



2015
ANNUAL REPORT & FINANCIAL STATEMENTS
For the year ended 31 December, 2015




July 25, 2016

Dear Prime Minister,

In accordance with Section 19(2) of the Protection of Depositors Act, 1999, I have the honour of forwarding to you, on behalf of the Board of Management, the Annual Report of the Deposit Insurance Corporation for the financial year ended December 31, 2015. 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



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A MESSAGE FROM THE CHAIRMAN

It gives me great pleasure to present the 2015 Annual Report of the Bahamas' Deposit Insurance Corporation (DIC).

During 2015 the DIC members banks' operations took place within a subdued economic environment. The winding down of construction on the multi-billion dollar Baha Mar project and halted progress on the opening of the resort impeded domestic labour market improvements and severely constrained tourism sector gains. Among the key banking performance indicators, banks' credit quality indicators improved in 2015 reflecting sustained loan write-offs and debt restructuring activities. Liquidity levels remained buoyant, while net foreign currency inflows from mainly real sector activities contributed to a build-up in external reserves. Members' operations returned to profitability at end-2015 from the extraordinary loss in 2014, as new provisioning for bad debts normalized at lower levels. Members' collective capital adequacy remained strong, exceeding, on average, the minimum prudential requirement.

Given the relative flatness of members' deposit base, the Deposit Insurance Fund grew by 12.7% to \$40.4 million at end-2015, with the premium assessment rate unchanged at 0.10 per cent of insurable deposits.

Supervisory oversight activities undertaken by the Central Bank of The Bahamas (Central Bank), facilitated ongoing review of the performance of member institutions. Through the Central Bank's risk based supervisory regime, member institutions were subjected to a combination of onsite examinations, offsite monitoring, enhanced credit meetings and stress testing exercises.

The operational work of the DIC continued to be guided by the three goals articulated in its Strategic Plan 2013-2016, which are aligned with international standards and best practices established for deposit insurance schemes. In 2015, the work programme focused predominantly on the public awareness goal. The DIC's information brochure was added to its website along with a new "Library" section containing two public awareness infomercials, which were released on television and in movie theatres. During 2016, the DIC plans to conduct its second annual survey to measure the public awareness of the Fund as a safety net mechanism for Bahamian Dollar deposits.

Strategic priorities for 2016 will progress initiatives to strengthen the DIC's operational readiness and promote compliance with international principles for effective deposit insurance schemes. Key activities will include finalization of the proposed regulatory and legislative reforms aimed at strengthening the adequacy of the Fund and the crisis management framework, and broadening insurance coverage to credit unions.

The achievements of the DIC are attributed to the support of the Board of Management and the dedication of professionals of the Central Bank. I take this opportunity to recognize the contribution of the former Chairman, Mrs. Wendy Craigg, whose term ended in December 2015 and to welcome Mr. Simon Wilson the new Financial Secretary and Board Member. I would also like to extend my sincere gratitude and appreciation to all staff involved with the DIC's administrative matters, for their commitment to carrying out the core objectives and activities of the DIC.



John A. Rolle
Chairman
Deposit Insurance Corporation

BOARD OF MANAGEMENT

DECEMBER 31, 2015



John Rolle

Chairman,
Board of Management
Governor,
Central Bank of The Bahamas



Simon Wilson

Financial Secretary
Ministry of Finance



Aluchifer Rolle

Agency Manager
BAF Financial



Lorne Basden

President,
Basden Elevator
Services Limited



Rochelle Deleveaux

Legal Counsel &
Secretary to the Board
Central Bank of The Bahamas



Karen Rolle

Manager, Bank Supervision
Department
Central Bank of The Bahamas

SAFEGUARDING YOUR FUNDS

The DIC provides deposit insurance protection and support for Bahamian Dollar depositors, contributing to the stability of the Bahamian financial sector through minimizing risk to depositors.

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

Integrity - We honour our commitments and accept responsibility for our actions.

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

Communication – Our communications with stakeholders will be effective and transparent.

DEPOSIT INSURANCE

FREQUENTLY ASKED QUESTIONS

- 1. What is deposit insurance?**

Deposit insurance is an arrangement designed to minimize or eliminate the risk of loss of Bahamian dollar savings, in the unlikely event of the closure of a member institution of the Deposit Insurance Corporation (DIC).
- 2. Are all banks members of the Deposit Insurance Corporation?**

No. Membership in the DIC is compulsory only for Bahamian Dollar deposit taking institutions. A list of banks which are member institutions of the DIC may be obtained by accessing DIC's website at www.dic.bs. While credit unions have Bahamian dollar savings of their members, these are not covered under the existing DIC scheme.
- 3. 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 for eligible deposit accounts at DIC member institutions.
- 4. What is the maximum deposit amount insured by the DIC?**

Each eligible deposit in a member institution is insured up to a maximum of B\$50,000 per depositor. However, provisions exist in the law for the Minister, by order, on the advice of the Central Bank of The Bahamas, and after consultation with the member institutions, to prescribe a greater amount. Only eligible deposits in The Bahamas and payable in Bahamian dollars are insured. Also, US dollar and other foreign currency deposits held at member institutions are not eligible for insurance cover.
- 5. Is interest owing on a deposit included in the insurable amount?**

Yes. The DIC insures both principal and interest for eligible deposits at each member institution, up to a maximum of B\$50,000. For example, if an individual has a savings account with a balance of \$10,000 and accrued interest of \$3,000, the total \$13,000 would be insured by the DIC. If, however, the savings account balance was \$55,000 and accrued interest, \$5,000, then \$5,000 would not be covered by deposit insurance.
- 6. What types of deposits and who are insured?**

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

- 7. Are there any other bank liability instruments covered by deposit insurance?** Yes. Certain cash liabilities in respect of which a member institution is primarily liable, and has issued a certificate, receipt, cheque, money order, draft or other instrument, are treated in the same manner as a deposit. These would be insured, in the aggregate with other eligible deposits, as the case may be, up to the maximum of B\$50,000.
- 8. Are there any deposit types that are not covered by deposit insurance?** Yes. Not included in deposits are letters of credit, stand-by letters of credit or instruments of a similar nature, subordinated debts, preference shares, interbank deposits, foreign currency deposits, deposits of Government and statutory corporations, deposits of foreign Governments, deposits in any financial institution wholly owned by the Government, and deposit from affiliates.
- 9. 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.
- 10. Can deposit insurance protection be increased by depositing funds into several branches of the same bank?** No. In the case of a member having more than one branch, the main office and all branch offices are considered as one institution. So, if a depositor opens one or more savings/fixed deposit accounts in one or more branches of a member institution, all of these are added together, and the maximum insurance cover is available up to B\$50,000.
- 11. How are joint accounts insured?** The DIC will deem the interest of co-owners in joint accounts to be equal, unless there are records to show otherwise. Joint accounts are insured separately from any individually owned deposit account. 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.
- 12. What happens if I also have a loan at a bank where I maintain my savings?** All loans are deducted from the deposit balances in determining the insured amount. For example, if you have a deposit of \$50,000 and a loan of \$15,000, then your insured balance would be \$35,000.

