

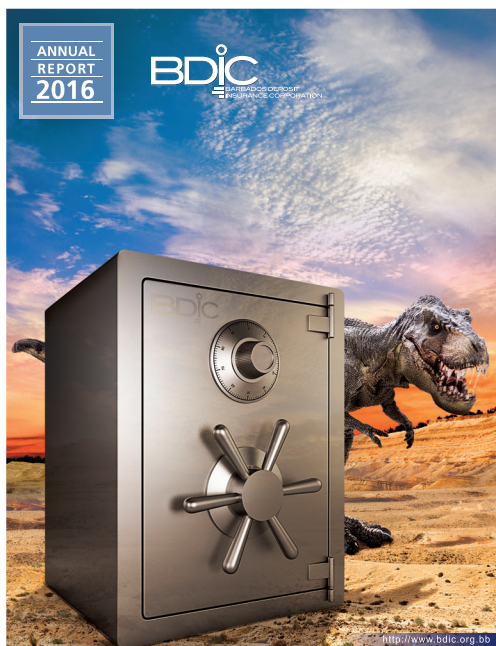
ANNUAL
REPORT
2016

BDiC
BARBADOS DEPOSIT
INSURANCE CORPORATION





BARBADOS DEPOSIT INSURANCE CORPORATION Annual Report 2016



“You can’t do today’s job with yesterday’s methods and be in business tomorrow”

Evolving deposit insurance for the greater protection of financial consumers

The key role of Deposit Insurers (DI) in the financial safety net is to provide insurance for covered depositors. The ultimate goal is to maintain stability within that system, and to cushion the fallout from any instability.

To continue to do this effectively and efficiently, DIs need to take into account current products and practices in the financial industry, keep abreast of and take advantage of changes in technology, and refine and adapt the mechanisms for anticipating, averting and dealing with failures and crises should they arise.

In this regard, Deposit Insurance schemes are moving more into the realm of helping to avert failures and/or crises and to developing strategies for minimizing the impact to the public should one take place.





Letter of Transmittal

31 March, 2017

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 2016.

Yours sincerely

Winston LeRoy Inniss QC
Chairman





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Mandate & Goals of the BDIC

The mandate of the Barbados Deposit Insurance Corporation is to:

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

The goals of the Barbados Deposit Insurance Corporation are:

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



Abbreviations

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



Glossary of Terms

Coverage Limit

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

Deposit

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

Deposit Insurance Act (DIA)

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

Deposit Insurance Fund (DIF)

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

Deposit Insurance Fund Ratio:

The DIF expressed as a percentage of the Total Insured Deposits

Deposit Insurance Premium:

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

Depositor:

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

Insurable Deposits:

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



Glossary of Terms

Insured Deposit:

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

Member Institutions:

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

Premium Assessment Rate:

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

Resolution:

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



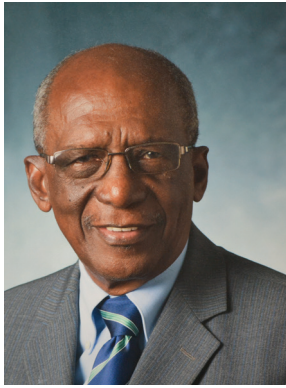
Deposit Insurance

What is covered?

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

What is not covered?

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



Chairman's Message

For the period under review, the Barbadian economy continued to experience serious challenges. Against this backdrop, the financial sector, however, experienced no upheaval during 2016. All institutions remained adequately capitalized and solvent and there were no incidents of financial institution failure. The Deposit Insurance Fund managed by the Barbados Deposit Insurance Corporation has therefore experienced a further year of uninterrupted growth, with the Fund now covering three percent of insurable deposits.

A new Chief Executive Officer was appointed in the person of Ms. Arlita John. Under her guidance, towards the end of 2016, the Board commenced formulation of its planned strategic program for 2017-2019. This program will focus on three (3) main strategic imperatives, namely bolstering the operational capabilities of the BDIC, enhancing its resolution framework and educating its member base and the general public about deposit insurance.

