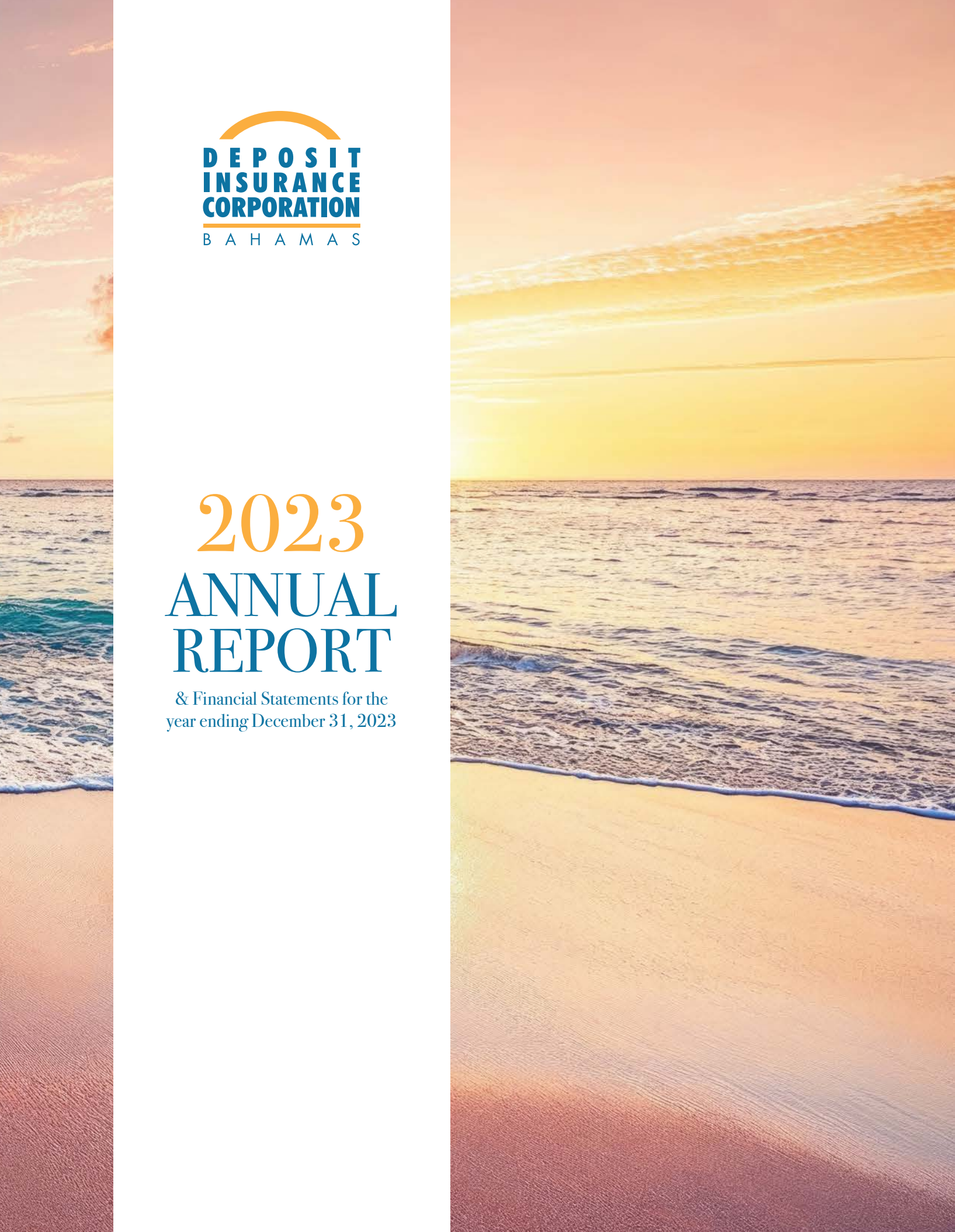
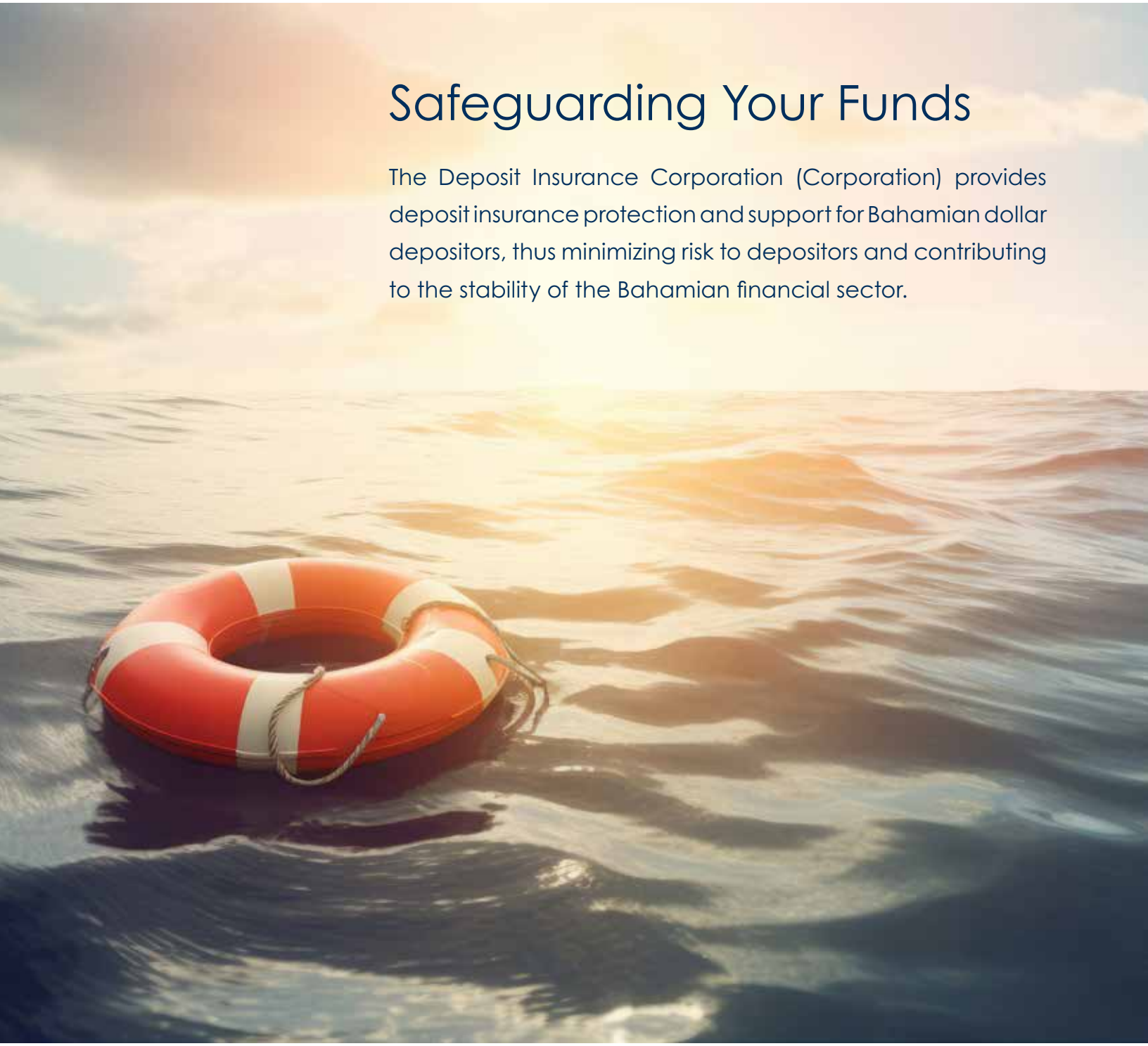
DEPOSIT INSURANCE CORPORATION
BAHAMAS

# 2023 ANNUAL REPORT

& Financial Statements for the year ending December 31, 2023





# Safeguarding Your Funds

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

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DEPOSIT INSURANCE CORPORATION
BAHAMAS

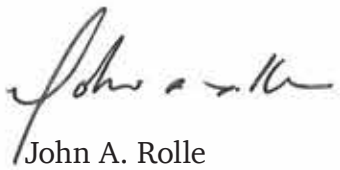
September 10, 2024

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, 2023. 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

**BTCRA** – Banks and Trust Companies Regulations Act

**BCBS** – Basel Committee on Banking Supervision

**CBBA** – Central Bank of The Bahamas Act

**CRC** – Caribbean Regional Committee of Deposit Insurers

**CBTC** – IADI's Capacity Building Technical Committee

**DIC or Corporation** – Deposit Insurance Corporation

**D-SIB** – Domestic Systemically Important Bank

**FSAP** – Financial Sector Assessment Program

**FSB** – Financial Stability Board

**GDP** – Gross Domestic Product

**IADI** – International Association of Deposit Insurers

**IMF** – International Monetary Fund

**MOU** – Memorandum of Understanding

**NPL** – Non-Performing Loan

**PDA** – Protection of Depositors Act

**SFI** – Supervised Financial Institution

**The Central Bank** –Central Bank of The Bahamas

# About the Deposit Insurance System in The Bahamas

The Deposit Insurance Corporation 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 a 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 percent 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 payable by the Central Bank and $0.5 million 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 member institutions do not hold an equity position in the DIC.