DIC FACTS

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

- Only banks licensed by the Central Bank that have Bahamian Dollar deposits are members of the DIC, and this membership is compulsory.
- The Central Bank of The Bahamas is responsible for the daily operations of the DIC, and provides staff and administrative services to the DIC.
- Deposit accounts covered by the DIC include: Bahamian dollar deposits in checking, savings, demand and time accounts held in member institutions.
- Each eligible deposit in a member institution, inclusive of principal and interest, is insured up to a maximum of B\$50,000 per depositor.
- Deposit accounts in foreign currencies are not insured by the DIC.
- Deposits held at different member institutions are separately insured.
- Opening several accounts at different branches of the same bank or at the same branch will not increase your insurance deposit payout.
- Your place of residence or nationality does not affect deposit insurance protection.
- 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.
- 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.

DIC MEMBER INSTITUTIONS

COMMERCIAL BANKS	Year of Establishment	No. of Branches	2013 Total B\$ Deposits (000)	2014 Total B\$ Deposits (000)	2015 Total B\$ Deposits (000)
Citibank N.A.	17-Jan-1966	1	70,313	93,243	90,054
Finance Corporation of Bahamas Ltd.	23-May-1966	5	736,030	736,098	631,378
Commonwealth Bank Ltd.	10-Oct-1966	11	1,089,490	1,118,773	1,094,958
Bank of The Bahamas International Ltd.	28-Jul-1970	12	693,099	644,370	304,247
Fidelity Bank (Bahamas) Ltd.	11-Jul-1978	6	340,624	360,728	371,369
FirstCaribbean International Bank (Bahamas) Ltd.	7-Dec-1995	11	1,141,960	1,146,630	1,127,547
Scotiabank (Bahamas) Ltd.	26-Mar-1998	13	777,789	798,090	764,119
RBC Royal Bank (Bahamas) Ltd.	26-Oct-2010	20	1,178,260	1,283,330	1,289,013

OTHER DEPOSIT-TAKING INSTITUTIONS

Ansbacher (Bahamas) Ltd.	17-Jan-1966	1	2,411	2,799	1,453
The Bank of Nova Scotia Trust Company (Bahamas) Ltd.	1-Apr-1966	1	184	206	92
Royal Bank of Canada Trust Company (Bahamas) Ltd.	1-Apr-1966	1	4,346	5,204	5,118
Royal Fidelity Merchant Bank & Trust Ltd.	15-Sep-1998	1	44,820	45,713	31,080

FIVE YEAR FINANCIAL HIGHLIGHTS AT DECEMBER 31, 2011 – 2015

	2011	2012	2013 (B\$000)	2014	2015
Members' Premiums	2,697	2,759	2,785	2,773	2,858
Interest & Other Income	1,041	1,160	1,819	1,595	1,781

FCIB, formerly named CIBC Bahamas Limited, changed its name on October 11, 2002 as a result of the merger of its retail corporate and offshore banking operations with those of Barclays Bank Plc. Barclays Bank Plc and CIBC Bahamas Ltd. were licensed in The Bahamas on January 17, 1966 and December 7, 1995, respectively.

The Bank of Nova Scotia, Bahamas Branch (BNS Branch) was licensed on March 11, 1966. The entire business operations of BNS branch was transferred to Scotiabank (Bahamas) Ltd. in 1998.

This entity was formed to facilitate the transfer and subsidiarization of the assets of the Bahamian retail and commercial banking operations of Royal Bank of Canada, Bahamas branch (RBC Branch). The RBC Branch was licensed in The Bahamas on January 17, 1966.

FIVE YEAR FINANCIAL HIGHLIGHTS at December 31, 2011 – 2015

	2011	2012	2013	2014	2015
	B\$000	B\$000	B\$000	B\$000	B\$000
Members' Premiums	2,697	2,759	2,785	2,773	2,858
Interest & Other Income	1,041	1,160	1,819	1,595	1,781
Total Revenue	3,738	3,919	4,604	4,368	4,639
Operating Expenses	6	14	32	31	33
Comprehensive Income	3,704	3,877	4,545	4,298	4,569
Deposit Insurance Fund	23,145	27,022	31,567	35,865	40,434
Investment Securities	20,854	24,521	30,021	35,071	40,381
Total Assets	23,645	27,522	32,067	36,365	40,992
Return on Assets (%)	16%	14%	14%	12%	11%
Member Institutions (#)	13	12	12	12	12

OPERATIONS

The DIC is charged with the responsibility of collecting premium contributions from member institutions twice annually, on 15th June and 15th December. Pursuant to Section 5(2) of the Act, premiums are levied at a rate of one-twentieth of one percent of the average sum of Bahamian Dollar deposits insured by the DIC with member institutions, as at 31st March and 30th September in the previous year. These premiums, together with investment returns, constitute the Fund, which has been established to cover potential claims in the event that a member fails.

Corporate Governance

The DIC is a body corporate, mandated under the Protection of Depositors Act, 1999 (the Act) to manage the Fund. Its role is to minimize or eliminate the risk of loss of savings of small Bahamian depositors in the event a bank fails, and to arrange for the expeditious handling of any bank failure.

Section 8 of the Act provides for the establishment of a Board of Management (the Board) which is responsible for the policy direction of the DIC, including its strategic activities and ensuring the adequacy of the Fund. Upon appointment to the DIC, members execute a Code of Conduct which articulates the ethical standards expected of them in the execution of their duties. Pursuant to Section 9(2) of the Act, the Minister of Finance has agreed to the payment of an honorarium for each member of \$300.00 per board meeting. For 2015, these expenses totaled \$3,600.

By statute, the Board comprises the Governor of the Central Bank (Chairman), the Manager of Bank Supervision, another Manager of the Central Bank, the Financial Secretary of the Ministry of Finance, and two (2) persons having knowledge and experience in banking, commerce, finance, accounting, insurance or law. Four (4) Directors form a quorum.

The DIC extends its gratitude to the former Chairman, Mrs. Wendy Craigg, whose tenure ended on 31st December, 2015 for her contribution to its work. The Corporation also welcomes Mr. John Rolle, the former Financial Secretary, as the new Chairman by virtue of

his appointment as Governor of the Central Bank with effect from 1st January, 2016 and Mr. Simon Wilson as a Director who was appointed Financial Secretary with effect from 1st January, 2016.

Current members of the Board are:

Mr. John Rolle

Chairman of the Board and Governor
Central Bank of The Bahamas

Mr. Simon Wilson

Financial Secretary
Ministry of Finance

Mr. Lorne Basden

President
Basden Elevator Services Limited

Mr. Aluchifer Rolle

Agency Manager
BAF Financial

Ms. Karen Rolle

Manager
Bank Supervision Department
Central Bank of The Bahamas

Ms. Rochelle Deleveaux

Legal Counsel & Secretary to the Board
Central Bank of The Bahamas

Strategic Goals and Activities

The Board approved Strategic Plan (2013-2016) sets out the goals, objectives and strategies that continued to guide the activities of the DIC for 2015 (Box 1). The main areas remain on target for completion within the agreed timelines.

