against prior year)</i>				
Traded sector	(0.3)	6.5	6.0	3.4	3.9
Sugar	(16.2)	(19.9)	(29.0)	59.0	12.0
Non-sugar agriculture and fishing.....	(1.6)	1.6	0.2	(5.3)	14.9
Manufacturing	(4.3)	4.8	(1.3)	1.6	0.5
Tourism	1.9	7.8	9.8	4.6	4.2
Non-traded sector	0.1	1.3	1.7	(0.2)	(1.7)
Mining and quarrying.....	39.1	29.9	(13.2)	25.6	2.4
Electricity, gas and water	0.2	(1.8)	0.7	(1.9)	(0.3)
Construction	1.4	(1.2)	(2.6)	2.1	(6.4)
Wholesale and retail trade ⁽²⁾	(3.8)	3.4	(1.0)	(3.7)	(3.8)
Government services	(6.8)	(3.3)	(1.1)	0.1	(1.6)
Transportation, storage and communications.....	3.5	0.6	9.5	(1.8)	(2.6)
Business and other services ⁽³⁾	2.1	3.0	1.6	(0.8)	(0.2)
Total	(0.0)	2.4	2.6	0.6	(0.4)

(1) Based on GDP calculated in constant 2010 Barbados dollars (U.S. dollar equivalent).

(2) Includes establishments engaged in wholesale and retail merchandising (such as restaurants, artisanal shops, grocery markets, general tourism and beach products) and the sale of items produced by the manufacturing sector (such as electronic components, chemicals, garments and textiles, paint, paper products, furniture, edible oils, soap and food products).

(3) Includes international business and financial services, other businesses and data and information technology services.

Source: Barbados Statistical Service

¹ The CARICOM countries are The Bahamas, Jamaica, Trinidad and Tobago, Guyana, Belize, Haiti and the Eastern Caribbean Currency Union.

The following table sets forth the composition of Barbados' of real GDP by economic sector, in U.S. dollars and in percentage terms, for the periods indicated.

Table No. 4
Real GDP by Sector⁽¹⁾

	%	2014	%	2015	%	2016	%	2017	%	2018	%
<i>(In millions U.S. dollars and as a percentage of total GDP)</i>											
Traded sector	21.4	820.2	22.3	873.1	23.0	925.4	23.6	956.6	23.6	930.7	23.3
Sugar	0.1	3.0	0.1	2.4	0.0	1.7	0.1	2.7	0.1	3.0	0.1
Non-sugar agriculture and fishing.....	1.4	51.9	1.3	52.7	1.3	52.8	1.2	50.1	1.2	57.5	1.4
Manufacturing..	6.1	234.4	6.3	245.7	6.0	242.6	6.1	246.4	6.1	247.7	6.1
Tourism	13.9	530.9	14.6	572.4	15.6	628.3	16.2	657.4	16.2	685.2	17.0
Non-trade sector .	78.6	3,009.4	77.7	3,050.0	77.0	3,100.6	76.4	3,095.1	76.4	3,041.9	75.4
Mining and quarrying	0.4	14.4	0.5	18.7	0.4	16.2	0.5	20.4	0.5	20.9	0.5
Electricity, gas and water	2.9	110.7	2.8	108.7	2.7	109.5	2.7	107.4	2.7	107.1	2.7
Construction	6.6	250.8	6.3	247.8	6.0	241.4	6.1	246.5	6.1	230.8	5.7
Wholesale and retail trade ⁽²⁾	10.0	383.7	10.1	396.9	9.8	392.9	9.3	378.5	9.3	364.1	9.0
Government services.....	11.7	447.0	11.0	432.3	10.6	427.4	10.6	427.8	10.6	420.9	10.4
Transportation, storage and communications	12.6	483.5	12.4	486.3	13.2	532.6	12.9	522.8	12.9	509.0	12.6
Business and other Services ⁽³⁾	34.4	1,319.3	34.6	1,359.2	34.3	1,380.6	34.4	1,391.8	34.4	1,389.1	34.4
Total.....		3,829.6		3,923.2		4,026.0		4,051.7		4,035.3	

Note: Numbers may not total due to rounding.

(1) Based on GDP calculated in constant 2010 Barbados dollars (U.S. Dollar equivalent).

(2) Includes establishments engaged in wholesale and retail merchandising (such as restaurants, artisanal shops, grocery markets, general tourism and beach products) and the sale of items produced by the manufacturing sector (such as electronic components, chemicals, garments and textiles, paint, paper products, furniture, edible oils, soap and food products).

(3) Includes international business and financial services, other businesses and data and information technology services.

Source: Barbados Statistical Service

The strength of private investment enabled the Barbados economy to achieve an average real GDP growth rate of 2.9% per annum between 1993 and 2000, while the population size remained relatively unchanged. In 2001, the Barbados economy contracted by an estimated 2.3% as a result of the depressed world economy and the negative consequences of the 11 September 2001 terrorist attack, which temporarily weakened the performance of the tourism sector. From 2002 through 2008, the Barbados economy registered average real GDP growth of 2.2%, as the tourism sector recovered and new private sector investment was registered. Between 2008 and 2018, real GDP declined on average by 2.4%, particularly in 2009 when real GDP fell by 7.2% in the wake of the global economic and financial

crisis. The economy saw a modest recovery between 2014-2017 as real growth averaged 1.4% due primarily to strong tourism growth.

In 2018, the Barbadian economy contracted by 0.4%, compared to marginal growth of 0.6% in 2017, primarily due to the impact of tighter fiscal policy and a slowdown in the tourism and construction sectors during the second half of the year. The Barbadian economy continued to face challenging macroeconomic conditions during 2018 given the increased risks created by declining international reserves, the threat of rising international oil prices and limited access to new financing for the Government. The Government implemented initiatives to address these challenging economic conditions through an intensification of fiscal consolidation efforts and structural reforms aimed at stimulating economic growth.

Business and other services (of which international business and financial services are the principal components), tourism, and transportation, storage and communications are the main sectors of the Barbados economy, accounting for approximately 34.4%, 17.0% and 12.6% of real GDP in 2018, respectively. These three sectors are also Barbados' largest sources of foreign-exchange earnings and corporate tax revenue and, tourism in particular, contribute to other areas of the Barbadian economy, particularly, wholesale and retail trade and construction.

Principal Sectors of the Economy

Tourism

Tourism is a very important sector of the Barbadian economy. In addition to its year-round warm Caribbean climate and white sandy beaches, Barbados offers a unique array of tourist attractions that distinguishes the island as an up-market destination, particularly for heritage, cultural and sport tourism, and attracted 678,538 visitors in 2018. On 25 June 2011, Historic Bridgetown and its Garrison was designated a UNESCO World Heritage site.

From 2014 to 2018, the tourism sector accounted for an average of approximately 15% of total real GDP and approximately 66% of traded sector real GDP. In 2018, tourism contributed U.S.\$685.5 million to real GDP, equivalent to 68.9% of traded sector real GDP and 17.0% of total real GDP, compared to U.S.\$657.4 million, 68.7% and 16.2% in 2017, respectively.

Tourism activity also contributes significantly to Barbados' foreign exchange earnings, accounting for spending of U.S.\$1,157.8 million in 2018, U.S.\$1,061.1 million in 2017 and U.S.\$1,020.1 million in 2016. The tourism sector also has multiplier or spill-over effects on other economic sectors, in particular, construction and wholesale and retail trade, and contributes to tourism-related private sector economic investment.

The following tables set out selected statistics relating to the tourism sector for the years indicated.

Table No. 5
Key Tourism Indicators

	Year ended 31 December				
	2014	2015	2016	2017	2018
Tourism real GDP (% change).....	1.9	7.8	9.8	4.6	4.2
Tourist arrivals (in thousands)	519.6	591.9	631.5	661.3	678.5
United Kingdom.....	186.8	214.2	218.6	217.4	220.7
United States	118.5	148.1	168.9	188.5	204.2
Canada.....	65.8	74.6	78.9	85.1	86.5
CARICOM	78.7	88.0	99.7	102.9	102.8
Other	69.7	67.2	65.3	67.3	64.3
Average length of stay (nights)*	9.2	9.0	8.8	8.7	8.6
Hotel room occupancy rate (%)	n.a.	68.6	68.4	67.9	66.2
Cruise ship passengers (in thousands)	557.9	586.6	594.1	681.2	615.0
Estimated tourist spending (in millions of U.S.\$).....	868.6	927.8	1,020.0	1,061.1	1157.8

* Excludes people staying at the homes of friends or relatives or people who stay in apartments or villas, which are not, for these purposes, recognised accommodation.

n.a. = Not available.

Source: Barbados Statistical Service and Central Bank of Barbados

The country of origin for tourist visitors to Barbados has changed over the last 30 years. The main source of visitors was Canada in the 1970s, the United States in the 1980s and the United Kingdom in the 1990s and over the last two decades.

With the exception of the UK and North American markets, declines in tourist arrivals were recorded from other traditional source markets in 2018. Arrivals from the United States, Canada and the United Kingdom rose by an estimated 8.3%, 1.6% and 1.5%, respectively compared to 2017, mainly due to increased flights and associated marketing in these markets. In 2018, visitors from the United States and Canada accounted for 30.1% and 12.7% of long-stay arrivals, while the United Kingdom and CARICOM accounted for 36.6% and 15.2% of long-stay arrivals, respectively.

The following table provides information regarding air service to and from Barbados as of 31 December 2018 by principal tourist departure city.

Table No. 6
Air Services to and from Barbados

Location	Air Service Provider
New York	American Airlines Jet Blue Airways
Miami	American Airlines
London	British Airways Virgin Atlantic Thomas Cook Airlines
Montreal	Air Canada
Toronto	Air Canada West Jet Airlines
Germany	Condor Airlines
Latin America	Copa Airlines

Source: Barbados Tourism Marketing Incorporated

Barbados also serves as a port of call for the following major cruise operators, among others: Princess Cruises, Royal Caribbean Cruise Lines, Carnival Cruise Lines, Norwegian Cruise Lines and Disney Cruise Lines.

Cruise ship passengers reached 614,993 in 2018, a decline of 9.7%, compared to growth of 14.7% in 2017 when there were increased cruise ship calls. Cruise ship passenger arrivals increased during 2016 and 2015 by 1.3% and 5.2%, respectively.

As of end of December 2018, total tourist accommodation, which includes registered hotels, villas and guest houses, in Barbados was approximately 6,573 rooms.

The tourism sector in Barbados has traditionally been dominated by luxury hotels on the west coast, such as the Sandy Lane Hotel, Glitter Bay and the Royal Pavilion. There are also ongoing projects and plans to develop major hotel projects on the east and west coasts and in Bridgetown, including the Sandals Beaches, Hyatt Hotel and the Wyndham Resort.

The Barbados Tourism Marketing Incorporated (the “BTMI”) aims to maintain market diversity by targeting niche markets in addition to the traditional markets of the United States, Canada and other CARICOM countries. The BTMI also seeks to enter new markets in Brazil and other South American countries and to bolster Barbados’ profile in Germany and other European nations. Although the BTMI intends to continue to focus primarily on the luxury market, its aim is to develop the upper-end of the budget market in a complementary manner. This aim will be pursued through improvements to all classes of hotels, an increase in the number of available rooms for visitors, improvements to infrastructure and a variety of events and recreational facilities for different tourist segments.

Business and Other Services

Business and other services comprises of international business and financial services, insurance, other businesses and data and information technology services. In 2018, this sector represented 34.4% of real GDP, as compared to an average of 34.4% of real GDP over the 2014-2017 period.

International Business and Financial Services

International business and financial services are the principal components of the general businesses, financial and other services sector. Historically, the international business and financial services encompasses international business companies, international banks, exempt insurance companies and exempt insurance management companies, and societies with restricted liability, as discussed in more detail in “–Banking” and “–Insurance” below. The international business and financial services sector benefits from the well-educated, skilled labour and modern telecommunications facilities available in Barbados.

The international business and financial services sector generates revenue primarily through collection of corporate taxes and, to a lesser extent, on government fees for new licences.

International Business Companies

An important key component of the business and other services sector is licensing under the International Business Companies Act 1991-24 (the “*IBCA*”). Pursuant to the previous *IBCA*, international business companies (“*IBCs*”) conducted activities other than insurance-related and banking-related business. These permitted activities include manufacturing, marketing and global management services. During 2018, 237 new *IBC* licences were issued, a reduction from the 293 issued in 2017 and 346 in 2016.

Effective January 2019, all domestic and international business companies operating in Barbados will become regular Barbadian companies. This change in the corporate tax system was accomplished in December 2018 when the Barbados Government repealed several laws, including the International Business Companies (*IBC*) Act and the International Societies with Restricted Liability (*ISRL*) Act. These Acts previously made provisions for licensed entities to be taxed at corporate rates ranging between 0.25% and 2.5%, depending on the level of their respective profits. Currently, all *IBC*’s and *ISRL*s became regular Barbados companies and entities and can conduct business locally, regionally, and internationally, under corporate tax rates of between 1% and 5.5%.

The following table sets forth the number of new licences in international business and financial services for the years indicated.

Table No. 7
New Licences Issued in International Business and Financial Services *

	Year ended 31 December				
	2014	2015	2016	2017	2018
International Business Companies	442	365	346	293	237
Exempt Insurance Companies.....	11	10	9	12	7
Exempt Insurance Management Companies	1	3	1	1	1
Societies with Restricted Liabilities.....	30	38	117	59	56
International Banks	2	0	0	0	0
Total.....	486	416	473	365	302

* The information included herein relates to new licences issued only and not to the continued existence or operating status of the relevant entities.

Source: Central Bank of Barbados, Ministry of International Business and International Transport

International Banking

Banking institutions licensed under the previous International Financial Services Act are a key component of the international business and financial services sector. International banks in Barbados accept deposits, sell and place foreign securities and provide loans to businesses abroad. They also accept foreign currencies, securities and other overseas property in trust. From 2014 to 2018, the number of international banks in Barbados declined from 40 in 2014 to 22 in 2018. This decrease in the number of international banks was mainly due to a reduction in the tax incentives available to these companies resulting from changes to the Canadian tax system.

The International Financial Services Act, which previously governed the operations of international banks, was repealed and the Financial Institutions Act amended to require the licencing of institutions conducting business that generates solely foreign currency. There will be four classes of licences under the amended Financial Institutions Act: Class 1 —commercial banks; Class 2 — trust companies, finance companies, merchant banks, and money or value transmission service providers; Class 3 —financial holding companies; and Class 4 —foreign currency earning banks.

Insurance

The insurance segment includes life insurance, exempt insurance and exempt insurance management companies. Exempt insurance companies (“EICs”) are incorporated under the Companies Act of Barbados and must apply for a licence under the 1983 Exempt Insurance Act. EICs’ activities are restricted to risks and premiums originating outside Barbados. EICs include underwriters, brokers, agents, dealers or salesmen. EICs are licensed, regulated and supervised by the Financial Services Commission (the “FSC”). In 2015, three additional exempt insurance companies were registered, and only two additional companies were registered in the ensuing two-year period from 2016 to 2017.

To converge all corporate tax rates to avoid the categorisation of being a preferential tax regime, Barbados repealed the Exempt Insurance Act. As of 1 January 2019, all insurance entities now come under the Insurance (Amendment) Act, 2018-52, providing for three classes of licence. Class 1 includes insurance companies insuring related-party risks. Class 1 licensees pay a licence fee and are subject to 0 per cent. tax. Class 2 includes all other insurance companies that insure or reinsure risks of third parties. Class 2 licensees are taxed at a rate of 2 per cent. on taxable income. Class 3 includes insurance intermediaries, insurance management companies and insurance holding companies. Class 3 licensees are also taxed at 2 per cent. on taxable income.

International Tax Treaty Network

Barbados has established a treaty network to capitalise on the economic growth of its principal trading partners and enhance its appeal as destination for foreign direct investment. Barbados has double tax agreements with Austria, Botswana, Canada, CARICOM, China, Cuba, Finland, Malta, Mauritius, Mexico, the Netherlands, Norway, Seychelles, Sweden, Switzerland, the UK, the USA, and Venezuela. There is also a regional double taxation agreement amongst the member states of CARICOM. Barbados also has bilateral investment treaties with the United Kingdom, Mauritius, Venezuela, Germany, Switzerland, Italy, Cuba, Canada and China.

Manufacturing

The manufacturing sector accounted for 6.1% of real GDP in 2018, on par with the output share in 2017 and an average of 6.1% for the period from 2014 to 2016. The manufacturing sector in Barbados comprises mainly of light industry, including production of electronic components, chemicals, garments

and textiles, paint, paper products, furniture, edible oils, soap and processed food products. The main agro-industries are sugar products and rum distilling.

Output in the manufacturing sector increased by 0.5% in 2018, compared with growth of 1.6% in 2017, primarily due to lower production of beverages and tobacco, food processing and chemical products.

The Government continues to support the manufacturing sector's modernisation of existing plants, reduction in unit production costs and increases in productivity. The Government encourages manufacturers to restructure and diversify their production systems and to discard outdated plant and equipment to be able to compete internationally. Through the Barbados Investment and Development Corporation (the "*BIDC*"), the Government provides a technical assistance programme for activities relating to plant upgrading, product design and training.

A key by-product of the sugarcane industry in Barbados is rum, which has been manufactured and distilled on the island for over 300 years. Mount Gay Rum, which is majority-owned by Remy Martin, and Cockspur Fine Rum, ESA Field and Four Square Spiced Rum, which are all locally-owned, have distilleries in Barbados that produce rum for domestic and export markets. The principal export markets are Canada, the United States, the United Kingdom and the European Union. Barbados exported U.S.\$39.9 million of rum in 2018, compared to U.S.\$42.0 million in 2017 and an average of U.S.\$38.8 million from 2014 to 2016.

Agriculture and Fishing

Agriculture and fishing, and in particular sugar, have historically played a larger role in the Barbados economy. However, in recent decades, agriculture accounts for a relatively small proportion of real GDP, 1.4% of real GDP in 2018, which is on par with the average share of 1.3% from 2014 to 2017.

The following table shows the production of selected agricultural products for the years indicated.

Table No. 8
Production of Selected Agricultural Products

	Year ended 31 December				
	2014	2015	2016	2017	2018
Sugar cane ⁽¹⁾	15.6	10.4	7.0	10.1	11.6
Poultry ⁽²⁾	14,391.9	16,134.1	14,896.8	15,805.3	16,465.6
Milk ⁽²⁾	3,724.5	3,920.6	3,412.0	3,646.6	3,599.5

(1) Thousands of tonnes.

(2) Thousands of kilograms.

Source: Central Bank of Barbados, Barbados Sugar Producers Association Inc., Pine Hill Dairy Sugar

Sugar

Although sugar production accounted for less than 1% of real GDP in 2018, the sugar industry generates important foreign exchange earnings. Sugar plantations also reduce soil erosion, preserve a rural society and provide significant employment. Sugar production in 2018 was 11.6 thousand tonnes, compared to 10.1 thousand tonnes in 2017, and an average production level of 11.0 thousand tonnes from 2014 to 2016.

Over the past two decades, profitability of the sugar industry has been in chronic decline, resulting in a decrease of land under sugar cultivation, but the Government has continued its efforts to restructure and preserve the industry.

Non-Sugar Agriculture and Fishing

The non-sugar subsector of agriculture and fishing includes vegetable and root crops, fruit, livestock, cotton and fishing. In 2018, non-sugar agriculture output accounted for 1.4% of real GDP, marginally above the average share of real GDP over the 2014 to 2017 period. The historical performance of this sub-sector tends to fluctuate, partially due to its sensitivity to weather conditions.

Wholesale and Retail Trade

The wholesale and retail trade sector encompasses, among other things, restaurants, artisanal shops, grocery markets, department stores, general tourism and beach products and the sale of items produced by the manufacturing sector, including electronic components, chemicals, garments and textiles, paint, paper products, furniture, edible oils, soap and food products.

Wholesale and retail trade accounted for approximately 9.0% of total real GDP in 2018 and 9.3% in 2017, which was lower than the average of 9.9% of total real GDP from 2014 to 2016. Wholesale and retail trade fell by 3.8% in 2018, after contracting by 3.7% in 2017, principally due to the implementation of fiscal consolidation measures, including higher indirect taxes, which had a dampening impact on aggregate spending and economic activity.

Construction

Construction accounted for 5.7% of total real GDP in 2018, 6.1% of total real GDP in 2017 and an average of 6.3% of total real GDP from 2014 to 2016. Construction activity declined by an estimated 6.4% in 2018, following an increase of 2.1% in 2017 and an average decline of 0.8% from 2014 to 2016. The contraction of the construction sector was due primarily to a significant slowdown in both private and public building and infrastructure projects and delayed tourism-related projects.

Energy and Utilities

Energy

In 2018, Barbados produced approximately 218,300 barrels of crude oil domestically, compared to 233,500 barrels in 2017 and an average of 238,300 barrels from 2014 to 2016. Domestic production provides for approximately one-third of domestic consumption.

The Barbados National Oil Company Limited (the “BNOCL”), a statutory corporation, operates the oil and gas industry of Barbados and is monitored by the Energy Division. In 1996, BNOCL executed a 25-year production sharing agreement with Waggoner (Barbados) Ltd. whereby Waggoner (Barbados) Ltd. provides assistance in developing oil and gas resources, and developing challenging reservoirs in particular, in exchange for a majority of any incremental production provided from its development programmes and an equal voice in developing and implementing the joint venture’s operating plans.

Commercial processing of crude oil took place in Barbados from 1974 to early 1998 when the island’s only refinery was closed. Barbados previously exported its crude oil to Trinidad and Tobago for refining.

Utilities

The main state-owned public utility enterprises in Barbados are the Barbados Water Authority and the National Petroleum Corporation, which supplies natural gas. Barbados Light and Power Company Limited and FLOW (Barbados) Limited, are privately-owned utility enterprises and are regulated by the Fair Trading Commission.

Barbados has a modern telecommunications network infrastructure, with the latest digital technology and fibre optics systems, which are currently operated by the telecommunications network providers FLOW (Barbados) Limited and Digicel (Barbados) Ltd.

The Fair Trading Commission, established by the Fair Trading Commission Act, 2001-31, oversees utility regulation, consumer protection, and fair competition matters.

State-Owned Enterprises

As of 31 December 2018, the Government owned equity in the following entities:

Table No. 9
Enterprises Wholly- and Partially-Owned by the Government

100% Ownership	Partial Ownership
Arlington House Museum	Insurance Corporation of Barbados
Barbados Accreditation Council	LIAT Ltd.
Barbados Agricultural Credit Trust Ltd.	Southern Golf & Country Club
Barbados Agricultural Development and Marketing Corporation	Hotels & Resorts Ltd.
Barbados Agricultural Management Co. Ltd.	Enterprise Growth Fund Ltd
Barbados Cane Industry Corporation	Southern Meats Ltd
Barbados Community College Board of Management	Barbados Flour Mills
Barbados Concorde Experience	Barbados Agency for Micro Enterprise
Barbados Conference Services Ltd.	Development Ltd.
Barbados Deposit Insurance Corporation	
Barbados International Business Promotion Corporation	
Barbados Investment and Development Corporation	
Barbados National Oil Company Ltd	
Barbados National Standards Institution	
Barbados National Terminal Company Ltd.	
Barbados National Trust	
Barbados Ports Inc.	
Barbados Revenue Authority	
Barbados Tourism Investment Incorporated	
Barbados Tourism Marketing Incorporated	
Barbados Tourism Product Authority	
Barbados Vocational Training Board	
Barbados Water Authority	
Bush Hill Tourism Trust	
Caribbean Agricultural Research & Development Institute	
Caribbean Aircraft Handling Co. Ltd.	
Caribbean Airways International Ltd.	
Caribbean Broadcasting Corporation	
Caves of Barbados Limited	
Child Care Board	
Community Legal Services Commission	
Fair Trading Commission	
Financial Services Commission	
Grantley Adams International Airport Inc.	
Gymnasium Ltd.	
Kensington Oval Management Inc.	
National Assistance Board	
National Conservation Commission	
National Council on Substance Abuse	
National Cultural Foundation	

National Housing Corporation
 National Insurance Board
 National Petroleum Corporation
 National Sports Council
 Needhams Point Development Inc.
 Needhams Point Holdings Ltd.
 New Life Investment Company Inc.
 Queen Elizabeth Hospital
 Resolution Life Assurance Company Ltd.
 Rural Development Commission
 Sanitation Service Authority
 Student Revolving Loan Fund Management Committee
 Technical and Vocational Education and Training
 Council
 Transport Authority
 Transport Board
 Urban Development Commission

Employment and Labour

Employment

Barbados' average rate of unemployment for 2018 was approximately 10.1%, slightly higher than the comparable average rate for 2017. During the period 2014 to 2018, Barbados' labour force was approximately 144,600 persons and, on average, 128,900 persons were employed.

The following table sets forth the labour force size and unemployment data for the years indicated.

Table No. 10
Labour Force and Employment

	Year ended 31 December				
	2014	2015	2016	2017	2018
Labour force.....	142,200	144,600	147,200	144,300	142,500
% of adult population	63.9	65.1	66.5	65.4	64.8
Employed persons.....	124,700	128,200	132,900	129,900	128,100
% of labour force.....	87.7	88.7	90.3	90.0	89.9
Unemployed persons ⁽¹⁾	17,500	16,400	14,300	14,400	14,400
% of labour force.....	12.3	11.3	9.7	10.0	10.1

(1) To be considered unemployed, a person must be 15 years of age or over but less than 65 years, who is not currently working but who is willing, able and available to work and who has sought work within the preceding three months.

Source: Barbados Statistical Service

Unemployment benefits are paid by the NIS, a statutory corporation with a board of directors comprising representatives of the Government, the private sector and trade unions. The NIS operates a compulsory contributory unemployment scheme for persons employed in the private sector aged sixteen to sixty-seven. Permanent government employees and self-employed individuals are not eligible to unemployment benefits and not required to contribute. To receive benefits, an individual must have been

actively insured for at least thirty-two weeks and made at least twenty contributions in the three consecutive quarters ending with the quarter, or the quarter before, the individual became unemployed. If eligible, an individual receives unemployment benefits equivalent to 60% of his or her average insurable weekly earnings for a maximum of 26 weeks in a continuous period of unemployment or for an aggregate of 26 weeks in the 52 weeks immediately before the current week of unemployment.

Pensions

Private and public sector pensions in Barbados are paid by the NIS. The 15th Actuarial Review of the National Insurance Fund was undertaken to determine if the social security system in Barbados is operating on sound financial and actuarial bases and if the NIS provides adequate level of social security protection. The main findings were that the number of NIS contributors in 2014 declined sharply to its lowest level since 1998, while pay-outs for all pension-type benefits increased. As at December 2014, total National Insurance Fund (the “NIF”) reserves were \$4.7 billion, 8 times the expenditure in 2014. Outstanding contributions totalled \$224 million and the ratio of contributors to pensioners was 3.0 and is projected to fall to 2.3 by 2034. The Pensions Act provides for: (i) a 10% increase in contributions to the NIS for four consecutive years, (ii) the basing of contributory pensions on an average of the best five of the final fifteen years of a person’s contributions, (iii) indexing of NIS insurable earnings, (iv) an increase in the pensionable age from 65 to 67 over the period from 1 January 2006 to 1 January 2018 and (v) the introduction of flexible retirement/pensionable ages, with reduced pension benefits available as early as age 60 and a deferred pension with increased benefits of 6.0% per year for each year that a person works past the current pensionable age of 67 years, up to age 70. A revised law on pensions is expected in mid to late June 2019.

Trade Unions

The main trade unions in Barbados are (i) the Barbados Workers Union, representing public and private sector workers, (ii) the National Union of Public Workers, (iii) the Barbados Union of Teachers, (iv) the Barbados Secondary Teachers Union and (v) the Congress of Trade Unions and Staff Associations, which represents the interests of affiliate staff associations including the Police Association, the Fire Service Association, the Prison Officers Association and the Barbados Registered Nurses Association. In the last decade, there has been one major strike in Barbados.

Since 1993, the Government, representatives from the private sector and the main trade unions have agreed on successive protocols that provide parameters for sustainable wage policies in the economy. In each protocol, the signatories have reaffirmed their commitment to industrial harmony, continued collaboration and consultation. They also pledge to create a modern, efficient economy, establish some equilibrium between prices and wages, achieve a greater degree of inclusiveness and distribute the benefits of economic growth fairly and equitably.

FINANCIAL SYSTEM

Central Bank of Barbados

The Central Bank was established by Act of Parliament on 2 May 1972 and is governed by a Board of Directors, the members of which are appointed by the Minister of Finance. The Central Bank undertakes all of the traditional central bank functions, including the issuance of currency, management of net foreign assets and supervision of commercial banks and non-bank financial institutions. As the monetary authority of Barbados, the Central Bank is empowered to fix reserve requirements for commercial banks and implement other monetary policies.

