2022 ANNUAL REPORT

DEPOSIT INSURANCE CORPORATION
BAHAMAS

Safeguarding Your Funds

The Deposit Insurance Corporation (DIC) 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

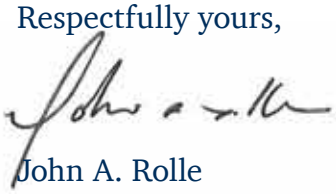
October 5, 2023

The Hon. Philip Davis
Prime Minister & 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 honor of forwarding to you, on behalf of the Board of Directors, the Annual Report of the Deposit Insurance Corporation for the financial year ended December 31, 2022. 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

DEPOSIT INSURANCE CORPORATION
BAHAMAS

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

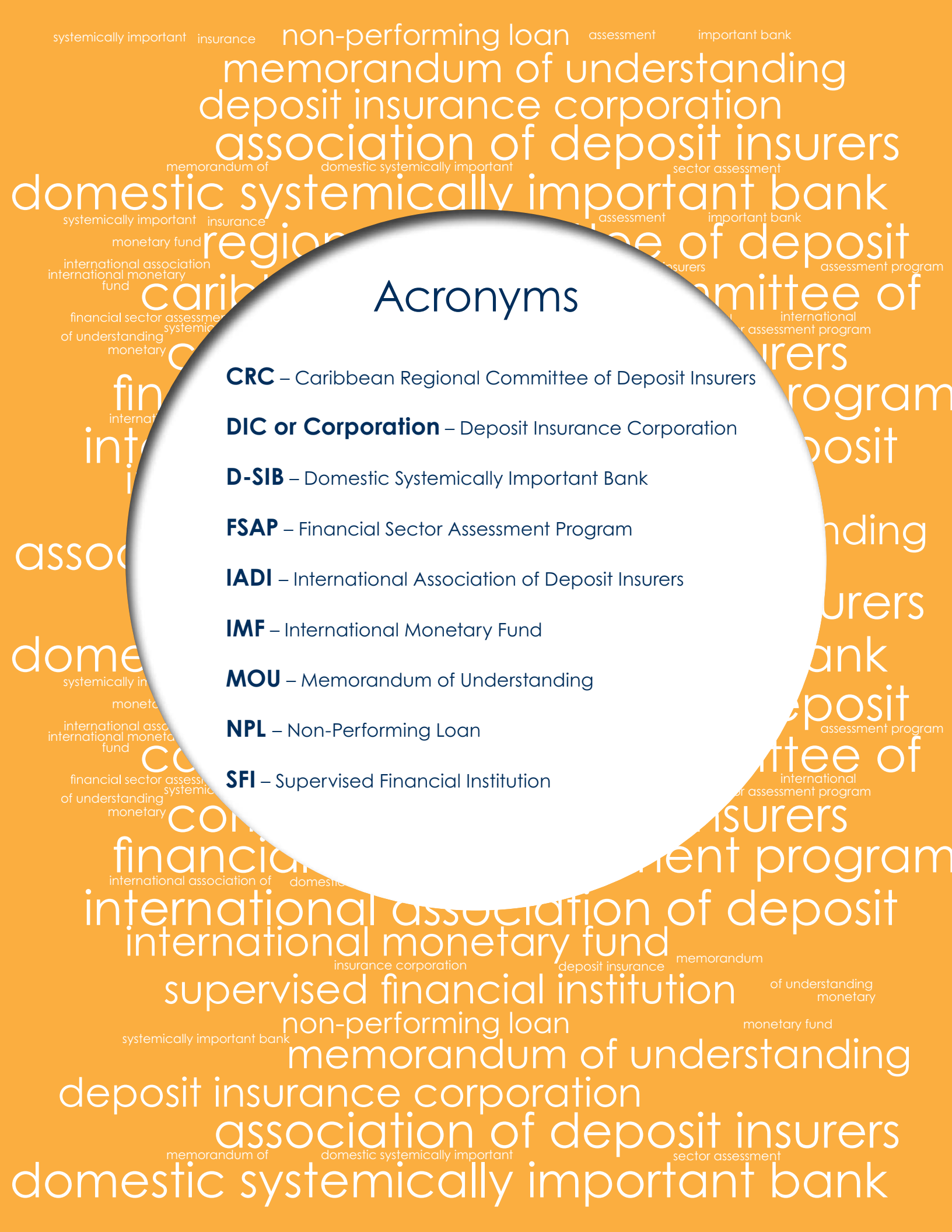
We honor our commitments and accept responsibility for our actions.

Reliability

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

Communication

Our communications with stakeholders will be effective and transparent.


Acronyms
CRC – Caribbean Regional Committee of Deposit Insurers
DIC or Corporation – Deposit Insurance Corporation
D-SIB – Domestic Systemically Important Bank
FSAP – Financial Sector Assessment Program
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

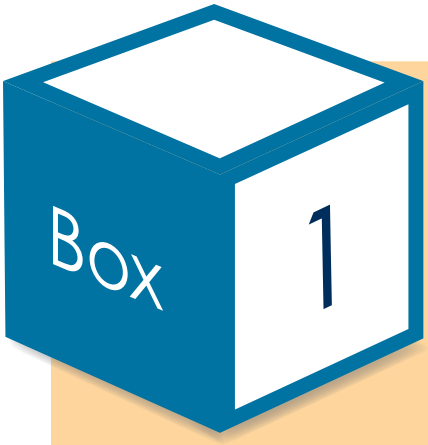
The Deposit Insurance Corporation (DIC) was established under The Protection of Depositors Act 1999 ("the Act") following the closure of Gulf Union Bank (Bahamas) Limited ("Gulf Union") which was placed into liquidation on 12 December 1997. The DIC was established to administer and manage the Deposit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

The Act was approved in Parliament on 30 September 1999 and came into full effect on 10 November 1999. The Act made membership in the Fund compulsory for every licensed banking institution carrying on banking business wholly or partly in Bahamian currency and enabled insurance coverage to be made retrospectively to depositors of Gulf Union. The insurance coverage of Bahamian dollar deposits up to a maximum of $50,000, protected almost 90% of the respective deposits of Gulf Union. The DIC was funded by a compulsory initial contribution of $1 million, of which $0.5 million was required to be paid by the Central Bank and the balance, by member institutions. The initial contribution by each member institution was based on the pro-rata percentage share of all insured deposits on the last day of the month in which the Act came into effect. However, the members do not hold an equity position in the DIC.

Upon establishment, the DIC issued a B$6.75 million 5-year bond, fully guaranteed by The Bahamas Government. These proceeds were used to finance the pay-out of depositors of Gulf Union.

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

In 2020, the DIC legislation was amended to strengthen and expand the insurance mechanism and governance arrangements. In particular, the Protection of Depositors (Amendment) Act, 2020 which came into force on 1 September 2020, extended compulsory membership to seven credit unions. At the date of enrollment, credit unions had approximately 97,959 accounts, holding $425.4 million in Bahamian dollar deposits. This expansion of coverage enhanced the domestic financial stability arrangements for The Bahamas.



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. Only banks and credit unions licensed and registered by the Central Bank, respectively, that hold Bahamian dollar deposits are members of the DIC. This membership is compulsory.

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

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. The account ownership categories are: individual (single owner), joint, company and trust or client asset accounts.

6. Deposit accounts 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 credit unions' stabilization funds, liquidity deposits, qualifying shares or equity shares.

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

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.
Donald Demeritte	Principal, EPS Consultancy
Marion Bethel	Counsel & Attorney-At-Law, Sears & Co.
Karen Rolle	Inspector of Bank 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

Sherrece Saunders	Deputy Inspector, Banks and Trust Companies
Karranda Smith	Lead Supervisor
Cheryl Forbes	Assistant Lead Supervisor
Charles Greenslade	Analyst II
Anika Cooper	Analyst II

AUDITOR

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

OFFICE

DEPOSIT INSURANCE CORPORATION
Bahamas Financial Centre, 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

It gives me great pleasure to present the 2022 Annual Report of The Bahamas' Deposit Insurance Corporation (DIC).

During 2022, DIC members' operations took place within an environment of sustained domestic economic growth. Buoyed by the relaxed pandemic restrictions and increased demand for travel in key source markets, tourism registered strong recovery, undergirded by gains in the high value-added air component and a rebound in cruise passengers. Albeit the unemployment rate remained above pre-pandemic levels, job gains were concentrated in the construction sector and the tourism sector, in the latter case with the full re-employment of tourism sector employees. Inflation was elevated as a result of higher international oil prices, increased costs for other imported goods, and supply chain shortages, associated with geopolitical tensions in Eastern Europe.

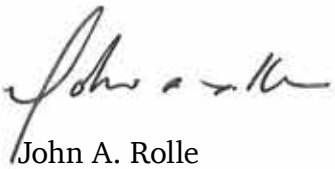
With technical and administrative support provided by the Central Bank, the DIC continued to work on its strategic goals to build operational capacity, enhance public confidence in the financial sector and maintain compliance with international principles for effective deposit insurance schemes. A core strategic focus in 2022 was to assess the target size of the Fund and determine a framework to grow the Fund in line with international benchmarks over the course of three years, commencing 1 January 2024.