During 2014, activities were concentrated on implementing the mechanisms for enhancing and measuring public awareness of the DIC and its activities, with the objective of building confidence in the banking sector, through an informed stakeholder community. An awareness survey was prepared for launch in early 2015, and annually thereafter, alongside media commercials, which seek to reinforce the messaging of the Fund as a safety net for Bahamian dollar deposits. As a

major deliverable, the DIC produced its inaugural annual report, which was made available to the public via the DIC's website.

Other important initiatives include the credit unions, for which the Central Bank of The Bahamas assumed regu-

latory and supervisory responsibility on June 1st 2015. A next step now is to establish safety net arrangements for credit unions. Work will also continue on pursuing the recommended amendments to the legislative framework for ensuring the adequacy of the Deposit Insurance Fund, and on sustaining the exercise to confirm ongoing

BOX 1 STRATEGIC PLAN, 2013-2016

GOALS	OBJECTIVES	STATUS
Public Confidence in the Financial Sector	<ul style="list-style-type: none"> • Build an informed stakeholder community. • Gauge effectiveness of public relations campaign. • Extend deposit insurance to credit unions. 	<ul style="list-style-type: none"> • In November, 2015, a copy of the DIC's information brochure was added to its website along with a new "Library" section containing two public awareness infomercials, which were previously released on television and in movie theaters. During the second quarter of 2016, the DIC plans to conduct its second annual survey to measure the public's awareness of deposit insurance coverage. • Work continues in formulating a framework to establish a second-tier deposit insurance fund for credit unions and also to amend the Protection of Depositors Act which currently limits deposit insurance coverage to banking institutions.
Operational Readiness	<ul style="list-style-type: none"> • Establish target size for Deposit Insurance Fund. • Arrange contingency funding mechanism. • Test adequacy of payout arrangements. • Develop competent and knowledgeable resources. • Document administrative and corporate governance arrangements. • Prompt identification and response for payouts. • Implement a strategic plan. 	<ul style="list-style-type: none"> • Legislative proposals, formulated in 2013 to enhance the adequacy of the Fund, are being reviewed in the context of the overall financial sector crisis management plan. • Central Bank staff involved in DIC activities, are being exposed to global development in bank resolution and crisis management. The Bank received feedback on the discussion paper issued in May 2015, from two key stakeholders. The Bank will now commence the process of formulating the draft Bills to amend the Banks and Trust Companies Regulation Act, the Central Bank of The Bahamas Act and the Protection of Depositors Act, for the purpose of enhancing the country's crisis management and bank resolution framework. • Corporate governance arrangements well documented, and strategic planning implemented, with the first three year strategic plan covering 2013-2016.
Regulatory Efficiency	<ul style="list-style-type: none"> • Ensure compliance with International Association of the Deposit Insurers (IADI) Core Principles and other best practices. 	<ul style="list-style-type: none"> • Implemented process for continuous assessment against international standards for deposit insurance schemes.

compliance of DIC operations with international best practices. In the area of crisis preparedness, apart from conducting the annual crisis simulation exercises, the Corporation will continue to work with other regulators to establish a comprehensive and efficient crisis management plan for the financial sector.

International Associations

The DIC is one of the 25 founding members of the International Association of the Deposit Insurers (IADI), which aims to, *inter alia*, contribute to the sta-

bility of financial systems, by promoting international cooperation in the field of deposit insurance; and providing guidance for establishing new, and enhancing existing, deposit insurance systems.

The DIC's membership in IADI and the IADI Caribbean Regional Committee (CRC) continues to provide forums for the exchange of knowledge and opportunities to further professional development in the field of deposit insurance, as well as gain access to technical assistance.

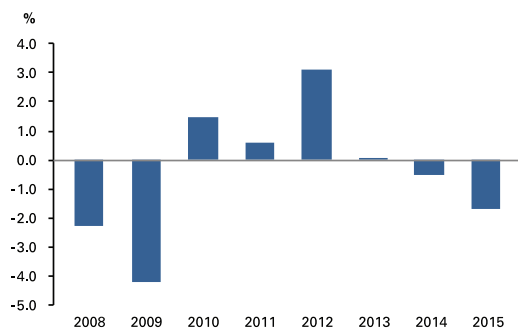
MANAGEMENT DISCUSSION AND ANALYSIS

Overview of Domestic Macroeconomic Environment

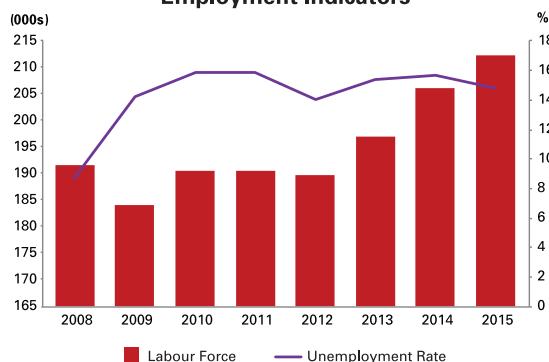
The strategic policies and practices of member institutions continued to be influenced by the domestic economy’s performance in 2015, which ultimately affected their financial outcomes.

Real GDP fell by 1.7%, following a revised 0.5% contraction recorded in 2014. This reflected mainly a significant falloff in construction sector output, as activity related to Baha Mar project was substantially completed; however, the tourism-associated inflows and employment gains did not materialize due to the, as yet, unopened state of the resort. As a result the unemployment rate rose by 2.8 percentage points over the six-month period to 14.8% at end-November 2015; albeit, remaining lower than the 15.7% recorded a year earlier.

Real GDP Growth



Employment Indicators



Domestic inflation firmed modestly during the review year, despite the sustained reduction in international oil prices, attributed mainly to the pass-through effects of the value added tax (VAT), which was implemented on January 1, 2015. Specifically, consumer price inflation—as measured by changes in the Retail Price Index—rose to 1.9% from 1.2% in the prior year, due largely to elevated costs for health care, clothing & footwear, recreation & culture and furnishing, household equipment & maintenance.

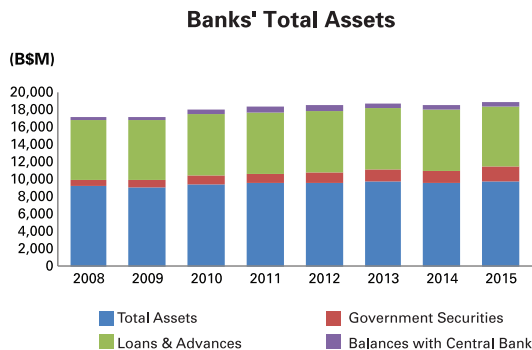
Monetary sector developments featured ongoing weak private sector demand and in the context of net foreign currency inflows from mainly real sector activities sustained buoyant liquidity levels and build-up in external reserves. In addition, reflecting sustained loan write-offs and debt restructuring activities, banks’ credit quality indicators improved in 2015. Banks also recorded a net profit over the twelve months to September, a reversal from a net loss in the corresponding 2014 period when extraordinary bad debt expenses were recorded. In interest rate trends, the average deposit rate edged down further, while the average loan rate firmed.