The Central Bank also has responsibility for arranging the Government's capital market borrowings and monetary and financial sector development in the domestic economy through a number of financing schemes, including the export credit guarantee scheme and through the Industrial Credit Fund (the "*ICF*"). The export credit guarantee scheme covers pre-shipment financing requirements and post-shipment credit risks. Under the scheme, the Central Bank typically agrees to guarantee a commercial bank loan up to 80% of amounts advanced to an exporter to finance firm orders. Credit risks after shipment may be insured for up to 90% of gross invoice value. The ICF provides medium and long-term credit to productive enterprises operating mainly in the private sector through qualified financial institutions.

Financial Sector Supervision

Anti-Money Laundering

The Central Bank, along with other competent authorities in Barbados, has the responsibility to implement measures to combat money laundering and the financing of terrorism in Barbados and has issued Anti-Money Laundering/Combating the Financing of Terrorism ("*AML/CFT*") guidelines applicable to all commercial banks and non-bank financial institutions under its supervision. Other prudential supervisors, including the FSC and the Ministry of International Business and Industry, have also issued guidelines.

The Anti-Money Laundering Authority (the "*Authority*") was established under Section 8 of the Money Laundering and Financing of Terrorism (Prevention and Control) Act, 2011-23 (the "*MLFTA*"). The Authority was established to oversee the National AML/CFT framework and to supervise financial institutions in an effort to prevent money laundering and terrorist financing.

The administrative and supervisory functions of the Authority are carried out by the Financial Intelligence Unit (the "*FIU*") in accordance with Section 9(1) of the MLFTA. The FIU is responsible for the day-to-day work of the Authority and is the central, national agency responsible for collecting, analysing and disseminating suspicious and unusual transaction reports. AML/CFT guidelines were issued to designated non-financial businesses and professionals. In addition, a Financial Crimes Investigative Unit (the "*FCIU*") has been established within the Royal Barbados Police Force to investigate reports referred to it by the Authority.

In addition, Barbados plays an integral role in the Caribbean Financial Action Task Force (the "*CFATF*"), which aims to achieve effective implementation of, and compliance with, the FATF Recommendations to prevent and control money laundering and to counter the financing of terrorism and proliferation of weapons. The CFATF carries out its mandate primarily through a mutual evaluation process of member countries. Barbados assumed chairmanship of the CFATF for the second time in November 2018.

The CFATF's Fourth Round Mutual Evaluations process is underway, and five of the twenty-five member countries have been issued their reports. Barbados' Fourth Round Mutual Evaluation Report was issued in February 2018, and Barbados is committed to and is currently in the process of addressing the findings identified by the CFATF assessment team.

Commercial Banks, Non-Bank Financial Institutions and Foreign Currency Earning Banks

The Central Bank regulates and supervises commercial banks, non-bank financial institutions and foreign currency earning banks in Barbados. Prior to 1 January 2019, the International Financial Services Act (the "IFSA") regulated the operations of international banks. Effective 1 January 2019, international banks previously licensed under IFSA will be deemed to be foreign currency earning banks under the amended Financial Institutions Act Cap. 324 A as provided under Section 34 of the Financial Institutions (Amendment) Act 2018. All licensees are subject to several enforceable guidelines on corporate governance and key risk areas such as credit risk, liquidity risk and operational risk management.

The regulation and supervision of onshore and foreign currency earning banks (formerly international banks) largely reflect the Core Principles for Effective Banking Supervision. The Central Bank introduced a risk-based approach to supervision in 2007 and all licensees are subject to ongoing monitoring and risk-based onsite inspections.

Credit Unions and Insurance Companies

Non-bank financial institutions, including credit unions and insurance companies, are regulated by the FSC.

The Central Bank, as part of its consolidated supervision framework, has carried out joint inspections with the FSC in collaboration with the Authority of money service providers and the Barbados Automated Clearing House Services Inc.

Financial Sector Assessment Programme

The financial services sector in Barbados is also subject to the Financial Sector Assessment Programme (the "FSAP") conducted by the IMF. The last assessment was conducted in October 2013, and the report was issued in February 2014. The main findings of the report were that Barbados has a relatively well-developed financial system, including a large offshore sector. The onshore system is dominated by large, regionally active commercial banks. Banking services to the population are also provided by the credit union sector. With the weakening in its fiscal situation and growth prospects, Barbados faced macroeconomic vulnerabilities, which impacted the credit quality of domestic banks and credit unions.

Banking and Financial Institutions

Over the past five years, the Barbados financial system has expanded, on average 3% per year. As of 31 December 2018, total assets of the financial sector were reported as U.S.\$12.9 billion, representing approximately 251% of GDP.

The financial system is dominated by five commercial banks, which collectively hold 49.7% of total financial sector assets as of 31 December 2018. Commercial banks are followed by insurance companies, which hold 16.6% of total financial sector assets. Pension plans, mutual funds, credit unions and finance, trust and mortgage companies each accounted for less than 10% of the financial system's assets.

Cross-border linkages and international interconnectedness are key features of Barbados' financial landscape. Commercial banking is operated exclusively by foreign-owned banks. Barbados' major insurance companies operate both regionally and internationally, and the finance, trust and mortgage companies are subsidiaries either of other financial institutions or of other conglomerates.

The Barbados Deposit Insurance Corporation (the “BDIC”) was established in 2007 to provide insurance coverage up to \$25,000 on domestic currency accounts for depositors at commercial banks and finance and trust companies. The BDIC is intended to boost depositor confidence and contribute to the soundness and stability of the financial system.

The following table sets forth the number of entities in each category of the financial sector as well as each category's assets as a percentage of total financial sector assets for the years indicated.

Table No. 11
Structure of the Barbados Financial System

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Number of:					
Commercial Banks	6	5	5	5	5
Finance, Trust and Mortgage.....	12	13	13	13	12
Credit Unions	35	34	34	33	33
Insurance Companies	23	21	24	23	22
Pension Plans.....	304	300	303	310	279
Mutual Funds.....	20	19	16	16	23
Assets as a Percentage of Total Financial System Assets:					
Commercial Banks	54.5%	54.5%	53.6%	52.9%	51.3%
Finance, Trust and Mortgage.....	7%	7.1%	6.3%	6.3%	4.1%
Credit Unions	7.7%	7.9%	8.2%	8.7%	9.7%
Insurance Companies	13.4%	13.8%	14.6%	14.7%	17.0%
Pension Plans.....	9.2%	8.9%	9%	8.8%	9.4%
Mutual Funds.....	8.2%	7.9%	8.3%	8.7%	8.5%

Source: Central Bank of Barbados and Financial Services Commission

While commercial banks remain the dominant segment of the financial sector, the credit union segment has grown in importance in recent years and increased its penetration into the domestic credit and deposit markets from the provision of 16.9% of total credit in 2014 to 21.0% in 2018. In addition, credit unions have expanded their holdings of deposits in the financial system from 14.1% of total deposits in 2014 to 18.4% in 2018.

The following table sets forth the distribution of credit to the non-financial private sector, broken down by category of financial institution for the years indicated.

Table No. 12
Credit to the Non-Financial Private Sector by Financial Institutions

	2014	2015	2016	2017	2018
	<i>(In millions of U.S. dollars)</i>				
Commercial Banks.....	2,660	2,680	2,703	2,795	2885
Credit Unions	677	721	774	823	858
Finance, Trust and Mortgage Companies	485	479	463	455	342
Insurance Companies	170	164	161	167	
Total.....	3,992	4,044	4,101	4,240	4,084

Source: Central Bank of Barbados and Financial Services Commission

The following table sets forth the distribution of domestic deposits at financial institutions, broken down by category of financial institution for the years indicated.

Table No. 13
Domestic Deposits at Financial Institutions

	2014	2015	2016	2017	2018
	<i>(In millions of U.S. dollars)</i>				
Commercial Banks.....	3,974	4,267	4,236	4,308	4,308
Credit Unions	730	794	867	949	1,047
Finance, Trust and Mortgage Companies	473	482	415	427	328
Total	5,177	5,367	5,549	5,612	5,683
Currency in Circulation with the Public	341.2	331.6	362.2	372.8	389.6

Source: Central Bank of Barbados and Financial Services Commission

Domestic deposits at commercial banks grew marginally during 2018, as higher deposits placed at commercial banks by credit unions and other financial institutions were offset by a decline in the deposits of private individuals, reflecting the impact of the slowdown in the domestic economy. In 2018, liquidity in the banking system remained high. As of 31 December 2018, the excess liquidity ratio, which is defined as the ratio of excess cash and excess securities held at the central bank to total domestic deposits, stood at 16.5%, an increase from 14.1% as of 31 December 2017. In addition to private sector financial institutions, the Government provides low-cost financing to Barbadians for various purposes, including educational loans through the Student Revolving Loan Fund and loans to micro-enterprises and venture capital through the Barbados Agency for Micro Enterprise Development Ltd (FundAccess) and the Enterprise Growth Fund Ltd, respectively.

Monetary Policy

Exchange Controls and Foreign Exchange Rates

Since 7 July 1976, Barbados has maintained a fixed exchange rate of BDS\$2.00/U.S.\$1.00. The maintenance of the fixed exchange rate forms the anchor of Barbados' macroeconomic policy, which is supported by an exchange control regime primarily on capital account transactions. Under the Exchange Control Act, Cap. 71, the Minister of Finance has authority for the fixed exchange rate and designated the Exchange Control Authority, which delegates the exchange rate authority to the Central Bank. Exchange controls are intended to reduce uncertainty in the foreign exchange market and facilitate the orderly repatriation of foreign investment flows and the remittance of profits without disruption in the foreign exchange market.

In the early 1990s, the Central Bank gradually began liberalising its monetary policy, including the gradual loosening of exchange controls related to specific current account transactions up to prescribed limits. In addition, authorised dealers, which are commercial banks, trust companies and any institution licensed by the Exchange Control Authority to buy and sell foreign currency in Barbados, were granted delegated authority to undertake certain transactions on behalf of the Central Bank. This delegated authority is documented in the Exchange Control Circulars, which provide guidance to authorised dealers on the various exchange control matters. The Central Bank's policy of gradual loosening of the exchange control regime has abated in recent years, as the weak economic performance of the domestic economy dampened confidence, which could have contributed to a slowdown in foreign exchange flows.

Liquidity and Interest Rates

In 2006, the Central Bank introduced a foreign currency reserve requirement for commercial banks and, in 2009, the Central Bank also implemented a local reserve requirement for non-banking financial institutions registered under Part III of the Financial Institutions Act 1996-16.

In 2017, the Central Bank increased the securities reserve requirement ratio of commercial banks in three stages from 10% to 20%. This was subsequently lowered to 17.5% in November 2018. The market-determined Treasury Bill rate stabilised around 3% for 2016 and 2017 but subsequently fell to 0.5% in 2018, primarily due to the impact of the domestic debt exchange programme.

Interest Rates

In April 2015, the Central Bank announced its decision to discontinue the setting of the minimum savings deposit rate on individuals and non-profit organisations and to allow all interest rates to be market-determined. This policy stance led to sharp reductions in commercial bank deposit interest rates. Although there was a slowing in deposit growth following this announcement, liquidity, as measured by the excess liquidity ratio, in the banking sector remained elevated and reached 16.5% as of December 2018.

The following table sets forth selected interest rates for the years indicated.

Table No. 14
Interest Rates

	2014	2015	2016	2017	2018
			(per annum)		
Excess Liquidity Ratio	6.7%	10.6%	14.5%	14.1%	16.2%
Treasury Bill Rate	2.6%	1.8%	3.1%	3.2%	0.5%
Deposit Rates					
Minimum Deposit Rate ⁽¹⁾	2.5%	0.5%	0.2%	0.0%	0.0%
Weighted Deposit Rate	2.5%	0.4%	0.3%	0.2%	0.1%
Loan Rates					
Prime	7.7% - 8.1%	7.7% - 8.1%	7.7% - 8.1%	4.0% - 8.1%	4.0% - 8.1%
Average Lending	7.1%	6.8%	6.7%	6.6%	6.5%
Central Bank Discount	7.0%	7.0%	7.0%	7.0%	7.0%

(1) Market-determined from 2015.

Source: Central Bank of Barbados

Inflation

The Government believes that its commitment to a fixed exchange rate, as discussed under “—Exchange Controls and Foreign Exchange Rates,” has enabled the Barbados economy to maintain relatively low inflation rates.

In 2018, the average annualised inflation rate was approximately 3.7%, a decrease of 0.8 percentage points compared with the inflation rate in 2017, primarily due to the impact of the elimination of the National Social Responsibility levy, an indirect tax on imported goods and domestically produced manufactured goods, and the fact that international oil prices, although remaining high, reduced slightly during the latter half of the year.

Capital Markets

Barbados has a small but growing capital market. Government short- and medium-term debt instruments represent the principal instruments available to investors. See “Public Debt—Debt Statistics—Domestic Debt”. Most of the activity in these instruments takes place on the primary market, but commercial banks are able to manage their liquidity primarily through the buying and selling of Treasury Bills and through trades with the Central Bank.

As part of Barbados’ debt management programme, on 27 June 2018 the Ministry of Finance announced a moratorium on Treasury Bill auctions, which remains in place as of the date hereof. See “Recent Developments—Debt Strategy” for more information.

Stock Exchanges

The Barbados Stock Exchange (the “BSE”), formerly the Securities Exchange of Barbados, was re-incorporated on 2 August 2001 with the passage of the Securities Act 2001-13 (the “*Securities Act*”), which also enabled the establishment of the Barbados Securities Commission (the “*Commission*”), which on 1 April 2011, was subsumed by the FSC. The Commission is responsible for the regulation of

Barbados' capital markets, including all public companies, whether listed or not. The BSE is the only authorised stock exchange involved in the listing and trading of equity and debt securities in Barbados.

In addition, the International Securities Market (the “*ISM*”) is a trading platform established by the BSE for the purpose of trading international securities. The ISM is structured to operate as a separate market of the BSE, with a separate set of rules applied to membership, trading, clearing and settlement and listing of international securities.

In 2004, the Jamaica Stock Exchange, the Trinidad & Tobago Stock Exchange and the BSE signed a memorandum of understanding with the objective of developing an integrated system for the operation of the three exchanges and a common platform for the trading and settlement of transactions on these exchanges.

FOREIGN TRADE AND BALANCE OF PAYMENTS

Foreign Trade

Foreign Trade Performance

Barbados is not a significant merchandise exporter and has historically maintained large merchandise trade deficits. In 2018, Barbados' merchandise trade deficit was estimated at U.S.\$734.0 million, compared to a deficit of U.S.\$717.0 million in 2017 and an average trade deficit of U.S.\$767.5 million over the period 2014-2016. The marginal increase in the trade deficit in 2018 reflects primarily lower exports of manufactured goods compared to the decline in non-fuel imports.

Due to the small size of the domestic market, the focus of Barbados' export policy emphasises light industry with export potential, such as medical supplies, chemicals, electronic components, leather items, wooden furniture, electro-mechanical goods, sporting goods and quality apparel. Tax concessions and other incentives are also in place to encourage export manufacturing.

The following table sets forth Barbados' merchandise exports and imports for the years indicated.

Table No. 15
Exports and Imports

	Year ended 31 December				
	2014	2015	2016	2017	2018
	<i>(In millions of U.S. dollars)</i>				
Total domestic exports⁽¹⁾	269.7	243.2	252.3	254.8	255.1
Sugar	9.1	3.6	3.5	6.8	0.2
Rum	39.4	38.1	38.8	42.0	39.9
Electrical components	8.3	8.5	7.5	7.9	8.1
Chemicals	36.8	37.0	36.1	36.3	40.1
Other food and beverages	41.8	38.6	41.8	39.9	28.2
All other	134.4	117.3	124.5	122.1	138.5
Total imports⁽²⁾	1,739.1	1,618.1	1,621.5	1,600.2	1577.7
Consumer goods	690.9	688.1	742.7	689.9	667.2
Capital goods	264.9	288.9	287.7	269.8	237.2
Intermediate goods	776.6	634.0	584.8	635.2	668.2
Miscellaneous	6.8	7.1	6.3	5.3	5.2

(1) Exports are presented on a free-on-board basis ("FOB").

(2) Imports are presented on a cost, insurance and freight basis ("CIF").

Source: Central Bank of Barbados

Domestic exports of manufactured goods increased slightly by U.S.\$0.3 million in 2018, principally due to higher exports of chemical products and other manufacturing goods which rose by U.S.\$3.8 million and U.S.\$16.4 million, respectively. In contrast, exports of food and beverages, bulk raw sugar and rum decreased by U.S.\$11.7 million, U.S.\$6.6 million and U.S.\$2.1 million, respectively.

The following tables show the direction of trade for the periods indicated.

Table No. 16
Exports by Destination⁽¹⁾⁽²⁾

	Year ended 31 December				
	2014	2015	2016	2017	2018
	<i>(In millions of U.S. dollars)</i>				
USA	78.5	155.2	174.7	123.0	101.7
Canada	11.6	8.7	9.1	8.7	12.7
UK.....	16.7	14.0	16.2	15.9	8.4
CARICOM.....	168.6	156.4	160.8	161.3	167.2
Other countries.....	199.0	148.6	156.0	176.5	158.5
Total.....	474.4	482.9	516.8	485.4	448.5

(1) Includes goods imported for re-export.

(2) Exports are presented on a FOB basis.

Source: Barbados Statistical Service

Table No. 17
Imports by Origin⁽¹⁾⁽²⁾

	Year ended 31 December				
	2014	2015	2016	2017	2018
	<i>(In millions of U.S. dollars)</i>				
USA	562.1	574.0	590.4	574.1	534.2
Canada	40.8	38.2	36.6	38.0	33.5
UK.....	69.5	68.2	78.3	64.5	65.1
CARICOM.....	433.6	343.5	285.9	348.3	339.3
Other countries.....	633.1	594.1	630.3	575.3	605.7
Total.....	1,739.1	1,618.1	1,621.5	1,600.2	1577.9

(1) Includes goods imported for re-export. CIF means “Cost Insurance and Freight”.

(2) Imports are presented on a CIF basis.

Source: Barbados Statistical Service

During 2018, total imports of goods decreased by 1.4%, following a decline of 1.3% in 2017. Imports from the United States and Canada both declined in 2018 compared to 2017 by 7.0% and 11.8%, respectively. Imports from the UK and other countries rose by 0.9% and 5.3%, respectively, representing a reversal after contractions of 17.7% and 8.7%, respectively, during 2017.

In 2018, exports to Canada and CARICOM countries, of which Trinidad and Tobago accounted for a significant portion, increased by 46.0% and 3.7%, respectively, compared to the exports to these countries compared to 2017. In contrast, exports to the United States and the UK both declined by 17.3% and 47.2%, respectively, in 2018.

Trade Policy and Reform

Barbados has gradually liberalised its trade policy, both independently and in accordance with the agreements of the World Trade Organization (the “WTO”), with the primary aim of increasing the competitiveness of Barbados’ exports by opening up domestic production to foreign competition.

Barbados’ principal trade policy reforms over the past several decades include:

(i) liberalisation of the import-licencing regime on a selected number of extra-regional imports and a change from licencing regimes to tariffs agreed within the WTO. Certain goods remain subject to licencing for health and safety reasons. The elimination of import duties is subject to Barbados' obligations under the Revised Treaty of Chaguaramas. Prior authorisation must be secured from the CARICOM Council for Trade and Economic Development (the "*COTED*") for some products.

(ii) adherence to the rules regarding the Common External Tariff (the "*CET*") imposed by CARICOM countries on goods imported from non-CARICOM countries. The maximum CET rate for manufactured goods is currently 20% and the maximum rate on agricultural imports is 40%. Any changes to the CET, including the application of rates higher or lower than the CET, must be approved by the COTED.

(iii) the reduction of duties imposed on imports from third countries is possible through negotiated trading arrangements between CARICOM and those third countries. CARICOM has such arrangements with Venezuela, Colombia, the Dominican Republic, Cuba, Costa Rica and the European Union.

(iv) taking advantage of non-reciprocal preferential arrangements offered by third countries. The United States allows the duty-free entry of a large number of products from some Caribbean countries, including Barbados, under the Caribbean Basin Economic Recovery Act (the "*CBERA*"). This waiver ends 31 December 2019. There is also a similar arrangement with Canada under the Caribbean-Canada Trade Agreement ("*CARIBCAN*"). *CARIBCAN* expires 31 December 2023.

Barbados benefits from the use of the Special Safeguard Provision under Article 3 of the WTO Agreement on Agriculture, which was instituted in September 2000. The Special Agricultural Safeguard (the "*SSG*") is a tool that allows certain developing countries to raise tariffs temporarily to deal with import surges or price falls. The SSG protects domestic agricultural production and allows for the maintenance of a level of food security following the removal of the import licencing system in 1995.

Barbados recognises the importance of intellectual property protections for the future of Barbados' international business sector. The Copyright Act, enacted in February 1998, fulfils Barbados' obligations under the WTO Agreement on Trade Related Aspects of Intellectual Property Rights ("*TRIPS*"). Barbados' Trade Marks Act and Patents Act was also amended in 1998 to become TRIPS compliant. Since 2001, Barbados has been in full compliance with its WTO and World Intellectual Property Organisation commitments with respect to its intellectual property legislation.

In 2006, the common organisation of the sugar market in the European Union was overhauled to achieve greater simplification and market orientation for the European Union's sugar policy. As a result, quotas were gradually removed and guaranteed prices were gradually reduced for sugar exports from Barbados to the European Union and limits on sugar imports into Barbados were also gradually removed.

The WTO Doha Development Round is still relevant to Barbados' trade policy, and the Economic Partnership Agreement was signed in October 2008 in Barbados. The waiver to extend the CARICOM-Canada Free Trade Agreement has been extended until 2023. CARICOM is currently engaged in enhancing its existing trading agreements with the Dominican Republic, Costa Rica, Cuba and Colombia. Discussions have also commenced for the negotiation of a successor arrangement to the Cotonou Partnership Agreement, which governs relations between the African, Caribbean and Pacific Group of States and the European Union.

Under the terms of the CARICOM Single Market and Economy (the "*CSME*"), member states of CARICOM are committed to facilitating the rights of establishment, the provision of services, the free

trade in goods, and free movement of people and capital across the region. This may have implications for the exchange control regime, as member states are prevented from introducing new restrictions and are also obligated to remove all restrictions within the parameters of a defined programme. However, pursuant to Article 43 of The Revised Treaty of Chaguaramas Establishing CARICOM, in the event of balance of payments and external financial difficulties, member states are permitted to adopt certain restrictions to address these difficulties.

Balance of Payments

The balance of payments is a system of recording all of a country's resident economic transactions with the rest of the world over a one-year period. In 2018, Barbados recorded a balance of payments deficit (as determined by the change in the gross international reserves) of U.S.\$293.8 million, compared with a deficit of U.S.\$114.3 million in 2017 and an average deficit of U.S.\$66.9 million over the three-year period of 2014 to 2016.

The following table sets forth Barbados' balance of payments for the years indicated. Barbados calculates its balance of payment figures in accordance with the Sixth Edition of the IMF's Manual on Balance of Payments dated November 2013.

Table No. 18
Balance of Payments

	Year ended 31 December				
	2014	2015	2016	2017	2018
	<i>(in millions of U.S. dollars)</i>				
Current account.....	(430.3)	(289.2)	(207.3)	(190.3)	(172.2)
Merchandise trade balance	(857.6)	(737.3)	(707.5)	(717.0)	(734.0)
Exports*	794.0	799.9	833.0	803.1	764.9
Imports*	1,652.2	1,537.2	1,540.5	1,520.2	1498.9
Services (net).....	639.2	659.1	754.1	787.1	842.0
Tourism.....	841.1	899.2	989.6	1,027.6	1085.5
Other	(201.9)	(240.1)	(235.4)	(239.2)	(243.5)
Investment Income (net).....	(197.4)	(212.9)	(221.4)	(223.9)	(239.8)
Transfers (net)	(14.5)	2.0	(35.5)	(38.0)	(40.5)
Capital Account	(8.3)	(8.2)	(2.8)	(1.2)	25.4
Capital transfers	(8.3)	(8.2)	(2.8)	(1.2)	(3.0)
Acquisition/disposal of non-produced, non-financial assets	0.0	0.0	0.0	0.0	28.4
Financial Account	372.8	221.2	42.1	43.2	443.8
Long term	364.2	225.4	80.5	88.3	456.0
Public sector.....	48.0	(35.6)	(85.6)	(67.5)	225.5
Private sector.....	316.0	261.0	166.0	155.7	230.5
Short-term	8.6	(4.3)	(38.4)	(45.1)	(12.2)
Errors and omissions.....	16.5	44.0	49.0	34.0	3.2
Balance for official financing	(49.4)	(32.3)	(119.0)	(114.3)	293.8
Change in gross international reserves (decreases)	49.4	32.3	119.0	114.3	(293.8)

* Exports and imports are FOB and CIF, respectively, but have been adjusted for balance of payments presentation.

Source: Central Bank of Barbados and Barbados Statistical Service

External Current Account

Barbados' external current account position is heavily dependent on earnings from services, particularly tourism. Since 2014, the external current account deficit has declined on average by 19.7%, mainly because of contractions in total non-fuel imports of goods coupled with higher foreign exchange earnings from tourism.

In 2018, Barbados registered an external current account deficit of U.S.\$172.2 million, compared with a deficit of U.S.\$190.3 million for 2017, as a result of lower purchases of non-fuel imports and higher tourism foreign exchange earnings which together outweighed the increase in the value of fuel imports. The growth in tourism earnings was primarily due to the increased long-stay tourist arrivals from the major source markets, including the United States, the United Kingdom and Canada.

Financial Account

Barbados has recorded surpluses in its financial account since 1996. In 2018, the financial account registered a significantly higher surplus of U.S.\$443.8 million, primarily reflecting public sector inflows for policy-based and project loans from international financial institutions. The improvement in long-term public sector inflows during 2018 contrasts sharply with the previous three years' average decline of U.S.\$62.9 million. In contrast, private sector financial inflows increased by U.S.\$74.8 million in 2018, following an increase of U.S.\$10.3 million in 2017 and an average of U.S.\$247.6 million in the preceding three years.

In 2018, the decline in foreign amortisation payments and higher multilateral loan disbursements to the Government contributed to an increase of U.S.\$225.5 million in net public sector inflows. The increase in net private sector inflows was fuelled by the improved performance in the foreign exchange market, coupled with other inflows from non-residents.

Gross International Reserves

In 2018, the gross international reserves rose by U.S.\$293.8 million to reach U.S.\$499.6 million as of 31 December 2018, in contrast to a decline of U.S.\$114.3 million during 2017. From 2014 to 2016, gross international reserves averaged U.S.\$410.1 million. The improvement in the stock of gross international reserves in 2018 pushed the import cover for goods and services to 12.9 weeks, compared to 5.3 weeks at the end of 2017 and an average of 10.3 weeks for the period 2014 to 2016. The desired benchmark import cover for goods and services is twelve weeks.

The following table sets forth liquid international reserves and gross international reserves for the years indicated.

Table No. 19
Liquid International Reserves and Gross International Reserves

Year ended 31 December				
2014	2015	2016	2017	2018
<i>(In millions of U.S. dollars)</i>				

Net International Reserves (NIR)	430.9	410.7	287.5	167.4	416.3
Foreign Currency Liabilities of Monetary Authorities	40.4	28.3	32.4	38.3	83.3
Gross International Reserves (GIR)	471.3	439.0	319.9	205.7	499.6
Import Cover (in weeks of goods and services) ..	11.6	11.2	8.2	5.3	12.9

Source: Central Bank of Barbados

The foreign assets of the Central Bank and the Government are invested largely in U.S. dollars in a range of approved investments and institutions. The U.S. dollar is the principal currency in which foreign receipts are earned and in which foreign debt is denominated. See “Public Debt—Debt Statistics—External Debt.”

Foreign Investment

The economy of Barbados is the beneficiary of private foreign investment, particularly in its hotel sub-sector and ancillary services. See “Principal Sectors of the Economy—Tourism”. All investment by non-residents registered with the Central Bank are entitled to repatriation of capital, capital gains, dividends, profits and interest brought into Barbados. The Central Bank permits the repatriation of the original investment amount, dividends, profits and interest. It also allows the repatriation of capital gains but retains the right to stagger transfers over a reasonable period of time.

Foreign companies are being targeted for direct investment in Barbados by Invest Barbados, an economic development entity responsible for securing and promoting sustainable foreign direct investment and which also services export businesses in order to increase employment, promote technology and skills transfers, foreign exchange and tax revenues. Further, the BIDC is a government agency that promotes business development in Barbados, with particular emphasis on manufacturing and small businesses. The BIDC helps manufacturers find new markets for their products through advertising, seminars, journals and direct mail media. It has representative offices in New York, Miami, Toronto and London and works closely with the Barbadian High Commissions in foreign markets. The BIDC helps promote new products, such as speciality foods, including fresh fruits and vegetables and hot chili sauces, high quality garments, reproduction of period furniture and local arts and crafts.

