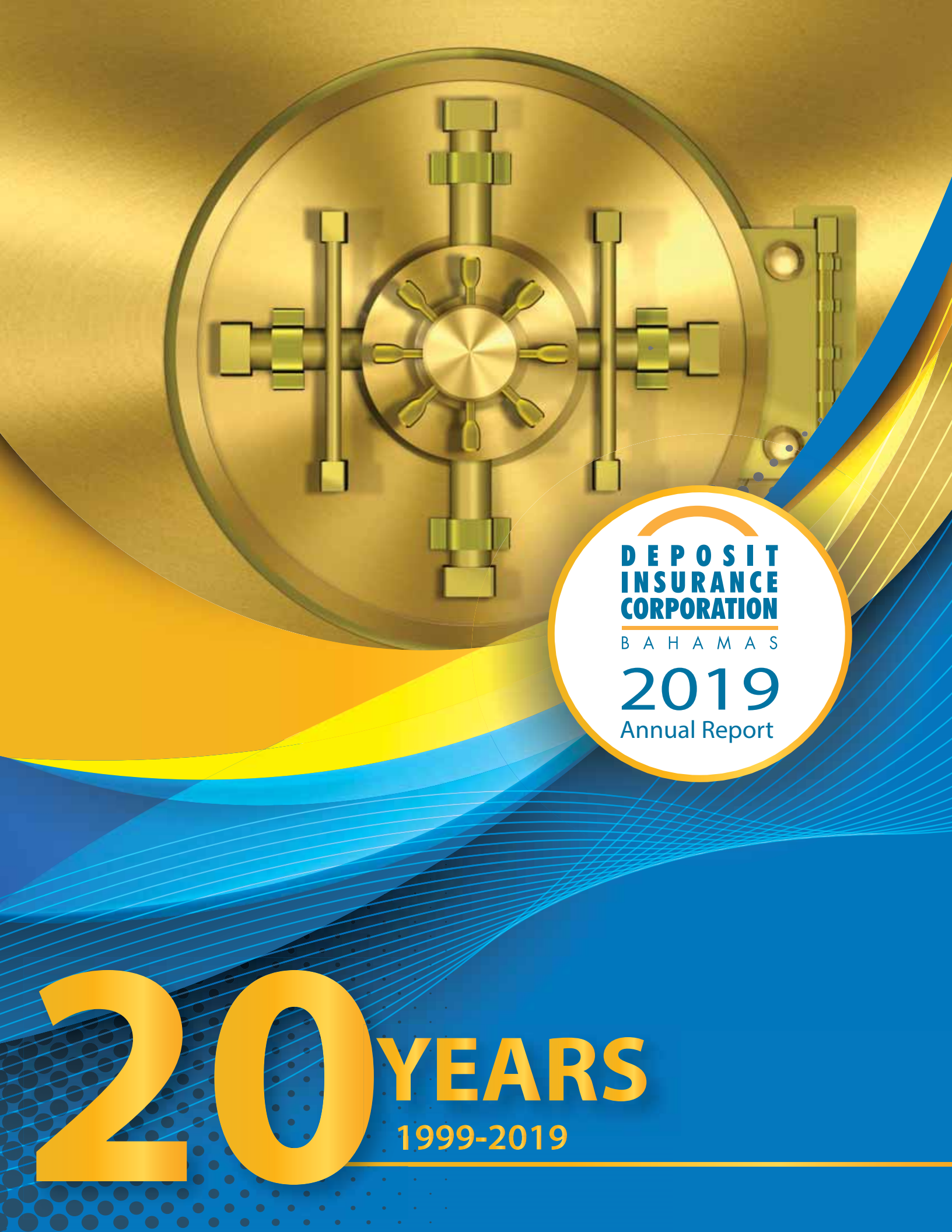


DEPOSIT INSURANCE CORPORATION

BAHAMAS

2019 Annual Report

20 YEARS

1999-2019

20
YEARS
1999-2019

SAFEGUARDING YOUR FUNDS

The Deposit Insurance Corporation provides deposit insurance protection and support for Bahamian dollar depositors, thus minimizing risk to depositors and contributing to the stability of the Bahamian financial sector.

OUR MISSION

To provide deposit insurance protection and support for Bahamian dollar depositors, and thereby contribute to the stability of the domestic financial sector by minimizing the risk of loss to depositors.

OUR VISION

We strive to be an effective and prudent deposit insurer, achieving full compliance with international best practices for effective deposit insurance systems.

OUR CORPORATE VALUES

Excellence

We aim to achieve the highest standards of quality and service in the execution of our duties.

Integrity

We honor our commitments and accept responsibility for our actions.

Reliability

We commit to meeting our obligations in a timely and efficient manner.

Communication

Our communications with stakeholders will be effective and transparent.

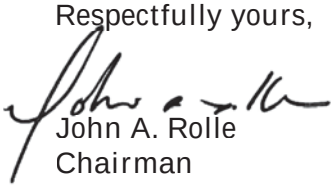
DEPOSIT INSURANCE CORPORATION
BAHAMAS

July 15, 2020

Dear Deputy Prime Minister:

In accordance with Section 19(2) of the Protection of Depositors Act, 1999. I have the honor of forwarding to you, on behalf of the Board of Management, the Annual Report of the Deposit Insurance Corporation for the financial year ended December 31, 2019. Included with this Report is the Annual Statement of Accounts of the Corporation duly certified by its Auditors for the year.

Respectfully yours,



John A. Rolle
Chairman

The Hon. Kevin Peter Turnquest
Deputy Prime Minister & Minister of Finance
Ministry of Finance
Cecil Wallace-Whitfield Centre
West Bay Street
Nassau, N.P., Bahamas

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ABBREVIATIONS

BTCRA – Banks and Trust Companies Regulations Act

CBBA – Central Bank of The Bahamas Act

CRC – Caribbean Regional Committee of Deposit Insurers

DIC or Corporation – Deposit Insurance Corporation

D-SIB – Domestic Systemically Important Bank

FSAP – Financial Sector Assessment Program

GDP – Gross Domestic Product

IADI – International Association of Deposit Insurers

IMF – International Monetary Fund

MOU – Memorandum of Understanding

NPL – Non Performing Loan

SFI – Supervised Financial Institution

CORPORATE PROFILE

BOARD OF DIRECTORS

John Rolle	Chairman of the Board of Management, Governor, Central Bank of The Bahamas
Karen Rolle	Deputy Inspector, Bank Supervision Department, Central Bank of The Bahamas
Rochelle Deleveaux-McKinney	Legal Counsel and Secretary to the Board, Central Bank of The Bahamas
Marlon Johnson	Acting Financial Secretary, Ministry of Finance
James Carey	Director & Branch Manager, Insurance Management Limited (Freeport, Grand Bahama)

MANAGEMENT & OPERATIONS TEAM
BANK SUPERVISION DEPARTMENT, CENTRAL BANK OF THE BAHAMAS

Jerome Johnson	Lead Supervisor
Cheryl Forbes	Assistant Lead Supervisor
D'Andrea Ramsey	Analyst II

AUDITOR

PKF Bahamas
26 Elizabeth Avenue
P.O. Box N-8335
Nassau, Bahamas

OFFICE
DEPOSIT INSURANCE CORPORATION

Trinity Place & Market Street
P.O. Box N-4868
Nassau, Bahamas
Website: www.dic.bs
Email: info@dic.bs
Telephone: (242) 302-2766 or 302-9862

BANKER

Central Bank of The Bahamas
Frederick Street
P.O. Box N-4868
Nassau, Bahamas
Telephone: (242) 302-2600

TWENTY YEARS of DEPOSIT INSURANCE in THE BAHAMAS

The Deposit Insurance Corporation was established following the closure of Gulf Union Bank (Bahamas) Limited ("Gulf Union"), which was placed in liquidation on 12th December, 1997.

The Protection of Depositors Act 1999 ("the Act") established the Deposit Insurance Corporation ("DIC") for the purpose of administering and managing the Deposit Insurance Fund (the Fund), in an effort to protect the financial system from the effect of the bank failure. The Act was approved in Parliament on 30th September, 1999 and came into full effect on 10th November, 1999. It provided for deposit insurance coverage to be made retrospectively to depositors of Gulf Union. The insurance coverage of Bahamian dollar denominated deposits up to a maximum of $50,000, protected almost 90% of such of Gulf Union, inclusive of all of the small depositors.

The DIC was funded by a compulsory initial contribution of B$1 million; of which half was required to be paid by the Central Bank and the balance by member institutions. The initial contribution by each member institution was based on their pro-rata percentage share of all deposits insured by the DIC on the last day of the month in which the Act came into force. It should be noted that the member institutions do not hold an equity position in the DIC, their contributions being compulsory under the Act.

Upon establishment, the DIC immediately floated a B$6.75 million 5 year bond, which was guaranteed by the Government. The offering was fully subscribed by member bank institutions. These proceeds paid out the depositors of Gulf Union.

Membership in the Fund remains compulsory for every licensed banking institution carrying on banking business wholly or partly in Bahamian dollars.

While there is a symbiotic relationship with the DIC and the Central Bank, the DIC is a separate legal statutory body with its own Board to execute decisions and govern its affairs. However, the administrative services of the DIC are carried out by staff of the Central Bank as provided under a service level agreement between the two entities.

Protection of Depositors Act 1999 came into full affect on

10.11.99

DIC was funded by an initial contribution of

B$1,000,000

In 1999 DIC floated a 5-year bond for

B$6,750,000

20 YEARS
1999-2019

A MESSAGE FROM THE CHAIRMAN

2019 marked the 20th year since the establishment of the Deposit Insurance Corporation, with a mandate to minimise or eliminate the risk of loss to depositors in the event of a bank failure, and to arrange for the expeditious handling of any bank entity. This mechanism helps to promote confidence in our financial system and the Central Bank's overall efforts to maintain financial stability.

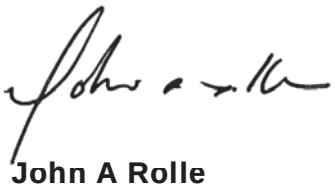
The Bahamian economy's performance continued to provide context for the DIC's operations and prospects of its member institutions. In 2019, the economy grew modestly supported by tourism gains in New Providence and the Family Islands that were unaffected by the passage of Hurricane Dorian. In addition, several varied scale foreign investment projects provided stimulus to the construction sector. Both bank liquidity and external reserves expanded, with expansion in the deposit base exceeding credit growth. Banks credit quality indicators also improved further, propelled by modest gains in economic conditions, ongoing debt restructuring, hurricane relief measures and loan write-offs. In this context, the average non-performing loan rate eased to 8.0%, its lowest point since 2018. As at May 2019, the national unemployment rate dropped to 9.5% down from 10.7% in November 2018, also near the lowest levels since the height of the great recession. Nevertheless, damage and disruption from Hurricane Dorian stalled the fiscal consolidation trend.

With an expansion in the deposit base, premium contributions supported growth in the Deposit Insurance Fund, by 9% to $61.5 million. The premium rate though, remained at one-twentieth of one percent of the average insurable deposits.

Supervisory oversight of DIC members is carried out by the Central Bank, factoring in the surveillance that supports risk assessment of the insurance scheme. The Central Bank maintained its close monitoring of member banks to detect and re-mediate any emerging risk issues. Supervised financial institutions were subjected to a combination of on-site examinations, off-site monitoring, stress-testing exercises, and intensified direct interaction concerning their credit risk management practices.

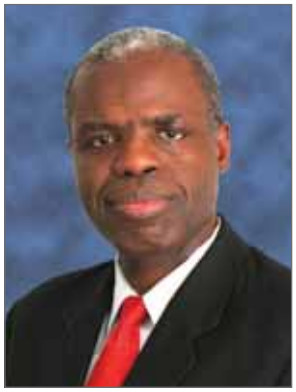
In 2019, the DIC continued to advance initiatives to strengthen operational readiness; to enhance public confidence in the financial sector, and to maintain compliance with international principles for effective deposit insurance schemes. Work focused on advancing the framework for integrating the credit unions into the fund, increasing public education and awareness of the insurance scheme. The depositor protection system was also evaluated as a component of the financial sector crisis management arrangements, during the IMF's Financial Sector Assessment Program (FSAP) mission to the Bahamas, leading to enhanced recommendations around strengthening the provisions in the principal Act and Bye-laws.

The Board of Management, provides strategic oversight and governance for the corporation's activities. In this regard, we welcome Mr. James Carey, our newest member, effective September 2019. I am grateful for the intense, sustained engagement of all of our Board Members, and for the dedicated professionals of the Central Bank who drive the daily operations of the Fund. Together, we look to advance the vision and mission of the DIC, and implement new initiatives that strengthen this Bahamian financial safety net.



John A Rolle
Chairman

BOARD OF MANAGEMENT



Mr. John Rolle
Chairman of the Board of Management,
Governor, Central Bank of The Bahamas
Appointed: January 2016

Mr. Marlon Johnson
Acting Financial Secretary
Ministry of Finance
Appointed: September 2017

Mr. James Carey
Director and Manager,
Insurance Management Limited,
Freeport Branch
Appointed: September 2019

Mrs. Rochelle Deleveaux-McKinney
Legal Counsel & Board
Secretary, Central Bank of
The Bahamas
Appointed: July 2014

Ms. Karen Rolle
Deputy Inspector,
Bank Supervision Department
Central Bank of The Bahamas
Appointed: July 2014

MANAGEMENT AND OPERATIONS TEAM

Pictured from left: Mrs. D'Andrea Ramsey, Analyst; Mr. Jerome Johnson, Lead Supervisor; Ms. Cheryl Forbes, Assistant Lead Supervisor

20 YEARS 1999-2019

STRATEGIC FOCUS for 2020

In 2020, the DIC looks forward to…

- Receiving Parliament's approval of legislative amendments to the Protection of Depositors Act. In June 2020, the amendments were tabled in the House of Assembly.
- Finalizing amendments to the Protection of Depositors Bye-laws.
- The formal rollout of deposit insurance coverage to financial cooperative credit unions.
- Advancing work in line with recommendations from the Bahamas second Financial Sector Assessment Program (FSAP) mission, aimed at strengthening the fund target level and contingency funding arrangements.
- Ramping up public awareness activities via radio advertisements, social media and other traditional communication channels.
- Engaging more with member institutions in executing outreach and awareness initiatives.
- Finalizing the new Corporate Plan for the five-year period 2020 – 2024.
- Developing a policy that feeds into the national crisis management plan on the role of the DIC.
- Developing a training plan for DIC staff members.
- Testing payout arrangements through simulation exercises e.g. effects of the COVID-19 pandemic.
- Facilitating new surveys to measure the effectiveness of public awareness campaigns.

