

2018 ANNUAL REPORT



BERMUDA DEPOSIT
INSURANCE CORPORATION



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Enhancing Bermuda's Financial Safety Net

Board of Directors

Stephen Todd, JP

CHAIRMAN

CEO, The Bermuda Hotel Association / Hotel Employers of Bermuda

Jeremy Cox

CEO, Bermuda Monetary Authority

Mark Crockwell, CFA

Treasurer, Said Holdings Ltd.

Nathan Kowalski, CPA, CA, CFA, CIM

CFO, Anchor Investment Management Ltd.

Anthony Manders

Financial Secretary, Government of Bermuda

Marcia Woolridge-Allwood

Senior Advisor, Bermuda Monetary Authority

Chairman's Report

On behalf of the Board, I am pleased to present the second Annual Report on the operations of the Bermuda Deposit Insurance Corporation (BDIC) for the year ended March 31, 2018.

The first period of operations of the deposit insurance scheme (DIS) which we previously reported on for the period ended March 31, 2017, saw notable accomplishments on the part of the board with the Deposit Insurance Act 2011 and the Deposit Insurance Rules 2016 being brought into force together with the establishment of a governance framework and systems of internal control which provide for the continued efficient management and operations of the BDIC.

The board has also commenced the process to develop a Code of Conduct and Conflict of Interests Code for board members. To further strengthen and provide an enhanced governance framework for the general public, contractors who may do business with the BDIC as well as for staff and consultants, it has also commenced the development of a General Public Privacy Policy and a Contractors Privacy Policy. These policies will directly align the BDIC with the Personal Information Protection Act which will come into force in due course.

The BDIC strategically welcomes its role alongside the Bermuda Monetary Authority in providing an enhanced financial safety net for qualifying Scheme member depositors in Bermuda. In that regard, we also participated in the activities of the Banking Liaison Panel which was established pursuant to the enactment of the Banking (Special Resolution Regime) Act 2016 whose broad remit is to provide a robust resolution/stabilisation framework for banks in Bermuda.

To further align the BDIC with leading deposit insurance entities across the world, the board is considering an appropriate form of membership in the International Association of Deposit Insurers whose participants include deposit insurers, central banks and other international organisations with an interest in financial stability.

Total premiums received from scheme members aggregated approximately \$6.09 million (2017 – \$4.44 million), with premiums earned on individual and joint accounts contributing \$5.53 million or 91% of the total (2017 – \$4.02 million (90%)). Premium income continues to be based on a premium rate of .25% per annum and charged on average quarterly declared insured deposits which aggregated approximately \$2.43 billion for the year (2017 – \$2.37 billion). Total comprehensive

income earned for the year was \$5.73 million (2017 – \$4.07 million) after incurring total operating expenses of \$374,000 (2017 – \$364,000). This resulted in approximately 94 cents on every dollar of premiums received (2017 – 92 cents) accruing to the bottom line and into the Fund.

We are also very pleased to have established Investment and Risk Policy Guidelines during this current period which provide a practical framework for the establishment and investment of the Fund and subsequent to the year end, the board committed to its first set of investments in a ladder-style structure of US Government Treasury Notes with the investments evenly spread across maturities ranging from 5 to 1 year time rungs.

The board is committed to fulfilling its mandate to manage the DIS with prudent and sound management and operating practices while implementing a conservative investment strategy.