PUBLIC FINANCE

Overview

The Government's budget process is set out in the Constitution, the Financial Management and Audit Act, 2007-2018 and the Financial Management and Audit (Financial) Rules, 2011, which provide the financial rules and guidelines for the administration of public sector entities. The budget process involves the participation and co-ordination of all Government ministries and agencies. The Ministry responsible for Finance prepares the Draft Estimates of Revenue and Expenditures (which constitute the budget of the Government, the "*Estimates*") and is responsible for presenting the Estimates to the House of Assembly in March each year. Both houses of Parliament must approve the Estimates before the end of March; the fiscal year begins 1 April. The Estimates constitute the published public sector fiscal accounts.

The Estimates are based on existing tax rates and projections of non-tax revenue by the various Government ministries. If the Minister of Finance wishes to alter the tax rates, or to make strategic adjustments to the level of expenditure, past practise is to announce these changes in a Financial Statement and Budgetary Proposal (the "*Financial Statement*"). The Financial Statement must be approved by the Cabinet and Parliament. Following the introduction of the value added tax (VAT) in 1997, the publication of a Financial Statement has taken place between August and December, but there is no statutory obligation to present a Financial Statement.

The budget estimates for SOEs are approved initially by their respective boards of directors. The budget estimates are then forwarded to the relevant ministry for each enterprise. If an SOE requires supporting funds from the Government, a request is included in the ministry's own request to the Ministry of Finance for an additional budgetary allocation. Changes to the annual approved SOE allocation generally require the approval of the Cabinet and Parliament. For a description of the principal SOEs, see "The Economy—State-Owned Enterprises".

Revenues and expenditures of the Government do not incorporate the full revenues and expenditures of SOEs. The Government's accounts capture only its current and capital transfers to specified SOEs. Dividends from SOEs, if any, are recorded as non-tax revenue.

The Accountant General's functions include maintaining certain accounts held by the Treasury, as well as reporting to Parliament on those accounts and on Government funds, such as the Consolidated Fund. See "Public Debt—Overview".

Fiscal Policy

For the four fiscal years from 2012/13 to 2015/16, the fiscal deficit averaged 8.9% of GDP. While there was an improvement in FY 2016/17 and 2017/18, the fiscal deficit remained at a level challenging to finance—approximately 4.6% of GDP for FY 2017/18. The high deficit year over year is attributable mainly to underperformance in revenue in addition to the transfers to SOEs and the cost of debt service.

In March 2019, Parliament adopted the FY2019/20 budget, which targets a primary surplus of 6% of GDP.

In an effort to reverse the trend on large fiscal deficits, the Government has embarked on the BERTP. The BERTP will be conducted in three phases and will involve a combination of: (i) promotion of economic growth without an over reliance on tax concessions or subsidies, (ii) restructuring of public

debt to sustainable levels, and (iii) significant fiscal consolidation. For more information on the BERTP, see “Recent Developments—Barbados Economic Recovery and Transformation Plan”.

Public finances improved during the first half of FY 2018/19 due to improved tax collections, the impact of reduced debt service payments and increased expenditure restraint.

Revenues and Expenditures

Government revenues are derived from a mix of direct and indirect taxes, including payroll levies and taxes on incomes and profits, property, goods and services and imports. As part of its tax reform, in June 2018 the Government introduced a suite of budgetary revenue measures that are intended to alter the incidence of taxation and provide earmarked funding for some state-owned enterprises.

Recurring current expenditures include wages and salaries, goods and services, debt service costs (domestic and foreign) and current transfers. Capital expenditures include acquisitions of property, capital formation and capital transfers.

The following table sets forth Government revenues and expenditures by economic classification for the fiscal years indicated.

Table No. 20
Government Revenues and Expenditures

	2013/14	2014/15	2015/16	2016/17	2017/18 ⁽¹⁾	2018/19 ⁽¹⁾
Tax revenue.....	1,094.8	1,111.5	1,214.9	1,303.8	1,341.5	1,375.0
Income and profit	317.2	333.0	361.8	396.8	398.5	441.7
Levies	40.6	41.8	17.9	74.7	80.0	37.0
Property	65.5	82.1	93.8	67.7	68.8	80.6
Goods and services.....	568.9	537.2	620.6	637.3	679.7	703.3
Import duties	96.8	111.9	115.8	122.6	109.3	106.9
Stamp duties	5.8	5.5	5.0	4.7	5.2	5.4
Grant Income	0	28.7	9.1	4.4	11.0	0.05
Non-tax revenue.....	47.0	53.9	55.9	63.7	70.6	79.8
Total revenue	1,141.8	1,194.1	1,279.9	1,371.9	1,423.1	1,454.8
Current expenditure	1,562.1	1,459.5	1,542.7	1,525.2	1,561.9	1,413.1
Wages and salaries	435.9	401.8	393.6	392.3	391.1	405.9
Goods and services.....	191.1	170.8	220.6	192.7	182.1	178.1
Interest.....	304.3	326.9	336.3	369.5	382.4	192.4
Foreign	67.6	82.6	81.9	84.2	84.0	24.0
Domestic	236.7	244.3	254.4	285.3	298.4	168.4
Current transfers.....	630.8	560.0	592.2	570.7	606.3	636.75
Capital expenditure	72.0	86.5	108.3	102.7	74.5	92.5
Net Lending	0	0	0	0	0	0
Total expenditure	1,634.1	1,546.0	1,651.0	1,627.9	1,636.4	1,505.6
Fiscal balance.....	(492.3)	(351.9)	(371.1)	(256.0)	(213.3)	(50.8)
Fiscal balance (as % of nominal GDP).....	(11.1)	(8.0)	(8.2)	(5.5)	(4.6)	(0.5)

(1) Estimated figures.

Source: Accountant General, Ministry of Finance and Barbados Revenue Authority

The following table sets forth the per cent change of Government revenues and expenditures by economic classification for the fiscal years indicated.

Table No. 21
Government Revenues and Expenditures Differential

	Fiscal year				
	2014/15	2015/16	2016/17	2017/18	2018/19
	<i>(per cent change against previous fiscal year)</i>				
Tax revenue.....	1.5	9.3	7.3	2.9	2.5
Income and profit.....	5.0	8.6	9.7	0.4	10.8
Levies.....	3.0	(57.2)	317.3	7.1	(53.7)
Property.....	25.3	14.3	(27.8)	1.6	17.1
Goods and services.....	(5.6)	15.5	2.7	6.7	3.5
Import duties.....	15.6	3.5	(6.0)	(10.8)	(2.2)
Stamp duties.....	(5.2)	(9.1)	(51.6)	10.6	3.8
Grant Income.....	100.0	(68.3)	14.0	150.0	(99.5)
Non-tax revenue.....	14.7	3.7	(36.5)	10.8	13.0
Total revenue.....	4.6	7.2	7.2	3.7	2.2
Current expenditure.....	(16.6)	5.7	(1.1)	2.4	(9.5)
Wages and salaries.....	(7.8)	(2.0)	(0.3)	(0.3)	3.8
Goods and services.....	(10.6)	29.2	(12.6)	(5.5)	(2.2)
Interest.....	7.4	2.9	9.9	3.5	(49.7)
Foreign.....	22.2	(0.8)	9.4	(0.2)	(71.4)
Domestic.....	3.2	4.1	12.1	4.6	(43.6)
Current transfers.....	11.2	5.8	(3.6)	6.2	5.0
Capital expenditure.....	20.1	25.2	(5.2)	(27.5)	24.2
Net Lending.....	N/A	N/A	N/A	N/A	N/A
Total expenditure.....	(5.4)	6.8	(1.4)	0.5	(8.0)
Fiscal balance.....	(28.5)	5.5	(31.0)	(16.7)	(76.2)
Fiscal balance (as % of nominal GDP)....	(27.9)	2.5	(32.9)	(16.4)	(89.13)

N/A = Not available.

Source: Accountant General, Ministry of Finance and Barbados Revenue Authority

Revenues

The BRA was established on 1 April 2014 following the consolidation of Barbados' various revenue collecting agencies, including the Inland Revenue Department, the VAT Division and the collecting functions of the Barbados Licencing Authority. The objectives of the BRA include adopting a more aggressive approach to the collection of taxes, non-tax revenue and arrears through increased use of technology, compliance audits and cost-efficient approaches to revenue collection.

From FY 2014/15 to FY 2015/16, total Government revenues grew at an average of 5.9% per annum, principally due to increases in revenue from income tax, property tax and import duties. This trend continued with an increase of approximately 3.7% during FY 2017/18 following an increase of 7.2% during FY 2016/17. The increase for FY 2017/18 was primarily due to increases in national social

responsibility levy due to the increase in rates, corporation tax and excise duties, which were partially offset by decreases in import duties, withholding tax and other special receipts. There was no significant change to the revenue from VAT compared to FY 2016/17. For FY 2018/19, total Government revenue grew by 2.2%, reflecting the impact of a boost in corporation tax intake as several new firms in the international business sector paid taxes for the first time. In addition, the foreign exchange fee introduced in 2017 and some of the new taxes introduced in the mid-year budget contributed to this increase. There was, however, a significant decline in revenue from levies and grant income, which decreased by 53.7% and 99.5% respectively.

Taxation Revenue

In Barbados, direct taxes are levied on incomes, corporations and property. Although most goods and services are subject to VAT, certain goods and services are exempt from VAT and certain goods and services are subject to subsidiary duties and fees, including excise duties. Imports are subject to import taxes, and imports originating from a non-CARICOM countries are subject to the CET. Other principal tax revenues include land tax, property transfer tax and certain taxes on insurance premiums, on life insurance companies' invested income and on bank assets. There are no capital gains or inheritance taxes in Barbados.

Residents of Barbados are generally subject to tax on worldwide income, and non-residents are taxed only on income derived in Barbados. Companies and other corporate bodies that are resident in Barbados are subject to corporation tax, and non-resident companies are only being taxable to the extent that they carry out a business in Barbados through a branch or agency and in respect of income directly or indirectly attributable to that branch or agency. In addition, there is a 10% tax on profits remitted by an office, branch or agency of a non-resident company engaged in trade or business in Barbados.

Beginning 1 January 2019, Barbados became one of the first countries in the world to converge its local and international corporate tax rates. All corporate entities in Barbados, except those that will be grandfathered, will be taxed according to the following rates based on a sliding scale: up to U.S.\$0.5 million of taxable income at 5.5%; between U.S.\$0.5 and U.S.\$10 million of taxable income at 3.0%; between U.S.\$10 and U.S.\$15 million of taxable income at 2.5% and over U.S.\$15 million of taxable income at 1.0%. This reform of Barbados' 40-year old tax regime makes its tax system globally competitive, while bringing the country in line with the Organization for Economic Cooperation and Development's Base Erosion and Profit Shifting (BEPS) initiative. The broad-based change in tax policy is aimed at reducing taxes on work and productivity, while placing the tax burden on consumption and wealth, and it is expected to be revenue neutral.

As a result of Barbados' tax reforms, on 17 May 2019, the European Council moved Barbados from the European Union's list of non-cooperative tax jurisdictions to the list of jurisdictions that have undertaken sufficient commitments to reform their tax policies.

Income from Barbados Government securities except savings bonds is taxed at 12.5%. Interest payable on the New Bonds to non-resident beneficial owners of the New Bonds will not be subject to any withholding tax. See "Taxation—Barbados Tax Considerations."

Expenditures

Total Government expenditures have fluctuated over the past five fiscal years. In FY 2018/19, expenditures decreased 8.0% after increasing 0.5% in FY 2017/18 and 6.8% in FY 2015/16. There were decreases of 1.4% in FY 2016/17 and 5.4% in FY 2014/15. The decrease in FY 2018/19 was primarily attributed to decreases in goods and services and interest payments, partially offset by an increase in

capital expenditures. The suspension of external and domestic commercial debt service contributed to the decrease in interest expense.

Current expenditures decreased by 9.5% in FY 2018/19. This was again attributable mainly to decreases in goods and services and interest payments. Goods and services decreased further by 2.2% in FY 2018/19, after decreasing by 5.5% in FY 2017/18. For the last three years decreases in goods and services averaged 6.8%. Interest payments decreased by 49.7% in FY 2018/19 after increasing on average 5.4% between FY 2017/15 to FY 2017/18 due mainly to the debt restructuring undertaken during the financial year.

Capital expenditure increased by 24.2% in FY 2018/19 compared to a decrease of 27.5% in FY 2017/18 and 5.2% in 2016/17. For FY 2013/14 to FY 2015/16, capital expenditures increased an average of 32.4%.

The following tables set forth total Government expenditures by functional classification for the fiscal years indicated.

Table No. 22
Government Expenditures

	Fiscal year				
	2014/15	2015/16	2016/17	2017/18	2018/19 ⁽¹⁾⁽²⁾
	<i>(in millions of U.S. dollars)</i>				
General public service.....	276.2	133.6	64.9	1013.4	398.9
Defence	33.1	35.6	39.1	39.7	35.1
Education	261.5	252.8	248.8	250.3	284.4
Health.....	166.5	163.1	157.9	160.2	162.1
Social security and welfare	175.6	185.9	182.9	187.1	202.1
Housing.....	71.9	130.9	88.5	85.7	82.4
Other social services	0.00	0.00	0.00	0.00	0.00
Economic services ⁽³⁾	214.6	230.9	239.1	187.7	210.9
Other	98.6	97.6	104.1	105.2	129.5
Public order and safety.....	19.8	21.2	23.4	34.5	25.1
Recreation, culture and religion.....	52.9	64.2	55.2	60.0	79.7
Environmental protection.....	1370.7	1,315.8	1203.9	2,123.8	1610.2
Total expenditures.....	276.2	133.6	64.9	1013.4	398.9

(1) Estimated figures.

(2) FY 2018/19 taken from the Revised Estimates of Expenditure.

(3) Includes trade, industry, agriculture, roads, civil aviation, tourism, lands and surveys and labour.

Source: Ministry of Finance Estimates of Expenditure and Revenue, Central Bank of Barbados, Accountant General

Table No. 23
Government Expenditures

	Fiscal year				
	2014/15	2015/16	2016/17	2017/18	2018/19 ⁽¹⁾⁽²⁾
	<i>(per cent change against previous fiscal year)</i>				
General public service.....	(3.5)	(51.6)	(51.4)	1,461.5	(60.6)
Defence	(1.2)	7.8	9.8	(1.5)	(9.1)
Education	5.6	(3.3)	(1.6)	3.0	10.9
Health.....	(20.5)	2.1	(3.1)	0.8	1.8
Social security and welfare	19.0	5.9	(1.6)	12.2	(1.6)
Housing.....	17.6	81.9	(32.4)	10.6	4.1
Other social services ⁽³⁾	(100.0)	0.0	0.0	0.0	0.0
Economic services ⁽⁴⁾	(4.9)	7.6	3.7	(2.8)	(9.3)
Other	0.0	1.0	6.6	13.0	10.1
Public order and safety.....	0.0	6.7	10.5	41.4	(24.1)
Recreation, culture and religion.....	0.0	21.2	(14.1)	13.2	27.6
Environmental protection.....	(30.4)	(4.0)	(8.5)	76.4	(24.2)
Total expenditures.....	(3.5)	(51.6)	(51.4)	1,461.5	(60.6)

(1) Estimated figures.

(2) FY 2018/19 taken from the Revised Estimates of Expenditure.

(3) Includes culture, sports, parks and beaches.

(4) Includes trade, industry, agriculture, roads, civil aviation, tourism, lands and surveys and labour.

Source: Ministry of Finance Estimates of Expenditure and Revenue, Central Bank of Barbados, Accountant General

In terms of functional expenditure, the most significant categories over the five year period were education, economic services, social security and welfare and health.

Total expenditure decreased by 24.2% in FY 2018/19 after increasing by 76.4% in FY 2017/18. This was attributable mainly to decreases in general public service, defence, economic services and recreation, culture and religion, which decreased by 60.6%, 9.1%, 9.3% and 24.1% respectively. During the five year period, expenditure decreased from 30.4% to 8.5% between FY 2014/15 and FY2016/17 but increased significantly in FY 2017/18 due to the increase in general public service.

Education and economic services were the two most consistent components of expenditure for the period, averaging 17% and 14.2% of the total over the five year period. Education absorbed an estimated 17.7% and 11.8% of the budget respectively in FY 2018/19 and 2017/18, reflecting Government's continued emphasis on providing access to free, high quality education up to tertiary level for all citizens.

During FY 2018/19, it is estimated that the Government spent 13.1% of its budget on economic services such as civil aviation, tourism, trade, industries, labour and land and surveys (as compared to 8.8% for FY 2017/18), demonstrating the Government's effort in preparing Barbados for the challenges of a global economy. Among organisations benefitting from these outlays were Caves of Barbados and the Urban Development Commission. Better ancillary tourism services are also partly responsible for the increase in spending on economic services.

Spending on social security and welfare was estimated at 12.5% of overall spending in FY 2018/19, compared to 8.8% in FY 2017/18. In 1997, the poverty alleviation programme was introduced and comprises a number of measures, including the creation of a social investment fund ("SIF") and the

establishment and funding of urban and rural development commissions. The SIF funds a rural enterprise fund and an urban enterprise fund, as well as other community-based economic facilities.

At present, Barbados has an extensive, though somewhat inefficient, public transportation system on the island. The Government is looking at ways to improve the current system, including the restructuring of the Transport Board, the upgrading of the bus fleet and the provision of incentives for companies willing to provide insurance to this sector. The Government has allocated modest funding in connection with significant improvements in its traffic management infrastructure that will regulate the transportation system.

Barbados is in the process of developing programme budgeting in order to focus on results to be achieved rather than inputs. However, under the existing budget framework, a distinction is made between “statutory” or committed expenditures and “non-statutory” or discretionary expenditures. The public debt of Barbados, all costs related to that debt, the emoluments of established posts in the public service, pensions, leave passages and certain other minor expenditures are considered committed claims or “statutory” charges on the Government. All other Government expenditures are considered discretionary.

Consolidated Fund

The Constitution provides for the establishment of a consolidated fund (the “*Consolidated Fund*”) into which, subject to applicable provisions of law, all revenues for Barbados are to be paid to meet Government expenditures and obligations. The Minister of Finance must, before the end of each fiscal year (which runs from 1 April to the following 31 March), prepare and lay before the House of Assembly annual estimates of revenue and expenditure for public services for the succeeding fiscal year. The Constitution further provides that debt obligations of Barbados, including the interest and redemption monies on that debt, and the costs, charges and expenses incidental to the management of that debt (including the sinking fund required to be established for the repayment of all public external debt), are by law charged on the Consolidated Fund. See “Public Debt—Overview”.

PUBLIC DEBT

Overview

On 1 June 2018, Barbados, for the first time in its history, announced the suspension of both principal and interest payments due on debts owed to external commercial creditors. This extraordinary action was taken as a result of a number of factors which included critically low levels of international reserves, unsustainably high levels of public indebtedness and poor economic growth.

In connection with the comprehensive restructuring of Barbados' public debt, the Government engaged the services of financial and legal advisors to assist with conducting the restructuring and began consultations to seek the cooperation of its domestic and external creditors.

The suspension of debt payments affected all categories of external debt, exclusive of debt from official sources, and remains in force until restructuring agreements are concluded.

Barbados launched the Domestic Exchange Offer on 7 September 2018 to restructure approximately BD\$11.9 billion (equivalent to U.S.\$5.95 billion) in domestic claims on Government and the public sector. The domestic debt restructuring was successfully concluded in mid-November with a participation rate of 97%.

On 1 October 2018, the IMF announced the approval by its Executive Board of the four-year Extended Arrangement for Barbados for approximately U.S.\$290 million, or 220% of Barbados' quota in the IMF.

For more information on the Domestic Exchange Offer and the Extended Arrangement, see "Recent Developments—IMF Programme" and "Recent Developments—Debt Strategy—Domestic Debt."

Subsequently, Barbados has begun to access additional funding from official sources, including the Inter-American Development Bank and the Caribbean Development Bank.

Existing Legislative Framework

The Government's authorisation to create and issue external debt instruments is pursuant to the External Loan Act Cap. 94D (the "*External Loan Act*"). The Constitution provides for the establishment of the Consolidated Fund into which, subject to applicable provisions of law, all revenues of Barbados are to be deposited. In addition, debt obligations of Barbados, including interest on the debt, sinking fund payments and redemption monies on debt and costs, charges and expenses incidental to the management of debt are to be withdrawn from the Consolidated Fund. Under the External Loan Act, statutory sinking funds are set aside for the redemption of each issue of securities and are invested in domestic and foreign securities. The External Loan Act provides for semi-annual payments to be made into the statutory sinking funds in such amounts as are approved by resolution of Parliament.

The Government is authorised to contract and issue Barbados dollar-denominated debt instruments up to a maximum of approximately U.S.\$5.3 billion pursuant to the Local Loans Act Cap. 98 and a maximum of approximately U.S.\$0.8 billion under the Treasury Bills and Tax Certificates Act, Cap. 106. In addition, the Financial Management and Audit (Amendment) Act, 2018 authorises the Government to borrow up to 7.5% of net receipts of estimated revenue for the financial year.

On 29 October 2018 the Debt Holder (Approval of Debt Restructuring) Act was passed to facilitate the Domestic Exchange Offer. The Dematerialisation of Government Securities Act, 2018 was also passed, which made provision for the dematerialised issuance of Government's domestic debt effective 26 October 2018.

Debt Statistics

The domestic debt exchange resulted in loans, Treasury Bills, Treasury Notes and Debentures being exchanged for a new series of amortising bonds.

The following table sets forth total debt, both public and private, outstanding for the years indicated.

Table No. 24
External and Domestic Debt of the Public and Private Sectors

	Year ended 31 March				
	2015	2016	2017	2018	2019
	<i>(In millions of U.S. dollars)</i>				
Total External Debt	3,270.8	3,288.7	3,221.3	3,167.0	3,326.7
Government.....	1,423.7	1,487.4	1,463.1	1,372.5	1,539.8*
Short Term					
Loans	25.0	0	15.0	0	0
Long-term	1,398.7	1,487.4	1,448.1	1,372.5	1,539.8
International Bonds	623.9	612.4	602.9	580.7	580.7
Loans	774.7	875.0	845.2	791.8	959.1
Government guaranteed	144.5	79.2	70.1	65.0	46.4
Private Sector	1,702.6	1,722.1	1,688.1	1,729.5	1,740.5
Total Domestic Debt	4,836.9	5,256.5	5,619.8	5,931.2	4,609.7
Government.....	4,274.3	4,825.1	5,243.5	5,507.8	4,609.7
Short Term	1,351.3	1,559.8	1,869.2	2,132.2	299.2
Treasury Bills.....	1,236.1	1,454.9	1,756.1	1,987.5	247.6
Overdraft	115.2	104.9	113.2	144.8	51.6
Long-term.....	2,923.1	3,265.3	3,374.2	3,375.5	4,310.6
Savings Bonds & Tax Cert.....	49.4	78.0	90.5	83.5	71.6
Loans	111.9	125.4	122.2	120.4	0
Bonds	48.9	85.2	82.5	185.9	50.9
Debentures & T-Notes	2,712.9	2,976.7	3,079.0	2,985.8	0
Bonds (restructured).....	0	0	0	0	4,188.1
Government Guaranteed	562.6	431.3	376.3	423.4	0

* Excludes arrears and penalties resulting from the external debt suspension.

Source: Ministry of Finance, Economic Affairs and Investment and Central Bank of Barbados, as at 31 March 2019

Debt to GDP Ratio

In addressing its high and unsustainable debt to GDP ratio, Barbados embarked on a multi-pronged economic reform programme which includes fiscal consolidation, corrective economic measures and debt restructuring to stabilise public finances and create conditions for sustained economic growth. BERTP, which is supported by the IMF, has, as its long-term anchor, a public sector debt to GDP target of 60% by FY 2033/34, a reduction from 147.8% of GDP as of December 31, 2017. This target is consistent with accepted international norms.

The Government debt to GDP ratio as of 31 March 2019 stood at approximately 121.1% compared to 147.7% at 31 March 2018. The decrease is primarily attributed to the Domestic Exchange Offer, which included a write-off of approximately U.S.\$1.5 billion in debt held by the Central Bank and the NIS.

The following table sets forth the Government's debt to GDP ratio for the financial years indicated.

Table No. 25
Debt to GDP Ratio

2015	136.4%
2016	144.4%
2017	147.8%
2018	147.7%
2019	121.1%

Source: Ministry of Finance, Economic Affairs and Investment, as at 31 March 2019

Domestic Debt

Traditionally, Barbados issued local currency debt through Treasury Bills, Savings Bonds, commercial bank loans, Debentures and Treasury Notes and other securities. The NIS, the Central Bank and commercial banks are the principal holders of Government instruments.

As of 31 March 2019, domestic debt represented approximately 74.4% of the Government's debt portfolio, compared to approximately 80.1% as of 31 March 2018. The write-offs in the Domestic Exchange Offer primarily accounted for the reduction in the share of domestic debt in the portfolio.

The following table sets forth the composition of domestic debt as of the dates indicated.

Table No. 26
Composition of Domestic Debt

Domestic Debt	31 March 2019	31 March 2018
	<i>(In millions of U.S. dollars)</i>	
Treasury Bills	247.5	1,987.5
Overdraft	51.6	144.8
Savings Bonds & Tax Certificates	71.6	83.5
Loans	0	120.4
Bonds.....	50.9	185.9
Debentures and Treasury Notes.....	0	2,985.8
Bonds (restructured)	4,188.1	0

Source: Ministry of Finance, Economic Affairs and Investment, as at 31 March 2019

Total interest expense on domestic Government debt for FY2018/19 was approximately U.S.\$195.2 million, and the average interest cost of domestic debt was approximately 4.0%. Following the debt restructuring, Government's total domestic debt was U.S.\$4,609.7 million as of 31 March 2019 compared to U.S.\$5,507.8 million as of 31 March 2018, a decrease of 16.3%.

The following table sets forth Barbados' domestic debt amortisation amounts for the years indicated.

Table No. 27
Domestic Debt Amortisation

Instrument	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
	<i>(In millions of U.S. dollars)</i>									
Treasury Bills....	247.6	-	-	-	-	-	-	-	-	-
Overdraft.....	51.6	-	-	-	-	-	-	-	-	-
Savings Bonds & Tax Certificates	9.2	28.8	13.2	3.6	-	-	-	-	-	-
Bonds	-	-	-	-	0.31	-	-	-	-	13.2
Bonds (restructured).....	89.1	89.1	89.1	100.9	167.8	143.6	150.1	157.0	164.3	213.3

* Treasury Bills are assumed to be rolled annually.

Source: Ministry of Finance, Economic Affairs and Investment, as at 31 March 2019

External Debt

As of 31 March 2019, Government's external debt consisted primarily of loans from multilateral and bilateral sources, international bond issuances denominated mainly in U.S. dollars and other commercial facilities. Multilateral and bilateral borrowing accounted for approximately 42.0% and 6.6% of Government's external debt, respectively, while international bond issuances accounted for approximately 37.7% and other commercial facilities accounted for the remaining 13.7%.

Government's total external debt was U.S.\$1,539.8 million as of 31 March 2019 compared to U.S.\$1,372.5 million as of 31 March 2018, an increase of 12.2%.

As a result of the suspension of both principal and interest payments due on debts owed to external commercial creditors, interest expense on the Government's external debt for FY2018/19 was approximately U.S.\$21.3 million.

The following table sets forth details of the Government's international capital market issuances as of 31 March 2019.

Table No. 28
Government International Capital Market Issuances

Debt Instrument	Original principal Amount	Issue Date	Maturity
International Bonds			
7.80% Class B Bonds due 2019	U.S.\$40.0 million	2009	2019
7.25% Bonds due 2021	U.S.\$150.0 million	2001	2021
6.625% Bonds due 2035.....	U.S.\$190.0 million*	2005	2035
7.00% Bonds due 2022	U.S.\$200.0 million	2010	2022
Commercial Loans			
Credit Suisse AG, Cayman Islands Branch.....	U.S.\$150.0 million	2013	2018
Credit Suisse AG, Cayman Islands Branch.....	U.S.\$75.0 million	2014	2019

* The 6.625% Bonds due 2035 were first issued in 2005 for U.S.\$125 million and then reopened in 2006 for an additional U.S.\$65 million.

Source: Ministry of Finance, Economic Affairs and Investment, as at 31 March 2019

The following table sets forth the currency composition of Government's external debt outstanding for the years indicated.

Table No. 29
Government External Debt Outstanding by Currency

	Year ended 31 March				
	2015	2016	2017	2018	2019
	<i>(In millions of U.S. dollars)</i>				
U.S. Dollar	1,382.6	1,487.0	1,462.8	1,372.2	1,539.5
Pound Sterling	40.6	0	0.0	0.0	0.0
Euro	0.4	0.4	0.3	0.3	0.3
Total.....	1,423.7	1,487.4	1,463.1	1,372.5	1,539.8

Source: Ministry of Finance, Economic Affairs and Investment, as at 31 March 2019

The following table sets forth the composition by creditor of Government's outstanding external debt for the years indicated.