On the fiscal side, the Government’s overall deficit contracted during the first half of FY2015/16, buoyed by a VAT-led expansion in total revenue, which outstripped the increase in aggregate spending.

Asset Growth and Quality

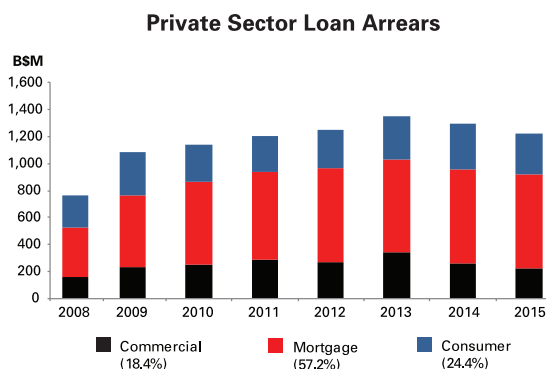
Weakness in private sector demand continued to restrict growth in members’ balance sheets, as their total Bahamian dollar assets firmed by a mere 2.7% (\$0.25 billion) to \$9.49 billion. With regard to liquidity management, banks’ non-interest bearing excess balances with the Central Bank contracted by 3.2% (\$19.2 million) to \$587.5 million; however, their holdings of Government securities firmed by 14.4% to \$1.6 billion. Total Bahamian dollar loans were relatively unchanged at \$6.4 billion, the bulk of which

related to private residential mortgages (44.3%), with consumer and commercial loans accounting for much smaller shares of 35.7% and 20.0%, respectively. Specific to private sector credit, the contraction in Bahamian dollar lending slowed to 0.3% from 1.9% in the prior year, for an ending balance of \$6.0 billion, and constituted 93.9% of the total. In addition, loans to the Government grew by 8.0% to \$380.2 million, for a 5.9% share, while growth in credit to the rest of the public sector tempered to \$9.3 million, to represent 0.2% of the aggregate.



A breakdown by sector revealed that personal loans, at a dominant 81.4% of the total, fell slightly by 0.5% to \$5.2 billion, with the most significant declines registered for tourism (35.5%), fisheries (26.2%), manufacturing (18.3%) and agriculture (16.5%). In contrast, notable increases in lending were recorded for miscellaneous purposes (13.8%), private financial institutions (11.1%) and entertainment & catering (9.5%).

At end-2015, total loan arrears declined by 5.7% to \$1.2 billion, and by 1.1 percentage points to 20.3% of total loans. The decrease in delinquencies was led

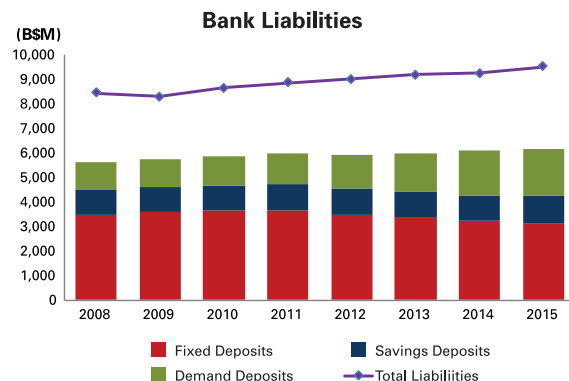


by the commercial component, which contracted by \$37.7 million (14.4%) to \$224.9 million, to account for 18.4% of the total. Similarly, consumer loan arrears, at 24.4% of the aggregate, declined by \$35.0 million (10.5%) to \$297.5 million. In contrast, the mortgage component—at a dominant 57.2% of the total—fell marginally by 0.2% to \$697.2 million. The falloff in loan arrears reflected a \$71.6 million (7.3%) reduction in the non-performing component—arrears in excess of 90 days and on which banks have stopped accruing interest—to \$906.6 million, relative to a 1.3% increase in 2014, and represented a 1.1 percentage point narrowing to 15.1% of total private sector loans. Similarly, the short-term (31-90 day) segment declined by \$2.2 million (0.7%) to \$313.0 million, vis-à-vis a \$70.9 million (18.4%) contraction a year earlier. At end-December, the associated ratio of short-term arrears to total private sector loans stood at 5.2%, in line with the previous year's level.

Deposit Base and Liquidity

During 2015, members' total Bahamian dollar liabilities firmed by 2.6% to \$9.51 billion. Bahamian dollar deposits, at \$6.2 billion, constituted 65.1% of the total liabilities, with the dominant share held by private individuals (50.5%), followed by business firms (29.2%), the public sector (9.5%), private financial institutions (6.1%) and other depositors (4.7%). An estimated 50.4% of these deposits were held in fixed balances, with demand and savings deposits accounting for smaller portions of 31.0% and 18.6%, respectively.

The DIC insures deposits up to a maximum of \$50,000 for any single depositor and, at end-2015, approximately 88.3% of Bahamian dollar deposits held balances of under \$10,000, but comprised a

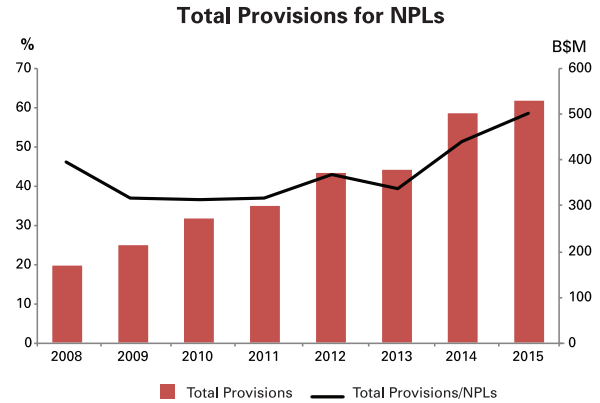


modest 5.9% of the aggregate value. Deposits between \$10,000 and \$50,000 represented 7.9% of the total number of accounts and 10.8% of the value, while those in excess of \$50,000 constituted a mere 3.8% of the total number, but a dominant 83.3% of the aggregate.

Meanwhile broad-base bank liquidity—which include holdings of public sector securities—advanced by 13.9% to \$1.32 billion. However, the average monthly net free cash balances of members—the narrowest measure of liquidity—contracted by 9.3% to \$453.9 million, reflecting a shift in funds from cash to Government debt securities. By end-2015, net free cash reserves were 17.0% lower at \$404.9 million—and represented a reduced 6.5% of Bahamian dollar deposits.