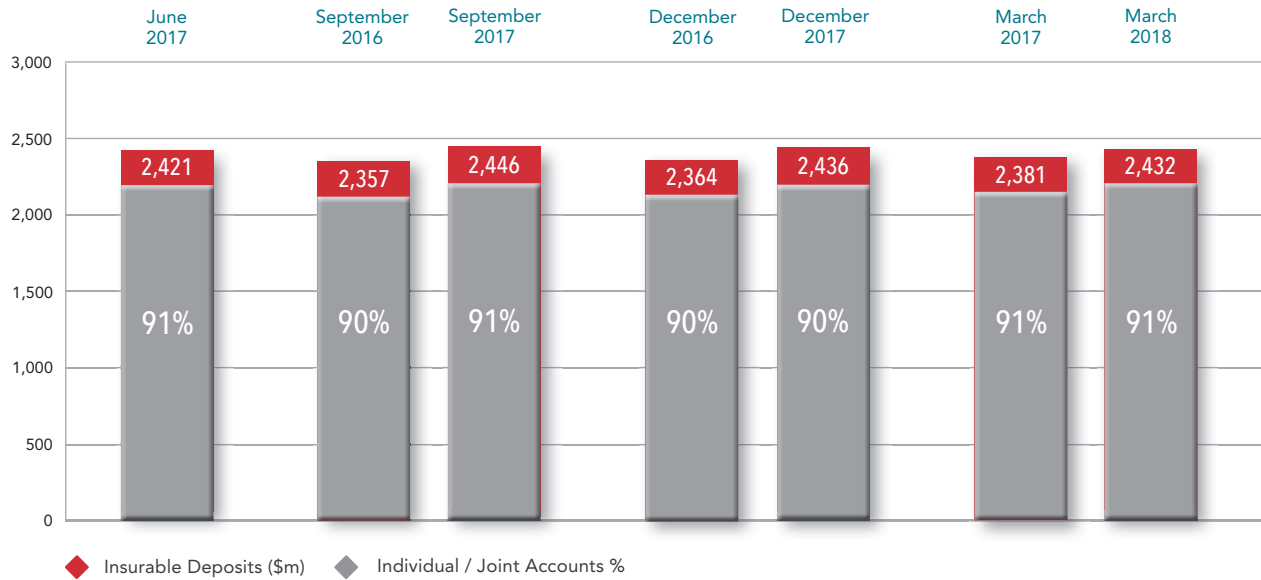
A handwritten signature in black ink, enclosed within a hand-drawn oval. The signature is stylized and appears to read 'Stephen Todd'.

Stephen Todd

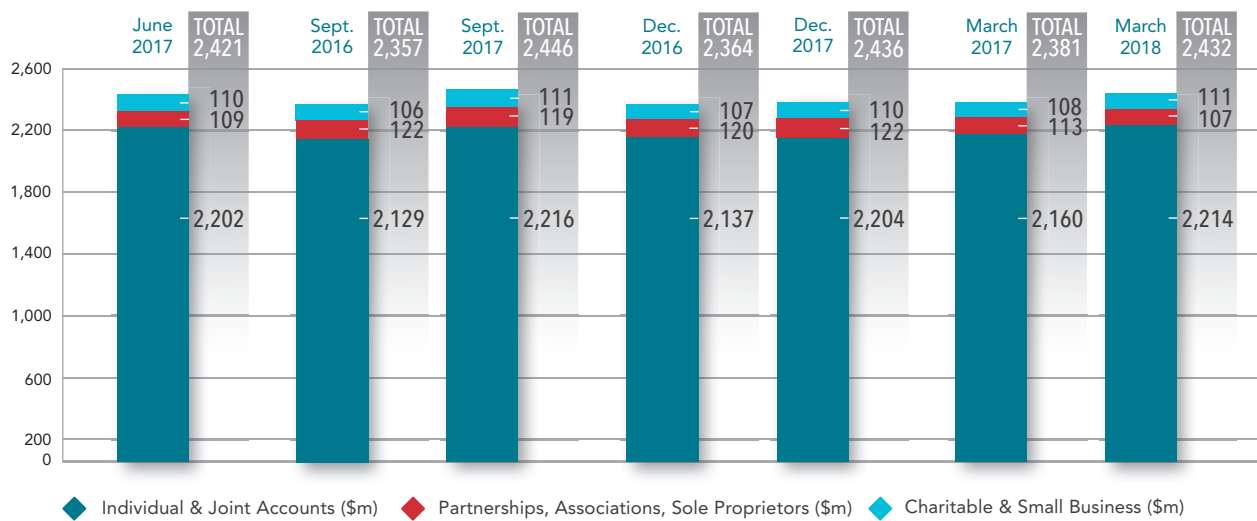
CHAIRMAN

Data & Analysis

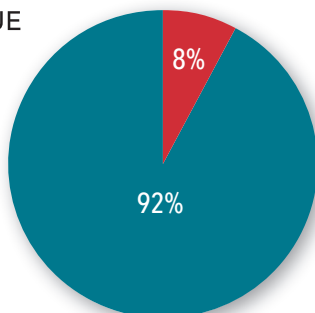
INSURABLE DEPOSITS (\$M) AND INDIVIDUAL / JOINT ACCOUNTS %



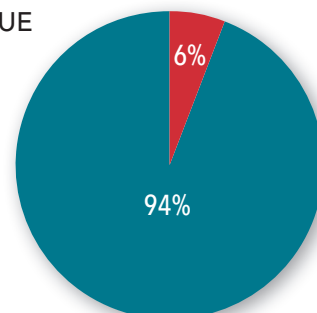
INSURABLE DEPOSITS BY CATEGORY (\$M)