FREQUENTLY ASKED QUESTIONS

What is Deposit Insurance?

1. Deposit insurance is an arrangement designed to minimize or eliminate the risk of loss of deposits, in the event that an insured institution is unable to meet its obligations.

What is the Deposit Insurance Corporation?

2. The Deposit Insurance Corporation (DIC) is a body corporate that was established and came into force in November, 1999. It is responsible for providing deposit insurance protection arrangements. The DIC is responsible for the administration and management of the Deposit Insurance Fund.

What is the Deposit Insurance Fund?

3. The Deposit Insurance Fund is an accumulated pool of funds comprising premium contributions of member institutions and interest income earned on the investment of those funds. This fund is structured to operate as an ex-ante or pre-funded mechanism.

Are all banks members of the Deposit Insurance Fund?

4. No. Membership in the Fund is compulsory only for Bahamian dollar deposit-taking banks that are licensed under the Banks and Trust Companies Regulation Act, 2000. A list of member institutions of the DIC may be obtained by accessing the DIC's website at www.dic.bs.

Must I apply or register for deposit insurance protection?

5. No. You do not need to apply or register for protection. Deposit insurance is provided automatically and free of charge for eligible Bahamian dollar (B$) denominated deposit accounts held at member institutions.

What are eligible deposits?

6. Eligible deposits are certain types of accounts as specified in the Act, and held at member institutions in Bahamian dollar denomination. Foreign currency deposit accounts are not eligible deposits for insurance coverage.

What types of deposits are insured?

7. Bahamian dollar deposits in checking, savings, demand and time accounts held in member institutions are insurable by the DIC.

What is the maximum deposit amount insured by the DIC?

8. Eligible deposits in member institutions are insured up to a maximum of $50,000 per depositor based on rights and capacity of depositors.

What is an ex-ante funding system?

9. An ex-ante fund involves the advance accumulation and maintenance of a fund to cover deposit insurance claims. The fund consists primarily of premiums collected from the members of the deposit insurance system.

What is the meaning of the term "same right and capacity?"

10. The term refers to the nature of the ownership of deposits with member institutions such as single (individual), joint, company and trust or client asset accounts.

Is interest owing on a deposit included in the insurable amount?

11. Yes. The DIC insures both principal and interest for eligible deposits at each member institution, up to a maximum of B$50,000. For example, if an individual

has a savings account with a principal balance of $8,000 and accrued interest of $160, the total $8,160 would be insured by the DIC. However, if a time account principal balance was $49,000 and accrued interest $1,470 (total $50,470), then $470 would not be covered by deposit insurance.

I am a non-resident of The Bahamas. Are my deposits protected?

Yes. Your place of residence or nationality does not affect deposit insurance protection. Bahamian dollar denominated deposits placed with a member institution of the DIC is protected up to B$50,000 per depositor per member bank based on rights and capacity.

Are there any deposit types that are not covered by deposit insurance?

Yes. Not included in deposits are letters of credit, stand-by letters of credit or instruments of a similar nature, subordinated debts, preference shares, interbank deposits, foreign currency deposits, deposits of Government and statutory corporations, deposits of foreign Governments, deposits in any financial institution wholly owned by the Government and deposits from affiliates i.e. a member of the same group of companies.

If I have deposits in several banks, will they be aggregated for deposit insurance protection purposes?

No. Your deposits in different member institutions are protected separately. The B$50,000 deposit insurance limit is applicable to each depositor in respect of deposits held in each member institution.

Can deposit insurance protection be increased by depositing funds into several branches of the same bank?

No. In the case of a member institution having more than one branch, the main office and all branch offices are considered as one institution. So, if a single depositor opens one or more savings/fixed deposit accounts in one or more branches of a member institution, all of these accounts are added together, and the maximum insurance cover is available up to B$50,000.

How are joint accounts insured?

The DIC will deem the interest of co-owners in joint accounts to be equal, unless there are records of the member institution to show otherwise. Joint accounts are insured separately from individually owned deposit accounts. For example, if a husband and wife are co-owners of a savings account, and each owns a savings account, the joint account and each of their savings accounts are separately insured, up to the maximum insurable amount. However, if for example, the husband is also a co-owner in other accounts involving different joint account owners, his interest in all joint accounts are added together and the aggregate amount is insured up to the maximum value of $50,000.

Would the borrower's obligations to the institution continue after the institution is closed?

Yes. Persons who have borrowed money from institutions that have been closed must continue to make payments on the same terms and conditions attached to their loan contracts with the institutions.

When would a deposit insurance payout be made?

A deposit insurance payout will be made where the Central Bank has determined that a DIC member institution is insolvent, or unable or likely to become unable to meet its obligations or, is about to suspend payments.

What is the role of the Central Bank in deposit insurance?

The Central Bank is responsible for the daily operations of the DIC and provides staff and administrative services to the DIC. This arrangement is governed by a formal Service Level Agreement.

BENEFITS OF DEPOSIT INSURANCE

(RULES AND SCENARIOS)

Deposit insurance is free and automatic for depositors. The DIC considers it important that depositors are aware of how insured amounts are calculated for a payout when a member institution is closed.

Maximum Amount Insured

In the event a DIC member institution fails, all insurable deposits placed with the member are aggregated (principal and interest) and insured up to a maximum of $50,000 or such other amounts as the Minister of Finance may prescribe by order, except where a depositor maintains deposits in more than one institution or in different rights and capacities.

Deposits are not insured separately in each branch of a DIC member institution. All eligible accounts maintained with different branches are aggregated and insured up to $50,000. Therefore, deposit insurance cannot be increased by depositing funds into several different accounts at different branches of the same bank.

Individual Account Ownership

- The DIC covers amounts held in eligible accounts in the name of a single, individual depositor, up to the B$50,000 maximum insured amount. This maximum applies to the total of all insurable deposits held at the same institution.
- Jim, Adam and George all have an individual account of ($15,000- Demand).
- Adam has additional fixed account of (5,000-Fixed).
- Sarah has a sole proprietorship account ($10,000-Savings).
- The total amount of insurable deposits from this family under individual accounts is $60,000. As none of the individual owners' deposit balances exceed $50,000; all parties will be paid by the DIC in full in the event of a bank failure.

Depositor	Demand (B$)	Fixed (B$)	Savings ($)	Total Value of Accounts	Insured Deposits
Jim Jones	$15,000			$15,000	**$15,000**
Adam Jones	$15,000	$5,000		$20,000	**$20,000**
George Jones	$15,000			$15,000	**$15,000**
Sarah's Baby Boutique			$10,000	$10,000	**$10,000**

Joint Account Ownership

- Mary is a joint depositor on 3 accounts held with 3 different co-owners. The interests of co-owners in a joint account are deemed to be equal, unless the institution's records reflect otherwise.
- Mary Bowe and Harry Bowe are joint depositors/owners of three (3) accounts. Their interests are deemed to be equal, unless records reflect otherwise.
- Mary's interest in the 3 joint accounts are added together and the aggregate amount is insured up to a maximum of B$50,000. Therefore, Mary's deposits of $17,750 in excess of the $50,000 coverage are not protected.
- Joint accounts are insured up to a maximum of B$50,000, so Mary and Harry's net deposit of $15,625 will receive deposit protection.

Depositor	Accounts	Branch	Amount	Insured Amount
Mary & Harry				
Jointly	Savings	Main	$25,500	
	Checking	Bay	$50,000	
	Fixed	Bay	$60,000	
		Total	$135,625	
		Mary's Total	$67,750	**$50,000**

Depositor	Accounts	Branch	Amount	Insured Amount
Mary & Harry				
Jointly	Savings	Main	$25,625	
	Checking	Bay	$30,000	
	Mortgage Loan	Bay	-$40,000	
			$15,625	**$15,625**

Trust Account Ownership

- Joe establishes a trust account for his two sons, and also has two accounts with the same member institution.
- Joe is the depositor on 3 accounts, including 1 trust account. He is the beneficial owner of 2 accounts.
- Trust account balances are not combined with a trustee's individual accounts, so to obtain the insurable/payout amount, deposits which are beneficially owned by Joe are added together and the loan balance, deducted from the deposits to obtain the insurable/payout amount.
- Deposits held on the trust account are insured separately, with each beneficiary's interest being insured up to a maximum of $50,000 for a total coverage of $100,000.

Depositor	Accounts	Branch	Amount	Insured Amount
Joe	Savings	Main	$15,000	
	Checking	Bay	$5,000	
	Loan	Bay	-$5,000	
		Total	**$15,000**	**$15,000**
Joe in Trust for John				
and Mike	Savings	Main	$200,000	**$100,000**
		Grand Total		**$115,000**

DIC MEMBER INSTITUTIONS

TOTAL B$ DEPOSITS (MILLIONS)

Commercial Banks	2009	2010	2011	2012	2013	2014
Bank of the Bahamas Ltd.	478.2	566.1	599.7	665.1	692.1	362.9
Citibank N.A.	45.4	56.3	71.3	72.7	70.6	96.6
Commonwealth Bank Ltd.	1,074.8	1,099.9	1,170.1	1,102.8	1,044.7	1,055.6
Fidelity Bank (Bahamas) Ltd.	204.8	210.7	262.0	297.8	344.8	368.5
Finance Corporation of Bahamas Ltd.	767.7	793.9	799.5	759.5	568.5	672.0
FirstCaribbean International Bank (Bahamas) Ltd.	1,209.5	1,212.4	1,156.7	1,116.0	1,079.7	1,123.8
RBC Royal Bank (Bahamas) Ltd.	1,151.8	1,190.6	1,205.3	1,213.1	1,080.1	1,289.0
Scotiabank (Bahamas) Ltd.	812.1	779.2	782.3	761.3	773.3	764.1
Total: Commercial Banks	**5,744.3**	**5,909.1**	**6,046.9**	**5,988.3**	**5,653.8**	**5,732.5**

Other Members	2009	2010	2011	2012	2013	2014
Ansbacher (Bahamas) Ltd.	3.6	4.2	2.0	2.1	2.4	2.9
The Bank of Nova Scotia Trust Company (Bahamas) Ltd.	0.2	0.1	0.2	0.3	0.9	0.1
Royal Fidelity Merchant Bank & Trust Ltd.	28.4	27.0	34.8	42.6	31.4	31.9
Total: Other	**32.2**	**31.3**	**37.0**	**45.0**	**34.7**	**34.9**

Total: All Members	**5,776.5**	**5,940.4**	**6,083.9**	**6,033.3**	**5,688.5**	**5,767.4**

DIC MEMBER INSTITUTIONS

TOTAL B$ DEPOSITS (MILLIONS)

Commercial Banks	2015	2016	2017	2018	2019
Bank of the Bahamas Ltd.	304.2	599.4	565.9	579.4	634.8
Citibank N.A.	90.1	86.4	81.1	79.2	76.1
Commonwealth Bank Ltd.	1,095.0	1,208.6	1,238.1	1,277.3	1,355.6
Fidelity Bank (Bahamas) Ltd.	371.4	404.8	461.3	492.8	521.8
Finance Corporation of Bahamas Ltd.	631.4	639.0	568.1	492.1	430.4
FirstCaribbean International Bank (Bahamas) Ltd.	1,127.5	1,184.0	1,310.1	1,283.8	1,542.1
RBC Royal Bank (Bahamas) Ltd.	1,289.0	1,530.7	1,495.8	1,448.9	1,077.9
Scotiabank (Bahamas) Ltd.	764.1	874.2	924.6	897.2	988.9
Total: Commercial Banks	**5,672.7**	**6,527.1**	**6,645.0**	**6,550.7**	**6,627.6**

Other Members	2015	2016	2017	2018	2019
Ansbacher (Bahamas) Ltd.	1.5	3.0	2.8	8.7	2.4
The Bank of Nova Scotia Trust Company (Bahamas) Ltd.	0.1	0.3	1.2	1.3	1.4
Royal Fidelity Merchant Bank & Trust Ltd.	31.1	61.6	71.8	59.4	70.4
Total: Other	**32.7**	**64.9**	**75.8**	**69.4**	**74.2**

Total: All Members	**5,705.4**	**6,592.0**	**6,720.8**	**6,620.1**	**6,701.8**

DIC FINANCIAL HIGHLIGHTS (2009 – 2019)

(B$'000)

	2009	2010	2011	2012	2013	2014
Members' Premiums	2,541	2,612	2,697	2,758	2,785	2,773
Interest & Other Income	779	965	1,041	1,160	1,819	1,595
Total Revenue	3,320	3,577	3,738	3,918	4,604	4,368
Total Expenses	25	26	34	42	59	70
Comprehensive Income	3,295	3,551	3,704	3,876	4,545	4,298
Deposit Insurance Fund	15,890	19,441	23,145	27,022	31,567	35,865
Investment Securities	14,496	17,896	20,854	24,521	30,021	35,071
Total Assets	16,390	19,941	23,645	27,522	32,067	40,992
Return on Assets (%)	20%	18%	16%	14%	14%	10%
Member Institutions (#)	13	13	13	12	12	12

	2015	2016	2017	2018	2019
Members' Premiums	2,858	2,874	2,905	3,149	3,105
Interest & Other Income	1,781	1,970	2,056	2,292	2,599
Total Revenue	4,639	4,844	4,961	5,441	5,704
Total Expenses	71	71	121	95	139
Comprehensive Income	4,569	4,773	4,915	5,817	5,565
Deposit Insurance Fund	40,434	45,207	50,122	55,939	61,452
Investment Securities	40,381	44,353	49,347	52,966	59,096
Total Assets	40,992	45,766	50,681	56,424	61,511
Return on Assets (%)	11%	10%	10%	10%	9%
Member Institutions (#)	12	12	12	11	11

2009 -2019

BAHAMIAN DOLLAR DEPOSITOR DATA

BAHAMIAN DOLLAR DEPOSITOR DATA (2009-2019)

(MILLIONS)

(B$Millions)	2009	2010	2011	2012	2013	2014
Demand Deposits	$1,126.3	$1,178.5	$1,294.2	$1,425.4	$1,514.5	$1,825.8
Number of Accounts*	52,401	52,253	52,439	53,182	51,432	111,248
Savings Deposits	$995.4	$1,015.8	$1,063.7	$1,069.0	$1,114.0	$1,067.5
Number of Accounts*	400,666	392,235	356,128	342,545	319,406	246,325
Fixed Deposits	$3,601.4	$3,681.4	$3,659.1	$3,496.4	$3,342.2	$3,219.9
Number of Accounts*	42,443	39,763	37,290	35,147	32,881	31,338
Total Deposits	$5,723.1	$5,875.7	$6,017.0	$5,990.8	$5,970.7	$6,113.2
Number of Accounts*	495,510	484,251	445,857	430,874	403,719	388,911

(B$Millions)	2015	2016	2017	2018	2019
Demand Deposits	$1,918.6	$2,284.8	$2,474.0	$2,479.9	$3,123.9
Number of Accounts*	100,854	103,703	98,156	108,294	111,413
Savings Deposits	$1,148.3	$1,295.6	$1,371.2	$1,427.5	$1,648.8
Number of Accounts*	255,106	260,912	269,011	274,445	291,626
Fixed Deposits	$3,119.4	$2,927.7	$2,799.6	2,602.3	$2,502.5
Number of Accounts*	29,461	28,487	27,058	25,360	24,965
Total Deposits	$6,186.3	$6,508.1	$6,644.8	$6,509.7	$7,275.2
Number of Accounts*	385,421	393,102	394,225	408,099	428,004

*Number of Accounts are stated in actual figures

MEMBER PERFORMANCE

At year end 31st December, 2019, the number of DIC member institutions remained at eleven, inclusive of eight domestic systemically important banks (D-SIBS) comprising the commercial banks and three other deposit-taking institutions.

