

ANNUAL
REPORT
2017

BDiC
BARBADOS DEPOSIT
INSURANCE CORPORATION



A N N I V E R S A R Y

<http://www.bdic.org.bb/>



Letter of Transmittal

31 March, 2018

The Hon. Christopher P. Sinckler
Minister of Finance and Economic Affairs,
Government Headquarters
Bay Street



Dear Minister:

In accordance with Section 15 (1) of the Deposit Insurance Act 2006-29, I have the honour to submit to you the Annual Report of the Barbados Deposit Insurance Corporation including the Auditors' reports on the Financial Statements of the Corporation and the Deposit Insurance Fund, in respect of the year ended December 2017.

Yours sincerely

Winston LeRoy Inniss QC
Chairman





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MANDATE AND GOALS OF THE BDIC

The mandate of the Barbados Deposit Insurance Corporation is to:

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

The goals of the Barbados Deposit Insurance Corporation are:

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

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



ABBREVIATIONS

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

GLOSSARY OF TERMS

Coverage limit:

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

Deposit:

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

Deposit Insurance Act (DIA):

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

Deposit Insurance Fund (DIF):

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

Deposit Insurance Fund Ratio:

The DIF expressed as a percentage of the Total Insured Deposits

Deposit Insurance Premium:

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

Depositor:

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

Insurable Deposits:

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



GLOSSARY OF TERMS

Insured Deposit:

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

Member Institutions:

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

Premium Assessment Rate:

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

Resolution:

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

DEPOSIT INSURANCE

What is covered?

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

What is not covered?

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

CHAIRMAN'S MESSAGE



During 2017 challenges to the Barbadian economy continued unabated. Foreign currency reserves were severely challenged prompting the introduction of a 2% charge on all foreign exchange transactions, and the growth rate remained among the lowest in the Region. The financial sector has, to date, weathered the challenges, and even managed improvement in a number of the metrics used to measure the strength and stability of the sector. All institutions remained adequately capitalized and solvent and there were no incidents of financial institution failure.

The Deposit Insurance Fund managed by the Barbados Deposit Insurance Corporation has grown by 16% over the previous year, with the member base continuing to make timely contributions to the Fund. The base itself remains stable both in terms of actual members and in terms of the assets held. At the time of reporting, the Fund covered close to four percent of insurable deposits.

The operational environment at the BDIC remains adequate, and the Board continues to be very involved with overseeing the direction that is being taken by the organization.

The commitment to deposit insurance is continuing to grow within the Region. The Netherland Antilles has recently joined Barbados, The Bahamas, British Virgin Islands (BVI), Trinidad and Tobago and Jamaica, in establishing a DI. This year the BDIC expects to be represented at the 3rd Americas Deposit Forum entitled "Bank Resolution and Crisis Management: Beyond the Core Principles". Representatives of the Caribbean Regional Committee (CRC) will participate in presentations at the forum; doing so it is hoped will further cooperation between the regional DIs and raise the profile of the Caribbean outside of the region.

No immediate change to the challenges faced in 2017 is expected in 2018. However, the BDIC will continue its work as a member of the financial safety net, working with other members locally and across the region to establish systems and processes and to educate member institutions and the public on the roles and functions of deposit insurance.

I and my fellow Board members extend our gratitude to the staff of the corporation and encourage them to continue their efforts on behalf of the BDIC. I also extend similar thanks to the other members of the Board for their continued contribution and efforts on behalf of the BDIC.



Winston LeRoy Inniss QC
Chairman

CEO'S MESSAGE



The macro economy remained under stress but Barbados' domestic economic environment and the financial system remains resilient in 2017. Banks continued to be well capitalized, and most maintained capital adequacy ratios well exceeding the mandatory 8%. From an operational and financial perspective, this performance by Member Institutions (MIs) of the BDIC meant that there were no calls on the DIC.

During the year meetings were held with several member institutions to determine the level of awareness of the BDIC's mandate. The feedback from all members was positive in terms of them recognising and agreeing with the role and importance of deposit insurance in safeguarding the financial system. Discussion also took place around means of ensuring that the staff of member institutions fully understood deposit insurance, the ways in which members could assist with spreading the word

to the wider public, and any improvements and/or expansion that might be made in the collection and quality of data collected from members. Each of these areas will be looked at in more detail over the coming year.