RETAINED REVENUE March 2017



RETAINED REVENUE March 2018



- ◆ Retained Revenue
- ◆ Expenses

May 16, 2019

The Hon Curtis L. Dickinson, JP, MP
Minister of Finance
Ministry of Finance
Hamilton

Dear Minister,

In accordance with section 35(1) of the Deposit Insurance Act 2011, I have the privilege to submit to you a report of the operations of the Bermuda Deposit Insurance Corporation for the year ended March 31, 2018 together with the statement of accounts and the opinion of the Auditor General.

Yours sincerely



Stephen Todd
Chairman

May 10, 2019


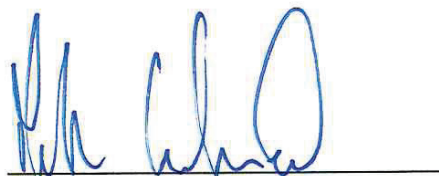
Management's Responsibility for the Financial Statements.

The accompanying financial statements of the Bermuda Deposit Insurance Corporation have been prepared by those charged with governance, who are responsible for the reliability, integrity and objectivity of the information provided. The preparation of financial statements necessarily involves using management's best estimates and judgments, where appropriate.

Those charged with governance are responsible for maintaining a comprehensive system of accounting records, internal controls, policies and management practices, designed to provide reasonable assurance that transactions are properly authorised and in compliance with legislation, assets are safeguarded, and reliable financial information is available on a timely basis.

Those charged with governance are responsible for ensuring that they fulfill their responsibility for financial reporting and internal controls. They meet periodically to discuss matters relating to financial reporting, internal control and audits. They also review the financial statements before their approval. The financial statements have been approved by those charged with governance and have been examined by the Office of the Auditor General.

The accompanying Independent Auditor's Report is presented herein.


Stephen Todd
Chairman
Mark Crockwell
Director



Office of the Auditor General

Reid Hall, Penthouse
3 Reid Street
Hamilton HM 11, Bermuda

Tel: (441) 296-3148

Fax: (441) 295-3849

Email: oag@oagbermuda.bm

Website: www.oagbermuda.bm

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the Bermuda Deposit Insurance Corporation

Report on the Financial Statements

I have audited the accompanying financial statements of the Bermuda Deposit Insurance Corporation, which comprise the statement of financial position as at March 31, 2018, 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 information.

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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in Bermuda and Canada. Those standards require that I 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 auditor's 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 auditor considers 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Bermuda Deposit Insurance Corporation as at March 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

As required by Schedule 2 of the Deposit Insurance Act 2011, I also report that, in my opinion, the financial statements show fairly the financial transactions and the state of affairs of the Bermuda Deposit Insurance Corporation, proper accounting and other records have been kept, including records of all assets of the Bermuda Deposit Insurance Corporation, and the receipts, expenditure and investment of moneys and the acquisition and disposal of assets by the Bermuda Deposit Insurance Corporation during the year ended March 31, 2018, were in accordance with the provisions of the Deposit Insurance Act 2011.

Hamilton, Bermuda
May 10, 2019



Heather Thomas, CPA, CFE, CGMA
Auditor General

BERMUDA DEPOSIT INSURANCE CORPORATION

Statement of Financial Position

As at March 31, 2018

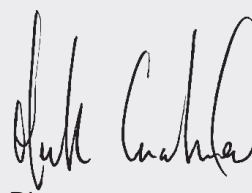
(Expressed in Bermuda Dollars)

	<u>2018</u>	<u>2017</u> (Note 11)
Assets		
Current assets		
Cash and cash equivalents (Note 4)	\$ 8,320,476	\$ 2,631,552
Accrued income (Note 8)	1,528,857	1,488,282
Prepayments	<u>1,960</u>	<u>5,302</u>
Total current assets	<u>9,851,293</u>	<u>4,125,136</u>
Non-current assets		
Property and equipment (Note 5)	<u>5,859</u>	<u>8,424</u>
Total non-current assets	<u>5,859</u>	<u>8,424</u>
Total assets	<u>\$ 9,857,152</u>	<u>\$ 4,133,560</u>
Liabilities and equity		
Current liabilities		
Accounts payable and accrued liabilities (Note 8)	\$ <u>56,300</u>	\$ <u>59,054</u>
Total current liabilities	<u>56,300</u>	<u>59,054</u>
Equity		
Retained earnings	<u>9,800,852</u>	<u>4,074,506</u>
Total equity	<u>9,800,852</u>	<u>4,074,506</u>
Total liabilities and equity	<u>\$ 9,857,152</u>	<u>\$ 4,133,560</u>
Commitments (Note 6)		

