



Barbados Deposit Insurance Corporation

ANNUAL REPORT 2013

BARBADOS DEPOSIT INSURANCE CORPORATION

ANNUAL REPORT 2013

Letter of Transmittal

31 March 2014

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 2013.

Yours sincerely

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Winston LeRoy Inniss QC
Chairman

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Mission & Vision of the BIDC



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:

- To protect small depositors from the risk of loss within the banking system in the event of institutional or systemic failure; and
- To contribute to ensuring the soundness and stability of the financial system as the primary provider of deposit insurance within the country.

Deposit Insurance Coverage

What is covered?

Under Barbados' deposit insurance system, depositors are guaranteed protection for their deposits up to a maximum of \$25,000, per depositor, per bank.

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 Barbados Deposit Insurance Corporation's scheme.

ABBREVIATIONS

Barbados Deposit Insurance Corporation	BDIC
Barbados Deposit Insurance Fund	BDIF
Central Bank of Barbados	CBB
International Association of Deposit Insurers	IADI
Financial Sector Assessment Programme	FSAP

Financial & Statistical Summary

For the years ended December 31

	2013	2012
Selected Balance Sheet Items (BDS \$ 000)		
Cash	143	202
Investments	39,750	33,430
Liabilities	50	39
Selected Income Statement Items (BDS \$ 000)		
Gross Income	6,858	6,333
Premium Income	4,347	4,283
Interest Income on Investments	2,510	2,050
Operating Expenses	423	553
Net Income	6,435	5,781
Member Institutions (number)		
Commercial Banks (Part II Companies)	6	6
Domestic Trust and Finance Companies (Part III companies)	7	7
Total number of institutions	13	13
Other information		
Average insured deposits (\$ millions)*	0.1	1.5
Growth rate of insured deposits (%)		

Notes:

* Total insured deposits are based on the average of the banks' deposit liabilities over four (4) quarters in a given year.

Members of the Deposit Insurance Fund

At December 2013, there were thirteen (13) members of the Fund. These consisted of six (6) Commercial Banks, and seven (7) deposit-taking non-bank institutions.

Commercial Banks

CIBC FirstCaribbean International Bank (Barbados) Ltd.

Citicorp Merchant Bank Ltd.

First Citizens Bank (Barbados) Limited

RBC Royal Bank (Barbados) Limited

Republic Bank (Barbados) Limited

The Bank of Nova Scotia

Other Deposit-Taking Institutions

Capita Financial Services Inc.

CIBC FirstCaribbean International Trust and Merchant Bank (Barbados) Ltd

Consolidated Finance Co. Ltd.

Globe Finance Inc.

Republic Finance & Trust (Barbados) Corporation

Royal Fidelity Merchant Bank & Trust (Barbados) Limited

Signia Financial Group Inc.

Corporate Information

BOARD OF DIRECTORS

Mr. W. LeRoy Inniss QC	Chairman
Mr. James Payne	Deputy Chairman
Mr. Cleviston Haynes	Director, Ex Officio, Representative of the Governor of the Central Bank of Barbados
Mrs. Marlene Bayne	Director, Ex Officio, Director, Bank Supervision, Central Bank of Barbados
Mrs. Nancy Headley	Director, Ex Officio, Permanent Secretary (Ag.), Ministry of Finance and Economic Affairs
Mr. Kester Guy	Director, Ex Officio, Chief Executive Officer, Barbados Deposit Insurance Corporation

AUDITORS Brian F. Griffith & Co.

BANKERS Central Bank of Barbados

ADDRESS Level 5, Tom Adams Financial Centre, Spry Street, Bridgetown



Chairman's Message

Winston LeRoy Inniss QC

The Barbados Deposit Insurance Corporation (BDIC) continued to be a strong pillar in securing the stability within the financial system. This shared mandate has been strengthened by increased collaboration with the other financial safety net partners, particularly within Barbados and the Caribbean Region. Cooperation among the Central Bank of Barbados (CBB), the Financial Services Commission (FSC) and the BDIC, has established the Financial Oversight Management Committee (FOMC). This inter-agency committee provides macro-prudential oversight of the financial system and has adopted a coordinated approach to crisis management and resolution plans. An MOU for information exchange is also being worked on within the Caribbean Regional Committee (CRC) of Deposit Insurers.

During the year, a comprehensive assessment in the form of the Article IV Consultation and the Financial Sector Assessment Programme (FSAP) was conducted by the International Monetary Fund (IMF) and the World Bank. The assessment highlighted several challenges that face the economy and the need for corrective measures to avert major fallout. I am mindful that this may imply a further slowdown in business activity, extensive fiscal consolidation and a heightened degree of credit default risks. Financial institutions may be further strained even though they are currently well capitalized and the system as a whole is stable. Nevertheless, as a major contributor to the financial safety net, the BDIC will continue to strengthen its systems to ensure all the mandates

of the Deposit Insurance Act 2006 (DIA) are effectively delivered in line with recognized best practices.