Table No. 30
Government External Debt by Creditor

	Year ended 31 March				
	2015	2016	2017	2018	2019
	<i>(In millions of U.S. dollars)</i>				
Total External	1,423.7	1,487.4	1,463.1	1,372.5	1,539.8
Multilateral	406.5	491.5	477.2	473.7	646.3
Caribbean Development	115.7	107.7	94.5	102.3	176.0
European Economic	0.4	0.4	0.3	0.3	0.3
Latin American Development Bank	-	85.0	85.0	84.3	81.6
International Bank for Reconstruction & Development	35.6	32.9	30.5	28.6	27.2
Inter-American Development	254.7	265.5	266.9	258.2	361.3
Bilateral	-	43.6	91.9	105.7	102.2
Citibank (EDC)*	-	43.6	57.9	63.8	60.3
EXIM Bank of China	-	-	34.0	41.9	41.9
Suppliers' Credit & Prison	143.3	135.3	127.6	120.3	118.5
International Bonds	623.9	612.4	602.9	580.7	580.7
Commercial Loans	250.0	204.6	163.5	92.1	92.1

* Export Development Canada

Source: Ministry of Finance, Economic Affairs and Investment, as at 31 March 2019

Annual debt service payments for the period ending 31 March are shown in the table below.

Table No. 31
Government Debt Service Payments
(In millions of U.S. dollars)

Year	Total amortisation	Total interest	Total debt service
2009	210.0	198.4	408.4
2010	169.4	217.4	386.8
2011	365.3	250.6	616.0
2012	165.2	265.4	430.7
2013	218.4	284.5	502.9
2014	275.8	304.3	580.1
2015	319.5	332.7	652.2
2016	408.6	336.0	744.6
2017	402.4	369.5	771.9
2018	480.7	382.6	863.3
2019	177.2	195.2	372.4

Source: Accountant General, as at 31 March 2019

Contingent Liabilities

At 31 March 2019, the Government's guaranteed contingent liabilities were approximately U.S.\$46.4 million compared to U.S.\$488.4 million at 31 March 2018. The reduction was a result of the release of the Government from its obligations as a guarantor or surety under any Barbados law-governed debt instruments and overdraft facilities issued or contracted by certain state-owned enterprises, public institutions and government supported entities as a condition of the acceptance of the Domestic Exchange Offer.

TERMS AND CONDITIONS OF THE 2029 BONDS

This section of this invitation memorandum sets forth the text of the Terms and Conditions of the 2029 Bonds. Barbados urges you to read the Trust Deed and the Agency Agreement for a complete description of Barbados' obligations and your rights as a holder of the 2029 Bonds. In subscribing for the 2029 Bonds, you will be deemed to be aware of the terms of the Trust Deed and Agency Agreement.

(1) GENERAL

These bonds due 1 October 2029 (the “*Bonds*”, which expression shall, in these Conditions, unless the context otherwise requires, include any further bonds issued and forming a single Series with the Bonds) are:

- (a) authorised and issued or to be issued by the Government of Barbados (“*Barbados*”) pursuant to the trust deed (the “*Trust Deed*”) made between Barbados and The Bank of New York Mellon (the “*Trustee*”, which expression shall include its successor(s)) as trustee for the Holders of the Bonds; and
- (b) constituted by the Trust Deed.

The Bonds shall be Debt Securities for the purposes of the Trust Deed. Terms used but not defined herein shall have the respective meanings given to them in the Trust Deed. The Holders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed applicable to them.

(2) FORM, DENOMINATION AND TITLE

- (a) Form and Denomination
 - (i) The Bonds are in fully registered form only, without interest coupons, in minimum denominations of U.S.\$100 and integral multiples of U.S.\$100 in excess thereof.
 - (ii) The Bonds will be represented by separate permanent global certificates (the “*Restricted Global Certificate*” and the “*Unrestricted Global Certificate*” and, together, the “*Global Certificates*”) which will both be deposited with the Registrar as custodian for The Depository Trust Company (“*DTC*”) and registered in the name of Cede & Co. as nominee of DTC. The Restricted Global Certificate will represent Bonds which are restricted securities within the meaning of Rule 144(a)(3) under the United States Securities Act of 1933, as amended (the “*Securities Act*”). Bonds sold in offshore transactions in reliance on Regulation S under the Securities Act will be represented by the Unrestricted Global Certificate. Interests in the Restricted Global Certificate will be exchangeable for interests in the Unrestricted Global Certificate and vice versa in the circumstances specified therein.
 - (iii) The Restricted Global Certificate will be exchanged in whole (but not in part) for duly authenticated and completed individual debt security certificates (“*Restricted Individual Certificates*”) and, if applicable, the Unrestricted Global Certificate will be exchanged in whole (but not in part) for duly authenticated and completed individual debt security certificates (“*Unrestricted Individual Certificates*” and, together with Restricted Individual Certificates and the Global Certificates, “*Certificates*”) if any of the following events occurs:

- (A) DTC notifies Barbados that it is no longer willing or able to discharge properly its responsibilities as depositary with respect to the Restricted Global Certificate or the Unrestricted Global Certificate, as the case may be, or ceases to be a clearing agency (as defined in the United States Securities Exchange Act of 1934, as amended), or is at any time no longer eligible to act as such, and Barbados is (in the case of DTC ceasing to be a depositary) unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of DTC; or
- (B) any Bond becomes immediately due and payable following the occurrence of an Event of Default (as defined in Condition (12)), is not duly redeemed (and the funds required for redemption are not available to the Registrar for the purpose of effecting such redemption or do not remain available for such purpose) by 5:00 p.m. (New York City time) on the thirtieth day after the time the Bonds become immediately due and payable and such Holder requests the Trustee to issue a Certificate.

(3) TITLE

(a)

- (i) The Registrar will maintain a register (the “*Register*”) in respect of the Bonds in accordance with the provisions of the Agency Agreement. In these Conditions the “*Holder*” of a Bond means the person in whose name such Bond is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof). A Certificate will be issued to each Holder in respect of its registered holding.
- (ii) The Holder of each Bond shall (except as otherwise required by applicable law or regulatory requirement) be treated as the absolute owner of such Bond for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest thereof or therein, any writing on the Certificate relating thereto (other than the completion of the form of transfer) or any notice of any previous loss or theft of such Certificate) and no person shall be liable for so treating such holder.

(b) Trust Deed

Each Holder of this Series of Bonds is entitled as a beneficiary of the trusts established under the Trust Deed in respect of Barbados’ covenants given to the Trustee pursuant to the Trust Deed including, without limitation, the covenant to pay set out in Clause 2 thereof. The Trustee holds the benefit of such covenants on trust for the Holders of this Series of Bonds and itself in accordance with the terms of the Trust Deed. Subject to the next sentence, only the Trustee may enforce the provisions of the Trust Deed and these Conditions. No Holder of the Bonds of this Series shall be entitled to (i) take any steps or action against Barbados to enforce the performance of any of the provisions of the Trust Deed, the Agency Agreement or these Conditions or (ii) take any other proceedings (including lodging an appeal in any proceedings) in respect of or concerning Barbados and arising out of or in connection with the Trust Deed, the Agency Agreement or these Conditions, in each case unless the Trustee, having become bound pursuant to the Trust Deed to take any such action, steps or proceedings, fails to do so within 60 days and such failure is continuing.

(4) STATUS OF THE BONDS AND NEGATIVE PLEDGE

(a) Status

The Bonds are the direct, unconditional and unsecured obligations of Barbados and rank and will rank *pari passu*, without preference among themselves, with all other unsecured External Indebtedness of Barbados, from time to time outstanding, *provided, however*, that Barbados shall have no obligation to effect equal or rateable payment(s) at any time with respect to any such other External Indebtedness and, in particular, shall have no obligation to pay other External Indebtedness at the same time or as a condition of paying sums due on the Bonds and vice versa.

(b) Negative Pledge

(i) So long as any Bond remains Outstanding, Barbados will not create or permit to subsist any Security Interest (other than a Permitted Security Interest) upon the whole or any part of its properties, assets or revenues, present or future, to secure any present or future Public External Indebtedness of Barbados without, in any such case, at the same time or prior thereto according to the Bonds (i) equally and rateably therewith, the same or equivalent Security Interest as is granted to or is outstanding in respect of such Public External Indebtedness or (ii) such other Security Interest or such guarantee, indemnity or other like obligation as is approved by the Holders by an Extraordinary Resolution.

(ii) In these Conditions:

(A) “*External Indebtedness*” means Indebtedness which is payable or may be paid (a) in a currency other than the currency of Barbados and (b) to a Person resident or having its principal place of business outside Barbados;

(B) “*Indebtedness*” means any obligation (whether present, future, actual or contingent) of any Person for the payment or repayment of money which has been borrowed or raised (including money raised by acceptances and leasing);

(C) “*Permitted Security Interest*” means:

1. any Security Interest upon any property or asset (and any revenues therefrom) to secure Public External Indebtedness of Barbados incurred for the purpose of financing the acquisition, development or construction of such property or asset (and any revenues therefrom) and any renewal or extension of any such Security Interest which is limited to the original property or asset (and revenues) covered thereby and which secures any renewal or extension of the original secured financing;
2. any Security Interest existing upon any property or asset (and any revenues therefrom) to secure Public External Indebtedness of Barbados at the time of its acquisition and any renewal or extension of any such Security Interest which is limited to the original property or asset (and revenues) covered thereby;

3. any Security Interest securing Public External Indebtedness incurred for the purpose of financing all or part of the costs of the acquisition, construction or development of a project, *provided* that (i) the holders of such Public External Indebtedness expressly agree to limit their recourse to the assets and revenues of such project as the principal source of repayment of such Public External Indebtedness and (ii) the property over which such Security Interest is granted consists solely of such assets and revenues or claims that arise from the operation, failure to meet specifications, failure to complete, exploitation, sale or loss of, or damage to, such assets;
 4. any Security Interest in existence as of 11 December 2019 (the “*Issue Date*”) and any renewal or extension thereof which secures only the original secured financing or the renewal or extension thereof; and
 5. any other Security Interest where the amount secured from time to time does not exceed U.S.\$20,000,000 or its equivalent in any other currency or currencies (calculated based on the prevailing exchange rate on the date of the provision of such Security Interest);
- (D) “*Person*” means any individual, company, corporation, firm, partnership, joint venture, association, organisation, government, state or agency of a state or government or other entity, whether or not having a separate legal personality;
- (E) “*Public External Indebtedness*” means External Indebtedness which (a) is publicly offered or privately placed in securities markets outside of Barbados, (b) is in the form of, or represented by, bonds, notes, debentures or similar transferable debt securities and (c) is, or is, at the time of issue, intended by Barbados to be, quoted, listed or ordinarily dealt in on any stock exchange, automated trading system or over-the-counter or other securities market outside of Barbados (including, without limiting the generality of the foregoing, securities eligible for resale pursuant to Rule 144A under the Securities Act (or any successor law or regulation of similar effect)); and
- (F) “*Security Interest*” means any mortgage, charge, pledge, lien (other than a lien arising by operation of law), hypothecation or other security interest or encumbrance, including, without limitation, any equivalent created or arising under the laws of Barbados.

(5) INTEREST

(a) Interest Rate and Interest Payment Dates

Barbados shall pay interest on the principal amount of each Bond at the rate of 6.500 per cent. per annum accruing from 1 October 2019 and ending on 1 October 2029.

Interest on the Bonds will be payable in arrear semi-annually on each 1 April and 1 October commencing on 1 April 2020 (each such date, an “*Interest Payment Date*”) calculated on the basis of a 360-day year composed of twelve 30-day months and will be payable to Holders of record as of 26 March and 25 September of each year (each, a “*Record Date*”).

(b) Interest Accrual

Barbados shall not be required to pay interest on a Bond from and including the due date for redemption of that Bond unless payment for redemption of such Bond is not made by Barbados on such date in which event the obligation of Barbados to pay interest shall continue as provided in the Trust Deed.

(6) REDEMPTION AND PURCHASE OF BONDS

(a) Mandatory Redemption

Barbados shall, to the extent not previously redeemed, purchased or cancelled as provided below, redeem the Bonds on the dates shown below (each, a “*Principal Payment Date*” and together with the Interest Payment Dates, the “*Payment Dates*”) in an amortisation amount such that the aggregate Outstanding Amount of the Bonds (as defined below) is equal to or less than the percentage of the Relevant Principal Amount (as defined below) shown opposite such Principal Payment Date (each an “*Amortisation Amount*”) payable as provided in Condition (7).

<u>Principal Payment Date</u>	<u>Percentage of Relevant Principal Amount</u>
1 April 2025:	90.00%
1 October 2025:	80.00%
1 April 2026:	70.00%
1 October 2026:	60.00%
1 April 2027:	50.00%
1 October 2027:	40.00%
1 April 2028:	30.00%
1 October 2028:	20.00%
1 April 2029:	10.00%
1 October 2029:	0.00%

For purposes of this Condition (6), “*Outstanding Amount*” means the aggregate principal amount of the Bonds outstanding on any Principal Payment Date (as defined below), as shown on the records of the Trustee less the amount of any further issue of Bonds (as permitted by Condition (16) below) that have been consolidated with the Bonds; and “*Relevant Principal Amount*” means the aggregate principal amount of the Bonds outstanding on 1 January 2025.

(b) Purchases

Barbados may at any time purchase or otherwise acquire Bonds at any price in the open market or otherwise.

(c) Cancellation

Any Bond purchased or otherwise acquired by Barbados may be held, reissued, resold or, at the option of Barbados on or after 1 October 2024, cancelled.

(7) PAYMENTS

(a) Payments in respect of the Bonds

Payments of principal and interest or other amounts payable to the Holders under the Bonds will be made to the Holders in the manner provided in, and in accordance with, the Trust Deed, *provided* always that in any event final discharge of the obligation to make payments due to the Holders will only occur on the receipt of such payments by the Holders or by the Trustee on behalf of the Holders.

(b) Payments subject to applicable laws

Payments in respect of the Bonds are subject in all cases to any fiscal or other laws and regulations applicable in the place of payment, but without prejudice to the denomination of the Bonds or the provisions of Condition (7)(a) or Condition (9).

(c) No commissions

No commissions or expenses shall be charged to the Holders in respect of any payments made in accordance with this Condition.

(d) Payment on Business Days

If any date for payment in respect of any Bond is not a business day, the Holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment.

In this paragraph, “business day” for the purposes of any payments made in connection with the Bonds means any day except Saturday, Sunday or any other day on which commercial banks in New York City, London or Bridgetown (or the city where the relevant paying or transfer agent is located) are required or authorised by law to close.

(e) Agents

The initial Paying Agent, Transfer Agent and Registrar and their respective initial offices are specified in the Agency Agreement. Barbados reserves the right at any time to vary or terminate the appointment of any Paying Agent, Transfer Agent or Registrar and to appoint additional or other Paying Agents, Transfer Agents or Registrars *provided* that:

- (i) Barbados will at all times maintain a Transfer Agent with a specified office in the Borough of Manhattan; and

- (ii) if any Series of Bonds are listed on a stock exchange and that stock exchange so requires, Barbados will maintain a paying agent in the region where the stock exchange is located for such Series.

Notice of any termination or appointment and of any changes in specified offices will be given to the Holders promptly by Barbados in accordance with Condition (15) and to the Trustee.

(f) Principal Reinstatement

If any amount of principal or interest falling due under the Bonds on or prior to the Cut-Off Date is not paid on the scheduled due date, and such default is not cured by the date falling 30 days after the expiration of the grace period for such payment (such date being referred to herein the “*Principal Reinstatement Date*”) Barbados shall issue to each Holder of the Bonds (as of the Principal Reinstatement Date) within 30 Business Days after the Principal Reinstatement Date on a pro rata basis an amount of additional Bonds (for each such Holder, a “*Principal Reinstatement*”) equal to 33.33% of the outstanding principal amount of the Bonds as of the Issue Date of the Bonds. The Principal Reinstatement Date shall be the record date for purposes of determining Holders who are entitled to receive such additional Bonds.

The “*Cut-Off Date*” for purposes of this Condition (7) means the latter of the date on which (a) the extended fund facility arrangement for Barbados (the “*Arrangement*”) approved by the Executive Board of the International Monetary Fund (the “*Executive Board*”) on 1 October 2018 shall have expired by its terms; and (b) any extended expiration date for the Arrangement approved by the Executive Board.

If a Principal Reinstatement occurs, Barbados shall (i) file a supplement with the Luxembourg Stock Exchange indicating the principal amount of Bonds issued in connection therewith, and the total principal amount of Bonds outstanding following such Principal Reinstatement and (ii) provide notice of such Principal Reinstatement to the Holders. Bonds issued following a Principal Reinstatement Date will be fungible with other Bonds. The Trust Deed contains instructions for Barbados to notify the Trustee of the Principal Reinstatement, and for the Trustee to instruct DTC to credit these additional Bonds to the account of each Participant holding Bonds Outstanding as of the Principal Reinstatement Date within 30 Business Days after the Principal Reinstatement Date. Nothing herein or in the Trust Deed shall require the Trustee to pro rate the additional Bonds among the beneficial owners thereof or the DTC participants therefor while the Bonds are represented by one or more Global Certificates, such proration to be solely the responsibility of DTC. Only one Principal Reinstatement Date may occur under the Bonds.

(8) NATURAL DISASTER CLAUSE

(a) Event

- (i) Following the occurrence of any Caribbean Earthquake Event, Caribbean Tropical Cyclone Event or Covered Area Rainfall Event, as defined in the CCRIF Policy (an “*Event*”) that occurs prior to 1 October 2027, in respect of which a Policy Payment has been made to Barbados, and subject to paragraph (iv) below, Barbados may elect to defer payment of the Deferred Payment Amounts on a Deferral Date. Any such Deferred Payment Amount shall remain outstanding and shall continue to accrue interest in accordance with paragraph (iii) below.
- (ii) Beginning with the next Payment Date following the relevant Deferral Period, each remaining principal amortisation of the Bonds will be increased by an amount equal to a pro rata portion of principal that is being deferred on the Deferral Date

and a pro rata portion of interest capitalised in accordance with paragraph (iii) below, in each case, taking into account the number of remaining principal amortisation payments of the Bonds.

- (iii) The portion of a Deferred Payment Amount that is comprised of interest will be capitalised and added to principal as each such interest payment falls due under the terms of the Bonds after the relevant Deferral Date. As such interest is converted into principal, the principal amount of the Bonds shall be increased in the amount of such deferred interest.
- (iv) Barbados shall be entitled to defer the Deferred Payment Amount following the occurrence of an Event only if all of the following conditions are satisfied: (A) the CCRIF Policy is in full force and effect and CCRIF has issued a written report confirming that the Event is an Insured Event in respect of which a Policy Payment has been made to Barbados; (B) since the Issue Date, neither of the Coverage Limit or the Exhaustion Point applicable to earthquakes, tropical cyclone or excess rainfall has been reduced, unless it has been reduced by CCRIF and CCRIF has declined a request submitted by Barbados to CCRIF to maintain such Coverage Limit or Exhaustion Point, as the case may be; and (C) the Policy Payment to Barbados resulting from the Event is greater than U.S.\$5 million in the case of a Caribbean Earthquake Event or Covered Area Rainfall Event or U.S.\$7.5 million in the case of a Caribbean Tropical Cyclone Event.

Upon electing to defer the Deferred Payment Amount, Barbados shall at its own expense provide notice thereof (a “*Deferral Claim*”) to the Holders in accordance with Condition (15), describing in reasonable detail the particulars of the Event giving rise to the right to make such Deferral Claim. Barbados shall be entitled to make no more than three Deferral Claims for the Bonds. Additionally, so long as the Bonds are held in DTC, Barbados will arrange through DTC’s Reorganization Services or other relevant corporate action service of DTC (unless DTC no longer provides such a relevant service) a notice describing in reasonable detail the particulars of the Event giving rise to the right to make such Deferral Claim and that the relevant Deferred Payment Amounts will be deferred on a Deferral Date unless Holders of at least 50 per cent. of the aggregate principal amount of the Bonds then Outstanding respond to the DTC notice by providing an affirmative consent to instruct the Trustee to issue a Blocking Notice during the Blocking Period. Upon receipt through DTC of such affirmative consent during the Blocking Period from Holders representing 50 per cent of the aggregate principal amount of the Bonds then Outstanding, the Trustee is directed to issue a Blocking Notice in accordance with paragraph (v) below (such process, a “*DTC Corporate Action Process*”).

- (v) The Holders of at least 50 per cent. of the aggregate principal amount of the Bonds then Outstanding may, at any time during a Blocking Period, direct the Trustee to issue a blocking notice to Barbados (a “*Blocking Notice*”), including through a DTC Corporate Action Process, if such is then available.
- (vi) For purposes of this Condition: “*Caribbean Earthquake Event*”, “*Caribbean Tropical Cyclone Event*”, “*Covered Area Rainfall Event*”, “*Coverage Limit*”, “*Exhaustion Point*”, “*Insured Event*”, “*Policy Payment*” and “*Rainfall Index Loss*” have the meanings given to such terms in the CCRIF Policy.

“*Blocking Period*” means the 15 day period starting on the date Barbados provides notice of a Deferral Claim to the Holders in accordance with paragraph (iv) of this Condition (8).

“*CCRIF*” means CCRIF SPC (formerly, the Caribbean Catastrophe Risk Insurance Facility), or any successor thereof, with whom the Government of Barbados has entered into the CCRIF Policy.

“*CCRIF Policy*” means the Parametric Insurance Contract dated 1 June 2018 which the Government of Barbados has entered into with CCRIF to insure against risks of earthquake, tropical cyclone and excess rainfall, including any documents incorporated by reference therein and any attachments, annexes, appendices or supplements thereto (including but not limited to the applicable coverage summary and associated loss curve data spreadsheet), as such CCRIF Policy may be amended or supplemented from time to time.

“*Deferral Claim*”, in respect of an Event, has the meaning given to such term in paragraph (iv) of this Condition.

“*Deferral Date*” means the Payment Date following the Blocking Period, provided that no Blocking Notice has been validly delivered to Barbados in respect of such Deferral Claim in accordance with paragraph (v) above.

“*Deferred Payment Amount*” means all principal amortisations and interest payments falling due on the Bonds for the consecutive two-year period immediately following the Deferral Date.

“*Deferral Period*” means the consecutive two-year period immediately following a Deferral Date.

“*Return Period (years)*” means the return period applicable to the Event as such term is used in the model and formulae detailed in the CCRIF Policy.

(9) TAXATION

- (a) All payments of interest and principal on the Bonds will be made by Barbados without withholding or deduction for, or on account of, any present or future taxes, levies or duties of whatever nature imposed, levied, collected or assessed by or on behalf of Barbados or any political subdivision or taxing authority thereof (“*Barbados Withholding Taxes*”), unless such withholding or deduction is required by law. In such event, Barbados will pay such additional amounts (“*Additional Amounts*”) as may be necessary in order that the net payment made in respect of the Bonds after such withholding or deduction for or on account of Barbados Withholding Taxes is not less than the amount that would have been receivable in respect of the Bonds in the absence of such withholding or deduction; *provided* that the foregoing obligation to pay Additional Amounts shall not apply to:
 - (i) any Barbados Withholding Taxes that would not have been imposed or levied on a Holder or beneficial owner of the Bonds but for the existence of any present or former connection between such Holder or beneficial owner and Barbados or any political subdivision thereof, including, without limitation, such Holder or beneficial owner (i) being or having been a citizen or resident thereof, (ii)

maintaining or having maintained an office, permanent establishment or branch therein, or (iii) being or having been present or engaged in trade or business therein, except for a connection solely arising from the mere ownership of, or receipt of payment under such Bonds;

- (ii) any Barbados Withholding Taxes imposed with respect to any Bond held by or on behalf of a Holder or beneficial owner who would not be liable for or subject to such Barbados Withholding Taxes by making a declaration of non-residence or other similar claim or exemption to the relevant tax authority if, after having been requested to make such a declaration or claim, such Holder or beneficial owner fails to do so; or
- (iii) any Barbados Withholding Taxes that would not have been so imposed but for the presentation by the Holder of such Bond for payment more than 30 days after the Relevant Date, except to the extent that the Holder thereof would have been entitled to such Additional Amount on the last day of such 30-day period.

(b) The “*Relevant Date*” in relation to any Bond means:

- (i) the due date for payment in respect thereof; or
- (ii) (if the full amount of the monies payable on such date has not been received by the Trustee or the Paying Agent on or prior to such due date) the date on which, the full amount of such monies having been so received, notice to that effect is duly given to the Holders in accordance with Condition (15) or individually.

(c) OID Reporting Requirement

If any Bonds are issued with original issue discount for U.S. federal income tax purposes, the following shall apply:

- (i) Barbados shall file with the Trustee (i) a written notice specifying the amount of original issue discount (including daily rates and accrual periods) accrued on the Bonds and (ii) such other specific information relating to such original issue discount, including, but not limited to, the issue date and yield to maturity of the Bonds, as necessary to satisfy the relevant reporting requirements under the U.S. Internal Revenue Code of 1986, as amended. Individual Bonds, if any, that are issued with original issue discount will bear a legend substantially to the following effect, unless Barbados determines otherwise in compliance with applicable law: THIS BOND HAS BEEN ISSUED WITH ORIGINAL ISSUE DISCOUNT FOR UNITED STATES FEDERAL INCOME TAX PURPOSES. This provision shall not apply with respect to any Bonds for which Barbados has filed IRS Form 8281 with the U.S. Internal Revenue Service. Barbados shall provide a copy of IRS Form 8281, if any, to the Trustee.
- (ii) Barbados shall provide the information described in Condition (9)(c)(i) above to the Trustee based on the lowest applicable issue price for the Bonds, as determined for U.S. federal income tax purposes. By its acceptance of the Bonds, a Holder will be required, to the extent relevant for U.S. federal income tax purposes, to report original issue discount on the Bonds in accordance with the original issue

discount information provided by Barbados to the Trustee pursuant to Condition (9)(c)(i) above.

- (iii) A Holder may request the information described in Condition (9)(c)(i) above in writing (together with such evidence as to the Holder's identity and beneficial entitlement to such Bonds as the Trustee may reasonably request or require) to the Trustee at 240 Greenwich St., 7E, New York, New York 10286, and the Trustee agrees to provide the same to such Holder to the extent the Trustee received such information from Barbados, *provided* that under no circumstances shall the Trustee be responsible for or incur any liability whatsoever to any persons as to the accuracy or correctness of such information provided by Barbados to the Trustee.

(10) PRESCRIPTION

Claims for principal and interest on the Bonds shall become void unless made within the period of five years from the Relevant Date.

(11) MOST FAVOURED CREDITOR

Barbados shall not enter into any arrangement to pay or to settle any Specified Indebtedness issued on or prior to 1 January 2019 (unless such payment is made in compliance with and in accordance with the terms of a final, non-appealable court order or arbitral award) on terms more favourable to the holder thereof (in a net present value sense, where present value is calculated using a constant 12% discount rate) than the terms offered in the invitation memoranda dated 5 November 2019 to the holders of 7.25% Bonds due 2021, 7.00% Bonds due 2022, or 6.625% Bonds due 2035 each issued by Barbados, U.S.\$150,000,000 outstanding loans due 18 December 2018, U.S.\$75,000,000 outstanding loans due 18 December 2019, Fixed Rate Non-Callable Guaranteed Bonds 2007 – 2022 issued by the Barbados Transport Board, Fixed Rate Non-Callable Guaranteed Bonds 2007 – 2022 issued by Barbados Agricultural Management Co. Ltd., Class B Fixed Rate Bonds due 2019 issued by the Government of Barbados in definitive form and Class B Fixed Rate Bonds due 2019 issued by the Government of Barbados (ISIN XS0441235255), without simultaneously making those more favourable terms available to each Holder.

For the purposes of this Condition, "*Specified Indebtedness*" means (a) any Public External Indebtedness of Barbados; and (b) any External Indebtedness of Barbados in the form of commercial loans (provided that any such commercial loan has an aggregate outstanding amount in excess of U.S.\$5,000,000 or its equivalent in another currency), in each case other than Indebtedness under the Correctional Facility Lease between Barbados and Barbados Correction Corporation originally dated 15 October 2007 (as amended).

