

DEPOSIT INSURANCE CORPORATION

Financial Statements
31 December 2011

DEPOSIT INSURANCE CORPORATION
Financial statements for the year end 31 December 2011

Auditors' Report.....	1
Statement of comprehensive income	2
Statement of financial position	3
Statement of cash flows	4
Notes to the financial statements	5
1. Incorporation and Activities	5
2. Basis of Preparation.....	6
3. Accounting Policies.....	6
4. New and Amended Standards.....	6
5. Bahamas Government Registered Stock	7
6. Capital	7
7. Accumulated Profits	7
8. Premiums	7
9. Statement of Changes in Equity	7
10. Maturities of Financial Assets and Liabilities.....	8
11. Interest Rate Risk	8
12. Fair Value of Financial Instruments	8
13. Financial Risk Management	8

INDEPENDENT AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF THE DEPOSIT INSURANCE CORPORATION

We have audited the accompanying financial statements of the **Deposit Insurance Corporation** ("the Corporation"), which include the statement of financial position as at December 31, 2011 and the statements of comprehensive income and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

This report is made solely to the Directors of the Corporation, as a body, in accordance with the terms of our engagement. Our audit work has been undertaken so that we might state to the Corporation's Directors those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation and the Corporation's Directors as a body, for our audit work, for this report, or for the opinions we have formed.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

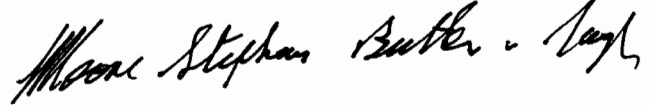
In our opinion, these financial statements present fairly, in all material respects, the financial position of the **Deposit Insurance Corporation** as at December 31, 2011, its financial performance and its cash flow for the year then ended in accordance with International Financial Reporting Standards.

MOORE STEPHENS BUTLER & TAYLOR

CHARTERED ACCOUNTANTS

15 Retirement Road
P. O. Box N-7777, Nassau, Bahamas
Tel: (242) 393-0224
Fax: (242) 393-7570
E-Mail: dayrri@bahamas.net.bs
miketr@bahamas.net.bs

The financial statements of the Corporation, as at December 31, 2010, and for the year then ended, were audited by other auditors, whose report dated November 21, 2011 expressed an unqualified opinion on those statements.



NASSAU, BAHAMAS
March 15, 2012

MOORE STEPHENS BUTLER & TAYLOR
Chartered Accountants

DEPOSIT INSURANCE CORPORATION
Financial statements for the year end 31 December 2011

Statement of comprehensive income

(stated in B\$, unless otherwise indicated)

	Note	2011	2010
INCOME			
Premiums	8	2,697,188	2,612,051
Interest income		<u>1,041,067</u>	<u>964,528</u>
		<u>3,738,255</u>	<u>3,576,579</u>
EXPENDITURE			
Membership fee		12,565	10,986
Training expenses		8,924	-
Administration fee		7,232	6,302
Audit fee		<u>5,200</u>	<u>8,638</u>
		<u>33,921</u>	<u>25,926</u>
COMPREHENSIVE INCOME FOR THE YEAR		<u>\$3,704,334</u>	<u>\$3,550,653</u>

The notes on pages 5 to 8 form an integral part of these financial statements.

DEPOSIT INSURANCE CORPORATION
Financial statements for the year end 31 December 2011

Statement of financial position

(stated in B\$)

	Note	2011	2010
BAHAMAS GOVERNMENT REGISTERED STOCK	5	<u>20,853,500</u>	<u>17,896,000</u>
Current assets			
Cash at bank		2,537,888	1,794,146
Accrued interest receivable		314,806	307,666
Other assets		<u>3,255</u>	<u>2,801</u>
		<u>2,855,949</u>	<u>2,104,613</u>
Current liabilities			
Unpaid claims		52,680	52,680
Accounts payable and accrued expenses		<u>11,502</u>	<u>7,000</u>
		<u>64,182</u>	<u>59,680</u>
Net current assets		<u>2,791,767</u>	<u>2,044,933</u>
		<u>\$23,645,267</u>	<u>\$19,940,933</u>
Equity			
Capital	6	500,000	500,000
Accumulated profits	7	<u>23,145,267</u>	<u>19,440,933</u>
		<u>\$23,645,267</u>	<u>\$19,940,933</u>

These statements were approved by the Board of Management and authorised for issue on 31 March 2012, and are signed on its behalf by:



 Chairman



 Board Member

The notes on pages 5 to 8 form an integral part of these financial statements.

