

ANNUAL
REPORT
2018

BDiC
BARBADOS DEPOSIT
INSURANCE CORPORATION



Letter of Transmittal

31 July 2019

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

Dear Minister:

In accordance with Section 15 (1) of the Deposit Insurance Act 2006-29, I have the honour to submit to you the Annual Report of the Barbados Deposit Insurance Corporation including the Auditors' reports on the Financial Statements of the Corporation and the Deposit Insurance Fund, in respect of the year ended December 2018.

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	MF
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 Cont'd

Insured Deposit:

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

Member Institutions:

Financial institutions 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 2018 the financial sector held up even as the severe challenges to the economic environment remained; foreign currency reserves diminished to alarming levels, further debt downgrades were experienced and public and private sector layoffs continued.

A change of government took place in May, and the incoming party almost immediately embarked on negotiations with the International Monetary Fund (IMF) to put in place a programme aimed at economic recovery. As part of that programme, a major debt restructuring was proposed, and part of the programme came into effect at the beginning of October. Under this restructuring all sovereign domestic debt instruments, excluding government savings bonds (GSBs), were adjusted in one or a combination of up to three ways: lower coupons, reduced principal, or term extension. The overall principal of the deposit Insurance Fund was not impacted by this restructuring, but the average term to maturity of the investments of the fund was extended.

Following its election to office, the new government undertook a review of all statutory boards. After the completion of this exercise, all the incumbent board members of the BDIC were reappointed for a further three (3) years.

At the end of June, Mrs. Marlene Bayne, who was an ex officio member of the BDIC retired from the Central Bank and consequently from the BDIC's Board. She has been replaced by Mrs. Cheryl Greenidge, the Director (ag.), Bank Supervision. Mrs. Bayne was a committed member of the Board for many years and her knowledge and experience were most valuable in the implementation of deposit insurance in Barbados. On behalf of the members of the Board I wish to thank Mrs. Bayne for her invaluable service over the past ten (10) years and extend a warm welcome to Mrs. Greenidge as she joins us in overseeing the work of the organization.

I extend congratulations to the other members of the Board on their re-appointment and thank them for their valuable support and look forward to their on-going efforts in the future on behalf of the BDIC. On behalf of myself and my fellow Board members I also wish to say thank you to the staff of the Corporation for their continuing commitment to the organization, its mandate and its goals.

A handwritten signature in black ink, appearing to be 'W. LeRoy Inniss', written in a cursive style.

W. LeRoy Inniss QC
Chairman

CEO'S MESSAGE



As promised in its 2017 report the BDIC continued efforts to spread the word on deposit insurance. Beginning in early summer it introduced an internship program. The interns were initially charged with researching the subject of deposit insurance and preparing a short presentation on the topic. This presentation was then used in a number of public and private seminars, a financial literacy summer camp and group sessions with staff of member institutions.

The International Association of Deposit Insurers (IADI), of which the BDIC is a full member, is contemplating fee increases for those members. These increases are intended to provide funding for IADI to carry out its expanded mandate on research. At the time of writing IADI was still gathering input from members and no decision as to the extent or timing of these increases had been communicated. The BDIC recently put in a request for technical assistance in establishing a target fund and conducting a review of the current coverage limit and premium levy. It will be interesting to see what response is received on consultant availability and cost, especially in light of these proposed fee increases.

The Deposit Insurance Fund (DIF) membership base experienced some consolidation during 2018 with two members amalgamating in the first quarter, and another two in the third quarter. At the time of reporting, the Fund covered close to approximately four (4%) percent of insurable deposits.

Up until end of the third quarter, the Fund grew by 12%, thanks to the absence of deposit insurance claims, timely contributions by Members and receipt of income from Fund investments.

However, at the beginning of the third quarter of 2018, and after negotiations with some of its largest domestic creditors the Government officially announced an exchange offer for most of its domestic debt. This move was to assist with the larger Barbados Economic Recovery Programme (BERT); a set of targets encompassing the conditionalities of the International Monetary Fund's loan to the country. Those conditionalities included

- 1) achieving a six per cent primary balance by fiscal year 2019/20 and maintaining it for the next four years,
- 2) no further accumulation of arrears and
- 3) reducing transfers to state-owned enterprises (SOEs).

The objective of this exchange offer was to substantially reduce the debt and interest burden on the Government without overly stressing domestic financial institutions or individuals.

The result of this exchange on the DIF was to move from an underlying portfolio of bonds with an average term to maturity of fifteen (15) years to one Series Bond with a final maturity of February 2053. The face value of the Series D Bond is the aggregate of the face value of individual Instruments it replaced plus capitalized value of interest thereon at Modification date.

