

ANNUAL
REPORT
2019

BDiC
BARBADOS DEPOSIT
INSURANCE CORPORATION

Letter of Transmittal

30th Oct 2020

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

Dear Minister:

In accordance with Section 15 (1) of the Deposit Insurance Act 2006-29, I have the honour to submit to you the Annual Report of the Barbados Deposit Insurance Corporation including the Auditors' reports on the Financial Statements of the Corporation and the Deposit Insurance Fund, in respect of the year ended December 2019.

Yours sincerely

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

Winston LeRoy Inniss QC
Chairman

Table of Contents

| | |
|---------------------------------|----|
| Mandate & Goals of the BDIC | 4 |
| Abbreviations | 5 |
| Glossary of Terms | 6 |
| Deposit Insurance Coverage | 8 |
| Chairman's Message | 9 |
| General Message | 10 |
| Corporate Information | 11 |
| Operating Environment | 15 |
| Financial & Statistical Summary | 22 |
| Independent Auditors' Report | 25 |

MANDATE AND GOALS OF THE BDIC

The mandate of the Barbados Deposit Insurance Corporation is to:

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

The goals of the Barbados Deposit Insurance Corporation are:

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

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

ABBREVIATIONS

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

GLOSSARY OF TERMS

Coverage limit

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

Deposit

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

Deposit Insurance Act (DIA)

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

Deposit Insurance Fund (DIF)

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

Deposit Insurance Fund Ratio

The DIF expressed as a percentage of the Total Insured Deposits.

Deposit Insurance Premium

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

Depositor

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

Insurable Deposits

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

GLOSSARY OF TERMS *Cont'd*

Insured Deposit

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

Member Institutions

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

Premium Assessment Rate

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

Resolution

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

DEPOSIT INSURANCE

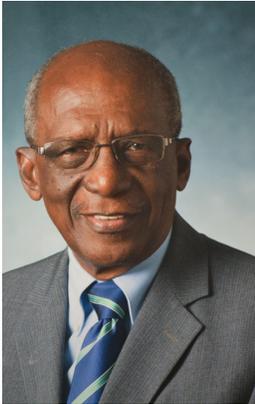
What is covered?

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

What is not covered?

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

CHAIRMAN'S MESSAGE



The Barbados Deposit Insurance Corporation (BDIC) continued in collaboration with the other safety net partners to be a pillar in securing the stability within the financial system in Barbados and the wider Caribbean Region.

During the year the financial sector continued to hold fast amidst the challenging economic environment. Some of the member institutions which might have been experiencing challenges and/or losses as a result of the debt restructuring and the implementation of the IFRS 9, were given the opportunity to approach the Central Bank of Barbados (CBB) to avail themselves of a 'temporary arrangements' service which the Bank had put in place. Despite the challenges experienced by the members, contributions were all paid in a timely manner.

The Corporation remains a member of the International Association of Deposit Insurers (IADI) and thus is able to benefit from material provided which assists it in staying abreast of international best practices. It is also actively involved in the activities of the Caribbean Regional Committee of deposit insurers.

The BDIC in conjunction with the Central Bank of Barbados (CBB) and Financial Services Commission (FSC) continue to work towards including credit unions as members of the fund. We are currently awaiting the recommended legislative amendments to the BDIC Act to make this inclusion a reality.

I take this opportunity to thank Ms. Tamara Hurley, Director Bank Supervision, Central Bank of Barbados (Ag.) who served as a temporary member of the Board during the period that Mrs. Cheryl Greenidge, Director Bank Supervision, Central Bank of Barbados, was seconded to the office of the Attorney General.

I wish to express my sincere appreciation to my fellow Board members, along with the staff of the Corporation for their commitment, hard work and dedication to the organization, its mandate, and its goals. A special word of thanks to the Operations Officer for taking on responsibility for the day to day management of the Corporation while the position of Chief Executive Officer was vacant. Thank you to our fellow safety net partners and to all other stakeholders.

A handwritten signature in black ink, appearing to be 'W. LeRoy Inniss'. The signature is stylized and fluid, with a long horizontal stroke extending to the right.

W. LeRoy Inniss Q.C.

Chairman
Barbados Deposit Insurance Corporation

GENERAL MESSAGE

During our 2018 report we noted that the International Association of Deposit Insurers (IADI), of which the BDIC is a full member, was contemplating fee increases for its members. These increases were intended to provide funding for IADI to carry out its expanded mandate on research. After a meeting of a sub-committee set up to review and come up with a viable method to incorporate the fees, at the AGM of October 9, 2019, the fee increase was approved.

Our member institutions were faced with a challenging environment but remained resilient as government continued to implement its recovery and transformation programme. The programme focused on rebuilding reserves, strengthening public finances, reducing public sector indebtedness, maintaining financial stability, and creating an environment for the resumption of sustainable economic growth through fiscal consolidation, debt restructuring and structural reforms. The BDIC continued to collaborate with the CBB to monitor the economic and financial environment, as well as the risk profile and financial performance of individual members.

The Caribbean Regional Committee (CRC), of which the BDIC is a member, appointed Mr. Derek Douglass as its new Chairman in June 2019. Mr. Douglass holds the position of Advisor, Strategic Planning, Corporate Governance and Controls at the Deposit Insurance Corporation of Trinidad and Tobago (DICTT).