Signed on behalf of Bermuda Deposit Insurance Corporation:



Chairman



Director

The accompanying notes are an integral part of the financial statements.

BERMUDA DEPOSIT INSURANCE CORPORATION

Statement of Comprehensive Income

For the year ended March 31, 2018

(Expressed in Bermuda Dollars)

	For the year ended March 31, 2018	For the period ended March 31, 2017 (Note 11)
Revenue		
Premiums (Note 7)	\$ 6,094,054	\$ 4,438,396
Interest income	<u>5,838</u>	<u>88</u>
Total revenue	<u>6,099,892</u>	<u>4,438,484</u>
Expenses		
Professional fees	219,393	246,390
Administrative	92,832	95,521
Occupancy (Note 6)	58,756	21,827
Depreciation (Note 5)	<u>2,565</u>	<u>240</u>
Total expenses	<u>373,546</u>	<u>363,978</u>
Total comprehensive income for the year/period	<u>\$ 5,726,346</u>	<u>\$ 4,074,506</u>

The accompanying notes are an integral part of the financial statements.

BERMUDA DEPOSIT INSURANCE CORPORATION

Statement of Changes in Equity

For the year ended March 31, 2018
(Expressed in Bermuda Dollars)

	For the year ended March 31, 2018	For the period ended March 31, 2017 (Note 11)
Equity		
Balance, beginning of year/period	\$ 4,074,506	\$ —
Total comprehensive income for the year/period	<u>5,726,346</u>	<u>4,074,506</u>
Balance, end of year/period	<u>\$ 9,800,852</u>	<u>\$ 4,074,506</u>

The accompanying notes are an integral part of the financial statements.

BERMUDA DEPOSIT INSURANCE CORPORATION

Statement of Cash Flows

For the year ended March 31, 2018
(Expressed in Bermuda Dollars)

	For the year ended March 31, 2018	For the period ended March 31, 2017 (Note 11)
Cash flows from operating activities		
Total comprehensive income for the year/period	\$ 5,726,346	\$ 4,074,506
Adjustment for:		
Depreciation	2,565	240
Changes in working capital:		
Increase in accrued income	(40,575)	(1,488,282)
(Decrease)/increase in accounts payable and accrued liabilities	(2,754)	59,054
Decrease/(increase) in prepayments	<u>3,342</u>	<u>(5,302)</u>
Net cash provided by operating activities	<u>5,688,924</u>	<u>2,640,216</u>
Cash flows from investing activities		
Purchase of property and equipment	<u>—</u>	<u>(8,664)</u>
Net cash used in investing activities	<u>—</u>	<u>(8,664)</u>
Net increase in cash and cash equivalents	5,688,924	2,631,552
Cash and cash equivalents, beginning of year/period	<u>2,631,552</u>	<u>—</u>
Cash and cash equivalents, end of year/period	<u>\$ 8,320,476</u>	<u>\$ 2,631,552</u>
Interest received	<u>\$ 5,838</u>	<u>\$ 88</u>

The accompanying notes are an integral part of the financial statements.

BERMUDA DEPOSIT INSURANCE CORPORATION

Notes to the financial statements

March 31, 2018

(Expressed in Bermuda Dollars)

1. General

The Bermuda Deposit Insurance Corporation (the "Corporation") was incorporated in Bermuda in 2011 as an independent body to administer and enforce the Deposit Insurance Scheme ("DIS") in Bermuda, as well as to manage the Deposit Insurance Fund (the "Fund"). These financial statements reflect the financial position, results of operations, changes in equity and cash flows of the Fund. The address of its registered and business office is 26 Victoria Street, Hamilton HM 12, Bermuda.