Implementation of several initiatives is expected to gain momentum during this year as the post of Chief Executive Officer is now filled. During the third quarter of 2013, the Board appointed Mr. Kester Guy as CEO. On behalf of the Board of Directors, I extend a warm welcome to Mr. Guy and wish him a successful tenure in this new role. The Board will continue to provide oversight and its full support to the management and staff of the BDIC.

In closing, I wish to thank Mr. Charles Herbert former director of the board for his contribution to the organisation and I wish him success for the future. I also take the opportunity to welcome Mrs. Nancy Headley, Permanent Secretary (Ag.) in the Ministry of Finance and Economic Affairs, who is the latest addition to the Board. Thanks to my fellow Board members, along with the management and staff of the Corporation for their continued hard work and dedication.

A handwritten signature in black ink, appearing to be 'W. Inniss', with a long horizontal stroke extending to the right.

Winston LeRoy Inniss QC
Chairman
Barbados Deposit Insurance Corporation



Message from the Chief Executive Officer

Kester Guy

Over the last few years, we have seen the severe impact that financial systems can impose on the fortunes of our economies and the lives of ordinary citizens. Perceptions that erode confidence in the financial system often spill over into deposit runs and credit freezes, which we know do not serve the general good. Policy-makers are forced to implement strategies to help calm the environment and support the normal functioning of the markets, in many cases at tremendous cost. Indeed, maintaining confidence is a critical objective in securing all financial systems.

During crisis periods, the role of deposit insurers appears to gain more prominence. Notwithstanding, guarantee schemes in many jurisdictions have been constantly ramping up operations to ensure that their deposit insurance systems are effective. Similarly in Barbados, significant strides have been made towards strengthening the deposit insurance fund, which was set up in 2007. The guiding mantra focused on operational readiness, which is still relevant for today. Strong partnerships with other safety net players were forged, and ongoing participation within the Caribbean Regional Committee (CRC) and the International Association of Deposit Insurers (IADI) provided invaluable exposure and training on pertinent issues.

While we celebrate the advances made in the financial safety net and the overall strength of the financial system, I am cognizant of the increasing risks that are evident in the current operating environment. Despite this, we must continue to be hopeful and strengthen all systems to ensure that we are up to the task in the event of catastrophe. To this end, special attention will be given to the development of a medium term strategic plan as well as the strengthening of the resolution framework for dealing with a failed institution. These broad perspectives provide a roadmap for the corporation and set the targets for assessment of the fund's operations.

As the new CEO, I am grateful to the Board of Directors for their full support and co-operation during the year. I also thank the staff for their unwavering commitment to the corporation and the level of professionalism displayed in the execution of all duties. To our partners, thank you and I look forward to continue our work together.

Kester Guy
Chief Executive Officer
Barbados Deposit Insurance Corporation

Macroeconomic Overview

Economic activity remained subdued for the sixth consecutive year in Barbados. Initial estimates show that real output contracted slightly (0.2%) in 2013, as declines in tourism and construction overshadowed the modest gains recorded by the distribution and financial services sectors. Tourism, which accounts for about 12 percent of real gross domestic product (GDP) continued to be negatively impacted by the weak performances in the main source markets – the United Kingdom and the United States. Furthermore, the persistence in the weak demand led to the reduction in airlift originating from the United States and Canada.

The stock of foreign reserves decreased steadily during the first three quarters of 2013, but was stabilised through fiscal adjustments and special public sector borrowing during the fourth quarter. At the end of the year, reserves stood at \$1.1 billion, which represented approximately 15 weeks of imports. The \$301 million loss in reserves during the year was, mainly attributed to the slump in net capital inflow usually associated with private sector investment.

In addition to correcting the external imbalance, fiscal adjustments were required to achieve the target of a balanced budget as outlined in the original Medium Term Fiscal Strategy. During the third quarter, Government announced an 18-month fiscal adjustment package aimed at improving external accounts and addressing the widening fiscal deficit. The adjustment measures were intensified in December, when Government announced a downsizing of the public sector.

Government revenue for the period April-December 2013 was 8.6% lower than the comparable period in 2012, reflecting falloffs in personal taxes (16.1%), corporate taxes (40.3%) and VAT receipts (4.6%). Current expenditure, however, was slightly higher during the period (1.3%). The deficit was funded through a combination of domestic and foreign borrowings that led to a net public sector debt equivalent to 80.7% of GDP.

The average unemployment rate for 2013 stood at 11.7% relatively on par with that at 2012 year-end. The inflation rate on the other hand fell to 1.8% at the end of 2013, reflecting the decline in the international food and fuel prices.