The BDIC, with direction from its Board, continued to participate in on-going discussion with respect to credit unions joining the Fund. In this regard, the BDIC was invited to participate in discussions to address several queries pertaining to the creation of an ex-ante fund, with a view to facilitating the drafting of legislative changes necessary to admit credit unions.

A well-informed public is essential to the maintenance of stability and confidence in the financial system. During the past year, the BDIC continued its public awareness drive. Through the distribution of brochures at our member institutions, we were able to enhance our presence in the community. This initiative will aid in raising awareness of the existence of a deposit insurance scheme in Barbados and will extend into the coming financial year. Our website continues to receive reasonable traffic because of this initiative and serves as an additional source of information for the public.

The BDIC's Chief Executive Officer, Ms. Arlita John, resigned in August 2019. We extend our thanks to Ms. John for her contributions to the Corporation. The post of Chief Executive Officer was advertised, and a suitable candidate is expected to be appointed in the near future. In the interim, the Chairman exercised general oversight of the office with the invaluable assistance of the Operations Officer, Ms. Debbie Skinner, whose support enabled the Corporation to maintain operations.

CORPORATE INFORMATION

The Barbados Deposit Insurance Corporation (BDIC) was established on June 8, 2007 by an Act of Parliament – Deposit Insurance Act 2006-29 (DIA). The BDIC provides insurance for domestic deposits¹, up to a prescribed limit, at member institutions (currently licensed under the Financial Institutions Act (FIA), Cap. 324A). The prescribed limit is currently \$25,000 and is distributed on a per-bank, per-depositor, per-deposit category basis.

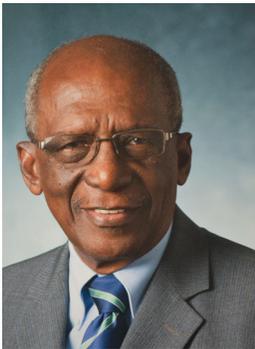
BOARD OF DIRECTORS

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

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

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

Board Members as of December 31, 2019

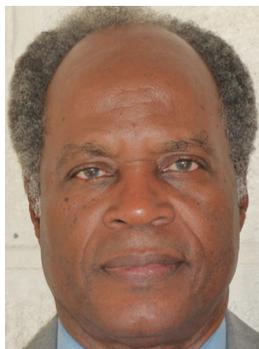


Winston LeRoy Inniss, Q.C.
Chairman

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

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

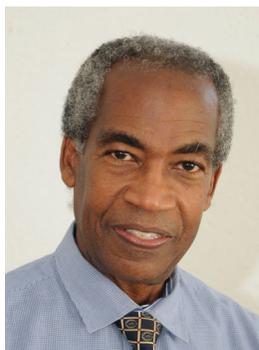
CORPORATE INFORMATION



James M. Payne, CA
Deputy Chairman

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

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



John Jones
Director

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

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

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

CORPORATE INFORMATION



Cleviston Haynes
Director

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

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

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

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

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



Nancy Headley
Director

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

CORPORATE INFORMATION



Tamara Hurley
Director

Tamara Hurley, Deputy Director in the Bank Supervision Department, has been with the Central Bank of Barbados for 19 years. During her tenure, she has led various projects including, Basel II implementation, financial crisis management, development of regulatory guidelines and amendments to financial legislation.

Ms. Hurley serves on national committees which focus on advancing the International Business and Financial Services Sector and responding to global initiatives by multinational groups such as the Organisation for Economic Co-operation and Development and the Financial Stability Board. She sits on Central Bank committees that address FinTech and financial stability. She represents the Bank at various fora, including the Caribbean Group of Banking Supervisors, the Group of International Finance Centre Supervisors and the Association of Banking Supervisors for the Americas. Ms. Hurley holds a BSc. in Management from the University of the West Indies, Cave Hill Campus and an MBA in Financial Studies from the Nottingham University Business School in the United Kingdom.

AUDITORS

Brian F. Griffith & Co.

BANKERS

Central Bank of Barbados

CORPORATE ADDRESS

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

OPERATING ENVIRONMENT

MACRO-ECONOMIC ENVIRONMENT

Table 1: Macro-economic Indicators

| | 2015 | 2016 | 2017 | 2018 | 2019 ^e |
|------------------------------------|---------|---------|---------|---------|--------------------------------|
| GDP Growth Rate | 0.9 | 1.8 | 1.0 | -0.6 | -0.1 |
| Inflation Rate | -1.1 | 1.5 | 4.5 | 3.7 | 4.1 |
| Unemployment Rate ¹ | 12.3 | 11.3 | 9.7 | 10.0 | 10.1 |
| Gross Public Sector Debt-GDP Ratio | 106.7 | 99.9 | 101.9 | 126.9 | 119.5 |
| International Reserves (BDS \$M) | 878.0 | 639.8 | 411.3 | 999.6 | 1,480.0 |
| | 2015/16 | 2016/17 | 2017/18 | 2018/19 | Apr – Dec 2019/20 ^e |
| Fiscal Balance to GDP | -9.4 | -5.7 | -4.6 | -0.3 | 3 |

e - Estimate

1 - Average Unemployment (%)