The functions and powers of the Corporation are set out in Section 5 of the Bermuda Deposit Insurance Act 2011 and its amendments (the "Act"). The primary functions of the Corporation are to collect premiums from all members of the DIS, that is Bermuda's licensed banks and credit unions, and investing them, issuing the prompt payment of compensation to insured depositors from the Fund, up to a current maximum limit of \$25,000, educating the public on the DIS and its purpose and ensuring institutions adhere to the DIS.

2. Basis of preparation and significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied for the period presented, unless otherwise stated.

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) promulgated by the International Accounting Standards Board.

These financial statements were authorised for issue by the Board of Directors on May 10, 2019.

(b) Frequency of reporting

These financial statements were prepared for the year ended March 31, 2018 to comply with the reporting requirements of the Act.

(c) Basis of measurement

These financial statements have been prepared under the historical cost basis. Historical cost is generally based on fair value of the consideration given in exchange for assets or liabilities.

(d) Functional and presentation currency

These financial statements are presented in Bermuda dollars, which is the Corporation's functional and presentation currency.

(e) Use of estimates and judgements

The preparation of these financial statements in accordance with IFRS 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 statement of financial position and the reported amounts of revenues and expenses during the year. Significant areas requiring the use of management estimates and assumptions include estimating accrued liabilities, evaluating the useful lives of property and equipment and estimating the allowance for the provision of doubtful accrued income. Actual results could differ from these estimates.

BERMUDA DEPOSIT INSURANCE CORPORATION

Notes to the financial statements

March 31, 2018

(Expressed in Bermuda Dollars)

2. Basis of preparation and significant accounting policies (continued)

(f) Revenue from premium contributions

The Corporation collects premium contributions from the Scheme members in line with the DIS rules. Revenue from premium contributions is recognised at the fair value of the consideration received. Premiums are determined at the end of each premium period ending in March, June, September and December, based on the amount of insured deposits held by the Scheme members. Premium rates are fixed annually.

(g) Expenses

Expenses are recorded on the accruals basis in the year in which the goods or services are acquired or a liability is incurred.

(h) Cash and cash equivalents

Cash and cash equivalents includes cash on hand and demand deposits. Cash and cash equivalents is measured at amortised cost, which approximates fair value, on the statement of financial position.

(i) Property and equipment

Items of property and equipment are measured at cost less accumulated depreciation and any impairment losses. Cost includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Depreciation is charged on a straight-line basis over the estimated useful lives of the assets. The following useful lives are used in the calculation of depreciation:

<u>Assets</u>	<u>Useful life</u>
Furniture and equipment	3 years
Computer hardware	3 years

Depreciation expense is included in expenses on the Statement of Comprehensive Income. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset, and is recognised in the Statement of Comprehensive Income.

If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable amount. The total impairment loss is recognised in the Statement of Comprehensive Income. The reversal of an impairment loss is recognised in the Statement of Comprehensive Income to the extent that an impairment loss was previously recognised.

(j) Financial instruments

The Corporation's financial instruments consist of cash and cash equivalents, accrued income, and accounts payable and accrued liabilities. All financial instruments are measured at amortised cost using the effective interest method.

It is management's opinion that the Corporation is not exposed to significant interest rate, currency or credit risks arising from these financial instruments.

BERMUDA DEPOSIT INSURANCE CORPORATION

Notes to the financial statements

March 31, 2018

(Expressed in Bermuda Dollars)

2. Significant accounting policies (continued)

(k) Impairment of financial assets

At each reporting date, the Corporation assesses whether there is objective evidence that financial assets not carried at fair value through the Statement of Comprehensive Income are impaired. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that one or more events that occurred after the initial recognition of the assets (a "loss event") and that the loss event (or events) has an impact on the estimated future cash flows of the financial asset.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. When a subsequent event causes the amount of the impairment loss to decrease, the decrease in impairment loss is reversed through the Statement of Comprehensive Income.

3. New standards and interpretations not yet adopted

A number of new and amended standards are effective for annual periods beginning on or after January 1, 2018, and early adoption is permitted, however, the Corporation has not early adopted the following new or amended standards in preparing these financial statements.

(a) IFRS 15 Revenue From Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

The Corporation has completed an initial assessment of the potential impact of the adoption of IFRS 15 on its financial statements. Based on this assessment, the Corporation does not expect any difference in the timing of revenue recognition. The Corporation plans to adopt IFRS 15 in its financial statements for the year ending March 31, 2019, using the practical expedient approach. This will result in completed revenue transactions that began and ended in the same comparative reporting period, as well as the revenue transactions that are completed at the beginning of the earliest period presented, not being restated.