The Fund experienced a loss of approximately twenty-seven million dollars as a result of the revised terms of the modified Series D instrument. Member institutions of the Fund also suffered a negative

CEO'S MESSAGE *Cont'd*

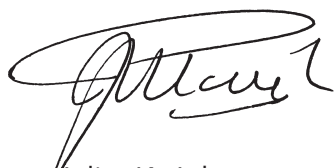
impact from restructuring, as they absorbed the loss. However, most were able to maintain satisfactory capital adequacy ratios above the regulatory minimum.

The restructuring exercise is expected to continue as an agreement is brokered with international creditors. The Government can also be expected to take further steps over the coming year to try and address the present economic woes.

In the meantime, one notable change on the financial front is FinTech, which in some countries is disrupting the financial services market and challenging legacy financial institutions in the delivery of financial services. The financial technology (FinTech) industry is thriving globally and there is growing competition among the players offering FinTech products. Already in places like China and Africa, there is widespread use of eMoney and mobile wallets.

As this technology evolves, and customers are allowed greater access to financial services, there will be a greater need for co-ordinated regulatory responses to the treatment of products, risks and matters arising in that space.

It is evident from the separate discussions held between the DI, the IMF, credit unions and other members of the financial community that deposit insurance is seen as an integral part of the financial safety net. It is therefore important for the DI to seek to be involved in any regulatory discussions on the actual and anticipated effects of changes in the economic and financial landscapes.



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. The BDIC provides insurance for domestic deposits, up to a prescribed limit, at member institutions (currently licensed under the Financial Institutions Act (FIA), 1997). The prescribed limit is currently \$25,000 and is distributed on a per-bank, per-depositor, per-deposit category basis.

BOARD OF DIRECTORS

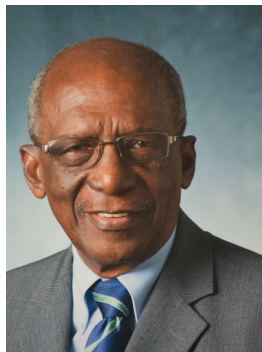
Section 4 (1) of the Deposit Insurance Act 2006-29, makes provision for the establishment of a Board of Directors of the Corporation which shall be responsible for the policy direction of the BDIC.

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

In addition, there are four other ex officio Directors, appointed pursuant to the provisions of the Deposit Insurance Act, namely:

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 BDIC.

Board Members as at December 31, 2018



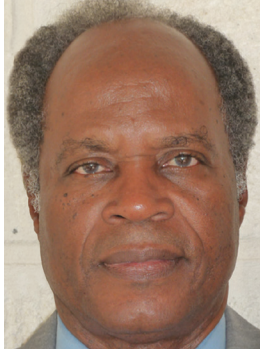
Winston LeRoy Inniss, Q.C.

Chairman

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

In 2001, he became a judge of the High Court in Barbados and served until his retirement in 2006. Since then he has been a Legal Consultant on Employment Law to several organizations. He has also been engaged in mediation and arbitration, both in Barbados and overseas. At present Justice Inniss is the President of Parent Education for Development in Barbados, (PAREDOS), and Chairman of the Financial Services Commission Appeals Tribunal.

CORPORATE INFORMATION Cont'd

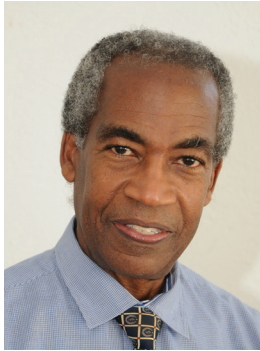


James M. Payne, CA

Deputy Chairman

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

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



John Jones

Director

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

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

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

CORPORATE INFORMATION *Cont'd*



Cheryl Greenidge

Director

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

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

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

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

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



Cleviston Haynes

Director

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

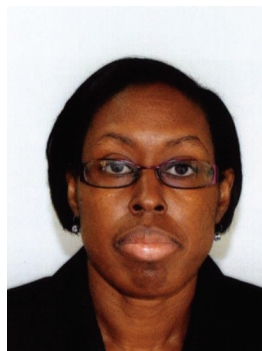
He joined the Central Bank in 1980 as an Economist and has served the Bank in several capacities, including Chief Economist, Adviser to the Governor, Director, Bank Supervision Department and most recently as Deputy Governor.

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

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

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

CORPORATE INFORMATION *Cont'd*



Nancy Headley

Director

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

Certified Accountants.