(12) EVENTS OF DEFAULT

- (a) Events of Default

The following shall each constitute an "*Event of Default*":

- (i) Barbados fails to pay any amount of principal or interest in respect of the Bonds on the due date for payment thereof and such default continues for 30 days or more;
- (ii) Barbados defaults in the performance or observance of any of its other obligations under or in respect of the Trust Deed, the Agency Agreement or the Conditions of the Bonds and such default remains unremedied for 60 days after written notice

requiring such default to be remedied has been delivered to Barbados by any Holder or the Trustee;

- (iii) (A) any External Indebtedness incurred by Barbados after the Issue Date (aggregating U.S.\$20,000,000, or its equivalent in any other currency or currencies, or more) (“*Relevant External Indebtedness*”) becomes due and payable prior to its stated maturity as a result of acceleration of payment thereof following a default by Barbados; (B) any principal or interest on such Relevant External Indebtedness of Barbados is not paid on the due date after giving effect to any applicable grace period; or (C) Barbados fails to pay when due and called after giving effect to any applicable grace period any amount payable by it under any present or future guarantee of or indemnity relating to Relevant External Indebtedness of any Person;
- (iv) A moratorium or suspension of payments is agreed or declared by Barbados in respect of any Relevant External Indebtedness of Barbados;
- (v) Any writ, execution, attachment or similar process shall be levied against all or any substantial part of the assets of Barbados in connection with any judgment for the payment of money in respect of any Indebtedness incurred by Barbados after the Issue Date exceeding U.S.\$25,000,000 (or its equivalent in other currencies) and shall remain unsatisfied, undischarged and in effect for a period of 60 days without a stay of execution, unless such judgment is adequately bonded or is being contested in good faith by appropriate proceedings properly instituted and diligently conducted and, in either case, such process is not being executed against such assets;
- (vi) The validity of the Bonds, the Trust Deed, the Conditions or the Agency Agreement shall be contested by Barbados or any legislative, executive or judicial body or official of Barbados authorised and empowered (either singly or with another such body or official) in each case by law to do so, or Barbados shall deny any of its obligations under the Trust Deed, the Agency Agreement or the relevant Conditions of such Series of Bonds to any of the Holders (whether by a general suspension of payments or a moratorium on the payment of debt or otherwise);
- (vii) Any constitutional provision, treaty, convention, law, regulation, ordinance, decree, consent, approval, licence or other governmental or regulatory authority necessary to enable Barbados to make or perform its obligations under the Trust Deed, the Agency Agreement or the Conditions of such Series of Bonds, or for the validity or enforceability thereof, shall expire, be withheld, revoked, modified, terminated or otherwise cease to remain in full force and effect;
- (viii) Any law, rule or regulation is adopted in Barbados or any change in applicable law in Barbados is made which makes it unlawful for Barbados to comply with its obligations to pay amounts in accordance with Condition (7) in the event that Barbados shall be required to withhold or deduct any taxes, duties, assessments or governmental charges on payments of principal of, or interest on, the Bonds; or
- (ix) Barbados ceases to be a member of the International Monetary Fund (the “*IMF*”) or ceases to be eligible to utilise the resources of the IMF under the IMF Articles of Agreement and such cessation continues for 30 days.

(b) Acceleration and Rescission

If an Event of Default occurs and is continuing, then the Holders of at least 25 per cent. of the aggregate principal amount of the Bonds then Outstanding may direct the Trustee to give notice in writing (an “*Acceleration Notice*”) to Barbados that the Bonds are immediately due and payable, whereupon an amount equal to the aggregate principal amount of the Bonds then Outstanding together with accrued but unpaid interest if any to the date of repayment shall become immediately due and payable, unless the Event of Default has been remedied or waived prior to the receipt of the Acceleration Notice by Barbados.

The Holders of at least 50 per cent. of the aggregate principal amount of the Bonds then Outstanding may direct the Trustee to rescind an Acceleration Notice. Such rescission shall be made by giving notice in writing to Barbados, with a copy to the Trustee, whereupon such Acceleration Notice shall be rescinded and shall have no further effect and any amounts that had become immediately due and payable pursuant to such Acceleration Notice and had not been paid shall remain outstanding on the terms and conditions applicable prior to such Acceleration Notice and any Event of Default referred to in such Acceleration Notice or resulting from a failure to pay any amount that had become due and payable pursuant to such Acceleration Notice shall be irrevocably waived.

No such rescission shall affect any other or any subsequent Event of Default or any right of any Holder in relation thereto. Such rescission will be conclusive and binding on all Holders.

(13) ENFORCEMENT

Subject to the Trust Deed, the Trustee may or shall (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction by the relevant holders), if so requested in writing by Holders for the time being of at least 25 per cent. of the Bonds then Outstanding, take such proceedings against Barbados as it may think fit to enforce the provisions of the Bonds or the Trust Deed.

No Holder shall be entitled to proceed directly against Barbados by instituting any proceeding, judicial or otherwise, with respect to the Bonds or the Trust Deed, or for the appointment of a receiver or a trustee, or for any other remedy hereunder, unless the Trustee, having become bound so to proceed under the Trust Deed, fails to do so within 60 days and the failure shall be continuing.

(14) MEETINGS AND MODIFICATIONS

(a) General

The provisions relating to modifications as set out under Clause 19 of the Trust Deed and for convening meetings of Holders as set out in Schedule 4 of the Trust Deed shall apply to the Bonds, *provided* that, for the purposes of any proposal relating to, or proposed modification of, the Bonds of this Series only or any Multiple Series Aggregation – Single Limb Voting or Multiple Series Aggregation – Two Limb Voting, the Bonds shall be treated as a single Series and all reference to “*Series*” or “*Bonds*” shall be construed accordingly.

Any modification consented to or approved by the Holders of Bonds pursuant to this Condition (14) will be conclusive and binding on all Holders of the Bonds whether or not they have given such consent, and on all future Holders of the Bonds whether or not notation of such modification is made upon the Bonds. Any instrument given by or on behalf of any Holder of a Bond in connection with any consent to or approval of any such modification will be conclusive and binding on all subsequent Holders of that Bond.

(b) Convening a meeting of Holders

A meeting of Holders:

- (i) may be convened by Barbados or the Trustee at any time; and
- (ii) will be convened by Barbados or the Trustee if a meeting is requested in writing by the Holders of not less than 10 per cent. in principal amount of the Bonds then Outstanding.

(c) Non-Reserved Matters

Save as otherwise provided in the Trust Deed, any modification in relation to, or proposal relating to, any matter other than a Reserved Matter may be made if:

- (i) passed at a duly called meeting of Holders by a majority of more than 50 per cent. of the aggregate principal amount of the Bonds then Outstanding; or
- (ii) approved by a written resolution signed by or on behalf of a Holder or Holders of more than 50 per cent. of the aggregate principal amount of the Bonds then Outstanding.

(d) Reserved Matters

(i) Modification of this Series of Debt Securities Only

(A) In relation to a proposal that includes a Reserved Matter, any modification to the terms and conditions of, or any action with respect to, the Bonds may be made or taken if:

- 1. passed at a duly called meeting of Holders by a majority of at least 75 per cent. of the aggregate principal amount of the Bonds then Outstanding; or
- 2. approved by a written resolution signed by or on behalf of a Holder or Holders of at least 75 per cent. of the aggregate principal amount of the Bonds then Outstanding.

(ii) Multiple Series Aggregation – Single Limb Voting

(A) In relation to a proposal that includes a Reserved Matter, any modification to the terms and conditions of, or any action with respect to, two or more series of Debt Securities Capable of Aggregation; *provided* that the Uniformly Applicable condition is satisfied, may be made or taken if:

- 1. passed at a duly called meeting of Holders by a majority of at least 75 per cent. of the aggregate principal amount of the outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in the aggregate); or

2. approved by a written resolution signed by or on behalf of a Holder or Holders of at least 75 per cent. of the aggregate principal amount of the outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in the aggregate).

(B) The “*Uniformly Applicable*” condition will be satisfied if:

1. the holders of all affected series of Debt Securities Capable of Aggregation are invited to exchange, convert, or substitute their debt securities, on the same terms, for (i) the same new instrument or other consideration or (ii) a new instrument, new instruments or other consideration from an identical menu of instruments or other consideration; or
2. the amendments proposed to the terms and conditions of each affected series of Debt Securities Capable of Aggregation would, following implementation of such amendments, result in the amended instruments having identical provisions (other than provisions which are necessarily different, having regard to different currency of issuance).

(iii) Multiple Series Aggregation – Two Limb Voting

(A) In relation to a proposal that includes a Reserved Matter, any modification to the terms and conditions of, or any action with respect to, two or more series of Debt Securities Capable of Aggregation may be made or taken if:

1. passed at a duly called meeting of Holders by a majority of: (a) at least 66 $\frac{2}{3}$ per cent. of the aggregate principal amount of the outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in the aggregate); and (b) more than 50 per cent. of the aggregate principal amount of the outstanding debt securities in each affected series of Debt Securities Capable of Aggregation (taken individually); or
2. approved by a written resolution signed by or on behalf of a Holder or Holders of: (a) at least 66 $\frac{2}{3}$ per cent. of the aggregate principal amount of the outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in the aggregate); and (b) more than 50 per cent. of the aggregate principal amount of the outstanding debt securities in each affected series of Debt Securities Capable of Aggregation (taken individually).

“*Debt Securities Capable of Aggregation*” means those debt securities which include or incorporate by reference Schedule 4 (*Meetings of Holders; Written Resolutions*) and paragraph (I) (*Aggregation Agent; Aggregation Procedures*) of Schedule 4 of the Trust Deed or provisions substantially in those terms which provide for the debt securities which include such provisions to be capable of being aggregated for voting purposes with other series of debt securities.

(e) Binding Effect

A resolution duly passed at a meeting of Holders duly convened and held in accordance with the provisions of the Trust Deed, and a written resolution duly signed by the requisite majority of Holders, will be binding on all Holders and holders of each other affected series of Debt Securities Capable of Aggregation, whether or not they attended any meeting and whether or not they voted for or against the resolution or signed the written resolution.

(15) NOTICES

- (a) Notices to Holders will be valid if sent to them by first class mail (airmail if overseas) at their respective addresses on the Register or, as long as the Notes are listed on the Luxembourg Stock Exchange and traded on the Euro MTF market and the rules of the Luxembourg Stock Exchange so require, published in a leading newspaper having general circulation in Luxembourg or on the website of the Luxembourg Stock Exchange (<http://www.bourse.lu>). Any such notice shall be deemed to have been given, when required to be published in accordance with the rules of the Luxembourg Stock Exchange, on the date of such publication (or, if published more than once, on the first date on which publication is made) or, as the case may be, on the fourth day after the date of mailing.
- (b) Notices to Barbados to be given by any Holder shall be in writing and in English and given by lodging the same at the Ministry of Finance, Economic Affairs and Investment at the address below:

The Ministry of Finance, Economic Affairs and Investment
Government Headquarters
Bay Street
St. Michael, Barbados
Attention: Permanent Secretary (Finance)

(16) FURTHER ISSUES

Barbados shall be at liberty from time to time without the consent of the Holders to create and issue further bonds having terms and conditions the same as the Bonds or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with and increase the outstanding aggregate principal amount of the Bonds, provided that such additional Bonds do not have, for purposes of U.S. federal income taxation (regardless of whether any holders of such Bonds are subject to U.S. federal laws), a greater amount of original issue discount than the Bonds have as of the date of issuance of such additional Bonds.

(17) INDEMNIFICATION OF TRUSTEE

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from any obligation to take proceedings to enforce repayment unless indemnified and/or secured and/or prefunded to its satisfaction. The Trust Deed also contains provisions pursuant to which the Trustee is entitled *inter alia*, (i) to enter into business transactions with Barbados or any person or body corporate associated with the Government of Barbados and to act as trustee for the holders of any other securities issued by or relating to Barbados or any person or body corporate associated with the Government of Barbados, (ii) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Holders, and (iii) to retain

and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

(18) GOVERNING LAW

- (a) The Bonds and any non-contractual obligations arising out of or in connection with the Bonds shall be governed by and construed in accordance with the law of England.
- (b) Subject to Condition (18)(l), Barbados irrevocably and unconditionally agrees for the exclusive benefit of the Trustee that any federal court in the Southern District of New York or any state court in the Borough of Manhattan, The City of New York, any court of England and any competent court in Barbados (collectively referred to “*Specified Courts*”) shall have jurisdiction to settle any suit, action or proceeding against Barbados or its properties, assets or revenues arising out of or in connection with the Bonds or Barbados’ failure or alleged failure to perform any obligations under the Bonds (a “*Related Proceeding*”). Any proceeding against the Trustee arising out of or related to the Trust Deed or the Bonds shall be commenced solely in the courts of England. Barbados and the Holders, by their acceptance of the Bonds, agree to the foregoing and submit to the exclusive jurisdiction of any such court.
- (c) The Trustee may not initiate a Related Proceeding in any jurisdiction other than in the Specified Courts.
- (d) Barbados irrevocably appoints: (i) the High Commissioner of Barbados at 1 Great Russell St, Fitzrovia, London WC1B 3ND, UK to receive service of process in relation to any Related Proceeding in England, and (ii) the Consul General of Barbados at 820 2nd Ave, New York, NY 10017 to receive service of process in relation to any Related Proceeding in New York.
- (e) Barbados hereby irrevocably and unconditionally waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to Related Proceedings brought in a Specified Court whether on the grounds of venue, residence or domicile or on the ground that the Related Proceedings have been brought in an inconvenient forum (except for any Related Proceedings relating to the securities laws of the United States or any state thereof).
- (f) A final non-appealable judgment in any such Related Proceeding shall be conclusive and may be enforced in other jurisdictions by a suit upon such judgment or in any other manner provided by law.
- (g) Barbados hereby irrevocably waives, to the extent permitted by applicable law and international conventions, (a) any immunity from jurisdiction it may have in any Related Proceeding in the courts of England, and (b) except as provided below, any immunity from attachment or execution to which its assets or property might otherwise be entitled in any Related Proceeding in the courts of England, and agrees that it will not claim any such immunity in any such Related Proceeding.
- (h) Notwithstanding the foregoing, the above waiver shall not constitute a waiver of immunity from attachment or execution with respect to:
 - (i) any property of the Central Bank of Barbados,

- (ii) any property of Barbados located in the territory of Barbados,
 - (iii) any property located in or outside the territory of Barbados that provides an essential public service,
 - (iv) any property entitled to the privileges and immunities of the Vienna Convention on Diplomatic Relations of 1961 and the Vienna Convention on Consular Relations of 1963, including, but not limited to, property, premises and bank accounts used by the missions of Barbados,
 - (v) any property of a diplomatic, governmental or consular mission of Barbados,
 - (vi) taxes, duties, levies, assessments, royalties or any other governmental charges imposed by Barbados, including the right of Barbados to collect any such charges,
 - (vii) any property of a military character or under the control of a military authority or defence agency of Barbados,
 - (viii) property forming part of the cultural heritage of Barbados, or
 - (ix) property of Barbados outside Barbados not used for a commercial purpose.
- (i) For the purposes of this Condition (18), “*property*” includes, without limitation, assets, accounts, bank deposits, cash, revenues, securities and rights, including rights against third parties.
- (j) Subject to Condition (18)(l), to the extent that Barbados or any of its revenues, assets or properties shall be entitled, in any jurisdiction in which any federal court in the Southern District of New York or any state court in the Borough of Manhattan, The City of New York is located, in which any Related Proceeding may at any time be brought against it or any of its revenues, assets or properties, or in any jurisdiction in which any federal court in the Southern District of New York or any state court in the Borough of Manhattan, The City of New York is located in which any suit, action or proceeding may at any time be brought for the purpose of enforcing or executing any judgment issued in any Related Proceeding (a “*Related Judgment*”), to any immunity from suit, from the jurisdiction of any such court, from set-off, from attachment prior to a Related Judgment, from attachment in aid of execution of a Related Judgment, from execution of a Related Judgment or from any other legal or judicial process or remedy, and to the extent that in any such jurisdiction there shall be attributed such an immunity, Barbados irrevocably waives such immunity to the fullest extent permitted by the laws of such jurisdiction, including the United States Foreign Sovereign Immunities Act of 1976 (the “*Immunities Act*”) (and consents to the giving of any relief or the issue of any process in connection with any Related Proceeding or Related Judgment as permitted by applicable law, including the Immunities Act), *provided, however*, that such waiver shall not extend to and Barbados shall be immune in respect of and in relation to any suit, action or proceeding or enforcement of any Related Judgment against:
- (i) any property of the Central Bank of Barbados,
 - (ii) any property of Barbados located in the territory of Barbados,

- (iii) any property located in or outside the territory of Barbados that provides an essential public service,
 - (iv) any property entitled to the privileges and immunities of the Vienna Convention on Diplomatic Relations of 1961 and the Vienna Convention on Consular Relations of 1963, including, but not limited to, property, premises and bank accounts used by the missions of Barbados,
 - (v) any property of a diplomatic, governmental or consular mission of Barbados,
 - (vi) taxes, duties, levies, assessments, royalties or any other governmental charges imposed by Barbados, including the right of Barbados to collect any such charges,
 - (vii) any property of a military character or under the control of a military authority or defence agency of Barbados,
 - (viii) property forming part of the cultural heritage of Barbados, or
 - (ix) property of Barbados outside Barbados not used for a commercial purpose.
- (k) The foregoing constitutes a limited and specific waiver by Barbados solely for the purposes of the Trust Deed and the Bonds and under no circumstance shall it be construed as a general waiver by Barbados or a waiver with respect to proceedings unrelated to the Trust Deed or the Bonds.
- (l) Barbados reserves the right to plead sovereign immunity under the Immunities Act with respect to actions brought against it under the U.S. federal securities laws or any state securities laws and the appointment of an agent for service of process does not extend to such actions.

(19) HOLDERS' COMMITTEE

- (a) Appointment
- (i) Holders of at least 25 per cent. of the aggregate principal amount of the outstanding Bonds may, by notice in writing to Barbados (with a copy to the Trustee), appoint any person or persons as a committee to represent the interests of such holders (as well as the interests of any holders of outstanding Indebtedness of Barbados who wish to be represented by such a committee) if any of the following events has occurred:
 - (A) an Event of Default under Condition (12) (*Events of Default*);
 - (B) any public announcement by Barbados, to the effect that Barbados is seeking or intends to seek a rescheduling or restructuring of the Bonds (whether by amendment, exchange offer or otherwise); or
 - (C) with the agreement of Barbados, at a time when Barbados has reasonably reached the conclusion that its debt may no longer be sustainable whilst the Bonds or any other affected Indebtedness of Barbados is outstanding.

- (ii) Upon receipt of a written notice that a committee has been appointed in accordance with paragraph (a)(i) of this Condition (19) (*Holders' Committee*), and a certificate delivered pursuant to paragraph (d) of this Condition (19) (*Holders' Committee*), Barbados shall give notice of the appointment of such a committee to all Holders in accordance with Condition (15) (*Notices*) as soon as practicable after such written notice and such certificate are delivered to Barbados.

(b) Powers

Such committee in its discretion may, among other things:

- (i) engage legal advisers and financial advisers to assist it in representing the interests of the Holders;
- (ii) adopt such rules as it considers appropriate regarding its proceedings;
- (iii) enter into discussions with Barbados and/or other creditors of Barbados; and
- (iv) designate one or more members of the committee to act as the main point(s) of contact with Barbados and provide all relevant contact details to Barbados.

Except to the extent provided in this paragraph (b) of this Condition (19) (*Holders' Committee*), such committee shall not have the ability to exercise any powers or discretions which the Holders could themselves exercise.

(c) Engagement with the Committee and Provision of Information

- (i) Barbados shall:
 - (A) subject to paragraph (c)(ii) of this Condition (19) (*Holders' Committee*), engage with the committee in good faith;
 - (B) pay such fees and expenses of the committee (including, without limitation, fees and expenses of the committee's legal and financial advisers, if any) but only to the extent agreed in writing between Barbados and the committee, it being understood that nothing in this clause shall impose an obligation or expectation on Barbados to make any such payment without the prior agreement of Barbados; and
 - (C) provide the committee with information equivalent to that required under paragraph (g) (*Information*) of Schedule 4 of the Trust Deed and related proposals, if any, in each case as the same become available, subject to any applicable information disclosure policies, rules and regulations.
- (ii) If more than one committee has been appointed by holders of affected series of Bonds in accordance with the provisions of this Condition (19) (*Holders' Committee*) and/or equivalent provisions set out in the terms and conditions of any affected Indebtedness of Barbados, Barbados shall not be obliged to engage with such committees separately. Such committees may appoint a single steering group (to be comprised of representatives from such committees), whereupon Barbados shall engage with such steering group.

(d) Certification

Upon the appointment of a committee, the person or persons constituting such a committee (the “*Members*”) will provide a certificate to Barbados and to the Trustee signed by the authorised representatives of the Members, and Barbados and the Trustee may rely upon the terms of such certificate.

The certificate shall certify:

- (A) that the committee has been appointed;
- (B) the identity of the initial Members; and
- (C) that such appointment complies with the terms and conditions of the relevant bond documentation.

Promptly after any change in the identity of the Members, a new certificate which each of Barbados and the Trustee may rely on conclusively, will be delivered to Barbados and the Trustee identifying the new Members. Each of Barbados and the Trustee will assume that the membership of the committee has not changed unless and until it has received a new certificate.

The provisions of this paragraph (d) of this Condition (19) (*Holders’ Committee*) shall apply, mutatis mutandis, to any steering group appointed in accordance with paragraph (c)(ii) of this Condition (19) (*Holders’ Committee*).

TERMS AND CONDITIONS OF THE PDI BONDS

This section of this invitation memorandum sets forth the text of the Terms and Conditions of the PDI Bonds. Barbados urges you to read the Trust Deed and the Agency Agreement for a complete description of Barbados' obligations and your rights as a holder of the PDI Bonds. In subscribing for the PDI Bonds, you will be deemed to be aware of the terms of the Trust Deed and Agency Agreement.

(1) GENERAL

These bonds due 1 February 2021 (the “*Bonds*”, which expression shall, in these Conditions, unless the context otherwise requires, include any further bonds issued and forming a single Series with the Bonds) are:

- (a) authorised and issued or to be issued by the Government of Barbados (“*Barbados*”) pursuant to the trust deed (the “*Trust Deed*”) made between Barbados and The Bank of New York Mellon (the “*Trustee*”, which expression shall include its successor(s)) as trustee for the Holders of the Bonds; and
- (b) constituted by the Trust Deed.

The Bonds shall be Debt Securities for the purposes of the Trust Deed. Terms used but not defined herein shall have the respective meanings given to them in the Trust Deed. The Holders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed applicable to them.

(2) FORM, DENOMINATION AND TITLE

- (a) Form and Denomination
 - (i) The Bonds are in fully registered form only, without interest coupons, in minimum denominations of U.S.\$100 and integral multiples of U.S.\$100 in excess thereof.
 - (ii) The Bonds will be represented by separate permanent global certificates (the “*Restricted Global Certificate*” and the “*Unrestricted Global Certificate*” and, together, the “*Global Certificates*”) which will both be deposited with the Registrar as custodian for The Depository Trust Company (“*DTC*”) and registered in the name of Cede & Co. as nominee of DTC. The Restricted Global Certificate will represent Bonds which are restricted securities within the meaning of Rule 144(a)(3) under the United States Securities Act of 1933, as amended (the “*Securities Act*”). Bonds sold in offshore transactions in reliance on Regulation S under the Securities Act will be represented by the Unrestricted Global Certificate. Interests in the Restricted Global Certificate will be exchangeable for interests in the Unrestricted Global Certificate and vice versa in the circumstances specified therein.
 - (iii) The Restricted Global Certificate will be exchanged in whole (but not in part) for duly authenticated and completed individual debt security certificates (“*Restricted Individual Certificates*”) and, if applicable, the Unrestricted Global Certificate will be exchanged in whole (but not in part) for duly authenticated and completed individual debt security certificates (“*Unrestricted Individual Certificates*” and, together with Restricted Individual Certificates and the Global Certificates, “*Certificates*”) if any of the following events occurs:

- (A) DTC notifies Barbados that it is no longer willing or able to discharge properly its responsibilities as depositary with respect to the Restricted Global Certificate or the Unrestricted Global Certificate, as the case may be, or ceases to be a clearing agency (as defined in the United States Securities Exchange Act of 1934, as amended), or is at any time no longer eligible to act as such, and Barbados is (in the case of DTC ceasing to be a depositary) unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of DTC; or
- (B) any Bond becomes immediately due and payable following the occurrence of an Event of Default (as defined in Condition (12)), is not duly redeemed (and the funds required for redemption are not available to the Registrar for the purpose of effecting such redemption or do not remain available for such purpose) by 5:00 p.m. (New York City time) on the thirtieth day after the time the Bonds become immediately due and payable and such Holder requests the Trustee to issue a Certificate.

(3) TITLE

(a)

- (i) The Registrar will maintain a register (the “*Register*”) in respect of the Bonds in accordance with the provisions of the Agency Agreement. In these Conditions the “*Holder*” of a Bond means the person in whose name such Bond is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof). A Certificate will be issued to each Holder in respect of its registered holding.
- (ii) The Holder of each Bond shall (except as otherwise required by applicable law or regulatory requirement) be treated as the absolute owner of such Bond for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest thereof or therein, any writing on the Certificate relating thereto (other than the completion of the form of transfer) or any notice of any previous loss or theft of such Certificate) and no person shall be liable for so treating such holder.

(b) Trust Deed

Each Holder of this Series of Bonds is entitled as a beneficiary of the trusts established under the Trust Deed in respect of Barbados’ covenants given to the Trustee pursuant to the Trust Deed including, without limitation, the covenant to pay set out in Clause 2 thereof. The Trustee holds the benefit of such covenants on trust for the Holders of this Series of Bonds and itself in accordance with the terms of the Trust Deed. Subject to the next sentence, only the Trustee may enforce the provisions of the Trust Deed and these Conditions. No Holder of the Bonds of this Series shall be entitled to (i) take any steps or action against Barbados to enforce the performance of any of the provisions of the Trust Deed, the Agency Agreement or these Conditions or (ii) take any other proceedings (including lodging an appeal in any proceedings) in respect of or concerning Barbados and arising out of or in connection with the Trust Deed, the Agency Agreement or these Conditions, in each case unless the Trustee, having become bound pursuant to the Trust Deed to take any such action, steps or proceedings, fails to do so within 60 days and such failure is continuing.

(4) STATUS OF THE BONDS AND NEGATIVE PLEDGE

(a) Status

The Bonds are the direct, unconditional and unsecured obligations of Barbados and rank and will rank *pari passu*, without preference among themselves, with all other unsecured External Indebtedness of Barbados, from time to time outstanding, *provided, however*, that Barbados shall have no obligation to effect equal or rateable payment(s) at any time with respect to any such other External Indebtedness and, in particular, shall have no obligation to pay other External Indebtedness at the same time or as a condition of paying sums due on the Bonds and vice versa.

(b) Negative Pledge

- (i) So long as any Bond remains Outstanding, Barbados will not create or permit to subsist any Security Interest (other than a Permitted Security Interest) upon the whole or any part of its properties, assets or revenues, present or future, to secure any present or future Public External Indebtedness of Barbados without, in any such case, at the same time or prior thereto according to the Bonds (i) equally and rateably therewith, the same or equivalent Security Interest as is granted to or is outstanding in respect of such Public External Indebtedness or (ii) such other Security Interest or such guarantee, indemnity or other like obligation as is approved by the Holders by an Extraordinary Resolution.

(ii) In these Conditions:

- (A) “*External Indebtedness*” means Indebtedness which is payable or may be paid (a) in a currency other than the currency of Barbados and (b) to a Person resident or having its principal place of business outside Barbados;

- (B) “*Indebtedness*” means any obligation (whether present, future, actual or contingent) of any Person for the payment or repayment of money which has been borrowed or raised (including money raised by acceptances and leasing);

- (C) “*Permitted Security Interest*” means:

1. any Security Interest upon any property or asset (and any revenues therefrom) to secure Public External Indebtedness of Barbados incurred for the purpose of financing the acquisition, development or construction of such property or asset (and any revenues therefrom) and any renewal or extension of any such Security Interest which is limited to the original property or asset (and revenues) covered thereby and which secures any renewal or extension of the original secured financing;
2. any Security Interest existing upon any property or asset (and any revenues therefrom) to secure Public External Indebtedness of Barbados at the time of its acquisition and any renewal or extension of any such Security Interest which is limited to the original property or asset (and revenues) covered thereby;

3. any Security Interest securing Public External Indebtedness incurred for the purpose of financing all or part of the costs of the acquisition, construction or development of a project, *provided* that (i) the holders of such Public External Indebtedness expressly agree to limit their recourse to the assets and revenues of such project as the principal source of repayment of such Public External Indebtedness and (ii) the property over which such Security Interest is granted consists solely of such assets and revenues or claims that arise from the operation, failure to meet specifications, failure to complete, exploitation, sale or loss of, or damage to, such assets;
 4. any Security Interest in existence as of 11 December 2019 (the “*Issue Date*”) and any renewal or extension thereof which secures only the original secured financing or the renewal or extension thereof; and
 5. any other Security Interest where the amount secured from time to time does not exceed U.S.\$20,000,000 or its equivalent in any other currency or currencies (calculated based on the prevailing exchange rate on the date of the provision of such Security Interest);
- (D) “*Person*” means any individual, company, corporation, firm, partnership, joint venture, association, organisation, government, state or agency of a state or government or other entity, whether or not having a separate legal personality;
- (E) “*Public External Indebtedness*” means External Indebtedness which (a) is publicly offered or privately placed in securities markets outside of Barbados, (b) is in the form of, or represented by, bonds, notes, debentures or similar transferable debt securities and (c) is, or is, at the time of issue, intended by Barbados to be, quoted, listed or ordinarily dealt in on any stock exchange, automated trading system or over-the-counter or other securities market outside of Barbados (including, without limiting the generality of the foregoing, securities eligible for resale pursuant to Rule 144A under the Securities Act (or any successor law or regulation of similar effect)); and
- (F) “*Security Interest*” means any mortgage, charge, pledge, lien (other than a lien arising by operation of law), hypothecation or other security interest or encumbrance, including, without limitation, any equivalent created or arising under the laws of Barbados.