In 2019, banks' credit quality indicators advanced in comparison to the prior year due to a growth in the economy, loan write-offs and a reduction in delinquencies. Private sector non-performing loans decreased by $63.0 million (12.2%) to $454.0 million and banks' total arrears decreased by $123.5 million (15.3%). The ratio of total arrears to total loans declined to 12.10% from 14.26% in 2018. Provisioning of total loans to non-performing loans amounted to 62.47%.

Banks continued to be profitable due partly to increased fees for products and services, and lower interest rates paid on deposits driven by robust liquidity levels, among others. Consequently, banks' capital levels remained high.

The DIC relies on the Central Bank's supervisory and regulatory oversight of its members. In this regard, regulatory and supervisory initiatives undertaken during the year by Central Bank were highlighted as follows:

- 2019 Financial Sector Assessment Program (FSAP) – The International Monetary Fund (IMF) acknowledged the effective supervisory program that Central Bank has in place, with regards to the banking sector and the strategic initiatives undertaken over the years. The IMF rated The Bahamas as either compliant or largely compliant with all twenty nine (29) of the Basel Core Principles of Supervisory Effectiveness.
- Basel III Supervisory Framework – The implementation of Basel III has been deferred to 2021 to allow for the development and testing of new and enhanced capital and liquidity reporting forms, training on the use of new forms and a parallel run, if possible.
- Credit Bureau – CRIF Information Services Bahamas Ltd. (CRIF Bahamas) received the first Bahamian credit bureau license on 7th December, 2019. CRIF SpA, an Italian based company which operates in multiple jurisdictions, owns CRIF Bahamas. CRIF Bahamas will become operational in The Bahamas in 2020 and the first credit reporting will commence 12 to 18 months post-licensing. The Credit Bureau will offer significant benefits to both lenders and borrowers, through better and fairer access to credit information.
- AML/CFT Empirical Research Conference – Central Bank and the Association of Supervisors of Banks of the Americas, with the support of the Caribbean Development Bank and the Inter-American Development Bank, hosted an inaugural international conference on empirical research into Anti-Money Laundering, Countering the Financing of Terrorism and related topics. Central Bank has committed to hosting same conference in early 2021.

The Central Bank continues to pursue a risk-based approach to supervision of supervised financial institutions (SFIs) along with onsite examinations, stress-testing of credit and liquidity risk factors and structured prudential meetings to discuss credit and operational risk issues, organizational changes and the strategic direction in the near to medium term. This approach to supervision supports the Central Bank's 'Ladder of Supervisory Intervention,' which is aimed at early detection and minimization of risks related to financial non-viability or insolvency, among others.

OPERATIONS

Corporate Governance

The DIC is a body corporate, established under the Protection of Depositors Act, 1999 (the Act) to manage the Deposit Insurance Fund. Its primary objective is to minimize or eliminate the risk of loss of savings of small Bahamian depositors in the event of bank failures and to arrange for the expeditious handling of any bank closure.

The DIC assesses and collects premium contributions from member institutions twice annually, on 15th June and 15th December. Pursuant to Section 5(2) of the Act, premiums are levied at a rate of one-twentieth of one % (0.05%) of the average sum of Bahamian dollar deposits held in the DIC domestic member banking institutions, as at 31st March and 30th September in the previous year. These premiums, together with investment returns, constitute the Fund.

The Central Bank has responsibility to oversee the deposit insurance fund for Bahamian dollar deposits in the banking system. Section 5 of the Central Bank of the Bahamas Act, 2000 grants statutory responsibility to the Bank to ensure stability of the financial system.

Based on average total insurable Bahamian dollar deposits of $6.25 billion during 2019, in comparison to $6.30 billion in the previous year, premiums levied and collected during the year amounted to $3.13 million compared to $3.14 million in the prior year.

The DIC has no direct employees. The Central Bank is responsible for the daily operations of the DIC, and provides staffing and administrative services to the DIC which is administered within a Service Level Agreement with the DIC. At year-end 2019, four Central Bank staff remain assigned to the DIC, two of whom are fully seconded to the operations. As a result of increasing activities in the DIC's operations, a third staff of the Central Bank will be recruited to the DIC's operations on a full time basis in 2020.

The Board of Directors

Section 8 of the Act provides for the establishment of a Board of Management (the Board) which is responsible for the policy direction of the Corporation, including its strategic activities and ensuring the management of the Fund.

Members of the Board are appointed for a term of not less than three years and are eligible for re-appointment. Upon appointment, board members execute a Code of Conduct, which articulates the ethical standards expected of them in the execution of their duties. Pursuant to Section 9(2) of the Act, the Minister of Finance has agreed to the payment of an honorarium for each member of $300 per board meeting. Three Board meetings were held in 2019 and the board expenses totaled $4,200.00.

Board of Directors	Number of meetings attended
John Rolle	3/3
Marlon Johnson	2/3
James Carey*	2/3
Karen Rolle	3/3
Rochelle Deleveaux-McKinney	3/3

*Appointed September 2019

During 2019, the DIC welcomed new Director Mr. James Carey whose appointment took effect from the 12th September, 2019 for a term of three years.

The Board is currently comprised of five of six members—all of whom are appointed by the Minister with responsibility for Finance. The Minister is giving consideration to the appointment of a sixth board member, with same expected to be finalized in 2020. The three ex-officio members are persons from the Central Bank, holding offices of the Governor (the Chairman), the Manager, Bank Supervision Department, and another Manager of the Central Bank. The remaining three (3) directors are the Financial Secretary of the Ministry of Finance, and two persons having knowledge

and experience in banking, commerce, finance, accounting, insurance or law. Four directors form a quorum. In the event of an equality of the voting, the Chairman has a casting vote in addition to his original vote.

At year-end 2019, there were five current members of the Board of Management as follows:

Mr. John Rolle
Chairman of the Board and Governor
Central Bank of The Bahamas
Appointed: January 2016

Mr. Marlon Johnson
Acting Financial Secretary
Ministry of Finance
Appointed: September 2017

Mr. James Carey
Director and Manager
Insurance Management Limited
Freeport Branch
Appointed: September 2019

Ms. Karen Rolle
Deputy Inspector of Banks
and Trust Companies
Central Bank of The Bahamas
Appointed: July 2014

Mrs. Rochelle Deleveaux-McKinney
Legal Counsel & Board Secretary
Central Bank of The Bahamas
Appointed: July 2014

International Associations

The DIC is one of the 25 founding members of the International Association of the Deposit Insurers (IADI). IADI aims, inter-alia, to contribute to the stability of financial systems, by promoting international co-operation in the field of deposit insurance; and providing guidance for establishing new and enhancing existing deposit insurance systems. The DIC's memberships in IADI and the IADI Caribbean Regional Committee (CRC) continues to provide forums for the exchange of knowledge and opportunities to further professional development in the field of deposit insurance; it also provides access to technical assistance. IADI currently has 90 members, 9 associates (mainly central banks and banking supervisors) and 14 partners (other interested institutions).

Caribbean Regional Committee (CRC)

Members of the IADI CRC deposit insurers include the Bahamas, Barbados, Jamaica, Belize and Trinidad & Tobago. A Memorandum of Understanding (MOU) exists between the members, facilitating cooperation on the development of deposit insurance systems, resolution management of financial institutions, and the general promotion and management of financial stability in the CARICOM region. There are eight regional committees of IADI. These provide a voice to the common interests and issues affecting members in those regions. They also serve as separate forums for sharing information and ideas.

Staff Development

In 2019, the DIC staff, participated in the following training/conferences:

- Financial Stability Institute (FSI) and International Association of Deposit Insurers (IADI) Policy Implementation Meeting hosted by the Bank for International Settlements (BIS)
- World Credit Union Conference, Atlantis, Paradise Island, Bahamas
- Federal Deposit Insurance Corporation 101: An Introduction to Deposit Insurance

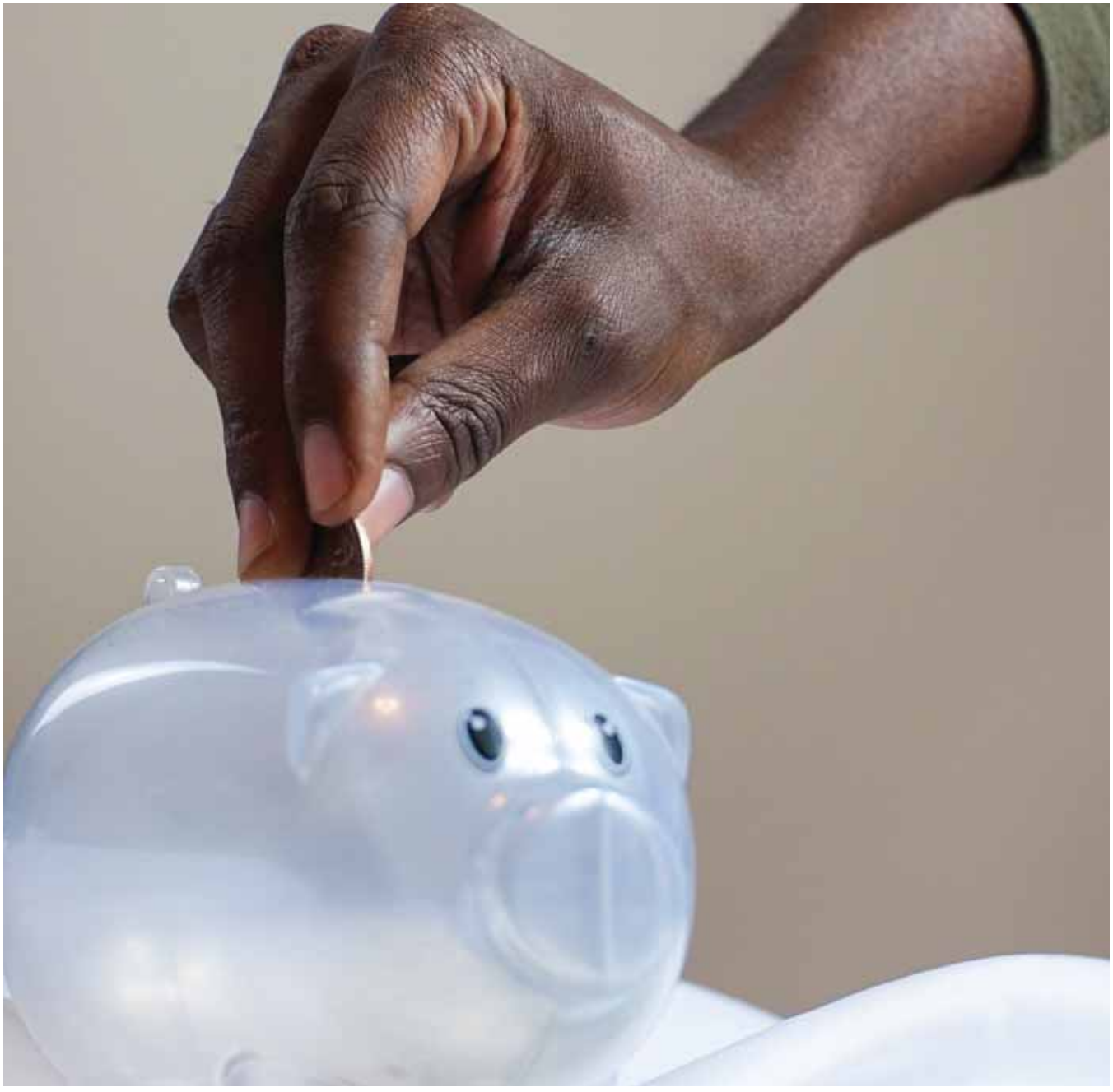
Strategic Goals and Activities

The DIC continued its work on the framework to expand insurance coverage to credit unions. In 2019, proposed legislative amendments to the Protection of Depositors Act to bring about this expansion in the DIC's membership base

was reviewed by the Law Reform Commission. At end-December 2019, credit unions total deposits stood at $411.3 million ($386.2 million in 2018) with membership across 10 institutions, inclusive of the Bahamas Co-operative League Limited.

Financial Sector Assessment Program (FSAP)

In January 2019, The Bahamas underwent an International Monetary Fund's FSAP review, which focused principally on the banking sector, and also covered financial safety nets, including the evaluation of crisis preparedness and crisis management frameworks. The Bahamas was rated as either compliant or largely compliant with all 29 of the Basel Core Principles. Moreover, the recommendations were made with respect to strengthening the funding framework for the DIC with consideration for raising the target level of the deposit insurance fund.

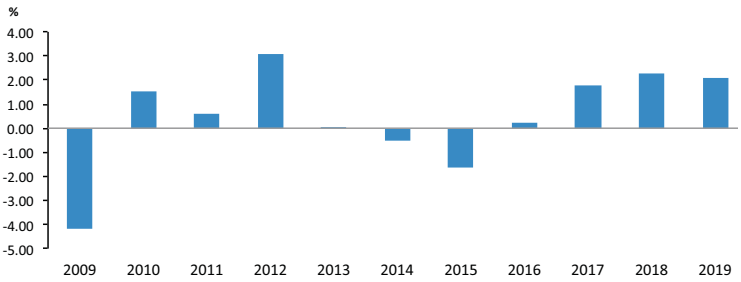


ECONOMIC AND FINANCIAL ENVIRONMENT

Domestic Macroeconomic Environment

The domestic economy sustained modest growth and continued to impact the strategic policies and practices of member institutions in 2019, and their financial outcomes.