Arlita K. John, FCA

Director

Ms. John was appointed as Chief Executive Officer of the BDIC in September 2017. 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

Table 1: Macro-economic Indicators

	2014	2015	2016	2017	2018 ^p
GDP Growth Rate	0.0	0.9	1.8	1.0	-0.6
Inflation Rate	1.8	-1.1	1.5	4.4	3.7
Unemployment Rate¹	11.6	12.3	11.3	9.7	10.0
Gross Public Sector Debt-GDP Ratio	106.1	106.7	99.9	101.9	126.9
International Reserves (BDS \$M)	1,054.9	929.4	683.6	409.7	1,049.7
	2014/15	2015/16	2016/17	2017/18	2018/19
Fiscal Balance to GDP	-7.7	-9.4	-5.7	-4.6	-0.3

p – Provisional data

1 – Average Unemployment (%)

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

Table 2: Selected Prudential Ratios

Commercial Banks	2014	2015	2016	2017	2018 (*)
Solvency Indicators					
Capital Adequacy Ratio (CAR)	20.5	18.9	19.6	20.1	15.6
Liquidity Indicators					
Loan to deposit ratio (%)	70.3	65.5	62.3	63.2	69.1
Liquid assets, % of total assets	20.3	25.3	27.4	27.1	33.1
Credit Risk Indicators (%)					
Total assets (growth rate)	-1.3	4.0	3.7	1.7	-5.2
Non-performing loans ratio (%)	11.5	10.6	8.9	8.2	11.2
Profitability Indicators					
Return on Assets (ROA)	0.7	0.9	1.0	1.4	1.1

Source: Central bank of Barbados

*Data as at September 2018

OPERATING ENVIRONMENT *Cont'd*

MACRO-ECONOMIC ENVIRONMENT (cont'd)

Table 2: Selected Prudential Ratios (cont'd)

<i>Deposit-Taking Part III</i>	2013	2014	2015	2016	2017	2018(*)
Solvency Indicators						
Capital Adequacy Ratio (CAR)	24.2	24.3	22.8	25.6	25.8	17.3
Liquidity Indicators						
Loan to deposit ratio (%)	99.0	105.5	98.8	109.2	119.1	97.8
Liquid assets, % of total assets	19.8	16.0	22.4	17.7	21.0	11.4
Credit Risk Indicators (%)						
Total assets (growth rate)	3.9	2.6	3.0	-6.7	-5.6	-32.8
Non-performing loans ratio (%)	8.2	8.3	9.5	9.3	9.4	7.2
Profitability Indicators						
Return on Assets (ROA)	1.9	0.9	1.0	1.3	1.3	0.9

Source: Central bank of Barbados

*Data as at September 2018

Asset Growth and Composition

During 2018, total assets of the deposit-taking sector contracted by approximately \$1.23 billion or 8.2%. Commercial bank assets decreased by approximately \$679.1 million (5.0%) over the 12-month period. This contraction was primarily driven by an unscheduled repayment of a large intragroup loan by one of the member institutions.

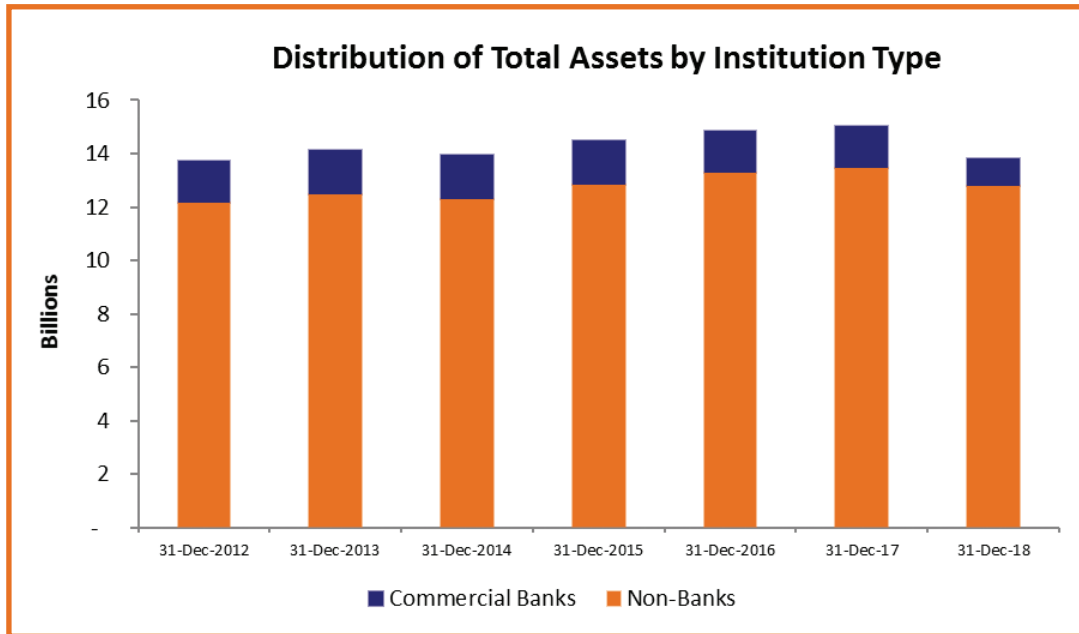
The asset base of the deposit-taking non-banks was approximately \$1.02 billion as at December 31st, 2018, representing a decline of approximately \$555.7 million or 35.4% during the 2018 calendar year. This decline was primarily attributable to the amalgamation of one member's trust business with its commercial banking operations.

