

# BARBADOS DEPOSIT INSURANCE CORPORATION

## ANNUAL REPORT 2014



# Letter of Transmittal

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**31 March 2015**

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 2014.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Winn', with a large, stylized loop and a long horizontal stroke extending to the right.

Winston LeRoy Inniss QC  
Chairman



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# Mission & Vision of the BDC

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## **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

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## 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
Deposit Insurance Act	DIA
Deposit Insurance Fund	DIF
International Association of Deposit Insurers	IADI
Financial Sector Assessment Programme	FSAP
Financial Services Commission	FSC

# Financial & Statistical Summary

For the years ended December 31

	2014	2013
<b>Selected Balance Sheet Items</b> (BDS \$ 000)		
Cash	342	143
Investments	46,400	39,750
Liabilities	63	50
<b>Selected Income Statement Items</b> (BDS \$ 000)		
Gross Income	7,363	6,858
Premium Income	4,352	4,347
Interest Income on Investments	3,010	2,510
Operating Expenses	511	423
Net Income	6,851	6,435
<b>Member Institutions (number)</b>		
Commercial Banks (Part II Companies)	6	6
Domestic Trust and Finance Companies (Part III companies)	7	7
Total number of institutions	13	13
<b>Other information</b>		
Average insured deposits (\$ millions)*	8,916	8,703
Growth rate of insured deposits (%)	2.4	0.1

**Notes:**

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



# Members of the Deposit Insurance Fund

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**At December 2014, 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

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## BOARD OF DIRECTORS

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

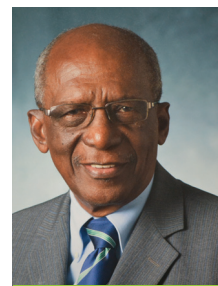
<b>AUDITORS</b>	Brian F. Griffith & Co.
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<b>BANKERS</b>	Central Bank of Barbados
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<b>ADDRESS</b>	Level 5, Tom Adams Financial Centre, Spry Street, Bridgetown
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# Chairman's Message

Winston LeRoy Inniss QC



Another year has passed and in spite of the challenges of the financial sector, the Barbados Deposit Insurance Corporation (BDIC) was not called into action. This is a tremendous testament to the strength of our financial system. The operating environment remained weak over the last seven years, and member institutions have had to grapple with increasing delinquency on their loan books as well as dwindling profitability. These, added to other undesirable indicators, have contributed to a very challenging business environment. However, member institutions have shown a great level of resilience and continued to maintain high levels of capital buffers to support them during this time.

As a financial safety net partner, the BDIC continued to strengthen its capacity during the year. Our involvement in the International Association of Deposit Insurers (IADI), provided the opportunity for the corporation to learn from the experiences of others, as well as to foster new relationships across other jurisdictions. The BDIC also served as a subcommittee member in IADI's global research forum.

Within the Caribbean Regional Committee (CRC), there was the formalization of our commitment to work together by the signing of a Memorandum of Understanding. This agreement between the Jamaica Deposit Insurance Corporation (JDIC), the Deposit Insurance Corporation Trinidad and Tobago (DICTT) and the BDIC establishes cooperation and information sharing among the regional regulators. I believe that this arrangement will strengthen our relationship and will also help us to collectively address some of the challenges associated with cross-border surveillance and resolutions.

The domestic interagency exchange was also enhanced during the year through the general collaboration on issues at the Financial Oversight

Management Committee and detailed reports from the Central Bank following the inspection of member institutions. Significant strides have already been made towards extending the financial safety net coverage to the credit union sector. The working group, comprised of representatives from the Financial Services Commission, the CBB and the BDIC, held several meetings to collaborate on a framework for implementation. While legislative adjustments to both the FSC Act and the BDIC Act are still required, the pricing methodology to be implemented is at a very advanced stage.

We have started to address the weak areas identified in the 2013 Financial Sector Assessment Programme (FSAP). I expect in the year ahead that the implemented strategies would be more measurable and the launch of the public awareness campaign would be in full effect. The Board will continue to provide oversight and support to the corporation to ensure that the operations are strengthened and that the strategic objectives are achieved in line with the established global standards.