In 2022, the membership of the DIC increased by 2 to 19 institutions, which included 7 credit unions, and 12 banks and trust companies. The Deposit Insurance Fund grew by $7.4 million (10.1%) to $81.1 million. In this regard, the deposit insurance premium rate remained unchanged at one-twentieth of one percent of the average insurable Bahamian dollar deposits held with member institutions as of 31 March and 30 September of the previous year.

The supervisory oversight activities undertaken by the Central Bank both reinforce and support the DIC's mandate. During the year, the Bank facilitated ongoing review of the performance of DIC member institutions. In line with the risk based supervisory regime, institutions were subjected to a combination of onsite examinations, offsite monitoring, including monitoring the prudential and governance risk trends in the insured domestic sector. Enabled by the economy's recovery from COVID 19, vulnerabilities summarised in the volume of deferred loans in the banking and credit union sectors had approximately dissipated. Meanwhile, the long-standing risks in non-performing loans continued on a downward trajectory to pre-pandemic levels.

During the year, the DIC welcomed new members to the Board, Mr. Donald Demeritte and Ms. Marion Bethel. I would like to thank both the new and continuing members of the Board for their valuable contributions and strategic oversight of the DIC's operations. I am also grateful to the staff of the Central Bank who have continued to provide the DIC with the necessary technical and administrative support.

We look forward to furthering the DIC's mission and vision in the upcoming year and beyond.



John A. Rolle
Chairman
Deposit Insurance Corporation

Board of Directors

Mr. John Rolle, Chairman

Appointed:
January 2016

Mr. Rolle has worked at the Central Bank in various capacities over the period 1990 to 2012. He was appointed as the Governor in January 2016. Prior to his appointment, Mr. Rolle 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

Mr. Simon Wilson

Appointed:
September 2021

Mr. Wilson resumed his role as the Financial Secretary in September 2021, having been appointed in January 2016. Mr. Wilson 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.

Mr. Jeffery 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 led key private sector initiatives that drove stronger public policy and legislation to strengthen the economic environment.

Mr. Donald Demeritte

Appointed:
June 2022

Mr. Demeritte is a former banker with over 25 years of multi-jurisdictional financial services experience. His exposure included assignments in Jersey C.I., Isle of Man, London, Gibraltar, and Guernsey. Mr. Demeritte serves as President of Caribbean Institute of Management Consultants, a Caribbean organization which provides professional development support to consultants. Mr. Demeritte also currently serves as the Principal of EPS Consultancy.

Ms. Marion Bethel

Appointed:
June 2022

Ms. Bethel began her career at the Office of the Attorney General in the areas of criminal and civil law. She later became Senior Crown Counsel and worked exclusively in the Civil Department of the Office. She is currently a Partner at Sears & Co., practising law in the areas of Conveyances and Mortgages, Companies and Probate. Ms. Bethel is an international speaker and advocate on topics ranging from human rights and social justice to gender equality and women's empowerment and leadership.

Mr. James Carey

Appointed:
September 2019

Mr. Carey joined Insurance Management in March of 1980 and progressed 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. After 41 years of service, Mr. Carey retired in June 2021 and now serves as Senior Consultant of Independent Solutions, Ltd.

Mrs. Rochelle Deleveaux-McKinney

Appointed:
July 2014

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.

Ms. Karen Rolle

Appointed:
July 2014

Ms. Rolle joined the Central Bank's Bank Supervision Department in 1994, serving in various capacities, including Deputy Inspector of Banks and Trust Companies and the Acting Inspector of Banks and Trust Companies. 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, under the provisions of the Protection of the Depositors Act.

The DIC uses an ex-ante funding model, in which premiums are levied on member institutions, each year, 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 31 March and 30 September of the previous year.

The DIC does not have direct employees. Through a service level agreement, the Central Bank is responsible for the daily operations of the DIC, and as such, provides the DIC with the necessary human resources and administrative services.

DEPOSIT INSURANCE COVERAGE

The DIC insures only the Bahamian dollar denominated deposits placed with a member institution in any of its branches within The Bahamas, up to a maximum of $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's business has been wound up by an action taken by the Central Bank.

WHAT IS COVERED?

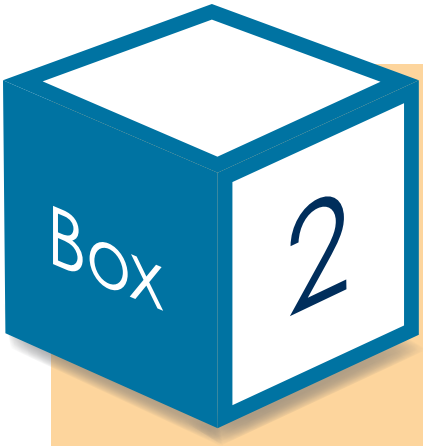
The accounts and products insured by the DIC include:

- 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 not covered by the DIC 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 of member institutions
- Co-operative credit unions stabilization funds
- Liquidity deposits of co-operative credit unions
- Capital of co-operative credit unions (i.e. statutory reserves, retained earnings, qualifying shares and equity shares)
- 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.



Recovery and Resolution Planning

During 2022, the Central Bank's Recovery and Resolution Working Group continued its work on developing and operationalizing the recovery and resolution planning framework in The Bahamas.

The Central Bank issued Recovery Planning Guidelines to the industry on 21 September 2022. All public banks trust companies were required to submit their recovery plans to the Central Bank by 31 March 2023. Credit unions were required to submit their plans no later than 31 May 2023.

In November 2022, the International Monetary Fund (IMF) conducted the second phase of a two-part Technical Assistance mission. The mission was to specifically assist the Central Bank and the country with operationalizing its new bank resolution framework and amended deposit insurance legislation. The mission identified and recommended work to be done to develop and strengthen the following areas:

- Supervisory early warnings and early intervention framework.
- Domestic inter-agency and cross-border inter-authority cooperation and coordination on financial stability and crisis management. In the first instance, this includes establishment of a domestic coordination body, comprising, the Ministry of Finance, the Central Bank, the DIC and regulators for insurance and securities; and developing or amending Memorandum of Understandings (MOUs) with home supervisory authorities to specifically focus on financial crisis management, recovery and resolution.
- The institutional arrangements and resources for resolution within the Central Bank.
- The establishment of a formal emergency back-up liquidity facility for the DIC.
- A recovery and resolution regime for credit unions.

The Central Bank drafted a package of proposed reforms to the existing credit union legislation aimed at strengthening the supervisory intervention, enforcement and resolution measures required to safeguard depositors' funds and further lift the reputation and resiliency of the credit union sector. Moreover, efforts began to establish a resolution unit within the Central Bank to strengthen the separation between the supervisory and resolution functions and to ensure that adequate resourcing of the operations.

Strategic Direction

The DIC's strategic focus continues to be concentrated on advancing work in line with the recommendations from the International Monetary Fund.

Governance

- Expand the composition of the DIC board to include an additional independent member.

Organization

- Expand the legal framework to include basic powers for the DIC to transfer deposits to another bank.
- Establish safeguards that limit the use of DIC funds to the amount it would have paid on a least-cost basis to depositors in a liquidation.
- Set a maximum contribution by the DIC to any resolution to ensure that the DIC fund would not be exhausted.
- Establish arrangements to enable the DIC to quickly ramp up staffing, as needed.

Deposit Data

- Ensure that member institutions can produce deposit data in a timely manner using a single customer view (SCV) format.
- Test, on a regular basis, the ability of members to prepare the appropriate data files and securely transfer that information electronically to the DIC.

Reimbursement Framework

- Develop comprehensive procedures, guiding the reimbursement process, beginning with a definition of the format for deposit records and data transfer.
- Engage in on-going preparation for a payout, validating the deposit data format and testing on a regular basis the ability of member institutions to generate timely and accurate lists of depositors.
- Set pre-established arrangements with paying agents.
- Conduct a full test of the entire reimbursement process every three years and have a regular schedule of testing procedures.

Funding

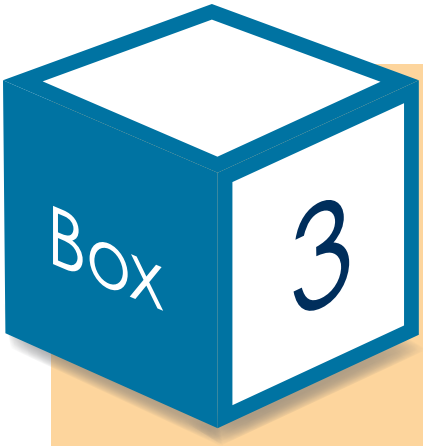
- Increase the size of the target fund, with the target fund being reached within five years.
- Review the target fund every three years.
- Establish formalized, pre-arranged back-up funding arrangements.

Public Awareness

- Enhance public awareness; and test the effectiveness of the public awareness program.

