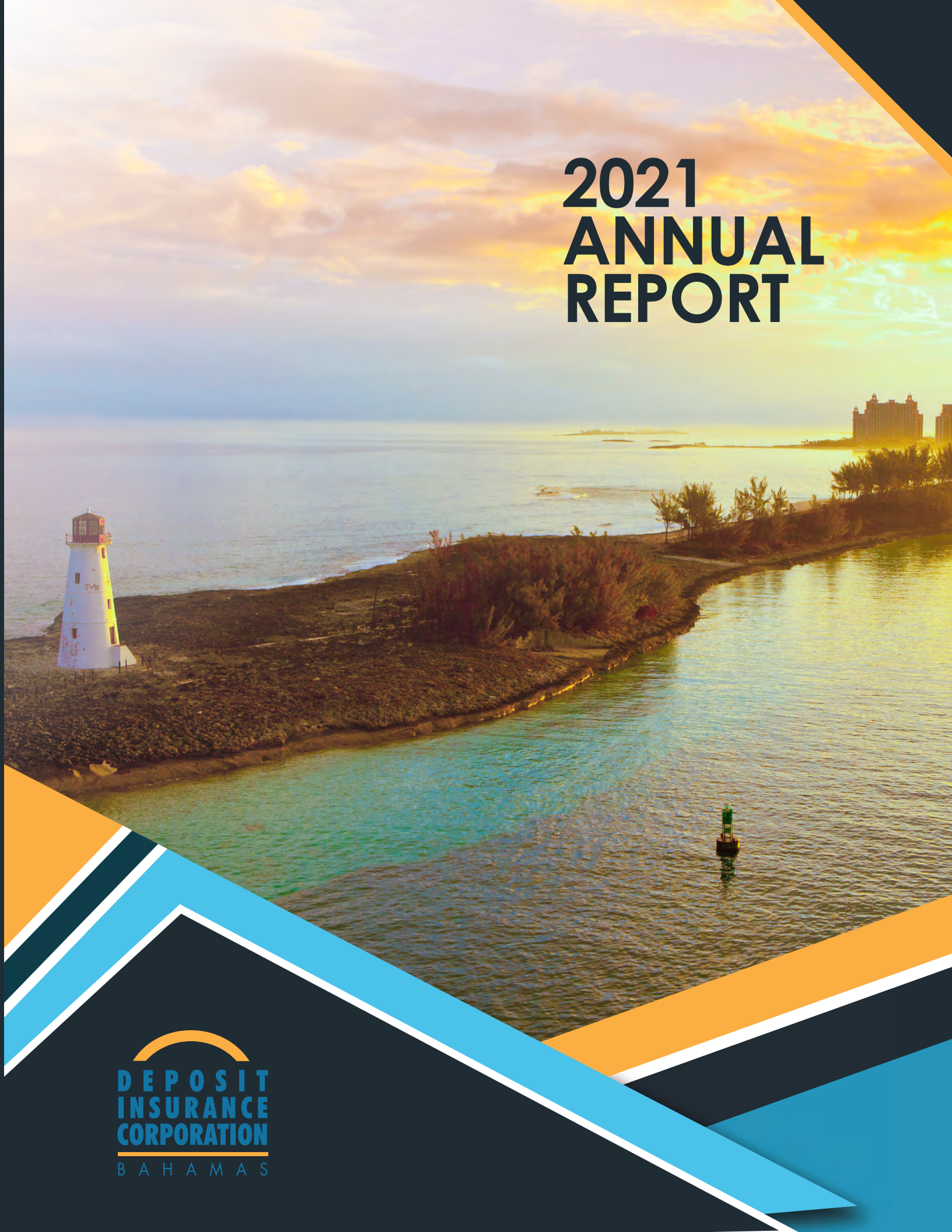

2021 ANNUAL REPORT

DEPOSIT INSURANCE CORPORATION
BAHAMAS

Safeguarding Your Funds

The Deposit Insurance Corporation (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.

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DEPOSIT INSURANCE CORPORATION
BAHAMAS

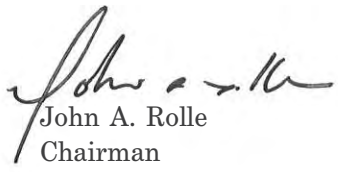
30 November, 2022

The Hon. Philip Davis
Prime Minister and Minister of Finance
Ministry of Finance
Cecil Wallace-Whitfield Centre
West Bay Street
Nassau, N.P., Bahamas

Dear Prime Minister:

In accordance with Section 19 of the Protection of Depositors (Amendment) Act, 2020, I have the honour of forwarding to you, on behalf of the Board of Directors, the Annual Report of the Deposit Insurance Corporation for the financial year ended 31 December, 2021. 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

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.

Acronyms

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

DIF
Deposit Insurance Fund

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

About the Deposit Insurance System in The Bahamas

The Deposit Insurance Corporation ("DIC") was established under the Protection of Depositors Act, 1999 ("the Act"), following the closure of Gulf Union Bank (Bahamas) Limited ("Gulf Union"), which was placed into liquidation on 12th December, 1997. The arrangement was set up to administer and manage the Deposit Insurance Fund (the Fund) and in an effort to protect the financial system from the effect of the bank's failure.

The DIC Act was approved in Parliament on 30th September, 1999, and came into full effect on 10th November, 1999. It made membership in the Fund compulsory for every banking institution carrying on business in Bahamian currency and provided insurance coverage retroactively to depositors of Gulf Union. The coverage of Bahamian dollar deposits, up to a maximum of $50,000, protected almost 90 percent of the respective deposits of Gulf Union.

The DIC was funded by a compulsory initial contribution of $1 million dollars, of which $0.5 million was required to be paid by the Central Bank and was payable by member institutions. Each member's initial contribution was based on the pro-rata percentage share of insured deposits on the last day of the month in which the Act came into force. However, the member institutions do not hold an equity position in the DIC.

Upon establishment, the DIC floated a $6.75 million 5-year bond (with an annual interest rate of 6¼ percent), which was fully guaranteed by the Government. These funds were used to reimburse the depositors of Gulf Union.

In 2020, the DIC achieved an important reform milestone, which strengthened and expanded the insurance mechanism and governance arrangements. In particular, the Protection of Depositors (Amendment) Act, 2020, which came into force on 1st September, 2020, extended compulsory membership to seven credit unions. At the date of enrolment, credit unions had approximately 97,959 accounts, holding $425.4 million in Bahamian dollar deposits. This reform significantly expanded the DIC's mandate of contributing to the financial stability of the domestic financial sector.

The Deposit Insurance Corporation ("DIC") was established under the Protection of Depositors Act, 1999.

Box 1

DIC Facts

The Bahamas' Deposit Insurance Corporation was established on September 30, 1999, by the Protection of Depositors Act, for the purpose of administering the DIC and managing the Deposit Insurance Fund.

1. Membership is compulsory and restricted to banks and credit unions licensed or registered by the Central Bank, which hold Bahamian dollar deposits.

2. The Central Bank is responsible for the daily operations of the DIC and provides staff and administrative services to the Corporation.

3. The DIC covers Bahamian dollar deposits in checking, savings, demand and time (or fixed) accounts held in member institutions.

4. Eligible deposits in a member institution, inclusive of principal and interest, are insured up to a maximum of B$50,000 per depositor, based on the nature and ownership of deposits.

5. Deposit accounts held in different ownership categories are covered separately, each up to the B$50,000 limit. Account ownership categories are: individual (single owner), joint, company and trust or client asset accounts.

6. Deposits denominated in foreign currencies are not insured by the DIC.

7. Deposits held at different member institutions are separately insured. However, opening several accounts at different branches of the same member institution or at the same branch, will not increase the insurance deposit payout.

8. Place of residence or nationality does not affect deposit insurance protection.

9. The DIC does not cover the following for credit unions: stabilization funds or credit unions' liquidity deposits, qualifying shares, or equity shares (share accounts).

10. The DIC does not cover deposits of government and statutory corporations or public financial institutions or any arm of the central government.

11. The DIC does not cover inter-bank or member institutions' affiliate deposits.

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

Corporate Profile

BOARD OF DIRECTORS

John Rolle	Chairman of the Board of Directors, Governor, Central Bank of The Bahamas
Simon Wilson	Financial Secretary, Ministry of Finance
James Carey	Senior Consultant, Independent Solutions Ltd.
Jeffrey Beckles	Managing Director, IslandPay Group Ltd.
Karen Rolle	Inspector of Banks and Trust Companies, Bank Supervision Department, Central Bank of The Bahamas
Rochelle Deleveaux-McKinney	Legal Counsel, Central Bank of The Bahamas

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

Karranda Smith	Lead Supervisor
Cheryl Forbes	Assistant Lead Supervisor
Charles Greenslade	Analyst II

AUDITOR

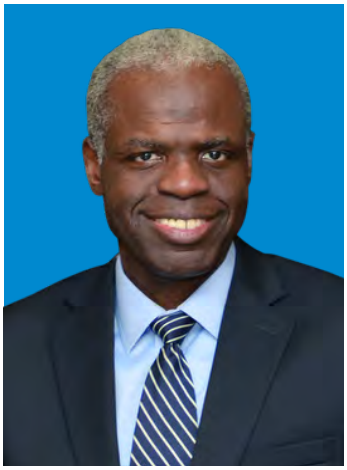
PKF Bahamas
26 Elizabeth Avenue
P.O. Box N-8335
Nassau, Bahamas

OFFICE
DEPOSIT INSURANCE CORPORATION

Bahamas Financial Center, 3rd Floor
Charlotte Street
P.O. Box N-4868
Nassau, Bahamas
Website: www.dic.bs
Email: info@dic.bs
Telephone: (242) 302-2766/302-9820

BANKER

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



Message from the Chairman

In 2021, the Bahamian economy began to rebound from the adverse impact of the COVID-19 pandemic, albeit at a lagging pace, due to the recovery of international tourism relative to other delayed pandemic-stricken activities.

Risks also continued to be present from fluctuating COVID-19 conditions. Alongside tourism, the economy benefited from sustained foreign investment, including an expansion in high-end real estate flows, which contributed to increased construction sector activity.