Finally, I take the opportunity to welcome Mr. John Jones to the Board of the Directors of the BDIC and congratulate the other Board members on their reappointment. Thanks to the Board members, for their insight and sterling contributions to the business of BDIC. I also extend my gratitude to the staff of the Corporation for their continued hard work and dedication. To my fellow safety net partners and to all other stakeholders, thank you.

A handwritten signature in black ink, appearing to be 'W. Inniss', written over a light blue horizontal line.

Winston LeRoy Inniss QC  
Chairman  
Barbados Deposit Insurance Corporation

# Message from the Chief Executive Officer

Kester Guy



History has shown that financial crises tend to trigger massive responses by all stake holders – including governments, regulatory bodies, global standards setters and the general public – in an attempt to minimize losses. Today, we can look at the lessons learned over many years and trace the innovations to regulations that have contributed to the overall strength of financial systems worldwide. In small open countries like Barbados, it is important that we monitor these developments closely and be proactive in preparing for relevant issues because of the high level of interconnectedness that arise out of the structure of our financial system.

Since inception, the BDIC has focused on operational readiness geared towards effective deposit insurance system. Following a detailed review of the general financial safety net structure in 2013 and the ensuing recommendations, the BDIC in 2014 continued to concentrate on closing the gap between its operations and the benchmark core principles.

Widening the safety net coverage, particularly to the credit union sector remains a priority for the corporation. In the last year, significant deliberations with other safety net partners on credit union inclusion occurred and the need for legislative adjustments to both the BDIC Act and the FSC Act were identified for the facilitation of this process. Once these amendments are completed, I expect further deliberations within the group on an aggressive roll-out plan for credit union inclusion.

I am grateful that there was no incidence last year in which the corporation had to be called

into action. Even though the results of detailed examinations of our member-institutions suggest that are well capitalised and profitable, we are all aware of the challenges these institutions face. The BDIC therefore, continued to develop its intervention strategy to better execute its functions if called upon. In doing so, the corporation worked on developing its pay-out framework, enhancing its public awareness footprint and documenting its strategic plan. The corporation also participated in IADI-related conferences, and seized the opportunity to build relationships with other deposit insurers. These exchanges are very important as they provide good occasions to learn from the experiences of others and to develop formal relations. In October for example, there was the signing of a memorandum of understanding for information exchange among three Caribbean deposit insurers. I expect that this formalization will continue to strengthen our long relationship and will also help us to collaborate more effectively in dealing with cross-border issues.

I take this opportunity to express my sincerest gratitude 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.

A handwritten signature in dark ink, appearing to read 'Kester Guy', written in a cursive style.

Kester Guy  
Chief Executive Officer  
Barbados Deposit Insurance Corporation

# Operating Environment

Economic activity for 2014 grew marginally due mainly to tourism-related construction projects. Aggregate demand remained dampened following the fiscal consolidation which commenced in the previous year. The average rate of inflation was less than 2 percent and the stock of reserves was sufficient to supply about 15 weeks of imports.

**Table 2: Key Macroeconomic Indicators 2010-2014 (%)**

	2010	2011	2012	2013	2014
<b>GDP Growth Rate</b>	0.2	0.6	(0.3)	0	0.3
<b>Inflation Rate</b>	5.8	9.4	4.5	1.8	1.7
<b>Unemployment Rate<sup>a</sup></b>	10.8	11.2	11.5	11.6	12.5
<b>Fiscal Balance to GDP<sup>b</sup></b>	(7.5)	(8.9)	(4.5)	(8.6)	(12.3)
<b>International Reserves (BDS M)</b>	1,423.7	1,414.8	1,457.7	1,144.2	1,052.2

Source: Central Bank of Barbados;

Notes: <sup>a</sup> Average quarterly rate; <sup>b</sup> Data for fiscal years 2009/10 to 2013/14 ending in March of the quoted year.

