

July 2, 2007

Dr. The Hon. Omar Davies, M.P.
Minister of Finance and Planning
Ministry of Finance and Planning
30 National Heroes Circle
Kingston 4

Dear Minister:

In accordance with Section 11(1) of the Deposit Insurance Act, 1998, I have the honour to submit to you the Annual Report of the Jamaica Deposit Insurance Corporation for the Financial Year 2006/2007 and a copy of the Corporation's Accounts as at March 31, 2007, duly certified by its Auditors.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'H Walker', written in a cursive style.

Ambassador Herbert Walker, O.J., C.D.
Chairman

The Board, Management and Staff of the JDIC wish to pay tribute to the sterling contributions of the Chairman, Ambassador Herbert Walker, O.J., C.D., and the immediate past Chief Executive Officer, Mr. Winston Carr, C.D.

Mr. Walker has been the Chairman of the Board since the establishment of the Corporation in 1998 and will demit office with effect from July 28, 2007. Mr. Carr was the Chief Executive Officer also from inception and retired from this position, on December 31, 2006. Both men were instrumental in charting the course of the JDIC and the sound policies introduced and implemented by them are directly responsible for the strength of this critical institution today.

Performance Highlights

FIVE YEAR PERFORMANCE AS AT MARCH 31					
	2003 \$'000	2004 \$'000	2005 \$'000	2006 \$'000	2007 \$'000
Insurance Premium Income	221,190	301,688	339,654	388,748	437,732
Surplus from Investment and Administrative Operations	22,403	151,901	205,080	234,763	252,048
Administrative expenses	92,538	79,853	86,770	101,015	126,477
Deposit Insurance Fund	793,284	1,246,873	1,791,607	2,415,118	3,104,898
Investment securities	862,589	1,291,907	1,838,251	2,557,249	3,248,803
Property, plant and equipment	57,096	55,794	53,819	70,242	64,074
Persons employed at the end of the year	18	18	22	23	20
Expense Control Ratio (%)	27.5	15.1	13.7	13.9	15.5

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Ambassador Herbert Walker, O.J., C.D.
Chairman

Chairman's Message

It is with a sense of great pride and satisfaction that I deliver this message, and in so doing perform one of my last official assignments after serving as Chairman of this Corporation since its inception.

Nine years ago when the Honourable Minister of Finance and Planning asked me to serve as Chairman, I was honoured and accepted readily. The decision was made that much easier with the knowledge that I would be working with a CEO of the calibre of Winston Carr, with whose

capability and dedication to hard work I was already very familiar. Over the years, Mr. Carr pulled together a team of equally competent and purpose-driven personnel which has worked tirelessly to build a Corporation with operations and accomplishments which now compare well with any across the world.

The Corporation has put in place policies, systems and procedures to ensure that the requisite legislative underpinnings, research capabilities, fund management structure, risk assessment

framework and payout systems are consistent with the purpose for which the Corporation was established.

There has also been recognition that as technology and commonality of issues narrow borders, thereby bringing players across the globe closer, proper understanding of and adherence to international best practice standards is an imperative. The Corporation has therefore, through the International Association of Deposit Insurers (IADI), become an active player in the international network thereby enabling it to benchmark its own operations. In the process it has now become an important contributor to the global body of research and knowledge.

The Board remained cognizant of the critical role of the Deposit Insurer in the rehabilitated system and bolstered Financial Safety Net arrangement, coming as it did after a major financial sector crisis which diminished public confidence in the nation's financial system. Board members have undertaken their role with a seriousness of purpose and effected full oversight of the Corporation in its development programmes and ongoing operations; guided by sound Board Governance policies.

The Corporation's performance for the year was at the accustomed high standard, and the smooth transition that followed Mr. Carr's departure in December 2006 bears testimony to soundness and consistency of operation. My successor will be the beneficiary of a well-run public sector entity. Stakeholders at large can be assured that the solid professionalism and culture of excellence that has guided the JDIC's operations will continue to characterize its performance; as it operates in an increasingly dynamic marketplace and prepares for emerging issues and functions which will expand its scope of operation.

I must express my sincere thanks to my Board colleagues (present and past) for the sterling support throughout the period; and I wish the Management, Staff and new Board well.

A handwritten signature in black ink, appearing to read 'H Walker', written in a cursive style.

Ambassador Herbert Walker, O.J., C.D.
Chairman



Antoinette McKain
Chief Executive Officer

CEO's Report to Stakeholders

The principal object of the Corporation is the management of a scheme for the insurance of deposits against risk of loss and in doing so it must take all such measures as may be necessary to ensure that there is the least possible exposure to loss. To effect its purpose the Corporation manages a Deposit Insurance Fund (the Fund) and is entitled to receive specified information from the supervisory authorities and its policyholders. The Corporation is required to submit to the Parliament, through the Minister of Finance and Planning (the Minister), a report

dealing generally with its activities during the financial year.