Discussion in the International Business and Financial Services (IBFS) sector are ongoing as officials collaborate on improving the attractiveness of the sector. Some key plans for the sector include: the exploitation of new markets; the extension of the double taxation treaty network; skills enhancement; greater use of information and communications technology; and the redesign of government support to the sector.

The outlook for the economy over the medium term is based on improved expectations of the tourism sector, capital inflows related to large scale public and private sector projects and advances in alternative energy production. Forecasts from the Central Bank of Barbados indicate that growth for 2014 is likely to be marginal, but is projected to gain strength over the medium term.

Macroeconomic Overview (continued)

Table 2: Key Macroeconomic Indicators 2009-2013 (%)

	2009	2010	2011	2012	2013
GDP Growth Rate	-4.1	0.3	0.8	0	-0.2
Inflation Rate	3.6	5.8	9.4	4.5	1.8
Avg. Unemployment Rate	10	10.8	11.2	11.6	11.7
Fiscal Balance to GDPb	-4.9	-7.2	-8.7	-4.4	-8.0
External Current Account to GDP*	-6.8	-5.8	-13.7	-10.1	-11.8
International Reserves (BDS M)	1,488.7	1,435.2	1,423.3	1,457.3	1,156.1
Import Reserve Cover (Weeks of Imports)	21.1	18.4	17.7	19.5	15.1
Net Government Debt to GDP ratio	45.4	54.9	59.3	67.7	80.7
External Debt Service ratio	7	16.7	6.6	6.9	6.6

Source: Central Bank of Barbados;

Notes: *Data for fiscal years 2008/09 to 2012/13

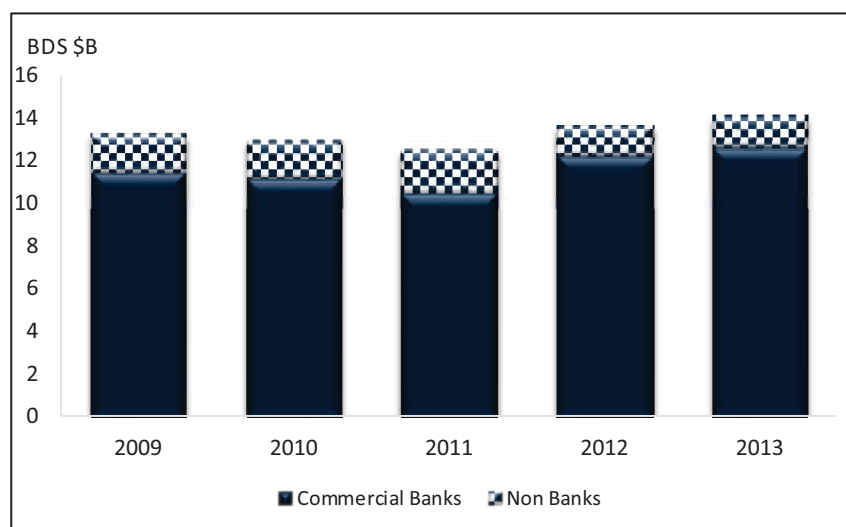
State of Financial Sector

Deposit taking institutions (DTIs) in Barbados remained strong during 2013, even though high non-performing loans continued to be a concern among them. The strength of the institutions was supported by robust capital levels, significant levels of liquidity, overall profitability and the general association with strong parent companies. Furthermore, the application of stress testing tools across the system indicate that a sizeable shock would be required to cause capital levels to fall below the 8 percent regulatory threshold.

Total assets among DTIs grew by 3.2 percent during 2013 to reach \$14 billion. This was largely reflected in investments in domestic Treasury securities, which increased by 50 percent (nearly \$500 million) over the year. Commercial banks

continued to be dominant among DTIs as they accounted for approximately 90 percent of total assets and total loans. Since 2009, asset quality as defined by the non-performing loans (NPLs) ratio has deteriorated significantly beyond the 5 percent prudential benchmark. The sizeable jump in the NPLs ratio over the last 5 years was attributed to two large loans in the hotel sector. During this year, the resolution of one of these problem loans was completed while the other was at an advanced stage of resolution. At the same time, classified loans across the other subsectors increased, resulting in a net improvement the NPL ratio of only 1.2 percentage points. At the end of the year, the NPL ratio was 11.7 percent and 9.1 percent for commercial banks and nonbanks, respectively.