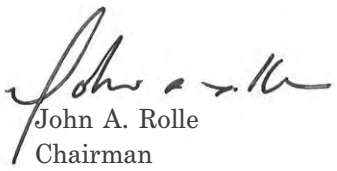
These trends have helped to support resumed employment for displaced workers and improved financial outcomes for the government. The recovery onset also substantially stabilized DIC member institutions' credit quality exposures, following significant loan loss provisions that were made in 2020. In this regard, the Central Bank remained vigilant in its risk-based supervisory oversight of financial institutions, particularly DIC members. The Central Bank also continued to focus on strengthening its supervisory frameworks, in line with international best practices and the differentiated prudential and governance needs of banks and credit unions.

During the year, the Corporation continued to work on its strategic goals to build operational capacity, enhance public confidence in the financial sector and maintain compliance with international principles for effective deposit insurance schemes. Work towards a strengthened domestic crisis management framework is essential in these objectives. Leveraging the enhanced statutory arrangements, in 2021, the Central Bank (the Bank), therefore, formed an in-house Recovery and Resolution ("RR") Working Group to begin to develop a recovery and resolution framework for The Bahamas. The Bank also enlisted the International Monetary Fund to provide technical assistance on operationalizing a recovery framework for banks and credit unions. Within the DIC's operation, support was also engaged with counterpart deposit insurance agencies from Canada and Brazil, under the auspices of the International Association of Deposit Insurers.

Meanwhile, in 2021 the number of member institutions of the Deposit Insurance Fund remained at 18, inclusive of 7 credit unions, 9 commercial banks, and 2 banks and trust companies that hold Bahamian dollar deposits. However, with annual premium assessments and earnings on the invested assets, the Deposit Insurance Fund increased by $6.9 million (10.3 percent) to circa $73.6 million. The deposit insurance premium rate remained at one-twentieth of one percent of the average insurable dollar deposits held with member institutions at 31st March and 30th September of the previous year.

In our governance arrangements, during 2021, Mr. Simon Wilson rejoined the DIC Board in the capacity of Financial Secretary, replacing Mr. Marlon Johnson, whose tenure ended in September 2021. I would like to thank Mr. Johnson and the entire DIC Board of Directors for their continuous strategic guidance over of the DIC's operations. I am also grateful to the staff of the Central Bank, who continued to provide technical and administrative support to the Corporation.

Looking ahead to 2022, the Board and Staff of the DIC remain committed to advancing the Corporation's mission of promoting depositor protection and financial stability.



John A. Rolle
Chairman
Deposit Insurance Corporation

Board of Directors

John Rolle

Chairman of the Board
Appointed: January 2016

Mr. Rolle worked at the Central Bank in various capacities during 1990 through 2012. He was appointed as the Governor of the Central Bank in January 2016. He served as the Financial Secretary in the Ministry of Finance for three years and from 2009 to 2012 as a Senior Advisor to the Executive Director for Canada, Ireland and the Caribbean Constituency, while seconded to the Executive Board of the International Monetary Fund.

Simon Wilson

Appointed: September 2021

Mr. Wilson was appointed as the Financial Secretary in January 2016. He has over 30 years of experience in the Ministry of Finance, having served in various capacities including Deputy Financial Secretary and Head of the Economics Unit.

Jeffrey Beckles

Appointed: July 2020

Mr. Beckles joined the team at Island Pay as a Managing Director in 2020. Prior to this, he served as Chief Executive Officer of The Bahamas Chamber of Commerce and Employers' Confederation for nearly two years, where he lead key private sector initiatives that drove stronger public policy and legislation to strengthen the economic environment.

James Carey

Appointed: September 2019

Mr. Carey joined Insurance Management Bahamas Ltd. in March of 1980 and advanced from a Branch Manager to a Director. He served as a bridge builder for the Insurance Management brand, particularly in Grand Bahama and the northern Bahamas. He retired after 41 years of service in June 2021 and now serves as Senior Consultant at Independent Solutions Ltd. and President of the Grand Bahama Chamber of Commerce.

Rochelle Deleveaux-McKinney

Appointed: September 2021

Mrs. Rochelle Deleveaux-McKinney heads the Central Bank's Legal Unit. She joined the Central Bank in 2000, after practicing law in both the public and private sectors.

Karen Rolle

Appointed: July 2014

Ms. Rolle joined the Central Bank's Bank Supervision Department in 1994, serving in various capacities, including as the Deputy Inspector of Banks and Trust Companies and until most recently as the Acting Inspector. In July 2022, she assumed the position of Inspector of Banks and Trust Companies.

About the Deposit Insurance Corporation

The Deposit Insurance Corporation is a statutory body, established on 30 September, 1999.

The DIC uses an ex-ante funding model. Premiums are levied on member institutions at a rate of one-twentieth of one percent (0.05%) of the average sum of deposits insured by the DIC and deposited with member institutions as of 31st March and 30th September in the previous year. The premium is half payable in two equal instalments on or before 31 March and 30 September of each year.

The Corporation currently has no direct employees. The Central Bank is responsible for the daily operations of the DIC and provides the dedicated staff resources and administrative services.

DEPOSIT INSURANCE COVERAGE

The DIC insures only Bahamian dollar denominated deposits placed with a member institution in any of its branches in The Bahamas. Coverage is up to a maximum of B$50,000 for any single depositor depending on the nature of the ownership of the deposit. Deposit insurance payouts are made to insured depositors only when a member institution has been closed as a result of action taken by the Central Bank.

WHAT IS COVERED?

The accounts and products insured by the DIC include:

- Checking accounts
- Savings accounts
- Demand and time (or fixed) accounts
- Other accounts payable, for which a certificate, receipt, cheque, money order, draft or other payment instrument has been issued by the member institutions and for which the member is primarily liable.

WHAT IS NOT COVERED?

The types of products that are not covered by the DIC include:

- Cooperative credit unions' stabilization funds
- Liquidity deposits of cooperative credit unions
- Capital of cooperative credit unions, including qualifying shares, equity shares, statutory reserves, and retained earnings
- Letters of credit
- Standby letters of credit or instruments of a similar nature
- Subordinated debts
- Preference shares
- Inter-bank deposits
- Foreign currency deposits
- Deposits of Government and statutory corporations
- Deposits of foreign governments
- Deposits in any financial institution wholly-owned by the government
- Deposits from affiliates of member institutions
- Deposits of any depositor who is shown to have been a party to or profited from the circumstances giving rise to a member institution's failure.

Box 2

Recovery and Resolution Planning

The 2020 amendments to the Central Bank Act and Banks and Trust Companies Regulation Act empowered the Central Bank to function as the Resolution Authority for banks and trust companies. To advance this framework, a Resolution Working Group was formed in January 2021 with members of the Central Bank and the DIC to develop and operationalize the recovery and resolution recovery framework in The Bahamas.

The inceptive work of the Working Group revolved around review of the relevant parts of the current legislative framework and benchmarking policies and procedures against international best practices and standards, in order to frame policies aligned with The Bahamas' legal framework. The Working Group drafted revisions to several existing guidance documents including, Guidelines for the Internal Capital Adequacy Assessment Process (ICAAP), a Guide to the Central Bank's Ladder of Supervisory Intervention, and developed new Recovery Planning Guidelines. The group also prepared papers on, the role of the Statutory Administrator in Resolving a Failed Bank, the streamlining of the roles of the Central Bank, the Deposit Insurance Corporation and the Ministry of Finance in the recovery and resolution framework.

The Central Bank also engaged technical assistance (TA) from the International Monetary Fund (IMF). In October 2021, the IMF conducted the first of a two-part mission to assist the Central Bank and the DIC in operationalizing the new recovery framework and the amended deposit insurance legislation. The deliverables included recommended updates to the Central Bank's early intervention framework and strengthening institutional arrangements for bank resolutions, by establishing a clear separation between the supervision and resolution functions. Input was also provided on development of a resolution toolkit, fine-tuning resolution safeguards in legislation, and a comprehensive review towards amendment of the Bahamas Co-operative Credit Unions Act, 2015. Also of note, the TA mission proposed strengthening the domestic inter-agency cooperation and coordination and establishing MOUs with home authorities, specifically, on financial crisis management, recovery, and resolution. In regard to the DIC, the IMF recommended reviewing staff resources needs, enhancing reimbursement arrangements, developing guidance for purchase and assumption transactions in resolution, and strengthening the funding arrangement through a back-up funding facility and higher target fund and increasing levies.

The IMF is scheduled to undertake a follow-up TA mission in the fourth quarter of 2022. This would provide further guidance on the development of the resolution regime, including resolvability assessments and resolution plans, as well as next steps in restructuring and operationalizing the DIC.

Providing additional assistance in 2021, the International Association of Deposit Insurers (IADI) facilitated technical discussions with the Canada Deposit Insurance Corporation (CDIC) and Fundo Garantidor de Créditos (FGC), Brazil, on their respective experiences on recovery and resolution.

The Central Bank also initiated its industry engagement and consultation on recovery planning. During the fourth quarter of 2021, the Bank released its Draft Recovery Planning Guidelines to the Industry for a 60-day consultation. As a part of a pilot, several domestic and international banks were enlisted to prepare their recovery plans for submission to the Central Bank by 31st May, 2022, ahead of the proposed deadline for the rest of the industry.

Strategic Direction

The focal point of the DIC's strategic direction concentrates on advancing work in line with the recommendations from the International Monetary Fund

GOVERNANCE

- Expand the composition of the DIC board to include additional independent members.
- Expand the analytical work of the DIC to include least-cost options in resolution.
- Formalize information-sharing agreements with the Central Bank and Ministry of Finance.

DEPOSITOR REIMBURSEMENT

- Prepare reform actions towards a progressively declining target number of days in which to complete claims payout, in line with industry standards.
- Issue Guidelines to member institutions on the data and system requirements for identifying, capturing, producing, and reporting depositor data to the DIC.
- Pre-establish arrangements with paying agents.

FINANCING

- Review the adequacy of the DIC target fund ratio and determine variation in premiums required to meet the funding target ratio.
- Establish formalized emergency back-up funding arrangements.

PUBLIC AWARENESS

- Establish a formal program for public awareness across a broad range of communications media.
- Test the effectiveness of the public awareness program.

SCENARIO TESTING

- Conduct crisis management simulations around the procedures on reimbursement and funding.

Box 3

Frequently Asked Questions

1. WHAT IS DEPOSIT INSURANCE?

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.