(5) INTEREST

(a) Interest Rate and Interest Payment Dates

Barbados shall pay interest on the principal amount of each Bond at the rate of 6.500 per cent. per annum accruing from 1 October 2019 and ending on 1 February 2021.

Interest on the Bonds will be payable in arrear on 1 October 2020 and 1 February 2021 (each such date, an “*Interest Payment Date*”) calculated on the basis of a 360-day year composed of twelve 30-day months and will be payable to Holders of record as of 25 September 2020 and 26 January 2021 (each, a “*Record Date*”).

(b) Interest Accrual

Barbados shall not be required to pay interest on a Bond from and including the due date for redemption of that Bond unless payment for redemption of such Bond is not made by Barbados on such date in which event the obligation of Barbados to pay interest shall continue as provided in the Trust Deed.

(6) REDEMPTION AND PURCHASE OF BONDS

(a) Mandatory Redemption

Barbados shall, to the extent not previously redeemed, purchased or cancelled as provided below, redeem the Bonds on the dates shown below (each, a “*Principal Payment Date*”) in an amortisation amount shown opposite such Principal Payment Date, payable as provided in Condition (7).

<u>Principal Payment Date</u>	<u>Amortisation Amount</u>
1 October 2020:	U.S.\$30,000,000
1 February 2021:	U.S.\$2,500,000

(b) Redemption at the option of Barbados

Barbados may on any one or more occasions redeem all or a part of the Bonds, upon not giving less than 30 nor more than 60 calendar days’ notice to the Holders and the Trustee in accordance with Condition (15), at a redemption price equal to 100 per cent of the principal amount thereof, together with interest accrued and unpaid to the date fixed for redemption.

(c) Purchases

Barbados may at any time purchase or otherwise acquire Bonds at any price in the open market or otherwise.

(d) Cancellation

Any Bond purchased or otherwise acquired by Barbados may be held, reissued, resold or, at the option of Barbados, cancelled.

(7) PAYMENTS

(a) Payments in respect of the Bonds

Payments of principal and interest or other amounts payable to the Holders under the Bonds will be made to the Holders in the manner provided in, and in accordance with, the Trust Deed, *provided* always that in any event final discharge of the obligation to make payments due to the Holders will only occur on the receipt of such payments by the Holders or by the Trustee on behalf of the Holders.

(b) Payments subject to applicable laws

Payments in respect of the Bonds are subject in all cases to any fiscal or other laws and regulations applicable in the place of payment, but without prejudice to the denomination of the Bonds or the provisions of Condition (7)(a) or Condition (9).

(c) No commissions

No commissions or expenses shall be charged to the Holders in respect of any payments made in accordance with this Condition.

(d) Payment on Business Days

If any date for payment in respect of any Bond is not a business day, the Holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment.

In this paragraph, “business day” for the purposes of any payments made in connection with the Bonds means any day except Saturday, Sunday or any other day on which commercial banks in New York City, London or Bridgetown (or the city where the relevant paying or transfer agent is located) are required or authorised by law to close.

(e) Agents

The initial Paying Agent, Transfer Agent and Registrar and their respective initial offices are specified in the Agency Agreement. Barbados reserves the right at any time to vary or terminate the appointment of any Paying Agent, Transfer Agent or Registrar and to appoint additional or other Paying Agents, Transfer Agents or Registrars *provided* that:

- (i) Barbados will at all times maintain a Transfer Agent with a specified office in the Borough of Manhattan; and
- (ii) if any Series of Bonds are listed on a stock exchange and that stock exchange so requires, Barbados will maintain a paying agent in the region where the stock exchange is located for such Series.

Notice of any termination or appointment and of any changes in specified offices will be given to the Holders promptly by Barbados in accordance with Condition (15) and to the Trustee.

(8) [INTENTIONALLY OMITTED]

(9) TAXATION

- (a) All payments of interest and principal on the Bonds will be made by Barbados without withholding or deduction for, or on account of, any present or future taxes, levies or duties of whatever nature imposed, levied, collected or assessed by or on behalf of Barbados or any political subdivision or taxing authority thereof (“*Barbados Withholding Taxes*”), unless such withholding or deduction is required by law. In such event, Barbados will pay such additional amounts (“*Additional Amounts*”) as may be necessary in order that the net payment made in respect of the Bonds after such withholding or deduction for or on account of Barbados Withholding Taxes is not less than the amount that would have been

receivable in respect of the Bonds in the absence of such withholding or deduction; *provided* that the foregoing obligation to pay Additional Amounts shall not apply to:

- (i) any Barbados Withholding Taxes that would not have been imposed or levied on a Holder or beneficial owner of the Bonds but for the existence of any present or former connection between such Holder or beneficial owner and Barbados or any political subdivision thereof, including, without limitation, such Holder or beneficial owner (i) being or having been a citizen or resident thereof, (ii) maintaining or having maintained an office, permanent establishment or branch therein, or (iii) being or having been present or engaged in trade or business therein, except for a connection solely arising from the mere ownership of, or receipt of payment under such Bonds;
 - (ii) any Barbados Withholding Taxes imposed with respect to any Bond held by or on behalf of a Holder or beneficial owner who would not be liable for or subject to such Barbados Withholding Taxes by making a declaration of non-residence or other similar claim or exemption to the relevant tax authority if, after having been requested to make such a declaration or claim, such Holder or beneficial owner fails to do so; or
 - (iii) any Barbados Withholding Taxes that would not have been so imposed but for the presentation by the Holder of such Bond for payment more than 30 days after the Relevant Date, except to the extent that the Holder thereof would have been entitled to such Additional Amount on the last day of such 30-day period.
- (b) The “*Relevant Date*” in relation to any Bond means:
- (i) the due date for payment in respect thereof; or
 - (ii) (if the full amount of the monies payable on such date has not been received by the Trustee or the Paying Agent on or prior to such due date) the date on which, the full amount of such monies having been so received, notice to that effect is duly given to the Holders in accordance with Condition (15) or individually.
- (c) **OID Reporting Requirement**

If any Bonds are issued with original issue discount for U.S. federal income tax purposes, the following shall apply:

- (i) Barbados shall file with the Trustee (i) a written notice specifying the amount of original issue discount (including daily rates and accrual periods) accrued on the Bonds and (ii) such other specific information relating to such original issue discount, including, but not limited to, the issue date and yield to maturity of the Bonds, as necessary to satisfy the relevant reporting requirements under the U.S. Internal Revenue Code of 1986, as amended. Individual Bonds, if any, that are issued with original issue discount will bear a legend substantially to the following effect, unless Barbados determines otherwise in compliance with applicable law: **THIS BOND HAS BEEN ISSUED WITH ORIGINAL ISSUE DISCOUNT FOR UNITED STATES FEDERAL INCOME TAX PURPOSES.** This provision shall not apply with respect to any Bonds for which Barbados has filed IRS Form 8281

with the U.S. Internal Revenue Service. Barbados shall provide a copy of IRS Form 8281, if any, to the Trustee.

- (ii) Barbados shall provide the information described in Condition (9)(c)(i) above to the Trustee based on the lowest applicable issue price for the Bonds, as determined for U.S. federal income tax purposes. By its acceptance of the Bonds, a Holder will be required, to the extent relevant for U.S. federal income tax purposes, to report original issue discount on the Bonds in accordance with the original issue discount information provided by Barbados to the Trustee pursuant to Condition (9)(c)(i) above.
- (iii) A Holder may request the information described in Condition (9)(c)(i) above in writing (together with such evidence as to the Holder's identity and beneficial entitlement to such Bonds as the Trustee may reasonably request or require) to the Trustee at 240 Greenwich St., 7E, New York, New York 10286, and the Trustee agrees to provide the same to such Holder to the extent the Trustee received such information from Barbados, *provided* that under no circumstances shall the Trustee be responsible for or incur any liability whatsoever to any persons as to the accuracy or correctness of such information provided by Barbados to the Trustee.

(10) PRESCRIPTION

Claims for principal and interest on the Bonds shall become void unless made within the period of five years from the Relevant Date.

(11) [INTENTIONALLY OMITTED]

(12) EVENTS OF DEFAULT

(a) Events of Default

The following shall each constitute an "*Event of Default*":

- (i) Barbados fails to pay any amount of principal or interest in respect of the Bonds on the due date for payment thereof and such default continues for 30 days or more;
- (ii) Barbados defaults in the performance or observance of any of its other obligations under or in respect of the Trust Deed, the Agency Agreement or the Conditions of the Bonds and such default remains unremedied for 60 days after written notice requiring such default to be remedied has been delivered to Barbados by any Holder or the Trustee;
- (iii) (A) any External Indebtedness incurred by Barbados after the Issue Date (aggregating U.S.\$20,000,000, or its equivalent in any other currency or currencies, or more) ("*Relevant External Indebtedness*") becomes due and payable prior to its stated maturity as a result of acceleration of payment thereof following a default by Barbados; (B) any principal or interest on such Relevant External Indebtedness of Barbados is not paid on the due date after giving effect to any applicable grace period; or (C) Barbados fails to pay when due and called after giving effect to any applicable grace period any amount payable by it under any present or future guarantee of or indemnity relating to Relevant External

Indebtedness of any Person;

- (iv) A moratorium or suspension of payments is agreed or declared by Barbados in respect of any Relevant External Indebtedness of Barbados;
- (v) Any writ, execution, attachment or similar process shall be levied against all or any substantial part of the assets of Barbados in connection with any judgment for the payment of money in respect of any Indebtedness incurred by Barbados after the Issue Date exceeding U.S.\$25,000,000 (or its equivalent in other currencies) and shall remain unsatisfied, undischarged and in effect for a period of 60 days without a stay of execution, unless such judgment is adequately bonded or is being contested in good faith by appropriate proceedings properly instituted and diligently conducted and, in either case, such process is not being executed against such assets;
- (vi) The validity of the Bonds, the Trust Deed, the Conditions or the Agency Agreement shall be contested by Barbados or any legislative, executive or judicial body or official of Barbados authorised and empowered (either singly or with another such body or official) in each case by law to do so, or Barbados shall deny any of its obligations under the Trust Deed, the Agency Agreement or the relevant Conditions of such Series of Bonds to any of the Holders (whether by a general suspension of payments or a moratorium on the payment of debt or otherwise);
- (vii) Any constitutional provision, treaty, convention, law, regulation, ordinance, decree, consent, approval, licence or other governmental or regulatory authority necessary to enable Barbados to make or perform its obligations under the Trust Deed, the Agency Agreement or the Conditions of such Series of Bonds, or for the validity or enforceability thereof, shall expire, be withheld, revoked, modified, terminated or otherwise cease to remain in full force and effect;
- (viii) Any law, rule or regulation is adopted in Barbados or any change in applicable law in Barbados is made which makes it unlawful for Barbados to comply with its obligations to pay amounts in accordance with Condition (7) in the event that Barbados shall be required to withhold or deduct any taxes, duties, assessments or governmental charges on payments of principal of, or interest on, the Bonds; or
- (ix) Barbados ceases to be a member of the International Monetary Fund (the “IMF”) or ceases to be eligible to utilise the resources of the IMF under the IMF Articles of Agreement and such cessation continues for 30 days.

(b) Acceleration and Rescission

If an Event of Default occurs and is continuing, then the Holders of at least 25 per cent. of the aggregate principal amount of the Bonds then Outstanding may direct the Trustee to give notice in writing (an “*Acceleration Notice*”) to Barbados that the Bonds are immediately due and payable, whereupon an amount equal to the aggregate principal amount of the Bonds then Outstanding together with accrued but unpaid interest if any to the date of repayment shall become immediately due and payable, unless the Event of Default has been remedied or waived prior to the receipt of the Acceleration Notice by Barbados.

The Holders of at least 50 per cent. of the aggregate principal amount of the Bonds then Outstanding may direct the Trustee to rescind an Acceleration Notice. Such rescission shall be made by giving notice in

writing to Barbados, with a copy to the Trustee, whereupon such Acceleration Notice shall be rescinded and shall have no further effect and any amounts that had become immediately due and payable pursuant to such Acceleration Notice and had not been paid shall remain outstanding on the terms and conditions applicable prior to such Acceleration Notice and any Event of Default referred to in such Acceleration Notice or resulting from a failure to pay any amount that had become due and payable pursuant to such Acceleration Notice shall be irrevocably waived.

No such rescission shall affect any other or any subsequent Event of Default or any right of any Holder in relation thereto. Such rescission will be conclusive and binding on all Holders.

(13) ENFORCEMENT

Subject to the Trust Deed, the Trustee may or shall (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction by the relevant holders), if so requested in writing by Holders for the time being of at least 25 per cent. of the Bonds then Outstanding, take such proceedings against Barbados as it may think fit to enforce the provisions of the Bonds or the Trust Deed.

No Holder shall be entitled to proceed directly against Barbados by instituting any proceeding, judicial or otherwise, with respect to the Bonds or the Trust Deed, or for the appointment of a receiver or a trustee, or for any other remedy hereunder, unless the Trustee, having become bound so to proceed under the Trust Deed, fails to do so within 60 days and the failure shall be continuing.

(14) MEETINGS AND MODIFICATIONS

(a) General

The provisions relating to modifications as set out under Clause 19 of the Trust Deed and for convening meetings of Holders as set out in Schedule 4 of the Trust Deed shall apply to the Bonds, *provided* that, for the purposes of any proposal relating to, or proposed modification of, the Bonds of this Series only or any Multiple Series Aggregation – Single Limb Voting or Multiple Series Aggregation – Two Limb Voting, the Bonds shall be treated as a single Series and all reference to “*Series*” or “*Bonds*” shall be construed accordingly.

Any modification consented to or approved by the Holders of Bonds pursuant to this Condition (14) will be conclusive and binding on all Holders of the Bonds whether or not they have given such consent, and on all future Holders of the Bonds whether or not notation of such modification is made upon the Bonds. Any instrument given by or on behalf of any Holder of a Bond in connection with any consent to or approval of any such modification will be conclusive and binding on all subsequent Holders of that Bond.

(b) Convening a meeting of Holders

A meeting of Holders:

- (i) may be convened by Barbados or the Trustee at any time; and
- (ii) will be convened by Barbados or the Trustee if a meeting is requested in writing by the Holders of not less than 10 per cent. in principal amount of the Bonds then Outstanding.

(c) Non-Reserved Matters

Save as otherwise provided in the Trust Deed, any modification in relation to, or proposal relating to, any matter other than a Reserved Matter may be made if:

- (iii) passed at a duly called meeting of Holders by a majority of more than 50 per cent. of the aggregate principal amount of the Bonds then Outstanding; or
- (iv) approved by a written resolution signed by or on behalf of a Holder or Holders of more than 50 per cent. of the aggregate principal amount of the Bonds then Outstanding.

(d) Reserved Matters

(i) Modification of this Series of Debt Securities Only

- (A) In relation to a proposal that includes a Reserved Matter, any modification to the terms and conditions of, or any action with respect to, the Bonds may be made or taken if:
 - 1. passed at a duly called meeting of Holders by a majority of at least 75 per cent. of the aggregate principal amount of the Bonds then Outstanding; or
 - 2. approved by a written resolution signed by or on behalf of a Holder or Holders of at least 75 per cent. of the aggregate principal amount of the Bonds then Outstanding.

(ii) Multiple Series Aggregation – Single Limb Voting

- (A) In relation to a proposal that includes a Reserved Matter, any modification to the terms and conditions of, or any action with respect to, two or more series of Debt Securities Capable of Aggregation; *provided* that the Uniformly Applicable condition is satisfied, may be made or taken if:
 - 1. passed at a duly called meeting of Holders by a majority of at least 75 per cent. of the aggregate principal amount of the outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in the aggregate); or
 - 2. approved by a written resolution signed by or on behalf of a Holder or Holders of at least 75 per cent. of the aggregate principal amount of the outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in the aggregate).
- (B) The “*Uniformly Applicable*” condition will be satisfied if:
 - 1. the holders of all affected series of Debt Securities Capable of Aggregation are invited to exchange, convert, or substitute their debt securities, on the same terms, for (i) the same new instrument or other consideration or (ii) a new instrument, new instruments

or other consideration from an identical menu of instruments or other consideration; or

2. the amendments proposed to the terms and conditions of each affected series of Debt Securities Capable of Aggregation would, following implementation of such amendments, result in the amended instruments having identical provisions (other than provisions which are necessarily different, having regard to different currency of issuance).

(iii) Multiple Series Aggregation – Two Limb Voting

(A) In relation to a proposal that includes a Reserved Matter, any modification to the terms and conditions of, or any action with respect to, two or more series of Debt Securities Capable of Aggregation may be made or taken if:

1. passed at a duly called meeting of Holders by a majority of: (a) at least 66 $\frac{2}{3}$ per cent. of the aggregate principal amount of the outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in the aggregate); and (b) more than 50 per cent. of the aggregate principal amount of the outstanding debt securities in each affected series of Debt Securities Capable of Aggregation (taken individually); or
2. approved by a written resolution signed by or on behalf of a Holder or Holders of: (a) at least 66 $\frac{2}{3}$ per cent. of the aggregate principal amount of the outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in the aggregate); and (b) more than 50 per cent. of the aggregate principal amount of the outstanding debt securities in each affected series of Debt Securities Capable of Aggregation (taken individually).

“Debt Securities Capable of Aggregation” means those debt securities which include or incorporate by reference Schedule 4 (*Meetings of Holders; Written Resolutions*) and paragraph (l) (*Aggregation Agent; Aggregation Procedures*) of Schedule 4 of the Trust Deed or provisions substantially in those terms which provide for the debt securities which include such provisions to be capable of being aggregated for voting purposes with other series of debt securities.

(e) Binding Effect

A resolution duly passed at a meeting of Holders duly convened and held in accordance with the provisions of the Trust Deed, and a written resolution duly signed by the requisite majority of Holders, will be binding on all Holders and holders of each other affected series of Debt Securities Capable of Aggregation, whether or not they attended any meeting and whether or not they voted for or against the resolution or signed the written resolution.

(15) NOTICES

- (a) Notices to Holders will be valid if sent to them by first class mail (airmail if overseas) at their respective addresses on the Register or, as long as the Notes are listed on the

Luxembourg Stock Exchange and traded on the Euro MTF market and the rules of the Luxembourg Stock Exchange so require, published in a leading newspaper having general circulation in Luxembourg or on the website of the Luxembourg Stock Exchange (<http://www.bourse.lu>). Any such notice shall be deemed to have been given, when required to be published in accordance with the rules of the Luxembourg Stock Exchange, on the date of such publication (or, if published more than once, on the first date on which publication is made) or, as the case may be, on the fourth day after the date of mailing.

- (b) Notices to Barbados to be given by any Holder shall be in writing and in English and given by lodging the same at the Ministry of Finance, Economic Affairs and Investment at the address below:

The Ministry of Finance, Economic Affairs and Investment
Government Headquarters
Bay Street
St. Michael, Barbados
Attention: Permanent Secretary (Finance)

(16) FURTHER ISSUES

Barbados shall be at liberty from time to time without the consent of the Holders to create and issue further bonds having terms and conditions the same as the Bonds or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with and increase the outstanding aggregate principal amount of the Bonds, provided that such additional Bonds do not have, for purposes of U.S. federal income taxation (regardless of whether any holders of such Bonds are subject to U.S. federal laws), a greater amount of original issue discount than the Bonds have as of the date of issuance of such additional Bonds.

(17) INDEMNIFICATION OF TRUSTEE

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from any obligation to take proceedings to enforce repayment unless indemnified and/or secured and/or prefunded to its satisfaction. The Trust Deed also contains provisions pursuant to which the Trustee is entitled *inter alia*, (i) to enter into business transactions with Barbados or any person or body corporate associated with the Government of Barbados and to act as trustee for the holders of any other securities issued by or relating to Barbados or any person or body corporate associated with the Government of Barbados, (ii) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Holders, and (iii) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

(18) GOVERNING LAW

- (a) The Bonds and any non-contractual obligations arising out of or in connection with the Bonds shall be governed by and construed in accordance with the law of England.
- (b) Subject to Condition (18)(l), Barbados irrevocably and unconditionally agrees for the exclusive benefit of the Trustee that any federal court in the Southern District of New York or any state court in the Borough of Manhattan, The City of New York, any court of England and any competent court in Barbados (collectively referred to “*Specified Courts*”)

shall have jurisdiction to settle any suit, action or proceeding against Barbados or its properties, assets or revenues arising out of or in connection with the Bonds or Barbados' failure or alleged failure to perform any obligations under the Bonds (a "*Related Proceeding*"). Any proceeding against the Trustee arising out of or related to the Trust Deed or the Bonds shall be commenced solely in the courts of England. Barbados and the Holders, by their acceptance of the Bonds, agree to the foregoing and submit to the exclusive jurisdiction of any such court.

- (c) The Trustee may not initiate a Related Proceeding in any jurisdiction other than in the Specified Courts.
- (d) Barbados irrevocably appoints: (i) the High Commissioner of Barbados at 1 Great Russell St, Fitzrovia, London WC1B 3ND, UK to receive service of process in relation to any Related Proceeding in England, and (ii) the Consul General of Barbados at 820 2nd Ave, New York, NY 10017 to receive service of process in relation to any Related Proceeding in New York.
- (e) Barbados hereby irrevocably and unconditionally waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to Related Proceedings brought in a Specified Court whether on the grounds of venue, residence or domicile or on the ground that the Related Proceedings have been brought in an inconvenient forum (except for any Related Proceedings relating to the securities laws of the United States or any state thereof).
- (f) A final non-appealable judgment in any such Related Proceeding shall be conclusive and may be enforced in other jurisdictions by a suit upon such judgment or in any other manner provided by law.
- (g) Barbados hereby irrevocably waives, to the extent permitted by applicable law and international conventions, (a) any immunity from jurisdiction it may have in any Related Proceeding in the courts of England, and (b) except as provided below, any immunity from attachment or execution to which its assets or property might otherwise be entitled in any Related Proceeding in the courts of England, and agrees that it will not claim any such immunity in any such Related Proceeding.
- (h) Notwithstanding the foregoing, the above waiver shall not constitute a waiver of immunity from attachment or execution with respect to:
 - (i) any property of the Central Bank of Barbados,
 - (ii) any property of Barbados located in the territory of Barbados,
 - (iii) any property located in or outside the territory of Barbados that provides an essential public service,
 - (iv) any property entitled to the privileges and immunities of the Vienna Convention on Diplomatic Relations of 1961 and the Vienna Convention on Consular Relations of 1963, including, but not limited to, property, premises and bank accounts used by the missions of Barbados,
 - (v) any property of a diplomatic, governmental or consular mission of Barbados,

- (vi) taxes, duties, levies, assessments, royalties or any other governmental charges imposed by Barbados, including the right of Barbados to collect any such charges,
 - (vii) any property of a military character or under the control of a military authority or defence agency of Barbados,
 - (viii) property forming part of the cultural heritage of Barbados, or
 - (ix) property of Barbados outside Barbados not used for a commercial purpose.
- (i) For the purposes of this Condition (18), “*property*” includes, without limitation, assets, accounts, bank deposits, cash, revenues, securities and rights, including rights against third parties.
- (j) Subject to Condition (18)(l), to the extent that Barbados or any of its revenues, assets or properties shall be entitled, in any jurisdiction in which any federal court in the Southern District of New York or any state court in the Borough of Manhattan, The City of New York is located, in which any Related Proceeding may at any time be brought against it or any of its revenues, assets or properties, or in any jurisdiction in which any federal court in the Southern District of New York or any state court in the Borough of Manhattan, The City of New York is located in which any suit, action or proceeding may at any time be brought for the purpose of enforcing or executing any judgment issued in any Related Proceeding (a “*Related Judgment*”), to any immunity from suit, from the jurisdiction of any such court, from set-off, from attachment prior to a Related Judgment, from attachment in aid of execution of a Related Judgment, from execution of a Related Judgment or from any other legal or judicial process or remedy, and to the extent that in any such jurisdiction there shall be attributed such an immunity, Barbados irrevocably waives such immunity to the fullest extent permitted by the laws of such jurisdiction, including the United States Foreign Sovereign Immunities Act of 1976 (the “*Immunities Act*”) (and consents to the giving of any relief or the issue of any process in connection with any Related Proceeding or Related Judgment as permitted by applicable law, including the Immunities Act), *provided, however*, that such waiver shall not extend to and Barbados shall be immune in respect of and in relation to any suit, action or proceeding or enforcement of any Related Judgment against:
- (i) any property of the Central Bank of Barbados,
 - (ii) any property of Barbados located in the territory of Barbados,
 - (iii) any property located in or outside the territory of Barbados that provides an essential public service,
 - (iv) any property entitled to the privileges and immunities of the Vienna Convention on Diplomatic Relations of 1961 and the Vienna Convention on Consular Relations of 1963, including, but not limited to, property, premises and bank accounts used by the missions of Barbados,
 - (v) any property of a diplomatic, governmental or consular mission of Barbados,
 - (vi) taxes, duties, levies, assessments, royalties or any other governmental charges imposed by Barbados, including the right of Barbados to collect any such charges,

- (vii) any property of a military character or under the control of a military authority or defence agency of Barbados,
 - (viii) property forming part of the cultural heritage of Barbados, or
 - (ix) property of Barbados outside Barbados not used for a commercial purpose.
- (k) The foregoing constitutes a limited and specific waiver by Barbados solely for the purposes of the Trust Deed and the Bonds and under no circumstance shall it be construed as a general waiver by Barbados or a waiver with respect to proceedings unrelated to the Trust Deed or the Bond.
- (l) Barbados reserves the right to plead sovereign immunity under the Immunities Act with respect to actions brought against it under the U.S. federal securities laws or any state securities laws and the appointment of an agent for service of process does not extend to such actions.

BOOK-ENTRY SETTLEMENT AND CLEARANCE

Global New Bonds

DTC, Euroclear Bank S.A./N.V., or Euroclear, and Clearstream, Luxembourg, are under no obligation to perform or continue to perform the procedures described below, and they may modify or discontinue them at any time. Neither Barbados nor the trustee for the New Bonds will be responsible for DTC's, Euroclear's or Clearstream, Luxembourg's performance of their obligations under their rules and procedures. Additionally, neither Barbados nor the trustee will be responsible for the performance by direct or indirect participants of their obligations under their rules and procedures.

The New Bonds will initially be issued to investors in global form, the ownership and transfer of which are recorded in computerised book-entry accounts, eliminating the need for physical movement of New Bonds. Barbados refers to the intangible Bonds represented by a global New Bond as “book-entry” New Bonds.

Barbados will deposit any global New Bond it issues with a clearing system or its nominee. The global New Bond will be registered in the name of the clearing system or its nominee or common depositary. Unless a global New Bond is exchanged for certificated securities, as discussed below under “—Certificated Securities,” it may not be transferred, except as a whole among the clearing system, its nominees or common depositaries and their successors. Clearing systems include DTC in the United States and Euroclear and Clearstream, Luxembourg in Europe.

Clearing systems process the clearance and settlement of book-entry New Bonds for their direct participants. A “direct participant” is a bank or financial institution that has an account with a clearing system. The clearing systems act only on behalf of their direct participants, who in turn act on behalf of indirect participants. An “indirect participant” is a bank or financial institution that gains access to a clearing system by clearing through or maintaining a relationship with a direct participant. Euroclear and Clearstream, Luxembourg are connected to each other by a direct link and participate in DTC through their New York depositaries, which act as links between the clearing systems. These arrangements permit you to hold book-entry New Bonds through participants in any of these systems, subject to applicable securities laws.

If you wish to purchase book-entry New Bonds, you must either be a direct participant or make your purchase through a direct or indirect participant. Investors who purchase book-entry New Bonds will hold them in an account at the bank or financial institution acting as their direct or indirect participant.

When you hold New Bonds in this manner, you must rely on the procedures of the institutions through which you hold your New Bonds to exercise any of the rights granted to holders. This is because the legal obligations of Barbados and the trustee run only to the registered owner of the global New Bond, which will be the relevant clearing system or its nominee or common depositary. For example, once Barbados arranges for payments to be made to the registered holder, Barbados will no longer be liable for the amounts so paid on the security, even if you do not receive it. In practise, the clearing systems will pass along any payments or notices they receive from Barbados to their participants, which will pass along the payments to you. In addition, if you desire to take any action which a holder of a New Bond is entitled to take, then the clearing system would authorise the participant through which you hold your book-entry New Bonds to take such action, and the participant would then either authorise you to take the action or would act for you on your instructions. The transactions between you, the participants and the clearing systems

will be governed by customer agreements, customary practises and applicable laws and regulations, and not by any legal obligation of Barbados.