Information Exchange and Early Warning Arrangements

- Participate in a new inter-agency coordination body—a financial stability council —comprising the heads of the domestic financial services regulators, the Ministry of Finance; and board member of the Deposit Insurance Corporation.
- Maintain strong coordination between the supervisory operations of the Central Bank and the operations of the DIC, to ensure effective exchange of critical information regarding the viability of member institutions.



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

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. **Are all banks and credit unions are 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 co-operative credit unions registered under the Bahamas Co-operative Credit Unions Act, 2015 (No. 9 of 2015). A list of member institutions of the DIC may be obtained by accessing the DIC's website at www.dic.bs.

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

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

7. **What types of deposits are insured?**
   Bahamian dollar deposits in checking, savings, demand and time accounts held in member institutions are insurable by the DIC.

8. **What is the maximum deposit amount insured by the DIC?**
   Eligible deposits in member institutions are insured up to a maximum of $50,000 per depositor based on rights and capacity of depositors.

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

10. **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.

11. **Is interest owing on a deposit included in the insurable amount?**
    Yes. The DIC insures both principal and interest for eligible deposits at each member institution, up to a maximum of B$50,000. For example, if an individual has a savings account with a principal balance of $8,000 and accrued interest of $160, the total $8,160 would be insured by the DIC. If however, a time account principal balance was $49,000 and accrued interest was $1,470 (total $50,470), then $470 would not be covered by deposit insurance.

12. **I am a non-resident of The Bahamas. Are my deposits protected?**
    Yes. Your place of residence or nationality does not affect deposit insurance protection. Bahamian dollar denominated deposits placed with a member institution of the DIC are protected up to B$50,000 per depositor, per member bank based on rights and capacity.

13. **Are there any deposit types that are not covered by deposit insurance?**
    Yes. The DIC does not cover letters of credit, stand-by letters of credit or instruments of a similar nature, subordinated debts, preference shares, interbank deposits, foreign currency deposits, deposits of Government and statutory corporations, deposits of foreign Governments, deposits in any financial institution wholly owned by the Government or deposits from affiliates of the DIC member.

14. **If I have deposits in several banks, will they be aggregated for deposit insurance protection purposes?**
    No. Your deposits in different member institutions are protected separately. The B$50,000 deposit insurance limit is applicable to each depositor in respect of deposits held in each member institution.

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

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

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, if for example, the husband is also a co-owner in other accounts involving different joint account owners, his interest in all joint accounts are added together and the aggregate amount is insured up to the maximum value of $50,000.

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

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

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, or 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	2018	2019	2020	2021	2022
Bank of the Bahamas Ltd. **Licensed:** 28th July, 1970	577.7	634.8	718.7	680.6	730.8
Citibank N.A. **Licensed:** 17th January, 1966	74.9	76.1	68.5	69.7	76.3
Commonwealth Bank Ltd. **Licensed:** 10th October, 1966	1,277.3	1,335.6	1,376.3	1,426.0	1,487.4
Equity Bank Bahamas Ltd.* **Licensed:** 27th August, 1985					0.9
Fidelity Bank (Bahamas) Ltd. **Licensed:** 11th July, 1978	492.8	521.8	535.1	552.3	588.1
Finance Corporation of Bahamas Ltd. **Licensed:** 23rd May, 1966	492.1	430.4	373.2	318.1	277.4
FirstCaribbean International Bank (Bahamas) Ltd. **Licensed:** 7th December, 1995	1,179.5	1,542.1	1,515.4	1,518.4	1,633.2
RBC Royal Bank (Bahamas) Ltd. **Licensed:** 26th October, 2010	1,444.8	1,654.8	1,800.9	1,747.7	2,017.6
RF Bank & Trust (Bahamas) Ltd. **Licensed:** 15th September, 1998	59.4	70.4	105.0	238.0	240.8
Scotiabank (Bahamas) Ltd. **Licensed:** 26th March, 1998	883.9	988.9	965.8	1,070.5	1,230.3
Total: Commercial Banks	**6,482.4**	**7,254.9**	**7,458.9**	**7,621.4**	**8,283.0**

**Equity Bank Bahamas Limited became a member of the DIC in 2022, after it started accepting B$ Deposits. The bank was re-designated to resident from non-resident in 2019 and from Authorised Agent to Authorised Dealer in 2022.*

Other Banks	2018	2019	2020	2021	2022
Ansbacher (Bahamas) Ltd.** **Licensed:** 17th January, 1966	8.7	2.4	2.8	6.4	
Deltec Bank & Trust Ltd.** **Licensed:** 27th October, 1978					4.3
The Bank of Nova Scotia Trust Company (Bahamas) Ltd. **Licensed:** 1st April, 1966	0.3	1.4	1.9	1.9	1.6
Total: Other Banks	**9.0**	**3.8**	**4.7**	**8.3**	**5.9**
Total: Member Banks	**6,491.3**	**7,258.6**	**7,463.6**	**7,629.7**	**8,288.9**

***Acquisition of Ansbacher was completed by Deltec Bank & Trust Limited in 2022 resulting in Deltec Bank & Trust Limited acquiring the DIC membership status. The Licence held by Ansbacher is consequently being unwound.*

Credit Unions	2018	2019	2020	2021	2022
Bahama Islands Co-operative Credit Union Limited	38.3	42.1	42.9	45.9	49.5
Bahamas Law Enforcement Co-operative Credit Union Limited	45.3	48.1	53.1	56.4	60.3
National Workers Cooperative Credit Union Limited	60.6	62.5	64.1	60.4	62.8
One Eleuthera Cooperative Credit Union Limited	1.0	1.1	1.3	1.5	1.1
Public Workers' Co-operative Credit Union Limited	34.6	38.0	39.2	36.2	34.5
Teachers & Salaried Workers Co-operative Credit Union Limited	189.2	199.4	196.1	189.2	186.4
The Grand Bahama Co-operative Credit Union Limited	16.5	20.1	20.2	19.5	19.9
Total: Credit Unions	**385.5**	**411.3**	**416.9**	**409.1**	**414.4**
Total: All Members	**6,876.8**	**7,670.0**	**7,880.5**	**8,038.8**	**8,703.3**

Bahamian Dollar Depositor Data
(2018 - 2022)

Member Banks (B$ Millions)	2018	2019	2020	2021	2022
Demand Deposits	$2,474.0	$3,118.9	$3,269.6	$3,489.8	$4,032.5
Number of Accounts*	108,274	111,412	112,229	116,334	118,725
Savings Deposits	$1,425.1	$1,646.8	$1,800.6	$1,896.7	$2,108.1
Number of Accounts*	274,429	291,626	292,998	304,791	321,210
Fixed Deposits	$2,592.3	$2,492.9	$2,393.4	$2,243.2	$2,148.2
Number of Accounts*	25,352	24,965	24,044	23,119	22,108
Total Deposits	**$6,491.4**	**$7,258.6**	**$7,463.6**	**$7,629.7**	**$8,288.9**
Number of Accounts*	**408,055**	**428,003**	**429,271**	**444,244**	**462,043**
Credit Unions (B$ Millions)	**2018**	**2019**	**2020**	**2021**	**2022**
Member Deposits	$370.2	$394.6	$402.3	$398.0	$404.6
Number of Accounts*	117,128	123,476	94,247	92,719	110,948
Non- Member Deposits	$16.0	$16.7	$14.6	$11.1	$9.8
Number of Accounts*	3,671	4,620	4,302	3,014	1,884
Total Deposits	**$386.2**	**$411.3**	**$416.9**	**$409.1**	**$414.4**
Number of Accounts*	**120,799**	**128,096**	**98,549**	**95,733**	**112,832**
Total: All Member Deposits	**$6,877.6**	**$7,670.0**	**$7,880.5**	**$8,038.8**	**$8,703.3**
Total: All Member No. of Accounts *	**528,854**	**556,099**	**527,820**	**539,977**	**574,875**

*Number of Accounts are stated in actual figures

Financial Highlights (2018-2022)

(B$000)

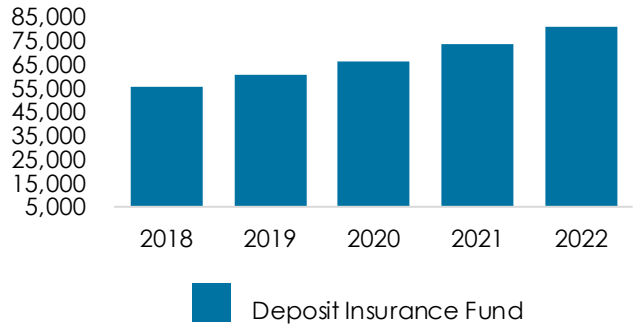
	2018	2019	2020	2021	2022
Members' Premiums	3,149	3,105	3,269	3,742	4,097
Interest & Other Income	2,292	2,599	2,916	3,307	3,468
Total Revenue	5,441	5,704	6,185	7,049	7,564
Total Expenses	95	139	150	160	137
Net Income	5,346	5,566	6,035	6,889	7,428
Net Change in Unrealized (Loss)/Gain on Investments*	397	(479)	(232)	0	0
Comprehensive Income	5,743	5,087	5,804	6,889	7,428
Deposit Insurance Fund	55,865	60,952	66,755	73,644	81,072
Investment Securities	52,965	59,096	65,076	73,072	79,855
Total Assets	56,424	61,511	67,315	74,205	81,633
Return on Assets (%)	10%	8%	9%	9%	9%
Member Institutions (#)	11	11	18	18	19