Source: The Central Bank of Barbados' Review of Economic Performance: January to December 2019

Table 2: Selected Prudential Ratios

| Commercial Banks | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|-------------------------------------|------|-------|------|------|------|-------|------|
| Solvency Indicators | | | | | | | |
| Capital Adequacy Ratio (CAR) | 17.6 | 16.4 | 15.8 | 17.0 | 17.0 | 13.8 | 13.5 |
| Liquidity Indicators | | | | | | | |
| Loan to deposit ratio (%) | 73.0 | 72.2 | 68.0 | 65.1 | 66.5 | 65.0 | 64.3 |
| Liquid assets, % of total assets | 18.0 | 24.7 | 29.9 | 32.5 | 32.6 | 17.4 | 19.3 |
| Credit Risk Indicators (%) | | | | | | | |
| Total assets (growth rate) | 2.8 | (1.4) | 4.2 | 3.7 | 1.3 | (5.0) | 2.2 |
| Non-performing loans ratio | 9.5 | 9.6 | 8.7 | 7.4 | 7.7 | 7.4 | 6.6 |
| Profitability Indicators | | | | | | | |
| Return on Average Assets (12-month) | 0.7 | 0.6 | 1.4 | 1.5 | 1.3 | (0.3) | 0.6 |

Source: Central Bank of Barbados

OPERATING ENVIRONMENT

MACRO-ECONOMIC ENVIRONMENT (cont'd)

Table 2: Selected Prudential Ratios (cont'd)

| Non-Banks | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|--|------|-------|------|-------|-------|--------|-------|
| Solvency Indicator | | | | | | | |
| Capital Adequacy Ratio (percent) | 30.6 | 36.3 | 35.2 | 36.2 | 38.8 | 21.8 | 18.6 |
| Liquidity indicators | | | | | | | |
| Loan to deposit ratio (percent) | 99.0 | 102.3 | 99.0 | 110.0 | 104.1 | 98.2 | 99.1 |
| Liquid assets, percent of total assets | 19.8 | 8.9 | 16.7 | 14.7 | 16.6 | 11.6 | 10.8 |
| Credit Risk Indicators (%) | | | | | | | |
| Total assets (growth rate) | 3.9 | (2.0) | 1.0 | (6.8) | 2.4 | (35.4) | (2.0) |
| Non-performing loans ratio | 8.1 | 8.4 | 9.6 | 9.5 | 9.4 | 8.4 | 11.3 |
| Profitability Indicators | | | | | | | |
| Return on Average Assets (12-month) | 1.9 | 0.8 | 1.8 | 1.4 | 1.2 | (0.4) | 1.2 |

Source: Central Bank of Barbados

Asset Growth and Composition

As at December 31, 2019, total assets of the deposit-taking sector amounted to \$13.94 billion, representative of a slight increase of 1.7% or \$0.24 billion over the prior year. The commercial banking sector's share of total assets stood at 92.9% while the remaining 7.1% pertained to the deposit-taking non-bank sector. This indicates that asset growth is upward trending in the commercial banking sector while the non-bank deposit taking sector demonstrates a downward trend.

The asset base of the commercial banking sector amounted to approximately \$12.95 billion at December 31, 2019. This represented an increase of \$0.25 billion (2.2%) over the 12-month period. This increase is primarily attributable to the amalgamation of one member's trust and finance services with its commercial banking operations coupled with significant increases in transferrable deposits. Deposit-taking non-banks' assets decreased by \$19.88 million (2.0%) over the 12-month period to \$995.76 million. This decrease is primarily attributable to the aforementioned amalgamation and a marginal decrease in transferrable deposits in the sector.

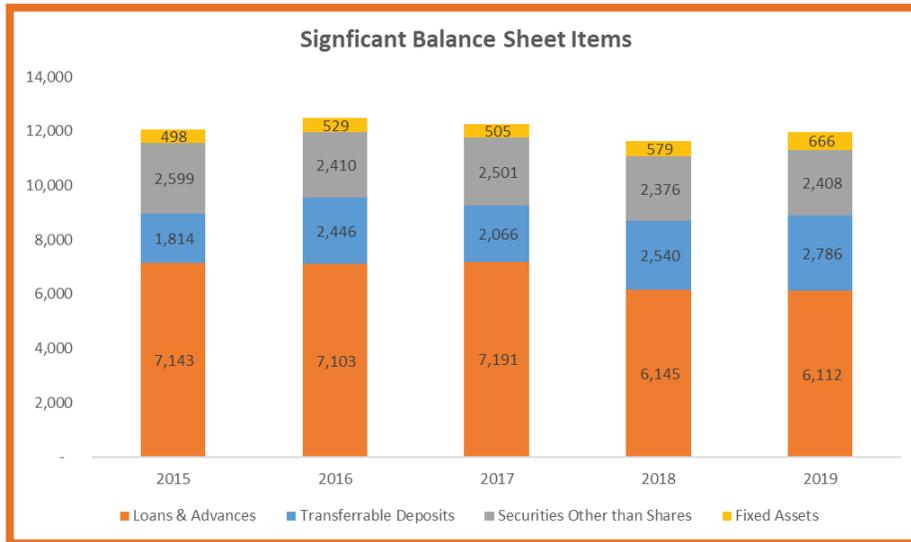
Loans and advances remained the largest contributor to the sector's total asset base accounting for 48.9% or \$6.82 billion. Loans and advances contributed \$6.1 billion (47.2%) of the commercial banking sector's asset base and \$704.85 million (70.8%) of the total assets of the non-banks. Transferable deposits continued to be the second highest contributor to the total sector's asset base accounting for \$2.9 billion or 20.8%. Transferrable deposits accounted for \$2.7 billion (21.5%) of the commercial banking sector's asset base; and \$116.66 million (11.7%) of the non-banks assets.