The BDIC has been actively participating in the sessions hosted by the CARICOM Technical Working Group (TWG) to formulate recommendations for a Deposit Insurance Framework for the Caribbean Community (CARICOM). I anticipate that this initiative will enable the BDIC to strengthen its legislative and operational framework in line with emerging best practices.

2017 is expected to be at least as challenging as 2016, but the corporation stands ready to do its part to maintain stability within the safety net. In this regard the BDIC will work with the Central Bank of Barbados to monitor member institutions. In addition, the BDIC will continue to engage with the Ministry of Finance and the Financial Services Commission on the proposed deposit insurance scheme for credit unions.

On behalf of the Board I take the opportunity to welcome Ms. Arlita John and extend my gratitude to the staff of the corporation. I also extend thanks to my fellow board members for their continued contribution and efforts on behalf of the BDIC.

Winston LeRoy Inniss QC
Chairman



CEO's Message

The macro economy remained under stress but Barbados' banking system remained resilient. Banks continued to be well capitalized, with capital adequacy ratios well in excess of the mandatory 8% ratio. From an operational and financial perspective, this performance by Member Institutions of the BDIC meant that there were no MI failures nor restructurings, and therefore no drawings on, or losses to, the DIF during the year.

The BDIC was represented at the Annual conference and AGM of the International Association of Deposit Insurers (IADI). The conference draws together many of the DICs across the globe to share their knowledge and experiences through feature presentations and panel discussions. It therefore offered an excellent opportunity to learn about deposit insurance in general, innovations both planned and implemented, and to cultivate useful contacts within that sphere.

On the strategic front, in 2016, two meetings were hosted by CARICOM's Technical Working Group (TWG) for the development of regional standards regarding deposit insurance. These meetings were attended by representatives of the CARICOM Secretariat and representatives of DICs in the region. The mandate of the TWG is to formulate recommendations for a deposit insurance framework for the Caribbean Community (CARICOM) member states. The intended goal is the implementation of a CARICOM policy on deposit insurance, a model deposit insurance system, and, to the extent possible, the creation of a harmonized legal and regulatory framework for the operation of the policy and model. It is planned that further meetings will take place in 2017 to continue to build out the model and policy for presentation to the central bank governors in the various CARICOM member states.

Just as the financial crisis of 2007/2008 resulted in depositor insurance becoming increasingly global, it is important, even in the absence of our own crisis, for depositor insurance to become more regional. The work being undertaken by the CARICOM Technical Working Group (TWG) is therefore quite important.

At the national level, regional central banks, financial sector supervisors and Ministries of Finance are undertaking efforts to strengthen domestic financial stability. Efforts include

- Production of a regional financial stability report focusing on the banking and insurance sectors.
- Work to standardize macro-prudential policy and systemic risk indicators as well as to gauge the systemic importance of various sectors.
- Work to quantify the interconnectedness of cross-border claims in order to better understand the risks such interconnections pose for financial stability.
- A draft Regional Financial Crisis Management Plan that has been produced by the Caribbean Group of Banking Supervisors (CGBS)

These initiatives complement deposit insurance and the draft Regional Financial Crisis Management Plan, in particular, could serve as a platform for coordination of deposit insurer involvement in the resolution of cross-border insured institutions.



CEO's Message

The BDIC is formulating a new Strategic Plan for the next three years. A select set of priorities were examined by the Board at the time of its last meeting in December 2016. These priorities will be used as a base to develop a number of key initiatives and tasks, which will in turn act as a platform for the creation of a schedule of activities to be undertaken as part of those tasks and initiatives. The plan will also recognise the need to follow the trends and best practices being set outside the region. Among the areas under consideration are ways to shorten resolution timelines, processes to speed up information sharing, use of standardized data and data formats, new methods of resolution and expansion of deposit insurer co-operation.

Looking ahead, as the institutions and organizations that make up the Financial Safety Net engage in co-operation and exchange of information through the working platforms established within the framework of relevant laws, the collective efforts of CARICOM, the various national bodies and the BDIC will all ultimately converge toward understanding and improving the stability of the financial systems domestically and within the region.