As at December 31st, 2018 the commercial banking sector's share of total assets stood at 92.6% while deposit-taking non-banks accounted for the remaining 7.4%.

OPERATING ENVIRONMENT Cont'd

MACRO-ECONOMIC ENVIRONMENT (cont'd)

Figure 1: Asset Distribution



Source: Central Bank of Barbados

Asset Quality

As at December 31st, 2018, the asset quality of the deposit-taking sector as measured by the aggregate Non Performing Loan (NPL) ratio was approximately 7.5%. This represented a moderate deterioration in asset quality over the 12-month period of approximately sixty (60)s basis points. However, this deterioration in the NPL ratio was the result of a decline in the aggregate loan book of the sector rather than an increase in aggregate NPLs. To illustrate, over the period under review aggregate NPLs of the deposit taking sector declined by \$48.8 million or 8.7% to \$515.2 million while aggregate loans declined by \$1.28 billion or 15.8% to \$6.85 billion.

Over the period under review, total commercial bank NPLs declined marginally by \$19.3 million to stand at approximately \$455.9 million.

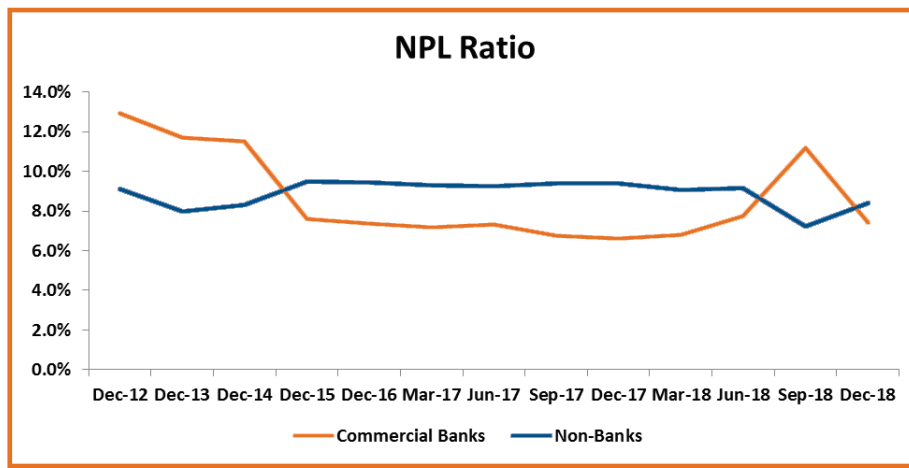
Figure 2 below depicts the 12-month trend in the NPL ratios of each deposit taking institution. Notably, during the June and September 2018 quarters some deposit taking institutions experienced material increases in NPLs which appeared to have subsided by Q4, 2018. The volatility in the NPLs of these institutions was due to the Government of Barbados Debt restructuring exercise which involved the initial suspension of repayment on all Central Government and state-owned enterprise (SOE) commercial debt and, the restructuring of these obligations into new debt securities with more favourable repayment terms.

OPERATING ENVIRONMENT *Cont'd*

MACRO-ECONOMIC ENVIRONMENT (cont'd)

This would have resulted in any loan exposures to these entities (Central Government or SOEs) held by deposit taking institutions being initially classified as impaired. Following the completion of the debt exchange and receipt of new securities these exposures would have been removed from NPL calculations.