The BDIC met with visiting scholar Dr. Patrick Honohan hosted by the Central Bank of Barbados. Dr. Honohan is a former Governor of the Central Bank of Ireland and this meeting was highly informative as he spoke first hand to the issues that arose and the learnings that came out of trying to manage the financial crisis in Ireland. Among the most important of these was the need for co-operation and dialogue between financial safety net partners; not only at the time the crisis, but also in identifying a potential crisis. In his briefing he also emphasized that time is of the essence, at the start of and during a crisis, in ensuring that opportunities which would result in the best resolutions were not lost.

Given the challenges faced by small DIs co-operation is also necessary among them. Recognising this, the CRC (Caribbean Regional Committee) of which BDIC is a member, along with Trinidad, Jamaica, Bahamas, BVI and most recently the Netherland Antilles has engaged in increased dialogue aimed particularly at looking for ways to work with and assist member participants. The CRC has formed four (4) committees to shadow the main committees set up by IADI. These committees would then inform the general membership of what is happening in each of the key areas. Members of the various DIs will also be preparing and giving joint presentations at the Third Americas Deposit Insurance Forum to be held in 2018.

Principal 10 of the Core Principles of Deposit Insurance states that "In order to protect depositors and contribute to financial stability, it is essential that the public be informed on an ongoing basis about the benefits and limitations of the deposit insurance system." A wealth of documentation exists on the BDIC's website and in the form of pamphlets, displays of which have been placed in the offices of MIs. However, this will be an area of greater focus for the BDIC in the coming year, as the BDIC explores ways to bring greater awareness to the public.

Arlita K. John
Chief Executive Officer

CORPORATE INFORMATION

The Barbados Deposit Insurance Corporation (BDIC) was established on June 8, 2007 by an Act of Parliament – Deposit Insurance Act 2006-29 (DIA). The BDIC provides insurance for domestic deposits, up to a prescribed limit, at member institutions (currently licensed under the Financial Institutions Act (FIA), 1997¹). The prescribed limit is currently \$25,000 and is distributed on a per-depositor, per-bank basis.

BOARD OF DIRECTORS

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

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

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

Board Members as at December 31, 2017



Winston LeRoy Inniss, Q.C.

Chairman

Mr. Justice Inniss is a Queen's Counsel who has practised as an Attorney-at-Law since 1978.

He has been the Legal Consultant on Employment Law to several organizations. He is past President of the Barbados Bar Association.

In 2001, he became a judge of the High Court in Barbados and served until his retirement in 2006. Since then he has been engaged in mediation and arbitration, both in Barbados and overseas. At present, he is the President of Parent Education for Development in Barbados, (PAREDOS), Chairman of Police Complaints Authority and Chairman of the Financial Services Commission Appeal Tribunal.

¹ Deposit insurance does not apply to foreign currency deposits, letters of credit, or instruments of similar nature, inter-bank deposits and deposits from an affiliate (Deposit Insurance Act, 2006-29).

CORPORATE INFORMATION



James M. Payne, CA
Deputy Chairman

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

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



John Jones
Director

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

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

Mr. Jones' service and contribution to the wider community has been facilitated largely by his long-standing involvement as a Rotarian. He is a Past President of The Rotary Club of Barbados, South (1991-1992) and a Past Assistant District Governor (2000-2001) Rotary International - District 7030. He has held directorships in a number of Guardian Group related companies, including Guardian International Inc. (2011-2014). He is currently an Executive Steward of the Barbados Turf Club.

CORPORATE INFORMATION



Marlene E. A. Bayne

Director

Mrs. Marlene Bayne is a career Central Banker, with over twenty-five years' experience in the Bank Supervision Department. She served as a Senior Examiner, then Deputy Director and was appointed Director on March 1, 2010. She has overall responsibility for developing and managing strategies to ensure effective supervision and regulation of financial institutions in the domestic and international banking sectors.

Mrs. Bayne has served on several bank committees, more recently serving as the Chairman of the Financial Stability Analysis and Report Task Force. She represents the Central Bank of Barbados at the Caribbean Group of Banking Supervisors (CGBS), the Association of Banking Supervisors for the Americas (ASBA) and the Group of International Finance Centre Supervisors (GIFCs).

