

Financial Statements of

DEPOSIT INSURANCE CORPORATION

December 31, 2005

DEPOSIT INSURANCE CORPORATION

Financial Statements

December 31, 2005

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INDEPENDENT AUDITORS' REPORT

To the Board of Management of
DEPOSIT INSURANCE CORPORATION

We have audited the accompanying balance sheet of Deposit Insurance Corporation ("the Corporation") as of December 31, 2005 and the related statements of income, statement of changes in accumulated fund and cash flows for the year then ended. These financial statements are the responsibility of the Board of Management of the Corporation. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Deposit Insurance Corporation as of December 31, 2005 and the results of its operations, changes in accumulated fund and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

CHARTERED ACCOUNTANTS

March 7, 2006

Nassau, Bahamas

DEPOSIT INSURANCE CORPORATION

Balance Sheet

December 31, 2005

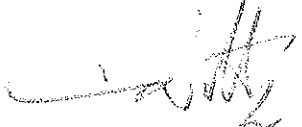
(Expressed in Bahamian dollars)

	2005	2004
Assets		
Cash	\$1,062,651	\$ 979,223
Investments (Note 3)	3,747,000	1,897,000
Accrued interest receivable	61,863	31,288
Other Assets	5,000	5,000
Total assets	\$ 4,876,514	\$ 2,912,511
Liabilities		
Unpaid claims	\$ 103,424	\$ 103,424
Accounts payable and accrued expenses	13,650	13,022
Total liabilities	117,074	116,446
Accumulated fund		
Contributed capital (Note 4)	500,000	500,000
Retained earnings	4,259,440	2,296,065
Total accumulated fund	4,759,440	2,796,065
Total liabilities and accumulated fund	\$ 4,876,514	\$ 2,912,511

See accompanying notes. See Independent Auditors' Report page 1.

Signed on behalf of The Board of Management:


Chairman


Member of the Board

DEPOSIT INSURANCE CORPORATION

Statement of Income

For the year ended December 31, 2005

	2005	2004
Income		
Premiums (Note 5)	\$1,826,525	\$1,673,558
Interest income	161,021	375,698
Other income	-	707,522
Total income	1,987,546	2,756,778
Expenses		
Annual membership fee	10,000	10,000
Audit fees	7,869	7,415
Other expenses	6,302	11,433
Interest expense	-	379,230
Total expenses	24,171	408,078
Net income for the year	\$1,963,375	\$2,348,700

See accompanying notes. See Independent Auditors' Report page 1.

DEPOSIT INSURANCE CORPORATION

Statement of Changes in Accumulated Fund

For the year ended December 31, 2005

	Contributed Capital	(Accumulated deficit) Retained earnings	Total
Balance at December 31, 2003	\$500,000	\$ (52,635)	\$ 447,365
Net income for the year	-	2,348,700	2,348,700
Balance at December 31, 2004	500,000	2,296,065	2,796,065
Net income for the year	-	1,963,375	1,963,375
Balance at December 31, 2005	\$500,000	\$4,259,440	\$4,759,440

See accompanying notes. See Independent Auditors' Report on page 1.

DEPOSIT INSURANCE CORPORATION

Statement of Cash Flows

For the year ended December 31, 2005

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income for the year	\$1,963,375	\$2,348,700
Adjustments to reconcile net income to net cash provided by operating activities:		
Interest income	(161,020)	(375,698)
Interest expense	-	379,230
Operating profit before working capital charges	1,802,355	2,352,232
Changes in operating assets and liabilities:		
Increase (decrease) in accounts payable and accrued expenses	628	(960)
Decrease in interest received	142,629	473,850
Decrease in interest paid	(12,184)	(421,995)
Net cash provided by operating activities	1,933,428	2,403,127
CASH FLOWS FROM INVESTING ACTIVITY:		
(Purchase) sale of investments	(1,850,000)	3,655,400
Net cash (used in) provided by investing activity	(1,850,000)	3,655,400
CASH FLOWS FROM FINANCING ACTIVITY:		
Bonds paid	-	(6,750,000)
Net cash used in financing activity	-	(6,750,000)
Net increase (decrease) in cash during year	83,428	(691,473)
Cash, beginning of year	979,223	1,670,696
Cash, end of year	\$1,062,651	\$ 979,223

See accompanying notes. See Independent Auditors' Report page 1.

DEPOSIT INSURANCE CORPORATION

Notes to Financial Statements

December 31, 2005

1. GENERAL

Deposit Insurance Corporation ("the Corporation") is a statutory corporation established by the Protection of Depositors Act, ("the Act") on September 30, 1999. Pursuant to Section 4 of the Act, membership is compulsory for every institution carrying on banking business, wholly or partly, in Bahamian currency.