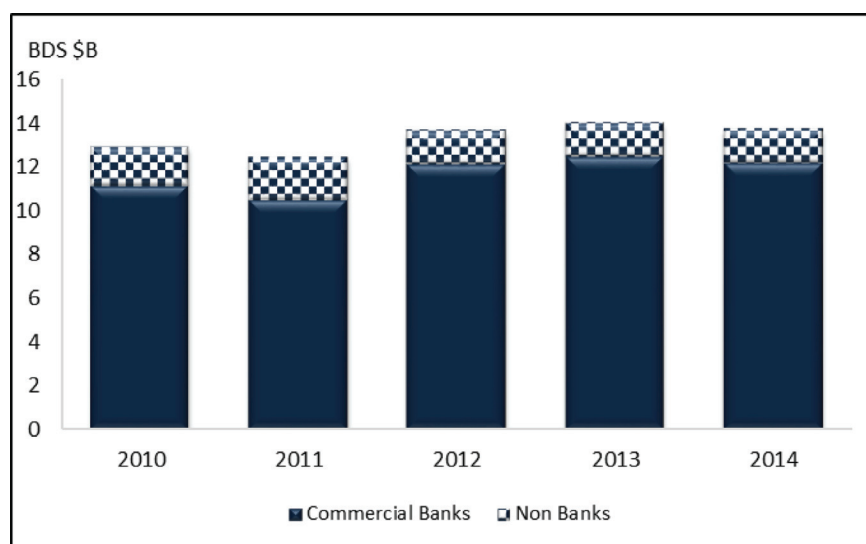
Deposit taking institutions (DTIs) continued to grapple with heightened credit risks combined with a slow-down in viable projects to finance. Much of the constraining factors, were directly associated with the generally weak economic environment observed during the year. Nevertheless, member institutions remained well capitalized and profitable. At the same time, the Central Bank of Barbados continued to refine the regulatory framework that governs the member institutions and started to implement some of the recommendations that arose out of the 2013 Financial Sector Assessment Programme (FSAP).

Assets of DTIs ended 2014 at about \$13.9 billion, which was a slight contraction in the aggregate balance sheet relative to 2013. Commercial banks accounted for most of the decline through reductions in the holding of long-term debt instruments, combined with fall-offs in loan balances and foreign assets. Although total loans declined, significant advances to private individuals continued primarily for mortgages. Loans to government also increased but partially represented a change in arrangements that reflected the decline in debt instruments. Insurable deposits picked up some pace over the year (2.4 percent), making this four consecutive years of steady growth. By all indicators liquidity levels within the system remained relatively high.

# Operating Environment

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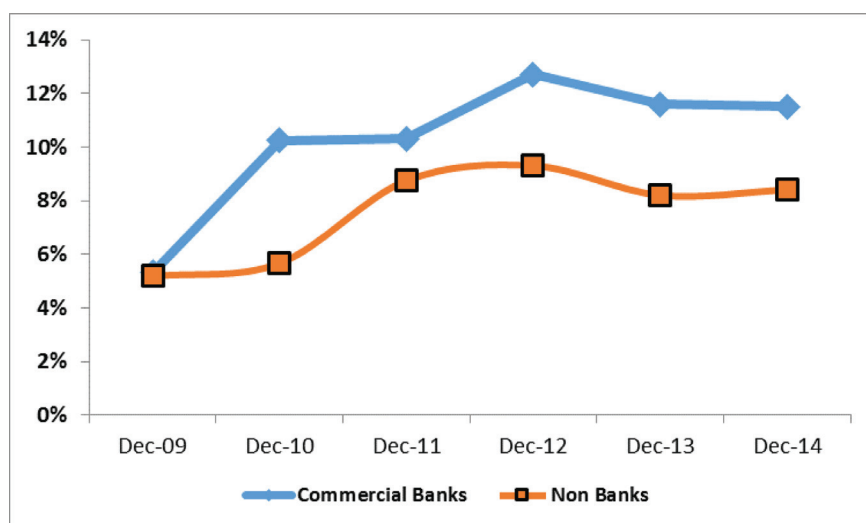
**Figure 1: Total Assets of Deposit Taking Institutions 2010 – 2014**



*Source: Central Bank of Barbados*

Credit risk among member institutions remained high, but stable during the year. The largest portion of these classified loans relate to personal loans, but sizeable amounts are also concentrated in the tourism and real estate sectors. The nonperforming loans ratio which reached 12.9 percent of total loans for banks and 9.3 percent for nonbanks in 2012, now stands at 12.2 percent and 8.4 percent respectively. Despite the heightened risk of default, net write-offs associated with the classified accounts remained less than one percent to total loans.