Real GDP Growth

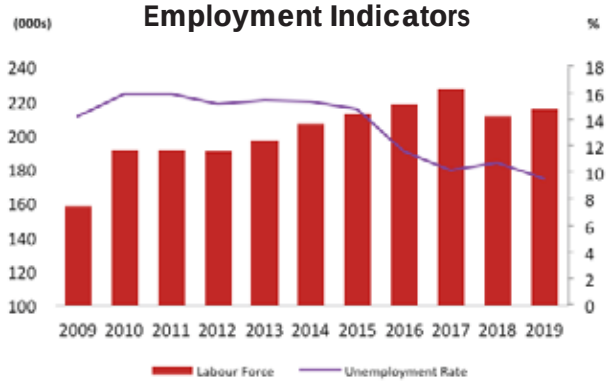


Domestic conditions displayed signs of moderate growth in comparison to 2018. This outcome was due to an increase in tourism from ongoing gains in New Providence and Family Islands unaffected by Hurricane Dorian. Tourist arrivals by sea increased while arrivals by air decreased; however, there was a rise in private vacation rental activity. The construction sector also improved owing to small and medium foreign investment projects in New Providence and the Family Islands and post-Hurricane Dorian reconstruction work. As at May 2019, the unemployment rate dropped to 9.5% from 10.7% in November 2018.

Average consumer price inflation increased to 2.6% in 2019, compared to prior year's 2.2% increase. Of note, average costs firmed for transportation (9.9%), restaurants and hotels (5.2%), alcohol beverages, tobacco and narcotics (4.4%), health (3.9%), and miscellaneous goods and services (2.5%) rose respectively.

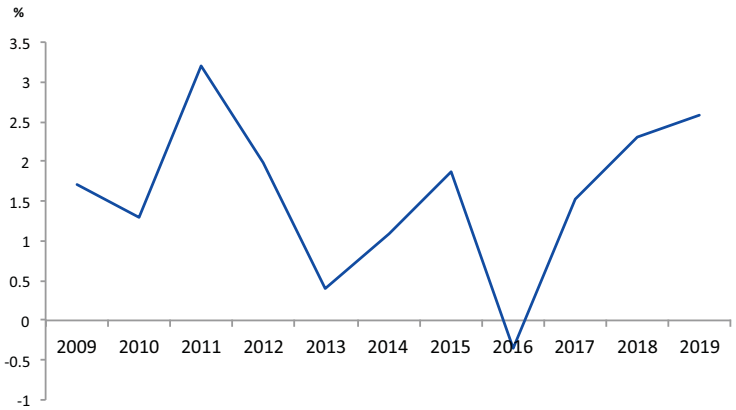
The monetary sector was buoyed by receipt of reinsurance proceeds from Hurricane Dorian and net tourism receipts. Both bank liquidity and external reserves, expanded as credit growth expanded at a slower pace than a rise

Employment Indicators



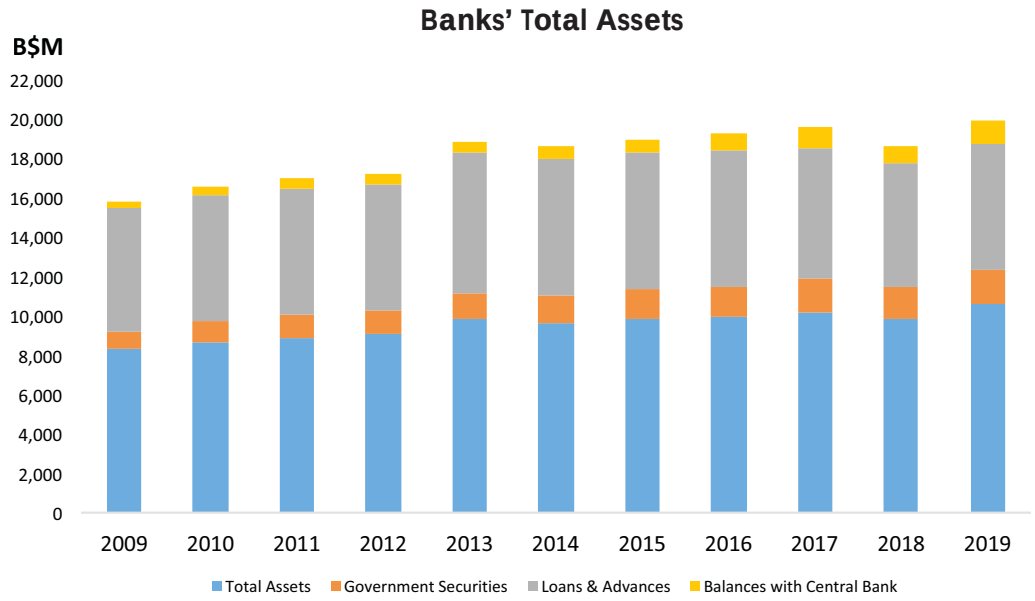
in the deposit base. Domestic banks' credit quality indicators improved, owing to modest gains in economic conditions, ongoing debt restructuring, hurricane relief and loan write-offs. As at September 2019, commercial bank's overall profitability experienced a slight improvement, with a reduction in provision for

Inflation



bad debts, however, operating costs were higher than same period in previous year.

On the fiscal side, Government's operations indicated an increase in the deficit for the first six months of the FY2019/2020 in comparison to same period FY2018/2019. The hurricane related expenditures exceeded the VAT-led growth in aggregate revenues.



Asset Growth

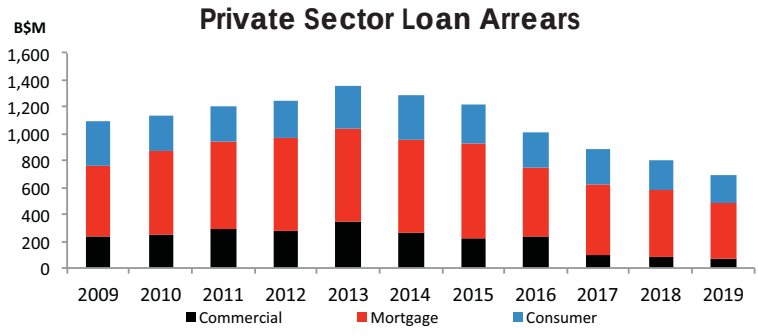
Commercial bank's Bahamian dollar assets rose by 7.7% ($754.0 million) to $10.57 billion while net free cash reserves of the banking system expanded by $191.0 million (24.8%) to $961.5 million. Regarding liquidity, bank's balances with Central Bank, a component in free cash reserves, rose by $451.0 million (56.9%) to $1.24 billion, from $792.6 million in 2018 while holdings in government securities increased by 5.8% to $1.76 million. Overall, liquidity improved to $1,936.9 million from $1,533.2 million in the prior year. Surplus liquid assets exceeded the statutory minimum by 153.6% (137.4% in December 2018).

Domestic Credit

Banks' total domestic credit increased by 1.0% to $6.3 billion, which was made up of residential mortgages (42%), consumer credit (35%), commercial loans (13%) and claims on government (10%). Private sector credit slightly contracted by 2.0% to $5.7 billion (90% of total credit). Net claims on the Government increased by 13.3% to $631.8 million.

By sectoral distribution of private credit, personal loans represented a dominant share 77.5%, decreasing by 1.1% to $4.91 billion, while major reductions occurred in fisheries public institutions, transport and miscellaneous. In contrast, significant credit growth in tourism, professional and other services, mining and quarrying and distribution.

During the year, private sector loan arrears contracted by 15.3% to $686.2 million, with reductions in all three categories: commercial, mortgage and consumer delinquencies. The ratio of arrears to total loans contracted to 12.1% (from 14.3% in 2018). Non-performing loans (NPLs), arrears in excess of 90 days on which banks have stopped accruing interest fell by 12.2% to $454.0 million and represented a 1.1% decline to 8.0% of total private sector loans. Short-term delinquencies also contracted by 20.7% to $232.3 million, representing 4.0% of private sector loan arrears. In comparison to 2009, private sector loan arrears decreased by $403.9 million.

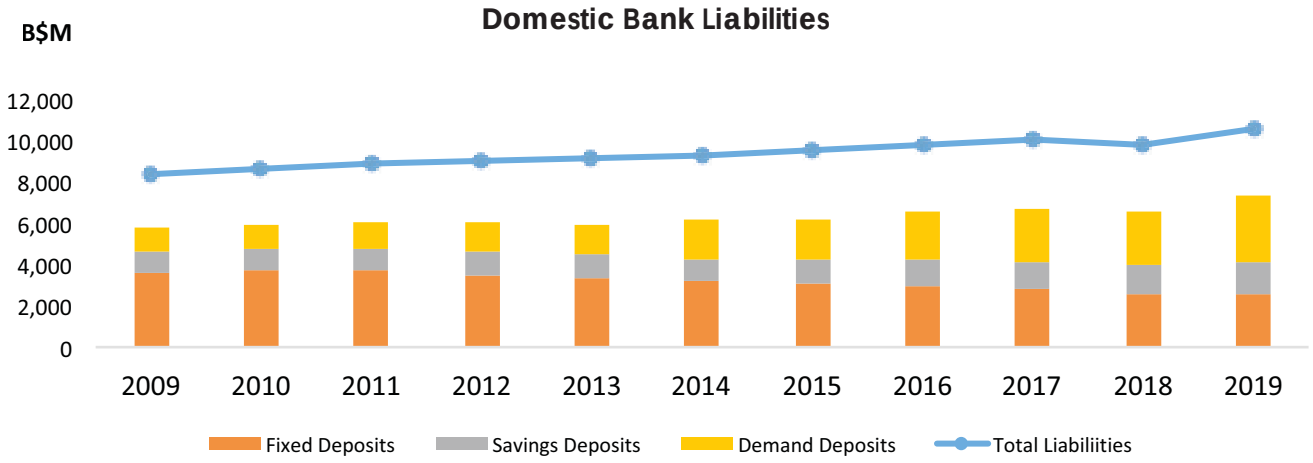


At year-end 2019, members' provisions for credit losses represented approximately 8.0% of total private sector loans, 62.5% of total arrears and 94.4% of non-performing loans. Further, the coverage ratio of specific provisions to non-performing loans stood at 76.4%.

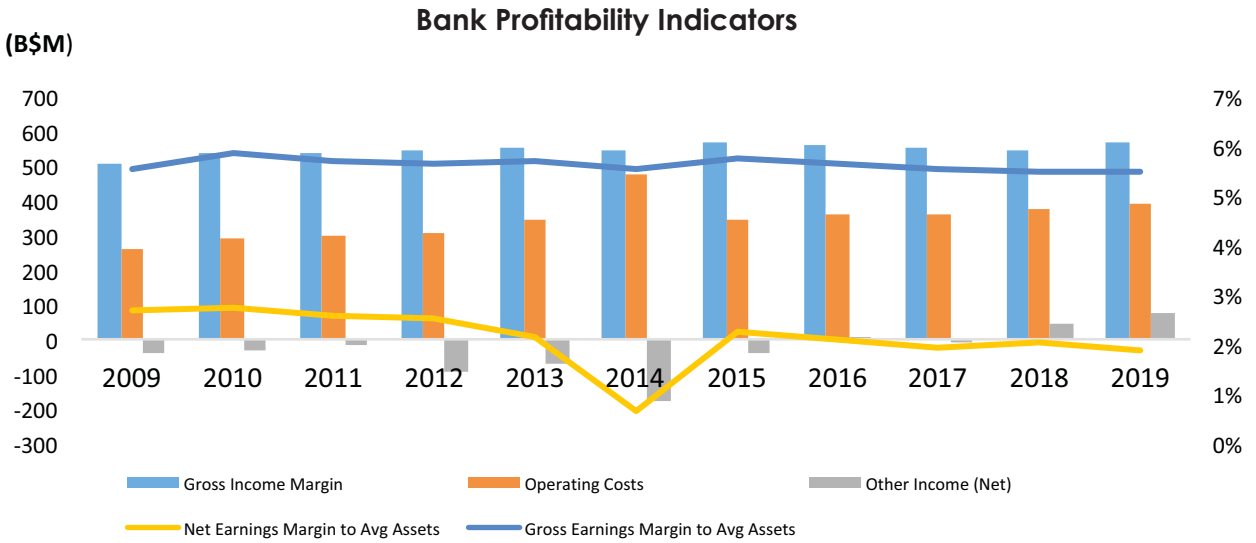
Deposits

Members' total Bahamian dollar liabilities increased by 7.9% ($771.5 million) to $10.6 billion over the year and 27.32 % over the last ten years. Bahamian dollar deposits at $7.3 billion comprised 68.7% of total liabilities with the predominant share held by private individuals (49.0%), followed by business firms (29.8%), the public sector (8.3 %), and other depositors (4.6 %). Approximately, 43.0 % of these deposits were held in fixed balances, with demand and savings representing smaller portions of 34.4% and 22.7%, respectively.

The DIC insures deposits up to a maximum of $50,000 for any single depositor. At end 2019, approximately 87.4% of Bahamian dollar accounts held balances below $10,000, which constituted 5.7% of the total value. Deposits between $10,000 and $50,000 comprised 8.3% of the total accounts and 10.8% of the overall value, while balances in excess of $50,000 represented 4.3% of total accounts and 83.5% of the aggregate value.



Based on the maximum insurance coverage per depositor, an estimated 96% of deposit accounts in member institutions were insured by deposit insurance. During 2019, there were approximately 428,004 demand, savings and fixed deposit accounts as compared to 408,099 in 2018.



Liquidity

The banking sector liquidity remained at elevated levels in 2019, with average net free cash balances—a narrow measure of liquidity—contracting by 8.8% ($73.4 million) to $761.7 million in comparison to a $93.8 million (12.7%) growth at end 2018. The net free cash reserves closed the review year at $961.5 million. This was a lower 13.6% of Bahamian dollar deposits, compared to 9.3% in the prior year.

Excess liquid assets, the broader surplus liquid assets—which include holdings of Government securities—averaged $1,772.4 million per month, a 3.0% decline from 2018. This balance peaked at $1,936.9 million in December. Closing balances for 2019 exceeded the statutory requirement by 153.6% vis-à-vis 137.4% in 2018.