OPERATING ENVIRONMENT

MACRO-ECONOMIC ENVIRONMENT (cont'd)

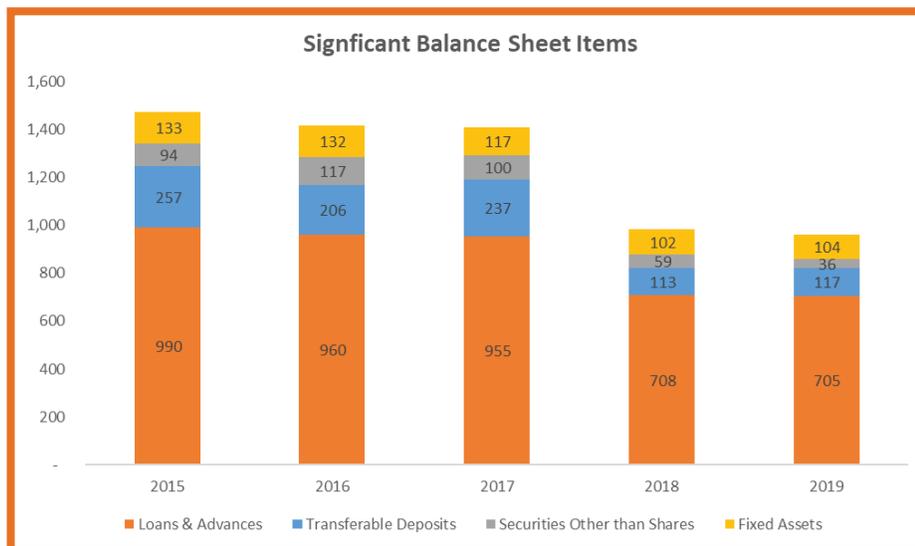
Figures 1 & 2 below illustrates the breakdown of the main drivers of the sector's total asset base.

Figure 1. Asset Composition of Commercial Banks as at December 31, 2019



Source: Central Bank of Barbados

Figure 2. Asset Composition of Non-Banks as at December 31, 2019



Source: Central Bank of Barbados

OPERATING ENVIRONMENT

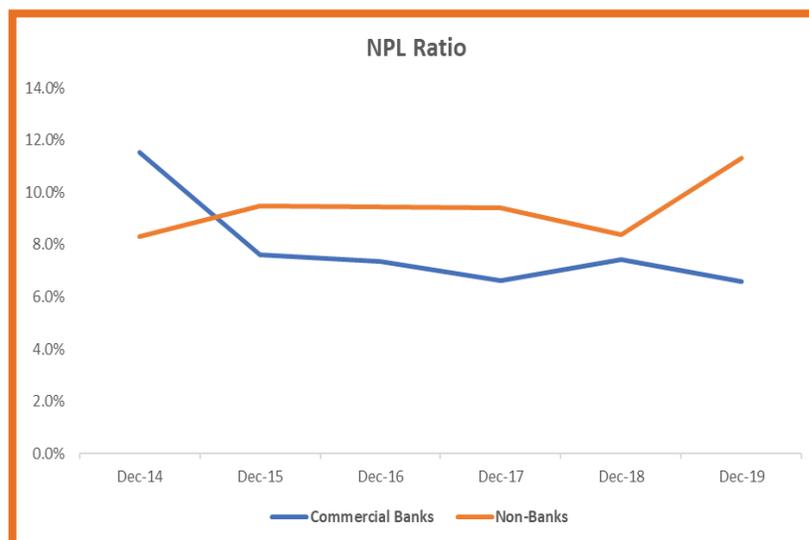
MACRO-ECONOMIC ENVIRONMENT (cont'd)

Asset quality

During 2019, the asset quality of the deposit-taking sector, as measured by the aggregate non-performing loan (NPL) ratio, recorded a marginal improvement. As at December 31, the aggregate NPL ratio was approximately 7.1% down 40 basis points from the prior year's ratio of 7.5%. This improvement is primarily attributed to the contraction in aggregate NPLs which fell by \$30.23 million (5.9%) to \$484.99 million. Additionally, total loans stood at approximately \$6.82 billion representing a decline of \$36.76 million or 0.5% from the end of the prior year. At the end of 2019, total commercial bank NPLs declined by \$50.30 million (11.0%) to stand at approximately \$405.60 million while deposit-taking non-banks recorded an increase in the NPL portfolio of \$20.07 million (33.8%) to stand at approximately \$79.39 million.