Upon establishment, the DIC floated a B$6.75 million 5-year bond (with an annual interest rate of 6¼ percent). The bond was 100% guaranteed by The Bahamas Government. The funds from the offering were used to reimburse the depositors of Gulf Union.

The DIC achieved an important reform milestone in 2020, which strengthened and expanded 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 enrollment, credit unions had approximately 97,959 accounts, holding $425.4 million in Bahamian dollar deposits. The addition of credit unions to the Fund allowed the DIC to increase its support of Bahamian dollar depositors and deposit insurance protection; thus, contributing to the financial stability of the domestic financial sector by minimizing the risk of loss to depositors.

# Box 1: **DIC Facts**

The Bahamas' Deposit Insurance Corporation was established on 30 September 1999, by the Protection of Depositors Act, to administer and manage 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 coverage at such member.

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,<br>Governor, Central Bank of The Bahamas |
| Simon Wilson | Financial Secretary, Ministry of Finance |
| James Carey | Senior Consultant, Independent Solutions Ltd. |
| Khrystle Rutherford-Ferguson | Immediate Past Chairman, The Bahamas Chamber of Commerce and Employers' Confederation |
| Donald Demeritte | Principal, EPS Consultancy |
| Marion Bethel | Counsel & Attorney-At-Law, Sears & Co. |
| Karen Rolle | Inspector of Bank and Trust Companies,<br>Bank Supervision Department, Central Bank of The Bahamas |
| Rochelle Deleveaux-McKinney | Legal Counsel, Central Bank of The Bahamas |

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

| | |
|---|---|
| Sherrece Saunders | Deputy Inspector |
| Karranda Smith | Lead Supervisor |
| Cheryl Forbes | Assistant Lead Supervisor (retired June 2023) |
| 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) 302-2781 / 302-9862

## BANKER

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

# Message from the Chairman

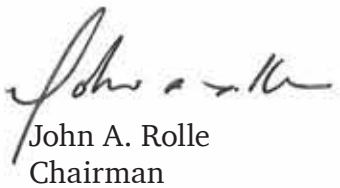
In 2023, the Bahamian economy recovered beyond its pre-pandemic levels, based on the gains in tourism and sustained foreign investment inflows. With private sector demand more strengthened, and government borrowing operations shifted more towards local currency financing, the Central Bank's external reserves decreased moderately—in line with what was expected—and liquidity in the banking sector rose at a more tempered pace. Lending to the private sector also expanded further, halting a decade of steady contraction, while the debt servicing capacity of private borrowers was further improved. Meanwhile, the inflation rate eased, in line with reduced price pressures on imported international goods and services.

The DIC continued to advance 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, through the technical and administrative support provided by the Central Bank. Membership of the DIC remained at 19 member institutions, including 7 credit unions, 10 commercial banks, and 2 banks and trust companies. With an expansion in the deposit base, premium contributions supported growth in the Deposit Insurance Fund, by 8% to $88.1 million although the premium rate remained at one-twentieth of one percent of the average insurable deposits.

During the year, the Central Bank continued its effective supervisory oversight, using a combination of offsite surveillance and on-site examination tools for supervised financial institutions (SFIs) which are members of the DIC, to ensure that no SFI posed an immediate threat to the Fund or to the stability of the domestic financial system. In addition, the Central Bank will establish a new Resolution and Crisis Management Unit to strengthen the separation between the supervisory and resolution functions. The new unit will house the DIC and its operations, increasing resources to strengthen DIC's reimbursement capacity and the ability to support purchase and acquisition assumption transactions.

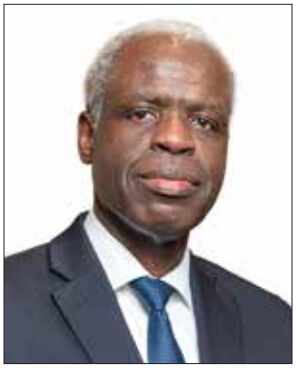
In our governance arrangements, during 2023, we welcomed Mrs. Khrystle Rutherford-Ferguson to the DIC Board, replacing Mr. Jeffery Beckles, whose tenure ended in June 2023. I would like to thank Mr. Beckles and the entire DIC Board of Directors for their continuous strategic guidance over of the DIC's operations. I am also grateful to the staff of the Central Bank, who continued to provide technical and administrative support to the Corporation.

Looking ahead to 2024, the Board and Staff of the DIC remain committed to advancing the Corporation's mission of promoting depositor protection and financial stability.

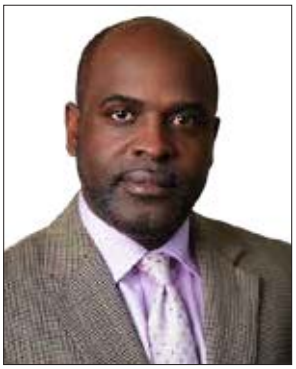


John A. Rolle
Chairman
Deposit Insurance Corporation

# Board of Directors



**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 Governor in January 2016. Prior to this, he served as the Financial Secretary in the Ministry of Finance for three years, and from 2009 to 2012 as a Senior Advisor to the Executive Director for Canada, Ireland and the Caribbean Constituency while seconded to the Executive Board of the International Monetary Fund.



**Mr. Simon Wilson**
Appointed: September 2021
Mr. Wilson resumed his role of Financial Secretary in September 2021, having been appointed 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.

**Mrs. Khrystle Rutherford-Ferguson**
Appointed: July 2023
Mrs. Ferguson is an experienced Attorney-at-Law with a demonstrated history of working in the banking industry. In 2015, she became active in the Bahamas Chamber of Commerce and Employers' Confederation (BCCEC), the premier voice of the business community in The Bahamas, serving in various capacities including Director and Vice Chairman. Mrs. Ferguson served as the Chairman of the BCCEC from 2019 to 2023.

**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., practicing 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 Legal Unit of the Central Bank of The Bahamas. 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 Bank Supervision Department of the Central Bank of The Bahamas 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 i.e. a member of the same group of companies.
- 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.

# Box 2: **Recovery and Resolution Planning**

DEPOSIT INSURANCE CORPORATION BAHAMAS

The Bahamas continued to develop its legal framework, infrastructure, and key tools for an effective recovery and resolution regime, while strengthening the operations of the deposit insurance scheme.

The conclusion of the IMF's 2022 Technical Assistance (TA) Mission influenced significant progress towards the establishment of The Bahamas Financial Stability Council (BFSC). Key stakeholders of the Council will comprise of the Ministry of Finance, the Central Bank of The Bahamas, the Securities Commission of The Bahamas, the Insurance Commission of The Bahamas and the Deposit Insurance Corporation. The BFSC will improve interagency coordination and information exchange among financial stability regulators.

The Central Bank's action plan for 2024 will advance other key recommendations from the 2022 IMF's TA mission. The Central Bank will establish a new Resolution and Crisis Management Unit to strengthen the separation between the supervisory and resolution functions. The new unit will house the DIC and its operations, increasing resources in order to strengthen DIC's reimbursement capacity and the ability to support purchase and acquisition assumption transactions. Other plans include the development of a formalized crisis management plan and a resolution toolkit to set out guidance on resolution options, the criteria for selecting the appropriate option, and their implementation strategy. The plan also includes the development of a framework for undertaking resolvability assessments, resolution planning, industry trainings and crisis management testing.

# Strategic Direction

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

## Governance

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

## Organization

- Pursue amendments to the legal framework to provide 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