Arlita K. John
Chief Executive Officer



Corporate Information

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

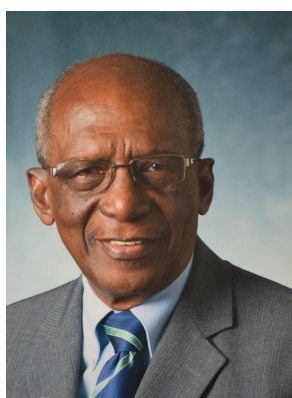
BOARD OF DIRECTORS

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

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

The remaining members of the Board are ex-officio directors: The Governor of the Central Bank of Barbados, the Director of Bank Supervision of the Central Bank of Barbados, a representative of the Ministry of Finance and the Chief Executive Officer of the Corporation. The last is responsible for general management of the BDIC, and implementation of the Board's resolutions.

Board Members as at December 31, 2016



Winston LeRoy Inniss, Q.C.
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.

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



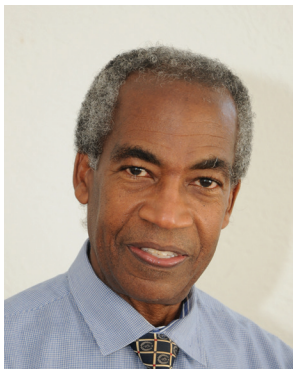
Corporate Information



James M. Payne, CA
Deputy Chairman

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

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



John Jones
Director

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

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

Association of Barbados (1984-1986). His contribution extended to several of the sub-committees related to both of these organizations.

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



Corporate Information



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.



Cleviston Haynes

Director

Mr. Cleviston Haynes is Acting Governor, Central Bank of Barbados. Previously he served as Chief Economist, Adviser to the Governor of the Central Bank of Barbados, Director--Bank Supervision Department and more recently as Deputy Governor. 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.



Corporate Information



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



Arlita K. John, FCA
Director

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

AUDITORS

Brian F. Griffith

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

During 2016, the macro-economic environment remained challenging. The growth rate improved to 1.6%, largely on the basis of the performance of the tourism sector. The unemployment rate declined and there were no inflationary pressures. However, the international reserves fell significantly, despite efforts to rein in the fiscal deficit as part of the effort to dampen demand. The continued high public sector debt ratio created concerns among some investors, resulting in increased dependence on the central bank for deficit financing.

Table 1: Macro-economic Indicators

	2011	2012	2013	2014	2015 ^P	2016 ^e
GDP Growth Rate	0.8	0.3	-0.1	0.1	0.9	1.6
Inflation Rate	9.4	4.5	1.8	1.8	-1.1	-0.8
Unemployment Rate	11.2	11.5	11.6	12.3	11.3	10
Gross Public Sector Debt-GDP Ratio	93.9	96.6	106.5	110.4	108.8	101.4
International Reserves (BDS \$M)	1,414.8	1,457.7	1,144.1	1,052.4	927.0	681.1
	2011/12	2012/13	2013/14	2014/15	2015/16 ^P	
Fiscal Balance to GDP	-4.4	-8.5	-11	-8.1	-8.2	

Note:

Inflation Rate data is up to June 2016 and reflects new Barbados Statistical Service Inflation weights