**For 2018-2019 investments are shown at FVTOCI, while in 2020 -2022 investments were presented at amortized cost. BRS were revalued in the past to reflect current market values as they were viewed as being held "available for sale". During the 2021 audit it was agreed that the DIC holds BRS to maturity and as such the classification changed from FVTOCI to amortized cost.*

2022 Financial Highlights

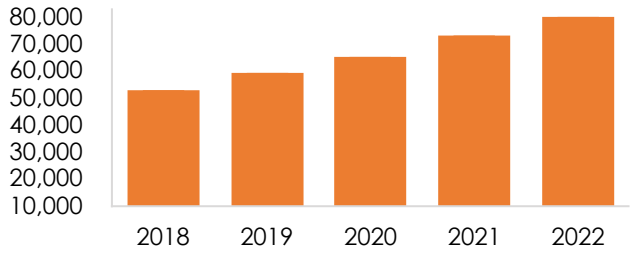
The DIC financial statements for year ended 31 December 2022, along with comparable figures for 2021, are presented on pages 39 to 66 of this report.

Deposit Insurance Fund (B$000)



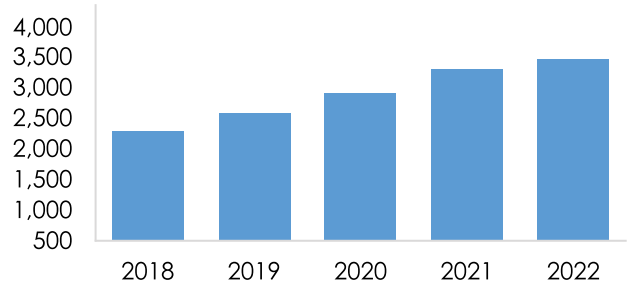
In 2022, the DIC's total assets and the size of the deposit insurance fund (DIF) rose by 10.0% and 10.1%, respectively, to $81.6 million and $81.1 million. Through the continued investment of annual premium receipts in Bahamas Registered Stock (BRS) and the re-investment of interest income received, the DIC's investments increased by approximately $6.8 million to approximately $79.9 million, with the portfolio representing 97.8% of total assets.

Investment Securities (B$000)

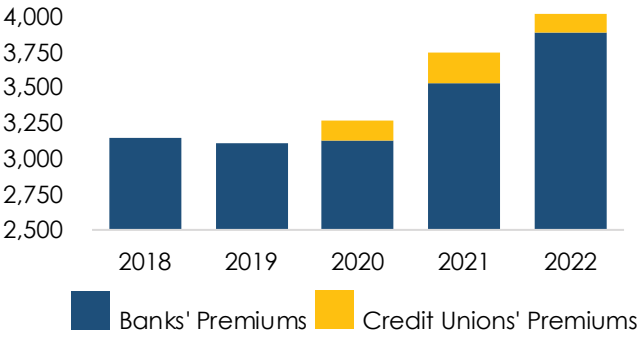


Total revenue rose by 7.3% to $7.6 million, primarily due to the 9.5% increase in premiums collected, as a result of growth in banks' insurable deposits. Premiums collected in 2022 totaled $4.1 million, consisting of $3.9 million from banks and $0.2 million from credit unions. Additionally, the DIC's interest income rose by 4.9% to $3.5 million.

Interest Income (B$000)

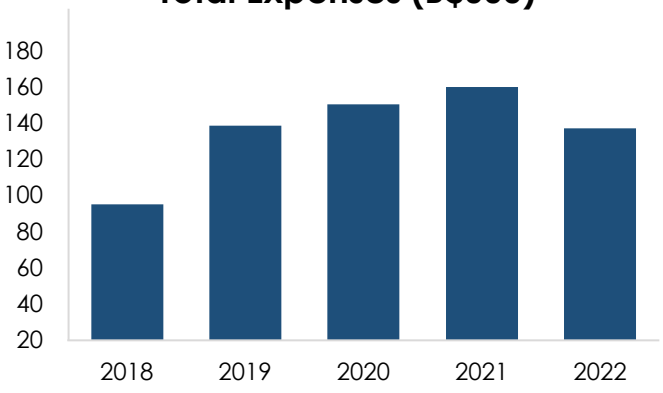


Member Premiums (B$000)



The administrative fees paid to the Central Bank remained as the largest expenditure at approximately $0.08 million. The DIC's total operating expenses decreased by 14.3% to approximately $0.137 million, mainly due to the decreased frequency of radio advertisements.

Total Expenses (B$000)



Fund Management

As at 31 December 2022, the Deposit Insurance Fund stood at $81.1 million, consisting of premiums paid by member institutions and accumulated net income from investments in Bahamas Registered Stock. The Fund has grown at an average rate of approximately 10% per annum since 2018. Based on the $8.7 billion in insurable deposits held by member institutions at end-2022, the Fund was equivalent to approximately 0.9% of insurable deposits and 3.0% of insured deposits.

The IMF's Technical Assistance missions in 2021 and 2022 focused on operationalizing the Central Bank's recovery and resolution framework and made recommendations to strengthen the DIC's funding arrangements. The IMF recommended that the DIC establish a higher target fund size, and consider adjusted levies (premiums) to meet the target size. It was also recommended that the DIC establish back-up funding arrangements with the Ministry of Finance and the Central Bank to bolster liquidity in the event of any triggered payout of claims.

The DIC proposes to bolster the overall size of the Fund to a minimum of 4.67% of insured Bahamian dollar deposits by the end of 2026 with an additional buffer of 1.0% of insured deposits after the minimum target has been met. Consequently, a focal point of the DIC's strategic path in 2023 would be to notify member institutions of the premium increase, emanating from an increase in the target fund ratio.

Target Size of the Fund (B$ Millions)	
Fund based on 4% of insured deposits:	$ 106.6
Fund based on 4.67% of insured deposits:	$ 124.5
Fund based on 5.67% of insured deposits:	$ 151.2
Fund Level as at 31 December 2022	$ 81.1
Percentage of Insurable Deposits at December 2022	0.9%
Percentage of Insured Deposits at December 2022	3.0%

Governance and Operations

BOARD OF DIRECTORS

The current eight-member Board comprises four ex-officio, inclusive of the Governor of the Central Bank, who serves as Chairman, 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 four of the five statutorily provisioned external directors, who have wide experience and have shown capacity in, financial or commercial matters, industry, law or administration.

The Board is responsible for formulating the policies of the DIC and overseeing the implementation of such policies; and the operations and internal controls of the DIC. External directors are appointed for a minimum term of 3 years and are eligible for reappointment to serve an additional term. Once appointed, the directors sign a Code of Conduct, which ascribing to the ethical standards of the Board in the execution of their duties.

At meetings, four directors form a quorum and a decision of the Board is made by majority vote and in the case of equal voting, the Chairperson can exercise a casting vote. Directors are paid an honorarium of $300 per board meeting.

INTERNATIONAL ASSOCIATIONS

In May 2002, the Bahamas DIC was among 24 founding members of the International Association of Deposit Insurers (IADI). IADI currently has 94 members, 12 associates (mainly central banks and banking supervisors) and 17 partners (other interested institutions). IADI aims to contribute to the stability of financial systems by enhancing the effectiveness of deposit insurance and promoting international cooperation on deposit insurance and bank resolution arrangements in active partnerships with other international organizations. IADI provides guidance on the establishment or enhancement of effective deposit insurance systems as well as technical assistance outreach, educational programs and research. 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 the 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 & Tobago, through a Memorandum of Understanding which 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 which 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 a part of the Capacity Building Technical Committee (CBTC), along with other countries such as the United States, Canada, Ghana, Uganda, Morocco, Korea and others. 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

The DIC staff participated in virtual training and conferences in 2022, covering subject areas such as deposit insurance, bank supervision, and resolution.

PUBLIC AWARENESS ACTIVITIES

Core Principle 10 (Public Awareness) from the International Association of Deposit Insurers 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."

In order to avoid a depositor run, an important goal of the DIC is to raise public awareness in the event something happens to a member institution. In 2022, the DIC continued to run radio advertisements to increase depositor confidence and contribute to financial stability.

DIC Website: www.dic.bs

The website provides up-to-date information about the DIC and receives approximately 257 visits per month.