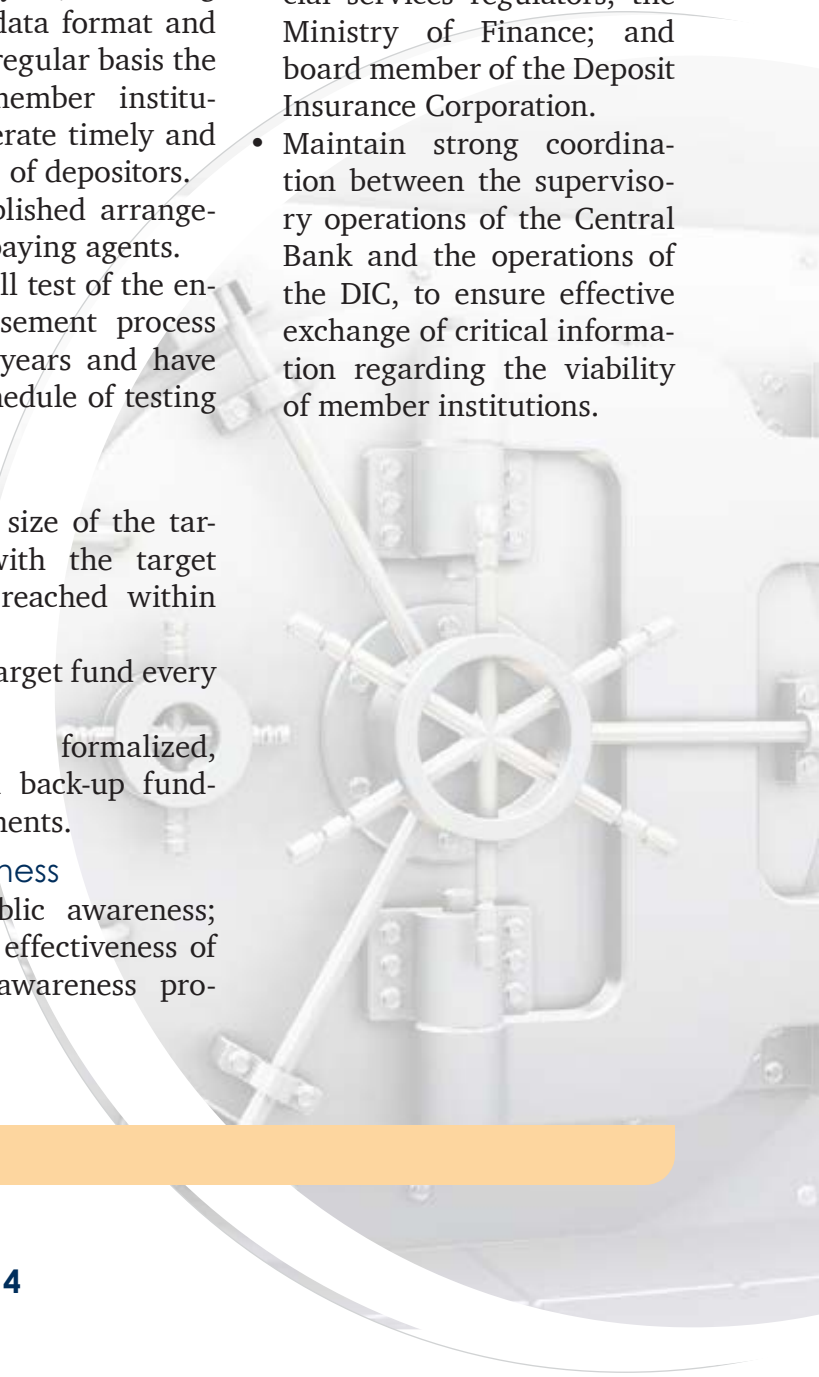
- Increase the size of the target fund, with the target fund being reached within five years.
- Review the target fund every three years.
- Establish formalized, pre-arranged back-up funding arrangements.

## 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.



# Box 3: **FAQs**

DEPOSIT INSURANCE CORPORATION BAHAMAS

## 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 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 every co-operative credit union 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 the rights and capacity of depositors.

**9 What is an ex-ante funding system?**

An ex-ante fund involves the advanced 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 individual (single owner), 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 in-

terest 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 $1,470 (total $50,470), then $470 would not be covered by deposit insurance because the amount is over $50,000.

**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 is protected up to B$50,000 per depositor per member bank based on rights and capacity.

**13 Are there any instruments that are not covered by deposit insurance?**

Yes. Not included in deposits are letters of credit, stand-by letters of credit or instruments of a similar nature, subordinated debts, preference shares, interbank deposits, foreign currency deposits, deposits of Government and statutory corporations, deposits of foreign Governments, deposits in any financial institution wholly owned by the Government and deposits from affiliates i.e. a member of the same group of companies. Additionally, 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) and deposits of any depositor who is shown to have been a party to or profited from the circumstances giving rise to a member institution's failure.

**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 closed 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 support to the DIC. This arrangement is governed by a formal Service

# DIC Member Institutions

## Total B$ Deposits (Millions)

| Commercial Banks | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|
| **Bank of the Bahamas Ltd.**<br>**Licensed:** 28th July, 1970 | 634.8 | 718.7 | 680.6 | 730.8 | 666.8 |
| **Citibank N.A.**<br>**Licensed:** 17th January ,1966 | 76.1 | 68.5 | 69.7 | 76.3 | 89.8 |
| **Commonwealth Bank Ltd.**<br>**Licensed:** 10th October, 1966 | 1,335.6 | 1,376.3 | 1,426.0 | 1,487.4 | 1,508.6 |
| **Equity Bank Bahamas Ltd.***<br>**Licensed:** 27th August, 1985 | - | - | - | 0.9 | 0.5 |
| **Fidelity Bank (Bahamas) Ltd.**<br>**Licensed:** 11th July, 1978 | 521.8 | 535.1 | 552.3 | 588.1 | 618.2 |
| **Finance Corporation of Bahamas Ltd.**<br>**Licensed:** 23rd May, 1966 | 430.4 | 373.2 | 318.1 | 277.4 | 271.5 |
| **CIBC Caribbean**<br>**Licensed:** 7th December,1995 | 1,542.1 | 1,515.4 | 1,518.4 | 1,633.2 | 1,723.6 |
| **RBC Royal Bank (Bahamas) Ltd.**<br>**Licensed:** 26th October, 2010 | 1,654.8 | 1,800.9 | 1,747.7 | 2,017.6 | 2,083.5 |
| **RF Bank & Trust (Bahamas) Ltd.**<br>**Licensed:** 15th September, 1998 | 70.4 | 105.0 | 238.0 | 240.8 | 255.2 |
| **Scotiabank (Bahamas) Ltd.**<br>**Licensed:** 26th March, 1998 | 988.9 | 965.8 | 1,070.5 | 1,230.3 | 1,262.6 |
| **Total: Commercial Banks** | **7,254.9** | **7,458.9** | **7,621.4** | **8,283.0** | **8,480.1** |

*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 Member Banks (B$ Millions) | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|
| **Ansbacher (Bahamas) Ltd.**** **Licensed:** 17th January, 1966 | 2.4 | 2.8 | 6.4 | - | - |
| **Deltec Bank & Trust Ltd.**** **Licensed:** 27th October, 1978 | - | - | - | 4.3 | 5.8 |
| **The Bank of Nova Scotia Trust Company (Bahamas) Ltd.** **Licensed:** 1st April, 1966 | 1.4 | 1.9 | 1.9 | 1.6 | 1.5 |
| **Total: Other Member Banks** | **3.8** | **4.7** | **8.3** | **5.9** | **7.3** |
| **Total: Member Banks** | **7,258.6** | **7,463.6** | **7,629.7** | **8,288.9** | **8,487.4** |

**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 (B$ Millions) | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|
| Bahama Islands Co-operative Credit Union Limited **Registered:** 28th May, 1986 | 42.1 | 42.9 | 45.9 | 49.5 | 53.6 |
| Bahamas Law Enforcement Co-operative Credit Union Limited **Registered:** 1st January, 2001 | 48.1 | 53.1 | 56.4 | 60.3 | 64.3 |
| National Workers Cooperative Credit Union Limited **Registered:** 17th November, 1976 | 62.5 | 64.1 | 60.4 | 62.8 | 62.9 |
| One Eleuthera Cooperative Credit Union Limited*** **Registered:** 9th February, 2016 | 1.1 | 1.3 | 1.5 | 1.1 | - |
| Public Workers' Co-operative Credit Union Limited **Registered:** 28th December, 1979 | 38.0 | 39.2 | 36.2 | 34.5 | 34.7 |
| Teachers & Salaried Workers Co-operative Credit Union Limited **Registered:** 14th February, 1977 | 199.4 | 196.1 | 189.2 | 186.4 | 183.6 |
| The Grand Bahama Co-operative Credit Union Limited **Registered:** 17th September, 1980 | 20.1 | 20.2 | 19.5 | 19.9 | 20.8 |
| **Total: Credit Unions** | **411.3** | **416.9** | **409.1** | **414.4** | **419.9** |
| **Total: All Members** | **7,670.0** | **7,880.5** | **8,038.8** | **8,703.3** | **8,907.3** |

*** One Eleuthera Cooperative Credit Union Limited is in voluntary liquidation and the requirement to submit financial returns ended December 2022.

# Bahamian Dollar Depositor Data

| Member Banks (B$ Millions) | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|
| Demand Deposits | $3,118.9 | $3,269.6 | $3,489.8 | $4,032.5 | $4,111.7 |
| Number of Accounts* | 111,412 | 112,229 | 116,334 | 118,725 | 118,393 |
| Savings Deposits | $1,646.8 | $1,800.6 | $1,896.7 | $2,108.1 | $2,281.0 |
| Number of Accounts* | 291,626 | 292,998 | 304,791 | 321,210 | 332,083 |
| Fixed Deposits | $2,492.9 | $2,393.4 | $2,243.2 | $2,148.2 | $2,094.8 |
| Number of Accounts* | 24,965 | 24,044 | 23,119 | 22,108 | 21,315 |
| **Total Deposits** | **$7,258.6** | **$7,463.6** | **$7,629.7** | **$8,288.9** | **$8,487.4** |
| **Number of Accounts*** | **428,003** | **429,271** | **444,244** | **462,043** | **471,791** |

| Credit Unions (B$ Millions) | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|
| Member Deposits | $394.6 | $402.3 | $398.0 | $404.6 | $410.4 |
| Number of Accounts* | 123,476 | 94,247 | 92,719 | 110,948 | 113,830 |
| Non- Member Deposits | $16.7 | $14.6 | $11.1 | $9.8 | $9.5 |
| Number of Accounts* | 4,620 | 4,302 | 3,014 | 1,884 | 1,813 |
| **Total Deposits** | **$411.3** | **$416.9** | **$409.1** | **$414.4** | **$419.9** |
| **Number of Accounts*** | **128,096** | **98,549** | **95,733** | **112,832** | **115,643** |

| | | | | | |
|---|---|---|---|---|---|
| **Total: All Member Deposits** | **$7,670.0** | **$7,880.5** | **$8,038.8** | **$8,703.3** | **$8,907.3** |
| **Total: All Member No. of Accounts*** | **556,099** | **527,820** | **539,977** | **574,875** | **587,434** |