Capital Adequacy and Provisions

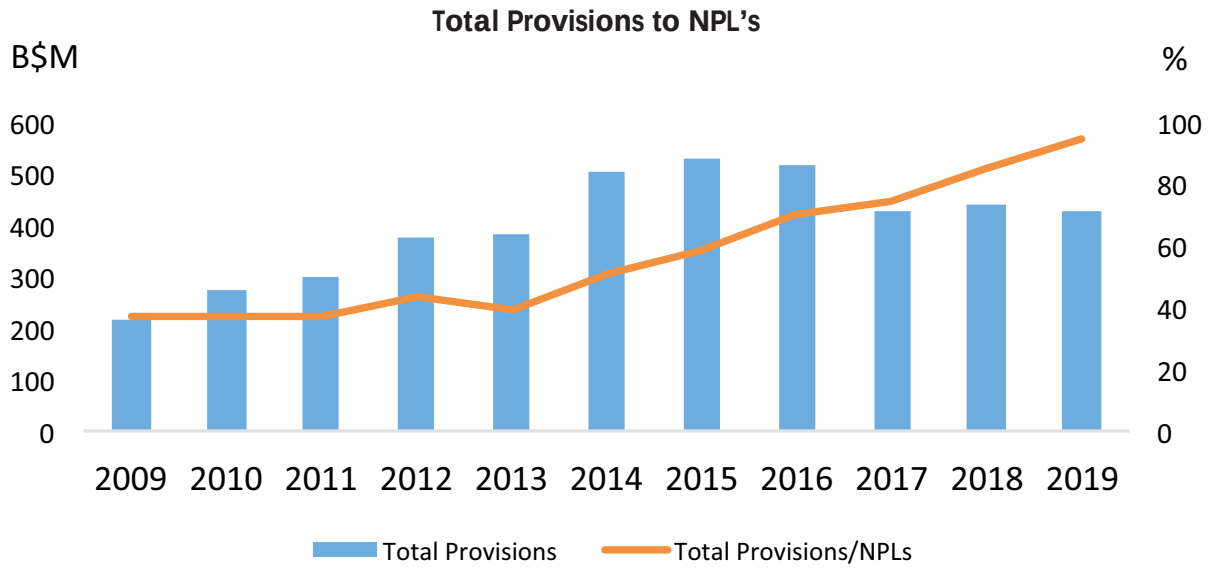
Given their traditional conservative stance with respect to capital, the capital ratios and provisions for loan losses remained at robust levels over the review period. At end-2019, the ratio of capital to total risk-weighted assets stood 370 basis points lower at 28.6%. This remained well above the regulatory prescribed target and trigger ratios of 17.0% and 14.0%, respectively. Further, banks reduced their provisions for bad debts by 2.2% ($9.7 million) to $428.8 million, which was mildly tempered from 2018's $438.5 million. As a result, the ratio of provisions to total loans contracted by 23 basis points to 6.8%, down 20 basis points from 7.0% at end-2018. The corresponding weight of provisions relative to both total arrears and non-performing loans, firmed by 8.3% and 9.6%, to 64.5% and 94.4%, respectively. Banks also wrote off a total of $113.5 million in delinquent loans and recovered approximately $30.5 million.

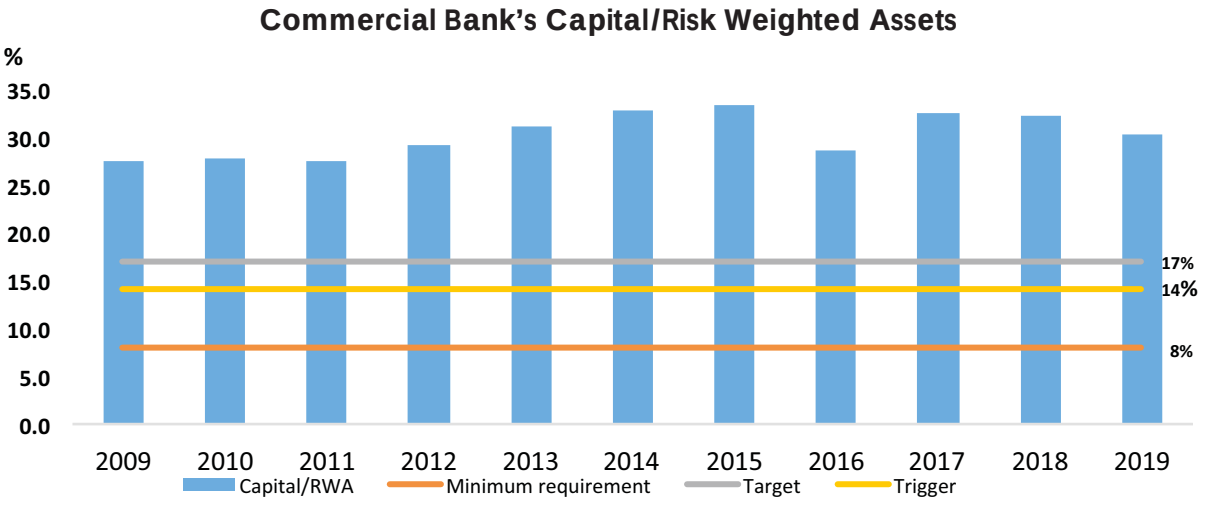
Bank Profitability

In 2019, domestic banks remained profitable. Firms collectively recorded $253.7 million in net income, an improvement of $20.1 million (8.6%). The net interest margin firmed by 3.4% ($17.8 million) to $542.8 million, as interest income increased by $12.7 million (2.2%) to $593.2 million, while interest expense reduced by $5.1 million (9.2%) to $50.4 million. Earnings from commission & foreign exchange of $38.1 million reflected an increase by 29.5% ($8.7 million), contributing to a 4.8% ($26.4 million) recovery in the gross earnings margin to $580.9 million.

Total operating costs grew by7 .6% ($28.0 million) to $396.4 million, owing to an increase in non-staff outlays—inclusive of professional services, Government fees and maintenance—by 10.6% ($19.5 million). Moreover, occupancy and staffing expenses expanded by 22.4% ($6.2 million) and 1.5% ($2.3 million) respectively. Consequently, the net earnings margin contracted by 0.8% ($1.6 million) to $184.6 million. Similarly, banks' profits from "non-core" operations substantially increased by 45.6% ($21.6 million) to $69.1 million. Underlying this performance were declines in depreciation costs, which fell marginally by 7.0% ($0.9 million) and provisioning for bad debt, also down by 0.6% ($0.6 million).

Banks' profitability ratios—as measured relative to average assets—improved with positive (returns on assets and return on equity) ratios of 2.4% and 10.6%, respectively. Gains were recorded for the gross earnings margin ratio by 18 basis points to 5.58%, interest margin, by 5.22% or 19 basis points to 5.38%; and commission & forex income, by 46 basis points, to 0.37%. The firming of the operational cost ratio by 22 basis points to 3.81%, resulted in the net earnings margin ratio narrowing by 4 basis points to 1.77%.


Total Provisions to NPL's
B$M
%
600
500
400
300
200
100
0
100
80
60
40
20
0
2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019
Total Provisions
Total Provisions/NPLs

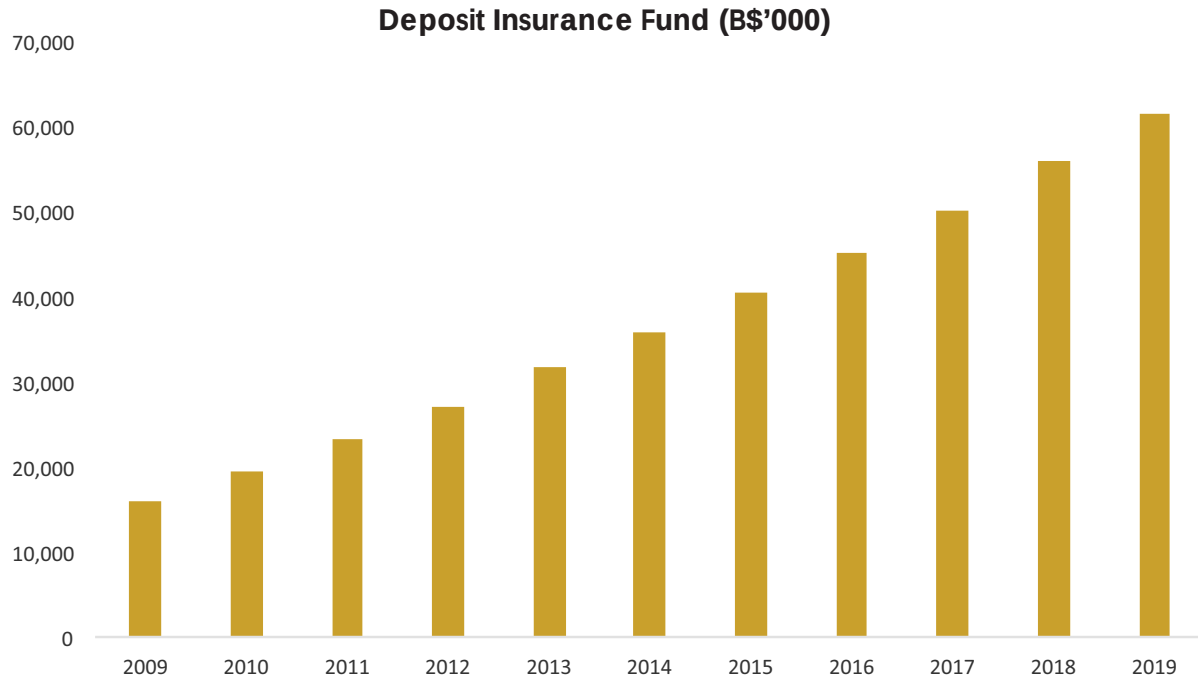

Commercial Bank's Capital/Risk Weighted Assets
%
35.0
30.0
25.0
20.0
15.0
10.0
5.0
0.0
17%
14%
8%
2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019
Capital/RWA
Minimum requirement
Target
Trigger

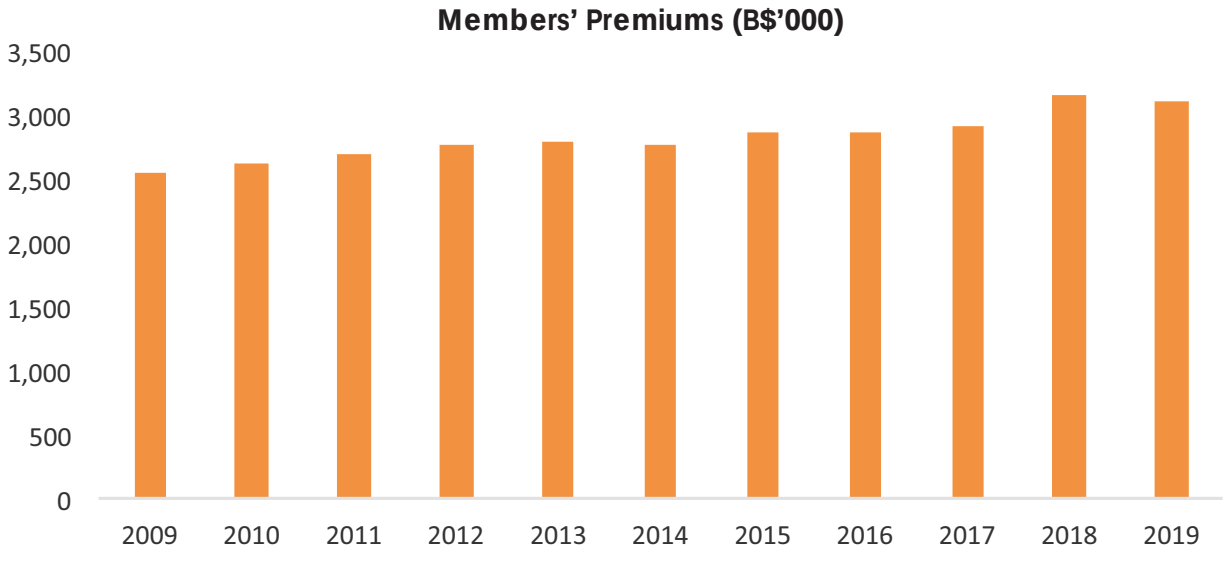
2019 FINANCIAL HIGHLIGHTS

Deposit Insurance Fund

Total assets of the DIC stood at $61.5 million at 31st December, 2019, increasing by 9% since the prior year and by 34.2% and 2.87x over the last five and ten years, respectively. The insurance component increased to $61.45 million in 2019. Increase in assets have been primarily due to rising interest income on the expanding base of investment instruments.

The DIC continued to accumulate the reserves through investments of annual premiums and re-investment of interest income in Bahamas Government bonds. Investments totaled $59.1 million, compared to $53.0 million at year-end 2018. This represented an increase of 31.7% over the past five years and 3.08x over the prior ten years. Cash deposits decreased by 41.9% due to new investments in bonds.





Premiums

With growth in insurable deposits in the system, premiums collected from member institutions totaled $3.11 million in 2019, a decrease of 1.4% from the prior year.