Social Media

The DIC has three social media pages:
Facebook @depositinsurancecorporation
Instagram @dicbahamas
Twitter @dicbahamas

Radio Advertisements

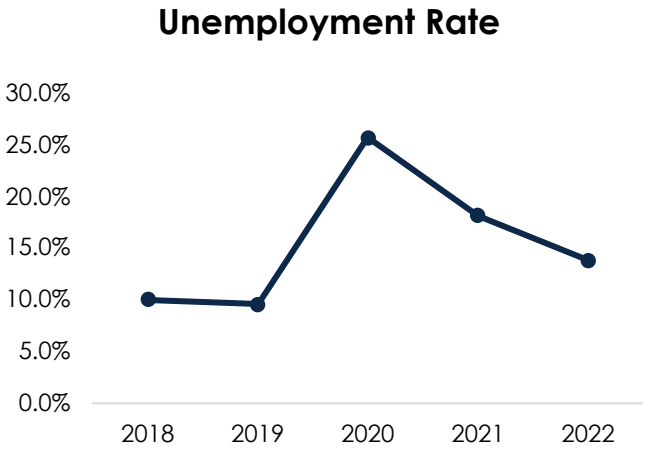
The DIC has two 30-second radio advertisements, which are rotated, providing the radio audience with information on deposit insurance coverage for banks and credit unions: ***Favourite Things*** and ***You've Tried Everything***.

Management Discussion and Analysis

OVERVIEW OF THE DOMESTIC MACROECONOMIC ENVIRONMENT

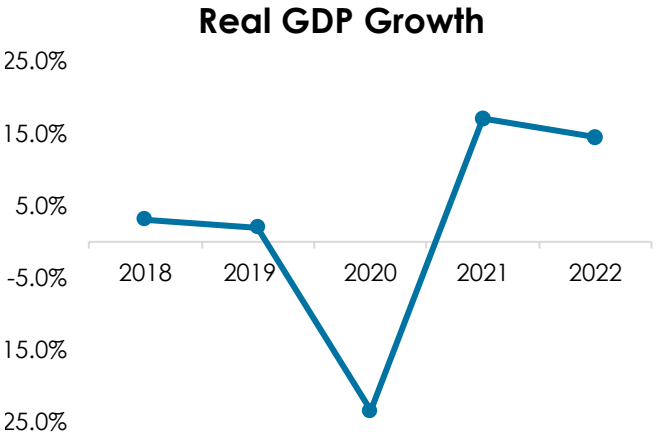
DIC member institutions that engage in domestic credit are heavily influenced by developments in The Bahamas' domestic economy. Hence, improvement was observed relative to their financial operations, as the domestic economy maintained its recovery momentum, from the adverse effects of the Novel Coronavirus (COVID-19) pandemic.

The tourism sector continued to register strong growth, as pandemic restrictions eased and the demand for travel increased in the key source markets. In the extended recovery, visitor arrivals more than tripled to 7.0 million in 2022, extending the 2.1 million (17.1%) rebound recorded in 2021. Air arrivals expanded by 65.8% to 1.5 million, exceeding the 0.9 million (112.0%) growth in the prior year. Further, the sea component recovered to 5.5 million, a reversal from the 11.8% reduction to 1.2 million visitors last year.



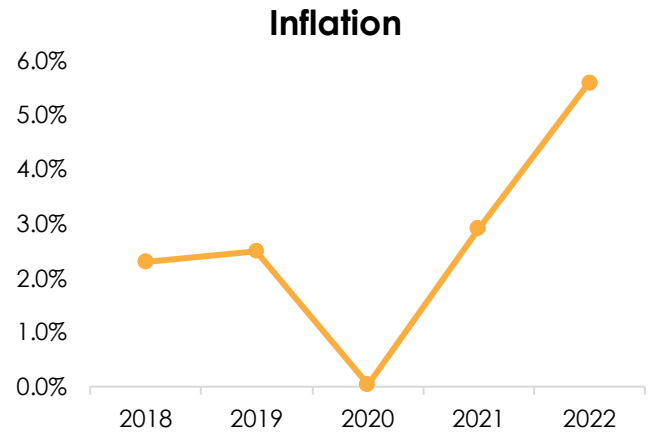
Source: International Monetary Fund

While that unemployment remained above pre-COVID levels, it trended significantly downwards from the heights of the pandemic, given the re-employment of tourism sector employees and construction sector stimulus.



Source: International Monetary Fund

In regards to the Bahamian fiscal sector, there was expansion in revenue collections, underpinned by a rebound in VAT receipts, which outstripped the growth in government spending. Consequently, during the first six months of FY2022/23, the deficit narrowed by $5.3 million (1.9%) to $276.0 million, vis-à-vis the same period of FY2021/22.



Source: International Monetary Fund

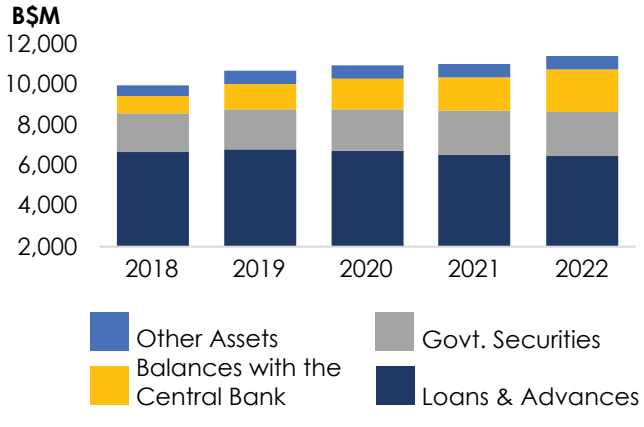
With regard to prices, inflationary pressures increased from 2.9% in 2021 to 5.6% in 2022, largely due to the pass-through effects of higher global oil prices.

During 2022, monetary developments featured a buildup in bank liquidity and external reserves, with the expansion in the deposit base outpacing the growth in domestic credit. External reserves expanded by $178.3 million to $2.6 billion and the outlook remained healthy, with balances anticipated to stay above international benchmarks, and more than adequate to sustain the Bahamian dollar currency peg. Nevertheless, some net drawdowns are anticipated in 2023, in line with stringing demand for imports.

Banking Sector

Commercial banks' Bahamian Dollar assets rose by 3.4% ($368.6 million) to $11.4 billion in 2022. In respect of these assets, balances with the Central Bank increased by 26.9%, while gross claims on the public and private sectors increased by 3.5% and 13.4%, respectively. Credit exposures represented 56.4% of the domestic assets; government securities represented 19.6%, claims on the Central Bank represented 18.3% and other assets (i.e., till cash and other) accounted for 5.6% of domestic assets.

Banks' Total Domestic Assets



Source: Central Bank of The Bahamas

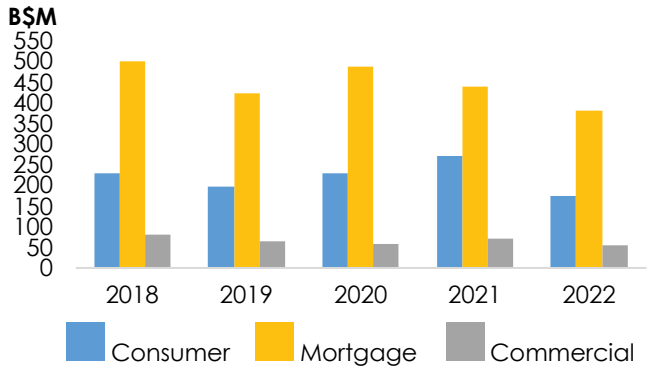
In addition, banks satisfied liquidity requirements within their asset mix. The defined surplus liquid assets increased to $2.8 billion (17.1%), which included $1.9 billion in net free cash reserves.

Domestic Credit and Asset Quality

Total banks' domestic credit decreased by 2.1% ($130.6 million) to $6.0 billion in 2022, with claims on the private sector credit contracting by 1.9% ($105.3 million) to $5.4 billion. Private sector credit represented 89.6% of total credit. Net credit to the public sector also decreased, by 3.9% ($25.3 million), to $625.5 million at end 2022. At end-2022, banks' total domestic credit comprised residential mortgages (41.8%), consumer credit (32.4%), commercial loans (15.3%) and claims on government (10.4%). While private sector credit and claims on public enterprises both contracted in 2022, it is forecasted that private sector credit will rise marginally in 2023 in anticipation of the sustained economic recovery, whereas claims on public enterprises is expected to continue its decline.

Private sector loan arrears decreased by 21.8% to $610.2 million in 2022, due to a 35.7% shrinkage in the consumer loans portion; a 22.8% reduction in commercial arrears and a 13.0% decline in mortgage delinquencies. The ratio of arrears to total loans decreased to 11.4% by end 2022 from 14.2% in 2021.