*Number of Accounts are stated in actual figures

# Financial Highlights (2019-2023)
(B$000)

| | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|
| Members' Premiums | 3,105 | 3,269 | 3,742 | 4,097 | 4,458 |
| Interest & Other Income | 2,599 | 2,916 | 3,307 | 3,468 | 3,835 |
| Total Revenue | 5,704 | 6,185 | 7,049 | 7,564 | 8,293 |
| Total Expenses | 139 | 150 | 160 | 137 | 188 |
| Net Income | 5,566 | 6,035 | 6,889 | 7,428 | 8,105 |
| Net Change in Unrealized (Loss)/ Gain on Investments* | (479) | (232) | - | - | - |
| Comprehensive Income | 5,087 | 5,804 | 6,889 | 7,428 | 8,105 |
| Deposit Insurance Fund | 60,952 | 66,755 | 73,644 | 81,072 | 89,177 |
| Investment Securities | 59,096 | 65,076 | 73,072 | 79,855 | 88,486 |
| Total Assets | 61,511 | 67,315 | 74,205 | 81,633 | 89,816 |
| Return on Assets (%) | 8% | 9% | 9% | 9% | 9% |
| Member Institutions (#) | 11 | 18 | 18 | 19 | 19 |

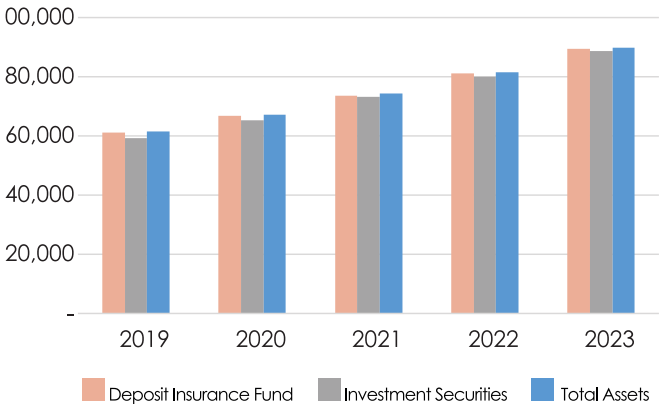
*For 2019 investments are shown at Fair Value Through Other Comprehensive Income (FVTOCI), while in 2020 -2023 investments were presented at amortized cost. Bahamas Registered Stock (BRS) were revalued in the past to reflect current market values as they were viewed as being held "available for sale". 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.

# 2023 Financial Highlights

The DIC financial statements for year ended 31 December 2023, along with comparable figures for 2022, are presented on pages 35 to 64 of this report.

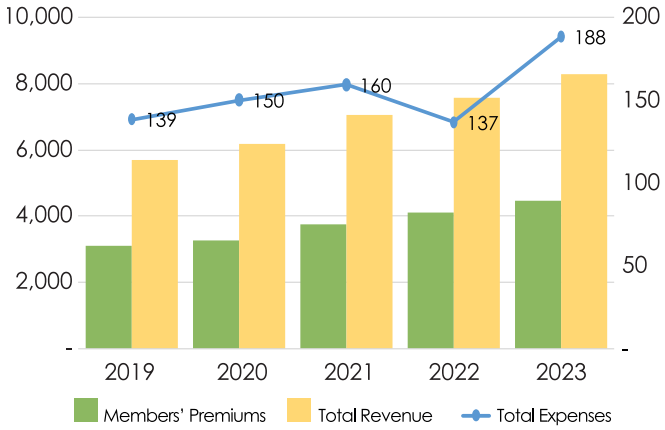
Total assets increased by 10.0% to $89.8 million at the end of December 2023, with Bahamas Registered Stock (BRS) accounting for the bulk of the total assets (98.5%). Through the continued investment of annual premium receipts in Bahamas Registered Stock (BRS) and the re-investment of interest income received in BRS, the DIC's investments increased by $8.6 million (10.8%) over the year to $88.5 million at December 2023.

**Financial Position Analysis (B$ '000)**




The deposit insurance fund, which accounted for 99.3% of the DIC's total assets, also expanded by $8.1 million (10.0%) to $89.2 million over the previous year.

**Comprehensive Income Summary (B$ '000)**

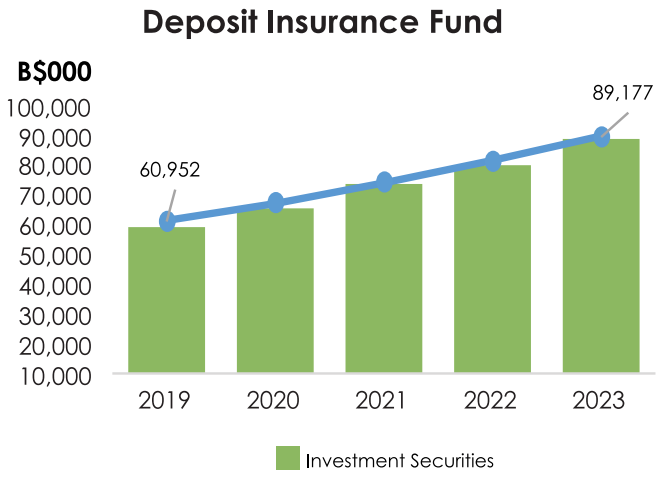



During 2023, total revenue grew by 9.6% to $8.3 million. More than half (53.8%) of the total income was generated from premiums, which rose by $0.4 million (8.8%) to $4.5 million. This represented assessments of $4.3 million from member banks and $0.2 million from member credit unions. Interest income (46.2 % of total revenue) increased by $0.4 million (10.6%) to $3.8 million.

The DIF's total operating expenses rose by $.05 million (37.7%) from $0.19 million in 2023, mainly due to DIC's increased focus on its public awareness campaign. Additionally, in 2023, there were also higher training expenses that were deferred during the pandemic period. However, the administration fee paid to the Central Bank remained as the largest expenditure, at approximately $.08 million.

# Fund Management

At end 2023, the Deposit Insurance Fund, reached approximately $89.2 million, representing an average annual increase of approximately 10.0% over the last five years.




At end-2023, collectively member institutions recorded, insurable and insured deposits of $8.95 billion and $2.75 billion, respectively. Accordingly, the Fund was equivalent to 1.0% of insurable deposits and 3.3% of insured deposits.

DIC members were advised during the year that following recommendations from the 2022 IMF TA Mission, the DIC Board had approved a premium rate increase to one-tenth of one percent (0.1%), effective 1 January 2024, which represented a doubling from the previous rate of one-twentieth of one percent (0.05%).

The premium adjustments support a multi-year strengthening of the overall target 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.

**Target Size of the Fund (B$ Millions)**

| | |
|---|---|
| Fund based on 4% of insured deposits: | $ 107.3 |
| Fund based on 4.67% of insured deposits: | $ 125.3 |
| Fund based on 5.67% of insured deposits: | $ 152.1 |

| | |
|---|---|
| Fund Level as at 31 December 2023 | $ 89.2 |
| Percentage of Insurable Deposits at December 2023 | 1.0% |
| Percentage of Insured Deposits at December 2023 | 3.3% |

# 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 Chairperson of the Board, the Financial Secretary of the Ministry of Finance, the Inspector of Bank & Trust Companies (BSD) of the Central Bank and another senior manager of the Central Bank. The Board has four external directors who have wide experience and have shown capacity in, financial or commercial matters, industry, law or administration.

The Board of Directors 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 three years and are eligible for reappointment to serve an additional term. Once appointed, the Directors sign a Code of Conduct, which stipulates the ethical standards of the Board in the execution of their duties. 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. The Minister of Finance is currently considering the appointment of one additional external director and a deputy chairperson.

**INTERNATIONAL ASSOCIATIONS**

In May, 2002, the DIC along with 24 other members founded the International Association of Deposit Insurers (IADI). IADI currently has 98 members, 11 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 and 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, British Virgin Islands and Trinidad & Tobago through a Memorandum of Understanding, which facilitates cooperation on the develop-

ment 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 and in-person trainings and conferences in 2023, covering subject areas such as Deposit Insurance, Bank Supervision, Crisis Management 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 depositor panics, an important goal of the DIC is to raise public awareness of the protective scheme, prior to stress that a member institution might encounter. In 2023, 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 213 visits per month.