The Corporation was again fortunate to have operated in a year marked by continued stability in the macro-economy. Benchmark interest rates maintained a downward path and the policyholder community responded by moving more of its financial resources back into the core business of consumer and commercial lending, thereby reducing reliance on investments in government securities. With this trend, notwithstanding the

taking on of more risky assets, prudent management; the vigilance of the supervisory authorities; and an enhanced regulatory framework were all factors which augur well for the continued soundness of the deposit-taking financial system.

In the context of sector stability and no payout need, the Fund continued its growth trend, save at a slightly declining rate as the rates on Government securities trended down; and ended the year at \$3.1 billion being the equivalent of 2.31 per cent of estimated Insured Deposits. Notwithstanding the continuing strong performance of the Fund and its assessment as adequate for the medium term, research work was carried out to determine to what extent the Corporation could further maximize returns through portfolio diversification.

The year was marked by continued work in furtherance of "Strengthening Depositor Protection".

Deposit Insurance coverage limit research was completed with a view to making a recommendation to the Minister for an upward adjustment in the Deposit Insurance coverage which has remained at \$300,000 per depositor per institution since 2001. This effort is aimed at maintaining the credibility of the limit by restoring the real value of protection.

Work continued apace on payout readiness projects as the Corporation remained vigilant in ensuring that it can undertake its core function if the need arises. There was also close collaboration with policyholders and the Supervisor of Banks and Financial Institutions, in respect of improving the Corporation's ability to monitor the risk to which the Fund is exposed and appropriately advising intervention action. This

collaboration was also effective in the area of public education and awareness, recognized as critical to the mission to contribute to the stability of, and confidence in, Jamaica's financial system.

The Corporation also continued its membership in the International Association of Deposit Insurers (IADI) where the experiences of other deposit insurers, both within the narrow context of deposit insurance and the wider context of financial institution resolution, continued to ensure the integrity and robustness of the strategic direction and operations of the Corporation.

The Corporation remained committed to the training of its staff to realize the most efficient use of its human resources as the platform for assuring optimal use of its financial resources and the attainment of its objectives. There were some staffing challenges in key support areas, in particular in the delivery of Information and Communication Technology services, where the implementation of some scheduled projects was slowed. The opportunity was taken during the year to commence a comprehensive review of the organizational structure to allow for enhanced performance.

For allowing this to have been a year where most of its planned initiatives were brought to fruition, with others being, in due course, assured of success, the Management is grateful for the cooperation of all its stakeholders and the work of its Board of Directors and staff. We look forward to an even more fruitful year for FY2007/08.



Antoinette McKain
Chief Executive Officer

Corporate Information

AS AT MARCH 31, 2007

BOARD OF DIRECTORS

Ambassador Herbert Walker, O.J., C.D.	-	Chairman
Miss Antoinette McKain	-	Chief Executive Officer
Mrs. Bridgett Wilks	-	Nominee of the Financial Secretary
Mr. Rudolph Muir	-	Nominee of the Governor, Bank of Jamaica
Mr. David Lowe		
Mr. Claremont Kirton		
Dr. Michael Whittingham		

EXECUTIVE MANAGEMENT

Miss Antoinette McKain	-	Chief Executive Officer
Mr. Everett Lewis	-	Director, Claims & Recoveries
Mr. Ronald Edwards	-	Director, Finance & Corporate Services
Mrs. Hughlette Jackson	-	Director, Insurance & Risk Assessment

The position of Legal Counsel & Corporate Secretary was vacant at March 31, 2007¹

AUDITORS

PricewaterhouseCoopers
Scotiabank Centre
Duke Street
P.O. Box 372
Kingston
Jamaica, W.I.

BANKERS

Bank of Jamaica
Nethersole Place
P.O. Box 621
Kingston
Jamaica, W.I.

OFFICE

30 Grenada Crescent
Kingston 5, Jamaica, W.I.

¹Miss Antoinette McKain vacated the post of Legal Counsel & Corporate Secretary effective December 2006, as she was appointed to the position of CEO on January 1, 2007.



Board of Directors

FRONT ROW LEFT TO RIGHT:

Miss Antoinette McKain

Chief Executive Officer

Ambassador Herbert Walker, O.J., C.D.

Chairman

Mrs. Bridgett Wilks

Nominee of the Financial Secretary

BACK ROW LEFT TO RIGHT:

Mr. Claremont Kirton

Mr. Rudolph Muir

Nominee of the Governor, Bank of Jamaica

Mr. David Lowe

Dr. Michael Whittingham



Executive Management

FROM LEFT TO RIGHT:

Mr. Ronald Edwards

Director, Finance & Corporate Services

Miss Antoinette McKain

Chief Executive Officer

Mr. Everett Lewis

Director, Claims & Recoveries

Mrs. Hughlette Jackson

Director, Insurance & Risk Assessment