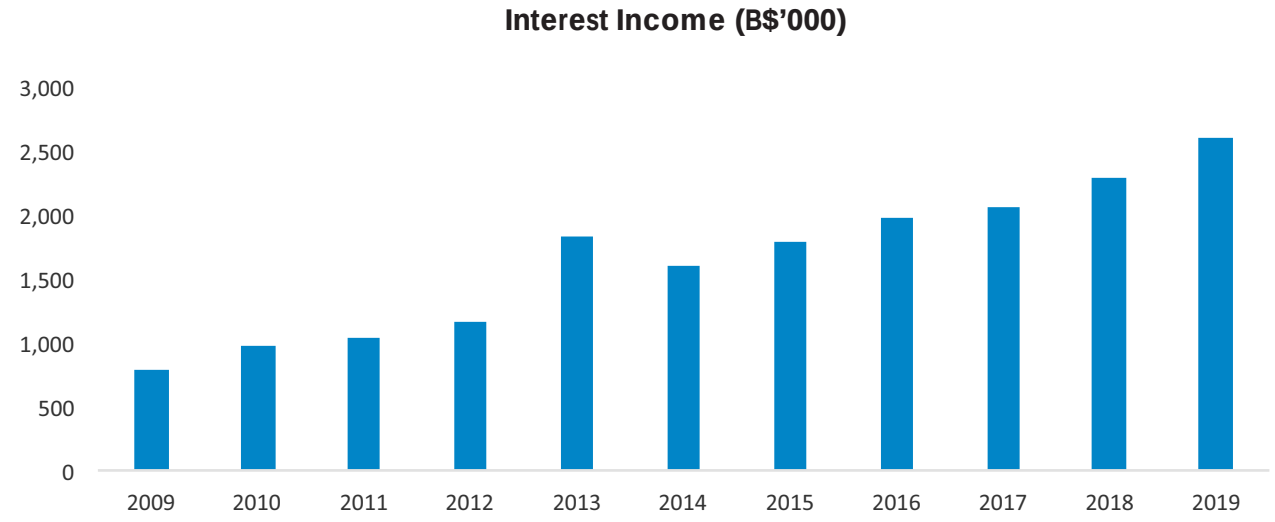
Investments and Interest Income

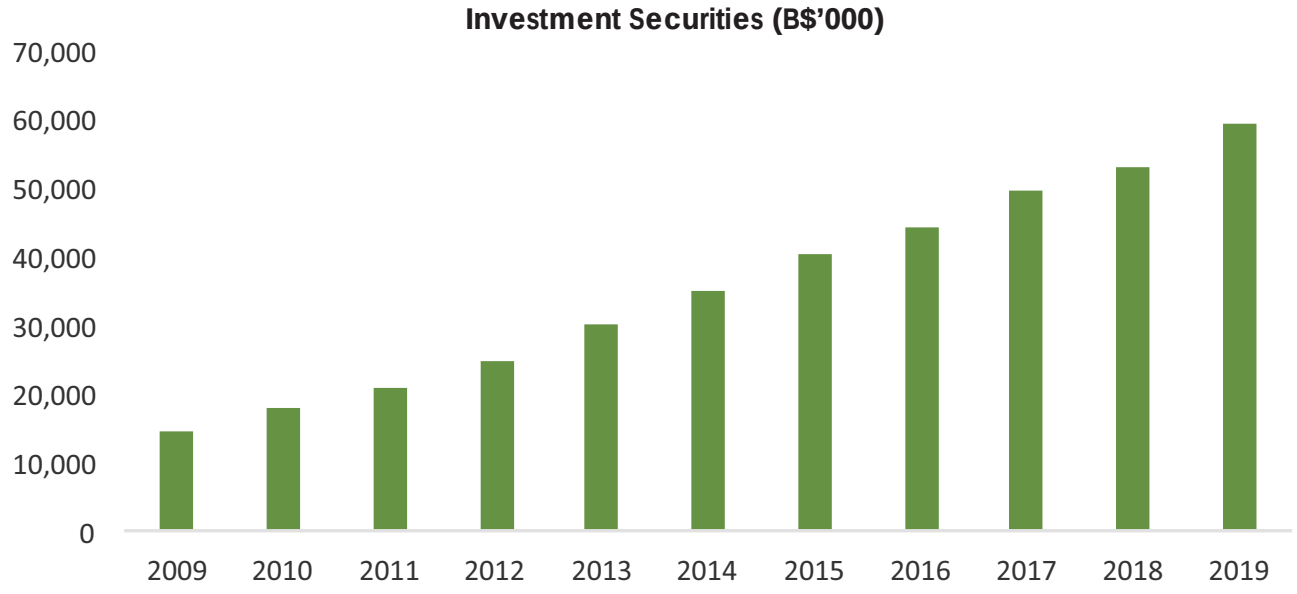
Investment activities remained subject to the powers in Section 15(g)(iii) of the Act. The DIC may invest in government and quasi government instruments and short-term deposits. To attract higher yield, the Corporation invested more in longer term maturities. In 2019, the DIC increased its bond portfolio by 11.6% ($6.1 million), culminating in a 2.87x growth over the past ten years. Investments comprised of 96% of total assets. In the meantime, the DIC's interest income increased by 13.4% to $2.60 million.

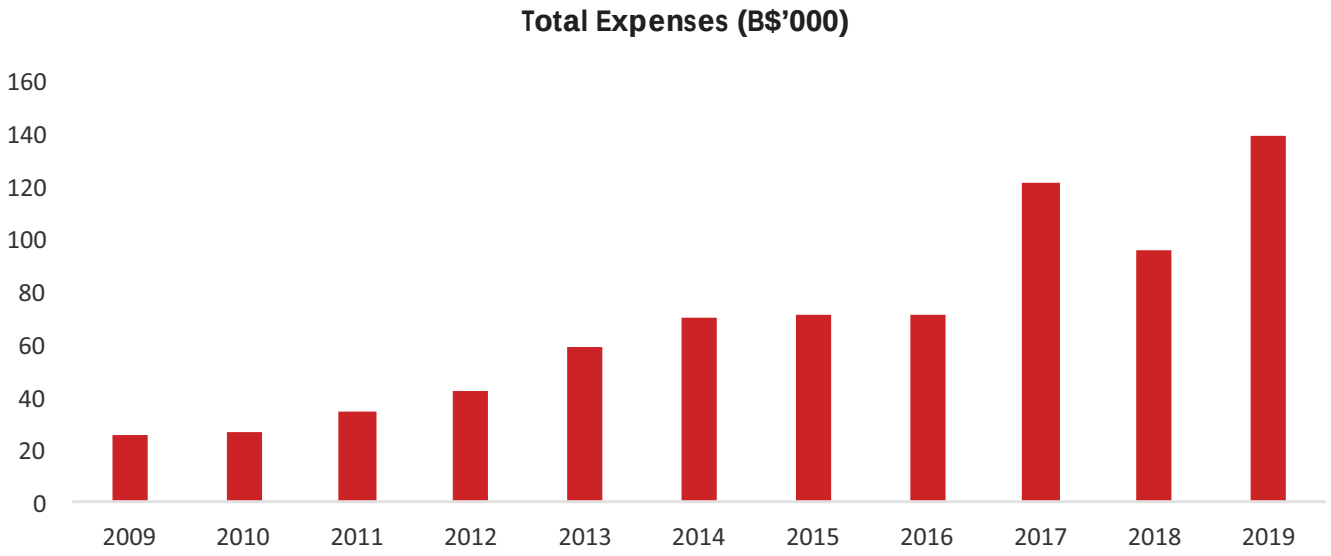
As at December 31, 2019, government bonds were the only category of income-generating assets held by the DIC. Cash at bank held with the Central Bank was non-interest bearing.

Operating Expenditures

In 2019, total operating expenses increased by 46.3% to $139,000, which was below the budgeted amount. The largest outlays in 2019 were administrative fees paid to the Central Bank of $80,000. Conferences were the second largest outlay ($17,837), while annual membership







fees in the International Association of Deposit Insurers (IADI) were the third largest outlay ($17,592). Other expenses included $4,200 paid to the Board Members for three Board Meetings held in 2019, printing of the 2018 Annual Report ($7,431) and audit fees ($6,810).

Net Income

Net Income, which represents total income less operating expenses, for the financial year ended 31st December, 2019 totaled $5.566 million compared to $5.346 million year ended 31st December, 2018. This represented a decrease of $0.252 million or 4.1% less than the amount recorded for the 2018 financial year. Since 2009, net income increased by 68.9% or $2.27 million (2009: $3.30 million).

IADI CORE PRINCIPLES FOR EFFECTIVE DEPOSIT INSURANCE SYSTEMS

Principle 1 – PUBLIC POLICY OBJECTIVES:

The principal public policy objectives for deposit insurance systems are to protect depositors and contribute to financial stability. These objectives should be formally specified and publicly disclosed. The design of the deposit insurance system should reflect the system's public policy objectives.

Principle 2 – MANDATE AND POWERS:

The mandate and powers of the deposit insurer should support the public policy objectives and be clearly defined and formally specified in legislation.

Principle 3 – GOVERNANCE:

The deposit insurer should be operationally independent, well-governed, transparent, accountable, and insulated from external interference.

Principle 4 – RELATIONSHIPS WITH OTHER SAFETY-NET PARTICIPANTS:

In order to protect depositors and contribute to financial stability, there should be a formal and comprehensive framework in place for the close coordination of activities and information sharing, on an ongoing basis, between the deposit insurer and other financial safety-net participants.

Principle 5 – CROSS-BORDER ISSUES:

Where there is a material presence of foreign banks in a jurisdiction, formal information sharing and coordination arrangements should be in place among deposit insurers in relevant jurisdictions.

Principle 6 – DEPOSIT INSURER'S ROLE IN CONTINGENCY PLANNING AND CRISIS MANAGEMENT:

The deposit insurer should have in place effective contingency planning and crisis management policies and procedures, to ensure that it is able to effectively respond to the risk of, and actual, bank failures and other events. The development of system-wide crisis preparedness strategies and management policies should be the joint responsibility of all safety-net participants. The deposit insurer should be a member of any institutional framework for ongoing communication and coordination involving financial safety-net participants related to system-wide crisis preparedness and management.

Principle 7 – MEMBERSHIP:

Membership in a deposit insurance system should be compulsory for all banks.

Principle 8 – COVERAGE:

Policymakers should define clearly the level and scope of deposit coverage. Coverage should be limited, credible and cover the large majority of depositors but leave a substantial amount of deposits exposed to market discipline. Deposit insurance coverage should be consistent with the deposit insurance system's public policy objectives and related design features.

Principle 9 – SOURCES AND USES OF FUNDS:

The deposit insurer should have readily available funds and all funding mechanisms necessary to ensure prompt reimbursement of depositors' claims, including assured liquidity funding arrangements. Responsibility for paying the cost of deposit insurance should be borne by banks.

Principle 10 – PUBLIC AWARENESS:

In order to protect depositors and contribute to financial stability, it is essential that the public be informed on an ongoing basis about the benefits and limitations of the deposit insurance system.

Principle 11 – LEGAL PROTECTION:

The deposit insurer and individuals working both currently and formerly for the deposit insurer in the discharge of its mandate must be protected from liability arising from actions, claims, lawsuits or other proceedings for their decisions, actions or omissions taken in good faith in the normal course of their duties. Legal protection should be defined in legislation.

Principle 12 – DEALING WITH PARTIES AT FAULT IN A BANK FAILURE:

The deposit insurer, or other relevant authority, should be provided with the power to seek legal redress against those parties at fault in a bank failure.

Principle 13 – EARLY DETECTION AND TIMELY INTERVENTION:

The deposit insurer should be part of a framework within the financial safety-net that provides for the early detection of, and timely intervention in, troubled banks. The framework should provide for intervention before the bank becomes non-viable. Such actions should protect depositors and contribute to financial stability.

Principle 14 – FAILURE RESOLUTION:

An effective failure resolution regime should enable the deposit insurer to provide for protection of depositors and contribute to financial stability. The legal framework should include a special resolution regime.

Principle 15 – REIMBURSING DEPOSITORS:

The deposit insurance system should reimburse depositors' insured funds promptly, in order to contribute to financial stability. There should be a clear and unequivocal trigger for insured depositor reimbursement.

Principle 16 – RECOVERIES:

The deposit insurer should have, by law, the right to recover its claims in accordance with the statutory creditor hierarchy.

GLOSSARY OF TERMS

Account Balance – The dollar amount including principal and interest for a specific account.

Assessment Base – The base on which the deposit insurer charges the premium or calculates the levy needed to compensate the insured depositors.

Bank Draft – A cashable instrument, similar to a certified cheque or money order that is drawn by a bank against its own funds and payable to the person named in the draft.

Bank Run – A rapid loss of deposits precipitated by fear on the part of the public that a bank may fail and depositors may suffer losses. Could spread across the banking system.

Beneficiary – A person or entity named or identified in either the bank account records or in a written trust that will have an interest in the trust upon the account owner's death.

Bond – A debt instrument issued by a government, or by a bank or other corporation. Bonds normally pay fixed interest rates and may be redeemable on demand or at the end of a fixed term.

Bye-Law – A rule put in place by a corporation or organization under authority granted to it by a higher law.

Checking Account – A deposit account that allows the depositor to write cheques instructing the member institution to withdraw funds from the account and pay them to the persons named in the cheques.

Claim – An assertion of indebtedness of a failed institution to a depositor, general creditor, subordinated debt holder, or shareholder.

Closed Institution – An institution:

(a) which has been ordered by the Central Bank to suspend business as a result of financial difficulties; (b) which has been the subject of a winding-up order issued by the court; and (c) the failure of which the Central Bank has advised the DIC.

Corporate Governance – The system by which an organization is directed, administered or controlled, and includes the relationships among stakeholders and the goals for which the organization is governed.

Deposit – Funds placed with a DIC member institution and eligible for insurance coverage.

Deposit Account Records – Deposit account records include signature cards, certificates of deposits (CDs), passbooks, account ledgers and computer records that relate to the bank's deposit-taking function.

Deposit Insurance – Deposit Insurance is a system established to protect depositors against the loss of their deposits in the event an insured institution of the deposit insurer is unable to meet its obligations to depositors.

Deposit Insurance Fund – The fund maintained by the DIC to insure deposits at failed member institutions.

Deposit Type – The type of transaction account or savings instrument into which funds are deposited. This includes checking accounts, savings accounts and CDs.

Depositor – A person or entity (such as a corporation) who deposits funds at a DIC member institution.

Eligible Deposits – Deposits that are eligible for insurance under the DIC Act. To be eligible, a deposit must be in a certain type of account or product (including but not limited to a savings, chequing account or fixed deposit account), held at a DIC member institution and in Bahamian dollars.

Ex-ante (Before) Funding – The prior accumulation of a fund to cover deposit insurance claims, in case of the failure of a DIC member institution.

Ex Officio – Holding a second position or office by virtue of being appointed to a first.

Ex-post (After) Funding – An assessment levied after the failure of a DIC member institution to provide funds to cover eligible claims.

Financial Safety Net – A financial stability mechanism that usually comprises the deposit insurance function, prudential regulation and supervision, and the lender-of-last-resort function.

Flat Rate Premium – A premium assessed at a uniformed rate across all DIC member institutions.

Individual Account – An account held in the name of one person that does not name beneficiaries.

Insolvency or Insolvent – When a bank can no longer pay any financial obligation when due, or the value of assets is less than the total of its debts.

Insured Deposits – Types of deposits that are covered by a deposit insurance system.

Inter-bank Deposits – Deposits held in a bank for another bank.

Joint Account – A deposit account owned by two or more people, with equal withdrawal rights, that is not a trust account.

Joint account ownership category – Can qualify for separate DIC insurance cover.

Lender-of-last-resort function – The provision of liquidity to the financial system by a central bank.

Letters of Credit – Credit instruments issued by a bank guaranteeing payments on behalf of its customers to a beneficiary normally to a third party, but sometimes to the bank's customer, for a stated period of time and when certain conditions are met.

Liquidation – The winding down of the business affairs and operations of a failed DIC member institution through the orderly disposition of its assets after it has been placed in receivership.

Maximum Coverage – The amount a depositor can claim from the deposit insurer in the event of bank failures.

Money Order – A cashable instrument, similar to a certified cheque or a bank draft, issued by a member institution or a postal authority and payable to the person named in the order.

Partnership – An association of two or more persons or entities formed to carry on as co-owners of an unincorporated business. Partnership accounts, together with corporation and unincorporated association accounts, are separate account ownership category.