**SOCIAL MEDIA**

The DIC has 3 social media pages:

- Facebook @depositinsurancecorporation
- Instagram: @dicbahamas
- X (formerly Twitter) @dicbahamas

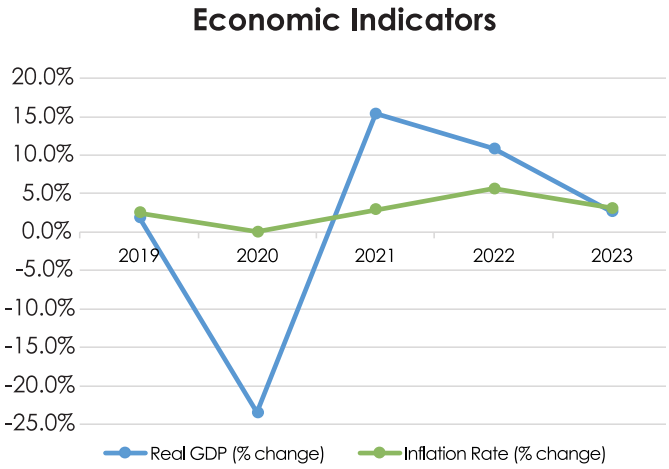
**RADIO ADVERTISEMENTS**

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 and Analysis

## Overview of the Domestic Macroeconomic Environment

The Bahamian economy recovered beyond its pre-pandemic levels in 2023 based on indicators linked to gains in tourism and sustained foreign investment inflows, thus, impacting the strategic policies and practices of DIC member institutions and their respective financial conditions.




Source: Central Bank of The Bahamas

Real GDP grew at a moderate pace of 2.6%, following an expansion of 10.8% in 2022, as the economy returned closer to the medium-term economic growth potential. Likewise, inflationary pressures narrowed to 3.1% in 2023 from 5.6 % in 2022, largely due to the pass-through effects of lower global oil prices, and abated cost increases on imported goods and services.

Tourism sector output continued to register strong growth, surpassing pre-pandemic levels. Overall tourist arrivals increased by 38.6% to $9.7 million in 2023, compared to $7.0 million recorded in 2022. Air arrivals expanded by 17.0% to 1.7 million, exceeding the 1.5 million in the prior year. Similarly, the sea segment rose by 43.5% to 7.9 million, extending the 5.5 million visitors recorded in 2022.

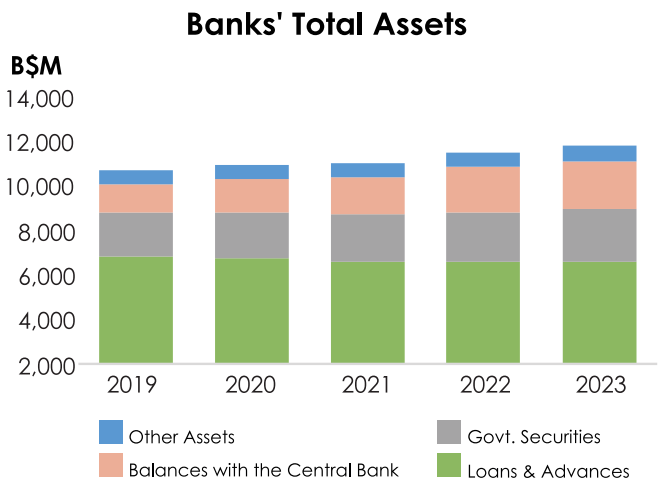
Labour market conditions also improved in 2023, as the recovered economy expanded employment in both tourism and construction. The unemployment rate dropped by 70 basis points to 8.8% in May 2023 according to the Bahamas National Statistical Institute's Labour Force Survey, compared to May 2019—the month for which the most recent national statistics were available.

In regards to the fiscal sector, during the first six months of FY2023/24, the Government's overall deficit narrowed by $19.1 million (6.9%) to $258.7 million, vis-à-vis the same period of FY2022/23. As expansion in revenue collections, underpinned by a rebound in VAT receipts and levies on international trade and transactions, outpaced the growth in government spending.

Monetary developments featured a reduction in bank liquidity. However, deceleration in the growth in the deposit base, contrasted with the reduction in domestic credit. Likewise, external reserves declined by $247.3 million to $2.4 billion due to a rise in net foreign currency outflows through the public sector.

***Banking Sector***

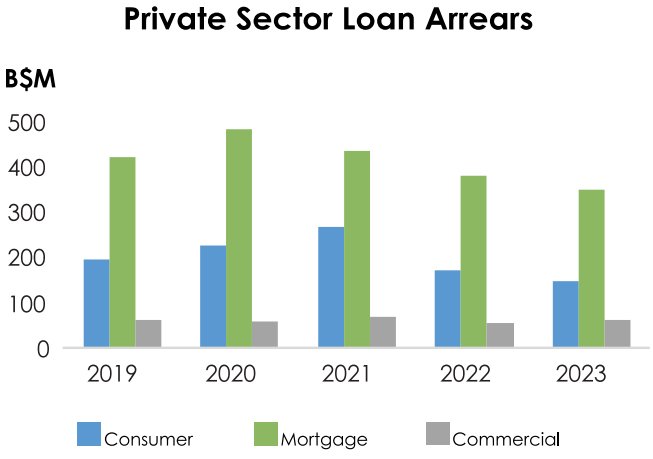
The domestic assets of domestic banks and trust companies increased by 2.2% to $11.7 billion in 2023. In respect of these assets, balances with the Central Bank decreased by 0.8%, while gross claims on the public and private sectors increased by 7.4% and 14.6%, respectively. Credit exposures represented 55.8% of the domestic assets; government securities, 20.5%; claims on the Central Bank, 17.7% and other assets for 6.1%.




In addition, banks satisfied liquidity requirements within their asset mix. The defined surplus liquid assets increased to $2.9 billion, which included $1.8 billion in net free cash reserves.

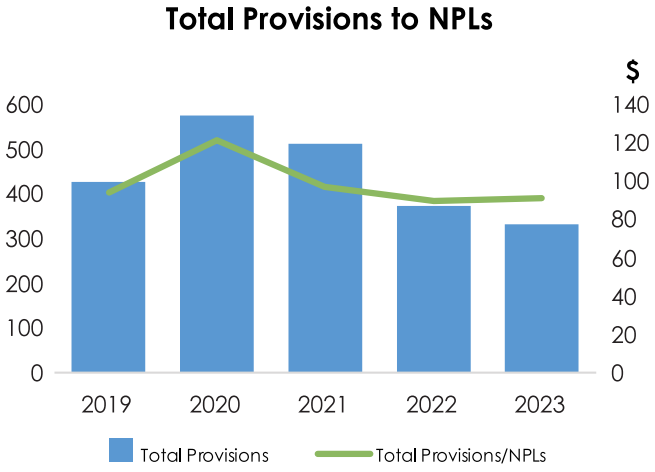
***Domestic Credit and Asset Quality***

Total banks' domestic credit increased slightly by 0.6% ($32.9 million) to $6.03 billion in 2023. Claims on the private sector credit rose the prior year by 1.4% ($74.1 million) to $5.4 billion, representing 90.3% of total credit. Net credit to the public sector decreased by 6.6% ($41.2 million) to $584.34 million. At end-2023, banks' total domestic credit comprised residential mortgages (41.4%), consumer credit (32.6%), commercial loans (16.3%) and claims on the public sector (9.7%).




As to private sector asset quality, total loan arrears decreased by 7.9% to $561.7 million in 2023 largely due to a 14.1% reduction in consumer loans arrears, and a 8.2% decline in mortgage delinquencies. The ratio of arrears to total loans decreased to 10.3% by end 2023 from 11.4% in 2022.

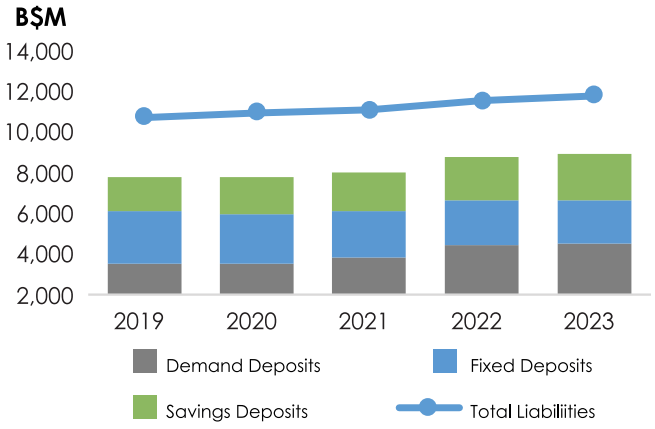
Non-performing loans (NPLs), delinquencies exceeding 90-days on average, declined by 12.9% to $361.5 million, representing 6.6% of total private sector loans. Conversely, shorter-term arrears (31 days to 90 days past due) increased by 2.6% to rest at $200.2 million. Given the NPL trends, banks' provisions for credit losses decreased over the year by 11.2% to $330.1 million at the end of 2023. This represented approximately 6.1% of total private sector loans, 58.8% of total arrears and 91.3% of NPLs.