2. WHAT IS THE DEPOSIT INSURANCE CORPORATION?

The Deposit Insurance Corporation (DIC) is a statutory body established in September 1999 to provide deposit insurance protection arrangements. The DIC is responsible for the administration and management of the Deposit Insurance Fund.

3. WHAT IS THE DEPOSIT INSURANCE FUND?

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.

4. WHAT IS AN EX-ANTE FUNDING SYSTEM?

An ex-ante fund accumulates and maintains financial resources to cover deposit insurance claims. The fund consists primarily of premiums collected from member institutions of the deposit insurance system.

5. ARE ALL BANKS AND CREDIT UNIONS MEMBERS OF THE DEPOSIT INSURANCE FUND?

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, 2020 and credit unions registered under The Bahamas Co-operative Credit Unions Act, 2015. A list of member institutions of the DIC may be obtained by accessing the DIC's website at www.dic.bs.

6. MUST A DEPOSITOR REGISTER FOR DEPOSIT INSURANCE PROTECTION?

No. Depositors 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.

7. WHAT ARE ELIGIBLE DEPOSITS?

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

8. WHAT TYPES OF DEPOSITS ARE INSURED?

Bahamian dollar deposits in checking, savings, demand, and time (or fixed) accounts held in member institutions are insurable by the DIC. Additional insured deposits include other accounts payable, for which a certificate, receipt, cheque, money order, draft or other payment instrument has been issued by member institutions and for which member institutions are primarily liable.

9. ARE THERE ANY DEPOSIT TYPES THAT ARE NOT COVERED BY DEPOSIT INSURANCE?

Yes. Not included in covered deposits are credit unions' stabilization funds, liquidity depos-

its, and capital (comprising qualifying shares, equity shares, statutory reserves and retained earnings). Uncovered deposits of member institutions also include letters of credit, standby letters of credit or instruments of a similar nature, subordinated debts, preference shares, inter-bank deposits, foreign currency deposits, deposits of government and statutory corporations, deposits of foreign governments, deposits in any financial institution wholly-owned by the government, deposits from affiliates or members of the same group of entities and deposits of any depositor who is shown to have been a party to or profited from the circumstances giving rise to a member institution's failure.

10. WHAT IS THE MAXIMUM DEPOSIT AMOUNT INSURED BY THE DIC?

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

11. WHAT IS THE MEANING OF THE TERM "SAME RIGHT AND CAPACITY?"

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.

12. IS INTEREST OWING ON A DEPOSIT INCLUDED IN THE INSURABLE AMOUNT?

Yes. The DIC insures both principal and interest for eligible deposits, 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. If however, 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.

13. ARE DEPOSITS OF NON-RESIDENTS PROTECTED?

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

14. IF DEPOSITS ARE HELD IN SEVERAL MEMBER INSTITUTIONS, WILL THEY BE AGGREGATED FOR DEPOSIT INSURANCE PROTECTION PURPOSES?

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

15. CAN DEPOSIT INSURANCE PROTECTION BE INCREASED BY DEPOSITING FUNDS INTO SEVERAL BRANCHES OF THE SAME MEMBER INSTITUTION?

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.

16. 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, for example, if 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 B$50,000.

17. WOULD THE BORROWER'S OBLIGATIONS TO THE MEMBER 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 credit obligation contracts with the institutions.

18. 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, unable or likely to become unable to meet its obligations, or is about to suspend payments.

19. 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.

DIC Member Institutions

Total B$ Deposits (Millions)

Commercial Banks	2017	2018	2019	2020	2021
Bank of The Bahamas Ltd. **Date of Licence: 28th July, 1970**	590.7	577.7	634.8	718.7	680.6
Citibank N.A. **Date of Licence: 17th January, 1966**	72.3	74.9	76.1	68.5	69.7
Commonwealth Bank Ltd. **Date of Licence: 10th October, 1966**	1,238.1	1,277.3	1,335.6	1,376.3	1,426.0
Fidelity Bank (Bahamas) Ltd. **Date of Licence: 11th July, 1978**	461.2	492.8	521.8	535.1	552.3
Finance Corporation of Bahamas Ltd. **Date of Licence: 23rd May, 1966**	568.1	492.1	430.4	373.2	318.1
FirstCaribbean International Bank(Bahamas) Ltd. **Date of Licence: 7th December,1995**	1,209.1	1,179.5	1,542.1	1,515.4	1,518.4
RBC Royal Bank (Bahamas) Ltd. **Date of Licence: 26th October, 2010**	1,493.3	1,444.8	1,654.8	1,800.9	1,747.7
RF Bank & Trust (Bahamas) Ltd. **Date of Licence: 15th September, 1998**	71.8	59.4	70.4	105.0	238.0
Scotiabank (Bahamas) Ltd. **Date of Licence: 26th March, 1998**	920.9	883.9	988.9	965.8	1,070.5
Total: Commercial Banks	**6,553.7**	**6,423.0**	**7,184.5**	**7,353.9**	**7,383.4**

Other Member Banks	2017	2018	2019	2020	2021
Ansbacher (Bahamas) Ltd. **Date of Licence: 17th January, 1966**	2.8	8.7	2.4	2.8	6.4
The Bank of Nova Scotia Trust Company (Bahamas) Ltd **Date of Licence: 1st April, 1966**	0.2	0.3	1.4	1.9	1.9
Total: Commercial Banks	**3.0**	**9.0**	**3.8**	**4.7**	**8.3**
Total: Members Banks	**6,628.5**	**6,491.3**	**7,258.6**	**7,463.6**	**7,629.7**

DIC Member Institutions

Total B$ Deposits (Millions) Continued

Credit Unions	2017	2018	2019	2020	2021
Bahama Islands Co-operative Credit Union Ltd. **Date of Registration: 28th May, 1986**	33.0	38.3	42.1	42.9	45.9
Bahamas Law Enforcement Co-operative Credit Union Ltd. **Date of Registration: 1st January, 2001**	43.9	45.3	48.1	53.1	56.4
National Workers Cooperative Credit Union Ltd. **Date of Registration: 17th November, 1976**	54.8	60.6	62.5	64.1	60.4
One Eleuthera Cooperative Credit Union Ltd. **Date of Registration: 9th February, 2016**	0.6	1.0	1.1	1.3	1.5
Public Workers' Co-operative Credit Union Ltd. **Date of Registration: 28th December, 1979**	31.1	34.6	38.0	39.2	36.2
Teachers & Salaried Workers Co-operative Credit Union Ltd. **Date of Registration: 14th February, 1977**	183.6	189.2	199.4	196.1	189.2
The Grand Bahama Co-operative Credit Union Ltd. **Date of Registration: 17th September, 1980**	15.3	16.5	20.1	20.2	19.5
Total: Credit Unions	**362.2**	**385.5**	**411.3**	**416.9**	**409.1**
Total: All Member Banks and Credit Unions	**6,990.7**	**6,876.8**	**7,670.0**	**7,880.5**	**8,038.8**

Bahamian Dollar Depositor Data (2017-2021)

Banks (B$ Millions)	2017	2018	2019	2020	2021
Demand Deposits	$2,469.3	$2,474.0	$3,118.9	$3,269.6	$3,489.8
Number of Accounts*	98,156	108,274	111,412	112,229	116,334
Savings Deposits	$1,369.2	$1,425.1	$1,646.8	$1,800.6	$1,896.7
Number of Accounts*	269,011	274,429	291,626	292,998	304,791
Fixed Deposits.	$2,790.0	$2,592.3	$2,492.9	$2,393.4	$2,243.2
Number of Accounts*	27,058	25,352	24,965	24,044	23,119
Total Deposits	**$6,628.5**	**$6,491.4**	**$7,258.6**	**$7,463.6**	**$7,629.7**
Number of Accounts*	**394,225**	**408,055**	**428,003**	**429,271**	**444,244**

Member Credit Unions (B$ Millions)	2017	2018	2019	2020	2021
Member Deposits	$353.2	$370.2	$394.6	$402.3	$398.0
Number of Accounts*	97,086	117,128	123,476	94,247	92,719
Non- Member Deposits	$9.1	$16.0	$16.7	$14.6	$11.1
Number of Accounts*	2,523	3,671	4,620	4,302	3,014
Total Deposits	**$362.2**	**$386.2**	**$411.3**	**$416.9**	**$409.1**
Number of Accounts*	**99,609**	**120,799**	**128,096**	**98,549**	**95,733**

Total: All Member Banks and Credit Unions Deposit	**$6,990.7**	**$6,877.6**	**$7,670.0**	**$7,880.5**	**$8,038.8**
Total: All Member Banks and Credit Unions Number of Accounts	**493,834**	**528,854**	**556,099**	**527,820**	**539,977**

*Number of Accounts are stated in actual figures

Financial Highlights (2017 – 2021)

(B$'000)

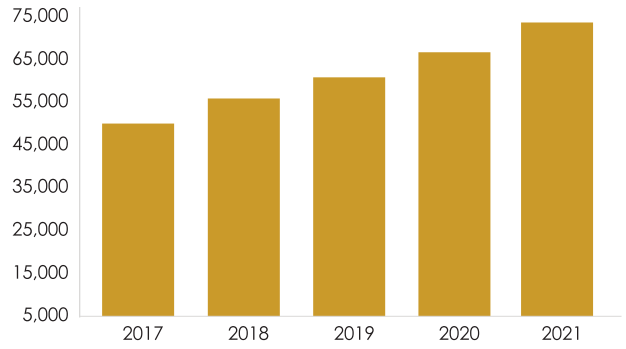
	2017	2018	2019	2020	2021
Members' Premiums	2,905	3,149	3,105	3,269	3,742
Interest & Other Income	2,056	2,292	2,599	2,916	3,307
Total Revenue	4,962	5,441	5,704	6,185	7,049
Total Expenses	121	95	139	150	160
Net Income	4,841	5,346	5,566	6,035	6,889
Net Change in Unrealized (Loss)/Gain on Investments*	74	397	(479)	(232)	0
Comprehensive Income	4915	5,743	5,087	5,804	6,889
Deposit Insurance Fund	50,122	55,865	60,952	66,755	73,644
Investment Securities	49,347	52,965	59,096	65,076	73,072
Total Assets	50,681	56,424	61,511	67,315	74,205
Return on Assets (%)	10%	10%	8%	9%	9%
Member Institutions (#)	12	11	11	18	18

*In 2017-2019 investments were presented at Fair Value Through Other Comprehensive Income (FVTOCI), while 2020 -2021 investments were presented at Amortized Cost.