**Figure 2: Non-performing Loans Ratio 2009 - 2014**



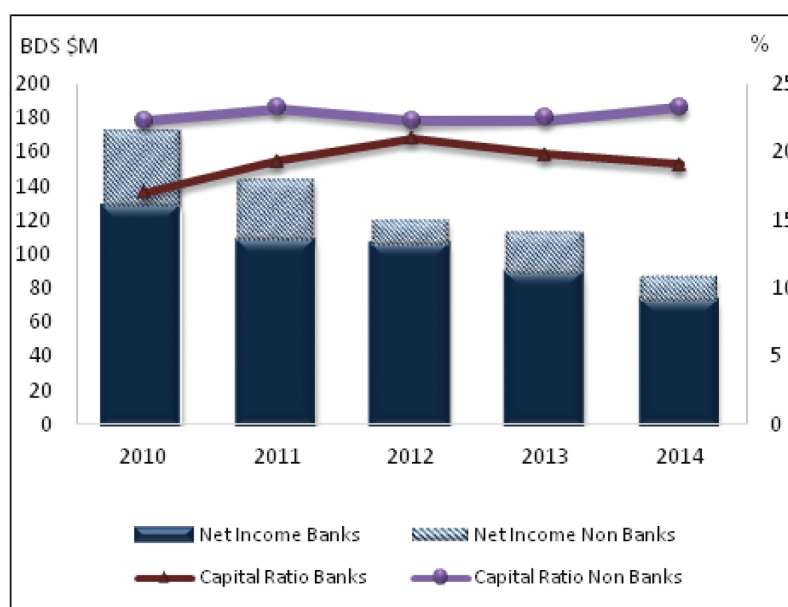
*Source: Central Bank of Barbados*

# Operating Environment

## Continued

Provisions for losses were well maintained, and capital ratios remained far above the prudential benchmark of 8 percent. For banks, the capital adequacy ratio at the end of the period was about 19 percent, while the capital to asset ratio for nonbanks was about 23 percent. DTIs were profitable during the year, but considerable write-offs combined with increased provisioning in some intuitions constrained the sector's overall profitability. Nevertheless, stress test simulations suggest that capital levels among institutions provide significant buffers even in the case of extreme shocks.

**Figure 3: DTIs' Profitability and Capital Ratios 2010 - 2014**



Source: Central Bank of Barbados

# Operating Environment

Continued

**Table 3: Selected Financial Soundness Indicators 2010 - 2014**

<b>Banks</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014*</b>
Capital Adequacy Ratio (CAR)	17.1	19.3	21.0	19.8	19.1
Loan to deposit ratio (%)	67.2	70.9	73.6	69.3	70.3
Liquid assets, % of total assets	11.5	12.0	14.6	17.7	20.3
Asset Growth (%)	-1.5	-4.7	11.5	4.7	(0.6)
Loans and advances (growth, %)	0.6	-0.5	-1.1	-2.6	(1.1)
Non-performing loans ratio (%)	10.8	11.1	12.9	11.7	12.2
Return on Assets (ROA)	1.1	1.0	1.1	0.8	0.7
<b>Non-Banks</b>					
Capital /Asset Ratio	23.5	23.8	23.6	22.6	23.3
Loan to deposit ratio (%)	146.3	106.3	101.5	99.2	99.1
Liquid assets, % of total assets	12.2	16.8	19.4	21.1	16.9
Asset Growth (%)	2.8	5.3	6.2	2.6	0.7
Non-performing loans ratio (%)	5.7	8.6	9.3	8.2	8.4
Return on Assets (ROA)	2.5	1.9	1.2	1.6	0.8

\* Data to September 2014

Source: Financial Stability Report 2014, Central Bank of Barbados



# Fund Operations and Review

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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 financial institutions that are licensed under the Financial Institutions Act (FIA), 1997.<sup>1</sup> 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 the corporation took up several of the recommendations that came out of the 2013 FSAP report in an attempt to strengthen the overall operations of the corporation. One remarkable achievement was the signing of a memorandum of understanding concerning co-operation between Caribbean deposit insurers. While this exchange was conceptualized a few years ago, the signing of the MOU between the Jamaica Deposit Insurance Corporation, Deposit Insurance Corporation of Trinidad and Tobago and Barbados Deposit Insurance Corporation took place at the 13th International Association of Deposit Insurers Annual General Meeting and Annual Conference in Port of Spain, Trinidad.