Mrs. Bayne holds a Bachelor's degree and an MBA from the Cave Hill Campus, and the Cave Hill School of Business of the University of the West Indies, respectively.



Cleviston Haynes

Director

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

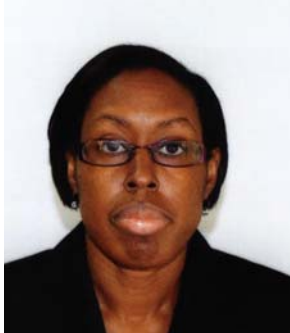
He joined the Central Bank in 1980 as an Economist and has served the Bank in several capacities, including Chief Economist, Adviser to the Governor, Director, Bank Supervision Department and most recently as Deputy Governor.

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

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

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

CORPORATE INFORMATION



Nancy Headley

Director

Mrs. Nancy Headley has worked in the Public Service for the past 24 years. She has worked with the Ministry of Finance for the last 16 years, first in the capacity of Chief Budget Analyst and then as Deputy Permanent Secretary with direct responsibility for the Budget Section and the Debt Unit. Mrs. Headley is now the Permanent Secretary, Finance in the Ministry of Finance and Economic Affairs.

Mrs. Headley holds a Master's degree in Economics and Finance from the University of Lancaster. She is also a Fellow of the Association of Chartered Certified Accountants.



Arlita K. John, FCA

Director

Ms. John was appointed as Chief Executive Officer of the BDIC in September 2016. She is a Chartered Accountant and a graduate of Queen's College, with over thirty years of management experience in the area of financial services. Her most recent role has been with the Barbados International Wealth Management subsidiary of a major international Bank, where as Chief Operations Officer, she was responsible for the management and control of various revenue lines and an asset portfolio in the region of USD \$5 billion. She has also served, over time, as Managing Director of the Bank's Trust and Financial Services subsidiary, as Chief Financial Officer for its capital management subsidiary and as Board

member of many of the Bank's subsidiaries.

AUDITORS

Brian F. Griffith & Co.

BANKERS

Central Bank of Barbados

CORPORATE ADDRESS

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

OPERATING ENVIRONMENT

MACRO-ECONOMIC ENVIRONMENT

The Barbadian economy registered another year of moderate growth. A strong recovery in the tourism sector, was partially offset by the prolonged weakness in the construction sector as several major planned projects did not make anticipated progress during the year. The low growth sent the unemployment rate into double digits, but the rate of inflation remained relatively unchanged. The stock of international reserves continued to decline, partly because of higher public debt service payments and slightly weaker net foreign direct investment flows.

Table 1: Macro-economic Indicators

	2013	2014	2015	2016	2017 ^p
<i>GDP Growth Rate</i>	0.0	0.0	0.9	1.8	1.0
<i>Inflation Rate</i>	1.8	1.8	-1.1	1.5	4.4
<i>Unemployment Rate</i>	11.6	12.3	11.3	9.7	10.0
<i>Gross Public Sector Debt-GDP Ratio</i>	100.2	106.1	106.7	99.9	101.9
<i>International Reserves (BDS \$M)</i>	1,144.1	1,054.9	929.4	683.6	409.7
	2013/14	2014/15	2015/16	2016/17 ^p	
<i>Fiscal Balance to GDP</i>	-10.4	-7.7	-9.4	-5.7	

p – Provisional data

Source: The Central Bank of Barbados' Review of Economic Performance

Table 2: Selected Prudential Ratios

<i>Commercial Banks</i>	2013	2014	2015	2016	2017 (*)
Solvency Indicators					
Capital Adequacy Ratio (CAR)	19.7	20.5	18.9	19.6	20.1
Liquidity Indicators					
Loan to deposit ratio (%)	70.0	70.3	65.5	62.3	63.2
Liquid assets, % of total assets	18.0	20.3	25.3	27.4	27.1
Credit Risk Indicators (%)					
Total assets (growth rate)	2.8	-1.3	4.0	3.7	1.7
Non-performing loans ratio (%)	11.7	11.5	10.6	8.9	8.2
Profitability Indicators					
Return on Assets (ROA)	0.8	0.7	0.9	1.0	1.4