Average Unemployment Rate data is up to September 2016

p - Provisional data

e - Estimate

Source: The Central Bank of Barbados' Review of Economic Performance for 2016

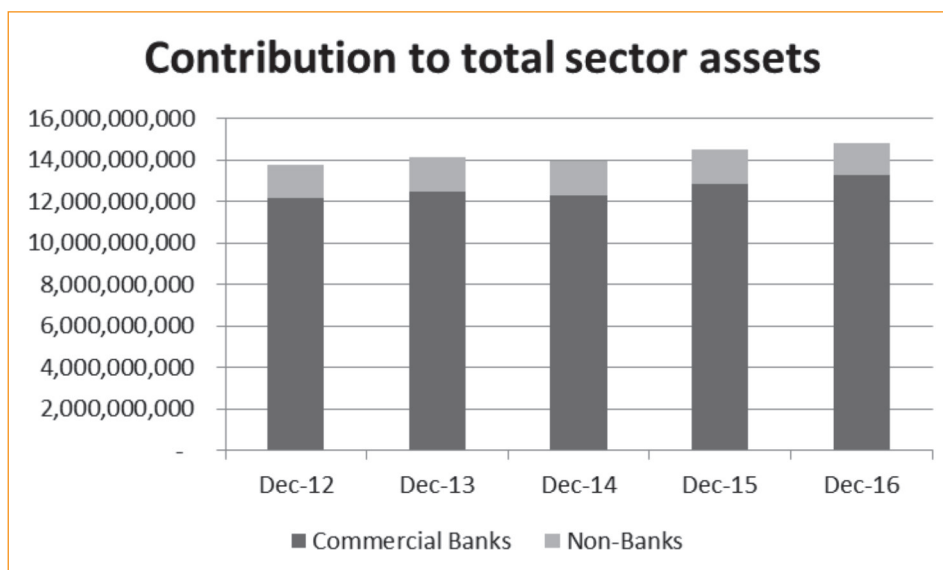
Asset Growth and Composition

Total assets of Member Institutions (MIs) have experienced moderate growth over the period 2012 to 2016, with average asset growth of 2.0%. At December 31, 2016, assets were \$14.84 billion, up from \$14.48 billion at December 31, 2015. The distribution of the increase was uneven between banks and non-banks as commercial banks' assets increased by \$472.67 million (3.7%) and now stand at \$13.30 billion, while the non-banks' asset base declined by \$113.20 million (-6.9%) to \$1.53 billion. Total assets of commercial banks accounted for 89.7% of the sector assets at the end of 2016.



Operating Environment

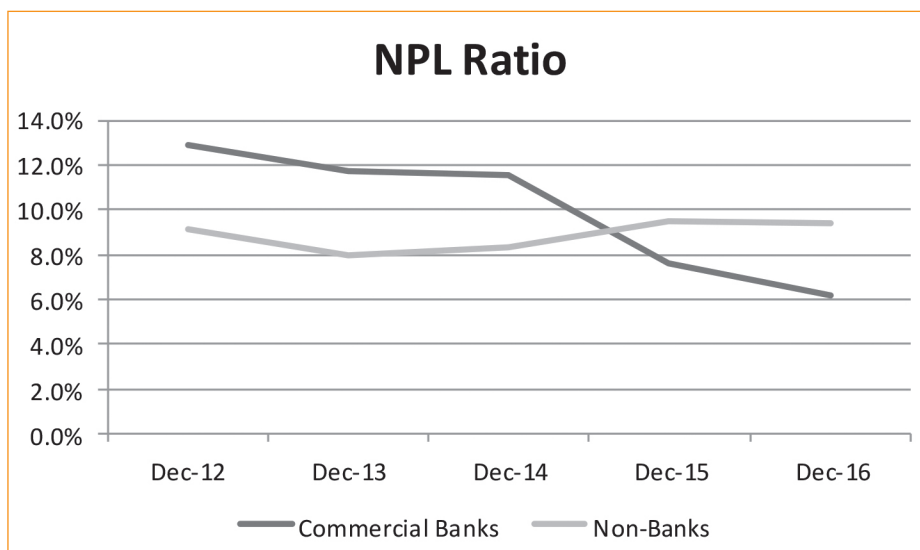
Figure 1: Asset Distribution



Asset quality

At the end of 2016, the sector's asset quality showed an improvement when compared to the end of 2015. The commercial bank sector reported a ratio of 6.2% down from 7.6%. The NPL ratio of the non-bank sector was 9.4%, slightly down from 9.5% at December 2015. Total NPLs decreased by approximately 17% and NPLs as a percentage of deposits moved from 7.8% down to 6.6%.