Figure 3 below illustrates the trend in the NPL ratios for each segment of the deposit-taking sector i.e. the commercial banks and the deposit-taking non-banks. The NPL ratio for the commercial banking sector shows little fluctuation with the ratio trending slightly downward. On the other hand, the NPL ratio for deposit-taking non-banks trended upwards shifting from 8.4% to 11.3% which is primarily due to the increase in the non-bank sector's non-performing loan portfolio. This is driven by an increase of \$15.78 million (51.5%) in the NPLs of one non-bank over prior year.

Figure 3. NPL Ratios



Source: Central Bank of Barbados

OPERATING ENVIRONMENT

MACRO-ECONOMIC ENVIRONMENT (cont'd)

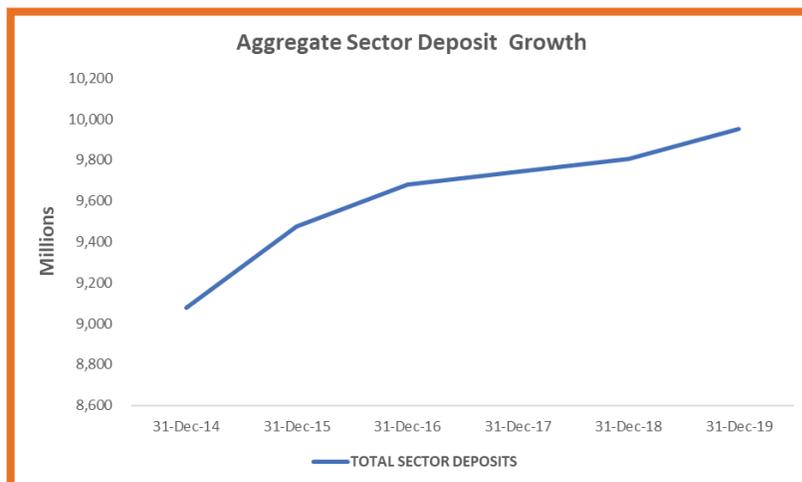
Deposit Base and Liquidity

Deposits remained the primary source of funding for the deposit-taking sector and amounted to \$9.95 billion as at December 31, 2019. This represents an increase of \$146.37 million or 1.5%. Commercial banks held the majority of total sector deposits accounting for 92.9%. This represents an increase of \$155.89 million (1.7%) over the prior year. On the other hand, deposit-taking non-banks accounted for 7.1% of total sector deposits; representing a decrease of \$9.52 (1.3%) million over the prior year.

There was a slight increase in liquidity as measured by the loans-to-deposits ratios (LDR) for commercial banks. This is represented by an LDR of 64.3% compared to 65.0% over the prior year. Additionally, an increase of 1.9 percentage points in the liquid assets to total assets ratio from 17.4% (2018) to 19.3% (2019) also shows evidence of this increase in liquidity.

As it relates to deposit-taking non-banks, the sector recorded an LDR of 99.1%, an increase over 2018 of 0.9 percentage points. This small decrease in liquidity was also evident in the liquid assets to total assets ratio for the sector, which was 0.8 percentage points lower than at the end of 2018. See Table 2 above.

Figure 3. Deposit Growth



Source: Central Bank of Barbados

OPERATING ENVIRONMENT

MACRO-ECONOMIC ENVIRONMENT (cont'd)

Profitability

Calendar year 2019 provided a significant improvement in performance for the total deposit-taking sector. The sector recuperated after 2018 during which it experienced a net loss of approximately \$85.42 million that was primarily attributed to the loss of approximately \$90.84 million earned by the commercial banking sector. In 2019 the sector recorded profits of \$87.99 million, an increase over the prior year by \$173.41 million.

The financial performance of the deposit-taking sector in 2019 can be attributed to the \$72.78 million in profits earned by the commercial banking sector. Profits in the commercial banking sector were driven primarily by a \$21.82 million reduction in bad debt provisions at one bank and a \$21.22 million increase in fees and commission income at another. Additionally, the non-bank deposit-taking sector experienced an increase in profitability, evident by a recorded net income of \$15.23 million. This performance represents an increase from prior year of \$9.80 million or a 181% increase. This increase can be attributed to a \$5.92 million increase in profits by one non-bank and a \$4.37 million increase in the interest income on loans at another.

Capital Adequacy

At the end of 2019, capital adequacy ratios (CARs) across the commercial banking sector ranged between 9.6% to 22.2% compared to the prior year of 8.5% to 25.9%. The majority of the institutions achieved slight improvements in their CARs during the calendar year 2019. CARs for the non-bank deposit-taking institutions continued to remain above the regulatory minimum and ranged from 13.4% to 29.1%, compared to the ratios at December 2018 of 9.8% to 26.6%.