Source: Central bank of Barbados

*Data as at September 2017

OPERATING ENVIRONMENT

Table 2: Selected Prudential Ratios (cont'd)

<i>Deposit-Taking Part III</i>	2012	2013	2014	2015	2016	2017
Solvency Indicators						
Capital Adequacy Ratio (CAR)	23.6	24.2	24.3	22.8	25.6	25.8
Liquidity Indicators						
Loan to deposit ratio (%)	109.9	99.0	105.5	98.8	109.2	119.1
Liquid assets, % of total assets	17.8	19.8	16.0	22.4	17.7	21.0
Credit Risk Indicators (%)						
Total assets (growth rate)	6.1	3.9	2.6	3.0	-6.7	-5.6
Non-performing loans ratio (%)	9.1	8.2	8.3	9.5	9.3	9.4
Profitability Indicators						
Return on Assets (ROA)	1.2	1.9	0.9	1.0	1.3	1.3

Source: Central bank of Barbados

*Data as at September 2017

Asset Growth and Composition

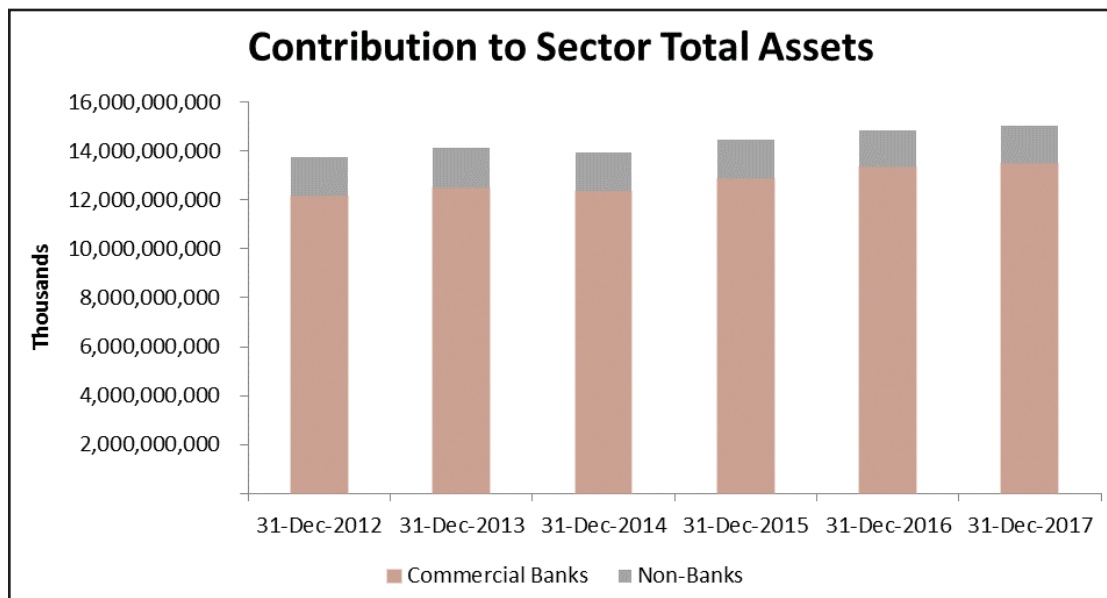
For the past five (5) years the domestic banking sector has experienced relatively weak average annual growth of approximately 1.8%. As at December 31st, 2017 total assets of the sector stood at approximately \$15.1 billion, indicating minor growth of 1.4% over calendar year 2016.

Commercial bank total assets declined the first six (6) months of 2017 but recovered subsequently to stand at \$13.5 billion as at December 31st, representing year-to-date growth of approximately \$177 million (1.3%). The asset base of non-banks increased marginally by \$36.4 million (2.4%) during the same period, ending at \$1.6 billion

Total assets of commercial banks accounted for 89.6% of the sector assets at the end of December 2017.

OPERATING ENVIRONMENT

Figure 1. Asset Distribution



Source: Central Bank of Barbados

Asset quality

The trend towards improvement in asset quality of the sector continued throughout 2017 and was evidenced by a decline in the aggregate non-performing loan (NPL) ratio to 6.9% (7.6% in 2016 and 7.8% in 2015). This improvement in asset quality as evidenced by the NPL ratio was driven by the commercial banking sector, which experienced a material decline in aggregate NPLs of \$48.4 million during the twelve-month period ending in December 2017.