Figure 2: NPL Ratio





Operating Environment

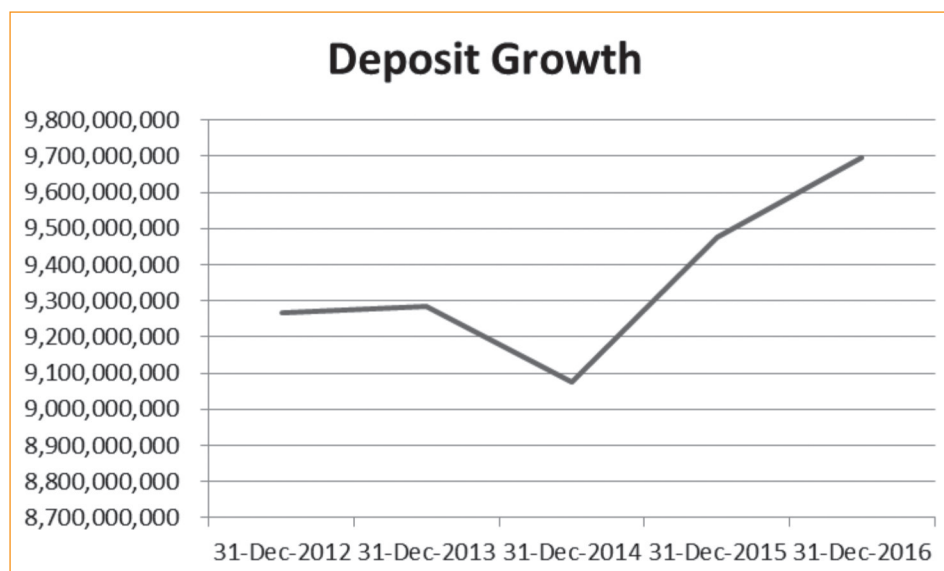
Deposit Base and Liquidity

Deposits continue to represent the main source of funds for the sector and total Bank deposits remained relatively stable at around 10 billion.

After experiencing a decline in 2015, the deposit base covered by the BDIC trended upward from \$9.47 billion at December 2015 to \$9.69 billion at the end of December 2016. At the end of 2016, deposits represented a 2.3% increase over the deposit base at the end of 2015.

By all available indicators, including loans to deposits, excess cash reserves, excess government securities ratios and liquid assets to short term liabilities, the sector continued to be marked by relatively high levels of liquidity over the last five years.

Figure 3: Deposit Growth



Profile of Insurable Deposits

The deposit insurance profile of members remained largely unchanged during 2016. Approximately 98% of deposit accounts, representing 91% of the total estimated value of insurable deposits, were held in commercial banks.



Operating Environment

Table 2: Total Estimated Insurable Deposits December 31, 2012-2016

	2012	2013	2014	2015	2016
Institution	(\$'000)				
Commercial Bank	8,310,255	8,305,433	8,118,876	8,481,501	8,821,499
Non-bank	957,938	979,524	958,030	993,114	873,371
Total	9,267,793	9,284,957	9,076,906	9,474,615	9,694,870

Profitability

During 2016, the sector reported an improvement in profitability, when compared to 2015, with net income rising by 21.6%. Profits in the commercial banking sector rose by \$28.35 million (17.5%) to \$190.09 million, raising the return on assets to one percent, while for the non-bank sector profits rose by \$9.38 million (71.0%) to \$22.59 million.

Capital Adequacy

Both banks and non-banks remained adequately capitalized for credit, market and operational risk. As at December 31, 2016 all member institutions reported ratios in excess of the minimum CARs. In the banking sector, the CARs ranged from 17.2% to 24.0%, while in the non-banking sector CARs ranged from 15.4% to 80.2%.

Table 3: Capital Ratios

Commercial Banks	2011	2012	2013	2014	2015	2016 ^P
Solvency Indicators						
Capital Adequacy Ratio (CAR)	19.3	21.0	19.7	20.5	18.9	19.8
Liquidity Indicators						
Loan to deposit ratio (%)	70.9	73.6	70.0	70.3	65.5	63.0
Liquid assets, % of total assets	12.0	14.6	18.0	20.3	25.3	27.0
Credit Risk Indicators (%)						
Total assets (growth rate)	-4.7	11.5	2.8	-1.3	4.0	3.8
Non-performing loans ratio (%)	11.1	12.9	11.7	11.5	10.6	9.4
Profitability Indicators						
Return on Assets (ROA)	1.0	1.1	0.8	0.7	0.9	1.0

Note:

Data up to September 2016

Source: The Central Bank of Barbados



Operating Environment

Deposit-Taking Part III	2011	2012	2013	2014	2015	2016 ^P
Solvency Indicators						
Capital Adequacy Ratio (CAR)	24.5	23.6	24.2	24.3	22.8	23.7
Liquidity Indicators						
Loan to deposit ratio (%)	152.3	109.9	99.0	105.5	98.8	100.3
Liquid assets, % of total assets	14.7	17.8	19.8	16.0	22.4	22.1
Credit Risk Indicators (%)						
Total assets (growth rate)	-20.2	6.1	3.9	2.6	3.0	1.0
Non-performing loans ratio (%)	8.6	9.1	8.2	8.3	9.5	9.3
Profitability Indicators						
Return on Assets (ROA)	1.9	1.2	1.9	0.9	1.0	0.9

Note:

Data up to September 2016

Source: The Central Bank of Barbados



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 February 15th each year and the balance on or before July 15th each year.

There were no claims on the Fund and all contributions and income continued to be invested in sovereign securities.

Premiums collected during 2016 totaled \$4.67 million, slightly greater than the preceding year, while interest income on the fund rose to \$4.2 million.

Expenses of the fund relative to its income fell, as a percentage of income, from 5.7% in 2015 to 5.1% in 2016.

The Internal Rate of Return of the fund was approximately 7%.

The average insurable deposits in the banking system increased to \$9.69 billion from \$9.47 billion in 2015. As at December 31, 2016 the balance on the DIF was \$ 62.34 million, an increase of 15.57% over the 2015 balance of \$53.94 million. The size of the DIF now represents 3.0% of total insured deposits and the maximum liability of the Fund is \$2.1 billion or 21.5% of total value of insurable deposits.

Table 4: DIF Ratio as at December 31, 2016 and December 31, 2015

	2016		2015	
	(\$'000)	(%)	(\$'000)	(%)
Commercial Bank	1,977,586	94.78	1,987,534	95.03
Non-bank	109,024	5.22	103,930	4.97
Total Estimated Insured deposits	2,086,610	100.00	2,091,464	100.00
Deposit Insurance Fund	62,339	-	53,937	-
DIF Ratio	-	2.99	-	2.59

Table 5: Total Number of Insured and Fully Insured Deposits as at December 31, 2016

	Total Number of Insurable Accounts	Total Number of fully insured accounts	% of fully insured accounts
All Members	377,077	326,185	86.50
Commercial Banks	370,162	322,665	85.57
Non-Banks	6,915	3,520	0.93



FINANCIAL AND STATISTICAL SUMMARY

Table 6: Summary Revenue and Expense Items for the Last Three Years

	2016	2015	2014
Selected Balance Sheet Items (BDS\$ '000)			
Cash	694	102	342
DIF	62,339	53,937	46,388
Investments	61,850	54,150	46,400
Liabilities	28	48	63
Selected Income Statement Items (BDS\$ '000)			
Gross Income	8,857	8,005	7,363
Premium Income	4,667	4,458	4,352
Interest Income on Investments	4,190	3,546	3,010
Operating Expenses	455	456	511
Net Income	8,401	7,549	6,851

Table 7: Members of the Deposit Insurance Fund 2014-16

	2016	2015	2014
Commercial Banks (Part II Companies)	5	5	6
Domestic Trust and Finance Companies (Part III companies)	7	7	7
Total number of Member Institutions	12	12	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. Capita Financial Services Inc.
2. CIBC FirstCaribbean International Trust and Merchant Bank (Barbados) Ltd.
3. Citicorp Merchant Bank Ltd.
4. Consolidated Finance Co. Ltd.
5. Globe Finance Inc.
6. Royal Fidelity Merchant Bank & Trust (Barbados) Limited
7. Signia Financial Group Inc.



FINANCIAL AND STATISTICAL SUMMARY

Table 8: Ratio of Covered deposits to Total Eligible Deposits 2014-16

Institution	Ratio of covered deposits to Total Eligible deposits (%)		
	2016	2015	2014
Domestic Bank	23	23	24
Domestic non-bank	12	15	15

Table 9: Covered Deposits and Deposit Insurance Premiums 2014-16

Year	Insured Institutions				Premium Revenue ('000)
	Type	No. of institutions	Total Eligible Deposits (\$'000,000)	Covered Deposits (\$'000,000)	
			(a)	(b)	
2016	Bank	5	8,822	1,978	4,184
	Non-bank	7	873	109	483
2015	Bank	5	8,482	1,987	3,992
	Non-bank	7	993	104	466
2014	Bank	6	8,119	1,959	3,912
	Non-bank	7	958	92	435





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, 2016, 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, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards for Small and Medium-Sized Entities (IFRS for SMEs).