OPERATING ENVIRONMENT

DEPOSIT INSURANCE FUND

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

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

Table 3: Total Estimated Insurable Deposits (\$'000) December 31, 2015-2019

| | 2019 | 2018 | 2017 | 2016 | 2015 |
|------------------|-----------|-----------|-----------|-----------|-----------|
| Commercial Banks | 9,240,053 | 9,084,168 | 8,836,108 | 8,821,499 | 8,481,501 |
| Non-banks | 710,860 | 720,379 | 906,843 | 873,371 | 993,114 |
| Total | 9,950,913 | 9,804,546 | 9,742,951 | 9,694,870 | 9,474,615 |

Table 4: DIF Ratio as at December 31, 2018 and December 31, 2019

| | 2019 | | 2018 | |
|----------------------------------|-----------|------|-----------|------|
| | (\$'000) | (%) | (\$'000) | (%) |
| Commercial Banks | 2,202,788 | 92.3 | 1,874,812 | 95.1 |
| Non-banks | 182,485 | 7.65 | 97,485 | 4.94 |
| Total Estimated Insured deposits | 2,385,273 | 100 | 1,972,297 | 100 |
| Deposit Insurance Fund (*) | 61,338 | - | 53,304 | - |
| DIF Ratio | - | 2.84 | - | 2.70 |

FINANCIAL AND STATISTICAL SUMMARY

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

| | 2019 | 2018 | 2017 |
|---|--------|----------|--------|
| <u>Selected Balance Sheet Items (BDS\$ '000)</u> | | | |
| Cash | 9,106 | 3,726 | 897 |
| DIF | 61,338 | 53,304 | 71,508 |
| Investments | 53,246 | 50,598 | 71,625 |
| Liabilities | 24 | 26 | 21 |
| <u>Selected Income Statement Items (BDS\$ '000)</u> | | | |
| Total Income | 8,521 | 9,039 | 9,672 |
| Premium Income | 4,811 | 4,736 | 4,769 |
| Interest Earned on Investments | 3,709 | 4,302 | 4,898 |
| Operating Expenses | 486 | 567 | 502 |
| Modification loss on investments | - | 26,676 | - |
| Total comprehensive (loss)/Income | 8,034 | (18,204) | 9,169 |

FINANCIAL AND STATISTICAL SUMMARY

Table 6: Members of the Deposit Insurance Fund 2017-19

| | 2019 | 2018 | 2017 |
|---|------|------|------|
| Commercial Banks (Part II Companies) | 5 | 5 | 5 |
| Domestic Trust and Finance Companies (Part III companies) | 6 | 6 | 8 |
| Total number of Member Institutions | 11 | 11 | 13 |

Commercial Banks (Part II companies)

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

Other Deposit-Taking Institutions (Part III companies)

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

FINANCIAL AND STATISTICAL SUMMARY

Table 7: Covered Deposits and Deposit Insurance Premiums 2017-19

| Year | Insured Institutions | | | | Premium Revenue ('000) |
|------|----------------------|---------------------|-------------------------------------|------------------------------|------------------------|
| | Type | No. of institutions | Total Eligible Deposits (\$000,000) | Insured Deposits (\$000,000) | |
| | | | (a) | (b) | |
| 2019 | Bank | 5 | 9,291 | 2,202 | 4,450 |
| | Non-Bank | 6 | 739 | 182 | 361 |
| 2018 | Bank | 5 | 9,084 | 1,874 | 4,320 |
| | Non-bank | 6 | 722 | 97 | 416 |
| 2017 | Bank | 5 | 8,836 | 1,740 | 4,288 |
| | Non-bank | 8 | 906 | 106 | 481 |

**Barbados Deposit Insurance Corporation
Consolidated Financial Statements
For The Year Ended
December 31, 2019**

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



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

Opinion

We have audited the consolidated financial statements of **Barbados Deposit Insurance Corporation**, which comprise the consolidated statement of financial position as at December 31, 2019, the consolidated statement of changes in equity, the consolidated statement of comprehensive income, the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards for Small and Medium-Sized Entities (IFRS for SMEs).

Basis for Opinion

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

A further description of the Auditors' responsibilities for the audit of the financial statements is located at the Institute of Chartered Accountants of Barbados' website at:

https://www.icab.bb/ICAB_Public/Resource_Library/Technical_and_Professional_Matters/Auditing/03_2016_illustrations_of_Auditors_Reports.aspx



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Brian F Griffith & Co.
Chartered Accountants

July 21, 2020
Bridgetown, Barbados

Barbados Deposit Insurance Corporation
Consolidated statement of financial position as at December 31, 2019
(Expressed in Barbados dollars)

| | Notes | 2019 \$ | 2018 \$ |
|-------------------------------------|----------|--------------------------|--------------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and bank balances | 7 | 9,106,843 | 3,628,374 |
| Receivables | | - | 97,819 |
| | | <u>9,106,843</u> | <u>3,726,193</u> |
| Non-current assets | | | |
| Property, plant and equipment | 2(g) & 4 | 8,610 | 5,431 |
| Investment securities | 2(f) & 6 | 53,246,773 | 50,598,400 |
| | | <u>53,255,383</u> | <u>50,603,831</u> |
| Total assets | | <u>62,362,226</u> | <u>54,330,024</u> |
| LIABILITIES AND EQUITY | | | |
| Current liabilities | | | |
| Payables and accruals | | 23,984 | 25,918 |
| Total liabilities | | <u>23,984</u> | <u>25,918</u> |
| Equity | | | |
| Paid up capital | | 1,000,000 | 1,000,000 |
| Deposit Insurance Fund | | 61,338,242 | 53,304,106 |
| | | <u>62,338,242</u> | <u>54,304,106</u> |
| Total liabilities and equity | | <u>62,362,226</u> | <u>54,330,024</u> |

Approved by the Board of Directors on July 21, 2020, and signed on its behalf by:

DEPUTY CHAIRMAN.......... DIRECTOR..........