2021 Financial Highlights

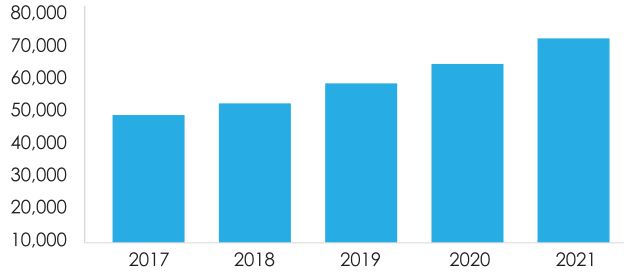
The DIC financial statements for year ended 31st December, 2021, along with comparable figures for 2020, are presented on pages 35 to 61 of this report.

Deposit Insurance Fund (B$'000)



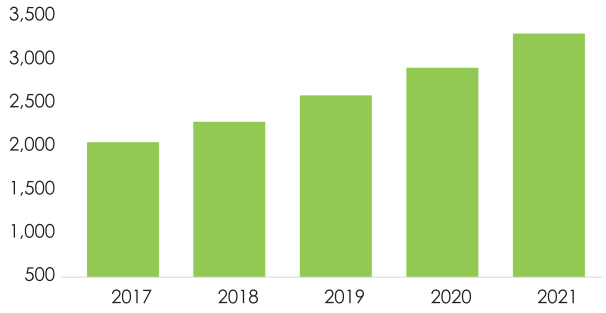
In 2021, both total assets and size of the deposit insurance fund (DIF) rose by 10.2 percent and 10.3 percent to rest at $74.2 million and $73.6 million, respectively. In this regard, investments increased by approximately $8.0 million to $73.0 million, with the portfolio representing 98.5 percent of total assets.

Investment Securities (B$'000)

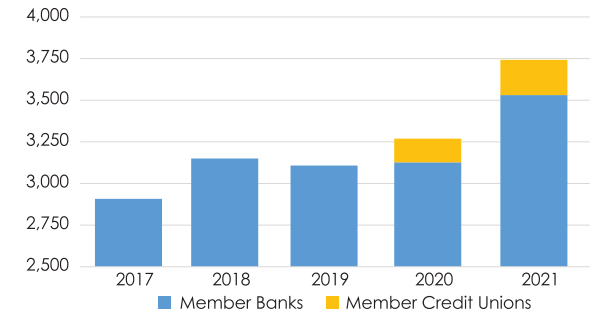


Total revenues of the DIC rose by 14.0 percent to $7.0 million, primarily due to the 14.5 percent increase in premiums collected as a result of the growth in banks' insurable deposits. Premiums totalled $3.7 million, consisting of $3.5 million from member banks and $0.2 million from member credit unions. Additionally, the DIC's interest income rose by 13.4 percent to $3.3 million.

Interest Income (B$'000)

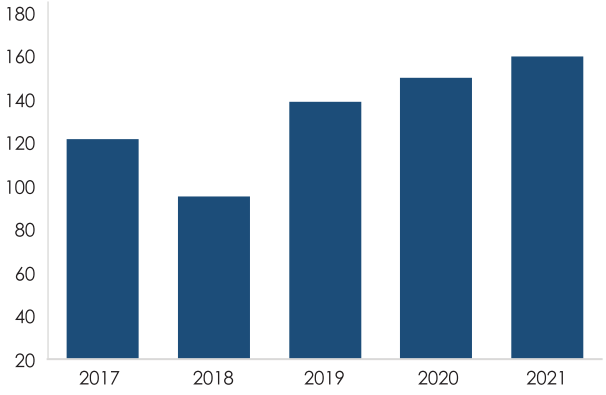


Member Premiums (B$'000)



The DIF's total operating expenses increased by 6.7 percent to $0.16 million, primarily, due to an increase in the IADI membership fee and the payment of board remunerations. The administration fee paid to the Central Bank remained as the largest expenditure at approximately $0.08 million.

Total Expenses (B$'000)



Fund Management

As at 31st December, 2021, the Deposit Insurance Fund (DIF) stood at $73.6 million, consisting of premiums paid by member institutions and income from investments in Bahamas Government Bonds. Since 2017, the DIF has grown at an average rate of 10 percent per annum. Based on the $8.0 billion in insurable deposits held by member institutions at end-2021, the DIF represents the equivalent of approximately 0.9 percent of insurable deposits and 2.8 percent of insured deposits.

In 2019, following the IMF's Financial Sector Assessment Program (FSAP) mission to The Bahamas, a recommendation was made for the DIC to achieve a medium-term target fund size with a coverage of at least 2.0 percent of insurable deposits, increasing closer to 4.0 percent over the longer-term. Further, the IMF's TA mission in October 2021 recommended strengthening the funding arrangements by establishing a higher target fund size, appropriate premium rates of levies (premiums) to meet that target, and a back-up credit facility from the Ministry of Finance or the Central Bank.

Thus, a focal point of the DIC's strategic path in 2022 will be to finalize a review of the adequacy of the DIC target fund ratio and to determine the necessary premium levels to achieve the appropriate funding target ratio.

FSAP recommended Target Size of the Fund

Fund based on 2% of insurable deposits	$160,775,440
Fund based on 3% of insurable deposits	$241,163,160
Fund based on 4% of insurable deposits	$321,550,880

Fund Level as at 31st December 2021 $73,644,404

Percentage of Insurable Deposits at December 2021	0.9%
Percentage of Insured Deposits at December 2021	2.9%

Governance and Operations

BOARD OF DIRECTORS

The DIC Board of Directors is responsible for the policies, management of the affairs, and the business of the DIC. External directors are appointed for a minimum term of three years and are eligible for reappointment to serve an additional term. Once appointed, the directors sign a Code of Conduct, which stipulates the ethical standards of the Board in the execution of their duties. Decisions of the board are made by majority vote, and in the case of equal voting, the Chairperson can exercise a casting vote. Directors are paid an honorarium in the amount of $300 per board meeting.

The current six-member board comprises four ex-officio directors, inclusive of the Governor of the Central Bank, who serves as Chairperson of the Board, the Financial Secretary of the Ministry of Finance, a senior manager from the Bank Supervision Department of the Central Bank, and another senior manager of the Central Bank. The board has two external directors who have wide experience and have shown capacity in financial or commercial matters, industry, law, or administration. The Minister of Finance is currently considering the appointment of three additional external directors and a deputy chairperson.

INTERNATIONAL ASSOCIATIONS

In May, 2002, the DIC, along with 24 other members, founded the International Association of Deposit Insurers (IADI). The IADI currently has 92 members, 9 associates (mainly central banks and banking supervisors), and 17 partners (other interested institutions). The IADI aims to contribute to the stability of financial systems by enhancing the effectiveness of deposit insurance systems, promoting international cooperation in deposit insurance, providing guidance for establishing new mechanisms and enhancing existing deposit insurance systems. Through IADI, the DIC holds memberships within the IADI Caribbean Regional Committee (CRC) and the IADI Capacity Building and Technical Committee (CBTC). These memberships provide the DIC with forums for exchange of knowledge and opportunities to further professional development in the field of deposit insurance.

CARIBBEAN REGIONAL COMMITTEE (CRC)

The members of the IADI CRC Deposit Insurers include The Bahamas, Barbados, Jamaica, Belize and Trinidad and Tobago through a Memorandum of Understanding (MOU). The MOU facilitates 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 that allow for the reflection of regional interests and common issues, through the sharing and exchange of information and ideas.

In 2020, the DIC was invited by IADI to become part of the Capacity Building Technical Committee, along with other countries such as the United States, Canada, Ghana, Uganda, Morocco, and Korea. The CBTC, which holds monthly meetings, is an extension of IADI's Training and Technical Assistance Committee, which provides support for IADI's training initiatives.

STAFF DEVELOPMENT

Given limitations on travel and face-to-face interactions, the DIC staff participated in virtual trainings and conferences in 2021, covering a range of subjects including deposit insurance, bank supervision, and resolutions.

PUBLIC AWARENESS ACTIVITIES

Core Principle 10 (Public Awareness) from IADI states, "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".

To build confidence and avoid panics, an important goal of the DIC, therefore, is to raise public awareness around what should be expected in the event that something happens to a member institution. In 2021, the DIC continued to run radio advertisements to increase depositor confidence and to contribute to financial stability.

DIC Website: www.dic.bs

The website provides up-to-date information about the DIC and receives approximately 245 visits per month.

SOCIAL MEDIA

The DIC has three social media pages:

- Facebook@depositinsurancecorporation
- Instagram@dicbahamas
- Twitter@dicbahamas

RADIO ADVERTISEMENTS

The DIC has two 30-second radio advertisements, which are rotated, providing the radio audience with information on deposit insurance coverage for banks and credit unions: ***Favourite Things and You've Tried Everything.***

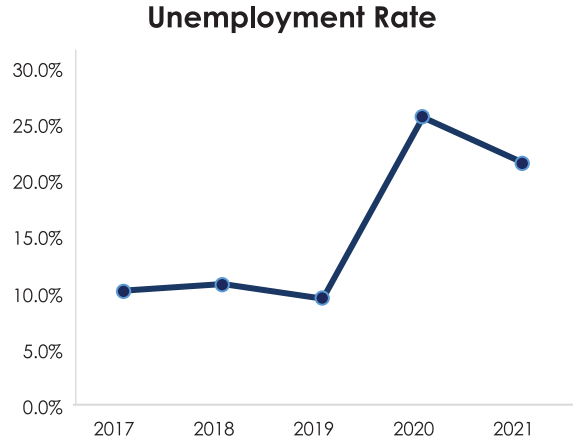
Management Discussion and Analysis

OVERVIEW OF THE DOMESTIC MACROECONOMIC ENVIRONMENT

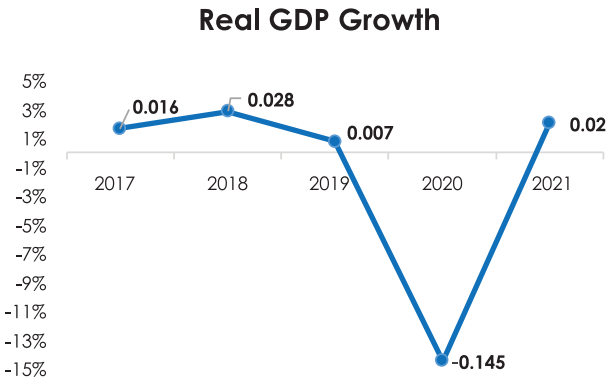
In 2021, the domestic economy maintained a measured pace of recovery, despite the ongoing spread of the Novel Coronavirus (COVID-19). The DIC member institutions that engage in domestic credit were heavily influenced by these developments, particularly as regards improved outlook for financial operations.