Basis for Opinion

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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



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

March 30, 2017
Bridgetown, Barbados



Barbados Deposit Insurance Corporation
Consolidated statement of financial position as at December 31, 2016
(Expressed in Barbados dollars)

Assets

Cash and bank balances	7	694,270	101,932
Receivables	8	807,736	710,142
Property, plant and equipment	2(h) & 4	14,580	23,462
Investments	2(g) & 6	61,850,000	54,150,000

Total assets		63,366,586	54,985,536
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Liabilities

Payables and accruals		27,995	48,197
Total liabilities		27,995	48,197

Equity

Paid up capital		1,000,000	1,000,000
Deposit Insurance Fund		62,338,591	53,937,339
		63,338,591	54,937,339

Total liabilities and equity		63,366,586	54,985,536
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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, 2016
(Expressed in Barbados dollars)

	Paid Up Capital \$	Deposit Insurance Fund \$	Total \$
Balance at January 1, 2015	1,000,000	46,388,259	47,388,259
Total comprehensive income 2015	<u>-</u>	<u>7,549,080</u>	<u>7,549,080</u>
Balance at December 31, 2015	1,000,000	53,937,339	54,937,339
Total comprehensive income 2016	<u>-</u>	<u>8,401,252</u>	<u>8,401,252</u>
Balance at December 31, 2016	<u>1,000,000</u>	<u>62,338,591</u>	<u>63,338,591</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, 2016
(Expressed in Barbados dollars)

		2016	2015
	Notes	\$	\$
Income			
Annual premiums		4,666,680	4,458,156
Interest earned		4,190,011	3,546,493
Total income		<u>8,856,691</u>	<u>8,004,649</u>
Expenses			
General and administrative costs	10	446,557	446,587
Depreciation		8,882	8,982
Total expenses		<u>455,439</u>	<u>455,569</u>
Comprehensive income for the year		<u>8,401,252</u>	<u>7,549,080</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, 2016
(Expressed in Barbados dollars)

	Notes	2016 \$	2015 \$
Cash flows from operating activities:			
Total income from operations		8,401,252	7,549,080
Adjustments for:			
Depreciation		8,882	8,982
Interest income		(4,190,011)	(3,546,493)
		<u>4,220,123</u>	<u>4,011,569</u>
Changes in operating assets and liabilities			
Decrease in current liabilities		(20,202)	(15,235)
Net cash from operating activities		<u>4,199,921</u>	<u>3,996,334</u>
Cash flows from investing activities:			
Purchase of property, plant and equipment		-	(4,342)
Investment securities matured		12,250,000	-
Purchase of investment securities		(19,950,000)	(7,750,000)
Interest received		4,092,417	3,517,569
Net cash used in investing activities		<u>(3,607,583)</u>	<u>(4,236,773)</u>
Increase/(decrease) in cash and cash equivalents for the year		592,338	(240,439)
Cash and cash equivalents - Beginning of year		<u>101,932</u>	<u>342,371</u>
Cash and cash equivalents - End of year		<u>694,270</u>	<u>101,932</u>
Cash and cash equivalents comprise:			
Cash and bank balances	7	<u>694,270</u>	<u>101,932</u>

The accompanying notes form part of these consolidated financial statements.



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

To the Directors of Barbados Deposit Insurance Corporation

Opinion

In accordance with Section 15, 1(b) of the Deposit Insurance Act, 2006, we have audited the statement of the **Deposit Insurance Fund** of the Barbados Deposit Insurance Corporation for the year ended December 31, 2016.