The Corporation insures Bahamian dollar deposits up to a maximum of \$50,000 to any single depositor in each member institution. The depositor must submit a claim to the Corporation within one year from the date of the closure of the member institution. Before payment of any insured sums to depositors, the Corporation offsets any monies owed to the member institution by such depositor against the insured amount.

The Corporation enjoys a close, symbiotic relationship with the Central Bank of The Bahamas ("the Bank") and has power to:

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

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

The Registered Office of the Corporation is located at the Central Bank of The Bahamas, Frederick Street, P.O. Box N-4868, Nassau, The Bahamas. The Corporation does not have any employees. The Bank provides administration and other services associated with the operation of the Corporation. Certain directors of the Corporation are also directors and officers of the Bank.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below:

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The preparation of the financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The Bahamian dollar is the Company's measurement and reporting currency because its capital and a majority of its transactions are denominated in that currency.

DEPOSIT INSURANCE CORPORATION

Notes to Financial Statements

December 31, 2005

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

The Corporation classifies its investments in Bahamas Government Registered Stocks as originated receivables. Management determines the appropriate classification of its investments at the time of purchase and re-evaluates such a designation on a regular basis. Financial assets which are created by the Corporation, by providing funds directly to a debtor, with no intention of liquidating in the short-term, are classified as originated loans and receivables. Originated receivables are carried at amortized cost. Because the investments in Bahamas Government Registered Stocks are issued at face value, they are carried at cost that equates to fair value.

Income and expense recognition

Income and expenses are recorded on an accrual basis of accounting.

3. INVESTMENTS

The investments in Bahamas Government Registered Stocks earned interest at rates ranging between 5.78% and 6.00% (2004 - 6.34% to 6.50%) per annum. These interest rates are tied to the Nassau Prime Rate and the investments have maturity dates ranging between 2018 and 2023 (2004: - 2018 - 2020). The investments held at December 31, 2005 are as follows:

Value Date	Interest Rate	Maturity Date	2005	2004
			Face value	Face value
03/20/02	5.96875%	2018	\$ 147,000	\$ 147,000
11/19/04	5.96875%	2019	400,000	400,000
08/24/01	6.00000%	2020	1,000,000	1,000,000
09/06/02	5.84375%	2020	350,000	350,000
04/04/05	5.78125%	2023	900,000	-
11/09/05	5.78125%	2023	950,000	-
Total			\$3,747,000	\$1,897,000

4. CONTRIBUTED CAPITAL

A compulsory initial contribution of one million dollars was to be paid into the Corporation within ninety days of the enforcement of the Act. Fifty percent (50%) of this amount was paid by the Bank as capital in accordance with Subsection (2) of Section 13 of the Act. The other \$500,000 was contributed by member institutions.

Each member's share was based on their pro rata percentage share of all deposits insured by the Corporation on the last day of the month in which the Act came into effect. Member institutions do not hold any equity position in the Corporation.

The authorized contributed capital of the Corporation is \$1,000,000, which may be increased by order of the Minister of Finance in accordance with Subsection (1) of Section 13 of the Act. At December 31, 2005, paid-up capital was \$500,000 (2004 - \$500,000).

DEPOSIT INSURANCE CORPORATION

Notes to Financial Statements

December 31, 2005

5. PREMIUMS

The premiums due in the year an institution becomes a member of the Corporation is equal to one-twentieth of one percent of the sum of those deposits insured by the Corporation and deposited with the member institution as at the end of the month in which it becomes a member institution. Thereafter, the annual premium is equal to one-twentieth of one percent of an amount equal to the average of the sum of those deposits insured by the Corporation as of March 31, and September 30, in the immediately preceding premium year. For the year ended December 31, 2005, the Corporation earned premiums totaling \$1,826,525 (2004 - \$1,673,558).

6. RELATED PARTY BALANCES

As at December 31, 2005, the following balances were held with the Bank:

	2005	2004
Cash	\$1,062,651	\$979,223
Accounts payable	\$ 6,302	\$ 6,302

7. EXEMPTIONS

The Corporation is exempted from the provisions of the Insurance Act and the Stamp Act.

8. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments utilized by the Corporation include recorded financial assets and liabilities, such as those shown in the balance sheet. Except for investments in Bahamas Government Registered Stocks (see Note 2), the Corporation's financial instruments are either short-term in nature or have interest rates that automatically reset to market on a periodic basis. Accordingly, estimated fair value is not significantly different from the carrying value for each major category of the Corporation's recorded financial assets and liabilities.

See Independent Auditors' Report page 1.