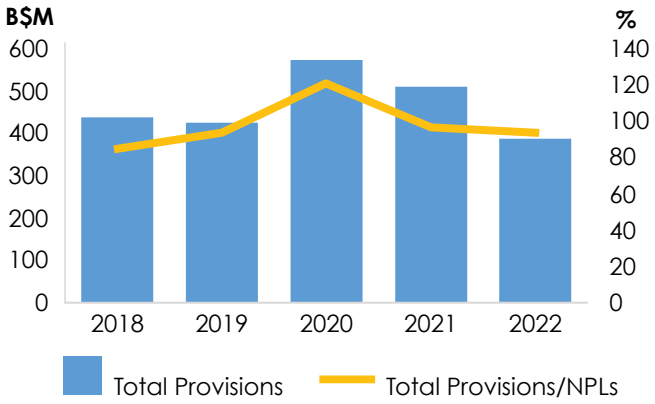
Private Sector Loan Arrears



Source: Central Bank of The Bahamas

Non-performing loans (NPL's) decreased since 2021 by 21.4% to $414.9 million at the end of 2022, representing 7.74% of total private sector loans. In light of the improvement, banks' provisions for credit losses decreased over the year by 24.2% to $388.6 million at the end of 2022, representing approximately 7.2% of total private sector loans, 63.7% of total arrears and 93.7% of non-performing loans.

Total Provisions to NPLs

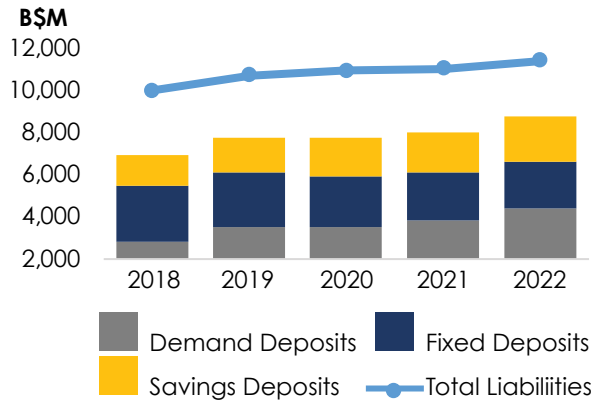


Source: Central Bank of The Bahamas

Deposit Base and Liquidity

During 2022, domestic bank's total resident deposits in all currencies increased by 9.1% to $8.7 billion, representing 76.5% of total domestic liabilities. Similarly, Bahamian dollar deposits increased by 8.6% to $8.3 billion. By magnitude, this comprised liabilities to private individuals (51.7%), business firms (32.2%), private financial institutions (5.9%), the public sector (4.2%) other depositors (3.6%), and non-residents (1.3%). Approximately 50.6% of banks' total resident deposits, in all currencies, were held in demand balances, followed by fixed accounts (24.9%) and savings (24.5%).

Banks' Liabilites



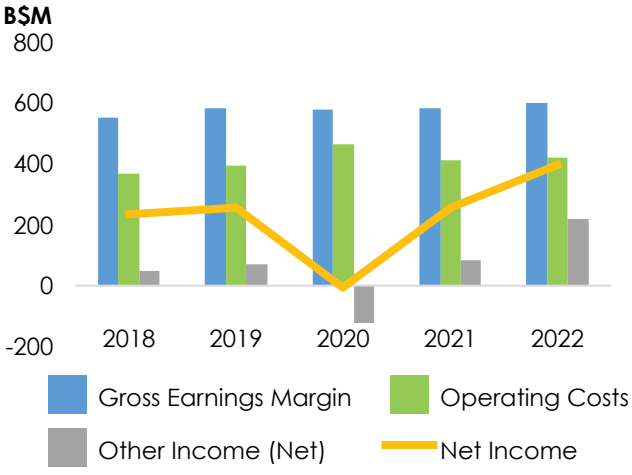
Source: Central Bank of The Bahamas

At end-December 2022, Bahamian dollar deposit accounts totaled 462,043, with 81.5% representing balances of less than $5,000; 5.6%, balances ranging between $5,000 and $10,000; 5.7% balances ranging between $10,000 and $25,000; 2.8%, balances ranging between $25,000 and $50,000; and 4.4%, balances of more than $50,000.

Profitability and Capital Adequacy

During 2022, domestic banks' net profits rose by $142.3 million (55.9%) to $397.0 million, on account of a decline in provisions for bad debt and decreased staff and occupancy costs.

Banks' Profitability Indicators

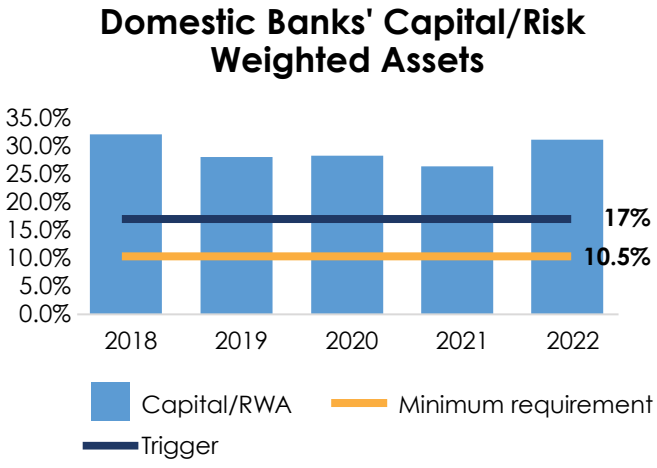


Source: Central Bank of The Bahamas

In 2022, the net interest margin widened by $8.7 million (1.6%) to $541.7 million as a result of increased interest income and lower interest expenses. Commission and forex income also increased from $50.5 million to $58.2 million resulting in a gross earning margin of $599.9 million. Taking operating costs, inclusive of staff, occupancy, and other operating costs (totaling $420.6 million) into account, the net earnings margin improved by $7.0 million (4.1%) to $179.3 million. Meanwhile, other income sources net of sharply curtailed bad debt expenses rose almost three-fold to $217.7 million, further bolstering the net income position.

Consequent on the profit results, the return on assets ratio for banks rose to 3.43% from to 3.11% in 2021.

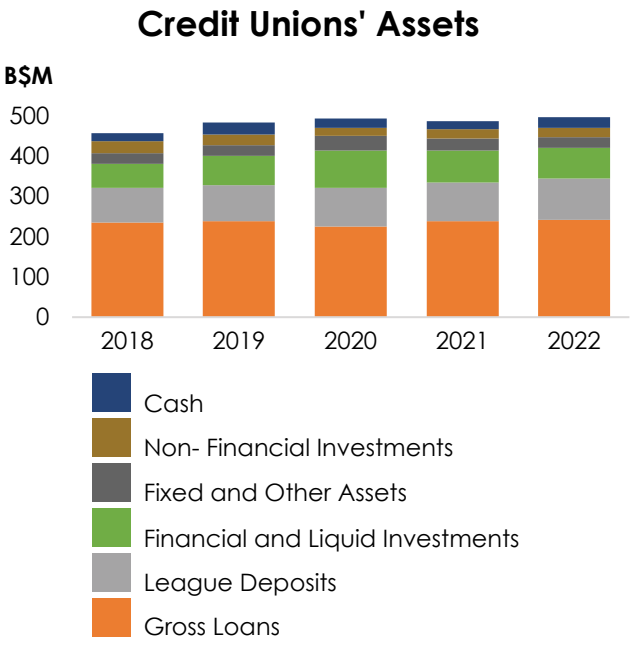
Domestic banks are required to maintain a capital adequacy ratio against risk-weighted assets of at least 17.0%. At end-2022, total eligible capital amounted to approximately $2.1 billion, while risk-weighted assets totaled $6.7 billion. The resulting the capital adequacy ratio was 31.2%. Other non-domestic member banks required to maintain a capital adequacy ratio of at least 10.5%, reported an end-2022 average ratio of 30.7%.



Source: Central Bank of The Bahamas

Credit Union Financial Trends

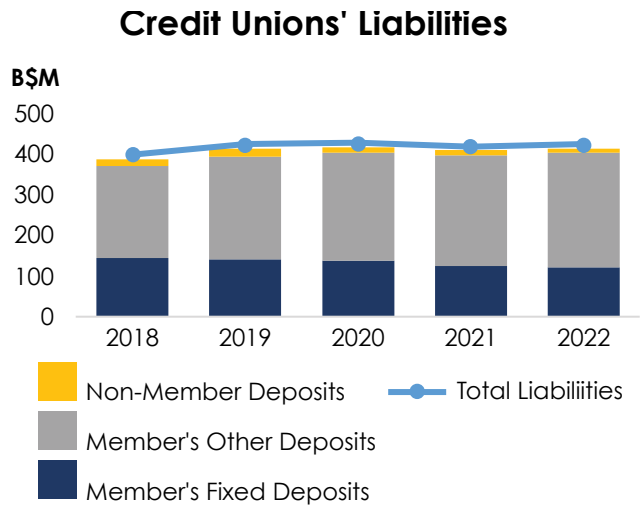
As at end 2022, the credit unions' total assets grew by $9.0 million to $483.6 million in 2021. Total assets were comprised of $241.4 million in gross loans, mainly comprising consumer credit ($137.3 million) and mortgages/land ($102.6 million). Assets also included, $103.0 million in deposits with the Bahamas Co-operative League Limited ("the Apex Body"), $74.5 million in liquid and financial investments, $24.8 million in non-financial investments, $26.4 million in fixed and other assets and $24.3 million in cash.