(b) IFRS 9 Financial Instruments and Amendments to IFRS 7 Financial Instruments: Disclosures

IFRS 9 and amendments to IFRS 7 are effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Corporation currently plans to apply IFRS 9 and amendments to IFRS 7 for its year ending March 31, 2019.

The actual impact of adopting IFRS 9 and amendments to IFRS 7 on the Corporation's financial statements in 2019 is not known and cannot be reliably estimated because it will be dependent on the financial instruments that the Corporation holds and economic conditions at that time as well as accounting elections and judgements that it will make in the future. The new standard will require the Corporation to revise its accounting processes and internal controls related to reporting financial instruments and these changes are not yet complete.

BERMUDA DEPOSIT INSURANCE CORPORATION

Notes to the financial statements

March 31, 2018

(Expressed in Bermuda Dollars)

3. New standards and interpretations not yet adopted (continued)

(b) IFRS 9 Financial Instruments and Amendments to IFRS 7 Financial Instruments: Disclosures (continued)

Classification – Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

Based on its preliminary assessment, the Corporation does not believe that the new classification requirements, if applied at March 31, 2018, would have had a material impact on its accounting for cash and cash equivalents and accrued income.

Impairment – Financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgment as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments.

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs. These are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component; an entity may choose to apply this policy also for trade receivables and contract assets with a significant financing component.

The Corporation's preliminary assessment indicated that application of IFRS 9's impairment requirements at March 31, 2018 would not have a material impact on the financial statements. However, the Corporation has not yet finalised the impairment methodologies that it will apply under IFRS 9.

Classification – financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities.

The Corporation has not designated any financial liabilities at FVTPL and the Corporation has no current intention to do so. The Corporation's preliminary assessment did not indicate any material impact if IFRS 9's requirements regarding the classification of financial liabilities were applied at March 31, 2018.

BERMUDA DEPOSIT INSURANCE CORPORATION

Notes to the financial statements

March 31, 2018

(Expressed in Bermuda Dollars)

3. New standards and interpretations not yet adopted (continued)

(b) IFRS 9 Financial Instruments and Amendments to IFRS 7 Financial Instruments: Disclosures (continued)

Disclosures

IFRS 9 will require extensive new disclosures, in particular about credit risk and expected credit losses. The Corporation's preliminary assessment included an analysis to identify data gaps against current processes and the Corporation plans to implement the system and controls changes that it believes will be necessary to capture the required data.

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as described below.

- The Corporation plans to take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 generally will be recognised in retained earnings and reserves as at April 1, 2019.

(c) IFRS 16 Leases

IFRS 16 introduces a single, lessee accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

The standard is effective for annual periods beginning on or after January 1, 2019. Early adoption is permitted for entities that apply *IFRS 15 Revenue from Contracts with Customers* at or before the date of initial application of IFRS 16.

The Corporation expects that adoption of IFRS 16 will not impact its financial reporting materially. The Corporation plans to adopt IFRS 16 in the financial statements for the year ending March 31, 2020.

(d) Other Standards

The following amended standards and interpretations are not expected to have a significant impact on the Corporation's financial statements.

- *Definition of Material (Amendments to IAS 1 and IAS 8).*
- *The Basis for Conclusions for the Conceptual Framework for Financial Reporting (Revised 2018).*

BERMUDA DEPOSIT INSURANCE CORPORATION

Notes to the financial statements

March 31, 2018

(Expressed in Bermuda Dollars)

4. Cash and cash equivalents

Cash and cash equivalents is comprised as follows:

	<u>2018</u>	<u>2017</u>
Cash at bank	\$ 8,320,476	\$ 106,211
Demand deposit	<u>—</u>	<u>2,525,341</u>
	<u>\$ 8,320,476</u>	<u>\$ 2,631,552</u>

The effective interest rate earned on the Corporation's cash and cash equivalents is 0.11% at March 31, 2018 (2017 - nil%).