Payout – The process undertaken by DIC to make deposit insurance payments to the insured depositors of a failed DIC member institution. DIC may make a payment of deposit insurance in one of two ways: (1) by issuing cheques to insured depositors; or (2) by providing insured depositors with new demand deposits at another DIC member institution.

Subrogation – The process where the DIC is substituted as the claimant for the insured deposits paid by it.

Protection of Depositors Act – The Act passed by Parliament creating the Deposit Insurance Corporation, detailing its powers and defining its corporate mission.

Right and Capacity – The terms "right" and "capacity" refer to the nature of the ownership of deposits, such as jointly owned funds, trust deposits, deposit held in individual names, etc.

Uninsured Deposit – The part of an eligible deposit that exceeds the B$50,000 insurance limit. Depositors may be able to recoup part of this amount upon the liquidation of the member's assets.

FINANCIAL STATEMENTS OF THE DEPOSIT INSURANCE CORPORATION

FOR THE YEAR ENDED DECEMBER 31, 2019

INDEPENDENT AUDITORS' REPORT

To the Board of Management
Deposit Insurance Corporation

Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Corporation as of December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

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 the ethical requirements that are relevant to our audit of the financial statements in the Commonwealth of The Bahamas, 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.

Key Audit Matter

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statement as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key Audit Matter (Continued)

As at December 31, 2019, the Corporation has investments with a carrying value of $59,096,033 (2018: $52,965,330) in Bahamas Government Registered Stock ("BGRS") representing 96.07% (2018: 93.87%) of the total assets. Investments are considered a key audit area due to their materiality in the context of the financial statement as a whole.

How the matter was addressed in our audit

Our audit procedures included obtaining a confirmation from the Central Bank of The Bahamas ("The Central Bank"), Registrar for BGRS, and comparing the recorded price of BGRS to their respective bid prices available from the Central Bank's website and considering the adequacy of disclosures of the investments in the Corporation's financial statements.

Other Information

Management is responsible for other information. Other information obtained at the date of this auditors' report is information included in the Corporation's Annual Report but does not include the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover other information and we do not express any form of assurance or conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

In preparing the 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.

The Board of Management is 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 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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other Matters

The comparative financial statements of the Corporation for the year ended December 31, 2018 were audited by another firm of Chartered Accountants who issued an unqualified opinion dated May 8, 2019.

Subsequent to the date of the statement of financial position, the world has been greatly affected by the coronavirus pandemic, known as COVID 19. This pandemic has created much uncertainty as to going concern issues for all entities (see Note 12).

March 19, 2020
Nassau, Bahamas

DEPOSIT INSURANCE CORPORATION

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2019

(Expressed in Bahamian dollars)

	Notes	2019	2018
ASSETS			
Cash and cash equivalents	4(e)	1,581,866	2,722,908
Investments	4(d), 6, & 10	59,096,033	52,965,330
Accrued interest receivable		828,348	731,347
Other assets		4,666	4,594
TOTAL ASSETS		**61,510,913**	**56,424,179**
LIABILITIES			
Unpaid claims		52,644	52,644
Accounts payable and accrued expenses		6,515	6,515
TOTAL LIABILITIES		**59,159**	**59,159**
NET ASSETS		**$ 61,451,754**	**$ 56,365,020**
EQUITY			
Capital	7	500,000	500,000
Deposit insurance fund		60,951,754	55,865,020
TOTAL EQUITY (Page 7)		**$ 61,451,754**	**$ 56,365,020**

Approved on behalf of the Board of Management and authorized for issuance on March 19, 2020.

Chairman
Board of Management

Member
Board of Management

DEPOSIT INSURANCE CORPORATION

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2019

(Expressed in Bahamian dollars)

	Notes	2019	2018
INCOME			
Premiums		3,105,368	3,149,425
Interest income		2,598,817	2,291,845
TOTAL INCOME		**5,704,185**	**5,441,270**
EXPENSES			
Administration fee	8	80,531	34,396
Public awareness campaign		2,675	20,441
Membership fee	9	17,592	18,223
Printing		7,431	7,431
Audit fees		6,810	6,514
Training		-	3,983
Board honorarium		4,200	3,000
Conferences		17,837	-
Miscellaneous		609	-
Website development		849	1,058
TOTAL EXPENSES		**138,534**	**95,046**
Net income		**5,565,651**	**5,346,224**
Other comprehensive (loss) / income			
Net change in unrealized (loss) / gain on investments		(478,917)	397,174
Total comprehensive income		**$ 5,086,734**	**$ 5,743,398**

DEPOSIT INSURANCE CORPORATION

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2019

(Expressed in Bahamian dollars)

	Capital	Deposit Insurance Fund	Total
As at December 31, 2017	500,000	50,121,622	**50,621,622**
Total comprehensive income	-	5,743,398	**5,743,398**
As at December 31, 2018	**500,000**	**55,865,020**	**56,365,020**
Total comprehensive income	-	5,086,734	5,086,734
As at December 31, 2019	**$ 500,000**	**$ 60,951,754**	**$ 61,451,754**

DEPOSIT INSURANCE CORPORATION

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2019

(Expressed in Bahamian dollars)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	**5,565,652**	**5,346,224**
Adjustment for:		
Interest income	(2,598,816)	(2,291,845)
Net Cash Provided by Operations before Changes in Operating Assets and Liabilities	**2,966,836**	**3,054,379**
Increase in accrued interest receivable	(97,001)	-
(Increase)/decrease in other assets	(72)	10,115
Net Cash Provided by Operating Activities	**2,869,763**	**3,064,494**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(8,168,521)	(5,067,874)
Proceeds from maturity of investments	1,558,900	1,847,000
Interest received	2,598,816	2,235,713
Net Cash Used in Investing Activities	**(4,010,805)**	**(985,161)**
NET (DECREASE)/INCREASE CASH AND CASH EQUIVALENTS	**(1,141,042)**	**2,079,333**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,722,908	643,575
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 1,581,866**	**$ 2,722,908**
Represented by:		
Cash at bank	**$ 1,581,866**	**$ 2,722,908**

DEPOSIT INSURANCE CORPORATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

1. GENERAL INFORMATION

The Deposit Insurance Corporation ("the Corporation") was established by the Protection of Depositors Act ("the Act") on September 30, 1999 to manage the Deposit Insurance Fund ("the Fund"). The Fund was established under the Act for the protection of depositors at member institutions. The Corporation insures Bahamian dollar deposits held at a member institution up to a maximum $50,000, for any single depositor, or such greater amount as the Minister of Finance ("the Minister") may prescribe on the advice of the Central Bank of The Bahamas ("the Central Bank").

The depositor of a member institution must submit a claim to the Corporation within one year from the date of 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.

Notwithstanding that the Corporation's capital contribution was paid by the Central Bank in accordance with the Act, it does not have the power to govern the financial and operating policies of the Corporation so as to obtain benefits from its activities. Accordingly, the Corporation is not considered a subsidiary of the Central Bank. Certain Members of the Board of Management of the Corporation are also Directors and Officers of the Central Bank.

The Registered office of the Corporation is located at the Central Bank, Frederick Street, Nassau, Bahamas.

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

(i) levy authorized contributions and premiums on member institutions;

(ii) arrange for restructuring of a failed member whether by merger with a financially sound member or otherwise; and

(iii) accumulate, manage and invest the surplus funds of the Corporation.

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

In 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.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

The new and revised IFRSs prescribe new accounting recognition, measurement and disclosure requirements applicable to the Corporation. When applicable, the adoption of the new standards was made in accordance with their transitional provisions; otherwise, the adoption is accounted for as change in accounting policy under IAS 8: "Accounting Policies, Changes in Accounting Estimates and Errors".

2.1 New and revised IFRSs applied for the first time in 2019

No new and revised standards have been adopted in the current year.

2.2 New and revised IFRSs in issue but not yet effective

At the date of authorization of these financial statements, the following Standards and Interpretations, which have not been applied in these financial statements, were in issue but not yet effective for the years presented:

A. Amendments to IAS 1 and IAS 8

The International Accounting Standards Board (IASB) issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition.

The new definition states that, "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (Continued)

2.2 New and revised IFRSs in issue but not yet effective (Continued)

B. Revised Conceptual Framework for Financial Reporting

The revised Conceptual Framework for Financial Reporting (the Conceptual Framework) is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist the Board in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The IASB issued the Conceptual Framework in March 2018. It sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards.

The Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

C. IFRS 17 - Insurance Contracts- effective from January 1, 2021

The Board of Management anticipates that the adoption of such standards and amendments to the standards in future periods, if applicable, will have no material impact on the Corporation's financial statements.

3. BASIS OF PREPARATION

(a) Statement of compliance

The Corporation's financial statements have been prepared in accordance with applicable International Financial Reporting Standards (IFRSs) and and are under the historical cost basis except for financial instruments that are measured either at fair value or amortized cost, as explained in the accounting policies (Note 4). Historical cost is generally based on the fair value of consideration given in exchange for assets.

(b) Functional and presentation currency

The financial statements are presented in Bahamian Dollars, which is the Corporation’s functional and presentation currency.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented.

(a) Income and expenses

(i) Premiums

The premium payable by a member institution in respect of the year in which it becomes a member institution shall be the same proportion of 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 institution, as the number of days in which any of the deposits with that member institution are insured by the Corporation in that year.

Thereafter, every member institution pays an annual premium equal to one twentieth of one percent of an amount equal to the average of the sum of those deposits insured by the Corporation and deposited with the member institution as of March 31 and September 30 in the immediately preceding premium year.

Premiums are recognized on an accrual basis when the Corporation's right to receive the premium is established.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Income and expenses (Continued))

(ii) Interest income

Interest income is recognized on the accrual basis using the effective interest method.

(iii) Expenses

Expenses are recognized on an accrual basis.

(b) Capital

Capital comprises the contribution paid by the Central Bank in accordance with Section 13(2) of the Act. The Act does not provide for member institutions to be shareholders of the Corporation and accordingly, these institutions do not hold equity in the Corporation.

(c) Deposit insurance fund

The Fund is managed by the Board of Management of the Corporation. Membership in the Fund is compulsory for every institution carrying on banking business wholly or partly in Bahamian dollars and licensed under the Banks and Trust Companies Regulation Act. The Fund comprises accumulated net earnings of the Corporation.

(d) Related parties

Related parties represent entities or individuals that can exercise significant influence or control over the operations and policies of the Corporation. The Central Bank and certain of its directors and officers are considered to be related parties of the Corporation.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Financial instruments

Recognition and Classification

The Corporation classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability, or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are recognized when the Company becomes a party to the contractual provisions of the instrument. When initially recognized, all financial assets are further grouped as subsequently measured at amortized cost, at fair value through other comprehensive income (FVTOCI), or at fair value through profit or loss (FVTPL), while financial liabilities are classified as subsequently measured at amortized cost or at FVTPL.

Derecognition

Financial instruments are derecognized on the trade date when the Corporation is no longer a party to the contractual provisions of the instrument.

Financial assets

Measurement

On initial recognition, the Corporation classifies its financial assets at fair value through other comprehensive income (FVOCI) and at amortized cost. The classification depends on the Corporation's business model for managing the asset and the instrument's contactual cash flow characteristics.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Financial instruments (Continued)

Financial assets (Continued)

(i) Financial assets at fair value through other comprehensive income (FVOCI)

Financial assets at fair value through profit or loss is the classification for financial assets where the contractual cash flows are solely for payment of principal and interest and the objective of the Corporation's business model is achieved by both collecting and contractual cash flows and selling the financial assets. Financial assets at fair value through other comprehensive are initially recognized at fair value. Unrealized gains and losses arising from changes in the statement of comprehensive income. Financial assets at FVOCI comprise investments.

(ii) Financial assets at amortized cost

A financial asset is measured at amortized cost if it is held in a business model whose objective is to hold the assets to collect the contractual cash flows, and its contractual terms give rise on specific dates to cash flows that are solely payments of principal and interest and not designated as at FVTPL. Balances included in this classification are cash at banks and accrued interest receivable.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank. Cash at bank is held with Central Bank.

Accrued interest receivable

Accrued interest receivable represents interest receivable on investments.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Financial instruments (Continued)

Financial assets (Continued)

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Corporation has access at that date. The Corporation measures investments in Bahamas Government Registered Stock at fair value based on bid prices available from the Central Bank.

Fair value hierarchy

The Corporation measures fair values using the following fair value hierarchy that reflects the significance of the inputs in making the measurements:

Level 1	-	Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2	-	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3	-	Inputs for the assets or liability that are not based on observable market data (i.e. unobservable inputs).

The level in the fair value hierarchy within which the fair value measurement is categorized is determined on the basis of the lowest level input that is significant to the fair value measurement. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, the measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Financial instruments (Continued)

Fair value hierarchy (Continued)

The determination of what constitutes "observable" requires significant judgement by the Corporation. The Corporation considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

Impairment of Financial Assets

The Corporation recognizes loss allowances for expected credit losses (ECLs) on financial assets measured at amortized cost. The Corporation measures loss allowance at an amount equal to lifetime ECLs, except for the following which are measured at 12- month ECLs:

- financial assets that are determined to have low credit risk at the reporting date; and
- other financial assets for which credit risk has not increased significantly since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Corporation considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Corporation's historical experience and informed credit assessment and including forward-looking information.

Lifetime ECLs are the ECLs that result from default events over the expected life of a financial instrument. 12- month ECLs are the portion of ECLs that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life is the instruments is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Corporation is exposed to credit risk.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Financial instruments (Continued)

Impairment of Financial Assets (Continued)

At each reporting date, the Corporation assesses whether financial assets carried at amortized

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default; or

It is probable that the borrower will enter bankruptcy or other financial reorganization.

Financial liabilities

The Corporation classifies its financial liabilities as other financial liabilities.

Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Balances included in this classification are unpaid claims and accounts payable and accrued expenses.