DEPOSIT INSURANCE CORPORATION
Financial statements for the year end 31 December 2011

Statement of cash flows

(stated in B\$)

	2011	2010
Cash flows from (used by) operating activities		
Net profit for the year	3,704,334	3,550,653
Adjustments for:		
Interest income	<u>(1,041,067)</u>	(964,528)
Operating profit before working capital changes	2,663,267	2,586,125
Increase in accrued interest receivable	(7,140)	(74,943)
Increase in other assets	(454)	(219)
Increase in accounts payable and accrued expenses	4,502	-
Interest received	1,041,067	964,528
Net cash provided by operating activities	<u>3,701,242</u>	<u>3,475,491</u>
Cash flows from (used by) investing activities		
Purchase of investments	<u>(2,957,500)</u>	(3,400,000)
Net cash used by investing activities	<u>(2,957,500)</u>	<u>(3,400,000)</u>
Net increase in cash and cash equivalents	743,742	75,491
Cash and cash equivalents at beginning of the year	1,794,146	1,718,655
Cash and cash equivalents at end of the year	<u>\$2,537,888</u>	<u>\$1,794,146</u>

The notes on pages 5 to 8 form an integral part of these financial statements.

DEPOSIT INSURANCE CORPORATION

Financial statements for the year end 31 December 2011

Notes to the financial statements

(stated in B\$, unless otherwise indicated)

1. INCORPORATION AND ACTIVITIES

The Deposit Insurance Corporation ("the Corporation") was established by the Protection of Depositors Act, ("the Act") on 30th September 1999, to manage the Deposit Insurance Fund, which was established to protect funds deposited with member institutions. The Act insures Bahamian dollar deposits held at member institutions up to a maximum of \$50,000 to any single depositor. The depositor must submit a claim to the Corporation within one year from the date of the closure of the member institution. Before payment of any insured sums to depositors, the Corporation offsets any monies owed to the member institution by such depositor against the insured amount.

The Corporation's capital contribution was made by the Central Bank of The Bahamas ("the Bank") in accordance with the Act. The Bank does not have the power to govern the financial and operating policies of the Corporation so as to attain benefits from its activities. Consequently, the Corporation is not treated as a subsidiary of the Bank.

The Registered Office of the Corporation is located at the Central Bank of The Bahamas, Frederick Street, Nassau, The Bahamas. The Corporation does not have any employees and pays the Bank a fee to provide administration and other services associated with the operation of the Corporation. Certain directors of the Corporation are also directors and officers of the Bank.

The Corporation, on the advice of the Bank, has the authority to:

- (a) levy authorised contributions and premiums on member institutions;
- (b) arrange for restructuring of a failed member whether by merger with a financially sound member or otherwise; and
- (c) accumulate, manage and invest the surplus funds of the Corporation.

Additionally, the Corporation is exempt from the provision of the Insurance Act and Stamp Act.

During May 2000, the Corporation became a founding member of the International Association of Deposit Insurers ("IADI"), an association established in Basel, Switzerland. IADI's primary mission is the enhancement of deposit insurance effectiveness by developing guidance and promoting international cooperation.

DEPOSIT INSURANCE CORPORATION

Financial statements for the year end 31 December 2011

2. BASIS OF PREPARATION

These financial statements are prepared on a going concern basis, in accordance with International Financial Reporting Standards (IFRS). The financial statements have also been prepared under the historical cost convention. The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expense during the period. Actual results can differ from those estimates.

3. ACCOUNTING POLICIES

Bahamas Government Registered Stock

Bahamas Government Registered Stock are classified as held-to-maturity financial assets and are stated at cost.

Revenue recognition

Revenues are recognised under the accruals concept.

4. NEW AND AMENDED STANDARDS

The Corporation has adopted the following new and amended IFRS and IFRIC interpretations as of 1st January, 2010:

IAS 7 Statement of Cash Flows - Improvements to IFRS (2009)

The amendment states that only an expenditure that results in the recognition of an asset in the statement of financial position can be classified as cash flow from investing activity.

The Corporation has not recognised any effect on the financial statements, as a result of adopting the above amendment.

At the date of authorisation of the financial statements, the following new and amended IFRS and IFRIC interpretation were in issue, but not yet effective.

IAS 1 Presentation of Financial Statements - Improvements to IFRS (2010)

Presentation of changes in equity

The amendment clarifies that the analysis of items of Other Comprehensive Income may be shown in either the (primary) statement of changes in equity, or in the notes to the financial statements.

The Corporation does not expect any changes on the financial statements, upon the future adoption of the above amendment.