At 9.4% the NPL ratio of the non-bank sector showed no material change since December 2016 when it was at 9.5%.

OPERATING ENVIRONMENT

Deposit Base and Liquidity

By all available indicators, the sector continued to be marked by relatively high levels of liquidity over the past five years and deposits continue to represent the main source of funds for the sector. After experiencing a decline in 2014, the deposit base covered by the DIC trended upward from \$9.1 billion at December 2014 to \$9.7 billion at the end of December 2017. However, during 2017 the aggregate deposit base of the sector was generally flat with deposits growing just \$48.1 million (0.5%) year over year. The commercial banks continued to hold the majority of these deposits (90.7%).

Notably, during Q4 2017 the Central Bank of Barbados increased securities reserve requirements for commercial banks in two (2) phases. Effective December 2017 reserve requirements rose to 18% of deposits. This was to be followed by a secondary increase to 20% of deposits from January 2018. While this change in monetary policy would have reduced excess cash and securities ratios for commercial banks, generally their liquidity positions remained robust.

Profitability

During the twelve months of 2017, the sector reported a decline in composite profitability relative to the corresponding period of 2016, with net income declining by \$21.2 million (-10%) to \$191.4 million. The commercial banking sector was the primary driver of this decline in sector profitability as commercial banks experienced a year on year reduction in net income of \$16.7 million (-8.8%). Deposit taking non-banks also experienced year on year declines in profitability of \$4.4 million (-19.8%) to report aggregate net income of \$18.1 million for 2017.

Capital Adequacy

Both banks and non-banks remained adequately capitalized for credit, market and operational risk. Banks continue to be well capitalized with capital adequacy ratios well in excess of the mandatory 8% ratio. As at December 31, 2017 all member institutions reported ratios in excess of the minimum CARs. In the banking sector, the CARs ranged from 16.1% to 26.1%, while in the non-banking sector CARs were in excess in 11%.

OPERATING ENVIRONMENT

DEPOSIT INSURANCE FUND

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

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

Premiums collected during 2017 totaled \$4.8 million, slightly greater than the preceding year, while interest income on the fund rose to \$4.9 million from \$4.2 million in 2016.

Expenses of the fund relative to its income remained stable year over year at just over 5.1% .

The average insurable deposits in the banking system increased to \$9.74 billion from \$9.69 billion in 2016. The commercial banks' share of deposit remained steady at approximately 91% of total insurable deposits.

As at December 31, 2017 the balance on the DIF was \$ 71.5 million, an increase of 16% over the 2016 balance of \$62.3 million. The size of the DIF now represents approximately 4.0% of total insured deposits and the maximum liability of the Fund is \$1.8 billion or 19.2% of total value of insurable deposits.

Table 3: Total Estimated Insurable Deposits (\$'000) December 31, 2013-2017

	2013	2014	2015	2016	2017
Commercial Banks	8,305,433	8,118,876	8,481,501	8,821,499	8,836,108
Non-banks	979,524	958,030	993,114	873,371	906,843
Total	9,284,957	9,076,906	9,474,615	9,694,870	9,742,951

OPERATING ENVIRONMENT

Table 4: DIF Ratio as at December 31, 2017 and December 31, 2016

	2017		2016	
	(\$'000)	(%)	(\$'000)	(%)
Commercial Banks	1,739,555	94.24	1,977,586	94.78
Non-banks	106,410	5.76	109,024	5.22
Total Estimated Insured deposits	1,845,965	100.00	2,086,610	100.00
Deposit Insurance Fund	71,508	-	62,339	-
DIF Ratio	-	3.87	-	2.99

FINANCIAL AND STATISTICAL SUMMARY

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

	2017	2016	2015
<u>Selected Balance Sheet Items</u> (BDS\$ '000)			
Cash	68	694	102
DIF	71,508	62,339	53,937
Investments	71,625	61,850	54,150
Liabilities	21	28	48
<u>Selected Income Statement Items</u> (BDS\$ '000)			
Gross Income	9,672	8,857	8,005
Premium Income	4,769	4,667	4,458
Interest Income on Investments	4,898	4,190	3,546
Operating Expenses	502	455	456
Net Income	9,169	8,401	7,549