Profitability and Capital Adequacy

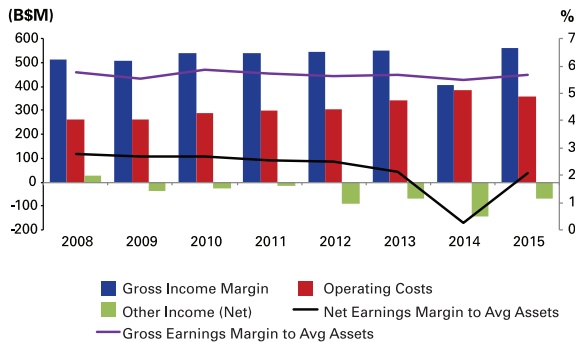
Members’ operations returned to profitability during the twelve-months to September, as banks recorded a combined \$135.4 million in net income, vis-à-vis a \$109.5 million net loss in the comparative 2014 period, corresponding to 1.4% of average assets. Banks’ net interest margin increased by 1.7% (\$9.1 million) to \$532.7 million, as the 13.9% (\$14.2 million) reduction in interest expense to \$88.1 million, outstripped a 0.8% (\$5.1 million) falloff in interest income to \$620.8 million. In the context of banks’ restructuring



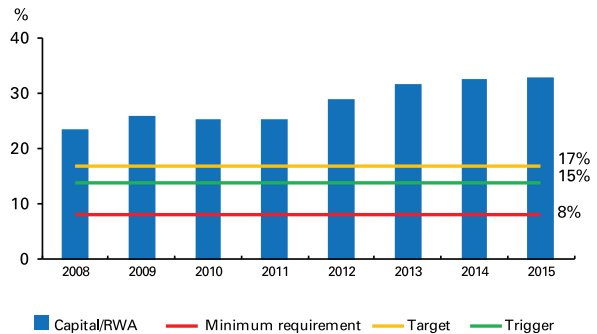
activities, operating expenses contracted by 25.8% (\$123.6 million) to \$355.7 million, reflecting decreases in other “miscellaneous” operating costs—inclusive of professional services, Government fees and maintenance—of 43.0% (\$116.2 million) and staff outlays of 4.8% (\$8.6 million). As a result, the net earnings margin widened to \$206.1 million from \$66.2 million, and equated to 2.1% of average assets.

Attributed in large measure to the \$100.9 million reduction in provisions for bad debt, to \$162.2 million, combined with a \$3.9 million (3.7%) rise in non-core income and a marginal \$0.3 million (2.0%) decrease in depreciation costs, the loss on the other income segment was reduced sharply to \$70.7 million from \$175.7 million in 2014. At end-2015, members’ bad debt provisions represented approximately 8.3% of total private sector loans and 43.5% of total arrears.

Bank Profitability Indicators



Commercial Bank's Capital/Risk Weighted Assets



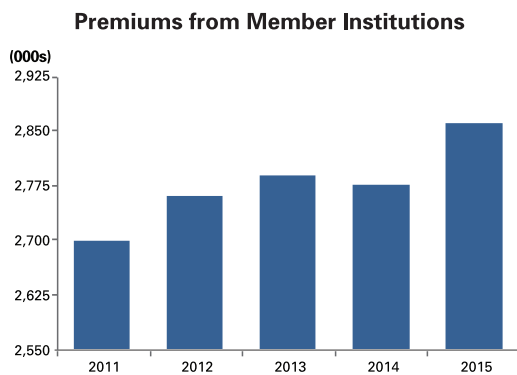
2015 FINANCIAL HIGHLIGHTS AND ANALYSIS

At the end of the year, the Corporation returned a satisfactory performance with a growth in comprehensive income of \$270,577 or 6.3% to end at \$4.6 million. The increase was mainly due to higher interest income attributed to increased levels of investment instruments, which led to accretions in investment yields during the year.

The Corporation's expenditures for 2015 stood at \$0.071 million, which was \$0.046 million below budget or 1.38% higher than 2014 expenditures of \$0.070 million. It is expected that expenses will continue to increase over the next year as a result of planned expansions in public awareness initiatives.

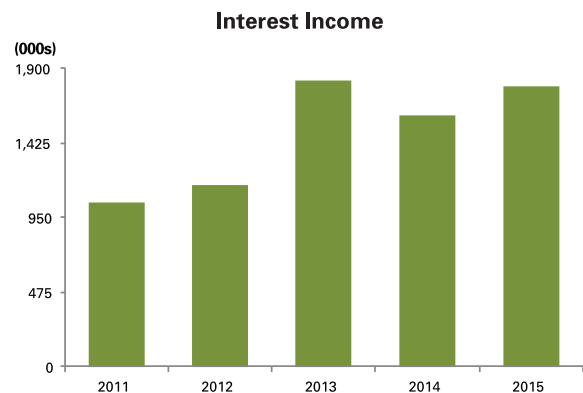
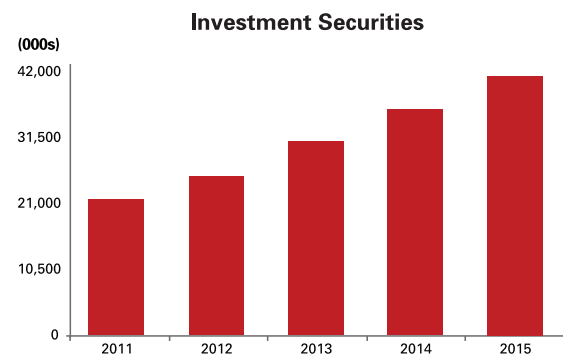
Premiums

Pursuant to Section 5(2) of the Protection of Depositors Act, annual premiums are charged at a rate of one-twentieth of one percent of the average sum of Bahamian Dollar deposits insured by the Corporation with member institutions, as at 31st March and 30th September of the previous year. These premiums are collected twice annually, on 15th June and 15th December. For the assessment year 2015, total premiums collected from member institutions totalled \$2.86 million compared to \$2.77 million in the previous year and was tied to growth in the member banks' Bahamian Dollar deposits.



Investments & Interest Income

Based on the powers prescribed in Section 15(g)(iii) of the Act, the Corporation may invest the collected premiums in government and quasi government instruments and short-term deposits. The Corporation continued to invest in Bahamas Government long-term bonds, which increased by \$5.3 million (12.7%) to \$40.4 million, for a leading 98.8% of total assets (96.2%: 2014). Investments are held to maturity; however, these funds have been categorized as available-for-sale in order to allow for the availability of same to meet any required depositors payout if a member institution fails. Accrued interest receivable from these long-term bonds accounted rose by 16.1% to \$0.6 million. The Corporation's interest income for 2015 rose by 1.2% to \$1.78 million. As at December 31, 2015, long-term government bonds were the only category of income-generating assets, as cash at banks was non-interest bearing.