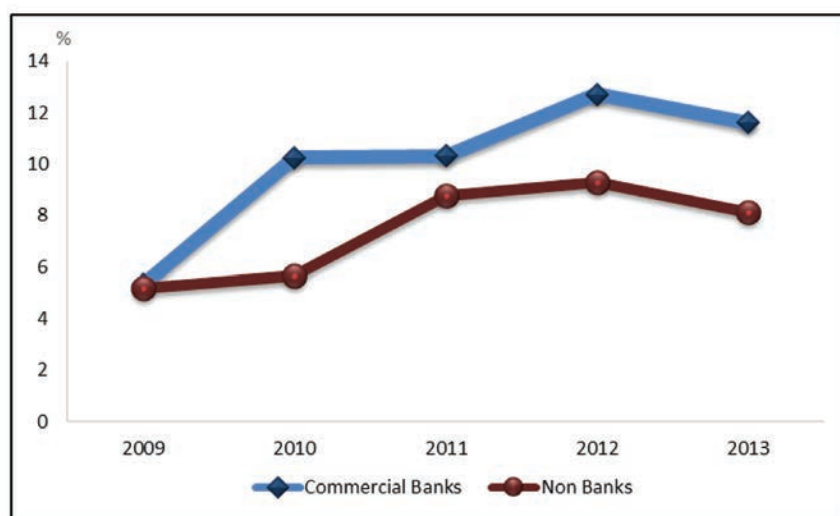
Figure 1: Total Assets of Deposit Taking Institutions 2009 – 2013



Source: Central Bank of Barbados

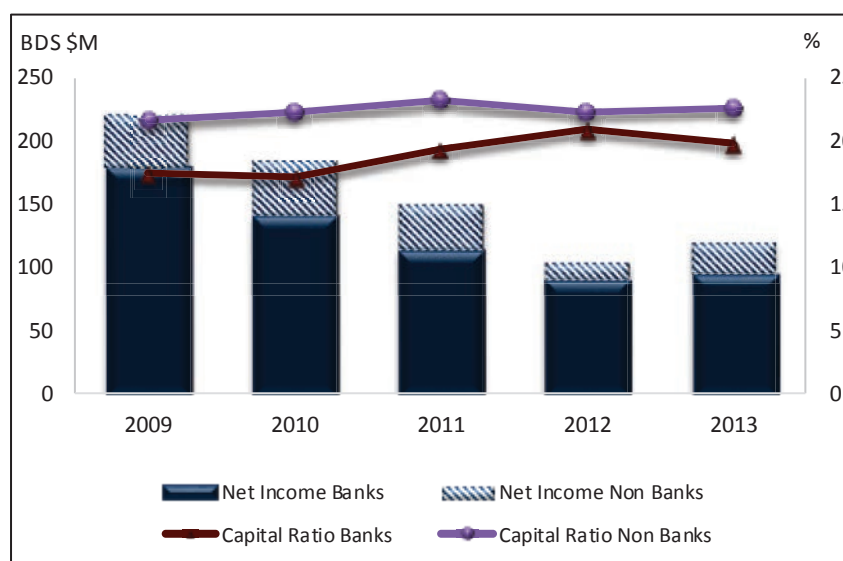
State of Financial Sector (continued)

Figure 2: Non-performing Loans Ratio 2009 - 2013



Source: Central Bank of Barbados

Figure 3: DTIs' Profitability and Capital Ratios 2009 -2013



Source: Central Bank of Barbados

State of Financial Sector (continued)

DITs remained profitable in spite of the considerable NPLs within their portfolio. Total profits in 2013 amounted to \$120 million, which marked a reversal in the downward profit trend observed since 2009. Profits in the banking sector rose nearly 5 percent, while non-banks profits also grew significantly. Buffers against credit default were strengthened during the year, as DTIs' contributions to reserves were in excess of the statutory requirements. The capital adequacy ratio (CAR) for commercial banks ranged from 14.2 percent to 22.4 percent, compared to the

8 percent requirement, while the capital to asset ratio among non-banks averaged 22.6 percent.

Deposits continue to represent the main source of funds for the sector and have been on an upward trend since 2010. Deposits in domestic currency rose by 0.5% during the year 2013, compared to the growth of 3.2% during 2012. At year-end 2013, the deposit base covered by the DIC was approximately \$9 billion. All indicators show high levels of liquidity across the system.

Table 3: Selected Financial Soundness Indicators 2009 - 2013

Banks	2009	2010	2011	2012	2013
Capital Adequacy Ratio (CAR)	17.5	17.1	19.3	21.0	19.8
Loan to deposit ratio (%)	65.5	67.2	70.9	73.6	69.3
Liquid assets, % of total assets	10.8	11.5	12.0	14.6	17.7
Asset Growth (%)	-5.6	-1.5	-4.7	11.5	4.7
Loans and advances (growth, %)	0.9	0.6	-0.5	-1.1	-2.6
Non-performing loans ratio (%)	7.9	10.8	11.1	12.9	11.7
Return on Assets (ROA)	1.6	1.1	1.0	1.1	0.8
Non-Banks					
Capital /Asset Ratio	21.6	22.3	23.2	22.3	22.6
Loan to deposit ratio (%)	175.5	178.8	106.3	101.5	90.2
Liquid assets, % of total assets	8.9	10.8	15.0	17.8	8.6
Asset Growth (%)	-2.4	2.8	5.3	6.2	2.6
Non-performing loans ratio (%)	5.3	5.7	8.6	9.3	9.1
Return on Assets (ROA)	2.4	2.4	2.5	1.4	2.0