Figure 2: NPL Ratios

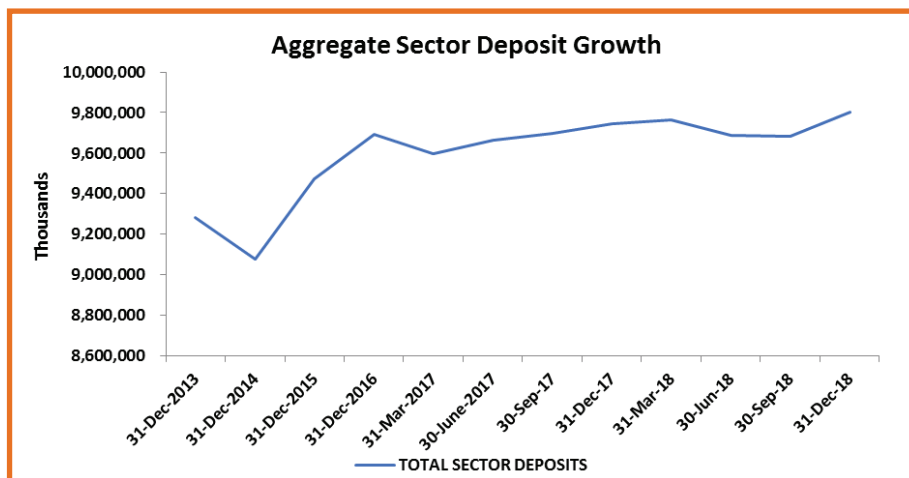


Source: Central Bank of Barbados

Deposit Base and Liquidity

Deposits remained the primary source of funding for the sector and totalled \$9.8 billion as at December 31st, 2018. Total deposits in the sector increased marginally during 2018 by approximately \$38 million. Commercial banks continued to hold the majority of these deposits, accounting for (92.7%) of deposits within the sector.

Figure 3: Deposit Growth



Source: Central Bank of Barbados

OPERATING ENVIRONMENT (Cont'd)

Profitability

Calendar year 2018 was a challenging year for performance with the aggregate deposit-taking sector experiencing a net loss of approximately \$24.3 million; this represented a decline from prior year profitability levels of approximately \$215.7 million.

The poor financial performance of the deposit taking sector in 2018 was primarily attributable to the commercial banking sector which experienced an aggregate net loss of approximately \$30.1 million for 2018. Losses experienced across the commercial banks related primarily to the Government of Barbados debt restructuring exercise impacted roughly \$4 billion of government of Barbados exposures held by the commercial banking sector. This exercise included significant reductions in the interest rates associated with these debts as well as significant extensions of maturity terms ranging from 15 – 25 years.

The significance of the debt restructuring's impact is best seen within the year-on-year comparisons of loan loss provisions. For 2018, commercial banks recognised loan loss provisions of \$285.2 million, a \$264 million or 1262% increase from 2017 loan loss provisions incurred.

Additionally, the non-bank deposit-taking sector also experienced a material decline in profitability year-on-year, evidenced by aggregate net income falling to \$5.8 million during 2018. This performance by the non-bank deposit-taking sector represented a decline of approximately \$12.3 million or 68.1% driven primarily by the amalgamation of one member's trust and commercial banking operations.

Despite the large aggregate losses experienced by the deposit taking sector several non-banking and two commercial banks remained profitable during 2018.

Capital Adequacy

The implementation of IFRS 9 and completion of the Government of Barbados debt restructuring materially reduced the capital adequacy ratios across the deposit taking sector.

As at December 2018 CARs across the commercial banking sector ranged between 9.3% – 25.9%. the newly formed entity's total CAR is projected to be well in excess of the minimum requirement as at the first consolidated reporting period of June 2019. Therefore, it is not anticipated that any further action is required at present.

The Bank Supervision Department of the Central Bank of Barbados has, and continues to engage with all deposit taking institutions to understand the final impact of the restructuring on capital positions and profitability.

DEPOSIT INSURANCE FUND

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

OPERATING ENVIRONMENT (Cont'd)

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

Premiums collected during 2018 totaled \$ 4.7 million, slightly lower than the preceding year (4.8 million). Interest income on the fund also fell to \$ 4.3 million from \$ 4.9 million in 2017.

Expenses of the fund relative to its income was higher year over year at 6.3% compared to 5.2%. In 2018 representatives of the BDIC attended a work/study hosted by the Jamaica Deposit Insurance Corporation and the annual IADI conference held in Basel, Switzerland.

The average insurable deposits in the banking system increased to \$ 9.80 billion from \$ 9.74 billion in 2017. The commercial banks' share of deposit increased from 90.69% to 92.65% of total insurable deposits. This was primarily due to amalgamation of one non-bank member with a member in the banking sector.

As at December 31, 2018, after giving effect to a modification loss of 26.7 million (please refer to Note 6 of the audited financial statements), the balance on the DIF was \$ 53.3 million, a decrease of 25% from the 2017 balance of \$ 71.5 million. The size of the DIF now represents approximately 2.7% of total insured deposits and the maximum liability of the Fund is \$ 1.97 billion or 20.1% of total value of insurable deposits of \$9.80 billion.