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, 2016, 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

March 30, 2017
Bridgetown, Barbados

Barbados Deposit Insurance Corporation
Statement of the Deposit Insurance Fund for the year ended
December 31, 2016
(Expressed in Barbados dollars)

	2016	2015
	\$	\$
Fund balance at beginning of year	<u>53,937,339</u>	<u>46,388,259</u>
Annual premiums	4,666,680	4,458,156
Interest earned	<u>4,190,011</u>	<u>3,546,493</u>
Total income for the year	8,856,691	8,004,649
Total expenses for the year	<u>(455,439)</u>	<u>(455,569)</u>
Increase in Fund balance	<u>8,401,252</u>	<u>7,549,080</u>
Fund balance at end of year	<u>62,338,591</u>	<u>53,937,339</u>

The accompanying notes form part of these consolidated financial statements.



Barbados Deposit Insurance Corporation

Notes to consolidated financial statements

December 31, 2016

(Expressed in Barbados dollars)

1. Incorporation and functions

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

The functions of the corporation are:-

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

2. Significant accounting policies

a) Basis of preparation

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



Barbados Deposit Insurance Corporation
Notes to consolidated financial statements
December 31, 2016
(Expressed in Barbados dollars)

2. Significant accounting policies (continued)

b) Use of estimates

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

c) Premium income

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

d) Receivables

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

e) Cash and cash equivalents

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

f) Payables and accruals

Trade and other payables are stated at historical cost.



Barbados Deposit Insurance Corporation

Notes to consolidated financial statements

December 31, 2016

(Expressed in Barbados dollars)

2. Significant accounting policies (continued)

g) Investment securities

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

h) Property, plant and equipment

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

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

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

i) Interest earned

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

j) Financial instruments

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



Barbados Deposit Insurance Corporation
Notes to consolidated financial statements
December 31, 2016
(Expressed in Barbados dollars)

2. Significant accounting policies (continued)

k) Comparative information

Where necessary, comparative figures are reclassified to conform with the current presentation, and appropriate adjustments to 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. Taxation and Insurance Legislation

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

Barbados Deposit Insurance Corporation
Notes to consolidated financial statements
December 31, 2016
(Expressed in Barbados dollars)

4. Property, plant and equipment

	2016	2015
	\$	\$
Cost	111,360	111,360
Accumulated depreciation	<u>96,780</u>	<u>87,898</u>
Net Book Value	<u>14,580</u>	<u>23,462</u>

5. Central Bank of Barbados

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

6. Investment securities

Time to Maturity	No. of Securities	Total 2016	No. of Securities	Total 2015
		\$		\$
< 5 years	8	10,135,000	10	21,985,000
5 - 10 years	8	6,204,000	10	5,804,000
10 - 15 years	16	14,361,000	15	13,536,000
15 - 20 years	<u>18</u>	<u>31,150,000</u>	<u>16</u>	<u>12,825,000</u>
	<u>50</u>	<u>61,850,000</u>	<u>51</u>	<u>54,150,000</u>

7. Cash and bank balances

	2016	2015
	\$	\$
Central Bank of Barbados	694,055	101,398
Cash on hand	<u>215</u>	<u>534</u>
	<u>694,270</u>	<u>101,932</u>



Barbados Deposit Insurance Corporation
Notes to consolidated financial statements
December 31, 2016
(Expressed in Barbados dollars)

8. Receivables

	2016	2015
	\$	\$
Interest receivable	<u>807,736</u>	<u>710,142</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, 2016
(Expressed in Barbados dollars)

10. General and administrative costs

	2016	2015
	\$	\$
Administrative fees - pension and health	2,364	2,740
Advertising	3,987	-
Bank charges	59	59
Conferences	35,687	8,290
Directors' fees	52,800	52,800
Entertainment	4,799	3,908
Group life and health	3,299	3,242
Insurance	1,185	952
Investment fees	10,000	10,000
Miscellaneous	940	4,324
Office rental	105,856	105,856
Office Supplies	15,920	15,409
Pension scheme	9,511	6,595
Professional fees	16,920	16,920
Public relations	4,620	21,037
Recruitment costs	6,361	-
Repair & maintenance	2,194	3,507
Salaries, wages, NIS and allowances	122,966	158,407
Subscriptions	37,676	24,040
Telephone & fax	9,413	8,501
	446,557	446,587





Notes



Notes

Barbados Deposit Insurance Corporation

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