Source: Central Bank of The Bahamas

Over the year, total NPLs in the sector increased to $28.1 million, with a ratio of NPLs/total loans recording of 11.6%. Meanwhile, provisions increased by $0.8 million to approximately $9.0 million with a provisioning coverage ratio of 32.0%.

Total deposits held by the member credit unions increased by 1.3% ($5.3 million) to $414.4 million in 2022. By depositor grouping, liabilities were comprised of $119.9 million (or 28.9%) in fixed deposits due to members; $259 million (62.49%), regular member deposits; $25.7 million, as other deposits due to members and $9.8 million, due to non-members.



Source: Central Bank of The Bahamas

Bahamian dollar deposit accounts totalled 112,832, with 86.1% holding balances of less than $5,000; 5.6% accounts with balances ranging between $5,000 and $10,000; 5.0% with balances ranging between $10,000 and $25,000; 1.9% with balances ranging between $25,000 and $50,000; and 1.4% with balances of more than $50,000.

The total members' equity rose by 7.8% ($4.32 million) from $55.6 million in 2021 to $59.96 million in 2022 and comprised members' capital of $9.6 million, institutional capital of $9.9 million and reserve funds of $40.4 million. The minimum capital ratio for the credit unions, follows the PEARL Standards, which is no less than 10.0%. The average capital ratio increased to 12.4% in 2022 from 11.7% in 2021.

Other DIC Member Highlights

In 2022, Deltec Bank & Trust Limited and Equity Bank Bahamas Limited became members of the DIC as a result of the acquisition of another DIC member institution, in the former case; and the re-designation of the latter entity's exchange control designation status. Therefore, the total number of DIC member institutions increased to 19 at end-2022, inclusive of ten domestic systemically important banks (D-SIBS), seven credit unions and the two other deposit-taking institutions.

During the year, the Central Bank continued its effective oversight of these institutions, using a combination of offsite surveillance and on-site examination tools.

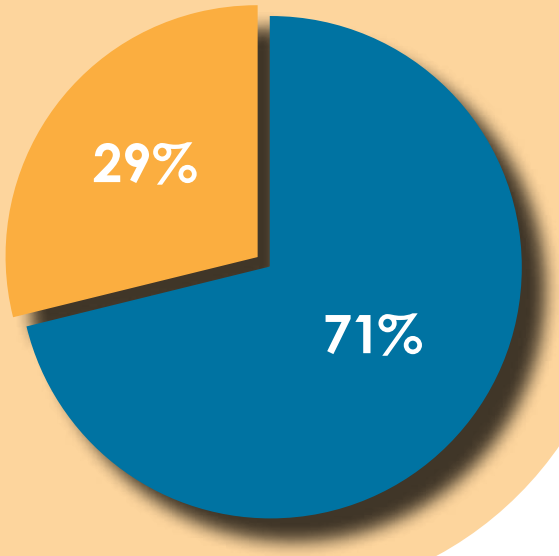
In the banking sector, both private-sector lending and non-performing loans continued on a downtrend since 2021. By end-2022, there were minimal credit facilities subjected to repayment deferrals. Member banks' total provisions remained adequate to absorb any expected losses.

Some risk reduction was evident in the credit union sector given the downward trend in the value of NPLs since December 2021. This corresponded to a lower NPL ratio of 11.63% at the end of 2022 compared to a ratio of 12.50% at the end of the previous year.

Given the high exposure to the tourism sector, the credit union sector's loan book was adversely impacted by the COVID-19 pandemic since its onset in 2020, though the cumulative impact has waned. At the end of 2022, approximately 29% of the new NPLs in this sector since the beginning of the pandemic related to COVID-19 displacements. This is comparative to 42% of the new NPLs up through the end of the prior year (2021).

New Non-performing Loans

(Over 90 days) for the period
31 March 2020 to
31 December 2022



IADI Core Principles for Effective Deposit Insurance Systems

The original Core Principles for Effective Deposit Insurance Systems was published on 18 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 16 Core Principles, were issued in November 2014 and focused on effective deposit insurance practices in preserving financial stability. These 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 technical assistance 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. The deposit insurer should be a member of any institutional framework for ongoing communication and coordination involving financial safety-net participants related to system-wide crisis preparedness and management.

Principle 7 – MEMBERSHIP:
Membership in a deposit insurance system should be compulsory for all banks.

Principle 8 – COVERAGE:
Policymakers should define clearly the level and scope of deposit coverage. Coverage should be limited, credible and cover the large majority of depositors but leave a substantial amount of deposits exposed to market discipline. Deposit insurance coverage should be consistent with the deposit insurance system's public policy objectives and related design features.

Principle 9 – SOURCES AND USES OF FUNDS:
The deposit insurer should have readily available funds and all funding mechanisms necessary to ensure prompt reimbursement of depositors' claims, including assured liquidity funding arrangements. Responsibility for paying the cost of deposit insurance should be borne by banks.

Principle 10 – PUBLIC AWARENESS: In order to protect depositors and contribute to financial stability, it is essential that the public be informed on an ongoing basis about the benefits and limitations of the deposit insurance system.

Principle 11 – LEGAL PROTECTION:
The deposit insurer and individuals working both currently and formerly for the deposit insurer in the discharge of its mandate must be protected from liability arising from actions, claims, lawsuits or other proceedings for their decisions, actions or omissions taken in good faith in the normal course of their duties. Legal protection should be defined in legislation.

Principle 12 – DEALING WITH PARTIES AT FAULT IN A BANK FAILURE:
The deposit insurer, or other relevant authority, should be provided with the power to seek legal redress against those parties at fault in a bank failure.

Principle 13 – EARLY DETECTION AND TIMELY INTERVENTION:
The deposit insurer should be part of a framework within the financial safety-net that provides for the early detection of, and timely intervention in, troubled banks. The framework should provide for intervention before the bank becomes non-viable. Such actions should protect depositors and contribute to financial stability.

Principle 14 – FAILURE RESOLUTION:
An effective failure resolution regime should enable the deposit insurer to provide for protection of depositors and contribute to financial stability. The legal framework should include a special resolution regime.

Principle 15 – REIMBURSING DEPOSITORS:
The deposit insurance system should reimburse depositors' insured funds promptly, in order to contribute to financial stability. There should be a clear and unequivocal trigger for insured depositor reimbursement.

Principle 16 – RECOVERIES:
The deposit insurer should have, by law, the right to recover its claims in accordance with the statutory creditor hierarchy.

Glossary of Terms

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

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

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

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

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

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

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

Certificate of Deposit (CD) - A savings instrument, also called a time or fixed deposit, that pays interest for specific period of time (term), at either a set or variable interest rate, and which is redeemable upon maturity. A CD is a deposit type, not an account ownership category. The amount of coverage available to the owner of a CD depends on the ownership category (single, joint, trust, IRA) in which the CD is held and what other deposit accounts the owner holds in that same category at the same bank.

Cashier's Check - A check drawn on a bank. It is considered a deposit and eligible for deposit insurance coverage.

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.

Corporation - An incorporated business that includes both for-profit and not-for-profit entities. Corporation accounts, together with partnership and unincorporated association accounts, are a separate ownership category for the purpose of calculating deposit insurance.

Debenture - A debt investment issued by a bank or other corporation. Debentures may pay interest at a fixed rate or a floating (variable) rate and may be redeemable on demand or at the end of a fixed term.

Demand Deposit Account (DDA) - A checking account. DDA is a deposit type, not an account ownership category. The amount of coverage available to the owner of a DDA would depend on the ownership category (single, joint, trust, IRA) in which the account is held and what other deposit accounts the owner holds in that same category at the same bank.

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

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

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

Deposit Insurance Corporation (DIC) - The agency created in 1999, under the Protection of Depositors Act, to provide for the insurance of Bahamian dollar deposits, so as to promote the stability and public confidence in the Bahamian financial system.

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.

DIC Member Institution or Member Institution - Banks and Credit Unions in The Bahamas that accept wholly or in part Bahamian Dollar Deposits.

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

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

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

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

Failure - A failure occurs when an institution business becomes insolvent or is in immediate danger of insolvency.

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

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

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

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

Insurance Amount - The basic DIC insurance amount is B$50,000 per depositor, per member, per ownership category. Deposits held in different ownership capacities and rights, such as single, joint, and trust, are separately insured, when the requirements for each ownership category are met, even if held at the same bank.

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 accounts are a separate account ownership category and 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.

Liquidator - Person authorized, normally appointed by the courts, to represent the bank in liquidation, to manage its affairs and to conduct activities for collecting its claims, discharging its debts to the creditors of collected funds, allocating the remainder of its assets among the shareholders and winding up its activities.

Maturity Date - The date at which a term deposit becomes due.

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

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

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

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

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/ strategies 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, 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.

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

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

FOR YEAR ENDED DECEMBER 31, 2022

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, 2022, 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, 2022, 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, 2022, the Corporation has investments with a carrying value of $79,854,800 (2021: $73,071,600) in Bahamas Government Registered Stock ("BGRS") representing 97.82% (2021: 98.47%) 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.