Source: Central Bank of Barbados

Fund Operations and Review

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 guarantees domestic deposits, up to a prescribed limit, at all deposit taking financial institutions that are licensed under the Financial Institutions Act (FIA), 1997. The prescribed limit is currently \$25,000 and is distributed on a per-depositor, per-bank basis. Since the existence of BDIC, focus has been placed on strengthening operational capacity, building public awareness on the role of the corporation and safeguarding the assets of the fund.

During the year, an extensive review of the financial safety net was conducted jointly by the International Monetary Fund (IMF) and the World Bank as part of the Financial Sector Assessment Programme (FSAP). The financial safety net assessment covered the legal and methodological frameworks that currently exist for crisis management and resolution among financial institutions. Recommendations from the review primarily addressed the need for further enhancements in the resolution framework and the development of an overarching strategic plan. While financial stability in Barbados is shared among several stakeholders including the Ministry of Finance, the Central Bank of Barbados, the Financial Services Commission and the BDIC, improvements in aforementioned areas would certainly augment the readiness of the BDIC in execution of its mandates.

Priority areas for the year ahead have been identified and are broadly geared towards

development of a medium-term strategic plan, strengthening intervention procedures and building public confidence. Advances in these areas would lead to significant gains in executing the mandates of the DIA as well as enhancements in the operational efficiencies that are consistent with global standards. Specific areas to be addressed include:

- Enhancing collaboration with other safety net partners and regional deposit insurers;
- Establishing an appropriate target ratio and a coverage ratio;
- Developing systems for effective resolution and payout procedures;
- Testing the resolution framework through financial stress and simulation exercises;
- Amplifying efforts for deposit insurance coverage to credit unions; and
- Strengthening public education initiatives and assessment.

The DIF accumulated to \$39.8 million at the end of 2013, with assets completely vested in domestic sovereign instruments. As in previous years, no claims were made on the DIF. Premiums collected during the year totaled \$4.3 million, and interest earned was \$2.5 million. Except for operational expenses, all income was reinvested which led to a 20% growth over the previous year and an average return on assets of 6.9 percent.

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).

Fund Operations and Review (continued)

Figure 4: The Deposit Insurance Fund

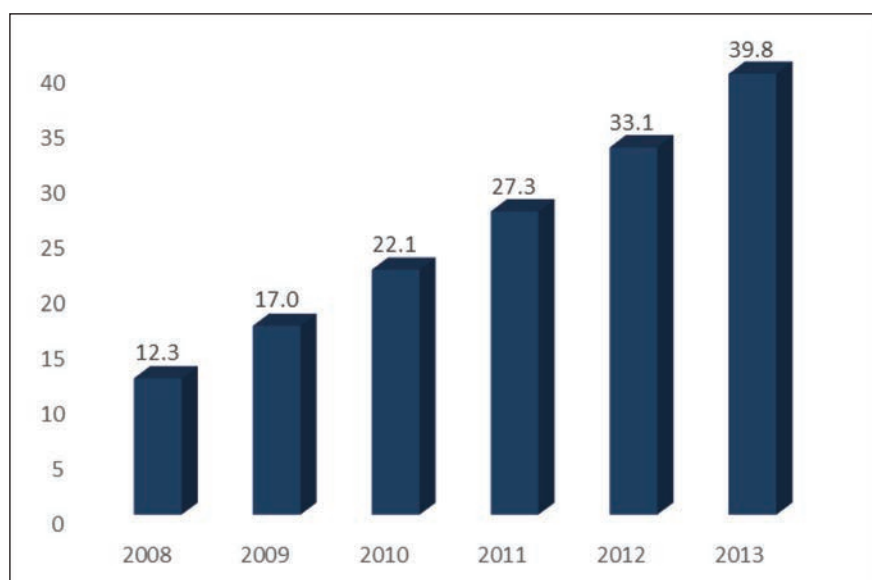


Table I: Deposit Insurance Fund

	2009	2010	2011	2012	2013
DIF (\$M)	17.0	22.1	27.3	33.1	39.8
Operating Ratio	7.9	10.0	9.8	8.7	6.2
ROA	6.3	6.5	6.5	6.7	6.9

Source: Barbados Deposit Insurance Corporation

Approximately 90 percent of all deposit accounts fall within the insurable threshold, but the current value of the DIF covers only 2 percent of the insured deposits. The main implication is that the corporation would be challenged if called upon to provide safety net coverage. In particular, the DIF is able to fully cover the insurable deposits of the

seven non-banks, but the fund would be exhausted if called upon to cover the smallest commercial bank. The potential funding risk can be alleviated through established contingency financing. While the DIA allows for supplementary financing, best practice requires these arrangements to be completed and guaranteed in a formalized way.