(f) Value added tax on premiums

Premiums are a statutory requirement and therefore not subject to value added tax.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Certain amounts included in or affecting the Corporation's financial statements and related disclosures must be estimated, requiring the Corporation's management to make assumptions with respect to values or conditions which cannot be known with certainty at the time the financial statements are prepared. A "critical accounting estimate" is one which is both important to the portrayal of the Corporation's financial position and results, and requires management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. Judgments are also made in disclosing any contingent assets and liabilities that exist at the date of the statement of financial position.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Note 4(e)	-	Fair value measurement
Note 10	-	Fair value of financial instruments
Note 11	-	Financial risk management

6. INVESTMENTS

Investments in Bahamas Government Registered Stocks are as follows:

Date of purchase	Maturity date	Interest rate	Fair value 2019	Interest rate	Fair value 2018
Aug. 28, 2001	Oct. 25, 2020	4.75	1,010,021	4.75	1,009,949
Jun. 19, 2002	Sep. 06, 2020	4.59	352,002	4.59	351,865
Dec. 02, 2004	Jul. 21, 2019	-	-	4.72	400,933
Apr. 06, 2005	Jul. 29, 2023	4.53	902,556	4.53	902,425
Nov. 14, 2005	Oct. 22, 2023	4.53	958,565	4.53	958,499
Jan. 18, 2006	Jan. 18, 2026	4.56	1,052,156	4.56	1,052,059
Sep. 28, 2006	Sep. 07, 2024	4.50	1,659,213	4.50	1,658,559
May. 25, 2007	Sep. 22, 2025	4.53	1,409,471	4.53	1,408,813
Jul. 04, 2007	Sep. 07, 2024	4.50	905,026	4.50	904,668
Jan. 22, 2008	Sep. 22, 2025	4.53	1,258,456	4.53	1,257,869
Jul. 22, 2008	Jan. 18, 2024	4.50	1,452,893	4.50	1,452,756
Feb. 06, 2009	Nov. 28, 2020	4.34	1,515,221	4.34	1,515,086
Feb. 02, 2010	Aug. 27, 2029	4.39	1,758,235	4.39	1,757,730
Jul. 26, 2010	Jul. 26, 2034	4.40	1,532,265	4.40	1,532,057
Jul. 26, 2010	Jul. 26, 2037	4.43	121,804	4.43	121,787
Feb. 15, 2011	Jul. 26, 2028	4.33	1,904,543	4.33	1,904,283
Nov. 10, 2011	Nov. 10, 2028	4.34	1,067,641	4.34	1,067,557
Jul. 16, 2012	Jul. 16, 2029	4.30	1,056,769	4.30	1,070,865
Jul. 16, 2012	Jul. 16, 2030	4.32	1,099,164	4.32	1,115,633
Jul. 16, 2012	Jul. 16, 2031	4.35	1,093,433	4.35	1,111,616
Sep. 25, 2012	Sep. 25, 2030	4.30	118,046	4.30	117,990
Sep. 25, 2012	Sep. 25, 2032	4.31	150,958	4.31	150,885
Apr. 17, 2013	Apr. 17, 2032	4.31	1,511,847	4.31	1,511,745
Apr. 17, 2013	Apr. 17, 2033	4.31	1,511,866	4.31	1,511,765
Jul. 26, 2013	Jul. 26, 2033	4.31	701,658	4.31	701,561
Jul. 26, 2013	Jul. 26, 2034	4.32	1,002,376	4.32	1,002,239
Oct. 23, 2013	Apr. 17, 2031	4.30	806,308	4.30	806,254
Feb. 03, 2014	Sep. 23, 2032	4.31	1,881,667	4.31	1,880,781
Jun. 27, 2014	Sep. 23, 2032	4.31	1,861,542	4.31	1,860,665
Balance carried forward			**31,655,702**		**32,098,894**

6. INVESTMENTS (Continued)

Date of purchase	Maturity date	Interest rate	Fair value 2019	Interest rate	Fair value 2018
Balance brought forward			**31,655,702**		**32,098,894**
Sep. 02, 2014	Sep. 23, 2031	4.30	332,055	4.30	331,899
Dec. 10, 2014	Oct. 30, 2021	3.52	1,013,667	3.52	1,020,388
Jan. 02, 2015	Oct. 30, 2021	3.52	810,934	3.52	816,311
Feb. 10, 2015	Oct. 30, 2021	3.52	253,417	3.52	255,097
Apr. 14, 2015	Jul. 16, 2031	4.35	285,243	4.35	289,987
May. 19, 2015	Sep. 23, 2031	4.30	201,246	4.30	201,151
Jul. 28, 2015	Sep.25, 2032	4.31	96,412	4.31	96,366
Jul. 28, 2015	Apr. 17, 2032	4.31	488,938	4.31	488,905
Jul. 28, 2015	Jul. 26, 2033	4.31	911,253	4.31	911,127
Sep. 02, 2015	Jul. 26, 2033	4.31	300,710	4.31	300,669
Oct. 20, 2015	Oct. 30, 2021	3.52	280,279	3.52	282,137
Oct. 20, 2015	Jul. 26, 2033	4.31	44,204	4.31	44,198
Nov. 18, 2015	Jul. 26, 2033	4.31	190,450	4.31	190,424
Dec. 22, 2015	Jul. 26, 2033	4.31	1,463,457	4.31	1,463,256
Aug. 26, 2016	Aug. 26, 2036	5.40	194,035	5.40	199,470
Sep. 13, 2016	Jul. 26, 2037	4.88	33,099	4.88	33,095
Sep. 15, 2016	Jul. 26, 2037	4.43	15,238	4.43	15,236
Sep. 15, 2016	Jul. 26, 2037	4.43	20,050	4.43	20,047
Oct. 03, 2016	Oct. 03, 2036	5.40	2,662,100	5.40	2,736,376
Nov. 07, 2016	Jan. 15, 2024	4.25	384,583	4.25	386,860
Dec. 05, 2016	Jan. 15, 2024	4.25	717,196	4.25	721,442
Dec. 05, 2016	Jan. 15, 2024	4.25	67,562	4.25	67,962
Apr. 24, 2017	Oct. 13, 2036	5.40	1,480,087	5.40	1,479,122
Jul. 14, 2017	Jul. 14, 2037	5.20	1,550,288	5.20	1,594,615
Oct. 13, 2017	Oct. 13, 2037	5.22	380,950	5.22	391,952
Dec. 15, 2017	Dec. 15, 2037	5.22	1,398,511	5.22	1,439,125
Mar. 29, 2018	Mar. 29, 2019		-	2.63	1,162,024
May. 10, 2014	Dec. 10, 2028	4.39	563,634	4.39	563,580
Balance carried forward			**47,795,300**		**49,601,715**

6. INVESTMENTS (Continued)

Date of purchase	Maturity date	Interest rate	Fair value 2019	Interest rate	Fair value 2018
Balance brought forward			**47,795,300**		**49,601,715**
Jul. 13, 2017	Jul. 13, 2038	4.06	1,662,702	4.06	1,711,791
Aug. 15, 2018	Jul. 13, 2038	5.06	268,673	5.06	276,605
Sep. 14, 2018	Jul. 13, 2038	4.06	79,810	4.06	82,166
Oct. 15, 2018	Oct. 15, 2038	5.00	398,011	5.00	409,795
Nov. 16, 2018	Oct. 15, 2048	5.50	35,793	5.50	36,382
Dec. 14, 2018	Oct. 15, 2048	5.50	833,159	5.50	846,876
Jan. 15, 2019	Jan. 15, 2049	5.50	828,883	-	-
Feb. 15, 2019	Oct. 3, 2036	5.40	2,220,130	-	-
Mar. 15, 2019	Jan. 15, 2049	5.50	44,541	-	-
Apr. 15, 2019	Apr. 15, 2049	5.55	789,407	-	-
May. 15, 2019	Apr. 15, 2039	5.04	675,381	-	-
Jun. 17, 2019	Apr. 15, 2039	5.04	506,195	-	-
Jun. 17, 2019	Dec. 15, 2027	4.82	1,340,565	-	-
Jul. 15, 2019	Jul. 15, 2039	5.14	283,707	-	-
Jul. 19, 2019	Jul. 15, 2049	5.60	401,507	-	-
Aug. 16, 2019	Oct. 3, 2036	5.40	218,416	-	-
Aug. 26, 2019	Jul. 15, 2049	5.60	54,183	-	-
Oct. 15, 2019	Oct. 15, 2039	5.29	329,835	-	-
Nov. 15, 2019	Oct. 15, 2039	5.29	329,835	-	-
TOTAL			**$ 59,096,033**		**$ 52,965,330**

The movement in unrealized (loss)/gain on investments is as follows:

	2019	2018
Beginning balance	471,561	74,387
Net change in unrealized (loss)/gain	(478,917)	397,174
	$ (7,356)	**$ 471,561**

7. CAPITAL

The authorized capital of the Corporation is $1,000,000. The initial contribution to the Corporation was $1,000,000 of which $500,000 was paid by the Central Bank in accordance with Section 13(2) of the Act and recognized as capital in the statement of financial position. The remaining contribution of $500,000 was levied on member institutions in accordance with Section 5(1) of the Act and was recognized as premiums in the statement of comprehensive income.

8. ADMINSTRATION FEE

The Corporation pays an administration fee of $30,710 per annum to the Central Bank, plus out-of-pocket expenses paid on behalf of the Corporation.

9. MEMBERSHIP FEE

As a member of IADI, the Corporation pays an annual membership fee of $17,592 (2018: $18,223).

10. FAIR VALUE OF FINANCIAL INSTRUMENTS

Management estimates that the carrying value of the financial assets and liabilities disclosed in the statement of financial position approximate their fair values at the reporting date for one or more

(i) Short-term maturities;
(ii) Interest rates approximate market rates; and
(iii) Carrying values approximate fair values.

Fair value hierarchy

The table below shows the fair value hierarchy level for financial assets measured at fair value as of December, 2019:

Fair value measurements as at 31 December 2019:

	Level 1	Level 2	Level 3	Total
	$	$	$	$
Financial assets at FVOCI				
Investments	-	59,096,033	-	**59,096,033**

Fair value measurements as at 31 December 2018:

	Level 1	Level 2	Level 3	Total
	$	$	$	$
Financial assets at FVOCI				
Investments	-	52,965,330	-	**52,965,330**

11. FINANCIAL RISK MANAGEMENT

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

Credit risk

Credit risk is the possibility that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered with the Corporation and causes the Corporation to incur a financial loss. It arises principally from cash at bank, investments and accrued interest receivable.

Impairment on cash at bank, investments and accrued interest receivable have been measured on a 12 month expected loss basis and reflects the short maturities of the exposure. The Corporation considers that these exposures have low credit risk based on external credit ratings of counterparties. The Corporation monitors changes in credit risk on these exposures by tracking published external credit ratings of counterparties.

The Corporation did not recognize any impairment allowance on cash at bank, investments and accrued interest receivable in 2019.

The maximum exposure to credit risk for the Corporation at the reporting date equals the carrying value of its financial assets in the statement of financial position.

Liquidity risk

Liquidity risk is the possibility that the Corporation will encounter difficulties in meeting obligations arising from its financial liabilities that are settled by delivering cash or another financial asset, or that such obligations will have to be settled in a manner disadvantageous to the Corporation. The Corporation's objective is to ensure sufficient liquidity to meet its obligations when due. The Corporation's financial assets consist primarily of investments in Bahamas government debt, which are considered to be readily realizable. Ultimate responsibility for management of liquidity risk rests with the Board of Management. The Board of Management manages liquidity risk by monitoring expected cash flows from premiums and investments.

11. FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk (Continued)

The following table summarizes the carrying amounts of financial assets and liabilities of the Corporation into relevant maturity groups based on expected contractual maturities as at December 31, 2019. The table includes only principal cash flows.

2019	Within 1 year	2 to 5 years	Over 5 years	Total
Financial assets				
Financial assets at amortized cost				
Cash at bank	1,581,866	-	-	**1,581,866**
Accrued interest receivable	828,348	-	-	**828,348**
	2,410,214	-	-	**2,410,214**
Financial assets at FVOCI				
Investments	2,877,244	9,405,891	46,812,898	**59,096,033**
	$ 5,287,458	**$ 9,405,891**	**$ 46,812,898**	**$ 61,506,247**
Financial liabilities				
Other financial liabilities				
Unpaid claims	52,644	-	-	**52,644**
Accounts payable and accrued expenses	6,515	-	-	**6,515**
	$ 59,159	**$ -**	**$ -**	**$ 59,159**

2018	Within 1 year	2 to 5 years	Over 5 years	Total
Financial assets				
Financial assets at amortized cost				
Cash at bank	2,722,908	-	-	**2,722,908**
Accrued interest receivable	731,347	-	-	**731,347**
	3,454,255	-	-	**3,454,255**
Financial assets at FVOCI				
Investments	1,562,957	7,111,755	44,290,618	**52,965,330**
	$ 5,017,212	**$ 7,111,755**	**$ 44,290,618**	**$ 56,419,585**
Financial liabilities				
Other financial liabilities				
Unpaid claims	52,644	-	-	52,644
Accounts payable and accrued expenses	6,515	-	-	6,515
	$ 59,159	**$ -**	**$ -**	**$ 59,159**

11. FINANCIAL RISK MANAGEMENT (Continued)

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk:

(i) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Corporation does not engage in transactions in currencies other than the Bahamian dollar. Accordingly, The Corporation has no exposure to foreign currency risk.

(ii) Interest rate risk

Interest rate risk arises from the possibility that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Corporation is exposed to interest rate risk arising from its investments. If interest rates had been 1% higher/lower, with all other variables remaining constant, net assets would have increased/decreased by $590,960 (2018: $529,653) as a result of the change in interest rates.

(iii) Other price risk

Other price risk is the possibility that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market. It embodies not only the potential for loss but also the potential for gain. The Corporation does not hold equity securities.

11. FINANCIAL RISK MANAGEMENT (Continued)

(d) ***Capital management***

The Corporation manages its net assets to ensure that it will be able to continue as a going concern while meeting its obligations. The capital of the Corporation is represented by its net assets. The Corporation is not subject to externally imposed capital requirements, and there were no changes in the management of capital during the year. The key mechanism used to manage the level of capital is premium assessments. The Corporation levies premiums at an annual rate of one twentieth of one percent of the insured deposit. The adequacy of net assets will be based primarily on the assessed risk posed by member institutions. In relation to its insurance obligations, the Corporation's main exposure is to any unexpected loss from the insolvency of a member institution which is not readily estimated due to the unavailability of data on specific loss experience. In accordance with the Act, where the Corporation had made or is likely to make claim payments to depositors which have exhausted or are likely to exhaust the Fund, the Corporation shall furnish the Minister with an estimate of the amount necessary to meet the obligations of the Fund in the year next succeeding, and the Minister, on the advice of the Central Bank after consultation with the member institutions, may by order require that special contributions be levied on them.

12. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the date of the statement of financial position, the world has been greatly affected by the coronavirus pandemic, known as COVID 19. This pandemic is expected to have an unprecedented effect on the world's economy.

The Corporation is closely monitoring its operations, liquidity, and capital resources, and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these financial statements the full impact to the Corporation's financial position is not known.

It is anticipated that premium and investment income should be adequate to enable the Corporation to continue meeting its obligations while weathering any fall-out from this pandemic.

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