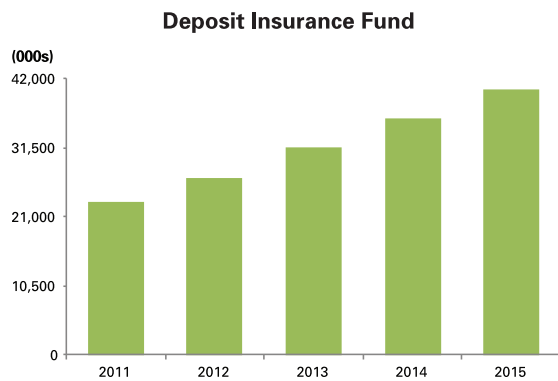


Deposit Insurance Fund

The Fund rose further by 12.7% to \$40.9 million in 2015. The Corporation continued to build the reserves of the Fund through the accumulation and investment of annual premiums. Based on the maximum B\$50,000 insurance coverage per depositor, an estimated 96 percent of deposit accounts in member institutions are covered by deposit insurance.

Operating Expenditures

The total operating expenditures rose by 1.4% to \$0.1 million in 2015. Administrative fees paid to the Central Bank continued to account for the largest single outlay was almost stable at \$0.03 million.



IADI CORE PRINCIPLES FOR EFFECTIVE DEPOSIT INSURANCE SYSTEMS

PRINCIPLE 1 **Public Policy Objectives**

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

PRINCIPLE 2 **Mandate and Powers**

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

PRINCIPLE 3 **Governance**

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

PRINCIPLE 4 **Relationships with Other Safety-Net Participants**

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

PRINCIPLE 5 **Cross-Border Issues**

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

PRINCIPLE 6 **Deposit Insurer's Role in Contingency Planning and Crisis Management**

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

PRINCIPLE 7 **Membership**

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

**PRINCIPLE 8
Coverage**

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

**PRINCIPLE 9
Sources and Uses of Funds**

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

**PRINCIPLE 10
Public Awareness**

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

**PRINCIPLE 11
Legal Protection**

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

**PRINCIPLE 12
Dealing with Parties at Fault
in a Bank Failure**

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

**PRINCIPLE 13
Early Detection and Timely
Intervention**

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

**PRINCIPLE 14
Failure Resolution**

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

**PRINCIPLE 15
Reimbursing Depositors**

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

**PRINCIPLE 16
Recoveries**

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

2015
Financial Statements

Deposit
Insurance
Corporation



INDEPENDENT AUDITORS' REPORT

To the Board of Management of:
Deposit Insurance Corporation

We have audited the accompanying financial statements of Deposit Insurance Corporation (“the Corporation”), which comprise the statement of financial position as at December 31, 2015 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management’s Responsibility for the Financial Statements

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

Auditors’ Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors’ judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity’s preparation and fair presentation of the financial statements 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 entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITORS' REPORT (continued)

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2015 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other Matter

The financial statements of the Corporation for the year ended December 31, 2014 were audited by other auditors who expressed an unqualified opinion on those statements on February 9, 2015.



CHARTERED ACCOUNTANTS

March 2, 2016
Nassau, Bahamas

DEPOSIT INSURANCE CORPORATION
Statement of Financial Position

As at December 31, 2015
(Expressed in Bahamian dollars)

	2015	2014
ASSETS		
Cash at Bank	\$ 4,316	\$ 828,903
Investments (Note 4)	40,381,400	35,070,800
Accrued interest receivable	603,195	519,503
Premium receivable	-	574
Other assets	3,032	3,252
Total assets	40,991,943	36,423,032
LIABILITIES		
Unpaid claims	52,644	52,644
Accounts payable and accrued expenses	5,590	5,200
Total liabilities	58,234	57,844
Net assets	\$ 40,933,709	\$ 36,365,188
EQUITY		
Capital (Note 5)	\$ 500,000	\$ 500,000
Deposit insurance fund	40,433,709	35,865,188
Total equity	\$ 40,933,709	\$ 36,365,188

See accompanying notes. See Independent Auditors' Report on pages 23 and 24.

Approved on behalf of the Board of Management by:

Chairman
Board of Management

Member
Board of Management

DEPOSIT INSURANCE CORPORATION Statement of Comprehensive Income

For the year ended December 31, 2015

	2015	2014
Income		
Premiums	\$ 2,858,057	\$ 2,773,110
Interest income	1,781,394	1,594,798
	4,639,451	4,367,908
Expenses		
Administration fee (Note 6)	33,013	30,800
Membership fee (Note 7)	12,350	12,848
Public awareness campaign	9,631	-
Printing	5,714	5,182
Audit fee	5,590	5,200
Board honorarium	3,600	3,300
Website development	1,032	782
Conference expenses	-	11,852
	70,930	69,964
Net income and total comprehensive income	\$ 4,568,521	\$ 4,297,944

See accompanying notes. See Independent Auditors' Report on pages 23 and 24.

DEPOSIT INSURANCE CORPORATION
Statement of Changes in Equity

For the year ended December 31, 2015

	Capital	Deposit Insurance Fund	Total
As at December 31, 2013	\$ 500,000	\$ 31,567,244	\$ 32,067,244
Total comprehensive income	-	4,297,944	4,297,944
As at December 31, 2014	500,000	35,865,188	36,365,188
Total comprehensive income	-	4,568,521	4,568,521
As at December 31, 2015	\$ 500,000	\$ 40,433,709	\$ 40,933,709

See accompanying notes. See Independent Auditors' Report on pages 23 and 24.

DEPOSIT INSURANCE CORPORATION Statement of Cash Flows

For the year ended December 31, 2015

	2015	2014
CASH PROVIDED BY (USED IN)		
Cash flows from operating activities:		
Net income	\$ 4,568,521	\$ 4,297,944
Adjustment to reconcile net income to net cash provided by operating activities:		
Interest income	(1,781,394)	(1,594,798)
Cash provided by operations before changes in operating assets and liabilities	2,787,127	2,703,146
Changes in operating assets and liabilities		
Decrease (increase) in premium receivable	574	(574)
Decrease (increase) in other assets	220	(162)
Increase in accounts payable and accrued expenses	390	-
Interest received	1,697,702	1,534,738
Net cash provided by operating activities	4,486,013	4,237,148
Cash flows from investing activities		
Purchase of investments	(5,310,600)	(5,050,000)
Net cash used in investing activities	(5,310,600)	(5,050,000)
Net decrease in cash and cash equivalents	(824,587)	(812,852)
Cash and cash equivalents, beginning of year	828,903	1,641,755
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 4,316	\$ 828,903
Represented by:		
Cast at bank	\$ 4,316	\$ 828,903

See accompanying notes. See Independent Auditors' Report on pages 23 and 24.

DEPOSIT INSURANCE CORPORATION

Notes to Financial Statements

December 31, 2015

1. GENERAL

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 Deposit Insurance 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 of \$50,000, for any single depositor, or such greater amount as the Minister may prescribe on the advice of the Central Bank of The Bahamas (“the Central Bank”).

The depositor of a member institution must submit a claim to the Corporation within one year from the date of closure of the member institution. Before payment of any insured sums to depositors, the Corporation offsets any monies owed to the member institution by such depositor against the insured amount.