Fund Operations and Review (continued)

Table 2: Deposit Accounts of DI Members

	Accounts	Balances Less Than 25,000	Balances Greater than 25,000	Total
System	No. (000)	384.6	45.5	430.2
	Value (\$M)	946.5	7,370.9	8,317.3
Commercial Banks	No. (000)	381.8	42.2	424.0
	Value (\$M)	927.8	6,736.9	7,664.8
Non-Banks	No. (000)	2.9	3.3	6.2
	Value (\$M)	18.6	633.9	652.6

Source: Barbados Deposit Insurance Corporation

Another source of potential risk to the DIF is the degree of concentration in one asset class. As shown in figure 4, the assets of the DIF are all in domestic government securities. While no immediate threats are identified, general prudential guidelines support asset diversification as a risk minimization tool. However the major challenge in the current context relates to finding suitable alternatives.

of Directors of the Corporation which shall be responsible for the policy direction of the BDIC. The Deposit Insurance Act 2006-29 also stipulates the minimum number of Board of Directors meetings which must be held each fiscal year. The Board which was appointed on April 1, 2007 met the stipulated legal requirement, and held four (4) Board Meetings during the year ending December 2013.

Board Meetings

Section 4(i) of the Deposit Insurance Act 2006-29, makes provision for the establishment of a Board

Board of Directors

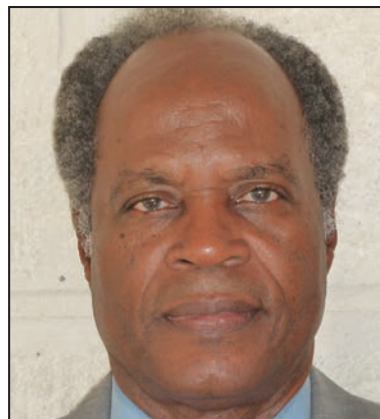


Winston LeRoy Inniss QC
Chairman

Mr. Justice Inniss is a Queen's Counsel who has practiced as an Attorney-at-Law since 1978. In 2001, he became a judge of the High Court in Barbados and served until his retirement in 2006.

Mr. Justice Inniss was an independent member of the Senate of Barbados from 1991 to 1995. He has also served as a member of the Cave Hill Campus Council of the University of the West Indies from 1986-1992. He is a past President of the Barbados Bar Association, and has served for many years as a member of the Judicial Council and the Community Legal Services Commission.

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.



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 of Ontario Canada and 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.

Board of Directors



Cleviston Haynes

Director

Mr. Cleviston Haynes is a Deputy Governor, Central Bank of Barbados. Previously he served as Adviser to the Governor of the Central Bank of Barbados and more recently as Director, Bank Supervision Department. A graduate of the University of the West Indies and the University of Western Ontario, he joined the Research Department of the Central Bank in 1980 as an Economist. He has also served as Technical Assistant to the Executive Director for Canada, Ireland and the Caribbean at the Executive Board of the International Monetary Fund (IMF) during the period 1987-1989. He has authored a number of academic papers in local and international publications, including papers on monetary policy and financial sector issues in the Barbados economy.



Marlene E. A. Bayne

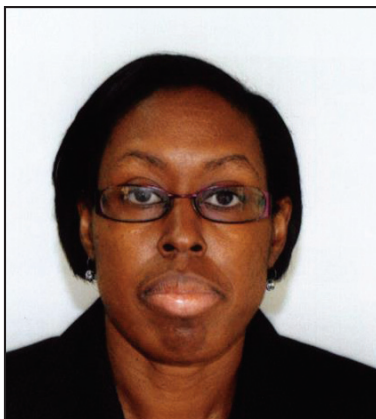
Director

Mrs. Marlene Bayne is a career Central Banker, with over twenty 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.

Board of Directors



Nancy Headley
Director

Mrs. Nancy Headley has worked in the Public Service for the past 20 years. She has worked with the Ministry of Finance for the last 12 years, first in the capacity of Chief Budget Analyst and then as acting Deputy Permanent Secretary with direct responsibility for the Budget Section and the Debt Unit. Mrs. Headley has most recently been acting in the position of Permanent Secretary, Finance.

Mrs. Headley has a Masters degree in Economics and Finance from the University of Lancaster. She is also a member of the Association of Chartered Certified Accountants.