Table 3: Total Estimated Insurable Deposits (\$'000) December 31, 2014-2018

	2018	2017	2016	2015	2014
Commercial Banks	9,084,168	8,836,108	8,821,499	8,481,501	8,118,876
Non-banks	720,379	906,843	873,371	993,114	958,030
Total	9,804,546	9,742,951	9,694,870	9,474,615	9,076,906

Table 4: DIF Ratio as at December 31, 2018 and December 31, 2017

	2018		2017	
	(\$'000)	(%)	(\$'000)	(%)
Commercial Banks	1,874,812	95.1	1,739,555	94.24
Non-banks	97,485	4.94	106,410	5.76
Total Estimated Insured deposits	1,972,297	100	1,845,965	100.00
Deposit Insurance Fund (*)	53,304	-	71,508	-
DIF Ratio	-	2.70	-	3.87

*A loss of \$26.7 million was recognized in 2018 to reflect the modified payment terms of a restructured DIF portfolio.

2018 Public Awareness Highlights

Summer Fun Invest Camp

The focal point of this camp was financial literacy and budget management aimed at the youth ages 14 to 19 which is considered a pivotal transition phase. Prosperity Financial Consultants Inc reached out and invited us to deliver presentations during their two-week camp, focused on the importance of Deposit Insurance and the mandate of Barbados Deposit Insurance Corporation.

Here, our interns Kyle McCollin & Crystal Jordan-Browne employed in the capacity of Public Relations Assistants carrying out a thirty-minute (30) exhibition, displaying the goals and functions of the BDIC along with awarding willing young participants who engaged in healthy dialogue.



The Domestic Financial Institutions Conference

This conference consisted of representatives from commercial banks, credit unions, insurance companies and trust companies making it a suitable start for our campaign.



The BDIC's PR Assistants manned a booth which displayed flyers, brochures and many other promotional items that were used to disseminate easily digestible information regarding the functions and goals of the BDIC. These garnered a lot of attention from attendees before and after the completion of the presentations of the featured guest speakers.

A merit-based competition in the form of a few quizzes ranked from Easy to Hard was announced to all of the attendees which not only made them aware of the presence of the booth but also encouraged them to participate in the competition and engage with Kyle and

Crystal who awarded, discussed and answered any questions in length regarding deposit insurance.

CENTRAL BANK OF BARBADOS Annual Review Seminar 2018

The Central Bank of Barbados' Annual Review Seminar provided a stimulating and thought-provoking discussion forum for economists, academics and practitioners in the areas of economics, finance and related areas. With the theme centered on "Macroeconomic Trends, Challenges and Solutions Facing Developing Countries in the 21st Century" the constant wariness regarding bank stability and the funds trusted within them, an exhibition by BDIC was on hand to answer questions aligned with these types of concerns.



2018 Public Awareness Highlights (Cont'd)

As in the aforementioned, a similar booth was also employed at this seminar to attract and retain the attention of many participants through the use of various promotional items and quizzes to reward any correct answers and efforts made when taking part in the discussions on deposit insurance.

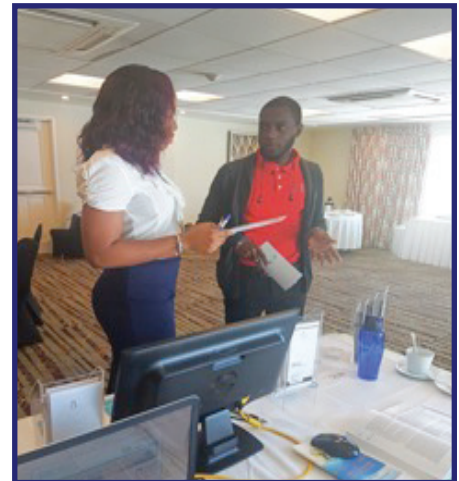


Educational Visits to Part 2 & Part 3 Institutions

An on-screen digital presentation has been developed by Kyle McCollin and Crystal Jordan-Browne to be used when visiting the various member institutions of the BDIC. The presentation is aimed at ensuring that staff and management are given a concise but highly informational session which would leave them more aware, and with a good understanding of, the importance of deposit insurance to the financial safety net in Barbados.

At the time of writing staff from the BDIC had visited and presented to the below three (3) institutions members:

Consolidated Finance
Capita Financial Services Limited
Royal Fidelity Merchant Bank & Trust



FINANCIAL AND STATISTICAL SUMMARY

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

	2018	2017	2016
Selected Balance Sheet Items (BDS\$ '000)			
Cash	3,726	68	694
DIF	53,304	71,508	62,339
Investments	50,598	71,625	61,850
Liabilities	26	21	28
Selected Income Statement Items (BDS\$ '000)			
Total Income	9,039	9,672	8,857
Premium Income	4,736	4,769	4,667
Interest Earned on Investments	4,302	4,898	4,190
Operating Expenses	567	502	455
Modification loss on investments	26,676	-	-
Total comprehensive (loss)/Income	(18,204)	9,169	8,401

Table 6: Members of the Deposit Insurance Fund 2016-18

	2018	2017	2016
Commercial Banks (Part II Companies)	5	5	5
Domestic Trust and Finance Companies (Part III companies)	6	8	7
Total number of Member Institutions	11	13	12

Commercial Banks (Part II companies)

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

Other Deposit-Taking Institutions (Part III companies)

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

FINANCIAL AND STATISTICAL SUMMARY (Cont'd)

Table 7: Covered Deposits and Deposit Insurance Premiums 2016-18

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

Audited Financial Statements **2018**



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, 2018, 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, 2018, 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.