Table 6: Members of the Deposit Insurance Fund 2015-17

	2017	2016	2015
Commercial Banks (Part II Companies)	5	5	5
Domestic Trust and Finance Companies (Part III companies)	8	7	7
Total number of Member Institutions	13	12	12

FINANCIAL AND STATISTICAL SUMMARY

Commercial Banks (Part II companies)

1. CIBC FirstCaribbean International Bank (Barbados) Ltd.

CIBC FirstCaribbean International Bank (Barbados) Limited was granted approval to acquire the business of FirstCaribbean International Trust and Merchant Bank (Barbados) Limited

2. First Citizens Bank (Barbados) Limited
3. RBC Royal Bank (Barbados) Limited
4. Republic Bank (Barbados) Limited
5. The Bank of Nova Scotia

Other Deposit-Taking Institutions (Part III companies)

1. Ascendancy Finance (Barbados) Limited

Ascendancy Finance (Barbados) Limited was licensed as a finance company under Part III of the Financial Institutions Act, Cap. 324A on August 12, 2017.

2. Capita Financial Services Inc.
3. CIBC FirstCaribbean International Trust and Merchant Bank (Barbados) Ltd.
4. Citicorp Merchant Bank Ltd.
5. Consolidated Finance Co. Ltd.
6. Globe Finance Inc.
7. Royal Fidelity Merchant Bank & Trust (Barbados) Limited
8. Signia Financial Group Inc.

Table 7: Covered Deposits and Deposit Insurance Premiums 2015-17

Year	Insured Institutions				Premium Revenue ('000)
	Type	No. of institutions	Total Eligible Deposits (\$'000,000)	Covered Deposits (\$'000,000)	
			(a)	(b)	
2017	Bank	5	8,836	1,740	4,288
	Non-Bank	8	906	106	481
2016	Bank	5	8,822	1,978	4,184
	Non-bank	7	873	109	483
2015	Bank	5	8,482	1,987	3,992
	Non-bank	7	993	104	466



Audited Financial Statements **2017**





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

Opinion

We have audited the consolidated financial statements of **Barbados Deposit Insurance Corporation**, which comprise the consolidated statement of financial position as at December 31, 2017, the consolidated statement of changes in equity, the consolidated statement of comprehensive income, the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards for Small and Medium-Sized Entities (IFRS for SMEs).

Basis for Opinion

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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



.....
Brian F Griffith & Co.
Chartered Accountants

March 22, 2018
Bridgetown, Barbados



Barbados Deposit Insurance Corporation
Consolidated statement of financial position as at December 31, 2017
(Expressed in Barbados dollars)

	Notes	2017 \$	2016 \$
ASSETS			
Current assets			
Cash and bank balances	7	68,233	694,270
Receivables	8	829,095	807,736
		<u>897,328</u>	<u>1,502,006</u>
Non-current assets			
Property, plant and equipment	2(h) & 4	6,651	14,580
Investments	2(g) & 6	71,625,000	61,850,000
		<u>71,631,651</u>	<u>61,864,580</u>
Total assets		<u>72,528,979</u>	<u>63,366,586</u>
LIABILITIES AND EQUITY			
Current liabilities			
Payables and accruals		<u>21,125</u>	<u>27,995</u>
Total liabilities		<u>21,125</u>	<u>27,995</u>
Equity			
Paid up capital		1,000,000	1,000,000
Deposit Insurance Fund		71,507,854	62,338,591
		<u>72,507,854</u>	<u>63,338,591</u>
Total liabilities and equity		<u>72,528,979</u>	<u>63,366,586</u>

The accompanying notes form part of these consolidated financial statements.

Approved by the Board of Directors on March 21, 2018, and signed on its behalf by:

CHAIRMAN.....

DIRECTOR.....