The accompanying notes form part of these consolidated financial statements.

Barbados Deposit Insurance Corporation
Consolidated statement of changes in equity for the year ended
December 31, 2019
(Expressed in Barbados dollars)

| | Paid Up Capital \$ | Deposit Insurance Fund \$ | Total \$ |
|--|-----------------------------------|--|---------------------|
| Balance at January 1, 2018 | 1,000,000 | 71,507,854 | 72,507,854 |
| Total comprehensive loss for 2018 | <u>-</u> | <u>(18,203,748)</u> | <u>(18,203,748)</u> |
| Balance at December 31, 2018 | 1,000,000 | 53,304,106 | 54,304,106 |
| Total comprehensive income for 2019 | <u>-</u> | <u>8,034,136</u> | <u>8,034,136</u> |
| Balance at December 31, 2019 | <u>1,000,000</u> | <u>61,338,242</u> | <u>62,338,242</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, 2019
(Expressed in Barbados dollars)

| | Notes | 2019 \$ | 2018 \$ |
|---|-------|------------------|---------------------|
| Income | | | |
| Annual premiums | | 4,811,303 | 4,736,397 |
| Interest earned | | 3,709,670 | 4,302,665 |
| Total income | | <u>8,520,973</u> | <u>9,039,062</u> |
| Expenses | | | |
| General and administrative costs | 9 | (483,383) | (564,052) |
| Depreciation | | (3,454) | (2,765) |
| Modification loss on investment securities | | - | (26,675,993) |
| Total expenses | | <u>(486,837)</u> | <u>(27,242,810)</u> |
| Profit/(loss) for the year | | <u>8,034,136</u> | <u>(18,203,748)</u> |
| Other comprehensive income | | <u>-</u> | <u>-</u> |
| Total comprehensive income/(loss) for the year | | <u>8,034,136</u> | <u>(18,203,748)</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, 2019
(Expressed in Barbados dollars)

| | Notes | 2019 \$ | 2018 \$ |
|--|-------|------------------|------------------|
| Cash flows from operating activities: | | | |
| Total comprehensive income/(loss) for the year | | 8,034,136 | (18,203,748) |
| Adjustments for non-cash items during the year: | | | |
| Depreciation | | 3,454 | 2,765 |
| Interest revenue accrued | | (3,709,670) | (4,302,665) |
| Modification loss on investment securities | | - | 26,675,993 |
| | | <u>4,327,920</u> | <u>4,172,345</u> |
| Changes in operating assets and liabilities: | | | |
| Increase/(decrease) in current liabilities | | (1,934) | 4,793 |
| Net cash from operating activities | | <u>4,325,986</u> | <u>4,177,138</u> |
| Cash flows from investing activities: | | | |
| Purchase of property, plant and equipment | | (6,633) | (1,545) |
| Increase in investment securities | | - | (5,649,393) |
| Interest received | | 1,159,116 | 5,033,941 |
| Net cash from/(used in) investing activities | | <u>1,152,483</u> | <u>(616,997)</u> |
| Increase in cash and cash equivalents | | | |
| for the year | | 5,478,469 | 3,560,141 |
| Cash and cash equivalents - Beginning of year | | <u>3,628,374</u> | <u>68,233</u> |
| Cash and cash equivalents - End of year | | <u>9,106,843</u> | <u>3,628,374</u> |
| Cash and cash equivalents comprise: | | | |
| Cash and bank balances | 7 | <u>9,106,843</u> | <u>3,628,374</u> |

The accompanying notes form part of these consolidated financial statements.



Brian F. Griffith & Co. CHARTERED ACCOUNTANTS

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

To the Directors of Barbados Deposit Insurance Corporation

Opinion

In accordance with Section 15, 1(b) of the Deposit Insurance Act, 2006, we have audited the statement of the **Deposit Insurance Fund** of the Barbados Deposit Insurance Corporation for the year ended December 31, 2019.

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, 2019, and its financial performance for the year then ended in accordance with International Financial Reporting Standards for Small and Medium-Sized Entities (IFRS for SMEs).

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

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

Auditors' Responsibilities for the Audit of the Fund

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

Brian F. Griffith & Co.

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

July 21, 2020
Bridgetown, Barbados

Barbados Deposit Insurance Corporation
Statement of the Deposit Insurance Fund for the year ended
December 31, 2019
(Expressed in Barbados dollars)

| | 2019 | 2018 |
|---|-------------------|---------------------|
| | \$ | \$ |
| Fund balance at beginning of year | 53,304,106 | 71,507,854 |
| Total comprehensive income/(loss) for the year | <u>8,034,136</u> | <u>(18,203,748)</u> |
| Fund balance at end of year | <u>61,338,242</u> | <u>53,304,106</u> |

The accompanying notes form part of these consolidated financial statements.