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Brian F Griffith & Co.
Chartered Accountants

August 8, 2019
Bridgetown, Barbados

Barbados Deposit Insurance Corporation
Consolidated statement of financial position as at December 31, 2018
(Expressed in Barbados dollars)

	Notes	2018 \$	2017 \$
ASSETS			
Current assets			
Cash and bank balances	7	3,628,374	68,233
Receivables	8	97,819	829,095
		<u>3,726,193</u>	<u>897,328</u>
Non-current assets			
Property, plant and equipment	2(h) & 4	5,431	6,651
Investment securities	2(g) & 6	50,598,400	71,625,000
		<u>50,603,831</u>	<u>71,631,651</u>
Total assets		<u>54,330,024</u>	<u>72,528,979</u>
LIABILITIES AND EQUITY			
Current liabilities			
Payables and accruals		25,918	21,125
Total liabilities		<u>25,918</u>	<u>21,125</u>
Equity			
Paid up capital		1,000,000	1,000,000
Deposit Insurance Fund		53,304,106	71,507,854
		<u>54,304,106</u>	<u>72,507,854</u>
Total liabilities and equity		<u>54,330,024</u>	<u>72,528,979</u>

Approved by the Board of Directors on August 8, 2019, and signed on its behalf by:

CHAIRMAN 

DIRECTOR 

The accompanying notes form part of these consolidated financial statements.

Barbados Deposit Insurance Corporation
Consolidated statement of changes in equity for the year ended
December 31, 2018
 (Expressed in Barbados dollars)

	Paid Up Capital	Deposit Insurance Fund	Total
	\$	\$	\$
Balance at January 1, 2017	1,000,000	62,338,591	63,338,591
Total comprehensive income for 2017	-	9,169,263	9,169,263
Balance at December 31, 2017	1,000,000	71,507,854	72,507,854
Total comprehensive loss for 2018	-	(18,203,748)	(18,203,748)
Balance at December 31, 2018	1,000,000	53,304,106	54,304,106

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, 2018
(Expressed in Barbados dollars)

	Notes	2018 \$	2017 \$
Income			
Annual premiums		4,736,397	4,769,097
Interest earned		4,302,665	4,898,758
Miscellaneous income		-	4,255
Total income		<u>9,039,062</u>	<u>9,672,110</u>
Expenses			
General and administrative costs	10	(564,052)	(494,599)
Depreciation		(2,765)	(8,248)
Modification loss on investment securities	6	(26,675,993)	-
Total expenses		<u>(27,242,810)</u>	<u>(502,847)</u>
Profit/(loss) for the year		<u>(18,203,748)</u>	<u>9,169,263</u>
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income/(loss) for the year		<u>(18,203,748)</u>	<u>9,169,263</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, 2018
(Expressed in Barbados dollars)

	Notes	2018 \$	2017 \$
Cash flows from operating activities:			
Total comprehensive income/(loss) for the year		(18,203,748)	9,169,263
Adjustments for:			
Depreciation		2,765	8,248
Interest income		(4,302,665)	(4,898,758)
Modification loss on investment securities		26,675,993	-
		<u>4,172,345</u>	<u>4,278,753</u>
Changes in operating assets and liabilities:			
Increase/(decrease) in current liabilities		4,793	(6,870)
Net cash from operating activities		<u>4,177,138</u>	<u>4,271,883</u>
Cash flows from investing activities:			
Purchase of property, plant and equipment		(1,545)	(320)
Increase in investment securities		(5,649,393)	(9,775,000)
Interest received		5,033,941	4,877,400
Net cash used in investing activities		<u>(616,997)</u>	<u>(4,897,920)</u>
Increase/(decrease) in cash and cash equivalents for the year			
		3,560,141	(626,037)
Cash and cash equivalents - Beginning of year		<u>68,233</u>	<u>694,270</u>
Cash and cash equivalents - End of year		<u>3,628,374</u>	<u>68,233</u>
Cash and cash equivalents comprise:			
Cash and bank balances	7	<u>3,628,374</u>	<u>68,233</u>

The accompanying notes form part of these consolidated financial statements.



**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, 2018.

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, 2018, 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.