Kester Guy
Director

Mr. Kester Guy was appointed as the CEO of the Barbados Deposit Insurance Corporation in September 2013. Mr. Guy is a career economist with almost a decade of experience in the field, specialising in financial sector and public policy analysis. He also serves as a Senior Economist at the Central Bank of Barbados, with a primary focus on issues relating to financial stability. Mr. Guy is a graduate of the University of the West Indies and continues to contribute to education and academia through his several regional and international publications on macro-prudential analysis and fiscal policy. He currently holds the position of Treasurer in the Barbados Economic Society.



Independent Auditors' Report

To the Directors of Barbados Deposit Insurance Corporation

We have audited the accompanying consolidated financial statements of **Barbados Deposit Insurance Corporation**, which comprise the consolidated statement of financial position as of December 31, 2013, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments; the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion the consolidated financial statements present fairly, in all material respects, the consolidated financial position of **Barbados Deposit Insurance Corporation** as of December 31, 2013, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

A handwritten signature in dark ink, appearing to read "Brian F. Griffith & Co.", written over a faint horizontal line.

Brian F Griffith & Co.
Chartered Accountants

April 7, 2014
Bridgetown, Barbados

Barbados Deposit Insurance Corporation
Consolidated statement of financial position as at December 31, 2013
(Expressed in Barbados dollars)

	Notes	2013 \$	2012 \$
ASSETS			
Non-current assets			
Property, plant and equipment	2(h) & 4	26,711	33,526
Investments	2(g) & 6	39,750,000	33,430,000
		<u>39,776,711</u>	<u>33,463,526</u>
Current Assets			
Cash and bank balances	7	142,961	201,717
Receivables	8	667,302	475,619
		<u>810,263</u>	<u>677,336</u>
Total assets		<u>40,586,974</u>	<u>34,140,861</u>
LIABILITIES AND EQUITY			
Current liabilities			
Payables and accruals		50,188	39,352
Total current liabilities		<u>50,188</u>	<u>39,352</u>
Equity			
Paid up capital		1,000,000	1,000,000
Deposit Insurance Fund		39,536,786	33,101,509
		<u>40,536,786</u>	<u>34,101,509</u>
Total liabilities and equity		<u>40,586,974</u>	<u>34,140,861</u>

The accompanying notes form part of these consolidated financial statements.

Approved by:

CHAIRMAN.....

DIRECTOR.....

Barbados Deposit Insurance Corporation
Consolidated statement of changes in equity for the year ended
December 31, 2013
(Expressed in Barbados dollars)

	Paid Up Capital \$	Deposit Insurance Fund \$	Total \$
Balance at January 1, 2012	1,000,000	27,320,641	28,320,641
Total comprehensive income 2012	<u>0</u>	<u>5,780,868</u>	<u>5,780,868</u>
Balance at December 31, 2012	1,000,000	33,101,509	34,101,509
Total comprehensive income 2013	<u>0</u>	<u>6,435,276</u>	<u>6,435,276</u>
Balance at December 31, 2013	<u>1,000,000</u>	<u>39,536,785</u>	<u>40,536,785</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, 2013
(Expressed in Barbados dollars)

		2013	2012
	Notes	\$	\$
Income			
Annual premiums		4,347,241	4,282,925
Interest earned		2,510,212	2,050,425
Other		640	25
Total income		<u>6,858,093</u>	<u>6,333,375</u>
Expenses			
General and administrative costs	10	414,010	540,313
Depreciation		8,806	12,194
Total expenses		<u>422,816</u>	<u>552,506</u>
Comprehensive income for the year		<u>6,435,276</u>	<u>5,780,869</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, 2013
(Expressed in Barbados dollars)

	Notes	2013	2012
		\$	\$
Cash flows from operating activities:			
Total income from operations		6,435,276	5,780,868
Adjustments for:			
Depreciation		8,806	12,194
Interest income		(2,510,212)	(2,050,425)
		<u>3,933,870</u>	<u>3,742,637</u>
Changes in operating assets and liabilities			
Decrease in prepaid expenses		0	57
Increase in current liabilities		10,836	16,018
Net cash from operating activities		<u>3,944,706</u>	<u>3,758,712</u>
Cash flows from investing activities:			
Purchase of property, plant and equipment		(1,992)	0
Purchase of investment securities		(6,320,000)	(5,650,000)
Interest received		2,318,529	1,955,546
Net cash used in investing activities		<u>(4,003,463)</u>	<u>(3,694,454)</u>
Increase/(decrease) in cash and cash equivalents for the year		(58,756)	64,258
Cash and cash equivalents - Beginning of year		<u>201,717</u>	<u>137,459</u>
Cash and cash equivalents - End of year		<u>142,961</u>	<u>201,717</u>
Cash and cash equivalents comprise:			
Cash and bank balances	7	<u>142,961</u>	<u>201,717</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

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, 2013.