IFRS 9 Financial Instruments - Issued in November 2009 and amended in October 2010

IFRS 9 introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition. This standard will eventually replace IAS 39 - Financial Instruments: Disclosure and Presentation. This standard is effective for annual periods beginning on or after January 2013, with earlier application permitted.

The Corporation will check the classification and measurement of its financial assets and liabilities, upon the future adoption of the above standard.

DEPOSIT INSURANCE CORPORATION
Financial statements for the year end 31 December 2011

5. BAHAMAS GOVERNMENT REGISTERED STOCK

The Bahamas Government Registered Stock consists of:

Purchase date	Interest Rate	Maturity date	2011 Fair value	2010 Fair value
			\$	\$
28/08/01	5.25%	25/10/20	1,000,000	1,000,000
25/03/02	5.22%	12/12/18	147,000	147,000
19/06/02	5.09%	06/09/20	350,000	350,000
02/12/04	5.22%	21/07/19	400,000	400,000
06/04/05	5.03%	29/07/23	900,000	900,000
14/11/05	5.03%	22/10/23	950,000	950,000
18/01/06	5.06%	18/01/26	1,050,000	1,050,000
28/09/06	5.00%	07/09/24	1,650,000	1,650,000
04/07/07	5.00%	07/09/24	900,000	900,000
25/05/07	5.03%	22/09/25	1,400,000	1,400,000
22/01/08	5.03%	22/09/25	1,250,000	1,250,000
22/07/08	5.00%	18/01/24	1,450,000	1,450,000
06/02/09	4.84%	28/11/20	1,499,000	1,499,000
24/07/09	4.78%	28/11/18	1,550,000	1,550,000
02/02/10	4.89%	27/08/29	1,750,000	1,750,000
26/07/10	4.90%	26/07/34	1,528,500	1,528,500
26/07/10	4.93%	26/07/37	121,500	121,500
15/02/11	4.83%	26/07/28	1,900,000	-
10/11/11	4.84%	10/11/28	1,057,500	-
			<u>\$20,853,500</u>	<u>\$17,896,000</u>

6. CAPITAL

A compulsory initial contribution of \$1,000,000 was to be paid into the Corporation, within ninety days of the enforcement of the Act, of which \$500,000 was paid by the Bank as capital, in accordance with Subsection (2) of Section 13 of the Act. The other \$500,000 was contributed by member institutions. Member institutions do not hold any equity position in the Corporation.

In accordance with the Act, the authorised capital of the Corporation is \$1,000,000. As at 31st December 2011, paid-up capital was \$500,000 (2010: \$500,000).

7. ACCUMULATED PROFITS

Accumulated profits at 1 January 2011	\$ 19,440,933
Net profit for the year	<u>3,704,334</u>
Accumulated profits at 31 December 2011	<u>\$23,145,267</u>

8. PREMIUMS

The premiums due in the year an institution becomes a member of the Corporation is equal to one-twentieth of one percent of the sum of those deposits insured by the Corporation and deposited with the member institution as at the end of the month in which it becomes a member. Thereafter, the annual premium is equal to one-twentieth of one percent of an amount equal to the average of the sum of those deposits insured by the Corporation, as of 31st March and 30th September, in the immediately preceding premium year.

9. STATEMENT OF CHANGES IN EQUITY

A statement of changes in equity is not included in these financial statements, as there were no changes in equity during the year, other than as disclosed in note 7.

DEPOSIT INSURANCE CORPORATION

Financial statements for the year end 31 December 2011

10. MATURITIES OF FINANCIAL ASSETS AND LIABILITIES

All current financial assets and liabilities are due within one year.

11. INTEREST RATE RISK

Other than as stated in note 5, none of the Corporation's assets or liabilities have an exposure to interest rate risk.

12. FAIR VALUE OF FINANCIAL INSTRUMENTS

All of the Corporation's financial instruments are considered to have fair values equivalent to their carrying values.

13. FINANCIAL RISK MANAGEMENT

The Corporation has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Corporation's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these financial statements.

The Board of Management has overall responsibility for the establishment and oversight of the Corporation's risk management framework.

The Corporation's risk management policies are established to identify and analyse the risks faced by the Corporation, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Corporation's activities.

Credit risk

Credit risk is the risk of financial loss arising if a customer or counter-party fails to meet its contractual obligations, and arises from investments in Bahamas Government Registered Stock. These stocks are secured by the Government of The Bahamas and therefore the risk is minimal.

Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligation as they fall due. The Corporation's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions. The Corporation maintains adequate highly liquid assets in the form of cash and cash equivalents to assure necessary liquidity.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Corporation's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Management mitigates this risk by investing in Government secured investments.