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

August 8, 2019
Bridgetown, Barbados

Barbados Deposit Insurance Corporation
Statement of the Deposit Insurance Fund for the year ended
December 31, 2018
(Expressed in Barbados dollars)

	2018	2017
	\$	\$
Fund balance at beginning of year	71,507,854	62,338,591
Total comprehensive income/(loss) for the year	<u>(18,203,748)</u>	<u>9,169,263</u>
Fund balance at end of year	<u>53,304,106</u>	<u>71,507,854</u>

The accompanying notes form part of these consolidated financial statements.

Barbados Deposit Insurance Corporation

Notes to consolidated financial statements

December 31, 2018

(Expressed in Barbados dollars)

1. Incorporation and functions

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

The functions of the corporation are:-

- a) To manage the Deposit Insurance Fund and to provide through that Fund, insurance up to the insured limit against the loss 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 financial statements have been prepared in accordance with and comply with International Financial Reporting Standards for Small and Medium-Sized Entities (IFRS for SMEs), and have been prepared under the historical cost convention. Adjustments to historical costs are made as considered necessary to capture the value of transactions, having regard to the timing of related cash flows or the effects of terms that deviate from normal business and market conditions.

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

Barbados Deposit Insurance Corporation
Notes to consolidated financial statements
December 31, 2018
(Expressed in Barbados dollars)

2. Significant accounting policies (continued)

b) Use of estimates

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

c) Premium income

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

d) 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, 2018
(Expressed in Barbados dollars)

2. Significant accounting policies (continued)

g) Investment securities

The Model adopted by the Corporation for Fund Investments involves:

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

Such assets are not held for resale.

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

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

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

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.

Barbados Deposit Insurance Corporation
Notes to consolidated financial statements
December 31, 2018
(Expressed in Barbados dollars)

2. Significant accounting policies (continued)

i) Interest earned

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

j) Comparative information

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

k) 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.

Barbados Deposit Insurance Corporation
Notes to consolidated financial statements
December 31, 2018
(Expressed in Barbados dollars)

3. Taxation and Insurance Legislation

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

4. Property, plant and equipment

	2018	2017
	\$	\$
Cost	113,225	111,680
Accumulated depreciation	<u>(107,794)</u>	<u>(105,029)</u>
Net Book Value	<u>5,431</u>	<u>6,651</u>

5. Central Bank of Barbados

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

Barbados Deposit Insurance Corporation
Notes to consolidated financial statements
December 31, 2018
(Expressed in Barbados dollars)

6. Investment securities

Time to Maturity	No. of Securities	Total 2018 \$	No. of Securities	Total 2017 \$
< 5 years	-	-	8	10,135,000
5 - 10 years	-	-	15	15,979,000
10 - 15 years	-	-	17	14,361,000
15 - 20 years	5	20,152,567	20	31,150,000
21 - 25 years	5	19,192,921	-	-
26 - 30 years	5	19,192,921	-	-
31 - 35 years	5	18,735,984	-	-
	20	77,274,393	60	71,625,000

Under a Comprehensive Debt Restructuring Programme (CDRP) announced on September 7, 2018, the Government of Barbados offered, and Management of the Corporation accepted an exchange of existing instruments for 20 Series D amortizing strips with maturities from 16 to 35 years.

The carrying cost of investments and related maturities have been adjusted to reflect modified payment terms of the restructured portfolio of Government of Barbados dollar denominated debt securities.

Management considers the modification to be in the nature of an alteration of pre-existing contract obligations at invitation of the obligor, as distinct from a sale or disposal of securities by BDIC. Hence it does not offend the principle described at Note 2 (g) hereof under which investments are accounted for on a held- to- maturity basis.

Barbados Deposit Insurance Corporation
Notes to consolidated financial statements
December 31, 2018
(Expressed in Barbados dollars)

6. Investment securities continued

Carrying cost of investment securities

	2018
	\$
Pre-modified carrying amount	77,274,393
Modification loss on investment securities	<u>(26,675,993)</u>
Carrying cost after modification	<u>50,598,400</u>

Subsequent recognition and measurement of these held-to-maturity investments is based on the amortized costs of these investments.

7. Cash and bank balances

	2018	2017
	\$	\$
Central Bank of Barbados	3,627,933	67,733
Cash on hand	<u>441</u>	<u>500</u>
	<u>3,628,374</u>	<u>68,233</u>

8. Receivables

	2018	2017
	\$	\$
Interest receivable on investment	<u>97,819</u>	<u>829,095</u>

Barbados Deposit Insurance Corporation**Notes to consolidated financial statements****December 31, 2018****(Expressed in Barbados dollars)****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.

10. General and administrative costs

	2018	2017
	\$	\$
Directors fees	52,800	52,800
Employment expenses	234,984	219,487
Professional fees	16,920	16,920
Other expenses	259,348	205,392
	<u>564,052</u>	<u>494,599</u>

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