As an owner of book-entry New Bonds represented by a global New Bond, you will also be subject to the following restrictions:

- you will not be entitled to (a) receive physical delivery of the New Bonds in certificated form or (b) have any of the New Bonds registered in your name, except under the circumstances described below under “—Certificated Securities”;
- you may not be able to transfer or sell your New Bonds to some insurance companies and other institutions that are required by law to own their New Bonds in certificated form;
- you may not be able to pledge your New Bonds in circumstances where certificates must be physically delivered to the creditor or the beneficiary of the pledge in order for the pledge to be effective; and
- none of Barbados, the trustee, any paying agent, any registrar or any agent of Barbados or the trustee shall have any responsibility or obligation to any beneficial owner in a global New Bond, or participant or other person with respect to the accuracy of the records of the relevant clearing system or its nominee or common depositary, with respect to any ownership interest in the New Bonds or with respect to the delivery to any participant, beneficial owner or other person of any notice (including any notice of redemption) or the payment of any amount, under or with respect to such New Bonds. All notices and communications to be given to the holders and all payments to be made to holders under the New Bonds and the Trust Deed will be given or made only to or upon the order of the registered holders (which shall be the relevant clearing system or its nominee or common depositary in the case of the global New Bond). The rights of beneficial owners in the global New Bond shall be exercised only through the relevant clearing system or its nominee or common depositary subject to the applicable procedures. Barbados, the trustee, any paying agent, any registrar and any agent of Barbados or the trustee shall be entitled to rely and shall be fully protected in relying upon information furnished by the relevant clearing system or its nominee or common depositary with respect to its members, participants and any beneficial owners. Barbados, the trustee, any paying agent, any registrar and any agent of Barbados or the trustee shall be entitled to deal with the relevant clearing system or its nominee or common depositary, that is the registered holder of any global New Bond for all purposes relating to such global New Bond (including the payment of principal and premium, if any, and additional amounts, if any, and the giving of instructions or directions by or to the owner or holder of a beneficial ownership interest in such global New Bond) as the sole holder of such global New Bond and shall have no obligations to the beneficial owners thereof. None of Barbados, the trustee, any paying agent, any registrar or any agent of Barbados or the trustee shall have any responsibility or liability for any acts or omissions of the relevant clearing system or its nominee or common depositary with respect to such global New Bond, for the records of any such depositary, including records in respect of beneficial ownership interests in respect of any such global New Bond, for any transactions between the relevant clearing system or its nominee or common depositary and any participant or between or among the relevant clearing system or its nominee or

common depository, any such participant and/or any holder or owner of a beneficial interest in such global New Bond, or for any transfers of beneficial interests in any such global New Bond.

The Clearing System

The following description reflects Barbados' understanding of the current rules and procedures of DTC, Euroclear and Clearstream, Luxembourg. Barbados has obtained the information in this section from sources it believes to be reliable, including from DTC, Euroclear and Clearstream, Luxembourg. These systems could change their rules and procedures at any time, and Barbados takes no responsibility for their actions.

It is important for you to establish at the time of the trade where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date, i.e., the date specified by the purchaser and seller on which the price of the New Bonds is fixed.

When book-entry New Bonds are to be transferred from a DTC seller to a Euroclear or Clearstream, Luxembourg purchaser, the purchaser must first send instructions to Euroclear or Clearstream, Luxembourg through a participant at least one business day prior to the settlement date. Euroclear or Clearstream, Luxembourg will then instruct its New York depository to receive the New Bonds and make payment for them. On the Closing Date, the New York depository will make payment to the DTC participant through which the seller holds its New Bonds, which will make payment to the seller, and the New Bonds will be credited to the New York depository's account. After settlement has been completed, Euroclear or Clearstream, Luxembourg will credit the New Bonds to the account of the participant through which the purchaser is acting. This New Bonds credit will appear the next day, European time, after the settlement date, but will be back-valued to the value date, which will be the preceding day if settlement occurs in New York. If settlement is not completed on the intended value date, the New Bonds credit and cash debit will instead be valued at the actual settlement date.

A participant in Euroclear or Clearstream, Luxembourg, acting for the account of a purchaser of New Bonds, will need to make funds available to Euroclear or Clearstream, Luxembourg in order to pay for the New Bonds on the value date. The most direct way of doing this is for the participant to preposition funds (i.e., have funds in place at Euroclear or Clearstream, Luxembourg before the value date), either from cash on hand or existing lines of credit. The participant may require the purchaser to follow these same procedures.

When book-entry New Bonds are to be transferred from a Euroclear or Clearstream, Luxembourg seller to a DTC purchaser, the seller must first send instructions to and preposition the New Bonds with Euroclear or Clearstream, Luxembourg through a participant at least one business day prior to the settlement date. Euroclear or Clearstream, Luxembourg will then instruct its New York depository to credit the book-entry New Bonds to the account of the DTC participant through which the purchaser is acting and to receive payment in exchange. The payment will be credited to the account of the Euroclear or Clearstream, Luxembourg participant through which the seller is acting on the following day, but the receipt of the cash proceeds will be back-valued to the value date, which will be the preceding day if settlement occurs in New York. If settlement is not completed on the intended value date, the receipt of the cash proceeds and New Bonds debit will instead be valued at the actual settlement date.

Certificated Securities

Barbados will issue New Bonds in certificated registered form only if:

- DTC notifies Barbados at any time that it is unwilling or unable to continue as depositary for the global New Bonds of that series, or it is no longer eligible to act as such, and Barbados is unable to locate a qualified successor depositary within 90 days; or
- certain other events provided in the Trust Deed occur.

LISTING AND LISTING AGENT

Barbados intends to apply to admit the New Bonds to listing on the Luxembourg Stock Exchange and to trading on the Euro MTF market. The Luxembourg Listing Agent is The Bank of New York Mellon SA/NV, Luxembourg Branch, Vertigo Building, Polaris, 2-4 rue Eugène Ruppert, L-2453 Luxembourg. Copies of Barbados's trust deed and the forms of the New Bonds will be made available for inspection during normal business hours on any day except Saturday, Sunday and public holidays at the offices of the Luxembourg Listing Agent for so long as the New Bonds are listed on the Luxembourg Stock Exchange and traded on the Euro MTF market and the rules of the Luxembourg Stock Exchange so require.

NOTICE TO INVESTORS

The distribution of this invitation memorandum is restricted by law in certain jurisdictions. Persons into whose possession this offering memorandum comes are required by Barbados to inform themselves of and to observe any of these restrictions.

This invitation memorandum does not constitute, and may not be used in connection with, an offer or solicitation by anyone in any jurisdiction in which an offer or solicitation is not authorised or in which the person making an offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make an offer or solicitation. Neither Barbados nor the Exchange Agent accepts any responsibility for any violation by any person of the restrictions applicable in any jurisdiction.

The New Bonds will be subject to the following restrictions on transfer. Holders of New Bonds are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of their New Bonds. By acquiring New Bonds, holders will be deemed to have made the following acknowledgments, representations to and agreements with Barbados:

1. You acknowledge that:
 - a. the New Bonds have not been registered under the Securities Act or the securities laws of any other jurisdiction and are being offered for resale in transactions that do not require registration under the Securities Act or the securities laws of any other jurisdiction; and
 - b. unless so registered, the New Bonds may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or any other applicable securities laws, and in each case in compliance with the conditions for transfer set forth below;
2. You represent that you are not an affiliate (as defined in Rule 144 under the Securities Act) of Barbados and you are not acting on behalf of Barbados and that either:
 - a. you are a “*qualified institutional buyer*” (as defined in Rule 144A under the Securities Act) and are acquiring the New Bonds for your own account or for the account of another qualified institutional buyer; or
 - b. you are purchasing the New Bonds in an offshore transaction in accordance with Regulation S under the Securities Act;
3. You represent that, if you are in any EEA Member State, you are a “qualified investor” as defined in the Prospectus Regulation;
4. You represent that, if you are located in the UK, you are a relevant person (as this term is defined in “Notice to Prospective Investors in the United Kingdom”);
5. You agree on your own behalf and on behalf of any investor account for which you are purchasing New Bonds, and each subsequent holder of New Bonds by its acceptance of the New Bonds will agree, that the New Bonds may be offered, sold or otherwise transferred only:

- a. to Barbados;
 - b. inside the United States to a qualified institutional buyer (as defined in Rule 144A) in compliance with Rule 144A under the Securities Act;
 - c. outside the United States in compliance with Rule 903 or 904 under the Securities Act;
 - d. pursuant to a registration statement that has been declared effective under the Securities Act;
 - e. in any other jurisdiction in compliance with local securities laws;
6. You acknowledge that Barbados and the trustee for the New Bonds reserve the right to require, in connection with any offer, sale or other transfer of New Bonds, the delivery of written certifications and/or other information satisfactory to Barbados and the trustee as to compliance with the transfer restrictions referred to above;
 7. You agree to deliver to each person to whom you transfer New Bonds, notice of any restrictions on transfer of such New Bonds;
 8. You acknowledge that each New Bond offered to “qualified institutional buyers” in the United States under Rule 144A of the Securities Act will contain a legend substantially to the following effect:

THIS BOND HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), AND MAY NOT BE SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. EACH PURCHASER OF THIS BOND IS HEREBY NOTIFIED THAT THE SELLER OF THIS BOND MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER.

THIS BOND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (A)(1) TO A PERSON WHO THE TRANSFEROR REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT ACQUIRING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QUALIFIED INSTITUTIONAL BUYERS IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (2) OUTSIDE THE UNITED STATES PURSUANT TO THE TERMS AND CONDITIONS OF REGULATION S UNDER THE SECURITIES ACT OR (3) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND OTHER JURISDICTIONS.

THIS BOND AND ANY RELATED DOCUMENTATION MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME TO MODIFY THE RESTRICTIONS ON REALES AND OTHER TRANSFERS OF THIS BOND TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTISES RELATING TO THE RESALE OR TRANSFER OF RESTRICTED SECURITIES GENERALLY.

THE HOLDER OF THIS BOND SHALL BE DEEMED BY THE ACCEPTANCE OF THIS BOND TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT.

THIS LEGEND CAN ONLY BE REMOVED AT THE OPTION OF BARBADOS.

9. You acknowledge that Barbados and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations, warranties and agreements. You agree that if any of the acknowledgments, representations or warranties deemed to have been made by your purchase of New Bonds is no longer accurate, you shall promptly notify Barbados and the Exchange Agent. If you are acquiring any New Bonds as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each of those accounts and that you have full power to make the foregoing acknowledgments, representations, warranties and agreements on behalf of each account.

TAXATION

Investors are urged to consult their own tax advisors in determining the tax consequences of holding bonds, including the application to their particular circumstances of the tax considerations discussed below, as well as the application of state, local, foreign or other tax laws.

Barbados Tax Considerations

An order has been made under the Duties, Taxes and Other Payments (Exemption) Act Cap. 67B that there shall be exempt from the payment of all duties, taxes and imposts, among other things: (i) the securities and the instruments effecting the issue of the New Bonds; and (ii) the interest that becomes payable on any amount outstanding under the New Bonds or any part thereof borrowed by way of the issue of the New Bonds. In addition, the Minister of Finance has given his approval that: (a) the New Bonds are exempt from all taxes and stamp duties; (b) all payments of interest on the New Bonds will be exempt from all taxes; and (c) the excess of the principal amount of any New Bond over its issue price will be treated as interest by the Revenue Commissioner – Barbados Revenue Authority.

United States Taxation

If you are subject to taxation in the United States, you should consult your own tax advisors concerning United States tax considerations. Holders of the New Bonds may contact the Ministry of Finance of Barbados to obtain the issue price, amount of original issue discount and the yield to maturity of the New Bonds for U.S. federal income tax purposes. Contact information may be found on the back cover of this invitation memorandum.

Other Jurisdictions

If you are subject to taxation in any other jurisdiction, you should consult your own tax advisor concerning tax considerations under laws and regulations of such jurisdiction.

JURISDICTIONAL RESTRICTIONS

The distribution of the Invitation Materials is restricted by law in certain jurisdictions. Persons into whose possession the Invitation Material comes are required by Barbados to inform themselves of and to observe any of these restrictions.

The Invitation Materials do not constitute, and may not be used in connection with, an invitation or solicitation by anyone in any jurisdiction in which an offer or solicitation is not authorised or in which the person making an offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make an offer or solicitation. Barbados does not accept any responsibility for any violation by any person of the restrictions applicable in any jurisdiction.

European Economic Area

An offer to the public of any New Bonds which are the subject of the invitation memorandum (the “*Securities*”) may not be made in an EEA Member State, except that an offer to the public may be made at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation.

United States

See jurisdictional restrictions set forth under “Notice to Investors.”

OFFICIAL STATEMENTS

Information in this invitation memorandum whose source is identified as a publication of Barbados or the Central Bank of Barbados or one of their respective agencies or instrumentalities relies on the authority of such publication as a public official document of Barbados. All other information contained in this invitation memorandum is included as an official public statement made on the authority of the Minister of Finance in his official capacity as such.

LEGAL MATTERS

Certain matters of U.S. federal and New York state and English law will be passed upon for Barbados by Cleary Gottlieb Steen & Hamilton LLP, U.S. and English law counsel to Barbados.

Certain matters of Barbados law will be passed upon for Barbados by the Solicitor General to the Government.

As to matters of Barbados law, Cleary Gottlieb Steen & Hamilton LLP may rely on the opinion of the Solicitor General to the Government.

GENERAL INFORMATION

Due Authorisation

On or prior to the Closing Date, the Parliament of Barbados, pursuant to Section 3 of the External Loan Act, will authorise the issuance of and the payments of all amounts due under the New Bonds.

Litigation

Significant legal proceedings against the Government are summarised below.

Barrack Construction Limited v. National Housing Corporation

On 13 August 1998, the National Housing Corporation, a statutory corporation, contracted Barrack Construction Limited (“*Barrack*”) to construct a five story office complex at Warrens, St. Michael. During the construction process, a dispute arose between the parties which caused certain delays in construction and the deduction of liquidated damages by the National Housing Corporation from the contractual construction costs.

The dispute was submitted to arbitration and, in a written decision dated 7 September 2006, the arbitrator found in favour of Barrack. The arbitrator awarded Barrack BDS\$34.5 million, with interest. The arbitrator made a further order in writing dated 28 September 2006 as to costs in which Barrack was awarded BDS\$5.8 million. The Government made an application to the Supreme Court of Barbados to set aside the award of the arbitrator. The High Court of Barbados gave leave to Barrack to enforce the award of the arbitrator, including the award as to costs.

The High Court further ordered on 28 January 2010 that final charging orders be imposed on the Warrens Office Complex in St. Michael and other lands of the National Housing Corporation located in St. Philip. By subsequent proceedings in the High Court, Barrack sought delivery of possession of the properties subject to the charging orders, the sale thereof to satisfy the judgment obligation and payment of reasonable rents for the Government’s occupation of the Warrens Office Complex. The judgment obligation was approximately BDS\$61 million as of 8 February 2010.

Barrack’s damages have been paid in full.

On 7 February 2018, the Master of the High Court ruled that Dr Sir Richard Cheltenham, K.A., Q.C., J.P., attorney-at-law for Barrack, was entitled to interest at the rate of 8% per annum on his costs from the date of the decision to the date of payment. This sum, which remains outstanding to Dr Sir Richard Cheltenham, K.A., Q.C., J.P. has been calculated to be BDS\$6,783,093.00 as of 19 February 2019.

Dr Sir Trevor Carmichael K.A. Q.C. and Mr Douglas Trotman, Attorney-at-Law, who both also made court appearances on behalf of Barrack, are also expected to submit claims to the Crown but these have not yet been received.

Lagan Construction Limited vs. the Barbados Tourism Investment Inc. and the Attorney-General.

Lagan Construction Limited claims that the Barbados Tourism Investment Inc. breached an implied, preliminary or collateral contract that it had entered into with Lagan Construction Limited for a Build Own Lease Transfer (BOLT) project for the Pierhead Marina Bridgetown (the Project)

which was evidenced by documents dated, inter alia, 17 July 2006 and 13 November 2009, from the Barbados Tourism Investment Inc. to Lagan Construction Ltd. As a consequence of the alleged breach of contract Lagan Construction Limited claims to have suffered loss and damage and seeks compensation against the Barbados Tourism Inc. as follows:

- (a) general damages for breach of contract and/or loss of a chance in the sum of U.S.\$28,105,807.00;
- (b) special damages in the sum of U.S.\$346,444.00, representing Lagan Construction Limited's bid and related costs;
- (c) interest pursuant to section 35 (1) of the Supreme Court of Judicature Act, Chapter 117A of the Laws of Barbados;
- (d) costs; and
- (e) such further or other relief as the court may deem just.

Lagan Construction Limited seeks compensation from the Attorney-General also for:

- (a) damages for procuring breach of contract between Lagan Construction Limited and Barbados Tourism Investment Inc.;
- (b) damages for intentionally causing loss to Lagan Construction Limited by unlawful means;
- (c) damages for misfeasance in public office;
- (d) aggravated and/or exemplary damages for misfeasance in public office;
- (e) interest pursuant to section 35 (1) of the Supreme Court of Judicature Act, Cap. 117A of the Laws of Barbados; and
- (f) costs.

Alpha Incorporated vs. The Attorney-General

In September 1994, after public tender, Alpha Incorporated was awarded a contract for the supply, installation, maintenance and operation of parking metres in the Bridgetown area. The tender was awarded subject to the enactment of appropriate or necessary legislation. No action was taken to fulfil the contract until about January 1996 when the relevant Ministry advised the contractor to proceed with the importation of the necessary equipment for the installation and operation of the parking metres. Alpha Incorporated proceeded to procure, though not import, the necessary equipment sometime in 1996. A written agreement for such supply, installation, maintenance and operation of parking metres was entered into between the Government and Alpha Incorporated on 15 September 1996. However, the enabling legislation was never enacted and the parking metres were never installed.

In September 2013, a revised claim in the amount of BDS\$8,685,293.33, was submitted. Negotiations to settle this matter are on-going between the Government and Alpha Incorporated.

Patricia Gibbs et al vs The Attorney General

On the 12 December 2014, an action was filed by ten claimants seeking, inter alia, damages for an undisclosed amount under the Accident Compensation (Reform) Act. This action, which was brought against the Attorney-General and three other defendants, alleges that the negligence of the defendants resulted in the death of five persons when their apartment building at Arch Cot, St. Michael collapsed on the 28 August 2007. The claimants are claiming as alleged dependents of the deceased.

Cornerstone Development Inc. vs. Comptroller of Customs, the Attorney-General

In March 2011, the Comptroller of Customs demanded from Cornerstone Development Inc. payment of BDS\$136,880.40 Value Added Tax for services it had been engaged to perform for a third party. As a result of non-payment, the Comptroller of Customs gave instructions for a freeze order on bank accounts held by Cornerstone Development Inc.

In July 2011, Cornerstone Development Inc. filed a judicial review application challenging the lawfulness of the actions taken by the Comptroller of Customs. In 2017, Cornerstone Development Inc. submitted to the Solicitor General a claim for damages in the amount of BDS\$10 million.

Cage Barbados Inc. vs. Joseph Best Comptroller of Customs et al

Cage Barbados Inc. imports and operates in Barbados Video Lottery Terminals (“VLTs”). The VLTs have been classified by the Comptroller of Customs as “*gaming machines*” for the purposes of the Betting and Gaming Duties Act. As such, the VLTs would be subject to the duties payable in respect of gaming machines under the Betting and Gaming Duties Order, 2008.

In September 2010, Cage Barbados Inc. sought judicial review of the Comptroller of Customs’ decision to deny entry into Barbados of a number of its VLTs and the seizure of a number of its VLTs located in Barbados. In addition, Cage Barbados Inc. has alleged that the imposition of a 20% “*tax*” is ultra vires, null, void and in breach of Cage Barbados Inc.’s legitimate expectations.

The claim submitted by the Cage Barbados Inc. for damages amounts to approximately BDS\$94 million.

Trinidad Cement Limited, Arawak Cement Company Limited vs. the State of Barbados

Trinidad Cement Limited and its subsidiary Arawak Cement Limited are engaged in the business of manufacturing and distributing cement. The cement is distributed in Barbados and other countries in the Caribbean. There is a Common External Tariff (“*CET*”) that is applicable to imports of cement to Barbados from countries outside of CARICOM.

In 2015, Rock Hard Cement Limited began distributing cement in Barbados. On 4 July 2018, Trinidad Cement Company Limited and Arawak Cement Limited filed an originating application with the Caribbean Court of Justice claiming economic loss in the amount of approximately BDS\$36 million and alleging that the type of cement distributed by Rock Hard Cement Limited, which is imported from countries outside of CARICOM, has been improperly classified and that the CET which is being applied is incorrect. In addition, the applicable alleges that the actions taken by the Government authorising an alteration of the CET did not follow the correct procedure. Leave has been given by the Caribbean Court of Justice for Rock Hard Cement

Limited to be joined as an intervenor in the application. Further, Rock Hard Cement Limited has filed its own action at the Caribbean Court of Justice against the Government and CARICOM. Rock Hard Cement Limited has also filed an action in the Barbados High Court against the Government.

St. Philip Land Limited (in Liquidation) vs. the Attorney-General

In 2010, the Government compulsorily acquired land situated at Bushy Park, St. Philip owned by St. Philip Land Limited. In July 2011, St. Philip Land Limited submitted a claim for compensation in the amount of approximately BDS\$53 million. St. Philip Land Limited subsequently filed a claim in 2012 asking the court to determine the amount of compensation to be paid for the compulsory acquisition of its property.

Attorney-General and Fiton Technologies

In 2004, the Government and Fiton Technologies Corp. entered into an agreement for the remediation by Fiton Technologies Corp. of an area of Government land that formerly housed the operation of an oil refinery. The contract price was U.S.\$71.4 million.

When a dispute arose between the parties in respect of payment, Fiton Technologies Corp. gave notice that it wished the matter to go to arbitration and filed an action seeking inter alia an order in respect of the arbitrator to be appointed. The matter has not yet been heard by an arbitrator.

3S Structural Steel Solutions LLC & 3S (Barbados) SRL Vs The Attorney General

The Government and 3S Structural Steel Solutions LLC (“3S LLC”), by Memoranda of Understanding dated 5 September 2005 and 26 July 2006, agreed that 3S (Barbados) SRL (“3S”) would design and carry out certain road works along the ‘ABC Highway’ in Barbados, supply and install a traffic synchronisation system and undertake a traffic study review for the city of Bridgetown.

The plaintiffs, 3S LLC, filed suit in the Supreme Court of Barbados on 22 May 2009, claiming wrongful termination and/or repudiation of the engagement by the Government and claiming damages in the amount of BDS\$35,751,979.01 and interest at 8% per annum. This claim includes payments to subcontractors who have instituted legal proceedings against 3S LLC.

A defence and counterclaim has been filed on behalf of the Attorney General. The Attorney General alleged abandonment and/or repudiation of the contract by the plaintiffs, as well as improperly executed works. The proceedings have reached the interlocutory and document request stage of trial.

ELIGIBLE CLAIMS

U.S.\$150,000,000 outstanding loans due 18 December 2018

U.S.\$75,000,000 outstanding loans due 18 December 2019

Exchange and Amendment Agreement

This EXCHANGE AND AMENDMENT AGREEMENT dated as of _____, 2019 (the “**Exchange and Amendment Agreement**”) is entered into by and among:

- i. the Government of Barbados (“**Barbados**”); and
- ii. the undersigned lender (the “**Consenting Lender**”).

Barbados and the Consenting Lender shall each be referred to as a “**Party**” and, collectively, as the “**Parties**.” Capitalized terms used but not otherwise defined herein shall have the meaning ascribed to them in the Credit Agreement (as defined below).

RECITALS

WHEREAS, reference is made to the credit agreement, dated as of December 13, 2013 (as amended from time to time, the “**Credit Agreement**”) among Barbados, as borrower, Credit Suisse AG, Cayman Islands Branch, as administrative agent (the “**Administrative Agent**”), and the lenders party thereto (the “**Lenders**”), and the loans thereunder (the “**Loans**”);

WHEREAS, Barbados has sent each Lender the invitation memorandum dated 5 November 2019 (the “**Invitation Memorandum**”), which provides the terms of that certain exchange offer and consent solicitation in respect of the Loans, including certain risk factors (the “**Invitation**”);

WHEREAS, Barbados has requested that the Lenders consent to make certain amendments to the Credit Agreement; and

WHEREAS, the Consenting Lender will receive substantial benefits from the Invitation and is, therefore, willing to enter into this Exchange and Amendment Agreement;

NOW, THEREFORE, in consideration of the covenants and agreements contained herein, and for other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, each Party, intending to be legally bound hereby, agrees as follows:

AGREEMENT

1. Acceptance of Invitation. Upon the Closing Date (as defined below), the Consenting Lender shall receive and accept all Consideration (as defined below) that it is entitled to as detailed below in exchange for the full and final satisfaction, settlement, release, and discharge of all of its claims under the Credit Agreement with respect to the principal amount of its Loans set forth below its name on the signature page hereof (together with the related Promissory Notes, the “**Tendered Loans**”).

- A. *Consideration.* In full and final satisfaction, settlement, release and discharge of, and in exchange for, its Tendered Claims and all other claims it may have arising from the Credit Agreement in connection with the Tendered Claims, each Consenting Lender shall receive, for each U.S.\$1,000.00 principal amount of Tendered Loans, (i) net cash consideration of U.S.\$8.193 (the “**2019 Exchange Cash Consideration**”); (ii) U.S.\$882.66 principal amount of U.S. Dollar 6.500% bonds due 2029 issued, or to be issued, by Barbados (the “**2029 Bonds**”); and

(iii) U.S.\$54.06 principal amount of U.S. Dollar 6.500% Bonds due 2021 (the “**PDI Bonds**”, together with the 2029 Bonds, the “**New Bonds**”). The New Bonds together with the 2019 Exchange Cash Consideration (the “**Consideration**”). The costs and expenses incurred by the external creditors committee in connection with the negotiation and implementation of the Exchange Offer and the Bond Exchanges (each as defined in the Invitation Memorandum) in an aggregate amount equal to U.S.\$2,575,000 will be deducted by The Bank of New York Mellon, as settlement facilitation agent from the aggregate cash payment amount made to participating holders under the Exchange Offer and the Bond Exchanges. The net 2019 Exchange Cash Consideration referred to above includes a deduction of a pro rata amount to pay the costs and expenses of the external creditors committee in an aggregate amount equal to U.S.\$2,575,000.

B. *Amendments.* Effective as of the Amendment Effective Time, the following sections of the Credit Agreement shall be amended as follows (the “**Amendments**”):

- i. Section 1.1 of the Credit Agreement shall be amended to add the following definition in appropriate alphabetical order:

“First Amendment” means the First Amendment pursuant to the exchange and amendments agreement between the Borrower and the Lenders party thereto dated _____, 2019.

- ii. The definition of “CAIPO” in Section 1.1 of the Credit Agreement shall be deleted in its entirety and replaced with the following:

““CAIPO” means the Corporate Affairs and Intellectual Property Office of Barbados.”

- iii. The definition of “Financing Documents” in Section 1.1 of the Credit Agreement shall be amended to add the words “the First Amendment,” after the words “collectively, this Agreement,”

- iv. Articles V and VI of the Credit Agreement shall be deleted in their entirety and replaced in each case with the following:

“This Article has been left intentionally blank.”

- v. Article VII of the Credit Agreement shall be deleted in its entirety and replaced with the following:

“ARTICLE VII

EVENTS OF DEFAULT

Section 7.1 Events of Default. The following shall be and shall constitute “Events of Default”:

- (a) The Borrower shall fail to pay when due any principal of any Loan, or shall fail to pay within three Business Days any interest on any

Loan, any fee or any other amount payable by it hereunder or under any other Financing Document when and as the same shall become due and payable; or

(b) the Borrower shall fail to observe or perform any condition contained in Article IV and such failure, if capable of remedy, shall continue unremedied for a period of 30 or more days after notice thereof to the Borrower by the Administrative Agent.

Section 7.2 Rights upon an Event of Default. Upon the occurrence of an Event of Default, and at any time thereafter during the continuance of such Event of Default, the Administrative Agent shall, upon request of the Required Lenders, cancel all Commitments and/or declare the Loans then outstanding to be due and payable in whole (or in part, in which case any principal not so declared to be due and payable may thereafter be declared to be due and payable), and thereupon the principal of the Loans so declared to be due and payable, together with accrued interest thereon and the Make-Whole Amount and all other amounts owing under the Financing Documents shall become due and payable immediately, without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived by the Borrower.”

- vi. Section 9.9(b) of the Credit Agreement shall be deleted in its entirety and replaced with the following:

“(b) Submission to Jurisdiction. The Borrower agrees that any suit, action or proceeding against the Borrower with respect to this Agreement, the other Financing Documents to which the Borrower is a party or any judgment against the Borrower entered by any court in respect thereof may be brought by the Administrative Agent in respect of obligations owed by the Borrower to the Administrative Agent (but not those owed to the Lenders, whether directly or indirectly) in the United States District Court for the Southern District of New York, in the Supreme Court of the State of New York sitting in New York County (including its Appellate Division), or in any other appellate court in the State of New York, and the Borrower hereby irrevocably submits to the non-exclusive jurisdiction of such courts for the purpose of any such suit, action, proceeding or judgment and expressly and irrevocably waives its right to any other jurisdiction that may apply by virtue of its present or future domicile or by any other reason.”