The MOU establishes a framework for co-operation among the parties specifically in the field of deposit insurance and resolution management of financial institutions and generally for the promotion and maintenance of financial stability within the region. In addition, the framework is geared towards providing technical and human resource support, research capabilities and develop reciprocal cooperation among the respective agencies.

While tremendous advances have been made towards the development of a strategic plan

and the establishment of a payout framework in the event of crisis, the processes are not yet completed. Consequently, the priority areas for the year ahead have not been altered and are broadly geared towards the completion of 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 \$46.4 million at the end of 2014, 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 \$4.4 million, and interest earned was \$3.0 million. Except for operational expenses, all income was reinvested which led to a 16.7 percent growth over the previous year and an average return on assets of 7.0 percent.

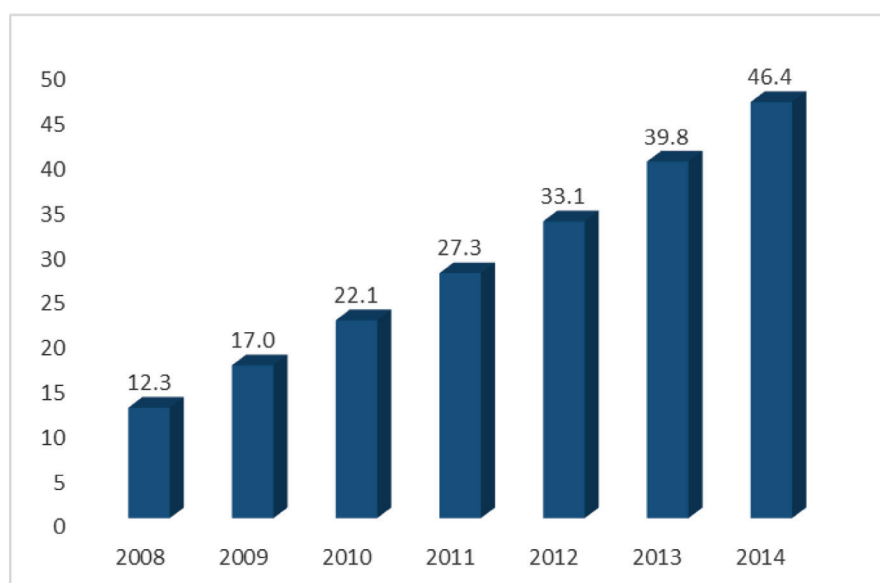
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<sup>1</sup> Deposit insurance does not apply to foreign currency deposits, letters of credit, or instruments of similar nature, inter-bank deposits and deposits from an affiliate (Deposit Insurance Act, 2006-29).

# Fund Operations and Review

Continued

**Figure 4: The Deposit Insurance Fund**



Source: Barbados Deposit Insurance Corporation

**Table 1: Deposit Insurance Fund**

	2010	2011	2012	2013	2014
<b>DIF (%)<sup>2i</sup></b>	29.5	23.8	31.2	20.1	16.7
<b>Operating Ratio</b>	10.0	9.8	8.7	6.2	6.9
<b>ROA</b>	6.5	6.5	6.7	6.9	7.0

Source: Barbados Deposit Insurance Corporation

Almost 90 percent of the 393 thousand deposit accounts among member institutions are fully covered by the deposit insurance system. Given the value of the payout threshold (\$25,000), it implies that about 23 percent of total domestic deposits (or about \$2 billion) are insured. These ratios are comparable to the previous year, and the

current size of the DIF represents only 2 percent of the total insured deposits. Consequently, issues of establishing contingency financing and formalizing guarantee arrangements are important factors for strengthening the deposit insurance system.

<sup>2i</sup> The DIF growth rate is based on premium and interest income

# Fund Operations and Review

Continued

**Table 2: Deposit Accounts of DI Members December 2014**

	<b>Accounts</b>	<b>Balances Less Than 25,000</b>	<b>Balances Greater than 25,000</b>	<b>Total</b>
System	No. (000)	348.1	45.4	393.5
	Value (\$M)	921.8	8,051.6	8,974.4
Commercial Banks	No. (000)	345.3	42.2	387.5
	Value (\$M)	897.6	7,117.0	8,014.6
Non-Banks	No. (000)	2.8	3.2	6.0
	Value (\$M)	24.2	934,.6	958.8