Barbados Deposit Insurance Corporation
Consolidated statement of changes in equity for the year ended
December 31, 2017
(Expressed in Barbados dollars)

	Paid Up Capital \$	Deposit Insurance Fund \$	Total \$
Balance at January 1, 2016	1,000,000	53,937,339	54,937,339
Total comprehensive income 2016	-	<u>8,401,252</u>	<u>8,401,252</u>
Balance at December 31, 2016	1,000,000	62,338,591	63,338,591
Total comprehensive income 2017	-	<u>9,169,263</u>	<u>9,169,263</u>
Balance at December 31, 2017	<u>1,000,000</u>	<u>71,507,854</u>	<u>72,507,854</u>

The accompanying notes form part of these consolidated financial statements.



Barbados Deposit Insurance Corporation
Consolidated statement of comprehensive income for the year ended
December 31, 2017
(Expressed in Barbados dollars)

	Notes	2017 \$	2016 \$
Income			
Annual premiums		4,769,097	4,666,680
Interest earned		4,898,758	4,190,011
Miscellaneous income		4,255	-
Total income		<u>9,672,110</u>	<u>8,856,691</u>
Expenses			
General and administrative costs	10	494,599	446,557
Depreciation		8,248	8,882
Total expenses		<u>502,847</u>	<u>455,439</u>
Comprehensive income for the year		<u>9,169,263</u>	<u>8,401,252</u>

The accompanying notes form part of these consolidated financial statements.

Barbados Deposit Insurance Corporation
Consolidated statement of cash flows for the year ended
December 31, 2017
(Expressed in Barbados dollars)

	Notes	2017 \$	2016 \$
Cash flows from operating activities:			
Total income from operations		9,169,263	8,401,252
Adjustments for:			
Depreciation		8,248	8,882
Interest income		(4,898,758)	(4,190,011)
		<u>4,278,753</u>	<u>4,220,123</u>
Changes in operating assets and liabilities			
Decrease in current liabilities		(6,870)	(20,202)
Net cash from operating activities		<u>4,271,883</u>	<u>4,199,921</u>
Cash flows from investing activities:			
Purchase of property, plant and equipment		(320)	-
Investment securities matured		-	12,250,000
Purchase of investment securities		(9,775,000)	(19,950,000)
Interest received		4,877,400	4,092,417
Net cash used in investing activities		<u>(4,897,920)</u>	<u>(3,607,583)</u>
Increase/(decrease) in cash and cash equivalents for the year			
		(626,037)	592,338
Cash and cash equivalents - Beginning of year		<u>694,270</u>	<u>101,932</u>
Cash and cash equivalents - End of year		<u>68,233</u>	<u>694,270</u>
Cash and cash equivalents comprise:			
Cash and bank balances	7	<u>68,233</u>	<u>694,270</u>

The accompanying notes form part of these consolidated financial statements.



Brian F. Griffith & Co. CHARTERED ACCOUNTANTS

**Independent Auditors' Report
On
The Deposit Insurance Fund**

To the Directors of Barbados Deposit Insurance Corporation

Opinion

In accordance with Section 15, 1(b) of the Deposit Insurance Act, 2006, we have audited the statement of the **Deposit Insurance Fund** of the Barbados Deposit Insurance Corporation for the year ended December 31, 2017.

In our opinion the statement of the Deposit Insurance Fund presents fairly, in all material respects, the financial position of the Fund as of December 31, 2017, and its financial performance for the year then ended in accordance with International Financial Reporting Standards for Small and Medium-Sized Entities (IFRS for SMEs).

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

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

Auditors' Responsibilities for the Audit of the Fund

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

.....
Brian F Griffith & Co.
Chartered Accountants

March 22, 2018
Bridgetown, Barbados

Barbados Deposit Insurance Corporation
Statement of the Deposit Insurance Fund for the year ended
December 31, 2017
(Expressed in Barbados dollars)

	2017	2016
	\$	\$
Fund balance at beginning of year	<u>62,338,591</u>	<u>53,937,339</u>
Annual premiums	4,769,097	4,666,680
Interest earned	4,898,758	4,190,011
Miscellaneous income	4,255	-
Total income for the year	<u>9,672,110</u>	<u>8,856,691</u>
Total expenses for the year	<u>(502,847)</u>	<u>(455,439)</u>
Increase in Fund balance	<u>9,169,263</u>	<u>8,401,252</u>
Fund balance at end of year	<u>71,507,854</u>	<u>62,338,591</u>

The accompanying notes form part of these consolidated financial statements.