5. Property and equipment

	<u>March 31, 2018</u>		
	<u>Computer Hardware</u>	<u>Furniture and Equipment</u>	<u>Total</u>
Opening cost at March 31, 2017	\$ 5,279	\$ 3,385	\$ 8,664
Additions	<u>—</u>	<u>—</u>	<u>—</u>
Closing cost at March 31, 2018	<u>\$ 5,279</u>	<u>\$ 3,385</u>	<u>\$ 8,664</u>
Opening accumulated depreciation at March 31, 2017	\$ 121	\$ 119	\$ 240
Depreciation expense	<u>1,768</u>	<u>797</u>	<u>2,565</u>
Closing accumulated depreciation at March 31, 2018	<u>\$ 1,889</u>	<u>\$ 916</u>	<u>\$ 2,805</u>
Net book value at end of year	<u>\$ 3,390</u>	<u>\$ 2,469</u>	<u>\$ 5,859</u>

	<u>March 31, 2017</u>		
	<u>Computer Hardware</u>	<u>Furniture and equipment</u>	<u>Total</u>
Opening cost	\$ —	\$ —	\$ —
Additions	<u>5,279</u>	<u>3,385</u>	<u>8,664</u>
Closing cost at March 31, 2017	<u>\$ 5,279</u>	<u>\$ 3,385</u>	<u>\$ 8,664</u>
Opening accumulated depreciation	\$ —	\$ —	\$ —
Depreciation expense	<u>121</u>	<u>119</u>	<u>240</u>
Closing accumulated depreciation at March 31, 2017	<u>\$ 121</u>	<u>\$ 119</u>	<u>\$ 240</u>
Net book value at end of period	<u>\$ 5,158</u>	<u>\$ 3,266</u>	<u>\$ 8,424</u>

BERMUDA DEPOSIT INSURANCE CORPORATION

Notes to the financial statements

March 31, 2018

(Expressed in Bermuda Dollars)

6. Commitments

Lease Commitment

The Corporation has entered into a five-year lease agreement for rental of office premises with a third party lessor expiring September 2021. The lease includes annual rental charges of \$33,845 and annual maintenance charges of \$8,703.

Non-cancellable lease commitments are as follows:

Less than one year	\$ 42,548
Between one and five years	<u>106,370</u>
	<u>\$ 148,918</u>

Other commitments

The corporation has entered into agreements with two third party vendors to supply managed cloud services and internet access.

Non-cancellable commitments are as follows:

Less than one year	\$ 27,975
Between one and two years	<u>6,800</u>
	<u>\$ 34,775</u>

7. Premium revenue

	<u>2018</u>	<u>2017</u>
Individuals and joint accounts	\$ 5,532,460	\$ 4,016,297
Partnerships and other organisations	284,998	221,284
Charitable organisations	<u>276,596</u>	<u>200,815</u>
Total premiums	<u>\$ 6,094,054</u>	<u>\$ 4,438,396</u>

The Deposit Insurance (Effective Date) Notice 2016 deemed that the effective date for the payment of premium contributions by Scheme members is July 1, 2016. Premiums billed and collected for the period July 1, 2016 through August 19, 2016 totalling \$800,500 are included in the premiums revenue in the Statement of Comprehensive Income for the period ended March 31, 2017.

BERMUDA DEPOSIT INSURANCE CORPORATION

Notes to the financial statements

March 31, 2018

(Expressed in Bermuda Dollars)

8. Financial instruments

The Corporation has designated its financial instruments as follows:

	2018		2017	
	Carrying value	Estimated fair value	Carrying value	Estimated fair value
Financial assets				
Cash and cash equivalents	\$ 8,320,476	\$ 8,320,476	\$ 2,631,552	\$ 2,631,552
Accrued income	<u>1,528,857</u>	<u>1,528,857</u>	<u>1,488,282</u>	<u>1,488,282</u>
	<u>\$ 9,849,333</u>	<u>\$ 9,849,333</u>	<u>\$ 4,119,834</u>	<u>\$ 4,119,834</u>
Financial liabilities				
Accounts payable and accrued liabilities	\$ <u>56,300</u>	\$ <u>56,300</u>	\$ <u>59,054</u>	\$ <u>59,054</u>
	<u>\$ 56,300</u>	<u>\$ 56,300</u>	<u>\$ 59,054</u>	<u>\$ 59,054</u>

The fair values of cash and cash equivalents, accrued income, and accounts payable and accrued liabilities approximate their carrying values as they are short-term in nature.

Interest rate risk

Interest rate risk arises from changes in prevailing levels of market interest rates. The Corporation is not exposed to significant interest rate risk.