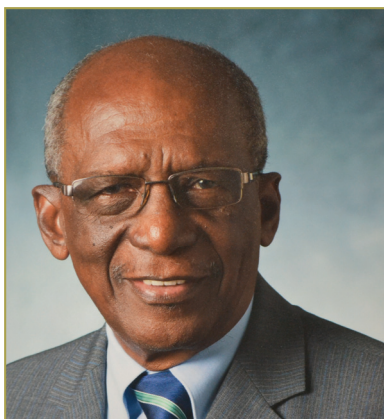
*Source: Barbados Deposit Insurance Corporation*

## Board Meetings

Section 4(i) 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 Deposit Insurance Act 2006-29 also stipulates the minimum number meetings of the Board of Directors each year. The stipulated

requirement of four (4) Board Meetings during the year ending December 2014 was met. At the end of March 2014, the term of the Board of Directors came to an end. Effective April 1, 2014 each director was reappointed and Mr. John Jones, was also added to the Board of the BDIC to serve for three years.

# Board of Directors

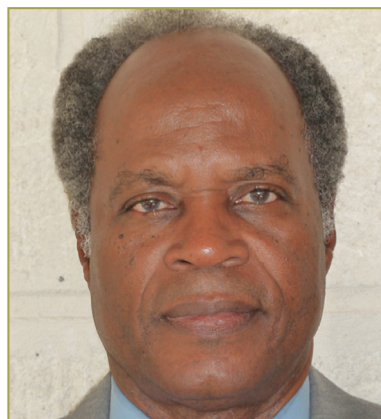


**Winston LeRoy Inniss QC**  
Chairman

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.



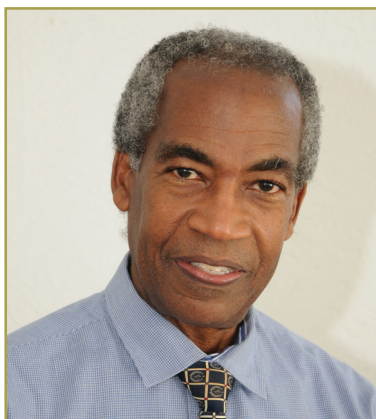
**James M. Payne, CA**  
Deputy Chairman

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



**John A. Jones**  
Director

Mr. John A. Jones is a former Insurance Executive with more than 40 years' 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).

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



**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.

# Board of Directors

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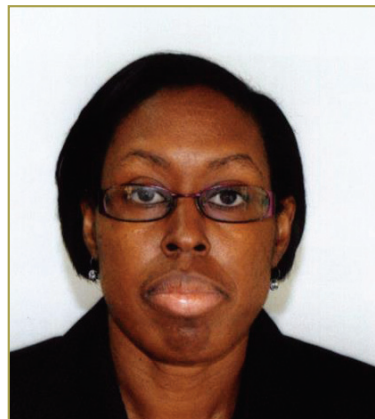


**Marlene E. A. Bayne**  
Director

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.



**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.



## Board of Directors

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**Kester Guy**

Chief Executive Officer

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

## Caribbean Regional Committee (CRC) members signing the Memorandum of Understanding (MOU)



**Seated L – R:** Kester Guy, Chief Executive Officer, Barbados Deposit Insurance Corporation (BDIC); Antoinette McKain, Chief Executive Officer, Jamaica Deposit Insurance Corporation (JDIC); and Arjoon Harripaul, General Manager, Deposit Insurance Corporation Trinidad and Tobago (DICTT).

**Members standing from right:** Mr. Jeremiah Frett - British Virgin Islands (Associate member), Mr. Noel Nunes – DICTT, Ms. Debbie Skinner – BDIC, Ms. Clover Edwards – JDIC, Ms. Alicia Hussey – JDIC, Ms. Ramona Dacosta – JDIC, Mr. Jeremy Vanterpool – British Virgin Islands, Mrs. Eloise Williams-Dunkley – JDIC and Ms. Cheryl Forbes – Bahamas.

**The signing of the MOU between Caribbean member countries took place in Trinidad in October 2014, during the annual meeting of the International Association of Deposit Insurers (IADI). This document would facilitate information sharing pertaining to the development of deposit insurance systems among its members.**





# Brian F. Griffith & Co. CHARTERED ACCOUNTANTS

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## Independent Auditors' Report

### To the Directors of Barbados Deposit Insurance Corporation

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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, 2014, 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, 2014, 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 black ink, appearing to read "Brian F. Griffith & Co.", written over a faint horizontal line.