The tourism sector output strengthened but still remained contingent upon sustained progress on international health initiatives to combat the COVID-19 pandemic, including increased vaccination rates across countries and continued easing of globally-imposed travel restrictions. In 2021, the industry experienced a 17.1 percent recovery in total tourist arrivals to 2.1 million when compared to the same period of 2020. Air arrivals rebounded more than two fold to 886,629, compared to 418,329 visitors in the prior year. Sea arrivals recorded a more tapered reduction of 11.8 percent. Although sailings resumed at a healthy rate, the rebound was stalled until late summer of 2021. However, a steady seasonal recovery ensued, with cruise berth bookings for 2022 remaining stronger than pre-pandemic levels.

The Bahamian unemployment rate decreased from 25.6 percent in 2020 to 21.5 percent in 2021, reflecting steady, modest re-engagement of tourism personnel, though muted by continued growth in the employable workforce. Given these trends, the unemployment rate, while falling, is projected to remain above pre-pandemic levels in the near-term. Job gains are anticipated to be concentrated largely in the construction and tourism sectors.



Source: Department of Statistics



Source: International Monetary Fund World Economic Outlook

In regard to the Bahamian fiscal sector, during the first six months of FY2021/22, the deficit narrowed considerably to $269.0 million from $736.2 million a year earlier, due to increased revenue collections, led by a rise in tax receipts–mainly value added tax (VAT)–and a marginal decline in aggregate expenditure.

Source: Department of Statistics

With regard to prices, the inflation rate rose from 1.2 percent in 2020 to 5.0 percent in 2021. The near-term outlook is also for elevated firming, as a result of the uptick in international oil prices and rising costs in the imported goods from the United States and geopolitical tensions in Eastern Europe.

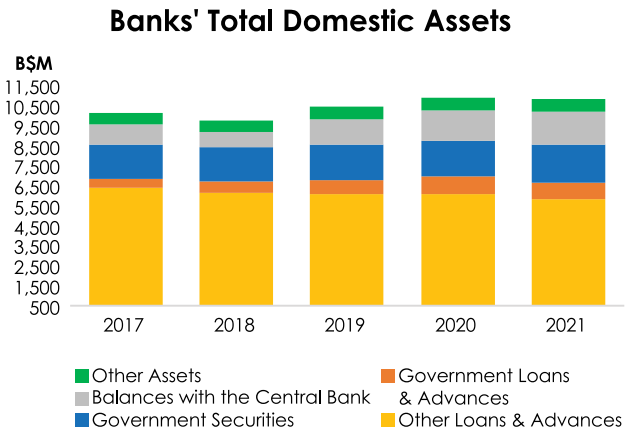
In monetary developments, bank liquidity expanded during 2021, despite the rise in the deposit base trailing the growth in domestic credit. Meanwhile, external reserves grew by $78.6 million to $2.5 billion, with balances expected to remain buoyant in

2022, staying above international benchmarks, given support from tourism and other net private sector inflows. Meanwhile, private sector credit contracted, owing to net repayments for mortgages and consumer loans; however, there was increased lending for business and other purposes.

BANKING SECTOR

The Central Bank's supervisory focus remained on ensuring that the domestic banks were forward looking and strategic in their approach to dealing with the potential medium- to long-term business impact of COVID-19.

Commercial banks' Bahamian dollar assets rose by 1.1 percent ($116.1 million) to $11.0 billion. In respect to these assets, balances with the Central Bank increased by 4.6 percent, while gross claims on the public and private sectors increased by 6.8 percent and 150.7 percent, respectively. Credit exposures represented 59.3 percent of the domestic assets, claims on the Central Bank 14.9 percent, and other assets 6.3% of domestic assets.



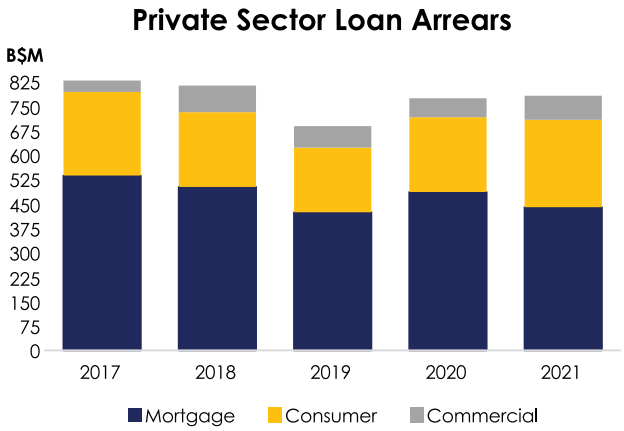
Source: Central Bank of The Bahamas

Banks also satisfied liquidity requirements within their asset mix. The defined surplus liquid assets increased to $2.4 billion (6.4 percent), which included $1.4 billion in net free cash reserves.

As to credit, banks' domestic claims decreased by 3.1 percent ($198.7 million) to $6.1 billion, with lending to the private sector credit contracted by 2.1 percent ($117.2 million) to $5.5 billion. Net credit to the public sector also fell by 11.1 percent ($81.6 million) to $650.8 million. Meanwhile, the private component was comprised of residential mortgages (46.5 percent), consumer credit (37.1 percent), and commercial loans (16.3 percent).

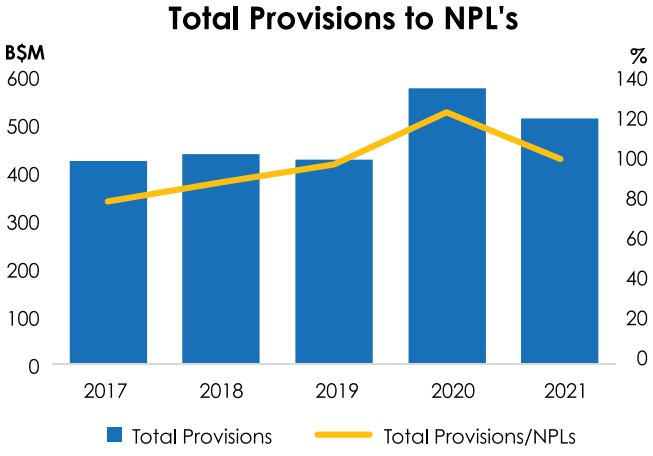
CREDIT QUALITY

Following a concentration of losses and loss recognition in the first year of the pandemic, asset quality fell less markedly in 2021. Nevertheless, private sector loan arrears increased by 0.9 percent to $779.8 million in 2021, owing to elevated delinquencies on consumer loans, whereas mortgage delinquencies contracted. Similarly, the ratio of arrears to total loans increased to 14.2 percent from 13.8 percent in 2020.



Source: Central Bank of The Bahamas

Non-performing loans (NPL's) past 90 days due, on which interest accruals have ceased, increased by 11.2 percent to $527.9 million, representing 9.4 percent of total private sector loans. However, balances on other past due loans (31 days to 90 days) decreased by 15.6 percent to $251.8 million. Meanwhile, with pandemic-related bad debt expenses more recognized in 2020, loan loss provisions decreased in 2021 by 10.9 percent to $512.6 million, representing approximately 8.4 percent of total private sector loans. The coverage ratio also amounted to 65.7 percent of total arrears and 97.1 percent of non-performing loans.



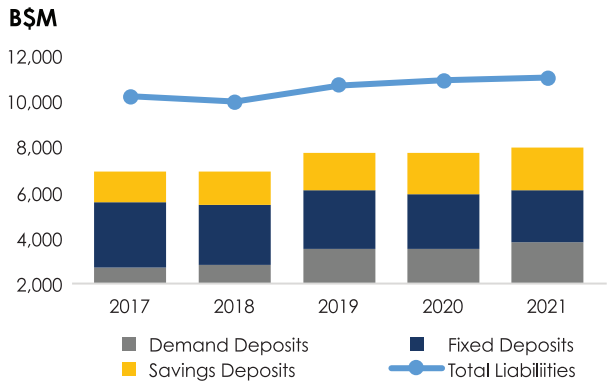
Source: Central Bank of The Bahamas

DEPOSIT BASE AND LIQUIDITY

In 2021, banks' total deposits increased by 3.2 percent to approximately $8.0 billion, representing 72.5 percent of total domestic liabilities. Similarly, Bahamian dollar deposits increased by 2.2 percent to $7.6 billion, concentrated principally among exposures to private individuals (52.4 percent), business firms (31.5 percent), private financial institutions (5.7 percent), and the public sector (4.6 percent). Approximately 47.6 percent of banks' deposits were held in demand deposits, 28.2 percent in fixed accounts, and 24.1 percent in savings deposits.

At end-December 2021, Bahamian dollar deposit accounts totalled 444,244. By value, these were concentrated in balances of less than $5,000 (81.5 percent), balances ranging between $5,000 and $10,000 (5.6 percent), between $10,000 and $25,000 (5.7 percent), $25,000 and $50,000 (2.8 percent), and within balances of more than $50,000 (4.4 percent).

Banks' Liabilites



Source: Central Bank of The Bahamas

PROFITABILITY AND CAPITAL ADEQUACY

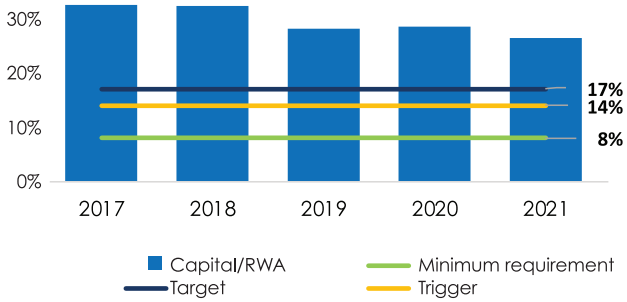
At end-December 2021, domestic banks recorded a net profit of $254.7 million, compared to a net loss of $6.7 million in 2020. This was largely due to the reduction in provisions for bad debt. The net interest margin was reduced by 1.0 percent to $533.0 million. However, with reduction in non-staff operating costs, net earnings margin recovered by 50.0 percent to $172.3 million. Curtailment in bad debt expense, explained the bulk of the remaining improvement in profits. Consequently, banks recorded a positive return on average assets of 3.1 percent compared to a negative 0.1 percent in 2020.