- vii. Section 9.11 of the Credit Agreement shall be deleted in its entirety and replaced with the following:

“Section 9.11 No Immunity. To the extent that the Borrower may be or become entitled, in any jurisdiction in which judicial proceedings may at any time be commenced with respect to this Agreement or any other Financing Document, to claim for itself or its properties, assets or revenues (except for properties of the public domain located in Barbados or dedicated to the purpose of an essential public service) any immunity from suit, court jurisdiction, attachment prior to judgment, attachment in aid of execution of a judgment, execution of a judgment or from any other legal

process or remedy relating to its obligations under this Agreement or any other Financing Document, and to the extent that in any such jurisdiction there may be attributed such an immunity (whether or not claimed), the Borrower hereby irrevocably agrees not to claim and hereby irrevocably waives such immunity to the fullest extent permitted by the laws of such jurisdiction in any judicial proceedings commenced by the Administrative Agent in respect of obligations owed by the Borrower to the Administrative Agent (but not those owed to the Lenders whether directly or indirectly). The Borrower agrees that the waivers set forth in this Section 9.11 will have the fullest extent permitted under the U.S. Foreign Sovereign Immunities Act of 1976 and are intended to be irrevocable and not subject to withdrawal for the purposes of such Act.”

- viii. Section 9.12 of the Credit Agreement shall be deleted in its entirety and replaced with the following:

“Section 9.12 Special Waiver. To the extent that the Borrower may be entitled to the benefit of any provision of law requiring the Administrative Agent in any suit, action or proceeding brought by the Administrative Agent only in respect of obligations owed by the Borrower to the Administrative Agent and, for the avoidance of doubt, not those owed by the Borrower to the Lenders whether directly or indirectly, in a court of Barbados or other jurisdiction arising out of or in connection with any of this Agreement, any other Financing Documents and the Transactions, to post security for litigation costs or otherwise post a performance bond or guarantee, or to take any similar action, the Borrower hereby irrevocably waives such benefit, in each case to the fullest extent now or hereafter permitted under the Laws of Barbados or, as the case may be, such other jurisdiction.”

- C. *Unilateral Discharge, Release and Cancellation*. On and from the Amendment Effective Time on the Closing Date, the Consenting Lender hereby unilaterally, irrevocably and unconditionally discharges, releases and cancels to Barbados, all right, title and interest in and to, and any and all claims in respect of or arising or having arisen as a result of the Consenting Lender’s status as a holder of the Tendered Loans, such that it shall have no contractual or other rights or claims in law or equity against Barbados or any other fiduciary, trustee, administrative agent or other person connected with or arising under, from or in connection with the Tendered Loans, and waives any and all rights with respect to such Tendered Loans, including any existing, past or continuing Defaults and their consequences pursuant to the Credit Agreement.
- D. *Cancellation of Promissory Notes*. The Parties hereto agree that all promissory notes governed by the laws of Barbados executed and delivered by Barbados pursuant to section 2.7 of the Credit Agreement (the “**Promissory Notes**”) in respect of the Consenting Lender’s Tendered Loans shall be automatically cancelled upon delivery by Bank of New York Mellon, as exchange agent for the Invitation (the “**Exchange Agent**”) of: (i) the New Bonds to the account specified by the Consenting Lender in Schedule 1 hereto and (ii) the net 2019 Exchange Cash Consideration to the account specified by the Consenting Lender in Schedule 2 hereto, in each case, on the Closing Date. By executing and delivering this

Exchange and Amendment Agreement, the Consenting Lender consents to the cancellation of the Promissory Notes in respect of its Tendered Loans on the Closing Date.

- E. *Partial Tenders.* If the Consenting Lender wishes to tender less than the entire aggregate principal amount of Tendered Loans represented by its Promissory Notes delivered to Barbados in connection with the delivery of its Exchange and Amendment Agreement, such Consenting Lender must fill in the aggregate principal amount of its Tendered Loans that is to be tendered below its name on the signature page below (a “**Partial Tender**”). In the case of a Partial Tender, as soon as practicable after the Closing Date, Barbados will execute and deliver to such holder a new Promissory Note evidencing the principal amount of Loans that was evidenced by the delivered Promissory Note but not tendered hereby.
- F. *Appointment of Exchange Agent as Agent.* The Consenting Lender hereby irrevocably appoints the Exchange Agent as its attorney and agent and irrevocably instructs the Exchange Agent, as its attorney and agent, to complete and execute all or any form(s) of release and other document(s) (including any document to effect the discharge, release and cancellation of all right, title and interest in or relating to the Tendered Loans) at the discretion of such attorney and agent in relation to the Tendered Loans and to deliver such form(s) of release and other document(s) in the attorney’s and agent’s discretion and to execute all such other documents and to do all such other acts and things as may be in the opinion of such attorney or agent necessary or expedient for the purpose of, or in connection with, the acceptance of the Invitation, and to discharge, release, cancel or extinguish such Tendered Loans.
- G. *Incorporation of Terms.* The terms and conditions of the Invitation shall be deemed to be incorporated in, and form a part of, this Exchange and Amendment Agreement.

2. Representations and Warranties of the Consenting Lender. The Consenting Lender hereby represents and warrants that the following statements are true, correct and complete upon the date hereof, as of the time the Consenting Lender executes this Exchange and Amendment Agreement and as of the Closing Date:

- A. *Organization; Authority.* (A) The Consenting Lender is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, (B) the Consenting Lender has all requisite corporate, partnership, limited liability company or similar authority to execute this Exchange and Amendment Agreement and carry out the transactions contemplated hereby and perform its obligations contemplated hereunder; and (C) the execution and delivery of this Exchange and Amendment Agreement and the performance of the Consenting Lender’s obligations hereunder have been duly authorized by all necessary corporate, partnership, limited liability company or similar action on its part.
- B. *No Conflicts.* The execution, delivery and performance by the Consenting Lender of this Exchange and Amendment Agreement does not and will not violate its charter or bylaws (or other similar governing documents) or those of any of its subsidiaries or any Applicable Law, judgment, award, injunction or similar legal restriction.

- C. *Valid Agreement.* This Exchange and Amendment Agreement is the legally valid and binding obligation of the Consenting Lender, enforceable against it in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to or limiting creditors' rights generally or by equitable principles relating to enforceability.
- D. *Filings, Consents, Approvals.* The execution, delivery and performance by the Consenting Lender of this Exchange and Amendment Agreement does not and will not require any material registration or material filing with, material consent or material approval of, or material notice to, or other material action to, with or by, any federal, state or other governmental authority or regulatory body, other than those which have been obtained, taken or made.
- E. *Ownership.* The Consenting Lender is (a) either (1) the sole legal and beneficial owner of the Tendered Loans, free and clear of all liens, mortgages, charges, claims, encumbrances, interest and restrictions of any kind (other than ordinary course claims, liens and encumbrances in connection with prime brokerage or custodian arrangements) or (2) has all the necessary investment and voting discretion with respect to the Tendered Loans in respect of matters relating to the Invitation contemplated by this Exchange and Amendment Agreement and (b) has full power and authority to act on behalf of, vote and consent to matters concerning such Tendered Loans in respect of matters relating to the Invitation contemplated by this Exchange and Amendment Agreement and to discharge, release and cancel such Tendered Loans.
- F. *No Prior Transfer.* The Consenting Lender has made no prior sale, mortgage, charge, pledge, hypothecation or other encumbrance or transfer of, and has not entered into any other binding agreement to sell, mortgage, charge, pledge, hypothecate or otherwise encumber or transfer, in whole or in part, any portion of its right, title or interests in the Tendered Loans. Any purported sale, mortgage, charge, pledge, hypothecation or other encumbrance or transfer shall be void and of no effect.
- G. *Restrictions on Transfer.*
- i. The Consenting Lender acknowledges that: (a) the New Bonds have not been registered under the U.S Securities Act of 1933 (as amended from time to time, the "**Securities Act**") or the securities laws of any other jurisdiction and (b) unless so registered, the New Bonds may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or any other applicable securities laws, and in each case in compliance with the conditions for transfer set forth in the Invitation Memorandum.
 - ii. The Consenting Lender is not an affiliate (as defined in Rule 144 under the Securities Act) of Barbados and is not acting on behalf of Barbados and that either: (a) it is a qualified institutional buyer (as defined in Rule 144A under the Securities Act) and is acquiring the New Bonds for its own account or for the account of another qualified institutional buyer or (b) it is purchasing the New Bonds in an offshore transaction in accordance with Regulation S under the Securities Act.

- iii. If the Consenting Lender is located in any European Economic Area (EEA) member state, the Consenting Lender is a “qualified investor” as defined in Regulation (EU) 2017/1129 (the “**Prospectus Regulation**”).
 - iv. If the Consenting Lender is located in the UK, the Consenting Lender is a relevant person (as this term is defined in “Notice to Prospective Investors in the United Kingdom” in the Invitation Memorandum).
 - v. The Consenting Lender acknowledges that Barbados is relying in part upon the truth and accuracy of, and the Consenting Lender’s compliance with, the representations, warranties, agreements, acknowledgements and understandings of the Consenting Lender set forth herein in order to determine the availability of such exemptions and the eligibility of the Consenting Lender to acquire the Consideration.
- H. *Investment Intent.* The Consenting Lender (i) is not acquiring the New Bonds with a view to, or for the purpose of, distributing or reselling such New Bonds in violation of the Securities Act or any applicable state securities laws.; (ii) is acquiring the New Bonds hereunder in the ordinary course of its business; (iii) does not presently have any agreement, plan or understanding, directly or indirectly, with any person to distribute or effect any distribution of any of the New Bonds (or any securities which are derivatives thereof) to or through any person or entity; and (iv) the Consenting Lender is not a registered broker-dealer under Section 15 of the U.S. Securities and Exchange Act of 1934 or an entity engaged in a business that would require it to be so registered as a broker-dealer.
- I. *Experience of the Consenting Lender.* The Consenting Lender, either alone or together with its representatives and/or advisers, has such knowledge, sophistication and experience in business and financial matters so as to be capable of evaluating the merits and risks of the prospective investment in the Consideration, and has so evaluated the merits and risks of such investment without reliance on Barbados, the Exchange Agent, the Administrative Agent or the trustee and agents for the New Bonds. The Consenting Lender assumes and is able to bear the economic risk of an investment in the Consideration and is able to afford a complete loss of such investment.
- J. *Independent Investment Decision.* It has independently evaluated the merits of its decision to participate in the Invitation contemplated in this Exchange and Amendment Agreement, and the Consenting Lender confirms that it has not relied on the advice of Barbados, Exchange Agent, Administrative Agent, trustee or agent for the New Bonds or any of their advisers and/or legal counsel in making such decision. The Consenting Lender understands that nothing in this Exchange and Amendment Agreement or any other materials presented by or on behalf of Barbados to the Consenting Lender in connection with the purchase of the New Bonds constitutes legal, tax or investment advice. The Consenting Lender has consulted such legal, tax and investment advisors as it, in its sole discretion, has deemed necessary or appropriate in connection with its acquisition of the Consideration. The Consenting Lender understands that each of the Exchange Agent, Administrative Agent, trustee or agent for the New Bonds have acted solely as the agent of Barbados in the Invitation and the Consenting Lender has not relied on the business or legal advice of the Exchange Agent, Administrative Agent,

trustee or agent for the New Bonds or any of their respective agents or counsel in making its investment decision hereunder, and confirms that none of such persons has made any representations or warranties to such the Consenting Lender in connection with the Invitation contemplated by this Exchange and Amendment Agreement.

- K. *Access to Information.* It acknowledges that it has received and had the opportunity to review the Invitation Memorandum and this Exchange and Amendment Agreement and all other materials made available to it by Barbados from time to time (as amended or supplemented) and has been afforded (i) the opportunity to consider the merits and risks of investing in the Consideration and (ii) the opportunity to make an informed investment decision with respect to the investment. The Consenting Lender has sought such accounting, legal and tax advice as it has considered necessary to make an informed decision with respect to its acquisition of the Consideration.
- L. *Brokers and Finders.* No Person will have, as a result of the Invitation contemplated by the Exchange and Amendment Agreement, any valid right, interest or claim against or upon Barbados or the Consenting Lender for any commission, fee or other compensation pursuant to any agreement, arrangement or understanding entered into by or on behalf of the Consenting Lender.
- M. *No Securities Commission Review.* It acknowledges that none of the U.S. Securities and Exchange Commission, any state securities commission or any other regulatory authority has approved or disapproved of the New Bonds or passed upon or endorsed the merits of this offering or the adequacy or accuracy of the Invitation Memorandum.

3. Covenants.

- A. *Delivery of Promissory Note.* Prior to the Closing Date, the Consenting Lender will deliver to Barbados: (i) its Promissory Notes or (ii) an affidavit in the form attached as **Exhibit A** hereto certifying that (a) after having conducted a reasonable search, the Consenting Lender has been unable to locate the Promissory Notes, (b) it has not assigned, transferred, hypothecated or in any way disposed of the Tendered Loans, (c) the Consenting Lender does not know of any person or entity that claims, or may claim, any interest in the Tendered Loans and (d) to the extent it locates the Promissory Note, it shall deliver such Promissory Note promptly to Barbados.
- B. *Further Assurances.* Subject to the terms and conditions set forth in this Exchange and Amendment Agreement and the Invitation Memorandum, the Parties hereby agree to use their commercially reasonable efforts to take any and all actions reasonably required or necessary to consummate the transactions contemplated by this Exchange and Amendment Agreement.

4. Releases and Covenants Not to Sue.

- A. *Release of Barbados.* Subject to and immediately upon the occurrence of the Closing Date, without any further action, the Consenting Lender, and its current, former and future affiliates, member firms, associated entities, shareholders,

principals, members, limited partners, general partners, equity investors, managed entities, attorneys, financial advisors, employees, officers, directors, managers, agents and other authorized representatives, predecessors, successors and assigns hereby irrevocably and fully and forever (i) waives, releases, acquits and discharges Barbados and each of its officials, attorneys, financial advisors, investment advisors, employees, agents and other authorized representatives, from any and all claims, suits, judgments, demands, debts, rights, damages, obligations, liabilities, losses, costs, expenses, fees, causes of action and liabilities whatsoever (including claims for any and all losses, damages, unjust enrichment, attorney's fees, disgorgement of fees, litigation costs, injunctive or declaratory relief, contribution, indemnification or any other type of legal or equitable relief), in each case whether liquidated or unliquidated, fixed or contingent, matured or unmatured, asserted or unasserted, known or unknown, foreseen or unforeseen, existing as of the date hereof or arising hereafter, in law, equity or otherwise, including any claim or right obtained by assignment, brought by way of demand, complaint, cross-claim, counterclaim, third-party claim or otherwise, that are based in whole or part on any act, omission, transaction, event or other occurrence in connection with, arising from or under or related to the Credit Agreement (collectively, the **"Released Claims"**) and (ii) covenants not to sue Barbados in connection with any Released Claim; *provided however*, that any claims or causes of action arising from a breach of this Exchange and Amendment Agreement and the obligations hereunder shall not be included in the Released Claims.

5. Effectiveness.

- A. If Barbados elects to proceed with the closing of the Invitation, Barbados shall notify the Consenting Lender promptly of the effectiveness of this Exchange and Amendment Agreement, which notice may be given by Barbados pursuant to a press release followed by a fully executed, dated copy of this Exchange and Amendment Agreement in PDF sent to the email address set out in the signature block of the Consenting Lender below within 10 days after the Closing Date.
- B. The date on which: (i) the New Bonds are issued in exchange for the Tendered Loans and delivered to the account specified in Schedule 1 hereto and (ii) the net 2019 Exchange Cash Consideration is delivered to the bank account specified in Schedule 2 hereto in exchange for their Tendered Loans shall be referred to herein as the **"Closing Date."**
- C. Subject to acceptance and notification of effectiveness by Barbados of valid and executed exchange and amendment agreements from Lenders having 50.01% or more of the aggregate amount of the Commitments and of the aggregate unpaid principal amount of the Loans, the Amendments shall become effective immediately prior to delivery by the Exchange Agent of: (i) the New Bonds to the account specified in Schedule 1 hereto and (ii) the Consideration to the account specified by the Consenting Lender in Schedule 2 hereto. The date and time at which the Amendments become effective shall be referred to herein as the **"Amendment Effective Time."**

6. Notices. All notices hereunder shall be deemed given if in writing and delivered by courier or by registered or certified mail (return receipt requires) or by email (if an email address is specified for the relevant Party) to the following addresses:

A. If to Barbados to:

The Ministry of Finance, Economic Affairs and Investment
Government Headquarters
Bay Street
St. Michael, Barbados
Attention: Permanent Secretary (Finance)

With a copy to:
Cleary Gottlieb Steen & Hamilton LLP
2 London Wall Place
London EC2Y 5AU
United Kingdom
Attention: Sui-Jim Ho

B. If to the Consenting Lender, the address listed on the signature page hereto.

Any notice given by delivery, mail or courier shall be effective when received. Any notice given by electronic mail (if applicable) shall be effective upon electronic mail confirmation of transmission.

7. Confidentiality. The Consenting Lender shall not (i) use the name of Barbados in any press release or (ii) disseminate to any news media any press releases, public filings, public announcements or other communications relating to this Exchange and Amendment Agreement or the transactions contemplated hereby and any amendments thereof without first (x) submitting such press releases, public filings, public announcements or other communications to Barbados for review and comment and (y) receiving the prior written consent of Barbados.

8. Entire Agreement. This Exchange and Amendment Agreement constitutes the entire agreement among the Parties with respect to the subject matter hereof and thereof and supersede all other prior agreements and understandings, both written and verbal, among the parties or any of them with respect to the subject matter hereof.

9. Amendment, Modification and Waiver. This Exchange and Amendment Agreement may not be amended nor may any provision hereof be waived except pursuant to a writing signed by each of the Parties hereto.

10. WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS EXCHANGE AND AMENDMENT AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS EXCHANGE AND AMENDMENT AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 10.

11. Governing Law; Jurisdiction; Consent to Service of Process.

- A. The Exchange and Amendment Agreement shall be construed in accordance with and governed by the law of the State of New York (not including such state's conflict of law provisions other than Section 5-1401 of the New York General Obligations Law).
- B. Each Party hereto hereby irrevocably and unconditionally submits, for itself and its property, to the exclusive jurisdiction of the United States District Court of the Southern District of New York, in the Supreme County of the State of New York sitting in New York County (including its Appellate Division and any appellate court from any thereof, in any suit, action or proceeding arising out of or relating to this Exchange and Amendment Agreement (a "**Related Proceeding**").
- C. Barbados hereby agrees that service of all writs, process and summonses in any Related Proceeding brought in the State of New York may be made upon the Barbadian Consulate General in New York, presently located at 820 Second Avenue, New York, New York 10017, United States (the "**Process Agent**") and Barbados hereby confirms and agrees that the Process Agent has been duly and irrevocably appointed as its agent and true and lawful attorney-in-fact in its name, place and stead to accept such service of any and all such writs, process and summonses, and agrees that the failure of the Process Agent to give any notice of any such service of process to Barbados shall not impair or affect the validity of such service or of any judgment based thereon. If the Process Agent shall cease to serve as agent for Barbados to receive service of process hereunder, Barbados shall promptly appoint a successor agent reasonably satisfactory to the Administrative Agent. The Borrower hereby further irrevocably consents and the Consenting Lender hereby irrevocably consents to the service of process in the manner provided for notices in Section 6 hereof. Nothing in the Exchange and Amendment Agreement will affect the right of any Party to this Exchange and Amendment Agreement to serve process in any other manner permitted by law.
- D. Each Party hereto hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any Related Proceeding in any court referred to in paragraph B of this Section 11. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such Related Proceeding in any such court.

12. Waiver of Immunity.

- A. Subject to paragraph C of this Section 12, to the extent that Barbados or any of its revenues, assets or properties shall be entitled, in any jurisdiction in which any court referred to in paragraph B of Section 11 is located, in which any Related Proceeding may at any time be brought against it or any of its revenues, assets or properties, or in any jurisdiction in which in any court referred to in paragraph B of Section 11 is located in which any suit, action or proceeding may at any time be brought for the purpose of enforcing or executing any judgment issued in any Related Proceeding (a "**Related Judgment**"), to any immunity from suit, from the jurisdiction of any such court, from set-off, from attachment prior to a Related

Judgment, from attachment in aid of execution of a Related Judgment, from execution of a Related Judgment or from any other legal or judicial process or remedy, and to the extent that in any such jurisdiction there shall be attributed such an immunity, Barbados irrevocably waives such immunity to the fullest extent permitted by the laws of such jurisdiction, including the United States Foreign Sovereign Immunities Act of 1976 (the “**Immunities Act**”) (and consents to the giving of any relief or the issue of any process in connection with any Related Proceeding or Related Judgment as permitted by applicable law, including the Immunities Act), provided, however, that such waiver shall not extend to and Barbados shall be immune in respect of and in relation to any suit, action or proceeding or enforcement of any Related Judgment against:

- i. any reserves of the Central Bank of Barbados,
 - ii. any property located in the territory of Barbados,
 - iii. any property located in or outside the territory of Barbados that provides an essential public service,
 - iv. any property (whether in the form of cash, bank deposits, securities, third party obligations or any other methods of payment) of Barbados, its governmental agencies and other governmental entities relating to the performance of the budget,
 - v. any property entitled to the privileges and immunities of the Vienna Convention on Diplomatic Relations of 1961 and the Vienna Convention on Consular Relations of 1963, including, but not limited to, property, premises and bank accounts used by the missions of Barbados,
 - vi. any property of diplomatic, governmental or consular mission of Barbados,
 - vii. taxes, duties, levies, assessments, royalties or any other governmental charges imposed by Barbados, including the right of Barbados to collect any such charges,
 - viii. any property of a military character or under the control of a military authority or defence agency of Barbados,
 - ix. property forming part of the cultural heritage of Barbados, or
 - x. assets and property of Barbados outside Barbados not used for a commercial purpose.
- B. The foregoing constitutes a limited and specific waiver by Barbados solely for the purposes of this Exchange and Amendment Agreement and under no circumstance shall it be construed as a general waiver by Barbados or a waiver with respect to proceedings unrelated to this Exchange and Amendment Agreement.
- C. Barbados reserves the right to plead sovereign immunity under the Immunities Act with respect to actions brought against it under the U.S. federal securities laws or any

state securities laws and the appointment of an agent for service of process does not extend to such actions.

13. Severability. Any term or provision of this Exchange and Amendment Agreement which is invalid or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of such invalidity or unenforceability without rendering invalid or unenforceable the remaining terms and provisions of this Exchange and Amendment Agreement or affecting the validity or enforceability of any of the terms or provisions of this Exchange and Amendment Agreement in any other jurisdiction. If any provision of this Exchange and Amendment Agreement is so broad as to be unenforceable, the provision shall be interpreted to be only so broad as would be enforceable.

14. Counterparts. This Exchange and Amendment Agreement may be executed in any number of counterparts and by different parties hereto on separate counterparts, each of which when so executed and delivered shall be deemed to be an original, but all of which when taken together shall constitute a single instrument. Delivery of an executed counterpart of a signature page of this Exchange and Amendment Agreement by facsimile or any other electronic transmission shall be effective as delivery of a manually executed counterpart hereof.

15. Headings. The headings of this Exchange and Amendment Agreement are for purposes of reference only and shall not limit or otherwise affect the meaning hereof.

16. Financing Document. Upon and after the effectiveness of this Exchange and Amendment Agreement, each reference in the Credit Agreement to “this Agreement”, “hereunder”, “herein”, “hereof” or words of like import referring to the Credit Agreement, and each reference in the other Financing Documents to “the Credit Agreement”, “thereunder”, “therein”, “thereof” or words of like import referring to the Credit Agreement, shall mean and be a reference to the Credit Agreement as modified and amended hereby.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the Consenting Lender has caused this Exchange and Amendment Agreement to be duly executed as of this ____ day of _____, 2019.

_____, as Lender

By: _____

Name:

Title:

Address:

Telephone:

Facsimile:

Email:

Principal amount of Loans to be tendered hereby:

U.S.\$ _____

Holder Eligibility – You must tick one of these boxes:

☐

The beneficial owner(s) of the Tendered Loan specified herein is a qualified institutional buyer in the United States and is participating in the Exchange Offer under an exemption provided by Rule 144A under the Securities Act.

☐

The beneficial owner(s) of the Tendered Loan specified herein is outside the United States (as contemplated in Rule 903(a)(1) of Regulation S under the Securities Act) and, if the beneficial owner(s) is in the European Economic Area, is a qualified investor as defined in the Prospectus Regulation.

IN WITNESS WHEREOF, Barbados has caused this Exchange and Amendment Agreement to be duly executed as of this ____ day of _____, 2019.

THE CROWN IN RIGHT OF ITS GOVERNMENT OF
BARBADOS, acting through the Minister of Finance and
Economic Affairs,
as Borrower

By: _____
Name:
Title:

SCHEDULE 1: DTC Account Details for New Bonds

Lenders electing to exchange Tendered Loans for New Bonds must complete the table below with the information of the account to which the New Bonds should be credited.²

Name of direct participant within DTC:		
Clearing system number of direct participant:		
Contact at direct participant who will be responsible for matching Consideration delivery: Name: E-mail: Telephone (with international dialling code):		
Sub-account number at direct participant (if available):		
Applicable offering exemption (<i>tick one box only</i>):	<input type="checkbox"/> Regulation S	<input type="checkbox"/> Rule 144A

² To the extent a Consenting Lender would like to request delivery of the New Bonds to more than one settlement account, it should contact The Bank of New York Mellon, as Settlement Facilitation Agent, at Christopher.olsen1@bnymellon.com. There can be no assurance that the Exchange Agent will be able to accommodate a request to deliver the New Bonds to more than one settlement account.

SCHEDULE 2: Account Details for 2019 Exchange Cash Consideration

Lenders electing to exchange Tendered Loans for New Bonds must complete the table below with the information of the account to which the net 2019 Exchange Cash Consideration should be credited.³

Intermediary (if applicable)	
SWIFT Address:	
Account with Institution:	
SWIFT Address:	
Beneficiary Institution Name & SWIFT:	
Account Number:	
Reference:	

³ To the extent a Consenting Lender would like to request delivery of the net 2019 Exchange Cash Consideration to more than one account, it should contact The Bank of New York Mellon, as Settlement Facilitation Agent, at Christopher.olsen1@bnymellon.com. There can be no assurance that the Exchange Agent will be able to accommodate a request to deliver the net 2019 Exchange Cash Consideration more than one account.

Exhibit A – Form of Lost Promissory Note Affidavit

To: The Crown in Right of its Government of Barbados (“**Barbados**”)

Dated:

The undersigned _____, as lender under that certain Credit Agreement (in such capacity, the “**Lender**”) dated as of December 13, 2018, among Barbados, acting through the Ministry of Finance, Economic Affairs and Investment, the financial institutions party thereto from time to time as lenders, and Credit Suisse AG, Cayman Islands Branch, as administrative agent, held as collateral a certain promissory note, dated _____, in the principal amounts of U.S.\$_____, made by Barbados in favour of the Lender (the “**Promissory Note**”).

The undersigned Lender hereby certifies:

1. After conducting a reasonable search, the Lender has been unable to locate the Promissory Note;
2. The Lender has not assigned, endorsed, transferred, hypothecated or in any way disposed of the Promissory Note; and
3. The Lender does not know of any person or entity that claims or may claim, any interest in the Promissory Note.

The Lender undertakes that if it locates the Promissory Note, it shall deliver such Promissory Note to Barbados.

The Lender agrees to indemnify and hold harmless Barbados from and against any direct (as opposed to indirect, consequential, special or punitive) loss, cost or expense (including reasonable legal fees) incurred by Barbados solely as a result of the loss or destruction of the Promissory Note; provided that Barbados shall have given the Lender prompt notice of any such claim or demand and permitted the Lender, at its option, to assume the defense thereof; *provided further* that the forgoing indemnity will not apply to any loss, cost or expense that results from the wilful misconduct, bad faith or gross negligence Barbados or any of its affiliates.

_____, as Lender

Name:

Title:

Address:

Telephone:

Facsimile:

Email:

GOVERNMENT OF BARBADOS

The Ministry of Finance
Government Headquarters Bay Street
St. Michael
Barbados

**TRUSTEE, PAYING AGENT, TRANSFER
AGENT AND
REGISTRAR**

The Bank of New York Mellon
240 Greenwich St. – 7E
New York, New York 10286
United States of America

SETTLEMENT FACILITATION AGENT

The Bank of New York Mellon
111 Sanders Creek Parkway
East Syracuse, New York 13057
Attention:
CT_Reorg_Unit_Inquires@bnymellon.com

**EXCHANGE AGENT AND
INFORMATION AGENT**

Lucid Issuer Services Limited

Tankerton Works
12 Argyle Walk
London WC1H 8HA
United Kingdom
Telephone +44 20 7704 0880
Attention: Arlind Bytyqi / Thomas Choquet
Email: barbados@lucid-is.com
Website: www.lucid-is.com/barbados

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United Kingdom

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AS TO ENGLISH AND U.S. LAW

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