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

March 18, 2015  
Bridgetown, Barbados

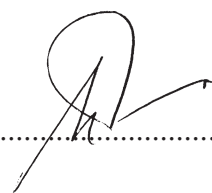
**Barbados Deposit Insurance Corporation**  
**Consolidated statement of financial position as at December 31, 2014**  
**(Expressed in Barbados dollars)**

	Notes	2014 \$	2013 \$
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	2(h) & 4	28,102	26,711
Investments	2(g) & 6	46,400,000	39,750,000
		<u>46,428,102</u>	<u>39,776,711</u>
<b>Current Assets</b>			
Cash and bank balances	7	342,371	142,961
Receivables	8	681,218	667,302
		<u>1,023,589</u>	<u>810,263</u>
<b>Total assets</b>		<b><u>47,451,691</u></b>	<b><u>40,586,974</u></b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Payables and accruals		63,432	50,188
<b>Total current liabilities</b>		<u>63,432</u>	<u>50,188</u>
<b>Equity</b>			
Paid up capital		1,000,000	1,000,000
Deposit Insurance Fund		46,388,259	39,536,786
		<u>47,388,259</u>	<u>40,536,786</u>
<b>Total liabilities and equity</b>		<b><u>47,451,691</u></b>	<b><u>40,586,974</u></b>

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, 2014**  
**(Expressed in Barbados dollars)**

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	<b>Paid Up Capital \$</b>	<b>Deposit Insurance Fund \$</b>	<b>Total \$</b>
<b>Balance at January 1, 2013</b>	1,000,000	33,101,509	34,101,509
<b>Total comprehensive income 2013</b>	<u>0</u>	<u>6,435,277</u>	<u>6,435,277</u>
<b>Balance at December 31, 2013</b>	1,000,000	39,536,786	40,536,786
<b>Total comprehensive income 2014</b>	<u>0</u>	<u>6,851,473</u>	<u>6,851,473</u>
<b>Balance at December 31, 2014</b>	<u>1,000,000</u>	<u>46,388,259</u>	<u>47,388,259</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, 2014**  
**(Expressed in Barbados dollars)**

		<b>2014</b>	<b>2013</b>
	Notes	\$	\$
<b>Income</b>			
Annual premiums		4,351,599	4,347,241
Interest earned		3,010,417	2,510,212
Other		546	640
<b>Total income</b>		<u>7,362,562</u>	<u>6,858,093</u>
<b>Expenses</b>			
General and administrative costs	10	502,249	414,010
Depreciation		8,840	8,806
<b>Total expenses</b>		<u>511,089</u>	<u>422,816</u>
<b>Comprehensive income for the year</b>		<u><b>6,851,473</b></u>	<u><b>6,435,277</b></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, 2014

(Expressed in Barbados dollars)

	Notes	2014 \$	2013 \$
<b>Cash flows from operating activities:</b>			
Total income from operations		6,851,473	6,435,276
Adjustments for:			
Depreciation		8,840	8,806
Interest income		(3,010,417)	(2,510,212)
		<u>3,849,896</u>	<u>3,933,870</u>
Changes in operating assets and liabilities			
Increase in current liabilities		<u>13,244</u>	<u>10,837</u>
<b>Net cash from operating activities</b>		<u>3,863,140</u>	<u>3,944,707</u>
<b>Cash flows from investing activities:</b>			
Purchase of property, plant and equipment		(10,231)	(1,992.00)
Purchase of investment securities		(6,650,000)	(6,320,000)
Interest received		<u>2,996,501</u>	<u>2,318,529</u>
<b>Net cash used in investing activities</b>		<u>(3,663,730)</u>	<u>(4,003,463)</u>
<b>Increase/(decrease) in cash and cash equivalents for the year</b>		199,410	(58,756)
<b>Cash and cash equivalents - Beginning of year</b>		<u>142,961</u>	<u>201,717</u>
<b>Cash and cash equivalents - End of year</b>		<u>342,371</u>	<u>142,961</u>
<b>Cash and cash equivalents comprise:</b>			
Cash and bank balances	7	<u>342,371</u>	<u>142,961</u>

The accompanying notes form part of these consolidated financial statements.