***Deposit Base and Liquidity***

Bank's total resident deposits in all currencies increased by 2.1% to $8.9 billion in 2023, representing 75.8% of corresponding domestic liabilities. Notably, Bahamian dollar deposits increased by 2.4% to $8.5 billion. The largest share was owed to private individuals (52.7%), followed by business firms (31.1%), private financial institutions (5.9%), the public sector or government (4.6%), other depositors (3.9%), non-resident deposits (1.3%) and public financial institutions (0.4%). Approximately 50.0% of banks' total resident deposits in all currencies were held in demand deposits, 24.2% in fixed accounts and 25.8% in savings deposits.

**Banks' Liabilites**

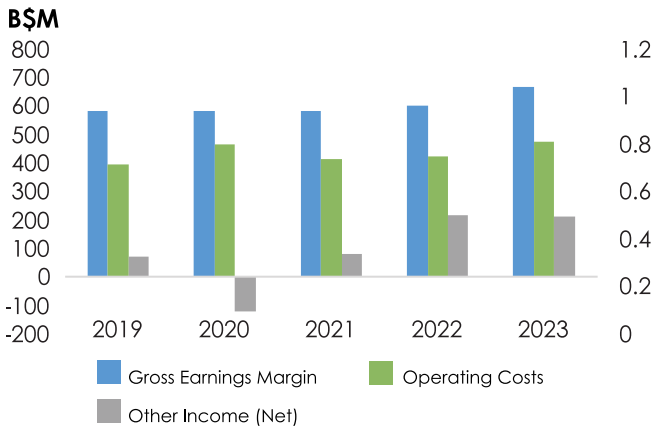



Analyzed by number of accounts and range of value, Bahamian dollar deposit accounts totaled 471,791 at end-2023, with 81.9% holding balances of less than $5,000; 5.5% with balances ranging between $5,000 and $10,000; 5.5% with balances ranging between $10,000 and $25,000; 2.8% with balances ranging between $25,000 and $50,000, and 4.4% with balances more than $50,000.

### *Bank Profitability and Capital Adequacy*

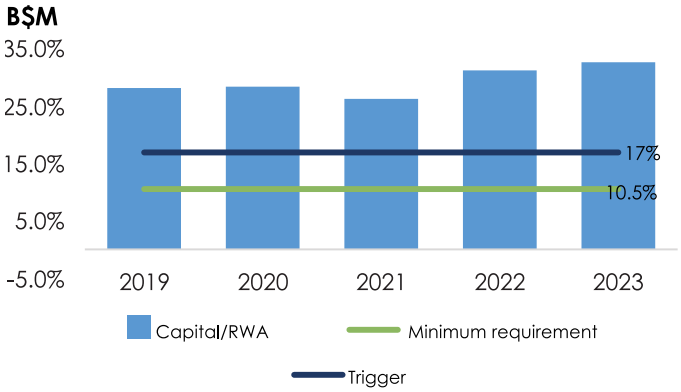
Domestic banks' net profits rose marginally by 1.4% to $402.4 million in 2023. In particular, the net interest margin widened by $58.5 million (10.8%) to $600.2 million, almost entirely driven by interest income improvement of $58.7 million (10.2%) to $637.3 million. Taking operating costs, net commission and forex income into account, the net earnings margin widened by $13.6 million (7.6%) to $192.9 million. Consequently, banks' return ratio rose slightly to 3.44% in 2023 from 3.43% in 2022.

**Banks' Profitability Indicators**




Domestic banks are required to maintain a capital adequacy ratio against risk-weighted assets of at least 17.0%. At end-2023, total eligible capital amounted to approximately $2.2 billion, while risk-weighted assets totaled $6.7 billion. The resulting capital adequacy ratio was 32.7%. Other non-domestic member banks are required to maintain a capital adequacy ratio of at least 10.5% and, at end-2023, they reported a ratio of 38.7%.

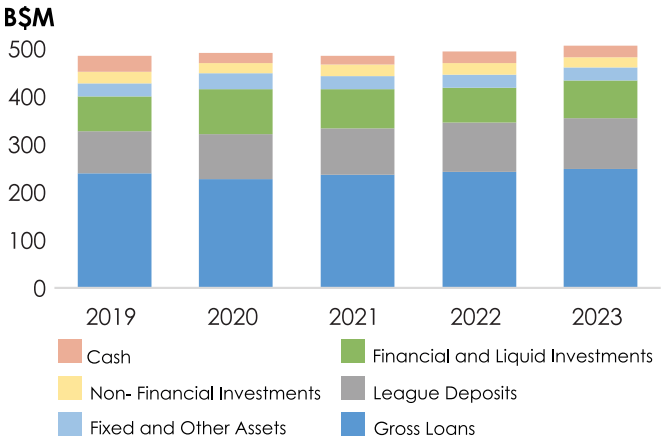
**Domestic Banks' Capital/Risk Weighted Assets**



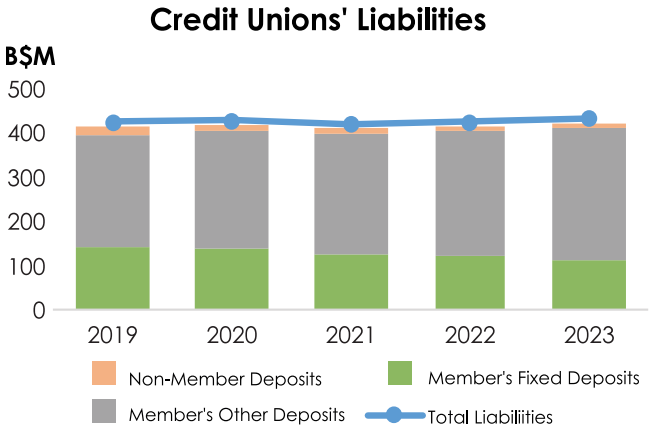

### *Credit Union Financial Trends*

As at end 2023, the credit unions' total assets grew by $11.3 million (2.3%) to $495.0 million. Total assets were comprised of approximately $246.2 million in gross loans, primarily comprising consumer credit (56.3%) and mortgages/land (43.3%). Significant assets also included, $106.5 million in deposits with the Bahamas Co-operative League Limited ("the Apex Body") and $103.7 million in cash and liquid and financial investments.

**Credit Unions' Assets**



Over the year, total NPLs in the sector decreased to $22.8 million, with a corresponding ratio of NPLS to total loans of 9.3%. Meanwhile, credit unions' provisions for loan losses decreased by 2.8% to approximately $8.7 million. As such, the provisioning rate relative to NPLs stood at 38.2% compared to 32.0% in 2022.




Total deposits at credit unions increased by 1.3% ($5.5 million) to $419.9 million at December, 2023. Approximately $112.7 million (26.8%) of such liabilities were fixed or term deposits due to members. Alternatively, more than half of deposits were classified as regular member deposits, totalling $297.7 million (64.6%). The remaining $9.5 million (2.3%) were non-members' deposits.

At credit unions, Bahamian dollar deposit accounts totalled 115,643, with 86.4% holding balances of less than $5,000; 5.4% of accounts held balances ranging between $5,000 and $10,000; 5.0% held balances between $10,000 and $25,000; 1.9% with balances between $25,000 and $50,000; and 1.4%, balances of more than $50,000.

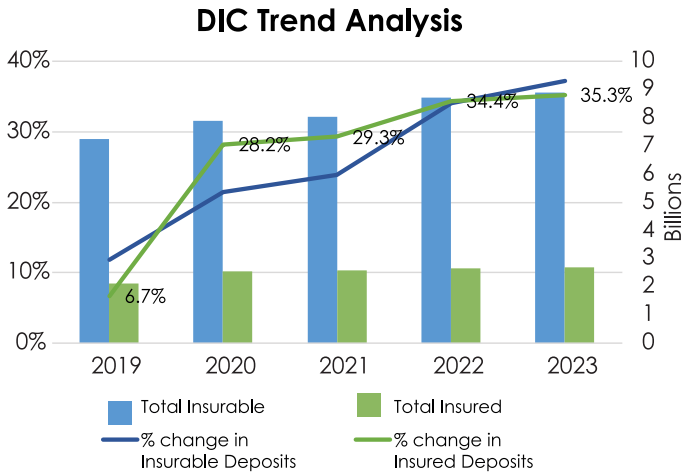
Credit unions' total members' equity rose by 4.9% ($2.96 million) to $62.91 million in 2023. It comprised members' capital of $10.7 million, institutional capital of $8.3 million and reserve funds of $43.9 million. The minimum capital ratio for the credit unions, which follows the PEARL Standards, is no less than 10.0%. Accordingly, the average capital ratio stood at 12.7%, an increase from 12.4% in 2022.

# Other DIC Member Highlights

At year-end 2023, DIC member institutions remained at nineteen, inclusive of ten domestic systemically important banks (D-SIBS), seven credit unions and two other deposit-taking institutions.

The Central Bank continued its effective oversight of these institutions, using a combination of offsite surveillance and on-site examination tools. During the year, no material adverse trends were observed in relation to the credit, capital, and liquidity positions of the domestic banks, which may immediately threaten their financial stability, liquidity, and capital. Further, some risk reduction was evident in the credit union sector given the downward trend in the volume of NPLs and the NPL ratio since December 2022. The credit unions also experienced increased equity and an incremental rise in the PEARLS capital ratio.