Barbados Deposit Insurance Corporation
Notes to consolidated financial statements
December 31, 2019
(Expressed in Barbados dollars)

1. Incorporation and functions

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

The functions of the corporation are:-

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

2. Significant accounting policies

a) Basis of preparation

These financial statements have been prepared in accordance with and comply with International Financial Reporting Standards for Small and Medium-Sized Entities (IFRS for SMEs), and have been prepared under the historical cost convention. Adjustments to historical costs are made as considered necessary to capture the value of transactions, having regard to the timing of related cash flows or the effects of terms that deviate from normal business and market conditions.

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

Barbados Deposit Insurance Corporation
Notes to consolidated financial statements
December 31, 2019
(Expressed in Barbados dollars)

2. Significant accounting policies (continued)

b) Use of estimates

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

c) Premium income

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

d) 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.

e) Payables and accruals

Trade and other payables are stated at historical cost.

Barbados Deposit Insurance Corporation
Notes to consolidated financial statements
December 31, 2019
(Expressed in Barbados dollars)

2. Significant accounting policies (continued)

f) Investment securities

The Model adopted by the Corporation for Fund Investments involves:

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

Such assets are not held for resale.

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

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

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

g) Property, plant and equipment

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

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

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

Barbados Deposit Insurance Corporation
Notes to consolidated financial statements
December 31, 2019
(Expressed in Barbados dollars)

2. Significant accounting policies (continued)

h) Interest earned

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

i) Comparative information

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

j) Risk management

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

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

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

Barbados Deposit Insurance Corporation
Notes to consolidated financial statements
December 31, 2019
(Expressed in Barbados dollars)

3. Taxation and Insurance Legislation

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

4. Property, plant and equipment

| | 2019 | 2018 |
|---------------------------------|---------------------|---------------------|
| | \$ | \$ |
| Cost | 119,859 | 113,225 |
| Accumulated depreciation | <u>(111,249)</u> | <u>(107,794)</u> |
| Net Book Value | <u>8,610</u> | <u>5,431</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, 2019
(Expressed in Barbados dollars)

6. Investment securities

In September of 2018, several financial instruments previously issued by the Government of Barbados were replaced by a single Series D Bond of equivalent face value but with revised terms, affecting repayment of principal and interest thereon. The Corporation adjusted Gross Carrying Amount (GCA) of its bond investment at amortized cost, having regard to the related effective interest rate (7.1%) and the prospective cash flows of the Series D Bond. This resulted in a restated GCA of \$50,598,400 and a modification loss of \$26,675,993 at date of debt restructuring. Further information on the investment is provided hereunder:

i. Continuity of Series D Bond

| | 2019 | 2018 |
|---|--------------------|-------------------|
| | \$ | \$ |
| Gross Carrying Amount, start of year | <u>50,598,400</u> | <u>-</u> |
| Activity during the year: | | |
| Modified instrument | - | 50,598,400 |
| Interest accrued on investments | 3,807,489 | - |
| Interest received | <u>(1,159,116)</u> | <u>-</u> |
| | <u>2,648,373</u> | <u>50,598,400</u> |
| Gross Carrying Amount, end of year | <u>53,246,773</u> | <u>50,598,400</u> |

Barbados Deposit Insurance Corporation
Notes to consolidated financial statements
December 31, 2019
(Expressed in Barbados dollars)

6. Investment securities continued

ii. Maturity Characteristics of Series D Bond

| Five (5) - Year Settlement Periods | Prospective Contractual flows | |
|--|----------------------------------|-------------------|
| | 2019 | 2018 |
| | \$ | \$ |
| 2019 - 2023 | 4,834,300 | 4,834,300 |
| 2024 - 2028 | 9,581,070 | 9,581,070 |
| 2029 - 2033 | 9,469,030 | 9,469,030 |
| 2034 - 2038 | 12,562,000 | 12,562,000 |
| 2039 - 2043 | 7,600,000 | 7,600,000 |
| 2044 - 2048 | 4,200,000 | 4,200,000 |
| 2049 - 2053 | 2,352,000 | 2,352,000 |
| | <u>50,598,400</u> | <u>50,598,400</u> |

Barbados Deposit Insurance Corporation
Notes to consolidated financial statements
December 31, 2019
(Expressed in Barbados dollars)

7. Cash and bank balances

| | 2019 | 2018 |
|--------------------------|------------------|------------------|
| | \$ | \$ |
| Central Bank of Barbados | 9,106,343 | 3,627,933 |
| Cash on hand | 500 | 441 |
| | <u>9,106,843</u> | <u>3,628,374</u> |

8. 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.

9. General and administrative costs

| | 2019 | 2018 |
|---------------------|----------------|----------------|
| | \$ | \$ |
| Directors fees | 52,800 | 52,800 |
| Employment expenses | 201,579 | 234,984 |
| Professional fees | 25,662 | 16,920 |
| Other expenses | 203,342 | 259,348 |
| | <u>483,383</u> | <u>564,052</u> |

Barbados Deposit Insurance Corporation

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Bridgetown, Barbados

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