Domestic banks are required to maintain a capital adequacy ratio against risk-weighted assets of at least 14 percent, but they must target a higher buffer of 17.0 percent. At end-2021, total eligible capital amounted to approximately $2.0 billion, while risk-weighted assets totalled $7.3 billion. The corresponding capital adequacy ratio for the system was 26.4 percent. Other non-domestic member banks are required to maintain a capital adequacy ratio of at least 8 percent; at end-2021, these averaged a ratio of 48.5 percent.

Banks' Profitability Indicators

Source: Central Bank of The Bahamas

Domestic Banks' Capital/Risk Weighted Assets

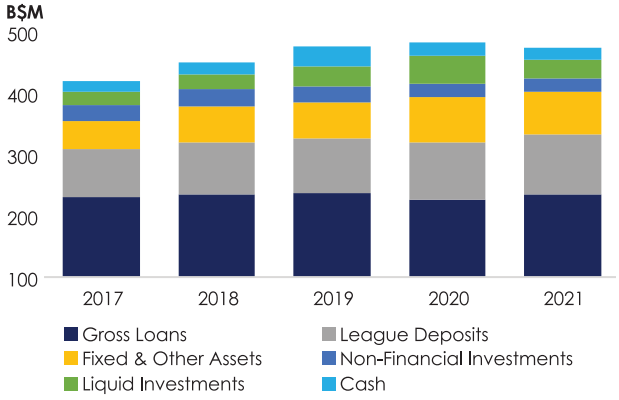


Source: Central Bank of The Bahamas

CREDIT UNION FINANCIAL TRENDS

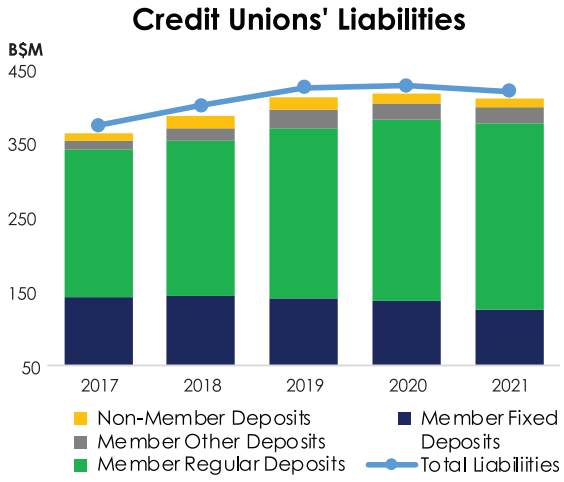
Aggregate credit union trends also align closely with DIC member trends, as only two micro institutions

Credit Unions' Total Assets



Source: Central Bank of The Bahamas

were not DIC members. As at end 2021, the credit unions' total assets declined by $7.6 million to $474.6 million in 2020. Total assets were comprised of approximately $236.0 million in gross loans, primarily comprising consumer credit ($145.7 million) followed by mortgages/land ($88.0 million). Assets also included $96.1 million in League deposits, $81.3 million in liquid and financial investments, $22.1 million in non-financial investments, $29.6 million in fixed and other assets and $19.7 million in cash.



Source: Central Bank of The Bahamas

Over the year, total NPLs in the credit union sector increased to $29.5 million, with a corresponding ratio to total loans of 12.5 percent. Meanwhile, provisions increased by $1.0 million to $8.2 million. Nevertheless, the sector remained narrowly provisioned against NPLs by only 27.8 percent.

In 2021, total deposits held by member credit unions of the DIC decreased by 1.9 percent ($7.8 million) to $409.1 million. Most of these funds were due to members (97.3 percent) as opposed to non-members, and over 90 percent comprised term deposits or other "regular" placements comprising current and call accounts.

Bahamian dollar deposit accounts at credit unions totaled 95,733. Of these, 83.5 percent held balances of less than $5,000, 6.8 percent values ranging between $5,000 and $10,000, 6.0 percent amounts ranging between $10,000 and $25,000, 2.2 percent balances ranging between $25,000 and $50,000, and 1.5 percent balances of more than $50,000.

Other DIC Members Highlights

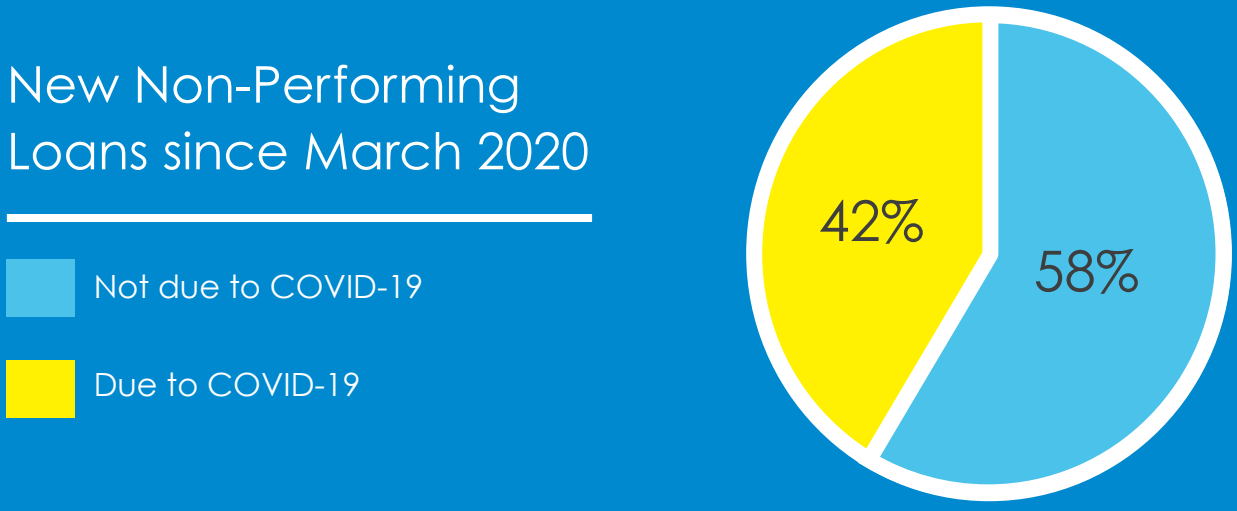
The total members' equity declined by 0.02 percent to $55.6 million and comprised members' capital of $9.2 million, institutional capital of $5.2 million, and reserve funds of $41.3 million. The minimum required capital ratio for the credit unions, follows the PEARL Standards, which is no less than 10.0 percent. In this regard, the average increased incrementally to 11.7 percent in 2021, from 11.5 percent in 2020.

At year-end 2021, DIC member institutions remained at eighteen, inclusive of nine domestic systemically important banks (D-SIBS), comprising the commercial banks, seven credit unions, and two other deposit-taking institutions. As a result of the ongoing strains of the Novel COVID-19 pandemic, the Central Bank continued its enhanced monitoring of these entities through a combination of off-site surveillance and remote examinations. In addition to prudential risks posed by the pandemic, institutions continued to manage business disruptions risk, by relying, as much as possible, on virtual or digital channels for customer services delivery and remote work arrangements where feasible for staff.

Amid less significant deterioration in assets quality in 2021 and some stabilization in the economic outlook for 2022, banks moved to substantially unwind residual debt payment deferral programs offered to clients in 2020. Deferred loans decreased to just $3.4 million in 2021 from $471.8 million in 2020. In particular, SFIs transitioned more to a case-by-case treatment of customers who still encountered difficulties.

For credit unions, impaired loans, of which NPLs represented 75 percent, rose by 18.7 percent to $39.3 million. The collateral values held against such claims increased by 13.1 percent to $22.4 million in December 2021. As to the highlighted NPLs, the COVID-19 impact was more significant than for banks, given higher rates of exposure to tourism. In particular, approximately 42 percent of the NPLs' growth since the start of the pandemic was identified as being caused by COVID-19 displacements.

New Non-Performing Loans since March 2020



IADI Core Principles for Effective Deposit Insurance Systems

The original Core Principles for Effective Deposit Insurance Systems was published on 18th June, 2009, by the Basel Committee on Banking Supervision (BCBS) and the International Association of Deposit Insurers (IADI). The first framework contained 18 internationally applicable standards, which have been used by jurisdictions in establishing or reforming their deposit insurance systems.

The updated standards containing 14 Core Principles, were issued in November 2014 and focused on effective deposit insurance practices in preserving financial stability. The revised principles have been used by national jurisdictions to self-assess their deposit insurance systems and also by the International Monetary Fund (IMF) as part of the Financial Sector Assessment Program (FSAP) and TA missions. The principles have been included into the Financial Stability Board's (FSB) 15 Key Standards for Sound Financial 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/Credit Union Run- A rapid loss of deposits precipitated by fear on the part of the public that a bank or credit union may fail and depositors may suffer losses. Could spread across the banking/credit union system.

Beneficiary- A person or entity named or identified in either the bank/credit union 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, 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 or credit union'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, 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 or credit union 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 or credit union 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. The 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.

Recovery plan- A plan that identifies triggers and options for responding to a wide range of internal and external stress scenarios to restore an institution to financial strength and viability in a timely manner.

Resolution Authority- A public authority that, either alone or together with other authorities, is responsible for the resolution of firms established in its jurisdiction.

Resolution Plan- The plan for liquidating, reorganizing, recapitalizing, or resolving a financial institution that has failed and is non-viable or insolvent.

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.

Target Fund Size- The size of the ex-ante deposit insurance fund, typically measured as a proportion of the assessment base (e.g., total or insured deposits), sufficient to meet the expected future obligations and cover the operational and related costs of the deposit insurer.

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, 2021

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Deposit Insurance Corporation

Opinion

We have audited the accompanying financial statements of the Deposit Insurance Corporation ("the Corporation"), which comprise the statement of financial position as at December 31, 2021, 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, 2021, 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, 2021, the Corporation has investments with a carrying value of $73,071,600 (2020: $65,076,400) in Bahamas Government Registered Stock ("BGRS") representing 98.47% (2020: 96.67%) 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, obtaining evidence of transactions involving investments 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

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.

PKF
Chartered accountants

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

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 11).