An analysis of the yearly trends following the COVID 19 pandemic revealed that both insurable and insured deposits of DIC member institutions experienced continued growth, with year on year increases tapering over time. During the pandemic (2020-2021) deposits remained relatively stable, as the uncertainty of the impact of lockdowns and travel restrictions stimulated a slight reduction in spending. Since 2022, the economy has rebounded and thus an uptick in deposits. As at the end of 2023, insured and insurable deposits continued their steady growth, increasing by 35.3% and 37.2% respectively, relative to 2018.



# 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, 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 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 cri-

sis preparedness strategies and management policies should be the joint responsibility of all safety-net participants. The deposit insurer should be a member of any institutional framework for ongoing communication and coordination involving financial safety-net participants related to system-wide crisis preparedness and management.

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

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

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

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

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

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

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

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

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

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

# Glossary of Terms

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

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

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

**Bank Run** – A rapid loss of deposits precipitated by fear on the part of the public that a bank may fail and depositors may suffer losses. It 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 a 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, individual retirement arrangement (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's 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 bank, 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 coverage.

**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 be-

half 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 a 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., percentage of insured deposits), sufficient to meet the expected future obligations and cover the operational and related costs of the deposit insurer.

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

# Financial Statements of the Deposit Insurance Corporation

For the year ended December 31, 2023

# 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, 2023, 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, 2023, 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, 2023, the Corporation has investments with a carrying value of $88,485,600 (2022: $79,854,800) in Bahamas Government Registered Stock ("BGRS") representing 98.52% (2022: 97.82%) of the total assets. Investments are considered a key audit area due to their materiality in the context of the financial statements 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 29, 2024**
**Nassau, Bahamas**

**DEPOSIT INSURANCE CORPORATION**

**STATEMENT OF FINANCIAL POSITION**

**DECEMBER 31, 2023**

**(Expressed in Bahamian dollars)**

| | Notes | 2023 | 2022 |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and cash equivalents | 4(e) | 222,309 | 830,254 |
| Investments | 4(e), 6, & 10 | 88,485,600 | 79,854,800 |
| Accrued interest receivable | 4(e) | 1,100,593 | 940,773 |
| Other assets | | 7,233 | 7,009 |
| **TOTAL ASSETS** | | **89,815,735** | **81,632,836** |
| **LIABILITIES** | | | |
| Unpaid claims | | 52,644 | 52,644 |
| Accounts payable and accrued expenses | 8 | 86,290 | 8,068 |
| **TOTAL LIABILITIES** | | **138,934** | **60,712** |
| **NET ASSETS** | | **$ 89,676,801** | **$ 81,572,124** |
| **EQUITY** | | | |
| Capital | 7 | 500,000 | 500,000 |
| Deposit insurance fund | | 89,176,801 | 81,072,124 |
| **TOTAL EQUITY (Page 7)** | | **$ 89,676,801** | **$ 81,572,124** |

**Approved on behalf of the Board of Directors and authorized for issuance on April 29, 2024.**

**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, 2023**

**(Expressed in Bahamian dollars)**

| | Notes | 2023 | 2022 |
|---|---|---|---|
| **INCOME** | | | |
| Premiums | | 4,457,785 | 4,096,725 |
| Interest income | | 3,835,113 | 3,467,691 |
| | | **8,292,898** | **7,564,416** |
| **EXPENSES** | | | |
| Administration fee | 8 | 79,093 | 79,093 |
| Public awareness campaign | | 43,648 | 299 |
| Membership fee | 9 | 27,147 | 26,804 |
| Printing | | 10,994 | 11,006 |
| Audit fees | | 7,200 | 7,500 |
| Board honorarium | | 12,000 | 11,400 |
| IADI Conference | | 5,065 | |
| IADI Training workshop | | 2,417 | |
| Website development | | 657 | 594 |
| | | **188,221** | **136,696** |
| **Net comprehensive income** | | **$ 8,104,677** | **$ 7,427,720** |

**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, 2023**

**(Expressed in Bahamian dollars)**

| | Capital (Note 7) | Deposit Insurance Fund | Total |
|---|---|---|---|
| As at December 31, 2021 | 500,000 | 73,644,404 | **74,144,404** |
| **Net comprehensive income (Page 6)** | - | 7,427,720 | **7,427,720** |
| **As at December 31, 2022** | **500,000** | **81,072,124** | **81,572,124** |
| **Net comprehensive income (Page 6)** | - | 8,104,677 | **8,104,677** |
| **As at December 31, 2023** | **$ 500,000** | **$ 89,176,801** | **$ 89,676,801** |

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

**DEPOSIT INSURANCE CORPORATION**

**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED DECEMBER 31, 2023**

**(Expressed in Bahamian dollars)**

| | 2023 | 2022 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | |
| **Net comprehensive income** | **8,104,677** | **7,427,720** |
| Adjustment for: | | |
| Interest income | (3,835,113) | (3,467,691) |
| **Net Cash Provided by Operations before Changes in Operating Assets and Liabilities** | **4,269,564** | **3,960,029** |
| (Increase)/decrease in accrued interest receivable | (159,820) | 36,954 |
| Increase in other assets | (224) | (281) |
| Increase/(decrease) in accounts payable and accrued expenses | 78,222 | (140) |
| **Net Cash Provided by Operating Activities** | **4,187,742** | **3,996,562** |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | |
| Purchase of investments | (13,841,900) | (11,232,000) |
| Proceeds from maturity of investments | 5,211,100 | 4,448,800 |
| Interest received | 3,835,113 | 3,467,691 |
| **Net Cash Used in Investing Activities** | **(4,795,687)** | **(3,315,509)** |
| **NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS** | **(607,945)** | **681,053** |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | 830,254 | 149,201 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | **$ 222,309** | **$ 830,254** |
| **Represented by:** | | |
| Cash at bank | **$ 222,309** | **$ 830,254** |

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

**DEPOSIT INSURANCE CORPORATION**

**NOTES TO THE FINANCIAL STATEMENTS**

**DECEMBER 31, 2023**

**(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 2023

The following new and revised standards have been adopted in the current year. The application of these new and revised IFRSs has not had any material impact on the amounts reported for the current and prior years.

#### A. Amendments to IAS 1 - Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements: Disclosure of Accounting Policies

The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

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

### 2.1 New and revised IFRSs applied for the first time in 2023 (continued)

#### A. Amendments to IAS 1 - Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements: Disclosure of Accounting Policies (Continued)

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

The IASB has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.

#### B. Amendments to IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary" amounts in financial statements that are subject to measurement uncertainty". The definition of a change in accounting estimates was deleted**.**

However, the Board retained the concept of changes in accounting estimates in the Standard with the following clarifications:

i. A change in accounting estimate that results from new information or new developments is not the correction of an error.

ii. The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

## 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:

**A. Amendments to IAS 1 - Classification of Liabilities as Current or Non-Current**

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are to be applied retrospectively for annual periods beginning on or after January 1, 2024, with early application permitted.

**B. Amendments to IAS 1 - Presentation of Financial Statements: Non-current Liabilities with Covenants**

The amendments specify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date (and therefore must be considered in assessing the classification of the liability as current or noncurrent).

Such covenants affect whether the right exists at the end of the reporting period, even if compliance with the covenant is assessed only after the reporting date (e.g. a covenant based on the entity's financial position at the reporting date that is assessed for compliance only after the reporting date).

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

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

#### B. Amendments to IAS 1 - Presentation of Financial Statements: Non-current Liabilities with Covenants (Continued)

The IASB also specifies that the right to defer settlement of a liability for at least twelve months after the reporting date is not affected if an entity only has to comply with a covenant after the reporting period. However, if the entity's right to defer settlement of a liability is subject to the entity complying with covenants within twelve months after the reporting period, an entity discloses information that enables users of financial statements to understand the risk of the liabilities becoming repayable within twelve months after the reporting period. This would include information about the covenants (including the nature of the covenants and when the entity is required to comply with them), the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants.

The amendments are applied retrospectively for annual reporting periods beginning on or after January 1, 2024. Earlier application of the amendments is permitted. If an entity applies the amendments for an earlier period, it is also required to apply the 2020 amendments early.

## 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 POLICY INFORMATION

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.