# Brian F. Griffith & Co. CHARTERED ACCOUNTANTS

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

### **To the Directors of Barbados Deposit Insurance Corporation**

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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, 2014.

#### **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**

March 18, 2015  
Bridgetown, Barbados

**Barbados Deposit Insurance Corporation**  
**Statement of the Deposit Insurance Fund for the year ended**  
**December 31, 2014**  
**(Expressed in Barbados dollars)**

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	<b>2014</b>	<b>2013</b>
	\$	\$
<b>Fund balance at beginning of year</b>	39,536,786	33,101,509
<b>Income</b>		
Annual premiums	4,351,599	4,347,241
Interest earned	3,010,417	2,510,212
Other	546	640
<b>Total Income</b>	<u>46,899,348</u>	<u>39,959,602</u>
<b>Expenses</b>	<u>511,089</u>	<u>422,816</u>
<b>Fund balance at end of year</b>	<u><b>46,388,259</b></u>	<u><b>39,536,786</b></u>

The accompanying notes form part of these consolidated financial statements.



# **Barbados Deposit Insurance Corporation**

## **Notes to consolidated financial statements**

**December 31, 2014**

**(Expressed in Barbados dollars)**

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### **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, 2014**

**(Expressed in Barbados dollars)**

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### **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, 2014**

**(Expressed in Barbados dollars)**

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### **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, 2014**  
**(Expressed in Barbados dollars)**

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**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, 2014

(Expressed in Barbados dollars)

### 4. Property, plant and equipment

	Fixtures & Fittings \$	Office Equipment \$	Computer Equipment \$	Total 2014 \$
<b>Cost</b>				
Balance at January 1, 2014	60,818	19,080	16,889	96,787
Additions	5339	2,003	2889	10,231
Disposals	0	0	0	0
Balance at December 31, 2014	<u>66,157</u>	<u>21,084</u>	<u>19,778</u>	<u>107,018</u>
<b>Depreciation</b>				
Balance at January 1, 2014	36,803	16,966	16,307	70,076
Charge for year	6,616	921	1304	8,840
Disposals	0	0	0	0
Balance at December 31, 2014	<u>43,418</u>	<u>17,887</u>	<u>17,611</u>	<u>78,916</u>
<b>Net Book Value</b>				
<b>December 31, 2014</b>	<u><b>22,739</b></u>	<u><b>3,197</b></u>	<u><b>2,167</b></u>	<u><b>28,102</b></u>
<b>December 31, 2013</b>	<u><b>24,016</b></u>	<u><b>2,114</b></u>	<u><b>581</b></u>	<u><b>26,711</b></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, 2014

(Expressed in Barbados dollars)

#### 6. Investment securities

Time to Maturity	No. of Securities	Total 2014 \$
< 5 years	3	12,250,000
5 - 10 years	12	14,339,000
10 - 15 years	7	7,970,000
15 - 20 years	14	11,841,000
	<u>36</u>	<u>46,400,000</u>

#### 7. Cash and bank balances

	2014 \$	2013 \$
Central Bank of Barbados:		
Operating account	341,751	142,433
Premium account	120	120
Cash on hand	<u>500</u>	<u>408</u>
	<u>342,371</u>	<u>142,961</u>

#### 8. Receivables

	2014 \$	2013 \$
Interest receivable	<u>681,218</u>	<u>667,302</u>

#### 9. Paid up capital

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

# Barbados Deposit Insurance Corporation

## Notes to consolidated financial statements

December 31, 2014

(Expressed in Barbados dollars)

### 10. General and administrative costs

	2014	2013
	\$	\$
Administrative fees - pension and health	2,364	2,740
Advertising	4,918	7,590
Bank charges	126	61
Conferences	56,886	34,652
Directors' fees	54,600	46,275
Entertainment	4,489	3,486
Group life and health	3,242	3,242
Insurance	987	1,289
Investment fees	10,000	10,000
Miscellaneous	1,738	2,296
Office rental	105,856	105,856
Office Supplies	17,675	20,430
Pension scheme	6,405	4,798
Professional fees	16,920	17,170
Public relations	19,848	6,746
Repair & maintenance	2,008	1,606
Salaries, wages, NIS and allowances	158,998	112,949
Subscriptions	26,367	24,365
Telephone & fax	8,823	8,459
	<u>502,249</u>	<u>414,010</u>