April 14, 2022
Nassau, Bahamas

DEPOSIT INSURANCE CORPORATION

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2021

(Expressed in Bahamian dollars)

	Notes	2021	2020
ASSETS			
Cash and cash equivalents	4(e)	149,201	1,343,385
Investments	4(e), 6, & 10	73,071,600	65,076,400
Accrued interest receivable		977,727	889,693
Other assets		6,728	6,277
TOTAL ASSETS		**74,205,256**	**67,315,755**
LIABILITIES			
Unpaid claims		52,644	52,644
Accounts payable and accrued expenses		8,208	7,854
TOTAL LIABILITIES		**60,852**	**60,498**
NET ASSETS		**$ 74,144,404**	**$ 67,255,257**
EQUITY			
Capital	7	500,000	500,000
Deposit insurance fund		73,644,404	66,755,257
TOTAL EQUITY (Page 42)		**$ 74,144,404**	**$ 67,255,257**

Approved on behalf of the Board of Directors and authorized for issuance on April 14, 2022.

Chairman
Board of Directors

Member
Board of Directors

The accompanying notes form an integral part of these financial statements.

DEPOSIT INSURANCE CORPORATION

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2021

(Expressed in Bahamian dollars)

	Notes	2021	2020
INCOME			
Premiums		3,741,735	3,269,144
Interest income		3,306,974	2,915,692
TOTAL INCOME		**7,048,709**	**6,184,836**
EXPENSES			
Administration fee	8	80,531	80,531
Public awareness campaign		24,875	25,217
Membership fee	9	26,463	23,164
Printing		10,226	8,848
Audit fees		7,500	7,851
Board honorarium		9,000	3,000
Website development		967	979
TOTAL EXPENSES		**159,562**	**149,590**
Net income		**6,889,147**	**6,035,246**
Other comprehensive loss			
Net change in unrealized loss on investments		-	(231,743)
Total comprehensive income		**$ 6,889,147**	**$ 5,803,503**

The accompanying notes form an integral part of these financial statements.

DEPOSIT INSURANCE CORPORATION

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2021

(Expressed in Bahamian dollars)

	Capital (Note 7)	Deposit Insurance Fund	Total
As at December 31, 2019	500,000	60,951,754	**61,451,754**
Total comprehensive income (Page 41)	-	5,803,503	**5,803,503**
As at December 31, 2020	**500,000**	**66,755,257**	**67,255,257**
Total comprehensive income (Page 41)	-	6,889,147	**6,889,147**
As at December 31, 2021	**$ 5000.00**	**$ 73,644,404**	**$ 74,144,404**

The accompanying notes form an integral part of these financial statements.

DEPOSIT INSURANCE CORPORATION

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2021

(Expressed in Bahamian dollars)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	**6,889,147**	**6,035,246**
Adjustment for:		
Interest income	(3,306,974)	(2,915,692)
Net Cash Provided by Operations before Changes in Operating Assets and Liabilities	**3,582,173**	**3,119,554**
Increase in accrued interest receivable	(88,034)	(61,345)
Increase in other assets	(451)	(1,611)
Increase in accounts payable and accrued expenses	354	1,339
Net Cash Provided by Operating Activities	**3,494,042**	**3,057,937**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(10,581,700)	(9,061,110)
Proceeds from maturity of investments	2,586,500	2,849,000
Interest received	3,306,974	2,915,692
Net Cash Used in Investing Activities	**(4,688,226)**	**(3,296,418)**
NET DECREASE CASH AND CASH EQUIVALENTS	**(1,194,184)**	**(238,481)**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,343,385	1,581,866
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 149,201**	**$ 1,343,385**
Represented by:		
Cash at bank	**$ 149,201**	**$ 1,343,385**

The accompanying notes form an integral part of these financial statements.

DEPOSIT INSURANCE CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021

(Expressed in Bahamian dollars)

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 depositors of a member institution must submit a claim for deposit insurance up to one year after the date on which a notice of closure of a member institution is published by the Corporation. Before payment of any insured sums to depositors, the Corporation offsets any monies owed to the member institution by such depositors, for which payments are due or past due.

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 Directors 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 premia on member institutions;

(ii) accumulate, manage and invest the surplus funds of the Corporation;

(iii) provide capital for a bridge institution and provide financing in the amount of insured deposits to an entity that acquires the business or all or part of the assets and liabilities of a member institution which has been placed under statutory administration by the Central Bank.

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

1. GENERAL INFORMATION (Continued)

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.

On July 24, 2020, an amendment to the Protection of Depositors Act was enacted by the Parliament of The Bahamas to provide for enhanced protections for depositors and for connected purposes thereto. The amendment also included compulsory membership for every co-operative credit union registered under the Bahamas Co-operative Credit Unions Act 2015.

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 2021

There were no new and revised standards that 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:

Amendments to IAS 1 and IAS 8 - Classification of Liabilities as Current or Non-current - effective from January 1, 2023.

Annual Improvements to IFRS - Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture - effective from January 1, 2022.

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

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

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:

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 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 tenth 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Income and expenses (Continued)

(i) Premiums (Continued)

Thereafter, every member institution pays an annual premium equal to a percentage to be determined from time to time by the Corporation by Notice of the average of the sum of those deposits insured by the Corporation and deposited with the member institutions 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.

(ii) Interest income

Interest income is recognized on the accrual basis using the effective interest rate 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 Directors 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, and every co-operative credit union registered under the Bahamas Co-operative Credit Union Act. The Fund comprises accumulated net earnings of the Corporation.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

(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 Corporation becomes a party to the contractual provisions of the instrument. When initially recognized, all financial assets are further grouped and 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 and 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 (FVTOCI) and at amortized cost. The classification depends on the Corporation's business model for managing the asset and the instrument's contractual 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 (FVTOCI)

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 contractual cash flows and selling the financial assets.

(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, investments and accrued interest receivable.

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

Investments
Investments are comprised solely of Bahamas Government Registered Stocks which are held at the Central Bank.

During the year 2020, the Corporation opted to reclassify its investments from FVTOCI to Amortized cost due to its business model of holding investments to maturity and collecting cash that are solely payments of principal and interest on specified dates. The reclassification is to be made prospectively and any previously recognized gains, losses and interest are not restated. The investments are measured at the reclassification date as if it had always been measured at amortized cost. This adjustment affects other comprehensive income but does not affect profit or loss and therefore is not a reclassification adjustment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Financial instruments (Continued)

(ii) Financial assets at amortized cost (Continued)

Accrued interest receivable
Accrued interest receivable represents interest receivable on investments.

(iii) Financial assets at fair value through profit and loss (FVTPL)

By default, all other financial assets shall be measured at fair value through profit or loss unless it is measured at amortized cost or at FVTOCI above. Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial asset and is included in the 'other comprehensive income/loss' line item. Fair value is determined in the manner described in Note 10.

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Financial instruments (Continued)

Impairment of Financial Assets (Continued)

Lifetime ECLs are the ECLs that result from all possible 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 months after the reporting date (or a shorter period if the expected life of 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.

At each reporting date, the Corporation assesses whether financial assets carried at amortized cost are credit impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or pas due event; or
- it is becoming 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 rate 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 10 - Financial risk management

6. INVESTMENTS

Investments in Bahamas Government Registered Stocks are as follows:

Date of purchase	Maturity date	Interest rate	Amortized Cost 2021	Interest rate	Amortized Cost 2020
Apr. 06, 2005	Jul. 29, 2023	4.53	900,000	4.53	900,000
Nov. 14, 2005	Oct. 22, 2023	4.53	950,000	4.53	950,000
Jan. 18, 2006	Jan. 18, 2026	4.56	1,050,000	4.56	1,050,000
Sep. 28, 2006	Sep. 07, 2024	4.50	1,650,000	4.50	1,650,000
May. 25, 2007	Sep. 22, 2025	4.53	1,400,000	4.53	1,400,000
Jul. 04, 2007	Sep. 07, 2024	4.50	900,000	4.50	900,000
Jan. 22, 2008	Sep. 22, 2025	4.53	1,250,000	4.53	1,250,000
Jul. 22, 2008	Jan. 18, 2024	4.50	1,450,000	4.50	1,450,000
Feb. 02, 2010	Aug. 27, 2029	4.39	1,750,000	4.39	1,750,000
Jul. 26, 2010	Jul. 26, 2034	4.40	1,528,500	4.40	1,528,500
Jul. 26, 2010	Jul. 26, 2037	4.43	121,500	4.43	121,500
Feb. 15, 2011	Jul. 26, 2028	4.33	1,900,000	4.33	1,900,000
Nov. 10, 2011	Nov. 10, 2028	4.34	1,057,500	4.34	1,057,500
Jul. 16, 2012	Jul. 16, 2029	4.30	1,100,000	4.30	1,100,000
Jul. 16, 2012	Jul. 16, 2030	4.32	1,150,000	4.32	1,150,000
Jul. 16, 2012	Jul. 16, 2031	4.35	1,150,000	4.35	1,150,000
Sep. 25, 2012	Sep. 25, 2030	4.30	117,300	4.30	117,300
Sep. 25, 2012	Sep. 25, 2032	4.31	150,000	4.31	150,000
Apr. 17, 2013	Apr. 17, 2032	4.31	1,500,000	4.31	1,500,000
Apr. 17, 2013	Apr. 17, 2033	4.31	1,500,000	4.31	1,500,000
Jul. 26, 2013	Jul. 26, 2033	4.31	700,000	4.31	700,000
Jul. 26, 2013	Jul. 26, 2034	4.32	1,000,000	4.32	1,000,000
Oct. 23, 2013	Apr. 17, 2031	4.30	800,000	4.30	800,000
Feb. 03, 2014	Sep. 23, 2032	4.31	1,870,000	4.31	1,870,000
Jun. 27, 2014	Sep. 23, 2032	4.31	1,850,000	4.31	1,850,000
Balance carried forward			**28,794,800**		**28,794,800**