### (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.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY INFORMATION (Continued)

### (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**.**

#### Derecognition

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

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY INFORMATION (Continued)

### (e) Financial instruments (Continued)

#### Financial assets (Continued)

**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 POLICY INFORMATION (Continued)

### (e) Financial instruments (Continued)

**Financial assets (Continued)**

**(ii) Financial assets at amortized cost (Continued)**

***Investments (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 POLICY INFORMATION (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 POLICY INFORMATION (Continued)

### (e) Financial instruments (Continued)

**Financial assets (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 2023 | Interest rate | Amortized Cost 2022 |
|---|---|---|---|---|---|
| Apr. 06, 2005 | Jul. 29, 2023 | 4.53 | - | 4.53 | 900,000 |
| Nov. 14, 2005 | Oct. 22, 2023 | 4.53 | - | 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** | | | **26,944,800** | | **28,794,800** |

## 6. INVESTMENTS (Continued)

| Date of purchase | Maturity date | Interest rate | Amortized Cost 2023 | Interest rate | Amortized Cost 2022 |
|---|---|---|---|---|---|
| **Balance brought forward** | | | **26,944,800** | | **28,794,800** |
| Sep. 02, 2014 | Sep. 23, 2031 | 4.30 | 330,000 | | 330,000 |
| Apr. 14, 2015 | Jul. 16, 2031 | 4.35 | 300,000 | | 300,000 |
| May. 19, 2015 | Sep. 23, 2031 | 4.30 | 200,000 | | 200,000 |
| Jul. 28, 2015 | Sep.25, 2032 | 4.31 | 95,800 | | 95,800 |
| Jul. 28, 2015 | Apr. 17, 2032 | 4.31 | 485,100 | | 485,100 |
| Jul. 28, 2015 | Jul. 26, 2033 | 4.31 | 909,100 | | 909,100 |
| Sep. 02, 2015 | Jul. 26, 2033 | 4.31 | 300,000 | | 300,000 |
| Oct. 20, 2015 | Jul. 26, 2033 | 4.31 | 44,100 | | 44,100 |
| Nov. 18, 2015 | Jul. 26, 2033 | 4.31 | 190,000 | | 190,000 |
| Dec. 22, 2015 | Jul. 26, 2033 | 4.31 | 1,460,000 | | 1,460,000 |
| Aug. 26, 2016 | Aug. 26, 2036 | 5.40 | 188,800 | | 188,800 |
| Sep. 13, 2016 | Jul. 26, 2037 | 4.88 | 33,000 | | 33,000 |
| Sep. 15, 2016 | Jul. 26, 2037 | 4.43 | 15,200 | | 15,200 |
| Sep. 15, 2016 | Jul. 26, 2037 | 4.43 | 20,000 | | 20,000 |
| Oct. 03, 2016 | Oct. 03, 2036 | 5.40 | 2,590,000 | | 2,590,000 |
| Nov. 07, 2016 | Jan. 15, 2024 | 4.25 | 370,000 | | 370,000 |
| Dec. 05, 2016 | Jan. 15, 2024 | 4.25 | 690,000 | | 690,000 |
| Dec. 05, 2016 | Jan. 15, 2024 | 4.25 | 65,000 | | 65,000 |
| Apr. 24, 2017 | Oct. 13, 2036 | 5.40 | 1,400,000 | | 1,400,000 |
| Jul. 14, 2017 | Jul. 14, 2037 | 5.20 | 1,550,000 | | 1,550,000 |
| Oct. 13, 2017 | Oct. 13, 2037 | 5.22 | 380,000 | | 380,000 |
| Dec. 15, 2017 | Dec. 15, 2037 | 5.22 | 1,395,000 | | 1,395,000 |
| May. 11, 2018 | Dec. 10, 2028 | 4.39 | 557,000 | | 557,000 |
| Jul. 13, 2018 | Jul. 13, 2038 | 5.06 | 1,700,000 | | 1,700,000 |
| Aug. 15, 2018 | Jul. 13, 2038 | 5.06 | 274,700 | | 274,700 |
| **Balance carried forward** | | | **42,487,600** | | **44,337,600** |

## 6. INVESTMENTS (Continued)

| Date of purchase | Maturity date | Interest rate | Amortized Cost 2023 | Interest rate | Amortized Cost 2022 |
|---|---|---|---|---|---|
| **Balance brought forward** | | | **42,487,600** | | **44,337,600** |
| 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 |
| 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 |
| Sep. 17, 2019 | Jul. 15, 2049 | 5.60 | 54,600 | 5.60 | 54,600 |
| Aug. 16, 2019 | Jul. 15, 2049 | 5.60 | 404,600 | 5.60 | 404,600 |
| Aug. 26, 2019 | Oct. 3, 2036 | 5.40 | 212,500 | 5.40 | 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 |
| Mar. 27, 2020 | Oct. 15, 2049 | 5.65 | 158,000 | 5.65 | 158,000 |
| Mar. 20, 2020 | Apr. 15, 2049 | 5.55 | 101,500 | 5.55 | 101,500 |
| Jan. 17, 2020 | Jan. 17, 2040 | 5.35 | 1,500,000 | 5.35 | 1,500,000 |
| 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 |
| Feb. 14, 2020 | Sep. 23, 2033 | 4.31 | 552,800 | 4.31 | 552,800 |
| Jan. 18, 2021 | Nov. 17, 2040 | 5.90 | 1,320,000 | 5.90 | 1,320,000 |
| **Balance carried forward** | | | **61,959,900** | | **63,809,900** |

## 6. INVESTMENTS (Continued)

| Date of purchase | Maturity date | Interest rate | Amortized Cost 2023 | Interest rate | Amortized Cost 2022 |
|---|---|---|---|---|---|
| **Balance brought forward** | | | **61,959,900** | | **63,809,900** |
| 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 |
| Apr. 16, 2021 | Feb. 15, 2028 | 4.65 | 146,000 | 4.65 | 146,000 |
| 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 |
| 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 | 3.60 | 145,000 |
| Mar. 15, 2022 | Mar. 15, 2025 | 3.60 | 170,000 | 3.60 | 170,000 |
| Apr. 14, 2022 | Mar. 15, 2025 | 3.60 | 276,900 | 3.60 | 276,900 |
| Mar. 30, 2022 | Mar. 30, 2023 | 3.15 | - | 3.15 | 1,142,300 |
| May. 5, 2022 | May. 5, 2023 | 3.15 | - | 3.15 | 787,900 |
| Jul. 15, 2022 | Jun. 15, 2025 | 3.60 | 566,200 | 3.60 | 566,200 |
| Aug. 17, 2022 | Jun. 15, 2025 | 3.60 | 636,100 | 3.60 | 636,100 |
| Aug. 17, 2022 | Jun. 15, 2027 | 4.05 | 168,600 | 4.05 | 168,600 |
| Jun. 30, 2022 | Jun. 30, 2023 | 3.15 | - | 3.15 | 1,167,900 |
| Sep. 14, 2022 | Sep. 14, 2025 | 3.58 | 637,000 | 3.58 | 637,000 |
| Oct. 17, 2022 | Sep. 14, 2025 | 3.58 | 2,500,000 | 3.58 | 2,500,000 |
| Nov. 21, 2022 | Sep. 14, 2025 | 3.58 | 2,247,000 | 3.58 | 2,247,000 |
| Oct. 31, 2022 | Oct. 31, 2023 | 3.13 | - | 3.13 | 263,000 |
| **Balance carried forward** | | | **74,643,700** | | **79,854,800** |

## 6. INVESTMENTS (Continued)

| Date of purchase | Maturity date | Interest rate | Amortized Cost 2023 | Interest rate | Amortized Cost 2022 |
|---|---|---|---|---|---|
| **Balance brought forward** | | | **74,643,700** | | **79,854,800** |
| Jan. 18, 2023 | Dec. 14, 2025 | 3.58 | 828,000 | - | - |
| Mar. 22, 2023 | Apr. 5, 2026 | 4.56 | 1,390,000 | - | - |
| Apr. 21, 2023 | Apr. 21, 2026 | 3.60 | 3,000,000 | - | - |
| May. 5, 2023 | May. 5, 2024 | 3.20 | 137,800 | - | - |
| Jun. 30, 2023 | Jun. 30, 2024 | 3.20 | 85,100 | - | - |
| Jul. 21, 2023 | Jul. 21, 2026 | 3.63 | 2,480,000 | - | - |
| Sep. 13, 2023 | Jul. 21, 2026 | 3.63 | 1,516,000 | - | - |
| Oct. 16, 2023 | Oct. 16, 2026 | 3.63 | 2,600,000 | - | - |
| Oct. 31, 2023 | Oct. 31, 2024 | 3.20 | 400,000 | - | - |
| Dec. 14, 2023 | Dec. 14, 2024 | 3.20 | 1,405,000 | - | - |
| **TOTAL** | | | **$ 88,485,600** | | **$ 79,854,800** |

## 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 vat and out-of-pocket expenses paid on behalf of the Corporation. The administration fees plus VAT and out of pocket expenses were not paid during the year, resulting in an increase in accounts payable and accrued expenses at year-end

.

## 9. MEMBERSHIP FEE

As a member of IADI, the Corporation paid an annual membership fee of $27,147 (2022: $26,804).

## 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.

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 2023.

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.

| 2023 | Within 1 year | 2 to 5 years | Over 5 years | Total |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Financial assets at amortized cost | | | | |
| Cash at bank | 222,309 | - | - | **222,309** |
| Accrued interest receivable | 1,100,593 | - | - | **1,100,593** |
| Investments | 8,635,900 | 30,325,300 | 49,524,400 | **88,485,600** |
| | **$ 9,958,802** | **$ 30,325,300** | **$ 49,524,400** | **$ 89,808,502** |
| **Financial liabilities** | | | | |
| Other financial liabilities | | | | |
| Unpaid claims | 52,644 | - | - | **52,644** |
| Accounts payable and accrued expenses | 86,290 | - | - | **86,290** |
| | **$ 138,934** | **$ -** | **$ -** | **$ 138,934** |

| 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 | 8,208 | - | - | **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 $884,856 (2022: $798,548) 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.

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