Barbados Deposit Insurance Corporation

Notes to consolidated financial statements

December 31, 2017

(Expressed in Barbados dollars)

1. Incorporation and functions

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

The functions of the corporation are:-

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

2. Significant accounting policies

a) Basis of preparation

These consolidated financial statements have been prepared in accordance with and comply with International Financial Reporting Standards for Small and Medium-Sized Entities (IFRS for SMEs), and have been prepared under the historical cost convention as modified by the revaluation of financial assets. The accounting records reflect the activities of the Deposit Insurance Corporation and the resulting assets, liabilities, income and expenses of the Corporation and the related Deposit Insurance Fund it has been established to manage.

Barbados Deposit Insurance Corporation
Notes to consolidated financial statements
December 31, 2017
(Expressed in Barbados dollars)

2. Significant accounting policies (continued)

b) Use of estimates

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

c) Premium income

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

d) Receivables

Receivables are carried at contractually determinable amounts less provision made for impairment of balances that are considered uncollectible.

e) Cash and cash equivalents

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

f) Payables and accruals

Trade and other payables are stated at historical cost.

Barbados Deposit Insurance Corporation

Notes to consolidated financial statements

December 31, 2017

(Expressed in Barbados dollars)

2. Significant accounting policies (continued)

g) Investment securities

Investments are classified as held-to-maturity financial assets at the time of purchase. Such items are non-derivative assets with fixed or determinable payments and fixed maturities that management has positive intention and ability to hold to maturity. Where the Corporation sells other than an insignificant amount of held-to-maturity assets, the entire category would be compromised and reclassified as available-for-sale.

h) Property, plant and equipment

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

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

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

i) Interest earned

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

j) Financial instruments

Financial instruments are contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are recognized on the Corporation's statement of financial position when the Corporation becomes a party to the contractual provisions of the instrument.

Barbados Deposit Insurance Corporation

Notes to consolidated financial statements

December 31, 2017

(Expressed in Barbados dollars)

2. Significant accounting policies (continued)

k) Comparative information

Where necessary, certain comparative figures have been reclassified to conform with the current presentation. These changes had no effect on the previously reported financial statements.

l) Risk management

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

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

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

3. Taxation and Insurance Legislation

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

Barbados Deposit Insurance Corporation
Notes to consolidated financial statements
December 31, 2017
(Expressed in Barbados dollars)

4. Property, plant and equipment

	2017	2016
	\$	\$
Cost	111,680	111,360
Accumulated depreciation	<u>105,029</u>	<u>96,780</u>
Net Book Value	<u>6,651</u>	<u>14,580</u>

5. Central Bank of Barbados

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

6. Investment securities

Time to Maturity	No. of Securities	Total 2017 \$	No. of Securities	Total 2016 \$
< 5 years	8	10,135,000	8	10,135,000
5 - 10 years	15	15,979,000	9	6,204,000
10 - 15 years	17	14,361,000	17	14,361,000
15 - 20 years	<u>20</u>	<u>31,150,000</u>	<u>20</u>	<u>31,150,000</u>
	<u>60</u>	<u>71,625,000</u>	<u>54</u>	<u>61,850,000</u>

7. Cash and bank balances

	2017	2016
	\$	\$
Central Bank of Barbados	67,733	694,055
Cash on hand	<u>500</u>	<u>215</u>
	<u>68,233</u>	<u>694,270</u>

Barbados Deposit Insurance Corporation
Notes to consolidated financial statements
December 31, 2017
(Expressed in Barbados dollars)

8. Receivables

	2017	2016
	\$	\$
Interest receivable	<u>829,095</u>	<u>807,736</u>

9. Paid up capital

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



Barbados Deposit Insurance Corporation
Notes to consolidated financial statements
December 31, 2017
(Expressed in Barbados dollars)

10. General and administrative costs

	2017	2016
	\$	\$
Directors fees	52,800	52,800
Employment expenses	219,487	144,501
Professional fees	16,920	16,920
Other expenses	205,392	232,336
	<u>494,599</u>	<u>446,557</u>



Notes

Barbados Deposit Insurance Corporation

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