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

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

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

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

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

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

These financial statements were authorized for issue by the Board of Management on March 2, 2016.

DEPOSIT INSURANCE CORPORATION

Notes to Financial Statements

December 31, 2015

2. ADOPTION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS

At the date of these financial statements, the following standards and amendments to the existing standards issued by the International Accounting Standards Board ("the IASB") have not been applied in these financial statements as they are not yet effective:

IFRS 9	- Financial Instruments - effective from January 1, 2018
IFRS 14	- Regulatory Deferral Accounts - effective from January 1, 2016
IFRS 15	- Revenue from Contracts with Customers - effective from January 1, 2017
IFRS 11 (amendments)	- Joint Arrangements - amendments to clarify the accounting for acquisitions of an interest in a joint operation when the operation constitutes a business - effective from January 1, 2016
IFRS 10, 12 and IAS 28 (amendments)	- Investment Entities - amendments to address issues that have arisen in the context of applying the consolidation exception for investment entities - effective from January 1, 2016
IAS 16, IAS 38 (amendments)	- Intangible Assets - amendments regarding the clarification of acceptable methods of depreciation and amortization - effective from January 1, 2016

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The financial statements of the Corporation have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The significant accounting policies set out below have been consistently applied to all years presented, unless otherwise stated.

Basis of preparation

These financial statements have been prepared on the historical cost basis except for investments which are measured at fair value. The financial statements are expressed in Bahamian dollars which is the functional and reporting currency of the Corporation.

DEPOSIT INSURANCE CORPORATION

Notes to Financial Statements

December 31, 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reclassification of investments

As at December 31, 2015, the Corporation changed the classification of investments from held-to-maturity to available-for-sale as it does not intend to hold the investments to the maturity. The reclassification did not affect equity and net income for the year. The corresponding balance for the prior year has been reclassified as follows:

	As reported previously 2014	Reclassification	Reclassified balance 2014
Available-for-sale investments	\$ -	\$ 35,070,800	\$ 35,070,800
Held-to-maturity investments	35,070,800	(35,070,800)	-
	\$ 35,070,800	\$ -	\$ 35,070,800

Use of estimates and judgments

The preparation of financial statements in compliance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and 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 income and expenditure for the reporting period. Actual results could differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are described in Notes 3, 8 and 9.

Financial assets

The Corporation classifies its financial assets into the following categories: available-for-sale financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets. Management determines the classification at the time of initial recognition.

DEPOSIT INSURANCE CORPORATION

Notes to Financial Statements

December 31, 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

(i) Available-for-sale financial assets

Available-for-sale ("AFS") financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. AFS investments are those intended to be held for the long-term but which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or prices. Available-for-sale financial assets comprise investments.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortized cost using the effective interest method less impairments losses, if any. Balances included in this classification are cash at bank, accrued interest receivable and premium receivable.

Cash and cash equivalents

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

Accrued interest receivable

Accrued interest receivable represents interest receivable on investments.

Investments

Investments are carried at fair value based on the resale value available from the issuer. Unrealized gains and losses arising from changes in the fair value of investments classified as available-for-sale are recognized in other comprehensive income.

Impairment of financial assets

A financial asset is assessed at each reporting date to determine whether there is objective evidence of impairment. A financial asset is impaired if its carrying amount exceeds its estimated recoverable amount. An impairment loss on a financial asset is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognized in the statement of comprehensive income. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognized.

DEPOSIT INSURANCE CORPORATION

Notes to Financial Statements

December 31, 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value hierarchy

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

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

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

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

Financial liabilities

The Corporation classifies its financial liabilities as other financial liabilities.

- Other financial liabilities

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

Recognition of financial assets and liabilities

The Corporation recognizes financial assets and financial liabilities when it becomes a party to the contractual provisions of the instruments.

Derecognition of financial assets and liabilities

The Corporation derecognizes financial assets when the contractual rights to receive the cash flows from the assets expire or have been transferred and the Corporation has transferred substantially all the risks and rewards of ownership of the assets. A financial liability is derecognized when its contractual obligations are discharged, cancelled or expire.

DEPOSIT INSURANCE CORPORATION

Notes to Financial Statements

December 31, 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital

Capital comprises the contribution paid by the Central Bank in accordance with Section 13(2) of the Act (see Note 5). The Act does not provide for member institutions to be shareholders of the Corporation and accordingly, these institutions do not hold any equity in the Corporation.

Deposit insurance fund

Deposit insurance fund ("the Fund") was established under the Act for the protection of depositors. The Fund is managed by the Board of Management of the Corporation. Membership in the Fund is compulsory for every institution carrying on banking business wholly or partly in Bahamian dollars and licensed under the Banks and Trust Companies Regulation Act. The Fund comprises accumulated earnings of the Corporation.

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.

Income and expenses

(a) Premiums

The premium payable by a member institution in respect of the year in which it becomes a member institution shall be the same proportion of one twentieth of one percent of the sum of those deposits insured by the Corporation and deposited with the member institution as at the end of the month in which it becomes a member institution, as the number of days in which any of the deposits with that member institution are insured by the Corporation in that year.

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

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

(b) Interest income

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

(c) Expenses

Expenses are recognized on an accrual basis.

Value added tax on premiums

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

DEPOSIT INSURANCE CORPORATION

Notes to Financial Statements

December 31, 2015

4. INVESTMENTS

As at December 31, investments in Bahamas Government Registered Stocks are as follows:

Date of purchase	Interest rate	Maturity date	2015 Fair value	2014 Fair value
Aug. 28, 2001	5.25%	Oct. 25, 2020	\$ 1,000,000	\$ 1,000,000
Mar. 25, 2002	5.22%	Dec. 12, 2018	147,000	147,000
Jun. 19, 2002	5.09%	Sep. 6, 2020	350,000	350,000
Dec. 2, 2004	5.22%	Jul. 21, 2019	400,000	400,000
Apr. 6, 2005	5.03%	Jul. 29, 2023	900,000	900,000
Nov. 14, 2005	5.03%	Oct. 22, 2023	950,000	950,000
Jan. 18, 2006	5.06%	Jan. 18, 2026	1,050,000	1,050,000
Sep. 28, 2006	5.00%	Sep. 7, 2024	1,650,000	1,650,000
May 25, 2007	5.03%	Sep. 22, 2025	1,400,000	1,400,000
Jul. 4, 2007	5.00%	Sep. 7, 2024	900,000	900,000
Jan. 22, 2008	5.03%	Sep. 22, 2025	1,250,000	1,250,000
Jul. 22, 2008	5.00%	Jan. 18, 2024	1,450,000	1,450,000
Feb. 6, 2009	4.84%	Nov. 28, 2020	1,499,000	1,499,000
Jul. 24, 2009	4.78%	Nov. 28, 2018	1,550,000	1,550,000
Feb. 2, 2010	4.89%	Aug. 27, 2029	1,750,000	1,750,000
Jul. 26, 2010	4.90%	Jul. 26, 2034	1,528,500	1,528,500
Jul. 26, 2010	4.93%	Jul. 26, 2037	121,500	121,500
Feb. 15, 2011	4.83%	Jul. 26, 2028	1,900,000	1,900,000
Nov. 10, 2011	4.84%	Nov. 10, 2028	1,057,500	1,057,500
Jul. 16, 2012	4.30%	Jul. 16, 2029	1,100,000	1,100,000
Jul. 16, 2012	4.32%	Jul. 16, 2030	1,150,000	1,150,000
Jul. 16, 2012	4.35%	Jul. 16, 2031	1,150,000	1,150,000
Sep. 25, 2012	4.80%	Sep. 25, 2030	117,300	117,300
Sep. 25, 2012	4.81%	Sep. 25, 2032	150,000	150,000
Apr. 17, 2013	4.81%	Apr. 17, 2032	1,500,000	1,500,000
Apr. 17, 2013	4.81%	Apr. 17, 2033	1,500,000	1,500,000
Jul. 26, 2013	4.81%	Jul. 26, 2033	700,000	700,000
Jul. 26, 2013	4.82%	Jul. 26, 2034	1,000,000	1,000,000
Oct. 23, 2013	4.80%	Apr. 17, 2031	800,000	800,000
Feb. 3, 2014	4.81%	Sep. 23, 2032	1,870,000	1,870,000
Jun. 27, 2014	4.81%	Sep. 23, 2032	1,850,000	1,850,000
Sep. 2, 2014	4.80%	Sep. 23, 2031	330,000	330,000
Dec. 10, 2014	3.52%	Oct. 30, 2021	1,000,000	1,000,000
Jan. 2, 2015	3.52%	Oct. 30, 2021	800,000	-
Feb. 10, 2015	3.52%	Oct. 30, 2021	250,000	-
Apr. 14, 2015	4.35%	Jul. 16, 2031	300,000	-
May 19, 2015	4.80%	Sep. 23, 2031	200,000	-
Jul. 28, 2015	4.81%	Sep. 25, 2032	95,800	-
Jul. 28, 2015	4.81%	Apr. 17, 2032	485,100	-
Balance carried forward			\$ 37,201,700	\$ 35,070,800

DEPOSIT INSURANCE CORPORATION

Notes to Financial Statements

December 31, 2015

4. INVESTMENTS (continued)

Date of purchase	Interest rate	Maturity date	2015 Fair value	2014 Fair value
Balance brought forward			\$37,201,700	\$35,070,800
Jul. 28, 2015	4.81%	Jul. 26, 2033	909,100	-
Sep. 2, 2015	4.81%	Jul. 26, 2033	300,000	-
Oct. 20, 2015	3.52%	Oct. 30, 2021	276,500	-
Oct. 20, 2015	4.81%	Jul. 26, 2033	44,100	-
Nov. 18, 2015	4.81%	Jul. 26, 2033	190,000	-
Dec. 22, 2015	4.81%	Jul. 26, 2033	1,460,000	-
			\$ 40,381,400	\$ 35,070,800

5. 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.

6. ADMINISTRATION FEE

The Corporation pays a fee of \$30,710 per annum to the Central Bank, plus out-of-pocket expenses paid on behalf of the Corporation, for administrative services rendered. During the year, the Corporation paid \$33,013 (2014: \$30,800) to the Central Bank for such services.

7. MEMBERSHIP FEE

As a member of IADI, the Corporation pays an annual membership fee of CHF11,390. For the year ended December 31, 2015, the fee amounted to \$12,350 (2014: \$12,848).

8. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

DEPOSIT INSURANCE CORPORATION

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8. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy

The table below shows the fair value hierarchy level for financial assets measured at fair value as of December 31, 2015:

	2015			
	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Investments	\$ -	\$ 40,381,400	\$ -	\$ 40,381,400

	2014			
	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Investments	\$ -	\$ 35,070,800	\$ -	\$ 35,070,800

9. FINANCIAL RISK MANAGEMENT

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

(a) 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 available-for-sale investments and accrued interest receivable.

The Corporation limits its exposure to credit risk by investing in Bahamas Government Registered Stocks. No financial assets were past due or impaired at the reporting date. The Board of Management does not anticipate non-performance of these amounts.

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.

(b) 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. Ultimate responsibility for the management of liquidity risk rests with the Board of Management. The Board of Management manages liquidity risk by monitoring expected cash flows from premiums and investments.

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9. FINANCIAL RISK MANAGEMENT (continued)

(b) Liquidity risk (continued)

The following table summarizes the carrying amounts of the financial assets and liabilities of the Corporation into relevant maturity groups based on expected contractual maturities as at December 31, 2015. The table includes only principal cash flows.

	Within 1 year	2015 2 to 5 years	Over 5 years	Total
Financial assets				
<u>Loans and receivables</u>				
Cash at bank	\$ 4,316	\$ -	\$ -	\$ 4,316
Accrued interest receivable	603,195	-	-	603,195
	607,511	-	-	607,511
<u>Available-for-sale financial assets</u>				
Investments	-	4,946,000	35,435,400	40,381,400
	607,511	4,946,000	35,435,400	40,988,911
Financial liabilities				
<u>Other financial liabilities</u>				
Unpaid claims	52,644	-	-	52,644
Accounts payable and accrued expenses	5,590	-	-	5,590
	58,234	-	-	58,234
Net assets	\$ 549,277	\$ 4,946,000	\$ 35,435,400	\$ 40,930,677

DEPOSIT INSURANCE CORPORATION
Notes to Financial Statements

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9. FINANCIAL RISK MANAGEMENT (continued)

(b) Liquidity risk (continued)

	Within 1 year	2014		Total
		2 to 5 years	Over 5 years	
Financial assets				
<u>Loans and receivables</u>				
Cash at bank	\$ 828,903	\$ -	\$ -	\$ 828,903
Accrued interest receivable	519,503	-	-	519,503
Premium receivable	574	-	-	574
	1,348,980	-	-	1,348,980
<u>Available-for-sale financial assets</u>				
Investments	-	2,097,000	32,973,800	35,070,800
	1,348,980	2,097,000	32,973,800	36,419,780
Financial liabilities				
<u>Other financial liabilities</u>				
Unpaid claims	52,644	-	-	52,644
Accounts payable and accrued expenses	5,200	-	-	5,200
	57,844	-	-	57,844
Net assets	\$ 1,291,136	\$ 2,097,000	\$ 32,973,800	\$ 36,361,936

(c) Market risk

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

(i) Foreign currency risk

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

(ii) Interest rate risk

Interest rate risk arises from the possibility that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Corporation is exposed to interest rate risk arising from its investments. If interest rates had been 1% higher/lower, with all other variables remaining constant, net assets would have increased/decreased by \$403,814 (2014: \$350,708) as a result of the change in interest rates.

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9. FINANCIAL RISK MANAGEMENT (continued)

(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.

(d) Capital risk 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.

See Independent Auditors' Report on pages 23 and 24.



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