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.

April 21, 2023
Nassau, Bahamas

DEPOSIT INSURANCE CORPORATION
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 2022
(Expressed in Bahamian dollars)

	Notes	2022	2021
ASSETS			
Cash and cash equivalents	4(e)	830,254	149,201
Investments	4(e), 6, & 10	79,854,800	73,071,600
Accrued interest receivable		940,773	977,727
Other assets		7,009	6,728
TOTAL ASSETS		**81,632,836**	**74,205,256**
LIABILITIES			
Unpaid claims		52,644	52,644
Accounts payable and accrued expenses		8,068	8,208
TOTAL LIABILITIES		**60,712**	**60,852**
NET ASSETS		**$ 81,572,124**	**$ 74,144,404**
EQUITY			
Capital	7	500,000	500,000
Deposit insurance fund		81,072,124	73,644,404
TOTAL EQUITY (Page 7)		**$ 81,572,124**	**$ 74,144,404**

Approved on behalf of the Board of Directors and authorized for issuance on April 21, 2023.

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, 2022
(Expressed in Bahamian dollars)

	Notes	2022	2021
INCOME			
Premiums		4,096,725	3,741,735
Interest income		3,467,691	3,306,974
TOTAL INCOME		**7,564,416**	**7,048,709**
EXPENSES			
Administration fee	8	79,093	80,531
Public awareness campaign		299	24,875
Membership fee	9	26,804	26,463
Printing		11,006	10,226
Audit fees		7,500	7,500
Board honorarium		11,400	9,000
Website development		594	967
TOTAL EXPENSES		**136,696**	**159,562**
Net income		**7,427,720**	**6,889,147**
Other comprehensive loss			
Net change in unrealized loss on investments		-	-
Total comprehensive income		**$ 7,427,720**	**$ 6,889,147**

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, 2022
(Expressed in Bahamian dollars)

	Capital (Note 7)	Deposit Insurance Fund	Total
As at December 31, 2020	500,000	66,755,257	**67,255,257**
Total comprehensive income (Page 6)	-	6,889,147	**6,889,147**
As at December 31, 2021	**500,000**	**73,644,404**	**74,144,404**
Total comprehensive income (Page 6)	-	7,427,720	**7,427,720**
As at December 31, 2022	**$ 500,000**	**$ 81,072,124**	**$ 81,572,124**

The accompanying notes form an integral part of these financial statements

DEPOSIT INSURANCE CORPORATION

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022
(Expressed in Bahamian dollars)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	**7,427,720**	**6,889,147**
Adjustment for:		
Interest income	(3,467,691)	(3,306,974)
Net Cash Provided by Operations before Changes in Operating Assets and Liabilities	**3,960,029**	**3,582,173**
Decrease/ (increase) in accrued interest receivable	36,954	(88,034)
Increase in other assets	(281)	(451)
(Decrease)/ increase in accounts payable and accrued expenses	(140)	354
Net Cash Provided by Operating Activities	**3,996,562**	**3,494,042**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(11,232,000)	(10,581,700)
Proceeds from maturity of investments	4,448,800	2,586,500
Interest received	3,467,691	3,306,974
Net Cash Used in Investing Activities	**(3,315,509)**	**(4,688,226)**
NET INCREASE (DECREASE) CASH AND CASH EQUIVALENTS	**681,053**	**(1,194,184)**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	149,201	1,343,385
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 830,254**	**$ 149,201**
Represented by:		
Cash at bank	**$ 830,254**	**$ 149,201**

The accompanying notes form an integral part of these financial statements

DEPOSIT INSURANCE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022
(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 on the 3rd Floor of the Bahamas Financial Center, Charlotte 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 2002, 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 2022

IFRS 9 Financial Instruments

The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognize a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

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

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	-	Classification of Liabilities as Current or Non-current - effective from January 1, 2023.
Amendments to IAS 1 and IFRS Practice Statement 2	-	Disclosure of Accounting Policies
Amendments to IAS 8	-	Definition of Accounting Estimates

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

3. BASIS OF PREPARATION

(a) Statement of compliance

The Corporation's financial statements have been prepared in accordance with applicable International Financial Reporting Standards (IFRSs) and 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.

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.

(i) Interest income

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

(ii) Expenses

Expenses are recognized on an accrual basis.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

(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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Financial instruments (Continued)

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.

(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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Financial instruments (Continued)

(ii) Financial assets at amortized cost (Continued)

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.

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Financial instruments (Continued)

Financial assets (Continued)

Impairment of Financial Assets

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

- financial assets that are determined to have low credit risk at the reporting date; and

- other financial assets for which credit risk has not increased significantly since initial recognition.

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

Lifetime ECLs are the ECLs that result from 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Financial instruments (Continued)

Impairment of Financial Assets (Continued)

At each reporting date, the Corporation assesses whether financial assets carried at amortized 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 past 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 2022	Interest rate	Amortized Cost 2021
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 2022	Interest rate	Amortized Cost 2021
Balance brought forward			**28,794,800**		**28,794,800**
Sep. 02, 2014	Sep. 23, 2031	4.30	330,000	4.30	330,000
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	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**		**45,712,900**

6. INVESTMENTS (Continued)

Date of purchase	Maturity date	Interest rate	Amortized Cost 2022	Interest rate	Amortized Cost 2021
Balance brought forward			**45,712,900**		**45,712,900**
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
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	5.90	1,320,000
Feb. 15, 2021	Feb. 15, 2041	5.95	490,000	5.95	490,000
Mar. 15, 2021	Feb. 15, 2041	5.95	155,000	5.95	155,000
Mar. 30, 2021	Mar. 30, 2022	3.00	-	3.00	185,000
Apr. 16, 2021	Feb. 15, 2028	4.65	146,000	4.65	146,000
Balance carried forward			**64,600,900**		**64,785,900**

6. INVESTMENTS (Continued)

Date of purchase	Maturity date	Interest rate	Amortized Cost 2022	Interest rate	Amortized Cost 2021
Balance brought forward			**64,600,900**		**64,785,900**
May. 5, 2021	May. 5, 2022	3.00	-	3.00	1,585,000
May. 17, 2021	May. 17, 2028	4.70	655,000	4.70	655,000
Jun. 15, 2021	May. 17, 2028	4.70	120,000	4.70	120,000
Jul. 16, 2021	May. 17, 2028	4.70	135,000	4.70	135,000
Aug. 17, 2021	Aug. 17, 2028	4.70	510,000	4.70	510,000
Sep. 14, 2021	Aug. 17, 2026	4.05	380,000	4.05	380,000
Oct. 29, 2021	Oct. 29, 2022	3.10	-	3.10	2,154,700
Nov. 16, 2021	Nov. 16, 2024	3.60	1,338,000	3.60	1,338,000
Nov. 16, 2021	Nov. 16, 2026	4.05	1,338,000	4.05	1,338,000
Dec. 14, 2021	Nov. 16, 2026	4.05	70,000	4.05	70,000
Jan. 18, 2022	Nov. 16, 2024	3.60	145,000	-	-
Mar. 15, 2022	Mar. 15, 2025	3.60	170,000	-	-
Apr. 14, 2022	Mar. 15, 2025	3.60	276,900	-	-
Mar. 30, 2022	Mar. 30, 2023	3.15	1,142,300	-	-
May. 5, 2022	May. 5, 2023	3.15	787,900	-	-
Jul. 15, 2022	Jun. 15, 2025	3.60	566,200	-	-
Aug. 17, 2022	Jun. 15, 2025	3.60	636,100	-	-
Aug. 17, 2022	Jun. 15, 2027	4.05	168,600	-	-
Jun. 30, 2022	Jun. 30, 2023	3.15	1,167,900	-	-
Sep. 14, 2022	Sep. 14, 2025	3.58	637,000	-	-
Oct. 17, 2022	Sep. 14, 2025	3.58	2,500,000	-	-
Nov. 21, 2022	Sep. 14, 2025	3.58	2,247,000	-	-
Oct. 31, 2022	Oct. 31, 2023	3.13	263,000	-	-
TOTAL			**$ 79,854,800**		**$ 73,071,600**

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 $71,903 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 $26,804 (2021: $26,463).

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 2022.

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)

Credit 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, 2022. The table includes only principal cash flows.

2022	Within 1 year	2 to 5 years	Over 5 years	Total
Financial assets				
Financial assets at amortized cost				
Cash at bank	830,254	-	-	**830,254**
Accrued interest receivable	940,773	-	-	**940,773**
Investments	5,211,100	20,595,800	54,047,900	**79,854,800**
	$ 6,982,127	**$ 20,595,800**	**$ 54,047,900**	**$ 81,625,827**
Financial liabilities				
Other financial liabilities				
Unpaid claims	52,644	-	-	**52,644**
Accounts payable and accrued expenses	8,068	-	-	**8,068**
	$ 60,712	**$ -**	**$ -**	**$ 60,712**

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	**73,071,600**
	$ 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**

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 $798,548 (2021: $730,716) 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.

10. 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.