Management's Responsibility for the Fund

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

Auditor's Responsibility

Our responsibility is to express an opinion on the Fund based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Fund is free from material misstatements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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, 2013, and its financial performance for the year then ended in accordance with International Financial Reporting Standards.

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

April 7, 2014
Bridgetown, Barbados

Barbados Deposit Insurance Corporation
Statement of the Deposit Insurance Fund for the year ended
December 31, 2013
(Expressed in Barbados dollars)

	2013	2012
	\$	\$
Fund balance at beginning of year	33,101,509	27,320,641
Income		
Annual premiums	4,347,241	4,282,925
Interest earned	2,510,212	2,050,425
Other	640	25
Total Income	<u>39,959,602</u>	<u>33,654,016</u>
Expenses	<u>422,816</u>	<u>552,507</u>
Fund balance at end of year	<u>39,536,785</u>	<u>33,101,509</u>

The accompanying notes form part of these consolidated financial statements.

Barbados Deposit Insurance Corporation

Notes to consolidated financial statements

December 31, 2013

(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 (IFRSs), 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, 2013

(Expressed in Barbados dollars)

2. Significant accounting policies (continued)

b) Use of estimates

The preparation of financial statements in conformity with IFRSs requires management to make accounting estimates and assumptions that affect the application of the Corporation's accounting policies. Significant areas requiring the use of management estimates relate to the reported amounts of assets and liabilities and their impairment at the date of the financial statements and the reported amounts of income and expenditure during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results could differ from those estimated.

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 original amounts less provision made for impairment of these receivables. A provision for impairment of receivables is based upon objective evidence that the Corporation will be unable to collect all amounts due according to the original terms of the receivables.

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, 2013

(Expressed in Barbados dollars)

2. Significant accounting policies (continued)

g) Investment securities

The corporation classifies investments as held-to-maturity financial assets. Management determines the appropriate classification of investments at the time of purchase. Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Corporation's 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%

The carrying values of the Corporation's assets are reviewed at each statement of financial position date or whenever events or circumstances indicate impairment in carrying value have occurred. Should impairment be indicated, recoverable value is estimated by management.

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, 2013
(Expressed in Barbados dollars)

2. Significant accounting policies (continued)

k) Comparative information

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

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. Corporation taxes and Insurance Legislation

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

Barbados Deposit Insurance Corporation

Notes to consolidated financial statements

December 31, 2013

(Expressed in Barbados dollars)

4. Property, plant and equipment

	Fixtures & Fittings \$	Office Equipment \$	Computer Equipment \$	Total 2013 \$
Cost				
Balance at January 1, 2013	60,818	17,089	16,889	94,795
Additions	0	1,992	0	1,992
Disposals	0	0	0	0
Balance at December 31, 2013	<u>60,818</u>	<u>19,080</u>	<u>16,889</u>	<u>96,787</u>
Depreciation				
Balance at January 1, 2013	30,721	14,823	15,726	61,270
Charge for year	6,082	2,143	581	8,806
Disposals	0	0	0	0
Balance at December 31, 2013	<u>36,803</u>	<u>16,966</u>	<u>16,307</u>	<u>70,076</u>
Net Book Value				
December 31, 2013	<u>24,016</u>	<u>2,114</u>	<u>581</u>	<u>26,711</u>
December 31, 2012	<u>30,096</u>	<u>2,267</u>	<u>1,162</u>	<u>33,526</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, 2013

(Expressed in Barbados dollars)

6. Investment securities

Time to Maturity	No. of Securities	Total 2013 \$
< 5 years	3	12,250,000
5 - 10 years	11	14,255,000
10 - 15 years	7	7,970,000
15 - 20 years	4	5,275,000
	25	39,750,000

7. Cash and bank balances

	2013 \$	2012 \$
Central Bank of Barbados:		
Operating account	142,433	201,231
Premium account	120	46
Cash on hand	407	440
	142,961	201,717

8. Receivables

	2013 \$	2012 \$
Interest receivable	667,302	475,619

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, 2013

(Expressed in Barbados dollars)

10. General and administrative costs

	2013	2012
	\$	\$
Administrative fees - pension and health	2,740	2,552
Advertising	7,590	9,663
Bank charges	61	64
Conferences	34,652	22,889
Directors' fees	46,275	54,600
Entertainment	3,486	3,858
Group life and health	3,242	5,222
Insurance	1,289	1,288
Investment fees	10,000	40,000
Miscellaneous	2,297	5,460
Office rental	105,856	105,856
Office Supplies	20,430	23,061
Pension scheme	4,798	14,198
Professional fees	17,170	22,783
Public relations	6,746	38,370
Repair & maintenance	1,606	2,384
Salaries, wages, NIS and allowances	112,949	153,884
Subscriptions	24,365	25,188
Telephone & fax	8,459	8,993
	<u>414,010</u>	<u>540,313</u>

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