Credit risk

Credit risk is the risk that a member or counterparty to a financial instrument fails to meet its contractual obligations to the Corporation and arises from cash and cash equivalents and accrued income. The maximum exposure to credit risk is represented by the carrying values of these financial assets on the Statement of Financial Position. Cash and cash equivalents is held by two reputable financial institutions with credit ratings of AA- and A- as at March 31, 2018, based on reports published by Moody's Investors Services. Accrued income is due from Bermuda's banks which are regulated by the Bermuda Monetary Authority. Management actively monitors accrued income and the credit performance of the banks and believes that all balances are collectible in full.

BERMUDA DEPOSIT INSURANCE CORPORATION

Notes to the financial statements

March 31, 2018

(Expressed in Bermuda Dollars)

8. Financial instruments (continued)

The aging of accrued income at the reporting date was:

	March 31, 2018		March 31, 2017	
	Current to past 30 days	Past 60 days	Current to past 30 days	Past 60 days
Accrued income	\$ 1,528,857	\$ —	\$ 1,488,282	\$ —
	<u>\$ 1,528,857</u>	<u>\$ —</u>	<u>\$ 1,488,282</u>	<u>\$ —</u>

Liquidity risk

Liquidity risk is the risk that the Corporation will encounter difficulties meeting its financial obligations as they become due. Balances due within twelve months are met within the Corporation's normal 30-day cycle of disbursements.

		March 31, 2018		
	Total	0 - 3 months	4 - 12 months	Greater than 1 year
As at March 31, 2018				
Accounts payable and accrued liabilities	\$ 56,300	\$ 56,300	\$ —	\$ —
Total financial liabilities	<u>\$ 56,300</u>	<u>\$ 56,300</u>	<u>\$ —</u>	<u>\$ —</u>
		March 31, 2017		
	Total	0 - 3 months	4 - 12 months	Greater than 1 year
As at March 31, 2017				
Accounts payable and accrued liabilities	\$ 59,054	\$ 58,701	\$ 353	\$ —
Total financial liabilities	<u>\$ 59,054</u>	<u>\$ 58,701</u>	<u>\$ 353</u>	<u>\$ —</u>

The Corporation receives sufficient revenue from premiums to meet its funding requirements for at least the next 12 months.

BERMUDA DEPOSIT INSURANCE CORPORATION

Notes to the financial statements

March 31, 2018

(Expressed in Bermuda Dollars)

8. Financial instruments (continued)

Liquidity risk (continued)

The Corporation receives sufficient revenue from premiums to meet its funding requirements for at least the next 12 months.

Price risk

Price risk is the risk that the future changes in the market prices may render financial instruments less valuable or increase the liability associated with such instruments. The Corporation is not exposed to significant price risk.

9. Capital management

The Corporation's capital consists of equity, which comprises retained earnings. The Corporation's objective is to hold sufficient equity to enable it to withstand negative unexpected financial events. The Corporation seeks to achieve this objective through receipt of premiums from all members of the DIS. The Corporation is not subject to any externally imposed capital requirements.

10. Related party transactions

The Corporation is related to all Government of Bermuda (the "Government") departments, ministries, agencies, funds and quasi-autonomous non-governmental organisations under the common control of the Government. Also, the Corporation is related to organisations that the Government jointly controls or significantly influences.

The Corporation enters into these transactions with these entities in the normal course of business and such transactions are measured at the exchange amount, which is the amount of consideration established and agreed by the related parties.

During the year, the Ministry of Finance paid expenses amounting to \$nil (2017 - \$102,472) on behalf of the Corporation. There were no transactions with related parties during the year.

11. Comparative figures

The comparative period financial statements were prepared for the period from August 20, 2016 (effective date of commencement of operations) to March 31, 2017 to comply with the reporting requirements of the Act.

12. Subsequent events

On 24th January 2019, the Bermuda Monetary Authority issued a licence to the B.I.U. Members' Credit Union (BIU). On this basis, the BIU is included as a Scheme member of the BDIC pursuant to Section 11 (3) of the Act.

Board Committees

Stephen Todd



Jeremy Cox



Nathan Kowalski



Mark Crockwell



Marcia Woolridge-Allwood



Anthony Manders



Board Committees

◆ Audit, Risk and Remuneration

◆ Investment

◆ Premiums and Claims





Swan Building
26 Victoria Street
Hamilton HM 12
Bermuda

Mailing Address:

Box 13
Swan Building
26 Victoria Street
Hamilton HM 12
Bermuda

tel: 441-292-2342
email: info@bdic.bm
www.bdic.bm