6. INVESTMENTS (Continued)

Date of purchase	Maturity date	Interest rate	Amortized Cost 2021	Interest rate	Amortized Cost 2020
Balance brought forward			**28,794,800**		**28,794,800**
Sep. 02, 2014	Sep. 23, 2031	4.30	330,000	4.30	330,000
Dec. 10, 2014	Oct. 30, 2021	3.52	-	3.52	1,000,000
Jan. 02, 2015	Oct. 30, 2021	3.52	-	3.52	800,000
Feb. 10, 2015	Oct. 30, 2021	3.52	-	3.52	250,000
Apr. 14, 2015	Jul. 16, 2031	4.35	300,000	4.35	300,000
May. 19, 2015	Sep. 23, 2031	4.30	200,000	4.30	200,000
Jul. 28, 2015	Sep.25, 2032	4.31	95,800	4.31	95,800
Jul. 28, 2015	Apr. 17, 2032	4.31	485,100	4.31	485,100
Jul. 28, 2015	Jul. 26, 2033	4.31	909,100	4.31	909,100
Sep. 02, 2015	Jul. 26, 2033	4.31	300,000	4.31	300,000
Oct. 20, 2015	Oct. 30, 2021	3.52	-	3.52	276,500
Oct. 20, 2015	Jul. 26, 2033	4.31	44,100	4.31	44,100
Nov. 18, 2015	Jul. 26, 2033	4.31	190,000	4.31	190,000
Dec. 22, 2015	Jul. 26, 2033	4.31	1,460,000	4.31	1,460,000
Aug. 26, 2016	Aug. 26, 2036	5.40	188,800	5.40	188,800
Sep. 13, 2016	Jul. 26, 2037	4.88	33,000	4.88	33,000
Sep. 15, 2016	Jul. 26, 2037	4.43	15,200	4.43	15,200
Sep. 15, 2016	Jul. 26, 2037	4.43	20,000	4.43	20,000
Oct. 03, 2016	Oct. 03, 2036	5.40	2,590,000	5.40	2,590,000
Nov. 07, 2016	Jan. 15, 2024	4.25	370,000	4.25	370,000
Dec. 05, 2016	Jan. 15, 2024	4.25	690,000	4.25	690,000
Dec. 05, 2016	Jan. 15, 2024	4.25	65,000	4.25	65,000
Apr. 24, 2017	Oct. 13, 2036	5.40	1,400,000	5.40	1,400,000
Jul. 14, 2017	Jul. 14, 2037	5.20	1,550,000	5.20	1,550,000
Oct. 13, 2017	Oct. 13, 2037	5.22	380,000	5.22	380,000
Dec. 15, 2017	Dec. 15, 2037	5.22	1,395,000	5.22	1,395,000
May. 11, 2018	Dec. 10, 2028	4.39	557,000	4.39	557,000
Jul. 13, 2017	Jul. 13, 2038	5.06	1,700,000	5.06	1,700,000
Aug. 15, 2018	Jul. 13, 2038	5.06	274,700	5.06	274,700
Sep. 14, 2018	Jul. 13, 2038	5.06	81,600	5.06	81,600
Oct. 15, 2018	Oct. 15, 2038	5.00	410,000	5.00	410,000
Nov. 16, 2018	Oct. 15, 2048	5.50	36,400	5.50	36,400
Dec. 14, 2018	Oct. 15, 2048	5.50	847,300	5.50	847,300
Balance carried forward			**45,712,900**		**48,039,400**

6. INVESTMENTS (Continued)

Date of purchase	Maturity date	Interest rate	Amortized Cost 2021	Interest rate	Amortized Cost 2020
Balance brought forward			**45,712,900**		**48,039,400**
Jan. 15, 2019	Jan. 15, 2049	5.50	843,000	5.50	843,000
Feb. 15, 2019	Oct. 3, 2036	5.40	2,160,000	5.40	2,160,000
Mar. 15, 2019	Jan. 15, 2049	5.50	45,300	5.50	45,300
Apr. 15, 2019	Apr. 15, 2049	5.55	797,100	5.55	797,100
May. 15, 2019	Apr. 15, 2039	5.04	692,600	5.04	692,600
Jun. 17, 2019	Apr. 15, 2039	5.04	519,100	5.04	519,100
Jul. 15, 2019	Jul. 15, 2039	5.14	289,100	5.14	289,100
Jul. 19, 2019	Dec. 15, 2027	4.82	1,298,000	4.82	1,298,000
Jul. 19, 2019	Jul. 15, 2049	5.60	54,600	5.60	54,600
Aug. 16, 2019	Oct. 3, 2036	5.60	404,600	5.40	404,600
Aug. 26, 2019	Jul. 15, 2049	5.40	212,500	5.60	212,500
Oct. 15, 2019	Oct. 15, 2039	5.29	330,000	5.29	330,000
Nov. 15, 2019	Oct. 15, 2039	5.29	330,000	5.29	330,000
Jan. 17, 2020	Jan. 17, 2040	5.35	1,500,000	5.35	1,500,000
Feb. 14, 2020	Sep. 23, 2032	4.31	552,800	4.31	552,800
Mar. 20, 2020	Apr. 15, 2049	5.55	101,500	5.55	101,500
Mar. 27, 2020	Oct. 15, 2049	5.65	158,000	5.65	158,000
Apr. 21, 2020	Apr. 21, 2040	5.30	120,000	5.30	120,000
May. 15. 2020	Apr. 21, 2040	5.30	315,000	5.30	315,000
Jun. 15, 2020	Jun. 15, 2040	5.60	88,800	5.60	88,800
Jul. 16, 2020	Jun. 15, 2040	5.60	1,645,000	5.60	1,645,000
Aug. 14, 2020	Jun. 15, 2040	5.60	460,000	5.60	460,000
Sep. 15, 2020	Sep. 15, 2040	5.60	450,000	5.60	450,000
Oct. 15, 2020	Sep. 15, 2040	5.60	350,000	5.60	350,000
Oct. 29, 2020	Oct. 29, 2021	2.78	-	2.78	260,000
Nov. 17, 2020	Nov. 17, 2040	5.90	1,140,000	5.90	1,140,000
Dec. 15, 2020	Nov. 17, 2040	5.90	1,920,000	5.90	1,920,000
Jan. 18, 2021	Nov. 17, 2040	5.90	1,320,000		-
Feb. 15, 2021	Feb. 15, 2041	5.95	490,000		-
Mar. 15, 2021	Feb. 15, 2041	5.95	155,000		-
Mar. 30, 2021	Mar. 30, 2022	3.00	185,000		-
Apr. 16, 2021	Feb. 15, 2028	4.65	146,000		-
Balance carried forward			**64,785,900**		**65,076,400**

6. INVESTMENTS (Continued)

Date of purchase	Maturity date	Interest rate	Amortized Cost 2021	Interest rate	Amortized Cost 2020
Balance brought forward			**64,785,900**		**65,076,400**
May. 5, 2021	May. 5, 2022	3.00	1,585,000.00		-
May. 17, 2021	May. 17, 2028	4.70	655,000.00		-
Jun. 15, 2021	May. 17, 2028	4.70	120,000.00		-
Jul. 16, 2021	May. 17, 2028	4.70	135,000.00		-
Aug. 17, 2021	Aug. 17, 2028	4.70	510,000.00		-
Sep. 14, 2021	Aug. 17, 2026	4.05	380,000.00		-
Oct. 29, 2021	Oct. 29, 2022	3.10	2,154,700.00		-
Nov. 16, 2021	Nov. 16, 2024	3.60	1,338,000.00		-
Nov. 16, 2021	Nov. 16, 2026	4.05	1,338,000.00		-
Dec. 14, 2021	Nov. 16, 2026	4.05	70,000.00		-
TOTAL			**$ 73,071,600**		**$ 65,076,400**

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

	2021	2020
Beginning balance	-	(7,356)
Net change in unrealized loss	-	(231,744)
	$ -	**$ (239,100)**

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 $80,531 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 paid an annual membership fee of $26,463 (2020: $23,164).

10. 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.

10. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (Continued)

Impairment on cash at bank, investments and accrued interest receivable have been measured on a 12month 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 2021.

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 Directors. The Board of Directors manages liquidity risk by monitoring expected cash flows from premiums and investments.

10. 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, 2020. The table includes only principal cash flows.

2021	Within 1 year	2 to 5 years	Over 5 years	Total
Financial assets				
Financial assets at amortized cost				
Cash at bank	149,201	-	-	**149,201**
Accrued interest receivable	977,727	-	-	**977,727**
Investments	3,924,700	13,801,000	55,345,900	
	$ 5,051,628	**$ 13,801,000**	**$ 55,345,900**	**$ 74,198,528**
Financial liabilities				
Other financial liabilities				
Unpaid claims	52,644	-	-	**52,644**
Accounts payable and accrued expenses	8,208	-	-	**8,208**
	$ 60,852	**$ -**	**$ -**	**$ 60,852**

2020	Within 1 year	2 to 5 years	Over 5 years	Total
Financial assets				
Financial assets at amortized cost				
Cash at bank	1,343,385	-	-	**1,343,385**
Accrued interest receivable	889,693	-	-	**889,693**
Investments	2,326,500	9,625,000	53,124,900	
	$ 4,559,578	**$ 9,625,000**	**$ 53,124,900**	**$ 67,309,478**
Financial liabilities				
Other financial liabilities				
Unpaid claims	52,644	-	-	52,644
Accounts payable and accrued expenses	7,854	-	-	7,854
	$ 60,498	**$ -**	**$ -**	**$ 60,498**

10. FINANCIAL RISK MANAGEMENT (Continued)

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 $730,716 (2020: $650,764) 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)

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. Premiums are levied at an annual rate determined from time to time by the Corporation. In the current year, the Corporation levied an annual rate of one twentieth of one percent of the average insured deposits as at March 31 and September 30 in the immediately preceding premium year. 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.

11. COVID-19

The 2019 Novel Coronavirus infection ('COVID-19') outbreak was declared a global pandemic by the World Health Organization (WHO) on 11 March, 2020. Governments throughout the world instituted restrictions on businesses and individuals to slow the public health threat including, business closures, travel restrictions, quarantines and cancellations of gatherings and events, which impacted overall global economic activity.

As the COVID-19 pandemic is ongoing with variants of the virus continuing to spread globally, the near-term worldwide economic outlook remains uncertain, despite easements of curfews and lockdowns of individuals and business activity. The Corporation is continuously evaluating the financial impact of COVID-19 and it is anticipated that premium and investment income will remain adequate to enable the Corporation to continue meeting its obligations.

The Corporation's Board of Directors and Management currently considers that there is no significant impact on the Corporation's ability to continue as a going concern for the foreseeable future from the reporting date linked to the COVID-19 pandemic.

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